



LIFETIME SUPPORT FOR
OFFICERS AND THEIR FAMILIES

THE OFFICERS' ASSOCIATION

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Advice paper OA5 April 2012

PENSION CREDIT

What is Pension Credit

- Administered by the Pension Service, which is part of the Pension, Disability and Carers Service (PDCS), an executive agency of the Department for Work and Pensions (DWP).
- It is an 'entitlement' available to people **aged 60 and over**.
- It is means tested and 'Appropriate Amounts' stipulate minimum weekly incomes
- It rewards some of savings and income of some people **aged 65 and over**.

Two Credit elements

- **Guarantee credit** – for those aged 60 or over
- **Savings credit** – for those aged 65 and over who have made modest provision for their retirement.
- **It is possible to receive either or a combination of both elements.**

Eligibility Rules

- No fixed limit to amount of savings and investments, although over £10,000 attracts 'assumed' or 'tariff' income
- No remunerative work rule (one can work but income is accountable)
- Pensioners who are students can apply
- Introduction of the 'Assessed Income Period' (some 5 years), although recipients still need to report changes in circumstances (eg decrease/increase in capital, married, widowed)

Who receives it and When

- **Those aged 60 or over, habitually resident in the UK with modest income and capital**
- Apply to Pension Service Freephone line **0800 99 1234**
- Telephone form-filling in taking some 20 – 30 minutes will be followed up by completed application form forwarded by Pension Service to applicants, for signature and return with verifying documents.
- Those who encounter difficulties on the telephone or who generally prefer 'drop-in' centres or 'home visits' will be given those choices.
- Eligible claimants' will be backdated to a maximum of 12 months

1st Floor, Mountbarrow House, 6-20 Elizabeth Street, London SW1W 9RB

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Registered Charity 201321

The Officers' Association is a member
of the Confederation of British Service
and Ex-Service Organisations, COBSEO.



Payment method

- **Direct Payments.** The Pension Service is now encouraging recipients to receive direct to Bank accounts or to basic bank accounts at Post Offices, if they prefer. Call the Helpline: 0800 99 1234.

Guarantee Credit

- This Pension Credit element tops up your basic income to a statutory minimum level called the 'Appropriate Amount'. There will be some additions to the basic 'guarantee credit' such as for housing costs, eg mortgage interest payments, severe disability or caring responsibilities.
- **Accountable Income** – main categories:
 - State & Private Pensions
 - Basic rates: Single: £107.45 Couple: £171.85; Age Addition over 80. £0.25p
 - Earnings
 - Certain social security benefits
 - Working tax credit
 - Income from boarders or sub-tenants
 - Maintenance payments from a spouse/ex-spouse
 - Income from capital, see below
- **Income from capital.** 'Assumed' income is £1 for every £500 above £10,000. There is no upper limit; for those with excess capital amounts, the 'assumed' income level would ultimately exceed income level guidelines below.
Capital counted in full includes:
 - Cash; money in bank/building society accounts; national savings accounts and certificates; income bonds; stocks and shares; property (other than your own home); premium bonds. Any 'actual' income these assets generate will be ignored
- **Disregarded Income:**
 - Charitable or Voluntary payments – no maximum levels.
 - Actual income from capital (ie only the 'assumed' income will be counted), however interest paid into account will be counted as part of savings.
 - Pre-War – 1973 War Widow/widower's supplementary pension of £85.41 plus £10 War Pension/Armed Forces Compensation Scheme disregard
 - £5 earnings if single, £10 if a partner.
 - £20 in special disability related circumstances (eg if carer satisfies conditions for carer addition above, or in receipt of certain disability benefits/registered disabled. This would be instead of the £5 (or £10) above.
 - £20 of payment from sub-tenant or boarder.
 - Attendance Allowance (both rates, ie £51.85 or £77.45) and Disability Living Allowance, Social Fund Payments

'Appropriate Amounts' (alternative term: 'Standard Minimum Income')

- £142.70 for single people aged 60 & over
- £217.90 for couples aged 60 & over

Additional Amount for severe disability

£ 58.20 'severe disability addition' single rate.

(Appropriate Amount £200.09 for a single person)

No 'severe disability addition' for a couple where one has Attendance Allowance

Appropriate Amount remains at £217.90

£116.40 'severe disability addition' for a couple where both qualify for AA and neither has a carer which gives an Appropriate Amount of £334.30

To clarify eligibility rules for Additional amount for severe disability addition:

- single/living alone in receipt of either rate of Attendance Allowance
- no-one in receipt of Carer's Allowance

- If you have a partner/not living alone and you receive Attendance Allowance you will not normally receive this addition unless your partner also gets Attendance Allowance or is registered blind.
- If your partner also receives Attendance Allowance and NEITHER of you has a carer receiving Attendance Allowance you will receive the double rate
- If only one of you has a carer receiving Carer's Allowance you will receive the single rate.

Additional Amount for Carers

- **£32.60 additional amount for Carers** who EITHER receive Carer's Allowance (£58.45) OR are entitled to Carer's Allowance but cannot receive it because they receive another benefit instead.

Savings Credit

- Rewards individuals **aged 65 and over** for making provision for their retirement
- Only 'Qualifying Income' is rewarded. Examples:
 - State & Second pensions
 - Income from annuities
 - Earnings
 - Assumed income from savings
- Disregarded for purpose of calculating Qualifying Income.:
 - Disregarded Income as for Guarantee Credit calculation above
 - Guarantee Credit
 - Working Tax Credit
 - Incapacity Benefit
 - Jobseeker's Allowance
 - Severe Disablement Allowance
 - Maternity Allowance
 - Spousal maintenance.
- Rewards 60p for every £1 of qualifying income (ie 60%) above the 'savings credit starting point', up to the gross maximum amount allowable:
 - "Savings credit starting point": £111.80 for single person
 - (ie basic state pension rate) £178.35 for a couple
- **Gross Maximum Savings Credit is:**
 - £18.54 for single person**
 - £23.73 for a couple**
- Savings Credit then reduces by 40p for every £1 (i.e. 40%) of income above the Appropriate Amount

Useful guidelines on Income levels

- **Single person over 65 on weekly income of less than £190– likely to be eligible (see Case Examples 1-4)**
- **Couple, one or both over 65, on joint weekly income of less than £280 – likely to be eligible (see Case Example 5)**

Capital Levels for Care Home Residents

For Care Home Residents assumed income from capital as above, starts from £10,000 upwards. Government Guidance to Local Authorities regarding taking account of Savings Credit in financial assessments is as follows: Savings Credit should be taken into account as part of total income; a 'Savings Disregard' of up to a maximum of £5.75 per week (£8.60 for a couple) will then be applied. For those whose income and capital exceed eligibility for Savings Credit, the Local authorities will still apply the maximum savings disregard.

Housing Benefit and Council Tax Benefit Entitlements

- Housing Benefit helps people with their rent, and with rates in Northern Ireland. Council Tax Benefit provides help with the Council Tax in England, Scotland and Wales. Both benefits are related to income and savings and are administered by local authorities although the rules are set by the UK Parliament.
- The maximum benefits you can receive are 100% of the rent or council tax, depending on your income and eligibility for Pension Credit.
- Benefits are worked out by looking at the amount of rent and/or Council Tax you have to pay and then calculating your weekly income e.g. from pensions and savings). This figure is then compared with the '**Applicable Amount**' that someone in your circumstances is expected to live on. There may also be deductions because certain other people live in your home.
- For those between 60 and 65, applying for Benefits, the minimum weekly income levels ie '**Applicable Amounts**' (nb different terminology) are the same as for Pension Credit. However for people over 65 the 'Applicable Amounts' are higher.
- The higher amount ensures that everybody over 65, receives their full entitlement to Pension Credit and no one loses Housing and Council Tax Benefits when in receipt of the Savings Credit element. The result is not only ensuring that there are links with Pension Credit but it also means that the system is more generous for people who are not entitled to Pension Credit.
- For those over 60, 'tariff' income will be added to capital above £6,000 @ £1 for every £500 or part thereof. If you are entitled to the guarantee element of Pension Credit, there is no upper savings limit. If you are above 65 receiving only the savings element of Pension Credit you cannot receive Housing or Council Tax Benefits if you have more than £16,000.
- **Applicable Amounts**
 - (1) **For those aged between 60 & 65:**
 - Single person - £142.70** (ie same as Appropriate Amount)
 - Couple - £217.90** (ie same as Appropriate Amount)
 - (2) **For people aged 65 and over, Applicable Amounts** increased to reflect the maximum savings credit for a single person or a couple respectively as follows:
 - Single person £161.25**
 - Couple, one is over 65 £241.65**
 - (3) **For people aged 65 and over in receipt of Attendance Allowance:**
 - Single - as above plus severe disability addition (SDA) (£58.20) £219.45**
 - Couple, one over 65 and one in receipt AA (add SDA) £299.85**
 - Couple, one over 65, BOTH in receipt AA (add SDA @ £116.40) £358.05**
- Maximum Benefits awarded if individuals receive Guarantee Credit; ie there is no capital cut-off.
- People with just the savings credit (ie those over 65) will claim standard Housing and Council Tax Benefits **and the savings credit will be treated as income, see 'Applicable Amounts'**. However in these cases Local Authorities will be required to use the Pension Service's assessment of a person's income and capital in their calculation. The capital cut off of £16,000 still applies to these cases.
- If income is above the applicable amount, the maximum benefit is reduced by a 'taper adjustment' @ 65p for every £1 above (ie 65%), for Housing Benefit, and 20p for every £1 above (ie 20%) for Council Tax Benefit. See Case Examples in following pages.
- In other cases where the claimant is not in receipt of either elements of Pension Credit, the assumed income from capital calculation for Housing and Council Tax Benefit is £1 for every £500 above £6,000 up to £16,000 beyond which there is no entitlement.

**Examples of Pension Credit Calculations, with
Housing/Council Tax Benefit Entitlements also shown**

1. Single Person under 65 – income is basic State Pension

Appropriate Amount (ie standard minimum income)	£142.70
Income	£102.15
Guarantee Credit	£ 40.55
Total weekly income	£142.70

As individual is under 65, there is no requirement to calculate entitlement to Savings Credit

Note: Housing Benefit/Council Tax Benefit – full entitlement as individual in receipt of Guarantee Credit ('Applicable Amount' for under 65 = £142.70)

2. Single pensioner, 70 years old with state pension of £109.20 (basic plus SERPS) and an occupational pension of £15.50:

Guarantee Credit Calculation:

Qualifying income is £109.20 plus £15.50	£124.70
Appropriate Amount	£142.70
Guarantee Credit – to meet appropriate amount	£ 18.00

Savings Credit Calculation

Reward 60p in pound of Qualifying Income above 'Starting Point' (ie 60%)

Deduct 40p in pound of Qualifying Income above 'Appropriate Amount' (ie 40%)

Qualifying Income	£124.70
Less Savings Credit Starting Point	£111.80
Balance	£ 12.90
Reward 60% of above balance	£ 7.74

Deductions from balance of qualifying income
(£124.70) above Appropriate Amount (£142.70) £NIL

Therefore Savings Credit £ 7.74

TOTAL PENSION CREDIT: £18.00 + £7.74 £ 25.74

Total Income (Pension Income - £124.70 + Pension Credit - £25.74) = £150.44

Note: Housing Benefit/Council Tax Benefit – 100% entitlement as individual receives Guarantee Credit – and income is below 'Applicable Amount' of £161.25.

3. Single pensioner, over 80 on a basic state pension of £102.40 (ie includes the age addition) and an occupational pension of £54.20; total income £156.60.

Income exceeds Appropriate Amount of £142.70 therefore **NIL** Guarantee Credit.

Savings Credit : (NB: Gross maximum savings credit for a single person is £18.54)

Qualifying Income (£102.40 plus £54.20)	£156.60
Less Savings Credit Starting Point	£111.80
Balance	£ 44.80
Reward 60% of above	£ 26.88

However Savings Credit maximum limited to: **£ 18.54 Total (A)**

Balance of qualifying income above appropriate amount

£156.60 - £142.70 **£ 13.90**

Deduce 40% of balance **£ 5.56 Total (B)**

Savings Credit calculation Total A – Total B £ 12.98

Total Income (Pension Income: £156.60 + Pension Credit £12.82) = £169.58

Housing and Council Tax Benefits – Calculations:

Total Income	£169.58
Less <u>Applicable</u> Amount	£161.25

Balance £ 8.33

Housing Benefit Calculation: 65% of balance : £ 5.41 – the maximum rent the individual should pay from own income, the rest should be awarded in Benefit

Council Tax Benefit Calculation : 20% of balance: £ 1.66 – the maximum council tax the individual should pay from own income, the rest should be awarded in Benefit

4. Single person over 65 – Weekly Income is £205 comprising basic state pension, & occupational pensions

Appropriate Amount £142.70

Income is above appropriate amount; no entitlement to guarantee credit.

Savings Credit Calculation

Qualifying Income	£205.00
Less savings credit starting point	£111.80
Balance	£ 93.20
60% of balance	£ 55.92 exceeds maximum savings credit
maximum savings credit	£ 18.54(A)

40% deduction to account for any Income above the Appropriate Amount.

Qualifying Income	£205.00
Less Appropriate Amount	£142.70
Balance	£ 62.30
40% of balance	£ 24.92 (B)

Savings Credit: A (£18.54) less B (£24.92) however, as A is less than B , no entitlement.

Therefore there is no entitlement to Savings Credit

However there is still entitlement to some Housing Benefit/Council Tax Benefit

Income	£205.00
'Applicable Amount'	£161.25
balance	£ 43.75

HB @ 65% of balance = £28.43 – maximum rent individual should pay
CTB @ 20% of balance = £ 8.75 – maximum council tax individual should pay

5. Couple, one is over 65 – Weekly Income is £230 comprising state and occupational pensions

Appropriate Amount	£217.90
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Income is above appropriate amount; no entitlement to guarantee credit.

Savings Credit Calculation

NB: the basic gross maximum savings credit for a couple is £23.73.

Qualifying Income	£230.00
Less savings credit starting point	£178.35
Balance	£ 51.65
60% of balance	£ 30.99 exceeds maximum savings credit
maximum savings credit	£ 23.73 (A)

40% deduction to account for any income above the Appropriate Amount.

Qualifying Income	£230.00
Less Appropriate Amount	£217.90
Balance	£ 12.10
40% of balance	£ 4.84 (B)

Savings Credit A – B ie £23.73 less £4.84 = £18.89

Total Income -- £230.00 + £18.97 = £248.89

Housing Benefit/Council Tax Benefit Calculation

Income	£248.89
'Applicable Amount'	£241.65 (over 65)
balance	£ 7.24

HB @ 65% of balance = £4.70 – maximum rent they should pay
CTB @ 20% of balance = £1.44 – maximum council tax they should pay

The couple's income would increase further if one of them was in receipt of Attendance Allowance (either rate). The other would then receive Carer's Allowance @ £58.45 The Appropriate Amount would then be supplemented by a Carer's addition @ £32.60

6. **Single person over 65 in receipt of lower rate Attendance Allowance (£51.85). Has pension income of £152 and £15,000 savings.**

**Guideline: 'assumed' income on savings = £1 for every £500 above £10,000
Calculation as follows: £15,000 less £10,000 = £5,000 divided by £500 = £10**

Appropriate Amount £194.55
(ie £142.70 plus £51.85 additional amount for severe disability)

Guarantee Credit Calculation

(nb: Attendance Allowance @ £51.85 disregarded (a 'non-means tested' allowance))

Pension income £152.00
Assumed income £ 10.00 – for purpose of benefit calculation
Total Qualifying Income £162.00

Appropriate Amount £194.55
Less Qualifying Income £162.00
Balance £ 32.55

Guarantee Credit £ 32.55

Savings Credit Calculation

Reward 60% of Qualifying Income above 'Starting Point'
Deduct 40% of Qualifying Income above 'Appropriate Amount'

Qualifying Income £162.00
Starting Point £111.80
Balance £ 50.20
60% of balance £ 30.12

However, max Savings Credit = £18.54

Deduct 40% above Appropriate Amount of £194.55 – not applicable, in receipt of Guarantee Credit

Savings Credit remains @ £18.54

Total Pension Credit: Guarantee Credit @ £32.55; Savings Credit @ £18.54 = £51.09

**Total Income: £152 (ie not inc. assumed income) + £51.85 + £51.09 = £254.94
(+ £15,000 savings)**

Housing Benefit/Council Tax Benefit :

100% entitlement Guarantee Credit is received (the local authority uses the Pension Credit calculation of assumed income from capital)