

COMET PENSION SCHEME 2018 TRUSTEE'S REPORT

This annual report is issued to by the Trustee Directors of the Comet Pension Scheme to all deferred and pensioner members of the Scheme.

The Scheme is a final salary pension arrangement that was closed to future accrual from 30 September 2007. All members became either deferred members or pensioner members when Comet was sold in 2012.

Darty Limited (formerly Darty plc and prior to that Kesa Electricals plc) is the Scheme's Principal Employer. Darty Limited was acquired by Groupe Fnac SA in July 2016.

As previously reported, the Trustee Directors are pleased to note that Fnac have provided the Scheme with a guarantee that provides financial support from the wider Fnac group for Darty Limited's ongoing financial commitments to the Scheme until 2036, with a limit of £60 million.

Significant future developments relating to the Scheme will be communicated to members through these regular annual Trustee reports and through updates made available on the home page of the Scheme's website at www.comet-pensions.co.uk.

The formal Trustee Report and Accounts for the year to 31 March 2018 is now available to view on the Comet Pension Scheme website at www.comet-pensions.co.uk.

YOUR TRUSTEE DIRECTORS

The Trustee Directors 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, EY have been appointed to conduct regular assessments of the Principal Employer's covenant to provide the Trustee with reassurance that the Principal Employer can meet the ongoing funding of the Scheme.

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

Ian Edwards	Pensioner Member Nominated Director & Chairman
Frederic Jaillard	Company Appointed Director
Jon Herzberg	Company Appointed Director
James Arnold	Company Appointed Director
Victoria Milford	Deferred Member Nominated Director
Helen Charlesworth	Deferred Member Nominated Director



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SCHEME ASSETS

At 31 March 2018, the Scheme net assets were worth just under £517 million (including members' AVC funds). This money is kept quite separate from Darty Limited, 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 from Darty Limited 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.

MEMBERSHIP

At 31 March 2018, there were:

- 3,143 deferred pensioners who have an entitlement to a pension when they reach Normal Retirement Date.
- 1,801 pensioners receiving their pension from the Scheme.

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 XPS Pensions (formerly Punter Southall Limited)
Administrator	XPS Administration (formerly PS Administration Limited)
Auditors	BDO LLP
Bankers	Bank of Scotland
Covenant Advisers	EY
Investment Managers	R&M, Threadneedle, LGIM, PIMCO, Aviva
Investment Consultants	River & Mercantile (formerly P-Solve) Asset Solutions
Solicitors	Eversheds Sutherland
Trustee Company Secretary	Wayne Phelan
Secretary to the Trustee	Ann Geer of Punter Southall Governance Services (formerly PSIT)

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 formal valuation as at 31 March 2016 has been completed and the results of this valuation and the associated recovery plan can be seen in the enclosed 2018 Summary Funding Statement. The funding position of the Scheme is updated at least annually.

THE FUND - VALUE JUST UNDER £517 MILLION

During the last year, the Scheme's total net assets have decreased by £12,736,000 to £516,586,000. However, please note that £12,943,000 was paid out in member benefits during the year.

At 31 March 2017	£529,322,000
Income (1)	£5,647,000
Investment (2)	£207,000
Expenditure (3)	£18,590,000
At 31 March 2018	£516,586,000

The total net assets at 31 March 2018 shown above include c.£4,779,000 representing members' AVCs.

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

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 range of AVC Funds available and are satisfied they remain appropriate. A separate communication to those members with AVC investments was issued earlier in the year.

During the year to 31 March 2018, the Scheme's investment strategy returned +0.3%, outperforming the Liability Benchmark Objective by 3.1%. 2017 was characterised by a strong upward trend in equity and credit markets. Some of the mandates in the discretionary Alternatives mandate detracted from performance over the period. Q1 2018 saw some volatility in markets during which most of the managers underperformed their targets, leaving performance for the Fund muted.

The Fund did however strongly outperform the liability related objective over the period which contributed to an improvement in funding level. Over the longer term period of 3 years the Scheme has also outperformed its benchmark. Over this period the annualised return was +7.1% versus a target of +5.7%. Positive steps taken to control asset and liability risk have contributed greatly to the Scheme's performance.

Investment Strategy

As at 31 March 2018, the target allocation for the Scheme consists of 30% invested in "off-risk" assets (which include a liability hedge) and 70% invested in return seeking assets ("on-risk" assets) although, as recorded below, these were being transitioned to the new strategy agreed in February 2018. The new target allocation is also reflected in the enclosed Summary Funding Statement.

The liability hedge is made up of a series of interest rate and inflation swap contracts together with a portfolio of inflation linked government bonds (used as collateral for the swap contracts), with a view to closely match changes in value in the Scheme's liabilities.

The remaining 70% of the Scheme's assets are invested in a diversified portfolio of assets aimed at generating return whilst maintaining an acceptable level of risk in accordance with the Scheme objectives. Within this allocation the Trustee has invested into a structured equity solution (an EDOS), which is the other hedging element of the investment strategy.

The Equity Derivative Overlay Strategy ("EDOS8") is based on global equity markets and provides downside protection and diversified equity return profiles. EDOS8 provides protection against falls in the global developed market equity from the point of investment and performs best in upward trending equity markets. The collateral supporting this structure is also used in the liability hedging design.

The Trustee monitors the performance of the liability hedge on a regular basis and the Scheme's manager independently checks the counterparty valuations daily.

The main changes made to the investment allocation strategy over the year by the Trustee were:

- **Restructure of the structured equity mandate**

In June 2017, following a period of strong performance in UK equity markets, the Trustee decided to redeem from the two UK structured equity solutions, EDOS6 and EDOS7, and instead invest in a global structured equity solution ("EDOS8") to continue participation in equity markets while increasing regional diversification of the mandate.

- **Introduction of a new DAA manager**

In June 2017, the Trustee decided to appoint a new manager to diversify manager risk in the Dynamic Asset Allocation mandate. The elected manager was Threadneedle. This mandate was funded via proceeds from a restructuring of the structured equity mandate.

- **The liability hedging levels for mitigation of interest rate and inflation risk were increased**

Following a realised improvement in funding level on the Technical Provisions funding basis, the Trustee took the decision to increase the liability hedging levels to 100% measured relative to the liabilities for both interest rate and inflation risk.

- **The future investment strategy to better manage pension outflows**

The Trustee reviewed the investment strategy in February 2018 and decided to adopt an updated target allocation with 15% invested in "Buy and maintain credit" which aims to reduce the need for the Scheme to disinvest assets to meet its cashflow requirements as they fall due, 30% invested in "off-risk" assets and 55% in "on-risk" assets. The changes to implement this approach were in progress as at 31 March 2018.

Custody Arrangements

Most of the assets are held in pooled funds by the Investment Managers and so the Trustee has effectively delegated the custody of the investments of the Scheme to the Managers. For the Liability Hedge, Equity Structured Solutions and the discretionary alternatives mandate the Trustee has appointed KAS Bank.

Statement of Investment Principles

In accordance with the Pensions Act 1995, the Trustee has prepared a Statement of Investment Principles (SIP), which describes the key elements of the investment arrangements of the Scheme. Copies of the statement are available on the pension website, www.comet-pensions.co.uk. There were no departures from the SIP during the year.



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TAKING YOUR PENSION BENEFITS OPTIONS

If you are considering taking your pension benefits, you should carefully review the options available to you before making any decisions. The Trustee Directors cannot give you any advice or guidance on which option you should take and recommend that you obtain independent financial advice before making a decision. As a reminder, the options available to you are set out below.

Take retirement benefits from the Scheme.

You can apply to take retirement benefits from the Scheme from age 55 onwards. You will be given the option to take a Scheme pension which will be payable to you in monthly instalments. You can usually opt to exchange some of this Scheme pension for a tax-free cash lump sum, resulting in a lower Scheme pension payable monthly. The maximum tax-free cash lump sum most people can take represents 25% of the total value of your benefits in the Scheme.

Trivial commutation

Members over age 55 with pension savings in all pension schemes they are a member of (not just the Comet Pension Scheme) which are worth less than £30,000 (and who meet certain other conditions) can choose to exchange all benefits in the Scheme for a one-off lump sum known as a 'trivial lump sum'.

If the member's Comet Pension Scheme benefits alone are worth less than £10,000, the Scheme benefits can be exchanged for a one-off lump sum, known as a 'small lump sum', without reference to any other benefits in other pension schemes.

Both trivial lump sums and small lump sums are paid via the Scheme's pensioner payroll. For those not yet retired 25% of each payment is usually paid tax-free with the remainder being taxed as earned income under PAYE.

From time to time, the Trustee may write to members eligible for a trivial or small lump sum to remind them of this option.

AVCs

Members with AVCs under the Scheme can use their AVCs to fund any tax-free cash lump sum they choose to take on retirement before exchanging Scheme pension for tax-free cash. If the tax-free cash lump sum payable from the Scheme does not use up the total value of the AVCs, the remainder of the AVCs must be used to buy an annuity from an insurance company. In some circumstances, the Trustee Directors allow members to use the remaining AVCs to buy additional Scheme pension as an alternative to buying an annuity.

From April 2015, the Government allows members with Defined Contribution benefits (including AVCs) more flexibility and choice in how and when these benefits can be accessed. This gives members the option to make decisions about their AVCs separately from their Scheme benefits. The full flexibilities introduced by the Government are not available directly from the Comet Pension Scheme but members can transfer their AVCs to an alternative registered pension scheme to access these additional flexibilities elsewhere.

Transfer your benefits

As an alternative to taking your benefits from the Scheme, you can choose to transfer your benefits to an alternative registered pension scheme or a qualifying overseas pension scheme (known as a QROPS).

Members with AVCs could choose to transfer their AVCs to an alternative registered pension scheme and leave their Scheme benefits in the Scheme or take retirement benefits from the Scheme.

If you want to consider a transfer, you can do this at any time prior to taking benefits from the Scheme. Please request a quotation from the administration team using the contact details show below. It is a good idea to take advice from an independent financial adviser who specialises in pension scheme transfers before making a decision as to whether to transfer your benefits out of the Scheme. If your transfer value is more than £30,000, you will be required to take financial advice in any event.

GMP EQUALISATION

As the Comet Pension Scheme was "contracted-out" your benefits may include an element which replaces part of the state pension called a "Guaranteed Minimum Pension" or "GMP". This reflects the previous state pension ages of men and women, of 65 and 60. A recent High Court ruling involving the Lloyds' Bank pension scheme has said that pension schemes must take steps to ensure that benefits are equal between men and women even though GMPs are not calculated on an equal basis. The Trustee is currently considering how this can be achieved with Darty Limited and will communicate further in due course.

PENSION SCAMS

If you are considering a transfer of your Scheme benefits to another pension arrangement, you should be aware of the risk of pension scams. The Pensions Regulator, The Pensions Advisory Service ("TPAS") and HM Revenue & Customs (HMRC) have issued strong warnings about pension scams and the potential risks of taking up offers which claim to be able to release cash from your pension before you reach age 55 or in larger quantities than are currently allowed under the law without a sizeable tax charge becoming payable (sometimes referred to as "pension liberation" "early pension release" or "pension loans"), and/or to offer higher investment returns than normally expected. You can find more information about the consequences of these offers from the Scheme's administrator.

A copy of the Pensions Regulator's leaflet "Thinking of doing something with your pension pot?" is available, so that you can be aware of the warning signs of pension scams.

You can also find an online tool to help you to identify a pension scam on the Pensions Advisory Service's website at www.pensionsadvisoryservice.org.uk/my-pension. This will give you some guidance on identifying a potentially bad pension investment, help you to recognise the signs of a pension scam and provide you with some next steps based on your answers.

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.

DPA AND GENERAL DATA PROTECTION REGULATION (GDPR)

In order to administer the Scheme, data is used by the Trustee and the Scheme Actuary who both act as Data Controllers. Your personal data will be processed fairly and lawfully in accordance with the principles of the Data Protection Act (DPA) 1998 solely in connection with the Scheme. If you have any queries in relation to your personal data, please contact the Scheme's administrator.

The Data Protection Act 1998 (DPA) has now been replaced by the EU's General Data Protection Regulation (GDPR). The Scheme was compliant with GDPR when it came into force in May 2018. All members will have received a Privacy Notice outlining your rights under the new GDPR regime.

DISPUTE RESOLUTION

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

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:

**XPS Administration
Limited
Scheme Administrator**
or

**Ann Geer
Secretary to the Trustee**

cometadmin@xpsgroup.co.uk

☎ 0330 202 0770

Albion, Fishponds Rd, Wokingham, Berks RG41 2QE

Ann.Geer@psgovernance.com

Forbury Works, 37-43 Blagrove Street, Reading, Berks RG1 1PZ

Issued by the Trustee – December 2018



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COMET PENSION SCHEME 2018 SUMMARY FUNDING STATEMENT

Trustees are required to send members a brief statement giving a regular update of the Scheme's funding position. The Trustee of the Comet Pension Scheme ("the Scheme") is therefore pleased to provide the Summary Funding Statement for 2018. The Trustee is responsible for administering the Scheme and ordinarily you should expect to receive a statement like this each year to let you have updated information about the funding of the Scheme. The statement refers only to the Comet Pension Scheme (i.e. your final salary benefits).

WHAT IS THE PURPOSE OF THIS STATEMENT?

This statement has been produced by the Trustee and its purpose is:

- to summarise the results of the latest actuarial valuation carried out as at 31 March 2016; and
- to state how the funding position may have changed since that valuation was carried out.

WHAT IS AN ACTUARIAL VALUATION?

The Scheme Actuary studies the financial position of the Scheme periodically (at least every three years) by carrying out an actuarial valuation. The valuation is used to estimate the amount of money required to pay benefits as they fall due and compare this with the assets held in the Scheme. To make this assessment, the Actuary has to use a number of assumptions about what will happen in the future such as how long people will live, what inflation will be and how much income the Scheme will earn from its investments.

PREVIOUS ACTUARIAL VALUATION

The most recent actuarial valuation of the Scheme was completed as at 31 March 2016 and annual updating reports were produced as at 31 March 2017 and 31 March 2018. The results of the actuarial valuation as at 31 March 2016, along with the updated funding position as at 31 March 2017 and 31 March 2018, are shown below for information.

	31 March 2016 £thousands	31 March 2017 £thousands	31 March 2018 £thousands
Value of assets (audited)	435,600	524,500	511,800
Value of past service liabilities	(481,200)	(539,800)	(510,800)
Past service shortfall	(45,600)	(15,300)	1,000
Funding level	91%	97%	100%

Following the actuarial valuation as at 31 March 2016 a recovery plan was put in place with the aim of removing the remaining shortfall. As a result, Darty Limited agreed to pay additional contributions of £4 million per annum from 1 July 2017 until 31 December 2021. Darty Limited continued to pay contributions of £10 million per annum until 30 June 2017, as required under the recovery plan put in place following the previous actuarial valuation as at 31 March 2013.

As set out in last year's statement, in July 2016 Darty Limited (formerly plc) was acquired by Groupe Fnac SA. As a result of the acquisition and as part of the discussions for the actuarial valuation as at 31 March 2016, a guarantee was put in place for Darty Limited's obligations to the Scheme from the Fnac group. This guarantee provides financial support from the wider Fnac group for Darty Limited's ongoing financial commitments to the Scheme up to a limit of £60 million for the next 20 years. The Trustee took this guarantee in consideration when agreeing the above recovery plan with Darty Limited.



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CHANGE IN THE FUNDING POSITION

The following factors have affected the funding position of the Scheme since 31 March 2017, by the approximate amounts shown:

	£m
Past service shortfall as at 31 March 2017	(15.3)
• Interest on shortfall	(0.3)
• Change in market conditions	14.9
• Contributions received	5.5
• Investment returns less than assumed	(9.8)
• Other factors	6.0
Past service surplus as at 31 March 2018	1.0

As shown on the previous page, it is estimated that overall these factors have led to the Scheme's funding position improving by around £16.3 million over the period between 31 March 2017 and 31 March 2018. Over the same period the ratio of the assets to the estimated value of the liabilities, known as the funding level, has increased from 97% to 100%.

FUNDING POSITION OF THE SCHEME HAD IT WOUND-UP

The aim of the Trustee is for there to be enough money in the Scheme to pay pensions now and in the future, but this depends on Darty Limited carrying on in business and continuing to pay for the Scheme. If Darty Limited goes out of business or decides to stop paying for the Scheme, it must pay enough money to buy all the benefits built up by members from an insurance company. This is known as the Scheme being 'wound-up'. The comparison of the Scheme's assets to the cost of buying the benefits from an insurance company is known as the "solvency position".

A test of this solvency position at 31 March 2016 showed that the Scheme's assets could not have paid for the full benefits of all members to be provided by an insurance company if the Scheme had wound-up at that date. If the Scheme had wound-up on 31 March 2016 then it is estimated that the amount needed to buy the Scheme benefits in full from an insurance company would have been £788 million (that is, a shortfall of around £353 million). This figure is just an estimate and is not meant to imply that the Trustee or Darty Limited are considering winding-up the Scheme. It is just another piece of information that we are required to tell you and we hope will help you understand the financial security of your benefits.

PAYMENTS TO THE COMPANY

The Trustee is required to make an annual statement on any payment from the Scheme that has been made to Darty Limited. We can confirm that there have not been any payments to Darty Limited out of Scheme funds since the inception of the Scheme.

HOW ARE THE SCHEME'S ASSETS INVESTED?

The Trustee employs specialist fund managers to look after the day to day investment of the Scheme's assets. We set the investment strategy and monitor the fund managers' performance on a regular basis. We invest in a broad range of assets, limiting the amount invested in a particular class of assets. As at 31 March 2018, the Scheme's target asset allocation was:

Company shares (equities)	15.0%
Government securities (gilts)	30.0%
Corporate bonds	11.5%
Dynamic asset allocation	16.5%
Buy and maintain credit	15.0%
Other investments	12.0%

The Trustee reviewed the investment strategy in February 2018 and decided to adopt the updated target allocation set out above. As at 31 March 2018, the assets were in the process of being updated to be in line with the new strategy so the actual allocation differed to that shown above.

A full breakdown of the Scheme's investment strategy (Statement of Investment Principles) is available on www.comet-pensions.co.uk.

THE SCHEME'S FINANCIAL SECURITY

The Scheme's assets are held separately from Darty Limited's assets. If the Scheme was to wind-up (come to an end), then, as previously stated, Darty Limited (supported by the guarantee from the Fnac group) would be required to pay enough into the Scheme to enable members' benefits to be secured with an insurance company. The Government established the Pension Protection Fund (PPF) to pay benefits to members if the Scheme is wound-up when the Scheme and Darty Limited do not have enough money to cover the cost of buying all members' benefits with an insurer. The pension you would receive from the PPF is likely to be less than the full benefit you have earned in the Scheme, depending on your age and when your benefits were earned.

In certain circumstances, the Pensions Regulator has powers to modify a pension scheme, impose directions on it, or impose a schedule of contributions. The Trustee can confirm that no such intervention has taken place for the Scheme.

Further information is available on the PPF website at www.pensionprotectionfund.org.uk or you can write to the Pension Protection Fund at Renaissance, 12 Dingwall Road, Croydon, CR0 2NA.

WHERE CAN I GET MORE INFORMATION?

If you have any questions, or would like any more information, please write to:
Comet Pension Scheme,
XPS Administration,
Albion, Fishponds Road,
Wokingham, Berkshire RG41 2QE

Email: cometadmin@xpsgroup.co.uk
Telephone: 0330 202 0770



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A list of the documents available is set out below. If you want to be sent a copy of any of these documents please contact XPS Administration using the details shown above.

We ordinarily send you a Summary Funding Statement each year, so if you change address you should let us know so that we can update our records. A form for you to use for this purpose is enclosed.

ADDITIONAL DOCUMENTS AVAILABLE FROM WWW.COMET-PENSIONS.CO.UK

[The Statement of Investment Principles](#)

This explains the Trustee's principles for investing the money in the Scheme.

[The Annual Report and Accounts of the Comet Pension Scheme](#)

This shows the Scheme's annual income and expenditure.

[Pension Scheme Benefits](#)

This website is a guide to the various benefits provided by the Scheme.

ADDITIONAL DOCUMENTS AVAILABLE ON REQUEST FROM XPS ADMINISTRATION

[The Formal Actuarial Valuation Report as at 31 March 2016](#)

This contains the details of the Scheme Actuary's check of the Scheme's financial situation as at 31 March 2016.

[Statement of Funding Principles](#)

This sets out the Scheme's funding plan.

[The Schedule of Contributions and Recovery Plan](#)

These explain how the funding shortfall is being made up including how much money Darty Limited is paying into the Scheme. A certificate from the Scheme Actuary is included showing that these contributions were expected to be sufficient at the specified date.

[Annual Updating Valuation Report](#)

This shows the Scheme Actuary's review of the Scheme's financial situation as at 31 March 2018.

**Comet Pension Scheme
Change of Address**

Surname:

First Name:.....

National Insurance Number:.....

Date of Birth:.....

Current Address:.....

.....

.....

.....

Post Code:.....

Telephone Number:.....

Email Address.....

Signed:..... **Dated:**.....



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Please return to:-

XPS Administration
Albion
Fishponds Road
Wokingham
RG41 2QE