

Environment Agency Closed Fund

Report on the actuarial valuation as at 31 March 2025

March 2026

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Fellows of the Institute and Faculty of Actuaries
For and on behalf of Hymans Robertson LLP



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| Introduction



1. Introduction

We have been commissioned by the Environment Agency (“the Administering Authority”) to carry out a valuation of the Environment Agency Closed Fund (“the Fund”) as at 31 March 2025. This fulfils Regulation 62 of the Local Government Pension Scheme Regulations 2013. This report is a summary of the valuation.

We have carried out a conventional actuarial valuation but the calculations are of greatest use as a platform for providing expenditure forecasts to Defra (the Department for Environment, Food and Rural Affairs), and for Defra to place a value on liabilities in its annual accounts (which rely on different assumptions as prescribed by HM Treasury in their annual Public Expenditure System notes). The expenditure forecasts are shown in Appendix 8.

The valuation is a planning exercise for the Fund, to assess the monies needed to meet the benefits owed to its members as they fall due. As part of the valuation process the Fund reviews its funding strategy to ensure that an appropriate contribution plan and investment strategy is in place.

It is important to realise that the actual cost of the pension fund (i.e. how much money it will ultimately have to pay out to its members in the form of benefits) is unknown. This cost will not be known with certainty until the last benefit is paid to the last pensioner. The purpose of this valuation is to estimate what this cost will be, so that the Fund can then develop a funding strategy to meet it.

Setting the funding strategy for a defined benefit pension fund such as the Environment Agency Closed Fund is complex. Firstly, the time period is long; benefits will be paid out over a period of the next 45 years or more to current pensioners, deferred pensioners and their dependants. Secondly, the LGPS remains a defined benefit scheme so there are uncertainties in the final cost of the benefits to be paid.

As per the previous valuation, the method of valuation is based on the projected accrued benefit method. In this method we estimate the payments which will be made from the Fund throughout the future lifetimes of existing deferred pensioners, pensioners and their dependants. These estimates rely on the assumptions described in Appendix 2, and allow for all expected pension increases. We have then calculated the amount of money which, if invested now, should be sufficient to meet all of these payments in future, assuming that future investment returns are in line with the discount rate. This amount is the estimated cost of members’ benefits.

We then compare this figure with the market value of assets at 31 March 2025. By maintaining a link to the market in both cases, we ensure that the assets and liabilities are valued in a consistent manner.

The funding level is the ratio of assets to liabilities at the valuation date. A funding level of less/more than 100% implies that there is a deficit/surplus in the Fund at the valuation date against the Funding Objective (defined in section 2).

The level of contributions payable to the Fund is not directly determined from the funding position. Instead, a cashflow approach is used where contributions are paid by Defra every six months, with the aim of covering expected benefits and expenses payable from the Fund over the following six months.

Valuation Results



2. Valuation results

The Administering Authority has prepared a Funding Strategy Statement which sets out its funding objectives for the Fund. This involves Defra meeting expected future expenditure as it emerges by making GiA payments.

Ultimately, the main valuation objective is to ensure the long-term solvency of the Fund, using a prudent long term view (“the Funding Objective”). This will ensure that sufficient funds are available to meet all members’/dependants’ benefits as they fall due for payment.

Funding position relative to Funding Objective

In assessing the extent to which the Funding Objective was met at the valuation date, we have used the actuarial assumptions described in Appendix 2 for the funding basis and the funding method also earlier described. The table below compares the value of the assets and liabilities at 31 March 2025. The 31 March 2022 results are also shown for reference.

A funding level of 100% would correspond to the Funding Objective being met at the valuation date.

Valuation date	31 March 2025	31 March 2022
Assets	240	329
Deferreds (£m)	17	46
Pensioners (£m)	283	444
Surplus / (Deficit) (£m)	(60)	(162)
Funding Level	80%	67%

Table 1: Whole Fund level funding position

There has been an improvement in the reported funding level since 31 March 2022 from 51% to 67% and a reduction in the funding deficit from £280m to £162m. A breakdown of the key factors that have influenced the reported funding position from 31 March 2022 to 31 March 2025 are detailed below.

	£m	Assets	Liabilities	Surplus/ (deficit)
Last valuation		329	491	(162)
Known events last valuation	Grant-in-Aid contributions	127	0	127
	Benefits paid out	(127)	(127)	0
	Other cashflows (eg, expenses, transfers)	(3)	0	(3)
	Interest on assets (& liabilities)	17	22	(5)
	Benefit increases	0	44	(44)
	Membership experience	0	(12)	12
	Excess growth in assets	(102)	0	(102)
Expected position at 31 March 2025		240	418	(178)
Changes in future expectations	Investment outlook	0	(91)	91
	Inflation outlook	0	(16)	16
	Longevity assumptions	0	(8)	8
	Other demographic assumptions	0	(4)	4
Actual position at 31 March 2025		240	300	(60)

Table 2: Detailed funding position reconciliation

Since the previous valuation, various events have taken place which affect the value placed on the liabilities, including:

- There is an interest cost of £22m. This is broadly three years of compound interest at 1.7% p.a. applied to the previous valuation liability value of £491m. The benefits that have been accrued to the valuation date are three years closer to payment at 31 March 2025 than they were at 31 March 2022, meaning there is less opportunity for future investment returns to help meet this cost. However due to the change in financial markets the expectation of future returns has increased resulting in a reduction in the liabilities.
- The areas of membership experience that have had the greatest impact on the surplus/deficit position of the Fund are set out below, together with their impact on the liabilities:

Source	Expected	Actual	Funding impact
Investment returns	1.7% p.a.	(9.7% p.a.)	(£102m)
Benefit increases	3.1% p.a.	6.1% p.a.	(£44m)

Table 3: Impact of known events since 2022

- The changes to the longevity assumptions used for the valuation have resulted in a small reduction in life expectancies. This has served to decrease the liabilities by £8m;
- The assumed rate of future CPI inflation has decreased from 3.1% p.a. at 31 March 2022 to 2.6% p.a. at 31 March 2022. This has decreased the value of the liabilities by £16m;

- The assumed rate of future investment returns has increased from 1.7% p.a. to 5.2% p.a.. This has decreased the value of the liabilities by £91m.

There has been a large decrease in the value of the Fund’s assets since the previous valuation because:

- The investment return on the Fund’s assets for the period 31 March 2022 to 31 March 2025 was -9.7%. This has decreased the value of the assets by £102m. The Fund’s assets act as a ‘hedge’ against its liabilities. This means that if investment returns are less than expected, there should be a corresponding reduction in liabilities. As such, investment performance is a smaller concern than inflation risk.
- However as benefit payments are covered by Grant-in-Aid payments from Defra, the assets are not depleted as benefits are paid. The funding position is therefore expected to improve over time. Over the inter-valuation period the impact of this was to reduce the deficit by £127m.

Projection of the funding position

The progression of the funding position will depend on various factors including future asset performance, economic conditions and membership movements. If the financial and demographic assumptions made at this valuation are borne out in practice, and there are no changes to the valuation assumptions, we estimate that, based on the asset value at 31 March 2025 and assuming investment returns equal to the valuation discount rate of 5.2% p.a., the Fund’s assets will be enough to pay for future funded and unfunded benefits after 31 March 2027. This allows for Grant-in-Aid contributions to be received as described in Appendix 8.

Risks and
sensitivities



3. Risks and sensitivities

Valuation results depend on actuarial assumptions made about the future. By their nature, these assumptions are uncertain which means it's important to understand their sensitivity and risk levels.

Sensitivity of the funding position to future inflation

Pensions (both in payment and in deferment) in the LGPS increase annually in line with CPI. If future CPI inflation is higher than the assumed rate of 2.6% p.a. then the cost of the benefits will be higher than we have set out in Section 2.

The table quantifies the impact on the funding position of varying the benefit increases (CPI) assumption below.

CPI Assumption (%p.a)	Surplus/ (Deficit) (£m)	Funding Level (%)
2.5%	(58)	81%
2.6%	(60)	80%
2.7%	(62)	79%

Table 4: Impact of inflation assumption on funding level

Sensitivity of the funding position to life expectancy

The main area of demographic risk is people living longer than expected. If long term mortality rates fall at a rate of 1.75% p.a. (compared to the assumed 1.5% p.a.) then members will live slightly longer than we have assumed in this valuation. The impact on the funding position is detailed below.

Long term rate of improvement (%p.a)	Surplus/ (Deficit) (£m)	Funding Level (%)
1.5% (baseline)	(60)	80%
1.75%	(62)	79%

Table 5: Impact of life expectancy on funding level

Other demographic risks to consider

There are other risk factors which would have an impact on the funding position. Examples of these include members' choices around retirement age and commutation, and the proportion of pensioners with an eligible dependant. These are probably unlikely to change in such a way that would rank them as amongst the highest risks facing the Fund and therefore there has been no further quantification of their risk.

Comment on sensitivity analysis

Note that the tables above show the effect of changes to each assumption in isolation. In reality, it is perfectly possible for the experience of the Fund to deviate from more than one of the assumptions simultaneously and so the precise effect on the funding position is therefore more complex. Furthermore, the range of assumptions shown here is by no means exhaustive and should not be considered as the limits of how extreme experience could actually be.

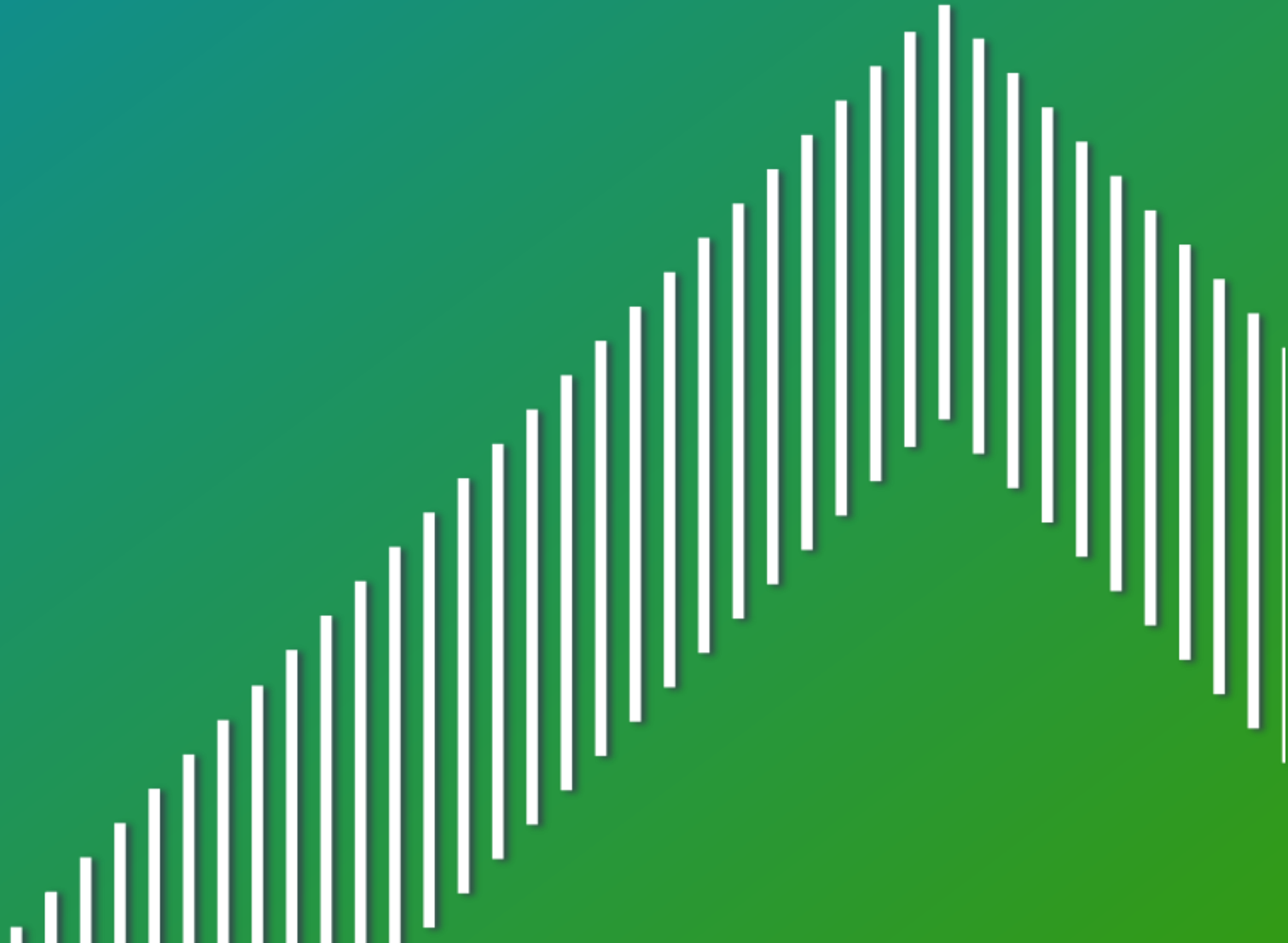
Climate change risk

Results may materially change due to the impact of climate change, because of transition and physical risks. We have not quantified the risk exposure here as the Closed Fund's funding agreement with Defra means its exposure to climate risk is minimal.

Regulatory Risks

The "Access and Fairness" consultation is expected to improve benefits for members with some of these improvements backdated. We believe the impact of the proposed changes are not likely to be material. However, the consultation is in its early stages.

Final
comments



4. Final comments

The Fund's valuation operates within a broader framework, and this document should be considered alongside the following:

- The Funding Strategy Statement which sets out the funding objectives of the Fund.
- The Investment Strategy Statement, which sets out the investment strategy for the Fund.
- The Fund's risk register.
- The general governance of the Fund, including meetings of the Pensions Committee, decisions delegated to officers, the Fund's business plan, etc.

Throughout the valuation, relevant stakeholders in the Fund have been engaged, consulted and communicated with as appropriate. Details of the governance process followed during the valuation are set out in Appendix 3.

Under the LGPS regulations, the next formal valuation of the Fund is due to be carried out as at 31 March 2028 where contribution rates payable from 1 April 2029 will be set.

March 2026

For and on behalf of Hymans Robertson LLP

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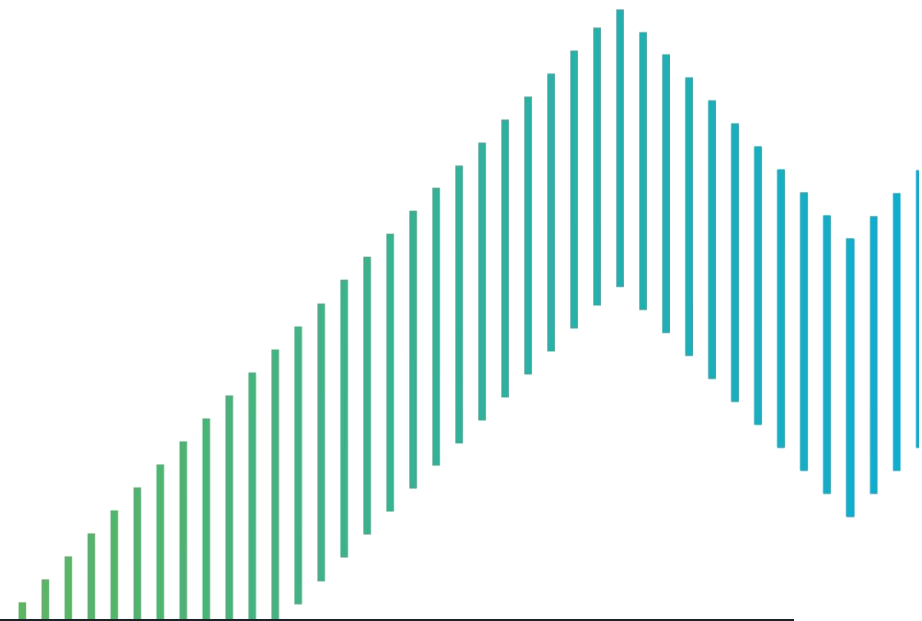
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Appendix 1: Data

Membership data

The membership data used for the purposes of this valuation was provided by the Administering Authority on 17 July 2025.

A summary of the membership data used for this valuation is set out in Table 6, alongside corresponding data from the previous valuation for comparison. The membership numbers in the table relate to the total number of records.

The results of the valuation are dependent on the quality of the data used. We have carried out a series of validation checks on the data supplied to us by the Administering Authority to ensure that it is fit for purpose.

In addition, we have also used the cashflow data provided by the Administering Authority and the relevant annual accounts of the Fund to further validate the membership data

More information on the data used in the valuation has been shared with the Administering Authority in our report 'Environment Agency Closed Fund GiA Projections'.

Whole Fund Membership Data	This Valuation 31 March 2025	Last Valuation 31 March 2022
Deferred pensioners (including undecideds)		
Number	720	1,056
Total accrued pension (£000)	837	1,304
Liability weighted average age (years)	64.4	60.9
Pensioners and dependants		
Number	8,360	9,997
Total pensions in payment (£000)	37,948	43,811
Liability weighted average age (years)	78.0	76.6
Average duration of liabilities (years)	7.1	9.6

Table 6: Membership data summary

Appendix 2: Assumptions

To set and agree assumptions for the valuation, the Fund carried out an in-depth analysis and review in August 2025 with the final set noted by the Pensions Committee on August 2025.

Summary of assumptions

	31 March 2025	31 March 2022
Financial assumptions (% p.a.)		
Discount rate	5.2%	1.7%
Benefit increases (CPI inflation)	2.6%	3.1%
Demographic assumptions		
Baseline longevity	VitaCurves	VitaCurves
Longevity future improvements	CMI 2024 model with core parameterisation, except: Initial addition = 0.25% (both Male & Female) Long-term rate of improvement = 1.5% p.a.	CMI 2021 model Initial addition, A = 0.25% (both Male & Female) Smoothing factor, Sk = 7.0 Long-term rate of improvement = 1.5% p.a.
Commutation	50% of maximum under HMRC limits	50% of maximum under HMRC limits
Retirement age	Earliest age at which members can retire with unreduced benefits	
Family statistics	Varying proportion have dependant at death Dependant of a male is 3.5 years younger than him Dependant of a female is 0.6 years older than her	Varying proportion have dependant at retirement Dependant of a male is 3 years younger than him Dependant of a female is 3 years older than her

Table 7: Summary of assumptions

Average life expectancies

Based on the longevity assumptions used for the 2025 valuation, Table 8 details the average life expectancy for the Fund's membership.

Average life expectancy	31 March 2025	31 March 2022
Male pensioner	20.3 years	20.5 years
Male non-pensioner	20.4 years	20.4 years
Female pensioner	23.6 years	23.6 years
Female non-pensioner	24.3 years	24.2 years

Table 8: Average life expectancies

The average life expectancies are from the age of 65. They assume that pensioners are aged 65 at the respective valuation date and non-pensioners are aged 60.

Benefit structure

Results are based on our understanding of the benefit structure of the LGPS in England and Wales on 31 March 2025 – see www.lgpsregs.org. However, there are areas of uncertainty and potential change.

- **McCloud:** in line with the 2022 valuation, we have made no allowance for the cost of these potential improvements in the 2025 valuation. The ruling doesn't apply to the Fund as it only applies to benefits earned in the LGPS after the Fund closed to new accrual.
- **Cost sharing mechanism:** we have assumed that there will be no changes required to the LGPS benefit structure due to this mechanism.
- **Guaranteed Minimum Pension equalisation and revaluation:** in line with the 2022 valuation, we have assumed that all increases on GMP for members with a State Pension Age after 5 April 2016 will be funded by the Fund.
- **Virgin Media case:** we have made no allowance for any impact that the Virgin Media case may have on the LGPS benefit structure.
- **Other benefit changes:** there may be benefit changes due to the current "Access and Fairness" consultation. We have not made any allowance for any changes to the benefit structure proposed in this consultation as we would not expect them to be material if implemented.

Appendix 3: Government funding agreement

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

Environment Agency Closed Pension Fund

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

Paul Boateng

Extract from a letter sent on 15 July 2004 by the Rt Hon Margaret Beckett (Secretary of State for the Environment) to Mr John Edmonds (Chairman of the Environment Agency Pensions Committee)

Environment Agency Closed Pension Fund

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

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

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

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

Margaret Beckett

Memorandum of understanding

Between:

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

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

Background

1. The Environment Agency Closed Fund (“the Closed Fund”) is vested in, and required to be maintained by, the Environment Agency by regulation 2(1) of the Local Government Pension Scheme (Environment Agency) Regulations 1996.
2. Before 1989, the Water Authorities Superannuation Fund (“WASF”) served the former Regional Water Authorities in England and Wales. Under the Water Act 1989 their water supply and sewerage functions were transferred to newly created water companies, together with the relevant employees. The pension liabilities and assets in respect of such employees were transferred from the WASF to the new water company pension schemes. The pension liabilities and assets in respect of the remaining employees, and also of the former employees and pensioners, were transferred with the WASF to the National Rivers Authority (“the NRA”), which set up a pension fund for its own employees (“the Active Fund”) into which were transferred the pension liabilities and assets in respect of the said remaining employees.
3. Following the transfer of active employed members to both the water company pension schemes and the Active Fund, the only remaining members of the WASF were deferred and pensioner members. No further members were admitted to it, so that it became a closed scheme (“the Closed Fund”). The Secretary of State and the NRA accepted the possibility that, in due course, the Closed Fund could have insufficient resources to meet its pension liabilities. With effect from 1 April 1996 the Agency assumed the functions of the NRA and the Closed Fund is now known as the Environment Agency Closed Fund.
4. The Closed Fund is maintained for the purposes of Section 7 of the Superannuation Act 1972, and accordingly the Secretary of State has the function conferred by Section 173 of the Act to make such payments into the Closed Fund as may be considered appropriate in respect of the actual and prospective liabilities falling from time to time to be met out of the Closed Fund for the benefit of its members (“the Closed Fund members”).
5. As at 31 March 2004, the Closed Fund’s FRS 17 valuation indicated that it had a net deficit for accounting purposes of £826,600,000 and its actuarial valuation indicated that it had a funding level of 21% which corresponded to a net past service reserve deficit of £880,000,000. The value of the liability under both valuations is sensitive to future mortality rates, inflation rates, and the discount rate used.
6. This Memorandum of Understanding sets out the mechanism whereby the Secretary of State will exercise the function under section 173 of the 1989 Water Act with a view to addressing the deficit in the Closed Fund.
7. This Memorandum has been agreed between the Secretary of State and the Environment Agency and the arrangements for funding the Closed Fund have been approved by Her Majesty’s Treasury pursuant to that section, as indicated in the letter of 15 April 2004 from the Chief Secretary to the Secretary of State, subject to the conditions referred to in that letter.

Payments into the Fund

8. The Closed Fund's funding level continues to deteriorate, and on actuarial advice it is assumed that the value of the assets will reduce to a level of between £50 million and £60 million by about April 2006. With effect from that date the Secretary of State will ensure that cash payments are made into the Fund each year totalling an amount equivalent to its total annual outgoings (defined as total anticipated payments to pensioners, transfers out of the Closed Fund, investment management or other agents' fees, administration costs, and all other liabilities or expenses whatsoever, less interest earned on such cash payments made to the Agency for the Closed Fund during the year) to be calculated and properly certified by the Agency in accordance with actuarial advice received.
9. Such payments will be solely to finance the Closed Fund's annual outgoings and will be treated separately from the Agency's mainstream finances. They will be made every six months, with the sums to be paid equalling the amount of the Fund's outgoings for the previous six months. The first payment into the Fund will be made in April 2006. These payments will continue until the liabilities of the Closed Fund have been met in full. Latest actuarial projections indicate that this will occur in 2062.
10. These payments will be in the form of ring-fenced grant-in-aid from the Secretary of State and will be paid twice each year in April and October through the normal grant-in-aid procedures to the Agency.
11. The Agency will provide the Secretary of State with a copy of actuarial advice received and such information as is reasonably required to illustrate how the payments certified as payable have been calculated. Any assets held in the Closed Fund in excess of the payments will be

retained to protect against minor variations in outgoings until a certificate of the actuary to the Closed Fund confirms that their retention is unnecessary. A copy of any such certificate shall be provided by the Agency to the Secretary of State.

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

Payments to pensioners

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

Control, monitoring and review

14. The Agency will manage the residual assets of the Closed Fund according to the high standards of financial integrity expected of those responsible for the management of public assets. The Agency will invest any surplus funds, as required by the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 and in accordance with the Closed Fund's Statement of investment principles and Funding strategy statement. The Agency's procedures and the accounts of the Fund will continue to be the subject of an annual external audit, and nothing in this Memorandum affects the need for an actuarial valuation of the Closed Fund as required by the LGPS Regulations.
15. For monitoring purposes, the Agency will inform the Secretary of State of the Closed Fund's liabilities at the end of each financial year in accordance with FRS 17 (or any replacement accounting standard).

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

17. This Memorandum shall only be amended by the agreement in writing of both the Secretary of State and the Agency.

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

Barbara Young,
Accounting Officer,
Environment Agency
On behalf of the Environment Agency

Date of signature: 17 May 2005

Appendix 4: Section 13 dashboard

Metric	Unit	2025 valuation	2022 valuation
2025 funding position – local funding basis			
Funding level (assets/liabilities)	%	80%	67%
Funding level (change since previous valuation)	%	13% increase	16% increase
Asset value used at the valuation	£m	240	329
Value of liabilities (including McCloud liability)	£m	300	491
Surplus (deficit)	£m	(60)	(162)
Discount rate – past service	% p.a.	5.2%	1.7%
Discount rate – future service	% p.a.	N/A	N/A
Assumed pension increase (CPI)	% p.a.	2.6%	3.1%
Method of derivation of discount rate, plus any changes since previous valuation		Yield on long-dated government bonds as at the valuation date. This is the same methodology used for the 2022 valuation.	Yield on long-dated government bonds as at the valuation date. This is the same methodology used for the 2019 valuation.

Metric	Unit	2025 valuation	2022 valuation
Assumed life expectancy at age 65			
Life expectancy for current pensioners – men age 65	years	20.3	20.5
Life expectancy for current pensioners – women age 65	years	23.6	23.6
Life expectancy for future pensioners – men age 45	years	21.6	21.8
Life expectancy for future pensioners – women age 45	years	25.4	25.7
Past service funding position – SAB basis (for comparison purposes only)			
Market value of assets	£m	240	329
Value of liabilities	£m	315	427
Funding level on SAB basis (assets/liabilities)	%	76%	77%
Funding level on SAB basis (change since last valuation)	%	1% decrease	12% increase

Metric	Unit	2025 valuation	2022 valuation
Contribution rates payable			
Total expected contributions (Defra Grant-in-Aid payments) ¹			
Total expected contributions - 1 st year of rates and adjustments certificate	£m	37.464	45.688
Total expected contributions - 2 nd year of rates and adjustments certificate	£m	32.835	41.059
Total expected contributions - 3 rd year of rates and adjustments certificate	£m	30.414	38.304

¹ No primary rate or employee rate is provided as the Fund has no active members. The total contributions shown are the projected Grant-in-Aid payments from Defra in the three years to 31 March 2029.

Metric	Unit	2025 valuation	2022 valuation
Deficit recovery and surplus spreading plan			
Latest deficit recovery period end date, where this methodology is used by the fund's actuarial advisor	Year	Methodology not used	Methodology not used
Earliest surplus spreading period end date, where this methodology is used by the fund's actuarial advisor	Year	Methodology not used	Methodology not used
The time horizon end date, where this methodology is used by the fund's actuarial advisor	Year	Methodology not used	Methodology not used
The funding plan's likelihood of success, where this methodology is used by the fund's actuarial advisor	%	Methodology not used	Methodology not used
Surplus Methodology		N/A	N/A
Additional information			
Percentage of liabilities relating to employers with deficit recovery periods of longer than 20 years	%	N/A	N/A
Percentage of total liabilities that are in respect of Tier 3 employers	%	0%	0%
Included climate change analysis/comments in the 2025 valuation report		Yes	Yes
Gender pension gap statistic - Fund active mean CARE pension GPG	%	N/A	N/A
Gender pension gap statistic - Fund active mean combined Final Salary and CARE pension GPG	%	N/A	N/A
Gender pension gap statistic - Fund pensioner mean pension GPG	%	51%	N/A

Appendix 5: Reliances & limitations

We have been commissioned by Environment Agency ('the Administering Authority') to carry out a full actuarial valuation of Environment Agency Active Fund ('the Fund') at 31 March 2025, as required under Regulation 62 of the Local Government Pension Scheme Regulations 2013 ('the Regulations').

This report is addressed to the Administering Authority. It has been prepared by us as actuaries to the Fund and is solely for the purpose of summarising the main outcomes of the 2025 actuarial valuation. It has not been prepared for any other third party or for any other purpose. We make no representation or warranties to any third party as to the accuracy or completeness of this report, no reliance should be placed on this report by any third party and we accept no responsibility or liability to any third party in respect of it.

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This summary report is the culmination of other communications in relation to the valuation, in particular our:

- [2025 valuation toolkit](#) which sets out the methodology used when reviewing funding plans
- paper dated 25 August 2025 which discusses the valuation assumptions

- initial results report dated 24 September 2025 which outlines the whole Fund results and inter-valuation experience
- paper dated February 2026 which discusses Grant-in-Aid Projections

The totality of our advice complies with the Regulations as they relate to actuarial valuations.

We have also prepared the valuation with regard to the Funding Strategy Statement which details the approach taken by the Fund to fund the current and future benefits due to members.

The following Technical Actuarial Standards apply to this advice and have been complied with where material and to a proportionate degree. They are:

- **TAS100** – Principles for technical actuarial work
- **TAS300** – Pensions

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Appendix 6: Glossary

➤ **Baseline longevity**

The rates of death (by age and sex) in a given group of people based on current observed data

➤ **CPI inflation**

The annual rate of change of the Consumer Prices Index (CPI). The CPI is the UK government's preferred measure of inflation and is the measure used to increase LGPS (and all other public sector pension scheme) benefits each year.

➤ **Deferred pensioner**

A former employee who has left employment (or opted out of the pension fund) but is not yet in receipt of their benefits from the fund.

➤ **Demographic assumptions**

Assumptions concerned with member and employer choices rather than macroeconomic or financial factors. For example, retirement age or promotional salary scales. Demographic assumptions typically determine the timing of benefit payments.

➤ **Discount rate**

A number used to place a single value on a stream of future payments, allowing for expected future investment returns.

➤ **ESS**

Economic Scenario Service - Hymans Robertson's proprietary economic scenario generator used to create thousands of simulations of future inflation, asset class returns and interest rates.

➤ **Funding position**

The extent to which the assets held by the Fund at 31 March 2025 cover the accrued benefits ie the liabilities. The two measures of the funding position are:

- the funding level - the ratio of assets to liabilities; and
- the funding surplus/deficit - the difference between the asset and liabilities values.

➤ **Inflation**

Prices tend to increase over time, which is called inflation. Inflation is measured in different ways, using a different 'basket' of goods and mathematical formulas

➤ **Liabilities**

An employer's liability value is the single value at a given point in time of all the benefit payments

expected to be made in future to all members. Benefit payments are projected using demographic and financial assumptions and the liability is calculated using a discount rate.

➤ **Longevity improvements**

An assumption about how rates of death will change in future. Typically, we assume that death rates will fall and life expectancies will improve over time, continuing the long-running trend.

➤ **Pensioner**

A former employee who is in receipt of their benefits from the fund. This category includes eligible dependants of the former employee.

➤ **Primary rate**

The estimated cost of future benefits, expressed in percentage of pay terms. The primary rate will include an allowance to cover the Fund's expenses.

➤ **Secondary rate**

An adjustment to the primary rate, generally to reflect costs associated with benefits that have already been earned up to the valuation date. This may be expressed as a percentage of pay and/or monetary amount.

Appendix 7: Rates and Adjustments Certificate

In accordance with regulation 62(4) of the Regulations we have made an assessment of the contributions that should be paid into the Fund by Defra for the period 1 April 2026 to 31 March 2029 in order to maintain the solvency of the Fund and comply with the funding agreement detailed in Appendix 3.

The method and assumptions used to calculate the contributions set out in the Rates and Adjustments certificate are detailed in the Funding Strategy Statement dated March 2026 and in Appendix 2 of our report on the actuarial valuation dated March 2026. These assumptions underpin our estimate of the number of members who will become entitled to a payment of pensions under the provisions of the LGPS and the amount of liabilities arising in respect of such members.

The table below summarises the whole fund Primary and Secondary Contributions for the period 1 April 2026 to 31 March 2029. As the Fund has no active members accruing benefits there is no Primary Rate. The Secondary contributions are simply equal to the projected Grant-in-Aid funding requirement for each of the next three years for funded benefits only, including an allowance

for expenses of 1% of funded benefit outgo. For further details on the Grant-in-Aid projections please see Appendix 8.

Primary rate	Not applicable
Secondary rate	(£)
2026/27	37,464,000
2027/28	32,835,000
2028/29	30,414,000

Table 9: Rates payable by Defra from 1 April 2026 to 31 March 2029

Richard Warden FFA C. Act Barry Dodds FFA C. Act
 30 March 2026
 For and on behalf of Hymans Robertson LLP

Appendix 8: Grant-in-Aid projections

The following table shows projected Grant-in-Aid payments required to meet the cost of benefits and expenses over the 10 years following the 2025 valuation.

All figures in £000														
Year ending 31 March	Pension increase	Closed Fund Funded ¹			Closed Fund Unfunded ²									GRAND TOTAL
		CF Members' LGPS Benefits	Admin Expenses net of Interest on Cash Deposits ³	Funded Subtotal	CF Members' Compensation & Gratuities	Lee Conservancy CB Pension Scheme	Water Company Pension Scheme Members' Compensation					Water Company Sub-Total	Unfunded Subtotal	
							United Utilities (aka North West)	Northumbrian	Western Power (aka Welsh or Hyder)	Southern Water ⁴	Anglian Water ⁵			
2026	1.7%	37,555	376	37,931	4,599	102	91	30	17	44	17	199	4,900	42,831
2027	3.8%	37,093	371	37,464	4,115	98	83	28	16	40	16	184	4,397	41,861
2028	2.6%	32,510	325	32,835	3,614	94	74	26	15	36	15	166	3,874	36,709
2029	2.6%	30,113	301	30,414	3,146	89	65	23	14	32	14	149	3,383	33,797
2030	2.6%	27,905	279	28,184	2,714	84	57	21	12	28	13	131	2,929	31,113
2031	2.6%	25,795	258	26,053	2,322	79	48	18	11	23	12	114	2,515	28,567
2032	2.6%	23,891	239	24,130	1,970	74	41	16	10	20	11	97	2,141	26,271
2033	2.6%	22,132	221	22,353	1,658	69	34	14	8	16	10	82	1,809	24,162
2034	2.6%	20,504	205	20,709	1,385	64	28	12	7	13	9	68	1,516	22,225
2035	2.6%	18,993	190	19,183	1,149	58	22	10	6	10	8	55	1,262	20,445

1. These are funded benefits that members have accrued under LGPS regulations and are statutorily entitled to receive from the Fund.
2. These are additional unfunded benefits to those accrued under LGPS regulations which are recharged back to employers. **These benefits have not been valued or considered as part of the Fund's formal 2025 valuation exercise.**
3. Administration expenses have been calculated as 1% of the Funded benefit outgo
4. Southern Water projections are based on the projections from 2022 (allowing for the inflation assumptions described above) in the absence of more up-to-date data.

5. According to the information provided, we now have data to allow for projections for benefit payable to members of the Anglian Water Companies. This was not available at the previous valuation.

An allowance has been made for the 2026 pension increase of 3.8% within the benefit projections.

We estimate that, based on the asset value at 31 March 2025 and assuming investment returns equal to the valuation discount rate of 5.2% p.a., the Fund's assets will be enough to pay for future funded and unfunded benefits after 31 March 2027. This 'cut-off' point will need regular monitoring by the Environment Agency to ensure that the GiA funding mechanism is not stopped too early by Defra. The 'cut-off' point will be reviewed and, if necessary, updated again as part of the next actuarial valuation in 2028.

Appendix 9: Gender pension gap

As required under the LGPS Regulations 2013, we have reported on the gender pension gap within the Fund. The reporting approach, including derivation of statistics, is consistent with the guidance '2025 Fund Valuations: Guidance for Gender Pension Gap reporting' dated 2 February 2026.

For the purpose of this analysis, we have

- relied upon the membership data provided by the Fund for the purpose of the 2025 actuarial valuation
- used the gender information provided in the submitted membership data

The Gender Pension Gap (GPG) is calculated as:

$$GPG = \frac{\text{Mean pension value for males} - \text{Mean pension value for females}}{\text{Mean pension value for males}}$$

The GPG is expressed as a percentage. For example, a GPG of 10% indicates that, on average within the population analysed, for every £1 of pension accrued by males, females will have accrued £0.90. A negative GPG implies the mean pension value for females is greater than the mean pension value for males.

Active members

As the Fund has no active members this analysis has not been carried out.

Pensioner members

The GPG for pensioner members of the Fund is 51%. Further detail is set out in the table and charts below.

	Males	Females	GPG
Number of members*	3,638	1,923	-
% of overall membership	65%	35%	-
Mean age	77.5	74.1	-
Mean pension	5,391	2,655	51%

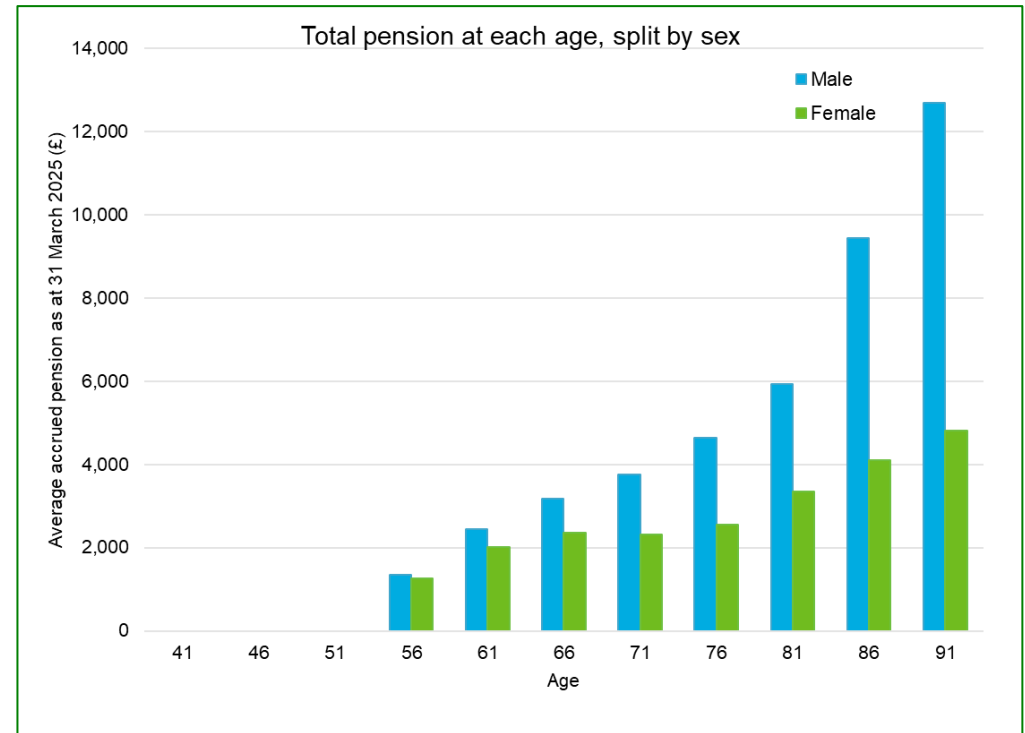


Chart 1: Total pension at each age, split by sex

Table 10: Gender pension gap for pensioner members – Fund level analysis

* In line with the guidance, this represents the number of unique members within the Fund i.e. all multiple membership records have been summed for the purpose of the Fund calculation.

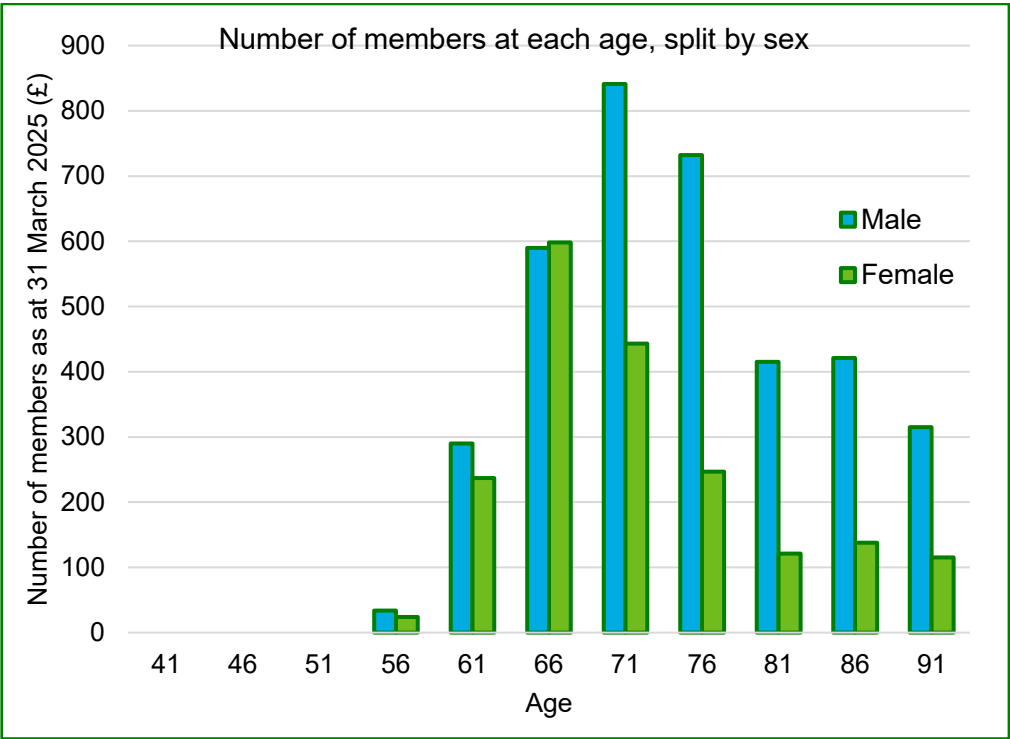


Chart 2: Number of members at each age, split by sex



Chart 3: Gender Pension Gap at each age