

Employer Guidance on Commuted Ill Health & Death in Service Estimates

If an employee who is a member of the HSC Pension Scheme has a terminal illness, HR should request both a Commuted Ill Health Retirement and Death in Service estimate.

Commuted Ill Health Retirement

If a member has a terminal illness and is awarded Tier 2 Ill Health Retirement and is found to have a life expectancy of less than 12 months they will have the option to commute their benefits to a one off lump sum. This is calculated by awarding the member the maximum lump sum payable by commuting a proportion of their pension at a rate of £12 lump sum for every £1 pension exchanged up to the maximum permitted by the HMRC Regulations in addition to their mandatory Lump Sum (if applicable). The remaining pension is then multiplied by 5 and converted to a one off lump sum.

Survivors benefits are payable to spouse/partner and children if applicable

Death in Service

If a member dies in service a death gratuity is payable equal to twice the value of the member's actual pensionable pay.

Survivors benefits are payable to spouse/partner and children if applicable.

HR should request estimates for both scenarios because the benefits payable can differ quite considerably. It is dependent on when the member passes away as to which benefits are actually payable. If the member dies before they are accepted for Ill Health Retirement or after acceptance but before termination of Pension Scheme membership (for example if the member is paid for annual leave not taken, their retirement date will be extended), it is considered Death in Service for pension purposes.

The below example shows the differences in benefits payable:

Comparison of Benefits Payable between Commuted Ill Health & Death in Service (1995 Section)			
Commuted Ill Health Retirement		Death in Service	
Service Accrued	35 Years	Service Accrued	35 Years
Pensionable Pay	£30,000	Pensionable Pay	£30,000
Commuted Ill Health Lump Sum Payable	£123,042	Death in Service Lump Sum Payable	£60,000
Initial Survivors Pension	nil	Initial Survivors	£30,000 per

payable for 6 months		Pension payable for 6 months	annum
Long Term Survivors	£6,562 per annum	Long Term Survivors	£6,562 per annum
Total Benefits Paid in first year after death	£129,604	Total Benefits Paid in first year after death	£81,562
Total Difference in Benefits Payable £48,042 in favour of commuted ill health retirement			

Comparison of Benefits Payable between Commuted Ill Health & Death in Service (2015 Section member age 47)			
Commuted Ill Health Retirement		Death in Service	
Service Accrued	5 Years	Service Accrued	5 Years
Pensionable Pay	£30,000	Pensionable Pay	£30,000
Commuted Ill Health Lump Sum Payable	£62,497	Death in Service Lump Sum Payable	£60,000
Initial Survivors Pension payable for 6 months	nil	Initial Survivors Pension payable for 6 months	£30,000 per annum
Long Term Survivors	£2,812 per annum	Long Term Survivors	£937 per annum
Total Benefits Paid in first year after death	£65,309	Total Benefits Paid in first year after death	£75,937
Total Difference in Benefits Payable in favour of Death in Service £10,628			

It is important that HR have both sets of figures when speaking to the member/family regarding potential benefits payable as this can remove grounds for complaints or concerns in the future.

The process to request an estimate of Commuted Ill Health/ Death in Service is as follows;

1. HR ascertain which scheme the employee is a member of (1995/2008 or 2015 scheme). HR can contact HSC Pension Service if necessary,

2. HR request pensionable pay figures from the Payroll Shared Service Centre using an agreed form. . PSSC should ensure all relevant pensionable pay figures are recorded, for example if an employee is a transitional member of both the 1995 and 2015 schemes all figures should be provided,
3. On receipt of the Pensionable Pay figures HR should e-mail the estimate request to all of the following:

paul.lock@hscni.net

vivienne.bonner@hscni.net

joanne.daly@hscni.net

ben.mcgonigle@hscni.net

The e-mail should be given a high priority status and indicate that the request should be fast tracked.

4. HSC Pension Service will treat these requests as urgent and fast track the process,
5. Estimated benefit figures will be e-mailed back to the HR representative from HSC Pension Service,
6. HR should if possible meet with the employee and explain the process and possible benefits payable. As a result of their condition, if an employee is unable to make a decision for themselves regarding the commutation of benefits, a legal personal representative may do so on their behalf.
7. The member/ legal personal representative does not choose which benefit they want, i.e. commuted ill health/death in service. This will be determined by date of death or date of acceptance for Ill Health Retirement and subsequent leaving date.
8. If a member has a period of Annual which has not been taken and a payment is made to the member in respect of that leave, then that leave becomes pensionable service and the members leaving date is extended as such. For example if a member is accepted for ill health retirement on 31st of March and has 10 days annual leave their actual leaving date will be extended to 14th April (taking into account Saturdays and Sundays)