

Environment Agency
Pension Fund

Governance Policy

Version 1 – April 2015



Introduction

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

Flexibility is provided for each Administering Authority to determine their own governance arrangements relating to how they maintain and manage their Fund. This Governance Policy provides high level information in relation to those arrangements and how we govern the Funds.

Purpose

In this policy we set out:

- our governance objectives
- an overview of our governance arrangements
- where you can find further information about our governance arrangements
- how we will monitor performance against our governance objectives
- the key risks to not achieving those objectives.

Objectives

Our main governance objectives are to:

- act in the best interests of the Fund's members and employers
- have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies
- understand and monitor risk
- deliver our services through people who have the appropriate knowledge and expertise, and ensure that this knowledge and expertise is maintained within the continually changing LGPS and wider pensions landscape.
- ensure those persons responsible for governing the EAPF have sufficient expertise to be able to evaluate and challenge the advice they receive, ensure their decisions are robust and well based, and manage any potential conflicts of interest.

Regulatory background

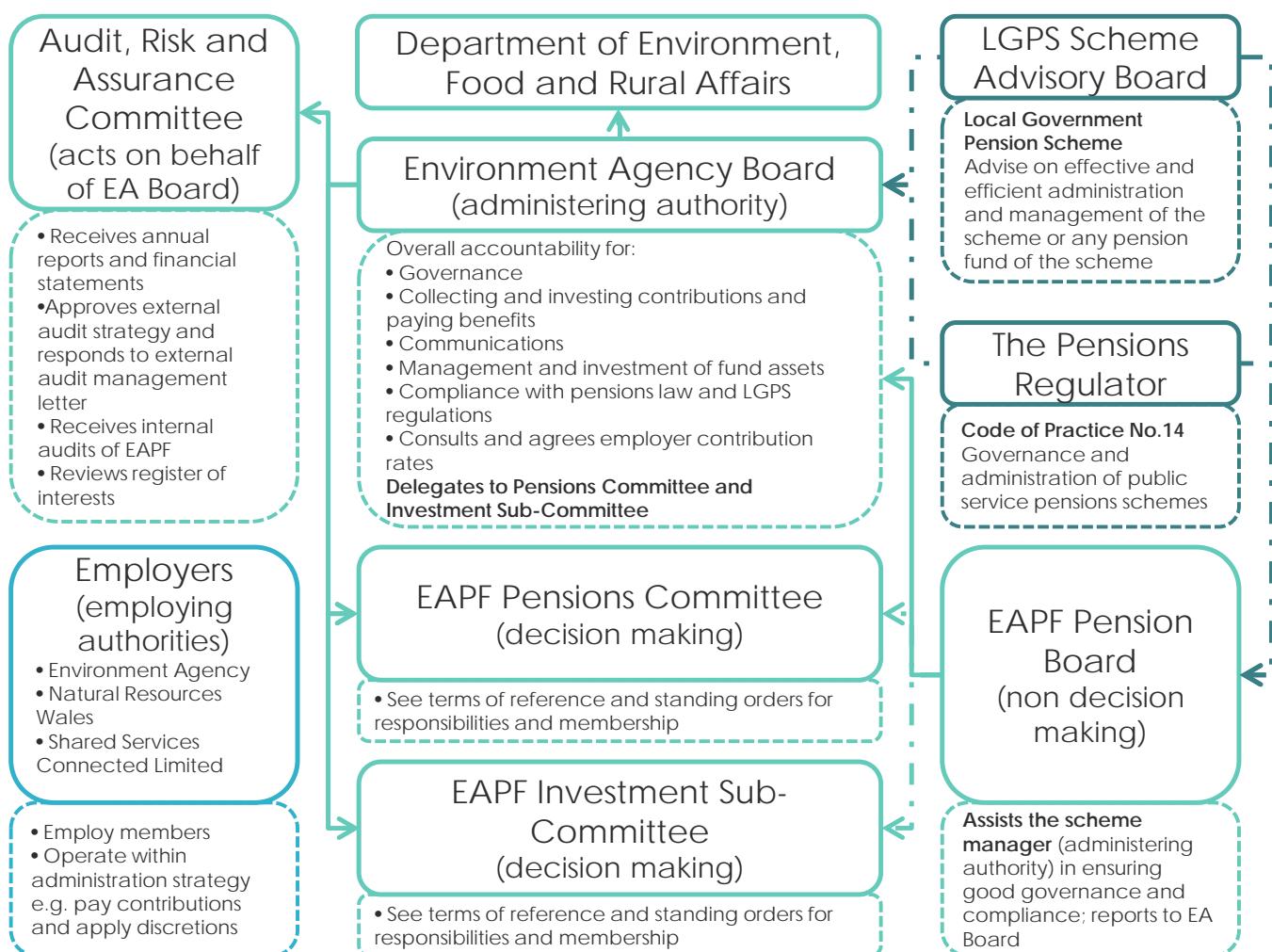
The Scheme is a statutory scheme, established by an Act of Parliament. The Local Government Pension Scheme Regulations 2013 and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 outline the key responsibilities of administering authorities in managing the Scheme.

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

Our Governance Structure

The EAPF is one of around 90 Administering Authorities responsible for managing Scheme Funds in England and Wales. Both Funds were created at the time of the privatisation of the water industry in England and Wales in 1989 and was established as the National Rivers Authority Pension Fund. The former Water Authorities Superannuation Fund was divided in three ways: company schemes for employees transferring to the new water companies; the Active Fund for employees joining the then National Rivers Authority (the predecessor to the Environment Agency); and the Closed Fund for deferred and pensioner members at that time. The Fund inherited active members' accrued liabilities from its predecessor pension arrangements, but no pensioner or deferred pensioner liabilities. In 1996 it transferred to the Environment Agency and became the Environment Agency Active Pension Fund. The EAPF is now a multi-employer Fund: Environment Agency, Natural Resource Wales (NRW) and Shared Services Connected Limited (SSCL). It is open to all eligible Environment Agency employees. The EAPF is also responsible for administering some unfunded benefit payments.

The Environment Agency Board delegates the management and oversight of the Fund in the main to a Pensions Committee, an Investment Sub-Committee and a Pension Board. This governance structure and interaction with some other stakeholders is illustrated further in the following diagram:



Key Governance Documents

The following are the key documents relating to the governance of the Fund. These can all be found on our website <https://www.eapf.org.uk>

Title	Description
The Environment Agency's Framework Document - Schedule 7 (Pensions)	This is issued to the Environment Agency by Defra and sets out the Environment Agency's responsibilities with respect to pensions.
The Pensions Committee, Investment Sub-Committee and Pension Board Terms of Reference and Standing Orders	As defined by the Environment Agency Board, this details the delegated responsibilities of the PC, ISC and Pension Board as well as detailing the membership and meeting procedures such as frequency, quorum and reporting.
Committee and Board Operational Guidance	Approved by the Pensions Committee, this provides more information relating to how the PC and Pension Board will operate and items of business they may wish to consider.
Statement of delegation	The Environment Agency's Scheme of Delegation is approved by the Environment Agency Board. This prescribes the scope of the delegation of powers beyond those included in the PC, ISC and Pension Board Terms of Reference. In particular it details specific delegations to officers and the third party administrators relating to the management of the Scheme. The statement of delegation details the pension extract from the Environment Agency's Non-Financial and Financial Scheme of Delegation; day to day management by Pension Fund Management team; and employing authorities responsibilities and discretions.
Governance Compliance Statement	As approved by the Pensions Committee, this is required by regulation 55 of the Local Government Pension Scheme Regulations 2013. It states how the EAPF complies with Secretary of State guidance.
Training Policy	As approved by the Pensions Committee, this outlines the EAPFs approach to ensuring all key decision makers have the appropriate knowledge and skills
Conflicts of Interest Policy	As approved by the Pensions Committee, this outlines how potential and actual conflicts of interest will be managed in relation to EAPF matters.

Monitoring Governance of the EAPF

The Fund's governance objectives will be monitored as follows:

Objective	Monitoring Arrangements
Act in the best interests of the EAPF's members and employers	The PC, ISC and Pension Board include representatives from scheme members and employers in the EAPF with equal voting rights.
Have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies.	The Risk and Governance Adviser undertakes a regular review of the effectiveness of the EAPF's governance arrangements, the findings of which are reported to the PC and the Environment Agency Board. In line with the Regulations the Governance Compliance Statement will be filed with the DCLG.
Understand and monitor risk	A Risk Management Strategy is in place and integral to day to day management of the EAPF. An annual risk and compliance internal audit is carried out and reported to the Pension Board and Environment Agency Audit Risk and Assurance Committee. Ongoing consideration of key risks at PC and ISC meetings.
Deliver our services through people who have the appropriate knowledge and expertise, and ensure that this knowledge and expertise is maintained within the continually changing LGPS and wider pensions landscape.	Outsourced providers' selected for their expertise, professional knowledge and capabilities to deliver quality and value for money services. Agreed measures, as part of robust contract management, are in place to ensure our objectives are achieved through third parties as appropriate. A Training Policy is in place together with appropriate measures to ensure its objectives are being achieved.
Ensure those persons responsible for governing EAPF have sufficient expertise to be able to evaluate and challenge the advice they receive, ensure their decisions are robust and well based, and manage any potential conflicts of interest.	A Training Policy and Conflicts of Interest Policy are both in place together with appropriate measures to ensure its objectives are being achieved.

Key Risks

We have outlined the key risks to the delivery of this policy below. The Head of Pensions Fund Management will work with the PC, ISC and Pension Board in monitoring these and other key risks and consider how to respond to them.

- Lack of understanding of the roles of the PC, ISC, Pension Board or officers or advisers of the EAPF and, in particular, the risk that some of the current good practice reduces under the revised structure
- Changes in PC membership and/or key officers resulting in loss of continuity and potentially diminishing knowledge and understanding

- Changes in government / legislative requirements meaning insufficient time is allocated to ongoing management at PC, ISC or Pension Board meetings or as part of key officers' duties
- Ineffective delegation of duties and/or presentation of PC items resulting in insufficient time spent on key matters
- Poor attendance and/or a lack of engagement at training and/or formal meetings by PC, ISC, Pension Board and/or other key officers resulting in a poor standard of decision making and/or monitoring
- Conflicts of interest not being appropriately managed by PC, ISC, Pension Board Members and/or key officers.
- Ineffective separation of the Pension Board role resulting in additional and unnecessary work for all involved
- Perception (internal or external) that concurrent meetings and overlapping membership between the Pension Board and Pensions Committee does not provide the desired outcomes.

Implementation and review

This Governance Policy was approved on 25 March 2015 by the EAPF Pensions Committee. It is effective from 1 April 2015 and will be reviewed at least annually to ensure it remains up to date and meets the necessary regulatory requirements.

A current version of this policy will always be available on our website at <https://www.eapf.org.uk> and paper copies will be available on request.

Any enquiries in relation to this Operational Instructions document should be sent to:

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