

# Spotlight



**Facts and figures for Active and Closed  
Pension Funds**



## Welcome

Welcome to the 2016 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 2016. 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 and asset allocation.

You can view our full annual report and financial statements for both Funds [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.



### Investing responsibly

We remain passionate about investing the Fund's assets responsibly and we fully embrace the need to deliver a truly sustainable pension fund that delivers financially to meet the objectives of our employers and members. Our commitment to responsible investment is not an add-on; it is embedded in all our fund investment policies, strategies and mandates.

Two indicators of our success in doing this are the reduction of our fund's carbon footprint by 51% since 2008 and the industry leading £769m (28% of the Fund) invested in clean and strongly sustainable companies.

### Responsible Investment Policy

We have updated our Responsible Investment Policy to reflect our current contribution, and our response to areas such as Human Capital and Water risk.

**Human capital** – we want to help promote diversity and inclusion in the companies in which we invest. This work links to supporting the 30% Club (striving for a minimum of 30% women on FTSE-100 company Boards).

**Water risk** – we want to promote the identification of water risk and for this to be integrated into investment decisions. We have set targets to increase disclosure of water risk by companies to assist the fund in managing down its own exposure to water risk.

### Acting as good owners

As investors we own a portion of the companies we invest in. We can use our rights as owners to encourage companies to act more responsibly and improve their practices.

Following the success in 2015 at the AGMs of BP, Shell and Statoil, the Aiming for A coalition have focused on the major mining companies, Anglo-American, Glencore and Rio Tinto, asking them to make a step change in their disclosure to investors about their response to the challenges posed to their businesses by climate change.

## Active Fund investment performance

The Fund had a successful year in performance terms. The outperformance in the year was partly due to the benefits of the risk adverse stance we have chosen to take, to support the Fund in more difficult markets and also helped by the positive impact of the falling oil price, as the Fund has significantly reduced its exposure to high carbon assets.

Financial performance to 31 March 2016	%
1 year	
<b>Fund performance</b>	+2.3
<b>Benchmark performance</b>	-0.3
<b>Performance above the benchmark</b>	+2.6
3 year	
<b>Fund performance</b>	+8.3
<b>Benchmark performance</b>	+6.0
<b>Performance above the benchmark</b>	+2.3



We have published a **Policy to Address the Impacts of Climate Change** to demonstrate to our members we have a credible plan to deliver strong long term financial returns as the impacts of climate change materialise. We believe financial risk and opportunities will come from the physical impacts, regulation and policy, alongside increased competition from alternative energy and technological innovation.

We have set ourselves a global leading objective, to ensure that our Fund's investment portfolio and processes are compatible with keeping the global average temperature increase to remain below 2°C relative to pre-industrial levels, in-line with international government agreements.

**We are committed to reporting progress against our Climate Change goals summarised below:**

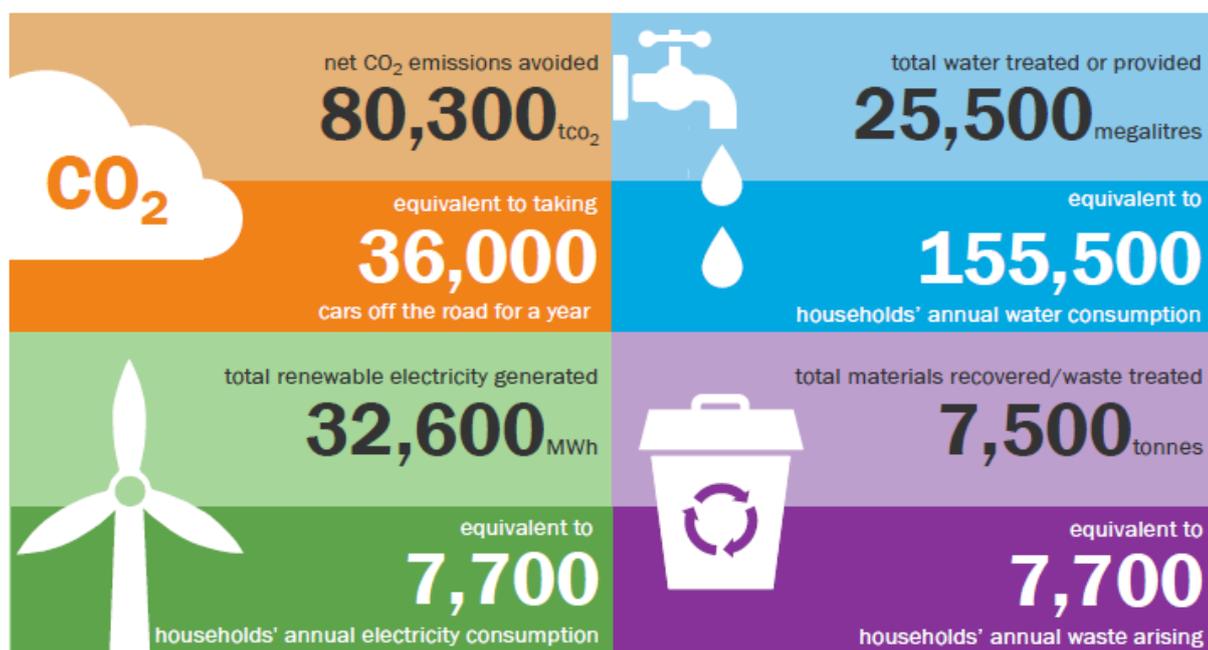
Climate goals	Progress
Invest 15% of the fund in low carbon, energy efficient and other climate mitigation opportunities.	7% invested with current commitments bringing it to 11%.
Decarbonise the equity portfolio, reducing our exposure to 'future emissions' by 90% for coal and 50% for oil and gas by 2020 compared to the exposure in our underlying benchmark as at 31 March 2015.	Coal is currently 60% less than our baseline. Oil and gas is currently 82% less than our baseline.
Supported progress towards an orderly transition to a low carbon economy through actively working with asset owners, fund managers, companies, academia, policy makers and others in the investment industry.	Active engagement across the industry with a strong focus on working collaboratively. More information on our website.

To find further information on our approach to climate risk for over a decade, please see [www.eapf.org.uk/investments/climate-risk](http://www.eapf.org.uk/investments/climate-risk)

## Making an impact

Impax, our environmental technology equity manager, has developed a methodology to assess the 'in use' benefits of its investments. The table below, courtesy of Impax, illustrates the impact of the total amounts invested in our portfolio for one year. This is the positive contribution from just one of our portfolios. Over time we would like to build on these types of methodology to capture other positive impacts our investment strategy is delivering.

The ability to capture downstream or 'in-use' benefits across companies on a large scale, will only be feasible when companies are able to robustly report on downstream impacts using methodologies such as Natural Capital Accounting (a process of calculating the total stocks and flows of natural resources and services). We support work within our employers to progress Natural Capital Accounting practices and reporting.



## Pooling our pension investments

In 2015 the government announced that they wanted the 89 Local Government Pension Scheme funds to pool their investments into larger pools in order to achieve savings in investment management costs.

In response, the Brunel Pension Partnership (BPP) project was set up to explore the options for pooling investment assets across ten Funds. The founding Funds include The Environment Agency Pension Fund, and the Local Government Funds of Avon, Buckinghamshire, Cornwall, Devon, Dorset, Gloucestershire, Oxfordshire, Somerset and Wiltshire.

The collective assets of the pool will be approximately £23 billion. The pool will look to deliver the savings based upon the collective buying power the collaboration initiative will produce, and more effective management of the investment assets.

Local accountability will be maintained as each individual fund will remain responsible for strategic decisions including asset allocation. Our approach to responsible investment is fully integrated into our investment strategy and this will be maintained.

We have, as part of the BPP, submitted our latest proposal to government in July and expect to make a final decision based on a full business case by December 2016.

More information and updates about the project can be found on the Brunel Pension Partnership website at: [www.brunelpensionpartnership.org](http://www.brunelpensionpartnership.org) or via our own website.

## 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 works 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 2016/17.

Region	% of total equities
North America	46.8
Europe (excluding UK)	14.9
United Kingdom	14.8
Emerging markets & other areas	14.1
Japan	4.7
Asia Pacific (excluding Japan)	4.7
<b>Total equities</b>	<b>100.0</b>



## Active Fund top equity holdings

The top 20 companies in the entire fund.



Microsoft Corporation
Ingersoll-Rand PLC
Linear Technology Corporation
Qualcomm Inc
Cerner Corporation
Deere & Co
Check Point Software Tech
Waters Corp
Tencent Holdings Limited
Alphabet Inc
Ansys Inc
T Rowe Price
Mastercard Inc
Alcomal Technologies Inc
Taiwan Semiconductor Manufacturing Co Ltd
DS Smith PLC
Reckitt Benckiser Group PLC
CSL Limited
BT Group PLC
Vodafone Group PLC

Each holding represents less than 1% of the Fund.

## Active Fund accounts for the year ended 31 March 2016:

Fund account	2016 £000
<b>Contributions and transfers</b>	
Contributions	91,085
Transfer values received	4,326
	<b>95,411</b>
<b>Benefits and other payments</b>	
Benefits payable	(77,738)
Payments to and on account of leavers	(2,564)
	<b>(80,302)</b>
<b>Net additions from dealings with members</b>	<b>15,109</b>
<b>Management expenses</b>	<b>(16,632)</b>
<b>Return on investments</b>	
Investment income	41,614
Taxes on income	(1,094)
Change in market value of investments	34,428
<b>Net increase in the Fund during the year</b>	<b>73,425</b>
<b>Opening net assets of the Fund at 1 April</b>	<b>2,656,111</b>
<b>Net assets of the Fund at 31 March</b>	<b>2,729,536</b>



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.

## Closed Fund accounts for the year ended 31 March 2016:

Fund account	2016 £000
<b>Income</b>	
Grant-in-aid	<b>69,919</b>
<b>Benefits and other payments</b>	
Benefits payable	(67,022)
Payments to and on account of leavers	(265)
	<b>(67,287)</b>
<b>Net additions from dealings with members</b>	<b>2,632</b>
<b>Management expenses</b>	<b>(969)</b>
<b>Return on investments</b>	
Investment income	1,701
Change in market value of investments	3,049
<b>Net increase in the Fund during the year</b>	<b>6,413</b>
<b>Opening net assets of the Fund at 1 April</b>	<b>212,760</b>
<b>Net assets of the Fund at 31 March</b>	<b>219,173</b>



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 received amounted to £69.9 million (£74.2million for 2014/15) and were used to meet the Fund's obligations to meet pensions and other liabilities.

## Fund membership

### Active Fund

Over the year, the total membership of the Active Fund increased by 560 to 23,916 members.

#### At 31 March 2016



### Closed Fund

The Closed Fund saw the total number of current pensioners and deferred members fall to 15,406 during the year.

#### At 31 March 2016



## Customer Service Excellence (CSE)

The EAPF applied for, and received Customer Service Excellence (CSE) accreditation this year.

CSE is a government service standard developed to drive customer focused change within organisations. We committed ourselves to achieving the CSE accreditation in 2016 and achieved this with a number of 'compliance plus' accreditations.

We have gained a greater understanding of your experience of our service by applying this standard to the work that we do, and we hope this helps improve the way we listen and communicate with you.



## Awards

The Fund has received recognition for both its Investment and Communication work for 2015/16.

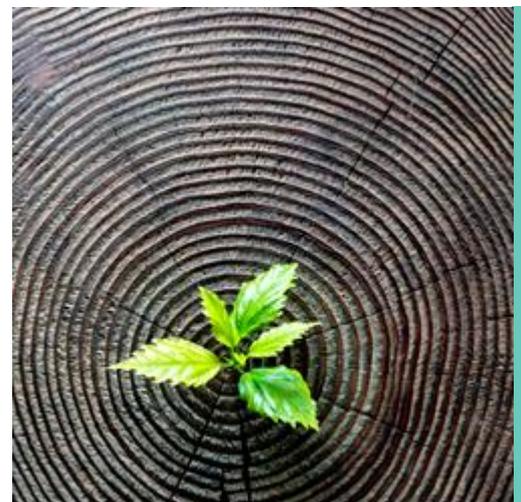
Our successes include winning two Responsible Investment awards from the Local Authority Pension Forum (LAPF) and Local Government Chronicle (LGC), whilst also being joint winners of the LGC Team award for National Frameworks.

We also won the Institutional Investors Europe (IIE) and Institutional Investors UK & Ireland awards for Environment, Social Governance. These prestigious awards are designed to honour outstanding achievement, innovation and industry service and are selected and voted for by our industry peers.

Professional Pensions magazine announced the Environment Agency Pension Fund as winners of its award for Best Communications for the Public Sector 2015. The Team has been recognised for the successful implementation of a Communication program that was initiated two years ago and has culminated in this recognition.

We achieved an AAA rating in this year's Global Climate 500 report, ranked at number 1 in the World Index. We have maintained our Triple A rating for 3 years in a row and this year's ranking builds on our previous strong showing and recognition as number 1 leader for managing climate risk globally.

In addition, Independent Research in Responsible Investment (IRRI) announced that the EAPF had been ranked 6th in a list of asset owners who have contributed most to the wider SRI debate.



### 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](http://www.eapf.org.uk)

Emailing [info@eapf.org.uk](mailto:info@eapf.org.uk)

Calling **0800 1216593**

Sending your query to:

**Capita**  
**11b LingfieldPoint**  
**Darlington**  
**DL1 1AX**