# Avon Pension Fund
**Local Government Pension Scheme**

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## Ill-Heath arrangements

### Ill-Health Retirements

- You must appoint an Independent Registered Occupational Health Medical Practitioner who has to be approved by the APF. You can contact the APF for a list of approved Medical Practitioners.
- You must obtain a medical certificate (using the appropriate form provided by the APF) from your approved Independent Registered Occupational Health Medical Practitioner.
- Having regard to the medical certificate, you must decide which one of 3 ill-health tiers the pensionable employee is entitled to.
    - Tier 1: If the Scheme Employer determines that there is no reasonable prospect of the Member being capable of undertaking any gainful employment before his / her Normal Pension Age (NPA).
    - Tier 2: If the Scheme Employer determines that, although the Member is not capable of undertaking gainful employment within three years of leaving employment, it is likely that he / she will be capable of undertaking any gainful employment before his /her Normal Pension Age (NPA)
    - Tier 3: If the Scheme Employer determines that it is likely that the Member will be capable of undertaking gainful employment within 3 years of leaving employment, or NPA if earlier.
- “Strain costs” emerge from these ill health retirements and can amount to significant sums.

### Ill-Health Captive

For certain employers in the Fund, following discussions with the Fund Actuary and after considering potential alternative insurance arrangements, a “captive insurance arrangement” (the Captive Fund) has been established by the Administering Authority to cover ill-health retirement costs. This will apply for all ill-health retirements from 1 April 2017.

The Captive Fund operates as follows:

- “Premiums” are paid by the eligible employers into the captive arrangement which is tracked separately by the Fund Actuary in the valuation calculations. The premiums are included in the employer’s contribution rate. The premium for 2017/20 is 1.2% of pensionable pay per annum.
- The Captive Fund is then used to meet strain costs emerging from ill-health retirements i.e. there is no initial impact on the deficit position for employers within the captive.
- The premiums are set with the expectation that they will be sufficient to cover the costs in the 3 years following the valuation date. If any excess premiums over costs incurred are built up in the Captive Fund, these will either be retained to offset future adverse experience or be used to reduce future premiums (or a combination of the two). The decision will be taken by the Administering Authority based on the advice of the actuary.
- In the event of poor experience over a valuation period any shortfall in the Captive Fund is effectively underwritten by the other employers within the Fund. However the future premiums will be adjusted to recover any shortfall over a reasonable period with a view to keeping premiums as stable as possible for employers. Over time the Captive Fund should therefore be self-funding and should smooth out fluctuations in the contribution requirements for those employers in the Captive Fund.

- Premiums payable are subject to review from valuation to valuation depending on experience and the expected ill health trends. They will also be adjusted for any changes in the LGPS benefits. They will be included in employer rates at each valuation or on commencement of participation for new employers.

## Disclaimer

The information in this fact sheet applies to participating employers of the Local Government Pension Scheme. The Factsheet was up-to-date at the time of publication and in the event of any dispute over the duties of a participating employer; the appropriate legislation will prevail as this leaflet is provided for information purposes only.

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