



counsel + care 
for older people, their families and carers

guide

Guide 2:

Pension Credit

Pension Credit is a means-tested benefit administered by the Pension Service, part of the Department for Work and Pensions.

Pension Credit has two parts: Pension Guarantee Credit, this is paid to people over state retirement age whose weekly income is below £142.70 for individuals or £217.90 for couples, and Pension Savings Credit, for people over 65 to reward them for saving towards their retirement.

The Counsel and Care advice service works with older people, their families and carers to get the best care and support. All of our guides and factsheets are available from our website: www.counselandcare.org.uk or paper versions can be ordered by calling **020 7241 8522. You can call our advice line on **0845 300 7585** to arrange an appointment to speak to one of our experienced advisors.**



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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

The Counsel and Care service is now part of Independent Age, a unique and growing charity providing information, advice and support for thousands of older people across the UK and the Republic of Ireland. Visit www.independentage.org for more information about Independent Age.

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 countries in the rest of the UK.

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 differs significantly from England.

All of the guides we publish may be downloaded from www.counselandcare.org.uk/advice-and-information

or posted to you if you call our guide order line on [020 7241 8522](tel:02072418522).

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1 Introducing Pension Credit

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

It is important to note that the age from which new applicants can apply for Pension Credit will gradually increase in line with the increase in state pension age. The state pension age for women will gradually increase over the next 6 years until it reaches 65 for women as well as men. By October 2020, the state pension age for both men and women will be 66. These changes have started to come into effect. Currently, the earliest a woman can apply for her State Pension is 61. A table detailing these changes can be found at the back of this guide.

2 Pension Guarantee Credit

To claim Pension Guarantee Credit, you must be:

- of state pension age as determined by the government. Currently this is at least 61 years old for women and 65 for men. The state pension age is increasing, details of which can be found on the DirectGov website (www.directgov.gov.uk) or by calling The Pension Service (tel.: 0800 99 1234). 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 residency 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 entitlement 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 joint weekly earnings if you are a couple;
- 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 (for example jewellery);
- £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 to describe the minimum amount of money the Government says you need to live on each week, taking into account your specific circumstances.

For example:

The Appropriate Amount for a single person is £142.70 a week.

The Appropriate Amount for a couple is £217.90 a week.

The table on pages 9 and 10 is a quick guide to the Appropriate Amounts depending on your particular circumstances.

2.3 Calculating your Pension Guarantee Credit

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

Example:

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

$£102.15 + £25.00 = £127.15$ Mr Smith's Qualifying Income
 $£142.70 =$ Mr Smith's Appropriate Amount

£142.70 - £127.15 = £15.55

£15.55 = Mr Smith's Pension Guarantee Credit

2.4 Severe Disability Premium (SDP)

A 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 the middle or high rate of the care component for Disability Living Allowance, and no-one is receiving Carer's Allowance to look after them. The Severe Disability Premium is added to your 'Appropriate Amount'. This could mean you are now eligible for Pension Guarantee Credit if you were not before, or if you are already receiving Pension Guarantee Credit, you will get a higher amount.

A Severe Disability Premium is paid as follows per week:

Severe Disability Premium (single person)	£58.20
Severe Disability Premium (couple – one qualifies)	£58.20
Severe Disability Premium (couple – both qualify)	£116.40

If someone receives 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 about how it will affect your benefits.

2.5 Carer's Premium (CP)

A Carer's Premium of £32.60 a week is added to your 'Appropriate Amount' 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 do not receive it due to the overlapping benefit rules). This could mean you are now eligible for Pension Guarantee Credit if you were not before, or if you are already receiving Pension Guarantee Credit, you will get a higher amount.

A quick guide to Appropriate Amounts (each week)		
	Single person	Couple
Over State Retirement Age	£142.70	£217.90
You live alone and receive Attendance Allowance. No one is receiving Carer's Allowance for looking after you.	£142.70 plus £58.20 (SDP)	Does not apply
You live with your partner and receive Attendance Allowance. Your partner receives Carer's Allowance.	Does not apply	£217.90 plus £32.60 (Carer's Premium)
You live with your partner and both of you receive Attendance Allowance. Someone else receives Carer's Allowance for looking after one of you.	Does not apply	£217.90 plus £58.20 (SDP for the partner who does not have a carer)
You live with your partner and both of you receive Attendance Allowance. You have separate carers who receive Carer's Allowance for looking after you.	Does not apply	£217.90 (Both lose SDP)
You live with your partner and both of you receive Attendance Allowance. No one receives Carer's Allowance for looking after either of you.	Does not apply	£217.90 (plus £116.40 SDP)
You live with your partner and both of you receive Attendance Allowance. Both of you have underlying entitlement to Carer's	Does not apply	£217.90 plus £116.40 (2 SDPs) and £65.20

Allowance for looking after each other.		(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	£217.90 (No-one receives SDP)

NB. Where Attendance Allowance is mentioned, this is treated in the same way as the middle/higher rate care component of Disability Living Allowance.

3 Pension Savings Credit

Pension Savings Credit is a reward for people aged 65 and over who have made modest 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 £111.80 and £189.00 a week as a single person, or between £178.35 and £277.20 as a couple, and you are over 65, you will be entitled to Pension Savings Credit.

3.1 What counts as your Qualifying Income?

Qualifying Income counted

- State pension
- Private pension
- Bereavement allowance
- Income from annuities
- Earnings
- Assumed income from savings

Income ignored

- Attendance Allowance
- Disability Living Allowance
- Working Tax Credit
- Incapacity Benefit
- Jobseeker's Allowance
- Maternity Allowance
- Maintenance for your spouse

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	£111.80 a week
Couple	£178.35 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	£18.54 a week
Couple	£23.73 a week

3.3 Calculating your Pension Savings Credit

Example 1:

Mr Smith, referred to earlier, has a state pension and occupational pension giving him a Qualifying Income of £127.15 a week. This entitles him to a Pension Guarantee Credit of £15.55 a week.

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

	Qualifying Income	£127.15 a week
minus	Starting point for Savings Credit	£111.80 a week
		£15.35 a week

Mr Smith's Qualifying Income is higher than the Savings Credit starting point so he is rewarded by 60 pence for every £1 of his Qualifying Income.

$£15.35 \times 0.60p = £9.21$ a week Pension Savings Credit.

Mr Smith's total Pension Credit:

	Guarantee Credit	£15.35
plus	Savings Credit	£9.21
	Total Pension Credit	= £24.56

Example 2:

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 £77.45 a week.

A) Mrs Patel's Qualifying Income

	state retirement pension	£102.15 a week
plus	occupational pension	£45.56 a week
	Attendance Allowance	£ Ignored
	Total Qualifying Income	£147.71 a week

B) Mrs Patel's Appropriate Amount

Single person's Appropriate Amount £142.70 a week

As Mrs Patel receives Attendance Allowance, she is entitled to an SDP of £58.20 a week on her Pension Credit.

Total Appropriate Amount £200.90 a week

C) Mrs Patel's Pension Guarantee Credit

	Appropriate Amount	£200.90 a week
minus	Qualifying Income	£147.71 a week
	Pension Guarantee Credit	£53.19 a week

D) Mrs Patel's Pension Savings Credit

Mrs Patel's Pension Savings Credit can be worked out as follows:

	Qualifying Income	£147.71 a week
minus	Starting point for Savings Credit	£111.80 a week
		£35.91 a week

Mr Patel's Qualifying Income is higher than the Savings Credit starting point so she is rewarded by 60 pence for every £1 of her Qualifying Income.

$£35.91 \times 0.60p = £21.54$ a week Pension Savings Credit.

But, the maximum Savings Credit that a single person can receive is £18.54 per week. So, Mrs Patel receives:

Pension Savings Credit	£18.54
Pension Guarantee Credit	£53.19
Total Pension Credit	£71.73

Mrs Patel will receive her £71.73 a week Pension Credit, on top of her state pension, occupational pension and Attendance Allowance. This gives her a new total income of £296.89 a week.

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 you can receive is 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, the reduction may cancel out any Pension Credit 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 will normally qualify for full Housing Benefit and Council Tax Benefit. However, a deduction to your Housing Benefit and Council Tax Benefit will be made if:

- There are other adults living with you (apart from your partner, carer, landlord or lodger).
- The rent for your property is higher than the council would normally pay for someone of your circumstances.

If you receive Pension Savings Credit only, you will not automatically qualify for full Housing Benefit and Council Tax Benefit. This is because your Pension Savings Credit is taken into account as income. You may still be eligible for these benefits in full or partially, but you will need to be assessed according to the normal Housing Benefit/ Council Tax rules, such as, you must not have more than £16,000 in savings.

The upper limit for receiving Housing Benefit and Council Tax Benefit has been increased by the maximum Pension Savings Credit amount (£18.54 for a single person and £23.73 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 entitlement to Pension Credit is calculated 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.

5.1 Savings Disregard

If are living in a care home and receive Pension Savings Credit, the local council should apply a savings disregard during the financial assessment. This is paid in addition to the resident's Personal Expenses Allowance of £23.50 a week. It is worth up to a maximum of £5.75 a week and £8.60 for couples.

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;

To apply, you will need to fill in a HC1 form. This will be available from your local GP surgery, pharmacists or opticians.

If you receive Pension Guarantee Credit, you will also be able to apply for financial help from the Social Fund. This means you may also be able to receive Cold Weather Payments and Winter Fuel Payments. For more information see:

The Social Fund: Grants and Loans from the State (guide number 4).

If you are receive either type of Pension Credit, you may also be eligible for grants to help with insulation and energy efficiency. Contact your energy providers to see if they offer such a scheme and what their criteria is.

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.

The Pension Service will automatically accommodate annual increases in your pension provision, but if there are major changes in your circumstances you must inform the Pension Service to see if this affects your claim. When you are first awarded Pension Credit the Pension Service should inform you of the main kinds of changes in your circumstances that you would need to report during the Assessed Income Period, but they may not list them all. As the claimant, it is your duty to report any change in your circumstances which may reasonably be expected to affect your right to receive the amount of Pension Credit you have been awarded. If the Pension Service decides that the change does not affect your Pension Credit ask them to put their decision in writing for your own records.

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

- get married or enter a civil partnership;
- are about to divorce or have a civil partnership dissolved;
- become a widow or widower;
- start to receive a new benefit;
- move into a care home on a permanent basis;
- begin to earn an income;
- receive a large increase in capital which affects your tariff income.

If you are under 65, an Assessed Income Period will not be set by the Pension Service. This means 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 telephone 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.

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 help you apply for Housing Benefit and Council Tax Benefit at the same time as you make a claim for Pension Credit.

8.1 Backdating

Claims for Pension Credit can only be backdated for payment by up to 3 months, and only as long as you met the conditions for the whole of that period.

9 Receiving the payments

The Pension Service will pay your Pension Credit directly into your chosen account by an automatic transfer system called BACS. You can use a bank, building society, or a post office account. You will be able to withdraw money from across the counter, from cash machines, or use your debit card to purchase goods and services. Some banks and building societies will also let you collect your money over the counter at post offices.

When the Pension Service first processes your claim, you will receive a written statement that will tell you how they have calculated your Pension Credit, when you will receive it, 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.

Changes to Pension Credit eligibility for women:

Date You Were Born	Date You Could Get Pension Credit (Women)	Date You Could Get Pension Credit (Men)
Before 5 April 1951	Now	Age 65
6 April to 5 May 1951	6 May 2012	Age 65
6 May to 5 June 1951	6 July 2012	Age 65
6 June to 5 July 1951	6 September 2012	Age 65
6 July to 5 August 1951	6 November 2012	Age 65
6 August to 5 September 1951	6 January 2013	Age 65
6 September to 5 October 1951	6 March 2013	Age 65
6 October to 5 November 1951	6 May 2013	Age 65
6 November to 5 December 1951	6 July 2013	Age 65
6 December to 5 January 1952	6 September 2013	Age 65
6 January to 5 February 1952	6 November 2013	Age 65
6 February to 5 March 1952	6 January 2014	Age 65

This factsheet is not a full explanation of the law and is aimed at people aged over the state retirement age.

The Counsel and Care service is now part of Independent Age. Independent Age is the operating name of the Royal United Kingdom Beneficent Association.

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