

Pension Credit

Pension Credit is just about the most complicated benefit on offer to older people. Despite the Government's claims, it does not abolish pensioner poverty. In fact, its introduction means that more pensioners will now be subjected to a means-test in order to survive well below the poverty line.

Pension Credit is also not as generous as the Government might like us to think. For example, an individual's declared income from savings above £6000 is assumed to provide interest at 10% pa. Today, that is four times more than would actually be received. This is hardly likely to encourage saving by workers on low wages, for whom saving is far from easy and who may well be on benefit when they retire.

Those not in receipt of a full basic state pension will only receive savings credit on savings and other small sources of income above the full state pension threshold. They will therefore not receive any benefit on their savings below that threshold. As 51% of all women pensioners do not receive a full state pension, they will suffer from this unfair arrangement. Women will also be unable to claim the full amount of Pension Credit on their savings if they are under 65.

In addition, residents of care homes are not being actively encouraged to claim the Pension Credit and even those who do claim, may receive reduced benefits.

But the most damning case against the Pension Credit is that it is further evidence of the Government's policy to degrade the role of the National Insurance basic state pension to provide an adequate income in retirement.

Indexing the Pension Credit to average wages whilst retaining the price/inflation link for the basic state pension will have the effect of increasing the proportion of pensioners who will be means-tested. This is expected to rise to 50% of all older people by 2004.

The solution to pensioner poverty lies not in the means-tested Pension Credit, but a higher basic state pension for all, that is indexed to average earnings, that makes means-testing of older people a thing of the past.

Nevertheless, pensioners need to know whether or not they qualify for Pension Credit and, if so, to what additional income they may be entitled. Up till now, the Department for Work and Pensions' publications that have tried to explain the Pension Credit have tended to confuse. We have therefore attempted to clarify how the Pension Credit will work and what additional income (if any) pensioners can expect, so that the take-up of this latest limited benefit is not hampered by its confusing presentation.

What is it?

From October 2003, Pension Credit will replace the benefit currently known as the Minimum Income Guarantee (MIG) and can also offer an additional benefit for pensioners who have small savings, earnings, SERPS, occupational or private pensions.

The Pension Credit is in two parts: a Guarantee Credit offering means-tested support to those aged 60 or over and a Savings Credit offering additional income to those aged 65 and over, based on their amount of savings and extra income above the level of the current basic state pension.

(Note: In the case of a couple, only one partner has to be 65 or over).

Who can claim?

Pensioners who do not qualify:

- Single pensioners or pensioner couples with weekly incomes above £139.10 and £203.80 respectively excluding Attendance Allowance, Disability Living Allowance, Housing Benefit and Council Tax Benefit.

Pensioners who qualify:

- Single pensioners with a weekly income of less than £139.10 excluding Attendance Allowance, Disability Living Allowance, Housing Benefit and Council Tax Benefit.

- Pensioner couples with a joint weekly income of less than £203.80 excluding Attendance Allowance, Disability Living Allowance, Housing Benefit and Council Tax Benefit.

How much will I be entitled to?

Single Pensioners

1. If income is less than £102.10 (the current guaranteed minimum income [MIG] level), then if applied for, weekly income can be increased to that minimum guaranteed level. *This applies to all those aged 60 or over.*
2. If income, as a result of SERPS, occupational or private pensions, earnings or savings, is higher than the threshold, currently the basic state pension (£77.45), but not more than the guaranteed minimum income (currently £102.10 [MIG]), if applied for, an additional benefit is available. This is calculated as follows:
 - (a) take £77.45 (ie. the current basic state pension) from your total income
 - (b) multiply the answer by 0.6
 - (c) this is the benefit to which you are entitled in addition to the current guaranteed minimum of £102.10 (MIG)

For example: A single pensioner has an income of £95.00, i.e. £17.55 more than the current basic state pension (£77.45) then, if applied for, the additional benefit will be:

$$\begin{aligned}
 95 - 77.45 &= 17.55 \\
 17.55 \times 0.6 &= \underline{10.53}
 \end{aligned}$$

£10.53 is the benefit available in addition to the minimum guaranteed income level of £102.10 (MIG), raising the total income from £95 to £112.63 per week

3. If income, as a result of SERPS, occupational or private pensions, earnings or savings, is higher than the guaranteed minimum income (currently £102.10 [MIG]), but not more than £139.10, a benefit of up to £14.79 per week can be applied for. This is calculated as follows:

- (a) take £102.10 (i.e. the current guaranteed minimum [MIG]) from your total weekly income
- (b) multiply the answer by 0.4
- (c) subtract this from £14.79
the answer is the benefit to which you are entitled

For example: A single pensioner has a weekly income of £105 (£77.45 basic pension + £27.55 from other sources), then, if applied for, the benefit will be:

$$\begin{aligned} 105 - 102.10 &= 2.90 \\ 2.90 \times 0.4 &= 1.16 \\ 14.79 - 1.16 &= \underline{13.63} \end{aligned}$$

£13.63 is the benefit to which you are entitled raising the total income from £105 to £118.63 per week

This only applies to those aged 65 or over.

Pensioner Couples

1. If joint income is less than £155.80 (the current guaranteed minimum income [MIG] level), then if applied for, weekly income can be increased to that minimum guaranteed level. *This applies to all those aged 60 or over.*
2. If joint income, as a result of SERPS, occupational or private pensions, earnings or savings, is higher than the threshold, currently the basic state pension (£123.80), but not more than the guaranteed minimum income (currently £155.80 [MIG]), if applied for, an additional benefit is available. This is calculated as follows:
 - (a) take £123.80 (i.e. the current basic state pension) from your joint total income
 - (b) multiply the answer by 0.6
 - (c) this is the benefit to which you are entitled in addition to the current guaranteed minimum of £155.80 (MIG)

For example: A pensioner couple have a joint weekly income of £143.80, i.e. £20.00 more than the current joint basic state pension (£123.80), then, if applied for, the additional benefit will be:

$$\begin{aligned} 143.80 - 123.80 &= 20.00 \\ 20.00 \times 0.6 &= \underline{12.00} \end{aligned}$$

£12.00 is the benefit available in addition to the minimum income guaranteed level of £155.80 (MIG), raising the total weekly income from £143.80 to £167.80.

This only applies to couples where at least one member is 65 or over.

3. If joint income, as a result of SERPS, occupational or private pensions, earnings or savings, is higher than the guaranteed minimum income (currently £155.80 [MIG]), but not more than £203.80, a benefit of up to £19.20 per week can be applied for. This is calculated as follows:

- (a) take £155.80 (i.e. the current guaranteed minimum [MIG]) from your total weekly income
 - (b) multiply the answer by 0.4
 - (c) subtract answer (b) from £19.20
- the answer is the benefit to which the couple is entitled

For example: A pensioner couple has a joint weekly income of £170.90 (eg. the basic state pensions + £47.10 from other sources), then, if applied for, the benefit will be:

$$\begin{aligned} 170.90 - 155.80 &= 15.10 \\ 15.10 \times 0.4 &= 6.04 \\ 19.20 - 6.04 &= \underline{13.16} \end{aligned}$$

£13.16 is the benefit to which you are entitled raising total income from £170.90 to £184.06 per week

This only applies to couples where at least one member is 65 or over.

For further information consult The State Pension Credit Act 2002 Chapter 16 (29 pages) priced £6 and the Explanatory Notes (44 pages) priced £6.50 both available from the Stationery Office Bookshop, 123 Kingsway, London WC2B 6PQ.