

**Pensions Client
Directorate**

Pension Credit Payment Pilot

**State Pensions Division
October 2009**

DWP Department for
Work and Pensions

Executive summary

In 2008 the then Secretary of State for Work and Pensions, the Right Honourable James Purnell MP, commissioned DWP officials to undertake a pilot programme to investigate new and innovative ways of using the data already available in order to improve take-up of income related support for pensioners.

DWP is planning to run a pilot in 2010 to look at ways of making better use of the data we hold about individuals, both from our own administrative records and those of Her Majesty's Revenue and Customs (HMRC). This pilot will involve making awards of Pension Credit to a sample group of pensioners for a limited period of time without them first having made a claim.

At the end of the pilot there will be a thorough evaluation. This should provide evidence which could help inform any future debate on whether we should seek new or better data sources, or to simplify the benefit rules so that the Pension Credit claims process can be streamlined in the future, and more pensioners receive the help they are entitled to.

This paper summarises our current plans. We would welcome comments on the pilot model and detail of the design.

State Pensions Division
5th floor, Caxton House
Tothill Street
London SW1H 9NA

Email PC.PILOT@DWP.GSI.GOV.UK

Contents

- Introduction..... 4
- Objectives..... 4
- Design structure 5
- Selecting participants 6
- Communications ahead of the pilot 6
- Making payments 7
- Communications ahead of the final payment..... 7
- Taking claims after the pilot..... 7
- Timetable..... 7
- Giving us your views..... 8

Pension Credit Pilot

Introduction

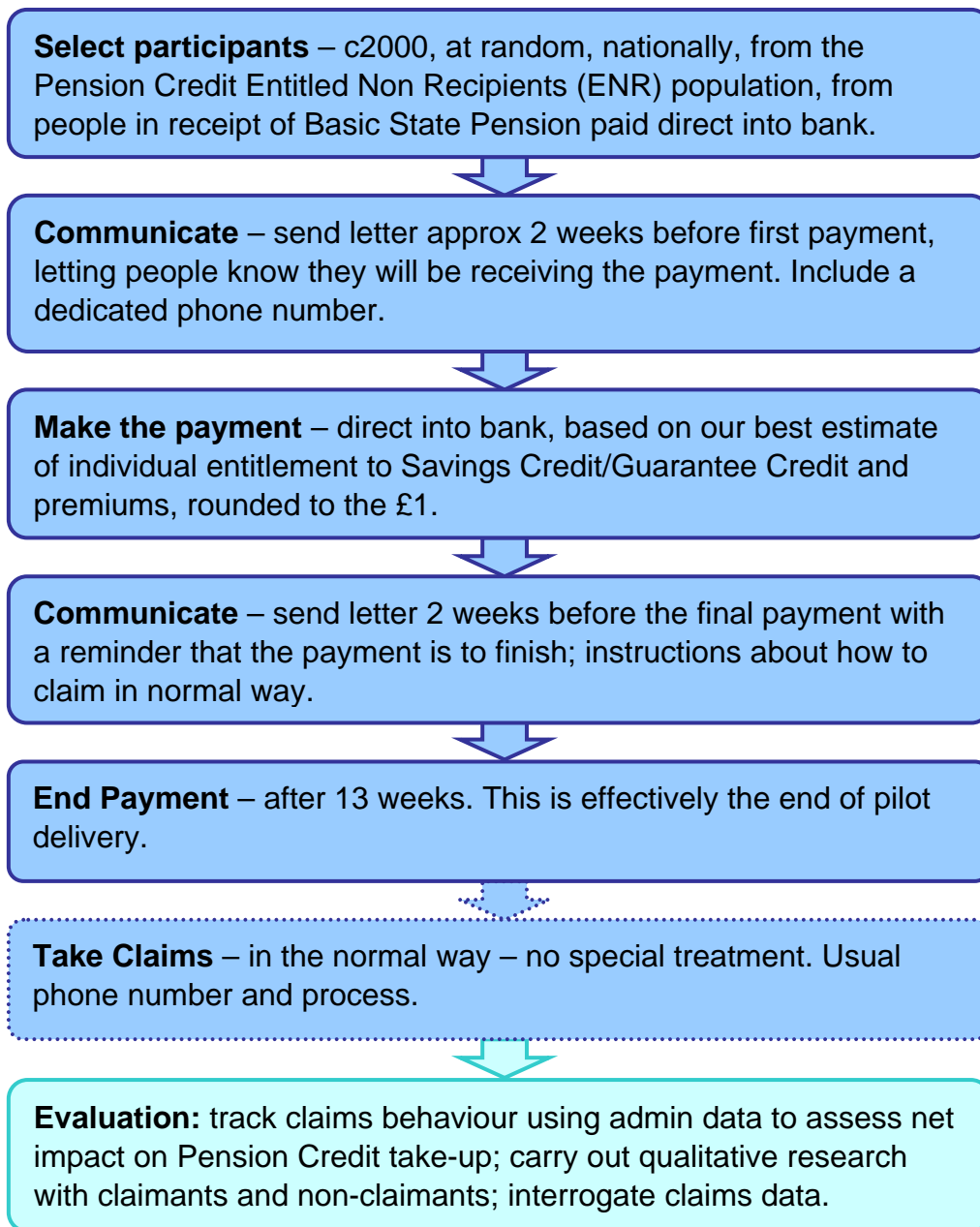
1. Pension Credit is a key component of the Government's strategy to tackle pensioner poverty. Pension Credit means no pensioner needs to live on less than £130 a week (£198 for couples), and those with severe disabilities, caring responsibilities and/or qualifying housing costs may be entitled to more.
2. Maximising take-up of income related benefits is an effective way of addressing pensioner poverty. Take-up activity has continued to develop and target people who may be eligible, with pensioners receiving around 70% of the Pension Credit payments to which they are entitled. However, there remains a significant number of people who are entitled to Pension Credit but not claiming it.
3. We already use data we hold about individuals, from our own administrative records and those of HMRC, to help target take-up activity on those who we believe are entitled. But we now want to explore further the potential to use information that is already available to us in more innovative ways to improve take-up of Pension Credit.
4. All the indications are that we are not yet in a position to be able to estimate entitlement sufficiently accurately to offer a fully automated system now. However, we need to begin to assess what we might be able to achieve in the short to medium term, and explore what opportunities there are to use data in more innovative ways to drive take-up in the longer term.
5. We are therefore planning a pilot programme in which we will make awards for a limited period to a small sample of pensioners, based on the information we already have, and without the need for a claim.

Objectives

6. The pilot will be designed to meet the following objectives:
 - Provide information about how a system which makes more use of personal information that the Government already holds to pay people Pension Credit might be received by potential recipients.
 - Evaluate ways of using the data available to us to improve take-up under the current Pension Credit regime.
 - Deliver evidence about how in the long term a reshaping of the benefit or acquisition of better data might enable us to radically streamline the process for awarding Pension Credit.

Design structure

7. Our proposed design is illustrated in the diagram with further detail in the text below. We welcome any comments you might wish to make.



Selecting participants

8. We will define 'Entitled Non-Recipients' (ENRs) by applying a Pension Credit calculation to the pensioner population using collated data on benefits, incomes and savings from DWP and HMRC. We will be including in that calculation all the elements of a 'real' Pension Credit award: Guarantee Credit, Savings Credit, and the various premiums available for disability and caring. Any eligible housing costs will not be considered for the purposes of the pilot as information on these will not be available.
9. We want to be able to pay our trial payment directly into people's bank accounts, and so we will limit the selection of ENRs for the sample to those who are in receipt of Basic State Pension into a bank account. We will remove from the sample frame any households where all of the occupants are under 65.
10. We will then draw a sample of some 2,000 people. The sample will be randomly generated, and will cover the whole of Great Britain.

Communications ahead of the pilot

11. We recognise that clear and effective communications with pilot participants is of particular importance.
12. We plan to contact those selected to participate in the pilot 1-2 weeks before a first payment is made to inform them that we will be making a trial payment of the Pension Credit we estimate they are entitled to, based on the data we have about them. The letter will explain that payments will be made for a period of 12 weeks and at the end of this period (or at any time during this period) people can make a claim to full Pension Credit. Crucially the letter will also make it clear that:
 - participants do not need to let us know of any change of circumstances for the duration of the pilot;
 - that the payment will not have any effect whatsoever on other benefits; and
 - under no circumstances will there be any action taken to seek recovery of any monies paid to a person under the ambit of the pilot powers.
13. We will not be inviting people to opt in or out of the pilot, as an important feature of the pilot is to test reactions to payments being made where there has been no claim across the eligible population. However, we will include in the letter a phone number – to a dedicated, centralised Pension Credit Payments Pilot team in the Pension Disability and Carers Service (PDCS) – to handle any queries or concerns and prevent confusion with normal service delivery. If a customer does wish to reject the payment, they will be able to do so in this way.

Making payments

14. Each pilot participant will receive a payment based on their household unit's estimated entitlement to Pension Credit: ie the single person's rate of Pension Credit or the couple rate where appropriate.
15. We are currently considering rounding awards to the nearest £1.
16. The payment trial will be entirely self-contained. It will not be included in calculations for any other benefits, and will not provide any entitlement to other benefits such as Housing Benefit and/or Council Tax Benefit¹. It will also be ignored in the backdating of any subsequent Pension Credit claims.
17. The payment will be made direct into the bank account into which we currently pay an individual's Basic State Pension, most likely on a 4 weekly basis.
18. The duration of the payments has yet to be decided but entitlement will most likely last 12 weeks.

Communications ahead of the final payment

19. Around two weeks ahead of the final payment, participants will receive a letter reminding them that the payment trial will be coming to an end. The letter will provide instructions about how to claim Pension Credit and other benefits, such as Housing and Council Tax Benefits, in the normal way and will include the standard PDCS claims telephone number.

Taking claims after the pilot

20. After the final payment, the pilot is effectively over. Claims will be taken in the normal way, by mainstream PDCS contact centre staff on the usual claims telephone number.
21. Pilot participants will be free to make a claim at any point during or after the pilot, and payments made as part of the pilot programme will not be taken into account in assessing any backdated payments of standard Pension Credit that may be due.

Timetable

21. The legislation necessary to undertake the pilot is contained in the Welfare Reform Bill currently before Parliament. It is anticipated that this will receive Royal Assent by the end of this year. The subsequent Regulations are expected to be made early 2010.

¹ Though participants in the pilot will be able to make separate claims to Housing and Council Tax Benefits as normal.

Pension Credit Payment Pilot

22. The timing of running the actual pilot has yet to be decided but it is likely to commence during late spring/summer 2010. Upon its cessation, there will be a detailed and thorough evaluation of the pilot. Amongst other issues the evaluation will consider:
- the logistics of running a streamlined payment system based on data we already hold;
 - the quality of administrative data used to make awards;
 - participants' reactions to receiving a payment which they have not claimed; and
 - the quantitative impact of the pilot on subsequent Pension Credit claims.

Giving us your views

23. If you would like to make any comments or observations on this pilot programme please forward them by 12 November 2009 to the address below or email:

PC.PILOT@DWP.GSI.GOV.UK

State Pensions Division
5th floor Caxton House
Tothill Street
London SW1H 9NA

13 October 2009