

# Active Pension Fund

Annual Report and Financial Statements for the year  
ended 31 March 2025



# **Environment Agency Active Pension Fund**

## **Annual Report and Financial Statements 2024/25**

Presented to Parliament pursuant to Section 52 of the Environment Act 1995

Ordered by the House of Commons to be printed on 21 July 2025

**HC 1147**



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ISBN: 978-1-5286-5496-8

E03309368

07/25

Printed on paper containing 40% recycled fibre content minimum.

Printed in the UK by HH Associates Ltd. on behalf of the Controller of His Majesty's Stationery Office.

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## Environment Agency Pension Fund (EAPF) Chair's statement

I am pleased to present the Active Fund's Annual Report and Financial Statements for the year ended 31 March 2025, and my first as Chair of the Pensions Committee.

Every year presents new challenges and 2024/25 was no exception. Global events contributed to market volatility, inflation, increased risks from cyber-attacks and cost of living increases for our members. And we got more stark warnings about the state of our planet. Despite all the challenges, the Fund remains in excellent financial health, fully funded and committed to serving our members.

We have a lot to be proud of. We continue to achieve great outcomes from our investments in tackling climate change, improving biodiversity and generating strong financial returns. Over the past year, we have invested in some truly innovative sustainability opportunities; understood better than ever the impact of our investments on nature and the environment; and won European Pension Fund of the Year at the Investment & Pensions Europe (IPE) Awards 2024. Alongside this, our scheme has remained fully funded for nine years in a row.

We continue to believe that we will generate better longer term financial returns by investing in companies and assets that demonstrate they contribute to the long-term sustainable success of the global economy and society. We share evidence of this success through this report.

Over the last year, we have continued to support our members through several pension change projects and the Capita cyber incident. Cyber risk management continues to be a large focus for the Pensions Committee, and we want to reassure our members how seriously we treat protecting your data. Importantly, Capita continue to have no evidence that information resulting from this incident has been misused, or that it is available illegally including on any third-party websites.

We remain committed to doing all we can for our members to maintain a strong pension fund and drive positive change. If you have any feedback on any aspect of our work, please let us know at [eapf@environment-agency.gov.uk](mailto:eapf@environment-agency.gov.uk).

A key focus for the Committee going forward is to find a new investment pooling partner. We received a letter from Ministers in April 2025 confirming that the Brunel Pension Partnership, our current investment pool, does not meet future government requirements. We are working with our partner Funds to ensure the right outcome for Pension Funds and our members and will keep you updated on progress with this important project.

I want to thank everyone involved, including our Pensions Committee, Pension Fund Management Team, employers, and external contractors, in managing and supporting the Fund. In particular, I would like to thank Robert Gould, our outgoing Pensions Committee Chair and Environment Agency Board member, for his incredible support and commitment to the Pension Fund over the last 7 years.

I hope you enjoy reading about the success of our Fund over the year. We also provide more information on our performance in our excellent [UK Stewardship Code](#) submission and will continue to keep you updated at [www.eapf.org.uk](http://www.eapf.org.uk)



Lilli Matson  
Chair, Environment Agency Pensions Committee  
17 July 2025

## About the Environment Agency Pension Fund

### History of the EAPF

In 1989, the National Rivers Authority (NRA) was created following the privatisation of the old water authorities. The Active Pension Fund was created for employees of the NRA.

On 1 April 1996, the responsibility for both the Active and Closed Pension Funds transferred to the Environment Agency (EA). The EA, which was created by the Environment Agency Act 1995, replaced the NRA.

### Local Government Pension Scheme (LGPS) background

Both the EA Active and Closed Pension Funds are statutory members of the Local Government Pension Scheme (LGPS).

With 6.7 million members, the LGPS is one of the largest public service pension schemes in the UK. It is a nationwide pension scheme for people working in local government or working for other types of employers participating in the Scheme. Employers in the Scheme include local authorities and public service organization's (such as the EA) as well as other employers which provide the LGPS for their employees by becoming admitted bodies.

### LGPS responsibilities

The regulations give specific responsibilities to scheme employers and pension fund administrators, each of whom must make decisions in relation to some matters and can exercise their discretion in relation to others.

The Environment Agency Board delegates responsibility for management of the Fund to a Pensions Committee. The Pensions Committee is assisted by an Investment Sub-Committee, a Benefits Working Group, and Pension Board. The Fund Actuary sets each employer's contribution rate as part of the actuarial valuation of the Fund's assets and liabilities every three years. The next triennial valuation is due at 31 March 2025.

### LGPS regulations

The Scheme rules are contained in regulations made by Parliament after consultation with both employee representatives (Trade Unions) and employer representatives. The rules comply with the relevant provisions of the Pension Schemes Act 1993, the Pensions Act 1995, the Pensions Act 2004 and the Pensions Act 2008. The LGPS is a registered public service pension scheme under Chapter 2 of Part 4 of the Finance Act 2004.

As the LGPS is a statutory funded pension scheme, it's a secure pension arrangement with rules set out in legislation made under Acts of Parliament (the Superannuation Act 1972 and Public Service Pensions Act 2013). The LGPS benefits are primarily governed by the LGPS Regulations 2013, the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 and the LGPS (Management and Investment of Funds) Regulations 2016. These are all subject to amendment over time.

The LGPS provides salary related defined benefits, which are not dependent upon investment performance. The LGPS provides final salary benefits in relation to membership up to 31 March 2014 and career average revalued earnings (CARE) for membership from 1 April 2014.

### State Pension provision and the Pensions Act 2014

The Pensions Act 2014 introduced changes to the State Pension system in the UK with the introduction of a new single tier State Pension for individuals who reached their State Pension Age on or after 6 April 2016. The Act also legislates for the acceleration of State Pension Age from age 66 to 67 between 6 April 2026 and 5 April 2028. These changes to the State Pension also ended 'contracting out' for Defined Benefit schemes. The EAPF was contracted out of the State Second Pension (S2P) until 5 April 2016.



## Changes affecting the Local Government Regulations during 2024/25

Several key pieces of pensions legislation were announced/introduced/amended during 2024/25, which affect the Local Government Pension Regulations 2013; these were:

- Inheritance Tax on Death Benefits**  
 Following the Autumn Budget in 2024, a consultation was issued regarding changes to the Inheritance Tax on death benefits that are payable from a registered pension scheme. The consultation response and subsequent legislation will confirm the scope of these changes and the impact that this will have on the death benefits payable from the LGPS. The changes are expected to come into effect from 6 April 2027.
- Transferring benefits overseas**  
 It is possible to transfer benefits from the EAPF to another pension scheme. If the pension scheme is established overseas, the amount to be transferred may be subject to the Overseas Transfer Charge (OTC) unless an exemption applies.

The OTC was introduced in 2017 to tackle individuals reducing the UK tax due on their pension by transferring them overseas. The charge is applied at a rate of 25%.

In the Autumn Budget 2024, the Government announced that they would remove one of the exemptions where the request is made on or after 30 October 2024. This means that the OTC will now be applied where the receiving scheme is established in a different country to that in which the member is resident, regardless of whether that country is Gibraltar or a country within the European Economic Area (EEA).

- The Pensions (Abolition of Lifetime Allowance Charge etc) Regulations 2024 (SI 2024/356)**  
 This is a major piece of overriding legislation that abolished the Lifetime Allowance (something that was in place since 6 April 2006) and replaced it with the 'Lump Sum Allowance' (LSA) and 'Lump Sum and Death Benefit Allowance' (LSDBA), this came into effect from 6 April 2024. Under the new rules, there's no longer a cap on the annual pension that a person may receive before being subject to a tax charge (i.e. all pension is simply taxed as income), and any tax free lump sums paid in excess of the LSA and/or LSDBA (which reduce when the member takes a tax free lump sum, or where a tax free element of a lump sum is payable) are simply taxed as income. Several legislative amendments were made during the 2024/25 tax year to fully implement the Government's intended policy in this area.



## Pension Fund governance

### Introduction

The Environment Agency is the administering authority responsible for maintaining and managing the Environment Agency Active and Closed Pension Funds (the Funds), which are part of LGPS 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. Our Governance Policy provides high level information in relation to those arrangements and how we govern the Funds. This and our other policies, can be found at [www.eapf.org.uk/trustees/governance-policies](http://www.eapf.org.uk/trustees/governance-policies).

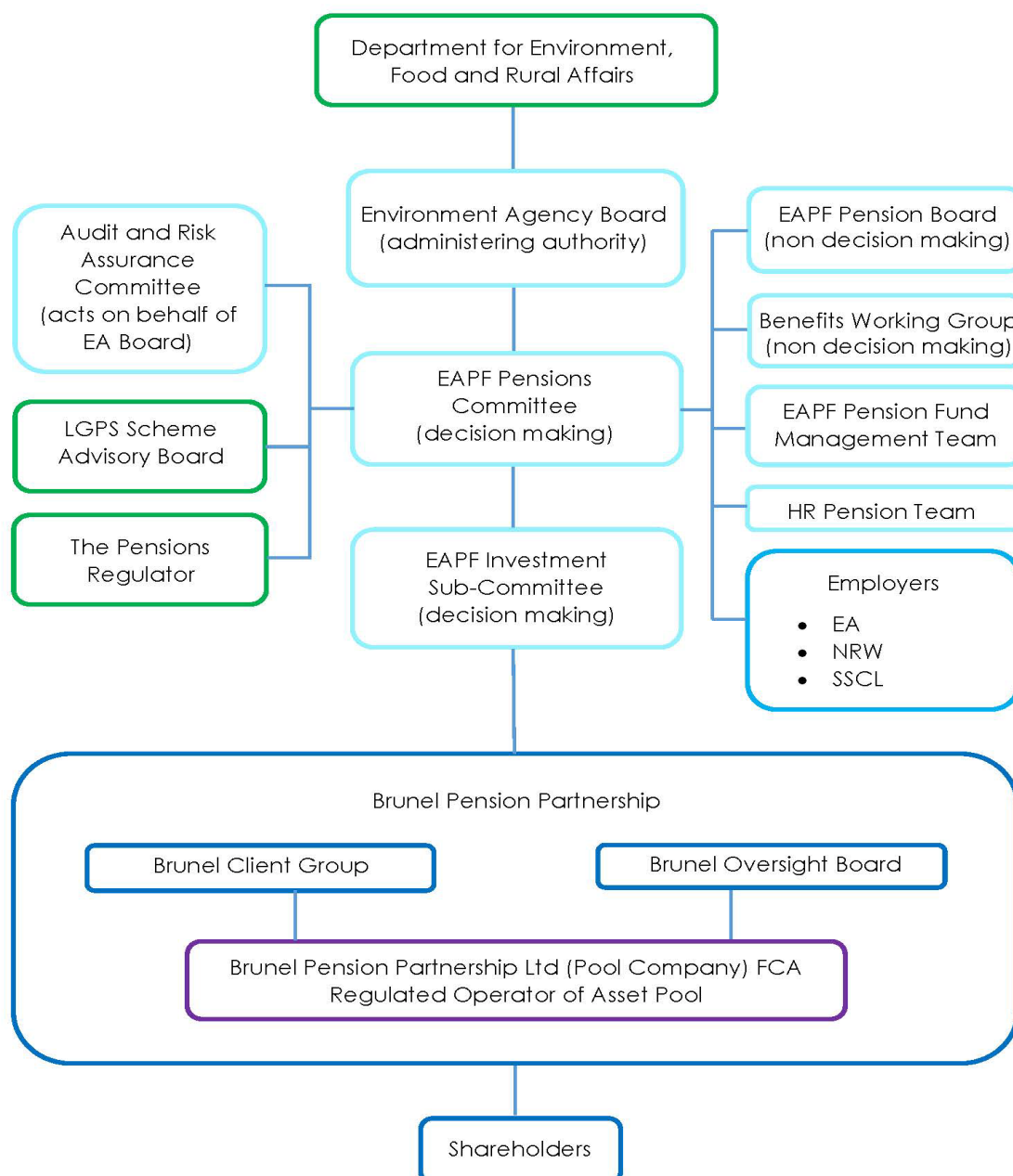
### Objectives

Our Pension fund has set itself the following main governance objectives which are to:

- Act in the best interests of the Funds 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 and to understand and monitor risk.
- Clearly articulate our objectives and how we intend to achieve those objectives through business planning and continually measuring and monitoring 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 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 Funds data, systems and services is protected and preserved.

## Our Governance structure

The Environment Agency Board delegates the management and oversight of the Funds to a Pensions Committee, an Investment Sub-Committee, a Benefits Working Group and a Pension Board. The EAPF governance structure, role of the Pensions Committee and interaction with stakeholders is illustrated at a high level in the following diagram.



## **Pensions Committee, Investment Sub-Committee, Benefits Working Group and Pension Board membership**

The Environment Agency Board appoints members in accordance with our Governance Compliance Statement. Membership of the Pensions Committee (PC) will normally be 14 including the Chair of the PC. Members of the PC will comprise:

- Four Non-Executive Board members of the Environment Agency, one of whom will be the Chair;
- Two Executive members of the Environment Agency;
- One Non-Environment Agency Employer representative member;
- Five Active Scheme member representatives; and
- Two Pensioners or one Pensioner and one Deferred member representative.

Membership of the Investment Sub-Committee (ISC) will be appointed by the Environment Agency Board and will normally be seven Committee members as follows:

- Two Non-Executive Environment Agency Board members (one of whom should be nominated as Chair of the ISC by the PC);
- Two from the Executive Environment Agency and Employer representative members (or deputies); and
- Three Scheme member representatives (active, pensioner or deferred).

The Benefits Working Group has no delegated decision making powers, and its objective is to provide a deeper focus and higher level of scrutiny on administration matters to support the PC.

Membership of the Pension Board is covered below under the Annual Statement from the Chair of the EAPF Pension Board.

## **Changes to Pensions Committee, Investment Sub-Committee and Pension Board membership**

During the year, we had the following changes to our membership:

- Robert Gould and John Lelliott both left the Pension Committee and Pension Board at the end of March 2025 when their tenure as Environment Agency Board members finished.
- During the year, Maya Leibman, Environment Agency Board member, joined the Pensions Committee, Pensions Board and the ISC.
- Ines Faden da Silva joined the Pensions Committee and Pensions Board in December 2024.
- Danielle Ashton resigned from the Pensions Committee and the ISC on the 18 June 2024 to take up a position in the EAPF team. Matthew Chaddock also resigned as the Shadow Member Representative on the 3 June 2024 to likewise take up a new position in the EAPF team.
- Following a competitive and inclusive recruitment exercise, Danielle was replaced by new active member representative, Jermiane Hutchinson, for a three year term from 17 December 2024. Stuart McMillan was also appointed as the new Shadow Member Representative from 17 December 2024.
- Lilli Matson became the Chair of ISC replacing Caroline Mason, and Rob Bell joined the ISC replacing Laura Milton.

## Pensions Committee (PC), Investment Sub-Committee (ISC) and Pension Board (PB) membership

| As at 31 March 2025 | Membership | Date of appointment | Length of service | End of current appointment | Residual period of current appointment |
|---------------------|------------|---------------------|-------------------|----------------------------|--|
|---------------------|------------|---------------------|-------------------|----------------------------|--|

### Board members

|                            |             |            |            |            |            |
|----------------------------|-------------|------------|------------|------------|------------|
| Robert Gould               | PC, ISC, PB | 18/10/2018 | 6 yr 6 mth | 31/03/2025 | 0 yr 0 mth |
| John Lelliott              | PC, PB      | 12/12/2019 | 5 yr 4 mth | 31/03/2025 | 0 yr 0 mth |
| Lilli Matson               | PC, ISC, PB | 30/09/2021 | 3 yr 6 mth | 31/07/2026 | 1 yr 4 mth |
| Maya Leibman               | PC, ISC, PB | 17/12/2024 | 0 yr 4 mth | 31/03/2027 | 2 yr 0 mth |
| Ines Faden Da Silva Altern | PC, PB      | 17/12/2024 | 0 yr 4 mth | 31/07/2026 | 1 yr 4 mth |

### Administering Authority Executive manager nominees

|              |         |            |             |     |     |
|--------------|---------|------------|-------------|-----|-----|
| Laura Milton | PC, ISC | 25/05/2023 | 1 yr 11 mth | N/A | N/A |
| Phil Lodge   | PC, ISC | 16/05/2018 | 6 yr 11 mth | N/A | N/A |

### Non-Environment Agency Executive Employer representative

|          |        |            |            |            |            |
|----------|--------|------------|------------|------------|------------|
| Rob Bell | PC, PB | 08/10/2023 | 1 yr 6 mth | 06/09/2026 | 1 yr 6 mth |
|----------|--------|------------|------------|------------|------------|

### Contributing member nominees and representatives

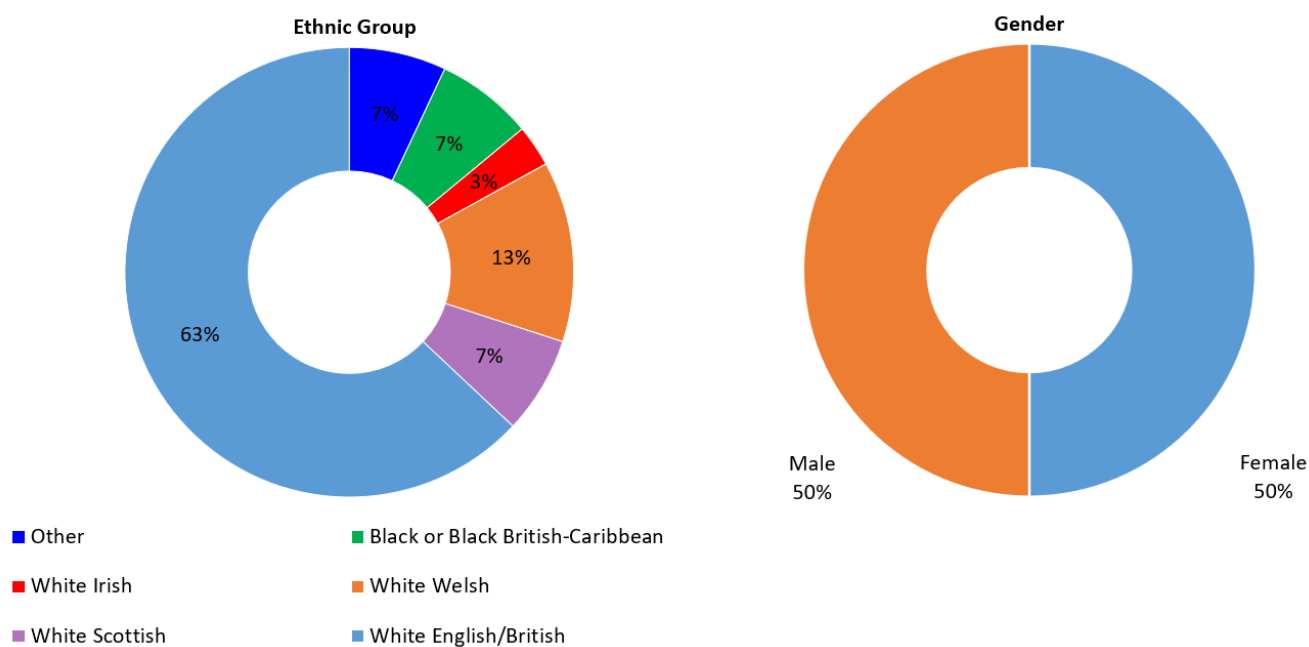
|                     |             |            |             |            |             |
|---------------------|-------------|------------|-------------|------------|-------------|
| Alice Brightman     | PC, PB      | 01/04/2023 | 2 yr 0 mth  | 31/03/2026 | 1 yr 0 mth  |
| Will Lidbetter      | PC, ISC, PB | 01/08/2016 | 8 yr 8 mth  | 31/07/2026 | 1 yr 4 mth  |
| Veronica James      | PC          | 16/05/2019 | 5 yr 11 mth | 15/05/2028 | 3 yr 1 mth  |
| Greg Black          | PC, ISC, PB | 01/04/2022 | 3 yr 0 mth  | 31/08/2028 | 3 yr 5 mth  |
| Danielle Ashton     | PC, ISC     | 01/02/2018 | 6 yr 5 mth  | 18/06/2024 | 0 yr 0 mth  |
| Matthew Chaddock    | PC          | 01/04/2023 | 1 yr 2 mth  | 03/06/2024 | 0 yr 0 mth  |
| Stuart McMillan     | PC, ISC     | 17/12/2024 | 0 yr 4 mth  | 31/01/2026 | 0 yr 10 mth |
| Jermiane Hutchinson | PC, ISC     | 17/12/2024 | 0 yr 4 mth  | 17/12/2027 | 1 yr 8 mth  |

### Pensioner and deferred members

|             |        |            |             |            |            |
|-------------|--------|------------|-------------|------------|------------|
| Peter Smith | PC, PB | 14/05/2015 | 9 yr 11 mth | 14/11/2025 | 0 yr 8 mth |
| Hywel Tudor | PC, PB | 14/05/2015 | 9 yr 11 mth | 14/11/2025 | 0 yr 8 mth |

## Diversity

On an annual basis we collect diversity data for the combined personnel within the Pension Committee and the EAPF Management Team. Ethnic and gender data is illustrated in the diagrams below:



## Attendance at Pensions Committee, Investment Sub-Committee and Pension Board meetings

During the past year, the Pensions Committee met on four occasions. The Investment Sub-Committee met on four occasions and the Pensions Board met once.

|                            | Pensions Committee meeting 4 in total | Investment Sub-Committee 4 in total | Pension Board Meeting 1 in total | Total attendance |
|----------------------------|---------------------------------------|-------------------------------------|----------------------------------|------------------|
| <b>Board members</b>       |                                       |                                     |                                  |                  |
| Robert Gould (PC Chair)    | 4/4                                   | 4/4                                 | 1/1                              | 9                |
| Lilli Matson               | 3/4                                   | 2/4                                 | -                                | 5                |
| John Lelliott              | 3/4                                   | -                                   | -                                | 3                |
| Maya Leibman               | 2/2                                   | 2/2                                 | -                                | 4                |
| Ines Faden Da Silva Altern | 1/1                                   | -                                   | 1/1                              | 2                |
| <b>Executive members</b>   |                                       |                                     |                                  |                  |
| Laura Milton               | 3/4                                   | -                                   | -                                | 3                |
| Robert Bell                | 4/4                                   | 4/4                                 | 1/1                              | 9                |
| Phil Lodge                 | 4/4                                   | 3/4                                 | -                                | 7                |
| <b>Active members</b>      |                                       |                                     |                                  |                  |
| Alice Brightman            | 3/4                                   | 3/4 (Observer)                      | -                                | 6                |
| Veronica James             | 4/4                                   | -                                   | -                                | 4                |
| Will Lidbetter             | 4/4                                   | 4/4                                 | 1/1                              | 9                |
| Danielle Ashton            | 1/1                                   | -                                   | -                                | 1                |
| Matthew Chaddock           | 1/1                                   | -                                   | -                                | 1                |
| Greg Black                 | 2/4                                   | 2/4                                 | -                                | 4                |
| Stuart McMillan            | 2/2                                   | 1/2                                 | -                                | 3                |
| Jermiane Hutchinson        | 2/2                                   | 1/2                                 | -                                | 3                |
| <b>Pensioner members</b>   |                                       |                                     |                                  |                  |
| Peter Smith                | 4/4                                   | 4/4 (Observer)                      | 1/1                              | 9                |
| Hywel Tudor                | 3/4                                   | 4/4                                 | 1/1                              | 8                |

## Pensions Committee training

Our Knowledge & Skills Policy incorporates the recommended standards that trustees and officers should know, as outlined in CIPFA Guidance.

All Members have individual training plans. This is based on an initial self-assessment, with all training undertaken logged and recorded.

Officers also agree a training plan with their line manager, with staff encouraged to consider achieving professional qualifications.

Some training is provided jointly to all Members and officers. This is because it may be a priority in our business plan, a high risk to the Fund or many Committee Members have recognised the need for training on that subject in their training plans. Joint training is delivered through in-house, in-person training days or as part of a formal Committee meeting. Hybrid facilities are made available for those unable to attend in person.

There is individualised training to meet specific needs. This was typically attending third-party webinars or training courses online. In 2024/25, each Pension Committee Member undertook an average of 5.5 hours of training. On average, each EAPF officer undertook an average of 23 hours of training. Last year, the Pension Committee received training on the issues in the following table.

| PC Training Log 2024/25       | Cyber Security | Pooling | Governance | Actuarial Valuation | Investment Strategy |
|-------------------------------|----------------|---------|------------|---------------------|---------------------|
| <b>EA Board members</b>       |                |         |            |                     |                     |
| Robert Gould – PC Chair       | ✓              | ✓       | ✓          | ✓                   | ✓                   |
| Lilli Matson                  | ✓              |         |            | ✓                   |                     |
| John Lelliott                 | ✓              |         |            | ✓                   | ✓                   |
| Maya Leibman                  |                |         |            | ✓                   |                     |
| Ines Faden Da Silva Altern    | ✓              |         |            | ✓                   |                     |
| <b>Executive members</b>      |                |         |            |                     |                     |
| Laura Milton                  | ✓              |         | ✓          | ✓                   | ✓                   |
| Phil Lodge                    | ✓              | ✓       | ✓          | ✓                   | ✓                   |
| Rob Bell                      | ✓              | ✓       | ✓          | ✓                   | ✓                   |
| <b>Active member nominees</b> |                |         |            |                     |                     |
| Alice Brightman               |                |         | ✓          | ✓                   | ✓                   |
| Greg Black                    | ✓              | ✓       |            | ✓                   |                     |
| Danielle Ashton               |                |         |            | ✓                   |                     |
| Matthew Chaddock              |                |         |            | ✓                   |                     |
| Will Lidbetter                | ✓              | ✓       | ✓          | ✓                   | ✓                   |
| Veronica James                | ✓              |         | ✓          | ✓                   | ✓                   |
| Stuart McMillan               | ✓              |         |            | ✓                   |                     |
| Jermiane Hutchinson           | ✓              |         |            | ✓                   |                     |
| <b>Pensioner members</b>      |                |         |            |                     |                     |
| Peter Smith                   | ✓              | ✓       | ✓          | ✓                   | ✓                   |
| Hywel Tudor                   | ✓              | ✓       |            | ✓                   | ✓                   |

### Pensions Committee business during 2024/25

The Pensions Committee made several key recommendations and decisions throughout the year on significant issues that will have a long-term impact on the performance of the Fund. These decisions have been made in a timely and informed manner, in line with our policies, taking appropriate legal, financial and investment advice, when necessary.

Risk management and discussion of risk registers is a standing item on both the Pensions Committee and Investment Sub-Committee agenda. Our top risks which we continue to manage include: Cyber Security, third party supplier delivery, successful implementation of pooling and team resilience.

We completed several cyber assurance projects throughout the year, including assessing the security controls of our key suppliers.

Every year we engage with members through our website, our member portal, newsletters, social media and webinars. Our series of pension webinars were well attended reaching over 1,500 attendees in total covering topics such as Pension Basics, Planning for retirement and Increasing benefits.

In addition, the Investment Sub-Committee monitored the ongoing volatility in the markets, and its impact on our funding position and assets, taking appropriate investment and actuarial advice. We set long-term strategies to manage our risks and remain in a positive funding position.



Our key activities and management of risks included:

- a) Cyber risk - assessing supplier cyber security and determining the potential cyber security risks from Pension Dashboards.
- b) Funding strategy implementation and planning for 2025 Triennial actuarial valuation.
- c) Brunel Pension Partnership oversight, engagement, and governance.
- d) Administration strategy implementation including benefits administration and member communications.
- e) Responsible Investment Strategy agreement, implementation, and monitoring.
- f) Conducting an independent review of our governance effectiveness.
- g) Strategy and policy agreement and implementation including Conflicts of Interest and Governance Statement.
- h) National Audit Office oversight and audit, and other independent audits.

### Professional advisers to the Committee

The Pensions Committee uses the services of the providers tabled below to make informed decisions.

|                                |   |
|--------------------------------|---|
| Actuarial Adviser              | Hymans Robertson                            |
| Bankers                        | National Westminster                        |
| Benefit Adviser                | Hymans Robertson                            |
| Custodian                      | State Street Global Services                |
| External Auditor               | The Comptroller and Auditor General – NAO   |
| Governance and Risk            | Aon Hewitt                                  |
| Investment Adviser             | Mercer                                      |
| Independent Investment Adviser | Investment Adviser and Trustee Services Ltd |
| Legal Adviser                  | Osborne Clarke / Burges Salmon              |
| Pensions Administrator         | Capita Pension Solutions Limited            |

## Annual Statement by Chair of the EAPF Pension Board

### Role of Pension Board

From April 2015, the Ministry of Housing, Communities and Local Government introduced further governance requirements for Local Government Pension Schemes. Each administering authority had to establish a Pension Board to provide oversight and assurance to the administering authority (scheme manager i.e. the EAPF Pensions Committee) of effective governance of their Pension Fund.

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

- 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.
- Ensuring the effective and efficient governance and administration of the LGPS by the Environment Agency Pension Funds.

### Membership

Membership of the EAPF Pension Board is normally the members of the Pensions Committee less the two Executive members of the Environment Agency and two Active Scheme Members. The Pension Board is therefore the 10 remaining Pensions Committee members as follows:

Employer representatives

- 4 Non-Executive Environment Agency Board members.
- 1 Non-Environment Agency Employer representative (or deputies).

Member representatives

- 3 Active Scheme member representatives.
- 2 Pensioner or one Pensioner and one Deferred Scheme member representatives.

Chair of the Pensions Committee is also Chair of the Pension Board. Where absent, the Chair is another Environment Agency Board member.

### Pension Board business 2024/25

The Pension Board met once during 2024/25 (on 26 March 2025) after the Pensions Committee meeting. The Pension Board reviewed Pensions committee meetings, risk management and progress against strategic priorities in 2024/25 which were:

- Serve our members well
- Review governance
- Manage cybersecurity
- Build resource in the Pension Fund Management team

## Governance Compliance Statement

### Introduction

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 will be set out in the Governance Policy
  - (ii) the frequency of any committee or sub-committee meetings will be set out in the Governance Policy
  - (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 reviewed by the Environment Agency Pensions Committee on 25 June 2025. It 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 [www.eapf.org.uk](http://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

Email: [eapf@environment-agency.gov.uk](mailto:eapf@environment-agency.gov.uk)

## Governance 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<br>(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 seven 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 one Non-EA Employer Representative, five Active Scheme Member Representatives and two Pensioner or one Pensioner and one Deferred Member Representatives. The ISC includes three Scheme Member Representatives and potentially the one 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. | See Statement of Compliance below.   |
| 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 two Executive Directors members of the Environment Agency and two Active Scheme Members.</p> <p>Further information is in the Terms of Reference and Standing Orders and the Operational Guidance.</p> |

# Statement of Compliance with Secretary of State Guidance

Compliance status - we are compliant with all 20 standards.

| Statutory Guidance<br>Governance Standards and Principles  | Our compliance status | Evidence of compliance and justification for non-compliance  |
|--|-----------------------|--|
| <b>A – Structure</b>   |                       |  |
| 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             | Our PC has 14 members, appointed by the EA Board and includes: <ul style="list-style-type: none"> <li>• Four Non-Executive EA Board members</li> <li>• Two EA Executive members</li> <li>• One Non-EA employer representative</li> <li>• Five Active Scheme member representatives</li> <li>• Two Pensioner or one Pensioner and one Deferred member representatives.</li> <li>• Three Scheme member representatives and the one Non EA employer representative are also members of the Investment Sub-Committee (ISC).</li> </ul> |
| 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>B – Representation</b>  |                       |  |
| 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 deferred and pensioner scheme members)  | Compliant | The main PC has seven scheme member representatives on it, including five active scheme member representatives and two pensioner/deferred member representatives, ideally one of each. Our ISC includes three 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.   |
| <b>C – Selection and role of lay members</b>  |           |   |
| 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.   |

| <b>D – Voting</b>   |           |  |
|---|-----------|--|
| a) 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.  |
| <b>E – Training, facility time and expenses</b>   |           |  |
| 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.   |
| <b>F – Meetings (frequency/quorum)</b>  |           |  |
| a) That an administering authority's main committee or committees meet at least quarterly.  | Compliant | Our PC usually meets four times a year, for normal business and at least once for briefing or training. Eight of the 14 PC members (including at least one Board member, one EA Executive member and one 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 four times a year before the PC so it can report to and make recommendations to the full PC. Four members (including at least one Board Member, one EA Executive member and one 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 seven 'lay' members on our main PC, comprising five active scheme member representatives and two 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. |




|   |           |   |
|---|-----------|---|
|   |           | <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>Where possible, we will also seek to hold a members' AGM every year.</p>   |
| <b>G – Access</b>   |           |   |
| 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.  |
| <b>H – Scope</b>  |           |   |
| 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 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. |
| <b>I – Publicity</b>  |           |   |
| 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.           |

Signed on behalf of the Environment Agency



Lilli Matson  
Chair  
Environment Agency Pensions Committee  
17 July 2025



Philip Duffy  
Accounting Officer  
Environment Agency  
17 July 2025

## Responsible Investment

For over 20 years we have seen that our Fund generates strong financial returns by investing in companies that contribute to the long-term sustainable success of the economy and society.

Our approach is about having vision, using science and being honest about our progress.

Our [Responsible Investment Strategy Statement](#) (RISS) sets out the Fund's beliefs, strategy and targets for investing the assets of the Environment Agency Pension Fund, in line with the best long-term interests of our members.

The majority of our assets are now invested through [Brunel Pension Partnership](#). Brunel provide the investment vehicles to enable us to meet our investment strategy in line with the Strategic Asset Allocation EAPF has agreed. If the right vehicle is not available within the pool, we may invest elsewhere.

It is important that we provide clear guidance to asset managers on what we expect so that we can work with our partners in Brunel and others to develop the solutions we need.

In September 2024, the Pensions Committee approved a new [Responsible Investment Policy](#) which provides the underlying detail on how we will meet the RISS and what we expect from our asset managers.

It sets out 3 key priorities

- Investing in solutions which build a clean, biodiverse and climate-resilient future
- Reaching net zero by 2045
- Engaging on nature, climate change adaptation and sustainable use of resources

All 3 are important to the EAPF. We recognise these priorities may have different timescales and outcomes but all 3 will contribute to managing our long-term financial risks and delivering the clean, biodiverse and climate-resilient future we need.

Our approach is not just about decarbonising at all cost. It is also about investing in solutions and being a positive voice for change, especially in hard-to-abate industries. No matter how sustainable our investments are, we cannot insulate our returns from a wider economy which is contributing to climate change.

Only by getting the balance correct and showing the environmental and financial benefits to influence the wider market to seek the same low carbon, nature positive outcomes, will we have a chance of protecting our investments for the long term.

## UK Stewardship Reporting

The EAPF is a signatory to the UK Stewardship Code.

**The last report** submitted to the Financial Reporting Council (FRC) was in May 2024, which reported on our work on responsible investment for the period January to December 2023.

We were advised by FRC on 18 July 2024, that our approach met the expected standard of reporting and that the EAPF would remain a signatory to the UK Stewardship Code.

On 14 November 2024, FRC confirmed that the EAPF could move our Stewardship Code reporting to align with our annual report and financial statement, while retaining signatory status.

We will next report to the FRC in October 2025, to cover the period 1 January 2024 to 31 March 2025. After this, our future reporting will revert to the usual 12-month period at the next application (1 April 2025 – 31 March 2026).

## Awards

Our innovative approach to Responsible Investment is not going unnoticed. We proudly accepted two awards for Natural Capital and Real Assets & Infrastructure Investor of the Year at a European Pensions Conference in September 2024. 16 judges selected the EAPF as the leader in this space noting, "EAPF has strategically integrated natural capital as a core asset class within its investment portfolio, demonstrating a pioneering approach in environmental and sustainable investment."

Additionally, the EAPF were proudly named European Pension Fund of the Year (and Best UK Pension Fund) at the Investment & Pensions Europe (IPE) Awards in December 2024. A judge on the IPE awards panel said, "With challenging emission goals and the creation of a new investment category for natural capital, EAPF identifies itself with the background and specific knowledge of its members in a smart way. A true example for other funds to follow."

## Pension Fund investment

### Investment strategy development and implementation

We aim to deliver a sustainable Pension Fund that delivers financially to meet the objectives of our scheme employers and members. The Committee has set the overall investment objective for the Fund after consideration of the actuarial valuation, contributions and the maturity profile of its liabilities.

The investment strategy, laid out in the Responsible Investment Strategy Statement, is agreed by the Committee to meet the overall investment objective:

***To generate maximum value from our assets with an appropriate level of risk, ensuring environmental, social and governance considerations, including climate change and nature loss, are fully integrated, and furthering our commitment to responsible investment.***

It uses multiple levers to achieve this: active & passive mandates, detailed risk analysis, and a fully diversified range of assets across global markets.

The Fund conducted a full detailed investment strategy review following the results of the 2022 Actuarial Valuation. The investment strategy review continued the focus on gradual de-risking of the investment strategy in order to protect the Fund's strong funding position as well as further embedding the Fund's Responsible Investment Strategy into the Strategic Asset Allocation. No changes were formally made to the Strategic Asset Allocation in 2023/24 albeit, meaningful steps were taken to implement the investment strategy that was adopted as part of the 2023 investment strategy review.

The 2023 investment strategy review involved reducing the allocation to global equities, real estate and corporate bonds and increasing the allocation to liability matching and cash. A new allocation to Secured Sustainable Finance was also introduced to the SAA, alongside a 2% increase in the allocation to Infrastructure to 9% of total Fund assets. Within the 9% infrastructure allocation, the Fund made a commitment to allocate 4% of total Fund assets to Natural Capital (as a percentage of total Fund).

Based on the 2023 investment strategy review, the following Strategic Asset Allocation ('SAA') has been set for the Fund:

| Asset Class   | Benchmark Index             | SAA %<br>2024/25 |
|---|-----------------------------|------------------|
| <b>RETURN SEEKING ASSETS</b>                                |                             |                  |
| Global equities   | MSCI World                  | 34.0             |
| Infrastructure (including 4% allocation to Natural Capital) | Consumer Price Index        | 9.0              |
| Multi Asset Credit  | Sonia +4% p.a.              | 8.0              |
| Private equity  | MSCI World                  | 4.0              |
| Real Assets   | Consumer Price Index        | 3.0              |
| <b>RISK REDUCING ASSETS</b>                                 |                             |                  |
| Corporate bonds   | iBoxx Sterling all non-gilt | 19.0             |
| Liability Driven Investment                                 | Bespoke LDI Benchmark       | 12.0             |
| Illiquid credit/Private debt                                | Sonia + 8% p.a.             | 5.0              |
| Secured Sustainable Finance                                 | Consumer Price Index        | 4.0              |
| Cash  | Sonia                       | 2.0              |
| <b>TOTAL</b>  |                             | 100.0            |

\*Benchmark dependent upon selection of fund(s)

Over Q1 2025, the Fund undertook an investment strategy review which was presented at the 26 March 2025 Pensions Committee meeting. As part of this 2025 investment strategy review, it was provisionally agreed that the Global Equity and Corporate Bond allocations would be reduced in favour of Liability Matching. The updated SAA will be reviewed after the completion of the 2025 triennial evaluation and in light of the forthcoming Pensions Reform Bill. After this, we will publish the final agreed SAA.

The Fund has in place a cashflow and rebalancing policy, to ensure efficient cash management processes are followed. To ensure the Fund is managed in line with the asset allocation, officers and advisors hold monthly investment meetings. Any deviations in asset allocation are discussed and actions agreed. Cash is maintained within agreed limits. In addition, the Fund has a rebalancing programme that aims to bring the Fund back in line with target weights to listed equities and fixed income assets if market movements cause allocations to breach pre-agreed ranges. As part of this rebalancing and also due to concerns over performance, the Committee agreed to fully disinvest from Impax Global Equity (c. £150m, part of the Global Equity allocation) with the proceeds invested in the BlackRock government bonds portfolio in Q1 2025.

The Fund continued to make ongoing allocations to illiquid assets to ensure the Fund can achieve and maintain the strategic asset allocations to these asset classes, which require ongoing commitments.

A summary of the Fund's investments and undrawn commitments within the illiquid asset portfolio as at 31 March 2025 are outlined below:

|   | Investments (£) | Investments (% of total Fund) | Target Allocation | Undrawn Commitments (£) |
|---|-----------------|-------------------------------|-------------------|-------------------------|
| Private Equity <sup>1</sup>                     | 286.5           | 6.0%                          | 4.0%              | 106.7                   |
| Private Debt                                    | 215.3           | 4.5%                          | 5.0%              | 244.3                   |
| Infrastructure and Natural Capital <sup>2</sup> | 262.3           | 5.5%                          | 9.0%              | 143.6                   |
| Real Estate                                     | 162.3           | 3.4%                          | 3.0%              |                         |

Source: State Street. Figures may not sum due to rounding.

Excludes value of Russell Passive Currency Overlay and Schroders Greencoat Renewable Income.

<sup>1</sup> Includes value of Bridges, III, IV, V, VI. Excludes values of SAIF and Gresham House.

<sup>2</sup> Includes values of SAIF and Gresham House.

Note: At 31 March 2025, there was £5.8m of undrawn Private Equity commitments relating to Actis Energy Fund IV. The Fund received a cancellation notice for these undrawn commitments on 16 April 2025. These have therefore been excluded from the totals above.

In February 2024, the Fund agreed the following Private Markets commitment plan by March 2026.

|                                 | Private Equity | Private Debt | Infrastructure | Natural Capital |
|---------------------------------|----------------|--------------|----------------|-----------------|
| Target allocation               | 4.0%           | 5.0%         | 5.0%           | 4.0%            |
| Target commitments over 2024/25 | £50m           | £127m        | p.a.           | c.£180m         |

- **Private Debt:** £65m (c.50%) of the £127m commitments will be made through Brunel's Cycle 4 portfolio. The remaining £62m of commitments are being made through direct investment in credit strategies with a high level of Impact.
- **Private Equity:** EAPF continue to make investments into the TOP portfolio directly.
- **Infrastructure:** No commitments were made to Infrastructure over Brunel Cycle 4. However, Officers will continue to monitor impact opportunities and could bring direct investment ad-

hoc opportunities to the Committee should they significantly further the Responsible Investment Strategy of the Fund.

- **Natural Capital:** EAPF continue to make investments in Natural Capital both directly and through the Brunel Infrastructure Cycle 3 mandates.

### Investment performance

For the 2024/25 financial year the Fund achieved an absolute return of 2.1%, underperforming its benchmark (after fees) by 0.8%. Over three years the Fund has returned 1.4% p.a., 0.9% p.a. below its benchmark. Over the year, the Fund underperformance was driven largely by the relative performance of the Active Listed Global Equity mandates.

### Market Background

On a year-on-year basis to 31 March 2025, developed market equities were positive at 4.8%. Emerging market equities also had positive returns 10.1% and outperformed global equities. Overall, the positive momentum started to fade in the second half of the 12-month period owing to uncertainty around policies under Trump's presidency. Tariff threats and economic weakness added to worries around the global economic outlook.

During the 12 months to 31 March 2025, global sovereign bond yields were mixed, US Treasury yields declined, while developed market bond yields elsewhere rose. In the UK specifically, the BoE maintained a cautious approach, while warning of heightened uncertainty to the growth and inflation outlook on account of Trump's tariff and trade announcements. Sticky services inflation on account of strong wage growth and the government's long-term fiscal viability also remained a concern. The BoE delivered a total of 75 bps of rate cuts in the year, lesser than its European and US counterparts. Over the 12-month period to March 2025, UK 10-year gilt yields rose 0.74% to 4.68%.

### Investment management

By Fund year end, responsibility for the day-to-day management of the Fund's investments was delegated to three listed equity managers, twenty eight private equity, private debt and real asset specialists, and Brunel, who manage several pooled funds on behalf of the Fund. Over the 12 months, the Fund committed £170m to the Schroders Greencoat Renewable Income (GRI), £65m to the Brunel Private Debt Cycle 4, £30m to the Bridges Property Alternatives Fund VI, = €30m LGT Crown Impact and £20m to GHBC, an investment vehicle managed by Gresham House, that invests in the Environment Bank Limited, a habitat bank developer and operator in the UK.

Our investment managers are responsible for selecting individual investments, and operate at arm's length from the Fund, with full discretion over the management of their portfolios, subject to IMAs where relevant, complying with statutory limits and the Investment Strategy Statement and taking due regard of the Active Fund Responsible Investment policy and supplementary guidance, for example on environmental issues or voting. Each manager has been set a specific benchmark that reflects the asset class being managed, and in the case of segregated managers has a performance target they are aiming to achieve. Details of the managers, their benchmarks, targets and performance is available on pages 35 to 36.

We seek to work with our managers on a long-term basis, as we believe this is the best way to achieve positive results for the Fund. We support the findings of the Kay review on long-term decision making in investments. As a contribution to this discussion, we review our arrangements with managers, identifying where we may be introducing short-term performance pressures on managers. To address these pressures, we have developed a standard investment management agreement for managers and supplemented it with a covenant laying out our expectations of managers and our commitment to managers more broadly. In particular, the covenant makes clear that we are more likely to be concerned about team instability or changes in approach than short-term performance.

## Asset pooling and the creation of the Brunel Pension Partnership

### Background

Following the 2015 LGPS Investment Reform Criteria and Guidance, which sets out how the Government expected LGPS funds to establish asset pooling arrangements, 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, in conjunction with nine other LGPS Funds. The objectives included benefits of scale, strong governance and decision making, reduced costs and the improved capacity to invest in infrastructure.

Our pooling delivery operator, the Brunel Pension Partnership Ltd (Brunel Ltd) was launched on 18 July 2017 as a new company wholly owned by the ten Administering Authorities, including the EAPF. We own a 10% shareholding in Brunel Ltd.

The EAPF, through its Pensions Committee, retains the responsibility for setting the detailed EAPF Strategic Asset Allocation and allocating investment assets to the portfolios provided by Brunel Ltd which maintains our long-standing and widely recognised approach to Responsible Investment. Responsibility for implementing our detailed Strategic Asset Allocation rests with Brunel Ltd.

### Governance and oversight

The EAPF is both a shareholder and a client of Brunel Ltd. As shareholders in Brunel Ltd, we entered into a shareholder agreement with the company and the other shareholders. This agreement gives shareholders considerable control over Brunel Ltd. Each of the ten participating Pension Funds has a 1/10th shareholding in Brunel Ltd. A detailed service agreement was put in place setting out the duties and responsibilities of Brunel Ltd, and our rights as a client.

Pooling guidance, issued in January 2019 by MHCLG, included reference for the need to establish and maintain a governance body to set the direction of the pool and 'hold the pool company to account'. Our governance structure is summarised below:

- An Oversight Board comprising representatives from each of the ten Funds' Pensions Committee's has a primary monitoring and oversight function. It meets, at least quarterly, reviewing and challenging papers from Brunel Ltd and its management. However, it cannot take decisions requiring shareholder approval, which are remitted back to each Fund individually. Our Chair of Pensions Committee, or nominated Pensions Committee deputy, represents the EAPF on this Board. Two members representing Pension Fund members from the participating Funds also attend Oversight Board meetings.
- The Oversight Board is supported by the Client Group, comprised primarily of pension investment officers drawn from each of the Funds. Whilst essentially an officer working group, it has a leading role in reviewing the implementation of pooling by Brunel Ltd and provides a forum for discussing technical and practical matters, confirming priorities, resolving differences and improving relationships and operational issues. Client Group is also supported by a number of sub-groups, to delve deeper into detail. EAPF Officers are members of each of these groups, which include responsible investment, operational, investment and finance sub-groups. The Client Group is also responsible for providing practical support to enable the Oversight Board to fulfil its monitoring and oversight function.
- A separate level of governance is provided by the Board of Directors at Brunel Ltd, which are appointed by shareholders. It comprises five highly experienced and independent Non-Executive Directors including the Chair and three Executive Directors. A Shareholder Non-



Executive Director (SNED) represents shareholder views at the Brunel Ltd Board. **Further information can be found at [www.brunelpensionpartnership.org/people](http://www.brunelpensionpartnership.org/people).**

- Finally, as an authorised firm, Brunel Ltd must meet the extensive requirements of the Financial Conduct Authority, which cover areas such as training and competency, policy and process documents, and internal controls.

### Shareholder reserve matters during 2024/25

During 2024/25, we agreed one special reserve matter (SRM) in consultation with our partner Funds and Brunel Ltd. The Pensions Committee holds the shareholder responsibility for the EAPF, and we bring these reserve matters to the appropriate meeting. If this is not practical due to time limitations, we use agreed urgency delegations with appropriate assurance.

SRM 35: We agreed amendments to the Responsible Investment Policy.

### New investment activity in the year

Whilst we did not make any further transitions into the Brunel pool in 2024/25, we made some investment changes which included a planned equity rebalance exercise in March 2025, where we disinvested from an off-pool manager and moved c£145m into BlackRock LDI.

### Delivery against original pooling business case

One of the key objectives for Brunel Ltd is to deliver on a timely basis, the fee savings included in the original business case (OBC) agreed across the ten partner Funds. The expected costs and savings for the EAPF through to 2036, as per the original approved business case submitted to Government, are as follows:

### Original Business Case (agreed in 2016)

| EAPF   | 2016/17<br>£000 | 2017/18<br>£000 | 2018/19<br>£000 | 2019/20<br>£000 | 2020/21<br>£000 | 2021/22<br>£000 | 2022/23<br>£000 | 2023/24<br>£000 | 2024/25<br>£000 | 2025/26<br>£000 | 2026-36<br>£000 | Total<br>£000   |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| <b>Set up costs<br/>(Note 1)</b>             | 117             | 1,092           | -               | -               | -               | -               | -               | -               | -               | -               | -               | 1,209           |
| <b>Ongoing<br/>Brunel costs<br/>(Note 2)</b> | -               | -               | 545             | 716             | 740             | 764             | 789             | 815             | 841             | 869             | 10,426          | 16,505          |
| <b>Client savings<br/>(Note 3)</b>           | -               | -               | (843)           | (869)           | (895)           | (922)           | (949)           | (978)           | (1,007)         | (1,037)         | (12,248)        | (19,748)        |
| <b>Transition costs<br/>(Note 4)</b>         | -               | -               | 1,078           | 2,210           | 11              | -               | -               | -               | -               | -               | -               | 3,299           |
| <b>Fee savings<br/>(Note 5)</b>              | -               | -               | (114)           | (876)           | (1,661)         | (1,878)         | (2,116)         | (2,370)         | (2,533)         | (2,703)         | (40,241)        | (54,493)        |
| <b>Net costs/<br/>(realised<br/>savings)</b> | <b>117</b>      | <b>1,092</b>    | <b>666</b>      | <b>1,182</b>    | <b>(1,805)</b>  | <b>(2,036)</b>  | <b>(2,277)</b>  | <b>(2,533)</b>  | <b>(2,698)</b>  | <b>(2,871)</b>  | <b>(42,063)</b> | <b>(53,227)</b> |

## Brunel Ltd 2024/25 actual spend against original business case

The table below shows actual spend against these original budgets. We have provided more detailed analysis under each individual cost note below:

| EAPF                           | 2024/25    |                    |         |                    | 2023/24    |                    |         |                    |
|--------------------------------|------------|--------------------|---------|--------------------|------------|--------------------|---------|--------------------|
|                                | OBC Budget |                    | Actual  |                    | OBC Budget |                    | Actual  |                    |
|                                | In Year    | Cumulative to date | In Year | Cumulative to date | In Year    | Cumulative to date | In Year | Cumulative to date |
|                                | £000       | £000               | £000    | £000               | £000       | £000               | £000    | £000               |
| Set up costs (Note 1)          | 0          | 1,209              | 0       | 1,073              | 0          | 1,209              | 0       | 1,073              |
| Brunel costs (Note 2)          | 841        | 5,211              | 1,274   | 7,633              | 815        | 4,370              | 1,021   | 6,359              |
| Client savings (Note 3)        | (1,007)    | (6,463)            | (175)   | (1,145)            | (978)      | (5,456)            | (175)   | (970)              |
| Transition costs (Note 4)      | 0          | 3,299              | 0       | 4,511              | 0          | 3,299              | 0       | 4,511              |
| Fee savings (Note 5)           | (2,533)    | (11,549)           | (5,218) | (16,765)           | (2,370)    | (9,016)            | (4,341) | (11,547)           |
| Net costs / (realised savings) | (2,699)    | (8,293)            | (4,119) | (4,693)            | (2,533)    | (5,594)            | (3,495) | (574)              |

### Note 1: Set up costs

We reported in our 2018/19 annual report and financial statements set up costs for 2016/17 and 2017/18. A summary of our EAPF share of the previously reported actual set up costs for 2018/19 are included below:

| Asset pool set up and administration costs 2018/19 | Cumulative £000 |
|--|-----------------|
| <b>Set up costs:</b>                               |                 |
| Share purchase                                     | 840             |
| Legal  | 133             |
| Consulting, Advisory and Procurement               | 82              |
| Recruitment  | 18              |
| <b>Total actual set up costs</b>                   | <b>1,073</b>    |
| <b>Projected costs per original business case</b>  | <b>1,209</b>    |

Our 10% share purchase investment in Brunel Ltd is valued at £750k (2024: £722k). This fair value is determined from the latest Statement of Equity reported in the Brunel Ltd Annual Report and Accounts at 30 September 2024.

## Note 2: Ongoing Brunel Ltd costs

The Brunel Ltd costs for EAPF of £1,274k (2024: £1,021k) reflect the core service charge of £1,142k (2024: £929k) and performance reporting of £132k (2024: £92k).

The core costs are higher than the OBC, which is accepted based by a OBC that was set on a best endeavours basis back in 2016.

## Note 3: Client Savings

Overall, Client Savings is the biggest variable against the OBC. The OBC had assumed large savings due to the loss of EAPF Officers, as work transferred to Brunel Ltd. However, our internal Pension Fund Management Team has seen significant changes since the creation of the Brunel Pension Partnership. We have had to review our internal staffing requirements and structure for the new pooling environment recognising the significant and unexpected level of internal oversight, governance and operational requirements that pooling and our shareholder responsibilities have created.

However, we have achieved some internal savings through our Hermes environmental reporting contract. We have recognised £110k p.a. for 2024/25 which is the same amount as the prior year. We also saved £65k p.a. in respect of financial performance fees when compared to our previous performance measurer prior to pooling. The equates to a cumulative saving of £1,145k (2024: £970k).

## Note 4: Transition costs

We have not incurred any transition costs in 2024/25. The variance to the OBC is due to various factors including changes to our strategic asset allocation since pooling, revised transition timetables and a transition pause implemented due to the global pandemic.

## Note 5: Fee savings

A significant part of the OBC savings rested on securing material investment management fee savings, after set-up costs and Brunel Ltd operating costs. In the year we achieved overall fee savings of £5,218k (2024: £4,341k) split £3,899k (2024: £3,512k) in Brunel listed market portfolios and £1,319k (2024: £829k) in Brunel private market portfolios. The basis of assessing the fee savings is against those used in the OBC - i.e. the current market rates at the time.

## Ongoing monitoring of Brunel Ltd against business case

With over 64% of our Fund now invested within Brunel portfolios, ensuring that the financial performance of the pool is monitored and that Brunel Ltd is delivering on the key objectives of investment pooling is vital.

The Pensions Committee takes its role as both Shareholder and Client of Brunel Ltd extremely seriously, as part of its fiduciary and legal obligations to act in the best interests of members and is discussed at every Pensions Committee and Investment Sub Committee meeting.

Ensuring that Brunel Ltd delivers against the original business case is of critical importance to the Pensions Committee. We have highlighted above how the EAPF is represented through the governance of Brunel Ltd and how we work with our other partner Funds to achieve this. At all stages and levels there is monitoring and assurance processes around cost control. Regular financial reporting is provided through Client Group and the Oversight Board.

## Government reforms to the Local Government Pension Scheme Pooling Arrangements in England and Wales

In November 2024, Government set out its proposed reforms, in its 'Fit For Future' consultation with the aim of establishing a world-class LGPS made up of large pools of professionally managed capital, held to account by Administering Authorities who have confidence in robust and transparent governance structures and who are delivering the best value to members. Government wrote to each pool, asking for transition proposals setting out how they would seek to achieve the minimum standards proposed in the consultation by March 2026, it focused on the benefits of scale, long-term resilience, value for money and viability against the deadline.

The Brunel Pension Partnership, engaged fully with this consultation and submitted its proposals to Government accordingly. On 9 April 2025, Brunel received notification from the Government, that after full consideration, their submission did not meet the Government's vision for the future of the LGPS. The Government invited Brunel, and its partner Pension Funds, to investigate new partnership arrangements with other existing LGPS pools, and to notify the Government, by 30 September 2025, its in-principal proposals on how they will implement these new arrangements. We are therefore working closely with our pooling partner funds, advisers and committees to explore the optimal solutions available to the EAPF and its members.

As reported within the Net Asset Statement a 10% shareholding of the Brunel Pension Partnership as at 31st March 2025 is valued at £750k. Although not considered material to the accounts, uncertainty exists to the going concern of the Brunel Pension Partnership until we fully understand how we will be implementing the new Government arrangements. The EAPF acknowledges this risk, and after consideration and consultation with the wider partnership, we have decided that no adjustment to the financial statements will be made as too much uncertainty exists in this matter.

## Statistics of the EAPF investment portfolio

In the following tables and charts we highlight the Top 20 non-cash holdings of the Fund, our Top 20 holdings in direct equities and our geographical exposure in 2024/25 compared to 2023/24. We also include the new asset allocation table and disclose our UK investments as per statutory guidance.

### Top 20 holdings of the Fund as at 31 March 2025

| Holding                                | Asset Class                                      | 2025           |             |
|--|--|----------------|-------------|
|  |  | £m             | % of Fund   |
| BRUNEL STERLING CORPORATE BONDS        | Pooled fixed interest - Overseas corporate bonds | 710.2          | 14.9        |
| BRUNEL BLACKROCK LIABILITY SOLUTIONS   | Pooled – LDI                                     | 561.0          | 11.8        |
| BRUNEL GLOBAL SUSTAINABLE EQUITIES     | Equities – Global                                | 414.5          | 8.7         |
| BRUNEL PARIS ALIGNED FUND              | Pooled equities – Global                         | 359.8          | 7.6         |
| BRUNEL LOW VOLATILITY FUND             | Pooled equities – Global                         | 318.5          | 6.7         |
| BRUNEL NEUBERGER BERMAN MAC FUND       | Pooled – Multi Asset Credit                      | 230.1          | 4.8         |
| ROBECO QI GLOBAL DEVELOPED             | Pooled equities – Global                         | 203.7          | 4.3         |
| BRUNEL BLACKROCK BUY & MAINTAIN CREDIT | Pooled fixed interest                            | 193.3          | 4.1         |
| CQS GLOBAL FUNDS                       | Pooled fixed interest - Overseas corporate bonds | 84.0           | 1.8         |
| OAKTREE (LUX) III SA SICAV             | Pooled fixed interest - Overseas corporate bonds | 80.9           | 1.7         |
| GREENCOAT GRI                          | Private equity                                   | 40.3           | 0.8         |
| MICROSOFT CORP                         | Direct equity                                    | 36.5           | 0.8         |
| STEPSTONE B III                        | Real estate                                      | 36.5           | 0.8         |
| DBL PARTNERS III LP                    | Private equity - Partnerships                    | 34.4           | 0.7         |
| DBL PARTNERS IV LP                     | Private equity - Partnerships                    | 34.1           | 0.7         |
| DIRECT LENDING FUND III (GBP)          | Private Lending - Partnerships                   | 29.3           | 0.6         |
| GID MAINSTAY FUND                      | Real estate                                      | 24.9           | 0.5         |
| UBS GBL ASSET MGT                      | Real estate                                      | 23.8           | 0.5         |
| BECTON DICKINSON AND CO                | Direct equity                                    | 22.0           | 0.5         |
| TIAA CREF GLOBAL AGRICULTURE I         | Private Equity - Agriculture                     | 21.6           | 0.5         |
| <b>Total</b>                           |  | <b>3,459.4</b> | <b>72.8</b> |

**Top 20 holdings of the Fund as at 31 March 2024**

| Holding                                | Asset Class                                      | 2024           |             |
|--|--|----------------|-------------|
|  |  | £m             | % of Fund   |
| BRUNEL STERLING CORPORATE BONDS        | Pooled fixed interest - Overseas corporate bonds | 681.8          | 14.7        |
| BRUNEL BLACKROCK LIABILITY SOLUTIONS   | Pooled – LDI                                     | 469.6          | 10.1        |
| BRUNEL GLOBAL SUSTAINABLE EQUITIES     | Equities – Global                                | 425.9          | 9.2         |
| BRUNEL LOW VOLATILITY FUND             | Pooled equities – Global                         | 390.6          | 8.4         |
| BRUNEL PARIS ALIGNED FUND              | Pooled equities – Global                         | 348.3          | 7.5         |
| BRUNEL NEUBERGER BERMAN MAC FUND       | Pooled – Multi Asset Credit                      | 213.7          | 4.6         |
| ROBECO QI GLOBAL DEVELOPED             | Pooled equities – Global                         | 189.0          | 4.1         |
| BRUNEL BLACKROCK BUY & MAINTAIN CREDIT | Pooled fixed interest                            | 188.2          | 4.1         |
| CQS GLOBAL FUNDS                       | Pooled fixed interest - Overseas corporate bonds | 76.4           | 1.6         |
| OAKTREE (LUX) III SA SICAV             | Pooled fixed interest - Overseas Corporate bonds | 74.3           | 1.6         |
| DIRECT LENDING FUND III (GBP)          | Private Lending - Partnerships                   | 39.3           | 0.8         |
| AMAZON.COM INC                         | Direct equity                                    | 33.3           | 0.7         |
| MICROSOFT CORP                         | Direct equity                                    | 33.0           | 0.7         |
| DBL PARTNERS III LP                    | Private equity - Partnerships                    | 25.1           | 0.5         |
| CCOF II LUX FEEDER, SCSP-CARLYLE       | Private Lending - Partnerships                   | 24.2           | 0.5         |
| TIAA CREF GLOBAL AGRICULTURE I         | Private Equity - Agriculture                     | 23.5           | 0.5         |
| UBS GBL ASSET MGT                      | Real estate                                      | 23.0           | 0.5         |
| GID MAINSTAY FUND                      | Real estate                                      | 22.0           | 0.5         |
| CHARTER HALL PRIME INDUSTRIAL          | Real estate                                      | 21.9           | 0.5         |
| INFRACAPITAL GREENFIELD PARTNER        | Real estate                                      | 21.0           | 0.5         |
| <b>Total</b>                           |  | <b>3,324.1</b> | <b>71.6</b> |

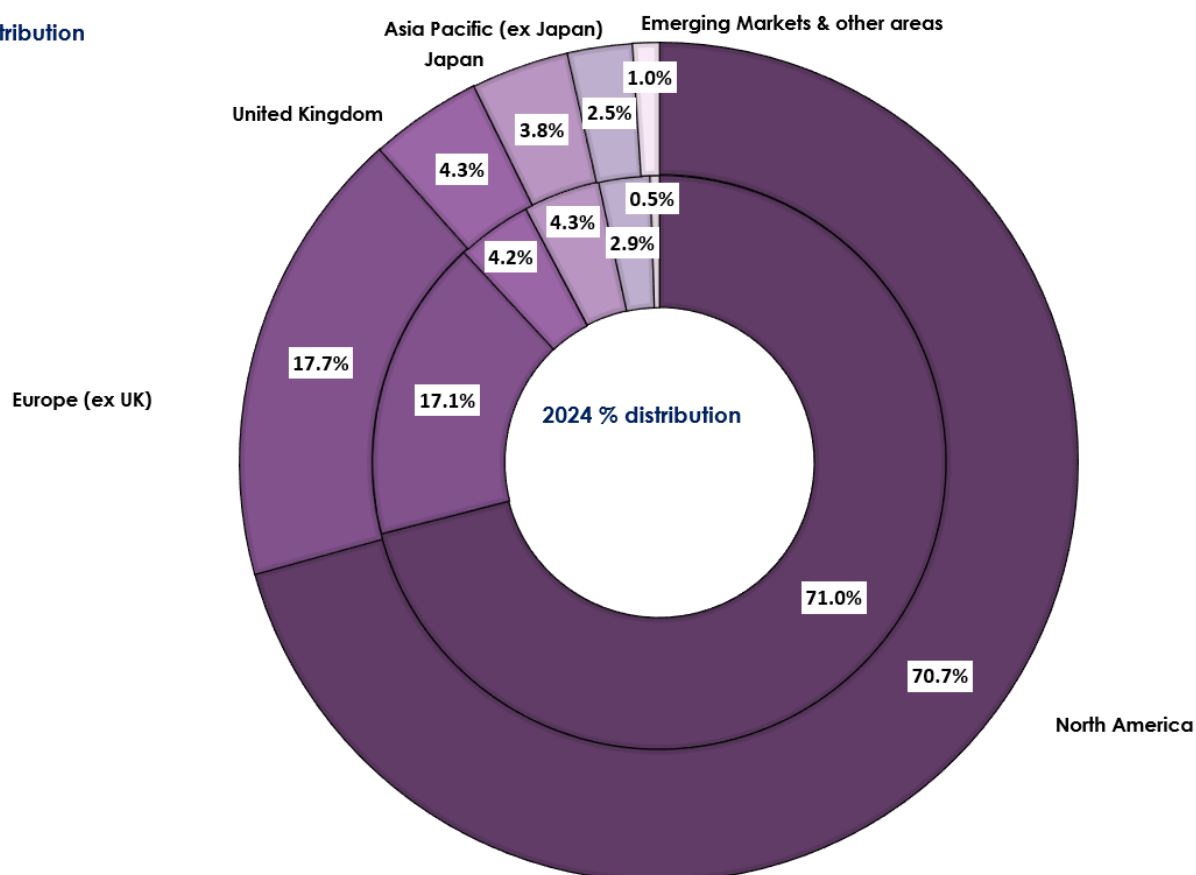
**Top 20 direct equity holdings as at 31 March 2025 and 2024**

| Company                      | Country       | 2025<br>£m   | % of<br>Fund | Company                      | Country       | 2024<br>£m   | % of<br>Fund |
|------------------------------|---------------|--------------|--------------|------------------------------|---------------|--------------|--------------|
| Microsoft Corp               | United States | 36.5         | 0.8          | Amazon.com Inc               | United States | 33.3         | 0.7          |
| Beckton Dickinson and co.    | United States | 22.0         | 0.5          | Microsoft Corp               | United States | 33.0         | 0.7          |
| Schwab (Charles) corp        | United States | 20.4         | 0.4          | Applied Materials Inc        | United States | 15.7         | 0.3          |
| Mercadolibre inc             | United States | 19.5         | 0.4          | LeGrand SA                   | France        | 14.8         | 0.3          |
| Amazon.com Inc               | United States | 17.4         | 0.4          | Thermo Fisher Scientific Inc | United States | 14.5         | 0.3          |
| Adyen NV                     | Netherlands   | 14.0         | 0.3          | Vestas Wind Systems A/S      | Denmark       | 14.3         | 0.3          |
| Steris Plc                   | United States | 13.8         | 0.3          | Equifax Inc                  | United States | 13.5         | 0.3          |
| LeGrand SA                   | France        | 13.8         | 0.3          | Schneider Electric SE        | France        | 12.4         | 0.3          |
| Nutanix Inc A                | United States | 13.5         | 0.3          | Beckton Dickinson and co.    | United States | 12.1         | 0.3          |
| Workday inc                  | United States | 12.7         | 0.3          | Analog Devices Inc           | United States | 12.0         | 0.3          |
| Kingspan Group Plc           | Ireland       | 12.6         | 0.3          | Nutanix Inc A                | United States | 11.6         | 0.2          |
| Equifax Inc                  | United States | 12.4         | 0.3          | CBRE Group Inc A             | United States | 11.5         | 0.2          |
| Danaher Corp                 | United States | 11.9         | 0.2          | Henry Schein Inc             | United States | 11.5         | 0.2          |
| Alphabet inc                 | United States | 11.2         | 0.2          | Trimble Inc                  | United States | 11.1         | 0.2          |
| Nestle SA reg                | Switzerland   | 10.9         | 0.2          | Sika AG Reg                  | Switzerland   | 10.9         | 0.2          |
| Thermo Fisher Scientific Inc | United States | 10.9         | 0.2          | Danaher Corp                 | United States | 10.6         | 0.2          |
| Agilent Technologies inc     | United States | 10.6         | 0.2          | Novonesis (Novozymes) B      | Denmark       | 10.5         | 0.2          |
| Gartner Inc                  | United States | 10.3         | 0.2          | Trane Technologies Plc       | Netherlands   | 10.3         | 0.2          |
| Taiwan Semiconductor Manufac | Taiwan        | 9.6          | 0.2          | Jones Lang LaSalle Inc       | United States | 10.3         | 0.2          |
| ASML Holding NV              | Netherlands   | 9.2          | 0.2          | Gartner Inc                  | United States | 10.3         | 0.2          |
| <b>Total</b>                 |               | <b>293.3</b> | <b>6.2</b>   | <b>Total</b>                 |               | <b>284.2</b> | <b>5.8</b>   |



## Geographical distribution of quoted and pooled equity investments as at 31 March 2025 and 2024

### 2025 % distribution



| Geographical distribution        | 2025           | 2024           |
|----------------------------------|----------------|----------------|
|                                  | £m             | £m             |
| North America                    | 1,208.8        | 1,362.7        |
| Europe (excluding UK)            | 303.3          | 328.5          |
| Japan                            | 73.5           | 80.9           |
| United Kingdom                   | 65.0           | 83.3           |
| Asia Pacific (excluding Japan)   | 42.9           | 55.1           |
| Emerging Markets and other areas | 16.6           | 9.4            |
| <b>Total</b>                     | <b>1,710.1</b> | <b>1,919.9</b> |

## Asset allocation as at 31 March 2025

The new statutory Scheme Advisory Board (SAB)/CIPFA guidance on preparing the Annual Report required Funds to set out their asset allocation in the format below. Whilst we provide, on pages 37 to 38, a comprehensive portfolio analysis, this format enables us to disclose where our assets are held in relation to pooling.

| Asset class                  | Assets pooled £'000 | Assets under pooled management £'000 | Assets not pooled £'000 | Total assets £'000 |
|------------------------------|---------------------|--------------------------------------|-------------------------|--------------------|
| Equities                     | 1,092,845           |                                      | 617,150                 | <b>1,709,996</b>   |
| Bonds                        | 875,029             | 193,304                              |                         | <b>1,068,333</b>   |
| Pooled property              |                     |                                      | 203,163                 | <b>203,163</b>     |
| Liability Driven Investments |                     | 560,982                              |                         | <b>560,982</b>     |
| Private equity               | 40,282              |                                      | 247,050                 | <b>287,333</b>     |
| Private debt                 | 27,796              |                                      | 417,669                 | <b>445,465</b>     |
| Infrastructure               | 36,497              |                                      | 204,683                 | <b>241,180</b>     |
| Cash and net current assets  | 236,301             |                                      |                         | <b>236,301</b>     |
| <b>Total</b>                 | <b>2,308,751</b>    | <b>754,286</b>                       | <b>1,689,715</b>        | <b>4,752,753</b>   |
| <b>Percentage</b>            | 48.6                | 15.9                                 | 35.5                    | <b>100</b>         |

## UK Investment

In the Government's Spring 2024 Budget, it was announced that LGPS funds would be required to provide a summary of their investments in UK assets, to support the Government's agenda of promoting investment in the UK. This was subsequently built into the statutory SAB/CIPFA guidance on preparing the Annual Report in April 2024.

We have aimed to be consistent in applying a basis for identifying what is classed as a UK investment across our portfolio. We have been informed by Brunel of our UK percentage exposures in our pooled investments, but where multiple underlying managers exist, we have averaged out the UK percentage. For legacy managers we have used our custodian reporting based on trade currency. Therefore, being the first year of reporting, we have provided the Fund's UK investments on a best endeavours basis in the following table. This equates to approximately 32% of our total fund value.

| UK asset class      | Assets pooled £'000 | Assets under pooled management £'000 | Assets not pooled £'000 | Total UK assets £'000 |
|---------------------|---------------------|--------------------------------------|-------------------------|-----------------------|
| UK listed equities  | 38,417              | -                                    | 8,528                   | 46,945                |
| UK government bonds | 1,307,226           | -                                    | -                       | 1,307,226             |
| UK infrastructure   | 4,343               | -                                    | 71,595                  | 75,938                |
| UK private equity   | -                   | -                                    | 100,764                 | 100,764               |
| <b>Total</b>        | <b>1,349,986</b>    | <b>-</b>                             | <b>180,877</b>          | <b>1,530,874</b>      |

## Investment performance

The Fund continues to take action to reduce equity risk. As commitments are drawn down in the Secured Sustainable Finance mandate, these have been met from the Brunel Low Volatility Equity mandate, as agreed in 2023.

Over the first quarter of 2025, the Fund took the decision to terminate the Impax Global Equity portfolio (c. £150m). This was in part a strategic decision, given the overall trend to reduce Listed Global Equity exposure over time, but also due to specific concerns around Impax's performance, which had been poor relative to their benchmark. The Fund is also undergoing an equity portfolio review, which will specify the allocations to the existing equity funds. The Fund will continue to choose and retain a significant proportion of equity portfolio with managers with a deliberate tilt towards high quality companies, with a view to reducing downside risk and volatility. Several of our managers take a benchmark agnostic, long-term, absolute return approach.

The Fund achieved an absolute return of 2.1% over the 12-month period, with strong absolute performance in Private Equity, Private Debt and Corporate Bonds. However, the muted performance of the Global Equity portfolio and the negative performance of the Liability Matching Portfolio was a significant drag on the Fund's overall returns. One of the aims of the Liability Matching Portfolio is to reduce the volatility of the funding level to changes in interest rate and inflation. Over the period in question, the Fund's liabilities reduced materially and by a greater amount than the Liability Matching Portfolio.

Despite the positive absolute return, the Fund returned less than its benchmark, which returned 2.9% over the same period, equivalent to an underperformance of 0.8%. Overall, the Global Equity, Real Assets and Multi-Asset Credit portfolios underperformed their benchmarks.

Despite global equity markets returning reasonably strongly over the period, the Fund's overall equity portfolio underperformed over the 12 months. Within our active equity managers, global equity manager performance was mixed on a relative basis over the 12-month period. Generation, Impax and Brunel Global Sustainable Equities underperformed their benchmarks, whilst Brunel Low Volatility and Robeco SEVE posted positive relative returns.

Where invested for a period of longer than 12 months, the listed managers/portfolios that have underperformed their benchmarks since inception were Impax (terminated in March 2025), Robeco SEVE, Brunel Global Sustainable Equities, Brunel Low Volatility and Brunel Multi Asset Credit. Where invested for a period of longer than three years, the listed managers/portfolios that have underperformed over the three-year period were Generation, Impax (terminated in March 2025), Brunel Paris Aligned, Brunel Low Volatility, Brunel Global Sustainable Equities and Townsend.

| Financial Performance            | 2025<br>%   | 2024<br>% |
|----------------------------------|-------------|-----------|
| <b>1 year</b>                    |             |           |
| Fund performance                 | +2.1        | +8.0      |
| Benchmark performance            | +2.9        | +10.0     |
| Active Fund relative performance | <b>-0.8</b> | -2.0      |
| <b>3 year</b>                    |             |           |
| Fund performance                 | +1.3        | +2.8      |
| Benchmark performance            | +2.3        | +3.2      |
| Active Fund relative performance | <b>-1.0</b> | -0.4      |
| <b>5 year</b>                    |             |           |
| Fund performance                 | +5.6        | +4.9      |
| Benchmark performance            | +5.7        | +5.1      |
| Active Fund relative performance | <b>-0.1</b> | -0.2      |

The table below shows the performance of the total fund and the individual managers:

| Manager                            | Date of inception | Value at 31 Mar 2025 £m | Fund % | Asset class/<br>Mandate                        | Benchmark (BM)   | 2024/25 Performance |             |                  | 2023/24 Performance |             |                  |
|------------------------------------|-------------------|-------------------------|--------|--|--|---------------------|-------------|------------------|---------------------|-------------|------------------|
|                                    |                   |                         |        |  |  | Fund return %       | BM return % | Relative to BM % | Fund return %       | BM return % | Relative to BM % |
| <b>Private equity &amp; TOP</b>    |                   |                         |        |  |  |                     |             |                  |                     |             |                  |
| Targeted Opportunities Fund (TOP)  | Apr-14            | 328.5                   | 6.9    | Private Equity (active pooled)                 | Absolute Return 8.0% pa  | +11.3               | +5.2        | +6.1             | -1.3                | +23.1       | -24.4            |
| Stafford                           | Oct-05            | 8.6                     | 0.2    | Private Equity (active segregated)             | MSCI World (Gross)   | -10.7               | +5.2        | -15.9            | -17.8               | +23.1       | -40.9            |
| <b>Global equities</b>             |                   |                         |        |  |  |                     |             |                  |                     |             |                  |
| Generation                         | Aug-08            | 428.7                   | 9.0    | Global Equity (active segregated)              | MSCI AC World (80% GD, 20% ND)                                       | -0.8                | +5.2        | -6.0             | +23.2               | +21.1       | +2.1             |
| Brunel Global Sustainable Equities | Feb-22            | 414.5                   | 8.7    | Global Equity (pooled)                         | MSCI AC World GBP index  | -2.7                | +5.3        | -8.0             | +13.2               | +21.2       | -8.0             |
| Brunel Paris Aligned Equities      | Jul-18            | 359.8                   | 7.6    | Global Equity (passive pooled)                 | FTSE Developed Paris- Aligned (PAB) net index                        | +3.3                | +3.4        | -0.1             | +22.9               | +22.9       | -                |
| Brunel Low Volatility              | Mar-19            | 318.5                   | 6.7    | Global Equity (low volatility - active pooled) | c50% MSCI AC World NDR (hedged to GBP) & c50% MSCI EM NDR (unhedged) | +8.0                | +6.5        | +1.5             | +13.9               | +21.2       | -7.3             |
| Robeco SEVE                        | Oct-17            | 203.7                   | 4.3    | Global Equity (active pooled)                  | MSCI World GDR   | +8.0                | +5.2        | +2.8             | +18.9               | +23.1       | -4.2             |
| Impax                              | Aug-08            | 1.1                     | 0.0    | Global Equity (active segregated)              | MSCI AC World GDR  | -13.9               | +5.3        | -19.2            | +2.9                | +21.2       | -18.3            |

|  |        |                |              |  |  |             |             |             |             |              |             |
|--|--------|----------------|--------------|--|--|-------------|-------------|-------------|-------------|--------------|-------------|
| <b>Diversifying Growth Assets</b>          |        |                |              |  |  |             |             |             |             |              |             |
| Townsend                                   | Mar-13 | 408.4          | 8.6          | Real Assets (active segregated & pooled) | RPI (target RPI + 4% over rolling 5 years) | +1.4        | +3.2        | -1.8        | -2.8        | +4.3         | -7.1        |
| Brunel Infrastructure Cycle 3              | Dec-22 | 36.5           | 0.8          | Real estates (pooled)                    | CPI  | +6.1        | +2.6        | +3.5        | -3.6        | +3.2         | -6.8        |
| Private Lending                            | Mar-15 | 196.4          | 4.1          | Private Lending (active pooled)          | 3 Month Sterling LIBOR                     | +7.5        | +4.9        | +2.6        | +10.1       | +4.9         | +5.2        |
| Brunel Private debt cycle 3                | Dec-22 | 27.8           | 0.6          | Private Lending (active pooled)          | SONIA +4%                                  | +9.9        | +9.2        | +0.7        | +11.4       | +9.2         | +2.2        |
| Brunel Multi-Asset Credit                  | Jun-21 | 395.0          | 8.3          | Multi asset credit                       | SONIA +4%                                  | +8.4        | +9.2        | -0.8        | +11.8       | +9.2         | +2.6        |
| <b>Bonds Corporate Bonds</b>               |        |                |              |  |  |             |             |             |             |              |             |
| Brunel Sterling Corporate Bonds            | Jul-21 | 710.2          | 14.9         | Sterling Corporate Bonds (pooled)        | iBoxx £ Non Gilt all bonds                 | +4.2        | +2.4        | +1.8        | +8.8        | +6.1         | +2.7        |
| Brunel - BlackRock Buy and Maintain Credit | May-23 | 193.3          | 4.1          | Pooled Fixed Interest                    | BlackRock Buy and Maintain Credit BM       | +2.7        | +2.7        | 0.0         | -           | -            | -           |
| Brunel - BlackRock LDI                     | Oct-21 | 561.0          | 11.8         | Liability Driven Investment              | Bespoke Liability Benchmark                | -10.8       | -10.8       | 0.0         | -7.5        | -7.5         | -           |
| <b>Cash &amp; Other</b>                    |        |                |              |  |  |             |             |             |             |              |             |
| Other net assets                           |        | 160.7          | 3.4          |  |  |             |             |             |             |              |             |
| <b>Total Fund</b>                          |        | <b>4,752.7</b> | <b>100.0</b> |  | <b>Strategic Benchmark</b>                 | <b>+2.1</b> | <b>+2.9</b> | <b>-0.8</b> | <b>+8.0</b> | <b>+10.0</b> | <b>-2.0</b> |

**Notes:**

These performance numbers are based on bid price valuations and the performance relative to benchmark is shown as Fund return less Benchmark return (arithmetic basis).

Impax was terminated on 10th March 2025 and just a residual holding in Amiad remains.

For Townsend and private lending we have currency hedging in place which is reflected in the performance numbers. Brunel BlackRock Buy and Maintain Credit is from inception so no full year performance available.

## Portfolio analysis

The table below shows the distribution of net investment assets by market value as at 31 March 2025, in £ millions (Note: May not add up exactly due to rounding):

|   | Private Lending | Private Equity | UK Equities inc. Pooled Equities | Overseas equities including pooled equities |                 |                          |                          |       | Pooled Fixed Interest | Liability Driven Investments | Pooled Property | Pooled Infrastructure, Agriculture & Timberland | Cash | Other net investments inc. Derivatives | £m Total     |
|---|-----------------|----------------|----------------------------------|---|-----------------|--------------------------|--------------------------|-------|-----------------------|------------------------------|-----------------|---|------|--|--------------|
|   |                 |                |                                  | North America                               | Europe (exc UK) | Emerging Markets & other | Asia Pacific (exc Japan) | Japan |                       |                              |                 |   |      |  |              |
| <b>Brunel Sterling Corp Bonds</b>       |                 |                |                                  |   |                 |                          |                          |       | 710.2                 |                              |                 |   |      |  | <b>710.2</b> |
| <b>Brunel-BlackRock LDI</b>             |                 |                |                                  |   |                 |                          |                          |       |                       | 561.0                        |                 |   |      |  | <b>561.0</b> |
| <b>Generation</b>                       |                 |                |                                  | 293.1                                       | 101.8           | 9.6                      | 8.3                      |       |                       |                              |                 |   | 15.8 | 0.1                                    | <b>428.7</b> |
| <b>Brunel-GSE</b>                       |                 |                | 25.4                             | 282.8                                       | 76.2            | 5.3                      | 9.7                      | 15.1  |                       |                              |                 |   |      |  | <b>414.5</b> |
| <b>Brunel-MAC</b>                       | 230.2           |                |                                  |   |                 |                          |                          |       | 164.8                 |                              |                 |   |      |  | <b>395.0</b> |
| <b>Townsend</b>                         |                 |                |                                  |   |                 |                          |                          |       |                       |                              | 153.6           | 204.7   | 19.4 | 0.1                                    | <b>377.8</b> |
| <b>Brunel Paris Aligned Benchmark</b>   |                 |                | 9.0                              | 271.9                                       | 50.1            | 0.2                      | 10.3                     | 18.3  |                       |                              |                 |   |      |  | <b>359.8</b> |
| <b>Brunel Low Vol</b>                   |                 |                | 20.9                             | 223.5                                       | 41.1            | 0.9                      | 10.0                     | 22.2  |                       |                              |                 |   | 0.1  |  | <b>318.7</b> |
| <b>Targeted Opportunities Portfolio</b> |                 | 238.6          |                                  |   |                 |                          |                          |       |                       |                              | 49.6            |   |      |  | <b>288.2</b> |
| <b>Robeco SEVE</b>                      |                 |                | 9.7                              | 137.5                                       | 34.1            |                          | 4.6                      | 17.8  |                       |                              |                 |   |      |  | <b>203.7</b> |

|                                 |              |              |             |                |              |             |             |             |                |              |              |              |              |             |                |
|---------------------------------|--------------|--------------|-------------|----------------|--------------|-------------|-------------|-------------|----------------|--------------|--------------|--------------|--------------|-------------|----------------|
| Cash & Other                    |              |              |             |                |              |             |             |             |                |              |              |              | 198.5        | 1.1         | <b>199.6</b>   |
| Brunel-BlackRock Buy & Maintain |              |              |             |                |              |             |             |             | 193.3          |              |              |              |              |             | <b>193.3</b>   |
| Illiquid Credit                 | 187.5        |              |             |                |              |             |             |             |                |              |              |              |              |             | <b>187.5</b>   |
| Brunel-Private Markets          | 27.8         | 40.3         |             |                |              |             |             |             |                |              |              | 36.5         | 0.3          |             | <b>104.9</b>   |
| Stafford                        |              | 8.4          |             |                |              |             |             |             |                |              |              |              | 0.2          |             | <b>8.6</b>     |
| Impax                           |              |              |             |                |              | 0.6         |             |             |                |              |              |              | 0.1          | 0.4         | <b>1.1</b>     |
| <b>£m Total</b>                 | <b>445.5</b> | <b>287.3</b> | <b>65.0</b> | <b>1,208.8</b> | <b>303.3</b> | <b>16.6</b> | <b>42.9</b> | <b>73.5</b> | <b>1,068.3</b> | <b>561.0</b> | <b>203.2</b> | <b>241.2</b> | <b>234.4</b> | <b>1.7</b>  | <b>4,752.7</b> |
| <b>% of Fund</b>                | <b>9.4%</b>  | <b>6.0%</b>  | <b>1.4%</b> | <b>25.4%</b>   | <b>6.4%</b>  | <b>0.3%</b> | <b>0.9%</b> | <b>1.5%</b> | <b>22.5%</b>   | <b>11.8%</b> | <b>4.3%</b>  | <b>5.1%</b>  | <b>4.9%</b>  | <b>0.1%</b> | <b>100.0%</b>  |

## Pension Fund administration

### Pension Fund Administration - Reporting Requirements

Working with the Chartered Institute of Public Finance and Accountancy (CIPFA) and the then Department for Levelling Up, Housing & Communities (DLUHC), the LGPS' (England & Wales) Scheme Advisory Board (SAB) published new guidance for the publication of Annual Reports in April 2024. In accordance with this guidance, the administration section of this report must include a:

- Summary of activities undertaken by the administration function during the year
- Report on performance against Key Performance Indicators (KPIs)
- Report on member and scheme employer numbers by category
- Report on actions taken to deliver the communications policy
- Report on value for money achieved by the administration function
- Report on complaints and dispute resolution

### Administration Arrangements

The Environment Agency Pension Fund (EAPF) is responsible for administering the current and future pension benefits, built up under the Local Government Pension Scheme (LGPS), with over 31,000 members of the Active pension fund, made up of 3 participating scheme employers:

- 1) Environment Agency (EA) (scheduled body)
- 2) Natural Resources Wales (NRW) (admission body)
- 3) Shared Services Connected Ltd (SSCL) (admission body)

Whilst the EAPF Pensions Committee (referred to as the 'Committee') provides strategic direction and regular oversight, day-to-day pension Fund administration is delivered through a third-party pension administrator, Capita Employee Benefits (a subsidiary of Capita Group Plc). This is because it involves specialist knowledge, complex activity, and significant investment in the latest technology, which is considered beyond the core business of the Environment Agency.

The breadth and volume of work delivered by Capita is significant, and includes:

- Administering all member records
- Paying member benefits (transfers out, pension & lump sum)
- Managing a monthly pensioner payroll
- Handling all member enquiries via a dedicated team of call handlers
- Distributing all statutory publications, such as pension increase statements, benefit statements, and pension savings statements
- Issuing monthly pension payment advice slips
- Operating fraud prevention and debt collection
- Undertaking all HMRC returns
- Producing audited annual accounts for Parliament
- Providing technical advice on LGPS and overriding legislation
- Support and training for scheme employers
- As well as a wide range of other tasks

### Benefits Working Group

The EAPF management team continues to engage with the EAPF Benefits Working Group quarterly. The group is made up of Committee members, management team officers, representatives from Capita, and associates from Aon (EAPF's professional advisor). All particulars are set out in the group's Terms of Reference, which was last reviewed and updated in March 2025. Meetings are held in person and virtually, with all agenda items recorded and action points monitored to completion.

Since the group's inception in February 2023, the main purpose is to continue to provide deeper focus and greater scrutiny to benefit administration items prior to approval by the Committee. The group enables officers to draw upon the appropriate skills, knowledge, and input from stakeholders, as well as



consider the strategic outlook and any external factors that might impact on the fund's administration; and review operational objectives and improvements.

All stakeholders appreciate the focus and scrutiny given to key issues, which is an invaluable level of support to management team officers. Members are fully engaged and always willing to give feedback at every opportunity. A site visit to Capita's office in Darlington is planned for May 2025, following a successful visit the previous year, where members will have the opportunity to get acquainted with all key personnel, and walk the shop floor.

The focus for 2025 is on Pensions Dashboard and supporting Capita in delivering the Data Management plan and ensuring the readiness of the Fund's data. Monitoring service compliance and development will continue to be a key focus, whilst also maintaining a holistic outlook (with many regulatory changes expected later in the year).

### Our Pension Fund membership

Unless they have elected in writing, all full and part-time Environment Agency employees, whether permanent or temporary (over 3 months), become active members of the Fund.

The 12 months ended 31 March 2025 has seen a 1.39% increase in the Fund's active members (2024: increase of 7.1%). Deferred membership has decreased by 0.86% (2024: decrease of 0.05%) and there has been a 4.78% increase in pensioners (2024: increase of 4.9%).

### Movement in number of members and pensioners

|                                   | Active members | Deferred members | Current pensioners | Total          |
|-----------------------------------|----------------|------------------|--------------------|----------------|
| <b>As at 1 April 2024</b>         | <b>13,882</b>  | <b>8,406</b>     | <b>8,481</b>       | <b>30,769</b>  |
| Adjustment for late notifications | 5              | (85)             | 95                 | 15             |
| Revised opening balance           | <b>13,887</b>  | <b>8,321</b>     | <b>8,576</b>       | <b>30,784</b>  |
| <b>Add:</b>                       |                |                  |                    |                |
| New active members                | 1,017          |                  |                    | 1,017          |
| New deferred members              |                | 381              |                    | 381            |
| New pensioners – retirement       |                |                  | 457                | 457            |
| New pensioners - dependent        |                |                  | 77                 | 77             |
| Unsuspected                       |                |                  | 1                  | 1              |
|                                   | <b>1,017</b>   | <b>381</b>       | <b>535</b>         | <b>1,933</b>   |
| <b>Less:</b>                      |                |                  |                    |                |
| Deferred benefits                 | (381)          |                  |                    | (381)          |
| New retirement pensions           | (241)          | (197)            |                    | (438)          |
| Deaths in service                 | (13)           |                  |                    | (13)           |
| Refunds of contributions          | (51)           |                  |                    | (51)           |
| Options pending                   | (126)          |                  |                    | (126)          |
| Transfers out – individual        |                | (150)            |                    | (150)          |
| Non member status                 | (16)           |                  |                    | (16)           |
| Unknown member status             |                |                  | (9)                | (9)            |
| Deaths in deferment               |                | (18)             |                    | (18)           |
| Commutation of pension            |                | (3)              | (8)                | (11)           |
| Death in retirement               |                |                  | (187)              | (187)          |
| Suspended/Ineligible pensions     |                |                  | (20)               | (20)           |
|                                   | <b>(828)</b>   | <b>(368)</b>     | <b>(224)</b>       | <b>(1,420)</b> |
| <b>As at 31 March 2025</b>        | <b>14,076</b>  | <b>8,334</b>     | <b>8,887</b>       | <b>31,297</b>  |

## Age profiles of members and pensioners

| Age profile of active members as at 31 March | 2025          |            | 2024          |            |
|--|---------------|------------|---------------|------------|
|  | No.           | %          | No.           | %          |
| 15-19  | 12            | 0.1        | 27            | 0.2        |
| 20-24  | 451           | 3.2        | 561           | 4.0        |
| 25-29  | 1,427         | 10.1       | 1,431         | 10.3       |
| 30-34  | 1,579         | 11.2       | 1,500         | 10.8       |
| 35-39  | 1,673         | 11.9       | 1,669         | 12.0       |
| 40-44  | 1,992         | 14.2       | 2,021         | 14.6       |
| 45-49  | 2,090         | 14.8       | 2,051         | 14.7       |
| 50-54  | 1,890         | 13.4       | 1,841         | 13.3       |
| 55-59  | 1,781         | 12.7       | 1,739         | 12.5       |
| 60-64  | 958           | 6.8        | 832           | 6.0        |
| 65-69  | 193           | 1.4        | 175           | 1.3        |
| 70-74  | 30            | 0.2        | 35            | 0.3        |
| <b>Total</b>                                 | <b>14,076</b> | <b>100</b> | <b>13,882</b> | <b>100</b> |

| Age profile of deferred members as at 31 March | 2025         |            | 2024         |            |
|--|--------------|------------|--------------|------------|
|  | No.          | %          | No.          | %          |
| 20-24  | 8            | 0.0        | 23           | 0.3        |
| 25-29  | 155          | 1.9        | 159          | 1.9        |
| 30-34  | 410          | 4.9        | 438          | 5.2        |
| 35-39  | 765          | 9.2        | 850          | 10.1       |
| 40-44  | 1,424        | 17.1       | 1,530        | 18.2       |
| 45-49  | 1,706        | 20.5       | 1,669        | 19.8       |
| 50-54  | 1,663        | 20.0       | 1,635        | 19.4       |
| 55-59  | 1,530        | 18.4       | 1,490        | 17.7       |
| 60-64  | 558          | 6.7        | 525          | 6.2        |
| 65-69  | 92           | 1.1        | 69           | 0.8        |
| 70-74  | 15           | 0.2        | 13           | 0.2        |
| 75-79  | 6            | 0.0        | 4            | 0.1        |
| 80+  | 2            | 0.0        | 1            | 0.1        |
| <b>Total</b>                                   | <b>8,334</b> | <b>100</b> | <b>8,406</b> | <b>100</b> |

| Age profile of current pensioners at 31 March | 2025          |            | 2024          |            |
|---|---------------|------------|---------------|------------|
|   | No.           | No.        | No.           | %          |
| <b>Child dependents</b>                       | 85            | 1.0        | 76            | 0.9        |
| <b>Pensioners and spouses</b>                 |               |            |               |            |
| Under 50                                      | 53            | 0.6        | 49            | 0.6        |
| 50-54   | 41            | 0.5        | 46            | 0.5        |
| 55-59   | 324           | 3.6        | 318           | 3.7        |
| 60-64   | 1,385         | 15.6       | 1,320         | 15.6       |
| 65-69   | 1,861         | 20.9       | 1,817         | 21.4       |
| 70-74   | 1,874         | 21.1       | 1,837         | 21.7       |
| 75-79   | 1,677         | 18.9       | 1,595         | 18.8       |
| 80-84   | 982           | 11.1       | 884           | 10.4       |
| 85-89   | 466           | 5.2        | 427           | 5.1        |
| 90-94   | 135           | 1.5        | 104           | 1.2        |
| 95-99   | 4             | 0.0        | 8             | 0.1        |
| <b>Total</b>                                  | <b>8,887</b>  | <b>100</b> | <b>8,481</b>  | <b>100</b> |
| <b>Total membership</b>                       | <b>31,297</b> |            | <b>30,769</b> |            |

## Summary of active member retirements

|   | 2025       | 2024       |
|---|------------|------------|
| Voluntary Retirement from age 55*       | 112        | 126        |
| Flexible retirement (from age 55)       | 63         | 37         |
| Late Retirement after NPA               | 46         | 40         |
| III Health Retirement (all ages) Tier 1 | 18         | 21         |
| III Health Retirement (all ages) Tier 2 | 1          | 1          |
| III Health Retirement (all ages) Tier 3 | 1          | 4          |
| <b>Total retirements</b>                | <b>241</b> | <b>229</b> |

\*of which there are no cases where employer consent has been awarded to apply 85-year rule protection before age 60.

## Increases to Pensions

LGPS pensions in payment and deferred benefits are reviewed under the provisions of the Pensions (Increase) Act 1971 and Section 59 of the Social Security Pensions Act 1975 and are linked to the change in the Consumer Prices Index (CPI).

From 7 April 2025, pensions in payment and deferred benefits received an increase of 1.7% (compared to 6.7% on 8 April 2024).

The following table shows the rate of increases that have applied to pensions in payment and deferred pensions since 2016:

| April      | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|------------|------|------|------|------|------|------|------|------|------|------|
| % increase | 0.0  | 1.0  | 3.0  | 2.4  | 1.7  | 0.5  | 3.1  | 10.1 | 6.7  | 1.7  |

## Performance Measurement

The Committee measures Capita's performance through monthly, quarterly, and annual reports showing progress against the contractual Service Level Agreements (SLAs) - otherwise referred to as Key Performance Indicators (KPIs). The key pillars for evaluating performance include accuracy, timeliness, quality, helpfulness, feedback, service improvements and complaints.

We thank Capita for resolving 66,134 member requests/queries during 2024/25 (Active and Closed pension funds), as well as paying pensions to 8,887 pensioner members under the Active pension fund. The casework completed during the year has increased by just over 22% on last year (2023/24: 54,028). This increase is attributed to the general rise in case volumes, as well as the completion of additional casework under the service recovery plan. Over the year, Capita achieved overall service compliance of 93.94% against the casework completed for the Active fund. This is compared to 48.03% for 2023/24, when the service recovery plan was in motion.

A breakdown of Capita's performance against the Key Performance Indicators (KPIs) is shown below under Annex 1.

Active Fund administration costs for the year to the 31 March 2025 were £2,056k (2024: £1,696k) including work on GMP reconciliation, member tracing and data reviews plus member communications and postage costs. The EAPF benchmarks its fund administration costs annually through the public accounting body CIPFA. For 2023/24 data the CIPFA average was £25.93 (2022/23: £22.55) per member. Across both our Active and Closed Funds, our average cost for 2023/24 was £27.90 (2022/23: £24.93) per member.

The total number of staff allocated by Capita to the EAPF administration contract is 25, of which 18 deal solely with pension benefits administration. Based on a membership of 40,086 across both the Active and Closed Funds on 31 March 2025, this represents an average of 2,227 members per administrator.

We take a value for money approach looking for an appropriate balance between cost, service, and quality in pension administration delivery.

### Internal Controls

The EAPF system of internal controls is based on an ongoing process designed to:

- Identify and prioritise the risks to the achievement of the EAPF's policies, aims and objectives.
- Evaluate the likelihood of risks being realised, the impact should they occur, and the subsequent efficient, effective, and economical management of those risks.

The system of internal controls has been in place at the EA and in the operation of the EAPF for the year ended 31 March 2025, in accordance with LGPS and Treasury guidance, as well as best practice.

### Report on Internal Controls

The Directors of Capita Pension Solutions Limited (CPSL) produce an audited annual Assurance Report on internal controls, in relation to pension administration services, under ISAE 3402 and AAF 01/20, which is reviewed by Officers. In considering the effectiveness of the internal controls for the Fund, consideration has been given to the findings of the Independently audited report by accountants (KPMG LLP (UK)) in their assurance report for CPSL for the reporting period to 31 December 2024.

CPSL Directors have confirmed that none of their key controls have materially changed from the date of this reporting period, 31 December 2024 to 31 March 2025.

We are pleased to report that the auditors provided an unqualified opinion on Capita's internal control environment.

### National Fraud Initiative/Mortality Checks

The EAPF has a formal policy and procedure for handling fraud linked to the unreported deaths of pensioners. As part of this policy, it participates in the Audit Commission's biennial National Fraud Initiative (NFI) and undertakes life certificate exercises for pensioners who live overseas. In addition, monthly mortality screening helps reduce overpaid pensions and potential fraud.

The results of the most recent exercise identified 18 cases, across both Active and Closed Funds, where the EAPF had not been notified of the death of a member. 10 of the 18 were pensioner members and the remaining eight were deferred members. The necessary follow-up actions have been undertaken.

As a general principle, the EAPF investigates cases where fraud is suspected. The case is pursued, and any overpayment recovered via an agreed repayment plan, or, if necessary, legal action is taken, which may involve police intervention. The monthly mortality checks are therefore in place to help reduce potential fraud on the EAPF. There were no confirmed fraud cases for 2024/25.

### Data Quality

Excellent quality data is vital to the efficient and accurate payment of retirement benefits and general administration of the Active pension fund. This is achieved primarily using electronic interfaces between scheme employers and Capita on a weekly and monthly basis. Guidance issued by The Pensions Regulator (TPR) recommends that the Fund regularly assesses the quality of its member data.

To interrogate and cleanse client data, Capita partners with Intellica - a pension data specialist with unique software solutions to provide deep data analytics and insights. The software is installed on a Capita server, meaning EAPF data doesn't leave the Capita environment. Capita are using Intellica primarily to enable the EAPF to become Pensions Dashboard ready, and to perform Common Data and Scheme Specific tests.

With member data being readily available via the EAPF Online portal and with the upcoming requirements of Pensions Dashboards to hold all relevant data electronically, the EAPF management team believe it is imperative that the Fund retains full sight of the overall completeness and quality of its data. Testing is undertaken quarterly via Intellica, with results reported to the Management team. Results against the Fund's common and scheme specific data are then reported annually in accordance with TPR guidelines.

The data scoring for the period 31<sup>st</sup> March 2025 is shown below.

|                 | 31 March 2025 | 31 March 2024 |
|-----------------|---------------|---------------|
| Common data     | 99.19         | 93.00%        |
| Scheme Specific | 91.75         | 92.00%        |

### Data Security

The EAPF and Committee take data security very seriously. Ownership and accountability for the transmission of employees' pensions related data to Capita is assigned to each participating scheme employer. This is through the secure transmission of monthly and weekly data interface files.

Capita has an Information and Cyber Security policy for the organisation, which sets out its commitments to information security. This policy covers includes:

- Maintaining confidentiality, integrity, and availability of information, while ensuring information is only accessible by those who are entitled to access it
- Protecting information assets consistently to a high standard to prevent compromise by external and internal threats, both deliberate and accidental
- Raising and maintaining security awareness to help avoid the unintentional or malicious disclosure of confidential information, which could cause inconvenience and distress to others, be unlawful, and to avoid causing financial and reputational damage

### Cyber Incident

Following the cyber-attack in March 2023, Capita appointed a third-party expert to monitor the Dark Web daily for any trace of the data exfiltrated. Whilst the monitoring continues, there has been no evidence of any data leak or misuse to date, nor is there evidence of the data being available illegally on any third-party websites.

The fund's management team have continued to work with Capita and our professional advisor throughout to ensure data security measures are as robust as they can possibly be. This includes a multi-client review of Capita's current security controls by our professional advisor. The outcome of this was that Capita were given the score of 'advanced' across all security domains that were included in the review.

This work will continue with Capita throughout their cyber transformation programme, so that the management team gain the highest level of assurance on the security and integrity of their systems. The fund will continue to utilise external advisers to support with this assurance to always ensure best practice.

To date, the Information Commissioners' Office (ICO) has yet to publish its decision regarding the incident, nor has there been any specific timeline set. However, it's known that such cyber investigations can take several years to complete (especially with several pension schemes involved and with deeper complexities). Capita continues to engage with the ICO to fully support their investigation.

The Experian membership afforded to members has continued during 2024/25 but will not be extended

after it comes to an end in 2025/26. Members will have the option to extend at their own cost, and further information about the options can be found under the 'Identity theft' section on the Experian website.

The Cyber hub on the EAPF website continues to be updated, including the Q&A document. The web link is [www.eapf.org.uk/cyber-incident-hub](http://www.eapf.org.uk/cyber-incident-hub).

### **Deferred Member Engagement (Over NPA)**

As part of the EAPF's deferred member strategy, an annual campaign is run in October to specifically target members over their Normal Pension Age (NPA) to re-engage with their deferred benefit entitlements – a challenge common to all LGPS funds.

Given the financial climate and the rise in the cost of living, the aim has always been to raise awareness among this population. If members do not wish to access their benefits, they remain connected or indeed, reconnected with their deferred benefit entitlement under EAPF, this further supports the introduction of Pensions Dashboard.

The next campaign is due in October 2025, and the EAPF will continue to engage with all deferred members via the annual newsletter (April), benefits statements (July), deferred webinar (July) and during Pensions Awareness Week (September).

### **Pensionable Pay Rectification**

Phase one of the project involved correcting benefits for pensioners and their beneficiaries, both underpayments and overpayments. The EAPF has a fiduciary duty to prioritise the correction of pensions currently in payment, and it's pleasing to report that the bulk of cases were rectified from both Active and Closed Funds, by the end of January 2025. Mailers were issued in three batches from September to November 2024. Uplifted pensions (and payment arrears) were corrected in the month the letter dropped. Those with overpayments had their pensions amended two months after receipt of the letter, but the recovery of overpayments was written off.

Phase two of the project is now underway and targets 664 deferred scheme members, who may have also been impacted by the same final pay error. The rectification work with Capita will follow an agreed structure for correcting member records and notifying the in-scope population. The bulk of these corrections will be made via this year's benefit statements – due to be published by mid-July 2025. However, members in scope of a larger change (estimated to be 55 cases) will be notified directly and provided with specialist support.

### **McCloud Judgement Rectification**

The rectification of the pensioner population has continued to progress, both for those who retired before and after age 65 (normal pension age under the former final salary scheme). Rectification of the cohort under age 65 (upon retirement) is tracking to completion by the end of Q3, 2025, whereas it's planned for Q4, 2025 for those over age 65 due to the additional pay data needed from scheme employers. The actual volume of pensioners due an uplift to their pension will be confirmed once all recalculations have been completed, but the volume is anticipated as being very low.

The final phase relates to the recalculation of historic cases for former members with no liability to EAPF, e.g., deceased cases, trivial commutation cases, transfers cases etc. This phase has yet to be scoped but is likely to commence in 2026 and will run a long and complex course.

### **Pensions Dashboard**

Pensions dashboard is a government initiative that will enable individuals to access their pensions information online, securely, and all in one place. The dashboard will provide clear and simple information about an individual's multiple pension savings, including their occupational pension (such as the LGPS) and State Pension. The aim is that Pensions Dashboard will reconnect individuals with their pension savings and promote better retirement planning.

Management team officers are aligned to Capita's dedicated Dashboard team at Capita, working towards the staging date of 31 October 2025. Having already considered the fund's approach to data matching and value data, officers will move onto the data quality workstream in Q2, 2025. The value data phase was made more complex because of the need to integrate with the fund's AVC (Additional Voluntary Contribution) providers over connection options. Officers will continue to work closely with Capita's team to ensure the plan for onboarding by 31 October 2025 is met. The Committee will be kept informed of the fund's position, as will the Benefits Working Group, who will continue to support officers and monitor Capita's progress.

### Regulatory Horizon

There are several potential Scheme changes due from the Ministry Housing Communities & Local Government (MHCLG) in 2025/26. Their agenda is heavily focussed on equalising scheme benefits, bridging the gender gap, and resolving some long-awaited regulatory anomalies. Consultations lasting 12 weeks were received in May 2025, as a start to the process to bring regulatory amendments. The expected areas of change are:

- The equalisation of survivor benefits following the Goodwin judgement
- The removal of the age 75 limit for the payment of death grants
- An update to the forfeiture rules
- An update to the options for making up 'gaps' in pension build up following return from leave
- New Fair Deal

There is also likely to be a consultation on reporting the 'gender pensions gap' on a whole fund basis, as it is hoped this can be incorporated into the 31 March 2025 triennial valuation reports, to help raise awareness on the issue.

### Virgin Media vs NTL Pension Trustees II Limited ruling

We are aware of the Virgin Media Limited v NTL Pension Trustees II Limited court case, and its implications for UK defined benefit pension schemes that were contracted out of the additional state pension between April 1997 and April 2016.

There is uncertainty in relation to whether the judgment explicitly applies to public sector pension schemes. Therefore, it is unclear if the case could impact the Scheme and if so, what the impact may be (if any). We will continue to monitor the position and any developments in this area.

### Member Engagement and Communications

There is an agreed strategy to gradually move to more electronic communications, ensuring non digital members are not disadvantaged, and we continue to evolve as technology allows. Our website [www.eapf.org.uk](http://www.eapf.org.uk) is the main resource for our members. It provides a knowledge center with plenty of resources, such as factsheets, guides, videos and presentations, as well as all fund news.

Following an upgrade to the member online portal – the site is now accessed using multi factor authentication, meaning it's more secure than ever before. There is also now a new two-way mailbox facility, where members can share sensitive documents with Capita online. These changes were communicated through various channels, including a bespoke newsletter, email shot and via the website in May 2024.

The main communication activity over the year includes:

- Annual summer and winter newsletters (active members only)
- Annual spring newsletter to deferred and pensioner members
- Pensions increase letter to pensioners
- Annual webinars for pensioners and deferred members
- Annual Benefits Statements to active and deferred members
- Separate mailings during Pensions Awareness week in September



- Annual webinar series for active members (10 sessions covering five topics)
- Periodic campaigning with all members, explaining the importance of keeping death grant expression of wish nominations up to date
- Campaigning with deferred members over NPA

The fund's membership continues to be fully engaged in relation to their pension entitlements. This is demonstrated by the consistently high rates of engagement whenever communications land. Working closely with Capita, rates are continuously monitored as a matter of course and participation rates are increasing year on year.

The management team are keen to evolve the communication offering and engagement channels available to all members. This is a key objective when working closely with Capita's dedicated communication specialists. Feedback from all members is encouraged and thoroughly reviewed to yield improvements where possible. The holistic objective is to introduce some exciting new tools for members to use in the coming years, which should encourage further interest and engagement across all participating groups. These developments will coincide with the introduction of the Pensions Dashboard, which will further improve and transform the member journey. All communications will continue to be reviewed as a matter of course to ensure accuracy, that the most effective channels are employed, and that the timing of communications is given careful consideration, so that engagement levels continue to grow.

### Breaches of the Law

The volume of breaches recorded during the year is much higher than previous years, and this was to be expected as a result of the implementation of a service recovery plan, in reducing historic backlog which included some complex cases governed by statutory timelines. Of the 26 breaches reported, 23 were classified regulatory and only three as data related. Of the 26 regulatory breaches, seven were deemed reportable to The Pensions Regulator (TPR), with no submissions made to the Information Commissioner's Office (ICO).

### Complaints

The Fund has a formal process for dealing with complaints. The Pensions Committee defines a 'complaint' as any expression of oral or written dissatisfaction about how a service has been carried out and can be made by any scheme members (inc. prospective members and those in receipt of survivor benefits), a scheme employer, the EAPF, and/or third parties.

In addition, the Internal Dispute Resolution Procedure (IDRP) is a formal two stage procedure for settling disputes under the LGPS Regulations 2013, supported by The Pensions Ombudsman (TPO) and other bodies, such as the MoneyHelper service, and The Pensions Regulator (TPR).

At Stage 1, the dispute will be reviewed by a person nominated by the Environment Agency to investigate complaints regarding decisions made under LGPS regulations, known as the 'specified person'. If a member disagrees with the Stage 1 decision, they can progress to Stage 2 where the dispute will be reviewed by a representative of the Administering Authority. If still in disagreement, a member can apply to TPO for further adjudication, but their decision will be binding decision. If justified, TPO also has the power to award compensation for any distress, inconvenience, or financial loss.

In 2024/25, Capita received 255 formal complaints from both Active and Closed Fund members (compared to 254 in 2023/24), which attributed to less than 0.4% of the casework started during the year. All complaints have since been resolved. A higher than desired volume of complaints was to be expected, as Capita recovered the service and processed the more complex cases in Q2/Q3, 2024. Complaint volumes have reduced significantly since the start of Q4, 2024 and have returned to normal levels (c.10-15 a month). Irrespective of volume, any expression of dissatisfaction from members is treated ever so seriously and cases are monitored closely each month, so that process improvements are taken forward to avoid recurrence.



There were four new Stage 1 IDPR cases raised during the year (Active & Closed fund), with two progressing to Stage 2. No referrals were made to TPO. In contrast, there were two Stage 1 cases logged in the previous year (2023/24), but neither progressed to Stage 2 nor were referred to TPO.

No formal complaints have been registered by any of the EAPF's scheme employers during 2024/25. The EAPF's management team prides itself on the strong relations built with relevant personnel at NRW, the DEFRA Employee Benefits & Pensions team (on behalf of the Environment Agency) and SSCL to ensure all administration issues are actively managed and resolved with Capita in a timely manner.

## Foreword to the financial statements

### Roles and responsibilities of the Pensions Committee

With a membership of nominated Environment Agency Board members, senior officers, member nominees, two pensioner member nominees, the Committee (which is a sub-committee of the Environment Agency Board) has been delegated the responsibility for Fund matters. It receives advice from its external advisers and is charged with appointing managers and agents required for the effective management of the duties outlined below.

The Committee and Accounting Officer are responsible for obtaining audited financial statements for each financial year which give a true and fair view of the financial transactions of the Fund and the disposition of its assets and liabilities at the year end, other than the liabilities to pay pensions and benefits after the scheme year end. In preparing the financial statements, the Committee is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- Observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- Make judgements and estimates on a reasonable basis
- State whether applicable accounting standards, as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the Accounts
- Prepare the Accounts on a going concern basis
- Confirm that the Annual Report and Financial Statements as a whole is fair, balanced and understandable and take personal responsibility for the Annual Report and Financial Statements and the judgements required for determining that it is fair, balanced and understandable.

The Committee and Accounting Officer are responsible for keeping proper accounting records which disclose, with reasonable accuracy, at any time, the financial position of the Fund and to enable it to ensure that the financial statements comply with the Framework Document issued by Defra. However, responsibility for the regulations governing the LGPS lies with the Local Government Pensions Unit at MHCLG.

The Committee and Accounting Officer are responsible for keeping records of contributions received in respect of active members of the Fund and for ensuring that contributions are made to the Fund in accordance with the Pensions Act 1995, the 2008 regulations and with the recommendations of the Consulting Actuary.

The Committee and Accounting Officer are also responsible for safeguarding the assets of the Fund and hence for taking reasonable steps for the prevention and detection of error, fraud and other irregularities. This Annual Report and Financial Statements is available on the Pension Fund's website and the gov.uk website. The maintenance and integrity of the website is the responsibility of the Environment Agency.

The work carried out by the Auditor and the Scheme Administrator does not involve consideration of these matters. Accordingly, the Auditor accepts no responsibility for any changes that may have occurred to the information contained in the financial statements since they were initially presented on the websites. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

## Summary of the financial statements

All investment assets are included in the financial statements on a fair value basis as at the reporting date. Over the past year, events such as the continued conflict in Eastern Europe and wider global economic factors have had significant impacts on the financial markets and the economy. Our Fund has stood up to those challenges and its diverse portfolio has helped protect the Fund well.

Total contribution income has decreased by £3.7m to £137.3m (2024: increased by £42.6m to £141.0m). Income was higher in the prior year, because the advanced employer contributions (£4.9m) were paid across for 2024/25 service by the Environment Agency in March 2024.

Net income from all transfer values received in the year has risen on the prior year as a result of individuals transferring from previous arrangements into the Fund. This increased by £6.3m to £17.0m (2024: increased by £3.0m to £10.7m). Retirement benefits in respect of members during the year have increased by £16.1m to £136.3m (2024: increased by £11.3m to £120.2m). This is a reflection of the increasing pension population and higher inflationary environment.

Management expenses have increased on the prior year by £2.2m to £26.0m (2024: increased by £1.7m to £23.8m). This is primarily due to an increase in expenditure on various administration projects to manage areas such as the GMP reconciliation, McCloud ruling and Pensionable Pay correction.

The Fund experienced a positive net return on investments of £116.9m (2024: positive return of £363.2m). The reason for the positive return was due to the investment generated income and a net profit from trading of investments during the financial year.

The total value of the Active Pension Fund has increased by £100.8m on the prior year to £4.8bn, which also includes the long-term investment in the Brunel Pension Partnership Limited, its pooling provider. As at the 31 March 2025 this had a reported fair value of £750k (2024: £722k).

In order to comply with Regulation 4(2)(b) of the Pension Scheme (Management and Investment Funds) Regulation 2009, Additional Voluntary Contributions (AVCs) paid and the AVC assets are not included in the Fund's financial statements. However, the value of the AVCS are disclosed for information purposes only in Note 22.

## Statement by the Consulting Actuary

### Environment Agency Active Fund ('the Fund') Actuarial Statement for 2024/25

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

#### Description of Funding Policy

The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS), dated December 2022. In summary, the key funding principles are as follows:

- take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient funds to pay benefits to members and their dependants
- use a balanced investment strategy to meet the regulatory requirement for long-term cost efficiency (where efficiency in this context means to minimise cash contributions from employers in the long term)
- where appropriate, ensure stable employer contribution rates
- reflect different employers' characteristics to set their contribution rates, using a transparent funding strategy
- use reasonable measures to reduce the risk of an employer defaulting on its pension obligations
- manage the fund in line with the stated ESG policies.

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised to have a sufficiently high likelihood of achieving the funding target over 20 years. Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is at least a 73% likelihood that the Fund will achieve the funding target over 20 years.

#### Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2022. This valuation revealed that the Fund's assets, which at 31 March 2022 were valued at £4,548 million, were sufficient to meet 103% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting surplus at the 2022 valuation was £154 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving their funding target within a time horizon and likelihood measure as per the FSS. Individual employers' contributions for the period 1 April 2023 to 31 March 2026 were set in accordance with the Fund's funding policy as set out in its FSS.

#### Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2022 valuation report and FSS.

#### Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date; and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

## Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2022 valuation were as follows:

| Financial Assumptions (% p.a.)    | 31 March 2022 |
|-----------------------------------|---------------|
| Discount Rate                     | 3.1%          |
| Salary increase assumption        | 3.0%          |
| Benefit increase assumption (CPI) | 2.5%          |

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2021 model, with a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of 1.50% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

| Pensioners         | Males      | Females    |
|--------------------|------------|------------|
| Current pensioners | 22.0 years | 24.5 years |
| Future pensioners* | 23.1 years | 26.2 years |

\*Aged 45 as at 2022 valuation.

Copies of the 2022 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund and on the Fund's website.

## Experience over the period since 31 March 2024

Markets were disrupted by the ongoing war in Ukraine and inflationary pressures in 2022 and 2023, impacting on investment returns achieved by the Fund's assets. Asset performance improved in 2024 and early 2025; however the recent increase in US tariffs on imports has caused significant market volatility. The peak of this market volatility was experienced immediately after 31 March 2025, however, generally lower than expected asset returns were experienced in the month immediately prior to this.

High levels of inflation in the UK (compared to recent experience) have resulted in higher than expected LGPS benefit increases of 10.1% in April 2023 and 6.7% in April 2024. However, inflation has reduced towards historical levels and the Bank of England's target (2% pa), with LGPS benefits increasing by 1.7% in April 2025.

There has been a significant shift in the wider economic environment since 2022, resulting in generally higher expected future investment returns and a reduction in the value placed on the Fund's liabilities and the funding level of the Fund as at 31 March 2025 is estimated to be 173% (higher than that reported at the 2022 valuation and higher than that estimated at the 2024 year-end), based on the same approach to assumptions used at 31 March 2022.

The next actuarial valuation will be carried out as at 31 March 2025, and will be finalised by 31 March 2026. The FSS will also be reviewed at that time, and a revised version will come into effect from 1 April 2026.

Barry Dodds FFA C.Act  
Fellow of the Institute and Faculty of Actuaries  
For and on behalf of Hymans Robertson LLP  
30 May 2025

## INDEPENDENT AUDITOR'S REPORT TO THE HOUSES OF PARLIAMENT, THE BOARD OF THE ENVIRONMENT AGENCY AND THE SECRETARY OF STATE FOR ENVIRONMENT, FOOD AND RURAL AFFAIRS

### Opinion on financial statements

I have audited the financial statements of the Environment Agency Active Pension Fund ('the Fund') for the year ended 31 March 2025 which comprise the:

- Fund Account;
- Net Assets Statement as at 31 March 2025; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

In my opinion the financial statements:

- give a true and fair view of the financial transactions of the Fund during the year ended 31 March 2025 and of the amount and disposition at that date of the Fund's assets and liabilities, other than the liabilities to pay pensions and benefit due after the year end; and
- have been prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 and applicable law.

### Opinion on regularity

In my opinion, in all material respects the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

### Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law Practice Note 15 (revised) *The Audit of Occupational Pension Schemes in the United Kingdom* and Practice Note 10 *Audit of Financial Statements and Regularity of Public Sector Entities in the United Kingdom (2024)*. My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of my report.

Those standards require me and my staff to comply with the Financial Reporting Council's *Revised Ethical Standard 2024*. I have also elected to apply the ethical standards relevant to listed entities. I am independent of the Fund in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Conclusions relating to going concern

In auditing the financial statements, I have concluded that the Fund's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this report.

The going concern basis of accounting for the pension fund is adopted in consideration of the requirements set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements.

## Other Information

The other information comprises the information included in the Annual Report, Annexes and Enquiries but does not include the financial statements and my auditor's report thereon. The Accounting Officer is responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

## Opinion on other matters

In my opinion, based on the work undertaken in the course of the audit:

- the information given in the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- I have not received all of the information and explanations I require for my audit; or
- the financial statements are not in agreement with the accounting records and returns.
- whether management's use of the going concern basis of accounting is appropriate and whether a material uncertainty exists related to events or conditions which may cause doubt on the Fund's ability to continue as a going concern.

## Responsibilities of the Accounting Officer of the Environment Agency and the Pensions Committee for the financial statements

As explained more fully in the section entitled Roles and responsibilities of the Pensions Committee, the Accounting Officer and the Pensions Committee are responsible for:

- maintaining proper accounting records;
- providing access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the additional information and explanations needed for the audit;
- providing unrestricted access to persons from whom the auditor determines it necessary to obtain audit evidence;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error;



- the preparation of the financial statements and Annual Report in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25;
- the preparation of the financial statements and Annual Report in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- internal controls as the Accounting Officer determines are necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error; and
- assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

### **Auditor's responsibility for the audit of the financial statements**

My responsibility is to audit and report on the financial statements in accordance with applicable law and International Standards on Auditing (ISAs) (UK).

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

### ***Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud***

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

### ***Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud***

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, I:

- considered the nature of the sector, control environment and operational performance including the design of the Fund's accounting policies.
- inquired of management, the Fund's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Fund's policies and procedures on:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Fund's controls relating to compliance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, The Local Government Pension Scheme (Environment Agency) Regulations 1996, The Local Government Pension Scheme Regulations 2013, the Public Service Pensions Act 2013, Managing Public Money and the regulations set by The Pensions Regulator.



- discussed with the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the Fund for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, bias in management estimates, selection of inappropriate methodology or assumptions underpinning the valuation of the pensions liability and the misappropriation of investment assets. In common with all audits under ISAs (UK), I am also required to perform specific procedures to respond to the risk of management override of controls.

I also obtained an understanding of the legal and regulatory frameworks in which the Fund operates, focusing on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the Fund. The key laws and regulations I considered in this context included the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, The Local Government Pension Scheme (Environment Agency) Regulations 1996, The Local Government Pension Scheme Regulations 2013, the Public Service Pensions Act 2013, Managing Public Money and the regulations set by The Pensions Regulator.

In addition, I considered the control environment in place at the Fund, the investment custodian in respect of investments and the administrator and the scheme actuary in respect of membership data, the pension liability, contributions due and benefits payable.

### **Audit response to identified risk**

As a result of performing the above, the procedures we implemented to respond to identified risks included the following:

- I reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- I enquired of management, the Pensions Committee and in-house legal counsel concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the Board and internal audit reports;
- in addressing the risk of fraud through management override of controls, I tested the appropriateness of journal entries and other adjustments; assessed whether the judgements on estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- performed substantive testing of contributions received and benefits paid in the year to assess compliance with laws and regulations and that the transactions were regular;
- obtained an understanding of the controls over the existence of investment holdings and transactions, agreed investment holdings to independent third party confirmations and agreed investment and cash reconciliations to independence evidence and bank statements;
- engaged an auditor's expert to assess the actuarial methods and assumptions used by the Fund actuary, reviewed the expert's report and undertook any further procedures as necessary; and
- reviewed and assessed any significant correspondence with The Pensions Regulator.

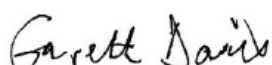
I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my report.

**Other auditor's responsibilities**

I am required to obtain evidence sufficient to give reasonable assurance that the income and expenditure reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.



**Gareth Davies**  
**Comptroller and Auditor General**  
National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP

Date: 17 July 2025

## Financial statements for the year ending 31 March 2025

| Fund account   | Notes | 2025<br>£000     | 2024<br>£000     |
|--|-------|------------------|------------------|
| <b>Dealings with members, employers and others directly involved with the Fund</b> |       |                  |                  |
| Contributions  | 7     | 137,285          | 140,973          |
| Transfer values in from other pension funds  | 8     | 17,002           | 10,684           |
|  |       | <b>154,287</b>   | <b>151,657</b>   |
| Benefits   | 9     | (136,258)        | (120,204)        |
| Payments to and on account of leavers  | 10    | (8,186)          | (1,842)          |
|  |       | <b>(144,444)</b> | <b>(122,046)</b> |
| <b>Net additions from dealings with members</b>                                    |       | <b>9,843</b>     | <b>29,611</b>    |
| <b>Management expenses</b>   | 11    | <b>(25,986)</b>  | <b>(23,818)</b>  |
| <b>Return on investments</b>   |       |                  |                  |
| Investment income  | 12    | 63,510           | 47,028           |
| Taxes on income  | 13    | (142)            | (156)            |
| Profit and loss on disposal of investments and changes in the value of investments | 14a   | 53,580           | 316,353          |
|  |       | <b>116,948</b>   | <b>363,225</b>   |
| <b>Net returns on investments</b>  |       | <b>116,948</b>   | <b>363,225</b>   |
| <b>Net increase in the Fund during the year</b>                                    |       | <b>100,805</b>   | <b>369,018</b>   |
| <b>Opening net assets of the Fund at 1 April</b>                                   |       | 4,663,107        | 4,294,089        |
| <b>Closing net assets of the Fund at 31 March</b>                                  |       | <b>4,763,912</b> | <b>4,663,107</b> |

The notes on pages 60 to 95 form part of these financial statements.

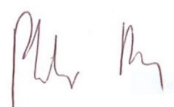
| Net assets statement                              | Notes | 2025<br>£000     | 2024<br>£000     |
|---|-------|------------------|------------------|
| Long-term investments                             | 14a   | 750              | 722              |
| Investment assets                                 | 14b   | 4,753,506        | 4,651,092        |
| Investment liabilities                            | 14b   | (796)            | (3,822)          |
| <b>Total net investments</b>                      |       | <b>4,753,460</b> | <b>4,647,992</b> |
| Current assets                                    | 20    | 18,876           | 22,379           |
| Current liabilities                               | 21    | (8,424)          | (7,264)          |
| <b>Closing net assets of the Fund at 31 March</b> |       | <b>4,763,912</b> | <b>4,663,107</b> |

The financial statements summarise the transactions and net assets of the Fund. The financial statements do not take account of liabilities to pay pensions and other benefits that fall due after the end of the Scheme year. The actuarial position of the Fund, which does take account of such liabilities, is dealt with in the statement by the Consulting Actuary on pages 51 to 52 and these financial statements should be read in conjunction with it.

The Actuary's statement dated 30 May 2025 is based on a formal valuation as at 31 March 2022. The notes on pages 60 to 95 form part of these financial statements.



Lilli Matson  
Chair  
Environment Agency Pensions Committee  
17 July 2025



Philip Duffy  
Accounting Officer  
Environment Agency  
17 July 2025

## Notes to the financial statements

### 1. Description of the Fund

The Environment Agency Active Pension Fund is part of the Local Government Pension Scheme (LGPS) and is administered by the Environment Agency. The Environment Agency is the reporting entity for this Fund. The Fund is overseen by the Environment Agency Pension Fund Committee. The EAPF is 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 but is closed to new employees of NRW and SSCL. The EAPF is also responsible for administering some unfunded benefit payments.

#### General

The Fund is governed by the Superannuation Act 1972 and the Public Services Act 2013. The Fund is administered in accordance with the following secondary legislation:

- The Local Government Pension Scheme Regulations 2013 (as amended);
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended); and
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

The Active Fund was established as the National Rivers Authority Pension Fund in 1989 at the time of the privatisation of the water industry in England and Wales. The Fund inherited active members' accrued liabilities from the predecessor pension arrangements, but no pensioners or deferred pensioner liabilities. In 1996 it transferred to the Environment Agency and became the Environment Agency Active Pension Fund. Since then, the Fund has been gradually maturing.

#### Membership

Unless they have elected in writing not to be members, all Environment Agency employees are eligible for membership of the LGPS (excluding Environment Agency Board members and those employees who are eligible to join another pension scheme) providing they are under the age of 75. Membership of the fund also includes employees of Natural Resources Wales and Shared Services Connected Limited who were employees of the Environment Agency immediately before the transfer of services to those bodies.

As at 31 March 2025, total membership of the Fund is 31,297 (2024: 30,769), represented by 14,076 active members, 8,334 deferred members and 8,887 current pensioners.

#### Funding

Benefits are funded by employer and employee contributions and investment earnings. Employers' contributions are set based on triennial actuarial funding valuations. The latest formal valuation was as at 31 March 2022. This became effective from 1 April 2023 and the Environment Agency contributed the equivalent of 19.0% of pensionable pay per annum, a fixed annual rate of £7m was payable by Natural Resources Wales and 22.7% of pensionable pay for Shared Services Connected Limited. Employee contributions are made by active members in accordance with the Local Government Pension Scheme Regulations 2013 and ranged from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2024.

#### Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service. From 1 April 2014, the scheme became a career average revalued earnings scheme (CARE), whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49<sup>th</sup>. Accrued pension is revalued annually in line with the Consumer Prices Index (CPI). A range of other benefits are also provided as detailed on our website at [www.eapf.org.uk](http://www.eapf.org.uk)

## 2. Basis of preparation

The financial statements have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. They are prepared on a going concern basis due to a covenant from Defra who are the financial sponsors of the Environment Agency under the Environment Agency Act 1995 and the MHCLG as the statutory guarantors of the LGPS. The accounting policies have been drawn up in line with recommended accounting principles within the overall Code of Practice on Local Authority Accounting framework.

## 3. Summary of significant accounting policies

The following principal accounting policies have been applied consistently in the preparation of the financial statements which are prepared on an accruals basis.

### Contribution income

Normal contributions are accounted for on an accruals basis in the period to which the associated wages and salaries relate. Employee contribution rates are set in accordance with LGPS regulations, using common percentage rates for all schemes, according to pensionable pay. Employer contributions are set at the percentage rate recommended by the fund actuary for the period to which they relate.

Advanced employer contributions are accounted for on the basis advised by the fund actuary in the rates and adjustment certificate issued to the relevant employing body.

Special employers' contributions in respect of ill health and early retirements are accounted for in the year the event arose. Any amount due in the year but unpaid will be classed as a current financial asset.

Additional Voluntary Contributions, except for those paid to secure added years, are not included in the accounts in accordance with Regulation 4(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009.

### Transfers to and from other schemes

Individual transfers in and out are accounted for when received or paid. Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers In.

Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement, or in the absence of specific terms, on a cash basis.

Refunds of contributions are included from the date the member leaves the Scheme.

### Benefits payable

Members can choose whether to take a proportion of their retirement benefits as a pension and/or lump sum. Pensions and lump-sum benefits payable are accounted for on an accruals basis from the date the option is exercised. Lump sum death grants are included from the date of death. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities, providing that payment has been approved.

### Management expenses

Administration, oversight and governance costs and investment management expenses are accounted for on an accruals basis. Management expenses are recognised net of any recoverable VAT. The fees of the Fund's external investment managers reflect their differing mandates. Fees are generally linked to the market value of the Fund's investments and therefore may increase or reduce as the value of the investment changes.

In cases where administration expenditure relates to both the Active and Closed Pension Fund, we attribute this 80%/20% respectively to reflect the time spent administering each Fund, as shown below. This apportionment is considered annually.

| <b>Apportionment of common expenditure</b> | <b>2024/25<br/>AF/CF %</b> | <b>2023/24<br/>AF/CF %</b> |
|--|----------------------------|----------------------------|
| Custodial arrangements                     | 80/20                      | 80/20                      |
| Environment Agency Pension Fund Management | 80/20                      | 80/20                      |

### Investment income

All interest income is recognised in the fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination. Accrued interest is excluded from the market value of fixed interest securities but is included in investment income receivable. Income from cash and short-term deposits are also accounted for on an accrual's basis.

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

Any gains or losses arising on derivative contracts are reported within Change in Market Value.

Income from overseas investments is recorded net of any withholding tax where this cannot be recovered.

Income on investments in pooled investment vehicles with accumulation units is reflected in the unit price.

### Change in market value

The change in the market value of investments comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

### Taxation

The Fund is a registered public service scheme under Section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises. VAT input tax is recoverable on all management expenses. The accounts are exclusive of VAT.

### Financial assets

The long-term investment in the Brunel Pension Partnership asset pool has been revalued from £722k in 2024 to £750k as at 31 March 2025. The Environment Agency Pension Fund and its nine other partner Funds in the pool, collectively agree that the market value of this investment as at 31 March 2025 can be reasonably assessed from the Brunel Pension Partnerships audited Annual Report and Accounts. Therefore, their Statement of Changes of Equity as at 30 September 2024 is deemed an appropriate estimate of fair value.

All other investment assets are included in the financial statements on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of the asset are recognised in the fund account.

The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13. For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

## Foreign currency transactions

Where forward contracts are in place for assets and liabilities the contract rate is used. Other assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the year end.

## Impairment

IFRS 9 introduces an impairment model for financial assets not held at Fair Value through Profit and Loss ('FVPL'). As a result, the Fund must now determine forward looking expected credit losses ('ECL') for all its financial assets held at amortised cost. Financial assets held at amortised costs within the Fund comprise: Cash and cash equivalents; Other investment balances; and Other receivables. Cash assets are not subject to determining ECL. In the case of other receivables there are no expected credit losses identified.

IFRS 9 has been applied prospectively by the Fund and this did not result in a change to the measurement of financial instruments, but some classifications have been amended to reflect IFRS 9's requirements. The Fund's other receivables continue to be measured at amortised cost. There was no material impact on the adoption of IFRS 9.

The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13. For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

## Derivatives

Futures contracts' fair value is determined using exchange prices at the year-end date. The fair value is the unrealised profit or loss at the closing price of the contract. Amounts due from the broker represent the amounts outstanding in respect of the initial margin (representing collateral on the contracts) and any variation margin which is due to or from the broker. The amounts included in change in market value are the realised gains and losses on closed futures contracts and the unrealised gains and losses on open futures contracts.

The fair value of the forward currency contracts is based on market forward exchange rates at the year-end date. Forward foreign exchange contracts are over the counter contracts and are valued by determining the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract at that date.

## Cash deposits and instruments

Cash comprises cash in hand and on deposit, including any amounts held by the Fund's external investment managers. All cash balances are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to minimal risk of changes in value.

## Financial Liabilities

A financial liability is recognised in the net assets statement on the date the Fund becomes party to the liability. The Fund recognises financial liabilities relating to investment trading at fair value as at the reporting date, and any gains or losses arising from changes in the fair value of the liability between contract date, the year-end date and the eventual settlement date are recognised in the fund account as part of the change in market value of investments.

## Defined Benefit Obligation

The financial statements summarise the transactions of the Fund and deal with the net assets at the disposal of the Pensions Committee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year. The actuarial position of the Fund, which takes into account such obligations, is dealt with in the Statement by the Consulting Actuary on pages 51-52.



### Additional Voluntary Contributions

The EAPF provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from the Pension Fund. The Fund has open arrangements with Prudential and Standard Life as well as closed arrangements with Utmost Life and Clerical Medical. AVCs are paid to the AVC providers by employers and specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

As mentioned previously, AVCs are not included in the accounts in accordance with Regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, but their valuation is disclosed as a note to the accounts for information.

### Contingent assets and contingent liabilities

A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by the occurrence of future events.

A contingent liability arises where an event has taken place prior to the year-end giving rise to a possible financial obligation whose existence will only be confirmed or otherwise by the occurrence of future events. Contingent liabilities can also arise in circumstances where a provision would be made, except that it is not possible at the balance sheet date to measure the value of the financial obligation reliably.

Where they exist, contingent assets and liabilities are not recognised in the net asset statement but are disclosed by way of narrative in the notes.

## 4. Critical judgments in applying accounting policies

The long-term investment in Brunel has been revalued on the basis that the fair value as at 31 March 2025 can be derived from the Brunel Pension Partnerships Annual Report and Accounts. Their Statement of Changes of Equity is therefore deemed an appropriate estimate of fair value. Management review this valuation annually.

The Pension Fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 18. This estimate is subject to significant variances based on changes to the underlying assumptions.

## 5. Assumptions made about the future and other major sources of estimation

The financial statements contain figures that are based on assumptions made by our managers. Estimates are made taking into account historical experience, current trends and other relevant factors. The items in the net assets statement at 31 March 2025 for which there is a risk of material movement in the forthcoming financial year is as follows:

| Item  | Uncertainties  | Effect of actual results differ from assumptions   |
|---|--|--|
| Pooled property and infrastructure funds, private equity, private debt, long term investments | These investments are not publicly listed and as such there is a degree of estimation involved in the valuation. | There is a risk that this investment may be under or overstated in the accounts.<br><br>The total value of these investments as at 31 March 2025 is £1,178million as shown on page 77 under the 'sensitivity of assets valued at Level 3' table. |

## 6. Events after the net asset statement date

The financial statements were approved by both the Pensions Committee on 25 June 2025 and Audit and Risk Assurance Committee on 9 July 2025. The financial statements are signed under delegated authority of the Board. They will also be noted at the next available meeting of the Board. Since the 31 March 2025 we have recorded the following events.

### Government reforms to the LGPS Pooling Arrangements in England and Wales

The EAPF received a joint ministerial letter from HM Treasury and MHCLG on 9 April stating that Brunel had not met the Government's vision for the future of the LGPS. It invited the EAPF to consider which pool we wish to partner with going forward and to make a decision 'in principle' by September 2025. More detail on this area is provided on pages 27 to 28.

### US Tariffs

The quarter since 31 March 2025 was marked once again by much volatility, this time seemingly due to the uncertainty surrounding the US tariffs. These were announced by President Trump on 2 April some of which have now been largely reduced, and markets have since recovered.

### New investments

Subject to tax and legal due diligence, the Committee agreed in principle to allocate to two new private market mandates, a £50m allocation to Arcmont Impact Private Debt Fund and a £20m allocation to Ambianta Small Cap Private Equity Fund.

## 7. Contributions

| By contribution type | 2025<br>£000  | 2024<br>£000   |
|----------------------|---------------|----------------|
| <b>Employer</b>      |               |                |
| Normal               | 91,514        | 92,231         |
| Advanced             | 6,894         | 11,794         |
|                      | <b>98,408</b> | <b>104,025</b> |

|                         |                |                |
|-------------------------|----------------|----------------|
| <b>Members</b>          |                |                |
| Normal                  | 38,467         | 36,625         |
| Purchase of added years | 410            | 323            |
|                         | <b>38,877</b>  | <b>36,948</b>  |
| <b>Total</b>            | <b>137,285</b> | <b>140,973</b> |

Normal contributions are regular employer and employee contributions paid across by our employers. Advanced contributions are payments towards future service requirements. Details of normal and advanced contributions and employee payments are given in the table below. Special contributions are additional amounts paid by our employers in respect of early retirements.

| By employer                      | 2025<br>£000   | 2024<br>£000   |
|----------------------------------|----------------|----------------|
| <b>Environment Agency</b>        |                |                |
| Employer normal                  | 91,469         | 92,188         |
| Employer advanced                | -              | 4,900          |
|                                  | <b>91,469</b>  | <b>97,088</b>  |
| Employee normal                  | 36,201         | 34,343         |
| Employee purchase of added years | 402            | 313            |
|                                  | <b>36,603</b>  | <b>34,656</b>  |
|                                  | <b>128,072</b> | <b>131,744</b> |
| <b>Natural Resources Wales</b>   |                |                |

|                                  |                |                |
|----------------------------------|----------------|----------------|
| Employer normal                  | 5              | 5              |
| Employer advanced                | 6,894          | 6,894          |
| Employer special                 | -              | -              |
|                                  | <b>6,899</b>   | <b>6,899</b>   |
| Employee normal                  | 2,254          | 2,271          |
| Employee purchase of added years | 8              | 10             |
|                                  | <b>2,262</b>   | <b>2,281</b>   |
|                                  | <b>9,161</b>   | <b>9,180</b>   |
| <b>SSCL</b>                      |                |                |
| Employer normal                  | 40             | 38             |
| Employee normal                  | 12             | 11             |
|                                  | <b>52</b>      | <b>49</b>      |
| <b>Total</b>                     | <b>137,285</b> | <b>140,973</b> |

#### 8. Transfer values in from other pension funds

|   | <b>2025<br/>£000</b> | <b>2024<br/>£000</b> |
|---|----------------------|----------------------|
| Individual transfers from other schemes | 15,068               | 9,433                |
| AVC transfers                           | 1,934                | 1,251                |
| <b>Total</b>                            | <b>17,002</b>        | <b>10,684</b>        |

Transfer values have been paid to the scheme ('cash equivalents' within the meaning of Part 1 of Schedule 5 to the Pensions Scheme Act 1993), and service credits given for transfers received, calculated in accordance with the method and assumptions on the advice of the Actuary and based on guidelines issued by the Institute and Faculty of Actuaries. No discretionary benefits have been included in the calculation of transfer values. AVC transfers represent amounts disinvested from the AVC arrangements disclosed in Note 22 during the year and subsequently used to fund benefits.

#### 9. Benefits

|  | <b>2025<br/>£000</b> | <b>2024<br/>£000</b> |
|--|----------------------|----------------------|
| Retirement and dependant's pensions      | 113,203              | 101,016              |
| Lump sum retirement grants               | 20,234               | 17,226               |
| Lump sum death grants                    | 2,634                | 1,909                |
| Taxation where annual allowance exceeded | 187                  | 53                   |
| <b>Total</b>                             | <b>136,258</b>       | <b>120,204</b>       |

#### 10. Payments to and on account of leavers

|                                       | <b>2025<br/>£000</b> | <b>2024<br/>£000</b> |
|---------------------------------------|----------------------|----------------------|
| Individual transfers to other schemes | 7,990                | 1,679                |
| Refunds of contributions              | 196                  | 148                  |
| AVC transfers                         | -                    | 15                   |
| <b>Total</b>                          | <b>8,186</b>         | <b>1,842</b>         |

Transfer values have been paid ('cash equivalents' within the meaning of Part 1 of Schedule 5 to the Pensions Scheme Act 1993) in accordance with the method and assumptions on the advice of the Actuary and based on guidelines issued by the Institute and Faculty of Actuaries. No discretionary benefits have been included in the calculation of transfer values.

## 11. Management expenses

|  | 2025<br>£000  | 2024<br>£000  |
|--|---------------|---------------|
| <b>Administration costs</b>                |               |               |
| Scheme administration                      | 2,056         | 1,696         |
|  |               |               |
| <b>Oversight and governance costs</b>      |               |               |
| Specialist advice                          | 2,486         | 2,435         |
| Environment Agency Pension Fund management | 1,110         | 911           |
| External audit                             | 81            | 120           |
|  | 3,677         | 3,466         |
| <b>Investment management expenses</b>      |               |               |
| Management fees                            | 19,918        | 18,455        |
| Transaction costs                          | 275           | 147           |
| Custody fees                               | 60            | 54            |
| Performance related fees                   | -             | -             |
|  | 20,253        | 18,656        |
| <b>Total</b>                               | <b>25,986</b> | <b>23,818</b> |

Increased Scheme administration costs are due to spending on key projects including GMP reconciliation and the administration of McCloud. Specialist costs are higher this year due to continued expenditure on the Pensionable Pay correction project.

Investment management expenses can be further analysed as follows:

| 2024/25                            | Total<br>£000 | Management fees<br>£000 | Transaction costs<br>£000 |
|------------------------------------|---------------|-------------------------|---------------------------|
| Private equity                     | 7,588         | 7,588                   | -                         |
| Pooled equities                    | 5,584         | 5,319                   | 265                       |
| Equities                           | 3,053         | 3,053                   | -                         |
| Private debt                       | 2,136         | 2,136                   | -                         |
| Long term investments              | 1,048         | 1,048                   | -                         |
| Pooled property and infrastructure | 733           | 723                     | 10                        |
| Cash and FX                        | 51            | 51                      | -                         |
| Pooled fixed interest              | -             | -                       | -                         |
| <b>Total</b>                       | <b>20,193</b> | <b>19,918</b>           | <b>275</b>                |
| Custody fees                       | 60            | -                       | -                         |
| <b>Total</b>                       | <b>20,253</b> |                         |                           |

| 2023/24                            | Total<br>£000 | Management fees<br>£000 | Transaction costs<br>£000 |
|------------------------------------|---------------|-------------------------|---------------------------|
| Private equity                     | 6,818         | 6,818                   | -                         |
| Pooled equities                    | 4,980         | 4,833                   | 147                       |
| Equities                           | 3,063         | 3,063                   | -                         |
| Private debt                       | 2,002         | 2,002                   | -                         |
| Long term investments              | 929           | 929                     | -                         |
| Pooled property and infrastructure | 749           | 749                     | -                         |
| Cash and FX                        | 61            | 61                      | -                         |
| Pooled fixed interest              | -             | -                       | -                         |
| <b>Total</b>                       | <b>18,602</b> | <b>18,455</b>           | <b>147</b>                |
| Custody fees                       | 54            | -                       | -                         |
| <b>Total</b>                       | <b>18,656</b> |                         |                           |

## 12. Investment income

|  | 2025<br>£000  | 2024<br>£000  |
|--|---------------|---------------|
| Income from private equity                     | 25,610        | 18,065        |
| Income from pooled property and infrastructure | 16,512        | 9,242         |
| Interest on cash deposits                      | 9,098         | 8,258         |
| Dividends from equities                        | 5,858         | 4,850         |
| Income from pooled investment vehicles         | 5,061         | 5,055         |
| Fee rebate                                     | 1,362         | 1,496         |
| Other investment income                        | 9             | 62            |
| <b>Total</b>                                   | <b>63,510</b> | <b>47,028</b> |

To minimise credit risk exposure on cash, most of the Active Fund's cash is held in money market funds managed by the custodian State Street which has enjoyed favorable interest rates in 2024/25.

## 13. Taxes on income

|                            | 2025<br>£000 | 2024<br>£000 |
|----------------------------|--------------|--------------|
| Withholding tax – equities | (142)        | (156)        |
| <b>Total</b>               | <b>(142)</b> | <b>(156)</b> |

## 14. Investments

### a) Investment movements summary 2024/25

| Financial year to<br>the 31 March 2025 | Market<br>value at<br>01.04.24 | Purchases<br>at cost<br>and<br>derivative<br>payments | Sales<br>proceeds<br>and<br>derivative<br>receipts | Asset<br>transfer<br>purchases | Asset<br>transfer<br>sales | Change<br>in<br>market<br>value | Market<br>value at<br>31.03.25 |
|--|--------------------------------|---|--|--------------------------------|----------------------------|---------------------------------|--------------------------------|
|  | £000                           | £000  | £000   | £000                           | £000                       | £000                            | £000                           |
| Pooled fixed interest                  | 1,490,171                      | 145,000   | -  | -                              | -                          | (5,860)                         | 1,629,311                      |
| Pooled equities                        | 1,353,882                      | 5,061   | (105,525)  | -                              | -                          | 43,106                          | 1,296,524                      |
| Equities                               | 566,093                        | 248,953   | (381,395)  | -                              | -                          | (20,216)                        | 413,435                        |
| Pooled property and infrastructure     | 429,984                        | 55,644  | (24,900)   | -                              | -                          | (16,386)                        | 444,342                        |
| Private debt                           | 414,752                        | 55,113  | (42,010)   | -                              | -                          | 17,610                          | 445,465                        |
| Private equity                         | 185,553                        | 91,880  | (16,864)   | -                              | -                          | 26,764                          | 287,333                        |
| FX and derivatives                     | (3,154)                        | 16,999  | (23,052)   | -                              | -                          | 9,612                           | 405                            |
|  | <b>4,437,281</b>               | <b>618,650</b>  | <b>(593,746)</b>                                   | <b>-</b>                       | <b>-</b>                   | <b>54,630</b>                   | <b>4,516,815</b>               |
| Cash deposits and instruments          | 208,165                        | -   | -  | -                              | -                          | (1,078)                         | 234,605                        |
| Other investment balances              | 1,824                          | -   | -  | -                              | -                          | -                               | 1,290                          |
| <b>Total</b>                           | <b>4,647,270</b>               |   |  |                                |                            | <b>53,552</b>                   | <b>4,752,710</b>               |

|                       |                  |   |   |   |   |               |                  |
|-----------------------|------------------|---|---|---|---|---------------|------------------|
| Long-term investments | 722              | - | - | - | - | 28            | 750              |
| <b>Total</b>          | <b>4,647,992</b> |   |   |   |   | <b>53,580</b> | <b>4,753,460</b> |

All contracts settled during the period are reported within the table as purchases and sales. As all contracts are settled individually, with an amount being paid to or from the broker in respect of all the foreign currency contracts, these transactions need to be disclosed as purchases and sales.

Indirect transaction costs are incurred through the bid-offer spread on investments within pooled investment vehicles. The amount of indirect costs is not separately provided to the Fund.

Asset transfer purchases and sales are in respect of assets that were reclassified from one investment category to another investment category during the year. These transfers were reclassifications of investments and did not involve any actual transfer of securities.

The prior year Investment movement's summary is shown in the table below.

#### Investment movements summary 2023/24

| Financial year to the 31 March 2024 | Market value at 01.04.23 | Purchases at cost and derivative payments | Sales proceeds and derivative receipts | Asset transfer purchases | Asset transfer sales | Change in market value | Market value at 31.03.24 |
|-------------------------------------|--------------------------|---|--|--------------------------|----------------------|------------------------|--------------------------|
|                                     | £000                     | £000                                      | £000                                   | £000                     | £000                 | £000                   | £000                     |
| Pooled fixed interest               | 1,452,711                | 178,258                                   | (178,258)                              | -                        | -                    | 37,460                 | 1,490,171                |
| Pooled equities                     | 1,162,112                | 5,055                                     | (77)                                   | 592,833                  | (592,833)            | 186,792                | 1,353,882                |
| Equities                            | 477,322                  | 124,324                                   | (119,802)                              | 18,617                   | (18,617)             | 84,249                 | 566,093                  |
| Pooled property and infrastructure  | 437,796                  | 45,617                                    | (28,974)                               | -                        | -                    | (24,455)               | 429,984                  |
| Private debt                        | 427,191                  | 30,812                                    | (68,763)                               | -                        | -                    | 25,512                 | 414,752                  |
| Private equity                      | 171,472                  | 35,903                                    | (18,697)                               | -                        | -                    | (3,125)                | 185,553                  |
| FX and derivatives                  | 11,183                   | 16,578                                    | (41,940)                               | -                        | -                    | 11,025                 | (3,154)                  |
|                                     | <b>4,139,787</b>         | <b>436,547</b>                            | <b>(456,511)</b>                       | <b>611,450</b>           | <b>(611,450)</b>     | <b>317,458</b>         | <b>4,437,281</b>         |
| Cash deposits and instruments       | 143,590                  | -   | -                                      | -                        | -                    | (1,120)                | 208,165                  |
| Other investment balances           | 259                      | -   | -                                      | -                        | -                    | -                      | 1,824                    |
| <b>Total</b>                        | <b>4,283,636</b>         |   |  |                          |                      | <b>316,338</b>         | <b>4,647,270</b>         |

|                       |                  |   |   |   |   |                |                  |
|-----------------------|------------------|---|---|---|---|----------------|------------------|
| Long-term investments | <b>707</b>       | - | - | - | - | <b>15</b>      | <b>722</b>       |
| <b>Total</b>          | <b>4,284,343</b> |   |   |   |   | <b>316,353</b> | <b>4,647,992</b> |

## Investment value details

| Investment assets                           | 2025<br>£000     | 2024<br>£000     |
|---|------------------|------------------|
| <b>Equities</b>                             | <b>413,435</b>   | <b>566,093</b>   |
|   |                  |                  |
| <b>Pooled equities</b>                      | <b>1,296,524</b> | <b>1,353,882</b> |
|   |                  |                  |
| <b>Pooled fixed interest</b>                | <b>1,629,311</b> | <b>1,490,171</b> |
|   |                  |                  |
| <b>Private equity</b>                       | <b>287,333</b>   | <b>185,553</b>   |
|   |                  |                  |
| <b>Pooled property and infrastructure</b>   |                  |                  |
| Infrastructure funds                        | 231,866          | 217,680          |
| Pooled property                             | 212,476          | 212,304          |
|   | <b>444,342</b>   | <b>429,984</b>   |
|   |                  |                  |
| <b>Private debt</b>                         | <b>445,465</b>   | <b>414,752</b>   |
|   |                  |                  |
| <b>Derivatives</b>                          |                  |                  |
| Forward foreign exchange                    | 405              | (3,154)          |
| Futures                                     | -                | -                |
|   |                  |                  |
| <b>Cash deposits and instruments</b>        |                  |                  |
| Cash with custodian and fund managers       | 234,605          | 208,165          |
|   |                  |                  |
| <b>Other investment balances</b>            |                  |                  |
| Accrued income                              | 1,021            | 1,165            |
| Amounts due from trade and currency brokers | -                | 351              |
| Income tax recoverable                      | 644              | 624              |
| Amounts due to trade and currency brokers   | (375)            | (316)            |
|   | <b>1,290</b>     | <b>1,824</b>     |
| <b>Net investment assets</b>                | <b>4,752,710</b> | <b>4,647,270</b> |
| <b>Long-term investments</b>                | <b>750</b>       | <b>722</b>       |
| <b>Total investment assets</b>              | <b>4,753,460</b> | <b>4,647,992</b> |

## b) Investment assets and liabilities

|   | 2025<br>£000     | 2024<br>£000     |
|---|------------------|------------------|
| <b>Financial assets</b>   |                  |                  |
| Equities (includes pooled and private equity)                                     | 1,997,292        | 2,105,528        |
| Bonds (includes pooled and gilts)   | 1,629,311        | 1,490,171        |
| Pooled property and infrastructure  | 444,342          | 429,984          |
| Private debt  | 445,465          | 414,752          |
| Cash  | 234,605          | 208,165          |
| Other investment assets   | 1,665            | 2,140            |
| Derivatives – Futures and forward foreign exchange                                | 826              | 352              |
| <b>Total financial assets</b>   | <b>4,753,506</b> | <b>4,651,092</b> |
| <b>Financial liabilities</b>  |                  |                  |
| Amounts due to trade and currency brokers<br>(including cash margin with brokers) | (375)            | (316)            |
| Derivatives – Futures and forward foreign exchange                                | (421)            | (3,506)          |
| <b>Total financial liabilities</b>  | <b>(796)</b>     | <b>(3,822)</b>   |
| <b>Long-term investments</b>  | <b>750</b>       | <b>722</b>       |
| <b>Net investment assets</b>  | <b>4,753,460</b> | <b>4,647,992</b> |

## c) Derivative contracts

|                                    | 2025          |                   | 2024          |                   |
|------------------------------------|---------------|-------------------|---------------|-------------------|
| Derivatives                        | Asset<br>£000 | Liability<br>£000 | Asset<br>£000 | Liability<br>£000 |
| Forward foreign currency contracts | 826           | (421)             | 352           | (3,506)           |
| Futures                            | -             | -                 | -             | -                 |
| <b>Net derivatives</b>             | <b>826</b>    | <b>(421)</b>      | <b>352</b>    | <b>(3,506)</b>    |

Investment in derivative instruments may only be made if they contribute to a reduction of risks and facilitate efficient portfolio management. A derivative is a financial contract between two parties, the value of which is determined by the underlying asset. Derivatives are used to a limited extent, primarily for efficient portfolio management and reducing currency risk.



### Forward over the counter foreign currency contracts

At 31 March 2025 there was an unrealised gain of £405,000 on the currency forwards (2024: unrealised loss of £3,858,000). The current position relates to specific hedging undertaken by individual managers.

| Currency bought   | Local value £000 | Currency sold     | Local value £000 | Settlement dates  | 2025 Asset £000 | 2025 Liability £000 | 2024 Asset £000 | 2024 Liability £000 |
|-------------------|------------------|-------------------|------------------|-------------------|-----------------|---------------------|-----------------|---------------------|
| Australian Dollar | -                | Sterling          | -                | Two to six months | -               | -                   | -               | -                   |
| Canadian Dollar   | -                | -                 | -                | One to six months | -               | -                   | -               | -                   |
| Chinese Yuan      | -                | -                 | -                | One to six months | -               | -                   | -               | -                   |
| Japanese Yen      | -                | US Dollar         | -                | One to six months | -               | -                   | -               | (185)               |
| Sterling          | 117,767          | Euro              | 139,810          | Two to six months | 246             | (1)                 | -               | (272)               |
| Sterling          | 28,586           | Australian Dollar | 58,449           | Two to six months | 348             | -                   | -               | (72)                |
| Sterling          | 14,144           | Japanese Yen      | 2,662,195        | Two to six months | 232             | -                   | 230             | -                   |
| Sterling          | 185,356          | US Dollar         | 239,774          | Two to six months | -               | (420)               | -               | (2,977)             |
| US Dollar         | -                | Sterling          | -                | Two to six months | -               | -                   | -               | -                   |
| US Dollar         | -                | Canadian Dollar   | -                | One to six months | -               | -                   | -               | -                   |
| US Dollar         | -                | Euro              | -                | One to six months | -               | -                   | 63              | -                   |
| US Dollar         | -                | Australian Dollar | -                | One to six months | -               | -                   | -               | -                   |
| US Dollar         | -                | Japanese Yen      | -                | One to six months | -               | -                   | -               | -                   |
| US Dollar         | -                | Chinese Yuan      | -                | One to six months | -               | -                   | 59              | -                   |
|                   |                  |                   |                  | <b>Total</b>      | <b>826</b>      | <b>(421)</b>        | <b>352</b>      | <b>(3,506)</b>      |

### d) Investments exceeding 5% of net assets

The following tables represent the investments of the Fund that exceed 5% of the net assets in 2025 and 2024.

| Holding                                 | 2025            |                 |
|---|-----------------|-----------------|
|   | Market value £m | % of net assets |
| Brunel Sterling Corporate Bond Fund     | 710.2           | 14.9            |
| Brunel BlackRock LDI Fund               | 561.0           | 11.8            |
| Brunel Global Sustainable Equities Fund | 414.5           | 8.7             |
| Brunel FTSE PAB Developed Hedged        | 359.8           | 7.6             |
| Brunel Low Volatility Equity Fund       | 318.5           | 6.7             |

| Holding                                 | 2024            |                 |
|---|-----------------|-----------------|
|   | Market value £m | % of net assets |
| Brunel Sterling Corporate Bond Fund     | 681.8           | 14.7            |
| Brunel BlackRock LDI Fund               | 469.6           | 10.1            |
| Brunel Global Sustainable Equities Fund | 425.9           | 9.2             |
| Brunel Low Volatility Equity Fund       | 390.6           | 8.4             |
| Brunel FTSE PAB Developed Hedged        | 348.3           | 7.5             |

## 15. Financial Instruments

### a) Classification of financial instruments

The accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of financial assets and liabilities by category and net assets statement heading.

| 31 March 2025                      | Financial assets and liabilities held at fair value through profit and loss | Financial assets held at amortised cost | Financial liabilities held at amortised cost |
|------------------------------------|---|---|--|
|                                    | £000  | £000                                    | £000   |
| <b>Financial assets</b>            |   |   |  |
| Pooled fixed interest              | 1,629,311   | -                                       | -  |
| Pooled equities                    | 1,296,524   | -                                       | -  |
| Private debt                       | 445,465   | -                                       | -  |
| Pooled property and infrastructure | 444,342   | -                                       | -  |
| Equities                           | 413,435   | -                                       | -  |
| Private equity                     | 287,333   | -                                       | -  |
| Cash deposits and instruments      | 234,605   | -                                       | -  |
| Derivatives                        | 826   | -                                       | -  |
| Long-term investments              | 750   | -                                       | -  |
| Debtors (excluding VAT)            | -   | 17,953                                  | -  |
| Other investment assets            | -   | 1,665                                   | -  |
|                                    | <b>4,752,591</b>  | <b>19,618</b>                           | <b>-</b>                                     |
| <b>Financial liabilities</b>       |   |   |  |
| Derivatives                        | (421)   | -                                       | -  |
| Creditors (excluding PAYE)         | -   | -                                       | (6,759)                                      |
| Other investment liabilities       | -   | -                                       | (375)  |
|                                    | <b>(421)</b>  | <b>-</b>                                | <b>(7,134)</b>                               |
| <b>Total</b>                       | <b>4,752,170</b>  | <b>19,618</b>                           | <b>(7,134)</b>                               |
| <b>Grand Total</b>                 |   | <b>4,764,654</b>                        |  |

| 31 March 2024                      | Financial assets and liabilities held at fair value through profit and loss | Financial assets held at amortised cost | Financial liabilities held at amortised cost |
|------------------------------------|---|---|--|
|                                    | £000  | £000                                    | £000   |
| <b>Financial assets</b>            |   |   |  |
| Pooled fixed interest              | 1,490,171   | -                                       | -  |
| Pooled equities                    | 1,353,882   | -                                       | -  |
| Equities                           | 566,093   | -                                       | -  |
| Pooled property and infrastructure | 429,984   | -                                       | -  |
| Private debt                       | 414,752   | -                                       | -  |
| Cash deposits and instruments      | 208,165   | -                                       | -  |
| Private equity                     | 185,553   | -                                       | -  |
| Long-term investments              | 722   | -                                       | -  |
| Derivatives                        | 352   | -                                       | -  |
| Debtors (excluding VAT)            | -   | 21,744                                  | -  |
| Other investment assets            | -   | 2,140                                   | -  |
|                                    | <b>4,649,674</b>  | <b>23,884</b>                           | <b>-</b>                                     |
| <b>Financial liabilities</b>       |   |   |  |
| Derivatives                        | (3,506)   | -                                       | -  |
| Creditors (excluding PAYE)         | -   | -                                       | (5,884)                                      |
| Other investment liabilities       | -   | -                                       | (316)  |
|                                    | <b>(3,506)</b>  | <b>-</b>                                | <b>(6,200)</b>                               |
| <b>Total</b>                       | <b>4,646,168</b>  | <b>23,884</b>                           | <b>(6,200)</b>                               |
| <b>Grand Total</b>                 |   | <b>4,663,852</b>                        |  |

## b) Net gains and losses on financial instruments

|  | 2025<br>£000  | 2024<br>£000   |
|--|---------------|----------------|
| <b>Financial assets</b>                    |               |                |
| Gain on fair value through profit and loss | 48,973        | 310,015        |
| <b>Financial liabilities</b>               |               |                |
| Gain on fair value through profit and loss | 4,607         | 6,338          |
| <b>Total change in market value</b>        | <b>53,580</b> | <b>316,353</b> |

## 16. Fair value – basis of valuation

All investments are held at fair value in accordance with the requirements of the Code and IFRS 13. The valuation bases are set out below. All assets have been valued using fair value techniques based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information. There has been no change in the valuation techniques used during the year.

### Fair value hierarchy

The valuation of financial assets and liabilities have been classified into three levels, according to the quality and reliability of information used to determine fair values.

**Level 1** - Where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Comprise quoted equities, quoted bonds and unit trusts.

**Level 2** - Where quoted market prices are not available, for example or where valuation techniques are used to determine fair value based on observable data.

**Level 3** - Where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

| Description of asset   | Valuation hierarchy | Basis of valuation   | Observable / unobservable inputs   | Key sensitivities affecting the valuations provided   |
|--|---------------------|--|--|---|
| Market quoted investments – equities and exchange traded futures   | Level 1             | Published bid market price ruling on the final day of the accounting period  | Not required   | Not required  |
| Exchange traded pooled investments   | Level 1             | Closing bid value on published exchanges   | Not required   | Not required  |
| Cash deposits and instruments  | Level 1             | Closing bid value on published exchanges   | Not required   | Not required  |
| Amounts receivable from investment sales , amounts payable for investment purchases and investment debtors and creditors | Level 1             | Carrying value is deemed to be fair value because of the short-term nature of these financial instruments                              | Not required   | Not required  |
| Fixed interest securities - corporate bonds and Government gilts   | Level 2             | Market value based on current yields   | Current yields   | Not required  |
| Forward foreign exchange derivatives   | Level 2             | Market forward exchange rates at the year-end  | Exchange rate risk   | Not required  |
| Pooled property and infrastructure funds   | Level 3             | Closing bid price where bid and offer prices are published, otherwise net asset value  | NAV-based pricing set on a forward pricing basis   | Valuations could be affected by post balance sheet events, changes to expected cash flows, or by any differences between audited and unaudited accounts, along with the limitations of ease of redemption |
| Pooled investments –Private Debt   | Level 3             | Closing bid price where bid and offer prices are published, otherwise net asset value  | NAV-based pricing set on a forward pricing basis   | Valuations are affected by any change in market value of the financial instrument being hedged against  |
| Private equities   | Level 3             | Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines     | EBITDA multiple<br>Revenue multiple<br>Discount for lack of marketability<br>Control premium | Valuations could be affected by post balance sheet events, changes to expected cash flows, or by any differences between audited and unaudited accounts   |
| Shares in Brunel Pooled Funds  | Level 3             | Estimated value of the pension fund's share of net assets held by the asset pool, based on relative % of shares held and voting rights | Current estimates of future dividend income  | Valuations could be affected by future trading income, post-Balance Sheet events, or changes to expected cashflow   |

| Financial assets at fair value through profit and loss at 31 March 2025 | Quoted Market price | Using observable inputs | With significant unobservable inputs | Total £000       |
|---|---------------------|-------------------------|--------------------------------------|------------------|
|   | Level 1 £000        | Level 2 £000            | Level 3 £000                         |                  |
| Pooled fixed interest   | -                   | 1,629,311               | -                                    | 1,629,311        |
| Pooled equities   | -                   | 1,296,524               | -                                    | 1,296,524        |
| Private debt  | -                   | -                       | 445,465                              | 445,465          |
| Equities  | 413,435             | -                       | -                                    | 413,435          |
| Private equity  | -                   | -                       | 287,333                              | 287,333          |
| Cash deposits   | 234,605             | -                       | -                                    | 234,605          |
| Infrastructure  | -                   | -                       | 231,866                              | 231,866          |
| Pooled property   | -                   | -                       | 212,476                              | 212,476          |
| Investment income due   | 1,665               | -                       | -                                    | 1,665            |
| FX and derivatives  | -                   | 826                     | -                                    | 826              |
| Amounts receivable for sales  | -                   | -                       | -                                    | -                |
| Long term investments   | -                   | -                       | 750                                  | 750              |
| <b>Total</b>  | <b>649,705</b>      | <b>2,926,661</b>        | <b>1,177,890</b>                     | <b>4,754,256</b> |
| <b>Financial liabilities at fair value through profit and loss</b>      |                     |                         |                                      |                  |
| FX and derivatives  | -                   | (421)                   | -                                    | (421)            |
| Payable for investment purchases  | (375)               | -                       | -                                    | (375)            |
| <b>Total</b>  | <b>(375)</b>        | <b>(421)</b>            | <b>-</b>                             | <b>(796)</b>     |
| <b>Total</b>  | <b>649,330</b>      | <b>2,926,240</b>        | <b>1,177,890</b>                     | <b>4,753,460</b> |

| Financial assets at fair value through profit and loss at 31 March 2024 | Quoted Market price | Using observable inputs | With significant unobservable inputs | Total £000 |
|---|---------------------|-------------------------|--------------------------------------|------------|
|   | Level 1 £000        | Level 2 £000            | Level 3 £000                         |            |
| Pooled fixed interest   | -                   | 1,490,171               | -                                    | 1,490,171  |
| Pooled equities   | -                   | 1,353,882               | -                                    | 1,353,882  |
| Equities  | 566,093             | -                       | -                                    | 566,093    |
| Private debt  | -                   | -                       | 414,752                              | 414,752    |
| Infrastructure  | -                   | -                       | 217,680                              | 217,680    |
| Pooled property   | -                   | -                       | 212,304                              | 212,304    |
| Cash deposits   | 208,165             | -                       | -                                    | 208,165    |

|  |                |                  |                  |                  |
|--|----------------|------------------|------------------|------------------|
| Private equity   | -              | -                | 185,553          | 185,553          |
| Investment income due  | 1,789          | -                | -                | 1,789            |
| Long term investments  | -              | -                | 722              | 722              |
| FX and derivatives   | -              | 352              | -                | 352              |
| Amounts receivable for sales                                       | 351            | -                | -                | 351              |
| <b>Total</b>   | <b>776,398</b> | <b>2,844,405</b> | <b>1,031,011</b> | <b>4,651,814</b> |
| <b>Financial liabilities at fair value through profit and loss</b> |                |                  |                  |                  |
| FX and derivatives   | -              | (3,506)          | -                | (3,506)          |
| Payable for investment purchases                                   | (316)          | -                | -                | (316)            |
| <b>Total</b>   | <b>(316)</b>   | <b>(3,506)</b>   | <b>-</b>         | <b>(3,822)</b>   |
| <b>Total</b>   | <b>776,082</b> | <b>2,840,899</b> | <b>1,031,011</b> | <b>4,647,992</b> |

### Sensitivity of assets valued at Level 3

Having analysed historical data and current market trends, and consulted with independent investment advisors, the fund has determined that the valuation methods described above are likely to be accurate to within the following ranges and has set out below the consequent potential impact on the closing value of investments held at 31 March 2025. It is assessed that there is no material market risk associated to our long-term investment, our shareholding in Brunel.

| Level 3 assets        | Assessed valuation range % (+/-) | Value at 31 March 2025 | Value on increase | Value on decrease |
|-----------------------|----------------------------------|------------------------|-------------------|-------------------|
|                       |                                  | £000                   | £000              | £000              |
| Private debt          | 12.4                             | 445,465                | 500,703           | 390,227           |
| Infrastructure        | 14.4                             | 231,866                | 265,254           | 198,477           |
| Pooled property       | 14.8                             | 212,476                | 243,922           | 181,030           |
| Private equity        | 24.6                             | 287,333                | 358,017           | 216,649           |
| Long-term investments | N/A                              | 750                    | 750               | 750               |
| <b>Total</b>          |                                  | <b>1,177,890</b>       | <b>1,368,646</b>  | <b>987,133</b>    |

| Level 3 assets        | Assessed valuation range % (+/-) | Value at 31 March 2024 | Value on increase | Value on decrease |
|-----------------------|----------------------------------|------------------------|-------------------|-------------------|
|                       |                                  | £000                   | £000              | £000              |
| Infrastructure        | 14.4                             | 217,680                | 249,025           | 186,334           |
| Pooled property       | 14.8                             | 212,304                | 243,725           | 180,883           |
| Private debt          | 12.4                             | 414,752                | 466,181           | 363,323           |
| Private equity        | 24.6                             | 185,553                | 231,199           | 139,907           |
| Long-term investments | N/A                              | 722                    | 722               | 722               |
| <b>Total</b>          |                                  | <b>1,031,011</b>       | <b>1,190,852</b>  | <b>871,169</b>    |

## Reconciliation of fair value measurements within level 3

| Period 2024/25        | Market value<br>1 April 2024<br>£000 | Transfers into<br>Level 3 £000 | Transfers out of<br>Level 3 £000 | Purchases<br>during the year<br>and derivative<br>payments £000 | Sales during<br>the year and<br>derivative<br>receipts £000 | Change in<br>market value<br>£000 | Market value<br>31 March 2025<br>£000 |
|-----------------------|--------------------------------------|--------------------------------|----------------------------------|---|---|-----------------------------------|---------------------------------------|
| Infrastructure        | 217,680                              | -                              | -                                | 29,354  | (10,620)  | (4,548)                           | 231,866                               |
| Pooled property       | 212,304                              | -                              | -                                | 26,290  | (14,280)  | (11,838)                          | 212,476                               |
| Private equity        | 185,553                              | -                              | -                                | 91,880  | (16,864)  | 26,764                            | 287,333                               |
| Private debt          | 414,752                              | -                              | -                                | 55,113  | (42,010)  | 17,610                            | 445,465                               |
| Long-term investments | 722                                  | -                              | -                                | -   | -   | 28                                | 750                                   |
| <b>Totals</b>         | <b>1,031,011</b>                     | <b>-</b>                       | <b>-</b>                         | <b>202,637</b>  | <b>(83,774)</b>   | <b>28,016</b>                     | <b>1,177,890</b>                      |

| Period 2023/24        | Market value<br>1 April 2023<br>£000 | Transfers into<br>Level 3 £000 | Transfers out of<br>Level 3 £000 | Purchases<br>during the year<br>and derivative<br>payments £000 | Sales during<br>the year and<br>derivative<br>receipts £000 | Change in<br>market value<br>£000 | Market value<br>31 March 2024<br>£000 |
|-----------------------|--------------------------------------|--------------------------------|----------------------------------|---|---|-----------------------------------|---------------------------------------|
| Infrastructure        | 219,446                              | -                              | -                                | 29,707  | (19,902)  | (11,571)                          | 217,680                               |
| Pooled property       | 218,350                              | -                              | -                                | 15,910  | (9,072)   | (12,884)                          | 212,304                               |
| Private equity        | 171,472                              | -                              | -                                | 35,903  | (18,697)  | (3,125)                           | 185,553                               |
| Private debt          | 427,191                              | -                              | -                                | 30,812  | (68,763)  | 25,512                            | 414,752                               |
| Long-term investments | 707                                  | -                              | -                                | -   | -   | 15                                | 722                                   |
| <b>Totals</b>         | <b>1,037,166</b>                     | <b>-</b>                       | <b>-</b>                         | <b>112,332</b>  | <b>(116,434)</b>  | <b>(2,053)</b>                    | <b>1,031,011</b>                      |

## 17. Nature and extent of risks arising from financial instruments

### Risk and risk management

The aim of investment risk management is to minimise the risk of an overall reduction in the value of the fund and to maximise the opportunity for gains across the whole fund portfolio. The fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the fund manages its liquidity risk to ensure there is sufficient liquidity to meet the fund's forecast cash flows. These risks are set out as follows:

1. **Credit risk:** this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.
2. **Market risk:** this is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk, each of which is further detailed as follows:
  - a. **Currency risk:** this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.

- b. **Interest rate risk:** this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.
  - c. **Other price risk:** this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.
3. **Liquidity risk:** this is the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund therefore takes steps to ensure that it always has adequate cash resources to meet its commitments. Cashflow forecasts are prepared on a monthly basis to ensure sufficient funds are available to pay benefits and a disinvestment from the Investment Bank account is made where we need to fund a shortfall. This can be actioned the same day. The Fund's current policy is to maintain a minimum balance of one month's pension payroll amount, plus a £500k cash float.

Further information on the Fund's approach to risk management, credit and market risk is set out below. This does not include AVC investments as these are not considered significant in relation to the overall investments of the Fund, though these assets are subject to periodic formal review to ensure ongoing appropriateness.

With regards to the Active Fund, the Pensions Committee is responsible for determining the Fund's investment strategy. The Investment Sub-Committee has received delegated responsibility to prepare and recommend the investment strategy to the Pensions Committee and, within the context of the agreed investment strategy, to decide on the structure of mandates and their specification, to appoint fund managers, to monitor the performance of fund managers, and to terminate or alter mandates.

The Fund has exposure to the above risks because of the investments it makes to implement its investment strategy. We manage the investment risks within agreed risk limits which are set taking into account the Fund's strategic investment objectives and are monitored in a Risk Register which includes investment risks. The Fund, working with its advisors, regularly monitors investment risks within the Fund.

The investment objectives and risk limits are implemented through the investment management agreements in place with the Fund's investment managers and monitored by the Pensions Committee and Investment Sub-Committee through regular reviews of the investment portfolios. The investment objectives and risk limits of the Scheme are further detailed in the Responsible Investment Strategy Statement ('RISS').

The Active Fund's assets as at 31 March 2025 and 31 March 2024 are detailed in the table below.

| Active Fund                  | 2025<br>£000   | 2024<br>£000   |
|------------------------------|----------------|----------------|
| <b>Return Seeking Assets</b> | <b>2,796.4</b> | <b>2,899.7</b> |
| Private Equity inc TOP       | 247.0          | 185.5          |
| Emerging Market Equity       | 16.6           | 9.4            |
| Global Equity                | 1,693.4        | 1,910.5        |
| Infrastructure / Real Estate | 444.4          | 430.0          |
| Multi Asset Credit           | 395.0          | 364.3          |
| <b>Risk Reducing Assets</b>  | <b>1,956.2</b> | <b>1,747.6</b> |
| Private Debt                 | 215.3          | 201.1          |



|                             |                |                |
|-----------------------------|----------------|----------------|
| Corporate Bonds             | 903.5          | 870.0          |
| Secured Sustainable Finance | 40.3           | -              |
| Liability Matching          | 561.0          | 469.6          |
| Cash*                       | 236.1          | 206.9          |
| <b>Total</b>                | <b>4,752.6</b> | <b>4,647.3</b> |

Figures may not sum due to rounding. Valuation provided at an asset class level by the Fund's custodian, State Street. \*Excludes monies held in NatWest Trustee Bank Account but includes residual amounts held within the legacy Pooled Investment Vehicle funds.

### Investment Strategy

The EAPF Active Fund is an open, defined-benefit pension fund with strong employer backing, positive cash-flows and pension obligations stretching to the end of this century. In setting our investment strategy we seek to balance twin objectives:

- 1) The primary objective is to ensure that members' benefits are payable as they fall due and achieving sufficient long-term returns for the scheme to be affordable to employers now and in the future; and
- 2) To minimise the risk of having to increase the contribution rate of the sponsoring employer, the Environment Agency, in the future.

We seek to develop an investment strategy with exposure to a balanced and diversified portfolio of risk seeking and risk reducing assets. We look to build a portfolio that has high probability of exceeding the asset outperformance target assumed by our actuary, while looking to keep contributions stable and affordable.

The Strategic Asset Allocation remains unchanged for the Fund over the year and for completeness is shown as at 31 March 2025 and 31 March 2024:

| Asset Classes                | 2025 (%)     | 2024 (%)     |
|------------------------------|--------------|--------------|
| <b>Return Seeking Assets</b> | <b>58.0</b>  | <b>58.0</b>  |
| Global Equity                | 34.0         | 34.0         |
| Infrastructure*              | 9.0          | 9.0          |
| Multi Asset Credit           | 8.0          | 8.0          |
| Private Equity inc TOP       | 4.0          | 4.0          |
| Real Estate                  | 3.0          | 3.0          |
| <b>Risk Reducing Assets</b>  | <b>42.0</b>  | <b>42.0</b>  |
| Corporate Bonds              | 19.0         | 19.0         |
| LDI                          | 12.0         | 12.0         |
| Private Debt                 | 5.0          | 5.0          |
| Secured Finance              | 4.0          | 4.0          |
| Cash                         | 2.0          | 2.0          |
| <b>Total</b>                 | <b>100.0</b> | <b>100.0</b> |

\*Includes a 4% target allocation to Natural Capital.

The actual allocations will vary from the above due to market price movements, legacy holdings not fully redeemed, planned investments being held in investment managers' queues and intervals

between rebalancing the portfolio which takes place as stipulated in the Fund's cashflow and rebalancing policy.

As at the time of writing, following an investment strategy review, a new strategic asset allocation has been agreed but is yet to be implemented. The allocations to Global Equity and Corporate Bonds have been reduced, favouring Index-Linked Gilts. This is in line with the overall direction of travel of the Fund over the past few years, which has been that of de-risking via reducing the Global Equity allocation.

As at the time of writing, following an investment strategy review, a new strategic asset allocation has been agreed but is yet to be implemented. The allocations to Global Equity and Corporate Bonds have been reduced, favouring Liability Matching. This is in line with the overall direction of travel of the Fund over the past few years, which has been that of de-risking via reducing the Global Equity allocation.

## 1. Credit Risk

The Fund is subject to credit risk because the Fund is invested in pooled funds and holds cash balances. It also has indirect exposure to credit risk through holdings in corporate bonds and multi asset credit (both through Brunel pooled funds) and through investments in Private Debt.

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. Careful credit quality management by the investment managers helps to mitigate this risk.

The use of a mixture of pooled and segregated investment mandates further reduces the exposure to any particular manager or institution.

### Cash Accounts

To minimise credit risk exposure on cash most of the Fund's cash is held in a money market fund managed by the Fund's custodian, State Street. This fund is invested across a wide range of cash instruments and has limited exposure to any individual institution. Furthermore, these monies are legally separated from EAPF's custodian, which serves to safeguard the investment in the case of default of the custodian. Assets held in both the Trustee bank account and custodian accounts are held in accounts provided by banks that have an investment grade credit rating.

The values as at 31 March 2025 and 31 March 2024 are disclosed in the table below.

| Fund   | Balance as at 31 March<br>2025 (£000) | Balance as at 31 March<br>2024 (£000) |
|--|---------------------------------------|---------------------------------------|
| Money Market fund:<br>State Street                     | 154,333                               | 124,120                               |
| Bank current account:<br>National Westminster Bank plc | 8,118                                 | 12,472                                |
| <b>Total</b>   | <b>162,451</b>                        | <b>136,592</b>                        |

**Note:** We have not included legacy residual cash amounts held in the Pooled Investment Vehicle account in this table.

The Fund also invests in pooled investment vehicles and is therefore directly exposed to credit risk arising from these pooled fund investment vehicles and is indirectly exposed to credit risk arising on the underlying investments held by a number of these pooled fund investment vehicles. These arrangements are covered in a separate section below.

The notes below provide more detail on how credit risk is managed and mitigated for the different asset classes.

## Segregated Investment Arrangements

**Cash balances:** As described above credit risk arising on cash held within financial institutions is managed by ensuring cash is held with a diversified range of institutions which are at least investment grade credit rated.

**Derivatives:** Credit risk arising on derivatives depends on whether the derivative is exchange traded or over the counter ('OTC').

OTC derivative contracts are subject to risk of failure of the counterparty. Forward currency contracts are entered into by the Fund's investment managers; this is particularly relevant to the Fund's currency overlay manager, Russell Investments and a number of private debt managers who hedge their currency exposure as a matter of course. These forward contracts are subject to credit risk in relation to the counterparties of the contracts. The responsibility for managing these contracts and counterparty risk rests with the managers. Counterparty management is evaluated as part of the due diligence process prior to appointing an investment manager.

## Pooled Investment Arrangements

The Fund also invests in pooled investment vehicles and collective investment funds and is therefore directly exposed to credit risk arising from vehicles and is indirectly exposed to credit risk arising on the underlying investments held by a number of these. Direct credit risk is mitigated by the underlying assets being ring-fenced from the manager, the regulatory environments in which the managers operate and diversification of investments amongst a number of pooled arrangements.

The Fund's holdings in pooled investment vehicles are not rated by credit rating agencies with the exception of the SSGA Liquidity Fund. This fund seeks to obtain and maintain a AAA rating from at least one of the internationally recognised rating agencies – S&P, Moody's and Fitch. Cash held by the managers' custodians is not ring-fenced but the credit risk arising on this is mitigated by the use of regular cash sweeps (typically daily) and investing cash in liquidity funds. The Pensions Committee manages and monitors the credit risk arising from its pooled investment and collective investment fund arrangements by considering the nature of the arrangement, the legal structure and regulatory environment.

A summary of the pooled investment vehicles by type of arrangement is as follows:

| Fund                                   | Collective Investment Fund            |
|--|---------------------------------------|
| Brunel Low Volatility Equity           | Authorised Contractual Scheme ('ACS') |
| Robeco SEVE                            |                                       |
| Brunel Global Sustainable Equity       |                                       |
| Brunel Paris Aligned Benchmark         | Unit Linked Insurance Policy          |
| Brunel Multi Asset Credit              | Life Fund                             |
| Brunel Sterling Corporate Bonds        |                                       |
| Palatine Impact Fund                   | UK Limited Partnership                |
| GHO Capital Fund III                   |                                       |
| Bridges Property Alternatives Fund III |                                       |
| Bridges Property Alternatives Fund IV  |                                       |
| Bridges Property Alternatives Fund V   |                                       |
| Bridges Property Alternatives Fund VI  |                                       |
| DBL Partners III                       | US Limited Partnership                |

|  |   |
|--|---|
| Generation Climate Solutions Fund          | Cayman Islands Limited Partnership                                    |
| Barings North America PL Fund              |   |
| SA Impact Forestry Fund                    |   |
| Anterra F&A Ventures II                    | Private Fund Limited Partnership                                      |
| Circularity European Growth Fund II        |   |
| World Fund I                               |   |
| Brunel Infrastructure Cycle 3              |   |
| Brunel Private Debt Cycle 3                |   |
| Brunel Private Debt Cycle 4                | Swedish Private Limited Company                                       |
| Summa Equity III                           |   |
| Ambienta III                               | Luxembourg Limited Partnership  |
| Ambienta IV                                |   |
| ICG Europe Fund VIII                       |   |
| LGT Crown Impact Fund                      |   |
| Ares Capital Europe V                      |   |
| Arcmont Direct Lending UK Fund             |   |
| Arcmont Senior Lending Fund                |   |
| Arcmont Direct Lending III                 | Luxembourg Special Limited Partnership                                |
| Ambienta Sustainable Credit Opportunities  |   |
| Activate Capital Fund II                   | Delaware Limited Partnership  |
| Neuberger Berman Private Debt Fund IV      |   |
| Generation Sustainable Solutions Fund IV   | Irish Limited Partnership   |
| Gresham House Biodiversity Co-invest       | Guernsey Limited Partnership  |
| Permira Credit Solutions III               | Luxembourg Sarl   |
| Newmarket IIFC Feeder Fund III             | Cayman Islands Limited Partnership                                    |
| P Capital Partners Transition Partner Fund | Swedish AB  |
| Verdane Idun I                             |   |
| Carlyle Credit Opportunities II            | Luxembourg Feeder   |
| Lombard Odier Sustainable Private Credit   | UK Exempt Unauthorised Unit Trust into Luxembourg Limited Partnership |
| Actis Energy IV                            | English Limited Partnership   |
| Blackrock Liability Driven Investment      | Irish Authorised Unit Trust   |
| BlackRock Buy and Maintain ESG Credit      |   |
| State Street Liquidity Fund                | OEIC UCITS  |

The Pensions Committee carries out due diligence checks on the appointment of new pooled investment or collective investment fund managers and, in conjunction with its investment advisor, periodically reviews the investment managers.

Indirect credit risk arises in relation to underlying investments held in the investment vehicles. Indirect credit risk is managed by investing in funds that are well diversified.

Credit risk also arises from the private debt, private equity, multi asset credit and real asset portfolios. This risk is also mitigated through the use of a range of managers across several funds with the real asset portfolio limiting exposure to any single asset class and issuer. The impact of credit default within each is minimised through the use of multiple managers for each portfolio.

## 2. Market Risk

### a. Currency Risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Fund is subject to currency risk because of an interest in pooled investment vehicles which are denominated or priced in a foreign currency (i.e. a currency other than sterling).

Indirect currency risk arises from the Fund's investment in sterling priced pooled investment vehicles which hold underlying investments denominated in foreign currency. Most of the Fund's currency risk is through exposure to overseas equities, which are exposed to a complex range of risk factors of which currency is only one. There may also be some indirect currency exposure in the Fund's sterling denominated assets, but these are impossible to quantify. The Fund's currency risk is routinely monitored by the Pensions Committee and its investment advisors.

To manage currency risk, the Fund employs Russell Investments to provide currency overlay services for a number of the underlying funds including the Townsend Real Assets portfolio and Private Debt portfolio. Equity mandates and other mandates with overseas currency exposure are not strategically hedged as the underlying managers have discretion to use currency exposures as part of the funds' investment strategies.

The Fund is also exposed to direct/indirect currency risk through its holdings of US dollars and euros as part of the State Street Liquidity Fund sub-funds.

The tables below show the high-level fund structures for each mandate and set out the non-GBP currency exposures including which proportion of this is hedged back to GBP.

**31 March 2025**

| Manager and fund(s)                          | Pooled / Segregated | GBP exposure (%) | Non-GBP exposure (%) | Non-GBP exposure hedged back to GBP (%) | Implied unhedged overseas currency exposure (£m) |
|--|---------------------|------------------|----------------------|---|--|
| Stafford Private Equity                      | Segregated          | 0.0              | 100.0                | 0.0                                     | 8.6  |
| Targeted Opportunities Portfolio (see below) | See below           |                  |                      |   |  |
| Generation Global Equity                     | Segregated          | 0.3              | 99.7                 | 0.0                                     | 427.6  |
| Impax Global Equity                          | Segregated          | 0.0              | 100.0                | 0.0                                     | 1.1  |
| Robeco SEVE                                  | Pooled              | 4.2              | 95.8                 | 0.0                                     | 195.2  |
| Brunel Low Volatility Equity                 | Pooled              | 1.5              | 98.5                 | 0.0                                     | 313.9  |
| Brunel Passive Dev Eq Paris Aligned          | Pooled              | 3.0              | 97.0                 | 0.0                                     | 349.0  |
| Brunel Global Sustainable Equities           | Pooled              | 5.9              | 94.1                 | 0.0                                     | 390.2  |
| Townsend Real Assets                         | Segregated          | 31.4             | 68.6                 | 100.0                                   | -  |

|                                       |            |             |             |             |                |
|---------------------------------------|------------|-------------|-------------|-------------|----------------|
| Brunel Infrastructure Cycle 3         | Pooled     | 11.9        | 88.1        | 0.0         | 32.2           |
| Brunel Private Debt Cycle 3           | Pooled     | 12.9        | 87.1        | 100.0       | -              |
| Brunel Private Debt Cycle 4           | Pooled     | 100.0       | 0.0         | 0.0         | -              |
| Private Debt Portfolio (see below)    | See below  |             |             |             |                |
| Brunel EAPF GRI Elective Cycle 1      | Pooled     | 100.0       | 0.0         | 0.0         | -              |
| Brunel Multi Asset Credit             | Pooled     | 4.4         | 95.6        | 95.4        | 17.3           |
| BlackRock Buy and Maintain ESG Credit | Pooled     | 54.5        | 45.5        | 100.0       | -              |
| Brunel Sterling Corporate Bonds       | Pooled     | 96.3        | 3.7         | 100.0       | -              |
| Blackrock Liability Driven Investment | Pooled     | 100.0       | 0.0         | 0.0         | -              |
| Cash                                  | Segregated | 97.8        | 2.2         | 0.0         | 4.3            |
| <b>Total</b>                          |            | <b>40.0</b> | <b>60.0</b> | <b>37.2</b> | <b>2,033.6</b> |

<sup>1</sup>currency data as at 31 December 2024

### Targeted Opportunities Portfolio – 2025

| Manager and fund(s)                            | Pooled/<br>Segregated | GBP<br>exposure<br>(%) | Non-GBP<br>exposure<br>(%) | Non-GBP<br>exposure<br>hedged<br>back to<br>GBP (%) | Implied<br>unhedged<br>overseas<br>currency<br>exposure<br>(£m) |
|--|-----------------------|------------------------|----------------------------|---|---|
| Actis Energy Fund IV                           | Pooled                | 0.0                    | 100.0                      | 0.0   | 1.3   |
| Activate Capital Fund II                       | Pooled                | 0.0                    | 100.0                      | 0.0   | 11.9  |
| Ambienta III <sup>1</sup>                      | Pooled                | 9.0                    | 91.1                       | 0.0   | 16.6  |
| Ambienta IV <sup>1</sup>                       | Pooled                | 0.0                    | 100.0                      | 0.0   | 9.7   |
| Anterra F&A Ventures II                        | Pooled                | 2.5                    | 97.5                       | 0.0   | 12.6  |
| Bridges Property Alternatives Fund III         | Pooled                | 100.0                  | 0.0                        | 0.0   | -   |
| Bridges Property Alternatives Fund IV          | Pooled                | 100.0                  | 0.0                        | 0.0   | -   |
| Bridges Property Alternatives Fund V           | Pooled                | 96.0                   | 4.0                        | 0.0   | 0.4   |
| Bridges Property Alternatives Fund VI          | Pooled                | 86.0                   | 14.0                       | 0.0   | 1.5   |
| Circularity European Growth Fund               | Pooled                | 28.0                   | 72.0                       | 0.0   | 11.5  |
| DBL Partners III LP                            | Pooled                | 0.0                    | 100.0                      | 0.0   | 34.4  |
| DBL Partners IV LP                             | Pooled                | 0.0                    | 100.0                      | 0.0   | 34.1  |
| Generation Climate Solutions Fund <sup>1</sup> | Pooled                | 2.7                    | 97.3                       | 0.0   | 8.6   |
| Generation Sustainable Solutions Fund IV       | Pooled                | 0.0                    | 100.0                      | 0.0   | 20.2  |
| GHO Capital Fund III                           | Pooled                | 31.0                   | 69.0                       | 0.0   | 9.7   |
| Gresham House Biodiversity Co-invest           | Pooled                | 100.0                  | 0.0                        | 0.0   | -   |
| Palatine Impact Fund                           | Pooled                | 100.0                  | 0.0                        | 0.0   | -   |
| SA Impact Forestry Fund                        | Pooled                | 0.0                    | 100.0                      | 0.0   | 8.0   |
| Summa Private Equity                           | Pooled                | 4.0                    | 96.0                       | 0.0   | 13.2  |
| Verdane Idun I                                 | Pooled                | 0.0                    | 100.0                      | 0.0   | 5.1   |
| World Fund I                                   | Pooled                | 21.6                   | 78.4                       | 0.0   | 5.4   |

Source: Investment Managers, State Street and Mercer estimates as at 31 March 2025, unless otherwise specified.

1 Currency data as at 31 December 2024.

2 The TOP value of £288.2m includes c.£0.5m of shares in Real Real, which are denominated in USD. These have been excluded from the calculations above.

### Private Debt Portfolio – 2025

| Manager and fund(s)                                    | Pooled / Segregated | GBP exposure (%) | Non-GBP exposure (%) | Non-GBP exposure hedged back to GBP (%) | Implied unhedged overseas currency exposure (£m) |
|--|---------------------|------------------|----------------------|---|--|
| Ambienta Sustainable Credit Opportunities <sup>1</sup> | Pooled              | 38.8             | 61.2                 | 0.0                                     | 2.3  |
| Arcmont Direct Lending UK Fund                         | Pooled              | 26.0             | 74.0                 | 100.0                                   | -  |
| Arcmont Direct Lending Fund III                        | Pooled              | 17.0             | 83.0                 | 100.0                                   | -  |
| Arcmont Senior Loan Fund                               | Pooled              | 21.0             | 79.0                 | 100.0                                   | -  |
| Ares Capital Europe V <sup>1</sup>                     | Pooled              | 56.0             | 44.0                 | 97.9                                    | 0.2  |
| Barings North America PL Fund                          | Pooled              | 0.0              | 100.0                | 0.0                                     | -  |
| Carlyle Credit Opportunities II                        | Pooled              | 16.5             | 83.5                 | 0.0                                     | 17.0   |
| ICG Europe Fund VIII <sup>1</sup>                      | Pooled              | 19.0             | 81.0                 | 0.0                                     | 15.8   |
| LGT Crown Impact Fund                                  | Pooled              | 38.0             | 62.0                 | 0.0                                     | 1.0  |
| Lombard Odier Sustainable Private Credit Fund          | Pooled              | 0.0              | 100.0                | 0.0                                     | 21.6   |
| Neuberger Berman Private Debt Fund IV                  | Pooled              | 0.0              | 100.0                | 0.0                                     | 16.2   |
| Newmarket IIFC Feeder Fund III <sup>1</sup>            | Pooled              | 3.0              | 97.0                 | 0.0                                     | 5.8  |
| P Capital Partners Transition Partner Fund             | Pooled              | 8.0              | 92.0                 | 0.0                                     | 10.1   |
| Permira Credit Solutions Fund III <sup>1</sup>         | Pooled              | 27.1             | 72.9                 | 100.0                                   | -  |

<sup>1</sup> Currency data as at 31 December 2024

### 31 March 2024

| Manager and fund(s)                          | Pooled / Segregated | GBP exposure (%) | Non-GBP exposure (%) | Non-GBP exposure hedged back to GBP (%) | Implied unhedged overseas currency exposure (£m) |
|--|---------------------|------------------|----------------------|---|--|
| Stafford Private Equity                      | Segregated          | 0.0              | 100.0                | 0.0                                     | 11.5   |
| Targeted Opportunities Portfolio (see below) | See below           |                  |                      |   |  |
| Generation Global Equity                     | Segregated          | 0.1              | 99.9                 | 0.0                                     | 431.8  |
| Impax Global Equity                          | Segregated          | 9.2              | 90.8                 | 0.0                                     | 142.2  |
| Robeco SEVE                                  | Pooled              | 5.0              | 95.0                 | 0.0                                     | 179.7  |
| Brunel Low Volatility Equity                 | Pooled              | 2.7              | 97.3                 | 0.0                                     | 380.1  |
| Brunel Passive Dev Eq Paris Aligned          | Pooled              | 3.0              | 97.0                 | 0.0                                     | 337.9  |
| Brunel Global Sustainable Equities           | Pooled              | 4.3              | 95.7                 | 0.0                                     | 407.5  |
| Townsend Real Assets                         | Segregated          | 35.9             | 64.1                 | 100.0                                   | 0.0  |
| Brunel Infrastructure Cycle 3 <sup>1</sup>   | Pooled              | 2.8              | 97.2                 | 0.0                                     | 20.3   |
| Brunel Private Debt Cycle 3 <sup>1</sup>     | Pooled              | 25.1             | 74.9                 | 100.0                                   | 0.0  |
| Private Debt Portfolio (see below)           | See below           |                  |                      |   |  |
| Brunel Multi Asset Credit                    | Pooled              | 4.9              | 95.1                 | 94.6                                    | 18.7   |

|                                       |            |       |      |       |      |
|---------------------------------------|------------|-------|------|-------|------|
| BlackRock Buy and Maintain ESG Credit | Pooled     | 57.4  | 42.6 | 100.0 | 0.0  |
| Brunel Sterling Corporate Bonds       | Pooled     | 96.7  | 3.3  | 100.0 | 0.0  |
| Blackrock Liability Driven Investment | Pooled     | 100.0 | 0.0  | 0.0   | 0.0  |
| Cash                                  | Segregated | 87.6  | 12.4 | 0.0   | 17.7 |

<sup>1</sup>currency data as at 31 December 2023

#### Targeted Opportunities Portfolio – 2024

| Manager and fund(s)                      | Pooled / Segregated | GBP exposure (%) | Non-GBP exposure (%) | Non-GBP exposure hedged back to GBP (%) | Implied unhedged overseas currency exposure (£m) |
|--|---------------------|------------------|----------------------|---|--|
| Actis Energy Fund IV                     | Pooled              | 0.0              | 100.0                | 0.0                                     | 2.0  |
| Activate Capital Fund II                 | Pooled              | 0.0              | 100.0                | 0.0                                     | 9.4  |
| Ambienta III                             | Pooled              | 10.1             | 89.9                 | 0.0                                     | 17.8   |
| Ambienta IV                              | Pooled              | 0.0              | 100.0                | 0.0                                     | 3.3  |
| Anterra F&A Ventures II                  | Pooled              | 0.5              | 99.5                 | 0.0                                     | 8.9  |
| Bridges Property Alternatives Fund III   | Pooled              | 100.0            | 0.0                  | 0.0                                     | 0.0  |
| Bridges Property Alternatives Fund IV    | Pooled              | 100.0            | 0.0                  | 0.0                                     | 0.0  |
| Bridges Property Alternatives Fund V     | Pooled              | 95.0             | 5.0                  | 0.0                                     | 0.6  |
| Circularity European Growth Fund         | Pooled              | 28.0             | 72.0                 | 0.0                                     | 8.0  |
| DBL Partners III LP                      | Pooled              | 0.0              | 100.0                | 0.0                                     | 25.1   |
| DBL Partners IV LP                       | Pooled              | 0.0              | 100.0                | 0.0                                     | 19.1   |
| Generation Climate Solutions Fund        | Pooled              | 2.4              | 97.6                 | 0.0                                     | 14.4   |
| Generation Sustainable Solutions Fund IV | Pooled              | 0.0              | 100.0                | 0.0                                     | 13.3   |
| GHO Capital Fund III                     | Pooled              | 34.0             | 66.0                 | 0.0                                     | 8.4  |
| Palatine Impact Fund                     | Pooled              | 100.0            | 0.0                  | 0.0                                     | 0.0  |
| SA Impact Forestry Fund                  | Pooled              | 0.0              | 100.0                | 0.0                                     | 7.6  |
| Summa Private Equity                     | Pooled              | 0.0              | 100.0                | 0.0                                     | 5.7  |
| Verdane Idun I                           | Pooled              | 0.0              | 100.0                | 0.0                                     | 5.7  |
| World Fund I                             | Pooled              | 25.1             | 74.9                 | 0.0                                     | 4.6  |

#### Private Debt Portfolio – 2024

| Manager and fund(s)                                    | Pooled / Segregated | GBP exposure (%) | Non-GBP exposure (%) | Non-GBP exposure hedged back to GBP (%) | Implied unhedged overseas currency exposure (£m) |
|--|---------------------|------------------|----------------------|---|--|
| Ambienta Sustainable Credit Opportunities <sup>1</sup> | Pooled              | 0.0              | 100.0                | 0.0                                     | 0.0  |
| Arcmont Direct Lending UK Fund                         | Pooled              | 28.0             | 72.0                 | 100.0                                   | 0.0  |
| Arcmont Direct Lending Fund III                        | Pooled              | 16.0             | 84.0                 | 100.0                                   | 0.0  |
| Arcmont Senior Loan Fund                               | Pooled              | 20.0             | 80.0                 | 100.0                                   | 0.0  |
| Ares Capital Europe V <sup>1</sup>                     | Pooled              | 51.0             | 49.0                 | 98.2                                    | 0.2  |
| Barings North America PL Fund                          | Pooled              | 0.0              | 100.0                | 0.0                                     | 2.1  |
| Carlyle Credit Opportunities II                        | Pooled              | 14.5             | 85.5                 | 0.0                                     | 20.7   |
| ICG Europe Fund VIII <sup>1</sup>                      | Pooled              | 16.0             | 84.0                 | 0.0                                     | 6.2  |



|  |        |      |       |       |      |
|--|--------|------|-------|-------|------|
| Lombard Odier Sustainable Private Credit Fund  | Pooled | 0.0  | 100.0 | 0.0   | 18.2 |
| Neuberger Berman Private Debt Fund IV          | Pooled | 1.0  | 99.0  | 0.0   | 12.9 |
| Newmarket IIFC Feeder Fund III <sup>1</sup>    | Pooled | 2.7  | 97.3  | 0.0   | 7.7  |
| P Capital Partners Transition Partner Fund     | Pooled | 12.0 | 88.0  | 0.0   | 6.0  |
| Permira Credit Solutions Fund III <sup>1</sup> | Pooled | 29.4 | 70.6  | 100.0 | 0.0  |

<sup>1</sup> Currency data as at 31 December 2023.

## b. Interest Rate Risk

The Fund is subject to interest rate risk on its assets because some of the Fund's investments are held in bonds and cash, principally through pooled investment vehicles. Indirect market risk arises if the underlying investments of the pooled vehicle are exposed to interest rate or other price risks. We have considered indirect risks in the context of the investment strategy.

The Fund maintains a strategic allocation of 12% to Index-Linked Gilts, as well as a strategic allocation to Corporate Bonds of 19%. Together these help to match a proportion of the sensitivities of the liabilities to interest rate and inflation movements. Under the Fund's investment strategy, if interest rates fall, the value of these matching assets are broadly expected to rise to help match a proportion of the increase in actuarial liabilities arising from a fall in the discount rate. Similarly, if interest rates rise, these matching assets are expected to fall in value, as will the actuarial liabilities because of an increase in the discount rate.

Post year end, the target allocation to Index-Linked Gilts was increased to 25%, funded from Global Equities and Corporate Bonds.

### Interest Rate Sensitivity Analysis

Duration is a measure of a Fixed Income portfolios' sensitivity to movements in interest rates; the higher the duration, the more sensitive a portfolio is to changes in interest rates. Bond prices have an inverse relationship with interest rates.

The following table outlines the duration of the Fund's listed fixed income mandates:

|                                       | Duration            |                     |
|---------------------------------------|---------------------|---------------------|
|                                       | As at 31 March 2025 | As at 31 March 2024 |
| Blackrock Liability Driven Investment | 18.1                | 20.6                |
| Brunel Sterling Corporate Bonds       | 5.8                 | 6.1                 |
| BlackRock Buy and Maintain ESG Credit | 4.9                 | 5.6                 |
| Brunel Multi Asset Credit             | 2.7                 | 2.8                 |

## c. Other Price Risk

Other price risk arises principally in relation to the Fund's growth asset portfolio which includes listed & private equities, investment property, infrastructure and a multi asset credit allocation, held either as segregated investments or through underlying investments held in pooled investment vehicles.

The Fund has set a target asset allocation of 58.0% of investments being held in return seeking assets. The Fund manages this exposure to overall price movements by constructing a diverse portfolio of investments across various markets.

The following is a summary of the risk exposures by fund:

|                                       | Credit Risk | Market Risk   |                    |                  |
|---------------------------------------|-------------|---------------|--------------------|------------------|
|                                       |             | Currency Risk | Interest Rate Risk | Other Price Risk |
| Stafford Private Equity               |             | ✓             |                    | ✓                |
| Targeted Opportunities Portfolio      |             | ✓             |                    | ✓                |
| Generation Global Equity              |             | ✓             |                    | ✓                |
| Impax Global Equity                   |             | ✓             |                    | ✓                |
| Brunel Low Volatility Equity          |             | ✓             |                    | ✓                |
| Brunel Passive Dev Eq Paris Aligned   |             | ✓             |                    | ✓                |
| Brunel Global Sustainable Equity      |             | ✓             |                    | ✓                |
| Robeco SEVE                           |             | ✓             |                    | ✓                |
| Townsend Real Assets                  | ✓           | ✓             | ✓                  | ✓                |
| Brunel Infrastructure Cycle 3         | ✓           | ✓             | ✓                  | ✓                |
| Brunel Private Debt Cycle 3           | ✓           | ✓             | ✓                  |                  |
| Brunel Private Debt Cycle 4           | ✓           | ✓             | ✓                  |                  |
| Private Debt portfolio                | ✓           | ✓             | ✓                  |                  |
| Brunel Multi Asset Credit             | ✓           | ✓             | ✓                  | ✓                |
| Brunel Sterling Corporate Bonds       | ✓           | ✓             | ✓                  |                  |
| BlackRock Buy and Maintain ESG Credit | ✓           | ✓             | ✓                  |                  |
| Blackrock Liability Driven Investment |             |               | ✓                  |                  |
| State Street Liquidity Fund           | ✓           | ✓             | ✓                  |                  |

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the Fund's advisers, the Fund has determined that the following movements in market price risk are reasonably possible for the 2024/25 reporting period. This gives an overall fund volatility of 11.0% (2024: 10.8% using assumptions provided by the investment consultant as at 31 March 2024).

| Asset Class        | Absolute 1 year expected volatility (+/-)% | % of Fund value |      |
|--------------------|--|-----------------|------|
|                    |  | 2025            | 2024 |
| Private Equity     | 26.2                                       | 5.2             | 4.0  |
| Global Equity      | 19.2                                       | 36.0            | 41.3 |
| Real Assets        | 13.0                                       | 4.3             | 4.6  |
| Infrastructure     | 11.0                                       | 5.1             | 4.7  |
| Multi Asset Credit | 8.6  | 8.3             | 7.8  |
| Private Debt       | 12.2                                       | 4.5             | 4.3  |

|                              |             |            |            |
|------------------------------|-------------|------------|------------|
| Corporate Bonds              | 8.2         | 19.0       | 18.7       |
| Secured Sustainable Finance  | 11.0        | 0.8        | 0.0        |
| Liability Driven Investment  | 10.6        | 11.8       | 10.1       |
| Cash                         | 0.7         | 5.0        | 4.5        |
| <b>Total Fund Volatility</b> | <b>11.0</b> | <b>100</b> | <b>100</b> |

Figures may not sum due to rounding.

The potential price changes disclosed above are expected one-year absolute standard deviations of the returns of the asset classes.

Had the market price of the Fund investments increased or decreased in line with the above, the change in the net assets available to pay benefits in the market price would have been as follows (the prior year comparator is shown as well):

|                                    | <b>As at 31 March 2025</b> | <b>As at 31 March 2024</b> |
|------------------------------------|----------------------------|----------------------------|
| Total net investment assets (£000) | 4,752,600                  | 4,647,270                  |
| Percentage change (%)              | 11.0%                      | 10.8%                      |
| Value on increase (£000)           | 5,275,386                  | 5,419,175                  |
| Value on decrease (£000)           | 4,229,814                  | 4,145,365                  |

## 18. Funding arrangements as at 31 March 2022

In line with the Local Government Pension Scheme Regulations 2013, the fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2022. The next valuation will take place as at 31 March 2025.

The key elements of the funding policy are as follows:

- Take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient funds to pay benefits to members and their dependants
- Use a balanced investment strategy to minimise long-term cash contributions from employers and meet the regulatory requirement for long-term cost efficiency
- Where appropriate, ensure stable employer contribution rates
- Reflect different employers' characteristics to set their contribution rates, using a transparent funding strategy
- Use reasonable measures to reduce the risk of an employer defaulting on its pension obligations.
- Manage the fund in line with the stated ESG policies.

The Funding Strategy Statement (FSS) sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable.

At the 2022 actuarial valuation, the Fund was assessed as 103% funded (106% at the March 2019 valuation). This corresponded to a surplus of £154m (2019 valuation: surplus of £211m) at that time. The following table shows the minimum contributions payable after allowing for advanced lump sum contributions paid to the Fund in March 2025.

| Employer name | Minimum contributions for the year ending: |                 |
|---------------|--|-----------------|
|               | 31 March 2026                              |                 |
|               | % pay                                      | Monetary amount |
| EA            | 14.5                                       | £19,158,000     |
| NRW*          | 0.0  | £nil            |
| SSCL          | 22.7                                       | £nil            |

\*Natural Resources Wales paid a lump sum contribution of £6.9m in March 2025, which met the entirety of the 2025/26 contribution requirement.

Full details of the contribution rates payable can be found in the 2022 actuarial valuation report (dated 29 March 2023), and the FSS (dated December 2022).

The valuation of the Fund has been undertaken using the projected unit method under which the salary increase for each member is assumed to increase until they leave active service by death, retirement or withdrawal from service. The principal assumptions were:

### Financial assumptions

| Financial assumptions             | % per annum | Description  |
|-----------------------------------|-------------|--|
| Investment Return (Discount Rate) | 3.1         | Return estimated to be achieved by the Fund's investments over 20 years with a likelihood of 78% |
| Consumer Price Index (CPI)        | 2.5         | Median projected 25 year CPI at the valuation date   |
| Pension Increases                 | 2.5         | The annual rate of change of the Consumer Prices Index (CPI)                                     |
| Salary Increases*                 | 3.0         | CPI inflation plus 0.5% (with the adjustment applied geometrically)                              |

\*An allowance is also made for promotional pay increases.

### Longevity assumptions

Life expectancy at the 2022 valuation was based on the Fund's Vita Curves with improvements in line with the CMI 2021 model with a 0% weighting of 2021 (and 2020) data, standard smoothing (\$k7), initial adjustment of 0.25% and a long term rate of 1.50% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

| Pensioners          | Males      | Females    |
|---------------------|------------|------------|
| Current pensioners  | 22.0 years | 24.5 years |
| Future pensioners * | 23.1 years | 26.2 years |

\* Figures assume members are aged 45 as at 31 March 2022

### Commutation assumption

It is assumed that future retirees will take 60% of the maximum additional tax free lump sum up to HMRC limits.

## 19. Actuarial present value of promised retirement benefits

In addition to the triennial funding valuation, the Fund's actuary also undertakes a valuation of the pension fund liabilities on an IAS19 basis every year using the same base data as the funding valuation rolled forward to the current financial year, taking account of changes in membership numbers and updating assumptions to the current year.

In order to assess the value of the benefits on this basis, the actuary has updated the actuarial assumptions (set out below) from those used for funding purposes (see Note 18). The actuary has also valued ill health and death benefits in line with IAS19.

The actuarial value of promised retirement benefits at the accounting date, calculated in line with International Accounting Standard 19 (IAS19) assumptions, is estimated to be £3,250m (2024: £3,759m). The figure is only prepared for the purposes of IAS19 and has no validity in other circumstances. In particular, it is not relevant for calculations undertaken for funding purposes and setting contributions payable to the Fund.

### IAS26: Accounting and reporting by retirement benefit plans

CIPFA's Code of Practice on Local Authority Accounting 2024/25 requires Administering Authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits. I have been instructed by the Administering Authority to provide the necessary information for the Environment Agency Active Fund ('the Fund').

The actuarial present value of promised retirement benefits is to be calculated similarly to the Defined Benefit Obligation under IAS19. There are three options for its disclosure in the pension fund accounts:

- Showing the figure in the Net Assets Statement, in which case it requires the statement to disclose the resulting surplus or deficit;
- As a note to the accounts; or
- By reference to this information in an accompanying actuarial report.

If an actuarial valuation has not been prepared at the date of the financial statements, IAS26 requires the most recent valuation to be used as a base and the date of the valuation disclosed. The valuation should be carried out using assumptions in line with IAS19 and not the Fund's funding assumptions.

### Present value of promised retirement benefits

| Year ended            | 31 March 2025 | 31 March 2024 |
|-----------------------|---------------|---------------|
| Active members (£m)   | 1,592         | 1,820         |
| Deferred members (£m) | 479           | 577           |
| Pensioners (£m)       | 1,179         | 1,362         |
| <b>Total (£m)</b>     | <b>3,250</b>  | <b>3,759</b>  |

The promised retirement benefits at 31 March 2025 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2022. The approximation involved in the roll forward model means that the split of benefits between the three classes of member may not be reliable. However, I am satisfied that the total figure is a reasonable estimate of the actuarial present value of benefit promises.

The figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value. Further, I have not made any allowance for unfunded benefits.

It should be noted the above figures are appropriate for the Administering Authority only for preparation of the pension fund accounts. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).

### Assumptions

Assumptions used are those adopted for the Administering Authority's IAS19 report and are different at 31 March 2025 and 31 March 2024. I estimate that the impact of the change in financial assumptions to 31 March 2025 is to decrease the actuarial present value by £660m. I estimate that the impact of the change in demographic assumptions is to decrease the actuarial present value by £7m.

## Financial assumptions

| Year ended                   | 31 March 2025<br>% p.a. | 31 March 2024<br>% p.a. |
|------------------------------|-------------------------|-------------------------|
| Pensions Increase Rate (CPI) | 2.75                    | 2.75                    |
| Salary Increase Rate         | 3.25                    | 3.25                    |
| Discount Rate                | 5.80                    | 4.85                    |

## Demographic assumptions

The longevity assumptions have changed since the previous IAS26 disclosure for the Fund. Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2022 model, with a 15% weighting of 2023 (and 2022) data, 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of improvement of 1.5% p.a.. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

|                    | Males      | Females    |
|--------------------|------------|------------|
| Current pensioners | 21.5 years | 24.0 years |
| Future pensioners* | 22.4 years | 25.7 years |

\*assumed to be 45 at the latest valuation date

All other demographic assumptions are unchanged from last year and as per the latest funding valuation of the Fund.

## Sensitivity analysis

CIPFA guidance requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivities regarding the principal assumptions used to measure the obligations are set out below:

| Sensitivity to assumptions 31 March 2025              | Approximate %<br>increase to liabilities | Approximate monetary<br>amount (£m) |
|---|--|-------------------------------------|
| 0.1% p.a. decrease in the Discount rate               | 2  | 65                                  |
| 1 year increase in member life expectancy             | 4  | 130                                 |
| 0.1% p.a. increase in Salary Increase Rate            | 0  | 4                                   |
| 0.1% p.a. increase in the Pension Increase rate (CPI) | 2  | 63                                  |

## 20. Current assets

|  | 2025<br>£000  | 2024<br>£000  |
|--|---------------|---------------|
| <b>Debtors</b>                                     |               |               |
| Contributions due – employers                      | 6,529         | 6,249         |
| Contributions due – employees                      | 3,083         | 2,958         |
| VAT to be reimbursed to the Fund and bank interest | 938           | 635           |
| Overpaid benefits to be refunded to the Fund       | 103           | 65            |
| Other amounts                                      | 99            | -             |
| Other – amount due from Closed Fund                | 6             | -             |
|  | <b>10,758</b> | <b>9,907</b>  |
| <b>Cash at bank</b>                                | <b>8,118</b>  | <b>12,472</b> |
| <b>Total</b>                                       | <b>18,876</b> | <b>22,379</b> |

## Analysis of debtors

Employers' and employees' contributions of £6,529k and £3,083K (2024: £6,249k and £2,958k) respectively outstanding in the normal course of collection at the year end and subsequently paid

over within the statutory time limit. Overpaid benefits to be returned to the fund represent recoveries being made from members who have had funds paid to them after they have died. Other amounts represent amounts due from the closed scheme and AVC transfers in.

## 21. Current liabilities

|  | 2025<br>£000 | 2024<br>£000 |
|--|--------------|--------------|
| <b>Creditors</b>                       |              |              |
| Administration and investment expenses | 2,601        | 2,397        |
| Benefits payable                       | 3,037        | 2,394        |
| PAYE                                   | 1,665        | 1,380        |
| Payroll deductions                     | 904          | 64           |
| Sundry                                 | 204          | 1,018        |
| Refunds                                | -            | 5            |
| Tax payable on refunds                 | 13           | 4            |
| Other – amount due to Closed Fund      | -            | 2            |
| <b>Total</b>                           | <b>8,424</b> | <b>7,264</b> |

### Analysis of creditors

£nil is due to the Environment Agency Closed Pension Fund (2024: £2,000) in respect of administration expenses.

## 22. Additional Voluntary Contributions

The table below shows information about these separately invested AVCs.

|                              | 2025<br>£000  | Contributions<br>paid 2024/25 | 2024<br>£000  | Contributions<br>paid 2023/24 |
|------------------------------|---------------|-------------------------------|---------------|-------------------------------|
| Prudential                   | 12,262        | 2,487                         | 10,288        | 2,003                         |
| Standard Life                | 4,254         | 487                           | 4,317         | 386                           |
| Clerical Medical             | 1,656         | 1                             | 1,673         | 79                            |
| Utmost Life                  | 717           | 6                             | 751           | 5                             |
| <b>Total AVC investments</b> | <b>18,889</b> | <b>2,981</b>                  | <b>17,029</b> | <b>2,473</b>                  |

AVC confirmations have not been received for 31 March 2025 from Clerical Medical and Utmost Life, so these valuations are based on the closing value from 31 March 2024, then adjusted for cash contributions and withdrawals during the year.

In accordance with Regulation 4(2)(b) of the Pension Scheme (Management and Investment Funds) Regulation 2009, the contributions paid and the assets of these investments are not included in the Fund's accounts. The AVC providers secure benefits on a money purchase basis for those members electing to buy AVCs. Members of the AVC schemes each receive an annual statement confirming the amounts held in their account and the movements in the year. The Fund relies on individual contributors to check that deductions are accurately reflected in the statements provided by the AVC provider.

## 23. Related party transactions

During the year ended 31 March 2025 there have been the following related party transactions:

- Pensions administration costs of £1,110k (2024: £911k) were recharged to the Active Fund by the Environment Agency;
- 9 members of the Pensions Committee were contributing members of the Active Fund who pay contributions on an arm's length basis;
- 2 members of the Pensions Committee are in receipt of a pension from the Active Fund which is received on an arm's length basis;



- Payment of unfunded liabilities of £365k (2024: £381k) recharged to the Environment Agency and funded by grant-in-aid from Defra in respect of compensatory added years;
- £nil is due to the Environment Agency Closed Fund (2024: £2k) in respect of administration expenses and VAT reclaimed.
- £6K is due from the Environment Agency Closed Fund (2024: £nil) in respect of administration expenses.
- The Environment Agency own 10% of BPP Ltd represented by the Long-term investment of £750k (2024: £722k). This was increased by £28k (2024: increased by £15k) using the latest available valuation from the Brunel Pension Partnership Annual Report and Accounts as at 30 September 2024;
- The Environment Agency paid Brunel Pension Partnership £1,048k in the year, for its Investment Management services (2024: £930k); and
- The Environment Agency currently has nine portfolios with Brunel:
  - Sterling Corporate Bonds valued at £710.2m (2024: £6681.8m);
  - BlackRock LDI Fund valued at £561.0m (2024: £469.7m);
  - Global Sustainable Equity Fund valued at £414.5m (2024: £425.9m);
  - Low Volatility Equity Fund valued at £318.5m (2024: £390.7m);
  - Multi Asset Credit Fund valued at £395.0m (2024: £364.3m);
  - Paris Aligned Equity Fund valued at £359.8m (2024: £348.3m);
  - Stepstone Infrastructure Fund valued at £36.5m (2024: £20.9m); and
  - Brunel Private Debt Fund valued at £27.8m (2024: £9.3m).
  - GRI valued at £40.3 (2024: £nil)

## 24. Capital commitments, contingent assets and contingent liabilities

In accordance with authorised investment strategy and mandates, the outstanding Capital commitments at 31 March 2025 are: Real Estate/Infrastructure £143.6m (2024: £128.7m), Illiquid Credit £244.3m (2024: £183.5m) and Private Equity £106.7m (2024: £136.2m).

There are no contingent assets as at 31 March 2025 (2024: £nil).

In September 2020, Brunel shareholders entered into a Pension Recharge Agreement (PRA) to reimburse pension obligation cashflows. The value of the contingent liability at 31 March 2025 is £0k (2024: £0.1k). This is 1/10<sup>th</sup> of Brunel's pension reimbursement asset, reported in their September 2024 accounts, representing the amount of discounting future pension contribution streams to pay off any funding deficit.

In relation to the Virgin Media v NTL Pension Trustees II Ltd. there is uncertainty in relation to whether the judgment explicitly applies to public sector pension schemes. Therefore, it is unclear if the case could impact the Scheme and if so, what the impact may be (if any). We will continue to monitor the position and any developments in this area.

## 25. Impairment losses

For the year to 31 March 2025 the Fund has recognised an impairment loss of less than £0.1m (2024: less than £0.1m) for the writing off of pensioner death overpayments.

## 26. IAS10: Authorisation for issue

The Environment Agency Active Pension Fund Annual Report and Financial Statements are laid before the Houses of Parliament by Defra. In accordance with IAS10 these financial statements have been authorised for issue by the Accounting Officer on the same date as the Comptroller and Auditor General's independent auditor's report.



## The annexes

The annexes included within this report are unaudited.

### Annex 1 – Scheme rules and benefits

On 1 April 2014, the Scheme rules and benefits became subject to the Local Government Pension Scheme (LGPS) Regulations 2013 (as amended) and the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014.

#### Scheme membership and income

- (a) All Fund employees are eligible for membership of the Local Government Pension Scheme (LGPS) (excluding Environment Agency Board Members and those employees who are eligible to join another public service pension scheme) providing they are under the age of 75 and have a contract of employment that is valid for at least 3 months. If it is for less than 3 months, they will be brought into the scheme from either:
- The automatic enrolment date\* (unless their employer issues a postponement notice to delay entry to the scheme for up to a maximum of 3 months); or
  - The beginning of the pay period after the one in which the contract is extended to 3 months or more; or
  - The beginning of the pay period after the one in which the employee opts to join the scheme.

\*Provided that the employee is, or during that period becomes, an 'Eligible Jobholder'

Members' contributions are deducted from pensionable pay and the rate is determined by the scheme employer, which should be dependent on the value of members' pensionable earnings. The rate the member pays depends on which earnings band the member falls into and the section of the scheme they choose to be in. The contribution rate will fall between 5.5% and 12.5% of permanent pensionable earnings if the member chooses to be in the Main Section, or between 2.75% and 6.25% if they choose to be in the 50:50 Section.

Members can pay additional contributions into the EAPF to increase their retirement pension (subject to limits set in the Scheme Regulations) or to cover pension lost due to unpaid authorised absence. The EAPF will contribute two-thirds of the member's cost of buying back lost pension if the member elects to pay within 30 days of returning to work.

Subject to limits set by His Majesty's Revenue and Customs (HMRC), members can pay additional voluntary contributions (AVCs) with one of the Environment Agency's In-House providers (Standard Life or Prudential) to:

- buy a larger retirement pension,
- improve other specific benefits,
- provide additional cash,
- provide EAPF membership for pension purposes (if the employee has paid additional voluntary contributions since before 13 Nov 2001), or
- purchase additional Environment Agency Pension Fund pension.

The Environment Agency Pension Fund also has AVC membership in Utmost Life and Pensions (formerly Equitable Life), and Clerical Medical, but these are now closed to new members.

- b. Incoming transfer payments relating to members' pension rights held elsewhere can, in most cases, be accepted by the Environment Agency Pension Fund to increase benefits, providing the member requests the transfer payment within 12 months of joining the Environment Agency Pension Fund (or such a longer date that the Fund employer **and** the Environment Agency Pension Fund allows).

- c. The Fund employer must make the balancing contribution required to keep the Fund solvent, having regard to existing and prospective liabilities. This is usually determined as a percentage of members' pensionable pay by the Fund Actuary, following each triennial actuarial valuation of the Fund.
- d. A Fund employer is required to fund any discretionary award of pension they make by making up-front payments into the Fund.
- e. Monies not immediately required for the payment of benefits and other outgoings must be invested in accordance with the provisions of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

#### Outline of pension benefits provided by the LGPS

|  | Before 1 April 2008   | 1 April 2008 to 31 March 2014  | From 1 April 2014   |
|--|---|--|---|
| Basis of pension   | Final salary  | Final salary   | Career Average Revalued Earnings (CARE)   |
| Pension build up rate  | 1/80th final salary for each year   | 1/60th final salary for each year  | 1/49th (Main Section)<br>1/98 <sup>th</sup> (50:50 Section)   |
| Revaluation rate   | Final salary  | Consumer Price Index   |   |
| Pensionable pay  | Pay <b>excluding</b> non-contractual overtime and non-pensionable additional hours  |  | Pay <b>including</b> non-contractual overtime and non-pensionable additional hours                        |
| Lump sum   | 3/80ths (+ commutation 12:1)  | No automatic lump sum (commutation 12:1)   |   |
| Ill health retirements   | One tier  | Three tiers  |   |
| Death benefits <ul style="list-style-type: none"><li>In-service</li><li>In-deferment or on pension</li></ul> | <ul style="list-style-type: none"><li>2 x salary</li><li>5 year guarantee</li></ul> | <ul style="list-style-type: none"><li>3 x salary</li><li>10 year guarantee</li></ul> | <ul style="list-style-type: none"><li>3 x assumed pensionable pay</li><li>10 year guarantee</li></ul>     |
| Contribution rate (see table below)  | Flat rate of 6%   | 7 contribution bands 5.5% to 7.5%<br>Bands index linked                              | 9 contribution bands 5.5% to 12.5% (Main Section)<br>2.75% to 6.25% (50:50 Section)<br>Bands index linked |
| Early retirement   | From age 50 (either redundancy or employee request)                                 | From age 55 (either redundancy or employee request)                                  |   |
| Voluntary retirement   | from age 55 but with reductions   |  |   |
| 85 year rule   | Early payment protection when combined age and service equals 85                    | Removed, but existing staff have retained protections                                |   |
| Normal retirement age  | Age 65  | Age 65   | State Pension Age (minimum age 65)  |

## Contributions Table

The following table displays the 2024/25 employee contribution bands.

| Pay range<br>(based on actual Pensionable pay paid) | Contribution rate<br>Main Section | Contribution rate<br>50:50 Section |
|---|-----------------------------------|------------------------------------|
| Up to £17,600                                       | 5.50%                             | 2.75%                              |
| £17,601 to £27,600                                  | 5.80%                             | 2.90%                              |
| £27,601 to £44,900                                  | 6.50%                             | 3.25%                              |
| £44,901 to £56,800                                  | 6.80%                             | 3.40%                              |
| £56,801 to £79,700                                  | 8.50%                             | 4.25%                              |
| £79,701 to £112,900                                 | 9.90%                             | 4.95%                              |
| £112,901 to £133,100                                | 10.50%                            | 5.25%                              |
| £133,101 to £199,700                                | 11.40%                            | 5.70%                              |
| £199,701 or more                                    | 12.50%                            | 6.25%                              |

## Changes affecting the Local Government Regulations during 2024/25

Several key pieces of pensions legislation were announced/introduced/amended during 2024/25, which affect the Local Government Pension Regulations 2013; these were:

- Inheritance Tax on Death Benefits**

Following the Autumn Budget in 2024, a consultation was issued regarding changes to the Inheritance Tax on death benefits that are payable from a registered pension scheme. The consultation response and subsequent legislation will confirm the scope of these changes and the impact that this will have on the death benefits payable from the LGPS. The changes are expected to come into effect from 6 April 2027.

- Transferring benefits overseas**

It is possible to transfer benefits from the EAPF to another pension scheme. If the pension scheme is established overseas, the amount to be transferred may be subject to the Overseas Transfer Charge (OTC) unless an exemption applies.

The OTC was introduced in 2017 to tackle individuals reducing the UK tax due on their pension by transferring them overseas. The charge is applied at a rate of 25%.

In the Autumn Budget 2024, the Government announced that they would remove one of the exemptions where the request is made on or after 30 October 2024. This means that the OTC will now be applied where the receiving scheme is established in a different country to that in which the member is resident, regardless of whether that country is Gibraltar or a country within the European Economic Area (EEA).

- The Pensions (Abolition of Lifetime Allowance Charge etc) Regulations 2024 (SI 2024/356)**

This is a major piece of overriding legislation that abolished the Lifetime Allowance (something that was in place since 6 April 2006) and replaced it with the 'Lump Sum Allowance' (LSA) and 'Lump Sum and Death Benefit Allowance' (LSDBA), came into effect from 6 April 2024. Under the new rules, there's no longer a cap on the annual pension that a person may receive before being subject to a tax charge (i.e. all pension is simply taxed as income), and any tax free lump sums paid in excess of the LSA and/or LSDBA (which reduce when the member takes a tax free lump sum, or where a tax free element of a lump sum is payable) are simply taxed as income. Several legislative amendments were made during the 2024/25 tax year to fully implement the Government's intended policy in this area.

## Annex 2 – Weblinks to Policy and Strategy documents

### Introduction

In accordance with the directive of the new Annual Report guidance published by the Scheme Advisory Board (SAB) in March 2024, the web links below signpost EAPF's statutory documents and other important policies.

The Environment Agency Active Pension Fund:

- **Active Pension Fund - Funding Strategy Statement**
- **Active Pension Fund - Responsible Investment Strategy Statement**
- **Active Pension Fund - Communications Policy Statement**

Please note that some of the documents on this webpage at [www.eapf.org.uk/resources/publications/policies](http://www.eapf.org.uk/resources/publications/policies) may not be suitable for users with assistive technology. If you need a version of any of our documents in a more accessible format, please tell us what format you need by emailing us at [engage@eapf.org.uk](mailto:engage@eapf.org.uk) or calling 0800 121 6593.

## Annex 3 – Administration key performance indicators – Active and Closed Funds

Table A - Total number of casework

| Ref | Casework KPI   | Cases open as at 31.3.24 | New cases created in the year | Total number of cases completed in year | Total % of cases completed in year | Total number of cases completed in previous year | Total % of cases completed in previous year |
|-----|--|--------------------------|-------------------------------|---|------------------------------------|--|---|
| A1  | Deaths recorded of active, deferred, pensioner and dependent members | 1,638                    | 1,285                         | 1,443                                   | 49.4%                              | 748  | 31.3%                                       |
| A2  | New dependent member benefits  | 9                        | 225                           | 232                                     | 99.1%                              | 217  | 96.0%                                       |
| A3  | Deferred member retirements  | 163                      | 458                           | 508                                     | 81.8%                              | 426  | 72.3%                                       |
| A4  | Active member retirements  | 66                       | 238                           | 252                                     | 82.9%                              | 190  | 74.2%                                       |
| A5  | Deferred benefits  | 151                      | 462                           | 498                                     | 81.2%                              | 387  | 71.9%                                       |
| A6  | Transfers in (including interfunds in, club transfers)               | 1,909                    | 618                           | 535                                     | 21.2%                              | 394  | 17.1%                                       |
| A7  | Transfers out (including interfunds out, club transfers)             | 72                       | 478                           | 539                                     | 98.0%                              | 342  | 82.6%                                       |
| A8  | Refunds  | 168                      | 353                           | 448                                     | 86.0%                              | 311  | 64.9%                                       |
| A9  | Divorce quotations issued  | 20                       | 128                           | 141                                     | 95.3%                              | 117  | 85.4%                                       |
| A10 | Actual divorce cases   | 24                       | 26                            | 29                                      | 58.0%                              | 9  | 27.3%                                       |
| A11 | Member estimates requested either by scheme member and employer      | 205                      | 2,200                         | 2,281                                   | 94.8%                              | 1,917  | 93.3%                                       |
| A12 | New joiner notifications   | 18                       | 857                           | 862                                     | 98.5%                              | 1,909  | 99.1%                                       |
| A13 | Aggregation cases  | 838                      | 818                           | 975                                     | 58.9%                              | 533  | 38.9%                                       |
| A14 | Optants out received after 3 months membership                       | 78                       | 182                           | 214                                     | 82.3%                              | 83   | 51.6%                                       |

**Table B - Time taken to process casework**

| Ref | Casework KPI  | Suggested fund target* | % completed within fund target in year | % completed in previous year |
|-----|---|------------------------|--|------------------------------|
| B1  | Communication issued with acknowledgement of death of active,deferred, pensioner and dependent member | 5 days                 | 93.4%                                  | 68.0%                        |
| B2  | Communication issued confirming the amount of dependents pension                                      | 10 days                | 100.0%                                 | 91.7%                        |
| B3  | Communication issued to deferred member with pension and lump sum options (quotation)                 | 15 days                | 93.1%                                  | 92.4%                        |
| B4  | Communication issued to active member with pension and lump sum options (quotation)                   | 15 days                | 90.4%                                  | 45.2%                        |
| B5  | Communication issued to deferred member with confirmation of pension and lump sum options (actual)    | 15 days                | 76.7%                                  | 42.2%                        |
| B6  | Communication issued to active member with confirmation of pension and lump sum options (actual)      | 15 days                | 64.3%                                  | 21.1%                        |
| B7  | Payment of lump sum (both actives and deferreds) **   | 15 days                | As per B5 & B6                         | As per B5 & B6               |
| B8  | Communication issued with deferred benefit options  | 30 days                | 100.0%                                 | 99.7%                        |
| B9  | Communication issued to scheme member with completion of transfer in                                  | 15 days                | 96.0%                                  | 80.7%                        |
| B10 | Communication issued to scheme member with completion of transfer out                                 | 15 days                | 98.2%                                  | 97.3%                        |
| B11 | Payment of refund**   | 10 days                | 81.8%                                  | 40.8%                        |
| B12 | Divorce quotation   | 45 days                | See note ***                           | See note ***                 |
| B13 | Communication issued following actual divorce proceedings i.e application of a Pension Sharing Order  | 15 days                | 66.7%                                  | 97.0%                        |
| B14 | Communication issued to new starters  | 40 days                | 99.9%                                  | 99.9%                        |
| B15 | Member estimates requested by scheme member and employer  | 15 days                | See B3 and B4                          | See B3 and B4                |

\*Days in this column are a suggested fund target for completion and not the statutory timescale.

\*\* Measured to when case completed, not when payment made.

\*\*\* Separate SLA for Divorce quotations currently not available.

**Table C - Communications and engagement**

| Ref | Engagement with online portals  | Percentage as at 31 March |        |
|-----|---|---------------------------|--------|
| C1  | % of active members registered  | 94.0%                     |        |
| C2  | % of deferred member registered   | 58.3%                     |        |
| C3  | % of pensioner and survivor members   | 40.0%                     |        |
| C4  | % total of all scheme members registered for self-service                         | 62.8%                     |        |
| C5  | Number of registered users by age   | Age profile               | %      |
|     |   | 16-25                     | 1.77%  |
|     |   | 26-35                     | 11.64% |
|     |   | 36-45                     | 18.20% |
|     |   | 46-55                     | 22.32% |
|     |   | 56-65                     | 22.87% |
|     |   | 66-75                     | 15.02% |
|     |   | 76-85                     | 6.35%  |
|     |   | 86-95                     | 1.73%  |
|     |   | 96-105                    | 0.10%  |
| C6  | % of all registered users that have logged onto the service in the last 12 months | 49.4%                     |        |
|     | <b>Communication</b>  |                           |        |
| C7  | Total number of telephone calls received in year                                  | 11,173                    |        |
| C8  | Total number of email and online channel queries received                         | 29,741                    |        |
| C9  | Number of scheme member events held in year (total of in-person and online)       | 14                        |        |
| C10 | Number of employer engagement events held in year (in-person and online)          | 0                         |        |
| C11 | Number of active members who received a one-to-one (in-person and online)         | 0                         |        |
| C12 | Number of times a communication (i.e newsletter) issued to:                       |                           |        |
|     | a) Active members   | 2                         |        |
|     | b) Deferred members   | 1                         |        |
|     | c) Pensioners   | 1                         |        |

Table D – Resources

| Ref | Resources  |                      |
|-----|--|----------------------|
| D1  | Total number of all administration staff (FTE)   | 25                   |
| D2  | Average service length of all administration staff   | 9.25 yrs             |
| D3  | Staff vacancy rate as %  | 0%                   |
| D4  | Ratio of all administration staff to total number of scheme members (all staff including management) | 1,603:1<br>(approx.) |
| D5  | Ratio of administration staff (excluding management) to total number of scheme members               | 2,227:1<br>(approx)  |

Table E - Data Quality

|    | Annual Benefit Statements                                      |  |
|----|--|--|
| E1 | Percentage of annual benefit statements issued as at 31 August | 97.7%  |
|    | Short commentary if less than 100%                             | Members over NPA were not issued a benefit statement. However, one of two letters were issued depending upon whether they left service pre/post 1 April 1998 |

|    | Data category   |  |
|----|---|--|
| E3 | Common data score   | Active Fund – 99.19%<br>Closed Fund – 93.58% |
| E4 | Scheme specific data score  | Active Fund – 91.75%<br>Closed Fund – 97.75% |
| E5 | Percentage of active, deferred and pensioner members recorded as 'gone away' with no home address held, or address is known to be out of date | 2.5%   |
| E6 | Percentage of active, deferred and pensioner members with an email address held on file   | 69.3%  |

|    | Employer performance   |      |
|----|--|------|
| E7 | Percentage of employers set up to make monthly data submissions                      | 100% |
| E8 | Percentage of employers who submitted monthly data on time during the reporting year | 100% |

Please note that the data within this table applies to casework under both the active and closed funds.

You may note differences in numbers between the KPI and membership movements section. This is because the KPI section shows details of when administration cases have finished whereas the membership movements section shows the actual date of the status change.





## Enquiries

Any enquiries regarding this Report should be addressed to:

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Horizon House  
Deanery Road  
BRISTOL  
BS1 5AH

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

Enquiries concerning the Environment Agency Pension Fund or entitlement to benefits should be addressed to:

Environment Agency Pensions Team  
Capita  
11b Lingfield Point  
DARLINGTON  
DL1 1AX

Tel: 0800 121 6593  
Email: [info@eapf.org.uk](mailto:info@eapf.org.uk)

The Annual Report and Financial Statements are also available on our website at [www.eapf.org.uk](http://www.eapf.org.uk)

[www.gov.uk/official-documents](http://www.gov.uk/official-documents)



