

Environment Agency
Pension Fund

Winter edition 2014

Spotlight

Facts and figures for Active and Closed Funds



Welcome

Welcome to the 2014 edition of Spotlight, your annual publication with all the facts and figures on the Active and Closed Funds.

Throughout Spotlight, you'll have a clear view of both the Active and Closed Funds' financial performance to 31 March 2014. 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, asset allocation and performance.

You can view our full annual report [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.



10 year anniversary of investing responsibly

We are passionate about the work that we do to deliver a world class pension fund that is invested responsibly, efficiently and professionally.

This year marks our 10th anniversary of integrating responsible investment (RI) into our decision making and a key component of this over the last 10 years has been our strategy to manage climate risk. We recognise that climate change is a material financial risk for the Fund, but it also presents opportunities, such as investing in clean technology.

For more information on how we have implemented our strategy to minimise the long term impacts of climate change on the value of the Fund, as well as highlighting other aspects of our approach to integrating responsible investment, please visit the [investment section](#) of our website.

Awards

The EAPF is recognised as a global leader in implementation of responsible and sustainable investment. We ranked number 1 in the Asset Owner Disclosure Project (for climate risk management and reporting), and in November 2014 we won the inaugural award for our approach to Climate Related Risk Management at the Investment and Pensions Europe Awards. We were also joint winners of an award regarding the management of Environment, Social and Governance Risks.

Active Fund investment performance

Active Fund performance

The Active Fund investment strategy delivered excellent results of +8.4% performance during 2013-14, which is +3.9% against our strategic benchmark, increasing the Fund's assets by £188 million to £2.3 billion.

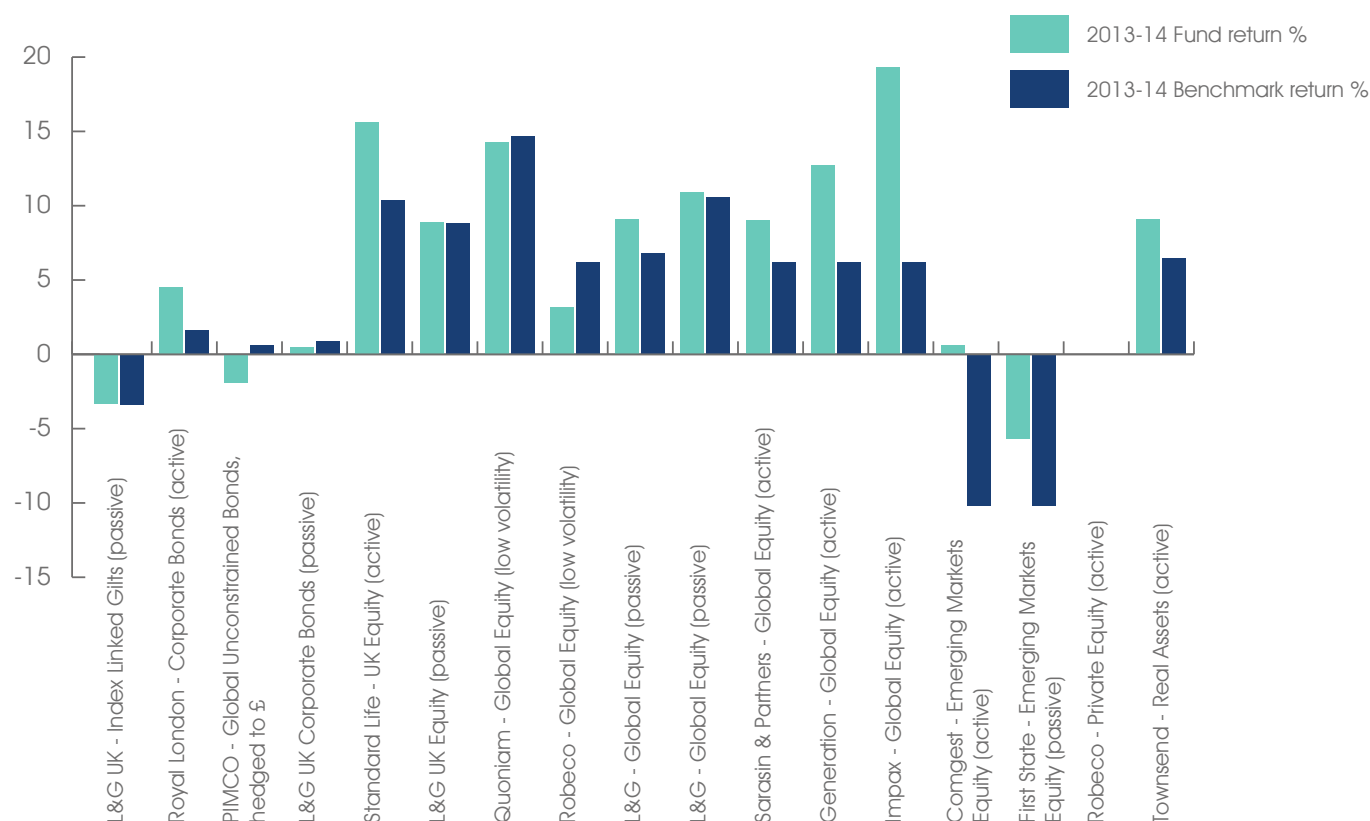
Below you can see the total return of the Fund over the past year and 3 years to 31 March 2014:

Financial performance	2014
1 year	
Fund performance %	+8.4
Benchmark performance %	+4.5
Performance above the benchmark %	+3.9
3 year	
Fund performance %	+9.1
Benchmark performance %	+8.0
Performance above the benchmark %	+1.1

This year saw the Fund complete its implementation of a new investment strategy and this approach is set out in our Investment Framework which is currently being updated. A key component of this was to make a material commitment to real assets such as property, infrastructure, forestry and agriculture, and this led to the appointment of Townsend Group as a new fund manager to implement this change.

Active Fund manager performance

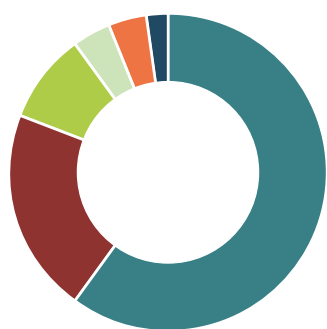
This shows the performance of the individual investment managers.



Asset allocation

Active Fund

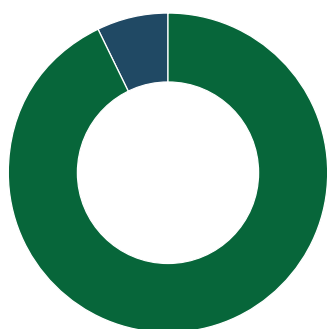
The value of the net assets of the Fund at 31 March 2014 has increased by £188 million to £2.3 billion.



- Equities - **63%**
- Corporate bonds - **20%**
- Index-linked gilts - **9%**
- Private equity - **4%**
- Property - **3%**
- Cash - **1%**

Closed Fund

As at 31 March 2014 the Closed Fund's net assets are valued at £166 million.



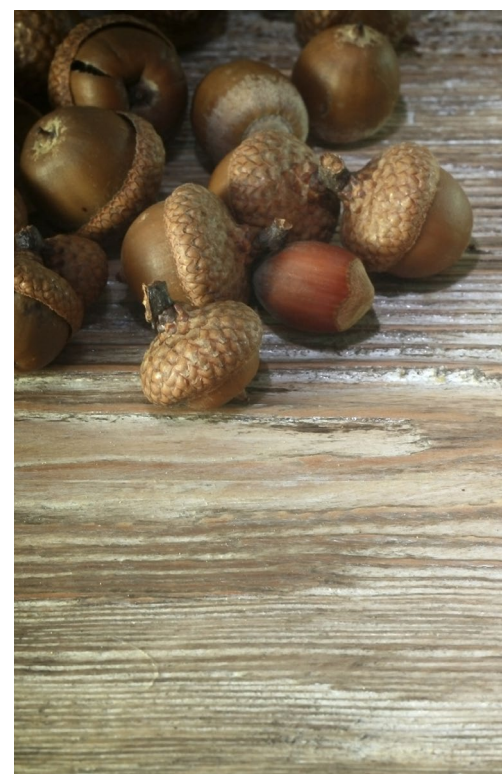
- Index-linked gilts - **92.8%**
- Cash - **7%**
- Other - **0.2%**

Active Fund geographical distribution

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 is to work 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 2013/14.

Region	% of total equity
UK	34.4
North America	28.1
Europe (excluding UK)	15.6
Emerging Markets & other areas	10.6
Asia Pacific (excluding Japan)	6.8
Japan	4.5
Total Fund	100%





Active Fund top holdings

The top 20 companies in our active equity portfolio (excludes L&G UK and pooled funds)

QUALCOMM INC
WATERS CORP
UNILEVER NV
STANDARD CHARTERED PLC
MSCI INC
INTUIT
NOVO-NORDISK AS
BT GROUP
VARIAN MEDICAL SYSTEMS INC
BECTON DICKINSON & CO
KINGSPAN GROUP
EASYJET
PENTAIR LTD
RIO TINTO ORD
PRUDENTIAL
ECOLAB INC
CHECK PT SOFTWARE TECHNOLOGIES
BG GROUP
LKQ CORP
LEGRAND SA

Each holding represents less than 1% of the Fund.

Active Fund updates

The funding position was 90% at 31 March 2013, which is amongst the best in the LGPS and was estimated to be as high as 99% at March 2014. Membership levels also remain high with 95% of eligible employees continuing to contribute to the Fund.

Closed Fund updates

The funding level as at 31 March 2014 was 21%, which has increased from 19% as at 31 March 2013. Since the Fund has no contribution income, the Government has a statutory obligation to ensure that the Fund can always meet its pensions and other related liabilities, so you can be reassured about the long term security of your pension benefits.

Active Fund accounts

For the year ended 31 March 2014:

Fund account	2014 (£000)
Contributions and transfers	
Contributions	91,633
Transfer values received	5,079
	96,712
Benefits and other payments	
Benefits payable	(70,696)
Payments to and on account of leavers	(3,143)
Administration expenses	(1,662)
	(75,501)
Net additions from dealings with members	21,211
Return on investments	
Investment income	42,140
Taxes on income	(915)
Change in market value of investments	137,574
Investment expenses	(11,695)
	167,104
Net increase in the Fund during the year	188,315
Opening net assets of the Fund at 1 April	2,125,661
Net assets of the Fund at 31 March	2,313,976

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.

The increase in the value of the net assets of the Fund is primarily due to an increase in the market value of its investments. Retirement benefits and other payments made in respect of members during the year have increased by £9.5 million to £70.7 million, which is less than the £5.9 million increase the previous year, and is largely due to an increase in lump sum retirement grants.

Closed Fund accounts

For the year ended 31 March 2014:

Fund account	2014 (£000)
Income	
Grant-in-aid	78,076
Benefits and other payments	
Benefits payable	(74,536)
Payments to and on account of leavers	(163)
Administration expenses	(893)
Net increase from dealings with members	2,484
Return on investments	
Investment income	1,601
Change in market value of investments	(4,689)
Investment expenses	(59)
	(3,147)
Net increase in the Fund during the year	(663)
Opening net assets of the Fund at 1 April	166,260
Net assets of the Fund at 31 March	165,597

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.

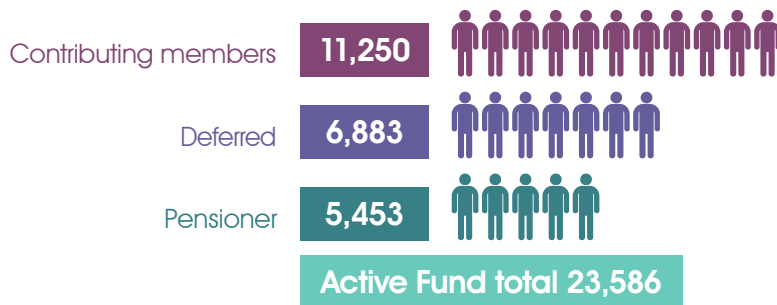
Over the year grant-in-aid payments, taken with payments to members and administration costs, increased the Fund value by £2.5 million. But changes in investment valuations mean that the value of the Fund has decreased by £0.7 million to £165.6 million.

Retirement benefits payable in the year have decreased from £77.2 million to £74.5 million.

Fund membership

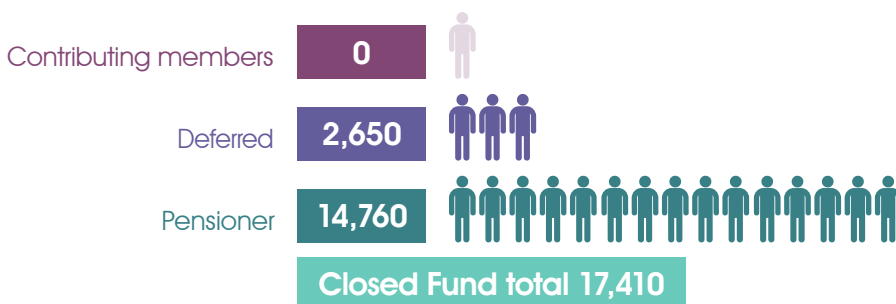
Active Fund

Over the year, the total membership of the Active Fund increased by 486 to 23,586 members.



Closed Fund

The Closed Fund saw the total number of current pensioners and deferred members fall to 17,410 during the year.



Contact details

If you have any questions regarding your pension entitlement you can contact our pension administrator, Capita, by:



Using the '**Contact the EAPF**' button on the website at www.eapf.org.uk



Emailing info@eapf.org.uk



Calling **0800 1216593**



Sending your query to

Capita
Hartshead House
2 Cutlers Gate
Sheffield
S4 7TL