



counsel + care 
for older people, their families and carers

guide

Information from Counsel and Care: 2

Pension Credit

Pension Credit is a means-tested benefit managed by the Pension Service (which is part of the Department for Work and Pensions).

Pension Credit is made up of a Pension Guarantee Credit that is paid to people over 60 whose weekly income is below £137.35 or £209.70 for couples and a Pension Savings Credit for people aged 65 and over to reward them for some of their savings and income.

Counsel and Care is the national charity working with older people, their families and carers to get the best care and support. If you have found our service helpful, please consider making a donation or leaving a legacy in your Will. You can arrange this by telephoning 020 7241 8555 or using the secure service on our website www.counselandcare.org.uk.



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Your donations, legacies and payroll giving enable Counsel and Care to get the best care and support for older people, their families and carers

Counsel and Care is a national charity; however the creation of the Scottish Parliament, and the Welsh and Northern Ireland Assemblies means there are differences in the ways each country cares for and supports older people. The information in this guide applies essentially to England although there may be similarities with Scotland, Wales and Northern Ireland.

We also produce five separate guides for both Scotland and Wales covering the needs assessment process; paying care home fees and making a formal complaint which are the key areas where the policy and legislation differ significantly to England. All of the guides we publish can be downloaded from www.counselandcare.org.uk/advice-and-information or posted to you by calling our guide orderline on 020 7241 8522.

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1 Introducing Pension Credit

Pension Credit is a means-tested benefit. It has two parts – a Pension Guarantee Credit and a Pension Savings Credit.

The Pension Guarantee Credit is available for people aged 60 and over. It tops-up your weekly income to meet a minimum level set by the Government.

The Pension Savings Credit is paid to some people aged 65 and over to reward them for making extra provision for their old age by having other savings and income.

You can receive either or both of these credits depending on your age and the savings and income you have.

It is important to note that the age from which new applicants can apply for Pension Credit will gradually increase in line with the state pension age. The state pension age for women will gradually increase over the next 9 years until it reaches 65 for women as well as men. By March 2020 the state pension age for both men and women will be 66. The changes will start to come into effect from April 2012, when the earliest a woman can apply for her state pension will be 61.

2 Pension Guarantee Credit

To claim Pension Guarantee Credit, you must be:

- At least 60 years old (until the increase in the state pension age comes into effect)– it does not matter if your partner is younger;
- A UK citizen, or living in the UK and satisfying the habitual residency test; and
- Your income must be lower than the appropriate amount (the minimum amount the Government says you need to live on according to your circumstances).

The habitual residence test establishes whether a welfare benefit claimant who has recently returned to the UK has settled in this country. It looks at the length and continuity of their residence, employment or prospects of work, family ties, history and the applicant's long-term intentions as demonstrated by their actions. If the applicant is not thought to be habitually resident in the UK, they will not be eligible for assistance. However, an applicant can appeal this decision and request a revision, supersession or appeal to a tribunal. For more information on the habitual residency test and right to welfare benefits on returning to the UK see our guide: **Moving To and Returning From Abroad: benefits and services** (guide number 5).

2.1 Your Qualifying Income for Pension Guarantee Credit

The Government calls the actual weekly income that you receive before payment of Pension Guarantee Credit, your 'Qualifying Income'.

The main sources of your qualifying income are:

- State Retirement pension
- Private or Occupational pension
- War Disablement Pension and War Widow(er)s' Pension (the first £10 is disregarded)
- Assumed income from savings (£1 for every £500 above £10,000)
- Earnings
- Certain social security benefits.
- Regular payments from an equity release scheme

Income that is ignored or partially ignored:

- Attendance Allowance or Disability Living Allowance
- Housing Benefit and Council Tax Benefit
- Social Fund payments
- Voluntary and charitable payments
- War Widow's and Widower's Supplementary pension of £80.91 for 'pre-1973' widows (in addition to the £10)
- The first £5 of your weekly earnings or £10 of your partner's weekly earnings
- The first £20 of income if you or your partner are disabled or are a carer
- The first £10 of income from your war widow's or widower's pension
- The first £10 income from your War Disablement Pension
- The first £20 income from a tenant
- Direct Payments from social services for your personal care.

Savings that are ignored:

- The value of your home that you own and are living in
- Savings of up to £10,000
- Value of a pre-paid funeral plan
- Arrears of certain benefits for example, Attendance Allowance
- Personal belongings
- £10,000 ex-gratia payment for Far Eastern Prisoners of War or their widow/widower.

2.2 Your 'Appropriate Amount'

This is a term used for the minimum amount of money the Government says you need to live on each week, taking account of your specific circumstances.

The table on page 9 is a quick guide to the Appropriate Amounts depending on particular circumstances. Where Attendance Allowance is mentioned, this is treated in the same way as the middle or higher rate of the care component of Disability Living Allowance. Please note that Attendance Allowance and Disability Living Allowance are paid in addition to the figures in the table. Both of these benefits are ignored when working out how much your Qualifying Income is.

2.3 Severe Disability Premium (SDP)

Severe Disability Premium (SDP) is paid when either one person living alone or both of a couple are in receipt of either Attendance Allowance or Disability Living Allowance, and no-one is receiving

Carer's Allowance to look after them. This Severe Disability Premium is added to their Pension Guarantee Credit entitlement which will increase the total Appropriate Amount you should be paid.

In 2011-12, the amounts for Severe Disability Premium are as follows (per week):

Severe Disability Premium (single person)	£55.30
Severe Disability Premium (couple – one qualifies)	£55.30
Severe Disability Premium (couple – both qualify)	£110.60

If someone receives a Carer's Allowance for looking after you, you will not be entitled to an SDP on your Pension Credit. If someone is entitled to Carer's Allowance for looking after you but does not actually receive it due to the benefit overlapping rules, you *can* receive an SDP on your Pension Credit. If someone is about to claim Carer's Allowance for looking after you, it may affect your Pension Credit so it is advisable to seek professional advice before going ahead with a claim. You may want to contact your local CAB (tel.: 08444 111 444 ; www.citizensadvice.org.uk for clarification over how it will affect your benefits.

2.4 Carer's Premium

A Carer's Premium of £31.00 per week is added to your Pension Credit if you or your partner are paid or have an underlying entitlement to Carer's Allowance (i.e. you are entitled to Carer's Allowance but cannot be paid it due to the overlapping benefit rules).

A quick guide to Appropriate Amounts (each week)		
	Single person	Couple
Aged 60 or over	£137.35	£209.70
You live alone and <u>you</u> are receiving Attendance Allowance. <u>No one</u> is receiving Carer's Allowance for looking after you.	£137.35 Plus £55.30 (Severe Disability Premium - SDP)	Does not apply
You live with your partner – <u>you</u> are receiving Attendance Allowance and your partner is receiving Carer's Allowance.	Does not apply	£209.70 Plus £31.00 (Carer Premium)
You live with your partner – <u>both</u> of you are receiving Attendance Allowance and <u>someone else</u> is receiving Carer's Allowance for looking after one of you.	Does not apply	£209.70 Plus £55.30 (SDP for the partner who does not have a carer)
You live with your partner – <u>both</u> of you receive Attendance Allowance and you have separate carers who receive Carer's Allowance for looking after you.	Does not apply	£209.70 (Both lose SDP)
You live with your partner – <u>both</u> of you are receiving Attendance Allowance and <u>no one</u> is receiving Carer's Allowance for looking after either of you.	Does not apply	£209.70 (Plus £110.60 SDP)
You live with your partner – <u>both</u> of you are receiving Attendance Allowance and you <u>both</u> have underlying entitlement to Carer's Allowance for looking after each other.	Does not apply	£209.70 plus £110.60 (2 SDPs) and £62.00 (2 CPs)

You live with your partner – one of you is receiving Attendance Allowance and no one is receiving Carer’s Allowance for looking after either of you.	Does not apply	£209.70 (No-one receives SDP)
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2.4 How to work out Pension Guarantee Credit

To work out how much Pension Guarantee Credit you should receive, you need to take away your Qualifying Income figure from the Appropriate Amount.

Example

Mr Smith has a state pension of £102.15 a week and an occupational pension of £25 a week.

Mr Smith’s Qualifying Income is as follows:

State Retirement pension	£102.15 a week
Occupational pension	£25.00 a week
Qualifying Income	£127.15 a week

As a single person with no entitlement to disability or carer’s benefits, the Government says Mr Smith should have £137.35 a week to live on as his Appropriate Amount. Mr Smith’s Pension Guarantee Credit would be the difference between his Qualifying Income and his Appropriate Amount.

Mr Smith’s Qualifying Income	£127.15 a week
Mr Smith’s Pension Guarantee Credit	£10.20 a week
Mr Smith’s total income	£137.35 a week

3 Pension Savings Credit

The Pension Savings Credit is a modest reward for some people aged 65 and over for making savings and investments for their retirement. Only a person's Qualifying Income is rewarded.

If you have income from your state pension and private pensions, or from your savings, of between £103.15 and around £188.65 a week as a single person or between £164.55 and £277.42 as a couple and you are over 65, you will be entitled to Pension Savings Credit.

The maximum Savings Credit an individual can receive is £20.52 and the maximum Savings Credit for a couple is £27.09.

3.1 What counts as your Qualifying Income for Pension Savings Credit?

Qualifying Income counted

State pension

Private pension

Bereavement allowance

Income from assumed savings

Earnings

Income from annuities

Income ignored

Working Tax Credit

Incapacity Benefit

Jobseeker's Allowance

Severe Disability Allowance

Maternity Allowance

Maintenance for your spouse

Attendance Allowance

Disability Living Allowance

3.2 How does Pension Savings Credit work?

The Pension Savings Credit rewards you with 60 pence for every £1 of your Qualifying Income that is above the Pension Savings Credit starting point, up to and including your Appropriate Amount.

The starting points are as follows:

Single person	£103.15 a week
Couple	£164.55 a week

If you have a Qualifying Income above these weekly starting points, you will be rewarded with 60 pence for every pound until you reach the maximum amount allowed.

The maximum Pension Savings Credit that can be awarded is:

Single person	£20.52 a week
Couple	£27.09 a week

3.3 How to work out a person's Pension Savings Credit

Mr Smith, who we discussed earlier, had a state pension and occupational pension giving him a qualifying income of £127.15. This entitled him to Pension Guarantee Credit of £10.20 a week.

Mr Smith's Pension Savings Credit can be worked out as follows:

Qualifying Income	£127.15 a week
Minus the starting point for Savings Credit	£103.15 a week
Difference	£24.00 a week

So, we work out Mr Smith's Pension Savings Credit as follows:

£24.00 multiplied by 60p = **£14.40** a week

Mr Smith's total Pension Credit:

	Guarantee Credit	£10.20
Plus	Savings Credit	£14.40
	Total Pension Credit =	£24.60

So, Mr Smith's total weekly income:

	Income	£127.15
Plus	Pension Credit	£24.60
	Total weekly income =	£151.75

An example of an older person who receives disability benefits

Mrs Patel is an 85-year-old widow who lives alone. Mrs Patel receives a state pension of £102.15 a week and an occupational pension of £45.56 . Mrs Patel receives the higher rate of Attendance Allowance of £73.60 a week.

A) Mrs Patel's Qualifying Income

Mrs Patel's state retirement pension	£102.15 a week
Mrs Patel's occupational pension	£45.56 a week
Mrs Patel's Attendance Allowance	£ Ignored
Total Qualifying Income	£147.71 a week

B) Mrs Patel's Appropriate Amount

Single person's Appropriate Amount £137.35 a week
As Mrs Patel receives Attendance Allowance, she is entitled to an SDP of £55.30 a week on her Pension Credit.

Mrs Patel's total Appropriate Amount £192.65 a week

C) Mrs Patel's Pension Guarantee Credit

Mrs Patel's Appropriate Amount	£192.65 a week
Minus Mrs Patel's Qualifying Income	£147.71 a week
Pension Guarantee Credit	£44.94 a week

D) Mrs Patel's Pension Savings Credit

Mrs Patel's Appropriate Amount	£192.65 a week
Mrs Patel's Qualifying Income	£147.71 a week

As Mrs Patel's Qualifying Income is £147.71 which is above the Savings Credit threshold of £103.15 she will be rewarded for this.

$$£147.71 - £103.15 = £44.56$$

$$£44.56 \times 0.60p = £26.74$$

However, the maximum Savings Credit that a single person can receive is £20.52 per week.

E) Mrs Patel's total Pension Credit

Guarantee Credit	£44.94
Savings Credit	£20.52
Total Pension Credit amount	£65.46 a week

She will also continue to receive her disregarded Attendance Allowance of £73.60 per week, so her total weekly income is:

Income	£147.71
Attendance Allowance	£73.60
Pension Credit	£65.46
Mrs Patel's total weekly income =	£286.77

3.4 Pension Savings Credit reduction

If your Qualifying Income is more than your Appropriate Amount (this figure depends on your personal circumstances), you may still be eligible for Savings Credit. However, the Maximum Savings Credit can be reduced by 40 pence for every pound that your Qualifying Income is above your Appropriate Amount. Therefore, if your qualifying income is considerably higher than your appropriate amount, then the reduction may cancel out any reward you might get.

As the calculations are complex, you may wish to check your likely entitlement before taking time to complete the application form. You can either do this by contacting the Pension Credit helpline (tel.: 0800 99 1234) or use the Pension Credit calculator online at: www.direct.gov.uk/en/Pensionsandretirementplanning/PensionCredit/DG_180167

4 Housing Benefit and Council Tax Benefit

If you receive Pension Guarantee Credit, you should receive full Housing Benefit and Council Tax Benefit.

If you receive Pension Savings Credit only, you may be eligible to receive Housing Benefit and Council Tax Benefit, where some but not all of your housing costs will be met. Your Pension Savings Credit will be taken into account as income.

The upper limit for receiving Housing Benefit and Council Tax Benefit has been increased by the maximum Pension Savings Credit amount (£20.52 for a single person and £27.09 for a couple). You will, therefore, not see any gains through Pension Guarantee Credit reduced by applying for Pension Savings Credit. For further information, please see our guide:

Council Tax Benefit and Housing Benefit (guide number 22).

5 Entitlement in a care home

If you live in a care home, your Qualifying Income is assessed in the same way as if you lived at home; the first £10,000 of your cash savings will be ignored.

The local council must use the Pension Service assessment of your income when they work out how much you need to contribute towards your care home fees. The council should seek your permission to contact the Pension Service for this information or will ask to see evidence of this information sent to you by the Pension Service (general enquiries line, tel.: 0845 60 60 265; new claims, tel.: 0800 99 1234).

5.1 Savings Disregard

If you are living in a care home and receive Pension Guarantee Credit then you will only receive a personal expenses allowance of £22.60. If you receive Pension Savings Credit then the local authority should apply a savings disregard during the financial assessment. The Savings Disregard will be paid to a single resident up to a maximum of £5.75 a week and £8.60 for couples. This is paid in addition to the resident's Personal Expenses Allowance of £22.60 a week.

6 Other entitlements

If you receive Pension Guarantee Credit, you are entitled to claim other benefits including:

- Free NHS dental treatment including check-ups
- Free sight tests
- Vouchers towards the cost of glasses or contact lenses
- Travel costs to and from hospital for NHS treatment
- Full Housing Benefit
- Full Council Tax Benefit.

If you receive Pension Guarantee Credit, you will also be able to apply for financial help from the Social Fund. If you are in receipt of means-tested benefits, such as Pension Guarantee Credit, you may also be eligible for grants to help with insulation and energy efficiency, and subsidised services such as BT Basic, a subsidised telephone service to help people on a lower income.

If you receive Pensions Savings Credit but not Pension Guarantee Credit, you will not be entitled to some of the same benefits.

But you will be eligible to claim:

- Standard Housing Benefit
- Standard Council Tax Benefit.

For more information, see section 4 of this guide and our guide: **Grants and loans from the state for people on a low income** (guide number 4).

7 Change of circumstances

If you are over 65, an Assessed Income Period will be set by the Pension Service. The Pension Service decides the period of up to five years based on your personal circumstances. This will mean that during this set period you will not need to tell the Pension Service if your Qualifying Income changes – unless your circumstances change unexpectedly.

During this period, you must tell the Pension Service if you:

- Get married
- Become a widow or widower
- Start to receive a new benefit.

The Assessed Income Period will not be set if you are under 65. So you will have to tell the Pension Service of any change in your circumstances. An Assessed Income Period may be set at a later date.

8 How to claim

You can phone the Pension Service free (tel.: 0800 99 1234; textphone 0800 169 0133) from 8am to 8pm, Monday to Friday, and Saturdays between 9am and 1pm, where staff will take all of the relevant information for your claim. If English is not your first language, the Pension Service can arrange for an interpreter to help you with the security questions.

You will need to have ready all the information to work out your Appropriate Amount and Qualifying Income. You will need:

- Your National Insurance number;
- Details of any income; and
- Details of any savings and investments.

The application form will be sent to you for you to check, and if all the information is correct, you should sign it and return it to the Pension Service.

Alternatively you can download or complete a form online on the Pension Service website at:

www.direct.gov.uk/en/Pensionsandretirementplanning/PensionCredit/DG_10018692

The Pension Service can now help you apply for Housing Benefit and Council Tax Benefit at the same time as you make a claim for Pension Credit. See our guide:

Council Tax Benefit and Housing Benefit (guide number 22).

8.1 Backdating

Claims for Pension Credit made since 6th October 2008 can now only be backdated for payment by up to 3 months, as long as you meet the conditions for the whole of that period.

9 Receiving the payments

The Pension Service will pay Pension Credit directly into a named account by direct debit. This is the safest way to pay you and lets you choose how and when to use your money. You can use a bank, building society, or the post office, and you will be able to withdraw cash from across the counter, cash machines, or use your debit card to purchase goods and services. There are arrangements for some banks and building societies to let you collect cash over the counter at post offices. You can also set up standing orders from your account to pay regular bills such as your gas and electricity, and many utility services will give you a discount if you pay using this method.

When the Pension Service first process your claim you will receive a written statement that will tell you how they have calculated your benefits, when the payments will be paid into your account, and how much you should receive. It is important to keep this statement in a safe place for your records, as the Pension Service only send a new statement when your payments change, or when you request a replacement.

If you find it difficult to manage your own money and would like someone else to manage your affairs, now or in the future, please refer to our guide:

Money and Welfare: managing my affairs if I become ill (guide number 33).

Our advice workers can advise on a wide range of issues affecting older people, their relatives and carers. Counsel and Care produce a range of guides which can be downloaded from our website www.counselandcare.org.uk, or requested by calling our guide orderline on 020 7241 8522.

This guide is not a full explanation of the law and is aimed at people over 60.

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