Environment Agency
Pension Fund

Active Pension Fund

Annual Report and Financial Statements for the year ended 31 March 2023

Environment Agency Active Pension Fund

Annual Report and Financial Statements 2022/23

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Environment Agency Pension Fund (EAPF) Chair's statement

I take great pride in chairing the Environment Agency Pension Fund and am pleased to present the Active Fund's Annual Report and Financial Statements for the year ended 31 March 2023.

Every year presents new challenges and 2022/23 was no exception. Global events contributed to market volatility, inflation, increased risks of cyber security and significant cost of living increases for our members. And we got yet more stark warnings about the state of our planet. Despite all the challenges, the Fund remains in excellent health – fully committed to serving our members and fully funded.

We continue to believe that, in the long term, we will generate better financial returns by investing in companies and assets that demonstrate they contribute to the long-term sustainable success of the global economy and society. We share evidence of this success throughout this report.

Over the last year, we completed our triennial valuation, reviewed our investment beliefs and investment strategy, and continued to find some great new impact investment opportunities.

A spirit of acting in the public good is strong for both our members and our Fund. Our members predominantly have a strong interest in the environment and are increasingly aware of the power of finance to drive positive change. They ask us many searching questions about the real difference their pension fund is delivering, especially in relation to improving the environment. We believe strongly in engaging with our members and highly value their feedback.

Being a public sector fund reflects on the culture, operations, and level of transparency of the Fund. Along with acting in the best interest of our members, the desire to act in the wider public interest is strong and influences our approach. We said a fond farewell to some long-standing Pensions Committee members over the year, but successfully recruited their replacements who will contribute fresh thoughts and ideas. I must pay testament to the high level of commitment and engagement from all our Pension Committee Members.

I also want to thank everyone involved, including our Pension Fund Management Team, employers, and external contractors, in managing and supporting the Environment Agency Active Pension Fund.

I hope you enjoy reading about the success of our Fund over the year. We also provide more information on our performance in our excellent **UK Stewardship Code** submission and will continue to keep you updated at **www.eapf.org.uk**

Robert A. Gould.

Robert Gould
Chair, Environment Agency Pensions Committee
24 November 2023

About the Environment Agency Pension Fund

LGPS and EAPF background

With 6.1 million members, the Local Government Pension Scheme (LGPS) is one of the largest public service pension schemes in the UK. It is a nationwide pension scheme for people working in local government or working for other types of employer participating in the Scheme.

Employers in the Scheme include local authorities and public service organisations as well as other employers which provide the LGPS for their employees by becoming admitted bodies. The Scheme is administered for participating employers locally through around 90 regional pension funds in England and Wales of which the EAPF is one.

On 1 April 2013, we became a multi-employer Fund, as we welcomed Natural Resources Wales as the new employer for former employees of Environment Agency Wales. In November 2013, Shared Services Connected Limited joined us following the outsourcing of the Environment Agency's HR and Finance Service Centres.

LGPS regulations

The Scheme rules are contained in regulations made by Parliament after consultation with both employee representatives (Trade Unions) and employer representatives. The rules comply with the relevant provisions of the Pension Schemes Act 1993, the Pensions Act 1995, the Pensions Act 2004 and the Pensions Act 2008.

The LGPS provides salary related defined benefits, which are not dependent upon investment performance. As the LGPS is a statutory funded pension scheme, it's a secure pension arrangement with rules set out in legislation made under Acts of Parliament (the Superannuation Act 1972 and Public Service Pensions Act 2013).

The LGPS is a registered public service pension scheme under Chapter 2 of Part 4 of the Finance Act 2004, achieving automatic registration by virtue of Part 1 of Schedule 36 of that Act (because the LGPS was, immediately before 6 April 2006, both a retirement benefits scheme approved under Chapter I of Part XIV of the Income and Corporation Taxes Act 1988 and a relevant statutory scheme under section 611A of that Act). The LGPS was contracted out of the State Second Pension (S2P) until 5 April 2016 and it provides benefits that are as good as most members would receive if they had been in the S2P.

The LGPS benefits are primarily governed by the Local Government Pension Scheme Regulations 2013 (SI 2013/2356) and Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (SI 2014/525). The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (SI 2016/946). These are all subject to amendment over time.

The LGPS is a national defined benefit pension scheme providing final salary benefits in relation to membership up to 31 March 2014 and career average revalued earnings (CARE) for membership from 1 April 2014.

State Pension provision and the Pensions Act 2014

In May 2014, the Pensions Act 2014 introduced a fundamental change to the provision of state pension in the UK alongside a number of significant changes for private pensions.
From 6 April 2016, the State Pension system in the UK changed with the introduction of a new single tier State Pension. The new system applied to individuals who reached their State Pension Age on or after 6 April 2016. The changes to the State Pension also heralded the abolition of contracting out for Defined Benefit schemes, such as the EAPF, from April 2016.

The Act also legislates for the acceleration of State Pension Age from age 66 to 67 for both men and women between 6 April 2026 and 5 April 2028.

LGPS responsibilities

The regulations give specific responsibilities to scheme employers and pension fund administrators, each of whom must make decisions in relation to some matters and can exercise their discretion in relation to others.

The Environment Agency Board delegates responsibility for management of the Fund to a Pensions Committee. The Pensions Committee is assisted by an Investment Sub Committee, and our Pension Board which was created on 1 April 2015. Both employees and employers contribute to the LGPS, employees' contributions are fixed within the Scheme regulations, while employers' contributions vary depending on how much is needed to ensure benefits under the Scheme are properly funded.

The Fund Actuary sets each employer's contribution rate as part of the actuarial valuation of the Fund's assets and liabilities every three years. The 31 March 2022 valuation has now been completed, The next triennial valuation is due as at 31 March 2025.

Changes to the Local Government Regulations during 2022/23

There were two changes to existing pensions legislation and three brand-new pieces of legislation that were made/come into force during 2022/23 that affect the Local Government Pension Regulations 2013, these were:

- **The Public Service Pensions and Judicial Offices Act 2022 (PSPJOA 2022)** – receiving Royal Assent on 10 March 2022, this Act is a piece of primary legislation, setting out the changes that public service pension schemes (PSPS) need to make to their rules to incorporate the requirements of the McCloud Judgment (i.e. extending the final salary protection, which was originally offered to certain older members, to younger members, too). Whilst the Act provides broad strokes to PSPS on what changes need to be made to their scheme rules, some of the detail on how the scheme(s) will actually rectify the discrimination won't be known until the final amendment regulations for each scheme are published.

- **The Occupational and Personal Pension Schemes (Disclosure of Information) (Requirements to Refer Members to Guidance etc.) (Amendment) Regulations 2022** – Coming into force on 1 June 2022 and amending the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013, these regulations introduced the requirement to offer members with defined contribution (DC) benefits (including DC benefits attached to a defined benefit main scheme benefit i.e. an AVC fund) the opportunity to receive free, impartial guidance from Money Helper on the different ways in which their DC benefits can be taken. Generally known as the 'Stronger Nudge towards Pensions Guidance', the new rules required pension providers to offer to book Money Helper appointments on a member's behalf, with members needing to either accept the appointment or opt out of receiving the guidance (though a few exceptions apply, where members don't need to be offered a 'nudge').

- **The Pensions Dashboard Regulations 2022 (PDR 2022)** – coming into force on 12 December 2022, the PDR 2022 sets out the rules for pension providers to make their data ('value data') accessible to members wishing to see a summary of all their pension rights (in most cases, both a current value and a projection to the member's Normal Pension Age) in one handy place – the 'pensions dashboard'. Although LGPS funds have until September 2024 (though it's likely that this deadline will be extended) to make their data available (the 'staging date'), there's a considerable amount of work that LGPS funds will need to do to ensure how the 'value data' is displayed (as well as when 'value data' needs to be provided).

- **The Public Service Pension Schemes (Rectification of Unlawful Discrimination) (Tax) Regulations 2023** – applicable specifically to members affected by the McCloud Judgment, these regulations, which come into force on 6 April 2023, were introduced to allow for certain pensionable payments to be made, and for certain decisions to be made retrospectively, without the member being subject to the unauthorised payments tax charges. In addition, the regulations remove the need to revisit previous annual allowance calculations where, had the member received a final salary uplift at the time, the member's pension savings for an earlier tax year would be greater.

- **The DRAFT Local Government Pension Scheme (Amendment) Regulations 2023** – although the regulations are currently in draft, the DLUHC fully intends to move the Scheme's in-service revaluation rate (which is currently linked to the rise in the Consumer Price Index from October to September) from 1 April to 6 April, but still applying the revaluation to the member's accrued career average pension on 31 March 2023. Whilst, on the face of it, the change seems relatively small, it will have a considerable impact on members' pension savings towards the annual allowance, as the revaluation rate for April 2023 (10.1%) will not be included in the pension savings calculation for the 2022/23 tax year. Going forwards, the inflationary increase used to revalue pension savings at the start of the tax year will be the **same** as the revaluation applied to the career average pension during the tax year, thereby making the inflationary/revaluation increases relatively neutral to one another. If (or, more likely, when) the regulations are approved, the plan is for them to come into effect on 31 March 2023.

Environment Agency Pension Fund governance

Introduction

The Environment Agency is the administering authority responsible for maintaining and managing the Environment Agency Pension Closed and Active Funds (the Funds), which are part of the Local Government Pension Scheme (the Scheme) in England and Wales.

Flexibility is provided for each Administering Authority to determine their own governance arrangements relating to how they maintain and manage their Fund. Our Governance Policy provides high level information in relation to those arrangements and how we govern the Funds. This, and our other policies, can be found at **www.eapf.org.uk/trustees/governance-policies**

Objectives

Our main governance objectives are to:

- Act in the best interests of the Fund's members and employers;
- Have robust governance arrangements in place to manage conflicts of interest and to facilitate informed decision making, supported by appropriate advice, policies and strategies understand and monitor risk;
- Clearly articulate our objectives and how we intend to achieve those objectives through business planning, and continually measure and monitor success;
- Deliver our services through people who have the appropriate knowledge, skills and expertise, and ensure that this knowledge and expertise is maintained within the continually changing LGPS and wider pensions landscape;
- Strive to ensure compliance with the appropriate legislation and statutory guidance, and to act in the spirit of other relevant guidelines and best practice guidance ensure those persons responsible for governing the EAPF have sufficient expertise to be able to evaluate and challenge the advice they receive, ensure their decisions are robust and well based, and manage any potential conflicts of interest; and
- Ensure the confidentiality, integrity and accessibility of the Fund's data, systems and services is protected and preserved.

Regulatory background

The Local Government Pension Scheme is a statutory scheme, established by an Act of Parliament. The Local Government Pension Scheme Regulations 2013, the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 outline the key responsibilities of administering authorities in managing the Scheme.

Our Governance structure

The EAPF is one of around 90 Administering Authorities responsible for managing LGPS Funds in England and Wales. Our Funds were created at the time of the privatisation of the water industry in England and Wales in 1989 and were established as the National Rivers Authority Pension Fund.

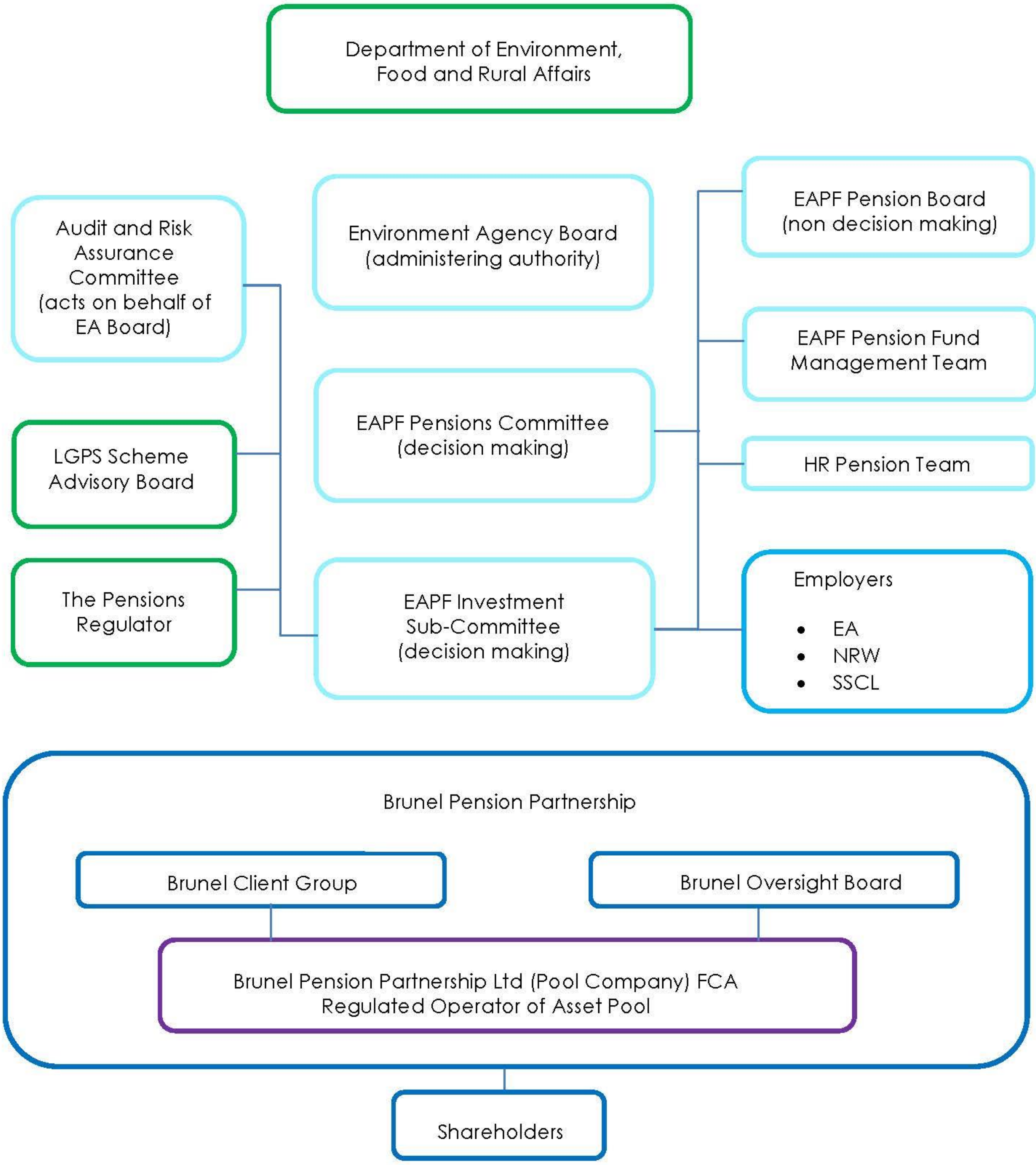
The former Water Authorities Superannuation Fund was divided in three ways: company schemes for employees transferring to the new water companies; the Active Fund for employees joining the then National Rivers Authority (the predecessor to the Environment Agency); and the Closed Fund for deferred and pensioner members at that time.

The Active Fund inherited active members' accrued liabilities from its predecessor pension arrangements, but no pensioner or deferred pensioner liabilities. In 1996 it transferred to the Environment Agency and became the Environment Agency Active Pension Fund.

The EAPF is now a multi-employer Fund: Environment Agency, Natural Resource Wales (NRW) and Shared Services Connected Limited (SSCL). It is open to all eligible Environment Agency employees, but is closed to new employees of NRW and SSCL. The EAPF is also responsible for administering some unfunded benefit payments.

EAPF Pensions Committee and summary governance structure

The Environment Agency Board delegates the management and oversight of the Fund in the main to a Pensions Committee, an Investment Sub-Committee and a Pension Board. The EAPF governance structure, role of the Pensions Committee and interaction with stakeholders is illustrated at a high level in the following diagram. The role of Brunel is explained in detail on page 21.



Our Pension Fund membership

Unless they have elected in writing, all full and part time Environment Agency employees, whether permanent or temporary (over 3 months), become active members of the Fund.

The 12 months ended 31March 2023 has seen a 12.2% decrease in the Fund's active members (2022: increase of 1.7%). Deferred membership has increased by 1.2% (2022: increase of 2.8%) and there has been a 4.3% increase in pensioners (2022: increase of 4.6%).

Movement in number of members and pensioners

	Active members	Deferred members	Current pensioners	Total
As at 1 April 2022	**11,549**	**8,314**	**7,752**	**27,615**
Adjustment for late notifications	(24)	(41)	62	(3)
Revised opening balance	**11,525**	**8,273**	**7,814**	**27,612**
Add:				
New active members	2,244			2,244
New deferred members		429		429
New pensioners - retirement			418	418
New pensioners - dependent			77	77
	2,244	**429**	**495**	**3,168**
Less:				
Deferred benefits	(429)			(429)
New retirement pensions	(246)	(172)		(418)
Deaths in service	(5)			(5)
Refunds of contributions	(66)			(66)
Options pending	(61)			(61)
Transfers out - individual		(109)		(109)
Deaths in deferment		(8)		(8)
Commutation of pension		(3)	(4)	(7)
Death in retirement			(198)	(198)
Suspended/Ineligible pensions			(25)	(25)
	(807)	**(292)**	**(227)**	**(1,326)**
As at 31 March 2023	**12,962**	**8,410**	**8,082**	**29,454**

Summary of active member retirements

	2023	2022
Ill Health Retirements (all ages) Tier 1	27	11
Ill Health Retirements (all ages) Tier 2	1	4
Ill Health Retirements (all ages) Tier 3	4	4
Early Retirements - efficiency/redundancy over age 55	0	1
Early Retirements - with employer consent	34	64
Flexible retirements - over age 55	38	42
Early Retirements - age 60 and under age 65	78	92
Normal Retirements - age 65	2	0
Late Retirements - over age 65	62	43
Total retirements	**246**	**261**

For more details on ill health retirement, flexible retirement and retirement in general, please visit the member section of our website at **www.eapf.org.uk**

Age profiles of members and pensioners

Age profile of active members as at 31 March	2023		2022	
	No.	%	No.	%
15-19	54	0.4	8	0.1
20-24	738	5.7	297	2.6
25-29	1,236	9.5	879	7.6
30-34	1,374	10.6	1,160	10.0
35-39	1,678	13	1,531	13.3
40-44	2,035	15.7	1,891	16.4
45-49	1,844	14.2	1,748	15.1
50-54	1,859	14.3	1,770	15.3
55-59	1,419	11	1,433	12.4
60-64	603	4.7	653	5.7
65-69	105	0.8	159	1.4
70-74	17	0.1	20	0.1
Total	**12,962**	**100**	**11,549**	**100**

Age profile of deferred members as at 31 March	2023		2022	
	No.	%	No.	%
20-24	3	0.1	32	0.4
25-29	41	0.5	180	2.2
30-34	226	2.7	430	5.2
35-39	492	5.9	1,043	12.5
40-44	1,087	12.9	1,632	19.6
45-49	1,672	19.9	1,553	18.7
50-54	1,600	19	1,615	19.4
55-59	1,641	19.5	1,335	16.1
60-64	1,233	14.7	427	5.1
65-69	367	4.3	56	0.6
70-74	38	0.4	10	0.1
75-79	9	0.1	1	0.1
Total	**8,410**	**100**	**8,314**	**100**

Age profile of current pensioners at 31 March	2023		2022	
	No.	%	No.	%
Child dependents	64	0.8	70	0.9
Pensioners and spouses				
Under 50	53	0.7	48	0.6
50-54	78	1.0	58	0.7
55-59	485	6.0	295	3.8
60-64	1,336	16.5	1,176	15.2
65-69	1,886	23.3	1,808	23.3
70-74	1,796	22.2	1,803	23.3
75-79	1,340	16.6	1,355	17.5
80-84	683	8.4	742	9.6
85-89	301	3.7	317	4.1
90-94	57	0.7	75	0.9
95-99	3	0.1	5	0.1
Total	**8,082**	**100**	**7,752**	**100**
Total membership	**29,454**		**27,615**	

Pensions increase

LGPS pensions in payment and deferred benefits are reviewed under the provisions of the Pensions (Increase) Act 1971 and Section 59 of the Social Security Pensions Act 1975 and linked to the change in the Consumer Prices Index (CPI).

Our pensions in payment and deferred pensions received an increase from 12 April 2023 of 10.1 (11 April 2022: 3.1).

The following table shows the rate of increases that have applied to pensions in payment and deferred pensions since 2014:

April	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
% increase	2.7	1.2	0.0	1.0	3.0	2.4	1.7	0.5	3.1	10.1

Key Governance documents

The following are the key documents relating to the governance of the Fund.

Title	Description
Environment Agency Framework Document	This is issued to the Environment Agency by Defra and sets out the Environment Agency's responsibilities with respect to pensions.
Terms of Reference and Standing Orders of The Pensions Committee, Investment Sub-Committee and Pension Board	As defined by the Environment Agency Board, this details the delegated responsibilities of the PC, ISC and Pension Board as well as detailing the membership and meeting procedures such as frequency, quorum and reporting.
Scheme of delegation	The Environment Agency's Scheme of Delegation is approved by the Environment Agency Board. This prescribes the scope of the delegation of powers beyond those included in the PC, ISC and Pension Board Terms of Reference. In particular it details specific delegations to officers and instructions to the third party administrators relating to the management of the Scheme. The statement of delegation details the pension extract from the Environment Agency's Non-Financial and Financial Scheme of Delegation; day to day management by Pension Fund Management team; and employing authorities responsibilities and discretions.
Governance Compliance Statement	As approved by the Pensions Committee, this is required by regulation 55 of the Local Government Pension Scheme Regulations 2013. It states how the EAPF complies with Secretary of State guidance.
Knowledge and Skills Policy	As approved by the Pensions Committee, this outlines the EAPFs approach to ensuring all key decision makers have the appropriate knowledge and skills to carry out their roles effectively.
Conflicts of Interest Policy	As approved by the Pensions Committee, this outlines how potential and actual conflicts of interest will be managed in relation to EAPF matters.
Risk management policy	This policy sets out our strategic approach to effective risk management and provides cross references to the detailed risk assessment in the principal strategy documents of the fund.

Committee members must make an annual declaration of any conflicts of interest and prior to each meeting. These are recorded and held on the register of interest by our Secretariat. The Chair reviews the register annually.

Monitoring governance of the EAPF

The Fund's governance objectives are monitored as follows:

Objective	Monitoring Arrangements
Act in the best interests of the EAPF's members and employers	The PC, ISC and Pension Board include representatives from scheme members and employers in the EAPF with equal voting rights.
Have robust governance arrangements in place, to manage conflicts of interest and to facilitate informed decision making, supported by appropriate advice, policies and strategies.	The Risk and Governance Adviser undertakes a regular review of the effectiveness of the EAPF's governance arrangements, the findings of which are reported to the PC and the Environment Agency Board. In line with the Regulations the Governance Compliance Statement will be filed with the DLUHC. A Conflicts of Interest Policy is in place together with ongoing reporting and monitoring of the register of conflicts in accordance with the Conflicts of Interest Policy.
Understand and monitor risk.	A Risk Management Strategy is in place and integral to day to day management of the EAPF. An annual risk and compliance internal audit is carried out and reported to the Pension Board and Environment Agency Audit Risk and Assurance Committee. Ongoing consideration of key risks at PC and ISC meetings.
Clearly articulate our objectives and how we intend to achieve those objectives through business planning, and continually measure and monitor success.	• All strategies and policies include reference to how objectives will be monitored. • Ongoing monitoring against key objectives at PC meetings. • Ongoing monitoring of business plan targets at PC meetings. Quarterly and annual updates against the BPP business plan and objectives.
Deliver our services through people who have the appropriate knowledge, skills and expertise, and ensure that this knowledge, skills and expertise is maintained within the continually changing LGPS and wider pensions landscape.	Outsourced providers selected for their expertise, professional knowledge and capabilities to deliver quality and value for money services. Agreed measures, as part of robust contract management, are in place to ensure our objectives are achieved through third parties as appropriate. A Knowledge & Skills Policy is in place together with appropriate measures to ensure its objectives are being achieved.

Objective	Monitoring Arrangements
Strive to ensure compliance with the appropriate legislation and statutory guidance, and to act in the spirit of other relevant guidelines and best practice guidance.	• The Governance of the Fund is considered by both the External and Internal Auditors. All External and Internal Audit Reports are reported to the PC. • The Fund carries out a regular compliance check against the relevant The Pension Regulator's Code of Practice. • The Fund maintains a log of all breaches of the law in accordance with the Fund's breaches procedure which is reported on and monitored as outlined in that procedure. • The Pension Board prepares and publishes an annual report which may include comment on compliance matters.
Ensure those persons responsible for governing EAPF have sufficient expertise to be able to evaluate and challenge the advice they receive, ensure their decisions are robust and well based, and manage any potential conflicts of interest.	A Knowledge & Skills Policy and Conflicts of Interest Policy are both in place together with appropriate measures to ensure its objectives are being achieved.
Ensure the confidentiality, integrity and accessibility of the Fund's data, systems and services is protected and preserved.	• All information security breaches relating to data being issued insecurely by the Fund are recorded and reviewed. • All other incidents affecting confidentiality, integrity and accessibility of data, systems or services are recorded and reviewed. • The Fund has a framework for managing cyber risks in place. • The Fund has a business continuity plan. All Fund staff undertaken data protection and cyber training in accordance with the objectives of the Knowledge and Skills Policy.

EAPF Governance

Pensions Committee, Investment Sub Committee and Pension Board membership

The Environment Agency Board appoints members in accordance with our Governance Compliance Statement. Membership of the Pensions Committee (PC) will normally be 14 including the Chair of the PC. Members of the PC will comprise:

- Four Non-Executive Board members of the Environment Agency, one of whom will be the Chair.
- Two Executive members of the Environment Agency.
- One Non-Environment Agency employer representative member.
- Five Active Scheme member representatives.
- Two Pensioners or one Pensioner and one Deferred member representatives.

Membership of the Investment Sub Committee (ISC) will be appointed by the Environment Agency Board and will normally be seven Committee members as follows:

- Two Non-Executive Environment Agency Board members (one of whom should be nominated as Chair of the ISC by the PC).
- Two from the Executive Environment Agency and Employer representative members (or deputies).
- Three Scheme member representatives (active, pensioner or deferred).

Membership of the Pension Board is covered below under the Annual Statement from the Chair of the EAPF Pension Board.

Changes to Pensions Committee, Investment-Sub Committee and Pension Board membership

Peter Kellett retired from the Environment Agency and has been replaced by Estelle Palin (Interim Director of Legal Services) from 27 September 2022. Laura Milton, new Environment Agency Director of Legal Services has replaced Estelle Palin on both Pensions Committee and Investment Sub Committee from 25 May 2023.

Colin Chiverton resigned from the Pensions Committee on 31 March 2023 after serving on the PC for the maximum 10 years. Following a competitive and inclusive recruitment exercise, Colin was replaced by new active member representative, Alice Davis, for a 3-year term to 31 March 2026. Matthew Chaddock was also appointed as the new Shadow Member Representative from 1 April 2023.

Pensions Committee (PC), Investment Sub-Committee (ISC) and Pension Board (PB) membership

As at 31 March 2023	Membership	Date of appointment	Length of service	End of current appointment	Residual period of current appointment
Board members					
Robert Gould	PC, ISC, PB	18/10/2018	4 yr 6 mth	31/03/2025	2 yr 0 mth
Caroline Mason	PC, ISC, PB	03/12/2018	4 yr 4 mth	31/03/2024	1 yr 0 mth
John Lelliott	PC, PB	12/12/2019	3 yr 4 mth	31/03/2024	1 yr 0 mth
Lilli Matson	PC, PB	30/09/2021	1 yr 6 mth	31/01/2025	1 yr 4 mth
Administering Authority Executive manager nominees					
Peter Kellett	PC, ISC	01/02/2018	Resigned	N/A	N/A
Estelle Palin	PC, ISC	27/09/2022	0 yr 7 mth	N/A	N/A
Phil Lodge	PC, ISC	16/05/2018	4 yr 11 mth	N/A	N/A
Non-Environment Agency Executive Employer representative					
Rachael Cunningham	PC, PB	07/09/2020	2 yr 7 mth	06/09/2023	0 yr 5 mth
Contributing member nominees and representatives					
Colin Chiverton	PC, ISC, PB	01/04/2013	10 yr 0 mth	31/03/2023	0 yr 0 mth
Will Lidbetter	PC, ISC, PB	01/08/2016	6 yr 8 mth	31/07/2025	2 yr 4 mth
Danielle Ashton	PC, ISC	01/02/2018	5 yr 2 mth	31/01/2024	0 yr 10 mth
Veronica James	PC	16/05/2019	3 yr 11 mth	15/05/2025	2 yr 1 mth
Greg Black (shadow)	PC	01/04/2022	1 yr 0 mth	31/03/2025	2 yr 0 mth
Pensioner and deferred members					
Peter Smith	PC, PB	14/05/2015	7 yr 11 mth	13/05/2024	1 yr 1 mth
Hywel Tudor	PC, PB	14/05/2015	7 yr 11 mth	13/05/2024	1 yr 1 mth

Committee member biographies

The biographies of Committee members included below demonstrate the past and current experience of the membership and form the basis for decisions on future training needs as part of our adoption of the CIPFA Knowledge and Skills Framework for LGPS funds.

Robert Gould was appointed to the Board of the Environment Agency in 2018. As well as chairing the Pensions Committee he also sits on the Board's Flood and Coastal Risk Management Committee and Audit and Risk Management Committee. He is the EA Shareholder Representative to the Brunel Pension Partnership where he chairs the Oversight Board. He has a background in local government and was Leader of Dorset County Council from 2014 to 2017 and Leader of West Dorset District Council from 2004 to 2014. He was a vice chair of South West Councils and a member of the Local Government Association's Improvement and Innovation Board from 2015 to 2017. He previously managed the family farm after working in industry and property management. He is a deferred member of the LGPS (Dorset County Fund).

John Lelliott OBE was appointed to the Board of the Environment Agency in 2018. John became Chair of the Audit and Risk Assurance Committee in August 2018, is a member of the Flood and Coastal Risk Management Committee and is the Area Board member for East Midlands. John is currently a Board Member of the Covent Garden Market Authority where he chairs the Audit and Risk Committee. He is also Chair of the Natural Capital Coalition and Non-Executive of the Royal Bournemouth and Christchurch Hospital Foundation Trust where he chairs the Finance Committee and is a member of the Audit Committee. John is a member of H.R.M the Prince of Wales AHS Advisory Council and is also a chair of the A.C.C.A. Global Forum of Sustainability.

Dame Caroline Mason CBE is Chief Executive at Esmée Fairbairn Foundation. Before joining Esmée, Caroline was Chief Operating Officer at Big Society Capital and preceding that, Charity Bank. Caroline was also the co-founder of Investing for Good, a social investment advisory firm and one of the first Community Interest Companies. Before joining the social sector, Caroline had an eighteen-year track record of creative and innovative product development in the financial services sector. With Reuters, she managed the global development of real-time news and television services and then pioneered the introduction of web technology products. She also had her own consulting company, working with several financial institutions to develop new business and products including an electronic brokering service and a global wealth management business for a private bank. Caroline is a Board Member of the Environment Agency and the Impact Investing Institute.

Peter Kellett is a solicitor and Director of Legal Services for the Environment Agency. He attends the Environment Agency's Executive Directors Team and is an Executive nominated Member of the Pensions Committee. Peter has a Masters in Environmental Law and works on environmental regulation from its design to implementation. He has worked on the creation of Natural Resources Wales, Environmental Permitting, Civil Sanctions and the creation of Brunel Pension Partnership. He leads a legal team providing legal advice and litigation services to the Environment Agency. He is a former trustee and Chair of the UK Environmental Law Association and of St Werburghs City Farm in Bristol. Peter is currently a NED at the Great Western Credit Union. Peter is both a deferred and also an active member of EAPF.

Estelle Palin is a solicitor and Interim Director of Legal & Audit Services for the Environment Agency. She attends the Environment Agency's Executive Directors Team and is an Executive nominated Member of the Pensions Committee. Estelle works on environmental legislation, flood risk and infrastructure. She has advised on national incidents and led the Environment Agency's legal team enabling the delivery of the 6 year 2.6Bn capital programme on time and on budget and exceeding outcome targets. Estelle leads a legal team providing legal advice, litigation and Internal Audit services to the Environment Agency. Estelle is an active member of EAPF.

Colin Chiverton has been a member of the Committee since 2013. He is an Area Environment Manager in Thames Area and has been an active member of the EAPF for 31 years. Colin has attended many training events on the LGPS and completed the Pensions Regulator's Public Service training. He has developed his knowledge on pension fund investment and management. He is the Pensions Representative of Prospect Union's Environment Agency Branch. Colin's tenure on the Pensions Committee ended on 31 March 2023 having served for 10 years on the Committee.

Danielle Ashton has been a member of the LGPS for 25 years. She is a contributing member representative of the committee since 2017 following open recruitment. She is employed by the Environment Agency as a Research Manager in Environment and Business working on land and net zero research issues. She has attended a series of training events run by the LGPS and will continue to develop her knowledge on pension management and investment. Danielle has attended a company AGM on behalf of the pension fund to raise the issue of their approach to climate change.

Will Lidbetter has been an active member of the Fund since 1992, and an active member nominee since July 2016. He has attended the induction training events on the LGPS and a number of other courses and conferences. Will is currently a specialist in data governance and strategy. He leads on Pensions for the Unison Thames branch and has dealt with pension issues on behalf of his members.

Peter Smith is a qualified solicitor (retired) and his appointments included Chief Executive of Malvern Council and Regional Solicitor to the Severn Trent Water Authority. Peter entered The Salvation Army Training College in 1978 and was commissioned and ordained in 1980. Following church appointments, in April 1989 Peter was transferred to International Headquarters and became the Legal and Parliamentary Secretary, a post which he held until retirement on 1 December 2009. In this capacity Peter advised The Salvation Army worldwide on a very wide range of legal issues and continued in the role of Director of Legal Services until February 2011. During this time Peter served as a Director/Trustee of The Salvation Army Trustee Company, The Salvation Army International Trustee Company and was a member of the Board of Management of The Salvation Army Housing Association. These positions and appointments have all given Peter a wide experience of law and administration of charitable bodies both in the United Kingdom and internationally. He currently serves on the Board of charity Guideposts.

Hywel Tudor is the deferred pensioner member of the EAPF having previously worked in senior management roles for the National Rivers Authority and Environment Agency in Wales. A qualified accountant with senior level experience in the public, private and charity sectors, prior to retirement he was Director of Finance & Resources for the Arts Council of Wales. He became an Independent non-executive member of the Sport Wales Audit and Risk Assurance Committee in November 2021 and completed his Independent non-executive role with the National Library of Wales in late 2022. Hywel joined the EA Pension Committee and Pension Board in 2015. He had previously been a member of the Arts Council Retirement Plan Trustee Board for 15 years. During his time as a pension trustee he has regularly attended relevant training events and gained wide ranging experience of pension matters.

Phil Lodge has been an active member of the LGPS since 1992 and joined the Pensions Committee in 2018. He has received general pension management training. Phil is currently a Director in Local Operations where he leads the delivery teams across the South and South-West of England. Phil has been a trustee of a number of charities and sat on the General Council of the Chartered Institution of Wastes Management (CIWM) for 12 years, was CIWM South West Chair from 2005-2008, and elected a Fellow in 2012. He holds an Honours Degree in Environmental Science, a Master's Degree in Business Administration and is a Chartered Environmentalist. Phil represents the Environment Agency's Executive on the Pensions Committee.

Rachael Cunningham joined NRW as Executive Director of Finance and Corporate Services, Natural Resources Wales in 2020 having previously worked as Finance Director at the DVLA. Prior to that she held several senior finance positions in the private and public sectors, including manufacturing and interior design. She is a strategic finance leader, with a focus on business transformation. Rachael is an ICAEW Chartered Accountant with a BSc Hons Degree in Chemistry from Imperial College, London.

Veronica James was appointed to the Pensions Committee as a member representative in May 2019. She has been a member of the LGPS since 2012 and is also a deferred member of LGPS from a previous employment. Veronica is currently a Planning Specialist in Thames Area and is Planning Manager for the Oxford Flood Alleviation Scheme. She attended a series of LGPS induction training courses run by the Local Government Association in autumn 2019 which increased her understanding of her role and responsibilities on the Pensions Committee. She is continuing to develop her knowledge on pension management as this will help her carry out her duties effectively as a Trustee.

Greg Black (Active member representative) joined the committee in as a full member in 2022 and is looking forward to increasing his knowledge of pension funds and investments. He is a Senior Advisor with the Advanced Technologies and Future Strategy team in E&B with a PhD in Nuclear Engineering and strong background in data analysis. Greg has been attending AGMs of companies we invest in to raise questions related to our responsible investment policy. Greg is also the Pensions representative for Prospect Union.

Lilli Matson is a member of Flood and Coastal Risk Management and Pensions Committees and attends the Investment Sub Committee. She is the Area Board member for Devon, Cornwall and the Isles of Scilly, as well as Greater Manchester area. Lilli is Chief Officer of Safety, Health and Environment at Transport for London (TfL) since 2019. Her former roles at TfL include Director of Transport Strategy, Head of Strategy and Outcome Planning, Head of Delivery Planning and Head of Integrated Area Programmes. She is a Board member of the London Transport Museum. She brings a wealth of operational, infrastructure, urban planning and pension fund experience.

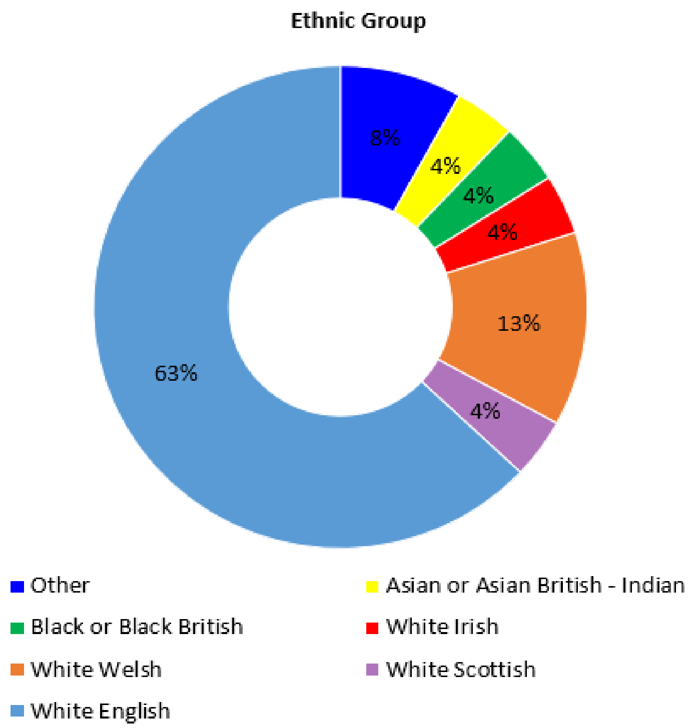
Attendance at Pensions Committee, Investment Sub-Committee and Pension Board meetings

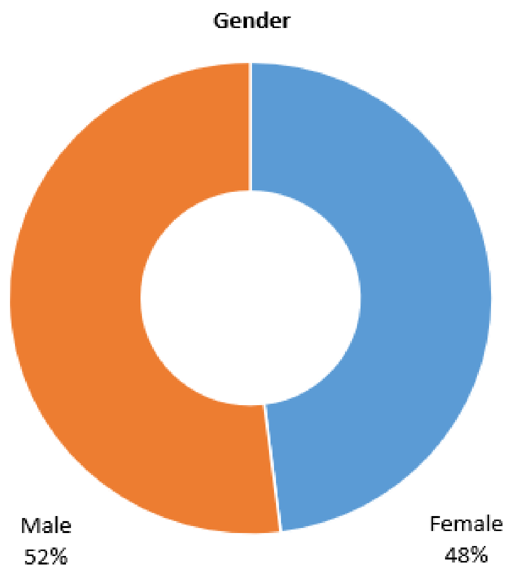
During the past year, the Pensions Committee met on four occasions. The Investment Sub-Committee met on six occasions and the Pensions Board met on one occasion.

	Pensions Committee meeting 4 in total	Investment Sub-Committee 6 in total	Pension Board Meeting 1 in total	Total attendance
Board members				
Robert Gould (Chair)	4/4	5/6	1/1	10
Lilli Matson	3/4	-	1/1	4
John Lelliott	4/4	-	1/1	5
Caroline Mason	4/4	4/6	1/1	9
Executive members				
Peter Kellett	2/2	2/3	-	4
Estelle Palin	2/2	2/3	-	4
Rachael Cunningham	2/3	-	0/1	2
Robert Bell	1/1	-	-	1
Phil Lodge	3/4	6/6	-	9
Active members				
Danielle Ashton	3/4	-	-	3
Colin Chiverton	4/4	5/6	1/1	10
Veronica James	4/4	-	-	4
Will Lidbetter	4/4	5/6	1/1	10
Greg Black	4/4	1/6 (Observer)	-	5
Pensioner members				
Peter Smith	4/4	3/6 (Observer)	1/1	8
Hywel Tudor	4/4	3/6 (Observer)	1/1	8

Diversity

Below is diversity information for the combined personnel within the Pension Committee, Pension Board and Officers.





Pensions Committee business during 2022/23

The Pensions Committee made several key recommendations and decisions throughout the year on significant issues that will have a long-term impact on the performance of the Fund. These decisions have been made in a timely and informed manner, in line with our policies, taking appropriate legal, financial and investment advice, when necessary.

Our key activities included:

a) Management of EAPF related risks including cyber risk.

Risk management and discussion of risk registers is an important standing item on both the Pension Committee and Investment Sub Committee agenda. Our top risks which we continue to manage include: External geopolitical events (including COVID pandemic and Ukraine/Russia conflict), Cyber Security, data, Team resilience and succession and risks around third party supplier delivery.

We completed our internal IT (DDTS) review of our cyber risk, funded directly by the Environment Agency. We will be implementing recommendations from this review during 2023.

In addition, the volatility in the markets, particularly following the September 2022 mini budget impacted both our funding position and assets. The Investment Sub Committee have been regularly monitoring and taken appropriate investment and funding advice. We set long term strategies to manage our risks, we remain in a very positive funding position.

b) Triennial actuarial valuation

We completed our Fund actuarial valuation at 31 March 2022 during the year. We prepared for this during 2021 and signed off the final valuation results at our September 2022 Pensions Committee meeting. We were pleased to see that the Fund remains in a very healthy funding position (103% at March 2022). We also agreed employer contribution rates with both the Environment Agency (19% p.a.) and NRW (£7m) p.a. for the 3 year period from April 2023.

Due to market movements over the year, we have seen our funding level improve significantly. More information of this can be found in the actuarial statements section and we will continue to keep members updated on progress and results through our newsletters and at **www.eapf.org.uk.**

c) New Responsible Investment Strategy Statement (RISS)

In April 2022, we updated 'Getting to Net Zero & Building Resilience: EAPF Policy to Address Climate Change'. We were delighted to agree this updated policy following detailed Committee discussion and investment and legal advice. We are one of the first public sector pension funds to make this commitment and have a clear roadmap to achieve this ambition.

The implementation of this new policy has been a key focus of both the Investment Sub Committee and Pensions Committee over the last year. Following completion of our actuarial valuation, we agreed our new investment strategy at our March 2023 Pensions Committee meeting. We now have a new specific allocation to Natural Capital and an allocation to Sustainable Secured Finance. We continue to work through the Brunel Pension Partnership and welcomed Liz McKenzie, Brunel Shareholder NED to our September 2022 meeting.

We created our first Responsible Investment Strategy statement, reflecting our Investment Strategy Statement and the incorporation of high-level priorities from our Responsible Investment Strategy and Policy to Address Climate Change. We are seeking to mainstream our Responsible Investment approach within our Investment Strategy.

More information can be found in our Responsible Investment Strategy Statement in Annex 3 and **at www.eapf.org.uk**.

d) Benefits administration and communications

Our members are core to everything we do as a Fund and ensuring the right level delivery of service is critical from our administrator. Capita have reported at all our Pension Committee meetings as we continue to challenge in improving delivery.

We have set up a new Benefits Working Group of the Pensions Committee recognising the increased amount of member related activity and project that is coming down the horizon. We commenced our deferred member strategy and were regularly updated on the SSCL Pensionable Pay Project. A more detailed update on administration and communication can be found on page 55.

e) National Audit Office and the oversight and assurance from other audits

The Environment Agency Pension Fund is audited by the National Audit Office (NAO), which is different to the other local authority LGPS Funds. Our Annual Report and Financial Statements link into both the Environment Agency reports and Defra reports, and wider all of government reports.

Due to our asset size and the scope of change, we are currently seen as an area of increased risk and greater audit focus for the Environment Agency. The changes referred to include pooling through the Brunel Pension Partnership, Capita and their internal controls report (AAF 01/20), our actuarial valuation, valuation of our assets and the McCloud judgment plus other national legal cases.

The NAO's audit strategy was presented at our March 2023 meeting. Our Annual Report and Financial Statements for 2021/22 were laid in Parliament in October 2022, a fantastic achievement given wider challenges.

We have also supported internal audits during the year. We have commenced a benefit related audit through Capita, which we hope to complete during 2023. We have also supported an audit of SSCL pension provision following the issues reported.

Asset pooling and the creation of the Brunel Pension Partnership

Background

Following the 2015 LGPS Investment Reform Criteria and Guidance, which set out how the Government expected LGPS funds to establish asset pooling arrangements, we established the Brunel Pension Partnership to meet this Government guidance and the requirements of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, in conjunction with nine other LGPS Funds. The objectives included benefits of scale, strong governance and decision making, reduced costs and the improved capacity to invest in infrastructure.

Our pooling delivery operator, the Brunel Pension Partnership Ltd (Brunel Ltd) was launched on 18 July 2017 as a new company wholly owned by the ten Administering Authorities, including the EAPF. We own a 10% shareholding in Brunel Ltd.

Responsibility for implementing our detailed Strategic Asset Allocation rests with Brunel Ltd. Importantly the EAPF, through its Pensions Committee, retains the responsibility for setting the detailed EAPF Strategic Asset Allocation and allocating investment assets to the portfolios provided by Brunel Ltd which maintains our long-standing and widely recognised approach to Responsible Investment.

Governance and oversight

The EAPF is both a shareholder and a client of Brunel Ltd. As a client, we have the right to expect certain standards and quality of service. To enable this, a detailed service agreement was put in place setting out the duties and responsibilities of Brunel Ltd, and our rights as a client. It includes a duty of care of Brunel Ltd to act in its clients' interests.

The Pension Committee recognises that the governance of the partnership is of the utmost importance to ensure our assets are invested well and our needs and those of our beneficiaries are protected. We were instrumental in establishing governance controls at several levels within Brunel Ltd as follows:

As shareholders in Brunel Ltd, we entered into a shareholder agreement with the company and the other shareholders. This agreement gives shareholders considerable control over Brunel Ltd – several matters, including significant changes to the operating model and budget, are special reserved matters (SRM) requiring the consent of all shareholders, with other reserved matters (RM) requiring agreement across a majority of shareholders. Each of the ten participating Pension Funds has a 1/10th shareholding in Brunel Ltd. We have summarised the reserve and special reserve matters agreed during 2022/23 in the next section. Pooling guidance, issued in January 2019 by the MHCLG (now DLUHC), included reference to the need to establish and maintain a governance body to set the direction of the pool and 'hold the pool company to account'. Our governance structure is summarised below:

- An Oversight Board comprising representatives from each of the ten Funds' Pensions Committee's has a primary monitoring and oversight function. Meeting at least quarterly, it reviews and challenges papers from Brunel Ltd and its management. However, it cannot take decisions requiring shareholder approval, which are remitted back to each Fund individually. Our Chair of Pensions Committee, or nominated Pensions Committee deputy, represents the EAPF on this Board. Two members representing Pension Fund members from the participating Funds also attend Oversight Board meetings.

- The Oversight Board is supported by the Client Group, comprised primarily of pension investment officers drawn from each of the Funds, but also drawing on finance and legal officers from time to time. Whilst essentially an officer working group, it has a leading role in reviewing the implementation of pooling by Brunel Ltd, and provides a forum for discussing technical and practical matters, confirming priorities, resolving differences and improving relationships and operational issues. Client Group is also supported by a number of sub-groups, to delve deeper into detail. The EAPF chairs the responsible investment sub-group and sits on the services, investment and financial sub-groups. The Client Group is also responsible for providing practical support to enable the Oversight Board to fulfil its monitoring and oversight function.

- A separate level of governance is provided by the Board of Directors at Brunel Ltd, which are appointed by shareholders. It comprises five highly experienced and independent Non-Executive Directors including the Chair, Denise Le Gal and three Executive Directors. A Shareholder Non-Executive Director (SNED) represents shareholder views at the Brunel Ltd Board. Further information can be found at **www.brunelpensionpartnership.org/people**.

- Finally, as an authorised firm, Brunel Ltd must meet the extensive requirements of the Financial Conduct Authority, with cover areas such as training and competency, policy and process documents, and internal controls.

Shareholder reserve matters during 2022/23

During 2022/23, we agreed the following reserve and special reserve matters in consultation with our partner Funds and Brunel Ltd. The Pensions Committee holds the shareholder responsibility for the EAPF, and we bring these reserve matters to the appropriate meeting. If this is not practical due to time limitations, we use agreed urgency delegations with appropriate assurance.

- Reserve Matter 26: We agreed a reduction in the Chair of Brunel remuneration which was commensurate with the number of working days per year.
- Reserve Matter 27: We agreed to support the insurance excess across the partnership in order for Brunel Ltd to settle a claim with Cornwall Pension Fund.
- Special Reserve Matter 28a: We agreed Brunel Ltd updated strategic objectives to enable delivery better returns, core services and value for money.
- Special Reserve Matter 28b: We agreed the Brunel Ltd business plan for 2023/24. The budget increased from the prior year to meet rising inflation and increased cost pressures.
- Special Reserve Matter 28c: We agreed to a revised Remuneration Policy to implement a new People Strategy. However, this SRM was not approved across the partnership.

New transition activity in year

During 2022/23 we agreed large allocations to private market investment portfolios managed by Brunel as part of our investment strategy:

- A new £80m commitment into Infrastructure in April 2022 in the Brunel Stepstone B Infrastructure III Fund. To 31 March 2023 we have made two capital commitments totalling £11.3m; and

- A new £60m commitments into private debt in December 2022 in the Brunel Private Debt Cycle 3 Fund. To 31 March 2023 we have made two capital commitments totalling £5.0m.

For those EAPF assets which have yet to transition, we will continue to maintain the relationship with our current investment managers and oversee their investment performance, working in partnership with Brunel Ltd where appropriate. Following the eventual completion of the transition plan, we envisage that the majority of our assets will be invested through Brunel Ltd. However, the Fund has certain commitments to long term illiquid investment funds which will take longer to transition across to the new portfolios which will be set up by Brunel Ltd. We will continue to manage these in partnership with Brunel Ltd until such time as they are liquidated, and capital is returned.

Delivery against original pooling business case

One of the key objectives for Brunel Ltd is to deliver, on a timely basis, the fee savings included in the original business case (OBC) agreed across the ten partner Funds.

The Environment Agency Board, following recommendation from the Pensions Committee, approved our participation in the Brunel Pension Partnership in July 2017, based on the detailed original business case and supported by appropriate legal and financial assurance. Overall, undiscounted potential fee savings across the pool were estimated at £550 million over the 20 year period (to 2036), of which the EAPF's savings were projected to be around £53 million. We recognised that the project would incur initial set up costs, with the business case showing that the EAPF case would break even on a cumulative basis by 2022. For the overall pool, the breakeven date is 2023.

The expected costs and savings for the EAPF through to 2036, as per the original approved business case submitted to Government, are as follows:

Original Business Case (agreed in 2016)

EAPF	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026-36 £000	Total £000
Set up costs (Note 1)	117	1,092	-	-	-	-	-	-	-	-	-	1,209
Ongoing Brunel costs (Note 2)	-	-	545	716	740	764	789	815	841	869	10,426	16,505
Client savings (Note 3)	-	-	(843)	(869)	(895)	(922)	(949)	(978)	(1,007)	(1,037)	(12,248)	(19,748)
Transition costs (Note 4)	-	-	1,078	2,210	11	-	-	-	-	-	-	3,299
Fee savings (Note 5)	-	-	(114)	(876)	(1,661)	(1,878)	(2,116)	(2,370)	(2,533)	(2,703)	(40,241)	(54,493)
Net costs /(realised savings)	**117**	**1,092**	**666**	**1,182**	**(1,805)**	**(2,036)**	**(2,277)**	**(2,533)**	**(2,698)**	**(2,871)**	**(42,063)**	**(53,227)**

In the sections below, we have included a more detailed breakdown of each area of the original business case with costs/savings built up to 31 March 2023.

Brunel Ltd 2022/23 actual spend against original business case

Reflecting the EAPF original business case budgets. The table below shows actual spend against these original budgets. We have provided more detailed analysis under each individual cost/savings note below:

EAPF	2022/23				2021/22			
	OBC Budget		Actual		*OBC Budget*		Actual	
	In Year	*Cumulative to date*	In Year	Cumulative to date	*In Year*	*Cumulative to date*	In Year	Cumulative to date
	£000	*£000*	£000	£000	*£000*	*£000*	£000	£000
Set up costs (Note 1)	*0*	*1,209*	**0**	**1,073**	*-*	*1,209*	**-**	**1,073**
Brunel costs (Note 2)	*789*	*3,555*	**1,029**	**5,338**	*764*	*2,766*	**1,053**	**4,309**
Client savings (Note 3)	*(949)*	*(4,478)*	**(175)**	**(795)**	*(922)*	*(3,528)*	**(175)**	**(620)**
Transition costs (Note 4)	*0*	*3,299*	**0**	**4,511**	*0*	*3,299*	**4,499**	**4,511**
Fee savings (Note 5)	*(2,116)*	*(6,646)*	**(4,026)**	**(7,026)**	*(1,878)*	*(4,530)*	**(2,548)**	**(3,180)**
Net costs / (realised savings)	***(2,277)***	***(3,060)***	**(3,172)**	**2,920**	***(2,036)***	***(784)***	**2,829**	**6,093**

Note 1: Set up costs

We reported in our 2018/19 annual report and financial statements set up costs for 2016/17 and 2017/18. The set up costs came in under budget, which was a great achievement given the creation of a completely new company. A summary of our EAPF share of the previously reported actual set up costs for 2018/19 are included below:

Asset pool set up and administration costs 2018/19	Cumulative £000
Set up costs:	
Share purchase	840
Legal	133
Consulting, Advisory and Procurement	82
Recruitment	18
Total actual set up costs	**1,073**
Projected costs per original business case	**1,209**

Our 10% share purchase investment in Brunel Ltd is valued at £707k (2022: £838k). This is a decrease of £131k (2022: increased by £70k) using latest available valuation from the Brunel Ltd Annual Report and Accounts at 30 September 2022. Within the 31 March 2023 valuation of Brunel Ltd is a revaluation of the Pension reimbursement asset of £1,110k representing the amount of discounting future pension contribution streams to pay off any funding deficit.

Note 2: Ongoing Brunel Ltd costs

The Brunel Ltd costs for EAPF of £1,029k (2022: £1,053k) reflect the core service charge of £915k (2022: £906k) and performance reporting of £114k (2022: £147k).

The core costs are higher than the OBC, which is accepted based by a OBC that was set on a best endeavours basis back in 2016. Brunel's budget is agreed annually via a Special Reserve Matter for all partner funds.

Note 3: Client Savings

Overall Client Savings is the biggest variable against the OBC. The OBC had assumed savings due to the loss of EAPF Officers, as work transferred to Brunel Ltd. However, our internal Pension Fund Management Team has seen significant changes since the creation of the Brunel Pension Partnership. We have had to review our internal staffing requirements and structure for the new pooling environment recognising the significant and unexpected level of internal oversight, governance and operational requirements that pooling and our shareholder responsibilities have created. We are therefore not recognising any internal staff savings compared to the OBC.

We had also budgeted for savings through investment, governance and legal advice and extraordinary projects. In practice, these costs have increased as we have relied on additional external support to manage staff departures since the inception of pooling, transitions and to assist with governance issues.

Also, custody costs we understood would be paid by Brunel Ltd as reflected in the Brunel Ltd business case budget. In practice however, we are required to pay these direct to State Street and have not therefore been reflected as an internal client saving.

However, we have achieved internal savings through our Hermes environmental reporting contract. Whilst we still pay for our carbon foot-printing, we have recognised £110k p.a. for 2022/23 which is the same amount as the prior year (cumulative saving £470k). We also saved £65k p.a. in respect of financial performance fees which by comparison we have saved from what we were paying our previous performance measurer prior to pooling. We continue to review these costs very closely with our Pensions Committee.

Note 4: Transition costs

We have not incurred any transition costs in 2022/23. The variance to the OBC is due to changes to our strategic asset allocation since pooling, the agreed revised transition timetable set by Brunel Ltd in 2019/20 and a transition pause implemented due to the global pandemic. We now have c70% of EAPF assets being managed by Brunel.

Note 5: Fee savings

Fee savings for 2022/23 and 2021/22 are summarised below:

EAPF	2022/23				2021/22			
	Budget		Actual		*Budget*		Actual	
	In Year	*Cumulative to date*	In Year	Cumulative to date	*In Year*	*Cumulative to date*	In Year	Cumulative to date
	£000	*£000*	£000	£000	*£000*	*£000*	£000	£000
Fee savings (Note 5)	*(2,116)*	*(6,646)*	**(4,026)**	**(7,026)**	*(1,878)*	*(4,530)*	**(2,548)**	**(3,180)**

A significant part of the OBC savings rested on securing material investment management fee savings, after set-up costs and Brunel Ltd operating costs.

During 2021/22 our transition activity into Brunel portfolio's gained pace with c70% of our assets now in the Brunel pool. We are now seeing the benefits of pooling as we are recording cumulative fee savings above the OBC for the first time. The fee savings achieved in 2022/23 of £4,026k generated this financial year are represented by the Low Volatility Fund £441k, Paris Aligned Benchmark Fund £75k, Multi-Asset Credit £1,067k, Sterling Corporate Bonds £357k and Global Sustainable Equities £1,685k. We are continuing to incur investment management fees for the assets that have yet to transition, and these are disclosed within Note 11 Management Expenses in our financial statements.

At 31 March 2023, pooling is still a net cost at £2,920k. However, we can see that now we are invested in more Brunel portfolios the actual fee savings are starting to be achieved. We hope to break even and report cumulative savings in the next 12 to 18 months.

Ongoing monitoring of Brunel Ltd against business case

Now that Brunel Ltd has been operational for 5 years, ensuring that the financial performance of the pool is monitored and that Brunel Ltd is delivering on the key objectives of investment pooling is vital. This includes reporting of the costs associated with the appointment and management of Brunel Ltd including set up costs, investment management expenses and the oversight and monitoring of Brunel Ltd by the client funds. This is reinforced through CIPFA, the accounting standards body, which has published recommended guidance for disclosing these costs. We have reported using this guidance above.

The Pensions Committee takes its role as both Shareholder and Client of Brunel Ltd extremely seriously, as part of its fiduciary and legal obligations to act in the best interests of members. Progress on the implementation of Brunel Ltd, our asset transitions and the business case/business plan are discussed at every Pensions Committee and Investment Sub Committee meeting. The Committee obtains specialist legal and investment advice on specific matters where required.

Ensuring that Brunel Ltd deliver against the original business case, as a minimum, is of critical importance to the Pensions Committee. We have highlighted above how the EAPF is represented through the governance of Brunel Ltd and how we work with our other partner Funds to achieve this. At all stages and levels there is monitoring and assurance processes around cost control. Regular financial reporting is provided through Client Group and the Oversight Board.

The ongoing transition of our assets, management of costs and working closely with our partner Funds and Brunel Ltd will continue to be a key focus for the Pensions Committee throughout 2023/24.

Pensions Committee training

Our Knowledge & Skills Policy incorporates the recommended standards that trustees and officers should know, as outlined in CIPFA Guidance.

All Members have individual training plans. This is based on an initial self-assessment, with all training undertaken logged and recorded.

Officers also agree a training plan with their line manager, with staff encouraged to consider achieving professional qualifications.

Some training is provided jointly to all Members and officers. This is because it may be a priority in our business plan, a high risk to the Fund or many Committee Members have recognised the need for training on that subject in their training plans. Joint training is delivered through in-house, in-person training days or as part of a formal Committee meeting. Hybrid facilities are made available for those unable to attend in person.

There was individualised training to meet specific needs. This was typically attending third-party webinars or training courses online. In 2022/23, each Pension Committee Member undertook an average of 10 hours of training. On average, each EAPF officer undertook an average of 32 hours of training. Last year, the PC received training on the issues in the following table.

PC Training Log 2022/23	Governance framework	CIPFA framework	Cyber security	Contractor management	Investment strategy	EAPF investment beliefs	Investments (Natural Capital)	Accounts and audit regulation	Actuarial Valuation	Managing complaints	Wider pensions training
EA Board members											
Robert Gould – PC Chair	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Caroline Mason	✓	✓	✓		✓	✓	✓	✓	✓	✓	
John Lelliott	✓	✓	✓			✓	✓	✓	✓	✓	
Lilli Matson	✓		✓			✓	✓		✓	✓	✓
Executive members											
Rachael Cunningham (NRW)	✓		✓	✓		✓	✓	✓	✓	✓	✓
Peter Kellett	✓	✓	✓		✓	✓		✓	✓	✓	
Estelle Palin	✓		✓	✓	✓	✓	✓		✓	✓	
Phil Lodge	✓	✓		✓	✓		✓	✓	✓		
Active member nominees											
Danielle Ashton	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Colin Chiverton	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Greg Black	✓	✓	✓			✓	✓	✓	✓	✓	
Will Lidbetter	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Veronica James	✓	✓	✓			✓	✓	✓	✓	✓	✓
Pensioner members											
Peter Smith	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Hywel Tudor	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	

Professional advisers to the Committee

The Pensions Committee uses the services of the providers tabled below to make informed decisions.

Actuarial Adviser	Hymans Robertson
Bankers	National Westminster
Benefit Adviser	Hymans Robertson
Custodian	State Street Global Services
External Auditor	The Comptroller and Auditor General - NAO
Governance and Risk	Aon Hewitt
Investment Consultants	Mercer
Independent Investment Adviser	Investment Adviser and Trustee Services Ltd
Legal Adviser – Benefits Administration	Osborne Clarke
Legal Adviser – Investment Management	Pinsent Masons
Pensions Administrator	Capita Pension Solutions Limited

Annual Statement by Chair of the EAPF Pension Board

Role of Pension Board

From April 2015, the Ministry of Housing, Communities and Local Government (now known as the Department for Levelling Up, Housing and Communities (DLUHC) introduced further governance requirements for Local Government Pension Schemes. Each administering authority had to establish a Pension Board to provide oversight and assurance to the administering authority (scheme manager i.e. the EAPF Pensions Committee) of effective governance of their Pension Fund.

The Pension Board is a non-decision making body responsible for assisting the administering authority in:

- Securing compliance with the LGPS Regulations and any other legislation relating to the governance and administration of the Scheme, and requirements imposed in relation to the LGPS by the Pensions Regulator.

- Ensuring the effective and efficient governance and administration of the LGPS by the Environment Agency Pension Funds.

Membership

Membership of the EAPF Pension Board is normally the members of the Pensions Committee less the two Executive members of the Environment Agency and two Active Scheme Members. The Pension Board is therefore the 10 remaining Pensions Committee members as follows:

Employer representatives

- Four Non-Executive Environment Agency Board members.
- One Non-Environment Agency Employer representative (or deputies).

Member representatives

- Three Active Scheme member representatives.
- Two Pensioner or one Pensioner and one Deferred Scheme member representatives.

Chair of the PC is also Chair of the Pension Board. Where absent, the Chair is another Environment Agency Board member.

Pension Board business 2022/23

The Pension Board met once during 2022/23 (on 22 March 2023) after the Pensions Committee meeting. In addition, some or all of the Pension Board members participated in meeting reviews at the end of all the Pensions Committee meetings and Investment Sub-Committee meetings during 2022/23.

The Pensions Board reviewed how the Fund had met its strategic objective for the year, as set out in the Business Plan agreed in March 22. This included consideration of:

- Strengthening the Fund's governance
- Managing regulatory change
- Reviewing the Fund's investment approach
- Providing the best working environment for the EAPF team

Providing good customer service for our members

In 2022/23, we achieved third-party accreditation from Assessment Services Ltd (UKAS accredited) that we had met Customer Service Excellence with an increased number of 'compliance plus' scores.

Engaging with members

Every year we engage with members through our website, our member portal, newsletters, social media, and a series of 20 webinars, two of which are 'How the EAPF Invests'.
The member webinars are all recorded and available afterwards online.
Last year, 2,374 members signed up to one of the pension webinars. Of the 423 members who responded to the feedback questionnaire

- 100% agreed their webinar was interesting
- 98.8% of participants were interested in attending future webinars
- 99.5% said they'd recommend the webinar to other members

"*It is heartening to see the EAPF acting to improve the environmental profile and long-term sustainability of its investment portfolio. An interesting debate about the merits of retaining some investment in oil & gas companies and keeping some influence, rather than divesting completely and losing all influence*." Member feedback from webinars in 2022.

In 2021, we held our inaugural members' Annual General Meeting (AGM) to give members the opportunity to raise any issue with the Pensions Committee directly.

We did not hold an AGM in 2022. This was due to a lack of internal resources and a lower than expected take up by members; this may have been because we didn't advertise it well enough; that the timing was wrong (coming after a suite of pensions webinars), and/or that active members in particular feel they can't spare the time in working hours.

We decided to re-arrange the date to early summer in 2023 to allow a bigger break between the AGM and the suite of pension webinars in autumn, and a longer lead in time for advertising the event, hopefully allowing members to plan in the time to attend.

Some members expressed disappointment in the delay and raised their question in writing instead.

Governance Compliance Statement

Introduction

Under Regulation 55 of the Local Government Pension Scheme Regulations 2013 (as amended) an administering authority must, after consultation with such persons as it considers appropriate, prepare, publish and maintain a Governance Compliance Statement.

This statement is required to set out:

a) whether the authority delegates its functions, or part of its functions under these Regulations to a committee, a sub-committee or an officer of the authority

b) If the authority does so

(i) the terms, structure and operational procedures of the delegation

(ii) the frequency of any committee or sub-committee meetings

(iii) whether such a committee or sub-committee includes representatives of Scheme employers or members, and if so, whether those representatives have voting rights

c) the extent to which a delegation, or the absence of a delegation, complies with guidance given by the Secretary of State and, to the extent that it does not so comply, the reasons for not complying and

d) details of the terms, structure and operational procedures relating to the local pension board established under regulation 53(4) (Scheme managers).

The statement must be revised and published by the administering authority following a material change in their policy on any of the matters referred to above.

This statement was made and approved by the Environment Agency Pensions Committee on 27 June 2023. It is reviewed at least annually as part of the annual report and financial statement to ensure it remains up to date and meets the necessary regulatory requirements. The statement included in the annual report and financial statements becomes the approved statement for the year unless updated during the year.

A current version of this Governance Compliance Statement will always be **available on our website at www.eapf.org.uk** and paper copies will be available on request.

Any enquiries in relation to this Governance Compliance Statement should be sent to:

Pension Fund Management
Environment Agency
Horizon House
Deanery Road
Bristol
BS1 5AH

Email: **eapf@environment-agency.gov.uk**

Statement

Full details relating to our governance structure can be found in the Environment Agency Terms of Reference and Standing Orders for the Pensions Committee, Investment Sub-Committee and Pension Board and explained in our Governance Policy. The key elements are summarised below:

Details to be provided	EAPF
Whether the authority delegates its functions, or part of its functions under these Regulations to a committee, a sub-committee or an officer of the authority.	All key pension fund management responsibilities are delegated to the Pensions Committee (PC) other than implementing the Fund's investment strategy which is delegated to the Investment Sub-Committee (ISC).
If the authority does so (i) the terms, structure and operational procedures of the delegation.	See the Terms of Reference for specifically delegated responsibilities. PC has 14 members and ISC has seven members.
(ii) the frequency of any committee or sub-committee meetings.	The ISC and PC meetings are scheduled quarterly.
(iii) whether such a committee or sub-committee includes representatives of Scheme employers or members, and if so, whether those representatives have voting rights.	The EAPF has three employers. The PC includes one Non-EA Employer Representative, five Active Scheme Member Representatives and two Pensioner or one Pensioner and one Deferred Member Representatives. The ISC includes three Scheme Member Representatives and potentially the one Non EA Employer Representative. All members have voting rights.
The extent to which a delegation, or the absence of a delegation, complies with guidance given by the Secretary of State and, to the extent that it does not so comply, the reasons for not complying.	See Statement of Compliance below.
Details of the terms, structure and operational procedures relating to the local pension board established under regulation 53(4) (Scheme managers).	The Pension Board is a non-decision making body responsible for assisting the administering authority in: a) securing compliance with the LGPS Regulations and any other legislation relating to the governance and administration of the Scheme, and requirements imposed in relation to the LGPS by the Pensions Regulator. b) ensuring the effective and efficient governance and administration of the LGPS by the Environment Agency Pension Funds. Membership of the Pension Board comprises of 10 members of the Pensions Committee which excludes the two Executive Directors members of the Environment Agency and two Active Scheme Members. Further information is in the Terms of Reference and Standing Orders and the Operational Guidance.

Statement of Compliance with Secretary of State Guidance
Compliance status - we are compliant with all 20 standards.

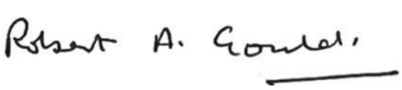
Statutory Guidance Governance Standards and Principles	Our compliance status	Evidence of compliance and justification for non-compliance
A – Structure		
a) The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.	Compliant	The responsibilities of the Pensions Committee (PC) are set out in the Pensions Committee Terms of Reference and Standing Orders approved by the EA Board.
b) That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	Compliant	Our PC has 14 members, appointed by the EA Board and includes: Four Non-Executive EA Board members Two EA Executive members One Non-EA employer representative Five Active Scheme member representatives Two Pensioner or one Pensioner and one Deferred member representatives. Three Scheme member representatives and the one Non EA employer representative are also members of the Investment Sub-Committee (ISC).
c) That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	Compliant	The Chair of the Pensions Committee reports to each EA Board meeting. Reports of the ISC meetings are available to all PC members. The Chair of the ISC provides a summary report and draft minutes to the following PC meeting.
d) That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	Compliant	The membership of our ISC comprises members of the main PC.
B – Representation		
a) That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include:		
i) employing authorities (including non-scheme employers, e.g., admitted bodies);	Compliant	The employers of our Closed Fund members no longer exist. Our Active Fund has three employers – EA, NRW and SSCL. We have a non-EA employer member representing NRW and SSCL on the main PC and who may also be on the ISC.

ii) scheme members (including deferred and pensioner scheme members)	Compliant	The main PC has seven scheme member representatives on it, including five active scheme member representatives and two pensioner/deferred member representatives, ideally one of each. Our ISC includes three scheme member representatives (active, deferred or pensioner).
iii) independent professional observers	Compliant	Our independent investment adviser attends all ISC and PC meetings. Our other professional advisers also regularly attend our PC and ISC meetings.
iv) expert advisers (on an ad-hoc basis)	Compliant	We invite our expert advisers to attend our PC and ISC meetings as needed. This includes our actuary, legal adviser, risk and governance advisor and investment consultants, pension fund administration consultants, and external auditor's.
That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers, meetings and training and are given full opportunity to contribute to the decision making process, with or without voting rights.	Compliant	All members of the PC and ISC receive equal access to the papers and training and have full and equal speaking and voting rights in our meetings and decision making processes.
C – Selection and role of lay members		
a) That Committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.	Compliant	New PC members receive an induction and appropriate training that details the role, function and activities of the PC and ISC. Our PC members understand that their primary fiduciary duty of care is our funds' beneficiaries and employers, in whose best interests they are required to act at all times, particularly in terms of investment and financial decisions. They also understand that they are not there to represent or promote their own personal or political interests, and that they must declare any self-interest or conflicts of interest of either a financial or non-financial nature arising from any other roles they may perform and abstain from participation in that item on the agenda. The EAPF has a Conflicts of Interest Policy which is made available to all PC members.
b) That at the start of any meeting, Committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda.	Compliant	Declaration of interests is a standing agenda item at the start of all PC and ISC meetings. A register of interests is also maintained, made available at each meeting and is audited annually.

D – Voting		
a) The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	Compliant	Our PC makes decisions by discussion and by building and creating a consensus. All members have equal voting rights on our main Pensions Committee and ISC.
E – Training, facility time and expenses		
a) That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.	Compliant	Our PC has a Knowledge & Skills Policy which is reviewed regularly. We provide induction training. All members undergo further developmental, specialist, and/or 'top-up' refresher training for 2-3 days each year during their terms of office. We maintain a log of all PC member training needs and training undertaken. Members of the main PC and the ISC are reimbursed the cost of travel and overnight hotel expenses. The cost of all PC and ISC training is met from the pension fund's budget.
b) That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	Compliant	The Knowledge & Skills Policy applies equally to all PC and ISC members.
F – Meetings (frequency/quorum)		
a) That an administering authority's main committee or committees meet at least quarterly.	Compliant	Our PC usually meets four times a year, for normal business and at least once for briefing or training. Eight of the 14 PC members (including at least one Board member, one EA Executive member and one scheme member representative) constitute a quorum.
b) That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.	Compliant	Our ISC meetings are synchronised to meet four times a year before the PC so it can report to and make recommendations to the full PC. Four members (including at least one Board Member, one EA Executive member and one scheme member representative) constitute a quorum for the ISC.
c) That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.	Compliant	We have seven 'lay' members on our main PC, comprising five active scheme member representatives and two pensioner/deferred member representatives. Due to the geographical spread of our organisation and fund membership across England and Wales we hold annual briefings which provide a forum for fund members and stakeholders to be informed about the fund, particularly about changes to the LGPS. All active fund members are invited to attend regional or webinar pension briefings each year.

		We also organise an annual briefing for deferred and pensioner members. The briefings are generally presented by Capita (Pension Fund Administrator), with administering authority or HR staff. PC members chair or attend some briefings. Where possible, we aim to hold a members' AGM every year.
G – Access		
a) That subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.	Compliant	All members of our PC and ISC receive the same agenda and papers containing information and advice for each meeting, unless there is a conflict of interest. Members of the PC who are not members of the ISC can request full ISC papers and they also receive summary reports of all meetings. All our PC and ISC members can ask questions of our professional advisers who attend the PC and ISC meetings.
H – Scope		
a) That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	Compliant	Our PC and ISC meetings all have agenda items on pooling, wider LGPS scheme issues, future challenges, and risks to our funds, as well as information on our Funds' recent financial and administrative performance. The ISC review their risks at all meetings. The PC carries out annual reviews of fund performance, key strategic risks, and our statutory governance, administration, and communications policy statements. It also reviews its own effectiveness at the end of each meeting and annually.
I – Publicity		
a) That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.	Compliant	We publish our Governance Compliance Statement and all other key governance documents and policies on our website, and they are available in hard copy from our Pension Fund Management Team. The Governance Compliance Statement is also published in our Annual Report & Financial Statements. We have an agreed procedure for appointment of new employee, pensioner, and deferred member nominees to our PC when vacancies arise working in conjunction with our Trades Unions and all employers.

Signed on behalf of the Environment Agency



Robert Gould
Chair
Environment Agency Pensions Committee
24 November 2023

Philip Duffy
Accounting Officer
Environment Agency
24 November 2023

Responsible Investment

Introduction

The information in this section is taken from the **EAPF report** to the **UK Stewardship Code**.
This was submitted to the Financial Reporting Council (FRC) in May 2023 and outlines in detail all aspects of our work on responsible investment in 2022, including:

- How we invest responsibly
- How we contribute to wider change across the finance sector
- How we influence the companies we invest in

Our full report includes a more fulsome account of our approach, more numerous outcomes and a large number of investment and engagement case studies. Please see our website to access the report.

The FRC sets high standards for asset owners to become signatories of the Stewardship Code. We have met these standards for the last 2 years running.

The Financial Reporting Council will be assessing our report to decide if we continued to meet those standards in 2022.

How We Invest Responsibly

Setting a strategic direction

The Pensions Committee sets the strategic direction by:

- **Agreeing our high level investment beliefs**. This includes our approach to environmental, social and governance issues. We review these every three to five years, or following a material change to the members of the Committee.

- **Setting a Strategic Asset Allocation (SAA)**. This takes into account our beliefs and our funding strategy, which defines what returns we need as an open defined pension scheme with liabilities potentially running into the next century.

- **Agreeing an investment strategy.** This is a public document which sets out in detail our investment approach. It is known as an 'Investment Strategy Statement'.

- **Managing investment risk.** This will consider wider economic risks and risks relating to the performance of our portfolio.

- **Appointing and monitoring asset managers who can deliver our responsible investment strategy.** These Funds will all be managed by external asset managers.

- **Monitoring the performance of our asset managers and ensuring they implement our investment strategy.** This covers both asset managers we have selected directly and those which are selected by the Brunel Pension Partnership.

- **Reviewing wider aspects of responsible investment.** At every Pensions Committee and investment sub-Committee there will be a report on key developments in the industry, emerging risks and initiatives which the EAPF is, or could get involved with.

- **Receiving regular training on responsible investment to ensure EAPF remains at the forefront of responsible investment.**

Our Investment Strategy

Our Investment Strategy emphasises the importance we place on investing in products that are good for the environment and society, tackle climate change and enhance biodiversity.

It also sets out our approach to fiduciary duty with regard to responsible investment. It acknowledges our primary duty is to provide pensions to members of the EAPF and that we must maintain a secure and well-funded pension fund. It distinguishes between those issues which we believe present a material financial risk (such as climate change and nature-related risks) and non-material risks which help us act in the best long-term interest of members, where we will seek an equivalent return that may be achieved from other assets.

Our responsible investment targets form part of the Investment Strategy, notably:

- Get to net zero carbon emissions from our investment portfolio by 2045 and halve emissions by 2030
- To always have at least 33% of our investments in sustainable assets
- By 2025, 17% of our investment portfolios will be in climate solutions which build a clean, biodiverse and climate-resilient future

How we contribute to wider change across the finance sector

Some issues have a wide impact across our portfolio or on the broader economy as a whole. To resolve these wider issues, it is often beneficial to collaborate with others.

On these wider issues, we typically work through investor networks, which in turn may link in with, investor networks, industry experts, academics and politicians. These networks are often international in nature. Some examples are given below.

Climate change - understanding transition risk

The Environment Agency Pension Fund and Church of England Pensions Board co-founded the Transition Pathway Initiative (TPI) in 2016 to provide information on transition risk for free to investors.

In 2021, the TPI turned from a voluntary initiative by asset owners into a not-for-profit limited company, which oversees the research by the LSE. EAPF is the vice-chair and Treasurer of the new limited company.

In 2022, following a significant increase in funding from new parties, a TPI Global Transition Centre was launched at the Grantham Institute in the LSE. This will significantly scale up the number of companies TPI can analyse from currently around 600 to a few thousand in due course.

Climate change: managing physical risk

EAPF co-chaired IIGCC work in 2021 to set out **what information investors would like** from listed companies to understand a company's exposure to material physical risk.

In 2022 we co-chaired discussions on **what a climate resilient investment framework should look like.**

In 2022, we were invited to speak at a number on conferences on how investors can manage the physical risks from climate change.

Climate change: tackling biodiversity risk

Last year, the EAPF developed its approach further on biodiversity. This is part of our policy to tackle climate change risk and invest in climate solutions.

We now have a handful of investments where we have hard data to show we are enhancing biodiversity.

We are sharing our experience in the advisory forum for the **Taskforce for Nature-Related Financial Disclosures** (TNFD).

In 2022 we started working with **Global Canopy** which is developing guidance for pension funds on being deforestation-free.

A Just Transition

The Impact Investing Institute is trying to mobilise capital into investments that support a **Just Transition to Net Zero** in the UK and other developed and emerging markets.

We fed in our views on what we thought investments needed, to be green, fair and inclusive based on our experience from impact investing.

In 2022, LAPFF facilitated a series of meetings with the All Party Parliamentary Group on a Fair and Just Transition, which the EAPF attended.

Mining

We are still pushing for due reparation for local communities after a tailings dam collapse in Brazil, in 2015 where 19 people were killed and huge human and environmental impacts were felt and continue to this day. We owned shares in BHP Billiton at the time, one of the companies responsible.

We welcome the ongoing efforts of LAPFF to focus attention on the impacts of local communities. LAPFF made a 3-week trip to Brazil in summer 2022 to see issues first-hand.

More broadly, we want to see mining become more sustainable.

We continue to support the ongoing work by the **Investor Mining & Tailings Safety Initiative**, led by the Church of England Pensions Board.

Diversity

EAPF joined the **Asset Owner Diversity Charter (AODC)** in 2021 to help improve diversity across the investment industry.

In 2022 we wrote to all our asset managers to ask them to fill in a diversity and inclusion questionnaire and we had an excellent response to understand their actions and hopes.

Using Resources Sustainably – plastics

We pledged financial support in 2019 to a multi-stakeholder initiative to design an independent, auditable and accredited standard with the objective to reduce the amount of plastic pellets lost in the supply chain.

In July 2021 the British Standards Institute launched the resulting standard – PAS510.

Take-up of the standard has been disappointingly low to date.

Water

In 2022 we joined the **Valuing Water Finance Initiative (VWFI)**. The initiative identified 72 companies with a high water footprint.

We have shares in one of these companies in a pooled fund through Brunel. In 2023, we are engaging through the VWFI and working closely with Brunel and our partner Funds on engaging with the company.

How We Influence the Companies we Invest In

We use a number of routes to engage with the companies we invest in. These are:

- Through our engagement provider
- Through our asset managers
- Through Brunel
- Direct as a Fund

We engage on a range of environmental, social and governance issues, including diversity, food security, gender equality, human rights, modern slavery and tax evasion.
As a Fund, our priorities when we engage directly are climate change, natural capital, using resources sustainably and water. A fair and just transition to a lower carbon economy underpins this.

Engaging with publicly listed companies

a) Assets managed by Brunel

Being part of a pool, means that many of our stewardship responsibilities for transitioned assets are managed by Brunel.

Brunel takes into account the activities of its appointed engagement provider EOS at Federated Hermes (EOS). EOS engages with a very large number of companies on Brunel's behalf in its segregated active equity portfolios and segregated corporate fixed income portfolio – this covers all but one of our listed equity and bond portfolios with Brunel.

In 2022, EOS engaged on our behalf with 476 companies on 2,016 issues. These related to environmental, social, governance, strategy, risk and communication topics.

In 2022, EOS made voting recommendations on 4,227 resolutions at 302 meetings on behalf of the EAPF.

Brunel co-filed resolutions on climate change issues at HSBC, Berkshire Hathaway (which EAPF does not hold) and on improved pay at Sainsbury's in 2022.

b) Our directly appointed listed equity managers

In 2022, our 3 directly elected listed equity managers had 162 direct engagements with 61 companies, which is 17% of the companies invested in by those managers for our portfolio.

These managers voted on over 3740 resolutions at 272 meetings in 2022, using 100% of the eligible votes they had.

Full details of engagements and voting records can be found in the Stewardship Code, alongside examples of engagements across all asset classes.

Outcomes

We have a best in class approach to responsible investment

Mercer Ltd, our investment advisers, undertook an independent assessment of our approach to responsible investment in July 2022 and gave us the top rating available.

The assessment looked at our beliefs, policies, processes and portfolios. It then graded the degree to which environmental, social and governance considerations are integrated into these and benchmarked us against our peers. The process also identified a number of ways Funds can improve their approach.

The EAPF achieved the highest possible rating of A++. The average LGPS score was B+, and more broadly the average pension scheme score was B.

In 2022, we also won 2 awards from Pensions for Purpose: Best Climate Change Policy Statement Award and the Impact Investors Adopters Award.

We invest for Impact

Our Targeted Opportunities Fund (TOP) is where we can have real world impact.

We set it up in 2014 to increase our allocation to investments in private markets which delivered strong sustainable and financial outcomes.

As of 31 December 2022, the Fund had just under £200m invested in TOP (4% of our total fund).
In 2022, we invested in 4 new TOP Funds through managers we appointed directly. These private market impact funds invested in:

- early stage Food and Agriculture companies developing technology based solutions to biological destruction, chronic and infectious disease, and economic hardship.
- climate technology, using tech solutions to tackle the climate crisis
- sustainable businesses with a focus on resource efficiency and pollution control.
- companies who wished to transition to a low carbon economy

A significant amount of our investment across different asset classes is in sustainable and climate solutions

Historically we have reported annually on what percentage of our assets were assessed as sustainable and climate solutions based on a FTSE classification system.

It is no longer practical to report in this way because a large proportion of our holdings are now managed through Brunel who use FTSE green revenues to assess sustainability.

This year we are therefore using a hybrid approach to calculate investments in sustainable and climate solutions in different parts of the portfolio.

For full details of each methodology, please see our Stewardship Code report.

a) Holdings with Brunel

We have 3 listed equity portfolios through Brunel. The weighted average of green revenues in these portfolios are 4.3%, 11.6% and 12.4%.

Of these, we classify a subset as climate solutions. The weighted average of green revenues from companies in these portfolios are 1.8%, 7.5% and 5.1% respectively.

Our corporate bond portfolio companies have sustainable revenues of 3.3%, with climate solutions accounting for 2.1% of that total.

b) Holdings with our directly-appointed listed equity managers

Of the total value of companies we hold in these portfolios, approximately 30.8% is in companies where a proportion of their revenue is from activities that can be classified as sustainable under the proprietary Impax Environmental Markets Classification System.

Of the total value of companies we hold in these portfolios, approximately 28.4% is in companies that generate revenues from climate solutions based on classifications in the Impax Climate Opportunities Taxonomy.

c) Holdings with private markets and real assets

Sustainable Investments	Climate Solutions (a subset of Sustainable Investments[2])	Property - sustainable
36.5%	**18.4 %**	**13.8%**

Our investments have a relatively low carbon footprint however we don't know the whole picture

The good news is that based on the Weighted Average Carbon Intensity (WACI) our Aggregated Portfolio (which includes our listed equities and corporate bonds) is 34% below the benchmark[1].

Based on the Carbon to Value (C/V) Intensity, which apportions carbon emissions per million pounds invested, we are 37% below the benchmark.

We are around 4 times less exposed to both fossil fuel reserves and future emissions from reserves when compared against the benchmark.

The bad news is that less than half of the companies in our portfolio disclosed carbon data suitable for analysis. The statistics above are based on scope 1,2 and upstream scope 3 data and some of this had to be modelled. This does not tell the whole story and shows a need for far better disclosure of carbon data by the majority of companies we invest in.

EAPF has a global impact

EAPF co-founded the TPI which continues to grow in influence. Its data is used by investors to inform their understanding of how well companies are aligned with a low carbon economy. TPI data is used in the Climate Action 100+ Net Zero Benchmark, which has global reach.

TPI data is also incorporated into voting guidelines and investment products to tilt investment in companies which are more aligned to a net zero economy.

We are leaders on biodiversity

In our 2021 Stewardship Code, we provided a case study on a nature-based solution we had just invested in, in Paraguay. It is a sustainable forestry, where at least 25% of the land is set aside for nature conservation.

[1] MSCI ACWI for listed equities and iBoxx Sterling Non-Gilt All Maturities Bond Index for corporate bonds

We have learned lots through this investment and we are asked frequently to present on our approach at conferences.

Our experience also informs our wider investment strategy. It has helped us set a new aim that all our investments in sustainable agriculture and sustainable forestry are net nature positive and deforestation free.

And we have agreed a 4% allocation in our new Strategic Asset Allocation to a completely new asset class - Natural Capital.

Some changes are happening but outcomes can take time

Engagement appears to be increasingly important. More asset managers are engaging with companies. More asset owners want to see this happen.

There is far more regulatory and social pressure on companies to disclose information and to improve their environmental performance.

We show many positive examples of change at companies we invest in - to what degree these changes were down to shareholder pressure is hard to define. Sometimes the company may act in the way that we wanted but this is due primarily to market, consumer or regulatory factors, rather than shareholder pressures. Sometimes these may be all complementary.

Pension Fund investment

Investment strategy development and implementation

We aim to deliver a truly sustainable Pension Fund that delivers financially to meet the objectives of our scheme employers and members. The Committee has set the overall investment objective for the Fund after consideration of the actuarial valuation, contributions and the maturity profile of its liabilities.

The investment strategy, laid out in the Investment Strategy Statement in Annex 3, is agreed by the Committee to meet the overall investment objective. The strategy remains focused on seeking to generate maximum value from our assets with an appropriate level of risk, ensuring environmental, social and governance considerations, including climate change, are fully integrated, and furthering our commitment to responsible investment. It uses multiple levers to achieve this: active mandates, specialist benchmarks, detailed risk analysis, and a fully diversified range of assets across global markets.

Over the year to 31 March 2023, the Fund conducted a full detailed investment strategy review following the results of the 2022 Actuarial Valuation. The 2023 investment strategy review continued the focus on de-risking the investment strategy in order to protect the Fund's strong funding position as well as further embedding the Fund's Responsible Investment Strategy into the Strategic Asset Allocation. This involved reducing the current allocation to global equities, real estate and corporate bonds and increasing the allocation to Liability Driven Investment and cash. A new allocation to Secured Sustainable Finance was also introduced to the SAA, alongside a 2% increase in the allocation to Infrastructure. Within the 9% infrastructure allocation, the Fund made a commitment to a 4% allocation to Natural Capital (as a percentage of total Fund).

Based on the 2023 investment strategy review, the following Strategic Asset Allocation ('SAA') has been set for the Fund:

Asset Class	Benchmark Index	SAA % 2022/23	SAA % 2021/22
Global equities	MSCI World	34.0	36.5
Corporate bonds	iBoxx Sterling all non-gilt	19.0	22.0
Liability Driven Investment	Bespoke LDI Benchmark	12.0	11.5
Infrastructure (including 4% allocation to Natural Capital)	Consumer Price Index	9.0	-
Multi Asset Credit	Sonia +4% p.a.	8.0	8.0
Illiquid credit/Private debt	Sonia + 8% p.a.	5.0	5.0
Private equity	MSCI World	4.0	4.0
Secured Sustainable Finance	TBC*	4.0	-
Real Assets	Consumer Price Index	3.0	12.0
Cash	Sonia	2.0	1.0

*Benchmark dependent upon selection of fund(s)

The 2023 SAA was approved at the 22 March 2023 meeting of the Pensions Committee.

The Fund has in place a cashflow and rebalancing policy, to ensure efficient cash management processes are followed.

To ensure the Fund is managed in line with the asset allocation, officers and advisors hold monthly investment meetings. Any deviations in asset allocation are discussed and actions agreed. Cash is maintained within agreed limits. In addition, the Fund has a rebalancing programme that aims to bring the Fund back in line with target weights to listed equities and fixed income assets if market movements cause allocations to breach pre-agreed ranges. Over 2022, the Committee agreed an updated rebalancing framework, which will be put in place once the Fund has implemented the 2023 Strategic Asset Allocation changes.

Once the direction of travel was agreed in principle for the new Strategic Asset Allocation, the Fund undertook rebalancing to reduce the overweight to global equities, the allocation to which as at 31 December 2022 stood at 46.5%. In March 2023, £354m was divested pro rata from all listed equity funds (including those managed by Brunel), partially rebalancing the equity overweight, with listed equities representing 38.9% of total invested assets as at 31 March 2023. The Fund will look to reduce the equity overweight further as part of funding the new Secured Sustainable Finance allocation.

Within Private Markets, the Fund continued to make ongoing allocations to Private Markets to ensure the Fund is able to achieve and maintain the strategic asset allocations to these asset classes, which require ongoing commitments.

Below we provide a summary of the major changes to the Fund's portfolio over 2022/23.

At year end, our investments in a real assets portfolio, managed by Townsend (property, infrastructure, forestry and agriculture) and Brunel, stood at £414.7m, or 9.7% of the Fund. In addition to the Townsend mandate, the Fund committed £10m to an impact infrastructure fund, SAIFF, in July 2021. At 31 March 2023, total investments across Infrastructure, forestry and agriculture stood at £221.6m, or 5.2% of the Fund versus the new 9.0% target.

Investments in property at the same date were £199.8m or 4.7% of the Fund versus the 3% target. Total investments and undrawn commitments with Townsend, Brunel Infrastructure and SAIFF are at £582.5m, or 13.6% of the Fund.

Within Private Equity, the Fund agreed to make a £15m commitment to World Fund and continues to explore Impact Private Equity opportunities with the ambition to commit a further c.£45m in the next year.

Existing private equity and private debt managers also continued to make new investments on our behalf. At year end, investments in relation to private equity stood at £201.0m, or 4.7% of the Fund, compared to the 4% SAA target. Investments & undrawn commitments in relation to private equity stood at £392.3m, or 9.2% of the Fund. In relation to private debt, investments stood at £233.0m, or 5.4% of the Fund, which is greater than the 5% SAA target. Investments and undrawn commitments in Private Debt now stand at £398.7m or 9.3% of the Fund.

Investment performance

For the 2022/23 financial year the Fund achieved an absolute return of -5.6%, underperforming its benchmark (after fees) by under 0.2%. Over three years the Fund has returned 5.9% p.a., 0.6% p.a. above its benchmark.

On a year-on-year basis to 31 March 2023, the Fund performed approximately in line with the benchmark, although returns were negative overall, weighed down by negative returns on fixed income assets and mixed equity performance. Rising bond yields in response to the tight monetary policy employed by central banks worldwide negatively affected the value of debt instruments held, whilst constraining economic growth, weakening equity markets.

As explained in previous annual reports, we have taken several actions to reduce equity risk, in addition to the aforementioned strategic de-risking as a result of the 2023 investment strategy review and implementation of rebalancing. Primarily, the Fund has chosen managers with a deliberate tilt towards high quality companies, with a view to reducing downside risk and volatility. Several of our managers take a benchmark agnostic, long term, absolute return approach.

As already specified, within our active equity managers, global equity manager performance was mixed on an absolute and relative basis over the 12 month period. Generation, Impax and Brunel Global Sustainable Equities underperformed, however, the Brunel Low Volatility fund and Robeco SEVE mandate both posted a positive relative return.

The Private Equity portfolio's performance was likewise varied, with Stafford Capital once again posting modestly positive returns and the TOP underperforming by c.5%. Real assets and Private Debt performed strongly over the 12 months.

Whilst a number of our managers continue to post positive returns, several of our managers have underperformed their benchmarks since inception. Where invested for a period of longer than 12 months, the managers/portfolios that have underperformed were Stafford, Impax, Robeco SEVE, Brunel Global Sustainable Equities, Brunel Low Volatility, Brunel Multi Asset Credit and the Brunel Infrastructure Cycle 3 fund. Where invested for a period of longer than 3 years, the managers/portfolios that have underperformed were Stafford, Generation and Brunel Low Volatility.

Financial Performance	2023 %	2022 %
1 year		
Fund performance	-5.6	+6.5
Benchmark performance	-5.4	+5.7
Active fund relative performance	-0.2	+0.8
3 year		
Fund performance	+5.9	+7.6
Benchmark performance	+5.3	+7.2
Active fund relative performance	+0.6	+0.4

Investment management

By year end, responsibility for the day to day management of the Fund's investments was delegated to three listed equity managers, twenty six private equity, private debt and real asset specialists, and Brunel, who manage a number of pooled funds on behalf of the Fund. Over the 12 months, the Fund committed to the Brunel Private Debt Cycle 3 fund, with a £60m commitment, and the Brunel Infrastructure Cycle 3 funds, with a £80m commitment, off the back of the agreement to commit £80m and £10m to Private Debt and Infrastructure investments respectively over 2022/23.

Our investment managers are responsible for selecting individual investments, and operate at arm's length from the Fund, with full discretion over the management of their portfolios, subject to IMAs where relevant, complying with statutory limits and the Investment Strategy Statement and taking due regard of the Active Fund Responsible Investment policy and supplementary guidance, for example on environmental issues or voting. Each manager has been set a specific benchmark that reflects the asset class being managed, and in the case of segregated managers has a performance target they are aiming to achieve. Details of the managers, their benchmarks, targets and performance is available on pages 48 to 49.

We seek to work with our managers on a long term basis, as we believe this is the best way to achieve positive results for the Fund. We support the findings of the Kay review on long term decision making in investments. As our contribution to this discussion we review our arrangements with managers, identifying where we may be recreating short term pressures on managers. To address these pressures, we have developed a standard investment management agreement for managers, and supplemented it with a covenant laying out our expectations of managers and our commitment to managers more broadly. In particular, the covenant makes clear that we are more likely to be concerned about team instability or changes in approach than short term performance.

As a Fund we remain very conscious of costs and value for money. We continue to move forward with asset pooling as part of Brunel Pension Partnership, which will have greater scale to negotiate fee reductions or concessions with investment managers.

Custody arrangements

State Street Bank & Trust Company ('State Street') were appointed as the Funds Global Custodian from 1 April 2018. State Street are independent to the investment managers, and as part of their normal procedures, hold the assets in safe custody, are responsible for the settlement of all investment transactions, collection of dividend income and interest, provide data for corporate actions, liaises closely with the investment managers and report on all activity during the period.

State Street is a strong company that is rated by Standard and Poor's as 'AA-' for long term / senior debt and 'A-1+' for short term / deposits. The Fund's assets are not held in the name of State Street and so are segregated from those of State Street Bank & Trust Company, safeguarding them in the event of company failure. Where appropriate, cash held by the Fund at State Street in Sterling, Euros and United States Dollars are invested in State Street Liquidity Funds, which would not be affected in the event of a failure by State Street. The State Street Liquidity Funds are rated 'AAAm' by Standard and Poor's and are invested in short term money instruments to preserve capital and liquidity. Only small amounts of cash are left on deposit at State Street.

Regular service reviews are held with State Street to monitor service commitments, plus custodial monitoring is reported to Officers by an independent organisation. Other procedures and controls are reviewed by an independent reporting accountant via the Service Organisation Control (SOC1) Report.

Funding level

The funding level of the Active Fund is estimated to be 142% as at 31 March 2023, based on a roll-forward from latest triennial valuation as at 31 March 2022. The historical funding level and asset allocation for the last five triennial valuations are shown in the table below:

Valuation results	**2010**	**2013**	**2016**	**2019**	**2022**
Value of assets £m	1,589	2,118	2,730	3,646	4,548
Value of liabilities £m	1,684	2,351	2,641	3,435	4,394
Funding level %	94	90	103	106	103
Asset Allocation %					
Equities	58	63	60	47	56
Bonds	12	20	20	23	22
Gilts	15	9	8	13	12
Property	3	3	8	9	5
Private equity	5	4	4	5	4
Cash	7	1	<1	3	1
Total	**100**	**100**	**100**	**100**	**100**

It is very important that it is recognised that the funding level will vary over different time periods, as the value of the Fund's assets changes, and the value of the Fund's liabilities is sensitive to financial and other assumptions used, as well as the maturity of the Fund. The Active Fund Funding Strategy recognises that the funding objective is to achieve and maintain assets equal to 100% or more of the present value of projected accrued liabilities over the long term. In the short term, recent events demonstrate that the funding level can be very sensitive to changes in the real yield on fixed interest gilts as well as to the level of the equity markets.

The Active Fund also has positive cash flows, as the employer and members' contributions should continue to exceed Fund outgoings, which gives the Fund time to build its Fund level. The future size of the Active Fund will also be affected by the long-term return of the Fund's assets, which should be related to the amount of risk the Fund is prepared to take.

Collapse of Silicon Valley Bank (SVB)

Following the collapse of SVB, our investment consultants confirmed that following their assessment of our portfolio that the diversification of our investments limited direct exposure. Brunel confirmed their underlying manager, Mirova, held a 0.48% position in SVB in the Global Sustainable Equity portfolio. These holdings are now valued at zero. Where applicable, our private market mangers are now using alternative banking arrangements.

The table below shows the performance of the total fund and the individual managers:

Manager	Date appointed	Value at 31 Mar 2023 £m	Fund %	Asset class/ Mandate	Benchmark	2022/23 Performance			2021/22 Performance		
						Fund return %	Bench mark return %	Relative to bench mark %	Fund return %	Bench mark return %	Relative to bench mark %
Private equity & TOP											
Targeted Opportunities Fund	Apr-14	184.9	4.3	Private Equity (active pooled)	Absolute Return 8.0% pa	-5.4	-0.5	-4.9	+59.8	+15.9	+43.9
Robeco	Oct-05	22.8	0.5	Private Equity (active segregated)	MSCI World (Gross)	+0.9	-0.5	+1.4	+19.1	+15.9	+3.2
Global equities											
Generation	Aug-08	350.9	8.2	Global Equity (active segregated)	MSCI AC World (80% GD, 20% ND)	-7.5	-1.0	-6.5	-1.4	+12.8	-14.2
Brunel Global Sustainable Equities	Feb-22	376.2	8.8	Global Equity (pooled)	MSCI AC World GBP index	-1.3	-0.9	-0.4	+2.7	+2.3	+0.4
Brunel Passive Equities	Jul-18	283.4	6.6	Global Equity (passive pooled)	FTSE Developed Paris-Aligned (PAB) net index	+4.7	+4.8	-0.1	+14.6	+14.8	-0.2
Ownership Capital	Jun-14	-	-	Global Equity (active pooled)	MSCI Kokusai (World ex Japan) GD	-	-	-	+5.7	+17.3	-11.6
Brunel Low Volatility	Mar-19	342.9	8.0	Global Equity (low volatility - active pooled)	c50% MSCI AC World NDR (hedged to GBP) & c50% MSCI EM NDR (unhedged)	+1.1	-3.9	+5.0	+16.1	+12.9	+3.2
Robeco SEVE	Oct-17	159.7	3.7	Global Equity (active pooled)	MSCI World GDR	+5.0	-0.5	+5.5	+9.8	+15.9	-6.1
Impax	Aug-08	152.3	3.6	Global Equity (active segregated)	MSCI AC World GDR	-1.4	-0.9	-0.5	+5.8	+12.9	-7.1
Diversifying Growth Assets											
Townsend	Mar-13	414.5	9.7	Real Assets (active segregated & pooled)	RPI (target RPI + 4% over rolling 5 years)	+7.8	+13.5	-5.7	+14.5	+9.0	+5.5
Brunel Infrastructure Cycle 3	Dec-22	11.1	0.3	Real estates (pooled)	CPI	-	-	-	-	-	-

Private Lending	Mar-15	231.8	5.4	Private Lending (active pooled)	3 Month Sterling LIBOR	+6.6	+2.2	+4.4	+8.7	+0.1	+8.6
Brunel Private debt cycle 3	Dec-22	5.2	0.1	Private Lending (active pooled)	SONIA +4%	-	-	-	-	-	-
Brunel Multi-Asset Credit	Jun-21	326.0	7.6	Multi asset credit	SONIA +4%	-3.4	+6.4	-9.8	-1.5	+3.5	-5
Bonds Corporate Bonds											
Brunel Sterling Corporate Bonds	Jul-21	626.3	14.6	Sterling Corporate Bonds (pooled)	iBoxx £ Non Gilt all bonds	-10.7	-10.2	-0.5	-6.3	-6.9	+0.6
Royal London	Jul-07	2.8	0.1	Corporate Bonds (active segregated)	iBoxx £ Non Gilt all bonds	+2.1	-10.2	+12.3	-23.1	-5.2	-17.9
Brunel/Blackrock LDI	Oct-21	694.6	16.2		Bespoke Liability Benchmark	-39.5	-39.5	0.0	-10.0	-9.4	-0.6
Cash & Other											
Other net assets		98.3	2.3								
Total Fund		**4,283.7**	**100.0**		**Strategic Benchmark**	**-5.6**	**-5.4**	**-0.2**	**+6.5**	**+5.7**	**+0.8**

Notes:

These performance numbers are based on bid price valuations and the performance relative to benchmark is shown as Fund return less Benchmark return (arithmetic basis).

For Townsend and private lending we have currency hedging in place which is reflected in the performance numbers.

Brunel Private Debt Cycle 3 are from inception so no full year performance available

Brunel Infrastructure Cycle 3 is from inception so no full year performance available

Portfolio analysis

Distribution of net investment assets by market value as at 31 March 2023, in millions *(Note: May not add up exactly due to rounding)*:

	Private Lending	Private Equity	UK Equities including Pooled Equities	Overseas equities including pooled equities					Pooled Fixed Interest	Liability Driven Investments	Pooled Property	Pooled Infrastructure, Agriculture & Timberland	Cash	£m Total Other net investments including Derivatives	£m Total
				North America	Europe (exc UK)	Emerging Markets & other areas	Asia Pacific (exc Japan)	Japan							
Brunel-BlackRock LDI										694.6					**694.6**
Brunel Sterling Corp Bonds									626.3						**626.3**
Townsend											185.9	208.4	9.2	0.1	**403.6**
Brunel-GSE			15.2	254.7	76.2	3.6	11.5	14.9							**376.2**
Generation			13.0	245.6	63.6		5.7						23.7	-0.8	**350.9**
Brunel Low Vol			30.2	227.0	40.3	0.8	13.0	31.6					0.1		**343.0**
Brunel-MAC	194.2								131.8						**326.0**
Brunel Paris Aligned Benchmark			5.2	201.1	55.8		3.3	18.0							**283.3**
Illiquid Credit	227.8														**227.8**
Targeted Ops		152.5									32.4				**184.9**
Robeco SEVE			6.3	101.6	32.5		3.9	15.3							**159.7**
Impax			11.5	74.3	45.8	7.8	10.0						2.4	0.6	**152.3**
Cash & Other													104.5	11.5	**116.0**
Robeco PE		19.0											3.7	0.1	**22.7**
Brunel-PM-Infrastructure Stepstone												11.1			**11.1**
Brunel-PD-BlackRock EUR Mid Market	5.2														**5.2**
£m Total	**427.2**	**171.5**	**81.2**	**1,104.4**	**314.3**	**12.2**	**47.5**	**79.8**	**758.2**	**694.6**	**218.4**	**219.4**	**143.6**	**11.4**	**4,283.6**
% of Fund	10.0%	4.0%	1.9%	25.8%	7.3%	0.3%	1.1%	1.9%	17.7%	16.2%	5.1%	5.1%	3.4%	0.3%	**100.0%**

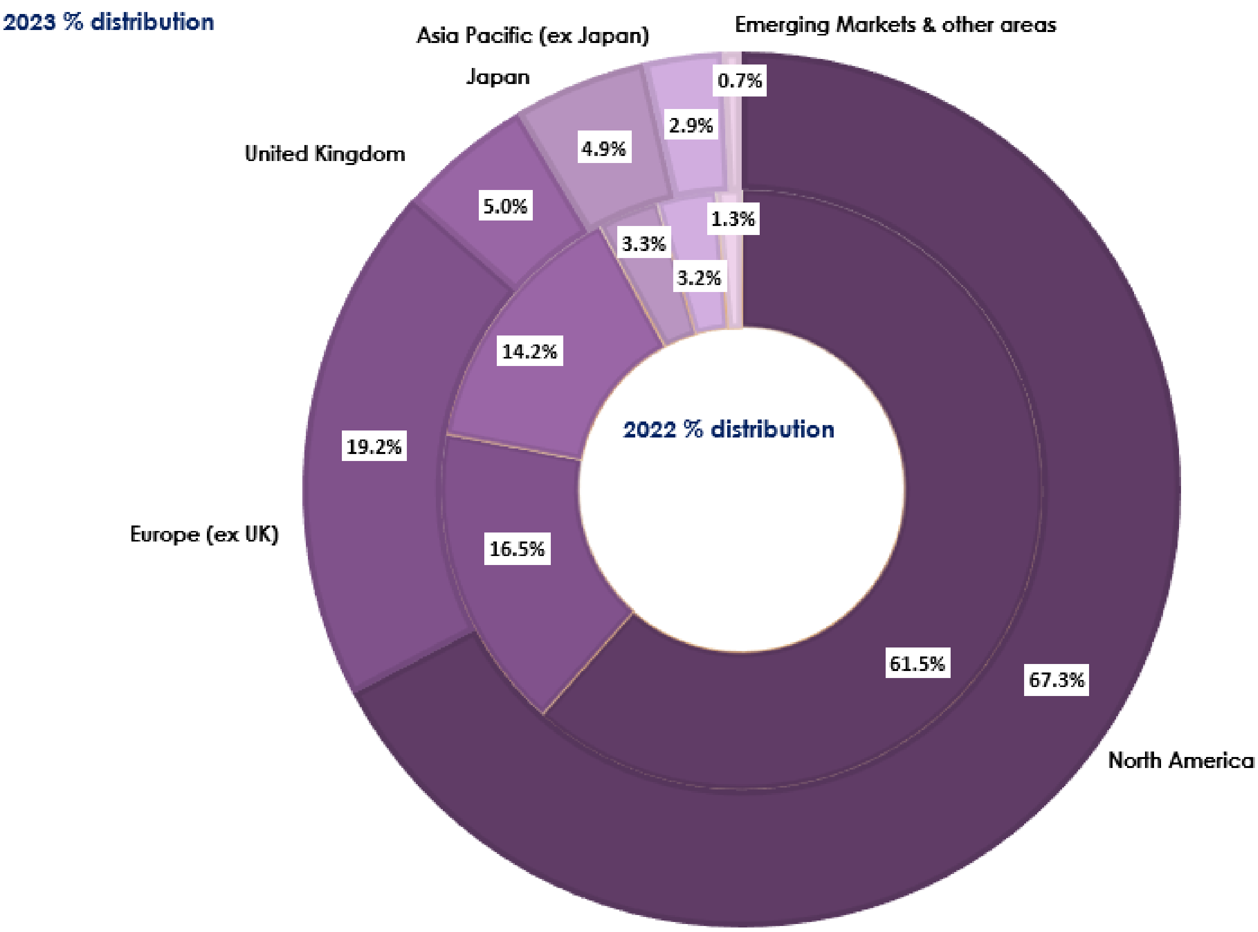
Top 20 holdings of the Fund as at 31 March 2023

Holding	Asset Class	2023	
		£m	% of Fund
BRUNEL BLACKROCK LIABILITY SOLUTIONS	Pooled – LDI	694.6	16.2
BRUNEL STERLING CORPORATE BONDS	Pooled fixed interest - Overseas corporate bonds	626.3	14.6
BRUNEL GLOBAL SUSTAINABLE EQUITIES	Equities – Global	376.2	8.8
BRUNEL LOW VOLATILITY FUND	Pooled equities – Global	342.9	8
BRUNEL PARIS ALIGNED FUND	Pooled equities – Global	283.3	6.6
BRUNEL NEUBERGER BERMAN MAC FUND	Pooled – Multi Asset Credit	194.2	4.5
ROBECO QI GLOBAL DEVELOPED	Pooled equities – Global	159.7	3.7
CQS GLOBAL FUNDS	Pooled fixed interest - Overseas corporate bonds	66.1	1.5
OAKTREE (LUX) III SA SICAV	Pooled fixed interest - Overseas corporate bonds	65.7	1.5
DIRECT LENDING FUND III (GBP)	Private Lending - Partnerships	44.5	1
DBL PARTNERS III LP	Private equity - Partnerships	28.4	0.7
LOIM SUS PVT CREDIT UNIT – Lombard Odier	Private Lending - Partnerships	28.0	0.7
CCOF II LUX FEEDER, SCSP-CARLYLE	Private Lending - Partnerships	25.0	0.6
CHARTER HALL PRIME INDUSTRIAL	Real estate	24.6	0.6
UBS GBL ASSET MGT	Real estate	24.0	0.6
INFRACAPITAL GREENFIELD PARTNER	Real estate	22.4	0.5
DIRECT LENDING UK FUND SLP	Private Lending - Partnerships	22.2	0.5
TIAA CREF GLOBAL AGRICULTURE I	Private Equity - Agriculture	22.0	0.5
BARINGS NORTH AMERICAN PRIVATE	Private equity - Partnerships	21.7	0.5
PERMIRA CREDIT SOLUTIONS III S	Private Lending - Partnerships	21.2	0.5
Total		**3,093.0**	**72.1**

Top 20 holdings of the Fund as at 31 March 2022

Holding	Asset Class	2022	
		£m	% of Fund
BRUNEL STERLING CORPORATE BONDS	Pooled fixed interest - Overseas corporate bonds	701.2	15.4
BRUNEL BLACKROCK LIABILITY SOLUTIONS	Pooled – LDI	535.0	11.8
BRUNEL GLOBAL SUSTAINABLE EQUITIES	Equities – Global	460.5	10.1
BRUNEL LOW VOLATILITY FUND	Pooled equities – Global	413.8	9.1
BRUNEL PARIS ALIGNED FUND	Pooled equities – Global	327.9	7.2
BRUNEL NEUBERGER BERMAN MAC FUND	Pooled – Multi Asset Credit	202.5	4.5
ROBECO QI GLOBAL DEVELOPED	Pooled equities – Global	183.7	4.0
CQS GLOBAL FUNDS	Pooled fixed interest - Overseas corporate bonds	67.9	1.5
OAKTREE (LUX) III SA SICAV	Pooled fixed interest - Overseas corporate bonds	67.2	1.5
GENERATION IM CLIMATE SOLUTION	Private equity - Partnerships	47.5	1.0
DIRECT LENDING FUND III (GBP)	Private Lending - Partnerships	34.0	0.7
PERMIRA CREDIT SOLUTIONS III S	Private Lending - Partnerships	30.1	0.7
UBS GBL ASSET MGT	Real estate	28.9	0.6
BARINGS NORTH AMERICAN PRIVATE	Private equity - Partnerships	28.0	0.6
DBL PARTNERS III LP	Private equity - Partnerships	27.9	0.6
CHARTER HALL PRIME INDUSTRIAL	Real estate	24.7	0.5
DIRECT LENDING UK FUND SLP	Private Lending - Partnerships	24.3	0.5
SENIOR LOAN FUND I C SLP SUB	Private Lending - Partnerships	22.9	0.5
AMAZON.COM INC	Direct Equity	21.7	0.5
TIAA CREF GLOBAL AGRICULTURE I	Private Equity - Agriculture	21.5	0.5
Total		**3271.2**	**71.8**

Geographical distribution of quoted and pooled equity investments



Geographical distribution	2023	2022
	£m	£m
North America	1,104.4	1,445.7
Europe (excluding UK)	314.3	386.8
United Kingdom	81.2	333.8
Japan	79.8	79.0
Asia Pacific (excluding Japan)	47.5	74.4
Emerging Markets and other areas	12.2	30.7
Total	**1,639.4**	**2,350.4**

Top 20 direct equity holdings

Company	Country	2023 £m	% of Fund	Company	Country	2022 £m	% of Fund
Microsoft Corp	United States	20.3	0.5	Amazon.com Inc	United States	21.7	0.5
Amazon.com Inc	United States	17.8	0.4	Baxter International Inc	United States	19.4	0.4
Henry Schein Inc	United States	13.7	0.3	Becton Dickinson and Co	United States	18.2	0.4
Analog Devices Inc	United States	13.6	0.3	Henry Schein Inc	United States	17.4	0.4
Vestas Wind Systems A/S	Denmark	13.0	0.3	Jones Lang LaSalle Inc	United States	17.0	0.4
Applied Materials Inc	United States	12.5	0.3	Alphabet Inc CL C	United States	16.8	0.4
LeGrand SA	France	12.0	0.3	Equifax Inc	United States	16.0	0.4
Trane Technologies Plc	Netherlands	11.9	0.3	Vestas Wind Systems A/S	Denmark	15.6	0.3
Thermo Fisher Scientific Inc	United States	11.7	0.3	Schwab (Charles) Corp	United States	14.8	0.3
Equifax Inc	United States	11.5	0.3	Taiwan Semi Conductor Manufacture	Taiwan	12.7	0.3
Mercadolibre Inc	United States	11.1	0.3	Clarivate Plc	United States	11.7	0.3
Texas Instruments Inc	United States	9.8	0.2	Visa Class A shares	United States	11.0	0.2
Ashtead Group Plc	United Kingdom	9.1	0.2	Adidas AG	Germany	11.0	0.2
Adidas AG	Germany	9.0	0.2	Ashtead Group Plc	United Kingdom	10.6	0.2
Gartner Inc	United States	9.0	0.2	Gartner Inc	United States	10.1	0.2
Mastercard Inc A	United States	8.8	0.2	Intel Corp	United States	10.0	0.2
Jones Lang LaSalle Inc	United States	8.5	0.2	Cooper COS Inc/The	United States	8.8	0.2
Schwab (Charles) Corp	United States	8.3	0.2	LeGrand SA	France	8.8	0.2
Kingspan Group Plc	Ireland	8.2	0.2	Applied Materials Inc	United States	8.7	0.2
Cooper COS Inc/The	United States	8.2	0.2	Trane Technologies Plc	Netherlands	8.7	0.2
Total		**228.0**	**5.4**	**Total**		**269.0**	**5.9**

Pension Fund administration

Administration arrangements

The Environment Agency Pension Fund (EAPF) is responsible for administering the current and future pension benefits for over 29,400 members of the Active Pension Fund.

While the Committee provides strategic direction and regular oversight, day to day pension Fund administration is delivered through our third-party pension administrator, Capita Employee Benefits (a subsidiary of Capita Group Plc). We do this because it involves specialist knowledge, complex activity and significant investment in IS/IT which is considered beyond the core business of the Environment Agency.

The breadth and volume of work delivered by Capita is significant, and includes administering members' historical records, handling all Fund members' queries, distributing newsletters and annual benefit statements, issuing monthly pension payslips, making lump sum and pension payments, fraud prevention and debt collection, undertaking all HMRC returns, producing audited annual accounts for Parliament, provision of LGPS technical advice and a wide range of other tasks.

Performance measurement

The Committee measures the performance of Capita through monthly, quarterly and annual reports showing progress against the contractual Service Level Agreement (SLA). The perspectives by which the Committee assesses the performance include accuracy, timeliness, quality, helpfulness, feedback, service improvements and complaints.

We would like to express our thanks to Capita for resolving 47,825 (2022: 38,069) Active and Closed Fund member requests/queries and for paying pensions to over 8,000 Active Fund pensioners. Over the year, Capita achieved service levels for 77.10% of all casework processed.

During 2022 Capita were working hard to maintain SLA attainment through an agreed Recovery Plan to remove case-work backlog, but this became unsustainable due to increasing high volumes of new casework and attrition on the team. The Fund is working closely with Capita on understanding resource requirements needed now in an environment of continuing high demand, and future requirements and regulatory demands. This review will provide improvements to these service levels.

The five largest case types processed by Capita for the Active Pension Fund during 2022/23 were:

Case type	2023	2022
Leavers with deferred pensions	864	707
Retirement estimates	1317	1492
Joiners	2357	887
Transfers out including quotations	704	644
Retirements	900	725

Active Fund administration costs for the year to the 31 March 2023 were £991k (2022: £634k) including work on GMP reconciliation, member tracing and data reviews plus member communications and postage costs. We benchmark our Fund administration costs annually through the public accounting body CIPFA. For 2021/22 data the CIPFA average was £20.58 (2020/21: £20.86) per member. Across both our Active and Closed Funds, our average cost for 2021/22 was £23.10 (2020/21: £23.33) per member.

The total number of staff allocated by Capita to the EAPF administration contract is 23, of which 14 deal solely with pension benefits administration. Based on a membership of 39,470 across both the Active and Closed Funds at 31 March 2023, this represents an average of 2,819 members per administrator.

We take a value for money approach looking for appropriate balance between cost, service and quality in pension administration delivery.

Internal controls

The EAPF system of internal controls is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Fund's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Environment Agency and in the operation of the Fund for the year ended 31 March 2023, in accordance with LGPS and Treasury guidance and best practice.

In 2019, independent reviews by Environment Agency Internal Audit on the adequacy and effectiveness of internal controls and Pension Fund Risks were conducted in accordance with Government Internal Audit Standards during the year. The Pension Fund compliance audit concluded that we showed strong compliance with the provisions of the Pensions Schedule of the Financial Memorandum and the requirements from the Pensions Regulator's public sector Code of Practice. It found that the framework of governance, risk management and control is adequate and effective, and gave an overall risk score of 92%, up from 83% in the prior year. In 2020, Internal Audit reviewed the progress made against five management actions. A substantial assurance rating was given, confirming that four actions had been fully addressed and one action substantially addressed with alternative mitigations.

Report on Internal Controls

The Directors of Capita Pension Solutions Limited (CPSL) produce an audited annual Assurance Report on internal controls, under ISAE 3402 and AAF 01/20, which is reviewed by Officers. In considering the effectiveness of the internal controls for the Fund, account has been taken of the findings of the reporting accountants (Ernst & Young) in their assurance report for CPSL for the year ending December 2022. CPSL are pleased to confirm that all controls testing was completed by their auditor and no exceptions were reported.

The delivery of Capita's Internal Control Report was delayed due to the Cyber Incident, which is reported in more detail on page 57 below. Upon its release, the Directors also issued a Bridging Letter, dated 14 July 2023, which states that from the period 1 January 2023 none of their key controls have changed. Additionally, in direct response to the Cyber Incident, the Directors concluded that this event does not change their opinion regarding the operating effectiveness of their controls.

Data quality

Good quality data is vital to the efficient and accurate payment of retirement benefits and general administration of the Active Pension Fund. This is achieved primarily through the use of electronic interfaces between Fund employers and Capita on a weekly and monthly basis. Guidance issued by the Pensions Regulator (TPR) recommends that the Fund regularly assess the quality of EAPF member data.

Common data is defined by TPR as the key data items that are essential to the identification of the member's identity and are common to all schemes including items such as National Insurance number, surname, gender, and address. The guidance recommends that Common data is 95% complete (in compliance with the tests specified by TPR) for data created prior to June 2010 and 100% for new data post June 2010.

Data quality testing is carried out for the Active Fund annually and a certificate issued reflecting compliance with TPR guidance. The latest available results from our May 2023 certificates showed our post June 2010 data as 97.05%, with pre-June 2010 data at 88.15% which gives an overall score of 94.98%. The missing data for both categories relates to members moving house and not informing our administrators. We continue to carry out exercises to trace these members and will update their records accordingly. A specific address tracing exercise is currently underway and will inform the next certification exercise.

Data security

The Environment Agency Pension Fund and Pensions Committee take data security very seriously. Ownership and accountability for the transmission of employees' pensions related data to Capita is assigned to the human resources and payroll functions of our participating employers. This is mainly through the secure transmission of monthly and weekly electronic data interface files.

Capita has an Information and Cyber Security policy for the organisation which sets out its commitments to information security. This policy covers the following:

- Maintaining the confidentiality, integrity and availability of information, while ensuring information is only accessible by those who are entitled to access it.
- Protecting information assets consistently to a high standard to prevent compromise by external and internal threats, both deliberate and accidental.
- Raising and maintaining security awareness to help avoid the unintentional or malicious disclosure of confidential information, which could cause inconvenience and distress to others, be unlawful, and to avoid causing financial and reputational damage.

Cyber Incident

In March 2023, Capita experienced a cyber incident where malicious activity was detected to one of their servers on 22 March. This was interrupted by Capita on 31 March. As a result of the system lockdown employed by Capita, the impact of the attack was significantly restricted. Capita informed us, that based on its own forensic work and that of its third-party providers, that less than 0.1% of data was exfiltrated from one of its server estates.

Capita has taken extensive steps to recover and secure the customer, supplier and colleague data contained within the impacted server estate, and to remediate any issues arising from the incident. Capita is working closely with all appropriate regulatory authorities and with customers, suppliers and colleagues to notify those affected and take any remaining necessary steps to address the incident. Capita have confirmed that data held on the main administration platform, Hartlink, was not compromised and they want to reassure members that their pensions remain secure.

Capita confirmed on 26 May 2023 that their preliminary investigation had identified that our pensioner population had personal details exfiltrated, along with a small proportion of contributing and deferred members and we have subsequently written out to those affected individuals.

Capita have now concluded their forensic investigations and unfortunately the impact to our contributing and deferred members is wider than initially indicated. The actual data that was available on the affected server does vary for each member and we have now written to all members who have been impacted, setting out the precise categories of personal data impacted.

At the time of writing, Capita has informed us that there is no evidence that information resulting from this incident has been misused and this position is being regularly monitored.

As mentioned, Capita are working closely with regulators, and the EAPF has also reported and updated the Information Commissioners Office (ICO) and is keeping regular dialogue with other regulators which include the Pensions Regulator (tPR), and the National Audit Office (NAO).

To help support members, Capita are providing free membership to a leading identity protection service. The EAPF, supported by Capita, have also held webinars to keep our membership up to date. We've created an area on the EAPF website for members which provides helpful information, links, and 'Questions & Answers', all in one place which we hope will answer some commonly asked questions and help address any immediate concerns.

At the time of writing there is significant uncertainty on the extent of both obligation and value based on the behaviour of regulators and potential claimants with regard to the Cyber Incident at Capita and as such no contingent liability can be reliably measured.

We will continue to actively engage with Capita and consider the next steps available to us and communicate these where necessary. We will also continue to discuss ongoing support that Capita can provide to those affected.

The Fund continues to treat the incident with the utmost importance with help from various specialists and advisors. We continue to work with Capita, internal security teams and take appropriate legal advice to measure every aspect of the incident and to further underpin cybersecurity controls, protect the fund's data and ultimately avoid any recurrence.

National Fraud Initiative/mortality checks

The Fund has a formal policy and procedure for handling fraud linked to the unreported deaths of pensioners. As part of this policy it participates in the Audit Commission's biennial National Fraud Initiative (NFI) and undertakes life certificate exercises for pensioners who live overseas. In addition, from November 2012 monthly mortality screening has been implemented to help reduce overpaid pensions and potential fraud.

The results of the most recent exercise in 2022 identified 11 pensioner cases where we were not made aware of deaths. All cases were suspended and the necessary follow up actions are in progress on these cases.

As a general principle, where we investigate cases and if fraud is suspected, we will pursue the case and will seek to agree a repayment plan or, if necessary, take legal action or involve the police. Our monthly mortality checks are in place to help reduce potential fraud on the Fund. There are no reported fraud cases for 2022/23.

Communications

The Fund continues to develop and enhance its communication program which started with the introduction of an easily recognisable brand and writing style. This was aligned to a restructured website using rich media (which included the use of calculators, flowcharts and audio and visual presentations) to help enhance member experience and encourage regular use. The updates to the website in 2021 have improved members experience with huge improvements to the navigation of the site, as well as giving it a fresh look and feel. This look and feel have been incorporated into an updated branding guide, and being applied across the updated online platform, as well as being added to new documents we produce.

We have introduced a new platform for creating documents called Turtl, which can create 'ebooks' rather than pdf's which are more visually appealing, as well as being more accessible. We have received positive feedback on the documents that are available in this format. The analytics available from this are also really useful in identifying the content that is viewed the most. The updates to the website, portal and new documents ensures compliance with current accessibility standards, as well as being up to date with technology and demands in the digital area.

Both our public facing website and web portal facility, EAPF Online are 'device enabled' which means they allow users to access information on any mobile phone or tablet in an easily readable format, so our members can look up information or access online tools in their own time.

We continue to engage with members through a number of channels to establish a view on how our members prefer to communicate and interact with the Fund.

We deliver tailored, themed topic webinars and consult with members and Fund employers on content and introducing new sessions which are informed through customer surveys and focus groups.

These sessions are supported by newsletter, E Shots, and promotion through our Fund employers' internal communication channels. They're also recorded to enable members who miss them to view them on our website at their own leisure. Members are based nationwide across England & Wales, so it provides an opportunity for all to participate, and helps those who are unable to make the time commitment or can't get to a location depending on where they are based.

Delivering webinars allows us to:

- Reach a wider audience nationwide
- Remove the need for travel and time out of the office
- Deliver more sessions based on demand and more choice

Our annual pension benefit statements were issued to 100% of our active and deferred members within the statutory 31 August 2022 deadline.

Following our Process to Report Breaches of the Law, we made one report to the Pensions Regulator during 2021/22 which relates to the identification of incorrect final pensionable pay figures provided by SSCL to Capita for employees who have left the EA. We also informed them in April 2023 of the steps we are taking following the cyber incident at Capita. No reports to the Regulator were made in 2022/23.

Our Communications strategy

As part of our long-term strategy, 2022 saw us continue our move to digital communications by using our five segmented groups to ensure the way we engage remains relevant and tailored to our different members.

Our segmented groups are:

- Adventure
- Protection
- Relaxed
- Detail and focus
- Companionship

The use of segmented 'E Shots', ensures we test different imagery, and messaging with our different groups to establish preferences. We've completed four years of digital campaigns with specific messages being targeted to the 5 main groups. Each communication has a 'call to action' (CTA) which may be to complete a form, or to click and watch a video etc. We're able to monitor how many messages are sent, how many are opened and how many complete the CTA, and this information is then made available in our Communication dashboard.

We monitor the feedback from members carefully and will continue to collate responses to enable us to focus our messaging.

Our 2022 campaigns

Our campaign activity continues to adapt appropriately following changes to our working practices brought about by Covid-19. We have continued to keep communications relevant, engaging and succinct. We ask for feedback and we review our successes and areas for improvement continuously.

We continue to use Pensions Awareness Week as an opportunity to engage with members on various pension topics. This is a regular September feature, which in 2022 included a YouTube video with a well known TV chef and Grime artist, Big Zuu – who rapped about the importance of giving your pension some attention! This was a great platform for pensions to appeal to people of all ages, and was well received as it was also included in the member webinars. Throughout the awareness week, we also shared updates and information on key pension topics - including reminders about digital benefits statements, information about the 50:50 section, our funding performance, investment approach, a pensions committee vacancy, and the booking links for upcoming webinars and Annual General Meeting (AGM).

Further details on our publications and other services from the Fund can be found at www.eapf.org.uk

Pensionable Pay Project Update

As reported in our annual report last year, we made one report to the Pensions Regulator during 2021/22 which relates to the identification of incorrect final pensionable pay figures provided by SSCL to Capita for employees who have left the EA. The Pension Fund had identified that the Environment Agency's Third-Party Payroll provider, SSCL, provided incorrect final pensionable pay figures to Capita (our pension administrator) for some employees who have left the EA since 2015. The impact of this is that the affected employees' pensions are incorrect.

The Local Government Pension Scheme (LGPS) regulations outline that pay for final salary purposes should be allocated to the months earned. Instead SSCL have allocated Performance Related Pay (PRP) payments to the month paid or the month of pay award. This has caused an inequity in final pensionable pay figures, either under or overstating pay.

A project team was formed comprising of representation from the Pension Fund Management Team, EA Corporate Management, EA Legal, Defra HR Employee Offer Team, Defra Group Shared Services, Capita and SSCL, and we have project governance in place with regular communications and calls and comprises the right level of technical expertise and decision makers required to resolve this issue.

The timetable for completing the first phase of the work of checking and correcting pay has taken SSCL much longer than expected but the project has progressed to its recalculation and rectification phase which we expect to complete by November 2023 on in scope pensioners (c800), followed by deferred members and transferees by the end of the financial year.

Quality assurance has been critical in this process with officers supporting SSCL and as part of the overall ISSC2 Framework assurance process, Government Internal Audit Agency (GIAA) conducted an audit on all SSCL pensions processing works with the project team heavily involved in the planning and scope for this audit. We're currently awaiting the results of the final report.

The Fund has received Legal advice on its regulatory requirements and undertaken a comprehensive Cost Benefit Analysis to identify the full financial impact on overpayments, the cost of recovery, legal costs, and potential legal challenges. HM Treasury (HMT) approved the Environment Agency's (EA) decision to write off overpayments which are expected to be an estimated £750K. Underpayments are currently estimated to be around £300k.

The project is still ongoing and affected members will be contacted to notify of any impact and changes to their pension.

Complaints

The Fund has a formal process for dealing with complaints. The Committee defines a 'complaint' as any expression of oral or written dissatisfaction from members, the EAPF, its employer(s) and/or third parties, with regard to how a service has been carried out.

In addition, the Internal Dispute Resolution Procedure (IDRP) is a formal two stage procedure for settling disputes under the Local Government Pension Scheme (Administration) Regulations 2008 (as amended).

At Stage 1 the dispute will be reviewed by a person nominated by the Environment Agency to investigate complaints regarding decisions made under LGPS regulations, known as the ‘specified person’. If you disagree with the Stage 1 decision you can apply to Stage 2 where the dispute will be reviewed by a representative of the Administering Authority. If you still cannot agree with the decision you can apply to the Pensions Ombudsman who will make a binding decision and who has the power to award compensation if this is justified.

In 2022/23 Capita received 91 (2021/22: 49) formal complaints from Active Fund members and these have all been resolved. Capita have restructured and bolstered staff numbers and this has brought improvements as the new staff training program is rolled out.

There were 5 new IDRP Stage 1 cases on the Active Fund raised during the year, 1progressed to Stage 2 and 1 case went to the Pensions Ombudsman.

Foreword to the financial statements

The EAPF is a statutory public service pension scheme (as defined by the Pension Schemes Act 1993) under the Local Government Pension Scheme Regulations 2013 (as amended), the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 and earlier regulations (saved provisions).

The LGPS was contracted out of the State Earnings Related Pension Scheme (SERPS) and later the State Second Pension (S2P) until 5 April 2016, meaning it provides benefits that are as good as most members would receive if they had been in the SERPS/S2P. Full tax relief is granted on both members' and the Environment Agency's contributions paid to the Fund.

Roles and responsibilities of the Pensions Committee

With a membership of nominated Environment Agency Board members, senior officers, member nominees, two pensioner member nominees, the Committee (which is a sub-committee of the Environment Agency Board) has been delegated the responsibility for Fund matters. It receives advice from its external advisers and is charged with appointing managers and agents required for the effective management of the duties outlined below.

The Committee and Accounting Officer is responsible for obtaining audited financial statements for each financial year which give a true and fair view of the financial transactions of the Fund and the disposition of its assets and liabilities at the year end, other than the liabilities to pay pensions and benefits after the scheme year end. In preparing the financial statements, the Committee is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- Observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- Make judgements and estimates on a reasonable basis
- State whether applicable accounting standards, as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the Accounts
- Prepare the Accounts on a going concern basis
- Confirm that the Annual Report and Financial Statements as a whole is fair, balanced and understandable and take personal responsibility for the Annual Report and Financial Statements and the judgements required for determining that it is fair, balanced and understandable.

The Committee and Accounting Officer are responsible for keeping proper accounting records which disclose, with reasonable accuracy, at any time, the financial position of the Fund and to enable it to ensure that the financial statements comply with the Framework Document issued by Defra. However, responsibility for the regulations governing the LGPS lies with the Local Government Pensions Unit at DLUHC.

The Committee and Accounting Officer are responsible for keeping records of contributions received in respect of active members of the Fund and for ensuring that contributions are made to the Fund in accordance with the Pensions Act 1995, the 2008 regulations and with the recommendations of the Consulting Actuary.

The Committee and Accounting Officer are also responsible for safeguarding the assets of the Fund and hence for taking reasonable steps for the prevention and detection of error, fraud and other irregularities. This Annual Report and Financial Statements is available on the Pension Fund's website and the gov.uk website. The maintenance and integrity of the website is the responsibility of the Environment Agency. The work carried out by the Auditor and the Scheme Administrator does not involve consideration of these matters. Accordingly, the Auditor accepts no responsibility for any changes that may have occurred to the information contained in the financial statements since they were initially presented on the websites. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

Summary of the financial statements

All investment assets are included in the financial statements on a fair value basis as at the reporting date. The net assets of the Environment Agency Active Pension Fund as at 31 March 2023 have decreased by £243m to £4.3bn (2022: increased by £249m to £4.5bn). Over the past year, events such as the continued conflict in Eastern Europe and wider global economic factors have had significant impacts on the financial markets and the economy. Our Fund has stood up to those challenges well, its diverse nature has helped protect the Fund well.

The Fund holds a Long-term investment in the Brunel Pension Partnership Limited, its pooling provider. As at the 31 March 2023 this had a reported fair value of £707k (2022: £838k).

In order to comply with Regulation 4(2)(b) of the Pension Scheme (Management and Investment Funds) Regulation 2009, Additional Voluntary Contributions (AVCs) paid and the AVC assets are not included in the Fund's financial statements. However, the value of the AVCS is disclosed for information purposes only in Note 22.

Total contribution income has increased by £8.7m to £98.4m (2022: decreased by £41.8m to £89.7m). This can be primarily attributed to NRW paying across advanced employer contributions for 2023/24 in this financial year.

Net income from all transfer values received in the year has risen slightly on the prior year as a result of individuals transferring from previous arrangements into the scheme. This increased by £3.4m to £7.7m (2022: decreased by £1.7m to £4.3m). Retirement benefits in respect of members during the year has increased by £7.5m to £108.9m (2022: increased by £8.7m to £101.5m).

Management expenses have decreased on the prior year by £15.2m to £22.1m (2022: increased by £13.0m to £37.3m). This is primarily due to no performance fees being paid in the year. An over accrual of £4.0m for Generation is also accounted for this financial year.

The Fund's net return on investments decreased by £513.0m to give a negative return of £215.2m (2022: decreased by £368.1m to £297.8m). The reason for the negative return was due mainly to the decrease in the market value of our investments held as at 31 March 2023.

Statement by the Consulting Actuary

Environment Agency Active Fund ('the Fund') Actuarial Statement for 2022/23

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

Description of Funding Policy

The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS), dated December 2022. In summary, the key funding principles are as follows:

- take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient funds to pay benefits to members and their dependants
- use a balanced investment strategy to meet the regulatory requirement for long-term cost efficiency (where efficiency in this context means to minimise cash contributions from employers in the long term) • where appropriate, ensure stable employer contribution rates
- reflect different employers' characteristics to set their contribution rates, using a transparent funding strategy
- use reasonable measures to reduce the risk of an employer defaulting on its pension obligations
- manage the fund in line with the stated ESG policies.

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For both principal employers, contributions have been stabilised to have a sufficiently high likelihood of achieving the funding target over 20 years. Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is at least a 73% likelihood that the Fund will achieve the funding target over 20 years.

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2022. This valuation revealed that the Fund's assets, which at 31 March 2022 were valued at £4,548 million, were sufficient to meet 103% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting surplus at the 2022 valuation was £154 million. Each employer had contribution requirements set at the valuation, with the aim of achieving their funding target within a time horizon and likelihood measure as per the FSS. Individual employers' contributions for the period 1 April 2023 to 31 March 2026 were set in accordance with the Fund's funding policy as set out in its FSS.

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2022 valuation report and FSS.

Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date; and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership

Assumptions

A market related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2022 valuation were as follows:

Financial Assumptions (% p.a.)	31 March 2022
Discount Rate	3.1%
Salary increase assumption	3.0%
Benefit increase assumption (CPI)	2.5%

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2021 model, with a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of 1.50% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

Pensioners	Males	Females
Current pensioners	22.0 years	24.5 years
Future pensioners*	23.1 years	26.2 years

*Aged 45 as at 2022 valuation.

Copies of the 2022 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund and on the Fund's website.

Experience over the period since 31 March 2022

Markets continued to be disrupted by the ongoing war in Ukraine and inflationary pressures, impacting on investment returns achieved by the Fund's assets. High levels of inflation in the UK (compared to recent experience), have resulted in a higher than expected LGPS benefit increase of 10.1% in April 2023. Despite this, the funding level of the Fund as at 31 March 2023 is estimated to be 142% (higher than reported at the 31 March 2022 funding valuation) due to the significant rise in interest rates which reduces the value placed on the Fund's liabilities. The next actuarial valuation will be carried out as at 31 March 2025. The Funding Strategy Statement will also be reviewed at that time.

Steven Scott

Steven Scott
Fellow of the Institute and Faculty of Actuaries
For and on behalf of Hymans Robertson LLP
9 May 2023

INDEPENDENT AUDITOR'S REPORT TO THE HOUSES OF PARLIAMENT, THE BOARD OF THE ENVIRONMENT AGENCY AND THE SECRETARY OF STATE FOR ENVIRONMENT, FOOD AND RURAL AFFAIRS

Opinion on financial statements

I have audited the financial statements of the Environment Agency Active Pension Fund ('the Fund') for the year ended 31 March 2023 which comprise the:

- Fund Account;
- Net Assets Statement as at 31 March 2023; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

In my opinion the financial statements:

- give a true and fair view of the financial transactions of the Fund during the year ended 31 March 2023 and of the amount and disposition at that date of the Fund's assets and liabilities; and
- have been prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 and applicable law.

Opinion on regularity

In my opinion, in all material respects the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law Practice Note 15 (revised) '*The Audit of Occupational Pension Schemes in the United Kingdom*' and Practice Note 10 '*Audit of Financial Statements and Regularity of Public Sector Entities in the United Kingdom (2022)*'. My responsibilities under those standards are further described in the '*Auditor's responsibilities for the audit of the financial statements*' section of my report.

Those standards require me and my staff to comply with the Financial Reporting Council's *Revised Ethical Standard 2019*. I am independent of the Fund in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the Fund's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this report.

Other Information

The other information comprises the information included in the Annual Report, Annexes and Enquiries but does not include the financial statements and my auditor's report thereon. The Accounting Officer is responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon.

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion, based on the work undertaken in the course of the audit:

- the Annual Report has been prepared in accordance with applicable legal requirements; and
- the information given in the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

In the light of the knowledge and understanding of the Fund and its environment obtained in the course of the audit, I have not identified material misstatements in the Annual Report.

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Responsibilities of the Accounting Officer of the Environment Agency and the Pensions Committee for the financial statements

As explained more fully in the section entitled Roles and responsibilities of the Pensions Committee, the Accounting Officer and the Pensions Committee are responsible for:

- the preparation of the financial statements and Annual Report in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- internal controls as the Accounting Officer determines are necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error; and
- assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Auditor’s responsibility for the audit of the financial statements

My responsibility is to audit and report on the financial statements in accordance with applicable law and International Standards on Auditing (ISAs) (UK).

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, we considered the following:

- the nature of the sector, control environment and operational performance including the design of the Fund’s accounting policies.
- inquired of management, the Fund’s head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Fund’s policies and procedures on:
  - identifying, evaluating and complying with laws; and
  - detecting and responding to the risks of fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Fund’s controls relating to compliance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, The Local Government Pension Scheme (Environment Agency) Regulations 1996, The Local Government Pension Scheme Regulations 2013, the Public Service Pensions Act 2013, Managing Public Money and the regulations set by The Pensions Regulator.
- Inquired of management, the Fund’s head of internal audit and those charged with governance whether:
  - they were aware of any instances of non-compliance with laws and regulations; and
  - they had knowledge of any actual, suspected, or alleged fraud.
- Discussed with the engagement team and relevant internal specialists, including actuarial and valuation specialists, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the Fund for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, bias in management estimates and selection of inappropriate methodology or assumptions underpinning the valuation of investments and the pensions liability. In common with all audits under ISAs (UK), I am also required to perform specific procedures to respond to the risk of management override of controls.

I also obtained an understanding of the legal and regulatory frameworks in which the Fund operates. I focused on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the Fund. The key laws and regulations I considered in this context included the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, The Local Government Pension Scheme (Environment Agency) Regulations 1996, The Local Government Pension Scheme Regulations 2013, the Public Service Pensions Act 2013, Managing Public Money and the regulations set by The Pensions Regulator.

In addition, I considered the control environment in place at the Fund, the investment custodian in respect of investments and the administrator and the scheme actuary in respect of membership data, the pension liability, contributions due and benefits payable.

Audit response to identified risk

To respond to identified risks resulting from the above procedures:

- I reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- I enquired of management, the Audit Committee and in-house legal counsel concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the Board and internal audit reports;
- in addressing the risk of fraud through management override of controls, I tested the appropriateness of journal entries and other adjustments; assessed whether the judgements on estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business;
- performed substantive testing of contributions received and benefits paid in the year to ensure compliance with laws and regulations and that the transactions were regular;
- engaged an auditor’s expert to assess the actuarial methods and assumptions used by the Fund actuary, reviewed the expert’s report and undertook any further procedures as necessary; and
- reviewed and assessed any significant correspondence with The Pensions Regulator.

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council’s website at **www.frc.org.uk/auditorsresponsibilities**. This description forms part of my report.

Other auditor’s responsibilities

I am required to obtain evidence sufficient to give reasonable assurance that the income and expenditure reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Date: 27 November 2023

Gareth Davies
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Financial statements for the year ending 31 March 2023

Fund account	Notes	2023 £000	2022 £000
Dealings with members, employers and			
others directly involved with the Fund			
Contributions	7	98,440	89,655
Transfer values in from other pension funds	8	7,678	4,339
		106,118	**93,994**
Benefits	9	(108,882)	(101,464)
Payments to and on account of leavers	10	(3,164)	(3,810)
		(112,046)	**(105,274)**
Net (withdrawals) from dealings with members		**(5,928)**	**(11,280)**
Management expenses	11	**(22,138)**	**(37,264)**
Return on investments			
Investment income	12	54,474	61,813
Taxes on income	13	(234)	(199)
Profit and loss on disposal of investments and changes in the value of investments	14a	(269,467)	236,140
Net returns on investments		**(215,227)**	**297,754**
Net (decrease)/increase in the Fund during the year		**(243,293)**	**249,210**
Opening net assets of the Fund at 1 April		4,537,382	4,288,172
Closing net assets of the Fund at 31 March		**4,294,089**	**4,537,382**

The notes on pages 72 to 108 form part of these financial statements.

Net assets statement	Notes	2023 £000	2022 £000
Long-term investments	14a	707	838
Investment assets	14c	4,286,793	4,554,173
Investment liabilitis	14c	(3,157)	(6,473)
Total net investments		**4,284,343**	**4,548,538**
Current assets	20	17,876	16,499
Current liabilities	21	(8,130)	(27,655)
Closing net assets of the Fund at 31 March		**4,294,089**	**4,537,382**

The financial statements summarise the transactions and net assets of the Fund. The financial statements do not take account of liabilities to pay pensions and other benefits that fall due after the end of the Scheme year. The actuarial position of the Fund, which does take account of such liabilities, is dealt with in the statement by the Consulting Actuary on pages 64 to 65 and these financial statements should be read in conjunction with it. The Actuary's statement dated 9 May 2023 is based on a formal valuation as at 31 March 2022. The notes on pages 72 to 108 form part of these financial statements.

Robert A. Gould

Robert Gould
Chair
Environment Agency Pensions Committee
24 November 2023

Philip Duffy
Accounting Officer
Environment Agency
24 November 2023

Notes to the financial statements

1. Description of the Fund

The Environment Agency Active Pension Fund is part of the Local Government Pension Scheme (LGPS) and is administered by the Environment Agency. The Environment Agency is the reporting entity for this Pension Fund. The Fund is overseen by the Environment Agency Pension Fund Committee. The EAPF is now a multi-employer Fund: Environment Agency, Natural Resource Wales (NRW) and Shared Services Connected Limited (SSCL). It is open to all eligible Environment Agency employees but is closed to new employees of NRW and SSCL. The EAPF is also responsible for administering some unfunded benefit payments.

The following description is a summary only. For more detail, reference should be made to the Funding Strategy Statement (Annex 2).

General

The Fund is governed by the Superannuation Act 1972 and the Public Services Act 2013. The Fund is administered in accordance with the following secondary legislation:

- The Local Government Pension Scheme Regulations 2013 (as amended);
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended); and
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

The Active Fund was established as the National Rivers Authority Pension Fund in 1989 at the time of the privatisation of the water industry in England and Wales. The Fund inherited active members' accrued liabilities from the predecessor pension arrangements, but no pensioners or deferred pensioner liabilities. In 1996 it transferred to the Environment Agency and became the Environment Agency Active Pension Fund. Since then, the Fund has been gradually maturing.

Membership

Unless they have elected in writing not to be members, all Environment Agency employees are eligible for membership of the LGPS (excluding Environment Agency Board members and those employees who are eligible to join another pension scheme) providing they are under the age of 75. Membership of the fund also includes employees of Natural Resources Wales and Shared Services Connected Limited who were employees of the Environment Agency immediately before the transfer of services to those bodies.

As at 31 March 2023, total membership of the Fund is 29,454 (2022: 27,615), represented by 12,962 active members, 8,410 deferred members and 8,082 current pensioners.

Funding

Benefits are funded by employer and employee contributions and investment earnings. Employers' contributions are set based on triennial actuarial funding valuations. The latest formal valuation was as at 31 March 2022. This became effective from 1 April 2023 and the Environment Agency contributed the equivalent of 19.0% of pensionable pay per annum, a fixed annual rate of £7m was payable by Natural Resources Wales and 22.7% of pensionable pay for Shared Services Connected Limited. Employee contributions are made by active members in accordance with the Local Government Pension Scheme Regulations 2013 and ranged from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2023.

Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service. From 1 April 2014, the scheme became a career average revalued earnings scheme (CARE), whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is revalued annually in line with the Consumer Prices Index (CPI).

A range of other benefits are also provided as detailed on our website at **www.eapf.org.uk**

2. Basis of preparation

The financial statements have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2022-23 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. They are prepared with a covenant from Defra who are the financial sponsors of the Environment Agency under the Environment Agency Act 1995 and the DLUHC as the statutory guarantors of the LGPS. The accounting policies have been drawn up in line with recommended accounting principles within the overall Code of Practice on Local Authority Accounting framework.

3. Summary of significant accounting policies

The following principal accounting policies have been applied consistently in the preparation of the financial statements which are prepared on an accruals basis.

Contribution income

Normal contributions are accounted for on an accruals basis in the period to which the associated wages and salaries relate. Employee contribution rates are set in accordance with LGPS regulations, using common percentage rates for all schemes, according to pensionable pay. Employer contributions are set at the percentage rate recommended by the fund actuary for the period to which they relate.

Advanced employer contributions are accounted for on the basis advised by the fund actuary in the rates and adjustment certificate issued to the relevant employing body.

Special employers' contributions in respect of ill-health and early retirements are accounted for in the year the event arose. Any amount due in the year but unpaid will be classed as a current financial asset.

Additional Voluntary Contributions, except for those paid to secure added years, are not included in the accounts in accordance with Regulation 4(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009.

Transfers to and from other schemes

Individual transfers in and out are accounted for when received or paid. Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers In.

Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement, or in the absence of specific terms, on a cash basis.

Refunds of contributions are included from the date the member leaves the Scheme.

Benefits payable

Members can choose whether to take a proportion of their retirement benefits as a pension and/or lump sum. Pensions and lump-sum benefits payable are accounted for on an accruals basis from the date the option is exercised. Lump sum death grants are included from the date of death. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities, providing that payment has been approved.

Management expenses

Administration, oversight and governance costs and investment management expenses are accounted for on an accrual's basis. Management expenses are recognised net of any recoverable VAT. The fees of the Fund's external investment managers reflect their differing mandates. Fees are generally linked to the market value of the Fund's investments and therefore may increase or reduce as the value of the investment changes.

In cases where administration expenditure relates to both the Active and Closed Pension Fund, we attribute this 80%/20% respectively to reflect the time spent administrating each Fund, as shown below. This apportionment is considered annually.

Apportionment of common expenditure	2022/23 AF/CF %	2021/22 AF/CF %
Custodial arrangements	80/20	80/20
Environment Agency Pension Fund Management	80/20	80/20

Investment income

All interest income is recognised in the fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination. Accrued interest is excluded from the market value of fixed interest securities but is included in investment income receivable. Income from cash and short-term deposits are also accounted for on an accrual's basis.

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

Any gains or losses arising on derivative contracts are reported within Change in Market Value.

Income from overseas investments is recorded net of any withholding tax where this cannot be recovered.

Income on investments in pooled investment vehicles with accumulation units is reflected in the unit price.

Change in market value

The change in the market value of investments comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

Taxation

The Fund is a registered public service scheme under Section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises. VAT input tax is recoverable on all management expenses. The accounts are exclusive of VAT.

Financial assets

The long-term investment in the Brunel Pension Partnership asset pool has been revalued from £838k in 2022 to £707k as at 31 March 2023. The Environment Agency Pension Fund and its nine other partner Funds in the pool, collectively agree that the market value of this investment as at 31 March 2023 can be reasonably assessed from the Brunel Pension Partnerships audited Annual Report and Accounts. Therefore, their Statement of Changes of Equity as at 30 September 2022 is deemed an appropriate estimate of fair value.

All other investment assets are included in the financial statements on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of the asset are recognised in the fund account.

The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13. For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

Foreign currency transactions

Where forward contracts are in place for assets and liabilities the contract rate is used. Other assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the year end.

Impairment

IFRS 9 introduces an impairment model for financial assets not held at Fair Value through Profit and Loss (‘FVPL‘). As a result, the Fund must now determine forward looking expected credit losses (‘ECL’) for all its financial assets held at amortised cost. Financial assets held at amortised costs within the Fund comprise: Cash and cash equivalents; Other investment balances; and Other receivables. Cash assets are not subject to determining ECL. In the case of other receivables there are no expected credit losses identified.

IFRS 9 has been applied prospectively by the Fund and this did not result in a change to the measurement of financial instruments, but some classifications have been amended to reflect IFRS 9’s requirements. The Fund’s other receivables continue to be measured at amortised cost. There was no material impact on the adoption of IFRS 9.

The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13. For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

Derivatives

Futures contracts' fair value is determined using exchange prices at the year-end date. The fair value is the unrealised profit or loss at the closing price of the contract. Amounts due from the broker represent the amounts outstanding in respect of the initial margin (representing collateral on the contracts) and any variation margin which is due to or from the broker. The amounts included in change in market value are the realised gains and losses on closed futures contracts and the unrealised gains and losses on open futures contracts.

The fair value of the forward currency contracts is based on market forward exchange rates at the year-end date. Forward foreign exchange contracts are over the counter contracts and are valued by determining the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract at that date.

Cash deposits and instruments

Cash comprises cash in hand and on deposit, including any amounts held by the Fund's external investment managers. All cash balances are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to minimal risk of changes in value.

Financial Liabilities

A financial liability is recognised in the net assets statement on the date the Fund becomes party to the liability. The Fund recognises financial liabilities relating to investment trading at fair value as at the reporting date, and any gains or losses arising from changes in the fair value of the liability between contract date, the year-end date and the eventual settlement date are recognised in the fund account as part of the change in market value of investments.

Defined Benefit Obligation

The financial statements summarise the transactions of the Fund and deal with the net assets at the disposal of the Pensions Committee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year. The actuarial position of the Fund, which takes into account such obligations, is dealt with in the Statement by the Consulting Actuary on page 64.

Additional Voluntary Contributions

The EAPF provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from the Pension Fund. The Fund has open arrangements with Prudential and Standard Life as well as closed arrangements with Equitable Life and Clerical Medical. AVCs are paid to the AVC providers by employers and specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

As mentioned previously, AVCs are not included in the accounts in accordance with Regulation 4(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009, but their valuation is disclosed as a note to the accounts for information.

Contingent assets and contingent liabilities

A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by the occurrence of future events.

A contingent liability arises where an event has taken place prior to the year-end giving rise to a possible financial obligation whose existence will only be confirmed or otherwise by the occurrence of future events. Contingent liabilities can also arise in circumstances where a provision would be made, except that it is not possible at the balance sheet date to measure the value of the financial obligation reliably.

Where they exist, contingent assets and liabilities are not recognised in the net asset statement but are disclosed by way of narrative in the notes.

4. Critical judgments in applying accounting policies

The long-term investment in Brunel has been revalued on the basis that the fair value as at 31 March 2023 can be derived from the Brunel Pension Partnerships Annual Report and Accounts. Their Statement of Changes of Equity is therefore deemed an appropriate estimate of fair value. Management review this valuation annually.

The Pension Fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 18. This estimate is subject to significant variances based on changes to the underlying assumptions.

5. Assumptions made about the future and other major sources of estimation

The financial statements contain figures that are based on assumptions made by our managers. Estimates are made taking into account historical experience, current trends and other relevant factors. The items in the net assets statement at 31 March 2023 for which there is a risk of material movement in the forthcoming financial year is as follows:

Item	Uncertainties	Effect of actual results differ from assumptions
Pooled property and infrastructure funds, private equity, private debt, long term investments	These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	There is a risk that this investment may be under or overstated in the accounts. The total value of these investments as at 31 March 2023 is £1,037million as shown on page 90 under the 'sensitivity of assets valued at Level 3' table.

6. Events after the net asset statement date

The financial statements were approved by both the Pensions Committee on 27 June 2023 and Audit and Risk Assurance Committee on 29 June 2023. The financial statements are signed under delegated authority of the Board. They will also be noted at the next available meeting of the Board. Since the 31 March 2023 we have recorded the following events since the 31 March 2023.

McCloud Regulations 2023

The Public Service Pension Schemes (Rectification of Unlawful Discrimination) (Tax) Regulations 2023 – applicable specifically to members affected by the McCloud Judgment, these regulations, which come into force on 6 April 2023, were introduced to allow for certain pensionable payments to be made, and for certain decisions to be made retrospectively, without the member being subject to the unauthorised payments tax charges. In addition, the regulations remove the need to revisit previous annual allowance calculations where, had the member received a final salary uplift at the time, the member's pension savings for an earlier tax year would be greater.

Equity Rebalance

In April 2023, we completed the final stage of our equity rebalance exercise by moving £177m from BlackRock LDI, where is was housed in March 2023, into BlackRock Buy and Maintain Credit.

Removal of Paris Aligned Benchmark Hedge

In June 2023, we instructed a 100% unit switch in share class in the Brunel Paris Aligned Portfolio from a Hedged share class into a Unhedged share class, c£296m.

Pensionable Pay Project

As reported in more detail on pages 60 and 61, the Pensionable Pay Project has identified an inequity in Final Pensionable Pay figures, either under or overstating pay. We currently estimate that the underpayments amount to c£300k and the overpayments amount to c£750k. More work and calculations need to be performed in the coming months before we can finalise these numbers.
There are no adjusting events that need to be recognised in the financial statements after the net asset statement date.

7. Contributions

By contribution type	2023 £000	2022 £000
Employer		
Normal	60,497	54,599
Advanced	6,894	6,894
Special	(82)	75
	67,309	**61,568**

Members		
Normal	30,607	27,855
Purchase of added years	524	232
	31,131	**28,087**
Total	**98,440**	**89,655**

Normal contributions are regular employer and employee contributions paid across by our employers.

Advanced contributions towards future service contributions for 2023/24 of £6,894k were paid by Natural Resources Wales. In the prior year Advanced contributions were also paid, with Natural Resources Wales paying £6,894k in respect of contributions for 2022/23.

Special contributions are additional amounts paid by our employers in respect of early retirements. A negative amount is shown for 2022/23 due to the reversal of an over accrual from the prior year.

By employer	2023 £000	2022 £000
Environment Agency		
Employer normal	60,458	54,561
Employer advanced	-	-
Employer special	-	-
	60,458	**54,561**
Members normal	28,423	25,741
Members purchase of added years	501	205
	28,924	**25,946**
	89,382	**80,507**
Natural Resources Wales		
Employer normal	4	5
Employer advanced	6,894	6,894
Employer special	(82)	75
	6,816	**6,974**
Members normal	2,174	2,104
Members purchase of added years	23	27
	2,197	**2,131**
	9,013	**9,105**
SSCL		
Employer normal	35	33
Members normal	10	10
	45	**43**
Total	**98,440**	**89,655**

8. Transfer values in from other pension funds

	2023 £000	2022 £000
Individual transfers from other schemes	6,665	2,784
AVC transfers	1,013	1,555
Total	**7,678**	**4,339**

Transfer values have been paid to the scheme ('cash equivalents' within the meaning of Part 1 of Schedule 5 to the Pensions Scheme Act 1993), and service credits given for transfers received, calculated in accordance with the method and assumptions on the advice of the Actuary and based on guidelines issued by the Institute and Faculty of Actuaries. No discretionary benefits have been included in the calculation of transfer values. AVC transfers represent amounts disinvested from the AVC arrangements disclosed in Note 22 during the year and subsequently used to fund benefits.

9. Benefits

	2023 £000	2022 £000
Retirement and dependant's pensions	89,744	83,703
Lump sum retirement grants	16,537	15,181
Lump sum death grants	2,344	2,552
Taxation where annual allowance exceeded	257	28
Total	**108,882**	**101,464**

10. Payments to and on account of leavers

	2023 £000	2022 £000
Individual transfers to other schemes	3,105	3,764
Refunds of contributions	59	46
Total	**3,164**	**3,810**

Transfer values have been paid ('cash equivalents' within the meaning of Part 1 of Schedule 5 to the Pensions Scheme Act 1993) in accordance with the method and assumptions on the advice of the Actuary and based on guidelines issued by the Institute and Faculty of Actuaries. No discretionary benefits have been included in the calculation of transfer values.

11. Management expenses

	2023 £000	2022 £000
Administration costs		
Scheme administration	**991**	**634**
Oversight and governance costs		
Specialist advice	1,753	1,957
Environment Agency Pension Fund management	896	784
External audit	101	89
	2,750	**2,830**
Investment management expenses		

Performance related fees	(4,043)	16,777
Management fees	17,576	16,192
Transaction costs	489	755
Other management charges	4,309	-
Custody fees	66	76
	18,397	**33,800**
Total	**22,138**	**37,264**

Increased Scheme administration costs are due to spend on GMP reconciliation, increased tracing, and data reviews. The negative performance related fee is in relation to an over accrual in 2022.

Investment management expenses can be further analysed as follows:

2022/23	**Total £000**	**Management fees £000**	**Performance related fees £000**	**Transaction costs £000**
Private equity	6,184	6,184	-	-
Other management charges	4,309	4,309	-	-
Pooled equities	4,145	4,091	-	54
Private debt	2,038	2,038	-	-
Long term investments	930	930	-	-
Pooled property and infrastructure	840	840	-	-
Cash and FX	53	52	-	1
Pooled fixed interest	41	41	-	-
Equities	(209)	3,400	(4,043)	434
Total	**18,331**	**21,885**	**(4,043)**	**489**
Custody fees	66	-	-	-
Total	**18,397**			

2021/22	**Total £000**	**Management fees £000**	**Performance related fees £000**	**Transaction costs £000**
Equities	22,068	5,260	16,078	730
Pooled fixed interest	272	272	-	-
Pooled equities	4,431	3,883	548	-
Private equity	3,674	3,674	-	-
Private debt	1,356	1,356	-	-
Long term investments	939	939	-	
Pooled property and infrastructure	747	747	-	-
Fixed interest securities	169	18	151	-
Cash and FX	68	43	-	25
Total	**33,724**	**16,192**	**16,777**	**755**
Custody fees	76	-	-	-
Total	**33,800**			

12. Investment income

	2023 £000	**2022 £000**
Income from fixed interest securities	(545)	6,255
Income from private equity	5,571	14,446
Dividends from equities	5,713	6,486
Income from pooled property and infrastructure	13,101	29,782
Other investment income	59	472

Income from pooled investment vehicles	13,014	4,444
Interest on cash deposits	3,175	(72)
Fee rebate	14,386	-
Total	**54,474**	**61,813**

13. Taxes on income

	2023 £000	2022 £000
Withholding tax – equities	(234)	(199)
Total	**(234)**	**(199)**

14. Investments

a) Investment movements summary 2022/23

Financial year to the 31 March 2023	Market value at 01.04.22	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Asset transfer purchases	Asset transfer sales	Change in market value	Market value at 31.03.23
	£000	£000	£000	£000	£000	£000	£000
Pooled equities	925,432	5,571	(247,893)	775,613	(315,084)	18,473	1,162,112
Pooled fixed interest	1,371,294	354,000	-	-	-	(272,583)	1,452,711
Equities	1,087,417	196,213	(310,706)	16,920	(477,449)	(35,073)	477,322
Fixed interest securities	-	-	140	-	-	(140)	-
Pooled property and infrastructure	346,394	56,744	(59,519)	65,826	-	28,351	437,796
Private debt	374,494	85,083	(34,160)	-	-	1,774	427,191
Private equity	225,500	52,708	(38,924)	-	(65,826)	(1,986)	171,472
FX and derivatives	(1,221)	61,623	(40,211)	-	-	(9,008)	11,183
	4,329,310	**811,942**	**(731,273)**	**858,359**	**(858,359)**	**(270,192)**	**4,139,787**
Cash deposits and instruments	219,064	-	-	-	-	856	143,590
Other investment balances	(674)	-	-	-	-		259
Total	**4,547,700**					**(269,336)**	**4,283,636**

Long-term investments	**838**	**-**	**-**	**-**	**-**	**(131)**	**707**
Total	**4,548,538**					**(269,467)**	**4,284,343**

In response to the requirements of the investment regulations for LGPS funds to pool investment assets, Brunel Pension Partnership Ltd was formed to oversee the investment assets for the Avon, Buckinghamshire, Cornwall, Devon, Dorset, Environment Agency, Gloucestershire, Oxfordshire, Somerset, and Wiltshire LGPS funds. Each fund owns an equal 10th of Brunel Ltd, with share capital invested by each fund of £840k. The fair value of this long-term investment, our share has been revalued to £707k (2022: £838k).

Included in asset transfers is £526,335,000 in respect of assets that were reclassified from one investment category to another investment category during the year. These transfers were reclassifications of investments and did not involve any actual transfer of securities.

All contracts settled during the period are reported within the table as purchases and sales. As all contracts are settled individually, with an amount being paid to or from the broker in respect of all the foreign currency contracts, these transactions need to be disclosed as purchases and sales.

Indirect transaction costs are incurred through the bid-offer spread on investments within pooled investment vehicles. The amount of indirect costs is not separately provided to the Fund.

The prior year Investment movement's summary is shown in the table below.

Investment movements summary 2021/22

Financial year to the 31 March 2022	Market value at 01.04.21	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Asset transfer purchases	Asset transfer sales	Change in market value	Market value at 31.03.22
	£000	£000	£000	£000	£000	£000	£000
Pooled equities	1,065,838	660,801	(920,657)	656,357	(920,532)	119,450	925,432
Pooled fixed interest	824,919	1,685,333	(1,037,007)	1,510,615	(700,225)	(101,951)	1,371,294
Equities	768,723	1,601,191	(1,343,022)	887,261	(597,546)	60,525	1,087,417
Fixed interest securities	750,198	1,223,160	(2,044,085)	707,477	(1,688,572)	70,727	-
Pooled property and infrastructure	352,023	27,174	(65,198)	-	-	32,395	346,394
Private debt	169,950	268,546	(64,476)	207,901	-	474	374,494
Private equity	169,775	31,931	(41,215)	-	-	65,009	225,500
FX and derivatives	(1,264)	25,934	(14,041)	-	-	(11,850)	(1,221)
	4,100,162	**5,524,070**	**(5,529,701)**	**3,969,611**	**(3,906,875)**	**234,779**	**4,329,310**
Cash deposits and instruments	186,768	-	-	-	-	1,292	219,064
Other investment balances	1,631	-	-	-	-	-	(674)
Total	**4,288,561**					**236,071**	**4,547,700**
Long-term investments	769	-	-	-	-	69	838
Total	**4,289,330**					**236,140**	**4,548,538**

The asset transfer purchases and sales in the above table represent transitions to Brunel during the year.

Investment value details

Investment assets	2023 £000	2022 £000
Equities	**477322**	**1,087,417**
Pooled equities	**1,162,112**	**925,432**
Pooled fixed interest	**1,452,711**	**1,371,294**
Private equity	**171,472**	**225,500**
Pooled property and infrastructure		
Infrastructure funds	356,224	280,875
Unquoted collective limited partnership investments	81,572	65,519
	437,796	**346,394**
Private debt	**427,191**	**374,494**
Derivatives		
Forward foreign exchange	**10,749**	**(1,221)**
Futures	**434**	**-**
Cash deposits and instruments		
Cash with custodian and fund managers	**143,590**	**219,064**
Other investment balances		
Accrued income	761	543
Amounts due from trade and currency brokers	1,232	1,158
Income tax recoverable	883	874
Amounts due to trade and currency brokers	(2,617)	(3,249)
	259	**(674)**
Net investment assets	**4,283,636**	**4,547,700**
Long-term investments	**707**	**838**
Total investment assets	**4,284,343**	**4,548,538**

b) Investment assets and liabilities

	2023 £000	2022 £000
Financial assets		
Equities (includes pooled and private equity)	1,810,906	2,238,349
Bonds (includes pooled and gilts)	1,452,711	1,371,294
Pooled property and infrastructure	437,796	346,394
Cash	143,590	219,064
Private debt	427,191	374,494
Other investment assets	2,876	2,575
Derivatives – Futures and forward foreign exchange	11,723	2,003
Total financial assets	**4,286,793**	**4,554,173**
Financial liabilities		
Amounts due to trade and currency brokers (including cash margin with brokers)	(2,617)	(3,249)
Derivatives – Futures and forward foreign exchange	(540)	(3,224)
Total financial liabilities	**(3,157)**	**(6,473)**
Long-term investments	**707**	**838**
Net investment assets	**4,284,343**	**4,548,538**

c) Derivative contracts

	2023		2022	
Derivatives	**Asset £000**	**Liability £000**	**Asset £000**	**Liability £000**
Forward foreign currency contracts	11,289	(540)	2,003	(3,224)
Futures	434	-	-	-
Net derivatives	**11,723**	**(540)**	**-**	**(1,221)**

Investment in derivative instruments may only be made if they contribute to a reduction of risks and facilitate efficient portfolio management. A derivative is a financial contract between two parties, the value of which is determined by the underlying asset. Derivatives are used to a limited extent, primarily for efficient portfolio management and reducing currency risk.

Forward over the counter foreign currency contracts

At 31 March 2023 there was an unrealised gain of £10,749,000 on the currency forwards (2022: unrealised loss of £1,221,000). The current position relates to specific hedging undertaken by individual managers.

Currency bought	Local value £000	Currency sold	Local value £000	Settlement dates	2023 Asset £000	2023 Liability £000	2022 Asset £000	2022 Liability £000
Australian Dollar	4,020	US Dollar	2,839	One to six months	-	(117)	156	-
Canadian Dollar	6,200	US Dollar	4,647	One to six months	-	(52)	44	-
Chinese Yuan	14,200	US Dollar	2,045	One to six months	20	-	49	-
Euro	5,715	Sterling	5,036	One to six months	-	-	-	(117)
Japanese Yen	1,477,000	US Dollar	11,503	One to six months	-	(297)	-	(815)
Japanese Yen	140	Sterling	-	One to six months	-	-	-	-
Sterling	80,561	Euro	90,022	One to six months	1,231	-	-	(946)
Sterling	32,296	Australian Dollar	57,966	One to six months	857	-	-	(871)
Sterling	16,213	Japanese Yen	2,600,712	One to six months	251	-	592	-
Sterling	235,615	US Dollar	280,924	One to six months	8,764	-	748	(30)
US Dollar	6,516	Sterling	5,279	One to six months	-	(12)	106	-
US Dollar	785	Canadian Dollar	1,080	One to six months	-	(10)	-	(42)
US Dollar	-	Euro	-	One to six months	-	-	36	-
US Dollar	489	Australian Dollar	740	One to six months	-	(5)	-	(59)
US Dollar	1,888	Japanese Yen	258,060	One to six months	-	(47)	272	-
US Dollar	12,730	Chinese Yuan	85,900	One to six months	166	-	-	(344)
				Total	**11,289**	**(540)**	**2,003**	**(3,224)**

Type of futures contract	Expiration	2023 Nominal value £000	2022 Nominal value £000	2023 Fair Value £000	2022 Fair Value £000
E-mini S&P 500 US exchange traded June 2023 (Generation)	3 months	5,355	182	-	-
Eurostoxx 50 index exchange traded June 2023 (Generation)	3 months	5,803	252	-	-
Total		**11,158**	**434**	**-**	**-**

In the table above, the ‘nominal value’ of the futures contracts is the ‘economic exposure’ of those futures and the ‘Fair value’ is the unrealised profit or loss of the futures as at 31 March.

d) Investments exceeding 5% of net assets

The following table represents the investments of the Fund that exceed 5% of the net assets.

Holding	2023	
	Market value £m	% of net assets
Brunel BlackRock LDI Fund	694.5	16.2
Brunel Sterling Corporate Bond Fund	626.3	14.6
Brunel Global Sustainable Equities Fund	376.2	8.8
Brunel Low Volatility Equity Fund	342.9	8.0
Brunel FTSE PAB Developed Hedged	283.3	6.6

Holding	2022	
	Market value £m	% of net assets
Brunel Sterling Corporate Bond Fund	701.2	15.4
Brunel BlackRock LDI Fund	535.0	11.8
Brunel Global Sustainable Equities Fund	460.5	10.1
Brunel Low Volatility Equity Fund	413.8	9.1
Brunel Paris Aligned Equity Fund	327.9	7.2

15. Financial Instruments

a) Classification of financial instruments

The accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of financial assets and liabilities by category and net assets statement heading.

31 March 2023	Financial assets and liabilities held at fair value through profit and loss	Financial assets held at amortised cost	Financial liabilities held at amortised cost
	£000	£000	£000
Financial assets			
Pooled equities	1,162,112	-	-
Pooled fixed interest	1,452,711	-	-
Equities	477,322	-	-
Fixed interest securities	-	-	-
Pooled property and infrastructure	437,796	-	-
Cash deposits and instruments	143,590	-	-
Private debt	427,191	-	-
Private equity	171,472	-	-
Derivatives	11,723	-	-
Long-term investments	707	-	-
Other investment assets	-	2,876	-
Debtors (excluding VAT)	-	17,380	-
	4,284,624	**20,256**	**-**
Financial liabilities			

Derivatives	(540)	-	-
Other investment liabilities	-	-	(2,617)
Creditors (excluding PAYE)	-	-	(7,024)
	(540)	**-**	**(9,641)**
Total	**4,284,084**	**20,256**	**(9,641)**
Grand Total		**4,294,699**	

31 March 2022	**Financial assets and liabilities held at fair value through profit and loss**	**Financial assets held at amortised cost**	**Financial liabilities held at amortised cost**
	£000	**£000**	**£000**
Financial assets			
Pooled equities	925,432	-	-
Fixed interest securities	1,371,294	-	-
Equities	1,087,417	-	-
Pooled fixed interest	-	-	-
Pooled property and infrastructure	346,394	-	-
Private debt	219,064	-	-
Private equity	374,494	-	-
Cash deposits and instruments	225,500	-	-
Long-term investments	2,003	-	-
Derivatives	838	-	-
Other investment assets	-	2,575	-
Debtors (excluding VAT)	-	15,475	-
	4,552,436	**18,050**	**-**
Financial liabilities			
Derivatives	(3,224)	-	-
Other investment liabilities	-	-	(3,249)
Creditors (excluding PAYE)	-	-	(26,663)
	(3,224)	**-**	**(29,912)**
Total	**4,549,212**	**18,050**	**(29,912)**
Grand Total		**4,537,350**	

Included within those financial instruments held at fair value through profit and loss, are fixed interest securities that were designated as fair value through profit and loss on initial purchase.

b) Net gains and losses on financial instruments

	2023 £000	**2022 £000**
Financial assets		
(Loss)/gain on fair value through profit and loss	(273,296)	249,372
Financial liabilities		
(Loss)/gain on fair value through profit and loss	3,829	(13,232)
Total change in market value	**(269,467)**	**236,140**

16. Fair value – basis of valuation

All investments are held at fair value in accordance with the requirements of the Code and IFRS 13. The valuation bases are set out below. All assets have been valued using fair value techniques based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information. There has been no change in the valuation techniques used during the year.

Fair value hierarchy

The valuation of financial assets and liabilities have been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1 - Where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Comprise quoted equities, quoted bonds and unit trusts.
Level 2 - Where quoted market prices are not available, for example or where valuation techniques are used to determine fair value based on observable data.
Level 3 - Where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments – equities and exchange traded futures	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Exchange traded pooled investments	Level 1	Closing bid value on published exchanges	Not required	Not required
Cash deposits and instruments	Level 1	Closing bid value on published exchanges	Not required	Not required
Amounts receivable from investment sales , amounts payable for investment purchases and investment debtors and creditors	Level 1	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments	Not required	Not required
Fixed interest securities - corporate bonds and Government gilts	Level 2	Market value based on current yields	Current yields	Not required
Forward foreign exchange derivatives	Level 2	Market forward exchange rates at the year-end	Exchange rate risk	Not required
Forward foreign exchange derivatives	Level 2	Market forward exchange rates at the year-end	Exchange rate risk	Not required
Pooled investments – overseas unit trusts and pooled property and infrastructure funds	Level 2	Closing bid price where bid and offer prices are published Closing single price where single price published	NAV-based pricing set on a forward pricing basis	Not required
Pooled property and infrastructure funds	Level 3	Closing bid price where bid and offer prices are published, otherwise net asset value	NAV-based pricing set on a forward pricing basis	Valuations could be affected by post balance sheet events, changes to expected cash flows, or by any differences between audited and unaudited accounts, along with the

				limitations of ease of redemption
Pooled investments – unquoted collective limited partnership investments	Level 3	Closing bid price where bid and offer prices are published, otherwise net asset value	NAV-based pricing set on a forward pricing basis	Valuations are affected by any change in market value of the financial instrument being hedged against
Unquoted equities	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines	EBITDA multiple Revenue multiple Discount for lack of marketability Control premium	Valuations could be affected by post balance sheet events, changes to expected cash flows, or by any differences between audited and unaudited accounts

The following tables provide an analysis of the financial assets and liabilities of the Pension Fund grouped into Levels 1 to 3 based on the level at which the fair value is observable.

Values at 31 March 2023	**Quoted market price**	**Using observable inputs**	**With significant unobservable inputs**	
	Level 1 £000	**Level 2 £000**	**Level 3 £000**	**Total £000**
Financial assets at fair value through profit and loss				
Equities	477,322	-	-	477,322
Fixed interest securities	-	-	-	-
Pooled equities	-	1,162,112	-	1,162,112
Pooled fixed interest	-	1,452,711	-	1,452,711
Pooled property and infrastructure	-	-	437,796	437,796
Private equity	-	-	171,472	171,472
Private debt	-	-	427,191	427,191
FX and derivatives	-	11,723	-	11,723
Cash deposits	143,590	-	-	143,590
Investment income due	1,644	-	-	1,644
Amounts receivable for sales	1,232	-	-	1,232
Long term investments	-	-	707	707
Total	**623,788**	**2,626,546**	**1,037,166**	**4,287,500**
Financial liabilities at fair value through profit and loss				
FX and derivatives	-	(540)	-	(540)

Payable for investment purchases	(2,617)	-	-	(2,617)
Total	**(2,617)**	**(540)**	**-**	**(3,157)**
Total	**621,171**	**2,626,006**	**1,037,166**	**4,284,343**

Values at 31 March 2022	**Quoted market price Level 1 £000**	**Using observable inputs Level 2 £000**	**With significant unobservable inputs Level 3 £000**	**Total £000**
Financial assets at fair value through profit and loss				
Equities	1,087,417	-	-	1,087,417
Fixed interest securities	-	-	-	-
Pooled equities	-	925,432	-	925,432
Pooled fixed interest	-	1,371,294	-	1,371,294
Pooled property and infrastructure	-	-	346,394	346,394
Private equity	-	-	225,500	225,500
Private debt	-	-	374,494	374,494
FX and derivatives	-	2,003	-	2,003
Cash deposits	219,064	-	-	219,064
Investment income due	1,417	-	-	1,417
Amounts receivable for sales	1,158	-	-	1,158
Long term investments	-	-	838	838
Total	**1,309,056**	**2,298,729**	**947,226**	**4,555,011**
Financial liabilities at fair value through profit and loss				
FX and derivatives	-	(3,224)	-	(3,224)
Payable for investment purchases	(3,249)	-	-	(3,249)
Total	**(3,249)**	**(3,224)**	**-**	**(6,473)**
Total	**1,305,807**	**2,295,505**	**947,226**	**4,548,538**

Sensitivity of assets valued at Level 3

Having analysed historical data and current market trends, and consulted with independent investmentadvisors, the fund has determined that the valuation methods described above are likely to be accurate to within the following ranges and has set out below the consequent potential impact on the closing value of investments held at 31 March 2023.

	Assessed valuation range % (+/-)	Value at 31 March 2023	Value on increase	Value on decrease
		£000	£000	£000
Pooled property and infrastructure	15.1	437,796	511,784	363,808
Private debt	12.0	427,191	478,454	375,928
Private equity	26.2	171,472	216,398	126,546
Long-term investments	10.0	707	778	636
Total		**1,037,166**	1,207,413	866,919

Reconciliation of fair value measurements within level 3

Period 2022/23	Market value 1 April 2022 £000	Transfers into Level 3 £000	Transfers out of Level 3 £000	Purchases during the year and derivative payments £000	Sales during the year and derivative receipts £000	Change in market value £000	Market value 31 March 2023 £000
Pooled property and infrastructure	346,394	-	-	122,570	(59,519)	28,351	437,796
Private equity	225,500	-	-	52,708	(104,750)	(1,986)	171,472
Private debt	374,494	-	-	85,083	(34,160)	1,774	427,191
Long-term investments	838	-	-	-	-	(131)	707
Totals	**947,226**	**-**	**-**	**260,361**	**(198,429)**	**28,008**	**1,037,166**

17. Nature and extent of risks arising from financial instruments

Risk and risk management

FRS 102 requires the disclosure of information in relation to certain investment risks to which the Fund is exposed at the end of the reporting period. These risks are set out by FRS 102 as follows:

1. **Credit risk:** this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

2. **Market risk:** this is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk, each of which is further detailed as follows:

    a. **Currency risk:** this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.

    b. **Interest rate risk:** this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.

    c. **Other price risk:** this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

3. **Liquidity risk:** this is the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund therefore takes steps to ensure that it always has adequate cash resources to meet its commitments. Cashflow forecasts are prepared on a monthly basis to ensure sufficient funds are available to pay benefits and a disinvestment from the Investment Bank account is made where we need to fund a shortfall. This can be actioned the same day. The Fund's current policy is to maintain a minimum balance of one month's pension payroll amount, plus a £500k cash float.

Further information on the Fund's approach to risk management, credit and market risk is set out below. This does not include AVC investments as these are not considered significant in relation to the overall investments of the Fund, though these assets are subject to periodic formal review to ensure ongoing appropriateness.

With regards to the Active Fund, the Pensions Committee is responsible for determining the Fund's investment strategy. The Investment Sub Committee has received delegated responsibility to prepare and recommend the investment strategy to the Pensions Committee and, within the context of the agreed investment strategy, to decide on the structure of mandates and their specification, to appoint fund managers, to monitor the performance of fund managers, and to terminate or alter mandates.

The Fund has exposure to the above risks because of the investments it makes to implement its investment strategy. We manage the investment risks within agreed risk limits which are set taking into account the Fund's strategic investment objectives and are monitored in a Risk Register which includes investment risks. The Fund, working with its advisors, regularly monitors investment risks within the Fund.

The investment objectives and risk limits are implemented through the investment management agreements in place with the Fund's investment managers and monitored by the Pensions Committee and Investment Sub Committee through regular reviews of the investment portfolios. The investment objectives and risk limits of the Scheme are further detailed in the Responsible Investment Strategy Statement ('RISS').

The Active Fund's assets as at 31 March 2023 and 31 March 2022 are detailed in the table below.

Active Fund	2023 £000	2022 £000
Return Seeking Assets	**2,624,667**	**2,967,743**
Private Equity inc TOP	207,656	194,572
Emerging Market Equity	39	27
Global Equity	1,665,380	2,030,637
Infrastructure / Real Estate	425,559	404,888
Multi Asset Credit	326,033	337,619
Risk Reducing Assets	**1,659,968**	**1,579,957**
Private Debt	237,048	173,894
Corporate Bonds	629,078	703,870
LDI	694,551	535,059
Cash*	98,291	167,133
Total	**4,283,636**	**4,547,700**

Figures may not sum due to rounding. Valuation provided at an asset class level by the Fund's custodian, State Street.
*Excludes monies held in NatWest Trustee Bank Account but includes residual amounts held within the legacy Pooled Investment Vehicle funds.

Investment Strategy

The EAPF Active Fund is an open, defined-benefit pension fund with strong employer backing, positive cash-flows and pension obligations stretching to the end of this century. In setting our investment strategy we seek to balance twin objectives: first, to achieve sufficient long-term returns for the scheme to be affordable to employers now and in the future, and second, minimising risk of having to increase the contribution rate in the future. The primary objective of the Pensions Committee is to ensure that members' benefits are payable as they fall due whilst minimising the volatility of the contributions required from the sponsoring employer, the Environment Agency.
To achieve this, the Fund needs to invest in assets that differ from our pension liabilities. We seek to develop an investment portfolio with exposure to these return seeking assets in the most risk efficient way. We look to build a portfolio that has high probability of exceeding the asset outperformance target assumed by our actuary, while looking to keep contributions stable and affordable.

The Strategic Asset Allocation for the Fund as at 31 March 2023 and 31 March 2022 is set out as follows:

Asset Classes	2023 (%)	2022 (%)
Return Seeking Assets	**58.0**	**60.5**
Private Equity inc TOP	4.0	4.0
Global Equity	34.0	36.5
Real Estate	3.0	5.0
Infrastructure*	9.0	7.0
Multi Asset Credit	8.0	8.0
Risk Reducing Assets	**42.0**	**39.5**
Private Debt	5.0	5.0
Corporate Bonds	19.0	22.0
Secured Finance	4.0	-
LDI	12.0	11.5
Cash	2.0	1.0
Total	**100.0**	**100.0**

*Includes a 4% target allocation to Natural Capital.

The actual allocations will vary from the above due to market price movements, legacy holdings not fully redeemed, planned investments being held in investment managers' queues and intervals between rebalancing the portfolio which takes place as stipulated in the Fund's cashflow and rebalancing policy.

1. Credit Risk

The Fund is subject to credit risk because the Fund is invested in pooled funds and holds cash balances. It also has indirect exposure to credit risk through holdings in corporate bonds and multi asset credit (both through Brunel pooled funds) and through investments in Private Debt.

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. Careful credit quality management by the investment managers helps to mitigate this risk.

The use of a mixture of pooled and segregated investment mandates further reduces the exposure to any particular manager or institution.

Cash Accounts

To minimise credit risk exposure on cash most of the Fund's cash is held in a money market fund managed by the Fund's custodian State Street. This fund is invested across a wide range of cash instruments and have limited exposure to any individual institution. Furthermore, these monies are legally separated from EAPF's custodian, which serves to safeguard the investment in the case of default of the custodian. Assets held in both the Trustee bank account and custodian accounts are held in accounts provided by banks that have an investment grade credit rating. The values as at 31 March 2023 and 31 March 2022 are disclosed in the table below.

Fund	Balance as at 31 March 2023 (£000)	Balance as at 31 March 2022 (£000)
Money Market fund: State Street	91,210	142,718
Bank current account: National Westminster Bank plc	9,565	8,512
Total	**100,775**	**151,230**

Note: We have not included legacy residual cash amounts held in the Pooled Investment Vehicle account in this table.

The Fund also invests in pooled investment vehicles and is therefore directly exposed to credit risk arising from these pooled fund investment vehicles and is indirectly exposed to credit risk arising on the underlying investments held by a number of these pooled fund investment vehicles. These arrangements are covered in a separate section below.

The notes below provide more detail on how credit risk is managed and mitigated for the different asset classes.

Segregated Investment Arrangements

Corporate bonds: Corporate bonds are held primarily through a pooled mandate with Brunel. However, there is a small direct legacy corporate bond holding with Royal London. Credit risk arising on corporate bonds is managed by predominantly investing in corporate bonds, which are rated at least investment grade and through limits on exposure to individual issuers. Credit risk management within this legacy portfolio is primarily delegated to the investment manager.

Private Debt: Credit risk arising on private debt held through the segregated mandate is mitigated by investing with a number of fund managers, minimising exposure to any single position. There is also liquidity risk associated with such investments, as the lack of an active market for the underlying investments makes it difficult to value and find a suitable buyer.

Cash balances: As described above credit risk arising on cash held within financial institutions is managed by ensuring cash is held with a diversified range of institutions which are at least investment grade credit rated.

Derivatives: Credit risk arising on derivatives depends on whether the derivative is exchange traded or over the counter ('OTC').

- OTC derivative contracts are subject to risk of failure of the counterparty. Forward currency contracts are entered into by the Fund's investment managers; this is particularly relevant to the Fund's currency overlay manager, Russell Investments and a number of private debt managers who hedge their currency exposure as a matter of course. These forward contracts are subject to credit risk in relation to the counterparties of the contracts. The responsibility for managing these contracts and counterparty risk rests with the managers. Counterparty management is evaluated as part of the due diligence process prior to appointing an investment manager.

Pooled Investment Arrangements

The Fund also invests in pooled investment vehicles and collective investment funds and is therefore directly exposed to credit risk arising from vehicles and is indirectly exposed to credit risk arising on the underlying investments held by a number of these. Direct credit risk is mitigated by the underlying assets being ring-fenced from the manager, the regulatory environments in which the managers operate and diversification of investments amongst a number of pooled arrangements.

The Fund's holdings in pooled investment vehicles are not rated by credit rating agencies with the exception of the SSGA Liquidity Fund. This fund seeks to obtain and maintain a AAA rating from at least one of the internationally recognised rating agencies – S&P, Moody's and Fitch. Cash held by the managers' custodians is not ring-fenced but the credit risk arising on this is mitigated by the use of regular cash sweeps (typically daily) and investing cash in liquidity funds. The Pensions Committee manages and monitors the credit risk arising from its pooled investment and collective investment fund arrangements by considering the nature of the arrangement, the legal structure and regulatory environment.

A summary of the pooled investment vehicles by type of arrangement is as follows:

Fund	Collective Investment Fund
Brunel Low Volatility Equity	Authorised Contractual Scheme ('ACS')
Robeco SEVE	
Brunel Global Sustainable Equity	
Brunel Paris Aligned Benchmark	Unit Linked Insurance Policy
Brunel Multi Asset Credit	Life Fund
Brunel Sterling Corporate Bonds	
Palatine Impact Fund	UK Limited Partnership
GHO Capital Fund III	
DBL Partners III	US Limited Partnership
Generation Climate Solutions Fund	Cayman Islands Limited Partnership
Barings North America PL Fund	
Anterra F&A Ventures II	Private Fund Limited Partnership
Circularity European Growth Fund II	
World Fund I	
Brunel Infrastructure Cycle 3	
Brunel Private Debt Cycle 3	

Summa Equity III	Swedish Private Limited Company
Ambienta III	Luxembourg Limited Partnership
Ambienta IV	
Arcmont Direct Lending UK Fund	
Arcmont Senior Lending Fund	
Arcmont Direct Lending III	
Activate Capital Fund II	Delaware Limited Partnership
Neuberger Berman Private Debt Fund IV	
Generation Sustainable Solutions Fund IV	Irish Limited Partnership
Permira Credit Solutions III	Luxembourg Sarl
Newmarket IIFC Feeder Fund III	Cayman Islands Limited Partnership
P Capital Partners Transition Partner Fund	Swedish AB
Verdane Idun I	
ICG Europle Fund VIII	Luxembourg Limited Partnership
Ares Capital Europe V	
Carlyle Credit Opportunities II	Luxembourg Feeder
Bridges Property Alternatives Fund III	UK Limited Partnership
Bridges Property Alternatives Fund IV	
Bridges Property Alternatives Fund V	
Blackrock Liability Driven Investment	Irish Authorised Unit Trust
State Street Liquidity Fund	OEIC UCITS

The Pensions Committee carries out due diligence checks on the appointment of new pooled investment or collective investment fund managers and, in conjunction with its investment advisor, periodically reviews the investment managers.

Indirect credit risk arises in relation to underlying investments held in the investment vehicles. Indirect credit risk is managed by investing in funds that are well diversified.

Credit risk also arises from the private debt, private equity, multi asset credit and real asset portfolios. This risk is also mitigated through the use of a range of managers across several funds with the real asset portfolio limiting exposure to any single asset class and issuer. The impact of credit default within each is minimised through the use of multiple managers for each portfolio.

2. Market Risk

a. Currency Risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Fund is subject to currency risk because of an interest in pooled investment vehicles which are denominated or priced in a foreign currency (i.e. a currency other than sterling).

Indirect currency risk arises from the Fund's investment in sterling priced pooled investment vehicles which hold underlying investments denominated in foreign currency. Most of the Fund's currency risk is through exposure to overseas equities, which are exposed to a complex range of risk factors of which currency is only one. There may also be some indirect currency exposure in the Fund's sterling denominated assets, but these are impossible to quantify. The Fund's currency risk is routinely monitored by the Pensions Committee and its investment advisors.

To manage currency risk the Fund employs Russell Investments to provide currency overlay services for a number of the underlying funds including the Townsend Real Assets portfolio and Private Debt portfolio. Equity mandates and other mandates with overseas currency exposure are not strategically hedged as the underlying managers have discretion to use currency exposures as part of the funds' investment strategies.

The Fund is also exposed to direct/indirect currency risk through its holdings of US dollars and euros as part of the State Street Liquidity Fund sub-funds.

The tables below show the high-level fund structures for each mandate and set out the non-GBP currency exposures including which proportion of this is hedged back to GBP.

31 March 2023

Manager and fund(s)	Pooled / Segregated	GBP exposure (%)	Non-GBP exposure (%)	Non-GBP exposure hedged back to GBP (%)	Implied unhedged overseas currency exposure (£m)
Stafford Private Equity	Segregated	0.0	100.0	0.0	22.7
Targeted Opportunities Portfolio (see below)	See below	29.0	71.0	0.0	132.4
Generation Global Equity	Segregated	2.6	97.4	0.0	341.9
Impax Global Equity	Segregated	8.5	91.5	0.0	139.3
Robeco SEVE	Pooled	4.0	96.0	0.0	153.3
Brunel Low Volatility Equity	Pooled	2.2	97.8	0.0	335.4
Brunel Passive Dev Eq Paris Aligned	Pooled	2.2	97.8	100.0	0.0
Brunel Global Sustainable Equities	Pooled	4.7	95.3	0.0	358.5
Townsend Real Assets	Segregated	38.9	61.1	100.0	0.0
Brunel Infrastructure Cycle 3	Pooled	100.0	0.0	0.0	0.0
Brunel Private Debt Cycle 3	Pooled	17.3	82.7	100.0	0.0
Private Debt Portfolio (see below)	See below	19.7	80.3	62.8	67.2
Brunel Multi Asset Credit	Pooled	11.3	88.7	87.8	35.3
Brunel Sterling Corporate Bonds	Pooled	95.3	4.7	100.0	0.0
Blackrock Liability Driven Investment	Pooled	100.0	0.0	0.0	0.0
Cash	Segregated	90.7	9.3	0.0	9.1
Total[1]		**40.8**	**59.1**	**41.1**	**1,595.1**

[1]Excludes residual holding in Royal London Corporate Bond Fund.

Targeted Opportunities Portfolio – 2023

Manager and fund(s)	Pooled/ Segregated	GBP exposure (%)	Non-GBP exposure (%)	Non-GBP exposure hedged back to GBP (%)	Implied unhedged overseas currency exposure (£m)
Actis Energy Fund IV	Pooled	0.0	100.0	0.0	3.7
Activate Capital Fund II	Pooled	0.0	100.0	0.0	5.6
Ambienta III	Pooled	10.4	89.6	0.0	14.8
Ambienta IV	Pooled	0.0	100.0	0	0.3
Anterra F&A Ventures II	Pooled	0.6	99.4	0.0	7.9
Bridges Property Alternatives Fund III	Pooled	100.0	0.0	0.0	0.0
Bridges Property Alternatives Fund IV	Pooled	100.0	0.0	0.0	0.0
Bridges Property Alternatives Fund IV	Pooled	97.0	3.0	0.0	0.2
Circularity European Growth Fund	Pooled	52.0	48.0	0.0	2.7
DBL Partners III LP	Pooled	0.0	100.0	0.0	28.4
DBL Partners IV LP	Pooled	0.0	100.0	0.0	18.9
Generation Climate Solutions Fund	Pooled	2.8	97.2	0.0	24.9
Generation Sustainable Solutions Fund IV	Pooled	0.0	100.0	0.0	4.4
GHO Capital Fund III	Pooled	17.0	83.0	0.0	8.0
Palatine Impact Fund	Pooled	100.0	0.0	0.0	0.0
SA Impact Forestry Fund	Pooled	0.0	100.0	0.0	6.7
Summa Private Equity	Pooled	0.0	100.0	0.0	1.3
Verdane Idun I	Pooled	0.0	100.0	0.0	4.6
World Fund I	Pooled	12.9	87.1	0.0	5.1

Private Debt Portfolio – 2023

Manager and fund(s)	Pooled / Segregated	GBP exposure (%)	Non-GBP exposure (%)	Non-GBP exposure hedged back to GBP (%)	Implied unhedged overseas currency exposure (£m)
Arcmont Direct Lending UK Fund	Pooled	23.2	76.8	98.5	0.1
Arcmont Direct Lending Fund III	Pooled	17.6	82.4	99.2	0.1
Arcmont Senior Loan Fund	Pooled	19.3	80.7	98.9	0.0
Ares Capital Europe V	Pooled	53.0	47.0	102.9	-0.2
Barings North America PL Fund	Pooled	0.0	100.0	0.0	21.7
Carlyle Credit Opportunities II	Pooled	19.0	81.0	0.0	20.6
ICG Europe Fund VIII	Pooled	18.0	82.0	0.0	4.1
Neuberger Berman Private Debt Fund IV	Pooled	1.0	99.0	0.0	10.8

Newmarket IIFC Feeder Fund III	Pooled	0.0	100.0	0.0	8.6
P Capital Partners Transition Partner Fund	Pooled	0.0	100.0	0.0	1.5
Permira Credit Solutions Fund III	Pooled	35.0	65.0	100.0	0.0

31 March 2022

Manager and fund(s)	Pooled / Segregated	GBP exposure (%)	Non-GBP exposure (%)	Non-GBP exposure hedged back to GBP (%)	Implied unhedged overseas currency exposure (£m)
Stafford Private Equity	Segregated	0.0	100.0	0.0	22.5
Targeted Opportunities Portfolio (see below)	See below	27.9	72.1	0.0	124.0
Generation Global Equity	Segregated	5.1	94.9	0.0	433.5
Impax Global Equity	Segregated	8.8	91.2	0.0	170.8
Robeco SEVE	Pooled	5.5	94.5	0.0	173.6
Brunel Low Volatility Equity	Pooled	8.6	91.5	0.0	378.9
Brunel Passive Dev Eq Paris Aligned	Pooled	4.2	95.8	100.0	0.0
Brunel Global Sustainable Equities	Pooled	4.7	95.3	0.0	438.9
Townsend Real Assets	Segregated	46.1	53.9	100.0	0.0
Private Debt Portfolio (see below)	See below	21.2	78.8	58.1	63.8
Brunel Multi Asset Credit	Pooled	5.1	94.9	94.4	17.9
Brunel Sterling Corporate Bonds	Pooled	96.9	3.0	3.2	20.4
Blackrock Liability Driven Investment	Pooled	100.0	0.0	0.0	0.0
Cash	Segregated	91.2	8.8	0.0	14.7
Total[1]		**39.1**	**60.9**	**25.8**	**1,859.1**

[1]Excludes residual holding in Royal London Corporate Bond Fund.

Targeted Opportunities Portfolio – 2022

Manager and fund(s)	Pooled / Segregated	GBP exposure (%)	Non-GBP exposure (%)	Non-GBP exposure hedged back to GBP (%)	Implied unhedged overseas currency exposure (£m)
Actis Energy Fund IV	Pooled	0.0	100.0	0.0	13.2
Activate Capital Fund II	Pooled	0.0	100.0	0.0	2.6
Ambienta III	Segregated	10.7	89.3	0.0	9.1
Bridges Property Alternatives Fund III	Pooled	100.0	0.0	0.0	0.0
Bridges Property Alternatives Fund IV	Pooled	100.0	0.0	0.0	0.0
Bridges Property Alternatives Fund IV	Pooled	100.0	0.0	0.0	0.0
Circularity European Growth Fund	Pooled	0.0	100.0	0.0	0.3

DBL Partners III LP	Pooled	0.0	100.0	0.0	27.9
DBL Partners IV LP	Pooled	0.0	100.0	0.0	13.4
Generation Climate Solutions Fund	Pooled	1.1	98.9	0.0	47.0
Generation Sustainable Solutions Fund IV[1]	Pooled	N/A	N/A	N/A	N/A
GHO Capital Fund III	Pooled	25.0	75.0	0.0	2.3
Palatine Impact Fund	Segregated	100.0	0.0	0.0	0.0
SA Impact Forestry Fund	Pooled	0.0	100.0	0.0	7.8
Summa Private Equity	Pooled	0.0	100.0	0.0	0.0[2]
Verdane Idun I	Pooled	0.0	100.0	0.0	0.4

[1]Fundraising had recently been completed as at 31 March 2022 and as such, no investments had been made.

[2]As at 31 March 2022, no commitments to the fund had been made and as such, there was no overseas currency exposure.

Private Debt Portfolio – 2022

Manager and fund(s)	Pooled / Segregated	GBP exposure (%)	Non-GBP exposure (%)	Non-GBP exposure hedged back to GBP (%)	Implied unhedged overseas currency exposure (£m)
Arcmont Direct Lending UK Fund	Pooled	29.1	71.0	70.3	5.1
Arcmont Direct Lending Fund III	Pooled	19.3	80.7	79.9	5.2
Arcmont Senior Loan Fund	Pooled	31.1	68.9	68.3	5.0
Ares Capital Europe V	Pooled	62.0	38.0	102.6	(0.1)
Barings North America PL Fund	Pooled	0.0	100.0	0.0	28.1
Carlyle Credit Opportunities II	Pooled	23.7	76.3	0.0	7.6
ICG Europe Fund VIII	Pooled	23.0	77.0	0.0	1.2
Neuberger Berman Private Debt Fund IV	Pooled	1.0	99.0	0.0	7.2
Newmarket IIFC Feeder Fund III	Pooled	0.0	100.0	0.0	3.1
P Capital Partners Transition Partner Fund	Pooled	0.0	100.0	0.0	1.1
Permira Credit Solutions Fund III	Pooled	22.9	77.1	100.0	0.0

b. Interest Rate Risk

The Fund is subject to interest rate risk on its assets because some of the Fund's investments are held in bonds and cash, principally through pooled investment vehicles. Indirect market risk arises if the underlying investments of the pooled vehicle are exposed to interest rate or other price risks. We have considered indirect risks in the context of the investment strategy.

The Fund maintains a strategic allocation of 12.0% to Liability Driven Investments (LDI), as well as a strategic allocation to corporate bonds of 19.0%. Together these help to match a proportion of the sensitivities of the liabilities to interest rate and inflation movements. Under the Fund's investment strategy, if interest rates fall, the value of these matching assets are broadly expected to rise to help match a proportion of the increase in actuarial liabilities arising from a fall in the discount rate. Similarly, if interest rates rise, these matching assets are expected to fall in value, as will the actuarial liabilities because of an increase in the discount rate.

Interest Rate Sensitivity Analysis

	Duration	
	As at 31 March 2023	As at 31 March 2022
Blackrock Liability Driven Investment	17.6*	27.4
Brunel Sterling Corporate Bonds	5.9	7.2
Brunel Multi Asset Credit	2.3	2.3

*Duration including the holding of a single gilt held within QIAIF. The gilt was being held to broadly match the interest rate sensitivity of an upcoming investment into corporate bonds. Duration of LDI portfolio excluding gilt is 21.5.

c. Other Price Risk

Other price risk arises principally in relation to the Fund's growth asset portfolio which includes listed & private equities, investment property, infrastructure and a multi asset credit allocation, held either as segregated investments or through underlying investments held in pooled investment vehicles.

The Fund has set a target asset allocation of 58.0% of investments being held in return seeking assets. The Fund manages this exposure to overall price movements by constructing a diverse portfolio of investments across various markets.

The following is a summary of the risk exposures by Fund:

	Credit Risk	Market Risk		
		Currency Risk	Interest Rate Risk	Other Price Risk
Stafford Private Equity		✓		✓
Targeted Opportunities Portfolio		✓		✓
Generation Global Equity		✓		✓
Impax Global Equity		✓		✓
Brunel Low Volatility Equity		✓		✓
Brunel Passive Dev Eq Paris Aligned		✓		✓
Brunel Global Sustainable Equity		✓		✓
Robeco SEVE		✓		✓
Townsend Real Assets	✓	✓	✓	✓
Brunel Infrastructure Cycle 3	✓	✓	✓	✓
Brunel Private Debt Cycle 3	✓	✓	✓	
Private Debt portfolio	✓	✓	✓	
Brunel Multi Asset Credit	✓	✓	✓	✓
Brunel Sterling Corporate Bonds	✓	✓	✓	
Blackrock Liability Driven Investment			✓	
State Street Liquidity Fund	✓	✓	✓	

Appendix

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the Fund's advisers, the Fund has determined that the following movements in market price risk are reasonably possible for the 2022/23 reporting period. This gives an overall fund volatility of 10.0% (2022: 9.5% using assumptions provided by the investment consultant as at 31 March 2022).

Asset Class	Absolute 1 year expected volatility (+/-)%	% of Fund value	
		2023	2022
Private Equity	26.2	4.8	4.3
Global Equity	19.6	38.9	44.7
Real Assets	16.2	4.8	4.1
Infrastructure	16.9	5.1	4.8
Private Debt	12.0	5.5	3.8
Multi Asset Credit	10.3	7.6	7.4
Corporate Bonds	5.9	14.7	15.5
Secured Finance	5.8	0.0	0.0
Liability Driven Investment	7.9	16.2	11.8
Cash	0.0	2.3	3.7
Total Fund Volatility	**10.0**	**100**	**100**

Figures may not sum due to rounding.

The potential price changes disclosed above are expected one-year absolute standard deviations of the returns of the asset classes.

Had the market price of the Fund investments increased or decreased in line with the above, the change in the net assets available to pay benefits in the market price would have been as follows (the prior year comparator is shown as well):

	As at 31 March 2023	As at 31 March 2022
Total net investment assets (£000)	4,283,636	4,547,700
Percentage change (%)	10.0%	9.5%
Value on increase (£000)	4,714,053	4,979,731
Value on decrease (£000)	3,853,301	4,115,668

18. Funding arrangements as at 31 March 2022

In line with the Local Government Pension Scheme Regulations 2013, the fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2022. The next valuation will take place as at 31 March 2025.

The key elements of the funding policy are as follows:

- take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient funds to pay benefits to members and their dependants
- use a balanced investment strategy to minimise long-term cash contributions from employers and meet the regulatory requirement for long-term cost efficiency
- where appropriate, ensure stable employer contribution rates
- reflect different employers' characteristics to set their contribution rates, using a transparent funding strategy
- use reasonable measures to reduce the risk of an employer defaulting on its pension obligations.
- manage the fund in line with the stated ESG policies.

The Funding Strategy Statement (FSS) sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable.

At the 2022 actuarial valuation, the Fund was assessed as 103% funded (106% at the March 2019 valuation). This corresponded to a surplus of £154m (2019 valuation: surplus of £211m) at that time.

The following table shows the minimum contributions payable after allowing for advance lump sum contributions paid to the Fund in March 2023.

Employer name	Minimum contributions for the year ending: 31 March 2024	
	% pay	Monetary amount
EA	14.5	£18,058,000
NRW*	0.0	£nil
SSCL	22.7	£nil

*Natural Resources Wales paid a lump sum contribution of £6.894m in March 2023, which met the entirety of the 2023/24 contribution requirement.

Full details of the contribution rates payable can be found in the 2022 actuarial valuation report (dated 29 March 2023), and the FSS (dated December 2022).

The valuation of the Fund has been undertaken using the projected unit method under which the salary increase for each member is assumed to increase until they leave active service by death, retirement or withdrawal from service. The principal assumptions were:

Financial assumptions

Financial assumptions	% per annum	Description
Investment Return (Discount Rate)	3.1	Return estimated to be achieved by the Fund's investments over 20 years with a likelihood of 78%
Consumer Price Index (CPI)	2.5	Median projected CPI at the valuation date
Salary Increases*	3.0	CPI inflation plus 0.5% (with the adjustment applied geometrically)
Pension Increases	2.5	The annual rate of change of the Consumer Prices Index (CPI)

*An allowance is also made for promotional pay increases.

Longevity assumptions

Life expectancy at the 2022 valuation was based on the Fund's Vita Curves with improvements in line with the CMI 2021 model with a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of 1.50% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

Pensioners	Males	Females
Current pensioners	22.0 years	24.5 years
Future pensioners *	23.1 years	26.2 years

* Figures assume members are aged 45 as at 31 March 2022

Commutation assumption

It is assumed that future retirees will take 60% of the maximum additional tax free lump sum up to HMRC limits.

19. Actuarial present value of promised retirement benefits

In addition to the triennial funding valuation, the fund's actuary also undertakes a valuation of the pension fund liabilities on an IAS19 basis every year using the same base data as the funding valuation rolled forward to the current financial year, taking account of changes in membership numbers and updating assumptions to the current year.

In order to assess the value of the benefits on this basis, the actuary has updated the actuarial assumptions (set out below) from those used for funding purposes (see Note 19). The actuary has also valued ill health and death benefits in line with IAS19.

The actuarial value of promised retirement benefits at the accounting date, calculated in line with International Accounting Standard 19 (IAS19) assumptions, is estimated to be £3,719m (2022: £5,292m). The figure is only prepared for the purposes of IAS19 and has no validity in other circumstances. In particular, it is not relevant for calculations undertaken for funding purposes and setting contributions payable to the Fund.

Assumptions used

The assumptions used are the same as those adopted for the Environment Agency's IAS19 report.

Financial assumptions

Year ended	31 March 2022 % p.a.	31 March 2021 % p.a.
Inflation/Pensions increase rate	2.95	3.15
Salary increase rate	3.45	3.65
Discount rate	4.75	2.75

Demographic assumptions

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2021 model, with a 10% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of improvement of 1.5% p.a..

This assumption has changed from last year (a 10% weighting parameter has been applied) to reflect the higher than expected observed deaths in 2022.
The other demographic assumptions used to determine the actuarial present value of promised retirement benefits as at 31 March 2023 are those adopted for the formal actuarial valuation as at 31 March 2022.

The actuary has estimated that the impact of the change in longevity assumptions to 31 March 2023 was to increase the actuarial present value by £30m. The actuary has also estimated that the impact of the change in financial assumptions to 31 March 2023 was to decrease the actuarial present value by £2,226m.

IAS26: Accounting and reporting by retirement benefit plans

CIPFA's Code of Practice on Local Authority Accounting 2022/23 requires Administering Authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits. I have been instructed by the Administering Authority to provide the necessary information for the Environment Agency Active Fund ('the Fund').

The actuarial present value of promised retirement benefits is to be calculated similarly to the Defined Benefit Obligation under IAS19. There are three options for its disclosure in the pension fund accounts:

- Showing the figure in the Net Assets Statement, in which case it requires the statement to disclose the resulting surplus or deficit;
- As a note to the accounts; or
- By reference to this information in an accompanying actuarial report.

If an actuarial valuation has not been prepared at the date of the financial statements, IAS26 requires the most recent valuation to be used as a base and the date of the valuation disclosed. The valuation should be carried out using assumptions in line with IAS19 and not the Fund's funding assumptions.

Present value of promised retirement benefits

Year ended	31 March 2023	31 March 2022
Active members (£m)	1,743	3,029
Deferred members (£m)	575	897
Pensioners(£m)	1,401	1,365
Total (£m)	**3,719**	**5,291**

The promised retirement benefits at 31 March 2023 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2022. The approximation involved in the roll forward model means that the split of benefits between the three classes of member may not be reliable. However, I am satisfied that the total figure is a reasonable estimate of the actuarial present value of benefit promises.

The figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value. Further, I have not made any allowance for unfunded benefits.

It should be noted the above figures are appropriate for the Administering Authority only for preparation of the pension fund accounts. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).

Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report and are different as at 31 March 2023 and 31 March 2022. I estimate that the impact of the change in financial assumptions to 31 March 2023 is to decrease the actuarial present value by £2,226m. I estimate that the impact of the change in demographic assumptions is to increase the actuarial present value by £30m.

Financial assumptions

Year ended	31 March 2023 % p.a.	31 March 2022 % p.a.
Salary Increase Rate	3.45	3.65
Pensions Increase Rate (CPI)	2.95	3.15
Discount Rate	4.75	2.75

Demographic assumptions

The longevity assumptions have changed since the previous IAS26 disclosure for the Fund.

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2021 model, with a 10% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of improvement of 1.5% p.a.. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	21.7 years	24.3 years
Future pensioners	22.7 years	26.0 years

All other demographic assumptions are unchanged from last year and as per the latest funding valuation of the Fund.

Sensitivity analysis

CIPFA guidance requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivities regarding the principal assumptions used to measure the obligations are set out below:

Sensitivity to assumptions 31 March 2023	Approximate % increase to liabilities	Approximate monetary amount (£m)
0.1% decrease in the Discount rate	2	75
1 year increase in member life expectancy	4	149
0.1% increase in the Pension Increase rate (CPI)	2	63
0.1% increase in the Salary Increase rate	0	13

20. Current assets

	2023 £000	2022 £000
Debtors		
Contributions due – employers	5,270	4,645
Contributions due – employees	2,502	2,209
VAT to be reimbursed to the Fund	496	1,024
Overpaid benefits to be refunded to the Fund	43	109
	8,311	**7,987**
Cash at bank	**9,565**	**8,512**
Total	**17,876**	**16,499**

Analysis of debtors

Employers' and employees' contributions of £5,270k and £2,502K (2022: £4,645k and £2,209k) respectively outstanding in the normal course of collection at the year end and subsequently paid over within the statutory time limit. Overpaid benefits to be returned to the fund represent recoveries being made from members who have had funds paid to them after they have died.

21. Current liabilities

	2023 £000	2022 £000
Creditors		
Administration and investment expenses	(4,121)	(24,823)
PAYE	(1,106)	(992)
Benefits payable	(2,138)	(1,822)
Sundry	(656)	-
Tax payable on refunds	(86)	(7)
Other – amount due to Closed Fund	(11)	(11)
Payroll deductions	(10)	-
Refunds	(2)	-
Total	**(8,130)**	**(27,655)**

Analysis of creditors

£11,000 is due to the Environment Agency Closed Pension Fund (2022: £11,000) in respect of administration expenses and VAT reclaimed.

22. Additional Voluntary Contributions

The table below shows information about these separately invested AVCs.

	2023 £000	2022 £000
Prudential	6,940	6,192
Standard Life	3,909	4,001
Clerical Medical	1,422	1,477
Utmost Life	723	641
Total AVC investments	**12,994**	**12,311**

AVC confirmations have not been received for 31 March 2023 from Prudential, Standard Life or Clerical Medical, so these valuations are based on the closing value from 31 March 2022, then adjusted for cash contributions and withdrawals during the year.

In accordance with Regulation 4(2)(b) of the Pension Scheme (Management and Investment Funds) Regulation 2009, the contributions paid and the assets of these investments are not included in the Fund's accounts. The AVC providers secure benefits on a money purchase basis for those members electing to buy AVCs. Members of the AVC schemes each receive an annual statement confirming the amounts held in their account and the movements in the year. The Fund relies on individual contributors to check that deductions are accurately reflected in the statements provided by the AVC provider.

23. Related party transactions

During the year ended 31 March 2023 there have been the following related party transactions:

- Pensions administration costs of £896k (2022: £784k) were recharged to the Active Fund by the Environment Agency;
- 7 members of the Pensions Committee were contributing members of the Active Fund who pay contributions on an arm's length basis;
- 1 member of the Pensions Committee was a deferred member of the Active Fund;
- 1 member of the Pensions Committee is in receipt of a pension from the Active Fund which is received on an arm's length basis;
- Payment of unfunded liabilities of £362k (2022: £358k) recharged to the Environment Agency and funded by grant-in-aid from Defra in respect of compensatory added years;
- £11k is due to the Environment Agency Closed Fund (2022: £11k) due from the Environment Agency Closed Fund) in respect of administration expenses and VAT reclaimed. The Closed Fund is a sister scheme to the Active Fund, further details about this fund are in Annex 5;
- Brunel Pensions Partnership Ltd (BPP Ltd) was formed on the 18 July 2017 and will oversee the investment of pension fund assets for Avon, Buckinghamshire, Cornwall, Devon, Dorset, Environment Agency, Gloucestershire, Oxfordshire, Somerset, and Wiltshire Funds;
- Each of these 10 local authorities, including the Environment Agency own 10% of BPP Ltd represented by the Long-term investment of £707k (2022: £838k). This was decreased by £131k (2022: increased by £69k) using the latest available valuation from the Brunel Pension Partnership Annual Report and Accounts as at 30 September 2022;
- The Environment Agency paid Brunel Pension Partnership £930k in the year, for its Investment Management services (2022: £939k);
- The Environment Agency is invested directly into a BlackRock LDI Fund valued at £694.6m (2022: £535.0m), Brunel conducted the procurement/risk management exercise on our behalf; and
- The Environment Agency currently has seven portfolios with Brunel:
    - Sterling Corporate Bonds valued at £626.3m (2022: £701.2m);
    - Global Sustainable Equity Fund valued at £376.2m (2022: £460.5m);
    - Low Volatility Equity Fund valued at £343.0m (2022: £413.8m);
    - Multi Asset Credit Fund valued at £326.0m (2022: £337.6);
    - Paris Aligned Equity Fund valued at £283.3m (2022: £327.9m);
    - Stepstone Infrastructure Fund at £11.1m (2022: £nil); and
    - BlackRock Private Debt Fund at £5.2m (2022: £nil).

24. Capital commitments, contingent assets and contingent liabilities

In accordance with authorised investment strategy and mandates, the outstanding Capital commitments at 31 March 2023 are: Real Estate £160.9m (2022: £115.6m), Illiquid Credit £166.1m (2022: £152.7m) and Private Equity £191.3m (2022: £186.6m).

There are no contingent assets as at 31 March 2023 (2022: £nil).

The EAPF has one contingent liability at 31 March 2023 which is equal to 1/10th of Brunel's Pension reimbursement asset of £1,110k (2022: £768k) representing the amount of discounting future pension contribution streams to pay off any funding deficit.

At the time of writing there is significant uncertainty on the extent of both obligation and value based on the behaviour of regulators and potential claimants with regard to the Cyber incident at Capita and as such no contingent liability could be reliably measured.

25. Impairment losses

For the year to 31 March 2023 the Fund has recognised an impairment loss of less than £0.1m (2022: less than £0.1m) for the non-recovery of pensioner death overpayments.

26. IAS10: Authorisation for issue

The Environment Agency Active Pension Fund Annual Report and Financial Statements are laid before the Houses of Parliament by Defra. In accordance with IAS10 these financial statements have been authorised for issue by the Accounting Officer on the same date as the Comptroller and Auditor General's independent auditor's report.

The annexes

The annexes included within this report are unaudited.

Annex 1 – Scheme rules and benefits

On 1 April 2014, the Scheme rules and benefits became subject to the Local Government Pension Scheme (LGPS) Regulations 2013 (as amended) and the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014.

Scheme membership and income

(a) All Fund employees are eligible for membership of the Local Government Pension Scheme (LGPS) (excluding Environment Agency Board Members and those employees who are eligible to join another public service pension scheme) providing they are under the age of 75 and have a contract of employment that is valid for at least 3 months. If it is for less than 3 months, they will be brought into the scheme from either:

- The automatic enrolment date* (unless their employer issues a postponement notice to delay entry to the scheme for up to a maximum of 3 months); or
- The beginning of the pay period after the one in which the contract is extended to 3 months or more; or
- The beginning of the pay period after the one in which the employee opts to join the scheme.

*Provided that the employee is, or during that period becomes, an *Eligible Jobholder*

Members' contributions are deducted from pensionable pay and the rate is dependent on the value of the actual permanent pensionable earnings they are paid. The rate the member pays depends on which earnings band the member falls into and the section of the scheme they choose to be in. The contribution rate will fall between 5.5% and 12.5% of permanent pensionable earnings if the member chooses to be in the Main Section, or half this amount if they choose to be in the 50:50 Section.

Subject to limits set by Her Majesty's Revenue and Customs (HMRC), members can:

- Pay additional voluntary contributions (AVCs) with one of the Environment Agency's In-House providers (Standard Life or Prudential) to buy a larger retirement pension, to improve other specific benefits, to provide additional cash, or to provide EAPF membership for pension purposes (if the employee has continuously paid additional voluntary contributions since before 13 Nov 2001).
- Purchase additional Environment Agency Pension Fund pension.

The Environment Agency Pension Fund also has AVC membership in Equitable Life and Clerical Medical, but these are now closed to new members.

(b) Transfer payments for pension rights in almost any other scheme can be accepted by the Environment Agency Pension Fund to increase benefits, providing the member requests the transfer payment within 12 months of joining the Environment Agency Pension Fund (or such a longer date that the Fund employer **and** the Environment Agency Pension Fund allows).

(c) The Fund employer must make the balancing contribution required to keep the Fund solvent, having regard to existing and prospective liabilities. This is usually determined as a percentage of members' pensionable pay by the Consulting Actuary, following each triennial actuarial valuation of the Fund.

(d) The Fund employer is required to fund any discretionary award of pension by making up-front payments into the Fund.

(e) Monies not immediately required for the payment of benefits and other outgoings have to be invested in accordance with the provisions of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

Outline of pension benefits provided by the LGPS

	Before 1 April 2008	1 April 2008 to 31 March 2014	From 1 April 2014
Basis of pension	Final salary	Final salary	Career Average Revalued Earnings (CARE)
Pension build up rate	1/80th final salary for each year	1/60th final salary for each year	1/49th (Main Section) 1/98th (50:50 Section)
Revaluation rate	Final salary		Consumer Price Index
Pensionable pay	Pay **excluding** non-contractual overtime and non-pensionable additional hours		Pay **including** non-contractual overtime and non-pensionable additional hours
Lump sum	3/80ths (+ commutation 12:1)	No automatic lump sum (commutation 12:1)	
Ill health retirements	One tier	Three tiers	
Death benefits • In-service • In-deferment or on pension	• 2 x salary • 5 year guarantee	• 3 x salary • 10 year guarantee	• 3 x assumed pensionable pay • 10 year guarantee
Contribution rate (see table below)	Flat rate of 6%	7 contribution bands 5.5% to 7.5% Bands index linked	9 contribution bands 5.5% to 12.5% (Main Section) 2.75% to 6.25% (50:50 Section) Bands index linked
Early retirement	From age 50 (either redundancy or employee request)	From age 55 (either redundancy or employee request)	
Voluntary retirement	from age 55 but with reductions		
85 year rule	Early payment protection when combined age and service equals 85	Removed, but existing staff have retained protections	
Normal retirement age	Age 65	Age 65	State Pension Age (minimum age 65)

Contributions Table

The following table displays the 2022/23 employee contribution bands.

Pay range (based on actual Pensionable pay paid)	Contribution rate Main Section	Contribution rate 50:50 Section
Up to £15,000	5.50%	2.75%
£15,001 to £23,600	5.80%	2.90%
£23,601 to £38,300	6.50%	3.25%
£38,301 to £48,500	6.80%	3.40%
£48,501 to £67,900	8.50%	4.25%
£67,901 to £96,200	9.90%	4.95%
£96,201 to £113,400	10.50%	5.25%
£113,401 to £170,100	11.40%	5.70%
£170,101 or more	12.50%	6.25%

Changes to the Local Government Regulations during 2022/23

There were two changes to existing pensions legislation and three brand-new pieces of legislation that were made/come into force during 2022/23 that affect the Local Government Pension Regulations 2013; these were:

- **The Public Service Pensions and Judicial Offices Act 2022 (PSPJOA 2022)** – receiving Royal Assent on 10 March 2022, this Act is a piece of primary legislation, setting out the changes that public service pension schemes (PSPS) need to make to their rules to incorporate the requirements of the McCloud Judgment (i.e. extending the final salary protection, which was originally offered to certain older members, to younger members, too). Whilst the Act provides broad strokes to PSPS on what changes need to be made to their scheme rules, some of the detail on how the scheme(s) will actually rectify the discrimination won't be known until the final amendment regulations for each scheme are published.

- **The Occupational and Personal Pension Schemes (Disclosure of Information) (Requirements to Refer Members to Guidance etc.) (Amendment) Regulations 2022** – Coming into force on 1 June 2022 and amending the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013, these regulations introduced the requirement to offer members with defined contribution (DC) benefits (including DC benefits attached to a defined benefit main scheme benefit i.e. an AVC fund) the opportunity to receive free, impartial guidance from Money Helper on the different ways in which their DC benefits can be taken. Generally known as the 'Stronger Nudge towards Pensions Guidance', the new rules required pension providers to offer to book Money Helper appointments on a member's behalf, with members needing to either accept the appointment or opt out of receiving the guidance (though a few exceptions apply, where members don't need to be offered a 'nudge').

- **The Pensions Dashboard Regulations 2022 (PDR 2022)** – coming into force on 12 December 2022, the PDR 2022 sets out the rules for pension providers to make their data ('value data') accessible to members wishing to see a summary of all their pension rights (in most cases, both a current value and a projection to the member's Normal Pension Age) in one handy place – the 'pensions dashboard'. Although LGPS funds have until September 2024 (though it's likely that this deadline will be extended) to make their data available (the 'staging date'), there's a considerable amount of work that LGPS funds will need to do to ensure how the 'value data' is displayed (as well as when 'value data' needs to be provided)

- **The Public Service Pension Schemes (Rectification of Unlawful Discrimination) (Tax) Regulations 2023** – applicable specifically to members affected by the McCloud Judgment, these regulations, which come into force on 6 April 2023, were introduced to allow for certain pensionable payments to be made, and for certain decisions to be made retrospectively, without the member being subject to the unauthorised payments tax charges. In addition, the regulations remove the need to revisit previous annual allowance calculations where, had the member received a final salary uplift at the time, the member's pension savings for an earlier tax year would be greater.

- **The DRAFT Local Government Pension Scheme (Amendment) Regulations 2023** – although the regulations are currently in draft, the DLUHC fully intends to move the Scheme's in-service revaluation rate (which is currently linked to the rise in the Consumer Price Index from October to September) from 1 April to 6 April, but still applying the revaluation to the member's accrued career average pension on 31 March 2023. Whilst, on the face of it, the change seems relatively small, it will have a considerable impact on members' pension savings towards the annual allowance, as the revaluation rate for April 2023 (10.1%) will not be included in the pension savings calculation for the 2022/23 tax year. Going forwards, the inflationary increase used to revalue pension savings at the start of the tax year will be the **same** as the revaluation applied to the career average pension during the tax year, thereby making the inflationary/revaluation increases relatively neutral to one another. If (or, more likely, when) the regulations are approved, the plan is for them to come into effect on 31 March 2023.

Annex 2 – Funding Strategy Statement

What is this document?

This document sets out the Funding Strategy Statement (FSS) for the Environment Agency Active Pension Fund.

The Environment Agency Active Pension Fund is administered by the Environment Agency, known as the administering authority. The Environment Agency worked with the Fund's actuary, Hymans Robertson, to prepare this FSS which is effective from 8 December 2022.

There is a regulatory requirement for the Environment Agency to prepare an FSS. You can find out more about the regulatory framework in Appendix A. For any queries please contact Craig Martin, Chief Pensions Officer on **EAPF@environment-agency.gov.uk**

1.1 What is the Environment Agency Active Pension Fund?

The Environment Agency Active Fund was established as the National Rivers Authority Active Pension Fund in 1989 at the time of the privatisation of the water industry in England and Wales. The Fund inherited active members' accrued liabilities from the predecessor pension arrangements, but no pensioners or deferred pensioner liabilities. In 1996 it transferred to the Environment Agency and became the Environment Agency Active Pension Fund. Since then, the Fund has been gradually maturing.

The Fund is part of the Local Government Pension Scheme (LGPS). You can find more information about the LGPS at **www.lgpsmember.org**. The administering authority runs the Fund on behalf of participating employers, their employees and current and future pensioners. You can find out more about roles and responsibilities in Appendix B.

1.2 What are the funding strategy objectives?

The funding strategy objectives are to:

- Take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient funds to pay benefits to members and their dependants
- Use a balanced investment strategy to minimise long-term cash contributions from employers and meet the regulatory requirement for long-term cost efficiency
- Where appropriate, ensure stable employer contribution rates
- Reflect different employers' characteristics to set their contribution rates, using a transparent funding strategy
- Use reasonable measures to reduce the risk of an employer defaulting on its pension obligations.

1.3 Who is the FSS for?

The FSS is mainly for employers participating in the Fund, because it sets out how money will be collected from them to meet the Fund's obligations to pay members' benefits.

The Fund currently has three participating employers:

- **Scheduled bodies -** Employers who are specified in a schedule to the LGPS regulations. Scheduled bodies must give employees access to the LGPS if they can't accrue benefits in another pension scheme, such as another public service pension scheme. The Environment Agency is a scheduled body.
- **Admission bodies -** Other employers can join through an admission agreement. The Fund can set participation criteria for them and can refuse entry if the requirements aren't met. Natural Resources Wales (NRW) and Shared Services Connected Ltd (SSCL) are both admission bodies.

1.4 How does the funding strategy link to the investment strategy?

The funding strategy sets out how money will be collected from employers to meet the Fund's obligations. Contributions, assets and other income are then invested according to an investment strategy set by the administering authority. **You can find the investment strategy on the Fund's website.**

The funding and investment strategies are closely linked. The Fund must be able to pay benefits when they are due – those payments are met from a combination of contributions (through the funding strategy) and asset returns and income (through the investment strategy). If investment returns or income fall short the Fund won't be able to pay benefits, so higher contributions would be required from employers.

1.5 Does the funding strategy reflect the investment strategy?

The funding policy is consistent with the investment strategy. Future investment return expectations are set with reference to the investment strategy, including a margin for prudence which is consistent with the regulatory requirement that funds take a 'prudent longer-term view' of funding liabilities (see Appendix A)

1.6 How is the funding strategy specific to the Environment Agency Active Pension Fund?

The funding strategy reflects the specific characteristics of the Fund employers and its own investment strategy.

How do I find my way around this document?

In Section 3 we show how the funding strategy is linked with the Fund's investment strategy.

In the Appendices we cover various issues in more detail:

- the regulatory background, including how and when the FSS is reviewed,
- who is responsible for what,
- what issues the Fund needs to monitor, and how it manages its risks,
- the assumptions which the Fund actuary currently makes about the future,
- a glossary explaining the technical terms occasionally used here.

For any queries please contact Craig Martin, Chief Pensions Officer on **EAPF@environment-agency.gov.uk**

2 How does the Fund calculate employer contributions?

2.1 Calculating contribution rates

Employee contribution rates are set by the LGPS regulations.

Employer contributions are made up of two elements:

- The primary contribution rate – contributions payable towards future benefits
- The secondary contribution rate – the difference between the primary rate and the total employer contribution

The primary rate also includes an allowance for the Fund's expenses.

The Fund actuary uses a model to project each employer's asset share over a range of future economic scenarios. The contribution rate takes each employer's assets into account as well as the projected benefits due to their members. The value of the projected benefits is worked out using employer membership data and the assumptions in Appendix D.

The total contribution rate for each employer is then based on:

- The funding target – how much money the Fund aims to hold for each employer
- The time horizon – the time over which the employer aims to achieve the funding target
- The likelihood of success – the proportion of modelled scenarios where the funding target is met.

This approach takes into account the maturing profile of the membership when setting employer contribution rates. The Fund permits the advance payment of employer contributions in specific circumstances. The Fund's policy on advance contributions is available on request.

2.2 The contribution rate calculation

Table 1: contribution rate calculation for individual or pooled employers

Employer	Environment Agency (EA)	Natural Resources Wales (NRW)	Shared Services Connected (SSCL)
Funding target*	Ongoing	Low-risk	Ongoing
Likelihood of success at 2022 valuation	74%	73%	N/A – risk sharing agreement with EA
Maximum time horizon	20 years	20 years	20 years
Primary rate approach	The contributions must be sufficient to meet the cost of benefits earned in the future with the required likelihood of success at the end of the time horizon		
Method of assessing total contributions payable	Contribution stability mechanism	NRW funding arrangement	Risk sharing agreement

* See Appendix D for further information on funding targets

2.3 Employer funding strategies

EA

Keeping employer contribution rates reasonably stable is an important funding objective. The Fund adopts a stabilised approach to setting contributions for the EA, which keeps contribution variations within a pre-determined range from year-to-year. After taking advice from the Fund actuary, the administering authority believes a stabilised approach is a prudent longer-term strategy for the EA given that it is open to new entrants and has a secure funding arrangement.

On the basis of asset-liability modelling carried out for the 2022 valuation the stabilised contributions payable by the EA are as follows:

Table 2: current stabilisation approach for the EA

Employer	EA
Contributions to 31 March 2026	19.0% of pay
Maximum contribution increase per year thereafter	+0.5% of pay
Maximum contribution decrease per year thereafter	-0.5% of pay

Stabilisation criteria and limits are reviewed during the valuation process. The administering authority may review them between valuations to respond to membership or employer changes.

NRW

NRW is closed to new entrants and will eventually become an exiting employer when its last active member leaves, retires or dies. At this point no other employer share responsibility for NRW's assets or liabilities in the Fund. To ensure other employers do not have to fund any deficit that emerges after this point, NRW is funded with a low-risk funding target based on the yield on government bonds.

At the instruction of the administering authority, the Fund Actuary has carried out extensive asset liability modelling to determine a fixed level of contribution that would provide the Fund with the desired likelihood of funding success.

On the basis of the modelling carried out in 2016, a fixed annual contribution of £7m was agreed. This level of contributions is expected to continue until the point of cessation, subject to review at each actuarial valuation. The modelling carried out for the 2022 valuation confirmed that this arrangement was still appropriate, so the following fixed annual contributions are still in force:

Table 3: NRW funding strategy

Employer	NRW
Contributions to 31 March 2026	£7m pa
Contributions thereafter	Intended to remain at £7m pa subject to regular review

SSCL

SSCL participates in the Fund under a risk sharing agreement with the EA. As per the terms of this agreement, SSCL will be certified to pay a total contribution rate of 22.7% of payroll throughout its period of participation in the Fund. On ceasing to participate in the Fund, no cessation debt will be payable and all the LGPS assets and liabilities of this employer within the EAPF will revert to the EA.

2.4 Reviewing contributions between valuations

The Fund may amend contribution rates between formal valuations at its discretion. The purpose of any review is to establish the most appropriate contributions. A review may lead to an increase or decrease in contributions.

2.5 Administering authority discretion

Individual employers may be affected by circumstances not easily managed within the FSS rules and policies. If this happens, the administering authority may adopt alternative funding approaches on a case-by-case basis.

3 What additional contributions may be payable?

3.1 Pension costs – awarding additional pension and early retirement on non ill-health grounds

If an employer awards additional pension as an annual benefit amount, it pays an additional contribution to the Fund as a single lump sum. The amount is set by guidance issued by the Government Actuary's Department and updated from time to time.

If an employee retires before their normal retirement age on unreduced benefits, employers may be asked to pay additional contributions called strain payments. Employers are expected to make strain payments as a single lump sum.

3.2 Pension costs – early retirement on ill-health grounds

If a member retires early because of ill-health, their employer must pay a funding strain, which may be a large sum.

The administering authority does not offer any arrangement to mitigate this. Individual employers should make their own arrangements if they are concerned about the risk of unmanageable ill-health strain costs.

4 How does the Fund calculate assets and liabilities?

4.1 How are employer asset shares calculated?

The Fund adopts a cashflow approach to track individual employer assets.

Each Fund employer has a notional share of the Fund's assets, which is assessed yearly by the actuary. The actuary starts with assets from the previous year-end, adding cashflows paid in/out and investment returns to give a new year-end asset value. The Fund actuary makes a simplifying assumption, that all cashflow and investment returns have been paid uniformly over the year. This assumption means that the sum of all employers' asset values is slightly different from the whole Fund asset total over time. This minimal difference is split between employers in proportion to their asset shares at each valuation.

4.2 How are employer liabilities calculated?

data and the assumptions in Appendix D, the Fund actuary projects the expected benefits for all members into the future. This is expressed as a single value – the liabilities – by allowing for expected future investment returns.

Benefits are valued in line with the regulations in force at the time of the valuation, with an exception relating to the McCloud ruling. The benefits of members likely to be affected by the McCloud ruling have instead been valued in line with the expected regulations, reflecting an underpin as directed by DLUHC.

Each employer's liabilities reflect the experience of their own employees and ex-employees.

4.3 What is a funding level?

An employer's funding level is the ratio of the market value of asset share against liabilities. If this is less than 100%, the employer has a shortfall: the employer's deficit. If it is more than 100%, the employer is in surplus. The amount of deficit or surplus is the difference between the asset value and the liabilities value.

Funding levels and deficit/surplus values measure a particular point in time, based on a particular set of assumptions. While this measure is of interest, for most employers the main issue is the level of contributions payable. The funding level does not directly drive contribution rates. See section 2 for further information on rates.

5 What happens when an employer joins the Fund?

5.1 When can an employer join the Fund

Employers can join the Fund if they are a new scheduled body or a new admission body. New designated employers may also join the Fund if they pass a designation to do so (though this is unlikely given the nature of the Environment Agency Active Pension Fund).

On joining, the Fund will determine the assets and liabilities for that employer within the Fund. The calculation will depend on the type of employer and the circumstances of joining.

A contribution rate will also be set. This will be set in accordance with the calculation set out in Section 2, unless alternative arrangements apply (for example, the employer has agreed a pass-through arrangement).

5.2 New admission bodies as a result of outsourcing services

New admission bodies usually join the Fund because an existing employer outsources a service to another organisation (a contractor). This involves TUPE transfers of staff from the letting employer to the contractor. The contractor becomes a new participating Fund employer for the duration of the contract and transferring employees remain eligible for LGPS membership. At the end of the contract, employees typically revert to the letting employer or a replacement contractor.

Liabilities for transferring active members will be calculated by the Fund actuary as at the day before the outsourcing occurs. New contractors will be allocated an asset share equal to the value of the transferring liabilities. The admission agreement may set a different initial asset allocation, depending on contract-specific circumstances.

There is flexibility for outsourcing employers when it comes to pension risk potentially taken on by the contractor. You can find more details on outsourcing options from the administering authority or in the contract admission agreement.

5.3 Other new employers

There may be other circumstances that lead to a new admission body entering the Fund, e.g. machinery of government changes. Calculation of assets and liabilities on joining and a contribution rate will be carried out allowing for the circumstances of the new employer.

5.4 Risk assessment for new admission bodies

Under the LGPS regulations, a new admission body must assess the risks it poses to the Fund if the admission agreement ends early, for example if the admission body becomes insolvent or goes out of business. In practice, the Fund actuary assesses this because the assessment must be carried out to the administering authority's satisfaction.

After considering the assessment, the administering authority may decide the admission body must provide security, such as a guarantee from the letting employer, an indemnity or a bond.

This must cover some or all of the:

- Strain costs of any early retirements if employees are made redundant when a contract ends prematurely
- Allowance for the risk of assets performing less well than expected
- Allowance for the risk of liabilities being greater than expected
- Allowance for the possible non-payment of employer and member contributions
- Admission body's existing deficit.

6 What happens if an employer has a bulk transfer of staff?

Bulk transfer cases will be looked at individually, but generally:

- The Fund won't pay bulk transfers greater in value than either the asset share of the transferring employer in the Fund, or the value of the liabilities of the transferring members, whichever is lower
- The Fund won't grant added benefits to members bringing in entitlements from another fund, unless the asset transfer is enough to meet the added liabilities
- The Fund may permit shortfalls on bulk transfers if the employer has a suitable covenant and commits to meeting the shortfall in an appropriate period, which may require increased contributions between valuations.

The bulk transfer policy is available on the Fund's website.

7 What happens when an employer leaves the Fund?

7.1 What is a cessation event?

Triggers for considering cessation from the Fund are:

- The last active member stops participation in the Fund. The administering authority, at its discretion, can defer acting for up to three years by issuing a suspension notice. That means cessation won't be triggered if the employer takes on one or more active members during the agreed time.
- Insolvency, winding up or liquidation of the employer
- A breach of the agreement obligations that isn't remedied to the Fund's satisfaction
- Failure to pay any sums due within the period required
- Failure to renew or adjust the level of a bond or indemnity, or to confirm an appropriate alternative guarantor
- Termination of a deferred debt arrangement (DDA).

If no DDA exists, the administering authority will instruct the Fund actuary to carry out a cessation valuation to calculate if there is a surplus or a deficit when the employer leaves the scheme.

7.2 What happens on cessation?

The administering authority must protect the interests of the remaining Fund employers when an employer leaves the Fund. The actuary aims to protect remaining employers from the risk of future loss. The funding target adopted for the cessation calculation is below. These are defined in Appendix D.

a) Where there is no guarantor, cessation liabilities and a final surplus/deficit will usually be calculated using a low-risk basis, which is more prudent than the ongoing participation basis. The low-risk exit basis is defined in Appendix D.

b) Where there is a guarantor, the guarantee will be considered before the cessation valuation. Where the guarantor is a guarantor of last resort, this will have no effect on the cessation valuation. If this isn't the case, cessation may be calculated using the same basis that was used to calculate liabilities (and the corresponding asset share) on joining the Fund.

c) Depending on the guarantee, it may be possible to transfer the employer's liabilities and assets to the guarantor without crystallising deficits or surplus. This may happen if an employer can't pay the contributions due and the approach is within guarantee terms.

If the Fund can't recover the required payment in full, unpaid amounts will be paid by the related letting authority (in the case of a ceased admission body) or shared between the other fund employers. This may require an immediate revision to the rates and adjustments certificate or be reflected in the contribution rates set at the next formal valuation.

The Fund actuary charges a fee for cessation valuations and there may be other cessation expenses. Fees and expenses are at the employer's expense and are deducted from the cessation surplus or added to the cessation deficit. This improves efficiency by reducing transactions between employer and Fund.

7.3 What happens if there is a surplus?

If the cessation valuation shows the exiting employer has more assets than liabilities the administering authority can decide how much will be paid back to the employer based on:

- The surplus amount
- The proportion of the surplus due to the employer's contributions
- Any representations (like risk sharing agreements or guarantees) made by the exiting employer and any employer providing a guarantee or some other form of employer assistance/support
- Any other relevant factors

7.4 How do employers repay cessation debts?

If there is a deficit, full payment will usually be expected in a single lump sum or:

- Spread over an agreed period, if the employer enters into a Debt Spreading Arrangement (DSA)
- If an exiting employer enters into a Deferred Debt Agreement (DDA), it stays in the Fund and pays contributions until the cessation debt is repaid. Payments are reassessed at each formal valuation.

7.5 What if an employer has no active members?

When employers leave the Fund because their last active member has left, they may pay a cessation debt (as a lump sum or via a DSA), receive an exit credit or enter a DDA. In the first two cases they have no further obligation to the Fund and either:

a) Their asset share runs out before all ex-employees' benefits have been paid. The other Fund employers will be required to contribute to the remaining benefits.

b) The last ex-employee or dependant dies before the employer's asset share is fully run down. The surplus will be shared between the other employers in the Fund.

In both cases the Fund actuary will effectively attribute the surplus/deficit to the other Fund employers at the next actuarial valuation based on their share of the Fund assets.

8 What are the statutory reporting requirements?

8.1 Reporting regulations

The Public Service Pensions Act 2013 requires the Government Actuary's Department to report on LGPS funds in England and Wales after every three-year valuation, in what's usually called a Section 13 report. The report should include confirmation that employer contributions are set at the right level to ensure the Fund's solvency and long-term cost efficiency.

8.2 Solvency

Employer contributions are set at an appropriate solvency level if the rate of contribution targets a funding level of 100% over an appropriate time, using appropriate assumptions compared to other funds. Either:

a) Employers collectively can increase their contributions, or the Fund can realise contingencies to target a 100% funding level

or

(b) There is an appropriate plan in place if there is, or is expected to be, a reduction in employers' ability to increase contributions as needed.

8.3 Long-term cost efficiency

Employer contributions are set at an appropriate long-term cost efficiency level if the contribution rate makes provision for the cost of current benefit accrual, with an appropriate adjustment for any surplus or deficit.

To assess this, the administering authority may consider absolute and relative factors.

Relative factors include:

1. Comparing LGPS funds with each other
2. The implied deficit recovery period
3. The investment return required to achieve full funding after 20 years.

Absolute factors include:

1. Comparing funds with an objective benchmark
2. The extent to which contributions will cover the cost of current benefit accrual and interest on any deficit
3. How the required investment return under relative considerations compares to the estimated future return targeted by the investment strategy
4. The extent to which contributions paid are in line with expected contributions, based on the rates and adjustment certificate
5. How any new deficit recovery plan reconciles with, and can be a continuation of, any previous deficit recovery plan, allowing for Fund experience.

These metrics may be assessed by Government Actuary Department (GAD) on a standardised market-related basis where the funds' actuarial bases don't offer straightforward comparisons.

Appendix A – Regulatory framework

A1 Why do funds need a Funding Strategy Statement?

The Local Government Pension Scheme (LGPS) regulations require funds to maintain and publish a Funding Strategy Statement (FSS). According to the Department for Levelling Up, Housing and Communities (DLUHC) the purpose of the FSS is to document the processes the administering authority uses to:

- Establish **a clear and transparent fund-specific strategy** identifying how employers' pension liabilities are best met going forward
- Support the regulatory framework to maintain **as nearly constant employer contribution rates as possible**
- Ensure the fund meets its **solvency and long-term cost efficiency** objectives
- Take a **prudent longer-term view** of funding those liabilities.

To prepare this FSS, the administering authority has used guidance by the Chartered Institute of Public Finance and Accountancy (CIPFA).

A2 Does the Administering Authority consult anyone on the FSS?

Both the LGPS regulations and most recent CIPFA guidance state the FSS should be prepared in consultation with "persons the authority considers appropriate". This should include 'meaningful dialogue with council tax raising authorities and representatives of other participating employers'.

In practice, for the Fund, the consultation process for this FSS was as follows:

a) A draft version of the FSS was issued to all participating employers on 21 October 2022 for comment;
b) Comments were requested within 30 days;
c) Following the end of the consultation period the FSS was updated where required approved by the Pensions Committee on 8 December 2022 and then then subsequently published.

A3 How is the FSS published?

The FSS is made available through the following routes:

- Published on the website at www.eapf.org.uk
- A copy sent by e-mail to each participating employer in the Fund
- A full copy included in the annual report and financial statements of the Fund
- Copies made available on request.

A4 How often is the FSS reviewed?

The FSS is reviewed in detail at least every three years as part of the valuation. Amendments may be made before then if there are regulatory or operational changes. Any amendments will be consulted on, agreed by the Pensions Committee and included in the Committee meeting minutes.

A5 How does the FSS fit into other Fund documents?

The FSS is a summary of the Fund's approach to funding liabilities. It isn't exhaustive – the Fund publishes other statements like the investment strategy statement, governance policy and communications policy. The Fund's annual report and accounts also includes up-to-date Fund information.

These documents can be found at www.eapf.org.uk/trustee/governance-policies

Appendix B – Roles and responsibilities

The efficient and effective operation of the Fund needs various parties to each play their part.

B1 The Administering Authority should:

1. Operates the Fund and follows all Local Government Pension Scheme (LGPS) regulations
2. Manages any conflicts of interest from its dual role as administering authority and a Fund employer
3. Collects employer and employee contributions, investment income and other amounts due
4. Ensures cash is available to meet benefit payments when due
5. Pays all benefits and entitlements
6. Invests surplus money like contributions and income which isn't needed to pay immediate benefits, in line with regulation and the investment strategy
7. Communicates with employers so they understand their obligations
8. Safeguards the Fund against employer default
9. Works with the Fund actuary to manage the valuation process
10. Provides information to the Government Actuary's Department so they can carry out their statutory obligations
11. Consults on, prepares and maintains the Funding and Investment Strategy Statements
12. Tells the actuary about changes which could affect funding
13. Monitors the Fund's performance and funding, amending the strategy statements as necessary

B2 Individual employers:

1. Deduct the correct contributions from employees' pay
2. Pay all contributions by the due date
3. Have appropriate policies in place to work within the regulatory framework
4. Make additional contributions as agreed, for example to augment scheme benefits or early retirement strain
5. Tell the administering authority promptly about any changes to circumstances, prospects or membership which could affect future funding.
6. Make any required exit payments when leaving the Fund.

B3 The Fund actuary:

1. Prepares valuations, including setting employers' contribution rates, agreeing assumptions, working within FSS and LGPS regulations and appropriately targeting fund solvency and long-term cost efficiency
2. Provides information to the Government Actuary's Department so they can carry out their statutory obligations
3. Advises on Fund employers, including giving advice about and monitoring bonds or other security
4. Prepares advice and calculations around bulk transfers and individual benefits
5. Assists the administering authority to consider changes to employer contributions between formal valuations
6. Advises on terminating employers' participation in the Fund
7. Fully reflects actuarial professional guidance and requirements in all advice.

B4 Other parties:

1. Internal and external investment advisers ensure the Investment Strategy Statement (ISS) is consistent with the Funding Strategy Statement
2. Investment managers, custodians and bankers play their part in the effective investment and dis-investment of Fund assets in line with the ISS
3. Auditors comply with standards, ensure Fund compliance with requirements, monitor and advise on fraud detection, and sign-off annual reports and financial statements
4. Governance advisers may be asked to advise the administering authority on processes and working methods
5. Internal and external legal advisers ensure the Fund complies with all regulations and broader local government requirements, including the administering authority's own procedures
6. The Department for Levelling Up, Housing and Communities, assisted by the Government Actuary's Department and the Scheme Advisory Board, work with LGPS funds to meet Section 13 requirements.

Appendix C – Risks and controls

C1 Managing risks

The administering authority has a risk management programme to identify and control financial, demographic, regulatory and governance risks.

Details of the fund-specific risks and controls are set out in the risk register, which is available on request. A summary of the key financial, demographic, regulatory and governance risks and controls is set out below.

Financial risks

Risk	Summary of Control Mechanisms
Fund assets fail to deliver returns in line with the anticipated returns underpinning the valuation of liabilities and contribution rates over the long-term.	Only anticipate long-term returns on a relatively prudent basis to reduce risk of under-performing. Assets invested on the basis of specialist advice, in a suitably diversified manner across asset classes, geographies, managers, etc. Analyse progress at three yearly valuations for all employers. Inter-valuation roll-forward of liabilities between valuations at whole Fund level.
Inappropriate long-term investment strategy.	Overall investment strategy options considered as an integral part of the funding strategy.
Active investment manager under-performance relative to benchmark.	Quarterly investment monitoring analyses market performance and active managers relative to their index benchmark.
Pay and price inflation significantly more than anticipated.	The focus of the actuarial valuation process is on real returns on assets, net of price and pay increases. Inter-valuation monitoring, as above, gives early warning. Some investment in bonds also helps to mitigate this risk. Employers pay for their own salary awards and should be mindful of the geared effect on pension liabilities of any bias in pensionable pay rises towards longer-serving employees.

Risk	Summary of Control Mechanisms
Effect of possible increase in employer's contribution rate on service delivery and admission/scheduled bodies	An explicit stabilisation mechanism has been agreed as part of the funding strategy for the EA, whilst a stable monetary contribution (subject to triennial review) has been agreed for NRW. SSCL participate in the Fund with a fixed contribution rate.
Effects of possible shortfall in cash required to meet benefit outgo due to reduced cash contributions and/or maturing demographic profile	Projections are calculated at each formal valuation to monitor cashflows versus contributions income, so that any possible future cash shortfall is identified early enough for appropriate action to be taken. Accuracy of cashflow projections is improved by use of bespoke baseline longevity assumptions.
Effect of possible asset underperformance as a result of climate change	The administering authority has a comprehensive approach to managing this risk outlined in its Policy to Address Climate Change. The potential risks from climate change were considered in the long-term modelling carried out to set employer contribution rates at the 2022 valuation.

Demographic risks

Risk	Summary of Control Mechanisms
Pensioners living longer, thus increasing cost to Fund.	Set mortality assumptions with some allowance for future increases in life expectancy. The Fund Actuary has direct access to the experience of over 50 LGPS funds which allows early identification of changes in life expectancy that might in turn affect the assumptions underpinning the valuation.
Maturing Fund – i.e. proportion of actively contributing employees declines relative to retired employees.	Continue to monitor at each valuation, consider seeking monetary amounts rather than % of pay and consider alternative investment strategies.
Deteriorating patterns of early retirements	Employers are charged the extra cost of non ill-health retirements following each individual decision. Employer ill health retirement experience is monitored.

Risk	Summary of Control Mechanisms
Reductions in payroll causing insufficient deficit recovery payments	In many cases this may not be sufficient cause for concern and will in effect be caught at the next formal valuation. A review of contributions is permitted in general between valuations. NRW pay contributions as a monetary amount rather than a percentage of payroll to avoid a gradually reducing annual contribution.

Regulatory risks

Risk	Summary of Control Mechanisms
Changes to national pension requirements and/or HMRC rules e.g. changes arising from public sector pensions reform.	The Administering Authority considers all consultation papers issued by the Government and comments where appropriate.
Time, cost and/or reputational risks associated with any DLUHC intervention triggered by the Section 13 analysis.	Take advice from Fund Actuary on position of Fund as at prior valuation, and consideration of proposed valuation approach relative to anticipated Section 13 analysis.
Changes by Government to particular employer participation in LGPS Funds, leading to impacts on funding and/or investment strategies.	The Administering Authority considers all consultation papers issued by the Government and comments where appropriate. Take advice from Fund Actuary on impact of changes on the Fund and amend strategy as appropriate.

Governance risks

Risk	Summary of Control Mechanisms
Administering Authority unaware of structural changes in an employer's membership (e.g. large fall in employee members, large number of retirements) or not advised of an employer closing to new entrants.	The Administering Authority has a close relationship with employing bodies and communicates required standards e.g. for submission of data. The Actuary may revise the Rates and Adjustments certificate to increase an employer's contributions between triennial valuations. Deficit contributions may be expressed as monetary amounts.

Risk	Summary of Control Mechanisms
Actuarial or investment advice is not sought, or is not heeded, or proves to be insufficient in some way	The Administering Authority maintains close contact with its specialist advisers. Advice is delivered via formal meetings involving Pensions Committee Members, and recorded appropriately. Actuarial advice is subject to professional requirements such as peer review.
An employer ceasing to exist with insufficient funding or adequacy of a bond.	The Administering Authority believes that it would normally be too late to address the position if it was left to the time of departure. The risk is mitigated by: Seeking a funding guarantee from another scheme employer, or external body, where-ever possible Alerting the prospective employer to its obligations and encouraging it to take independent actuarial advice. Vetting prospective employers before admission. Where permitted under the regulations requiring a bond to protect the Fund from various risks. Requiring new Community Admission Bodies to have a guarantor. Reviewing bond or guarantor arrangements at regular intervals. Reviewing contributions well ahead of cessation if thought appropriate.
An employer ceasing to participate in the Fund resulting in an exit credit being payable	The Administering Authority regularly monitors admission bodies coming up to cessation The Administering Authority invests in liquid assets to ensure that exit credits can be paid when required.

C2 Employer covenant assessment and monitoring

All the employers in the Fund are either directly funded by government (the EA or NRW) or participate via a risk-sharing agreement with a government-funded body (SSCL). The Fund is therefore satisfied that detailed covenant analysis and monitoring is not required. If the situation of any of the employers changes in future this may be reconsidered.

C3 Climate risk and TCFD reporting

The Fund has considered climate-related risks when setting the funding strategy. The Fund included climate scenario stress testing in the contribution modelling exercise for the EA and NRW at the 2022 valuation. The modelling results under the stress tests were slightly worse than the core results but were still within risk tolerance levels, particularly given the severity of the stresses applied.

The results provide assurance that the modelling approach does not significantly underestimate the potential impact of climate change and that the funding strategy is resilient to climate risks. The results of these stress tests may be used in future to assist with disclosures prepared in line with Task Force on Climate-Related Financial Disclosures (TCFD) principles.

The Fund has a Responsible Investment Policy and a Policy to Address Climate Change, **both of which are available on its website.**

Appendix D – Actuarial assumptions

The Fund's actuary uses a set of assumptions to determine the strategy, and so assumptions are a fundamental part of the Funding Strategy Statement.

D1 What are assumptions?

Assumptions are used to estimate the benefits due to be paid to members. Financial assumptions determine the amount of benefit to be paid to each member, and the expected investment return on the assets held to meet those benefits. Demographic assumptions are used to work out when benefit payments are made and for how long.

The funding target is the money the Fund aims to hold to meet the benefits earned to date.

Any change in the assumptions will affect the funding target and contribution rate, but different assumptions don't affect the actual benefits the Fund will pay in future.

D2 What assumptions are used to set the contribution rate?

The Fund doesn't rely on a single set of assumptions when setting contribution rates, instead using Hymans Robertson's Economic Scenario Service (ESS) to project each employer's assets, benefits and cashflows to the end of the funding time horizon.

ESS projects future benefit payments, contributions and investment returns under 5,000 possible economic scenarios, using variables for future inflation and investment returns for each asset class, rather than a single fixed value.

For any projection, the Fund actuary can assess if the funding target is satisfied at the end of the time horizon.

Table: Summary of assumptions underlying the ESS, 31 March 2022

		Annualised total returns										
		Cash	Index Linked Gilts (long)	Private Equity	Prope rty	Infr. Debt	Global Equity	Multi Asset Credit (sub inv grade)	Private lending	Corp Mediu m A	CPI inflation	17 year real govt yield
10y	16%ile	0.8%	-3.1%	-1.2%	-0.6%	-0.3%	-0.6%	1.7%	2.7%	-0.1%	1.6%	-1.7%
	50%ile	1.8%	-0.7%	9.4%	4.4%	2.2%	5.6%	3.5%	6.0%	1.6%	3.3%	-0.5%
	84%ile	2.9%	2.0%	20.1%	9.5%	4.3%	11.6%	5.2%	9.2%	3.2%	4.9%	0.7%
20y	16%ile	1.0%	-2.6%	2.4%	1.4%	1.2%	1.6%	2.8%	4.3%	1.1%	1.2%	-0.7%
	50%ile	2.4%	-0.9%	10.0%	5.0%	2.7%	6.1%	4.4%	6.8%	2.1%	2.7%	1.1%
	84%ile	4.0%	0.8%	17.6%	8.9%	4.2%	10.8%	6.0%	9.2%	3.2%	4.3%	2.7%
40y	16%ile	1.2%	-1.1%	4.7%	2.6%	2.3%	3.2%	3.6%	5.5%	2.0%	0.9%	-0.6%
	50%ile	2.9%	0.3%	10.3%	5.5%	3.7%	6.6%	5.3%	7.7%	3.1%	2.2%	1.3%
	84%ile	4.9%	1.9%	16.1%	8.8%	5.1%	10.2%	7.1%	10.0%	4.4%	3.7%	3.2%
	Vol (1 yr)	2%	9%	30%	15%	8%	18%	6%	10%	7%	3%	

D3 What financial assumptions were used?

Future investment returns and discount rate

The Fund uses a risk-based approach to generate assumptions about future investment returns over the funding time horizon, based on the investment strategy.

The discount rate is the annual rate of future investment return assumed to be earned on assets after the end of the funding time horizon. The discount rate assumption is set as a margin above the risk-free rate.

Assumptions for future investment returns depend on the funding objective.

Funding target	Employer	Margin above risk-free rate
Ongoing basis	EA and SSCL	1.6%
Low-risk basis	NRW	0.0%

Discount rate (for funding level calculation as at 31 March 2022 only)

The table below shows the discount rates which apply for the purpose of calculating a funding level at the 2022 valuation.

Funding level discount rate	Employer	% pa
Ongoing basis	EA and SSCL	3.1%
Low-risk basis	NRW	1.7%

The ongoing basis funding level discount rate is based on a prudent estimate of investment returns, specifically, that there is an 78% likelihood that the Fund's assets will achieve future investment returns of 3.1% pa over the 20 years following the 2022 valuation date.

The low-risk basis discount rate is based on the yield on long-dated government bonds on the valuation date.

Pension increases and CARE revaluation

Deferment and payment increases to pensions and revaluation of CARE benefits are in line with the Consumer Price Index (CPI) and determined by the regulations.

The CPI assumption is based on Hymans Robertson's ESS model. The median long-term value of CPI inflation from the ESS was 2.5% pa on 31 March 2022.

Salary growth

The salary increase assumption at the latest valuation has been set to 0.5% pa above CPI pa plus a promotional salary scale.

Life expectancy

The longevity assumptions are based on VitaCurves produced by detailed analysis and tailored to fit the Fund's membership profile.

Allowance has been made for future improvements to mortality, in line with the 2021 version of the continuous mortality investigation (CMI) published by the actuarial profession. The starting point has been adjusted by +0.25% to reflect the difference between the population-wide data used in the CMI and LGPS membership. A long-term rate of mortality improvements of 1.5% pa applies.

The smoothing parameter used in the CMI model is 7.0. There is little evidence currently available on the long-term effect of Covid-19 on life expectancies. To avoid an undue impact from recently mortality experience on long-term assumptions, no weighting has been placed on data from 2020 and 2021 in the CMI.

For NRW (or any other employer ceasing on the low-risk basis), a more prudent assumed rate of long-term improvements is 1.75% pa is used.

Other demographic assumptions	
Retirement in normal health	Members are assumed to retire at the earliest age possible with no pension reduction.
Promotional salary increases	Sample increases below
Death in service	Sample rates below
Withdrawals	Sample rates below
Retirement in ill health	Sample rates below
Family details	A varying proportion of members are assumed to have a dependant partner at retirement or on earlier death. For example, at age 60 this is assumed to be 90% for males and 85% for females. After retirement the proportion is adjusted to reflect dependant mortality. Males are assumed to be 3 years older than females, and partner dependants are assumed to be opposite sex to members.
Commutation	60% of maximum tax free cash
50:50 option	1% of members will choose the 50:50 option.

Males

Incidence per 1000 active members per year								
Age	Salary scale	Death before retirement	Withdrawals		Ill-health tier 1		Ill-health tier 2	
		FT &PT	FT	PT	FT	PT	FT	PT
20	107	0.17	242.58	487.81	0.00	0.00	0.00	0.00
25	120	0.17	160.24	322.22	0.00	0.00	0.00	0.00
30	134	0.20	113.69	228.58	0.00	0.00	0.00	0.00
35	145	0.24	88.83	178.58	0.10	0.07	0.02	0.01
40	152	0.41	71.52	143.73	0.16	0.12	0.03	0.02
45	158	0.68	67.18	134.98	0.35	0.27	0.07	0.05
50	162	1.09	55.38	111.14	0.90	0.68	0.23	0.17
55	162	1.70	43.61	87.56	3.54	2.65	0.51	0.38
60	162	3.06	38.87	78.01	6.23	4.67	0.44	0.33

Females

Incidence per 1000 active members per year								
Age	Salary scale	Death before retirement	Withdrawals		Ill-health tier 1		Ill-health tier 2	
		FT &PT	FT	PT	FT	PT	FT	PT
20	107	0.10	211.45	280.42	0.00	0.00	0.00	0.00
25	120	0.10	142.28	188.66	0.10	0.07	0.02	0.01
30	134	0.14	119.27	158.13	0.13	0.10	0.03	0.02
35	145	0.24	102.94	136.43	0.26	0.19	0.05	0.04
40	152	0.38	85.67	113.51	0.39	0.29	0.08	0.06
45	158	0.62	79.95	105.91	0.52	0.39	0.10	0.08
50	162	0.90	67.41	89.19	0.97	0.73	0.24	0.18
55	162	1.19	50.30	66.62	3.59	2.69	0.52	0.39
60	162	1.52	40.53	53.62	5.71	4.28	0.54	0.40

Appendix F – Glossary

Funding basis	The combined set of assumptions made by the actuary, regarding the future, to calculate the value of the funding target at the end of the employer's time horizon. The main assumptions will relate to the level of future investment returns, salary growth, pension increases and longevity. More prudent assumptions will give a higher funding target, whereas more optimistic assumptions will give a lower funding target.
Administering Authority	The body with statutory responsibility for running the Fund, in effect the Fund's 'trustees'.
Admission Bodies	Employers where there is an Admission Agreement setting out the employer's obligations. These can be Community Admission Bodies or Transferee Admission Bodies.
Covenant	The assessed financial strength of the employer. A strong covenant indicates a greater ability (and willingness) to pay for pension obligations in the long run. A weaker covenant means that it appears that the employer may have difficulties meeting its pension obligations in full over the longer term.
Employer	An individual participating body in the Fund, which employs (or used to employ) **members** of the Fund. Normally the assets and **funding target** values for each employer are individually tracked, together with its **Primary rate** at each **valuation**.
Gilt	A UK Government bond, i.e. a promise by the Government to pay interest and capital as per the terms of that particular gilt, in return for an initial payment of capital by the purchaser. Gilts can be 'fixed interest', where the interest payments are level throughout the gilt's term, or 'index-linked' where the interest payments vary each year in line with a specified index (usually RPI). Gilts can be bought as assets by the Fund, but are also used in funding as an objective measure of a risk-free rate of return.
Guarantee / guarantor	A formal promise by a third party (the guarantor) that it will meet any pension obligations not met by a specified employer. The presence of a guarantor will mean, for instance, that the Fund can consider the employer's **covenant** to be as strong as its guarantor's.
Letting employer	An employer which outsources or transfers a part of its services and workforce to another employer (usually a contractor). The contractor will pay towards the LGPS benefits accrued by the transferring members, but ultimately the obligation to pay for these benefits will revert to the letting employer.
LGPS	The Local Government Pension Scheme, a public sector pension arrangement put in place via Government Regulations, for workers in local government. These Regulations also dictate eligibility (particularly for Scheduled Bodies), members' contribution rates, benefit calculations and certain governance requirements. The LGPS is divided into 100 Funds across the UK. Each LGPS Fund is autonomous to the extent not dictated by

	Regulations, e.g. regarding investment strategy, employer contributions and choice of advisers.
Maturity	A general term to describe a Fund (or an employer's position within a Fund) where the members are closer to retirement (or more of them already retired) and the investment time horizon is shorter. This has implications for investment strategy and, consequently, funding strategy.
Members	The individuals who have built up (and may still be building up) entitlement in the Fund. They are divided into actives (current employee members), deferred pensioners (ex-employees who have not yet retired) and pensioners (ex-employees who have now retired, and dependants of deceased ex-employees).
Primary contribution rate	The employer contribution rate required to pay for ongoing accrual of active members' benefits (including an allowance for administrative expenses). See Appendix D for further details.
Profile	The profile of an employer's membership or liability reflects various measurements of that employer's **members**, i.e. current and former employees. This includes: the proportions which are active, deferred or pensioner; the average ages of each category; the varying salary or pension levels; the lengths of service of active members vs their salary levels, etc. A membership (or liability) profile might be measured for its **maturity** also.
Rates and Adjustments Certificate	A formal document required by the LGPS Regulations, which must be updated at the conclusion of the formal **valuation**. This is completed by the actuary and confirms the contributions to be paid by each employer (or pool of employers) in the Fund for the period until the next valuation is completed.
Scheduled Bodies	Types of employer explicitly defined in the LGPS Regulations, whose employees must be offered membership of their local LGPS Fund. These include Councils, colleges, universities, academies, police and fire authorities etc, other than employees who have entitlement to a different public sector pension scheme (e.g. teachers, police and fire officers, university lecturers).
Secondary contribution rate	The difference between the employer's total and **Primary contribution rates**. See Appendix D for further details.
Stabilisation	Any method used to smooth out changes in employer contributions from one year to the next. This is very broadly required by the LGPS Regulations, but in practice is particularly employed for large stable employers in the Fund.
Valuation	A risk management exercise to review the **Primary and Secondary contribution rates**, and other statutory information for the Fund and individual employers.

Approved by the Pensions Committee on 8 December 2022 and will be reviewed in 2023/24.

Annex 3 – Responsible Investment Strategy Statement

(this is the EAPF's Investment Strategy Statement)

Introduction

The Environment Agency Active Pension Fund (the Fund or 'EAPF') is a funded, defined benefit pension scheme with around 28,000 members and assets of approximately £4.1bn as at 31 December 2022. **Full details of the EAPF and our activities can be found at www.eapf.org.uk**.

This Investment Strategy Statement sets out the principles and strategy that govern our process for investing the assets of the Fund as required by Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016. As this statement integrates our agreed high-level objectives and targets on responsible investment, and these are integral to how we invest, from this point onwards we are referring to this document as our Responsible Investment Strategy Statement (RISS)

This RISS was approved by the Environment Agency Pensions Committee on 22 March 2023 after receiving input and advice from its investment staff, investment consultants, independent investment adviser, consulting actuary and external legal advice.

We will refer to this statement when making investment decisions to ensure they are consistent with our investment principles and strategy. As set out in the regulations, the Pensions Committee will review the RISS from time to time, but at least every three years following the triennial valuation of the Fund.

The RISS should be read and will be implemented in conjunction with the Fund's Governance Policy, Funding Strategy Statement, Responsible Investment Strategy, Getting to Net Zero & Building Resilience: EAPF Policy to Address Climate Change and our joint stewardship policy. These provide and state our more detailed requirements and supplementary guidance on these specific topics for our members and wider stakeholders including external fund managers. It is supported by the contents of our investment management agreements for each investment mandate. Details of the investment and performance objectives for each mandate are published in our Annual Report and Financial Statements.

Fund governance: Investment

Our Governance Policy sets out how the Fund is governed and the role of the Pensions Committee; Pension Board; Investment Sub-Committee; and Environment Agency officers on investment matters. The Environment Agency Board appoints the Pensions Committee and Pension Board, and delegates responsibility for compliance with legislation and best practice, overall strategic asset allocation, investment policy, budgets and the appointment of fund managers and investment advisers. The Environment Agency Board approves the Annual Report and Financial Statements of the Fund, which includes the policies under which the Fund is governed.

The Investment Sub-Committee normally consists of seven representatives of the Pensions Committee and receives input and advice from professional investment officers, specialist investment consultants, an independent investment adviser, the Fund actuary, and other professional advisers as required. The Investment Sub-Committee has received delegated responsibility to prepare and recommend the investment strategy to the Pensions Committee and, within the context of the agreed investment strategy, to decide on the structure of mandates and their specification, to appoint fund managers, to monitor the performance of fund managers, and to terminate or alter mandates. This is done in partnership with the Brunel Pension Partnership (see later).

We have delegated day-to-day management of the Fund's assets to a number of fund managers. They have full discretion to manage their portfolios, subject to their investment management agreements with us and in compliance with the Fund's own policies including this RISS. We do not seek to direct the managers on individual investment decisions.

We have appointed a performance measurer independent of the fund managers to calculate historical risk and return measures for each manager and the Fund overall. We have also appointed a global custodian who is responsible for the safe keeping of the directly held assets of the Fund and who works in close liaison with each fund manager. State Street fulfils both functions.

The Fund's actuary is responsible for performing a formal valuation of the Fund in line with the statutory guidance (historically every three years) in order to assess the extent to which the assets cover accrued liabilities and to inform the development of an appropriate Funding Strategy Statement. The Funding Strategy takes account of, and informs the development of, our investment strategy and this RISS.

In all matters, our fiduciary obligations to Fund members are paramount, and neither the Fund's committees nor the Fund's officers would take any action which would be in conflict with these obligations. Similarly, fund managers are required to invest in the best interest of the Fund.

High Level Investment Principles

Working with our partners in the Brunel Pension Partnership, we have agreed a set of investment principles with the intention that they provide a framework for the investment strategy, operations, manager selection, monitoring and reporting. The principles are also designed to meet the Department for Levelling Up, Housing and Communities (DLUHC)Local Government Pension Scheme: Investment Reform Criteria and Guidance and the requirements and expectations of Financial Conduct Authority. They can be applied to all asset classes, although the detail of operation will vary by asset class.

The principles do not impose any restrictions on type, nature of companies or assets held within the portfolios. The principles do place an expectation that recognised best practice standards in governance, risk management, stewardship and value for money will be delivered

Long-term investors	We are long-term investors: we implement our funds investment strategies that require productive assets that contribute to economic activity, such as equities, bonds and real assets. This may include the delegated responsibility to provide sustainable and sufficient return on their assets.
Responsible investors	We are responsible investors: we believe that in the long term we will generate better financial returns by investing in companies and assets that demonstrate they contribute to the long term sustainable success of the global economy and society.
Best practice governance	We adopt best practice collective governance with appropriate oversight, prioritisation, delegation and decision making at the right level, and clear accountability.
Decisions informed through experts and knowledgeable officers and committee	We make informed decisions based on extensive expertise including trained and insightful operations' governance members, experienced and professional officers and high quality, knowledgeable advisors.
Evidence and research at heart of investments	We take an evidence and research based approach to investment: continually learning and reappraising from academic research, investment professionals, and our peers, and seek continual development in our understanding of investment.
Leadership and innovation	We are prepared to be innovative and demonstrate thought leadership in collective investment, within the requirement of prudence and our joint fiduciary duty.

Right risk for right return	We will seek right risk for right return. We will make our collective investments work as hard as possible to meet our funds' objectives: we will provide the right structure of sub funds and managers within asset classes. While we take account of market and economic levels in our decision making, we will avoid making decisions on purely a short term basis.
Full risk evaluation	We will be comprehensive in our consideration of our funds' risks assessed on their liabilities and contributions; consider financial and non-financial risk as appropriate; offer a pooled structure to accommodate the need to diversify risk, but also recognise the limits of that diversification – as long term investors we accept that our investment success depends substantially on the sustainable growth of the economy.
Responsible stewardship	We will enable our funds to exercise responsible stewardship of the assets they hold, and act as a collective responsible voice in the broader investment community.
Cost effective solutions	We will seek the most cost-effective solutions to achieving our funds' objectives and implementing these principles collectively: we recognise the impact of costs on the Funds, but we are prepared to pay for active management and other services when we believe that the costs incurred are likely to be justified by the benefits. We will seek to gain leverage from our collective status within the Brunel Pension Partnership through reduction in fees and avoidance of cost through increased resilience and sharing our peoples' strengths, knowledge and expertise.
Be Transparent and accountable	We believe in the importance of being transparent and accountable, to ensure correct decisions are taken and to minimise risk. This applies both in our own operations, those we work with, and our investments.
Collaborate	We will collaborate with others whenever possible, to share ideas and best practice; to improve effectiveness and to minimise costs.

Responsible Investment

We are long-term investors who aim to deliver a truly sustainable Pension Fund; ensuring that it is affordable; delivers financially to meet the objectives of our scheme employers; and is invested responsibly. We seek to be a leading responsible investor. Full details are contained in our Responsible Investment Strategy, and Getting to Net Zero and Building Resilience: EAPF Policy to Address the Impacts of Climate Change. Both the Brunel Pension Partnership's and the Fund's underlying investment managers are expected to comply with these policies when implementing the mandates on our behalf.

Considering Responsible Investment with respect to the Obligations of the Pensions Committee and duty to our members

Our primary duty is to provide pensions to members of the EAPF. Part of this includes making investments to ensure we are able to maintain a secure and well-funded pension fund for our members.

When making investment decisions we carefully consider the environmental, social and governance issues that can impact negatively or positively on our portfolio.

If an environmental, social and/or governance issue is poorly managed and thereby poses a material financial risk to our individual investments or our portfolio as a whole, we must take this into account. This includes, for example, climate change and nature risks.

We may also consider other environmental, social and governance issues, which don't present a material financial detriment to our fund but allow us to act in the best long-term interest of our members more generally. In doing this, we will seek an equivalent return than may be achieved from other assets to ensure that our approach does not impact on our ability to maintain a secure and well-funded pension scheme.

We need to take these issues into account in our funding and investment strategies, and throughout the funding and investment decision-making process.

We place a great emphasis on engaging with our members to understand their views and to make sure that EAPF reflects their values. We want our members to take pride in the work their pension fund is doing to tackle climate change and build a better future.

The views of Members and other stakeholders (e.g. employers and Defra) may inform our approach but the decisions on setting the right investment strategy remains with the Pensions Committee. As a defined benefit scheme, the EAPF Pensions Committee has the legal responsibility for ensuring that the right approach is taken to ensure that it is able to pay members' pensions over the very long term.

By law our investment strategy must contain our policy on environmental considerations among other considerations.

Responsible Investment Strategy: Priorities to 2025

Invest to build a better future:	**Make our members proud of their pension fund:**
• invest significantly in sustainable and low carbon assets. • calculate the impact on, and impact of, our Fund on climate change. • Embrace opportunities for investing responsibly across all asset classes in particular in natural capital and transition finance, and take advantage of the investment opportunities that the transition to a more sustainable global economy will create.	• tell members about the positive impact their pension fund is making. • encourage members' feedback on how our responsible approach can be improved.
Work with the investment community to help build a better future:	
• Prioritise in our engagements the issues of climate change, nature, using resources sustainably and managing water. • continue to support the development of the Transition Pathway Initiative (TPI). • raise the importance of managing the physical risks from climate change. • support shareholder initiatives through the Brunel Pension Partnership and challenge company boards directly on their performance asking questions at Annual General Meetings, in line with wider pool objectives. • take part in at least 2 campaigns every year to deliver wider change in company and investor behaviour.	

EAPF Position on Climate Change & Nature

Climate change & nature loss pose significant threats to our economy, environment, health, way of life and our members' future. They present interrelated systemic risks, where the actions, or inaction, of one company can positively or negatively affect its sector as well as the overall economy.
As a pension fund, climate change and nature loss both present material financial risks to us. They have the potential to impact the value of the holdings in our investment portfolio and our long term liabilities. There are financial risks to us in not considering climate change & nature.
Our climate policy recognises the central role of nature in combatting climate change and we will consider the biodiversity impacts in enacting our climate objectives at all stages of our net zero journey.

To tackle climate change & nature loss we will:

Halve total Fund emissions by 2030 and get to net zero by 2045	**Invest significantly in green solutions which build a clean, biodiverse and climate-resilient future**
• aim to reduce our listed equity emissions by 43% by 2025 and 77% by 2030 versus a 31 December 2019 baseline • allocate money through listed fixed income, multi-asset credit and private debt markets to fund the low carbon transition and help build resilience • monitor performance of managers versus Paris Aligned Benchmarks by 2030, where available • explore options through pooling to stop participating in new debt finance to companies which contribute significant GHG emissions and are misaligned with a low carbon transition pathway (as identified by TPI) unless there are climate change covenants in place • progressively analyse our holdings in all asset classes and include Scope 3 emissions in monitoring and target setting • refrain from using carbon offsets at the Fund level at this stage. Where offsetting is used by those we invest in, it should focus on proven nature-based solutions or use technology that is shown to be clean and viable, and be subject to a credible carbon standards	• Aim to always have at least 33% of our investments in sustainable assets • Aim to have 17% of our investments by 2025 directly tackling climate change by helping to reduce emissions or build resilience • invest in nature-based solutions, which will bring the additional benefits of protecting and enhancing biodiversity • seek to demonstrate our new investments in sustainable agriculture and sustainable forestry in our natural capital asset class are net nature positive and deforestation free • align with TNFD guidance and market best practice in disclosing the nature risks and impacts of our investment portfolio • align with the UK/EU taxonomy as data becomes more readily available and review our targets to ensure that our ambitious approach remains appropriate

Work with others so that the whole economy turns greener
• invest across all sectors of the economy. • use our shareholder power to drive change in companies we hold or held on our behalf. • help reduce emissions, value natural capital and build resilience.

Walk the talk – we get to net zero as a pension fund team
• Get to net zero as a pension fund team by 2030. • Communicate with our members on how they can reduce their carbon footprint.

Responsible Investment and Brunel

The Brunel Pension Partnership Investment Principles clearly articulate our commitment, and that of each Fund in the Partnership and its operator (Brunel Ltd), to be responsible investors and as such recognise that social, environment and corporate governance considerations are part of the process in the selection, non-selection, retention and realisation of assets. One of the potential principal benefits, outlined in the Brunel Pension Partnership business case, achieved through scale and resources arising from pooling, is the improved implementation of responsible investment and stewardship.

Every portfolio, in every asset class, under the Brunel Pension Partnership, explicitly includes responsible investment and an assessment of how social, environment and corporate governance considerations may present financial risks to the delivery of the portfolio objectives. The approach undertaken will vary in order to be the most effective in mitigating risks and enhancing shareholder value in relation to each portfolio and its objectives. Brunel Pension Partnership has published a Responsible Investment Policy Statement which lays out our common approach in more detail. More information is on the **Brunel website.**

Both EAPF and Brunel Ltd are signatories of the UNPRI. This is an investor initiative in partnership with UNEP Finance Initiative and the UN Global Compact. The principles reflect the view that environmental, social and governance issues can affect the performance of investment portfolios and therefore must be given appropriate consideration by investors if they are to fulfil their fiduciary duty. The UN Global Compact asks companies to embrace, support and enact, within their sphere of influence, a set of core values in the areas of human rights, labour standards, the environment and anti-corruption.

Both our Pensions Committee and Pension Board have member representatives who actively engage with beneficiaries and other stakeholders to ensure the Fund is aware and can respond effectively to all member concerns. We also actively use our website, newsletters and member webinars to engage directly and use our website and the Tumelo tool to disclose our listed equity shareholdings. We also respond, track and report all member and stakeholder enquires as part of standard quarterly reporting.

Investment objectives

The EAPF Active Fund is an open, defined-benefit pension fund with strong employer backing, positive cash-flows and pension obligations stretching to the end of this century. In setting our investment strategy we seek to balance twin objectives: first, to achieve sufficient long-term returns for the scheme to be affordable to employers now and in the future, and second, minimising risk of having to increase the contribution rate in the future.

To achieve this, the Fund needs to invest in assets which differ from our pension liabilities. We seek to develop an investment portfolio with exposure to these return seeking assets in the most risk efficient way. We look to build a portfolio which has high probability of exceeding the asset outperformance target assumed by our actuary, while limiting the downside risk of the portfolio, as this should be effective at substantially reducing the potential need to increase the contribution rate.

It is not possible to control the absolute return on investments but over the long-term the Fund believes its investment strategy should result in a high probability of achieving the objectives of its Funding Strategy Statement.

In the short-term, returns are measured against a Fund-specific benchmark and the Actuary prepares quarterly intra-valuation updates on the Fund's funding level. Further details on the expected returns from investments and how they interact with the Actuary's formal triennial valuation of the Fund's assets and liabilities are included in the Funding Strategy Statement.

Each active manager has an outperformance target against its benchmark. Over the long term the targeted outperformance is expected to lead to significantly lower contributions than would otherwise occur.

The suitability of different types of investment

The Fund may invest in any investment it considers appropriate. In selecting categories of investments to invest in, the Fund has regard, inter alia, to return potential, financial risk, liquidity, volatility, management costs and any potential environmental, social and governance risks and opportunities, as well as to the Fund’s solvency requirements. When considering costs and charges, both transparency and the need to control these are important. Recurring annual costs and charges are a drag on performance. In accordance with our principles above, we seek to invest in areas contributing to long term economic activity rather than assets where returns are based on speculation or short term trading.
Assets currently held include, but are not limited to, equities (both listed and private), nominal and index-linked gilts, corporate bonds, multi asset credit, securitised lending, private debt and real assets including property, infrastructure, forestry and agriculture assets.
Certain asset classes are not considered suitable for EAPF, particularly if they are not compatible with our investment principles. Asset classes where returns are based on short term speculation or trading, or where it is not clear how they generate an underlying return are generally not considered suitable. Other assets classes are found not to be suitable after review on the grounds of high costs, inadequate returns for the risk involved, unclear or unquantifiable risks, insufficient diversification or effective duplication of existing allocations.

The range of assets we choose to invest in are always reviewed as part of our investment strategy review process. At our latest strategy review process a number of possible new areas were considered. It was decided to further explore an allocation to liability matching assets and multi-asset credit at this time.

Sustainable Investments

We define sustainable investment as investments which address societal challenges but generate competitive financial returns. This includes for example, energy efficiency products, renewable energy, water and waste treatment and sustainable property, forestry or agriculture. We currently classify these holdings predominantly in line with FTSE classifications and set out our details methodology in our annual report.

A subset of these investments will directly tackle climate change – by providing lower carbon options or producing solutions to help adapt to climate change and build resilience.

Asset allocation

The strategic asset allocation of the Fund is the principal way we achieve a diversity of assets of different types. It is set after considering the results of our funding strategy modelling and our asset allocation and risk modelling. This considers various asset allocation mixes, return objectives and risk levels. Having too modest a return target will reduce short term risks but will increase the likelihood that longer term returns are insufficient, resulting in contribution increases and undermining the affordability of members’ benefits. Too high a return target, while it may increase average long term returns and the potential for contribution reductions, will increase overall risk resulting in a wider range of outcomes, including a higher risk of deficits and the need to increase contributions. Clearly, for a particular level of return, we seek to minimise the level of risk taking through efficient diversification and appropriate allocation. It is this analysis that determines the overall appetite for risk in the Fund.

In setting the strategic asset allocation we seek a long-term rate of return sufficient to meet our investment objectives. At the present time, the Fund's aim is to achieve at least a return in line with that set by the actuary for the 3-year valuation period, presently 3.1% p.a. based on the 2022 Actuarial Valuation results. We also consider the challenges presented by volatile market conditions, changes to the benefit structure of the LGPS, the demographics of the Fund, and possible transfers out; all of which potentially impact on the most suitable investments and the appropriate allocation to them.

At the highest level our asset allocation splits the investment portfolio into two broad areas: return seeking assets and risk reducing assets.

The return seeking asset portfolio is majority invested in Equities. Equities provide good long term returns but have significant risk. The return seeking asset portfolio also includes investments in Real Assets (Property, Infrastructure and Natural Capital) which look to a positive real return, diversification from equities and also indirect inflation protection. Multi Asset Credit is the final element of the Return Seeking Asset portfolio. This is an investment which offers higher returns, but lower correlation to conventional fixed income.

The risk reducing assets portfolio contains assets which provide some or both of:

- Direct Interest rate exposure
- Direct Inflation exposure
- Produce regular cashflows

The Risk Reducing Assets portfolio is majority invested in Corporate Bonds, which provide a yield pickup in excess of government bonds, in which the Fund also invests. The Risk Reducing Assets portfolio also includes assets where returns are generated by lending on both a secured and unsecured basis (Illiquid Credit /Private Debt & Secured Sustainable Finance).

We have adopted a strategic asset allocation (SAA) benchmark. The framework is intended to provide a degree of high level risk control, ensuring asset allocation remains broadly appropriate and diverse, while being flexible enough to enable the Fund to respond to changes in funding levels, market conditions and other factors.

The SAA benchmark is set, with input from the Fund's advisers, after considering current funding level, the return requirements and acceptable risk of the Fund, as well as market conditions and valuations. The Investment Sub-Committee sets this benchmark and it is reviewed at least annually by the Pensions Committee. The actual asset allocation may also vary because of movements in markets and the availability of suitable investment opportunities.

The strategic asset allocation (SAA) benchmark is laid out below.

Asset Class	SAA (%)	Range (%)
Return Seeking Assets	**58.0**	**+/- 5.0%**
Private Equity	4.0	-
Global Equity	34.0	-
Real Estate	3.0	-

Infrastructure (including a 4% allocation to Natural Capital)	9.0	-
Multi Asset Credit	8.0	-
Risk Reducing Assets	**42.0**	**+/- 5.0%**
Illiquid Credit / Private Debt	5.0	-
Corporate Bonds	19.0	-
LDI	12.0	-
Secured Sustainable Finance	4.0	-
Cash	2.0	-
Total	**100.0**	

The asset allocation results in a significant weight being given to equities, which we consider appropriate given the long term nature of our liabilities profile and our investment objectives, but this is spread across a range of managers with different approaches and styles (see below). As our funding improved, we have been gradually reducing the allocation to equities to reduce our overall investment risks, although we expect to retain a significant equity allocation.

Allocations to certain areas (real assets; illiquid credit/private debt; private equity/specialist opportunities) are illiquid and the actual level of investment will depend on the rate of drawdown once investments are identified, any changes in value and the pace at which capital is returned. They may therefore vary significantly from target levels. In particular, should the above ranges be exceeded as a result of market movements, while new investments will not be made, there will be no immediate requirement to reduce exposure through forced sales.

We regularly review the balance between exposure to return seeking assets (equities and diversifying growth assets) and risk reducing assets (fixed income and cash), and if they vary by more than a certain amount from the benchmark asset allocation, we will rebalance the portfolio back towards the benchmark asset allocation as much as practical.

EAPF uses this SAA benchmark for investment performance purposes.

The Fund's SAA is publicly disclosed within the Fund's Annual Report and Financial Statements.

Managers and Mandates

Within each asset class the Fund seeks to have a well-diversified portfolio. This is achieved by ensuring each investment manager holds an appropriate spread of investments and, within certain asset classes, working with a range of managers to ensure a diversity of styles and expertise.

We have a specialist fund manager structure with managers appointed with a mandate to manage assets in a specific area. This enables us to access managers with particular expertise and skills. Each mandate has a detailed specification, including a mandate-specific benchmark, performance target and risk controls.

Subject to compliance with both this RISS and associated policies, and the terms of their Investment Management Agreements, which includes the requirement to maintain a diversified portfolio, all the managers have full discretion over the choice of individual investments.

The Fund uses a combination of passive (indexed), and active approaches to investment management, based on consideration of availability, cost, flexibility and return potential. Passive approaches aim to deliver the return of the underlying market index and consequently contain a very large number of holdings. We consider the case for integrating responsible investment within our passive investments, particularly where suitable indices exist. Alongside active sustainable equity managers, significant allocations have also been made to:

- a Global Equity Paris Aligned Benchmark
- a quantitative fund seeking sustainable exposure to the value factor, and to
- a mandate managed using quantitative low volatility approaches.

These aim to provide improved risk/return characteristics and/or improved alignment with the Fund's Responsible Investment Strategy when compared to conventional passive approaches.

The remainder of the Fund is managed on an active basis, using investment managers to select the investments they consider to have the best return potential. This portion of the Fund is spread across global equities, Multi-Asset Credit, corporate bonds, property/real assets, illiquid credit / private debt and private equity. The decision to appoint active managers is only made after careful consideration of the likely costs, the likelihood that the manager will be able to add value after fees, the impact on risk, and the ability of the manager to implement the responsible investment strategy. Once appointed, managers are carefully scrutinised for value for money, and any reasonable opportunities to reduce costs will be pursued.

In keeping with our investment principles, we focus on developing successful long-term partnerships with our managers. In assessing managers, we focus on long-term performance potential including aspects such as idea generation and team stability, rather than short term performance. Where managers are underperforming, we seek to work with them to address any issues and improve performance.

Risk

We take the management of risk in our investments very seriously. In addition to the annual review of this RISS, we review investment risk at every Investment sub Committee and every Pensions Committee, both of which meet at least quarterly, and agree actions where needed. We maintain a detailed risk register of all the investment-related risks that could affect the Fund, which monitors their severity and the implementation of mitigating actions.

To achieve the required returns, the Fund needs to invest in assets involving a degree of risk and so although we seek to manage our investment risk we cannot eliminate it. The most fundamental risk is that the Fund's assets produce lower long-term returns than those assumed by the Fund's actuary, leading to a significant deterioration in the Fund's funding position.

This risk of deteriorating Fund asset values cannot be entirely avoided (for instance if all major investment markets were to decline in unison) but it can be mitigated by ensuring that the assets of the Fund are invested across a number of different asset classes and markets. Diversifying assets across different asset classes is widely recognised as being an effective way of mitigating the risk of reductions in the value of the Fund's assets.

Different types of investment have different risk characteristics and return potential. For example, historically the returns from equities have been higher than from bonds but they are more risky, particularly short term. In setting the investment strategy we consider the expected risks and returns from various asset classes and the correlation between these returns to develop a strategy with an adequate expected return with an acceptable level of risk. Detailed modelling analyses the expected results of different strategies (in terms of funding levels and contributions) over a range of possible long term market outcomes to determine the preferred strategy. This strategy is then reflected in the Fund's strategic benchmark.

A separate investment risk is the risk of underperforming the Fund's strategic benchmark. This relative risk is less significant than the strategic risk above, but we still seek to manage it. It can arise either because asset allocation has deviated from the strategic benchmark allocation or because our fund managers are underperforming. We monitor the actual asset allocation continually and take action if required. Individual managers may, particularly over the short term (a year or less), underperform their benchmark but over the long term we expect them to add value. For the Fund as a whole, the range of managers reduces the risk of significant underperformance.

As described above, the Fund recognises the significant threats that climate change and nature loss pose to our economy, environment, health, way of life and our members' future.

The Fund is aware of the nature of its liabilities and considers how closely its different assets match its liabilities. The Fund invests in assets which are expected to broadly match changes in the Fund's liabilities (unleveraged government bonds and inflation linked assets).

The Fund reviews the potential for active hedging of any aspects of risks (e.g. currency risk). From a strategic perspective, as a default the Fund does not look to hedge its overseas currency exposure. However, any currency risk in overseas fixed interest exposure would normally be hedged, and we have introduced currency hedging for lower risk assets such as private debt and overseas infrastructure. We continue to monitor the case for hedging currency and other risks more widely.

There are also a variety of other risks to be considered, for example operational risks of loss arising from default by brokers, banks or custodians. Here, the Fund is careful only to deal with reputable service providers to minimise counterparty risks.

Liquidity and the realisation of investments

The majority of the Fund's investments will be made in bonds and stocks that are listed on recognised Stock Exchanges and may be realised quickly if required. Our corporate bond holdings are generally reasonably liquid, but may be harder to realise in certain market conditions. The Fund's investment in Multi Asset Credit is less liquid than Equities and Corporate Bonds. However, given the strong positive cash inflows of the Fund, and the long term nature of the Fund, we are satisfied that a significantly greater proportion of the Fund is held in liquid assets than is likely to be needed to meet any expected or unexpected demands for cash.

The materially illiquid assets within the Fund are those held in private equities, property and infrastructure (including Natural Capital), secured sustainable finance and private debt. These are normally held through pooled funds. As a long term investor, we regard it as entirely appropriate to hold such illiquid assets. In particular as we expect such funds to benefit from an enhanced return due to an 'illiquidity premium' which compensates for the long term nature of these investments. Furthermore, all funds we invest in will have a long term strategy for the realisation of their investments, through sales, repayments or income. We do not expect to exceed a 25% allocation to materially illiquid assets in aggregate at present.

Engagement

The Fund is a signatory of the new UK Stewardship Code, established in 2020. This sets high standards for those investing money on behalf of UK savers and pensioners, and those that support them. Stewardship is defined as the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society. Our submission to obtain signatory status provides a detailed analysis of the how the EAPF does this. The Fund seeks to retain signatory status every year.

Our Responsible Investment Strategy set outs the areas of engagement that, as a Fund, we have selected to have a particular focus on to bring about change in the finance sector and the companies that we invest in. These are climate change, natural capital, using resources sustainably and water.

A Fair and Just Transition underpins all our investment actions on Climate Change and more broadly. This may be direct action, for example, due diligence when choosing investments or wider collaborative action, for example an asset owner initiative. In parallel our LGPS pool, Brunel, takes the same approach and this broadens the actions being taken to ensure a fair and just transition.

Where appropriate we support other engagement initiatives, which will deliver real benefits for the EAPF and our members, where resources allow. This includes a focus on improving diversity in our Fund and the wider finance sector. We set out details of our engagement activities in our annual report and annual Stewardship Code submission.

Brunel has a key role to play in engaging on our behalf with the finance industry. Brunel's approach and priorities are is set out in its Responsible Investment Stewardship Policy. EAPF and the other underlying clients of Brunel contribute to the setting of these priorities and discuss ongoing progress on a regular basis.

We also work directly with investor bodies to help build a better future. We are members of the Local Authority Pension Fund Forum (LAPFF,) IIGCC (institutional Investors Group on Climate Change) and the CDP. We also share our understanding and experience by regularly speaking at investment industry events and publishing articles on-line.

The Fund co-founded the Transition Pathway Initiative (TPI). This isn asset owner-led initiative, supported by asset managers and owners with over $40 trillion assets under management and advice. The initiative assesses how companies are preparing for the transition to a low-carbon economy and has recently been established as a limited company to support its greater research output. An EAPF representative is on the TPI Board.

The Fund is using the IIGCC net zero investment framework to align our portfolio with net zero and manage the physical risks from climate change.

All the assets of the pension fund are selected by external fund managers. This means that it is our external fund managers who make the detailed decisions about which companies we invest in. This is important in avoiding conflicts of interest for our employers, but also gives us the flexibility to select the best managers for each set of assets. The skills needed to decide environmental and other issues vary from one asset class to another. We place a high importance, in selecting good quality managers, who can deliver financially and manage the wide variety of environmental, social and environmental risks that come with making investments. As part of this we expect our managers to engage with underlying companies.

Voting

The Fund believes that voting is integral part of the responsible investment and stewardship process. Voting is delegated to managers to vote on all the Fund's shares. All managers, be they chosen by the Brunel pool, or are our legacy managers, are encouraged to follow the approach set out in **Brunel's Responsible Stewardship policy statement and Brunel's Voting Guidelines**. We demand high standards in stewardship from all managers who act on our behalf. We monitor the voting reports of all managers on a quarterly basis.

Stock lending

The Fund may engage in stock lending through its investments in pooled portfolios through our participation in the Brunel Pension Partnership Ltd. Where stock lending is taking place within pooled funds we seek to arrange where practical to have the ability to recall stocks so that we can vote. As described in the previous section, for environmental issues we have written specific guidance and reserve the right to direct the voting in accordance with these guidelines. Brunel Pension Partnership details its approach to stock lending in its Responsible Investment Stewardship Policy.

Implementation: Approach to Asset Pooling We have worked with nine other Administering Authorities to implement the UK Government's requirement to pool the management and investment of our assets with other LGPS Funds, and have established the Brunel Pension Partnership and its operator, Brunel Pension Partnership Ltd. (Brunel Ltd). Brunel Ltd was launched on 18 July 2017 as a new company wholly owned by the ten Administering Authorities (including the EAPF) and obtained authorisation from the Financial Conduct Authority (FCA) in March 2018 to act as an investment manager and an investment advisor.

The arrangements for asset pooling for the Brunel Pension Partnership pool have been formulated to meet the requirements of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 and Government guidance. Importantly, Brunel Ltd has met the Government's requirement for the pool to become operational from April 2018 and the transition of assets to start.

The majority of the Fund's liquid assets have been transferred to Brunel. Approximately 60% of the Fund's total assets had been transferred as of 31 December 2022. The Fund continues to partner with Brunel LTD.

The EAPF, through the Pensions Committee, retains the responsibility for setting the detailed Strategic Asset Allocation for the Fund and allocating investment assets to the portfolios provided by Brunel Ltd. We are also able to suggest new portfolios to Brunel Ltd and engage with Brunel Ltd on the structure and nature of existing portfolios.
When selecting investments to implement the Fund's investment strategy, the EAPF will first look to Brunel to assess if there are suitable investment portfolios which meet our investment strategy. In doing this, we will consider the risk and return characteristics, sustainability credentials, quality of investment managers, liquidity and costs. After engaging with Brunel, where there is not a suitable option, which currently includes sustainably-focused private market investments, we will invest outside of the pool.

Brunel Ltd is responsible for implementing the detailed Strategic Asset Allocations of its ten Client Funds by providing and implementing a suitable range of outcome focused investment 'portfolios'. In particular, it researches and selects the professional external investment managers responsible for making the day to day investment decisions at the portfolios. In some cases, a portfolio has a single external manager who provides the fund structure for a portfolio. In other cases, Brunel Ltd will allocate to a number of different externally managed funds. For active equities Brunel Ltd has sponsored the creation of an authorised contractual scheme (ACS), in conjunction with an external fund operator, as this structure in these markets offers significant cost and tax benefits. Brunel Ltd is the investment manager of the ACS and as above will delegate to its chosen sub managers.

The EAPF is a client of Brunel Ltd and as a client has the right to expect certain standards and quality of service. A detailed service agreement has been agreed which sets out the duties and responsibilities of Brunel ltd, and our rights as a client. It includes a duty of care of Brunel Ltd to act in its clients' interests.

The governance of the Brunel Pension Partnership is of utmost important to us to ensure our assets are invested well and our needs and those of our beneficiaries are met. Governance controls exist at several levels within the partnership.

- As shareholders in Brunel Ltd we entered into a shareholder agreement with the company and the other shareholders. This gives us considerable control over Brunel Ltd – several matters, including significant changes to the operating model, are reserved matters requiring the consent of all shareholders.

- An Oversight Board, made up of representatives from each of the Administering Authorities and two Fund member representatives, has been established. Acting for the Administering Authorities, it has a primary monitoring and oversight function. Meeting quarterly, it can request papers from Brunel Ltd or interrogate its management. However, it cannot take decisions requiring shareholder approval, which will be remitted back to each Administering Authority individually.

- The Oversight Board is supported by the Client Group, comprised primarily of pension investment officers drawn from each of the Administering Authorities, but also drawing on finance and legal officers from time to time. It will have a leading role in reviewing the implementation of pooling by Brunel Ltd. and provide a forum for discussing technical and practical matters, confirming priorities, and resolving differences. It will be responsible for providing practical support to enable the Oversight Board to fulfil its monitoring and oversight function.

- A separate level of governance is provided by the Board of Directors at Brunel Ltd, which are appointed by ourselves and the other shareholders. It comprises four highly experienced and independent non-executive directors, chaired by Denise Le Gal and four executive directors.

- Finally, as an authorised firm, Brunel Ltd has to meet the extensive requirements of the Financial Conduct Authority, with cover areas such as training and competency, policy and process documents, and internal controls.

The Fund will look to transfer assets to Brunel where appropriate. The Fund has certain commitments to long term illiquid investment funds which will take longer to transition across to the new portfolios to be set up by Brunel Ltd.

Approved by the Pensions Committee on 22 March 2023.

Annex 4 – Communications Policy Statement

Introduction

The Environment Agency Pension Fund (EAPF) is part of the Local Government Pension Scheme (LGPS). The Active Fund has three employers – the Environment Agency (EA), Natural Resources Wales (NRW) and Shared Services Connected Limited (SSCL).

The Active Fund is open to all members of the Environment Agency and to those employees of NRW and SSCL who transferred from the EA on their relevant vesting day. It has 12,962 contributing members, 8,410 deferred members and 8,082 pensioners.

The Closed Fund exists solely for the purpose of paying pensions and related benefits of a group of former employees in the water industry in England and Wales who did not transfer to one of the Privatised Water Companies' schemes in 1989. It has no contributing members, 692 deferred members and 9,324 pensioners. This Communications Policy Statement is effective from 27 June 2023.

We have an agreed strategy for implementing a move to more electronic communication which continues to evolve. These developments are reflected in this policy statement. In particular, we refreshed our website **www.eapf.org.uk** which continues to evolve. It provides a knowledge centre with plenty of resources such as factsheets, guides, videos and presentations, as well as news from the fund for members. Further information with details of any employer related aspects of pensions such as policies on contributions, the use of discretions etc can be found on our Fund employer's respective intranets.

Any enquiries in relation to this Communication Policy Statement should be sent to:

Pensions Engagement Specialist
Horizon House
Deanery Road
Bristol, BS1 5AH
Email: **info@eapf.org.uk**
Tel: 07717347010

Objectives

We've identified a number of key objectives relating to how we communicate with our stakeholders, and these are:

- Communicate in a clear, concise manner
- Promote the Scheme as a valuable benefit and provide information so members can make informed decisions about their benefits
- Provide a service that is valued by all members, responding to their personal circumstances and supporting them in their decision making process.
- Look for efficiencies in delivering communications through greater use of technology and partnership working including the associated carbon reduction and contribution towards our net zero
- Ensure we use the most responsible and appropriate means of communication, taking into account the different needs of different stakeholders
- Regularly evaluate the effectiveness of communications and shape future communications appropriately

Regulatory framework

Since 1 April 2005 regulation 106B of the Local Government Pension Scheme Regulations 1997 (as amended) required that administering authorities "prepare, maintain and publish a written statement setting out their policy concerning communications with members; representatives of members, prospective members and employing Authorities."

Regulation 67 of the Local Government Pension Scheme (Administration) Regulations 2007, effective from 1 April 2008, states:

This regulation applies to the written statement prepared and published by an administering authority under regulation 106B of the Local Government Pension Scheme Regulations 1997.

The authority;

- Must keep the statement under review.
- Make such revisions as are appropriate following a material change in its policy
- If revisions are made, publish the statement as revised.

The matters are;

- The provision of information and publicity about the Scheme to members, representatives of members and employing authorities.
- The format, frequency and method of distributing such information or publicity.
- The promotion of the Scheme to prospective members and their employers.

As a provider of an occupational pension scheme, we're also obliged to satisfy the requirements of the Occupational Pension Schemes (Disclosure of information) Regulations and other legislation, for example the Pensions Act 2004. The disclosure requirements are prescriptive, concentrating on time-scales rather than quality. A summary of our expected time-scales for meeting the various disclosure of information requirements is set out in the section on performance measurement of this document, alongside those defined by the Disclosure Regulations.

Communication will always be in accordance with the provisions of General Data Protection Regulation (GDPR).

Representation

The EA performs the roles of Administering and Employing Authorities with the Pensions Committee and Pension Board, supported by the Pension Fund Management team and a variety of external advisors, taking overall responsibility for Administering Authority functions. The EA's HR Pensions team performs the role of Employing Authority. The day-to-day administration of the funds is outsourced to Capita.

The Pensions Committee is a sub-committee of the EA Board with 14 members made up of 4 Board members, 2 Executive members, 1 NRW Executive member, 5 employee/Trades Union nominees, with 2 member nominees for pensioners and deferred members. The Committee is supplemented by an Investment Sub Group where specific advice can be provided by Officers, and external advisors. There are 2 Trade Union nominees on the Investment Sub-Group.

The Pension Board consists of 10 members, and includes members of the Pensions Committee less the 2 Executive Directors members of the Environment Agency and 2 Active Scheme members.

Responsibilities and resources

The EAPF is responsible for the administration of the Fund is carried out by Capita for the day-to-day administration of the Local Government Pension Scheme (LGPS) on our behalf. Overall responsibility for communications rests with the Pensions Committee and Pension Board supported by the Pension Fund Management team, the Defra Employee Benefits and Pensions team and Capita.

All communications including any web based or electronic material are developed jointly by the Pension Fund Management team, Technical Consultants and Communications team, with support from the Defra Employee Benefits and Pensions team.

One or more of these groups is also responsible for arranging all forums, workshops and meetings covered within this statement. Either the EAPF or Capita arranges design work and printing.

Where appropriate we may use external consultants to assist with the preparation and design or with the translation into Welsh of communications.

Our expenditure on our hard copy and electronic communications is inclusive in our administration contract but we estimate that it currently equates to approximately £3.00 per member.

Communication with key audience groups

Our audience

As an LGPS Administering Authority, we communicate with a number of stakeholders. For the purposes of this communication policy statement, we're considering our communications with the following audience groups:

- Contributing members
- Deferred members
- Pensioner members
- Prospective members
- Employing authorities – HR & Payroll
- The EA Board and Executive managers
- Pensions Committee members
- Pension Board members
- Recognised Trades Union representatives
- Pensions staff and HR
- Fund administrator

How we communicate

General communication

The Fund continues to develop and enhance its communication program which started with the introduction of an easily recognisable brand and writing style. This was aligned to a restructured website using rich media (which included the use of calculators, flowcharts and audio and visual presentations) to help enhance member experience and encourage regular use. The updates to the website in 2021 have improved members experience with huge improvements to the navigation of the site, as well as giving it a fresh look and feel. This look and feel have been incorporated into an updated branding guide, and being applied across the updated online platform, as well as being added to new documents we produce.

We introduced a platform for creating documents called Turtl in early 2022, which can create 'ebooks' rather than pdf's which are more visually appealing, as well as being more accessible. We are migrating the most popular documents on to Turtl and will continue to, as we've received positive feedback on the documents that are available in this format.

So far, since February 2022 we've converted the following into Turtl format - the New starter guide, Topping up my LGPS pension factsheet, the EAPF Pensions Committee recruitment leaflet and annual Spotlight publication.

We've also recently completed the build of our Brief Scheme Guide and How much will I pay into the LGPS factsheet, and we are now currently converting the Full Scheme Guide into Turtl format.

The analytics available from this are also really useful in identifying the content that is viewed the most. The updates to the website, portal and new documents ensures compliance with current accessibility standards, as well as being up to date with technology and demands in the digital area.

Both our public facing website and web portal facility, EAPF Online are 'device enabled' which means they allow users to access information on any mobile phone or tablet in an easily readable format, so our members can look up information or access online tools in their own time.

We continue to engage with members through a number of channels to establish a view on how our members prefer to communicate and interact with the Fund.

We deliver tailored, themed topic webinars and consult with members and Fund employers on content and introducing new sessions which are informed through customer surveys and focus groups.

These sessions are supported by newsletter, E Shots, and promotion through our Fund employers' internal communication channels. They're also recorded to enable members who miss them to view them on our website at their own leisure. Members are based nationwide across England & Wales, so it provides an opportunity for all to participate, and helps those who are unable to make the time commitment or can't get to a location depending on where they are based.

Delivering webinars allows us to:

- Reach a wider audience nationwide
- Remove the need for travel and time out of the office
- Deliver more sessions based on demand and more choice

Our annual pension benefit statements were issued to 100% of our active and deferred members within the statutory 31 August 2022 deadline.

Following our Process to Report Breaches of the Law, we made no reports to the Pensions Regulator during 2022/23.

Our Communications strategy

As part of our long-term strategy, 2022 saw us continue our move to digital communications by using our five segmented groups to ensure the way we engage remains relevant and tailored to our different members.

Our segmented groups are:

- Adventure
- Protection
- Relaxed
- Detail and focus
- Companionship

The use of segmented 'E Shots', ensures we test different imagery, and messaging with our different groups to establish preferences. We've completed four years of digital campaigns with specific messages being targeted to the 5 main groups. Each communication has a 'call to action' (CTA) which may be to complete a form, or to click and watch a video etc. We're able to monitor how many messages are sent, how many are opened and how many complete the CTA, and this information is then made available in our Communication dashboard.

We monitor the feedback from members carefully and will continue to collate responses to enable us to focus our messaging.

Our 2022 campaigns

Our campaign activity continues to adapt appropriately following changes to our working practices brought about by Covid-19. We have continued to keep communications relevant, engaging and succinct. We ask for feedback and we review our successes and areas for improvement continuously.

As part of moving our deferred members annual statements to a digital default, we provided more campaigns to our deferred members in 2022. As a result, we saw a 44% increase in deferred member portal registrations in 2022 when compared with 2021. With the rise in living costs in mind, we targeted deferred members who are over their Normal Pension Age to let them know that they can access their benefits immediately. We saw around 24% take this up. This will become a regular campaign to our deferred members in an effort to keep them engaged with their deferred pension.

We continue to use Pensions Awareness Week as an opportunity to engage with members on various pension topics. This is a regular September feature, which in 2022 tied in an awareness of the rise in living costs with the importance of making provision for your future. The national campaign included a YouTube video with a well known TV chef and Grime artist, Big Zuu – who rapped about the importance of giving your pension some attention! We shared this within our campaigns too, as it was a great platform for pensions to appeal to people of all ages. It was well received as it was also included in the member webinars. Throughout the awareness week, we also shared updates and information on key pension topics - including reminders about digital benefits statements, information about the 50:50 section, our funding performance, investment approach, a pensions committee vacancy, and the booking links for upcoming webinars and Annual General Meeting (AGM).

Further details on our publications and other services from the Fund can be found at www.eapf.org.uk

Accessibility

We do not have a policy of automatically translating our material into community languages. We do want to communicate with minority communities, so we aim to use plain English for our printed and online materials. We believe this is the most effective way to communicate with people for whom English is not their first language, but we'll arrange translation on request.

New requirements were introduced in 2020 for public sector bodies to ensure that their websites are fully accessible and meet the international WCAG 2.1AA standards. Our website meets most of these standards and we have identified any areas on the site which aren't fully accessible in our Accessibility statement. We are continuing to make improvements to the Hartlink Online Portal following an accessibility audit done in 2021. Once these amendments are made, we can progress to the public website accessibility improvements. We do provide the opportunity for visitors to the site to request documents that aren't accessible, in any alternative format. To date we have only received one request to access an alternative version of pension forms.

Performance measurement

To measure the success of our communications with contributing, deferred and pensioner members, we measure open and click through rates, as well as conversion rates. We also use the following methods:

Timeliness

We'll measure against the following target delivery timescales:

Communication	Audience	Statutory delivery period	Target delivery period
Scheme short guide	New joiners to the LGPS	Within two months of joining	Within two weeks of joining the LGPS
E Shot Introduction to the EAPF & video	New joiners to the LGPS	Within 2 months of joining	Within 1 month of joining the LGPS and on receipt of email address
Annual estimated Benefit Statements as at 31 March	Contributing & deferred members	31 August each year	31 August each year
Telephone calls	All	Not applicable	90% within 15 seconds

Issue of retirement benefits (at normal pension age)	Contributing members retiring	Within one month of retirement	On day of retirement - 90% of estimate if final details not known. Balance within five days of receipt of information
Issue of retirement benefits (early retirements)	Contributing members retiring	Within two months of retirement	On day of retirement - 90% of estimate if final details not known. Balance within 5 days of receipt of information
Issue of deferred benefits	Leavers	Within two months of notification	Within two months
Transfers in	Joiners & contributing members	Within three months of request	Within two months
Transfers out	Leavers & deferred members	Within three months of request	Within two months
Issue of forms i.e. expression of wish	Contributing & deferred members	Not applicable	Within five working days
Changes to scheme rules	Contributing & deferred & pensioner members, as required	Within three months of the change coming into effect	Within three months of change coming into effect
Pension Fund Annual Report and Accounts	All	Within two months of request	Within two working days (once published)
Spotlight	All	Not applicable	By 31 December each year
Pensioner payslips	Pensioners	On change to pension amount due	Monthly five days before pay date

Quality

We make use of a range of mechanisms to monitor the quality of our communications which include surveys, focus groups and website activity. All our publications on our website include invitations for comment on content and offer suggestions for future editions and contact details are provided.

The EAPF are committed to quality of information and quality of service. We obtain feedback from members through satisfaction surveys which are sent on completion of pension administration tasks. We review the feedback fortnightly and respond directly to this where necessary. This gives us the opportunity to identify any problematic trends and provide real-time learning from our members experiences, which helps us make any necessary process improvements.

Results

We'll publish an overview of how we're performing within our annual report and financial statements and in our annual Spotlight which is available on our website. Full details will be reported regularly to our Pensions Committee.

We report to our Pension Committee quarterly, and provide a communications update annually.

Carbon reduction through digital communications

On completion of 'digital first' we anticipate reducing paper waste by 193,700 pages per annum for project based bulk communications such as statements and newsletters, along with an estimated 100,000+ pages per annum from Capita (this represents written correspondence from the Operational team).

Our refreshed website is now more efficient, and therefore produce lower emissions. Users will spend less time finding what they're looking for with the improved navigation. The videos are hosted on a more efficient shared platform. The site is also cloud based which is again, more efficient.

The switch to digital communications will significantly reduce our carbon footprint as part of our commitment to become a digital first fund.

Our Communication Policy is aligned to the EA and EAPF net zero ambitions. Following a competitive tender exercise to identify an administrator for the Fund, Capita were successful in their tender. The new contract terms include a 'Gain Share' mechanism, where they are rewarded financially for a reduction in carbon emissions, using defined metrics. The Fund will report on progress, based on the metrics outlined below;

- The amount of Co2 that is saved by providing annual pension statements, via the online portal rather than printing and posting
- Electronic newsletters and online administration
- The efficiency of new website vs the old website
- The efficiency of the new online platform (when it's complete) compared with the current platform

Protecting member data

The Environment Agency Pension Fund (EAPF) is a Data Controller under the General Data Protection Regulations (GDPR). This means we store, hold and manage personal data in line with statutory requirements to enable us to provide members with pension administration services. To enable us to carry out our statutory duty, we're required to share information with certain bodies, but will only do so in limited circumstances.

For more information about how we hold data, who we share it with and what rights our members' have to request information from the Fund, please read our full privacy policy.

We've also produced a helpful GDPR Q&A factsheet that you can download.

Review process

We'll review our communication policy to ensure it meets audience needs and regulatory requirements at least every two years. **A current version of the policy statement is always available at www.eapf.org.uk/policies**

Paper copies are available on request.

Approved by the Pensions Committee on 27 June 2023 and reviewed annually

Enquiries

Any enquiries regarding this Report should be addressed to:

Pension Fund Management
Environment Agency
Horizon House
Deanery Road
BRISTOL
BS1 5AH

Tel: 07341 096805
Email: **info@eapf.org.uk**

Enquiries concerning the Environment Agency Pension Fund or entitlement to benefits should be addressed to:

Environment Agency Pensions Team
Capita
11b Lingfield Point
DARLINGTON
DL1 1AX

Tel: 0800 121 6593
Email: **info@eapf.org.uk**

The Annual Report and Financial Statements are also available on our website at www.eapf.org.uk

www.gov.uk/official-documents

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