

# MEMBERS' REPORT 2023

COMMONWEALTH WAR  
GRAVES COMMISSION  
SUPERANNUATION SCHEME

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COMMONWEALTH  
WAR GRAVES  
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## DEAR MEMBER

Welcome to the 2023 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.

Cover Image: Menin Gate

The Trustees' work over the last year has focussed on a number of important issues, including:

- **Long term funding and journey planning.** The Trustees have recently agreed to adopt a dynamic approach to asset allocation and to replace the TwentyFour Absolute Return Credit fund with the LGIM Absolute Return Bond fund. The Statement of Investment Principles was updated in May 2023 to reflect these changes. For further information, turn to page 9.
- **High Inflation.** In recent times we have seen turbulence in the financial markets as a result of a number of factors including the UK's exit from the European Union, the COVID-19 pandemic, the cost of living crisis and the conflict in Ukraine. The Trustees continue to work with their advisers to monitor the Plan's investments and funding level to ensure the Plan remains resilient to any further volatility.
- **Autumn 2022 Budget.** As you may know, the Bank of England stepped in to quell unprecedented market volatility at the beginning of October, by promising to buy £65bn of gilts, which the media reported as being necessary to 'save pension funds from going bust'. The issue arose because of a sudden increase in gilt yields following the Chancellor's mini-budget announcement (although gilt yields had been rising throughout 2022). Many defined benefit pension schemes, including the Commonwealth War Graves Commission Superannuation Scheme, invest in gilts. Buying gilts helps a scheme to match movements in its liabilities caused by changes in inflation and interest rates and therefore helps to provide protection against these risks. This type of investment strategy is called Liability Driven Investment (LDI), and as you can

see from the chart on page 11, a large proportion of the Scheme's assets are held in an LDI portfolio. The LDI portfolio did what it was intended to do and preserved the funding level of the Scheme. The Scheme's funding position remained stable throughout the period of volatility and the Scheme remains in a healthy position.

- **GMP Equalisation.** The Trustees have continued to work through the many complex and technical issues associated with GMP equalisation with their advisers. The impact of the High Court ruling has now been clarified. This means that GMPs for members who reach State Pension Age after April 2016 will receive increases in line with CPI which will largely address the GMP equalisation requirements for this group. For members who reached State Pension Age before this date one of the GMP equalisation methods identified as being available to pension schemes in the High Court judgement will be chosen by the Trustees and the Commission. Further details can be found on page 18.
- **Annual Report to the CWGC Finance Committee.** The Trustees have prepared a report for the Commission's Finance Committee which provides a panoramic review of the Scheme and the Trustees' activities for the 12 months ending on 31 March 2023.
- **Pension Scams.** The need for continued vigilance to protect members from pension scams. Please be aware of the dangers and know the warning signs to look out for. Read more on page 19.
- **Member Website.** Documents relating to the Scheme can be viewed on the Commission's website via the following link: <https://www.cwgc.org/who-we-are/pension-scheme/>

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.

Finally, I would like to wish all members a very healthy and prosperous 2024.

**Chris Farrell**  
*Chair of the Trustees*



## 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 seven times during the year. This consisted of four routine meetings to discuss matters relating to the administration and investment performance of the Scheme and three special meetings to consider the Scheme's investment strategy and funding position. The Trustees also regularly attend seminars and training sessions in order to remain up to date on pensions issues and legislative changes.

Under the Pensions Act 2004, trustees are required to ensure that at least one third of a scheme's trustees are nominated and selected by the members. The Scheme is currently administered by five Trustees - of these three were nominated by the Commission and two are Member Nominated Trustees (MNTs).

One of the Commission nominated Trustees is Capital Cranfield Trustees Limited which is an independent trustee company represented by Paul Watson. Another of the Commission nominated Trustees, 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 third Commission nominated Trustee is Anna Longley who is the Commission's Finance Manager for Africa and Asia Area.

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 terms of office for the two MNTs, Chris Farrell and



### The current Trustees of the Scheme are:

#### Commission Nominated

##### Martin Duffy

Independent Trustee

##### Anna Longley

Commission Employee

#### Capital Cranfield Trustees Limited

Independent Trustee

#### Member Nominated

##### Chris Farrell

Pensioner Member of the Scheme and Chairman of the Trustees

##### Bernard McGee

Pensioner Member of the Scheme

#### Secretary to the Trustees

##### Sue Kettle

Capita Pension Solutions

Bernard McGee, ended on 31 August 2023 and so a nomination and selection process was carried out for both MNT positions. Two valid nominations were received from the two current MNTs and so Chris and Bernard have been re-appointed as the Trustee Board's MNTs with effect from 1 September 2023. Chris is entering his third term as an MNT on the Trustee Board and Bernard is commencing his second term. They will both serve terms of office of 5 years, following which the nomination and selection process will be repeated.

Chris Farrell was appointed by the Trustee Board as Chairman of the Trustees with effect from 10 January 2018 and continues in this role.



## SCHEME MEMBERS

The following table shows how the membership of the Scheme changed over the year to 31 March 2023:

	31 March 2023	31 March 2022
Members with Deferred Benefits	223	238
Pensioners	393	400
<b>Total</b>	<b>616</b>	<b>638</b>

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.



## THE TRUSTEES' ADVISERS

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 Adviser

Capita Pension Solutions provides investment advice to the Trustees.

### Investment Managers

Schroder Investment Management Limited

BNY Mellon Investment Management

Insight Investment

Legal & General Assurance (Pensions Management) Limited

Threadneedle Asset Management Limited

### Administrators

Capita Pension 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 Trustees have produced a Statement of Investment Principles (SIP), which sets out the Trustees' policies on investments. The current investment strategy was implemented in May 2023. The Trustees have agreed to adopt a dynamic approach to asset allocation whereby the investment strategy is dependent on the return required to achieve full funding on a Low Dependency basis by 31 March 2037. Specifically, the Trustees have agreed set trigger levels for reducing the allocation towards return-seeking asset classes when favourable market conditions exist and increasing the amount of liability hedging. The aim is that the Scheme will be invested in low risk, well matched assets when the Scheme is fully funded on a Low Dependency basis with a target date of 31 March 2037. When a de-risking trigger is hit, the asset allocation will move to the appropriate lower risk portfolio. Details of the framework are as follows:

	Current Strategy	Trigger 1	Trigger 2	Trigger 3	Trigger 4	Trigger 5
<b>Required return trigger (relative to gilts % p.a.)</b>	-	1.95	1.65	1.35	1.05	0.75
<b>Target expected return of portfolio (relative to gilts % p.a.)</b>	2.6	2.2	1.9	1.6	1.3	1.0
<b>Target liability hedge (% of funded Low Dependency liabilities)</b>	100.0	100.0	100.0	100.0	100.0	100.0
<b>Approximate asset allocation (%):</b>						
Global equities	20.5	12.5	6.5	-	-	-
Synthetic global equities (2.5x leveraged)	4.5	4.5	4.5	4.5	3.0	1.5
Property	6.5	6.5	6.5	6.5	4.0	2.0
Diversified Growth Funds (DGFs)	36.0	36.0	36.0	36.0	30.0	24.0
UK Corporate Bond Funds	-	-	-	-	10.0	17.5
Leveraged Liability Driven Investment Funds, Gilts, Index-Linked Gilts and Absolute Return Bonds	32.5	40.5	46.5	53.0	53.0	55.0
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

### New term

- Low Dependency is where a scheme's funding and investment strategies are such that there is a low chance of requiring further employer support and, to the extent that such support is required, the amount of support is low relative to the size of the scheme.
- Liability hedging aims to reduce the volatility of a scheme's assets relative to the present value of its liabilities.

Due to operational issues with collateral management, the Trustees agreed to replace the TwentyFour Absolute Return Credit fund with the LGIM Absolute Return Bond fund in February 2023.

All of the Scheme's assets (except for the Threadneedle property fund) are managed through the LGIM investment platform. This approach provides ongoing cost savings as a result of reduced annual asset management fees, along with simplified and more efficient future asset transfers, reducing both risk and costs.

The Trustees are required to produce an implementation 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. A copy of the latest implementation statement can be viewed on the Commission's website at <https://www.cwgc.org/who-we-are/pension-scheme/>



## 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.

The Trustees have delegated the day-to-day management of investment to its appointed fund managers. The names of those who have managed the Scheme's investments during the year are listed on page 7. A written agreement between the Trustees and each manager sets out the terms on which the manager may act.

The managers' duties include the consideration of social, environmental or ethical issues in the selection, retention and realisation of investments as well as voting and corporate governance in relation to the Scheme's assets. The Trustees have reviewed each of the investment managers' policies on these issues and believe that the policies adopted by the managers are consistent with their own views.



Gardeners at work at  
Bedford House Cemetery

The asset allocation of the Scheme's investments at 31 March 2023 was as follows:

		Actual Asset Allocation %	Strategic Asset Allocation %
LGIM All World Equity Fund		20.2	20.5
LGIM Synthetic Leveraged Equity Fund		5.0	4.5
LGIM Absolute Return Bond Fund		2.5	5.0
Threadneedle Property Unit Trust		5.4	6.5
Diversified Growth Funds	LGIM Schroder Life Diversified Growth Fund	32.4	36.0
	LGIM BNY Mellon Real Return Fund		
	LGIM Insight Broad Opportunities Fund		
LDI	LGIM LDI Matching Core Long Fund - Nominal	34.6	27.5
	LGIM LDI Matching Core Long Fund - Real		
	LGIM LDI Matching Core Short Fund - Real		
	LGIM LDI Matching Core Short Fund – Nominal		
<b>Total</b>		<b>100.0</b>	<b>100.0</b>

\*Totals may not sum to 100% due to rounding





Canadian War Cemetery

## SCHEME RETURN

The returns on the Scheme's investment funds over the year to 31 March 2023 are shown below.

	Fund Return
LGIM All World Equity Fund	-1.0%
LGIM Synthetic Leveraged Equity Fund	-5.3%
Threadneedle Property Unit Trust	-13.8%
LGIM Schroder Life Diversified Growth Fund	-7.0%
LGIM BNY Mellon Real Return Fund	-3.1%
LGIM Insight Broad Opportunities Fund	-6.1%
LGIM LDI Matching Core Long Fund - Nominal	-93.8%
LGIM LDI Matching Core Long Fund - Real	-93.9%
LGIM LDI Matching Core Short Fund - Real	-76.7%
LGIM LDI Matching Core Short Fund - Nominal	-80.0%
LGIM Absolute Return Bond Fund	1.0%



## THE SCHEME'S ACCOUNTS

Every year, the Trustees produce a full set of accounts, showing how much money has been paid into the Scheme and how much has been paid out. Below is a snap-shot of the net assets of the Scheme as at 31 March 2023.

Fund value at 1 April 2022	<b>£98,274,324</b>
<b>Money going into the Scheme</b>	
Commission contributions	£850,000
Total income	£850,000
<b>Money coming out of the Scheme</b>	
Benefits payable (pensions and lump sum retirement and death benefits)	(£ 4,188,318)
Administrative expenses	(£ 22)
Total expenditure	(£ 4,188,340)
Investment income less expenditure	(£ 63,807)
Change in market value of investments	(£21,745,560)
Fund value at 31 March 2023	<b>£ 73,126,617</b>

Although the Scheme's fund value has fallen significantly over the year to 31 March 2023, the liabilities have also fallen as a result of LDI hedging.

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 transactions.



## 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.

	2022/23 %	2021/22 %	2020/21 %
United Kingdom	3.1	0.5	1.7
Canada	8.13	3.06	0.66
South Africa	7.41	5.07	2.14

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 2020.

The valuation showed that over the three-year period to 31 March 2020, there had been a worsening in the Scheme's financial position, with the funding level decreasing from 95% as at 31 March 2017 to 87% as at 31 March 2020. This deterioration was primarily attributable to the weak investment return over the period since the previous valuation, which was particularly impacted by large equity market falls in March 2020 due to the coronavirus pandemic. The change in financial market conditions also contributed to the deterioration. However, offsetting factors were lower than expected pension increases, changes to the mortality assumptions and the deficit contributions paid by the Commission.

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

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

\* These contributions have already been paid

\*\* This contribution is being paid in monthly instalments



Faubourg d'Amiens  
Cemetery, Arras, France

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. The contribution requirements will be reconsidered following the next actuarial valuation which is due to be carried out as at 31 March 2023.

Since completion of the valuation, two annual funding updates have been carried out. The funding update as at 31 March 2021 showed that the Scheme's funding level increased over the year from 87% as at 31 March 2020 to 102% as at 31 March 2021. This improvement was largely attributable to investment returns over the year being higher than expected, the deficit contributions paid by the Commission and actual pension increases being lower than assumed. This was partially offset by changes in market conditions over the year and the interest on the deficit.

The funding update as at 31 March 2022 shows that there has been a further improvement in the Scheme's financial position with the estimated funding level increasing to 106%. This improvement was mainly due to higher than expected investment returns over the year and the deficit contributions paid by the Commission. This was partly offset by changes in market conditions and higher than expected pension increases over the year.

The next full valuation of the Scheme is due as at 31 March 2023 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.



## CURRENT ISSUES

### Equalisation of GMPs

As noted in previous reports, a High Court ruling made at the end of 2018 in relation to Guaranteed Minimum Pensions (GMPs) confirmed that pension schemes must ensure GMPs built up between 17 May 1990 and 6 April 1997 are equal between men and women. A second judgement was issued on 21 November 2020 regarding the impact of GMP equalisation on historic transfers out. The judgement confirmed that schemes must top up historic transfer values calculated on an unequal basis.

The Trustees, in conjunction with the Scheme Actuary and their legal adviser, have been considering the impact of these judgements on the Scheme. The situation was complicated by a rule change made to the Scheme in 2012. In order to clarify the position for the Scheme and to enable the Trustees to progress these matters, the Scheme's

legal adviser obtained Counsel's opinion on GMP equalisation and other issues concerning revaluation and pension increase changes.

The impact of the judgement on the Scheme has now been clarified. Members with a State Pension Age falling after April 2016 are subject to the HMT direction on the indexation of GMP which applies to public sector schemes. This requires all GMPs for members in scope to receive increases in line with CPI. This is expected to equalise benefits for unequal GMPs for most of the impacted members but there may be some exceptions. For members with a State Pension Age falling before April 2016, the HMT direction does not apply and therefore the range of GMP equalisation methods identified as being available to pension schemes in the High Court judgement need to be considered. This is currently being appraised by the Trustees and the Commission.

The Trustees have formed a GMP sub-committee to work closely with their advisers on the activities which need to be undertaken and the decisions required in order to implement GMP equalisation for the Scheme. This is a complicated and detailed project which is likely to take some time to complete. An initial Discovery Phase project and report has recently been completed to determine the potential work required to implement GMP equalisation for the Scheme and this is currently being considered by the Trustees in conjunction with their advisers.

### Minimum Pension Age

Currently, the minimum age you can take any workplace or personal pension is age 55. From 6 April 2028, the government has announced that this will increase to age 57. Exceptions apply in the event of ill health that prevents you from being able to work.



Pitlochry Holy Trinity Churchyard

### Watch out for Pension Scams

Members should always be on their guard against pension scammers who are known to target members of pension schemes. If you are considering transferring your pension out of the Scheme, you should make sure that you use a financial adviser who is regulated by the Financial Conduct Authority. If you transfer your pension to an unauthorised scheme, you could lose your entire pension savings and in addition face a substantial tax charge.

If anyone approaches you directly to offer transfer advice, be on your guard. The government has banned cold calling for pensions, so if anyone calls you out of the blue about yours, just hang up – it could be a scam. You can also visit the ScamSmart website at [www.fca.org.uk/scamsmart](http://www.fca.org.uk/scamsmart) to check the firm you are dealing with is regulated and to see whether what you are being offered is a known scam or has the signs of a scam.



## FURTHER INFORMATION

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

Commonwealth War Graves  
Commission Superannuation Scheme  
Capita Pension Solutions  
PO Box 555,  
Darlington  
DL1 9YT  
Tel: **+44 (0) 333 222 0085**  
Email: **cwgc@capita.com**

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  
Tel: **+44 (0) 1628 507131**  
Email: **jamie.guille@cwgc.org**

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

Capita Pension Solutions  
Hartshead House  
2 Cutlers Gate  
Sheffield S4 7TL  
Tel: **+44 (0) 7891 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@wanadoo.fr**

**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.**

## 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.