



# Clergy ill health retirement

April 2024

**If you are permanently unable to work due to health problems, you might be able to take your pension early. This is known as an 'ill-health' pension.**

Facing the possibility of stopping work due to your health can be difficult. To help with life after work, you can apply to take your pension early.

It can take time to approve ill-health pensions, often up to 6 months. Some cases are straightforward, but some are complex, and we might need independent medical advice. We will try and keep you informed as much as we can throughout the process.

**What should I do if my health is affecting my work?**

First, talk to your Archdeacon, Bishop, Responsible Body (e.g. your diocese) or employer about your concerns. They will try and find ways of helping you continue your duties. They will usually refer you to an occupational health adviser who will offer advice and guidance on how your condition can be managed.

If it is clear you cannot carry out your duties and your condition is likely to be permanent, contact us and apply for an ill-health pension.

Contact us



[pensions@churchofengland.org](mailto:pensions@churchofengland.org)



020 7898 1802



PO Box 2026, Pershore, WR10 9BW

### **Do I qualify for an ill-health pension?**

To approve ill-health pensions, we need to assess whether you meet the definition of 'incapacity', set by General Synod. We do not have discretion over the definition.

The definition is ***'You have a medical condition that prevents you from performing the duties of your office, and this is likely to be permanent'***.

### **How am I assessed against the definition of incapacity?**

To assess you, we need to review:

- Relevant medical reports from your GP or medical specialist
- Your occupational health report
- Supporting evidence from your Bishop or Archdeacon

Gathering this information is the most time-consuming part of the process. You can help speed this part up by asking your GP to send us your reports as quickly as they can.

If your situation is not straightforward, we might need help from our independent medical advisers. They might need to talk to your GP or medical specialist, or they may need to meet you to carry out a short medical examination. They will only do this if they need more information to give their opinion. The examination should be local to you.

### **What if I cannot fill out my forms?**

If you are unable to fill out your forms, someone can fill these out for you. The person needs to have a Lasting Power of Attorney for you. When you return the forms, please remember to include a copy of the Power of Attorney.

### **What if there are medical fees?**

If we need to ask your GP or medical specialist to send us medical reports or send us extra information on your condition, they may charge for this. We will pay all fees.

### **How do I pick a retirement date?**

If we approve your ill-health pension, start discussing a retirement date with your Archdeacon, Bishop, Responsible Body or employer.

Your retirement date must be within 6 months of the date we approve your ill-health pension, otherwise you need to apply again. We can extend this if you are waiting for retirement housing with the Pensions Board. Once we have confirmed your retirement, we will send you final pension and lump sum figures, plus a few extra forms.

### **What can I do if my application is unsuccessful?**

If your application does not meet the definition of incapacity, we cannot approve an ill-health pension. If this happens, you can:

- send us further medical evidence to support your application
- appeal to us to review our decision - we have a process you can follow
- appeal to the Pensions Ombudsman to review our decision

If we do not approve your application and your health deteriorates, you can apply again.

### **What if my ill-health is serious and my life expectancy is short?**

If your life expectancy is less than 12 months, get in touch with us immediately. If medical evidence supports your short life expectancy we can pay the full value of your pension as a lump sum. This is called a "serious ill-health" pension.

If you are under age 75, we can pay the whole amount to you tax-free. We need to test this against your Lifetime Allowance. This is the limit on how much pension you can save during your working life before paying tax. If the value of your pension takes you over your Lifetime Allowance, the amount you exceed it by is taxed. If you are over age 75 the lump sum is taxed as income.

## Application timeline

Here is a typical application process. We will keep you updated as much as we can during each stage. You can also ask us for an update at any time.



## Financial advice

Understanding your pension and how this fits with your wider finances can be challenging. It can be especially important if you are stopping paid work early, and your life expectancy might be shorter than you thought.

Speaking to a financial adviser can give you peace of mind that all your financial needs have been considered. This is why we have partnered with Ecclesiastical Financial Advice Services Ltd (EFAS).

You can call or email EFAS to arrange a chat with a financial or mortgage adviser for free, with no obligation. They will ask questions and listen to you to understand what you are hoping to achieve with your pension, retirement planning, investment or housing needs and help you decide whether you need financial advice.

EFAS can help you with advice about all aspects of financial planning and their advice includes:

- Accessing your pension in the most suitable way for your circumstances (including flexible access and annuity advice)

- Investing pension lump sums
- What to do with other pensions you or your partner may have
- Buying a retirement home or remortgaging an existing property
- Socially responsible and ethical savings and investments
- Protecting you and your family through life and income protection insurance
- Inheritance tax planning

After finding out all about your situation, agreeing on a risk profile with you, and carrying out research on your behalf, EFAS will recommend the most suitable solution for you based on your circumstances, objectives, and plans for the future.

If you agree, they'll put their recommendations into action.

You can speak to EFAS:

- By phone: 0800 107 0190 (Monday to Friday 9.00am to 5.00pm)
- By email: [getadvice@ecclesiastical.com](mailto:getadvice@ecclesiastical.com)

## Help with retirement living

We understand retirement can pose housing challenges for Clergy, above and beyond those other pensioners may experience.

If you are worried about where you might live, or whether you can afford a retirement property, we might be able to help you with our Church retirement living offer.

We offer two types of housing:

- Community living
- Rental

**If we approve your ill-health application, and you have at least 5 years stipendiary service you are eligible for any of our housing options.**

### Community living

We offer seven community living schemes spread around the country with the aim to enable you to live as independently as possible within a Christian community.

We accept all Clergy into community living, if you have five years stipendiary service.

### Rental

We offer a wide range of retirement properties throughout England and Wales which you can rent for as long as you want. The rent is subsidised.

We offer a joint and sole agreements. We will take care of all repairs and maintenance which are a landlord's responsibility, so you do not have to worry about doing these yourself or paying for it.

### Other Housing Options

Sometimes finding the right retirement home will mean looking at range of different options, not just within the Pensions Board but also with other providers. Our team can help put you in touch with a range of other housing providers (including ones that specialise in home ownership), depending on your individual circumstances.

### What should I do if I'm interested?

Start talking to our Housing team as soon as you submit your application for ill health retirement. You can have an initial chat with us to kick start your housing plans. After this, we will come and meet with you face-to-face to fully understand your retirement plans and needs.

# What can I do with my pension?

## Options we offer

If we approve your ill-health early retirement, we will offer you two options:

1. a pension for life with a tax-free lump sum
2. the option of giving up part of your pension and take more tax-free lump sum

### 1. Pension for life, plus a tax-free lump sum

We will pay you a pension for life. This gives you the security of knowing what your income will be each month and better still, we will increase this every year in line with inflation, up to a cap.

When you die, we will continue to pay two-thirds of your pension to your husband, wife or civil partner so you can be comfortable knowing they will also be covered.

### 2. More tax-free lump sum and reduced pension

We can pay you more tax-free lump sum. This can help with moving costs or to put towards other plans for your retirement.

But, to get this you need to give up some of your pension, meaning your income in retirement will be less. If you have paid Additional Voluntary Contributions (AVCs), you can use this towards your tax-free lump sum to save you giving up part of your pension.

### Will my health be reviewed?

In most cases, yes. We will contact you every 3 years to ask whether you are able to do any remunerated work.

We might contact you more regularly, depending on the nature of your situation. Once you reach "normal pension age" we will stop reviewing your health. This is either age 65 or 68, depending on when you joined the pension scheme.

### What if I can work again?

If your condition improves and you can work again, full-time or part-time, in any role, we will ask how much remuneration you are receiving.

If your income (your pension plus any earnings) exceeds a limit, we will reduce your pension by 50p for every £1 you earn above this.

Once you get to age 65 or 68, we will stop reviewing your pension and if you work beyond this, we will not reduce your pension.



## Options with other providers

You don't have to keep your pension with us. Having more flexible ways to access your money can really help if you are in poor health. You might want to get more money up front and even leave money to your loved ones.

You can transfer your Clergy pension and take advantage of different ways of accessing your money. A pension transfer means giving up your Clergy pension in return for a sum of money, which is called a 'transfer value'. This could be a large amount of money.

If you are interested in one of these options, you need to speak to a financial adviser first to help you decide whether they are right for you.

### **Adjustable income (flexi-access drawdown)**

You can get a regular income that goes up or down, depending on how much you need. So, if you need more income in one year but less in another, you can easily plan for this.

Before you do this, you can take a quarter of your transfer value as a tax-free lump sum at the start. Each payment is then taxable. Think about how much you take out every year and how long your money needs to last. As you get to pick how much you want and when you want it, your income is not guaranteed to last as long as you live. The more money you take out in the early years, the less is left for the future.

With this option, any money you have not taken when you die can pass on to your loved ones, in some cases tax-free.

Pension Wise has a useful calculator to help you decide if this is the right choice for you.

[pensionwise.gov.uk/en/adjustable-income](https://pensionwise.gov.uk/en/adjustable-income)

### **Cash in chunks (uncrystallised funds pension lump sum)**

Instead of a regular income, you can take cash lump sums until your money runs out. How much you take is up to you. If you want to take large amounts over a shorter period, you can easily do this.

A quarter of each amount you take is tax-free and the rest is taxed as income. In between taking money out the rest stays invested. This will give your money a chance to grow, but it can also go down.

With this option, any money left when you die can pass on to your loved ones.

Pension Wise has a useful calculator to help you decide if this is the right choice for you.

[pensionwise.gov.uk/en/take-cash-in-chunks](https://pensionwise.gov.uk/en/take-cash-in-chunks)

### **Take everything in one go**

You can take your whole transfer value as cash. A quarter is tax free, and the rest is taxed as income. This is likely to push you into a higher tax bracket, which means you will pay more tax than you usually do.

You need to plan how to provide an income for your retirement and ensure you have enough to last your lifetime, and whether you want to leave anything to someone when you die. It is worth knowing what you will do with the money. If you leave it in the bank and inflation increases, it will reduce the spending power of your money.

Pension Wise has a useful calculator to help you decide if this is the right choice for you.

[pensionwise.gov.uk/en/take-whole-pot](https://pensionwise.gov.uk/en/take-whole-pot)

## Summary of my pension options

| What should I be thinking about?                      | Clergy pension   | Adjustable income                       | Take cash in chunks                            | Take everything in one go                      |
|---|--|---|--|--|
| Who offers this option?                               | Option available with us                                     | Options with other providers            |  |  |
| Technical name  | Lifetime pension   | Flexi-access drawdown                   | Uncrystallised Funds Pension Lump Sums (UFPLS) | Uncrystallised Funds Pension Lump Sums (UFPLS) |
| Can I take a tax-free lump sum?                       | Yes, typically 3x your pension                               | Yes, up to 25% of the value of your pot | Yes, up to 25% of each lump sum                | Yes, up to 25% of your pot                     |
| Does this provide a regular income?                   | ✓  | ✓                                       | ✗  | ✗  |
| Is this income guaranteed for life?                   | ✓  | ✗                                       | ✗  | ✗  |
| Can I take extra lump sums?                           | ✓<br>AVCs or give up pension                                 | ✓<br>Will be taxable                    | ✓<br>75% of each lump sum is taxable           | ✗  |
| Can income be passed on when I die?                   | We will pay a pension to your husband, wife or civil partner | ✓                                       | ✓  | ✗  |
| Can a lump sum be passed on when I die?               | ✗  | ✓                                       | ✓  | ✓  |
| Do I need to manage my money?                         | ✗  | ✓                                       | ✓  | ✓  |
| Can I change my mind and use my money in another way? | ✗  | ✓                                       | ✓  | ✗  |



# Do I have to transfer everything?

You can transfer part of your Clergy pension and keep the rest with us. This is called a "partial transfer". A partial transfer could give you the security of a guaranteed pension with us, plus the freedom and flexibility to take money in other ways. Here is an example if you transferred half your Clergy pension and keep the rest with us.

Before you transfer, you must obtain independent financial advice. Find out more about financial advice at [www.churchofengland.org/financial-advice](http://www.churchofengland.org/financial-advice)

**Before you transfer**

|   |                     |
|---|---------------------|
| <b>Pension for life</b>   | <b>£10,000 p.a.</b> |
| <b>Tax-free lump sum</b>  | <b>£30,000</b>      |
| <b>Pension to your husband,<br/>wife or civil partner after you die</b> | <b>£6,667 p.a.</b>  |

**Your transfer value could be £250,000**



**After you transfer**

|   |                    |
|---|--------------------|
| <b>Pension for life</b>   | <b>£5,000 p.a.</b> |
| <b>Tax-free lump sum</b>  | <b>£15,000</b>     |
| <b>Pension to your husband,<br/>wife or civil partner after you die</b> | <b>£3,334 p.a.</b> |



**Amount you can invest and take flexibly, or leave to your loved ones**



**£125,000**

