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 – December 2022

As Trustees of the Superannuation Scheme we regularly review the financial position of the Scheme to ensure it remains well managed and able to pay member benefits. We are also required to provide you with an annual update of the Scheme's funding position, to keep you informed. This statement has been prepared following completion of an interim funding update as at 31 March 2022. The next full valuation of the Scheme is due to be carried out as at 31 March 2023.

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 will continue to pay contributions into the Scheme, as required. 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 expected benefit increases), the current membership profile, and the methods and assumptions used for the valuation. The results of the interim funding update are sensitive to the assumptions adopted. In particular, the use of market-related values and assumptions can lead to year-on-year volatility in the valuation results. The major element of sensitivity in the liabilities is the discount rate used to convert the expected future benefit payments into a present value at the calculation date. Changes in the discount rate can lead to material movements in the liability figure from year to year.

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 and the interim funding updates as at 31 March 2021 and 31 March 2022 are shown below.

Summary of Scheme's funding position

	Actuarial valuation 31/03/2020	Funding update 31/03/2021	Funding update 31/03/2022
Assets	£80.3m	£93.8m	£98.3m
Liabilities	£92.4m	£92.2m	£93.2m
Surplus or (Shortfall)*	(£12.1m)	£1.6m	£5.1m
Ongoing funding level	87%	102%	105%

* Note that shortfalls are indicated in brackets

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.

Change in funding position between the 2021 and 2022 funding updates

Over the 12-month period to 31 March 2022, there was an improvement in the Scheme's funding position, with the funding level increasing from 102% to 105%. This improvement was primarily attributable 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.

As a result of the shortfall identified in the 2020 actuarial valuation, the Commission 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

* These contributions have already been paid
** This contribution is being paid in monthly instalments

These contributions, together with the expected returns on the Scheme assets, were expected to eliminate the shortfall by 31 March 2030. 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.

You may be aware that there has been considerable market volatility since March 2022. The Trustees continue to monitor the position with input from their advisers and remain confident that all benefits will continue to be met in full.

HOW THE SCHEME OPERATES

How is my pension paid for?

The Commission and its employees historically paid contributions into the Scheme so that it had the funds available to pay member benefits when they became due. The Scheme closed to future benefit accrual on 31 March 2016 and since that date there have been no contributing members in the Scheme. The Commission therefore needs to pay contributions to remove any shortfall in Scheme funding. As a result of the funding position at the 31 March 2020 actuarial valuation, the Commission has agreed to pay the contributions set out in the table above.

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, in which case the Commission will need to put in more money.

What is the Scheme invested in?

Following an investment strategy review completed during Q1 2021, the Trustees have implemented the following strategic asset allocation:

Asset Class	Previous Strategic Asset 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
Total Growth Assets	**75.0**	**72.5**
Liability Driven Investment (LDI)*	25.0	27.5
Total Matching Assets	**25.0**	**27.5**
Expected return in excess of long-term gilts (% p.a.)	2.6	2.6

* Liability Driven Investments (LDIs) 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 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.

Since September 2021, the Scheme's assets have been invested with six investment managers - Schroder Investment Management, Legal & General Investment Management (LGIM), Insight Investment Management, Newton Investment Management Limited, TwentyFour Asset Management and Threadneedle Investments Ltd.

The fund structure for the Scheme's new strategic allocation is summarised below:

Asset Class	Investment Manager	Fund Name	Strategic Allocation (%)
Global Equity	LGIM	All World Equity Index Fund	20.5
Synthetic Equities	LGIM	Synthetic Leveraged Equity Fund	4.5
Absolute Return Bonds	LGIM	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
Total Growth Assets			**72.5**
LDI	LGIM	LDI Portfolio	27.5
Total Matching Assets			**27.5**

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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 for a scenario in which the Trustees were required to buy insurance policies to meet the liabilities (known as the 'full solvency' position) 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 and the annual reviews as at 31 March 2021 and 31 March 2022.
- 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 and can be viewed on the member website at **www.cwgc.org/who-we-are/pension-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 2022.
- 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 Pension Solutions
PO Box 555
Stead House
Darlington
DL1 9YT

Tel: **+44 (0) 333 222 0085**
Email: **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
December 2022

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