Dear Member

Welcome to the 2020 Trustees Report to Members which provides members with information on the progress of the Commonwealth War Graves Commission Superannuation Scheme over the last year and other news and information which we trust you will find of interest.

This report provides a summary of the work performed on your behalf during the period, and we hope it will give you a greater understanding of key issues governing the progress of the Scheme. A copy of the full Trustees’ Annual Report and Accounts is available from the Scheme’s administrators, Capita, whose address can be found at the back of this report.
The Trustees’ work over the last year has focussed on a number of important issues, including:

- **COVID-19**
  Looking after your pension is the Trustees’ top priority. We are pleased to confirm that throughout the coronavirus pandemic our administrators, Capita, have been able to continue to operate as close as possible to normal. We have been monitoring the situation closely and will continue to do so during these unprecedented times. Please refer to the Current Issues section of the report for further information.

- **Investment disclosure changes and a new Statement of Investment Principles**
  Changes were made to the Trustees’ Statement of Investment Principles (SIP) in September 2020 to incorporate new regulations which became effective from 1 October 2020. The updated SIP now includes additional information on the Trustees’ stewardship policy and sets out their policy in relation to arrangements with the Scheme’s investment managers. Further information is provided later in this report.

- **New Member Website**
  The new investment disclosure regulations require the Trustees to make the SIP available on a publicly available, free to access website. The Trustees are pleased to advise that a member website has been set up which contains a copy of the SIP and a number of other key Scheme documents. These documents can be found at https://cwgc.pensions-directory.co.uk/.

- **Changes to the Scheme’s Trustees**
  PTL Governance and Barry Murphy have stepped down as Trustees of the Scheme. Both were Commission nominated Trustees and we are pleased to announce that Karen Jamison has agreed to join the Trustee Board as a new Commission nominated Trustee.

If you would like further information about the Scheme or any of the issues covered in this report, then please contact Capita or the Secretary to the Trustees. I would also like to encourage any members with any specific issues or concerns relating to the operation of the Scheme to contact myself and / or the Scheme Secretary; we can then more closely manage the provision of the required information to you and deal with any queries that you may have. All relevant contact details are included on the final page of this report.

**Chris Farrell** Chairman of the Trustees
The responsibility for overseeing the running of the Scheme rests with the Trustees. The Scheme is set up as a trust and it is a fundamental duty of the Trustees to administer the Scheme in line with the provisions of the Scheme’s Trust Deed and Rules. The Trustees therefore work closely with the Commission to ensure that, with the help of professional advisers, the Scheme is run in accordance with the Trust Deed and Rules and the legislation governing UK pension schemes, and that ultimately there will be sufficient funds available to pay members’ benefits.

In total the Trustees met four times during the year to discuss matters relating to the administration and investment performance of the Scheme. The Trustees also regularly attend seminars and training sessions in order to remain up to date on pension issues and legislative changes.

Under the Pensions Act 2004, scheme trustees are required to ensure that at least one third of trustees are nominated and selected by the members. At the start of the Scheme year the Scheme was administered by five Trustees, of whom three were nominated by the Commission and two were Member Nominated Trustees (MNTs).
On the retirement of Steve Carrodus as a Director of PTL Governance Limited in March 2020, the Commission decided to revert to two Commission nominated Trustees with effect from 13 March 2020, and he was not replaced. His fellow Trustees would like to thank Steve for his wise counsel and support over the last 8 years and to wish him all the best for his retirement. Barry Murphy stepped down as a Trustee on 6 July 2020 and has been replaced by Karen Jamison. The other Commission nominated Trustee, Martin Duffy, is an experienced Trustee who is fully independent from the Commission as he has no link through employment or as a beneficiary of the Scheme.

The current MNT arrangements allow all eligible deferred and pensioner members to stand as MNTs and to nominate and select other members to act as MNTs. The current MNTs are Chris Farrell who is serving his second term of office as an MNT and Bernard McGee who is serving his first term. The current term of office for both MNTs runs for 5 years until 31 August 2023.

Turning now to former Trustees of the Scheme, we note with great sadness that David Kennedy passed away on 28 October 2020. David was Director General of the Commonwealth War Graves Commission until his retirement in 2000 and served as a Member Nominated Trustee of the Scheme from 2006 to 2009.

The current Trustees of the Scheme are:-

**Commission Nominated**

Mr Martin Duffy  
Independent Trustee

Ms Karen Jamison  
Commission Employee – Member of the Scheme

**Member Nominated**

Mr Christopher Farrell  
Commission Employee – Member of the Scheme and Chairman of the Trustees

Mr Bernard McGee  
Pensioner Member of the Scheme

**Secretary to the Trustees**

Mrs Sue Kettle  
Capita Employee Solutions
Meet the New Trustee of the Scheme

We welcomed Karen Jamison to the Trustee Board in July 2020, as a Commission nominated Trustee.

Karen joined the Commission in 2012 as Head of Management Accounts and is responsible for global budgets, month end reporting and payroll. Karen sits on a number of committees including the Group Pension Plan Governance Committee, which she Chaired from 2018 to 2020.

Karen previously worked for Virgin Active as Treasury Manager and Senior Management Accountant. She qualified as a Chartered Certified Accountant in 2010 and holds an Honours Degree in International Business from Plymouth University (1997-2001).

Scheme Members

The following table shows how the membership of the Scheme changed over the year to 31 March 2020:-

<table>
<thead>
<tr>
<th></th>
<th>31 March 2020</th>
<th>31 March 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Members with Deferred Benefits</td>
<td>265</td>
<td>277</td>
</tr>
<tr>
<td>Pensioners</td>
<td>416</td>
<td>418</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>681</strong></td>
<td><strong>695</strong></td>
</tr>
</tbody>
</table>

Following the Scheme’s closure to future accrual on 31 March 2016, all active members became deferred members of the Scheme from 1 April 2016.
Although the Trustees have overall responsibility for running the Scheme, they have appointed professional advisers to assist in the management of the Scheme. The Scheme’s current advisers are:-

**Actuary**
Matt Gurden from the Government Actuary’s Department (GAD). Working closely with the Trustees and the Commission, the Actuary keeps the financial health of the Scheme under review.

**Auditors**
Mazars LLP carry out an annual audit of the Scheme.

**Investment Managers**
Schroder Investment Management Limited
Ninety One Fund Managers UK Limited (formerly Investec Asset Management)
Legal & General Assurance (Pensions Management) Limited
Threadneedle Asset Management Limited

**Investment Adviser**
Capita Employee Solutions provides investment advice to the Trustees.

**Administrators**
Capita Employee Solutions maintains the records and carries out the administration of the Scheme.

**Legal Adviser**
DLA Piper UK LLP provides legal advice to the Trustees. The Legal Adviser reviews and updates the Trust Deed and Rules to reflect decisions made by the Trustees as well as legislative changes introduced by the Government.

**Bankers**
Royal Bank of Scotland plc
Investments and Fund Performance

Investment Strategy

The primary objective of the Trustees is to ensure that they can meet their obligations to the beneficiaries of the Scheme both in the short and the long term.

The Trustees have produced a Statement of Investment Principles (SIP), which sets out the Trustees’ policies on investments. The current investment strategy was implemented in 2018 and aims to improve the Scheme’s overall investment efficiency by increasing the long-term expected return whilst reducing the overall investment risk. A summary of the strategy is detailed in the table below.

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Strategic Asset Allocation %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global Equity</td>
<td>25.00</td>
</tr>
<tr>
<td>Emerging Market Equity</td>
<td>3.75</td>
</tr>
<tr>
<td>Emerging Market Debt</td>
<td>3.75</td>
</tr>
<tr>
<td>Property</td>
<td>7.50</td>
</tr>
<tr>
<td>Diversified Growth Funds</td>
<td>35.00</td>
</tr>
<tr>
<td>Total Growth Assets</td>
<td>75.00</td>
</tr>
<tr>
<td>Liability Driven Investments (LDI)</td>
<td>25.00</td>
</tr>
<tr>
<td>Total Risk-reducing Assets</td>
<td>25.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>
Schroders and Ninety One manage the Scheme's diversified growth funds and Schroders also manages the liability driven investment (LDI) portfolio. The objective of LDI is to try to ensure that the changes that occur in the value of the investments are closely related to the changes in the value of the liabilities of the Scheme.

The global equity and emerging market debt and equity funds are managed by Legal & General and Threadneedle manages the property fund.

In recent years, there has been an increased focus on the need for pension schemes to invest ethically. Changes were made to the SIP in September 2019 to incorporate new regulations which became effective from 1 October 2019, including details of the Trustees’ policy on environmental, social and corporate governance (‘ESG’). Details of these changes were provided in last year’s member report.

New investment disclosure regulations effective from 1 October 2020 involved further changes being made and a new SIP was produced in September 2020. These changes set out the Trustees’ policy on their relationship with their investment managers and cover four key areas as follows:

- **Remuneration** - how the remuneration for the investment managers’ services is in line with the overall investment strategy set out in the SIP.

- **Incentives** – how the agreement with each investment manager incentivises the investment manager to align its investment strategy and decisions with the overall investment strategy set out in the SIP.

- **Trustee evaluation** - how the Trustees’ method of evaluating the performance of each investment manager, along with the time period over which they evaluate that performance, fits with the overall investment strategy set out in the SIP.

- **Costs** - how the Trustees monitor the portfolio turnover costs incurred by each investment manager and how they define, monitor and target an appropriate frequency within which the assets are expected to be bought and sold.

As part of the new regulations, the Trustees must make the SIP available on a publicly accessible website free of charge and readily located via a search engine. The Trustees are pleased to advise that a member website has been set up which holds a number of key pension related documents. The SIP and other useful information can be found at [https://cwgc.pensions-directory.co.uk/](https://cwgc.pensions-directory.co.uk/). Alternatively, a copy of the current SIP can be obtained on request from the Scheme Secretary.

From 1 October 2020 the Trustees are required to produce an annual statement which provides details about the extent to which the stewardship and engagement policy has been followed during the year and details of the voting behaviour of the Scheme’s investment managers. From 1 October 2021 the Trustees must publish their engagement and voting report on a publicly available, free to access website. The statement for the Scheme will be added to the new member website with effect from 1 October 2021.
**Monitoring of Performance**

Together with their Investment Adviser, the Trustees supervise and closely monitor the performance of the managers and ensure that the specific asset allocations and strategy agreed with the Trustees, have in fact been complied with to minimise investment risk relative to the Scheme liabilities.

Throughout the course of the Scheme year Schroders Investment Management Limited, Ninety One Fund Managers UK Limited, Legal & General Assurance (Pensions Management) Limited and Threadneedle Asset Management Limited have managed their respective parts of the Fund in accordance with the Statement of Investment Principles. The Scheme’s investments are held in pooled funds in which different asset categories are allocated and managed by the investment managers.

For a number of years the Scheme has held a small private equity holding with UBS Global Asset Management (UK) Limited which has been awaiting realisation. In May 2019 UBS realised this holding and a final payment of £532.25 was made to the Scheme.
The spread of COVID-19 created uncertainty for global growth outlook and sparked volatility in financial markets during the first quarter of 2020. In particular, UK and global equities plummeted in value during the first quarter of 2020 due to the coronavirus pandemic, with the FTSE 100 suffering its worst quarter in 30 years. The investment returns shown in the above table reflect the market falls in the year to 31 March 2020.

However, all asset classes bounced back during the second quarter of 2020, largely due to governments introducing stimulus plans, such as the UK’s furlough scheme, and central banks increasing quantitative easing and reducing base interest rates to all-time lows. Although global (non UK) equity values have reached near pre-pandemic levels there are concerns that this may not be fundamentally stable, with fears that governments may not be able to maintain their stimulus plans during a second wave. At the time of writing, uncertainty over the impact of Brexit also remains for UK equity markets.

The Trustees have been closely monitoring the impact of the COVID-19 and other political/economic factors on the Scheme’s assets and liabilities. As noted later in the report, the triennial valuation of the Scheme as at 31 March 2020 is currently underway, along with a review of the Scheme’s investment strategy. Further details of any changes made to the investment strategy will be included in the next Trustees’ Report to Members.

### Scheme Return

The returns on the Scheme’s investment funds over the year to 31 March 2020 are shown below.

<table>
<thead>
<tr>
<th>Fund Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>Schroder Life Diversified Growth Fund</td>
</tr>
<tr>
<td>Ninety One Diversified Growth Fund</td>
</tr>
<tr>
<td>Schroder LDI Portfolio*</td>
</tr>
<tr>
<td>L&amp;G All World Equity Fund</td>
</tr>
<tr>
<td>L&amp;G EM Local Currency Government Bond Fund</td>
</tr>
<tr>
<td>L&amp;G Emerging Market Equity Fund</td>
</tr>
<tr>
<td>Threadneedle Property Unit Trust</td>
</tr>
</tbody>
</table>

* LDI portfolio return reflects a notional portfolio constructed to provide a fully funded hedging exposure.
The Scheme’s Accounts

Fund value at 1 April 2019 £ 86,795,743

Money going into the Scheme
Commission contributions £ 500,000
Total income £ 500,000

Money coming out of the Scheme
Benefits payable (pensions and lump sum retirement and death benefits) (£ 4,286,220)
Leaving service benefits (£ 112,952)
Administrative expenses (£ 24)
Total expenditure (£ 4,399,196)

Income less expenditure (£ 3,899,196)
Change in market value of investments (£ 2,599,042)
Fund value at 31 March 2020 £ 80,297,505

The Scheme Accounts have been audited by Mazars LLP and received an unqualified opinion that they represent a true and fair view of the Scheme’s financial affairs.

Pension Increases

Your pension in retirement is increased each year to keep in line with the cost of living in the country in which you are based. The table below shows how pensions have increased over the last three years.

<table>
<thead>
<tr>
<th>Country</th>
<th>2019/20 %</th>
<th>2018/19 %</th>
<th>2017/18 %</th>
</tr>
</thead>
<tbody>
<tr>
<td>United Kingdom</td>
<td>2.4</td>
<td>3.0</td>
<td>1.0</td>
</tr>
<tr>
<td>Canada</td>
<td>2.02</td>
<td>2.45</td>
<td>1.01</td>
</tr>
<tr>
<td>South Africa</td>
<td>4.47</td>
<td>4.38</td>
<td>5.01</td>
</tr>
</tbody>
</table>

Annual pension increases within the Scheme applied to pensions in payment for those based on UK conditions of service follow the statutory increases for Public Sector schemes.
Actuarial Report

Every three years our Scheme goes through a detailed financial analysis called an Actuarial Valuation, at which an assessment is made of both our current and future assets and liabilities. Each year in between, an annual review is completed to check how the funding position has changed in the previous 12 months.

The most recent triennial actuarial valuation of the Scheme was carried out as at 31 March 2017. It showed that the funding level of the Scheme as at that date was 95%. In view of this shortfall, the Commission agreed to pay additional contributions to the Scheme. These contributions together with the expected returns on the Scheme assets were expected to eliminate the shortfall by 31 March 2027, although the funding level will fluctuate as market conditions change. The contribution requirements are being reconsidered as part of the triennial actuarial valuation as at 31 March 2020 which is currently in progress.

Since completion of the valuation, two annual funding updates have been carried out. The funding update as at 31 March 2018 showed that the Scheme’s funding level fell over the year from 95% as at 31 March 2017 to 92% as at 31 March 2018. This deterioration was largely attributable to further changes in financial market conditions, which increased the value placed on the Scheme’s liabilities, and slightly lower than expected investment returns. Offsetting this were the deficit contributions paid by the Commission.

The funding update as at 31 March 2019 showed that there had been a further deterioration in the Scheme’s financial position with the estimated funding level decreasing to 85%. This deterioration was primarily attributable to changes in financial market conditions and the outlook for future expected investment returns, which increased the value placed on the Scheme’s liabilities. Additionally, investment returns were slightly lower than expected over the period resulting in a lower asset value than expected. However, these impacts were partly offset by the deficit contributions paid by the Commission. Whilst the recent deterioration in the Scheme’s funding level is disappointing, this is a snapshot in time during a period when markets have been very volatile.

The next full valuation of the Scheme is due as at 31 March 2020 and is in the process of being finalised. Once concluded, an update will be provided to members in the form of a summary funding statement.
**Impact of COVID-19**

The coronavirus pandemic has had a devastating impact on human life and global economies. At the start of the outbreak, stock markets fell dramatically and, although they have largely recovered, they are likely to remain volatile for some time.

In these uncertain times the Trustees want to reassure members that we have taken the necessary steps to ensure that the Scheme’s benefits are secure and continue to be administered effectively. Throughout 2020, we have continued to work closely with our advisers and the Commission to ensure that they have plans in place to minimise any impact on the day to day operations of the Scheme; in particular Capita, who provide the administration, have been a key focus.

Most of Capita’s staff are now working remotely with communications being directed accordingly and therefore there is continuity of service. Capita will continue to endeavour to deliver the tasks that are of utmost importance to you, with priority being given to pension payments, bereavements, retirement and transfer settlements and pension increases, in accordance with guidance issued by The Pensions Regulator. As staff are working remotely, the most effective way of contacting Capita is by email - using the centralised email address Edinburghpensions4@capita.co.uk.

The Trustees have continued to hold regular quarterly meetings with their advisers to discuss matters relating to the administration and investment performance of the Scheme. However, these have had to be held remotely via Microsoft Teams in view of the requirements for physical social distancing; this has proved to be a very efficient means of communication.
GMP Equalisation

We have noted the issue of Guaranteed Minimum Pension (GMP) equalisation in our previous member reports. You may recall that GMPs built up in the Scheme prior to April 1997 as a result of the Scheme being contracted out of the State Earnings Related Pension Scheme.

Since the High Court published its ruling in the Lloyds Banking Group case back in October 2018 on the need for pension schemes to equalise for the impact of GMPs, the pensions industry has been scrutinising the options put forward in the judgment. Another court hearing was held earlier this year to address some of the previously unanswered questions, including issues around transferred benefits. The judgement in this second hearing was issued on 21 November 2020, confirming that schemes must top up historic transfer values calculated on an unequal basis.

The Trustees are working through the complex and technical issues associated with GMP equalisation for the Scheme with their advisers and will continue to keep members updated on this issue as appropriate.
Watch out for Pension Scams

A major event like the coronavirus pandemic can unfortunately initiate new types of scam activity. A rise in pension scams has been reported as scammers try to exploit public fears over the uncertainty in financial markets. Scammers can come across as being financially knowledgeable, have seemingly legitimate websites, references and materials and can seem like the real deal.

The Pensions Regulator regularly updates its guidance on scams and its latest leaflet lists the following four simple steps to protect yourself:

- **Reject any unexpected offers** – whether made online, on social media or over the phone, a free offer from a company you have not heard of before is likely to be a scam.

- **Check who you’re dealing with** - check the Financial Services Register ([www.register.fca.org.uk](http://www.register.fca.org.uk)) or call the FCA helpline on 0800 111 6768 to see if the firm you are dealing with is authorised by the Financial Conduct Authority (FCA).

- **Don't be rushed or pressurised into anything** - take your time to make all the checks you need – even if this means turning down an ‘amazing deal’.

- **Get impartial information and advice** –
  - The Pensions Advisory Service (TPAS) provides free independent and impartial information and guidance. You can call TPAS for free guidance on 0800 011 3797 or go to the website ([www.thepensionsadvisoryservice.org.uk](http://www.thepensionsadvisoryservice.org.uk)).

  - Financial advisers – It’s important you make the best decision for your own personal circumstances, so you should seriously consider using the services of a financial adviser. If you do opt for an adviser, be sure to use one that is regulated by the FCA and never take investment advice from the company that contacted you or an adviser they suggest, as this may be part of the scam.

You can view a copy of the Pensions Regulator’s leaflet on the Pensions Regulator’s website:


The FCA has dedicated a section of its website to help people avoid pension and investment fraud. It keeps a ‘warning list’ of known scams. You can find whether an offer you have received is on the warning list by answering a series of questions on the FCA website. The website address is: [https://www.fca.org.uk/scamsmart/warning-list](https://www.fca.org.uk/scamsmart/warning-list)

If you think you may have been contacted by a scammer, call the Scheme Administrator, Capita (contact details are at the back of this report) to check out the validity of your contact before you take any further action.

Finally, if you have taken up an offer to transfer your benefits but are now worried it could be a scam, it may not be too late – but you should act immediately.

- Contact Capita straight away. They may be able to stop a transfer if it has not yet taken place.

- Call Action Fraud on 0300 123 2040 to report it.
Scheme Administration

In last year’s report we mentioned our intention to conduct a survey for feedback on members’ experiences of the administration services provided in relation to the Scheme. In view of the Trustee’s review of the administration services provider and the ongoing impact of the coronavirus pandemic, we decided to defer the survey. In the meantime, the Trustees have kept the administration service levels under close review, through increased communication with, and reporting from, the Capita administration team. These services will continue to be kept under close review by the Trustees over the coming months, with action being taken as appropriate.
KEEPING US INFORMED

Keeping our records up to date is vital to the smooth running of the Scheme. Please therefore contact the Scheme Administrator whenever you:

- change your address or, if you are in regular receipt of a pension, you change your bank account details
- wish to change your death benefit nomination
- want information about the Scheme or your benefits

Also, we greatly value your feedback on the service being provided by the Scheme Administrator so if you have comments to make please pass these to the Secretary.

FURTHER INFORMATION

If you have any questions about the Scheme, or would like any more information, please contact the Scheme Administrator:-

Administrator - Commonwealth War Graves Commission Superannuation Scheme

Capita Employee Solutions
PO Box 555
Stead House
Darlington DL1 9YT

Tel: 0333 222 0085
Email: Edinburghpensions4@capita.co.uk

Jamie Guille in the HR Service Centre at the Commission runs the Commission’s side of Pension Administration and can be contacted as follows:-

Jamie Guille
Reward Supervisor
Commonwealth War Graves Commission
2 Marlow Road
Maidenhead
Berkshire SL6 7DX

You can also contact Sue Kettle, the Scheme’s Secretary, at:

Capita Employee Solutions
65 Gresham Street
London
EC2V 7NQ

Tel: 07891 523172
Email: susan.kettle@capita.com

Or you can contact Chris Farrell, Chair of the Trustees, as follows:-

Tel: 00 33 (0)607 156875
Email: chris.farrell@cwgc.org

If you are unable to resolve a problem with the Scheme through these normal channels, you may wish to pursue a complaint through the Scheme’s formal dispute resolution procedure. A copy of the procedure is available on request from the Secretary.