



*From the Trustees of the CWGC Superannuation Scheme  
2 Marlow Road, Maidenhead SL6 7DX*

Dear Member,

**Commonwealth War Graves Commission Superannuation Scheme  
Summary Funding Statement – May 2021**

As Trustees of the Superannuation Scheme, it is our legal duty to commission an in-depth review of the Scheme's financial position (known as an actuarial valuation) at least once every three years and provide you with regular updates of the Scheme's funding position. This statement has been prepared following completion of the 31 March 2020 actuarial valuation.

The Scheme closed to the future accrual of benefits on 31 March 2016 and members ceased paying contributions after that date. The estimated cost of providing the benefits you and other members have built up in the Scheme is known as the Scheme's 'liabilities'. To ensure these liabilities are met, the Commission continues to pay contributions into the Scheme. All contributions are pooled and invested in a communal fund, not in separate funds for each individual, and make up the Scheme's 'assets'.

The value placed on the Scheme's liabilities depends on the members' benefits (including an allowance for benefit increases), the current membership profile and the methods and assumptions used for the valuation.

To check the Scheme's financial position the Trustees ask the Scheme Actuary to compare the value of the Scheme's liabilities with its assets:

- if the value of the Scheme's assets is less than the value of the liabilities, it is said to have a 'shortfall', and
- if the value of the Scheme's assets is more than the value of the Scheme's liabilities, there is said to be a 'surplus'.

The main results of the actuarial valuation as at 31 March 2020 are shown on the next page.

### Summary of Scheme's funding position

The 31 March 2020 actuarial valuation showed the funding position as follows (figures from the previous funding valuation are shown in the first column for comparison):

	Funding valuation 31/03/2017	Funding valuation 31/03/2020
<b>Assets</b>	£90.0m	£80.3m
<b>Amount needed to provide benefits</b>	£94.6m	£92.4m
<b>Excess or (Shortfall)*</b>	(£4.6m)	(£12.1m)
<b>Ongoing funding level</b>	95%	87%

\* Note that shortfalls are indicated in brackets

### Change in funding position between the 2017 and 2020 funding valuations

Over the three-year period to 31 March 2020, there was a worsening in the Scheme's funding position, with the funding level decreasing from 95% to 87%. This deterioration was primarily attributable to the reduced investment return achieved since the last valuation. 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, with the FTSE 100 suffering its worst quarter in 30 years. The asset value as at 31 March 2020 shown in the above table reflects the large equity market falls that occurred in March 2020. It should be noted that this figure represents a snapshot in time and reflects the position at the height of the first wave of the Covid-19 pandemic; the market largely rebounded in Q2 2020 to its previous position.

Changes to the financial assumptions in the valuation, namely lower future expected investment returns than were assumed in 2017, were offset by changes to the mortality and other assumptions. The reduction in the liability figure from £94.6m to £92.4m was the result of benefit payments being made from the Scheme without any offsetting new benefit accrual. It is expected that the Scheme's liabilities will gradually reduce over time as the benefits continue to be paid out.

As a result of the shortfall identified in the 2020 actuarial valuation, the Commission has agreed to pay additional contributions as detailed in the table below.

Year ending	Contribution (£)	Year ending	Contribution (£)
31/03/2021	2,800,000*	31/03/2026	850,000
31/03/2022	850,000	31/03/2027	850,000
31/03/2023	850,000	31/03/2028	850,000
31/03/2024	850,000	31/03/2029	850,000
31/03/2025	850,000	31/03/2030	850,000

\*This contribution has already been paid

*Important: if you are thinking of leaving the Scheme for any reason, you should consult a professional adviser, such as an independent financial adviser, before taking any action.*

These contributions together with the expected returns on the Scheme assets are expected to eliminate the shortfall by 31 March 2030, although the funding level is expected to fluctuate as market conditions change.

Since 31 March 2020, the Scheme's asset values have increased in value significantly as markets recovered from the initial reaction to the Covid-19 pandemic. The financial position of the Scheme has therefore improved but will continue to change over time. The Trustees monitor the financial position on a regular basis. The contribution requirements will be reconsidered following the next actuarial valuation, which is due to be carried out as at 31 March 2023.

### ***How the Scheme operates***

#### **How is my pension paid for?**

Since 31 March 2016, when the Scheme closed to the future accrual of benefits, there have been no salary related contributions to the Scheme from either the members or the Commission.

The Commission has agreed to pay annual contributions as detailed in the table on page 2 until the Scheme year ending on 31 March 2030 in order to fund the shortfall identified by the 2020 valuation. The first instalment of these contributions totalling £2,800,000 was settled in April 2020 (£500,000) and March 2021 (£2,300,000).

The money to pay for members' pensions is held in trust in a common fund. It is not held in separate funds for each individual. The Scheme's assets are also held separately from the Commission's assets.

#### **How is the amount the Scheme needs worked out?**

The Scheme Actuary carries out a full valuation of the Scheme every three years. The valuation estimates the amount of assets that is needed today to pay pension benefits now and in the future. The estimate allows for future investment returns.

Using this information, the Trustees come to an agreement with the Commission about the level of future contributions required to keep the Scheme on track to meet the objective to pay pension benefits in the future.

#### **The importance of the employer's support**

The Trustees' objective is to have enough money in the Scheme to pay pensions now and in the future. However, achievement of this objective relies upon the Commission continuing to support the Scheme because:

- the Commission will be paying the future expenses of running the Scheme on an annual basis;

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- the funding level can fluctuate, and when there is a funding shortfall, the Commission will usually need to put in more money; and
- the target funding level may turn out not to be enough so that the Commission will need to put in more money.

### What is the Scheme invested in?

Since September 2018, the Scheme's assets have been invested with four investment managers, Schroder Investment Management, Ninety One (previously called Investec Asset Management), Legal & General Investment Management ("LGIM") and Threadneedle Investments Ltd.

The Trustees completed an investment strategy review during Q1 2021, seeking to improve the effectiveness of the investment portfolio, and have agreed to implement the following new strategic asset allocation.

Asset Class	Current Benchmark Allocation (%)	New Strategic Asset Allocation (%)
Global Equity	25.0	20.5
Synthetic Equities	-	4.5
Emerging Market Equity	3.75	-
Emerging Market Debt	3.75	-
Absolute Return Bonds	-	5.0
Property	7.5	6.5
Diversified Growth Funds	35.0	36.0
<b>Total Growth Assets</b>	<b>75.0</b>	<b>72.5</b>
Liability Driven Investment (LDI )	25.0	27.5
<b>Total Matching Assets</b>	<b>25.0</b>	<b>27.5</b>
Expected return in excess of long-term gilts (% p.a.)	2.6	2.6

The new benchmark allocation of 72.5% growth assets and 27.5% matching assets aims to reduce the overall investment risk and maintain the same level of expected investment return. This benchmark is being implemented by:

- increasing and restructuring the LDI holdings, which protect the funding position against movements in interest rates and inflation
- restructuring the equity holdings to get increased exposure from the same level of investment
- replacing emerging market equity and debt holdings with absolute return bonds which provide diversification
- small changes to the property and diversified growth fund allocations to balance the portfolio

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- \* *Liability driven investments (LDI) are investment vehicles that have been designed specifically for pension schemes to attempt to closely match their liabilities, such that any changes in the value of their liabilities should be reflected by similar gains or losses in the LDI fund. Typically, they consist of a leveraged portfolio of UK gilts.*

The Trustees have agreed to retain their current investment managers, except for Ninety One, as well as appoint three new managers, Insight Investment Management, Newton Investment Management Limited and TwentyFour Asset Management. The fund structure for the Scheme's new strategic allocation is summarised below:

<b>Asset Class</b>	<b>Investment Manager</b>	<b>Fund Name</b>	<b>Strategic Allocation (%)</b>
Global Equity	LGIM	All World Equity Index Fund	20.5
Synthetic Equities	LGIM	Synthetic Leveraged Equity Fund	4.5
Absolute Return Bonds	LGIM	Vontobel Fund – TwentyFour Absolute Return Credit Fund	5.0
Property	Threadneedle	Property Unit Trust	6.5
Diversified Growth Funds	Schroders	Diversified Growth Fund	12.0
	Insight	Diversified Growth Fund	12.0
	Newton	Diversified Growth Fund	12.0
<b>Total Growth Assets</b>			<b>72.5</b>
LDI	LGIM	LDI Portfolio	27.5
<b>Total Matching Assets</b>			<b>27.5</b>

## **Statutory Statements**

As part of this Summary Funding Statement we are required to tell you the following:

- The estimated funding position as at 31 March 2020 were the Trustees required to buy insurance policies to meet the liabilities (known as 'full solvency') was 51% reflecting a shortfall of £78.6m. Inclusion of this information is a statutory requirement and does not imply that the Commission is thinking of winding-up the Scheme.
- There have been no payments to the participating employer out of Scheme funds in the past 12 months.
- The Pensions Regulator has powers to direct matters affecting the funding of the Scheme in certain circumstances. No such directions have ever been made in relation to the Scheme.

## **Additional documents available on request**

A list of more detailed documents, which provide further information and are available on request, is shown below.

The full report on the *Actuarial Valuation* as at 31 March 2020.

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The *Schedule of Contributions*. This shows how much money is being paid into the Scheme.

*The Statement of Investment Principles*. This explains how the Trustees invest the money paid into the Scheme.

The *Annual Report and Accounts of the CWGC Superannuation Scheme*, which shows the Scheme's income and expenditure in the year up to 31 March 2020.

The *CWGC Superannuation Scheme Booklet* (you should have been given a copy when you joined the Scheme, but we can let you have another copy).

A *Benefit Statement*. If you have not started receiving a pension from the Scheme and have not received a benefit statement in the previous 12 months you can ask for a statement that provides an illustration of your likely pension.

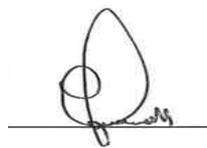
### **Where can I get further information?**

If you would like to receive further information or any document listed above, or if anything in this letter requires clarification, please feel free to contact the Trustees of the Scheme using the following details:-

Trustees of the Commonwealth War Graves Commission Superannuation Scheme  
c/o Capita Employee Solutions  
PO Box 555  
Stead House  
Darlington DL1 9YT  
Tel: +44 (0) 333 222 0085  
Email: [cwgc@capita.co.uk](mailto:cwgc@capita.co.uk)

Please remember to keep us informed of any change in your address.

Yours sincerely



Mr Chris Farrell  
Chairman

The Commonwealth War Graves Commission Superannuation Scheme Trustees  
May 2021