

# Member ill health retirement benefits guide

Including details of serious  
ill health benefits



**This guide is intended for members of the NHS Pension Scheme who may be eligible for ill health retirement benefits. It explains the process for applying for ill health retirement benefits and what you will receive.**

If you are an employer, an employer guide to ill health retirement pension benefits is available on our Employer Hub.

## **This guide covers:**

- 3 Understanding if you're eligible to take ill health retirement benefits
- 4 The different levels of ill health retirement benefits
- 6 Applying for ill health retirement benefits
- 7 How you'll be informed of the outcome of your application
- 7 The possible outcomes of your application
- 8 How to claim your pension benefits once the outcome of your application is known
- 9 Options for cases of serious ill health
- 11 What happens when you receive your benefits
- 12 How your pension will increase each year
- 16 What happens if you return to work after taking your ill health retirement benefits

## **The small print**

This ill health retirement guide is intended to provide you with an overview of the Schemes' ill health retirement benefits.

We have taken great care to get the details right at the time of publication but it does not give a complete or legally binding statement of the law and regulations which govern the Schemes. Nothing in this guide can override the regulations which set out the conditions of entitlement and determine the rate at which benefits are payable. In the event of any conflicting information, the Regulations will prevail.



## Understanding if you're eligible to take ill health retirement benefits

If you become too ill to work, you may be able to retire and take your pension benefits.

### To be eligible for ill health retirement you will need to have:

- been a member for a minimum 2 years,
- not reached normal pension age,
- become too ill to work in your present job.

The normal pension age is 60 in the 1995 Section, age 65 in the 2008 Section or State Pension Age (SPA) in the 2015 NHS Pension Scheme (or age 65 if this is later).

This means to be eligible for ill health retirement benefits your last day as a member of the Scheme must be before your 60th birthday for members of the 1995 Section, or 65th birthday for members of the 2008 Section. If you are member of the 2015 Scheme your last day of Scheme membership must be before your State Pension Age (SPA) or age 65 if your SPA is before age 65.

The minimum pension age does not apply in the case of ill health retirement.

To be eligible for ill health retirement, permanent ill health must be a reason for you leaving work. If your employer has taken the decision to terminate your employment this does not automatically lead to payment of ill health retirement benefits from the NHS Pension Scheme. The two are separate and rely on different criteria.

If you are receiving incapacity or disability benefits this does not mean you will automatically receive ill health retirement benefits. The eligibility criteria for ill health retirement benefits under the NHS Pension Scheme is different to the criteria used by the Department of Work and Pensions (DWP) when determining entitlement to Incapacity and Disability benefits. Being eligible for Incapacity and Disability benefits takes into consideration the condition presently existing and percentage of disability arising from the condition.

Eligibility for NHS Pension Scheme ill health retirement benefits is based on whether your health problems are likely to prevent you from carrying out the duties of your NHS employment, or regular employment, until the Schemes' normal pension age.

## The different levels of ill health retirement benefits

The NHS Pension Scheme provides two levels of ill health retirement benefits. These are known as Tier 1 and Tier 2 ill health retirement.

The tier you receive will be decided by our medical advisors and will depend on the severity of your condition and how likely it is you may be able to work again.

### The factors that our medical advisors will take into account are:

- whether you have received appropriate medical treatment in respect of the incapacity,
- your mental and physical capacity,
- type and period of rehabilitation which it would be reasonable for you to undergo in respect of your incapacity (irrespective of whether such rehabilitation is delivered),
- any other matter which the Secretary of State considers to be appropriate.



#### To qualify for a Tier 1 ill health pension benefits

You must be permanently incapable of carrying out the duties of your own job. You will be entitled to the early payment of the retirement benefits you have earned to date without any reduction for the early payment.



#### To qualify for a Tier 2 ill health pension benefits

You must meet the Tier 1 condition and be permanently incapable of engaging in regular employment of like duration to your NHS job (i.e. either whole time or part time) because of illness or injury.

For the purpose of ill health retirement benefits 'permanently incapable' means until the Scheme's normal pension age. The normal pension age is 60 in the 1995 Section, age 65 in the 2008 Section or State Pension Age (SPA) in the 2015 NHS Pension Scheme (or age 65 if this is later).

The benefits you're entitled to if you receive Tier 2 benefits depends on which Scheme you have pension benefits in.

**Table 1: 1995 Section ill health tiers**

Tier	Definition	Entitlement
<b>Tier 1</b>	Unable to do current NHS job due to permanent ill health.	Pension will be paid based on Scheme membership built up without reduction. No enhancement to benefits.
<b>Tier 2</b>	Unable to carry out regular employment of like duration to NHS employment due to permanent ill health in addition to meeting the Tier 1 condition.	Tier 1 benefits, plus an enhancement of two thirds of your prospective membership to normal pension age. Total membership may not exceed prospective membership at 60.

**Table 2: 2008 Section ill health tiers**

Tier	Definition	Entitlement
<b>Tier 1</b>	Unable to do current NHS job due to permanent ill health.	Pension will be paid based on Scheme membership built up without reduction. No enhancement to benefits.
<b>Tier 2</b>	Unable to carry out regular employment of like duration to NHS employment due to permanent ill health in addition to meeting the Tier 1 condition.	Tier 1 benefits, plus an enhancement of two thirds of your prospective membership to age 65. Total membership may not exceed prospective membership at 65.

**Table 3: 2015 Scheme ill health tiers**

Tier	Definition	Entitlement
<b>Tier 1</b>	Unable to do current NHS job due to permanent ill health.	Pension already earned will be paid without reduction
<b>Tier 2</b>	Unable to carry out regular employment of like duration to NHS employment due to permanent ill health in addition to meeting the Tier 1 condition	Tier 1 plus the 'Tier 2 addition' which is an enhancement based on one half of prospective membership to normal pension age.

## Making your application

You should speak to your employer HR or pension department who will be able to provide an AW33E form for you to complete. If you are a GP in England contact PCSE and if you are in Wales contact the Local Health Board.

### There are three sections of the form:

- Your employer will complete part A.
- You will need to complete part B.
- Your occupational health doctor will complete Part C – where this is not possible the report can be completed by your GP or specialist.

**You must make sure you have fully completed and signed part B of the AW33E form. If your form is not fully complete it may be returned. This will delay your application.**

If you've opted out of the NHS Pension Scheme but remain in NHS employment you will also need to complete form AW33E in full. Your employer will send the form to NHS Pensions headed 'member has opted out of employment'.

If you're a deferred member and no longer actively contributing to your NHS pension benefits, you will need to complete an AW240 to apply. There are two sections of the form:

- You should complete part 1,
- Part 2 should be completed by your attending doctor – this could be your GP, hospital doctor or consultant.

If you're a deferred member submitting an AW240 application you must make sure your form is fully completed and signed before submitting it to us. If your form is not complete, it may be returned and this will delay your application.

Once received, your application will be reviewed by our medical advisors. Our medical advisors are a team of doctors and advisors qualified in occupational health who provide an independent assessment based on all available medical evidence and make a recommendation to us.

The medical advisers can also request more medical evidence if they consider it relevant and helpful to their assessment, for example from your GP or specialist.

Once your application has been assessed, if you are eligible to receive ill health pension benefits you will need to complete the retirement benefits claim form (AW8) to request payment of these benefits. Your employer will provide you with an application form to claim retirement benefits (AW8).

If you are terminally ill, you may be able to exchange your ill health retirement pension benefits for one-off tax-free lump sum. Please read the 'Serious ill health' section of this document for more information.

## Costs for obtaining medical evidence

If you are an active member of the NHS Pension Scheme or in NHS employment and you have access to Occupational Health Services, they will be able to provide supporting information at no cost. If an alternative source is selected to provide the information, they may charge a fee.

If you are a deferred member of the NHS Pension Scheme you will not have access to Occupational Health Services. You will be responsible for any fee incurred in obtaining medical evidence to support your application.

## How you'll be informed of the outcome of your application

Our medical advisers will contact you and your employer to advise you of the outcome of your application.

The NHS Pensions medical adviser will provide an explanation of their decision including the reason for giving, or for not giving ill health retirement benefits and options for a reassessment within three years.



## Possible outcomes

Following consideration of an ill health retirement application the decision options available to the NHS Pensions medical advisers are:

Outcome	Explanation
<b>Accept Tier 1</b>	You meet the criteria for ill health retirement of being permanently incapable of efficiently discharging the duties of that NHS employment.
<b>Accept Tier 1 with advice to give leave to reassess for Tier 2 with further medical evidence within three years of the award of benefits notification</b>	<p>The NHS Pensions medical adviser is satisfied that you meet the Tier 1 criteria, but the nature of your condition makes it difficult to assess the longer-term outcome in terms of your ability to permanently undertake any regular employment of like duration.</p> <p>This means you can request a reassessment within three years to consider the condition(s) upon which the original decision was made. No subsequent conditions or deterioration related to ageing will be taken into account.</p> <p>The three year period for reassessment is further restricted if:</p> <ul style="list-style-type: none"> <li>• you are going to reach normal pension age within the three years – a reassessment decision must be made before you reach normal pension age.</li> <li>• you return to NHS re-employment - your reassessment must be completed within 12 months of re-employment.</li> </ul>
<b>Accept Tier 2</b>	You meet the criteria for ill health retirement in respect of being permanently incapable of regular employment of like duration, in addition to meeting the Tier 1 condition.
<b>Accept Tier 2 – Serious ill health</b>	<p>If you wish, you can ask to exchange all of your ill health benefits for a one off, usually tax free, lump sum payment.</p> <p>See the section of this document on serious ill health benefits.</p>
<b>Claim unsuccessful</b>	You do not meet the criteria for ill health retirement benefits.



## If you have been awarded Tier 1 benefits with no leave for a reassessment within three years

You have two options depending on whether you are:

- satisfied that the Tier 1 assessment is correct,
- not satisfied that the Tier 1 assessment is correct.

If you are satisfied Tier 1 is correct:

If you are happy to remain at Tier 1, you do not need to do anything other than make an application for payment of your Tier 1 benefits by completion of the application form to claim retirement benefits (AW8). Your employer should contact you about this.

If you are not satisfied Tier 1 is correct and believe you are entitled to Tier 2 now:

- You can apply for payment of your Tier 1 benefits by completion of application form to claim retirement benefits (AW8) whilst disputing the Tier 1 decision, by completing a DRP1 form.
- You should state why you think we have got it wrong and why you should be assessed as Tier 2. You do not have to send new medical evidence to dispute the decision, although this is recommended.
- If you have anything you want the medical advisers to consider in support of your claim it should be submitted with the completed DRP1.
- If successful, a decision to award a Tier 2 pension would take effect from the original payment date.

## If you have been given the opportunity for reassessment in three years

You have three options depending on whether you are:

- satisfied that the Tier 1 assessment is correct,
- not satisfied that the Tier 1 assessment is correct,
- satisfied that the Tier 1 assessment is correct for now, but your accepted condition deteriorates or further supporting medical evidence becomes available within the next three years such that you think you might be entitled to Tier 2.

If you are satisfied Tier 1 is correct you should apply for payment of your Tier 1 benefits. You can do this by completing the application form to claim retirement benefits (AW8). Your employer will contact you about this.

If you are not satisfied Tier 1 is correct and believe you are entitled to Tier 2 now, you should follow the guidance in the previous section of this document.

If you are satisfied with Tier 1 for now, with opportunity for review in three years for reassessment to Tier 2:

- you should make an application for payment of your Tier 1 benefits by completing the application form to claim retirement benefits (AW8),
- if your condition deteriorates (or further supporting medical evidence becomes available) in the next three years, you can ask us to review your assessment to see if you qualify for Tier 2.

**NHS Pensions or its medical advisers will not reassess your Tier 1 award without you having requested a reassessment.**

You must apply for a reassessment to Tier 2 in writing, giving your reasons why you believe you are entitled to Tier 2 benefits. The NHS Pension Scheme Regulations require you to submit new medical evidence relating to the relevant medical condition(s), along with your request. You cannot ask for a review to Tier 2 if you have no new medical evidence. More information will be provided in the letter you receive from the medical advisers.

If you satisfy the Tier 2 criteria at reassessment the Tier 2 pension will be paid from the date of the reassessment.

The three-year period for reassessment is further restricted if:

- you are going to reach normal pension age within the three years – a reassessment decision must be made before you reach normal pension age,
- you return to NHS re-employment - your reassessment must be completed within 12 months of re-employment.

## Claiming your pension benefits

If you qualify for ill health pension benefits you must complete the retirement benefits claim form (AW8) to request payment of these benefits.

Your employer will be able to provide you with this form to complete.

If you're a deferred member and not actively contributing to your NHS Pension, you will need to complete and submit an AW8P. You can find this form on our 'applying for ill health retirement' webpage.



## Serious ill health

Where a member is terminally ill and is not expected to live longer than a year, they can apply at retirement to exchange all of their ill health benefits for a one off, usually tax free, lump sum payment.

If you are in this situation, please speak to your pensions officer at your place of work who will be able to support you with arranging for your benefits to be paid as a lump sum payment if you wish.

Once we receive your AW33E application form we will also contact you to provide the details of a named member of our team who will support you with your application and arranging the payment of your benefits.

To exchange your ill health retirement benefits for a one-off lump sum, you must have some of your HM Revenue & Customs (HMRC) personal Lifetime Allowance (LTA) remaining.

If you decide to exchange your ill health pension benefits for a one-off lump sum payment, this will not affect any benefits that your dependents are entitled to.

How you apply for your ill health retirement benefits and lump sum may be different depending on the type of member you are, and we have included more information in this section by member type. Members over normal pension age are no longer eligible for ill health retirement benefits, but you may be able to exchange your pension benefits for a one-off lump sum payment – see 'Active members over normal pension age' in this section for more information.

The normal pension age in the 1995 Section is age 60, 65 in the 2008 Section and State Pension Age or age 65 if this is later in the 2015 Scheme.

### **Active members under normal pension age**

If you're under normal pension age when applying for your ill health pension benefits, you will need to complete form AW341 if you wish to exchange your ill health retirement benefits for a one-off lump sum payment.

You can complete this form at the same time as your application form for ill health pension benefits (AW33E) but your AW341 should be sent to us with your application for payment of benefits form (AW8)

Your pensions officer at your place of employment will be able to provide you with a copy of the AW341. This form is also available on our 'applying for ill health retirement' webpage.

## **Members with deferred NHS Pension benefits**

If you have deferred NHS pension benefits, which means you're no longer actively contributing to the NHS Pension Scheme, you will need to make your application for ill health retirement pension benefits using form AW240.

To apply to exchange your retirement benefits for a one-off lump sum you should complete form AW341.

If you are a deferred member with a last day of Scheme membership on or after 1 April 2008 the one-off lump sum will be the maximum lump sum plus five times the remaining pension.

If you are a deferred member with a last day of Scheme membership before 1 April 2008 the one-off lump sum will be equal to five times the annual pension plus the lump sum.

Deferred members with a last day of Scheme membership before 6 March 1995 may not exchange their retirement benefits for a one-off lump sum payment.

You can find a copy of both the AW240 and AW341 on our 'applying for your ill health benefits' webpage.

## **Members with entitlement in both sections of the 1995/2008 Scheme**

If you have pension benefits in both the 1995 and 2008 Sections of the 1995/2008 Scheme will need to make separate applications for consideration of entitlement to ill health benefits under each section.

An AW341 or AW341A should be attached to each application to exchange your benefits to a lump sum. Copies of these forms are available on our 'applying for ill health retirement benefits' webpage.

You're unable to apply for ill health retirement benefits if you are over your normal pension age. You do have the option to exchange your retirement benefits for a one-off lump sum payment. To do this, you must complete and send an AW341A form with an:

- AW8 form if you're an active member
- AW8P form if you're a deferred member

## **Members with benefits in the 1995 or 2008 Sections who are members of the 2015 Scheme**

You may need to make separate applications for consideration of entitlement to benefits in each Scheme using the appropriate application forms. However, this is only necessary where you have had a break in Scheme membership of more than five years and you have deferred pension benefits in either of the 1995 or 2008 Sections. This is because your pension benefits will have been decoupled and the pension benefits you have previously built up in either of these sections will have been deferred for payment at your normal pension age.

If you have moved to the 2015 Scheme and not had a break of more than five years you will only need to make one application.

### **Active members over normal pension age**

If you have reached or are over your normal pension age, you are not eligible to apply for ill health retirement benefits. However, you do have the option to exchange your retirement benefits for a one-off lump sum payment where your life expectancy is less than 12 months.

If you wish to exchange your retirement benefits for a one-off lump sum payment, you must complete form AW341A and send this to NHS Pensions with your application form to claim retirement benefits (your AW8) showing the reason for retirement on the form as commuted ill health. Your benefits will not be enhanced under the ill health retirement arrangements.

The one-off lump sum payment is calculated using the following formula, which is in accordance HMRC rules:

- Pension up to the level that provides the maximum permitted lump sum will be converted at the rate of £12 lump sum for every £1 of pension given up.
- The remaining pension will be converted to a lump sum at the rate of £5 lump sum for every £1 of pension.
- Any basic retirement lump sum payable from either the 1995 Section or the 2008 Section will be paid in addition to the pension lump sum.

Where a member exchanges retirement benefits for a one-off lump sum payment, dependants are not affected.

An application to exchange retirement benefits for a one-off lump sum must be made before the pension is paid and cannot be changed once the lump sum payment has been made. Please see the example in this document.

Your pensions officer will be able to provide a copy of the forms you require.

### Example of one-off lump sum payment for the 1995 Section

#### Basic projected benefits:

Pension £1,200.00

Lump Sum Retirement Allowance £3,600.00

For the member to receive the most beneficial one-off lump sum payment first some of the the annual pension is given up to get the maximum lump sum allowed – this is known as commutation. For every £1.00 pension given up you receive £12.00 of lump sum.\*

Pension (reduced): £965.00

Lump Sum Retirement Allowance (maximum) £6,420.00

The ill health one off payment is calculated as follows:

Pension (reduced) x 5 = £4,825.00

Plus the maximum Lump Sum Retirement Allowance  
£6,420.00

This would result give a one-off payment of: **£11,245.00**

Please note: If the pension is not commuted to give the maximum lump sum before the one-off payment is calculated, then the member would receive 5 x the basic pension (5 x £1,200.00) £6,000.00 plus the basic lump sum £3,600.00 = £9,600.00.

\*Subject to HMRC limit

### Example of one-off lump sum payment for 2008 Section

#### Basic projected benefits:

Pension £1,900.00

For the member to receive the most beneficial one-off lump sum payment first some of the the annual pension is given up to get the maximum lump sum allowed – this is known as commutation. For every £1.00 pension given up you receive £12.00 of lump sum.\*

Pension (reduced): £1,221.43

Lump Sum Retirement Allowance (maximum) £8,142.84

The ill health one off payment is calculated, as follows:

Pension (reduced) x 5 = £6,107.15

Plus the maximum Lump Sum Retirement Allowance  
£8,142.84

This would result in a one-off payment of: **£14,249.99**

\*Subject to HMRC limit

## Example of one-off lump sum payment for 2015 Scheme members

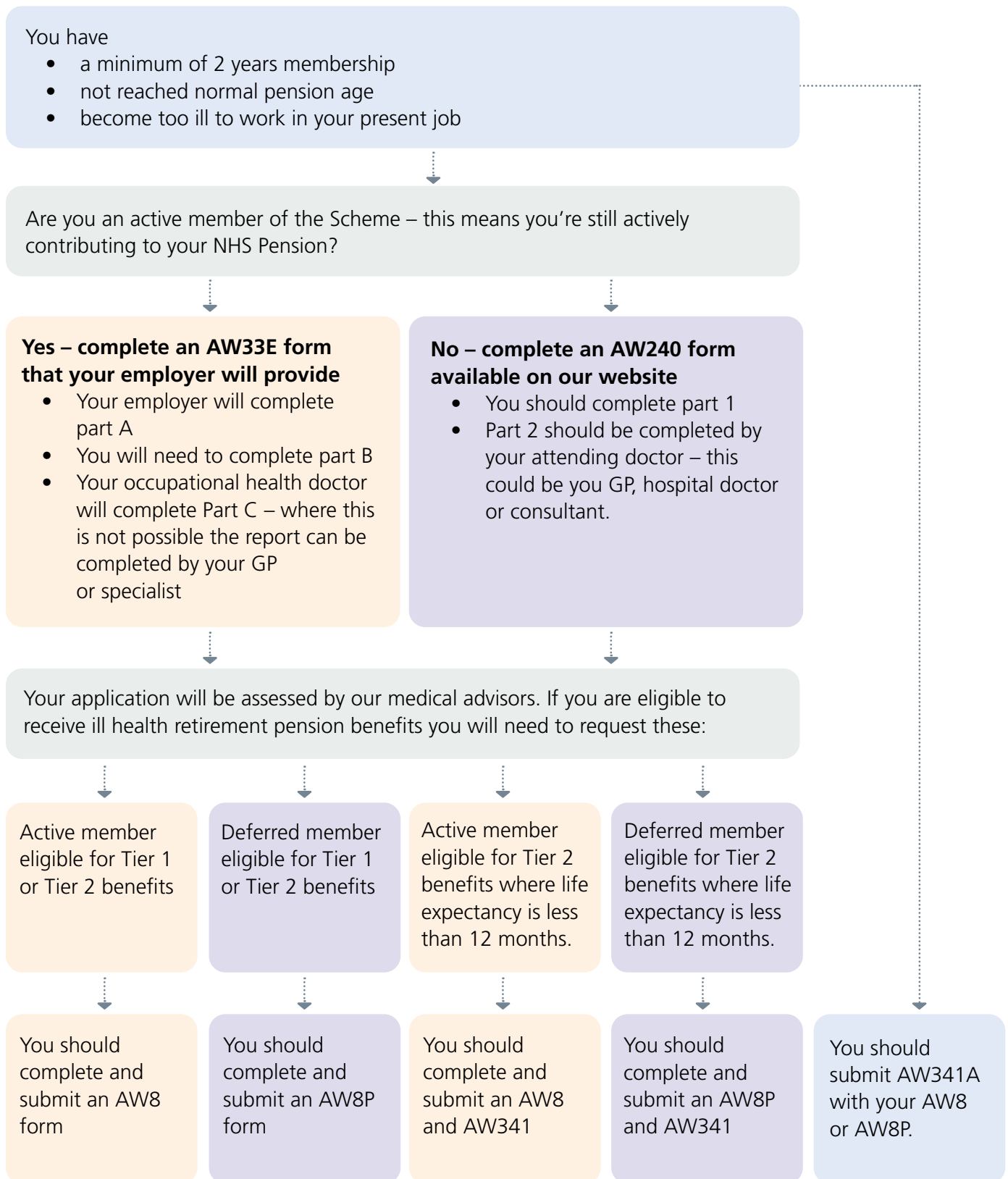
The same formula as used for a 2008 Section member would be used for members of the 2015 Scheme.

For those members who move to the 2015 Scheme from either the 1995 or 2008 Section the one-off payment would be made up of two parts. One in respect of the previous 1995 or 2008 Section (or both in some instances) pension benefits and the second in respect of the 2015 Scheme pension.

The amounts would be calculated in accordance with the relevant Section/Scheme and as described earlier.



## Summary of application process





## Once you receive your benefits

It may be possible to move between the tiers after retirement where our medical advisers recommend that your condition may be reassessed within three years; certain conditions apply.

See the 'If you have been given the opportunity for reassessment in three years' section of this document for more information.

## Pensions Increase

NHS Pension benefits are protected against inflation by being index linked to a measure set by the Government.

This means that they may increase each year, in April, for as long as they are being paid. In your first year of retirement a part year increase may apply.

## Returning to work after ill health retirement

Your benefits may be reduced if you take up further NHS employment after retiring early due to ill health.

You may also be eligible to rejoin the NHS Pension Scheme after returning to work.

### How returning to work may affect the benefits you receive

If you return to NHS employment or re-employment that is in respect of the provision of NHS services or in respect of the delivery of NHS funded services before your normal pension age your pension may be subject to a reduction. This is known as abatement. Whether your pension is reduced or not will depend on the level of your earnings whilst re-employed.


This will also depend upon when you left the Scheme, when you claimed your pension benefits and the type of pension benefits claimed.

Abatement rules end once you have reached your normal pension age of the Section or Scheme from which you have claimed your pension benefits.

If you are re-employed anywhere and earn more than the National Insurance Lower Earnings Limit set by HM Revenue and Customs (HMRC) your tier 2 pension will be replaced by a tier 1 pension.

### Informing us if you return to work

You must remember to tell your new employer that you are in receipt of NHS Pension Scheme benefits and also notify us that you have returned to NHS employment.

 You should use the pensioner re-employment form available on our [re-employment webpage](#).

## Rejoining the NHS Pension Scheme

If you return to work after retiring with ill health retirement benefits you may be eligible to rejoin the NHS Pension Scheme and build up further pension benefits in the 2015 Scheme.


Any member eligible to rejoin the Scheme following ill-health retirement will join the 2015 Scheme.

**Table 4: Eligibility to re-join the NHS Pension Scheme following ill-health retirement**

Type of ill health pension	Eligibility
<b>Tier 1</b>	Pension Member can re-join the 2015 Scheme straightaway in respect of any further NHS employment. Whilst the tier 1 pension may remain in payment it will be subject to the abatement rules.
<b>Tier 2</b>	Pension Member can re-join the 2015 Scheme after a period of one year, beginning with the first day they return to work. This is also the date at which the tier 2 pension will be reduced to a tier 1 pension. The tier 1 pension may remain in payment but will be subject to the abatement rules

A member will not be eligible to re-join the 2015 Scheme if they are age 75 or over.

A member will not be eligible to rejoin if they have taken their benefits as a serious ill health lump sum.

 You can find more information on our [re-employment webpage](#).

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[www.nhsbsa.nhs.uk/nhs-pensions](http://www.nhsbsa.nhs.uk/nhs-pensions)

