



# Your guide to long-term ill-health benefits

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# The Long-Term Sick Pay Scheme:

## An overview

This arrangement provides an income benefit for you if you are unable to work due to ill health, for a period of up to five years.

The aim is to help ease your financial concerns whilst your recovery or rehabilitation takes place. At the end of this period, if a return to normal employment is not possible, you may be eligible to receive additional pension benefits if you joined (and remain a member of) the DC Section of the Prudential Staff Pension Scheme (the Scheme). Some of the terms in this leaflet that talk about the DC Section of the Scheme have a precise meaning and you should refer to the Scheme Member Booklet for more information.

The Company believes in encouraging incapacitated employees back to work. We believe that a positive outlook in these circumstances can be an instrumental factor in assisting recovery or rehabilitation. We also believe that access by the employee and the Company to the conclusions of the medical assessments is another helpful factor in guiding the appropriate steps. Finally, we believe that financial support at a difficult time may help in assisting employees to recover. The Long-Term Sick Pay Scheme is a financial benefit that has been designed to support these principles. The income and pension benefits are described in more detail in this leaflet. Both of these benefits are secured with an insurer selected by the Company.

# Eligibility and benefits

## Eligibility for the benefits described in this leaflet

You are automatically included in the Long-Term Sick Pay Scheme for the income benefit when you become entitled, and provided you remain entitled, to join the DC Section of the Scheme. This applies whether you do join the Scheme or decide to opt-out. It is subject to your meeting the following additional criteria:

- You are aged between 16 and State Pension Age (inclusive)
- You are in full active employment, and physically and mentally able to perform all of the duties associated with your normal occupation on the first date of your employment or, if you were formerly in one of the Company's defined benefit (DB) pension schemes, on your first day after leaving that scheme.

If you meet these eligibility conditions, your benefits will be provided without medical evidence up to a threshold level determined by the insurer. If your salary exceeds this threshold, either on employment or following a salary increase, you will be required to provide satisfactory evidence of health to enable the insurer to consider covering the full potential benefit. You may also be required to provide further evidence of health if you receive further salary increases. This will usually only affect you if you are a high earner, and you will be notified accordingly.

If you are not actively at work on the first date of employment (or on your first day after leaving one of the Company's DB schemes), you will only be eligible for benefits under the Long-Term Sick Pay Scheme upon your arrival at work. This may also be subject to providing evidence of health required by the insurer.

Cover for the additional pension benefit payable after five years of income benefit is only provided, without the need for a separate application, to employees who join the DC Section of the Scheme at their first opportunity. If you join the DC Section of the Scheme later, cover for this pension benefit will only be provided upon acceptance by the insurer.

## Evidence of health

If you are required to provide evidence of health on joining the DC Section of the Scheme or following a salary increase, the following paperwork and medical attendance may be required:

- Completion of a health declaration form
- Completion of supplementary questionnaire(s) relating to particular pursuits (eg diving, mountaineering)
- Provision of a report from your General Practitioner (GP)
- Attendance at a medical examination with your own GP or another medical specialist nominated by the insurer. This may include specific medical tests.

Upon assessment of the required medical evidence, the insurer will issue its terms. They may agree to provide cover, enforce a specific exclusion or impose an additional premium loading (payable by the Company at its discretion), postpone or decline cover on that part of your salary in excess of the threshold. If you are a late entrant to the DC Section of the Scheme, cover may be declined altogether.

## Commencement of benefits

An income benefit will become payable when:

- you have been absent from work for a continuous period of 26 weeks, and
- the insurer is satisfied that, in its opinion, you are unable to perform your own occupation, or any other occupation to which you are suited by education, training or experience, as a result of your ill health. An occupation is not necessarily unsuitable just because it is lower paid or carries lower status or seniority. To determine whether your illness or injury meets this definition, the insurer will undertake an assessment of your state of health.

The insurer may be prepared to admit a claim where the aggregation of separate periods of absence exceeds 26 weeks. Such cases will be considered on an individual basis.

## Submitting a claim

If you are absent for an extended period due to injury or illness, the Company will keep in regular contact with you to establish the likely length of your absence and, where possible, to assist your return to work. The Company will notify the insurer of your potential claim as soon as it seems likely that your absence will continue for 26 weeks.

The Company will submit a completed claim form to the insurer, together with details of your occupation and your original birth certificate.

Upon receipt of the documentation, the insurer will request that you complete a personal statement and will obtain medical evidence from your GP and/or consultant. It may also request that you attend an independent medical examination, receive a visit from an occupational health or other medical assessor or provide any other information the insurer deems necessary to assess your claim.

Once the required information has been assessed, the insurer will inform the Company whether your claim will be accepted or has been declined. You have the right to appeal the decision.

To do so, your GP and/or consultant must supply fresh medical evidence to the Company, who will co-ordinate the appeal on your behalf. You may also choose to undertake an independent medical examination as supporting evidence, although neither the insurer nor the Company will bear the cost of this.

## Benefit payable

If the insurer accepts your claim as valid, you will be paid an income benefit equal to 50% of your basic salary with effect from the end of your 26 weeks' absence. This is payable by the Company monthly in arrears in the same way as your normal salary, and is subject to income tax and National Insurance in the usual way. If you are a member of the DC Section of the Scheme the Company will make Employer Credits to your Personal Account equal to 8% of your Pensionable Pay immediately prior to the commencement of the absence. Any pension contributions you pay will be based on your reduced salary, and the Company will match these contributions through Matching Employer Credits up to a ceiling of 5% (which again will be based on your reduced salary) in addition to making the Employer Credits. You can still vary the rate of your contributions during your absence and Matching Employer Credits will be adjusted accordingly.

The Company may, at its discretion, choose to insure additional employer costs related to providing your benefit, for example employer National Insurance and pension costs, and it may choose to do so in an approximate way, for example by insuring at an average percentage of salary. This has no impact on the benefit to which you are entitled except that, if you are a high earner, it will reduce the salary threshold at which evidence of health is required (see [page 4](#)).

## Example

If your basic salary is £30,000 each year and the insurer accepts your claim for income benefit, you will receive an income of £15,000 each year. If you are a member of the DC Section of the Scheme and you have elected to pay a contribution of, say, 4% of Pensionable Pay, your contribution will reduce to 4% of your reduced income ie 4% of £15,000 which is £600 each year or £50 each month. The Company will continue to make an Employer Credit of 8% of Pensionable Pay plus a Matching Employer Credit equal to your contribution up to a maximum of 5% of the reduced income. This means that in this example the total paid would be made up as follows:

|                          |                       |
|--------------------------|-----------------------|
| Employer Credit          | £30,000 x 8% = £2,400 |
| Matching Employer Credit | £15,000 x 4% = £600   |
| Total Employer Credits   | £3,000*               |

\*each year or £250 each month

## During the benefit payment period

Once in payment, the income benefit increases on each 1 April in line with inflation (measured by the annual increase in the Retail Prices Index to the previous February). The increase is restricted to a maximum of 5% each year. Your Pensionable Pay is increased in the same way during your absence, so the Company's Employer Credits and any contributions you make will also increase automatically unless you vary your contributions.

The income benefit is payable for a maximum period of five years. If you return to work, reach State Pension Age or die, your right to the benefit will cease. If you are employed on a fixed-term contract your benefit will cease at the end of your current contract term or, if earlier, upon any of the above events. From time to time the insurer will require evidence of your continued ill health and the benefit will cease if the insurer assesses you as capable of returning to work, regardless of whether you actually return.

If you return to work on reduced pay as a result of your illness or injury, either in the same or another occupation, you may be eligible for a partial benefit.

## Linked claims

If you return to work and are subsequently absent from work as a result of the same illness or injury, the insurer may recommence benefits without any waiting period. This would be subject to the second claim being within a certain timescale (usually up to six or twelve months) and the provision of supporting evidence of health.

If you are uncertain about whether this applies to you, please contact HR via the People Hub.

## At the end of the five-year benefit period

If you are a member of the DC Section of the Scheme and are still unable to return to work at the end of the benefit payment period, the insurer will undertake a further assessment of your health.

If you are assessed as unable to perform your own occupation or any other occupation to which you are reasonably suited by education, training or experience (again an occupation is not necessarily unsuitable just because it is lower paid or carries lower status or seniority) as a result of your ill health or injury on a permanent basis, you will receive a one-off augmentation payment into your Personal Account.

This will be equal to 13% of your Pensionable Pay multiplied by your future prospective Service (in years and months) to State Pension Age or to the end of your current contract term, if earlier.

Your Personal Account may then be used to provide benefits. For more details, you should refer to the Member Booklet.

If your ill health or injury is not assessed as qualifying for the augmentation payment or you were not a member of the DC Section of the Scheme, no further benefit will be payable from the Long-Term Sick Pay Scheme. You may still be eligible to draw an immediate pension from the DC Section of the Scheme on grounds of ill health. This will not be subject to any form of augmentation.

In both circumstances, your employment with the Company may cease at this time.

## Pension contributions on return to work at the Company

If you return to work at the Company either during or at the end of the five-year period, your pension contributions will become payable in the normal way, based on your new Pensionable Pay.

You will have the option of making up any shortfall in your pension contributions that has occurred as a result of your having received a reduced salary during the period of your absence. If you choose to exercise this option, the Company will match your contribution, up to the maximum that could have been paid to your Personal Account if your absence had not occurred. The maximum time allowed to make up these contributions is twice the length of your absence. So, for example, if you were absent for 30 months the maximum time allowed to make up the contributions would be 60 months, starting from the date of your return to work.

'Company' means M&G Corporate Services Limited or any associated company/employer that offers you membership of the Scheme through your contract of employment.



# Additional information

The benefits set out in this leaflet are subject to any acceptance requirements or restrictions of the insurer which may apply to an individual's cover for the reasons explained above.

Also, all benefits payable under the Long-Term Sick Pay Scheme are subject to any maximum benefit restrictions imposed by the insurer. The exact limits will depend on the term applied by the insurer at any particular time. You will be notified if this affects you.

The benefits described are subject to the terms of the policy agreed between the Company and the insurer and any changes to it agreed between them. In the event of any discrepancy the terms of the policy will prevail.

In no circumstance will the Company be liable to pay any benefit if the insurer does not make payment under the policy.

The Company reserves the right to discontinue or amend the arrangements as set out in this leaflet at any time without replacement. If this occurs participants will be notified of any material changes. Benefits in payment would continue under the terms of the policy at their commencement.

The contract of insurance entered into between the Company and the insurer for the Long-Term Sick Pay Scheme benefits excludes third-party rights under the Contracts (Rights of Third Parties) Act 1999. In order to administer the Long-Term Sick Pay Scheme, it is necessary for information about you and your entitlements to be held by the Company and other parties who act on its behalf such as the insurer. This may include 'sensitive personal data' as defined under the Data Protection Act 2018. You have certain rights in relation to this information, which are detailed in the Company's Data Protection Policy.

This leaflet is based on the Company's understanding of current legislation and practice, which may change in future.

## Further information

If you require any further information on these arrangements you should contact HR via the People Hub.

You may be eligible for State benefits in addition to the benefits provided by the Long-Term Sick Pay Scheme. For details you should contact your local Jobcentre Plus Office (details are at [www.gov.uk/contact-jobcentre-plus/how-to-contact](http://www.gov.uk/contact-jobcentre-plus/how-to-contact)).

