

STATE PENSION CREDIT ACT 2002

EXPLANATORY NOTES

BACKGROUND TO THE ACT

4. A glossary of pension provision is at Annex A.
5. The Green Paper, "A new contract for welfare: Partnership In Pensions" (Cm 4179), was published in December 1998. It proposed a series of changes to improve both privately provided and state pensions. In sum, the main changes proposed were as follows.
 - Stakeholder pensions, for which the legislative framework was created by the Welfare Reform and Pensions Act 1999 and which came into effect from April 2001.
 - Reform of the State Earnings Related Pension Scheme (SERPS) to provide a more generous State Second Pension. The Child Support, Pensions and Social Security Act 2000 reformed SERPS from April 2002 by boosting the additional (second tier) pension of low and moderate earners, and by providing, for the first time, additional pension for carers and some long-term disabled people with broken work records.
 - A Minimum Income Guarantee for those aged 60 and over. This was introduced in April 1999 by means of regulations under section 135 of the Social Security Contributions and Benefits Act 1992.
6. In his March 2001 Budget the Chancellor of the Exchequer announced that the Minimum Income Guarantee would be replaced from 2003 by a Pension Credit.
7. The Act implements Pension Credit. It takes account of responses to "The Pension Credit: a consultation paper" (Cm 4900) which was published in November 2000. Copies of all responses are available from the Department for Work and Pensions and have also been placed in the libraries of both Houses of Parliament.
8. To coincide with the introduction of the Bill for the Act in the House of Lords on 28 November 2001, the Government published "The Pension Credit: the Government's proposals". Copies are available free of charge from: Welfare Reform, Freepost (HA4441), Hayes, UB3 1BR. (The document can also be accessed on the internet at <http://www.dwp.gov.uk>.)

Minimum Income Guarantee (MIG)

9. The MIG arrangements are Income Support for people, aged 60 or over, who are not required actively to seek work and whose income is below a certain level. From April 2002, the guaranteed level is £98.15 a week for a single person and £149.80 for a couple. The MIG payment makes up the difference between the guaranteed level and income from other sources, including income from pensions. The MIG level is set higher for carers and those with certain disabilities.
10. As is the case for other categories of Income Support, the amount of MIG payable is affected by people's savings.
 - The actual income from savings is not used in calculating income.

*These notes refer to the State Pension Credit Act 2002
(c.16) which received Royal Assent on 25 June 2002*

- Where savings are in the band £6,000 to £12,000, each £250 of savings in excess of £6,000 is assumed to generate £1 a week of income and this is the amount included in the income calculation. (For those in residential care and nursing homes, the band is £10,000 to £16,000, instead of £6,000 to £12,000.)
 - MIG is not available to those who have savings of more than £12,000 (more than £16,000 for those in residential care and nursing homes).
11. A single person or, in the case of a couple, one member of the couple can claim MIG. About 1.7 million pensioner households currently receive payments under MIG.