

Comet Pension Scheme

2014 Trustee's Report

This report is issued to all deferred members and pensioners of the Comet Pension Scheme. The Scheme is a final salary pension arrangement and was closed to future accrual from 30 September 2007. Once Comet Group plc was sold in 2012, all members became deferred members of the Scheme.

You will recall when Comet was sold, the Scheme was retained by Kesa Electricals plc (now Darty plc), who became the Principal Employer, under an agreed Scheme Apportionment Arrangement.

The representative from Darty plc ('the Company') on the Trustee Board is Simon Enoch. Simon attends all Trustee meetings and gives an update on the Company's outlook and performance. The Trustees continue to meet regularly to discuss the governance, audit and investment of the Scheme's assets, and to monitor the funding of the Scheme. In addition, Ernst & Young have been appointed to conduct regular assessments of the Company covenant.

The formal Trustee Report and Accounts for the year to 31 March 2014 is now available to view on the Comet Pension Scheme website at www.comet-pensions.co.uk

At 31 March 2014, the Scheme assets were worth just under £340 million (excluding members' AVC funds).

Value just under £340 million

This money is kept quite separate from the Company, and is looked after for you, the members, by the Trustee Company, Comet Trustee Company Limited. The Directors of the Trustee Company are responsible to members and other beneficiaries (for example, widows or widowers of members) for the proper running of the Scheme.

Their duties include the collection of contributions and the prudent investment of the Scheme's monies, the payment of benefits in accordance with the Scheme's Trust Deed and Rules and the maintenance of records of membership and financial transactions.

Your Trustees

At the year end the Directors of Comet Trustee Company Limited were:

Ian Edwards	Member Nominated Pensioner Director & Chairman
Simon Enoch	Darty plc Company Secretary
James Arnold	Ex-Reward Manager – Comet Group Ltd
Victoria Milford	Member Nominated Director
Jon Herzberg	Company Nominated Director
Helen Woodhouse	Member Nominated Director

Membership

At 31 March 2014, there were:

- 3,603 deferred pensioners who have an entitlement to a pension when they reach Normal Retirement Date.
- 1,626 pensioners receiving their pension from the Scheme.

Actuarial Valuation

Every three years the Trustee asks their Scheme Actuary to undertake a formal actuarial valuation of the Scheme in order to compare the amount of the Scheme's assets with the estimated amount needed to pay the benefits earned in the Scheme. The latest formal valuation was as at 31 March 2013 and the results are shown in the enclosed Summary Funding Statement.

The Fund

During the last year, the Scheme’s total net assets have decreased by c.£5.1m to just over £343m.

At 31 March 2013	£348,358,000
Income (1)	£10,321,000
Investment (2)	(£5,966,000)
Expenditure (3)	(£9,496,000)
At 31 March 2014	£343,217,000

The total net assets at 31 March 2014 shown above include c.£3,473m representing members’ AVCs.

- (1) **Income...** includes contributions and mitigation payments.
- (2) **Investment...** is the change in the market value of the Scheme’s assets over the year and investment income.
- (3) **Expenditure...** includes pension payments, transfers out of the Scheme and expenses.

Dispute Resolution

If you have a complaint about the running of the Scheme or your benefits under it, this should be raised informally through Punter Southall. If you do not receive a satisfactory response, then you should write formally to the Complaints Procedure Officer who is the Secretary to the Trustee, Ann Geer, of PS Secretarial Services. Ann will supply you with a copy of the Internal Dispute Resolution Procedure.

Nomination Form

On death before retirement, subject to the Rules, a return of contributions (plus interest) becomes payable when there are no dependants’ or children’s pensions payable. The lump sum is paid at the discretion of the Trustee to one or more of a member’s dependants, relations, ‘nominee’ or estate. It is important to ensure that the Trustee understands your wishes over the payment of death benefits by keeping your Nomination Form up to date. If you need a new form or want to know more about this, please refer to the Comet Pensions website at www.comet-pensions.co.uk or contact Ann Geer.

Budget 2014

In his March 2014 Budget, the Chancellor announced some unexpected and far-reaching changes to UK pensions, which will mainly affect people saving for retirement in defined contribution (‘DC’) pension arrangements. The impact on the Scheme will be limited as it operates on a defined benefit (‘DB’) basis. The main change to affect Scheme members is some way off; the minimum age at which pension savings can be accessed will increase from 55 to 57 in 2028 and will remain at 10 years below State Pension Age.

A further change that the Government made is in relation to small pension entitlements. If the value of your pension benefit is less than £10,000 and you are aged 60 or over (or aged 55 and over from 6 April 2015) then legislation now allows pension schemes to pay you a one-off cash lump sum instead of your regular pension benefits.

The Trustee and Company have underway a review with a view to a special programme to provide all eligible members of the Scheme with the opportunity to receive a one-off cash lump sum instead of their regular pension income. If you are eligible to do this then you will be contacted in 2015.

The Government did consider banning transfers from private sector DB schemes to DC pension arrangements. However, it decided that such transfers will be allowed in future, provided members take financial advice before considering the transfer.

Investment

The Trustee has continued to manage the investments in accordance with the agreed investment strategy as set out in the Statement of Investment Principles (SIP), a copy of which is available on the Scheme’s website at www.comet-pensions.co.uk. Each of the Scheme’s investment managers (as detailed below) takes responsibility for the day to day decisions relating to each portfolio.

The Trustee has taken steps to ensure the investment managers and advisers have the appropriate knowledge and experience.

The target allocation for the Scheme consists of 15% invested in ‘off-risk’ assets (which includes a liability hedge) and 85% invested in return seeking assets (‘on-risk’ assets).

The liability hedge is made up of a series of interest rate and inflation swap contracts together with a portfolio of investment grade inflation linked securities (used as collateral for the swap contracts), with a view to closely match changes in value in the Scheme’s liabilities. The liability hedge helps to reduce risk in the Scheme and should result in a smoother level of funding over time. Please refer to the SIP for further details.

The remaining 85% of the Scheme’s assets were invested in a diversified portfolio of assets aimed at generating return whilst maintaining an acceptable level of risk in accordance with the Scheme objectives.

During the year, Leadenhall were appointed as an additional investment manager.

As at 31 March 2014, the investment allocation strategy being followed by the Trustee was as follows:

Asset Class	%	Manager	Benchmark and target
On risk assets	85.0		
UK structured equity including collateral (EDOS 3)	11.0	P-Solve	6% p.a. in excess of the compounded 6 month Sterling LIBOR return
UK structured equity including collateral (EDOS 4)	7.5	P-Solve	7.24% p.a. in excess of the compounded 6 month Sterling LIBOR return
UK structured equity including collateral (EDOS 5)	12.5	P-Solve	7.00% p.a. in excess of the compounded 6 month Sterling LIBOR return
Dynamic Asset Allocation	39.0	Barings	3 Month Sterling Libor plus 4% per annum
Active global investment grade bonds	10.0	PIMCO	Composite of three credit indices (GBP Hedged) plus 1% per annum
Insurance linked	5.0	Leadenhall	US 3-month T-bills plus 8-10% per annum
Off risk assets	15.0		
Index linked gilts	15.0	P-Solve	n/a
Total	100.0		

In addition, an amount of cash is held with Legal & General, to cover the immediate cash flow from the Scheme.

In assessing the success of the investment performance, the key measurement used is the performance of the assets relative to a proxy for the movement in liabilities – the Liability Related Objective (LRO).

During the year to 31 March 2014, the value of the Scheme assets decreased by 1.8% outperforming the LRO by 3.2%. This outperformance has helped improve the three year numbers where the annualised return was 10.3% versus a target of 6.9%.

AVCs

Some Scheme members elected to pay Additional Voluntary Contributions (‘AVCs’) in addition to their normal contributions to the Scheme. No further AVC payments are allowed but these members should regularly review their investments, particularly in the five years leading up to retirement.

The Trustee regularly reviews the AVC Funds available and are satisfied they remain appropriate.

The Pensions Regulator has also issued a Code of Practice (13) to improve governance of defined contribution arrangements, which includes the Scheme’s AVCs. A governance statement is required to be completed and signed by the Trustees by 31 March 2015. This statement was signed by the Trustee on 3 October 2014 and a copy is available on the Comet Pensions website at www.comet-pensions.co.uk. The Comet Pensions website continues to be reviewed and kept up to date.

Member Data

The Pensions Regulator has issued guidance to trustees requiring member data to be of a certain standard. The Trustee has reviewed the data held for all members and can confirm that the Scheme data is of a high quality. Regular checks are made on the data held but if there has been a change to your personal circumstances, for example a change of home address, please contact the Scheme administrators, Punter Southall, at the address below.

The Trustee is always looking to improve communications with members and may, in future, issue certain communications by email. If you have an email address, would you please let the Scheme’s administrators know by emailing them on cometadmin@puntersouthall.com.

For the purposes of the Data Protection Act 1998 (‘the Act’) the Trustee is a data controller. Recent guidance from the Information Commissioners Office has resulted in Punter Southall being classed as a joint data controller with the Trustee when providing actuarial services. The Trustee may also appoint other third parties to assist it with the operation of the Scheme. As a member of the Scheme you agree to provide personal data to the Trustee and consent to the processing and disclosure of this data to the Company and such professionals and other third parties that the Trustee has chosen to assist with this. The data will be held during your membership of the Scheme or any longer period necessary to answer questions relating to your benefits. Under the Act members are entitled to request a copy of the information being held by writing to the Trustee at the address shown below.

Pension Scams

As reported last year, some companies are claiming to be able to release cash from a member’s pension benefits as a loan or lump sum before members reach the normal minimum pension age of 55. This activity was known as ‘**pension liberation fraud**’ and is becoming increasingly more common in the UK. It is now being referred to as a ‘**pension scam**’ and a leaflet from the Pensions Regulator is enclosed giving more details. Members should be wary of any offers that appear too good to be true.

Professional Advisers

The Trustee has a duty of care and must act prudently. To help the Directors, they employ various professional advisers. These are currently:

Scheme Actuary	Steve Leake of Punter Southall
Administrator	Punter Southall
Auditors	BDO LLP
Bankers	Bank of Scotland
Financial Advisers	Ernst & Young LLP
Investment Managers	Leadenhall, LGIM, P-Solve, PIMCO & Barings
Investment Consultants	P-Solve Asset Solutions
Solicitors	Eversheds LLP
Trustee Company Secretary	Wayne Phelan of PS Independent Trustees Ltd
Secretary to the Trustee	Ann Geer of PS Secretarial Services

Since the year-end the assets with Barings have been disinvested and re-allocated and GMO has been appointed as an additional investment manager.

Information

If you require any information about the Scheme or you would like a copy of the more detailed disclosure report, please refer to the Comet Pensions website at www.comet-pensions.co.uk or ask:

Ann Geer – Secretary to the Trustee

ann.geer@psitl.com · 0118 313 0882 · Albion, Fishponds Road, Wokingham, Berkshire, RG41 2QE

or

Punter Southall – Scheme Administrator

cometadmin@puntersouthall.com · 0118 313 0700 · Albion, Fishponds Road, Wokingham, Berkshire, RG41 2QE