

Comet Pension Scheme

31 July 2020

Dear Member,

Letter on behalf of the Scheme Trustee

I last wrote to you in April with an update in the middle of the Government's COVID-19 lockdown. As we are now beginning to emerge cautiously from lockdown I feel it is an appropriate moment to update you further on the Scheme's funding position and operations.

The Scheme Funding Position

You may recall that in my April update, I confirmed the result of the latest triennial actuarial valuation for the Scheme as at 31 March 2019 was a small surplus of £6 million (on the technical provisions basis applied for triennial valuation purposes), giving a funding level of 101%. I also let you know that we estimated that the funding level had improved to around 103% at 31 December 2019 before falling to around 97% at 31 March 2020, when global equity markets were near their recent low water mark.

Since then equity markets and gilt yields have recovered somewhat and I am able to report that our funding level has also recovered. As at 31 May 2020 the funding level was estimated to have risen back to just over 100%.

At our last Trustee meeting at the end of June, we considered our current investment strategy and were pleased to note that over the course of the recent market volatility the overall fall and subsequent rise of the Scheme's investment portfolio had performed within the risk tolerances that we had set and agreed with our Sponsor.

Our Sponsor

As previously reported to you in April, the Trustee and its covenant adviser, Ernst & Young LLP, have been actively communicating with our Sponsor, Fnac Darty, to understand what actions the group has taken to help mitigate the economic impact of the COVID-19 virus on its operations and financial position.

I am also pleased to report that Fnac Darty Group management's swift and decisive action to reduce operating costs and preserve its cash finances during the lockdown period in each

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of its European markets, and especially in France, has proved successful. On June 18, Fnac Darty updated the markets on its trading position to the end of May. On May 11 the Group opened most of its stores in all countries and early trading was encouraging with positive like-for-like sales. The Group indicated that the impact of the period of store closures, whilst offset by strong internet sales, would result in a first half reduction in sales revenues of approx. Euro 400 million; and that consequently operating income is expected to decline by Euro 100 - 120 million compared to the first half of 2019. At the end of May, the Group's cash position exceeded Euro 900 million.

It is too early to tell what the longer-term impact on the overall covenant strength of the Group will be. Management reported that "the Group remains cautious with regard to the second half performance of its markets, which will depend on the recovery of consumption."

In the meantime, the Trustee and its covenant adviser will continue to hold regular dialogue with our Sponsor and together we will update our review of the Sponsor's covenant following release of the Group's half year results.

Our Scheme Administration and paying benefits

As previously advised, 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 may continue to take a little bit longer to undertake than usual.

In accordance with guidance for pension scheme trustees generally, we will continue to 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.

You may recall that last time I wrote to you, I informed you of the Trustee's decision to place all transfer value quotes on hold, in accordance with guidance received from the Pensions Regulator; and that this decision would be reviewed at the next quarterly Trustee meeting on June 25.

I am able to confirm that following the recovery in market conditions we have been able to recommence the processes of fulfilling requests for transfer value quotations and the payment of transfer value requests, starting with those placed on hold during the lockdown.

However, the Trustee urges all members to please be aware of the heightened risk of pension scams at the present time in relation to accessing your pension benefits, whether through taking a transfer to another pension scheme arrangement or taking early retirement to access a tax-free lump sum.

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If anyone approaches you and suggests that now is a good time to transfer due to the COVID-19 crisis, please be mindful that there are unscrupulous individuals trying to take advantage of people at this uncertain time. The government has banned cold calling in relation to pensions and so if anyone calls you out of the blue on relation to your pension, you should be aware that there is a high risk that it could be a scam.

For this reason, we urge you to exercise extreme caution and visit www.fca.org.uk/scamsmart which has guidance relating to how to avoid scams generally and also specifically in relation 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". Our administrator has also updated their COVID-19 information sheet and a copy is attached for reference.

A copy of this letter and other Scheme information can be found on 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 before Christmas if there is anything further of significance to report to you. In the meantime, I hope you stay safe and well in these continuing difficult times.

Kind regards,

Ian Edwards

Ian Edwards
Chairman of Trustee

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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 COVID-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. Yes, members may now request transfer value quotations and these will be processed in the normal way. Please be aware that there is a small backlog of quotations due to the freeze on transfer activity initially imposed by the Trustee during lockdown and that these will be processed before any new requests that are received. 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.