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Date 22 July 2022

To: Members of the SYPA Audit Committee
cc: Appropriate Officers

Oakwell House
2 Beevor Court
Pontefract Road
Barnsley
S71 1HG

www.sypa.org.uk

This matter is being dealt with by: Gill Richards Telephone 01226 666412
Email: grichards@sypa.org.uk

Dear Member

<u>SOUTH YORKSHIRE PENSIONS AUTHORITY AUDIT COMMITTEE 28 JULY 2022</u>

Please find enclosed the item(s) marked to follow on the agenda

Yours sincerely

Gill Richards

Gill Richards
Governance Officer

Encs

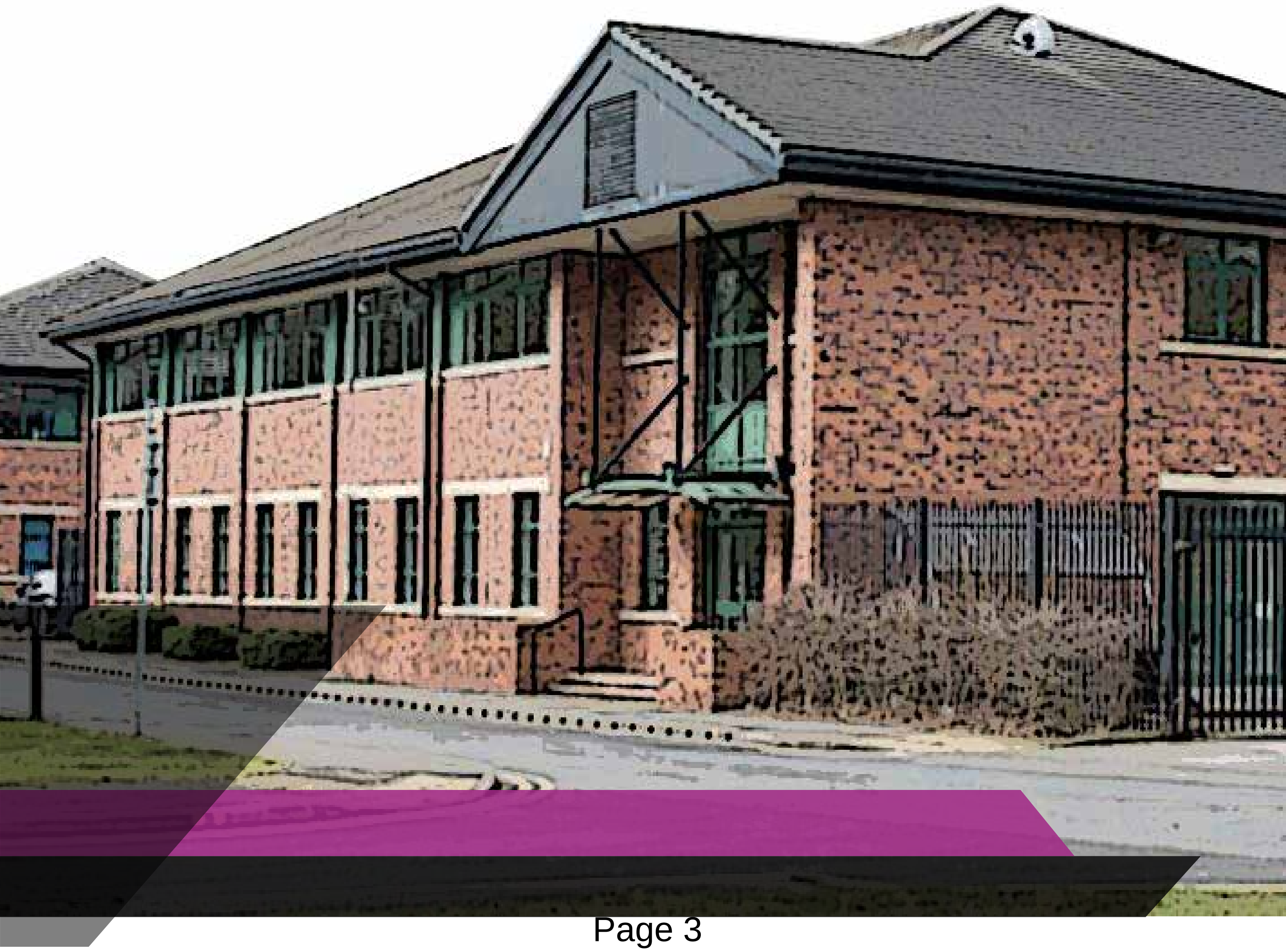
SOUTH YORKSHIRE PENSIONS AUTHORITY AUDIT COMMITTEE

10.00 AM AT THE OAKWELL HOUSE, 2 BEEVOR COURT, PONTEFRACT ROAD, BARNSLEY, S71 1HG

AGENDA Reports attached unless stated otherwise

SOUTH YORKSHIRE
PENSIONS AUTHORITY

Annual Report
2021 - 2022



CONTENTS

Section One

MANAGEMENT ARRANGEMENTS

Conisbrough Castle, Doncaster

1.1 MANAGEMENT ARRANGEMENTS

Members of the Authority 2021-22 Municipal Year

BARNSLEY Metropolitan Borough Council

Cllr M Stowe* (Chair) (SA)

Cllr Neil Wright (AC)

Doncaster Council

Cllr Steve Cox (AC)

Cllr John Mounsey (Chair) (SA)

Cllr David Nevett* (AC)

Rotherham Metropolitan Borough Council

Cllr David Fisher (AC)

Cllr Marnie Havard* (SA)

Sheffield City Council

Cllr Fran Belbin (from Sept 2021)

Cllr Simon Clement-Jones (AC)

Cllr F Johnson (to July 2021)

Cllr Alan Law* Vice Chair (AC, SA) (until July 2021)

Cllr Chris Rosling-Josephs (AC)

Cllr Andrew Sangar (SA)

Cllr Garry Weatherall* Vice Chair (AC, SA) (from Sept 2021)

NON-VOTING CO-OPTED MEMBERS NOMINATED BY THE TRADES UNIONS

Nicola Doolan (AC) Unison

Doug Patterson (AC) Unite

Garry Warwick (AC) GMB

MEMBERS OF THE SOUTH YORKSHIRE LOCAL PENSION BOARD (AS AT 31 MARCH 2021)

EMPLOYEE REPRESENTATIVES

Garry Warwick *(GMB) - Trades Union* **(Chair)**

Danny Gawthorpe (Unite) *Trades Union*

Nicola Doolan (Unison) *Trades Union*

Andrew Gregory LGPS Member

David Webster LGPS Member

EMPLOYER REPRESENTATIVES

Rob Fennessey (Chair) *'Other Large Employer'* South Yorkshire Police

Nicola Gregory *Academy*

Councillor Mike Chaplin *Local Authority Member (Sheffield)*

Vacancy *1 Local Authority Councillor*

Vacancy *1 Other Employer*

AC
= Member of the Audit Committee,

SA
= Member of the Staffing, Appointments and Appeals Committee,

*****
= S41 Member who answers questions on behalf of the Authority in meetings of the relevant full Council

Labour representative

Conservative representative

Liberal Democrat representative

Green Party representative

1.3

MANAGEMENT ARRANGEMENTS

Officers of the Authority

DIRECTOR AND HEAD OF PAID SERVICE	George Graham
HEAD OF FINANCE AND CORPORATE SERVICES	Gillian Taberner
HEAD OF INVESTMENT STRATEGY	Sharon Smith
HEAD OF PENSION ADMINISTRATION	Jason Bailey
CLERK	Sarah Norman (Chief Executive Barnsley MBC)
MONITORING OFFICER AND SOLICITOR	Garry Kirk (Service Director Barnsley MBC) *(to March 2022)* Jason Field (Head of Legal Services Barnsley MBC) *(from March 2022)*
TREASURER	Neil Copley (Service Director Barnsley MBC)

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1.4

MANAGEMENT ARRANGEMENTS

Service Providers

INDEPENDENT INVESTMENT ADVISERS	A Devitt . L Robb
INDEPENDENT ADVISER TO THE LOCAL PENSION BOARD	C Scott
CUSTODIAN OF THE FUND	HSBC
BANKERS	Lloyds Bank . HSBC
EXTERNAL AUDITOR	Deloitte LLP
INTERNAL AUDITOR	Barnsley MBC
ACTUARY	Mercer (to November 2021) Hymans Robertson (from November 2021)
AVC PROVIDERS	Equitable Life . Prudential . Scottish Widows
INVESTMENT MANAGERS	**The managers of major mandates are:** Aberdeen Standard Investments (Commercial Property) Border to Coast Pensions Partnership Ltd (Listed Equities, new Alternative Commitments, Investment Grade Credit and Sterling Index Linked Bonds, Multi Asset Credit)) Cash and previously committed Alternatives are managed in house. Details of managers within the Alternatives portfolios are available HERE.
LEGAL ADVISERS	Addleshaw Goddard (property matters) . Pinsent Mason (property matters) Eversheds Sutherland (pensions related and investment matters) Mills and Reeve (agricultural matters)
INDEPENDENT PROPERTY VALUERS	Jones Lang LaSalle (Commercial Property) Fisher German (Agricultural Property)
PERFORMANCE MEASUREMENT	Portfolio Evaluation Ltd
COMMERCIAL PROPERTY MANAGEMENT	Jones Laing LaSalle

1.5 INTRODUCTION

Councillor John Mounsey Chair of the Authority

The last year seems bookended by major events in the wider world which have impacted on the Pensions Authority and its work in various ways. At the beginning of the Year, we were still in the teeth of the pandemic with staff working at home and the vaccine programme starting to help things move, albeit in fits and starts back to a more normal basis. The latter part of the Year saw the horror of war returning to the European continent after nearly 80 years. All of these events impact on the Authority and its operations in one way or another, whether it be on the effectiveness of our operations because our staff cannot be together or the impact on our investments of the market volatility caused by the economic uncertainty that the conflict has brought.

As you can see in the following pages despite all this our team has delivered a significant amount over the course of the year across the whole range of our activity including:

- The opening of our new home at Oakwell House providing a modern working environment for our staff and designed to support the move to a hybrid working arrangement.
- Processing 61,000 individual transactions with scheme members within the administration service.
- Introducing the facility for deferred members to apply for their pension online, which represents a major step forward in the self-service facilities we are able to provide for scheme members.
- Delivering a very significant upgrade to our website improving both the look and feel but also making more information directly available more easily.
- Running a procurement process for actuarial services which resulted in the appointment of Hymans Robertson as the Fund's new actuary, the first change of actuary since at least the creation of the Authority in 1988 which was followed by a successful transition process.
- Achieving an investment return of 9.6% which was ahead of the performance benchmark by 1.7%.
- Producing our first impact report which sets out the impact of our investments on people and planet for our stakeholders as well as receiving the Impact Investment adopters award from Pensions for Purpose.
- Transferring the remainder of our listed assets into pooled vehicles provided by Border to Coast meaning that just over 70% of the Fund is now managed by the Pool, with the majority of the non-pooled element being legacy alternatives that will transfer when the relevant funds mature.

It seems that no year in the Local Government Pension Scheme is ever quiet as this list shows, but the coming year with the beginning of the process to implement the McCloud remedy and the promised consultation on a range of investment matters which are very important to how we do investment as well as the usual day to day issues and the three-yearly valuation of the Fund promises to be even busier than usual.

We would never be able to deliver as much as we do without the hard work and commitment of all our staff for which the members of the Authority continue to be extremely grateful. We also continue to be extremely grateful for the continued support, engagement and active involvement of so many of our scheme members and employers, who help spur us on to continually improve our service.

Councillor John Mounsey

Chair 2021/22 Municipal Year

Section **Four**

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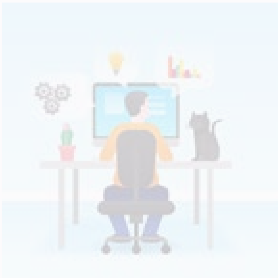
OUR YEAR IN REVIEW

Wentworth Woodhouse, Rotherham

OUR YEAR IN REVIEW



All Pension Authority staff complete the transition to homeworking.

APRIL 2021

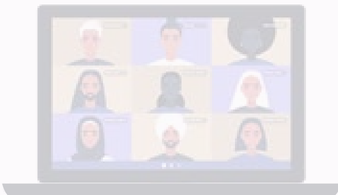
month 01

month 02

MAY 2022

SYPA retains its Customer Service Excellence Accreditation after a full reassessment with improved scores and four areas scoring compliance plus, the highest possible level.

CUSTOMER SERVICE EXCELLENCE® CSE



First virtual meeting of the Pensions Authority.

JUNE 2021

month 03

month 04

JULY 2022

1. SYPA commits to a £15.25m loan facility to support the development of the Horizon 29 industrial site in Bolsover alongside funding from the Sheffield City Region JESSICA Fund.

2. First new style employer newsletter issued.

Two firsts for SYPA members of staff the first to pass the Foundation Degree in Pensions Administration and Management and the first to pass all the Chartered Institute of Public Finance and Accountancy exams, both with flying colours.

AUGUST 2021

month 05

month 06

SEPTEMBER 2022

Authority commits to making its investment portfolios net zero in terms of carbon emissions by 2030.

BORDER TO COAST PENSIONS PARTNERSHIP

£872m of Index Linked Gilts transferred to the new Border to Coast Index Linked Gilt Fund.

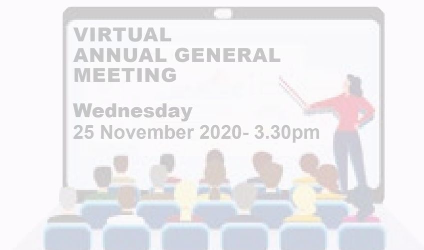
OCTOBER 2021

month 07

month 08

NOVEMBER 2022

First virtual Annual Fund Meeting



1. The Authority invested £30m in the Hearthstone 2 Fund which invests in developing homes for private rent.

2. Pensions Authority agrees the preferred option for our "forever home".

DECEMBER 2021

month 09

month 10

JANUARY 2022

Fund purchases the Sainsbury's supermarket in Ripley Derbyshire.

CIVICA

Contract for the Civica Pension Administration system renewed following procurement exercise.

FEBRUARY 2022

month 11

month 12

MARCH 2022

1. The Pensions Authority approves its first Net Zero Action Plan.

2. Fund value hits a record of £9.9bn

£ 9.9 bn

Section **Three**

OUR ORGANISATION

Monk Bretton Priory, Barnsley

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3.1
MISSION STATEMENT

The South Yorkshire Pensions Authority is a unique organisation created in 1988 to manage the South Yorkshire Pension Fund on behalf of the four district councils in the former metropolitan County area.

The Authority's mission is:-

> *"To deliver a sustainable and cost effective pension scheme for members and employers in South Yorkshire delivering high levels of customer service and strong investment returns which facilitate stable contributions."*

3.2
STRATEGIC OBJECTIVES

To achieve this mission we are working to deliver against a number of corporate objectives, which are:

CUSTOMER FOCUS
to design our services around the needs of our customers (whether scheme members or employers).

LISTENING TO OUR STAKEHOLDERS
to ensure that stakeholders' views are heard within our decision making processes.

INVESTMENT RETURNS
to maintain an investment strategy which delivers the best financial return, commensurate with appropriate levels of risk, to ensure that the Fund can meet both its immediate and long

RESPONSIBLE INVESTMENT
to develop our investment options within the context of a sustainable and responsible investment strategy.

SCHEME FUNDING
to maintain a position of full funding (for the fund as a whole) combined with stable and affordable employer contributions on an ongoing basis.

EFFECTIVE AND TRANSPARENT GOVERNANCE
to uphold effective governance showing prudence and propriety at all times.

VALUING AND ENGAGING OUR EMPLOYEES
to ensure that all our employees are able to develop a career with SYPA and are actively engaged in improving our services.

3.4 OUR ORGANISATION

The Authority itself consists of 12 councillors appointed by the District Councils roughly in proportion to population. In addition 3 representatives of the recognised Trades Unions have been co-opted as non-voting members to represent the interests of scheme members. The work of the Authority during 2020-21 was conducted through meetings of the Authority itself and its Audit Committee together with the Staffing, Appointments and Appeals Committee.

Due to the restrictions resulting from the Covid-19 pandemic all these meetings were held virtually and broadcast over the internet in line with the Government's emergency regulations. The following tables show attendance by members at meetings of the Authority and the Staffing appointments and Appeals Committee during the year. Details of attendance at the Audit Committee are included with the Audit Committee's Annual Report at page 56.

Members' attendance at **Authority meetings 2021/22**

	10 June 2021	9 Sept 2021	9 Dec 2021	10 Feb 2022	17 Mar 2021	% Attendance
Cllr F Belbin			✓	✓	✓	100
Cllr S Clement-Jones	✓	✓	✓	x	✓	80
Cllr S Cox	✓	✓	x	x	✓	60
Cllr D Fisher		✓	✓	x	✓	75
Cllr M Havard	✓	✓	✓	✓	✓	100
Cllr F Johnson	x					0
Cllr A Law	x					0
Cllr J Mounsey	✓	✓	✓	✓	✓	100
Cllr D Nevett	✓	✓	✓	✓	✓	100
Cllr C Rosling-Josephs	✓	✓	✓	✓	✓	100
Cllr A Sangar	✓	✓	✓	✓	✓	100
Cllr M Stowe	✓	✓	✓	✓	x	80
Cllr N Wright	✓	✓	✓	x	✓	80
Cllr G Weatherall		✓	✓	✓	✓	100
Non-Voting Co-Opted Members						
N Doolan-Hamer	✓	✓	✓	✓	✓	100
D Patterson	x	x	✓	✓	x	40
G Warwick	✓	✓	x	x	✓	60

3.5

OUR ORGANISATION

Committee Meetings 2020/21

Attendance at
Staffing Appointments and Appeals Committee

	24 Sept 2020	% Attendance
Cllr A Atkin	x	0
Cllr A Law	✓	100
Cllr J Mounsey	✓	100
Cllr A Sangar	✓	100
Cllr M Stowe	✓	100

All members (whether voting or non-voting) have an obligation in line with the Pensions Regulator's Code of Practice to ensure that they undertake appropriate learning and development activity, and the table below illustrates the formal activity undertaken by members during the year. Due to the impact of the pandemic learning activity has had to be taken online. In addition a wide range of free on-line events have become available and the full range of activity undertaken by members of the Authority in pursuit of their learning objectives may be understated.

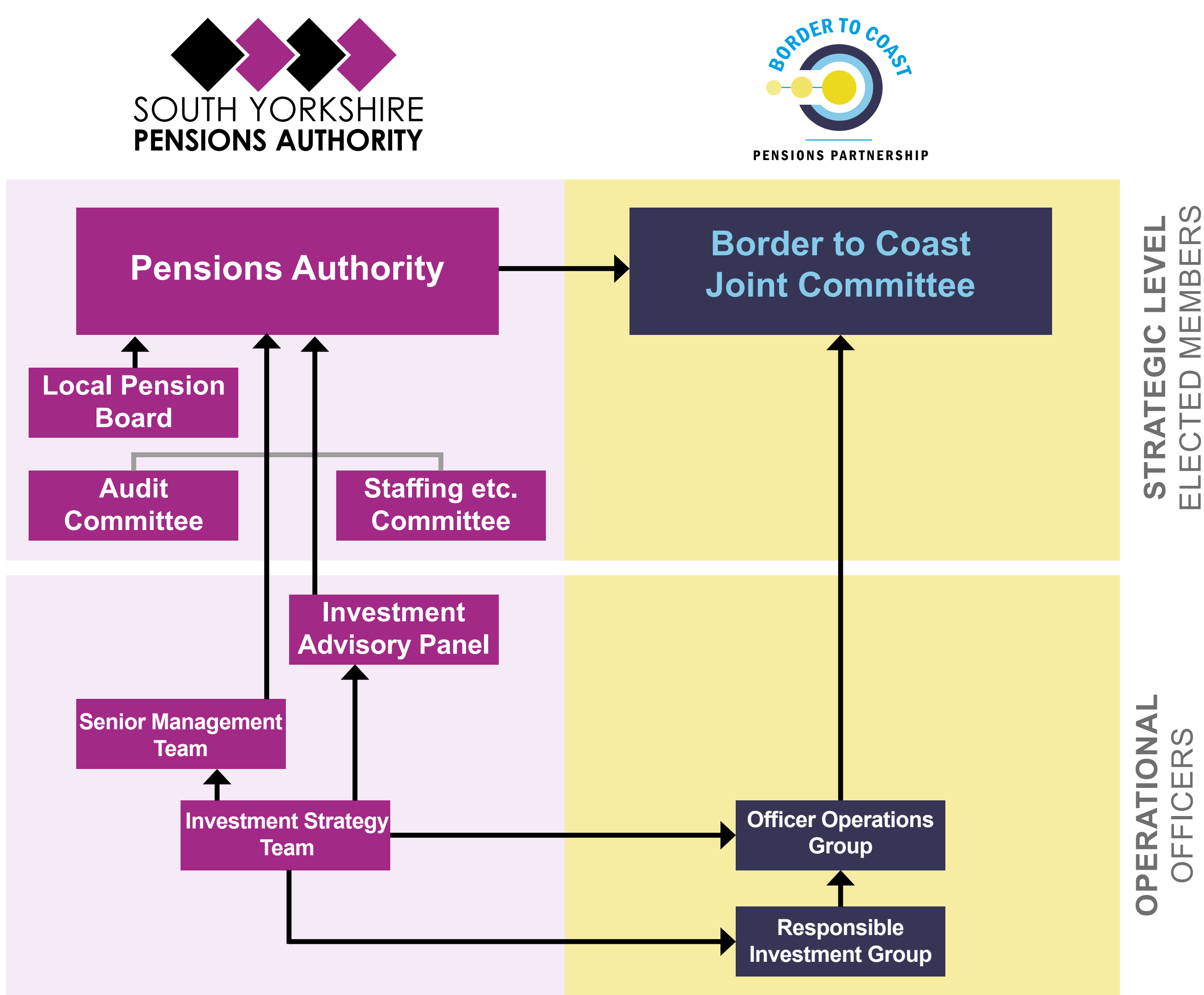
Event	Date	Attendees
Property Pooling Seminar (Internal)	02/07/20	Cllrs. A. Atkin, S. Cox, A Law, C Rosling-Josephs, A Sangar, A Teal, N Wright, T Yasseen,
Barnet Waddingham LGPS Training	29/07/20	Cllr. M Stowe
Investment Risk Management Seminar (Internal)	17/09/20	Cllrs. A. Atkin, S. Cox, A. Law, J. Mounsey, C. Rosling-Josephs, A. Sangar, M. Stowe, A Teal, T Yasseen
BCPP Annual Conference	02/10/20	Cllrs. A. Atkin, S. Cox, A. Law, A. Murphy, C. Rosling-Josephs, A. Sangar, M. Stowe, A. Teal, and N. Doolan, G. Warwick
Responsible Investment Seminar (Internal)	12/11/20	Cllrs. A. Atkin, A. Law, J. Mounsey, A. Murphy, C. Rosling-Josephs, A. Sangar, M. Stowe, and N. Doolan, D. Patterson and G. Warwick
Local Authority Pension Fund Forum Webinars	03/12/20	Cllrs M. Stowe, T. Yasseeen

3.6

OUR ORGANISATION

SYPA as an organisation

The work of the Authority is overseen and scrutinised by the Local Pension Board required by the Public Sector Pensions Act 2013. The Board has continued to develop its approach to gaining assurance and providing challenge to the Authority and following its first year of operating with its own independent adviser has conducted a self-assessment of its effectiveness in its role which is reflected in its Annual Report which appears at page X of this Annual Report.
The diagram below shows how the different elements of our governance arrangements fit together and how they relate to the various elements of the Border to Coast Pensions Partnership in relation to investment matters.



3.6
OUR ORGANISATION
SYPA as an organisation

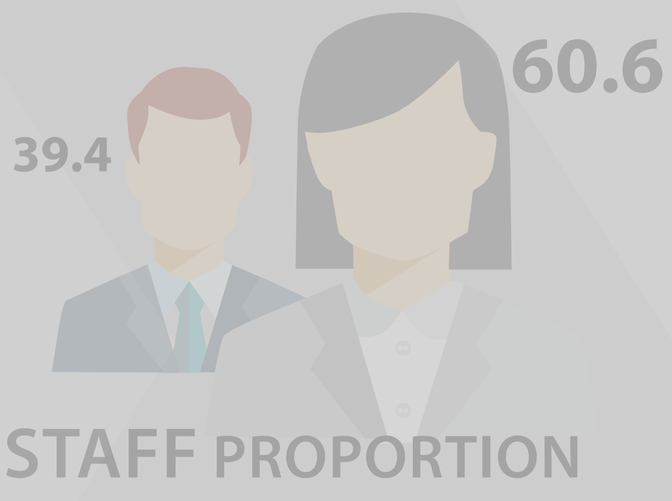
Unlike other administering authorities in the Local Government Pension Scheme SYPA is a free -standing organisation, with the responsibilities which that brings. We have continued to update our policy framework and further updated the Constitution and the various codes of conduct during the year as well as fundamentally reviewing the information which we publish on our website and significantly upgrading the website to meet current accessibility standards. All our policy documents are available on the Authority's website.

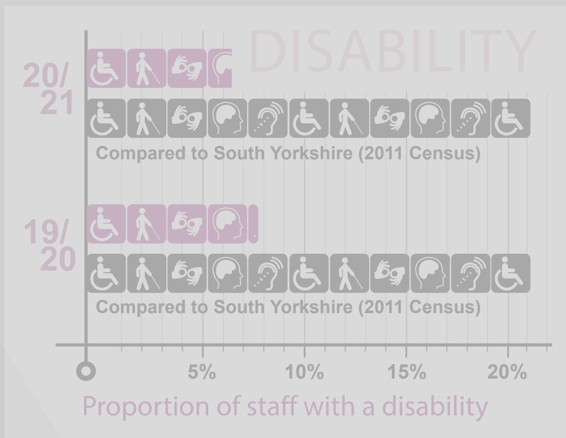
We have continued to place emphasis on being a healthy organisation capitalising on the significant improvement we have been able to achieve in the working environment in recent years and we made available a range of webinars on key health and wellbeing topics for staff during the year including menopause and sleep, many of which were focussed on addressing some of the differing stresses that arise when working at home.

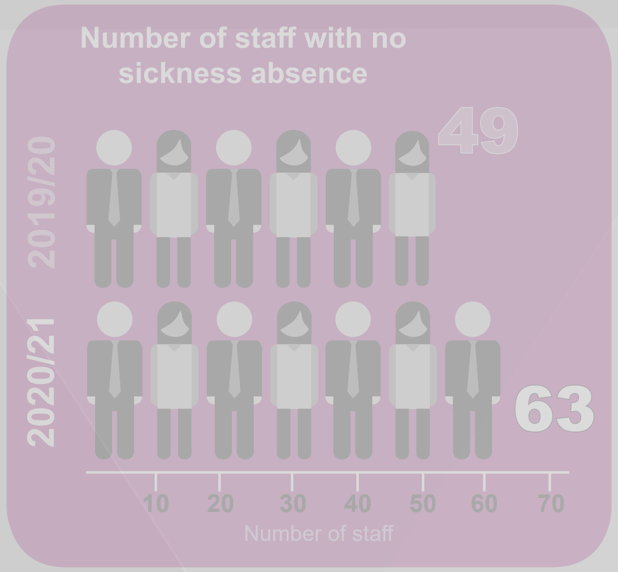
The table below presents the position for a number of measures of our health as an organisation

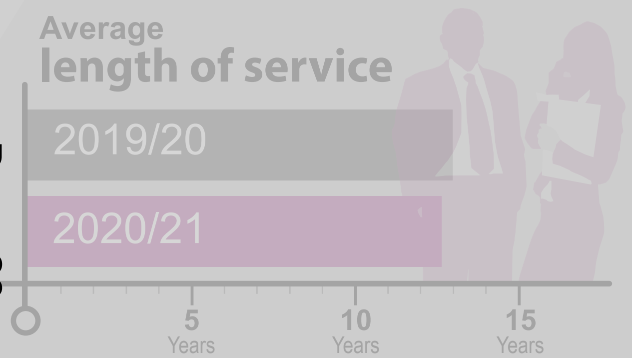
[Data being updated by Gillian and Megan C for an infographic]

3.6 SYPA AS AN ORGANISATION









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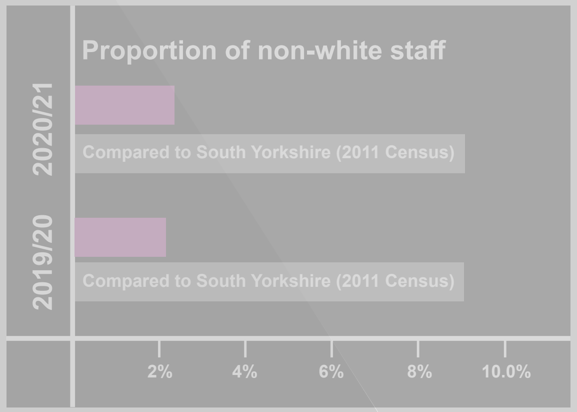
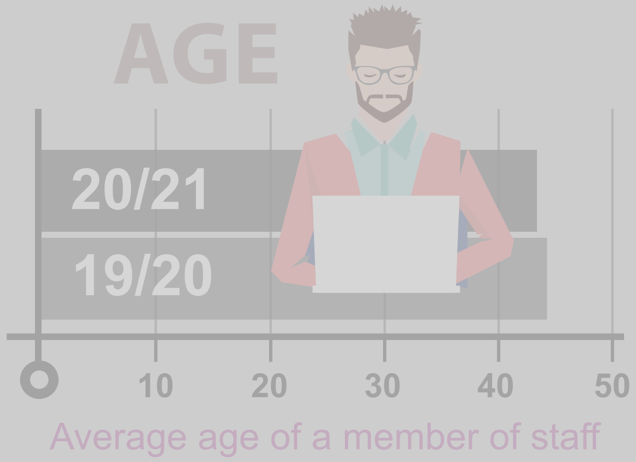
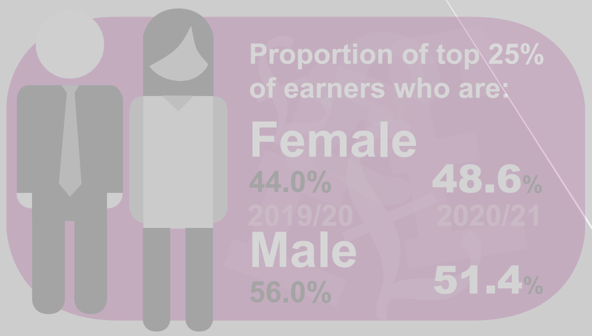
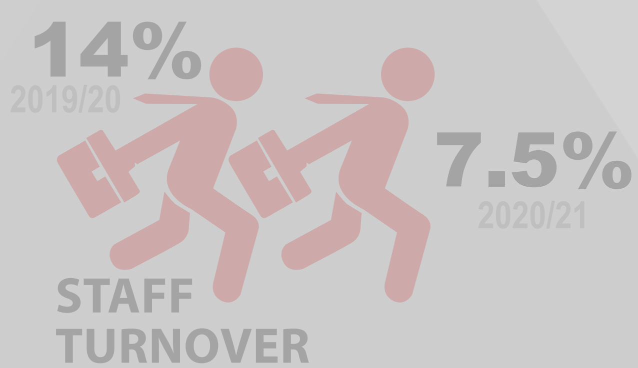








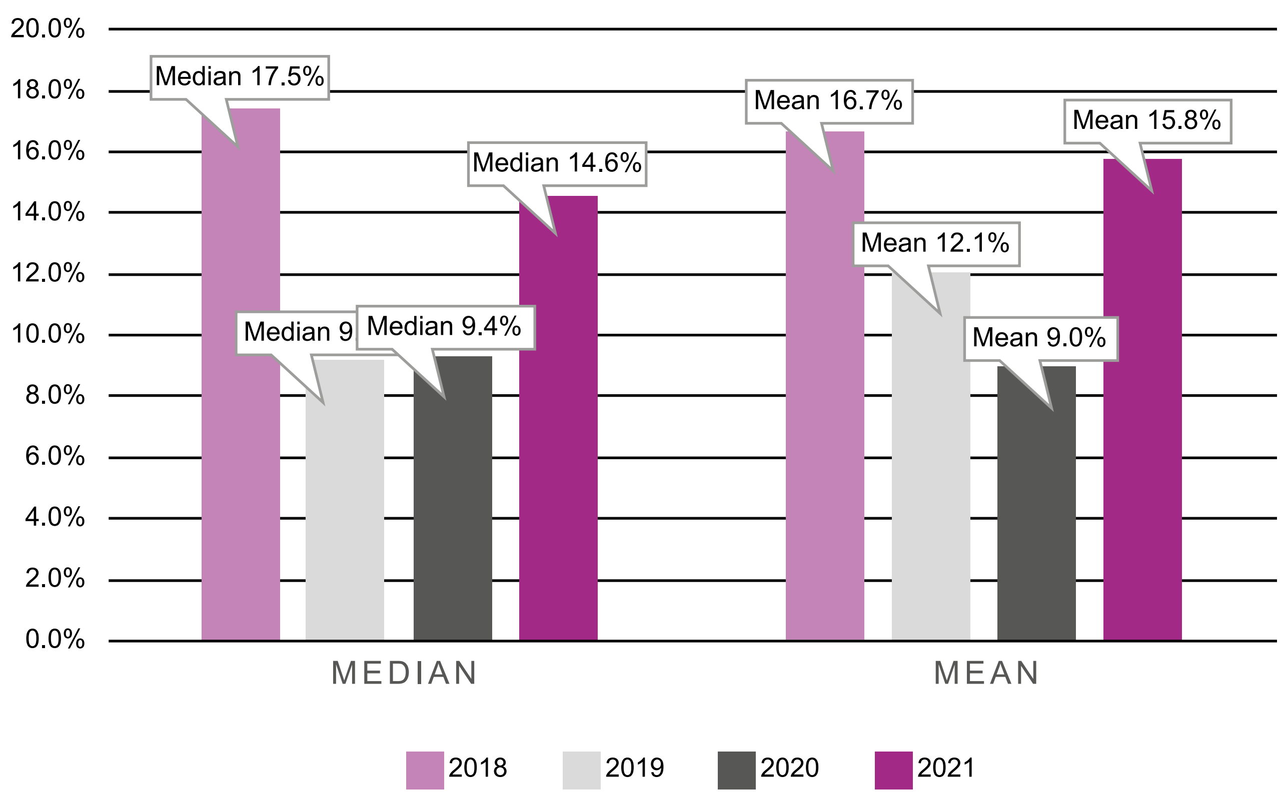
As staff have returned to the office there has been some increase in the level of sickness absence, however, a significant proportion of this increase is due to long term absence cases caused by issues such as cancer.
More information providing additional context to the workforce data set out here is available on our website.

We have analysed the gender pay gap across the organisation which gives the results shown in the chart below, as in all these measures a positive figure means that men are paid more than women. While this is broadly in line with other public sector organisations in the locality it is significantly better than averages in the financial services sector which may be a better comparator for the Authority.

Previously the pay gap had been reducing. However, the relatively small size of our workforce means that relatively small changes in the composition of the workforce can have a large impact on the pay gap. In the last 12 months three vacant management level roles have been filled by men which has had a significant impact on the pay gap. However at the same time the proportion of women in the top 25% of earners has increased. We will continue to seek ways to address this position going forward.

[Text and graph to be update following GT and MC work on the data]

South Yorkshire Pensions Authority Gender Pay Gap



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3.6

OUR ORGANISATION

SYPA as an organisation

We have continued the process of comprehensively reviewing and updating all of our human resources policies in consultation with the recognised trade union, and while there has been some slippage from the original target date of October 2021 all of the key policies which are regularly used had been updated by the end of 2021/22 and a number of policies have also received their first regular follow up review.

During the year we have developed a range of new online learning materials for staff to support progress through the Pensions Officer career grade. We have also made LinkedIn Learning available to all staff in order to provide access to a wide range of on line learning materials in areas such as ICT skills and customer service, We will be transferring our in house resources on to this platform in order to provide a better structured approach for users and improve the management information available in terms of the volume of learning undertaken.

We also ran a development programme for managers and team leaders during the year supported by some coaching and action learning. The action learning will continue beyond the end of this programme, and further work building on this is planned for both the Senior Management Team and aspiring managers in the coming year.

Our ICT Team continued to deliver a significant range of activity during the year, including the transfer of all users to Office 365 and the introduction of the Authority’s own phone system, which will in due course be integrated with Microsoft Teams. The team also delivered a significant upgrade to our website as well as delivering a range of improvements to network resilience and security including retaining the Cyber Essentials Plus security accreditation.

The biggest project the organisation has undertaken for some years was the project to develop and fit out a “home of our own” at Oakwell House which came to fruition at the beginning of 2022. This is the first time the Authority has had its own front door and having a space which is designed around the way we want to work is a significant step forward for us. Councillor Mounsey the Chair of the Authority officially opened our new base in February 2022. This was a once in a generation project involving staff from across our different teams and as well as involving the procurement and management of a significant building contract involved the selection and procurement of furniture and of a facilities management contractor.

3.6
OUR ORGANISATION
SYPA as an organisation

Top: Exterior of Oakwell House

Bottom: Councillor John Mounsey, Chair of the Pensions Authority officially opening Oakwell House assisted by Megan Chadd (left) and Sharon Smith (right) who are amongst our newest and longest serving members of staff.

3.6

OUR ORGANISATION

SYPA as an organisation

Having our new building available and set up to support our move to a hybrid form of working (partly in the office and partly at home) for staff who wish to work in this way just before the various lockdown restrictions was lifted was ideal timing and while we continue to deal with odd snags things that couldn't be completed as part of the main works due to supply chain issues staff are now settled and beginning to explore the full potential of our new surroundings.

We have continued to "take the temperature" of the organisation through surveys and other forms of staff engagement. During the year these highlighted a range of issues related to communication and engagement. We have developed an initial range of activity to begin to address these issues and will be focussing more on this in the coming year.

As an organisation we do not exist in isolation from the place in which we exist, and our staff are keen to engage with the wider community. While it has been more difficult to all be together to support charity events our staff did all pull together over the Christmas period to raise money for Barnsley Foodbank through Christmas Jumper day, donations in lieu of sending cards and other events. This raised a total of £263 for the very important work the Foodbank does.

Mark Richardson and Emily Taylor shopping for Barnsley Foodbank using the £263 raised by SYPA staff at Christmas 2021

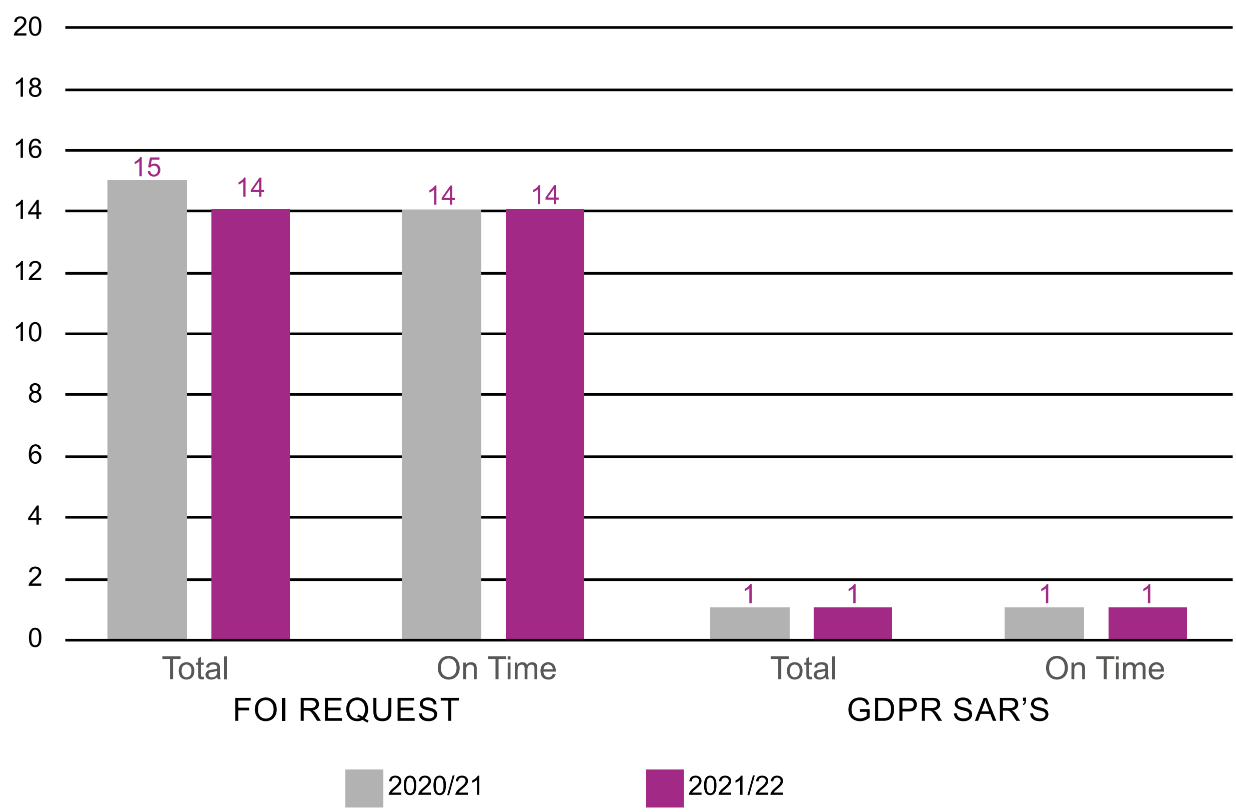
3.7 OUR ORGANISATION

Staff Survey 2020

As an organisation we are committed to openness and transparency and we have taken steps in the last 12 months to publish more information on the internet so that it is available to the public, and we have significantly upgraded our website that information is easier to find, including being able to use the structure of our Freedom of Information Publication Scheme as a way of finding information.

At the same time we still receive and need to respond to requests for information under the Freedom of Information Act and to Subject Access Requests (SAR's) made under the GDPR rules. As the graph below shows we have largely responded to these requests in line with the timescales set out in the legislation.

FOI and GDPR Request Responsiveness



As a public authority we are required to keep our governance arrangements and our arrangements for managing risk under review. The following pages set out the statements on this that we are required to produce.

3.8

OUR ORGANISATION

Annual Governance Statement

Scope of Responsibility

The Authority is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively.

In discharging this overall responsibility, the Authority is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which include arrangements for the management of risk. Apart from employing its own officers and advisors, the Authority also receives support services from officers of Barnsley Metropolitan Borough Council (BMBC) under the terms of a service level agreement.

The Authority's Local Code of Governance complies with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA)/Society of Local Authority Chief Executives (SOLACE) Framework Delivering Good Governance in Local Government Framework 2016. A copy of the Authority's code is on our website here.

The Local Code and this statement are also supported by the Governance Compliance Statement which the Authority is required to produce under s 55(1) of the Local Government Pension Scheme Regulations 2013, which is also available on our website.

This statement explains how the Authority has complied with the code and meets the requirements of regulation 6(1) of the Accounts and Audit (England) Regulations 2015 relating to the preparation and approval of an annual governance statement.

The Purpose of the Governance Framework

The governance framework comprises the systems, processes, culture and values by which the Authority is directed and controlled, and the activities through which it accounts to and engages with employing bodies, pensioners, contributors, and other stakeholders. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk: it can only provide a reasonable and not absolute assurance of effectiveness. The system of internal control is designed to identify risks to the achievement of the Authority's policies, aims and objectives. The system attempts to evaluate the likelihood of those risks being realised and the impact should they be realised and how to manage them efficiently, effectively and economically.

The governance framework has been in place during the year ended 31 March 2022 and up to the date of approval of the Statement of Accounts.

Outline of the Governance Framework

The Authority's framework of governance continues to evolve in line with best practice and is based upon the 7 Core Principles set out in the 2016 CIPFA/SOLACE guidance, Delivering Good Governance in Local Government: Framework. More details about the Authority's arrangements for ensuring compliance with each of the 7 Core Principles are set out in the Authority's Local Code of Corporate Governance which is available here.

Principle A: Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of the law.

Behaving with integrity

The Authority has in place codes of conduct covering the behaviour of both members and officers, which form part of its constitution, with appropriate mechanisms for ensuring that action can be taken where transgressions are reported. For officers these are reinforced through a framework of values and behaviours, including specific management behaviours, which are reflected upon at individual level as part of the appraisal system.

In line with the requirements of local government law elected members are required to complete declarations of interest which are publicly available and to declare any conflicts which might arise in discussion of specific matters at meetings of the Authority and its committees. Similar arrangements also apply to members of the Local Pension Board, although these are not governed by local government law, but by the Local Government Pension Scheme regulations and the Public Service Pensions Act 2013.

Registers of potential conflicts, including personal relationships are maintained for staff and a register of gifts and hospitality is maintained for both staff and officers.

The Authority maintains a comprehensive policy framework in relation to issues such as fraud and corruption and has a Whistleblowing Policy in place should any individual wish to make a confidential disclosure, as well as complaints policies in relation to quality of service, and statutory appeals processes in relation to decisions made under the Pensions Regulations.

Demonstrating strong commitment to ethical values

The Authority operates with an extremely strong value base in relation to ethical standards and values reflecting the seriousness of its responsibility as steward of the pension savings of a very large number of individual scheme members. This is reflected in the way in which the values and behaviours framework is central to both the Corporate Strategy and the appraisal process and the wider policy and constitutional framework covering issues such as recruitment and selection and procurement. The Authority also seeks to bring its commitment to these values into the role it plays within any partnership in which it participates, particularly the Border to Coast Pensions Partnership which is central to the delivery of its corporate objectives.

Respecting the rule of the law

The Authority ensures that it is aware, through the employment of specialist officers and advisers, of the statutory requirements which are placed upon it and takes steps to ensure that it complies with them in an open and transparent way. This includes the maintenance of an up-to-date Constitution which is regularly reviewed and includes definitions of both the Corporate Planning Framework and Pensions Policy Framework, together with terms of reference for committees and an appropriate scheme of delegation to officers.

The Authority maintains up to date job descriptions / role profiles for all posts within the organisation and ensures that it has appropriately qualified statutory officers in post who are able to operate in a way which complies with the relevant professional codes.

Formal records are kept of decisions taken by both officers and members together with the advice considered in making such decisions, and a committee secretariat, provided by Barnsley MBC under a service level agreement, has supported the Authority's democratic processes during the year ensuring compliance with the relevant regulations. This function will be internalised within the Authority during the coming year.

The Authority has a formal policy on the reporting of breaches of the relevant pension regulations and any breaches which occur are reviewed by the Local Pension Board at each of its meetings. The Authority also has clear and effective policies in relation to fraud and corruption and participates in the National Fraud Initiative.

Principle B: **Ensuring openness and comprehensive stakeholder engagement**

Openness

The Authority seeks to be as open as possible with stakeholders, conscious that it is the steward of the savings of around 170,000 individuals, working for close to 600 different employers. To this end it complies with its obligations under the Freedom of Information Act and makes a considerable volume of information automatically and freely available through its website, which has been significantly upgraded and redesigned during the year making information easier to find. The Freedom of Information Act Publication Scheme which specifies the information published by the Authority and how to access was updated last year and is now used as one means of signposting information electronically.

This includes a range of information on investment holdings, performance, the policy frameworks, and responsible investment issues such as how shares have been voted. In addition, the agendas and papers for the Authority, the various Committees and the Local Pension Board are published on line a week before each meeting and all meetings are open to the public, and an increasing number of meetings are also webcast. Key decisions made by officers are formally recorded and details published on the website.

The pandemic has continued to result in some disruption to meeting arrangements during the year, and while in person meetings have resumed they have until the latter part of the year required social distancing measures to be in place which has impacted the nature of the debate. The Local Pension Board which is not subject to the same rules as the Authority has amended its constitution during the year to provide for virtual and hybrid meetings, where appropriate, although the expectation is that in person meetings will be the norm.

In order to promote clarity in the information provided to support decision making reports for decision making bodies follow a standard format which ensures that, for example, implications for the financial position of the Authority of a decision are clearly explained. In addition all reports for decision are required to outline relevant risk considerations, so that these can be understood by decision makers. All reports have to be “cleared” by the statutory officers prior to submission to elected members for decision.

In order to ensure decision makers can consider the views of stakeholders in a systematic way when necessary, the Authority has adopted a Communications and Consultation Strategy which provides a standard framework for engaging with stakeholders.

Engaging comprehensively with employers and other institutional stakeholders

All engagement with employers takes place within the context of the Communications and Consultation Strategy which requires the results of any consultation process to be reported back alongside the actions proposed following the consultation.

Resources have been specifically allocated to support engagement with employers in order to support the maintenance of a productive and supportive relationship between them and the Authority.

In addition, the Authority has in place clear protocols regarding its participation in significant partnerships, the only one currently being the Border to Coast Pensions Partnership. Clearly defined roles are set out for each participant in the Partnership in its Governance Charter and the relevant legal agreements. Regular reports are provided to the Authority by officers on the activity and performance of the Partnership. The Authority’s participation in the Partnership is also subject to a comprehensive annual review which considers the achievement of both the Authority’s and the Partnership’s objectives.

Emphasis has continued to be placed on increasing the volume and improving the quality of interaction with employers and an employer forum session and survey have been undertaken during the year as well as the institution of a new employer newsletter. Responding to the Local Pension Board there has been an emphasis on monitoring the performance of employers in resolving data queries.

Engaging scheme members effectively

The processes for engaging with and understanding the views of scheme members are set out in the Communications and Consultation Strategy which applies to scheme members in the same way as employers. In addition, the Authority’s complaints and appeals processes are available to scheme members in relation either to quality of service, or specific decisions made under the LGPS regulations. Information from the complaints and appeals performance management framework and influences the development of policy, practice, and processes, including specific projects reflected in the Corporate Strategy. As part of its assurance and scrutiny role the Local Pension Board receives a quarterly report outlining the nature of all appeals and complaints and the subsequent actions and learning as well as quarterly information on the results of various rolling customer satisfaction surveys which examine specific aspects of the service to scheme members, which also include information on learning and actions from this feedback.

As a result of the pandemic interaction with scheme members was moved entirely online, and this has proved successful and popular with members, although the facility for face-to-face meetings will be restored in the coming year. Satisfaction survey data indicate that there has been no material change in levels of scheme member satisfaction with the quality of service as a result of the move to entirely remote interaction

Principle C: Defining outcomes in terms of sustainable economic, social and environmental benefits

Defining outcomes

The Authority sets out a clear vision supported by specific objectives which assist in the achievement of that vision within its Corporate Strategy which is at the heart of its corporate planning framework. Delivery against these objectives and key quality of service standards is reported quarterly to members of the Authority within a comprehensive report, allowing action to be taken to address any variations if required. All activity is undertaken within a risk management framework which covers all aspects of the Authority's work.

Sustainable economic, social and environmental benefits

The Authority's Responsible Investment Policy sets out how it reflects the balance between economic, social, environmental and governance issues within its investment decision making process and the areas where it seeks to move partners within the Border to Coast Pensions Partnership to a shared position. Responsible investment is central to the Authority's approach to the management of the funds for which it is responsible and it is an active participant in a range of initiatives which seek to support the achievement of its objectives in this area. Development in this area has continued over the last year with the completion of an assessment of the impact of the Authority's investments on people and planet together with further updating of policies in the light of wider developments.

The Authority's decision making on key issues of this sort is transparent with appropriate decisions either taken in public meetings or published and supporting information placed in the public domain where possible, although it is impossible for market sensitive information to be placed in the public domain.

The Authority actively engages with groups seeking to influence its policies in different ways and uses its Communication and Consultation Strategy to seek views on issues where appropriate and it considers differing views when making decisions.

Beyond the investment sphere the Authority maintains an Equality and Diversity Scheme to guide its approach to the delivery of fair access to its services for any individual with a protected characteristic.

Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes

Determining interventions

The Authority's officers ensure that when making decisions elected members have access to as much objective information as possible as well as to the views of appropriately skilled and experienced independent advisers where specialist areas such as investment strategy are under consideration. Where members require additional information officers agree specific timescales for its provision. The corporate planning process and the medium-term financial strategy provide the means by which the Authority agrees the relative priority and resource requirements of specific interventions.

Planning interventions

The Authority has a well-defined and robust corporate planning framework with the review cycle linked at a high level to the major cyclical events impacting its operations (principally the triennial actuarial valuation of the Pension Fund). This framework is supported by well-established consultation arrangements ensuring that stakeholder views can influence plans where appropriate and a risk management framework that ensures that both risks to service delivery and risks impacting the assets and liabilities of the Pension Fund can be addressed holistically.

A robust framework for monitoring the delivery of all the various plans and strategies is in place with a comprehensive report including both financial and performance information presented to the Authority on a quarterly basis with more detailed reports covering pension administration presented quarterly to the Local Pension Board and on investment performance to the Authority. These reports highlight deviations from plans and identify and assess the risks relevant to the achievement of objectives as well as including information around feedback received and how it has been acted on.

Optimising achievement of intended outcomes

The Authority's medium term financial strategy and corporate strategy draw on inputs from both stakeholder feedback mechanisms, the views of elected members and the Senior Management Team's assessment of developments in the wider external environment in order to direct resources to address priority areas. The medium-term financial strategy examines both the Authority's operating budget and the financial position of the Pension Fund ensuring that all areas of cost and income are fully taken into account.

In addition given the centrality of being a responsible investor to the way in which the Authority invests the Pension Fund regular publicly available reports are provided to the Authority detailing responsible investment activity undertaken and the outcomes achieved through this activity. These include summaries of the Fund's votes at company annual meetings. As part of this approach the Authority subscribes to the principles set out in the FRC's Stewardship Code which requires investors to report to stakeholders in a clear way on how they have managed the funds for which they are responsible.

Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it

Developing the entity's capacity

The Authority is very aware of both its cost base and performance and undertakes benchmarking of both of these across both the main streams of operational activity (pension administration and investment). The Authority has also opened itself up to external challenge through undertaking an independent review of governance in response to the Good Governance Review undertaken by the Scheme Advisory Board and through the appointment of an independent adviser to the Local Pension Board in order to assist the Board in providing more robust challenge to officers. Steps have also been taken to equip members of the Audit Committee to enable them to provide more effective challenge.

The Authority's Human Resources Strategy also explicitly addresses the way in which the Authority plans and develops its workforce requirements.

Developing the capability of the entity's leadership and other individuals

The Authority has strong constitutional arrangements in place including an effective scheme of delegation, financial regulations and contract standing orders which define which individuals can take which decisions. These arrangements are subject to regular review.

Clear role profiles are in place for all posts within the organisation, which are linked to a consistent organisational design framework. The Director's role profile is agreed with elected members and this and the Constitution clearly set out the dividing lines between member and officer responsibilities. Means of maintaining regular dialogue between the Director and the Chair are agreed with each Chair on their taking office.

A Learning and Development Strategy is in place for elected members supported by the allocation of specific time within the overall programme of meetings. This strategy is set within the context of the CIPFA Knowledge and Skills Framework and has regard to the requirements of the Pensions Regulator and provides access to both in house and external events as well as on-line learning and specific reading materials. A targeted induction programme is provided for new members. Members of both the Authority and the Local Pension Board are asked to self-assess their learning needs as part of developing the annual training programme.

For staff access is provided to on-going learning and development as necessary to support the goals set out in individual appraisals. In addition to competency based progression through the pension administration career grade this can include professional qualification training, external training courses and internally provided technical updates and system specific training. The career grade scheme for pension administration has been comprehensively revised during to make it more clearly competency based and better focussed on meeting the Authority's needs, and similar progression schemes have been developed for Customer Services and Pension Systems teams and for the two levels of the Senior Practitioner role.

All learning and development activity is supported through access to online resources through a range of systems such as on line reading rooms, SharePoint, modern.gov and LinkedIn Learning.

The Authority has an appraisal system in place that is used to manage individual performance and to support the succession planning process which is in place in key risk areas and following the Director's appraisal for 2021 members of the Authority have asked him to bring forward proposals for strengthening organisational resilience during 2022.

Arrangements for Health Safety and Wellbeing continue to be given prominence with the addition during the year of a contractual arrangement for Health and Safety advice and the provision of a range of additional health and support including workplace health checks and a range of webinars and other activities aimed at developing knowledge and understanding of key issues such as stress.

Over the course of the year the Authority has agreed a range of changes to its organisation including the internalisation of arrangements for the provision of the roles of Treasurer and Monitoring Officer which will be completed during the coming year. In addition the Director has been instructed to produce a medium-term plan to address issues of resilience and sustainability within the organisational structure for presentation to elected members during the coming year, reflecting a longer term approach to resource planning.

Principle F: **Managing risks and performance through robust internal control and strong public financial management**

Managing risk

A risk management policy framework is in place and was reviewed during the year by the Audit Committee which sets out clearly the responsibilities for managing the risks facing the organisation, how they should be assessed and reported. The risk register is reviewed on a monthly basis by the Senior Management Team with reporting on a quarterly basis to meetings of the Authority as part of the overall performance management framework, together with review and challenge by the Local Pension Board. In addition during the year an appointment was made to the new role of Governance and Risk Officer increasing the level of resource and amount of focus that can be devoted to this area.

Managing performance

The Authority has robust and transparent arrangements for the reporting and monitoring of its performance in place including clearly defined timetables for the reporting of information which have been added to during the year by the introduction of improved financial monitoring. Wherever possible data is placed in the public domain and statutory reporting timescales are adhered to.

Where appropriate these arrangements are supported by the use of benchmarking information and other external sources of comparison data.

Members and the Local Pension Board are encouraged to seek improvements in the data provided and officers have encouraged challenge within the monitoring process from both the Local Pension Board and members of the Authority, including through the appointment of an independent adviser to support the Local Pension Board in order to ensure that it is not being guided by officers.

The Authority welcomes external challenge and has opened itself up to such challenge through commissioning an external review of its governance arrangements and the implementation of the recommendations from this review was completed during the year. A further review will be undertaken during 2023/24 in line with the proposals set out in the Good Governance Project sponsored by the Scheme Advisory Board.

Assurance processes are in place over the production of performance management information which ensure that the reports provided to different bodies are consistent.

The processes for generating and presenting information continue to be subject to constant review and improvement to make it both easier to report and to understand the information generated. The processes to replace the investment accounting and financial management systems were completed during the year and the replacement of the HR and Payroll system is scheduled for the coming year. A need has been identified for an integrated risk management and performance system which will be developed into a business case during the coming year.

Robust Internal Control

The Authority has an Audit Committee in place whose terms of reference are consistent with the relevant professional standards. The Committee has produced its own Annual report, available within the Governance section of the Authority's website, which sets out the work it has undertaken during the year.

The Committee is responsible for overseeing the work of Internal Audit which is provided by Barnsley MBC's Internal Audit Service and in particular ensuring that the Internal Audit plan addresses key control risks facing the Authority. The Head of Internal Audit is required under the relevant professional standards to produce an annual opinion on the adequacy of the control environment. For 2021/22 this opinion is that "based on the systems reviewed and reported on by Internal Audit during the year to date, together with management's response to issues raised, I am able to give a reasonable (positive) assurance opinion regarding the effectiveness of the control, risk and governance environment."

Whilst Internal Audit remain positive overall regarding the degree of engagement and support from senior management it is important for the delivery of audit coverage and to support the Head of Internal Audit's annual opinion that responses to requests for information and for the discussion of draft reports is timely. The Authority's Senior Management Team recognises this as an emerging issue and have identified resources to ensure a more structured and timely approach to responding to Internal Audit.

The Audit Committee has instituted a process of reviewing the progress made in implementing audit recommendations to ensure that the control environment continues to be strengthened as a result of the audit process.

The Audit Committee has reviewed the policy framework for Risk Management during the year and approved updated policies in line with relevant professional standards and which are suited to the scale and nature of the organisation's activities.

While some improvements have been made in the level of challenge provided by the Audit Committee, through the provision of additional briefing sessions for members this remains a work in progress and further developments will be undertaken over the coming year.

Managing Data

High quality data is central to the effectiveness of the organisation in its core function as a pension administrator. The Authority has a strong policy framework in place to ensure both the security and integrity of the large quantities of data which it holds. This includes the Authority's Director acting as the Senior Information Risk Owner (SIRO) and the Head of Internal Audit as the Data Protection Officer. Arrangements for the SIRO role will change in the coming year following the appointment to the new role of Corporate Manager – Governance.

The Authority has received the Cyber Essentials + accreditation from government in relation to its arrangements for information security.

The work of the Data Protection Officer is supported by an annual programme of review activity to ensure that the policy framework is being complied with.

An annual assessment of the quality of data held for pension administration purposes is undertaken and a data improvement plan is produced to ensure that any issues identified are addressed. Progress with delivering the data improvement plan is overseen by the Local Pension Board.

During the coming year the role of Senior Information Risk Owner will be passed to the new role of Corporate Manager – Governance who will provide additional resource to support the ongoing development of the information governance framework.

Strong public financial management

The Authority is steward of a very large pension fund and therefore strong financial management is crucial to its effective operation. A strong framework of budgetary control is in place which has been enhanced in the last year with improvements in both budget preparation and financial monitoring. Key projects are required to operate within defined budgets which receive approval through the appropriate decision-making processes.

The Authority's Medium Term Financial Strategy defines various fiscal rules which constrain the growth in expenditure mirroring, to some extent, the constraints which apply to conventional local authorities through the council tax capping regime.

Principle G: Implementing good practices in transparency and audit to deliver effective accountability

Implementing good practice in transparency

The Authority seeks to be open and transparent in all its activities maintaining the minimum amount of information possible as confidential. Therefore, the Authority publishes a very significant amount of information about its services and activities on its website www.sypensions.org.uk including for example details of investment holdings and voting records. The agendas and public reports for all meetings of the Authority, its committees and the Local Pension Board are published on the internet and the public parts of meetings of the Authority (and more recently of committees and the Local Pension Board) are webcast. The Authority's annual report also contains a significant amount of information on its activities in a more user-friendly format. The Freedom of Information Publication Scheme has been updated during the last year and this provides clear signposting to the information which is publicly available and where it can be found.

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The Authority took steps, as indicated elsewhere in this statement, to ensure that the pandemic did not negatively impact on the transparency of its operations.

Implementing good practice in reporting

The Authority regards "telling its story" as an organisation in terms of both its activity and the way in which it demonstrates both value for money and effective stewardship of scheme members' savings as a key activity. For key documents such as the Annual Report and Accounts the Authority follows the relevant professional codes in terms of the provision of information and seeks to go beyond them where possible, particularly in terms of presenting the information in a way which allows the reader to set information in the context of the Authority's work and easily understand it.

In order to promote greater understanding by stakeholders of its investment portfolios and support its goals in terms of decarbonisation of its investments the Authority has commissioned the production of an impact report for 2020/21 which was published in March 2022. This analyses the impact of the Authority's investments on people and planet using the UN Sustainable Development Goals as an analysis framework.

The Authority uses the governance framework set out in the Local Code of Corporate Governance to ensure that the information provided in reporting is accurate and consistent and that the same standards are met by key partnerships such as the Border to Coast Pensions Partnership.

Assurance and effective accountability

The Internal Audit function operates under a charter which conforms to the relevant public sector internal audit standards ensuring that the Authority complies with the relevant professional standards.

The Audit Committee has adopted a process of reviewing progress with the implementation of audit recommendations to ensure that improvements are being delivered as a result of work carried out by both internal and external audit and potentially other review agencies when the Scheme Advisory Board's Good Governance reforms are introduced.

The Authority has now completed implementation of the recommendations made in Hymans Robertson's review of its governance, pre-empting the Good Governance standards. The Authority has also appointed an independent adviser to support the Local Pension Board in providing effective challenge and scrutiny, and the Board has conducted its own review of its effectiveness.

All of these arrangements also apply to the way in which the Authority engages with various partners and a comprehensive process of gathering assurance from those managing money on behalf of the Authority is undertaken each year. In particular the Authority seeks to ensure that the activity undertaken on its behalf by the Border to Coast Pensions Partnership reflects the agreed Governance Charter which applies similar standards to the Authority's arrangements in the Partnership's unique context.

Governance Issues

The Covid-19 Pandemic continued to impact Britain throughout the period under review and while, at the time of writing restrictions have been lifted the Pandemic continues to influence the way in which the Authority is operating and key management issues such as the level of staff sickness.

The processes described above have identified the following governance issues for attention. Some of these are longer term issues and as such continue to feature from previous statements. The outcome of the Annual Governance Review suggests that the following significant governance issues need to be included in the 2021/22 Annual Governance Statement Action Plan. These are:

- The need to conduct a comprehensive review of the Constitution to reflect the new statutory officer arrangements to be introduced in April 2023 and ensure that it is up to date in terms of changes in key regulations such as those arising from the UK's exit from the European Union.
- The need to further embed the appraisal process and link it to the organisation's values including adjusting the appraisal year so that appraisals are conducted away from key workload peaks and to ensure that training needs are effectively collated to support a corporate training programme.
- The need to review a range of processes and plans around business continuity and health and safety now that the Authority occupies its own building.
- The need to develop a longer-term view of the Authority's resource requirements and ensure that identified gaps are addressed.

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Annual Governance Statement

- The need to link programme and project management arrangements more clearly to actions identified in the Corporate Strategy and other key plans.
- The need to make better use of information in managing performance.
- The ongoing need to strengthen internal governance building on the changes to staffing and service delivery arrangements already agreed.
- The need to reinvigorate the approach to staff engagement following a long period of entirely remote working which has made this more difficult.

The actions taken to date to address these have or will be reported to the Authority and the Audit Committee. Progress in implementing these improvement actions will be monitored by Managers and Internal Audit and through regular reports to the Authority and its Committees.

Signed

Chair
South Yorkshire Pensions Authiority

Signed

Director
South Yorkshire Pensions Authiority

Annual Governance Statement Action Plan for 2022/23

Appendix A

Issue	Action Required	Responsible Officer	Date for Completion
Need to update the Constitution	Full review of the Constitution to be commissioned using legal advisers	Corporate Manager – Governance	March 2023
Improvements to the appraisal process and training plan	Changes to appraisal documentation and appraisal year, additional training for managers and move to an online system	Head of Finance and Corporate Services & HR Business Partner	June 2023
Updates to Business Continuity and health and safety arrangements	Review of arrangements in light of the move to the Authority's own premises and to fully document arrangements beyond those specifically related to ICT which are already documented	Head of Finance and Corporate Services	March 2023
Organisational resilience and sustainability	Prepare medium term proposals addressing both succession planning and resilience for implementation over the Corporate Strategy period	Director	December 2022
Strengthen project management	Implement arrangements to support individual project managers with scoping planning and reporting on corporate strategy projects	Team Manager – Programmes and Performance	March 2023
Strengthen corporate performance management and reporting	Introduce arrangements for the centralised production of performance information allowing managers to focus on interpretation and follow up action	Team Manager – Programmes and Performance	March 2023
Strengthen internal governance	Update and refresh arrangements around key processes such as information governance, procurement, decision recording and scheme of delegation.	Corporate Manager – Governance	March 2023
Reinvigorate staff engagement	Implement action plan developed following staff feedback	Senior Management Team	March 2023

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Risk Assessment

Managing the Risks Facing the Authority and the Pension Fund

Risk Management is the process by which the Authority identifies and overcomes those issues which might prevent it achieving its and the Pension Fund's objectives. Given the financial scale of the Pension Fund and the fact that it invests money in order to achieve financial return the effective management of risk is crucial to us being able to achieve our objectives.

As indicated in the Annual Governance Statement the Audit Committee has overseen the Authority's risk management arrangements over the course of the Year. The Risk Register, which forms an integral part of the Corporate Strategy, has been regularly reviewed by the Authority's Senior Management Team and changes have been made in the light of changes in the external environment and the progress made in delivering projects such as investment pooling. The key risks identified in the corporate risk register, as at the end of March 2021 are:

Risk Matrix

IMPACT \ PROBABILITY	Very Low	Low	Medium	High	Very High
Very High		**I4** Cashflow imbalance	**I1** Market movements	**I2** Climate Change	
High			**G1** Authority Skills etc **G2** Board Skills etc **G3** Control Environment **I3** Border to Coast Strat Plan **O2** Data Quality **O3** Data Protection **O4** Regulatory Compliance	**G4** Project Delivery **O1** Cyber Security	
Medium			**I5** Contribution Affordability	**P1** Workforce	
Low					
Very Low					

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Risk Assessment

The specific risks previously identified in relation to the pandemic have continued to be managed down, and new risks relating to the wider economic impact of both the pandemic and the war in Ukraine have been incorporated into the risk register as reflected in the diagram above, which reflects an environment of increased risk facing the Authority.

Given the scale of the financial assets managed by the Authority the management of the risks inherent in participation in the financial markets is a crucial part of the overall risk management framework. The Authority sets out broad policies in the Investment Strategy Statement which conform to the LGPS Investment Regulations and which cover the following areas:

- Acting with proper advice – such advice may come from appropriately qualified officers, the Fund's Independent Advisers or specialist consultants retained for specific projects.
- Maintaining a diversified portfolio of assets – The Fund's Strategic Asset Allocation is intended to reduce the overall level of investment risk by investing across a range of asset classes the performance of which is not directly correlated.
- The setting of limits within individual investment management agreements with regard to the types of exposure the investment manager is allowed to achieve relative to a benchmark, the level of concentration of holdings and measures of portfolio risk. These are reported on by managers and significant movements or breaches are followed up as part of ongoing performance review.

We will over the coming years be developing a more comprehensive suite of metrics which will allow us to better monitor the risk exposures within the investment portfolio.

The most significant investment risk exposures over the last year have arisen from the transition of the remaining bond portfolios and the listed alternatives holdings to new Border to Coast products. These have been coupled with continuing volatility and uncertainty in equity markets as a result of the hangover of the pandemic and the war in Ukraine. It has therefore been necessary to maintain a review of over and underweight positions at the strategic level and rebalance to minimise the potential impact should market shocks occur.

The members of the Authority receive assurance as to the effectiveness of both the system of control and the risk management arrangements from a number of sources. The most significant sources of such assurance are the internal and external auditors. Internal Audit is provided on an outsourced basis by Barnsley MBC in line with the relevant professional standards. The scale of the Internal Audit Plan (which is significantly greater than for most local government pension funds) reflects the unique nature of the Authority as an organisation in its own right. The Head of Internal Audit's overall opinion which is included in the Annual Governance Statement is one of Reasonable (positive) Assurance. The table below indicates the level of assurance received from the various pieces of internal audit work undertaken during the year.

Internal Audit Review Results 2020/21

Review Topic	Assurance Level	Number and priority of findings
Customer Contact Centre c/fwd from 20/21	Substantial	**0** (none)
UPM Payroll c/fwd from 20/21	Substantial	**1** (low priority)
Pensions Review Process - Existence Checks c/fwd from 20/21	Reasonable	**1** (medium priority)
Pension Review Process - Child Pensions c/fwd from 20/21	Limited	**4** (medium priority)
Main Accounting	Reasonable	**1** (medium priority)
UPM Payroll	Substantial	**1** (low priority)
Support Staff Payroll	Substantial	**1** (low priority)
Investment Income	Reasonable	**2** (1 medium and 1 low priority)
Fund Contributions and Rechargeable Pensions	Substantial	**0** (none)
Accounts Payable	Reasonable	**2** (1 medium and 1 low priority)
Cybersecurity	Substantial	**2** (low priority)
HR Governance	Reasonable	**4** (medium priority)
Financial Management and Investment Systems - Design and Implementation	Reasonable	**1** (medium priority)
Data Quality Improvement Plan	Reasonable	**2** (1 high and 1 medium priority)

Internal Audit's different levels of assurance are set out in the table below:

	Current Classification
Positive Opinions	Substantial
	Reasonable
Negative Opinions	Limited
	None

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Assurance over our operations

A deliberate approach has been adopted of focussing internal audit effort on areas where it is known that improvements are required in order to support the delivery of improvement, hence the number of less positive assessments and findings has increased, but so has their value to the Authority in that they provide important information to support the improvement of both the running of the organisation and of the services it provides.

External audit has been provided by Deloitte LLP under procurement arrangements managed by Public Sector Audit Appointments Ltd (PSAA) under the terms of the Local Audit and Accountability Act 2014. Deloitte, and their predecessors have raised no specific issues in terms of the control framework or the system of governance in their previous reports to those charged with governance and their value for money conclusion. The Authority chose in December 2021 to opt into the next PSAA procurement process which will result in the appointment of auditors for five years from the 2023/24 accounts.

The Authority relies heavily on external organisations to manage money on its behalf. In addition to the manager of listed assets (Border to Coast Pensions Partnership) we have investments in over 150 individual funds within our Alternatives Portfolios, managed by x different fund managers. All of these Managers supply us with a copy of their ISAE3402 report (or equivalent) which is reviewed and any issues highlighted pursued with the manager. The table below indicates Managers whose reports indicate a level of assurance less than the required level.

Asset Class	Number of Managers	Number of Funds	Number of Managers with satisfactory assurance	Number of Funds with a qualified opinion	Awaiting latest information
Listed Equity	1	4	1		
Investment Grade Credit	1	1	1		
Multi Asset Credit	1	1	1		
Sterling Index Linked Bonds	1	1	1		
Commercial Property	9	9	9		3
Private Debt	40	40	37	3	9
Private Equity	98	98	98		25
Infrastructure	34	34	34		4
Total	185	188	182		41

3.10
OUR ORGANISATION
Assurance over our operations

Of the 3 Funds with qualified opinions two related to the basis of the valuation of underlying investments and one to the impact on the valuation of an underlying investment of an ongoing legal dispute. These issues are unlikely to be material in the context of the whole fund.

3.11

OUR ORGANISATION

Oversight of our assurance arrangements

The Authority maintains an Audit Committee as part of its governance structure in order to provide oversight of its various assurance arrangements. The Committee produces an Annual Report for the Authority which is below:

INTRODUCTION

This report is produced in order to provide stakeholders with information on the work of the Committee over the 2021/22 Municipal Year and to support the process of assurance gathering required in order to produce the Authority's Annual Governance Statement.

It outlines the Committee's:

- Role and responsibilities;
- Membership and attendance; and
- Work programme.

[Insert photo of Cllr Weatherall]

Councillor Garry Weatherall
Chair of the Audit Committee

COMMITTEE INFORMATION

Audit Committee Role and Responsibilities

The Committee's terms of reference are set out in the Authority's constitution and are as follows:

To fulfil the following core audit committee functions:

a) Consider the effectiveness of the Authority's risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements.

b) Seek assurances that action is being taken on risk related issues identified by auditors and inspectors.

c) Be satisfied that the Authority's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it.

d) Approve (but not direct) internal audit's Charter and annual plan.

e) Monitor performance against internal audit's Charter and annual plan.

f) Review summary internal audit reports and the main issues arising and seek assurance that action had been taken where necessary.

g) Receive the annual report of the Head of Internal Audit.

h) Consider the annual reports of external audit and inspection agencies.

i) Ensure that there are effective relationships between internal audit and external audit, inspection agencies and other relevant bodies, and that the value of the process is actively promoted.

j) Review financial statements, external auditor's opinion and reports to Members, and monitor management action in response to the issues raised by external audit.

3.11

OUR ORGANISATION

Oversight of our assurance arrangements

k) To oversee the production of and approve the Authority's Annual Governance Statement.

l) To review and approve the annual Statement of Accounts and the Authority's Annual Report, focusing on:

- The suitability of, and any changes in accounting policies.
- Major judgemental issues e.g. provisions.

m) To receive and agree the response to the external auditor's report to those charged with governance on issues arising from the audit of the accounts, focusing on significant adjustments and material weaknesses in internal control reported by the external auditor.

n) Monitor the Authority's risk register and annual governance action plan, reporting issues of concern to the full Authority.

Membership

The Committee's membership at the end of March 2022 was:

Councillor G Weatherall (Chair)

Councillor S Clement-Jones

Councillor D Fisher

Councillor D Nevett

Councillor C Rosling-Josephs

Councillor N Wright

In addition, the three observers nominated to the Authority by the recognised trade unions are entitled to attend and participate in meetings of the Committee. During the year these representatives were:

N Doolan-Hamer (Unison)

D Patterson (Unite)

G Warwick (GMB)

Committee Meetings and Attendance

The Committee held three meetings during the municipal year (July 2021, October 2021 and March 2022). The business conducted reflected the terms of reference and the pattern of work of the Authority's Internal and External Auditors. The schedule of Members' and Officers' attendance is attached as Appendix 1.

During the year Councillor Alan Law who had been appointed by the Authority to Chair the Committee had to resign due to ill health and was replaced by Councillor Garry Weatherall.

Good practice guidance suggests that the Chief Financial Officer should attend regularly, and that the Monitoring Officer and other senior officers should contribute as appropriate. The actual attendance recorded demonstrates that this was achieved.

OUR ORGANISATION

Oversight of our assurance arrangements

COMMITTEE WORK PROGRAMME AND OUTCOMES

The Board maintains a broad programme of work for its main areas of activity. The reports received during 2021/22 are shown in Appendix B; the outcomes of the Committee's work in relation to these are summarised below. The "boxed" bullet points in italics are the core functions from the CIPFA guidance; the details below each box identify how the Committee has achieved its responsibilities.

Risk Management and Internal Control

- Considering the effectiveness of the Authority's risk management arrangements, the control environment and associated anti-fraud and corruption arrangements.
- Seeking assurances that action is being taken on risk-related issues identified by auditors and inspectors.
- Being satisfied that the Authority's assurance statements, including the Annual Governance Statement properly reflect the risk environment and any actions required to improve it.

The Committee has:

- Completed the Annual Review of the Authority's Risk Management Framework in October 2021
- Received regular progress reports from the Head of Internal Audit on internal matters.
- Received regular reports on progress against audit recommendations.
- Considered the results of the review of internal control and internal audit for 2020/21.

Internal Audit and External Audit

- Approving (but not directing) Internal Audit's strategy and plan, and monitoring performance.
- Reviewing summary Internal Audit reports and the main issues arising, and seeking assurance that action has been taken where necessary.
- Receiving the annual report of the head of Internal Audit.
- Considering the reports of external audit and inspection agencies.
- Ensuring that there are effective relationships between Internal Audit and external audit, inspection agencies and other relevant bodies, and that the value of the process is actively promoted.

The Committee has:

Internal Audit:

- Agreed the Internal Audit Strategy and Annual Plan for 2022/23;
- Received and considered Head of Internal Audit's Annual Report for 2021/22, including the opinion on the Authority's internal control arrangements;
- Received and considered regular reports from the Head of Internal Audit on the Internal Audit Team's progress against the annual plan, including summaries of the reports issued and management's response.

Appointed External Auditor (see also Accounts below):

- Received reports from Deloitte on their Audit Plans for the Authority and their Annual Report which was recommended to the Full Authority for consideration.;
- Received regular progress reports from Deloitte
- Approved Deloitte's fee for the financial year 2020/21

Accounts

- Reviewing the financial statements, the external auditor's opinion and reports to members, and monitoring management action in response to the issues raised by external audit.
- Overseeing the production of, and approving, the Authority's Annual Governance Statement.
- Overseeing the production of, and approving, the Authority's Annual Statement of Accounts, focussing on:
  - the suitability of, and any changes in, accounting policies;
  - Major judgemental issues e.g. provisions.
- Receiving and agreeing the response to the external auditor's report to those charged with governance on issues arising from the audit of the accounts, focussing on significant adjustments and material weaknesses in internal control reported by the external auditor.

The Committee has:

- Overseen the production of, and approved the Authority's Annual Governance Statement 2020/21;
- Reviewed and approved the Authority's Statement of Accounts 2020/21;
- Received and approved Deloitte's Annual ISA 260 Report 2020/21 and agreed the responses to the recommendations made.

Working Arrangements

Members considered and agreed the Committee's Annual Report which was then published on the Authority's website.

The Committee, as part of considering the Annual Report, revisited the self-assessment of its position against the best practice guidance and considered the extent to which its arrangements remained robust.

3.11

OUR ORGANISATION

Oversight of our assurance arrangements

Member/Officer attendance at Audit Committee meetings

Member/Officer	29 July 2021	21 Oct 2021	3 March 2022	% Attendance
Cllr A Law	Note 2	[redacted]	[redacted]	0%
Cllr G Weatherall	[redacted]	✓	✓	100%
Cllr S Clement-Jones	✓	✓	Note 1	67%
Cllr D Fisher	✓	✓	✓	100%
Cllr D Nevett	Note 3	✓	✓	100%
Cllr C Rosling-Josephs	✓	✓	Note 1	67%
Cllr N Wright	Note 1	✓	✓	67%
Non-Voting Co-Opted Members				
N Doolan-Hamer	Note 1	✓	✓	67%
D Patterson	Note 1	Note 1	Note 1	0%
G Warwick	✓	Note 1	✓	67%
Director	✓	✓	✓	[redacted]
Head of Finance & Corporate Services (Deputy Treasurer)	✓	✓	✓	[redacted]
Treasurer (s73 Officer)	✓	Note 3	Note 1	[redacted]
Monitoring Officer	✓	✓	Note 1	[redacted]
Deputy Clerk	Note 1	Note 1	✓	[redacted]
External Audit (Deloitte)	✓	Note 1	✓	[redacted]
Internal Audit (Barnsley MBC)	✓	✓	✓	[redacted]

Notes

1 Apologies

2 Apologies - Cllr M Havard substituted

3 Acted as Chair for the meeting

Councillor Law resigned from the Authority due to ill health and was replaced by Councillor Weatherall.

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OUR ORGANISATION

Oversight of our assurance arrangements

Function/Issue	29 July 2021	21 Oct 2021	3 March 2022
Risk Management			
Annual Review of the Risk Management Framework		Noted	
Governance and Internal Control			
Data Protection Officer's Annual Report			
Annual Review of the Governance Compliance Statement		Approved	
Progress on delivering the 2020/21 Annual Governance Statement Action Plan			Noted
Progress on Implementation of Audit Recommendations	Noted	Noted	Noted
Annual Procurement Report			Noted
Internal Audit			
Progress Report	Noted	Noted	Noted
External Quality Assessment		Noted	
Annual Report 2020/21	Noted		
Internal Audit Charter	Noted		
Internal Audit Plan 2022/23			Noted
External Audit			
Auditor Appointment Process		Recommended action to the Authority	
ISA 260 Report 2020/21	Noted		
Annual Audit Report 2020/21		Noted and recommended to the Authority	
External Audit Plan 2021/22			Noted
Accounts			
Audited Annual Report and Statement of Accounts 2020/21	Approved		
Letter of Representation	Approved		
Board Working Arrangements			
Audit Committee Annual Report 2021/22			Approved

(The term "Noted" is used to include resolutions to note and to receive reports).

3.12 Managing our money

The Authority's day to day running costs are managed through the Operational Budget, while costs and income associated with specific investments and dealings with scheme members are managed through the Pension Fund directly. All of these are subject to audit by the external auditors and the full financial statements can be found at page x.

The Operating Budget

Like any public body, to be able to show that we have managed our spending on the Operational Budget within the agreed level of resources. The table below illustrates the position for 2021/22.

3.12
OUR ORGANISATION
Managing our money

SYPA Operational Budget	2021/22 Budget	2021/22 Outturn	2021/22 Outturn Variance	
	£	£	£	%
Pensions Administration	2,719,750	2,500,610	(219,140)	(8.10%)
Investment Strategy	539,760	565,090	25,330	4.70%
Finance & Corporate Services	738,220	772,420	34,200	4.60%
ICT	667,200	635,850	(31,350)	(4.70%)
Management & Corporate	375,050	368,090	(6,960)	(1.90%)
Democratic Representation	142,620	124,020	(18,600)	(13.00%)
Subtotal Net Cost of Services	**5,182,600**	**4,966,080**	**(216,520)**	**(4.20%)**
Capital Expenditure Charged to Revenue	1,630,000	1,546,930	(83,070)	(5.10%)
Subtotal Before Transfers to Reserves	**6,812,600**	**6,513,010**	**(299,590)**	**(4.40%)**
Appropriations to Reserves	(1,367,000)	(1,067,410)	299,590	(21.90%)
Total	**5,445,600**	**5,445,600**	**0**	**0.00%**

The operational budget for 2021/22 was approved in January 2021 at a total of £5,445,600. The overall outturn for the year, before transfers from reserves, was an under-spend of £299,590. The main variances included within the overall under-spend for the year are explained below.

- An under-spend on staffing costs across all service areas of (£129k) which includes:
  - Savings of (£133k) in Pensions Administration as a result of staff turnover and vacancies over the course of the year. This includes (£35k) relating to a training officer post that was advertised internally on a secondment basis but not taken up, therefore the post remained vacant all year. This has subsequently been revised to a permanent Technical Specialist post which has been filled in the first quarter of 2022/23. Recruitment of pensions officers and customer services officers posts also took place towards the end of the financial year.
  - A net under-spend of (29k) relating to staff turnover in Finance & Corporate Services – comprising a (£43k) saving on vacancies in the year that has been used to fund additional costs of £14k on overtime that was required in the first half of this year due to having staff shortages at the same time as undertaking major projects to implement a new finance system and a new investment accounting system, and also produce the 2020/21 accounts and ensure the audit was completed successfully to the usual early timescale of 31 July, well ahead of the statutory deadline of 30 September.
  - A planned over-spend of £33k in Finance & Corporate Services to be financed from reserves. Relating to two items: agency staff costs as a result of hiring an interim accountant in the early part of the year to support the accounts closedown and audit process whilst implementing the new main accounting system, and the employment of an HR Undergraduate on a 12-month placement to support work on various HR projects including learning and development.
- The organisational training and development budget was included as a growth item in the budget with effect from 2020/21 but due to the impact of COVID-19 and remote working, progress on the planned activities in this area has been slower than originally anticipated, and the available budget in 2021/22 of £55k has been under-spent this year by (£23k). Nevertheless, the planned work in this area is continuing to progress with a number of initiatives under way including a manager development training programme, implementation of the LinkedIn Learning platform, and an HR Undergraduate student in post on a 12-month placement, which will provide the needed additional staff resource to support and take forward some of the plans around training and development including production of an e-learning package for new staff.
- Additionally, the training budgets for individual service areas of pensions administration and ICT were under-spent by a total of (£17k) – partly affected by the impact of staff vacancies and also some continued impact from the pandemic. Plans are in place to make greater use of these budgeted resources in 2022/23.
- The budget for office accommodation costs, apportioned to services pro-rata to staffing numbers, was over-spent by £90k in total. This is due to a range of issues including the fact that the unavoidable delay in being able to transfer the data centre from Gateway Plaza until January 2022 meant that rent, business rates, utilities etc. for the Gateway Plaza office were all charged for an additional two months (Dec and Jan) that hadn't been included in the budget. In addition, the costs of electricity have been higher than expected as a result of the wider inflation on energy prices. Finally, the costs of the facilities management provision required in the first few months of mobilisation were higher than forecast. This will stabilise now as the transition period comes to an end.

- There is an under-spend of (£59k) on actuarial fees for the year. This is partly due to the fact that a prudent approach was taken to setting the budget for 2021/22 based on experience of actual costs in previous years and pending the outcome of procurement for a new contract. The change of contract that resulted from the procurement has resulted in savings being realised.
- Income for Pensions Administration arising from fees and charges is (£13k) more than budget. This includes income from member fees for sharing orders for example, and employer fees in relation to administrative charges. Additionally, funding of (£6k) was received from the Education and Skills Funding Agency (ESFA) for apprenticeships during the year. This will be set aside in reserves to be used towards learning and development.
- ICT received additional income from software sales and maintenance fees of (£38k) more than budget which will be transferred into the ICT Development earmarked reserve for re-investment in future ICT projects.
- The Democratic Representation budget was under-spent by a total of (£19k). This included running costs under-spent by (£14k) due to the fall in expenditure for room hire, catering, travel, subsistence, mainly arising from the knock-on effects of COVID-19. The training budget was also under-spent this year, by (£4k) for Authority members and by (£1k) for Local Pension Board members.
- The total budget for capital expenditure this year was £1,630k, comprising £225k for new pension administration system 5-year contract and £1,405k for the Oakwell House office project. The actual implementation cost of the new pensions administration software contract that commenced in February 2022 was £185k, resulting in a (£40k) under-spend against the budget for this project. The remaining balance of capital expenditure is £1,362k for the Oakwell House project, which is (£43k) under the budgeted 2021/22 spend – which is due to slippage in timing only, on the final stage of AV installation works that were held up as a result of global supply chain delays – this work and therefore the associated expenditure will be carried out during the first quarter of the next financial year.

Earmarked Reserves

The Authority has three earmarked reserves: the Corporate Strategy reserve, the ICT reserve, and the Capital Projects reserve.

For 2021/22, movements to and from these reserves have been agreed as shown in the following table.

We operate within a rule which limits the amount we can hold in the revenue reserves, i.e., Corporate Strategy and ICT reserves, to 7.5% of the Operational Budget (resulting in a limit of £408k for 31 March 2022), and the current level remains just below this limit at £405k or 7.4%.

Reserves	Balance at 01/04/2021 £	Contributions to Reserves £	Contributions from Reserves £	Balance at 31/03/2022 £
Corporate Strategy Reserve	238,500	145,000	(184,700)	198,800
ICT Reserve	118,300	87,650	0	205,950
Subtotal Revenue Reserves	**356,800**	**232,650**	**(184,700)**	**404,750**
Capital Projects Reserve	1,254,467	105,119	(1,220,470)	139,116
Total Reserves	**1,611,267**	**337,769**	**(1,405,170)**	**543,866**

The earmarked reserves are held for the following purposes.

- Corporate Strategy Reserve – To fund non-recurrent costs arising from projects which are required to implement the Corporate Strategy.
- ICT Reserve – To meet the costs of replacement ICT equipment and software on a cyclical basis. Any net income from sales of software to other LGPS funds is added to this reserve allowing either accelerated equipment replacement or the acquisition or enhancement of additional software.
- Capital Projects Reserve – Originally established to fund costs of major projects; Oakwell House office accommodation project and pensions administration software contract implementation. Going forward, the reserve will be maintained for financing of future projects and expenditure in relation to the office accommodation and any further major systems purchases for the Authority.

Future Prospects for the Operating Budget

The operating budget for 2022/23 was approved in February 2022.

For the previous three years – from 2019/20 to 2021/22 inclusive – the budget was held at the same level in cash terms enabled by a re-alignment of financial resources in order to provide the required investment in a range of areas to support delivery of the Authority's corporate priorities.

The budget and medium-term financial strategy (MTFS) for 2022/23 to 2024/25 were prepared in the context of a number of drivers for growth in cost. Having retained the budget at the same cash level for the previous three years, this provided the time necessary for officers to examine all the resourcing requirements and clarify the base position before allowing for any budget growth. This aligns with the wider objectives of how the organisation is to be run, and the completion of this work provided a sound and clear basis for increasing the budget requirement from 2022/23.

The budget for the 2022/23 financial year reflects continued emphasis on equipping the organisation for meeting the challenges expected in the next three years as detailed in the Corporate Strategy. Additional resources are included for four new posts to be established to support various specific areas of the planned work. The budget also includes the impact of some significant savings that have been achieved following completion of previous corporate objectives in respect of business systems and procurement of a new contract for actuarial services.

SYPA Medium Term Financial Strategy	2021/22 Outturn £	2022/23 Budget £	2023/24 Estimate £	2024/25 Estimate £
Pensions Administration	2,500,610	2,717,850	2,710,340	2,763,860
Investment Strategy	565,090	572,750	507,180	521,850
Finance & Corporate Services	772,420	818,800	818,590	834,780
ICT	635,850	738,710	686,490	698,770
Management & Corporate	368,090	911,160	846,410	857,860
Democratic Representation	124,020	137,090	182,230	185,810
Unfunded Liabilities of the former SYCC and Residuary Body	337,477	350,000	351,750	353,510
Subtotal Revenue Expenditure	**5,303,557**	**6,246,360**	**6,102,990**	**6,216,440**
Capital Expenditure	1,546,930	0	0	0
Contribution (from) / to Reserves	(1,067,410)	(66,360)	50,000	50,000
Levy on District Councils	(337,477)	(350,000)	(351,750)	(353,510)
Total Charge to Pension Fund	**5,445,600**	**5,830,000**	**5,801,240**	**5,912,930**

OUR ORGANISATION

Managing our money

The table below sets out the outturn for the Pension Fund relative to the previous year and to the forecast contained in the Medium Term Financial Strategy, together with the forecast for the following three years which has been reviewed in the light of the outturn for 2021/22.

Dealings with members, employers and others directly involved in the scheme

South Yorkshire Pension Fund Financial Forecast	Actual 2020/21 £m	Forecast 2020/21 £m	Actual 2021/22 £m	Forecast 2022/23 £m	Forecast 2023/24 £m
Contributions receivable & transfers in from other pension funds	(304)	(200)	(211)	(309)	(324)
Benefits payable and payments to or on account of leavers	331	343	338	348	357
Net (additions) withdrawals from dealings with members	**27**	**143**	**127**	**39**	**33**
Management expenses	65	70	106	77	84
Net returns on investments	(1,784)	(943)	(1,045)	(532)	(549)
Net (increase)/decrease in the Fund during the year	**(1,692)**	**(730)**	**(812)**	**(416)**	**(432)**
Net Assets of the Fund at 1 April	(8,170)	(9,862)	(9,862)	(10,674)	(11,090)
Net Assets of the Fund at 31 March	**(9,862)**	**(10,592)**	**(10,674)**	**(11,090)**	**(11,522)**

The actuals for 2021/22 are largely consistent with the forecast figures in relation to members and employers in the scheme. There has been a significant increase from the previous year and from the forecast in relation to management expenses: specifically, investment management expenses. This increase has largely been driven by the increase in performance-related fees; reflecting the increase in both the value held and the strong performance of Pooled Investment Funds in particular.

Section **Five**

OUR PENSION FUND

Winter Gardens, Sheffield

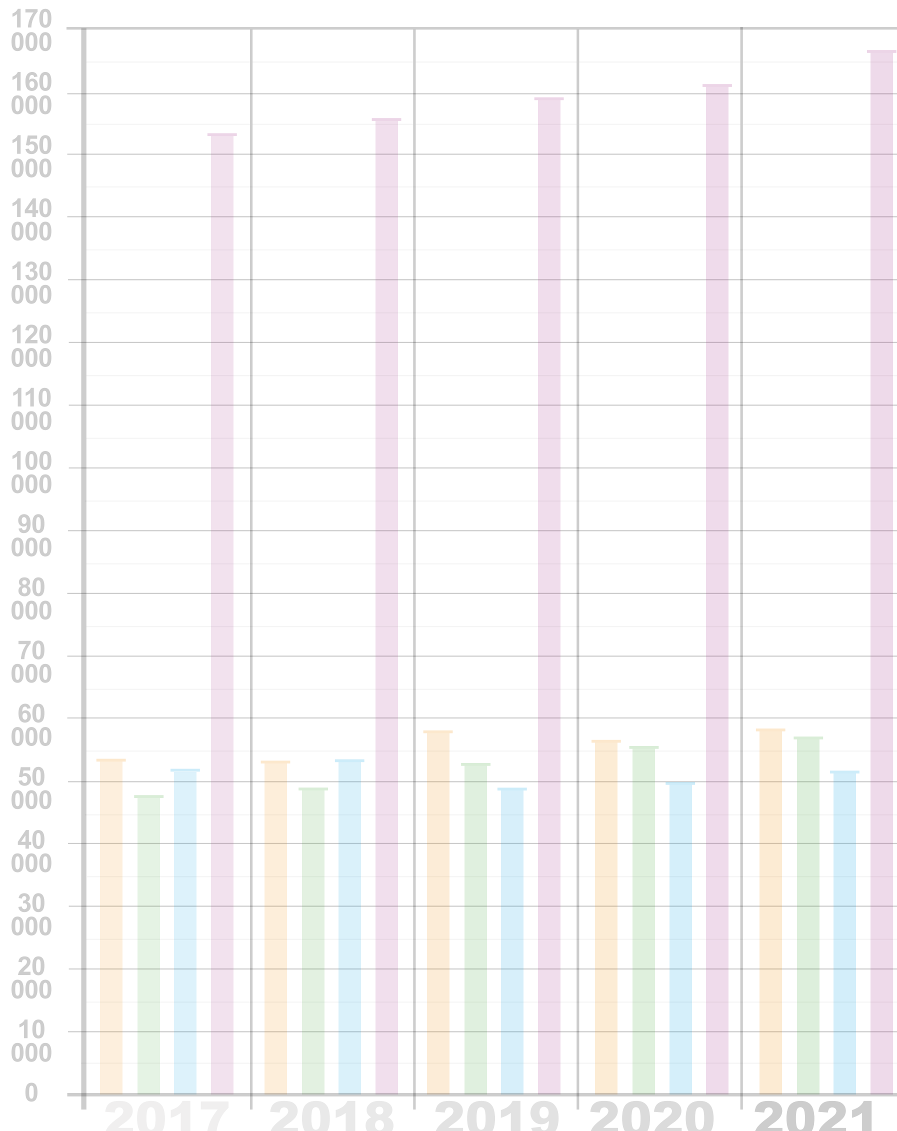
5.1

OUR PENSION FUND

Membership

Overall, Fund membership continues to grow. The Fund has **166,869** members compared with **161,477** at March 2020. There are three main categories of membership, **51,050** active contributing members, **57,308** members and dependants in receipt of a pension and **58,511** deferred members (members who have left employment and deferred their benefits until normal retirement age). This figure also includes 9,073 members who have left the pension scheme before retirement age but we haven't yet processed their benefits.

Total membership
Active Members
Pensioners
(including dependants)
Deferred Members
(members who have left the pension scheme before retirement age)



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5.1

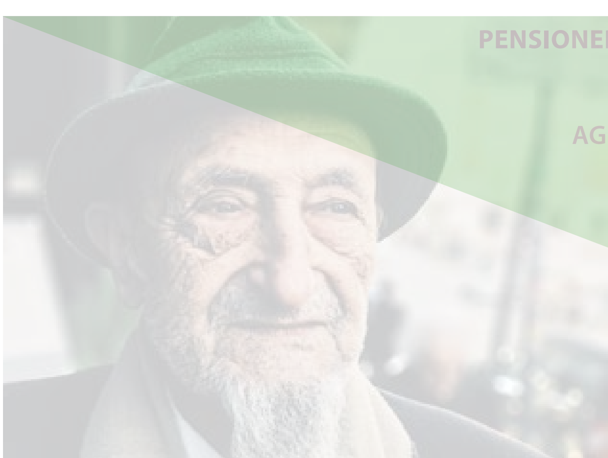
OUR PENSION FUND

Membership

Fund Statistics

ACTIVE MEMBER GENDER		
	Female	74%
	Male	26%
AGE PROFILE	16 - 29	6,146
	30 - 44	15,740
	45 - 54	15,226
	55 - 64	12,684
	65+	1,254
OTHER	Average age	45
	Minimum age	16
	Maximum age	74

DEFERRED MEMBER GENDER		
	Female	73%
	Male	27%
AGE PROFILE	16 - 29	3,182
	30 - 44	20,915
	45 - 54	20,772
	55 - 64	13,116
	65+	526
OTHER	Average age	46
	Minimum age	17
	Maximum age	77



PENSIONER GENDER		
	Female	64%
	Male	36%
AGE PROFILE	0 - 44	442
	45 - 54	468
	55 - 64	14,627
	65+	41,771
	Oldest pensioner	105
OTHER	Average pension	£4,884.90
	Average age at retirement	59
	Average age of pensioner	70

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Scheme Employers

SYPA is responsible for administering the Local Government Pension Scheme for local authorities and other eligible employers, such as colleges and not-for-profit organisations, mainly located in South Yorkshire. Predominant amongst the contributing employers are the Metropolitan District Councils of Barnsley, Doncaster, Rotherham and Sheffield plus the civilian arm of the South Yorkshire Police and The Police & Crime Commissioner. The chart above shows the number of employers we administer the Scheme for. In recent years, we have seen an increase in the number of contributing employers which is largely due to schools of Local Education Authorities converting to academy status and becoming an independent body.

5.1

OUR PENSION FUND

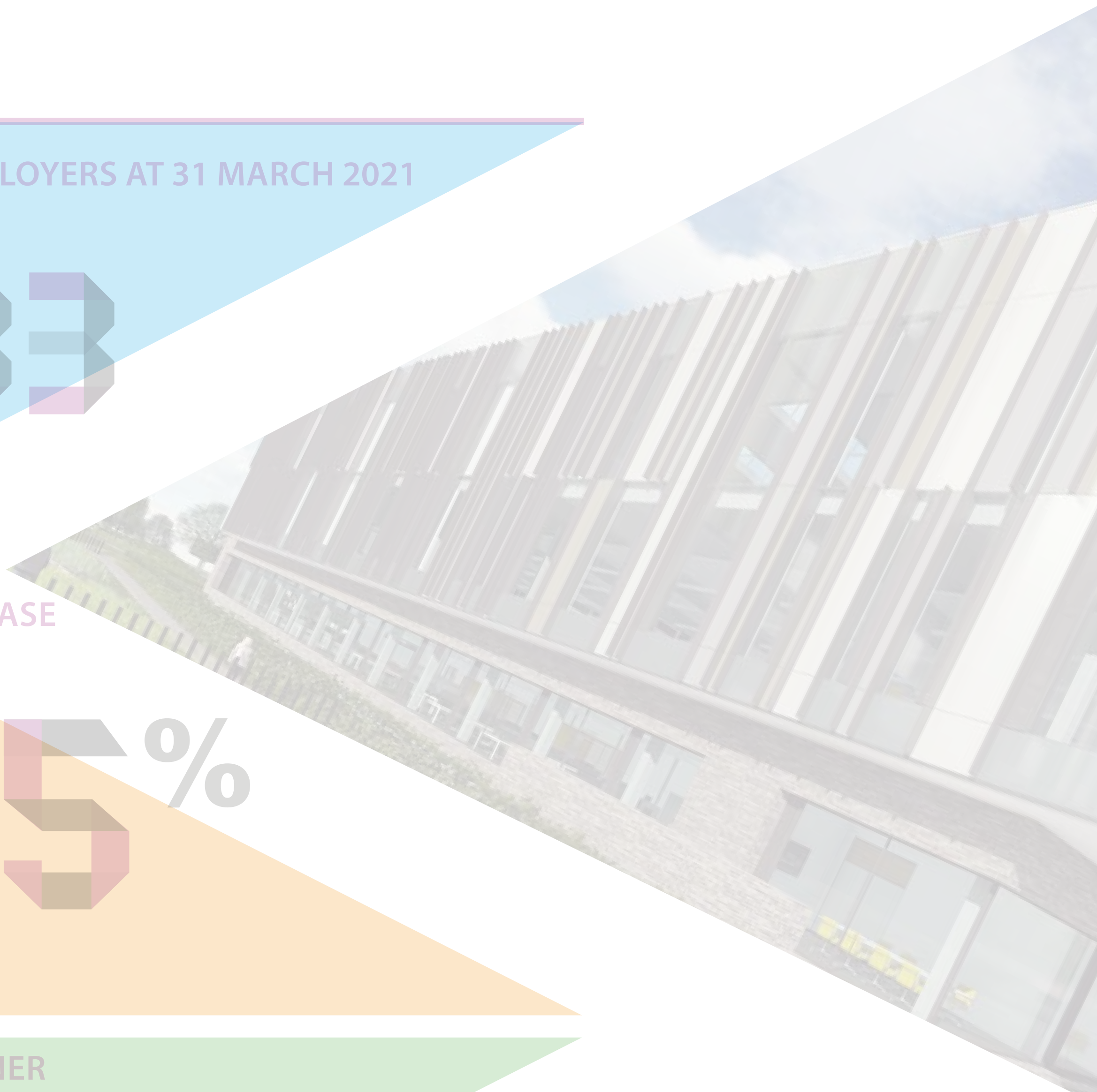
Membership

NUMBER OF EMPLOYERS AT 31 MARCH 2021

533

PENSIONS INCREASE APRIL 2021

0.5%



OLDEST PENSIONER

105

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5.2

OUR PENSION FUND

Employer admissions & contributions

The following is a list of employers who joined the scheme in the 2020/21 year.

***Scheduled Body:** A body listed in Schedule 2 of the Regulations e.g. a Local Authority. All scheduled body employers are automatically admitted to the Fund and eligible employees entered in the Scheme.

***Community Admission Body:** A body admitted under an Admission Agreement which is a not-forprofit organisation and shares a community interest with a scheme employer. Requires an Admission Agreement between SYPA and the admission body plus a financial guarantor. Employees are nominated by the admission body for membership.

***Contractor (TAB):** A body admitted under an Admission Agreement which employs staff transferred from a scheme employer, undertaking an outsourcing service or asset of that scheme employer. Requires an Admission Agreement between SYPA, the Contractor and the Outsourcing Authority. The Contractor may be required to provide a bond to guarantee liabilities. Named employees are transferred from the outsourcing employer and retain their membership of the Scheme.

***Resolution Body:** These are bodies such as Parish and Town Councils which form part of local government but are able to choose through a resolution whether or not to participate in the Local Government Pension Scheme

Date Admitted	Employer	Employer Type*
01-Feb-21	Outwood Primary Academy Woodlands	Scheduled Body
01-Feb-21	Thurcroft Infant School	Scheduled Body
01-Jan-21	Peak Edge MAT HQ	Scheduled Body
01-Dec-20	Goldthorpe Primary Academy	Scheduled Body
01-Dec-20	Nexus Multi Academy Trust	Scheduled Body
01-Oct-20	Medequip	Contractor (TAB)
01-Oct-20	St Anns Primary School	Scheduled Body
01-Sep-20	Waverley Community Council	Resolution Body
01-Sep-20	Waverley Junior Academy	Scheduled Body
01-Sep-20	Thorpe Hesley Primary School	Scheduled Body
01-Sep-20	Redscope Primary School	Scheduled Body
01-Sep-20	Bader Free School	Scheduled Body
01-Sep-20	University Technical College (Doncaster)	Scheduled Body
01-Sep-20	Sheffield South East Trust (MAT HQ)	Scheduled Body

The following employers ceased to participate in the Fund during the year largely due to the end of service contract

Date Terminated	Employer	Admission Cease Reason	Employer Type*
21/08/2020	Edwards Commercial Cleaning (NORTH) Ltd	Terminated	Contractor (TAB)
31/12/2020	Taylor Shaw (Treeton C of E Primary School)	Terminated	Contractor (TAB)
17/07/2020	Compass (Rossington All Saints Academy)	Terminated	Contractor (TAB)
31/08/2020	Mellors (Bramley Grange)	Terminated	Contractor (TAB)
30/09/2020	British Red Cross	Terminated	Contractor (TAB)
02/10/2020	Taylor Shaw (Trinity Croft C of E Primary Academy)	Terminated	Contractor (TAB)
30/11/2020	Cordant Cleaning Ltd	Terminated	Contractor (TAB)
31/01/2021	Voluntary Action Rotherham	Terminated	Community Admission Body
01/02/2021	Argent Catering Solutions Ltd	Terminated	Contractor (TAB)
27/03/2021	TnS (DeWarenne Academy)	Terminated	Contractor (TAB)
31/03/2021	Wates Living Space Maintenance Ltd	Terminated	Contractor (TAB)

Employers within the Fund paid over the following amounts during the scheme year 2020/21. All figures shown represent contributions received in year, including any deficit/surplus amounts agreed at the last triennial valuation. They do not include any pre-payments made in earlier years in respect of 2020/2021. A nil employees figure indicates that there are no active employees; a nil employers figure indicates that no extra funding is required.

ADMITTED BODIES (includes Community and Transferee Admission Bodies) Employer	Employees Total (£)	Employers Total (£)	Total Contributions (£)
Action Housing & Support Ltd	28,176.42	181,582.26	209,758.68
Affinity Trust - NHS Transfer (SCC)	2,877.00	20,692.74	23,569.74
Amey Community Ltd (Barnsley BSF Design & Building Schools)	6,729.14	28,760.93	35,490.07
Amey Community Ltd SPV1 (Barnsley BSF/PFI)	5,812.07	23,860.00	29,672.07
Amey Community Ltd SPV2 (Barnsley BSF/PFI)	3,098.90	14,784.93	17,883.83
Amey Community Ltd SPV3 (Barnsley BSF/PFI)	9,988.90	45,288.76	55,277.66
Amey LG Limited (Sheffield Highways)	527,120.72	0.00	527,120.72
Argent Catering Solutions Ltd	976.73	3,772.11	4,748.84
Aspens Services Ltd- Netherwood Catering Contract	2,469.11	78,637.51	81,106.62
Aspens Services Ltd (Astrea Academy Dearne)	5,950.63	23,571.89	29,522.52
Aspens Services Ltd (Astrea Woodfields Academy)	4,526.85	17,778.06	22,304.91
Aspens Services Ltd (E-ACT Pathways Academy)	702.65	4,923.64	5,626.29
Aspens Services Ltd (McAuley Academy)	7,851.31	11,181.54	19,032.85
Aspens Services Ltd (Parkwood Academy)	1,689.04	0.00	1,689.04
Barnsley BIC Ltd	5,897.43	12,011.27	17,908.70
Barnsley Norse Ltd	60,289.97	81,443.86	141,733.83
Barnsley Premier Leisure	102,324.01	376,254.81	478,578.82

SCHEDULED/RESOLUTION BODIES Employer	Employees Total (£)	Employers Total (£)	Total Contributions (£)
Abbey School	50,760.59	167,715.98	218,476.57
Abbeyfield Primary Academy	31,720.95	148,204.43	179,925.38
Acres Hill Community Primary Academy	18,845.84	97,131.51	115,977.35
All Saints Academy (Darfield)	16,238.63	65,166.56	81,405.19
All Saints Catholic High School	63,470.88	180,587.54	244,058.42
Anston Brook Primary School	9,655.40	43,611.45	53,266.85
Anston Greenlands Primary School	14,200.19	56,857.35	71,057.54
Anston Parish Council	8,593.39	22,092.29	30,685.68
Anston Park Infants School	10,819.45	56,516.50	67,335.95
Armthorpe Academy	33,031.59	131,694.21	164,725.80
Armthorpe Parish Council	4,126.11	8,928.56	13,054.67
Armthorpe Shaw Wood Academy	29,672.78	131,540.13	161,212.91
Armthorpe Tranmoor Primary School	24,906.69	131,011.20	155,917.89
Ash Hill Academy	46,645.76	337,511.42	384,157.18
Askern Littlemoor Infant Academy	13,365.61	70,097.91	83,463.52
Askern Moss Road Infant Academy	6,117.90	32,271.87	38,389.77
Askern Spa Primary	22,558.03	82,681.51	105,239.54
Askern Town Council	2,565.56	6,095.60	8,661.16
Aston Academy	108,654.35	460,152.27	568,806.62
Aston All Saints C of E School	10,668.49	51,375.75	62,044.24
Aston Hall Junior & Infant School	9,815.32	45,985.28	55,800.60

5.3

OUR PENSION FUND

Local Pension Board Annual Report

Foreword

Welcome to the annual report of the South Yorkshire Local Pension Board ('the Board').

The Board seeks to assist the South Yorkshire Pensions Authority to maintain effective and efficient administration and governance. It comprises equal numbers of representatives of scheme members and employers.

We have also continued to engage with other Local Pension Boards on matters of mutual interest through meeting with the Chairs of the other Boards within the Border to Coast Partnership.

On behalf of the Board, I would like to thank the staff at the Authority for continuing to deliver the pensions service throughout the pandemic. Your efforts are very much appreciated by the Board.

Thank you to members of the Board for your continued diligence, support and commitment.

Garry Warwick, Chair

Role of the Local Pension Board

The role of the Local Pension Board as defined by Sections 5(1) and (2) of the Public Service Pensions Act 2013 is to:

- Secure the effective and efficient governance and administration of the LGPS for the South Yorkshire Pension Fund;
- Provide the Scheme Manager with such information as it requires to ensure that any member of the Local Pension Board or person to be appointed to the Local Pension Board does not have a conflict of interest;
- Ensure the South Yorkshire Pension Fund effectively complies with the Code of Practice on the Governance and Administration of Public Service Pensions Schemes issued by the Pensions Regulator and is effectively managed and administered in compliance with the Code.

Membership during the year

There were no changes to the Board's membership over the year. Membership was as follows:

Name	Date of joining	Nominated by/ Representing:	Term of Office (to)
Employee Representatives			
Nicola Doolan-Hamer	July 2015	Unison	June 2024 (3rd term end)
Garry Warwick (Chair)	July 2015	GMB	June 2024 (3rd term end)
Daniel Gawthorpe	June 2020	Unite	May 2023 (1st term end)
Andrew Gregory	July 2019	Selected from active, deferred and pensioner members	June 2022 (1st term end)
David Webster	October 2019	Selected from active, deferred and pensioner members	September 2022 (1st term end)
Employer Representatives			
Nicola Gregory	January 2018	Academies	December 2023 (2nd term end)
Steve Loach	October 2019	Local Authority (Senior Manager)	September 2022 (1st term end)
Rob Fennessy (Vice Chair)	April 2019	Other Large Employers (South Yorkshire Police)	March 2025 (2nd term end)
Councillor Mike Chaplin	July 2019	Local Authority	2 yr District Council appt (term extended to 2023)
Vacancy		Local Authority	
Independent Advisor			
Clare Scott	October 2019		September 2022 (1st term)

Meeting attendance

Member and employer representatives give their time freely. Attendance at the Board's meetings through the year was as follows:

	15 July 2021	14 Oct 2021	27 Jan 2022	22 Mar 2022 (Informal)	28 Apr 2022	% Att (Formal meetings)
Employee Representatives						
Nicola Doolan-Hamer	✓	x	✓	✓	✓	75
Garry Warwick	✓	✓	✓	✓	✓	100
Daniel Gawthorpe	✓	✓	x	✓	x	50
Andrew Gregory	✓	✓	✓	✓	✓	100
David Webster	✓	✓	✓	✓	✓	100
Employer Representatives						
Nicola Gregory	✓	x	✓	x	✓	75
Steve Loach	x	x	x	x	x	0
Rob Fennessy	x	✓	✓	✓	✓	75
Cllr Mike Chaplin	✓	✓	✓	✓	✓	100
Independent Adviser						
Clare Scott	✓	✓	✓	✓	✓	100

Work of the Board 2021/22

The Board held four formal meetings during the year. A Work Programme provides the basis for the agendas for meetings and includes a range of issues covering both pensions administration and governance:

Pensions Administration:

- **Pensions Administration Performance** - The Board received quarterly administration performance reports.
- **Breaches Complaints and Appeals** - The Board received quarterly reports on breaches, complaints and appeals.
- **Data Quality Improvement** - The Board monitored progress on the Data Quality Improvement Plan.
- **Actuary** - The Board were updated on the appointment of a new Actuary for the Fund and the impact on service to employers.

Governance:

- **Decisions of the Authority** - Members of the Board receive all agenda papers issued to Members of the Pensions Authority and Board members are able to observe meetings of the Authority.
- **The Constitution** - The Board approved revisions to its Constitution following the annual review.
- **The Pensions Regulator** - The Board was updated on current levels of compliance with TPR Code of Practice 14 and discussed the regulator's consultation on a single combined code.
- **Risk Management** - Considered the Risk Register and the wider risk management framework.
- **Annual Report and Accounts** - Reviewed the Authority's Annual Report and Accounts.
- **Governance Compliance Statement** - Reviewed the Authority's revised Governance Compliance Statement.
- **Governance Review** - The Board considered updates on the actions from the governance review undertaken in 2020 and welcomed the decision to establish a dedicated governance team within the Authority.
- **Regulatory Changes** - The Board has been kept informed of the potential impact of regulatory changes such as the McCloud Judgement and the exit cap.

Learning and Development

- During the year, the Board welcomed the Authority's new Learning and Development Strategy including its extension to Board members and the commitment to progress knowledge and training needs assessments for individual members. Early in 2022, all Board members completed a knowledge assessment.
- The Board have requested that training records of both the Authority and Board members should be reported to the Board on a regular basis to demonstrate compliance with the Learning and Development Strategy.
- During the year, Board Members have attended the following training events:

Event	Date	Attendees
PLSA Local Government Conference	18-19 May 2021	
Barnet Waddingham/ CIPFA LPB Members' Annual Event	23 June 2021	N Doolan-Hamer, R Fennessy, A Gregory, N Gregory, G Warwick
Border to Coast Seminar - Investment Issues	6 Sept 2021	
SYPA LGPS Seminar	16 Sept 2021	M Chaplin, N Doolan-Hamer, R Fennessy, A Gregory, D Gawthorpe, D Warwick, D Webster
Barnet Waddingham Governance Update	28 Sept 2021	R Fennessy, D Webster
CIPFA LPB Members Seminar	Sept/Oct 2021	D Warwick, D Webster
Barnet Waddingham - Overview of the LGPS	28 Oct 2021	A Gregory
Understanding Impact	28 Oct 2021	M Chaplin, R Fennessy, G Warwick
Valuation Training	11 Nov 2021	D Webster
Breaches of the Law & Responsible Investing	22 March 2022	M Chaplin, N Doolan-Hamer, R Fennessy, D Gawthorpe, A Gregory, G Warwick, D Webster
Hymans Robertson Online Learning Academy		All members registered

Review of Effectiveness

During March 2022, members of the Board completed a survey and held a workshop to agree potential changes in the way the Board works to improve its effectiveness. This was the second time the Board had undertaken such a review. The survey included questions on the way meetings are conducted and knowledge, skills and capacity.

The results of the survey were positive in a number of areas and were broadly consistent with the results from 2021. All (or a significant majority of) members of the Board agreed that:

- Board papers are timely, relevant and focused on priorities.
- Discussions are facilitated to allow all Board members to contribute in order to seek opinion and develop ideas.
- Board members are not afraid to ask obvious or simple questions to ensure collective understanding.
- Board discussions are not unduly influenced by an individual's views, experience or expertise.
- Meeting minutes are accurate and record decisions made and actions agreed.
- The Board works in an open and transparent manner.
- All Board members act with integrity, declaring and managing any personal conflicts of interest.
- The Board's independent adviser helps to Board to fulfil its responsibilities.

The Board agreed that the ongoing improvements from the Board's review in 2021 continue to be relevant including improving communication between with the Authority and requesting that the tenure of councillor membership be extended from the current 2 years. Further improvements were agreed this year including overseeing the Authority's meetings/governance, training and dealing with vacancies on the Board. The Board will work with the Authority to put these improvements in place.

Future Plans

Over the coming year, the Board will continue to consider issues covering pensions administration and governance included in its Work Programme and specifically will work with the Authority to:

- Assess compliance with, and the potential requirements of the Pensions Regulator's consolidation of its Codes of Practice;
- Develop training plans based on the recent knowledge and training needs assessment, in line with the new Learning and Development Strategy;
- Oversee the 2022 actuarial valuation.

Local Pension Board spending for 2021/22

Expenditure	2021/22 Budget £	2021/22 Forecast Outturn £	2021/22 Outturn Variance £	2021/22 Outturn Variance %
Independent advisor	6,090	7,300	1,210	19.9%
Room hire & catering	660	370	(290)	-43.9%
Training and Development	6,000	3,540	(2,460)	-41.0%
Member travel expenses	500	110	(390)	-78.0%
Printing and Postage (Agendas etc.)	750	0	(750)	-100.0%
Totals	**14,000**	**11,320**	**(2,680)**	**-19.1%**

The forecast outturn against the budget for 2021/22 is £11,320 which represents an under-spend of (£2,680).

The expenditure in relation to the Independent Adviser includes fees for additional services in relation to the work on member learning and development, and travel and subsistence expenses for the latter half of the year following the return to meetings being held in person.

The remaining under-spends reflect reductions in various running costs arising from items such as holding meetings online in the first half of the year, the continuing move to paperless operations, and the new office accommodation enabling meetings to be held in our own venue

5.4
OUR PENSION FUND
Actuary Statement

Accounts for the year ended 31 March 2021 - Statement by the Consulting Actuary

This statement has been provided to meet the requirements under Regulation 57(1)(d) of The Local Government Pension Scheme Regulations 2013.

An actuarial valuation of the South Yorkshire Pension Fund was carried out as at 31 March 2019 to determine the contribution rates with effect from 1 April 2020 to 31 March 2023.

On the basis of the assumptions adopted, the Fund's assets of £8,440 million represented 99% of the Fund's past service liabilities of £8,503 million (the "Solvency Funding Target") at the valuation date. The deficit at the valuation was therefore £63 million.

The valuation also showed that a Primary contribution rate of 16.1% of pensionable pay per annum was required from employers. The Primary rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date.

The funding objective as set out in the FSS is to achieve and maintain a solvency funding level of 100% of liabilities (the solvency funding target). In line with the FSS, where a shortfall exists at the effective date of the valuation a deficit recovery plan will be put in place which requires additional contributions to correct the shortfall.

The FSS sets out the process for determining the recovery plan in respect of each employer. At this actuarial valuation the average recovery period adopted is 15 years, and the total initial recovery payment (the "Secondary rate" for 2020-2023) is an addition of approximately £19.5m per annum on average in £ terms (which allows for the contribution plans which have been set for individual employers under the provisions of the FSS), although this varies year on year.

Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated 31 March 2020.

In practice, each individual employer's position is assessed separately and the contributions required are set out in the report. In addition to the certified contribution rates, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement (FSS). Any different approaches adopted, e.g. with regard to the implementation of contribution increases and deficit recovery periods, are as determined through the FSS consultation process.

The valuation was carried out using the projected unit actuarial method and the main actuarial assumptions used for assessing the Solvency Funding Target and the Primary rate of contribution were as follows:

	For past service liabilities (Solvency Funding Target)	**For future service liabilities (Primary Rate of Contribution)**
Rate of return on investments (discount rate)	3.90% per annum	4.75% per annum
Rate of pay increases (long term)*	3.65% per annum	3.65% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.40% per annum	2.40% per annum

*** allowance was also made for short-term public sector pay restraint over a 4 year period.**

The assets were assessed at market value.

The next triennial actuarial valuation of the Fund is due as at 31 March 2022. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2023.

The McCloud Judgment

The "McCloud judgment" refers to a legal challenge in relation to historic benefit changes for all public sector schemes being age discriminatory. The Government has accepted that remedies are required for all public sector pension schemes and a consultation was issued in July 2020 including a proposed remedy for the LGPS. The key feature of the proposed remedy was to extend the final salary underpin to a wider group of members for service up to 31 March 2022. This applies to all members who were active on or before 31 March 2012 and who either remain active or left service after 1 April 2014.

In line with guidance issued by the LGPS Scheme Advisory Board, the above funding level and Primary contribution rate do not include an allowance for the estimated cost of the McCloud judgment. However, at the overall Fund level we estimate that the cost of the judgment could be an increase in past service liabilities of broadly £74 million and an increase in the Primary Contribution rate of 0.7% of Pensionable Pay per annum. To the extent that employers have opted to pay additional contributions over 2020/23 in relation to the McCloud judgement, these emerge in the secondary contribution rate figures quoted above.

Impact of Covid-19

The valuation results and employer contributions above were assessed as at 31 March 2019. In 2020 and 2021 we have so far seen significant volatility and uncertainty in markets around the world in relation to the COVID-19 pandemic. This potentially has far-reaching consequences in terms of funding and risk, which will need to be kept under review. We believe that it is important to take stock of the situation as opposed to make immediate decisions in what is an unprecedented set of events. Our view is that employer contributions should not be revisited as a general rule but the Administering Authority is consulting on updates to the Funding Strategy Statement which will allow the Fund to review contributions between valuations where there is a material change in employer covenant or liabilities, in line with the new regulations on contribution flexibilities introduced in September 2020. The position will be kept under review by the Administering Authority who will monitor the development of the situation and keep all stakeholders informed of any potential implications so that the outcome can be managed effectively.

Actuarial Present Value of Promised Retirement Benefits for the Purposes of IAS 26

IAS 26 requires the present value of the Fund's promised retirement benefits to be disclosed, and for this purpose the actuarial assumptions and methodology used should be based on IAS 19 rather than the assumptions and methodology used for funding purposes.

To assess the value of the benefits on this basis, we have used the following financial assumptions as at 31 March 2021 (the 31 March 2020 assumptions are included for comparison):

	31 March 2020	31 March 2021
Rate of return on investments (discount rate)	2.40% per annum	2.10% per annum
Rate of CPI inflation / CARE benefit revaluation	2.10% per annum	2.70% per annum
Rate of pay increases*	3.35% per annum	3.95% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension) /deferred revaluation	2.20% per annum	2.80% per annum

*** This is the long-term assumption. An allowance corresponding to that made at the latest formal actuarial valuation for short-term public sector pay restraint was also included.**

The demographic assumptions are the same as those used for funding purposes. Full details of these assumptions are set out in the formal report on the actuarial valuation dated March 2020.

During the year corporate bond yields decreased, resulting in a lower discount rate being used for IAS26 purposes at the year-end than at the beginning of the year (2.1% p.a. vs 2.4%). In addition, the expected long-term rate of CPI inflation increased during the year, from 2.1% p.a. to 2.7%. Both of these factors served to increase the liabilities over the year.

The value of the Fund's promised retirement benefits for the purposes of IAS 26 as at 31 March 2020 was estimated as £11,336 million including the potential impact of the McCloud Judgment.

Interest over the year increased the liabilities by c£269 million, and allowing for net benefits accrued/paid over the period also increased the liabilities by c£72million (this includes any increase in liabilities arising as a result of early retirements). There was also an increase in liabilities of £1,744 million due to "actuarial gains" (i.e. the effects of the changes in the actuarial assumptions used, referred to above, offset to a small extent by the fact that the 2021 pension increase award was less than assumed).

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2021 is therefore £13,421 million.

GMP Equalisation

The public service schemes were previously required to provide full CPI pension increases on GMP benefits for members who reach State Pension Age between 6 April 2016 and 5 April 2021. The UK Government has recently confirmed that it will extend this to include members reaching State Pension Age from 6 April 2021 onwards. This will give rise to a further cost to the LGPS and its employers, and an estimation of this cost was included within the IAS26 liabilities calculated last year and is again included in the overall liability figure above.

P Middleman

Paul Middleman
Fellow of the Institute and Faculty of Actuaries
Mercer Limited
May 2021

Clive Lewis
Fellow of the Institute and Faculty of Actuaries
Mercer Limited
May 2021

Section **Six**

ADMINISTERING THE PENSION FUND

6

Brodsworth Hall, Doncaster

6.1

ADMINISTERING THE PENSION FUND

Summary

It seems fairly inevitable that any review of administration performance for the year 2020/21 needs to reference the impact that Covid has had on SYPA's ability to provide an effective service to our members. Within a few short weeks of the first lockdown in March 2020 all administration staff had been successfully transitioned from 100% office based to 100% home working and this remained the case for the whole of 2020-21, with the exception of a very brief period in the office for a small number of staff.

The initial focus for the first part of the year was to ensure the 'priority' services could all be delivered – these being the payment of benefits to those retiring and handling of the payments associated with deceased members, as well as ensuring that all our existing pensioners continued to receive their monthly payments in a timely manner. All of these were delivered successfully, despite the increase in the volume of deceased cases in the first half of the year.

As staff adapted to home working, services returned to 'business as usual' but it will have been a common experience for most pensions administration functions that the inability to converse in person inevitably has an operational impact, especially where there are new and inexperienced staff trying to learn complex subject areas.

That said, operational performance when measured against our own robust service standards was maintained at a reasonable level (see Service Delivery section on page 130) in difficult circumstances and this was reflected in the feedback we received from our customers - both in terms of the numbers of complaints received (which were lower than in previous years) and the relatively high levels of customer satisfaction (see page 133).

Whilst we have historically measured our performance only against our own service standards, one area of reporting we were able to introduce in 2020-21 was the measurement of our case work processing times against the various statutory disclosure targets set out in overriding legislation. We reported this data quarterly to the Local Pension Board for the first time in 2020/21 and were generally meeting 100% of the statutory timescales, when excluding the time cases were placed on hold pending receipt of information from a third party to enable the case to be progressed. Whilst this provides a degree of assurance, we do want to focus on understanding and improving the complete customer experience and investigating the reasons for the time cases are spent 'on hold' will be a key focus for 2021/22. Customer journey mapping is one of the tools we are adopting to assist us with this work.

We mentioned in the 2019/20 report that the Customer Centre was established in January 2020 and has completed its first full year of operation. With the exception of a brief two week period in April 2020 when we had to switch temporarily to the use of voicemail, the Customer Centre has continued to operate as a direct contact service for scheme members and employers, handling over 25,000 calls in 2020/21 with a first point resolution level of over 90% (i.e. over 9 in 10 calls were successfully resolved directly by the Customer Centre without the need to refer to second line support). The Customer Centre is now starting to provide invaluable insight into common issues experienced by our customers which form the basis of a number of project improvements.

In the 2019/20 report, we highlighted three areas that would be a focus for 2020/21. The first was increasing the numbers of members engaging with us online. During 2020/21 we increased the numbers of members signed up to our portal from 43k to 59k and the percentage of members engaged online compares very favourably to other large LGPS funds. Secondly, we set out to increase the support we provided to our employers via our new Support and Engagement team. In 2020/21 we ran over twenty different courses with representation covering over three hundred employers and we intend to continue to build on this successful start in the year ahead. Finally, we set out to focus on the application of new technologies to improve the efficiency of our services. Although some progress has been made in this area, including the re-design of our process of handling monthly data received from employers, much of the development work completed in 2020/21 was internally focused and in the year ahead we will be providing greater focus on developing technology that will directly impact scheme members. The forthcoming introduction of the ability to claim retirement benefits online is such an example.

6.2
ADMINISTERING THE PENSION FUND
Summary

Our performance in terms of meeting our published service standards over the year ending 31 March 2021 are given in the following table. As indicated in the table, our performance response times have improved in a number of areas and decreased in others, providing a broadly neutral outcome overall. This should be seen in the context that our own research has confirmed that the service standards that SYPA sets itself are stringent compared with LGPS funds more widely, accepting that there is no nationally agreed benchmark target set for individual case work.

Key Service Standards	Target Days	Number Processed 2019 - 2020	Number Processed 2020 - 2021		Previous Year Performance 2019 - 2020 (%)	Performance 2020 - 2021 (%)	
Retirement benefits	**5**	**3570**	**3222**	▼	**91.04**	**77.65**	▼
Death benefits	**5**	**1641**	**1934**	▲	**84.22**	**99.00**	▲
Retirement quotations	5	1671	3510	▲	86.95	80.48	▼
Pension rights on divorce	10	347	330	▼	74.35	84.55	▲
Preserved benefits	20	6398	2944	▼	66.05	54.15	▼
Transfers out	5	394	596	▲	53.81	80.87	▲
Refund of contributions	9	554	405	▼	86.28	87.90	▲
Transfers in	7	1161	1031	▼	20.41	63.63	▲
Additional benefits	12	465	347	▼	80.86	91.35	▲
General enquiries	5	2289	3463	▼	92.44	88.28	▼
Setting up a record	5	7261	10819	▲	87.66	77.68	▼
Totals	-	**25,751**	**28,601**	▲			

The following provides an explanation for some significant variations compared with previous years:-

DEATH BENEFITS The performance in terms of processing of death benefits is shown as increasing to 99%, despite a significant increase in the numbers of cases processed which was to be expected in the pandemic. Whilst this performance is positive, the previous year figures were understated as they did not split the process into two distinct stages (i.e. handling of initial notification of death and processing of dependant benefits following receipt of claim forms). The 2020/21 performance accurately reflects the two-stage process.

RETIREMENT QUOTATIONS The table would suggest an increase in the numbers of retirement quotations issued. In reality, the previous year figures did not include the quotations for deferred members approaching retirement – this has now been corrected. It does bring the overall performance level down slightly as these quotations are normally issued well ahead of the intended payment date and therefore of slightly lower priority.

PRESERVED BENEFITS The table suggests a significant drop in the numbers of preserved benefits calculated. SYPA is currently testing a tool which will automate the processing of deferred benefits for those members with only benefits in the CARE scheme (as the processing of these cases is less complex) and a number of these cases have temporarily built up whilst resource is concentrated on finalising the automation functionality. It is therefore expected that numbers will increase significantly in 2021/22.

SETTING UP A RECORD Whilst the table indicates a significant number of new records created, this is not an indication of a significant increase in membership. The figures reflect the fact that previous issues with one of the larger payroll providers monthly submissions meant that monthly files for 2019/20 had not been fully processed. This backlog of submissions was successfully resolved in 2020/21 through positive engagement with the relevant payroll provider.

6.3
ADMINISTERING THE PENSION FUND
Summary

Our performance rating against satisfaction levels given by employers and members for 2019/2020 and 2020/2021

In line with our Consultation & Communication Strategy and our mission to deliver high levels of customer service, we are committed to issuing satisfaction surveys to customers throughout a twelve month period to ensure the Authority is providing the service that people want.

Satisfaction surveys develop benchmarks, set improvement targets and monitor progress. In January 2020 we introduced a dedicated Customer Centre to deal with member queries at the first point of contact and we wanted to know how this service was being received. Therefore throughout 2020/2021 we issued focused surveys to members who had reason to contact us by telephone and email. We also wanted to hear from members who had recently retired to understand their experiences.

Each of our surveys ends with a specific question about overall satisfaction with SYPA. The results are shown in the table on page 133. Our overall satisfaction levels remain over 90% from both our scheme members and employers but it is noticeable that there was a slight decrease in satisfaction levels compared with 2019/20. It is important to view these results in the context though that the number of surveys we issued has increased substantially since the establishment of the Customer Centre and we have also made it easier for members to respond. In 2019/20 for example we received a total of 617 survey responses and for 2020/21 this had more than trebled to 2,163 responses.

Whist we are generally encouraged by the results in this context, we know there is still work to be done. To improve the service we provide, we must take action from our survey results and a clear message from the feedback we received has prompted us to devote more resource to understanding why cases are held in pending awaiting third parties for as long as they sometimes are and how we can play our part to help improve the customer experience.

	VERY SATISFIED		SATISFIED	
	2019/2020	2020/2021	2019/2020	2020/2021
EMPLOYERS	26%	36%	70%	58%
MEMBERS	67%	63%	26%	28%

	DISSATISFIED		VERY DISSATISFIED	
	2019/2020	2020/2021	2019/2020	2020/2021
EMPLOYERS	2%	3%	2%	3%
MEMBERS	5%	6%	2%	3%

Traditionally a number of LGPS funds have participated in a benchmarking exercise run by CIPFA and SYPA had been a contributor to this benchmarking “club” for many years. Unfortunately, in recent years the numbers of LGPS funds participating in the CIPFA exercise have dwindled in numbers (to well under a third of all LGPS funds) and the value of comparisons under the CIPFA club has therefore diminished significantly. For 2020 therefore SYPA chose not to participate in this specific exercise. We are aware that the production of benchmarking comparisons in the administration area is something that the Scheme Advisory Board are keen to follow up as one of the outcomes of the Good Governance project and we welcome any developments that will facilitate meaningful comparisons to be produced.

In 2019 SYPA, along with a number of the larger LGPS funds, signed up to a benchmarking project run by CEM (an independent benchmarking organisation operating in the pensions environment). CEM benchmark the overall cost effectiveness of pension schemes in both the private and public sector by looking at a number of measures designed to assess customer service as well as administration costs. Although the initial results (as reported in 2019/20) were helpful, the value of this exercise relative to the cost did not justify an annual commitment and SYPA will participate in this exercise again in 2021 instead.

As a more widely available, but perhaps broader brush, alternative to the above benchmarking exercises, the Government publishes a set of cost data which it obtains annually through an exercise (known as SF3) in which it collects data from all LGPS funds. Each fund is required to provide details of their total administration costs as well as their membership numbers.

The table opposite shows the total administration costs per member for the last four years when compared with other groups of funds across the UK. Although these costs are generalised and should always be treated with caution (e.g. they are not adjusted for capital investment) they do provide a degree of assurance that the costs incurred by SYPA compare positively with other funds.

	2016/17 Admin Cost £/Member	2017/18 Admin Cost £/Member	2018/19 Admin Cost £/Member	2019/20 Admin Cost £/Member
South Yorkshire	**£16.44**	**£19.73**	**£21.02**	**£18.73**
Shire Funds	£18.48	£19.15	£20.58	£21.37
London incl LPFA	£37.70	£34.22	£38.33	£40.22
Met & Transport Funds	£15.21	£16.03	£16.82	£17.39
England and Wales	£20.73	£21.03	£22.57	£23.53
Scotland	£21.76	£23.01	£25.78	£25.52
Northern Ireland	£36.60	£38.13	£42.67	£35.97
UK	£23.63	£21.53	£23.45	£23.96

6.5 ADMINISTERING THE PENSION FUND

Summary

One of the key factors influencing the level of service we are able to provide to our scheme members is of course the timeliness and accuracy of the data we require from employers to allow us to complete our statutory duties.

In the 2019/20 Annual Report we referenced the fact that we had moved to monthly collection of data from employers on 1 April 2018 and that we had really strong buy-in from our various employers and monthly submission rates were around 98-99% on time for 2019/20.

For the 2020/21 year, we continued to receive good co-operation from employers with regard to the submission of monthly data and reported on a quarterly basis to the Local Pension Board on the levels of compliance. These are set out below for ease of reference.

Despite the challenges of the last year, it is reassuring that with very few exceptions employers have been able to continue to provide monthly data files in a timely manner. SYPA has also recently completed a significant project to develop the way in which we process the monthly files internally which will allow us to identify any potential data issues at an early stage.

As the Monthly Data Collection (MDC) has now been successfully embedded into employer processes and routines, from 1 April 2020 we implemented the next step we had planned which was for the MDC process to drive the collection of contributions from employers on a monthly basis via direct debit. This has the obvious advantage of reconciling the individual scheme member data against the contributions paid by the employer at source rather than relying on a separate reconciliation between the MDC file and the direct payment of contributions from employers.

The existing Administration Strategy was updated, following consultation with employers, to reflect the change in process (from 1 April 2020) and a copy of the updated Strategy is enclosed as an Appendix to this report. As the document itself makes clear in the introduction, the strategy was designed in a spirit of partnership working with employers and every assistance, tool, facility, system, support, training and guidance will be

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provided where possible to enable employers to improve administrative performance and meet the requirements of the strategy.

The provision of a monthly data file is a significant part of the employer's responsibilities but there are routine member transactions where we also require timely data from the employer. Although we have been able anecdotally to target and support specific employers who have been experiencing difficulties with meeting their statutory requirements, we recognise that we have not had a consistent and efficient process for measuring both the timeliness of monthly data returns and individual member data from all employers in the fund. The new tools we have developed for use in 2021/22 will allow us to measure the effectiveness of employer response times and identify any individual employers who may require support to complete their statutory responsibilities.

Period reported to Local Pension Board	Percentage of submissions on time
Quarter 1	99%
Quarter 2	98%
Quarter 3	99%
Quarter 4	99%

Section **Seven**

MANAGING THE PENSION FUND'S INVESTMENTS

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7.1

MANAGING THE FUND'S INVESTMENTS

Investment Review

At the beginning of the fiscal year many countries still had some restrictions in place due to Covid-19 but the roll out of the vaccine programmes led to optimism that economic and corporate activity would recover quickly. However, there was a great deal of volatility in markets over the year as several new variants emerged which appeared to be more transmissible and led to further restrictions on the economy although these weren't as prolonged as the original restrictions. China is the one main region that has very low vaccine rollout, instead having a Covid Zero strategy which meant that they initiated strict lockdown measures whenever Covid cases arose.

Although Covid-19 continued to disrupt economic and corporate activity for the period to the end of December 2021, a sharp recovery in global growth and continued monetary and fiscal support led to strong gains in equity markets.

Beyond the growth concerns arising from the pandemic, inflation became a focus with pressures across both goods and services building towards the end of 2021. Energy and commodity prices strengthened sharply as demand increased and the sharp rise in natural gas prices was of notable concern in Europe. Central banks became increasingly hawkish and pulled forward expectations of interest rate rises and also announced the scaling back of the levels of asset purchases that were in place.

In December the Bank of England raised rates for the first time since 2018 and the US Federal Reserve at its last meeting of 2021 announced that it would end the emergency quantitative easing programme a few months earlier than had been expected in a bid to curb inflation, and also signalled to the markets that both rate rises and the withdrawal of liquidity would be coming in 2022.

The first quarter of 2022 was then dominated by heightened geopolitical tensions as Russia invaded Ukraine. Russia is a major energy and commodity producer and the escalation of tensions pushed energy and commodity prices to more extreme levels which exacerbated the surge in inflation, supply chain disruption and the risk to global growth. Brent oil and natural gas prices were very volatile with brent oil ending March at $107 per barrel which was up 70% from a year ago. While acknowledging the uncertainties related to the geopolitical situation and its economic implications, central banks have indicated that they see inflation as the more pressing problem to tackle, that is unless the growth outlook markedly deteriorates. At the end of March euro area inflation was at 5.9%, with the UK at 6.2% and the US reached a 40 year high of 7.9%. Inflation is expected to remain at high levels over the next few quarters.

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MANAGING THE FUND'S INVESTMENTS

Investment Review

The ECB confirmed that the tapering of the pandemic emergency purchase programme will end in June and its asset purchase programme will gradually end over the third quarter of 2022 but with the usual caveat that it will be data dependent. President Christine Lagarde indicated that a first rate hike could arrive "some time" after the end of the asset purchases. The Federal Reserve raised its target rate by 0.25% and made it clear that there would be further increases to follow and has plans to reverse quantitative easing. The Bank of England raised its policy rate by 0.25% twice within the quarter saying that geopolitical risks had accentuated its expectations for weak growth and high inflation this year. The trend of policy normalisation was also followed by some emerging market central banks, with Brazil, Taiwan, Korea and Hong Kong all announcing rate hikes. In contrast, the Bank of Japan stayed on hold, maintaining its current easing stance as it emphasised concerns regarding the impact of the Russia-Ukraine situation on growth rather than inflation, which in Japan is still very low at around 1%.

The US stock market continued to lead the recovery on a global basis although along with most regions saw stocks declining during the last quarter. The war in the Ukraine amplified existing concerns over inflation pressures, particularly through food and energy, and although consumer sentiment deteriorated during the last quarter in reaction to inflation the US economic data remained stable. The US labour market remained robust. The February jobs report was better than expected with the unemployment rate dropping to 3.6% in March and wage growth coming in at 5.1% year-on-year.

Europe is a large importer of oil and natural gas from Russia which made it particularly vulnerable to negative sentiment when the conflict in the Ukraine started and caused some fears about the security of supply. The European Commission announced a plan, RePowerEU, which is designed to diversify sources of gas and speed up the roll-out of renewable energy but this is a long term measure and in the short term there are fears that high energy prices will hit economic activity. Consumer confidence figures fell sharply in March as a direct consequence of the surge in prices. The Purchasing Managers' Index (PMI) showed resilience with a positive figure of 54.5 in March but it had fallen from 55.5 in February.

The UK is less dependent on Russian energy imports but is a heavy user of gas and oil and so is exposed to risks from persistently higher energy prices. The Chancellor did announce a fiscal package for the period 2022/23 that will provide some support to household incomes. The UK labour market is still showing signs of tightening with strong jobs growth in February. The unemployment rate fell to 3.9% and wage growth was faster than expected. The flash PMI business survey was better than expected at 59.7 which would indicate that the economy is currently still growing at a decent pace despite the higher energy prices. However, it should be noted that consumer confidence fell sharply. The equity market was actually more resilient than many other developed markets due to the structure of the index and the heavy weights to oil, mining, healthcare and banking sectors that performed well.

7.1
MANAGING THE FUND'S INVESTMENTS
Investment Review

Japan continued its lacklustre performance. The economy is very export oriented and the manufacturing sector has suffered from supply constraints due to virus-induced factory shutdowns in China and the persistent semiconductor shortages, especially in the auto sector. In a bid to support household consumption through the energy shock the government introduced some petrol subsidies.

Emerging markets lagged developed market performance as the lack of vaccine rollout and the impact of the variants impacted growth within these regions. Within emerging markets, China was a notable area of weak performance over the year. There was a regulatory crackdown on the internet, education and gaming sectors and also concern over property markets, notably with Evergrande under pressure as it struggled to meet scheduled debt payments. The first quarter of 2022 was particularly tough for Chinese markets with the main concern the new outbreak of Omicron and the subsequent severe lockdowns in Shenzhen, Shanghai and many other large cities. Manufacturing plant shutdowns exacerbated global supply constraints. However, towards the end of March there was rebound in the Chinese equity markets as economic stimulus measures were announced and confirmation of a 5.5% growth target for 2022 brought back some confidence to markets.

Bond markets, except for index-linked had negative returns for the year and this performance was particularly bad in the first quarter of 2022 as investors focused on the high and rising inflationary pressures. Government bond yields rose sharply and due to the inverse relationship with prices, bonds fell in value. As central banks became more hawkish markets began pricing in a faster pace of monetary normalisation. The extent of yield moves differed across markets with the US Treasury market in one of its worst sell-offs on record, but moves are less pronounced in core Europe and the UK. Corporate bonds saw widening spreads and generally underperformed government bonds. High yield spreads widened more than investment grade, although they saw less negative total returns due to income.

Geopolitical and monetary risks are higher than we have seen for many years. Monetary policy tightening and the subsequent implications for economies will be key for the markets. Inflation risk is the greatest challenge for most investors with concern that higher than expected inflation accelerates the removal of policy accommodation. Central banks will have to manage monetary conditions well to avoid falling into recession.

7.2

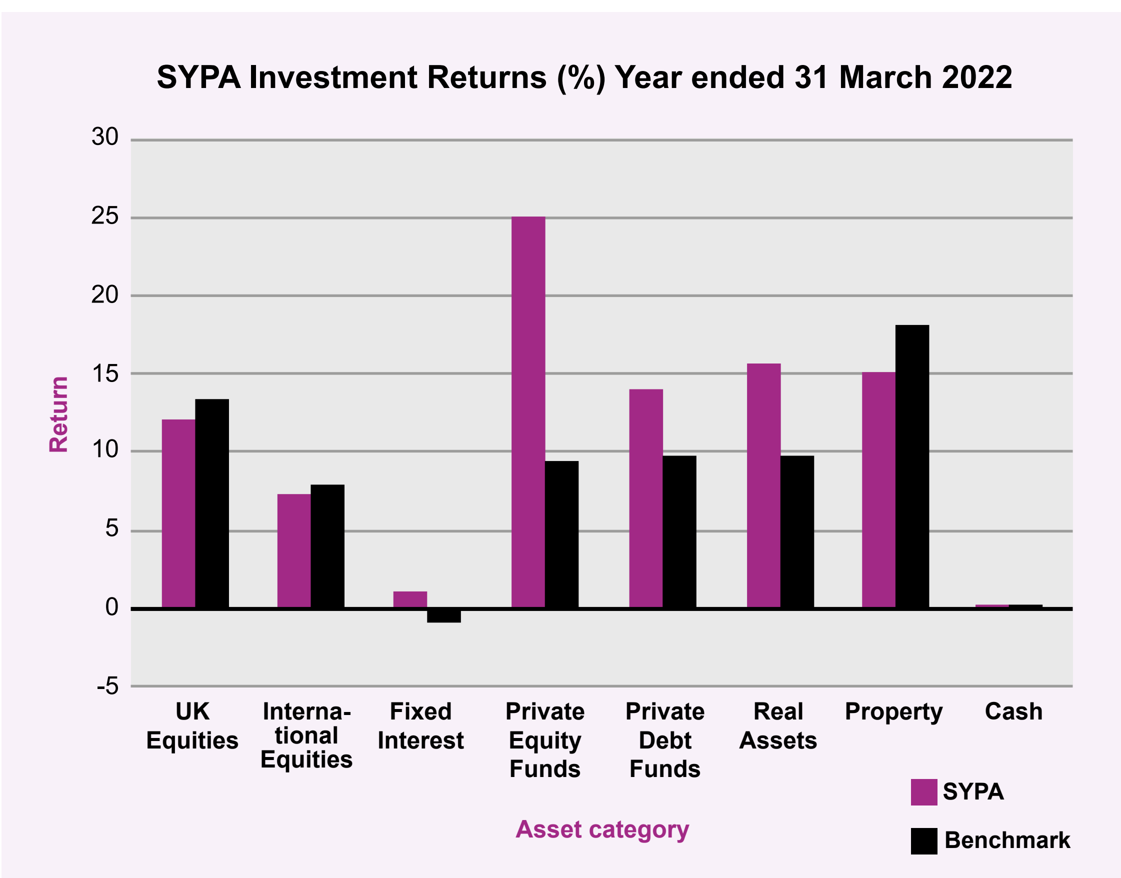
INVESTMENT STRATEGY & PERFORMANCE

Performance

The investment strategy of the Fund is carried out in accordance with the Investment Strategy Statement with a core objective being to achieve the best financial return, commensurate with the appropriate levels of risk, to ensure the Fund can meet both its immediate and long-term liabilities. This is done within the context of a responsible and sustainable investment strategy which gives due regard to Environmental, Social and Governance issues.

Over the year to March 2022, the Fund delivered a return of 9.6% outperforming SYPA's strategic benchmark return of 7.7% by 1.9%. This return was also above the triennial discount rate assumption set by the Scheme's actuary at the 2019 actuarial valuation. This is an inflation-linked measure, CPI+1.75% p.a. which at the current time is 8.25%. The net assets of the Fund at 31 March 2022 was £10,653.9m, up from £9,862.1m at 31 March 2021.

The graph below compares the return achieved by the Fund in each of the main investment categories during the year.



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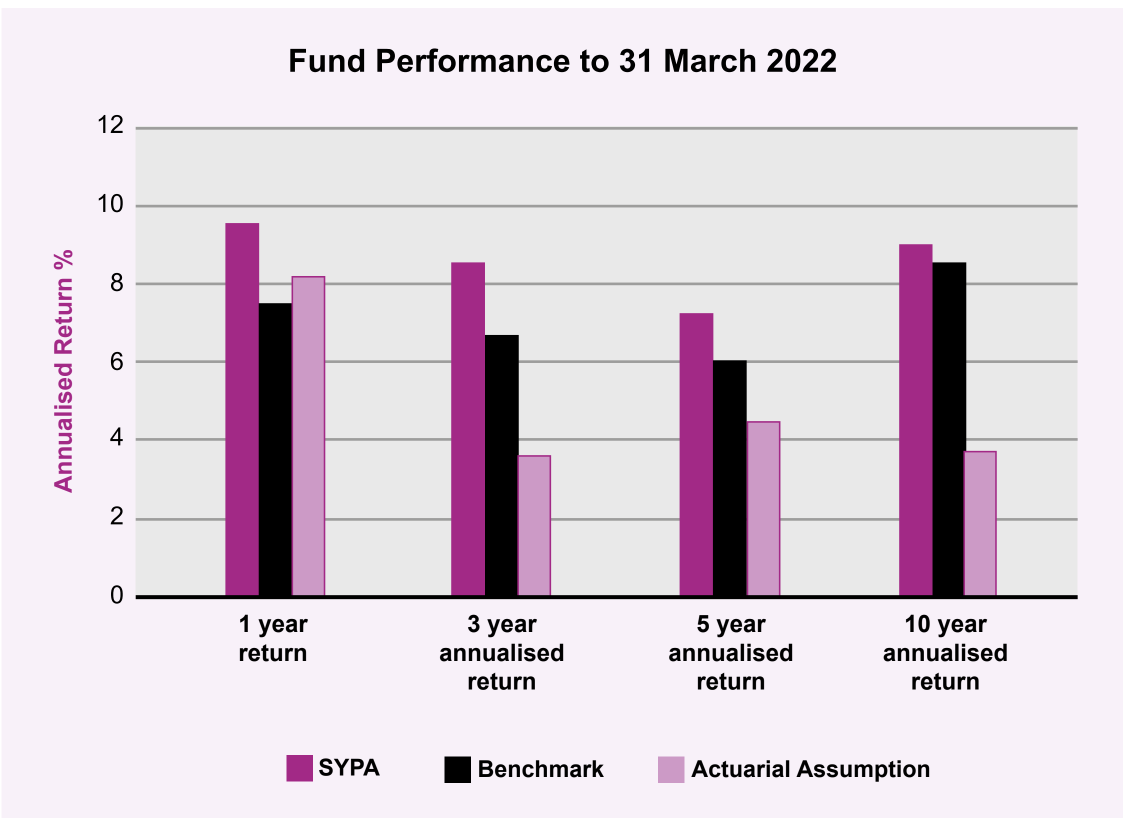
7.2
INVESTMENT STRATEGY & PERFORMANCE

This year the equity portfolios showed positive absolute returns but marginally underperformed their respective benchmarks as did the property portfolio. In contrast, the bond portfolios gave only small absolute returns, but they outperformed their respective benchmarks. The performance of the alternative asset classes were the most significant out-performers, in particular Private Equity.

The Fund always invests with the longer term aim of having sufficient assets to meet its liabilities and it can be seen below that the Fund has comfortably outperformed its benchmark and the actuarial assumptions over-all longer-term periods.



The funding level at the last actuarial valuation as at March 2019 was 99.3% and at 31 March 2022 is estimated to be 109%

The Fund has continued to reduce its exposure to listed equities to reduce its equity risk and has been increasing allocations to the alternative asset classes, in particular, to infrastructure which also increases the Fund's allocation to income generating assets. This is in line with its stated strategy of improving diversification and the risk-adjusted return.

STRATEGIC ASSET ALLOCATION

The following table shows a summary of the asset distribution for the year ended 31 March 2022 compared with the strategic target agreed by the Authority in operation during the financial

Asset Allocation at 31 March 2022

Asset Class	Current Asset Allocation		SAA Target	Range
	£m	%	%	%
IIndex Linked Gilts	934.2	8.8	10	8 - 12
Sterling Inv Grade Credit	454.7	4.3	5	3 - 7
Other Fixed Income	587.3	5.5	6	4 - 8
UK Equities	1140.8	10.7	10	5 - 15
Overseas Equities	3846.4	36.1	35	30 - 40
Listed Alternatives	198.6	1.9	0	0-2
Private Equity	1043.8	9.8	7	5 - 9
Private Debt	532.5	5.0	5.5	4.5-6.5
Infrastructure	879.7	8.3	10	8-12
Property	911.8	8.6	10	8 - 12
Cash	118.7	1.1	1.5	0 - 5
Total	10648.5	100	100	

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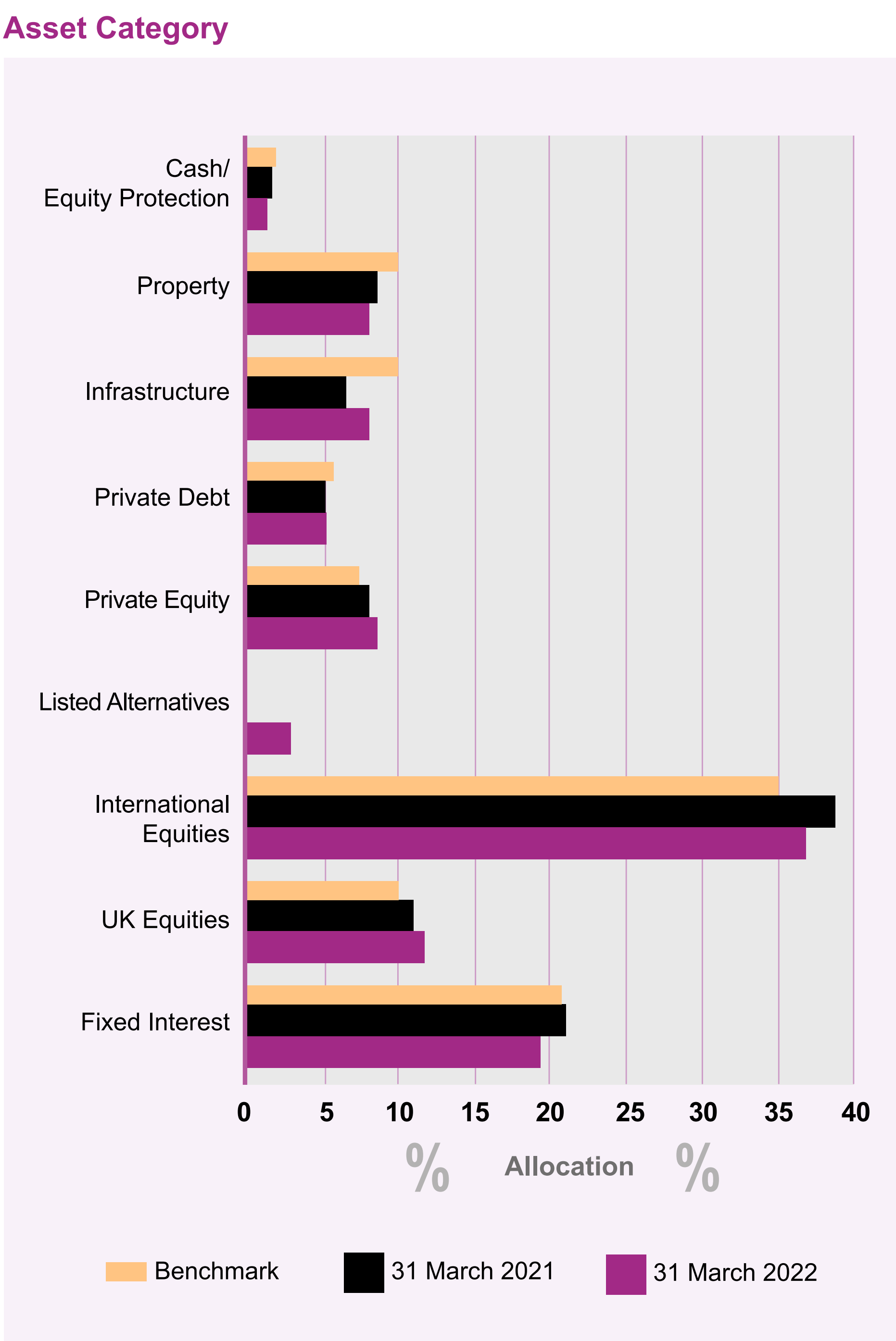
INVESTMENT STRATEGY & PERFORMANCE

The following table shows how the asset allocation has changed over the year versus the benchmark.



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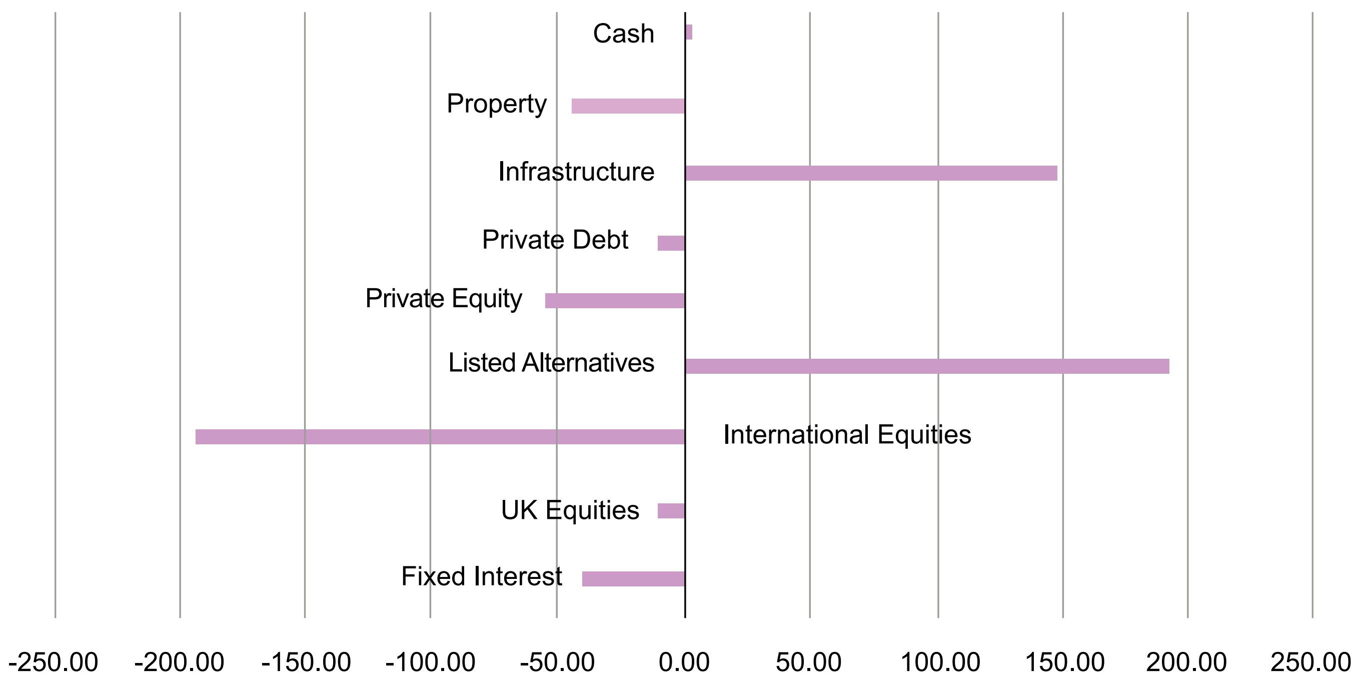
The change in distribution is a result of investment transactions and the performance achieved within each investment category.

The changes in the Fund's asset allocation compared to the previous year can be seen below. It includes a reduction in the overall bond exposure and UK and international equities to fund the new Border to Coast listed alternatives fund within the alternative asset classes and increased exposure to infrastructure funds. This has brought these allocations closer to their strategic targets.

Net investment over the year to 31 March 2022 £m



7.2
INVESTMENT STRATEGY & PERFORMANCE

Investment Pooling

SYPA is one of eleven partner funds within the Border to Coast Pensions Partnership which is an FCA regulated investment company. Over time Border to Coast will manage the majority of the Fund's assets on a day-to day-basis. SYPA will retain responsibility for setting the investment strategy and asset allocation and will monitor the performance of Border to Coast.

The Company's investment performance and capability is overseen by the partner funds by the Fund's senior officers via the Officer Operations Group and on a quarterly basis by the Joint Committee which is constituted of elected representatives from each partner fund.

The partner funds and the Company work collaboratively to build the capabilities required to ensure that partner funds can deliver their strategic asset allocations.

As at 31 March 2022 Border to Coast had launched six equity sub-funds and three bond funds. SYPA have investments in seven of these funds. During the year SYPA was involved in two transitions to Border to Coast. We transferred high yield and emerging market bonds into the Multi Asset Credit fund and also listed alternative holdings into Border to Coast's Listed alternative fund. These assets were previously managed internally by SYPA. The performance achieved includes the cost of the transition of these assets. The Fund's existing investments in closed ended funds for private assets sit outside the Pool but most new investments in this area during the year were made by Border to Coast. They committed £430m to private equity, private debt and infrastructure funds for SYPA and these investments started to draw down during the year

Five largest holdings in externally managed investments by market value as at 31 March 2022

Holding	£m
Border To Coast - **Overseas Developed Markets Equity**	3099.642
Border To Coast - **UK Listed Equity**	1140.799
Border To Coast - **Sterling Index-Linked Bonds**	870.683
Border To Coast - **Emerging Markets Equity**	721.195
Border To Coast - **Sterling Investment Grade Credit**	587.328

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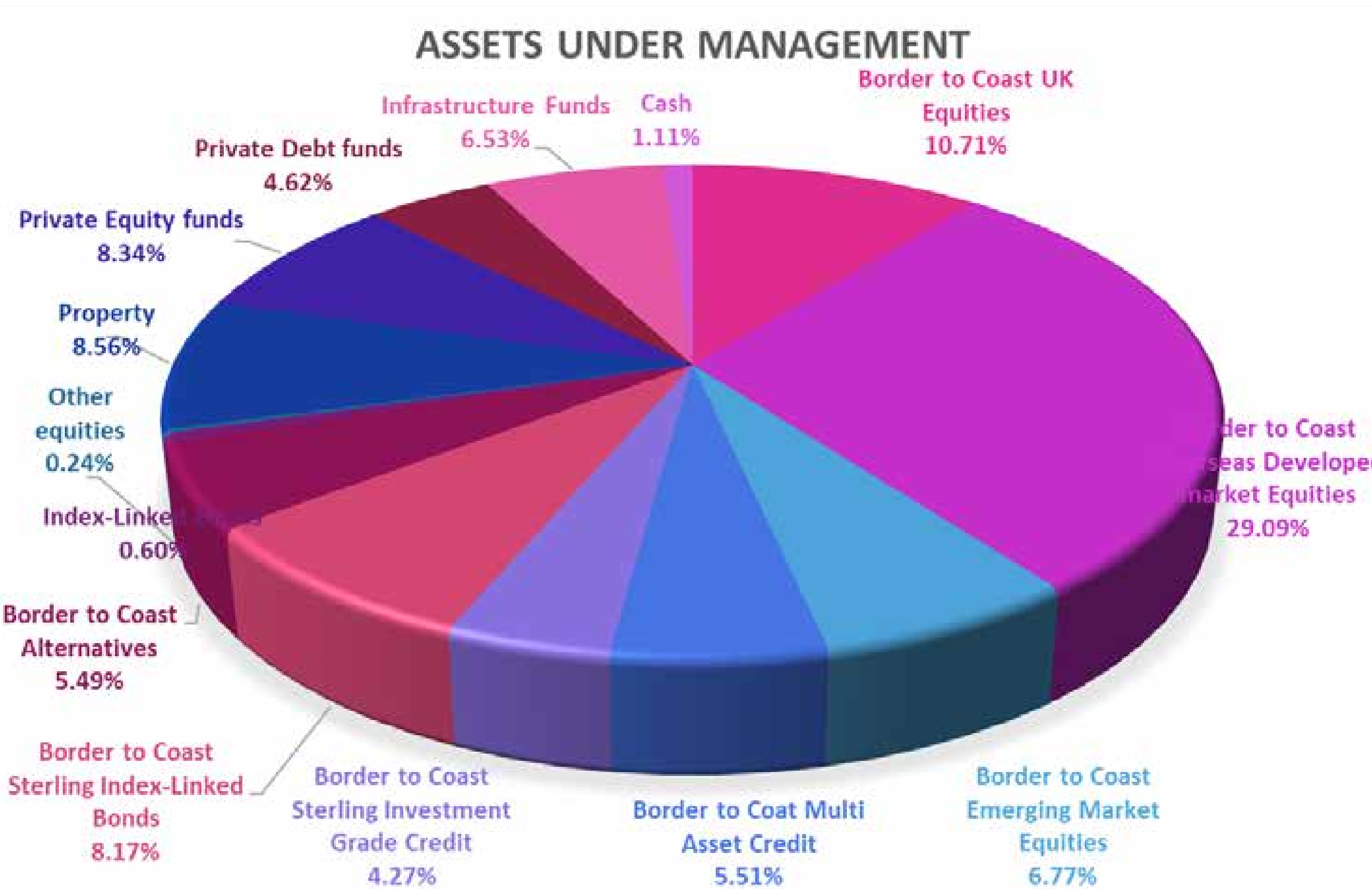
INVESTMENT STRATEGY & PERFORMANCE



At 31 March 2022 Border to Coast managed 69.96% of the Fund's assets which has grown from 62.74% last year because we transitioned assets into two new fund launches during the year and this will grow as Border to Coast develop more products and further assets are transitioned to them.

The progression in the transfer of assets to Border to Coast Pensions Partnership can be illustrated in the chart below.

More Border to Coast HERE

7.2
INVESTMENT STRATEGY & PERFORMANCE

Index-Linked Gilts

The Fund has a significant exposure to index-linked gilts which although not managed passively is very much a buy and hold for the long-term strategy. Most of the index-linked holdings are under Border to Coast management. Within this portfolio they also hold some corporate index-linked bonds as a means of adding value. These assets play a valuable role in relation to providing inflation linked income. The portfolio performed in line with its benchmark returning 3.9% over the year.

The bonds that were retained by SYPA were sold down in line with the change to our strategic benchmark.

Corporate Bonds

At the start of the year, SYPA had three separate portfolios within this category, an investment grade credit portfolio, an emerging market bond portfolio and a high yield bond portfolio. These are held for the stable cash flows and the credit spread above gilts. The investment grade credit portfolio was under Border to Coast management. (The Border to Coast portfolio is managed equally by three external bond managers, Royal London, M&G and Insight). The other two asset categories are higher risk bond portfolios and in October these two portfolios were transitioned into a newly formed Border to Coast Multi Asset Credit (MAC) fund. The overall bond performance over the year was positive although the MAC fund has underperformed it's benchmark since inception of the fund.

Ten largest held bond holdings by market value at 31 March 2022

1. UK Government Index-Linked 2044
   £84.47m
2. UK Government Index-Linked 2055
   £77.71m
3. UK Government Index-Linked 2068
   £69.37m
4. UK Government Index-Linked 2065
   £66.15m
5. UK Government Index-Linked 2062
   £64.44m
6. Barings GIF -Global loan strategy fund
   £62.03m
7. UK Government Index-Linked 2040
   £58.39m
8. UK Government Index-Linked 2047
   £58.07m
9. UK Government Index-linked 2050
   £55.95m
10. PIMCO Loan fund
    £44.62m

7.2
INVESTMENT STRATEGY & PERFORMANCE

UK Equities

SYPA has an investment in the Border to Coast UK Listed Equity fund which is an internally managed UK portfolio which has a moderate target to provide a total return which outperforms the total return of the FTSE All Share Index by at least 1% per annum over rolling 3-year periods. The portfolio achieved a 12.2% return which was a 0.8% underperformance of its target during 2021/22 and so now since inception the portfolio has not achieved its target as it has only outperformed the benchmark by 0.5% per annum. The index return of 13% for the year was the strongest of the main developed market returns over the year and this mainly due to the high weighting of oil, mining and banking sectors which performed well in the final quarter. The strength in the banks reflected rising interest rate expectations and the oil and mining stocks performed well on the back of the conflict in the Ukraine.

Global Equities

SYPA has holdings in the Border to Coast Developed Markets Equity Fund and the Border to Coast Emerging Markets Equity Fund. These are both internally managed funds. The benchmark for the overseas developed markets fund is a composite of 40% S&P 500 Index: 30% FTSE Developed Europe ex-UK: 20% FTSE Developed Asia pacific ex-Japan: 10% FTSE Japan. The performance of global equities overall was positive at 7% with developed markets outperforming emerging markets. The performance of the developed market portfolio returned 11.4% and outperformed the benchmark index by 0.9% over 2021/22 whilst the emerging market portfolio returned -8.4% and underperformed its target benchmark by 4.6%.

The emerging market portfolio has shown disappointing performance since inception and after consideration a decision was taken by Border to Coast to supplement the internal management capabilities with external support creating a hybrid fund. After assessing various options it was concluded that covering the large and rapidly developing China market without a presence in the country was a constraint given the importance of language, culture and political understanding. Two specialist China managers were appointed, and transition to the new fund structure took place at the beginning of the financial year. Since transition the two Chinese managers together have performed in line with their benchmark.

Ten largest publicly quoted equity holdings by market value held via Border to Coast Equity ACS at 31 March 2022.

Microsoft	£89.28m
Apple	£87.53m
Shell	£81.72m
MFC Vanguard Mid-Cap ETF	£80.51m
AstraZeneca	£79.09m
Samsung	£68.78m
Alphabet	£61.05m
tsmc	£59.91m
amazon	£55.18m
HSBC	£47.07m

Alternative Portfolios

SYPA has an investment in the Border to Coast UK Listed Equity fund which is an internally managed UK portfolio which has a moderate target to provide a total return which outperforms the total return of the FTSE All Share Index by at least 1% per annum over rolling 3-year periods. The portfolio achieved a 12.2% return which was a 0.8% underperformance of its target during 2021/22 and so now since inception the portfolio has not achieved its target as it has only outperformed the benchmark by 0.5% per annum. The index return of 13% for the year was the strongest of the main developed market returns over the year and this mainly due to the high weighting of oil, mining and banking sectors which performed well in the final quarter. The strength in the banks reflected rising interest rate expectations and the oil and mining stocks performed well on the back of the conflict in the Ukraine.

Private Debt

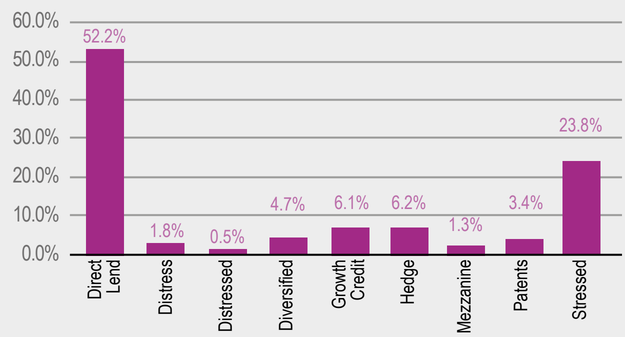
Private debt is a sub-set of the broader leveraged credit markets, characterised by mostly private equity-generated activity in companies that are typically too small or with financing needs too specialised to be financed by the larger public markets.

Private debt encompasses a broad range of strategies which provide financing across all elements of the capital structure including direct lending, mezzanine, unitranche, distressed debt and special situations. The income generated from these funds is a useful source of cash to meet liability payments. The legacy portfolio of 40 funds is diversified by strategy and geographic location and the current value of assets in this category is £536.6m. The breakdown of the portfolio is shown in the graphs below.

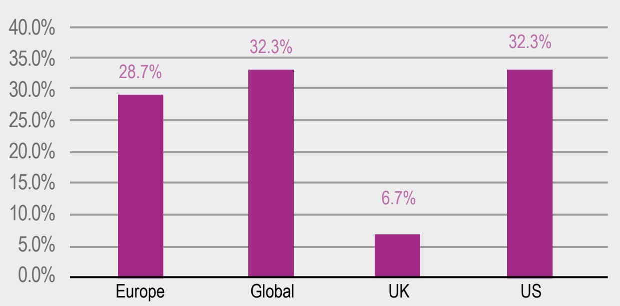
£100m was committed by Border to Coast on our behalf over the year to March 2022. The target allocation is 5.5% of the Fund and this will be achieved by making annual commitments to this sector at an appropriate rate.

The overall portfolio returned 13.9% in the year to 31 March 2022 compared to the benchmark return of 9.5%

Private Debt funds - **NAV breakdown by Strategy**



Private Debt funds - **NAV breakdown by Geography**



Private Equity

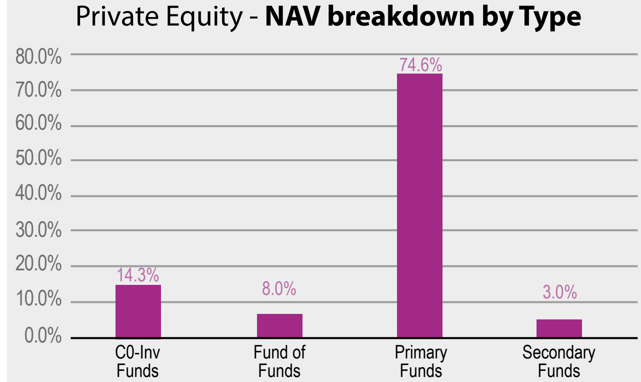
Private equity is the ownership of companies that are not listed on a public stock exchange. SYPA's investment in private companies is through a variety of closed-ended limited partnerships managed by specialist management teams. Private equity investments provide returns linked to quoted equities but with the expectation of better long term returns because of the higher risk profile and illiquid nature of the investments. A typical life of a fund is between seven and ten years with the drawdown of commitments being typically up to five years.

The portfolio of 104 funds is diversified by investment type, strategy and geographic location and the breakdown can be seen in the graphs below. The value of assets currently invested in private equity is £1042.6m.

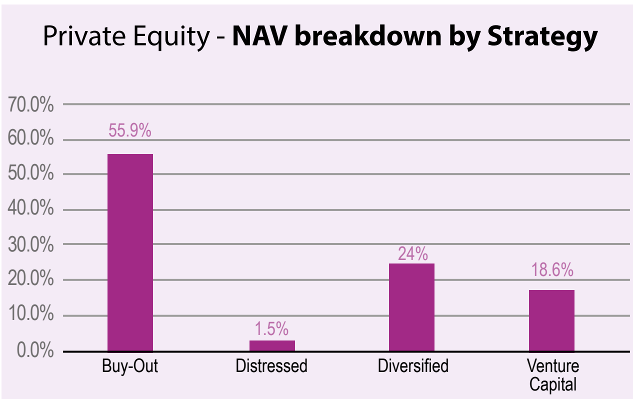
The general background for private equity was positive in 2021 with strong fundraising throughout the year and exits were similarly successful with IPO proceeds outstripping the positive 2020 levels. The one-year performance of the portfolio showed a gain of 25.1% with a number of managers posting even stronger returns. Due to the nature of private equity investments, the process of valuing them takes longer than for a public equity and therefore some of this was a delayed impact seen from listed equity markets last year. The outperformance over the year was due to a significant uplift of valuation that was seen from the successful realisation of existing investments.

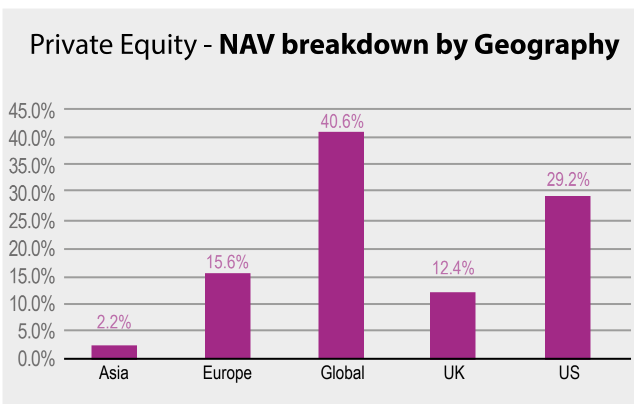
New investment into this area is now via a Border to Coast limited partnership. A commitment of £130m was made by SYPA during 2021/22. This rate of commitment is lower than over the last few years but is in accordance with the Fund's strategic asset allocation. We are now over the optimum weighting against our strategy and want to reduce the exposure and not to increase it. Investment is being made in such a way to ensure that we still have vintage and strategy diversification.

Private Equity - **NAV breakdown by Type**



7.2
INVESTMENT STRATEGY & PERFORMANCE





The aim is to create a diversified portfolio investing in global and regional investments to produce strong financial returns without taking undue levels of risk and which incorporate environmental, social and governance (ESG) issues as part of their process. This aligns with our views that businesses that incorporate ESG as part of their mission statement and overall ethos, tend to achieve better returns as well as are able to manage risk sensibly especially over the long term.

Our investments are made by limited partnerships managed by various managers. An example of one our managers is Palatine and we have holdings in four of their funds.

Palatine sees private equity as a force for good and strives for sustainable growth with a commitment to the environment and society. Palatine works with portfolio companies to help shape businesses that prosper and has an award winning 6 pillar framework approach to ESG. Palatine believes the proactive management of ESG results in positive and inclusive company cultures with higher employee engagement and productivity as well as better financial returns. Doing the right thing isn't just good for society and the environment, but business too.

An example of ESG implementation in the portfolio is CET from their third buyout fund. CET Group has two separate business divisions: Property Assurance ("CET") which white-labels first response services for domestic emergencies and repairs on behalf of major insurance companies and Infrastructure (CTS), which operates as an accredited materials testing business, servicing construction related clients, from 16 laboratory sites nationally. CET was sold in Q3 2021 to Homeserve plc and a bank refinancing was also completed at CTS, this combination resulted in a 2x return of total cost of investment. If you include the valuation of CTS as at 31 March 2022 the return to date on the original investment is 3.5x cost of investment.

ESG materiality considerations at CET are health and safety of staff and the public, including domestic customers; Storage, handling and exposure to highly hazardous materials in labs; Maintaining laboratory accreditations; Customer care, especially for domestic customers; Recruitment and engagement of good staff, especially front line; Significant direct and indirect business travel resulting in fuel consumption and vehicle emissions.

7.2
INVESTMENT STRATEGY & PERFORMANCE

CET's performance across the 6 Pillars is shown below:

- **Climate:** Travel and associated emissions have reduced across the group as a result of upskilling technicians, the implementation of a telematics system (CTS) and increasing the number of engineers across different geographies. CET has reduced it's carbon footprint by greater than 50% year on year. CTS has procured 5 electric vans for its Heathrow site.
- **One planet:** Waste minimisation, segregation and recycling has been a priority for both parts of the business. CTS has switched to bulk delivery of chemicals in reusable Intermediate bulk containers (rather than smaller plastic drums). CET has benefitted from a secure document retrieval system which has reduced printing. CTS has a water recycling facility at one site, saving over 731,000 litres in 2 years.
- **Supply Chain:** There has been a focus on human rights and implementation of the Modern Slavery Policy across the group. CTS surveyed suppliers to gauge understanding and compliance with the Modern Slavery Act. The results demonstrated no breaches within the current supply chain. Sustainable performance is considered in procurement but in an informal way, CET is supporting working on a sustainably procurement policy.
- **People:** Significant focus on mental health and wellbeing across the group. Key advancements include: roll out of mental health first aid, domestic abuse and sexual harassment training rolled out. CTS introduced a formalised wellbeing strategy and has benefitted from reduced absences of more than 180 hours each month. Learning and development is a key focus area across the group with investment in supporting teams and individuals in achieving qualifications. Benefits have been reviewed as part of wellbeing support. Staff attrition has reduced considerably across the group. Initiatives implemented to improve diversity and inclusion include: the senior leadership team completing unconscious bias training; and the launch the COFE (creating opportunities for and development is a key focus area across the group with investment in supporting teams and individuals in achieving qualifications. Benefits have been reviewed as part of wellbeing support. Staff attrition has reduced considerably across the group. Initiatives implemented to improve diversity and inclusion include: the senior leadership team completing unconscious bias training; and the launch the COFE (creating opportunities for excellence) business club for women. They have introduced an employee engagement survey and have started to deliver on the actions highlighted.
- **Customers & Community:** Digitisation of customer engagement through CTS has improved the CTS customer experience. CET has also further developed its digital offering and enables customers to 'track their tradesperson', send automated updates (saving incoming calls by almost 400k) and enables engineers to upload data directly from the site, reducing the time taken to administer repair specifications. Charitable giving continues to support mental health and children's good causes.

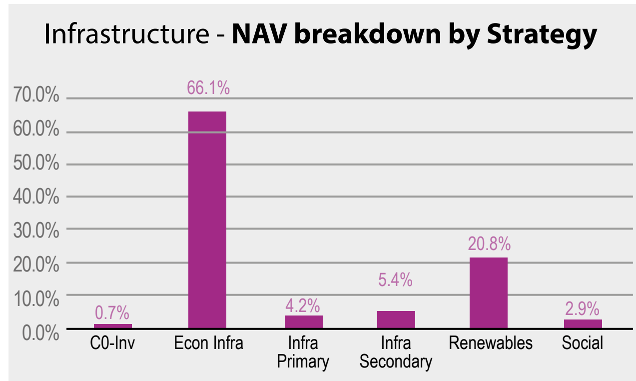
- **Leadership:** Strong leadership focus on ESG implementation throughout the business with initiatives across all the 6 pillars. Work has commenced on refinement of the company vision, strategy and values to fit with the ESG agenda and will be communicated to employees. Policy reviews and updates completed with associated communications / training delivered. Wellbeing has been an important theme alongside safety and reduction of carbon.

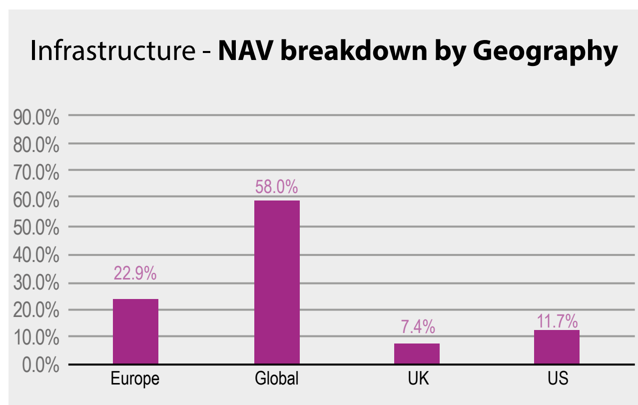
Infrastructure

Infrastructure investments typically offer long-term returns which have a close match to the objectives of the Fund, preservation of value over the long term, inflation linkage and they have a cash flow focus as well as providing a good means of diversification for the Fund.

The allocation to infrastructure has been made via a number of global and regional investment funds. The portfolio is still immature and below the target allocation of 10% of Fund assets but this will be achieved by making appropriate annual commitments through our Border to Coast limited partnership.

The exposure includes investments in renewable projects and UK Social Housing. The portfolio has 36 legacy investment funds and this year made a £200m commitment to the Border to Coast limited partnership. The current value of these investments is £879m but the value should increase as commitments are drawn down. The exposure is well diversified and is shown below. The performance during 2021/22 was ahead of the targeted return but as this is an immature portfolio it is expected that initial costs may still impact performance in the short-term.





An example of a manager that we have investments with is Quinbrook which is a specialist manager focused on renewables, storage and grid infrastructure and we now have investments in four of their funds.

An example of an investment that they have made is the recent commissioning of the synchronous condenser, located at Rassau, Ebbw Vale, (the "Rassau SynCon"), which has been designed to enable more variable and weather-dependent renewable generation capacity to be safely accommodated on the UK power grid.

7.2
INVESTMENT STRATEGY & PERFORMANCE

- The Rassau SynCon is expected to play a key role in National Grid's new approach to managing the stability of the electricity system. Assets like the Rassau SynCon provide stability without having to provide electricity – allowing more renewable generation to operate and ensuring system stability at lower costs.
- Projects such as the Rassau SynCon are expected to be a fundamental component of the stable decarbonisation of electricity supply, and the drive to increase the percentage of power that is generated from renewable sources on the road to Net Zero. National Grid is endeavouring to bring the British electricity system to a position where it can run on purely zero-carbon electricity by 2025. The services offered by synchronous condensers are seen by National Grid as key to enabling that goal, facilitating the electricity system's ability to accommodate "whatever quantity of renewable electricity is being generated at that [2025] time".
- Synchronous Condensers can provide multiple grid support services including: inertia to strengthen the grid; short circuit power to ensure a reliable operation; and reactive power for voltage control. Historically, grid stability had been maintained by large, predominantly fossil fuel power plants. These traditional plants are being phased out and renewable generators like wind and solar connect to the grid in a different way, without the same stabilising properties - so National Grid launched the Pathfinder Programme to source new ways to manage stability.
- The idea of synchronous condensers is not new - in the early days of electricity, they were used quite widely, but once synchronous grids were established, they were considered to be obsolete and largely fell out of use. The changing generation mix has reintroduced the need for the services these machines can offer.

Property

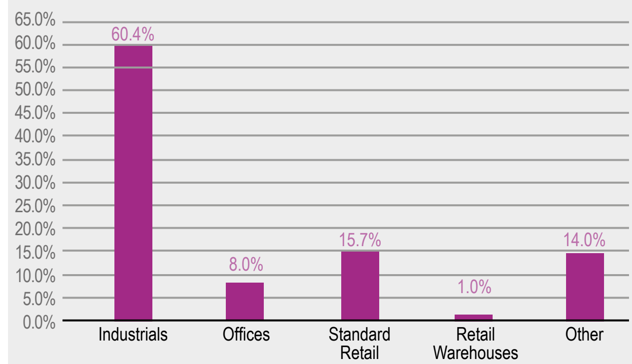
SYPA has a 10% allocation to property as an asset class and it is an important source of income for the Fund. SYPA has three elements to its property exposure. At 31 March 2022 it comprised 31 directly held commercial properties valued at £606m, an agricultural portfolio valued at £189m and twelve indirectly held specialist holdings valued at £116m.

At the sector level we have been favouring sectors with more defensive characteristics, preferring to invest in areas where the structural drivers of demand are positive. Over the year we have sold peripheral retail holdings and also some office assets that we had longer term concerns about. We completed on the purchase of a business park in Oldham and also bought a 4.7acre development site at Newcraighall, Edinburgh which is adjacent to the Authority's existing holdings. This leaves the Fund underweight its strategic allocation.

Top 5 Commercial Property Holdings

1. **Langley Park, Slough**
   Industrial estate **£39.93m**
2. **Stockbridge Road, Chichester**
   Student accommodation **£39.50m**
3. **Oxgate Centre**
   Industrial estate **£38.80m**
4. **Sainsbury's, Butterley Park, Ripley**
   Retail Supermarket **£35.15m**
5. **Fradley Park, Lichfield**
   Industrial estate **£33.55m**

Commercial Property - **NAV breakdown by Sector**



Annual performance of the direct commercial portfolio was 19% compared to the benchmark return of 20.1%, although the three and five year performance outperformed the benchmark The Fund's investment manager Aberdeen Standard have identified the opportunity for some diversification of the holdings to add value in the coming year.

Within the agricultural portfolio the farm operating business Waldersey Farms Ltd faced another tough year with the impact of the pandemic still affecting its farming and operations throughout 2021. However, the company provided a profit over the year. The underlying trading performance for its root crops was excellent but due to the dull weather experienced in late summer there was pressure on the cereal harvest.

The charts below show the breakdown of the agricultural portfolio capital values. The land values represent 90% of the Authority's portfolio. The valuation is also shown split between holdings farmed by Waldersey Farms Ltd and those holdings held as investment farms and let to third parties.

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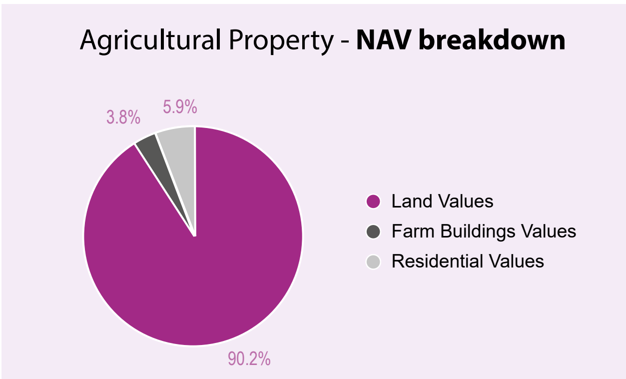
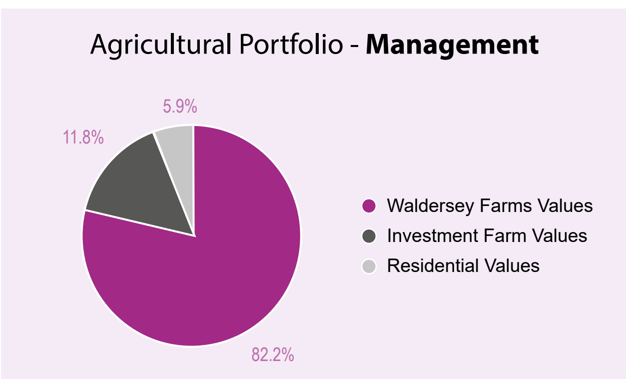
INVESTMENT STRATEGY & PERFORMANCE





Within the specialist holdings we have set up a portfolio of regional development debt which has CBRE as an advisor to invest c£80m in local (Sheffield City Region/South Yorkshire) development projects. The portfolio has the aim of generating a commercial return whilst delivering a positive local impact.

Two loans were repaid during the year, four loans are in place and there are further loans in various stages of the due diligence process. The loans which finalised during this financial year were for Vidrio, a digital Campus near to the railway station in Sheffield, Eyewitness, which is to fund the redevelopment of two former mill buildings into 97 residential units near the centre of Sheffield and the third loan is to fund a scheme to regenerate the 130,000 sq ft existing B&Q warehouse on Greenland Road, Sheffield and to develop a further 58,000 sg ft of new industrial units and trade counters. The loan portfolio has generated an IRR of over 7% this year.

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7.2
INVESTMENT STRATEGY & PERFORMANCE

The photo above shows the Eyewitness building before development began and below that is a computer-generated picture of what is being developed shown from the inside of the site.

Also, within these specialist holdings we have investment in the Bridges Property Alternative Funds which have a 12 year track record of executing higher value-add transactions which deliver future-proofed, alternative property assets in needs-driven sectors that combine attractive financial returns and positive social and environmental outcomes. To date:

- They have executed 13 low cost and affordable housing deals of which 8 are exited or pre-sold. These transactions have or are developing over 3,000 low cost and affordable housing units across the UK which have a carbon footprint that is on average 40% below their baseline.
- They operate in the low carbon logistics sector, having executed 21 deals to provide a total of 7.3m sq. ft. industrial space. These facilities have achieved or are targeting Very Good/Excellent BREEAM ratings. Included in these are some recent developments that are net zero carbon in construction and development.
- They also operate in the healthcare and elderly accommodation market. They have developed or are developing in total 949 care home beds and 408 assisted living for rent units with the majority having an EPC A or B rating.

Over the last twelve months the overall property portfolio generated a positive return of 15.2%, although this underperformed the weighted index benchmark of 17.8%.

Cash

Cash is only held pending investment and during the year money has been invested into infrastructure funds. At 31 March 2022 the sterling cash figure was at £103m down from the previous year's level of £117m. £30m of this was held within a sterling liquidity fund, £68m held with five F1 rated banks and £5m held as short term deposits with a local authority.

7.3

RESPONSIBLE INVESTMENT

The Authority is fully committed both to investing responsibly and to the good stewardship of its investments across all asset classes. It seeks to act at all times in the best long-term interests of all its members and protect and enhance the value of the companies in which it invests on their behalf. We have defined what we believe responsible investment to mean in the following terms.

South Yorkshire Pensions Authority believes that investing in well governed and sustainable assets is key to delivering the long-term investment returns required by the Pension Fund. The Authority's goal is for carbon emissions from the totality of its investment portfolio to be zero by 2030 (the "Net Zero Goal") and has developed a net zero action plan to chart its route to this goal. This action plan includes the incorporation of this Net Zero Goal in the Authority's investment beliefs and investment strategy and contemplates frequent review of the performance of its investments within the context of this goal, as well as monitoring of the delivery of the commitment and the transition towards it.

We believe that well governed assets will present the following characteristics:

- A recognition of the key risks to the long-term sustainability of the business, in particular climate change, and will have created action plans to address these risks over reasonable but not unduly prolonged timescales.
- Transparency in their governance, balancing the interests of shareholders, executives and other stakeholders including the workforce.
- Respect for the human rights of the communities with which they interact and their various stakeholders.
- Acknowledges the environmental impacts of their activities and takes steps to minimise and/or mitigate them.

The Authority expects those managing money on its behalf to reflect these factors in their investment process and where specific risks or concerns are identified to engage with assets in order to ensure that these characteristics are met. Engagement activity will:

- Have clear and specific objectives.
- Be time limited.
- Where unsuccessful link to clear consequences reflecting the degree to which the investment thesis for the asset has been undermined by non-compliance.

The Authority will report each year on the impact of its investment portfolio on society using the framework of the UN Sustainable Development Goals and will where possible, given the constraints of pooling, seek to prioritise investments which address the opportunities presented in relation to:

- SDG 13 – Climate Action
- SDG 6 - Clean Water and Sanitation
- SDG 7 – Affordable and Clean Energy

The Authority's fundamental belief is that this approach is entirely consistent with securing the long term returns the Pension Fund is required to deliver, and that it is therefore in the best interests of both scheme members and employers.

We work within the Border to Coast Pensions Partnership to achieve our objectives and the policy framework within which we do this is illustrated in the diagram below (the purple boxes are owned by SYPA and the blue ones by the Partnership).

7.3
RESPONSIBLE INVESTMENT

The Authority's policies are reviewed each year in March with the intention of influencing the development of the Partnership policies which are reviewed annually over the summer with approval in the autumn leading up to peak voting season.

The process of review considers wider policy developments across the industry as well as what has been achieved in relation to positions which have been set out in previous versions of the policy.

Over the last year because of this process of policy review the Authority has influenced the development of the Border to Coast Partnership's Climate Change strategy and the formulation of the company's Net Zero goal of 2050. This has seen a strengthening of the voting position in relation to companies which are making insufficient progress towards decarbonisation and on improving the diversity of thought within their boards.

The Authority has also exerted its influence to encourage the development of investment products supportive of the transition to a low carbon economy resulting in the launch by Border to Coast in April 2022 of a £1.3bn Climate Opportunities Fund.

Along with integrating ESG factors into investment decision making the Authority also looks to its investment managers to engage with companies and works with others to do so in relation to specific issues while also exercising its voting rights in order to use its influence as an investor to promote and support good ESG practices.

The Authority believes in being transparent about its stewardship and ESG activities. It produces quarterly reports on the activities undertaken on its behalf by Border to Coast and their engagement partner Robeco and on collaborative activity undertaken by the Local Authority Pension Fund Forum which are available through our website. These reports also include, where available, details of the ESG ratings and characteristics of specific portfolios.

7.3
RESPONSIBLE INVESTMENT

Resources

The Authority's work in this area is led by the Director supported by input to specific pieces of work by other individuals. It is recognised that this level of resource is stretched and overly reliant on key individuals who have much wider responsibilities and plans are in hand to add additional resources dedicated to this area.

In addition, the Authority makes use of consultants to provide specialist advice and input to specific projects, such as the impact work reported elsewhere in this annual report.

Given this level of resources the Authority is highly reliant, in order to achieve its objectives, on working collaboratively with others, in particular Border to Coast and its engagement partner Robeco, but also the Local Authority Pension Fund Forum (LAPFF) and other collaborations which are highlighted later in this report.

Voting

Active ownership involves using shareholder rights to improve the long-term value of a company and includes both voting and engagement strategies. The Authority regards voting rights as an asset and looks to those managing money on its behalf to use them carefully.

Because we now own shares through pooled funds operated by the Border to Coast Pensions Partnership, we no longer exercise our voting rights directly. However, Border to Coast exercises voting rights and engages with investee companies in line with a Responsible Investment Policy and Voting Guidelines jointly agreed by all the partner funds.

Voting in the Border to Coast pooled vehicles in which the Authority is invested is undertaken in all markets through Robeco as Border to Coast's proxy voting adviser.

The full guidelines can be found on the Border to Coast website but in summary the position on key issues is set out below"

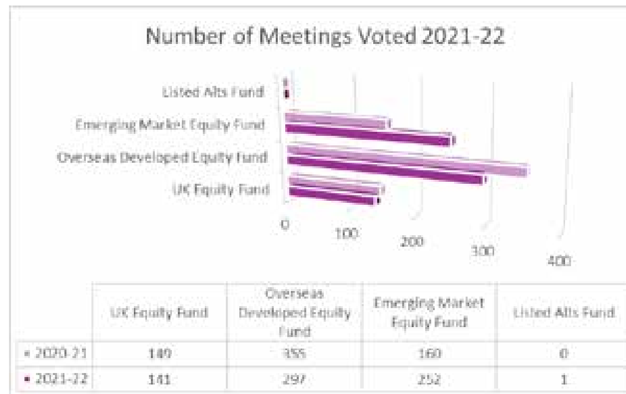
Voting Guidelines Summary

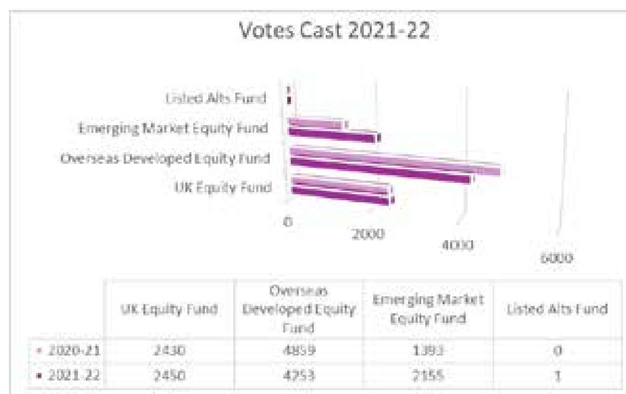
- **Company boards, composition, and independence:** The composition and effectiveness of the board are crucial to determining corporate performance as company behaviour has implications for shareholders and other stakeholders.
- **Leadership:** The role of the chair is distinct from that of other board members and should generally be seen as such but should not be responsible for the day-to-day management of the business.
- **Non-executive directors:** The role of non-executive directors is to challenge and scrutinise the performance of management in relation to company strategy and performance. To do this effectively they need to be independent.
- **Succession planning:** We expect the board to disclose its policy on succession planning, the factors considered and where decision-making responsibilities lie.
- **Board evaluation:** A requisite of good governance is that boards have effective processes in place to evaluate their performance and appraise directors at least once a year.
- **Stakeholder engagement:** Companies should take into account the interests of and feedback from stakeholders, which include the workforce.

7.3
RESPONSIBLE INVESTMENT

- **Directors' remuneration, annual bonus, and long-term incentives:** Remuneration has serious implications for corporate performance. Bonuses should reflect individual and corporate performance targets which are sufficiently challenging, ambitious, and linked to delivering the strategy of the business and performance over the longer term.
- **Audit:** The audit process must be objective, rigorous, and independent if it is to provide assurance to users of accounts and maintain the confidence of the capital markets.
- **Political donations and lobbying:** Companies should disclose all political donations and demonstrate where they intend to spend the money and that it is the interest of the company and shareholders.
- **Dividends:** Shareholders should have the chance to approve a company's dividend policy, and this is considered best practice. The resolution should be separate from the resolution to receive the report and accounts.
- **Shareholder proposals:** Shareholder proposals are assessed on a case-by-case basis. Consideration will be given as to whether the proposal reflects Border to Coast's Responsible Investment Policy and supports the long-term economic interests of shareholders

The graphs below show the number of meetings where votes have been cast on behalf of the Authority and the number of votes cast over the last year, compared to the previous year.

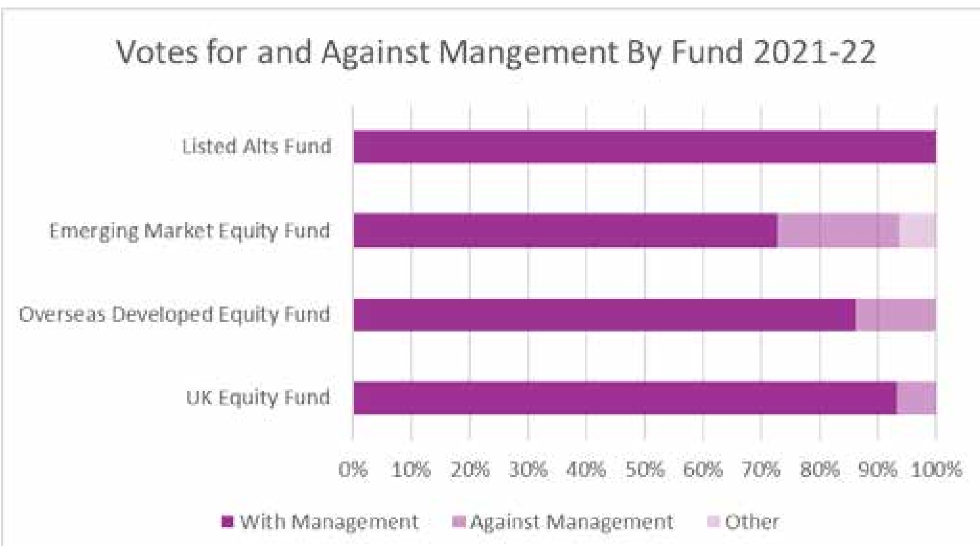


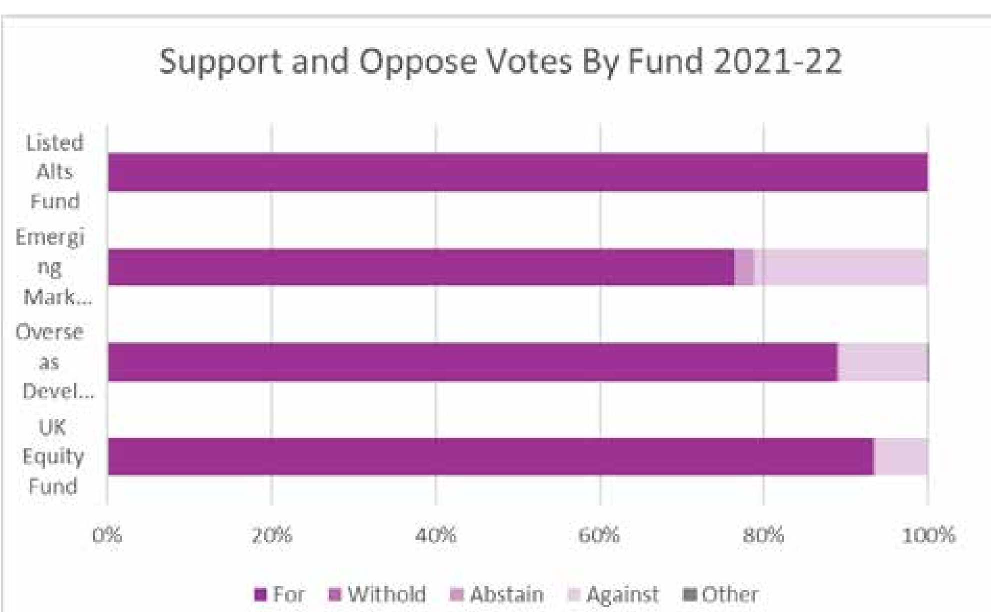


The changes in the number of meetings voted in the Overseas and UK funds reflects the greater concentration that is being undertaken in these portfolios which results in a reduction in the number of holdings, while the changes in the Emerging Market Fund reflect some degree of post pandemic catch up and the changes to the portfolio arising from the introduction of China specialist managers. The Listed Alternatives Fund was launched towards the end of the fourth quarter and therefore there was very little activity during the year.

7.3
RESPONSIBLE INVESTMENT

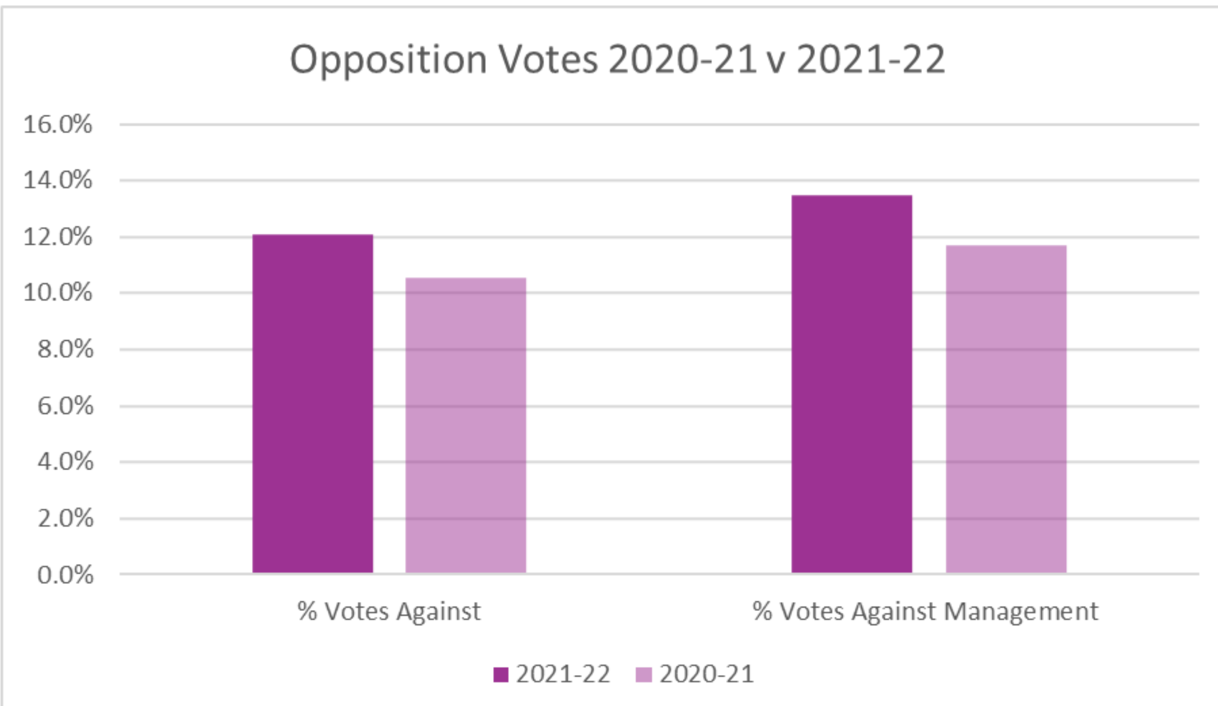
In general, we look to support management of companies where they are taking actions which will secure both the sustainability of the business and long-term value for shareholders. However, we do not always agree with the views that management take and where that is the case we vote against management and in line with the policy we have agreed with our Border to Coast partners. The two graphs below show the proportion of votes where we have voted against management and the proportion of cases where we have supported or opposed the proposals being voted on.





7.3
RESPONSIBLE INVESTMENT

The proportion of cases where we have either not supported management or opposed resolutions has increased compared to the previous year as shown below.



This reflects the tightening of the voting guidelines, particularly in relation to voting against the Chairs of companies and remuneration committees where the company has failed to achieve sufficient board diversity. Significant votes against management have also been cast in support of shareholder resolutions aimed at ensuring companies have robust plans for the transition away from carbon supported by science-based targets.

While the Authority's equity investments are made through pooled products provided by Border to Coast we retain the right to vote our proportion of shares differently to the other participants in the pool if we believe that Border to Coast's proposed vote is not in line with our views on the specific issue. During the year alongside one other Border to Coast partner fund we took the decision to exercise this right in relation to votes on two resolutions at the AGM of Royal Dutch Shell. More details of this are given below.

7.3
RESPONSIBLE INVESTMENT

The major issues on which we voted against company proposals include:

- Encouraging companies to ensure the independence of their auditors by limiting the length of audit appointments.
- Voting to encourage companies to ensure genuine diversity and independence in the membership of their boards.
- Voting against excessive remuneration packages for executives and performance incentive packages which focus on short term incentives, and which have opaque targets which are too easily achieved.

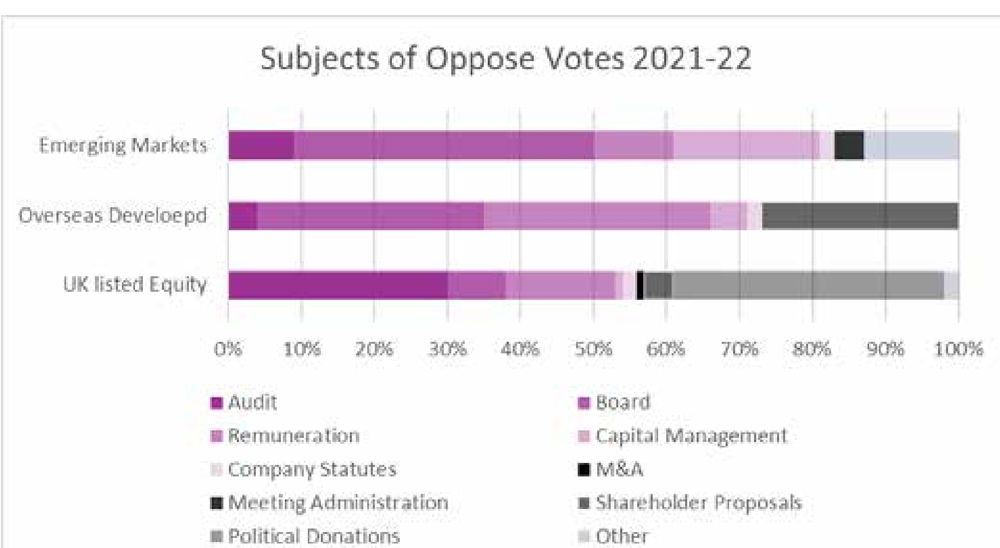
These topics reflect the fact that these types of issue are dealt with at every company's annual meeting. Other topics such as climate and workforce issues are driven by shareholder resolutions which in some countries are difficult or impossible to put forward.

The graph below shows the topics on which we voted against management in each of the main equity portfolios (the listed alternatives portfolio is not shown as there were no votes against management).

In addition, we have also supported resolutions put forward by shareholders which encourage companies to actively decarbonise their business and to adopt science-based targets for doing so.

Details of the votes cast on our behalf are published quarterly and are made available through our website. Below are the details of some of the more notable or significant votes cast during the year. These are examples chosen to cover the breadth of the type of votes cast and the geographical and industry spread of the companies to which we are exposed within the equity portfolios.

For obvious reasons over the last 12 months there has been a significant focus in shareholder resolutions on climate issues and in particular the setting of Net Zero goals and the production of the accompanying targets and action plans in the run up to CoP26 in Glasgow in November 2021. There are, however, a much wider range of systemic risks facing companies and the shareholder resolutions we have supported are intended to give prominence to all these issues.



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Royal Dutch Shell - Alongside one other Border to Coast partner fund we voted our proportion of shares differently to the rest of the Partnership to support a shareholder resolution on climate action and oppose the Company's transition plan which we believed did not link real action within the business to the achievement of the Company's Net Zero target. Our position was supported by 11% of shareholders but also by a Dutch court. Engagement continues to seek to turn the Company's commitment into real emisssions reductions.

Berkshire Hathaway - We witheld our voted for the reelection of the Chair and CEO due to governance and climate action concerns and supported shareholder proposals in relation to climate and diversity and inclusion reporting. The combination of Chair and CEO and absence of a lead director are contrary to governance expectation and the company is rated 0 by the Transition Pathway Initiative. Given the Chair controls c 1/3 of the votes a 25% vote in favour of these resolutions was significant.

Logitech International - This is a Swiss IT company. Following significant shareholder reaction to previous remuneration reports this year changes were made by the Company particularly relating to long term incentives. However, we believed that some of the targets were not challenging as payouts could be made as a result of underperformance. Consequnetly we voted against the proposals as part of a material degree of opposition by shareholders indicating a continuing concern in this area.

Alibaba Holdings - We opposed the election of a number of directors at the Chinese technology company on the grounds of insufficient independence. This was a particular concern for proposed members of the Remuneration Committee. This position is mirrored in many Chinese companies. The level of sharehoder opposition to the proposals doubled compared to the previous vote on the issue indicating a significant raising of shareholder expectations in this important and growing market.

BHP - We voted against the Climate Transition Action plan at this mining company as despite positive aspects we had concerns about the level of ambition for emissions reduction and the lack of clarity about the proposed use of offsets. The plan received 85% support which is much lower than comparable plans. The company has been and remains open to constructive engagement on the issue

Microsoft - We supported a resolution supporting the reporting of median pay gaps across gender and race. While the company is disclosing the steps it is taking to promote pay equity without measurement there is no clarity on their success. This resolution received 40% support and a further resolution on transparency in relation to the effectiveness of workplace sexual harrassment policies received 70% support. In both cases we will continue to monitor progress.

Costco - We supported a resolution at this US wholesale warehouse operator requiring the setting and reporting of science based targets to achieve Net Zero by 2050. This received 70% support. We also supported resolutions to improve transparency by requiring reporting on structural racism, nutrition insecurity and health disparities whcih represent significnat reputational risk for the company. These received 17% support but this was the first resolution of its sort at the company so this was in itself significant.

7.3
RESPONSIBLE INVESTMENT

Engagement

Engagement is the process by which investors use their influence to encourage companies to improve their behaviour and management of ESG issues which may improve the companies' long term financial performance. Following the pooling of our assets the Authority now engages with companies in relation to these issues in four ways:

- Direct engagement with companies by Fund Managers at Border to Coast Pensions Partnership
- Direct engagement with companies by external managers who are responsible for mandates within the Border to Coast funds
- Engagement with companies by Robeco, Border to Coast's voting and engagement partner
- Engagement through the work of the Local Authority Pension Fund Forum (LAPFF) which is a collaborative group of UK local authority pension funds which seeks to use the collective scale of shareholdings in companies to influence behaviour.

We also seek to engage with others managing money on our behalf, for example in private equity and infrastructure funds to encourage them to ensure that the underlying investments in these funds comply with good practice in relation to environmental social and governance issues. Border to Coast have continued to work with Allbourne on wider industry initiatives to strengthen the assessment of ESG practice within the managers of funds within the various alternatives portfolios which they are building out for partner funds.

Engagement Priorities

Working with other funds within Border to Coast we identify engagement themes which represent financially significant issues which could have a material impact on shareholder value. For the period up to the end of 2021:

- Transparency and disclosure.
- Governance.
- Diversity; and
- Climate Change

The engagement programme of LAPFF is determined jointly by the membership. As a result of the larger number of stakeholders involved the focus is somewhat broader than the activity undertaken through Border to Coast, however, there is a significant commonality in the areas of

- Transparency and disclosure (in particular issues around lobbying).
- Diversity (in particular in the composition of Boards).
- Climate Change (in particular around issues around company's plans to deliver zero emissions)

In addition to this LAPFF has focussed in two further areas which the Authority has particularly supported:

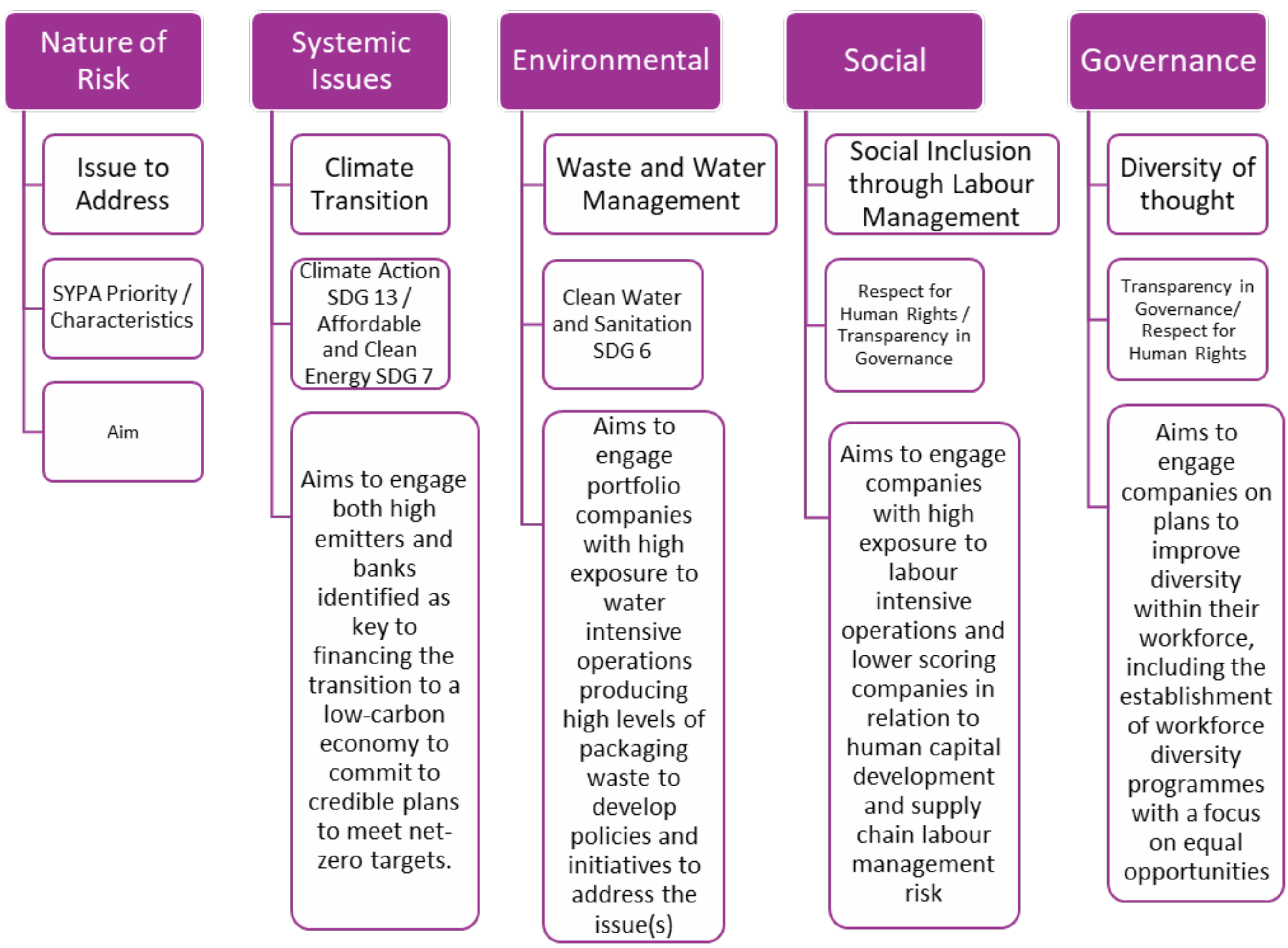
- Human Rights and Social issues, particularly, in terms of companies' relationships with indigenous communities. This is a particular issue in the mining industry associated with issues such as tailings dams but is also evidenced by the destruction of the Juukaan Gorge an aboriginal heritage site in Australia.
- Reliable accounts where LAPFF has been instrumental in a long-standing campaign to address the regulatory failures which have contributed to a number of major corporate failures such as Carillion. This is gradually bearing fruit in the UK with the proposed replacement of the Financial Reporting Council with a new more independent body.

7.3
RESPONSIBLE INVESTMENT

There is significant read across from these areas of focus in LAPFF's work programme to both the SDG priorities and the characteristics of good assets identified in the Authority's beliefs statement.

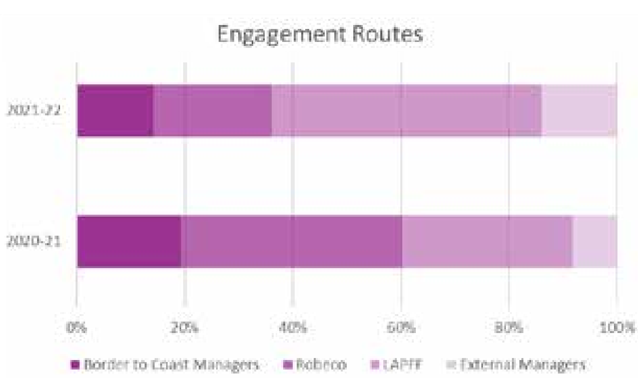
The Border to Coast Partnership in reviewing its Responsible Investment policy during the year agreed to adopt four new engagement themes for the coming three years (from January 2022).

The diagram below sets these out together with the aims of the engagements and also indicates how these themes link to the SDG priorities and characteristics of good assets set out in the Authority's beliefs statement. As can be seen the work done by the Authority to input into the Partnership's policy review has resulted in a significant overlap with between our priorities and these engagement themes.

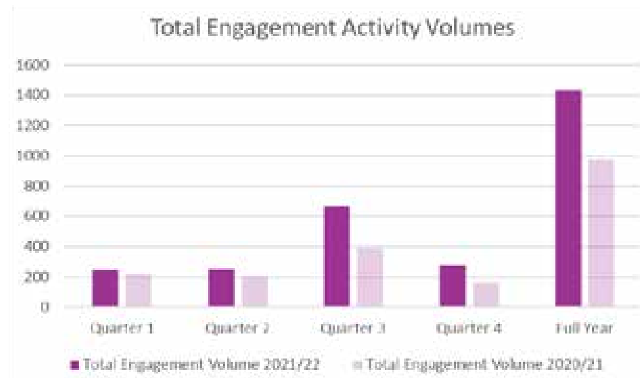


Activity During the Year

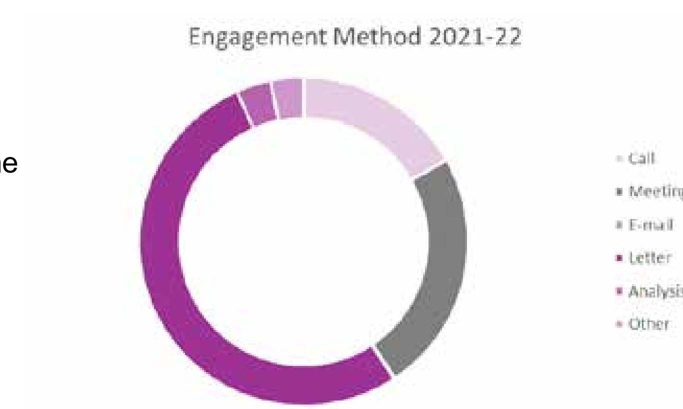
Over the last year there has been an increase in the level of engagement by the external managers within the Investment Grade Credit fund which reflects the extension of this approach across all asset classes, rather than restricting engagement to equity holdings, as well as an increase in activity by the Border to Coast in house team. More significantly the proportion of engagement activity delivered by LAPFF has increased significantly due to work to engage with UK companies around climate issues in the run up to CoP 26 in Glasgow in November 2021.



The overall level of engagement activity increased from 974 specific engagements to 1,435 in 2021/22 the increase being largely driven by the activity around CoP 26 undertaken by LAPFF but there was an increase in activity across all engagement routes. The chart below showing the pattern of engagement activity over the course of the year shows the impact of CoP 26 in a significant peak in activity in the third quarter.



Engagement can take many forms ranging from writing to a company, to formal meetings with the Company including with Board Members. Ideally we would like to see those engaging on our behalf doing so through means that encourage actual dialogue rather than what amounts to a written exchange of established positions. The specific work undertaken by LAPFF around CoP 26 significantly skews the picture shown in the graph below and if this is excluded over half of the engagement activity in the year was undertaken in a higher quality form enabling genuine dialogue with companies.



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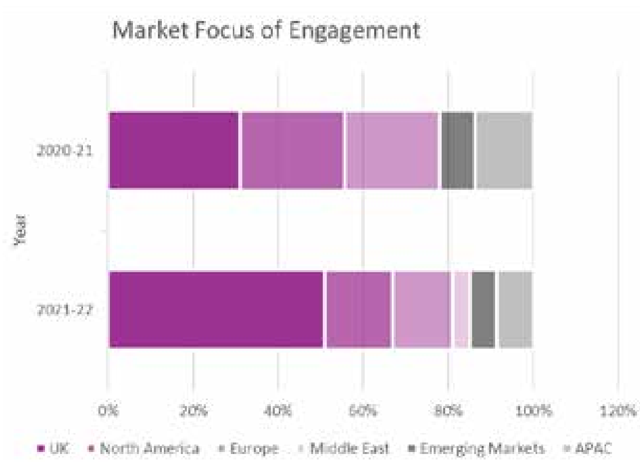
7.3
RESPONSIBLE INVESTMENT

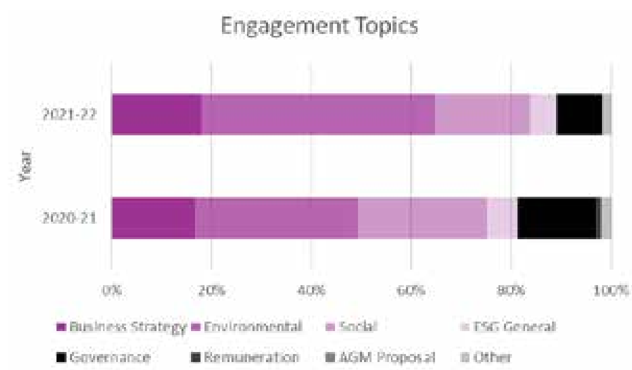
The market focus of engagement which is shown in the graph below has continued to be very much in the developed markets, although due to the overall increase in activity there has been increased activity in all markets. The apparent increase in activity in the UK reflects the focus of the CoP 26 related work undertaken by LAPFF which somewhat skews the analysis and if this is excluded the overall pattern would be similar to the previous year. Within this greater attention is being paid to emerging markets although it is more difficult to directly engage with companies in these markets.



Through all these different forms of engagement we talked to companies about a very wide range of issues, as shown in the graph below, fuller details are available in the various quarterly reports produced by Border to Coast, Robeco and LAPFF which are available at:

Border to Coast / Robeco here.

LAPFF here.



Nearly half of the engagements undertaken in 2021/22 related to environmental issues compared to around 1/3 in the previous year reflecting the impact of CoP 26 on the overall ESG agenda for investors. While the proportion of engagements on social issues did reduce because of this the absolute number remained higher than prior to the pandemic reflecting the increased focus on these issues by investors, while a focus was retained on key governance issues such as board diversity and independence.

The graphic below gives details on the outcomes of a number of engagement projects which closed out during the year and an update on other new and ongoing projects.

Labour Practices in Commerce

Robeco launched an engagement aimed at ensuring the e commerce hospitality and on line food delivery companies in light of the evidence from the pandemic of the vulnerability and precarious employment status of many of these workers. These and associated human rights issues represent very real reputational risks to companies and to shareholder value. The engagement focuses on four comapnies held in the equity portfolios Amazon, Meituan, Intercontinental Hotels, and Walmart. The engagement will be regarded as a success if the companies place labour practices and human capital strategies at the core of their corporate strategies mitigating the risk identified and therefore providing more sustainable outcomes for investors.

Food Security

Robeco's 3 year programme of work in this area concluded. The work focussed on sustainability reporting and transparency, product portfolios, the geographic distribution of operations, innovation management and public-private partnerships. Nearly 2/3 of the dialogues undertaken were successfully closed and most progress was achieved in formalising sustainability governance. Less progress was made with food processors and commodity traders who have the potential be active participants in developing economies agricultural sector and dialogues with two companies in this sector were closed unsuccessfully. This theme is intrinsically linked to the risks arising from the loss of global bio-diversity and future work will be linked to the developing engagement theme around bio-diversity and habitat loss.

Living Wages in the Garment Industry

Robeco's three-year engagement around living wages in the garment industry closed out. Five companies were engaged focussing on how companies uphold the payment of living wages across the business and how this is supported by responsible purchasing practices. Significant progress was achieved by companies in a number of areas including transparency around supplier lists and on risk assessment processes, the introduction of independent complaints processes with disclosure of results and a strengthening of social dialogue and collective bargaining agreements.

Cyber Security

Robeco began an engagement project on the issue in 2018 targeting 9 companies in the payments, telecoms and household products sectors in relation to best practice in cyber-risk management. The targets were chosen because of the amount of sensitive customer data they handle and/or because they have experienced significant data breaches. The engagement concluded successfully in 7 cases. The focus of the engagement was around, governance and oversight, policy and procedure, risk management and controls, transparency and disclosure and privacy by design. Most companies acknowledged cyber-crime as a risk but they varied in the priority attached to it. Companies were understandably reluctant to provide transparency on some areas and affected the success of the policy and procedure and transparency themes with success in only slightly more than half of companies in both cases. Dialogues was easier in relation to privacy issues and dialogue on these was closed successfully in 2/3 of cases. The companies engaged with had responded to and in several cases gone well beyond legal requirements. The specific issues addressed in this engagement will now be followed up in future engagements addressing the digitalization of healthcare and the social impact of AI.

Mining and Human Rights

LAPFF has continued its engagement in relation to mining and human rights. Many of the largest mining companies are facing very significant costs as a result of legal actions following their actions in relation to indigenous communities in various parts of the world. In some cases, these are safety issues such as lead poisoning in Zambia, sometimes issues around cultural sensitivity such as the destruction of culturally sensitive sites and sometimes failure to address issues such as some of the issues flowing from the tailings dam collapses. LAPFF is continuing to raise these issues and asking companies to quantify the impact of their actions or lack of action in terms of costs to the business which will have impacted shareholder value. There has been some progress in this area, however, too much of it has been in reaction to things going wrong, and LAPFF's aim is to encourage companies to put themselves on the front foot in this area.

Single Use Plastics

Robeco's engagement begun in 2019 around Single Use Plastics was closed. This involved active dialogue with a range of companies. Five companies within the Border to Coast portfolios were engaged and over the three-year period positive progress was made with all the companies. Examples relevant to SYPA's portfolio are:

Nestle: Made progress in its roadmap to eliminate harmful plastics and deforestation mitigation. The process is expected to complete in 2024 through fully eliminating products made up of a mix of plastics and papers, including laminates, caps and pvc liners.

PepsiCo: Has established best practice in avoiding waste via its SodaStream platform. The platform enables users to track their intake, set goals and measure their positive environmental contribution via plastic bottles avoided.

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RESPONSIBLE INVESTMENT

Collaborations

Engagement activity is more likely to be successful if it is supported by the collective weight of a larger number of investors and the Authority and Border to Coast therefore support a number of specific investor groups aiming to deliver change in company practices in specific areas. These groups focus on areas we regard as important to our work in relation to ESG and by bringing larger coalitions of investors together are better able to influence the behaviour of companies. Details of the significant activity by some of the collaborations with which the Authority and Border to Coast are engaged during the last year are given below.

Transition Pathway Initiative

The Transition Pathway Initiative introduced new benchmark low-carbon scenarios to their analysis enabling investors to track company performance in relation to a 1.5oC pathway and applied this to the energy sector in the first instance. TPI have also become a key part of post the CoP 26 infrastructure looking to increase coverage to 10,000 companies (from 400) and to add coverage of corporate and sovreign debt.

Climate Action 100+

Climate Action 100+ the major climate engagement initiative published the second round of Net Zero Company Benchmark assessments. The results show some corporate climate progress but find much more action is required to support efforts to limit temperature rise to 1.5oC. Border to Coast's voting guidelines have been adjusted to vote against Chairs where climate policies do not meet minimum standards and where the first four indicators of the nenchmark are failed.

WDi 2020 RESPONDER

The Workforce Disclosure Initiative launched its 2020 survey results with a 20% increase in participation across all economic sectors. High levle findings saw companies

- Improving transparency on pay but with more progress required to address inequalities
- Prioritising areas of diversity and inclusion for action
- Making commitments to human rights which are not always matched in parctice.
- Often not explaining how they are taking responsibility for their spply chains

IIGCC

The Institutional Investors Group on Climate Change has produced a number of pieces of work during the year including the "Net Zero Standard for Oil and Gas", and "Investor Expectations of Companies on Physical Climate Risks and Opportunities". The use of the Group's frameworks for supporting the drive to Net Zero has also continued to increase and they are widely recognised as an industry standard in this area.

TNFD

The Taskforce on Nature Related FInancial Disclosure is a global initiative aiming to develop a risk management and disclosure framework for nature related risks and opportunities. The first version of its framework was released in March covering science based concepts to define risks and opportunities, disclosure recommendations, and guidance on incorporating nature into risk management processes. It is expected that the framework will be refined with a final version being released in late 2023.

Occupational Pensions Stewardship Council

Responding to a 2020 report from the Asset Management Taskforce the Department of Work and Pensions has created the Occupational Stewardship Council as a forum for sharing experience, best practice and research and providing practical support. Border to Coast have joined the Council as an inaugural member.

Local Authority Pension Fund Forum

Much of LAPFF's work is reported on elsewhere but the Forum sponsors the All Party Parliamentary Group on Local Authority Pension Funds which during the year published a report on the role of LGPS funds in the Just Transition to a Net Zero world. SYPA contributed evidence to this work which makes recommendations to government, LGPS funds and the wider investment community.

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RESPONSIBLE INVESTMENT

In addition to these collaborations which are focussed on specific individual investment outcomes the Authority supports a number of other organisations who's aims in promoting the good management of pension funds align with its values and objectives. These collaborations are more focussed within the pensions industry and aim to share good practice in various ways.

The Global Impact Investing Network (the GIIN) is a global champion of impact investing. SYPA participated with a group of around 15 other investors from Europe and North America in a project to understand how a framework for asset owners to set monitor and manage impact objectives could be created. This work will continue in the coming year working on three practical case sutides

The Authority contributed to work sponsored by Pensions for Purpose and the Impact Investing Institute to identify and promote the potential of place based impact investing. Following this SYPA has joined a forum sponsored by Pensions for Purpose to share good practice in this area and to develop an appropriate reporting framework

The Authority acted as one of the founders for the new LGPS framework for Stewardship Services which will make it easier for LGPS funds to procure voting, engagement and other specialist advisory services in this area. This involved participating in the specification of the contract and the evaluation of bids.

In addition to these the Authority's Director is a member of the LGPS Scheme Advisory Board's Responsible Investment Advisory Group, and has contributed to research and policy development work by the Global Impact Investing Network, and the Impact Investing Institute.

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RESPONSIBLE INVESTMENT

The Authority was also honoured to receive the Impact Investing Adopters Award from Pensions for Purpose (sponsored by the Impact Investing Institute and Earth Capital). The nomination was based on a case study interview provided by the Authority as part of its commitment to the Impact Investing Principles. The judges commented ***"This was the best submission in my view. The adoption of a clear net-zero target is ambitious but impressive. There is a clear focus on particular SDGs. The engagement strategy is work in progress as is their impact measurement approach, but the timelines look good."***

The Authority's Director George Graham (3rd left) receiving the Impact Investor Adopters Award from (l to R) Charlotte O'Leary (Pensions for Purpose), Sarah Teacher (Impact Investing Institute) and Phil Culver-Evans (Earth Capital)

Impact

We take the impact of our investments on both people and planet very seriously and as we reported last year we are undertaking work with Minerva Analytics to understand the nature of the impact of our investments using the UN Sustainable Development Goals as a framework for analysis. We have now completed the first year of an initial three year project and we published the results in March 2022, which can be viewed in detail on our website here.

In summary the work undertaken for us by Minerva involved and found the following

Given the concentration of our investments to 5 industry sectors

- Manufacturing
- Financial and Insurance Activities
- Public Administration and Defence
- Real Estate Activities, and
- Information and Communication

We can then establish the combined negative impact that these sectors might have on the delivery of individual SDG's. To achieve this Minerva weighted the size of the Authority's investment in the largest 5 industry sectors against the potential negative impact of each sector on the individual SDGs, to come up with the following analysis:

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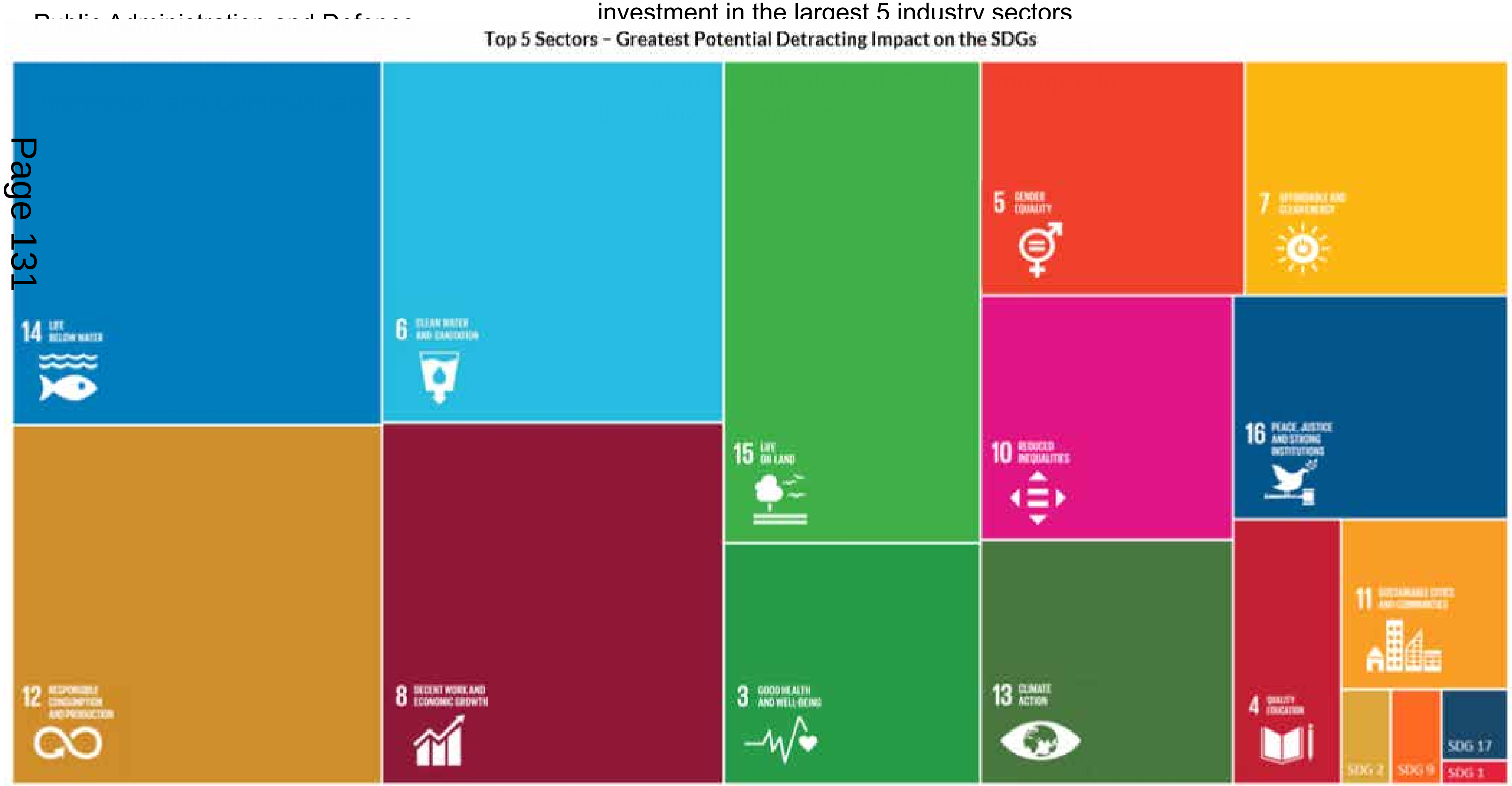
RESPONSIBLE INVESTMENT

Given the concentration of our investments to 5 industry sectors

- Manufacturing
- Financial and Insurance Activities
- Public Administration and Defence

We can then establish the combined negative impact that these sectors might have on the delivery of individual SDG's. To achieve this Minerva weighted the size of the Authority's investment in the largest 5 industry sectors



7.3
RESPONSIBLE INVESTMENT

The relative size of each box in the diagram above relates to the amount of Fund investments that have the potential to negatively impact the delivery of each individual SDG – the bigger the box, a larger proportion of the Authority's assets have the potential to detract from the delivery of the specific SDG. The point of this analysis is that it helps the reader visualise the relative importance of the Authority's current investment against specific SDGs. This also allows the Authority to consider focussing on how the assets invested in the top 5 industry sectors are being 'stewarded' in terms of their potential impact on specific SDGs.

The top 5 negative impacts are on

SDG 6 Clean Water and Sanitation

SDG 8 Decent Work and Economic Growth

SDG 12 Responsible Consumption and Production

SDG 14 Life Below Water

SDG 15 Life on Land

These can all be seen to link to elements of the priorities for engagement and stewardship activity which we have identified as set out below.

6 CLEAN WATER AND SANITATION: This SDG is specifically referenced in our beliefs statement as a priority for action and as an area where we will seek to achieve positive impact through specifc investments. It also relates to the characterisitic of good assets concerned with the human rights of communities

8 DECENT WORK AND ECONOMIC GROWTH: This SDG relates to the characterisitics of good assets set out in our beliefs statement concerned with balancing the interests of stakeholders and long term sustainability.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION: This SDG relates to the characteristics of good assets set out in our beliefs statement concerned with the long term sustainability, the human rights of communities and environmental impact.

14 LIFE BELOW WATER: There is some read across from SDG 6 to this SDG but this also relates to the characteristics of good assets concerned with long term sustainability and environamental impact

15 LIFE ON LAND: This SDG related to the characteristics of good assets set out in our beliefs statement concerned with the long term sustainability, the human rights of communities and environmental impact.

7.3
RESPONSIBLE INVESTMENT

A number of the specific pieces of engagement activity described above also relate specifically to these SDG's

Labour Practices in e Commerce – SDG 8

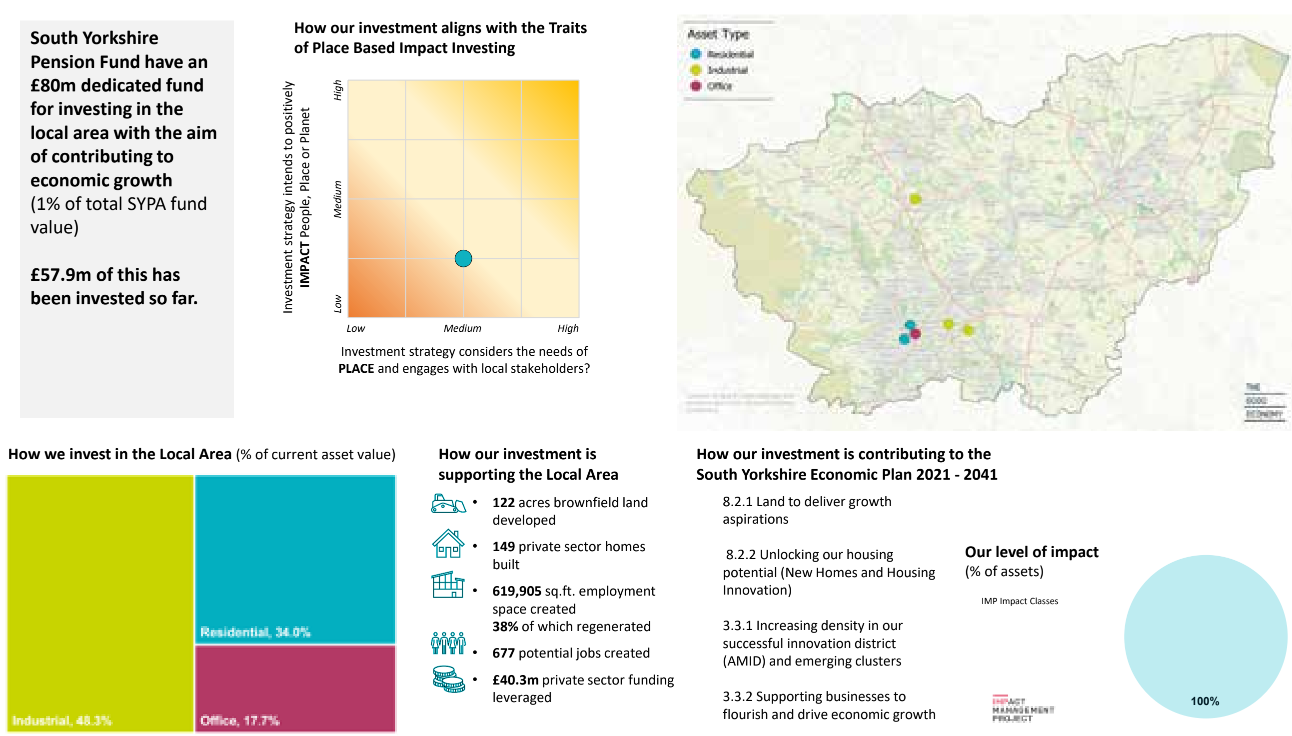
Food Security – SDG 12 and SDG 15

Living Wages in the Garment Industry – SDG 8

Mining and Human Rights – SDG 6 SDG 8 and SDG 12

Single Use Plastics – SDG 14

This demonstrates that our engagement activity is focussed on addressing those areas where we have identified that our investments potentially have the most negative impacts on people and planet. However, while this concerns the impacts of the totality of our investments we do make some investments with the specific ntention of having a positive impact while at the same time achieving the returns we need to make to pay pensions. These investments are particularly focussed in South Yorkshire and the infographic below shows the positive impacts that this investment has had on the place which our scheme members and their employers serve, and as set out in the investment review these investments achieved a 7% return for the year while contributing to a number of the County's economic goals. The infographic has been produced by the Good Economy as part of pilot work on the reporting of place based impacts supported by the Authority.



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7.3 RESPONSIBLE INVESTMENT

Governance

In accordance with LGPS Regulations administering authorities are required to state compliance with the Myners' Principles on a 'comply or explain' basis, within their Investment Strategy Statement. The six Principles provide a basis for monitoring good investment governance. The Authority believes it is fully compliant and has continually reviewed both its Investment Strategy Statement and its compliance with the principles during the year.

Stewardship

The integration of ESG risks and a robust approach to stewardship is strongly supported in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, which govern how the Authority should manage its investments. Guidance made under the regulations states that funds should become signatories to the UK Stewardship Code. The Authority was recognised as a Tier 1 signatory of the previous version of the Stewardship Code.

A new version of the Stewardship Code which, for asset owners like SYPA, is based on 12 principles has now been introduced. This Code requires us to report on how we have addressed each of the principles in the way in which we have run the Pension Fund. To avoid breaking up the flow of this annual report a specific section of this report on page x signposts the information that demonstrates our compliance with these principles.

7.4

RESPONSIBLE INVESTMENT

Climate Change

The Authority recognises that Climate Change poses possibly the greatest risk external to the Authority to the value of its investment portfolios. The risks and opportunities associated with climate change may have a material impact across all asset classes. The inter-connected nature of climate change has the potential to reduce returns across all asset classes and will have a macro-economic impact that could affect the entire Fund, including factors such as the life expectancy of scheme members rather than just the value of investment assets. All of this creates a range of risks and opportunities that can be characterised in various ways.

Physical Impacts -
For example increases in the number of extreme weather events.

Technological Changes -
For example the development of new battery storage technologies and hydrogen powered vehicles.

Regulatory anfd Policy Impacts -
For example the introduction of a law to prevent the sale of petrol/diesel powered vehicles.

Transition Risk -
For example the risk to business that itsplanfor the transition away from carbon is not aligned with the timescale of changes in regulation

Litigation Risk -
For example the risk to a company of losing a legal action in relation to its action or inaction in relation to carbon emissions.

In December 2015 the G20 finance ministers and Central Bank governors asked the Financial Stability Board (FSB) to review how the financial sector can take account of climate related issues.

Such information is needed by investors, lenders, and insurance underwriters in order to be able to assess climate related risks and opportunities. This led to the Task Force on Climate-related Financial Disclosures (TCFD) being established. Its remit was to develop a set of voluntary climate-related disclosures, which would assist in understanding the associated material risks of climate change. The final report with recommendation was published in June 2017; it considers that asset managers and asset owners, including public and private-sector pension funds, should implement the recommendations. The reporting framework recommended by the Task Force is structured around four themes: Governance, Strategy, Risk Management and Metrics and was updated in late 2021.

The recommendations of the TCFD have been widely adopted across the investment industry and by companies and the UK Government has announced an intention to make reporting in line with TCFD compulsory for companies and pension schemes, including the Local Government Pension Scheme.

7.4
RESPONSIBLE INVESTMENT
Climate Change

Source – TCFD Final Report June 2017

Governance
The organisation's governance around climate-related risks and opportunities

Strategy
The actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning.

Risk Management
The processes used by the organisation to identify, assess, and manage climate- related risks.

Metrics and Targets
The metrics and targets used to assess and manage relevant climate-related risks and opportunities.

The Authority is supportive of the TCFD recommendations, regardless of any forthcoming requirement to do so, and this section of the Annual Report aims to fulfil its commitments to reporting on progress in line with the recommendations using the four pillars. This report specifically looks at the Authority from the point of view of its activities as a financial institution. The equally important but quantitatively far less significant issues arising from the Authority's own operations are not directly addressed, although work is ongoing to develop our approach in this area.

Governance

Describe the board's oversight of climate-related risks and opportunities.

The Authority as a whole determines the attitude to and appetite for all risks and sets the policy framework within which management are required to address risks and opportunities. The policy framework includes the Authority's own Responsible Investment Policy which sits above the policy agreed with the other Border to Coast Partner Funds and its own Climate Change Policy and Policy on Responsible Investment in Commercial Property. The Climate Change Policy was originally approved in 2016 and revised in 2018 to reflect the TCFD recommendations. The policy was further revised during 2020 to include more specific goals. The policy on Responsible Investment in Commercial Property which addresses climate risk was comprehensively reviewed during the 2020 financial year. During 2020/21 the

Authority approved a belief statement in relation to Responsible Investment which provides a framework within which the Responsible Investment and Climate Change policies sit.

The Authority receives a quarterly update on Responsible Investment activities which includes activities related to climate change carried out directly and through collaborative arrangements such as Border to Coast and the Local Authority Pension Fund Forum. The Authority usually meets formally 5 times per year with several informal seminars and training sessions which may cover climate risk issues.

This report forms part of the Authority's Annual Report and Accounts which is approved by the Audit Committee on behalf of the Authority as a whole.

Describe management's role in assessing and managing climate-related risks and opportunities.

The Director and the Head of Investment Strategy are responsible for the implementation of the Investment Strategy and the Responsible Investment and Climate Change Policies with oversight provided by the Authority. They are also responsible for the contribution made by the Authority to collaborative and partnership activity in this area, including seeking to influence the behaviour of partners within the Border to Coast Pensions Partnership.

As the Authority no longer directly manages assets through its own team the Policy Framework sets out clear expectations of those that manage money on our behalf in a wide range of areas including the way in which they look to address climate risk. We expect those managing our money to actively consider and give considerable weight to climate risk in making individual investment decisions. This includes making use of emissions data and other metrics (where available) within their decision-making processes. We also expect those managing our money to actively engage with investee companies to ensure that they address specific risks and issues and as indicated in the previous section addressing climate risk and associated issues forms a very significant proportion of this activity.

The Authority's management maintains an ongoing dialogue with those managing money on the Authority's behalf (and in the case of Border to Coast with the other partners in the enterprise) to monitor whether our expectations are being met. Where this is not the case a process of escalation will be undertaken which could once all other options are exhausted, result in the moving of assets to another product and/or not making further investments with the specific fund manager if their approach to responsible investment in the round does not meet the Authority's requirements. It would be unlikely that a decision of this sort would be solely made on climate related grounds.

Strategy

Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long-term.

The Authority's Climate Change Policy recognises the following specific risks arising from Climate Change.

- Physical impacts – damage to land, infrastructure, and property due to extreme weather events, rising sea levels and flooding.
- Technological changes - innovations such as battery storage, energy efficiency, and carbon capture and storage will displace old technologies with winners and losers emerging.
- Regulatory and policy impact - financial impairment due to policy and regulation changes such as carbon pricing or levies, capping emissions, or withdrawal of subsidies.
- Transitional risk - financial risk associated with the transition to a low-carbon economy. This may entail extensive policy, legal, technology, and market changes to address mitigation and adaptation requirements related to climate change, creating investment opportunities as well as risks.
- Litigation risk - litigation is primarily aimed at companies failing to mitigate, adapt or disclose.

The strategies used to address these risks necessarily vary:

- Between asset classes where for example different levels of information are available about these different risks within listed equity investments as opposed to fixed income and as between public and private markets.
- Between markets where for example different levels of information and preparedness of investee companies to engage on these issues can exist between say the UK and emerging and frontier markets.

We expect those managing money on our behalf to start from our perspective as a long-term investor who wants to support companies that are sustainable in the long term. This is a view that applies across asset classes and means that managers should give weight in their stock selection to companies which are:

- Positively contributing to the transition to a lower carbon economy.
- Or have recognised the risks to their business model from the transition and put plans in place to manage the process thereby sustaining the business through the transition.

This mean that we want those managing our money to be conscious of the risks that climate change and the transition to a low carbon economy pose to businesses and use data within their stock selection processes to fully understand how businesses are addressing these risks.

Describe the impact of climate-related risks and opportunities on the organisation’s businesses, strategy and financial planning.

The way in which society as a whole (including the Authority) addresses climate change will impact on the path of future economic growth and the level of potential investment returns. Therefore, the degree to which the climate changes has the potential to fundamentally alter the Authority’s strategy and therefore the call that it has to make on employers for contributions to the Pension Fund. Given the need to achieve consistent and affordable contribution rates we need to understand how our strategy will behave in the event of differing climate outcomes to be able to adjust it in the light of events.

Describe the resilience of the organisation’s strategy, taking into consideration different climate-related scenarios, including a 2° C or lower scenario.

Scenario analysis is still very much a developing field, and there are limitations to its usefulness created both by data and the ability to forecast the impact of potential actions. The Authority looks to consider climate change and how this will impact future asset allocation decisions when reviewing investment strategy and undertook a scenario analysis as part of the review of the Investment Strategy carried out during 2019/20. This analysis considered the likely impact on the value of the Fund's portfolio and liabilities in the context of differing scenarios in terms of society's changes in behaviour in response to climate change. While such an analysis can only give an indication of what might happen if a large number of assumptions are borne out it does give an indication of how robust the strategy is against particular types of shock. It must be borne in mind that none of these scenarios is prediction of what will happen they are simply constructs of a mathematical modelling process designed to examine the inter-relationship of a wide range of factors such as economic growth and longevity, and consequently contain a large number of subjective views. The position in relation to the three scenarios identified in this analysis is shown below.

Head in the Sand	Challenging Times	Green Revolution
A total lack of response to climate risk resulting in global crop failures, an influx of new diseases, temperature fluctuations resulting in flu epidemics. Anti-biotic resistance rises as new discoveries are limited.	Some adaptation achieved, "peak oil flow" is reached constraining economies of the future. Increasing fuel prices, constrained government finances, difficulty obtaining access to imported foods. More / less severe for lower / higher socio -economic groups.	Rapid technological advances leading to positive adaptation to climate change. Healthier lifestyles prevail (walking, cycling etc.), diets improve with less processed food consumption, homes protected against extreme temperatures.
12% reduction in liabilities very poor funding outcomes	4% reduction in liabilities very few scenarios where full funding is achieved in most cases a worsening funding position	5% increase in liabilities with the impact of the steps taken to address climate change having a positive impact on markets and funding levels

Broadly the conclusion that can be drawn from this analysis is that it is in the Fund's financial interest to see faster progress towards climate goals such as net zero carbon emissions. Consequently, the way in which the investment strategy is implemented should seek to support the transition to a low carbon economy in line with the goals of the Paris Agreement.

The latest iteration of the Investment Strategy and its predecessor move a significant weight of assets out of public listed markets and into private market assets, or "alternatives". To some extent this has increased exposure to assets that may be less sensitive to climate change risks, as well as moving into areas more exposed to climate related investment opportunities such as renewable energy and other low or no carbon technologies as these types of business tend to raise capital through the private markets. This modelling will be updated over the course of the coming year as part of the next review of the investment strategy.

While the Authority does not actively disinvest on ESG grounds considering the significant potential financial impacts of climate change, carbon risk and stranded assets, it has made the decision not to invest in pure coal and tar sand companies. Over the coming year we will continue to discuss with other investors in Border to Coast's internally managed equity strategies ways in which these portfolios can become more climate aware and supportive of the move to a lower carbon economy in line with the Authority's and the Partnership's Net Zero goals.

Risk Management

Describe the organisation's processes for identifying and assessing climate-related risks.

The Authority has a clearly defined Risk Management Framework which allocates key responsibilities to individuals and teams within the organisation. The responsibility for the ongoing process or monitoring and assessment of risk (including climate risk) at corporate level lies with the Senior Management Team. Risk can be identified via several drivers including, process, strategy, horizon scanning, and scenario analysis. Identified risks are included in the Corporate Risk Register. These risks are reviewed by the Senior Management Team monthly and reported to the Authority on a quarterly basis. The Audit Committee and Local Pension Board have a shared responsibility for oversight of the effectiveness this process.

We expect those managing money on our behalf to recognise and address climate risk in their investment process and we review these arrangements through our oversight processes.

Describe the organisation's processes for managing climate-related risks.

We seek to manage climate-related risks in several different ways:

- We work with those managing money on our behalf to ensure that they have firstly understood the scale of the risk and are committed to addressing it.
- We seek to ensure that Border to Coast acting on our behalf gives weight to arrangements for the management of climate related risk in appointing external fund managers and in the ongoing monitoring of their performance, and that climate risk is covered during the due diligence process on private market investments.

- We require those managing money on our behalf to engage with portfolio companies in relation to:
  - business sustainability,
  - disclosure of climate risk in line with the TCFD recommendations and
  - adaptation of their business strategy in alignment with a low carbon economy.
- We expect companies to publish targets and report on steps taken to reduce greenhouse gas emissions. Engagement is conducted by Border to Coast, their engagement partner Robeco and external managers appointed to their fixed income funds; and through our support of collaborations such as the Climate Action 100+ and the Local Authority Pension Fund Forum (LAPFF). Engagement is supported by a voting policy which supports moves by companies to improve disclosure and take positive action in relation to climate issues.

Describe how processes identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.

Climate risk is, as described above, managed in the same way as other risks through a standardised corporate process which is led by the Authority's Senior Management Team.

The Risk Management Framework, which is subject to approval and review by the Audit Committee, allows us to identify, assess and manage risks. The effectiveness of the process is overseen by the Audit Committee and the Local Pension Board.

Climate risk is specifically included within the Corporate Risk Register.

Metrics and Targets

Describe the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.

The Authority has previously conducted two audits (in 2015 and 2017) of the carbon intensity of its equity portfolios presenting results in terms of tonnes of CO2e/$m Revenue.

With the transition of these portfolios to Border to Cost pooled products it is not possible to compare these previous results with results for the new products.

In future the Authority will produce measures of the carbon intensity of its listed equity investments and fixed income investments made through Border to Coast. These data will begin to be published 12 months after transition to the Border to Coast products.

It is important to recognise that these are backward looking and static metrics that measure only one aspect of a portfolio's exposure to climate-related transition risk. These data are produced using MSCI's carbon portfolio analytics. We will be looking to develop and adopt appropriate forward-looking measures over the coming year.

We expect those managing money on our behalf to use these data together with data from the Transition Pathway Initiative which indicates how well a company is prepared for the move to a lower carbon economy as part of their investment decision making process and in deciding which companies to engage with on climate issues.

Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse (GHG) emissions, and the related risks.

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The Authority currently invests in a wide range of listed and private market assets. Data in relation to emissions for private market assets is at best sketchy and difficult to gather therefore we concentrate on areas where there is a wide range of data available. This does not mean that we ignore private market assets which represent a significant part of our portfolio and we are supporting Border to Coast in their efforts to support the development of industry standards in this area.

Listed Assets

SYPA has investments in listed equities, fixed income and private markets funds managed by Border to Coast Pensions Partnership Limited. Carbon footprinting of the index-linked bonds, Multi Asset Credit and private markets portfolios has not been conducted due in part to the paucity of available data and, in the case of private markets, the relative immaturity of these portfolios. It should also be noted that carbon data coverage for fixed income markets generally is less mature and a systemic issue which the market is yet to address. The Border to Coast Listed Alternatives Fund, in which the Authority also invests, was launched in mid-February 2022 and has therefore been excluded from this year's disclosures.

Carbon footprint data is an evaluation of emissions at company, sector, and portfolio level at a point-in-time. It is widely acknowledged that carbon footprints continue to have limitations and are backward looking, with data sometimes being up to two years out of date. This data cannot be used in isolation to measure risk to an investor's portfolio. Some estimations must be made for companies that do not disclose data. As a carbon footprint captures a snapshot in time, we need to identify trends developing as the data we have increases. It should therefore be used in conjunction with other metrics whilst remaining aware of its limitations.

Data Quality

Although data is improving as companies provide better climate-related financial disclosures, the quality of corporate reporting remains inconsistent. For all Funds this year, we have also included carbon data availability metrics set out in the graph below. These metrics indicate the degree to which carbon data is available for the Fund, as well as the proportion of the data that is reported by the company or estimated by the data provider.

Data availability is more challenging in fixed income markets. Issuers of debt may not be covered by third-party data providers or, may be mapped to the parent company often operating in a different sector to the issuer itself. We provided disclosure for the Sterling Investment Grade Credit Fund for the first time last year without subsidiary mapping and have maintained this approach for this year's disclosures. This is due to our view that, despite data availability being lower, the data quality is higher.

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RESPONSIBLE INVESTMENT

Climate Change

Emissions Measurement

Border to Coast's current funds are actively managed, therefore carbon footprints may vary due to investment decisions made. Carbon footprints can increase at the same time as the carbon intensity decreases in a portfolio, and vice versa, and without the full picture it is impossible to understand the reasons behind this. Furthermore, some companies with a high carbon footprint may be important actors in the move to renewable energy and the transition to a low carbon economy. Portfolio Managers are required to document the investment rationale for the inclusion in the portfolio of companies with high carbon footprints. This enables managers to be challenged and facilitates ongoing monitoring and review. The table below shows the position on each of the funds relative to their benchmark at 31 March 2022.

Portfolio	Weighted Average Carbon Intensity (tCO2e / $m Sales		Carbon Intensity (tCO2e/ $m Sales)		Carbon Emissions (per $m invested)	
	Portfolio	Benchmark	Portfolio	Benchmark	Portfolio	Benchmark
Equity						
Overseas Developed	139	149	162	186	84	101
Emerging Markets	211	376	247	438	101	234
UK Listed	134	132	132	138	100	106
Fixed Income						
Investment Grade Credit	65	66	56	74	67	104

Carbon emissions, carbon intensity and weighted average carbon intensity data is considered in assessing risks when conducting carbon footprints. Reporting of data is best shown on a three-year rolling basis so that trends can be established rather than focussing on the distorted picture that may be given by a point in time metric and the following charts give the carbon data for all three metrics in absolute terms and relative to the benchmarks for the last three reporting periods (31st March 2020 to and including 31st March 2022), or since inception for Funds launched post 2020. Reporting covers the listed equity funds and Sterling Investment Grade Credit Fund.

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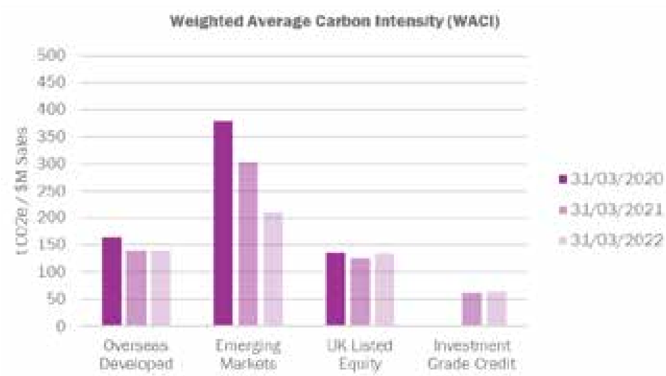
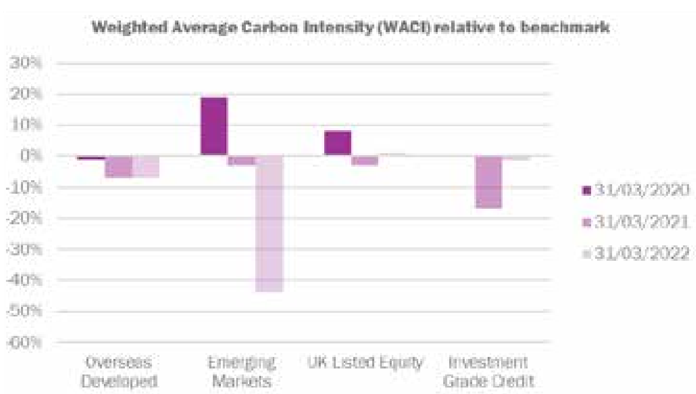
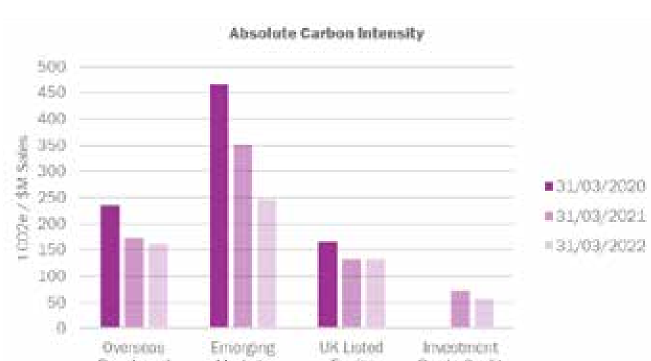


Source: MSCI ESG Research LLC, 31/03/2022



Source: MSCI ESG Research LLC, 31/03/2022



Source: MSCI ESG Research LLC, 31/03/2022

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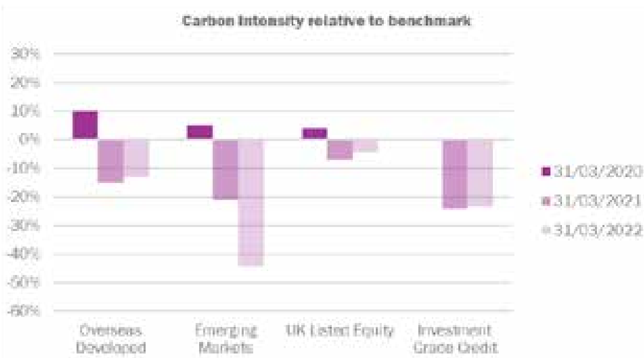
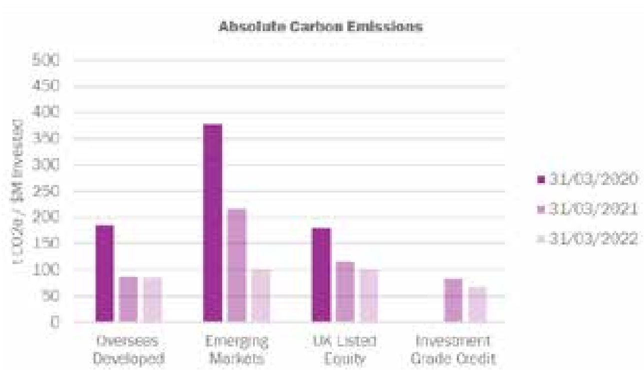
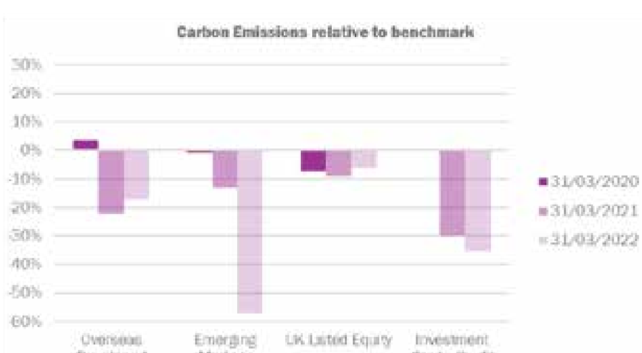


Source: MSCI ESG Research LLC, 31/03/2022



Source: MSCI ESG Research LLC, 31/03/2022



Source: MSCI ESG Research LLC, 31/03/2022

Over the three-year period covered in this report, all Funds are either broadly in-line or significantly below their benchmark for WACI. The biggest movement has been seen in the Emerging Market Fund following its restructuring in the second quarter of 2021 with the appointment of specialist managers to cover China. In absolute terms all Funds have shown decreases or remained stable.

The carbon intensity for all Funds is below the respective benchmark and Funds have either shown material reductions over the period or remained stable. Again, the Emerging Markets Fund stands out due to the restructuring undertaken.

Commercial Property

The other major area where it is possible to assess the environmental performance of the portfolio on a consistent basis is the commercial property portfolio which is assessed using the Global Real Estate Sustainability Benchmark (GRESB).

The chart below shows how the Authority's portfolio has scored against the GRESB benchmark overall and against the Environmental Social and Governance components in the three years from 2019. It is important to note that over time GRESB is becoming more stringent, thus seeking to make asset owners continuously improve their performance.

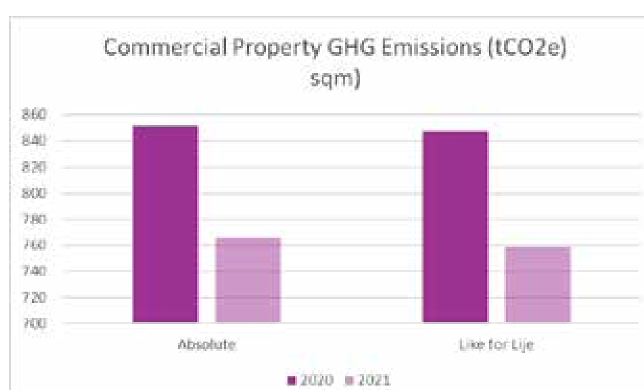
Source: Global Real Estate Benchmark 2021

SYPA's scores have improved year on year although generally they lag the benchmark, often because there is a dependency on the provision of data by tenants. While reporting requirements of this sort can be built into new leases this will take some time to be universally adopted across the portfolio.

Progress has been made in a number of areas set out in last year's action plan, including:

- Developing ESG Action plans for individual assets.
- Achieving the target of 70% of the portfolio by rental value with energy performance certificates in the A-C range.
- Progressing a number of solar PV and EV charging installations.
- Improving the reporting of ESG metrics as part of the regular reporting of performance by the fund manager.

This progress is evident in the emissions data shown below, for the first time, which covers Scope 1 and 2 emissions and has been calculated in line with the Greenhouse Gas Protocol using the location-based emissions factors methodology.



Source: abrdn March 2022

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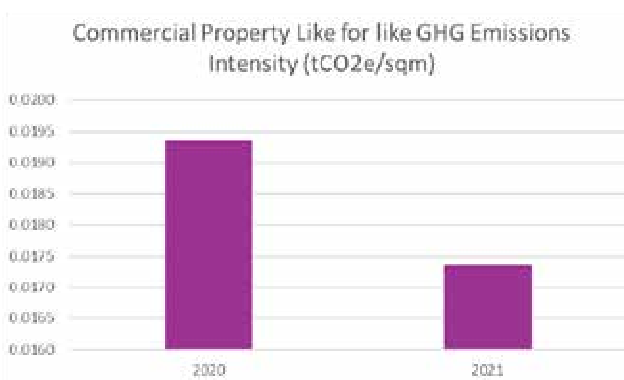
This shows a 10% reduction in GHG emissions on both an absolute basis and a like for like basis (i.e. properties held at both reference dates). The most significant reductions were in the retail warehouse and shopping centre sectors with offices also showing a significant reduction particularly in Scope 2 emissions. The main drivers of these reductions are reductions in energy consumption and improvements in the efficiency of the UK's electricity grid which means that each kWh used produces less CO2e emissions.

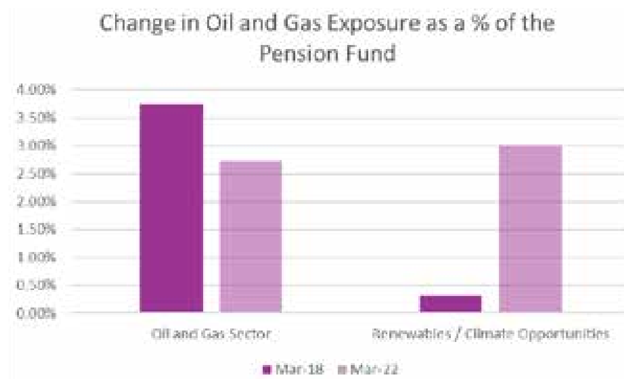
A similar pattern is evident when intensity of GHG emissions, which are only available on a like for like basis are examined as shown below.



Source: abrdn March 2022

Holdings Analysis

An alternative way of looking at the impact of the Authority's investments on climate change is by looking at the nature of the things in which we are invested. The data below compares the position at March 2018 to March 2022.



Source; SYPA Holdings Analysis and Border to Coast Source Data

What this shows is that the policy of tilting the overall portfolio away from oil and gas stocks as representative of the "old economy" and towards renewables and other climate opportunities is being delivered with a 28% reduction in the proportion of the Fund invested in "old economy" stocks over the period. Given the increased commitment to "new economy" related investments in future years, while traditional equities are likely to remain static this gap is likely to grow further.

It is also possible to consider the degree of commitment by companies in which we are invested to adapting themselves to the transition to a low/no carbon economy. We can do this through external assessment of companies position on the transition pathway. This technique only applies to listed companies held within the portfolios managed by Border to Coast. This year a total of 94 (81 in 2021)

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RESPONSIBLE INVESTMENT
Climate Change

portfolio companies have been rated by the Transition Pathway Initiative (TPI). Of these, 77 (70 in 2021) were ranked Level 3/4/4* for their Management Quality of carbon. TPI determines that these companies are “integrating climate change into operational decision making” and/or making a “strategic assessment” of climate. The distribution of companies across the various TPI categories is shown below.

Source: Border to Coast March 2022

During last year the Authority set out its goal of making its investment portfolios net zero in terms of carbon emissions by 2030. This is an extremely ambitious goal and reflects:

- The assessment of the seriousness of the risk that climate change poses to the value of the Fund’s investments if action is not taken.
- An ambition to exploit the opportunities that the transition to a low carbon economy can provide; and
- A desire to provide leadership and clear direction within the Border to Coast partnership.

We have now defined provisional targets for carbon emissions (also known as financed emissions) towards achievement of this goal and these will be firmed up as part of the forthcoming investment strategy review together with the addition of information on the portfolio’s degree of alignment with the targets set out in the Paris agreement. Given our dependence on Border to Coast for the provision of investment products and the fact that the broader partnership goal is set as 2050 SYPA will need to develop aspects of its investment strategy, particularly in private markets to include “carbon negative” investments and other offsets, with the agricultural property portfolio providing particular opportunities in this regard which will be investigated in the coming year.

The interim targets set are for the equity portfolios in aggregate and the Investment Grade Credit portfolio to deliver a reduction in financed emissions of 52% on 2019 levels by 2025. This is significantly greater than implied in the International Energy Agency’s Net Zero Emissions 2050 pathway. Given the reductions achieved to date this will require around a 2% p.a. year on year reduction for the remainder of the period to 2025. Thus, given previous performance there is a strong possibility of overachieving this goal.

While the Authority would wish to see these portfolios achieve Net Zero by 2030 this is not something that is entirely within our gift. Therefore based on current information available these portfolios could achieve a 65% reduction in emissions by 2030 compared to 2019 compared to the 41% reduction implied in the pathway to 2050. This would require reductions of approximately 6% p.a., which is close to the reduction required by Paris aligned equity benchmarks.

For Real Estate the setting of targets is complicated by the likely transition of assets into a Border to Coast product during 2023. At this point SYPA's assets will become part of a much larger pool of assets, most of which we have no knowledge of, making the setting of targets difficult. It would therefore not be sensible to set a formal target for this portfolio at this stage. However, it is acknowledged that emissions will need to be reduced by at least 50% on 2020 levels by 2025 to be aligned with the Authority's Net Zero goal. This implies ongoing reductions in emissions of at least 10% p.a.

The Paris Aligned Asset Owners Framework to which the Authority subscribes also requires the Authority to set targets for the proportion of emissions by:

- Companies which are achieving Net Zero
- Companies which are already aligned to Net Zero
- Companies which are in the process of aligning to Net Zero, and
- Companies which are being engaged with to encourage them to align to Net Zero.

Based on progress to date with the public market portfolios (both equity and fixed income) we would expect:

55% of financed emissions to be aligned to Net Zero by 2025, and 70% by 2030, and

80% of financed emissions to be subject to engagement by 2025 and 90% by 2030.

All of these targets will be refined as part of the review of the Investment Strategy which will include an examination of the balance between the different types of investment held by the Fund, which can also have an impact on overall emissions.

Section Eight

FINANCIAL ST
MENTS

Cannon Hall, Barnsley

8.1 FINANCIAL STATEMENTS

Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Treasurer;
- Manage its affairs to secure the economic, efficient and effective use of resources and safeguard its assets; and
- Approve the Statement of Accounts.

Approval of the Statement of Accounts

These accounts were approved, in accordance with Regulation 9 of the Accounts and Audit Regulations 2015, by the Audit Committee of South Yorkshire Pensions Authority.

Councillor David Nevett
Chair, Audit Committee Meeting

Date: 13 August 2021

The Treasurer's Responsibilities

The Treasurer is responsible for the preparation of the Authority's statement of accounts in accordance with proper practices as set out in the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Treasurer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- • complied with the local authority Code.

The Treasurer has also:

- kept proper accounting records which were kept up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Treasurer's Certificate

I certify that the accounts give a true and fair view of the financial position of South Yorkshire Pensions Authority at 31 March 2021 and its income and expenditure for the year then ended.

N. Copley BA (Hons) CPFA
Treasurer

Date: 13 August 2021

8.3

FINANCIAL STATEMENTS

Fund Account

2020/21 £'000		2021/22 £'000	Note
	Dealings with Members, Employers and Others Directly Involved in the Fund		
(282,816)	Contributions	(192,000)	[7]
(20,726)	Transfers In from other pension funds	(18,584)	[8]
(303,542)		**(210,584)**	
314,330	Benefits	320,872	[9]
16,870	Payments to and on account of leavers	17,136	[10]
331,200		338,008	
27,658	**Net (Additions)/withdrawals from dealings With members**	**127,424**	
64,658	Management Expenses	105,678	[11]
92,316	**Net (Additions)/withdrawals including fund management expenses**	**233,102**	
	Returns On Investments		
(68,114)	Investment income	(66,794)	[12]
0	Taxes on income	0	[12]
(1,715,874)	Profit and losses on disposal of investments and changes in the value of investments	(977,797)	[14b]
(1,783,988)	**Net return on investments**	**(1,044,591)**	
(1,691,672)	**Net (increase)/decrease in the net assets available for benefits during the year**	**(811,489)**	
(8,170,401)	**Opening net assets of the scheme**	**(9,862,073)**	
(9,862,073)	**Closing net assets of the scheme**	**10,673,562)**	

8.4

FINANCIAL STATEMENTS

Net Assets Statement

31/3/2021 £'000		31/3/2022 £'000	Note
	Long Term Investments		
1,182	Equities	1,182	
	Investment Assets		
55,941	Equities	25,621	
602,488	Bonds	64,692	
8,296,976	Pooled Investment Vehicles	9,648,130	
762,177	Direct Property	795,555	[14a]
186	Derivative Contracts	0	[15]
125,890	Cash	118,756	
7,443	Other Investment Assets	2,468	
	Investment Liabilities		
(3,361)	Derivative Contracts	0	[15]
(4)	Other Investment Liabilities	0	
9,848,918	**Total Net investments**	**10,656,404**	**[14a]**
26,472	Current Assets	33,828	[21a]
39	Long Term Debtors	0	[21b]
9,875,429		**10,690,232**	
(13,356)	Current Liabilities	(16,670)	[22]
9,862,073	**Net assets of the fund available to fund benefits at the end of the reporting period**	**10,673,562**	

Note: The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed at Note 20.

8.5

FINANCIAL STATEMENTS

Notes to the South Yorkshire Pension Fund for the year

1. Description of the Fund

The South Yorkshire Pension Fund ('the Fund') is part of the LGPS and is administered by South Yorkshire Pensions Authority

a) General

The scheme is governed by the Public Service Pensions Act 2013. The Fund is administered in accordance with the following scheme legislation:

- the LGPS Regulations 2013 (as amended)
- the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- the LGPS (Management and Investment of Funds) Regulations 2016.

The Fund is a contributory defined benefit pension scheme administered by South Yorkshire Pensions Authority (the Authority) to provide pensions and other benefits for pensionable employees of South Yorkshire Pensions Authority, the four district councils in South Yorkshire and a range of other scheduled and admitted bodies. Teachers, police officers and firefighters are not included as they come within other national pension schemes.

The Fund is overseen by the Pensions Authority, which consists of 12 councillors appointed by the District Councils roughly in proportion to population. In addition 3 representatives of the recognised Trades Unions act as observers to represent the interests of scheme members. In accordance with the requirements of the Public Services Pensions Act 2013, the Authority has established a Local Pension Board. The Board holds regular meetings and provides oversight, challenge and scrutiny over how the administering authority exercises its responsibilities. It publishes its own annual report which is available on the Authority's website and within the Annual Report.

The Border to Coast Pensions Partnership (Border to Coast) was created in response to Government policy on the pooling of investments. South Yorkshire Pension Fund, along with 11 other partner funds, are equal shareholders in the company. Most of the Fund's equity investments have been managed by Border to Coast since July 2018 and transition of the Fund's assets from internal management to Border to Coast is a continuing process that is expected to take a number of years to complete fully. At 31 March 2021, approximately 63% of the Fund's assets were being managed in pooled structures provided by Border to Coast.

Asset allocation remains the responsibility of the Authority.

Other investments are managed internally, with the assistance of advisors on real estate matters, in accordance with the LGPS (Management and Investment of Funds) Regulations 2016. The Authority has a retained actuary, Mercer Limited, and has appointed an independent investment advisory panel.

Further information is available in the Annual Report available from the Fund's website at **www.sypensions.org.uk**

b) Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme.

Organisations participating in the South Yorkshire Pension Fund include:

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund.
- Admitted bodies, which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

Membership details are set out below:

c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the fund and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2022. Employer contributions are set based on triennial actuarial funding valuations. The latest triennial valuation was undertaken as at 31 March 2019 and this determined the employer contribution rates payable from April 2020 to March 2023. These rates ranged from 12.5% to 29.9% of pensionable pay in 2021/22.

South Yorkshire Pension Fund	31 March 2021	31 March 2022
Number of employers with active members	533	548
Number of employees (active contributors)	51,050	51,429
Number of pensioners	57,308	59,755
Number of deferred pensioners *	58,511	59,924
Total number of members in the pension scheme	**166,869**	**171,108**

* The total shown for deferred pensioners includes 9,775 unprocessed leavers at 31 March 2022 (9,073 at 31 March 2021). Bulk processing tools are being developed to ensure these will be processed for valuation purposes. Once processed, these leavers could be a combination of deferred pensioners, frozen refunds, and aggregations. Until processed, this outcome is not known.

d) 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 scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is uprated annually in line with the Consumer Prices Index. A range of other benefits are also provided under the scheme including early retirement, disability pensions and death benefits, as explained on the LGPS website at **www.lgpsmember.org.**

e) Investment Performance

A sharp recovery in global growth and continued monetary and fiscal support led to strong equity market gains up to the end of December, with all equity asset classes, except for emerging markets, showing positive returns. However, global inflationary pressures were felt across both goods and services, and central banks became increasingly hawkish towards the end of 2021. Bond markets thus gave lower returns as the expectation was for interest rates to rise although expectations were still for global economic growth to continue, albeit at a lower rate than we had seen in 2021.

In equity markets, a bear market at the end of March 2020 quickly transformed into a bull market as investors became reassured by the extent of the monetary and fiscal support being delivered. Markets also had to contend with protracted negotiations over the terms of the UK's trade agreement with the European Union and one of the most contentious US elections seen. With a Brexit deal agreed the uncertainty of a no-deal Brexit evaporated and the UK market rallied in the final quarter of the financial year. Markets globally continued to reach new highs during the financial year, especially with the further impetus provided by the potential for the vaccine roll-out to generate a more sustainable recovery.

From the beginning of January, the investor focus became the escalating inflation in many developed economies and the prospect of rising interest rates accounted for the sell-off in markets. This scenario was then exacerbated by the Russian invasion of Ukraine which triggered a massive round of sanctions by western allies which had effects on the global economy and its supply chains, with energy costs and food costs in particular spiralling upwards. Commodity prices rose and commodity currencies benefited from safe haven flows. Inflation rates rose globally ending almost thirty years of low and stable inflation. This unsettled capital markets and businesses with the prospect of rising interest rates and higher borrowing costs.

Within UK commercial property, transaction volumes increased over the course of the year driven by overseas investors and this led to a strong annual return.

Over the year, the Fund continued the long-term strategy to deliver a lower risk return by continuing to switch from listed equities to new investments within the alternative asset classes, in particular infrastructure.

This year our investments in private equity were the big driver of growth for the Fund, with additional contributions from our investments in infrastructure, private credit and property.

Over the year the Fund delivered a return of 9.6% against an expected return of 7.7% (21.1% in 2020/21 against an expected return of 18%) and it had a marketvalue (net investment assets only) of £10,656 million at 31 March 2022 (£9,848 million at 31 March 2021).

2. Basis Of Preparation

The Statement of Accounts summarises the Fund's transactions for 2021/22 and its financial position at 31 March 2022. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code) which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

Paragraph 3.3.1.2 of the Code requires disclosure of information relating to the impact of an accounting change that will be required by a new accounting standard that has been issued but not yet adopted by the Code for the relevant financial year. There are no such accounting changes to be disclosed in this respect for 2021/22.

The accounts report on the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year, nor do they take into account the actuarial present value of promised retirement benefits. The Code gives administering authorities the option to disclose this information in the Net Assets Statement, in the notes to the accounts, or by appending an actuarial report prepared for this purpose.

The Fund has opted to disclose this information in Note 20.

The accounts have been prepared on a going concern basis.

3. Summary of Significant Accounting Policies

The following accounting policies have been applied consistently during the financial year and the previous financial year.

Fund Account - Revenue Recognition

a) Contribution Income

Normal contributions are accounted for on an accruals basis as follows:

- Employee contribution rates are set in accordance with LGPS regulations, using common percentage rates for all schemes which rise according to pensionable pay.
- Employer contributions are set at the percentage rate recommended by the fund actuary for the period to which they related.

Employer deficit funding contributions are accounted for on the basis advised by the Fund actuary in the rates and adjustment certificate issued to the relevant employing body or on receipt if received earlier than the due date. Additional 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. Amounts not due until future years are classed as long-term financial assets.

b) Transfers to and from other schemes

Transfers in and out relate to members who have either joined or left the fund.

Individual transfers in/out are accounted for when received or paid. Transfers in from members wishing to use the proceeds of their additional voluntary contributions (see below) to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers In (Note 8).

Bulk (group) transfers are accounted for in accordance with the terms of the transfer agreement.

c) Investment Income

i. 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. Income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.

ii. 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 an investment asset.

iii. Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as an investment asset.

iv. Property-related income consists primarily of rental income. Rental income from operating leases on properties owned by the Fund is recognised on a straightline basis over the term of the lease. Rental income is recognised in the Fund Account as it accrues and any amounts received in respect of the future year are disclosed in the Net Assets Statement as current liabilities.

v. Changes in the net market value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits/losses during the year.

Fund account – expense items

d) Benefits payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year.

e) 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.

f) Management expenses

The Fund discloses its pension fund management expenses in accordance with the CIPFA guidance, Accounting for Local Government Pension Scheme Management Expenses (2016), as shown below. All items of expenditure are charged to the Fund on an accruals basis as follows:

Administration expenses

All costs incurred by the Authority in respect of pensions administration are accounted for on an accruals basis and charged to the Fund.

Oversight and Governance

All costs incurred by the Authority in respect of Oversight and Governance are accounted for on an accruals basis and are charged to the Fund.

Investment Management Expenses

Investment management expenses are charged directly to the Fund as part of management expenses and are not included in, or netted off from, the reported return on investments. Where fees are netted off quarterly valuations by investment managers, these expenses are shown separately in Note 11a and grossed up to increase the change in value of investments.

Fees of the external investment managers, property advisor and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

All costs incurred by South Yorkshire Pensions Authority internally in respect of investment management expenses are accounted for on an accruals basis and are also charged to the Fund.

Net assets statement

g) Financial assets

The shares held as an unquoted equity investment in Border to Coast Pensions Partnership Ltd, are valued at cost - i.e. transaction price - as an appropriate estimate of fair value. It has been determined that cost remains an appropriate proxy for fair value at 31 March 2022. There is no market in the shares held and cost is a reasonable estimate of fair value. See Note 4 for further details.

All other financial assets are included in the Net Assets Statement 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 assets 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 (see Note 16). For the purposes of disclosing levels of the fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

h) Freehold and Leasehold Properties

Properties are valued quarterly by independent external valuers on a fair value basis and in accordance with the Royal Institute of Chartered Surveyors' Valuation Standards, see Note 16 for more details.

i) Foreign Currency Transactions

Dividends, interest, and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of- year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, overseas investments and purchases and sales outstanding at the end of the reporting period.

j) Derivatives

The Fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes.

k) Cash and cash equivalents

Cash comprises cash in hand and demand deposits.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

l)Loans and receivables

Financial assets classed as amortised cost are carried in the Net Assets Statement at amortised cost, i.e. the outstanding principal receivable as at the year-end date plus accrued interest.

m) 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 the changes in the fair value of the liability between contract date, the year-end and the eventual settlement date are recognised in the Fund Account as part of the change in market value of the investments.

Other financial liabilities classed as amortised cost are carried at amortised cost i.e. the amount carried in the Net Assets Statement is the outstanding principal repayable plus any accrued interest. Any interest charged is accounted for on an accruals basis and included in administration costs.

n) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of International Accounting Standards (IAS) 19 and relevant accounting standards. As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the Net Assets Statement (Note 20).

o) Additional Voluntary Contributions

The South Yorkshire Pension Fund provides an additional voluntary contribution (AVC) scheme for its members, the assets of which are invested separately from those of the Pension Fund. AVCs are not included in the accounts in accordance with Section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed for information in Note 23.

p) Contingent liabilities

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.

Contingent liabilities are not recognised in the Net Assets Statement but are disclosed by way of narrative in the notes.

4. Critical judgements in applying accounting policies

Pension Fund liability

The net pension fund liability is re-calculated every three years by the appointed actuary, Hymans Robertson LLP from November 2021 (Mercer Limited to November 2021), with annual updates in the intervening years. The methodology used is in line with accepted guidelines.

The estimate is subject to significant variances based on changes to the underlying assumptions which are agreed with the actuary and have been summarised in Notes 19 and 20. Actuarial re-valuations are used to set future contribution rates and underpin the Fund's most significant investment management policies, for example in terms of the balance struck between longer term investment growth and short-term yield/return.

Investment in Border to Coast

This investment has been valued at cost, i.e. transaction price, as an appropriate estimate of fair value. This is reviewed and assessed each year. Relevant factors include that there is no market in the shares held, disposal of shares is not a matter in which any shareholder can make a unilateral decision, and the company is structured so as not to make a profit. As at 31 March 2022, taking consideration of audited accounts for the company at 31 December 2021, there is also no evidence of any impairment in the value of shares held. It has therefore been determined that cost remains an appropriate proxy for fair value at 31 March 2022.

Directly Held Property

The Fund's property portfolio includes a number of directly owned properties which are leased commercially to various tenants with rental periods between three months and ten years. The Fund has determined that these contracts all constitute operating lease arrangements under the classifications permitted by IAS 17 and the Code, therefore the properties are retained on the Net Assets Statement at fair value. Rental income is recognised in the Fund Account on a straight-line basis over the life of the lease.

Private Equity

It is important to recognise the highly subjective nature of determining the fair value of unquoted private equity investments. They are inherently based on forward looking estimates and it is necessary to apply judgement to the valuation. Unquoted private equities and infrastructure investments are valued by the investment managers in accordance with the International Private Equity and Venture Capital Valuation Guidelines.

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

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts. Estimates and assumptions take account of historical experience, current trends and future expectations. However actual outcomes could be different from the assumptions and estimates made. The items in the net assets statement for which there is a significant risk of material adjustment for the following year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits (Note 20)	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, salary increases, changes in retirement ages, mortality rates and returns on fund assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied.	The actuarial present value of promised retirement benefits at 31 March 2022 is £13,269 million. The sensitivities regarding the principal assumptions used to measure the obligations are as follows: • a 0.1% p.a. reduction in the discount rate would increase the promised retirement benefits by approximately 2% or £265 million • a 0.1% p.a. increase in salary growth would increase the promised retirement benefits by approximately £41 million • a 0.1% p.a. increase in the pension increase rate (CPI) would increase the promised retirement benefits by approximately 2% or £222 million • a 1 year increase in member life expectancy would increase the promisedretirement benefits by approximately 4% or £531million
Private equity investments (Note 16)	Private equity instruments are valued at fair value in accordance with International Private Equity and Venture Capital Valuation guidelines (2012). Investments are not publicly listed and as such there is a degree of estimation involved in the valuation. Valuation techniques are used to determine the carrying amount of pooled property funds and directly held freehold and leasehold property. Where possible these valuation techniques are based on observable data, but where this is not possible management uses the best available data. Investments in private equity funds are valued based on the Fund's share of the net assets in the private equity fund using the latest financial statements published by the respective fund managers. These are as at 31 December 2021, then rolled forward for known cash flows in order to derive the valuation at 31 March 2022. This is the method used on the basis that any changes in market value from 31 December to 31 March are unlikely to be material. The reasonableness of this assumption is reviewed each year.	Private equity investments are valued at £4,128 million at 31 March 2022 (£3,133 million at 31 March 2021) in the financial statements. Based on the assessed level of volatility using the same methodology as outlined in the sensitivity analysis shown in Note 18, if prices fell by 11.8% this would reduce the value of these assets by £487 million.
Freehold, leasehold property and pooled property funds (Note 16)	Valuation techniques are used to determine the carrying amount of pooled property funds and directly held freehold and leasehold property. Where possible these valuation techniques are based on observable data, but where this is not possible management uses the best available data.	Changes in the valuation assumptions used, together with significant changes in rental growth, vacancy levels or the discount rate could all affect the fair value of property-based investments. The total value of property investments in the Net Assets Statement is £912 million including both directly held property and property held in pooled investment vehicles. At 31 March 2022 there is a range of potential outcomes. Note 18 shows the effect, based on an assessed volatility range, of a fall of 5% in these property values. For illustrative purposes, a fall of 10% would result in a reduction to the values in the Net Assets Statement of £91.2 million. However, it should be noted that this is illustrative only and is not necessarily indicative of the actual effects that would be experienced.

6. Events after the Reporting Period

The Statement of Accounts was authorised for issue on 22 June 2022. Events taking place after this date are not reflected in the financial statements or notes.

Where events taking place before this date provide information about conditions existing at 31 March 2022, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

7. Contributions receivable

By category	2020/21	2021/22
	£'000	*£'000*
Employees' contributions	**63,014**	**66,198**
Employers' contributions*		
Normal Contributions*	193,420	111,550
Deficit Recovery Contributions	20,720	8,246
Augmentation Contributions	5,662	6,006
Total Employers' Contributions	**219,802**	**125,802**
Total Contributions	**282,816**	**192,000**

By employer type	2020/21	2021/22
	£'000	*£'000*
Administering Authority	624	556
Scheduled Bodies		
Barnsley MBC	24,803	23,002
Doncaster MBC	51,281	10,427
Rotherham MBC	55,315	12,276
Sheffield CC	25,733	31,104
Other Scheduled Bodies	111,278	101,164
Admitted Bodies	13,782	13,471
Totals	**282,816**	**192,000**

*** Employer Contributions: Prepayments**

In April 2020, Doncaster Metropolitan Borough Council, Rotherham Metropolitan Borough Council and one Other Scheduled Body (South Yorkshire Fire &Rescue Authority) made prepayments in relation to their employer contributions due for the period April 2020 to March 2023. By making the paymentsearly, the cash amounts payable over the period are reduced. The amount of the prepayment and the discount applied were calculated by the Fund's actuary based on an estimate of the pensionable pay for each employer over the 3 year period. The prepayments amounted to £87.366 million in respect of normal contributions. These amounts were accounted for in the period received and are included in the figures shown above for 2020/21.

Additionally, Barnsley Metropolitan Borough Council and 46 Other Scheduled Bodies (primarily Multi Academy Trusts and large employers including South Yorkshire Fire & Rescue Authority and The Chief Constable) opted to make prepayments in relation to their deficit recovery contributions due for the period April 2020 to March 2023. The cash amount payable for these contributions over the period is similarly reduced as a result of the early payment, and this discount is calculated by the Fund's actuary. The prepayments of these deficit recovery contributions amounted to £13.241 million accounted for in the period received and included in the relevant figures shown above for 2020/21.

Sheffield City Council made a prepayment in the final quarter of 2019/20 in relation to their employer contributions due for the period April 2020 to March 2023 on the same principles as outlined above. The prepayment amounted to £87.551 million in respect of normal contributions and £3.169 million in respect of deficit recovery contributions. These amounts were accounted for in the period received (2019/20) and are therefore not included in the figures shown above.

8. Transfers In from other pension funds

	2020/21 £'000	2021/22 £'000
Group transfers	0	0
Individual transfers	20,726	18,584
Totals	**20,726**	**18,584**

9. Benefits payable

By category	2020/21 £'000	2021/22 £'000
Pensions	250,114	257,953
Commutation and lump sum retirement benefits	56,345	57,102
Lump sum death benefits	7,871	5,817
Totals	**314,330**	**320,872**

By employer type	2020/21 £'000	2021/22 £'000
Administering Authority	673	771
Scheduled Bodies		
Barnsley MBC	41,194	42,772
Doncaster MBC	46,269	45,239
Rotherham MBC	44,369	46,540
Sheffield CC	93,648	95,093
Other Scheduled Bodies	59,102	61,938
Admitted Bodies	29,075	28,519
Totals	**314,330**	**320,872**

10. Payments to and on account of leavers

	2020/21 £'000	2021/22 £'000
Refunds to members leaving service	365	535
Group transfers	0	0
Individual transfers	16,507	16,605
Payments for members joining state scheme	(2)	(4)
Totals	**16,870**	**17,136**

11. Management expenses

	2020/21	2021/22
	£'000	*£'000*
Administrative costs	2,962	3,382
Investment management expenses (Note 11a)	59,600	100,279
Oversight and governance costs	2,096	2,017
Totals	**64,658**	**105,678**

11a. Investment management expenses

2020/21					2021/22			
Management Fees	Perfornace Related Fees	Transition Costs	Total		Total	Management Fees	Perfornace Related Fees	Transition Costs
£'000	*£'000*	*£'000*	*£'000*		*£'000*	*£'000*	*£'000*	*£'000*
22,634	21,915	293	44,842	South Yorkshire Pensions Authority	75,877	22,867	52,874	136
11,175	1,272	1,002	13,449	Border to Coast Pensions Partnership	**2,977**	**21,559**	**0**	**1,418**
1,157	0	0	1,157	Abrdn	**1,325**	**1,325**	**0**	**0**
33	0	0	33	Bidwells	**40**	**40**	**0**	**0**
81	0	0	81	Schroder	**0**	**0**	**0**	**0**
35,080	23,187	1,295	59,562		**100,219**	**45,791**	**52,874**	**1,554**
			38	**Custody fees**				**60**
			59,600	**Total**				**100,279**

In accordance with CIPFA guidance management fees deducted at source and transaction costs are shown gross.

Wherever possible these figures are based on actual costs disclosed by the manager; where this is not available, best estimates have been made using other available information.

The presentation of this note has been amended to comply with CIPFA guidance and present an analysis of investment management expenses by investment manager as a more meaningful categorisation to show the nature of the costs incurred and how these arise for each different investment manager type.

The overall increase in expenses for 2021/22 from the previous year has largely been driven by the increase in performance-related fees; reflecting the increase in value held and the strong performance Pooled Investment Funds in particular.

12. Investment income

	2020/21 £'000	2021/22 £'000
Income from equities	971	572
Bonds	30,167	10,394
Income from pooled investment vehicles	9,381	28,267
Net property income (Note 12a)	26,640	27,278
Interest on cash deposits	353	168
Stock lending	129	80
Other	385	35
Total Before Taxes	**68,114**	**66,794**
Irrecoverable withholding tax on equities	0	0
Net Investment income	**68,114**	**66,794**

The Fund's equity holdings, together with its investment grade and index linked bond holdings, are now managed in pooled funds provided by Border to Coast and there is no direct income from those funds; the value of that income is instead reflected within the valuation of the Fund holdings. The income is accumulated and reinvested; therefore, the value of the income is reflected in the price of the units held and would only be realisable by the Fund by selling the units. The value of this re-invested income is reported separately and is shown below for information.

Re-Invested Income In Border to Coast Pooled Investment Vehicles

	2020/21 £'000	2021/22 £'000
Border to Coast UK	30,795	37,894
Border to Coast Developed Overseas	53,370	62,472
Border to Coast Emerging Markets	16,775	17,977
Border to Coast Investment Grade Credit	12,347	11,661
Border to Coast Sterling Index Linked Bonds	527	16,945
Border to Coast MAC Fund	0	8,990
Border to Coast Listed Alternative Fund	0	1,141
	113,814	**157,080**

12a. Property income

	2020/21 £'000	2021/22 £'000
Rental income	28,752	28,714
Other dividends and interest	0	186
Direct operating expenses	(2,112)	(1,622)
Net income	**26,640**	**27,278**

No contingent rents have been recognised as income during the period.

13a. Other fund account disclosures - External audit costs

	2020/21 £'000	2021/22 £'000
Fees payable in respect of external audit	49	46
	49	**46**

The external audit costs total above is included within the Oversight and Governance costs shown in Note 11.

13b. Other fund account disclosures - Irrecoverable VAT

	2020/21 £'000	2021/22 £'000
Irrecoverable VAT included in administration cost	101	298
Irrecoverable VAT included in investment management expense	211	144
Irrecoverable VAT included in Oversight & Governance cost	50	95
	362	**537**

Unlike other local authorities, the Authority does not currently have Section 33 status under the VAT Act 1994 that would enable it to reclaim VAT incurred.

This is due to its unique nature as a local authority with the sole purpose of administering the Pension Fund. Instead, a special exemption method agreed with HMRC is used for reclaiming a proportion of the Authority's VAT expense only. The remaining proportion that is not recoverable is charged to the management expenses of the Fund as outlined above. This irrecoverable proportion is approximately 65% of the total VAT expense incurred. The amounts shown here are included in the respective totals shown in Note 11.

14a. Investments

2020/21		2021/22 £'000	2021/22 £'000
	Long Term Investments		
1,182	Equities	1,182	
1,182			**1,182**
	Investment Assets		
55,941	Equities	25,621	
602,488	Bonds	64,692	
658,429			**90,313**
	Pooled Investment		
4,748,184	Equities	5,160,249	
815,245	Private Equity	1,019,328	
1,865,408	Credit	2,386,759	
431,897	Infrastructure	721,538	
99,594	Indirect Property	116,269	
0	Hedge Fund of Funds	4	
	Other Investments		
748,214	Direct Property	779,745	
13,963	Property Other	15,810	
	Derivative Contracts:		
186	Forward Currency Contracts	0	
762,363		795,555	
125,890	Cash Deposits	118,756	
7,443	Investment Income Due	2,468	
0	Amounts Receivable - Sales	133,333	121,224
9,852,283	Total Investment Assets	10,656,404	
	Investment Liabilities		
	Derivative Contracts		
(3,361)	Forward Currency Contracts	0	
(4)	Amounts Payable - Purchases	0	
(3,365)	Total Investment Liabilities	0	
9,848,918	Net Investment Assets	10,656,404	
336,648	Other Managed Funds	243,973	**(3,365)**
8,158,951			**9,848,918**

14b. Reconciliation of movements in investments and derivatives

Period 2020/21	Market value 1 April 2020	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in value during the year	Market value 31 March 2021
	£'000	*£'000*	*£'000*	*£'000*	*£'000*
Equities	75,482	348	(44,386)	25,679	57,123
Fixed Interest Securities	390,990	165,322	(101,384)	(45,280)	409,648
Index Linked Securities	170,737	1,857,480	(1,939,990)	104,613	192,840
Pooled Investments	6,656,270	540,593	(497,026)	1,597,139	8,296,976
Property	697,748	58,565	0	5,864	762,177
	7,991,227	**2,622,308**	**(2,582,786)**	**1,688,015**	**9,718,764**
Derivative Contracts:					
Forward Currency Contracts	(11,995)	7,372	(27,946)	29,394	(3,175)
	7,979,232	**2,629,680**	**(2,610,732)**	**1,717,409**	**9,715,589**
Other Investment Balances:					
Cash Deposits	170,769			(1,535)	125,890
Other Investment Assets	8,950				7,443
Other Investment Liabilities	0				(4)
NET INVESTMENT ASSETS	**8,158,951**			**1,715,874**	**9,848,918**

Period 2019/20	Market value 1 April 2019	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in value during the year	Market value 31 March 2020
	£'000	£'000	£'000	£'000	£'000
Equities	176,842	841	(92,063)	(10,138)	75,482
Fixed Interest Securities	826,372	661,153	(538,153)	(558,382)	390,990
Index Linked Securities	267,475	53,139	(125,491)	(24,386)	170,737
Pooled Investments	6,131,698	383,236	(186,194)	327,530	6,656,270
Property	687,245	39,679	(6,349)	(22,827)	697,748
	8,089,632	**1,138,048**	**(948,250)**	**(288,203)**	**7,991,227**
Derivative Contracts:					
Forward Currency Contracts	(481)	25,001	(18,777)	(17,738)	(11,995)
	8,089,151	**1,163,049**	**(967,027)**	**(305,941)**	**7,979,232**
Other Investment Balances:					
Cash Deposits	325,774			4,970	170,769
Other Investment Assets	15,161				8,950
Other Investment Liabilities	(94)				0
NET INVESTMENT ASSETS	**8,429,992**			**(300,971)**	**8,158,951**

14c. Investments analysed by Fund Manager

Market value 31 March 2020 | Market value 31 March 2021

Investments managed by Border to Coast Pensions Partnership:

%	£'000		£'000	%
0.0%	0	BCPP Sterling Index Linked Bonds	837,108	8.5%
12.6%	1,028,787	BCPP UK	1,025,943	10.4%
25.9%	2,111,628	BCPP Developed Overseas	2,935,183	29.8%
7.1%	575,537	BCPP Emerging Markets	787,058	8.0%
5.4%	439,639	BCPP Investment Grade Credit	487,249	5.0%
0.2%	13,791	BCPP Private Equity Series	50,649	0.5%
0.0%	0	BCPP Private Credit Series	6,753	0.1%
0.1%	12,446	BCPP Infratructure Series	43,376	0.4%
51.3%	**4,181,828**		**6,173,319**	**62.7%**

Investments managed outside of Border to Coast Pensions Partnership:

48.7%	3,977,123	South Yorkshire Pensions Authority	3,675,599	37.3%
48.7%	**3,977,123**		**3,675,599**	**37.3%**
100.0%	**8,158,951**	**Total Net Investment Assets**	**9,848,918**	**100.0%**

The following investments each represent over 5% of the net assets of the Fund.

		Security		
0.0%	0	BCPP Sterling Index Linked Bonds	837,108	8.5%
12.6%	1,028,787	BCPP UK	1,025,943	10.4%
25.9%	2,111,628	BCPP Developed Overseas	2,935,183	29.8%
7.1%	575,537	BCPP Emerging Markets	787,058	8.0%
5.4%	439,639	BCPP Investment Grade Credit	487,249	5.0%
12.1%	984,803	Schroder Matching Plus (Equity Protection)	0	0.0%
	5,140,394		**6,072,541**	

14d. Stock lending

The Fund's investment strategy sets the parameters for its stock lending programme. At the year end, the value of assets on loan was as shown below. These assets continue to be recognised in the Fund's financial statements. No liabilities are associated with the loaned assets.

Counterparty risk is managed through holding collateral at the Fund's custodian bank; the value of collateral held at year end is also shown below.

	31/03/20 £'000	31/03/21 £'000
Assets on loan		
UK corporate bonds	9,050	3,935
Overseas corporate bonds	11,318	26,461
Overseas government bonds	20,301	40,602
Total value of stock on loan	**40,669**	**70,998**

Collateral held		
UK Gilts	3,286	11,199
Overseas bonds	42,217	64,505
	45,503	**75,704**

Income generated from stock lending in the year was £0.129 million (2019/20: £0.174 million) as shown in note 12. This income has reduced in the last two years due to the transition of UK and overseas equities into the Border to Coast Pensions Partnership pool. The current stocks on loan as shown above comprise the Fund's Bonds assets and reflect the lending activity required in order to generate the level of income currently being achieved.

14e. Property holdings

The Fund's investment property portfolio comprises investments in pooled property funds and a number of directly owned properties which are leased commercially to various tenants. Details of these directly owned properties are as follows.

	2019/20 £'000	2020/21 £'000
Opening balance	**675,492**	**684,047**
Additions:		
Purchases	29,750	54,780
New construction	6,023	449
Subsequent expenditure	1,906	3,336
Disposals	(6,350)	0
Net increase/(reduction) in market value	(22,774)	5,602
Closing balance	**684,047**	**748,214**

In the accounts for the previous year ended 31 March 2020, it was reported that there was additional uncertainty over the valuations of property holdings due to the impact of COVID-19. For this year ended 31 March 2021, this additional uncertainty arising from the pandemic has reduced sufficiently that the valuation report from our valuers is no longer subject to a material uncertainty clause. Further details regarding this assessment are disclosed in Note 5.

The Fund holds a number of buildings in prime locations. There are no legal restrictions on the ability to realise these properties or on the remittance of income or disposal proceeds, although the Fund recognises that it could take six months to achieve disposal on favourable terms.

As at 31 March 2021, there was one vacant property (31 March 2020: nil) and seven (31 March 2020: nine) vacant units across the property portfolio. Repairs and maintenance of the properties are either directly with the occupant of the property or via a service charge. Each lease sets out the condition in which a property should be left at the end of the tenancy and states that any cost to restore it to this condition is the responsibility of the tenant.

15. Analysis of derivatives

The Fund uses currency hedging to manage risk, its foreign currency exposure and volatility in the bond and property fund portfolio. The exposure is in US Dollar and Euro denominated assets and has been transacted by forward currency contracts with the custodian bank, whereby the parties agree to exchange two currencies on a specified future date at an agreed rate of exchange.

Settlement	Currency bought	Local value	Currency sold	Local value	Asset value	Liability value
		£'000		*000*	*£'000*	*£'000*
Up to three months	GBP	11,165	EUR	13,000	76	0
Up to three months	GBP	236,198	USD	330,000	0	(2,926)
Up to three months	GBP	3,435	EUR	4,000	23	0
Up to three months	GBP	35,072	USD	49,000	0	(435)
Up to three months	GBP	12,883	EUR	15,000	87	0
Open forward currency contracts at 31 March 2021					**186**	**(3,361)**
Net forward currency contracts at 31 March 2021						**(3,175)**
Open forward currency contracts at 31 March 2020					**0**	**(11,995)**
Net forward currency contracts at 31 March 2020						**(11,995)**

16. Fair Value - basis of valuation

The shares held as unquoted equities in our pool, Border to Coast Pensions Partnership Ltd, are valued at cost, i.e. transaction price, as an appropriate estimate of fair value. This is reviewed and assessed each year. Relevant factors include that there is no market in the shares held, disposal of shares is not a matter in which any shareholder can make a unilateral decision, and the company is structured so as not to make a profit. As at 31 March 2021, taking consideration of audited accounts for the company at 31 December 2020, there is also no evidence of any impairment in the value of shares held. It has therefore been determined that cost remains an appropriate proxy for fair value at 31 March 2021.

All other 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.

Description of Asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Exchange traded pooled investments and property funds	Level 1	Closing bid value on published exchanges	Not required	Not required
Bonds	Level 2	Average of broker prices (Valued on a "clean basis" i.e. not including accrued interest)	Evaluated price feeds/ Composite prices	Not required
Pooled investments - listed debt funds and property funds	Level 2	Closing bid price where bid and offer prices are published Closing single price where single price published	NAV-based pricing set on a forward pricing basis or a single price advised by the fund manager	Not required
Pooled investments - Limited partnerships, hedge fund of funds, other funds and property funds	Level 3	Closing bid price where bid and offer prices are published Closing single price where single price published	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
Freehold and leasehold properties	Level 3	Valued at fair value at the year-end using the investment method of valuation by Jones Lang LaSalle for the commercial portfolio and Fisher German for the agricultural portfolio in accordance with the RICS Valuation – Professional Standards January 2014	• Existing lease terms and rentals • Independent market research • Vacancy levels • Estimated rental growth • Discount rate	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations as could more general changes to market prices.

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 2021.

Asset type	Assessed valuation range (+/-)	Value as at 31 March 2021	Value on increase	Value on decrease
2021		*£'000*	*£'000*	*£'000*
UK Unquoted Equities	0%	1,182	1,182	1,182
Overseas Equities	14%	885	1,009	761
Pooled investment vehicles	8%	1,690,432	1,825,667	1,555,197
Pooled property funds	4%	64,390	66,966	61,814
Freehold and leasehold property	4%	748,214	778,143	718,285
Other property (wholly owned subsidiaries)	4%	13,963	14,521	13,405
Total		**2,519,066**	**2,687,488**	**2,350,644**

16a. Fair value hierarchy

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. Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2
Where quoted market prices are not available, or where valuation techniques are used to determine fair value based on observable data. This includes composite prices for fixed income instruments and fund net asset value prices.

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.Such instruments include unquoted equity investments and hedge fund of funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

Investments in private equity funds and unquoted listed partnerships are valued based on the Fund's share of the net assets in the private equity fund or limited partnership using the latest financial statements published by the respective fund managers in accordance with the guidelines set out by the British Venture Capital Association or other professional bodies.

The table that follows provides an analysis of the assets and liabilities of the Pension Fund grouped into levels 1 to 3, based on the level at which the fair value is observable.

2021	Quoted market price	Using observable inputs	With significant unobservable inputs	
Value at 31 March 2021	**Level 1** *£'000*	**Level 2** *£'000*	**Level 3** *£'000*	**Total** *£'000*
Financial assets				
Financial assets at fair value through profit and loss	341,959	6,862,002	1,769,671	8,973,632
Non-financial assets at fair value through profit and loss (see Note 14e)	0	0	748,214	748,214
Net investment assets	**341,959**	**6,862,002**	**2,517,885**	**9,721,846**

The following assets were carried at cost:	**Total**
Value at 31 March 2021	*£'000*
Investments in Border to Coast Pensions Partnership Pool	1,182
Investments held at cost	**1,182**

Reconciliation to net assets statement	
Total analysed above	9,723,028
Plus Cash - Sterling	116,520
Plus Cash - Foreign Currency	9,370
Total net investments per net assets statement	**9,848,918**

2020	Quoted market price	Using observable inputs	With significant unobservable inputs	
Value at 31 March 2020	**Level 1** *£'000*	**Level 2** *£'000*	**Level 3** *£'000*	**Total** *£'000*
Financial assets				
Financial assets at fair value through profit and loss	191,887	5,801,541	1,309,874	7,303,302
Non-financial assets at fair value through profit and loss (see Note 14e)	0	0	684,047	684,047
Net investment assets	**191,887**	**5,801,541**	**1,993,921**	**7,987,349**

The following assets were carried at cost:	**Total**
Value at 31 March 2020	*£'000*
Investments in Border to Coast Pensions Partnership Pool	833
Investments held at cost	**833**

Reconciliation to net assets statement	
Total analysed above	7,988,182
Plus Cash - Sterling	159,720
Plus Cash - Foreign Currency	11,049
Total net investments per net assets statement	**8,158,951**

17a. Classification Of Financial Instruments

The financial instruments of the Fund comprises its investment assets, debtors and creditors as shown in the Net Assets Statement. Property held is classified as investment property and is not a financial instrument so is not included in the classification below.

31 March 2020				31 March 2021		
Fair value through profit and loss	Asset at amortised cost	Liabilities at amortised cost		Fair value through profit and loss	Asset at amortised cost	Liabilities at amortised cost
£'000	£'000	£'000		£'000	£'000	£'000
			Financial Assets			
75,482			Equities	57,123		
390,990			Fixed Interest Securities	409,648		
170,737			Index Linked Securities	192,840		
6,656,270			Pooled Investments	8,296,976		
13,701			Other Property (Wholly Owned Subsidiaries)	13,963		
0			Forward Currency Contracts	186		
8,950			Other Investment Balances	7,443		
	159,720		Cash - Sterling		116,520	
	11,049		Cash - Foreign Currency		9,370	
	24,343		Sundry Debtors and Prepayments		26,511	
7,316,130	**195,112**	**0**		**8,978,179**	**152,401**	**0**
			Financial Liabilities			
(11,995)			Forward Currency Contracts	(3,361)		
0		(12,893)	Sundry Creditors	(4)		(13,356)
7,304,135	**195,112**	**(12,893)**	**Total**	**8,974,814**	**152,401**	**(13,356)**
	7,486,354				**9,113,859**	

17b. Net Gains And Losses On Financial Instruments

	2019/20 £'000	2020/21 £'000
Financial assets		
Gain / (Loss) on assets at fair value through profit and loss	(265,376)	1,682,151
Gain on assets at amortised cost	4,970	(1,535)
Financial liabilities		
Fair value through profit and loss	(17,738)	29,394
Net Gain / (Loss) on financial instruments	**(278,144)**	**1,710,010**

All realised gains and losses arise from the sale or disposal of financial assets which have been derecognised in the financial statements.

18. Nature and extent of risks arising from financial instruments

Risk and Risk Management

The Fund's primary long-term risk is that its assets will fall short of its liabilities (i.e. promised benefits payable to members).

Therefore, 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.

The management of risk is described within the Fund's Investment Strategy Statement (ISS) which is included in the published annual report and accounts and is also available in the 'Investments' area of the Fund's website (https://www.sypensions.org.uk). It centres upon the adoption of an investment strategy, as represented by the Fund's customised benchmark, which is appropriate to meet the objectives of the Funding Strategy Statement. It focuses on the unpredictability of financial markets and seeks to minimise the potential adverse effects on the resources available to fund services.

The cash balances of the Fund are managed by the Administering Authority. The Authority's treasury management activities are governed by the Local Government Act 2003 and the Fund has broadly adopted CIPFA's Treasury Management Code of Practice. The annual Treasury Management Strategy was approved by the Authority in March 2021.

a. Market Risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the pension fund and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis, any identified risk is monitored and reviewed.

Equity futures contracts and exchange traded option contracts on individual securities may also be used to manage market risk on equity investments. It is possible for over-the-counter (OTC) equity derivative contracts to be used in exceptional circumstances to manage specific aspects of market risk.

Price Risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The Fund's ISS sets out the details of how the risk of negative returns due to price fluctuations is managed. Different asset classes have different risk and return characteristics and will therefore react differently to external events and will not necessarily do so in a correlated or pre-determined manner. No single asset class or market acts in isolation from other assets or markets. It is, therefore, extremely difficult to meaningfully estimate the consequences of a particular event in a particular asset on other asset classes. It is important to recognise that returns, volatility and risks vary over time.

In order to minimise the risks associated with market movements the Fund is well diversified across asset classes and within individual portfolios and constantly monitored and reviewed.

Price Risk - Sensitivity Analysis

Potential price changes are determined based on the observed historical volatility of asset class returns. 'Riskier' assets such as equities will display greater potential volatility than bonds as an example, so the overall outcome depends largely on the Fund's' asset allocations. Based on this, the Fund has determined that the following movements in market price risk are reasonably possible for 2021/22, assuming that all other variables, in particular foreign exchange rates and interest rates, remain the same:

Asset type 2021	Value as at 31 March 2021 £'000	Potential market movements (+/-)	Potential value on increase £'000	Potential value on decrease £'000
UK Equities	1,025,943	15.98%	1,189,889	861,997
Overseas equities	3,778,182	13.56%	4,290,503	3,265,861
Fixed interest securities	409,648	6.92%	437,996	381,300
Index linked securities	192,840	13.57%	219,008	166,672
Private equity	815,245	8.51%	884,622	745,868
Credit	411,352	7.31%	441,422	381,282
Infrastructure	431,897	8.85%	470,120	393,674
Property (unit trusts)	99,594	4.23%	103,807	95,381
Other Pooled Investment Vehicles	1,790,704	0.00%	1,790,704	1,790,704
UK Unquoted Equities	1,182	0.00%	1,182	1,182
Total	**8,956,587**		**9,829,253**	**8,083,921**

Asset type 2020	Value as at 31 March 2020 £'000	Potential market movements (+/-)	Potential value on increase £'000	Potential value on decrease £'000
UK Equities	1,028,787	9.23%	1,123,744	933,830
Overseas equities	2,761,814	10.07%	3,039,929	2,483,699
Fixed interest securities	390,990	4.45%	408,389	373,591
Index linked securities	170,737	14.43%	195,374	146,100
Private equity	572,279	6.69%	610,564	533,994
Credit	339,842	6.57%	362,170	317,514
Infrastructure	319,118	6.36%	339,414	298,822
Property (unit trusts)	76,366	3.70%	79,192	73,540
Other Pooled Investment Vehicles	1,632,713	0.00%	1,632,713	1,632,713
UK Unquoted Equities	833	0.00%	833	833
Total	**7,293,479**		**7,792,322**	**6,794,636**

Interest Rate Risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Different classes of asset have different risk and return characteristics and sensitivities to changes in financial factors, in particular to inflation and interest rates. The Fund's investment strategy takes into account these differences and the correlation between them. The Fund regularly monitors its exposure to interest rates.

The Fund's direct exposure to interest rate movements as at 31 March 2021 and 31 March 2020 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

The Fund recognises that interest rates can vary and can affect both income to the Fund and the carrying value of Fund assets, both of which affect the value of the net assets available to pay benefits. The sensitivity analysis shown below is based on the Fund's methodology for this risk and shows the potential impact of a 0.69% (31 March 2020: 0.72%) change in interest rates. This percentage is equal to 1 standard deviation of the 10 year government bond yield (annualised).

The analysis assumes that all other variables, in particular exchange rates, remain constant.

Exposure to interest rate risk	Value as at 31 March 2021	Potential interest rate movement	Potential value on increase	Potential value on decrease
2021	£'000	(+/-)	£'000	£'000
Cash - Sterling	116,520	0.69%	117,324	115,716

Exposure to interest rate risk	Value as at 31 March 2020	Potential interest rate movement	Potential value on increase	Potential value on decrease
2020	£'000	(+/-)	£'000	£'000
Cash - Sterling	159,720	0.72%	160,870	158,570

Currency Risk

Currency risk represents the risk that future cash flows will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on any cash balances and investment assets not denominated in UK sterling. The Fund's customised benchmark regulates such exposure: part of that approach involves the Authority passively hedging its overseas property portfolio's currency risk.

Following analysis of historical data, the Fund considers the likely volatility associated with foreign exchange rate movements to be not more than 8.36%. A strengthening/weakening of the pound by 8.36% against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Assets exposed to currency risk	Asset value as at 31 March 2021	Potential market movement	Value on increase	Value on decrease
2021	£'000	£'000	£'000	£'000
Overseas quoted equities	3,778,182	315,856	4,094,038	3,462,326
Overseas fixed interest securities	340,921	28,501	369,422	312,420
Overseas private equity	695,479	58,143	753,622	637,336
Overseas credit	356,991	29,844	386,835	327,147
Overseas infrastructure	304,930	25,492	330,422	279,438
Overseas other managed funds	352,190	29,443	381,633	322,747
Overseas property funds	13,556	1,133	14,689	12,423
Forward currency contracts	(3,175)	(265)	(3,440)	(2,910)
Cash - Foreign currency	9,370	783	10,153	8,587
Total change in assets available to pay benefits	**5,848,444**	**488,930**	**6,337,374**	**5,359,514**

Assets exposed to currency risk	Asset value as at 31 March 2020	Potential market movement	Value on increase	Value on decrease
2020	£'000	£'000	£'000	£'000
Overseas Quoted Equities	2,761,814	230,888	2,992,702	2,530,926
Overseas Fixed Interest Securities	311,919	26,076	337,995	285,843
Overseas Private Equity	476,469	39,833	516,302	436,636
Overseas Credit	292,792	24,478	317,270	268,314
Overseas Infrastructure	235,313	19,672	254,985	215,641
Overseas Hedge Fund Of Funds	99	8	107	91
Overseas Other Managed Funds	152,001	12,707	164,708	139,294
Overseas Property Funds	13,964	1,167	15,131	12,797
Forward Currency Contracts	(11,995)	(1,003)	(12,998)	(10,992)
Cash - Foreign Currency	11,049	924	11,973	10,125
Total change in assets available to pay benefits	**4,243,425**	**354,750**	**4,598,175**	**3,888,675**

b. Credit Risk

Credit risk represents the risk that the counterparty to the financial transaction will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities. The selection of high-quality counterparts, brokers and financial institutions minimises credit risk that may occur through the failure of third parties to settle transactions in a timely manner.

The Fund's benchmark allowance for cash at 31 March 2021 was a maximum of 10% of the Fund (10% at 31 March 2020). The actual cash held at 31 March 2021 represented 1.2% of the Fund value (1.9% at 31 March 2020).

The Treasury Management Strategy for managing the cash balances held includes limits as to the maximum sum placed on deposit with individual financial institutions and applies a minimum short term credit rating requirement of F1 or better.

Summary of cash balances and credit ratings		Balances at 31/03/20	Balances at 31/03/21
Counterparty type	**Rating**	***£'000***	***£'000***
Money Market Funds	AAA	30,000	5,000
Banks	Minimum of F1	51,745	42,020
Other Local Authorities	-	77,000	69,500
Total		**158,745**	**116,520**

c. Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Pension Fund therefore takes steps to ensure that it always has adequate cash resources to meet its commitments. The Fund's cash holding under its treasury management arrangements at 31 March 2021 was £116.5 million (31 March 2020 £158.7 million).

The Fund maintains at least £40 million of its cash balances as readily available through the use of money market funds, call accounts and short-term deposits. In addition, the Fund holds Government bonds amounting to £170.2 million (£122.9 million at 31 March 2020) which could be realised within a week in normal market conditions, if necessary, to meet expected or unexpected demands for cash.

19. Funding arrangements

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 2019 and the next valuation is due to take place as at 31 March 2022.

The key elements of the funding policy are:

1. to ensure the long-term solvency of the Fund, i.e. that sufficient funds are available to meet all pension liabilities as they fall due for payment
2. to ensure that employer contribution rates are as stable as possible
3. to minimise the long-term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return
4. to reflect the different characteristics of employing bodies in determining contributions rates where it is possible to do so
5. to use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer defaulting on its pension obligations.

The aim is to achieve solvency over a period as set out in the Funding Strategy Statement (FSS) and to provide stability in employer contribution rates by spreading any increases over a period of time. Solvency is achieved when the funds held, plus future expected investment returns and future contributions, are sufficient to meet expected future pension benefits payable.

An actuarial valuation of the South Yorkshire Pension Fund was carried out as at 31 March 2019 to determine the contribution rates with effect from 1 April 2020 to 31 March 2023.

Based on the assumptions adopted, the Fund was assessed as 99% funded (86% at the 2016 valuation). This corresponded to a deficit of £63 million (2016 valuation: £1,025 million).

Primary Contribution Rate

The valuation also showed that a Primary contribution rate of 16.1% of pensionable pay per annum was required from employers. The Primary rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date.

Valuation Date	Employers' Primary Contribution Rate
31 March 2016	15.00%
31 March 2019	16.10%

Secondary contribution rate

The funding objective as set out in the FSS is to achieve and maintain a solvency funding level of 100% of liabilities (the solvency funding target). In line with the FSS, where a shortfall exists at the effective date of the valuation a deficit recovery plan will be put in place which requires additional contributions to correct the shortfall.

The FSS sets out the process for determining the recovery plan in respect of each employer. At this actuarial valuation the average recovery period adopted is 15 years, and the total initial recovery payment (the “Secondary rate” for 2020-2023) is an addition of approximately £19.5 million per annum on average in £ terms (which allows for the contribution plans which have been set for individual employers under the provisions of the FSS), although this varies year on year.

Valuation Assumptions

The valuation was carried out using the projected unit actuarial method and the main actuarial assumptions used for assessing the Solvency Funding Target were as follows.

Financial Assumptions	31/03/16	31/0319
Rate of return on investments (discount rate)	4.2% per annum	3.9% per annum
Price inflation (CPI)	2.4% per annum	2.4% per annum
Rate of salary increases (short term) *	1.25% per annum for 4 years	3% per annum for 4 years
Rate of salary increases (long term) *	3.45% per annum	3.65% per annum
Rate of increases in pensions in payment	2.2% per annum	2.4% per annum

** Allowance was also made for short-term public sector pay restraint over a 4 year period.*

Demographic Assumptions	Years
Life expectancy for a male aged 65 now	22.4
Life expectancy at 65 for a male aged 45 now	23.8
Life expectancy for a female aged 65 now	25.1
Life expectancy at 65 for a female aged 45 now	27.0

Commutation Assumption

Members have the option to commute part of their pension at retirement in return for a lump sum at a rate of £12 cash for each £1 per annum of pension given up.

Following an analysis of the take-up rates, it has been assumed that, on average, retiring members will take 90% of the maximum tax-free cash available at retirement. This is slightly more than the assumption used at the 2016 actuarial valuation, which was broadly equivalent to members taking 80% of the maximum tax-free cash available.

The McCloud Judgment

The "McCloud judgment" refers to a legal challenge in relation to historic benefit changes for all public sector schemes being age discriminatory. The Government has accepted that remedies are required for all public sector pension schemes and a consultation was issued in July 2020 including a proposed remedy for the LGPS. The key feature of the proposed remedy was to extend the final salary underpin to a wider group of members for service up to 31 March 2022. This applies to all members who were active on or before 31 March 2012 and who either remain active or left service after 1 April 2014.

In line with guidance issued by the LGPS Scheme Advisory Board, the above funding level and Primary contribution rate do not include an allowance for the estimated cost of the McCloud judgment. However, at the overall Fund level the actuary estimates that the cost of the judgment could be an increase in past service liabilities of broadly £74 million and an increase in the Primary Contribution rate of 0.7% of Pensionable Pay per annum. To the extent that employers have opted to pay additional contributions over 2020/23 in relation to the McCloud judgement, these emerge in the secondary contribution rate figures quoted above.

Overall, based on the decisions taken by employers, it is expected that an additional £38.4 million will be paid into the Fund over 2020 to 2023 as a provision in relation to the potential costs emerging from the McCloud judgment. This represents 97% of the total £39.7 million calculated across all employers. It also represents approximately 7% of the total contributions (primary and secondary rate) payable over 2020 to 2023.

Impact of COVID-19

The valuation results and employer contributions above were assessed as at 31 March 2019. In 2020 and 2021 we have seen significant volatility and uncertainty in markets around the world in relation to the COVID-19 pandemic. The potential consequences of which in terms of funding and risk will be kept under review. It is important to take stock of the situation as opposed to make immediate decisions in what is an unprecedented set of events. The actuary's view is that employer contributions should not be revisited as a general rule but the Authority (as administering authority for the Fund) is consulting on updates to the Funding Strategy Statement which will allow the Fund to review contributions between valuations where there is a material change in employer covenant or liabilities, in line with the new regulations on contribution flexibilities introduced in September 2020. The Authority will keep the position under review and will monitor as the situation develops and keep all stakeholders informed of any potential implications so that the outcome can be managed effectively.

Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated 31 March 2020; this is available in the 'Publications' area on the Fund's website at: www.sypensions.org.uk

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 IAS 19 basis every year using the same base data as the funding valuation rolled forward to the current financial year, but taking account of changes in membership numbers and updating assumptions to the current year.

This valuation is not carried out on the same basis as that used for setting fund contribution rates and the Fund accounts do not take account of liabilities to pay pensions and other benefits in the future. 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 set out in Note 19. The actuary has also valued ill health and death benefits in line with IAS 19.

Financial Assumptions	31/03/20	31/03/21
Rate of return on investments (discount rate)	2.4% per annum	2.1% per annum
Price inflation (CPI)/CARE benefit revaluation	2.1% per annum	2.7% per annum
Rate of salary increases*	3.35% per annum	3.95% per annum
Rate of increases in pensions in payment (in excess of GMP) / deferred revaluation	2.2% per annum	2.8% per annum

** This is the long term assumption. An allowance corresponding to that made at the latest formal actuarial valuation for short-term public sector pay restraint was also included.*

Demographic Assumptions

The demographic assumptions are the same as those used for funding purposes (shown in Note 19).

Results	31/03/20	31/03/21
Present value of promised retirement benefits	£11,336 million	£13,421 million

During the year corporate bond yields decreased, resulting in a lower discount rate being used for IAS26 purposes at the year-end than at the beginning of the year (2.1% p.a. vs 2.4%). In addition, the expected long-term rate of CPI inflation increased during the year, from 2.1% p.a. to 2.7%. Both of these factors served to increase the liabilities over the year.

The value of the Fund's promised retirement benefits for the purposes of IAS 26 as at 31 March 2020 was estimated as £11,336 million including the potential impact of the McCloud judgment.

Interest over the year increased the liabilities by c.£269 million, and allowing for net benefits accrued/paid over the period also increased the liabilities by c.£72million (this includes any increase in liabilities arising as a result of early retirements). There was also an increase in liabilities of £1,744 million due to “actuarial gains” (i.e. the effects of the changes in the actuarial assumptions used, referred to above, offset to a small extent by the fact that the 2021 pension increase award was less than assumed).

The net effect of all the above is that the estimated total value of the Fund’s promised retirement benefits as at 31 March 2021 is therefore £13,421 million.

GMP Indexation

The public service schemes were previously required to provide full CPI pension increases on GMP benefits for members who reach State Pension Age between 6 April 2016 and 5 April 2021. The UK Government has recently confirmed that it will extend this to include members reaching State Pension Age from 6 April 2021 onwards. This will give rise to a further cost to the LGPS and its employers, and an estimation of this cost was included within the IAS26 liabilities calculated last year and is again included in the overall liability figure above.

21a. Current Assets

Short Term Debtors:	31/3/20 £'000	31/3/21 £'000
Contributions due - employees	4,255	5,344
Contributions due - employers	11,322	12,769
	15,577	**18,113**
Early retirement strain contributions receivable	1,786	633
Sundry debtors	6,376	7,726
Total	**23,739**	**26,472**

21b. Long Term Debtors

Long Term Debtors:	31/3/20 £'000	31/3/21 £'000
Early retirement strain contributions receivable	604	39
Total	**604**	**39**

22. Current Liabilities

	31/3/20 £'000	31/3/21 £'000
Sundry creditors	(3,143)	(2,574)
Payroll expenses payable	(2,059)	(2,201)
Advance property rents	(5,732)	(5,736)
Property rental deposits	(1,596)	(2,670)
Other balances	(363)	(175)
Total	**(12,893)**	**(13,356)**

The Fund Net Assets Statement at 31 March 2021 includes a creditor of £2.145 million (£2.060 million at 31 March 2020) for sums due to the Authority. This is included in the 'Sundry Creditors' line above.

23. Additional Voluntary Contributions

The Pension Fund's Additional Voluntary Contributions (AVC) providers are Prudential, Scottish Widows and Utmost Life & Pensions. This note shows information about these separately invested AVCs. The AVC providers secure benefits on a money purchase basis for those members electing to pay AVCs.

In accordance with Regulation 4(2)(b) of the Pension Scheme (Management and Investment of Funds) Regulations 2009 as amended, the contributions paid and the assets of these investments are not included in the Fund's Accounts.

Market value at	31/3/20	31/3/21
	£'000	£'000
Prudential[1]	8,811	N/A
Scottish Widows	5,301	4,798
Utmost Life & Pensions (formerly Equitable Life)[2]	1,911	1,860
Total	**16,023**	**6,658**

AVCs Paid to Providers	31/3/20	31/3/21
	£'000	£'000
Prudential[1]	2,099	N/A
Scottish Widows	160	187
Utmost Life & Pensions (formerly Equitable Life)[2]	5	5
Total	**2,264**	**192**

1 It was not possible to obtain the information from Prudential on the market value at 31 March 2021 and the AVCs paid in year for 2020/21 in the required timescale to be included in the statement of accounts note above. Prudential report that due to the migration of their administration systems and delays in respect of some investments of contributions, the annual benefits statements will be issued at least 8 weeks later than in previous years. Prudential state they are working through a service recovery plan and have informed the Pensions Regulator of the issues and challenges being experienced.

2 The business of Equitable Life transferred to Utmost Life & Pensions on 1 January 2020.

24. Agency Services

The South Yorkshire Pension Fund pays discretionary awards to former employees of various bodies as shown below. The amounts paid are fully reclaimed from the employer bodies.

Payments on behalf of:	2018/20	2019/21
	£'000	£'000
South Yorkshire Pensions Authority	15	14
Barnsley MBC	2,544	2,511
Doncaster MBC	1,863	1,825
Rotherham MBC	1,312	1,295
Sheffield CC	6,136	5,915
Other Scheduled Bodies	1,702	1,574
Admitted Bodies	62	59
Total	**13,634**	**13,193**

25. Related party transactions

South Yorkshire Pensions Authority

The South Yorkshire Pension Fund is administered by South Yorkshire Pensions Authority. During the reporting period, the Authority incurred costs of £5.808 million (2019/20 £6.066 million) in relation to the administration and management of the Fund and was reimbursed by the Fund for these expenses. All transactions are shown either in the

Authority's statements or in the Fund accounts. All contributing employers are related parties to the Fund, and have material transactions with the Fund during the year in the form of contributions described elsewhere in the accounts.

The Fund received a total of £0.364 million from the Authority as contributions for the unfunded benefits residual liabilities of the former South Yorkshire County Council and Residuary Body.

External fund managers are also related parties to the Fund and fees paid to them are included within investment management expenses (see Note 11a).

One officer of the Authority is a director of the Fund's wholly owned subsidiaries, Waldersey Farms Limited and F H Bowser Limited (see Note 25a).

Border To Coast Pensions Partnership

Border to Coast Pensions Partnership (Border to Coast) is a related party to the Fund as the Fund is a shareholder in the company. On 1 April 2020, a merger of the Northumberland and Tyne & Wear Pension Fund came into effect. This resulted in the reduction of the number of partner funds from 12 to 11 and the issuing of new shares at a cost of £0.076 million to each of these remaining partner funds in order to maintain equality of shareholding and a sufficient level of equity for regulatory capital purposes.

As part of the Border to Coast strategic planning process, the company were required to increase the regulatory capital by a further £3 million achieved by a further issue of shares at a cost of £0.273 million to each partner fund. Therefore, at 31 March 2021, the Fund holds total shares amounting to £1.182 million.

In addition to the purchases of shares outlined above, direct costs of £3.891 million (2019/20 £2.066 million) were paid to Border to Coast during the year.

25a. Related party transactions- Subsidiary Companies

Waldersey Farms Limited

The Fund has within its portfolio two wholly owned subsidiary companies; Waldersey Farms Limited and F H Bowser Limited.

Waldersey Farms Limited is primarily a farming company. The book value of the company is included in the Net Assets Statement under the heading of Investment Assets, to reflect the exposure of the Pension Fund. One officer of the Authority is a director of the company.

	31/3/20 £'000	31/3/21 £'000
Pension fund investment at book cost	1,365,012	1,365,012
Debenture loan	6,143,100	6,143,100
Total investment at book cost	7,508,112	7,508,112
Pension fund investment market value (included in the net assets statement)	7,508,100	7,508,100

Waldersey Farms Limited has a year end of 31 December, the latest available accounts for Waldersey Farms Limited contain the following information:

	31/12/19 £'000	31/12/20 £'000
Profit/(loss) on ordinary activites before taxation	904,282	40,721
Profit/(loss) after taxation	726,701	37,452
Retained profit/(loss)	4,781,429	4,818,881
Net assets	6,646,429	6,683,881
Rent paid to South Yorkshire Pensions Authority	2,372,360	2,502,884
Dividends paid to South Yorkshire Pensions Authority	0	20,475

A full Statement of Accounts for Waldersey Farms Limited can be obtained from the Company at Northfield Farm, Lynn Road, Southery, Norfolk, PE38 0HT.

The Authority has a debenture in the company of up to £7 million with a maturity date of 31 March 2025, of which £6.143 million has been drawn down as at 31 March 2021 (£6.143 million at 31 March 2020).

FH Bowser Limited

F H Bowser Limited owns property which it lets to third parties. The book value of the company is included in the net assets statement under the heading of Investment assets, to reflect the exposure of the Pensions Authority. One officer of the Authority is a director of the company.

	31/3/20 £'000	31/3/21 £'000
Pension fund investment at book cost	10,497,338	10,497,338
Pension fund investment market value (included in the net assets statement)	6,193,000	6,455,001

F H Bowser has a year end of 31 December, the latest available accounts for F H Bowser Limited contain the following information:

	31/12/19 £'000	31/12/20 £'000
Fixed Assets	7,080,600	6,930,600
Current Assets	203,816	290,226
Current Liabilities	(47,390)	(38,679)
Net Assets	7,237,026	7,182,147
Profit/(loss) on ordinary activities	166,411	(32,719)

A full Statement of Accounts for F H Bowser Limited can be obtained from the Company at Floor 8 Gateway Plaza, Sackville Street, Barnsley, S70 2RD.

25b. Key Management Personnel

The key management personnel of the Fund are the senior managers and the holders of statutory roles for the South Yorkshire Pensions Authority. These officers and their remuneration payable is set out in Note 19 to the Authority's accounts.

26. Contingent liabilities and contractual commitments

Outstanding capital commitments (investments) at 31 March are shown below. These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the private equity and infrastructure parts of the portfolio. The amounts 'called' by these funds are irregular in both size and timing over a period of a number of years from the date of the original commitment. The following table shows the commitments analysed according to the different currencies in which they are designated.

31/3/20		31/3/21	
Currency *'000*	£ equivalent *£'000*	Currency *'000*	£ equivalent *£'000*
£263,274	263,274	£328,147	328,147
€ 206,474	182,709	€ 271,092	230,931
US $761,931	614,485	US $919,316	666,316
	1,060,468		**1,225,394**

Employer Bonds

At 31 March 2021, 13 admitted body employers (31 March 2020: 12) in the South Yorkshire Pension Fund hold insurance bonds to guard against the possibility of being unable to meet their pension obligations. These bonds are drawn in favour of the Pension Fund and payment will only be triggered in the event of employer default. No such defaults have occurred in 2020/21 (2019/20: Nil).

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lependent Auditor’s Statement

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We also read the other information contained in the pension fund annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the pension fund financial statements.

We conducted our work in accordance with Auditor Guidance Note 07 – Auditor Reporting, issued by the National Audit Office. Our report on the administering authority’s full annual statement of accounts describes the basis of our opinion on those financial statements.

Opinion

In our opinion, the pension fund financial statements are consistent, in all material respects, with the pension fund financial statements in the full annual statement of accounts of South Yorkshire Pensions Authority for the year ended 31 March 2021 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

We have not considered
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Use of our report

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Nicola Wright (Appointed
For and on behalf of Delo
Newcastle upon Tyne, U
9 September 2021

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