

Spotlight



Facts and figures for Active and Closed Pension Funds



Welcome

Welcome to the 2017 edition of Spotlight, your annual publication with all the facts and figures on the Active and Closed Funds.

Spotlight gives you a clear view of both the Active and Closed Funds' financial performance to 31 March 2017. There's also a breakdown of the accounts so that you can see what has come in, and gone out of both Funds throughout the year, as well as updates on membership and asset allocation.

You can view our full annual report and financial statements for both funds [here](#).

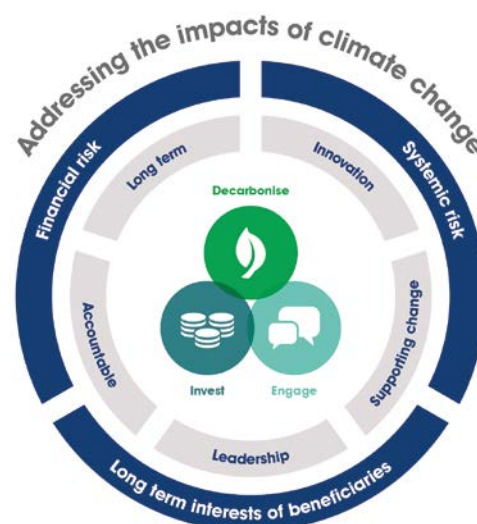
We hope you find Spotlight useful and interesting. We value your feedback, or if you have any questions, please contact us using the details on the last page.

Investments

Policy to address the impacts of climate change

2017 saw us launch our new 'Policy to address the impacts of climate change', which calls on Financial Institutions to demonstrate how they support their clients with respect to managing the financial implications of climate change.

This underlines the progression of the Fund from our first policy written in 2015, and the commitment to 'ensure that our Fund's investment portfolio and processes are compatible with keeping the global average temperature increase to remain below 2°C'. The policy is now available to [download](#).



Transition Pathway Initiative

The Transition Pathway Initiative was introduced in January and has received extensive press coverage. The initiative, co-led by the EAPF and the National Investing Bodies for the Church of England, launched a major initiative to identify companies that pose the biggest climate change risk, and provide a tool that measures how companies manage and how effective they are at achieving carbon reduction. The Fund won a number of awards in recognition.

Pooling our Pension Investments

Last year we told you the government had introduced regulations that require Local Government Pension Scheme (LGPS) Funds to pool investments, in order to improve efficiency.

As a result of this, BBP Ltd was set up to explore the options for pooling investment assets across 10 LGPS Funds. These include our Environment Agency Pension Fund (EAPF) and 9 other Local Government Funds.

We have kept members updated on the development of the pooling of pension investments and confirmed in July 2017 that, following a rigorous assurance process, the Board has approved the Environment Agency Pension Fund's (EAPF) participation as a shareholder in the Brunel Pension Partnership Limited (BPP Ltd). This means the investment operations of our Pension Fund will now be undertaken externally by a specialist organisation, BPP Ltd, which is part controlled and owned by the Environment Agency.

The move is designed to enhance opportunities for performance improvements, reduce fees and extend our globally recognised work on responsible investment to the benefit of the wider pool of funds and their beneficiaries. Critically, it will have no detrimental impact on the pension benefits of our members.

The Environment Agency Board, as Administering Authority for the EAPF, approved the full business case in December 2016. This approval was made on condition that members' pensions are not put at additional risk from investment pooling, there are long-term financial benefits and our approach to responsible investment will be continued both by the EAPF itself and through the pension services to be provided.

The Pensions Committee and Pension Fund officers have worked hard to implement these recommendations and conditions. As a result, the Board were satisfied that the necessary legal and financial assurances were in place to protect the EAPF and its beneficiaries and that the governance supporting BPP is robust.

Our Fund will remain responsible for its strategic investment direction and retains ownership of our assets. There is an opportunity that by pooling our assets and looking to invest together with other Funds, we can make savings through reduction of investment manager fees and lower operating costs.

Our Chair of Pensions Committee, Joanne Segars, will represent the EAPF on the BPP Oversight Board and Ian Brindley, a current member representative on the Pensions Committee, has been selected as a scheme member representative on the Oversight Board.

We are also delighted to announce that Dawn Turner, our former Chief Pension Officer has taken up the role of Chief Executive Officer at BPP Ltd having steered the project from the start. We're also pleased to confirm that Mark Mansley has been appointed as the new Chief Investment Officer and Faith Ward has taken up the role of Chief Responsible Investment Officer.

For more information visit our [Brunel Pension Partnership page](#), where you can find a 'Q&A factsheet' and a full list of the funds involved, or it can be accessed from the Brunel Pension Partnership website directly at www.brunelpensionpartnership.org



Good news from our 2016 actuarial valuation

Every three years, our Fund undertakes a valuation in conjunction with our Actuary. Our 31 March 2016 valuation assessed the Fund's financial position based on our assets and liabilities (pensions built up in the Fund) at that date. We use these results to agree employer contribution rates for the period April 2017 to March 2020.

Our 2016 Active Fund valuation results reflect an ongoing funding level of 103%, which is excellent news (2013: 90%). We anticipate this will be one of the highest in the LGPS. We are responsible investors and our investment performance exceeded assumptions by £260million over the valuation period. We have agreed our employer contribution rates with the employers, remaining committed to ensuring the Fund maintains its good position going forward.

We've also seen the funding position for the Closed Fund improve to 31% at 31 March 2016, from 19% in 2013. We expect this as the Fund continues to mature. It is funded through grant in aid from Defra.

The EAPF have been ranked as a joint top ranked Fund by the Scheme Advisory Board (SAB) for its valuation results. The SAB encourages best practice within the LGPS and produced these rankings on a like for like basis with other LGPS Funds. We're delighted by these results and the recognition received for the overall success of the Fund.

Active Fund investment performance

For the 2016/17 financial year the Fund achieved a very strong return of 19.6%. The key factors were the weakness of sterling after the Brexit vote, and strong equity market returns boosted by the signs of a broadening global economic recovery and a pro-business US President.

Financial Performance to 31 March 2017	2017 %
1 year	
Fund performance	+19.6
Benchmark performance	+21.2
Active Fund relative performance	-1.6
3 year	
Fund performance	+12.1
Benchmark performance	+11.6
Active Fund relative performance	+0.5



Active Fund geographic performance

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

Our Fund managers invest in shares in a number of countries and the table below shows the geographical distribution of quoted and pooled equity investments for 2016/17.

Geographical distribution	2017	
	£m	% of total equity
North America	822.5	49.1
Emerging Markets and other areas	265.8	15.9
Europe (excluding UK)	201.7	12.0
United Kingdom	192.2	11.5
Japan	114.4	6.8
Asia Pacific (excluding Japan)	78.4	4.7
Total	1,675.0	100.0

Active Fund top equity holdings

The top 20 companies in the entire fund. Each holding represents less than 1% of the Fund.



Top 20 companies

Cerner Corporation
Microsoft Corporation
Taiwan Semiconductor Manufacturing Co Ltd
Alphabet Inc
CSL Limited
Unilever
Thermo Fisher Scientific Inc
Mastercard Inc
Ingersoll-Rand PLC
Acuity Brands Inc
Deere & Co
Ansys Inc
Jones Lang LaSalle Inc
Facebook Inc
Water Corp
Hargreaves Lansdown PLC
Delphi Automotive PLC
Tencent Holdings Ltd
Sensata Technologies Holding NV
Becton Dickinson & Co

Active Fund accounts for the year ending 31 March 2017

Fund account	2017 £000
Contributions and transfers	
Contributions	94,858
Transfer values received	3,785
	98,643
Benefits and other payments	
Benefits payable	(84,445)
Payments to and on account of leavers	(2,625)
	(87,070)
Net additions from dealings with members	11,573
Management expenses	(21,536)
Return on investments	
Investment income	45,049
Taxes on income	(1,271)
Change in market value of investments	510,822
Net returns on investments	554,600
Net increase in the Fund during the year	544,637
Opening net assets of the Fund at 1 April	2,729,536
Net assets of the Fund at 31 March	3,274,173

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

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

Closed Fund accounts for the year ending 31 March 2017

Fund account	2017 £000
Income	
Grant-In-Aid	66,871
	66,871
Benefits and other payments	
Benefits payable	(63,752)
Payments to and on account of leavers	(346)
	(64,098)
Net increase from dealings with pensioners and deferred members	2,773
Management expenses	(1,036)
Return on investments	
Investment income	1,686
Change in market value of investments	49,918
Net returns on investments	51,604
Net increase in the Fund during the year	53,341
Opening net assets of the Fund at 1 April	219,173
Net assets of the Fund at 31 March	272,514

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

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

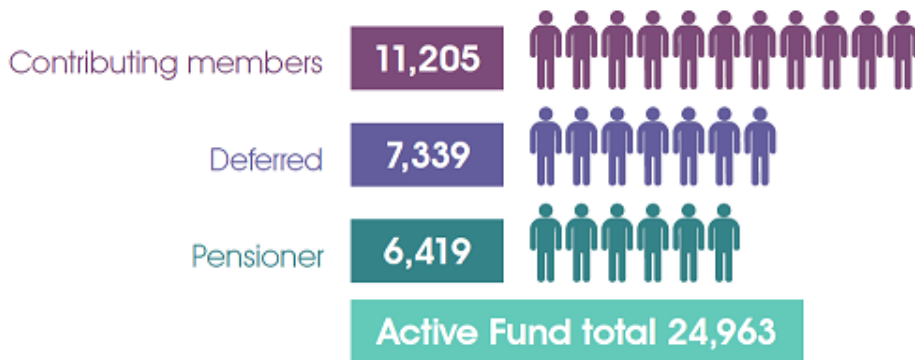
Over the year grant-in-aid received amounted to £66.8 million (£69.9 million for 2015/16) and were used to meet the Fund's obligations to meet pensions and other liabilities.



Fund Membership

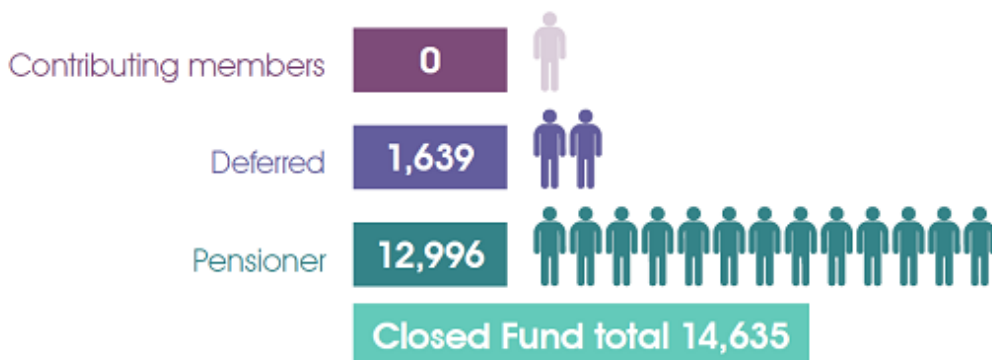
Active Fund at 31 March 2017

Over the year, the total membership of the Active Fund increased by 1047 to 24,963 members.



Closed Fund at 31 March 2017

The Closed Fund saw the total number of current pensioners and deferred members fall to 14,635 during the year.



Member engagement

2016/17 saw us build on the previous year's member webinars. We delivered 18 sessions to 753 members, with a number of topic based sessions for new starters, Investment, Increasing benefits, former HMIP and pre-retirement. This year's pre-retirement session switched emphasis from explaining scheme rules to 'planning and taking control of retirement'.

The Investment sessions were also the first of their kind, and survey responses were very positive, demonstrating an appetite for more information from members, and high satisfaction levels.

Of the attendees who provided feedback (32%), the majority gave really positive feedback about both the content (96%) and the presentation style (99%). Perhaps the most revealing aspect of the exercise was that 96% of respondents would attend future webinars and 94% would recommend to colleagues. 90% felt their learning objectives had been met.

As part of our long term strategy, 2016/17 saw us continue our move to digital communications by analysing our pension data for the purpose of segmenting our members into 5 recognisable groups so that we could improve the way we engage, and the relevance of the contact. The profiles created are also used to help create easier navigation on our public website. We look forward to progressing this in 2017/18.

Awards

Our team has received recognition from a number of quarters in 2016-17.

The Fund was ranked at number 1 in the World Index as part of the Global Climate 500 report and we have maintained our AAA rating for 3 years in a row.

The French Ministry of Environment and 2° investing initiative awarded the EAPF, the best reporting award for the assessment of climate risks and saw the Fund shortlisted at the Pension Age awards for Best Pension Scheme Communications.

The Fund also won 'Best approach to Responsible Investment' at the LGC Awards, maintaining its leadership in this area.

Dawn Turner, Chief Pension Officer, won the Local Government Chronicles (LGC) 'Officer of the year 2016' award.

The LGC recognised Dawn's achievements on collaborative projects on asset pooling and her work on the Investment regulations.

Mark Mansley, Chief Investment Officer was ranked at 12 in a list of the Top 100 Key Individuals of 2016 related to outstanding contribution to his work on Infrastructure and Private markets.

Contact details

Capita look after the day to day administration the Scheme and will be your main point of contact for any questions you have about your benefits. You can contact them by:

-  Using the '**contact us**' button on the website at www.eapf.org.uk
-  Emailing info@eapf.org.uk
-  Calling **0800 1216593**
-  Sending your query to: **Capita, 11b Lingfield Point, Darlington DL1 1AX**