Environment Agency
Pension Fund

Closed Pension Fund

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

HC 1148

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Pension Fund

Environment Agency Closed Pension Fund

Annual Report and Financial Statements 2024/25

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Environment Agency Pension Fund (EAPF) Chair's statement

As Chair of the Environment Agency Pension Fund I am pleased to present the Closed Fund's Annual Report and Financial Statements for the year ended 31 March 2025.

Every year presents new challenges and 2024/25 was no exception. Global events continued to contribute to market volatility, inflation, increased risks of cyber security and significant cost of living increases for our members. Despite all the challenges, the Fund remains in good health and fully committed to serving its members.

During the year the total number of Closed Pension Fund pensioners and deferred members fell from 9,346 to 8,790. At 31 March 2025, the net assets of the Fund were valued at £240.1m (2024: £263.5m) and the Fund's liabilities were estimated to be £318.0m (2024: £394.0m). To help match the duration of the Fund's liabilities, the assets are held in 2 index linked gilts managed by Sarasin & Partners LLP. In the year to 31 March 2025, the annualised investment rate of return was -8.5% (2024: -0.9%) which outperformed its benchmark of -15.3%.

Our latest formal triennial valuation of the Fund as at 31 March 2022 reflected a funding level of 67% (2019: 51%). The estimated funding level as at 31 March 2025 is 74% (2024: 66%). The next actuarial valuation will be carried out as at 31 March 2025, and will be finalised by 31 March 2026. The Funding Strategy Statement will also be reviewed at that time, and a revised version will come into effect from 1 April 2026.

Since the Fund has no contribution income, under Section 173 of the Water Act 1989, the Government has a statutory obligation to ensure that the Fund can always meet its pensions and other related liabilities. Deferred members, pensioners and their dependents can therefore be reassured about the long-term security of their pension benefits. Under the terms of letters between Her Majesty's Treasury and the Department for Environment Food & Rural Affairs (Defra), and the Memorandum of Understanding between the Accounting Officers of Defra and the Environment Agency, the Fund receives grant-in-aid. During the year, payments amounting to £40.9m (2024: £42.5m) were received from Defra and used to meet the Fund's obligations to pay pensions and other liabilities.

Finally, I would like to take this opportunity to thank my predecessor Robert Gould for chairing the Pensions Committee so successfully over the last 7 years. I'd also like to thank everyone involved, including our Pension Fund Management Team, employers, officers and external contractors, for helping the Committee manage the Closed Pension Fund over the last year. I would also like to thank the Committee for its hard work and diligence over the year. We will continue to keep you updated on our work through **www.eapf.org.uk**

Lilli J. Matson

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 organisation'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 3 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 the Local Government Pension Scheme (the Scheme) in England and Wales.

Flexibility is provided for each Administering Authority to determine their own governance arrangements relating to how they maintain and manage their Fund. 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**

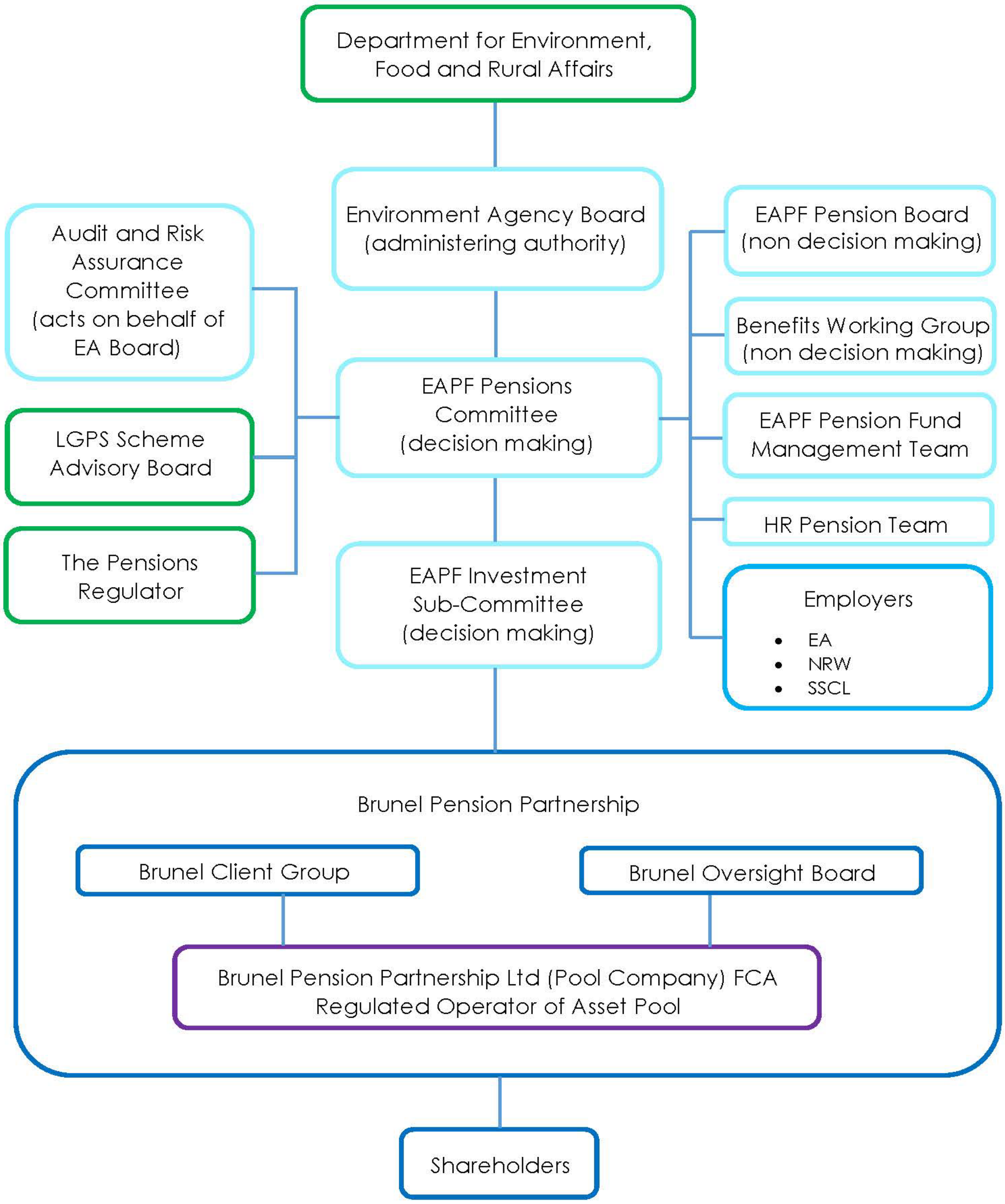
Objectives

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

- Act in the best interests of the Fund's members and employers.
- Have robust governance arrangements in place to manage conflicts of interest and to facilitate informed decision making, supported by appropriate advice, policies and strategies 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 Fund's 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:

- 4 Non-Executive Board members of the Environment Agency, 1 of whom will be the Chair;
- 2 Executive members of the Environment Agency;
- 1 Non-Environment Agency Employer representative member;
- 5 Active Scheme member representatives; and
- 2 Pensioners or 1 Pensioner and 1 Deferred member representative.

Membership of the Investment Sub-Committee (ISC) will be appointed by the Environment Agency Board and will normally be 7 Committee members as follows:

- 2 Non-Executive Environment Agency Board members (1 of whom should be nominated as Chair of the ISC by the PC;
- 2 from the Executive Environment Agency and Employer representative members (or deputies); and
- 3 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:

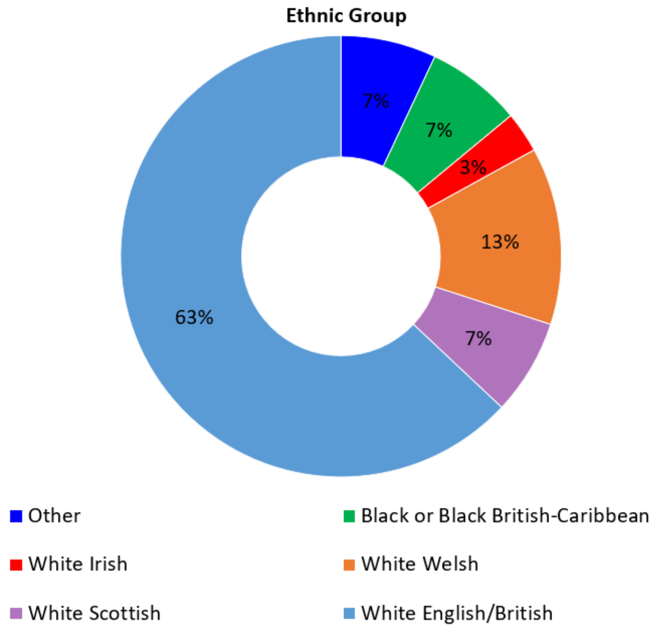
- Robert Gould and John Lelliott both left the Pension Committee and Pension Board at the end of March 2025 when their tenure as Environment Agency Board members finished.
- During the year, Maya Leibman, Environment Agency Board member, joined the Pensions Committee, Pensions Board and the ISC.
- Ines Faden da Silva joined the Pensions Committee and Pensions Board in December 2024.
- Danielle Ashton resigned from the Pensions Committee and the ISC on 18 June 2024 to take up a position in the EAPF team. Matthew Chaddock also resigned as the Shadow Member Representative on 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 a new active member representative, Jermiane Hutchinson, for a 3 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.

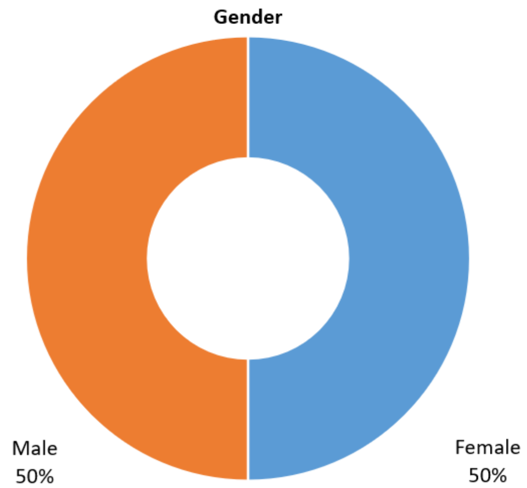
Pensions Committee (PC), Investment Sub-Committee (ISC) and Pension Board (PB) membership

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 4 occasions. The Investment Sub-Committee met on 4 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
Board members				
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
Executive members				
Laura Milton	3/4	-	-	3
Robert Bell	4/4	4/4	1/1	9
Phil Lodge	4/4	3/4	-	7
Active members				
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
Pensioner members				
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
EA Board members					
Robert Gould – PC Chair	✓	✓	✓	✓	✓
Lilli Matson	✓			✓	
John Lelliott	✓			✓	✓
Maya Leibman				✓	
Ines Faden Da Silva Altern	✓			✓	
Executive members					
Laura Milton	✓		✓	✓	✓
Phil Lodge	✓	✓	✓	✓	✓
Rob Bell	✓	✓	✓	✓	✓
Active member nominees					
Alice Brightman			✓	✓	✓
Greg Black	✓	✓		✓	
Danielle Ashton				✓	
Matthew Chaddock				✓	
Will Lidbetter	✓	✓	✓	✓	✓
Veronica James	✓		✓	✓	✓
Stuart McMillan	✓			✓	
Jermiane Hutchinson	✓			✓	
Pensioner members					
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 external providers tabled below to help manage the Pension Fund.

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	Hymans Robertson
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 2 Executive members of the Environment Agency and 2 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 1 Pensioner and 1 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 administering authority delegates its functions, or part of its functions, under these Regulations to a committee, a sub-committee or an officer of the administering 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 delegation, complies with guidance given by the Secretary of State and, to the extent that it does not so comply, the reason for not complying; and

d) details of the terms, structure and operational procedures relating to the local pension board established under regulation 53(4) (Scheme managers).

The statement must be revised and published by the administering authority following a material change in their policy on any of the matters referred to above.

This statement was made and approved by the Environment Agency Pensions Committee on 25 June 2025. It is reviewed at least annually as part of the annual report and financial statements 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.** 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**

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 (i) the terms, structure and operational procedures of the delegation.	See the Terms of Reference for specifically delegated responsibilities. PC has 14 members and ISC has 7 members.
(ii) the frequency of any committee or sub-committee meetings.	The ISC and PC meetings are scheduled quarterly.
(iii) whether such a committee or sub-committee includes representatives of Scheme employers or members, and if so, whether those representatives have voting rights.	The EAPF has 3 employers. The PC includes 1 Non-EA Employer Representative, 5 Active Scheme member representatives and 2 Pensioner or 1 Pensioner and 1 Deferred member representatives. The ISC includes 3 Scheme member representatives and potentially the 1 Non-EA employer representative. All members have voting rights.
The extent to which a delegation, or the absence of a delegation, complies with guidance given by the Secretary of State and, to the extent that it does not so comply, the reasons for not complying.	See Compliance Statement below.
Details of the terms, structure and operational procedures relating to the local pension board established under regulation 53(4) (Scheme managers).	The Pension Board is a non-decision making body responsible for assisting the administering authority in: a) Securing compliance with the LGPS Regulations and any other legislation relating to the governance and administration of the Scheme, and requirements imposed in relation to the LGPS by the Pensions Regulator. b) Ensuring the effective and efficient governance and administration of the LGPS by the Environment Agency Pension Funds. Membership of the Pension Board comprises of 10 members of the Pensions Committee which excludes the 2 Executive Directors members of the Environment Agency and 2 Active Scheme members. Further information is in the Terms of Reference and Standing Orders and the Operational Guidance.

Statement of Compliance with Secretary of State Guidance

Compliance status – we are compliant with all 20 standards.

Statutory Guidance Governance Standards and Principles	Our compliance status	Evidence of compliance and justification for non-compliance
A – Structure		
a) The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.	Compliant	The responsibilities of the Pensions Committee (PC) are set out in the Pensions Committee Terms of Reference and Standing Orders approved by the EA Board.
b) That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	Compliant	Our PC has 14 members, appointed by the EA Board and includes: • 4 Non-Executive EA Board members • 2 EA Executive members • 1 Non-EA employer representative • 5 Active Scheme member representatives • 2 Pensioner or 1 Pensioner and 1 Deferred member representatives • 3 Scheme member representatives and the 1 Non EA employer representative are also members of the Investment Sub-Committee (ISC).
c) That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	Compliant	The Chair of the Pensions Committee reports to each EA Board meeting. Reports of the ISC meetings are available to all PC members. The Chair of the ISC provides a summary report and draft minutes to the following PC meeting.
d) That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	Compliant	The membership of our ISC comprises members of the main PC.
B – Representation		
a) That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include:		
i) employing authorities (including non-scheme employers, e.g. admitted bodies);	Compliant	The employers of our Closed Fund members no longer exist. Our Active Fund has 3 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 7 scheme member representatives on it, including 5 active scheme member representatives and 2 pensioner/deferred member representatives, ideally 1 of each. Our ISC includes 3 scheme member representatives (active, deferred or pensioner).
iii) independent professional observers; and	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.
v) that where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers, meetings and training and are given full opportunity to contribute to the decision making process, with or without voting rights.	Compliant	All members of the PC and ISC receive equal access to the papers and training and have full and equal speaking and voting rights in our meetings and decision making processes.
C – Selection and role of lay members		
a) That Committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.	Compliant	New PC members receive an induction and appropriate training that details the role, function and activities of the PC and ISC. Our PC members understand that their primary fiduciary duty of care is our funds' beneficiaries and employers, in whose best interests they are required to act at all times, particularly in terms of investment and financial decisions. They also understand that they are not there to represent or promote their own personal or political interests, and that they must declare any self-interest or conflicts of interest of either a financial or non-financial nature arising from any other roles they may perform and abstain from participation in that item on the agenda. The EAPF has a Conflicts of Interest Policy which is made available to all PC members.
b) That at the start of any meeting, Committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda.	Compliant	Declaration of interests is a standing agenda item at the start of all PC and ISC meetings. A register of interests is also maintained, made available at each meeting and annual updates required from all members, audited annually.

D – Voting		
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.
E – Training, facility time and expenses		
a) That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision making process.	Compliant	Our PC has a Training Policy which is reviewed regularly. We provide induction training. All members undergo further developmental, specialist, and/or 'top up' refresher training for 2-3 days each year during their terms of office. We maintain a log of all PC member training needs and training undertaken. Members of the main PC and the ISC are reimbursed the cost of travel and overnight hotel expenses. The cost of all PC and ISC training is met from the Pension Fund's budget.
b) That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	Compliant	The Knowledge & Skills Policy applies equally to all PC and ISC members.
F – Meetings (frequency/quorum)		
a) That an administering authority's main committee or committees meet at least quarterly.	Compliant	Our PC usually meets 4 times a year, for normal business and at least once for briefing or training. 8 of the 14 PC members (including at least 1 Board member, 1 EA Executive member and 1 scheme member representative) constitute a quorum.
b) That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.	Compliant	Our ISC meetings are synchronised to meet 4 times a year before the PC so it can report to and make recommendations to the full PC. 4 members (including at least 1 Board Member, 1 EA Executive member and 1 scheme member representative) constitute a quorum for the ISC.
c) That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.	Compliant	We have 7 'lay' members on our main PC, comprising 5 active scheme member representatives and 2 pensioner/deferred member representatives. Due to the geographical spread of our organisation and fund membership across England and Wales we hold annual briefings which provide a forum for Fund members and stakeholders to be informed about the Fund, particularly about changes to the LGPS. All active fund members are

		invited to attend webinar pension briefings each year.
G – Access		
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.
H – Scope		
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.
I – Publicity		
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

Pension Fund investment

Ongoing Government funding of the Closed Fund

Before privatisation in August 1989, the basic pensions of the water authorities' staff were funded by contributions to the Water Authorities Superannuation Fund (WASF). This Fund fell within the Local Government Superannuation Scheme. On privatisation, the WASF was divided in 3 ways:

- Company schemes for employees transferring to the new water companies;
- An Active Fund for employees joining the National Rivers Authority; and
- A Closed Fund for existing and deferred pensioners.

As part of the pension rationalisation carried out in 1989, the Government recognised that, in the longer term, the Closed Fund would require support to meet its ultimate liabilities. Parliament therefore placed a legal obligation on the Secretary of State for the Environment (under section 173 of the Water Act 1989) to meet the pension and other related liabilities of the Fund.

The valuation of the Fund as at March 2004 indicated that assets available would not meet the future liabilities. The Chief Secretary to the Treasury therefore agreed in April 2004 that provisions should be made by The Department for Environment Food and Rural Affairs (Defra) to allow for the Secretary of State's statutory obligation under the 1989 Act to be met from April 2006. Therefore, the obligations and running costs of the Closed Pension Fund would be met by Defra.

A detailed Memorandum of Understanding between the Accounting Officers of Defra and the Environment Agency was completed in 2005. Since 1 April 2006, ring fenced grant-in-aid that is sufficient to meet pension obligations and the running costs of the Fund has been paid. Members and their dependants can rest assured that the future of their benefits are statutorily guaranteed and are safe. Extracts from relevant letters and the full text of the Memorandum of Understanding are reproduced at Annex 1.

Funding Strategy Statement

All LGPS funds are required to publish a Funding Strategy Statement. This statement is used by the Actuary to inform his valuation. The Funding Strategy Statement was adopted by the Committee on 8 December 2022 and a link to this Statement is available in Annex 2.

Investment Strategy Statement

All LGPS funds are required to publish an Investment Strategy Statement. Our Investment Strategy Statement was adopted by the Committee on 25 June 2025 and a link to this Statement is available in Annex 2. It is reviewed annually or as required.

The EAPF's Custody arrangements

State Street Bank & Trust Company ('State Street') were appointed as the Funds Global Custodian from 1 April 2018. This was as a result of a competitive tender exercise within the Brunel Pension Partnership in 2017. State Street are independent to the investment managers, and as part of their normal procedures, hold the assets in safe custody, are responsible for the settlement of all investment transactions, collection of dividend income and interest, provide data for corporate actions, liaises closely with the investment managers and report on all activity during the period.

State Street is a strong company that is rated by Standard and Poor's as 'AA-' for long term / senior debt and 'A-1+' for short term deposits. The Fund's assets are not held in the name of State Street and so are segregated from those of State Street Bank & Trust Company, safeguarding them in the event of company failure. Where appropriate, cash held by the Fund at State Street in Sterling, Euros and United States Dollars are invested in State Street Liquidity Funds, which would not be affected in the event of a failure by State Street. The State Street Liquidity Funds are rated 'AAAm' by Standard and Poor's and are invested in short term money instruments to preserve capital and liquidity. Only small amounts of cash are left on deposit at State Street.

Regular service reviews are held by Officers with State Street to monitor service commitments. Other procedures and controls are reviewed by an independent reporting accountant via the Service Organisation Control (SOC1) Report.

Investment management

Following the agreement with Defra in 2004 over the future funding arrangements of the Fund, the Committee agreed that the Fund's investment strategy should be simplified by switching to investment in long dated index linked gilts. Sarasin & Partners LLP manage the long dated gilt portfolio, with the primary aim of preserving the real value of the Fund's assets. They have full discretion in the management of their portfolio subject to complying with the statutory limits, the Investment Strategy Statement and the range of asset distribution defined by the Committee. In December 2024 the portfolio switched from 6 index-linked gilts to 2 holdings with a closer match to the duration of the Fund's liabilities.

The existing funding strategy relies upon regular payments (known as Grant in Aid) being received from Defra to meet the pension and administrative costs until the present value of the remaining liabilities is equal to the value of the Fund assets at that time. At that point, the Fund will take on the responsibility for meeting the costs of the Closed Fund.

Portfolio analysis

Distribution of investment assets by market value as at 31 March 2025:

	Sarasin & Partners LLP £m	Cash & Other £m	Total Fund £m	% of Net investment assets
UK Index linked gilts	209.6	-	209.6	89.1
Cash	2.1	22.4	24.5	10.4
Other/Accrued income	1.0	0.1	1.1	0.5
Net investment assets	**212.7**	**22.5**	**235.2**	**100.0**

Distribution of investment assets by market value as at 31 March 2024:

	Sarasin & Partners LLP £m	Cash & Other £m	Total Fund £m	% of Net investment assets
UK Index linked gilts	233.7	-	233.7	90.0
Cash	1.5	23.8	25.3	9.8
Other/Accrued income	0.5	0.1	0.6	0.2
Net investment assets	**235.7**	**23.9**	**259.6**	**100.0**

Unquoted investments

With the agreement of the Board, the value of the unquoted investments was written down to £nil during 2007.

Income from capital distributions of the residual holdings being liquidated is credited to the Fund as it arises.

Investment performance

Financial Performance	2025 %	2024 %
1 year		
Fund performance	-8.5	-0.9
Benchmark performance	-15.3	-11.9
Closed Fund relative performance	+6.8	+10.9
3 year		
Fund performance	-9.5	-5.2
Benchmark performance	-23.1	-17.7
Closed Fund relative performance	+13.6	+12.5
5 year		
Fund performance	-4.7	-2.3
Benchmark performance	-13.3	-10.0
Closed Fund relative performance	+8.6	+7.7

Whilst the Closed Fund portfolio has returned negative returns over the 1, 3 and 5 year period, it has outperformed its benchmark. This is because the portfolio has benefitted in an environment of rising rates and has seen lower levels of volatility than the benchmark over these periods.

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) of over 8,700 deferred and pensioner members of the Closed Fund.

While the EAPF's 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 (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, and benefit 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's 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).

Pension Fund membership

The Fund exists to pay the current and deferred benefits of employees of the former water authorities and associated bodies, which existed prior to1 September 1989. There are no contributing members. During the year since 1 April 2024, the number of deferred members has fallen by 16.0% from 592 to 497 (2024: fell by 14.5%). The number of pensions in payment fell by 5.3% from 8,754 to 8.293 (2024: fell by 6.1%). With no active members in the Fund, this will be a similar pattern for the future. However, dependents and deferred pensions coming into payment will serve to maintain the number of current pensioners for some years to come.

The following tables illustrate the movement of pensioner and deferred members over the year:

Movement in number of members	Pensioner members	Deferred members	Total
At 1 April 2024	**8,754**	**592**	**9,346**
Adjustment for late notifications	121	(58)	63
Revised opening balance	**8,875**	**534**	**9,409**
Add:			
New pensioners	33		33
New dependants' pensions	85		85
	118	**0**	**118**
Less:			
Deaths/no longer eligible/suspended	(652)	(1)	(653)
Transfers to other schemes		(3)	(3)
Deferred pensions into payment		(33)	(33)
Commuted benefits	(17)		(17)
Unknown member status	(31)		(31)
	(700)	**(37)**	**(737)**
At 31 March 2025	**8,293**	**497**	**8,790**

Age profile of pensioner members at 31 March				
	2025		2024	
	No.	%	No.	%
Child dependants	40	0.5	43	0.5
Pensioners and spouses				
Under 55	7	0.1	9	0.1
55-59	30	0.4	41	0.5
60-64	448	5.4	541	6.2
65-69	1,153	13.9	1,271	14.5
70-74	1,480	17.8	1,478	16.9
75-79	1,387	16.7	1,379	15.8
80-84	1,138	13.7	1,142	13.0
85-89	1,198	14.4	1,363	15.6
90-94	1,011	12.2	1,073	12.3
95-99	355	4.3	372	4.2
100-109	46	0.6	42	0.4
Total	**8,293**	**100**	**8,754**	**100**

Age profile of deferred members at 31 March				
	2025		2024	
	No.	%	No.	%
50-54	7	1.4	32	5.4
55-59	185	37.2	237	40.0
60-64	149	30.0	165	27.9
65-69	105	21.1	117	19.8
70-74	36	7.3	27	4.6
75-79	14	2.8	12	2.0
80+	1	0.2	2	0.3
Total	**497**	**100**	**592**	**100**

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 linked to the change in the Consumer Prices Index (CPI).

Our pensions in payment and deferred pensions received an increase from 7 April 2025 of 1.7% (8 April 2024: 6.7%).

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 (across both the Active and Closed pension funds), as well as paying pensions to over 8,200 pensioner members under the Closed pension fund. The casework completed during the year across both funds has increased by just over 22% on last year (2023/24: 54,028). Over the year, Capita achieved service compliance of 92.92% against the casework completed for the closed 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.

Closed Fund administration costs for the year to the 31 March 2025 were £714k (2024: £594k) including member communications and postage costs. We benchmark our 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 8 were deferred members. The necessary follow-up actions are in progress in these cases.

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 31st March 2025 is shown below:

	31 March 2025	31 March 2024
Common data	93.58%	92.00%
Scheme Specific	97.75%	89.00%

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 the human resources and payroll functions of participating scheme employers. This is through the secure transmission of monthly and weekly electronic 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 the following:

- 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**

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).

Guaranteed Minimum Pension (GMP) Rectification

The fund's management team have worked closely with Capita to ensure significant progress was made on this project during the year. The 1,555 pensioner members in-scope of rectification, from both Active and Closed Funds, were notified on 27 January 2025. All underpayments (928 cases) and overpayments of less than £120 p.a. (398 cases) were subsequently rectified in February 2025. Overpayments of more than £120 p.a. were adjusted in March 2025 (236 cases).

In addition, 32 cases crossing over to the Pensionable Pay rectification project were corrected in March 2025. These members were informed on 4 February 2025. A residual batch of 10 cases also linking to complex Pensionable Pay rectifications have since been resolved after the Pensions Increase revaluation exercise was processed in April. Throughout, Capita have received a low volume of enquiries since pensions have been corrected.

Pensionable Pay Rectification

Phase 1 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 by the end of January 2025. Mailers were issued in 3 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 2 months after receipt of the letter, but the recovery of overpayments was written off.

Phase 2 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 Dashboards

Pensions dashboards 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** is the main resource for our members. It provides a knowledge centre 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 5 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 3 as data related. Of the 26 regulatory breaches, 7 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 2 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 Active Fund 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 4 new Stage 1 IDPR cases raised during the year (Active & Closed fund), with 2 progressing to Stage 2. No referrals were made to TPO. In contrast, there were 2 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 and Accounting Officer

The Pensions 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; and
- 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 Grant in Aid received from Defra in respect of pensioner members of the Fund and for ensuring that Grant in Aid is made to the Fund in accordance with the Memorandum of Understanding as set out in Annex 1 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

The financial statements have been prepared in accordance with CIPFA guidance including narrative reporting and accounting disclosures for LGPS funds, with quoted securities valued at bid prices at the year end. After realised gains and changes in portfolio valuations, and grant-in-aid funding for benefits and other outgoing payments, the value of the Closed Fund has decreased by £23.4m to £240.1m (2024: decreased by £3.7m to £263.5m).

As expected in a closed fund arrangement there is a continuing decrease in membership. Consequently, the value of Grant-in-Aid required to meet the Closed Fund's obligations to pay pension payments and other liabilities, reduced to £40.9m from £42.5m in the year to 31 March 2025.

Retirement benefits payable in the year to 31 March 2025 have decreased from £42.0m in 2024 to £41.6m in 2025.

In overall terms, the net decrease from dealings with pensioners and deferred members after Grant-in-Aid funding in the year was £0.7m (2024: the net additions was £0.5m).

The net investment assets held by the Closed Fund as at 31 March 2025 were valued at £235.2m (2024: £259.6m). The value of index-linked holdings of £212.7m (2024: £233.7m) has fallen primarily because of rising interest rates and their high duration, which makes them highly sensitive to interest rate changes.

Responsibility for ensuring that the Fund can meet all future liabilities rests with the Secretary of State at Defra.

Statement by the Consulting Actuary

Environment Agency Closed 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. The Fund's benefits are underwritten by the Department for the Environment, Food and Rural Affairs ('the Guarantor'). The Fund's approach to funding the Guarantor's pension liabilities is focused on ensuring that sufficient funds are available to meet all liabilities as they fall due for payment. The Guarantor has committed to a funding plan that involves half-yearly cash injections to meet the following 6 months' expected benefit expenditure.

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 £329 million, were sufficient to meet 67% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2022 valuation was £162 million.

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.

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	1.7%
Benefits increase assumption (CPI)	3.1%

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	20.5 years	23.6 years
Future Pensioners*	20.4 years	24.3 years

*Aged 60 at the 2022 valuation date

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

Investment returns in the year to 31 March 2025 were estimated to be minus 9.0% and the Fund assets had a market value of £234m as at 31 March 2025. Liabilities were estimated to be £318m on the funding basis as at 31 March 2025, implying that the Fund's assets were sufficient to meet 74% of the liabilities accrued up to that date.

The reduction in the value of the assets and liabilities is primarily due to the increase in government bond yields over the year to 31 March 2025.

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 Closed 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; 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**. 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 ended 31 March 2025

	Notes	2025 £000	2024 £000
Fund account			
Dealings with members, employers and others directly involved			
with the Fund			
Grant-in-Aid		40,891	42,486
		40,891	**42,486**
Benefits and other payments			
Benefits payable	7	(41,582)	(42,020)
Payments to and on account of leavers	8	(56)	-
		(41,638)	**(42,020)**
Net additions/(decrease) from dealings with members		**(747)**	**466**
Management expenses	9	**(1,144)**	**(1,065)**
Return on investments			
Investment income	10	3,999	3,622
Loss on disposal of investments and changes in the market value of investments	11	(25,571)	(6,687)
Net returns on investments		**(21,572)**	**(3,065)**
Net decrease in the Fund during the year		**(23,463)**	**(3,664)**
Opening net assets of the Fund at 1 April		**263,523**	**267,187**
Net assets of the Fund at 31 March		**240,060**	**263,523**
Net assets statement			
Investment assets	11	**235,225**	**259,614**
Current assets	17	**6,346**	**5,407**
Current liabilities	18	**(1,511)**	**(1,498)**
Net assets of the Fund at 31 March		**240,060**	**263,523**

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 Fund year. The actuarial position of the Fund, which does take account of such liabilities, is dealt with in the statement by the Consulting Actuary and these financial statements should be read in conjunction with it. The Actuary's statement on pages 33 to 34, dated 30 May 2025, is based on a valuation as at 31 March 2022. The notes on pages 41 to 55 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 Closed Pension Fund is part of the Local Government Pension Scheme 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 following description is a summary only. For more detail, reference should be made to the Government Funding Agreement (Annex 1) and Funding Strategy Statement (Weblink available in Annex 2).

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.

Unlike other Local Government pension funds, the EAPF's liabilities are statutorily guaranteed by the Department for Environment, Food and Rural Affairs ('the Guarantor') under section 173 of the Water Act 1989. The Memorandum of Understanding between the Secretary of State for Environment, Food and Rural Affairs and the Environment Agency (17 May 2005) sets out the mechanism whereby the Guarantor makes payments to the Fund.

Membership

The Fund has been closed to new entrants and accruals of future service since 1989. As at 31 March 2025, total membership of the Fund is 8,790, represented by 8,293 current pensioners and 497 deferred members.

Funding

The Environment Agency Closed Pension Fund has no contributing members. Unlike other statutory Local Government Pension Funds, it is being maintained solely to pay current and deferred benefits (or transfer values to other pension arrangements) awarded to or in respect of employees of former water authorities and associated bodies which existed prior to 1 September 1989. The Secretary of State at the Department for Environment, Food and Rural Affairs has a duty under section 173(3) of the Water Act 1989 to ensure the Fund can always meet its liabilities, including future indexation awards. This has been formally documented in a Memorandum of Understanding and is included in Annex 1. Since 1 April 2006, Grant-In-Aid has been paid that is sufficient to meet the pension obligations and running costs of the Fund.

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. 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.

Grant-In-Aid

As described above, Grant-In-Aid payments are received into the Fund to meet the pension obligations and running costs of the scheme. These are received in advance in April and October each year and are accounted for on a cash basis.

Benefits payable

Members can choose whether to take a proportion of their retirement benefits as a pension and/or lump sum. Pensions and lump sums are accounted for on an accruals basis from the date the option is exercised. Lump sum death grants and refunds of contributions are included from the date of death or date the member leaves the Scheme.

Transfers to other schemes

Transfers to other schemes are those amounts paid to other pension schemes relating to previous periods of pensionable employment. Individual transfers are included in the accounts when paid, but bulk transfers are accounted for an accruals basis when the amounts have been agreed.

Management expenses

Administration, oversight and governance costs and Investment management expenses are accounted for on an accrual's basis. Expenses are recognised net of any recoverable VAT. In cases where administration, oversight and governance costs relate to both the Active Pension Fund and the Closed Pension Fund we attribute this 80%/20% respectively to best reflect the time spent managing each Fund, as shown below. This apportionment is considered annually.

Apportionment of common expenditure	2024/25 AF/CF %	2023/24 AF/CF %
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 is accounted for on an accrual basis.

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. VAT input tax is recoverable on all management expenses. The accounts are exclusive of VAT.

Financial assets

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.

Classification and measurement

IFRS 9 requires all financial assets and liabilities to be measured at fair value, except for Grant-in-Aid receivables which does not contain a significant financing component. Grant-in-Aid receivables are measured at amortised cost, where they exist. Classification and measurement of financial instruments is driven by the Fund's business model for managing the financial instruments and the contractual cash flow characteristics of the financial instruments.

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 cost within the Fund comprise: Cash and cash equivalents; Other investment balances; Grant-in-Aid receivables; 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 as outlined in note 12 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 is 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).

Cash deposits and instruments

Cash comprises cash on deposit, including any amounts held by the Fund's external investment manager. 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 33 and 34.

4. Critical judgments in applying accounting policies

The Pension Fund liability is calculated every 3 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 15. 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

There are no items of estimation in the net assets statement as at 31 March 2025 or 31 March 2024 for which there is a significant risk of material movement.

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. These will also be noted at the next available meeting of the Board.

There are no adjusting events that need to be recognised in the financial statements after the net asset statement date.

7. Benefits payable

	2025 £000	2024 £000
Retirement and dependants pensions	40,614	41,120
Lump sum retirement grants	915	879
Lump sum death grants	53	21
Total	**41,582**	**42,020**

8. Payments to and on account of leavers

	2025 £000	2024 £000
Individual transfers to other schemes	48	-
Refunds	8	
Total	**56**	**-**

9. Management expenses

	2025 £000	2024 £000
Administration expenses		
Scheme administration	**714**	**594**
Oversight and governance costs		
Environment Agency Pension Fund Management	254	197
Specialist advice	100	199
External audit	32	32
	386	**428**
Investment management expenses		
Management fees	30	30
Custody fees	14	13
	44	**43**
Total	**1,144**	**1,065**

Investment management expenses can be further analysed as follows:

2024/25	**Total £000**	**Management fees £000**	**Performance related fees £000**	**Transaction costs £000**
Index linked gilts	**30**	**30**	**-**	**-**

10. Investment Income

	2024 £000	2024 £000
Income from index linked gilts	2,549	1,860
Interest on cash deposits	1,450	1,762
Total	**3,999**	**3,622**

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

11. Investments movement summary

	Market value at 01.04.24	Purchases at cost	Sales proceeds	Change in market value	Market value at 31.03.25
	£000	£000	£000	£000	£000
Index linked gilts	**233,660**	171,351	(169,853)	(25,565)	**209,593**
Cash deposits and instruments	**25,345**	-	-	(6)	**24,522**
Accrued income	**609**	-	-	-	**1,110**
Net investment assets	**259,614**	**171,351**	**(169,853)**	**(25,571)**	**235,225**

	Market value at 01.04.23	Purchases at cost	Sales proceeds	Change in market value	Market value at 31.03.24
	£000	£000	£000	£000	£000
Index linked gilts	**239,596**	745	-	(6,681)	**233,660**
Cash deposits and instruments	**23,263**	-	-	(6)	**25,345**
Accrued income	**543**	-	-	-	**609**
Net investment assets	**263,402**	**745**	**-**	**(6,687)**	**259,614**

The change in the market value of investments during the year 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. As the Fund has invested in long term gilts, no transaction costs have been incurred during this or previous years. The Fund does not participate in stock lending.

The following table represents the investments of the Fund that exceed 5% of the total net investment assets.

Investment assets	**2025**		**2024**	
	£m	**%**	**£m**	**%**
UK Government 1.25% Index Linked Gilt 2055	**140.0**	**59.5**	22.7	8.7
UK Government 2% Index Linked Gilt 2035	**69.6**	**29.6**	46.2	17.8
SSGA Offshore GBP D Class Cash Instrument	**24.2**	**10.3**	25.0	9.7
UK Government 0.125% Index Linked Gilt 2029	**-**	**-**	73.3	28.2
UK Government 1.25% Index Linked Gilt 2032	**-**	**-**	57.0	22.0
UK Government 0.125% Index Linked Gilt 2044	**-**	**-**	29.3	11.3

12. 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 designated at fair value through profit and loss	Financial assets held at amortised cost	Financial liabilities held at amortised cost
	£000	£000	£000
Financial assets			
Index linked gilts	209,593	-	-
Cash deposits and instruments	24,522	5,839	-
Other investment balances	-	1,110	-
Debtors (excluding VAT)	-	243	-
Financial liabilities			
Creditors (excluding PAYE)	-	-	(873)
Net assets of the Fund	**234,115**	**7,192**	**(873)**

31 March 2024	Financial assets and liabilities designated at fair value through profit and loss	Financial assets held at amortised cost	Financial liabilities held at amortised cost
	£000	£000	£000
Financial assets			
Index linked gilts	233,660	-	-
Cash deposits and instruments	25,345	4,891	-
Other investment balances	-	609	-
Debtors (excluding VAT)	-	258	-
Financial liabilities			
Creditors (excluding PAYE)	-	-	(827)
Net assets of the Fund	**259,005**	**5,758**	**(827)**

b) Net losses on financial assets

	2025 £000	2024 £000
Financial assets		
Fair value through profit and loss	**(25,571)**	**(6,687)**
Total change in market value	**(25,571)**	**(6,687)**

13. Fair value – basis of valuation

All other investments are held at fair value in accordance with the requirements of the Code and IFRS 13. 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. The valuation bases are set out below.

Fair value hierarchy

The valuation of financial assets and liabilities have been classified into 3 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 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.

Analysis of the financial assets and liabilities

The following table provides an analysis of the financial assets and liabilities of the Pension Fund grouped into Levels 1 to 3 based on the level at which the fair value is observable. Financial assets and liabilities valued at amortised cost, and those that are not financial instruments, are included in the total column in order to show that all of the Fund's assets have been considered and that these reconcile back to the total net assets of the Fund.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Cash deposits and instruments	Level 1	Closing bid value on published exchanges	Not required	Not required
Index linked gilts	Level 2	Market value based on current yields	Current yields	Not required

Values at 31 March 2025	Quoted market price	Using observable inputs	With significant unobservable inputs	
	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets at fair value through profit and loss				
Index Linked Gilts	-	209,593	-	**209,593**
Cash deposits and instruments	24,522	-	-	**24,522**
Net financial assets at fair value	**24,522**	**209,593**	**-**	**234,115**
Financial assets held at amortised cost				
Accrued income	**1,110**	-	-	**1,110**
Net investment assets				**235,225**

Values at 31 March 2024	Quoted market price Level 1 £000	Using observable inputs Level 2 £000	With significant unobservable inputs Level 3 £000	Total £000
Financial assets at fair value through profit and loss				
Index Linked Gilts	-	233,660	-	**233,660**
Cash deposits and instruments	25,345	-	-	**25,345**
Net financial assets at fair value	**25,345**	**233,660**	**-**	**259,005**
Financial assets held at amortised cost				
Accrued income	**609**	-	-	**609**
Net investment assets				**259,614**

14. 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 3 types of risk: currency risk, interest rate risk and other price risk, each of which is further detailed as follows:
    - **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.
    - **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.
    - **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 Closed 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 Closed Fund, though the AVC assets are subject to periodic formal review to ensure ongoing appropriateness. The Closed Fund also held residual unquoted equity holdings as at year-end, however, these are not included in this report as they are considered immaterial in the context of the Closed Fund.

With regards to the Closed Fund, the Pensions Committee in conjunction with the Investment Sub-Committee is responsible for determining the Closed 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 Closed Fund has exposure to the above risks because of the investments it makes to implement its investment strategy. The Pensions Committee manages the investment risks within agreed risk limits which are set taking into account the Closed Fund's strategic investment objectives and are monitored in a Risk Register which includes investment risks. The Pensions Committee, working with its advisors, regularly monitor investment risks within the Closed Fund.

The investment objectives and risk limits are implemented through the investment management agreements in place with the Closed Fund's investment managers and monitored by the Pensions 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 Investment Strategy Statement ('ISS').

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

Closed Fund	2025 £000	2024 £000
UK Index Linked Gilts	209,593	233,660
Cash and Cash Equivalents	25,632	25,954
Total	**235,225**	**259,614**

Investment Strategy

The Closed Fund's invested assets are fairly small relative to the value of its prospective liabilities. Working on the basis that the Guarantor will meet pension payments until the value of the remaining liabilities is equivalent to the Closed Fund's remaining assets, the investment objective of the Closed Fund is to ensure that in due course the Closed Fund's assets will equate to its liabilities in as low a risk manner as possible. From that point onwards the Closed Fund should be able to meet its pension payments directly.

The Pensions Committee has translated its objectives into a suitable investment strategy for the Closed Fund. The investment strategy takes due account of the specific liability profile of the Closed Fund, together with the planned funding arrangements agreed with the Closed Fund's Guarantor.

The strategy is consistent with the Pensions Committee's views on residual asset management on the appropriate balance between maximising the long-term return on investments and minimising volatility and risk. The Committee is adopting a low-risk approach by investing in index-linked government bonds

The assets comprise:

- A portfolio of index-linked government bonds, intended to broadly reflect an estimate of the duration of the liabilities the Fund is exposed to; and

- Cash held at the Fund's custodian and administrator, sufficient to meet pension payments until the next grant in aid payment, together with a small reserve

1. Credit Risk

The Closed Fund is subject to credit risk because it has cash balances and directly holds UK government bonds in a segregated account. Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Closed Fund to incur a financial loss. In the case of the UK government bonds, credit risk is minimal. Careful credit quality management by the Closed Fund's cash managers helps to mitigate this risk in respect of the cash holdings.

The Closed Fund also invests in a pooled investment vehicle through the State Street Liquidity Fund. It is therefore directly exposed to credit risk arising from this pooled fund investment vehicle and is indirectly exposed to credit risk arising on the underlying investments held by this same pooled fund investment vehicle.

Direct credit risk from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager and the regulatory environments in which the pooled manager operates.

The State Street Liquidity Fund is rated by credit rating agencies. It seeks to obtain and maintain a AAA rating from at least one of the internationally recognised rating agencies – S&P, Moody's and Fitch. The Pensions Committee manages and monitors the credit risk arising from its pooled investment arrangements by considering the nature of the arrangement, the legal structure and regulatory environment.

To minimise credit risk exposure on cash, most of the Closed Fund's cash is held in money market funds managed by the custodian State Street. These funds are invested across a wide range of cash instruments and have 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 Closed Fund's 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 2025 £000	Balance as at 31 March 2024 £000
Money Market fund: State Street	24,522	25,345
Bank current account: National Westminster Bank plc	5,839	4,891
Total	**30,361**	**30,236**

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 Closed Fund could be exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the Closed Fund (sterling). The Closed Fund invests in UK government bonds and the State Street Liquidity Fund. The State Street Liquidity Fund is composed of 2 sub funds, denominated in sterling and US dollars respectively. The Closed Fund is therefore not exposed to material currency risk.

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

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)
Sarasin - Index Linked Gilts	Segregated	100	0	0	0
State Street – Cash	Pooled	98.7	1.3	0	0.3
Total		**99.9**	**0.1**	**0**	**0.3**

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)
Sarasin - Index Linked Gilts	Segregated	100	0	0	0
State Street – Cash	Pooled	98.8	1.2	0	0.3
Total		**99.9**	**0.1**	**0**	**0.3**

b) Interest Rate Risk

The Closed Fund's principal investments are subject to interest rate risk, defined as the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Most of the investment assets of the Closed Fund are exposed to changes in 'real' yields. There is a small exposure to short term interest rates arising from the cash holdings, where changes in interest rates will change income received from cash.

The Closed Fund maintains an allocation to index linked government bonds. These help to match the sensitivities of the liabilities to interest rate and inflation movements. Under the Closed Fund's investment strategy, if interest rates fall, the value of these matching assets is expected to rise to help partially match 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.

Interest Rate Sensitivity Analysis

	Duration	
	As at 31 March 2025	As at 31 March 2024
Sarasin Index Linked Gilts	18.8	11.4

c) Other Price Risk

Other price risk arises principally in relation to 'growth' assets. However, the Closed Fund does not hold these types of assets, and is therefore not exposed to 'other price risk'.

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

	Credit Risk	Market Risk		
		Currency Risk	Interest Rate Risk	Other Price Risk
Sarasin Index Linked Gilts			✓	
State Street Cash	✓	✓	✓	

Following analysis of historical data and expected investment return movement during the financial year, in consultation with its advisers, the Closed 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 9.5% (2024: 9.1% based on assumptions provided by the Closed Fund's investment adviser as at 31 March 2024).

	1 year expected volatility (+/-) %	% of Fund	
		2025	2024
Sarasin Index Linked Gilts	10.6	89.1	90.0
State Street Cash	0.7	10.9	10.0
Total Fund Volatility	**9.5**	**100.0**	**100.0**

The potential price changes disclosed above are broadly consistent with a one-standard deviation movement in the value of the assets. The sensitivities are consistent with the assumptions contained in the investment adviser's most recent review.

Had the market price of the Closed 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 below):

	As at 31 March 2025	As at 31 March 2024
Total net investment assets (£000)	235,225	259,614
Percentage change (%)	(9.5)	9.1
Value on increase (£000)	257,622	283,213
Value on decrease (£000)	212,829	236,014

15. 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 3 years for the purpose of setting the Guarantor's 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 funding policy focuses on ensuring that sufficient assets are available to meet all liabilities as they fall due for payment. The Fund's benefits are underwritten by the Department for the Environment, Food and Rural Affairs (Defra) who have agreed to a funding plan that involves half yearly cash injections to meet the following 6 months' expected benefit expenditure.

At the 2022 actuarial valuation, the fund was assessed as 67% funded (51% at the March 2019 valuation). This corresponded to a deficit of £162m (2019 valuation: £280m) at that time.

The level of contribution payable to the fund is not directly determined from the past service deficit position. Instead a cash flow approach is used where the contributions are paid by Defra on a 6 monthly basis depending on expected benefits and expenses payable from the Fund for the following 6 months. The projected payments at the 2022 actuarial valuation due from Defra over the 3 year period ending 31 March 2026 are shown in the table below:

Year	Projected payments due
2023/24	51,192
2024/25	46,077
2025/26	42,837

The projected payments allow for expected administration and investment expenses. They include unfunded pension payments.

The valuation of the fund has been undertaken using the projected accrued benefit method. The principal assumptions were:

Financial assumptions

	%	Descriptions
Investment return (Discount rate)	1.7	Yield on long term fixed interest Government bonds
Retail Price Inflation (RPI)	3.7	The difference between yields on fixed and index-linked Government bonds at the valuation date
Pension increases	3.1	CPI (assumed to be 1% less than RPI up to 2030 and 0% less than RPI thereafter)

Longevity assumptions

Life expectancy is based on the Fund's Vita Curves with improvements in line with the CMI2021 model with no weighting placed on 2020 and 2021 data, an initial additional parameter of 0.25% for males and females and a long-term rate of improvement of 1.5% p.a. for both women and men. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

Pensioners	Males	Females
Current pensioners	20.5 years	23.6 years
Future pensioners*	20.4 years	24.3 years

* Figures assume members are aged 60 as at 31 March 2022

Commutation assumption

It is assumed that future retirees will take 50% of the maximum additional tax-free lump sum up to HMRC limits.

16. Actuarial present value of promised retirement benefits (IAS26)

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 16). 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 and considering funding benefits only, is estimated to be £320m (2024: £347m). This figure is used for statutory accounting purposes by Defra. The assumptions underlying the figure are set out in Defra's statutory accounts. 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 the funding purposes and setting contributions payable to the Fund.

Assumptions used Year ended 31 March 2025	**% p.a.**
Investment return (Discount rate)	**5.15**
Pension increase rate (CPI)	**2.65**

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2023 model, with a 15% weighting of 2023 (and 2022) data, a 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. for both males and females.

17. Current assets

	2025 £000	**2024 £000**
Cash at bank	5,839	4,891
Debtors		
Overpaid pensions due to be returned	264	258
VAT debtor	243	256
Other – amount due from Active Fund	-	2
Total	**6,346**	**5,407**

Analysis of debtors

Overpaid pensions due to be returned to the fund represent recoveries being made from members who have had funds paid across after they have died.

18. Current liabilities

	2025 £000	**2024 £000**
Creditors		
Administration and investment expenses	714	785
PAYE	638	582
Supplementary PI and interest	82	-
Tax payable on refunds	45	44
Benefits payable	26	87
Other – amounts due to Active Fund	6	-
Total	**1,511**	**1,498**

Analysis of creditors

No funds are due to the Environment Agency Active Pension Fund (2024: £nil) in respect of administration expenses and VAT reclaimed.

19. Related party transaction

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

- Pensions administration costs of £254k (2024: £197k) were recharged to the Closed Pension Fund by the Environment Agency;

- 1 member of the Committee is in receipt of pension benefits from the Closed Fund which is paid in accordance with the Fund Rules; and

- Benefits payable exclude £5.0m (2024: £5.4m) for historical unfunded pensions liabilities of the Environment Agency in respect of compensatory added years and water company pension scheme charges paid via the pension's administrator. This has been recharged to the Environment Agency and funded by Grant-In-Aid from Defra.

- Nil (2024: £2k) is due to the Environment Agency Closed Fund from the Environment Agency Active Fund in respect of administration expenses. The Closed Fund is a sister scheme to the Active Fund.

- £6k is due to the Environment Agency Active Fund (2024: £nil) in respect of administration expenses.

20. Contingent liabilities

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

21. Contingent assets

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

22. 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 non-recovery of pensioner death overpayments.

23. IAS10: Authorisation for issue

The Environment Agency Closed 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 – Government Funding Agreement

Extract from a letter sent on 15 April 2004 by Paul Boateng (Chief Secretary to the Treasury) to the Rt Hon Margaret Beckett (Secretary of State for the Environment).

Environment Agency Closed Pension Fund

"Thank you for your letter of 18 March requesting a change in the arrangement agreed in the 2002 spending review for funding the liabilities of the Environment Agency Closed Pension Fund. I am prepared to agree to the revised arrangements you suggest for the 2004 spending review baseline year. The funding of the Environment Agency Closed Pension Fund will remain ring-fenced and will reduce over time in line with the unwinding of the liability".

Paul Boateng

Extract from a letter sent on 15 July 2004 by the Rt. Hon Margaret Beckett (Secretary of State for the Environment) to Sir John Harman (Chairman of the Environment Agency).

Environment Agency Closed Pension Fund

The Environment Agency Closed Pension Fund is in actuarial deficit. Current valuations indicate that the assets available will not meet its future liabilities and the Fund will be exhausted by autumn 2006. Section 173 of the Water Act 1989 gave me the function of providing funding to enable the liabilities of the Fund – a public service, final salary, funded pension scheme – to be met. I propose to exercise this function through stabilisation of the Fund and annual top up payments from April 2006.

The assets of the Fund should be allowed to run down (rather than be liquidated) and then stabilised through annual top up payments using section 173 provisions of the Water Act 1989, thus meeting ongoing liabilities on a pay as you go basis. The Chief Secretary to the Treasury has agreed to this and that we should retain financial cover sufficient to fund annual costs from 2006/07.

Actuarial valuations indicate that the Fund will fall below the £100m mark – the equivalent of a little over annual outgoings in the latter half of 2005/06. I therefore propose to top up the Fund in April/May 2006 and again in September/October 2006 by a total amount equivalent to its annual outgoings as determined by actuarial forecasts. This will be repeated in subsequent years, with the amount proportionate to the actual Fund liabilities.

I confirm that the implementation of these proposals will not either dilute or remove my statutory funding function under section 173 of the Water Act 1989. The Fund pensioners will not see any change in how their individual pensions are paid, and they can be certain that their entitlement will be met. I would therefore commend these arrangements to you, to the Agency's Pensions Committee and to the Fund's members.

Margaret Beckett

Memorandum of understanding

Between: The Secretary of State for Environment, Food and Rural Affairs of Nobel House, 17 Smith Square, London SW1P 3JR ('the Secretary of State'); and

The Environment Agency – Pensions Committee of Rio House, Waterside Drive, Almondsbury, Bristol, BS32 4UD ('the Agency').

Background

(i) The Environment Agency Closed Fund ('the Closed Fund') is vested in, and required to be maintained by, the Environment Agency by regulation 2(1) of the Local Government Pension Scheme (Environment Agency) Regulations 1996.

(ii) Before 1989, the Water Authorities Superannuation Fund ('WASF') served the former Regional Water Authorities in England and Wales. Under the Water Act 1989 their water supply and sewerage functions were transferred to newly created water companies, together with the relevant employees. The pension liabilities and assets in respect of such employees were transferred from the WASF to the new water company pension schemes. The pension liabilities and assets in respect of the remaining employees, and also of the former employees and pensioners, were transferred with the WASF to the National Rivers Authority ('the NRA'), which set up a pension fund for its own employees ('the Active Fund') into which were transferred the pension liabilities and assets in respect of the said remaining employees.

(iii) Following the transfer of active employed members to both the water company pension schemes and the Active Fund, the only remaining members of the WASF were deferred and pensioner members. No further members were admitted to it, so that it became a closed scheme ('the Closed Fund'). The Secretary of State and the NRA accepted the possibility that, in due course, the Closed Fund could have insufficient resources to meet its pension liabilities. With effect from 1 April 1996 the Agency assumed the functions of the NRA and the Closed Fund is now known as the Environment Agency Closed Fund.

(iv) The Closed Fund is maintained for the purposes of Section 7 of the Superannuation Act 1972, and accordingly the Secretary of State has the function conferred by Section 173 of the Act to make such payments into the Closed Fund as may be considered appropriate in respect of the actual and prospective liabilities falling from time to time to be met out of the Closed Fund for the benefit of its members ('the Closed Fund members').

(v) As at 31 March 2004, the Closed Fund's FRS 17 valuation indicated that it had a net deficit for accounting purposes of £826,600,000 and its actuarial valuation indicated that it had a funding level of 21% which corresponded to a net past service reserve deficit of £880,000,000. The value of the liability under both valuations is sensitive to future mortality rates, inflation rates, and the discount rate used.

(vi) This Memorandum of Understanding sets out the mechanism whereby the Secretary of State will exercise the function under section 173 of the 1989 Water Act with a view to addressing the deficit in the Closed Fund.

(vii) This Memorandum has been agreed between the Secretary of State and the Environment Agency and the arrangements for funding the Closed Fund have been approved by Her Majesty's Treasury pursuant to that section, as indicated in the letter of 15 April 2004 from the Chief Secretary to the Secretary of State, subject to the conditions referred to in that letter.

Payments into the Fund

(viii) The Closed Fund's funding level continues to deteriorate, and on actuarial advice it is assumed that the value of the assets will reduce to a level of between £50 million and £60 million by about April 2006. With effect from that date the Secretary of State will ensure that cash payments are made into the Fund each year totaling an amount equivalent to its total annual outgoings (defined as total anticipated payments to pensioners, transfers out of the Closed Fund, investment management or other agents' fees, administration costs, and all other liabilities or expenses whatsoever, less interest earned on such cash payments made to the Environment

Agency for the Closed Fund during the year) to be calculated and properly certified by the Environment Agency in accordance with actuarial advice received.

(ix) Such payments will be solely to finance the Closed Fund's annual outgoings and will be treated separately from the Environment Agency's mainstream finances. They will be made every 6 months, with the sums to be paid equaling the amount of the Fund's outgoings for the previous 6 months. The first payment into the Fund will be made in April 2006. These payments will continue until the liabilities of the Closed Fund have been met in full. Latest actuarial projections indicate that this will occur in 2062.

(x) These payments will be in the form of ring-fenced grant-in-aid from the Secretary of State and will be paid twice each year in April and October through the normal grant-in-aid procedures to the Environment Agency

(xi) The Environment Agency will provide the Secretary of State with a copy of actuarial advice received and such information as is reasonably required to illustrate how the payments certified as payable have been calculated. Any assets held in the Closed Fund in excess of the payments will be retained to protect against minor variations in outgoings until a certificate of the actuary to the Closed Fund confirms that their retention is unnecessary. A copy of any such certificate shall be provided by the Environment Agency to the Secretary of State.

(xii) Payments made by the Secretary of State into the Closed Fund will be reported in Defra's annual accounts together with the Closed Fund's liability in accordance with FRS 17 (or any replacement accounting standard).

Payments to pensioners

(xiii) Nothing in this Memorandum will affect the Environment Agency's role in the making of payments from the Closed Fund which are to be made in accordance with the Local Government Pension Scheme Regulations 1997 ('LGPS Regulations').

Control, monitoring and review

(xiv) The Environment Agency will manage the residual assets of the Closed Fund according to the high standards of financial integrity expected of those responsible for the management of public assets. The Environment Agency will invest any surplus funds, as required by the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 and in accordance with the Closed Fund's Statement of Investment Principles and Funding Strategy Statement. The Environment Agency's procedures and the accounts of the Fund will continue to be the subject of an annual external audit, and nothing in this Memorandum affects the need for an actuarial valuation of the Closed Fund as required by the LGPS Regulations.

(xv) For monitoring purposes, the Environment Agency will inform the Secretary of State of the Closed Fund's liabilities at the end of each financial year in accordance with FRS 17 (or any replacement accounting standard).

(xvi) This information will be used to update provisions in the annual accounts of Defra. Significant variations from profiled grant-in-aid payments will be fully justified by the Environment Agency.

(xvii) This Memorandum shall only be amended by the agreement in writing of both the Secretary of State and the Environment Agency.

Brian Bender
Accounting Officer
Defra
On behalf of the Secretary of State for
Environment, Food and Rural Affairs

Barbara Young
Accounting Officer
Environment Agency
On behalf of the Environment Agency
Date of signature: 17 May 2005

Annex 2 – Weblinks to Policy and Strategy documents

Introduction

In accordance with the 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 Closed Pension Fund:

- **Closed Pension Fund - Funding Strategy Statement**
- **Closed Pension Fund - Investment Strategy Statement**
- **Closed Pension Fund - Communications Policy Statement**

Please note that some of the documents at **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** or calling 0800 121 6593.

ANNEX 3 – Administration key performance indicators

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 deferred) **	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 dare case completed, not date 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%	
	Communication		
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 *(approx.)*
D5	Ratio of administration staff (excluding management) to total number of scheme members	2,227:1 *(approx)*

Table E - Data Quality

	Annual Benefit Statements	
E1	Percentage of annual benefit statements issued as at 31 August	97.7%
E2	Short commentary if less than 100%	Members over NPA were not issued a benefit statement. However, 1 of 2 letters were issued depending upon whether they left service pre/post 1 April 1998

	Data category	
E3	Common data score	Active Fund – 99.19% Closed Fund – 93.58%
E4	Scheme specific data score	Active Fund – 91.75% 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:

Pension Fund Management
Environment Agency
Horizon House
Deanery Road
BRISTOL
BS1 5AH

Email: **info@eapf.org.uk**

Enquiries concerning the Environment Agency Pension Scheme 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**

The Annual Report and Financial Statements are also available on our website at www.eapf.org.uk

www.gov.uk/government/publications

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