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23 June 2026

Kent Pension Fund

Investment Strategy Review 2026

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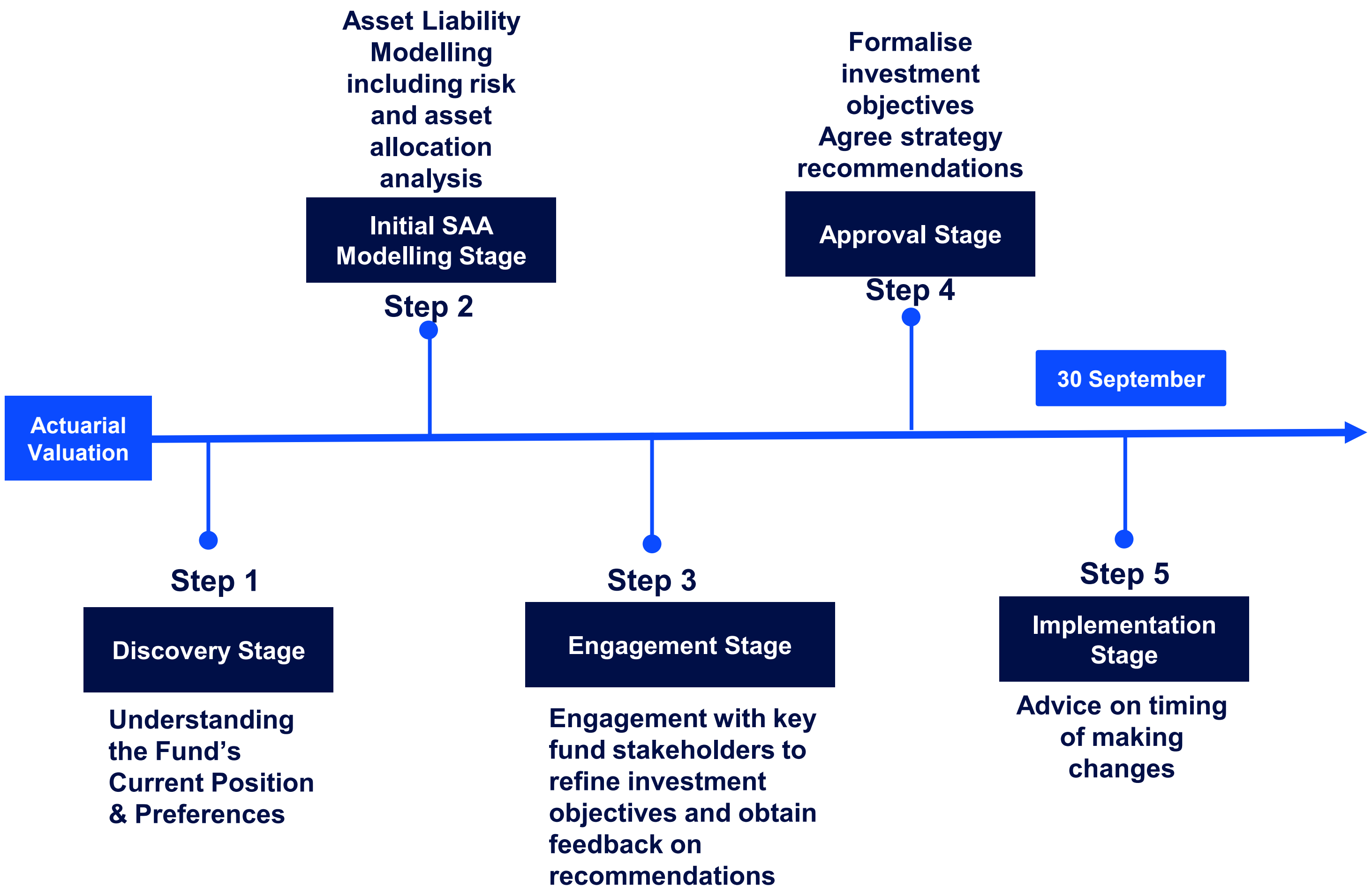
Setting the Scene

This presentation is addressed to the Pensions Committee (the “Committee”) of the Kent Pension Fund (the “Fund”).

The presentation sets out the modelling analysis of the current investment strategy alongside proposed strategies for consideration.

- Strategies are modelled based on Mercer’s 31 March 2025 Capital Market Assumptions (CMAs) with an allowance made for investment management fees and longevity. Analysis at 31 March 2026 is included in the appendix.
- Liabilities have been shown as at 31 March 2025, provided by the Fund’s actuary Barnett Waddingham.
- The funding position is therefore based on the 31 March 2025 Actuarial Valuation.



Decisions to be made at 23 June 2026 Committee Meeting

1. **Agree on provisional Investment Strategy, subject to further training on Private Markets**
2. **Agree high level Strategy Objectives for inclusion in ISS**

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Setting the Scene

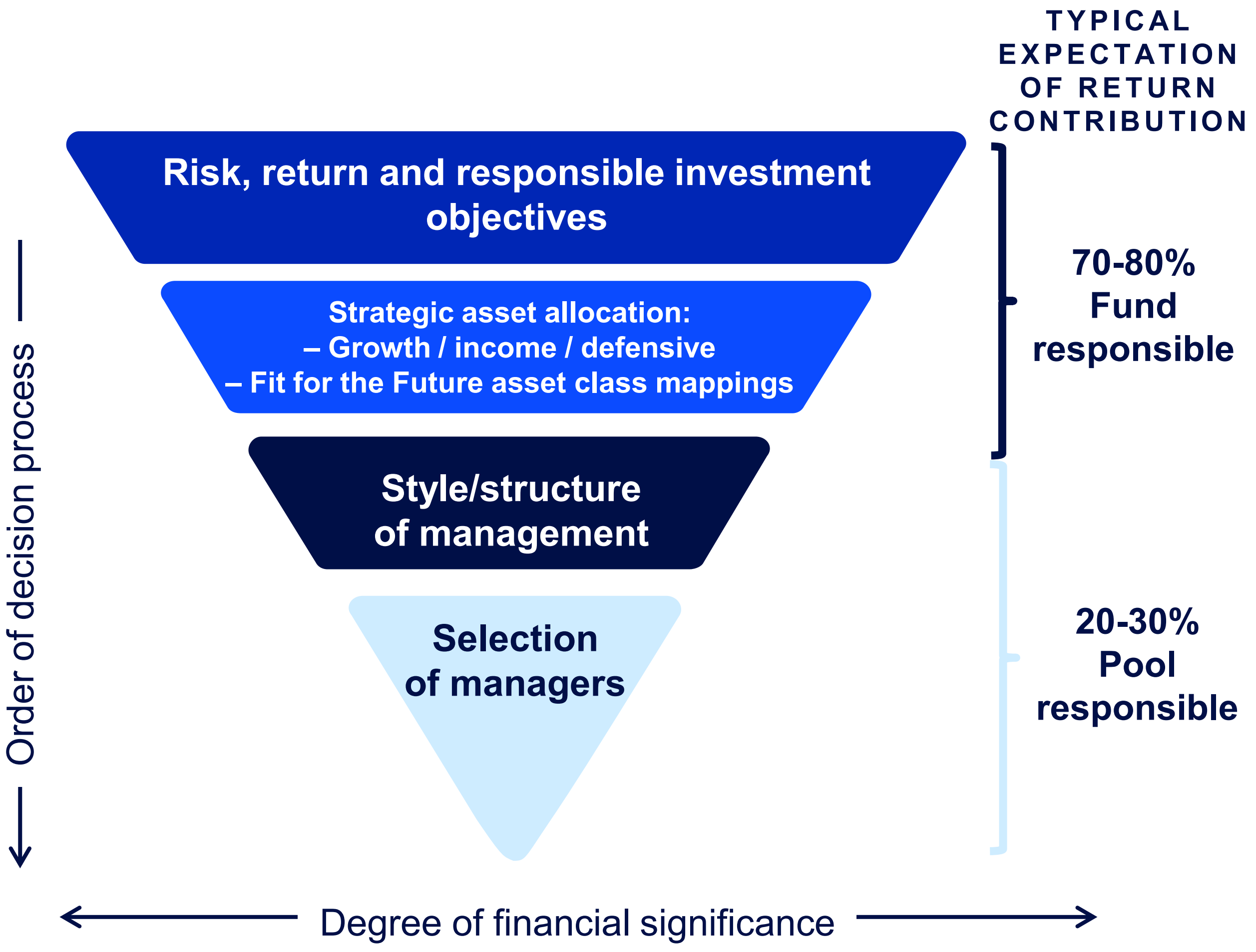
Roles and Responsibilities

		Responsibility	
Stage	**Activity**	**Kent Pension Fund**	**Border to Coast**
1. Set Objectives	- Meet benefit payments - Affordable contributions	✓	
2. Decide Long-Term Strategy	- Target Return - Risk budget	✓	
3. Create Portfolio Structure	- Strategic mix of equity, bonds and alternatives	✓	✓
4. Select Managers	- Diverse mix of best-in-class providers		✓
5. Implement	- Keep costs low - Diverse mix of best-in-class providers		✓
6. Monitor Results	- Committee meetings and monitoring	✓	✓

Setting the Scene

Importance of Investment Strategy

- Long term allocation between various asset classes
- Most important decision for the Fund - Returns between asset classes can vary significantly
- To be able to meet the future liabilities, the expected return of the investment strategy should be higher than the discount rate – the extent of which depends on the funding position of the Fund.



Investment strategy contributes the majority of investment performance and – just as importantly – investment risk

Current Position & Objectives

01

The Starting Point

Striking the right balance

The ***funding level*** is an estimate of whether the Fund has sufficient assets today to meet all future pensions promises in the future, *assuming a certain investment return* known as the ***discount rate***

Funding Level

104%

Estimated funding level as at 31 March 2025

Discount Rate

4.9% p.a.

as 31 March 2025. This is the return required from the assets to 'stand still'.

Expected Return

6.3% p.a.[1]

Estimated 20 year average return at 31 March 2025

Balancing Risk and Return

Too little investment risk/return = cost of pension provision is too expensive and contributions are not affordable

Too much investment risk/return = danger of market stress affecting funding and contributions are not stable

Fund's objectives

- Meet members benefits as they fall due
- Keeping contribution rates affordable but stable for employers

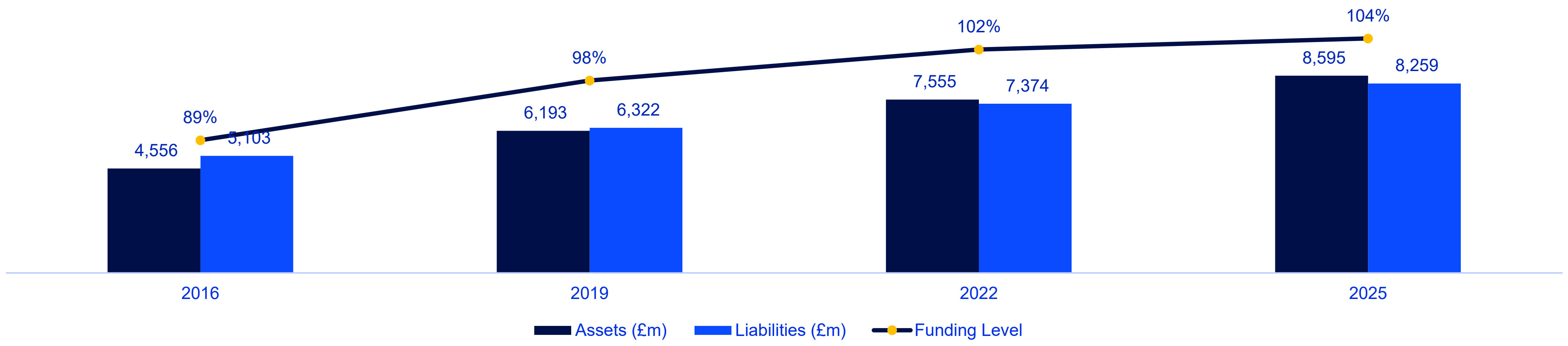
Source: Barnett Waddingham, draft Actuarial Valuation results. CPI assumption of 2.7% has been used.

[1] Expected return based on Strategic Asset Allocation.

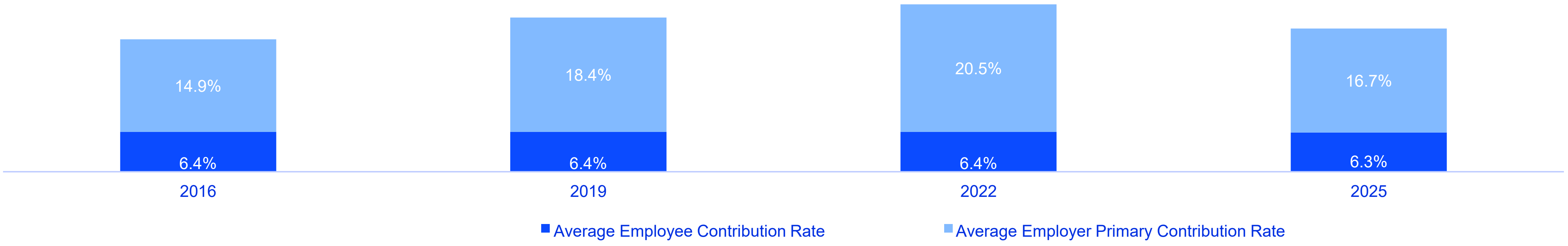
Evolution of Funding Position

Funding Level Progression

Funding level has improved continuously over each of the last 3 valuations



The (average) employer's contribution to the cost of benefits (primary rate) accruing has been relatively stable and has fallen at 2025 valuation to 16.7%



Source: Barnett Waddingham.

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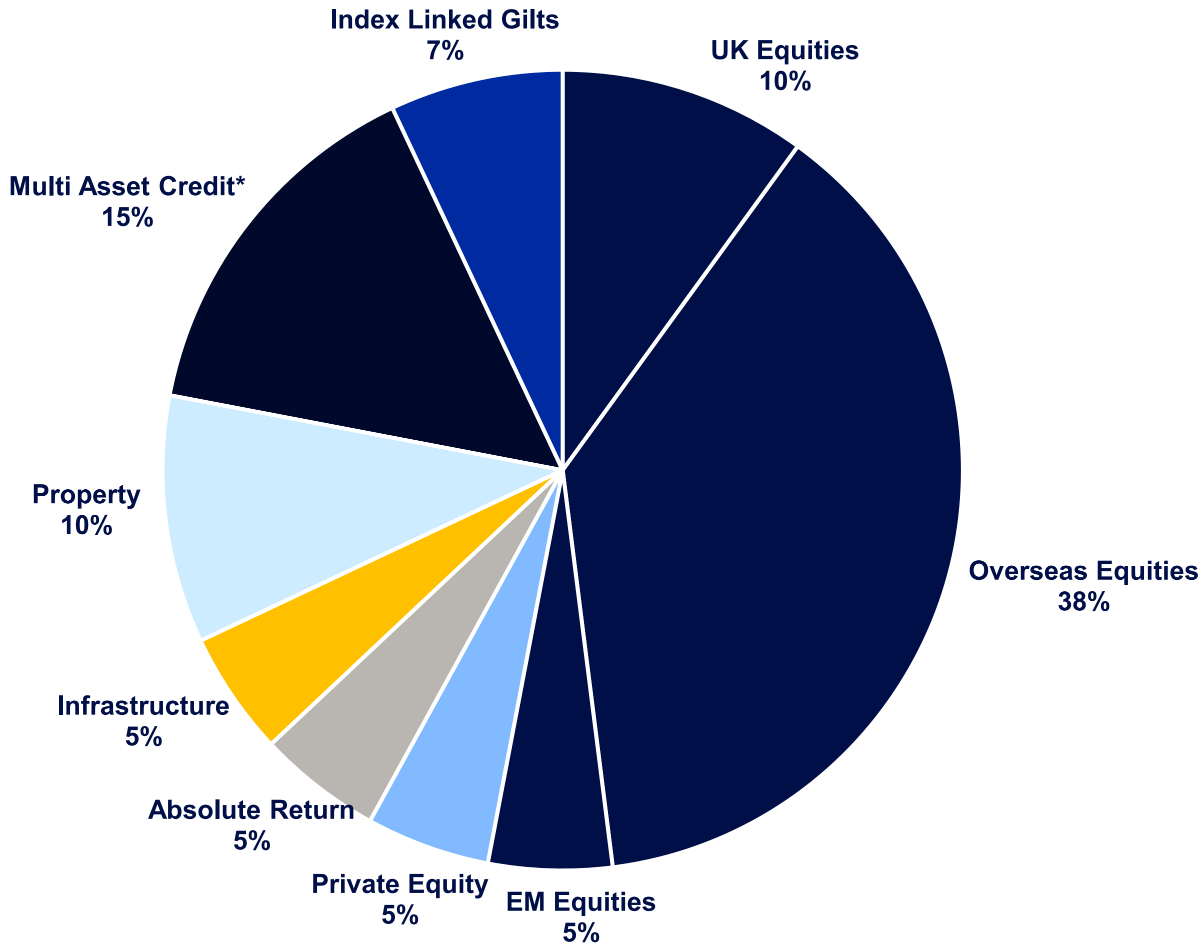
Current SAA

Overview of Fund



Current SAA Per the Government Template

Asset Class	SAA
Listed Equity	53%
Private Credit	-
Private Equity	5%
Property / Real Estate	10%
Infrastructure	5%
Other Alternatives	5%
Credit	15%
UK Government Bonds	7%
Cash	0%
Total	**100%**

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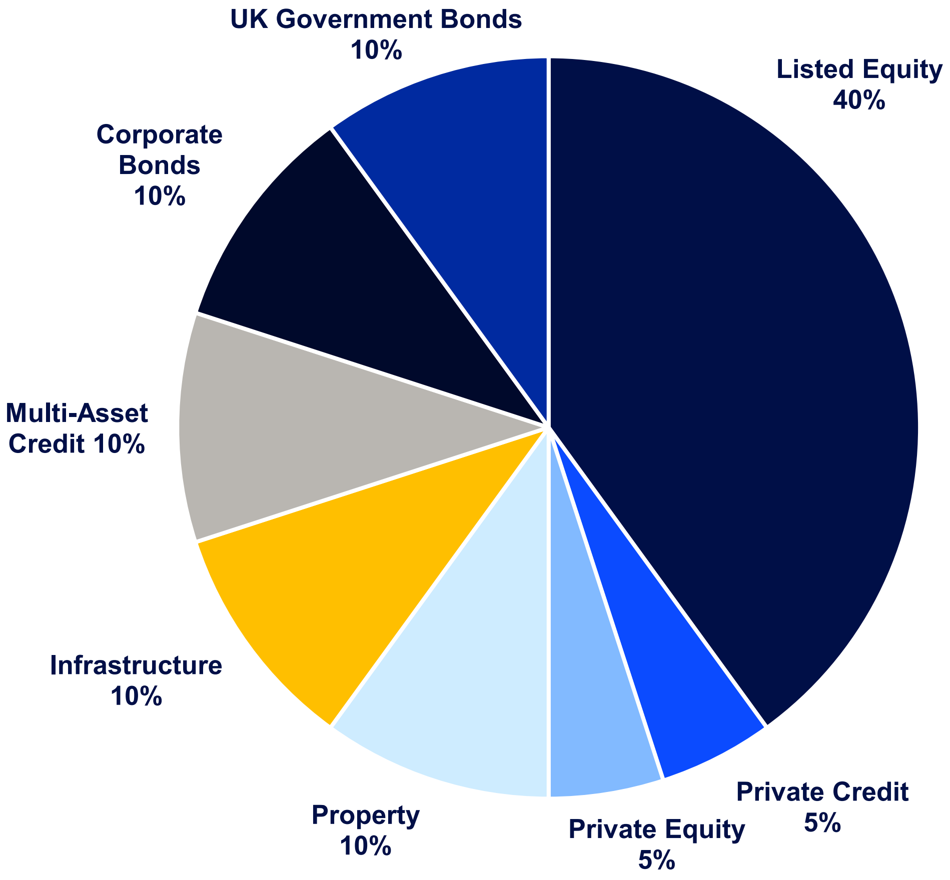
Mercer's LGPS Reference Portfolio

Comparison with Kent Pension Fund's Portfolio



Asset Class	LGPS Reference Portfolio	Current SAA	Common Themes
Global Equity	40%	53%	✓ Global equities
Private Equity	5%	5%	✓ Private Equity
Infrastructure	10%	5%	✓ Infrastructure
Property	10%	10%	✓ Property
Private Credit	5%	-	X Private Credit
Credit	20%	15%	✓ MAC ✓ Corporate Bonds*
UK Government bonds	10%	7%	✓ Index-linked gilts
Other Alternatives	-	5%	- DGFs

**Note that while the Fund does not hold an explicit corporate bond mandate, the Fund has exposure to these assets through the Growth Fixed Income funds.*

LGPS reference portfolio

- Represents Mercer's "starting point" for how to construct investment strategy for a typical LGPS fund with a return target of c.6-7% p.a. and volatility target of 2/3rds of equities.
- Combines long-term intellectual capital and market views, and based on a generic set of objectives and constraints.
- The Fund has many of the elements within the Reference Portfolio, excluding Private Credit. The Reference Portfolio also doesn't include DGFs.
- The Fund's allocation will differ due to its exact objectives and circumstances – not intended to be a "one size fits all" portfolio

Draft Investment Objectives

ISS and Strategy Review

Investment Return Objective	To have a modelled expected long-term return that exceeds the discount rate of 4.9% p.a.
Probability of investment returns exceeding the discount rate over 20 years	> 67%
Investment Risk Objective / Contribution stability	To invest in such a way that the 3-year 95% asset value at risk (VaR) is limited to less than 25% of the Liability Value
Probability of being 100% funded in 20 years	> 90%
Average Likelihood of Maintaining 16.7% Employer Rate Over Next 3 Valuation Cycles	> 67%
Likelihood of a 5% increase in employer contribution rate (over next 3 years)	< 25%
Cash Flow Objective	To ensure up to £X is available over the valuation period including a margin of X% for higher-than-expected growth in benefits.
Maximum strategic target allocation to illiquid assets	Max. 30% (scope to increase should be subject to detailed liquidity analyis)

- Investment Objectives set out in the dark blue boxes will need to be documented within the ISS.
- The Fund will need to agree with Border to Coast the most appropriate place to document supplementary investment objectives (light blue rows) such as the Investment Policy Statement (IPS).
- Objectives have been tested as part of the strategy review.

Areas of Focus

02

Evolving the Current Strategy

Considerations

Focus of the Review

- The main objective of the review is to **improve the efficiency of the portfolio from a risk/return perspective**.
- The Fund currently is running overweight equity risk and there are **opportunities to refine the current strategy.**

Main Areas of Refinement

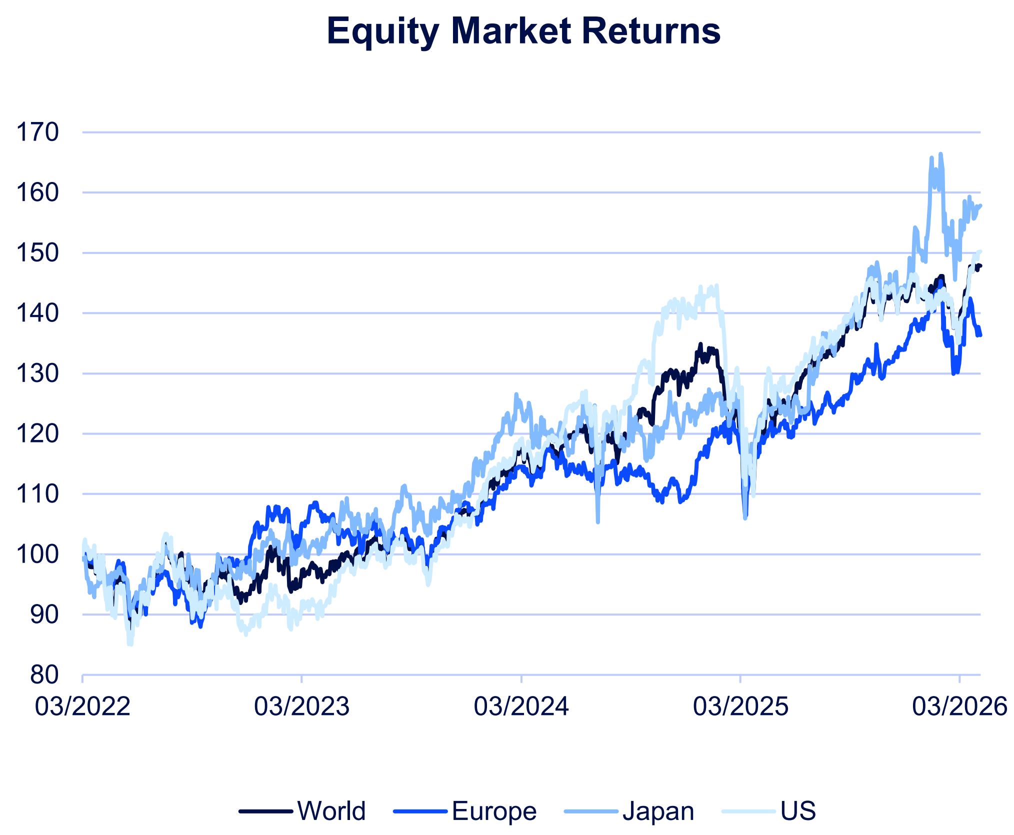
- **Equity:** Given the Funding position and discount rate, and our forward-looking assumptions for equity (comparatively lower relative to other asset classes) **there is opportunity to reduce the equity allocation and reduce risk, without negatively impacting return.**
- **Equity Protection:** The Fund can **reduce equity allocation outright, take off Equity Protection and end up with a lower risk, higher returning strategy** as a result.
- **DGF:** Remove from target allocation, Fund is already well diversified, and the **allocation can be used more efficiently elsewhere.**
- **Index-linked gilts:** Real yields are attractive by historic standards and provide diversification and protection benefits. **Strong case for increasing allocation.**
- **Infrastructure / Private Credit: Increase allocation to infrastructure** and **introduce Private Credit** to increase cashflows that are similar to the liabilities accruing in the Fund.

Key Metrics

- The modelling output outlines the expected returns and discount rate to **ensure that the hurdle rate for investment strategies is met.**
- We have also included a **risk metric that assesses how much the asset valuation could fall by in 3 years time with a 5% probability** (3yr 95th Value-at-Risk) This is a key measure for assessing funding risk.
- Furthermore, we have assessed the **expected funding level over the next 20 years** to ensure the strategies risk and return profile is well balanced.
- Finally, we also look at **contribution stability**. This looks at the likelihood of being able to maintain current contribution rates at future valuations.

Market Background

Elevated Equity Market Risks



Source: Refinitiv, MSCI. Rebased to 100 as at 31/03/2022. 29/04/2026.

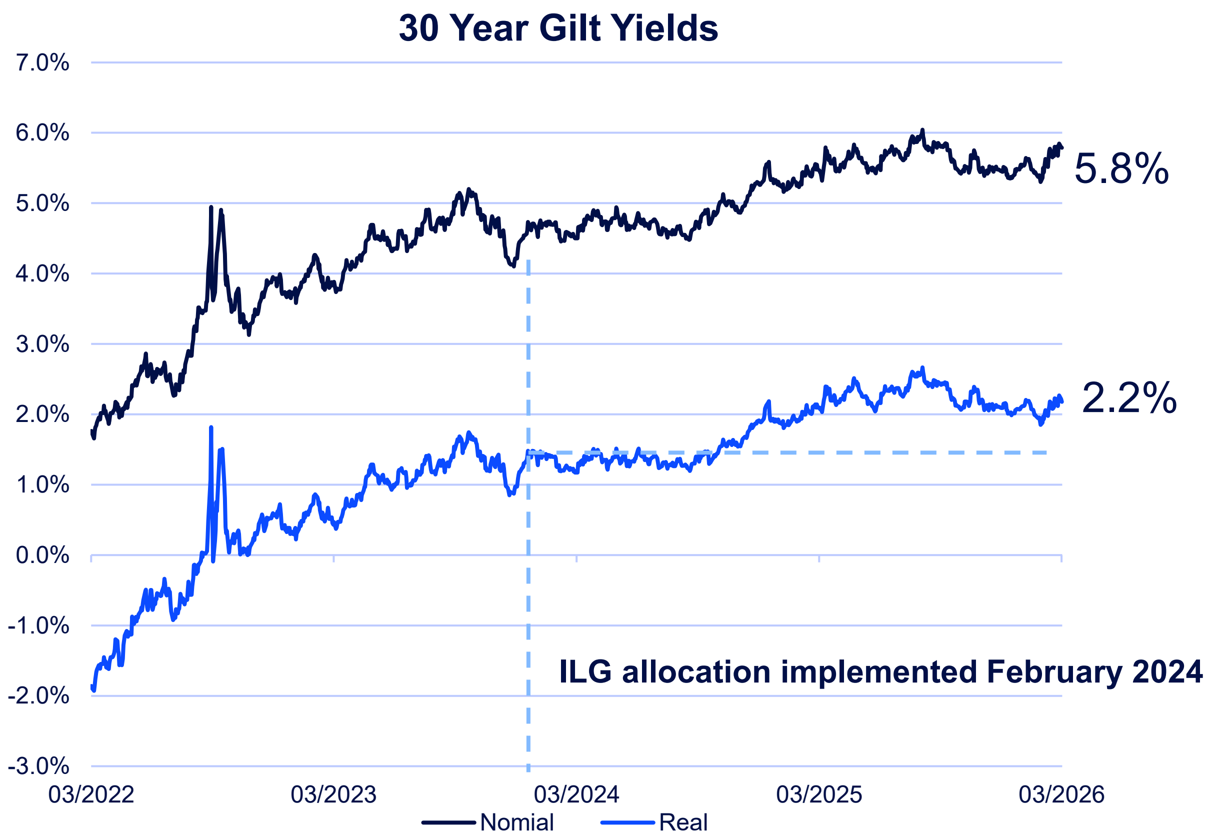
Reason for consideration: All time equity valuation highs

- Over the past decade, equity markets have delivered strong returns, supported by favourable economic conditions, low interest rates, and significant technological advancements.
- However, the environment that fuelled this growth is changing. Elevated valuations, moderating economic growth, high market concentration and a challenging political landscape suggest that the strong returns of the past 10 years may not be repeated.
- Mercer's forward looking return assumptions for equities assume returns may be more modest and volatility more pronounced compared to other asset classes.
- The above warrants a reduction in the allocation to public equities.

Recommendation: Consider the equity allocation and equity protection strategy holistically

Market Background

Attractive Opportunity to Allocate More to Index-Linked Gilts



Reasons for consideration: Real Yields high in the historical context

- The Fund currently has a 7% strategic allocation to Index-Linked Gilts; from both a strategic and a market timing perspective, we believe them to offer value, and we see a further role for Index Linked Gilts ("ILG") within the Fund's investment strategy from both an inflation linkage and diversification perspective.

- Current ILG yields are at interesting levels historically with long-dated ILGs yielding >2% above long-term inflation (CPI) expectations.

- There is therefore the potential for ILG allocation without adversely impacting the overall strategy metrics whilst increasing the inflation linked return the Fund will receive.

- Buying ILGs with a positive yield means the Fund can earn a yield above long-term CPI expectations (if held to maturity). As LGPS pension benefits are linked to uncapped CPI, buying ILG will allow the Fund to protect these pension payments should inflation increase in future.

Recommendation: Increase Index-Linked Gilts to at least 10%

Diversified Growth Fund Allocation

Potential refinements

There is currently an **5% strategic allocation** to **Diversified Growth Funds ("DGFs")** within the Alternatives portfolio.

As part of our proposed amendments to the Fund's Alternatives portfolio, we are recommending **removing the allocation to DGFs.** Based on our experiences and the information outlined below, the rationale to **remove** the allocation to DGFs is:

- As the Fund currently stands, there are enough levers to ensure diversification without the need for a separate allocation to DGFs. Historically, the DGF has played a diversifying role as a liquid alternative to equities, however with increasing returns available on fixed income and other alternatives, this rationale has weakened.

- There is wide dispersion of outcomes across DGF managers - outcomes are highly dependent on active decisions (asset allocation, hedge positions, alternatives). Ruffer has recently reduced allocations to equites in an aim to reduce downside volatility. However, that defensive positioning can cause them to not fully participate in large upside equity rallies.

Asset holding	3yr performance to 31 December 2025
Equities (MSCI ACWI)	16.7% p.a.
Total Fund	6.6% p.a.
Ruffer	1.4% p.a.
Pyrford	6.2% p.a.

Recommendation: remove the allocation DGFs from the SAA

Does the Fund need to retain equity protection?

Reasons to remove equity protection

- Mercer's return outlook for equities has **reduced**. Protected equity is expected to return c.70% of equity returns and therefore the forward-looking return expectations for protected equities does not look as attractive as it has done historically relative to other asset classes.
- One of the alternative SAAs that is being recommended to the Committee **reduces** the Fund's equity allocation from 53% to 40%, which significantly reduces the **equity risk** within the Fund's strategy.
- By removing the equity protection, the expected returns from the equity portfolio in absolute terms would be **similar** to those seen under the current allocation with equity protection under this alternative SAA and for a similar level of risk.
- Removing the equity protection strategy would also result in a strategy that is **simpler and cheaper** for BCPP to implement.
- Equity protection protects from broad market movements, and doesn't account for **active manager underperformance**.
- The Fund is a long-term investor, and can absorb some market volatility given the **stronger funding position**.

Reasons to retain equity protection

- With **improvements in funding level**, the Fund does not need to increase risk or generate higher returns from its assets to achieve the required return.
- The equity portfolio has **both** a protected (the global exposure) and unprotected (UK and EM) element limiting the drag on returns in bull markets.
- Equity market valuations are high and there remains **material uncertainty** in the market outlook for equities.
- Equity (and credit) markets are becoming increasingly **concentrated** with AI-related companies and the growing concentration heightens market interconnectedness and elevates the risk of contagion.
- Additional volatility driven by the Trump presidency and **geopolitical events** could exert further pressure on the markets.
- Consequently, maintaining the equity protection strategy may serve as an **effective hedge** for the Fund against these risks.

Reducing the equity allocation outright would support removing the equity protection strategy, resulting in a lower risk, higher returning strategy

Why invest in private infrastructure?

Large and established asset class now worth almost $1.4 trillion[1]	Emerging in the mid-1990s, infrastructure investing has grown to become a well-established asset class. 54 per cent of institutional investors are expected to be invested in infrastructure equity by 2029.[2]
Capturing transformative trends currently shaping our society	Uniquely positioned to support key trends such as digitization and AI, the energy transition and resource scarcity
Uncorrelated, resilient returns and inflation protection	The defensive nature of infrastructure, characterised by stable cash flows and inflation-linked returns, can provide a level of resilience and stability during market downturns.
Best accessed through a private market implementation	Private infrastructure provides direct exposure to diverse assets powered by key megatrends. Unlike listed infrastructure, success depends more on operational execution than market swings. Plus, private ownership fosters stronger alignment between owners and management.

Sources: 1) Preqin (January 2025) | 2) IFM Private Markets 700 (2024)

Private Credit Primer

03

What is Private Credit?

Asset managers source and lead…

The terms of the loan are **agreed between the lender and borrower privately**

…replacements for bank loans…

Borrowers with no access to public credit markets, or (increasingly) those who choose not to

…to "mid-market" companies…

Typically privately owned companies. In general, annual revenues of \$10m to \$1bn

… with seniority and security…

Backed by senior claims on company cash flows, or assets

… and held to maturity or refinanced.

Loans are **not traded** and are considered "illiquid"

Attractive risk adjusted returns are available but it is usually an illiquid investment, which requires investors to lock-up capital for a term (typically 8-10 years).

Comparison vs. Credit Universe

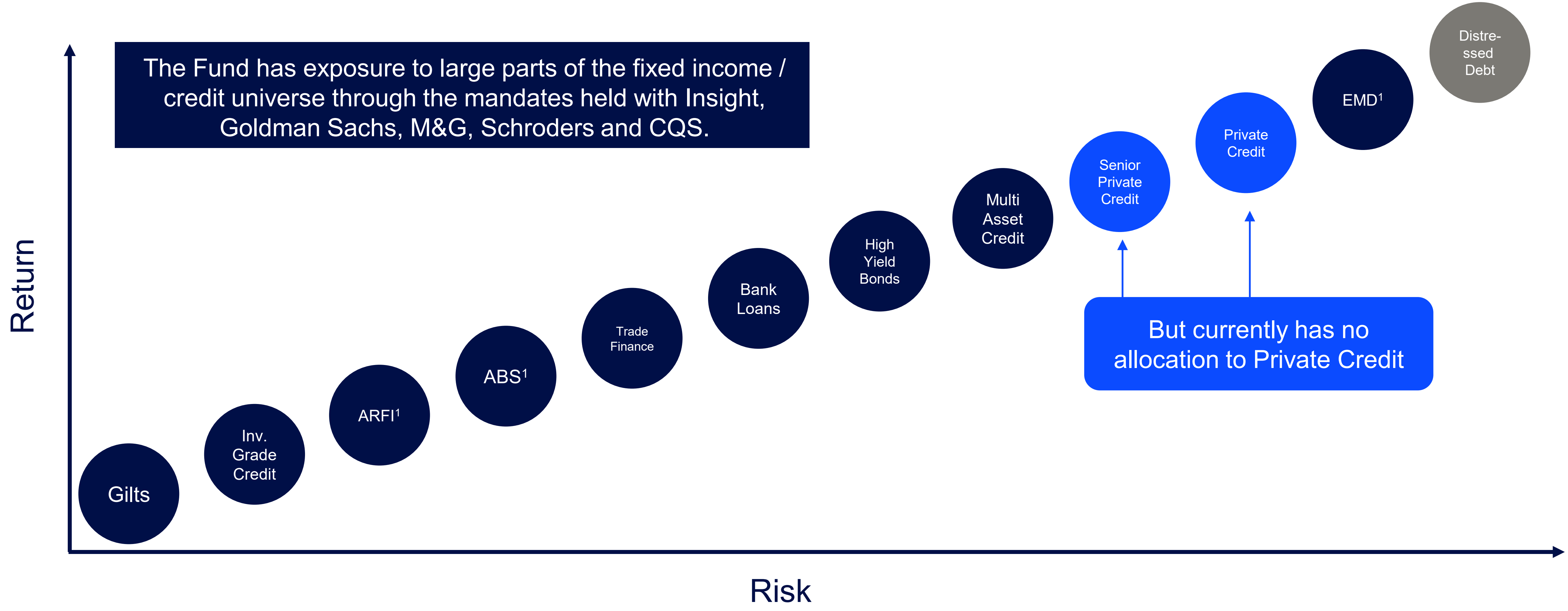
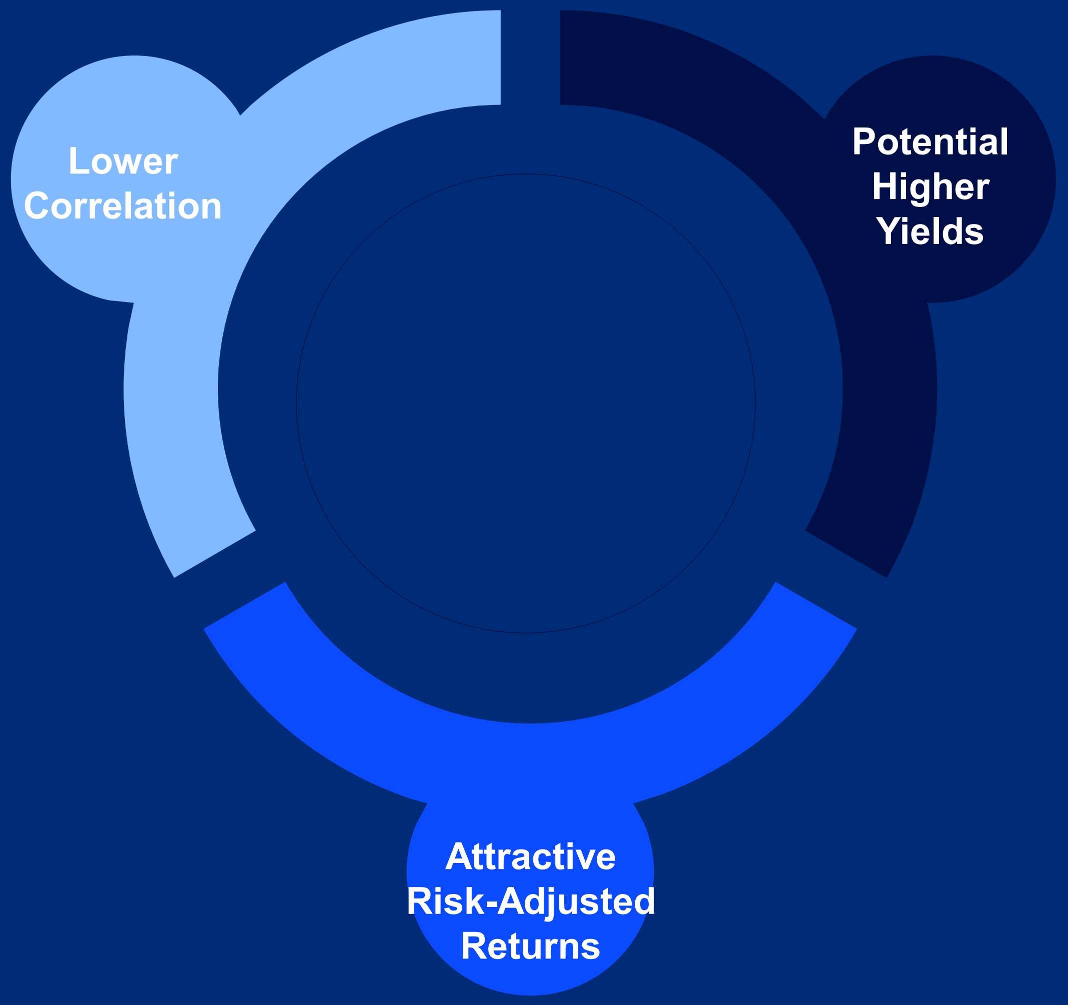


Chart shown for presentation purposes only. Actual risk and return characteristics of asset classes mentioned will vary.

[1] ARFI = Absolute Return Fixed Income; ABS = Asset Backed Securities; EMD = Emerging Market Debt

Why Invest in Private Credit?



1 **Typically, higher spreads than the liquid credit markets**

Capitalising on the retreat of the banking sector

2 **Higher return does not necessarily mean higher risk**

Secured lending with more rigorous terms and protections than low rated corporate bonds.

3 **Diversifying total portfolio risk**

A broad and differentiated opportunity set

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Analysis and Proposal

04

Required Decisions

Recommendation for all alternative strategies:

Increase Index-Linked Gilt allocation from 7% to at least 10%

Increase Infrastructure allocation from 5% to 10%

Remove 5% allocation to Diversified Growth Funds

Consideration of alternative investment strategies

Decision 1: Retain higher physical equity allocation with protection OR reduce physical equity and remove protection

Recommendation: Remove protection and physically de-risk to 40% allocation. Reducing the equity allocation outright would support removing the equity protection strategy, resulting in a lower risk, higher returning strategy.

Decision 2: Are the Committee comfortable with introducing a new allocation to Private Credit?

Recommendation: Allocate 5% to Private Credit. Attractive risk adjusted returns are available through Private Credit

Strategy Modelling Outputs

Decision 1: Retain higher physical equity allocation with protection OR reduce physical equity and remove equity protection (EP)		**Retain**	**Reduce to 40% & Remove EP**	**Reduce to 40% & Remove EP**
Decision 2: Introduce a new allocation to Private Credit?		N/A	**No**	**Yes**
	SAA	**Alt 1**	**Alt 2**	**Alt 3**
Listed Equity	**53%**	**50%**	**40%**	**40%**
- Global Equity (protected)	*38%*	*35%*	*-*	*-*
- Global Equity (unprotected)	*-*	*-*	*30%*	*30%*
- UK Equity	*10%*	*10%*	*5%*	*5%*
- EM Equity	*5%*	*5%*	*5%*	*5%*
Private equity	**5%**	**5%**	**5%**	**5%**
Private Credit	**-**	**-**	**-**	**5%**
Property	**10%**	**10%**	**10%**	**10%**
Infrastructure	**5%**	**10%**	**10%**	**10%**
Other Alternatives (Absolute Return)	**5%**	**-**	**-**	**-**
Credit	**15%**	**15%**	**20%**	**15%**
- Multi-Asset Credit	*15%*	*15%*	*15%*	*15%*
- Investment Grade Credit	*-*	*-*	*5%*	*-*
UK Government Bonds (index-linked)	**7%**	**10%**	**15%**	**15%**
Cash	**0%**	**-**	**-**	**-**
Total	**100%**	**100%**	**100%**	**100%**
Expected Return (p.a.)	6.30%	**6.35%**	**6.65%**	**6.75%**
Value at Risk (VaR 3yr 95%)	£1.99bn	**£1.90bn**	**£1.89bn**	**£1.93bn**
VaR 3yr 95% relative to current SAA		**-4.5%**	**-5.0%**	**-3.0%**
Probability of Achieving Discount Rate (4.9% p.a.) over 20y	67%	**69%**	**78%**	**80%**
Average Likelihood of Maintaining 16.7% Employer Rate Over Next 3 Valuation Cycles	71%	**73%**	**78%**	**78%**

Fund position and Mercer CMS at 31 March 2025. We have modelled all equity as passive to take a prudent approach and not to take credit for active management. Equity protection has been modelled as defensive equity, with a -15% adjustment to returns and volatility. Multi-Asset Credit has been modelled as 2/3 liquid and 1/3 illiquid. Private Credit has been modelled as senior private Credit. Modelling is TAS compliant.

Recommendation

Areas of Focus

Our recommendations are as follows:

1.	Reduce target allocation to Diversified Growth Funds[1] from 5% to 0%.
2.	Reduce target allocation to Listed Equity from 53% to 40%.
3.	Remove the equity protection in a risk-controlled manner.
4.	Increase target allocation to UK Government Bonds from 7% to 15%.
5.	Increase the allocation to Infrastructure to 10% and introduce a 5% allocation to Private Credit.

	SAA	Recommended (Alt 3)
Listed Equity	**53%**	**40%**
- Global Equity (protected)	*38%*	*-*
- Global Equity (unprotected)	*-*	*30%*
- UK Equity	*10%*	*5%*
- EM Equity	*5%*	*5%*
Private Equity	**5%**	**5%**
Private Credit	**-**	**5%**
Property	**10%**	**10%**
Infrastructure	**5%**	**10%**
Other Alternatives (Absolute Return)	**5%**	**-**
Credit	**15%**	**15%**
- Multi-Asset Credit	*15%*	*15%*
- Investment Grade Credit	*-*	*-*
UK Government Bonds (index-linked)	**7%**	**15%**
Cash	**0%**	**-**
Total	**100%**	**100%**
Expected Return (p.a.)	6.30%	**6.75%**
Value at Risk (VaR 3yr 95%)	£1.99bn	**£1.93bn**
VaR 3yr 95% relative to current SAA		**-3.0%**
Probability of Achieving Discount Rate (4.9% p.a.) over 20y	67%	**80%**
Average Likelihood of Maintaining 16.7% Employer Rate Over Next 3 Valuation Cycles	71%	**78%**

Subject to additional Committee training on Private Markets

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Comparison versus Investment Objectives

Recommended Strategy

Investment Return Objective	To have a modelled expected long-term return that exceeds the discount rate of 4.9% p.a.	**6.7% p.a.**
Probability of investment returns exceeding the discount rate over 20 years	> 67%	**80%**
Investment Risk Objective / Contribution stability	To invest in such a way that the 3-year 95% asset value at risk (VaR) is limited to less than 25% of the Liability Value	**23%**
Probability of being 100% funded in 20 years	> 90%	**99%**
Average Likelihood of Maintaining 16.7% Employer Rate Over Next 3 Valuation Cycles	> 67%	**78%**
Likelihood of a 5% increase in employer contribution rate (over next 3 years)	< 25%	**20%**
Cash Flow Objective	To ensure up to £X is available over the valuation period including a margin of X% for higher-than-expected growth in benefits.	**N/A**
Maximum strategic target allocation to illiquid assets	Max. 30% (scope to increase should be subject to detailed liquidity analyis)	**30% (incl Property)**

Summary, Considerations and Next Steps

04

Summary and Next Steps

Summary

- We have identified opportunities to refine the current investment strategy, given the relatively high equity allocation and attractive yields available in the UK government bond market.
- All strategies are expected to generate a return above the required discount rate (4.9%) and have a high probability of achieving this.
- We are comfortable with all strategies modelled for the Fund, but recommend Alt 3.

Next Steps

- The Committee has options regarding the investment strategy decision as set out below:
    - Adopt Alt 3
    - Consider alternative strategies
- Once the Committee have agreed the provisional investment strategy they wish to adopt, the next steps are to:
    - Undertake Private Markets Training
    - Formally agree the investment strategy
    - Update the Fund's Investment Strategy Statement (ISS)
- Border to Coast to implement the chosen investment strategy considering the Fund's requirements and RI considerations

REQUIRED ACTION: The Committee should review the proposed strategies and agree on their preferred investment strategy in principle, subject to additional training on Private Markets

Appendix

A

Recap: Fit for the Future Changes

Rules for investment decision-making and implementation responsibilities are changing from April 2026

Figure 1: The division of responsibilities between administering authority and pool

	Task	Impact on overall investment outcome of the fund	AA Role	Pool role	Definitions
Strategy	Investment objectives	High	Decide	Advise	Return objectives, risk tolerances, investment preferences, constraints and limitations, and the approaches to local investment and responsible investment.
Strategy	Strategic asset allocation		Decide (optional)	Advise/ Decide	Long-term, stable allocation based on overall investment objectives and risk tolerance
Implementation	Tactical asset allocation		Monitor	Decide	Adjustments to the asset mix, such as in respect of geographic allocation, consistent with the asset allocation strategy.
Implementation	Investment manager selection		Monitor	Decide	Appointment of external (or in-house) managers of specific investment mandates
Implementation	Stock selection		Monitor	Decide	Choosing individual investment opportunities based on detailed analysis of the opportunity
Implementation	Investment stewardship		Monitor	Decide	Engagement with the invested companies in line with Investment Objectives.
Implementation	Cashflow management	Low	Monitor	Decide	Management of the disinvestment (or investment of contributions) in collaboration with administrators and Fund Actuary

The following proposals will be implemented as consulted upon:

- Requirement on Administrating Authorities (AAs) to delegate the implementation of their investment strategy to their pool in line with the illustration in Figure 1. The investment strategy set by AAs may include a high-level strategic asset allocation (SAA).
- Requirement on AAs to take their **principal** investment advice from the pool.
- Requirement for AAs to transfer all assets to the management of their pool.
- Requirement for AAs to set local investment target.

Individual LGPS Pension Committees will have significantly less influence over how assets are invested

Establishing clear investment beliefs and objectives will be crucial

Source: Local Government Pension Scheme (England and Wales): Fit for the future – government response - GOV.UK

Summary positions

Key Metrics and Strategic Asset Allocation

Key Fund Metrics

Assets	As at 31 March 2025
Value	£8,595m[1]
Expected Return[2]	6.3% p.a.
Value-at-Risk[3]	£1.99bn
Local investment allocation	0%
Liabilities	
Value	£8,259m
Discount rate	4.9% p.a.
Funding	
Funding Level	104%
Funding Surplus	£336m[1]
Average Employer Primary contribution rate	16.7%

Figures may not sum due to rounding. Asset data sourced from Northern Trust. Liability data sourced from Barnett Waddingham. For further details on the modelling assumptions, please refer to Appendix.

[1] in line with BW's smoothed asset value

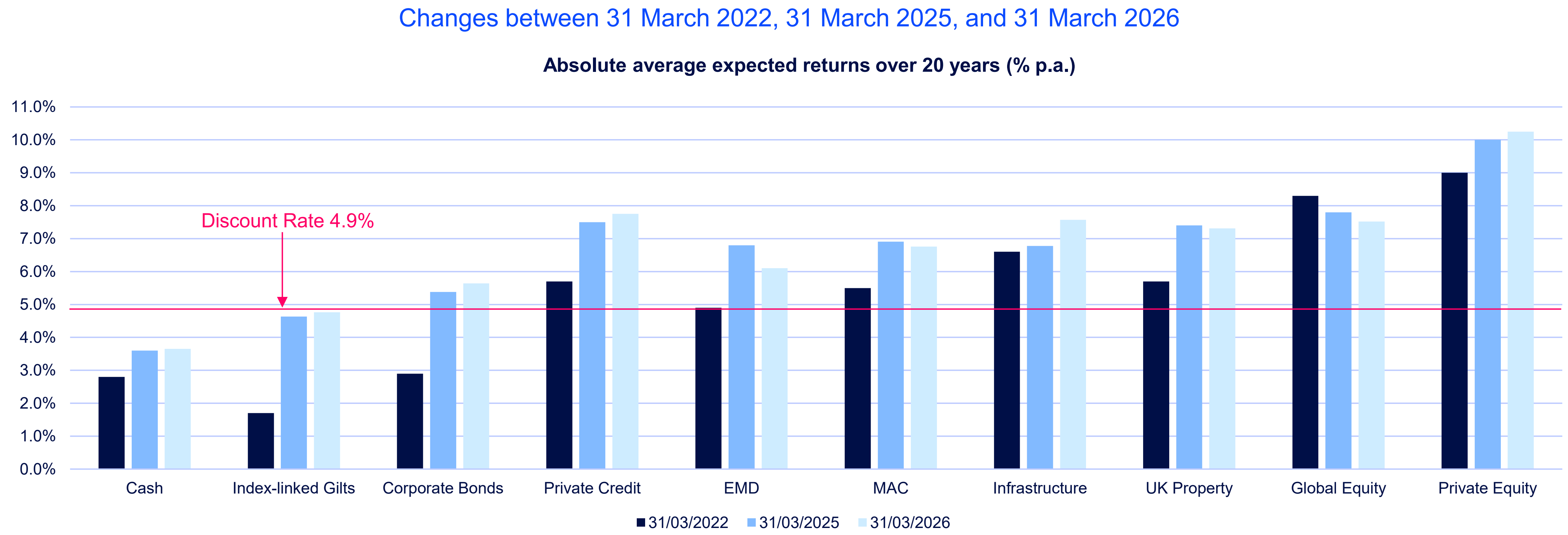
[1]20-year median absolute return using 31 March 2025 market conditions and strategic asset allocation.

[2]3-year value at risk relative to median, using 31 December 2025 market conditions and current strategic asset allocation.

Current Strategic Asset Allocation Per the Government Template

Asset Class	SAA
Listed Equity	53%
Private Credit	-
Private Equity	5%
Property / Real Estate	10%
Infrastructure	5%
Other Alternatives	5%
Credit	15%
UK Government Bonds	7%
Cash	0%
Total	**100%**

Investment Return Assumptions
How do asset classes differ?

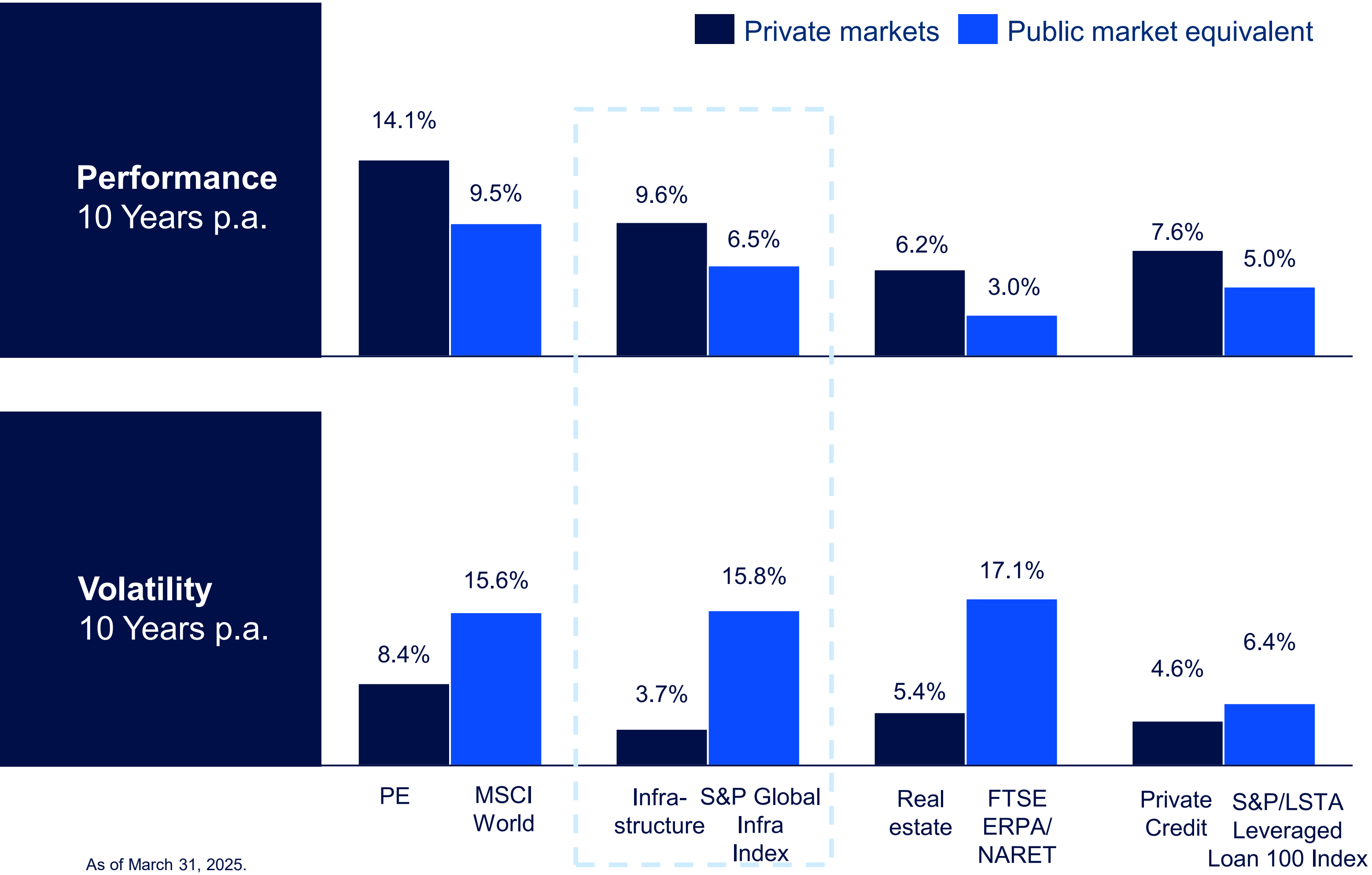


A combination of higher yields and high equity valuations means the outlook for fixed income now looks attractive relative to equities

Chart shows annualised median return. Global Equity is based on a passive management approach.

Infrastructure boosts the total portfolio by providing

(1) strong risk-adjusted returns rooted in… …(2) cyclical and inflation resilience



As of March 31, 2025.
Source: Burgiss Private iQ. Private markets: all funds in the corresponding asset class covered by the system since 1978.
Public market equivalents are MSWRLD (PE), SPGINF (Infra), FEGLOB (Real Estate) and a mix of 60% MLHECCL and 40% MLHMA (PD); Indices unhedged in USD.
Quarterly returns in USD for private market investments. PE = private equity

Maximum drawdown for selected time periods

	Dot Com	GFC	COVID-19	2022
Private Equity	-39%	-28%	-8%	-9%
Buyout	*-24%*	*-31%*	*-10%*	*-5%*
Venture	*-69%*	*-18%*	*-3%*	*-20%*
Private Credit	-3%	-29%	-9%	-1%
Infrastructure	**-10%**	**-23%**	**-5%**	**0%**
Real Estate	0%	-53%	-6%	-3%
MSCI World	-46%	-49%	-20%	-23%
Russell 3000	-42%	-50%	-20%	-22%
S&P Infrastructure	-10%	-49%	-29%	-15%
FTSE EPRA/NAREIT	-10%	-66%	-28%	-29%
High Yield Index	-16%	-26%	-15%	-18%

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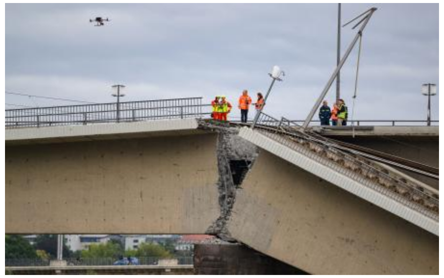
Opportunities in both emerging trends and existing infrastructure

The infrastructure market is highly attractive due to three key forces:

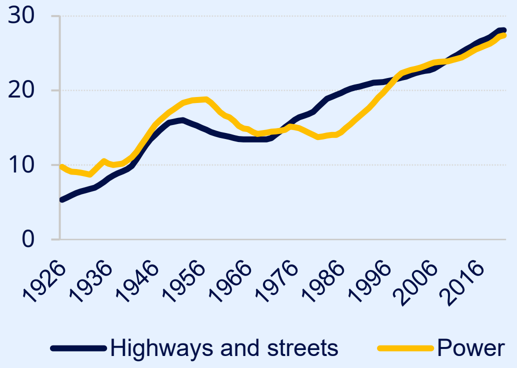


1. **Ageing, outdated assets needing urgent renewal[1]**

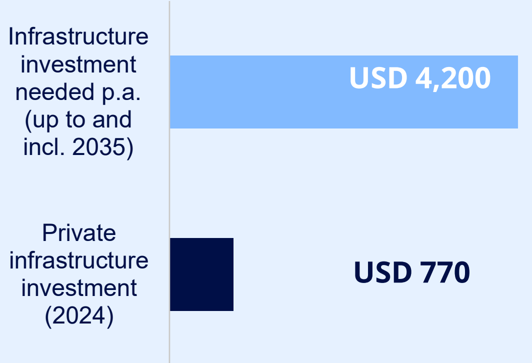
2. **Extreme weather events accelerate upgrade needs[2]**

3. **Emerging trends are reshaping what infrastructure means[3]**

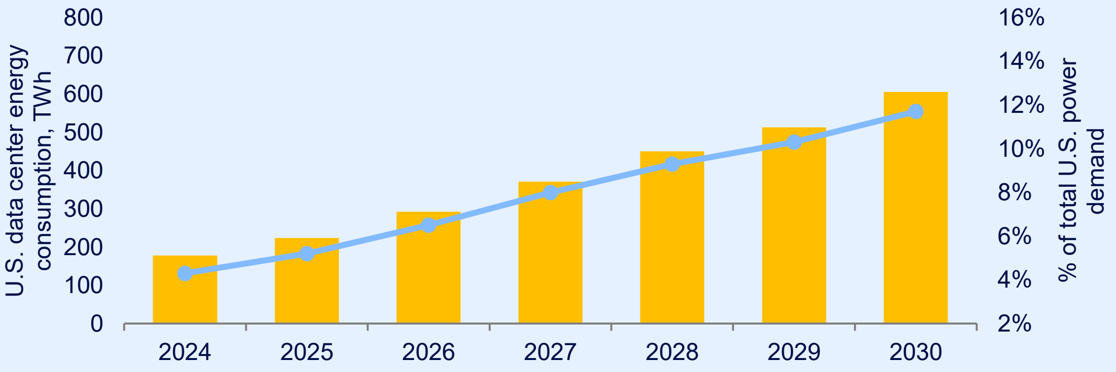
Average age of public fixed assets in the US (in years)



Global infrastructure funding gap (in $bn)



Data Centers Driving Growing Demand for Power



Sources: 1) Bundes Rechnungs Hof, 2025 2) Multiple sources including Washington Post, 2025; Bloomberg, 2025 & Reuters, 2025 3) Multiple sources including MIT Energy Initiative, 2025 & S&P Global, 2025

Source: BEA, Apollo (top); Infralogic, Allianz (bottom)

Strategy Modelling Outputs - 31 March 2025 CMS

Decision 1: Retain higher physical equity allocation with protection OR reduce physical equity and remove protection		**Reduce to 45% & Remove**	**Reduce to 45% & Remove**	**Reduce to 40% & Remove**
Decision 2: Introduce a new allocation to Private Credit?		N/A	**No**	**Yes**
	SAA	**Appendix 1**	**Appendix 2**	**Appendix 3**
Listed Equity	**53%**	**45%**	**45%**	**40%**
- Global Equity (protected)	*38%*	-	-	-
- Global Equity (unprotected)	-	35%	35%	30%
- UK Equity	*10%*	5%	5%	5%
- EM Equity	*5%*	5%	5%	*5%*
Private equity	**5%**	**5%**	**5%**	**5%**
Private Credit	**-**	**5%**	**-**	**5%**
Property	**10%**	**10%**	**10%**	**10%**
Infrastructure	**5%**	**10%**	**10%**	**10%**
Other Alternatives (Absolute Return)	**5%**	**-**	**-**	**-**
Credit	**15%**	**15%**	**20%**	**20%**
- Multi-Asset Credit	*15%*	*15%*	*15%*	*15%*
- Investment Grade Credit	-	-	*5%*	*5%*
UK Government Bonds (index-linked)	**7%**	**10%**	**10%**	**10%**
Cash	**0%**	**-**	**-**	**-**
Total	**100%**	**100%**	**100%**	**100%**
Expected Return (p.a.)	6.30%	6.80%	6.75%	6.80%
Value at Risk (VaR 3yr 95%)	£1.99bn	£2.08bn	£2.03bn	£1.96bn
VaR 3yr 95% relative to current SAA		+4.5%	+2.0%	-1.5%
Probability of Achieving Discount Rate (4.9% p.a.) over 20y	67%	80%	78%	80%
Average Likelihood of Maintaining 16.7% Employer Rate Over Next 3 Valuation Cycles	71%	76%	76%	78%

Fund position and Mercer CMS at 31 March 2025. We have modelled all equity as passive to take a prudent approach and not to take credit for active management. Equity protection has been modelled as defensive equity, with a -15% adjustment to returns and volatility. Multi-Asset Credit has been modelled as 2/3 liquid and 1/3 illiquid. Private Credit has been modelled as senior private Credit. Modelling is TAS compliant.

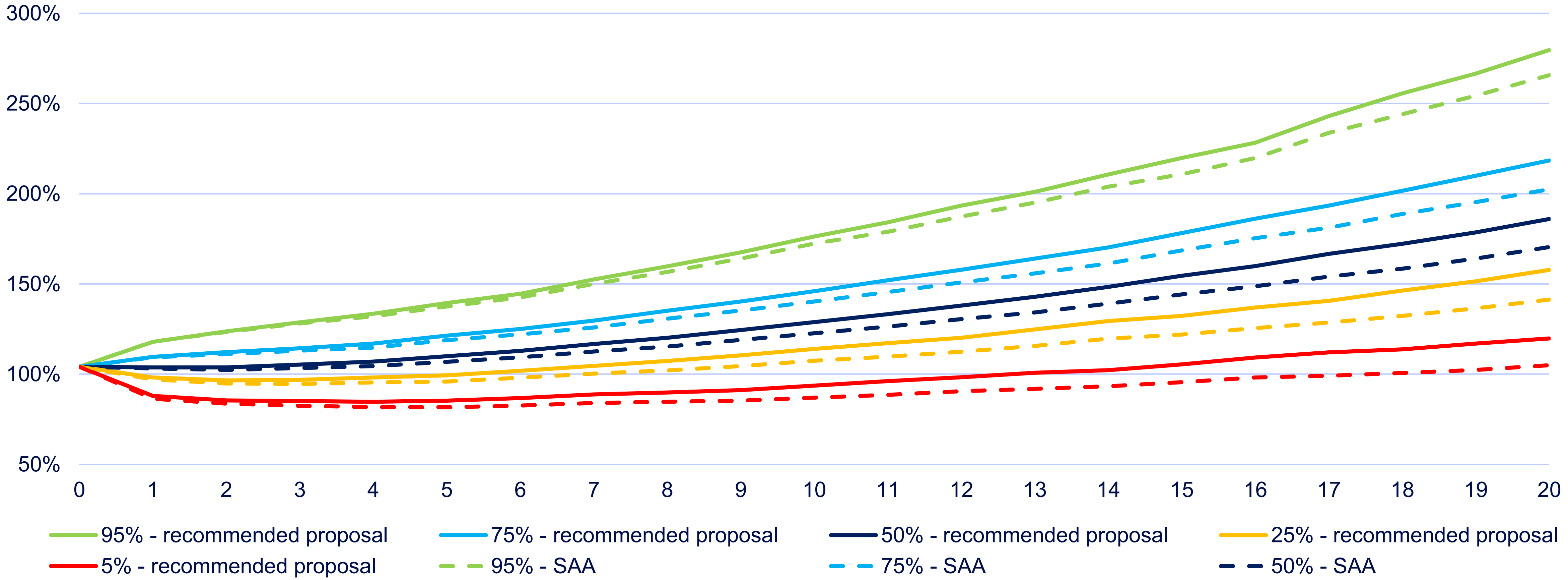
Strategy Modelling Outputs - 31 March 2026 CMS

Decision 1: Retain higher physical equity allocation with protection OR reduce physical equity and remove protection		Retain	Reduce to 40% & Remove	Reduce to 40% & Remove	Reduce to 45% & Remove	Reduce to 45% & Remove	Reduce to 40% & Remove
Decision 2: Introduce a new allocation to Private Credit?		N/A	No	Yes	N/A	No	Yes
	SAA	**Alt 1**	**Alt 2**	**Alt 3**	**Appendix 1**	**Appendix 2**	**Appendix 3**
Listed Equity	**53%**	**50%**	**40%**	**40%**	**45%**	**45%**	**40%**
- Global Equity (protected)	*38%*	*35%*	-	-	-	-	-
- Global Equity (unprotected)	-	-	*30%*	*30%*	35%	35%	30%
- UK Equity	*10%*	*10%*	*5%*	*5%*	5%	5%	5%
- EM Equity	*5%*	*5%*	*5%*	*5%*	5%	5%	*5%*
Private equity	**5%**	**5%**	**5%**	**5%**	**5%**	**5%**	**5%**
Private Credit	**-**	**-**	**-**	**5%**	**5%**	**-**	**5%**
Property	**10%**	**10%**	**10%**	**10%**	**10%**	**10%**	**10%**
Infrastructure	**5%**	**10%**	**10%**	**10%**	**10%**	**10%**	**10%**
Other Alternatives (Absolute Return)	**5%**	**-**	**-**	**-**	**-**	**-**	**-**
Credit	**15%**	**15%**	**20%**	**15%**	**15%**	**20%**	**20%**
- Multi-Asset Credit	*15%*	*15%*	*15%*	*15%*	*15%*	*15%*	*15%*
- Investment Grade Credit	-	-	*5%*	-	-	*5%*	*5%*
UK Government Bonds (index-linked)	**7%**	**10%**	**15%**	**15%**	**10%**	**10%**	**10%**
Cash	**0%**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
Expected Return (p.a.)	6.65%	6.65%	6.75%	6.85%	6.90%	6.80%	6.85%
Value at Risk (VaR 3yr 95%)	£2.04bn	£1.91bn	£1.90bn	£1.94bn	£2.11bn	£2.06bn	£2.00bn
VaR 3yr 95% relative to current SAA		-6.4%	-6.9%	-4.9%	+3.4%	+1.0%	-2.0%
Probability of Achieving Discount Rate (4.9% p.a.) over 20y	74%	76%	79%	80%	81%	79%	80%
Average Likelihood of Maintaining 16.7% Employer Rate Over Next 3 Valuation Cycles	73%	76%	78%	78%	76%	76%	78%

Fund position and Mercer CMS at 31 March 2025. We have modelled all equity as passive to take a prudent approach and not to take credit for active management. Equity protection has been modelled as defensive equity, with a -15% adjustment to returns and volatility. Multi-Asset Credit has been modelled as 2/3 liquid and 1/3 illiquid. Private Credit has been modelled as senior private Credit. Modelling is TAS compliant.

Funnel Projections

Projected Funding Level – Current SAA vs Recommended SAA (Alt 3)



- The chart shows funding level projections using 31 March 2025 assumptions. The solid line represents the recommended strategy, while the dashed lines represent the projected funding level for the current SAA.
- By comparing bars of the same colour, you can see the impact of the changes in the projected funding level. The recommended strategy improves the median outcome (dark blue line), while also reducing downside risk – represented by the red and yellow lines.

Contribution Sustainability – 31 March 2025

Likelihood of maintaining contributions at future valuations

16.7% employer rate: Return all surplus over 8 years with no contribution sustainability reserve

Total Employer Contribution Projections

Likelihood of	Current SAA			Recommended SAA		
	3 Yrs	6 Yrs	9 Yrs	3 Yrs	6 Yrs	9 Yrs
Maintain 16.7% or lower	60.50%	70.50%	81.50%	66.20%	78.40%	88.30%
Increase by 1% or more	35.90%	27.00%	17.40%	30.30%	19.80%	10.40%
Increase by 2% or more	32.60%	24.90%	15.90%	27.40%	17.40%	9.60%
Increase by 3% or more	29.90%	23.00%	14.30%	24.50%	15.60%	8.80%
Increase by 4% or more	27.30%	20.80%	13.00%	21.80%	14.20%	8.00%
Increase by 5% or more	24.60%	18.80%	11.90%	19.60%	12.50%	7.20%
Average Likelihood of Maintaining 16.7% Employer Rate Over Next 3 Valuation Cycles.		**70.8%**			**77.6%**	

Source: Mercer
Projected contribution rates, assuming the set contributions are paid until that point, but any surplus/deficit that arises at that point is spread over 8 future years, subject to a 0.0% of Liabilities sustainability reserve
Based on financial factors only, contributions may increase due to other factors.

Modelling Assumptions

31 March 2025 – 20y Assumptions

Asset Class	Absolute Mean Expected Return (% p.a.)	Absolute Volatility (% p.a.)
ILG Over5	4.6%	8.3%
DGF	6.8%	9.2%
PrivateCredit senior	7.5%	7.5%
MAC Illiquid	6.9%	7.8%
MAC Liquid	6.1%	7.4%
IG UK AssetBacked	5.0%	7.3%
Infra Unlisted Eq	6.8%	6.2%
UK Property	7.4%	10.5%
Defensive Equity Unhedged	5.0%	5.5%
Global Equity Unhedged	6.3%	7.7%
EM Equity Unhedged	7.1%	10.0%
Private Equity	10.0%	11.5%

Modelling Assumptions

31 March 2026 – 20y Assumptions

Asset Class	Absolute Mean Expected Return (% p.a.)	Absolute Volatility (% p.a.)
ILG Over5	4.8%	8.4%
DGF	6.7%	9.2%
PrivateCredit senior	7.8%	7.7%
MAC Illiquid	6.8%	7.6%
MAC Liquid	6.0%	7.1%
IG UK AssetBacked	5.0%	7.4%
Infra Unlisted Eq	7.6%	9.3%
UK Property	7.3%	10.4%
Defensive Equity Unhedged	5.9%	5.6%
Global Equity Unhedged	6.4%	7.7%
EM Equity Unhedged	6.7%	9.8%
Private Equity	10.3%	11.5%

Notes on, Data, Assumptions, Risk Identification and Model

Asset Liability Modelling

Data

Slides 24- 26 and 35 - 36 cover the data used in the analysis presented in this report. This includes the asset allocation modelled , the contributions modelled and the extent to which additional benefits will be accrued.

Assumptions

The key assumptions used in carrying out the analysis shown in this report are the expected returns on assets and the volatility of these returns. These assumptions are summarised on slide 39 and 40.

Risk Identification

The analysis shown in this report includes stochastic analysis. This means many potential outcomes were projected to illustrate the uncertainty around the return that may be achieved from investments and the potential development of the value placed on the liabilities. We consider this to be a good way to consider risk associated with market prices, interest rates, inflation and credit.

Other risks that could be considered in addition to these are longevity risk, risks associated with member choices and climate risk. We would be happy to discuss these risks more if would be of interest.

Model

We consider our ALM model to be robust for the requirements of the analysis shown in the work. We have used a model that provides 4000 simulations and we consider this a good indication of the range of potential outcomes. We do, however, highlight some limitations.

- The use of annual time steps (rather than a shorter step) means some effects of dynamic derisking or rebalancing may not be fully reflected.
- The model does not allow for tracking error in liability hedging strategies. i.e. a strategy with 100% hedging provides zero interest rate/inflation risk.
- The model ignores transition costs associated with rebalancing or changing investment strategy.

Comparison with previous projects

The method for deriving the assumptions was broadly consistent with previous Investment Strategy Reviews. Hence expected returns above cash rates are consistent. Variation in credit spreads has caused a decrease in expected return from credit assets. The increase in yields increases absolute returns across all asset classes.

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