

Comet Pension Scheme

June 2023

Dear Member,

Letter from the Chairman of the Trustee Board

I wrote to you last in December and since then the Trustee has had a further busy period finalising the 2022 valuation, reviewing our investment strategy for the new world of higher interest rates and inflation, approving the 2023 pension increases and considering two other key governance matters relating to AVC's and facilitating access to a source of independent financial advice for members who wish to transfer their funds from the Comet Pension Scheme ("the Scheme") to another pension arrangement.

Scheme Funding Position

The annual Funding Statement for 2022 covering the latest triennial valuation results is attached. I am pleased to report that, in summary, at 31 March 2022 the Scheme had audited assets of £566.5m and a surplus on the basis of technical provisions of £48.4m; this represented a funding level of 109%.

As I reported to you in December, the period following the Liz Truss and Kwasi Kwarteng mini-budget was extremely volatile for both UK government gilt yields and prices and the value of almost all other asset classes, notably equities. However, the Trustee's investment strategy (see more below) enabled us to ride out this storm reasonably well, and gilt markets have now steadied, and equity values recovered somewhat. Whilst the unaudited assets are lower at c. £393m at 31 March 2023, higher gilt yields mean that the Scheme's liabilities have similarly fallen and the estimated funding level remains at around 108%.

As I reported to you in December, one impact of today's higher yields on UK government gilts and our lower asset levels compared to 31 March 2022 is that if you are a deferred member and considering transferring your future Comet pension to another pension arrangement, then the cash transfer value ("CETV") of your pension will be lower than it would have been this time last year.

However, I can reassure everyone that the changes to the overall size of the pension fund over the last 12 months will not have had any impact on the level of the annual pension that you will be receiving as a pensioner, or will have earned and be entitled to receive in the future if you are a deferred member, because the protection for these is that the Scheme remains well funded.

Pension increases for 2023

If you are a pensioner, then you will have received your 2023 pension increase with your April pension payment. In light of today's continued high cost of living and rate of inflation, the level of the annual pension increase is lower than the current annual rates of inflation. This is because the Scheme Rules place limits on the scale of the increase for your pension. The maximum annual increase in payment for pension earned before 5 April 2005 is 5% and for your pension earned after that date is 2.5%. Again, I can reassure everyone that the pension increases approved by the Trustee are the maximum allowed under the Rules of the Scheme. And if you are a deferred member, then your future pension entitlement has also been revalued (increased) by the maximum allowed under the Rules on annual pension revaluation.

Investment Management

As noted above the 12 months to 31 March 2023 has been something of a roller-coaster for investment markets with the impact of the war in the Ukraine, followed by the turmoil of the UK's mini-budget in the autumn and the realisation amongst investors that the period of high inflation with correspondingly high interest rates will persist for longer than originally anticipated. This raises the risk that some of the major developed economies will go into some level of recession for some period of time in 2023 and or 2024.

With this backdrop the Trustee carried out its annual review of investment strategy in January and concluded that our broadly diversified approach, together with 100% hedging of our interest rate and inflation rate risk on technical provisions should remain the central theme for our investment strategy moving forward. We did agree to slightly reduce our core exposure to equity assets in favour of investment grade credit assets given the higher yields now available from credit assets.

Given the impact last autumn of the volatility in UK government gilt yields on our LDI portfolio (which is the element of our investment assets that hedges against movements in our technical provision liabilities), the Trustee carried out a review of the LDI portfolio to ensure we retain sufficient resilience to withstand significant levels of gilt yield movement in the future, should these recur for whatever reason.

Management of AVC's (Additional Voluntary Contributions)

Some deferred members have in the past taken the opportunity to make additional voluntary contributions ("AVC's") to supplement their pension from the Scheme. In the majority of cases these commenced when Comet was part of the Kingfisher Pension Scheme and are invested with the Prudential, some members have their AVC's invested in personal accounts with Standard Life and a very small number have chosen savings accounts with Santander.

The Trustee is required to undertake periodic reviews of the AVC providers, and in recent years the Trustee has become concerned that members invested with Prudential have generally been receiving a relatively poor level of customer service and the returns earned on their investment within Prudential's with-profits life fund are not as transparent or effective as the Trustee would like. Following the Trustee's most recent review in 2022, we determined that it would be in the best interests of all AVC fund holders for their AVC's to be transferred to and invested with Standard Life under its Master Trust arrangement. Therefore, the Trustee is in the process of negotiation with Standard Life to affect the bulk transfer of all AVC funds in the Scheme to it under this arrangement. We expect to be able to complete this transfer sometime later this year and will be writing directly to the AVC fund holders with more details and information in the coming months.

Transfers out of the Scheme and Independent Financial Advice

Any member wishing to transfer their pension out of the Scheme to another pension arrangement with a transfer value in excess of £30,000 is legally required to take independent financial advice from an FCA authorised IFA (independent financial adviser).

The Trustee is aware that in recent years the number of FCA authorised IFA's providing pension transfer advice has been reducing and the costs of obtaining the advice has increased

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significantly. Taking appropriate advice is important when trying to avoid the risk of pension scams and also to make sure you make the right choice for you.

The Trustee is also aware that some members now reaching the date of retirement in the Scheme will probably have earned pension benefits in other schemes and may wish to consider the possibility of transferring their Comet pension to one of these or another pension arrangement, for example to take advantage of more flexible retirement options than our Scheme can offer.

For these reasons, following due diligence and a review of the financial advice market the Trustee has selected FCA authorised and regulated financial adviser Origen Financial Services to provide members with impartial financial advice at preferential rates. Origen is one of the UK's leading national financial advisers with a history of providing advice for over 130 years. You may like to Scan the QR Code below to watch a short Video that introduces Origen



Over the next few months members requesting a transfer out and members receiving their retirement packs will receive further information about Origen's services, including the cost of the services.

Members will of course remain free to obtain appropriate advice from a FCA authorised IFA of their choosing and any members wishing to access Origen's services under this facilitatory arrangement will engage with it directly, with any advice provided/advisory fees payable independently of the Trustee and Scheme.

Scams

The current economic circumstances we all face might encourage scammers to approach you with a view to accessing your pension funds as a means of generating additional finance to cope with the recent increase in your cost of living. Please remain vigilant and remember the UK government has banned cold calling in relation to pensions. If anyone calls you or otherwise contacts you out of the blue in relation to your pension, you should be aware that there is a high risk it could be a scam. We urge you to exercise extreme caution and visit www.fca.org.uk/scamsmart which has guidance relating to how to avoid scams.

Member Data held by the Scheme's Administrator

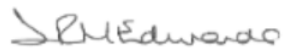
The Trustee has also carried out a recent review of the completeness of data held by our administrator, XPS Administration, ahead of other projects such as the government initiative for a Pensions Dashboard and as part of our ongoing review of GMP equalisation. It may be that some members will receive a request from XPS Administration for data details to complete your pension records to ensure your future pension is effectively administered.

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As I reminded all members in my December letter, if your personal circumstances change, for example if you change your address, then please remember to notify our administration team so that we can continue to keep you informed about the Scheme and continue to administer your pension efficiently and effectively.

This letter and other information about some of the matters covered here will be posted on our Scheme website at <https://www.comet-pensions.co.uk>. If you require any information about the Scheme, then please check the website before contacting our Scheme administration team.

Kind regards,



Ian Edwards

Chair of the Trustee