

Report No.2

Report to Policy and Resources Committee 18th July 2017

Ill health retirement

1. Purpose of the report

- 1.1 To advise the committee on changes to the Wiltshire Pension Fund in respect of paying for ill health retirement.

2. Background

- 2.1 The Local Government Pension Scheme provides benefits for those members who are forced to retire early by reason of ill health.
- 2.2 As an example when an employee can no longer work and retires on ill health they immediately receive their accrued pension plus a 100% enhancement for their future expected service (this is tier 1 retirement e.g. a 40 year old expected to retire at 65 would get 25 years extra service).
- 2.3 Similar immediate pension payment and a 25% enhancement is incurred when an employee can no longer perform their current position but may gain employment in another role before normal retirement age (this is tier 2 retirement e.g. a 40 year old expected to retire at 65 would get 6.25 years extra service under tier 2).
- 2.4 Under the current Fund arrangement an amount is built into the employer's contribution rate (typically between around 2% to 6% of pay) to form an "ill health strain budget". The budgets for all Town and Parish Councils are then added together to derive a budget for the Pool.
- 2.5 This total budget is used to meet these additional strain costs on ill health retirement. The Fund monitors the budget versus actual experience and may bill individual employers for costs exceeding the budgeted amount.

3. Proposal

- 3.1 It was agreed at the June 2016 Committee meeting that the Fund should write to all employers setting out its intention to use ill health insurance to protect employers.
- 3.2 There will be no additional cash cost for Fund employers. The cost of the insurance will be met within the existing current employer contribution rate.

4. Financial implications and risks

- 4.1 The pension fund is administered centrally and the information before the committee is presented for the purposes of information.

5. Recommendations

- 5.1 Members are requested to note the report.

Jeff Penfold
Town Clerk
29th June 2017