

## Housing Benefit Circular

Department for Work and Pensions  
Caxton House, Tothill Street, London SW1H 9NA

# HB A4/2015

### ADJUDICATION AND OPERATIONS CIRCULAR

<b>WHO SHOULD READ</b>	All Housing Benefit staff
<b>ACTION</b>	For information
<b>SUBJECT</b>	Pension Flexibilities

### Guidance Manual

The information in this circular does affect the content of the HB Guidance Manual. Please annotate this circular number against: BW1 paras W1.180 vii, xxii and xxiii, W1.660; BW2 para W2.500; BP1 paras P1.181 xii and xiii, P1.210; BP2 paras P2.11(c), P2.671, P2.684, P2.685 and P2.687.

### Queries

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## Pension Flexibilities

### Background

1. Following the announcement at the Budget 2014, the government will bring greater flexibility into the pension system from 6 April 2015. In effect, an individual will be able to choose what they want to do with their defined contribution pension fund<sup>1</sup>. From age 55 years they will be able to access their pension pot without limitation by:
  - taking the whole pot as a lump sum
  - taking a number of lump sums out of their pot
  - opting for a flexible drawdown arrangement where lump sums, or regular payments, can be drawn down, or
  - purchasing an annuity.
2. Someone's decision on how to use their flexible pension product will need to take account of relevant tax and benefit rules.
3. Guidance to help people consider their options under the new flexibilities can be obtained via [GOV.UK](http://GOV.UK). Guidance is also available over the phone from the Pensions Advisory Service and face-to-face from some Citizens Advice Bureau offices.

### Effects on claimants below Pension Credit qualifying age

4. People will be able to access the whole of their defined contribution pension pot without any restrictions from the age of 55 years. Anything they draw from their pension should be treated as income or capital in the normal way.
5. Claimants may want to draw on their pensions early for a number of reasons. In each case, if a standard Housing Benefit (HB) claim is made, consideration will need to be given as to whether the expenditure is reasonable in the claimant's circumstances or constitutes deprivation of capital with the intention of securing or increasing benefit entitlement.

### Effects on claimants reaching Pension Credit qualifying age

6. We expect the vast majority of claimants will continue to purchase an annuity. In these cases, it is simply a case of taking the pension payments into account. Other aspects need to be considered if the claimant has taken a different course. Some initial guidance is provided below. We will provide additional HB guidance on this shortly.

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<sup>1</sup> With a defined contribution pension, you build up a pot of money that you use to provide an income in retirement. Unlike defined benefit schemes, which promise a specific income, the income someone might get from a defined contribution scheme depends on factors including the amount you pay in and the fund's performance.

### **Notional income**

7. From 6 April 2015, when the new flexibilities are introduced, notional income should be calculated as 100% of the annuity that the pot could purchase (instead of the 150% figure currently used), with the rate of the potential annuity taken from Government Actuary's Department tables. The pension provider supplies this figure.
8. This revised notional income calculation will apply to both new and existing HB claims.

### **Flexible drawdown**

9. Where someone has not purchased an annuity but draws down an income from their pension pot, only the higher of the notional or actual income should be taken into account. Where someone draws down an ad hoc amount of capital, this should be treated as capital under existing capital rules.

### **Re-valuing the pension pot**

10. Under existing rules the notional income figure should be re-assessed after every income or capital drawdown from the pension pot.

### **Deprivation rules**

11. These should continue to be applied as they are currently, so that where there is evidence that someone has taken action to deprive themselves of income or capital with the intention of securing or increasing benefit, notional income or capital should be taken into account, as appropriate.

### **Regulation Changes**

12. The Department for Work and Pensions will be looking at the impact of the new pension flexibilities and will decide whether any changes need to be made to the regulations in the light of this. We will provide more information on this in due course.