
Governance Policy

(Includes Governance Compliance Statement)



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. However, the LGPS Regulations require each Administering Authority to prepare, publish and maintain a governance policy and compliance statement setting out whether the Administering Authority delegates its functions, or part of its functions to a committee, a sub-committee or an officer of the authority, and if so:

- a) the terms, structure and operational procedures of the delegation,
- b) the frequency of any committee or sub-committee meetings,
- c) whether such a committee or sub-committee includes representatives of Scheme employers or members, and if so, whether those representatives have voting rights
- d) 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
- e) details of the terms, structure and operational procedures relating to the local pension board.

The regulations require Administering Authorities to consult such persons as it considers appropriate when preparing the policy and compliance statement.

This document is the Governance Policy and Compliance Statement for the Fund that has been prepared to meet the requirement of the LGPS Regulations. The compliance statement required by point (d) is included as Annex A.

This Governance Policy provides 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 manage conflicts of interest and to facilitate informed decision making, supported by appropriate advice, policies and strategies understand and monitor risk
- clearly articulate our objectives and how we intend to achieve those objectives through business planning, and continually measure and monitor success
- deliver our services through people who have the appropriate knowledge, skills and expertise, and ensure that this knowledge and expertise is maintained within the continually changing LGPS and wider pensions landscape.
- strive to ensure compliance with the appropriate legislation and statutory guidance, and to act in the spirit of other relevant guidelines and best practice guidance 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
- ensure the confidentiality, integrity and accessibility of the Fund's data, systems and services is protected and preserved.

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. This governance structure was amended in 2015 as a result of the requirement by the Public Service Pensions Act 2013 to introduce a local pension board to assist in compliance of pension fund matters.

In conjunction with nine other LGPS Funds, we established the Brunel Pension Partnership to meet this Government guidance and the requirements of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016. This facilitated the pooling of pension fund assets to facilitate member funds benefitting from economies of scale, improved investment opportunities and reduced investment costs.

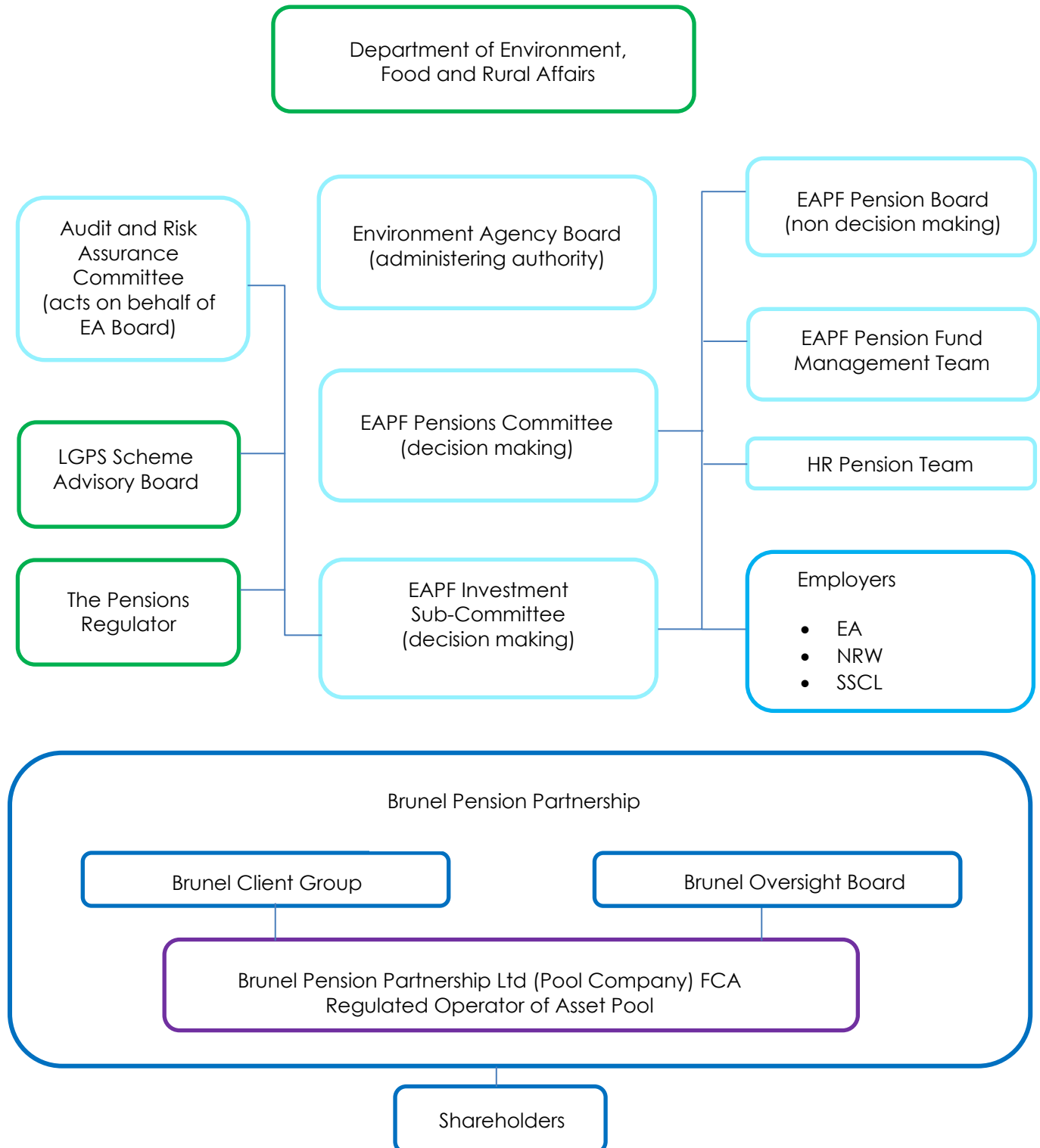
Our Governance Structure

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:

Organisational chart



Key Governance Documents

The following are the key documents relating to the governance of the Fund.

Title	Description
<u>Environment Agency Framework Document</u>	This is issued to the Environment Agency by Defra and sets out the Environment Agency's responsibilities with respect to pensions.
<u>Terms of Reference and Standing Orders of The Pensions Committee, Investment Sub-Committee and Pension Board</u>	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.
Scheme 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 instructions to 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.
<u>Governance Compliance Statement</u>	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.
<u>Knowledge and Skills Policy</u>	As approved by the Pensions Committee, this outlines the EAPFs approach to ensuring all key decision makers have the appropriate knowledge and skills to carry out their roles effectively
<u>Conflicts of Interest Policy</u>	As approved by the Pensions Committee, this outlines how potential and actual conflicts of interest will be managed in relation to EAPF matters.

<p><u>Risk management policy</u></p>	<p>This policy sets out our strategic approach to effective risk management and provides cross references to the detailed risk assessment in the principal strategy documents of the fund.</p>
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Monitoring Governance of the EAPF

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

Objective	Monitoring Arrangements
<p>Act in the best interests of the EAPF's members and employers</p>	<p>The PC, ISC and Pension Board include representatives from scheme members and employers in the EAPF with equal voting rights.</p>
<p>Have robust governance arrangements in place, to manage conflicts of interest and to facilitate informed decision making, supported by appropriate advice, policies and strategies.</p>	<p>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.</p> <p>In line with the Regulations the Governance Compliance Statement will be filed with the DHLUC.</p> <p>A Conflicts of Interest Policy is in place together with ongoing reporting and monitoring of the register of conflicts in accordance with the Conflicts of Interest Policy.</p>
<p>Understand and monitor risk</p>	<p>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.</p> <p>Ongoing consideration of key risks at PC and ISC meetings.</p>
<p>Clearly articulate our objectives and how we intend to achieve those objectives through business planning, and continually measure and monitor success</p>	<ul style="list-style-type: none"> • All strategies and policies include reference to how objectives will be monitored. • Ongoing monitoring against key objectives at PC meetings. • Ongoing monitoring of business plan targets at PC meetings. <p>Quarterly and annual updates against the BPP business plan and objectives.</p>

Objective	Monitoring Arrangements
<p>Deliver our services through people who have the appropriate knowledge, skills and expertise, and ensure that this knowledge and expertise is maintained within the continually changing LGPS and wider pensions landscape.</p>	<p>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.</p> <p>A Knowledge & Skills Policy is in place together with appropriate measures to ensure its objectives are being achieved.</p>
<p>Strive to ensure compliance with the appropriate legislation and statutory guidance, and to act in the spirit of other relevant guidelines and best practice guidance</p>	<ul style="list-style-type: none"> • The Governance of the Fund is considered by both the External and Internal Auditors. All External and Internal Audit Reports are reported to the PC. • The Fund carries out a regular compliance check against the relevant The Pension Regulator's Code of Practice. • The Fund maintains a log of all breaches of the law in accordance with the Fund's breaches procedure which is reported on and monitored as outlined in that procedure. • The Pension Board prepares and publishes an annual report which may include comment on compliance matters.
<p>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.</p>	<p>A Knowledge & Skills Policy and Conflicts of Interest Policy are both in place together with appropriate measures to ensure its objectives are being achieved.</p>
<p>Ensure the confidentiality, integrity and accessibility of the Fund's data, systems and services is protected and preserved.</p>	<ul style="list-style-type: none"> • All information security breaches relating to data being issued insecurely by the Fund are recorded and reviewed. • All other incidents affecting confidentiality, integrity and accessibility of data, systems or services are recorded and reviewed. • The Fund has a framework for managing cyber risks in place. • The Fund has a business continuity plan • All Fund staff undertaken data protection and cyber training in accordance with the objectives of the Knowledge and Skills Policy

Key Risks

We have outlined the key risks to the delivery of this policy below. The Chief Pensions Officer will work with the PC, ISC and Pension Board in monitoring these and other key risks, such as cyber security 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, key officers and/or key people responsible for oversight of the LGPS investment pool 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 PC does not provide the desired outcomes.
- If policies are not in place or not regularly monitored, then the Fund's objectives may not be clear or appropriate

Implementation and review

This Governance Policy was reviewed on 22 March 2023 by the EAPF Pensions Committee. It is effective from 23 March 2023 and will be reviewed at least every three years, or more often as required 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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Environment Agency
Horizon House
Deanery Road
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BS1 5AH

E-mail craig.martin@environment-agency.gov.uk
Telephone – 07825 451 007

Annex 1 Governance Compliance Statement

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 16 March 2022. It was effective from 17 March 2022 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
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> <ul style="list-style-type: none"> 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. <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
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.

Statutory Guidance Governance Standards and Principles	Our compliance status	Evidence of compliance and justification for non-compliance
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 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		
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, made available at each meeting and is audited annually.

Statutory Guidance Governance Standards and Principles	Our compliance status	Evidence of compliance and justification for non-compliance
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 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 Knowledge & Skills 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 Knowledge & Skills 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 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.

Statutory Guidance Governance Standards and Principles	Our compliance status	Evidence of compliance and justification for non-compliance
		<p>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.</p> <p>We will also hold a members' AGM every year.</p>
G – Access		
<p>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.</p>	Compliant	<p>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.</p>
H – Scope		
<p>a) That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.</p>	Compliant	<p>Our PC and ISC meetings all have agenda items on pooling, 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.</p>
I – Publicity		
<p>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.</p>	Compliant	<p>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.</p>