

Isle of Man Government Unified Scheme Ill-health Retirement Fact Sheet

This Fact Sheet provides important information for you to read if you are an employer or a scheme member of the Isle of Man Government Unified Scheme (the Unified Scheme) considering applying for an ill-health retirement award.

A key flexibility of the Isle of Man Government Unified Scheme (known as "GUS") is the two types of ill-health retirement benefits (known as an "incapacity pension" under the GUS rules) that may be paid. This dual approach aims to support public servants who, while no longer able to work in their current job, are still able to do other work and also those unable to carry out any employment due to illness or injury.

This Guide aims to provide a broad summary of ill-health retirement benefits under GUS and in the event of any conflict, the formal GUS Rules will prevail. For further detailed information please refer to the GUS Rules which are available on the website of the Isle of Man Public Sector Pensions Authority (the "PSPA") website at www.pspa.im

To make an application your employer should request a GUS8 Ill-Health Retirement Application Form from the Awards team in the Isle of Man Public Sector Pensions Authority (the "PSPA").

1. Key points

Ill-health benefits may be paid to scheme members who have to retire before age 65 (age 55 for firefighters) because they are permanently incapable of undertaking their job due to illness or injury. There are two levels or "Tiers" of benefit and the degree of illness or injury and ability to undertake other employment will determine which Tier of benefit you qualify for.

Applications should only be submitted after all other avenues, such as redeployment, have been exhausted. The GUS 8 Ill-Health Retirement Application Form provides guidance on the process to be followed by members and their employers and, in particular, the considerations and discussions which should be undertaken before any application for ill-health benefits are made.

All applications must include medical evidence that the illness permanently prevents the member from undertaking their job and that they have undertaken appropriate medical treatment to reverse their condition.

2. What is the difference between the two Tiers of benefits?

There are two tiers of ill-health retirement and the benefits awarded will depend on whether or not members are capable of undertaking employment elsewhere.

The **Lower Tier** will give lower benefits, as members will be assessed as being able to undertake some gainful employment after ill-health retirement. The **Upper Tier** gives a higher benefit as, if awarded this tier, members would have been assessed as being incapable of any future gainful employment. The criteria for the tiers is as follows:

- **Lower Tier Pension:** if you are medically assessed as being unable to undertake the duties of your own or a **Comparable Job** having undertaken all appropriate medical treatment to reverse your condition, you will be entitled to early payment of retirement benefits based on your accrued Pensionable Service (excluding any enhancement given on conversion of past service on transfer into the Unified Scheme on 1 April 2012 or subsequently on transfer between sections but including any past-service undertaking calculated by the actuary) to the date of your retirement.
- **Upper Tier Pension:** if you are assessed as being permanently incapable of any **Gainful Employment** (to age 65, or to age 55 if a fire fighter) through illness or injury following medical assessment and having undertaken all appropriate medical treatment to reverse your condition, you will receive an enhanced pension based on your expected Pensionable Service (excluding any enhancement given on conversion of past service on transfer into the Unified Scheme on 1 April 2012 or subsequently on transfer between sections but including any past-service undertaking calculated by the actuary. If you worked part-time hours immediately before retirement, your expected pensionable service will be pro-rated) to age 65 (or age 55 if a firefighter). Enhancement can also be considered if members apply for benefits whilst on sick leave, maternity leave, paternity, parental or adoption leave, or a career break which immediately followed a period of pensionable employment.

3. Payment of Preserved Pension benefits on ill-health

For members who have previously left pensionable employment, their service will not be enhanced if retired on ill-health grounds. To qualify for ill-health benefits where a member has left pensionable employment, they must be permanently unable to undertake any gainful employment (i.e. they must satisfy the criteria for Upper Tier Ill-Health benefits).

4. Who will decide if an ill-health retirement can be awarded?

The medical advisers contracted by the PSPA will consider the application on receipt of a completed GUS8 Ill-health Retirement Application Form and any other supporting medical evidence provided in respect of the application. The PSPA will then decide if all the criteria is met, along with the tier of benefits, based upon the medical adviser's recommendation.

It is important to understand that the eligibility criteria are strict and your application may not be approved. Being dismissed by your employer for ill health reasons and/or having the support of your GP, does not necessarily mean you will qualify for an ill health pension.

5. What if life expectancy is less than one year?

- For members who are deemed terminally ill, then they may be able to commute their pension into a lump sum.
- Members / Employers must request this when an application for ill-health benefits is made, as it cannot be made after an ill-health pension has been awarded.
- If, based on the existing medical evidence, it is clear that the expectation of life is unquestionably less than one year and the members current medical practitioner or any specialist medical adviser with whom they are currently consulting confirms this in writing, then in order to expedite payment of benefits, further medical evidence from the

PSPA's medical advisers may not be required but a completed GUS8 Ill-health Retirement Application Form (as appropriate to the case) is still likely to be required (see below). The requirement for any further medical evidence and application forms will be entirely at the discretion of the PSPA.

6. How do members apply for benefits?

- For members in employment, the first step would be to discuss the application for ill-health retirement benefits with their employer. Employers should be made aware of the members individual circumstances and the effect that it has on their working life. Whilst not prescriptive, during these discussions employers will determine the factors of each case, by considering the nature of your illness, salary, grade/experience, comparable and transferrable skills and any location issues.
- Employers and their occupational health advisers will follow a process, as outlined on the GUS 8 Ill-health Application Form, which will consider all the relevant circumstances of each individual case. In most cases, this will include an assessment of the component parts of the member's job, including the skills, experience and qualifications required for their current job and also those that may be transferrable to another job on a similar salary.
- Employers will look at ways of helping the individual return to work, e.g. re-deployment to a comparable post, part-time working, a transfer to a post with less responsibility, or consider other workplace adjustments before ultimately concluding that ill-health retirement may be appropriate.
- If there is agreement that an individual may qualify for ill-health retirement benefits they should, in conjunction with their employer, complete a GUS8 Ill-Health Retirement Application Form. The form can be obtained from either your employer or from the PSPA.
- The GUS8 Ill-Health Retirement Application Form is split into two Sections – **Section 1 and Section 2**
 - **Section 1** - provides further details on the benefits and process to be gone through with employers and in particular, the assessment process that must be gone through before an application for ill-health benefits can be made (as stated above).
 - **Section 2 is split into three Parts A, B and C.**
 - **Part A** is for Employer/Managers to complete and should then be passed on to the scheme members to complete part B;-
 - **Part B** to be completed by the scheme member, who should then arrange for the form to be sent back to the PSPA Administrators at the above address.
 - The PSPA will acknowledge receipt of the form and pass it on to the relevant Occupational Health Practitioner for your employer, who will complete **Part C** and arrange for any medical evidence to support your application to be provided before returning the forms to the PSPA. You and your employer's occupational health adviser, in conjunction with your medical practitioner, need to provide the medical evidence to complete the application forms.

The onus is on the applicant, employer and employers medical advisers to ensure that the application has been completed in full and that all the relevant information asked for has been provided. Failure to provide the information may mean the application is delayed or rejected.

7. What is deemed as a 'Comparable Job'?

Listed below are the key factors which will be used to determine what would constitute a comparable job:

- **Salary** – this is an important factor of what may be considered a comparable job. An alternative job with a significantly lower salary may not be considered a comparable job. However this cannot be considered in isolation as a member may be able to secure a higher paying role which is not comparable with their previous position. Therefore, for example, a comparable job with a similar salary would mean a job which pays overall, within 10% of the individual's current pay;
- **Grade and experience** in the current job compared with other public and private sector occupations;
- **Comparable skills, qualifications and experience** – the employer and Scheme Medical Adviser will consider what skills are required for an individual to undertake their current job and what skills may be transferable to an alternative/comparable job. It is considered less likely that individuals with specific skills in their current job (particularly by way of qualifications or experience) would be able to undertake a comparable job and they would therefore be more likely to qualify for ill-health benefits. An appropriate measure may be that at least 80% of the skills required to undertake the current job must be transferable;
- **Location** – if an individual's current role requires them to be based in a particular location, one consideration would be if their illness would enable them to easily move to a comparable job in a different location. A distance or time criteria along with assessment of an alternative location on the individual's illness could be required for the position to be regarded as comparable.

8. What happens after the PSPA receives an Ill-Health Retirement application?

- The form and accompanying medical evidence will be considered by the PSPA. In most cases during this process, it will be referred to its independent Scheme Medical Advisers, who will make a recommendation on whether or not the medical criteria for payment of ill-health benefits has been met, and recommend the appropriate tier of benefits that will be applicable. Subject to there being no requests for further information, this should take about 15-20 working days. However, be prepared for it to take longer, especially if the medical advisers need to refer to your own doctors for more information. In all cases, the PSPA will do their best to keep you updated on progress.
- For applications relating to cases of the terminally ill, then these will be actioned within 5 working days.
- The PSPA will notify the member, the employer (as detailed on the application form) and the occupational health adviser of its decision.

- If the application is accepted, employers must make the necessary arrangements for members to cease employment immediately. Employers will have a procedure and timescales for progressing these dismissals from employment on health grounds and will agree with members the required notice period and the last day of service.
- For those applications that are accepted and the member is still in pensionable employment, benefits are due from the day after their last day of pensionable employment.
- For those members that are accepted after leaving pensionable employment benefits will be due, depending on circumstances (as determined by the PSPA), either:
 - the day after their last day of pensionable employment; or
 - the day on which they became incapacitated; or
 - the day six months before the date of the last medical report used to accept their application.
- If an ill-health retirement application is rejected, the PSPA will write to both the member and the employer to explain why and what elements of the criteria have not been met and why. In all cases members will be informed of the official appeals process and further information on this can be found on Page 8 of this factsheet.

9. How long will it take?

From the receipt of a completed Ill-Health Application Form, the PSPA aim to be able to confirm the determination of the application within 15 – 20 working days. Please note if the application is incomplete, or the medical advisers require more information, such as further medical evidence then applications will be delayed over the 15-20 days. The PSPA administrators will ensure that both the employer and the member are kept up to date with the applications progress.

10. How is the ill-health pension calculated?

- **Lower Tier pension:** the accrual rate at age 65 in Section 1 (the Standard Section of GUS) will be used (unless you are a firefighter in which case the age 55 rate in Section 7 will be used), which provides for pension at the rate of 1.50% (or 2.23% if a firefighter or 2% for Section 8 members or 2.5% for Section 8a members) of Final Pensionable Pay multiplied by the amount of Pensionable Service (excluding any enhancement given on conversion of past service on transfer into the Unified Scheme on 1 April 2012 or subsequently on transfer between sections) you have earned to date without any actuarial reduction for early payment. Pension accrued from service accrued after 1 April 2017 will be reduced by 6%.
- **Upper Tier pension:** the accrual rate at age 65 in Section 1 (the Standard Section of GUS) will be used to calculate your pension (unless you are a fire fighter in which case the age 55 rate in Section 7 will be used), which provides for pension at the rate of 1.50% (or 2.23% if a firefighter or 2% for Section 8 members or 2.5% for Section 8a members) of Final Pensionable Pay multiplied by the amount of Pensionable Service you have earned to date and enhanced by the amount of Pensionable Service you could have undertaken to age 65 (age 55 if a firefighter) without any actuarial reduction for early payment. Please note the Pensionable Service will not include any enhancement given

on conversion of past service on transfer into the Unified Scheme on 1 April 2012 or subsequently if you have transferred between sections. Also, if you worked part-time hours immediately before retirement, your expected pensionable service will be pro-rated. Pension accrued from service accrued after 1 April 2017 (including the enhancement of service to age 65 or 55) is reduced by 6%.

Example Upper Tier Ill-Health Retirement Pension Calculation:

The example below shows how a Upper Tier pension would be calculated for Jan – a member of the Unified Scheme, who is aged 50 and has been awarded a Upper Tier ill-health pension after 25 years service, with a final pensionable pay of £30,000.

When members are awarded the Upper Tier the pensionable service is enhanced by the amount of service they could have worked should they have remained in employment up to age 65. In Jan's case as she is aged 50, her service will be enhanced by another 15 years.

Upper Tier ill-health retirement pensions are calculated using this formula:

$$\begin{array}{ccccccc} \text{Unified Scheme Growth} & \times & \text{Final Pensionable Pay} & \times & \text{Enhanced} & = & \text{Ill-health} \\ \text{Rate of 1.50\%} & & & & \text{Pensionable} & & \text{Pension} \\ & & & & \text{Service} & & \end{array}$$

Using Jan's enhanced total service of 40 years and final pensionable pay the annual Upper Tier Ill-health Pension would be:

$$1.50\% \times £30,000 \times (25 + 15) = £ 18,000.00 \text{ per annum}$$

Important Note: Pension accrued from service built up after 1 April 2017 (including any enhancement to service) will be reduced by 6%. All pensions in the Unified Scheme, before any lump sum is taken, are subject to a maximum overall limit of 75% of Final Pensionable Pay.

Jan will also have the option to exchange part of the ill-health pension for a one-off cash lump sum. To do this she will need to give up some of her pension and if she does, she can expect to receive £18 cash for every £1 of pension that is given up.

11.If a member is buying additional pension or service by instalments, what will happen?

- **Lower Tier benefits:** for members buying additional pension or added years and have not completed the payments, provided in the opinion of the PSPA they were in good health when they started to buy the additional pension or service and have paid for at least 12 months, they will be excused any further contributions and:
 - in the case of a member purchasing Added Years, a pro-rata amount of pension will be payable but using the accrual rate applicable for the age at which the member had contracted to take their benefits
 - in the case of a member purchasing Added Pension, benefits on a pro-rata basis will be payable.
- **Upper Tier benefits:** for those who are buying additional pension or added years and have not completed the payments then, provided in the opinion of the PSPA they were

in good health when they started to buy the additional pension or service and have paid for at least 12 months, they will be excused any further contributions and benefits will be calculated as if all contributions that will have fallen due after the date of retirement had been made.

12. What happens if I become ill after I have left pensionable employment?

- If you become ill after you have left pensionable employment, you can apply for an ill-health pension provided you are under the age of 65 (55 if a firefighter) and have not taken any part of your pension or lump sum. Your service will not be enhanced and to qualify you must satisfy the criteria for Upper Tier benefits.

13. How are the pensions increased each year?

- Ill health retirement pensions will increase from your retirement date. Pensions are increased each April in line with the Treasury Pensions Increase Order which is currently based on CPI.

14. Can members awarded an ill-health pension return to work?

- Ill-health benefits are awarded because members were deemed permanently medically unfit to work in the public service with Isle of Man government or with any other employer for any Gainful Employment or in a Comparable Job.
- Therefore, for those in receipt of an Upper Tier ill-health pension:
 - They must notify the PSPA if they take up any Gainful Employment before age 65 (55 if a firefighter);
 - with effect from the date on which they take up any Gainful Employment, their pension is reduced to the level of pension they would have received if at the date the pension came into payment they had satisfied the Lower Tier ill-health criteria.
- For those who are in receipt of a Lower Tier ill-health pension:
 - they must notify the PSPA if they take up their previous role or "Comparable Alternative Employment";
 - in these circumstances their pension may be abated or suspended with effect from the date on which they are re-employed in either their previous role or in "Comparable Alternative Employment";
 - if they are re-employed in their previous role, they may be able to re-join GUS as an active member;
 - if they are at all unsure as to whether any employment constitutes a comparable job, then they should notify the PSPA who will consider this further.
- For the purposes of abating or suspending an Ill Health Retirement Pension, the Scheme Rules defines a "Comparable Alternative Employment" as a job that gives an income, which when added to the ill health pension, is equal to or exceeds 90% of the current value of the pensioner member's pre-retirement annual pensionable pay.
- For those members who wish to return to the public service, their employer must be satisfied that they are fit to work in the capacity required.

- If re-employment is pensionable under GUS, future retirement benefits will be calculated to take account of the extra pensionable service and new salary rates.
- Each year, the PSPA will write to members in receipt of an ill health pension asking them to declare that they are not in employment that impacts on their continued right to receive their pension.

Important Note: Any members who fail to tell the PSPA about any re-employment whilst receiving a pension, that they think may impact on their right to receive it, who are subsequently overpaid their pension, will be asked to re-pay any overpaid pension. The PSPA is obligated to take steps to recover all overpayments of pension in all circumstances.

15. Will payment of ill-health benefits be re-assessed?

- The PSPA may request a medical review of an individual who is in receipt of an ill-health pension (known as an "incapacity pension" under the GUS rules).
- The PSPA will not request a review more than once every three years unless, after receiving the advice of a Registered Medical Practitioner, it is of the opinion that an earlier review is necessary.
- If following a review, the PSPA is, after receiving the advice of a Registered Medical Practitioner, of the opinion that an individual no longer satisfies the conditions for either a Lower Tier or Upper Tier ill-health pension, the PSPA may vary, suspend or stop their pension.

Ill-Health early retirement appeals process

16. What is the appeals process?

The Isle of Man Government Unified Scheme 2011 (known as GUS) provides two levels of ill-health retirement benefits (known as Incapacity Pension in the GUS Rules), which are dependent on the severity of the individuals condition and the likelihood of them being able to work again. Details of the different levels can be found within this factsheet.

Within the GUS Rules there are arrangements for members and the managers of the Scheme to resolve disagreements between themselves and in order to comply with these regulations, the Public Sector Pensions Authority ("the PSPA") have introduced a Dispute Resolution Procedure to deal with all disagreements.

Should a member make an application for early retirement due to ill-health and this application is refused and they wish to make an ill-health appeal, the following will detail the process to follow, along with some examples of case studies.

17. What is an ill-health appeal?

Applicants have the right to make an appeal against a decision taken in respect of their application for ill-health early retirement benefits.

They can appeal against two aspects of the decision that has been made i.e.

- the decision to grant either Lower Tier pension rather than Upper Tier pension, or
- the decision not to grant ill-health benefits.

They must provide additional information in support of their appeal and state why they disagree with the PSPA's reasons for not awarding the ill health pension. The additional information plus all the original information will be considered by the PSPA to determine if the recommendation should be changed. The PSPA reserves the right to request further information from the applicants usual Registered Medical Practitioner, any hospital doctor/consultant consulted by them, from its own independent medical adviser or from occupational health specialists within government.

18. Can applicants see the medical reports that were considered at the time of the original decision?

Applicants who wish to have a copy of the medical report(s) received in connection with their application for ill-health benefits should ask the relevant doctor(s) or the PSPA.

19. How do they appeal?

An appeal must be made in writing either by the applicant, or by a person they have chosen to act as their representative. They do not have to appoint a representative if they wish to handle the appeal themselves.

If they do choose to select a representative to act on their behalf, they will need to provide the PSPA with the name and address of the person appointed, and give their written permission for PSPA and their Doctor to release information about their application to that person. A representative could, for example, be a union representative, a partner or a parent.

Applicants cannot submit another type of retirement application at the same time as appealing against an ill-health application that has been turned down until the appeal is finalised.

Applicants should set out in writing all the detail and information which they feel is relevant to their case and state why they disagree with the PSPA's reasons for not awarding a ill health pension.

20. What information can I submit with my appeal?

There are no forms to complete, nor does it necessarily involve a medical examination by a Registered Medical Practitioner. Applicants should submit any information they feel is relevant to their appeal.

For example, letters from a manager, or reports that have been written by a doctor, consultant or other medical professional who has been treating them. **Applicants will be responsible for any costs incurred in providing such reports.**

All relevant information will be considered by the PSPA and if it so chooses, an independent medical or occupational health adviser to determine whether it meets the appeals criteria, for example, information about their health which was not submitted, for whatever reason, with the original application.

However, 'new evidence' that could not have been available at the time of the original application is unlikely to change the original decision. It is not accepted that a current

diagnosis can be applied to a previous date. This does not rule out that 'new' information could lead to a successful appeal. If the evidence shows that all the criteria was met at the time of the original decision, then the appeal maybe unsuccessful.

21. Case Study Examples:

Below are 2 examples that show cases where it is clear when the information meets the appeals criteria and when it does not. Please note that each actual case will be considered on its own merits.

Example 1: An applicant submits an application. After consideration, the independent medical adviser's opinion is that the application should be rejected because there is insufficient evidence to enable them to assess whether the applicant meets the criteria for an ill-health pension. The applicant then realises they did not include a report which was available at the time the original application was submitted. The applicant lodges an appeal and asks for that further medical evidence to be considered.

The independent medical adviser considers the information against the appeal criteria. The application is accepted as the evidence shows that the applicant now meets the criteria for an ill-health pension.

Example 2: An applicant submits an application. The independent medical adviser's opinion is that the application should be rejected because there is insufficient evidence to accept the application.

The applicant submits a report obtained and dated after the original application was submitted. This report is considered in order to determine whether it meets the appeal criteria, i.e. that the information was available at the time that the original application was submitted. In this case the information was not available when the original application was received as the applicant saw their consultant after submitting their application. The applicant is advised of this, and asked if they wish to resubmit the evidence as a new application.

If an appeal is successful, the PSPA will determine the date on which the ill-health pension should commence or be amended based on the evidence presented as part of the appeals process.

22. What happens if I am not awarded the Upper Tier pension but I want to appeal because I think I should have been?

If you make an appeal against the level of benefit that has been granted, your case will be considered by the PSPA who may, depending upon the information you provide, request a review by a different independent medical adviser who was not involved in the original consideration. All relevant evidence will be reviewed in order for the PSPA to determine if your benefit should be increased to the level of the Upper Tier pension.

23. What if my appeal is unsuccessful?

If your appeal is unsuccessful, the PSPA will tell you why. There is no right of further appeal unless you provide (in the opinion of the PSPA) compelling evidence within 60 days of the appeal determination that a further appeal should be considered.

You should set out in detail in a letter why a further appeal should be considered by the PSPA, and this should be sent to the PSPA. If any appeal is not successful, applicants may wish to ask The Pensions Advisory Service (TPAS) to consider the case on their behalf.

This body assists members and beneficiaries of the scheme with any issues that are unresolved. TPAS can be contacted at 11 Belgrave Road, LONDON, SW1V 1RB.

TPAS produce a leaflet entitled 'Ill-health Early Retirement' which you may find helpful.

If TPAS is unable to resolve the problem, the Pensions Ombudsman may investigate and determine any complaint or dispute of fact or law in relation to a pension scheme. He can be contacted at 11 Belgrave Road, LONDON, SW1V 1RB.

Disclaimer

This fact sheet is a guide only and does not represent any entitlement to the provisions described. This fact sheet provides an overview of the provisions of the Unified Scheme and does not cover every aspect. The full details are contained only in the Rules of the Isle of Man Government Scheme 2011, which are the legal basis of the scheme. Nothing in this fact sheet will override the Rules, and in the event of any unintentional difference, the rules will apply.

Where can I go for help?

Contact the Unified Scheme administrators at the PSPA:

Email: pensions@pspa.im

Write to:
PSPA, Prospect House, 27-29 Prospect Hill
Douglas ISLE OF MAN IM1 1ET

You can telephone us on 01624 685598, however we always recommend putting your enquiry in writing if you can, so that there is a written record of your enquiry and our response.

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