



Northern Ireland Teachers' Pension Scheme Factsheet 2



Ill-health arrangements

Introduction

Factsheet 2 introduces the changes to ill-health arrangements for members of the NI Teachers' Pension Scheme (NITPS).

As with the current arrangements, if a member becomes unfit to teach they can apply to be considered for ill-health retirement benefits, however the member must have two years' qualifying service and this would include service in the final salary and career average arrangements.

The factsheet will give members an awareness of:

- ◆ Levels of ill-health benefits
- ◆ Time limits for in-service applications
- ◆ Stepping down as a result of ill-health
- ◆ Enhancement for part-time members
- ◆ Terminal illness
- ◆ Short-service ill-health grants





Levels of ill-health benefits

There are two levels of ill-health benefits that may be granted:

- ◆ A member is permanently unable to teach but they are able to undertake other employment. In this circumstance:
 - member is medically assessed as being unable to continue in teaching employment but is able to undertake other types of employment;
 - member would be paid a pension of accrued benefits immediately; or
- ◆ A member is permanently unable to teach and unable to undertake any other types of employment. In this circumstance:
 - member is medically assessed as being unable to continue teaching and is unable to undertake other types of employment;
 - member would receive an enhancement based on half of the service they would have completed before reaching their normal pension age and their final salary at retirement.

Example 1: Member permanently unable to teach but could do other types of employment.

A member is aged 40 with an NPA of 66 and has accrued a career average pension of £3,000 with full-time equivalent pensionable earnings at the time of their ill-health of £32,000.

The member is medically assessed as being unable to continue in teaching employment but is able to undertake other types of employment.

As with the current arrangements, the member would be paid a pension of £3,000 immediately and they would be able to undertake other types of employment outside teaching without their pension being affected.

NB: if in the future the member was able to resume their teaching career, the member's ill-health pension would be stopped.





Example 2: Member is permanently unable to teach or to undertake other types of employment.

A member in these circumstances would receive an enhancement based on half of the service they would have completed before reaching their Normal Pension Age (NPA) and their final salary at retirement.

A member is aged 40 with an NPA of 66, and has accrued a career average pension of £3,000 with full-time equivalent pensionable earnings at the time of their ill-health of £32,000.

The member is assessed as being unable to continue teaching and unable to undertake other employment.

The member's ill-health enhancement pension is calculated as follows:

- 1/57 (standard accrual rate for career average)
- x £32,000 (full-time equivalent pensionable earnings at ill-health retirement)
- x 13 (half member's prospective service to NPA ie $\frac{(66-40)}{2}$)

$$£7,298.25 = 1/57 \times £32,000 \times 13$$

Member's ill-health enhancement pension of £7,298.25.

Member's accrued pension in career average of £3,000.

Member's total pension of £10,298.25 (£3,000 + £7,298.25).

Time limits for in-service applications

Up to 31 March 2015 a member applying for an ill-health retirement pension needs to be considered as being in-service ie they need to be in a contractual relationship with their employer.



From 1 April 2015, provided a member leaves pensionable teaching service and within two years applies for ill-health retirement benefits, their application will be treated as an in-service application (if the illness at the time of leaving service is the same one which results in the application being accepted). This extension allows a member's slow to develop or difficult to diagnose illness to be taken into account and members are therefore not disadvantaged.





Stepping down as a result of ill-health



A member may reduce their hours or take a position with less responsibility with the agreement of their employer to help the member manage their condition.

From 1 April 2015 if a member applies for ill-health retirement after reducing their responsibilities (stepping down) or working pattern and there is evidence that this was for medical reasons, which are the same reasons for their application, they will be treated as though they are still in their original post when calculating any enhancement that might apply. This change only applies where the illness is the same as the one that led to the member stepping down.

In these circumstances, should the member eventually retire on ill-health the salary used to calculate their enhancement would be the higher of their:

- full-time equivalent salary at retirement; or
- re-valued full-time equivalent salary from the point at which they stepped down.

The accrued career average benefits would be calculated using the member's actual pensionable pay.

The member's total pension consists of 'accrued pension' plus 'ill-health enhanced pension'.

Enhancement for part-time members

If a member is part-time or works reduced hours, the member will continue to have any ill-health enhancement calculated using their full-time equivalent salary at the time of their ill-health retirement.

If the member works in multiple employments, the member's full-time equivalent salary would be taken into account in each employment.

Example 3: Member works 50% part-time and receives an annual salary of £15,000. What is the salary amount used in the enhancement calculation?

The member's full-time equivalent salary is £30,000 (£15,000 x 2)

Any enhancement the member may receive would be calculated using the full-time equivalent salary of £30,000.





Example 4: Member works 60% in a FE college and receives an annual salary of £30,000 (Job1) and in addition has another part-time teaching role of 50% and receives an annual salary of £25,000 (Job2). What is the salary amount used in the enhancement calculation?

Job1

The member's full-time equivalent salary is:

◆ $£50,000 = (£30,000/60) \times 100$

Job2

The member's full-time equivalent salary is:

◆ $£50,000 = (£25,000/50) \times 100$

Any enhancement the member may receive would be calculated using an annual salary of £50,000:

◆ Job1 $(£50,000 \times 60)/110 = £27,272.73$; plus

◆ Job2 $(£50,000 \times 50)/110 = £22,727.27$

Terminal illness

If a member's condition is serious and their life expectancy is less than one year, a member's pension may be paid as a one-off lump sum of approximately five times the initial pension. Any subsequent beneficiary benefits will not be affected. However, the member would need to request this when making an application for ill-health retirement to ensure their request is correctly considered.

Short-service ill-health

If a member has one, but less than two years service a member can apply for a short service pension in the event of a terminal illness (has a life expectancy of less than one year) based on their actual service. The service will consist of two months' worth of final salary or the amount of contributions, if that is higher.

Where there is any difference between the legislation governing the NI Teachers' Pension Scheme and the information in this factsheet the legislation will apply.

