Retiring early due to ill health

All the things to think about if you fall ill and can no longer continue working
Pensions can change people’s lives. Most of us would like to be able to choose to stop work one day and choose how we live when we do. A good pension is a good way to achieve that. Our vision is a future where people are empowered to make the most of their pensions.

The Pensions Advisory Service (TPAS) is here to give people professional, independent and impartial help with their pensions – for free.

We are here to:

- give you independent information and guidance on pension matters
- mediate and resolve problems you may have with your pension

We will always try our hardest to help you with your pension query. Our service is about you and your needs. We will talk to you about the things that are important to you, helping you to navigate through all the options that may be relevant to your personal circumstances.

At the Pensions Advisory Service, we understand pensions, and are passionate about making them accessible to you. We’ll always listen and offer you different ways to use our service.

Contacting us

There are lots of ways you can contact us.

Pensions Helpline 0300 123 1047
(Monday- Friday 9:00am - 5:00pm)

Web chat live
www.pensionsadvisoryservice.org.uk

Online enquiry form
www.pensionsadvisoryservice.org.uk/online-enquiry

Write to us
The Pensions Advisory Service
11 Belgrave Road
London
SW1V 1RB

@TPASnews

/pensionsadvisoryservice

We regret that we are unable to accept visitors at our office. Please note that this guide is for information only. The Pensions Advisory Service cannot be held responsible in law for any opinion expressed, nor should any such opinion be regarded as grounds for legal action.

How we can help you

We aren’t medical experts. We therefore cannot tell you whether your medical evidence means an ill health pension is payable. Whether or not we would have made the same decision is not relevant.

What we can do however, is review how the decision was reached. If there are indications that the decision-making process was either flawed or not complete, it may be possible to suggest to the decision-makers that they should reconsider.

However, you should remember that this won’t necessarily result in the decision being altered.

Ill health

Sometimes people need to stop working due to ill health. When this happens it can be difficult to support yourself financially. If you retire early due to ill health, your pension may be able to offer you some financial support to help you cope.

If you’re not feeling up to discussing these important issues, make sure you involve someone you trust, or an independent financial adviser, to make sure you fully understand your current position and the options open to you.

“We believe it’s people first and pensions second— that’s why it’s important your retirement choices are the right for you”
I'm too ill to work. What can I do?

First you should check whether your pension scheme allows payment of an ill-health pension. The pension scheme administrators will be able to tell you about the relevant rules of your pension scheme and how you can apply.

The current rules of the scheme will override any previous information you might have had, so it’s important to check the latest version. You must refer to these rules rather than any booklets or company advice that you’ve received.

If you’re in serious ill-health (you have less than a year to live), you may be able to take the whole of your pension pot as a lump sum if your pension scheme allows this. Special tax treatment applies. You can find out more on our website (details at the back of this booklet).

The person deciding your application is however entitled to weigh the evidence as they believe to be appropriate and prefer one opinion over another, as long as they have reasonable reasons for doing so.

My pension scheme has preferred the medical evidence of a medical adviser who has not even seen me. Can this be right?

There is no requirement for a pension scheme to arrange for their medical advisers to meet you. Whether the medical adviser wants to meet you would be down to their professional judgment. The medical adviser may consider that the reports provided to him are sufficient for him to form an opinion. What is important is that the decision-maker reaches their decision in accordance with the principles above.

My pension scheme won’t explain why they won’t pay me a pension. Can they do this?

Your scheme should give you a clear explanation of why you have not been granted an ill health pension. If it will not do so, we can write to them on your behalf.

I am claiming disability benefit. Does this mean I am entitled to an ill-health pension?

Not normally. The rules relating to state benefits are different from those relating to your pension scheme.

I have made an application but my pension scheme has not replied to me. What can I do?

Deciding upon an ill health retirement application is not straightforward and can take time. Nevertheless your scheme should acknowledge your application and it is good practice to keep you informed of what is happening. If you experience any unreasonable delays or are not getting a reply, please contact us.

“Your circumstances can change – it’s important you understand all your options”
I've lost my job because of my health, but my pension scheme says I don’t qualify for an ill health pension. Is this right?
Being dismissed by your employer for ill health reasons doesn’t necessarily mean you qualify for an ill health early retirement pension. Your eligibility for an ill health pension will depend on criteria set out in your pension scheme’s rules.

I have been refused an ill health pension because I have not finished all available treatment options. Is this right?
The fact there may be treatment options available is not always a valid reason for refusing to pay an ill health pension. We would expect that before making their decision, the decision-maker obtained a medical opinion about the likely outcome treatment would have in relation to your future work capability.

My GP says I’m not fit for work but I’ve been refused a pension – is that right?
Your GP’s opinion is relevant. But pension schemes will usually ask for more than one medical opinion when making a decision. They might ask for a report from another adviser, chosen by them. Your pension scheme should also base their decision in accordance with the rules of your pension scheme, while your GP may not be familiar with its rules. It’s also not uncommon for there to be differences in medical opinions.

Permanent health insurance
Your employer may have a permanent health insurance (PHI) scheme with an insurance company, which is separate from the pension scheme. If it does, then normally the insurer will decide whether you qualify for a benefit.

Deciding whether you qualify for an ill health pension
Your application for an ill-health pension may need to be supported by medical evidence. This could include reports from your GP and from any specialists treating you.

When making a decision on whether an ill-health pension should be paid, the person or people making the decision must:

- ask the right questions
- interpret the rules of the scheme correctly
- Only take account of relevant factors and ignore anything that is irrelevant; and
- Must not arrive at a perverse decision.

This means a decision which no other decision-maker could reasonably make.

Appealing a decision
If your application for an ill health pension is turned down it may be possible to challenge the decision and seek reconsideration of your application if it can be shown that one or more of the above principles was not followed. If you think that may be the case, you should write to us, enclosing copies of all correspondence.

Common questions
There’s no such thing as a silly question – you deserve to understand everything.
That’s why we’ve outlined some frequently asked questions about ill health and early retirement.