

Making changes



# Pensions reform

and how it affects you

**For deferred members**  
October 2005

**KING**  **SHER**  
Pensions Department

# Introduction

As you may be aware the Government has introduced legislation that will have a major effect on pensions and how we all fund our retirement. The aim of these reforms is to make pensions more flexible and provide more opportunities to save, whether through company pension schemes or through personal pension plans. There are also a number of other changes too, some of which have already been introduced.

As a deferred member of the Kingfisher Pension Scheme some of the new legislation affects your

pension and the purpose of this brochure is to detail some of the changes we are making to the Scheme.

Overall it is our intention that there will be no reduction in benefits or increases in costs for members. We shall obviously have to keep this policy under review as we have a responsibility not to jeopardise the Kingfisher Pension Scheme if further demands are put on it.

In the meantime, if you have questions about anything contained in this leaflet, please contact the Pensions Department at the address on the back cover.

## New pension legislation from April 2006

### Simplifying the tax rules

At present there are eight different sets of tax rules covering pension schemes. From April 2006 these will be simplified to just one set of rules covering all pension schemes.

### The new Lifetime and Annual Allowances

Although it will only affect a few people, there will be a Lifetime Allowance on pension benefits that can be built up. The Lifetime Allowance will be £1.5 million initially and will increase each year, reaching £1.8 million in 2010. The total value of an individual's pension benefits cannot exceed the Lifetime Allowance without attracting a tax charge on the excess.

In addition there will be an Annual Allowance on how much final salary pension benefits can increase together with any contributions to money purchase

schemes. The Annual Allowance will be £215,000 initially so again this will only affect a small number. This will rise to £255,000 by 2010, although no one can pay in more than their annual earnings.

### The Pension Protection Fund

A new pensions regulator will replace Opra (Occupational Pensions Regulatory Authority) and, following the high-profile collapse of some schemes, a Pension Protection Fund (PPF) has been set up which will protect most pension benefits for members of company pension schemes where the employer has become insolvent and the scheme does not have enough funds. The PPF will be funded by a levy on all final salary schemes.

### Delaying taking the State pension

Another change, which has already taken effect, is that people who choose to put off taking their State

pension for five years after reaching State pension age may now receive a lump sum payment. If you are interested in this option you should contact the Department of Work and Pensions to see how much you could receive.

## Early retirement

The age from which early retirement benefits may be taken is to rise from 50 to 55 by April 2010. However, schemes can decide how and when they introduce the new minimum retirement age. In order to allow Kingfisher members the maximum flexibility when planning their retirement, we will not introduce the new minimum retirement age until April 2010.

## Tax-free cash

Currently Final Salary members of the Kingfisher Scheme can take a tax-free cash sum on retirement of roughly 2.25 times their annual pension. Money Purchase members may generally take up to 25% of their accrued pension fund as tax-free cash on retirement.

Existing rules state that no part of an AVC fund (started after March 1987), can be taken as cash and can only be used to provide a pension.

From April 2006, schemes will be able to provide a tax-free cash sum, which will be 25% of the value of a member's pension fund and this can now include AVC funds. This change will allow people more flexibility in how they take their pension and is very welcome.

We are changing the scheme rules to allow members who retire from 6 April 2006 to take the new maximum tax-free cash sum. This applies to both Final Salary and Money Purchase members, and includes the use of AVC funds when calculating the amount of tax-free cash available. But remember, taking a tax-free cash sum will reduce the amount of pension payable.

## Your Kingfisher pension is important

The Kingfisher Pension Scheme is a good one and, if you spent some time with the company, you will have built up valuable benefits. If you are unsure about the current value of your pension or are unsure of your rights as a deferred pensioner, please contact the Pensions Department at the address on the back cover.

## Totalling up your pension benefits

When a member retires, the value of all the pension benefits they may have is compared to the Lifetime Allowance. Any benefits from the Kingfisher Pension Scheme will, of course, need to be included so you will need to advise your current pension scheme of these.

If you are a deferred member of the Final Salary Scheme, your pension benefits are given a value by multiplying the annual pension by 20. Benefits in the Kingfisher Money Purchase Scheme will be the total fund value.

Any excess over the Lifetime Allowance will be taxed at 25% if taken as pension, or 55% if taken as a lump sum.

Most members will have pension entitlements that are below the Lifetime Allowance, but contributing members, ex-employees and pensioners who have pension benefits not yet in payment are advised to check the total value of their pensions built up to 6 April 2006 and also the estimated pensions at retirement.

## If you think you might be close to the Lifetime Allowance

If the total pension benefits exceed or are likely to be close to the Lifetime Allowance, it is possible to minimise any potential tax charge by registering them with the Inland Revenue. This is known as Transitional Protection and you should seek advice from a qualified Independent Financial Adviser if you wish to consider taking advantage of it (see page 4).

Look out for our update which will include more information about the pensions legislation and how it will affect deferred members of the Kingfisher Pension Scheme. This will be distributed early in 2006.

# Useful contacts

## Finding an IFA

The Kingfisher Pensions Department is not authorised to give you financial or investment advice about your pension so to get impartial financial advice, members should contact an Independent Financial Adviser (IFA):

You can contact IFA Promotion on **0117 971 1177** or visit the website at **[www.unbiased.co.uk](http://www.unbiased.co.uk)** They will be able to provide you with details of IFAs in your postal area.

## The Pensions Advisory Service (TPAS)

TPAS is available to help with any advice and guidance on pension matters.

### The Pensions Advisory Service

11 Belgrave Road  
London SW1V 1RB  
Tel: **0845 601 2923**  
**[www.pensionsadvisoryservice.org.uk](http://www.pensionsadvisoryservice.org.uk)**

## Pensions Ombudsman

Where TPAS cannot help, the Pensions Ombudsman can investigate or determine any complaints or dispute of fact or law.

### The Pensions Ombudsman

11 Belgrave Road  
London SW1V 1RB  
Tel: 020 7834 9144  
**[www.pensionsombudsman.org.uk](http://www.pensionsombudsman.org.uk)**

## Pensions Regulator

The Pensions Regulator is able to intervene in the running of pension schemes.

### The Pensions Regulator

Napier House  
Trafalgar Place  
Brighton BN1 4DW  
Tel: **0870 606 3636**  
**[www.thepensionsregulator.gov.uk](http://www.thepensionsregulator.gov.uk)**

## Pension Schemes Registry

If you have lost track of any benefits that may be due to you through a pension scheme or another employer, you can contact the Pension Schemes Registry, which operates its database in Newcastle and is administered by the Pensions Regulator.

### The Pensions Tracing Service

Tyneview Park  
Whitley Road  
Newcastle upon Tyne  
NE98 1BA  
Tel: **0845 600 2537**

## The Department for Work and Pensions

Details on who to contact for information on your State pension can be found on the web at **[www.thepensionservice.gov.uk](http://www.thepensionservice.gov.uk)** or by phoning **0845 60 60 265**.



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

Helpline available Monday-Friday 9am-5pm: **020 7372 8008**

Website: **[www.kgbd.co.uk](http://www.kgbd.co.uk)**