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 2024

As Trustees of the Superannuation Scheme, we regularly review the financial position of the Scheme. We are providing you with an annual update of the Scheme's funding position to keep you informed. This statement has been prepared following completion of the 31 March 2023 actuarial valuation and completion of an interim funding update as at 31 March 2024. The next full valuation of the Scheme is due to be carried out as at 31 March 2026.

The Scheme closed to the future accrual of benefits on 31 March 2016. The estimated cost of providing the benefits you and other members have built up in the Scheme are known as the Scheme's 'liabilities'. To ensure these liabilities are met in full, the Trustees periodically consider the value of the assets and liabilities and if required, the Commission pays 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. The results of both the actuarial valuation and 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. A 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 2023 together with the comparative position shown in the 31 March 2020 actuarial valuation and the 31 March 2024 interim funding update are shown below.

Summary of Scheme's funding position

	Actuarial valuation 31/03/2020	Funding update 31/03/2023	Funding update 31/03/2024
Assets	£80.3m	£73.1m	£70.5m
Liabilities	£92.4m	£80.0m	£75.6m
Surplus or (Shortfall)*	(£12.1m)	(£6.9m)	(£5.1m)
Ongoing funding level	87%	91%	93%

* 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 2020 and 2023 funding valuations

Over the three-year period to 31 March 2023, there was an improvement in the Scheme's funding position, with the funding level increasing from 87% to 91%. This improvement was primarily attributable to a change in the discount rate (due to changes in market conditions), the payment of deficit contributions by the Commission and changes to how long benefits are expected to be paid. However, offsetting factors were lower than expected investment returns over the period, higher than expected pension increases since 2020 (due to inflation) and an increase in assumed future pension increases.

As a result of the shortfall identified in the 2023 actuarial valuation, the Commission agreed to pay additional contributions as detailed in the table below (in addition to which the Commission pay some of the running costs).

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

* This contribution has already been paid

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 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 2026.

Change in funding position between the 2023 funding valuation and the March 2024 interim update

Over the 12-month period between the 2023 actuarial valuation and the 2024 funding update, the funding position increased from 91% to 93%. This improvement was primarily attributable to changes in market conditions which increased the discount rate used to calculate the liabilities which in turn decreased their expected present value. The payment of deficit contributions by the Commission also contributed to the improvement. These factors were slightly offset by lower than expected investment returns being achieved over the period since the 2023 valuation.

HOW THE SCHEME OPERATES

How is my pension paid for?

The Commission and employees historically paid contributions into the Scheme so that it had the funds available to pay member benefits when they become 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 is therefore responsible for paying contributions (alongside investment returns) to remove any shortfall in Scheme funding. As a result of the funding position at the 31 March 2023 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 all pension benefits in the future.

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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;
- 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?

The Scheme's assets are currently invested with five investment managers - Legal & General Investment Management ("LGIM"), Schroder Investment Management, Insight Investment Management, The Bank of New York Mellon Corporation and Threadneedle Investments Ltd.

The current investment strategy was implemented in May 2023. The Trustees 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 basis that places low reliance on requiring additional support from the Commission by 31 March 2037. Specifically, the Trustees 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 moves to the appropriate lower risk portfolio.

Trigger monitoring commenced in June 2023. The first trigger was hit and a de-risk to the Trigger 1 portfolio was implemented on 13 December 2023. The second trigger was hit and a de-risk to the Trigger 2 portfolio was implemented on 9 January 2024. The fund structure for the Scheme's strategic allocation is summarised below. Trigger 2 is the current targeted allocation.

Asset Class	Investment Manager	Fund Name	Strategic Allocation (%)	Trigger 1 Allocation (%)	Trigger 2 Allocation (%)
Global Equity	LGIM	All World Equity Index Fund	20.5	12.5	6.5
Synthetic Equities	LGIM	Synthetic Leveraged Equity Fund	4.5	4.5	4.5
Property	Threadneedle	Property Unit Trust	6.5	6.5	6.5
Diversified Growth Funds	Schroders	Diversified Growth Fund	12.0	12.0	12.0
	Insight	Diversified Growth Fund	12.0	12.0	12.0
	BNY Mellon	Diversified Growth Fund	12.0	12.0	12.0
Total Growth Assets			**67.5**	**59.5**	**53.5**
LDI*	LGIM	LDI Portfolio	32.5	40.5	46.5
Absolute Return Credit	LGIM	Absolute Return Bond Fund			
Total Matching Assets			**32.5**	**40.5**	**46.5**

* 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 benchmark split between growth assets and matching assets aims to reduce the overall investment risk. The de-risking framework has been paused whilst a review of the Scheme's investment strategy is carried out by the Trustees in conjunction with their investment consultant, following the completion of the 2023 valuation. The review will also take into account the requirements of the new DB Funding Code which will apply to the 2026 valuation.

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.

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 2023 were the Trustees required to buy insurance policies to meet the liabilities (known as 'full solvency') was 72% reflecting a shortfall of £28.6m. 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 2023 and the annual reviews as at 31 March 2024.
- 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 2024.
- 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
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 2024

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