



# COMET

## The Comet Pension Scheme ('the Scheme') Summary Funding Statement 2009

September 2009

*Dear Member*

As part of their statutory duties under the Pensions Act 2004, trustees are required to send you a brief statement giving you an update of the Scheme's funding position. The Trustee of the Comet Pension Scheme is therefore pleased to provide the annual Summary Funding Statement for 2009. This statement includes information that is required by regulations and also contains other information that the Regulator has recommended that trustees should include. The Trustee is responsible for administering the Scheme. You will 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 (ie your final salary benefits).

## What is the purpose of this statement?

This statement has been produced by the Trustee. Its purpose is:

- to summarise the results of the actuarial valuation carried out as at 31 March 2007; 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 carried out as at 31 March 2007 and an annual updating report was produced as at 31 March 2009.

The funding positions at these dates were:

	31 March 2007 £ thousands	31 March 2009 £ thousands
Value of assets	220,400	185,779
Value of past service liabilities	273,500	307,503
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Past service shortfall	(53,100)	(121,724)
Funding level	81%	60%

Following the actuarial valuation as at 31 March 2007, a recovery plan was put in place with the aim of removing the shortfall. As a result, Comet Group plc ('Comet') and Kesa Electricals plc ('Kesa') have agreed to pay additional contributions of £6.1 million per annum until 31 May 2016.

## Change in the funding position

The Trustee recently reviewed the funding position of the Scheme at 31 March 2009. During the period from 31 March 2007, market conditions were highly volatile and led to unfavourable valuations of the assets and past service liabilities.

The following factors have affected the funding position of the Scheme since the formal valuation on 31 March 2007, by the approximate amounts shown:

	£m
• Change in economic conditions	-7.2
• Unfavourable investment returns	-60.9
• Other items	-0.5

As shown above, it is estimated that these factors have led to the Scheme's disclosed funding position worsening by around £68 million. Over the same period the ratio of the assets to the estimated liabilities, known as the funding level, deteriorated from 81% to 60%. This deterioration is primarily as a result of the fall in value of the Scheme's assets between March 2007 and March 2009, due to the impact of the credit crunch.

The Trustee has discussed this with the Company and its advisors. During the last year, the Trustee has been successful in avoiding some of the impact of the worldwide fall in asset values due to its diversified investment strategy. The Trustee has also made changes to the way these diversified assets are invested to provide greater protection from further falls in asset values, whilst at the same time being in a position to generate improved returns as and when the economic recovery takes place. Since 31 March 2009 there has been some recovery in the value of the Scheme's assets.

After discussion with its advisors and also considering the short-term impact of the recession on the Company's financial position, the Trustee concluded that no further action was required before the next formal actuarial valuation of the Scheme's funding position in March 2010. Any amendments required to the current recovery plan will be agreed then with the Company, but in the meantime the Trustee will continue to monitor the situation on a regular basis.

## Funding position if the Scheme had 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 the Company carrying on in business and continuing to pay for the Scheme. If the Company 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 2007, 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 2007 then it is estimated that the amount needed to buy the Scheme benefits in full from an insurance company would have been £510 million (that is, a shortfall of £289 million). This figure is just an estimate and is not meant to imply that the Trustee or the Company 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 either Comet or Kesa. We can confirm that there has not been any payment to either Comet or Kesa 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 follows:

Company shares (equities)	30%
Government securities (gilts)	20%
Corporate bonds	20%
Commercial property	10%
Other investments	20%

A fuller breakdown of the Scheme's investment strategy (Statement of Investment Principles) is available on the website.



## The Scheme's financial security

The Scheme's assets are held separately from the Company's assets. If the Scheme was to wind up (come to an end), then, as previously stated, the Company 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 the Company 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.

Further information is available on the PPF website at [www.pensionprotectionfund.org.uk](http://www.pensionprotectionfund.org.uk) or you can write to the Pension Protection Fund at Knollys House, 17 Addiscombe Road, Croydon, Surrey, CR0 6SR.

## Where can I get more information?

If you have any other questions, or would like any more information, please write to the Comet Pension Scheme, MNPA Ltd, Leatherhead House, Station Road, Leatherhead, Surrey, KT22 7ET.

A list of the documents available is attached. If you want to be sent a copy of any of these documents please contact MNPA at the address shown above.

We 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.

If you are thinking about transferring your pension benefits out of the Scheme for any reason, you are recommended to seek professional advice from an independent financial adviser.

## Additional documents available from [www.comet-pensions.co.uk](http://www.comet-pensions.co.uk)

### The Statement of Investment Principles

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

### The Schedule of Contributions

This shows how much money the Company is paying into the Scheme. It includes a certificate from the Scheme Actuary showing that it was sufficient at the date it was agreed.

### The Annual Report and Accounts of the Comet Pension Scheme

This shows the Scheme's income and expenditure in 2007/08.

### Pension Scheme Benefits

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

## Additional documents available on request from MNPA

### The Formal Actuarial Valuation Report as at 31 March 2007

This contains the details of the Scheme Actuary's check of the Scheme's financial situation as at 31 March 2007.

### Statement of Funding Principles

This sets out the Scheme's funding plan.

### Recovery Plan

This explains how the funding shortfall is being made up.

### Annual Updating Valuation Report

This shows the Scheme Actuary's review of the Scheme's financial situation as at 31 March 2009.

