

21 April 2020

Dear Member,

## **Letter on behalf of the Scheme Trustee**

I am writing to you in these difficult and challenging times for all to reassure you that the Trustee directors have been working actively with all of our advisers and the Scheme's sponsor to understand the impact of the Covid-19 virus on our operations and funding, in accordance with guidance for pension scheme trustees from the Pensions Regulator and others.

## **The Scheme Funding Position**

Since we last communicated with you, and prior to the current conditions, the Trustee has completed the triennial actuarial valuation for the Scheme as at 31 March 2019 and we agreed the results with our sponsor just before 31 December 2019. I am pleased to let you know that at 31 March 2019 the actuarial valuation showed that the Scheme was 101% funded with a small surplus of £6 million (on the technical provisions basis applied for triennial valuation purposes).

The Trustee with the help of the Scheme Actuary estimated that by 31 December 2019 our funding level had increased to around 103%. However, in common with all defined benefit pension schemes the funding level is estimated to have fallen since then. Based on preliminary asset valuation estimates at 31 March 2020 the Trustee and the Scheme Actuary estimate the funding level to have fallen only to around 97%. This fall is much less than many other Schemes and reflects the benefit of the Trustee's and its investment adviser's strategy of hedging our liabilities and our diversification and protection strategies for risk assets.

The Trustee will write to you again later in the year with our formal annual Summary Funding Statement when we will cover the valuation at 31 March 2019 more fully and give a further update to 31 March 2020 when we have complete audited asset valuation figures at that date.

## **Our Sponsor**

The Trustee and its covenant adviser, Ernst & Young LLP, have been actively communicating with Fnac Darty to understand what actions the group has been able to take to help mitigate the economic impact of the Covid-19 virus on its operations and financial position. Along with all other non-food and non-pharmacy retail operations its retail stores are closed in nearly all of its major European markets, especially its main market in France. However, it has a number of strong internet-based operations and segments of its product portfolio remain in strong demand; the supply chains and customer delivery operations continue to be able to operate to fulfil this demand. I am also pleased to report that Fnac Darty Group management took swift and decisive action to reduce operating costs and preserve its cash finances both operationally and through access to the various government-backed company support schemes available to it in each country, and again especially in France. Earlier this week the Group announced that it has signed a Euro 500 million term loan credit agreement, guaranteed by the French State, with a pool of French banks. In addition to its existing financing structure this new loan facility significantly helps to secure the group's cash position.

It is too early to tell what the longer-term impact on the overall covenant strength of the group will be once these unprecedented market conditions reverse. However, in the meantime, the Trustee and its covenant adviser will continue to hold regular dialogue with our sponsor.

## **Our Scheme Administration and paying benefits**

The Trustee has ensured all of its advisers and our administrators have successfully implemented their business continuity plans in response to the restrictions imposed as a result of the Covid-19 virus. To date we can report that it is very much business as usual, albeit some things will take a little bit longer to undertake than usual.

In accordance with guidance for pension scheme trustees generally, we will prioritise our collective ability to ensure we are able to pay member benefits. Whether these are our current pensioner payroll, new retirements for members, or sadly the payment of death benefits.

Due to the current volatility of investment markets, our decision to prioritise the activities above and again in accordance with guidance, the Trustee has decided to place all transfer value activity on hold, except for those very few members who have accepted quotations and whose transfers are going through our potential pension scam procedures prior to payment. This means that for now we are not issuing new transfer value quotations nor taking further actions on quotations issued that had not already been accepted in writing before 20 March 2020. The current decision will be reviewed again by the Trustee at the end of April and, if necessary, again at our next scheduled Board meeting on 25 June.

# Comet Pension Scheme

Please be aware of the heightened risk of pension scams at the present time in relation to accessing your pension benefits, whether through early retirement or a transfer to another pension scheme arrangement. If anyone approaches you and suggests that now is a good time to transfer due to the Coronavirus crisis, please be mindful that there are a lot of unscrupulous individuals trying to take advantage of people at this uncertain time. For this reason, we urge you to exercise extreme caution and visit [www.fca.org.uk/scamsmart](http://www.fca.org.uk/scamsmart) which has specific guidance relating to Covid-19. Useful information, particularly if you are approaching retirement, or have had your pension affected by the current economic conditions can also be found at [www.pensionsadvisoryservice.org.uk/about-pensions/when-things-change/coronavirus-how-will-this-affect-my-pension-or-investments](http://www.pensionsadvisoryservice.org.uk/about-pensions/when-things-change/coronavirus-how-will-this-affect-my-pension-or-investments)". Our administrator has also updated their Covid-19 information sheet and a copy is attached for reference.

The Trustee is aware that the current circumstances may cause hardship for some members and where this can be mitigated by allowing access to tax free cash lump sums on permitted early retirement (over the age of 55), trivial commutation of small pensions or a transfer to a legitimate alternative pension arrangement where pension drawdown is available, then we will look at these on a case-by-case basis with our advisers and administrator where we are able to do so.

A copy of this letter and other Scheme information can be found at our website <https://www.comet-pensions.co.uk/> if you require any scheme information please check our website before contacting the Scheme Administration team during the current Covid-19 restrictions.

I will write to you again in the summer, following our Board meeting in June, with a further update. In the meantime, I hope as many of you as possible stay safe and well in these difficult times.

Kind regards,

Ian Edwards

Ian Edwards  
Chairman of Trustee

## Frequently Asked Questions and Answers

Q. I am already receiving a pension from the scheme. Will the amount of this or the date that it is paid change?

A. No - pensions already being paid at 31 March 2020 were increased in April as they are each year based on the Scheme Rules. We are also prioritising the payment of pensions so that there will be no change to the date each month on which these are paid.

Q. I am planning on retiring this year. Will the amount that I receive change?

A. If you are planning to retire this year, then the amount you will receive will be calculated exactly in accordance with the Scheme Rules as usual and no changes will be made as a result of the current Cover-19 pandemic. We are also prioritising the processing of retirements so we hope to ensure no delay to the date on which your pension will be first paid once you have accepted the retirement pension quotation and informed us of any of the available options you wish to take.

Q. I want to apply to transfer out of the scheme. Can I still do this?

A. Not at the present time as the Trustee has agreed to a temporary cessation of accepting and further processing of transfers out as explained in the attached letter from the Chairman. The Trustee will review this position again at the end of April and, if necessary, again at their June 2020 quarterly Trustee meeting. The Trustee would like to draw your attention to the heightened risk of pension scams in the current circumstances as highlighted in the attached letter from the Chairman.