

Making changes

# Pensions reform

and how it affects you

**For pensioners**  
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.

The purpose of this brochure is to give brief details on the new legislation for Kingfisher pensioners and explain the changes we are making to the Kingfisher Pension Scheme in response.

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.

This new Lifetime Allowance will only affect pensioners if they have benefits that they have not yet taken and which will put them above the threshold

(£1.5 million in 2006), so this will only apply to a very few pensioners.

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 very small number of pensioners who are still paying money into other pension arrangements.

### 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 final salary 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 and should provide increased peace of mind to many people who are saving for retirement.

## 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.

## Totalling up your Pension Benefits

When a member retires, the value of their pension, in addition to the value of any other pension benefits the member may have, is compared to the Lifetime Allowance. Members will be required to provide details

to the Pensions Department of any other pension benefits they have built up.

All pensions in payment will be given a value by multiplying the annual pension by 25.

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

Most pensioners 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

Most pensioners will have pension entitlements that are below the Lifetime Allowance, but those who have 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 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 pensioners 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)**