

Governance Compliance Statement

June 2016



| Version | Reason for change | Approved |
|---------|---|---------------|
| 1 | We have started new numbering to reflect the significant change in governance arrangements from 1 April 2015. This is therefore the first Governance Compliance Statement following the requirement by the Public Service Pensions Act 2013 for the establishment of a Pension Board for each scheme manager by 1 April 2015. | 25 March 2015 |

Background

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

This statement is required to set out:

- (a) whether the authority delegates its functions, or part of its functions under these Regulations to a committee, a sub-committee or an officer of the authority
- (b) if the authority does so
 - (i) the terms, structure and operational procedures of the delegation
 - (ii) the frequency of any committee or sub-committee meetings
 - (iii) whether such a committee or sub-committee includes representatives of Scheme employers or members, and if so, whether those representatives have voting rights
- (c) the extent to which a delegation, or the absence of a delegation, complies with guidance given by the Secretary of State and, to the extent that it does not so comply, the reasons for not complying and
- (d) details of the terms, structure and operational procedures relating to the local pension board established under regulation 53(4) (Scheme managers).

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

This statement was made and approved by the Environment Agency Pensions Committee on 25 March 2015. It was effective from 1 April 2015 and is reviewed at least annually as part of the annual report and financial statement to ensure it remains up to date and meets the necessary regulatory requirements. The statement included in the annual report and financial statements becomes the approved statement for the year unless updated during the year.

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

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

Pension Fund Management | Environment Agency | Horizon House | Deanery Road
Bristol BS1 5AH | E-mail: eapf@environment-agency.gov.uk

Statement

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

| Details to be provided | EAPF |
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| Whether the authority delegates its functions, or part of its functions under these Regulations to a committee, a sub-committee or an officer of the authority | All key pension fund management responsibilities are delegated to the Pensions Committee (PC) other than implementing the Fund's investment strategy which is delegated to the Investment Sub-Committee (ISC). |
| If the authority does so (i) the terms, structure and operational procedures of the delegation | See the Terms of Reference for specifically delegated responsibilities. PC has 14 members and ISC has 7 members. |
| (ii) the frequency of any committee or sub-committee meetings | The ISC and PC meetings are scheduled quarterly. |
| (iii) whether such a committee or sub-committee includes representatives of Scheme employers or members, and if so, whether those representatives have voting rights | The EAPF has three employers. The PC includes 1 Non EA Employer Representative, 5 Active Scheme Member Representatives and 2 Pensioner or 1 Pensioner and 1 Deferred Member Representatives. The ISC includes 3 Scheme Member Representatives and potentially 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 and | See Appendix A. |
| Details of the terms, structure and operational procedures relating to the local pension board established under regulation 53(4) (Scheme managers). | <p>The Pension Board is a non-decision making body responsible for assisting the administering authority in:</p> <p>a) securing compliance with the LGPS Regulations and any other legislation relating to the governance and administration of the Scheme, and requirements imposed in relation to the LGPS by the Pensions Regulator</p> <p>b) ensuring the effective and efficient governance and administration of the LGPS by the Environment Agency Pension Funds.</p> <p>Membership of the Pension Board comprises of 10 members of the Pensions Committee which excludes the 2 Executive Directors members of the Environment Agency and 2 Active Scheme Members.</p> <p>Further information is in the Terms of Reference and Standing Orders and the Operational Guidance.</p> |

Appendix A - 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 |
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| 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 | <p>Our PC has 14 members, appointed by the EA Board and includes:</p> <ul style="list-style-type: none"> 4 Non-Executive EA Board members 2 EA Executive members 1 Non EA Employer Representative 5 Active Scheme Member Representatives 2 Pensioner or 1 Pensioner and 1 Deferred Member Representatives. <p>3 Scheme Member Representatives and the 1 Non EA Employer Representative are also members of the Investment Sub-Committee (ISC)</p> |
| c) That where a secondary committee or panel has been established, the structure ensures effective communication across both levels. | Compliant | The Chair of the Pensions Committee reports to each EA Board meeting. Reports of the ISC meetings are available to all PC members. The Chair of the ISC provides a summary report and draft minutes to the following PC meeting. |
| d) That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel. | Compliant | The membership of our ISC comprises members of the main PC. |
| B – Representation | | |
| a) That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include: | | |
| i) employing authorities (including non-scheme employers, e.g., admitted bodies); | Compliant | The employers of our Closed Fund members no longer exist. Our Active Fund has three employers – EA, NRW and SSCL. We have a non-EA employer member representing NRW and SSCL on the main PC and who may also be on the ISC. |
| ii) scheme members (including | Compliant | The main PC has 7 scheme member |

| Statutory Guidance Governance Standards and Principles | Our compliance status | Evidence of compliance and justification for non-compliance |
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| deferred and pensioner scheme members) | | representatives on it, including 5 active scheme member representatives and 2 pensioner/deferred member representatives, ideally one of each. Our ISC includes 3 scheme member representatives (active, deferred or pensioner). |
| iii) independent professional observers | Compliant | Our independent investment adviser attends all ISC and PC meetings. Our other professional advisers also regularly attend our PC and ISC meetings. |
| iv) expert advisers (on an ad-hoc basis) | Compliant | We invite our expert advisers to attend our PC and ISC meetings as needed. This includes our actuary, legal adviser, risk and governance advisor and investment consultants, pension fund administration consultants, and external auditors. |
| That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers, meetings and training and are given full opportunity to contribute to the decision making process, with or without voting rights. | Compliant | All members of the PC and ISC receive equal access to the papers and training and have full and equal speaking and voting rights in our meetings and decision making processes. |

C – Selection and role of lay members

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| a) That Committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee. | Compliant | New PC members receive an induction and appropriate training that details the role, function and activities of the PC and ISC. Our PC members understand that their primary fiduciary duty of care is our funds' beneficiaries and employers, in whose best interests they are required to act at all times, particularly in terms of investment and financial decisions. They also understand that they are not there to represent or promote their own personal or political interests, and that they must declare any self-interest or conflicts of interest of either a financial or non-financial nature arising from any other roles they may perform and abstain from participation in that item on the agenda. The EAPF has a Conflicts of Interest Policy which is made available to all PC members. |
| b) That at the start of any meeting, Committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda. | Compliant | Declaration of interests is a standing agenda item at the start of all PC and ISC meetings. A register of interests is also maintained and audited annually. |

D – Voting

| Statutory Guidance Governance Standards and Principles | Our compliance status | Evidence of compliance and justification for non-compliance |
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| The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees. | Compliant | Our PC makes decisions by discussion and by building and creating a consensus. All members have equal voting rights on our main Pensions Committee and ISC. |
| E – Training, facility time and expenses | | |
| a) That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process. | Compliant | Our PC has a 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 the ISC are reimbursed the cost of travel and overnight hotel expenses. The cost of all PC and ISC training is met from the pension fund’s budget. |
| b) That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum. | Compliant | The Training Policy applies equally to all PC and ISC members. |
| F – Meetings (frequency/quorum) | | |
| a) That an administering authority’s main committee or committees meet at least quarterly. | Compliant | Our PC usually meets 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 ISC meetings are synchronised to meet 4 times a year before the PC so it 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 ISC. |
| c) That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented. | Compliant | We have 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 |

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| | | 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 committee papers, documents and advice that falls to be considered at meetings of the main committee. | Compliant | All members of our PC and ISC receive the same agenda and papers containing information and advice for each meeting, unless there is a conflict of interest. Members of the PC who are not members of the ISC can request full ISC papers and they also receive summary reports of all meetings. All our PC and ISC members can ask questions of our professional advisers who attend the PC and ISC meetings. |
| H – Scope | | |
| a) That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements. | Compliant | Our PC and ISC meetings all have agenda items on wider LGPS scheme issues, future challenges and risks to our funds, as well as information on our funds’ recent financial and administrative performance. The ISC review their risks at all meetings. The PC carries out annual reviews of fund performance, key strategic risks, and our statutory governance, administration and communications policy statements. It also reviews its own effectiveness at the end of each meeting and annually. |
| I – Publicity | | |
| a) That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements. | Compliant | We publish our Governance Compliance Statement and all other key governance documents and policies on our website, and they are available in hard copy from our Pension Fund Management Team. The Governance Compliance Statement is also published in our Annual Report & Financial Statements. We have an agreed procedure for appointment of new employee, pensioner and deferred member nominees to our PC when vacancies arise working in conjunction with our Trades Unions and all employers. |