
Spotlight



Facts and figures for Active and Closed Funds



Welcome



Welcome to the 2015 edition of Spotlight, your annual publication with all the facts and figures on the Active and Closed Funds.

Throughout Spotlight, you'll have a clear view of both the Active and Closed Funds' financial performance to 31 March 2015. There's also a breakdown of the accounts so that you can see what has come in, and gone out of both Funds throughout the year, as well as updates on membership, asset allocation and performance.

You can view our full annual report [here](#).

We hope you find Spotlight useful and interesting. We value your feedback, or if you have any questions, please contact us using the details on the last page.

Investing responsibly

This year we have undertaken the most radical review of the investment strategy since 2005, full details of which are in this report. A particular highlight is the delivery on our climate risk strategy aim to review our passive investments.

We have transitioned our portfolio of passively managed global equities (£280m) to a new fund, to be run against the new MSCI Low Carbon Target Index. The new Index provides a substantial reduction in climate risk, 75-80% in terms of exposure to greenhouse gas emissions, and 85-90% in exposure to fossil fuel reserves.

We remain passionate about investing the Funds assets responsibly and we fully embrace the need to deliver a truly sustainable pension Fund that delivers financially to meet the objectives of our employers and members. Our commitment to responsible investment is not an add-on; it is embedded in all our fund investment policies, strategies and mandates.

Two indicators of our success in doing this are the reduction of our fund's carbon footprint by 44% since 2008 and the industry leading £700m (25% of the Fund) invested in clean and strong sustainable companies.

Policy to Address the Impacts of Climate Change

We have published a Policy to Address the Impacts of Climate Change to demonstrate to our members we have a credible plan to deliver strong long term financial returns as the impacts of climate change materialise. We believe financial risk and opportunities will come from the physical impacts, regulation and policy alongside increased competition from alternatives and technological innovation.

We have set ourselves a global leading objective: **to ensure that our Fund's investment portfolio and processes are compatible with keeping the global average temperature increase to remain below 2°C relative to pre-industrial levels, in-line with international government agreements.**

This is a culmination of over a decade's worth of work by the Fund to consider these issues as part of the investment strategy. We are building on our successes, the growing evidence and availability of tools to allow us to better evaluate the risks and opportunities to the Fund. We are also heartened by the increasing number of businesses and those in the financial community who are supportive in looking at climate change resilience.

The objective is grounded in the wider policy framework and allows the Fund to explore a range of investment solutions. We aim to deliver the objective will be through the combination of positive investment in the low carbon economy, continued decarbonisation and engagement.

We have set ourselves three targets for 2020:

- Invest 15 per cent of the fund in low carbon, energy efficient and other climate mitigation opportunities.
- Decarbonise the equity portfolio, reducing our exposure to "future emissions" by 90 per cent for coal and 50 per cent for oil and gas by 2020 compared to the exposure in our underlying benchmark as at 31 March 2015.
- Supported progress towards an orderly transition to a low carbon economy through actively working with asset owners, fund managers, companies, academia, policy makers and others in the investment industry.

To find further information on our approach to climate risk for over a decade, please see www.eapf.org.uk/investments/climate-risk.



Active Fund investment performance

Active Fund performance

The overall returns for 2014-15 delivered 15.1% and outperformed its benchmark by 0.1%, so ahead of actuarial assumptions, and this was an excellent result in a challenging year. This increases the Funds assets by £350m to £2.7bn. Our 3 year performance returned 12.3% which is 1.4% above benchmark

Opposite you can see the total return of the Fund over the past year and 3 years to 31 March 2015:

Financial performance	2015
1 year	
Fund performance %	+15.1
Benchmark performance %	+14.9
Performance above the benchmark %	+0.1
3 year	
Fund performance %	+12.3
Benchmark performance %	+10.9
Performance above the benchmark %	+1.4

Active Fund top holdings

The top 20 holdings in the entire fund.

L&G GBPU MSCI World Low Carbon Target Index
Wellington MP IV Global Total Return Bond TGBP Fund
L&G N - UK Equity Index
L&G YX - FTSE RAFI All World 3000 Equity Index
Ownership Capital UK Pension Class CCF
L&G Investment Grade Corporate Bond All Stocks Index
First State Global Emerging Markets SU-B
UK Government 1.25% index-linked 22/11/55
UK Government 1.125% index-linked 22/11/37
UK Government 0.375% index-linked 22/03/62
UK Government 0.75% index-linked 22/11/47
UK Government 0.5% index-linked 22/03/50
UK Government 0.75% index-linked 22/03/34
Carbon Workplace Trust
UK Government 2.00% index-linked 26/01/35
UK Government 0.75% index-linked 22/03/34
UK Government 1.25% index-linked 22/11/32
UK Government 0.625% index-linked 22/11/42
Union Investment Lux SA Quoniam Select Em Markets Min Risk
UK Government 0.625% index-linked 22/03/40

Each holding represents less than 1% of the Fund.

Active Fund geographical distribution

The Fund works within regulatory parameters for the types of asset classes it can invest in and limits the amounts of these investments. The investment strategy of the Fund is to work at maximising returns, within an acceptable level of risk, by diversifying its investments throughout world markets.

Our Fund managers invest in shares in a number of countries and the table below shows the geographical distribution of quoted and pooled equity investments for 2014/15.

Region	% of total equity
North America	34.3
United Kingdom	24.6
Europe (excluding UK)	18.4
Emerging markets & other areas	10.5
Asia Pacific (excluding Japan)	7.4
Japan	4.8
Total Fund	100%



Active Fund accounts for the year ended 31 March 2015:

Fund account	2015 (£000)
Contributions and transfers	
Contributions	87,861
Transfer values received	1,162
	89,023
Benefits and other payments	
Benefits payable	(76,190)
Payments to and on account of leavers	(2,298)
	(78,488)
Net additions from dealings with members	10,535
Return on investments	
Investment income	43,994
Taxes on income	(1,187)
Change in market value of investments	314,110
Net increase in the Fund during the year	350,513
Opening net assets of the Fund at 1 April	2,313,976
Net assets of the Fund at 31 March	2,664,489

The Active Fund is open to all members of the Environment Agency and to those employees of Natural Resources Wales and Shared Services Connected Limited who transferred from the Environment Agency.

The EAPF accounts provide information about the financial position and performance of the Fund and are prepared on a market value basis.

Closed Fund accounts for the year ended 31 March 2015:

Fund account	2015 (£000)
Income	
Grant-in-aid	74,274
Benefits and other payments	
Benefits payable	(72,267)
Payments to and on account of leavers	(242)
Net increase from dealings with members	1,767
Return on investments	
Investment income	1,646
Change in market value of investments	44,289
Net increase in the Fund during the year	47,163
Opening net assets of the Fund at 1 April	165,597
Net assets of the Fund at 31 March	212,760

The Closed Fund exists solely for the purpose of paying the benefits of a group of former employees of the water industry in England and Wales who did not transfer to one of the privatised water companies' schemes in 1989.

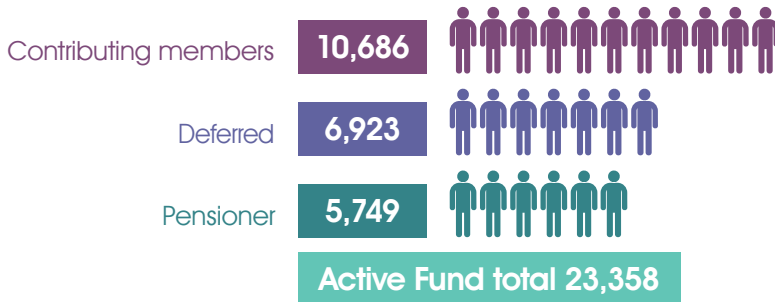
A detailed Memorandum of Understanding exists between the Accounting Officers in Defra and the Environment Agency that provides grant-in-aid to pay benefits and the running costs of the Fund.

Over the year grant-in-aid payments amounted to £74.3 million (£78.1million for 2013-14) and were received and used to meet the Fund's obligations to meet pensions and other liabilities.

Fund membership

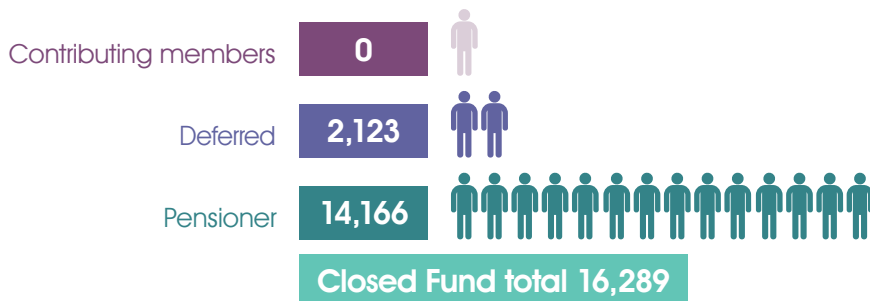
Active Fund

Over the year, the total membership of the Active Fund decreased by 228 to 23,358 members.



Closed Fund

The Closed Fund saw the total number of current pensioners and deferred members fall to 16,289 during the year.



Awards

We have won a number of prestigious awards over the years and 2014-15 is no exception with The Asset Owners Disclosure Project (AODP) ranking the EAPF as 5th out of 500 of the World's largest investors, as global leaders in managing climate risk. We are one of only 9 investors who have achieved a AAA rating.

During the year we also won the inaugural award by Investment Pensions Europe (IPE) for our approach to Climate Related Risk Management, and were also joint winners of an award recognising our management of Environment, Social and Governance risk.

Portfolio Institutional also celebrated our contribution to the wider development of Responsible Investment and the Local Government Chronicle (LGC) also recognised this area of work in November.

Contact details

If you have any questions regarding your pension entitlement you can contact our pension administrator, Capita, by:



Using the '**Contact the EAPF**' button on the website at www.eapf.org.uk



Emailing info@eapf.org.uk



Calling **0800 1216593**



Sending your query to
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