



Kingfisher

# Kingfisher Pension Scheme

## Money Purchase Section



SMART PENSIONS GUIDE

**The Kingfisher Pension Scheme Money Purchase Section (the KPS-MP) has been set up by the Company to help you save for your retirement. Contributions to the KPS-MP are usually paid through SMART Pensions.**

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# What is SMART Pensions?

SMART Pensions is an alternative and often more cost effective way of making contributions to the Kingfisher Pension Scheme – Money Purchase section (KPS-MP). SMART Pensions aims to save you and the Company National Insurance (NI).

By participating in SMART Pensions, most active members of the KPS-MP reduce the amount of NI they would otherwise pay and therefore increase their take-home pay.

*Not another pension scheme – simply a more cost effective way of paying into the KPS-MP.*

The Company will also benefit from NI savings, reducing their costs, to support the long-term success of the business.

All active members expected to benefit will automatically be included in SMART Pensions after three months, so there's nothing you need to do to join. If you decide you don't want to take part, you can opt-out.

A small number of active members might not benefit from SMART Pensions, and if you're in this group, you'll be automatically excluded from SMART Pensions.

This booklet explains how SMART Pensions works, answers any questions you may have and provides you with the information you need to understand the benefits of participation.

## 5 reasons why SMART Pensions may be good for you

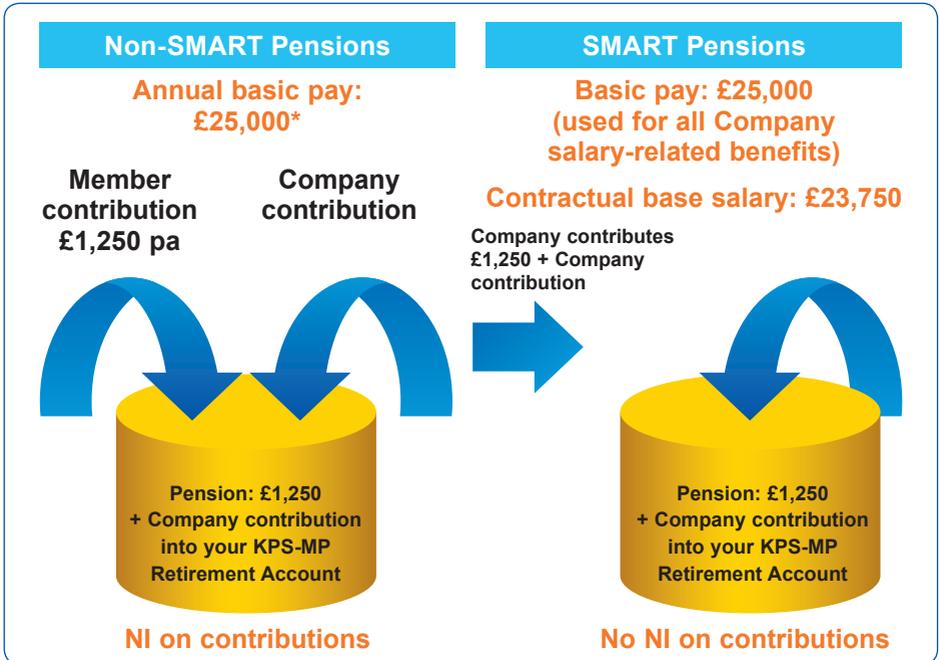
- ➔ In many cases, you pay less NI so your take home pay goes up and your income tax is not affected.
- ➔ Your KPS-MP benefits build up in the same way
- ➔ Death benefits remain the same
- ➔ Your pay reviews, bonuses, allowances, commission, overtime and mortgage references are not affected
- ➔ Your basic State Pension will not be affected

Your  
Pension  
Your  
Future

# How does SMART Pensions work?

## This is how SMART Pensions works:

- > Once you have been an active member of the KPS-MP for three months, you stop making Member Contributions into your KPS-MP Retirement Account.
  - > The Company pays an amount equal to your Member Contributions directly into your Retirement Account.
  - > In return, the Company reduces your basic pay by an amount equal to the Member Contributions it makes on your behalf.
  - > In many cases, you pay less NI so your take home pay increases.
  - > The Company continues to pay its usual Company Contribution.
- Put simply, the same amount of money goes into your Retirement Account for you and both you and the Company pay less NI contributions.



\*Note: For the purposes of the above example, annual basic pay is assumed to equal annual pensionable salary.

Kingfisher Group Pensions Department and the Company will still keep a record of your basic pay before SMART Pensions. This will be used for any salary related calculations, such as pay reviews, overtime, commission and bonuses so they aren't affected by SMART Pensions. It will also be used in any personal official letters issued by the Company on your behalf such as mortgage letters, loan applications or job references.

**Please note that participating in SMART Pensions is a change in your terms and conditions of employment.**

We aim to provide you with all the information you need however, neither the Company, the Trustee or the administrators can provide you with financial advice. If you are unsure about whether or not you should participate in SMART Pensions, you should seek your own independent financial advice.

Details of an independent financial adviser (IFA) near you can be found at: [www.unbiased.co.uk](http://www.unbiased.co.uk)



# What are the possible National Insurance savings?

The following table illustrates how much you can expect your take-home pay to increase by each year, based on current contribution levels, from participating in SMART Pensions, and therefore paying less NI.

Annual basic pay	Estimated annual member saving, assuming a contribution rate of:						
	1%	3%	4%	5%	6%	7%	8%
£15,000	£18	£54	£72	£90	£108	£126	£144
£20,000	£24	£72	£96	£120	£144	£168	£192
£25,000	£30	£90	£120	£150	£180	£210	£240
£30,000	£36	£108	£144	£180	£216	£252	£288
£35,000	£42	£126	£168	£210	£252	£294	£336
£40,000	£48	£144	£192	£240	£288	£336	£384
£50,000	£10	£30	£40	£50	£60	£70	£80
£60,000	£12	£36	£48	£60	£72	£84	£96
£70,000	£14	£42	£56	£70	£84	£98	£112

**Notes:**

1. All figures are based on 2014/15 tax and NI rates.
2. Annual basic pay is assumed to be total gross annual earnings and to equal annual pensionable salary for the purposes of providing estimated annual savings.

## Why do NI saving rates vary for different salaries?

The rate of NI that you pay depends on how much you earn. For earnings below the Upper Earnings Limit (UEL), the colleague NI contribution rate is currently 12%. For earnings above the UEL, the NI contribution rate is 2%.

## SMART Pensions payslip examples

### Example 1

Based on a member earning £15,000 a year, currently making a 5% pension contribution to the KPS-MP.

With Non-SMART Pensions £				With SMART Pensions £			
Name				Name			
NI No.		Employee No.		NI number		Employee No.	
Basic Pay		Tax		Basic Pay		Tax	
1,250.00		58.33		1,250.00	45.83		
		NIC		SMART KPS-MP		NIC	
		68.36		(62.50)	60.86		
		KPS-MP					
		62.50					
Total payments		Total deductions		Total payments		Total deductions	
1,250.00		189.19		1,187.50	106.69		
		Net pay				Net pay	
		1,073.31				1,080.81	

As a result of SMART Pensions, the member increases their take home pay by £90 a year (£7.50 per month).

### Example 2

Based on a member earning £40,000 a year, currently making a 5% pension contribution to the KPS-MP.

With Non-SMART Pensions £				With SMART Pensions £			
Name				Name			
NI No.		Employee No.		NI number		Employee No.	
Basic Pay		Tax		Basic Pay		Tax	
3,333.33		475.00		3,333.33	441.67		
		NIC		SMART KPS-MP		NIC	
		318.36		(166.67)	298.36		
		KPS-MP					
		166.67					
Total payments		Total deductions		Total payments		Total deductions	
3,333.33		960.03		3,166.66	740.03		
		Net pay				Net pay	
		2,406.64				2,426.64	

As a result of SMART Pensions, the member increases their take home pay by £240 a year (£20 per month).

# Who might not benefit from SMART Pensions?

Although most active members of the KPS-MP will benefit from SMART Pensions, there are some who may not for the following reasons:

## Earnings Threshold and the Pay Protection Limit

- Members who earn less than the Earnings Threshold for NI. This is because they would not make any NI savings and may see their State benefits affected.

Therefore, the Company has in place a Pay Protection Limit (PPL) of £9,000. This is set at a level above the Earnings Threshold limit.

Anyone earning below this limit will automatically be excluded from SMART Pensions to ensure that they aren't worse off.

If your pay falls below the PPL during any payroll period, you'll automatically be opted out of SMART Pensions. The PPL will be reviewed from time to time.

## National Minimum Wage

- Although the Company does not pay below the National Minimum Wage (NMW), there may be members whose pay could fall below it by participating in SMART Pensions. These members won't be able to participate, as we cannot allow pay to fall below the NMW.

If you are already enrolled into SMART Pensions and you cease to meet the aforementioned two checks (for example, as a result of moving to part time working) you will be automatically opted out.

Please note that if your pay increases over these thresholds, you'll automatically be opted back into SMART Pensions with effect from the next payroll period. You will have the option to opt-out of SMART Pensions in the usual way.

## Other benefits

SMART Pensions won't normally reduce Working Tax Credit or Child Tax Credit. If you receive the above tax credits, and have any concerns, you should call the Tax Credit Helpline on 0345 300 3900, for advice on how SMART Pensions will affect your tax credits based on your personal circumstances. Please note that Her Majesty's Revenue & Customs (HMRC) refer to this type of arrangement as "Salary Sacrifice".

If you receive other State benefits, you should check with the relevant authority to explore any effect there may be on those benefits.

You can then decide whether or not to participate in SMART Pensions.

# What do I do next?

You do not need to do anything to participate in SMART Pensions. If you won't benefit from participating in SMART Pensions, you'll be automatically excluded from SMART Pensions.

If you decide to opt-out of SMART Pensions you can do this at any time after joining the KPS-MP.

If you are an Isle of Man employee, then you will only be able to opt out on the anniversary of you joining or due to a lifestyle change. Examples include marriage, divorce, or an employee's spouse or partner becoming redundant or pregnant.

Please contact Kingfisher Group Pensions Department for an opt-out form. If you opt-out you will pay contributions on a Non-SMART Pension basis and won't benefit from any reductions in the NI you pay.

**Please note that participating in SMART Pensions is a change to your terms and conditions of employment.**



# Frequently asked questions

**Below you will find answers to some of the most frequently asked questions. If you have a question that is not covered, please contact Kingfisher Group Pensions Department for further information.**

## **SMART Pensions sounds too good to be true – is there a catch?**

No, there isn't.

## **Will SMART Pensions affect my overall KPS-MP position?**

No, your Retirement Account will continue as normal.

## **Can I invest the NI saving in the KPS-MP?**

Yes, you can choose a higher contribution than the standard rates if you would like to do so.

## **Will my Additional Voluntary Contributions (AVCs) be included in SMART Pensions?**

Yes, if you pay contributions above the matched contribution level, these will also be included in SMART Pensions.

## **Have the KPS-MP Trustees been consulted?**

Yes, the Trustee has been consulted and supports the introduction of SMART Pensions.

## **Will the Company benefit from SMART Pensions?**

Both active members of the KPS-MP and the Company will benefit from a

reduction in NI contributions. The savings the Company makes will help it to manage costs and will support the long term success of the Company. Active Members will benefit from their own NI savings.

## **How long will SMART Pensions last?**

The Company plans to operate SMART Pensions indefinitely. However, the Company reserves the right to reverse or vary this change in your employment contract; for example, if the arrangements do not work as expected by the Company in light of a change in the Company's understanding of the law and HMRC practice or if the Company otherwise decides that it has a business reason for doing so.

In this case you would begin making pension contributions under the Non-SMART Pensions arrangements and your basic salary before SMART Pensions would go back to being your contractual pay. If SMART Pensions was withdrawn, you wouldn't have to pay back any of the NI savings you have made.

### **Will my terms and conditions of employment change?**

Yes, to benefit from the reduction in NI contributions, it is necessary to reduce your contractual gross pay and increase the Company pension contributions. This is the only change to your terms and conditions of employment. This change will come into effect from the point that you are enrolled into SMART Pensions i.e. in the case of new joiners the 1st of the month following 3 months of pension membership.

### **Can I opt-out of SMART Pensions?**

Yes, if you don't want to be enrolled into SMART Pensions, you will need to complete an opt-out form. Forms are available from the Kingfisher Group Pensions Department, and should be returned to them once completed.

Your opt-out will be processed at the next available payroll cycle.

If you opt-out you'll continue to pay contributions as a deduction from your pay under the Non-SMART Pension arrangements and won't benefit from any NI saving.

### **Can I opt-out of SMART Pensions in the future if my situation changes?**

Yes, you can amend your participation in SMART Pensions at anytime. Your opt out will be processed at the next available payroll cycle. However if

you are an Isle of Man employee, you may only opt out at the anniversary of you joining or if you have lifestyle change. Examples include marriage, divorce, or an employee's spouse or partner becoming redundant or pregnant.

Please note that any change to your participation in these circumstances is subject to the agreement of the Company. Remember, if your salary drops below the PPL (currently £9,000 a year), you'll automatically be opted out of SMART Pensions so that you are not worse off.

### **Can I opt back into SMART Pensions later if I decide to opt-out initially?**

Yes, you can chose to opt into SMART Pensions at any time, effective from the 1st of the month following the month you chose to opt back in. This is subject to your salary being above the PPL. You'll need to contact Kingfisher Group Pensions if you want to do this. Please note if you are an Isle of Man employee, you will not be able to opt in again.

### **Can I vary the contributions made through SMART Pensions?**

Yes, you can change your contribution rates at any time after joining.

# Frequently asked questions

## **Will SMART Pensions affect my other Company benefits?**

No, the company will retain a record of your salary before SMART Pensions which will be used for any salary-related calculations, such as salary increases, overtime, commission and bonuses, employer pension contributions, life assurance and redundancy payments.

## **I make contributions to the Group SIPP – will these be included in SMART Pensions?**

Yes, any contributions you make to the Group SIPP will also be included in SMART Pensions. Should you require further details of the possible National Insurance Savings, a Group SIPP – SMART Pensions fact sheet is available from [www.kingfisherpensions.com](http://www.kingfisherpensions.com) or on request to Kingfisher Group Pensions Department.

If you are a higher or additional rate tax payer and participate in SMART Pensions you'll now receive full tax relief at source directly through payroll. Therefore, it will no longer be necessary for you to make a separate claim in respect of the additional tax relief on your pension contribution from HMRC.

If you fall in to this category and have previously had your tax code adjusted, we recommend you contact your tax office to notify them of this change and they can re-adjust your tax code accordingly.

## **Will I see any changes to the information I receive from the KPS-MP administrators, Zurich Assurance Ltd (Zurich) as a result of SMART Pensions?**

Yes, pension contributions made via SMART Pensions are classed as Company contributions. The information provided by Zurich in respect of your KPS-MP Retirement Account will only show Company contributions in respect of contributions paid after you start to participate in SMART Pensions.

The Company contributions will include both Non-SMART Pension Company contributions and contributions through SMART Pensions from the date you start to participate in SMART Pensions.

## **Will SMART Pensions affect any benefits I get from the State?**

Entitlement to some State benefits, such as the basic State Pension, Statutory Sick Pay, Incapacity Benefit and Job Seeker's Allowance are based on the amount of NI that has been paid.

Provided you continue to earn more than the Earnings Threshold, on a regular basis after the introduction of SMART Pensions, your entitlement to these benefits won't change.

The Company has in place a Pay Protection Limit (PPL), which at £9,000 is above the Earnings Threshold to protect against you nearing this limit.

### **State Second Pension**

As the amount of State Second Pension you receive depends on your earnings and the amount of NI contributions that you have paid, SMART Pensions may sometimes affect the amount of State Second Pension you receive because you pay less NI.

However if you participate in SMART Pensions you also make an NI saving – this NI saving can be larger than the possible reduction in the State Second Pension.

If you are unsure and would like to find out more, we recommend that you consider seeking independent financial advice.

Remember, neither the Company, the Trustee or the administrators can provide you with financial advice.

### **Does participating in SMART Pensions affect any mortgage or loan applications I make?**

Your Basic Salary, would be quoted in any personal letters issued by the Company on your behalf, e.g., mortgage letters or loan applications. It is unlikely that SMART Pensions would have any detrimental effect on any credit application as it is designed to increase your take-home pay.

### **Can I pay in my bonus or lump sums and benefit from SMART Pensions?**

Any bonus sacrifices will be considered separately. The timing is very important and will need to be considered on an ongoing basis.

One off lump sums will continue as now and won't be paid through SMART Pensions.

# Frequently asked questions

## What if...

### ...I go on sick leave?

For periods of short-term absence, as long as you continue to receive a monthly salary that is more than the PPL and would not otherwise fall below the NMW, you'll continue to participate in SMART Pensions. At the point where you become eligible for Statutory Sick Pay only, you'll be opted out of SMART Pensions.

### ...I go on maternity/paternity/adoption leave?

When you advise the Company of your intention to take maternity/paternity leave, you should contact your HR adviser who will discuss your options with you.

If you are currently on maternity/paternity/adoption leave, you'll be included in SMART Pensions automatically when you return to work provided your earnings are above the PPL.



### **...I go on unpaid leave?**

When your earnings drop below the PPL, you'll automatically be opted out of SMART Pensions, but may still remain a member of the KPS-MP in accordance with its Trust Deed and Rules. When you return from your period of unpaid leave, you'll automatically be included in SMART Pensions provided your earnings are above the PPL.

### **...I have a student loan?**

With a student loan, repayments are based on earnings rather than the amount borrowed. Repayments are automatically collected via the employer's payroll when an individual earns more than the student loan recovery threshold. These repayments are based on 9% of earnings over the threshold.

SMART Pensions reduces your earnings which may reduce the amount of repayment made each month, with the result being an increase in the length of time it takes to repay the balance of the loan. SMART Pensions may result in earnings falling below the threshold in which case no repayments would be made.

For more information please go to [www.studentloanrepayment.co.uk](http://www.studentloanrepayment.co.uk).

### **...I leave the Company?**

If you leave the Company you will become a deferred member of the KPS-MP. Your Retirement Account will continue to be invested in accordance with your current investment instruction, until such time as the funds are disinvested for transfer or retirement.

You will also have the option to transfer to another pension arrangement or an individual policy with Zurich.

### **...I opt-out of the KPS-MP?**

You will have the same options as if you leave the Company.

# Other useful contacts

## **Kingfisher Group Pensions Department**

If you wish to ask any further questions or would like to request an opt-out form, contact the Kingfisher Group Pensions Department by calling 0303 334 7080 (Monday to Friday 9am to 5pm, calls charged at your phone operator's access charge) or emailing [pensions@kingfisher.com](mailto:pensions@kingfisher.com).

## **Tax Credit Helpline**

For more information about whether SMART Pensions would affect your tax credits, please call 0345 300 3900.

## **State Pension Advice Helpline**

If you would like to find out more about the basic State Pension or the State Second Pension, visit the 'State Pension' pages at: **[www.gov.uk/state-pension](http://www.gov.uk/state-pension)**

If you wish to find out how much pension you will receive, you can obtain an online State Pension forecast at the above site. Alternatively, you can request a forecast by calling 0800 731 7898.

## **Independent financial advice**

For details of a local Independent Financial Adviser visit: **[www.unbiased.co.uk](http://www.unbiased.co.uk)**

# Important notes



1. Your contributions and your benefits under the KPS-MP are provided only on the terms and subject to the conditions set out in the Trust Deed and Rules applicable to the KPS-MP as amended from time to time. If there are any differences between the changes outlined in this guide as they relate to your level of contributions to, and benefits from the KPS-MP, the Trust Deed and Rules will apply.
2. References to the Company in this document are, as the context may require, your employer or the Principal Company in relation to the KPS-MP.
3. The Company reserves the right, at its discretion, to amend this guide. This note overrides the preceding provisions of this guide in case of any conflict. The Company will notify you of any changes which affect you.

## Who to contact

If you have a general question about the KPS-MP or you want to access information about your Retirement Account and your investments, please contact Zurich who run the KPS-MP on a daily basis:

Telephone:

**0800 500 3144**

Monday – Friday 9am – 5pm

Calls may be recorded or monitored for training and quality purposes.

Or email Zurich at:

[supportcentredc@uk.zurich.com](mailto:supportcentredc@uk.zurich.com)

If you have a more complicated question, or require information relating to SMART Pensions or there are special circumstances relating to your membership of the KPS-MP, please contact the Kingfisher Group Pensions Department.

Telephone:

**0303 334 7080**

Monday – Friday 9am – 5pm

Calls charged at your phone operator's access charge.

Or write to:

Group Pensions Department  
Kingfisher Pension Trustee Limited,  
3 Sheldon Square, Paddington,  
London W2 6PX

The website for the Kingfisher Pension Scheme is:

**[www.kingfisherpensions.com](http://www.kingfisherpensions.com)**



