

## Chapter Six

# Security and dignity in retirement

### The challenges of an ageing population

The number of pensioners in absolute poverty was reduced by two-thirds between 1997 and 2003. In 1997 the poorest pensioners were expected to live on just £69 per week. Now every pensioner has a guarantee of £105.45 per week thanks to the Pension Credit, and from April this will increase to £109.45.

We need to support pensioners by working with other organisations, continuing to reduce poverty, and putting in place further mechanisms to support an older population. We are committed to increasing the quality of life for all pensioners, not just the poorest.

- We are providing more for all by increasing the basic State Pension to £82.05<sup>40</sup> per week for a single person and £131.20<sup>40</sup> per week for a couple, by paying out Winter Fuel Payments to all households with someone aged over 60, and by giving free television licences to all those aged 75 and over.
- Pension Credit provides the means for us to continue to combat pensioner poverty. We are moving towards there being 3 million pensioner households in receipt of Pension Credit in 2006 and 3.2 million pensioner households in receipt of Pension Credit in 2008.
- The Department must increasingly operate joined-up services with other organisations in the community to ensure that pensioners receive a holistic service that is responsive to individual needs. We are setting up Joint Teams with local authorities across the country.
- The Pension Protection Fund will ensure that pensions built up over a lifetime will be safe throughout retirement (see Chapter Five).

### Introduction

145. Our policies through the life cycle are designed to empower people to avoid poverty in old age by their own efforts. But our duty to poor pensioners is amongst our most important. Overall, this Government will be spending around £10 billion extra on pensioners in 2004/05 as a result of the measures introduced since 1997. Half of the extra money – around £5 billion – goes to the poorest third of pensioners – the very people

who need help most. By 2002/03, 1.8 million pensioners had been lifted out of absolute poverty – 1.3 million of whom were women. A recent report by the Institute of Fiscal Studies noted that for the first time in nearly 20 years, in spite of buoyant incomes for those of working age, pensioners are now no more likely to be in poverty than non-pensioners, measuring income after housing costs (AHC).<sup>41</sup>

<sup>40</sup> Based on full contributions.

<sup>41</sup> Institute of Fiscal Studies, *Poverty and Inequality in Britain*, March 2004. There was one year in the 1980s when pensioners were no more likely to be in poverty than the rest of the population, but this was at a time of recession and high unemployment which temporarily increased the risk of poverty for non-pensioners.



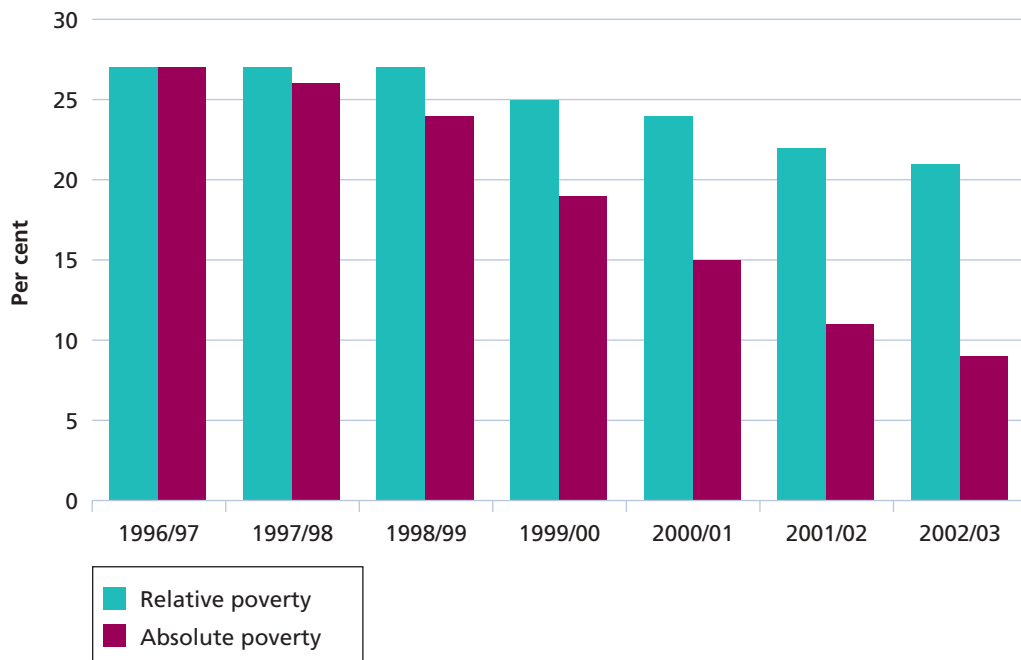
**Changes introduced by the Government mean that the average pensioner household will be £1,350 per year, or £26 per week, better off in 2005/06 than they would have been under the 1997 system. The poorest third of pensioner households will be £36 a week better off.**

modest savings and provides generous back payments. There are already 2.65 million pensioner households (3.2 million pensioners) in receipt of Pension Credit, two-thirds of whom are women. We are confident of meeting targets of 3 million pensioner households (about 3.7 million individuals) in receipt by 2006 and 3.2 million pensioner households (about 4 million individuals) by 2008. The average weekly award is £41.65. We want to ensure that as many eligible pensioners as possible take up the extra cash that is available to them. Currently over 2 million pensioner households are receiving the Guarantee Credit – these are the poorest pensioners.

**Pension Credit**

146. Pension Credit is a decisive response to the problem of pensioner poverty. Uprated in line with earnings, it rewards pensioners who have made

**Figure 18: Proportion of pensioners below 60 per cent of median income, after housing costs<sup>42</sup>**



<sup>42</sup> 'Relative poverty' is defined as the proportion of pensioners living in households below 60 per cent of contemporary median income (after housing costs); 'absolute poverty' is defined as the proportion of pensioners living in households below 60 per cent of 1996/97 median income held constant in real terms (after housing costs). Source: *Households below average income 2002/03*.

## Developing services that respond to pensioners' needs

147. The Pension Service is the first-ever dedicated service for pensioners. In the past, pensioners had to negotiate a bureaucratic and complex system, involving trips to unattractive Benefits Agency offices, to access their entitlements. Now, for the first time, there is an organisation providing a modern service dedicated to the needs of today's and future pensioners. It offers a local service, working increasingly with voluntary sector partners, that provides outreach activity in convenient locations and a home visiting service. In dealing with Pension Credit applications The Pension Service's efficient telephone-based process collects information over the phone, filling in the necessary paperwork, so it can simply be mailed to pensioners to sign, and checked upon return.

### A pensioner's story

A staff member from The Pension Service received a telephone call from a very distressed customer. A visit was arranged. The Customer Liaison Manager noticed that the woman was disabled and only had full use of one hand. The resulting awards of Pension Credit and Attendance Allowance increased the customer's income by £100 per week. This woman, who obviously had struggled for many years, is now able to afford to pay someone to do her cleaning. She is able to take taxis back and forth from the hospital. She is also able to pay for someone to do her ironing.

But the most pleasurable purchase of all was a pair of slip-on shoes. For, prior to this visit, the customer would have to ask someone to tie her laces for her, before being able to leave the house. If no one called, she remained at home all day. With these new slip-on shoes she regained some of her lost independence. A few days later, she phoned the Customer Liaison Manager to tell her she was her hero.

## Joint Teams

148. It is not acceptable for vulnerable pensioners to be passed between service providers. Yet, if we can increase the sharing of data between different computers, within different agencies working on multiple benefits to which a pensioner may be entitled, then we can ensure that pensioners need to talk to us less. This makes their lives easier and helps to boost Pension Credit take-up. It is with this vision in mind that we are setting up Joint Teams with local authorities and voluntary agencies to respond to pensioners' different needs. The Pension Service's staff are working alongside local authority staff and, in some teams, voluntary sector partners to form a multi-skilled team. Over two-thirds of primary tier local authorities have agreed in principle to form Joint Teams with The Pension Service's local service. Our aim is to achieve full national roll-out of Joint Teams by June 2006.

**Under Joint Teams, an individual will carry out a single assessment visit to a pensioner to identify potential entitlement for Pension Credit, Attendance Allowance and Housing Benefit/Council Tax Benefit and also carry out a care finance assessment. Previously four visits would have needed to be carried out.**

149. We want to move to a position where, when we or local authorities hold the right data, we will be able to award Pension Credit more automatically. We can make better use of the information we hold on our customers to move in this direction. We can also do this through data transfer between public administrations, so that individuals do not have to give the same information twice and do not fall through the gaps between service providers – we're already on this road. Already local authorities accept The Pension Service's information when processing an individual's Housing Benefit claim. Further developments are in the pipeline and are laid out in the longitudinal data explanation in Chapter Eight.

### Working through voluntary agencies will help us move further towards a forms-free application

150. We recognise that some pensioners prefer talking to local voluntary organisations. We are piloting with Age Concern a concept called 'Alternative Offices'. Alternative Offices use new regulations that allow voluntary organisations to take claims to social security benefits and to verify supporting documentation so that the older person does not have to send documents to The Pension Service. We are currently developing training and accreditation to increase the number of designated partners. In March 2004 we also established a £13 million Pension Service Partnership Fund which will provide funding to partners for initiatives to improve take-up of older people's benefits.

151. Building on this approach, we recently published *Link-Age: Developing networks of services for older people*,<sup>43</sup> which sets out our strategy for further joining up services for older people across and beyond government. At its core is the vision of a single needs assessment process with one assessment looking at care needs, income and health-related benefit entitlements: work which may have taken three or four assessments in the past. We are also committed to publish a wider cross-government Strategy for Older People.

### Recognising disabled pensioners and carers, and gender issues

152. Our policies also recognise the interests of the 3 million disabled pensioners, the 1.5 million carers who are pensioners, and the 11 per cent of all adults who care for people outside their own households, many of whom are pensioners. Attendance Allowance provides pensioners with a contribution to the extra costs incurred by disability. The Government has also ensured that carers over 65 can now claim Carer's Allowance. Over 23,000 carers over State Pension age (60/65) now receive Carer's Allowance; many more benefit from the carer's premium in the income-related benefits and/or the additional amount in their Pension Credit.

153. We will be publishing a report on women and pensions in 2005, covering both issues for today's pensioners and saving for retirement.

**We can see how Government policies already in place and those in the Pensions Act 2004 are helping today's pensioners and future generations by looking at a potential family scenario:**

Mrs Anne Smith, aged 87, receives basic State Pension, a free TV licence, Winter Fuel Payments and Attendance Allowance. Her daughter Mary picks up a leaflet from the library and finds out that her mother might also be entitled to Pension Credit on top of this. Anne receives a visit from the local service's Joint Team. She is found to be eligible for a weekly payment of Pension Credit of £25, backdated for 12 months. At the same time, the Joint Team helps Anne to claim Housing Benefit and Council Tax Benefit.

Mary, 58, looks after her mother full time and claims Carer's Allowance, which gives her credits towards her basic State Pension. As she is getting Carer's Allowance, she is also accruing additional pension rights through the Second State Pension. Her husband Paul, 64, has just received his annual Combined Pension Forecast from his employer, setting out what Paul is currently entitled to in both state and private pension provision. Paul is keen to carry on working for a few years when he turns 65. He finds out that if he delays claiming his State Pension for two years after April 2005, he can either receive a pension of £126 a week or a lump sum of around £11,600.

Paul and Mary's daughter, Christine, 30, is a self-employed hairdresser earning £18,000 a year. She thinks that a stakeholder pension is a good option for her as they are low charge and flexible. She will also benefit from tax relief on the contributions she pays. When Christine decides to start a family, she knows that the Child Trust Fund means that her child will receive at least £250 from Government with further payments when the child reaches seven. She hopes that this initiative will give an early positive message to her children about the importance of saving for the future.

<sup>43</sup> *Link-Age: Developing networks of services for older people*, DWP in conjunction with Department of Health, Office of the Deputy Prime Minister and Local Government Authority, 26 August 2004.