

COMET PENSION SCHEME 2019 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 2019 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 Nominated Director (CND)
Jon Herzberg	Company Nominated Director
James Arnold	Company Nominated Director
Victoria Milford	Company Nominated Director
Helen Charlesworth	Deferred Member Nominated Director (MND)

During the year, the Company requested that the number of MNDs was reduced from three to two and the number of CNDs increased by one. Helen was re-elected as the Deferred Member Nominated Director, with Victoria being appointed as a Company Nominated Director.

Helen will be resigning as Trustee Director with effect from 31 December 2019. As part of the MND election process, Nick Marsh had put himself forward as a Deferred Member Nominated Director and, in line with the policy, will replace Helen from 1 January 2020. Nick will attend the remaining meetings in 2019 as an observer.

SCHEME ASSETS

At 31 March 2019, the Scheme net assets were worth just over £530 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 2019, there were:

- 3,033 deferred pensioners who have an entitlement to a pension when they reach Normal Retirement Date.
- 1,865 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
Administrator	XPS Administration
Auditors	BDO LLP
Bankers	Bank of Scotland
Covenant Advisers	EY
Investment Managers	R&M, Threadneedle, LGIM, PIMCO, Aviva & Insight
Investment Consultants	River & Mercantile Asset Solutions
Solicitors	Eversheds Sutherland
Trustee Company Secretary	Wayne Phelan
Secretary to the Trustee	Ann Geer of Punter Southall Governance Services

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 2019 is underway and the results of this valuation and the associated recovery plan will be outlined in next year's Summary Funding Statement. The funding position of the Scheme is updated at least annually.

THE FUND – VALUE JUST OVER £530 MILLION

During the last year, the Scheme's total net assets have increased by £14.2 million to £530,786,000.

At 31 March 2018	£516,586,000
Income (1)	£4,457,000
Investment (2)	£27,367,000
Expenditure (3)	£17,624,000
At 31 March 2019	£530,786,000

The total net assets at 31 March 2019 shown above include c.£4.2 million 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.

INVESTMENT

During the year to 31 March 2019, the Scheme's investment strategy returned 5.7% underperforming the Liability Benchmark Objective by 1.6%. The Liability-related objective is for the total fund to outperform the Liability Benchmark Portfolio by 2.1% p.a. over rolling 3-year periods. The Liability Benchmark Portfolio is defined as the estimated change in the scheme's liabilities due to changes in interest rates and inflation. The year was characterised by most return seeking assets making positive gains overall but most managers failing to meet their targets due to large sell-offs in Q3. Whilst the total assets did underperform over the year, the defensive positioning of the assets, including a liability hedge, meant that the funding level did not fall significantly. Over the longer-term period of 3 years the Scheme has outperformed its benchmark. Over the 3-year period the annualised return was 8.8% versus a target of 6.1%, positive steps taken to control asset and liability risk has contributed greatly to the Scheme's performance.

Investment Strategy

As at 31 March 2019, the target allocation for the Scheme consisted of 30% invested in "off-risk" assets (which includes a liability hedge) and 70% invested in growth assets (return generating assets i.e. those that are "on-risk").

The liability hedge is made up of a series of interest rate and inflation derivative based contracts together with a portfolio of government bonds (used as collateral for the contracts), with a view to closely match changes in value in the Scheme's liabilities. This liability hedge also allows for the liability exposures matched through a 'buy and maintain' credit allocation that assists with short-term cashflow management, provides some interest rate exposure and is held within the growth assets.

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 structured equity, which is the other hedging element of the investment strategy. At 31 March 2019 the Equity Derivative Overlay Strategy ("EDOS8") was based on global equity markets and provides downside protection and diversified equity return profiles. The 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 all of these structures 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.

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 have been no departures from the SIP in the year.

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.

The High Court ruling in 2018 involving the Lloyds' Bank pension scheme 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 continues to consider how this can be achieved with Darty Limited and is monitoring developments on this issue. Further communication will be issued in due course.

Please note that transfer values currently being quoted include an allowance for GMP equalisation.

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 whose pension benefits from all their schemes (not just the Comet Pension Scheme) have a combined value of 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 independent financial advice in any event.

BAN ON COLD CALLING

New legislation introduced by the government aims to tackle unsolicited calls, as these are the most common method for companies who operate pension scams to contact people. Following this legislation cold calls about pensions are now illegal in some circumstances and fines can be imposed up to £500,000. Circumstances where the ban would not apply are:

- the caller is authorised by the Financial Conduct Authority, or is the trustee or manager of an occupational or personal pension scheme, and;

- the recipient of the call consents to calls from the caller, or has an existing client relationship with the caller such as might give rise to an expectation of receiving cold calls from that caller.

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 (see contact details below).

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 GDPR solely in connection with the Scheme. If you have any queries in relation to your personal data, please contact the Scheme’s administrator. All members will have received a Privacy Notice outlining your rights under the GDPR regime. Please refer to the the Comet Pensions website at www.comet-pensions.co.uk or contact Ann Geer for the latest Privacy Notice.

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.com
☎ 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 – November 2019