

# Comet Pension Scheme

2009 Trustee's Report



**COMET**★

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**Welcome to Comet**





This report is issued to all members and pensioners of the Comet Pension Scheme. The Scheme is a final salary pension arrangement. It was closed for future accrual from 30 September 2007 and the Company now sponsors a defined contribution pension for employees, the Comet Stakeholder Pension Plan.

This report covers the Comet Pension Scheme only. The formal Trustee Report and Accounts for the year to 31 March 2009 will be available to view on the Comet Pension Scheme website by mid-November. At 31 March 2009, the Scheme assets were worth just over £185 Million.

## Value Just Over £185 Million

This money is kept quite separate from the Company 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, widow's or widower's of members) for the proper running of the Scheme. Their duties include the collection of contributions from Comet and Kesa, the prudent investment of the Scheme's monies, the payment of benefits in accordance with the rules and the maintenance of membership records and financial transactions.

## Your Trustees

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

|                 |  |
|-----------------|--|
| Ian Edwards     | Chairman                                       |
| Simon Enoch     | KESA Company Secretary                         |
| Jon Herzberg    | Head of Marketing                              |
| Victoria Moore  | General Manager<br>Operations Support          |
| Graham McDonald | Member Nominated<br>Pensioner Director         |
| Paul Underwood  | Member Nominated Director                      |
| Michael Walters | Finance Controller for<br>Trading and Analysis |
| Toby Lousada    | Services Director                              |

Andrew Dobson resigned and Toby Lousada was appointed at the Trustee meeting on 26 March 2009. Jeff Rowland also resigned on 26 March 2009 as he was shortly to be leaving the Company.

## Member Nominated Director Election

Following the resignation of Jeff Rowland, a replacement Member Nominated Director (MND) for Head office and Support was sought. A procedure for the selection of a new MND was issued in July with nominations requested by the beginning of September. The successful candidate was Lynn Randall, Employee Relations Manager, and she is due to attend her first Trustee meeting in October.



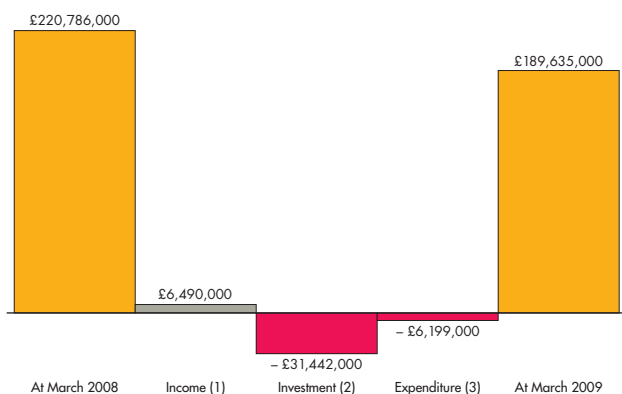
## Membership

At 31 March 2009, there were:

- 3,020 deferred pensioners who have left employment but still have an entitlement to receive a pension when they reach normal retirement date.
- 1,596 deferred members who are still employed by the Company.
- 1,017 pensioners receiving their pension from the Scheme.

## The Fund

During the period, the Scheme's net assets have decreased by c.£31m to just over £189m (c.14%)



The net assets at 31 March 2009 shown above include £4.648m representing AVCs.

- (1) Income... includes contributions and transfer values received from other schemes.
- (2) Investment... is the change in the market value of the Scheme's assets over the year and investment income.
- (3) Expenditure... includes refunds to leavers, pension payments, transfers out of the Scheme and expenses.

Due to the poor economic conditions that prevailed throughout the year and the impact of the 'credit crunch' on nearly all asset classes, the market value of the Scheme's investment assets fell by £32.3 million. The impact on the Scheme of the worldwide fall in asset values in this period was reduced by the Trustee's diversified investment strategy and other changes to the way in which the assets are invested that were implemented during the year. However, the overall investment return that the Trustee was able to achieve was lower than the Trustee's established downside tolerance level for any 12 month period. This was monitored carefully throughout the year and discussed by the Trustee with the investment adviser to actively manage the taking of actions to protect short term returns but to remain appropriately positioned to meet the longer term objectives. In addition, the annual revision to the Statement of Investment Principles was brought forward and amended as recorded in this report with the approval of the Company.

## AVC Review

During the summer, Punter Southall Financial Management conducted an AVC review on behalf of the Trustee. Members who have AVCs invested through the Scheme with Standard Life, Abbey and the Prudential will have received a separate communication with their annual AVC benefit statements.

## Investment

The Trustee has continued to manage the investments in accordance with the agreed investment strategy as set out in the Statement of Investment Principles. This document is available to members on the Comet pensions website. The Scheme's investment managers (as detailed below) take responsibility for the day to day decisions relating to each portfolio. The Trustee has taken steps to ensure the investment managers and advisers have the appropriate knowledge and experience. During the year, the Trustee allocated 20% of the Scheme's assets to a risk-management mandate. These assets are invested in a liability hedge which is made up of a series of interest rate and inflation rate swap contracts and investment grade inflation linked securities, with a view to matching a proportion of the changes in value in the Scheme's liabilities due to changes in interest rates and inflation. The remaining 80% of the Scheme's assets were invested in a diversified portfolio of assets aimed at generating returns whilst maintaining an acceptable level of risk.

As at 31 March 2009, the investment strategy for the Scheme's assets was as follows:

| Asset Class                    | %          | Manager       | Benchmark                          |
|--------------------------------|------------|---------------|------------------------------------|
| Investment Fund                | 80         |               |                                    |
| UK equity                      | 15         | LGIM          | FTSE All Share                     |
| Overseas equity                | 15         | LGIM          | Composite of relevant FTSE indexes |
| Cash (pending reinvestment)    | 10         | LGIM          |                                    |
| Dynamic Asset Allocation       | 20         | Barings       | 3 Month Sterling Libor             |
| Property                       | 10         | UBS           | IPD Property Monthly               |
| Global bonds                   | 10         | Western Asset | 3 Month Sterling Libor             |
| Collateral for Liability Hedge | 20         |               |                                    |
| Index linked gilts             | 20         | PSigma        | n/a                                |
| <b>Total</b>                   | <b>100</b> |               |                                    |

The Trustee recognises that with the movement of markets generally, and differing asset classes specifically, allowance must be given to permit the allocation to each part of the agreed strategy to operate around this core allocation. Investments are permitted to vary within a range of +/-5% of the core allocation. The strategic allocation to property was reduced from 15% to 10% to reflect the fact that the actual allocation had fallen and the Trustee had decided not to invest further in this asset class given market conditions. Since the year end, the Trustee has also decided to invest the 15% strategic holding in UK equities into a structured equity product managed by PSigma (which was then implemented in April 2009); to provide a combination of greater downside protection against a potential future fall in equity values and at the same time creating the opportunity to achieve better returns during a recovery over the next three years. A further update will be given in next year's report.

## Summary Funding Statement

The Trustee is required to issue to all members of the Scheme a Summary Funding Statement which gives an update of the financial position of the Scheme. This year's document is enclosed with this report.

## Death Benefits

On death before retirement, subject to the rules, a return of contributions (plus interest) becomes payable and there is a surviving spouse's pension. The lump sum is paid at the Trustees' discretion to one or more of a member's dependents, relations, 'nominee' or estate. It is important to ensure that the Trustees understand your wishes over the payment of death benefits by keeping your Expression of Wishes Form up to date. If you need a new form or want to know more about this, please refer to the Comet Pensions website or contact James Arnold or Ann Geer.

## Dispute Resolution

If you have a complaint about the running of the Scheme or your benefits under it, this should be raised informally through MNPA. 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 PS Secretarial Services. She will supply you with a copy of the Internal Dispute Resolution Procedure.

## Internal Controls

The Trustee is constantly reviewing their internal controls and those of the professionals who provide services to them, in accordance with new regulations and using the Pension Regulator's Code of Practice as guidance.

## 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 Punter Southall              |
| Administrator             | MNPA Ltd                                    |
| Auditors                  | KPMG LLP                                    |
| Bankers                   | National Westminster                        |
| Financial Advisers        | Deloitte & Touche LLP                       |
| Investment Managers       | LGIM, PSigma, UBS, Western Asset & Barings  |
| Investment Consultants    | P-Solve Asset Solutions                     |
| Solicitors                | Eversheds LLP                               |
| Trustee Company Secretary | Wayne Phelan of PS Independent Trustees Ltd |
| Secretary to the Trustee  | Ann Geer of PS Secretarial Services         |

Since the year end, the Trustee has reviewed the third party administrators and has decided to switch the administration of the Scheme from MNPA to Punter Southall with effect from 1 January 2010. The transition will be closely monitored by James Arnold and Ann Geer on behalf of the Trustee.

## 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 or ask:

Ann Geer  
 Secretary to the Trustee  
 01189 772277  
 Albion, Fishponds Rd, Wokingham,  
 Berkshire RG41 2QE

Or

James Arnold  
 Pensions Manager  
 01923 714406  
 Comet House, Three Rivers Court, Rickmansworth,  
 Hertfordshire WD3 1FX

Issued by the Trustee – September 2009

