

# MEMBERS REPORT 2022

COMMONWEALTH WAR  
GRAVES COMMISSION  
SUPERANNUATION SCHEME

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COMMONWEALTH  
WAR GRAVES  
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## DEAR MEMBER

Welcome to the 2022 Trustees' Report to Members which provides you 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 Administrator, Capita, whose address can be found at the back of this report.

Cover Image: Tyne Cot Cemetery, Belgium



Serre Road Cemetery No.2, France

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

- **Annual Funding Update.** An annual funding update as at 31 March 2022 has been completed and a Summary Funding Statement detailing the outcome of the update has been included with this report.
- **High Inflation.** Inflation increased significantly during Q2 and Q3 2022 to levels that have not been seen for decades. This was caused by various economic factors including the war in Ukraine, increasing gas prices, and supply chain issues resulting from the UK's exit from the European Union and the COVID-19 pandemic. The Scheme has been reasonably well protected from the recent turbulence in the financial markets due to having a fairly high level of hedging in place (see page 12 for further details).
- **Annual Funding Update.** The Trustees continue to work with their advisers to monitor the Scheme's investments and funding level.
- **Beware of Scams.** In the current economic climate, there is an increasing risk of fraudsters trying to access your retirement savings. Please be aware of the dangers and know the warning signs to look out for. Read more on page 18.
- **GMP Equalisation.** The Trustees have continued to work through the many complex and technical issues associated with GMP equalisation with their advisers.
- **Member Website.** Documents relating to the Scheme can be viewed on the Commission's website via the following link: [www.cwgc.org/who-we-are/pension-scheme](http://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 2023.

**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 various investment issues. 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.





Etaples Military Cemetery, France

## 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

The third Commission nominated Trustee is Anna Longley who replaced Karen Jamison with effect from 1 December 2022. Anna joined the Commission in 2022 as Finance Manager for Africa & Asia Area and is based in Maidenhead.

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 five years until 31 August 2023.

## SCHEME MEMBERS

The following table shows how the membership of the Scheme changed over the year to 31 March 2022:

	31 March 2022	31 March 2021
Members with Deferred Benefits	238	254
Pensioners	400	404
<b>Total</b>	<b>638</b>	<b>658</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.



Serre Road Cemetery No.2, France



## 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

Ninety One Fund Managers UK Limited (until August 2021)

BNY Mellon Investment Management (from September 2021)

Insight Investment (from September 2021)

Legal & General Assurance (Pensions Management) Limited

TwentyFour Asset Management (from September 2021)

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 2021 and aims to reduce the overall inflation and interest rate investment risk. A summary of the strategy is detailed in the table opposite, along with a description of the new asset classes which were introduced into the Scheme's investment portfolio during the year. Details of the changes that were implemented following the investment strategy review completed in 2021 can be found in last year's member report.

Asset Class	Strategic Asset Allocation %
Global Equity	20.5
Synthetic Equity	4.5
Absolute Return Credit	5.0
Property	6.5
Diversified Growth Funds	36.0
<b>Total Growth Assets</b>	<b>72.5</b>
Liability Driven Investments (LDI)	27.5
<b>Total Risk-reducing Assets</b>	<b>27.5</b>
<b>Total</b>	<b>100.0</b>





## New Investment Funds

- **Synthetic Equity Funds.** This is a more efficient way of holding equity exposure through the use of derivative contracts rather than by physically investing in equities. The key benefit of synthetic equity exposure is that it can free up cash, which can provide a cash pool or be invested elsewhere, either to hedge risks or better diversify the investment portfolio. The downside is that due to the intrinsic leverage, the product return can be very volatile.
- **Absolute Return Bond Funds.** These are low risk corporate bond funds which invest in short-dated credits with one or two years left to maturity. They are expected to provide a reasonable return above gilts.

## Legal & General Investment Management (LGIM) Platform

In September 2021 all of the Scheme's assets (except for the Threadneedle property fund) were moved on to the LGIM platform. This move resulted in ongoing cost savings from reduced annual asset management fees. In addition, all future asset transfers will be simplified and therefore more efficient, whilst reducing 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 [www.cwgc.org/who-we-are/pension-scheme](http://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's liabilities.

The Trustees have delegated the day-to-day management of investments to their 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 and 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.



Queens Cemetery, Puisieux,  
France



The asset allocation of the Scheme's investments at 31 March 2022 was as follows:

		Actual Asset Allocation %	Strategic Asset Allocation %
LGIM All World Equity Fund		21.7	20.5
LGIM Synthetic Leveraged Equity Fund		4.1	4.5
LGIM TwentyFour Absolute Return Credit Fund		9.8	5.0
Threadneedle Property Unit Trust		7.1	6.5
Diversified Growth Funds	LGIM Schroder Life Diversified Growth Fund	36.7	36.0
	LGIM BNY Mellon Real Return Fund		
	LGIM Insight Broad Opportunities Fund		
LDI	LGIM LDI Matching Core Long Fund - Nominal	20.6	27.5
	LGIM LDI Matching Core Long Fund - Real		
	LGIM LDI Matching Core Short Fund - Real		
<b>Total</b>		<b>100.0</b>	<b>100.0</b>

## Conflict in Ukraine

The current uncertainty, and the associated sanctions against Russia and Russian individuals, has led to volatility in investment markets. How those events might develop, the scale of those developments and the wider impacts are hard to predict, though a period of heightened uncertainty seems inevitable.

The Scheme revised its investment strategy in August 2021, selling its entire holdings in emerging market equities and bonds. Therefore, exposure to Russia, Belarus and Ukraine was minimal prior to the Russian invasion of Ukraine. Since that point, the investment managers have not bought any additional exposure to either Russia or Belarus. In terms of selling, managers are looking to divest from such securities at such a time that market conditions allow, consistent with their fiduciary duties and applicable sanctions.

## Interest Rate and Inflation Protection

The Liability Driven Investment (LDI) funds in which the Scheme invests have performed as expected during the recent extremely volatile period in the investment markets. The allocation of Scheme assets to LDI reduces the interest and inflation risks, as the assets move in line with the liabilities. When gilt yields rise significantly, which has been the case during the recent period of market volatility, **both** pension scheme liabilities and LDI assets fall in value. LDI helps to keep the funding level of the Scheme steady, which is very important as the Scheme matures.

The Scheme has processes in place to support the collateral requirements which arise as gilt yields rise, as has been the case during 2022, and has maintained a steady financial position over this volatile period, justifying the investment in LDI assets.

The Scheme's investment strategy will continue to include an allocation of assets to LDI as protection against interest and inflation rate movements.



Gaza War Cemetery



## SCHEME RETURN

The returns on the Scheme's investment funds over the year to 31 March 2022 are shown below.

	Fund Return %
LGIM All World Equity Fund	12.7%
LGIM Synthetic Leveraged Equity Fund	34.2%
LGIM TwentyFour Absolute Return Credit Fund	-1.2%
Threadneedle Property Unit Trust	21.7%
LGIM Schroder Life Diversified Growth Fund	3.6%
LGIM BNY Mellon Real Return Fund	1.7%
LGIM Insight Broad Opportunities Fund	4.2%
LGIM LDI Matching Core Long Fund - Nominal	-26.4%
LGIM LDI Matching Core Long Fund - Real	3.3%
LGIM LDI Matching Core Short Fund - Real	27.1%

## 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 snapshot of the net assets of the Scheme as at 31 March 2022.

Fund value at 1 April 2021	<b>£93,783,381</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)	(£4,325,780)
Administrative expenses	(£1,045)
Total expenditure	(£4,326,825)
Investment income less expenditure	£254,682
Change in market value of investments	£7,713,086
Fund value at 31 March 2022	<b>£98,274,324</b>

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.

	2021/22 %	2020/21 %	2019/20 %
United Kingdom	3.1	1.7	2.4
Canada	3.06	0.66	2.02
South Africa	5.07	2.14	4.47

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







Hedge Row Trench  
Cemetery, Belgium

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, and 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.

A Summary Funding Statement detailing the results of the 2020 actuarial valuation and the 2021 and 2022 funding updates has been included with this report.

## CURRENT ISSUES

### Equalisation of GMPs

We have reported to you previously on the High Court judgment made at the end of 2018 in relation to Guaranteed Minimum Pensions (GMPs) which confirmed that pension schemes need to make sure GMPs built up between 17 May 1990 and 6 April 1997 are equal between men and women.

The Trustees and the Commission are working together to understand the impact of these developments on the Scheme; however, the equalisation of individual GMP benefits is a complex matter and it is likely that it will take some time to identify and update members who may be impacted. Counsel's opinion has been obtained to clarify the GMP equalisation requirements for the Scheme. The Trustees in conjunction with their advisers are now considering the actions required to implement GMP equalisation.

### Watch out for Pension Scams

Sadly, there was an increase in pension scams during the COVID-19 pandemic which, with the current economic climate, has continued. Scammers may attempt to gain access to your pension and it is important that you know the warning signs of pension fraud. The MoneyHelper website at [www.moneyhelper.org.uk/en/money-troubles/scams/how-to-spot-a-pension-scam](https://www.moneyhelper.org.uk/en/money-troubles/scams/how-to-spot-a-pension-scam) provides some helpful information in this respect. In addition, the Financial Conduct Authority website has a 'ScamSmart' section with a list of known scams and how to spot them – visit their website at [www.fca.org.uk/scamsmart](https://www.fca.org.uk/scamsmart)



Longuenesse (St. Omer)  
Souvenir Cemetery, France

## New Transfer Regulations

Due to the increased risk of pension scams, new rules came into place on 30 November 2021 that require trustees and pension providers to prevent pension transfers if they believe the circumstances to be suspicious. Factors that may give rise to a request for a pension transfer being refused include, but are not limited to, a member:

- not providing sufficient information in relation to the transfer when requested to do so
- not providing evidence of having taken guidance from MoneyHelper
- being given financial advice from a company which does not have the appropriate regulatory permissions
- receiving an unsolicited request to transfer funds from the Scheme to another arrangement

- feeling pressured into making a transfer
- wanting to transfer to a receiving scheme with high-risk, unregulated investments and/or which charges fees that are unclear or noticeably high

It is important to remember that these regulations have been introduced to help reduce the risk of pension scams. The Capita administration team are on hand to liaise with you about your transfer and give you the opportunity to obtain guidance from MoneyHelper should your initial transfer request be denied. In most cases, you will be required to have obtained independent financial advice from a registered IFA before being able to transfer your benefits out of the Scheme.

## State Pension Age

You can currently access your State Pension from age 66. State Pension Age is gradually increasing for men and women and will reach 67 by 2028 and is then planned to increase to 68 between 2044 and 2046. As people are living longer and the population ages, the Government has started one of its regular reviews of the State Pension Age to ensure it continues to be appropriate. The review, which is due to be published by 7 May 2023, will consider bringing forward the increase in State Pension Age to 68 to 2039 and will consider evidence such as the latest life expectancy data.

## 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, Stead House,  
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.