

How Kingfisher automatically enrolled

Read a case study from Dermot Courtier at Kingfisher explaining how they chose a qualifying pension scheme and considered the management charges of the scheme's default fund.

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Company information

Company: Kingfisher plc

Name: Dermot Courtier

Role: Company secretary

Company size: 38,000 employees

Sector: Retail

Staging date: 1 January 2013, postponed to 31 March 2013

Key lesson

Allow time to find a cost effective 'qualifying scheme' that suits your workforce

Planning for automatic enrolment

As one of the country's largest employers, Kingfisher plc was among the first companies to automatically enrol its workforce. We assessed all our workers, who work mainly in B & Q and Screwfix, ahead of our March 31st postponement date this year.

Despite our size there are many lessons medium and smaller-sized companies can take from our experience of automatic enrolment.

The first is to plan ahead. We gave ourselves at least 18 months from start to finish.

Reviewing your pension arrangements in order to find a qualifying scheme that suits your workers needs to be done with all due diligence. You need to decide on the scheme and the pension provider you are going to go with well in advance of staging. The regulator sensibly recommends allowing six months.

Choosing a qualifying scheme

Kingfisher had an existing pension arrangement in place, but it needed to be reviewed to ensure it was a qualifying scheme under the rules of automatic enrolment.

There's no doubt that looking for an investment product on your employees' behalf is a great responsibility. The Pensions Regulator has a guide called [selecting a good quality pension scheme for automatic enrolment](#) to tell employers what to look for.

My advice for employers out shopping for a pension for their workers is that if your existing provider hasn't got a cost-effective solution for automatic enrolment or if you are trying to find a pension scheme for the first time, you could consider looking at new entrants to the market-place offering qualifying schemes. I'd also recommend exploring new pension products from the major insurance companies. They have developed master trusts which are designed for multiple employers.

Look at the charges

One crucial governance issue is the management charges of the scheme's default fund. Small and medium sized companies will need to consider this. When you are planning to go live with automatic enrolment, you need to look at what investment funds are being offered by the provider or providers. You then need to make a judgement call on where the majority of your employees' pension contributions will go.

Employees who are automatically enrolled by their employers will have their pensions' savings sitting in the provider's default fund.

Having explored all our options, Kingfisher remained with our existing provider. My team was concerned with some of the charges that were being quoted by others. We felt it would be unfair for our employees. By putting our company pension arrangement all under one roof in our existing defined contribution money purchase scheme we had the ability to negotiate better annual charges.

Lessons from the larger employers

Looking ahead, I believe the experience of large employers in preparing for automatic enrolment has paved the way for medium and smaller employers to follow.

Both payroll and insurance providers have had to rebuild their own systems to comply with automatic enrolment. They've had to put in quite a lot of investment themselves in terms of upgrading their systems to be able to cope.

If I summarised my key tips to employers I'd say allow yourself plenty of time. Then I'd focus on systems. Ensure your payroll providers and the pension DC providers have robust systems. You must also have a reliable system in place to enable your employees to opt out. Automating as much as possible will make things simpler for you.

When it comes to the pension you choose, as well as ensuring it's a qualifying scheme for automatic enrolment, check too what the composition of the default fund is and find out the annual management charges. Finally, keep in mind the make up of your own workforce and ensure your communications are suitable for them. It's important to remember that automatic enrolment is new to everyone and many workers will not be that pension-aware.