

TERMS OF REFERENCE AND STANDING ORDERS OF THE PENSIONS COMMITTEE, PENSION BOARD AND INVESTMENT SUB-COMMITTEE

1 February 2018

Environment Agency Pensions Committee, Pension Board and Investment Sub-Committee

Terms of Reference

- 1.1 The Pensions Committee (PC) and its Investment Sub-Committee (ISC) are appointed as a Committee and Sub-Committee of the Environment Agency Board and all Committee Members are appointed by the Environment Agency Board. The Environment Agency is the administering authority for the Environment Agency Active and Closed Funds (the Funds). In its role as the administering authority, the Environment Agency owes fiduciary duties to the employers and members of the EAPF and must not compromise this with its own particular interests.
- 1.2 The PC's principal aim is to consider pensions matters with a view to safeguarding the interests of all pension fund members. The specific responsibilities of the PC are:
- a) Approving the Funds' objectives and strategies. Ensuring the Funds are managed and pension payments are made in compliance with the extant Local Government Pension Scheme Regulations, Her Majesty's Revenue & Customs requirements for UK registered pension schemes, all other relevant legislation and have regard to best practice guidance.
 - b) Agreeing the Funds' business plans, risk management arrangements and monitoring progress against them.
 - c) Recommending the fund's annual reports and accounts for approval by the Environment Agency Board.
 - d) Recommending the employer contribution to the Environment Agency Board
 - e) Receiving internal and external audit reports and implementing necessary changes, and approving external audit strategy.
 - f) Agreeing appointment, monitoring and dismissal of professional advisors and service providers.
 - g) Agreeing the administering authority responses to consultations on LGPS matters and other matters where they may impact on the Funds or their stakeholders.
 - h) Establishing temporary working groups to examine particular issues.
 - i) Advising the Environment Agency Board on wider pensions issues.

Governance specific matters

- j) Approving the Funds' Governance Policy and Compliance Statement within the framework (Terms of Reference, Standing Orders and Scheme of Delegation) as determined by the Environment Agency Board and making recommendations to the Environment Agency Board about any changes to that framework.
- k) Agreeing the Funds' Training Policy for all Pension Committee members and for all officers of the Funds.
- l) Formulating, approving and regularly reviewing the Funds' investment strategies; Investment Strategy Statements; Responsible Investment Policy and related strategies; and Myners Compliance Statement.

- m) Setting investment targets and ensuring these are aligned with the Funds' specific liability profile and risk appetite, taking into account advice from the independent professional advisers, investment consultant and the views of investment managers.
- n) Receiving minutes and updates from ISC.

Funding specific matters

- o) Approving and monitoring the Funds' Funding Strategy Statements , overseeing the triennial valuation and inter-valuation funding assessments , and working with the actuary in recommending the appropriate level of employer contributions and consulting with each employer.
- p) Approving and implementing the Funds' Admission and Bulk Transfer Policies including approval of Active Fund entry into an Admission Agreement with an appropriate Admission Body in line with these published policies including terms of admission agreement, the allocation of any assets and appropriate termination provisions.

Administration specific matters

- q) Approving and monitoring the Funds' Administration Strategy determining how the Funds will be administered including collecting payments due, calculating and paying benefits, gathering information from and providing information to scheme members and employers.
- r) Determining how the various administering authority discretions are operated for the Funds.

Communication specific matters

- s) Approving and monitoring the Funds' Communication Strategy, determining the methods of communication with the various stakeholders including scheme members and employers.
- t) Any other responsibilities delegated to it by the Environment Agency Board.

Pooling of Investments specific matters

- u) Undertaking the role of Shareholder in relation to the Shareholders Agreement relating to the Brunel Pensions Partnership, including but not limited to:
 - Determining any Reserved Matters and Special Reserved Matters (see Appendix 1)
 - Determining who will be the nominated persons for voting on behalf of the EAPF for the following purposes:
 - Shareholder
 - Special Reserved Matter / veto and consent
 - Services Agreement

recognising that this responsibility relates to communicating the wishes of the Pensions Committee on any such matters.

- Determining who will be the nominated representatives for the following purposes:
 - Oversight Board attendee
 - Client Group attendee
 - Escalation (Clause 14.2)
 - to serve a written notice on the Board of the Company to cease to be a Shareholder in the Company.
- v) Undertaking the role of Client in relation to the Services Agreement, including but not limited to:
 - Requesting additional (referred to as "Elective") services from BPP Ltd

- Requesting to enter a Single Client Portfolio
- Issuing other Instructions as permitted by the Service Agreement to BPP Ltd
- Determining authorised persons to issue Instructions on behalf of the EAPF Pensions Committee where appropriate
- Terminating the Service Agreement

w) Monitoring of the performance of the Brunel Pensions Partnership and its Operator (BPP Ltd) and recommending actions to the Oversight Board, The Chair of the Pensions Committee (in his/her role as the nominated person to exercise Shareholder rights and responsibilities), Officers Groups or BPP Ltd, as appropriate.

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

- a) Securing compliance with the LGPS Regulations and any other legislation relating to the governance and administration of the Scheme, and requirements imposed in relation to the LGPS by the Pensions Regulator.
- b) Ensuring the effective and efficient governance and administration of the LGPS by the Environment Agency Pension Funds.

The PC and Pension Board will be supported in achieving best governance through the appointment of expert independent advisors covering governance, administration and investment matters.

1.4 The specific responsibility of the ISC is implementing the Funds' investment strategies including but not limited to the following:

- a) Reviewing and maintaining the detailed asset allocation of the Funds.
- b) Setting benchmarks and targets for the Funds' investments.
- c) Monitoring the implementation of all key investment related policies and strategies on an ongoing basis, determining appropriate action in relation to risks and the agreed business plan and agreeing appropriate variations.
- d) Undertaking appropriate assessments required to make recommendations to the PC on the Funds' investment strategies and Investment Strategy Statements.
- e) Ensuring secure custody of the Funds' assets.
- f) Any other responsibilities delegated to it by the Environment Agency Board or PC.

1.5 The PC, Pension Board and ISC will act on behalf of, and with the authority of, the Environment Agency Board, in accordance with the above Terms of Reference. Decisions and issues can be referred to or called up to the Environment Agency Board.

Environment Agency Pensions Committee, Pension Board and Investment Sub-Committee

Standing orders

- 1 Responsibilities
- 2 Membership
- 3 Training
- 4 Independent professional advisers
- 5 Quorum
- 6 Conduct of business between meetings
- 7 Voting rights
- 8 Declarations of interest
- 9 Expenses and conduct
- 10 Meetings
- 11 Order and conduct of business
- 12 Committee papers
- 13 Minutes
- 14 Reporting arrangements
- 15 Variation to Standing Orders

Standing orders

1.0 Responsibilities

- 1.1. The Pensions Committee (PC) and Investment Sub-Committee (ISC) can take decisions on behalf of the Environment Agency Board within their delegated authority.
- 1.2. The PC, Pension Board and ISC will act on behalf of and with the authority of the Environment Agency Board in accordance with their Terms of Reference.

2.0 Membership

- 2.1. Membership of the PC will normally be 14 including the Chair of the PC.
- 2.2. Members of the PC will comprise:
 - 4 Non-executive Board members of the Environment Agency, one of whom will be the Chair.
 - 2 Executive members of the Environment Agency.
 - 1 Non-Environment Agency Employer Representative member.
 - 5 Active Scheme Member Representatives.
 - 2 Pensioners or 1 Pensioner and 1 Deferred Member Representatives.

The Chief Executive of the Environment Agency will be invited to attend meetings as a non-member. The Chair of the Environment Agency has the right to attend any PC or ISC meeting and to speak at such meetings but not to vote.

- 2.3. Appointments to the PC will be made as follows:
 - Non-executive Environment Agency Board members of the Committee, including the Chair, will be appointed by the Environment Agency Board.
 - Executive members of the Environment Agency will be appointed by the Environment Agency Board, based on recommendation by the PC.
 - Non-Environment Agency Employer Representative member – proposed by Natural Resources Wales or such other process as agreed by the PC and appointed by the Environment Agency Board.
 - Active Member Representatives – proposed by the trade unions relating to the Environment Agency or such other process as agreed by the PC and appointed by the Environment Agency Board.
 - Pensioner and/or Deferred Member Representatives – process agreed by the PC and appointed by the Environment Agency Board.
- 2.4. The non-executive Environment Agency Board members, Employer Representative member, Active, Pensioner and Deferred member Representative appointments will be initially for a three-year term of office, after which they should be eligible for reappointment if the Environment Agency Board so determines. The Secretariat will maintain a record of the current membership of the PC and ISC. The maximum period of tenure will be 10 years for all non-executive members of the PC or ISC, unless exceptional circumstances require an extension of no more than 1 year.
- 2.5. Executive Environment Agency members and Employer Representative member may, with approval from the Chair nominate a deputy to attend a meeting of the PC or ISC in their absence.
- 2.6. Active Member Representatives must be current employees and members of the Active Pension Fund. Pensioner or Deferred Member Representatives must either be pensioners or deferred members in either the Active or Closed Pension Fund.
- 2.7. Where an individual ceases to meet the eligibility criteria in these Standing Orders, they will automatically cease to be a member of the PC (or ISC if appropriate) and that position will be subject to a further appointment process.
- 2.8. Membership of the Pension Board will normally be the members of the Pensions Committee less the 2 Executive Directors members of the Environment Agency and 2 Active Scheme Members, so the Pension Board will normally be 10 remaining Pensions Committee Members as follows:

Employer Representatives

- 4 Non-Executive Environment Agency Board members (the Chair of the PC would normally be the Chair of the Pension Board otherwise another Non-Executive Environment Agency Board member).
- 1 Non-Environment Agency Employer Representative (or deputies).

Member Representatives

- 3 Active Scheme Member Representatives.
- 2 Pensioner or 1 Pensioner and 1 Deferred Scheme Member Representatives.

- 2.9. The Active Scheme Member Representatives on the Pension Board will be nominated by the Chair of PC based on member's knowledge and experience and as such will normally be the longest serving members of the PC.
- 2.10. All employers and members within a Fund must have equal opportunity to be nominated for the role of employer or member representative on the Pension Board and PC through an open and transparent process.
- 2.11. Membership of the ISC will be appointed by the Environment Agency Board and will normally be 7 Committee Members as follows:
- 2 Non-Executive Environment Agency Board members (one of whom should be nominated as Chair of the ISC by the PC).
 - 2 from the Executive Environment Agency and Employer Representative members (or deputies).
 - 3 Scheme Member Representatives (active, pensioner or deferred).

3.0 Training

- 3.1. The administering authority will provide and fund PC, Pension Board and ISC members with training to enable them to carry out their fiduciary and other responsibilities effectively.
- 3.2. All PC and ISC members and nominated deputies will be expected to adhere to the requirements of the Fund's Training Policy.

4.0 Advice

- 4.1. In carrying out their duties, members of the PC, Pension Board and ISC should seek appropriate, and have regard to, advice from professional advisers and Environment Agency officers with relevant expertise. Accordingly, the Chair may agree to attendance at the PC, ISC and Board as appropriate to officers and advisers invited by PC, ISC and Board members or the Chief Pensions Officer.
- 4.2. Independent professional advisers will be appointed by the PC via competitive and qualitative selection processes. These specialist advisers will be appointed to advise the PC, Pension Board and ISC on matters including pensions, investment and financial services law, actuarial matters, and investment strategy.
- 4.3. The term of appointment of advisers will be fixed for a period of time in line with best practice though may be renewable for subsequent terms as appropriate, based on an assessment of performance and value for money.
- 4.4. Advisers will not be associated with any of the Funds' investment managers.
- 4.5. Internal expert advice from Environment Agency officers will be provided to the PC, Pension Board and ISC on an ongoing basis.

5.0 Quorum

- 5.1. 8 members (including at least 1 non-executive Environment Agency Board member, 1 Executive Environment Agency member and 1 Scheme Member Representative) will constitute a quorum for PC meetings.
- 5.2. 4 members (including at least 1 non-executive Environment Agency Board Member, 1 Executive Environment Agency member and 1 Scheme Member Representative) will constitute a quorum for ISC meetings.
- 5.3. 4 members (including at 2 employer representatives, one of which should be the Chair or delegated Chair, and 2 member representatives) will constitute a quorum for Pension Board meetings.
- 5.4. No business will be transacted at any PC, Pension Board or ISC meeting which is not quorate.

6.0 Conduct of business between meetings

- 6.1. The Chairs of the PC or ISC (or in their absence, another member delegated by them) have delegated authority to conduct urgent business between meetings. In doing so they must act in conjunction with one Executive Environment Agency PC or ISC member and on the advice of other appropriate officers (in particular the (Deputy Director) Head of Pension Fund Management), taking independent professional advice or advice of other appropriate officers if necessary. Any business conducted in this manner must be reported to the next full meeting of the PC or ISC as appropriate.

7.0 Voting rights

- 7.1. Subject to Standing Order 8 concerning declarations of interest, each Member will have the right to vote on a particular resolution.
- 7.2. In the event of no majority decision, the Chair will have a second or casting vote, whether or not he/she has previously voted on the matter.

8.0 Declarations of interest

- 8.1. Each Member will make a declaration, in accordance with the Environment Agency Board Code of Practice of pecuniary or non pecuniary interests, which will be held on a Register available for public inspection. The Register will be updated biannually by the Secretariat. The Register will include the declared interests of all members of the PC and ISC.
- 8.2. Members of PC, Pension Board or ISC who are Environment Agency Board members and either are members of the LGPS and/or who may in any way have a direct or indirect interest in any matter brought up for consideration at the meeting must make a declaration to that effect at the start of each meeting but may be permitted to take part in deliberation or discussion on that matter at the absolute discretion of the Chair of the meeting.
- 8.3. A member who is in any way has a direct or indirect interest in any agenda item or matter that is brought up for consideration at a meeting of the PC, Pension Board or ISC shall disclose the nature of her/his interest to the meeting and, where such a disclosure is made:
 - a) The disclosure will be recorded in the minutes of the meeting; and
 - b) Where the Chair of PC, Pension Board or ISC consider there is an actual conflict of interest, the member will not take part in any deliberation or decision with respect to that matter and if necessary will excuse themselves from the meeting for the duration of that matter.
- 8.4. For the purposes of paragraph 8.2 above, a general notification given at a meeting of the PC, Pension Board or ISC by a Member (in person or by means of a notice which is read and considered at the meeting) to the effect that she/he:
 - a) Is a member of, a specified company or firm.
 - b) Is to be regarded as interested in any matter involving that company or firm.will be regarded as a sufficient disclosure of his interest in relation to any such matter.

- 8.5 When meeting the requirements of this Standing Order, all members of the PC, Pension Board or ISC must have regard to any EAPF Conflicts of Interest policy and relevant guidance and comply with legislation relating to the management of conflicts of interest in public service pension schemes and / or the LGPS including but not limited to the Pension Regulator's Code of Practice and the LGPS Scheme Advisory Board's Guidance.

9.0 Expenses and conduct

- 9.1. Reimbursement of expenses will be paid whilst on PC/Pension Board or ISC business, including taking part in training directly related to that business, in accordance with prescribed procedures. Expenses will include, in the case of the Pensioner and Deferred member representatives, a nominal allowance for time spent on committee and Pension Board matters. The PC will set the allowance rate annually.
- 9.2. All members except those who are employees of the Environment Agency are expected to comply with the terms of the Environment Agency Board Code of Conduct.
- 9.3. All members who are employees of the Environment Agency are expected to comply with the employee Code of Conduct.

10.0 Meetings

- 10.1 The Secretariat has responsibility for the agenda and arrangement of the meetings.
- 10.2 The Secretariat will take responsibility for the oversight of the PC/Pension Board and, ISC including preparation for meetings.
- 10.3 A forward meeting schedule will be produced by the Secretariat prior to the start of the calendar year.
- 10.4 PC and ISC meetings will be scheduled quarterly but may be cancelled if there is not sufficient information available for an agenda at that time, or if it transpires the meeting will be inquorate. Additional meetings may be scheduled with the agreement of the Chair.
- 10.5 The Pension Board will normally meet concurrently with the PC but may choose to hold fewer meetings as long as it meets at least once a year.

11.0 Order and conduct of business

- 11.1 The Chair of the PC, Pension Board and ISC may nominate another Environment Agency Board member to chair a meeting in his/her absence. The PC, Pension Board or ISC may elect a member to chair a meeting in the absence of the PC, Pension Board or ISC Chair or any nominated deputy. In either case, the member who chairs the meeting will exercise any power or duty of the Chair of the PC, Pension Board or ISC in relation to the conduct of the meeting.
- 11.2 The order of business for all meetings is:
- a) Apologies for absence and introductions of all who are present.
 - b) Declarations of interest.
 - c) The election of a Chair if the usual Chair is absent and has nominated no deputy (paragraph 11.1 above).
 - d) The approval of the minutes as a correct record of the meeting, and matters arising.
 - e) Other business as on the agenda, for discussion, for decision and for noting.
 - f) Urgent items and any other business items as the Chair of the meeting determines.
 - g) A review of the effectiveness of the meeting.
 - h) The date, location and time of next meeting.
- 11.3 All business at PC, Pension Board or ISC meetings will be conducted through the Chair by members speaking only when invited to do so by the Chair of the meeting.
- 11.4 The Chair will decide on attendance by any non-committee members, including any pension fund members, who may ask to attend as observers.
- 11.5 The Chair will decide on attendance by any non-Pension Board members, including any pension fund members, who may ask to attend as observers of the Pension Board.

12.0 Committee papers

- 12.1 All PC, Pension Board or ISC papers will be managed and distributed according to current security guidance.
- 12.2 PC, Pension Board or ISC papers may be submitted by any member, the Accounting Officer or the Secretariat. Any other person, with the approval of the Chair of the PC, Pension Board or ISC may also submit papers.

13.0 Minutes

- 13.1 The Environment Agency Board Secretariat will minute the meetings of the Pensions Committee, Pension Board and the Investment Sub-Committee.
- 13.2 The Committee or Sub-Committee Chair, or in her/his absence the appointed Chair of the meeting, will sign the previous meeting's Minutes and initial each page, once approved by the Committee or Sub-Committee at the subsequent meeting.
- 13.3 A signed copy of the minutes will be retained securely by the Secretariat, for a period of ten years; thereafter the Minutes will be stored electronically. These Minutes will be evidence of the proceedings if they are signed by the person who was Chair of that meeting.

14.0 Reporting arrangements

- 14.1. The Chair of the PC or nominated non-executive Environment Agency Board member will report to the Environment Agency Board at the subsequent Environment Agency Board meeting. Non-executive Environment Agency Board members are entitled to request further information or ask any appropriate questions of the Chair of the PC or ISC at that Environment Agency Board meeting. The papers and minutes of the PC, Pension Board and ISC's meetings will be made available to any Environment Agency Board member on request.
- 14.2. The Chair of the Pension Board will provide a report at least annually to the Environment Agency Board and Environment Agency Audit Risk and Assurance Committee on its responsibility for assisting the administering authority on securing compliance and ensuring effective and efficient governance and administration.
- 14.3. The Chair of the ISC will report to the PC using a summary report or draft minutes to the next PC meeting, and by circulation of the minutes of meetings to all Members of the PC upon request.

15.0 Variations to Terms of Reference & Standing Orders

- 15.1. Any variations to the Terms of Reference & Standing Orders require the approval of the Environment Agency Board following initial approval by the Pensions Committee.

Appendix 1 – Reserved and Special Reserved Matters

Extract from Shareholders Agreement in relation to the Brunel Pensions Partnership as at July 2017

Schedule 5

Part 1

Special Reserved Matters

1. The provision of commercial services to any other party other than the parties to this Agreement (for the avoidance of doubt including the provision of services to any pension fund administering authorities other than the other parties to this Agreement) and/or the entry of any new parties to the pool or as a party to this Agreement.
2. The extension of the Company's business to include an internal investment management service.
3. The conducting of business other than that of the Business pursuant to the Services Agreement from time to time.
4. The adoption or amendment of the Business Plan or Operating Model.
5. The lending of any money or the granting of security (including the granting of any encumbrance over any of the Company's assets or undertaking) or the entry into guarantee or indemnity in respect of the obligations of any person (excluding, for the avoidance of doubt, any indemnities given in the ordinary course as part of contracts required to be entered into in accordance with the Services Agreement, the Business Plan or the Operating Model).
6. The amendment or variation of the Services Agreement, or the entry into any new agreement or arrangement with any of the Shareholders, save in each case to the extent that such amendment, variation, or entry into new agreement or arrangement is required to effect the provision of services to any Shareholder not covered by the Services Agreement.
7. The amendment, variation or waiver of any provision of the Articles or adoption of new articles of association by the Company.
8. Any act that would have a materially adverse impact on any Shareholder. For the avoidance of doubt, this shall be assessed on an objective basis.
9. The application for, varying of or relinquishing of any FCA permissions or authorities of the Company (which for avoidance of doubt will not prevent the application for the initial FCA permissions or authorities sought by the Company as envisaged in the Operating Model).
10. The registration of the transfer of any of the Shares (except in accordance with this Agreement).
11. The allotment of any shares or other equity securities (within the meaning of section 560(1) of the CA 2006) to any person except pursuant to this Agreement.
12. Amending the Remuneration Policy or adopting any new or replacement policy, and / or remuneration of new and / or existing Directors and / or employees of the Company outside or in excess of the Remuneration Policy.
13. The agreement of the terms of Exit for any Shareholder to the extent that they differ from that set out in this Agreement (which for the avoidance of doubt will not require the consent of the Exiting Shareholder in accordance with Clause 17.3(c)).
14. Significant changes to investment principles, Responsible Investment policy or pooling principles.
15. Amending or agreeing to the amendment of the terms of reference of the Client Group or Oversight Board in such a manner as would result in such a body becoming a joint committee under the Local Government Act 1972 or formally taking on any other decision making powers.

Part 2

Reserved Matters

1. Enter into capital expenditure commitments, hire purchase, leasing, rental or conditional sale agreements or arrangements for an aggregate amount in excess of £200,000 and a cumulative amount of £500,000 per Financial Year.
2. Approving the appointment of any new Directors to the Board, including the Shareholder NED.
3. Approving the removal of the Shareholder NED from the Board.
4. The change of the name of the Company.
5. The sub-contracting or delegation of decision-making and / or discretion relating to the performance of any part of the Company's operations or responsibilities (save where expressly permitted by this Agreement or the Services Agreement).
6. The borrowing of any monies or the other creation of any indebtedness except in relation to the operation of bank overdrafts within existing limits as required in the ordinary course of business, or otherwise amending the terms of any indebtedness (except as expressly permitted under the Services Agreement).
7. The change of the Financial Year of the Company.
8. The entry into any agreement with an administrator or custodian, provided that where any such agreement is subject to a public procurement process in accordance with the Procurement Legislation, the Reserved Matter shall be the approval of the issue of the invitation to tender (or equivalent) and evaluation criteria, rather than entry into the agreement itself.
9. The entry into any contract which:
 - (a) individually requires the payment by the Company of £200,000 or more in any Financial Year;
 - (b) when taking into account all other payments by the Company, requires the payment of more than £500,000 in aggregate in any Financial Year;
 - (c) contains an uncapped indemnity or any other obligation where the liability of the Company is unlimited in amount.
10. Declaring, making or paying any dividend or other distribution grant of any options over, redeem, purchase, consolidate, convert, reclassify, sub-divide or reduce or otherwise reorganise or change any share capital or issue any share warrants or securities convertible into shares.
11. Commencing any litigation or compromise or settle any claim, dispute or other matter in which it is involved which has a claim value in excess of £50,000.
12. Cancelling, compromising, waiving or releasing any debt of the Company where the value of such cancellation, compromise, waiver or release exceeds £50,000.
13. Approving the appointment of the Company's external auditor where the proposed auditor is a new auditor (i.e. not a reappointment of the existing auditor) or the reappointment of the external auditor each year after that auditor has served five years as auditor.
14. The sale, transfer or other disposal of the whole or any part of the Company's undertaking or material assets or the making of any other material change to the Company's business structure or organisation in excess of £50,000 and a cumulative amount of £250,000 per Financial Year.
15. The making of any decision by the Board or the taking of any action by the Company which is not in accordance with any recommendation of a committee which is within that Committee's terms of reference, save to the extent that such recommendation has been withdrawn and/or modified by the relevant Committee.

16. The change of the centre of operations of the Company beyond the Bristol and Bath area, including (for the avoidance of doubt):
 - (a) the entry into any lease or licence in respect of any property outside the Bristol and Bath area;
and
 - (b) the employment of any person on terms other than that the principal place of employment is the Bristol and Bath area.
17. Amending or agreeing to the amendment of the RemCo, ARC, Client Group or Oversight Board committee terms of reference.
18. Approval of the Chairperson's remuneration.