

Ill Health Liability Insurance

Hertfordshire Pension Fund

Barry Dodds and Martin Curran

30 March 2021



Ill health early retirement

Tier 1

Not returning to work before SPA

Immediate payment of accrued pension plus 100% of expected future service to retirement

Tier 2

Not returning to work for at least 3 years but before SPA

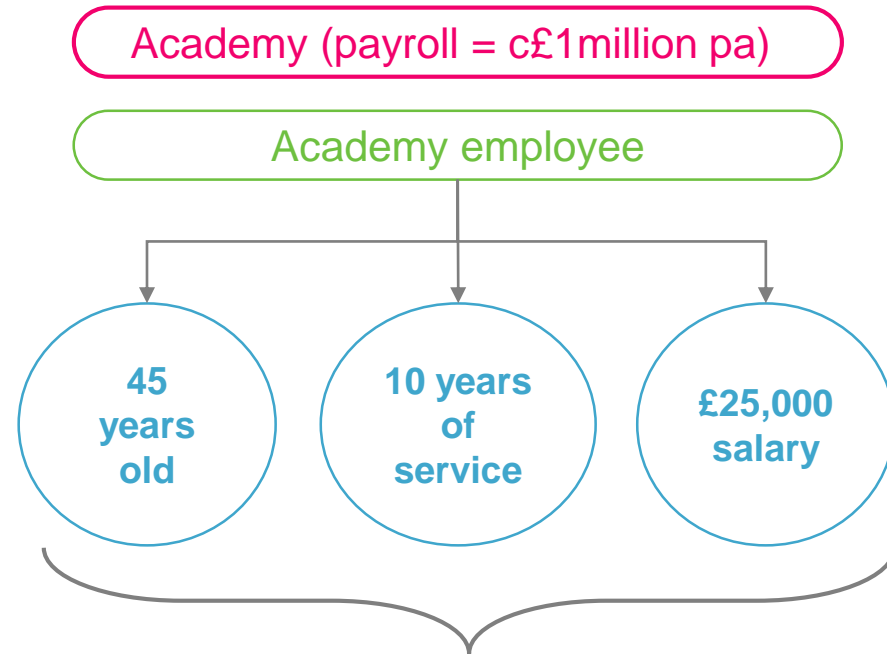
Immediate payment of accrued pension plus 25% of expected future service to retirement

Tier 3

Expected to return to work within 3 years

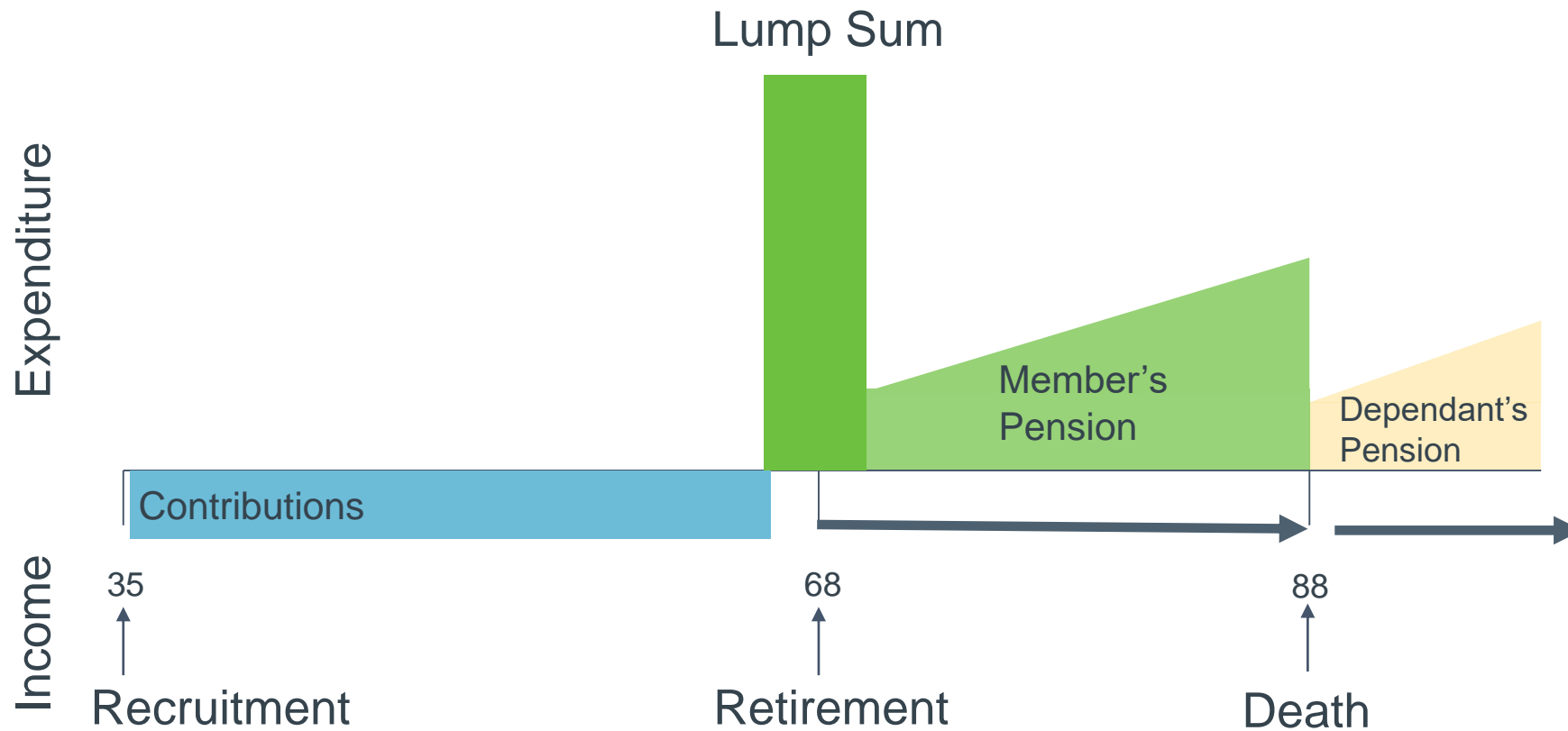
Immediate payment of accrued pension – payable for up to 3 years

Ill health cost challenges – an example

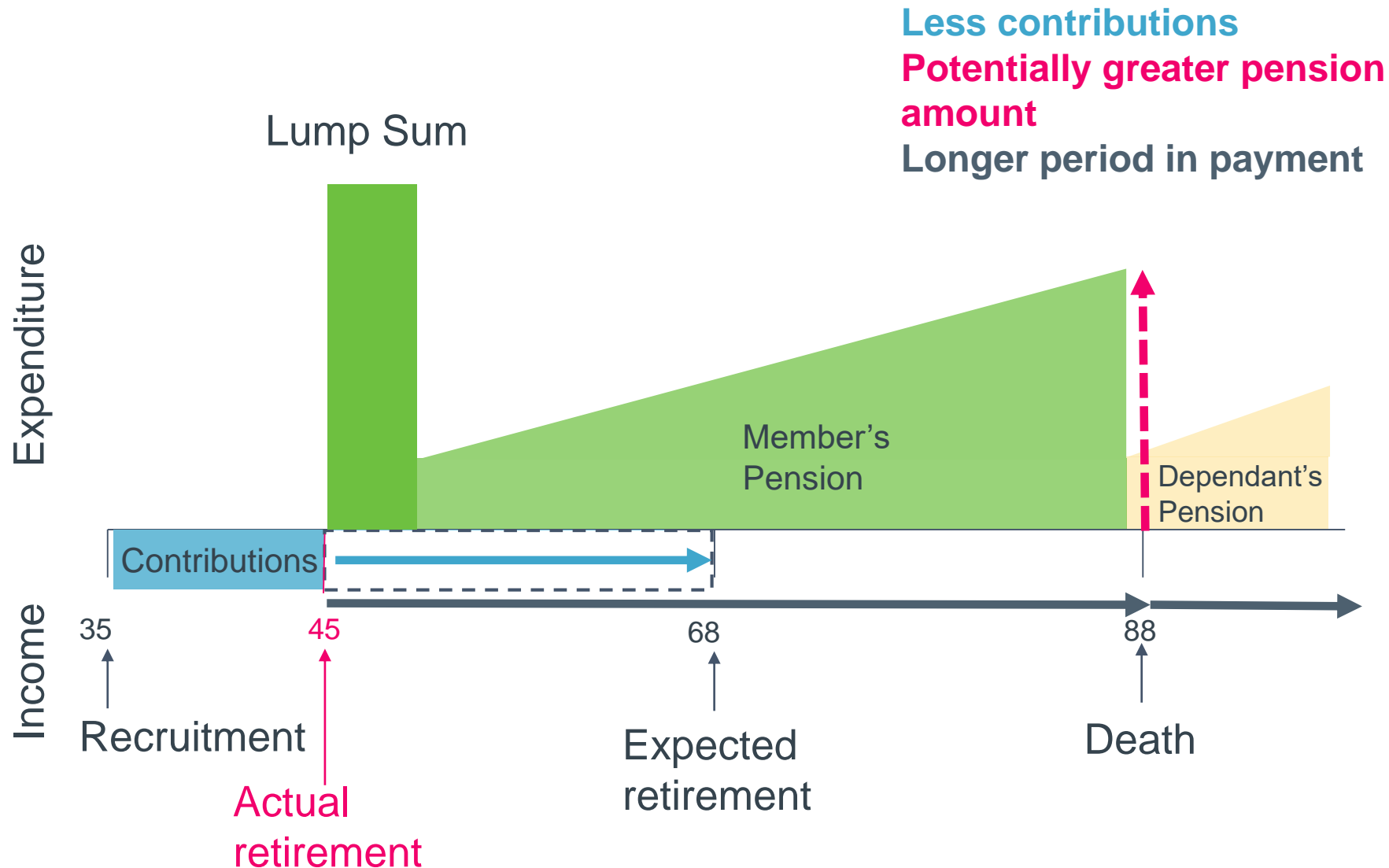


Tier 1 ill health pension £16,000 p.a.

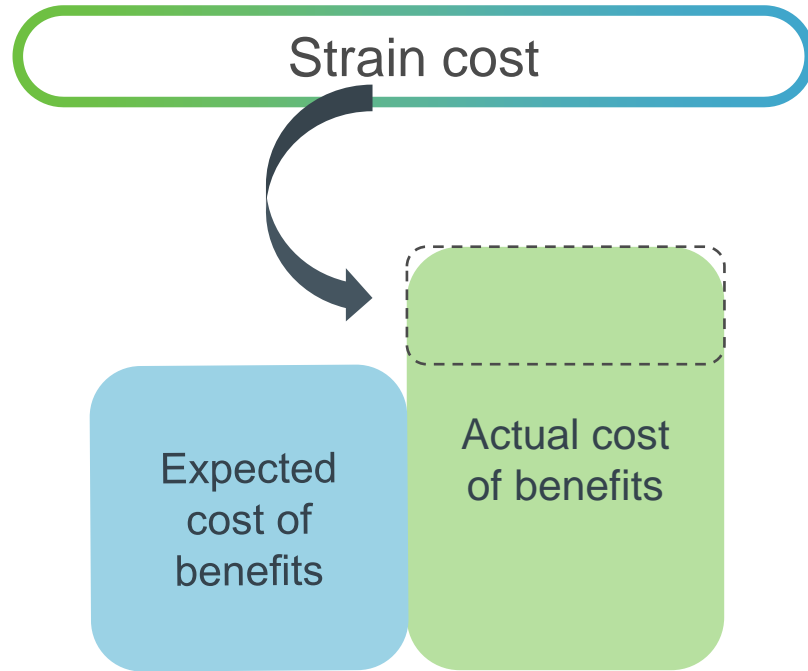
Expected cost of benefits (normal retirement)



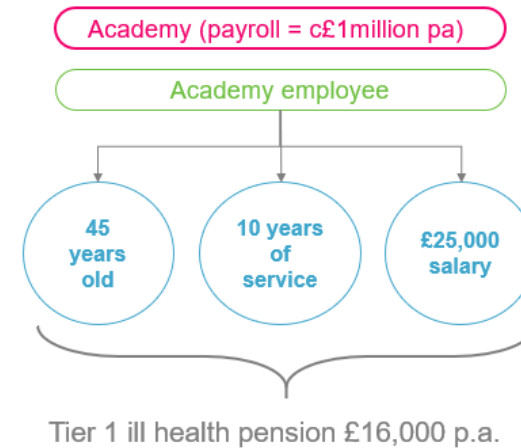
Actual cost of ill health benefits



Ill health strain costs



...recall our example



Strain cost to employer = £320,000

Cost must be met by employer

Hertfordshire ill health experience*

- Average strain cost **£82k**
- Average **32** ill health retirements per annum
- Tier 1 cases account for **86%** of ill health cases
- Total of **57** cases with strains over **£100k**, of which **23** were over **£200k**
- Highest individual strain cost **£714k**

Type of employer	Age	Salary	Strain cost
Contractor	49	£49k	£554k
Town Council	58	£45k	£196k
Academy	49	£19k	£200k

Example actual ill health strain costs in the Fund

*The figures shown have been taken from the Fund's own ill health experience data. Any averages are the average of the tier 1 and tier 2 ill health retirement data over the period from 1st April 2014 to 30th September 2020. The figures do not allow for tier 3 ill health strains as these are not covered by the insurance.

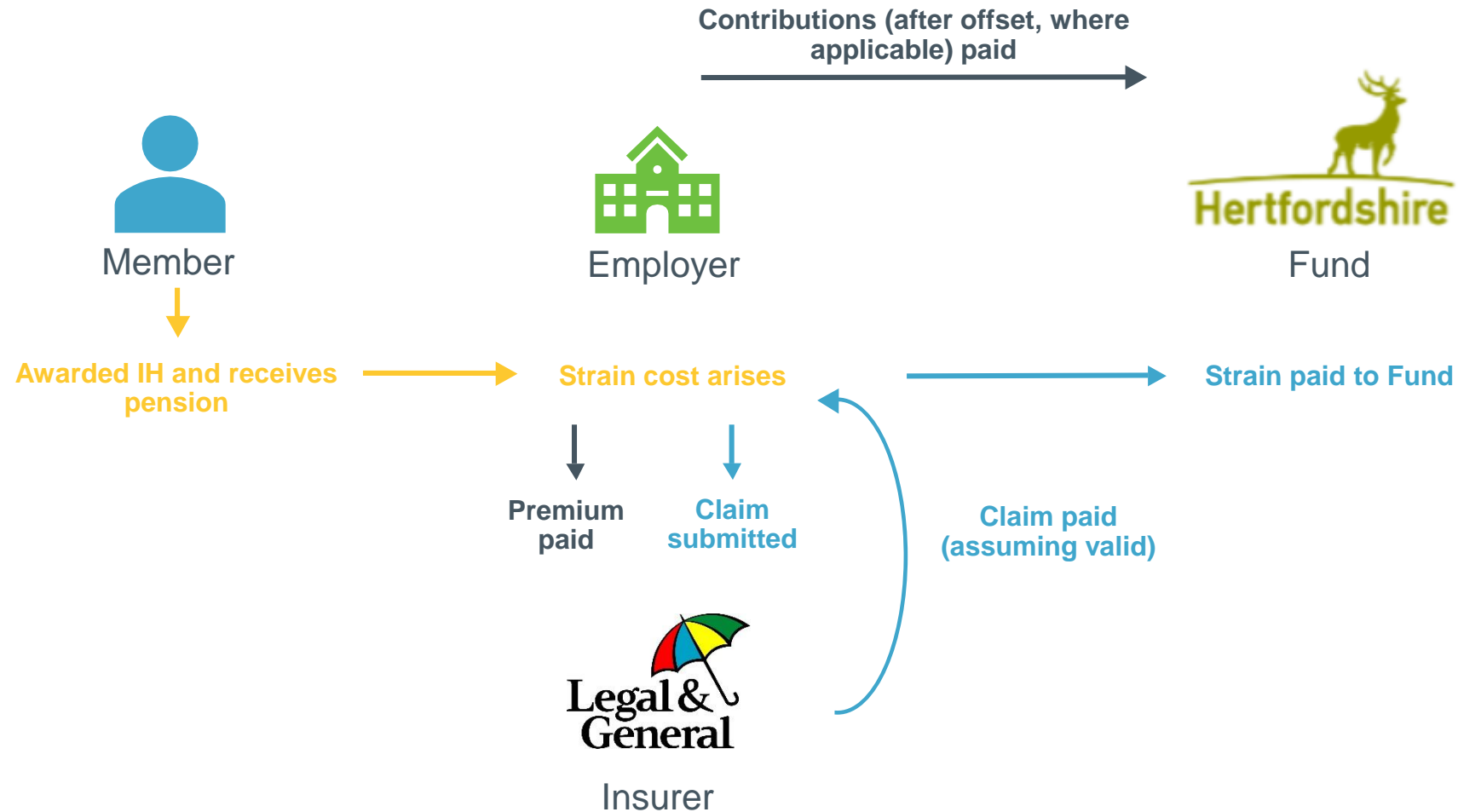
Ill Health Liability Insurance

- Cover provided by Legal & General.
- Covers strain costs in the event of a **tier 1 or tier 2** ill health retirement.
- Premium rate **1.65%** of pay until 31 March 2023 (when contribution rates change following next actuarial valuation of the Fund)
- Premium rate **may** be offset against employer contribution rate.
- Available to **all employers** in Hertfordshire.
- Access to Employee Assistance Program and Care Concierge for **all employees**.

Premium for our example would have been c£17k p.a. vs
£320k claim payment

Hymans Robertson LLP are remunerated by Legal & General for their services on an introductory/administration fee basis – currently 10% of the annual premiums paid for IHLI.

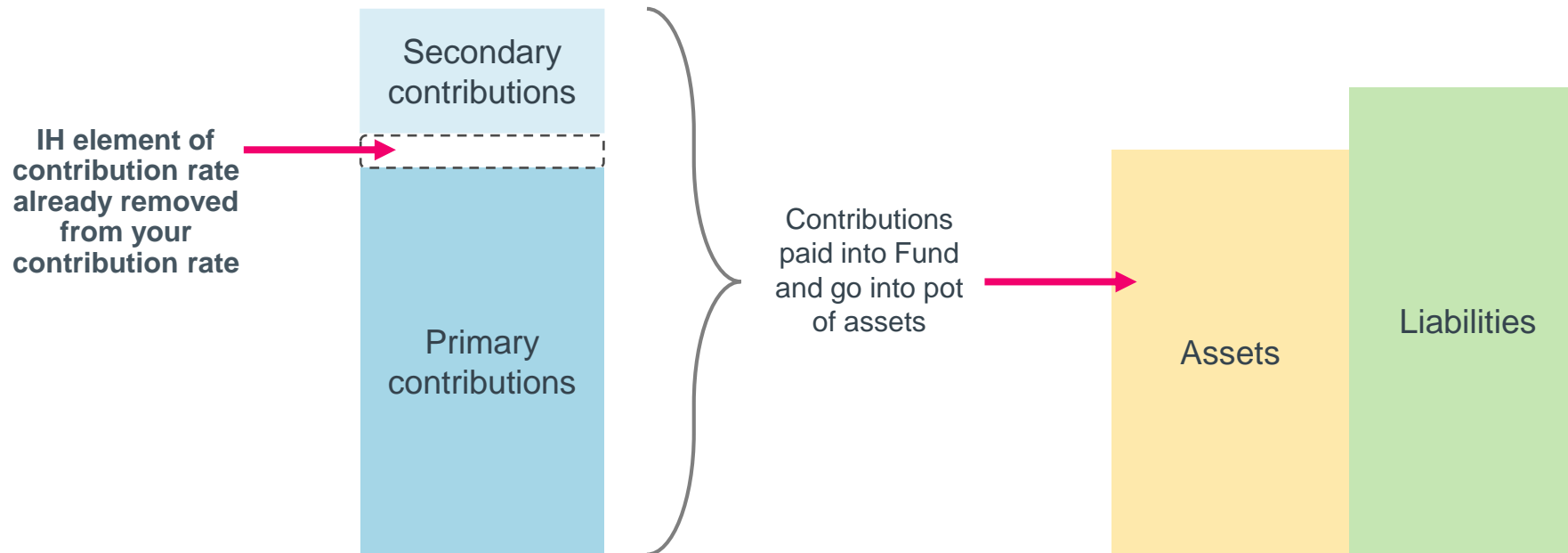
How does IHLI work in practice?



Funding – ill health aspects (Academies Pool or P&T Councils Pool)

No insurance

No ill health early retirements initially...

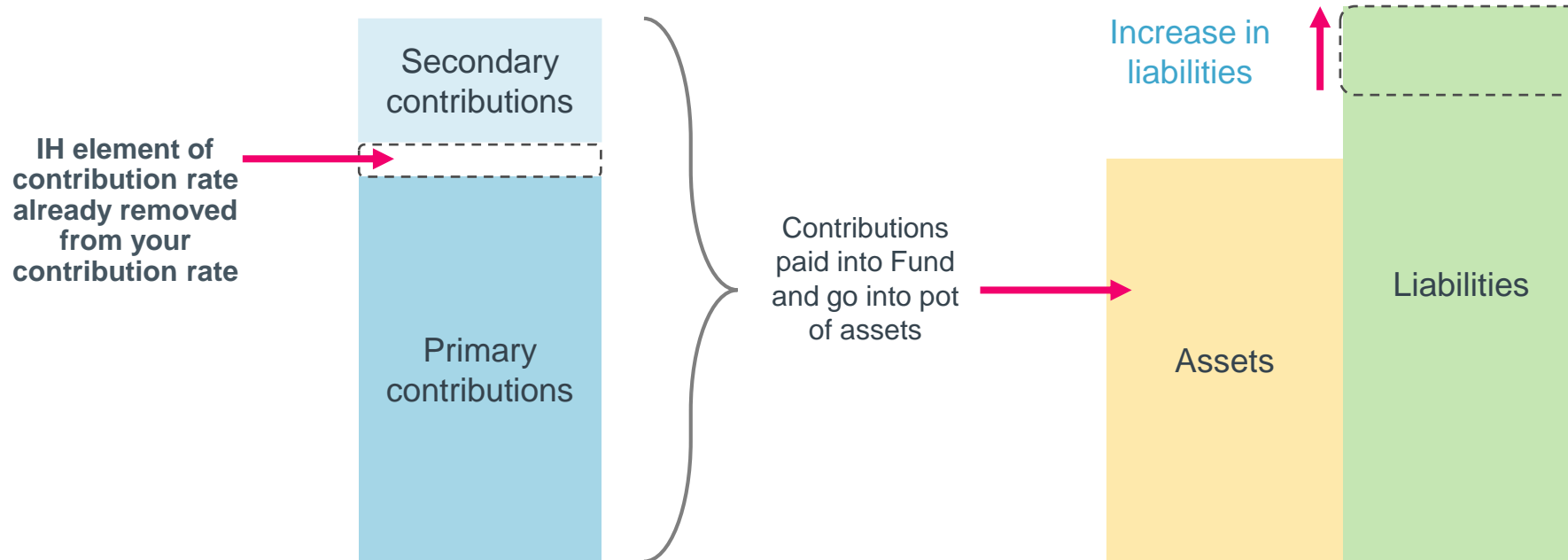


A deduction is already made from your theoretical contribution rate to remove the allowance for ill health retirements

Funding – ill health aspects (Academies Pool or P&T Councils Pool)

No insurance

...then an ill health early retirement occurs.

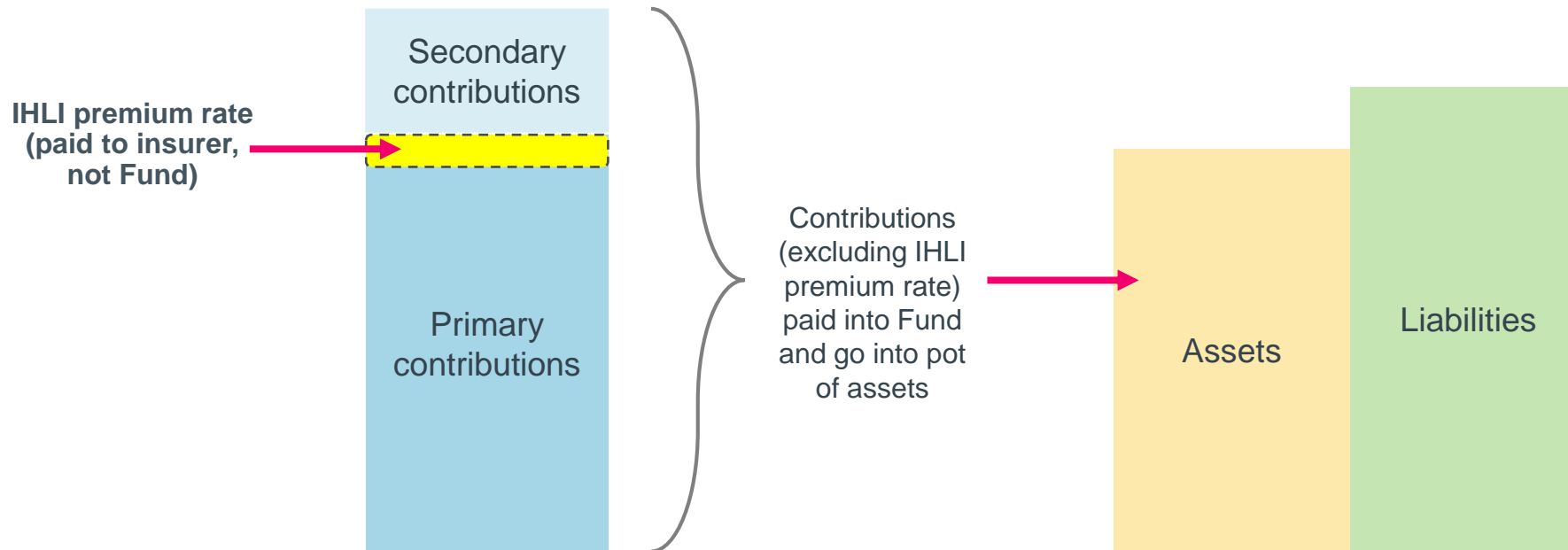


The Fund will expect employers to meet this cost individually £

Funding – ill health aspects (Academies Pool or P&T Councils Pool)

With insurance

No ill health early retirements initially...

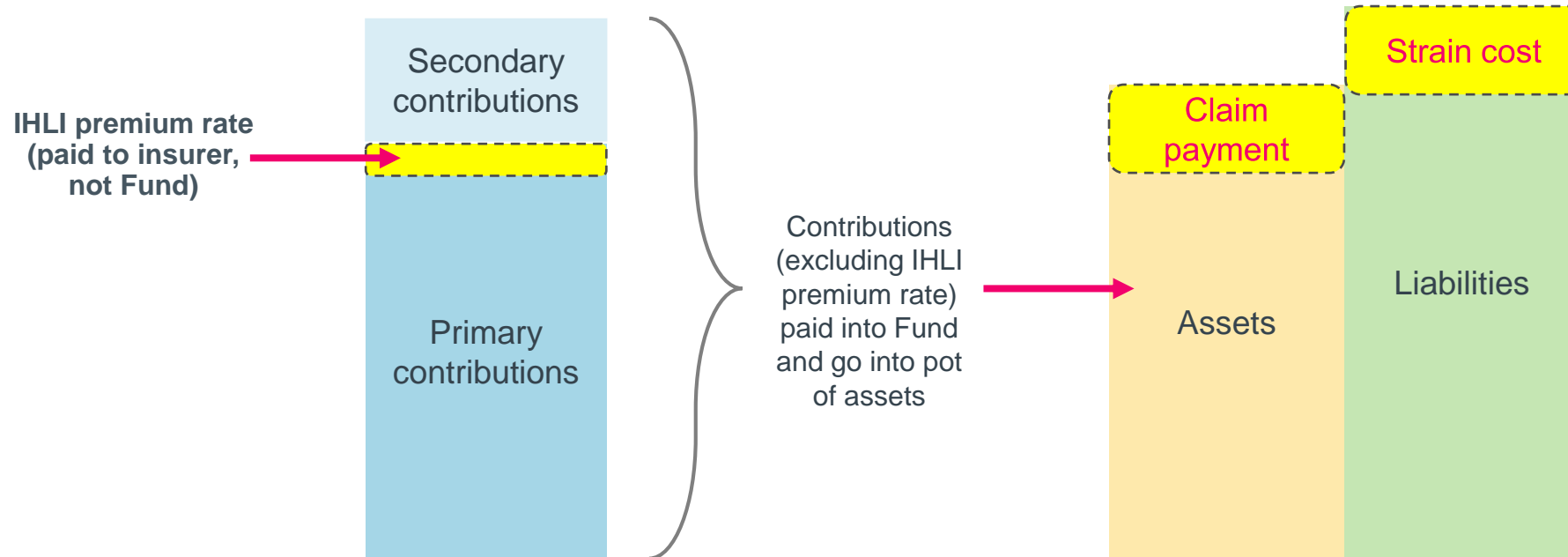


Premium amount paid to insurer (equal to the deduction already made from your Fund contribution rate)

Funding – ill health aspects (Academies Pool or P&T Councils Pool)

With insurance

...then an ill health early retirement occurs.



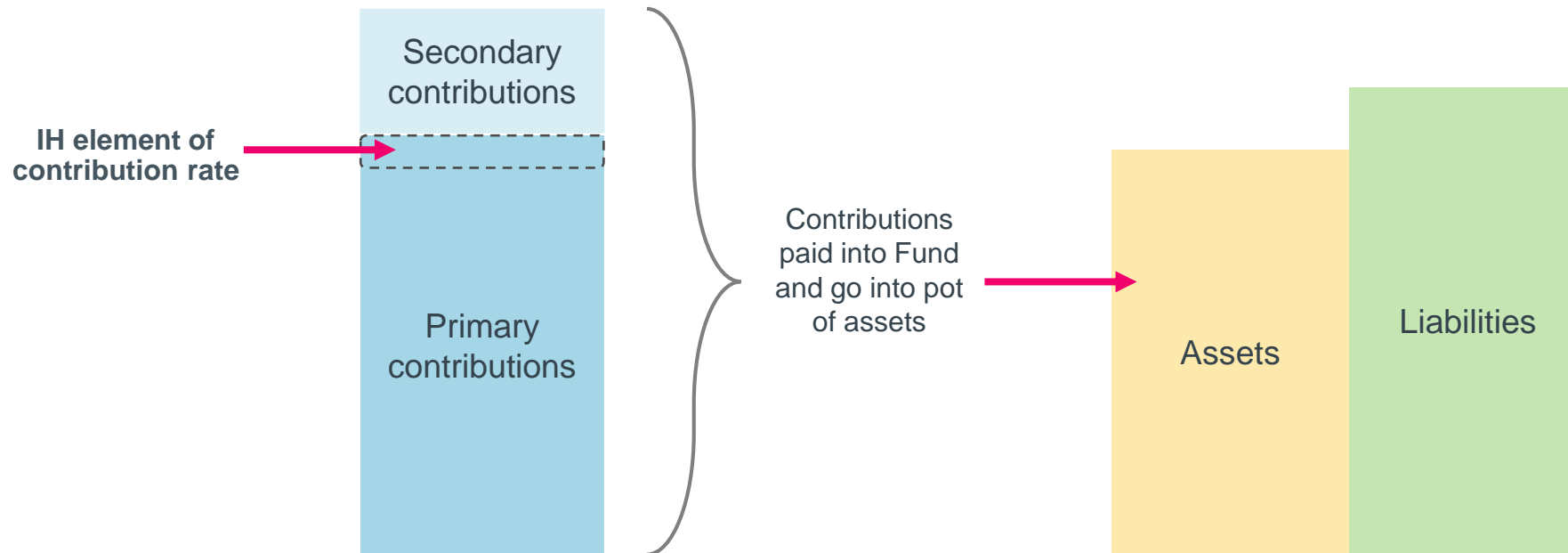
Cash injection into the Fund via claim payment



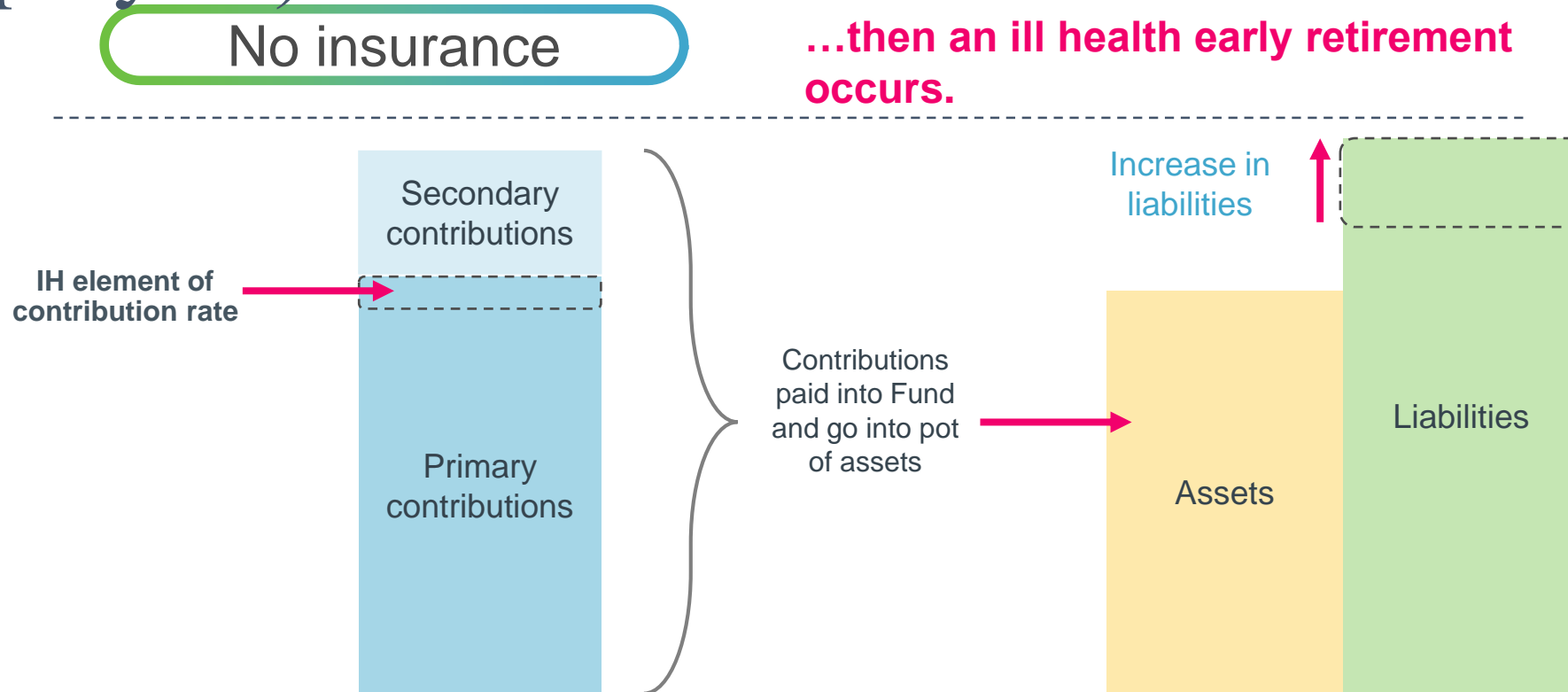
Funding – ill health aspects (other employers)

No insurance

No ill health early retirements initially...



Funding – ill health aspects (other employers)

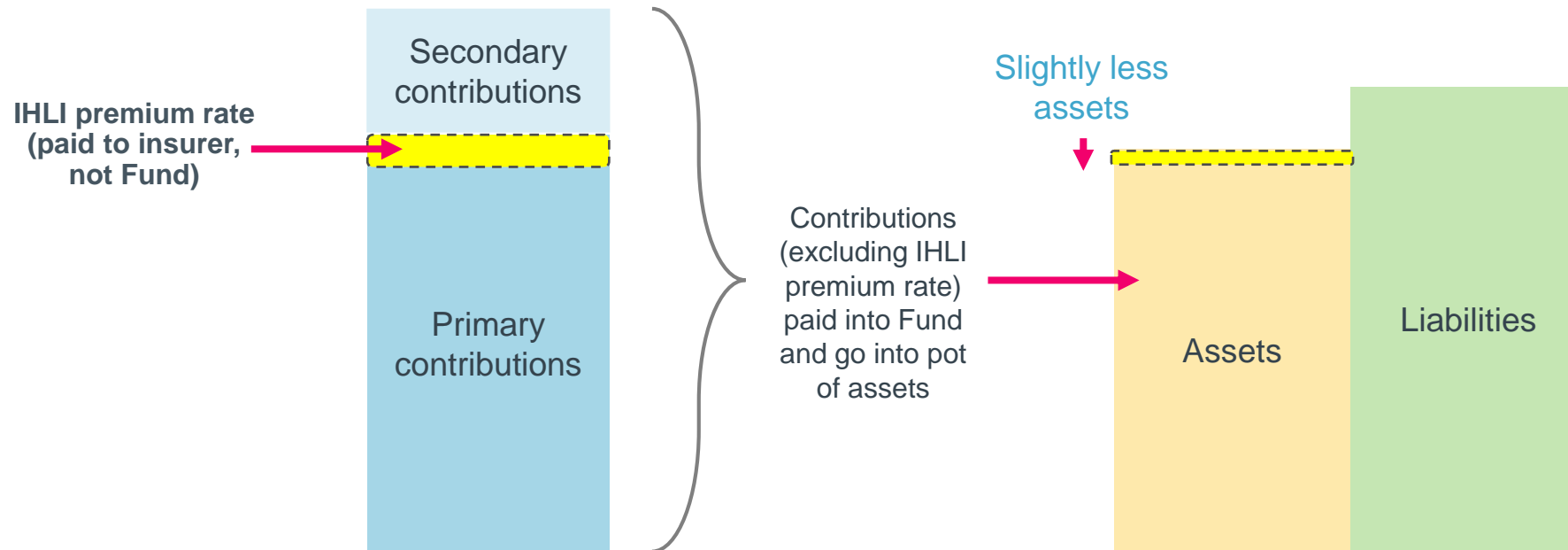


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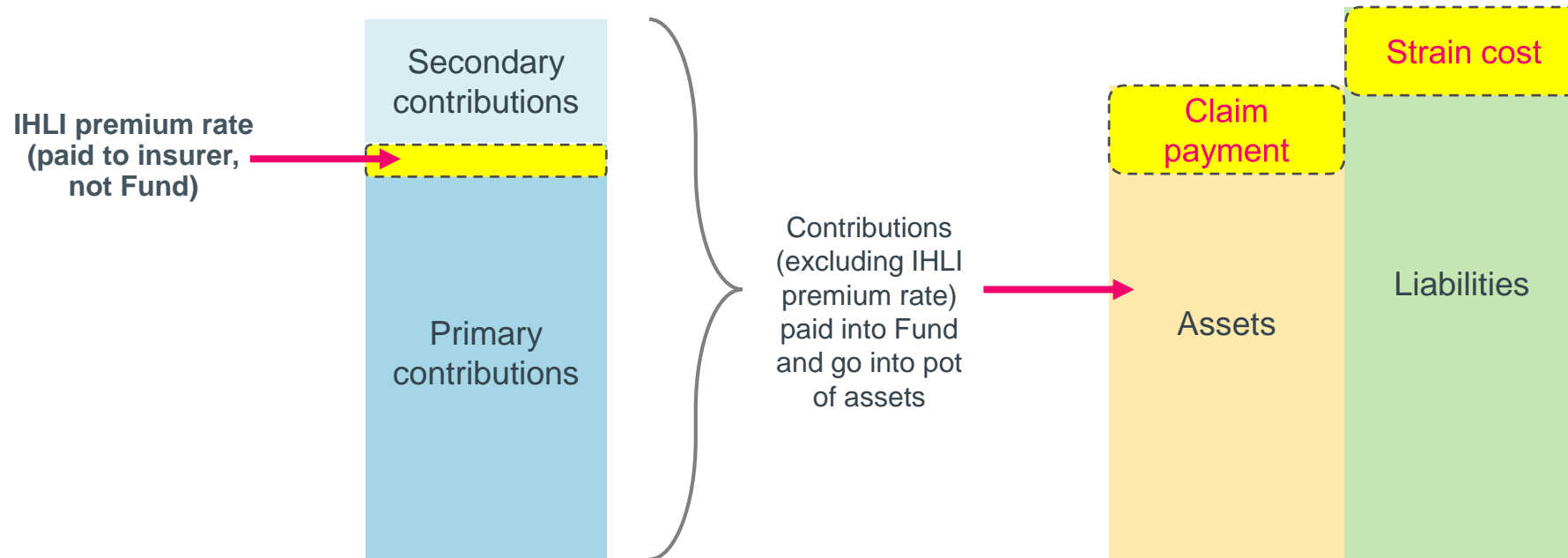
No ill health early retirements initially...



Funding – ill health aspects (other employers)

With insurance

...then an ill health early retirement occurs.



Cash injection into the Fund via claim payment



Next steps

To obtain a quotation or find out more, please contact:



Martin Curran

IHLI@hymans.co.uk; 0141 566 7874

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