

Talking Pensions

November 2011

For final salary members



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Welcome

Welcome to your 2011 edition of Talking Pensions, keeping you up-to-date with what's going on in the Kingfisher Pension Scheme (KPS). This edition is for all members of our KPS Final Salary section, or KPS-FS for short.

Inside you'll find a summary of the Trustee's formal Report & Accounts plus the latest 'summary funding statement', giving you information on the financial position of the KPS.

We've included brief details of your Trustee Directors plus a short 'interview' with Clive Gilchrist, our independent trustee and new Trustee chairman, who gives us an insight into his day-to-day role as a trustee.

And on page 7 there's our Scheme news, covering some changes happening in the KPS and in the wider world of pensions today.

I hope you enjoy reading this edition of Talking Pensions.

Dermot Courtier

Secretary to Kingfisher Pension Trustee Limited

Your Trustee board

One of the most important financial choices we all make is about saving towards our retirement and that includes being a member of the KPS. So it's reassuring to know that the KPS is well looked after.

The KPS is run by a trustee company – Kingfisher Pension Trustee Limited. The directors of this trustee company form the KPS Trustee board and are called Trustee Directors.

The Trustee Directors have important responsibilities – they look after the interests of all our members and their beneficiaries and

make sure that the KPS is operated properly and according to the formal trust deed and rules.

The Trustee Directors oversee the KPS through 4 committees that focus on key areas of the day-to-day operations. These committees are the Accounts, Audit & Governance Committee, the Benefits Committee, the Investment Committee and the Defined Contribution (DC) & Retirement Committee (focusing on the money purchase section of the KPS).

Your Trustee Directors are:



BESTrustees plc, represented by
Clive Gilchrist (Independent trustee)
Chairman of the Trustee board and Chairman of the DC & Retirement Committee and the Investment Committee



Helen Jones
(employer nominated) - Kingfisher
Member of the Accounts, Audit & Governance Committee and Benefits Committee



Sally Clifton
(member nominated) – B&Q
Chair of the Accounts, Audit & Governance Committee and member of the Benefits Committee



Sarah Gerrand
(employer nominated) - Kingfisher
Member of the DC & Retirement Committee and the Investment Committee



Karl Lidgley
(member nominated) – B&Q
Member of the Investment Committee and the DC & Retirement Committee



Evelyn Gleeson
(employer nominated) - Kingfisher
Member of the DC & Retirement Committee and the Investment Committee



Paul Goulder
(member nominated) – B&Q
Member of the Accounts, Audit & Governance Committee



Kerrin Qualters
(member nominated) – B&Q
Chair of the Benefits Committee and the Investment Committee



Ian Playford
(employer nominated) - Kingfisher
Member of the Investment Committee



Mark Fawcett
(employer nominated) - Kingfisher
Member of the Investment Committee and DC and Retirement Committee

After 19 years as one of our Trustee Directors and 7 years as our Trustee Chairman Tony Stanworth decided to retire from the Trustee board from 20 September. Ian Playford has been appointed as a new Trustee in Tony's place, also from 20 September. In addition, Mark Fawcett has been appointed as a new Trustee Director from 1 October 2011.

We'd like to thank Tony for all his hard work and commitment over the years and to welcome Ian and Mark to the Trustee board.



Money matters

Report & accounts

Each year the Trustee records the movement of money into and out of the KPS in its formal Report & Accounts. On this page we've given a brief summary of the full Report & Accounts for the KPS-FS for the year ending 31 March 2011. If you'd like a copy of the full report please see the back page for who to contact.

	£'000s
Value of the KPS-FS at 1 April 2010	1,587,442
Income	
Contributions	130,752
Transfers in	476
Total income	131,228
Expenditure	
Benefits paid	-52,391
Payments to or for leavers	-3,619
Administrative expenses	-3,682
Total expenditure	-59,692
Net returns on investments	104,483
Value of the KPS-FS at 31 March 2011	1,763,461

Investment overview

The Trustee is responsible for running the KPS-FS efficiently and professionally. We set specific investment objectives for the KPS-FS and, to help us, we appoint professional investment managers. We review the performance of our investments regularly.

The return achieved by the KPS-FS during the year to 31 March 2011 was 7.4%, despite continuing difficult economic conditions. Our investment objectives remain on target and we are continuing to reduce investment risk to the KPS-FS by reducing our exposure to equity markets (high risk) and increasing bond holdings (lower risk). Our current target is to increase the KPS-FS's bond holdings from 60% to 100% gradually over the 20 years from 2010 to 2030.

Equities – company shares quoted on stock exchanges around the world.

Bonds – loans to governments or companies for a set period of time in return for a fixed rate of interest.

You can find more detail on the financial position of the KPS-FS in your 'summary funding statement' on pages 4 and 5.

Your summary funding statement

Each year the Trustee sends you a statement on the financial position of the KPS, known as your 'summary funding statement'. The information given here is your statement for 2011 and shows the KPS finances as they stand at 31 March 2010.

The position last year

In your summary funding statement last year we reported that at 31 March 2009 the KPS had a financial shortfall of £248m and a 'funding level' (see below) of 83%. The main reason for the deterioration in the financial position of the KPS over the year was the unprecedented global economic crisis, which resulted in poor investment conditions.

The latest position

Every three years a new comprehensive financial report or 'actuarial valuation' has to be undertaken. A new full actuarial valuation of the KPS was completed as at 31 March 2010 and the results are summarised in the table below.

	(£m)
Assets	1,607
Liabilities	1,777
Shortfall	170
Funding level	90.4%



Assets – the KPS contributions and investment income.
Liabilities – the cost of the KPS benefits for all members.
Funding level – the percentage of the KPS liabilities that would be covered by the KPS assets.

The Trustee's recovery plan

We have agreed a plan with Kingfisher plc to remove this shortfall in the KPS finances by 31 March 2016. The main features of the plan are:

- Kingfisher plc will pay £48.5m each year into the KPS;
- a 'Special Property Vehicle' (or SPV) has been set up which gives us the security of holding property assets that we could draw on if Kingfisher plc became insolvent. As you may recall from reading our special edition newsletter 2010 valuation update that we issued in June, the first stage of the SPV was completed earlier this year and gives the KPS a rental income from several B&Q buildings of around £12m a year. The second stage of the SPV has now been completed and the KPS has received property assets to the value of £106m which will go some way towards improving the KPS's financial position even further;
- we've agreed a revised investment strategy to continue to reduce our investment risk; and
- we have a new target of having sufficient funds to be able to buy all members' benefits with an insurance company, if we need to, in 2030.

The **2010 valuation update** newsletter gave further details of the results of the actuarial valuation. If you can't find your copy you can find one on our website or you can call the Group Pensions Department – their contact details are on the back page.



Have any payments been made to Kingfisher plc?

No payments have been made out of KPS funds to Kingfisher plc or to any of the participating employers in the previous 12 months

How is my pension paid for?

All participating employers pay contributions to the KPS so that pensions can be paid to members when they retire. Employed members also pay contributions into the KPS. The money paid into the KPS is held in a common fund and not in a separate account for each individual member.

The importance of Kingfisher plc's ongoing support

Our objective is to have enough money in the KPS to pay pensions now and in the future. The success of this plan relies on continuing support from Kingfisher plc and the participating companies. We review the position with Kingfisher plc regularly (usually every three years).

What would happen if the KPS started to wind up?

If the KPS were to start to wind up the participating companies would be required to pay enough money into it to enable members' benefits to be provided instead by an insurance company. Neither the Trustee nor Kingfisher plc has any plans to wind up the KPS but we are required by law to let you know the KPS's financial position if this were to happen.

The full actuarial valuation as at 31 March 2010 revealed the following position:

	(£m)
Estimated cost of buying benefits with an insurance company	2,497
Value of KPS assets	1,607
Shortfall	890
Funding level	64.4%

If Kingfisher plc and the participating companies could not pay this full amount or became insolvent, the Pension Protection Fund (PPF) might be able to take over the KPS and pay compensation to members.

Further information and guidance is available on the PPF's website at www.pensionprotectionfund.org.uk.

Or you can write to the Pension Protection Fund at Knollys House, 17 Addiscombe Road, Croydon, Surrey, CR0 6SR.

If you have any questions about any of the information we've provided here, please contact the Group Pensions Department – contact details are on the back page.



Profile Clive Gilchrist

Job - Deputy Chairman of BESTrustees plc, Chairman of Kingfisher Pension Trustee Limited

Family - Married with 2 adult daughters

I share my investment knowledge and experience with the other members of the Committee when they make decisions about the investment of the KPS's assets and the investment funds we offer our money purchase section members...

How did you first get into pensions?

I started my career as a graduate trainee stockbroker and then moved into pensions investment management. In 1978 I joined the Post Office pension fund, with responsibility for managing investment portfolios for the Post Office and British Telecom pension funds. I have been an independent trustee since 1992 when I started BESTrustees, and 2 years ago became an independent trustee director of the Kingfisher Pension Scheme (KPS).

What other areas of the pensions world do you get involved with?

I've served on various councils and committees for organisations within the pensions industry for many years, including the National Association of Pension Funds and the Association of Corporate Trustees. As an independent trustee I work with a wide range of pension funds and I chair a number of trustee boards and investment committees.

I'm also a regular speaker at pension and investment conferences and often find myself quoted in the pension and business press. Actually, I have a regular guest column in the magazine **Pensions Week** which I thoroughly enjoy writing.

When did you take on Chairmanship of the Trustee for the KPS?

I became Chairman of the KPS Trustee in September 2011 after Tony Stanworth stepped down. I'd been on the KPS Trustee Board for 2 years at that stage and was delighted to be asked to take on the role of Chairman. I'm looking forward to the challenge of the extra responsibility the role brings with it.

I'd like to take this opportunity to thank Tony for all his hard work and commitment over the years – he'll be a difficult act to follow!

Which Trustee Committees do you sit on and what do they do?

I'm Chairman of the Investment Committee and I share my investment knowledge and experience with the other members of the Committee when they make decisions about the investment of the KPS's assets and the investment funds we offer our money purchase section members.

I'm also Chairman of the DC Retirement Committee which sits regularly to discuss and consider any issues arising on the administration and general day-to-day running of the money purchase section of the KPS.

What do you do in your spare time, to relax?

I like to spend time at home with my family and my dogs and I enjoy pottering in my garden. I love to travel whenever I can and I play badminton regularly, although badly!



Scheme news



Coming soon...

Your new and improved KPS website, helping you plan for your retirement. Easier to use and navigate around, with more information at your fingertips, it'll give you access to the information you need, when you need it. We hope to be going live later this year so keep an eye out for details.



We live in changing times

Governments old and new have recognised the need to make changes to the way we save for retirement. Costs are increasing, people are living longer and the State pension scheme has to evolve to keep up with these changes.

Some fundamental changes have already been made to the State pension scheme and more are proposed. Here's a quick summary of the main changes and some of what's to come:

- **State pension age** is being equalised for men and women at age 65 by 2018. This will rise to age 66 by 2020. There are further plans to raise it to 68 by 2046.
- **Basic state pension** now increases each year by the greatest of general earnings rises, inflation or 2.5%. Currently £102.15 a week (for a single person) or £163.35 a week (married couple).
- **State second pension** that part of the State pension that is linked to how much you earn. Proposals are being considered to change the way this pension is worked out, possibly to a flat-rate amount. We'll keep you informed of developments.

Money Advice Service



In our last edition of Talking Pensions we mentioned an organisation called the Consumer Financial Education Body (CFEB). CFEB has recently changed its name and is now known as Money Advice Service.

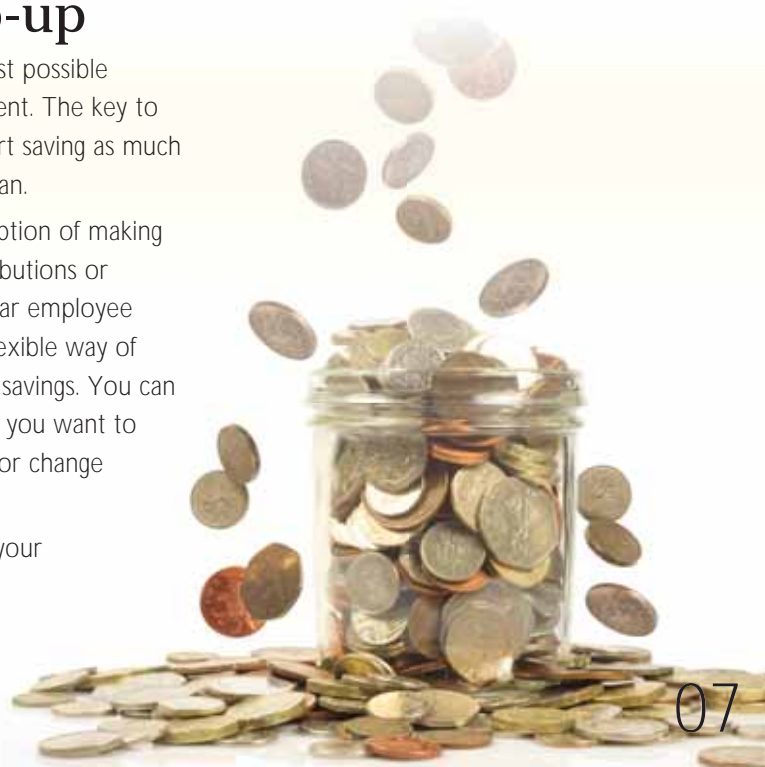
Money Advice Service is an independent advice organisation that can help you understand and manage your money better. It offers step-by-step guides to help you get to grips with your money. For more information, go to www.moneyadvice.org.uk.

A handy top-up

We all want to have the best possible standard of living in retirement. The key to making this happen is to start saving as much as you can as soon as you can.

The KPS-FS gives you the option of making Additional Voluntary Contributions or 'AVCs' on top of your regular employee contributions and this is a flexible way of topping up your retirement savings. You can normally choose how much you want to pay and you can start, stop or change your AVCs at any time.

And the good news is that your AVCs qualify for the same tax relief as your regular contributions.



Kingfisher Pension Scheme **online**

For the latest information and online guidance on the KPS, visit the website at www.kingfisherpensions.com.

On the website you can:

- register to receive the latest news from the KPS;
- download a copy of KPS guides and forms;
- review the latest financial information on the KPS;
- use the glossary to help you understand pension jargon, like lifetime allowance, annuity and triviality;
- find links to useful websites where you can find an independent financial adviser, review independent information about pensions from The Pensions Advisory Service or request a forecast of your State pension benefits.

We're always pleased to receive feedback on our website, so please send your comments to the Group Pensions Department – see below for contact details.

And don't forget, we're currently updating our website to make it even easier to use. Look out for more news later in the year.



**Who to
contact**

Keep us informed

It's important you keep us informed about any changes to your personal circumstances – for example, if you get married or divorced, have children or move house. If you don't, the Trustee may find it difficult to pay your benefits when the time comes. So if any of your personal details change, please let us know.

It's also important to keep your Beneficiary Form up-to-date to make sure the Trustee can consider who you'd like any benefits paid to in the event of your death. Beneficiary Forms are available to download from the Forms page under the Final Salary section of our website – please return your completed form to the Kingfisher Group Pensions Department.

Administrators

The KPS-FS is administered by
**Kingfisher Group
Pensions Department.**

Address: **Kingfisher Pension
Trustee Limited, 3 Sheldon Square,
Paddington, London, W2 6PX**

Email: **pensions@kingfisher.com.**

Telephone: **08456 80 70 60**

Your HR & Payroll contacts

For information about other company benefits you can contact your company's HR/payroll department on one of the telephone numbers below:

B&Q 02380 690 100

Screwfix 019 3541 4100

Kingfisher 020 7644 1163

KITS 023 8081 6551