Environment Agency
Pension Fund

Active Pension Fund

Annual Report and Financial Statements for the year ended 31 March 2026

HC 442

Environment Agency Active Pension Fund
Annual Report and Financial Statements 2025/26

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

Ordered by the House of Commons to be printed on 13 July 2026.

HC 442

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ISBN: 978-1-5286-6295-6

E03561701 07/26

Printed on paper containing 40% recycled fibre content minimum.

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

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Environment Agency Pension Fund (EAPF) Chair's statement

As Chair of the Environment Agency Pension Fund, I am pleased to present the Active Fund's Annual Report and Financial Statements for the year ended 31 March 2026.

Every year presents new challenges and 2025/26 was no exception. Global events continued to contribute to market volatility, inflation, increased risks of cyber security and cost of living increases for our members. Despite all the challenges, the Fund remains in a strong position, and the Pensions Committee is committed to achieving the best outcomes for the Fund and our members.

The Committee's biggest challenge over the year was ensuring that the Fund met the new government requirements for Local Government Pension Scheme (LGPS) asset pooling. This was a significant change for the Fund, and we have worked diligently with other LGPS Funds to select a new investment pool. From 1 April 2026, I am pleased to confirm that we successfully became a shareholder and client of the Local Pension Partnership Investments (LPPI) pool, marking a major milestone for the Fund and future delivery of our investment strategy. We look forward to working with LPPI and our new partner Funds to ensure the long-term success of our new pooling partnership. We are also winding up our previous pool, the Brunel Pension Partnership, as part of meeting the government requirements. We thank Brunel for their support during this process.

Our formal triennial valuation at 31 March 2025 was also completed during the year and reflected a funding ratio of 143%, a significant increase from March 2022 position of 103%. This funding level improvement has been mainly driven by an increase in government gilt yields and is consistent across LGPS Funds. Despite the wider market turmoil, our funding ratio at 31 March 2026 was around 134%, reflecting the benefit of our diversified portfolio. We also agreed employer contribution rates as part of the valuation process, allowing for the benefit of the improved funding position. Our employers remain committed to protecting members' pensions and ensuring the Fund maintains its excellent funding position going forward. Our Fund has now remained fully funded for over 10 years.

2025 was an award-winning year for the EAPF. We won 3 awards for our leadership in Responsible Investment and Natural Capital. In all cases, the judges praised our industry-leading target to allocate 4% of assets to protecting and enhancing nature, and the 18% of assets we have already invested or committed to climate solutions. We believe that we will generate better longer-term financial returns by investing in companies and assets that demonstrate they contribute to the long-term sustainable success of the global economy and society.

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

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

Finally, I would like to take this opportunity to thank everyone involved, including our internal team, employers and external contractors, for helping the Committee manage the Fund over the year. I would also like to thank the Committee for their continued work, commitment and diligence.

Lilli Matson
Chair, Environment Agency Pensions Committee
10 July 2026

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 Act 1995, replaced the NRA.

Local Government Pension Scheme background

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

With 6.9 million members, the LGPS is one of the largest public service pension schemes in the UK. It is a nationwide pension scheme for people working in local government or working for other types of employers participating in the Scheme. Employers in the Scheme include local authorities and public service organization's (such as the EA) as well as other employers which provide the LGPS for their employees by becoming admitted bodies.

LGPS responsibilities

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

The Environment Agency Board delegates responsibility for management of the Fund to the Pensions Committee. The Pensions Committee is assisted by an Investment Oversight Group, a Benefits Working Group, and Pension Board. The Fund Actuary sets each employer's contribution rate as part of the actuarial valuation of the Fund's assets and liabilities every three years. The next triennial valuation is due at 31 March 2028.

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 2025/26

Several key pieces of pensions legislation were announced/introduced/amended during 2025/26, which affect the Local Government Pension Regulations 2013 and LGPS (Transitional Provision, Savings & Amendments) Regulations 2014. These were:

- **Neonatal care leave & pay**
  Legislation was passed in February 2025 (SI 2025/201), came into force on 6 April 2025, which included paid neonatal care leave within the definition of 'child-related leave'; this ensured that a person on neonatal care leave, who is in receipt of some pay, is treated the same as a person on ordinary maternity/adoption/shared-parental leave (meaning that their pension would be calculated using Assumed Pensionable Pay for the paid neonatal care leave period).

- **'Access & Fairness' changes**
  On 15 May 2025, MHCLG announced their 'Access and Fairness' consultation for the LGPS, which aimed to close the gender pensions gap in the LGPS and harmonise historic inequalities that existed within the Scheme's rules.

  After a consultation period that lasted several months, MHCLG laid 'The Local Government Pension Scheme (Miscellaneous Amendments) (Member Benefits) Regulations 2026' (SI 2026/226) in March 2026, which came into force from 1 April 2026, but contained retrospective amendments that went as far back as December 2005 for some members. A summary of the main changes is as follows:

  - Harmonising the treatment of male and female survivors, irrespective of whether they were in a same-sex or opposite-sex marriage with the (deceased) member (this also incorporates, and goes beyond, changes required by the 'Goodwin' ruling).

  - Removing the age 75 restriction on payment of a death grant, meaning that, so long as a member dies within the 'guarantee period', then a death grant will be payable, whatever the member's age.

  - Removing the requirement to pay a death grant to a member's estate, where the death grant has not been paid within two years of the member's death.

  - Introducing a new method/rule for buying back 'lost' pension, which, for the sake of fairness, is treated just like 'normal' Scheme pension (so will include dependants' pensions, etc).

  - Awarding scheme membership during periods of unpaid additional maternity leave, meaning pension continues to build up automatically at no cost to the member.

  - Allowing for small pot/trivial payments of less than £10,000 to paid to extinguish a member's pension rights, irrespective of when they left the Scheme (previously only open to members who left the Scheme after 31 March 2008).

    Additional changes were included in the draft regulations, but, following the consultation, MHCLG decided to legislate for these changes later in 2026.

- **Inheritance Tax on Death Benefits**
  Following the Autumn Budget in 2024 and numerous consultations, changes affecting the taxation of a member's pension benefits on their death were made via the Finance Act 2026, which comes into force for deaths on/after 6 April 2027. This change will relate to the death grant benefits payable in respect of deferred and pensioner members.

  In short, most unused pension benefits ('notional pension property') will now fall within a deceased's person's estate, meaning that such benefits could potentially be subject to a tax

charge if the Inheritance Tax (IHT) threshold is exceeded. Those benefits that are outside the scope of IHT (so would be exempt from IHT charge) include:

- Dependants' pensions
- Trivial Commutation lump sum death benefits
- Dependants'/nominees' annuities already purchase (joint life annuities)
- Death in service death grants

In most cases, the member's 'legal personal representative' is responsible for confirming the IHT charge due to HMRC. Additionally, the Scheme may be asked to pay the IHT charge to HMRC on the recipient's behalf and, in some cases, must do so.

Pension Fund governance

Introduction

The Environment Agency is the administering authority responsible for maintaining and managing the Environment Agency Active and Closed Pension Funds (the Funds), which are part of LGPS in England and Wales.

Flexibility is provided for each Administering Authority to determine their own governance arrangements relating to how they maintain and manage their Fund. Our Governance Policy provides high level information in relation to those arrangements and how we govern the Funds. This and our other policies, can be found at **www.eapf.org.uk/trustees/governance-policies**

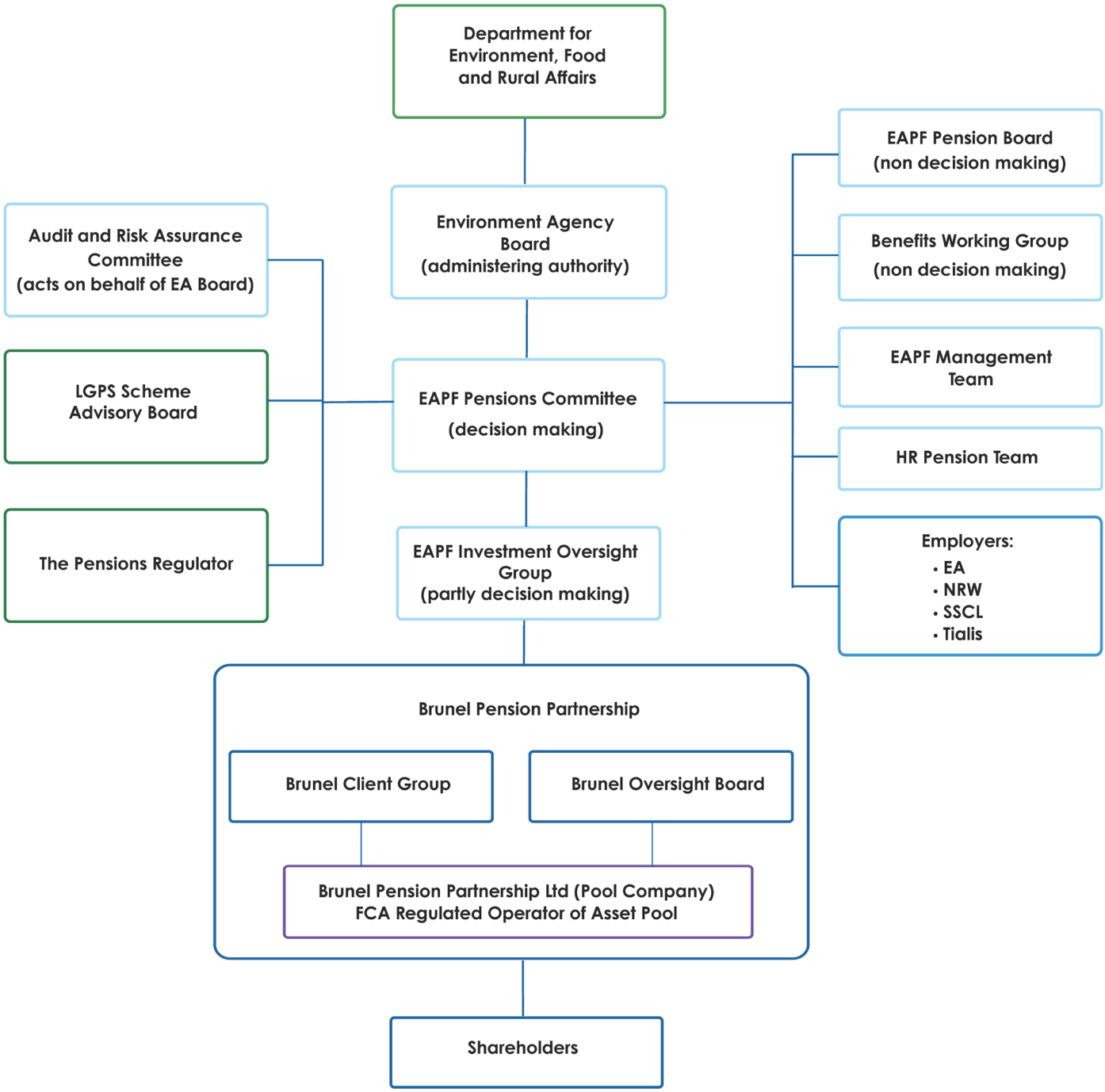
Objectives

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

- Act in the best interests of the Funds members and employers.
- Have robust governance arrangements in place to manage conflicts of interest and to facilitate informed decision making, supported by appropriate advice, policies and strategies and to understand and monitor risk.
- Clearly articulate our objectives and how we intend to achieve those objectives through business planning and continually measuring and monitoring success.
- Deliver our services through people who have the appropriate knowledge, skills and expertise, and ensure that this knowledge and expertise is maintained within the continually changing LGPS and wider pensions landscape.
- Strive to ensure compliance with the appropriate legislation and statutory guidance, and to act in the spirit of other relevant guidelines and best practice guidance.
- Ensure those persons responsible for governing EAPF have sufficient expertise to be able to evaluate and challenge the advice they receive, ensure their decisions are robust and well based, and manage any potential conflicts of interest.
- Ensure the confidentiality, integrity and accessibility of the Funds data, systems and services is protected and preserved.

Our Governance structure

The Environment Agency Board delegates the management and oversight of the Funds to a Pensions Committee, an Investment Oversight Group, 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 Oversight Group, Benefits Working Group and Pension Board membership

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

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

At the 26 March 2025 Pensions Committee meeting, an approval was recommended to the Board to remove the Pension Fund Investment Sub Committee (ISC) as a formal Board Sub-Committee to become an Investment Oversight Group (IOG) of the Pensions Committee from 1 April 2025. This Group is chaired by the Chief Pensions Officer. The role of the ISC has been to oversee the implementation of the investment strategy, including making decisions on new investments, and making recommendations to the Pensions Committee as to how the investment strategy should evolve.

The Pensions Committee will retain overall control for strategy and decision making. The changes in pooling arrangements from April 2026 will mean that investment decisions will be passed to LPPI (our new LGPS investment pool). The timing was therefore right to alter the status, responsibility, and membership of the ISC, but to still ensure that the IOG meets the expected high standards of oversight and assurance.

Membership of the IOG will be agreed by the PC as follows:

- Chief Pensions Officer as Chair of the IOG meetings.
- Two from the Executive Environment Agency and Employer representative Members (or deputies); and
- Three Scheme member representatives (active, pensioner or deferred).

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

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

Changes to Pensions Committee, Investment Oversight Group and Pension Board membership

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

- Hywel Tudor left the Pensions Committee, IOG and Pension Board on 14 December 2025 when his tenure as Deferred Member Representative finished.
- Peter Smith left the Pensions Committee and Pension Board on 14 December 2025 when his tenure as Pensioner Member Representative finished.
- During the year, Jon Watts, Environment Agency Board Member, joined the Pensions Committee and Pension Board.
- Following a competitive and inclusive recruitment exercise, Ian Brindley was appointed as the new Pensioner Member Representative and Tim Saunders as the new Deferred Member Representative for a three year term from 1 January 2026 to both the Pensions Committee and the Pension Board. Ian Brindley also joined the Investment Oversight Group (IOG).
- Stuart McMillan, the Shadow Member Representative joined the PC from 17 December 2024 for 13 months to cover a period of maternity leave of Alice Brightman, stepping back to be Shadow Member Representative on 5 January 2026. This period is included as part of his tenure as Shadow Member Representative.
- Craig Martin became the Chair of the Investment Oversight Group (IOG) when the ISC was replaced in May 2025.

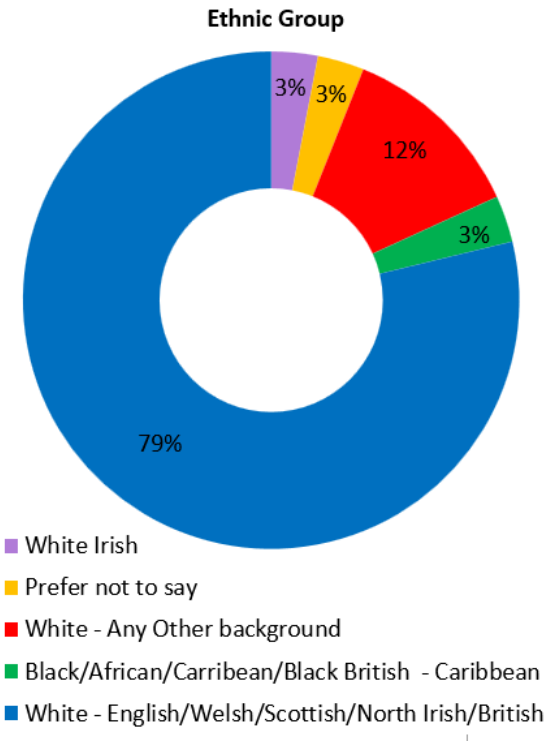
Pensions Committee (PC), Investment Oversight Group (IOG) and Pension Board (PB) membership

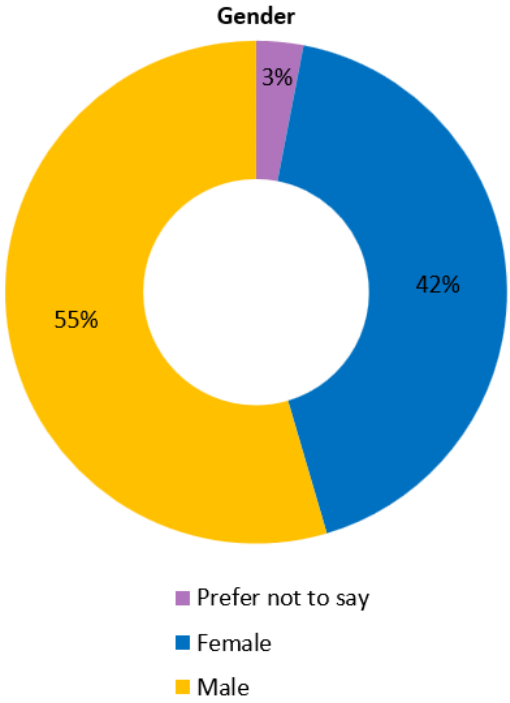
As at 31 March 2026	Membership	Date of appointment	Length of service	End of current appointment	Residual period of current appointment
Board Members					
Lilli Matson*	PC, ISC, PB	08/10/2021	4 yr 6 mth	31/07/2026	0 yr 4 mth
Maya Leibman	PC, PB, IOG	17/12/2024	1 yr 4 mth	31/03/2027	1 yr 0 mth
Ines Faden Da Silva Altern*	PC, PB	17/12/2024	1 yr 4 mth	31/07/2026	0 yr 4 mth
Jon Watts	PC, PB	31/03/2025	1 yr 0 mth	01/04/2028	2 yr 0 mth
Administering Authority Executive manager nominees					
Laura Milton	PC	25/05/2023	2 yr 11 mth	N/A	N/A
Phil Lodge	PC, IOG	16/05/2018	7 yr 11 mth	N/A	N/A
Non-Environment Agency Executive Employer representative					
Rob Bell	PC, PB, IOG	08/10/2023	2 yr 6 mth	06/09/2026	0 yr 6 mth
Contributing member nominees and representatives					
Alice Brightman (maternity leave returning Jan 26)	PC	01/04/2023	3 yr 0 mth	31/03/2026	0 yr 0 mth
Will Lidbetter	PC, PB, IOG	01/08/2016	9 yr 8 mth	31/07/2026	0 yr 4 mth
Veronica James	PC, PB	16/05/2019	6 yr 11 mth	15/05/2028	2 yr 2 mth
Greg Black	PC, PB, IOG	01/04/2022	4 yr 0 mth	14/11/2028	2 yr 8 mth
Stuart McMillan (covering maternity leave Dec 24-Jan 26)	PC	17/12/2024	1 yr 4 mth	17/12/2027	0 yr 9 mth
Jermiane Hutchinson	PC	17/12/2024	1 yr 4 mth	17/12/2027	0 yr 9 mth
Pensioner and deferred members					
Peter Smith (former Member)	PC, PB	14/05/2015	10 yr 8 mth	14/12/2025	0 yr 0 mth
Hywel Tudor (former Member)	PC, PB, IOG	14/05/2015	10 yr 8 mth	14/12/2025	0 yr 0 mth
Tim Saunders	PC, PB	01/01/2026	0 yr 3 mth	31/12/2028	2 yr 9 mth
Ian Brindley	PC, PB, IOG	01/01/2026	0 yr 3 mth	31/12/2028	2 yr 9 mth

* in April 2026 tenure was extended to 31 January 2028

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 Oversight Group and Pension Board meetings

During the past year, the Pensions Committee met on four occasions and the Pensions Board met once. The Investment Sub-Committee changed into the Investment Oversight Group from its first meeting for the financial year (21 May 2025). The Investment Oversight Group met on four occasions.

	Pensions Committee meeting 4 in total	Investment Oversight Group 4 in total	Pension Board Meeting 1 in total	Total attendance
Board Members				
Lilli Matson (Chair)	4/4	-	1/1	5
Jon Watts	3/4	2/4 (Observer)	1/1	6
Maya Leibman	3/4	4/4 (Observer)	0/1	7
Ines Faden Da Silva Altern	4/4	2/4 (Observer)	1/1	7
Executive Members				
Laura Milton	4/4	1/4 (Observer)	-	5
Robert Bell	4/4	4/4	0/1	8
Phil Lodge	4/4	4/4	-	8
Active Members				
Alice Brightman (maternity leave returning Jan 26)	1/4	1/4 (Observer)	-	2
Veronica James	4/4	2/4 (Observer)	1/1	7
Will Lidbetter	3/4	3/4	0/1	6
Greg Black	2/4	3/4	0/1	5
Stuart McMillan (covering maternity leave for 13 months)	3/4	0/4	-	3
Jermiane Hutchinson	3/4	2/4 (Observer)	-	5
Pensioner Members				
Peter Smith (former Member)	3/3	3/3 (Observer)	-	6
Hywel Tudor (former Member)	3/3	3/3	-	6
Tim Saunders	1/4	1/4 (Observer)	-	2
Ian Brindley	2/2	-	1/1	3

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 online training sessions 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 2025/26, each Pension Committee Member undertook an average of 11.8 hours of training. On average, each EAPF officer undertook an average of 50.8 hours of training. Last year, the Pension Committee received training on the issues in the following table.

PC Training Log 2025/26	Actuarial Valuation	Bulk transfer	Introduction to EAPF-PC Representative Day	Cyber Security	Pooling	IDRP & Reporting Breaches	Fraud Detection Prevention & Response	Investment Strategy
EA Board Members								
Lilli Matson	✓	✓		✓	✓	✓		
Jon Watts	✓	✓		✓	✓	✓		✓
Maya Leibman	✓	✓		✓	✓	✓	✓	✓
Ines Faden Da Silva Altern	✓	✓		✓	✓	✓		✓
Executive Members								
Laura Milton	✓	✓		✓	✓	✓	✓	✓
Phil Lodge	✓	✓		✓	✓	✓		✓
Rob Bell	✓	✓		✓	✓		✓	✓
Active Member nominees								
Alice Brightman (Maternity leave returning Jan 26)				✓			✓	
Greg Black	✓	✓	✓	✓				✓
Will Lidbetter			✓	✓	✓	✓	✓	✓
Veronica James	✓	✓	✓	✓	✓	✓	✓	✓
Stuart McMillan (Covering maternity leave)	✓	✓	✓	✓	✓	✓	✓	
Jermiane Hutchinson	✓	✓	✓	✓	✓	✓	✓	✓
Pensioner Members								
Peter Smith	✓	✓	✓	✓	✓	✓		✓
Hywel Tudor	✓	✓	✓	✓	✓			✓
Tim Saunders	✓	✓	✓	✓	✓			
Ian Brindley	✓	✓	✓	✓		✓	✓	

Pensions Committee business during 2025/26

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 manner informed by appropriate training, in line with our policies, taking legal, financial and investment advice, when necessary.

A significant project this year was the transition to a new investment pool for our Pension Fund assets to meet government requirements. This required work around due diligence to ensure the move was undertaken with the appropriate legal, investment and governance advice.

Alongside the increased requirements for enhanced governance within the new pooling arrangement, further government mandated governance requirements will apply from the 1 April 2026. Preparatory work has been carried out this year in readiness; updating policies and providing a greater focus on internal processes and resilience.

We completed several cyber assurance projects throughout the year, including the creation of an EA Pension Fund specific Incident Response Plan and reviewing our internal controls. We have improved our business continuity arrangements and mapped our key processes to improve organisational resilience. Cyber security training has been provided to the Pensions Committee highlighting our Cyber Hygiene guidance document to ensure best practice is followed by both Committee Members and Officers.

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 2,000 attendees in total covering topics such as Pension Basics, Planning for Retirement and Increasing Benefits.

In addition, the Investment Oversight Group 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) Testing our Incident Response and Business Continuity Plan through two dedicated war games sessions.
b) Funding strategy implementation and planning for 2025 Triennial actuarial valuation.
c) Administration strategy implementation including benefits administration and member communications.
d) Responsible Investment Strategy agreement, implementation, and monitoring.
e) Strategy and policy agreement and implementation including Counter-Fraud and Risk Management.
f) National Audit Office oversight and audit, and other independent audits.

Risk management and discussion of risk registers is a standing item on both the Pensions Committee and Investment Oversight Group agendas.

Scheme management and advisers to the Committee

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

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

Annual Statement by Chair of the EAPF Pension Board

Role of Pension Board

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

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

- Securing compliance with the LGPS Regulations and any other legislation relating to the governance and administration of the Scheme, and requirements imposed in relation to the LGPS by the Pensions Regulator.

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

Membership

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

Employer representatives

- Four Non-Executive Environment Agency Board Members.
- One Non-Environment Agency Employer representative (or deputies).

Member representatives

- Three Active Scheme member representatives.
- Two Pensioner or one Pensioner and one Deferred Scheme member representatives.

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

Pension Board business 2025/26

The Pension Board met once during 2025/26 (on 26 March 2026) after the Pensions Committee meeting. The Pension Board reviewed Pensions committee meetings, risk management and progress against strategic priorities in 2025/26 which were:

- LGPS Pooling
- Enhance governance
- Future investment approach
- Member experience

Governance Compliance Statement

Introduction

Under Regulation 55 of the Local Government Pension Scheme Regulations 2013 (as amended) an administering authority must, after consultation with such persons as it considers appropriate, prepare, publish and maintain a Governance Compliance Statement.

This statement is required to set out:

a) whether the authority delegates its functions, or part of its functions under these Regulations to a committee, a sub-committee or an officer of the authority

b) If the authority does so
(i) the terms, structure and operational procedures of the delegation will be set out in the Governance Policy
(ii) the frequency of any committee or sub-committee meetings will be set out in the Governance Policy
(iii) whether such a committee or sub-committee includes representatives of Scheme employers or members, and if so, whether those representatives have voting rights

c) the extent to which a delegation, or the absence of a delegation, complies with guidance given by the Secretary of State and, to the extent that it does not so comply, the reasons for not complying, and

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

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

This statement was reviewed by the Environment Agency Pensions Committee on 18 June 2026. It is reviewed at least annually as part of the annual report and financial statement to ensure it remains up to date and meets the necessary regulatory requirements. The statement included in the annual report and financial statements becomes the approved statement for the year unless updated during the year.

A current version of this Governance Compliance Statement will always be available on our website **www.eapf.org.uk** and paper copies will be available on request.

Any enquiries in relation to this Governance Compliance Statement should be sent to:

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

Email: **eapf@environment-agency.gov.uk**

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 Oversight Group 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 Oversight Group (IOG).
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 IOG has six Members.
(ii) the frequency of any committee or sub-committee meetings.	The IOG 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 four employers. The PC includes one Non-EA Employer Representative, five Active Scheme Member representatives and two Pensioner or one Pensioner and one Deferred Member Representatives. The IOG includes three Scheme Member representatives and two from the Executive Environment Agency and Employer Representative Members. All Members have voting rights.
The extent to which a delegation, or the absence of a delegation, complies with guidance given by the Secretary of State and, to the extent that it does not so comply, the reasons for not complying.	See Statement of Compliance below.
Details of the terms, structure and operational procedures relating to the local pension board established under regulation 53(4) (Scheme managers).	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 two Executive Directors Members of the Environment Agency and two 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: • four Non-Executive EA Board Members • two EA Executive Members • one Non-EA employer representative • five Active Scheme Member representatives • two Pensioner or one Pensioner and 1 Deferred Member representatives. • three Scheme Member representatives and two from the Executive Environment Agency and employer representative Members are also Members of the Investment Oversight Group (IOG).
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 IOG meetings are available to all PC Members. The Chair of the IOG 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 IOG 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:	Compliant	See below
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 four employers – EA, NRW, SSCL and Tialis. We have a non-EA employer member representing NRW and SSCL on the main PC and who may also be on the IOG.

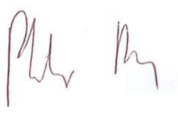
ii) scheme members (including deferred and pensioner scheme members)	Compliant	The main PC has seven scheme Member representatives on it, including five active scheme Member representatives and two pensioner/deferred Member representatives, ideally one of each. Our IOG includes three scheme Member representatives (active, deferred or pensioner).
iii) independent professional observers	Compliant	Our independent investment adviser attends all IOG and PC meetings. Our other professional advisers also regularly attend our PC and IOG meetings.
iv) expert advisers (on an ad-hoc basis)	Compliant	We invite our expert advisers to attend our PC and IOG meetings as needed. This includes our actuary, legal adviser, risk and governance advisor and investment consultants, pension fund administration consultants, and external auditors.
That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers, meetings and training and are given full opportunity to contribute to the decision making process, with or without voting rights.	Compliant	All Members of the PC and IOG 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 IOG. 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 IOG meetings. A register of interests is also maintained, made available at each meeting and is 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 IOG.
E – Training, facility time and expenses		
a) That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.	Compliant	Our PC has a Knowledge & Skills Policy which is reviewed regularly. We provide induction training. All Members undergo further developmental, specialist, and/or 'top-up' refresher training for 2-3 days each year during their terms of office. We maintain a log of all PC Member training needs and training undertaken. Members of the main PC and the IOG are reimbursed the cost of travel and overnight hotel expenses. The cost of all PC and IOG 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 IOG Members.
F – Meetings (frequency/quorum)		
a) That an administering authority's main committee or committees meet at least quarterly.	Compliant	Our PC usually meets four times a year, for normal business and at least once for briefing or training. Eight of the 14 PC Members (including at least one Board Member, one Executive Environment Agency Member and one scheme Member representative) constitute a quorum.
b) That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.	Compliant	Our IOG meetings are synchronised to meet four times a year before the PC so it can report to and make recommendations to the full PC. three Members (including the CPO (or delegate), one Executive Environment Agency Member and one scheme Member representative constitute a quorum for the IOG.
c) That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.	Compliant	We have seven 'lay' members on our main PC, comprising five active scheme member representatives and two pensioner/deferred member representatives. Due to the geographical spread of our organisation and fund membership across England and Wales we hold annual briefings which provide a forum for Fund members and stakeholders to be informed about the fund, particularly about changes to the LGPS. All active fund members are invited to attend regional or webinar pension briefings each year. We also organise an annual briefing for deferred and pensioner members. The briefings are generally presented by Capita (Pension Fund Administrator), with administering authority or HR staff. PC Members

		chair or attend some briefings. Where possible, we will also seek to hold a members' AGM every 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 IOG 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 IOG can request full IOG papers and they also receive summary reports of all meetings. All our PC and IOG Members can ask questions of our professional advisers who attend the PC and IOG 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 IOG 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 IOG 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
10 July 2026



Philip Duffy
Accounting Officer
Environment Agency
10 July 2026

Responsible Investment

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

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

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

During the reporting period the majority of our assets were invested through **Brunel Pension Partnership**. Brunel provided the investment vehicles to enable us to meet our investment strategy in line with the Strategic Asset Allocation which EAPF had agreed. During the reporting period, we also invested directly with private market managers.

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

We have a **Responsible Investment Policy** which provides the underlying detail on how we will meet the ISS and what we expect from our asset managers.

It sets out three key priorities

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

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

Our approach is not just about decarbonising at all cost. It is also about investing in solutions and being a positive voice for change, especially in hard-to-abate industries. Currently, 18% of our assets are invested in climate solutions. No matter how sustainable our investments are, we cannot insulate our returns from a wider economy which is contributing to climate change.

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

Pooling Reform

In 2025/26, we were invited by Government to choose a new LGPS investment pool. A key part in making this decision was understanding how a prospective pool may implement our investment strategy in full.

At our Pensions Committee on 25 March 2026, EAPF agreed to join LPPI, following in-depth due diligence, and to all assets to their management from 1 April 2026. We look forward to working with LPPI.

UK Stewardship Reporting

The Environment Agency Pension Fund (EAPF) is a signatory to the UK Stewardship Code.

While Stewardship Code reporting periods typically cover 12 months, we requested to move to the second reporting cycle to align our stewardship reporting with our annual report and financial statements. On 14 November 2024, the Financial Reporting Council (FRC) confirmed that EAPF would realign its Stewardship Code reporting while maintaining signatory status. As a result, the submission covered an extended reporting period, including the additional three months from January to March 2025.

We submitted our **most recent report** to the FRC on 7 November 2025, covering our responsible investment activities for the period January 2024 to March 2025. On 26 January 2026, the FRC confirmed that our approach met the expected reporting standard and that EAPF would retain its status as a UK Stewardship Code signatory.

The next Stewardship Code submission will be produced by the end of October 2026, which will report on our responsible investment activities for the period from 1 April 2025 to 31 March 2026.

Awards

2025 was another award-winning year for the EAPF. We won three awards for our leadership in Responsible Investment and Natural Capital. In all cases, the judges praised our industry-leading target to allocate 4% of assets to protecting and enhancing nature, and the 18% of assets we've already invested or committed to climate solutions.

In September 2025, we won the Natural Capital Award at the IPE Real Assets Infrastructure & Natural Capital Global Conference in Rotterdam, with judges praising EAPF for setting an industry benchmark through a science-led and well governed natural Capital strategy.

In October 2025, we received the Sustainability Strategy (Climate) Award at the Local Authority Pension Fund Awards for our forward-thinking approach to sustainable investment.

Finally in November 2025, we won the Impact Integration Award at the Pensions for Purpose Awards, recognising our integration of climate, nature and community considerations across the investment strategy.

Pension Fund investment

Investment strategy development and implementation

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

The investment strategy, laid out in the Responsible Investment Strategy Statement, is agreed by the Committee to meet the overall investment objective. The strategy remains focused on seeking to generate maximum value from our assets with an appropriate level of risk, ensuring environmental, social and governance considerations, including climate change and nature loss, are fully integrated, and furthering our commitment to responsible investment. It uses multiple levers to achieve this: active mandates, specialist benchmarks, detailed risk analysis, and a fully diversified range of assets across global markets.

In the first quarter of 2025, the Committee provisionally agreed a new Strategic Asset Allocation ("SAA"), which was formally adopted as at 30 June 2025. As part of this new SAA, the allocations to Global Equity and Corporate Bonds were reduced in favour of Liability Matching

The Strategic Asset Allocation adopted following the 2025 Investment Strategy Review is set out below:

Asset Class	Benchmark Index	SAA % 2025/26
RETURN SEEKING ASSETS		
Global equities	MSCI World	27.0
Infrastructure (including 4% allocation to Natural Capital)	Consumer Price Index	9.0
Multi Asset Credit	Sonia +4% p.a.	8.0
Private equity	MSCI World	4.0
Real Assets	Consumer Price Index	3.0
RISK REDUCING ASSETS		
Liability Driven Investment	Bespoke LDI Benchmark	25.0
Corporate bonds	iBoxx Sterling all non-gilt	13.0
Illiquid credit/Private debt	Sonia + 8% p.a.	5.0
Secured Sustainable Finance	Consumer Price Index	4.0
Cash	Sonia	2.0
TOTAL		100.0

*Benchmark dependent upon selection of fund(s)

To implement the updated SAA, we undertook a series of rebalancing trades over June and July 2025, whereby £707.5m was disinvested across three phases from the Global Equity and Corporate Bond portfolios, with the proceeds used to top up the BlackRock Liability Matching portfolio and the Cash fund.

Over the reporting year, we had in place a cashflow and rebalancing policy, to ensure efficient cash management processes are followed. To ensure the Fund is managed in line with the asset allocation, Officers and advisors held monthly investment meetings. Any deviations in asset allocation were discussed and actions agreed (where required). Cash is maintained within agreed limits. In addition, we had a rebalancing programme that aimed to bring the Fund back in line with target weights to listed equities and fixed income assets if market movements caused allocations to breach pre-agreed ranges.

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

A summary of the Fund's investments and undrawn commitments within the illiquid asset portfolio as at 31 March 2026 are outlined below:

	Investments (£m)	Investments (% of total Fund)	Target Allocation	Undrawn Commitments (£m)
Private Debt	208.3	4.1%	5.0%	279.8
Private Equity[1]	339.1	6.6%	4.0%	103.0
Infrastructure and Natural Capital[2]	302.6	5.9%	9.0%	141.1
Real Estate	146.9	2.9%	3.0%	
Secured Sustainable Finance	136.4	2.7%	4.0%	25.6

Source: State Street. Figures may not sum due to rounding.
Excludes value of Russell Passive Currency Overlay and Schroders Greencoat Renewable Income.
1 Includes value of Bridges, III, IV, V, VI. Excludes values of SAIFF, Gresham House and Just Climate.
2 Includes values of SAIFF, Gresham House and Just Climate.
Note: At 31 March 2026, there was £1.1m of undrawn Infrastructure & Nature Capital commitments relating to Gresham House with payment date on 9 April 2026. These have therefore been excluded from the totals above.

In February 2024, the Fund agreed the following Private Markets commitment plan for the following c.2 years.

	Private Equity	Private Debt	Infrastructure	Natural Capital
Target allocation	4.0%	5.0%	5.0%	4.0%
Target commitments over 2025/26	£50m	£127m	p.a.	c.£180m

- **Private Debt:** EAPF continue to make investments in private debt both directly and through the Brunel Infrastructure Cycle 3 and 4 mandates.
- **Private Equity:** EAPF continue to make investments into the TOP portfolio directly.
- **Infrastructure:** No commitments were made to Infrastructure over Brunel Cycle 4. However, Officers will continue to monitor impact opportunities and could bring direct investment ad-hoc opportunities to the Committee should they significantly further the Responsible Investment Strategy of the Fund.
- **Natural Capital:** EAPF continue to make investments in Natural Capital both directly and through the Brunel Infrastructure Cycle 3 mandates.

The Fund and Committee remain cognisant that the Pension Schemes Act 2026, which came into effect on 29 April 2026, could have an impact on their ability to implement the investment strategy going forwards. To limit this risk, they engaged with their new pooling partner LPPI, who have made a commitment to implement the EAPF strategy in full.

Investment performance

For the 2025/26 financial year the Fund achieved an absolute return of 6.5%, underperforming its benchmark (after fees) by 2.9%. Over three years the Fund has returned 5.5% p.a., 1.9% p.a. below its benchmark. Over the year, the Fund underperformance was driven largely by the relative performance of the Active Listed Global Equity mandates.

Market Background

On a year-on-year basis to 31 March 2026, sterling returns on developed market equities were positive at 16.9%. Emerging-market (EM) equities generated a positive return of 27.5%, outperforming developed markets. The easing of global trade tensions reduced geopolitical tensions and sustained enthusiasm for AI supported risk assets during the latter half of 2025 and early 2026, however, this positive momentum during the year was eventually counterbalanced by geopolitical tensions between the US and Iran in Q1 2026.

During the 12 months up to 31 March 2026, government bond yield curves across most developed markets showed a flattening bias. In the UK, gilt yields rose across the curve, with the 2-year yield moving up 21bps to 4.41% and the 10-year yield climbing 24bps to 4.92%. The rise in bond yields was driven by a hawkish repricing of the Bank of England (BoE)'s policy rate expectations with the onset of the US-Iran war. Geopolitical conflict resulted in a sharp rise in energy prices, raising inflation expectations and stoking fears of second-round effects. At the March policy meeting, BoE left rates unchanged, as expected. However, the 9-0 vote split was more hawkish than the expected 7-2 vote. The monetary policy statement also removed the reference to policy easing from its forward guidance. This led bond markets to price in rate hikes in 2026, as against pre-war bets of rate cuts.

UK real yields rose over the 12-month period, with the 10-year real yield moving 10 bps higher to 1.36% during the period. Market-based measures of inflation, as measured by the 10-year break-even inflation rate, jumped 16 bps over the 12-month period, reaching 3.55% as at 31 March 2026.

Investment management

By Fund year end, responsibility for the day-to-day management of the Fund's investments was delegated to two listed equity managers, thirty one private equity, private debt and real asset specialists, and Brunel, who manage or oversee several pooled funds on behalf of the Fund. Our custodian is State Street. Over the 12 months, we committed €23.5m to Ambienta Small Cap Fund I, £50m to Arcmont Impact Private Debt, $30m to SA Impact Forestry Fund II, $40m to Just Climate Nature Climate Solutions and €34m to Ardabelle Capital Fund I.

Our investment managers are responsible for selecting individual investments, and operate at arm's length from the Fund, with full discretion over the management of their portfolios, subject to IMAs where relevant, complying with statutory limits and the Investment Strategy Statement and taking due regard of the Active Fund Responsible Investment policy and supplementary guidance, for example on environmental issues or voting. Each manager has been set a specific benchmark that reflects the asset class being managed, and in the case of segregated managers has a performance target they are aiming to achieve. Details of the managers, their benchmarks, targets and performance is available on pages 36 to 37.

As a Fund we remain very conscious of costs and value for money.

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.

Asset pooling - Brunel Pension Partnership

Background

Following the 2015 LGPS Investment Reform Criteria and Guidance, which sets out how the Government expected LGPS funds to establish asset pooling arrangements, we established the Brunel Pension Partnership to meet this Government guidance and the requirements of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, in conjunction with nine other LGPS Funds. The objectives included benefits of scale, strong governance and decision making, reduced costs and the improved capacity to invest in infrastructure.

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

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

Governance and oversight

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

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

- An Oversight Board comprising representatives from each of the ten Funds' Pensions Committee's has a primary monitoring and oversight function. It meets, at least quarterly, reviewing and challenging papers from Brunel Ltd and its management. However, it cannot take decisions requiring shareholder approval, which are remitted back to each Fund individually. Our Chair of Pensions Committee, or nominated Pensions Committee deputy, represents the EAPF on this Board. Two members representing Pension Fund members from the participating Funds also attend Oversight Board meetings.

- The Oversight Board is supported by the Client Group, comprised primarily of pension investment officers drawn from each of the Funds. Whilst essentially an officer working group, it has a leading role in reviewing the implementation of pooling by Brunel Ltd and provides a forum for discussing technical and practical matters, confirming priorities, resolving differences and improving relationships and operational issues. Client Group is also supported by a number of sub-groups, to delve deeper into detail. EAPF Officers are members of each of these groups, which include responsible investment, operational, investment and finance sub-groups. The Client Group is also responsible for providing practical support to enable the Oversight Board to fulfil its monitoring and oversight function.

- A separate level of governance is provided by the Board of Directors at Brunel Ltd, which are appointed by shareholders. It comprises five highly experienced and independent Non-Executive Directors including the Chair and three Executive Directors. A Shareholder Non-Executive Director (SNED) represents shareholder views at the Brunel Ltd Board. **Further information can be found at www.brunelpensionpartnership.org/people.**

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

Shareholder reserve matters during 2025/26

During 2025/26, we agreed one reserve matter (RM) in consultation with our partner Funds and Brunel Ltd. The Pensions Committee holds the shareholder responsibility for the EAPF, and we bring these reserve matters to the appropriate meeting. If this is not practical due to time limitations, we use agreed urgency delegations with appropriate assurance.

RM 37: We agreed amendments to the Remuneration Policy.

New investment activity in the year

Whilst we did not make any further transitions into the Brunel pool in 2025/26, we made some investment changes which included a planned equity portfolio de-risking transition in July 2025, where we disinvested £707.5m from off-pool managers and across Brunel portfolios, and invested it into the BlackRock LDI mandate.

Delivery against original pooling business case

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

Original Business Case (agreed in 2016)

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

Brunel Ltd 2025/26 actual spend against original business case

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

EAPF	2025/26				2024/25			
	OBC Budget		Actual		OBC Budget		Actual	
	In Year	Cumulative to date	In Year	Cumulative to date	In Year	Cumulative to date	In Year	Cumulative to date
	£000	£000	£000	£000	£000	£000	£000	£000
Set up costs (Note 1)	0	1,209	0	1,073	0	1,209	0	1,073
Brunel costs (Note 2)	869	6,080	1,346	8,979	841	5,211	1,274	7,633
Client savings (Note 3)	(1,037)	(7,500)	(175)	(1,320)	(1,007)	(6,463)	(175)	(1,145)
Transition costs (Note 4)	0	3,299	0	4,511	0	3,299	0	4,511
Fee savings (Note 5)	(2,703)	(14,252)	(5,328)	(22,092)	(2,533)	(11,549)	(5,218)	(16,765)
Net costs / (realised savings)	(2,871)	(11,164)	(4,157)	(8,849)	(2,699)	(8,293)	(4,119)	(4,693)

Note 1: Set up costs

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

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

Our 10% share purchase investment in Brunel Ltd is valued at £786k (2025: £750k). This fair value is determined from the latest Statement of Equity reported in the Brunel Ltd Annual Report and Accounts at 30 September 2025.

Note 2: Ongoing Brunel Ltd costs

The Brunel Ltd costs for EAPF of £1,346k (2025: £1,274k) reflect the core service charge of £1,221k (2025: £1,142k) and performance reporting of £125k (2025: £132k).

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

Note 3: Client Savings

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

However, we have achieved some internal savings through our Hermes environmental reporting contract. We have recognised £110k p.a. for 2025/26 which is the same amount as the prior year. We also saved £65k p.a. in respect of financial performance fees when compared to our previous performance measurer prior to pooling. The equates to a cumulative saving of £1,320k (2025: £1,145k).

Note 4: Transition costs

We have not incurred any transition costs in 2025/26. The variance to the OBC is due to various factors including changes to our strategic asset allocation since pooling, revised transition timetables and a transition pause implemented due to the global pandemic in 2020/21.

Note 5: Fee savings

A significant part of the OBC savings rested on securing material investment management fee savings, after set-up costs and Brunel Ltd operating costs. In the year we achieved overall fee savings of £5,328k (2025: £5,218k) split £3,658k (2025: £3,899k) in Brunel listed market portfolios and £1,670k (2025: £1,319k) in Brunel private market portfolios.

Monitoring of Brunel Ltd against business case

With over 68% of our Fund now invested within Brunel portfolios, ensuring that the financial performance of the pool is monitored and that Brunel Ltd is delivering on the key objectives of investment pooling is vital.

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

Government Fit for the Future reforms - Pooling Arrangements

As disclosed in the prior year Annual Report, Brunel received notification from Government on 9 April 2025 that, following full consideration, its submission did not meet the Government's vision for the Fit for the Future reforms of the LGPS.

To ensure the EAPF met the new Government requirements, significant work has been undertaken since April 2025 to identify a new pooling arrangement. This included carrying out the necessary due diligence to ensure the selected pool provided an appropriate legal and governance framework, the ability to implement the Fund's investment strategy in full, and value for money.

The Fund has worked closely with internal and external advisers, alongside the existing Brunel partner funds, to establish these new arrangements.

In March 2026, and in line with the Government's deadline, the Fund agreed to join the Local Pension Partnership Investment pool (LPPI) from 1 April 2026 as both a shareholder and client. The Fund also agreed to support the orderly wind up of Brunel Pension Partnership.

LPPI onboarding

In order to become a shareholder of LPPI, we contributed £2.8m in shareholder capital, which was paid post year end on 2 April 2026.

We have also incurred additional advisory costs of c£110k to help inform and provide assurance over our decision making to join LPPI. These costs, which were paid during the financial year, related to governance, investment and legal advisory support.

Under current modelling, we expect a modest increase in our overall investment management fees and advisory costs compared with our current arrangements. However, we have identified potential cost-saving measures which could bring total costs broadly back in line with those under our previous pooling arrangement.

Brunel Wind Up

In order to facilitate the orderly wind up of Brunel, we contributed £1.2m during 2025/26 as our share of the required additional operational funding. We anticipate that liquidators will be appointed and operational from Autumn 2026, at which point any surplus funds will be returned to the partner funds. These costs are not included in the CIPFA savings analysis shown above.

Statistics of the EAPF investment portfolio

In the following tables and charts we highlight the Top 20 non-cash holdings of the Fund, our Top 20 holdings in direct equities and our geographical exposure in 2025/26 compared to 2024/25. We also include the new asset allocation table and disclose our UK investments as per statutory guidance.

Top 20 holdings of the Fund as at 31 March 2026

Holding	Asset Class	2026	
		£m	% of Fund
BRUNEL BLACKROCK LIABILITY SOLUTIONS	Pooled – LDI	1274.4	25.0
BRUNEL STERLING CORPORATE BONDS	Pooled fixed interest - Overseas corporate bonds	455.8	8.9
BRUNEL GLOBAL SUSTAINABLE EQUITIES	Equities – Global	415.3	8.1
BRUNEL PARIS ALIGNED FUND	Pooled equities – Global	303.5	6.0
BRUNEL NEUBERGER BERMAN MAC FUND	Pooled – Multi Asset Credit	243.5	4.8
BRUNEL BLACKROCK BUY & MAINTAIN CREDIT	Pooled fixed interest	196.7	3.9
BRUNEL LOW VOLATILITY FUND	Pooled equities – Global	174.9	3.4
ROBECO QI GLOBAL DEVELOPED	Pooled equities – Global	151.0	3.0
GREENCOAT GRI	Secured Sustainable Finance	136.4	2.7
CQS GLOBAL FUNDS	Pooled fixed interest - Overseas corporate bonds	89.1	1.7
OAKTREE (LUX) III SA SICAV	Pooled fixed interest - Overseas corporate bonds	85.3	1.7
DBL PARTNERS IV LP	Private equity	64.9	1.3
DBL PARTNERS III LP	Private equity	63.1	1.2
STEPSTONE B III	Real estate	47.2	0.9
MICROSOFT CORP	Direct equity	36.6	0.7
DANAHER CORP	Direct equity	30.9	0.6
GENERATION IM SUSTAINABLE SOLUTIONS	Private equity	29.1	0.6
GID MAINSTAY FUND	Real estate	25.7	0.5
AMAZON COM INC	Direct equity	24.9	0.5
UBS GBL ASSET MGT	Real estate	24.1	0.5
Total		**3,872.4**	**76.0**

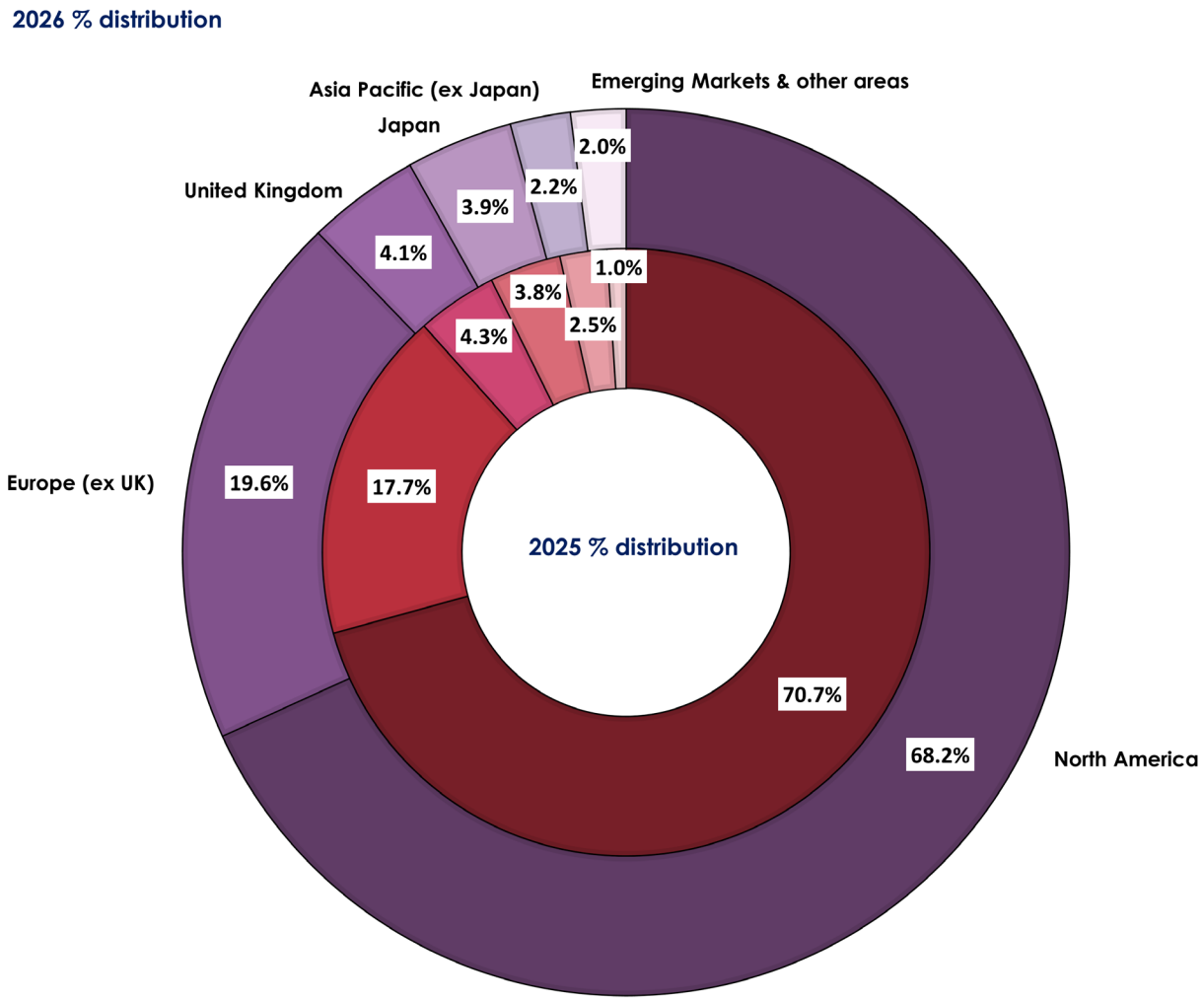
Top 20 holdings of the Fund as at 31 March 2025

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

Top 20 direct equity holdings as at 31 March 2026 and 2025

Company	Country	2026 £m	% of Fund	Company	Country	2025 £m	% of Fund
Microsoft Corp	United States	36.6	0.7	Microsoft Corp	United States	36.5	0.8
Danaher Corp	United States	30.9	0.6	Beckton Dickinson and co.	United States	22.0	0.5
Amazon.com Inc	United States	24.9	0.5	Schwab (Charles) corp	United States	20.4	0.4
Mercadolibre inc	United States	17.8	0.3	Mercadolibre inc	United States	19.5	0.4
Taiwan Semiconductor Manufac	Taiwan	17.2	0.3	Amazon.com Inc	United States	17.4	0.4
Sika AG Reg	Switzerland	15.8	0.3	Adyen NV	Netherlands	14.0	0.3
SAP SE	Germany	15.7	0.3	Steris Plc	United States	13.8	0.3
Adyen NV	Netherlands	13.2	0.3	LeGrand SA	France	13.8	0.3
Alphabet inc	United States	13.2	0.3	Nutanix Inc A	United States	13.5	0.3
Assa Abloy AB B	Sweden	13.2	0.3	Workday inc	United States	12.7	0.3
Kingspan Group Plc	Ireland	13.1	0.3	Kingspan Group Plc	Ireland	12.6	0.3
West Pharmaceutical Services	United States	12.4	0.2	Equifax Inc	United States	12.4	0.3
Workday inc	United States	12.1	0.2	Danaher Corp	United States	11.9	0.2
Trimble Inc	United States	11.6	0.2	Alphabet inc	United States	11.2	0.2
Steris Plc	United States	11.3	0.2	Nestle SA reg	Switzerland	10.9	0.2
Visa Inc class A	United States	10.4	0.2	Thermo Fisher Scientific Inc	United States	10.9	0.2
Vestas Wind Systems	Denmark	10.0	0.2	Agilent Technologies inc	United States	10.6	0.2
Novonesis (Novozymes) B	Denmark	8.8	0.2	Gartner Inc	United States	10.3	0.2
Schneider Electric SE	France	8.8	0.2	Taiwan Semiconductor Manufac	Taiwan	9.6	0.2
Thermo Fisher Scientific Inc	United States	8.4	0.2	ASML Holding NV	Netherlands	9.2	0.2
Total		**305.6**	**6.0**	**Total**		**293.3**	**6.2**

Geographical distribution of quoted and pooled equity investments as at 31 March 2026 and 2025



Geographical distribution	2026	2025
	£m	£m
North America	964.0	1,208.8
Europe (excluding UK)	276.9	303.3
Japan	58.2	73.5
United Kingdom	55.5	65.0
Asia Pacific (excluding Japan)	31.7	42.9
Emerging Markets and other areas	28.0	16.6
Total	**1,414.3**	**1,710.1**

Asset allocation as at 31 March 2026

Statutory Scheme Advisory Board (SAB)/CIPFA guidance on preparing the Annual Report required Funds to set out their asset allocation in the format below. Whilst we provide, in our annual report, a comprehensive portfolio analysis, this format enables us to disclose where our assets are held in relation to pooling at the year end.

Asset class	Assets pooled £'000	Assets under pooled management £'000	Assets not pooled £'000	Total assets £'000
Equities	893,655		520,605	1,414,260
Bonds	630,304	196,651		826,955
Pooled property			179,206	179,206
Liability Driven Investments		1,274,375		1,274,375
Private equity	136,400		335,301	471,701
Private debt	281,652		170,079	451,731
Infrastructure	47,200		212,584	259,784
Cash and net current assets	2,707	6,002	214,086	222,795
Total	**1,991,918**	**1,477,028**	**1,631,861**	**5,100,807**
Percentage	**39.1%**	**29.0%**	**31.9%**	**100.0**

UK Investment

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

We have aimed to be consistent in applying a basis for identifying what is classed as a UK investment across our portfolio. We have been informed by Brunel of our UK percentage exposures in our pooled investments, but where multiple underlying managers exist, we have averaged out the UK percentage. For legacy managers we have used our custodian reporting based on trade currency. Therefore, we have provided the Fund's UK investments on a best endeavours basis in the following table. This equates to approximately 41% of our total fund value.

UK asset class	Assets pooled £'000	Assets under pooled management £'000	Assets not pooled £'000	Total UK assets £'000
UK listed equities	40,992	-	5,716	46,708
UK government bonds	534,961	1,274,375	-	1,809,336
UK infrastructure	5,617	-	131,236	136,853
UK private equity	-	-	100,822	100,822
Total	**581,570**	**1,274,375**	**237,774**	**2,093,719**

Investment performance

We achieved an absolute return of 6.5% over the 12-month period, with strong absolute performance in Private Equity, Private Debt and Corporate Bonds. However, the negative absolute performances of the Real Assets portfolio and Secured Sustainable Finance were a significant drag on our overall returns.

Despite the positive absolute return, the Fund returned less than its benchmark, which returned 9.4% over the same period, equivalent to an underperformance of 2.9%. Overall, the Global Equity, Real Assets and Multi-Asset Credit portfolios underperformed their benchmarks.

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

Where invested for a period of longer than 12 months, the listed managers/portfolios that have underperformed their benchmarks since inception were Generation, Brunel Global Sustainable Equities, Brunel Low Volatility and Brunel Multi Asset Credit. Where invested for a period of longer than 3 years, the listed managers/portfolios that have underperformed over the three-year period were similarly Generation, Brunel Global Sustainable Equities, Brunel Low Volatility and Brunel Multi Asset Credit.

Financial Performance	2026 %	2025 %
1 year		
Fund performance	+6.5	+2.1
Benchmark performance	+9.4	+2.9
Active Fund relative performance	**-2.9**	**-0.8**
3 year		
Fund performance	+5.5	+1.3
Benchmark performance	+7.4	+2.3
Active Fund relative performance	**-1.9**	**-1.0**
5 year		
Fund performance	+3.4	+5.6
Benchmark performance	+4.3	+5,7
Active Fund relative performance	**-0.9**	**-0.1**

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

Manager	Date of inception	Value at 31 Mar 2026 £m	Fund %	Asset class/ Mandate	Benchmark (BM)	2025/26 Performance			2024/25 Performance		
						Fund return %	BM return %	Relative to BM %	Fund return %	BM return %	Relative to BM %
Private equity & TOP											
Targeted Opportunities Fund (TOP)	Apr-14	366.0	7.2	Private Equity (active pooled)	Absolute Return 8.0% pa	+21.0	+16.9	+4.2	+11.3	+5.2	+6.1
Stafford	Oct-05	7.6	0.2	Private Equity (active segregated)	MSCI World (Gross)	-11.6	+16.9	-28.5	-10.7	+5.2	-15.9
Global equities											
Brunel Global Sustainable Equities	Feb-22	415.3	8.1	Global Equity (pooled)	MSCI AC World GBP index	+7.6	+18.0	-10.3	-2.7	+5.3	-8.0
Generation	Aug-08	380.2	7.5	Global Equity (active segregated)	MSCI AC World (80% GD, 20% ND)	-1.6	+17.9	-19.5	-0.8	+5.2	-6.0
Brunel Paris Aligned Equities	Jun-23	303.5	6.0	Global Equity (passive pooled)	FTSE Developed Paris- Aligned (PAB) net index	+15.2	+15.3	-0.1	+3.3	+3.4	-0.1
Brunel Low Volatility	Mar-19	174.9	3.4	Global Equity (low volatility - active pooled)	c50% MSCI AC World NDR (hedged to GBP) & c50% MSCI EM NDR (unhedged)	+15.3	+18.2	-2.8	+8.0	+6.5	+1.5
Robeco SEVE	Oct-17	151.0	3.0	Global Equity (active pooled)	MSCI World GDR	+18.4	+16.9	+1.5	+8.0	+5.2	+2.8
Impax	Aug-08	0.0	0.0	Global Equity (active segregated)	MSCI AC World GDR	n/a	+n/a	n/a	-13.9	+5.3	-19.2

Diversifying Growth Assets											
Brunel Multi-Asset Credit	Jun-21	417.9	8.2	Multi asset credit	SONIA +4%	+5.8	+8.3	-2.5	+8.4	+9.2	-0.8
Townsend	Apr-13	399.5	7.8	Real Assets (active segregated & pooled)	RPI (target RPI + 4% over rolling 5 years)	-2.2	+4.1	-6.2	+1.4	+3.2	-1.8
Private Lending	Apr-15	180.2	3.5	Private Lending (active pooled)	3 Month Sterling LIBOR	+8.8	+4.0	+4.8	+7.5	+4.9	+2.6
Brunel EAPF GRI Elective	Aug-24	136.4	2.7	Secured Finance	CPI	-0.6	3.3	-3.9	0.0	0.0	0.0
Brunel Infrastructure	Oct-22	47.2	0.9	Real estates (pooled)	CPI	+8.8	+3.3	+5.5	+6.1	+2.6	+3.5
Brunel Private Debt	Dec-22	38.2	0.7	Private Lending (active pooled)	SONIA +4%	+16.3	+16.6	-0.3	+9.9	+9.2	+0.7
Bonds Corporate Bonds											
Brunel - BlackRock LDI	Oct-21	1,274.4	25.0	Liability Driven Investment	Bespoke Liability Benchmark	+3.7	+3.7	0.0	-10.8	-10.8	0.0
Brunel Sterling Corporate Bonds	Jul-21	455.8	8.9	Sterling Corporate Bonds (pooled)	iBoxx £ Non Gilt all bonds	+5.7	+4.4	+1.3	+4.2	+2.4	+1.8
Brunel - BlackRock Buy and Maintain Credit	May-23	198.5	3.9	Pooled Fixed Interest	BlackRock Buy and Maintain Credit BM	+14.6	+14.6	0.0	+2.7	+2.7	0.0
Cash & Other											
Other net assets		154.1	3.0								
Total Fund		**5,100.7**	**100.0**		**Strategic Benchmark**	**+6.5**	**+9.4**	**-2.9**	**+2.1**	**+2.9**	**-0.8**

Notes:
These performance numbers are based on bid price valuations and the performance relative to benchmark is shown as Fund return less Benchmark return (arithmetic basis).
Impax was terminated on 10th March 2025 and just residual cash from tax received remains.

Portfolio analysis

The table below shows the distribution of net investment assets by market value as at 31 March 2026, in £ millions

	Private Lending	Private Equity	UK Equities inc. Pooled Equities	Overseas equities including pooled equities					Pooled Fixed Interest	Liability Driven Investments	Pooled Property	Pooled Infrastructure, Agriculture & Timberland	Cash	Other net investments inc. Derivatives	£m Total
				North America	Europe (exc UK)	Emerging Markets & other	Asia Pacific (exc Japan)	Japan							
Brunel-BlackRock LDI										1,274.4					**1,274.4**
Brunel Sterling Corp Bonds									455.8						**455.8**
Brunel-MAC	243.4								174.5						**417.9**
Brunel-GSE			26.5	283.4	71.6	10.6	8.8	14.4							**415.3**
Generation				240.6	109.9	17.2	1.9						7.5	3.1	**380.2**
Townsend											142.2	212.6	13.0		**367.8**
Targeted Ops		329.0									37.0				**366.0**
Brunel Paris Aligned Benchmark			10.6	220.1	44.8	0.2	11.2	16.6							**303.5**
Brunel-Private Markets	38.2	136.4										47.2	2.4		**224.2**
Brunel-PD-BlackRock Buy&Maintain									196.7				4.3	1.7	**202.7**

Cash & Other													191.8	-2.7	**189.1**
Brunel Low Vol			12.7	119.6	23.4		4.6	14.6					0.3		**175.2**
Illiquid Credit	170.1														**170.1**
Robeco SEVE			5.7	100.3	27.2		5.2	12.6							**151.0**
Stafford		6.3											1.3		**7.6**
£m Total	**451.7**	**471.7**	**55.5**	**964.0**	**276.9**	**28.0**	**31.7**	**58.2**	**827.0**	**1,274.4**	**179.2**	**259.8**	**220.6**	**2.1**	**5,100.8**
% of Fund	9.0%	9.2%	1.1%	18.9%	5.4%	0.6%	0.6%	1.1%	16.2%	25.0%	3.5%	5.0%	4.3%	0.1%	**100.0%**

(Note: May not add up exactly due to rounding)

Pension Fund administration

Reporting Requirements

In April 2024, the Scheme Advisory Board (SAB) for the Local Government Pension Scheme (LGPS) published new guidance for the publication of Annual Reports. In accordance with this guidance, the administration section of this report must include a summary on:

- Activities undertaken by the administration function during the year
- Performance against Key Performance Indicators (KPIs)
- Member and scheme employer numbers by category
- Actions taken to deliver the communications policy
- Value for money achieved by the administration function
- 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 LGPS, with over 31,000 members of the Active pension fund, made up of four participating scheme employers:

1) Environment Agency (EA) (scheduled body)
2) Natural Resources Wales (NRW) (admitted body)
3) Shared Services Connected Ltd (SSCL) (admitted body)
4) Tialis Essential IT Manage Limited (Tialis) (admitted body)

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

The work delivered by Capita includes:

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

New Admitted Body

Following a multi-generation transfer, as part of the Defra group information technology services contract, awarded to Atos in March 2025 (sub-contracted to Tialis from 1 September 2025), a closed admission agreement has been put in place to allow four transferees access to the LGPS under EAPF from 1 September 2025. In line with New Fair Deal arrangements, a comprehensive legal process has enabled this transfer, which the Committee approved in principle in December 2025, subject to the final agreement being signed by all parties. This agreement was signed in June 2026, with membership backdated to September 2025. (Note: these members were not included in our membership totals as at 31 March 2026).

Benefits Working Group

The EAPF management team continues to engage with the EAPF's Benefits Working Group periodically throughout the year. The group is made up of Committee Member representatives, 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 early 2026. Meetings are held in person and virtually, with all agenda items recorded and action points monitored to completion.

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 may impact on the fund's administration; as well as review operational objectives and improvements.

Active Fund membership

All full or part-time employees of the Environment Agency (EA), whether permanent or temporary, are admitted to the EAPF as active members of the LGPS. Employees retain the right to opt out but are subsequently re-enrolled in line with their Scheme Employer's automatic enrolment obligations.

The 12 months ended 31 March 2026 has seen a 1.73% increase in the Fund's active members (2025: increase of 1.39%). Deferred membership has decreased by 1.00% (2025: decrease of 0.86%) and there has been a 5.52% increase in pensioners (2025: increase of 4.78%).

Movement in number of members and pensioners

	Active members	Deferred members	Current pensioners	Total
As at 1 April 2025	**14,076**	**8,334**	**8,887**	**31,297**
Adjustment for late notifications	(17)	(118)	97	(38)
Revised opening balance	**14,059**	**8,216**	**8,984**	**31,259**
Add:				
New active members	1,151			1,151
New deferred members		396		396
New pensioners – retirement			510	510
New pensioners – dependent			109	109
Unsuspended			3	3
	1,151	**396**	**622**	**2,169**
Less:				
Deferred benefits	(396)			(396)
New retirement pensions	(282)	(228)		(510)
Deaths in service	(16)			(16)
Refunds of contributions	(41)			(41)
Options pending	(102)			(102)
Transfers out – individual		(123)		(123)
Non member status	(53)			(53)
Unknown member status	(1)			(1)
Deaths in deferment		(8)		(8)
Commutation of pension		(2)	(2)	(4)
Death in retirement			(197)	(197)
Suspended/Ineligible pensions			(29)	(29)
	(891)	**(361)**	**(228)**	**(1,480)**
As at 31 March 2026	**14,319**	**8,251**	**9,378**	**31,948**

(Note: the additional four members under Tialis were not included in this membership breakdown).

Age profiles of members and pensioners

Age profile of active members as at 31 March	2026		2025	
	No.	%	No.	%
15-19	11	0.1	12	0.1
20-24	392	2.7	451	3.2
25-29	1,468	10.3	1,427	10.1
30-34	1,663	11.6	1,579	11.2
35-39	1,674	11.7	1,673	11.9
40-44	1,952	13.6	1,992	14.2
45-49	2,154	15.0	2,090	14.8
50-54	1,961	13.7	1,890	13.4
55-59	1,779	12.4	1,781	12.7
60-64	1,024	7.2	958	6.8
65-69	203	1.4	193	1.4
70-74	38	0.3	30	0.2
Total	**14,319**	**100**	**14,076**	**100**

Age profile of deferred members as at 31 March	2026		2025	
	No.	%	No.	%
Under 20	1	0.1	0	0.0
20-24	13	0.2	8	0.1
25-29	146	1.7	155	1.9
30-34	389	4.7	410	4.9
35-39	700	8.5	765	9.2
40-44	1,273	15.4	1,424	17.0
45-49	1,759	21.3	1,706	20.4
50-54	1,687	20.4	1,663	20.0
55-59	1,554	18.8	1,530	18.3
60-64	608	7.3	558	6.7
65-69	99	1.2	92	1.1
70-74	15	0.2	15	0.2
75-79	6	0.1	6	0.1
80+	1	0.1	2	0.1
Total	**8,251**	**100**	**8,334**	**100**

Age profile of current pensioners at 31 March	2026		2025	
	No.	%	No.	%
Child dependents	93	1.0	85	1.0
Pensioners and spouses				
Under 50	46	0.5	53	0.6
50-54	57	0.6	41	0.5
55-59	343	3.7	324	3.6
60-64	1,488	15.8	1,385	15.6
65-69	1,910	20.3	1,861	20.9
70-74	1,904	20.3	1,874	21.1
75-79	1,767	18.8	1,677	18.8
80-84	1,099	11.7	982	11.1
85-89	508	5.4	466	5.2
90-94	146	1.6	135	1.5
95-99	16	0.2	4	0.1
100+	1	0.1	0	0.0
Total	**9,378**	**100**	**8,887**	**100**
Total membership	**31,948**		**31,297**	

Summary of active member retirements

	2026	2025
Voluntary Retirement from age 55*	150	112
Flexible retirement (from age 55)**	63	63
Late Retirement after NPA	47	46
Ill Health Retirement (all ages) Tier 1	21	18
Ill Health Retirement (all ages) Tier 2	0	1
Ill Health Retirement (all ages) Tier 3	1	1
Total retirements	**282**	**241**

*of which there are *no cases where employer consent has been awarded to apply 85-year rule protection before age 60.*
***EAPF use the term partial retirement*

Increases to Pensions

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

From 6 April 2026, pensions in payment and deferred benefits received an increase of 3.8% (compared to 1.7% on 7 April 2025).

The following table shows the rate of increases that have applied to pensions in payment and deferred pensions since 2017:

April	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
% increase	1.0	3.0	2.4	1.7	0.5	3.1	10.1	6.7	1.7	3.8

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 48,938 member requests/queries during 2025/26 (Active and Closed pension funds), as well as paying pensions to 9,378 pensioner members under the Active pension fund. The casework completed during the year has decreased by 26% on last year (2024/25: 66,134). This reduction reflects a stabilisation in volumes following an elevation in activity during 2024/25, which included significant backlog clearance and remediation work, alongside a lower level of new casework during 2025/26. Over the year, Capita achieved overall service compliance of 97.58% against the casework completed for the Active fund. This is compared to 93.94% for 2024/25.

Administration performance during the year has been monitored through a set of casework key performance indicators covering the main pension administration activities. These KPIs show the volume of work received, the number of cases completed, and completion rates, with comparison to the previous year to provide context. Performance was strong across most core case types, including retirements, dependent benefits, refunds, member estimates and new joiner processing, with completion rates improving in several areas compared with the previous year. Lower completion rates in certain areas, particularly transfers in, reflect the complexity of these cases and the Fund's reliance on information from external parties, alongside increased volumes of work received during the year. The Fund continues to monitor performance and backlog levels closely, with a focus on prioritising high-impact cases and improving overall case completion rates where pressures remain.

A breakdown of Capita's performance against the Key Performance Indicators (KPIs) is shown below under **Annex 3.**

Active Fund administration costs for the year to the 31 March 2026 were £1,996k (2025: £2,056k) including work on GMP reconciliation, member tracing and data reviews plus member communications and postage costs. The EAPF benchmarks its fund administration costs annually through the public accounting body CIPFA. For 2025/26 data the CIPFA average was £24.39 (2024/25: £25.93) per member. Across both our Active and Closed Funds, our average cost for 2025/26 was £28.17 (2024/25: £27.90) per member.

The total number of staff allocated by Capita to the EAPF administration contract is 25, of which 24 deal solely with pension benefits administration. Based on a membership of 40,190 across both the Active and Closed Funds on 31 March 2026, this represents an average of 1,675 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 2026, 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 2025.

CPSL Directors have confirmed that none of their key controls have materially changed from the date of this reporting period, 31 December 2025 to 31 March 2026.

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 33 cases, across both Active and Closed Funds, where the EAPF had not been notified of the death of a member. Of these 32 were pensioner members and one was a deferred member. The necessary follow-up actions have been undertaken.

As a general principle, the EAPF investigates cases where fraud is suspected. The case is pursued, and where possible, any overpayment recovered via an agreed repayment plan (if necessary, legal action is taken). The monthly mortality checks are therefore in place to help reduce potential fraud on the EAPF. There were no confirmed fraud cases for 2025/26.

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 use Intellica (a pension data specialist with unique software solutions to provide deep data analytics and insights). This enables 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 believe it is imperative to retain full oversight of data quality. Quarterly tests are undertaken and results reported to the EAPF management team. Results against common and scheme specific data are then reported annually in accordance with TPR guidelines.

The data scoring for the period 31 March 2026 is shown below.

	31 March 2026	31 March 2025
Common data	99.26%	99.19%
Scheme Specific	91.69%	91.75%

Data Security

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

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

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

Pensionable Pay Rectification

Since 2021, the Environment Agency, Defra and SSCL have worked hard to correct errors relating to the pension administration services. The EA, Defra and SSCL have identified improvements that can be made to the pension administration services and will continue to work together to implement those improvements.

McCloud Judgement Rectification

Progress has continued with the delivery of the McCloud remedy in line with national guidance and regulatory requirements. With approval from Committee, via the Benefits Working Group in August 2025, to apply a determination to formally extend the implementation deadline to 31 August 2026, recalculations for the pensioner population have remained the primary focus. Calculations and quality assurance are substantially complete, and member communications are being issued during Spring 2026. Final calculation adjustments and payroll implementation are scheduled for Summer

2026, with the intention that most pensioner remedy outcomes are implemented ahead of 31 August 2026.

Work is also in train on the final and more complex phase of rectification covering cases with no ongoing liability, such as historic transfers and death cases. This phase is being closely monitored as there is a risk it may not be completed by 31 August 2026, due to additional data availability and external dependencies. Given the risk of completing after August 2026, proactive engagement with The Pensions Regulator (TPR) is planned, to ensure transparency and statutory oversight. The Committee and Benefits Working Group are well informed and have been supporting Officers to navigate the challenges.

Pensions Dashboard

Significant progress has been made with Capita in getting ready for the introduction of Pensions dashboard in 2027. In December 2025, the Fund was successfully connected to the dashboard system. Further preparatory work is continuing while national testing takes place through to September 2026. Work has also progressed on preparing the information needed to show members the value of their pension benefits on the dashboard. This includes agreeing an annual automated process for active and deferred members, confirming arrangements with 3 additional voluntary contribution (AVC) providers, and putting the necessary links in place for Standard Life.

A public launch date for pensions dashboard has not yet been confirmed. Pension schemes will be given at least 6 months' notice before the dashboard goes live. Based on current national plans, dashboards are expected to be available from spring or summer 2027, subject to the successful completion of testing.

Administration Strategy

The Committee approved a new future-facing strategy in October 2025, with a view to having greater oversight of all opportunities, risks and challenges facing the EAPF in the next 3-5 years. The strategy can be seen on the EAPF at **www.eapf.org.uk/trustee/governance-policies**. A planned delivery roadmap to support the strategy is in train and will be introduced later in 2026/27. The roadmap will underpin the strategy by providing the pathway to achieve the fund's strategic vision and objectives.

Regulatory Update

In May 2025, the Government announced that they would be implementing the Access and Fairness reforms, aiming to close the gender pensions gap in the LGPS and harmonise historic inequalities that existed within the Scheme's rules. A consultation with proposed Scheme changes was launched on 15 May 2025 and closed on 7 August 2025. The LGPS (Miscellaneous Amendments) (Member Benefits) Regulations 2026 were laid on 6 March 2026 and become effective from 1 April 2026.

See **Annex 1** for further information.

The Government launched another consultation on 13 October 2025 - LGPS: Scheme Improvements (Access & Protections). The main areas of interest covered the increase in the Normal Minimum Pension Age (NMPA) (55 to 57) in April 2028, and an update to New Fair Deal arrangements. The consultation closed on 22 December 2025. To date, the Government have yet to respond to the consultation.

Project Synergy

A new digital solution (HR and finance systems) for Defra group, has been announced as part of the wider synergy cluster (Defra group, Department for Work and Pensions, Ministry of Justice, and Home Office). Work to ensure LGPS / EAPF functionality under the local design phase will start in June 2026. This is where specific scheme related data requirements will be recognised.

New Independent Water Regulator (IWR)

On 23 October 2024, the UK and Welsh Governments launched an Independent Commission into the water sector and its regulation - the largest review of the water industry since it was privatised in 1989. The final report was published on 21 July 2025. Of the many recommendations made, the main headline was to replace Ofwat, the Drinking Water Inspectorate (DWI), and the water-related functions of the Environment Agency (EA) and Natural England (NE), with a single new regulator.

Member Engagement and Communications

Twelve webinars were delivered to 2,014 members over a seven week period during 2025/26 (inc. the deferred and pensioner webinar). The series covered pension basics, retirement planning, increasing benefits, and EAPF investments. The average attendance is higher than in previous years, which is positive and indicative of the fund's engaging membership.

There has been clear demand for better education and retirement planning – engaging effectively with Scheme members (inc. Line Managers) is a key priority for next year. The webinar series has underlined the desire among Scheme members to evolve as stakeholders.

To better educate Scheme members, improvements have been made to the information provided to new starters – the aim being to engage earlier, underline the various channels and information on offer, and deliver a webinar in the first few months of employment. Officers engage with the internal EDI team, with the intention of having more presence at network events (where possible) and delivering tailored content where needed.

Work is ongoing to engage Scheme members over the regulatory changes (Access & Fairness) that took effect from 1 April 2026. The key messages to members concern changes relating to authorised unpaid leave and authorised unpaid child related leave.

The gradual move to more electronic communications continues to evolve as technology allows, ensuring non-digital members are not disadvantaged. The EAPF website **www.eapf.org.uk** is the main resource for members, providing a wealth of resources, factsheets, guides, videos and presentations, as well as all fund news.

Breaches of the Law

There were 47 breaches recorded under both the Active and Closed funds, made up of seven data related breaches and 40 regulatory breaches. All bar one were deemed to be low-risk and therefore non-reportable. Only one breach was reported to TPR in September 2025, which impacted members of both the Active and Closed funds.

A significant number of regulatory breaches relate to refunds of contributions not being paid within 5 years of a former member's leaving date - a requirement that's being removed from the Scheme regulations later in 2026, because of the changes made after the Government's Access & Fairness consultation.

Complaints

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

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

At Stage 1, the dispute will be reviewed by a person nominated by the Environment Agency to investigate complaints regarding decisions made under LGPS regulations, known as the 'specified

person'. If a member disagrees with the Stage 1 decision, they can progress to Stage 2 where the dispute will be reviewed by a representative of the Administering Authority. If still in disagreement, a member can apply to TPO for further adjudication, but their decision will be binding decision. If justified, TPO also has the power to award compensation for any distress, inconvenience, or financial loss.

In 2025/26, Capita received 138 formal complaints from Active Fund and Closed Fund members (compared to 255 in 2024/25), which attributed to less than 0.28% of the casework started during the year. All complaints have since been resolved.

The number of IDRP cases received during 2025/26 is higher than anticipated – seven cases (Stage 1), compared to four cases in 2024/25. Of these cases, only one was fully upheld. All cases have been closely monitored and learnings taken forward with Capita where relevant. No cases were escalated to TPO.

No formal complaints have been registered by any of EAPF's scheme employers during 2025/26. The EAPF's management team prides itself on the strong relations built with relevant personnel at NRW, the DEFRA Employee Benefits & Pensions team (on behalf of the Environment Agency) and SSCL to ensure all administration issues are actively managed and resolved with Capita in a timely manner.

Foreword to the financial statements

Roles and responsibilities of the Pensions Committee

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

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

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

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

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

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

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

Summary of the financial statements

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

The Fund recorded a strong financial performance during the year ended 31 March 2026, with net assets increasing by £355.0m to £5.1bn (2025: £4.8bn). This represents growth of approximately 7.4% over the prior year and reflects positive investment performance together with continued net inflows from member-related activities.

Net additions from dealings with members increased to £52.3m (2025: £9.8m). Contributions received during the year rose to £186.1m from £137.3m in the previous year, reflecting advanced employer contributions received in March 2026 for future years. Transfer values received from other pension funds amounted to £14.7m (2025: £17.0m).

Benefits paid to members totalled £144.0m, compared with £136.3m in the prior year, reflecting the continued maturity of the Fund and an increasing pensioner payroll. Payments to and on account of leavers decreased to £6.7m from £8.2m in 2025.

Management expenses were £24.8m (2025: £26.0m), a reduction on the prior year and demonstrating our continued focus on cost control and operational efficiency.

The Fund generated net returns on investments of £327.2m during the year, higher than the £116.9m achieved in 2025. Investment income remained strong at £57.2m (2025: £63.5m), while gains on investments and changes in market value increased to £269.8m (2025: £53.6m), reflecting market conditions and strong investment performance.

Overall, the Fund remains in a strong financial position at year end, supported by its investment returns, positive cash flows from member activities, and continued growth in net assets.

In order to comply with Regulation 4(2)(b) of the Pension Scheme (Management and Investment Funds) Regulation 2009, Additional Voluntary Contributions (AVCs) paid and the AVC assets are not included in the Fund's financial statements. However, the value of the AVCS are disclosed for information purposes only in Note 23.

Statement by the Consulting Actuary

Environment Agency Active Fund ('the Fund') Actuarial Statement for 2025/26

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 2026. In summary, the key funding principles are as follows:

- To ensure the long-term solvency of the overall Fund
- To ensure the solvency of each individual employers' share of the Fund based on their expected term of participation in the Fund
- To maximise the returns from investments within reasonable and considered risk parameters and hence minimize the cost to the employer
- To minimize the degree of short-term change in employer contribution rates
- To ensure that sufficient cash is available to meet all liabilities as they fall due for payment
- To help employers manage their pension liabilities

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised to have a sufficiently high likelihood of achieving the funding target over 20 years. Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is at least an 85% likelihood that the Fund will achieve the funding target over 20 years.

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2025. This valuation revealed that the Fund's assets, which at 31 March 2025 were valued at £4,764 million, were sufficient to meet 143% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting surplus at the 2025 valuation was £1,426 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving their funding target within a time horizon and likelihood measure as per the FSS. Individual employers' contributions for the period 1 April 2026 to 31 March 2029 were set in accordance with the Fund's funding policy as set out in its FSS.

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2025 valuation report and FSS.

Method

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

Assumptions

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

The key financial assumptions adopted for the 2025 valuation were as follows:

Financial Assumptions (% p.a.)	31 March 2025
Discount Rate	5.4%
Salary increase assumption	2.8%
Benefit increase assumption (CPI)	2.3%

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 2024 model, with core parameterisation, except, initial addition of 0.25% and a long term rate of 1.50% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

Pensioners	Males	Females
Current pensioners	22.0 years	24.6 years
Future pensioners*	23.0 years	26.1 years

*Aged 45 as at 2025 valuation.

Copies of the 2025 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 2025

The increase in US tariffs on imports since March 2025 and the recent conflict in the Middle East have caused significant market volatility which feeds through to the investment returns achieved by the Fund's assets. The Fund's overall investment returns since March 2025 have been positive.

Observed inflation has been higher than anticipated over 2026, resulting in LGPS benefit increases of 3.8% in April 2026 and an increase in the value placed on the Fund's liabilities.

Overall, we estimate that the funding position is likely to be weaker than at the previous formal valuation at 31 March 2025. Liabilities were estimated to be £3,830m on the funding basis as at 31 March 2026, implying that the Fund's assets were sufficient to meet 134% of the liabilities accrued up to that date.

The next actuarial valuation will be carried out as at 31 March 2028 and will be finalised by 31 March 2029. The Funding Strategy Statement will also be reviewed during the valuation, and a revised version will come into effect from 1 April 2029.

Prepared by:

Barry Dodds FFA C.Act

12 May 2026

For and on behalf of Hymans Robertson LLP

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

Opinion on financial statements

I have audited the financial statements of the Environment Agency Active Pension Fund ('the Fund') for the year ended 31 March 2026 which comprise the:

- Fund Account;
- Net Assets Statement as at 31 March 2026; 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 2025/26.

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 2026 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 2025/26 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 2025/26, 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 and Accounting Officer, 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 2025/26;
- 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 2025/26, 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 2025/26, 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: 10 July 2026

Financial statements for the year ending 31 March 2026

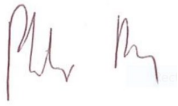
Fund account	Notes	2026 £000	2025 £000
Dealings with members, employers and others directly involved with the Fund			
Contributions	7	186,121	137,285
Transfer in from other pension funds	8	14,723	17,002
Other income	9	2,502	-
		203,346	**154,287**
Benefits	10	(144,318)	(136,258)
Payments to and on account of leavers	11	(6,720)	(8,186)
		(151,038)	**(144,444)**
Net additions from dealings with members		**52,308**	**9,843**
Management expenses	12	**(24,804)**	**(25,986)**
Return on investments			
Investment income	13	57,622	63,510
Taxes on income	14	(222)	(142)
Profit and loss on disposal of investments and changes in the value of investments	15a	269,797	53,580
Net returns on investments		**327,197**	**116,948**
Net increase in the Fund during the year		**354,701**	**100,805**
Opening net assets of the Fund at 1 April		4,763,912	4,663,107
Closing net assets of the Fund at 31 March		**5,118,613**	**4,763,912**

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

Net assets statement	Notes	2026 £000	2025 £000
Long term investments	15a	786	750
Investment assets	15b	5,105,218	4,753,506
Investment liabilities	15b	(4,468)	(796)
Total net investments		**5,101,536**	**4,753,460**
Current assets	21	23,553	18,876
Current liabilities	22	(6,476)	(8,424)
Closing net assets of the Fund at 31 March		**5,118,613**	**4,763,912**

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

The Actuary's statement dated 12 May 2026 is based on a formal valuation as at 31 March 2025. The notes on pages 60 to 95 form part of these financial statements.



Lilli Matson
Chair
Environment Agency Pensions Committee
10 July 2026

Philip Duffy
Accounting Officer
Environment Agency
10 July 2026

Notes to the financial statements

1. Description of the Fund

The Environment Agency Active Pension Fund is part of the Local Government Pension Scheme (LGPS) and is administered by the Environment Agency. The Environment Agency is the reporting entity for this Fund. The Fund is overseen by the Environment Agency Pension Fund Committee. The EAPF is a multi-employer Fund: Environment Agency, Natural Resource Wales (NRW), Shared Services Connected Limited (SSCL) and Tialis. It is open to all eligible Environment Agency employees but is closed to new employees of NRW, SSCL and Tialis.

General

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

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

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

Membership

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

As at 31 March 2026, total membership of the Fund is 31,950 (2025: 31,297), represented by 14,312 active members, 8,260 deferred members and 9,378 current pensioners.

Funding

Benefits are funded by employer and employee contributions and investment earnings. Employers' contributions are set based on triennial actuarial funding valuations. The latest formal valuation was as at 31 March 2025. This becomes effective from 1 April 2026. Since the 2022 valuation became effective on 1 April 2023 the Environment Agency contributed the equivalent of 19.0% of pensionable pay per annum, a fixed annual rate of £7m was payable by Natural Resources Wales and 22.7% of pensionable pay for Shared Services Connected Limited. Employee contributions are made by active members in accordance with the Local Government Pension Scheme Regulations 2013 and ranged from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2026.

Benefits

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

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 2025/26 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. They are prepared on a going concern basis due to a covenant from Defra who are the financial sponsors of the Environment Agency under the Environment Agency Act 1995 and the MHCLG as the statutory guarantors of the LGPS. The accounting policies have been drawn up in line with recommended accounting principles within the overall Code of Practice on Local Authority Accounting framework.

3. Summary of significant accounting policies

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

Contribution income

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

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

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

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

Transfers to and from other schemes

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

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

Refunds

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

Benefits payable

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

Management expenses

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

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

Apportionment of common expenditure	2025/26 AF/CF %	2024/25 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 are also accounted for on an accrual's basis.

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

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

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

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

Change in market value

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

Taxation

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

Financial assets

The long-term investment in the Brunel Pension Partnership asset pool has been revalued from £750k in 2025 to £786k as at 31 March 2026. The Environment Agency Pension Fund and its nine other partner Funds in the pool, collectively agree that the market value of this investment as at 31 March 2026 can be reasonably assessed from the Brunel Pension Partnerships audited Annual Report and Accounts. Therefore, their Statement of Changes of Equity as at 30 September 2025 is deemed an appropriate estimate of fair value.

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

The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13. For the purposes of disclosing levels of fair

value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

Foreign currency transactions

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

Impairment

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

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

Derivatives

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

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

Cash deposits and instruments

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

Financial Liabilities

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

Defined Benefit Obligation

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

Additional Voluntary Contributions

The EAPF provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from the Pension Fund. The Fund has open arrangements with Prudential and Standard Life as well as closed arrangements with Utmost Life and Clerical Medical. AVCs are paid to the

AVC providers by employers and specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

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

Contingent assets and contingent liabilities

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

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

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

4. Critical judgments in applying accounting policies

The long-term investment in Brunel has been revalued on the basis that the fair value as at 31 March 2026 can be derived from the Brunel Pension Partnerships Annual Report and Accounts. Their Statement of Changes of Equity is therefore deemed an appropriate estimate of fair value. Management review this valuation annually.

The Pension Fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 19. This estimate is subject to significant variances based on changes to the underlying assumptions.

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

The financial statements contain figures that are based on assumptions made by our managers. Estimates are made taking into account historical experience, current trends and other relevant factors. The items in the net assets statement at 31 March 2026 for which there is a risk of material movement in the forthcoming financial year is as follows:

Item	Uncertainties	Effect of actual results differ from assumptions
Pooled property and infrastructure funds, private equity, private debt, long term investments	These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	There is a risk that this investment may be under or overstated in the accounts. The total value of these investments as at 31 March 2026 is £1,363m as shown on page 77 under the 'sensitivity of assets valued at Level 3' table.

6. Events after the net asset statement date

The financial statements were reviewed and approved for signing by the Pensions Committee on 18 June 2026 and are signed under delegated authority of the Board. These will also be noted at the next available meeting of the Board.

Government reforms to the LGPS Pooling Arrangements in England and Wales

As part of the Government Fit for the Future reforms, all LGPS funds must be in a pooled company from 1 April 2026. As such the EA Active and Closed Pension funds joined the Local Pension partnership Investments (LPPI) as a shareholder and client from this date. More details on page 28.

Geopolitical Developments in the Middle East

Geopolitical tensions in the Middle East continued to escalate. The conflict has contributed to increased volatility across global financial markets, including movements in equity, bond, currency and energy markets. The Pensions Committee and its advisers continue to monitor developments and assess the potential impact on the Fund's investment portfolio.

New employer - Tialis

On 1 June 2026, the Fund entered into a closed admission agreement with Tialis. The admission became effective on 1 September 2025. As the agreement was not in place at 31 March 2026, and relates to a small membership, no adjustment has been made as at the balance sheet date. More details on page 40.

7. Contributions

By contribution type	2026 £000	2025 £000
Employer		
Normal	102,113	91,514
Advanced	42,345	6,894
Special	105	-
	144,563	**98,408**

Members		
Normal	41,210	38,467
Purchase of added years	348	410
	41,558	**38,877**
Total	**186,121**	**137,285**

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

By employer	2026 £000	2025 £000
Environment Agency		
Employer normal	102,067	91,469
Employer advanced	36,500	-
Employer special	105	-
	138,672	**91,469**
Employee normal	38,908	36,201
Employee purchase of added years	344	402
	39,252	**36,603**
	177,924	**128,072**
Natural Resources Wales		
Employer normal	5	5
Employer advanced	5,845	6,894
	5,850	**6,899**

Employee normal	2,290	2,254
Employee purchase of added years	4	8
	2,294	**2,262**
	8,144	**9,161**
SSCL		
Employer normal	41	40
Employee normal	12	12
	53	**52**
Total	**186,121**	**137,285**

The Environment Agency paid £36.5m advanced contributions towards 2026/27, 2027/28 and part of 2028/29 in March 2026. NRW also paid their 2026/27 contribution requirement of £5.8m in full.

8. Transfer values in from other pension funds

	2026 £000	2025 £000
Individual transfers from other schemes	11,738	15,068
AVC transfers	2,985	1,934
Total	**14,723**	**17,002**

Transfer values have been paid into the scheme ('cash equivalents' within the meaning of Part 1 of Schedule 5 to the Pensions Scheme Act 1993), and service credits given for transfers received, calculated in accordance with the method and assumptions on the advice of the Actuary and based on guidelines issued by the Institute and Faculty of Actuaries. No discretionary benefits have been included in the calculation of transfer values. AVC transfers represent amounts disinvested from the AVC arrangements disclosed in Note 23 during the year and subsequently used to fund benefits.

9. Other income

	2026 £000	2025 £000
Compensation	2,502	-
Total	**2,502**	**-**

Other income represents the completion of the Pensionable Rectification Pay project.

10. Benefits

	2026 £000	2025 £000
Retirement and dependent's pensions	117,097	113,203
Lump sum retirement grants	23,813	20,234
Lump sum death grants	3,382	2,634
Taxation where annual allowance exceeded	26	187
Total	**144,318**	**136,258**

11. Payments to and on account of leavers

	2026 £000	2025 £000
Individual transfers to other schemes	6,531	7,990
Refunds of contributions	185	196
AVC transfers	4	-
Total	**6,720**	**8,186**

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

12. Management expenses

	2026 £000	2025 £000
Administration costs		
Scheme administration	**1,996**	**2,056**
Oversight and governance costs		
Specialist advice	1,911	2,486
Environment Agency Pension Fund management	1,318	1,110
External audit	104	81
	3,333	**3,677**
Investment management expenses		
Management fees	19,166	19,918
Transaction costs	261	275
Custody fees	48	60
Performance related fees	-	-
	19,475	**20,253**
Total	**24,804**	**25,986**

Specialist costs are lower this year due to the completion of the Pensionable Rectification Pay project.

Investment management expenses can be further analysed as follows:

2025/26	Total £000	Management fees £000	Transaction costs £000
Private equity	6,891	6,891	-
Pooled equities	5,134	4,873	261
Long term investments	2,433	2,433	-
Equities	2,146	2,146	-
Private debt	2,067	2,067	-
Pooled property and infrastructure	712	712	-
Cash and FX	44	44	-
Pooled fixed interest	-	-	-
Total	**19,427**	**19,166**	**261**
Custody fees	48	-	-
Total	**19,475**		

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

Custody fees	60	-	-
Total	**20,253**		

13. Investment income

	2026 £000	2025 £000
Income from private equity	22,668	25,610
Income from pooled property and infrastructure	12,101	16,512
Income from pooled investment vehicles	10,076	5,061
Interest on cash deposits	7,217	9,098
Dividends from equities	3,967	5,858
Fee rebate	1,522	1,362
Other investment income	71	9
Total	**57,622**	**63,510**

14. Taxes on income

	2026 £000	2025 £000
Withholding tax – equities	(222)	(142)
Total	**(222)**	**(142)**

15. Investments

a) Investment movements summary 2025/26

Financial year to the 31 March 2026	Market value at 01.04.25	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Asset transfer purchases	Asset transfer sales	Change in market value	Market value at 31.03.26
	£000	£000	£000	£000	£000	£000	£000
Pooled fixed interest	1,629,311	667,505	(285,400)	-	-	89,915	2,101,331
Pooled equities	1,296,524	4,146	(378,400)	-	-	122,380	1,044,650
Private equity	287,333	139,941	(24,235)	-	-	68,647	471,686
Private debt	445,465	35,378	(49,080)	-	-	19,954	451,717
Pooled property and infrastructure	444,342	43,352	(24,283)	16,370	(16,370)	(24,441)	438,970
Equities	413,435	293,321	(330,435)	-	-	(6,710)	369,611
FX and derivatives	405	13,712	(18,266)	-	-	746	(3,403)
	4,516,815	**1,197,355**	**(1,110,099)**	**16,370**	**(16,370)**	**270,491**	**4,874,562**
Cash deposits and instruments	234,605	-	-	-	-	(730)	220,610
Other investment balances	1,290	-	-	-	-	-	5,578
Total	**4,752,710**					**269,761**	**5,100,750**

Long term investments	**750**	**-**	**-**	**-**	**-**	**36**	**786**
Total	**4,753,460**					**269,797**	**5,101,536**

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

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

The value of our long term investment in Brunel has been reflected at fair value as per previous years. Whilst Brunel is a non-going concern there is a high likelihood of this capital being returned to the Fund.

Asset transfer purchases and sales are in respect of assets under Townsend that transferred from Federated Hermes to Managed Property Fund in August 2025.

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

Investment movements summary 2024/25

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

Long term investments	**722**	**-**	**-**	**-**	**-**	**28**	**750**
Total	**4,647,992**					**53,580**	**4,753,460**

Investment value details

Investment assets	2026 £000	2025 £000
Equities	**369,611**	**413,435**
Pooled equities	**1,044,650**	**1,296,524**
Pooled fixed interest	**2,101,331**	**1,629,311**
Private equity	**471,686**	**287,333**

Pooled property and infrastructure		
Infrastructure funds	259,765	231,866
Pooled property	179,205	212,476
	438,970	**444,342**
Private debt	**451,717**	**445,465**
Derivatives		
Forward foreign exchange	**(3,403)**	**405**
Futures	**-**	**-**
Cash deposits and instruments		
Cash with custodian and fund managers	**220,610**	**234,605**
Other investment balances		
Amounts due from trade and currency brokers	2,993	-
Accrued income	2,426	1,021
Income tax recoverable	840	644
Amounts due to trade and currency brokers	(681)	(375)
	5,578	**1,290**
Net investment assets	**5,100,750**	**4,752,710**
Long term investments	**786**	**750**
Total investment assets	**5,101,536**	**4,753,460**

b) Investment assets and liabilities

	2026 £000	2025 £000
Financial assets		
Bonds (includes pooled and gilts)	2,101,331	1,629,311
Equities (includes pooled and private equity)	1,885,947	1,997,292
Private debt	451,717	445,465
Pooled property and infrastructure	438,970	444,342
Cash	220,610	234,605
Other investment assets	6,259	1,665
Derivatives – Futures and forward foreign exchange	384	826
Total financial assets	**5,105,218**	**4,753,506**
Financial liabilities		
Derivatives – Futures and forward foreign exchange	(3,787)	(421)
Amounts due to trade and currency brokers (including cash margin with brokers)	(681)	(375)
Total financial liabilities	**(4,468)**	**(796)**
Long term investments	**786**	**750**
Net investment assets	**5,101,536**	**4,753,460**

c) Derivative contracts

	2026		2025	
Derivatives	**Asset £000**	**Liability £000**	**Asset £000**	**Liability £000**
Forward foreign currency contracts	384	(3,787)	826	(421)
Futures	-	-	-	-
Net derivatives	**384**	**(3,787)**	**826**	**(421)**

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

Forward over the counter foreign currency contracts

At 31 March 2026 there was an unrealised loss of £3,403,000 on the currency forwards (2025: unrealised gain of £405,000). The current position relates to specific hedging undertaken by individual managers.

Currency bought	Local value £000	Currency sold	Local value £000	Settlement dates	2026 Asset £000	2026 Liability £000	2025 Asset £000	2025 Liability £000
Sterling	148,482	Euro	170,657	Two to six months	-	(1,182)	246	(1)
Sterling	31,380	Australian Dollar	59,733	Two to six months	383	-	348	-
Sterling	10,657	Japanese Yen	2,240,361	Two to six months	-	(93)	232	-
Sterling	186,129	US Dollar	248,700	Two to six months	-	(2,512)	-	(420)
US Dollar	7,169	Sterling	5,437	Two to six months	1	-	-	-
				Total	**384**	**(3,787)**	**826**	**(421)**

d) Investments exceeding 5% of net assets

The following tables represent the investments of the Fund that exceed 5% of the net assets in 2026 and 2025.

Holding	2026	
	Market value £m	% of net assets
Brunel BlackRock LDI Fund	1,274.4	25.0
Brunel Sterling Corporate Bond Fund	455.8	8.9
Brunel Global Sustainable Equities Fund	415.3	8.1
Brunel FTSE PAB Developed Hedged	303.5	6.0

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

16. 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 2026	Financial assets and liabilities held at fair value through profit and loss	Financial assets held at amortised cost	Financial liabilities held at amortised cost
	£000	£000	£000
Financial assets			
Pooled fixed interest	2,101,331	-	-
Pooled equities	1,044,650	-	-
Private equity	471,686	-	-
Private debt	451,717	-	-
Pooled property and infrastructure	438,970	-	-
Equities	369,611	-	-
Cash deposits and instruments	220,610	-	-
Derivatives	384	-	-
Long term investments	786	-	-
Debtors (excluding VAT)	-	22,378	-
Other investment assets	-	6,259	-
	5,099,745	**28,637**	**-**
Financial liabilities			
Derivatives	(3,787)	-	-
Creditors (excluding PAYE)	-	-	(4,586)
Other investment liabilities	-	-	(681)
	(3,787)	**-**	**(5,267)**
Total	**5,095,958**	**28,637**	**(5,627)**
Grand Total		**5,119,328**	

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

b) Net gains and losses on financial instruments

	2026 £000	2025 £000
Financial assets		
Gain on fair value through profit and loss	277,844	48,973
Financial liabilities		
Gain/(loss) on fair value through profit and loss	(8,047)	4,607
Total change in market value	**269,797**	**53,580**

17. Fair value – basis of valuation

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

Fair value hierarchy

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

Level 1 - Where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Comprise quoted equities, quoted bonds and unit trusts.
Level 2 - Where quoted market prices are not available, for example or where valuation techniques are used to determine fair value based on observable data.
Level 3 - Where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

Description of asset	Valuation hierarchy	Basis of valuation	Observable / unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments – equities and exchange traded futures	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Exchange traded pooled investments	Level 1	Closing bid value on published exchanges	Not required	Not required
Cash deposits and instruments	Level 1	Closing bid value on published exchanges	Not required	Not required
Amounts receivable from investment sales , amounts payable for investment purchases and investment debtors and creditors	Level 1	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments	Not required	Not required
Fixed interest securities - corporate bonds and Government gilts	Level 2	Market value based on current yields	Current yields	Not required
Forward foreign exchange derivatives	Level 2	Market forward exchange rates at the year-end	Exchange rate risk	Not required
Pooled property and infrastructure funds	Level 3	Closing bid price where bid and offer prices are published, otherwise net asset value	NAV-based pricing set on a forward pricing basis	Valuations could be affected by post balance sheet events, changes to expected cash flows, or by any differences between

				audited and unaudited accounts, along with the limitations of ease of redemption
Pooled investments –Private Debt	Level 3	Closing bid price where bid and offer prices are published, otherwise net asset value	NAV-based pricing set on a forward pricing basis	Valuations are affected by any change in market value of the financial instrument being hedged against
Private equities	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines	EBITDA multiple Revenue multiple Discount for lack of marketability Control premium	Valuations could be affected by post balance sheet events, changes to expected cash flows, or by any differences between audited and unaudited accounts
Shares in Brunel Pooled Funds	Level 3	Estimated value of the pension fund's share of net assets held by the asset pool, based on relative % of shares held and voting rights	Current estimates of future dividend income	Valuations could be affected by future trading income, post-Balance Sheet events, or changes to expected cashflow

Financial assets at fair value through profit and loss at 31 March 2026	**Quoted Market price**	**Using observable inputs**	**With significant unobservable inputs**	**Total £000**
	Level 1 £000	**Level 2 £000**	**Level 3 £000**	
Pooled fixed interest	-	2,101,331	-	2,101,331
Pooled equities	-	1,044,650	-	1,044,650
Private equity	-	-	471,686	471,686
Private debt	-	-	451,717	451,717
Equities	369,611	-	-	369,611
Infrastructure	-	-	259,765	259,765
Cash deposits	220,610	-	-	220,610
Pooled property			179,205	179,205
Investment income due	3,266	-	-	3,266
Amounts receivable for sales	2,993	-	-	2,993
Long term investments	-	-	786	786
FX and derivatives	-	384	-	384
Total	**596,480**	**3,146,365**	**1,363,159**	**5,106,004**

Financial liabilities at fair value through profit and loss				
FX and derivatives	-	(3,787)	-	(3,787)
Payable for investment purchases	(681)	-	-	(681)
Total	**(681)**	**(3,787)**	**-**	**(4,468)**
Total	**595,799**	**3,142,578**	**1,363,159**	**5,101,536**

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

Sensitivity of assets valued at Level 3

Having analysed historical data and current market trends, and consulted with independent investment advisors, the fund has determined that the valuation methods described above are likely to be accurate to within the following ranges and has set out below the consequent potential impact on the closing value of investments held at 31 March 2026.

Level 3 assets	Assessed valuation range % (+/-)	Value at 31 March 2026	Value on increase	Value on Decrease
		£000	£000	£000
Private equity	24.6	471,686	587,721	355,651
Private debt	12.4	451,717	507,730	395,704
Infrastructure	14.4	259,765	297,170	222,359
Pooled property	14.8	179,205	205,727	152,683
Long term investments	N/A	786	786	786
Total		**1,363,159**	**1,599,134**	**1,127,183**

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

Reconciliation of fair value measurements within level 3

Period 2025/26	Market value 1 April 2025 £000	Transfers into Level 3 £000	Transfers out of Level 3 £000	Purchases during the year and derivative payments £000	Sales during the year and derivative receipts £000	Change in market value £000	Market value 31 March 2026 £000
Private equity	287,333	-	-	139,941	(24,235)	68,647	471,686
Private debt	445,465	-	-	35,378	(49,080)	19,954	451,717
Infrastructure	231,866	-	-	39,596	(2,663)	(9,034)	259,765
Pooled property	212,476	16,370	(16,370)	3,756	(21,620)	(15,407)	179,205
Long term investments	750	-	-	-	-	36	786
Totals	**1,177,890**	**16,370**	**(16,370)**	**218,671**	**(97,598)**	**64,196**	**1,363,159**

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

18. Nature and extent of risks arising from financial instruments

Risk and risk management

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

1. **Credit risk:** this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

2. **Market risk:** this is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk, each of which is further detailed as follows:

    a. **Currency risk:** this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.

    b. **Interest rate risk:** this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.

    c. **Other price risk:** this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

3. **Liquidity risk:** this is the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund therefore takes steps to ensure that it always has adequate cash resources to meet its commitments. Cashflow forecasts are prepared on a monthly basis to ensure sufficient funds are available to pay benefits and a disinvestment from the Investment Bank account is made where we need to fund a shortfall. This can be actioned the same day. The Fund's current policy is to maintain a minimum balance of one month's pension payroll amount, plus a £500k cash float.

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

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

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

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

The Active Fund's assets as at 31 March 2026 and 31 March 2025 are detailed in the table below.

Active Fund	2026 £000	2025 £000
Return Seeking Assets	**2,606.5**	**2,796.4**
Private Equity inc TOP	335.3	247.0
Emerging Market Equity	28.0	16.6
Global Equity	1,386.3	1,693.4
Infrastructure / Real Estate	439.0	444.4
Multi Asset Credit	417.9	395.0
Risk Reducing Assets	**2,494.3**	**1,956.2**
Private Debt	208.3	215.3
Corporate Bonds	658.5	903.5
Secured Sustainable Finance	136.4	40.3
Liability Matching	1,274.4	561.0
Cash*	216.7	236.1
Total	**5,100.8**	**4,752.6**

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

Investment Strategy

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

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

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

The Fund agreed a new Strategic Asset Allocation over the year, reflecting the results of the 2025 Actuarial Valuation. As part of the new strategy, the allocations to Global Equity and Corporate Bonds were reduced, favouring Liability Matching. This is in line with the overall direction of travel of the Fund over the past few years, which has been that of de-risking via reducing the Global Equity allocation.

For completeness is shown as at 31 March 2026 and 31 March 2025:

Asset Classes	2026 (%)	2025 (%)
Return Seeking Assets	**51.0**	**58.0**
Global Equity	27.0	34.0
Infrastructure*	9.0	9.0
Multi Asset Credit	8.0	8.0
Private Equity inc TOP	4.0	4.0
Real Estate	3.0	3.0
Risk Reducing Assets	**49.0**	**42.0**
LDI	25.0	12.0
Corporate Bonds	13.0	19.0
Private Debt	5.0	5.0
Secured Finance	4.0	4.0
Cash	2.0	2.0
Total	**100.0**	**100.0**

*Includes a 4% target allocation to Natural Capital.

The actual allocations will vary from the above due to market price movements, legacy holdings not fully redeemed, planned investments being held in investment managers' queues and intervals between rebalancing the portfolio which takes place as stipulated in the Fund's cashflow and rebalancing policy.

1. Credit Risk

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

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

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

Cash Accounts

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

The values as at 31 March 2026 and 31 March 2025 are disclosed in the table below.

Fund	Balance as at 31 March 2026 (£000)	Balance as at 31 March 2025 (£000)
Money Market fund: State Street	132,139	154,333
Bank current account: National Westminster Bank plc	11,646	8,118
Total	**143,785**	**162,451**

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

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

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

Segregated Investment Arrangements

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

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

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

and counterparty risk rests with the managers. Counterparty management is evaluated as part of the due diligence process prior to appointing an investment manager.

Pooled Investment Arrangements

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

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

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

Fund	Collective Investment Fund
Brunel Low Volatility Equity	Authorised Contractual Scheme ('ACS')
Robeco SEVE	
Brunel Global Sustainable Equity	
Brunel Paris Aligned Benchmark	Unit Linked Insurance Policy
Brunel Multi Asset Credit	Life Fund
Brunel Sterling Corporate Bonds	
Palatine Impact Fund	UK Limited Partnership
GHO Capital Fund III	
Bridges Property Alternatives Fund III	
Bridges Property Alternatives Fund IV	
Bridges Property Alternatives Fund V	
Bridges Property Alternatives Fund VI	
DBL Partners III	US Limited Partnership
Generation Climate Solutions Fund	Cayman Islands Limited Partnership
Barings North America PL Fund	
SA Impact Forestry Fund	
SA Impact Forestry Fund II	
Anterra F&A Ventures II	Private Fund Limited Partnership
Circularity European Growth Fund II	
World Fund I	
Brunel Infrastructure Cycle 3	

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

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

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

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

2. Market Risk

a. Currency Risk

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

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

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

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

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

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

31 March 2026

Manager and fund(s)	Pooled / Segregated	GBP exposure (%)	Non-GBP exposure (%)	Non-GBP exposure hedged back to GBP (%)	Implied unhedged overseas currency exposure (£m)
Stafford Private Equity	Segregated	0.0	100.0	0.0	7.6
Targeted Opportunities Portfolio (see below)	See below				
Generation Global Equity	Segregated	0.4	99.6	0.0	378.7
Robeco SEVE	Pooled	3.8	96.2	0.0	145.3
Brunel Low Volatility Equity	Pooled	7.2	92.8	0.0	162.3
Brunel Passive Dev Eq Paris Aligned	Pooled	2.5	97.0	0.0	294.4
Brunel Global Sustainable Equities	Pooled	4.6	95.4	0.0	396.0
Townsend Real Assets	Segregated	29.2	70.8	100.0	0.0
Brunel Infrastructure Cycle 3	Pooled	0.0	100.0	0.0	47.2
Brunel Private Debt Cycle 3	Pooled	12.8	87.2	100.0	0.0
Brunel Private Debt Cycle 4	Pooled	0.0	0.0	0.0	0.0
Private Debt Portfolio (see below)	See below				
Brunel EAPF GRI Elective Cycle 1	Pooled	100.0	0.0	0.0	0.0
Brunel Multi Asset Credit	Pooled	5.9	94.1	94.2	22.9

BlackRock Buy and Maintain ESG Credit	Pooled	53.9	46.1	100.0	0.0
Brunel Sterling Corporate Bonds	Pooled	94.1	5.9	100.0	0.0
Blackrock Liability Driven Investment	Pooled	100.0	0.0	0.0	0.0
Cash	Segregated	96.0	4.0	0.0	6.0
Total		**47.1**	**52.8**	**30.4**	**1,837.2**

[1]currency data as at 31 December 2025

Targeted Opportunities Portfolio – 2026

Manager and fund(s)	Pooled/ Segregated	GBP exposure (%)	Non-GBP exposure (%)	Non-GBP exposure hedged back to GBP (%)	Implied unhedged overseas currency exposure (£m)
Actis Energy Fund IV	Pooled	0.0	100.0	0.0	1.3
Activate Capital Fund II	Pooled	0.0	100.0	0.0	12.5
Ambienta III[1]	Pooled	16.1	83.9	0.0	6.4
Ambienta IV[1]	Pooled	0.0	100.0	0.0	15.6
Ambienta Small Cap	Pooled	0.0	100.0	0.0	0.2
Anterra F&A Ventures II	Pooled	2.2	97.9	0.0	16.0
Bridges Property Alternatives Fund III	Pooled	100.0	0.0	0.0	0.0
Bridges Property Alternatives Fund IV	Pooled	100.0	0.0	0.0	0.0
Bridges Property Alternatives Fund V	Pooled	95.6	4.4	0.0	0.4
Bridges Property Alternatives Fund VI	Pooled	93.9	6.1	0.0	0.5
Circularity European Growth Fund	Pooled	33.0	67.0	0.0	10.4
DBL Partners III LP	Pooled	0.0	100.0	0.0	63.1
DBL Partners IV LP	Pooled	0.0	100.0	0.0	64.9
Generation Climate Solutions Fund[1]	Pooled	0.0	100.0	0.0	5.3
Generation Sustainable Solutions Fund IV	Pooled	0.0	100.0	0.0	29.1
GHO Capital Fund III	Pooled	28.0	72.0	0.0	10.2
Gresham House Biodiversity Co-invest	Pooled	100.0	0.0	0.0	0.0
Just Climate Natural Climate Solutions I	Pooled	16.6	83.4	0.0	3,9
Palatine Impact Fund	Pooled	100.0	0.0	0.0	0.0
SA Impact Forestry Fund	Pooled	0.0	100.0	0.0	10.2
SA Impact Forestry Fund II	Pooled	0.0	100.0	0.0	0.1
Summa Private Equity	Pooled	4.0	96.0	0.0	19.7
Verdane Idun I	Pooled	0.0	100.0	0.0	6.4
World Fund I	Pooled	20.0	80.0	0.0	6.8

Source: Investment Managers, State Street and Mercer estimates as at 31 March 2026, unless otherwise specified.
1 Currency data as at 31 December 2025

Private Debt Portfolio – 2026

Manager and fund(s)	Pooled / Segregated	GBP exposure (%)	Non-GBP exposure (%)	Non-GBP exposure hedged back to GBP (%)	Implied unhedged overseas currency exposure (£m)
Ambienta Sustainable Credit Opportunities[1]	Pooled	5.0	95.0	0.0	8.8
Arcmont Direct Lending UK Fund	Pooled	25.9	74.1	100.0	0.0
Arcmont Direct Lending Fund III	Pooled	16.7	83.3	100.0	0.0
Arcmont Senior Loan Fund	Pooled	22.0	78.0	100.0	0.0
Arcmont Impact Lending	Pooled	51.7	48.2	100.0	0.0
Ares Capital Europe V[1]	Pooled	54.0	46.0	98.1	0.2
Carlyle Credit Opportunities II	Pooled	30.3	69.7	0.0	11.8
ICG Europe Fund VIII[1]	Pooled	19.0	81.0	0.0	18.0
LGT Crown Impact Fund	Pooled	31.0	69.0	0.0	4.2
Lombard Odier Sustainable Private Credit Fund	Pooled	0.0	100.0	0.0	18.0
Neuberger Berman Private Debt Fund IV	Pooled	0.0	100.0	0.0	17.8
Newmarket IIFC Feeder Fund III[1]	Pooled	3.1	96.9	0.0	4.5
P Capital Partners Transition Partner Fund	Pooled	0.0	100.0	0.0	12.6
Permira Credit Solutions Fund III1	Pooled	18.6	81.4	100.0	0.0

[1] Currency data as at 31 December 2025

31 March 2025

Manager and fund(s)	Pooled / Segregated	GBP exposure (%)	Non-GBP exposure (%)	Non-GBP exposure hedged back to GBP (%)	Implied unhedged overseas currency exposure (£m)
Stafford Private Equity	Segregated	0.0	100.0	0.0	8.6
Targeted Opportunities Portfolio (see below)	See below				
Generation Global Equity	Segregated	0.3	99.7	0.0	427.6
Impax Global Equity	Segregated	0.0	100.0	0.0	1.1
Robeco SEVE	Pooled	4.2	95.8	0.0	195.2
Brunel Low Volatility Equity	Pooled	1.5	98.5	0.0	313.9
Brunel Passive Dev Eq Paris Aligned	Pooled	3.0	97.0	0.0	349.0
Brunel Global Sustainable Equities	Pooled	5.9	94.1	0.0	390.2
Townsend Real Assets	Segregated	31.4	68.6	100.0	-
Brunel Infrastructure Cycle 3	Pooled	11.9	88.1	0.0	32.2
Brunel Private Debt Cycle 3	Pooled	12.9	87.1	100.0	-
Brunel Private Debt Cycle 4	Pooled	100.0	0.0	0.0	-
Private Debt Portfolio (see below)	See below				
Brunel EAPF GRI Elective Cycle 1	Pooled	100.0	0.0	0.0	-
Brunel Multi Asset Credit	Pooled	4.4	95.6	95.4	17.3
BlackRock Buy and Maintain ESG Credit	Pooled	54.5	45.5	100.0	-
Brunel Sterling Corporate Bonds	Pooled	96.3	3.7	100.0	-

Blackrock Liability Driven Investment	Pooled	100.0	0.0	0.0	-
Cash	Segregated	97.8	2.2	0.0	4.3
Total		40.0	60.0	37.2	2,033.6

[1]currency data as at 31 December 2024

Targeted Opportunities Portfolio – 2025

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

Private Debt Portfolio – 2025

Manager and fund(s)	Pooled / Segregated	GBP exposure (%)	Non-GBP exposure (%)	Non-GBP exposure hedged back to GBP (%)	Implied unhedged overseas currency exposure (£m)
Ambienta Sustainable Credit Opportunities[1]	Pooled	38.8	61.2	0.0	2.3
Arcmont Direct Lending UK Fund	Pooled	26.0	74.0	100.0	-
Arcmont Direct Lending Fund III	Pooled	17.0	83.0	100.0	-
Arcmont Senior Loan Fund	Pooled	21.0	79.0	100.0	-
Ares Capital Europe V[1]	Pooled	56.0	44.0	97.9	0.2
Barings North America PL Fund	Pooled	0.0	100.0	0.0	-
Carlyle Credit Opportunities II	Pooled	16.5	83.5	0.0	17.0

ICG Europe Fund VIII[1]	Pooled	19.0	81.0	0.0	15.8
LGT Crown Impact Fund	Pooled	38.0	62.0	0.0	1.0
Lombard Odier Sustainable Private Credit Fund	Pooled	0.0	100.0	0.0	21.6
Neuberger Berman Private Debt Fund IV	Pooled	0.0	100.0	0.0	16.2
Newmarket IIFC Feeder Fund III[1]	Pooled	3.0	97.0	0.0	5.8
P Capital Partners Transition Partner Fund	Pooled	8.0	92.0	0.0	10.1
Permira Credit Solutions Fund III[1]	Pooled	27.1	72.9	100.0	-

[1] Currency data as at 31 December 2024

b. Interest Rate Risk

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

The Fund maintains a strategic allocation of 25% to Liability Matching Portfolio, as well as a strategic allocation to Corporate Bonds of 13%. Together these help to match a proportion of the sensitivities of the liabilities to interest rate and inflation movements. Under the Fund's investment strategy, if interest rates fall, the value of these matching assets are broadly expected to rise to help match a proportion of the increase in actuarial liabilities arising from a fall in the discount rate. Similarly, if interest rates rise, these matching assets are expected to fall in value, as will the actuarial liabilities because of an increase in the discount rate.

Interest Rate Sensitivity Analysis

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

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

	Duration	
	As at 31 March 2026	As at 31 March 2025
Blackrock Liability Driven Investment	16.7	18.1
Brunel Sterling Corporate Bonds	5.4	5.8
BlackRock Buy and Maintain ESG Credit	4.4	4.9
Brunel Multi Asset Credit	2.8	2.7

c. Other Price Risk

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

The Fund has set a target asset allocation of 51.0% of investments being held in return seeking assets. The Fund manages this exposure to overall price movements by constructing a diverse portfolio of investments across various markets.

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

	Credit Risk	Market Risk		
		Currency Risk	Interest Rate Risk	Other Price Risk
Stafford Private Equity		✓		✓
Targeted Opportunities Portfolio		✓		✓
Generation Global Equity		✓		✓
Impax Global Equity		✓		✓
Brunel Low Volatility Equity		✓		✓
Brunel Passive Dev Eq Paris Aligned		✓		✓
Brunel Global Sustainable Equity		✓		✓
Robeco SEVE		✓		✓
Townsend Real Assets	✓	✓	✓	✓
Brunel Infrastructure Cycle 3	✓	✓	✓	✓
Brunel Private Debt Cycle 3	✓	✓	✓	
Brunel Private Debt Cycle 4	✓	✓	✓	
Brunel GRI Elective Cycle 1	✓	✓	✓	✓
Private Debt portfolio	✓	✓	✓	
Brunel Multi Asset Credit	✓	✓	✓	✓
Brunel Sterling Corporate Bonds	✓	✓	✓	
BlackRock Buy and Maintain ESG Credit	✓	✓	✓	
Blackrock Liability Matching			✓	
State Street Liquidity Fund	✓	✓	✓	

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the Fund's advisers, the Fund has determined that the following movements in market price risk are reasonably possible for the 2025/26 reporting period.

As of 30 June 2025, the investment consultant changed its methodology to setting investment assumptions, reflecting a different philosophy with a more market-aware approach. As part of these changes, the assumed dispersion of market returns decreased relative to their previous approach, resulting in volatility figures as at 31 March 2026 materially below those assumed as at 31 March 2025. The analysis gives an overall fund volatility of 7.1% (2025: 11.0% using assumptions provided by the investment consultant as at 31 March 2025).

Asset Class	Absolute 1 year expected volatility (+/-)%	% of Fund value	
		2026	2025
Private Equity	20.8	6.6	5.2
Global Equity	14.4	27.7	36.0
Real Assets	11.6	3.5	4.3

Infrastructure	10.1	5.1	5.1
Multi Asset Credit	6.1	8.2	8.3
Private Debt	7.9	4.1	4.5
Corporate Bonds	5.8	12.9	19.0
Secured Sustainable Finance	10.1*	2.7	0.8
Liability Matching	5.5	25.0	11.8
Cash	0.9	4.2	5.0
Total Fund Volatility	**7.1**	**100**	**100**

Figures may not sum due to rounding.
*Volatility assumption Unlisted Equity Infrastructure

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

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

	As at 31 March 2026	As at 31 March 2025
Total net investment assets (£000)	5,100,800	4,752,600
Percentage change (%)	7.1%	11.0%
Value on increase (£000)	5,462,957	5,275,386
Value on decrease (£000)	4,738,643	4,229,814

19. Funding arrangements as at 31 March 2025

In line with the Local Government Pension Scheme Regulations 2013, the fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2025. The next valuation will take place as at 31 March 2028.

The key elements of the funding policy are as follows:

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

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

At the 2025 actuarial valuation, the Fund was assessed as 143% funded (103% at the March 2022 valuation). This corresponded to a surplus of £1,426m (2022 valuation: surplus of £154m) at that time.

The following table shows the minimum contributions payable after allowing for advanced lump sum contributions paid to the Fund in March 2026.

Employer name	Minimum contributions for the year ending: 31 March 2027	
	% pay	Monetary amount
EA*	14.5	£nil
NRW**	0.0	£nil
SSCL	22.7	£nil
Tialis	24.3	£nil

*The Environment Agency paid lump sum contributions of £36.5m, towards their 2026/27, 2027/28 and 2028/29 monetary contribution requirements.

**Natural Resources Wales paid a lump sum contribution of £5.8m in March 2026, which met the entirety of the 2026/27 contribution requirements.

Full details of the contribution rates payable can be found in the 2025 actuarial valuation report (dated March 2026), and the FSS (dated March 2026).

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

Financial assumptions

Financial assumptions	% per annum	Description
Investment Return (Discount Rate)	5.4	Return estimated to be achieved by the Fund's investments over 20 years with a likelihood of 85%
Consumer Price Index (CPI)	2.3	Median projected 20-year CPI at the valuation date
Pension Increases	2.3	The annual rate of change of the Consumer Prices Index (CPI)
Salary Increases*	2.8	CPI inflation plus 0.5% (with the adjustment applied geometrically)

*An allowance is also made for promotional pay increases.

Longevity assumptions

The life expectancy assumptions are based on the Fund's Vita Curves with improvements in line with the CMI 2024 model, with core parameterization except, an initial adjustment of 0.25% and a long term rate of 1.50% p.a for both males and females. Based on these assumptions, the average future life expectancies at age 65 are as follows:

Pensioners	Males	Females
Current pensioners	22.0 years	24.6 years
Future pensioners *	23.0 years	26.1 years

* Figures assume members are aged 45 as at 31 March 2025

Commutation assumption

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

20. Actuarial present value of promised retirement benefits

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

In order to assess the value of the benefits on this basis, the actuary has updated the actuarial assumptions (set out below) from those used for funding purposes (see Note 19). The actuary has also valued ill health and death benefits in line with IAS19.

The actuarial value of promised retirement benefits at the accounting date, calculated in line with International Accounting Standard 19 (IAS19) assumptions, is estimated to be £3,465m (2025: £3,250m). The figure is only prepared for the purposes of IAS19 and has no validity in other circumstances. In particular, it is not relevant for calculations undertaken for funding purposes and setting contributions payable to the Fund.

IAS26: Accounting and reporting by retirement benefit plans

CIPFA's Code of Practice on Local Authority Accounting 2025/26 requires Administering Authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits. Hymans Roberston, our actuary, has been instructed by the Administering Authority to provide the necessary information for the Environment Agency Active Fund ('the Fund').

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

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

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

Present value of promised retirement benefits

Year ended	31 March 2026	31 March 2025
Active members (£m)	1,607	1,592
Deferred members (£m)	490	479
Pensioners(£m)	1,368	1,179
Total (£m)	**3,465**	**3,250**

The promised retirement benefits at 31 March 2026 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2025. The approximation involved in the roll forward model means that the split of benefits between the three classes of member may not be reliable. However, the actuary is satisfied that the total figure is a reasonable estimate of the actuarial present value of benefit promises.

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

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

Assumptions

Assumptions used are those adopted for the Administering Authority's IAS19 report and are different at 31 March 2026 and 31 March 2025. The actuary estimates that the impact of the change in financial assumptions to 31 March 2026 is to decrease the actuarial present value by £149m. The actuary estimates that the impact of the change in demographic assumptions is to increase the actuarial present value by £7m.

Financial assumptions

Year ended	31 March 2026 % p.a.	31 March 2025 % p.a.
Pensions Increase Rate (CPI)	3.00	2.75
Salary Increase Rate	3.50	3.25
Discount Rate	6.30	5.80

Demographic assumptions

The longevity assumptions have changed since the previous IAS26 disclosure for the Fund.

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2025 model, with core parameterisation, initial adjustment of 0.25% and a long term rate of improvement of 1.5% p.a.. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	22.2 years	24.7 years
Future pensioners	23.1 years	26.2 years

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

Sensitivity analysis

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

Sensitivity to assumptions 31 March 2026	Approximate % increase to liabilities	Approximate monetary amount (£m)
0.1% p.a. decrease in the Discount rate	2	60
1 year increase in member life expectancy	2	86
0.1% p.a. increase in Salary Increase Rate	0	4
0.1% p.a. increase in the Rate of CPI inflation	2	56

21. Current assets

	2026 £000	2025 £000
Debtors		
Contributions due – employers	7,092	6,529
Contributions due – employees	3,530	3,083
VAT to be reimbursed to the Fund and bank interest	1,175	938
Overpaid benefits to be refunded to the Fund	98	103
Other amounts	12	99
Other – amount due from Closed Fund	-	6

	11,907	**10,758**
Cash at bank	**11,646**	**8,118**
Total	**23,553**	**18,876**

Analysis of debtors

Employers' and employees' contributions of £7,092k and £3,530K (2025: £6,529k and £3,083k) respectively outstanding in the normal course of collection at the year end and subsequently paid over within the statutory time limit. Overpaid benefits to be returned to the fund represent recoveries being made from members who have had funds paid to them after they have died. Other amounts represent amounts due from the closed scheme and AVC transfers in.

22. Current liabilities

	2026 £000	2025 £000
Creditors		
Benefits payable	2,663	3,037
PAYE	1,890	1,665
Administration and investment expenses	1,754	2,601
Payroll deductions	134	904
Sundry	18	204
Refunds	11	-
Tax payable on refunds	6	13
Total	**6,476**	**8,424**

23. Additional Voluntary Contributions

The table below shows information about these separately invested AVCs.

	2026 £000	Contributions paid 2025/26	2025 £000	Contributions paid 2024/25
Prudential	15,109	3,467	12,262	2,487
Standard Life	4,744	717	4,254	487
Clerical Medical	1,557	1	1,656	1
Utmost Life	655	6	717	6
Total AVC investments	**22,065**	**4,191**	**18,889**	**2,981**

AVC confirmations have not been received for 31 March 2026 from Clerical Medical and Standard Life, so these valuations are based on the closing value from 31 March 2025, then adjusted for cash contributions and withdrawals during the year.

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

24. Related party transactions

During the year ended 31 March 2026 there have been the following related party transactions:

- Pensions administration costs of £1,318k (2025: £1,110k) were recharged to the Active Fund by the Environment Agency;
- Nine members of the Pensions Committee were contributing members of the Active Fund who pay contributions on an arm's length basis;

- Four members of the Pensions Committee were in receipt of a pension from the Active Fund, but only two at any one time, which is received on an arm's length basis;
- Payment of unfunded liabilities of £361k (2025: £365k) recharged to the Environment Agency and funded by grant-in-aid from Defra in respect of compensatory added years;
- £nil is due to the Environment Agency Closed Fund (2025: £nil) in respect of administration expenses and VAT reclaimed.
- £nil is due from the Environment Agency Closed Fund (2025: £6k) in respect of administration expenses.
- The Environment Agency owns 10% of BPP Ltd represented by the long-term investment of £786k (2025: £750k). This was increased by £36k (2025: increased by £28k) using the latest available valuation from the Brunel Pension Partnership Annual Report and Accounts as at 30 September 2025;
- The Environment Agency paid Brunel Pension Partnership £2,433k in the year, for its Investment Management services (2025: £1,048k); and
- The Environment Agency currently has nine portfolios with Brunel:
    - Sterling Corporate Bonds valued at £455.8m (2025: £710.2m);
    - BlackRock LDI Fund valued at £1,274.4m (2025: £561.0m);
    - Global Sustainable Equity Fund valued at £415.3m (2025: £414.5m);
    - Low Volatility Equity Fund valued at £174.9m (2025: £318.5m);
    - Multi Asset Credit Fund valued at £417.9m (2025: £395.0m);
    - Paris Aligned Equity Fund valued at £303.5m (2025: £359.8m);
    - Stepstone Infrastructure Fund valued at £47.1m (2025: £36.5m);
    - Brunel Private Debt Fund valued at £38.2m (2025: £27.8m); and
    - GRI valued at £136.4m (2025: £40.3m)

25. Capital commitments, contingent assets and contingent liabilities

In accordance with authorised investment strategy and mandates, the outstanding Capital commitments at 31 March 2026 are: Real Estate/Infrastructure £141.1m (2025: £143.6m), Illiquid Credit £279.8m (2025: £244.3m), Private Equity £103.0m (2025: £106.7m) and Secured Sustainable Finance £25.6 (2025: £nil).

There are no contingent assets as at 31 March 2026 (2025: £nil).

In September 2020, Brunel shareholders entered into a Pension Recharge Agreement (PRA) to reimburse pension obligation cashflows. The value of the contingent liability at 31 March 2026 is £0k (2025: £0.1k). This is 1/10th of Brunel's pension reimbursement asset, reported in their September 2025 accounts, representing the amount of discounting future pension contribution streams to pay off any funding deficit.

26. Impairment losses

For the year to 31 March 2026 the Fund has recognised an impairment loss of less than £0.1m (2025: less than £0.1m) for the writing off of pensioner death overpayments.

27. IAS10: Authorisation for issue

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

The annexes

The annexes included within this report are unaudited.

Annex 1 – Scheme rules and benefits

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

Scheme membership and income

(a) All Fund employees are eligible for membership of the Local Government Pension Scheme (LGPS) (excluding Environment Agency Board Members and those employees who are eligible to join another public service pension scheme) providing they are under the age of 75 and have a contract of employment that is valid for at least 3 months. If it is for less than 3 months, they will be brought into the scheme from either:

- The automatic enrolment date* (unless their employer issues a postponement notice to delay entry to the scheme for up to a maximum of 3 months); or
- The beginning of the pay period after the one in which the contract is extended to 3 months or more; or
- The beginning of the pay period after the one in which the employee opts to join the scheme.

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

Members can pay additional contributions into the EAPF to increase their retirement pension (subject to limits set in the Scheme Regulations) or to cover pension lost due to unpaid authorised absence. The EAPF will contribute two-thirds of the member's cost of buying back lost pension if the member elects to pay within 30 days of returning to work.
To note, this was the position prior to the Access & Fairness changes coming into effect on 1 April 2026 (after the reporting period).

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To note, this was the position prior to the Access & Fairness changes coming into effect on 1 April 2026 (after the reporting period).

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

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

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

b. Incoming transfer payments relating to members' pension rights held elsewhere can, in most cases, be accepted by the Environment Agency Pension Fund to increase benefits, providing the member requests the transfer payment within 12 months of joining the Environment Agency

Pension Fund (or such a longer date that the Fund employer **and** the Environment Agency Pension Fund allows).

c. The Fund employer must make the balancing contribution required to keep the Fund solvent, having regard to existing and prospective liabilities. This is usually determined as a percentage of members' pensionable pay by the Fund Actuary, following each triennial actuarial valuation of the Fund.

d. A Fund employer is required to fund any discretionary award of pension they make by making up-front payments into the Fund.

e. Monies not immediately required for the payment of benefits and other outgoings must be invested in accordance with the provisions of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

Outline of pension benefits provided by the LGPS

	Before 1 April 2008	1 April 2008 to 31 March 2014	From 1 April 2014
Basis of pension	Final salary	Final salary	Career Average Revalued Earnings (CARE)
Pension build up rate	1/80th final salary for each year	1/60th final salary for each year	1/49th (Main Section) 1/98th (50:50 Section)
Revaluation rate	Final salary		Consumer Price Index
Pensionable pay	Pay **excluding** non-contractual overtime and non-pensionable additional hours		Pay **including** non-contractual overtime and non-pensionable additional hours
Lump sum	3/80ths (+ commutation 12:1)	No automatic lump sum (commutation 12:1)	
Ill health retirements	One tier	Three tiers	
Death benefits • In-service • In-deferment or on pension	• 2 x salary • 5 year guarantee	• 3 x salary • 10 year guarantee	• 3 x assumed pensionable pay • 10 year guarantee
Contribution rate (see table below)	Flat rate of 6%	7 contribution bands 5.5% to 7.5% Bands index linked	9 contribution bands 5.5% to 12.5% (Main Section) 2.75% to 6.25% (50:50 Section) Bands index linked
Early retirement	From age 50 (either Redundancy, or employer consent required before 18 May 2018)	From age 55 (either redundancy, or employer consent required before 18 May 2018)	From age 55. Set to rise to age 57 from 6 April 2028, other than where eligible for a protected pension age.
85 year rule	Early payment protection when combined age and service equals 85	Removed, but existing staff (or staff that have transferred in other LGPS service that falls between 1 April 1998 and 30 September 2006 inclusive) have retained protections	
Normal retirement age	Age 65	Age 65	State Pension Age (minimum age 65)

Contributions Table

The following table displays the 2025/26 employee contribution bands.

Pay range (based on actual Pensionable pay paid)	Contribution rate Main Section	Contribution rate 50:50 Section
Up to £17,800	5.50%	2.75%
£17,801 to £28,000	5.80%	2.90%
£28,001 to £45,600	6.50%	3.25%
£45,601 to £57,700	6.80%	3.40%
£57,701 to £81,000	8.50%	4.25%
£81,001 to £114,800	9.90%	4.95%
£114,801 to £135,300	10.50%	5.25%
£135,301 to £203,000	11.40%	5.70%
£203,001 or more	12.50%	6.25%

Changes affecting the Local Government Regulations during 2025/26

Several key pieces of pensions legislation were announced/introduced/amended during 2025/26, which affect the Local Government Pension Regulations 2013 and LGPS (Transitional Provision, Savings & Amendments) Regulations 2014. These were:

- **Neonatal care leave & pay**
  Legislation was passed in February 2025 (SI 2025/201), coming into force on 6 April 2025, which included paid neonatal care leave within the definition of 'child-related leave'; this ensured that a person on neonatal care leave, who is in receipt of some pay, is treated the same as a person on ordinary maternity/adoption/shared-parental leave (meaning that their pension would be calculated using Assumed Pensionable Pay for the paid neonatal care leave period).

- **'Access & Fairness' changes**
  On 15 May 2025, MHCLG announced their 'Access and Fairness' consultation for the LGPS, which aimed to close the gender pensions gap in the LGPS and harmonise historic inequalities that existed within the Scheme's rules.

  After a consultation period that lasted several months, MHCLG finally laid 'The Local Government Pension Scheme (Miscellaneous Amendments) (Member Benefits) Regulations 2026' (SI 2026/226) in March 2026, which came into force from 1 April 2026, but contained retrospective amendments that went as far back as December 2005 for some members. A summary of the main changes is as follows:

  - Harmonising the treatment of male and female survivors, irrespective of whether they were in a same-sex or opposite-sex marriage with the (deceased) member (this also incorporates, and goes beyond, changes required by the 'Goodwin' ruling).

  - Removing the age 75 restriction on payment of a death grant, meaning that, so long as a member dies within the 'guarantee period', then a death grant will be payable, whatever the member's age.

  - Removing the requirement to pay a death grant to a member's estate, where the death grant has not been paid within 2 years of the member's death.

  - Introducing a new method/rule for buying back 'lost' pension, which, for the sake of fairness, is treated just like 'normal' Scheme pension (so will include dependants' pensions, etc).

  - Awarding scheme membership during periods of unpaid additional maternity leave, meaning pension continues to build up automatically at no cost to the member.

- Allowing for small pot/trivial payments of less than £10,000 to paid to extinguish a member's pension rights, irrespective of when they left the Scheme (previously only open to members who left the Scheme after 31 March 2008).

Additional changes were included in the draft regulations, but, following the consultation, MHCLG decided to legislate for these changes later in 2026.

- **Inheritance Tax on Death Benefits**
  Following the Autumn Budget in 2024 and numerous consultations, changes affecting the taxation of a member's pension benefits on their death were made via the Finance Act 2026, which comes into force for deaths on/after 6 April 2027.

  In short, **most** unused pension benefits ('notional pension property') will now fall within a deceased's person's estate, meaning that such benefits could potentially be subject to a tax charge if the Inheritance Tax (IHT) threshold is exceeded. Those benefits that are outside the scope of IHT (so would be **exempt** from IHT charge) include:

  - Dependants' pensions
  - Trivial Commutation lump sum death benefits
  - Dependants'/nominees' annuities already purchase (joint life annuities)
  - Death in service death grants

  In most cases, the member's 'legal personal representative' is responsible for confirming the IHT charge due to HMRC. Additionally, the Scheme may be asked to pay the IHT charge to HMRC on the recipient's behalf and, in some cases, must do so.

Annex 2 – Weblinks to Policy and Strategy documents

Introduction

In accordance with the directive of the new Annual Report guidance published by the Scheme Advisory Board (SAB) in March 2025, the web links below signpost EAPF's statutory documents and other important policies.

The Environment Agency Active Pension Fund:

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

Please note that some of the documents on this webpage at **www.eapf.org.uk/resources/publications/policies** 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 – Active and Closed Funds

Table A - Total number of casework

Ref	Casework KPI	Cases open as at 31.3.25	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	1,412	1,219	1,855	70.5%	1,443	49.4%
A2	New dependent member benefits	2	232	229	97.9%	232	99.1%
A3	Deferred member retirements	131	1,068	1,108	92.4%	508	81.8%
A4	Active member retirements	69	533	518	86.0%	252	82.9%
A5	Deferred benefits	98	444	457	84.3%	498	81.2%
A6	Transfers in (including interfunds in, club transfers)	1,932	911	1,475	51.9%	535	21.2%
A7	Transfers out (including interfunds out, club transfers)	11	567	572	99.0%	539	98.0%
A8	Refunds	63	242	258	84.6%	448	86.0%
A9	Divorce quotations issued	5	144	142	95.3%	141	95.3%
A10	Actual divorce cases	19	27	33	71.7%	29	58.0%
A11	Member estimates requested either by scheme member and employer	36	1,009	1,025	98.1%	2,281	94.8%
A12	New joiner notifications	11	1,227	1,221	98.6%	862	98.5%
A13	Aggregation cases	608	939	987	63.8%	975	58.9%
A14	Optants out received after 3 months membership	45	118	159	97.5%	214	82.3%

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	95.9%	93.4%
B2	Communication issued confirming the amount of dependents pension	10 days	99.8%	100.0%
B3	Communication issued to deferred member with pension and lump sum options (quotation)	15 days	100.0%	93.1%
B4	Communication issued to active member with pension and lump sum options (quotation)	15 days	100.0%	90.4%
B5	Communication issued to deferred member with confirmation of pension and lump sum options (actual)	15 days	99.5%	76.7%
B6	Communication issued to active member with confirmation of pension and lump sum options (actual)	15 days	99.4%	64.3%
B7	Payment of lump sum (both actives and deferreds) **	15 days	As per B5 & B6	As per B5 & B6
B8	Communication issued with deferred benefit options	30 days	100.0%	100.0%
B9	Communication issued to scheme member with completion of transfer in	15 days	99.2%	96.0%
B10	Communication issued to scheme member with completion of transfer out	15 days	100.0%	98.2%
B11	Payment of refund**	10 days	97.3%	81.8%
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	91.2%	66.7%
B14	Communication issued to new starters	40 days	100.0%	99.9%
B15	Member estimates requested by scheme member and employer	15 days	See B3 and B4	See B3 and B4

*Days in this column are a suggested fund target for completion and not the statutory timescale.
** Measured to when case completed, not when payment made.
*** Separate SLA for Divorce quotations currently not available.

Table C - Communications and engagement

Ref	Engagement with online portals	Percentage as at 31 March	
C1	% of active members registered	80.8%	
C2	% of deferred member registered	61.2%	
C3	% of pensioner and survivor members	47.0%	
C4	% total of all scheme members registered for self-service	62.1%	
C5	Number of registered users by age	Age profile	
		16-25	368
		26-35	2,802
		36-45	4,321
		46-55	5,551
		56-65	5,848
		66-75	3,972
		76-85	1,686
		86-95	395
		96-105	26
C6	% of all registered users that have logged onto the service in the last 12 months	48.9%	
	Communication		
C7	Total number of telephone calls received in year	8,676	
C8	Total number of email and online channel queries received	20,438	
C9	Number of scheme member events held in year (total of in-person and online)	13	
C10	Number of employer engagement events held in year (in-person and online)	Unknown	
C11	Number of active members who received a one-to-one (in-person and online)	Unknown	
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	10 yrs
D3	Staff vacancy rate as %	0%
D4	Ratio of all administration staff to total number of scheme members (all staff including management)	1,650:1 *(approx.)*
D5	Ratio of administration staff (excluding management) to total number of scheme members	1,700:1 *(approx)*

Table E - Data Quality

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

	Data category	
E3	Common data score	Active Fund – 99.26% Closed Fund – 93.94%
E4	Scheme specific data score	Active Fund – 91.69% Closed Fund – 97.06%
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	2.4%
E6	Percentage of active, deferred and pensioner members with an email address held on file	71.8%

	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 Fund or entitlement to benefits should be addressed to:

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

Tel: 0800 121 6593
Email: **info@eapf.org.uk**

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

www.gov.uk/official-documents

E03561701
978-1-5286-6295-6