Environment Agency
Pension Fund

Closed Pension Fund

Annual Report and Financial Statements 2014 – 2015

Environment Agency Closed Pension Fund Annual Report and Financial Statements 2014 - 2015

Annual Report presented to Parliament pursuant to Section 52 of the Environment Act 1995

Accounts presented to Parliament pursuant to Section 46 of the Environment Act 1995 as amended by the Government Resources and Accounts Act 2000 (Audit of Public Bodies) Order 2003

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Chairman's statement

As Chairman of the Environment Agency's Pensions Committee, which is responsible for overseeing the management and administration of the Environment Agency Closed Pension Fund (the "Fund"), I am pleased to present the Fund Annual Report and Financial Statements for the year ended 31 March 2015.

This year our annual report and financial statements continues to be prepared using the CIPFA guidance on narrative reporting and accounting disclosures for LGPS pension funds, and I am pleased to say it is compliant with the CIPFA guidance.

Until water privatisation in 1989, the Water Authorities Superannuation Fund served the former Regional Water Authorities in England and Wales and other bodies. At privatisation the Fund's active members were transferred to other schemes. Only deferred and current pensioners were transferred into the Fund.

During the year the total number of current pensioners and deferred members fell to 16,289.

As at 31 March 2015 the Fund's net assets are valued at £213m (2014: £166m) and the Fund's liabilities are £820m (2014: £803m). The investment management of the assets in two long dated gilts is undertaken by Sarasin & Partners LLP. Over the three years to 31 March 2015 the annualised investment rate of return was +10.3% (2014:+10.2%). The latest triennial valuation of the Fund carried out on 31 March 2013 indicated the funding level of the Fund was 19%. The funding level as at 31 March 2015 is 26%.

Since the Fund has no contribution income, the Government has, under Section 173 of the Water Act 1989, a statutory obligation to ensure that the Fund can always meet its pensions and other related liabilities. Deferred members, pensioners and their dependants can therefore be reassured about the long-term security of their pension benefits.

Under the terms of letters between Her Majesty's Treasury and the Department for Environment Food & Rural Affairs (Defra), and between Defra and the Environment Agency and the Memorandum of Understanding between the Accounting Officers of Defra and the Environment Agency; the Fund has, since 1 April 2006, received grant-in-aid from Defra. During the year payments amounting to £74.3m (2014: £78.1m) were received and used to meet the Fund's obligations to meet pensions and other liabilities.

May I take this opportunity to thank both the Environment Agency staff and external contractors for helping the Committee manage the Fund over the last year.

John C Varley

John Varley Chairman
Environment Agency Pensions Committee
16 June 2015

About the Environment Agency Pension Fund (EAPF)

EAPF background

With 4.6 million members, the Local Government Pension Scheme (LGPS) is one of the largest public sector 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 99 regional pension funds of which the EAPF is one.

LGPS regulations

The 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 and the Pensions Act 2004.

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

The LGPS is now a registered public service scheme under Chapter 2 of Part 4 of the Finance Act 2004. It has achieved 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 is contracted out of the State Second Pension (S2P) because it provides benefits that are as good as most members would receive if they had been in the S2P.

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. Our pension fund has set up a Pension Committee to oversee its pension scheme responsibilities.

Changes to the Local Government Regulations during 2014-15

The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (SI 2014/525) came into force on 1 April 2014.

This Statutory Instrument sets out the transitional and savings provisions relating to members of the Local Government Pension Scheme 2008 ("the 2008 Scheme") which was replaced by a new Local Government Pension Scheme through the Local Government Pension Scheme Regulations 2013 (SI 2013/2356) with effect from 1 April 2014. The effect of these regulations was to protect the benefits accrued by members of the 2008 Scheme before 1 April 2014.

The Local Government Pension Scheme (Amendment) Regulations 2015 (SI 2015/755) came into force on 11 April 2015, and amended:

- The Local Government Pension Scheme Regulations 2013 (SI 2013/2356)
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (SI 2014/525)

Both sets of regulations came substantively into effect on 1 April 2014 and the amendments mostly take effect from that date in line with the provisions of section 3(3)(b) of the Public Service Pensions Act 2013 which allows that scheme regulations may make retrospective provision.

The Funded Public Service Pension Schemes (Reduction of Cash Equivalents) Regulations 2015 (SI 2015/892) came into force on 16 April 2015.

This Statutory Instrument enables a funded public service defined benefits scheme to be designated under sections 97A and 97B of the Pension Schemes Act 1993 c. 48 ('the 1993 Act') if a relevant person, such as the Treasury, considers that:

(a) There is an increased likelihood of payments out of public funds, or of increased payments out of public funds, having to be made into an LGPS Fund so that it can meet its liabilities; and

(b) The increased likelihood is connected with the exercise or expected future exercise of rights to take a cash equivalent.

When a member requires the scheme manager of an LGPS Fund to use a cash equivalent for acquiring a right or entitlement to flexible benefits under the rules of another pension scheme, and the Fund was already designated on the date that the member makes his or her application under section 95(1) of the 1993 Act, these Regulations require the scheme manager to reduce the cash equivalent. They also set out how the amount of the reduction is to be determined.

The reduction must not however be made if the scheme ceases to be designated before the date on which the scheme manager does what is needed to carry out the member's transfer request.

Other legislative changes affecting LGPS during 2014-15

The Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014 (SI 2014/3138) come into force 1 April 2015.

This Statutory Instrument sets out the records that need to be kept by scheme managers of public service pension schemes as covered by the Public Service Pensions Act 2013. These recording duties have effect from 1 April 2015.

The Public Service Pensions (Employer Cost Cap) Regulations 2014 (SI 2014/575) came into force 1 April 2014.

This Statutory Instrument makes provisions to enable public service pension schemes that are covered by the Public Service Pensions Act 2013 to operate the employer cost cap mechanism mandated by section 12 of that Act. The employer cost cap mechanism will help control the costs of these pension schemes by providing a baseline cost against which future changes in scheme costs can be measured and thereby ensure the scheme continues to be sustainable.

The Statutory Instrument sets out an upper and lower margin around the employer cost cap within which scheme costs can move before corrective action is required to address any imbalance in the costs. They also set a target cost (at the level of the employer cost cap) to which the scheme costs must be returned in the event that the upper or lower margin is breached.

Pensions Act 2014

During 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 will change with the introduction of a new single-tier state pension. The new system will apply to individuals who reach their State Pension Age on or after 6 April 2016. The changes to the State Pension also herald 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.

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).

This change applied to EAPF pensions from April 2015 and pensions in payment and deferred pensions were increased by 1.2% with effect from 6 April 2015 (7 April 2014: 2.7%).

Any pension which had been in payment for less than a year was increased by a proportionate amount depending upon the number of months it has been in payment.

The following table shows the rate of increases that have applied to pensions in payment and deferred pensions since 1992:

Year (April)	% Rate of Increase	Year (April)	% Rate of Increase	Year (April)	% Rate of Increase
1992	4.1	2000	1.1	2008	3.9
1993	3.6	2001	3.3	2009	5.0
1994	1.8	2002	1.7	2010	0.0
1995	2.2	2003	1.7	2011	3.1
1996	3.9	2004	2.8	2012	5.2
1997	2.1	2005	3.1	2013	2.2
1998	3.6	2006	2.7	2014	2.7
1999	3.2	2007	3.6	2015	1.2

Pension Fund membership

The Fund exists to pay the current and deferred benefits of employees of the former water authorities and associated bodies, which existed prior to 1 September 1989. There are no contributing members. During the year since 1 April 2014, the number of deferred members has fallen by 19.8% from 2,650 to 2,123 (2014: fell by 20.4%). The number of pensions in payment fell by 4.0% from 14,760 to 14,166 (2014: fell by 3.7%). With no active members in the Fund, this will be a similar pattern for the future. However, dependants' and deferred pensions coming into payment will serve to maintain the number of current pensioners for some years to come.

The number of deferred members at 1 April 2014 has been adjusted by 234 to reflect former employees who have left and are only entitled to a refund of their own pension contributions. The refund is paid when we are able to trace these former employees. They are not entitled to any benefits from the Fund.

Movement in number of pensioners	Current pensioners	Deferred members	Total
At 1 April 2014	14,760	2,650	17,410
Adjustment for late notifications	30	(25)	5
Adjustment for unpaid refunds	-	(234)	(234)
Revised opening balance	14,790	2,391	17,181
Add:			
New pensioners	247	-	247
New dependants pensions	227	-	227
	474	-	475
Less:			
Deaths/no longer eligible/suspended	(1,093)	(7)	(1,100)
Transfers to other schemes	-	(6)	(6)
Deferred pensions into payment	-	(245)	(245)
Commuted benefits	(5)	(10)	(15)
	(1,098)	(268)	(1,366)
At 31 March 2015	**14,166**	**2,123**	**16,289**

Age profile of current pensioners at 31 March				
	2015		**2014**	
	No.	**%**	**No.**	**%**
Child dependants	67	0.5	69	0.4
Pensioners and spouses				
Under 55	56	0.4	59	0.4
55-59	153	1.1	157	1.1
60-64	1,482	10.6	1,318	8.9
65-69	1,566	11.1	1,530	10.3
70-74	1,419	10.1	1,415	9.6
75-79	1,947	13.8	2,043	13.9
80-84	2,900	20.6	3,053	20.7
85-89	2,781	19.7	3,010	20.4
90-94	1,484	10.6	1,738	11.8
95-99	279	1.2	321	2.2
100-104	32	0.3	47	0.3
Total	**14,166**	**100.0**	14,760	100.0

Age profile of current deferred members at 31 March				
	2015		**2014**	
	No.	**%**	**No.**	**%**
40-44	7	0.3	14	0.5
45-49	219	10.3	321	12.1
50-54	570	26.8	678	25.6
55-59	1,169	55.0	1,250	47.1
60-64	130	6.2	346	13.1
65-69	23	1.1	37	1.4
70-74	4	0.2	3	0.1
75-79	1	0.1	1	0.1
Total	**2,123**	**100.0**	2,650	100.0

Pension Fund Governance

Committee governance

The Environment Agency is responsible for the administration of the Environment Agency Active and Closed Pension Funds and the disbursement of their benefits. The Board has assigned responsibility for pension's strategy, administration of both Funds' benefits and the investment and custody of both Funds' assets to the Pensions Committee and its sub-groups.

The Committee up to 31 March 2015 was supported by Investment and Benefits Sub-Groups, as well as by Environment Agency officers, external advisers, fund managers and fund administrators, who operate in accordance with the Local Government Pension Scheme (Benefits, Membership and Contribution) Regulations 2007 (as amended), The Local Government Pension Scheme (Transitional Provisions) Regulations 2008 (as amended), The Local Government Pension Scheme (Administration) Regulations 2008 (as amended) and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (as amended) together with saved provisions from earlier regulations.

New governance arrangements come into effect from 1 April 2015 with the introduction of a Pension Board as required by the Public Services Pensions Act 2013. The Pensions Committee will be supported by an Investment Sub-Committee. The Pension Board will take on many oversight responsibilities that were provided through the Benefits Sub-Group. For more details on the new governance arrangements please visit our website **www.eapf.org.uk**

The responsibilities and duties of the Board, Pensions Committee, Environment Agency officers and external administrators who are responsible for the management and investment of the Fund and the administration and disbursement of their assets are set out in the following governance documents:

1) Schedule 7 of the Environment Agency's Financial Memorandum
2) Pension Funds Governance Policy
3) Governance Compliance Statement which details the level of compliance with Government Guidance.
4) Terms of Reference and Standing Orders which details the status, composition and responsibilities of Pensions Committee, Investment Sub-Committee and Pension Board members. Statement of Delegation which prescribes the arrangements for, and limitations to, the delegation of powers and duties.
5) During the past year the Pensions Committee met on four occasions to fulfill its responsibilities as a sub-committee of the Environment Agency Board. There were also some training sessions which are detailed below in the section on Committee training. The Board appoints members in accordance with the Governance Compliance Statement. The Committee has delegated responsibility to manage the investment and administration of the Environment Agency's Pension Funds. The Committee's Investment Sub-Group and Benefits Sub-Group met on four occasions.

In December 2008 the Government issued statutory guidance on the preparation of Governance Compliance Statements. The Statement of Compliance with Government guidelines has been updated this year and may be found at page 13.

Committee members must declare any conflicts of interest prior to each quarterly meeting. These are recorded and held on the register of interest by our Secretariat. The Chairman reviews the register annually and a further review is undertaken by Internal Audit as part of their annual pension compliance review.

Chairman and members

There were no changes in our Board appointed members or Executive member nominees during the year. There were two changes in our Active member nominees. Ian Woolven resigned in October 2014 and Ian Brindley was appointed for a 3 year period to October 2017. Stuart Martin resigned in December 2014 and Dorothy Holding was appointed for a 3 year period to December 2017. John Kerr resigned as our deferred member in June 2014 and we are currently recruiting a replacement.

Details of members, date of appointment and length of service are tabled below:

Board members	Date of appointment	Length of service	End of current appointment	Residual period of current appointment
John Varley (Chair)	01/11/09	5 yr 5 mth	30/09/15	0 yr 6 mth
Robert Light	07/07/09	5 yr 8 mth	30/06/15	0 yr 3 mth
Clive Elphick	01/09/12	2 yr 7 mth	31/07/17	2 yr 4 mth
Emma Howard Boyd	18/10/12	2 yr 5 mth	30/06/19	4 yr 3 mth
Executive members				
Mark McLaughlin	01/11/09	5 yr 5 mth	n/a	n/a
Jonathan Robinson	01/04/12	3 yr 0 mth	n/a	n/a
Dawn Turner	01/05/13	1 yr 11 mth	n/a	n/a
Kevin Ingram	07/07/09	5 yr 8 mth	06/07/15	0 yr 4 mth

Membership of the Pensions Committee for the year ended 31 March 2015

Active member nominees	Date of appointment	Length of service	End of current appointment	Residual period of current appointment
Jackie Hamer	01/04/08	7 yr 0 mth	31/03/17	2 yr 0 mth
Simon Peate	07/07/11	3 yr 8 mth	06/07/17	2 yr 4 mth
Colin Chiverton	01/04/13	2 yr 0 mth	31/03/16	1 yr 0 mth
Ian Brindley	01/11/14	0 yr 5 mth	31/10/17	2 yr 7 mth
Dorothy Holding	01/01/15	0 yr 3 mth	31/12/17	2 yr 9 mth
Ian Woolven	18/10/12	2 yr 0 mth	Resigned 31/10/14	n/a
Stuart Martin	17/11/09	5 yr 1 mth	Resigned 31/12/14	n/a
Pensioner member				
Brian Engel	22/05/05	9 yr 10 mth	22/05/15	2 mth
Deferred member				
John Kerr	09/02/10	5 yr 1 mth	Resigned 16/06/14	n/a

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.

John Varley has been a member of the Committee since 2009 and its Chairman since 2012. In these roles he has undertaken actuarial and investment training. John has previously undertaken business finance courses as part of a Masters Degree at McGill University in Montreal and in programmes at the Institute of Management Development (IMD) in Lausanne. Previously, John chaired the Audit Committee of both the Countryside Agency and Commission for Rural Communities. In his current role as Director of Clinton Devon Estates, John chairs the Investment Committee and works closely with external fund managers in achieving investment objectives. John is also a trustee of the Clinton Devon Estates pension scheme.

Robert Light has been a member of the Committee since 2009 and chaired the Benefits Sub-Group since 2010. He has 20 years experience of the LGPS as a member of Kirklees Council and as leading member for 13 years. In addition, he has knowledge of the Firefighters Pension Scheme as a member for 15 years of the West Yorkshire Fire Service and a former Chair & Deputy Chair. Being a member of the Local Government Association (LGA) Board, he actively contributes to the development of policy on the LGPS. He was also a member of the Audit Commission which audited most LGPS Funds. He was also a contributing member to the West Yorkshire LGPS Fund.

Clive Elphick has been a member of the Committee and chair of the Investment Sub-Group since 2012. He attended the Committee for about a year before becoming a member. He has undertaken and is continuing to undertake actuarial and investment training. Clive is a CIMA qualified accountant and a former Group Financial Controller of United Utilities Group plc. He has also chaired the audit committee of a Department of State for five years. Clive has attended the three day LGPS Trustee Training Fundamentals course.

Emma Howard Boyd has spent her 25-year career working in financial services, initially in corporate finance, and then in fund management, specialising in sustainable investment and corporate governance. As Director of Stewardship at Jupiter Asset Management, Emma was integral to the development of their reputation in the corporate governance and sustainability fields. This work included research and analysis on companies' environmental, social and governance performance, engaging with companies at board level and public policy engagement. She currently serves on various boards and advisory committees including the Environment Agency, ShareAction (Chair of Trustees), Future Cities Catapult (Vice Chair), the Aldersgate Group, the 30% Club Steering Committee, the Executive Board of The Prince's Accounting for Sustainability Project and the Carbon Trust Advisory Panel.

Mark McLaughlin is a CIPFA qualified accountant. He was a Director of Finance in Local Government and the Senior Civil Service before he joined the Environment Agency in 2009. Between 1998 and 2007 he was responsible for, and was Section 151 Officer for, two LGPS pension funds, the London Borough of Hammersmith and Fulham, and the London Borough of Enfield. Mark has been an active contributing member of the LGPS since 1987.

Jonathan Robinson is Executive Director of Resources and Legal Services at the Environment Agency. He joined the Environment Agency in 2009. Jonathan is qualified as a solicitor in England and Wales, and barrister and solicitor in New Zealand. He has undertaken a range of training since joining the committee. Jonathan is also a member of the Benefits Sub-Group of the Pensions Committee.

Dawn Turner is a CIMA qualified accountant. She is Head of Pension Fund Management following senior roles in Finance within the Environment Agency. She joined the Environment Agency in 1999 and has lead major change projects in addition to her financial roles. Dawn has public and private sector experience as well as owning a successful retail company for 9 years. Her private sector experience includes floatation of fashion and household company Laura Ashley and merger of brewing and retail company Courage.

Kevin Ingram has been a member of the Fund since 2007. He is a qualified accountant (ACA) with a background in audit and financial management in both the public and private sectors. From 1 April 2013 Kevin has taken on the role of Executive Director of Finance and Corporate Services for Natural Resources Wales. Kevin has been a member of the Committee since 2009 and during this period has received training on the LGPS and pension fund management.

Jackie Hamer has been an active member of the Fund since 1985, and an active member nominee since 2008. She has undertaken training on a range of pensions issues, including outsourcing, bulk transfers, cost sharing, funding strategies and investment strategy, as well as the 3 day LGPS Trustee Training Fundamentals course. As a lead lay negotiator within UNISON Jackie also has significant involvement with pension issues within the trade union movement, and has dealt with pension issues on behalf of her members.

Simon Peate has been a member of the Committee since 2011. He has worked for the Environment Agency as an Environment Officer since 2001. Prior to this, over a period of 25 years, he held a number of senior management positions in the coal industry. He has been active in Unison since 2004 and is currently the Branch Secretary of the Environment Agency Midlands Branch. He is pensioner member of the British Coal Staff Superannuation and the Industry Wide Coal Staff Superannuation Scheme's and an active member of the EAPF.

Colin Chiverton has been a member of the Committee since 2013. He is an Area Environment Manager in West Thames Area in the South East region of the Environment Agency and has been an active member of the LGPS for 27 years. Colin has attended the induction training events on the LGPS and will develop his knowledge on pension fund investment and management over time. He is the Pensions Representative of Prospect Union's Environment Agency Branch.

Ian Brindley has been a member of the local government scheme since 1987, and a member of the Committee since 2014. He is employed by the Environment Agency as a team leader. He has received training in many areas of pensions and investment, completing courses provided by the Environment Agency, the Local Government Association, Unison and other third party providers. Ian is active in the responsible investment arena, engaging with companies to drive improvements in their environmental, societal, governance and financial performance. Ian has been treasurer of his local Unison branch since 1997.

Dorothy Holding is MCIPS qualified and has recently joined the Committee having been a Steward for a number of years and more recently a Pension Advisor. She previously worked for Dept. of Environment Property Services Agency in their Contracts Division and the NHS in Procurement and was an active Unison member whilst there. She joined the Agency in 2009 and is a Senior Procurement Officer for Northern Ops working out of Richard Fairclough House.

Ian Woolven has been a member of the Committee since 2012. He has been with the Environment Agency for 23 years and currently works in field services operations in the Solent and South Downs area. He has been a member of Unison for 22 years and is a Pensions Representative of Unison, the national representative for operations delivery, sits on the NNG and the regional health and safety representative. Since joining the Committee, he has received formal Pension Committee training and training on risk and valuations.

Stuart Martin has been an active member of EAPF since 1999 and as a Scheme Members' Representative on the Pensions Committee since 2009. He was employed by, what was then the Department of Health & Social Security for sixteen years, over five years of which he served as a National Insurance Inspector. More recently he was employed in the Payroll Department of the Environment Agency for eleven years. He is trained as an UNISON Pensions Advisor and since joining the Pensions Committee has had training on a range of pension issues, including cost sharing; Active Fund funding strategy review; induction training on the new LGPS scheme; investment strategy; two day LGPS "Trustees" conference; asset allocation/investment strategy; and risk training. As a lead lay negotiator within UNISON, Stuart has also had significant involvement with pension issues within the trade union movement. He has dealt with, and resolved, pension issues on behalf of his members. Stuart also serves on the Benefits Sub-Group of the Pensions Committee.

Brian Engel has been a member of the Committee since April 2005, as the pensioner representative. He was a contributing member of the LGPS from 1975 and has been a pensioner since 2001. He qualified as a Chartered Civil and Structural Engineer and worked on the design and project management of a range of heavy civil engineering construction projects in both the private and public sector and the Waste Management field. Since joining the Committee he has attended courses and conferences and undertaken a range of training in the LGPS on governance, investments, and benefits administration.

John Kerr is a deferred member of the Environment Agency's Closed Fund following employment with the Anglian Water Authority. He comes with a broad knowledge of the financial and property markets and private sector pensions management experience, he represented two employers on their occupational pension schemes restoring low funding back to acceptable levels. In 2004 John oversaw an increase in the employees' contributions to their final salary scheme following extensive consultation and agreement. He has received training on many aspects of pension's management and investment regularly since 1989. John joined the Committee in 2009 while Chief Executive of a law practice.

Committee training

As an administering authority of the LGPS, the Committee recognises the importance of ensuring that all staff and members charged with the financial management and decision-making with regard to the pension scheme are fully equipped with the knowledge and skills to discharge those responsibilities. The Committee seeks to ensure that membership is both capable and experienced and will provide/arrange training for its members so that they can acquire and maintain an appropriate level of expertise, knowledge and skills. The Committee's training strategy currently takes account of the requirements of the Pensions Act 2004. The Act requires that trustees of occupational pension schemes should have knowledge and understanding of the law relating to pensions and the role of trustees, the principles of scheme funding and investment and the management and administration of pension scheme benefits. Following the issue of CIPFA guidance "Pensions Finance Knowledge and Skills Frameworks", the training strategy seeks to ensure that it will fully reflect how the recommended knowledge and skills level requirements set out in the CIPFA guidance are to be acquired.

The training needs of Pension Committee members are assessed on an individual basis and take account of members' existing expertise and interests in specific areas. Members are also given the opportunity to attend more specialist courses on specific core competencies, presented by our actuary and investment consultants as well as regional pension briefings for employees presented by Capita and Human Resources (HR) staff.

In each year members are expected to undertake two to three days' training aimed at building or refreshing their knowledge and skills in specific topics in greater depth. This year we have enhanced how we log training undertaken and planned by Committee members producing a certificate of Knowledge and Understanding. These certificates will be published on our website and will show the full training log throughout membership of the Pensions Committee for each individual member. During 2014-15, two full day formal training sessions were carried out covering funding and investment risk, responsible investment, benefits, communications and governance. Additional sessions on funding and investment strategy were also carried out as part of Committee meetings.

Committee training log

	Investment Essentials Training	LGPS Trustees' Conference	LGC Pension Fund Symposium	Being Responsible Owners Seminar	LGPS Trustee Training: Fundamentals	Investment Strategy for Investment Sub-Group	Governance and Investment Strategy	CIPFA LGPS Governance Summit	Pension Board and Committee Governance	10 Years of Responsible Investment
Environment Agency Board Members										
John Varley Chair of Pensions Committee						✓	✓			
Robert Light					✓		✓		✓	✓
Clive Elphick					✓	✓	✓		✓	✓
Emma Howard Boyd				✓	✓		✓			
Executive members										
Mark McLaughlin	✓	✓					✓		✓	✓
Jonathan Robinson							✓			
Dawn Turner	✓		✓		✓	✓	✓	✓	✓	
Kevin Ingram Natural Resources Wales									✓	✓
Active member nominees										
Jackie Hamer						✓	✓		✓	✓
Simon Peate	✓					✓	✓		✓	✓
Colin Chiverton						✓	✓		✓	✓
Ian Brindley					✓		✓		✓	✓
Dorothy Holding										
Ian Woolven										
Stuart Martin										
Pensioner member										
Brian Engel		✓					✓			
Deferred member										
John Kerr										

Members' attendance at Committee meetings through the year

	Pensions committee meeting 4 in total	Pensions committee training	Investment Sub Group 4 in total	Benefit Sub Group 4 in total	Total
Number of meetings					
Board members					
John Varley (Chair)	3	4	2	1	10
Robert Light	4	2		4	10
Clive Elphick	4	4	4	2	14
Emma Howard Boyd	3	2	1		5
Executive members					
Mark McLaughlin	4	4	2	4	14
Jonathan Robinson	2	1		3	6
Dawn Turner	4	7	4	4	19
Kevin Ingram	2			3	5
Active members					
Jackie Hamer	4	3	4		11
Simon Peate	4	2	4		10
Colin Chiverton	3	3	4		10
Ian Brindley	2/2			2/2	4
Dorothy Holding	1/1				1
Ian Woolven	1				1
Stuart Martin	3	2		1	6
Pensioner Member					
Brian Engel	4	3		4	11
Deferred member					
John Kerr	1	2		1	4

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 Bank Plc
Benefit Adviser	Hymans Robertson
Custodian	The Northern Trust Company
External Auditor	Comptroller and Auditor General
Governance and risk	Aon Hewitt
Investment Adviser	Hymans Robertson
Independent Investment Adviser	Investment Adviser and Trustee Services Ltd
Legal Adviser	Osborne Clarke
Pensions Administrator	Capita

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 administering authority delegates its functions, or part of its functions, under these Regulations to a committee, a sub-committee or an officer of the administering 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 delegation, complies with guidance given by the Secretary of State and, to the extent that it does not so comply, the reason for not complying and

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 is made and approved by the Environment Agency Pensions Committee on 25 March 2015 and reflects the governance up to 31 March 2015.

The EAPF will have a local Pension Board from 1 April 2015 and the Governance Compliance Statement that is effective from 1 April 2015 was also approved by the Environment Agency Pensions committee on 25 March 2015. It will be reviewed at least annually to ensure it remains up to date and meets the necessary regulatory requirements. This includes the statements showing compliance with providing with the additional requirement:

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

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:
Dawn Turner
(Deputy Director) Head of Pension Fund Management
Environment Agency
Horizon House
Deanery Road
Bristol
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Telephone - 0117 934 4353

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). The PC is supported by the Investment Sub-Group (ISG)and Benefits Sub-Group (BSG).
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 15 members and the sub-groups each have 8 members drawn from the PC.
(ii) the frequency of any committee or sub-committee meetings	The PC and sub-group 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 1 Non EA Employer Representative, 5 Active Scheme Member Representatives and 2 Pensioner or 1 Pensioner and 1 Deferred Member Representatives. The sub-groups include 3 Scheme Member Representatives and the BSG includes the 1 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 Compliance Statement below.

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 15 members, appointed by the EA Board and includes: 4 Non-Executive EA Board members 3 EA Executive members 1 Non EA Employer Representative 5 Active Scheme Member Representatives 2 Pensioner or 1 Pensioner and 1 Deferred Member Representatives. 3 Scheme Member Representatives and potentially the 1 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 sub-group meetings are available to all PC members on request. The Chair of the ISG and the Chair of the BSG provide 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 sub-groups 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 attends BSG.
ii) scheme members (including deferred and pensioner scheme members);	Compliant	The main PC has 7 scheme member representatives on it, including 5 active scheme member representatives and 2

		pensioner/deferred member representatives, ideally one of each. Our sub groups include 3 scheme member representatives (active, deferred or pensioner).
iii) independent professional observers; and	Compliant	Our independent investment adviser attends all ISG and PC meetings. Our other professional advisers also regularly attend our PC and sub-groups meetings.
iv) expert advisers (on an ad-hoc basis).	Compliant	We invite our expert advisers to attend our PC and sub-groups meetings as needed. This includes our actuary, legal adviser, risk and governance advisor and investment consultants, pension fund administration consultants, and external auditors.
v) 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 sub-groups 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 sub-groups. 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.
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 sub-group meetings. A register of interests is also maintained and audited annually.
D – Voting		
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 sub-groups.

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 Training 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 sub-groups are reimbursed the cost of travel and overnight hotel expenses. The cost of all PC and sub-groups 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 Training Policy applies equally to all PC and sub-groups members.
F – Meetings (frequency/quorum)		
a) That an administering authority's main committee or committees meet at least quarterly.	Compliant	Our PC usually meets 4 times a year, for normal business and at least once for briefing or training. 8 of the 14 PC members (including at least 1 Board member, 1 EA executive member and 1 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 sub-groups meetings are synchronised to meet 4 times a year before the PC so they can report to and make recommendations to the full PC. 4 members (including at least 1 Board Member, 1 EA executive member and 1 scheme member representative) constitute a quorum for the sub-groups.
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 7 "lay" members on our main PC, comprising 5 active scheme member representatives and 2 pensioner/deferred member representatives. Due to the geographical spread of our organisation and fund membership across England and Wales we do not hold an AGM but do 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.
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	Compliant	All members of our PC and sub-groups 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 ISG and or

committee papers, documents and advice that falls to be considered at meetings of the main committee.		BSG can request full sub-group papers and they also receive summary reports of all meetings. All our PC and sub-groups members can ask questions of our professional advisers who attend the PC and sub-groups 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 sub-groups meetings all have agenda items on wider LGPS scheme issues, future challenges and risks to our funds, as well as information on our funds' recent financial and administrative performance. The sub-groups 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 in addition to this Governance Compliance Statement published here in our Annual Report & Financial Statements. All documents are also available in hard copy from our Pension Fund Management Team. We have an agreed procedure for our recognised Trades Unions to nominate new employee nominees to our PC when vacancies arise or to use an alternative process agreed by the PC. We have also advertised in pensioners' and deferred members' newsletters for representatives when vacancies have arisen.

Signed on behalf of the Environment Agency

John Varley
Chairman
Environment Agency Pensions Committee
23 June 2015

Paul Leinster
Accounting Officer
Environment Agency
23 June 2015

Pension Fund investment

Ongoing Government funding of the Closed Fund

Before privatisation in August 1989, the basic pensions of the water authorities' staff were funded by contributions to the Water Authorities Superannuation Fund (WASF). This Fund fell within the Local Government Superannuation Scheme. On privatisation, the WASF was divided in three ways:

- Company schemes for employees transferring to the new water companies; an Active Fund for employees joining the National Rivers Authority; and a Closed Fund for existing and deferred pensioners. As part of the pension rationalisation carried out in 1989, the Government recognised that, in the longer term, the Closed Fund would require support to meet its ultimate liabilities. Parliament therefore placed a legal obligation on the Secretary of State for the Environment (under section 173 of the Water Act 1989 above) to meet the pension and other related liabilities of the Fund.

- The valuation of the Fund as at March 2004 indicated that assets available would not meet the future liabilities. The Chief Secretary to the Treasury therefore agreed in April 2004 that provisions should be made by The Department for Environment Food and Rural Affairs (Defra) to allow the Secretary of State's statutory obligation under the 1989 Act to be met from April 2006.

- A detailed Memorandum of Understanding between the Accounting Officers of Defra and the Environment Agency was completed in 2005. Since 1 April 2006, ring-fenced grant-in-aid that is sufficient to meet pension obligations and the running costs of the Fund has been paid. Members and their dependants can rest assured that the future of their benefits are statutorily guaranteed and are safe. Extracts from relevant letters and the full text of the Memorandum of Understanding are reproduced at Annex 1.

Funding Strategy Statement

All LGPS funds are required to publish a Funding Strategy Statement. This statement is used by the Actuary to inform his valuation. The Funding Strategy Statement was adopted by the Committee on 30 September 2013 and is reproduced in Annex 2 to this document.

Statement of Investment Principles

All LGPS funds are required to publish a Statement of Investment Principles. The current Statement of Investment Principles was adopted by the Committee on 16 June 2014 and is reproduced in Annex 3 to these financial statements.

Custody arrangements

The Northern Trust Company ("Northern Trust") acts as global custodian on behalf of the Fund's assets. All assets are held in the name of Nortrust Nominees.

As part of its normal procedures Northern Trust holds all assets in safe custody, collects dividend income and interest, provides data for corporate actions, liaises closely with the investment managers and reports on all activity during the period.

In the interest of prudence, the lending of stock, a process managed by our custodian, was discontinued in December 2008. This aligned the stock lending policy for the Closed Fund with that of the Active Fund.

Northern Trust 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 Northern Trust and so are segregated from those of Northern Trust, safeguarding them in the event of a failure by Northern. Cash held by the Fund at Northern Trust in Sterling, Euros and United States dollars is invested in Northern Trust Global Cash Funds, which would not be affected in the event of a failure by Northern Trust. Only small amounts of cash are left on deposit at Northern Trust. The Northern Trust Global Cash Funds are rated 'Aaa' by Moody's and are invested in short-term money instruments to preserve capital and liquidity. These cash funds are also closely monitored by Environment Agency officers.

Regular service reviews are held with Northern Trust to ensure continuous monitoring of service commitments. Other procedures and controls are reviewed by an independent reporting accountant in accordance with the American Institute of Certified Public Accountants Statement on Standards for Attestation Engagements No. 16 (SSAE 16) and in accordance with International Standard on Assurance Engagements 3402 (ISAE 3402).

Investment limits

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 which came into force on 1 January 2010 require the Environment Agency to invest in accordance with its investment policy, any Fund money that is not needed immediately to make payments from the Fund.

Although it may vary the types of investment, the Environment Agency's policy must be formulated with a view to the advisability of investing Fund money in a wide variety of investments; and the suitability of types of investments and particular investments.

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 prescribe extended limits (Schedule 1 Column 2) on the type and extent of investments which the Environment Agency may pursue. The total value of the Fund's investments can be no more than the percentages shown below:

5% A single sub-underwriting contract, i.e. a contract with a person who is underwriting a share issue to acquire the shares from him/her if that is what he/she requires, but with the total value of all sub-underwriting contracts not exceeding 15%.

As a limited partner in any single partnership (but not exceeding more than a total of 30% in such partnerships).

10% Total deposits with any single bank, or similar institution except the National Savings Bank.

Any single holding unless the investment is made by an external investment manager in a unit trust scheme.

15% Total investments in unlisted securities, i.e. securities not quoted on a recognised stock exchange.

35% All investments in unit trust schemes managed by any one body.

All investments in open-ended investment companies where the collective investment schemes constituted by the companies are managed by any one body.

All investments in unit trust schemes and open-ended investment companies where the unit trust schemes and the collective investment schemes constituted by those companies are managed by any one body.

The value of any single insurance contract.

All securities transferred under stock lending arrangements.

Investment management

Following the agreement with Defra in 2004, over the future funding arrangements of the Fund, the Committee agreed that the Fund's investment strategy should be simplified by switching to investment in long-dated index-linked gilts. Sarasin & Partners LLP manage the long-dated gilt portfolio. They have full discretion in the management of their portfolio subject to complying with the statutory limits, the Statement of Investment Principles and the range of asset distribution defined by the Committee.

Portfolio analysis

Distribution of investment assets by market value as at 31 March 2015:

	Sarasin & Partners LLP £m	Cash & Other £m	Total Fund £m	% of Total Fund
UK Index-linked gilts	199.9	-	199.9	93.8
Cash	-	12.7	12.7	6.0
Other (mainly accrued income)	-	0.4	0.4	0.2
Net investment assets	**199.9**	**13.1**	**213.0**	**100.0**

Distribution of investment assets by market value as at 31 March 2014:

	Sarasin & Partners LLP £m	Cash & Other £m	Total Fund £m	% of Total Fund
UK Index-linked gilts	153.8	-	153.8	92.8
Cash	-	11.6	11.6	7.0
Other (mainly accrued income)	-	0.4	0.4	0.2
Net investment assets	**153.8**	**12.0**	**165.8**	**100.0**

Unquoted investments

With the agreement of the Board, the value of the unquoted investments was written down to £nil during 2007.

Income from capital distributions of the residual holdings being liquidated is credited to the Fund as it arises.

Investment performance

The investment performance of the Fund for the year to 31 March 2015 was 25.0%. Over the three years to 31 March 2015 the annualised rate of return was +10.3% against a benchmark return +11.5%.

Pension Fund administration

Administration arrangements

The Environment Agency is responsible for administering the current and future pension benefits for over 16,200 members of the Closed Pension Fund.

While the Committee (and Benefits Sub-Group) provides strategic direction and regular oversight, day to day pension Fund administration is delivered through our third party pension administrator, Capita (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. Capita is the largest UK outsourced third party administrator and were awarded a new contract by the Environment Agency in 2010 following an EU procurement exercise.

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 pay slips, making lump sum and pension payments, fraud prevention and debt collection, undertaking all HMRC returns, producing audited annual financial statements 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.

Over the year, Capita achieved the required service levels for 99% of casework processed.
The five largest case types processed by Capita for the Closed Pension Fund in the last two years were:

Case Type	2015	2014
Death of pensioner	547	533
Dealings with HMRC	494	535
Death of spouse	458	480
Retirements	309	352
Trace member address	118	117

We would like to express our thanks to Capita for resolving 6,249 Fund member requests/queries and for paying pensions to over 14,100 pensioners during the year.

The total number of staff allocated by Capita to the EAPF administration contract is 25, of which 14 deal solely with pension benefits administration. Based on a membership of 39,647 across both the Active and Closed Funds at 31 March 2015, this represents an average of 2,832 members per administrator. This compares well with the CIPFA LGPS average of 4,160 (2014).

Closed Fund administration costs for the year to the 31 March 2015 were £475k (2014: £497k) including member communications and postage costs. Across both Active and Closed Funds this is equivalent to £24 per member. We benchmark our Fund administration costs annually through the public accounting body CIPFA. For 2013-14 the CIPFA average was £21.

We take a value for money approach looking for appropriate balance between cost, service and quality in pension administration delivery. For example, in all 9 industry standard performance indicators measured by CIPFA, we achieved 99% compared to the average of 76% to 92% across the range of those indicators.

Data quality

Good quality data is vital to the efficient and accurate payment of retirement benefits and general administration of member records. 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 the 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 has been carried out for the Closed Fund during 2014-15 and a certificate issued reflecting compliance with TPR guidance. Our post June 2010 data is 99.2% (2013-14: 99.0%) with pre June 2010 data at 95.5% (2013-14: 95.8%). The missing data for both categories relates to members moving house and not informing our administrators. We are carrying out an exercise to trace these members and will update their records accordingly.

More member specific data called "Conditional data" has also been reviewed with positive results and both these TPR data checks are tested on an annual basis.

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. During 2014 we undertook a radical reform of risk management and reporting, undertaking risk training and deeply embedded risk in all committee papers and discussions.

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 2015, in accordance with LGPS and Treasury guidance and best practice.

Two 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 the Pension Fund has complied fully with the provisions of the Pensions Schedule of the Financial Memorandum and that it has been able to maintain compliance with the range of activities mandated in the Financial Memorandum whilst responding to significant changes that include the implementation of the new LGPS from April 2014.

The Risk audited also produced positive feedback on our risk management process and the application of our mitigating actions. We are also obtaining an independent audit of the implementation of the new LGPS on calculation and member benefits.

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 employers. This is mainly through the secure transmission of monthly and weekly electronic data interface files.

Capita hold member data in line with the requirements of the Data Protection Act and complies with the Cabinet Office Security Policy Framework. All Capita employees are required to undertake annual data protection training which covers "Personal Data" and actions required to protect this data.

National Fraud Initiative/mortality checks

The Fund has a formal policy and procedure for handling frauds 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 or in care homes as well as those where power of attorney is held by a third party. In addition, monthly mortality screening has been implemented to help reduce overpaid pensions and potential fraud.

As a general principle, where we investigate cases and fraud is suspected, we will pursue the case and will seek to agree a repayment plan or, where necessary, take legal action or involve the police. There are no reported cases for 2014-15.

Life certificates have been issued to those living overseas, in residential care or where power of attorney is held and responses are being monitored through our pension's administrator. If no response is received, we will suspend member's pensions until appropriate evidence is provided.

Communications

Last year we reviewed the way that we communicate with our members and other stakeholders. This review was driven in part by the introduction of the new look LGPS and the need to better inform members about these important changes.

We recognised the need to introduce a program of communications that changed the way we approached our member interaction over the longer term, highlighting 3 key areas that were critical to enhancing our services.

Firstly, we developed a new brand to help our members identify with their own Pension Fund. The brand was based on modernity, accessibility and trust which incorporated both visual elements as well as a new, less complicated, writing style. This was launched in 2014 for all print and digital communications and this rebranding was successfully completed; with an ongoing wider project to improve our administration and simplifying our written correspondence for 2015-16.

The second part of our program involved restructuring our website using information provided by 3 focus groups. This Customer Journey Mapping (CJM) helped to ensure that our website was effective in allowing all members to navigate around the website easily.

The website has been rebuilt placing the new CARE scheme at its centre and making sure that user experience and navigation within the site catered for the complexity of 3 different benefit structures needed for the vast majority of members.

Running parallel to this was the introduction of improved functionality on the site using rich text materials such as video, info-graphics, carousels and a link to EAPF Online. This is a member self service area that provides a personal space for registered members and it allows access to a Retirement Illustrator, calculating early retirement reductions and enhancements using data from the members' own pension record, and calculating total benefits across all 3 Schemes. It will also take into account individual member protections.

The website is also device enabled so that it can be easily read and navigated on smart phones and tablets. This means that members can also use the self service calculator on their hand held devices which is a unique development to the EAPF, to the best of our knowledge.

The third and final element of our communication program saw us use webinars for the very first time. From September 2014 we used this method to better engage with all our members nationwide, and this resulted in nearly 1,100 online attendees from 16 sessions. The satisfaction ratings and level of feedback was extremely high.

The introduction of the webinars proved successful as it allowed us to:
Reach a wider audience.
Remove the need for travel and time out of the office.
Deliver more sessions based on demand and more choice.

How do we measure its success?

The basis of our communication program involved representation from our members with volunteers across a broad cross section of employees from the outset.

The feedback provided by the focus groups led to a fully integrated approach in all our digital and published materials, from the website through to forms, factsheets, posters and other forms of documentation.

Feedback from members

'the information is clear and well presented'.

'videos are a good way of presenting the difference between old and new and gives me a good grasp of what I'm getting'.

'the Retirement Illustrator is an excellent addition and will make it easier for me to make a personal forecast'.

'worked examples in the factsheets are relevant and helpful'.

We have also seen an increase in our EAPF Online registrations which is up from 14% to 20% over the last year.

Our member helpline has seen a dramatic decrease by 37% in call volume since the launch of the new website and this is largely attributed to the improved navigation.

Our member engagement work proved particularly successful with 1071 attendees providing positive feedback on content and the presentation style. 60% of the attendees responded to our evaluation questionnaire and perhaps the most revealing aspect of the exercise was that 48% of respondents preferred this methodology, 19% preferred face to face presentations with 33% having no preference.

To read our full Communications Policy Statement please see annex 4.

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

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 he feels this is justified.

In 2014-15 Capita received 15 (4 for 2013-14) formal complaints from members and these have all been resolved. There were no IDRP cases on the Closed Fund raised during the year and no cases went to the Pensions Ombudsman.

Foreword to the financial statements

The EAPF provides benefits for current and deferred pensioners of former statutory water authorities in England and Wales, the Foundation for Water Research, WRc plc, Water Training International, the former Water Authorities Association and the former British Water International.

The Fund 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). As all of the membership became deferred members or pensioners before September 1989, the benefits are covered by the earlier regulations.

It provides the minimum contracted-out pensions required by the State Second Pension Scheme ("S2P") and is a registered Pension Scheme.

Roles and responsibilities of the Pensions Committee

With a membership of nominated Environment Agency Board members, senior officers and 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 has:

- Selected suitable accounting policies and then applied them consistently.
- Made judgments and estimates that are reasonable and prudent.
- Followed applicable accounting standards, in particular the CIPFA guidance on narrative reporting and accounting disclosures for LGPS funds.

The Committee and Accounting Officer is responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the Fund and enable it to ensure that the financial statements comply with Schedule 7 to the Financial Memorandum issued by Defra. However, responsibility for the regulations governing the LGPS lies with the Workforce Pay and Pensions Division at DCLG.

The Committee and Accounting Officer is 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 are available on the Pension Funds' website and the Environment Agency's website. The maintenance and integrity of those websites 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

The financial statements have been prepared in accordance with CIPFA guidance including narrative reporting and accounting disclosures for LGPS funds, with quoted securities valued at bid prices at the year end. After realised gains and changes in portfolio valuations, and grant-in-aid funding for benefits and other outgoing payments, the value of the Fund has increased by £47.2m to £212.8m (2014: decreased by £0.7m to £165.6m).

There was a continuing decrease in pensioners and deferred members and all the beneficiaries or their spouses who ceased pensionable employment before 1 April 1974. Retirement benefits payable in the year to 31 March 2015 have decreased from £74.5m in 2014 to £72.3m and transfers to other schemes in 2015 has remained at the same level as 2014 at £0.2m.

In overall terms the net additions from dealings with pensioners and deferred members after grant-in-aid funding in the year was £1.8m (2014: £3.4m). Responsibility for ensuring that the Fund can meet all future liabilities rests with the Secretary of State at Defra.

Statement by the Consulting Actuary

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013, and Chapter 6 of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the UK 2014-15.

Description of Funding Policy

The funding policy is set out in the administering authority's Funding Strategy Statement (FSS), dated September 2013. The Fund's benefits are underwritten by the Department for the Environment, Food and Rural Affairs ("the Guarantor"). The Fund's approach to funding the Guarantor's pension liabilities is focused on ensuring that sufficient funds are available to meet all liabilities as they fall due for payment. The Guarantor has committed to a funding plan that involves half-yearly cash injections to meet the following six months' expected benefit expenditure.

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008 was as at 31 March 2013. This valuation revealed that the Fund's assets, which at 31 March 2013 were valued at £166 million, were sufficient to meet 19% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2013 valuation was £694million.

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in my valuation report dated 28 March 2014.

Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date.

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 2013 valuation were as follows:

Financial Assumptions	31 March 2013	
	% p.a. Nominal	% p.a. Real
Discount Rate	3.0%	0.8%
Price inflation/Pension Increases	2.2%	-

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_2010 model, assuming that the current rate of improvements has reached a peak and will converge to a long term rate of 0.5% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

Pensioners	Males	Females
Current Pensioners	20.8 years	22.7 years
Future Pensioners*	21.5 years	24.4 years

*Members are assumed to be age 55 at the valuation date

Copies of the 2013 valuation report and Funding Strategy Statement are available on request from the Environment Agency, the administering authority to the Fund.

Experience over the year since April 2014

Investment returns in the year to 31 March 2015 were 25.7% and assets had a market value of £213m as at 31 March 2015. Liabilities were estimated to be £820m on an ongoing funding basis as at 31 March 2015, implying that the Fund's assets were sufficient to meet 26% of the liabilities accrued up to that date.

The next actuarial valuation will be carried out as at 31 March 2016. The Funding Strategy Statement will also be reviewed at that time.

Steven Scott FFA
Fellow of the Institute and Faculty of Actuaries
For and on behalf of Hymans Robertson LLP

Hymans Robertson LLP
20 Waterloo Street
Glasgow
G2 6DB

18 May 2015

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament, the Board of the Environment Agency and the Secretary of State for Environment, Food and Rural Affairs

I certify that I have audited the financial statements of the Environment Agency Closed Pension Fund for the year ended 31 March 2015 under the Environment Act 1995. These comprise the Fund Account, the Net Assets Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Accounting Officer of the Environment Agency, the Pensions Committee and the auditor

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 preparing the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with relevant legal and regulatory requirements. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Department; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

Opinion on Regularity

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

Opinion on the financial statements

In my opinion:

- the financial statements show a true and fair view of the financial transactions of the Fund during the year ended 31 March 2015, and of the amount and disposition at that date of its assets and liabilities; and
- the financial statements have been properly prepared in accordance with Schedule 7 to the Environment Agency Financial Memorandum issued by Defra, in accordance with the Local Government Pension Scheme Regulations 1997, the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007(as amended) and other related LGPS regulations and guidance.

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Date: 1 July 2015

Financial statements for the year ended 31 March 2015

	Notes	2015 £000	2014 £000
Fund account			
Income			
Grant-In-Aid		74,274	78,076
Other Income	7	2	-
		74,276	**78,076**
Benefits and other payments			
Benefits payable	8	(72,267)	(74,536)
Payments to and on account of leavers	9	(242)	(163)
		(72,509)	**(74,699)**
Net increase from dealings with pensioners and deferred members		**1,767**	**3,377**
Management expenses	10	**(893)**	**(952)**
Return on investments			
Investment income	11	1,646	1,601
Change in market value of investments	13	44,643	(4,689)
Net returns on investments		**46,289**	**(3,088)**
Net increase/(decrease) in the Fund during the year		**47,163**	**(663)**
Opening net assets of the Fund at 1 April		**165,597**	166,260
Net assets of the Fund at 31 March		**212,760**	**165,597**
Net assets statement			
Investment assets	13	**213,047**	165,843
Current assets	18	**1,208**	1,043
Current liabilities	19	**(1,495)**	(1,289)
Net assets of the Fund at 31 March		**212,760**	**165,597**

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 Fund 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 page 28 and these financial statements should be read in conjunction with it. The Actuary's statement, dated 18 May 2015 is based on a valuation as at 31 March 2013. The notes on pages 33 to 46 form part of these financial statements.

John Varley
Chairman
Environment Agency Pensions Committee
23 June 2015

Paul Leinster
Accounting Officer
Environment Agency
23 June 2015

Notes to the financial statements

1. Description of the Fund

The Environment Agency Closed Pension Fund is part of the Local Government Pension Scheme 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 following description is a summary only. For more detail, reference should be made to the Government Funding Agreement (Annex 1) and Funding Strategy Statement (Annex 2).

General

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

The LGPS (Benefits, Membership and Contributions) Regulations 2007 (as amended).
The LGPS (Administration) Regulations 2008 (as amended).
The LGPS (Management and Investment of Funds) Regulations 2009.

The Fund's liabilities are statutorily guaranteed by the Department for the Environment, Food and Rural Affairs ("the Guarantor") under section 173 of the Water Act 1989 and it is unique in this respect in the family of Local Government pension funds. The Memorandum of Understanding between the Secretary of State for Environment, Food and Rural Affairs and the Environment Agency (17 May 2005) sets out the mechanism whereby the Guarantor makes payments to the Fund.

Membership

The Fund has been closed to new entrants and accruals of future service since 1989. As at 31 March 2015, total membership of the Fund is 16,289, represented by 14,166 current pensioners and 2,123 deferred members.

Funding

The Environment Agency Closed Pension Fund has no contributing members. Unlike other statutory Local Government Pension Funds, it is being maintained solely to pay current and deferred benefits (or transfer values to other pension arrangements) awarded to or in respect of employees of former water authorities and associated bodies which existed prior to 1 September 1989. The Secretary of State at the Department for Environment, Food and Rural Affairs has a duty under section 173(3) of the Water Act 1989 to ensure the Fund can always meet its liabilities, including future indexation awards. This has been formally documented in a Memorandum of Understanding and is included in Annex 1. Since 1 April 2006, Grant-In-Aid has been paid that is sufficient to meet the pension obligations and running costs of the Fund.

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 2014-15 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

3. Summary of significant accounting policies

The following principal accounting policies have been applied consistently in the preparation of the financial statements.

Investments

Investments are included at their market values, which are determined as follows:

(i) Quoted securities listed on recognised stock exchanges are valued at bid prices.
(ii) Acquisition costs are included in the purchase cost of investments.
(iii) Investment management fees are accounted for on an accruals basis.

Investment income

Income from fixed interest and index linked securities and other interest receivable is taken into account on an accruals basis. Income from all other marketable securities is taken into account on an accruals basis on the date when stocks are quoted ex-dividend.

Income from capital distributions of residual private equity holdings being liquidated is included as a realized gain in the changes in market value.

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

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 is accounted for on an accruals basis.

Exchange rates

Other assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the year end.

Surpluses and deficits arising on conversion or translation are dealt with as part of the change in market value of investments.

Benefits

Members can choose whether to take a proportion of their retirement benefits as a pension and/or lump sum.

Pensions and lump sums are accounted for on an accruals basis from the date the option is exercised. Lump sum death grants and refunds of contributions are included from the date of death or date the member leaves the Scheme.

Transfers to other schemes

Transfers to other schemes are those amounts paid to other pension schemes relating to previous periods of pensionable employment. Individual transfers are included in the accounts when paid, but bulk transfers are accounted for an accruals basis when the amounts have been agreed.

Other expenses

Investment management and administration expenses are accounted for on an accruals basis. Expenses are recognised net of any recoverable VAT. Fees are also payable to the Fund's global custodian. In cases where expenditure relates to both the Active Pension Fund and the Closed Pension Fund, this has been respectively apportioned during the year as follows:

Apportionment of common expenditure	2015 %	2014 %
Custodial arrangements	80/20	80/20
Other (e.g. Environment Agency administration costs)	60/40	60/40

Taxation

UK income tax and capital gains tax

The Fund was an exempt approved registered pension scheme and is registered under the Finance Act 2004.

It is not liable to UK income tax on interest and dividend income (other than dividends arising from UK equities), or to capital gains tax.

Value added tax

As the Environment Agency is the administering authority for the Fund, VAT input tax is recoverable on all Fund activities including expenditure on any investment expenses. The accounts are shown exclusive of VAT.

4. Critical judgments in applying accounting policies

Pension Fund liability

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 and in accordance with IAS 19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 16. 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

There are no items of estimation in the net assets statement as at 31 March 2015 or 31 March 2014 for which there is a significant risk of material adjustment.

6. Events after the net asset statement date

The financial statements were approved by the Pensions Committee on 16 June 2015 and were approved and signed at the Audit and Risk Committee on 23 June 2015 under delegated authority of the Board. They were also noted at a meeting of the Board on 9 July 2015. There are no adjusting or non-adjusting events that need to be recognised in the financial statements after the net asset statement date.

7. Other Income

	2015 £000	2014 £000
Reimbursement of overpaid pension	2	-
Total	**2**	**-**

8. Benefits payable

	2015 £000	2014 £000
Retirement and dependants' pensions	69,220	71,692
Lump sum retirement grants	3,020	2,769
Lump sum death grants	27	75
Total	**72,267**	**74,536**

9. Payments to and on account of leavers

	2015 £000	2014 £000
Individual transfers to other schemes	242	163
Total	**242**	**163**

10. Management expenses

	2015 £000	2014 £000
Administration expenses		
Environment Agency Pension Fund management	307	314
Scheme administration	475	497
	782	**811**
Oversight and governance costs		
Specialist advice	46	79
External audit	20	21
	66	**100**
Investment management expenses	45	**41**
Total	**893**	**952**

External audit fee does not include any fees in respect of non-audit services for 2014-15 or 2013-14. A breakdown of the Investment expenses is shown in note 12.

11. Investment Income

	2015 £000	2014 £000
Income from index linked gilts	1,540	1,497
Interest on cash deposits	106	104
Total	**1,646**	**1,601**

12. Investment management expenses

	2015 £000	2014 £000
Global custody	28	24
Fund manager base fees	15	15
Irreclaimable VAT	2	2
Total	**45**	**41**

13. Investments

a) Investment movement summary

	Market value at 01.04.14	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Change in market value	Market value at 31.03.15
	£000	£000	£000	£000	£000
Index-linked gilts	153,792	1,516	-	44,620	**199,928**
Cash deposits and instruments	11,618			23	**12,675**
Accrued income	433				**444**
Net investment assets	**165,843**			**44,643**	**213,047**

	Market value at 01.04.13	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Change in market value	Market value at 31.03.14
	£000	£000	£000	£000	£000
Index-linked gilts	156,994	1,468	-	(4,670)	**153,792**
Cash deposits and instruments	9,435			(19)	**11,618**
Accrued income	417				**433**
Net investment assets	**166,846**			**(4,689)**	**165,843**

The change in the market value of investments during the year 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.

Unquoted investments were written down to £nil in 2007 as they were not considered to be readily marketable, although further returns of capital arise as residual holdings are liquidated. During the year no capital distributions (2014: £nil) were received from funds in which the Fund was a limited partner.

As the Fund has invested in long-term bonds, no transaction costs have been incurred during this or previous years.

Investment Assets	**2015 £000**	**2014 £000**
Index-linked		
UK quoted index-linked gilts	199,928	153,792
Cash deposits and instruments		
Sterling	12,463	11,429
US Dollar	212	189
	12,675	**11,618**
Other		
Accrued income	444	433
Net investment assets	**213,047**	**165,843**

The Fund does not participate in stock lending.

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

Investment Assets	2015		2014	
	£000	%	£000	%
UK Government 1.25% Index Linked Gilt 2055	**148.3**	**69.6**	109.2	65.9
UK Government 2% Index Linked Gilt 2035	**51.7**	**24.3**	44.6	26.9

14. Investments

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. No financial assets were reclassified during the accounting period.

31 March 2015	Designated as fair value through profit and loss £000	Receivables £000	Financial liabilities at amortised cost £000
Financial assets			
Fixed interest	199,928	-	-
Cash deposits and instruments	-	13,798	-
Other investment balances	444	-	-
Debtors	-	85	-
	200,372	**13,883**	**-**
Financial liabilities			
Creditors	-	-	**(1,495)**
Net assets of the Fund	**200,372**	**13,883**	**(1,495)**

31 March 2014	Designated as fair value through profit and loss £000	Receivables £000	Financial liabilities at amortised cost £000
Financial assets			
Fixed interest	153,792	-	-
Cash deposits and instruments	-	12,493	-
Other investment balances	433	-	-
Debtors	-	168	-
	154,225	**12,661**	**-**
Financial liabilities			
Creditors	-	-	**(1,289)**
Net assets of the Fund	**154,225**	**12,661**	**(1,289)**

b) Net gains and losses on financial instruments

	2015 £000	2014 £000
Investment Assets		
Fair value through profit and loss	**44,643**	(4,689)
Total change in market value	**44,643**	**(4,689)**

c) Fair value of financial instruments and liabilities

	2015		2014	
	Carrying Value £000	Fair Value £000	Carrying Value £000	Fair Value £000
Financial assets				
Fair value through profit and loss	**199,928**	**199,928**	153,792	153,792
Receivables	**14,327**	**14,327**	13,094	13,094
Financial liabilities				
Receivables	**(1,495)**	**(1,495)**	(1,289)	(1,289)
Net assets of the Fund	**212,760**	**212,760**	**165,597**	**165,597**

The authority has not entered into any financial guarantees that are required to be accounted for as financial instruments.

d) Valuation of financial instruments carried at fair value

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

Level 1

Financial instruments at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index-linked securities and unit trusts.

Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2

Financial instruments at Level 2 are those where quoted market prices are not available, for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3

Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

Such instruments would include unquoted equity investments and hedge fund of funds, which are valued using various techniques that require significant judgment in determining appropriate assumptions.

The following table provides 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 2015	Quoted market price Level 1	Using observable inputs Level 2	With significant unobservable inputs Level 3	Total
	£000	£000	£000	£000
Financial assets				
Financial assets at fair value through profit and loss	199,928	-	-	**199,928**
Receivables	14,327	-	-	**14,327**
Total financial assets	**214,255**	-	-	**214,255**
Financial liabilities				
Financial liabilities at amortised cost	(1,495)	-	-	**(1,495)**
Total financial liabilities	**(1,495)**	-	-	**(1,495)**
Net assets of the Fund	**212,760**	-	-	**212,760**

Values at 31 March 2014	Quoted market price Level 1	Using observable inputs Level 2	With significant unobservable inputs Level 3	Total
	£000	£000	£000	£000
Financial assets				
Financial assets at fair value through profit and loss	153,792	-	-	**153,792**
Receivables	13,094	-	-	**13,094**
Total financial assets	**166,886**	-	-	**166,886**
Financial liabilities				
Financial liabilities at amortised cost	(1,289)	-	-	**(1,289)**
Total financial liabilities	**(1,289)**	-	-	**(1,289)**
Net assets of the Fund	**165,597**	-	-	**165,597**

15. Nature and extent of risks arising from financial instruments

Risk and risk management

The investments of the Fund are sufficient to meet one year's liabilities, but also provide a mechanism for the Fund to becoming self funding in due course. Investments are held to match a proportion of the liabilities and not to generate excess return or material risk.

Considerations of investment risk are integrated into the Fund's Investment strategy, responsibility for which rests with the Pension Fund Committee. In addition, the Fund maintains a Register of risks which includes investment risks, and the Fund, working with its advisers, regularly monitor investment risks within the Fund, enabling the pension committee to consider risk as required.

Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. All securities investments present a risk of loss of capital. The Fund is exposed to market risk from its investment holdings. However, the Fund only holds a single class of low risk assets, which provide a match to long-term liabilities, so long-term risks are low, and short-term risks are only relevant in the context of maintaining sufficient assets to meet the next year's liabilities.

Market risk – sensitivity analysis

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 2014-15 reporting period.

Asset Type	Potential Market Movements (+/-)	% of Fund
UK bonds	8.6	93.8
Cash	0.6	6.2
Total fund volatility	**8.1**	**100.0**

The potential price changes disclosed above are broadly consistent with a one-standard deviation movement in the value of the assets. The sensitivities are consistent with the assumptions contained in the investment advisors most recent review.

Had the market price of the Fund investments increased/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 below):

	31 March 2015	31 March 2014
Total net investment assets (£000)	**213,047**	165,843
Percentage change (%)	**8.1**	8.5
Value on increase (£000)	**230,304**	179,940
Value on decrease (£000)	**195,790**	151,746

Interest rate risk

The principal investments of the Fund are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate risks form the majority of the market risk the Fund is exposed to. Most of the investment assets of the Fund are exposed to changes in "real" yields rather than nominal yields. There is a small exposure to short-term interest rate arising from the cash holding, where changes in interest rates will change the income received from cash, however, capital values will not be affected.

More significantly, the Fund's liabilities are also estimated using long-term real interest rates. The interest rate exposure in the Fund's liabilities is materially greater than, and in an opposite direction to, the exposures in our fixed interest portfolios. Thus the overall impact of interest rate movements on the funding level of the Fund is significantly different from that implied below. Effectively, the Fund's holdings of fixed income assets provide a partial hedge to the interest rate risk in our liabilities. The Fund monitors this position through regular estimation of its funding position which includes sensitivity analysis of these risks.

Interest rate risk sensitivity analysis

The Fund recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. A 100 basis point (BPS) movement in interest rates is consistent with the level of sensitivity applied as part of the Fund's risk management strategy. This interest rate exposure has to be multiplied by the modified duration of the investments to obtain the risk to capital values.

The analysis that follows assumes that all other variables, in particular exchange rates; remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 100 BPS change in interest rates. The Fund's investment advisor has advised that long-term average rates are expected to move less than 100 basis points from one year to the next.

Currency risk

	As at 31 March 2015 £000	As at 31 March 2014 £000
Holdings of Fixed interest securities	**199,928**	153,792
Estimated duration of assets	**30.4**	29.7
Change in value of fund if rates rise 1%	**(60,778)**	(45,713)
Change in value of fund if rates fall 1%	**60,778**	45,713

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 has no material exposure to currency risk on financial instruments that are denominated in any currency other than the functional currency of the Fund (£UK).

Credit risk

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. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities. Furthermore, the majority of the Fund's investments are in British Government securities with minimal credit risk.

Credit risk also arises inevitably with transactions and trading. However, the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

To minimise credit risk exposure in our cash holdings, most of our cash is held in a "Aaa" rated money market fund run by our custodian Northern Trust – this fund invests in a wide range of cash instruments and has limited exposure to any individual institution, Furthermore, it is legally separate from our custodian, which should safeguard our investment in the case of the default of the custodian.

The Pension Fund believes it has managed its exposure to credit risk, and has had no experience of default in cash deposits or uncollectible deposits over the past five financial years. The Fund's cash holding under its treasury management arrangements as at 31 March 2015 was £13.8m (31 March 2014: £12.5m).

This was held with the following institutions:

Summary	Ratings by Moody's	Balances as at 31 March 2015	Balances as at 31 March 2014
		£000	£000
Money market funds			
Northern Trust	Aaa	**12,675**	11,618
Bank current accounts			
National Westminster Bank Plc	A2	**1,123**	875
Total		**13,798**	**12,493**

Liquidity risk

Liquidity risk represents 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 the Pension Fund has adequate cash resources to meet its commitments. This will particularly be the case for cash from the cash flow matching mandates from the main investment strategy to meet the pensioner payroll costs; and also cash to meet investment commitments.

The Fund has immediate access to its pension fund cash holdings. The Fund defines liquid assets as those that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert into cash. As at 31 March 2015 the Fund has no material exposure to illiquid assets. Management prepares periodic cash flow forecasts to understand and manage the timing of the Fund's cash flows. The appropriate strategic level of cash balances to be held forms part of the Fund investment strategy. All financial liabilities at 31 March 2015 are due within one year.

Refinancing risk

The key risk is that the EAPF will be bound to replenish a significant proportion of its pension fund financial instruments at a time of unfavorable interest rates. The Fund does not have any financial instruments that have a refinancing risk as part of its investment strategy.

16. Funding arrangements

In line with the Local Government Pension Scheme (Administration) Regulations 2008, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting the Guarantor's employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2013. The next valuation will take place as at March 2016.

The funding policy focuses on ensuring that sufficient assets are available to meet all liabilities as they fall due for payment. The Fund's benefits are underwritten by the Department for the Environment, Food and Rural Affairs (Defra) who have agreed to a funding plan that involves half yearly cash injections to meet the following six months' expected benefit expenditure.

At the 2013 actuarial valuation, the Fund was assessed as 19% funded (14% at the March 2010 valuation). This corresponded to a deficit of £694m (2010 valuation: £781m) at that time.

The level of contribution payable to the Fund is not directly determined from the past service deficit position. Instead a cash flow approach is used where the contributions are paid by Defra on a six monthly basis depending on expected benefits and expenses payable from the Fund for the following six months. The projected payments due from Defra over the three-year period ending 31 March 2017 and are shown in the table below:

Year	Projected payments due £000
2014-15	£73.2
2015-16	£70.2
2016-17	£67.9

The projected payments allow for expected administration and investment expenses.

The valuation of the fund has been undertaken using the projected accrual benefit method. The principal assumptions were:

Financial assumptions

	%	Descriptions
Investment return (Discount rate)	3.0%	Yield on long-term fixed interest Government bonds
Retail price inflation (RPI)	3.0%	The difference between yields on fixed and index-linked Government bonds at the valuation date less 0.3% in respect of the inflation risk premium
Pension increases	2.2%	CPI (assumed to be 0.8% less than RPI)

Longevity assumptions

Life expectancy is based on the Fund's Vita Curves with improvements in line with the CMI 2010 model assuming that the current rate of improvement has reached a peak and will converge to the long-term rate of 0.5% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

Pensioners	Males	Females
Current pensioners	20.8 years	22.7 years
Future pensioners*	21.5 years	24.4 years

* Figures assume members aged 55 as at the last formal valuation date.

Commutation assumption

It is assumed that future retirees will take 50% of the maximum additional tax-free lump sum up to HMRC limits.

17. Actuarial present value of promised retirement benefits (IAS26)

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 16). The actuary has also used 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 £729m (2014: £750m). This figure is used for statutory accounting purposes by Defra. The assumptions underlying the figure are set out in Defra's statutory accounts. 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 Year ended 31 March 2015	% p.a.
Pension increase rate	**2.20%**
Discount rate	**3.55%**

18. Current assets

	2015	2014
	£000	£000
Cash at bank	1,123	875
Debtors		
Overpaid pensions due to be returned	58	62
VAT debtor and bank interest receivable	27	106
Total	**1,208**	**1,043**

Analysis of debtors

	2015	2014
	£000	£000
Other entities and individuals – Pensions to be returned/interest	59	63
Central government bodies – VAT return	26	105
Total	**85**	**168**

19. Current liabilities

	2015	2014
	£000	£000
Creditors		
PAYE	748	747
Administration and investment expenses	333	278
Benefits payable	412	261
Sundry	1	2
Tax payable on refunds	1	1
Total	**1,495**	**1,289**

Analysis of creditors

	2015	2014
	£000	£000
Central government bodies – PAYE and tax on refunds	749	748
Other entities and individuals – admin fees and benefits payable	726	496
Government agencies – Environment Agency	-	24
Independent parliamentary bodies – NAO fees	20	21
Total	**1,495**	**1,289**

20. Related party transaction

During the year ended 31 March 2015, the Environment Agency recharged pensions administration costs to the Fund of £277k (2014: £293k).

Benefits payable exclude £10m (2014: £11m) for historical unfunded pensions liabilities of the Environment Agency in respect of compensatory added years and water company pension scheme charges paid via the pensions administrator. This has been recharged to the Environment Agency and funded by Grant-In-Aid from Defra.

One member of the Committee was in receipt of a retirement pension payable from the Closed Fund but retired on 16 June 2014.

21. Contingent liabilities

There are no contingent liabilities as at 31 March 2015 (2014: £nil).

22. Contingent assets

There are no contingent assets as at 31 March 2015 (2014: £nil).

23. Impairment losses

For the year to 31 March 2015 the Fund has recognised an impairment loss of less than £0.1m (2014: less than £0.1m) for the non-recovery of pensioner death overpayments.

24. IAS 10: Authorisation for issue

The Environment Agency Closed Pension Fund annual report and financial statements are laid before the Houses of Parliament by Defra. IAS 10 requires the Environment Agency Closed Pension Fund to disclose the date on which the annual report and financial statements are authorised for issue. The authorised date for issue is 1 July 2015

The annexes

Annex 1 – Government Funding Agreement

Extract from a letter sent on 15 April 2004 by Paul Boateng (Chief Secretary to the Treasury) to the Rt Hon Margaret Beckett (Secretary of State for the Environment).

Environment Agency Closed Pension Fund

"Thank you for your letter of 18 March requesting a change in the arrangement agreed in the 2002 spending review for funding the liabilities of the Environment Agency Closed Pension Fund. I am prepared to agree to the revised arrangements you suggest for the 2004 spending review baseline year. The funding of the Environment Agency Closed Pension Fund will remain ring-fenced and will reduce over time in line with the unwinding of the liability".

Paul Boateng

Extract from a letter sent on 15 July 2004 by the Rt. Hon Margaret Beckett (Secretary of State for the Environment) to Sir John Harman (Chairman of the Environment Agency).

Environment Agency Closed Pension Fund

The Environment Agency Closed Pension Fund is in actuarial deficit. Current valuations indicate that the assets available will not meet its future liabilities and the Fund will be exhausted by autumn 2006. Section 173 of the Water Act 1989 gave me the function of providing funding to enable the liabilities of the Fund – a public service, final salary, funded pension scheme – to be met. I propose to exercise this function through stabilisation of the Fund and annual top-up payments from April 2006.

The assets of the Fund should be allowed to run down (rather than be liquidated) and then stabilised through annual top-up payments using section 173 provisions of the Water Act 1989, thus meeting ongoing liabilities on a pay-as-you-go basis. The Chief Secretary to the Treasury has agreed to this and that we should retain financial cover sufficient to fund annual costs from 2006/07.

Actuarial valuations indicate that the Fund will fall below the £100m mark – the equivalent of a little over annual outgoings in the latter half of 2005/06. I therefore propose to top-up the Fund in April/May 2006 and again in September/October 2006 by a total amount equivalent to its annual outgoings as determined by actuarial forecasts. This will be repeated in subsequent years, with the amount proportionate to the actual Fund liabilities.

I confirm that the implementation of these proposals will not either dilute or remove my statutory funding function under section 173 of the Water Act 1989. The Fund pensioners will not see any change in how their individual pensions are paid, and they can be certain that their entitlement will be met. I would therefore commend these arrangements to you, to the Agency's Pensions Committee and to the Fund's members.

Margaret Beckett

Memorandum of understanding

Between: The Secretary of State for Environment, Food and Rural Affairs of Nobel House, 17 Smith Square, London SW1P 3JR ("the Secretary of State"); and

The Environment Agency – Pensions Committee of Rio House, Waterside Drive, Almondsbury, Bristol, BS32 4UD ("the Agency").

Background

(i) The Environment Agency Closed Fund ("the Closed Fund") is vested in, and required to be maintained by, the Environment Agency by regulation 2(1) of the Local Government Pension Scheme (Environment Agency) Regulations 1996.

(ii) Before 1989, the Water Authorities Superannuation Fund ("WASF") served the former Regional Water Authorities in England and Wales. Under the Water Act 1989 their water supply and sewerage functions were transferred to newly created water companies, together with the relevant employees. The pension liabilities and assets in respect of such employees were transferred from the WASF to the new water company pension schemes. The pension liabilities and assets in respect of the remaining employees, and also of the former employees and pensioners, were transferred with the WASF to the National Rivers Authority ("the NRA"), which set up a pension fund for its own employees ("the Active Fund") into which were transferred the pension liabilities and assets in respect of the said remaining employees.

(iii) Following the transfer of active employed members to both the water company pension schemes and the Active Fund, the only remaining members of the WASF were deferred and pensioner members. No further members were admitted to it, so that it became a closed scheme ("the Closed Fund"). The Secretary of State and the NRA accepted the possibility that, in due course, the Closed Fund could have insufficient resources to meet its pension liabilities. With effect from 1 April 1996 the Agency assumed the functions of the NRA and the Closed Fund is now known as the Environment Agency Closed Fund.

(iv) The Closed Fund is maintained for the purposes of Section 7 of the Superannuation Act 1972, and accordingly the Secretary of State has the function conferred by Section 173 of the Act to make such payments into the Closed Fund as may be considered appropriate in respect of the actual and prospective liabilities falling from time to time to be met out of the Closed Fund for the benefit of its members ("the Closed Fund members").

(v) As at 31 March 2004, the Closed Fund's FRS 17 valuation indicated that it had a net deficit for accounting purposes of £826,600,000 and its actuarial valuation indicated that it had a funding level of 21% which corresponded to a net past service reserve deficit of £880,000,000. The value of the liability under both valuations is sensitive to future mortality rates, inflation rates, and the discount rate used.

(vi) This Memorandum of Understanding sets out the mechanism whereby the Secretary of State will exercise the function under section 173 of the 1989 Water Act with a view to addressing the deficit in the Closed Fund.

(vii) This Memorandum has been agreed between the Secretary of State and the Environment Agency and the arrangements for funding the Closed Fund have been approved by Her Majesty's Treasury pursuant to that section, as indicated in the letter of 15 April 2004 from the Chief Secretary to the Secretary of State, subject to the conditions referred to in that letter.

Payments into the Fund

(viii) The Closed Fund's funding level continues to deteriorate, and on actuarial advice it is assumed that the value of the assets will reduce to a level of between £50 million and £60 million by about April 2006. With effect from that date the Secretary of State will ensure that cash payments are made into the Fund each year totaling an amount equivalent to its total annual outgoings (defined as total anticipated payments to pensioners, transfers out of the Closed Fund, investment management or other agents' fees, administration costs, and all other liabilities or expenses whatsoever, less interest earned on such cash payments made to the

Environment Agency for the Closed Fund during the year) to be calculated and properly certified by the Environment Agency in accordance with actuarial advice received.

(ix) Such payments will be solely to finance the Closed Fund's annual outgoings and will be treated separately from the Environment Agency's mainstream finances. They will be made every six months, with the sums to be paid equaling the amount of the Fund's outgoings for the previous six months. The first payment into the Fund will be made in April 2006. These payments will continue until the liabilities of the Closed Fund have been met in full. Latest actuarial projections indicate that this will occur in 2062.

(x) These payments will be in the form of ring-fenced grant-in-aid from the Secretary of State and will be paid twice each year in April and October through the normal grant-in-aid procedures to the Environment Agency

(xi) The Environment Agency will provide the Secretary of State with a copy of actuarial advice received and such information as is reasonably required to illustrate how the payments certified as payable have been calculated. Any assets held in the Closed Fund in excess of the payments will be retained to protect against minor variations in outgoings until a certificate of the actuary to the Closed Fund confirms that their retention is unnecessary. A copy of any such certificate shall be provided by the Environment Agency to the Secretary of State.

(xii) Payments made by the Secretary of State into the Closed Fund will be reported in Defra's annual accounts together with the Closed Fund's liability in accordance with FRS 17 (or any replacement accounting standard).

Payments to pensioners

(xiii) Nothing in this Memorandum will affect the Environment Agency's role in the making of payments from the Closed Fund which are to be made in accordance with the Local Government Pension Scheme Regulations 1997 ("LGPS Regulations").

Control, monitoring and review

(xiv) The Environment Agency will manage the residual assets of the Closed Fund according to the high standards of financial integrity expected of those responsible for the management of public assets. The Environment Agency will invest any surplus funds, as required by the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 and in accordance with the Closed Fund's Statement of Investment Principles and Funding Strategy Statement. The Environment Agency's procedures and the accounts of the Fund will continue to be the subject of an annual external audit, and nothing in this Memorandum affects the need for an actuarial valuation of the Closed Fund as required by the LGPS Regulations.

(xv) For monitoring purposes, the Environment Agency will inform the Secretary of State of the Closed Fund's liabilities at the end of each financial year in accordance with FRS 17 (or any replacement accounting standard).

(xvi) This information will be used to update provisions in the annual accounts of Defra. Significant variations from profiled grant-in-aid payments will be fully justified by the Environment Agency.

(xvii) This Memorandum shall only be amended by the agreement in writing of both the Secretary of State and the Environment Agency.

Brian Bender,
Accounting Officer,
Defra

On behalf of the Secretary of State for
Environment, Food and Rural Affairs

Barbara Young,
Accounting Officer,
Environment Agency

On behalf of the Environment Agency

Date of signature: 17 May 2005

Annex 2 – Funding Strategy Statement

Introduction

In accordance with Regulation 35 of the Local Government Pension Scheme (Administration) Regulations 2008 and the guidance paper issued in October 2012 by the Chartered Institute of Public Finance and Accountancy (CIPFA) this document constitutes the Funding Strategy Statement (FSS) of the Environment Agency Closed Fund ("the Fund"), which is administered by the Environment Agency ("the Administering Authority"). This statement has been reviewed as part of the 2013 actuarial valuation process.

Fund history

The Fund has been closed to new entrants and accruals of future service since 1989. The Fund's liabilities are statutorily guaranteed by the Department for the Environment, Food and Rural Affairs ("the Guarantor") under section 173 of the Water Act 1989 and it is unique in this respect in the family of Local Government pension funds. The Memorandum of Understanding between the Secretary of State for Environment, Food and Rural Affairs and the Environment Agency – Pensions Committee sets out the mechanism whereby the Guarantor makes payments to the Fund.

Profile of Liabilities

As at 31 March 2013, the Fund contained some 15,300 pensioners and around 2,700 deferred pension members (including unpaid refunds) whose benefits have yet to come into payment. The average age of members in receipt of pensions in payment was around 76 years, and almost 56 years for the deferred pensioners.

Around 50% of the liabilities are expected to be discharged over the next 10 years, but the remaining liabilities could take a further 40-50 years to come close to being extinguished. The final payment from the Fund may not be paid until the end of the 21st century.

The Fund's assets are expected to be sufficient to meet the outstanding expected benefit and expense outgo by 2030.

The discounted mean term of the liabilities – a measurement of duration of the liabilities that can be useful in matching liabilities to bond durations - is currently around 9.4 years, and will only fall very gradually.

As at 31 March 2013, the fund assets were £166m (£125m at 31 March 2010) and the value placed on the liabilities (discounted in line with the minimum risk return available on Government bonds) was £860m (£906m) resulting in a funding level of 19% (14%) and a funding deficit of £694m (£781m). Benefit expenditure flowing out of the Fund is running at around £79m a year. This excludes the additional 'unfunded' pension payments of around £11m a year which are paid to Closed Fund members for added years awarded on retirement. The Administering Authority receives grant-in-aid from the Guarantor for these payments.

Regulatory Framework

The FSS forms part of a framework which includes:

- The Local Government Pension Scheme Regulations 1997 (regulation 144 is particularly relevant).
- The Local Government Pension Scheme (Administration) Regulations 2008 (as amended) (regulations 35 and 36).
- The Statement of Investment Principles.

The FSS has been prepared by the Administering Authority in collaboration with the Fund's actuary, Richard Warden of Hymans Robertson, after consultation with the Guarantor, and its investment consultant, Paul Potter of Hymans Robertson.

Reviews of FSS

This FSS applies with effect from 31 March 2014 for lump sum contributions payable in the Fund's financial year 2014-15 and thereafter. The principles documented herein have been used for the actuarial valuation as at 31 March 2013.

The FSS is reviewed in detail at least every three years alongside the triennial valuations being carried out, with the 31 March 2016 valuation due to be completed by 31 March 2017. The FSS is a summary of the Fund's approach to funding liabilities. It is not an exhaustive statement of policy on all issues.

Purpose

The Department for Communities and Local Government (CLG) has stated that the purpose of the FSS is:

- "To establish a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going forward.
- To support the regulatory framework to maintain as nearly constant employer contribution rates as possible.
- To take a prudent longer-term view of funding those liabilities."

These objectives are desirable individually, but not necessarily deliverable together.

In developing the approach the Administering Authority has focused on balancing the desirability of affordability of contributions, transparency of processes, stability of employers' contributions, and prudence in the funding basis.

Purpose of FSS

The Fund is the vehicle used to pay the pensions and related benefits of certain former employees in the water industry in England and Wales prior to its privatisation. The Fund was created by the Water Act 1989 and the payment of Fund outgoings are guaranteed by Defra.

The Fund provides a convenient and efficient vehicle to deliver scheme benefits, in particular by:

- Receiving contributions, transfer payments and investment income.
- Paying scheme benefits, transfer values and administration costs.

Aim of the Funding Policy

The Fund's approach to funding the Guarantors' pension liabilities is focused on ensuring that sufficient funds are available to meet all liabilities as they fall due for payment.

Solvency issues and target funding levels

Reviews of funding position

The Fund's actuary is required by the regulations to report the funding position (or "solvency") of accrued benefits relative to the Fund's solvency target at least every three years. Unlike standard LGPS funds there is no requirement to certify an employer contribution rate.

Between formal valuations the Administering Authority works with the actuary to review the cash flow position of the Fund and the estimated expenditure for the following six months, and future estimates that will fall to the Guarantor in future years.

Solvency

The Fund defines 'solvency' to be the ability to continue to meet ongoing benefit expenditure. As at 31 March 2013, the liabilities of the Fund were only 19% (2010 14%) covered by its assets. Without additional Government funding, the Fund will expect to be exhausted in 2015.

The accrued liabilities are the future payments of pensions and lump sums, allowing for annual CPI increases on pensions in payment. The valuation allows for future investment returns when placing a value on these liabilities. This reduces the value placed on the liabilities.

The ongoing basis does not anticipate future returns from equity investments in excess of Government bond investments.

Ongoing Funding Basis

The Fund actuary agrees the financial and demographic assumptions to be used for each triennial valuation with the administering authority.

The demographic assumptions are intended to be best estimates of future experience in the Fund. They vary by type of member.

The key financial assumption is the rate of CPI inflation applied to pension increases, which has been taken to be 2.2% a year in the 2013 valuation.

For the 2013 valuation, it is assumed that the Fund's investments will deliver a long-term real return (i.e. in excess of retail price increases) in line with index-linked government bonds at the time of the valuation. As at 31 March 2013, the real return on index-linked gilts was 0.3% a year less than RPI increases. However, after allowing for CPI-linked rather than RPI-linked pension increases (which are assumed to be 0.8% a year lower) and for an assumed inflation risk premium of 0.3% a year (the premium that investors are prepared to pay for inflation protection in current bond markets), the real return on index-linked gilts was 0.8% a year more than assumed pension increases.

The Guarantor agreed to commence making contributions to the Fund from April 2006. Payments are made every six months, and are calculated to meet projected benefit expenditure over the following six months. These payments are currently around £40m every six months (£80m a year). This mechanism is detailed in the Memorandum of Understanding between the Secretary of State for Environment, Food and Rural Affairs and the Environment Agency – Pensions Committee.

Links to investment strategy

Funding and investment strategy are inextricably linked. However, going forward the Fund's assets are expected to be modest (approximately £166m) compared to the value of the prospective liabilities (£860m as at 31 March 2013). The performance of the assets will only have a limited effect on the Fund's finances.

Investment strategy

Investment strategy is set by the Administering Authority, after consultation with the employer and after taking investment advice.

The investment strategy currently being pursued is described in the Fund's Statement of Investment Principles.

The Fund has a low risk investment strategy, being invested in a portfolio of index-linked government bonds.

Consistency with funding basis

The funding policy anticipates returns of 0.8% a year in excess of assumed pension increases, in line with the return on index-linked government bonds as at 31 March 2013. The valuation of liabilities makes an allowance for expected future investment expenses.

Balance between risk and reward

Prior to implementing its current investment strategy, the Administering Authority considered the balance between risk and reward from altering the level of investment in potentially higher yielding, but more volatile, asset classes like equities.

The principal remaining uncertainties for the funding and investment policies are:

Longer-term – Greater longevity improvement than anticipated. Higher CPI than assumed increasing liabilities. Inability to re-invest investment income in future to achieve a return of 0.8% a year in excess of pension increases.

Shorter-term - Statistical variations between demographic assumptions and actual experience e.g. numbers of transfer payments.

Intervaluation monitoring of funding position

The Administering Authority monitors the benefit expenditure and cashflow position of the fund on a regular basis to ensure that there are always sufficient assets to meet the benefit expenditure.

Future benefit strategy

Pre 74 pension increase and Water Company recharges

New LGPS regulations gave the Fund the opportunity to streamline the funding, management and administration of certain 'unfunded' historical liabilities. Since the 2010 valuation, bulk transfer amounts totaling £11.4m have been paid from the Fund to around 50 local authorities in order to discharge the liability to meet pre-1974 pension increase recharges. This reduced the Guarantor's annual liabilities by around £2m. In addition, capital payments totaling £2.0m have been made to three Water Company schemes to discharge liabilities relating to the 1989 water privatisation.

Future plans

There are no plans to discharge further Closed Fund liabilities at this point. This will be subject to review at future valuations.

Key risks and controls

Types of risk

The Administering Authority has an active risk management programme in place. The measures that the Administering Authority has in place to control key risks are summarised below under the following headings:

- Financial
- Demographic
- Regulatory

Financial risk

The main financial risks are those relating to the level of future inflation and the ability to reinvest income. The development over time of these factors will be monitored regularly, alongside the cashflow monitoring.

Demographic risk

The main demographic risk is that improvements in longevity might be greater than allowed for. At the triennial valuations the Administering Authority and the actuary will make appropriate mortality assumptions. The appropriateness of these assumptions will be reviewed at the triennial valuations.

In order to control this risk further the Fund now uses bespoke 'baseline' longevity assumptions, based on the pooled mortality experience of over 160 large occupational pension schemes, to allow for the individual characteristics of each individual member in the Fund.

In the short term, there may be other areas where the demographic experience differs from that assumed (e.g. transfer payments). Such variations should be highlighted by the regular cash flow monitoring.

Regulatory

There is a risk that new legislation could impact on the Fund. The Administering Authority considers all consultation papers issued by the CLG and comments where appropriate.

Approved by the Pensions Committee on 30 September 2013 and this statement will be reviewed following the 2016 triennial valuation.

Annex 3 – Statement of Investment Principles

Introduction

This is the Statement of Investment Principles adopted by the Environment Agency as Administering Authority of the Closed Pension Fund ("the Fund") on 16 June 2014 as required by the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 It is subject to periodic review, and within six months of any material change in policy regarding any matter referred to in this statement, by the Pensions Committee ("the Committee"), which acts on the delegated authority of the Environment Agency's Board. In preparing this statement, the Pensions Committee has consulted with such persons as it considers appropriate and has sought and taken written advice from the Investment Practice of Hymans Robertson LLP.

Funding objective

This Statement is consistent with the Fund's funding strategy, which is set out in the Funding Strategy Statement adopted on 30 September 2013. The Fund's solvency is guaranteed by the Government, in the form of the Secretary of State for Environment, Food and Rural Affairs ("the Guarantor"). The level of the Guarantor's contributions is reviewed every six months. The Fund's invested assets are small relative to the value of its prospective liabilities. The majority of the Fund's invested assets comprise long dated index linked government bonds, on the basis that the Guarantor will meet pension payments until the value of the remaining liabilities is equivalent to the Fund's remaining assets.

Investment strategy

The Pensions Committee has translated its objectives into a suitable investment strategy for the Fund.

The investment strategy takes due account of the specific liability profile of the Fund, together with the planned funding arrangements agreed with the Fund's Guarantor.

The strategy is consistent with the Committee's views on residual asset management on the appropriate balance between maximising the long-term return on investments and minimising volatility and risk. The Committee is adopting a low-risk approach by investing in index-linked government bonds. It is intended that the investment strategy will be reviewed at least every three years following actuarial valuations of the Fund.

The assets comprise a portfolio of index-linked government bonds invested with Sarasin & Partners LLP and a small portfolio of unquoted equities – the value of which has been written down to nil - which is managed internally and is currently being run down.

In order to achieve its investment objectives, the Pensions Committee has agreed the following in respect of the Sarasin & Partners LLP portfolio:

Choosing investments: The Committee will appoint an investment manager (currently Sarasin & Partners LLP) authorised under the Financial Services and Markets Act 2000 to undertake investment business. The Committee, after seeking appropriate investment advice, has given the manager specific directions as to the securities to be held. The assets are held on a non-discretionary basis by Sarasin & Partners LLP.

Kinds of investment to be held: The Fund will invest in index linked government bonds and cash only. The Committee considers these classes of investment to be suitable in the circumstances of the Fund.

Balance between different kinds of investments: The Committee believes that the investments held represent an appropriate balance of investments relative to the Fund's liabilities.

Risk: The Committee provides a practical constraint on the Fund's investments deviating from the intended approach by specifying the particular bonds to be held.

The Fund is exposed to a number of other risks which pose a threat to the Fund meeting its objectives, such as changing demographics and custody and counterparty risk.
The Committee keeps mortality and other demographic assumptions, which could influence the cost of benefits, under review. In addition, the Committee has a process of regular scrutiny and audit of providers to the Fund.

Expected return on investments: Over the long-term, the overall level of investment return is expected to be consistent with the rate of return assumed by the actuary in the Actuarial Valuation of the Fund.

Realisation of investments: The bonds held within the Fund may be realised quickly if required.

Exercise of Voting Rights: There are no voting rights attached to index-linked government bonds.

Social, Environmental and Ethical considerations: The Committee does not feel there are any such considerations by investing in index-linked government bonds.

Stock lending: The Fund does not engage in any stock lending.

Statement of compliance with the Myners Principles

In 2000 the UK Government commissioned a review of institutional investment in the UK. The review, undertaken by Lord Myners, set out ten principles codifying a model of best practice in pension fund governance, investment decision-making and disclosure. In 2008 the Government published a revised set of six principles against which we have compared ourselves and provided a summary below. Further details and evidence is contained with the documents referenced in our Annual Report and Financial Statements and on **www.eapf.org.uk**

Myners principle	Evidence of compliance and justification for non-compliance
Principle 1: Effective decision-making	
Administering authorities should ensure that: • Decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to make them effective and monitor their implementation. • Those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest.	Our Fund fully follows this principle. • Our Financial Memorandum, the Pensions Committee Terms of Reference, Standing Orders and Pension Funds Scheme of Delegation, clearly set out the governance structure and levels of responsibility of the Committee, Sub-Groups, officers and external suppliers. Our statutory Governance Compliance Statement provides further detail. • The Pensions Committee retains overall responsibilities for Fund and investment strategy. • The Pension Committee appoints a number of professional external advisers for investment, legal advice, actuarial services and fund management. These are detailed in our Annual Report and Financial Statements. A report on their performance is presented to the Pensions Committee and the Board annually. • The Pensions Committee skills and knowledge is vital to the robust governance of the scheme. Training needs are reviewed regularly and are linked to our risk management framework. Training records are disclosed in the Annual Report and Financial Statements. • Conflicts of interest are identified and records maintained and form part of an annual audit. A record of meeting attendance and training is published in our Annual Report and Financial Statements. • Managers are appointed to invest funds following a comprehensive due diligence process and with input from independent investment advisers.
Principle 2: Clear objectives	
• An overall investment objective(s) should be set for the Fund taking account of the scheme's liabilities, the potential impact on the local taxpayer, the strength of the covenant for non-local authority employers, and the attitude to risk of both the Administering Authority and scheme employers and these should be clearly communicated to advisers and investment managers.	Our Fund fully follows this principle. • In setting the investment objective(s), the Pensions Committee, as the Administering Authority, addresses the balance between risk and reward taking into account the funding arrangements for the Fund. This process is informed by actuarial and investment advice and the use of liability data from the actuarial valuation.

Principle 3: Risk and liabilities	
• In setting and reviewing their investment strategy, administering authorities should take account of the form and structure of liabilities. • These include the implications for local taxpayer, the strength of the covenant for participating employers, the risk of their default and longevity risk.	Our Fund fully follows this principle. • In setting the investment strategy, the Pensions Committee, as the Administering Authority, is informed by actuarial and investment advice The Statement of the Consulting Actuary summarises the assumptions used and the risks are detailed in the Fund Strategy Statement, both of which are included in our Annual Report and Financial Statements.
Principle 4: Performance assessment	
• Arrangements should be in place for the formal measurement of performance of the investments, investment managers and advisers. • Administering Authorities should also periodically make a formal assessment of their own effectiveness as a decision-making body and report on this to scheme members.	Our Fund fully follows this principle. • The Environment Agency has delegated responsibility and accountability for overseeing the Fund to the Pensions Committee. • The Pensions Committee meets 4 times a year and has set up an Investment Sub Group which also meets at least 4 times a year to monitor investment performance and developments. • The Administering Authority monitors investment performance relative to benchmarks and the change in the value of liabilities by means of periodic monitoring reports. • The Pension Committee reviews its effectiveness at each meeting and periodically the outcomes are reported to the Board of the Environment Agency.
Principle 5: Responsible ownership	
Administering authorities should: • Adopt, or ensure their investment manager adopt, the Institutional Shareholders' Committee Statement of Principles on the responsibilities of shareholders and agents. • Include a statement of their policy on responsible ownership in the statement of investment principle.	Partially compliant. • Our Closed Fund assets are two long dated gilts. We undertake responsible investment to the extent that is practical, given the nature of the assets. Responsible ownership policies and practices are reviewed as part of periodic investment strategy reviews.
Principle 6: Transparency and reporting	
Administering authorities should: • Act in a transparent manner, communicate with stakeholders on issues relating to their management of investment, its governance and risks, including performance against stated objectives. • Provide regular communications to scheme members in the form they consider most appropriate.	Our Fund fully follows this principle. • Our Annual Report and Financial Statements details all the material issues relating to the Fund, its investments and administration. It is publicly available in hard copy and via our websites. • A spotlight report for members, providing details about the Fund are available on our website. • Our Communications Policy Statement details the stakeholders we have identified. It also details the communication channels and delivery targets for member communications.

Approved by the Pensions Committee on 16 June 2014.

Annex 4 – Communications Policy Statement

Introduction

The Environment Agency Pension Funds (EAPF) is part of the Local Government Pension Scheme (LGPS), and 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 10,685 active members, 6,923 deferred members and 5,749 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 active members, 2,124 deferred members and 14,166 pensioners. This is the tenth Communications Policy Statement for the EAPF and is effective from 16 June 2015.

We have an agreed strategy for implementing a move to more electronic communication which commenced in 2012 and continues to evolve. The changes are reflected in this policy statement. In particular we have developed our website **www.eapf.org.uk** to provide a knowledge centre for members. Further information with details of any employer related aspects of pensions such as polices 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:

Head of Pension Fund Management
Horizon House
Deanery Road
Bristol
BS1 5AH

Email: **info@eapf.org.uk**
Tel: 0117 934 4600

Regulatory framework

With effect from 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.

(1) The authority—
(a) Must keep the statement under review.
(b) Make such revisions as are appropriate following a material change in its policy on any of the matters mentioned in paragraph (3).
(c) If revisions are made, publish the statement as revised.

(2) The matters are—
(3) The provision of information and publicity about the Scheme to members, representatives of members and employing authorities.
(4) The format, frequency and method of distributing such information or publicity.
(5) The promotion of the Scheme to prospective members and their employers.

As a provider of an occupational pension scheme, we are 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, alongside those defined by the Disclosure Regulations. Communication will always be in accordance with the provisions of Data Protection legislation.

Representation

The EA performs the roles of Administering and Employing Authorities with the Pensions Committee and Pension Board, supported by the Finance Director and the Pension Fund Management team and a variety of external advisors, taking overall responsibility for Administering Authority functions. The EA's Director of Resources and Legal Services and the HR Pensions team perform 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 15 members made up of 4 Board members, 3 Executive members, 1 NRW Executive member, 5 employee/Trades Union nominees, 1 pensioner nominee and 1 deferred member nominee. 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 but Capita carries out 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 in Finance, the HR Pensions' team in Resources and Legal Services and Capita.
All communications including any web based or electronic material are developed jointly by the Pension Fund Management team, Capita's Technical Consultants and Communications team, with support from the HR Pensions' teams.

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 are considering our communications with the following audience groups:

- Contributing members.
- Deferred members.
- Pensioner members.
- Pension Board members.
- Prospective members.
- The employing authorities – Human Resources (HR) and Payroll.

- The EA Board and executive managers.
- Pensions Committee members.
- Recognised Trades Union representatives.
- Pensions staff in Finance and HR and at the Funds' administrator.
- Professional advisors and Funds' investment managers.
- EA and NRW sponsors - Defra and Welsh Government (WG).
- Our auditors - National Audit Office (NAO).
- The LGPS Scheme regulator - Department for Communities and Local Government (DCLG).
- Pensions and investment Media.
- Other stakeholders/interested parties and external bodies.

How we communicate

General communication

2014/15 has seen the EAPF develop a specific Fund identity to meet its needs as a multi-employer Fund. A brand and style guide has been introduced in collaboration with our members that reflects a range of communication specifics ranging from vocabulary, placement of logo, through to colour themes and use of photography. It also provides standard templates for brand consistency.

The EAPF brand is a representation of what the Fund stands for. Applying it consistently in all communications helps re-enforce our integrity, builds trust and familiarity. The brand provides context and a voice to the Fund, helping all stakeholders identify with what we stand for. All our communications are now developed within these guidelines.

Our website was re-launched in 2014 having undergone a restructure that makes it suitable for members of the new CARE scheme and wider stakeholders. This has been achieved by involving user groups to better inform the navigation of the site and by providing a more interactive experience by embedding a modeler, roll over technology, video, and drop down boxes providing pertinent information is bite sized chunks, signposting more in depth information in adjacent factsheets and guides.

The Investment section of our website now caters for Fund members, our Investment partners and other stakeholders and the site has also been re-designed to provide information for our Trustees and employers.

The new website and EAPF Online (member self service), are both fully device enabled so users can access information at a time of their choosing, and via the use of their smart phone or tablet.

September 2014 saw the introduction of webinars for the very first time and this provided us with an opportunity of reaching out to employees nationwide. This led to a very successful implementation and excellent attendee feedback. This approach is beneficial as it helps us to reach a wider audience, it removes the need for travel and time out of the office, and enables us to deliver more sessions based on demand, and offer more choice. The Pension Committee supports the use of webinars going forward.

Our Communications strategy

With the completion of the first phase of our new look **www.eapf.org.uk**, we are now in a position to encourage our members to service their pension needs online. We are working to continually enhance our online proposition, and progress will follow a "digital engagement" plan. This will provide targeted communications to segmented audiences.

This plan is also intended to increase the number of registered users on EAPF Online, to better enable members to understand their benefits, and to encourage more users to go paper free, and receive communications from the Fund digitally.

Accessibility

In accordance with the Welsh Language Act 1993, we provide key publications for pension scheme members in Wales in bilingual versions.

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 will arrange translation on request.

Our website is compliant with Shaw Trust's usability standards.

Performance measurement

To measure the success of our communications with contributing, deferred and pensioner members, we will use the following methods:

Timeliness

We will 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
Annual estimated Benefit Statements as at 31 March	Contributing & deferred members	By 1 April the following year	31 July each year
Telephone calls	All	Not applicable	90% within 15 seconds
Issue of retirement benefits (at Normal retirement date)	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 and 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 five 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 and our website include invitations for comment on content and offer suggestions for future editions and contact details are provided. Capita became the first pension administration provider to be awarded the Investors in Customers (IIC) accreditation. Comments received in the past have provided many useful suggestions that we have been able to incorporate in later publications.

Results

We will publish an overview of how we are performing within our annual report and financial statements and in our annual Spotlight. Full details will be reported regularly to our Pensions Committee and Pension Board.

Review process

We will 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**. Paper copies are available on request.

Approved by the Pensions Committee on 16 June 2015 and reviewed annually.

Enquiries

Any enquiries regarding this Report should be addressed to:

Head of Pension Fund Management
Environment Agency
Horizon House
Deanery Road
BRISTOL
BS1 5AH

Tel: 0117 934 4600
Email: **info@eapf.org.uk**

Enquiries concerning the Environment Agency Pension Scheme or entitlement to benefits should be addressed to:

Environment Agency Pensions Team
Capita
2 Cutlers Gate
SHEFFIELD
S4 7TL

Tel: 0800 121 6593
Email: **info@eapf.org.uk**

The Annual Report and Financial Statements are also available at: **www.eapf.org.uk**

www.gov.uk/government/publications

Environment Agency
Pension Fund

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