

## Terminal Ill-Health Factsheet

A member who is terminally ill and does not expect to live longer than a year, can apply at retirement to exchange all of their ill-health benefits for a one-off, usually tax-free, lump sum payment. To make this exchange, they must have some of their HM Revenue & Customs (HMRC) personal lifetime allowance (LTA) remaining. If the member takes up this option, their dependants will still get any benefits they are entitled to in full.

A member who is under their NPA at retirement, 60 in the 1995 section, 65 in the 2008 Section and State Pension Age (SPA) or age 65 if this is later in the 2015 Scheme, and has at least two years' membership must complete form AW34 if they wish to exchange their ill health retirement benefits for a one off lump sum payment. The benefits will be enhanced under the Tier 2 ill health regulation.

A member who is over NPA or SPA for the 2015 scheme is ineligible to apply for ill-health retirement benefits. However, they do have the option to exchange their retirement benefits for a one-off lump sum payment where life expectancy is less than 12 months. The benefits will not be enhanced under the ill-health retirement arrangements.

The one-off lump sum payment is calculated using the exchange factors as follows:

1. Pension up to the level that gives 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 per pension.

If a member exchanges retirement benefits for a one-off lump sum payment their dependents will still get any benefits they are entitled to in full.

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. The application Form AW34 is available from the HSC Pension Service website for those members who have met or exceeded their Normal Retirement Age.