

# FSN News...

For final salary members of the Kingfisher Pension Scheme

February 2012



## Proposed changes to the Kingfisher Pension Scheme for Final Salary members

Following an extensive review, Kingfisher plc (the Company) is proposing changes to its existing UK retirement arrangements. The Company is proposing to close the Kingfisher Pension Scheme Final Salary section (FSS) for existing members and provide an enhanced Kingfisher Pension Scheme Money Purchase section (MPS) for all colleagues in the future.

This document sets out the background to the proposed changes and covers the proposals in detail. A glossary has been included on the back page to help you understand some of the more technical terms used.

The Company is now entering a consultation period with members and this document gives you information on how the consultation process will work. This is the first in a series of communications that aim to give you the information you need to make an informed decision about your future Company retirement arrangements.

**This document is for information only and doesn't require you to take any action unless you want to provide feedback during the consultation period.**

The Company has discussed the proposed changes with the pension Trustee.

Care has been taken to consider the retirement needs of all our UK colleagues and we're confident that the improved MPS would be a very competitive offering for the future.

We appreciate some of these changes may create more uncertainty in colleagues' minds about their future retirement arrangement. The implications are different for each individual, so we would encourage you to read this document to help you understand the proposed changes in detail.

**Ian Cheshire**  
Group Chief Executive  
Kingfisher plc

### Background to the proposals

The Company is committed to providing you with access to retirement provision that is:

- a valuable benefit fair to all colleagues;
- sustainable in the long term; and
- affordable for colleagues and the Company.

The Company's desire to provide a benefit structure that is fair to all colleagues has been the main driver for its proposals. In addition, the Company recognises that the FSS is now significantly more expensive to provide than the MPS. This is the case with most other UK companies, and it's generally believed that the cost of providing final salary arrangements will continue to escalate in the future.

*Inside*

- How the consultation works
- The proposed changes in detail
- How the MPS works
- Reminders and glossary

# The proposed changes and how they affect you

## Closure of the FSS

The Company is proposing to close the FSS to future build up of benefits on 30 June 2012. This means that you would not be able to build up any benefits in the FSS after this date. **Your benefits earned to this date would be protected and retained in the FSS.** More detailed information on this proposed closure can be found on page 3.

## Improvements to the MPS

The Company would substantially improve the existing MPS by introducing new higher contribution levels. These improvements would make the proposed MPS competitive when compared to companies similar to Kingfisher and operating in the UK retail sector. The improved MPS would be available from 2 July 2012. More information on this can be found on pages 6 and 7.

## Special considerations for FSS members

The Company has considered the impact of its proposed changes on existing FSS members especially with the transition to the MPS. It's proposing to give these members a goodwill payment to help with the transition and details of this can be found on page 5.

## SMART Pensions

The Company is also proposing to introduce a more cost-effective way of making contributions to the MPS that could mean you pay less National Insurance (NI). This arrangement would be called SMART Pensions and further information will be given to you once the consultation period has ended.



# How consultation works...

The Company will be consulting with members on the proposed changes to the Kingfisher Pension Scheme until 2 April 2012. This means that you have the opportunity to respond to these proposals and let the Company know your views.

## How do I respond to the consultation?

A website has been developed for the consultation period. You can find this at [www.kingfisherpensionchange.com](http://www.kingfisherpensionchange.com). When you sign on you'll be asked for a password which is **pensionchange12**.

Just follow the link to the feedback section. All feedback will be reviewed by the Company, in liaison with the pension Trustee. The Company will also use feedback from members to update the frequently asked questions on the website. This will help other members with the same question(s).

## How to feedback your comments

Visit [www.kingfisherpensionchange.com](http://www.kingfisherpensionchange.com).

Enter your name and email address and any feedback you would like to provide. Do not enter any other personal details in this section (e.g. NI number).

If you don't have access to the website, you can give your feedback by writing to: Kingfisher plc, Group Pensions Department, 3 Sheldon Square, Paddington, London W2 6PX.

You may also contact the Kingfisher pension change helpline on **0330 330 9427**. Calls will be charged at your local rate (calls from mobiles will be charged at your provider's rate). The helpline is available Monday to Friday from 8am to 6pm.

Alternatively, you can contact your local HR manager/administrator or employee representative.

If your query is about your own personal circumstances please contact the administrators at the Kingfisher Group Pensions Department. The contact number is 08456 80 70 60.

## What happens next?

The consultation process allows plenty of time for you to consider the proposals and over the next few months you will receive further information. You will be provided with tools to help you further understand the changes that are being proposed. When the consultation period is over, after considering members' feedback, a final decision on the proposed changes will be made by the Company, and this will be communicated to you. Key dates in this process are shown to the right.

## Key dates

### 2 February 2012

Consultation starts and website is made available

### 2 April 2012

Deadline for member feedback

### 16 April 2012

Company finalises decision in relation to proposals

### 23 April 2012

Members are updated on the Company's decision

### 2 July 2012

Implementation of proposed changes

Company considers member feedback

Please note that you don't need to do anything during the consultation period unless you want to give feedback. When the consultation period ends and the Company's decision has been finalised, you will be advised of the changes and any action you may need to take.



# The proposed changes

## Proposed closure of the FSS

The FSS was closed to new employees on 1 April 2004. The Company is now proposing to close the FSS completely on 30 June 2012. All current Active Members would stop building up benefits in the FSS. Members on that date would keep their benefits built up to date as deferred benefits in the FSS.

## Proposed implementation of an improved MPS

It's proposed that all future retirement provision for Company colleagues would be provided in the MPS from 2 July 2012. Company contribution rates to the MPS would increase, with the Company contributing enhanced contributions, up to a maximum of 14% of Basic Annual Salary.



## What does this mean for me?

Your benefits built up in the FSS would be calculated at 30 June 2012, based on your Final Pensionable Salary as at 30 June 2012. These benefits would remain in the FSS until you choose to take them. They would be adjusted each year in line with inflation (subject to a cap of 5% a year).

Your future pension would then build up in the proposed MPS. When you take your benefits, your pension from the FSS would be paid in addition to any benefits you have built up in the proposed MPS.

You will also be contracted back into the State Second Pension from July 2012 and so will pay National Insurance contributions at a higher level but start to earn an S2P additional State Pension.



# in detail

## Proposed goodwill payments to UK FSS Active Members

The Company recognises that under the proposals to move to the MPS, some members of the FSS may have to revise their retirement expectations.

To ease this transition the Company is proposing to make goodwill payments to FSS members, either in the form of

**Additional Company contributions to the MPS**

or

**Cash payments**  
(subject to normal tax and NI deductions)

Provided you join the MPS on 2 July, these goodwill payments would be made monthly during the first 24 months of active membership.

## What does this mean for me?

As a member of the FSS, provided you become and remain an active MPS member, it is proposed that you could choose:

- a goodwill payment to be paid to your Retirement Account in the MPS. The rate will be determined by the contributions you are currently paying to the FSS. Either 5% or 7% of your Final Pensionable Salary will be paid monthly for 24 months from July 2012 as additional employer contributions or;
- to take the goodwill contributions as a non-pensionable cash payment, paid on a monthly basis over the 24 month period, with normal tax and NI deductions applying. The first monthly payment would be made in July 2012.

You would be able to choose the option that suits your circumstances. If the changes go ahead, you would have a decision to make when the consultation process ends. Once made, you will not be able to change your option.

If you don't make a choice, your goodwill payments will be paid as an additional employer contribution to the MPS.



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# How the MPS works

From 2 July 2012 the Company proposes to provide your future retirement provision through an improved MPS. A money purchase plan is one where contributions are made to a pot of money in your name, known as a Retirement Account. You choose where you would like this to be invested from a range of options available.

Once you come to retire, your Retirement Account will typically be used to buy an Annuity. This will provide you with an income in the form of a pension for the rest of your life.

The amount of pension you would receive will depend on:

- the value of your Retirement Account at the time you retire
- the cost of buying an Annuity from an insurance company
- the type of Annuity you buy (whether it increases in payment and whether a dependant's pension is provided)
- your age when you buy your Annuity – the younger you are when you retire, the less you will receive
- your sex.

Further details of the options available within the MPS can be found on the Trustee website [www.kingfisherpensions.com](http://www.kingfisherpensions.com)

## How would this work for me?

On joining the MPS there would be an employee contribution of at least 3% of your Basic Annual Salary to the MPS. The Company would also contribute to your Retirement Account. Further details of the proposed contribution rates are shown on page 7.

If you join the MPS from the FSS, then unless you notify us otherwise, you will be treated as paying contributions to your Retirement Account at the same rate as you paid to the FSS; either 5% or 7%.

You would be asked to choose how you wish the contribution to be invested from the investment options available which have been recently reviewed by the Trustee. You would have a number of choices. You could

**Invest in one of the Lifestyle Options**

or

**Invest in a mix of 8 individual funds available**

If you do not make a choice then your Retirement Account will be invested in the 10 year Lifestyle Option fund.

Pensions should be regarded as a long-term investment and over time your total Retirement Account may increase or reduce in value depending on the performance of your investments and contributions made.



## What does this mean for me?

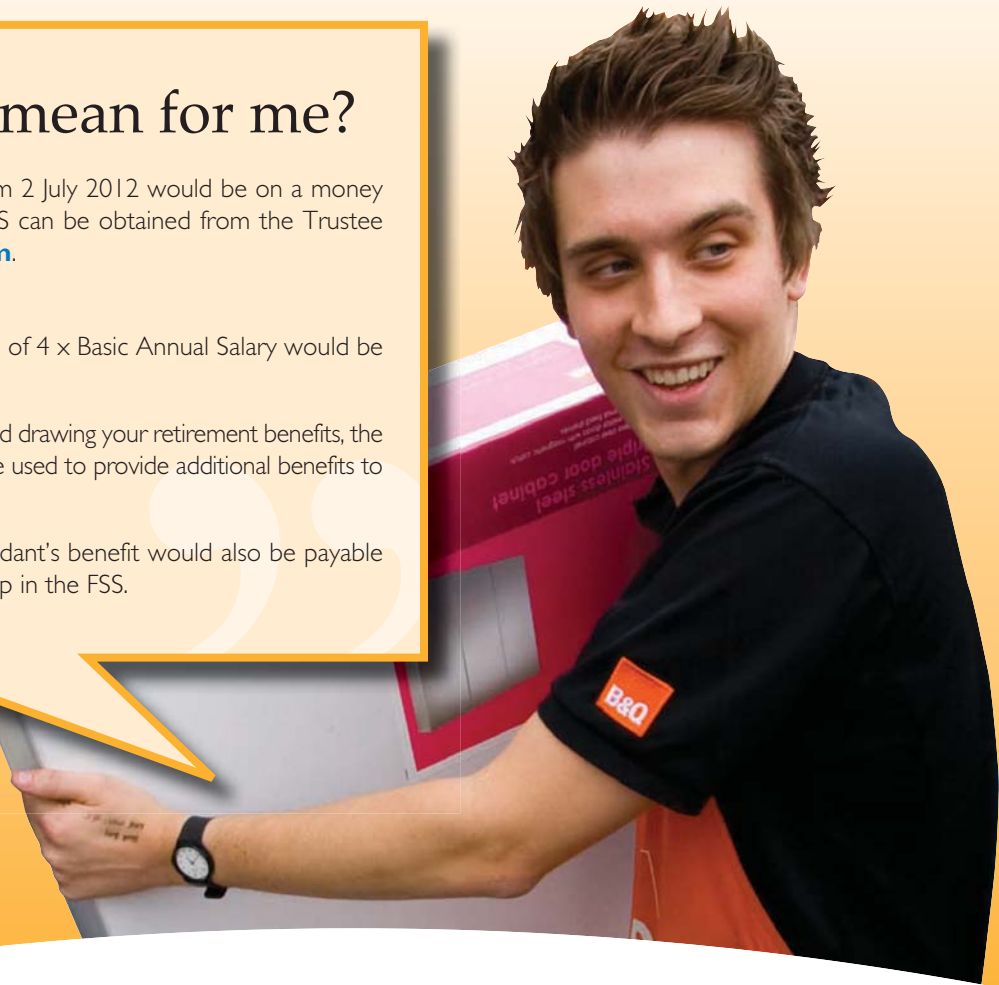
The retirement benefits you build up from 2 July 2012 would be on a money purchase basis. Further details of the MPS can be obtained from the Trustee website [www.kingfisherpensions.com](http://www.kingfisherpensions.com).

In addition, under the proposed MPS:

**Life assurance benefits** – the lump sum of 4 x Basic Annual Salary would be the same as the FSS currently provides.

Also, if you die in service and have not started drawing your retirement benefits, the value of your Retirement Account would be used to provide additional benefits to your nominated beneficiary.

Finally, on death a spouse's and/or dependant's benefit would also be payable in respect of the benefits you have built up in the FSS.



# Contributions

### How much would it cost me to join?

Under the proposals you would be able to choose your contribution rate.

Member contribution	Company contribution	Total contribution
3%	3%	<b>6%</b>
4%	4%	<b>8%</b>
5%	5%	<b>10%</b>
6%	6%	<b>12%</b>
7%	10%	<b>17%</b>
8%	14%	<b>22%</b>

The minimum contribution would be 3% of Basic Annual Salary and subject to any changes in legislation.

### How would the Company help me save towards my retirement?

Under the proposals the Company would make a 'matched' contribution to your Retirement Account. This amount would depend on what you pay.

Under the proposals you would be able to choose your contribution rate.

#### NI contributions

The FSS is contracted out of the State Second Pension (S2P) and so you are currently paying reduced National Insurance contributions and you are not building up any S2P.

The MPS would not be contracted out, which means that your NI payments would increase from 9.4% to 12% of a proportion of your earnings, but you would also begin to build up an additional State pension in the form of S2P.

# Reminders

This document gives you an overview of the proposed changes to your retirement arrangements. You don't have to take any action, but if you would like to give your feedback on the proposed changes, you can do so using the contact details below.

## What happens next?

### Consultation period

You receive this document about the proposed changes

You can find out more from the website and have the opportunity to give feedback

You will receive confirmation that the consultation period has finished and the outcome

### After consultation period

You receive another pack giving you more information and confirming any changes

You will be asked to choose your future contribution rate for the improved MPS and your investment options

The improved KPS MP would be launched on 2 July 2012

## What other information is available and how do I give feedback?

Throughout the consultation period, a pension change website is available at: [www.kingfisherpensionchange.com](http://www.kingfisherpensionchange.com). You'll need to enter the password **pensionchange12**.

On this website you can find:

- frequently asked questions
- a short presentation and a video
- a feedback section
- a copy of this newsletter.

This site will be updated regularly with member feedback and all communications sent to members.

Alternatively, if you don't have access to the website, you can give your feedback by writing to:

**Kingfisher plc, Group Pensions Department,  
3 Sheldon Square, Paddington, London W2 6PX.**

You may also contact the Kingfisher pension change helpline on **0330 330 9427**. Calls will be charged at your local rate (calls from mobiles will be charged at your provider's rate). The helpline is available Monday to Friday from 8am to 6pm.

Or you can email the helpline at: [pensionchange@kingfisher.com](mailto:pensionchange@kingfisher.com).

## Glossary

### Active Member

A member of the FSS currently employed and who is building up retirement benefits.

### Annuity

An insurance policy you buy with your Retirement Account that gives you a retirement income for the rest of your life.

### Basic Annual Salary

Your basic annual salary from your employer.

### Basic State Pension

This is a flat-rate amount paid by the State to retired people who have a full National Insurance contribution record.

### Company

Kingfisher plc.

### Final Pensionable Salary

The greater of the average of your last 3 years' basic earnings or the average of your Pensionable Earnings in any 3 consecutive years in the 10 years before you retire or leave.

This is subject to an earnings cap of

£129,600 for those who joined the FSS after 31 May 1989.

### Pensionable Service

Your period of membership of the FSS.

### Retirement Account

The individual account held in your name into which your and the employer's contributions are paid, plus any investment returns.

### State Second Pension (S2P)

A top up to the Basic State Pension, based on your earnings between certain limits set by the Government.