GROUP PROTECTION

REDUCE THE IMPACT OF PAYING ILL HEALTH EARLY RETIREMENT PENSIONS.

Pension schemes can face a large and unexpected cost when ill health means an employee has to retire early. Our Ill Health Early Retirement Benefit policy helps you de-risk, budget and plan for this unpredictable liability.
DOES YOUR SCHEME PROMISE A PENSION TO MEMBERS WHO HAVE TO RETIRE EARLY?

Ill health early retirement could happen to any of your employees at any time and could place a significant financial strain on you or your pension scheme. The impact may vary for each employee according to their age, salary and length of service.

The resulting liability could be anything from hundreds of pounds to hundreds of thousands of pounds, and could be as much as 10x the employee’s salary, or more.

Our policy is designed to help pension schemes with at least 100 active members meet the potential costs caused by an employee retiring early due to ill health.

UNPREDICTABLE EXTRA COSTS.

With a defined benefit pension scheme, the funds needed for an ill health early retirement pension could be much more than for an otherwise normal retirement pension because:

- It’s paid early so could be paid for longer
- Early retirement penalties do not apply
- It may include the future years of pensionable service.

Costs can be unpredictable, volatile and payable immediately severely impacting the stability of a scheme’s funding. The smaller the scheme, the bigger the potential shock.

Funding levels may need to be corrected by asking members to pay more or changing terms but, the liabilities of a defined benefit pension fund are ultimately payable by the employer.

Employers with defined contribution schemes, that promise an additional lump sum contribution – for cases of ill health early retirement – also face an extra expense.
An employee has an accident and is unable to work again.

They’re 40 years old, earning £30,000 a year and have been in the employer’s defined benefit pension scheme for 15 years.

The scheme has:
- A pension age of 65
- An accrual rate of 1/60th per year which could provide a pension of up to 2/3 of salary after 40 years’ service
- A promise to pay the full pension entitlement on ill health early retirement.

So they have 15 years’ service plus 25 years’ potential future service, totalling 40 years.

This entitles them to receive a pension worth £20,000 per annum (2/3rds of £30,000 salary) for the rest of their life.

Paying this pension now is likely to cost the pension fund much more than the 15 years of contributions and growth received to date.

The strain on the pension scheme could be over £350,000, more than 10x the employee’s salary, and is ultimately payable by the employer.

INSURE THIS LIABILITY.

Alternatively the employer or scheme trustees could buy insurance to help limit the impact of this liability. Our product would insure the potential strain of active scheme members, designed to provide peace of mind.
FOUR EASY STEPS TO HELP PROTECT YOUR PENSION FUND.

1. DECIDE TO BUY

DECISION MADE TO REDUCE THE IMPACT OF THIS LIABILITY
Employer or pension trustees apply for Ill Health Early Retirement Benefit.

2. QUANTIFY THE STRAIN

DEFINED BENEFIT SCHEME: QUANTIFY THE LIABILITY TO BE INSURED, EITHER:
- the pension scheme’s actuary can calculate the potential strain from employees retiring early due to ill health and supply full details for us to confirm and provide a quote, or
- we can use the scheme information and our purpose-built tools to calculate the insurable amount, expressed as a rounded multiple of salary.

The policy’s sum assured can be all the estimated liability or just part of it.

DEFINED CONTRIBUTION SCHEME:
Calculate the additional lump sum contribution using the scheme formula.

3. SET UP POLICY

SET UP POLICY
The employer or trustees provide relevant details of the current scheme membership.
The employer or pension scheme pays the premiums.
The premiums usually qualify for Corporation Tax relief.

4. ANNUAL REVIEW

ANNUAL REVIEW
We recalculate the policy sum assured in a similar way to step 2 and adjust premiums accordingly.
This takes account of any changes to the policy such as number of members, benefit level and claims experience.
AVOID THE PREMIUMS OR REDUCE THE RISK?

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<tr>
<th>WITHOUT A POLICY</th>
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<tr>
<td>• No policy premiums to pay</td>
<td>• Pay the policy premiums</td>
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<td>• Must pay all the costs of an ill health early retirement</td>
<td>• Successful claims greatly reduce the impact of an ill health early retirement</td>
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<td>• Potential damage to scheme funding or immediate additional employer cost.</td>
<td>• You can continue to focus on investing in the business</td>
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<td>• Could mean less scope to invest in the business</td>
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CHOOSE THE COVER YOU NEED.

Our policy offers a choice of benefit levels in the event that an employee becomes eligible for an ill health early retirement pension.

You can select a benefit that matches your estimated liability or a smaller amount that you will top up.

Our premium will reflect the total benefit you choose.
CLEAR CLAIMS PROCESS.

1. Complete internal assessment
   You complete your usual human resources procedures to determine whether the employee qualifies for early retirement according to the rules of the pension scheme.

2. Claim submitted within 90 days of decision
   Please complete a claim notification form and send it to us within 90 days of your decision to retire the employee due to ill health. Claims submitted later than this are likely to be declined.

3. Assessment made within five working days
   We'll assess whether the claim is valid under the policy terms and give you a decision within five working days of receipt of all necessary information.
   We may need to ask for additional information or clarity on the details received.

4. Confirmation
   We’ll pay the benefit if a member qualifies for and takes ill health early retirement under the rules of your pension scheme. In addition to this, we’ll assess all the medical evidence, to ensure that the members ill health meets the definition of permanent incapacity under the policy.

5. Eligible claims paid within five working days
   We aim to pay benefits within a further five working days of receiving all our requirements.
   The agreed sum assured will be paid to the pension scheme trustees.
   With a defined benefit scheme, the complexity of calculating the benefit makes it likely that the amount we pay won’t exactly match the actual fund strain.

There’s usually no limit to the number of claims while the policy is in force.
NEXT STEPS.

Read our Technical Guide.
This important document contains details of the benefits and exclusions and should be read before buying this policy.

Ask your usual adviser for a copy, visit www.legalandgeneral.com/group-protection or call us 0345 072 0751.

Calls may be recorded and monitored. Call charges will vary.

Get a quotation.
• Contact your usual adviser to discuss protecting your business against the risk of ill health early retirement.
• Call us on 0345 072 0751.
  Calls may be recorded and monitored. Call charges will vary.
• Email us: employer.service@landg.com
The Legal & General Group, established in 1836, is one of the UK's leading financial services companies. As at 31 December 2016, the total value of assets across the group was £894.2 billion, including derivative assets. We also had over nine million customers in the UK for our life assurance, pensions, investments and general insurance plans.

We're one of the UK's leading providers of group protection benefits, with over 85 years' experience and providing cover to almost two million employees.

Providing confidence through claims payment
In 2016 we paid 97% of group protection claims worth more than £293m:
- paid 99.2% of group life claims
- paid 94.8% of group income protection claims.

Extra benefits for your staff
We provide a free employee assistance programme, Worklife Solutions, with all group protection products, including benefits for employees not insured by our policy.

www.legalandgeneral.com/group-protection

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