

Kingfisher Pension Scheme

A new world for pensions

You may have noticed in the past 12 months that the subject of pensions has been making an increased appearance in the news. This is because in the Budget 2014, changes were announced which will completely change the way individuals can take their pension savings.

The Government is introducing the most radical changes to pensions in over a hundred years. From April this year, individuals from the age of 55, with a defined contribution pension, will be able to access their entire pension flexibly, if they wish.

'Individuals who have worked hard and saved responsibly throughout their adult life should be trusted to make their own decisions with their pension savings' (George Osborne – April 2014).

The 'Pension freedom' reforms introduced by the Government will give people greater power over how they spend, save or invest their Retirement Accounts from April 2015.

We have put this newsletter together to help you understand these changes and, as a member of the Kingfisher Pension Scheme, what it means for you. We have only sent this to those who we felt had a greater interest in the changes however it is available for all to view on the Trustee website, www.kingfisherpensions.com.

Yours faithfully



**Dermot Courtier, Secretary
Kingfisher Pension Scheme**

The Trustee understands that many of the changes coming in from 6 April 2015 can be hard to understand. The number of options you will have at retirement is going to increase, so it will mean even more for you to review and think about.

Neither the Company nor the Trustee can provide you with personal financial advice. Without knowing all your personal details and without the specialist expertise required, it is not possible to give advice specific to your circumstances.

However, the Company, the Trustee and Group Pensions will be available to help educate and guide you as much as possible. And if we cannot help, we will tell you where you can go for further information or external professional advice.

What are the key changes from April 2015?

- Freedom to withdraw your pension savings as you want
 - Ability to take all defined contribution savings (like your KPS-MP Retirement Account) as a lump sum – up to 25% can be taken tax free
 - No longer have to purchase an annuity
- Pension Wise – Free Retirement Guidance
- Changes to Small Pot Lump Sums
- Changes to transferring out retirement savings
- Changes to Death Benefit rules
- Changes to Trivial Commutations for KPS-FS members
- KPS-MP Changes

Freedom to withdraw your pension savings as you want

From April 2015, if you have Defined Contribution (DC) benefits, like the KPS-MP or KPS-FS AVCs, you will be able to withdraw as much cash as you wish from your Retirement Account upon retirement, or at any time from age 55.

Currently, you can take 25% of your DC benefits as a cash sum, generally tax free, and use the remaining funds to provide an annuity (a retirement income) for life.

However from 6 April 2015, you can take cash sums from your Retirement Account as and when required - with no limits. Please note 25% of it will still be tax free. This is called 'flexi-drawdown'. **Please note, the KPS is currently not able to offer the flexi-drawdown option. If you would like to take advantage of this option you will need to transfer your Retirement Account to a pension provider who will offer this to you.**

From April 2015, you will also be able to take all of your DC benefits as a one-off cash sum, with 25% of it still being tax free and the remainder being taxed at your marginal rate of income tax. This is called an 'Uncrystallised Fund Pension Lump Sum' or UFPLS for short. **You will be able to take all of your Retirement Account as a one off taxable cash sum (i.e. UFPLS) through the KPS-MP.**

Also if you have KPS-FS AVCs and/or your KPS-MP funds linked to your KPS-FS pension then you can still use this to pay for the tax free cash sum part so we do not have to reduce your KPS-FS pension as much.

If you still wish to take an annuity (or retirement income) don't worry - you can still do this and take 25% of your Retirement Account tax free. This option has not changed, and in fact means there will be more options for you. Further information will be made available to you when you approach your Selected Retirement Age.



Trivial Commutation

If you have pension savings valued under £30,000 with the KPS-FS

From April 2015, if the capital value of your pension savings under a Defined Benefit (DB) arrangement, like the KPS-FS, is under £30,000, then you may be eligible to exchange your pension for a taxable one-off lump sum. Most individuals will be able to take 25% of the lump sum tax free with the remaining amount being taxed at your marginal rate of income tax. There will be instances where the 25% tax free option will not be available. To take this benefits you must meet all the criteria set out by HMRC.

From April 2015, this option is available to all members who are aged 55 or over.

Small Pot Lump Sums

If you have pension savings with us under £10,000

If your total benefits with us (both KPS-FS and KPS-MP) are valued under £10,000 and you meet all the other criteria set out by HMRC, then you will be able to take your benefits as a lump sum. Generally, most members will be able to take 25% of it tax-free with the rest being taxed at their marginal rate of income tax. There will be instances where the 25% tax free option will not be available.

We will be writing to all members, both deferred and pensioners, in the next 12 months or so, advising if this option is available to them. To find out more please visit www.kingfisherpensions.com/?p=3559



Transferring Out

From April 2015, if you wish to transfer your Defined Benefit savings (like the KPS-FS) out of the Scheme; into one of the new flexible options available; and the transfer value is over £30,000, then you will need to take Independent Financial Advice before the Trustee is allowed to let the transfer proceed. This is a further requirement being introduced by the Government in addition to all the other checks the Trustee must make before you can transfer.

So, if you are thinking about transferring out of the KPS-FS please make note of this, as it will be a requirement from 6 April 2015. You can use www.unbiased.co.uk 'find an adviser' search to find a local professional adviser. The Independent Financial Adviser will look at your circumstances and help you plan what's best for you.

Also from April 2015, you will be able to transfer your benefits from your other pension arrangements into the KPS-MP' up to your Selected Retirement Date. However, anyone who wishes to transfer any final salary benefits (like the KPS-FS) into the KPS-MP will not be able to do this. You will need to transfer these benefits to another external pension provider e.g. an insurance company or Self Invested Personal Pension (SIPP).

*Subject to Trustee approval.

Death Benefits

From April 2015, if you die with funds in a DC scheme or have benefits left in one of the new flexible income drawdown options, the current 55% tax charge will be abolished. It has been confirmed that from April 2015, benefits can be paid tax-free, if you die before age 75. And if you die aged 75 or over, your beneficiaries will pay their marginal rate of income tax on benefits received.

If your benefits are in one of the new flexible income drawdown options then you will also be able to choose who you wish to be the beneficiaries.

Pension Wise: Free Retirement Guidance



From April 2015, the Government has announced that everyone who is coming up to retirement with DC benefits will be offered free, impartial, face-to-face guidance on how to get the most from the choices available.

You'll be able to get help on the Pension Wise website, over the phone or face to face about:

- what you can do with your Retirement Account
- the different pension types and how they work
- what's tax-free and what's not

The face-to-face guidance will be offered by the Citizens Advice Bureau, telephone guidance will be provided by The Pensions Advisory Service (TPAS) and finally online assistance can be found at the dedicated Pension Wise website www.pensionwise.gov.uk

Please note Pension Wise will not be able to advise what the best option is for you, they will only be able to assist and provide guidance.

Independent Financial Advice

Neither the Company nor the Trustee can provide you with personal financial advice. Without knowing all your personal details and without the specialist expertise required, it is difficult to give advice specific to your circumstances.

For personal financial help or advice you need to speak to an Independent Financial Advisor (IFA) who can look at your circumstances and help you plan what's best for you.

You can use the unbiased.co.uk 'find an adviser' search to find local professional advisers and to get a quote of how much this will cost you. [Unbiased.co.uk](http://unbiased.co.uk) is the UK's leading professional adviser search website and you can search for independent financial advisers (IFAs), financial advisers, mortgage advisers, solicitors and accountants by location and area of expertise.

The 'find an adviser' search allows you to select an adviser based on a number of criteria, to ensure you are matched with the best adviser to suit your personal needs. Many advisers will display qualifications, accreditations and special offers. In order to help you shop around, unbiased.co.uk has put together a checklist outlining what you can expect, what questions to ask and much more.

KPS-MP Changes

Investments

With the introduction of the new pension flexibilities, the Trustee recognised that many members will be looking to take their Retirement Account as a cash lump sum rather than purchasing an annuity from April 2015. For this reason they have decided to change the default investment option to the **Lifestyle 5 year Cash Target**.

This means that all members currently invested in one of the other lifestyle options will be moved to the Lifestyle 5 Year Cash Target. You do not need to do anything if you are happy with this switch. However, if you are considering using your Retirement Account to purchase an annuity you may wish to choose the Lifestyle 10 Year. The Trustee is also considering options regarding the provision of a lifestyle option that may be more aligned to members considering flexible drawdown.

If you would like to remain in your current Lifestyle option or switch to another self-select investment option offered by the Scheme, please keep an eye on the Trustee website,

as we will be updating this with any action you will need to take. Detailed information about the various Lifestyle and Self Select investment options can be found at www.kingfisherpensions.com.

Selected Retirement Age

Currently, all members who join the Scheme automatically have a Selected Retirement Age of 65. From April 2015, the Trustee will start looking at ways to change this so that your Selected Retirement Age will be in line with your State Retirement Age which now has an age range of 60 to 68 depending on your date of birth – see the “State Pension” section below.

If you are happy with this change you do not need to do anything. However, if you do not want to have your Selected Retirement Age changed please keep an eye out on the Trustee website as we will be updating this with any action you will need to take.

Future Changes

There are some other changes coming into effect after April 2015 which we thought you may be interested in.

State Pension

The Government has announced that in April 2016 there will be some key changes to the State Pension. One change will be the State Pension Age. Men born after 6 December 1953 and women born after 6 April 1950 will no longer have the standard State Pension Age of 65 or 60. To find out if your State Pension Age has changed visit www.gov.uk/calculate-state-pension.

Also there will be a new State Pension amount payable from 2016. It has been announced that the new State Pension will replace the current State Pension scheme. The full new State Pension will be no less than £148.40 per week for those with 35 years contracted in employment. The actual amount will be set in autumn 2015. To find out more please visit <https://www.gov.uk/state-pension>.



FUTURE

Early Leaver Refunds

As a member of the KPS-MP, if you leave the Scheme with less than 2 years membership, currently you are eligible for a refund of the Member Contributions* you have paid, less tax. However, it has been announced that any members joining an occupational pension scheme (like ours) from October 2015 will not be able to receive a refund. These members will be able to leave their fund until retirement, or transfer it to an alternative registered pension arrangement, such as one offered by a new employer. If you are currently an active member of the KPS-MP your leaver options have not changed.

Increase to Minimum Pension Age

The earliest age you are currently allowed to access your retirement savings is 55. The Government announced in the 2014 Budget that this age will be increasing to 57 from 2028.

Please note you will still be able to retire at an earlier age if the Trustees approve early retirement due to incapacity.

*These do not include any SMART contributions.

Some additional things to consider:

Tax Consequences

The new flexible options available from April 2015 will mean many more choices for you and also the freedom to do more or less what you like with your retirement savings. However this new flexibility means you will need to be aware of potential tax charges. Some key questions you should be asking yourself are:

- 1) By taking part or all of your retirement savings in one tax year, will this push your earnings from your current tax rate band into a higher one?
- 2) Have you reviewed your current tax status and taken into account all types of income coming in? For example if you are still working and receiving an income you will need to take this into account as part of your overall earnings.
- 3) Would it be beneficial to take further independent financial advice or make use of the new guidance tools to understand the options available to you?

These are some of the questions you should be asking yourself when you come to choose which option you would like at retirement

Annual Allowance

Every person in the UK can have total contributions of £40,000 paid into a pension each year free of tax. This is known as your Annual Allowance and anything above this will be liable for a tax charge. However, if you choose to take one of the new flexible options then your Annual Allowance will reduce to £10,000.

It will be your responsibility to inform any pension arrangement you are currently contributing to that you have taken a flexible option. So if you exercise one of the new flexible options with another of your pension schemes, while you are still contributing to the KPS-MP, you will still need to let us know.



Pension Scams

From April, the new flexibilities will allow over 55s to access all their retirement savings at once, prompting fears about the increase in pension scams. An increasing number of “unscrupulous” companies are targeting members of pension schemes claiming that they can help them take their pension early or help increase the value of their pension savings. These companies may contact members in a number of ways including via email, social media and text messaging.

The Trustee urges its members to be wary of these arrangements. To help you understand more about pension scams please visit

[www.kingfisherpensions.com/
knowledge-centre/pension-
liberation/](http://www.kingfisherpensions.com/knowledge-centre/pension-liberation/)



Definitions

AVC – Additional Voluntary Contribution

Deferred Member – a member entitled to a benefit relating to past service of the Scheme who is no longer an active member but has not yet retired

HMRC – HM Revenue & Customs

KPS-FS – Kingfisher Pension Scheme Final Salary section

KPS-MP – Kingfisher Pension Scheme Money Purchase section

Trivial Commutation – Subject to meeting HMRC requirements, this is the conversion of a pension into a one off taxable lump sum

E-Communications

We wrote to everyone in December 2014 advising that the Trustee would now like to take the 'green option' so they can do their bit for the environment and to also save on printing and mailing costs. Attached to this newsletter you will find further information as to how you can start receiving electronic communications once the system has been finalised, if you haven't done so already.

Remember - If you still wish to receive hardcopy communications please send your written request to Kingfisher Group Pensions Team, 3 Sheldon Square, Paddington, London, W2 6PX. If we do not hear from you by 31 March 2016 we will assume you will be happy to access future communications from April 2016 from our website **www.kingfisherpensions.com**

If you have already taken the necessary steps, you can ignore this.

If you have any questions about any of the information provided here, please contact the Group Pensions Department, Kingfisher Pension Trustee Limited, 3 Sheldon Square, Paddington, London, W2 6PX. Or please ring 08456 80 70 60 (Monday to Friday, 8.45am – 5pm) or email pensions@kingfisher.com.