

# Kingfisher Pension Scheme: setting the bar high

Talya Misiri speaks to Matt Fuller and Banafsheh Ghafoori at the Kingfisher Pension Scheme about its scheme communications, education programme, investment strategies and de-risking success

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## Can you outline the make-up and structure of the scheme?

The Kingfisher Pension Scheme is a hybrid scheme, providing final salary benefits for employees who joined the Scheme before 1 April 2004 up until the closure to future accrual on 30 June 2012, and money purchase benefits for all employees recruited on or after 1 April 2004. The final salary assets currently stand at £3.2 billion, the money purchase assets stand at £260 million.

Its aims are to represent the interests of its members, trustees and participating employers and to educate members of financial awareness and scheme benefits towards a lifestyle they would like at retirement.

## What would you say have been the scheme's biggest successes to date?

### *Member Education*

The trustees and the employer recognise that investment is only one element in achieving good member outcomes and that there are a number of other more influential factors such as: what benefits the members have, the level of education, the type of retirement options chosen, etc. So a five year

'saving for your future' programme was created in 2012 and further enhancements to the scheme's in-house annual benefits statement have helped members make informed decisions. It is now in its final year where engagement and innovation has continued. For example, 2015 saw the launch of the scheme's innovative and engaging pensions app.

### *DC Investment Strategy Review*

The trustees felt that a scheme specific objective was required that would be applicable to the scheme's membership demographics and contribution structure. Having set the objective, the trustees were able to work through the different factors and understand what they needed to target through investment returns. Without having a clear objective it would be hard to determine whether the risk return profile was appropriate.

### *DB Investment Strategy Review*

Following the completion of the 2013 valuation, the trustees reviewed the scheme's matching assets and completed a number of changes focussing initially on the LDI programme and hedging before reviewing and transitioning the

fixed income mandate. These developments saw a transition, and realignment, of some £3billion of assets.

## Can you explain the scheme's investment strategy?

On the DB side of the scheme the overarching objective is to be fully funded on a self-sufficient basis by 2030. On the DC side of the scheme the objective is to target two thirds of the members' final salary upon retirement, recognising that for most of our members, who are relatively low earners, the state pension will constitute the largest part of their retirement income.

## The Kingfisher scheme has been praised for its risk aversion on both the DB and DC side, would you say this is a main, continued priority?

Certainly de-risking has been a key element of the DB investment strategy over the years, but it's not just about risk aversion and avoiding risk - rather it is about addressing risk in the most appropriate way. On the DB side of things that may be through increasing hedging levels or introducing more diversification to returns seeking assets, whereas

on the DC side of the scheme it may be about ensuring there is a sufficient level of risk taken during the growth phase but aligning the de-risking phase with the state retirement age. Most members will not be able to afford to retire until they reach state pension age, so to set members up to de-risk fully by age 65 and potentially invest in cash funds for two or three years before they retire (with the state pension age moving up to 67 and 68) no longer feels appropriate either.

### Can you explain the Bolt To The Finish app? Has it had an impact on members?

Bolt to the Finish is an endless runner game that will communicate the importance of saving for your future. The coin collection game demonstrates that the earlier you start saving, the better via the choice of character and the obstacles faced. The app then allows us to integrate and direct all the educational material to the user at the end of each play.

### Can you give an overview of the scheme's member communications strategy?

In 2013, the trustees confronted the challenges of communicating and educating with their audience by introducing and launching their five year education programme entitled 'Saving for Your Future'. Since the launch, and with the help of friendly characters that the target audience could relate to, "the Bolt Family" has been an outstanding success, creating an ownable creative platform that works across different media channels. Pension awareness levels have exceeded expectations by increasing to 75% and opt out rates are currently at an all-time low of 3%.

After extensive research analysing the scheme's member demographics

and their current understanding of pensions, the trustees realised that employees thought pensions should only be considered later in life. It was also evident there was a widespread lack of interest and understanding of pensions. Moreover, the communication challenges for the task were unique, given multiple store and branch locations, employees working diverse shift patterns and most store

## DE-RISKING HAS BEEN A KEY ELEMENT OF THE DB INVESTMENT STRATEGY, BUT IT'S NOT JUST ABOUT RISK AVERSION AND AVOIDING RISK - RATHER IT IS ABOUT ADDRESSING RISK IN THE MOST APPROPRIATE WAY

employees not having access to PCs during work. For many, it was a lack of confidence rather than unwillingness that stopped people saving. Communications needed to stand out and engage.

Although the initial phase has been proven to be a success the trustees understand that these challenges are on-going, especially given the recent pension reform announcements effective from April 2015. In 2014, the trustees continued to develop the series of pension education modules further to explain changes and options to employees. With the help of the Bolt family, these became relatable and engaging 3D educational videos, leaflets, downloads and presentations, to be used in-store,

at home and online, thus bringing the pension education campaign to them.

Moreover, the trustees decided to take a step further and created an innovative app built to drive engagement and awareness with the key target audience. With almost 90% of people aged 18-25 owning a smartphone, research showed people aged between 16-24 years were the biggest gamers.

The trustees also understood, in the fast moving world of pensions, communications would need to continue to evolve. To accommodate the new modules, the trustee's website was revamped to be clearer, simpler, user-friendly and mobile friendly. ■

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