SOUTH YORKSHIRE PENSIONS AUTHORITY

Sarah Norman
Clerk

Gateway Plaza
Barnsley
South Yorkshire
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NOTICE OF AUTHORITY MEETING

You are hereby summoned to a meeting of the South Yorkshire Pensions Authority Audit Committee to be held at The Council Chamber Barnsley Town Hall on Thursday, 29 July 2021 at 10.00 am for the purpose of transacting the business set out in the agenda.

Sarah Norman
Clerk

This matter is being dealt with by: Gill Richards Tel: 01226 772806
Email: gillrichards@barnsley.gov.uk

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You should be aware that the Authority is a Data Controller under the Data Protection Act. Data collected during this webcast will be retained in accordance with the Authority's published policy.

Therefore by entering the meeting room, you are consenting to being filmed and to the possible use of those images and sound recordings for webcasting and/or training purposes.

Distribution

Councillors: S Clement-Jones, D Fisher, D Nevett (Chair), C Rosling-Josephs, N Wright and A Law

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SOUTH YORKSHIRE PENSIONS AUTHORITY

THURSDAY, 29 JULY 2021 AT 10.00 AM - THE COUNCIL CHAMBER BARNSLEY TOWN HALL

Agenda: Reports attached unless stated otherwise

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SOUTH YORKSHIRE PENSIONS AUTHORITY

AUDIT COMMITTEE

4 MARCH 2021

PRESENT: Councillor A Atkin (in the Chair)
Councillors: S Cox, A Law and M Stowe

N Doolan-Hamer (Unison), D Patterson (UNITE) and G Warwick (GMB)

Officers: S Bradley (Audit Manager), W Goddard (Team Manager - Financial Services), G Graham (Director), M McCarthy (Deputy Clerk), G Richards (Senior Democratic Services Officer) and G Taberner (Head of Finance and Corporate Services)

D Peuters and N Wright (Deloitte)

D Webster (Local Pension Board observer)

Apologies for absence were received from Councillor J Mounsey

1 APOLOGIES

Apologies were noted as above.

In the absence of the Cllr J Mounsey the Committee agreed that Cllr A Atkin would take the chair.

Cllr Atkin welcomed everyone to the meeting and conveyed best wishes to Cllr Mounsey for a swift recovery.

2 ANNOUNCEMENTS

None.

3 URGENT ITEMS.

None.

4 ITEMS TO BE CONSIDERED IN THE ABSENCE OF THE PUBLIC AND PRESS.

None.

5 DECLARATIONS OF INTEREST

None.

6 MINUTES OF THE MEETING HELD ON 22 OCTOBER 2020

RESOLVED – That the minutes of the meeting held on 22nd October 2020 be agreed as a true record.

7 INTERNAL AUDIT PROGRESS REPORT 2020/21

The Committee considered the Internal Audit Progress report for the period 5th October 2020 to 14th February 2021.

It was noted that 76% of the planned days had been delivered. As in previous years, the 2020/21 plan was profiled more heavily towards the end of the year and the Internal Audit team were on track to deliver the plan on time.

The report detailed the audits that had been added to the plan as agreed with management, these included eight as part of the Core Financial Systems reviews and two as part of the Pensions Review process.

Seven reports had been issued during the period, all giving positive assurance. The report also included information on the audits in progress.

The report also contained the status of internal audit management actions due for completion during the period; there were no concerns.

Members were reminded that the Head of Internal Audit must deliver an annual internal audit opinion and report that could be used by the Authority to inform its Annual Governance Statement.

At this point in the audit year, based on work completed to date, it was anticipated that a Reasonable (positive) overall assurance opinion would be provided.

RESOLVED – That the report be noted.

8 INTERNAL AUDIT PLAN 2021/22

A report was considered which presented the draft Internal Audit Plan for 2021/22.

The Plan covered all aspects of risk, internal control and governance and cuts across all portfolios. It had been drafted in consultation with the Director, SMT, the Treasurer and members of the Committee.

The number of planned days for 2021/22 was 241, which included a small number of days to complete an Annual Governance Statement review that commenced in 2020/21. This was the same number of planned days as in 2020/21. There was a small number of days in contingency for unplanned work and to ensure the Plan was flexible.

RESOLVED – That Members:

i) Approve the draft Internal Audit Plan in principle whilst acknowledging the need for the Head of Internal Audit, in consultation with the Director and Treasurer, to exercise his professional judgement during the year to apply the Plan flexibly according to priority, risk and resources available.

ii) Agree that the Audit Committee would receive quarterly monitoring reports from the Head of Internal Audit to demonstrate progress against the Plan including information where the Plan had materially varied from the original Plan.

9 EXTERNAL AUDIT PLAN 2020/21

The Committee considered the external auditor's work plan for 2020/21.

N Wright reminded the Committee that due to the Covid-19 timetable last year the audit signing deadline had been moved backwards. Allowances had again been made this year and the provisional timetable meant that SYPA had to have the draft accounts signed by 1st August 2021 which then needed to be audited and signed off by 30th September 2021.

It was hoped that the audit would be completed, as far as possible, by the end of July, when an Audit Committee meeting would be held to approve the draft accounts.

Members noted that the key areas of responsibility under the Audit Code were Financial Statements, the Annual Governance Statement and Value for Money (VfM). With regard to VfM it was noted that there had been a change to the guidance in this area. In addition to the audit opinion a narrative commentary would be provided which would set out the key governance and financial matters of SYPA which the auditor would comment on and provide recommendations, if necessary. Work was ongoing on how to apply the guidance to SYPA's circumstances.

The Committee noted the materiality thresholds for the Fund and the Authority. These would be updated at year-end when the draft financial statements were available.

Significant risks and other areas of focus were detailed within the report. Valuation of directly held commercial property was highlighted due to the effects of Covid-19 on the economy, the agricultural portfolio was no longer considered a significant risk.

The report also contained details of revisions to the auditing standards and how these would affect the audit.

The Committee was reminded that the base audit fee was a scale fee set by Public Service Audit Appointments. The factors considered in varying this fee included the additional procedures needed due to the impact of Covid-19 and the changes to the VfM approach; these would be discussed with the Director in due course.

G Graham commented that with regards to the timing of the audit, the local authorities in South Yorkshire depended on the completion of SYPA's audit in order to complete their own audits, therefore it was important that SYPA's audit was competed in a timely manner.

In answer to a question from Cllr Atkin regarding audit fees, the Director commented that it was generally accepted that base audit fees were too low. There was a need for discussions around the correct level of fees and what those fees would include.

RESOLVED – That Members agree the external Audit Plan for the audit of the Authority for 2020/21.

10 PROGRESS UPDATE ON AUDIT RECOMMENDATIONS

A report was submitted to update Members on the actions being taken in response to audit recommendations made by both internal and external audit during the current financial year and in previous financial years.

Members noted that progress was continuing to be made on the majority of actions although there had been some delays arising from the impact of Covid-19 and lockdowns. In all cases, target dates had been set and would continue to be actively monitored.

RESOLVED – That the report be noted.

11 PROGRESS ON DELIVERING THE 2019/20 ANNUAL GOVERNANCE STATEMENT ACTION PLAN

The Committee considered a report which provided an update on the delivery of the action plan included in the 2019/20 Annual Governance Statement (AGS) as part of their function to maintain an overview of the processes concerned with the production of the Annual Governance Statement.

Appendix A to the report set out the actions arising from the last AGS due to be undertaken in the current year. In all cases progress had been made although there had been delays to the delivery of elements of Learning and Development and a significant delay to recruitment of the new Governance and Risk role. It was noted that adequate progress had been made in the area of reporting.

RESOLVED – That the report be noted.

12 ANNUAL PROCUREMENT REPORT

A report was submitted to provide members with an annual update in relation to various procurement issues in line with the requirement of standing orders.

G Graham informed members that it had become evident during the year that there was a need to review Contract Standing Orders to better deal with annual renewals of maintenance and licence agreements for items such as software, where waivers were currently being requested. A review of these provisions would be undertaken with a view to changes being made at the Authority's annual meeting.

RESOLVED – That the report be noted.

13 AUDIT COMMITTEE ANNUAL REPORT

A report was submitted which sought approval for the Committee's annual report on its work as part of the process of providing assurance underlying the preparation of the Annual Governance Statement.

The report detailed the Committee's work during the year and was intended to give the Authority assurance that the Audit Committee had undertaken their role as expected and demonstrate strength in the control framework.

RESOLVED – That Members approve the Committee's Annual Report for 2020/21 for publication subject to updates to reflect the attendance and outcomes of this meeting being agreed by Officers and the Chair.

CHAIR

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South Yorkshire Pensions Authority

Status report to the Pensions Authority Audit Committee on the 2020/21 audit

Issued on 27 July 2021

Contents

Partner introduction

The key messages in this report:

I have pleasure in presenting our Status Report to the South Yorkshire Pensions Authority Audit Committee (the "AC") for the 2021 audit of South Yorkshire Pensions Authority (the "Authority") and South Yorkshire Pension Fund (the "Fund").

I would like to extend my thanks to Fund and Authority management for their assistance during the audit. The regular communication we have had with management and the use of technology has allowed us to continue to deliver the audit remotely in 2020/21. We have listed the items outstanding at the time of issuing this report in Appendix 2. We will update you verbally on the progress of these items during the meeting on 29 July 2021.

We would like to draw your attention to the key messages of this paper:

Audit quality is our number one priority.

We plan our audit to focus on audit quality and have set the following audit quality objectives for this audit:

A **robust** challenge of the key judgements taken in the preparation of the financial statements.

A strong **understanding** of your internal control environment.

A **well planned** and delivered audit that raises findings early with those charged with governance.

Audit scope

Our reporting responsibilities as auditor of the Fund are to:

- Form an opinion on the statutory financial statements of the Scheme. The financial statements are prepared under the Code of Practice on Local Authority Accounting 2020/21 ("the Code") issued by CIPFA and LASAAC;
- Consider the completeness of the disclosures in the Authority's Annual Governance Statement in meeting the relevant requirements and identify any inconsistencies between the disclosures and the information that we are aware of from our work on the financial statements and other work;
- Satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources; and
- Report to "those charged with governance" on certain additional matters, including any unadjusted errors over our reporting threshold ("RT"), our independence and any other issues we consider should be brought to their attention.

Status of the audit

Our audit work is mainly complete and we are currently progressing the audit towards conclusion. We have detailed the procedures still to be completed in Appendix 2.

Audit quality

We have committed to delivering a robust challenge of the key judgements taken in the preparation of the financial statements; to gain a strong understanding of your internal control environment; and to deliver a well planned audit that raises findings early with those charged with governance. We have utilised specialists throughout our audit to support the robustness of our work in areas such as property, IT and the IAS 19 valuation. We have made observations on the IT control environment in Appendix 2.

Partner introduction

The key messages in this report (continued):

Audit impact of COVID-19

From March 2020, COVID-19 caused significant disruption to economic activity which has been reflected in global stock market fluctuations and, in turn, in the valuation of pension scheme assets. In light of the changes that the pandemic has had on our day to day lives and working arrangements, we have reviewed key benefit controls to ensure that, during the year under audit, they were still operating in line with our understanding.

Appropriate disclosure has been made within the financial statements around the impact of COVID-19. As communicated to you in our planning report, we have also completed our going concern procedures. Our work in this area is naturally ongoing up until the financial statements are signed.

Our conclusion

Subject to the satisfactory receipt and the completion of the items in Appendix 2, we expect to issue an unqualified audit opinion on the financial statements of both the Authority and the Fund.

In reaching our conclusions, we considered the control observations and the results from our testing on pages 8 to 17. In addition, we noted:

- The significant accounting judgements and estimates appear reasonable;
- We did not identify any significant weaknesses from our work on value for money; and
- Uncorrected adjustments are shown in Appendix 1.

Nicola Wright
Audit Partner

Materiality

Our Approach to Materiality – Fund

Basis of our materiality benchmark

- We set materiality for our opinion on the financial statements as £98.6m (2020: £81.5m), based on professional judgement, the requirement of auditing standards and the net assets of the Fund. These figures are based on the 31 March 2021 revised draft financial statements.
- We have used 1% of Fund net assets as the benchmark for determining our materiality levels for 2021.

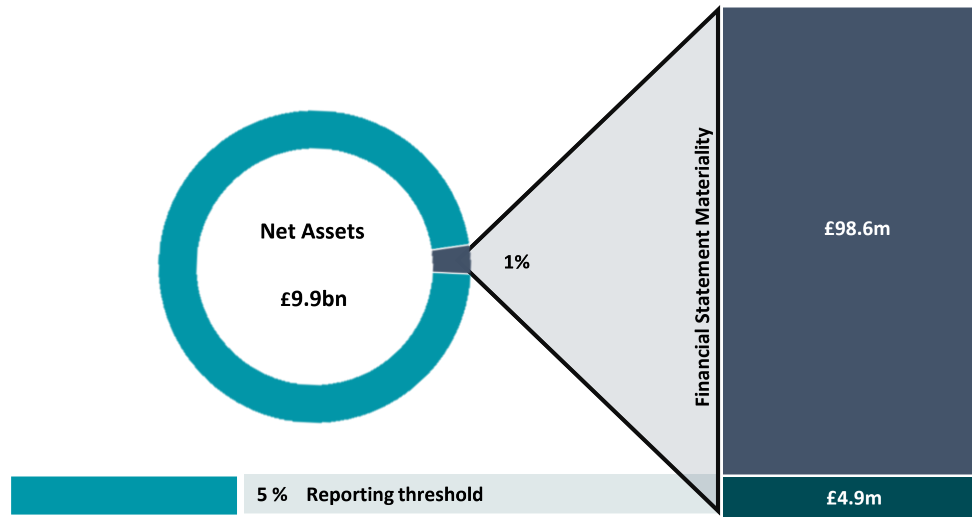
The basis for our materiality calculations is the same as the previous year.

Reporting to those charged with governance

- Within this report, as part of our audit of the financial statements, we communicate all misstatements found in excess of our reporting threshold ("RT") of £4.9m. This threshold is set at 5% of our materiality level above.
- Misstatements below these thresholds are reported if we consider them to be material by nature.
- During the course of the audit, we proposed an adjustment of £130m to the valuation of alternative investments (related to the use of stale prices), which has been updated. In addition, we have proposed a further stale price adjustment of £9.7m, which has not been updated and has been included in Appendix 1.

Materiality calculation

Although materiality is the judgement of the audit partner, the AC members must be satisfied the level of materiality chosen is appropriate for the scope of the audit.



Materiality

Our Approach to Materiality – Authority

Basis of our materiality benchmark

- We set materiality for our opinion on the financial statements as £117k (2020: £119k), based on professional judgement and the requirement of auditing standards. These figures are based on the 31 March 2021 draft financial statements.
- We have used 2% of gross expenditure as at 31 March 2021 as the benchmark for determining our materiality levels.

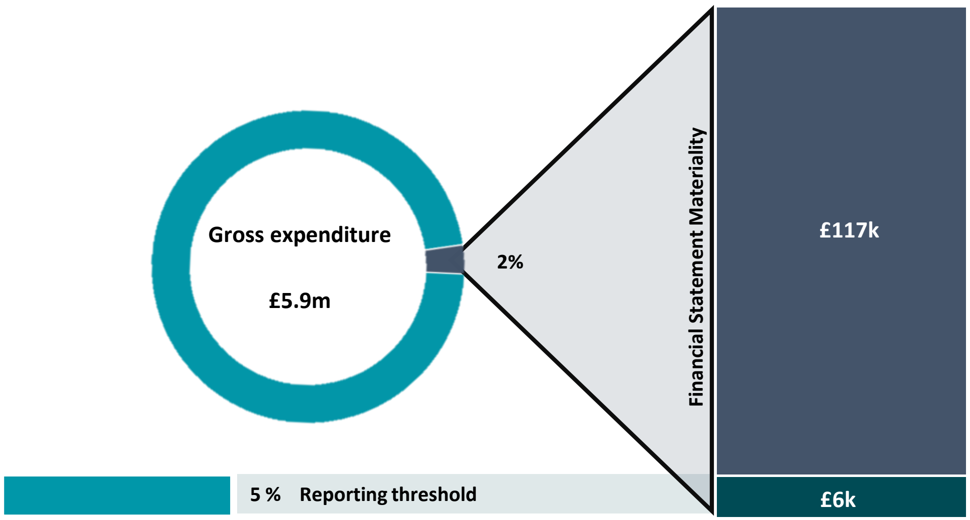
The basis for our materiality calculations is the same as the previous year.

Reporting to those charged with governance

- Within this report, as part of our audit of the financial statements, we communicate all misstatements found in excess of our reporting threshold ("RT") of £6k. This threshold is set at 5% of our materiality level above.
- Misstatements below these thresholds are reported if we consider them to be material by nature.
- There have been no uncorrected misstatements or disclosure deficiencies.
- During the course of the audit, we proposed an adjustment to the net pension liability of £417k as a result of the adjustment made to the pension fund asset value, which has also been amended.

Materiality calculation

Although materiality is the judgement of the audit partner, the AC members must be satisfied the level of materiality chosen is appropriate for the scope of the audit.



Scoping

Significant Risks and Audit Focus Areas Dashboard

Risk Identified	Material Balance	Management Judgement	Proposed Approach	Fraud Risk	Further Details
Significant Risk Valuation of directly held commercial property - Fund	✓	⚠	D&I	✗	Page 9
Significant Risk Management override of controls – Fund & Authority	✗	⚠	D&I	✓	Page 11
Audit Focus Area Valuation of pensions liability – Authority	✓	⚠	D&I	✗	Page 13
Audit Focus Area Completeness & accuracy of contributions – Fund	✓	⚠	D&I	✗	Page 14
Audit Focus Area Completeness of investment transactions and valuation of alternatives – Fund	✓	⚠	D&I	✗	Page 15
Audit Focus Area Completeness & accuracy of expenditure - Authority	✓	⚠	D&I	✗	Page 16
Audit Focus Area Value for money - Authority	✗	⚠	N/A	✗	Page 17

Significant risks: risks which require a tailored, elevated audit response in terms of nature, timing and extent of audit testing. Significant risks are based on professional judgement and the results of the risk assessment procedures we have performed.

Audit focus areas: risks which require additional audit consideration beyond that of normal risks, but where the potential for material misstatement or the likelihood is lower than that of a significant risk.

+	Significant Risk	⚠	Low levels of management judgment/complexity	**D&I**	Design and Implementation
🔍	Other area of audit focus	⚠	Medium levels of management judgement/complexity	**OE**	Operating Effectiveness
		⚠	High degree of management judgement/complexity		

Significant audit risks

Significant risks

Valuation of directly held commercial property – Fund

Risk identified

The Fund has a significant holding in directly held UK properties (31 March 2021 valued at £762m, split into Commercial property of £580m, and agricultural property of £182m). The valuation of these properties is based on assumptions such as rental returns and occupancy rates, geographical location and market trends.

Trading conditions in the retail sector have increased the uncertainty, and level of judgement, in the valuations of properties in this sector. These have been impacted significantly by the COVID-19 pandemic - with rental holidays, closure of offices and retail outlets as well as falling demand across the real estate market causing uncertainty across the year. These uncertainties are predominantly present in the commercial property portfolio, and we have therefore pinpointed our significant risk to commercial property, with the agricultural property portfolio being an area of audit focus.

Deloitte response to risk identified

In order to address the significant risk, our audit procedures consisted of the following:

- Tested the design and implementation of controls around the valuation of direct properties;
- Assessed the reliability, competence and capabilities of JLL;
- Vouched the Fund financial statements to the direct third party confirmation provided by JLL and confirmation of title deeds to ensure the properties are held in name of the Fund;
- Agreed all purchases made during the Fund year to supporting evidence (there were no sales); and
- Prepared an expectation of the year end valuation for properties held by the Fund using comparable market indices and compared the expectation to the valuation provided by JLL. This did not identify any property movements that were outside of our reporting threshold. Deloitte Real Estate (DRE) selected four properties of particular interest and then reviewed in detail the valuation of this population to ensure it was materially correct. This included assessing the assumptions detailed in the JLL valuation report.

Response of those charged with governance

The Fund has engaged JLL to assist in the valuation of the direct property holdings. There are regular valuation meetings held between Fund management and the valuers to monitor Fund property.

Significant risks

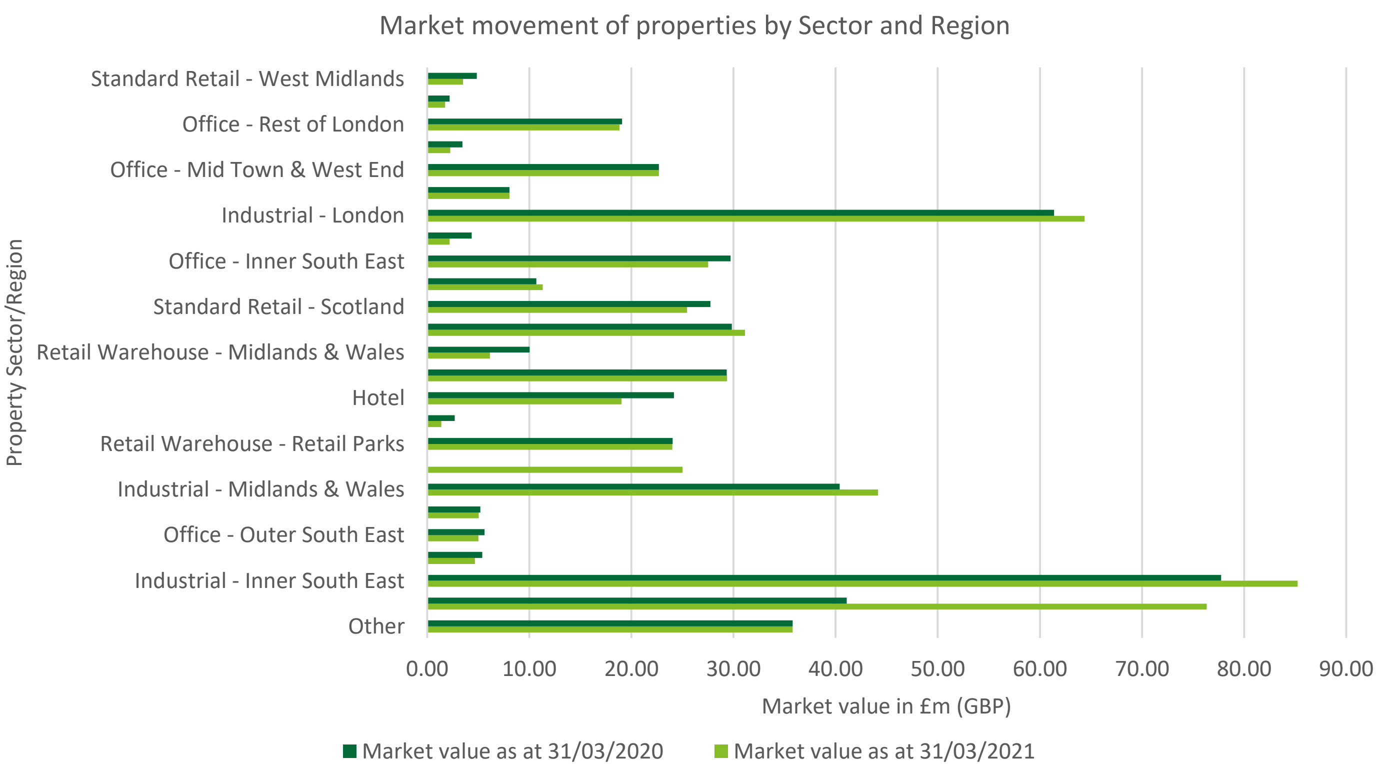
Valuation of directly held commercial property – Fund

Conclusion

We have not identified any issues to report to the AC as a result of our audit testing although we have some insights which we have noted below.

Our analytical review of individual property movements against comparable market indices over the year identified some properties which fell outside of our audit threshold, although none of them exceeded our reporting threshold. Our audit threshold is based on the value of the asset and our materiality levels. In addition, DRE highlighted four properties where the movement year on year should be investigated further.

In response to this, we engaged DRE to assist the audit team to review appropriate audit evidence, supporting the assumptions, approach and methodology adopted by JLL in respect of four properties, which represents 10% of the portfolio. For all of the properties, DRE performed an in-depth review of the assumptions, approach and methodology within the valuation. Although all of the properties sampled were within the tolerable range, one was deemed to be towards the lower end of the reasonable range (due to the yield applied being low considering the weakness in the retail market), whereas another one was deemed to be the upper end of the reasonable range (due to the yield applied being conservative given location and secure term of the contract).



Significant risks

Management override of controls – Fund and Authority

Risk identified

In accordance with ISA 240 (UK), management override is always a significant risk for financial statement audits. The primary risk areas surrounding the management override of internal controls are over the processing of journal entries and the key assumptions and estimates made by management.

Response of those charged with governance

The financial reporting process in place has an adequate level of segregation of duties.

Deloitte comment

We are finalising our testing in this area.

We have not identified any issues over the segregation of duties in place at the Fund or Authority or identified any incentives for the accounting staff to misstate the Authority or Fund accounts.

As noted in Appendix 2, our journals testing is ongoing.

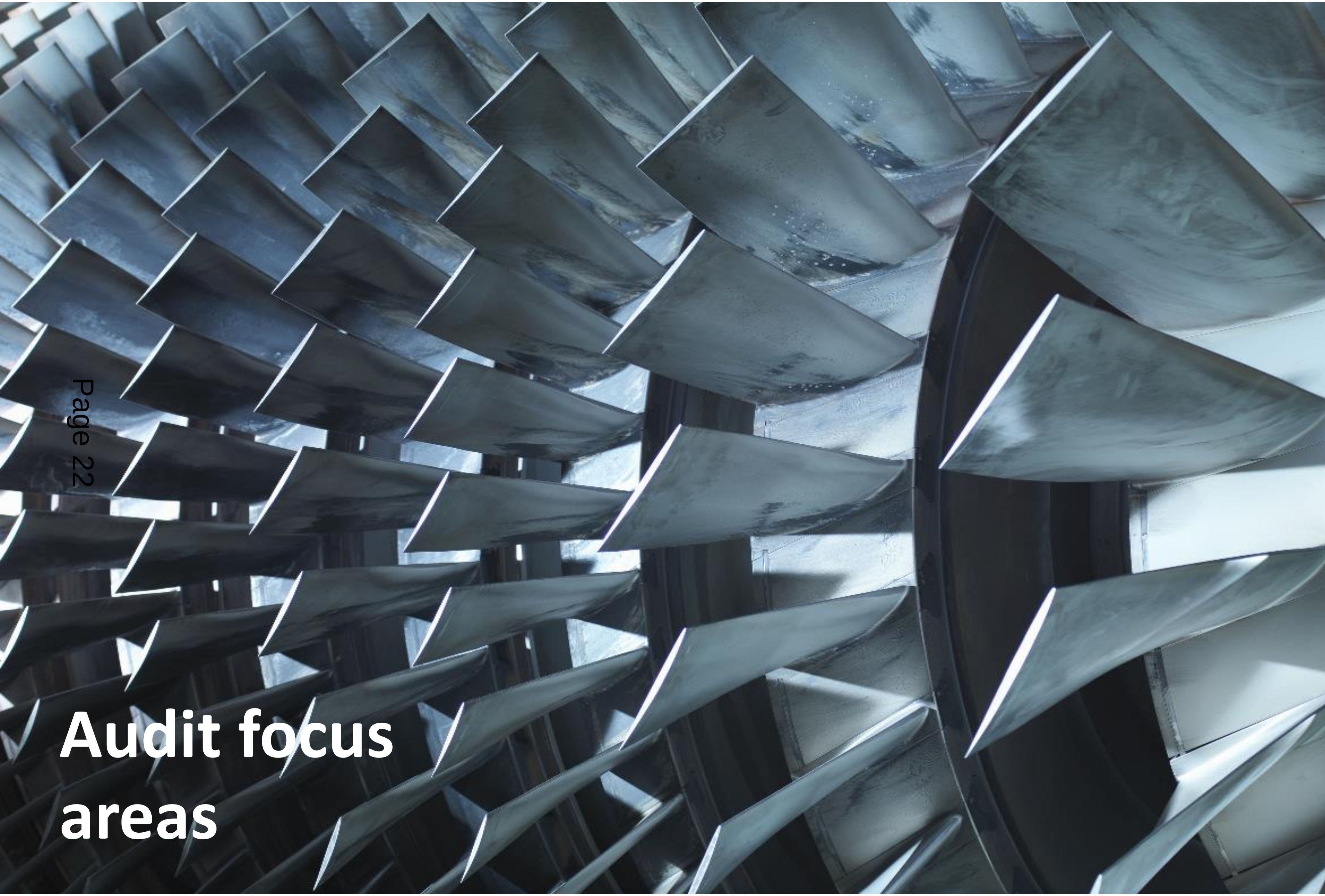
Deloitte response to significant risk identified

In order to address the significant risk, we carried out the following audit procedures:

- Performed a walkthrough of the financial reporting process to identify the controls over journal entries and other adjustments posted in the preparation of the financial statements;
- Made inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments;
- Ensured that there is an appropriate level of segregation of duties over processing journal entries to the financial statements throughout the year;
- Reviewed related party transactions and balances to identify if any inappropriate transactions have taken place; and
- Reviewed the accounting estimates for bias, such as the valuation of unlisted investments, that could result in material misstatement due to fraud. This included reviewing whether any differences between estimates best supported by evidence and those in the financial statements, even if individually reasonable, indicate a possible bias on the part of management.

At the date of this report, the following procedures remain outstanding:

- Completion of the testing of a sample of journals. In order to do this, we used Spotlight, our data analytics software, in our journals testing to interrogate 100% of journals posted across the Fund and Authority. This uses intelligent algorithms that identify higher risk and unusual items; and
- Completion of the testing of the design and implementation of controls around the journals process and investment and disinvestment of cash during the year.



Audit focus areas

Audit focus areas

Valuation of pension liability – Authority

Risk identified

The net pension liability is a material element of the Authority's balance sheet. The valuation of the Fund relies on a number of assumptions, including actuarial assumptions, and actuarial methodology which results in the Authority's overall valuation. Furthermore there are financial and demographic assumptions used in the calculation of the Authority's valuation – e.g. the discount rate, inflation rates, mortality rates. These assumptions should reflect the profile of the Authority's employees, and should be based on appropriate data.

Response of those charged with governance

The Authority has engaged Mercer Limited to assist with this valuation.

Deloitte comment

The pension asset values submitted to the actuary were based on the draft asset values. There was subsequently a material adjustment to the pension fund asset values as set out earlier in this report.

As a result, the Authority has obtained an updated pension valuation report from Mercer which resulted in an increase in the Authority's share of the asset value of £417k. This has reduced the net pension liability included on the Authority's balance sheet. This has been adjusted in the financial statements.

Deloitte response to risk identified

In order to address this area of audit focus, our audit procedures consisted of the following:

- Obtained an understanding of the design and implementation of the key controls in place in relation to review of the assumptions by the Authority;
- Evaluated the competency, objectivity and independence of Mercer Limited, the actuarial specialist;
- Reviewed the methodology and appropriateness of the assumptions used in the valuation, utilising a Deloitte Actuary to provide specialist assessment of the variables used;
- Evaluated the roll forward approach used by the actuary to ensure that this is appropriate;
- Reviewed the pension related disclosures in the financial accounts; and
- Ensured the pension assets and membership information is consistent with those as per the Pension Fund financial statements.

Audit focus areas

Completeness and accuracy of contributions – Fund

Risk identified

There is some complexity surrounding the accuracy and completeness of employee and employer contributions received by the Fund. The employer primary and secondary contribution rates are dictated by the actuarial valuation and these vary between the contributing employers. Employee contributions are based on varying percentages of employee pensionable pay – this can vary month to month and the Fund has no oversight of the individual employer payrolls.

As a result of this, we have made the accuracy and completeness of contributions an area of audit focus.

Response of those charged with governance

The administration team monitors the due dates of contributions and that the correct amounts are received into the Fund bank account to ensure that payments are in accordance with the actuarial valuation.

Employers must also complete a contributions return confirming that the contributions paid during the year are accurate and complete.

Deloitte comment

From performing the procedures above, we have no matters to bring to the attention of the AC.

Deloitte response to risk identified

In order to address this area of audit focus, our audit procedures consisted of the following:

- Reviewed the design and implementation of key controls over the contribution process;
- Performed an analytical review of the employer and employee normal contributions received in the year, basing our expectation on the prior year audited balance, adjusted for the movement in active member numbers, contribution rate changes and any average pay rise awarded in the year;
- For a sample of active members, we recalculated individual contribution deductions to ensure these are being calculated in accordance with the rates stipulated in the LGPS Regulations for employee contributions and the recommendations of the actuary for employer contributions;
- Tested that the correct definition of pensionable salary is being used per the LGPS Regulations to calculate contribution deductions;
- Tested the reconciliation of the total number of active members between the membership records and the employer payroll records; and
- For a sample of monthly contributions paid, checked that they have been paid within the due dates per the LGPS Regulations.

Audit focus areas

Completeness of investment transactions and valuation of alternative investments – Fund

Risk identified

The Fund holds a large and highly material portfolio of investments and, due to the ongoing changes and numerous transactions within this portfolio, we consider that there is an increased risk of material misstatement.

Additionally, within this portfolio is a range of alternative investments, including private equity and debt funds, as well as limited partnerships and hedge funds. At 31 March 2021, these totalled c.£1.7bn. These funds do not have publicly available prices and are often infrequently priced increasing the risk of stale pricing. As a result of this, we consider the completeness and valuation of these to be an area of audit focus.

Response of those charged with governance

The Fund has an in-house investment team with significant experience in managing and valuing these types of investments. Controls are in place to ensure prices are up to date and accurate.

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Deloitte comment

We are finalising our testing in this area.

We have obtained 99.8% of the 31 March 2021 third party investment confirmations by value.

The alternative investments are often subject to stale pricing, due to infrequent pricing. Most of these investments were included in the 31 March 2021 draft financial statements at 31 December 2020 prices. Accounting standards allow stale pricing, provided no more up-to-date information is available. During our testing, we identified a material stale price adjustment of £130m. This was subsequently amended in the final version of the financial statements.

We have no further matters to bring to the attention of the AC from our work performed to date.

Deloitte response to risk identified

In order to address this area of audit focus, our audit procedures consisted of the following:

- Reviewed the design and implementation of key controls over the completeness and valuation of investments by obtaining the investment manager and custodian internal control reports (where applicable) and evaluating the implications for our audit of any exceptions noted;
- Reviewed the design and implementation of key controls over the completeness and valuation of investments performed by the in-house investment team;
- Agreed the year end valuations as reported in the financial statements to the reports received directly from the investment managers;
- Ensured appropriate stale price adjustments have been posted to the financial statements;
- Agreed registered funds and directly held investments to publicly available prices;
- Reviewed the Type 2 report for Border to Coast Pensions Partnership and performed walkthroughs to independent evidence for key transactions and investments;
- For publicly quoted securities (bonds), we have agreed a sample to publicly available prices;

At the date of this report, the following procedures remain outstanding:

- Perform independent valuation testing for a sample of year end alternative fund holdings by rolling forward the valuation as per the latest audited accounts using cash flows and an appropriate index as a benchmark. There are two remaining queries outstanding on a sample of 38; and
- Test the completeness of investments by agreeing a sample of sales and purchases transactions to the investment manager confirmations and/or to cash.

Audit focus areas

Completeness and accuracy of expenditure – Authority

Risk identified

The Authority administers the Pension Fund and in doing so incurs various administration, investment and governance related expenditure. This is the purpose of the Authority and expenditure is therefore the key balance within the entity. All Fund related expenditure incurred is recharged to the Fund.

As the driving balance within these financial statements, there is a greater risk of material misstatement and a greater risk of management under/overstating this balance, we therefore consider this to be an area of audit focus for the Authority.

Response of those charged with governance

There are controls in place around expenditure to ensure that all expenditure is approved and correctly treated.

Deloitte comment

From performing the procedures above, we have no matters to bring to the attention of the AC.

Deloitte response to risk identified

In order to address this area of audit focus, our audit procedures consisted of the following:

- Obtained an understanding of the design and implementation of the key controls in place in relation to recording completeness and accuracy of expenditure;
- Reviewed expenditure against the prior year figures and queried any significant discrepancies;
- Tested a sample of expenditure incurred during the year back to supporting evidence;
- For the same sample, ensured that the matching recharge to the Fund was correct and qualified for recharge in line with any recharge agreement in place; and
- Performed focused testing in relation to the completeness including detailed reviews of accruals, trade creditors and post year end payments.

Audit focus areas

Value for Money (‘VfM’) – Authority

Risk identified

We are required to consider the Authority’s arrangements for securing economy, efficiency and effectiveness in the use of resources. Under the revised requirements of the Code of Audit Practice 2020 and related Auditor Guidance Note 03 (‘AGN03’), we are required to:

- Perform work to understand the Authority’s arrangements to secure economy, efficiency and effectiveness in the use of resources against each of the three reporting criteria (financial sustainability, governance, and improving economy, efficiency and effectiveness);
- Undertake a risk assessment to identify whether there are any risks of significant weaknesses in arrangements;
- If any risks of significant weaknesses are identified, perform procedures to determine whether there is in fact a significant weakness in arrangements, and if so to make recommendations for improvement;
- Issue a narrative commentary in the Auditor’s Annual Report, setting out the work undertaken in respect of the reporting criteria and our findings, including any explanation needed in respect of judgements or local context for findings. If significant weaknesses are identified, the weaknesses and recommendations will be included in the reporting, together with follow-up of previous recommendations and whether they have been implemented. Where relevant, we may include reporting on any other matters arising we consider relevant to VfM arrangements, which might include emerging risks or issues such as the Authority’s planned move to Oakwell House and the replacement of the Authority financial management, HR and payroll and investment software; and
- Where significant weaknesses are identified, report this by exception within our financial statement audit opinion.

Response of those charged with governance

There are adequate controls in place around Value for Money to ensure that all criteria are met.

Deloitte comment

We have completed our work on VfM and have included the commentary within Appendix 7. We have not identified any significant weaknesses and we will issue the Annual Auditor’s Report on completion of the audit.

Deloitte response to risk identified

In order to address this area of audit focus, our audit procedures consisted of the following:

- Held meetings with the Head of Finance and Corporate Services and Director;
- Reviewed the draft Annual Governance Statement;
- Reviewed the governance and financial planning processes in place at the Authority;
- Considered other issues identified through our other audit work; and
- Consideration of the Authority’s and Fund’s results.

Other risks

Other Risks

Other audit considerations

Area of focus	Description	Audit response
Going Concern	As auditors, we are required to confirm in our audit report that the going concern basis of the financial statements is appropriate.	Our testing to address this risk included: • examined the latest publically available information regarding the financial position of the principal employers; • analysed the latest funding position of the Fund; and • reviewed minutes of the Audit Committee meetings.
Fraud	In our Audit Report in the financial statements we are now required to directly report on the extent to which the audit was considered capable of detecting irregularities, including fraud and other matters of non-compliance with laws and regulations.	Our testing to address the risk included: • performed procedures to assess the risk of management override as detailed on page 11; • reviewed the controls in place surrounding fraud risks including disinvestments; and • agreed 99.8% of investments to third party investment confirmations (aiming to agree 100% before signing).
GMP Equalisation	The High Court judgement on 26 October 2018 confirmed that UK pension schemes should provide equal benefits for men and women for service from May 1990 despite inequalities in GMP legislation. In November 2020, there was an additional ruling made in respect of equalising transfer values.	Our testing to address the risk included: • confirmed with the Fund Actuary any changes in the assessment of the impact of GMP Equalisation on the Fund, including the impact of the transfers ruling; and • confirmed that appropriate disclosures have been made in the financial statements.
Brexit	During the Scheme year, the UK have left the European Union ("EU"). The impact of Brexit may be felt across the Scheme and its operations, for example through withholding taxes and the impact on the going concern of the Fund.	Our testing to address the risk included: • assessed the fair value of assets as at the Fund's year-end date; • reviewed minutes of the Audit Committee meetings and the going concern assessment; and • confirmed that appropriate disclosures have been made in the financial statements.

Maintaining audit quality

Responding to challenges in the current audit market

This is a time of intense scrutiny for our profession with questions over the role of auditors, market choice and the provision of non-audit services by an audit firm. We welcome the debate and are engaging fully with all parties who have an interest in the current audit market reform initiatives, so that our profession, our people, our clients and most importantly, the public interest, are served to the highest standards of audit quality and independence.

The role of audit	• Public confidence in audit has weakened over recent years and the expectation gap has widened with differences between what an audit does and what people think it should do (largely in areas of internal controls, fraud, front half assurance and long term viability) • Deloitte fully supports an independent review into the role of auditors • The Government's Brydon Review considers UK audit standards and how audits should evolve
Would it be better to have audit only firms?	• Deloitte believes that multidisciplinary firms have more knowledge, greater access to technology and a deeper talent pool. The specialist input from industry, valuation, controls, pensions, cyber, solvency, IT and tax services are critical to an effective audit • Our investment in audit innovation, training and technology is greater because of the multidisciplinary model
Is the current audit market uncompetitive?	• We recognise that the competition for large, complex clients is fierce, but we wholeheartedly support greater choice being available to stakeholders • There are barriers to entry in the listed market that are significant including the required global reach, unlimited liability, and the high cost of tendering • The audit profession has engaged with the Competition and Markets Authority with ideas on how to provide greater choice in the market, and responded to the CMA's suggested market remedies
Independence and conflicts from other services	• Legislation and the FRC's Ethical Standard restrict the services we may provide to audit clients • Deloitte invests heavily in systems, processes and people to check for potential conflicts • We have governance in place to assess any areas of potential conflict, including where required to protect the public interest • Fees for non-audit services to audit clients have fallen since 2008 (17% to 7.3% of firm revenue)
Deloitte	• Deloitte and Audit Service Line leadership are happy to meet the Board and management of our clients with respect to this important debate. We reaffirm our commitment to quality, independence and upholding the public interest • Our Impact Report and Transparency Report are available on our website https://www2.deloitte.com/uk/en/pages/about-deloitte-uk/articles/annual-reports.html • Our response to the latest AQR report was provided in our Planning Report.

Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

What we report

Our report is designed to help the AC discharge their governance duties. It also represents one way in which we fulfil our obligations under ISA 260 (UK) to communicate with you regarding your oversight of the financial reporting process and your governance requirements. Our report includes:

- Results of our work on key audit judgements and our observations.
- Our internal control observations.
- Other insights we have identified from our audit.

The scope of our work

Our observations are developed in the context of our audit of the Fund accounts.

We described the scope of our work in our proposed audit plan circulated to you on 18 February 2021.

The audit insights and other findings of this report provide details of additional work we have performed alongside the audit of the Fund accounts.

This report has been prepared for the Audit Committee, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose. Except where required by law or regulation, it should not be made available to any other parties without our prior written consent.

What we don’t report

As you will be aware, our audit was not designed to identify all matters that may be relevant to the AC.

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.

Finally, our views on internal controls and Scheme risk assessment should not be taken as comprehensive or as an opinion on effectiveness since they have been based solely on the audit procedures performed in the audit of the Fund accounts and the other procedures performed in fulfilling our audit plan.

We welcome the opportunity to discuss our report with you and receive your feedback.

Nicola Wright

for and on behalf of Deloitte LLP

Newcastle upon Tyne | 27 July 2021


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Topical matters

Topical matters

Department for Work and Pensions (DWP) – taking action on climate risk

Prior to the approval of the Pension Schemes Act 2021, the Department for Work and Pensions (DWP) opened a consultation on regulations covering the new climate risk powers contained within the Act. Under the proposed regulations, the UK Government has announced its intention to make Task Force on Climate-related Financial Disclosures (TCFD) disclosures mandatory across the economy by 2025, with a significant portion of mandatory requirements in place by 2023. It is proposed that the following schemes should be in scope of the mandatory climate change governance and TCFD reporting requirements:

(a) trust schemes with £1 billion or more in net assets
(b) authorised master trusts
(c) authorised schemes providing collective money purchase benefits

These qualifying schemes will have to produce and publish a TCFD report. We have included some detail on the recommended content of the TCFD report within this update.

The Minister for Pensions and Financial Inclusion, Guy Opperman stated "I whole-heartedly welcome the Chancellor's announcement of the TCFD Roadmap in November 2020 outlining the steps that the UK Government and regulators will take towards rolling out mandatory climate reporting requirements across its regulated community. This means that, come 2023, the vast majority of assets will be invested with pension scheme trustees, asset managers, and insurers who are disclosing climate- related financial risks and opportunities in line with recommendations by the TCFD."

Regulations would require trustees to meet climate change governance requirements which underpin the 11 recommendations of the TCFD and to report on how they have done so. We have included a separate slide on the TCFD recommendations for reference. Statutory guidance, will set out how trustees should meet the requirements and report in line with the TCFD recommendations. Where trustees choose to diverge from statutory guidance, they need to be able to explain their reasons for doing so in their TCFD report.

With almost £2 trillion in assets under management, all pension schemes are exposed to climate-related risks. It is important to note, the government sees stewardship of assets, including engagement with higher carbon firms and voting at Annual General Meetings (whether directly or via asset managers), as entirely legitimate responses to the climate risk revealed through TCFD-aligned disclosures. Indeed, holding such assets places trustees in an influential position to steward firms towards lower-carbon business practices, which is why government advocates collaboration with business, as opposed to divestment.

The **four core** elements of TCFD disclosures are shown in the diagram and these form the basis of the required pension scheme disclosures.

1. Governance - Trustees must establish and maintain oversight of the climate-related risks and opportunities which are relevant to the scheme. They must also establish and maintain processes for the purpose of satisfying themselves that persons undertaking governance on their behalf or those who advise or assist the trustees with respect to governance, are taking adequate steps to identify, assess and manage climate-related risks and opportunities which are relevant to the scheme. In their annual TCFD report, trustees must describe how such oversight is maintained.

2. Strategy- Trustees must identify and assess the impact of climate-related risks and opportunities which they consider will have an effect over the short term, medium term and long term on the scheme's investment strategy and (where it has one) the scheme's funding strategy. Short, medium and long term are such periods as the trustees deem appropriate, taking into account the scheme's liabilities and its obligations to pay benefits. The trustees need to document the above in their TCFD report.

Topical matters

Department for Work and Pensions (DWP) – taking action on climate risk

3. Risk management - Trustees must establish and maintain processes for the purpose of enabling them to identify, assess and effectively manage climate-related risks which are relevant to the scheme. They must also ensure that management of climate-related risks is integrated into their overall risk management of the scheme. In their annual TCFD report, trustees must describe these processes and how they are integrated into the trustees' overall risk management of the scheme.

4a. Metrics -Trustees must select and as far as they are able to calculate an absolute emissions metric and an emissions intensity metric in respect of the scheme's assets. Draft statutory guidance proposes that trustees should use total emissions and carbon footprint metrics – calculating scope 1, and 2 and 3 greenhouse gas emissions (scope 3 is not included in the first year). Trustees must also select one additional climate change metric to calculate in respect of the scheme's assets. Draft statutory guidance suggests a range of measures, including an implied temperature rise or climate value at risk measure. Trustees must review their selection of metrics from time to time as appropriate to the scheme. The trustees need to document the above in their TCFD report and this must be disclosed in line with the requirements noted in the **Disclosure** section of this update.

4b. Targets - Trustees must set a non-binding target for the scheme in relation to at least one of the metrics which they have selected to calculate. On an annual basis they must measure performance against the target (as far as are they are able) and taking into account the scheme's performance they must decide whether to retain or replace the target. In their annual TCFD report, trustees must describe the target or targets which they have set, and the performance of the scheme against them.

Despite the common core principles of TCFD, the DWP acknowledged that the continuing rapid evolution of methodologies still poses the risk that different approaches could lead to different results being calculated for the same portfolio/assets. The Department indicated it will be consulting later on the use of one particular metric, 'implied temperature rise' (ITR) which is emerging as potentially the most useful and powerful.

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We have detailed below a number of other matters of note contained within the DWP paper.

Scenario analysis - Trustees must, as far as they are able, undertake scenario analysis assessing the impact on the scheme's assets and liabilities, the resilience of the scheme's investment strategy and (where it has one) the scheme's funding strategy for at least two scenarios – one of which corresponds to a global average temperature rise of between 1.5 and 2°C inclusive on pre-industrial levels. In their annual TCFD report, trustees must describe the most recent scenarios they have analysed, the potential impact on the scheme's assets and liabilities and the resilience of the scheme's investment strategy and (where it has one) funding strategy in those scenarios, and their reason for not carrying out a new scenario analysis if they have not done one. Trustees should carry out scenario analysis as far as they are able in relation to all the scheme's relevant assets. Following the initial consultation in August 2020, the DWP have confirmed that they have made changes to the original proposal and will require that scenario analysis must be carried out in the first year that trustees are subject to the requirements and every three years thereafter. In the intervening years, trustees must do an annual review of their scenario analysis and carry out fresh analysis where they consider it appropriate to do so.

Trustee knowledge and understanding - Trustees must have the appropriate degree of knowledge and understanding of the principles relating to the identification, assessment and management of climate change risks and opportunities in respect of occupational pension schemes, for the purposes of enabling them to properly exercise their functions. These principles will be prescribed matters for the purposes of the Pensions Act 2004.

Disclosure - Trustees are required to publish their TCFD report on a publicly available website, accessible free of charge. The Chair of trustees must sign the report. The TCFD report must be referenced from – but need not be included in – the Annual Report. Members must be told via any annual benefit statement they receive that the report has been published and where they can locate it. Trustees of DB schemes must also provide this information to members via the scheme funding statement.

Trustees must also provide TPR with the website address where they have published their most recent TCFD report via the annual scheme return form. Where trustees have not yet published their first report, they must inform TPR whether the period for doing so has ended. Trustees must also provide TPR with the website address of their published Statement of Investment Principles ("SIP") and (where applicable) implementation statement and published excerpts of the Chair's Statement in the annual scheme return form.

Topical matters

Department for Work and Pensions (DWP) – taking action on climate risk

Penalties – there will be a mandatory penalty for complete failure to publish any TCFD report and other penalties would be subject to TPR discretion. Penalties in relation to climate change governance, reporting and publication could be imposed without recourse to the Determinations Panel, in a similar way to the penalty regime that applies under the Occupational Pension Schemes (Charges and Governance) Regulations 2015.

The requirements to reference the TCFD report from the Annual Report and inform members about the TCFD report's availability would be subject to the existing penalty regime in the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013. The requirements to inform TPR of the website address of the published TCFD report – or that the period for publishing the report has not ended – and of the website address of the published SIP, implementation statement (where applicable) and excerpts of the Chair's Statement would be subject to the penalty regime in section 10 of the Pensions Act 1995.

Scope and timing of TCFD policy

The DWP paper has outlined two tests as to whether a pension scheme is in scope.
We have included details directly from the DWP paper below.

Threshold test

The condition	Governance requirement	Disclosure Requirements	
If	*Trustees must meet the climate change governance requirements for*	*Trustees must publish a TCFD report*	*Trustees must include a link to the report in:*
On 1st scheme year end date to fall on or after 1 March 2020: the scheme has relevant assets ≥ £5bn	Current scheme year from 1 October 2021* to end of that scheme year. *And* [unless scheme's relevant assets are <£500m on the scheme year end date] Next full scheme year to begin after 1 October 2021 to end of that scheme year. And so on.	Within 7 months of the end of the scheme year which is underway on 1 October 2021†. *And* Within 7 months of the end of the next scheme year to begin after 1 October 2021† And so on	The Annual Report and Accounts produced for that scheme year
On 1st scheme year end date to fall on or after 1 March 2021: the scheme has relevant assets ≥ £1bn	Current scheme year from 1 October 2022* to end of that scheme year And so on	Within 7 months of the end of the scheme year which is underway on 1 October 2022†. And so on.	
From any scheme year end date to fall on or after 1 March 2022 The scheme has relevant assets ≥ £1bn	The beginning of the scheme year which is one scheme year and a day after that scheme year end date	Within 7 months of end of that full scheme year†	

* unless audited accounts have not been obtained in respect of that scheme year, in which case they apply from the date they are obtained.
† unless scheme's relevant assets are zero on the scheme year end date.

Authorisation test

The condition	Governance requirement	Disclosure Requirements	
If	*Trustees must meet the climate change governance requirements for*	*Trustees must publish a TCFD report*	*Trustees must include a link to the TCFD report from*
On or after 1 October 2021, the scheme is [or becomes] an authorised master trust *Or* On or after 1 October 2021 the scheme is [or becomes] an authorised scheme providing collective money purchase benefits	Current scheme year which is underway to the end of that scheme year. *And* [unless scheme is both no longer authorised and relevant assets at previous scheme year end are <£500m] Subsequent scheme years.	Within 7 months of the end of the scheme year which is underway. *And* Within 7 months of the end of subsequent scheme years.	The Annual Report and Accounts produced for that scheme year

Schemes fall out scope through no longer being authorised and/or having assets of less than £500m

The condition	Governance requirement	Disclosure Requirements	
If	*Trustees' climate governance requirements*	*Trustees TCFD report publishing duties*	*Trustees must include a link to the TCFD report from*
After 1st October 2021 the scheme Ceases to be an authorised master trust *Or* Ceases to be an authorised scheme providing collective money purchase benefits *And* Has relevant assets < £500m at end of previous scheme year	End with immediate effect	End with immediate effect	N/A
On scheme year end date falling after 1 October 2021 The scheme has relevant assets <£500m and is not an authorised scheme.	End with immediate effect	Must be met within 7 months of the end of the scheme year† And fall away thereafter.	The annual report and accounts produced for that scheme year

† unless scheme's relevant assets are zero on the scheme year end date

Deloitte response: The DWP document is vast and we have provided only a short summary of the key details. The full consultation document can be found [Taking action on climate risk: improving governance and reporting by occupational pension schemes – response and consultation on regulations - GOV.UK (www.gov.uk)](). We recommend that the trustees review the full guidance and familiarise themselves with the full requirements of the legislation.

In order to comply with the legislation there is a requirement to amend governance arrangements, consider the impact on investment strategy, identify and manage investment risks and obtain the relevant data from scheme advisers. All reporting duties are ongoing, except requirements to conduct scenario analysis, calculate metrics and set and review performance against targets.

Based on the proposed scope and timing of the policy on the left, we expect this to come in to force for the year ended 31 March 2022 financial statements, although the government has not yet set a firm deadline for LGPS.

Topical matters

TCFD recommendations and supporting recommended disclosures

Within our topical update *'Department for Work and Pensions (DWP) – taking action on climate risk'* we have made reference to the fact that regulations would require trustees to meet climate change governance requirements which underpin the 11 recommendations of the TCFD and to report within their TCFD report how they have done this. We have therefore included below a reminder of the recommendations and the supporting recommended disclosures.

Governance	Strategy	Risk Management	Metrics and Targets
Disclose the organization's governance around climate-related risks and opportunities.	Disclose the actual and potential and opportunities on the organization's businesses, strategy, and financial planning where such information is material.	Disclose how the organization identifies, assesses, and manages climate-related risks.	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.
Recommended Disclosures	**Recommended Disclosures**	**Recommended Disclosures**	**Recommended Disclosures**
a) Describe the board's oversight of climate-related risks and opportunities.	a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	a) Describe the organization's processes for identifying and assessing climate-related risks.	a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.
b) Describe management's role in assessing and managing climate-related risks and opportunities.	b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	b) Describe the organization's processes for managing climate-related risks	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.
	c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.

Appendices

Appendix 1: Uncorrected Audit Adjustments – Fund

Uncorrected audit adjustments

Detail	Debit/ (credit) Fund Account £m	Debit/ (credit) Net Asset Statement £m
Uncorrected known misstatements identified in current year		
[1] Stale price adjustment alternative investments	(9.7)	9.7
Uncorrected judgemental misstatements identified in current year		
No significant uncorrected judgemental misstatements		
Total	-	-

Uncorrected disclosure deficiencies

No significant deficiencies identified.

Appendix 1: Uncorrected Audit Adjustments – Authority

Uncorrected audit adjustments

Detail	Debit/ (credit) Comprehensive income and expenditure £k	Debit/ (credit) Balance sheet £k	Debit/(credit) Reserves £k
Uncorrected known misstatements identified in current year			
No unadjusted misstatements identified			
Uncorrected judgemental misstatements identified in current year			
No unadjusted misstatements identified			
Total			

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Uncorrected disclosure deficiencies

No significant deficiencies identified

Appendix 2: Outstanding items

Items outstanding at the date of issue of this report

Our final opinion is subject to completion of these items.

FUND

- Finalisation of our design and implementation procedures on contributions, benefits and investments
- Investments: Finalisation of alternatives valuation testing
- Investments: Final reconciliation of risk disclosure note and stock lending disclosure note to detailed testing
- Investments: Final reconciliation of sales and purchases to third party confirmations
- Investments : Procedures identified on page 15 of this report.
- Management override of controls: Procedures identified on page 11 of this report
- Membership data testing
- IAS 19 assurance work for the Authority

BOTH

- Completion of journals testing
- Satisfactory completion of our post year-end events review
- Finalisation of our internal quality control procedures
- Final partner and technical review clearance
- Receipt of signed management representations letter
- Going concern review

Appendix 3: Fraud responsibilities and representations

Responsibilities explained

Your Responsibilities:

The primary responsibility for the prevention and detection of fraud rests with management and the Audit Committee, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.

Our Responsibilities:

- We are required to obtain representations from your management regarding internal controls, assessment of risk and any known or suspected fraud or misstatement.
- As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.
- As set out in the significant risks section of this document, we have identified the valuation of directly held commercial property as a key audit risk within the Fund and management override for both the Fund and the Authority.

Fraud Characteristics:

- Misstatements in the financial statements can arise from either fraud or error. The distinguishing factor between fraud and error is whether the underlying action that results in the misstatement of the financial statements is intentional or unintentional.
- Two types of intentional misstatements are relevant to us as auditors – misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets.

We will request the following to be stated in the representation letter signed on behalf of the Audit Committee:

- We acknowledge our responsibilities for the design, implementation and maintenance of internal control to prevent and detect fraud and error.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We are not aware of any fraud or suspected fraud / We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Fund and Authority and involves:
  - (i) management;
  - (ii) employees who have significant roles in internal control; or
  - (iii) others where the fraud could have a material effect on the financial statements.
- We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the Fund's financial statements communicated by employees, former employees, analysts, regulators or others.

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Appendix 3: Fraud responsibilities and representations (continued)

Inquiries

We will make the following inquiries regarding fraud:

Management:

- Management's assessment of the risk that the financial statements may be materially misstated due to fraud, including the nature, extent and frequency of such assessments.
- Management's process for identifying and responding to the risks of fraud in the Fund and Authority.
- Management's communication, if any, to the Audit Committee regarding its processes for identifying and responding to the risks of fraud in the Fund and Authority.
- Management's communication, if any, to employees regarding its views on business practices and ethical behaviour.
- Whether management has knowledge of any actual, suspected or alleged fraud affecting the Fund and Authority.
- We plan to involve management from outside the finance function in our inquiries.

Internal Audit

- Whether internal audit has knowledge of any actual, suspected or alleged fraud affecting the Fund, and to obtain its views about the risks of fraud.

The Audit Committee

- How the Audit Committee exercises oversight of management's processes for identifying and responding to the risks of fraud in the Fund and Authority and the internal control that management has established to mitigate these risks.
- Whether the Audit Committee has knowledge of any actual, suspected or alleged fraud affecting the Fund and Authority.
- The views of the Audit Committee on the most significant fraud risk factors affecting the Fund and Authority.

Appendix 4: Independence and fees

A Fair and Transparent Fee

As part of our obligations under International Standards on Auditing (UK), we are required to report to you on the matters listed below:

Independence confirmation	We confirm the audit engagement team, and others in the firm as appropriate, Deloitte LLP and, where applicable, all Deloitte network firms are independent of the Fund and Authority and will reconfirm our independence and objectivity to the Audit Committee for the year ending 31 March 2021 in our final report to the Audit Committee. In considering the requirements of Auditor Guidance Note 01 (issued by the National Audit Office) and the Ethical Standard 2019 to report all significant facts and matters that may bear upon our integrity, objectivity and independence, though not meeting the defined criteria for an affiliate of an audited entity, we have taken account of the tax and internal audit services provided to Border to Coast Partnership by Deloitte. To this effect we have documented our assessment on the threats and safeguards concerned with the delivery of services to, and the receipt of fees from, Border to Coast Pension Partnership, along with our assessment on the opinion of a reasonable and informed third party on these services.
Fees	Our initial audit fee for the year ended 31 March 2021 is £31,833 for the Fund and the Authority. The fee reflected here is the scale fee. In line with recent PSAA correspondence that scale fees should be negotiated by individual s151 officers, we are in discussion with the Authority regarding the current level of fee which we deem to be too low given the size and complexity of the body, and which also needs to take into account the revised approach to Value for Money reporting in the current year. We have agreed an additional fee of £17,000 for the 2019/20 audit, related to additional work resulting from COVID-19, as well as delays incurred in connection to COVID-19, which will be submitted to the PSAA for approval shortly. The above fee also excludes the cost of providing IAS 19 letters to other local authorities that will be recharged by the Fund to the other local authorities. The above fees exclude VAT and out of pocket expenses.
Non audit services	In our opinion there are no inconsistencies between the FRC's Ethical Standard and the Fund's policy for the supply of non-audit services or any apparent breach of that policy. We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.
Ethical Standard 2019	The FRC has recently released the Ethical Standard 2019. The standard classes pension schemes as 'other entities of public interest' where assets are greater than £1bn and there are more than 10,000 members. As a result, non audit services will be limited primarily to reporting accountant work, audit related and other regulatory and assurance services. All other advisory services to these entities, their UK parents and world-wide subs will be prohibited.

Appendix 5: Draft representation letter

South Yorkshire Pensions Authority and South Yorkshire Pension Fund

This representation letter is provided in connection with your audit of the financial statements of South Yorkshire Pension Authority (the “Authority”) for the year ended 31 March 2021 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the financial position of the Authority as of 31 March 2021 and of the results of its operations, other comprehensive income and expenditure, and its cash flows for the year then ended in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom.

In addition to the above, this representation letter is provided in connection with your audit of South Yorkshire Pension Fund (the “Fund”) for the purposes as to whether the financial statements of the Fund show a true and fair view of the financial transactions of the Fund during the period from 1 April 2020 to 31 March 2021 and of the amount and disposition at the end of the Fund period of its assets and liabilities, other than the liabilities to pay pensions and benefits after the end of the period, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom.

We confirm, to the best of our knowledge and belief, the following representations.

Financial statements

1. We understand and have fulfilled our responsibilities for the preparation of the financial statements in accordance with proper practices as set out in the Code of Practice on Local Authority Accounting in the United Kingdom (the “Code”).

2. Significant assumptions used by us in making accounting estimates, including those measured at fair value and assessing the impact of Covid-19 on the Fund, are reasonable.

3. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of IAS 24 “Related party disclosures”.

4. All events subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment of or disclosure have been adjusted or disclosed, including disclosure of the impact that Covid-19 has had over the Authority and Fund financial statements.

5. The effects of uncorrected misstatements and disclosure deficiencies are immaterial, both individually and in aggregate, to the financial statements as a whole.

6. We confirm that the financial statements have been prepared on the going concern basis. As a local authority, the South Yorkshire Pensions Authority (including the Fund) cannot be dissolved without statutory prescription and it is assumed that the Authority will continue to operate for the foreseeable future.. We are not aware of any material uncertainties related to events or conditions that may cast significant doubt upon the Authority’s and Fund’s ability to continue as a going concern. We confirm the completeness of the information provided regarding events and conditions relating to going concern at the date of approval of the financial statements, including our plans for future actions.

7. We confirm that all of the disclosures within the Annual Governance Statement have been prepared in accordance with the relevant legislation and guidance.

8. We have considered the valuation of the Authority’s Property, Plant and Equipment, and are not aware of any circumstances indicating volatility in asset values requiring a revaluation of the entire portfolio in the current year.

9. To the best of our knowledge and belief the Fund holds title to all Property included in its Net Assets Statement at 31 March 2021.

Information provided

10. We have provided you with all relevant information and access.

11. We acknowledge our responsibilities for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

12. All transactions have been recorded and are reflected in the financial statements and the underlying accounting records.

13. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

14. We are not aware of any fraud or suspected fraud that affects the Authority or Fund and involves:

    i. management;
    ii. employees who have significant roles in internal control; or
    iii. others where the fraud could have a material effect on the financial statements.

15. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the Authority and Fund’s financial statements communicated by employees, former employees, analysts, regulators or others.

Appendix 5: Draft representation letter

16. We are not aware of any instances of non-compliance, or suspected non-compliance, with laws, regulations, and contractual agreements whose effects should be considered when preparing financial statements.

17. We have disclosed to you the identity of the Authority and Fund's related parties and all the related party relationships and transactions of which we are aware.

18. There are no claims in connection with litigation which have been or are expected to be received.

19. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the financial statements.

20. We confirm that:

    i. we consider that the Authority and Fund have appropriate processes to prevent and identify any cyber breaches other than those that are clearly inconsequential; and

    ii. we have disclosed to you all cyber breaches of which we are aware that have resulted in more than inconsequential unauthorised access of data, applications, services, networks and/or devices.

21. We confirm that the Fund is a Registered Pension Scheme. We are not aware of any reason why the tax status of the Fund should change.

22. We have not made any reports to The Pensions Regulator nor are we aware of any such reports having been made by any of our advisors. We also confirm that we are not aware of any matters which have arisen that would require a report to The Pensions Regulator.

23. We have drawn to your attention all correspondence and notes of meetings with regulators.

24. We have not commissioned advisory reports which may affect the conduct of your work in relation to the Authority and Fund's financial statements.

25. We confirm that:

    i. all retirement benefits and schemes, including UK, foreign, funded or unfunded, approved or unapproved, contractual or implicit have been identified and properly accounted for;

    ii. all settlements and curtailments have been identified and properly accounted for;

    iii. all events which relate to the determination of pension liabilities have been brought to the actuary's attention;

    iv. the actuarial assumptions underlying the valuation of the scheme liabilities (including the discount rate used) accord with the Authority's best estimates of the future events that will affect the cost of retirement benefits and are consistent with our knowledge of the business;

    v. the actuary's calculations have been based on complete and up to date member data as far as appropriate regarding the adopted methodology; and

    vi. the amounts included in the financial statements derived from the work of the actuary are appropriate.

26. Based upon advice from our actuaries we do not consider that any adjustment to the Authority's pension liabilities arising from GMP equalisation is required as amounts involved are not considered to be significant.

27. We confirm that, under section 27 of the Pensions Act 1995, no Committee member of the Authority or Fund is connected with, or is an associate of Deloitte LLP, which would render Deloitte LLP ineligible to act as auditor to the Authority and Fund.

28. You have been informed of all changes to the Fund rules.

29. We confirm we have disclosed all stock-lending programmes in place.

30. No transactions have been made which are not in the interests of the Fund members or the Fund during the Fund year or subsequently.

31. We confirm that the Fund does not hold investments in the Principal or Participating employers in excess of 5% of the net assets of the Fund.

32. All trades in complex financial instruments are in accordance with our risk management policies, have been conducted on an arm's length basis and have been appropriately recorded in the accounting records, including consideration of whether the complex financial instruments are held for hedging, asset/liability management or investment purposes. None of the terms of the trades have been amended by any side agreement and no documentation relating to complex financial instruments (including any embedded derivatives and written options) and other financial instruments has been withheld.

We confirm that the above representations are made on the basis of adequate enquiries of management and staff (and where appropriate, inspection of evidence) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

Yours faithfully,

Signed on behalf of South Yorkshire Pensions Authority and South Yorkshire Pension Fund

Appendix 6: VfM arrangements

Financial Sustainability

Approach and considerations

We have considered how the Authority plans and manages its resources to ensure it can continue to deliver its services, including:

- How the Authority ensures it identifies all the significant financial pressures that are relevant to its short and medium-term plans, and builds these into them;
- How the Authority plans to bridge its funding gaps and identifies achievable savings;
- How the Authority plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;
- How the Authority ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning; and
- How the Authority identifies and manages risks to financial resilience, including challenge of the assumptions underlying its plans.

Commentary

The Authority recognised a surplus on the provision of services for the year of £172,000. At 31 March 2021, the Authority had net liabilities of £12.2m (31 March 2020: £11.1m), net current assets of £1.6m (31 March 2020: £0.9m), and cash of £0.4m (31 March 2020: £0.4m). The net liability position is driven by the pensions liability and therefore is not considered a risk. The Authority's useable reserves have increased by £600,533 to £1,611,267. The reserves have been earmarked to finance the major capital projects planned by the Authority, the most significant being the refurbishment and fit-out of the new office premises in 2021/22.

There has been limited impact of the Covid-19 pandemic on the Authority. The Authority has implemented remote working during the year in line with the national guidance and incurred additional costs in relation to the purchase of IT equipment. However, as their expenditure is recharged to the Pension Fund, there has been no impact on the overall financial sustainability of the Authority.

The Authority has a thorough annual financial planning and forecasting process. The financial plan is considered as part of the overall operational planning process and this process is lead by the Director and Head of Finance & Corporate Services. The Authority has a balanced Medium Term Financial Strategy for 2020/21 to 2022/23. In preparing the 2020/21 budget, the Authority has performed a full review of the base budget due to the significant changes that have occurred over the previous two years. This involved reviewing both the internal and external environments to ensure that all financial pressures were identified and factored in to the budget. The 2020/21 budget is linked to the corporate objectives and has been prepared to ensure the Authority has sufficient resources to deliver services.

Appendix 6: VfM arrangements (continued)

Financial Sustainability (continued)

Commentary

Due to the nature of the Authority, the expenditure incurred is funded by the Pension Fund in accordance with regulations. The Authority is, therefore, less exposed to the wider constraints on the public sector financial environment. As such, there is no funding gap or savings plans to consider. The Pension Fund is currently in surplus and has net assets of £9bn and therefore has sufficient resources to fund the expenditure of the Authority.

The Authority has a detailed risk management process. This includes a Risk Framework and a RAG rating system is used. The Authority maintains a risk register which is regularly reviewed and challenged by the Pensions Authority and the South Yorkshire Local Pension Board. The only red rated risk is the 'impact of climate change on the value of the Fund's investment assets and its liabilities'. The Authority has a climate change policy in place and is considering alternative investment approaches as part of the investment strategy review.

The Authority reports the corporate performance on a quarterly basis, which includes a review of the financial position and an analysis of the actual expenditure incurred compared to budget. This allows the Authority to identify any changes in demand throughout the year.

Appendix 6: VfM arrangements (continued)

Governance

Approach and considerations

We have considered how the Authority ensures that it makes informed decisions and properly manages its risks, including:

- how the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- how the body approaches and carries out its annual budget setting process;
- how the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed;
- how the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency; and
- how the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour.

Commentary

As set out on the previous page, the Authority has a detailed risk management process in place. The Authority maintains a Risk Management Framework and risk register which are reviewed on a quarterly basis by the Pension Authority. The risks identified are allocated to an owner to implement the mitigating actions. Due to the Covid-19 pandemic, the risk register was reviewed and risks identified relating to the pandemic were added to the risk register.

The Authority has a series of policies covering internal controls, including a whistleblowing and anti-fraud policy. These policies are readily available for all staff to review on the Authority's website.

The Authority engaged Hymans Robertson in July 2020 to perform an assessment of where they stand in relation to their legal requirements in respect of the LGPS, as well as the expectations of The Pensions Regulator and the themes emerging from the LGPS Scheme Advisory Board's Good Governance project. The overall conclusion was that 'the Authority is extremely well run and that its governance framework is excellent'.

The report made five recommendations:

- consider adopting a funding objective;
- consider reviewing the LGPS employer discretion policy to include all areas over which it has discretion;
- review the arrangements whereby the roles of clerk, Monitoring Officer and s37 Officer are filled to ensure access to the expert advice and support;
- amend the Local Pension Board Constitution to require that a member of the Board may not also be an observer at meetings or sub-committees of the Authority; and
- the Learning and Development Policy be extended to cover all those who attend Pension Committee and Board.

Appendix 6: VfM arrangements (continued)

Governance (continued)

Commentary

The annual budget setting is conducted as part of the annual planning exercise for which the Head of Finance and Director have executive responsibility. National and local guidance is assessed and used to form the basis of a number of assumptions in the plan. Current year performance is evaluated with notable variances explained to determine any ongoing impact. The budget seeks to explain year on year movements and any pressures are identified. There is a clear process in place to set the annual budget and this is approved by the Board and Audit Committee.

The Authority produces a quarterly corporate performance report which includes a review of the actual outturn position against the budget, and details any significant variances. This is reported to the Pension Authority quarterly, which ensures there is sufficient oversight of the budget monitoring process. The report also includes non financial information and reports on how the Authority is achieving against its corporate plans.

The Authority has a number of policies in place to ensure it makes properly informed decisions which are detailed within the Authority's Constitution. The Authority has an approved decision methodology for investment and divestment decisions, which includes approval by finance personnel, and other key factors. Where necessary, decisions will be reviewed by the executive management team for comment and to determine if the proposal should be approved. Business cases with supporting information are submitted to the relevant committee for approval. This allows for challenge and transparency before decisions are approved.

The Authority has a number of staff policies in place including a code of conduct. These are all contained within the Constitution and are readily available for all staff to access. Declarations of interest are maintained for all senior members of staff and decision making officers.

Appendix 6: VfM arrangements (continued)

Improving economy, efficiency and effectiveness

Approach and considerations

We have considered how the body uses information about its costs and performance to improve the way it manages and delivers its services, including:

- How financial and performance information has been used to assess performance to identify areas for improvement;
- How the Authority evaluates the services it provides to assess performance and identify areas for improvement;
- How the Authority ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve; and
- Where the Authority commissions or procures services, how the Authority ensures that this is done in accordance with relevant legislation, professional standards and internal policies, and how the Authority assesses whether it is realising the expected benefits.

Commentary

The Authority assesses its performance through quarterly Corporate Performance Reports which consider a number of measures including corporate, investment, pension administration and financial metrics. There is also quarterly reporting on the performance of the Pension Fund investments. These reports are presented to the Pensions Authority.

The Authority engage CEM Benchmarking on an ad hoc basis to perform benchmarking reviews in areas such as pensions administration and investments. CEM Benchmarking performed an investments review for the six years up to March 2020. This showed the investments were performing ahead of the LGPS median with regards to the net total return. The report also placed the six year performance in the positive value added, low cost quadrant of the cost effectiveness chart.

The most significant partnership that the Authority is part of is the Border to Coast Pensions Partnership (‘BCPP’). The Authority is both an investor in products and an owner in the company. BCPP currently manages 63.5% of the Pension Fund assets. BCPP provide monthly and quarterly reports to the Authority outlining their performance and compliance with mandates agreed with the Authority. These are reviewed by the Director.

BCPP have an annual internal controls review undertaken by KPMG who have produced an Independent Service Auditor’s Assurance Report on Investment Management Control System for the period 1 January 2020 to 31 December 2020. This report is qualified due to a lack of documentation regarding the approval and monitoring of access rights to the system. We do not deem this to be a risk to value for money as there have been no issues identified through the monthly and annual monitoring of the BCPP investments.

Appendix 6: VfM arrangements (continued)

Improving economy, efficiency and effectiveness (continued)

Commentary

The Authority performs an annual review of BCPP. They have an annual review meeting involving the BCPP portfolio managers, senior management and the Authority's investment advisory panel and produce an annual review report. This covers the investment performance and the delivery of the partnership against the principles and the Authority's objectives. The annual report review includes a number of recommendations to ensure the partnership continues to provide the Authority with the expected benefits. The key recommendations were:

- The Authority and Company should work together to provide a quantitative analysis of the value added for SYPFA by the pooling process;
- The Authority should seek to agree quarterly investor calls for each internally managed funds so that officers from all investors can gain greater understanding of the factors driving the positioning of the portfolios; and
- The Authority should keep under continual review the lot sizes being achieved within the Alternative portfolios and if at the next annual review the lot size is not achieving the targeted level, the Authority will seek proposals from the Company to address this.

The Authority has plans in place to address each of the recommendations to ensure that the best value is gained from the pooling partnership.

Deloitte.

Agenda Item 8

Subject	**Letter of Representation 2020/21**	**Status**	For Publication
Report to	Audit Committee	**Date**	29 July 2021
Report of	Treasurer		
Equality Impact Assessment	Not Required	Attached	No
Contact Officer	Gillian Taberner Head of Finance & Corporate Services	**Phone**	01226 772850
E Mail	gtaberner@sypa.org.uk		

1 Purpose of the Report

1.1 To seek Members' approval of the Treasurer's formal letter to the Auditor giving representations regarding the information in the Statement of Accounts for 2020/21, as set out in the Accounts and Audit Regulations 2015.

2 Recommendations

2.1 Members are recommended to:

a. **Authorise the Chair of the Audit Committee to sign the Letter of Representation on behalf of the Authority.**

3 Link to Corporate Objectives

3.1 This report links to the delivery of the following corporate objectives:

Effective and Transparent Governance

To uphold effective governance showing prudence and propriety at all times.

The Letter of Representation is a requirement of the audit process and includes a confirmation that the Authority has fulfilled its responsibilities, as set out in the Accounts and Audit Regulations 2015.

4 Implications for the Corporate Risk Register

4.1 The actions outlined in this report address the risk identified in the Corporate Risk Register that the Authority fails to meet specific regulatory requirements.

5 Background and Options

5.1 As part of the external audit process, the auditor, Deloitte, is required to obtain representations from the Authority as part of their audit process. The auditor requests a letter of representation that includes assurances on specific items and is signed on behalf of the Audit Committee.

5.2 This letter will include the following statements:

a. We acknowledge our responsibilities for the design, implementation and maintenance of internal control to prevent and detect fraud and error.
b. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
c. We are not aware of any fraud or suspected fraud in relation to fraud or suspected fraud that we are aware of and that affects the Authority and involves:
    i. Management;
    ii. Employees who have significant roles in internal controls; or
    iii. Others where the fraud could have a material effect on the financial statements.
d. We have disclosed to you all information in relation to allegations of fraud or suspected fraud, affecting the Authority's financial statements communicated by employees, former employees, analysts, regulators or others.

5.3 The Letter of Representation should be approved by the Audit Committee and signed by the Chair of the meeting as well as by the Treasurer.

5.4 The draft Letter of Representation is attached at Appendix A. The audit work is still in progress and therefore this is subject to change if the auditor should require any further representations to be made as a result of their work.

6 Implications

6.1 The proposals outlined in this report have the following implications:

Financial	None
Human Resources	None
ICT	None
Legal	The Letter of Representation includes confirmation that the Authority has fulfilled its responsibilities set out in the Accounts and Audit Regulations 2015.
Procurement	None

Neil Copley

Treasurer

Background Papers	
Document	**Place of Inspection**
-	-

SOUTH YORKSHIRE
PENSIONS AUTHORITY
Floor 8, Gateway Plaza, Sackville Street, Barnsley, S70 2RD
www.sypensions.org.uk

Nicola Wright
Audit Partner

Deloitte LLP
One Trinity Gardens
Broad Chare
Newcastle
NE1 2HF

Our ref:	LOR202021
Your ref:	
Direct Line:	01226 772850
Email:	gtaberner@sypa.org.uk
Date:	29 July 2021

South Yorkshire Pensions Authority and South Yorkshire Pension Fund

This representation letter is provided in connection with your audit of the financial statements of South Yorkshire Pensions Authority (the "Authority") for the year ended 31 March 2021 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the financial position of the Authority as of 31 March 2021 and of the results of its operations, other comprehensive income and expenditure, and its cash flows for the year then ended in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom.

In addition to the above, this representation letter is provided in connection with your audit of South Yorkshire Pension Fund (the "Fund") for the purposes as to whether the financial statements of the Fund show a true and fair view of the financial transactions of the Fund during the period from 1 April 2020 to 31 March 2021 and of the amount and disposition at the end of the Fund period of its assets and liabilities, other than the liabilities to pay pensions and benefits after the end of the period, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom.

We confirm, to the best of our knowledge and belief, the following representations.

Financial statements

1. We understand and have fulfilled our responsibilities for the preparation of the financial statements in accordance with proper practices as set out in the Code of Practice on Local Authority Accounting in the United Kingdom (the "Code").

2. Significant assumptions used by us in making accounting estimates, including those measured at fair value and assessing the impact of Covid-19 on the Fund, are reasonable.

3. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of IAS 24 "Related party disclosures".

4. All events subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment of or disclosure have been adjusted or disclosed, including disclosure of the impact that Covid-19 has had over the Authority and Fund financial statements.

5. The effects of uncorrected misstatements and disclosure deficiencies are immaterial, both individually and in aggregate, to the financial statements as a whole.

6. We confirm that the financial statements have been prepared on the going concern basis. As a local authority, the South Yorkshire Pensions Authority (including the Fund) cannot be dissolved without statutory prescription and it is assumed that the Authority will continue to operate for the foreseeable future. We are not aware of any material uncertainties related to events or conditions that may cast significant doubt upon the Authority's and Fund's ability to continue as a going concern. We confirm the completeness of the information provided regarding events and conditions relating to going concern at the date of approval of the financial statements, including our plans for future actions.

7. We confirm that all of the disclosures within the Annual Governance Statement have been prepared in accordance with the relevant legislation and guidance.

8. We have considered the valuation of the Authority's Property, Plant and Equipment, and are not aware of any circumstances indicating volatility in asset values requiring a revaluation of the entire portfolio in the current year.

9. To the best of our knowledge and belief the Fund holds title to all Property included in its Net Assets Statement at 31 March 2021.

Information provided

10. We have provided you with all relevant information and access.

11. We acknowledge our responsibilities for the design, implementation and maintenance of internal control to prevent and detect fraud and error

12. All transactions have been recorded and are reflected in the financial statements and the underlying accounting records.

13. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

14. We are not aware of any fraud or suspected fraud that affects the Authority or Fund and involves:

    i. management;

    ii. employees who have significant roles in internal control; or

    iii. others where the fraud could have a material effect on the financial statements.

15. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the Authority and Fund's financial statements communicated by employees, former employees, analysts, regulators or others.

16. We are not aware of any instances of non -compliance, or suspected non-compliance, with laws, regulations, and contractual agreements whose effects should be considered when preparing financial statements.

17. We have disclosed to you the identity of the Authority and Fund's related parties and all the related party relationships and transactions of which we are aware.

18. There are no claims in connection with litigation which have been or are expected to be received.

19. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the financial statements.

20. We confirm that:

    i. we consider that the Authority and Fund have appropriate processes to prevent and identify any cyber breaches other than those that are clearly inconsequential; and

    ii. we have disclosed to you all cyber breaches of which we are aware that have resulted in more than inconsequential unauthorised access of data, applications, services, networks and/or devices.

21. We confirm that the Fund is a Registered Pension Scheme. We are not aware of any reason why the tax status of the Fund should change.

22. We have not made any reports to The Pensions Regulator nor are we aware of any such reports having been made by any of our advisors. We also confirm that we are not aware of any matters which have arisen that would require a report to The Pensions Regulator.

23. We have drawn to your attention all correspondence and notes of meetings with regulators.

24. We have not commissioned advisory reports which may affect the conduct of your work in relation to the Authority and Fund's financial statements.

25. We confirm that:

    i. all retirement benefits and schemes, including UK, foreign, funded or unfunded, approved or unapproved, contractual or implicit have been identified and properly accounted for;

    ii. all settlements and curtailments have been identified and properly accounted for;

    iii. all events which relate to the determination of pension liabilities have been brought to the actuary's attention;

    iv. the actuarial assumptions underlying the valuation of the scheme liabilities (including the discount rate used) accord with the Authority's best estimates of the future events that will affect the cost of retirement benefits and are consistent with our knowledge of the business;

    v. the actuary's calculations have been based on complete and up to date member data as far as appropriate regarding the adopted methodology; and

    vi. the amounts included in the financial statements derived from the work of the actuary are appropriate.

26. Based upon advice from our actuaries we do not consider that any adjustment to the Authority's pension liabilities arising from GMP equalisation is required as amounts involved are not considered to be significant.

27. We confirm that, under section 27 of the Pensions Act 1995, no Committee member of the Authority or Fund is connected with, or is an associate of Deloitte LLP, which would render Deloitte LLP ineligible to act as auditor to the Authority and Fund.

28. You have been informed of all changes to the Fund rules.

29. We confirm we have disclosed all stock lending programmes in place.
30. No transactions have been made which are not in the interests of the Fund members or the Fund during the Fund year or subsequently.
31. We confirm that the Fund does not hold investments in the Principal or Participating employers in excess of 5% of the net assets of the Fund.
32. All trades in complex financial instruments are in accordance with our risk management policies, have been conducted on an arm's length basis and have been appropriately recorded in the accounting records, including consideration of whether the complex financial instruments are held for hedging, asset/liability management or investment purposes. None of the terms of the trades have been amended by any side agreement and no documentation relating to complex financial instruments (including any embedded derivatives and written options) and other financial instruments has been withheld.

We confirm that the above representations are made on the basis of adequate enquiries of management and staff (and where appropriate, inspection of evidence) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

Yours faithfully,

Signed on behalf of South Yorkshire Pensions Authority
and South Yorkshire Pension Fund

Agenda Item 9

SOUTH YORKSHIRE
PENSIONS AUTHORITY

Subject	**Approval of Statement of Accounts 2020/21**	**Status**	For Publication
Report to	Audit Committee	**Date**	29 July 2021
Report of	Treasurer		
Equality Impact Assessment	Not Required	Attached	n/a
Contact Officer	Gillian Taberner Head of Finance & Corporate Services	**Phone**	01226 772850
E Mail	gtaberner@sypa.org.uk		

1 Purpose of the Report

1.1 To approve the audited Statement of Accounts 2020/21.

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2 Recommendations

2.1 Members are recommended to:

a. Approve the Statement of Accounts 2020/21

b. Authorise the Chair of the Audit Committee to sign the Statement of Accounts on behalf of the Authority

---

3 Link to Corporate Objectives

3.1 This report links to the delivery of the following corporate objectives:

Effective and Transparent Governance

To uphold effective governance showing prudence and propriety at all times.

3.2 The approval and publication of the Statement of Accounts enables the Authority to demonstrate the proper administration of its financial affairs and the effective use of its resources.

---

4 Implications for the Corporate Risk Register

4.1 The actions outlined in this report address the risk identified in the Corporate Risk Register that the Authority fails to meet specific regulatory requirements.

5 Background and Options

5.1 Regulation 9 (2) of the Accounts and Audit Regulations 2015 requires the Statement of Accounts to be approved by a resolution of a Committee of the Authority.

5.2 The Authority has designated the Audit Committee as the committee to approve the Statement of Accounts.

Statutory Deadlines for Publication of Accounts

5.3 In September 2020, the findings from the *Independent review into the oversight of local audit and the transparency of local authority financial reporting* (The Redmond Review) were published. This report recommended that the deadline for publishing audited local authority accounts be extended from 31 July to 30 September each year. MHCLG partly accepted this recommendation and agreed to extend this deadline accordingly for 2020/21 and 2021/22 only, after which this will be reviewed.

5.4 The Accounts and Audit (Amendment) Regulations 2021 came into force on 31 March 2021 and require publication of the audited statement of accounts no later than 30 September. Additionally, in relation to the draft, unaudited accounts, these are to be published no later than 31 July to enable the period for the exercise of public rights to commence by the first day of August.

5.5 Although the statutory deadlines were extended thus, officers had planned a timetable for the production of the Authority's 2020/21 accounts in accordance with the earlier dates of 31 May for publication of the draft accounts, and 31 July for publication of the audited accounts. It is considered very important that we prepare our accounts as early as possible given that the four district Councils and other large employers in the scheme are reliant on the completion of the audit on the Fund accounts and receipt of assurances from our auditor before their own audits can be completed.

5.6 This was discussed with our external auditor, Deloitte, who agreed to commit to working with us to achieve these deadlines.

Statement of Accounts

5.7 The accounts have been prepared following the "Code of Practice on Local Authority Accounting in the United Kingdom 2020/21" issued by the Chartered Institute of Public Finance and Accountancy (the Code).

5.8 The Code constitutes the "proper accounting practices" required by Section 21(2) of the Local Government Act 2003 and deviations from it will usually lead to a qualified audit opinion. The Authority is required to prepare a Statement of Accounts in compliance with the Accounts and Audit Regulations made under Section 32 of the Local Audit and Accountability Act 2014 and therefore has a statutory duty to comply with the Code requirements.

5.9 In accordance with Section 26 of the Local Audit and Accountability Act 2014 the accounts were open to public inspection and for objections or questions from local electors for 30 days and no objections or questions from local electors were received.

5.10 The accounts are subject to audit by Deloitte LLP who is the auditor appointed by Public Sector Audit Appointments Limited. Deloitte LLP has conducted its audit and prepared their audit status report in accordance with *International Standards on Auditing (United Kingdom and Ireland) 260 - Communication to those charged with governance*, which is elsewhere on the agenda.

5.11 The draft Statement of Accounts 2020/21 was authorised for issue on Friday 28 May 2021. This was ahead of the statutory deadline, as outlined above in paragraphs 5.4 to 5.5. The external audit commenced on the next working day, Tuesday 1 June.

5.12 The Statement of Accounts comprises the accounts of the Authority itself as an organisation, in addition to the accounts of the Pension Fund for the year (the Fund accounts).

5.13 At the time of writing, the audit work is very well progressed and on schedule to be finalised in line with the planned timescales to enable the audited accounts to be published around 31 July. The auditor will provide an update on the status of their audit to the Committee.

5.14 During the course of the audit, a small number of amendments to the accounts were agreed as set out below. The amended, audited Statement of Accounts is attached as Appendix A to this report.

Amendments to the Accounts

5.15 Fund Accounts – Valuation of 'Alternatives' Assets

5.16 The Fund's investments include over 150 investments in 'alternative' classes of assets (private equity, private debt, and infrastructure) that, in line with standard industry practice and in line with previous years, are valued using the latest financial statements published by the respective fund managers. Due to timing required for preparation of the draft accounts, 31 December valuations are normally used, adjusted for subsequent cash flows (new investments and returns paid over to investors). This approach is necessary because these funds' 31 March statements are only provided from June onwards, and it is considered that their values at 31 March are unlikely to be materially different from the values stated in the draft Fund accounts.

5.17 However, each year this is reviewed and checked against the fund manager statements at 31 March as they become available during the audit process. This year, the review of fund manager statements for 31 March 2021 indicated a material movement from the 31 December values. Consequently, it was necessary to amend the Fund accounts in order to update the valuations of these investments.

5.18 The financial impact of this change was an increase in the total Fund value of £130.8 million; the total net assets of the Fund shown on the Net Assets Statement at 31 March 2021 changed from £9.731 billion to £9.862 billion.

5.19 The effect of this in the Fund Account for the year was to increase the change in values of investments from £1.585 billion to £1.715 billion.

5.20 This also resulted in an increase to the total investment return for the year from 19.5% to 21.1%.

5.21 Authority Accounts – IAS 19 Accounting for the Defined Benefit Pension Liability

5.22 As a result of the change to the Fund accounts set out above, there was a knock-on effect to the values stated in the Authority's accounts in relation to the Authority's net pension liability as an employer in the scheme. An amended schedule of IAS19-based figures was obtained from the actuary and the accounts amended accordingly. This resulted in an overall reduction to the long term net pensions liability in the balance sheet of £417k; from £14.292 million to £13.875 million.

5.23 The effect of this in the Comprehensive Income & Expenditure Statement was a small increase of £1k to the net interest cost recognised in the surplus on provision of services, and a reduction of £418k recognised in Other Comprehensive Expenditure.

5.24 Statutory requirements mean that the effects of IAS 19 accounting adjustments are reversed in the Movement in Reserves Statement so there is no impact from this change to the total Authority expenditure charged to the Pension Fund.

5.25 Authority Accounts – Expenditure and Income Analysed by Nature

5.26 Note 9 to the Authority accounts provides a disclosure to show the expenditure of the Authority classified according to its nature – employee expenses, depreciation and amortisation, other service expenses and so on. A classification error was identified in this note in that £60k of expenditure relating to other service expenses was incorrectly shown as employee expenses. This error was corrected by reducing the value of employee expenses and increasing the value of other service expenses by the same amount. There was no impact on the total expenditure figure disclosed or on any other areas of the accounts.

6 Implications

6.1 The proposals outlined in this report have the following implications:

Financial	The Statement of Accounts sets out the financial position of the Authority at 31 March 2021 and its income and expenditure for the year then ended.
Human Resources	None
ICT	None
Legal	Approval of the 2020/21 Statement of Accounts will ensure compliance with the Accounts and Audit Regulations 2015 and the Accounts and Audit (Amendment) Regulations 2021.
Procurement	None

Neil Copley

Treasurer

Background Papers	
Document	**Place of Inspection**
None	-

South Yorkshire Pensions Authority

Statement of Accounts 2020/21

Unaudited

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Narrative Report

Introduction

This narrative report aims to provide information on the Authority, its main objectives and strategies and the principal risks that it faces. The information contained in these accounts can be technical and complex to follow. The aim of this report, therefore, is to provide a narrative context to the accounts by presenting a clear and understandable summary of the Authority's financial position and performance for the year and its prospects for future years. In order to achieve this, a commentary will be provided on how the Authority has used its resources to achieve its desired outcomes and will highlight and explain the linkages between information presented here and the information within the financial statements.

The report is structured as follows:

- About South Yorkshire Pensions Authority
- Our Mission
- Our Priorities
- Our Performance & Achievements
- Our Financial Position
- Our Future Spending Plans
- Risks and Challenges
- COVID-19 Impact
- Explanation of Our Financial Statements 2020/21

About South Yorkshire Pensions Authority

South Yorkshire Pensions Authority was established on 1st April 1988, following the abolition of South Yorkshire County Council and the winding up of the South Yorkshire Residuary Body. The primary function of the organisation is to administer the South Yorkshire Pension Fund within the Local Government Pension Scheme (LGPS).

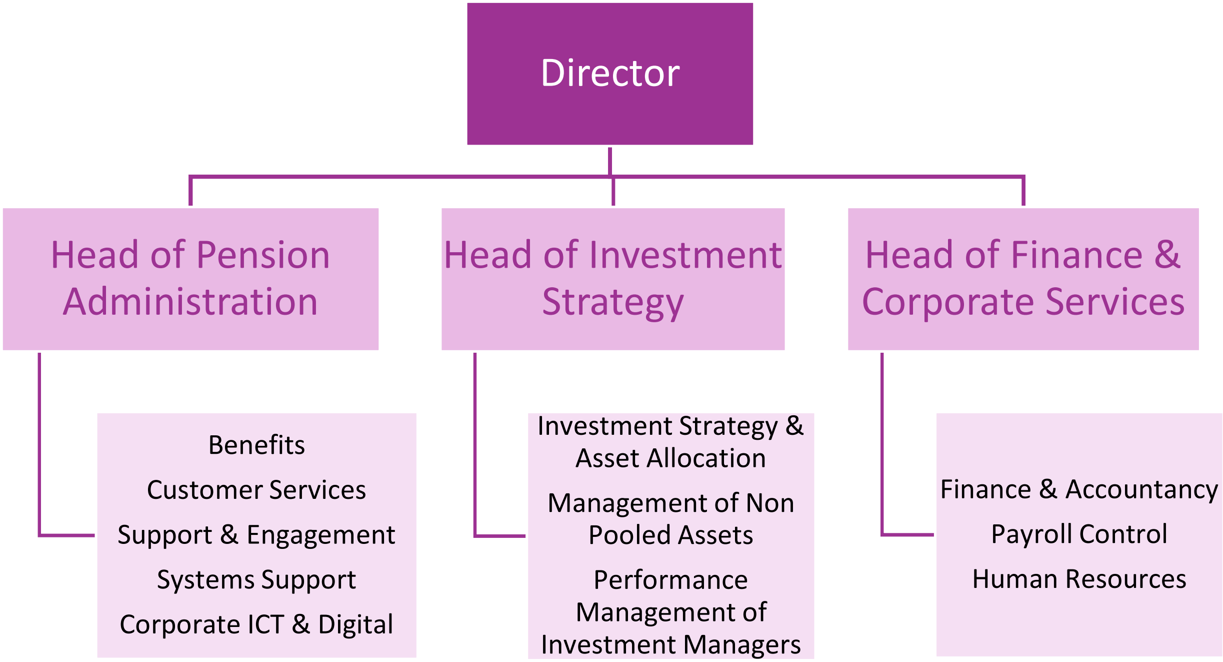
The South Yorkshire Pension Fund is one of the ten largest LGPS funds by both assets and membership, with an asset value of £9.9 billion and a total of 166,869 members at 31 March 2021.

When the Authority was established in 1988, it was also made responsible for certain residual liabilities of the South Yorkshire Residuary Body. These were compensation payments which were not met by the Pension Fund. These liabilities are met by a levy on the four district councils of South Yorkshire payable in proportion to their populations. The four districts are: Barnsley Metropolitan Borough Council, Doncaster Metropolitan Borough Council, Rotherham Metropolitan Borough Council and Sheffield City Council.

The Authority is unique amongst the administering authorities in the LGPS in that it is the only democratically accountable, free-standing pensions organisation in the UK. While a small number of other administering authorities are not councils, their "boards" include appointed experts rather than being entirely made up of councillors.

The Authority has 12 members drawn from the four South Yorkshire districts outlined above, roughly in proportion to their population.

The Authority is supported by the Senior Management Team, led by the Director who is the Head of Paid Service. The management structure of the Authority is set out in the diagram below.



The Authority also appoints a Clerk, Monitoring Officer and Treasurer, as required by law. These roles are undertaken by officers of Barnsley Metropolitan Borough Council under a Service Level Agreement.

In total the Authority directly employs just over 100 people (80 FTE) based at the Authority's headquarters in Barnsley.

Our Mission

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.*

We only exist because of our customers and given that we only do one thing, run the pension scheme, we owe it to them to provide the best possible performance while maintaining costs within reasonable levels.

In order to achieve this mission, there are a number of things we need to do, our 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 term liabilities.

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 the Authority and are actively engaged in improving our services.

The way in which the organisation and its staff go about delivering these objectives reflects the values of the organisation which are:

- Honest & Accountable;
- Professional;
- Progressive; and
- Empowering.

Our Priorities

The Corporate Strategy is one of the key documents that frames the actions of the Authority and sets out the detailed plans for the organisation over a three-year time horizon that aligns with the period between valuations of the Pension Fund.

The strategy update for 2021/22 reflects the continuing journey to build a stronger, more resilient organisation focussed on delivering for our customers and also reflects what we have learnt from having to adapt the way in which we operate to the Covid-19 pandemic, and also the fact that we have not been able to make as much progress as we might have wished on some projects as a result of the prolonged period during which all of our staff have been working at home.

The actions in the strategy are set out in work streams as follows:

Work Stream	Actions
Services to scheme members and employers	• Complete procurement for Pensions Administration system to deliver improvements in the interface with employers, member self-service and process automation; • Implement regulatory changes arising from the McCloud and Goodwin judgements and the GMP rectification process; • Clear residual backlog cases; • Produce and deliver a project and communications plan to support the delivery of the 2022 valuation, considering lessons learnt from the 2019 process; and • Provide additional support to staff to maximise their effectiveness: ○ Opportunities for those at the top of the career grade to develop their skills through secondment opportunities and participation in project work; ○ Implement a structured development programme for Pension Officers to take them to top of the career grade; and ○ Create an accessible and updated single knowledge base for pension administrators.
Customer service and engagement	• Implement new approach to employer engagement focussed on structured support to employers to ensure they meet their statutory responsibilities; and • Actively promote take-up of online services and introduce measures for effectiveness in addition to usage statistics.
Delivering the Investment Strategy	• Implement the revised Investment Strategy including continued transition of assets to Border to Coast products and acting on recommendations regarding the future of the agricultural property portfolio; • Implement revised approaches to reporting on the Authority's stewardship: ○ Adopt the revised FRC UK Stewardship Code and report in line with its requirements; and

Work Stream	Actions
	○ Develop a framework for reporting the impact of the Fund's investments against the UN Sustainable Development Goals. • Implement the Action Plan for Achieving Net Zero by 2030; and • Make changes to the investment performance reporting process to make this less labour intensive and to produce sharper, more focussed reporting.
Supporting the corporate organisation	• Replace the Authority's business systems: ○ Investment Accounting; ○ Finance; ○ People Systems (HR, Staff Payroll, Time and Attendance; and ○ Committee Administration – implement Authority's own instance of *Modern.gov*. • Implement tools to improve the links between appraisal and training delivery for staff, maximising the benefit of the learning and development budget; • Apply the recommendations arising from the review of the Authority's governance arrangements in light of the Good Governance Review in the LGPS; • Implement the preferred option for meeting the Authority's long-term accommodation needs and introduce a policy framework to support some homeworking; • Replace the website infrastructure in order to create a single web presence that better supports the organisation's communication and engagement strategies; • Roll out Microsoft Office 365 to ensure the Authority has access to a regularly updated suite of core application software; • Introduce an 'Agile Working' approach across the organisation supported by a funded programme of hardware replacement; • Replace the Authority's telephony infrastructure with a VOIP system capable of integration with Teams / Office 365 and the Pension Administration system; and • Incorporate appropriate structured approaches to internal and external communication focussed on wider local government and pension communities, as well as stakeholder groups such as scheme members and employers.

Our Performance and Achievements

The performance of the Authority in delivering on our objectives and plans is reported on a quarterly basis at meetings of the Authority. These Corporate Performance Reports are available on the agenda and minutes pages of the website at: www.southyorks.gov.uk . Additionally, further information on the overall performance of the Authority for the year is provided in the Annual Report published on our website at: www.sypensions.org.uk .

Investments

The investment return for the 2020/21 year was 21.1% against the expected benchmark of 18.0%, helping the Fund reach its highest ever value of £9.9 billion at 31 March 2021.

We continued the transition to pooling with the transfer of £872 million in index-linked bonds to the new Border to Coast Index Linked Gilt fund in October 2020.

Pension Administration

78% of priority cases were processed on time and 73% of all cases were processed on time in 2020/21, a fall compared to the 2019/20 year which reflects both the disruption caused by the COVID-19 impact, including an increase in the volumes of case work being processed, as well as the continued challenges of supporting the learning and development for new, inexperienced staff and the communication challenges between colleagues processing technically complex case work.

The proportion of employer data submissions received on time was 99% in 2020/21. Employers have been able to maintain the submission of returns for the whole of the financial year and this represents a significant improvement on the previous year.

Corporate Plan Delivery

During 2020/21, whilst the impact of the COVID-19 pandemic has resulted in some delays to the planned activity for the year, we have nevertheless made significant progress against many of the corporate plan targets; some of the highlights are as follows.

- Completed the move to Agile Working across the organisation.
- The Authority's Customer Service Excellence accreditation was retained after a full reassessment with improved scores and four areas scoring 'compliance plus', the highest possible level.
- Health, Safety & Wellbeing Committee delivered a range of initiatives, including:
    - Accredited i-ACT mental health awareness training delivered to 70 staff, a corporate programme of flu vaccination vouchers taken up by 48 employees, workstation assessments for homeworking carried out for all staff and access provided for 'virtual' assessments by a qualified physiotherapist for individuals with specific needs.
    - Additionally, the Committee co-ordinated a Christmas fundraising appeal raising £337 for a local charity.
- The payment of contributions from employers was moved successfully to direct debit collection from May 2020, greatly increasing the efficiency and effectiveness of collection and reconciliation of these.
- Review and appraisal of office accommodation options was completed and the decision taken to exercise the break in our lease at Gateway Plaza and move to Oakwell House during 2021.

- Restructure of Finance and Corporate Services completed in December 2020; with the team now organised to maximise impact and effectiveness to meet the current and future requirements of the organisation.
- Procurement of a new finance system and a new investment accounting system were both completed during the year with both new systems being implemented in 2021/22. Initial work on identification of suitable HR and Staff Payroll systems also commenced during the year.
- The Support and Engagement Team delivered several live and pre-recorded online training sessions and demonstrations to a range of audiences including HR/payroll teams at scheme employers and pre-retirement presentations to scheme members.
- An action plan was agreed for achieving Net Zero by 2030 on the Fund's investment portfolios to meet the commitment made by the Authority in September 2020.
- Procurement exercise for Pensions Administration system completed in February 2021 resulting in a renewed contract with Civica for its UPM system.
- Work continued on strengthening cyber security arrangements with new policies on this implemented during the year, a simulated Spear phishing campaign undertaken to identify actions around training for users and revision to the password policy and guidance, and the implementation of a new security platform.
- Equality and Diversity training arranged for all staff, taking place over March and April 2021.

Our Financial Position

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. The financial performance of the Fund is set out in the financial statements and notes for the Fund, later within this publication.

The operational budget for 2020/21 was approved in January 2020 at a total of £5,445,600. The financial year was shaped by the unexpected impact of the global COVID-19 pandemic, resulting in a move to homeworking for the whole organisation from March 2020. The various effects from this on the performance against the budget are reflected in the details below to explain the main variances. Significant progress and decisions were made during the year in relation to the Authority's office accommodation, replacement of business systems and the re-procurement of the Pensions Administration system. The restructure of Finance and Corporate Services was also undertaken during the latter half of the year, taking effect from 1 April 2021.

The overall outturn for the year was an under spend of £553,950; the details of which are set out below.

South Yorkshire Pensions Authority Operational Budget	2020/21 Budget £	2020/21 Outturn £	2020/21 Outturn Variance £	2020/21 Outturn Variance %
Pensions Administration	2,806,200	2,376,700	(429,500)	(15.30%)
Investment Strategy	763,190	631,420	(131,770)	(17.30%)
Finance & Corporate Services	620,610	685,190	64,580	10.40%
ICT	640,780	560,960	(79,820)	(12.50%)
Management & Corporate	432,740	430,000	(2,740)	(0.60%)
Democratic Representation	135,480	118,180	(17,300)	(12.80%)
Subtotal Net Cost of Services	**5,399,000**	**4,802,450**	**(596,550)**	**(11.00%)**
Capital Expenditure Charged to Revenue	0	42,600	42,600	100.00%
Subtotal Before Transfers to Reserves	**5,399,000**	**4,845,050**	**(553,950)**	**(10.30%)**
Appropriations to Reserves	46,600	600,550	553,950	n/a
Total	**5,445,600**	**5,445,600**	**0**	**0.00%**

The budget for 2020/21 included a significant amount of growth which was planned in order to enable investment across several areas to support the corporate objectives for the year which had a theme of investing in technology to empower and develop our people. This included budgets for the creation of several new posts within the organisation.

The impact of the COVID-19 pandemic and subsequent lockdowns, and the fact that this meant that management time had to be devoted elsewhere, affected the progress in relation to these objectives; there was also a fairly substantial reduction in costs relating to travel, conferences, stationery / office consumables etc. arising from the move to organisation-wide remote working which, with the exception of a brief period in September 2020, continued throughout the financial year.

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 (£149k) which includes:
    - Savings of (£302k) arising from vacancy savings across the organisation due to recruitment not being undertaken as early as was originally planned as a result of the knock-on effects from the pandemic;
    - Other staff turnover savings of (£42k), offset by the required cost of overtime and employment of casual staff cover for vacancies at £46k;
    - Additional costs of £20k arising from the pay award for the year which was agreed by the National Joint Council in August 2020 at 2.75% but had been budgeted for at 2.0%;
    - Net additional cost of £107k arising from the restructure of Finance & Corporate Services and review of the business support function, comprising savings on vacancies held pending the restructure and the additional one-off costs in relation to exit packages; and
    - A cost of £21k for the introduction of a working from home allowance, which was not known about when the budget was set.
- The budget for professional qualification courses in Finance & Corporate Services was under-spent by (£12k) based on the timing of courses being completed but it is likely to be used more fully in future years following the restructure of the service that took place in December 2020.
- An under-spend of (£94k) across budgets for travel expenses, office-related expenses, catering, conferences, and subsistence as a result of remote working and the knock-on effects from COVID-19.
- Savings of (£72k) arose in the ICT budgets due to re-phasing of work in relation to the agile working programme (where costs were brought forward and incurred in 2019/20) and various network and infrastructure projects, such as replacement of the telephony system and rollout of Office 365, the costs for which will now fall mainly in 2021/22.
- Under-spends on postage and printing of (£56k) from the continued move to a greater level of electronic communication and use of the hybrid mail solution.
- The professional services and subscriptions budgets in pensions administration and investment strategy were under-spent by a total of (£112k). An element of this was as a result of decisions taken not to participate in benchmarking exercises in 2020/21 only, but the majority reflects changing requirements that have subsequently been adjusted for in the budget for 2021/22.
- Additional income of (£25k) above the budget was received in pensions administration relating to management fees charged for the cost of administering various actuarial disclosures, payroll and member fees
- A saving of (£67k) arose on the organisational training and development budget that had been included as a growth item for 2020/21. Due to the impact of COVID-19 and remote working, it was not possible to make the anticipated progress this year.
- An over-spend of £17k within the management and corporate budget as a result of additional fees being agreed with the external auditor to reflect extra auditing requirements arising from both COVID-19 and from changes to the Code of Audit Practice.
- An under-spend of (£7k) on the Local Pension Board budget and of (£16k) on training for elected members and running costs for the Authority meetings; offset by additional expenditure of £6k from the introduction of the new members allowance scheme.

- Capital expenditure charged to revenue was not budgeted at the beginning of the year and consists of two items. £13k on the purchase of further laptop equipment during the year to facilitate homeworking, and £30k for initial expenditure on the design and project management consultancy for the new office accommodation.

Reconciliation of Budget Outturn to the Expenditure & Funding Analysis Note

The statement of accounts includes the Expenditure and Funding Analysis (EFA) at Note 1 – which sets out the net amounts chargeable to the General Fund for the year as compared to the amounts accounted for under generally accepted accounting practices shown in the Comprehensive Income and Expenditure Statement (CIES). These amounts are analysed across the services within the Authority on the same basis as shown in the budget outturn table above. However, some differences remain between the service totals above and the service totals shown in the EFA note.

The table below sets out the details, and the reasons for these differences are explained as follows.

The main difference relates to VAT expenses incurred that we are unable to recover from HMRC. Unlike other local authorities, as an authority with the sole purpose of administering the Pension Fund, we do not currently have Section 33 status under the VAT Act 1994. Instead, we use a special exemption method agreed with HMRC for reclaiming a proportion of our VAT charges only. The remaining proportion of the VAT expense that is not recoverable is Authority expenditure and is therefore recognised in the CIES and is charged in full to the General Fund as shown on the EFA Note; but as it is a varied and unpredictable cost over which budget managers cannot exert any control, it is not reported for budget purposes.

There are also some minor rounding differences as a result of the budget reports being presented with figures rounded to the nearest £10 for presentational purposes whereas the figures in the CIES are shown as actual amounts rounded to the nearest £1 only.

Reconciliation of Services Totals in the Budget Outturn Report to Amounts Shown in the Expenditure and Funding Analysis (EFA) Note	2020/21 Budget Outturn	2020/21 Irrecoverable VAT Expense - Not Reported for Budget Purposes	Rounding Adjustments for Budget Reporting	2020/21 Net Cost of Services Chargeable to the General Fund in the EFA Note
	£	£	£	£
Pensions Administration	2,376,700	101,375	(3)	2,478,072
Investment Strategy	631,420	210,869	(1)	842,288
Finance & Corporate Services	685,190	50,297	(4)	735,483
ICT	560,960	-	5	560,965
Management & Corporate	430,000	-	3	430,003
Democratic Representation	118,180	-	1	118,181
Net Cost of Services	**4,802,450**	**362,541**	**1**	**5,164,992**

Earmarked Reserves

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

For 2020/21, movements to and from these reserves have been agreed as follows.

Firstly, a transfer of £24k out of the corporate strategy reserve to fund the costs of the accommodation options appraisal review and to transfer £30k into the corporate strategy reserve from the savings on the organisational training and development budget to be used for providing an HR undergraduate placement in 2021/22.

The Authority generates income from software developed in-house that is sold to other organisations and this income is transferred into the ICT reserve each year. The outturn position is for a total of £6k to be transferred into the reserve this year.

Given the scale of costs identified for the office accommodation project, and the costs of the business systems replacements together with the costs involved in the implementation of the new pension administration system contract, the balance of the total underspend for the year has been transferred to the Capital Projects reserve.

We operate within a rule which limits the amount we can hold in the revenue reserves, i.e. excluding the Capital Projects Reserve, to 7.5% of the Operational Budget (resulting in a limit of £408k for 31 March 2021), and the current level remains below this at 6.55%.

The balances and movements on the reserves are shown below.

Reserves	Balance at 01/04/2020 £	Transfers In £	Transfers Out £	Balance at 31/03/2021 £
Corporate Strategy Reserve	232,831	30,000	(24,331)	238,500
ICT Development Reserve	112,383	5,917	0	118,300
Subtotal: Revenue Reserves	**345,214**	**35,917**	**(24,331)**	**356,800**
Capital Projects Reserve	665,500	588,967	0	1,254,467
Total Reserves	**1,010,714**	**624,884**	**(24,331)**	**1,611,267**

The revenue 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 Development 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.

The Capital Projects Reserve is held for the purposes of setting aside funds to be used on capital projects to support corporate objectives including the replacement of core business systems for the Authority, the implementation of the new contract for the Pensions Administration software system, and the project to design, re-fit and furnish the new office accommodation at Oakwell House.

Our Future Spending Plans

The operating budget for 2021/22 was approved in January 2021 and builds on the comprehensive review of budget requirements undertaken in the previous year, as well as ensuring the alignment of resources to support the achievement of corporate strategy objectives and priorities.

Whilst there continues to be an upward pressure on costs to maintain the pace of development and deployment of new ICT systems, to strengthen governance arrangements, and to deal with the administrative consequences of issues such as the McCloud judgement and GMP equalisation, it is nevertheless anticipated that it will be possible to maintain the operating budget within the constraints on its growth set out in the Medium Term Financial Strategy. The summary of the budget plans over the medium term is shown below.

Authority Medium Term Financial Strategy	2020/21 Outturn £	2021/22 Budget £	2022/23 Estimate £	2023/24 Estimate £
Pensions Administration	2,376,700	2,789,950	2,806,820	2,872,800
Investment Strategy	631,420	684,790	694,890	709,160
Finance & Corporate Services	685,190	710,620	712,560	732,450
ICT	560,960	667,200	681,360	694,540
Management & Corporate	430,000	402,650	410,980	418,800
Democratic Representation	118,180	142,620	145,480	148,420
Subtotal Cost of Services	**4,802,450**	**5,397,830**	**5,452,090**	**5,576,170**
Capital Expenditure Charged to Revenue	42,600	-	-	-
Subtotal Before Transfers to Reserves	**4,845,050**	**5,397,830**	**5,452,090**	**5,576,170**
Contribution to Reserves	600,550	47,770	5,000	6,000
Total Charge to Pension Fund	**5,445,600**	**5,445,600**	**5,457,090**	**5,582,170**

The total budget for 2021/22 has been set at the same level in cash terms as both 2020/21 and 2019/20 whilst retaining an appropriate level of resource to support the continued investment in technology and learning & development, and also equipping the organisation with the resources required to meet all of its requirements and respond to challenges.

The estimates for the remainder of the Medium Term set out above are based on projecting the 2021/22 budget forward, including inflationary increases as necessary.

The key uncertainties and risks in relation to this financial forecast, and the mitigations in place, are as follows:

- Pay settlements and inflation running at a higher level than assumed in the forecast. This is clearly a risk, although the current wider local government and public sector finance context has been heavily impacted by the global pandemic and current pressures relating to the UK's exit from the EU. The assumptions used in the forecast are prudent and reflect a broad consensus view. In the event of higher costs than forecast, managers will seek to absorb the in-year impact through the management of vacancies and seeking to either defer one off expenditure or avoid aspects of running cost expenditure. This is the usual process of budgetary control and it seems unlikely that any cost increases would be on a scale beyond that which measures of this sort could address.
- Deterioration in budgetary control. There has been a strengthening of budgetary controls and processes over the last two years and work to refine and enhance this, in particular around indicator measures and risk analysis, will continue and will be helped by the implementation of new business systems over the next financial year. There is therefore no indication of any likelihood of deterioration. The controls in this regard were subject to an internal audit review as part of their main accounting review for the 2020/21 financial year and concluded with a substantial assurance opinion.
- Loss of external income. This is mitigated through prudent budgeting, for example not including any assumptions around additional software sales which tend to be sporadic and through securing longer term agreements with customers with staggered end dates so that not all agreements come to an end at the same time.

The 2021/22 budget as shown in the table above does not currently show an amount for capital expenditure for the year. This is because at the time of setting the budget, it was not possible to estimate the timing and amount of expenditure on the major projects for new office accommodation, business systems replacements and the pensions administration system re-procurement. The initial planning phases of these projects are progressing in the first quarter of 2021/22 which will enable more detailed estimates to be produced of the resourcing required for each one and the capital expenditure budget line for the period will be updated accordingly. This expenditure will be financed from the Authority's earmarked reserves; there will therefore be no impact from this revision on the total of the budget to be charged to the Pension Fund.

Risks and Challenges

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. The risks faced by the Authority are then both risks as an organisation and risks inherent in its role as administering authority of the South Yorkshire Pension Fund and the details below therefore reflect this.

Given the scale of the financial assets managed by the Authority for the Pension Fund, 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 further details are also covered in the Pension Fund's annual report.

The corporate risk register, which now forms an integral part of the Corporate Strategy, is regularly reviewed throughout the year by the Authority's Senior Management Team and the risk management arrangements have been overseen by the Audit Committee over the course of the year. The key risks identified in the corporate risk register as at the end of March 2021 are shown in the figure below.

Authority – Corporate Risk Register Matrix

Impact					
Very High			• Impact of climate change on assets & liabilities		
High	• Border to Coast product range	• Effectiveness of control environment • Maintenance of funding gains • ICT data and cyber security	• GMP Reconciliation • COVID impact on staff sickness levels and productivity		
Medium	• Availability of sufficient cash • Late / Non payment of contributions due to employer business continuity failures	• Effectiveness of oversight of Border to Coast	• Authority and Board member knowledge & understanding • Meeting statutory disclosure requirements • Workforce issues	• Contributions affordability for employers	
Low					
Very Low					
	Very Low	Low	Medium	High	Very High

Probability

COVID-19 Impact

It was recognised that the COVID-19 (Coronavirus) pandemic could potentially have a significant impact across all aspects of the Authority's work. Consequently, the Senior Management Team initially created a specific risk register to monitor and address this range of risks, identifying and recording control measures, and planning and implementing risk mitigation actions. As time moved on, some of the risks that were initially scored highly; such as those around the resilience of our ICT infrastructure with all staff working from home; have seen their scores reduce as the resilience of the network has been proved. Other risks within the financial markets have continued at much the same level, although these are, in reality, a subset of the risk that exists whenever the Authority participates in the financial markets and are reflected prominently on the corporate risk register.

As the mitigations to the various identified risks were implemented effectively, the specific risk register was absorbed into the main corporate risk register in September 2020. These risks in relation to COVID-19 are summarised as follows:

Governance

- Disruption to Authority and Local Pension Board meetings
- Disruption to formal governance arrangements for Border to Coast
- Reduction in the effectiveness of the control environment

Investment & Funding

- Market fluctuations render the planned strategic changes no longer appropriate and/or assets will be out of line with the benchmark position
- Contribution rates for employers are unaffordable due to business interruption
- Business continuity failures mean employers are unable to meet contribution payment deadlines

Operational

- Significant reduction in productive capacity due to impact of the virus on sickness absence levels
- Slippage and delivery failure in relation to key projects within the Corporate Strategy
- Scheme members concerned about market volatility

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Authority Response

As events developed from March 2020 onwards, the Authority put a range of measures in place to ensure continuity of service for scheme members and to protect our staff, as well as manage a number of the other issues that arose, that we continue to face. All staff were enabled to work from home and have continued to do so throughout the year. A substantial amount of work took place to ensure that ICT infrastructure, software and telephony systems were provided, enhanced, and configured within very short timescales to minimise any interruption to services such as the customer centre.

An active approach to communications both internally and externally was taken with actions such as a redesign of the website homepage to highlight warnings in relation to scams, active engagement with employers on specific issues around data collection and the interaction of the furlough scheme with the LGPS, regular updates to the members of the Authority and the Local Pension Board, regular staff updates, virtual team meetings, use of webinars etc.

The actions taken ensured that we have continued to deliver on our core functions including paying benefits, processing retirements, and dealing with deaths of scheme members. At the same time, we implemented the annual pension increase and we continue to make investments and manage down the various legacy holdings which have been retained after transition to Border to Coast. Inevitably, there has been and will continue to be, some impact on performance levels and we will continue to monitor the effects here including recording average times to process work as well as the percentage of cases processed within target timescales in order to assess whether overall member experience is being maintained in acceptable bounds.

Operational Impact – Pension Administration

Employers

The impact of the pandemic on employers involves two key aspects – administrative and financial.

In administrative terms, the risk for the Authority is around the ability of employers to fulfil their responsibilities for the provision of information to allow the maintenance of pension records and calculation of benefits. In general, we have found that employers and their payroll providers have coped reasonably well overall and where specific issues were identified, our Support & Engagement team were on hand to address these – this has been of particular relevance in relation to employers dealing with the furlough scheme. There has been no significant impact from the pandemic on the level of compliance with data submission requirements by employers.

The financial aspect concerns the affordability of contributions for employers. We set a framework of principles, agreed with our actuary, within which any requests for deferral of contribution payments will be considered on a case by case basis. The LGPS regulations grant little discretion and currently only allow for deferral within the financial year. There have been no issues with the collection and payment of contributions due to the pandemic, although we continue to be open to discussions with employers facing problems, and the introduction of the collection of contributions by Direct Debit which took place during the year has made the management and monitoring of contributions easier for both the Authority and employers.

Scheme Member Deaths

The pandemic resulted in an increase in the number of deaths amongst all categories of scheme member, both in South Yorkshire and in all other pension funds and we have supported work by the Scheme Advisory Board to gather data on the potential impact of this on the LGPS more generally. The increased number of deaths could have a one-off non-trivial impact on the level of the Fund's liabilities which will only become apparent in the 2022 valuation.

The increased volume of deaths is a tragedy for each family affected and we treat dealing with cases where a death is involved as an absolute priority in order to try to reduce the level of anxiety for families at what is already a difficult time. However, this also places an increased strain on those of our staff dealing with these cases and we have taken steps to alter the way in which work is allocated to reduce the pressure on individuals as well as seeking to train more staff to deal with these types of case.

Operational Impact - Investments

Commercial Property – Rent Collection

Many businesses saw their income dry up virtually overnight thus losing the ability to pay rents, while the limited ability of other businesses to trade has had a similar impact on them. While the Government has provided support in terms of business rates holidays and various forms of grants and loans, large quarterly rent bills have presented a significant challenge for many of our tenants. The approach we have taken during 2020/21, supported by Aberdeen Standard (ASI) as our investment manager, has been to agree to move tenants to monthly payment on request which assists them in managing their cash flow, and to consider requests for rent deferral on a case by case basis. Information from ASI and comparisons with data from property fund managers indicate that the quality of our tenant base means that we are currently performing somewhat better than average in rent collection.

We did see a number of tenants go out of business or enter into CVA's as a means of reducing their longer-term rent liabilities, all of which has had a negative impact on returns, although in relative terms the portfolio performed reasonably. More importantly the significant trends emerging from the pandemic in terms of the future of the high street and the future of the office are influencing the longer-term strategy for the portfolio.

Investment Performance

While there was an immediate significant downturn in financial markets through March and April 2020, this was followed by an extremely sharp recovery with the Fund returning 21.1% against a benchmark return of 18% for the year. This was largely driven by the significant rebound in the equity markets supported by the resumption of more normal activity within the private equity market and a reduction in uncertainty in the property market. The buoyancy of equity markets resulted in the need for a continual process of de-risking involving the moving of money out of equities and into the alternatives asset classes in order to maintain allocations in line with the Strategic Asset Allocation. Overall this performance means that the Fund has recovered the losses apparent last March and is now at its highest ever value with consequent positive impacts on the overall funding level. Further details regarding the Fund performance are shown in Note 1(e) to the Fund Accounts.

Explanation of our Financial Statements

The Accounts and Audit Regulations 2015 require the Authority to produce a Statement of Accounts for each financial year. These statements contain several different elements which are explained below.

The Statement of Responsibilities sets out the respective responsibilities of the Authority and the Treasurer.

The Independent Auditor's Report gives the auditor's opinion on the financial statements and on the Authority's arrangements for securing economy, efficiency and effectiveness in our use of resources.

Financial Statements

The Movement in Reserves Statement shows the movement in the year on the different reserves held by the Authority, analysed into usable reserves (i.e. those that can be applied to fund expenditure) and unusable reserves.

The Comprehensive Income and Expenditure Statement shows the cost of providing services in the year in accordance with International Financial Reporting Standards, rather than the amount to be funded from the charge to the Pension Fund.

The Balance Sheet shows the value of the Authority's assets and liabilities at the reporting date. These are matched by reserves which are split into two categories; usable and unusable reserves.

The Cash Flow Statement shows the changes in the Authority's cash and cash equivalents during the reporting period.

Notes to the Financial Statements

The Expenditure and Funding Analysis note shows how expenditure is used and funded from resources by the Authority in comparison with those resources consumed by the Authority in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the services in the organisation.

The other notes to the financial statements provide further detail on material items within the core financial statements.

The Pension Fund Statement of Accounts

In accordance with the requirement of the Code for administering authorities of Local Government Pension Scheme pension funds, the following statements and notes are presented.

The Fund Account discloses the changes during the year in the net assets available for benefits.

The Net Assets Statement shows the assets available to fund benefits at the year end.

Notes to the Pension Fund Financial Statements

The Actuarial Value of Promised Retirement Benefits note provides information on the actuarial valuation, carried out in accordance with IAS 19, of the liabilities to pay pensions and other benefits in the future. This is an important supplement to the Net Assets Statement in the Fund's statement of accounts, which does not take account of liabilities to pay pensions and other benefits after the period end.

The other notes to the Pension Fund financial statements provide further detail on material items within the Fund Account and the Net Assets Statement.

A Glossary of key terms can be found at the end of this publication.

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, https://www.sypensions.org.uk/Publications/Corporate-Policy .

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 2021 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:
https://www.sypensions.org.uk/Publications/Corporate-Policy

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

Behaving with integrity

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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 an individual level as part of the appraisal system. The Code of Conduct for officers was updated during 2020/21 and re-launched to staff.

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 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, supports the Authority's democratic processes ensuring compliance with the relevant regulations.

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 nearly 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. The Freedom of Information Act Publication Scheme which specifies the information published by the Authority and how to access it was updated during the year.

This includes a range of information on investment holdings, performance, the policy frameworks and responsible investment issues such as how the Fund's shareholder voting rights have been exercised. In addition, the agendas and papers for the Authority, the various Committees and the Local Pension Board are published online a week before each meeting and while in normal circumstances all meetings are open to the public, meetings of the Authority are also webcast. Key decisions made by officers are formally recorded and details published on the website.

Due to the pandemic, it has not been possible for meetings of the Authority, its committees and the Local Pension Board to be held in person. Meetings have been held virtually and have all been broadcast over the internet. Subject to the cost of doing so it is intended to continue the broadcasting of all meetings in future, while the continuation of virtual meetings will depend on decisions by the Government around changes to the law.

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.

The increased availability of “video conferencing” technology due to the pandemic has increased the volume of interaction which it has been possible to achieve with employers and within the Border to Coast partnership over the past year. In terms of interaction with employers steps are being taken to build on the success of these developments while in the case of Border to Coast it is likely that more of a “mixed economy” approach will be developed in order to maximise the quality of interaction around the most significant issues.

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 processes forms part of the Authority’s 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 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. 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 quarterly 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 activity.

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. The approach in this area has been further developed over the last year with the updating of the various elements of the policy framework, including a commitment to achieving net zero investment portfolios by 2030 and the agreement of a specific statement of beliefs in relation to responsible investment.

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 quarterly 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 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 considered.

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 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 work being undertaken nationally 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.

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 are asked to annually assess their learning needs and develop their own learning plans. These arrangements have been reviewed over the last 12 months and proposed changes will be considered by the Authority and the Local Pension Board early in 2021/22.

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 reviewed and revised during the year to make it more clearly competency based and better focussed on meeting the Authority's needs.

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

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. Members of the Authority's Staffing, Appointments and Appeals Committee specifically considered succession planning for the Senior Management Team during the year.

Arrangements for Health Safety and Wellbeing have been strengthened and are overseen by a joint management and staff committee, as well as being supported by the HR policy framework. As a result of the pandemic significant emphasis has been placed on staff wellbeing including signposting resources and services which can support those who might be struggling with homeworking and also providing guidance to managers on managing staff remotely.

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.

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 using 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 which reported during the year.

Assurance process 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 several key systems over the coming year are intended to address issues centred on the degree of manual effort required to generate key pieces of financial and HR information.

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 which is available on the Authority's website here and sets out the work that the Committee 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 2020/21 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."

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 the Audit Committee's agenda covers the range of activity that would be expected it is not always able to provide the depth of challenge that is seen in comparable bodies. This is an area that needs some reflection and discussion with elected members and relevant stakeholders such as internal and external audit.

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 and the Head of Internal Audit as the Data Protection Officer.

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.

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.

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 work which supports the production of an impact report for 2020/21 which will form part of the overall annual report.

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.

In preparation for these reforms, the Authority invited Hymans Robertson to conduct a review of its governance in the context of the proposed new standards and is in the process of implementing its recommendations. The Authority has also appointed an independent adviser to support the Local Pension Board in providing effective challenge and scrutiny, and the Board is conducting its own review of its effectiveness for the first time.

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.

Significant Governance Issues

The COVID-19 pandemic has affected the United Kingdom throughout the period under review and continues to impact on the way people live their lives at the time of producing this statement. The restrictions on movement and contact between individuals have required the Authority to implement its business continuity arrangements to facilitate a situation where all staff are able to work from home, and put in place arrangements for virtual meetings of decision making bodies in line with emergency regulations issued by the Government. These arrangements were implemented with little disruption to services to scheme members, although productivity has been impacted to some degree.

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 governance issues need to be included in the 2020/21 Annual Governance Statement Action Plan as part of a continuous improvement plan to continue to strengthen governance. These are:

- The need to produce a consolidated Learning and Development Strategy for members of the Authority and the Local Pension Board in line with the recommendations made in the Hymans Robertson Review, reflecting clearer expectations on individuals in relation to the level of commitment required.
- The need to continue to strengthen internal governance, in the light of the forthcoming changes in the regulatory environment by implementing changes agreed to the arrangements for discharging the statutory officer functions.

- Continuing the emphasis on reporting from previous Annual Governance Statements to develop a standardised and regular approach to reporting on regulatory compliance.
- Adopting a standardised and appropriately scaled approach to project management applicable to all improvement projects and major regular processes (such as annual benefit statements) across the organisation.
- Adoption of an appropriately scaled set of continuous improvement tools to support and provide structure to the wide range of activity already taking place.
- A need to institutionalise some of the improvements in communications that have been forced by remote working and to formalise liaison arrangements with key stakeholder groups such as the local authority leaders and the local authority finance directors.
- A need to reflect on any learning from our experience during the pandemic in relation to the staff welfare and wellbeing elements of our business continuity plan.
- The need to improve the processes for monitoring the application of key corporate processes such as appraisal across the organisation and ensuring the central recording of training records.
- A need to reflect on how the Audit Committee can be supported to provide more consistent challenge as part of its work.

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

Signed:	Signed:
Chair South Yorkshire Pensions Authority	Director South Yorkshire Pensions Authority

APPENDIX A

Annual Governance Statement Action Plan for Completion in 2021/22			
Issue	**Action Required**	**Responsible Officer**	**Date for Completion**
Need to set consistent learning and development expectations for the Authority and Local Pension Board.	Produce a single Learning and Development Strategy covering both groups of members and identify additional resource to support its implementation.	**Director**	**June 2021** (final adoption at the Annual Meeting of the Authority, following consideration by the Local Pension Board in April)
Need to review the Statutory Officer arrangements identified by Hymans Robertson.	Agree a way forward with BMBC and secure the agreement of the Authority to any changes required as a result of this.	**Director**	**March 2022** (Any changes to be fully operational from April 2022)
Need to continue to improve reporting and transparency.	Develop and implement a regular and standardised approach to reporting regulatory compliance.	**Governance and Risk Officer**	**March 2022**
Need to strengthen project management.	Develop and train appropriate staff in an appropriately scaled methodology and set of techniques and agree criteria to determine where the project management approach should be applied.	**Projects and Improvement Lead**	**March 2022**
Need to develop a more coherent and consistent approach to continuous improvement.	Adopt an SYPA continuous improvement approach and train key staff to use it to assist in delivering specific objectives.	**Projects and Improvement Lead**	**March 2022**

Annual Governance Statement Action Plan for Completion in 2021/22			
Issue	**Action Required**	**Responsible Officer**	**Date for Completion**
Need to capitalise on communications changes and formalise links with key stakeholder groups.	Formalise member updates and institute regular updates for Leaders and local authority FD's focussed on their specific needs.	**Communications Officer in consultation with Director**	**March 2022**
Conduct a review of the staff welfare related elements of the Business Continuity Plan in the light of the pandemic experience.	Health Safety and Wellbeing Committee to carry out review and make recommendations to Senior Management Team.	**Head of Finance and Corporate Services as Chair of the Health Safety and Wellbeing Committee**	**March 2022**
Improvements to the central monitoring and recording of information related to key processes.	Implementation of new HR System to include facilities to support this.	**Head of Finance and Corporate Services**	**March 2022**
Need for the Audit Committee to deliver more consistent challenge.	Discuss issues with elected members and key stakeholders and develop proposals.	**Director**	**March 2022**

Independent Auditor's Report

The independent auditor's report to the members of South Yorkshire Pensions Authority will be placed here following conclusion of the audit.

Independent Auditor's Report

The independent auditor's report to the members of South Yorkshire Pensions Authority on the statements of the South Yorkshire Pension Fund will be placed here following conclusion of the audit.

Statement of Responsibilities

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 economic, efficient and effective use of resources and safeguard its assets; and
- Approve the statement of accounts.

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 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 **Date: 28 May 2021**

Treasurer

Approval of the Statement of Accounts

To be added following audit and approval.

Comprehensive Income And Expenditure Statement

The Comprehensive Income and Expenditure Statement (CIES) summarises the resources that have been generated and consumed, in the process of providing services and managing the Authority during the year. The statement includes all the day to day expenses and related income on an accruals basis.

2019/20 Restated					2020/21		
Gross Expenditure £	**Gross Income £**	**Net Expenditure £**		**Notes**	**Gross Expenditure £**	**Gross Income £**	**Net Expenditure £**
2,808,740	(75,781)	2,732,959	Pensions Administration		2,798,006	(79,562)	2,718,444
1,233,237	0	1,233,237	Investment Strategy		881,135	0	881,135
696,027	0	696,027	Finance & Corporate Services		848,556	0	848,556
637,583	(84,617)	552,966	ICT		710,654	(63,831)	646,823
362,825	0	362,825	Management & Corporate Costs		503,274	0	503,274
85,543	0	85,543	Democratic Representation		122,033	0	122,033
5,823,955	(160,398)	5,663,557	**Cost of Services**	[9]	5,863,658	(143,393)	5,720,265

2019/20 Restated Gross Expenditure £	Gross Income £	Net Expenditure £		Notes	2020/21 Gross Expenditure £	Gross Income £	Net Expenditure £
0	(6,066,660)	(6,066,660)	Other Operating Income	[9]	0	(5,808,141)	(5,808,141)
			Financing and Investment Income and Expenditure:				
296,000	0	296,000	Net Interest on the Net Defined Benefit Liability	[24]	280,000	0	280,000
0	(418,890)	(418,890)	Taxation Income	[9]	0	(363,642)	(363,642)
6,119,955	(6,645,948)	**(525,993)**	**Surplus on Provision of Services**		6,143,658	(6,315,176)	**(171,518)**
		(360,000)	Remeasurements of the Net Defined Benefit Liability	[24]			1,352,000
		(360,000)	**Other Comprehensive Income and Expenditure**				1,352,000
		(885,993)	**Total Comprehensive Income and Expenditure**				**1,180,482**

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Restatement

The classification of income within the Surplus on Provision of Services comparatives for 2019/20 has been amended in order to present the Levy in relation to residual liabilities separately as Taxation Income. See Note 9 for further details.

Movement In Reserves Statement

The Movement in Reserves Statement shows the movement from the start of the year to the end of the year of the different reserves held by the Authority, analysed into ‘usable reserves’ (i.e. those that can be applied to fund expenditure or reduce the charges to funds under management) and other ‘unusable reserves’. Credit balances represent a positive reserve position. The Surplus on the Provision of Services line shows the true economic cost of providing the Authority’s services, more details of which are shown in the Comprehensive Income and Expenditure Statement.

The statement shows how the movements in year of the Authority’s reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable on a funding basis for the year. Due to the fact that the Authority charges its expenditure to the South Yorkshire Pension Fund, the Authority retains no balance on its General Fund.

Movement In Reserves During 2020/21:	**General Fund Balance**	**ICT Development Reserve**	**Corporate Strategy Reserve**	**Capital Projects Reserve**	**Total Usable Reserves**	**Unusable Reserves**	**Total Authority Reserves**
	£	**£**	**£**	**£**	**£**	**£**	**£**
Balance At 1 April 2020	**0**	**(112,383)**	**(232,831)**	**(665,500)**	**(1,010,714)**	**12,065,675**	**11,054,961**
Surplus On The Provision Of Services	(171,518)	0	0	0	**(171,518)**	0	(171,518)
Other Comprehensive Income & Expenditure	0	0	0	0	**0**	1,352,000	1,352,000
Total Comprehensive Income & Expenditure	**(171,518)**	**0**	**0**	**0**	**(171,518)**	**1,352,000**	**1,180,482**
Adjustments Between Accounting Basis & Funding Basis Under Regulations (Note 7)	(429,035)	0	0	0	**(429,035)**	429,035	0
Net Increase Before Transfers To Earmarked Reserves	**(600,553)**	**0**	**0**	**0**	**(600,553)**	**1,781,035**	**1,180,482**
Transfers (To)/From Earmarked Reserves (Note 8)	600,553	(5,917)	(5,669)	(588,967)	**0**	0	0
(Increase)/Decrease in 2020/21	**0**	**(5,917)**	**(5,669)**	**(588,967)**	**(600,553)**	**1,781,035**	**1,180,482**
Balance At 31 March 2021 Carried Forward	**0**	**(118,300)**	**(238,500)**	**(1,254,467)**	**(1,611,267)**	**13,846,710**	**12,235,443**

Movement In Reserves During 2019/20:	**General Fund Balance**	**ICT Development Reserve**	**Corporate Strategy Reserve**	**Capital Projects Reserve**	**Total Usable Reserves**	**Unusable Reserves**	**Total Authority Reserves**
	£	**£**	**£**	**£**	**£**	**£**	**£**
Balance At 1 April 2019	**0**	**(84,133)**	**(382,831)**	**0**	**(466,964)**	**12,407,918**	**11,940,954**
Surplus On The Provision Of Services	(525,993)	0	0	0	**(525,993)**	0	(525,993)
Other Comprehensive Income & Expenditure	0	0	0	0	**0**	(360,000)	(360,000)
Total Comprehensive Income & Expenditure	**(525,993)**	**0**	**0**	**0**	**(525,993)**	**(360,000)**	**(885,993)**
Adjustments Between Accounting Basis & Funding Basis Under Regulations (Note 7)	(17,757)	0	0	0	**(17,757)**	17,757	0
Net (Increase)/Decrease Before Transfers To Earmarked Reserves	**(543,750)**	**0**	**0**	**0**	**(543,750)**	**(342,243)**	**(885,993)**
Transfers (To)/From Earmarked Reserves (Note 8)	543,750	(28,250)	150,000	(665,500)	**0**	0	0
(Increase)/Decrease in 2019/20	**0**	**(28,250)**	**150,000**	**(665,500)**	**(543,750)**	**(342,243)**	**(885,993)**
Balance At 31 March 2020 Carried Forward	**0**	**(112,383)**	**(232,831)**	**(665,500)**	**(1,010,714)**	**12,065,675**	**11,054,961**

Balance Sheet

The Balance Sheet shows the value as at the balance sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves available to the Authority to provide services. The Authority must maintain a prudent level of these reserves for unexpected events. The second category of reserves is unusable reserves, i.e. those that the Authority is not able to use to provide services.

31 March 2020		Note	31 March 2021
£			£
59,859	Property, Plant & Equipment	[10]	85,429
52,651	Intangible Assets	[11]	25,183
112,510	**Long Term Assets**		**110,612**
2,329,704	Short Term Debtors	[13]	2,688,908
445	Cash and Cash Equivalents	[14]	445
2,330,149	**Current Assets**		**2,689,353**
(1,357,783)	Short Term Creditors	[15]	(1,136,133)
(1,357,783)	**Current Liabilities**		**(1,136,133)**
0	Long Term Provision	[19]	(24,000)
(12,139,837)	Pensions Liability	[24]	(13,875,275)
(12,139,837)	**Long Term Liabilities**		**(13,899,275)**
(11,054,961)	**Net Assets**		**(12,235,443)**
(1,010,714)	Usable Reserves	[8]	(1,611,267)
12,065,675	Unusable Reserves	[16]	13,846,710
11,054,961	**Total Reserves**		**12,235,443**

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The Authority has no cash flows from financing activities due to the nature of the Authority's work which is entirely related to the adminstering of the South Yorkshire Pension Fund.

31 March 2020		Note	31 March 2021
£			£
525,993	Net Surplus on the Provision of Services		171,518
(475,215)	Adjustment to Net Surplus on the Provision of Services For Non-Cash Movements	[17]	(93,943)
50,778	**Net Cash Flows from Operating Activities**		**77,575**
(51,109)	Net Cash Flows from Investing Activities	[18]	(77,575)
(331)	**Net Increase or (Decrease) in Cash & Cash Equivalents**		0
776	Cash & Cash Equivalents at the Beginning of the Reporting Period	[14]	445
445	**Cash & Cash Equivalents at the End of the Reporting Period**	**[14]**	**445**

Note 1. Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. As a single purpose Authority, most expenditure is charged to the Pension Fund and, with the exception of earmarked reserves, there is no balance retained on the General Fund at the end of either the current or prior year. This note also shows how the expenditure is allocated for decision making purposes between the Authority's service areas. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2019/20				2020/21		
Net Expenditure chargeable to General Fund	**Adjustments between the funding and accounting basis**	**Net Expenditure in the CIES**		**Net Expenditure chargeable to General Fund**	**Adjustments between the funding and accounting basis**	**Net Expenditure in the CIES**
£	**£**	**£**		**£**	**£**	**£**
2,657,168	75,791	2,732,959	Pensions Administration	2,478,072	240,372	2,718,444
1,213,127	20,110	1,233,237	Investment Strategy	842,288	38,847	881,135
661,979	34,048	696,027	Finance & Corporate Services	735,483	113,073	848,556
547,528	5,438	552,966	ICT	560,965	85,858	646,823
360,195	2,630	362,825	Management & Corporate Costs	430,003	73,271	503,274
82,913	2,630	85,543	Democratic Representation	118,181	3,852	122,033
5,522,910	**140,647**	**5,663,557**	**Net Cost of Services**	**5,164,992**	**555,273**	**5,720,265**

2019/20				2020/21		
Net Expenditure chargeable to General Fund	**Adjustments between the funding and accounting basis**	**Net Expenditure in the CIES**		**Net Expenditure chargeable to General Fund**	**Adjustments between the funding and accounting basis**	**Net Expenditure in the CIES**
£	**£**	**£**		**£**	**£**	**£**
(6,066,660)	(122,890)	(6,189,550)	Other Income and Expenditure	(5,765,545)	(126,238)	(5,891,783)
(543,750)	**17,757**	**(525,993)**	**Surplus on Provision of Services**	**(600,553)**	**429,035**	**(171,518)**
(466,964)			Opening General Fund and Earmarked Reserves Balance	(1,010,714)		
(543,750)			Plus Surplus for the Year	(600,553)		
(1,010,714)			Closing General Fund and Earmarked Reserves Balance	(1,611,267)		

Note 2. Accounting Policies

i. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2020/21 financial year and its position at the year-end of 31 March 2021. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those regulations require to be prepared in accordance with proper accounting practices. These practices under Section 21 of the Local Government Act 2003 (the 2003 Act) primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 12 of the 2003 Act.

The accounting convention adopted in the Statement of Accounts is principally historical cost.

The financial statements have been prepared on the going concern basis which assumes that the Pensions Authority will continue in existence for the foreseeable future. The Authority is the administering authority of the South Yorkshire Pension Fund and as such, its expenses are borne by the Fund it administers.

ii. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Where income and expenditure has been recognised but cash has not yet been received or paid, a debtor or creditor for the relevant amount is included in the Balance Sheet.
- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Interest receivable on investments is accounted for in the year to which it relates.

iii. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits held with financial institutions repayable without penalty on notice of not more than 24 hours.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

iv. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of the transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

The Expenditure and Funding Analysis provides the Authority's segmental analysis and the service section of the Comprehensive Income and Expenditure Statement follows the same segmental analysis. In line with Code requirements, the reportable segments are based on the Authority's internal management reporting. Where changes occur to the reportable segments as a result of re-organisation, comparative figures for the prior year are re-stated to match the new format in accordance with the requirements set out in the Code.

v. Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end that employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to surplus or deficit on the provision of services, but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. These are charged on an accruals basis to the net cost of services in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post-Employment Benefits

The Authority participates in the Local Government Pension Scheme (LGPS) which it also administers. The Local Government Pensions Scheme is accounted for as a defined benefits scheme:

- The liabilities of the pension fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc. and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on bond yields as at the date of calculation.

- The assets of the pension fund attributable to the Authority are included in the Balance Sheet at their fair value:
  - Quoted securities - current bid price
  - Unquoted securities - professional estimate
  - Unitised securities - current bid price
  - Property - market value

The change in the net pensions liability is analysed into the following components:

- Service cost comprising:
  - Current service cost - the increase in liabilities as a result of years of service earned this year - allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
  - Past service cost - the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs; and
  - Net interest on the net defined benefit liability (asset), i.e. net interest expense for the Authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- Remeasurements comprising:
  - The return on plan assets – excluding amounts included in net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
  - Actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions reserve as Other Comprehensive Income and Expenditure; and
  - Contributions paid to the Fund by the employer – cash paid as employer contributions to the pension fund in settlement of liabilities, not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards.

Discretionary Benefits

The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the LGPS.

vi. Events After the Reporting Period

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the accounting period – the Statement of Accounts is adjusted to reflect such events
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

vii. Financial Instruments

A financial instrument is defined as any contract that gives rise to a financial asset of one entity and a financial liability of another. The term covers both financial liabilities and financial assets and includes the borrowing, creditors, debtors, investments and bank deposits of the Authority.

Cash, debtors and creditors are the Authority's only financial instruments; these are disclosed on the Balance Sheet, and are classified as financial assets at amortised cost, and financial liabilities at amortised cost, respectively.

viii. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events is capitalised when it is expected that future economic benefit or service potential will flow from the intangible asset to the Authority. Intangible assets are measured initially at cost. The depreciable amount of an intangible asset is amortised over its useful life on a straight line basis. The assets are funded directly from revenue and charged to the fund. The capital element is then adjusted in the Capital Adjustment Account.

ix. Property, Plant and Equipment

Assets that have a physical substance and are held for use in the supply of services or for administrative purposes and that are expected to be used during more than one financial year are classified as property, plant and equipment.

<u>Recognition</u>

Expenditure on the acquisition or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

<u>Measurement</u>

Assets are initially measured at cost, comprising:

- The purchase price; and
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

Assets are then carried in the Balance Sheet at depreciated historical cost, due to the assets having short useful lives or low values (or both).

<u>Impairment</u>

Assets are assessed each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

<u>Depreciation</u>

Depreciation is provided for on all property, plant and equipment assets by the systematic allocation of their depreciable amounts over their useful lives.

Depreciation is calculated on the following basis:

- Vehicles, plant, furniture and equipment – on a straight line basis, as advised by a suitably qualified officer.

<u>Disposals</u>

When an asset is disposed or decommissioned, the carrying amount of the asset in the balance sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal).

Any amounts written off on disposals will not be a charge against the General Fund, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund balance in the Movement in Reserves Statement.

x. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

Operating Leases - The Authority as Lessee

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

xi. Overheads and Support Services

The costs of overheads and support services are charged to service segments in accordance with the Authority's arrangements for accountability and financial performance.

xii. Provisions and Contingent Liabilities

Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement when the Authority has an obligation and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Contingent liabilities

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

xiii. Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in the year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge for the expenditure in that year.

Certain reserves are kept to manage the accounting processes for non-current assets and for retirement and employee benefits and do not represent usable resources for the Authority - these reserves are explained in the relevant policies.

xiv. VAT

The Authority has partial exemption from VAT, as such not all VAT suffered is recoverable. Income and expenditure items are accounted for net of VAT; however, the irrecoverable VAT expense is charged to the relevant services in the Comprehensive Income and Expenditure Statement.

Note 3. Accounting Standards That Have Been Issued But Have Not Yet Been Adopted

Under the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, the Authority is required to disclose information setting out the impact of an accounting change required by a new accounting standard that has been issued on or before 1 January 2021 but not yet adopted by the Code. It is anticipated that the 2021/22 Code will introduce amendments in respect of:

> Amendments to IFRS 3 Business Combinations: Definition of a Business
> Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform
> Amendments to IFRS 9, IAS 39. IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform Phase 2

At the date these accounts have been authorised for issue, the 2021/22 Code has not yet been published. However, the amendments above are not expected to have any significant impact on the Authority's accounts.

Note 4. Assumptions Made About The Future and Other Major Sources Of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The item estimated in the Authority's Balance Sheet at 31 March 2021 where there is significant estimation uncertainty that could result in a material adjustment within the next financial year is as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For example: > A 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £750,000 > A 0.1% increase in the salary inflation rate assumption would result in an increase to the pension liability of £157,000 > A one year increase in the life expectancy assumption would result in an increase to the pension liability of £1,186,000. However, the assumptions interact in complex ways. During 2020/21, the Authority's actuaries advised that the net pensions liability had increased by £6,224,000 due to updating of the financial assumptions and had decreased by £567,000 due to estimates being corrected as a result of experience.

Court of Appeal Ruling - McCloud

The decisions of the Court of Appeal in the Sargeant/McCloud cases (generally referred to for the LGPS as "McCloud") have ruled that the transitional protections afforded to older members when the Public Service Pension Schemes were amended constituted unlawful age discrimination. The Government has accepted that remedies relating to the McCloud judgment are needed in relation to all public service pension schemes, and a consultation was published in July 2020 including a proposed remedy for the LGPS. The key feature of the proposed remedy was to extend the final salary scheme 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 either remain active or left service after 1 April 2014 (including to those members who no longer have a benefit entitlement from the Fund). The figures in the accounts as provided by the actuary already include an allowance for McCloud that is substantially in line with the above. Therefore, we have concluded that no further adjustments are required in relation to the McCloud ruling.

Impact of COVID-19 on Mortality Assumptions for Pensions Liability

The current population mortality projections used by the actuary in estimating the pensions liability make no specific allowance for the impact of COVID-19 or any other pandemics. The starting rates for mortality improvement are based on projections of past trends in UK mortality and the effect of past pandemics will already be reflected in these trends. In general, the effects of pandemics on mortality rates are usually expected to be short term, with rates going back to what they would have been before the pandemic after a year or two, unless the pandemic remains over several years. The actuary has concluded that as at 31 March 2021, it is not possible to draw any meaningful conclusions on the potential impact of COVID-19 on mortality rates going forward and it would therefore be inappropriate to make any adjustment to the mortality assumptions used in their calculations at this time. A death rate from COVID-19 in excess of that already allowed for in the mortality assumptions would emerge as an experience gain in future years' accounts.

Note 5. Events After The Reporting Period

The Statement of Accounts was authorised for issue on 28 May 2021. 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 2021, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Non-Adjusting Event

The financial statements and notes have not been adjusted for the following event taking place after 31 March 2021 as it provides information that is relevant to an understanding of the Authority's financial position but does not relate to conditions at that date.

In May 2021, the Authority served notice to exercise the lease break option on its current office lease with Barnsley Metropolitan Borough Council on 30 November 2021 and entered into a new lease agreement on 28 May 2021 for office accommodation at Oakwell House, Beevor Court in Barnsley. The lease period is thirty years with a break option at fifteen years. There will be an initial rent-free period of six months, during which time works will be undertaken to refurbish and fit out the accommodation. This significant decision was taken during 2020/21 after conducting an options appraisal and review of the long-term accommodation needs of the organisation. The move to new office accommodation, which will be solely occupied by the Authority, will provide greater certainty and the ability to design and tailor the accommodation to our needs and future working arrangements.

The planned change is expected to deliver on-going revenue savings of approximately £35,000 per annum. There will be a capital outlay for design, project management, fitting out of the building and purchase of furniture and equipment - estimated at around £1.2 million in total and this will be financed from the earmarked 'Capital Projects' reserve.

Note 6. Supplementary Information to Note 1. Expenditure and Funding Analysis

This note provides further information and a breakdown of the adjustments shown in Note 1 Expenditure & Funding Analysis to show how the figures accounted for in the Comprehensive Income and Expenditure Statement are adjusted from accounting basis to funding basis.

	Adjustments between funding and accounting basis 2020/21			
Adjustments from General Fund to arrive at the Comprehensive Income & Expenditure Statement Amounts	**Adjustment for Capital Purposes**	**Net Change for Pensions Adjustments**	**Other Statutory Adjustments**	**Total Adjustments**
	£	**£**	**£**	**£**
Pensions Administration	0	217,131	23,241	**240,372**
Investment Strategy	0	31,830	7,017	**38,847**
Finance & Corporate Services	0	104,031	9,042	**113,073**
ICT	44,494	36,965	4,399	**85,858**
Management & Corporate Costs	0	73,271	0	**73,271**
Democratic Representation	0	3,852	0	**3,852**
Net Cost of Services	**44,494**	**467,080**	**43,699**	**555,273**
Other Income and Expenditure from the Expenditure & Funding Analysis	(42,596)	(83,642)	0	(126,238)
Difference Between General Fund Surplus and the CIES Surplus on the Provision of Services	**1,898**	**383,438**	**43,699**	**429,035**

Adjustments from General Fund to arrive at the Comprehensive Income & Expenditure Statement Amounts	Adjustments between funding and accounting basis 2019/20			
	Adjustment for Capital Purposes	Net Change for Pensions Adjustments	Other Statutory Adjustments	Total Adjustments
	£	£	£	£
Pensions Administration	0	51,054	24,737	**75,791**
Investment Strategy	0	15,720	4,390	**20,110**
Finance & Corporate Services	0	28,801	5,247	**34,048**
ICT	(15,130)	16,594	3,974	**5,438**
Management & Corporate Costs	0	2,630	0	**2,630**
Democratic Representation	0	2,630	0	**2,630**
Net Cost of Services	**(15,130)**	**117,429**	**38,348**	**140,647**
Other Income and Expenditure from the Expenditure & Funding Analysis	0	(122,890)	0	(122,890)
Difference Between General Fund Surplus and the CIES Surplus on the Provision of Services	**(15,130)**	**(5,461)**	**38,348**	**17,757**

Note 7. Adjustments Between Accounting Basis and Funding Basis Under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure. All expenditure of the Authority that is charged to the General Fund is then fully charged to the Pension Fund.

General Fund Balance

The General Fund is the statutory fund into which all the receipts of an Authority are required to be paid and out of which all liabilities of an Authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund balance, which is not necessarily in accordance with proper accounting practice.

2019/20 £ General Fund		2020/21 £ General Fund
	Adjustments to Revenue Resources	
(99,669)	Reversal of Entries Included in the Surplus on Provision of Services in Relation to Capital Expenditure (Transferred to Capital Adjustment Account)	(44,494)
5,461	Pensions Costs (Transferred to the Pensions Reserve)	(383,438)
(38,348)	Holiday Pay (Transferred to the Accumulated Absences Adjustment Account)	(43,699)
(132,556)	**Total Adjustments to Revenue Resources**	**(471,631)**
	Adjustments Between Revenue and Capital Resources	
114,799	Capital Expenditure Financed from Revenue Balances (Transferred to the Capital Adjustment Account)	42,596
114,799	**Total Adjustments Between Revenue and Capital Resources**	**42,596**
(17,757)	**Total Adjustments**	**(429,035)**

8. Transfers (To) / From Earmarked Reserves

This note sets out the amounts set aside in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure.

	Balance at 1 Apr 2019	Transfers Between Reserves	Transfers In	Balance at 31 Mar 2020	Transfers Out	Transfers In	Balance at 31 Mar 2021
	£	£	£	£	£	£	£
Corporate Strategy Reserve	(382,831)	150,000	0	(232,831)	24,331	(30,000)	**(238,500)**
ICT Development Reserve	(84,133)	0	(28,250)	(112,383)	0	(5,917)	**(118,300)**
Capital Projects Reserve		(150,000)	(515,500)	(665,500)	0	(588,967)	**(1,254,467)**
Total:	**(466,964)**	**0**	**(543,750)**	**(1,010,714)**	**24,331**	**(624,884)**	**(1,611,267)**

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Corporate Strategy Reserve

This reserve exists to fund non-recurrent costs associated with various projects required for the implementation of the Corporate Strategy of the Authority. An amount of £24,331 has been used in 2020/21 to fund the costs of the consultancy relating to the options appraisal for office accommodation. An amount of £30,000 has been transferred into this reserve to be set aside to fund the employment of an HR Undergraduate placement for 12 months starting in 2021/22. This will support a number of corporate strategy aims in relation to learning and development in particular.

ICT Development Reserve

This reserve is used to fund expenditure on ICT equipment and to enable a programme of hardware replacement and systems development for the Authority. During the year, the income generated from the sales of in-house developed software to other organisations has been transferred into this reserve.

Capital Projects Reserve

This reserve was established in 2019/20 in order to earmark resources to finance the major projects that are included in the Corporate Strategy; these include the following:

a) New core business systems - Finance and HR / Staff Payroll.

b) Re-procurement of Pensions Administration System and associated implementation costs.

c) Office Accommodation - refurbishment and fit-out of new premises.

An amount of £588,967 has been transferred into this reserve at the end of the year from the under spend on the operational budget of the Authority. This will ensure that the reserve is sufficient to meet the costs associated with the projects outlined above, the majority of which will be incurred in 2021/22.

Note 9. Expenditure and Income Analysed By Nature

The Authority's expenditure and income is analysed as follows:

2019/20	Expenditure	2020/21
£		£
3,395,243	Employee Benefits Expenses	3,870,894
99,669	Amortisation	44,494
1,707,981	Other Service Expenses	1,585,729
621,062	Irrecoverable VAT Expense	362,541
296,000	Net Interest on the Net Defined Benefit Liability	280,000
6,119,955	**Total Expenditure**	**6,143,658**

2019/20	Income		2020/21
£			£
	Fees, Charges & Other Service Income:		
(84,618)	Charges for provision of IT services and IT sales	(63,831)	
(32,980)	Charges for administration in relation to employer recharges for actuarial services	(37,100)	
(37,803)	Charges for administration in relation to payroll	(38,517)	
(4,997)	Charges to scheme members in relation to information provision on receipt of pension sharing orders upon divorce	(2,945)	
0	Other Income	(1,000)	
(160,398)	***Subtotal Fees, Charges and Other Service Income***		**(143,393)**

2019/20 Restated £	Income		2020/21 £
	Other Operating Income:		
(6,066,660)	Charge to the South Yorkshire Pension Fund	(5,808,141)	
	Taxation Income		
(418,890)	Levy for Residual Liabilities	(363,642)	
(6,485,550)	***Subtotal Other Income***		**(6,171,783)**
(6,645,948)	**Total Income**		**(6,315,176)**
(525,993)	**Surplus on the Provision of Services**		**(171,518)**

Fees, Charges and Other Service Income - Recognition

Income from the provision of IT services and sales of internally developed IT systems to other public sector bodies is recognised in the period in which the services are provided. The £63,831 income in 2020/21 includes £57,894 (2019/20: £56,000) charged to the Office of the Police and Crime Commissioner and the South Yorkshire Joint Authorities Governance Unit for IT service provision; this is charged in four equal quarterly instalments on the basis of a set fee agreed for each financial year and the income is recognised in the year in which the services are provided.

An administration fee is charged to employers in order to cover the costs of the Authority in relation to the handling of requests and other requirements for various actuarial services including provision of reports and information. This is calculated as a percentage of the fees charged by the actuary for these services and the income is recognised in the period when the services are provided.

The administration fee in respect of payroll relates to the administering of deductions from pension for members who have a health insurance plan provided by Westfield Health and the payment of these to the provider. The fee is charged as a percentage of the total amount deducted and paid over on a monthly basis and the income is recognised in the month to which it relates.

Other Operating Income

The Authority incurs costs in the discharge of its functions as the administering authority of the South Yorkshire Pension Fund. In accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, the Authority charges its costs to the Fund as they are incurred. The total charge to the South Yorkshire Pension Fund is recognised as Other Operating Income in the Authority's CIES for the year to which it relates.

Taxation Income

The costs and expenses incurred in administering the residual liabilities of the former South Yorkshire Residuary Body are financed by a Levy issued to the four district councils of Barnsley Metropolitan Borough Council, Doncaster Metropolitan Borough Council, Rotherham Metropolitan Borough Council and Sheffield City Council. The Levy is charged in accordance with The Levying Bodies (General) Regulations 1992 and is allocated to each district in proportion to their populations. The total received is recognised as Taxation Income in the Authority's CIES for the year to which it relates.

Restatement

In the prior year statement of accounts, the Levy income as described above was presented within Other Operating Income. This has been corrected in 2020/21 and the comparative figures for 2019/20 have been restated accordingly within this note and on the face of the CIES. This is a change in classification only, there is no change to the total value of income recognised or the final Surplus on Provision of Services for the year.

Note 10. Property, Plant And Equipment

Movements in 2020/21:	Vehicles, Plant, Furniture & Equipment (VPFE)	Assets Under Construction	Total Property, Plant and Equipment
	£	£	£
Cost			
At 1 April 2020	59,859	0	**59,859**
Additions	13,285	29,311	**42,596**
At 31 March 2021	**73,144**	**29,311**	**102,455**
Accumulated depreciation			
At 1 April 2020	0	0	**0**
Depreciation charge	(17,026)	0	**(17,026)**
At 31 March 2021	**(17,026)**	**0**	**(17,026)**
Net Book Value At 31 March 2021	**56,118**	**29,311**	**85,429**
Net Book Value At 31 March 2020	**59,859**	**0**	**59,859**

Comparative Movements in 2019/20:	**Vehicles, Plant, Furniture & Equipment (VPFE)**	**Assets Under Construction**	**Total Property, Plant and Equipment**
	£	**£**	**£**
Cost			
At 1 April 2019	0	0	**0**
Additions	59,859	0	**59,859**
At 31 March 2020	**59,859**	**0**	**59,859**
Accumulated depreciation			
At 1 April 2019	0	0	**0**
Depreciation charge	0	0	**0**
At 31 March 2020	**0**	**0**	**0**
Net Book Value At 31 March 2020	**59,859**	**0**	**59,859**
Net Book Value At 31 March 2019	**0**	**0**	**0**

The VPFE assets shown above comprise laptop computers, the majority of which were purchased in March 2020 to enable all staff to work at home. The balance of £29,311 in Assets Under Construction comprises initial capital expenditure incurred on architect services in relation to design and fit out of new office accommodation for the Authority.

Capital Commitments

At 31 March 2021, the Authority has entered into a contract for design and project management services on the new office accommodation. The value of the contractual commitment as at 31 March 2021 is £109,595. This project commenced in February 2021. The procurement and contract awards in relation to the build and fit out works will take place during 2021/22.

Depreciation

· Vehicles, plant, furniture and equipment - It has been determined that the laptops have a useful economic life of 4 years.
Depreciation is charged over 48 months on a straight line basis commencing in the month following acquisition.

Note 11. Intangible Assets

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of property, plant and equipment.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Authority.

In February 2020 the Authority extended the existing licence to February 2022 at a cost of £54,940 and this expenditure was accounted for as an addition to the gross carrying amount of the asset on the balance sheet. The useful life for this addition to the asset is two years from 13 February 2020 and is therefore being amortised over 24 months starting from March 2020.

The amortisation charge of £27,468 in 2020/21 (£99,669 in 2019/20) was charged to the ICT service line within Net Cost of Services in the Comprehensive Income and Expenditure Statement.

2019/20		**2020/21**
Pensions Administration System £		**Pensions Administration System £**
	Balance at Start of Year:	
486,900	Gross Carrying Amount	541,840
(389,520)	Accumulated Amortisation	(489,189)
97,380	**Net Carrying Amount at Start of Year**	**52,651**
54,940	Additions - Purchase	0
(99,669)	Amortisation for the Period	(27,468)
52,651	**Net Carrying Amount at End of Year**	**25,183**
	Comprising:	
541,840	Gross Carrying Amount	541,840
(489,189)	Accumulated Amortisation	(516,657)

Note 12. Financial Instruments

31 March 2020		31 March 2021
£		£
	Financial Assets at Amortised Cost	
2,168,497	Short Term Debtors	2,377,771
445	Cash and Cash Equivalents	445
2,168,942	**Total Financial Assets at Amortised Cost**	**2,378,216**
	Financial Liabilities at Amortised Cost	
(524,559)	Short Term Creditors	(499,317)
(524,559)	**Total Financial Liabilities at Amortised Cost**	**(499,317)**
1,644,383	**Total Financial Instruments**	**1,878,899**

The short term debtors classified as financial assets do not include prepayments.

The short term creditors classified as financial liabilities do not include statutory creditors in respect of taxes payable to HMRC.

Nature and Extent of Risks Arising From Financial Instruments

The Authority's activities expose it to the following financial risks:

• Credit risk – the risk that one party to a financial instrument will cause a loss for the other party by failing to pay for its obligation.

• Liquidity risk – the risk that an entity (the Fund) will have difficulties in paying its financial liabilities.

As the Authority's primary purpose is as the administrator of the South Yorkshire Pension Fund, the management of risk in relation to financial instruments is mainly relevant to the Fund itself and is covered in detail in Note 18 to the South Yorkshire Pension Fund Accounts that follow.

All of the Authority's income and expenditure is charged directly to the Fund (or financed from the Levy in respect of residual liabilities), therefore market risks and liquidity risks are managed by the Fund.

All of the Authority's financial instrument debtors and creditors are short term and have been assessed for likelihood of default. All are anticipated to be paid or received within 3 months.

Note 13. Short Term Debtors

31 March 2020		31 March 2021
£		£
108,945	Trade Receivables	232,599
161,207	Prepayments	311,137
2,059,552	Owed from Pension Fund	2,145,172
2,329,704	**Total**	**2,688,908**

Note 14. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

31 March 2020		31 March 2021
£		£
445	Bank Current Accounts	445
445	**Total**	**445**

Note 15. Short Term Creditors

31 March 2020		31 March 2021
£		£
(422,521)	Trade Payables	(376,495)
(47,624)	Payable to HMRC - Employment Taxes	(58,751)
(785,600)	Payable to HMRC - VAT	(578,065)
(63,690)	Capital Creditors	(28,711)
(38,348)	Other Payables	(94,111)
(1,357,783)	**Total**	**(1,136,133)**

Note 16. Unusable Reserves

31 March 2020 £		Note 16	31 March 2021 £
(112,510)	Capital Adjustment Account	[a]	(110,612)
12,139,837	Pensions Reserve	[b]	13,875,275
38,348	Accumulated Absences Adjustment Account	[c]	82,047
12,065,675	**Total Unusable Reserves**		**13,846,710**

a) Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition or subsequent costs such as depreciation, impairment losses and amortisation are charged to the Comprehensive Income & Expenditure Statement. The Account is credited with amounts set aside by the Authority as finance for the costs of acquisition or enhancement.

2019/20 £		2020/21 £
(97,380)	Balance at 1 April	(112,510)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
99,669	Amortisation of Intangible Assets	27,468
0	Depreciation of Vehicles, Plant, Furniture & Equipment	17,026
	Capital financing applied in the year:	
(114,799)	Capital Expenditure Charged Against the General Fund Balance	(42,596)
(112,510)	**Balance at 31 March**	**(110,612)**

b) Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to the pension fund or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2019/20		2020/21
£		£
12,505,298	Balance at 1 April	12,139,837
(360,000)	Remeasurement Of The Net Defined Benefit Liability	1,352,000
1,013,000	Reversal Of Items Relating To Retirement Benefits Debited or Credited to the Surplus On the Provision Of Services in the CIES	1,247,000
(1,018,461)	Employer's Pensions Contributions and Direct Payments to Pensioners Payable In The Year	(863,562)
12,139,837	**Balance at 31 March**	**13,875,275**

The Pensions Reserve includes the reserve calculated for the residual liabilities; the breakdown is shown below:

31 March 2020		31 March 2021
£	**Pensions Reserve**	£
9,284,666	Authority	11,235,746
2,855,171	Residual Liabilities	2,639,529
12,139,837	**Total**	**13,875,275**

c) Accumulated Absences Adjustment Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2019/20			2020/21
£			£
0	Balance at 1 April		38,348
0	Settlement or cancellation of accrual made at the end of the preceding year	(38,348)	
38,348	Amounts accrued at the end of the current year	82,047	
38,348	Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		**43,699**
38,348	**Balance at 31 March**		**82,047**

Note 17. Cash Flow Statement - Operating Activities

The Surplus on Provision of Services has been adjusted for the following non-cash movements:

2019/20		2020/21
£		£
99,669	Amortisation	27,468
0	Depreciation	17,026
(5,461)	Movement in Pension Liability	383,438
0	Increase in Provisions	24,000
154,651	Increase / (Decrease) in Creditors	(186,671)
(724,074)	(Increase) in Debtors	(359,204)
(475,215)	**Total Adjustment for Non Cash Movements**	**(93,943)**

Note 18. Cash Flow Statement - Investing Activities

2019/20		2020/21
£		£
(51,109)	Purchase of Property Plant & Equipment	(77,575)
(51,109)	**Total Investing Activities**	**(77,575)**

The Authority does not have any financing cash flows. This is due to the nature of the Authority's work in that its sole purpose is to administer the South Yorkshire Pension Fund.

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Note 19. Officers' Remuneration

The remuneration paid to the Authority's senior employees is as follows:

		Further Details	Salary, fees and allowances £	Employer Pension Contributions £	Pension Contributions Provision* £	Total £
Director	2020/21	[a]	109,050	16,963		**126,013**
(Head of Paid Service)	2019/20		110,118	16,407		**126,525**
Head of Investment Strategy	2020/21		87,240	14,046	12,000	**113,286**
	2019/20		82,251	12,255	0	**94,506**
Head of Pensions Administration	2020/21		87,240	14,046	12,000	**113,286**
	2019/20		84,905	12,651	0	**97,556**
Head of Finance & Corporate Services	2020/21	[b]	76,335	12,290		**88,625**
	2019/20		57,945	8,634		**66,579**
Treasurer	2020/21	[c]	4,880	796		**5,676**
	2019/20		4,717	693		**5,410**
Monitoring Officer (June 2020 - March 2021)	2020/21	[d]	4,067	667		**4,734**
Monitoring Officer (April 2020- May 2020)	2020/21	[e]	1,051	171		**1,222**
	2019/20		6,025	886		**6,911**

*** Pensions Contribution Provision**

A provision has been made for the payment of additional employer pension contributions for the Head of Investment Strategy and the Head of Pensions Administration as shown in the table above.
This is in respect of a new Staff Retention Incentives Scheme introduced in 2020/21 to support succession planning. Under the terms of the scheme, the payment of £12,000 pension contributions for each of these officers is due in respect of service during 2020/21 but will only become payable at the end of three years if they remain in post until that time.
Consequently, the total amount of £24,000 has been recognised as a long term provision on the Balance Sheet as at 31 March 2021.

[a] The Director's job title changed from 'Fund Director' on 19 March 2020. Remuneration in 2019/20 included an arrears payment.

[b] The Head of Finance & Corporate Services started in post in May 2019. The post was re-graded with effect from 1 April 2020 following an independent job evaluation.

[c] The Treasurer role is provided by an officer of Barnsley MBC under a service level agreement. The Treasurer charged approximately 5% of salary in 2020/21 (2019/20: 5%), the annualised salary for 2020/21 was £97,613 (2019/20: £94,327).

[d] The Monitoring Officer role is provided by an officer of Barnsley MBC under a service level agreement. The role was fulfilled by a different officer with effect from June 2020 following the retirement of the previous role holder.
The Monitoring Officer charged approximately 5% of salary in 2020/21. The annualised salary was £81,344 in 2020/21.

[e] The previous Monitoring Officer role holder retired in May 2020. They charged approximately 5% of salary in 2020/21 (5% in 2019/20). The salary was £21,021 for the period April to May 2020. (£120,505 in 2019/20).

The Authority's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

Remuneration Band	2019/20 Number of employees	2020/21 Number of employees
£55,000-£59,999	1	1

Exit Packages

The Authority is required to report on the number and value of exit packages awarded to staff leaving the organisation on grounds of either voluntary or compulsory redundancy. There were two such packages in 2020/21 (2019/20: two), both of which were on the grounds of voluntary redundancy and were approved on the basis of being consistent with the aims of the re-organisation of Finance & Corporate Services.

Exit Package Cost Band	2019/20 Number of voluntary redundancies	2020/21 Number of voluntary redundancies
£0 - £20,000	2	0
£40,000 - £60,000	0	1
£80,000 - £100,000	0	1

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Note 20. Members' Allowances

In March 2020, a new Members' Allowances scheme for the Authority was approved for 2020/21.

Prior to the new scheme being approved, the cost of allowances for members of the Authority was borne by the individual district councils rather than by the Authority. Proper accounting practice would dictate that the costs of allowances solely concerned with the work of the Authority should be borne by the Authority and ultimately by the Pension Fund.

The district councils agreed that with effect from the 2020/21 financial year the Authority should create its own scheme of allowances and meet these costs directly. In order to create a valid scheme, the Authority commissioned an independent review so that members were not involved in setting their own remuneration. The scheme approved was based on the proposals resulting from this review.

However, the outcome of the review highlighted a difference between the former and proposed allowances for the Chair and Vice-Chair; given the difference and the fact that these members had been working to the requirements of the roles since June 2019, it was determined that the Authority would bear the cost of the new allowances for these members only for the relevant portion of the 2019/20 financial year.

The Authority paid a total of £61,493 for Members' Allowances in 2020/21. (2019/20: £13,921).

Note 21. External Audit Costs

The Authority has incurred the following costs in relation to the audit of the statement of accounts:

2019/20 £		2020/21 £
31,833	Fees payable to Deloitte LLP with regard to external audit services carried out for the year	31,833
0	Fees payable to Deloitte LLP with regard to agreed additional costs for external audit services carried out for the previous year	17,500
(3,208)	Rebate receivable from Public Sector Audit Appointments Limited in respect of previous years' audit fees	0
28,625	**Total**	**49,333**

In carrying out their audit in relation to 2019/20, Deloitte incurred additional costs as a result of the COVID-19 pandemic which meant that the audit had to be carried out remotely and that additional testing was required in relation to the value of investments due to the uncertainty in the markets at 31 March 2020. It was agreed during 2020/21 that the Authority would contribute towards these additional costs and therefore an additional fee of £17,500 in this respect is payable as shown above.

Note 22. Related Parties

The Authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Authority or to be controlled or influenced by the Authority. Disclosure of these transactions allows readers to assess the extent to which the Authority might have been constrained in its ability to operate independently or might have secured the ability to limit another party’s ability to bargain freely with the Authority.

South Yorkshire Pension Fund

The Pension Fund is a related party to the Authority as all expenditure (except for that financed by the Levy in relation to Residual Liabilities) is charged to the Fund.

During the year, the Authority paid a total of £499,920 (2019/20: £599,796) to the Fund in respect of employer pension contributions and received a total of £5,808,141 (2019/20: £6,066,660) from the Fund as the amount recharged for Authority expenditure for the year.

At 31 March 2021, there is a debtor balance of £2,145,172 (31 March 2020: £2,059,552) in the Authority's balance sheet for the sum due from the Fund.

In addition to the above, the Authority paid a total of £363,642 to the Fund as contributions for the unfunded benefits residual liabilities of the former South Yorkshire County Council and Residuary Body. The Authority's expenditure in this regard was financed by charging a levy for this amount to the four South Yorkshire districts (Barnsley MBC, Doncaster MBC, Rotherham MBC and Sheffield CC) in proportion to their populations.

Barnsley Metropolitan Borough Council

The statutory roles of Clerk, Treasurer and Monitoring Officer for the Authority are undertaken by officers of Barnsley MBC. Amounts paid to Barnsley MBC during the year included:

£170,907 (2019/20: £188,000) in respect of rent, service charges and other expenses including business rates, for the office accommodation leased from the Council;

£183,067 (2019/20: £177,000) in respect of fees for the Service Level Agreement through which the Council provides a range of support services to the Authority including Governance, HR, Audit and other corporate services.

Members

Members of the Authority have direct control over the Authority’s financial and operating policies. An examination of the Register of Members’ Interests confirms that there were no related party transactions to disclose.

Officers

Certain officers might also be in a position to influence significantly the policies of the Authority. No material related party transactions have been identified following consultation with relevant officers.

Note 23. Leases

Operating Leases - Authority as Lessee

The Authority currently leases its office accommodation from Barnsley MBC. The Authority moved to the premises in December 2018 and the lease rental of £88,000 per annum was agreed for a term of 5 years from the lease commencement date of 30 November 2018. There is a rent review due on 30 November 2021 and a lease break clause at the same date.

The future minimum lease payments due under the non-cancellable lease in future years are:

31 March 2020		31 March 2021
£		£
88,000	Not later than one year	58,667
58,667	Later than one year and not later than five years	0
146,667	**Total**	**58,667**

During 2020/21, the Authority carried out a review of its accommodation needs and made the decision to exercise the lease break option on its current office at 30 November 2021 in order to enter into a new lease for alternative office accommodation in Barnsley. The new lease commenced on 28 May 2021. This is therefore disclosed as a non-adjusting event after the reporting period. See Note 5 for details.

Note 24. Defined Benefit Pension Liability

Participation in Pension Schemes

As part of the terms and conditions of employment of its employees, the Authority offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The Authority participates in the Local Government Pension Scheme (LGPS) for its employees, administered by the Authority itself, which is a defined benefit scheme. It is also a funded scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

The South Yorkshire Pension Fund is operated under the regulatory framework for the Local Government Pension Scheme. South Yorkshire Pensions Authority is the designated statutory body responsible for administering the South Yorkshire Pension Fund on behalf of the constituent Scheduled and Admitted Bodies. Policy is determined in accordance with Pension Fund regulations.

The principal risks to the Authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large scale withdrawals from the scheme), changes to inflation, bond yields, and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts required by statute as described in the accounting policies note.

Transactions relating to post-employment benefits

The cost of retirement benefits in the reported cost of services is recognised when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required to be made to the Authority is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund balance via the Movement in Reserves Statement during the year.

2019/20		2020/21
£	**Comprehensive Income & Expenditure Statement**	**£**
	Cost of Services	
	Service Cost Comprising:	
750,000	Current Service Cost	754,000
12,000	Administration Expenses	12,000
(45,000)	Past Service Cost Including Curtailments	201,000
	Financing and Investment Income and Expenditure	
296,000	Net Interest Expense	280,000
1,013,000	**Total Post-Employment Benefits Charged to the Surplus on the Provision of Services**	**1,247,000**
	Other Post-Employment Benefits Charged To The Comprehensive Income And Expenditure Statement	
	Remeasurement of the Net Defined Benefit Liability Comprising:	
596,000	Return on Plan Assets (excluding the amount included in the net interest expense)	(4,389,000)
(1,338,000)	Actuarial Gains Arising on Changes Based on Demographic Assumptions	0
(124,000)	Actuarial (Gains) / Losses Arising on Changes in Financial Assumptions	6,351,000
506,000	Actuarial (Gains) / Losses Arising on Changes Based on Other Experience	(610,000)
(360,000)	**Total Post-Employment Benefits Charged to Other Comprehensive Income And Expenditure**	**1,352,000**
	Movement in Reserves Statement	
1,013,000	Reversal of Net Charges Made to the Surplus On Provision Of Services for Post-Employment Benefits in Accordance with the Code	**1,247,000**
(1,018,461)	Actual Amount Charged Against the General Fund Balance for Pensions in the Year: Employer's Contributions Payable to the Scheme	**(863,562)**
(5,461)	**Total Post-Employment Benefits Adjustment Recognised in Movement in Reserves Statement**	**383,438**

Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Authority's obligation in respect of its defined benefit plans is as follows:

31 March 2020 £		31 March 2021 £
(32,514,000)	Present Value of Funded Liabilities	(39,469,666)
(3,066,000)	Present Value of Unfunded Liabilities	(2,859,529)
23,441,000	Fair Value of Plan Assets	28,453,920
(12,139,000)	**Net Liability Arising from Defined Benefit Obligation**	**(13,875,275)**

	Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets	
23,369,000	**Opening Fair Value of Plan Assets At 1 April**	**23,441,000**
585,000	Interest Income	563,000
	Remeasurement Gain/(Loss):	
(596,000)	Return on Plan Assets, Excluding the Amount Included in the Net Interest Expense	4,389,000
(12,000)	Administration Expenses	(12,000)
1,006,000	Contributions from Employer	849,226
15,000	Contributions from Employer in Respect of Unfunded Benefits	14,336
156,000	Contributions from Employees Into the Scheme	164,000
(646,000)	Benefits Paid	(591,000)
(436,000)	Unfunded Benefits Paid	(363,642)
23,441,000	**Closing Fair Value of Plan Assets At 31 March**	**28,453,920**

Reconciliation of the Present Value of the Scheme Liabilities (Defined Benefit Obligation)

31 March 2020 £		31 March 2021 £
(35,876,000)	**Opening Balance At 1 April**	**(35,580,000)**
0	Rounding Adjustment	(837)
(35,876,000)	**Adjusted Opening Balance At 1 April**	**(35,580,837)**
(750,000)	Current Service Cost	(754,000)
(881,000)	Interest Cost	(843,000)
(156,000)	Contributions from Scheme Participants	(164,000)
	Remeasurement (Gains) And Losses:	
1,338,000	Actuarial Gains Arising on Changes Based on Demographic Assumptions	0
124,000	Actuarial (Gains) / Losses Arising on Changes in Financial Assumptions	(6,351,000)
(506,000)	Actuarial (Gains) / Losses Arising on Changes Based on Other Experience	610,000
86,000	Past Service Cost	0
(41,000)	Losses on Curtailment	(201,000)
646,000	Benefits Paid	591,000
436,000	Unfunded Benefits Paid	363,642
(35,580,000)	**Closing Balance At 31 March**	**(42,329,195)**
	Comprising:	
(32,514,000)	Present Value Of Funded Liabilities	(39,469,666)
(3,066,000)	Present Value Of Unfunded Liabilities	(2,859,529)
(35,580,000)		**(42,329,195)**

Local Government Pension Scheme Assets

The fair value of the plan assets held at 31 March 2021 comprised the following classes of assets:

Asset Category	Quoted Prices in Active Markets	Quoted Prices Not in Active Markets	Total as at 31 March 2021
	£	£	£
Cash and Cash Equivalents			
Cash Accounts	340,920	0	340,920
Equity Instruments			
UK	2,959,000	0	2,959,000
Global	10,926,000	0	10,926,000
Bonds			
UK Government Indexed	2,988,000	0	2,988,000
Overseas Government Fixed	740,000	0	740,000
UK Other	1,423,000	0	1,423,000
Overseas Other	825,000	0	825,000
Property			
UK	2,219,000	0	2,219,000
Property Funds	285,000	0	285,000
Alternatives			
Pooled Investment Vehicles	0	5,748,000	5,748,000
Total Assets	**22,705,920**	**5,748,000**	**28,453,920**

The fair value of the plan assets held at 31 March 2020 comprised the following classes of assets:

Asset Category	Quoted Prices in Active Markets	Quoted Prices Not in Active Markets	Total as at 31 March 2020
	£	£	£
Cash and Cash Equivalents			
Cash Instruments	352,000	0	352,000
Cash Accounts	469,000	0	469,000
Equity Instruments			
UK	2,952,000	0	2,952,000
Global	7,946,000	0	7,946,000
Bonds			
UK Government Indexed	2,954,000	0	2,954,000
Overseas Government Fixed	563,000	0	563,000
UK Other	1,266,000	0	1,266,000
Overseas Other	750,000	0	750,000
Property			
UK	2,016,000	0	2,016,000
Property Funds	211,000	0	211,000
Alternatives			
Pooled Investment Vehicles	0	3,962,000	3,962,000
Total Assets	**19,479,000**	**3,962,000**	**23,441,000**

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, which is an estimate of the pensions that will be payable in future years dependent on assumptions on mortality rates, salary levels, etc.

The defined benefit liability has been estimated by Mercer Limited, an independent firm of actuaries, based on the latest full valuation of the scheme as at 31 March 2019.

The significant assumptions used by the actuary are as follows:

31 March 2020	Financial Assumptions	31 March 2021
% p.a		% p.a
2.10	CPI inflation/CARE benefits revaluation	2.70
3.35	Increase in Salaries	3.95
2.20	Increase in Pensions in Payment/Deferment	2.80
2.40	Discount Rate	2.10

	Mortality Assumptions	
31 March 2020		31 March 2021
Years	*Longevity at 65 for current pensioners*	Years
22.4	Men	22.5
25.2	Women	25.3
	Longevity at 65 for future pensioners	
23.9	Men	24.0
27.1	Women	27.2

Sensitivity Analysis

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below has been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below is consistent with those used in the previous period.

	Impact on the defined benefit obligation in the scheme	
	Increase in assumption	**Decrease in assumption**
Longevity (Increase or Decrease by 1 Year)	1,186,000	(1,186,000)
Rate of inflation (Increase or Decrease by 0.1% p.a)	765,000	(765,000)
Rate of Increase in Pay Growth (Increase or Decrease by 0.1% p.a)	157,000	(157,000)
Rate for Discounting Scheme Liabilities (Increase or Decrease by 0.1% p.a)	(750,000)	750,000

Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers’ contributions at as constant a rate as possible. These figures are based on IAS 19 assumptions, however using the actuarial assumptions during the latest valuation the funding level for the Authority has been calculated at just over 100%, the South Yorkshire Pension Fund has an agreed strategy with the actuary to maintain this level. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed as at 31 March 2022.

The scheme takes account of the national changes that were introduced to the scheme under the Public Services Pensions Act 2013. The Act provided for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants. Members started earning benefits under the new scheme from April 2014.

The Authority expects to pay employer's contributions for the period to 31 March 2022 of approximately £371,000 in relation to the Authority itself and of £363,000 in relation to the unfunded residual liabilities of the former South Yorkshire Residuary Body.

The average duration of the defined benefit obligation for funded scheme members is estimated to be 19 years and for unfunded members is estimated to be 5 years.

Note 25. Contingent Liabilities

At 31 March 2021, the Authority had one material contingent liability as follows.

The Authority, along with the other 10 partner funds of Border to Coast, has entered into a guarantee to fund the liabilities of Border to Coast should they become unable to meet them. At 31 March 2021 the value was calculated at £285,636 based on a 1/11 share of the total net defined pension liability (31 March 2020: £201,583; a 1/12 share of the total) purely on an accounting basis but the real value is uncertain and will, if it materialises, be calculated on a valuation basis which is different. The event is unlikely to ever occur, therefore no provision has been accounted for but instead this is disclosed as a contingent liability in line with the Code definition and as set out in Note 2 Accounting Policies.
The merger of two of the partner funds (Northumberland and Tyne & Wear) took effect from 1 April 2020 resulting in the Authority's share changing from 1/12 of the total at 31 March 2020 to 1/11 of the total at 31 March 2021.

SOUTH YORKSHIRE PENSIONS AUTHORITY

South Yorkshire Pension Fund

Financial Statements & Notes 2020/21

South Yorkshire Pension Fund - Fund Account

2019/20 £000		Notes	2020/21 £000
	Dealings with Members, Employers and Others Directly Involved in the Fund		
(308,108)	Contributions	[7]	(282,816)
(37,063)	Transfers In from Other Pension Funds	[8]	(20,726)
(345,171)			**(303,542)**
308,182	Benefits	[9]	314,330
29,618	Payments To and On Account of Leavers	[10]	16,870
337,800			**331,200**
(7,371)	**Net (Additions)/Withdrawals from Dealings With Members**		**27,658**
49,419	Management Expenses	[11]	64,658
42,048	**Net (Additions)/Withdrawals Including Fund Management Expenses**		**92,316**
	Returns On Investments		
(73,456)	Investment Income	[12]	(68,114)
1	Taxes On Income	[12]	0
300,971	Profit And Losses on Disposal of Investments and Changes in the Value of Investments	[14b]	(1,715,874)
227,516	**Net Return on Investments**		**(1,783,988)**
269,564	**Net (Increase)/Decrease in the Net Assets Available for Benefits During the Year**		**(1,691,672)**
(8,439,965)	**Opening Net Assets of the Scheme**		(8,170,401)
(8,170,401)	**Closing Net Assets of the Scheme**		**(9,862,073)**

South Yorkshire Pension Fund - Net Assets Statement

31 March 2020 £000		Notes	31 March 2021 £000
	Long Term Investments		
833	Equities		1,182
	Investment Assets		
74,649	Equities		55,941
390,990	Fixed Interest Securities		409,648
170,737	Index Linked Securities		192,840
6,656,270	Pooled Investment Vehicles		8,296,976
697,748	Direct Property	[14a]	762,177
0	Derivative Contracts	[15]	186
159,720	Cash - Sterling		116,520
11,049	Cash - Foreign Currency		9,370
8,950	Other Investment Assets		7,443
	Investment Liabilities		
(11,995)	Derivative Contracts	[15]	(3,361)
0	Other Investment Liabilities		(4)
8,158,951	**Total Net investments**	[14a]	**9,848,918**
23,739	Current Assets	[21a]	26,472
604	Long Term Debtors	[21b]	39
8,183,294			**9,875,429**
(12,893)	Current Liabilities	[22]	(13,356)
8,170,401	**Net Assets of the Fund Available to Fund Benefits at the End of the Reporting Period**		**9,862,073**

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.

Notes To The South Yorkshire Pension Fund For The Year Ended 31 March 2021
Note 1. Description Of Fund

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

a) General

The LGPS 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 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 10 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:

South Yorkshire Pension Fund	**31 March 2020**	**31 March 2021**
Number of Employers with Active Members	526	533
Number of Employees (Active Contributors)	49,866	51,050
Number of Pensioners	55,189	57,308
Number of Deferred Pensioners *	56,422	58,511
Total Number of Members in the Pension Scheme	**161,477**	**166,869**

* Includes 9,073 unprocessed leavers at 31 March 2021 (5,483 at 31 March 2020).

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 2021. 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 30.8% of pensionable pay in 2020/21.

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

The 2020/21 financial year has been extraordinary in that we have been impacted by the worst global pandemic since the Spanish Flu of 1918.
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.

Bond markets lagged this year with the higher risk emerging market bonds and high yield bond markets being the areas to add performance.
The oil price reached a 17-year low in April but then started to recover slowly during the summer months as economies started to come out of the first lockdown and showed stronger upward movements during the winter months as the vaccine roll-out led to hopes of a strong economic rebound.

Direct property transactions started to be evidenced in the second half of the year but the returns in the market were very polarised. Consumer facing sectors such as retail, leisure and hotels continued to face challenging trading conditions whilst supermarket and industrial sectors continued to show relative resilience. Our longer-term stance has been to be overweight in the south-east industrial sector which has been comparatively robust, and to be underweight in the retail sector and this led to outperformance of the benchmark.
Market returns show that this recession was unusual in that the recovery was not due to fundamental economic issues. Instead, it was due to large scale fiscal and central bank responses with many companies performing better than expected due to government support and increasing demand.

In terms of asset allocation for the Fund, there continued to be a reduction in the overall cash exposure in order to fund new investments within the alternative asset classes of private equity, private debt, infrastructure and property.
The equity protection that the Fund had had in place for two years rolled off in April 2020 and a decision was taken that, given that the Fund had been de-risking its overall strategy and given the market conditions prevailing at that time, it was not necessary to renew this protection. The strategy had worked as anticipated. There was a negative impact to performance in April because markets were rising as the options were expiring but even given this, the Fund delivered a return of 21.1% over the year against an expected return of 18% (-3.6% in 2019/20 against an expected return of -4.5%) and it had a market value (net investment assets only) of £9,848 million at 31 March 2021 (£8,159 million at 31 March 2020).

Note 2. Basis Of Preparation

The Statement of Accounts summarises the Fund's transactions for 2020/21 and its financial position at 31 March 2021. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (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 2020/21.

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.

Note 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 / 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 straight-line 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:

Administrative 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 2021. 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.

Note 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, Mercer Limited, 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 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.

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.

Note 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 funding position at the most recent triennial valuation as at 31 March 2019 was a deficit of £63 million. The following examples illustrate the sensitivity of this figure to changes in the key assumptions: • a 0.25% reduction in the real investment return would increase the deficit by £379 million • a 0.25% increase in salary growth would increase the deficit by £32 million • a 0.25% per annum reduction in the long term improvement rate of life expectancy would reduce the deficit by £64 million • a 25% fall in assets would increase the deficit by £2,110 million
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.	Private equity investments are valued at £1,658 million at 31 March 2021 (£1,231 million at 31 March 2020) 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 8.2% this would reduce the value of these assets by £136 million.

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. The 31 December valuations are normally used, and rolled forward for known cash flows to derive the valuation at 31 March, on the basis that any changes in market value from 31 December to 31 March would be unlikely to be material.

Each year, the reasonableness of this assumption is reviewed and checked against the fund manager statements at 31 March as they become available. The review of fund manager statements for 31 March 2021 indicated a material movement, therefore the valuations for these investments have been measured on the basis of the fund manager reports as at 31 March 2021 where available in order to take into account market movement from January to March 2021. The values at which these are carried in the Net Assets Statement on this basis is £130.8 million higher than if the valuations had been based on the 31 December 2020 financial statements and rolled forward.

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 £860 million including both directly held property and property held in pooled investment vehicles. At 31 March 2021 there is a range of potential outcomes. Note 18 shows the effect, based on an assessed volatility range, of a fall of 4% 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 £85.7 million. However, it should be noted that this is illustrative only and is not necessarily indicative of the actual effects that would be experienced.

Property Valuations - COVID-19

In the accounts for the previous year ended 31 March 2020, it was reported that there was additional uncertainty over the valuations of property investments 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. The professional valuers commissioned by the Fund to value the directly held property as at 31 March 2021 have provided the following commentary.

The outbreak of COVID-19, declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, has and continues to impact many aspects of daily life and the global economy – with some real estate markets having experienced lower levels of transactional activity and liquidity. Travel restrictions have been implemented by many countries and "lockdowns" applied to varying degrees. The pandemic and the measures taken to tackle COVID-19 continue to affect economies and real estate markets globally. Nevertheless, as at the valuation date some property markets have started to function again, with transaction volumes and other relevant evidence returning to levels where an adequate quantum of market evidence exists upon which to base opinions of value. Accordingly, and for the avoidance of doubt, our valuation is not reported as being subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation – Global Standards.

Note 6. Events After The Reporting Period

The Statement of Accounts was authorised for issue on 28 May 2021. 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 2021, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Note 7. Contributions Receivable

By Category

2019/20 £000		2020/21 £000
60,269	**Employees' Contributions**	**63,014**
	Employers' Contributions *	
217,118	Normal Contributions	193,420
24,047	Deficit Recovery Contributions	20,720
6,674	Augmentation Contributions	5,662
247,839	**Total Employers' Contributions**	**219,802**
308,108	**Total Contributions Receivable**	**282,816**

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By Employer Type

2019/20 £000		2020/21 £000
716	Administering Authority	624
	Scheduled Bodies:	
20,981	Barnsley Metropolitan Borough Council	24,803
12,565	Doncaster Metropolitan Borough Council	51,281
24,523	Rotherham Metropolitan Borough Council	55,315
138,012	Sheffield City Council	25,733
96,323	Other Scheduled Bodies	111,278
14,988	Admitted Bodies	13,782
308,108		**282,816**

*** 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 payments early, 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 have been 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 and are included in the figures shown above for 2019/20.

Note 8. Transfers In From Other Pension Funds

2019/20 £000		2020/21 £000
0	Group Transfers	0
37,063	Individual Transfers	20,726
37,063		**20,726**

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Note 9. Benefits Payable

By Category

2019/20 £000		2020/21 £000
239,618	Pensions	250,114
63,216	Commutation and Lump Sum Retirement Benefits	56,345
5,348	Lump Sum Death Benefits	7,871
308,182		**314,330**

By Employer Type

2019/20 £000		2020/21 £000
1,009	Administering Authority	673
	Scheduled Bodies:	
41,771	Barnsley Metropolitan Borough Council	41,194
44,740	Doncaster Metropolitan Borough Council	46,269
43,883	Rotherham Metropolitan Borough Council	44,369
93,030	Sheffield City Council	93,648
57,584	Other Scheduled Bodies	59,102
26,165	Admitted Bodies	29,075
308,182		**314,330**

Note 10. Payments To And On Account of Leavers

2019/20 £000		2020/21 £000
439	Refunds to Members Leaving Service	365
7,981	Group Transfers	0
21,286	Individual Transfers	16,507
(88)	Payments for Members Joining State Scheme	(2)
29,618		**16,870**

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Note 11. Management Expenses

2019/20 £000		2020/21 £000
3,025	Administrative Costs	2,962
44,478	Investment Management Expenses [Note 11a]	59,600
1,916	Oversight and Governance Costs	2,096
49,419		**64,658**

Note 11a. Investment Management Expenses

2019/20 £000		2020/21 £000
596	Internal Management Costs	506
2,066	External Management Costs - Border To Coast	3,891
451	Bond Manager	0
1,169	Property Advisor Fees	1,190
469	Equity Protection Manager	10
79	Custody	38
30	Research Fees	28
1,331	Transaction Costs	1,295
37,790	Management Fees Deducted At Source	52,431
497	Irrecoverable VAT	211
44,478		**59,600**

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.

In addition to these costs, indirect costs are incurred through the bid-offer spread on investments sales and purchases. These are reflected in the cost of investment acquisitions and in the proceeds from the sales of investments.

Note 12. Investment Income

2019/20 £000		2020/21 £000
2,636	Income from Equities	971
30,167	Income from Fixed Interest Securities	28,409
2,623	Income from Index-Linked Securities	1,846
8,004	Income from Pooled Investment Vehicles	9,381
27,308	Net Property Income [Note 12a]	26,640
2,232	Interest on Cash Deposits	353
174	Stock Lending	129
312	Other	385
73,456	**Total Before Taxes**	**68,114**
(1)	Irrecoverable Withholding Tax on Equities	0
73,455	**Net Investment Income**	**68,114**

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	
48,805	Border to Coast UK	30,795
61,498	Border to Coast Developed Overseas	53,370
18,965	Border to Coast Emerging Markets	16,775
0	Border to Coast Sterling Index Linked Bonds	527
129,268		**101,467**

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Note 12a. Property Income

2019/20 £000		2020/21 £000
28,189	Rental income	28,752
210	Other dividends and interest	0
(1,091)	Direct operating expenses	(2,112)
27,308	**Net income**	**26,640**

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

Note 13a. Other Fund Account Disclosures - External Audit Costs

2019/20 £000		2020/21 £000
32	Fees Payable in Respect of External Audit	49
32		**49**

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

Note 13b. Other Fund Account Disclosures - Irrecoverable VAT

2019/20 £000		2020/21 £000
75	Irrecoverable VAT Included in Administration Cost	101
497	Irrecoverable VAT Included in Investment Management Expense	211
49	Irrecoverable VAT Included in Oversight & Governance Cost	50
621		**362**

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.

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Note 14a. Investments

2019/20 £000		2020/21 £000	2020/21 £000
	Long Term Investments		
833	Equities	1,182	**1,182**
	Investment Assets		
	Equities		
74,649	Overseas Quoted	55,941	
74,649			**55,941**
	Fixed Interest Securities		
79,071	UK Corporate Bonds	68,727	
140,137	Overseas Public Sector Quoted	184,698	
171,782	Overseas Other Quoted	156,223	
390,990			**409,648**
	Index Linked Securities		
68,685	UK Public Sector Quoted	192,840	
102,052	UK Corporate Bonds	0	
170,737			**192,840**
	Pooled Investments		
	UK		
1,028,787	Equities	1,025,943	
95,810	Private Equity	119,766	
47,050	Credit	54,361	
83,805	Infrastructure	126,967	
1,480,613	Other Managed Funds	1,438,514	
	Overseas		
2,687,165	Equities	3,722,241	
476,469	Private Equity	695,479	
292,792	Credit	356,991	
235,313	Infrastructure	304,930	
99	Hedge Fund of Funds	0	
152,001	Other Managed Funds	352,190	

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Note 14a. Investments

2019/20 £000	Pooled Investments (continued)	2020/21 £000	2020/21 £000
	Indirect Property		
62,402	UK Property	86,038	
13,964	Overseas Property	13,556	
6,656,270			**8,296,976**
	Direct Property		
575,552	UK Freehold	643,569	
108,495	UK Leasehold	104,645	
13,701	UK Other	13,963	
697,748			**762,177**
	Derivative Contracts		
0	Forward Currency Contracts	186	
	Cash Deposits		
159,720	Sterling	116,520	
11,049	Foreign Currency	9,370	
	Receivables		
8,752	Investment Income Due	7,443	
198	Amounts Receivable - Sales	0	
8,170,946	**Total Investment Assets**		**9,852,283**
	Investment Liabilities		
	Derivative Contracts		
(11,995)	Forward Currency Contracts	(3,361)	
0	Amounts Payable - Purchases	(4)	
(11,995)	**Total Investment Liabilities**		**(3,365)**
8,158,951	**Net Investment Assets**		**9,848,918**

Note 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 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 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**
					0
	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**

Note 14c. Investments Analysed By Fund Manager

Market value 31 March 2020 %	Market value 31 March 2020 £000		Market value 31 March 2021 £000	Market value 31 March 2021 %
Investments managed by Border to Coast Pensions Partnership:				
0.0%	0	Border to Coast Sterling Index Linked Bonds	837,108	8.5%
12.6%	1,028,787	Border to Coast UK	1,025,943	10.4%
25.9%	2,111,628	Border to Coast Developed Overseas	2,935,183	29.8%
7.1%	575,537	Border to Coast Emerging Markets	787,058	8.0%
5.4%	439,639	Border to Coast Investment Grade Credit	487,249	5.0%
0.2%	13,791	Border to Coast Private Equity Series	50,649	0.5%
0.0%	0	Border to Coast Private Credit Series	6,753	0.1%
0.1%	12,446	Border to Coast Infrastructure 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 5% or more of the net assets of the Fund.

%	£000	Security	£000	%
0.0%	0	Border to Coast Sterling Index Linked Bonds	837,108	8.5%
12.6%	1,028,787	Border to Coast UK	1,025,943	10.4%
25.9%	2,111,628	Border to Coast Developed Overseas	2,935,183	29.8%
7.1%	575,537	Border to Coast Emerging Markets	787,058	8.0%
5.4%	439,639	Border to Coast 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**	

Note 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 March 2020 £000		31 March 2021 £000
	Assets on Loan	
9,050	UK Corporate Bonds	3,935
11,318	Overseas Corporate Bonds	26,461
20,301	Overseas Government Bonds	40,602
40,669	**Total Value of Stock on Loan**	**70,998**
	Collateral Held	
3,286	UK Gilts	11,199
42,217	Overseas Bonds	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.

Note 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
675,492	**Opening balance**	**684,047**
	Additions:	
29,750	Purchases	54,780
6,023	New Construction	449
1,906	Subsequent Expenditure	3,336
(6,350)	Disposals	0
(22,774)	Net Increase / (Reduction) in Market Value	5,602
684,047	**Closing balance**	**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.

Note 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 £000**	**Currency Sold**	**Local Value 000**	**Asset Value £000**	**Liability Value £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)**

Note 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

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
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, gating or closing of pooled property funds, 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.

	Assessed valuation range (+/-)	**Value at 31 March 2021**	**Value on increase**	**Value on decrease**
		£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 & Leasehold Property	4%	748,214	778,143	718,285
Other Property (Wholly Owned Subsidiaries)	4%	13,963	14,521	13,405
		2,519,066	**2,687,488**	**2,350,644**

Note 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.

Values at 31 March 2021	Quoted Market Price Level 1 £000	Using Observable Inputs Level 2 £000	With Significant Unobservable Inputs Level 3 £000	Total £000
Financial assets at fair value through profit and loss	341,959	6,862,002	1,769,671	8,973,632
Non-financial assets at fair value through profit and loss (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:

Values at 31 March 2021	Total £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**

Values at 31 March 2020	Quoted Market Price Level 1 £000	Using Observable Inputs Level 2 £000	With Significant Unobservable Inputs Level 3 £000	Total £000
Financial assets at fair value through profit and loss	191,887	5,801,541	1,309,874	7,303,302
Non-financial assets at fair value through profit and loss (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:

Values at 31 March 2020				**Total** **£000**
Investments in Border to Coast Pensions Partnership Pool				833
Investments held at cost	**0**	**0**	**0**	**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**

Note 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	**Assets at amortised cost**	**Liabilities at amortised cost**		**Fair value through profit and loss**	**Assets 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**	

Note 17b. Net Gains And Losses On Financial Instruments

2019/20 £000		2020/21 £000
	Financial Assets	
(265,376)	Gain / (Loss) on Assets at Fair Value Through Profit and Loss	1,682,151
4,970	Gain / (Loss) on Assets at Amortised Cost	(1,535)
	Financial liabilities	
(17,738)	Gain / (Loss) on Liabilities at Fair Value Through Profit and Loss	29,394
(278,144)	**Net Gain / (Loss) on Financial Instruments**	**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.

Note 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	Values 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	Values 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.

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Exposure To Interest Rate Risk	**Values as at 31 March 2021 £000**	**Potential Interest Rate Movement (+/-)**	**Potential Value on Increase £000**	**Potential Value on Decrease £000**
Cash - Sterling	116,520	0.69%	117,324	115,716

Exposure To Interest Rate Risk	**Values as at 31 March 2020 £000**	**Potential Interest Rate Movement (+/-)**	**Potential Value on Increase £000**	**Potential Value on Decrease £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 £000	Potential Market Movement £000	Value on Increase £000	Value on Decrease £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 £000	Potential Market Movement £000	Value on Increase £000	Value on Decrease £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 March 2020**	**Balances at 31 March 2021**
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**

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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.

Note 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.

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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 under which the salary increase for each member is assumed to increase until they leave active service by death, retirement or withdrawal from service. The main actuarial assumptions used for assessing the Solvency Funding Target were as follows.

Financial Assumptions	31 March 2016	31 March 2019
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

Note 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 March 2020	31 March 2021
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 March 2020	31 March 2021
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.

Note 21a. Current Assets

31 March 2020 £000		31 March 2021 £000
	Short Term Debtors	
4,255	Contributions Due - Employees	5,344
11,322	Contributions Due - Employers	12,769
15,577		**18,113**
1,786	Early Retirement Strain Contributions Receivable	633
6,376	Sundry Debtors	7,726
23,739	**Total**	**26,472**

Note 21b. Long Term Debtors

31 March 2020 £000		31 March 2021 £000
	Long Term Debtors	
604	Early Retirement Strain Contributions Receivable	39
604	**Total**	**39**

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Note 22. Current Liabilities

31 March 2020 £000		31 March 2021 £000
(3,143)	Sundry Creditors	(2,574)
(2,059)	Payroll Expenses Payable	(2,201)
(5,732)	Advance Property Rents	(5,736)
(1,596)	Property Rental Deposits	(2,670)
(363)	Other Balances	(175)
(12,893)	**Total**	**(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.

Note 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 31 March 2020 £000		Market Value 31 March 2021 £000
8,811	Prudential[1]	Not available
5,301	Scottish Widows	4,798
1,911	Utmost Life & Pensions (formerly Equitable Life)[2]	1,860
16,023	**Total**	**6,658**

AVCs Paid to Providers 2019/20 £000		AVCs Paid to Providers 2020/21 £000
2,099	Prudential[1]	Not available
160	Scottish Widows	187
5	Utmost Life & Pensions (formerly Equitable Life)[2]	5
2,264	**Total**	**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.

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Note 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.

2019/20 £000		2020/21 £000
	Payments on behalf of:	
15	South Yorkshire Pensions Authority	14
2,544	Barnsley MBC	2,511
1,863	Doncaster MBC	1,825
1,312	Rotherham MBC	1,295
6,136	Sheffield CC	5,915
1,702	Other Scheduled Bodies	1,574
62	Admitted Bodies	59
13,634	**Total**	**13,193**

Note 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.

Elected members of the Authority are related parties to the Fund and are required to sign declarations when they are also members of the Fund.

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.

Note 25a. Related Party Transactions - Subsidiary Companies

The Fund has within its portfolio two wholly owned subsidiary companies; Waldersey Farms Limited and F H Bowser Limited.

Waldersey Farms 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 March 2020 £		31 March 2021 £
1,365,012	Pension Fund Investment at Book Cost	1,365,012
6,143,100	Debenture Loan	6,143,100
7,508,112	Total Investment at Book Cost	7,508,112
7,508,100	Pension Fund Investment Market Value (Included in the Net Assets Statement)	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 December 2019 £		31 December 2020 £
904,282	Profit/(Loss) On Ordinary Activites Before Taxation	40,721
726,701	Profit/(Loss) After Taxation	37,452
4,781,429	Retained Profit/(Loss)	4,818,881
6,646,429	Net Assets	6,683,881
2,372,360	Rent paid to South Yorkshire Pensions Authority	2,502,884
0	Dividends paid to South Yorkshire Pensions Authority	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 March 2020 £		31 March 2021 £
10,497,338	Pension Fund Investment at Book Cost	10,497,338
6,193,000	Pension Fund Investment Market Value (Included in the Net Assets Statement)	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 December 2019 £		31 December 2020 £
7,080,600	Fixed Assets	6,930,600
203,816	Current Assets	290,226
(47,390)	Current Liabilities	(38,679)
7,237,026	Net Assets	7,182,147
166,411	Profit/(Loss) On Ordinary Activities	(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.

Note 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 are set out in Note 19 to the Authority's accounts.

Note 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 March 2020		31 March 2021
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).

Glossary of Key Terms

Accounting Period
The length of time covered by the accounts. In the case of these accounts, it is the year from 1 April to 31 March.

Accruals Basis
The accruals principle is that income is recorded when it is earned rather than when it is received, and expenses are recorded when goods or services are received rather than when the payment is made.

Actuarial Gains and Losses
Changes in the estimated value of the pension fund because events have not coincided with the actuarial assumptions made or the assumptions themselves have changed.

Amortisation
A measure of the cost of economic benefits derived from intangible assets that are consumed during the period.

Balances
These represent the accumulated surplus of revenue income over expenditure.

Budget
An expression, mainly in financial terms, of the Authority's intended income and expenditure to carry out its objectives.

Capital Adjustment Account
The Account accumulates (on the debit side) the write-down of the historical cost of non-current assets as they are consumed by depreciation and impairments or written off on disposal. It accumulates (on the credit side) the resources that have been set aside to finance capital expenditure. The balance on the account thus represents timing differences between the amount of the historical cost of non-current assets that has been consumed and the amount that has been financed in accordance with statutory requirements.

Capital Expenditure
Payments for the acquisition, construction, enhancement or replacement of non-current assets that will be of use or benefit to the Authority in providing its services for more than one year.

Cash Equivalents
Short term, highly liquid investments readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Chartered Institute of Public Finance and Accountancy (CIPFA)
CIPFA is the main professional body for accountants working in public services.

Contingent Liability
A contingent liability is either:

- A possible obligation arising from a past event whose existence will be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Authority; or
- A present obligation arising from past events where it is not probable that there will be an associated cost, or the amount of the obligation cannot be accurately measured.

Creditors
Amounts owed by the Authority for work done, goods received or services rendered, for which payment has not been made at the balance sheet date.

Current Service Cost
Current Service Cost is the increase in the present value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current period, i.e. the ultimate pension benefits "earned" by employees in the current year's employment.

Debtors
Amounts due to the Authority that have not been received at the balance sheet date.

Depreciation
The measure of the consumption, wearing out or other reduction in the useful economic life of non-current assets that has been consumed in the period.

Employee Benefits
Amounts due to employees including salaries, paid annual leave, paid sick leave, and bonuses. These also include the cost of employer's national insurance contributions paid on these benefits; and the cost of post-employment benefits, i.e. pensions.

Expected Rate of Return on Pensions Assets
The average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the pension scheme.

Fair Value
The amount for which an asset could be exchanged or a liability settled, in an orderly transaction between market participants at the measurement date.

Fair Value Hierarchy and Inputs
In measuring fair value of assets and liabilities, the valuation technique used is categorised according to the extent of observable data that is available to estimate the fair value – this is known as the fair value hierarchy. Observable inputs refers to publicly available information about actual transactions and events in the market. Unobservable inputs are used where no market data is available and are developed using the best information available.
The fair value hierarchy has three levels of inputs:

Level 1: Quoted prices for identical items in an active market – i.e. the actual price for which the asset or liability is sold;

Level 2: Other significant observable inputs – i.e. actual prices for which similar assets or liabilities have been sold;

Level 3: Unobservable inputs – i.e. where market data is not available and other information is used in order to arrive at a best estimate of fair value.

Financial Instrument
Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term covers both financial assets and financial liabilities, from straightforward trade receivables (invoices owing) and trade payables (invoices owed) to complex derivatives and embedded derivatives.

General Fund
The main revenue fund of the Authority which is used to meet the cost of services paid for from the Pension Fund for which the Authority is the administering authority.

Intangible Assets
Assets that do not have physical substance but are identifiable and controlled by the Authority. Examples include software and licences.

Interest Cost
For defined benefit pension schemes, the interest cost is the present value of the liabilities during the year as a result of moving one year closer to being paid.

Leasing
A method of acquiring the use of capital assets for a specified period for which a rental charge is paid.

Liability
An amount due to individuals or organisations which will have to be paid at some time in the future. Current liabilities are those that are payable within one year of the balance sheet date.

Net Book Value
The amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value, less the cumulative amount provided for depreciation.

Non-Current Asset
An item that yields benefit to the Authority for a period of more than one year.

Past Service Cost
Past service costs arise from decisions taken in the current year but whose financial effect is derived from service earned in earlier years.

Reserves
The residual interest in the assets of the Authority after deducting all of its liabilities. These are split into two categories, usable and unusable. Usable reserves are those reserves that contain resources that an authority can apply to fund expenditure of either a revenue or capital nature (as defined). Unusable reserves are those that an authority is not able to utilise to provide services. They hold timing differences between expenditure being incurred and its financing e.g. Capital Adjustment Account.

Revenue Expenditure
Spending incurred on the day-to-day running of the Authority. This mainly includes employee costs and general running expenses.

Useful Economic Life
The period over which the Authority expects to derive benefit from non-current assets.

SOUTH YORKSHIRE
PENSIONS AUTHORITY

South Yorkshire Pensions Authority
Floor 8, Gateway Plaza
Sackville Street
Barnsley
S70 2RD

Tel: 01226 772923

www.sypensions.org.uk

Agenda Item 10

Subject	Annual Report 2020/21	Status	For Publication
Report to	Audit Committee	Date	29 July 2021
Report of	Director		
Equality Impact Assessment	Not Required	Attached	n/a
Contact Officer	Gillian Taberner Head of Finance & Corporate Services	Phone	01226 772850
E Mail	gtaberner@sypa.org.uk		

1 Purpose of the Report

1.1 To approve the Annual Report 2020/21.

---

2 Recommendations

2.1 Members are recommended to:

a. Approve the Annual Report 2020/21 for publication.

---

3 Link to Corporate Objectives

3.1 This report links to the delivery of the following corporate objectives:

Effective and Transparent Governance

to uphold effective governance showing prudence and propriety at all times.

3.2 The approval and publication of the Annual Report enables the Authority to demonstrate the proper administration of its financial affairs and the effective use of its resources as well as to report on how the organisation has performed during the year in terms of all of the corporate objectives.

---

4 Implications for the Corporate Risk Register

4.1 The actions outlined in this report address the risk identified in the Corporate Risk Register that the Authority fails to meet specific regulatory requirements.

5 Background and Options

5.1 Regulation 57 of The Local Government Pension Scheme Regulations 2013 and The Accounts and Audit Regulations 2015 require the Authority to prepare and publish an annual report that includes the Pension Fund accounts for the year by 1 December following the end of the financial year to which it relates. The requirement to publish the annual report includes electronic publication on the Authority's website.

5.2 The Chartered Institute of Public Finance & Accountancy (CIPFA) has issued guidance that it is good practice for the Annual Report to be formally reviewed by those charged with governance of the Fund prior to publication.

5.3 The Authority has designated the Audit Committee as the committee to approve the Annual Report for publication.

5.4 The Annual Report is presented at Appendix A.

5.5 The independent auditor's report included within the document is yet to be updated for 2020/21 as this can only be done following the completion of the auditor's work.

6 Implications

6.1 The proposals outlined in this report have the following implications:

Financial	None
Human Resources	None
ICT	None
Legal	Approval of the 2020/21 Annual Report will ensure compliance with the Local Government Pension Scheme Regulations 2013 and the Accounts and Audit Regulations 2015.
Procurement	None

George Graham

Director

Background Papers	
Document	**Place of Inspection**
None	-

SOUTH YORKSHIRE
PENSIONS AUTHORITY

Annual Report
2020 - 2021

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CONTENTS

Section **One**

MANAGEMENT ARRANGEMENTS

Conisbrough Castle, Doncaster

1.1 MANAGEMENT ARRANGEMENTS

Members of the Authority 2020-21 Municipal Year

Barnsley Metropolitan Borough Council

- **Cllr M Stowe* (Chair)** (AC, SA) — Labour
- **Cllr Neil Wright** — Labour

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Doncaster Council

- **Cllr Steve Cox** (AC) — Conservative
- **Cllr John Mounsey* (Vice Chair)** (AC, SA) — Labour
- **Cllr Paul Wray** (until September 2020) — Labour
- **Cllr John Gilliver** (from September 2020) — Labour

Rotherham Metropolitan Borough Council

- **Cllr Alan Atkin*** (AC, SA) — Labour
- **Cllr Taiba Yasseen** — Labour

Sheffield City Council

- **Cllr Alan Law*** (AC, SA) — Labour
- **Cllr Anne Murphy** — Labour
- **Cllr Chris Rosling-Josephs** — Labour
- **Cllr Andrew Sangar** (SA) — Liberal Democrat
- **Cllr Alison Teal** — Green Party

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

- **Nicola Doolan-Hamer** Unison
- **Doug Patterson** Unite
- **Garry Warwick** GMB

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

EMPLOYEE REPRESENTATIVES	EMPLOYER REPRESENTATIVES
Garry Warwick *(GMB) - Trades Union* **(Chair)**	**Rob Fennessey (Chair)** *'Other Large Employer'* South Yorkshire Police
Danny Gawthorpe (Unite) *Trades Union*	**Nicola Gregory** *Academy*
Nicola Doolan-Hamer Unison	**Steve Loach** *Local Authority Senior Manager*
Andrew Gregory LGPS Member	**Vacancy** *1 Local Authority Member*
David Webster LGPS Member	

AC
= Member of the Audit Committee,

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

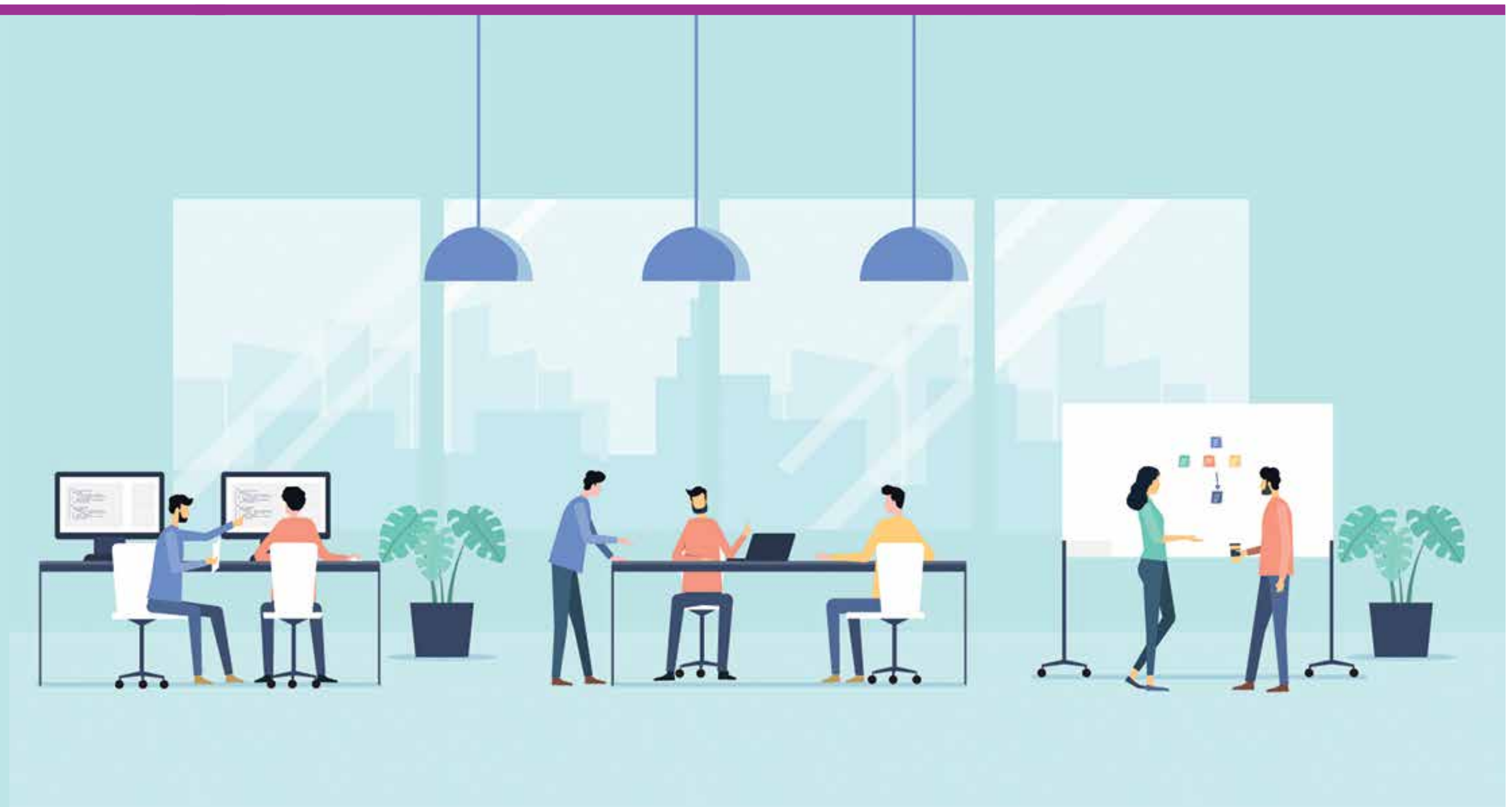
*****
= S41 Member who answers questions on behalf of the Authority in meetings of the relevant full Council

- 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	Andrew Frosdick (Executive Director Barnsley MBC) *(to May 2020)* Garry Kirk (Service Director Barnsley MBC) *(from May 2020)*
TREASURER	Neil Copley (Service Director Barnsley MBC)



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1.4 MANAGEMENT ARRANGEMENTS

Service Providers

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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
AVC PROVIDERS	Utmost 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) PIMCO (Multi Asset Credit) Schroder (Equity Protection) (until June 2020) Emerging Market and High Yield Bonds, are managed in house, with advice from Border to Coast Pensions Partnership Ltd. Cash and previously committed Alternatives are managed in house. Details of managers within the Alternatives portfolios are available at https://www.sypensions.org.uk/Investments/Alternative-Commitments
LEGAL ADVISERS	Addleshaw Goddard Pinsent Mason
INDEPENDENT PROPERTY VALUERS	Jones Lang LaSalle (Commercial Property) Fisher German (Agricultural Property)
PERFORMANCE MEASUREMENT	Portfolio Evaluation Ltd
COMMERCIAL PROPERTY MANAGEMENT	Cushman and Wakefield

1.5 INTRODUCTION

Councillor Mick Stowe
Chair of the Authority

The year that this annual report reflects on has been a year like no other in our lifetimes. The profound impact of the Covid-19 pandemic has highlighted the importance of the basic human need for security in its many forms whether that is in the form of the security that comes from having a home or financial security. The role of the Pensions Authority is to assist in providing longer term financial security for our nearly 170,000 members and we have continued to do that over the course of the year during which our staff have all been working at home.

Despite the turmoil in the financial markets last March the Pension Fund has more than recovered the losses of last year and is estimated to be more than fully funded for the first time in many years.

Even while our staff have been locked in their living rooms they have processed more items of casework than in the previous year, although the timeliness of processing has been below the high standards we set for ourselves, it has compared very well with the industry more generally.

But even though we have all been locked down the Authority has continued to progress an ambitious agenda in terms of developing both the organisation and the way we manage the Pension Fund. This has included a number of major pieces of work and significant decisions, which are reflected throughout this report, including:

- Making a commitment to achieve investment portfolios that are Net Zero in terms of carbon emissions by 2030.
- Deciding on a new long term home for the Authority which we will move into during 2021.
- Carrying out our first deep dive review of our relationship with and the performance of the Border to Coast Pensions Partnership
- Conducting an in depth review of the Agricultural Property portfolio.
- Fundamentally reviewing the career grade scheme for Pension Officers so that it is now more clearly competency based.

More about these and the many other things that our team have achieved over the course of the year are contained in the rest of this annual report. However, given the year it has been, I cannot finish this brief introduction without expressing the thanks of the members of the Authority to our staff for all their hard work over the last year, and also to our scheme members for their continued support for and interest in the work we do on their behalf.

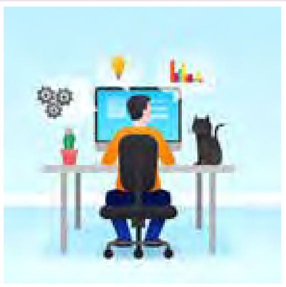
Councillor Mick Stowe
Chair of the Authority
2020/21 Municipal Year

Section **Two**

OUR YEAR IN REVIEW

Rivelyn Valley Nature Trail, Sheffield

2.1 OUR YEAR IN REVIEW



All Pension Authority staff complete the transition to homeworking.

APRIL 2020

month 01

month 02

MAY 2020

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 2020

month 03

month 04

JULY 2020

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.

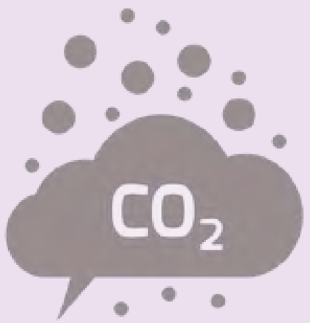
AUGUST 2020

month 05

month 06

SEPTEMBER 2020

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.

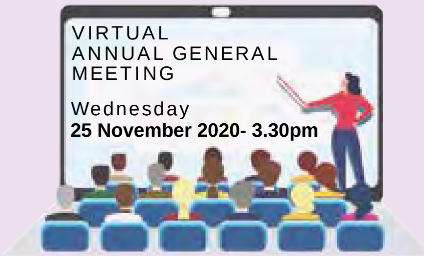
OCTOBER 2020

month 07

month 08

NOVEMBER 2020

First virtual Annual Fund Meeting



Oakwell House our “forever home”.

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 2020

month 09

month 10

JANUARY 2021

Fund purchases the Sainsbury’s supermarket in Ripley Derbyshire.

CIVICA

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

FEBRUARY 2021

month 11

month 12

MARCH 2021

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

2. Fund value hits a record of £9.9bn

£ 9.9 bn

Monk Bretton Priory, Barnsley

South Yorkshire Pensions Authority Annual Report 2020/2021

Section Three

OUR ORGANISATION

3

South Yorkshire Pensions Authority Annual Report 2020/2021

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:-

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"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 term liabilities.

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 2020/21**

	11 June 2020	10 Sept 2020	30 Sept 2020	10 Dec 2020	21 Jan 2021	18 Mar 2021	% Attendance
Cllr A Atkin	✓	✓	✓	✓	✓	✓	100
Cllr S Cox	✓	✓	✓	✓	✓	✓	100
Cllr J Gilliver			✓	✓	✓	✓	100
Cllr A Law	✓	✓	✓	x	x	x	50
Cllr J Mounsey	✓	✓	✓	✓	✓	✓	100
Cllr A Murphy	✓	✓	✓	✓	✓	✓	100
Cllr C Rosling-Josephs	✓	✓	✓	✓	✓	✓	100
Cllr A Sangar	✓	✓	✓	✓	✓	✓	100
Cllr M Stowe	✓	✓	✓	✓	✓	✓	100
Cllr A Teal	✓	✓	✓	✓	✓	✓	100
Cllr P Wray	✓	x					50
Cllr N Wright	✓	✓	✓	✓	✓	✓	100
Cllr T Yasseen	✓	✓	✓	✓	✓	✓	100
Non-Voting Co-Opted Members							
N Doolan-Hamer	x	x	x	✓	✓	✓	50
D Patterson	✓	✓	✓	✓	✓	x	83
G Warwick	✓	x	✓	✓	✓	✓	83

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.

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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

South Yorkshire Pensions Authority Annual Report 2020/2021

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 112 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.

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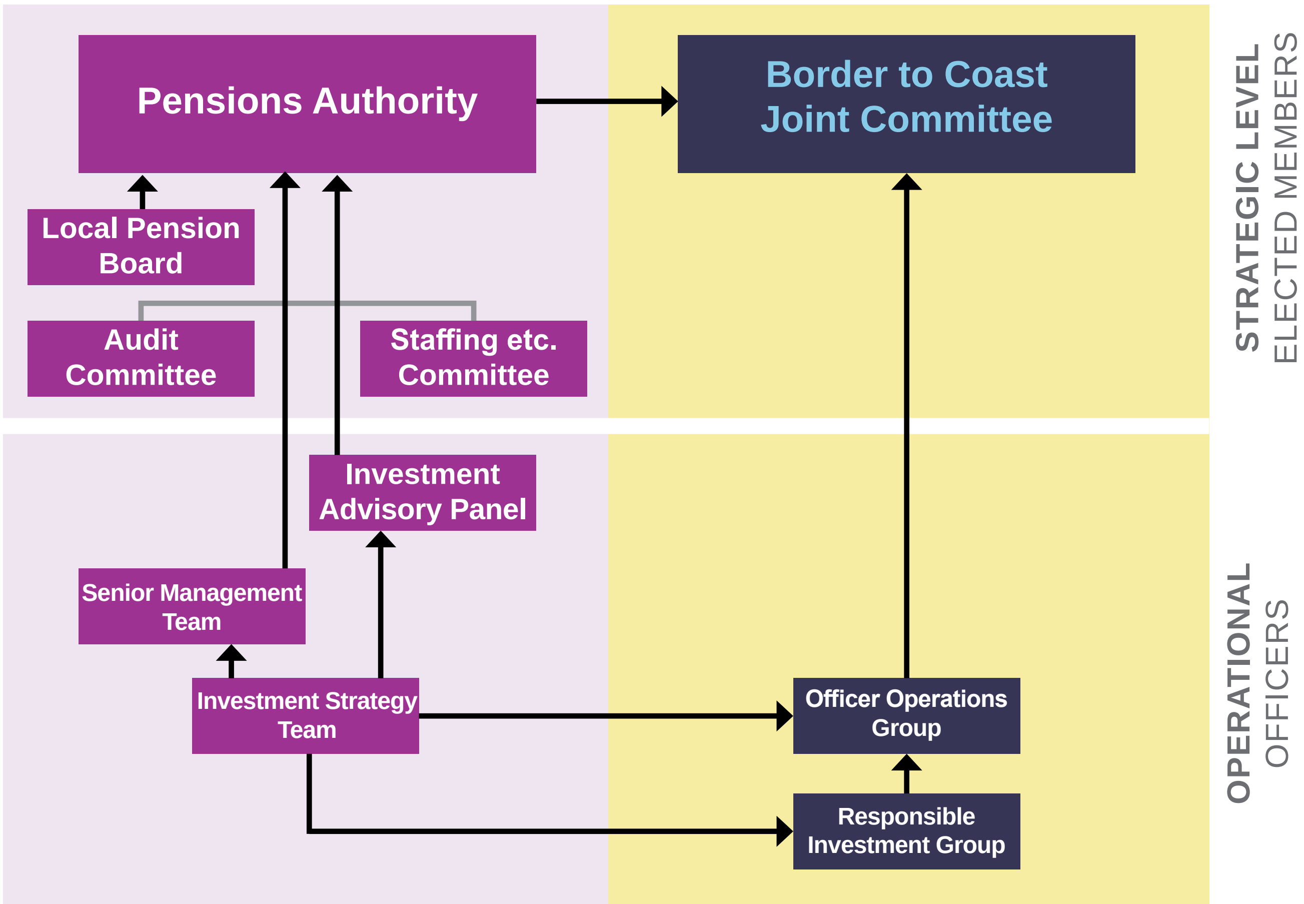


Unlike other administering authorities in the Local Government Pension Scheme SYPA is a free -standing organisation, with the responsibilities which that brings. We have continued to update our policy framework and further updated the Constitution and the various codes of conduct during the year as well as fundamentally reviewing the Freedom of Information Act publication scheme. All our policy documents are available on the Authority's website.

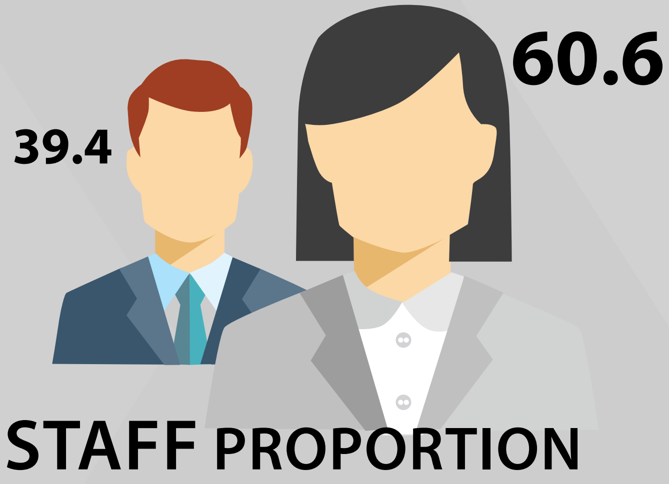
We have continued to place emphasis on being a healthy organisation capitalising on the significant improvement we have been able to achieve in the working environment in recent years. During the year we have undertaken:

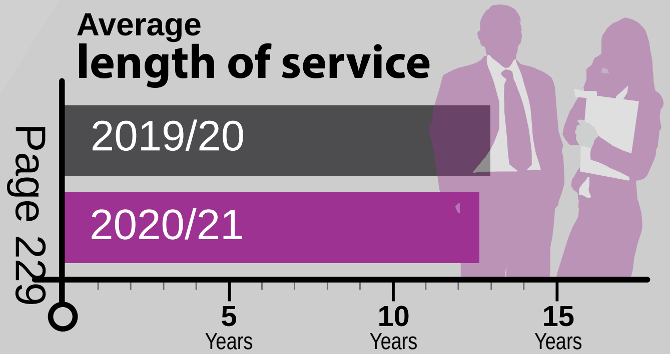
- Mental Health awareness training for 70 staff
- Equality and Diversity Training attended by 85 members of staff
- Provided winter vaccination vouchers for 48 of our staff
- Provided on line access to a physiotherapist to assist staff in adapting to homeworking
- Carried out work space assessments for all staff as they have been working at home and arranged for the delivery of a range of additional equipment to ensure that they have been able to work at home in a safe way
- Provided a Christmas Gift of Yorkshire produce from Betty's of Harrogate to acknowledge the work of all of our team in difficult circumstances over the course of the Year. We also provided additional recognition for 7 staff who continued to attend our office base throughout the pandemic in order to scan incoming post and manage IT backups and other essential tasks.
- Gave our staff an additional day off on "Blue Monday" in January which is supposedly the most depressing day of the year to provide a bit of a lift during the January lockdown.
- We also discussed with staff their preferences for some element of homeworking becoming part of their normal working arrangements and will be putting a framework for this in place once the situation normalises.

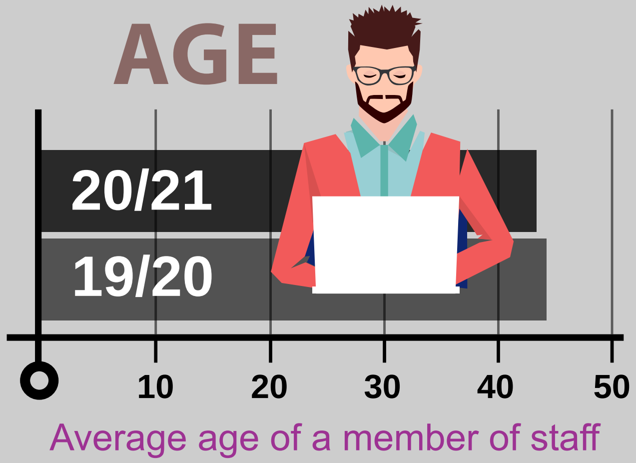
The Authority also made the very significant decision to exercise the break in our lease at Gateway Plaza and move to Oakwell House during 2021. For the first time this will give the Authority its own front door and the ability to set the office up to support the way we want to work in the future. We are looking forward to welcoming staff, scheme members and visitors to our new home later in the year.

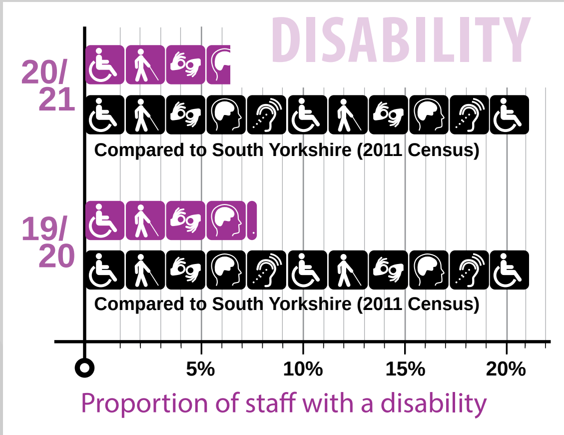
The illustration overleaf presents the position for a number of measures of our health as an organisation.

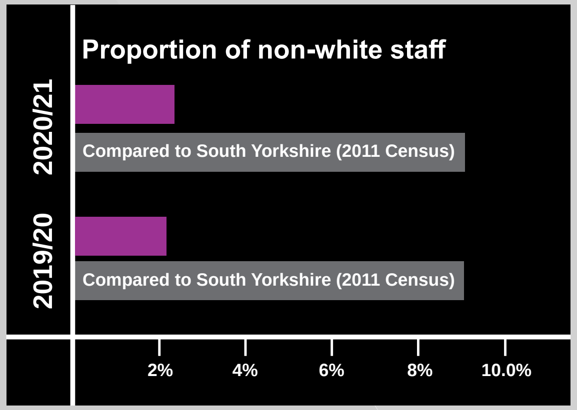
3.6 SYPA AS AN ORGANISATION

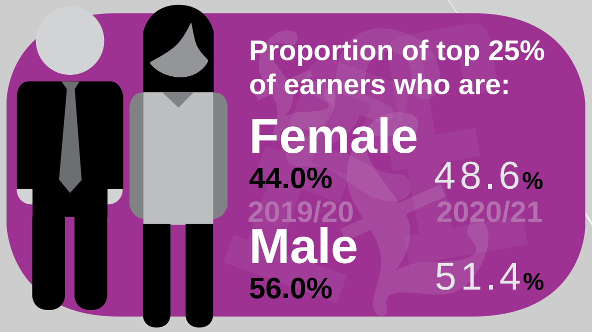


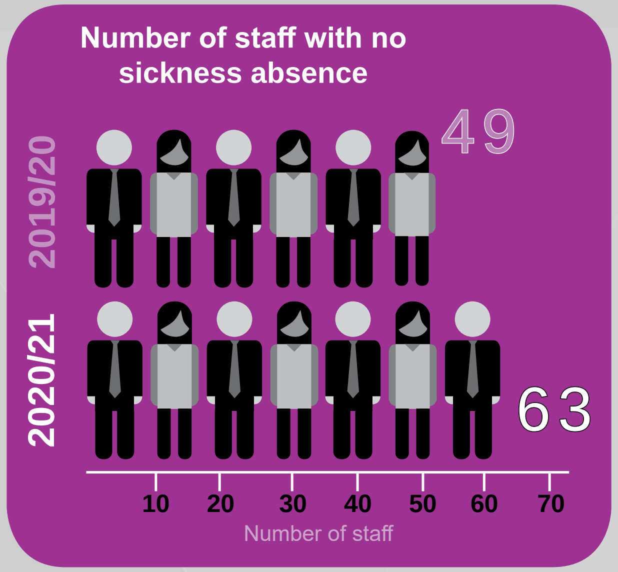












Of particular note here is the reduction in the level of sickness absence across the organisation and the impact of the various cohorts of new pensions officers and other staff which is gradually reducing both the age profile and average length of service of staff.

More information providing additional context to the workforce data set out here is available in our Annual Workforce Report which is published on our website each summer.

South Yorkshire Pensions Authority Annual Report 2020/2021

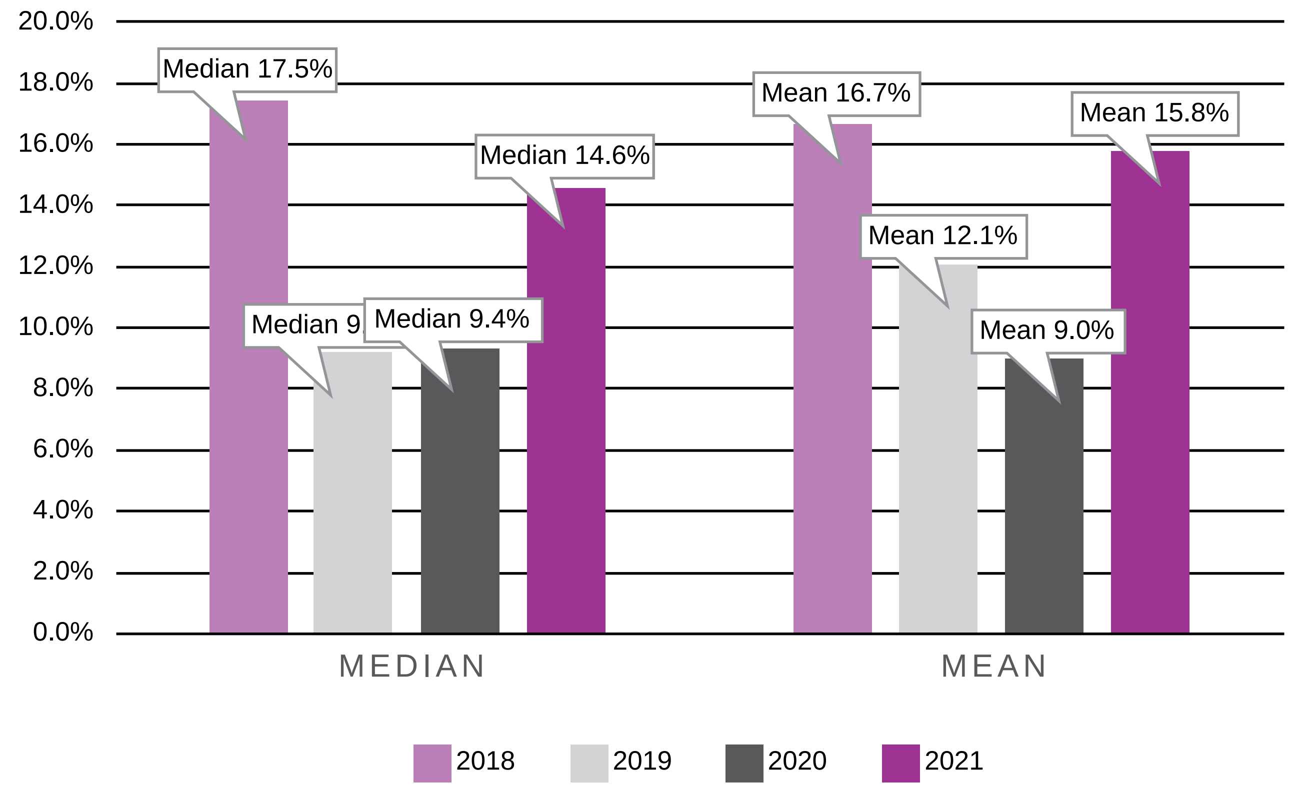
3.6 OUR ORGANISATION

SYPA as an organisation

We have analysed the gender pay gap across the organisation which gives the results shown in the chart below. 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.

South Yorkshire Pensions Authority Gender Pay Gap



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 the move to homeworking earlier in the year did disrupt progress work has now resumed and remains on target for the planned end date of October 2021.

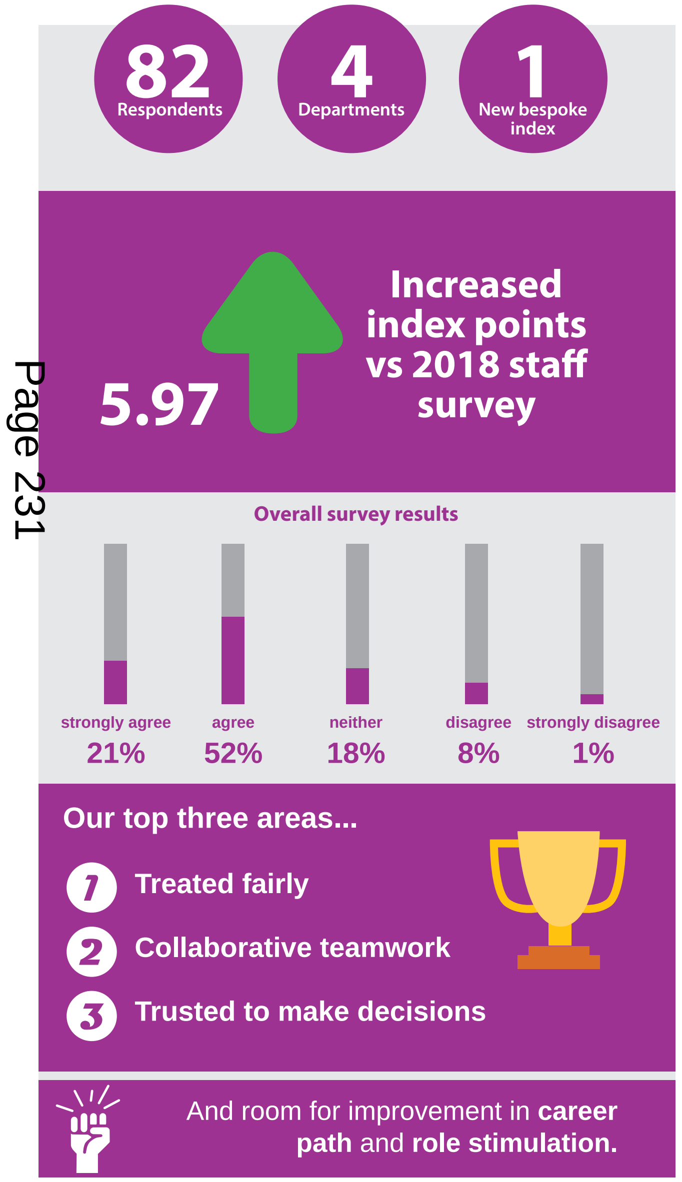
The pandemic did impact on some of our plans to roll out additional soft skills training for managers and to develop a suite of annual mandatory refresher training for all staff on key issues and this work has been rolled forward to the 2021/22 year.

Not having staff in the office has placed an additional importance on our internal communications which were disrupted somewhat in the early stages of lockdown before we had Teams available for all staff. We have however been providing weekly updates from the Senior Management Team and are running the monthly “stand up’s” over Teams. We have also provided additional advice and support for managers on managing staff remotely and have also continued to signpost help and support for staff who might be struggling in some way. In order to try to provide more visibility for staff around what is going on in terms of the Authority’s wider agenda a series of quarterly blogs by members of the Senior Management Team are now being produced in addition to the Director’s monthly blog which is now in its fourth year. The pandemic also led to an improvement in the frequency and quality of our communication with Authority and Pension Board members through what was initially a weekly email update but which has now adopted a monthly pattern.

In order to ensure that staff were coping with working at home we conducted two pulse surveys during the year which led to us putting in place additional support through workspace assessments. These surveys also gave us an insight into staff preferences with regard to homeworking as part of the longer term work pattern. 2020 was also scheduled as the year for our biennial staff survey, which was undertaken in November by and external organisation to ensure the confidentiality of comments. The results are summarised overleaf.

3.7 OUR ORGANISATION

Staff Survey 2020



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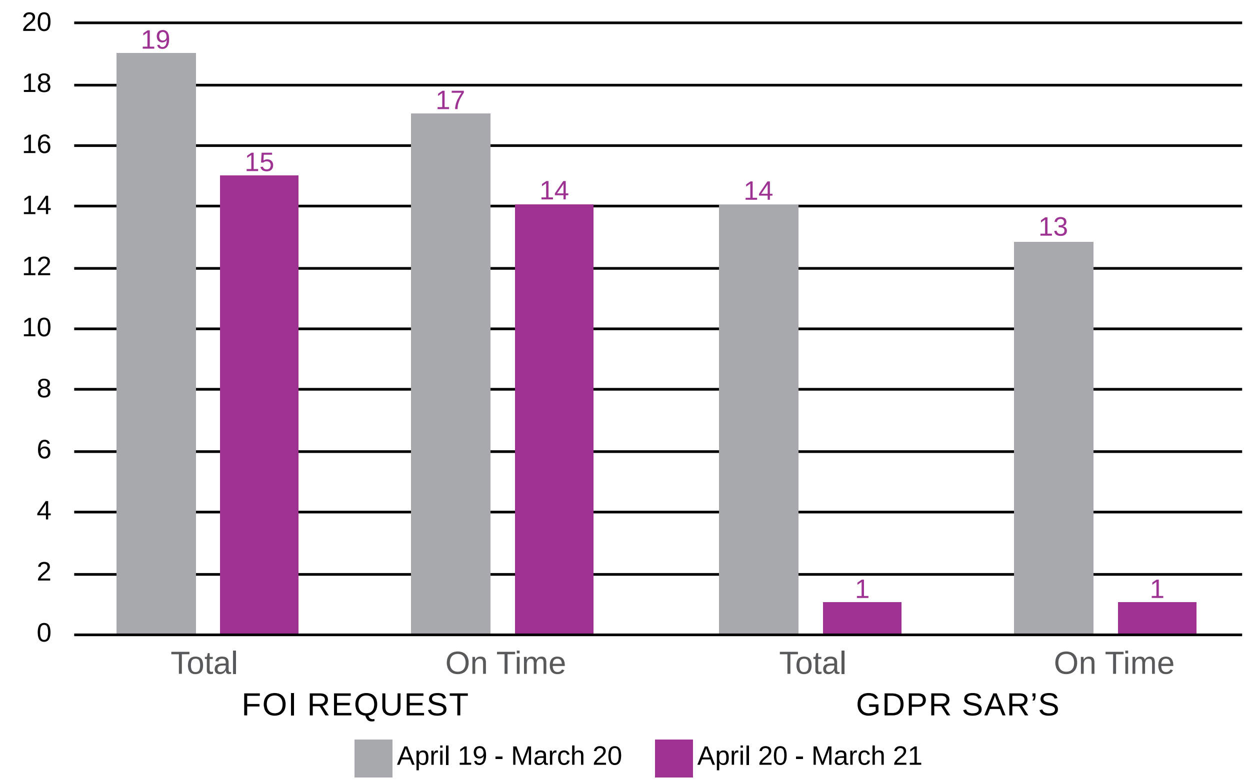
These results reflect a significant improvement over the 2018 results with a particularly marked improvement in the area of leadership and management. A staff engagement index has been created from the survey results which will allow us to track progress over future surveys.

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. We were joined by two Business Administration Apprentices during lockdown, both of whom have now secured permanent posts with the Authority and our budget for the coming year includes funding for 2 Business Administration Apprentices and one each in Finance and ICT. We will be looking to recruit to these roles following the GCSE results in the summer of 2021. Given lockdowns and the fact that staff have all been working from home the opportunities for us to collectively support charities have been reduced, however, over Christmas we raised £337 for IDAS a charity supporting victims of domestic abuse or sexual violence in Yorkshire, through a number of events including a virtual Christmas jumper day.

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 made changes to our website so that information is easier to find, integrating information currently held on different sites pending the redevelopment of our website.

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 table below shows we have 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 Resposibility

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 advisers 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, *https://www.sypensions.org.uk/Publications/Corporate-Policy*.

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 2021 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: *https://www.sypensions.org.uk/Publications/Corporate-Policy*

Principle A:
Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of 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. The Code of Conduct for officers was updated during 2020/21 and re-launched to staff.

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.

South Yorkshire Pensions Authority Annual Report 2020/2021

3.8 OUR ORGANISATION

Annual Governance Statement

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, supports the Authority's democratic processes ensuring compliance with the relevant regulations.

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 nearly 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. The Freedom of Information Act Publication Scheme which specifies the information published by the Authority and how to access it was updated during the year.

This information 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 online a week before each meeting and while in normal circumstances all meetings are open to the public meetings of the Authority are also webcast. Key decisions made by officers are formally recorded and details published on the website.

Due to the pandemic it has not been possible for meetings of the Authority, its committees and the Local Pension Board to be held in person. Meetings have been held virtually and have all been broadcast over the internet. Subject to the cost of doing so it is intended to continue the broadcasting of all meetings in future, while the continuation of virtual meetings will depend on decisions by the Government around changes to the law.

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.

The increased availability of "video conferencing" technology due to the pandemic has increased the volume of interaction which it has been possible to achieve with employers and within the Border to Coast partnership over the past year. In terms of interaction with employers steps are being taken to build on the success of these developments while in the case of Border to Coast it is likely that more of a "mixed economy" approach will be developed in order to maximise the quality of interaction around the most significant issues.

3.8 OUR ORGANISATION

Annual Governance Statement

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 processes forms part of the Authority's 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 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. 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 quarterly 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 activity.

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.

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 quarterly 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

South Yorkshire Pensions Authority Annual Report 2020/2021

3.8 OUR ORGANISATION

Annual Governance Statement

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 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 work being undertaken nationally 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.

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 are asked to annually assess their learning needs and develop their own learning plans. These arrangements have been reviewed over the last 12 months and proposed changes will be considered by the Authority and the Local Pension Board early in 2021/22.

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 reviewed and revised during the year to make it more clearly competency based and better focussed on meeting the Authority's needs.

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

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. Members of the Authority's Staffing, Appointments and Appeals Committee specifically considered succession planning for the Senior Management Team during the year.

Arrangements for Health Safety and Wellbeing have been strengthened and are overseen by a joint management and staff committee, as well as being supported by the HR policy framework. As a result of the pandemic significant emphasis has been placed on staff wellbeing including signposting resources and services which can support those who might be struggling with homeworking and also providing guidance to managers on managing staff remotely.

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.

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

South Yorkshire Pensions Authority Annual Report 2020/2021

3.8 OUR ORGANISATION

Annual Governance Statement

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 which reported during the year.

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

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 which is available here [insert link] 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 2020/21 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."

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.

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 and the Head of Internal Audit as the Data Protection Officer.

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.

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.

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 work which supports the production of an impact report for 2020/21 which will form part of the overall annual report.

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.

In preparation for these reforms the Authority invited Hymans Robertson to conduct a review of its governance in the context of the proposed new standards, and is in the process of implementing its recommendations. The Authority has also appointed an independent adviser to support the Local Pension Board in providing effective challenge and scrutiny, and the Board is conducting its own review of its effectiveness for the first time.

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.

Significant Governance Issues

The Covid-19 Pandemic has affected Britain throughout the period under review and continues to impact on the way people live their lives at the time of producing this statement. The restrictions on movement and contact between individuals have required the Authority to implement its business continuity arrangements to facilitate a situation where all staff are able to work from home, and put in place arrangements for virtual meetings of decision making bodies in line with emergency regulations issued by the Government. These arrangements were implemented with little disruption to services to scheme members, although productivity has been impacted to some degree.

3.8 OUR ORGANISATION

Annual Governance Statement

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 2020/21 Annual Governance Statement Action Plan. These are:

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- The need to produce a consolidated Learning and Development Strategy for members of the Authority and the Local Pension Board in line with the recommendations made in the Hymans Robertson Review, reflecting clearer expectations on individuals in relation to the level of commitment required.
- The need to continue to strengthen internal governance, in the light of the forthcoming changes in the regulatory environment by implementing changes agreed to the arrangements for discharging the statutory officer functions.
- Continuing the emphasis on reporting from previous Annual Governance Statements to develop a standardised and regular approach to reporting on regulatory compliance.
- Adopting a standardised and appropriately scaled approach to project management applicable to all improvement projects and major regular processes (such as annual benefit statements) across the organisation.
- Adoption of an appropriately scaled set of continuous improvement tools to support and provide structure to the wide range of activity already taking place.
- A need to institutionalise some of the improvements in communications that have been forced by remote working and to formalise liaison arrangements with key stakeholder groups such as the local authority leaders and the local authority finance directors.
- A need to reflect on any learning from our experience during the pandemic in relation to the staff welfare and wellbeing elements of our business continuity plan.
- The need to improve the processes for monitoring the application of key corporate processes such as appraisal across the organisation and ensuring the central recording of training records.
- A need to reflect on how the Audit Committee can be supported to provide more consistent challenge as part of its work.

The actions taken to date to address these have or will be reported to the Authority and the Audit Committee. Progress in monitoring the implementation of 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 2021/22

Appendix A

Issue	Action Required	Responsible Officer	Date for Completion
Need to set consistent learning and development expectations for the Authority and Local Pension Board	Produce a single Learning and Development Strategy covering both groups of members and identify additional resource to support its implementation	Director	June 2021 (final adoption at the Annual Meeting of the Authority, following consideration by the Local Pension Board in April)
Need to review the Statutory Officer arrangements identified by Hymans Robertson	Agree a way forward with BMBC and secure the agreement of the Authority to any changes required as a result of this	Director	March 2022 (Any changes to be fully operational from April 2022)
Need to continue to improve reporting and transparency	Develop and implement a regular and standardised approach to reporting regulatory compliance.	Governance and Risk Officer	March 2022
Need to strengthen project management	Develop and train appropriate staff in an appropriately scaled methodology and set of techniques and agree criteria to determine where the project management approach should be applied.	Projects and Improvement Lead	March 2022
Need to develop a more coherent and consistent approach to continuous improvement	Adopt an SYPA continuous improvement approach and train key staff to use it to assist in delivering specific objectives	Projects and Improvement Lead	March 2022
Need to capitalise on communications changes and formalise links with key stakeholder groups	Formalise member updates and institute regular updates for Leaders and local authority FD's focussed on their specific needs	Communications Officer in consultation with Director	March 2022
Conduct a review of the staff welfare related elements of the Business Continuity Plan in the light of the pandemic experience	Health Safety and Wellbeing Committee to carry out review and make recommendations to Senior Management Team	Head of Finance and Corporate Services as Chair of the Health Safety and Wellbeing Committee	March 2022
Improvements to the central monitoring and recording of information related to key processes.	Implementation of new HR System to include facilities to support this.	Head of Finance and Corporate Services	March 2022

3.9 OUR ORGANISATION

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			1 Impact of climate change on assets and liabilities		
High	1 Border to Coast product range	1 Effectiveness of Control Environment 2 Maintenance of funding level gains 3 Data & cyber Security	1 GMP reconcilliation 2 Covid impact on sickness and productivity		
Medium	1 Availability of sufficient cash 2 Non payment of contributions (business continuity)	1 Effectiveness of oversight of Border to Coast	1 Authority & Board Member knowledge and understanding 2 Statutory disclosure 3 Workforce		
Low				1 Contribution affordability	
Very Low					

Given the potential scale of the impact of the pandemic on the Authority's operations the Senior Management Team initially created a specific risk register addressing these risks early in 2020/21. As time has moved on, however, the various risks specifically around issues such as the stability of ICT infrastructure have reduced and the remaining risks have been consolidated into the main corporate risk register which is illustrated above. Over the course of the year risks have continued to be addressed and in general the movement of risk scores has been in a downward direction.

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 bulk of the Index Linked Gilts portfolio into a new Border to Coast product and the impact of the rebound in the equity market meaning that in order to maintain alignment with the strategic asset allocation it has been necessary to move more funds out of equities and into alternative investments which can take a considerable time to build up.

The potential impact of market volatility is always a risk to any participant in the financial markets and the market turbulence caused by the Covid-19 pandemic has been an extreme example of this. Having protected itself against the downside of the market turbulence in the early part of the year the ending of the equity protection policy left the Authority well placed to benefit from the recovery in the market as the year progressed. Much more detail on this is included later in this report.

3.10 Assurance over our operations

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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 that follows 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
Accounting Journals	Reasonable	1 (Medium priority)
Purchase to Pay	Reasonable	6 (2 Medium and 4 low priority)
Information Governance	Reasonable	6 (5 Medium and 1 low priority)
Monthly Data Collection and Contributions	Substantial	0 (None)
Risk Management	Reasonable	2 (1 Medium and 1 low priority)
Cybersecurity	Reasonable	4 (Medium priority)
Information Governance Awareness	Reasonable	2 (1 Medium and 1 low priority)
Insurance Procurement	Reasonable	2 (Medium priority)
Investment Pooling	Reasonable	1 (Medium priority)
Main Accounting System	Reasonable	1 (Low priority)
Accounts Receivable	Reasonable	3 (1 Medium and 2 low priority)
Pensioner Payroll	Substantial	1 (Low priority)
Transfer Values	Substantial	0 (None)
Fund Contributions	Reasonable	1 (Medium priority)
Verification of Assets	Substantial	0 (None)
Treasury Management	Substantial	0 (None)
Accounting for Deals	Substantial	1 (Low priority)

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

	Current Classification
Positive	Substantial
Opinions	Reasonable
Negative	Limited
Opinions	None

3.10
OUR ORGANISATION
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 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 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 180 individual funds within our Alternatives Portfolios. 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 opposite 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 Managers without satisfactory assurance	Awaiting latest information
Listed Equity*	1	3	1	0	0
Investment Grade Credit*	1	1	1	0	0
Sterling Linked Bond	1	1	1	0	0
Commercial Property	6	6	6	0	1
Private Debt	40	40	40	0	8
Private Equity	104	104	104	0	23
Infrastructure	29	29	29	0	4
Total	**182**	**184**	**182**	**0**	**36**

The asset classes marked * are managed by Border to Coast. The company's assurance report contained a time limited qualification related to ICT controls at the point where the UK went into lockdown in March / April 2020. The qualification has been lifted and no control failures resulted from it, and therefore it is regarded as a satisfactory report.

It is always the case that some managers are late in submitting fully audited information. However, the around 20% of managers who have not submitted reports in time for this annual report represent a small proportion of the overall portfolio and the other checks we have in place on these managers have not indicated any issues.

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 2020/21 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.

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.

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.

Membership

The Committee's membership at the end of March 2021 was:

Councillor J Mounsey (Chair)

Councillor A Atkin

Councillor S Cox

Councillor A Law

Councillor M Stowe

In addition the three non-voting co-opted members of the Authority 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 2020, October 2020 and March 2021). 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 is given below. 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.

3.11
OUR ORGANISATION
Oversight of our assurance arrangements

Member/Officer	23 July 2020	22 Oct 2020	4 March 2021	% Attendance
Cllr J Mounsey (Chair)	✓	✓	Note 1	67
Cllr A Atkin	✓	Note 1	Note 4	67
Cllr S Cox	✓	Note 2	✓	100
Cllr A Law	✓	✓	✓	100
Cllr M Stowe	✓	✓	✓	100
Non-Voting Co-Opted Members				
N Doolan-Hamer	✓	✓	✓	100
D Patterson	✓	Note 1	✓	67
G Warwick	✓	✓	✓	100
Director	✓	✓	✓	[redacted]
Head of Finance & Corporate Services	✓	✓	✓	
Head of Pensions Administration	✓	✓	Note 1	
Treasurer (s73 Officer)	Note 1	Note 3	Note 1	
Monitoring Officer	Note 1	✓	Note 1	
Deputy Clerk	✓	✓	✓	
External Audit (Deloitte)	✓	✓	✓	
Internal Audit (Barnsley MBC)	✓	✓	✓	

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Notes
1 Apologies
2 Acted as Chair for part of the meeting
3 Apologies, sent substitute
4 Acted as Chair for the meeting

COMMITTEE WORK PROGRAMME AND OUTCOMES

The Committee maintains a broad programme of work for its main areas of activity. The reports received during 2020/21 are shown in the table at the end of this section; the outcomes of the Committee's work in relation to these are summarised below. The "boxed" bullet points in italics are the core functions of an Audit Committee from the CIPFA guidance; the details below each box identify how the Board 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 July 2020
- 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 2019/20.

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 2020/21 and 2021/22;
- Received and considered Head of Internal Audit's Annual Report for 2019/20, 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;
- Received regular progress reports from Deloitte
- Approved Deloitte's fee for the financial year 2019/20

3.11 OUR ORGANISATION

Oversight of our assurance arrangements

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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 2019/20;
- Reviewed and approved the Authority's Statement of Accounts 2019/20;
- Received and approved Deloitte's Annual ISA 260 Report 2019/20 and agreed the responses to the recommendations made.

This report was approved by the Audit Committee at its meeting on 4 March 2021

Cllr J Mounsey

Chair of the Audit Committee 2020/21 Municipal Year.

Function/Issue	23 July 2020	22 Oct 2020	4 March 2021
Risk Management			
Annual Review of the Risk Management Framework		Approved	
Governance and Internal Control			
Progress on delivering the 2019/20 Annual Governance Statement Action Plan			Noted
Progress on Implementation of Audit Recommendations	Noted	Noted	
Annual Procurement Report			Noted
Internal Audit			
Progress Report	Noted	Noted	Noted
Annual Report 2019/20	Noted		
Internal Audit Charter			Not req'd
Internal Audit Plan 2021/22			Approved
External Audit			
ISA 260 Report2019/20	Noted		
Annual Audit Letter 2019/20		Noted	
External Audit Plan 2020/21			Approved
Accounts			
Audited Annual Report and Statement of Accounts 2019/20		Approved	
Letter of Representation		Approved	
Committee Working Arrangements			
Audit Committee Annual Report 2020/21			Approved

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

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3.12 Managing our money

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 218.

In January 2020, the Authority approved the Medium Term Financial Strategy for the period 2020/21 to 2022/23, setting a series of forecasts of future income and expenditure across both the operating budget and the fund and various rules within which the Authority seeks to manage its overall financial position.

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 opposite illustrates the position for 2020/21.

SYPA Operational Budget	2020/21 Budget £	2020/21 Outturn £	2020/21 Outturn Variance £	2020/21 Outturn Variance %
Pensions Administration	2,806,200	2,376,700	(429,500)	(15.30%)
Investment Strategy	763,190	631,420	(131,770)	(17.30%)
Finance & Corporate Services	620,610	685,190	64,580	10.40%
ICT	640,780	560,960	(79,820)	(12.50%)
Management & Corporate	432,740	430,000	(2,740)	(0.60%)
Democratic Representation	135,480	118,180	(17,300)	(12.80%)
Sub net cost of services	**5,399,000**	**4,802,450**	**(596,550)**	**(11.00%)**
Capital Expenditure Charged to Revenue	0	42,600	42,600	100.00%
Subtotal before transfer to reserves	**5,399,000**	**4,845,050**	**(553,950)**	**(10.30%)**
Appropriations to/(from) reserves	46,600	600,550	553,950	n/a
Total	**5,445,600**	**5,445,600**	**0**	**0.00%**

The budget for 2020/21 included a significant amount of growth which was planned in order to enable investment across several areas to support the corporate objectives for the year which had a theme of investing in technology to empower and develop our people. This included budgets for the creation of several new posts within the organisation.

3.12 OUR ORGANISATION

Managing our money

The impact of the Covid-19 pandemic and subsequent lockdowns, and the fact that this meant that management time had to be devoted elsewhere, affected the progress in relation to these objectives; there was also a fairly substantial reduction in costs relating to travel, conferences, stationery / office consumables etc. arising from the move to organisation-wide remote working which, with the exception of a brief period in September 2020, continued throughout the financial year.

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 (£149k) which includes:
  - Savings of (£302k) arising from vacancy savings across the organisation due to recruitment not being undertaken as early as was originally planned as a result of the knock-on effects from the pandemic;
  - Other staff turnover savings of (£42k), offset by the required cost of overtime and employment of casual staff cover for vacancies at £46k;
  - Additional costs of £20k arising from the pay award for the year which was agreed by the National Joint Council in August 2020 at 2.75% but had been budgeted for at 2.0%;
  - Net additional cost of £107k arising from the restructure of Finance & Corporate Services and review of the business support function, comprising savings on vacancies held pending the restructure and the additional one-off costs in relation to exit packages; and
  - A cost of £21k for the introduction of a working from home allowance, which was not known about when the budget was set.
- The budget for professional qualification courses in Finance & Corporate Services was under-spent by (£12k) based on the timing of courses being completed but it is likely to be used more fully in future years following the restructure of the service that took place in December 2020.
- An under-spend of (£94k) across budgets for travel expenses, office-related expenses, catering, conferences, and subsistence as a result of remote working and the knock-on effects from Covid-19.
- Savings of (£72k) arose in the ICT budgets due to re-phasing of work in relation to the agile working programme (where costs were brought forward and incurred in 2019/20) and various network and infrastructure projects, such as replacement of the telephony system and rollout of Office 365, the costs for which will now fall mainly in 2021/22.
- Under-spends on postage and printing of (£56k) from the continued move to a greater level of electronic communication and use of the hybrid mail solution.
- The professional services and subscriptions budgets in pensions administration and investment strategy were under-spent by a total of (£112k). An element of this was as a result of decisions taken not to participate in benchmarking exercises in 2020/21 only, but the majority reflects changing requirements that have subsequently been adjusted for in the budget for 2021/22.
- Additional income of (£25k) above the budget was received in pensions administration relating to management fees charged for the cost of administering various actuarial disclosures, payroll and member fees.

- A saving of (£67k) arose on the organisational training and development budget that had been included as a growth item for 2020/21. Due to the impact of COVID-19 and remote working, it was not possible to make the anticipated progress this year.
- An over-spend of £17k within the management and corporate budget as a result of additional fees being agreed with the external auditor to reflect extra auditing requirements arising from both COVID-19 and from changes to the Code of Audit Practice.
- An under-spend of (£7k) on the Local Pension Board budget and of (£16k) on training for elected members and running costs for the Authority meetings; offset by additional expenditure of £6k from the introduction of the new members allowance scheme.
- Capital expenditure charged to revenue was not budgeted at the beginning of the year and consists of two items. £13k on the purchase of further laptop equipment during the year to facilitate homeworking, and £30k for initial expenditure on the design and project management consultancy for the new office accommodation.

Earmarked Reserves

During the year the Authority identified that the emerging significant underspend provided it with an opportunity to set aside funds to meet a proportion of significant medium term capital spending needs which had been identified as part of the corporate planning process. These include:

- Significant investment in ICT systems including the replacement of all the core business systems and potentially following a procurement process the replacement of the pension administration system.
- The identification and implementation of a solution for the Authority's longer term accommodation requirements.

The Authority's current reserves are held for revenue purposes and the Authority therefore resolved to create a Capital Projects reserve to address these specific issues. This reserve does not form part of the calculation of the limit on reserves set in the medium term financial strategy, but a limit on the size of the reserve will be agreed when the scale of costs involved in the accommodation project become clearer.

In terms of the Authority's revenue reserves we have to operate within a rule which limits the amount we can hold in reserves to 7.5% of the Operational Budget (£408k), and the current level is well below this limit. The two reserves are held for the following reasons;

- The Corporate Strategy Reserve exists to fund non-recurrent costs arising from projects which are required to implement the Corporate Strategy.
- The ICT Reserve exists 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.

3.12
OUR ORGANISATION
Managing our money

Reserves	Balance at 01/04/2020 £	Transfers In £	Transfers Out £	Balance at 31/03/2021 £
Corporate Strategy Reserve	232,831	30,000	(24,331)	238,500
ICT Reserve	112,383	5,917	0	118,300
Subtotal: Revenue Reserves	**345,214**	**35,917**	**(24,331)**	**356,800**
Capital Projects Reserve	665,500	588,967	0	1,254,467
Total Reserves	**1,010,714**	**624,884**	**(24,331)**	**1,611,267**

Planned use of reserves 2021/22 The following table shows the detail of the projects that the reserves will be used to resource in 2021/22 and beyond as required.

Planned Use of Reserves 2021/22	Corporate Strategy Reserve £	ICT Reserve £	Capital Projects Reserve £	Total £
Balance at 01/04/2021	**238,500**	**118,300**	**1,254,467**	**1,611,267**
Allocated to:				
HR Undergraduate Placement	(30,000)	-	-	(30,000)
Business Systems Replacement	-	-	(73,700)	(73,700)
Governance & Meeting Management System	(20,000)	-	-	(20,000)
Implementation Costs UPM Pension Administration system	-	(50,000)	(175,000)	(225,000)
Oakwell House	(95,000)	-	(1,005,767)	(1,100,767)
Estimated Balance at 31/03/2022	**93,500**	**68,300**	**0**	**161,800**

The project to design and fit out the Authority's new office accommodation at Oakwell House commenced during the final quarter of 2020/21. The design specification has been developed and detailed surveys undertaken to produce an outline time and cost plan. This resulted in a higher overall cost for the project than had initially been anticipated; primarily arising from the finding that all of the mechanical and electrical plant is at the end of its useful life and will require replacement. A value engineering process was carried out in order to identify a range of savings on the specification where possible.

The total estimated cost for the project is £1.290 million. Of this total, £0.030 million has been incurred and financed in 2020/21, reflected in the outturn for the year. A further £0.160 million will be funded from other savings within the 2021/22 approved budget. The remaining £1.100 million can be financed from the Authority's reserves as shown in the table above.

The reserves will also be required to fund several other items in 2021/22 and beyond, including the implementation costs associated with the replacement of the Authority's business systems and the implementation of the new contract for the UPM pension administration system as set out in the table.

Future Prospects for the Operating Budget

The operating budget for 2021/22 was set in January 2021 at a nil cash increase on 2020/21 meaning the budget will have been maintained at the same level in cash terms for 3 years. This was the result of a number of the recurrent variances being removed from the budget. Within the overall budget it was possible to redirect further resources to support corporate strategy priorities and address identified risk areas.

There will continue to be pressure on the Authority to increase the pace of development and deployment of new ICT systems and to strengthen governance arrangements. Together with the administrative consequences of issues such as the McCloud judgement and GMP equalisation these will continue to place upward pressure on costs. At present it is anticipated that it will be possible to maintain the operating budget within the constraints on its growth set out in the Medium Term Financial Strategy.

The Pension Fund

The table overleaf sets out the outturn for the Pension Fund relative 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 2020/21.

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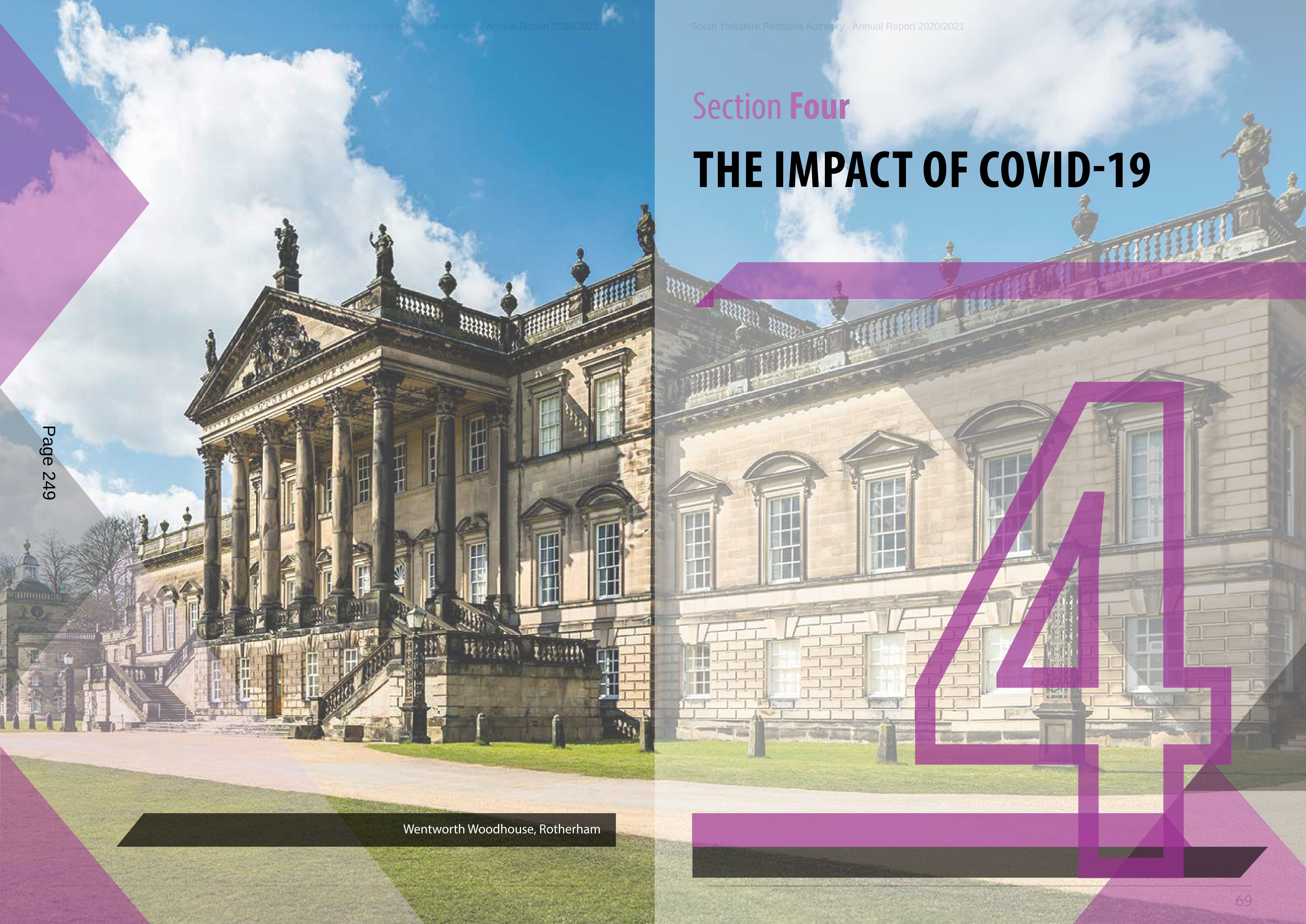
3.12 OUR ORGANISATION
Managing our money

South Yorkshire Pension Fund Financial Forecast	Forecast 2020/21 £m	Actual 2020/21 £m	Forecast 2021/22 £m	Forecast 2022/23 £m	Forecast 2023/24 £m
Contributions receivable & transfers in from other pension funds	(342)	(304)	(313)	(323)	(336)
Benefits payable and payments to or on account of leavers	339	331	349	366	384
Net withdrawals from dealings with members	**(3)**	**27**	**36**	**43**	**48**
Management expenses	59	65	69	77	85
Net returns on investments	(1,487)	(1,784)	(489)	(520)	(547)
Net increase in the Fund during the year	**(1,431)**	**(1,692)**	**(384)**	**(400)**	**(414)**
Net Assets of the Fund at 1 April	(8,170)	(8,170)	(9,862)	(10,246)	(10,646)
Net Assets of the Fund at 31 March	**(9,601)**	**(9,862)**	**(10,246)**	**(10,646)**	**(11,060)**

There has been a significant rebound in asset values which has significantly improved the overall funding position. Benefit payments and contributions were broadly in line with forecasts and while the pandemic did result in an increase in the number of scheme member deaths in the year this does not seem likely at this point to materially impact on the overall level of liabilities.



Wentworth Woodhouse, Rotherham

South Yorkshire Pensions Authority Annual Report 2020/2021

Section **Four**

THE IMPACT OF COVID-19

4.1 THE IMPACT OF COVID-19

At various points throughout this report, we refer to the ways in which the Covid-19 pandemic affected the Authority's operations during 2020/21. However, given the way in which the pandemic has dominated life over the last 12 months it would be wrong not to reflect a bit more deeply on how it has affected SYPA and the pension fund for which we are responsible.

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It was recognised early on that the Covid-19 (Coronavirus) pandemic could potentially have a significant impact across all aspects of the Authority's work. Consequently, the Senior Management Team initially created a specific risk register to monitor and address this range of risks, identifying and recording control measures, and planning and implementing risk mitigation actions. As time moved on, some of the risks that were initially scored highly, such as those around the resilience of our ICT infrastructure with all staff working from home; have seen their scores reduce as the resilience of the network has been proved. Other risks within the financial markets have continued at much the same level, although these are, in reality, a subset of the risk that exists whenever the Authority participates in the financial markets and are reflected prominently on the corporate risk register.

As the mitigations to the various identified risks were implemented effectively, the specific risk register was absorbed into the main corporate risk register in September 2020. These risks in relation to Covid-19 are summarised as follows:

Governance	Investment & Funding	Operational
• Disruption to Authority and Local Pension Board meetings	• Market fluctuations render the planned strategic changes no longer appropriate and/or assets will be out of line with the benchmark position	• Significant reduction in productive capacity due to impact of the virus on sickness absence levels
• Disruption to formal governance arrangements for Border to Coast	• Contribution rates for employers are unaffordable due to business interruption	• Slippage and delivery failure in relation to key projects within the Corporate Strategy
• Reduction in the effectiveness of the control environment	• Business continuity failures mean employers are unable to meet contribution payment deadlines	• Scheme members concerned about market volatility

Authority Response

As events developed from March 2020 onwards, the Authority put a range of measures in place to ensure continuity of service for scheme members and to protect our staff, as well as manage a number of the other issues that arose, that we continue to face. All staff were enabled to work from home and have continued to do so throughout the year. A substantial amount of work took place to ensure that ICT infrastructure, software and telephony systems were provided, enhanced, and configured within very short timescales to minimise any interruption to services such as the customer centre.

An active approach to communications both internally and externally was taken with actions such as a redesign of the website homepage to highlight warnings in relation to scams, active engagement with employers on specific issues around data collection and the interaction of the furlough scheme with the LGPS, regular updates to the members of the Authority and the Local Pension Board, regular staff updates, virtual team meetings, use of webinars etc.

The actions taken ensured that we have continued to deliver on our core functions including paying benefits, processing retirements, and dealing with deaths of scheme members. At the same time, we implemented the annual pension increase and we continue to make investments and manage down the various legacy holdings which have been retained after transition to Border to Coast. Inevitably, there has been and will continue to be, some impact on performance levels and we will continue to monitor the effects here including recording average times to process work as well as the percentage of cases processed within target timescales in order to assess whether overall member experience is being maintained in acceptable bounds.

The prolonged period of homeworking, which at the time of writing continues placed a range of different pressures on the Authority's staff, including, for example, the need to "home-school". This has shown the value of the increased emphasis we have placed on staff wellbeing over the last couple of years and we have been able to signpost staff to appropriate support where necessary and to adjust some policies to provide additional flexibility to meet the challenges posed by homeworking. We have also made sure that staff have access to appropriate equipment and a safe workspace when working at home. This has allowed us to develop a comprehensive approach to homeworking which will form part of a more agile work pattern which will be central to how we operate post-pandemic.

Operational Impact - Pension Administration

Employers

The impact of the pandemic on employers involves two key aspects - administrative and financial.

In administrative terms, the risk for the Authority is around the ability of employers to fulfil their responsibilities for the provision of information to allow the maintenance of pension records and

South Yorkshire Pensions Authority Annual Report 2020/2021

4.1 THE IMPACT OF COVID-19

calculation of benefits. In general, we have found that employers and their payroll providers have coped reasonably well overall and where specific issues were identified, our Support & Engagement team were on hand to address these – this has been of particular relevance in relation to employers dealing with the furlough scheme. There has been no significant impact from the pandemic on the level of compliance with data submission requirements by employers.

The financial aspect concerns the affordability of contributions for employers. We set a framework of principles, agreed with our actuary, within which any requests for deferral of contribution payments will be considered on a case-by-case basis. The LGPS regulations grant little discretion and currently only allow for deferral within the financial year. There have been no issues with the collection and payment of contributions due to the pandemic, although we continue to be open to discussions with employers facing problems, and the introduction of the collection of contributions by Direct Debit which took place during the year has made the management and monitoring of contributions easier for both the Authority and employers.

Scheme Member Deaths

The pandemic resulted in an increase in the number of deaths amongst all categories of scheme member, both in South Yorkshire and in all other pension funds and we have supported work by the Scheme Advisory Board to gather data on the potential impact of this on the LGPS more generally. The increased number of deaths could have a one-off non-trivial impact on the the level of the Fund's liabilities which will only become apparent in the 2022 valuation.

The increased volume of deaths is a tragedy for each family affected and we treat dealing with cases where a death is involved as an absolute priority in order to try to reduce the level of anxiety for families at what is already a difficult time. However, this also places an increased strain on those of our staff dealing with these cases and we have taken steps to alter the way in which work is allocated to reduce the pressure on individuals as well as seeking to train more staff to deal with these types of case.

Operational Impact - Investments

Commercial Property - Rent Collection

Many businesses saw their income dry up virtually overnight thus losing the ability to pay rents, while the limited ability of other businesses to trade has had a similar impact on them. While the Government has provided support in terms of business rates holidays and various forms of grants and loans, large quarterly rent bills have presented a significant challenge for many of our tenants. The approach we have taken during 2020/21, supported by Aberdeen Standard (ASI) as our investment manager, has been to agree to move tenants to monthly payment on request which assists them in managing their cash flow, and to consider requests for rent deferral on a case-by-case basis. Information from ASI and comparisons with data from property fund managers indicate that the quality of our tenant base means that we are currently performing somewhat better than average in rent collection.

We did see a number of tenants go out of business or enter into CVA's as a means of reducing their longer-term rent liabilities, all of which has had a negative impact on returns, although in relative terms the portfolio performed reasonably. More importantly the significant trends emerging from the pandemic in terms of the future of the high street and the future of the office are influencing the longer-term strategy for the portfolio.

Responsible Investment

The pandemic drew attention to a number of issues, for example around supply chain employment issues which had previously not received particular attention. We supported Border to Coast and Robeco in engaging with companies to address these issues and to ensure that assets in which we were invested effectively addressed the various challenges posed by the pandemic.

Investment Performance

While there was an immediate significant downturn in financial markets through March and April 2020, this was followed by an extremely sharp recovery with the Fund returning 21.1% against a benchmark return of 18% for the year. This was largely driven by the significant rebound in the equity markets supported by the resumption of more normal activity within the private equity market and a reduction in uncertainty in the property market. The buoyancy of equity markets resulted in the need for a continual process of de-risking involving the moving of money out of equities and into the alternatives asset classes in order to maintain allocations in line with the Strategic Asset Allocation. Overall, this performance means that the Fund has recovered the losses apparent last March and is now at its highest ever value with consequent positive impacts on the overall funding level. Further details regarding the Fund's performance are in the Investment Review section of this report.

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Winter Gardens, Sheffield

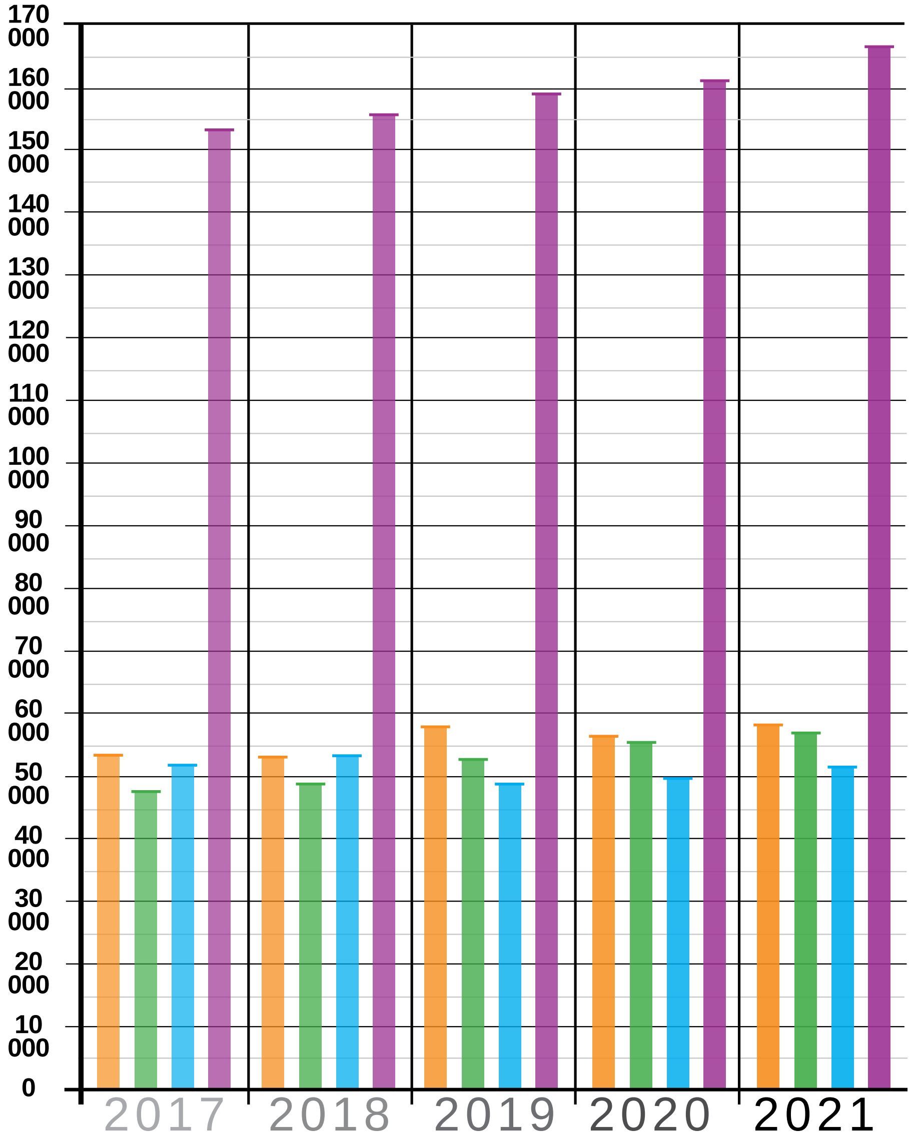
Section **Five**

OUR PENSION FUND

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)

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

5.1 OUR PENSION FUND
Membership

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 opposite 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.

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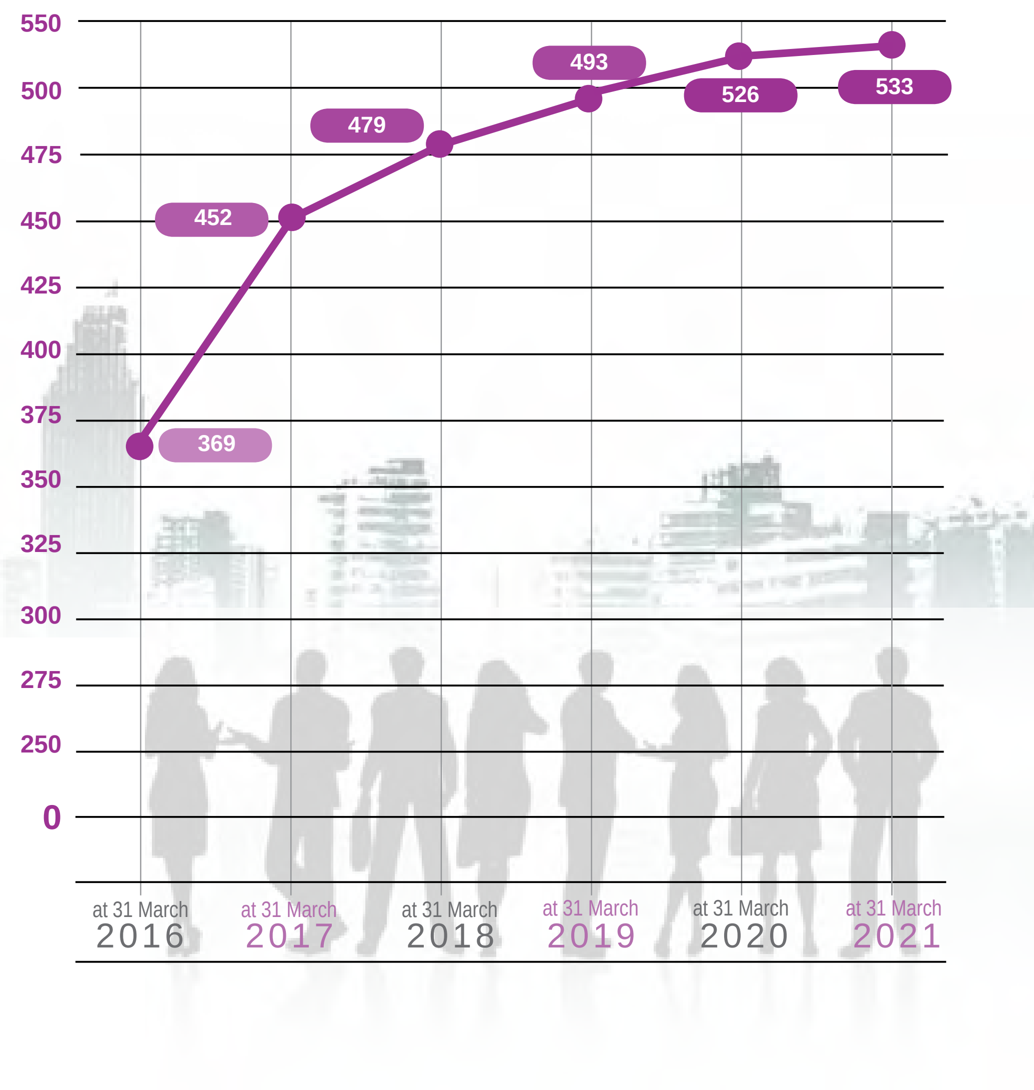

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NUMBER OF EMPLOYERS AT 31 MARCH 2021

533

PENSIONS INCREASE APRIL 2021

0·5%

OLDEST PENSIONER

105

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

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Date Admitted	Employer	Employer Type*
01-Aug-20	Mellors (Catcliffe Primary and High Greave Junior)	Contractor (TAB)
01-Aug-20	Woodhouse West Primary	Scheduled Body
01-Jul-20	Wates Ltd (Barnsley Housing Maintenance)	Contractor (TAB)
01-Jul-20	Athersley South Primary	Scheduled Body
01-Jun-20	Plover Primary School	Scheduled Body
01-May-20	Churchill Contract Services (Outwood Academy City)	Contractor (TAB)
01-Apr-20	Engie Services Ltd (Rotherham Council)	Contractor (TAB)
01-Apr-20	Sheep Dip Lane Primary School	Scheduled Body
01-Apr-20	Owler Brook Primary	Scheduled Body
01-Apr-20	Whiteways Primary School	Scheduled Body
01-Apr-20	North Ridge Community School	Scheduled Body
01-Apr-20	Hawthorn Primary School	Scheduled Body
01-Apr-20	Becton School	Scheduled Body
01-Apr-20	Harthill Primary School	Scheduled Body

5.2 OUR PENSION FUND

Employer admissions & contributions

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)

Date Terminated	Employer	Admission Cease Reason	Employer Type*
10/05/2020	Compass (Don Valley Academy)	Terminated	Contractor (TAB)
31/05/2020	Churchills Contract Services - Brinsworth Academy (01/09/18)	Terminated	Contractor (TAB)
30/06/2020	Kier (Barnsley Housing Stock Maintenance)	Terminated	Contractor (TAB)
31/08/2020	Compass (RCAT)	Terminated	Contractor (TAB)
31/08/2020	Go Plant Fleet Services Ltd	Terminated	Contractor (TAB)
31/08/2020	Taylor Shaw (Bradfield School)	Terminated	Contractor (TAB)
31/08/2020	Dolce Ltd (St Marys Maltby)	Terminated	Contractor (TAB)
31/08/2020	Dolce - Conisbrough Ivanhoe Primary Academy	Terminated	Contractor (TAB)
01/01/2021	Dolce Ltd (Blackburn Primary)	Terminated	Contractor (TAB)
05/02/2021	CaterLeisure (Riverside House)	Terminated	Contractor (TAB)
28/02/2021	Premiserv (Blackburn Primary)	Terminated	Contractor (TAB)
31/03/2021	Community Action Halfway Home	Terminated	Community Admission Body

5.2 OUR PENSION FUND

Employer admissions & contributions

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.

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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

ADMITTED BODIES (includes Community and Transferee Admission Bodies) Employer	Employees Total (£)	Employers Total (£)	Total Contributions (£)
Border to Coast Pensions Partnership Ltd	110,586.59	180,318.22	290,904.81
British Red Cross	528.28	0.00	528.28
Capita (Outstanding Sheffield Programme)	10,179.53	0.00	10,179.53
Carroll Cleaning Company (De Warenne Academy)	2,833.84	37.67	2,871.51
CaterLeisure (Riverside House)	1,635.07	6,794.62	8,429.69
Caterlink (Barnsley Academy)	3,421.19	21,993.17	25,414.36
Caterlink (Hunningley Primary)	828.90	11,978.43	12,807.33
Caterlink (Sheffield Park Academy)	1,065.74	0.00	1,065.74
Churchill Contract Services - Dinnington High School	5,305.24	22,278.34	27,583.58
Churchill Contract Services (Outwood Academy City)	4,445.50	18,751.85	23,197.35
Churchills Contract Services - (01/09/18) Brinsworth Academy	47.96	669.54	717.50
Community Action Halfway Home	552.72	4,099.32	4,652.04
Compass (Atlas Academy)	1,218.50	4,802.55	6,021.05
Compass (Carrfield Primary)	488.83	1,939.20	2,428.03
Compass (Castle Academy)	814.53	3,039.97	3,854.50
Compass (Denaby Main Academy)	1,476.04	6,531.63	8,007.67
Compass (Don Valley Academy)	218.33	0.00	218.33

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ADMITTED BODIES (includes Community and Transferee Admission Bodies) Employer	Employees Total (£)	Employers Total (£)	Total Contributions (£)
Compass (Edenthorpe Hall Academy)	1,203.68	4,311.58	5,515.26
Compass (Gooseacre Primary)	1,507.83	5,744.21	7,252.04
Compass (Hartley Brook Primary)	3,889.96	13,320.72	17,210.68
Compass (Hatfield Primary)	3,964.41	13,984.64	17,949.05
Compass (Hexthorpe Primary)	2,513.43	8,813.21	11,326.64
Compass (Highgate Primary)	1,431.53	6,204.62	7,636.15
Compass (Hillside Academy)	445.77	1,986.11	2,431.88
Compass (Intake Primary)	1,134.81	4,167.02	5,301.83
Compass (Kingfisher Academy)	2,292.37	9,209.54	11,501.91
Compass (Kirk Balk Academy)	4,830.95	100,129.37	104,960.32
Compass (RCAT)	1,712.72	0.00	1,712.72
Compass (Rossington All Saints Academy)	465.99	3,866.32	4,332.31
Compass (St Pius X Catholic High School)	1,907.05	18,291.80	20,198.85
Compass (The Hayfield School)	582.64	18,874.02	19,456.66
Compass (The Hill Primary)	3,023.03	10,783.75	13,806.78
Compass (Waverley Academy)	442.35	1,737.36	2,179.71
Cordant Cleaning Ltd	19,808.12	107,286.82	127,094.94
Crispin & Borst	3,869.28	0.00	3,869.28
Dimensions (UK) Ltd	26,110.10	347,308.97	373,419.07
Dolce - Conisbrough Ivanhoe Primary Academy	358.84	1,348.80	1,707.64
Dolce Ltd (Blackburn Primary)	275.25	910.79	1,186.04

ADMITTED BODIES (includes Community and Transferee Admission Bodies) Employer	Employees Total (£)	Employers Total (£)	Total Contributions (£)
Dolce Ltd (Dodworth St Johns)	1,157.49	5,359.83	6,517.32
Dolce Ltd (Elsecar Holy Trinity)	880.10	3,056.45	3,936.55
Dolce Ltd (Harthill Primary)	504.56	1,954.11	2,458.67
Dolce Ltd (Kilnhurst Junior & Infants)	1,056.34	3,418.75	4,475.09
Dolce Ltd (Kiveton Park)	785.98	2,272.27	3,058.25
Dolce Ltd (Sitwell Juniors)	2,121.09	6,826.02	8,947.11
Dolce Ltd (St Marys Maltby)	81.97	257.86	339.83
Dolce Ltd (Swinton Fitzwilliam)	1,091.24	4,931.63	6,022.87
Dolce Ltd (Swinton Queen Primary)	1,179.03	3,815.85	4,994.88
Dolce Ltd (Whiston Junior & Infants)	329.29	1,167.58	1,496.87
Dolce Ltd (Whiston Worrygoose)	1,081.72	4,099.69	5,181.41
Dolce Ltd (Wickersley Northfield)	1,775.30	6,552.39	8,327.69
Dolce Ltd (Woodsetts)	991.70	3,642.19	4,633.89
Doncaster Childrens Services Trust Ltd	1,272,439.28	2,955,494.72	4,227,934.00
Doncaster Community Transport	5,262.83	0.00	5,262.83
Doncaster Culture & Leisure Trust	19,306.03	189,727.46	209,033.49
Doncaster Deaf Trust	95,692.18	395,693.16	491,385.34
Edwards Commercial Cleaning (NORTH) Ltd	353.60	10,149.62	10,503.22
Engie Services Ltd (Barnsley Schools)	1,765.77	9,212.53	10,978.30
Engie Services Ltd (Rotherham Council)	125,729.57	379,338.11	505,067.68
Engie Services Ltd (Rotherham Schools)	7,718.91	18,654.71	26,373.62

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ADMITTED BODIES (includes Community and Transferee Admission Bodies) Employer	Employees Total (£)	Employers Total (£)	Total Contributions (£)
Forge Community Partnership	1,116.06	1,982.67	3,098.73
Go Plant Fleet Services Ltd	1,415.32	0.00	1,415.32
Great Places Housing Association	4,830.84	13,110.48	17,941.32
Happy Kids Childcare (Rotherham)	1,026.05	4,018.53	5,044.58
Independent Cleaning Services Ltd (Danum Academy)	1,163.53	0.00	1,163.53
Independent Training Services Ltd	6,435.00	20,820.00	27,255.00
ISS Mediclean Ltd	4,521.66	20,265.50	24,787.16
Kier (Barnsley Housing Stock Maintenance)	16,535.02	0.00	16,535.02
Kier Managed Services	2,426.95	0.00	2,426.95
Learn Sheffield	21,611.48	53,921.14	75,532.62
MAM (Doncaster) Ltd - Doncaster Markets	15,104.50	46,822.64	61,927.14
Medequip	510.60	2,535.42	3,046.02
Mellors (Aston Hall Junior & Infants)	1,153.62	7,399.53	8,553.15
Mellors (Aston Lodge Primary)	1,472.12	4,611.16	6,083.28
Mellors (Bramley Grange)	744.75	3,412.15	4,156.90
Mellors (Brinsworth Whitehill)	1,302.56	7,892.91	9,195.47
Mellors (Brinsworth)	3,736.08	6,197.92	9,934.00
Mellors (Catcliffe Primary and High Greave Junior)	2,385.13	7,537.44	9,922.57
Mellors (Grange Lane Infants)	164.85	611.44	776.29
Mellors (Hatfield Crookesbroom Primary)	651.16	2,147.14	2,798.30

ADMITTED BODIES (includes Community and Transferee Admission Bodies) Employer	Employees Total (£)	Employers Total (£)	Total Contributions (£)
Mellors (Hatfield Woodhouse Primary)	1,129.87	3,897.09	5,026.96
Mellors (Hinde House/King Ecgbert)	2,602.62	3,786.83	6,389.45
Mellors (Monkwood Primary)	1,354.67	6,182.88	7,537.55
Mellors (Pheasant Bank Academy)	1,097.93	5,144.93	6,242.86
Mellors (Rawmarsh Ashwood Primary)	594.91	3,567.96	4,162.87
Mellors (Rawmarsh Comprehensive)	638.21	0.00	638.21
Mellors (Rowena Academy)	541.26	2,097.56	2,638.82
Mellors (Sandhill Primary)	1,146.83	5,382.72	6,529.55
Mellors (Sheffield Schools)	407.78	0.00	407.78
Mellors (Thrybergh Primary)	1,649.89	11,322.84	12,972.73
Midshire Catering Ltd	656.46	0.00	656.46
Mitie Catering Services Limited	2,667.08	18,324.35	20,991.43
Mitie FM Limited	1,262.14	0.00	1,262.14
Mitie Ltd	1,081.70	2,662.14	3,743.84
Morrison Facilities Service Ltd	166,761.49	409,296.55	576,058.04
National Childrens Bureau	77,553.66	188,037.94	265,591.60
National Horseracing College	9,750.92	56,510.01	66,260.93
Northern College	60,975.77	158,353.86	219,329.63
NPS Barnsley Ltd	80,720.58	35,245.67	115,966.25
Places for People (RMBC)	39,018.80	67,802.52	106,821.32
Places for People (SCC)	12,665.25	21,649.20	34,314.45

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ADMITTED BODIES (includes Community and Transferee Admission Bodies) Employer	Employees Total (£)	Employers Total (£)	Total Contributions (£)
Places for People (Wisewood Sports Centre)	2,333.59	3,503.26	5,836.85
Premiserv (Blackburn Primary)	1,081.65	5,637.26	6,718.91
Priory Campus Ltd	1,903.56	13,518.96	15,422.52
RM Education Ltd (Firth Park Academy)	1,183.31	4,468.05	5,651.36
Roth Don and South Humber Mental Health NHS Foundation Trust	18,024.40	16,672.75	34,697.15
Shaw Trust	2,884.32	0.00	2,884.32
Sheffcare Ltd	17,818.20	100,528.85	118,347.05
Sheffield City Trust	167,768.52	438,719.37	606,487.89
Sheffield Community Transport	7,514.28	0.00	7,514.28
Sheffield Futures	70,689.66	189,746.87	260,436.53
Sheffield Galleries & Museums	8,355.77	0.00	8,355.77
Sheffield Health & Social Care NHS Foundation Trust	72,001.61	107,523.75	179,525.36
Sheffield Industrial Museums Trust Ltd	18,510.99	46,517.41	65,028.40
Sheffield Mind Ltd	0.00	23,300.04	23,300.04
Sheffield Students Union	6,627.26	12,590.88	19,218.14
Sheffield Unison	6,294.83	26,027.18	32,322.01
Sodexo (Forest Primary Academy Wellspring)	1,424.23	8,431.49	9,855.72
Sodexo (Greenacre Academy Wellspring)	3,963.51	19,455.36	23,418.87
Sodexo (Oakhill Academy Wellspring)	1,357.45	6,148.12	7,505.57
Sodexo (Oakwell Rise Academy Wellspring)	1,579.81	9,786.60	11,366.41

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ADMITTED BODIES (includes Community and Transferee Admission Bodies) Employer	Employees Total (£)	Employers Total (£)	Total Contributions (£)
Taylor Shaw (Aston All Saints C of E Primary)	1,092.23	4,024.13	5,116.36
Taylor Shaw (Bradfield School)	177.01	475.13	652.14
Taylor Shaw (Flanderwell Primary school)	1,455.75	5,941.25	7,397.00
Taylor Shaw (Laughton All Saints Primary)	960.46	3,614.78	4,575.24
Taylor Shaw (Rossington St Michaels C of E Primary)	1,749.26	6,738.99	8,488.25
Taylor Shaw (Sheff School Meals Central Contract)	31,392.85	0.00	31,392.85
Taylor Shaw (Sheffield Catering)	442.84	0.00	442.84
Taylor Shaw (St John Fisher Academy)	959.18	8,071.58	9,030.76
Taylor Shaw (St Oswalds Finningley Academy)	1,917.64	7,791.28	9,708.92
Taylor Shaw (Treeton C of E Primary School)	303.64	1,291.83	1,595.47
Taylor Shaw (Trinity Croft C of E Primary Academy)	152.18	791.42	943.60
Taylor Shaw (Wickersley St Albans C of E Primary)	849.22	4,385.20	5,234.42
Taylor Woodrow Construction (Sheffield Schools)	2,738.78	402.20	3,140.98
TnS (DeWarenne Academy)	1,350.62	8,265.86	9,616.48
Trustclean (Wath CE School)	231.61	19.18	250.79
Trustclean (Wath Victoria Primary)	247.48	809.43	1,056.91
Trustclean Ltd (Athersley North)	697.10	0.00	697.10
Turning Point	31,157.36	243,747.49	274,904.85
Veolia Environmental Services PLC	102,553.05	0.00	102,553.05
Vinci Construction UK Ltd (Bradfield FM)	937.80	2,164.86	3,102.66

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Employer admissions & contributions

ADMITTED BODIES (includes Community and Transferee Admission Bodies) Employer	Employees Total (£)	Employers Total (£)	Total Contributions (£)
Voluntary Action Barnsley	4,420.10	18,837.96	23,258.06
Voluntary Action Rotherham	657.01	2,755.74	3,412.75
Wates Living Space Maintenance Ltd	22,390.35	206,430.16	228,820.51
Wates Ltd (Barnsley Housing Maintenance)	47,581.04	150,863.31	198,444.35
Totals for Admitted Bodies	**3,777,634.62**	**8,855,148.94**	**12,632,783.56**

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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

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SCHEDULED/RESOLUTION BODIES Employer	Employees Total (£)	Employers Total (£)	Total Contributions (£)
Aston Lodge Primary School	10,705.02	48,995.69	59,700.71
Aston-cum-Aughton Parish Council	4,716.90	19,755.01	24,471.91
Astrea Academy - Woodfields	62,980.60	347,844.27	410,824.87
Astrea Academy Dearne	58,848.04	259,683.25	318,531.29
Astrea Academy Trust	161,105.67	334,057.27	495,162.94
Astrea Academy-Sheffield	29,238.27	76,035.10	105,273.37
Athersley South Primary	16,867.95	55,854.25	72,722.20
Atlas Academy	16,828.23	66,613.08	83,441.31
Auckley Junior & Infant Academy	17,696.13	74,616.52	92,312.65
Aughton Junior Academy	11,559.30	47,708.82	59,268.12
Bader Free School	6,414.47	16,855.50	23,269.97
Balby Central Primary School	21,376.67	110,275.58	131,652.25
Barnburgh & Harlington Parish Council	493.58	396.18	889.76
Barnby Dun Primary Academy	14,676.17	64,352.07	79,028.24
Barnby Dun with Kirk Sandall Parish Council	1,198.94	3,432.42	4,631.36
Barnsley Academy	43,704.24	89,049.17	132,753.41
Barnsley College	502,426.04	1,379,971.76	1,882,397.80
Beck Primary School	57,298.64	236,033.12	293,331.76
Becton School	39,249.68	110,874.77	150,124.45
Bentley High Street Primary School	43,749.94	206,451.33	250,201.27
Berneslai Homes	898,284.08	1,454,308.67	2,352,592.75

SCHEDULED/RESOLUTION BODIES Employer	Employees Total (£)	Employers Total (£)	Total Contributions (£)
Bessacarr Primary School	25,745.44	115,229.86	140,975.30
Birley Academy	63,882.86	357,570.32	421,453.18
Birley Primary Academy	32,050.84	169,999.44	202,050.28
Birley Spa Primary Academy	27,095.27	162,731.78	189,827.05
Bradfield Dungworth Primary	7,291.51	24,438.07	31,729.58
Bradfield Parish Council	5,876.95	1,874.16	7,751.11
Bradfield School	41,768.48	196,783.13	238,551.61
Bramley Grange Primary	10,350.03	53,929.88	64,279.91
Brampton Cortonwood Infant School	14,760.18	58,585.90	73,346.08
Brampton Ellis C of E Primary	38,321.86	154,321.96	192,643.82
Brinsworth Academy	99,976.20	240,633.30	340,609.50
Brinsworth Howarth Primary	14,721.70	40,492.79	55,214.49
Brinsworth Manor Juniors	15,613.69	60,875.36	76,489.05
Brinsworth Whitehill Academy	16,288.43	54,760.40	71,048.83
Brodsworth Parish Council	368.64	1,421.04	1,789.68
Brookfield Primary Academy	18,320.77	82,157.67	100,478.44
Broomhill Infant School	9,970.54	32,224.07	42,194.61
Byron Wood Academy	36,888.58	187,064.61	223,953.19
Campsmount Academy	64,567.52	238,376.05	302,943.57
Canklow Woods Primary Academy	26,880.45	117,804.10	144,684.55
Canon Popham C of E Primary & Nursery School	10,760.16	70,220.52	80,980.68

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SCHEDULED/RESOLUTION BODIES Employer	Employees Total (£)	Employers Total (£)	Total Contributions (£)
Carlton Primary	22,882.91	85,613.30	108,496.21
Carr Lodge Academy	25,834.79	83,274.53	109,109.32
Carrfield Academy	18,323.16	57,451.52	75,774.68
Castle Academy	9,920.69	26,273.18	36,193.87
Catcliffe Primary School	22,235.81	80,592.54	102,828.35
Chapeltown Academy	4,808.18	15,546.35	20,354.53
Charnock Hall Primary Academy	16,892.44	92,023.07	108,915.51
Chaucer School	76,943.29	355,410.50	432,353.79
Chorus Education Trust - MAT HQ	24,560.54	55,915.58	80,476.12
Churchfield Primary School	30,007.25	89,886.26	119,893.51
Clifford All Saints C of E School	11,587.23	43,452.07	55,039.30
Clifton Community School	56,637.06	230,882.85	287,519.91
Coleridge Primary School	19,223.15	146,847.84	166,070.99
Concord Junior School	8,206.89	51,428.92	59,635.81
Conisbrough Ivanhoe Primary Academy	16,931.15	70,786.66	87,717.81
Consilium Academies Trust	47,612.25	103,994.48	151,606.73
Coppice Community Special School	55,373.49	173,220.58	228,594.07
Crags Community School	34,873.69	95,306.58	130,180.27
Crookesbroom Primary Academy	13,119.54	78,293.00	91,412.54
Dalton Parish Council	15,115.31	6,574.21	21,689.52
Danum Drainage Commissioners	1,684.81	3,502.48	5,187.29

SCHEDULED/RESOLUTION BODIES Employer	Employees Total (£)	Employers Total (£)	Total Contributions (£)
Darton Academy	56,587.35	545,448.17	602,035.52
Darton Primary School	13,177.09	71,011.99	84,189.08
De Warenne Academy	55,348.84	6,971.89	62,320.73
Denaby Main Primary Academy	13,096.42	62,497.64	75,594.06
Dinnington Community Primary School	23,296.20	105,033.88	128,330.08
Dinnington High School	67,726.18	312,395.67	380,121.85
Diocese of Sheffield Academies Trust	8,940.38	21,149.91	30,090.29
DN Colleges Group	472,639.43	1,124,089.76	1,596,729.19
Dodworth St John the Baptist CE Primary Academy	9,768.27	54,698.17	64,466.44
Don Valley Academy & Performing Arts College	52,862.48	435,019.05	487,881.53
Dunsville Primary School	24,864.89	77,216.26	102,081.15
E-ACT Pathways Academy	31,529.60	128,432.95	159,962.55
East Dene Primary	23,735.73	156,569.53	180,305.26
Eastwood Village Primary School	17,693.62	75,672.38	93,366.00
Ecclesfield Parish Council	2,903.43	5,047.45	7,950.88
Ecclesfield School	63,461.79	311,027.53	374,489.32
Edenthorpe Hall Academy	9,976.41	44,346.83	54,323.24
Edlington Town Council	6,133.49	32,816.54	38,950.03
Edlington Victoria Academy	18,904.65	82,757.81	101,662.46
Elsecar Holy Trinity CE Primary Academy	7,707.41	34,111.85	41,819.26

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SCHEDULED/RESOLUTION BODIES Employer	Employees Total (£)	Employers Total (£)	Total Contributions (£)
Emmanuel Junior School	10,439.83	62,035.29	72,475.12
Emmaus Catholic & C of E Voluntary Academy	19,239.66	85,165.86	104,405.52
Fir Vale School Academy Trust	63,613.60	189,346.53	252,960.13
Firth Park Academy	63,710.12	345,082.53	408,792.65
Flanderwell Primary School	23,875.53	103,120.30	126,995.83
Forge Valley School	82,165.38	700,678.21	782,843.59
Fox Hill Primary School	37,202.33	150,765.69	187,968.02
Goldthorpe Primary Academy	8,544.05	26,835.83	35,379.88
Gooseacre Academy	18,878.92	56,655.05	75,533.97
Grange Lane Infant Academy	17,196.96	80,405.05	97,602.01
Greasbrough Academy	19,244.81	76,731.93	95,976.74
Green Top Academy	25,186.86	108,868.04	134,054.90
Greenacre Academy	171,645.98	1,458,990.91	1,630,636.89
Greengate Lane Academy	9,005.03	36,013.83	45,018.86
Greenhill Primary School	33,294.54	165,951.97	199,246.51
Hall Cross Academy Trust	101,963.15	472,395.60	574,358.75
Hallam Primary Academy	30,149.09	131,657.24	161,806.33
Handsworth Grange Community Sports College	57,322.36	267,558.48	324,880.84
Harthill Primary School	9,314.36	25,528.88	34,843.24
Hartley Brook Academy	44,833.26	185,528.17	230,361.43
Hatchell Wood Primary Academy	21,348.19	102,171.02	123,519.21

SCHEDULED/RESOLUTION BODIES Employer	Employees Total (£)	Employers Total (£)	Total Contributions (£)
Hatfield Academy	22,384.87	85,684.67	108,069.54
Hatfield Town Council	4,755.86	13,416.89	18,172.75
Hatfield Woodhouse Primary	12,689.78	59,579.53	72,269.31
Hawthorn Primary School	19,359.23	58,997.47	78,356.70
Heather Garth Primary School	22,040.29	104,582.60	126,622.89
Heatherwood Community Special School	37,040.12	119,532.69	156,572.81
Herringthorpe Junior Academy	30,845.43	117,018.74	147,864.17
Hexthorpe Primary Academy	26,780.50	124,298.38	151,078.88
High Greave Infant School	9,762.46	37,789.14	47,551.60
High Greave Junior School	14,968.59	70,797.42	85,766.01
High Hazels Junior Academy	19,634.24	89,318.39	108,952.63
High Hazels Nursery Infants Academy	22,925.28	105,190.31	128,115.59
High Storrs School	58,266.46	265,971.05	324,237.51
High View Primary Learning Centre	43,756.72	217,449.33	261,206.05
Highfields Primary Academy	9,936.75	32,948.78	42,885.53
Highgate Academy	18,941.34	67,322.89	86,264.23
Highwoods Academy	15,877.31	73,411.49	89,288.80
Hillsborough Primary School	26,645.58	208,796.61	235,442.19
Hillside Academy	5,991.29	31,834.56	37,825.85
Hilltop Academy	33,587.20	137,595.90	171,183.10
Hinde House 3-16 School	78,043.60	360,735.55	438,779.15

5.2
OUR PENSION FUND
Employer admissions & contributions

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SCHEDULED/RESOLUTION BODIES Employer	Employees Total (£)	Employers Total (£)	Total Contributions (£)
Holy Family Catholic Primary	23,899.24	75,977.54	99,876.78
Holy Trinity Academy	78,567.64	367,707.05	446,274.69
Hooton Pagnell All Saints School	5,569.34	22,514.64	28,083.98
Horizon Community College	135,842.78	404,907.75	540,750.53
Hoyland Common Primary School	42,236.78	142,366.92	184,603.70
Hoyland Springwood Primary School	25,388.11	125,805.83	151,193.94
Hucklow Primary School	37,336.63	170,514.85	207,851.48
Hungerhill Academy Trust	71,297.99	275,631.21	346,929.20
Hunningley Primary School	21,358.13	107,338.37	128,696.50
Intake Primary Academy	15,245.92	72,707.91	87,953.83
James Montgomery Trust	23,619.17	52,438.97	76,058.14
Kelford School	62,492.26	245,862.93	308,355.19
Kexborough Primary School	12,282.16	65,880.62	78,162.78
Kilnhurst Primary School	13,066.62	63,836.08	76,902.70
Kilnhurst St Thomas C of E Primary Academy	15,867.90	61,066.55	76,934.45
King Ecgbert School	63,083.30	236,114.77	299,198.07
Kingfisher Primary School	24,398.60	127,889.88	152,288.48
Kirk Balk Community College	45,620.06	280,688.12	326,308.18
Kirk Sandall Infant School	17,895.35	79,994.09	97,889.44
Kirk Sandall Junior School	19,950.85	94,323.58	114,274.43
Kiveton Park Infant School	13,149.69	52,142.28	65,291.97

South Yorkshire Pensions Authority Annual Report 2020/2021

SCHEDULED/RESOLUTION BODIES Employer	Employees Total (£)	Employers Total (£)	Total Contributions (£)
Kiveton Park Meadows Junior School	13,675.87	38,171.17	51,847.04
Laithes Primary School	24,113.28	94,964.93	119,078.21
Lakeside Primary Academy	23,044.80	68,798.25	91,843.05
Laughton All Saints C of E Primary	9,123.55	27,700.60	36,824.15
Laughton J & I School	16,609.93	60,681.99	77,291.92
Listerdale Primary School	14,956.95	74,645.37	89,602.32
Longley Park Sixth Form College	52,247.55	126,128.87	178,376.42
Lound Infant School	9,633.36	57,519.57	67,152.93
Lound Junior School	17,224.11	93,253.03	110,477.14
Lowedges Junior Academy	20,953.65	96,435.18	117,388.83
Lower Meadow Primary Academy	20,837.20	80,212.69	101,049.89
Loxley Primary School	9,136.41	34,458.09	43,594.50
Maltby Academy	61,268.13	74,334.45	135,602.58
Maltby Hilltop School	102,226.14	354,069.41	456,295.55
Maltby Learning Trust MAT HQ	32,636.81	85,697.56	118,334.37
Maltby Lilly Hall Academy	29,025.52	129,049.40	158,074.92
Maltby Manor Academy	28,192.98	115,858.64	144,051.62
Maltby Redwood Academy	16,064.71	56,093.81	72,158.52
Manor Lodge Primary School	23,865.36	110,548.23	134,413.59
Mansel Primary School	36,834.68	138,822.11	175,656.79
Mapplewell Primary	17,460.80	61,615.74	79,076.54

5.2 OUR PENSION FUND

Employer admissions & contributions

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SCHEDULED/RESOLUTION BODIES Employer	Employees Total (£)	Employers Total (£)	Total Contributions (£)
Marshland Primary	10,340.38	34,911.57	45,251.95
McAuley Catholic High School	72,407.92	325,833.38	398,241.30
Meadowhead School Academy Trust	81,002.64	532,926.50	613,929.14
Meadstead Primary Academy	19,967.56	95,635.61	115,603.17
Mercia Learning Trust MAT HQ	31,446.71	60,758.05	92,204.76
Mercia School	12,993.00	35,282.43	48,275.43
Mexborough St John The Baptist C of E Primary	18,189.00	78,667.50	96,856.50
Meynell Primary School	38,888.13	264,427.37	303,315.50
Milton School Swinton	32,522.25	136,152.99	168,675.24
Minerva Learning Trust - MAT HQ	41,488.99	88,938.42	130,427.41
Monkwood Primary Academy	21,312.47	96,873.35	118,185.82
Montagu Academy	25,153.80	220,226.80	245,380.60
Monteney Primary School	54,137.94	214,228.32	268,366.26
Morley Place Academy	14,278.39	154,910.51	169,188.90
National College of Advanced Transport & Infrastructure	30,131.12	44,626.25	74,757.37
Nether Edge Primary Academy	26,475.11	114,213.93	140,689.04
Netherwood ALC	38,020.92	208,956.51	246,977.43
Newfield Secondary School	54,542.07	244,771.98	299,314.05
Nexus Multi Academy Trust	15,612.46	25,791.38	41,403.84
Nook Lane Junior School	14,355.19	50,242.15	64,597.34

South Yorkshire Pensions Authority Annual Report 2020/2021

SCHEDULED/RESOLUTION BODIES Employer	Employees Total (£)	Employers Total (£)	Total Contributions (£)
Norfolk Community Primary School	35,878.74	176,840.45	212,719.19
North Ridge Community School	41,896.89	135,251.93	177,148.82
Norton Infant School	8,776.99	23,098.50	31,875.49
Norton Junior School	16,122.59	38,583.54	54,706.13
Notre Dame High School	80,677.01	256,741.17	337,418.18
Oakhill Primary Academy	16,482.24	131,384.24	147,866.48
Oakwell Rise Primary Academy	13,810.41	119,851.33	133,661.74
Oakwood High School	69,428.23	485,003.82	554,432.05
Oasis Academy (Don Valley)	37,948.76	89,324.31	127,273.07
Oasis Academy (Firvale)	25,607.95	63,976.28	89,584.23
Oasis Academy (Watermead)	27,501.64	65,586.74	93,088.38
Optime Support Limited	2,320.33	8,301.13	10,621.46
Oughtibridge Primary School	25,116.33	71,419.03	96,535.36
Our Lady of Sorrows Catholic Academy	10,567.59	54,876.79	65,444.38
Outwood Academy Adwick	77,353.98	173,253.40	250,607.38
Outwood Academy Carlton	68,815.36	311,458.86	380,274.22
Outwood Academy City	67,567.93	296,536.49	364,104.42
Outwood Academy Danum	57,947.85	220,075.55	278,023.40
Outwood Academy Shafton	60,782.04	306,331.18	367,113.22
Outwood Primary Academy Darfield	11,243.35	57,794.97	69,038.32
Outwood Primary Academy Littleworth	26,212.83	135,470.13	161,682.96

5.2 OUR PENSION FUND

Employer admissions & contributions

SCHEDULED/RESOLUTION BODIES Employer	Employees Total (£)	Employers Total (£)	Total Contributions (£)
Outwood Primary Academy Woodlands	4,742.97	13,738.60	18,481.57
Owler Brook Primary	40,815.65	108,409.04	149,224.69
Owston Park Primary School	30,338.54	141,767.59	172,106.13
Parkwood Academy	61,990.22	106,712.61	168,702.83
Peak Edge MAT HQ	1,058.10	2,427.30	3,485.40
Penistone Town Council	1,834.58	6,362.83	8,197.41
Pennine View School	40,607.96	171,093.08	211,701.04
Pheasant Bank Academy	19,630.99	113,052.26	132,683.25
Phillimore Community Academy	29,975.06	154,030.17	184,005.23
Plover Primary School	15,736.62	38,377.78	54,114.40
Porter Croft C of E Primary Academy	17,050.26	80,256.04	97,306.30
Pye Bank C of E School	39,989.67	114,581.35	154,571.02
Queens Road Academy	13,845.28	64,246.08	78,091.36
R N N Group	507,691.12	1,319,975.47	1,827,666.59
Rainbow Forge Primary School	25,363.70	101,081.62	126,445.32
Ravenfield Primary Academy	12,793.24	62,366.53	75,159.77
Rawmarsh Ashwood Primary School	10,678.70	42,238.71	52,917.41
Rawmarsh Community School	66,929.31	285,639.08	352,568.39
Redscope Primary School	18,777.22	57,221.52	75,998.74
Richmond Hill Primary Academy	33,460.90	144,599.57	178,060.47
Rockingham Junior & Infant School	24,512.41	97,604.40	122,116.81

SCHEDULED/RESOLUTION BODIES Employer	Employees Total (£)	Employers Total (£)	Total Contributions (£)
Rossington All Saints Academy	51,727.02	481,728.03	533,455.05
Rossington Parish Council	3,477.73	16,133.19	19,610.92
Rossington St Michaels C of E Primary School	16,982.61	84,039.71	101,022.32
Roughwood Primary School	22,067.09	89,562.75	111,629.84
Rowena Academy	14,320.18	73,285.85	87,606.03
Royston Parkside Academy	20,855.80	91,630.43	112,486.23
Royston St John the Baptist School	15,937.50	89,813.77	105,751.27
Royston Summer Fields Primary	14,928.91	58,251.00	73,179.91
Sacred Heart School A Voluntary Academy	13,770.71	75,852.23	89,622.94
Sandhill Primary Academy	15,094.13	57,477.23	72,571.36
Sandhill Primary School	14,412.49	68,825.15	83,237.64
Sandringham Primary School	28,548.85	130,755.57	159,304.42
Scawsby Rosedale Primary School	15,801.48	72,781.78	88,583.26
Shafton Primary Academy	8,408.63	44,839.77	53,248.40
Sheep Dip Lane Primary School	16,121.48	44,960.25	61,081.73
Sheffield City Region - Combined Authority	226,260.45	419,378.34	645,638.79
Sheffield Hallam University	3,800,335.89	10,662,895.90	14,463,231.79
Sheffield Park Academy	59,040.12	146,489.44	205,529.56
Sheffield South East Trust (MAT HQ)	4,417.19	11,262.31	15,679.50
Sheffield Springs Academy	44,894.03	119,017.13	163,911.16
Silkstone Parish Council	872.52	2,419.02	3,291.54

5.2 OUR PENSION FUND

Employer admissions & contributions

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SCHEDULED/RESOLUTION BODIES Employer	Employees Total (£)	Employers Total (£)	Total Contributions (£)
Silverdale School	54,599.60	407,029.44	461,629.04
Sir Thomas Wharton Academy	40,790.10	172,314.03	213,104.13
Sitwell Junior School	17,638.06	157,589.11	175,227.17
South Yorkshire Fire Authority	465,137.74	3,295,206.99	3,760,344.73
South Yorkshire Passenger Transport Executive	369,163.94	469,334.72	838,498.66
Southey Green Primary School & Nurseries	80,990.39	359,515.69	440,506.08
Southfield Primary School	23,546.41	103,937.96	127,484.37
Springwell Alternative Academy	32,689.78	257,043.33	289,733.11
Springwell Special Academy	39,337.46	256,182.12	295,519.58
Springwood Junior Academy	19,212.77	85,751.61	104,964.38
Sprotbrough & Cusworth Parish Council	2,688.77	10,239.26	12,928.03
St Anns Primary School	16,083.99	42,587.89	58,671.88
St Anns RC Primary School	8,389.64	22,923.18	31,312.82
St Bedes Catholic Primary School	23,566.01	101,239.56	124,805.57
St Bernards Catholic High School	47,777.21	173,944.42	221,721.63
St Catherines Catholic Primary School	37,010.74	168,976.54	205,987.28
St Gerards Catholic Primary - Thrybergh	10,958.79	52,187.23	63,146.02
St Helens Primary Academy	9,749.54	61,054.78	70,804.32
St John Fisher Primary- A Catholic Voluntary Academy	13,729.92	46,753.33	60,483.25
St Josephs Catholic Primary (Dinnington)	11,025.20	62,157.72	73,182.92

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SCHEDULED/RESOLUTION BODIES Employer	Employees Total (£)	Employers Total (£)	Total Contributions (£)
St Josephs Catholic School (Rossington)	13,003.68	56,816.95	69,820.63
St Josephs Primary School	14,131.10	43,128.52	57,259.62
St Leger Homes of Doncaster	1,310,796.34	2,479,712.08	3,790,508.42
St Maries School Catholic Voluntary Academy	17,863.42	85,844.84	103,708.26
St Marys Academy Trust	30,665.49	104,839.60	135,505.09
St Marys C of E Academy (Walkley)	13,346.20	67,565.76	80,911.96
St Marys Catholic Primary (Maltby)	12,254.03	51,776.69	64,030.72
St Marys Catholic Primary School (Herringthorpe)	13,826.61	63,367.01	77,193.62
St Marys Primary School (High Green)	12,374.84	63,861.49	76,236.33
St Oswalds C of E Academy	14,067.07	42,451.85	56,518.92
St Patricks Catholic Academy Trust	24,289.40	78,420.67	102,710.07
St Theresas RC School	16,337.97	40,483.88	56,821.85
St Thomas More Catholic Primary Academy	14,608.94	60,730.43	75,339.37
St Thomas of Canterbury Trust	19,645.85	81,629.88	101,275.73
St Wilfrids Academy	21,905.17	85,218.78	107,123.95
St Wilfrids Catholic Primary School	15,462.18	75,557.19	91,019.37
Stainforth Town Council	1,431.69	15,491.55	16,923.24
Stannington Infant School	8,198.53	25,585.17	33,783.70
Stocksbridge High School	37,146.99	189,906.90	227,053.89
Stocksbridge Town Council	1,643.14	5,729.29	7,372.43
Swinton Community School	68,627.07	285,069.03	353,696.10

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OUR PENSION FUND
Employer admissions & contributions

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SCHEDULED/RESOLUTION BODIES Employer	Employees Total (£)	Employers Total (£)	Total Contributions (£)
Swinton Fitzwilliam Primary Academy	17,632.69	83,896.73	101,529.42
Swinton Queen Primary School	19,281.20	88,087.92	107,369.12
Tapton School	96,924.50	605,503.72	702,428.22
The Academy at Ridgewood Trust	56,821.09	234,786.95	291,608.04
The Chief Constable	4,182,836.71	14,097,084.77	18,279,921.48
The Forest Academy	63,032.69	286,118.96	349,151.65
The Hayfield School	46,488.48	115,258.86	161,747.34
The Hill Academy	38,281.32	141,982.88	180,264.20
The Laurel Academy	40,030.37	438,787.30	478,817.67
The Mill Academy	19,429.37	86,320.04	105,749.41
The Police and Crime Commissioner	87,477.62	293,281.27	380,758.89
The Sheffield College	664,426.78	1,448,844.08	2,113,270.86
Thomas Rotherham College	67,186.07	82,308.57	149,494.64
Thorne Brooke Primary	21,109.72	67,674.86	88,784.58
Thorne Moorends Town Council	6,805.19	19,376.30	26,181.49
Thorpe Hesley Primary School	21,284.99	59,505.01	80,790.00
Thrybergh Academy & Sports College	38,749.53	254,288.06	293,037.59
Thrybergh Fullerton Primary	11,624.45	46,977.29	58,601.74
Thrybergh Parish Council	2,000.37	9,782.12	11,782.49
Thrybergh Primary School	10,405.23	55,781.22	66,186.45
Thurcroft Infant School	2,823.30	7,608.76	10,432.06

SCHEDULED/RESOLUTION BODIES Employer	Employees Total (£)	Employers Total (£)	Total Contributions (£)
Thurcroft Junior Academy	14,930.34	52,537.66	67,468.00
Tinsley Meadows Primary School	56,038.41	211,600.57	267,638.98
Totley All Saints C of E School	11,310.26	28,817.29	40,127.55
Totley Primary School	18,942.90	81,125.40	100,068.30
Treeton C of E Primary Academy	15,238.75	71,914.71	87,153.46
Trinity Academy	72,481.90	216,876.11	289,358.01
Trinity Croft C of E Primary Academy	13,491.66	47,863.96	61,355.62
University Technical College (Doncaster)	8,649.10	20,996.14	29,645.24
University Technology College (Sheffield)	47,881.83	141,704.94	189,586.77
Upperwood Academy	20,244.22	73,136.09	93,380.31
Valley Park Community Primary	35,721.35	170,306.33	206,027.68
Wales High School (Academy Trust)	114,637.66	416,749.02	531,386.68
Ward Green Academy	27,358.22	126,498.35	153,856.57
Wath C of E Primary School	26,151.26	97,634.08	123,785.34
Wath Central Primary School	26,341.18	112,900.21	139,241.39
Wath Comprehensive School	90,920.22	251,408.69	342,328.91
Wath Victoria Primary School	28,355.85	123,009.66	151,365.51
Waverley Academy	14,832.28	79,553.99	94,386.27
Waverley Community Council	326.77	980.29	1,307.06
Waverley Junior Academy	15,797.09	47,547.74	63,344.83
Wellgate Primary School	24,251.71	112,913.93	137,165.64

5.2 OUR PENSION FUND

Employer admissions & contributions

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SCHEDULED/RESOLUTION BODIES Employer	Employees Total (£)	Employers Total (£)	Total Contributions (£)
Wellspring Trust MAT HQ	118,527.80	213,864.80	332,392.60
Wentworth CoE Junior & Infant School	6,143.11	19,371.46	25,514.57
West Meadows Primary School	13,003.56	71,799.42	84,802.98
West Road Primary Academy	26,029.15	78,264.12	104,293.27
Westfield School	51,990.32	339,505.01	391,495.33
Wharncliffe Side Primary	22,090.17	73,588.15	95,678.32
Whiston Junior & Infant School	14,212.73	66,183.29	80,396.02
Whiston Worrygoose Junior & Infant School	22,335.75	113,174.05	135,509.80
Whiteways Primary School	38,390.54	107,646.16	146,036.70
Wickersley Northfield Primary	26,077.08	132,435.18	158,512.26
Wickersley Parish Council	3,672.90	12,121.87	15,794.77
Wickersley Partnership Trust	71,204.54	171,346.49	242,551.03
Wickersley School and Sports College	126,559.52	531,509.45	658,068.97
Wickersley St Albans C of E Primary School	16,618.34	73,115.18	89,733.52
Willow Primary	20,348.99	83,249.85	103,598.84
Wincobank Nursery & Infant School	14,884.21	75,179.65	90,063.86
Windmill Hill School Academy	23,805.64	111,910.24	135,715.88
Wingfield Academy	55,680.03	225,448.59	281,128.62
Winterhill School	75,670.57	331,560.01	407,230.58
Wisewood Community Primary	14,701.32	125,991.48	140,692.80
Wombwell Park Street Primary School	27,167.74	102,511.78	129,679.52

SCHEDULED/RESOLUTION BODIES Employer	Employees Total (£)	Employers Total (£)	Total Contributions (£)
Woodfield Primary School	19,073.30	88,595.38	107,668.68
Woodhouse West Primary	19,117.79	56,843.36	75,961.15
Woodseats Primary Academy	28,958.07	99,346.73	128,304.80
Woodsetts Primary School	10,560.64	55,788.52	66,349.16
Worsbrough Bank End	15,331.61	67,368.88	82,700.49
Worsbrough Common Primary	37,920.84	106,456.39	144,377.23
Wybourn Community Primary Academy	42,280.33	222,133.46	264,413.79
XP School	37,633.19	85,523.69	123,156.88
Yewlands Academy	43,935.51	229,353.29	273,288.80
Totals for Scheduled/Resolution Bodies	**24,509,800.77**	**85,409,395.70**	**109,919,196.47**

LOCAL AUTHORITIES Employer	Employees Total (£)	Employers Total (£)	Total Contributions (£)
South Yorkshire Pensions Authority	163,602.91	357,171.72	520,774.63
Barnsley MBC	6,090,753.47	17,333,659.64	23,424,413.11
Doncaster MBC	6,214,128.31	44,020,983.84	50,235,112.15
Rotherham MBC	7,291,952.10	47,847,439.71	55,139,391.81
Sheffield City Council	14,983,877.53	10,367,508.65	25,351,386.18
Totals for Local Authorities	**34,744,314.32**	**119,926,763.56**	**154,671,077.88**

Overall Totals	**63,031,749.71**	**214,191,308.20**	**277,223,057.91**

5.3 OUR PENSION FUND

Local Pension Board Annual Report

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Foreword

Welcome to the 5th annual report of the South Yorkshire Local Pension Board (LPB).

The Board seeks to assist the South Yorkshire Pensions Authority to maintain effective and efficient administration and governance. The LPB comprises in equal numbers, scheme members, which includes the three recognised trade unions, and employer representatives.

My thanks go to founder member of the Board, Kevin Morgan nominated by Unite, who has taken early retirement and resigned from the Board as a result. Councillors Tony Damms and Tosh MacDonald also left the Board during the year and I thank them for their contributions. Welcome to our newest members Councillor Mike Chaplin (Sheffield CC) and Danny Gawthorpe nominated by Unite. A huge personal thank you to all members of the Board for your continued diligence, support and commitment.

Finally, on behalf of the Board I would like 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.

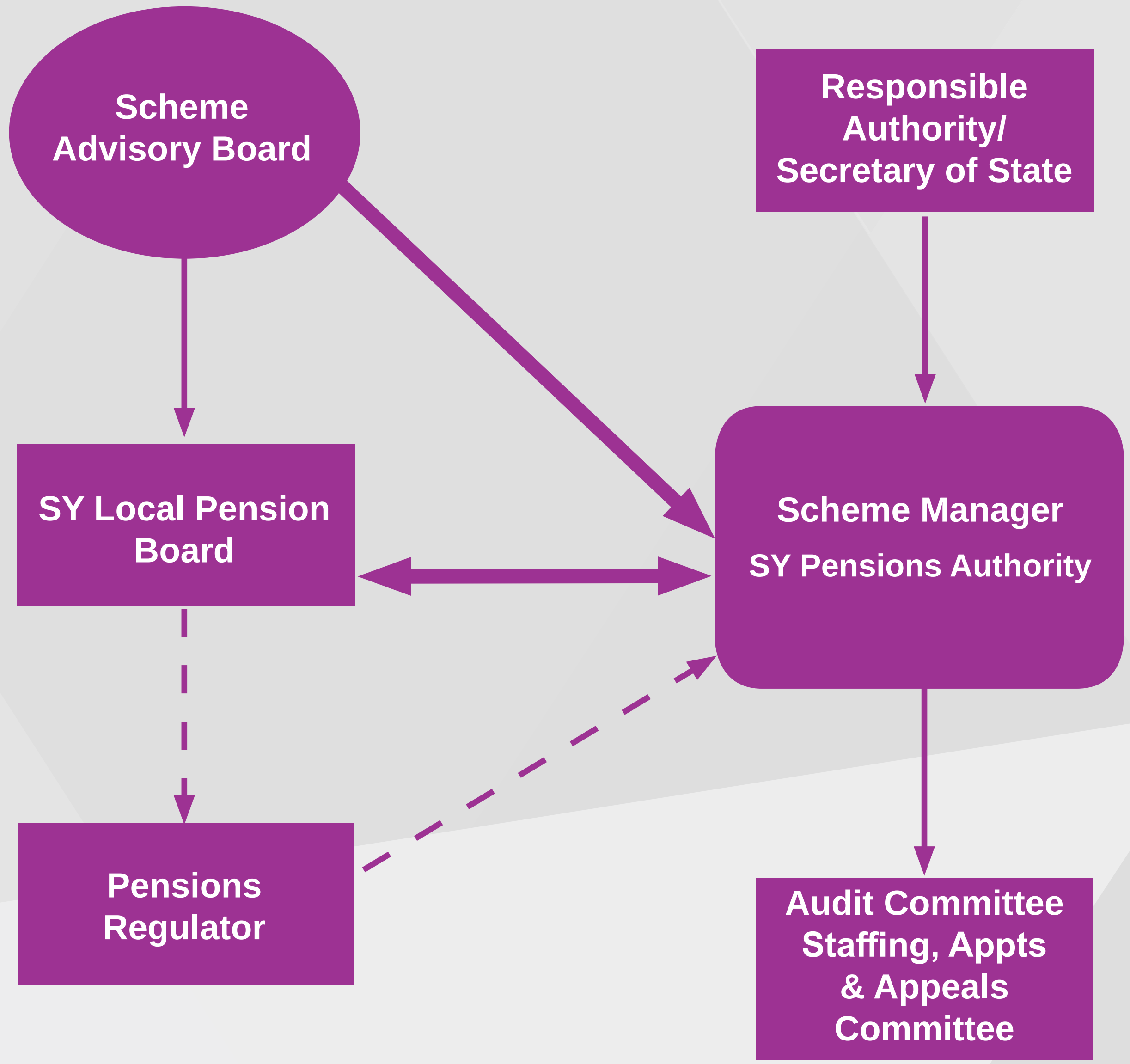
Garry Warwick, Chair

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.

Governance Structure



5.3 OUR PENSION FUND

Local Pension Board Annual Report

Membership during the year

Name	Date of joining	Nominated by/ Representing:
Employee Representatives		
Nicola Doolan-Hamer	July 2015	Unison
Garry Warwick (Chair)	July 2015	GMB
Daniel Gawthorpe	June 2020	Unite
Andrew Gregory	July 2019	Selected from active, deferred and pensioner members
David Webster	October 2019	Selected from active, deferred and pensioner members
Employer Representatives		
Nicola Gregory	January 2018	Academies
Steve Loach	October 2019	Local Authority (Senior Manager)
Rob Fennessy (Vice Chair)	April 2019	Other Large Employers (South Yorkshire Police)
Councillor Tosh McDonald	July 2019 [1]	Local Authority
Councillor Mike Chaplin	July 2019 [2]	Local Authority
Independent Advisor		
Clare Scott	October 2019	

[1] to January 2021
[2] replaced Cllr Damms from March 2020

Meeting attendance

Attendance at the LPB meetings has been positive with members and employer representatives freely giving their time and commitment. Attendance at the Board's meetings through the year was as follows:

	23 July 2020	15 Oct 2020	28 Jan 2021	22 Apr 2021	% Att
Employee Representatives					
Nicola Doolan-Hamer	✓	✓	✓	✓	100
Garry Warwick	✓	✓	✓	✓	100
Daniel Gawthorpe	x	✓	✓	✓	75
Andrew Gregory	✓	✓	✓	✓	100
David Webster	✓	✓	✓	✓	100
Employer Representatives					
Nicola Gregory	✓	✓	✓	✓	100
Steve Loach	✓	✓	✓	x	75
Rob Fennessy	✓	x	✓	✓	75
Cllr Tosh McDonald	x	x	x	n/a	0
Cllr Mike Chaplin	✓	✓	✓	✓	100
			Average attendance		82

5.3 OUR PENSION FUND

Local Pension Board Annual Report

Work of the Board 2020/21

The minimum number of meetings is set as four in the Board's Constitution.

The Board has a Work Programme which provides the basis for the agendas for its meetings. During the year, as well as receiving regular updates on the effect of and response to the Covid-19 pandemic, the Board's agendas included a range of issues covering both governance and pensions administration:

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.
- **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 the findings of the Hymans Robertson governance review.
- **Regulatory Changes** - The Board has been kept informed of the potential impact of regulatory changes such as the McCloud Judgement and the £95k cap.
- **Actuarial Valuation** - Considered the outcomes of the 2019 valuation process.
- **Border to Coast** - Reviewed the governance arrangements of the Border to Coast Pensions Partnership.

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.
- **Guaranteed Minimum Pension Reconciliation** - The Board has been kept informed on the progress of this exercise.

Review of Effectiveness

During March 2021, 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. The survey included questions on the Board's Constitution, the way meetings are conducted and knowledge, skills and capacity.

The results of the survey were positive in a number of areas. All (or a significant majority of) members of the Board agreed that:

- The Constitution clearly describes the Board's functions and responsibilities.
- 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.
- Board members work collaboratively to develop good working relationships.
- The Board's independent adviser helps to Board to fulfil its responsibilities.

A number of areas for improvement were highlighted in relation to training, the Board's Work Programme and the maximum term members can serve on the Board. The Board will work with the Authority to put these improvements in place.

5.3 OUR PENSION FUND

Local Pension Board Annual Report

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Training and Development

During the year, Board Members have attended the following training events. It should be noted that Board members in key Covid-19 response positions had limited opportunities to attend events in current circumstances. Whilst places on paid events continue to be limited due to the pandemic a much larger number of free and online events, which are easier to attend, have been available.

Event	Date	Attendees
CIPFA LPB Event	24.06.20	G Warwick, D Webster
Property Pooling Seminar	02.07.20	D Webster
McCloud Implementation Workshop	19.08.20	M Chaplin, N Gregory, G Warwick
Investment Risk Management Seminar	17.09.20	M Chaplin, A Gregory, D Webster
BCPP Annual Conference	02.10.20	N Doolan-Hamer
LGA - Legal Structure of the LGPS	06.10.20	M Chaplin, A Gregory
LGA - Investment Framework of the LGPS	07.10.20	A Gregory
CIPFA Introduction to the LGPS	07.10.20	M Chaplin
LGA - Governance & Oversight of the LGPS	08.10.20	A Gregory
Authority Seminar - McCloud and other Administration Issues	29.10.20	M Chaplin, N Doolan-Hamer, A Gregory, G Warwick, D Webster
Barnet Waddingham LGPS Training	30.10.20	A Gregory
Responsible Investment Seminar	12.11.20	M Chaplin, N Doolan-Hamer, G Warwick, D Webster
LAPFF Webinar	03.12.20	M Chaplin
Barnet Waddingham LGPS Training	26.01.21	N Doolan-Hamer
LGA LGPS Update	26.01.21	G Warwick
LGA LGPS Update	15.02.21	D Webster
CIPFA Spring Seminar	22.02.21	N Gregory, D Webster
Fiduciary Duty and Responsible Investment	24.03.21	M Chaplin, N Doolan-Hamer, R Fennessy, D Gawthorpe, A Gregory, N Gregory, S Loach, G Warwick, D Webster

Future Plans

Over the coming year, the Board will aim to:

- Review its Work Programme;
- Work with the Authority to develop the Board's approach to training and member's knowledge and understanding;
- Monitor the Pensions Regulator's changes to its Codes of Practice and review the Authority's compliance;
- Continue to oversee the Authority's risk management approach;
- Monitor governance arrangements both within the Authority and the Border to Coast Pensions Partnership;
- Continue to oversee the Authority's efforts to improve pensions administration data;
- Work closely with the other Local Pension Boards within our Pensions Partnership to share best practice.

Local Pension Board spending for 2020/21

Local Pension Board Budget 2020/21	2020/21 Budget £	2020/21 Forecast Outturn £	2020/21 Q4 Variance £	2020/21 Q4 Variance %
Independent advisor	6,060	6,030	(30)	(0.50%)
Room hire & catering	690	0	(690)	(100.00%)
Printing and postage Agendas etc.	750	0	(750)	(100.00%)
Member Travel expenses (meetings)	500	0	(500)	(100.00%)
Training and associated travel and subsistence	6,000	1,135	(4,865)	(81.08%)
Totals	**14,000**	**7,165**	**(6,835)**	**(48.82%)**

5.4 OUR PENSION FUND

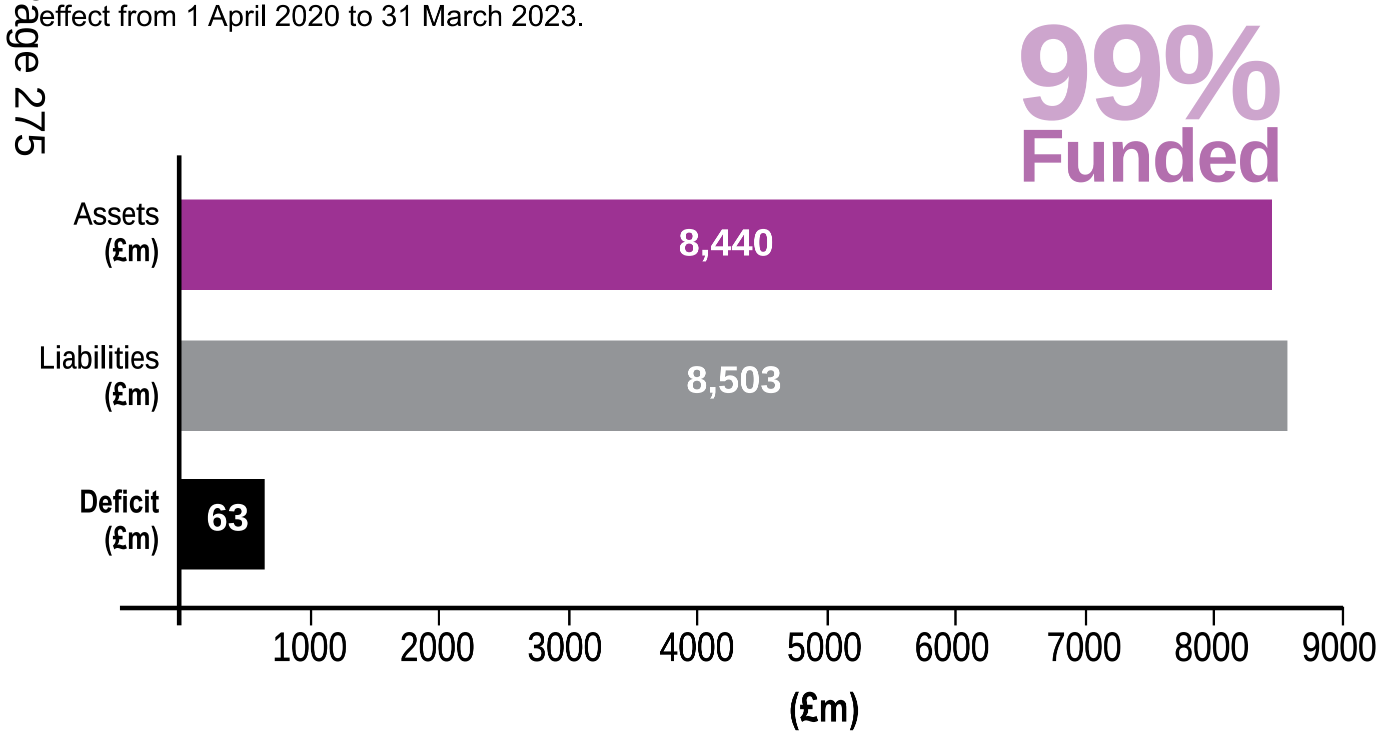
Actuary Statement

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.

5.4 OUR PENSION FUND

Actuary Statement

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.

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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.

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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.**

5.4 OUR PENSION FUND

Actuary Statement

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.

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

South Yorkshire Pensions Authority Annual Report 2020/2021

Section **Six**

ADMINISTERING THE PENSION FUND

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
Service Delivery

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.

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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

Satisfaction Levels

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.

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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%

South Yorkshire Pensions Authority Annual Report 2020/2021

6.4 ADMINISTERING THE PENSION FUND

Benchmarking of our costs

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.

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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

South Yorkshire Pensions Authority Annual Report 2020/2021

6.5 ADMINISTERING THE PENSION FUND

Employer Performance

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.

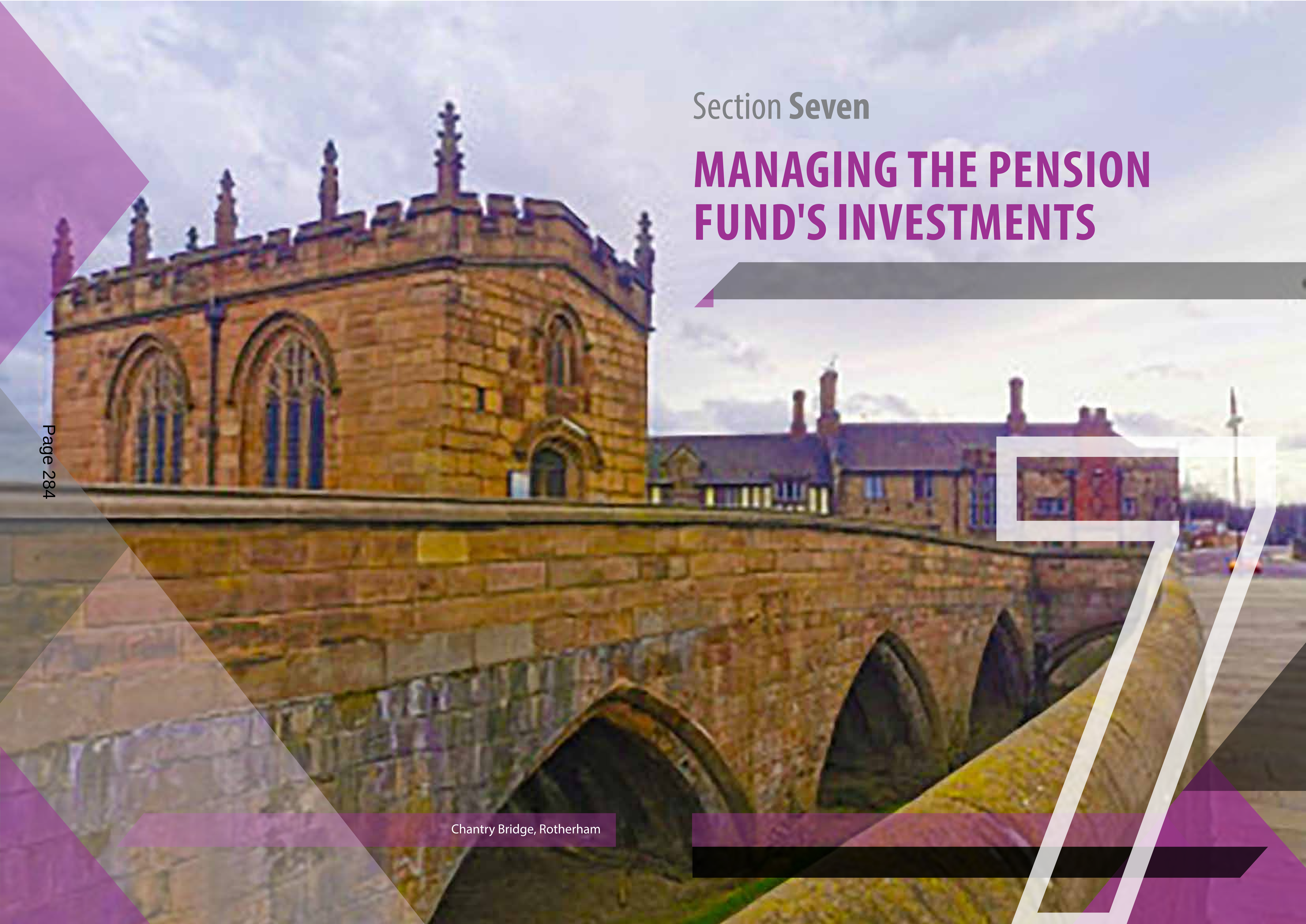
The existing Administration Strategy was updated, following consultation with employers, to reflect the change in process (from 1 April 2020) and a copy of the updated Strategy is enclosed as an Appendix to this report. As the document itself makes clear in the introduction, the strategy was designed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



Chantry Bridge, Rotherham

7.1 MANAGING THE FUND'S INVESTMENTS

Investment Review

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2020/21 has been dominated by the Covid-19 pandemic and the unprecedented challenges faced by global economies. The restrictions put in place by governments to limit the spread of the virus meant that people could not live their lives normally. Many businesses saw substantial falls in turnover or were even forced to close temporarily. Output fell and the world experienced the deepest recession since the Great Depression. In response governments and central banks were forced to introduce exceptional measures to support both individuals and businesses.

Central banks acted quickly to shore up the global financial system and also provided funding directly to the real economy, with governments pledging to do 'whatever it takes' to stabilise economies. Where possible interest rates were cut to their lower bounds and asset purchase programmes were either restarted or expanded. The last time that there was such concerted fiscal and monetary stimulus was after the Second World War. This rather than the state of the real economy influenced the movements in stock markets.

Investors tend to make forward-looking judgements and have therefore reflected the economic recovery and the hoped for ending of the crisis. Rising growth and inflation expectations boosted riskier asset prices and the year finished with a remarkable one year rebound.

The US stock market has led the recovery on a global basis. The US Presidential election in November was hotly contested but eventually President Biden was elected. His first 100 days have passed and the key takeaway has been that he is not afraid to increase spending more. The American Rescue plan, which was a USD1.9 trillion stimulus package, passed in March and was the fifth relief package since March 2020. These packages have driven global recovery as they will have spent USD5.6 trillion, or 26% of GDP. The President has also outlined plans for two further packages, a USD2.3 trillion American Jobs Plan designed to invest in the country's infrastructure, and a USD1.8 trillion American Families Plan which has the aim to ensure a more equitable recovery, with many tax credits from the Rescue Bill being extended or made permanent. The plans outline proposals to increase the corporate, top marginal income, and capital gains tax rates to pay for the spending.

With the vaccine rollout proceeding well the US consumer has started to make up for lost time as the economy reopens. Consumers are generally feeling more positive and the Conference Board's measure of confidence rebounded from a low of 85.7 last April to 114.9 in March. The pace of job growth is also accelerating with 916,000 jobs added in March and the unemployment rate fell to 6%. However, the Federal Reserve chairman, Jerome Powell, has stressed that it will be some time before we will see substantial further progress towards its goal of maximum employment, which is one of the key criteria for the Federal reserve to begin tapering its asset purchases.

Last year at the height of the Covid -19 crisis the UK took bold action with Chancellor Rishi Sunak acting as an unconstrained backstop. He agreed to pay a significant proportion of workers' wages during the shutdown to enable companies not to lay off staff despite the hit to sales. Government backed loans also helped many companies to avoid inevitable cash-flow induced bankruptcies. In line with other central banks, the Bank of England cut interest rates by 0.65% to 0.1%. This aid was continued during the year and in the Budget this March the Chancellor announced a range of measures to help keep the economy moving. He extended the furlough scheme, the universal credit uplift and support for the self-employed as well as freezing alcohol and fuel duties. However, he did also announce some government revenue raising measures, including a freeze in the personal tax allowance, inheritance tax thresholds, pensions lifetime allowances and capital gains tax allowances. He confirmed that the UK economy shrank by 10% in 2020 but he expects it to grow 4% this year and return to pre-COVID levels by the middle of 2022, although many forecasters expect a faster rebound.

During most of 2020 UK equities underperformed global equities due to the issue of Brexit and the disproportionate impact by the COVID-19 pandemic. However, Brexit was resolved at the end of December and together with the good progress of the vaccine roll-out the stock market then performed well relative to global markets in the first quarter of 2021. Since November there has been a recovery in economically sensitive areas of the market with sectors such as materials, energy and financials recovering. Also domestically focused areas of the market started to outperform as the forward-looking data for the UK economy improved. The composite PMI data rose in March to 56.6 and showed the fastest rate of expansion for seven months ahead of the easing of lockdown measures towards the end of the period.

European markets also saw strong performance during the year although behind the US. The manufacturing purchasing manager's index for March reaching a record high of 62.4, which usually signals strong growth. However, rising COVID infection rates in some countries, and new lockdown curbs have cast some doubt on the prospects for services, most notably of tourism. In December, EU leaders approved a €750 billion coronavirus recovery fund, as well as a €1.1 trillion seven-year EU budget which raised hopes of a rebound in economic activity and helped stocks move higher over the final quarter of the year even after a poor start to vaccine rollouts.

The Japanese economy didn't really shut down in the way that the rest of the world did, and things are not far off normal domestically. Trains are running at 70-80% capacity and restaurants may be shutting earlier but they are still open. The country has however been affected by COVID-19 because it is not the domestic economy that is the driver of the Japanese equity market, it is the global economy. The market is very strongly correlated to the global purchasing managers' survey and as this has picked up the stock market has started to perform.

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Most Asian countries have appeared to handle the first wave pandemic better than their global counterparts, and they are emerging in better economic health since they have not had to resort to the large-scale fiscal stimulus seen elsewhere. However, India is the exception, as they are currently impacted by a highly virulent variant of the disease. The resurgence of cases in India demonstrates that the risks to economies will remain until the vast majority of the world's population has been vaccinated.

Although the pandemic may have originated in China, the country seems to have dealt with the situation better than most economies and was a major reason that the stock market was so strong in 2020. It was one of the only major countries to post positive GDP growth in 2020, expanding by 2.3%. The strong stock market performance has not continued into 2021 due to concerns over monetary tightening and the impact this might have on economic growth. China's robust performance buoyed regional trade with Chinese imports from the rest of Asia almost back to pre-pandemic levels by the end of March.

Emerging markets performed better over the year than most investors had first predicted but pandemic developments remain the key driver of performance. From a regional perspective, both Latin America and countries in Central and Easter Europe are seeing a rising trend in daily new cases, while case rates in Asia generally remain much lower. Vaccinations are progressing at varying rates from one country to another and middle-income economies are well behind higher income economies in terms of percentage of their populations that have received at least one dose. In March we saw three emerging market central banks, Brazil, Russia, and Turkey increase policy rates. In each case the currencies had been among the weakest emerging market currencies relative to the US dollar since the start of the pandemic. Another feature was that all three countries had seen a substantial increase in inflation since the beginning of 2021, above their respective inflation targets.

The US dollar has shown a steady decline over the financial year but this has been a boost for many emerging markets which rely on exports and have US dollar debt. It has also had positive implications for commodity markets which tend to move in the opposite directions to the dollar. However, this has driven inflation up and this has become a major concern for investors.

Economies have already seen sharp recoveries from the lowest levels of activity seen, through the first quarter of this financial year but remain for the most part below pre pandemic levels. As economic reopening progresses, relative market movements may be influenced by policy, inflation, and real interest rates movements. Continued accommodative monetary and fiscal policies could generate inflationary pressures, whereas any move towards normalisation of policy could negatively impact markets. The expectation is for increased volatility during the remainder of 2021 with the recovery expected to be uneven and very much dependent on the effectiveness of vaccination programmes.

Investment Strategy

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.

These values are reflected in the Investment Belief statement which summarises how the Authority invests the Pension Fund's money

> "SYPA is an **active, global, long term** investor and looks to maintain a **diversified** portfolio of assets managed through the Border to Coast Pensions Partnership in a **responsible** way which gives due regard to **Environmental, Social and Governance** issues aiming to achieve superior **net of fees risk adjusted returns.** The overall approach to risk can be summarised as **moderate.**"

The Fund continued to reduce its exposure to listed equities to reduce its equity risk and has been increasing allocations to the alternative asset classes of private debt, infrastructure and property 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.

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Strategic Asset Allocation

The following table shows a summary of the asset distribution for the year ended 31 March 2021 compared with the strategic target agreed by the Authority in operation during the financial year 2020-21.

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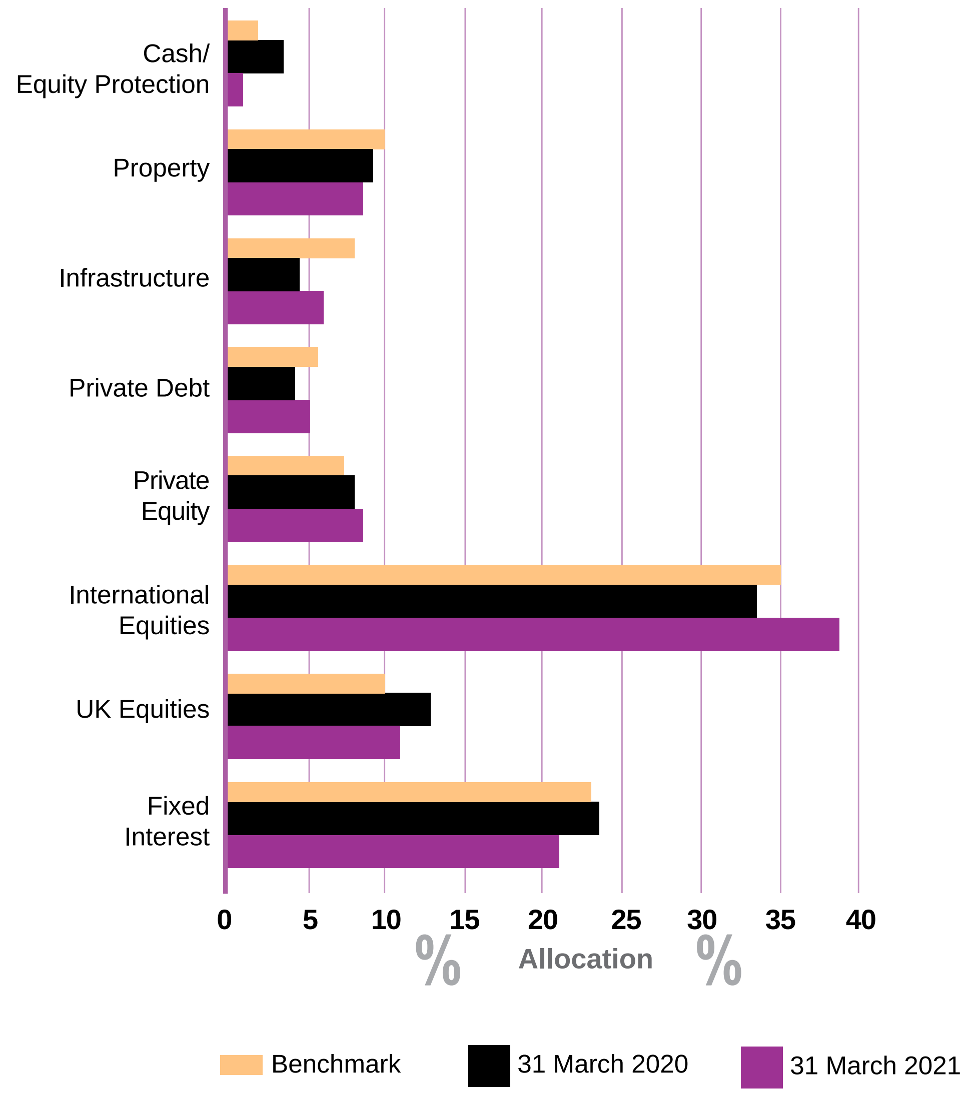
Asset Allocation at 31 March 2021

Asset Class	Current Asset Allocation £m	Current Asset Allocation %	SAA Target %	Range %
Index Linked Gilts	1029.9	10.5	12	10 - 14
Sterling Investment Grade Credit	487.3	4.9	5	3 - 7
Other Fixed Income	539.1	5.5	6	4 - 8
UK Equities	1025.9	10.4	10	5 - 15
Overseas Equities	3778.2	38.4	35	30 - 40
Private Equity	880.6	8.9	7	5 - 9
Private Debt	487.9	5.0	5.5	4.5 - 6.5
Infrastructure	634.2	6.4	8	6 - 10
Property	861.9	8.7	10	8 - 12
Cash	116.5	1.2	1.5	0 - 5
Total	9841.5	100	100	

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

Asset Category



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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 cash exposure and UK and international equities to fund new investments within the alternative asset classes of private equity, private debt, infrastructure and property. This has brought these allocations closer to their strategic targets.

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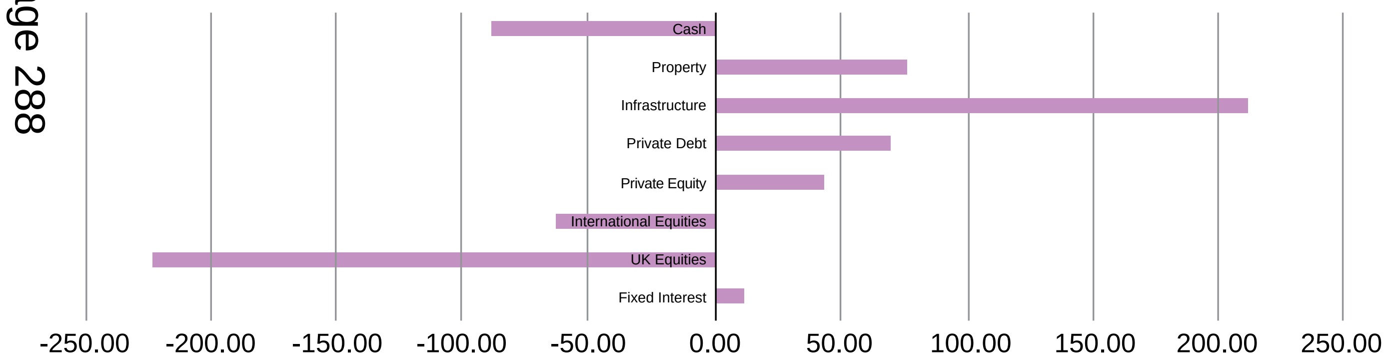
Net investment over the year to 31 March 2021 £m



The Fund had an equity protection strategy in place up to April 2020 which had covered the period over the Actuarial Valuation. The strategy was put in place to protect the funding position in the case of a setback in equity markets over this period before the Fund was able to de-risk in line with its Investment Strategy. The strategy had performed as expected against market conditions but at the time that it was due to expire a decision was taken not to renew the strategy. A new Fund benchmark was introduced from 1 April 2020 which was further de-risking the Fund and given that equity markets had fallen to a low point given the onset of Covid-19 it was not felt necessary to put in place a further equity protection strategy.

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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 2021 Border to Coast had launched five equity sub-funds and two bond funds. SYPA have investments in five of these funds. During this year SYPA was involved in one transition to Border to Coast which was the Sterling Inflation-Linked Bond assets 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 £410m 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 2021

Holding	£m
Border To Coast - **Overseas Developed Markets Equity**	2,935.18
Border To Coast - **UK Listed Equity**	1,025.94
Border To Coast - **Sterling Index-Linked Bonds**	837.11
Border To Coast - **Emerging Markets Equity**	787.06
Border To Coast - **Sterling Investment Grade Credit**	487.25

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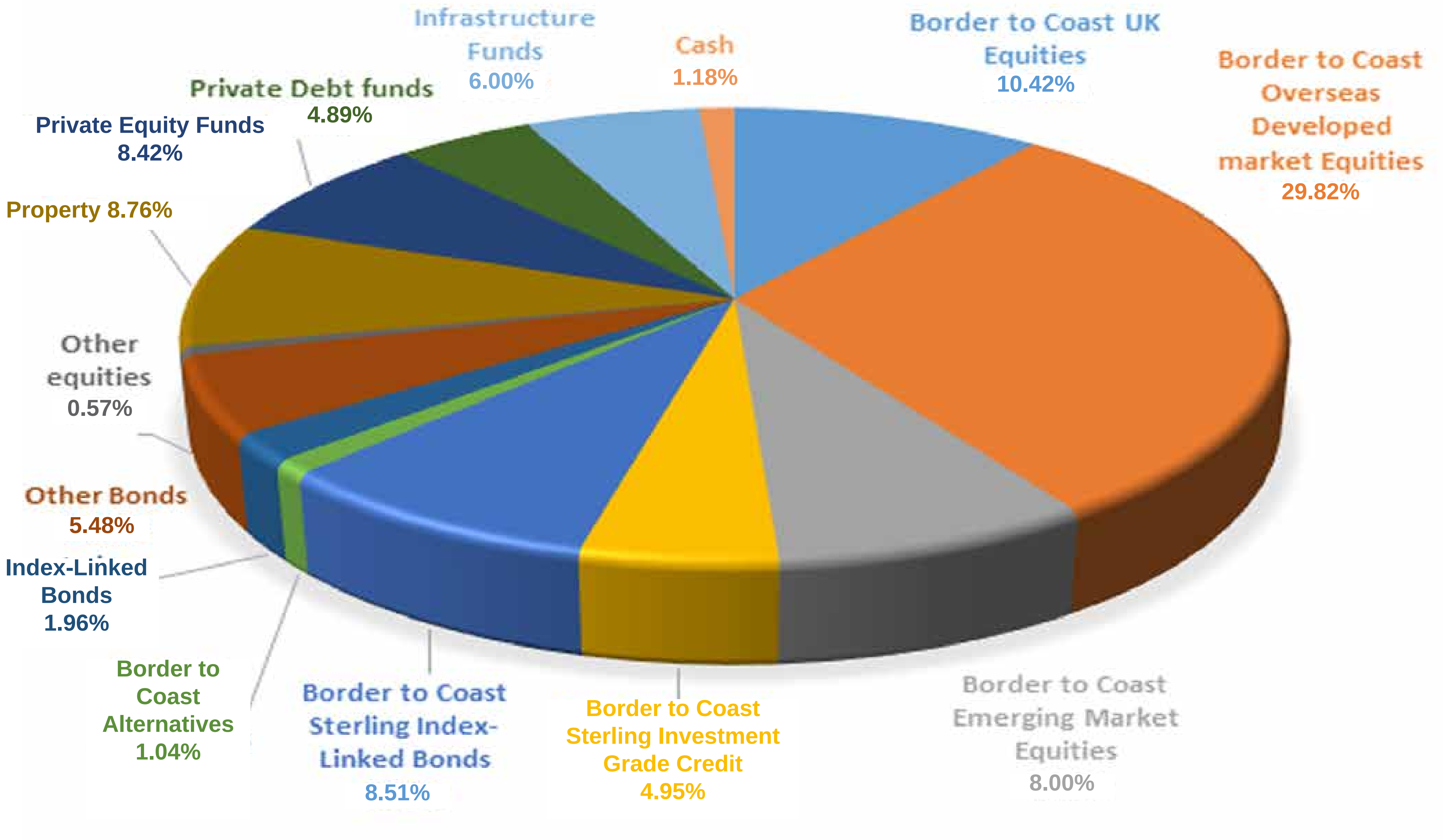
Assets under management



At 31 March 2021 Border to Coast managed 62.74% of the Fund's assets and this will grow as Border to Coast develop more products and further assets are transitioned to them.

Note - Other equities are a small number of relatively illiquid residual holdings which could not transition to Border to Coast funds and which are being sold down as opportunities arise. During the year £64m was sold from these holdings.

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LGPS Pooling Savings

During 2020/21 Border to Coast has worked with the Partner Funds to gather data, agree assumptions, and build a savings model and process that will enable consistent reporting against this key metric going forward. This supports one of the original objectives of pooling ie. to reduce costs and deliver value for money.

The level of savings should grow as Border to Coast develop and include other funds.

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To provide for greater consistency across the LGPS Pools, Border to Coast has been asked to lead a project to standardise the 2021 pooling saving report for MHCLG.

The following tables show the costs of Pooling for SYPA from inception and the costs incurred by the Fund during the year. It should also be borne in mind that because of its previous approach to managing its investments internally SYPA has historically had a relatively low-cost base providing significantly less scope for savings than in funds wholly reliant on external managers.

COSTS OF POOLING	CUMULATIVE TO 2018/19 £M	2019/20 £M	2020/21 £M
INTERNAL COSTS	(0.4)	(0.5)	(0.5)
FEES ON FUNDS HELD DIRECTLY	(3.6)	(4.0)	(5.1)
POOLING SET UP COSTS/GOVERNANCE	2.3	0.5	0.9
BCPP MANAGEMENT FEES/COSTS	4.4	5.3	6.6
BCPP -PRIVATE MARKET SAVINGS		0.2	(0.7)
TRANSITION COSTS	2.4	0.1	0.1
OTHER SAVINGS	(0.4)	(0.6)	(0.8)
NET COSTS	4.7	1.0	0.5
CUM COSTS	4.7	5.7	6.2

The table below shows the ongoing management expenses during 2020/21

	INVESTMENTS HELD WITHIN BORDER TO COAST Costs £M	INVESTMENTS HELD OUTSIDE BORDER TO COAST Costs £M	TOTAL £M
FUND VALUE BASE FEES	8.6	26.4	35.0
PERFORMANCE FEES	1.3	21.9	23.2
TRANSACTION COSTS	1.0	0.3	1.3
TRANSITION FEES	0.1		0.1
	11.0	48.6	59.6

Performance

Over the year to March 2021, the Fund delivered a return of 21.1% outperforming SYPA's strategic benchmark return of 18.0% by 3.1%. 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 2.45%. The net assets of the Fund at 31 March 2021 was £9862.1m, up from £8,170.4m at 31 March 2020.

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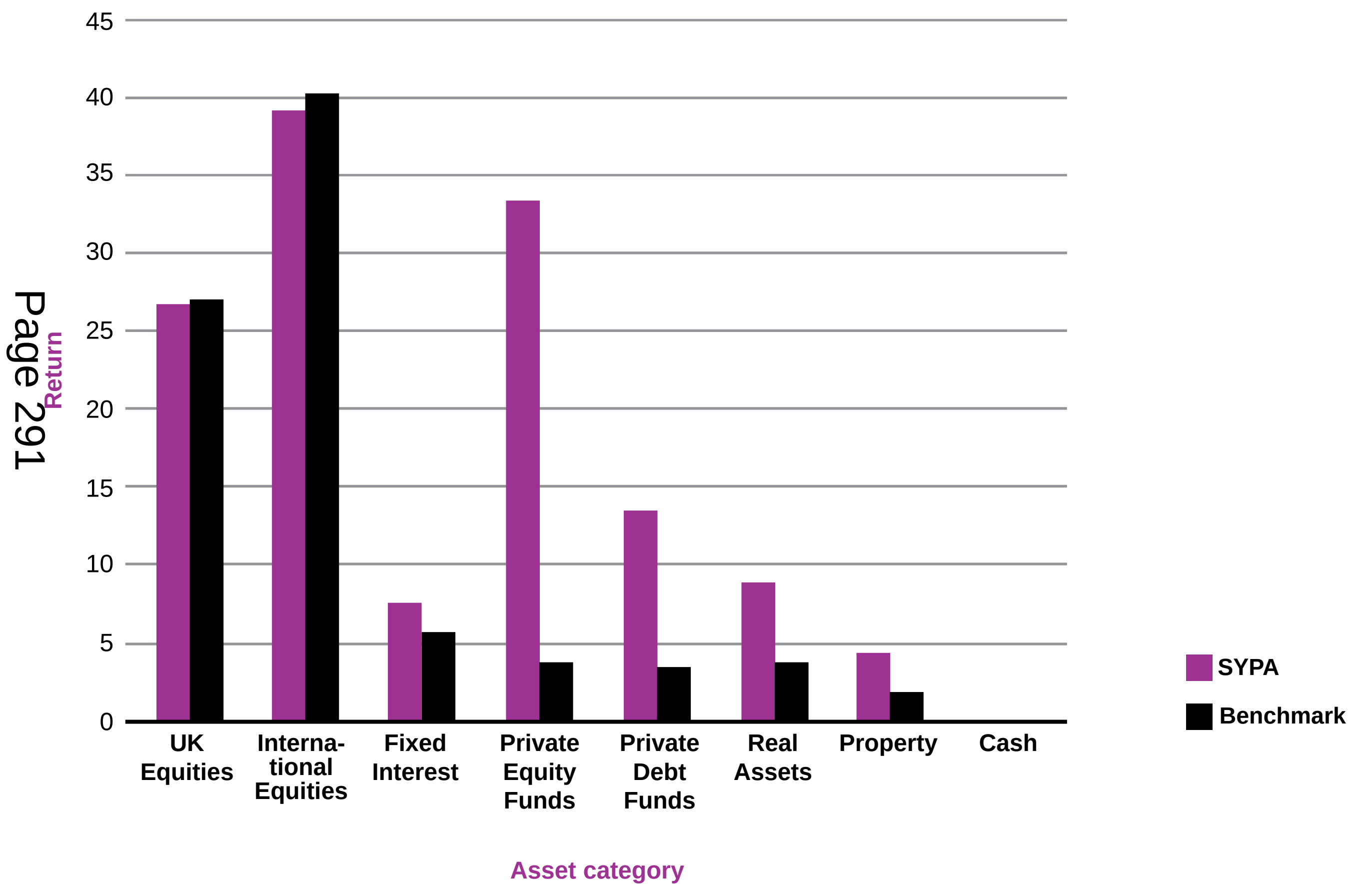
The graph below compares the return achieved by the Fund in each of the main investment categories during the year.



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The Fund outperformed the benchmark index with all asset classes except for UK equities and emerging market equities.

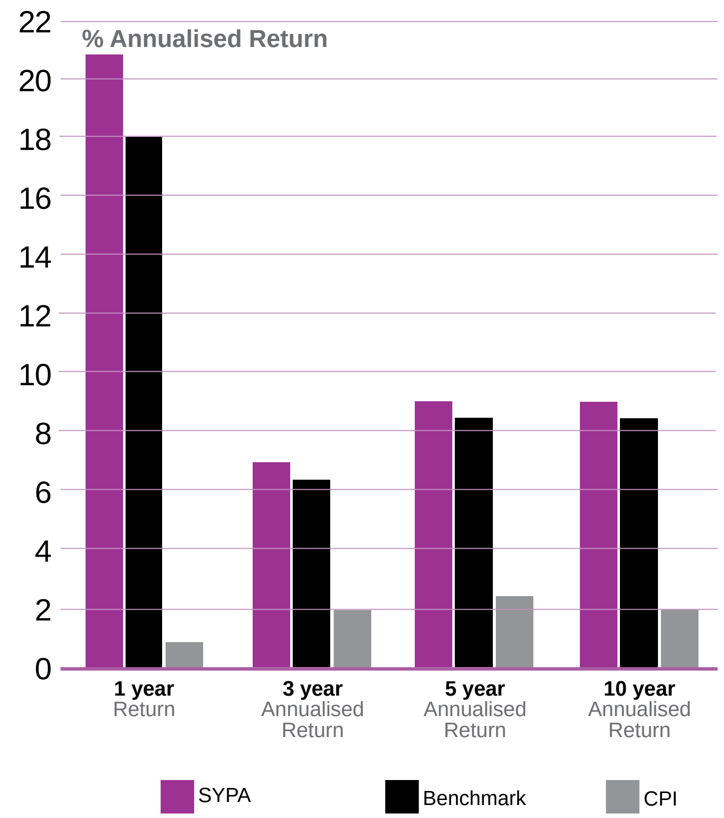
The emerging market portfolio, in particular, showed disappointing performance. After consideration a decision was taken by Border to Coast to supplement the internal management capabilities with external support creating a hybrid fund. After assessing various options it was concluded that covering the 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 after the end of the financial year.

The performance of the alternative asset classes were the most significant out-performers, in particular private Equity. In part this might reflect an unwinding of the negative valuation outlook for these assets which was apparent in March 2020 due to the pandemic.

The portfolios together would have given an out-performance of the benchmark of 4.4% but we still had an equity protection strategy in place in April, which had a key objective to reduce equity downside risks. The protection was a “nil-premium put-spread collar” structure which means that the downside protection is fully funded by selling equity upside. The strategy expired over the month of April at a time when equity markets were rising and the value of the options detracted from the Fund’s overall value.

The longer-term performance of the Fund is shown below. Over longer time periods the Fund has comfortably outperformed the actuarial assumptions.

Fund Performance



The funding level at the last actuarial valuation as at March 2019 was 99.3% and at 31 March 2021 is estimated to be 108.7%

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MANAGING THE FUND'S INVESTMENTS

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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. We hold corporate index-linked bonds within this portfolio as a means of adding value.

In October most of these bonds were transitioned to Border to Coast management. The bonds that were kept will be sold down in line with the change to our strategic benchmark. Transactions tend to be concentrated around duration matching. These assets play a valuable role in relation to providing inflation linked income. Even with the cost of the transition the portfolio outperformed over the year.

Corporate Bonds

SYPA has 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 is 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. All three portfolios outperformed their strategic benchmarks over the year.

Ten largest held publicly listed bond holdings by market value at 31 March 2021

1. UK Government Index-Linked 2044
£83.17m
2. UK Government Index-Linked 2055
£82.11m
3. UK Government Index-Linked 2062
£76.05m
4. UK Government Index-Linked 2068
£66.37m
5. UK Government Index-Linked 2050
£52.95m
6. UK Government Index-Linked 2047
£49.17m
7. UK Government Index-Linked 2046
£45.47m
8. UK Government Index-Linked 2048
£44.40m
9. UK Government Index-linked 2065
£43.54m
10. UK Government Index-Linked 2058
£39.48m

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 performance of the portfolio achieved a 0.4% underperformance of its target during 2020/21 although since inception the portfolio has achieved its target by outperforming the benchmark by 1.2% per annum. The index return of 26.7% for the year was the weakest of the main developed market returns over the year and this was due to market uncertainty regarding Brexit which was only resolved at the end of December and also to the initial weak performance of the UK as the pandemic took hold over the spring and summer of last year. There was a degree of catch up in the final quarter of the year as Brexit was resolved and the vaccine roll-out in the UK got off to a good start.

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 the developed market portfolio outperformed the benchmark index by 1.2% over 2020/21 whilst the emerging market portfolio underperformed its target benchmark by 4.4%. The performance of global equities overall was strongly positive with emerging markets outperforming developed markets.

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Ten largest publicly quoted equity holdings by market value held via Border to Coast Equity ACS at 31 March 2021

MFC VANGUARD MID-CAP ETF £91.21m

Microsoft £76.05m

Samsung £74.56m

Apple £72.52m

Alibaba Group 阿里巴巴集团 £57.31m

amazon £54.36m

AstraZeneca £48.39m

Alphabet Inc Class A £48.79m

tsmc £47.79m

Tencent 腾讯 £44.50m

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Alternative Portfolios

The Fund has three alternative portfolios which are intended to access different parts of companies' capital structure. The following sections details these areas.

Private Debt

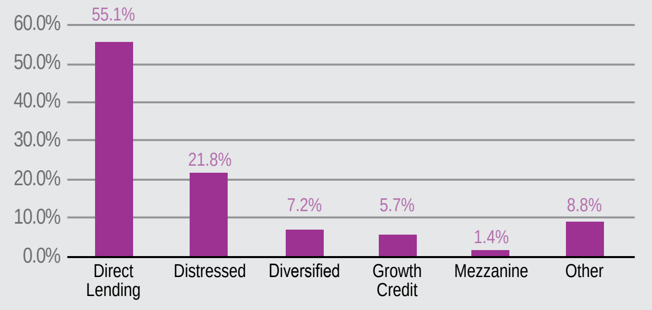
Private debt is a sub-set of the broader leveraged credit markets, characterised by mostly private equity-generated activity in companies that are typically too small or with financing needs too specialised to be financed by the larger public markets.

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 £487.9m. The breakdown of the portfolio is shown in the graphs below.

£90m was committed by Border to Coast on our behalf over the year to March 2021. 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 performance of the overall portfolio was ahead of its benchmark this year due to the rebound from the markdown seen last year when Covid-19 struck.

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



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

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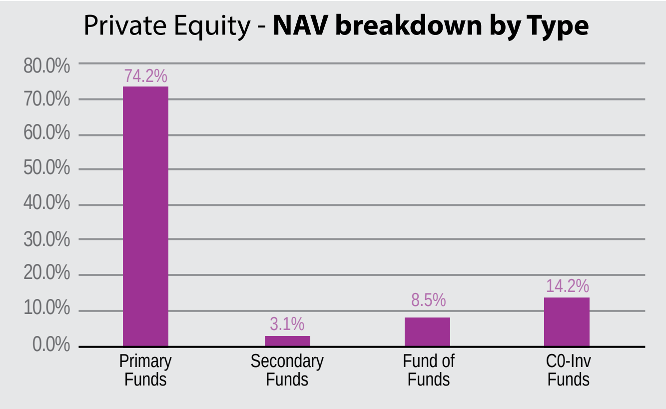
Private Equity

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.

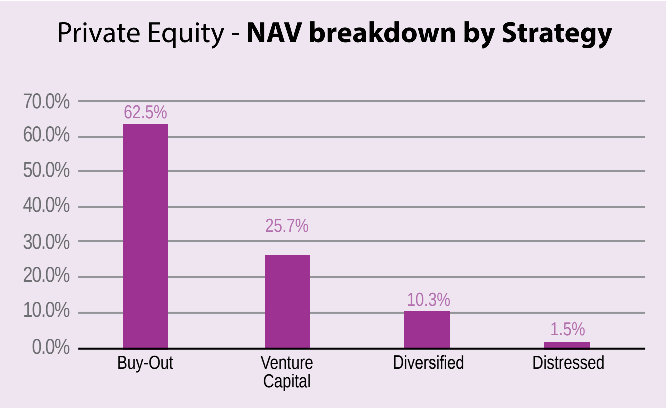
The portfolio of 108 funds is diversified by investment type, strategy and geographic location and the breakdown can be seen in the graphs below. The value of assets currently invested in private equity is £880.7m.

The performance of the portfolio showed outperformance over the year as significant uplift of valuation was seen from the realisation of existing investments.

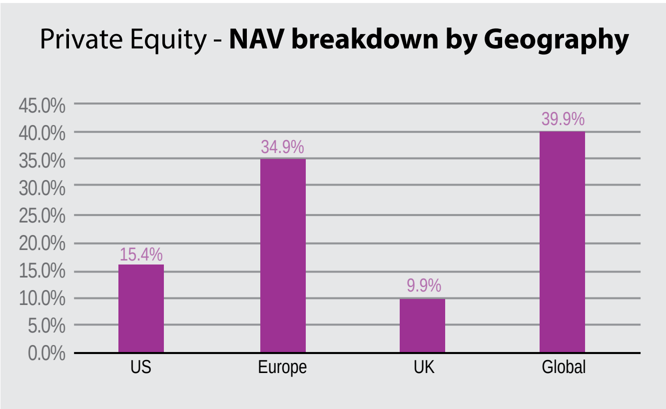
New investment into this area is now via a Border to Coast limited partnership. A commitment of £120m was made by SYPA during 2020/21. This rate of commitment is lower than over the last few years but is in accordance with the Fund's strategic asset allocation. We are now at an optimum weighting against our strategy and only want to maintain 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**



Private Equity - **NAV breakdown by Strategy**



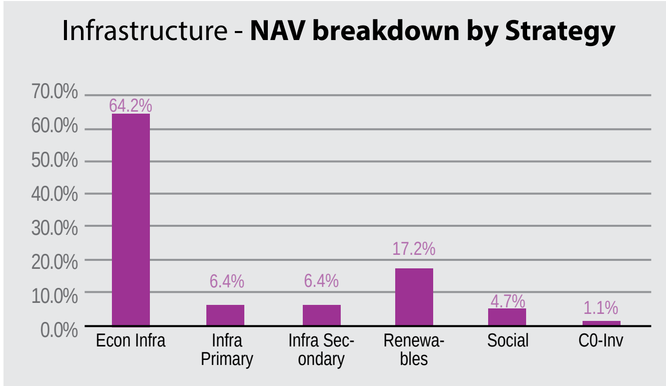
Private Equity - **NAV breakdown by Geography**

Infrastructure

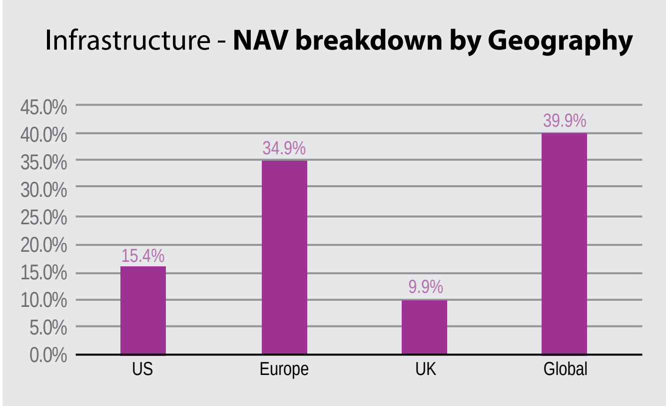
Infrastructure investments offer long-term returns which have a close match to the objectives of the Fund, preservation of value over the long term, inflation linkage and they have a cash flow focus as well as providing a good means of diversification for the Fund.

The allocation to infrastructure has been made via a number of global and regional investment funds. The portfolio is still immature and it will take a few years to achieve the new target allocation of 10% of Fund assets but will be achieved by making an appropriate annual commitment through our Border to Coast limited partnership.

The exposure includes investments in renewable projects and UK Social Housing. The portfolio has 30 legacy investment funds and this year made a £200m commitment to the Border to Coast limited partnership. The current value of these investments is £632.2m but the value should increase as commitments are drawn down. The exposure is well diversified and is shown below. The performance during 2020/21 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.



Infrastructure - **NAV breakdown by Strategy**



Infrastructure - **NAV breakdown by Geography**

In both the above portfolios 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. Below are a few examples of the underlying investments that show case this.

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Portfolio Examples

Quinbrook is a specialist low carbon and renewable infrastructure asset manager, whose core business is dedicated to building and managing sustainable energy infrastructure, businesses, technology, and real asset-based solutions that have a long-term, positive impact on climate, climate mitigation, resilience and transition, the environment, local economies, stakeholders and communities. SYPA has investments in two Quinbrook funds, the Quinbrook Low Carbon Power Fund and the UK Gas Co-Investment Fund. Based on the percentage share of commitments made by SYPA the following quantifiable ESG impacts were made.

Kainos is a leading investor in the North American food and consumer products industries and we have holdings in two of its funds. Kainos believe in the active implementation of ESG and sustainability related initiatives within their portfolio companies to help mitigate risk and build strategically relevant companies that will generate attractive returns. Key ESG themes are identified for every investment company.

An example of one of its investments is Olde Thompson which is the largest dedicated manufacturer and supplier of private label and branded dry spices and seasonings in North America.

The key ESG themes identified for this investment was Environmental Impact and Resource Conservation.

Solar Power Generation for sustainable, renewable energy was identified.

- In 2020, the company completed the installation of solar panels as part of its solar energy generation project at its Oxnard, California manufacturing facility. This will reduce CO2 emissions by 600 metric tonnes and supply 75% of the Oxnard manufacturing site's electricity
- The project enhanced business continuity with the ability to produce power during shortages and blackouts
- Olde Thompson plans to implement a similar project at its New Jersey facility

Resource Conservation was another project

- Kainos led an effort with Olde Thompson to partner with Costco to convert 50% of each bottle used to post consumer recycled PET. Led to a saving of approximately 2.5 million pounds of virgin plastic in 2020.
- In 2021 the company plans to convert 20 million units, or 3 million pounds of plastic, from virgin plastic to RPET

Whilst using more sustainable materials is good, reducing material usage is even better.

- In the past Olde Thompson used 2000 rolls at 1000 feet each of shrink wrap per year. The company has eliminated the use of shrink film for its trays. This initiative generated customer goodwill, from both improved sustainability and efficiency, saving time and cost as well as helping the planet. Led to cost savings of more than $200,000 of tertiary packaging material.

Olde Thompson also formed a partnership with Peace Trees Vietnam to create opportunities for rural farmers to learn agricultural skills and techniques, earn income and reduce poverty.

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 2021 it comprised 42 directly held commercial properties valued at £580m, an agricultural portfolio valued at £182m and eight indirectly held specialist holdings valued at £99.9m.

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 positively impacted by or largely insulated from the ongoing pandemic, including logistics and supermarkets. Two acquisitions, a supermarket in Ripley and an industrial estate in Basildon were completed within the commercial portfolio for a total consideration of £58m. This still leaves the Fund underweight its strategic allocation but it has been difficult to find good quality properties at attractive yields.

South Yorkshire Pensions Authority Annual Report 2020/2021

£35.80m

1. **Stockbridge Road, Chichester.** *Student accommodation*

£32.80m

2. **Sainsbury's, Butterley Park, Ripley.** *Retail Supermarket*

3. **Fradley Park, Lichfield.** *Industrial Estate*

£29.75m

£29.25m

4. **Hartwell House, Bristol.** *Offices*

5. **Langley Park, Slough.** *Industrial estate*

£27.00m

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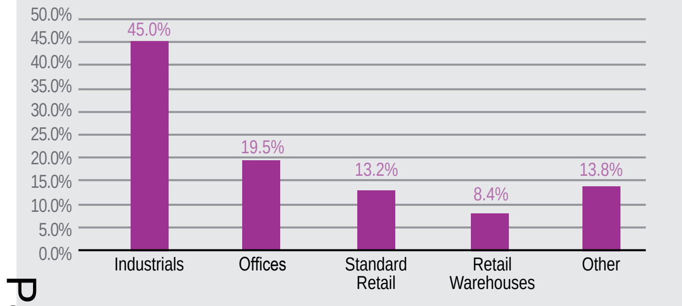
7.1 MANAGING THE FUND'S INVESTMENTS

Investment Review

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



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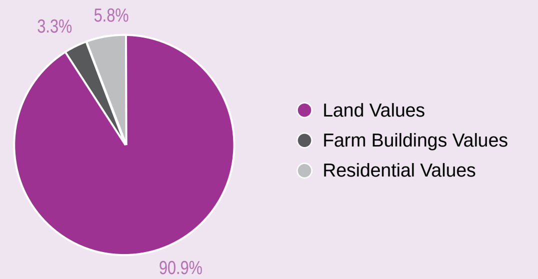
The generally defensive characteristics of the commercial property portfolio and the relatively strong tenant covenant has meant that while we have been exposed to some of the impacts of the pandemic on for example the viability of high street businesses this has not materially affected performance. The Fund's investment manager Aberdeen Standard have carried out a review of each asset within the Fund and identified the opportunity for some restructuring of the holdings to add value in the coming year.

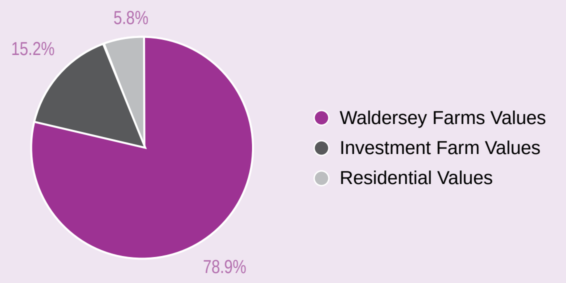
The Agricultural Property portfolio was subject to an in depth review during the year, and a more appropriate specific performance benchmark has been identified for this asset which is seen as providing a less volatile asset which tends not to move in line with other markets. Within the portfolio the farm operating business Waldersey Farms Ltd faced a tough year with the impact of the pandemic on the hospitality sector impacting the market for one of its main crops and Brexit and difficult growing conditions affecting yields and market prices.

The charts below show the breakdown of the agricultural portfolio capital values. The land values represent 91% 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.

Agricultural Property - **NAV breakdown**



Agricultural Portfolio - **Management**



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.

Three loans are finalised with further loans in various stages of the due diligence process. The loan which finalised during this financial year is to remediate and service c67 acres of strategically important employment land at Tudor Cross, Bolsover.

The loan portfolio although immature has generated an IRR of 6.5% over the year.

Over the last twelve months the overall property portfolio generated a positive return of 4.8% which outperformed the weighted index benchmark of 1.7% with all portfolios contributing to this outperformance. Longer term over the last ten years we have achieved a return of 7.4% in line with the benchmark return with the commercial portfolio's strong performance making up for the underperformance of the agricultural portfolio whose values had been impacted by Brexit.

Cash

Cash is only held pending investment and during the year money has been invested into property and the alternative sectors and at 31 March 2021 was at £117m down from the previous year's level of £159m. £5m of this was held within a sterling liquidity fund, £43m held with three F1 rated banks and £69m held as short term deposits with ten different local authorities.

7.2 MANAGING THE FUND'S INVESTMENTS

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:

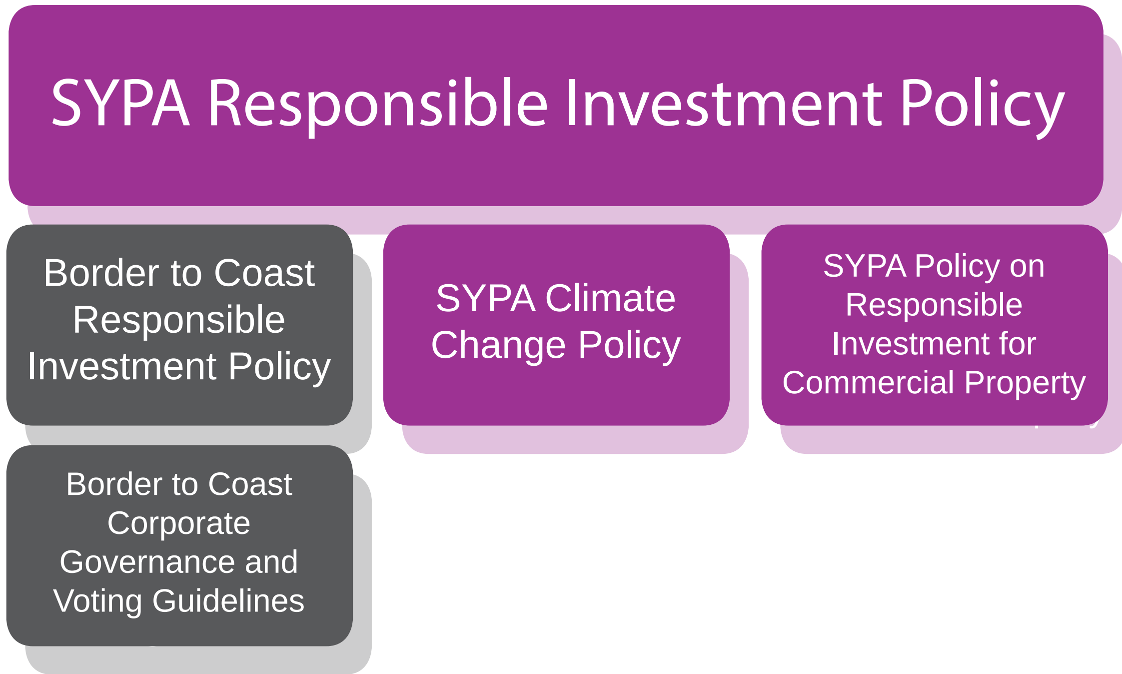
- *Have clear and specific objectives;*
- *Be time limited;*
- *Where unsuccessful link to clear consequences reflecting the degree to which the investment thesis for the asset has been undermined by non-compliance.*

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 grey ones by the Partnership).



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 particular policy.

Over the last year as a result of this process of policy review the Authority has set a goal to make its investment portfolios net zero in terms of carbon emissions by 2030 and has also set clearer expectations for those managing its money that where engagement is seen not to be successful there need to be clearer consequences for investee companies. These steps are gradually influencing thinking within the wider Border to Coast partnership and the Authority has contributed to the development of its own climate change policy which will come forward for approval during 2021/22.

South Yorkshire Pensions Authority Annual Report 2020/2021

7.2

MANAGING THE FUND'S INVESTMENTS

Responsible Investment

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 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.

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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 who are the Border to Coast's proxy voting adviser.

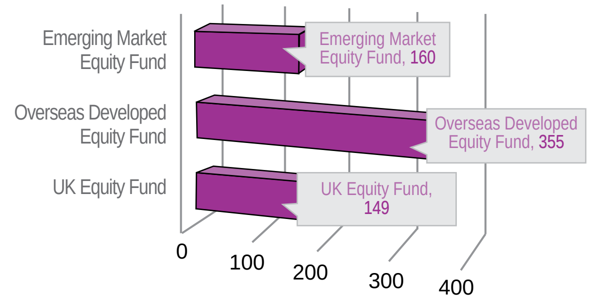
The full guidelines can be found on the Border to Coast website but in summary the position on key issues is set out below;

Voting Guidelines Summary

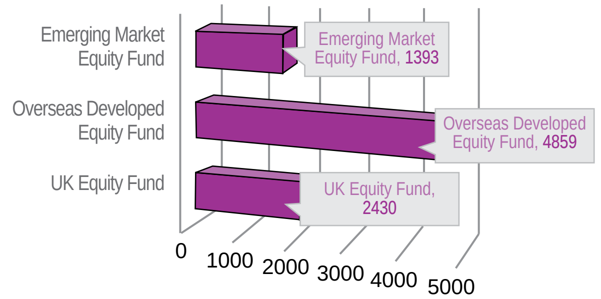
- **Company boards, composition and independence:** The composition and effectiveness of the board are crucial to determining corporate performance as company behaviour has implications for shareholders and other stakeholders.
- **Leadership:** The role of the chair is distinct from that of other board 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.
- **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.

Number of Meetings Voted



Votes Cast



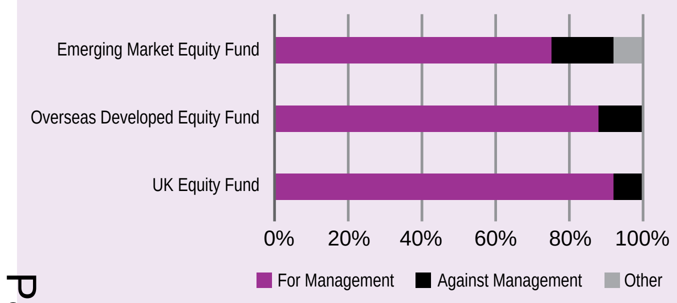
In general we look to support management of companies where they are taking actions which will secure both the sustainability of the business and long term value for shareholders. However, we do not always agree with the views that management take and where that is the case we vote against management 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.

7.2

MANAGING THE FUND'S INVESTMENTS

Responsible Investment

Votes For and Against Management by Fund 2020 - 2021



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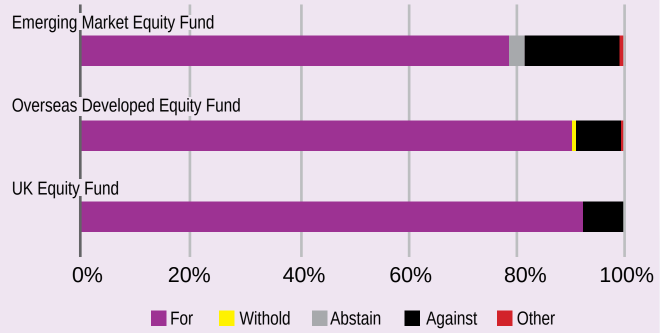
Support and Oppose Votes by Fund 2020 - 2021

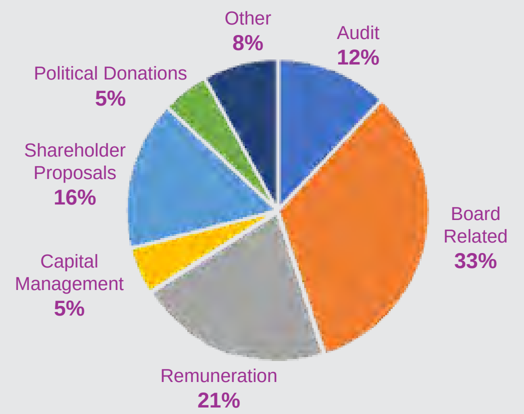


The graph below shows the major issues on which we voted against company proposals. Particular issues within this include:

- Encouraging companies to ensure the independence of their auditors by limiting the length of audit appointments;
- Voting to encourage companies to ensure genuine diversity 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.

In addition we have also supported resolutions put forward by shareholders which encourage companies to actively decarbonise their business.

Major topics for oppose votes 2020 - 2021



Details of the votes cast on our behalf are published quarterly and are made available through our website. Opposite are the details of some of the more notable or significant votes cast during the year.

Barclays Plc

At the 2020 AGM management and shareholders put forward separate climate proposals, an unprecented occurence. Having engaged with Barclays Chair and the proponents of the shareholder resolution we supported the management resolution (99.9% support) and abstained on the shareholder resolution (24% support) to give management time to implement their proposals.

Chevron Corp

At the 2020 AGM we voted against a shareholder resolution on lobbying activities that was filed to undermine a genuine shareholder resolution on the issue. Under US rules organisations are allowed to exclude resolutions with similar wording. Unfortunately the genuine resolution filed by a shareholder advocacy organisation was rejected. The proposal failed to pass gaining only 29% support from shareholders.

Woodside Petroleum

We supported two resolutions put to the 2020 AGM by the Australian Centre for Corporate Responsibility related to climate change practices, The resolutions requested disclosure of how the company's strategy is aligned with the Paris Agreement, and a review of the company's lobbying activities on climate change. The resolutiuons received 51% and 43% support respectively. Neither vote is binding but this is seen as a breakthrough momenr for climate action in Australia.

EA Games

We voted against the remuneration policy on the grounds that total pay was excessive and that there were substantial retention awards despite below target performance. There are also concerns that the structure of the performance measurement scheme can be easily manipulated and there is insufficient transparency on how performance and reward are related.

Nike

Nike's 2020 remuneration report proposed very high levels of pay for the new CEO including a short 1.5 year performance period which does not support long term value creation. Nike have also paid additional bonuses to executives despite them not meeting targets in light of the pandemic. We voted against the remuneration report which only got 54% support compared to 97% last year.

Procter and Gamble

We supported proposals for the Company to report on its efforts to eliminate deforestation in the supply chain (supported by 67% of shareholders) and to report annually on its efforts to diversity and inclusion.

Hyundai Mobis

We voted against the election of directors due to concerns as to the level of independence of the Board's remuneration committee. Overall the Board only has 45% independence directors which is less than required. While the Company is proposing to make changes to increase independent these are insufficient to eliminate the risks and we voted against specifc proposed appointments to encourage more rapid and effective action.

7.2

MANAGING THE FUND'S INVESTMENTS

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:

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- 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. During the year Border to Coast began to work with Allbourne 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.

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 three years ending in March 2022 these themes have been:

- 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)

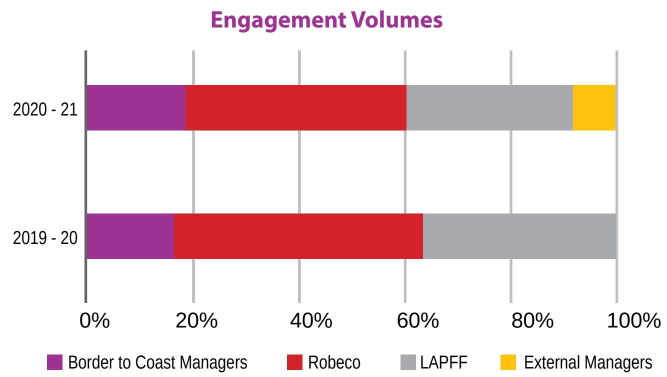
In addition to this LAPFF has focussed in two further areas which the Authority has particularly supported:

- Human Rights and Social issues 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.

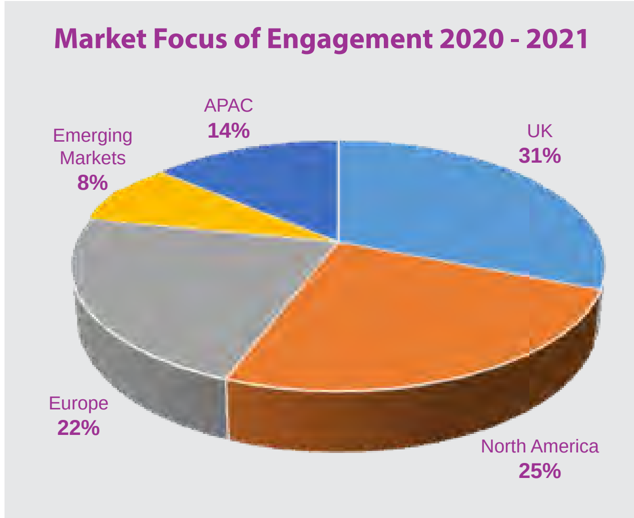
Over the last year there has been an increase in the level of engagement by the external managers within the Investment Grade Credit fund which reflects the extension of this approach across all asset classes, rather than restricting engagement to equity holdings.

In addition to this increase as a result of structural factors the overall level of engagement activity has also increased from 722 specific engagements to 974, broken down through the different engagement routes as shown below with Robeco delivering an increasing volume of engagement on behalf of Border to Coast partner funds.

Engagement can take many forms ranging from writing to a company, to formal meetings with the Company including with Board Members.



The market focus of engagement which is shown in the graph below has continued to be very much in the developed markets. This pattern would be expected as it is much more difficult to directly engage with companies in emerging markets, and it is also the case that many of the larger companies on which engagement tends to be focussed are based in the developed markets.



Through all of these routes 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 Reports

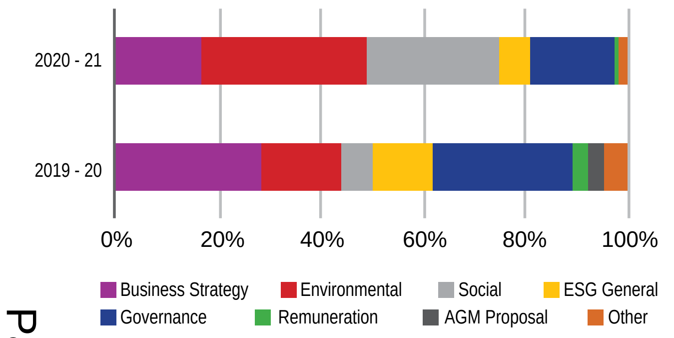
LAPFF Reports

7.2

MANAGING THE FUND'S INVESTMENTS

Responsible Investment

Engagement Topics



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This shows an increasing focus on climate change and environmental issues, with a continuing focus on corporate governance issues such as Board composition and independence. Given concerns in wider society about climate and other environmental issues and the focus of shareholder resolutions in this area this is not a surprising allocation of effort.

However, of particular note over the past year has been the increase in the proportion of engagement activity addressing Social issues such as health and safety and fair pay. The Covid-19 pandemic has been a particular driver of this but a range of other issues such as the treatment of indigenous communities by some mining companies have brought these issues more to the fore over the last 12 months.

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 opposite.

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The Institutional Investors Group on CLimate change launched its Paris Aligned Investment Initiative and its Net Zero Asset Owners Commitment which the Authority has subscribed to. IIGCC has also launched a framework to assist asset owners in making the journey to Net Zero which the Authority is using to support work towards its own net zero goal.

The UK Government has announced its intention to require companies to report in line with the TCFD's framework and for a similar requirement to be placed on private sector pension funds. Regulations to extend this requirement to local government pension funds from 2023 are expected to be made during 2021. This shows the success of TCFD in becoming the standard for reporting on the climate risks faced by organisations.

Climate Action 100+ published its second annual progress report in December 2020 which summarised overall progress made by thie initiative. In 2020 it developed the Net Zero Company Benchmark which will be used to publicly benchmark focus companies with the first set of scorecards being released in early 2021. The report covers 160 focus companies. Although nearly half the companies have set a net zero by 2050 target and also shorter term emissions reduction targets it was recognised that there is still a long way to go.

Having made significant progress in the UK in relation to its goals around representaton of women on company boards the 30% Club is supporting further moves to increase all forms of diversity on company boards and seeking to ensure gender balance on both company boards and Executive Committees.

The Workforce Disclosure Initiative significantly increased its coverage to 141 companies over a wide range of sectors. Notable first time responders included Nike, Santander and Vodadfone. The information provided to WDI allows investors to more systematically discuss workforce issues with companies.

The Transition Pathway Initiative assesses the progress of companies in addressing the issues of transition to a low carbon economy. During the year TPI has continued to increase its coverage and in February 2020 released an assessment of the Industrial and Materials Sector covering 169 companies in high emitting sectors such as cement. The report found that only 14% of the companies covered are aligned with the goals of the Paris Agreement. This report provides a basis for further engagement focussed on areas such as improving management quality, carbon performance and disclosure.

The Task Force on Nature Related Financial Disclosure (TNFD) aims to develop a reporting framework that addresses the systemic risk posed by biodiversity loss in a similar way to the TCFD in relation to climate change. The aim is to develop a reporting framework during 2021 which will be tested in 2022.

7.2 MANAGING THE FUND'S INVESTMENTS

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 and align with its values and objectives. These collaborations are more focussed within the pensions industry and aim to share good practice in various ways.

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Pensions for Purpose is a knowledge sharing platform for asset owners, asset managers and other industry participants such as investment consultants which promotes knowledge sharing and learning in the areas of responsible and impact investing.

Make My Money Matter is a campaign aiming to engage scheme members with their pension funds, especially around specific issues such as climate change and Net Zero Investment.

Developed by the Impact Investing Institute and Pensions for Purpose the four Impact Investing Principles for Pensions provide practical guidelines on how pensions can successfully integrate impact into their investment decisions.

In addition to these the Authority's Director is a member of the LGPS Scheme Advisory Board's Responsible Investment Advisory Group.

7.3
MANAGING THE FUND'S INVESTMENTS
Impact

The Impact of our investments

As set out in our beliefs statement we are strongly committed to being a responsible investor and have been a very long term supporter of a number of initiatives in this area as described elsewhere in this report.

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The Authority is now committed to its investment portfolios being 'Net Zero' in terms of carbon emissions by 2030, has signed up as a supporter of the Make My Money Matter Campaign ('MMMM'), and is also committed to demonstrating the greatest possible degree of compliance with and support for the objectives of the new 2020 Stewardship Code.

For asset owners such as SYPA the key aspect of MMMM and the 2020 Stewardship Code is to ensure that investments and organisational values are aligned, as well as being transparent with scheme members over how their money is invested and the impacts which it creates. We realised that if we are to achieve either of these things we need to better understand how the assets in which we are invested interact with society. This understanding will allow us to engage with our partners within the Border to Coast Pensions Partnership and with others managing our assets in order to seek changes which will ensure the achievement of our objectives, such as to achieve Net Zero by 2030.

Following a competitive tendering exercise at the beginning of 2021, the Authority appointed Minerva Analytics to prepare a first 'Impact Report' on the whole of the Authority's portfolio, in the context of the United Nations Sustainable Development Goals ('SDGs').

In addition to placing significant amounts of valuable information into the public domain and encouraging the development of responsible investment reporting within the LGPS, this report will facilitate engagement with scheme members to gain deeper insight into their views about how their pension savings should be invested.

The data gathering part of the Impact Report creation process is ongoing, with Minerva currently collecting a range of information on all of our investments from over 100 of the Authority's asset managers. The final Impact Report is expected to be completed by late summer/early autumn 2021, but in the meantime, we set out over the following pages some initial information and analysis from this exercise. The project's latter element of wider engagement with scheme members, and soliciting their views is a work in progress. Scheme members will hear more from us on this in due course. However, we believe that the initial Impact Report represents an important disclosure step, as it seeks to illustrate how the totality of the Authority's investments interact with the UN SDGs.

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What are the sustainable development goals?

> **"The 2030 Agenda for Sustainable Development, adopted by all United Nations Member States in 2015, provides a shared blueprint for peace and prosperity for people and the planet, now and into the future. At its heart are the 17 Sustainable Development Goals (SDGs), which are an urgent call for action by all countries - developed and developing - in a global partnership. They recognize that ending poverty and other deprivations must go hand-in-hand with strategies that improve health and education, reduce inequality, and spur economic growth - all while tackling climate change and working to preserve our oceans and forests."**

Whilst the SDGs were originally created for use at nation-state level to assist policymakers, they have rapidly moved beyond that sphere of influence. With the advent of the 2015 Paris Agreement on climate change, the SDGs have become an integral part of the regulatory landscape for the financial services community. As such they are of direct relevance to organisations such as the Authority. The SDGs provide a comprehensive, easy to understand framework that sits neatly with the concept of responsible investment, stewardship and fiduciary duty. Critically, they are a lens through which investments can be viewed to assess their contribution towards – or detraction from – the delivery of the 'shared blueprint' for sustainable development.

7.3 MANAGING THE FUND'S INVESTMENTS
Impact

There are 17 interconnected SDGs, covering a range of issues and themes:

SDG #	Goal Description	Objective of Goal
SDG1	No Poverty	End poverty in all its forms everywhere
SDG2	Zero Hunger	End hunger, achieve food security and improved nutrition and promote sustainable agriculture
SDG3	Good Health & Wellbeing	Ensure healthy lives and promote well-being for all at all ages
SDG4	Quality Education	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all
SDG5	Gender Equality	Achieve gender equality and empower all women and girls
SDG6	Clean Water & Sanitation	Ensure availability and sustainable management of water and sanitation for all
SDG7	Affordable and Clean Energy	Ensure access to affordable, reliable, sustainableand modern energy for all
SDG8	Decent Work & Economic Growth	Promote sustained, inclusive and sustainable economic growth, full and productive employment, and decent work for all
SDG9	Industry, Innovation & Infrastructure	Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation
SDG10	Reduced Inequalities	Reduce inequality within and among countries
SDG11	Sustainable Cities & Communities	Make cities and human settlements inclusive, safe,resilient, and sustainable
SDG12	Responsible Consumption & Production	Ensure sustainable consumption and production patterns
SDG13	Climate Action	Take urgent action to combat climate change and its impacts
SDG14	Life Below Water	Conserve and sustainablyuse the oceans, seasand marine resources for sustainable development
SDG15	Life On Land	Protect, restore, and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss
SDG16	Peace, Justice & Strong Institutions	Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable, and inclusive institutions at all levels
SDG17	Partnership for the Goals	Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development

Not all of the SDGs immediately lend themselves for use as investment themes; however, the vast majority of them can be considered to impact the investments of institutional investors such as the Authority in one way or another. The SYPA Impact Report project seeks to uncover the likely impact of the Authority's existing investments in relation to the SDGs and offer a way forward for sustainable stewardship of the Authority's assets.

Investment 'Impact' and the SDGs

The SDGs are, at just six years old, relatively 'young' in investment terms and there are a number of mapping 'frameworks' available that can be used to measure alignment or impact. To create a meaningful link between the SDGs and the Authority's investments, Minerva reviewed those currently available, and the World Benchmarking Alliance ('WBA') framework emerged as the preferred choice as the starting point. The WBA builds on existing academic work on integrated economic systems thinking, by identifying the 2,000 organisations that - due to their nature and size - are most likely to be able to help deliver the SDGs by 2030, if they are managed and run responsibly in a 'sustainable stewardship' manner.

To accurately analyse the Fund's investments Minerva created a link between the WBA's seven key "systems transformations" (shown in the graphic opposite) and the European Industry classification scheme NACE (Nomenclature des Activités Économiques dans la Communauté Européenne).

In thinking about all of the Fund's investments – whether they be equities, fixed interest, private equity, private debt, infrastructure or real estate – almost all of them (with the exception of Government bonds) relate to a specific business or entity operating in a specific sector or industry. This is where the NACE codes come in, as they are used to group the investments into identifiable sectors or industries using standard definitions. By using this mapping, Minerva was able to calculate the amount of money that the Authority has invested in each category and show each SDG against which these investments have the potential to positively (or negatively) impact their delivery.

7.3 MANAGING THE FUND'S INVESTMENTS

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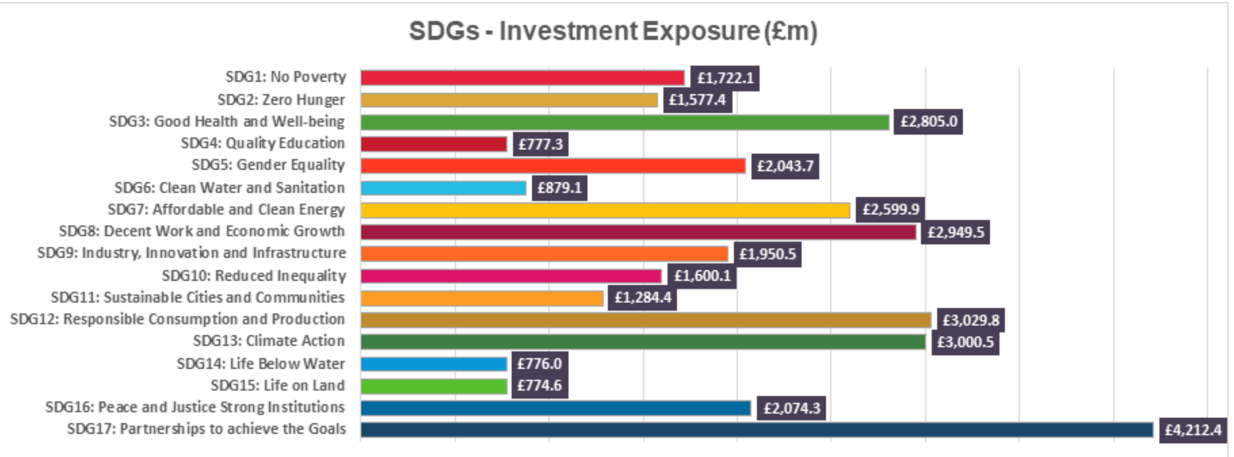
Minerva's approach to measuring the Authority's current position in relation to the SDGs involves gathering investment information from over 100 of the Authority's investment managers. This is a significant undertaking, producing a large amount of data to sift and categorise. Whilst the data gathering for the Authority's unlisted assets is currently ongoing, Minerva has collected the necessary information for the Authority's equity and corporate bond investments. In addition to representing the largest investment exposure for the Fund (almost £4.8 billion in total, representing over 55% of total investments), these assets lend themselves well to objective assessment, since publicly listed companies, by definition, have to provide investors with a significant amount of information relating to the operation and management of their businesses.

As a result, Minerva already had a wealth of ESG information in their database which they had collected from disclosures made by listed companies from all over the world, going back a number of years. This information is relevant for any equities or bonds issued by these companies, which explains the inclusion of corporate bonds in this specific piece of analysis.

Total Investment Exposure and the SDGs

As at 31/03/21, the Authority had close to £4.8 billion invested in listed equities and corporate bonds: almost 90% of those company 'issuers' by market value - £4.2 billion - were in the Minerva database. Using the mapping process as mentioned previously, Minerva were able to calculate the following 'exposures' of the Authority's equity and corporate bond investments to the 17 different SDGs:



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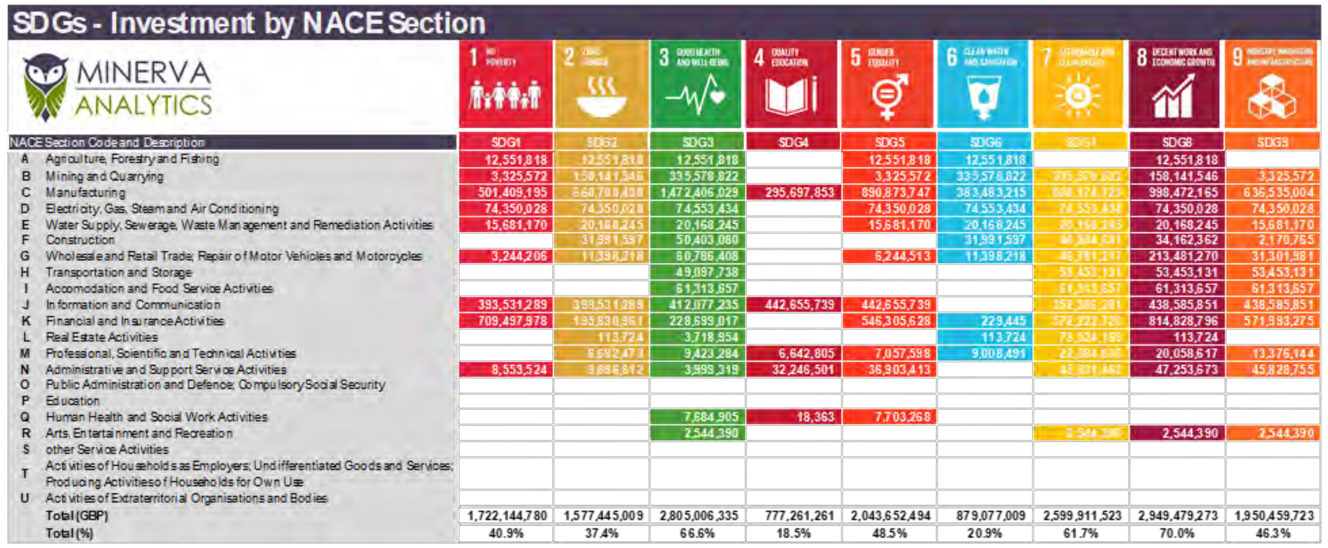
The chart shows that whilst the Authority has significant exposure to all of the SDGs, it has slightly more exposure to a number of them e.g., SDG12: Responsible Consumption and Production and SDG13: Climate Action. There are also relatively few SDGs to which the Authority has a small exposure, although 'small' is a relative term e.g., SDG15: Life on Land with £777 million being potentially available to help deliver this SDG.

Industry / Sector Exposure to the SDGs

The next piece of analysis undertaken was to show the amount invested on behalf of the Authority in each of the 21 different NACE industries, against each SDG. This information helps to identify which economic activities are most relevant to specific SDGs. It also helps to answer one of the key questions posed for the Impact Report exercise, which was '… to understand how the assets in which [the Authority] are invested interact with society':



SDGs - Investment by NACE Section

MINERVA ANALYTICS

	NACE Section Code and Description	SDG1	SDG2	SDG3	SDG4	SDG5	SDG6	SDG7	SDG8	SDG9
A	Agriculture, Forestry and Fishing	12,551,818	12,551,818	12,551,818		12,551,818	12,551,818		12,551,818	
B	Mining and Quarrying	3,325,572	158,141,546	335,578,822		3,325,572	335,578,822	335,578,822	158,141,546	3,325,572
C	Manufacturing	501,409,195	660,700,400	1,472,406,029	295,697,853	890,873,747	383,483,215	898,174,723	998,472,165	636,535,004
D	Electricity, Gas, Steam and Air Conditioning	74,350,028	74,350,028	74,553,434		74,350,028	74,553,434	74,553,434	74,350,028	74,350,028
E	Water Supply, Sewerage, Waste Management and Remediation Activities	15,681,170	20,168,245	20,168,245		15,681,170	20,168,245	20,168,245	20,168,245	15,681,170
F	Construction		31,991,597	50,403,080			31,991,597	40,394,631	34,162,362	2,170,765
G	Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles	3,244,206	11,398,218	60,786,408		6,244,513	11,398,218	46,791,217	213,481,270	31,301,981
H	Transportation and Storage			49,097,738				53,453,131	53,453,131	53,453,131
I	Accomodation and Food Service Activities			61,313,657				61,313,657	61,313,657	61,313,657
J	Information and Communication	393,531,289	393,531,289	412,077,235	442,655,739	442,655,739		352,386,281	438,585,851	438,585,851
K	Financial and Insurance Activities	709,497,978	195,830,961	228,699,017		546,305,628	229,445	572,222,720	814,828,796	571,993,275
L	Real Estate Activities		113,724	3,718,954			113,724	73,524,169	113,724	
M	Professional, Scientific and Technical Activities		5,692,473	9,423,284	6,642,805	7,057,598	9,008,491	22,394,635	20,058,617	13,376,144
N	Administrative and Support Service Activities	8,553,524	3,886,812	3,999,319	32,246,501	36,903,413		45,331,462	47,253,673	45,828,755
O	Public Administration and Defence; Compulsory Social Security									
P	Education									
Q	Human Health and Social Work Activities			7,684,905	18,363	7,703,268				
R	Arts, Entertainment and Recreation			2,544,390				2,544,390	2,544,390	2,544,390
S	other Service Activities									
T	Activities of Households as Employers; Undifferentiated Goods and Services; Producing Activities of Households for Own Use									
U	Activities of Extraterritorial Organisations and Bodies									
	Total (GBP)	1,722,144,780	1,577,445,009	2,805,006,335	777,261,261	2,043,652,494	879,077,009	2,599,911,523	2,949,479,273	1,950,459,723
	Total (%)	40.9%	37.4%	66.6%	18.5%	48.5%	20.9%	61.7%	70.0%	46.3%

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SDGs - Investment by NACE Section

MINERVA ANALYTICS

	NACE Section Code and Description	10 Reduced Inequalities SDG10	11 Sustainable Cities and Communities SDG11	12 Responsible Consumption and Production SDG12	13 Climate Action SDG13	14 Life Below Water SDG14	15 Life on Land SDG15	16 Peace, Justice and Strong Institutions SDG16	17 Partnerships for the Goals SDG17
A	Agriculture, Forestry and Fishing			12,551,818	12,551,818	12,551,818	12,551,818	12,551,818	12,551,818
B	Mining and Quarrying	3,325,572	154,815,974	154,815,974	335,578,822	332,253,250	332,253,250	332,253,250	335,578,822
C	Manufacturing	312,457,719	557,991,485	1,429,659,891	1,087,126,205	372,329,731	372,329,731	673,633,966	1,791,043,219
D	Electricity, Gas, Steam and Air Conditioning	74,350,028			74,553,434	203,406	203,406	203,406	74,553,434
E	Water Supply, Sewerage, Waste Management and Remediation Activities	15,681,170	4,487,075	4,487,075	20,168,245	4,487,075	4,487,075	4,487,075	20,168,245
F	Construction		40,894,631	54,964,584	40,894,631	31,991,597	31,991,597	31,991,597	57,135,349
G	Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles		15,479,236	264,709,138	50,025,423	11,398,218	11,398,218	11,398,218	267,709,445
H	Transportation and Storage		49,097,738	4,355,393	53,453,131				53,453,131
I	Accomodation and Food Service Activities		61,313,657		61,313,657				61,313,657
J	Information and Communication	442,655,739	313,540,935	358,513,795	352,386,281			442,655,739	500,047,031
K	Financial and Insurance Activities	709,497,978		597,508,253	768,053,681	229,445	229,445	513,896,462	847,696,852
L	Real Estate Activities		73,524,169	77,129,399	73,524,169	113,724	113,724	113,724	77,129,399
M	Professional, Scientific and Technical Activities	6,642,805	6,682,473	20,442,061	22,384,635	9,008,491	9,008,491	15,651,296	29,442,233
N	Administrative and Support Service Activities	35,478,495	3,999,319	47,356,380	45,931,462	1,424,918		35,478,495	74,281,351
O	Public Administration and Defence; Compulsory Social Security								
P	Education								
Q	Human Health and Social Work Activities	18,363		3,348,031				18,363	7,703,268
R	Arts, Entertainment and Recreation		2,544,390		2,544,390				2,544,390
S	other Service Activities								
T	Activities of Households as Employers; Undifferentiated Goods and Services; Producing Activities of Households for Own Use								
U	Activities of Extraterritorial Organisations and Bodies								
	Total (GBP)	1,600,107,869	1,284,371,082	3,029,841,792	3,000,489,984	775,991,673	774,566,755	2,074,333,409	4,212,351,644
	Total (%)	38.0%	30.5%	71.9%	71.2%	18.4%	18.4%	49.2%	100.0%

As can be seen from the preceding tables, there are some sectors of the global economy that have greater potential impact on the SDGs – with £1.8 billion invested in Manufacturing, this can be seen as a key area of impact. However, there are also areas of economic activity where there are no investments

These tables provide a snapshot of the Authority's investments against specific SDGs; they show us how much of the Fund's assets are potentially associated with the delivery of each SDG, should the underlying investments be operated in a sustainable manner.

3.3 Investment 'Impact' on the SDGs

Minerva's analysis starts from the belief that the clearest way to establish the 'impact' on and interaction between the Authority's investments and the SDGs is to consider whether, by their individual and collective nature, they 'help' towards delivering the SDGs, or they 'hinder' the delivery of the SDGs. We can also refer to investments as being 'contributors' towards the SDGs, or 'detractors' from them. The next question that follows is: how do we determine if an investment is a contributor or a detractor?

There are two specific areas of focus when considering whether an investment is a contributor or a detractor:

1 The sector or industry in which they operate - e.g. Oil & Gas Exploration and Production will directly impact SDG 13 Climate Action; and

2 The way that each individual investment is managed - for listed equities, this means assessing their 'governance of sustainability'.

Different sectors and industries have different impact aspects when it comes to the SDGs and more will be said on those in the full Impact Report, which will be issued later in the year. However, to determine the strength of stewardship and engagement momentum needed to drive the SDG potential in the listed companies covered in this analysis, Minerva's philosophy is to understand how investee company boards are approaching the governance of sustainability. Specifically, they place considerable emphasis on their disclosure of sustainability risks, management processes, and accountability.

To assess sustainability governance quality, Minerva analyses public corporate disclosure across seven pillars of good practice to create three grades ranging from A to F (where A stands for best-in-class) for:

- Governance: how each company is being run,
- Remuneration: how the board are being incentivised or rewarded; and
- Sustainability: what each company has said about their own approach to operating in a sustainable and responsible manner.

Minerva's research processes and analytical frameworks are fully aligned with leading global governance frameworks including:

- Task Force on Climate-related Financial Disclosures (TCFD),
- Transition Pathway Initiative (TPI),
- UN Global Compact,
- Organisation for Economic Co-operation and Development (OECD)
- International Corporate Governance Network (ICGN) governance principles.

This ensures that they offer a robust, consistent and comparable measure of a company's governance and sustainability maturity rather than measuring performance against any specific ESG topics.

20 Largest Holdings - Minerva Sustainable Governance Grades

17 of the Authority's top 20 holdings are constituents of the SDG2000 index, meaning that the WBA have identified them as being amongst the 2,000 most influential companies for a sustainable future. Consequently, these companies are going to be of significant importance in terms of the Authority's own impact on the SDG's. The companies exhibit a wide range of ratings when assessed by Minerva for what they say about how they are being run by their Boards and Senior Management.

There are a range of different ways of assessing companies in this way, some of which will come up with different answers for individual companies. Given that there is an element of subjectivity to the process there is no "right" answer. However, information of this nature does provide a basis for the Authority to ask questions of both the companies and those managing money on its behalf.

For the Authority's investments to positively contribute to the SDG's these companies need to be managed in a sustainable way. Minerva's analysis indicates that a number of them are falling short in various areas, which provides a potential focus for future engagement activity on the Authority's behalf, and 16 are already targeted for engagement.

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Delivering the SDGs

The way the Authority will help deliver the SDGs is through its Responsible Investment approach. Responsible investment (RI) is the practice of incorporating Environmental, Social and Governance (ESG) issues into the investment decision-making process and practicing investment stewardship, to better manage risk and generate sustainable, long-term returns. Financial and ESG analysis together identify broader systemic risks so leading to better informed investment decisions that can improve performance, as well as risk-adjusted returns.

Investment Stewardship covers a broad range of inter-connected activities. It not only includes active ownership i.e. using voting rights and engaging with investee companies, but also influencing regulators and policy makers, and collaborating with other investors to improve long-term performance. SYPA has for many years adopted a proactive stance in relation to addressing RI and ESG issues and our approach is set out in a number of policy documents which can be found on the Authority's website at www.sypensions.org.uk. As the process of pooling our investments through the Border to Coast Pensions Partnership progresses, we are working with the 10 other funds in the partnership to a common responsible investment policy which can be found at www.bordertocoast.org.uk Voting the shares we own is an important part of a responsible investment approach and details of the way shares have been voted on our behalf are set out earlier in this report. Talking to companies in which we invest about issues of concern and encouraging them to adopt better practices – 'Engagement' - is another crucial activity that forms part of our RI approach and more details of the activity we have undertaken both alone and working with others is provided earlier in this report.

One of the biggest challenges faced by society is Climate Change and the impact of global warming, as represented by SDGs 7 and13. For SYPA as an investor this creates risks that some of our investments may have business models which are unsustainable in the long term. However, it also creates opportunities in terms of new technologies and processes that we can support and invest in thereby positively contributing to climate transition solutions. Given the significance of these issues we have developed specific policies in this area which you can find on our website and the next Chapter of this report provides the information we are required to produce in line with the Task Force on Climate Related Financial Disclosure.

Engaging to improve SDG Alignment

Whilst Minerva's ratings flagged up ESG issues in some of the Authority's largest holdings, Border to Coast had separately also identified the need to 'engage' with the majority of these companies during the last year. Set out below are some examples of that engagement activity undertaken by the pool, along with the outcomes:

Company	Reason for engagement	Objectives	Scope and process	Outcome
YorkshireWater *Yorkshire Water bonds are held within the Investment Grade Credit Portfolio*	Following conclusions drawn from the performance assessment conducted by the Environment Agency (EA) in 2019, Yorkshire Water was identified as an outlier within the water utilities sector in the UK and was among the lowest scoring. This, coupled with the increasing pressures that ever changing weather patterns bring, as a result of climate change, means that through investments in such companies, portfolios are potentially exposed in the medium-long term to the impacts of climate risk.	To better understand the reason for the company's weak performance within the water utilities sector in pollution, leakage and meter rates, and determine whether its current strategy is strong enough to ensure improvement in its management of climate risk.	Engagement has beendriven by both information discovery of Yorkshire Water's specific climate related risk exposure to understand the relative investment position (and re-evaluate if necessary) and to encourage change and influence improvements in pollution, leakage and meter rates, which were among some of the worst in the industry according to the EA's report. Research revealed that the unusually low performance from the company had been somewhat influenced by extreme weather during the EA's reporting year (2018). Cognisant of extreme weather events likely to occur over the coming years, Yorkshire Water appears to be investing significant amounts into data-driven systems and physical infrastructure that combat leakages and limit pollution. The company are also investing inbio-resource plants which will help them to increase self-generated renewable energy, applying a more circular and energy efficient approach to the business structure.	The company is taking serious steps to significantly improve performance, which will ultimately strengthen credit ratings. Monitoring of the progress will continue and further investigation around pollution levels may be required.
Shell *Royal Dutch Shell shares are held in*	Reaching net zero carbon emissions by 2050 is vital to halt climate change and avoid irreversible consequences. Climate change poses systemicrisks to the global economy and financial system and companies play a key role in mitigating these risks. At	To improve and enhance transparency on long-term climate planning in alignment with the goals of the Paris Agreement.	A lengthy engagement with Shell has featured regular conversations with key decision makers including the CEO, chair and other independent board members. Extensive engagement was undertaken by investors from Climate Action 100+, led by Robeco and the Church of England Pensions Board, along with other platforms including the Dutch investors	In 2020, engagement led to an upgraded climate ambition to become a net-zero energy business by 2050. The plans provided more insight into levers under the company's control to achieve this and commitment to continued transparency on progress. Following ongoing dialogues, in early 2021, Shell was the

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the UK listed equity portfolio	the same time, companies can reap the opportunities that arise from the transition and mitigation.		group Eumedion and the Institutional Investors Group on Climate Change.	first company in its sector to announce a "Say on Climate" proposal at its AGM.
Alphabet *Alphabet is Google's parent company, and its shares are held in the Overseas Developed Markets Equity Portfolio*	The benefits of artificial intelligence ('AI') are promising. However, various social issues have surfaced showing that AI's ethical development and deployment cannot be guaranteed unless these concerns are appropriately addressed by users. As a leading technology company, Alphabet Inc. is exposed to financially material risks from its development and use of AI.	To promote strong governance and human rights practices to mitigate undesirable social impact from AI. Companies that have clear policies, risk management systems and strong structures of accountability are less likely to be adversely impacted by incoming regulations.	Following persistent efforts to ent er a constructive dialogue with the company, engagement remained challenging. In escalation, Robeco co-led the filing of a shareholder proposal at Alphabet's AGM asking for a human rights risk oversight committee to be established, comprised of independent directors with relevant experience.	Some 16% of shareholders voted in favour of the resolution, which is a substantial part of the non-controlling shareholder votes. In response, Alphabet announced an update of its Audit Committee Charter, which now includes the review of major risk exposures around sustainability and civil and human rights. This is in line with the request to formalise board oversight and is a first step towards getting this in place on specific sustainability related issues, such as human rights.
HSBC *HSBC shares are held in the UK listed equity portfolio*	Like many major financial institutions HSBC continues to provide funding for the development of fossil fuel extraction projects with a life beyond 2050, which is the Paris Agreement target for the ending of fossil fuel dependency. This creates a risk that HSBC and others are investing in projects that will not be able to repay the loans made to them. This is clearly a risk to shareholder value.	To secure agreement to a shareholder resolution seeking the publication of a strategy with short-, medium- and long-term targets to reduce the Company's exposure to fossil fuel assets on a timeline aligned with the goals of the Paris Agreement.	The Company were open to meeting with collective groups of shareholders including the Local Authority Pension Fund Forum. These meetings and discussions included the company's CEO and Chair, so the issue received attention at the highest level. The Company engaged positively, and the proposed shareholder resolution was adopted by the Board.	The company has acknowledged that 'expansion of coal-fired power is incompatible with the goals of the Paris agreement, and has committed to phasing out coal-fired power and thermal coal mining in the EU andOECD by 2030 and other regions by 2040. Further, in line with the resolution, HSBC has committed to set, disclose, and implement a strategy with short - and medium-term targets to align its financing across all sectors with the goals of the Paris climate agreement. It will use 1.5C pathways that are not overly reliant on negative emissions technologies. Commitments made by the company are set out in a special resolution tabled by the bank for its 2021 AGM. The bank has committed to publishing a new coal policy by the end of 2021.
RioTinto *Rio Tinto shares are held in the UK listed equity portfolio*	In May, Rio Tinto destroyed 46,000-year-old Aboriginal caves in the Juukan Gorge region of Western Australia. The explosions were part of a government sanctioned mining exploration in the region. The caves are of cultural significance to the Puutu Kunti Kurrama and Pinikura (PKKP) people who claim Rio Tinto did not engage with them adequately before the disaster.	Investors wished to understand how the decision-making process related to the events at Juukan Gorge operated and whether this reflected wider weaknesses in the Company's corporate governance practices.	This was an engagment led by the Local Authority Pension Fund Forum on behalf of its members which concentrated on ensuring that the Company behaved transparently and responded to inquiries being conducted by committees of the Australian parliament. This involved discussions direct with the company and work with partner organisations such as the Australian Centre for Corporate Responsibility.	This was an engagement led by the Local Authority Pension Fund Forum on behalf of its members which concentrated on ensuring that the Company behaved transparently and responded to inquiries being conducted by committees of the Australian parliament. This involved discussions direct with the company and work with partner organisations such as the Australian Centre for Corporate Respsnsibility.
BARCLAYS *Barclays shares are held in the UK listed equity portfolio.*	The reasons for engaging were like HSBC. Barclays was identified by various investor groups as providing the highest level of funding for fossil fuel projects of any European bank and therefore engaging with them was regarded as a high priority.	To understand the degree and robustness of the Company's commitment to various targets given the fact that the Board and Shareholders had put similar but not identical resolutions to the 2020 AGM.	Both the Local Authority Pension Fund Forum and Robeco on behalf of Border to Coast met the Company's Chair and other senior executives several time s over a period of months, as well as undertaking discussions with ShareAction, the group behind the shareholder resolution. Importantly the Company took a positive attitude to engaging with shareholders in discussing these issues.	Barclays announces its commitment to become a Net Zero bank by 2050 and committed to align all financing activiti es with the goals and timelines of the Paris Agreement on climate change. The alignment of Barclays' portfolio will start with the energy and power sectors and will cover all sectors over time. Barclays will provide the transparent targets required to judge its progress and will report on them regularly, starting from 2021. This was confirmed in a Board supported resolution passed at the 2020 AGM. This represents the first major step in this direction

To help deliver the SDGs by 2030, the authority will use its ownership voice through voting and engagement to improve the governance and sustainability of its underlying investments. The scale of the task should not be underestimated but, working with others, we believe we are able to help companies understand where improvements need to be made, and provide constructive challenge and feedback on what needs to change.

While these example show the impact which our engagement activities have had we recognise that our investments have a wider range of impacts which we have begun to assess. More details are contained in our first Impact Report which we will be publishing later in the year as a companion document to this annual report.

Risks and Opportunities

When thinking about the Authority's investments in the context of the SDGs, there are four levels where these issues can be addressed:

Fund	Setting an overarching policy, generated from Core Investment Beliefs, that shapes the direction of travel;
Asset Allocation	Directing capital at deliberate strategies to maximise sustainable outcomes;
Portfolio	Setting explicit SDG expectations at the investment manager mandate level; and
Individual Investment	Understanding whether an investment manager has the competence to incorporate ESG factors into their everyday investment selection, monitoring and engagement processes.

Carrying out this Impact Report exercise has already revealed a number of investment risk and opportunity issues. On the following page we have summarised several key issues emerging from our analysis, together with what we believe to be their associated investment risks and opportunities in relation to the Authority's objective of assessing impact on the SDGs:

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Issue	Analysis Source	Why Investment Risk?	Why Investment Opportunity?
Potential insufficient detail/rigour in the Selection, Appointment and Monitoring process on RI/ESG by the Fund	Qualitative	Greenwashing and grade inflation are significant issues across the investment industry while there is still a large spread in the quality and sincerity of approaches by asset managers. Failure to uphold a high standard could encourage lacklustre approaches by managers and expose the Authority to the investment and reputational risk of being 'absentee'.	Having a well-considered process for assessing asset managers' approaches– across all asset classes to sustainability has the potential to result in more risk aware managers being appointed, investing in better run companies who should deliver better long-term investment returns.
Incorrect or missing application of the stated process in the Selection, Appointment and Monitoring process on RI/ESG by Border to Coast	Qualitative	Whilst our assessment of Border to Coast's approach to appointing and monitoring investment managers is good, there remains a risk that their stated process for assessing potential investment managers in terms of how they approach ESG factors is not applied, or not consistently applied.	By using – and demonstrating the use of – the stated policy, Border to Coast stand a good chance of ensuring any investment managers appointed will be ESG factor cognisant; and should therefore be a positive contributor towards the delivery of the SDGs.
Analysis has identified the current overlap between th e Authority's existing listed investments and the 2,000 most influential companies for a sustainable future	Quantitative	Analysis has identified the lowest sustainability-rated holdings of the Fund's SDG2000 holdings, which represent a potential investment risk if company management are not identifying and addressing all known risks and issues	Taking a proactive identification and engagement approach with the lowest sustainability -rated of the SDG2000 holdings – and indeed extending this approach across all of its investments - the Authority has the potential of improving these investee companies' governance of sustainability issues, to potentially improve long-term returns; and opportunities for SDG alignment and risk outperformance may also exist in identifying over time those companies with the greatest **positive** momentum on sustainability, as well as those high potential SDG impact companies that are fulfilling their potential .
Opportunity to implement new benchmarks aligned to SDGs	New issue	Limited experience with SDG investing due to relative youth of concept.	Incorporating SDGs into investment strategy can help to overcome "ethical subjectivity" often associated with ESG investing; new investment opportunities becoming available with pivot towards SD Gs/Low Carbon transition.

Impact Report Project - Next Steps

Minerva is continuing to collect investment information from all of the Authority's investment managers. When received, this information will be collated and grouped into NACE sectors, so that a complete picture of the Fund's exposure to the SDGs can be created. The report will also consider some of the contributors to, and detractors from, the SDGs, and go on to provide some additional information in relation to the Authority's future approach to measuring further progress against the SDGs. This report is expected to be ready by late summer/early autumn 2021, after which the Authority will move on to sharing its content with scheme stakeholders, to let them 'have their say' on the impact their investments are having on the delivery of the SDGs.

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While these example show the impact which our engagement activities have had we recognise that our investments have a wider range of impacts which we have begun to assess. More details are contained in our first Impact Report which we will be publishing later in the year as a companion document to this annual report. However, headlines from this assessment include:

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 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 we have added a new section on page 208 which signposts the information that demonstrates our compliance with these principles.

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.

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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.

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.

Source – TCFD Final Report June 2017

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.

7.4 MANAGING THE FUND'S INVESTMENTS

Climate Change

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 means 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

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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

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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.

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 also be looking 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.

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 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.

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- 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.

It is important to recognise that these are backward looking and a 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 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.

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 for those managing money on our behalf, particularly Border to Coast to analyse. Later in 2021 we will separately publish an impact report which will provide a first indication of the potential scale of emissions from our private market assets although this is likely to have to include a significant amount of estimated data.

Therefore, in this report we have concentrated on the listed equity portfolios and fixed income portfolios managed by Border to Coast where we have access to reasonably robust data. The pages that follow set out Border to Coast's report on the carbon emissions and associated data for these portfolios as at the end of 2020/21. Due to the way in which the use of this data is licensed this section of the report is entirely Border to Coast's analysis rather than that of the Authority.

The data provided by Border to Coast in the preceding sections shows that on all three measures (carbon intensity, weighted average carbon intensity, and carbon emissions) the level of emissions from each of the equity portfolios has reduced by more than the reduction implied by the benchmark index with a reduction of 53% in absolute emissions from the Overseas portfolio, 42% from emerging markets and 35% in the UK, when compared to the end of 2019/20. Further reductions are expected in the Emerging Markets portfolio because of the introduction of a more targeted China portfolio during the first quarter of 2021/22 and discission over how to make the other two portfolios more climate aware will begin during the summer of 2021, which will be likely to impact in the following year. While this significant improvement in performance is welcome, some of it will be due to the reversal of the technical factors which caused a deterioration of performance in the final quarter of last year. In addition to the pick up in economic activity following the pandemic may cause the trend in some of these measures to reverse in future years, given that there is a significant time lag in the provision of data.

Measures are now available for the Investment Grade Credit portfolio for the first time showing that the stock selection within this portfolio gives significantly better emissions performance on all three measures than is demonstrated in the benchmark index. Given the longer holding periods for stocks in this portfolio it is likely that these measures will remain fairly constant over time.

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Climate-related Financial Disclosures Report

At the time of this report South Yorkshire Pensions Authority 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 and private markets portfolios have not been conducted due in part to the paucity of available data and, in the case of private markets, the relative maturity 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.

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.

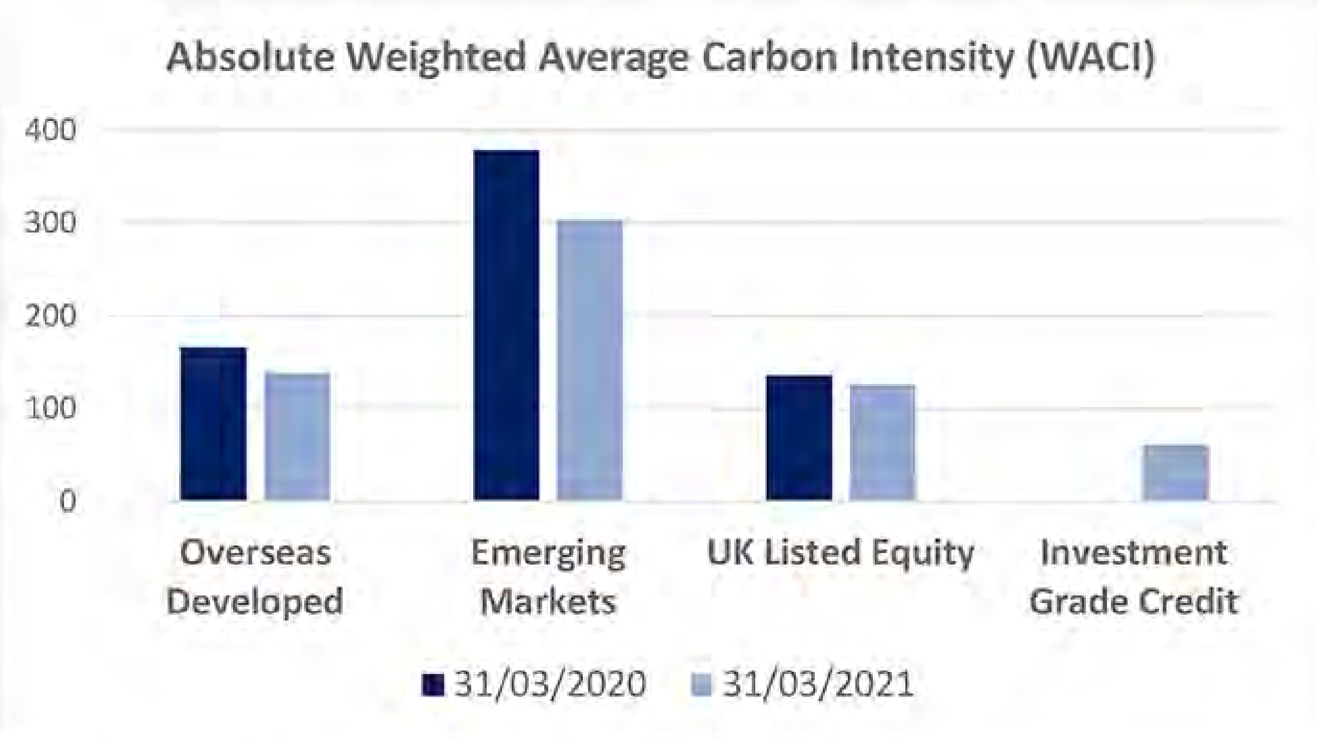
Although data is improving as companies provide better climate-related financial disclosures, the quality of corporate reporting remains inconsistent.

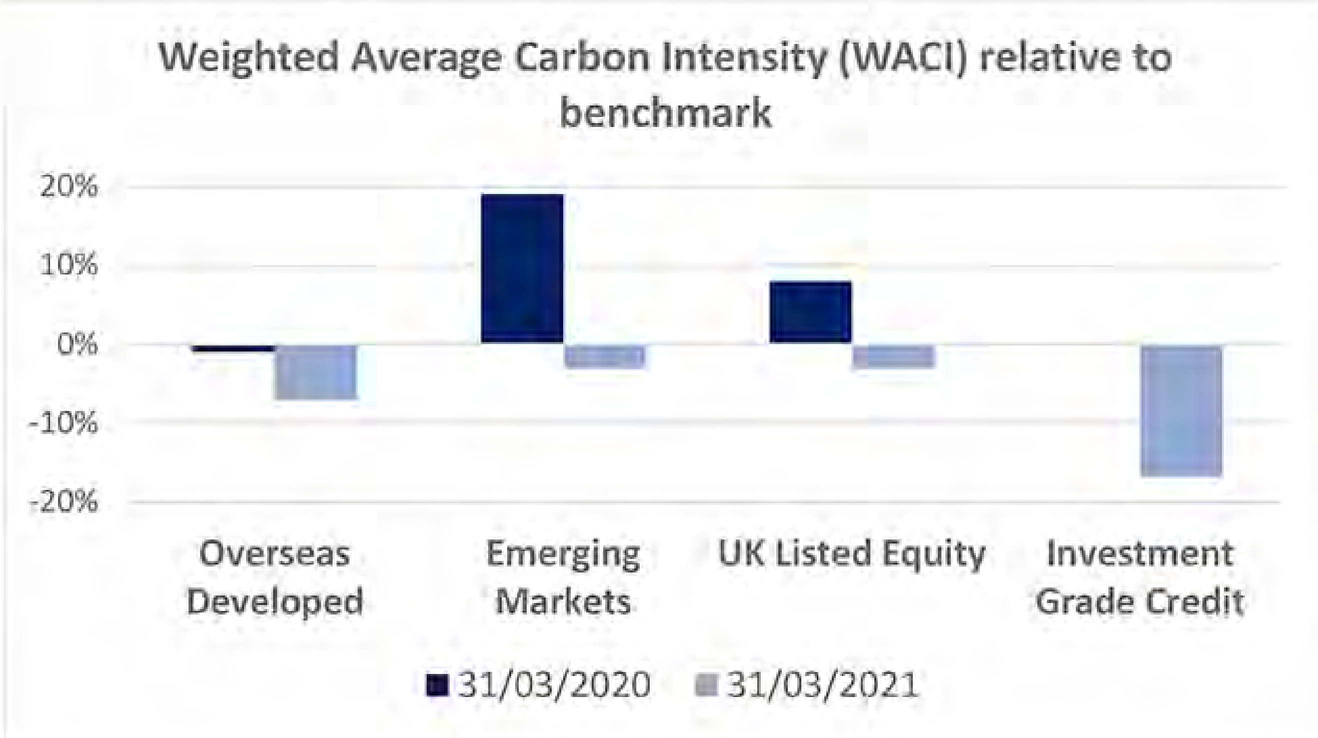
Some estimations must be made for companies that do not disclose data. As a carbon footprint captures a snapshot in time, we need to identify trends developing as the data we have increases. It should therefore be used in conjunction with other metrics whilst remaining aware of its limitations.

Carbon emissions, carbon intensity and weighted average carbon intensity data is considered in assessing risks when conducting carbon footprints. The tables below give the carbon data for all three metrics both in absolute terms and relative to the benchmarks as of 31st March 2021 for the listed equity funds and Investment Grade Credit fund.

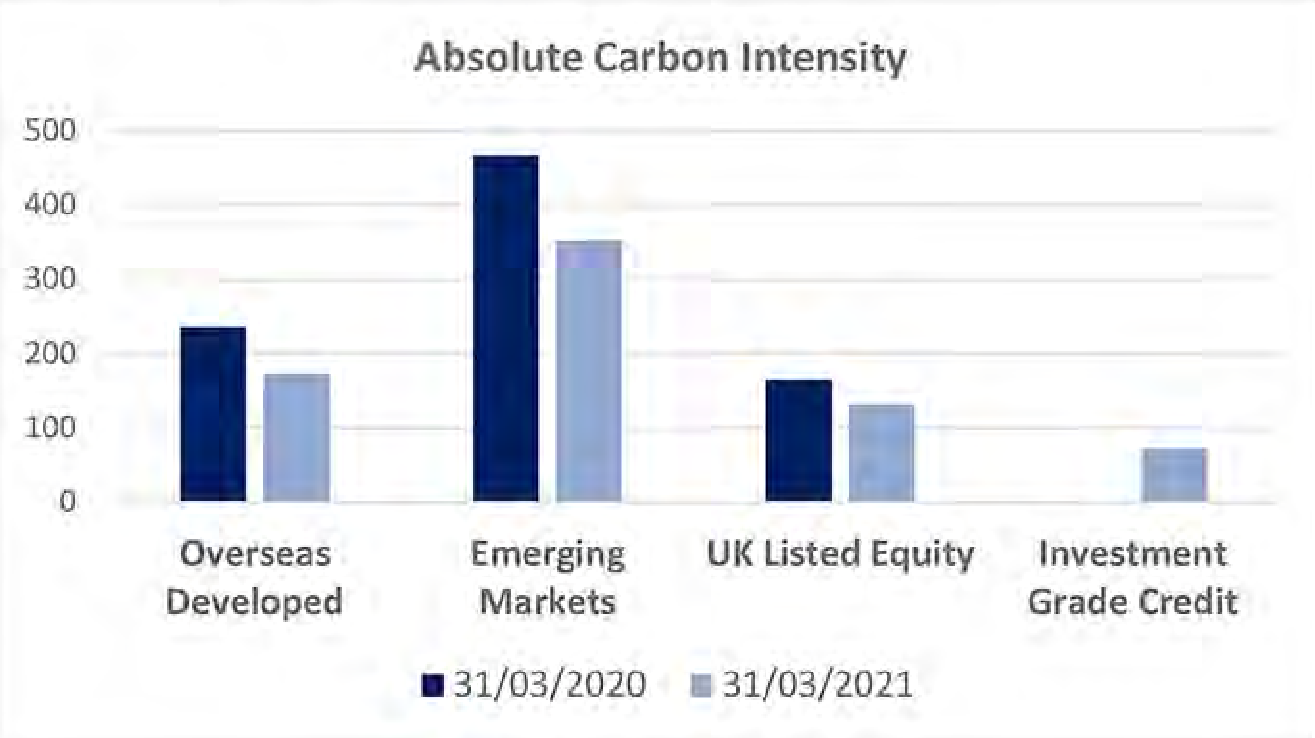
Portfolio	Weighted Average Carbon Intensity (t CO2e / $M Sales)		Carbon Intensity (t CO2e/$M Sales)		Carbon Emissions (per $M Invested)	
	Portfolio	Benchmark	Portfolio	Benchmark	Portfolio	Benchmark
Overseas Developed	139	150	173	204	87	112
Emerging Markets	304	314	352	447	218	252
UK Listed Equity	126	130	132	142	117	129
Investment Grade Credit	61	73	72	95	82	118

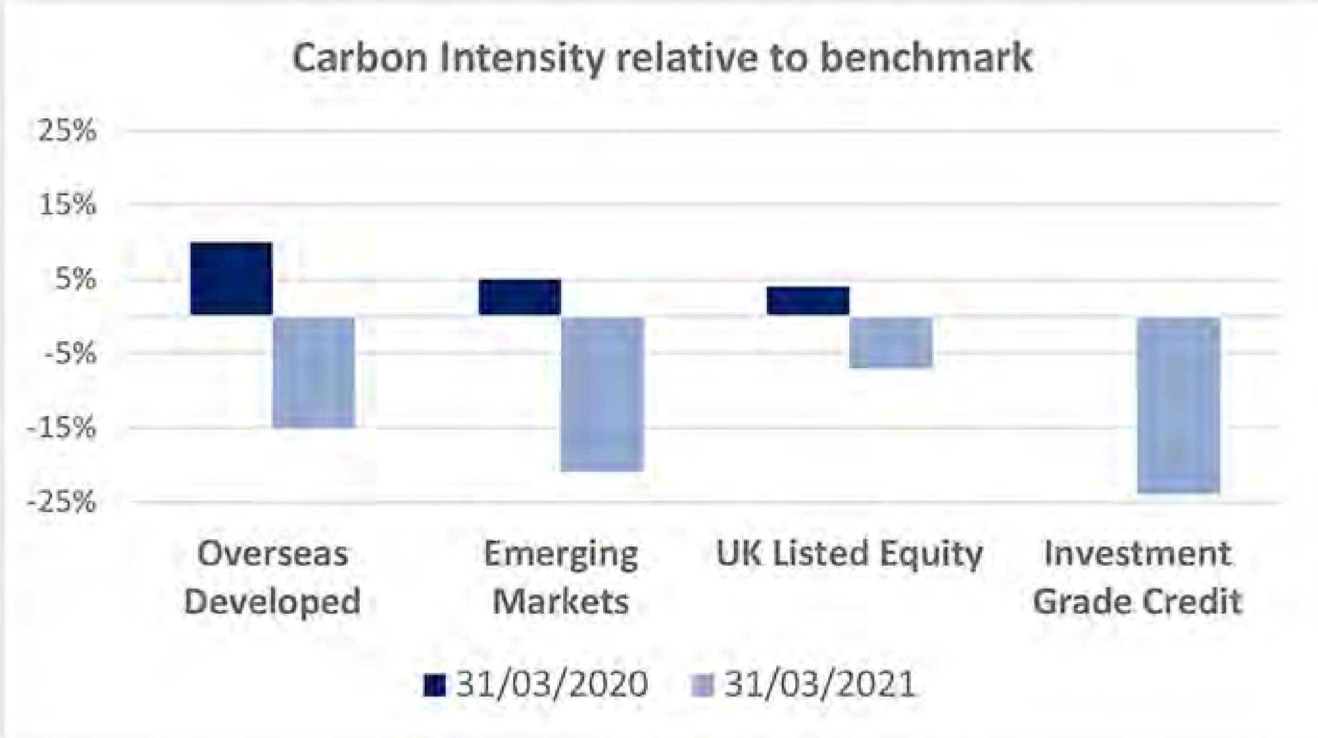
Source: MSCI ESG Research LLC. 31/03/2021





Source: MSCI ESG Research LLC. 31/03/2021





Source: MSCI ESG Research LLC. 31/03/2021

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and whose registered office is at **5th Floor Toronto Square, Toronto Street, Leeds, LS1 2HJ**
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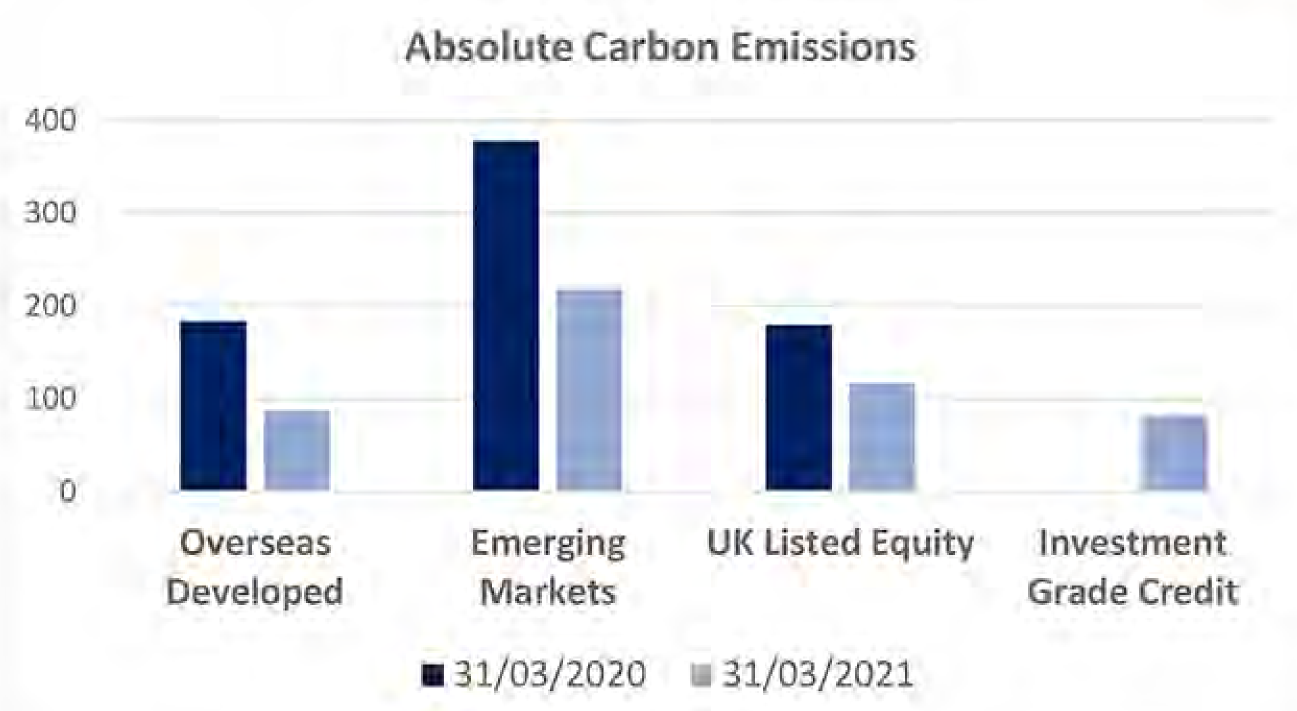

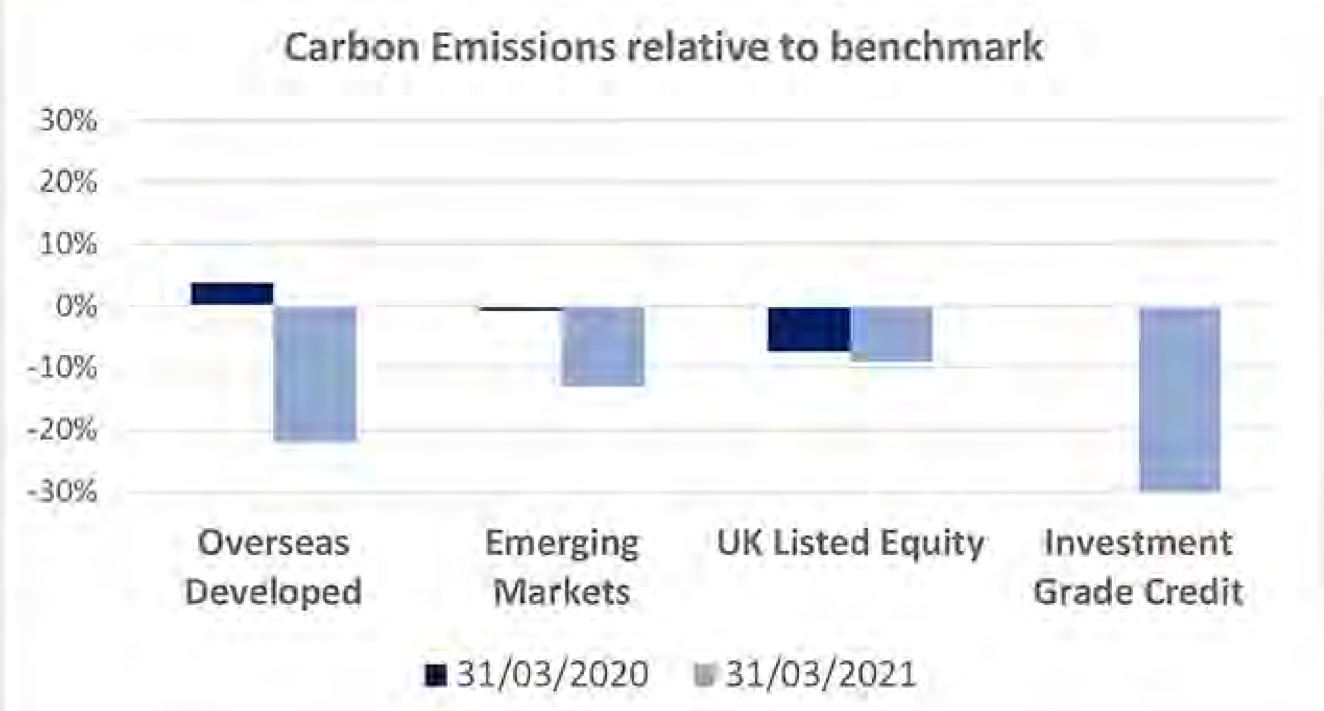

Source: MSCI ESG Research LLC. 31/03/2021.

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.

Border to Coast operates a mix of internally and externally managed funds with differing styles, risk/return parameters and varying degrees of portfolio concentration versus benchmarks; all these have an impact on carbon metrics. The internally managed listed equity funds which the Authority is invested in have less concentrated portfolios than the externally managed Border to Coast funds, which means that they are more likely to exhibit a carbon footprint that is closer to that of the benchmark.

There were some significant moves in the carbon data towards the end of the last reporting year away from trend as COVID-19 was just impacting stock markets and company valuations. This led to considerable falls in benchmarks' total market capitalisation in Q1 2020. This temporarily resulted in a higher allocation to, and ownership of, companies with higher emissions. This particularly affected the calculations of carbon intensity and weighted average carbon intensity.

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In this reporting period, there have been decreases in all carbon metrics both in absolute terms and relative to the benchmark in all the funds measured that the Authority are invested in. As the Investment Grade Credit fund launched midway through April 2020 carbon metrics were measured from the end of June 2020 onwards. There were big falls versus the benchmark across all the metrics for this fund. A number of big emitters have been sold across listed equity and fixed income portfolios in sectors including Oil & Gas, Utilities and Airlines, all high emitting sectors, reflecting the climate risk associated with companies in these sectors.

The carbon data allows us to identify the largest emitters and contributors to the overall carbon footprint by portfolio. However, as the carbon data are backward looking metrics, we use this information alongside other data and tools at our disposal to further analyse and identify risks and opportunities within portfolios. We therefore consider other metrics which include exposure to fossil fuel reserves, strength of carbon risk management and clean technology exposure. We also utilise the data from the Transition Pathway Initiative (TPI) to track how portfolio companies are managing climate risk.

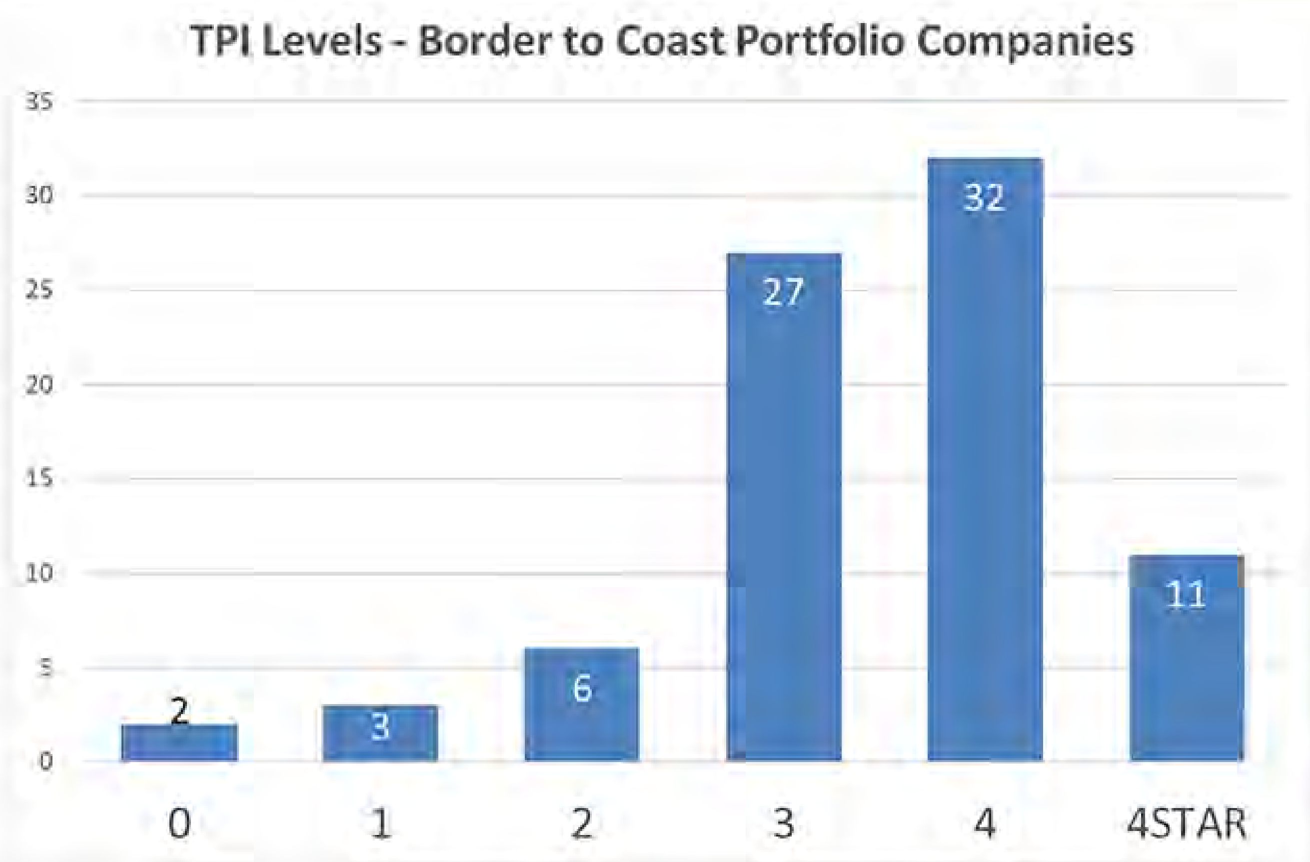
The Transition Pathway Initiative (TPI) is a global initiative led by asset owners and supported by asset managers. The TPI uses a framework to evaluate the quality of companies' management of greenhouse gas emissions associated with their business. It also assesses companies' planned or expected future carbon performance and how this compares to international targets and national pledges made as part of the Paris Agreement. The TPI currently covers over 400 publicly listed companies and continues to. Companies' management quality is assessed against a series of indicators, covering issues such as company policy, emissions reporting and verification, targets, strategic risk assessment and executive remuneration. Based on their performance against the indicators, companies are placed on one of six levels:

- Level 0 – Unaware of (or not Acknowledging) Climate Change as a Business Issue
- Level 1 – Acknowledging Climate Change as a Business Issue
- Level 2 – Building Capacity
- Level 3 – Integrated into Operational Decision-making
- Level 4 – Strategic Assessment
- Level 4* – Satisfies all management quality criteria

The TPI tool is used to assess portfolio companies and their scores. This shows how companies are managing climate risk, improvements in company practices over time and identifies targets for engagement. This information is also used to inform voting decisions and is reflected in Border to Coast's revised Voting Guidelines for 2021 where a vote against the Chair of the board will be cast if the company is rated 0 or 1 by the TPI and is not considered to be making progress. The majority of the largest carbon emitting companies are also covered by collaborative engagement initiatives, with some gaps in coverage in Japan and Emerging Markets. Portfolio managers provide investment rationale for holding the top emitters in portfolios.

The chart below shows the number of portfolio companies covered by the TPI in the Authority's portfolios and how they are scored

BORDER TO COAST PENSIONS PARTNERSHIP



A total of 81 Border to Coast portfolio companies have been rated by the Transition Pathway Initiative (TPI) representing approximately 16% of our assets under management. Out of the 81 portfolio companies rated by the TPI, a total of 70 (86%) 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. Although the total number of companies covered by TPI has decreased from 89 to 81 in the year, the proportion of Level 3/4/4* has increased from 82% and the number of 4* rated companies has increased from four to eleven.

Weight of companies owning fossil fuel reserves

The weight of companies holding fossil fuel reserves within both the portfolio and the benchmark is also assessed in order to consider the scale of risk around stranded assets. The percentage of portfolio companies owning fossil fuel reserves are broadly in line or underweight their respective benchmarks. The data is illustrated in the chart below.

Portfolio	Weight of companies owning fossil fuel reserves	Benchmark weight of companies owning fossil fuel reserves
Overseas Developed	7%	7%
Emerging Markets	11%	9%
UK Listed Equity	12%	13%

Source: MSCI ESG Research LLC, 31/03/2021

Weight of companies owning clean technology solutions

As well as monitoring the exposure to fossil fuels the weight of companies contributing to a low carbon transition is also assessed. This shows the Emerging Markets fund is more heavily weighted to providing clean technology solutions than the more developed markets.

Portfolio	Weight of companies owning clean technology solutions	Benchmark weight of companies owning clean technology solutions
Overseas Developed	37%	39%
Emerging Markets	45%	36%
UK Listed Equity	23%	24%

Source: MSCI ESG Research LLC, 31/03/2021

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** In accordance with the licence agreement between Border to Coast and MSCI*

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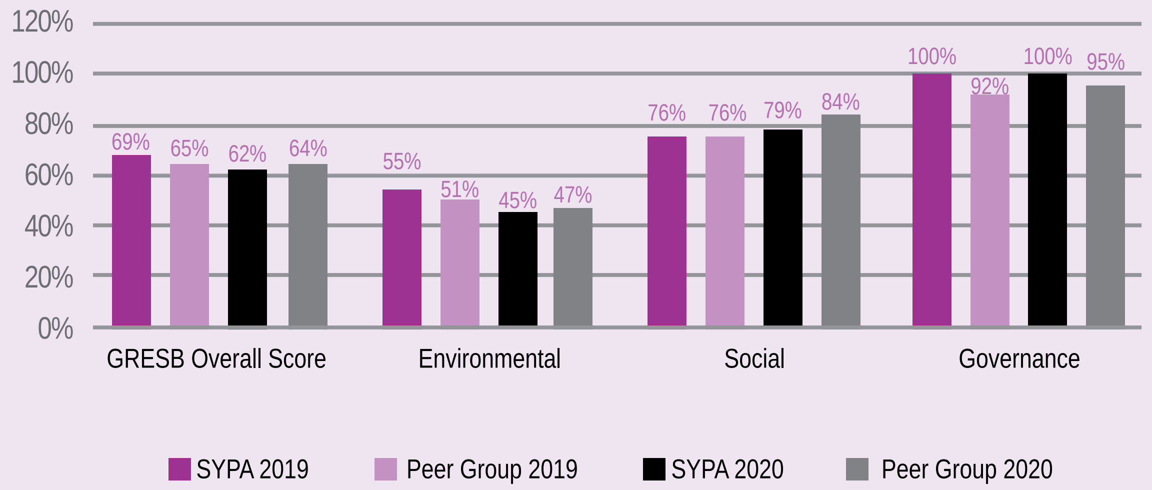
Commercial Property

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 both 2019 and 2020. It is important to note that over time GRESB is becoming more stringent, thus seeking to make asset owners continuously improve their performance.

Global Real Estate Sustainability Benchmarks Scores 2019 and 2020



As reported previously the Authority's ability to improve its performance in this area had been held back by an inability to gather data about the performance of individual properties because of the structure of the historical arrangements with the Managing Agent. These issues have been addressed and a new contract is in place from 1st April 2021 which will improve data collection and submission. In addition, an action plan for 2021 has been developed by Aberdeen Standard the Investment Manager to:

- Put in place an ESG action plan for each asset.
- Targe 70% (by rental value) of the portfolio to achieve energy performance certificates A-C (compared to 58% currently).
- Undertake feasibility studies for solar PV on each asset.
- Set a net-zero carbon pathway for the portfolio by the end of the 2021/22 financial year.
- Investigate the options for installing bike storage and EV charging points across the portfolio.
- Improve reporting of ESG metrics so that they are included within the manager's quarterly reports.

Describe the targets used by the organisation to manage climate-related risks and opportunities and performance targets.

During the 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.

Detailed interim targets leading toward this goal will be defined as part of the next investment strategy review. In the meantime, on a simple straight line basis achieving net zero by 2030 will require a 50% reduction in emissions from the 2020 baseline by 2025. It is unlikely that progress will be linear as wider factors like the pandemic and the recovery from it will have a significant impact on the actual level of emissions.

In next year's report we will set out both detailed interim targets and our forecast trajectory against those targets in line with our commitments under the Net Zero Investment Framework. We will also seek to identify the levers available to bring the trajectory in line with our 2030 Goal.

The Authority has agreed an action plan developed using the tools provided by the Paris Aligned Investment Initiative sponsored by the IIGCC. This is available on our website and sets out the first steps along the road to net zero. The focus is on achieving measurable reductions in absolute emissions and on actions that while impacting the net zero goal do not destabilise key elements of the investment process or generate unintended changes in the level of risk being taken within the investment portfolios.

7.5 MANAGING THE FUND'S INVESTMENTS

The UK Stewardship Code

The 2020 UK Stewardship Code sets expectations for how investors and those that support them, invest and manage money on behalf of UK savers and pensioners, and how this leads to sustainable benefits for the economy, the environment and society.

The Code is based around 12 principles and the following sections explain how we have addressed each principle and signpost the sections of this annual report which demonstrate how we have addressed each of the principles.

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Principle 1

Purpose, investment beliefs, strategy and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

See page 34

See page 153

See page 178

Details related to our overall purpose and objectives are set out in the Our Organisation Section and more detail in relation to investment in the Investment Review section with more information on our approach to stewardship and how we have worked with others to improve our impact in this fast moving area are set out in the Responsible Investment section.

Principle 2

Governance, resources and incentives support stewardship.

See page 40

See page 178

Information relating to our governance structures can be found in the Our Organisation section while more information about the way we collaborate with others and the policy framework that supports our work in this area are in the Responsible Investment Section.

Principle 3

Manage conflicts of interest to put the best interests of clients and beneficiaries first.

See page 178 [content to be added]

How we ensure we put the best interests of scheme members first is outlined in the Responsible Investment Section.

Principle 4

Identify and respond to market wide and systemic risks to promote a well-functioning financial system.

See page [Content to be added]

See page 48

Details of elements of our response to the Covid-19 pandemic one of the most significant market wide systemic impacts of recent decades is provided in the Our Organisation Section and in the Annual Governance Statement.

Principle 5

Review policies assure processes and assess the effectiveness of their activities.

See page 178

The way in which our policies interact and the process we use to review and update them are set out in the Responsible Investment Section.

Principle 6

Take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.

See page 40

See page 153

See page 178

Details related to our structure the investments we have made and our approach to understanding and communicating the impact we have are set out in the Our Organisation, Investment Review and Responsible Investment sections.

Principle 7

Systematically integrate stewardship and investment including material environmental, social and governance issues, and climate change to fulfil their responsibilities.

See page 178

Details of how we ensure that those managing money on our behalf integrate stewardship into their approaches are set out in the Responsible Investment Section.

Principle 8

Monitor and hold to account manager and/or service providers.

See page [Content to be added]

We have disclosed how we monitor and review third party service providers (principally Border to Coast) in the Responsible Investment section

Principle 9

Engage with issuers to maintain or enhance the value of assets.

See page 187

Detail related to how we implement engagement is set out in the engagement portion of the Responsible Investment section.

Principle 10

Where necessary, participate in collaborative engagement to influence issuers.

See page 185

We are both directly and indirectly (through Border to Coast) involved in a number of collaborative initiatives to strengthen our voice. We have provided detail related to this activity in the collaborations portion of the responsible investment section.

Principle 11

Where necessary, escalate stewardship activities to influence issuers.

See page 187

The way in which escalation is approached is set out in the engagement portion of the Responsible Investment section.

Principle 12

Actively exercise their rights and responsibilities

See page 179

Detail related to how votes are cast on our behalf are set out in the voting portion of the Responsible Investment Section.

Section **Eight**

FINANCIAL STATEMENTS

Cannon Hall, Barnsley

South Yorkshire Pensions Authority Annual Report 2020/2021

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

2019/20 £'000		2020/21 £'000	Note
	Dealings with members, employers and others directly involved in the Fund		
(308,108)	Contributions	(282,816)	[7]
(37,063)	Transfers in from other pension funds	(20,726)	[8]
(345,171)		**(303,542)**	
308,182	Benefits	314,330	[9]
29,618	Payments to and on account of leavers	16,870	[10]
337,800		**331,200**	
(7,371)	**Net (Additions)/withdrawals from dealings with members**	**27,658**	
49,419	Management expenses	64,658	[11]
42,048	**Net (Additions)/withdrawals including fund management expenses**	**92,316**	
	Returns on investments		
(73,456)	Investment income	(68,114)	[12]
1	Taxes on income	0	[12]
300,971	Profit and losses on disposal of investments and changes in value of investments	(1,715,874)	[14b]
227,516	**Net return on investments**	**(1,783,988)**	
269,564	**Net (increase) / decrease in the net assets available for benefits during the year**	**(1,691,672)**	
(8,439,965)	**Opening Net Assets of the Scheme**	(8,170,401)	
(8,170,401)	**Closing Net Assets of the Scheme**	**(9,862,073)**	

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8.4 FINANCIAL STATEMENTS

Net Assets Statement

31/3/2020 £'000		31/3/2021 £'000	Note
	Long-term investments		
833	Equities	1,182	
	Investment assets		
390,990	Fixed Interest Securities	409,648	
74,649	Equities	55,941	
170,737	Index-Linked Securities	192,840	
6,656,270	Pooled Investment Vehicles	8,296,976	
697,748	Direct Property	762,177	[14a]
0	Derivative Contracts	186	[15]
11,049	Cash - Foreign currency	9,370	
159,720	Cash - Sterling	116,520	
8,950	Other investment assets	7,443	
	Investment liabilities		
(11,995)	Derivative Contracts	(3,361)	[15]
0	Other investment liabilities	(4)	
8,158,951	**Total net investments**	**9,848,918**	[14a]
23,739	Current assets	26,472	[21a]
604	Long Term Debtors	39	[21b]
8,183,294		**9,875,429**	
(12,893)	Current liabilities	(13,356)	[22]
8,170,401	**Net assets of the Fund available to fund benefits at the end of the reporting period**	**9,862,073**	

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.

South Yorkshire Pensions Authority Annual Report 2020/2021

8.5 FINANCIAL STATEMENTS

NOTES TO THE SOUTH YORKSHIRE PENSION FUND FOR THE YEAR ENDED 31 MARCH 2021

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.

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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:

South Yorkshire Pension Fund	31 March 2020	31 March 2021
Number of employers with active members	526	533
Number of employees (active contributors)	49,866	51,050
Number of pensioners	55,189	57,308
Number of deferred pensioners *	56,422	58,511
Total number of members in the pension scheme	**161,477**	**166,869**

* Includes 9,073 unprocessed leavers at 31 March 2021 (5,483 at 31 March 2020).

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 2021. 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 30.8% of pensionable pay in 2020/21.

South Yorkshire Pensions Authority Annual Report 2020/2021

8.5 FINANCIAL STATEMENTS

NOTES TO THE SOUTH YORKSHIRE PENSION FUND FOR THE YEAR ENDED 31 MARCH 2021

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.**

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e) Investment Performance

The 2020/21 financial year has been extraordinary in that we have been impacted by the worst global pandemic since the Spanish Flu of 1918.

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.

Bond markets lagged this year with the higher risk emerging market bonds and high yield bond markets being the areas to add performance.

The oil price reached a 17-year low in April but then started to recover slowly during the summer months as economies started to come out of the first lockdown and showed stronger upward movements during the winter months as the vaccine roll-out led to hopes of a strong economic rebound.

Direct property transactions started to be evidenced in the second half of the year but the returns in the market were very polarised. Consumer facing sectors such as retail, leisure and hotels continued to face challenging trading conditions whilst supermarket and industrial sectors continued to show relative resilience. Our longer-term stance has been to be overweight in the south-east industrial sector which has been comparatively robust, and to be underweight in the retail sector and this led to outperformance of the benchmark.

Market returns show that this recession was unusual in that the recovery was not due to fundamental economic issues. Instead, it was due to large scale fiscal and central bank responses with many companies performing better than expected due to government support and increasing demand.

In terms of asset allocation for the Fund, there continued to be a reduction in the overall cash exposure in order to fund new investments within the alternative asset classes of private equity, private debt, infrastructure and property.

The equity protection that the Fund had had in place for two years rolled off in April 2020 and a decision was taken that, given that the Fund had been de-risking its overall strategy and given the market conditions prevailing at that time, it was not necessary to renew this protection. The strategy had worked as anticipated.

There was a negative impact to performance in April because markets were rising as the options were expiring but even given this, the Fund delivered a return of 21.1% over the year against an expected return of 18% (-3.6% in 2019/20 against an expected return of -4.5%) and it had a market value (net investment assets only) of £9,848 million at 31 March 2021 (£8,159 million at 31 March 2020).

2. Basis Of Preparation

The Statement of Accounts summarises the Fund's transactions for 2020/21 and its financial position at 31 March 2021. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (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 2020/21.

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) Contributions 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.

South Yorkshire Pensions Authority Annual Report 2020/2021

8.5 FINANCIAL STATEMENTS

NOTES TO THE SOUTH YORKSHIRE PENSION FUND FOR THE YEAR ENDED 31 MARCH 2021

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.

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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 Financ e 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 South Yorkshire Pensions Authority in respect of pensions administration are accounted for on an accruals basis and charged to the Fund.

Oversight and governance costs

All costs incurred by South Yorkshire Pensions 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 2021. 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).

8.5 FINANCIAL STATEMENTS

NOTES TO THE SOUTH YORKSHIRE PENSION FUND FOR THE YEAR ENDED 31 MARCH 2021

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.

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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 asset statement at amortised cost, i.e. the outstanding principle 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, Mercer Limited, 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 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.

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.

8.5 FINANCIAL STATEMENTS

NOTES TO THE SOUTH YORKSHIRE PENSION FUND FOR THE YEAR ENDED 31 MARCH 2021

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 preparations 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 asset 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 funding position as at the 31 March 2019 triennial valuation was a deficit of £63 million. The following examples illustrate the sensitivity of this figure to changes in the key assumptions: • a 0.25% reduction in the real investment return would increase the deficit by £379m • a 0.25% increase in salary growth would increase the deficit by £32m • a 0.25% per annum reduction in the long term improvement rate of life expectancy would reduce the deficit by £64m • a 25% fall in assets would increase the deficit by £2,110m
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. 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. The 31 December valuations are normally used, and rolled forward for known cash flows to derive the valuation at 31 March, on the basis that any changes in market value from 31 December to 31 March would be unlikely to be material. Each year, the reasonableness of this assumption is reviewed and checked against the fund manager statements at 31 March as they become available. The review of fund manager statements for 31 March 2021 indicated a material movement, therefore the valuations for these investments have been measured on the basis of the fund manager reports as at 31 March 2021 where available in order to take into account market movement from January to March 2021. The values at which these are carried in the Net Assets Statement on this basis is £130.8 million higher than if the valuations had been based on the 31 December 2020 financial statements and rolled forward.	Private equity investments are valued at £1,658 million at 31 March 2021 (£1,231 million at 31 March 2020) 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 8.2% this would reduce the value of these assets by £136 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 £860 million including both directly held property and property held in pooled investment vehicles. At 31 March 2021 there is a range of potential outcomes. Note 18 shows the effect, based on an assessed volatility range, of a fall of 4% 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 £85.7 million. However, it should be noted that this is illustrative only and is not necessarily indicative of the actual effects that would be experienced.

Property Valuations - COVID-19

In the accounts for the previous year ended 31 March 2020, it was reported that there was additional uncertainty over the valuations of property investments 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. The professional valuers commissioned by the Fund to value the directly held property as at 31 March 2021 have provided the following commentary.

The outbreak of COVID-19, declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, has and continues to impact many aspects of daily life and the global economy – with some real estate markets having experienced lower levels of transactional activity and liquidity. Travel restrictions have been implemented by many countries and "lockdowns" applied to varying degrees. The pandemic and the measures taken to tackle COVID-19 continue to affect economies and real estate markets globally. Nevertheless, as at the valuation date some property markets have started to function again, with transaction volumes and other relevant evidence returning to levels where an adequate quantum of market evidence exists upon which to base opinions of value. Accordingly, and for the avoidance of doubt, our valuation is not reported as being subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation – Global Standards.

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NOTES TO THE SOUTH YORKSHIRE PENSION FUND FOR THE YEAR ENDED 31 MARCH 2021

6. Events after the Reporting Period

The Statement of Accounts was authorised for issue on 13 August 2021. 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 2021, 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	2019/20 £'000	2020/21 £'000
Employees' contributions	**60,269**	**63,014**
Employers' contributions*		
Normal Contributions*	217,118	193,420
Deficit Recovery Contributions	24,047	20,720
Augmentation Contributions	6,674	5,662
Total Employers' Contributions	**247,839**	**219,802**
Total Contributions	**308,108**	**282,816**

By employer type	2019/20 £'000	2020/21 £'000
Administering Authority	716	624
Scheduled Bodies		
Barnsley MBC	20,981	24,803
Doncaster MBC	12,565	51,281
Rotherham MBC	24,523	55,315
Sheffield CC	138,012	25,733
Other Scheduled Bodies	96,323	111,278
Admitted Bodies	14,988	13,782
Totals	**308,108**	**282,816**

*** 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 payments early, 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 have been 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 and are included in the figures shown above for 2019/20.

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NOTES TO THE SOUTH YORKSHIRE PENSION FUND FOR THE YEAR ENDED 31 MARCH 2021

8. Transfers In from other pension funds

	2019/20 £'000	2020/21 £'000
Group transfers	0	0
Individual transfers	37,063	20,726
Totals	**37,063**	**20,726**

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9. Benefits payable

By category	2019/20 £'000	2020/21 £'000
Pensions	239,618	250,114
Commutation and lump sum retirement benefits	63,216	56,345
Lump sum death benefits	5,348	7,871
Totals	**308,182**	**314,330**

By employer type	2019/20 £'000	2020/21 £'000
Administering Authority	1,009	673
Scheduled Bodies		
Barnsley MBC	41,771	41,194
Doncaster MBC	44,740	46,269
Rotherham MBC	43,883	44,369
Sheffield CC	93,030	93,648
Other Scheduled Bodies	57,584	59,102
Admitted Bodies	26,165	29,075
Totals	**308,182**	**314,330**

10. Payments to and on account of leavers

	2019/20 £'000	2020/21 £'000
Refunds to members leaving service	439	365
Group transfers	7,981	0
Individual transfers	21,286	16,507
Payments for members joining state scheme	(88)	(2)
Totals	**29,618**	**16,870**

11. Management expenses

	2019/20 £'000	2020/21 £'000
Administrative costs	3,025	2,962
Investment management expenses (Note 11a)	44,478	59,600
Oversight and governance costs	1,916	2,096
Totals	**49,419**	**64,658**

11a. Investment management expenses

	2019/20 £'000	2020/21 £'000
Internal management costs	596	506
External Management Costs - Border To Coast	2,066	3,891
Bond manager	451	0
Property advisor fees	1,169	1,190
Equity Protection manager	469	10
Custody	79	38
Research fees	30	28
Transaction costs	1,331	1,295
Management fees deducted at source	37,790	52,431
Irrecoverable VAT	497	211
Totals	**44,478**	**59,600**

In accordance with CIPFA guidance management fees deducted at source and transaction costs are now 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.
In addition to these costs, indirect costs are incurred through the bid-offer spread on investments sales and purchases. These are reflected in the cost of investment acquisitions and in the proceeds from the sales of investments.

12. Investment income

	2019/20 £'000	2020/21 £'000
Income from equities	2,636	971
Income from fixed interest securities	30,167	28,409
Income from index linked securities	2,623	1,846
Income from pooled investment vehicles	8,004	9,381
Net property income (Note 12a)	27,308	26,640
Interest on cash deposits	2,232	353
Stock lending	174	129
Other	312	385
Total Before Taxes	**73,456**	**68,114**
Irrecoverable withholding tax on equities	(1)	0
Net Investment income	**73,455**	**68,114**

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.

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NOTES TO THE SOUTH YORKSHIRE PENSION FUND FOR THE YEAR ENDED 31 MARCH 2021

	2019/20 £'000	2020/21 £'000
Border to Coast UK	48,805	30,795
Border to Coast Developed Overseas	61,498	53,370
Border to Coast Emerging Markets	18,965	16,775
Border to Coast Index Linked Bonds	0	527
	129,268	**101,467**

12a. Property income

	2019/20 £'000	2020/21 £'000
Rental income	28,189	28,752
Other dividends and interest	210	0
Direct operating expenses	(1,091)	(2,112)
Net income	**27,308**	**26,640**

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

13a. Other fund account disclosures - External audit costs

	2019/20 £'000	2020/21 £'000
Fees payable in respect of external audit	32	49
	32	**49**

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

	2019/20 £'000	2020/21 £'000
Irrecoverable VAT included in administration cost	75	101
Irrecoverable VAT included in investment management expense	497	211
Irrecoverable VAT included in Oversight & Governance cost	49	50
	621	**362**

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

2019/20		2020/21 £'000	2020/21 £'000
	Long Term Investments		
833	Equities	1,182	1,182
	Investment Assets		
	Equities		
74,649	Overseas quoted	55,941	
74,649			**55,941**
	Fixed Interest Securities		
79,071	UK Corporate bonds	68,727	
140,137	Overseas public sector quoted	184,698	
171,782	Overseas other quoted	156,223	
390,990			**409,648**
	Index Linked Securities		
68,685	UK public sector quoted	192,840	
102,052	UK corporate bonds	0	
170,737			**192,840**
	Pooled Investment		
	UK		
1,028,787	Equities	1,025,943	
95,810	Private Equity	119,766	
47,050	Credit	54,361	
83,805	Infrastructure	126,967	
1,480,613	Other managed funds	1,438,514	
	Overseas		
2,687,165	Equities	3,722,241	
476,469	Private Equity	695,479	
292,792	Credit	356,991	
235,313	Infrastructure	304,930	
99	Hedge fund of funds	0	
152,001	Other managed funds	352,190	
	Indirect Property		
62,402	UK Property	86,038	
13,964	Overseas Property	13,556	
6,656,270			**8,296,976**
	Direct Property		
575,552	UK Freehold	643,569	
108,495	UK Leasehold	104,645	
13,701	UK Other	13,963	
697,748			**762,177**
	Derivative Contracts		
0	Forward currency contracts	186	
	Cash Deposits		
159,720	Sterling	116,520	
11,049	Foreign Currency	9,370	
	Receivables		
8,752	Investment income due	7,443	
198	Amounts Receivable - Sales	0	
8,170,946	**Total Investment Assets**		**9,852,283**
	Investment liabilities		
	Derivative Contracts		
(11,995)	Forward currency contracts	(3,361)	
0	Amounts payable for purchases	(4)	
(11,995)	**Total Investment liabilities**		**(3,365)**
8,158,951	**Net Investment Assets**		**9,848,918**

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NOTES TO THE SOUTH YORKSHIRE PENSION FUND FOR THE YEAR ENDED 31 MARCH 2021

14b. Reconciliation of movements in investments and derivatives

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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**

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NOTES TO THE SOUTH YORKSHIRE PENSION FUND FOR THE YEAR ENDED 31 MARCH 2021

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**	

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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.

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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.

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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)**

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NOTES TO THE SOUTH YORKSHIRE PENSION FUND FOR THE YEAR ENDED 31 MARCH 2021

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.

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NOTES TO THE SOUTH YORKSHIRE PENSION FUND FOR THE YEAR ENDED 31 MARCH 2021

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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**

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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.

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NOTES TO THE SOUTH YORKSHIRE PENSION FUND FOR THE YEAR ENDED 31 MARCH 2021

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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**

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8.5 FINANCIAL STATEMENTS

NOTES TO THE SOUTH YORKSHIRE PENSION FUND FOR THE YEAR ENDED 31 MARCH 2021

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.

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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.

8.5 FINANCIAL STATEMENTS

NOTES TO THE SOUTH YORKSHIRE PENSION FUND FOR THE YEAR ENDED 31 MARCH 2021

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

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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	Value as at 31 March 2021	Potential market movements	Potential value on increase	Potential value on decrease
2021	*£'000*	*(+/-)*	*£'000*	*£'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	Value as at 31 March 2020	Potential market movements	Potential value on increase	Potential value on decrease
2020	*£'000*	*(+/-)*	*£'000*	*£'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**

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NOTES TO THE SOUTH YORKSHIRE PENSION FUND FOR THE YEAR ENDED 31 MARCH 2021

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.

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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:

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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**

8.5 FINANCIAL STATEMENTS

NOTES TO THE SOUTH YORKSHIRE PENSION FUND FOR THE YEAR ENDED 31 MARCH 2021

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.

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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**

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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.

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NOTES TO THE SOUTH YORKSHIRE PENSION FUND FOR THE YEAR ENDED 31 MARCH 2021

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).

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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

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NOTES TO THE SOUTH YORKSHIRE PENSION FUND FOR THE YEAR ENDED 31 MARCH 2021

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

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NOTES TO THE SOUTH YORKSHIRE PENSION FUND FOR THE YEAR ENDED 31 MARCH 2021

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.

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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.*

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.

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.

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NOTES TO THE SOUTH YORKSHIRE PENSION FUND FOR THE YEAR ENDED 31 MARCH 2021

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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 £'000	31/3/21 £'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 £'000	31/3/21 £'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 £'000	2019/21 £'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

8.5 FINANCIAL STATEMENTS

NOTES TO THE SOUTH YORKSHIRE PENSION FUND FOR THE YEAR ENDED 31 MARCH 2021

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.

8.5 FINANCIAL STATEMENTS

NOTES TO THE SOUTH YORKSHIRE PENSION FUND FOR THE YEAR ENDED 31 MARCH 2021

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.

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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).

8.6 FINANCIAL STATEMENTS

Independent Auditor's Report

Independent Auditor’s Statement

to the members of South Yorkshire Pensions Authority on the Pension Fund financial statements

Page 350

We have examined the pension fund financial statements for the year ended 31 March 2021, which comprise the Fund Account, the Net Assets Statement and the related notes 1 to 26.

Respective responsibilities of the Treasurer and the auditor

As explained more fully in the Statement of the Treasurer’s Responsibilities, the Treasurer is responsible for the preparation of the pension fund’s financial statements in accordance with applicable United Kingdom law.

Our responsibility is to report to you my opinion on the consistency of the pension fund financial statements within the pension fund annual report with the pension fund financial statements in the statement of accounts of South Yorkshire Pensions Authority, and its compliance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

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 the effects of any events between the date we signed our report on the pension fund financial statements in the full annual statement of accounts (13 August 2021) and the date of this statement.

Use of our report

This report is made solely to the members of South Yorkshire Pensions Authority (‘the Authority’), as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

Nicola Wright

Nicola Wright (Appointed auditor)
For and on behalf of Deloitte LLP
Newcastle upon Tyne, United Kingdom
9 September 2021

Section **Nine**

GLOSSARY

Boston Park, Rotherham

9

9.1 GLOSSARY

Glossary of terms

A

Accruals (Accrual Accounting)
The fundamental accounting principle that income and expenditure are recognised as they are earned or incurred, not as money is received or paid. When income is due to the Authority but has not been received an accrual is made for the debtor. When the Authority owes money but the payment has not been made an accrual is made for the creditor.

Active member
An employee who is currently paying pension contributions.

Actuarial/Actuary
The science and profession of using mathematical techniques to model and quantify the financial effects of uncertain future events. For the Authority this is relevant in the context of accounting for the Pension Fund, where future transactions of the Fund will occur so far into the future that they cannot yet be known with certainty.

Actuarial valuation
SYPA's actuary carries out an actuarial valuation every three years and recommends the level of contributions for each of the Fund's participating employers for the following three years. The valuation will measure the size of the Fund against its future liabilities and set contribution rates according to the Fund's deficit or surplus.

Additional voluntary contributions (AVCs)
These are extra payments to increase future benefits. Members can also pay AVCs to provide additional life cover.

All local government pension funds have an in-house AVC scheme that members can invest money in through an AVC provider, often an insurance company or building society.

Administering authority
The LGPS is run by administering authorities, for example county councils, in accordance with regulations approved by parliament. Each administers their own Fund, into which all contributions are paid. Every three years, independent actuaries carry out a valuation of each fund and set the rate at which the participating employers must contribute to fully fund the payment of scheme benefits for that fund's membership.

Admitted Body
Admitted bodies are 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.

Amortisation
The way in which an asset or liability is accounted for over more than one period (other than property, plant and equipment, for which depreciation applies).

Asset allocation
This is putting an investment strategy in place that tries to balance risk against reward by adjusting the percentage of each asset in an investment portfolio according to an investor's risk tolerance, goals and investment time frame.

B

Best Value
Best Value was introduced in England and Wales by the Local Government Act 1999. Its provisions came into force in April 2000. The aim was to improve local services in terms of both cost and quality. A Best Value authority must make arrangements to secure continuous improvement in the way in which its functions are exercised, taking into account a combination of economy, efficiency and effectiveness.

BREEAM
BREEAM is the world's leading sustainability assessment method for masterplanning projects, infrastructure and buildings. It recognises and reflects the value in higher performing assets across the built environment lifecycle, from new construction to in-use and refurbishment. It is used to measure the sustainability of properties owned by the Authority.

Brent oil price
Brent Crude is a major trading classification of sweet light crude oil that serves as a benchmark price for purchases of oil worldwide. It is quoted in US$ in price per barrel.

Career average revalued earnings (CARE) pension scheme
From 1 April 2014, for every year they pay into the LGPS, scheme members get a pension of 1/49th of their pay, which is added to their pension account and revalued every year in line with a government treasury order currently linked to the Consumer Prices Index.

C

Cash equivalent value (CEV)
This is the cash value of a member's pension rights for the purposes of divorce or dissolution of a civil partnership.

Chartered Institute of Public Finance and Accountancy (CIPFA)
CIPFA is a UK accountancy body, specialising in the finances of the public sector. CIPFA is responsible for determining the accounting rules and procedures that apply to local authorities and other public bodies.

Climate Change
A change in global or regional climate patterns, in particular, a change apparent from the mid to late 20th century onwards and attributed largely to the increased levels of atmospheric carbon dioxide produced by the use of fossil fuels.

Code of Practice on Local Authority Accounting in the United Kingdom (the Code)
This document is produced by CIPFA. It defines proper accounting practices for local authorities in the United Kingdom, and is generally abbreviated to 'the Code' in the text. The Code is based on International Financial Reporting Standards.

Consumer Price Index (CPI)
This is a method of measuring the changes in the cost of living, similar to the Retail Price Index. From April 2011 the amount pensions are increased annually is based on movement in the Consumer Price Index during the 12 months to the previous September.

9.1 GLOSSARY

Glossary of terms

Contingent Assets
These are possible assets that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future event not wholly within the control of the Authority.

Contingent Liabilities
These are material liabilities where the contingent loss cannot be accurately estimated or is not considered sufficiently certain to include in the accounts. They are therefore brought to the attention of readers of the accounts as a note to the Balance Sheet.

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Commutation
This is giving up part or all of the pension payable from retirement in exchange for an immediate lump sum.

Convertible shares
These are shares that include an option for holders to convert into a predetermined number of ordinary shares, usually after a set date.

Creditors
Amounts owed by the Authority for work done, goods received or services rendered, but for which payment has not been made at the end of the year.

Custodian
This is a financial institution that holds customers' securities for safekeeping to minimise the risk of theft or loss. Most custodians also offer account administration, transaction settlements, collection of dividends and interest payments, tax support and foreign exchange.

Data governance
This refers to the overall management of the availability, usability, integrity, and security of data used in an enterprise. A sound data governance programme includes a governing body, a defined set of procedures, and a plan to execute those procedures.

Death grant
This is a lump sum paid by the pension fund to the dependants or nominated representatives of a member who dies.

Debtors
Sums of money owed to the Authority but not received at the end of the year.

Deferred pensioner
A former member of the LGPS who has left the scheme, but still has benefits in the scheme and will collect a pension from the LGPS on retirement.

Deficit payments
Pension schemes have a legal requirement to reduce any deficit – the difference between a scheme's assets and its liabilities – over time, by making additional payments

Denomination
This is the face value of a banknote, coin, or postage stamp, as well as bonds and other fixed-income investments. Denomination can also be the base currency in a transaction, or the currency a financial asset is quoted in.

Discretion
This is the power given by the LGPS to enable a council or administering authority to choose how they will apply the scheme in respect of certain of its provisions. Under the LGPS they are obliged to consider certain of these discretionary provisions and to pass resolutions to form a policy of how they will apply the provision. For the remaining discretionary provisions, they are advised to do so. They have a responsibility to act with 'prudence and propriety' in formulating their policies and must keep them under review.

Direct property
Direct investment in property is buying all or part of a physical property. Property owners can receive rent directly from tenants and realise gains or losses from the sale of the property.

Earmarked Reserve
A sum set aside for a specific purpose.

Eligible councillor
This is a councillor or an elected mayor (other than the Mayor of London) who is eligible for membership of the LGPS in accordance with the scheme of allowances published by an English county council, district council or London borough council or by a Welsh county council or county borough council.

Emoluments
Payments received in cash and benefits for employment.

Employer covenant
This is an employer's legal obligation and financial ability to support their defined benefit pension scheme now and in the future. Assessing the strength of the covenant helps decide the appropriate level of risk when setting investment strategy.

Equity Risk Premium
Also referred to as simply equity premium, this is the excess return that investing in the stock market provides over a risk-free rate, such as the return from government treasury bonds. This excess return compensates investors for taking on the relatively higher risk of equity investing.

Finance Lease
A lease that transfers substantially all of the risks and rewards of ownership of property, plant and equipment to the lessee. The payments usually cover the full cost of the asset together with a return for the cost of finance.

Financial instruments
A financial instrument is defined as any contract that gives rise to a financial asset of one entity and a financial liability of another. The term covers both financial liabilities and financial assets and includes the borrowing, lending, soft loans, financial guarantees and bank deposits of the Authority.

Fixed income securities
A fixed-income security is an investment that provides a return in the form of fixed periodic payments and the eventual return of principal at maturity. Unlike a variable-income security, where payments change based on some underlying measure such as short-term interest rates, the payments of a fixed-income security are known in advance.

Fund of funds (FoF)
This is a fund that holds a portfolio of other investment funds.

9.1 GLOSSARY

Glossary of terms

General partners
These are owners of a partnership with unlimited liability. General partners are often managing partners who are active in the daily operations of a business.

GRESB
The Global Real Estate Sustainability Benchmark is a source of reliable and comparable data on the ESG performance of real estate investments.

Guaranteed minimum pension (GMP)
The LGPS guarantees to pay a pension that is at least as high as a member would have earned had they not been contracted out of the State Earning Related Pension Scheme (SERPS) at any time between 6 April 1978 and 5 April 1997. This is called the guaranteed minimum pension (GMP).

Impact Investing
Investments made into companies, organisations, and funds with the intention to generate a measurable, beneficial social or environmental impact alongside a financial return. Impact investments provide capital to address social and/or environmental issues.

Index-linked bonds
These are bonds in which payment of income on the principal is related to a specific price index - often the Consumer Price Index. This feature provides protection to investors by shielding them from changes in the underlying index. The bond's cash flows are adjusted to ensure that the holder of the bond receives a known real rate of return.

Internal rates of return (IRR)
This is the discount rate often used in capital budgeting that makes the net present value of all cash flows from a particular project equal to zero.

International Accounting Standards (IAS)
These standards were issued by the International Accounting Standards Committee (IASC). These standards have now largely been replaced by International Financial Reporting Standards.

International Financial Reporting Standards (IFRS)
These are accounting standards issued by the International Accounting Standards Board.

Investment Properties
Land and buildings that are held for capital gain and rental income and not for the provision of services.

Liabilities
Amounts due to individuals or organisations which will have to be paid at some time in the future. Current liabilities are usually payable within one year of the balance sheet date.

Local government
As well as the staff of local councils this term covers police and fire civilian staff, a registration officer, a coroner, employees of a valuation tribunal, employees of a passenger transport authority, employees of the Environment Agency, non-teaching employees of an academy, or a Further or Higher Education Corporation.

South Yorkshire Pensions Authority Annual Report 2020/2021

Materiality
An item is material if its omission, non-disclosure or mis-statement in financial statements could be expected to lead to a distortion of the view given by the financial statements.

Myners' principles
This is a set of principles based on Paul Myners' 2001 report, Institutional Investment in the United Kingdom.

The Myners' principles for defined benefit schemes cover:

- effective decision-making
- clear objectives
- risk and liabilities
- performance assessment
- responsible ownership
- transparency and reporting

Operating Leases
Leases other than a finance lease. Under operating leases the risks and rewards of ownership remain substantially with the lessor.

Ordinary shares
An ordinary share represents equity ownership in a company and entitles the owner to vote at general meetings of that company and receive dividends on those shares if dividend is payable.

Pension board
Pension boards make sure each scheme complies with governance and administration requirements. Boards may have additional duties, if scheme or other regulations specify them. They must have an equal number of employer representatives and member representatives, plus other types of members, like independent experts. All pension board members have a duty to act in line with scheme regulations and other governing documents.

Pension liberation fraud
Members with deferred benefits may be approached by companies offering to release funds early from these benefits.

The Pensions Regulator has advised pension funds to make members aware of the potential warning signs of pension liberation fraud.

Personal pension
A personal pension plan is usually purchased from a financial services company, such as an insurance company, bank, investment company or building society. Members usually pay into the plan every month and employers can also contribute to the plan.

Policy statement
This is a statement that councils and administering authorities must produce, setting out the policies they have resolved to follow in exercising certain discretions under the LGPS.

Pooled funds
These are aggregated funds from multiple individual investors. Investors in pooled fund investments benefit from economies of scale for lower trading costs, diversification and professional money management.

9.1 GLOSSARY

Glossary of terms

Principles for Responsible Investment (PRI or UNPRI)
The six Principles for Responsible Investment originally developed by the UN are a voluntary and aspirational set of investment principles that offer a menu of possible actions for incorporating ESG issues into investment practice.

Prior Year Adjustments
Material adjustments applicable to prior years, arising from changes in accounting policies or from other corrections.

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Private Equity
Private equity is equity capital that is not quoted on a public exchange. Private equity consists of investors and funds that make investments directly into private companies or conduct buyouts of public companies that result in a delisting of public equity. Capital for private equity is raised from retail and institutional investors, and can be used to fund new technologies, expand working capital within an owned company, make acquisitions, or to strengthen a balance sheet.

Provisions
Contributions to provisions are amounts charged to the revenue account during the year for costs with uncertain timing where a reliable estimate of the cost involved can be made.

Quality management
This makes sure that an organisation, product or service is consistent. It has four main components: quality planning, quality control, quality assurance and quality improvement.

Quantitative easing
Quantitative easing (QE) is when a central bank creates new money electronically to buy financial assets like government bonds with the aim of directly increasing private sector spending in the economy and returning inflation to target.

Related Parties
Individuals or bodies who have the potential to influence or control the Authority or to be influenced or controlled by the Authority.

Related party transactions
This is an arrangement between two parties joined by a special relationship before a deal, like a business transaction between a major shareholder and a corporation.

Responsible Investment
A strategy and practice to incorporate environmental, social and governance (ESG) factors in investment decisions and active ownership

Retail Prices Index
This is another method of measuring the changes in the cost of living. It reflects the movement of prices covering goods and services over time. Until April 2011, the amount by which pensions were increased annually was based on movement in the Retail Price Index during the 12 months to the previous September. From April 2011 the government changed the amount by which pensions increase from Retail Price Index to Consumer Price Index.

Rule of 85
Under previous regulations, when a member elected to retire before age 65, the Rule of 85 test was used to find out whether the member retired on full or reduced pension benefits. The agreement of the employer was required for employees who wished to retire before the age of 60. If the sum of the member's age and the number of whole years of their Scheme membership was 85 or more, benefits were paid in full; if the total was less than 85, the benefits were reduced. The employer had the power to waive the reduction on compassionate grounds and to pay the benefits in full. The Rule of 85 was not relevant where a member was made redundant, or was retired on grounds of efficiency or ill health.

The Rule of 85 was abolished on 1st October 2006. However, members contributing to the LGPS prior to this date will have some or all of their pension benefits protected under this rule.

Scheduled body
Scheduled bodies are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund.

Spot rate
This is the price quoted for immediate settlement on a commodity, a security or a currency. It's based on the value of an asset at the moment of the quote, and this in turn is based on how much buyers are willing to pay and how much sellers are willing to accept, which depends on factors such as current market value and expected future market value.

Stakeholder pension
This is a low-cost private pension; they became available from 6 April 2001. They are meant for people who currently do not have a good range of pension options available to save for their retirement. Contributors use their own money to build up a pension fund.

State pension age
This is the earliest age people can receive the state basic pension.

State Second Pension (S2P)
The State Second Pension (formerly SERPS) is the additional state pension, payable from State pension age by the Department for Work and Pensions. LGPS members are contracted out of S2P and most pay lower national insurance contributions as a result.

Statutory compliance
This means following the laws on a given issue.

9.1 GLOSSARY

Glossary of terms

Stock lending
This is loaning a stock, derivative, or other security to an investor or firm. It requires the borrower to put up collateral (cash, security or a letter of credit). When stock is loaned, the title and the ownership is transferred to the borrower, and title is returned at the end of the loan period.

Subsumption
This is when a new company takes over an old company so that the old company becomes one with the new.

TCFD
Task Force on Climate-related Financial Disclosures (TCFD) was set up in 2015 by the Financial Stability Board (FSB) to develop voluntary, consistent climate-related financial risk disclosures for use by companies, banks, and investors in providing information to stakeholders.

Transfer value
A transfer value is a cash sum representing the value of a member’s pension rights.

Transferred service
Any pension members have transferred into the LGPS from a previous pension arrangement that now counts towards their LGPS membership.

Treasury management
This is the administration of an organisation’s cash flow as well as the creation and governance of policies and procedures that ensure the company manages risk successfully.

Unitised funds
A unitised fund is a fund structure that allows investors to pool assets while retaining individual net asset values for each participant and keeping track of historical fund records. Each investor in the fund is accounted for separately and has their own unit – their own class of shares of the portfolio's total assets.

Usable Reserves
Reserves that can be applied to fund expenditure, all other reserves retained on the balance sheet cannot.

Voting policy
This is how South Yorkshire Pensions Authority through Border to Coast applies its shareholder voting rights. We will vote as follows.

For - when the proposal meets best practice guidelines and is in shareholders' long-term interests.

Abstain – when the proposal raises issues which do not meet best practice guidelines but either the concern is not regarded as sufficiently material to warrant opposition or an oppose vote could have a detrimental impact on corporate structures or the issue is being raised formally with the company for the first time.

Oppose - when the proposal does not meet best practice guidelines and is not in shareholders' interests over the long term.

The voting policy will be applied to all reportable companies held by the Fund.

In supporting any resolution of any type, we will only vote on a resolution if:

- the resolution deals with one substantive issue and is not bundled with other items
- the resolution is fully explained and justified by the proposers, and
- there is full disclosure of information relevant to the consideration of a resolution and such information is presented in a fair and balanced way.

Section **Ten**

APPENDICIES

10

Meadowhall under construction, Sheffield

SOUTH YORKSHIRE PENSIONS AUTHORITY

Consultation & Communication Strategy

July 2020

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Consultation & Communication Strategy

What we are here for and what we need to do to achieve it

Our mission, or what SYPA as an organisation is here for 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."

We only exist because of our customers and given that we only do one thing, run the pension scheme, we owe it to them to provide the best possible performance while maintaining costs within reasonable levels.

In order to achieve this mission there are a number of things we need to do or, our 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 term liabilities.

Responsible Investment
to develop our investment options within the context of a sustainable and responsible investment strategy.

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.

The achievement of our Mission and objectives will require the fulfilment of the respective responsibilities of the elected Members of the Pensions Authority and its officers.

In relation to consultation and communication, we both have responsibilities which contribute to the delivery of an improved service in this area. We intend to consult and communicate with all our stakeholders as set out in the document, and use those results to review our service delivery on a yearly basis.

The aim of this document is to explain our consultation and communication strategy, the various ways in which we consult and communicate, why and what happens with the results.

George Graham
Fund Director
South Yorkshire Pensions Authority

Cllr M Stowe
Chair
South Yorkshire Pensions Authority

POLICY REVIEW DATES

Date	Version	Author	Comment
January 2009	V1.0	Joanne Webster	Merge of service and authority policies
July 2010	V2.0	Gary Chapman	Cosmetic changes
July 2011	V2.1	Joanne Webster	Change of personnel and group names
June 2012	V3.0	Joanne Webster	Major revision
July 2013	V3.1	Karen Roberts	Minor changes
June 2014	V3.2	Joanne Webster	Cosmetic changes
July 2015	V3.3	Joanne Webster	Minor changes
August 2016	V3.4	Joanne Webster	Minor changes
January 2019	V3.5	Joanne Webster	Minor changes
January 2020	V3.6	Joanne Webster	Minor changes

Date of next review June 2020

Owner: Jason Bailey

Contacts

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Joanne Webster, SYPA, Tel 01226 772915
email JWebster@sypa.org.uk

CONSULTATION STRATEGY

South Yorkshire Pensions Authority (SYPA) is committed to managing our resources wisely whilst at the same time delivering services that our stakeholders want and expect. Seeking the views of our stakeholders is consequently of utmost importance to us in order to ensure firstly, that priorities reflect members opinion and secondly, that the priorities are being achieved.

Engagement as a clear, simple and transparent activity

Pension issues can be technical, legalistic and complex, and can work in a way that is very different from some other organisations and cultures.

This means that consultation exercises must be well planned and carefully delivered, allowing those outside the Authority to understand that there is a chance to participate in our work planning, helping them add to any discussions whilst at the same time appreciate the limitations of what can be done with their input.

The design of SYPA's consultation exercises should therefore feature:

- **Clarity** We will consider and state what the consultation exercise is about, what we hope to achieve by consulting, who the consultees are, and what impact the results of the consultation might have.
- **Simplicity** Issues and terminology must be explained in a simple and concise manner, making participation accessible and attractive.
- **Transparency** In line with our Freedom of Information responsibilities and other existing commitments, those wishing to participate or examine our consultation processes should have access to relevant supporting materials. These would include specific consultation documents, reports and papers, and records of subsequent decisions and actions.
- **Information** To enable those participating to make an informed contribution.

The following elements will assist in our strategy:

- **Inform** Providing stakeholders with balanced and objective information to assist them in understanding issues, alternatives, opportunities and/or solutions.
- **Research** Seeking information and involving stakeholders in the decision making process.
- **Consult** Obtaining stakeholder feedback on analysis, alternatives and/or decisions.
- **Involve** To work directly with the stakeholders throughout the process to ensure that concerns and objectives are consistently understood and considered.
- **Collaborate** To work together with our stakeholders in each aspect of the decision including the development of alternatives and the identification of the preferred solution.

STRATEGIC AIMS: where do we want to be?

This strategy seeks to build on the good practice we have already established over time.

The strategy aims to:

- Strengthen strategic planning and co-ordination of consultation activities and demonstrate how consultation fits into the Authority's decision-making processes;
- Ensure the effective use of consultation to improve services and policy by supporting officers and elected Members to help them make informed choices on appropriate consultation methods and delivery;
- Improve equality of opportunity in consultation using a wide range of methods and technologies to enable participation in consultation especially from 'harder to engage' groups;
- Make our consultation processes more meaningful for stakeholders through better communication about the purpose, topics and outcomes of consultation.

Why Consult?

To ensure that the Authority provides the services that people want in the way they want them. Consultation is used to:

- Involve users to advise the decision making process relating to priorities, policies, projects, and strategies.
- Target areas more closely by providing what people say they need and want.
- Monitor user satisfaction with services over time.
- Improve the quality of services.
- Improve the take up of services.
- Address issues arising from proposed changes to services.

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Who does SYPA consult with?

We have an established range of mechanisms to support consultation activities.

The people that we are committed to consult with fall into a number of 'stakeholder' categories:

Scheme Member Consultation Groups

These groups are made up of volunteers from each of our main membership categories. Representing current, deferred and pensioner members each group are consulted on a range of issues as the need arises and provide written feedback on those issues. There is a limit of 200 members on each group. The role of these groups is to provide information to:

- Inform the decision-making process surrounding service delivery;
- Improve local systems and processes;
- Improve customer satisfaction.

The results of each group are analysed and reported to officers. Any immediate actions resulting from this process are fed back for implementation. All other information is used to shape the future service delivery and forms part of the Authority's corporate planning and prioritisation process.

The results of consultation and what will happen will be reported in member newsletters. Changes that have been implemented as a result of consultation will have the effect monitored and will be consulted upon in the future to ensure continued satisfaction. The results of this will also be reported to elected Members.

Local Pension Board

The Local Pension Board became a Statutory requirement from April 2015 and is made up of equal numbers of employer and scheme member representatives. The Board's responsibility is to ensure that the Fund is managed and administered effectively and efficiently and complies with the code of practice on governance and administration. The Board meets at least quarterly, has its own terms of reference and in addition to reviewing all authority business is able to commission reports and request updates as and when necessary.

Types of Consultation

1. **Regular Consultation**

   Employee Satisfaction

   This is issued to all South Yorkshire Pensions Authority personnel every two years. Its purpose is to monitor staff morale and provide information to managers and supervisors to maintain high levels of customer service.

   Scheme Member Satisfaction

   Focused surveys are carried out annually with a sample of members taken from the range of stakeholder groups. The minimum number of surveys throughout a twelve month period will be two.

   The results will be used to:

   - Inform the decision-making process surrounding service delivery;
   - Improve local systems and processes;
   - Improve customer satisfaction;
   - Involve our customers in the provision of the services they receive;
   - Ensure that our service has our members approval.

   Scheme Employer Satisfaction

   Focused surveys are carried out every two years with all our employers.

   The results will be used to:

   - Inform the decision-making process surrounding service delivery;
   - Improve local systems and processes;
   - Improve employer satisfaction.

2. **Ad-Hoc Consultation**

   In addition to the timetabled surveys there will be occasions when it will be appropriate to consult our stakeholders on an ad-hoc basis. SYPA will take every opportunity to seek the opinions of its stakeholders to continually assess and improve the service provided.

COMMUNICATION

SYPA recognises that in fulfilling its objectives, and in order to be fully effective, it has a duty to communicate with all its stakeholders about its actions, views, policies and service standards. Our Communication Strategy sets out how we intend to do this.

AIMS

The aims of this communication element of SYPA's Consultation and Communication Strategy is to ensure that the SYPA's role, achievements and effectiveness are widely understood, and that we have a positive image with our stakeholders. This complements the consultation element of the overall strategy, so that there is an effective two-way dialogue in place.

COMMUNICATION PRINCIPLES

Stakeholders first

Putting stakeholders at the heart of everything we do.

Open and honest

Giving honest, open and evidence-based messages and be open to debate and questions.

Timely and relevant

Communicating proactively with our stakeholders with relevant targeted messages - the right message to the right people at the right time.

Accessible for all

Offering an appropriate choice of communications methods to help ensure that no one in our scheme is disadvantaged.

Feedback

Facilitating two-way communications and encouraging participation and feedback.

Listening

Proactively seeking opinions, acknowledging them and responding quickly, helpfully, honestly and consistently.

Value for money

Making the best possible use of resources and budgets by working with colleagues and employers to share best practice.

Overriding Principles

The main aim of this Communications Strategy is to review and develop current methods of communications, introduce new methods appropriately and continually measure impact.

This will mean that:

- All members, employers and organisations involved with SYPA in the delivery of our services will have a clear, consistent and positive perception of SYPA's values, services and achievements.
- Communication messages will be devised, tailored and targeted at specific audience sectors. It's important to know your audience - one size doesn't fit all. We will target the content and method of delivery to our audience to ensure that we engage our members and they relate to what we are saying.
- Communications will support consultation and, in turn, be informed by the views expressed through consultation.
- Measurement and evaluation will be an integral part of all communication activity.

Good communications will:

- Be clear about key messages to be communicated;
- Help to deliver member/corporate priorities;
- Be of a high standard and effective;
- Develop a clear brand across the organisation, including publications, presentation slides, email formats, letters and other forms of communication, under our SYPA style guidelines;
- Set out the principles that underpin all communications including press, web, email, letter, presentation template, consultation exercises;
- Identify the most effective methods of communicating with members, employers and stakeholders;
- Co-ordinate communications activity across the Authority with accepted strategic communications objectives;
- Identify an action plan and methods of monitoring performance/effectiveness.

Targeted Audiences and Methods of Communication

The principal audiences with whom SYPA wishes to communicate are set out below. The nature of the message which the Authority wants to communicate varies between audiences.

Section **1**: **Contributing Members**
Section **2**: **Deferred Beneficiary Members**
Section **3**: **Pensioner Members**
Section **4**: **Employing Authorities**
Section **5**: **Other interested parties**

Section 1: COMMUNICATING WITH CONTRIBUTING MEMBERS

Pension Forecasts

Annual pension forecasts are made available on our secure online portal 'mypension'. Notifications to inform members their forecasts are available to view are issued by email and text. If we don't hold either of these details notification will be made by post.

Pension Planning Newsletter

At least annually we will publish a newsletter. The main purpose is to keep members informed about changes in the pension scheme that may affect them. The newsletter is not produced at fixed times and is driven by the timeliness of the content. Newsletters will be digital by default. We live in a digital age, and while paper versions will be made available on request, our digital by default position recognises that the vast majority of our members now have access to the internet. We will also produce online only newsletters aimed at different age groups. Young people who may have recently joined the scheme and older members planning for retirement are interested in different aspects of the scheme and may warm to a different style of delivery. The type of publication being issued will determine the intended audience; however we will be looking to target, younger members, mid-life and pre-retirement.

In addition to pension scheme content we aim to include lifestyle articles and ensure the newsletter is interesting to read and visually stimulating.

Presentations

We deliver group information sessions in members' places of work. These are provided on demand in conjunction with employers. We deliver more specialist sessions for members affected by issues such as a public services transferring to a private organisation. We also participate in induction, mid-life and pre-retirement courses, which are organised by a number of our employers, and providing their is sufficient interest.

Section 2: COMMUNICATING WITH DEFERRED BENEFIT MEMBERS

Deferred Benefit Statements

Annual deferred benefit statements are made available on our secure online portal 'mypension'. Notifications to inform members their statements are available to view are issued by email and text. If we don't hold either of these details notification will be made by post.

Your Past is Your Future Newsletter

Annually we produce a newsletter. The main purpose is to keep in contact with our deferred benefit members. A deferred beneficiary is usually no longer in employment within the pension fund and as they are not in receipt of their pension and without regular contact it is easy to lose touch. The content of the newsletter will inform members of changes to the pension scheme and include lifestyle articles of interest. There is no fixed time for issue but it is usually linked with the annual report summary and deferred benefit statements.

Newsletters will be digital by default. We live in a digital age, and while paper versions will be made available on request, our digital by default position recognises that the vast majority of our members now have access to the internet.

Section 3: COMMUNICATING WITH PENSIONER MEMBERS

Retirement Insight

Bi-annually we produce a newsletter, the main purpose is to inform retired members about issues that affect them such as annual cost of living increases. This newsletter is generally produced at fixed times in the spring and autumn to coincide with pensions increase and annual report content. Despite our increasing focus on e-communication channels, the twice-yearly Retirement Insight newsletter will still be issued to pensioner members in hard copy form, if we don't hold an email address. All new pensioners will be digital by default, with the exception of members who aren't online, and request a hard copy.

The spring issue of the newsletter will be issued with the members April pay advice and P60.

Payslips

Payslips are available on our secure online portal 'mypension'. Members who retired before July 2019 will receive a payslip if their net pay varies by more than £5.

Section 4: COMMUNICATING WITH EMPLOYERS

Support and Engagement

SYPA have dedicated staff to assist employers with all aspects of their pension duties. Our engagement officers will be employers first port of call for any staff training and presentation requests for both Payroll and HR issues to help them administer the scheme effectively. They will also offer a range of presentations to scheme members to help them understand their pension benefits. Handover meetings will be provided from the point employers are admitted to the scheme, where our team will explain the services we provide and cover the responsibilities of the employer. We offer seminars aimed primarily at topical and administrative issues as well as one to one meetings to help with any issues that may arise.

Employers Pensions Information Centre (EPIC)

The authority provides a central information centre where registered employers are able to access a whole range of information online including news and links to important documents. EPIC also provides statistical information to assist employers in understanding their scheme responsibilities.

Employer Web

The authority also provides secure access to relevant scheme member information and allows employers to upload monthly data submissions and produce retirement quotes. Employer web is also used as a platform to contact and query member data securely.

Section 5: COMMUNICATING WITH ALL VIA:

Website

www.sypensions.org.uk This is the scheme members website which is an information source on all aspects of the scheme. Simply set out with quick links and a comprehensive A-Z, the website also contains booklets and publications together with the link to our secure online portal (mypension).

Secure Online Portal - 'mypension' Members can register to gain access to their secure online account. Once registered for mypension it's a great way for members to keep track of their pension account, view and amend personal details, make and update death grant nomination details as well as active and deferred members having the facility to produce retirement quotes. Annual benefit statements will be available for both active and deferred members. For retired members monthly payslips and P60s are available to view.

www.southyorks.gov.uk This is the website relating to business of the Elected Members. Here you will find the calendar of Authority meetings along with agenda, minutes and reports. This site also provides access to the Webcast area that will allow you to watch Authority meetings as they happen.

Special Requests

We offer an appropriate choice of communication methods to help ensure that no one in our scheme is disadvantaged. To assist members with special needs when communicating we can make arrangements to have a signer or interpreter present should a member wish to attend an information service. We can also provide communication material in large print, audio CD and braille.

Literature

The main point of reference for members to find out about the key aspects of the LGPS is our *Employee Guide*. This is supported by a range of literature, on the various aspects of the Scheme.

Annual Fund Meeting

This event is rotated between the four major council areas in South Yorkshire and usually held in October. The AFM is an opportunity to meet the Chair/Vice Chair of the authority and senior management face to face. Presentations usually focus on fund performance and topical events followed by questions from attendees. To allow members who aren't able to attend the AFM we will record the meeting and upload the event to our YouTube account.

By Telephone - Customer Centre

The Customer Centre is the main communications channel between members/employers within the Authority. The Customer Centre will play an important role in delivering a reliable customer experience on a daily basis. Members and employers can contact us by telephone which is prominently advertised on all our literature.

Email

Members can contact us by email which is prominently advertised on all our literature. A secure e-mail service is in operation to allow personal information to be included in e-mail responses.

Pensions Information Service

A comprehensive pensions information service on pension matters is provided by the Authority at all our four offices across the county. Appointments are made online at www.sypensions.org.uk/advisory.

Text Messaging

Our preferred method of communication is email however in the absence of an email address, where appropriate we will use text messaging. SMS messages are ideal for reminders and simple instructions and announcements.

You Tube

Video recording opens the door to new opportunities to interact with members. Recording of events such as the AFM will be uploaded to YouTube to enable members who couldn't attend on the day a chance to view the meeting.

Social Networking Sites

People of all ages are using social media. Our aim is to connect with as many of our members as possible, deepening relationships and engagement. We currently have a Facebook page and members can follow us on Twitter and LinkedIn.

Annual Report

Provides a comprehensive report on the authority's activities throughout the preceding year.

Meetings/Presentations

Our staff are available to attend meetings and deliver presentations on a range of topics upon request.

Customer Centre

Getting customer service right in an organisation, and continually improving it, is a long term commitment. The customer centre will be the first point of contact for all scheme members and employers whether it's by telephone, email, letter or live chat. The main aim is to provide excellent customer service whilst promoting our online services.

The Customer Centre will welcome feedback. We will resolve any problems to the best of our ability, we will stop them being repeated and learn lessons. We will measure our performance making sure we measure the right things, making sure it's relevant and taking any necessary action. Benchmarking will be a key part of our measurement programme.

Customer Centre Contact Details

Telephone: 01226 772923

Email: customerservices@sypa.org.uk

Consultation & Communication Strategy

FUNDING STRATEGY STATEMENT

SOUTH YORKSHIRE PENSIONS AUTHORITY

SOUTH YORKSHIRE PENSION FUND

MARCH 2020

South Yorkshire Pensions Authority

This Funding Strategy Statement has been prepared by South Yorkshire Pensions Authority (the Administering Authority) to set out the funding strategy for the South Yorkshire Pension Fund ("the Fund"), in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013 (as amended) and guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

EXECUTIVE SUMMARY

It is the fiduciary responsibility of the Administering Authority (South Yorkshire Pensions Authority) to ensure that the South Yorkshire Pension Fund (the "Fund") has sufficient assets to meet its pension liabilities in the long term. The Funding Strategy adopted by the South Yorkshire Pension Fund will therefore be critical in achieving this statutory duty.

The purpose of this Funding Strategy Statement ("FSS") is to set out a clear and transparent funding strategy that will identify how each Fund employer's pension liabilities are to be met going forward.

> The details contained in this Funding Strategy Statement will have a financial and operational impact on all participating employers in the **South Yorkshire Pension Fund.**
>
> It is imperative therefore that each existing or potential employer is aware of the details contained in this statement.

Given this, and in accordance with governing legislation, all interested parties connected with the South Yorkshire Pension Fund have been consulted and given opportunity to comment prior to this Funding Strategy Statement being finalised and adopted. This statement takes into consideration all comments and feedback received.

MEETING THE FUND'S SOLVENCY OBJECTIVE

The Administering Authority's long-term objective is for the Fund to achieve a 100% solvency level over a reasonable time period. Contributions are set in relation to this objective which means that once 100% solvency is achieved, if assumptions are borne out in practice, there would be sufficient assets to pay all benefits earned up to the valuation date as they fall due.

However, because financial and market conditions/outlook change between valuations, the assumptions used at one valuation may need to be amended at the next to meet the primary objectives. This in turn means that contributions will be subject to change from one valuation to another.

This objective is considered on an employer specific level when setting individual contribution rates so each employer has the same fundamental objective in relation to their liabilities. The general principle adopted by the Fund is that the assumptions used, taken as a whole, will be chosen sufficiently prudently for this objective to be reasonably achieved in the long term at each valuation.

The funding strategy set out in this document has been developed alongside the Fund's investment strategy on an integrated basis, taking into account the overall financial and demographic risks inherent in the Fund to meet the objective for all employers over different periods. The funding strategy includes appropriate margins to allow for the possibility of adverse events (e.g. material reduction in investment returns, economic downturn and higher inflation outlook) leading to a worsening of the funding position which would normally lead to volatility of contribution rates at future valuations if these margins were not included.

This prudence is required by the Regulations and guidance issued by professional bodies and Government agencies to assist the Fund in meeting its primary solvency and long term cost efficiency objectives.

The level of prudence has been quantified by the Actuary to show the level of contingency to provide protection against future adverse experience in the long term. Individual employer results will also have regard to their covenant strength. Broadly speaking the discount rate has been set so that there is approximately a 66% (or two-in-three) chance that the real returns achieved will be at least those assumed in the discount rate. The level of prudence will be reviewed each valuation taking into account the solvency and long term cost efficiency objectives for the Fund.

SOLVENCY AND LONG TERM COST EFFICIENCY

Each employer's contributions are set at such a level to achieve full solvency in a reasonable timeframe. Solvency is defined as a level where the Fund's liabilities i.e. benefit payments can be reasonably met as they arise.

Employer contributions are also set in order to achieve long-term cost efficiency. Long-term cost-efficiency requires that any funding plan must provide equity between different generations of taxpayers. This means that the contributions must not be set at a level that is likely to give rise to additional costs in the future, which fall on later generations of taxpayers or put too high a burden on current taxpayers. The funding parameters and assumptions e.g. deficit recovery period must have regard to this requirement, which means a level of prudence is needed. Furthermore, the FSS must have regard to the desirability of maintaining as nearly constant a primary rate of contribution as possible.

When formulating the funding strategy, the Administering Authority has taken into account these key objectives and also considered the implications of the requirements under Section 13(4)(c) of the Public Service Pensions Act 2013. As part of these requirements the Government Actuary's Department (GAD) must, following an actuarial valuation, report on whether the rate of employer contributions to the Fund is set at an appropriate level to ensure the "solvency" of the pension fund and "long term cost efficiency" of the Scheme so far as relating to the Fund.

DEFICIT RECOVERY PLAN AND CONTRIBUTIONS

As the solvency level of the Fund is 99% at the valuation date i.e. the assets of the Fund are less than the liabilities, a deficit recovery plan needs to be implemented such that additional contributions are paid into the Fund to meet the shortfall. At an individual employer level, there will be some instances where an employer's asset share is higher than the liabilities and therefore a surplus will exist. In such cases, a plan may need to be implemented to remove some, or all, of the surplus over an agreed timeframe, taking into account any increases to the Primary Rate, which also emerge.

For those employers where a shortfall exists, deficit contributions paid to the Fund by each employer will be expressed as £s amounts (flat or increasing year on year) and it is the Fund's objective that any funding deficit is eliminated as quickly as the participating employers can reasonably afford given other competing cost pressures. This may result in some flexibility in recovery periods by employer, which would be at the sole discretion of the Administering Authority. The recovery periods will be set by the Fund, although employers will be free to select any shorter deficit recovery period if they wish. Employers may also elect to make prepayments of contributions, which could result in a cash saving over the valuation certificate period.

The objective is to recover any deficit over a reasonable timeframe, and this will be periodically reviewed which in the long term provides equity between different generations of taxpayers whilst ensuring the deficit payments are eliminating a significant proportion of the capital element of the deficit, thereby reducing the interest cost. This will be periodically reviewed depending on the maturity profile of the Fund.

Subject to affordability considerations and individual employer circumstances, where a deficit exists and depending on the level of deficit, a guiding principle will be to maintain the total contributions at the prescribed monetary levels from the preceding valuation (including any indexation in these monetary payments over the recovery period). Contributions will only be reduced if the Fund deems this reasonable based on covenant and other risk factors. Full details are set out in this FSS.

Where there is a material increase in contributions required at this valuation, in certain circumstances the employer will be able to 'phase in' contributions over a period of 3 years in a pattern agreed with the Administering Authority and depending on the affordability of contributions as assessed in the covenant review of an employer. Employers will also be able to prepay deficit contributions if they have sufficient cash reserves to assist with affordability. Equally, certain employers will be able to align their contributions changes with their financial year if this does not end on 31 March.

The maximum recovery period for the Fund as a whole is 16 years at this valuation, which is 3 years shorter than the average recovery period from the previous valuation. Subject to affordability and other considerations individual employer recovery periods would also be expected to reduce by a minimum of 3 years at this valuation. The average recovery period emerging from this valuation is 15 years.

The Government has confirmed that a remedy is required for the LGPS in relation to the McCloud judgment. Therefore, the Fund has considered its policy in relation to costs that could emerge from the McCloud judgment in line with the guidance from the Scheme Advisory Board in conjunction with the Actuary. Whilst the remedy is not known and may not be known for some time, for the purpose of this valuation, when considering the appropriate contribution provision, we have assumed that the judgment would have the effect of removing the current age criteria applied to the underpin implemented in 2014 for the LGPS. This underpin therefore would apply to all active members as at 1 April 2012. The relevant estimated costs have been quantified and notified to employers on this basis, but also highlighting that the final costs may be significantly different. Employers will be able to choose to include these estimated costs over 2020/23 in their certified contributions. Alternatively, they will need to make allowance within their budgets and note that backdated contributions could be payable if the remedy is known before the next valuation. The majority of employers have made provisions directly in their contributions.

ACTUARIAL ASSUMPTIONS

The actuarial assumptions used for assessing the funding position of the Fund and the individual employers, the "Primary" contribution rate, and any contribution variations due to underlying surpluses or deficits (i.e. included in the "Secondary" rate) are set out in Appendix A to this FSS.

The discount rate in excess of CPI inflation (the "real discount rate") has been derived based on the expected return on the Fund's assets based on the long-term strategy set out in its Investment Strategy Statement (ISS). When assessing the appropriate prudent discount rate, consideration has been given to the level of expected asset returns in excess of CPI inflation (i.e. the rate at which the benefits in the LGPS generally increase each year).

The assumption for the long-term expected future real returns has fallen since the last valuation. This is principally due to a combination of expectations the returns on the Fund's assets and the level of inflation in the long-term. Also, the Fund has implemented a number of risk management strategies since the last valuation and the expected volatility of returns has fallen i.e., provides more certainty to outcomes. This is also taken into account by the Actuary when proposing the assumptions and at this valuation means that the level of prudence has been reduced. The assumption has therefore been adjusted so that in the Actuary's opinion, when allowing for the resultant employer contributions emerging from the valuation, the Fund can reasonably be expected to meet the Solvency and Long Term Cost Efficiency objectives.

Taking into account the above the Fund Actuary is proposing that the long term real return over CPI inflation assumptions for determining the baseline past service liabilities should be 1.5% per annum and 2.35% per annum for determining the future service ("primary") contribution rate. This compares to 2.0% per annum and 2.75% per annum respectively at the last valuation.

Based on the assumptions being borne out in practice and the membership at the valuation date the aggregate projected expected return for the Fund as a whole over the 16 recovery period is a real return of CPI+1.75% per annum.

Alternative Funding Targets and Risk Management Framework

In the short to medium term, the Fund intends to implement a risk management strategy whereby employers will be categorised into different "investment" buckets. In such cases, a different investment strategy would apply to the different groups of employers resulting in lower investment risk than the current whole fund strategy.

The Fund is therefore beginning to categorise employers in the following way. This will form the basis for any initial allocation into the different "investment" buckets.

Local Authorities – District Councils (including maintained schools), Police Fire, Combined Authority Group and SYPA. These employers either have the power to raise income through taxation or, in the case of SYPA, costs are entirely met by the Pension Fund.

Education Sector – F&HE Institutions and Academies. All these employers are ultimately funded by central government, although in different ways and with different forms of support. They do represent similar forms of risk although the likelihood of default can vary significantly between institutions.

Contractors – These employers can range from large multi-nationals to relatively small local businesses. Where contracts are let by a local authority, there tends to be a guarantee, while the situation with contracts let by academies is more variable. However, in all cases the ultimate position is that the council or academy would need (at least in the short term) to take on any service (and hence pension liability) in the event of failure.

Others – While an extremely varied group this group probably presents the greatest likelihood of default (if possibly the least financial impact). In general, such employers have no or limited guarantees and therefore there is a danger that in the event of default liabilities will fall on the remaining employers.

If an employer is deemed to have a weaker covenant than others in the Fund, is planning to exit the Fund or would like to target a lower risk strategy, the Administering Authority has the discretion to move that employer (typically following discussions with the employer) into another strategy to protect the Fund as a whole. The current overall Fund investment strategy (as set out in the Investment Strategy Statement) will be known as the "higher risk investment strategy".

The investment strategy for each of the investment pots will be reviewed, following each actuarial valuation, as a minimum. The discount rate assumption that will be used for employers' liabilities who fall into each category is linked directly to the relevant pot's underlying assets allowing for the underlying level of risk associated.

Given that this risk management strategy will not be implemented before 1 April 2020, for the purpose of the 2019 actuarial valuation the setting of contribution rates to apply between 1 April 2020 and 31 March 2023, the Administering Authority will, depending on the circumstances of the employer, potentially apply a different funding target to certain employers in order to protect all stakeholders in the Fund i.e. to reflect different covenant / objectives etc. The different funding targets will be achieved by applying either a **5%** or **10%** loading to the employer's baseline liabilities. In particular, where employers with a weaker covenant and in particular those with no guarantee have achieved a significant surplus based on a 100% funding target, a higher funding target will be set so as to deliver increased certainty that the employer will not fall into deficit in future.

Where a different funding target applies, this will be reflected in the employer's deficit contributions / surplus offset over the period to 31 March 2023.

Demographic Assumptions

The demographic assumptions under all groups are based on the Fund Actuary's bespoke analysis for the Fund, also taking into account the experience of the wider LGPS where relevant. For those employers terminating participation in the Fund, a more prudent mortality assumption will apply (see further comments below).

EMPLOYER ASSET SHARES

The Fund is a multi-employer pension scheme that is not formally unitised and so individual employer asset shares are calculated at each actuarial valuation. This means it is necessary to make some approximations in the timing of cashflows and allocation of investment returns when deriving each employer's asset share.

At each review, cashflows into and out of the Fund relating to each employer, any movement of members between employers within the Fund, along with investment return earned on the asset shares, are allowed for when calculating asset shares at each valuation. Once the risk management strategy referred to above has been implemented, the investment return credited will depend on which bucket the employer's assets are in. In addition, the asset share may be restated for changes in data or other policies.

Other adjustments are also made on account of the funding positions of orphan bodies, which fall to be met by all other active employers in the Fund.

FUND POLICIES

In addition to the information/approaches required by overarching guidance and Regulation, this statement also summarises the Fund's practice and policies in a number of key areas:

1. Covenant assessment and monitoring

An employer's financial covenant underpins its legal obligation and crucially the ability to meet its financial responsibilities to the Fund now and in the future. The strength of covenant to the Fund effectively underwrites the risks to which the Fund is exposed. These risks include underfunding, longevity, investment and market forces.

The strength of employer covenant can be subject to substantial variation over relatively short periods of time and, as such, regular monitoring and assessment is vital to the overall risk management and governance of the Fund. The employers' covenants will be assessed and monitored objectively in a proportionate manner, and an employer's ability to meet their obligations in the short and long term will be considered when determining its funding strategy.

After the valuation, the Fund will continue to monitor employers' covenants in conjunction with their funding positions over the inter-valuation period. This will enable the Fund to anticipate and pre-empt any material issues arising and thus adopt a proactive approach in partnership with the employer. More details are provided in the **Appendix E** to this statement.

2. Admitting employers to the Fund

Various types of employers are permitted to join the LGPS under certain circumstances, and the conditions upon which their entry to the Fund is based and the approach taken is set out in **Appendix C**. Examples of new employers include:

- Mandatory Scheme Employers - for example new academies (see later section)
- Designated bodies - those that are permitted to join if they pass a resolution for example Town and Parish Councils.
- Admission bodies - usually arising as a result of an outsourcing or a transfer to an entity that provides some form of public service and their funding primarily derives from local or central government.
- Employers may also join the Fund under the 'Deemed Employer' route, should there be a change in the regulations. Further information on this is set out within **Appendix C** and further details will be provided if and when any regulatory change is made.

The key objective for the Fund is to only admit employers where the risk to the Fund is mitigated as far as possible. The different employers pose different risks to the Fund.

In general, there will be a presumption against the admission of further, what were previously termed "Community Admission Bodies". Any such admission that is made will require a guarantee from a tax raising body.

Certain employers may be required to provide a guarantee (e.g. from a parent company) or alternative security before entry will be allowed, in accordance with the Regulations and Fund policies.

3. New academy conversions and multi-academy trusts

Current Fund policy regarding the treatment of schools when converting to academy status is for the new academy to inherit the school's share of the historic local authority deficit prior to its conversion. This deficit is calculated as the capitalised deficit funding contributions (based on the local authority deficit recovery period) the school would have made to the Fund had it not converted to academy status, subject to a minimum asset share of nil.

If the contribution rate for a local authority does not include any allowance for deficit funding contributions at the point at which a school converts to academy status, then no deficit will be allocated to the academy at the point of conversion.

In cases where numerous academies, which participate in the Fund, are in the same Multi-Academy Trust, the Fund's default position is that a combined funding position and average contribution requirements will apply (unless the Multi-Academy Trust requests separate contribution rates). Notwithstanding this, the Fund will continue to track the constituent academies separately on an approximate basis, in the interests of transparency and clarity around entry and exit of individual academies to the Trust in future.

The full policy is shown in **Appendix D**.

4. Termination policy for employers exiting the Fund

When an employer ceases to participate within the Fund, it becomes an exiting employer under the Regulations. The Fund is then required to obtain an actuarial valuation of that employer's liabilities in respect of the benefits of the exiting employer's current and former employees, along with a termination contribution certificate.

Where there is no guarantor who would subsume the liabilities of the exiting employer, the Fund's policy is that a discount rate linked to minimum risk investment returns (i.e. those that will be linked to any lower risk investment strategy subsequently implemented) and a more prudent longevity assumption is used for assessing liabilities on termination. Any exit payments due should be paid immediately although instalment plans will be considered by the Administering Authority on a case by case basis.

Any exit credits (surplus assets over liabilities) will be paid from the Fund to the exiting employer within 6 months of completion of the cessation assessment by the Actuary. The Administering Authority will seek to modify this approach on a case by case basis if circumstances warrant it (for example, it may work with the outsourcing scheme employer to adjust any exit payment or exit credit to take into account any risk sharing arrangements which exist between the exiting employer and other Fund employers).

This is subject to the exiting employer providing sufficient notice to the Fund of their intent to exit; any delays in notification will impact on the payment date. The Administering Authority also reserves the right to modify this approach on a case by case basis if circumstances warrant it based on the advice of the Actuary.

Where there is a **guarantor** who would subsume the assets and liabilities of the outgoing employer, the default policy is that any deficit or surplus would be subsumed into the guarantor and taken into account at the following valuation. In some instances an exit debt may be payable by an employer

before the assets and liabilities are subsumed by the guarantor, this will be considered on a case-by-case basis. No exit credit would be payable in these circumstances.

In line with the amending Regulations (The Local Government Pension Scheme (Amendment) Regulations 2020) the parties will need to make representations to the Administering Authority if they believe an Exit Credit should be paid outside the policy set out above, or if they dispute the determination of the Administering Authority. The Administering Authority will provide details of the information required to make their determination for each case when the need arises.

The Administering Authority can modify this approach on a case by case basis if circumstances warrant it and the parties make representation. For example if the parties make representation it may be appropriate to adjust any exit payment or exit credit to take into account any risk sharing arrangements which exist between the exiting employer and the outsourcing scheme employer.

The Fund will inform the guarantor of the exiting employer's request to receive the surplus before making payment of the exit credit. However, the Fund will not become embroiled in any disagreement over the refund of any surplus, which is contrary to commercial agreements.

Ultimately, the Fund will have to comply with the Regulations and therefore pay any exit credit should this be deemed appropriate once representations have been made. It is then up to the guarantor to contest the surplus payment citing the commercial contract in place and the desire for equal treatment in the event of a deficit.

In the event of parties unreasonably seeking to crystalise the exit credit on termination, the Fund will consider its overall policy and seek to recover termination deficits as opposed to allowing them to be subsumed with no impact on contribution requirements until the next assessment of the contribution requirements for the guarantor. Equally, where a guarantor decides not to underwrite the residual liabilities the basis of assessment on termination will assume the liabilities are orphaned and thus the minimum risk basis will apply.

Subject to the relevant changes in Regulations being made, if applicable, an employer may continue to participate in the Fund with no contributing members and utilise the "Deferred Debt" Arrangements at the sole discretion of the Administering Authority, which will be subject to a satisfactory covenant review on an ongoing basis. In this circumstance they will continue to be treated as per any other participating employer in relation to overall funding strategy (including potentially requiring a final exit payment at some point) allowing for the covenant. Further details will be available should any regulatory change be made.

5. Insurance arrangements

For certain employers, the Fund currently insures ill health retirement costs via an internal captive insurance arrangement, which pools these risks for eligible employers. The captive arrangement will be operated as per the objectives set out in **Appendix F**.

CONTENTS

APPENDICES

1
INTRODUCTION

The Local Government Pension Scheme Regulations 2013 (as amended) ("the 2013 Regulations") and the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 ("the 2014 Transitional Regulations") and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (all as amended) (collectively; "the Regulations") provide the statutory framework from which the Administering Authority is required to prepare a Funding Strategy Statement (FSS). The key requirements for preparing the FSS can be summarised as follows:

- After consultation with all relevant interested parties involved with the South Yorkshire Pension Fund the Administering Authority will prepare and publish their funding strategy;
- In preparing the FSS, the Administering Authority must have regard to:
  - the guidance issued by CIPFA for this purpose; and
  - the Investment Strategy Statement (ISS) for the Scheme published under Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (as amended).
- The FSS must be revised and published whenever there is a material change in either the policy set out in the FSS or the ISS.

BENEFITS

The benefits provided by the South Yorkshire Pension Fund are specified in the governing legislation contained in the Regulations referred to above. Benefits payable under the South Yorkshire Pension Fund are guaranteed by statute and thereby the pensions promise is secure for members. The FSS addresses the issue of managing the need to fund those benefits over the long term, whilst at the same time facilitating scrutiny and accountability through improved transparency and disclosure.

The Fund is a defined benefit arrangement with principally final salary related benefits from contributing members up to 1 April 2014 and Career Averaged Revalued Earnings ("CARE") benefits earned thereafter. There is also a "50:50 Scheme Option", where members can elect to accrue 50% of the full scheme benefits in relation to the member only and pay 50% of the normal member contribution.

EMPLOYER / EMPLOYEE CONTRIBUTIONS

The required levels of employee contributions are specified in the Regulations.

Employer contributions are determined in accordance with the Regulations (which require that an actuarial valuation is completed every three years by the actuary, including a rates and adjustments certificate specifying the "primary" and "secondary" rate of the employer's contribution).

Primary Rate

The "Primary rate" for an employer is the contribution rate required to meet the cost of the future accrual of benefits including ancillary, death in service and ill health benefits together with administration costs. It is expressed as a percentage of pensionable pay, ignoring any past service surplus or deficit, but allowing for any employer-specific circumstances, such as its membership profile, the funding strategy adopted for that employer, the actuarial method used and/or the employer's covenant.

The Primary rate for each employer is specified in the rates and adjustments certificate.

The Primary rate for the whole fund is the weighted average (by payroll) of the individual employers' Primary rates.

Secondary Rate

The "Secondary rate" is an adjustment to the Primary rate to reflect any past service deficit or surplus, to arrive at the rate each employer is required to pay. The Secondary rate will be expressed as a cash adjustment in each of the three years beginning 1 April in the year following that in which the valuation date falls.

The Secondary rate for each employer is specified in the rates and adjustments certificate.

For any employer, the rate they are actually required to pay is the sum of the Primary and Secondary rates.

Secondary rates for the whole fund in each of the three years shall also be disclosed. These will be calculated as the total amount in respect of cash adjustments.

2

PURPOSE OF FSS IN POLICY TERMS

Funding is the making of advance provision to meet the cost of accruing benefit promises. Decisions taken regarding the approach to funding will therefore determine the rate or pace at which this advance provision is made. Although the Regulations specify the fundamental principles on which funding contributions should be assessed, implementation of the funding strategy is the responsibility of the Administering Authority, acting on the professional advice provided by the actuary.

The Administering Authority's long-term objective is for the Fund to achieve a 100% solvency level over a reasonable time period and then maintain sufficient assets in order for it to pay all benefits arising as they fall due.

The purpose of this Funding Strategy Statement is therefore:

- to establish a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going forward by taking a prudent longer-term view of funding those liabilities;
- to establish contributions at a level to "secure the solvency" of the pension fund and the "long term cost efficiency",
- to have regard to the desirability of maintaining as nearly constant a primary rate of contribution as possible.

The intention is for this strategy to be both cohesive and comprehensive for the Fund as a whole, recognising that there will be conflicting objectives, which need to be balanced and reconciled. Whilst the position of individual employers must be reflected in the statement, it must remain a single strategy for the Administering Authority to implement and maintain.

3
AIMS AND PURPOSE OF THE FUND

THE AIMS OF THE FUND ARE TO:

- manage employers' liabilities effectively and ensure that sufficient resources are available to meet all liabilities as they fall due
- enable employer contribution rates to be kept at a reasonable and affordable cost to taxpayers, scheduled, designating and admitted bodies, while achieving and maintaining fund solvency and long term cost efficiency, which should be assessed in light of the profile of the Fund now and in the future due to sector changes
- maximise the returns from investment within reasonable risk parameters taking into account the above aims.

THE PURPOSE OF THE FUND IS TO:

- receive monies in respect of contributions, transfer values and investment income, and
- pay out monies in respect of scheme benefits, transfer values, exit credits, costs, charges and expenses as defined in the Regulations.

4
RESPONSIBILITIES OF THE KEY PARTIES

The efficient and effective management of the pension fund can only be achieved if all parties exercise their statutory duties and responsibilities conscientiously and diligently. The key parties for the purposes of the FSS are the Administering Authority, the individual employers and the Fund Actuary and details of their roles are set out below. Other parties required to play their part in the fund management process are bankers, custodians, investment managers, auditors and legal, investment and governance advisors, along with the Local Pensions Board created under the Public Service Pensions Act 2013.

KEY PARTIES TO THE FSS

The **Administering Authority** should:

- operate the pension fund
- collect employer and employee contributions, investment income and other amounts due to the pension fund as stipulated in the Regulations
- pay from the pension fund the relevant entitlements as stipulated in the Regulations
- invest surplus monies in accordance the Regulations
- ensure that cash is available to meet liabilities as and when they fall due
- take measures as set out in the Regulations to safeguard the fund against the consequences of employer default
- manage the valuation process in consultation with the Fund's actuary
- prepare and maintain a FSS and an ISS, both after proper consultation with interested parties, and
- monitor all aspects of the Fund's performance and funding, amending the FSS/ISS as necessary
- effectively manage any potential conflicts of interest arising from its dual role as both fund administrator and a scheme employer, and
- establish, support and monitor a Local Pension Board (LPB) as required by the Public Service Pensions Act 2013, the Regulations and the Pensions Regulator's relevant Code of Practice.

The **Individual Employer** should:

- deduct contributions from employees' pay correctly after determining the appropriate employee contribution rate (in accordance with the Regulations)
- pay all contributions, including their own as determined by the actuary, promptly by the due date
- undertake administration duties in accordance with the Pension Administration Strategy.
- develop a policy on certain discretions and exercise those discretions as permitted within the regulatory framework
- make additional contributions in accordance with agreed arrangements in respect of, for example, additional pension contracts, early retirement strain, and

- have regard to the Pensions Regulator's focus on data quality and comply with any requirement set by the Administering Authority in this context, and
- notify the Administering Authority promptly of any changes to membership, which may affect future funding.
- Understand the pensions impacts of any changes to their organisational structure and service delivery model.
- Understand that the quality of the data provided to the Fund will directly impact on the assessment of the liabilities and contributions. In particular, any deficiencies in the data would normally result in employer paying higher contributions than otherwise would be the case if the data was of high quality.

The **Fund Actuary** should:

- prepare valuations including the setting of employers' contribution rates at a level to ensure fund solvency and long term cost efficiency after agreeing assumptions with the Administering Authority and having regard to their FSS and the Regulations
- prepare advice and calculations in connection with bulk transfers and individual benefit-related matters such as pension strain costs, ill health retirement costs etc.
- provide advice to the Administering Authority and valuations on the termination of admission agreements including any exit credit payments.
- provide advice to the Administering Authority on bonds and other forms of security against the financial effect on the Fund of employer default
- assist the Administering Authority in assessing whether employer contributions need to be revised between valuations as required by the Regulations
- advise the Administering Authority on funding strategy, the preparation of the FSS and the inter-relationship between the FSS and the ISS, and
- ensure the Administering Authority is aware of any professional guidance or other professional requirements, which may be of relevance to the Fund Actuary's role in advising the Fund.

5
SOLVENCY FUNDING TARGET

Securing the "solvency" and "long term cost efficiency" is a regulatory requirement. To meet these requirements, the Administering Authority's long term funding objective is for the Fund to achieve and then maintain sufficient assets to cover 100% of projected accrued liabilities (the "funding target") assessed on an ongoing past service basis including allowance for projected final pay where appropriate. In the long term, an employer's total contribution rate would ultimately revert to its Primary rate of contribution.

SOLVENCY AND LONG TERM COST EFFICIENCY

Each employer's contributions are set at such a level to achieve full solvency in a reasonable timeframe. Solvency is defined as a level where the Fund's liabilities i.e. benefit payments can be reasonably met as they arise.

Employer contributions are also set in order to achieve long-term cost efficiency. Long-term cost-efficiency implies that contributions must not be set at a level that is likely to give rise to additional costs in the future. For example, deferring costs to the future would be likely to result in those costs being greater overall than if they were provided for at the appropriate time.

When formulating the funding strategy, the Administering Authority has taken into account these key objectives and also considered the implications of the requirements under Section 13(4)(c) of the Public Service Pensions Act 2013. As part of these requirements the Government Actuary's Department (GAD) must, following an actuarial valuation, report on whether the rate of employer contributions to the Fund is set at an appropriate level to ensure the "solvency" of the pension fund and "long term cost efficiency" of the Scheme so far as relating to the Fund.

DETERMINATION OF THE SOLVENCY FUNDING TARGET AND DEFICIT RECOVERY PLAN

The principal method and assumptions to be used in the calculation of the funding target are set out in **Appendix A**. The Employer Deficit Recovery Plans are set out in **Appendix B.**

Underlying these assumptions are the following two tenets:

- that the Fund is expected to continue for the foreseeable future; and
- favourable investment performance can play a valuable role in achieving adequate funding over the longer term.

This allows the Fund to take a longer-term view when assessing the contribution requirements for certain employers.

In considering this the Administering Authority, based on the advice of the Actuary, will consider if this results in a reasonable likelihood that the funding plan will be successful potentially taking into account any changes in funding after the valuation date up to the finalisation of the valuation by 31 March 2020 at the latest.

As part of each valuation separate employer contribution rates are assessed by the Fund Actuary for each participating employer or group of employers. These rates are assessed taking into account the experience and circumstances of each employer, following a principle of no cross-subsidy between the distinct employers and employer groups in the Fund.

The Administering Authority, following consultation with the participating employers, has adopted the following objectives for setting the individual employer contribution rates arising from the 2019 actuarial valuation.

Individual employer contributions will be expressed and certified as two separate elements:

- the **Primary rate**: a percentage of pensionable payroll in respect of the cost of the future accrual of benefits and ancillary death in service and ill health benefits / ill-health premiums.

- the **Secondary rate**: a schedule of lump sum monetary amounts over 2020/23 in respect of an employer's surplus or deficit (including phasing adjustments).

For any employer, the total contributions they are actually required to pay in any one year is the sum of the Primary and Secondary rates (subject to an overall minimum of zero). Both elements are subject to review from 1 April 2023 based on the results of the 2022 valuation.

Where an employer is in a surplus position, the Secondary rate deduction from the Primary rate will be subject to a minimum threshold of £100, below which no deduction will be made.

DEFICIT RECOVERY PLAN

It is the Fund's objective that any funding deficit is eliminated as quickly as the participating employers can reasonably afford based on the Administering Authority's view of the employer's covenant and risk to the Fund.

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Recovery periods will be set by the Fund on a consistent basis across employer categories where possible and communicated as part of the discussions with employers. This will determine the minimum contribution requirement and employers will be free to select any shorter deficit recovery period and higher contributions if they wish, including the option of prepaying the deficit contributions in one lump sum either on an annual basis or a one-off payment. This will be reflected in the monetary amount requested via a reduction in overall deficit contributions payable.

The Administering Authority does retain ultimate discretion in applying these principles for individual employers on grounds of affordability and covenant strength.

The key principles when considering deficit recovery are as follows:

- The Fund does not believe it appropriate for total contribution reductions to apply compared to the existing funding plan (allowing for indexation where applicable) where deficits remain unless there is compelling reason to do so.

- Subject to consideration of affordability, for scheduled and resolution bodies, and those admission bodies (not operating outsourced services) backed by a scheduled body guarantee, as a general rule the deficit recovery period will reduce by at least 3 years for employers at this valuation when compared to the preceding valuation (subject to a maximum of 16 years). This is to target full solvency over a similar (or shorter) time horizon. This is to maintain (as far as possible) equity between different generations of taxpayers and to protect the Fund against the potential for an unrecoverable deficit. The deficit recovery period will be set to at least cover the expected interest costs (actual interest costs will vary in line with investment performance) on the deficit.

- Employers will have the freedom to adopt a recovery plan on the basis of a shorter period if they so wish. Subject to affordability considerations and other factors, a bespoke period may be applied in respect of particular employers where the Administering Authority considers this to be warranted. The average recovery period adopted by all employers will be set out within

the Actuary's report. Employers will be notified of their individual deficit recovery period as part of the provision of their individual valuation results.

- Those admission bodies operating outsourced services under a contract, which expires within the maximum 16-year recovery period, the recovery period, to apply will be the lifetime of the contract unless the body is in surplus (see comment below).

- Due to their weaker covenant, admission bodies not backed by a scheduled body guarantee will be subject to the same conditions as above but subject to a maximum recovery period of 11 years unless their defined (or expected) lifespan within the Fund is limited. Such known (or expected) events that could impact on their participation in the Fund should be notified to the administering authority by the body as soon as practically possible.

- For any employer, the total contributions they are actually required to pay in any one year is the sum of the Primary and Secondary rates (subject to an overall minimum of zero). Both elements are subject to further review from April 2023 based on the results of the 2022 actuarial valuation.

- Where an employer is in a surplus position, the Secondary rate deduction from the Primary rate will be adjusted to such an extent that any surplus is used (i.e. run off) over the maximum 16-year period unless agreed otherwise with the administering authority e.g. where the employer's participation in the Fund is expected cease within the next three years.

  Such deductions will be subject to a minimum threshold of £100 p.a., below which no deduction will be made. The current level of contributions payable by the employer may also be phased down to the reduced level as appropriate.

- Where increases (or decreases) in employer contributions are required from 1 April 2020, following completion of the 2019 actuarial valuation, the increase (or decrease) from the rates of contribution payable in the year 2019/20 may be implemented in steps depending on affordability of contributions as determined by the administering authority. This will be notified to employers as part of the valuation process. It may be possible to have a different phasing pattern in certain circumstances subject to the agreement of the administering authority.

- Where increases in the primary rate and/or secondary rate contributions are to be phased in, the Administering Authority's policy is that any adjustment in 2020/21 should be rectified in 2022/23 i.e. so that the total level of primary and secondary rate contributions payable is the same over the three-year period.

- However, where a surplus exists or where there has been a reduction in contributions paid in respect of an employer's deficit at the valuation, the Fund would not consider it appropriate for any increase in contributions paid in respect of future accrual of benefits to be implemented in steps.

- For employers that do not have a financial year end of 31 March 2020 (e.g. 31 July 2020), the Fund can, at the employers request before 28th February 2020 allow the employer to continue to pay their current contribution plan until their financial year end date. The new contribution plan would then be implemented after this date (i.e. 1 August 2020 if the year-end is 31 July 2020)

Special circumstances to consider alternative deficit recovery plans

As part of the process of agreeing funding plans with individual employers, the Administering Authority will consider the use of contingent assets and other tools such as bonds or guarantees that could assist employing bodies in managing the cost of their liabilities or could provide the Fund with greater security against outstanding liabilities. All other things being equal this could result in a longer recovery period being acceptable to the Administering Authority, restricted to the maximum periods set out in Appendix B, although employers will still be expected to at least cover expected interest costs on the deficit.

It is acknowledged by the Administering Authority that, whilst posing a relatively low risk to the Fund as a whole, a number of smaller employers may be faced with significant contribution increases that could seriously affect their ability to function in the future. The Administering Authority therefore would be willing to use its discretion to accept an evidence-based affordable level of contributions for the organisation for the three years 2020/2023. Any application of this option is at the ultimate discretion of the Fund officers in order to effectively manage risk across the Fund. It will only be considered after the provision of the appropriate evidence as part of the covenant assessment and also the appropriate professional advice.

For those bodies identified as having a weaker covenant, the Administering Authority will need to balance the level of risk plus the solvency requirements of the Fund with the sustainability of the organisation when agreeing funding plans. As a minimum, the annual deficit payment must meet the on-going interest costs to ensure, everything else being equal, that the deficit does not increase in monetary terms.

Notwithstanding the above principles, the Administering Authority, in consultation with the actuary, has also had to consider whether any exceptional arrangements should apply in particular cases.

Ill-Health Captive

For those employers who are eligible for the ill-health captive arrangement, the contributions payable over the period 1 April 2020 to 31 March 2023 will be adjusted accordingly to reflect the premium charged to provide continued protection against the risks of excessive ill-health retirement costs emerging. Further details are provided in Appendix F of these adjustments.

Prepayment of Primary Rate and Secondary Rate Contributions

For certain larger employers, subject to the agreement of the administering authority, the option to prepay Primary rate contributions may be made available. This option would be on the proviso that a "top-up" payment would be made by the employer prior to the end of the prepayment period in order to ensure that no underpayment emerges versus the minimum required by the valuation certificate.

The facility to prepay secondary rate contributions where a deficit exists will be made available to all employers.

EMPLOYERS EXITING THE FUND

Employers must notify the Fund as soon as they become aware of their planned exit date. Where appropriate, or at the request of the Scheme Employer, the Fund will review their certified contribution in order to target a fully funded position at exit. The costs of the contribution rate review will be payable by the employer or the outsourcing Scheme Employer (where necessary).

On the cessation of an employer's participation in the Fund, in accordance with the Regulations, the Fund Actuary will be asked to make a termination assessment. In such circumstances

The policy for employers who have a guarantor participating in the Fund:

The residual assets and liabilities and hence any surplus or deficit will transfer back to the guarantor as a default policy. The interested parties will need to consider any separate contractual agreements that have been put in place between the exiting employer and the guarantor. In some instances an exit credit or debt may be payable by an employer before the assets and liabilities are subsumed by the guarantor, this will be considered on a case-by-case basis.

If there is any dispute, then the following arrangements will apply:

- In the case of a surplus, in line with the amending Regulations (The Local Government Pension Scheme (Amendment) Regulations 2020) the parties will need to make formal representations to the Administering Authority if they believe an Exit Credit should be paid outside the policy set out above, or if they dispute the determination of the Administering Authority. The Fund will notify the parties of the information required to make the determination on request.

- If the Fund determines an Exit Credit is payable then they will pay this directly to the exiting employer within 6 months of completion of the cessation assessment by the Actuary.

- In the case of a deficit, in order to maintain a consistent approach, the Fund will seek to recover this from the exiting employer in the first instance although if this is not possible then the deficit will be recovered from the guarantor either as a further contribution collection or at the next valuation.

In some instances, the outgoing employer may only be responsible for part of the residual deficit or surplus as per the separate risk sharing agreement. The default is that any surplus would be retained by the Fund in favour of the outsourcing employer/guarantor unless representation is made by the relevant parties in line with the Regulations (as noted above). For the avoidance of doubt, where the outgoing employer is not responsible for any costs under a risk sharing agreement then no exit credit will be paid as per the Regulations, provided that the Fund is aware of the provisions of the risk sharing agreement in any representation made.

The Fund will inform the guarantor of the exiting employer's request to receive the surplus before making payment of the exit credit. However, the Fund will not become embroiled in any disagreement over the refund of any surplus, which is contrary to commercial agreements.

Ultimately, the Fund will have to comply with the Regulations and therefore pay any exit credit should this be deemed appropriate once representations have been made. It is then up to the guarantor to contest the surplus payment citing the commercial contract in place and the desire for equal treatment in the event of a deficit.

The Government has confirmed that a remedy is required for the LGPS in relation to the McCloud judgment, however the final remedy is not known. Where a surplus or deficit is being subsumed, no allowance will be made for McCloud within the calculations. However, if a representation is made to the Administering Authority then a reasonable estimate for the potential cost of McCloud will need to be included. This will be calculated in line with the treatment set out in this Funding Strategy Statement for all members of the outgoing employer. For the avoidance of doubt, there will be no recourse for an employer with regard to McCloud, once the final termination has been settled and payments have been made. Once the remedy is known, any calculations will be performed in line with the prevailing regulations and guidance in force at the time.

In the event of parties unreasonably seeking to crystalise the exit credit on termination unreasonably the Fund will consider its overall policy and seek to recover termination deficits as opposed to allowing them to be subsumed with no impact on contribution requirements until the next assessment of the contribution requirements for the guarantor. Equally, where a guarantor decides not to underwrite the residual liabilities then the basis on termination the basis of assessment will assume the liabilities are orphaned and the minimum risk basis of termination will apply.

The policy for employers who do not have a guarantor participating in the Fund:

In the case of a surplus, the Fund pays the exit credit to the exiting employer following completion of the termination process (within 6 months of completion of the cessation by the Actuary). This is subject to the exiting employer providing sufficient notice to the Fund of their intent to exit; any delays in notification will impact on the payment date.

In the case of a deficit, the Fund would require the exiting employer to pay the termination deficit to the Fund as an immediate lump sum cash payment (unless agreed otherwise by the Administering Authority at their sole discretion) following completion of the termination process.

The Administering Authority also reserves the right to modify this approach on a case-by-case basis at its sole discretion if circumstances warrant it based on the advice of the Actuary.

Where an employer with no guarantor leaves the Fund and leaves liabilities with the Fund, which the Fund must meet without recourse to that employer, the valuation of the termination payment, will be calculated using a discount rate based on the minimum risk basis of termination.

The Government has confirmed that a remedy is required for the LGPS in relation to the McCloud judgment, however the final remedy is not known. Where a surplus or deficit is being subsumed, no allowance will be made for McCloud within the calculations. However, if a representation is made to the Administering Authority then a reasonable estimate for the potential cost of McCloud will need to be included. This will be calculated in line with the treatment set out in this Funding Strategy Statement for all members of the outgoing employer. For the avoidance of doubt, there will be no recourse for an employer with regard to McCloud, once the final termination has been settled and payments have been made. Once the remedy is known, any calculations will be performed in line with the prevailing regulations and guidance in force at the time

Subject to the relevant changes in Regulations being made, if applicable, an employer may continue to participate in the Fund with no contributing members and utilise the "Deferred Debt" Arrangements at the sole discretion of the Administering Authority, which will be subject to a satisfactory covenant review on an ongoing basis. In this circumstance they will continue to be treated as per any other participating employer in relation to overall funding strategy (including potentially requiring a final exit payment at some point) allowing for the covenant. Further details will be available should any regulatory change be made.

The termination policy is set out in **Appendix C**. This will be reviewed at least on an annual basis to take into account any emerging trends or changes in financial or demographic factors e.g. longevity trends and RPI reform, which will affect the termination assessment for employers.

In all cases, the Administering Authority reserves the right to apply a different approach at its sole discretion, taking into account the risk associated with an employer in proportion to the Fund as a whole. Any employer affected will be notified separately.

ALTERNATIVE FUNDING TARGETS

In certain circumstances, as a pre-cursor to the Fund implementing a risk management framework involving investment buckets, a higher funding target may be adopted for certain employers as deemed appropriate by the Administering Authority. Initially this will be particularly applied to admitted body employers without a guarantor and will be used as a means of increasing the certainty of achieving or maintaining full funding.

The contribution rate for these employers will be determined to target a funding position of either 105% or 110% for the baseline liabilities. The principles around the recovery period will be as noted earlier after the change in funding target has been applied.

FUNDING FOR NON-ILL HEALTH EARLY RETIREMENT COSTS

All Employers are required to meet non ill-health early retirement strain costs arising on the grounds of redundancy / efficiency by immediate capital payments into the Fund.

FUNDING FOR ILL HEALTH RETIREMENT COSTS

Should a member retire on ill health grounds, this will normally result in a funding strain for that employer (i.e. increased liability). The size of any funding strain will depend on how the cost of that ill health retirement compares with the expected cost built in the actuarial assumptions for that employer. The actual cost will also depend on the level of any benefit enhancements awarded (which depend on the circumstances of the ill health retirement) and also how early the benefits are brought into payment. The treatment of any ill-health retirement strain cost emerging will vary depending on the type of employer:

- For those employers who participate in the ill-health insurance captive, any ill-health retirement strain cost emerging will be met by a contribution from the captive fund as part of the subsequent actuarial valuation (or termination assessment if sooner). No additional contributions will be due immediately from the employer although an adjustment to the "premium" payable may emerge following the subsequent actuarial valuation, depending on the overall experience of the captive fund.

- For those employers who don't participate in the ill-health captive, the "primary rate" payable over 2020/23 includes an allowance for ill-health retirement costs. Any ill-health retirement strain costs emerging will form part of the contribution rate assessment for the employer at the subsequent actuarial valuation (or termination assessment if sooner). No additional contributions will be due immediately from the employer.

FUNDING FOR DEATHS IN SERVICE

The financial impact of the benefits that become payable on the death of a member differ depending on whether the member dies before or after retirement.

The extent of any funding strain/profit which emerges on the death of a pensioner member (typically a profit) will be determined by the age of the pensioner at death and whether or not any dependants' benefits become payable.

In the event of a member dying whilst in active service, it is not certain that a funding profit would emerge. Whilst the Fund would no longer have to pay the accrued benefits at retirement for the deceased member, a lump sum death grant and also dependants' benefits would become payable instead. The dependants' benefits would also be based on the pensionable service that the member could have accrued had they remained in service until retirement.

Typically, the death of a young member with low pensionable service and dependants is likely to result in a large funding strain for the employer. However, the death of an older/long serving member with no dependants could actually result in a funding profit. Any funding strain or profit will emerge at the next actuarial valuation through increased/reduced deficit, except where the employer is in the termination process when it will be taken into account when the Actuary determines the termination position.

7

LINK TO INVESTMENT POLICY AND THE INVESTMENT STRATEGY STATEMENT (ISS)

In assessing the value of the Fund's liabilities in the valuation, allowance has been made for growth asset out-performance as described below, taking into account the investment strategy adopted by the Fund, as set out in the ISS.

It is not possible to construct a portfolio of investments, which produces a stream of income exactly matching the expected liability outgo. However, it is possible to construct a portfolio, which represents the "minimum risk" investment position, which would deliver a very high certainty of real returns above assumed CPI inflation. Such a portfolio would consist of a mixture of long-term index-linked gilts, fixed interest gilts and possible investment derivative contracts known as "swaps".

Investment of the Fund's assets in line with this portfolio would minimise fluctuations in the Fund's funding position between successive actuarial valuations.

If, at the valuation date, the Fund had been invested in this portfolio, then in carrying out this valuation it would not be appropriate to make any allowance for growth assets out-performance or any adjustment to market implied inflation assumption due to supply/demand distortions in the bond markets. This would result in real return versus CPI inflation of minus 1% per annum at the valuation date. On this basis of assessment, the assessed value of the Fund's liabilities at the valuation would have been significantly higher, resulting in a funding level of c61%. This is a measure of the level of reliance on future investment returns.

Departure from a minimum risk investment strategy, in particular to include growth assets such as equities, gives a better prospect that the assets will, over time, deliver returns in excess of CPI inflation and reduce the contribution requirements. The target solvency position of having sufficient assets to meet the Fund's pension obligations might in practice therefore be achieved by a range of combinations of funding plan, investment strategy and investment performance.

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The overall strategic asset allocation is set out in the ISS and are as follows. The table shows the position before and after March 2020:

Asset Class	Current Benchmark %	New Benchmark %	Tolerance
UK Equities*	15.0	10.0	} +/- 5%
Global Equities*	35.0	35.0	}
Private equity	7.0	7.0	+/- 2%
Total Growth	**57.0**	**52.0**	
Multi Asset Credit	6.0	6.0	+/- 2%
Infrastructure	5.0	10.0	+/- 3%
Private Debt	3.5	5.5	+/- 1%
UK Property	10.0	10.0	+/- 2%
Total Income	**24.5**	**31.5**	
UK Index-Linked Gilts	12.0	10.0	+/- 3%
Corporate Bonds	5.0	5.0	+/- 1%
Cash	1.5	1.5	+/- 1%
Total Protection	**18.5**	**16.5**	
Total	**100.0**	**100.0**	

For the 2019 valuation, the investment return expectations as calculated by the Actuary equated to an overall best estimate average expected return of 2.65% per annum in excess of CPI inflation at the valuation date i.e. a 50/50 chance of achieving this real return. For the purposes of setting funding strategy however, the Administering Authority believes that it is appropriate to take a margin for prudence on these return expectations and this is expected under the Regulations and guidance. Broadly speaking the discount rate of CPI+1.5% p.a. has been set so that there is approximately a 65% (or broadly two-in-three) chance that the returns achieved will be at least those assumed in the discount rate.

This margin however, has been reduced to take account of the risk management strategies implemented to reduce the volatility of returns within the investment strategy.

RISK MANAGEMENT STRATEGY

In the context of managing various aspects of the Fund's financial risks, the Administering Authority has implemented a number of risk management techniques. In particular:

- Equity Protection - the Fund has implemented protection against potential falls in the equity markets via the use of derivatives. The aim of the protection is to provide further stability in employer contributions (all other things equal) in the event of a significant equity market fall (although it is recognised that it will not protect the Fund in totality).

The principal aim of these risk management techniques is to effectively look to provide more certainty of real investment returns vs CPI inflation and/or protect against volatility in the termination position. It is designed to reduce risk and provide more stability/certainty of outcome for funding and ultimately employer contribution rates. The effect of these techniques has been allowed for in the 2019 actuarial valuation calculations and could have implications on future actuarial valuations and the assumptions adopted. Further details of the framework have been included in the ISS.

ALTERNATIVE INVESTMENT STRATEGIES

Within the next valuation cycle, the Fund will be considering the merits of implementing alternative investment strategies. Such strategies will have a lower level of growth assets compared with the current "higher risk" whole Fund strategy and will apply to certain employers in the Fund depending on their characteristics and objectives, as determined by the Administering Authority.

The applicable investment strategy will be reflected in the relevant employer's notional asset share, funding basis and contribution requirements as assessed at subsequent actuarial valuations.

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IDENTIFICATION OF RISKS AND COUNTER-MEASURES

The funding of defined benefits is by its nature uncertain. Funding of the Scheme is based on both financial and demographic assumptions. These assumptions are specified in the actuarial valuation report. When actual experience is not in line with the assumptions adopted a surplus or shortfall will emerge at the next actuarial assessment and will require a subsequent contribution adjustment to bring the funding back into line with the target.

The Administering Authority has been advised by the actuary that the greatest risk to the funding level is the investment risk inherent in the predominantly equity based strategy, so that actual asset out-performance between successive valuations could diverge significantly from that assumed in the long term. The Actuary's formal valuation report includes quantification of some of the major risk factors.

FINANCIAL

The financial risks are as follows:-

- Investment markets fail to perform in line with expectations
- Protection and risk management policies fail to perform in line with expectations
- Market outlook moves at variance with assumptions
- Investment Fund Managers fail to achieve performance targets over the longer term
- Asset re-allocations in volatile markets may lock in past losses
- Pay and price inflation significantly more or less than anticipated
- Future underperformance arising as a result of participating in the larger asset pooling vehicle.
- An employer ceasing to exist without prior notification, resulting in a large exit credit requirement from the Fund impacting on cashflow requirements.

Any increase in employer contribution rates (as a result of these risks), may in turn impact on the service delivery of that employer and their financial position.

In practice the extent to which these risks can be reduced is limited. However, the Fund's asset allocation is kept under constant review and the performance of the investment managers is regularly monitored. In addition, the implementation of a risk management framework to manage the key financial risks will help reduce risk over time.

DEMOGRAPHIC

The demographic risks are as follows:-

- Future changes in life expectancy (longevity) cannot be predicted with any certainty
- Potential strains from ill health retirements, over and above what is allowed for in the valuation assumptions
- Unanticipated acceleration of the maturing of the Fund resulting in materially negative cashflows and shortening of liability durations

Increasing longevity is something which government policies, both national and local, are designed to promote. It does, however, result in a greater liability for pension funds.

Ill health retirements can be costly for employers, particularly small employers where one or two costly ill health retirements can take them well above the "average" implied by the valuation assumptions. Increasingly we are seeing employers mitigate the number of ill health retirements by employing HR / occupational health preventative measures. These in conjunction with ensuring the regulatory procedures in place to ensure that ill-health retirements are properly controlled, can help control exposure to this demographic risk. The Fund's ill health captive arrangement will also help to ensure that the eligible employers are not exposed to large deficits due to the ill health retirement of one or more of their members (see further information in **Appendix** F).

Apart from the regulatory procedures in place to ensure that ill-health retirements are properly controlled, **employing bodies should be doing everything in their power to minimise the number of ill-health retirements**.

Early retirements for reasons of redundancy and efficiency do not immediately affect the solvency of the Fund because they are the subject of a direct charge.

With regards to increasing maturity (e.g. due to further cuts in workforce and/or restrictions on new employees accessing the Fund), the Administering Authority regularly monitors the position in terms of cashflow requirements and considers the impact on the investment strategy.

INSURANCE OF CERTAIN BENEFITS

The contributions for any employer may be varied as agreed by the Actuary and Administering Authority to reflect any changes in contribution requirements as a result of any benefit costs (aside from ill-health retirement costs which are already insured for eligible employers) being insured with a third party or internally within the Fund. More detail on how the Fund currently insures ill health costs for eligible employers is set out in **Appendix F**.

REGULATORY

The key regulatory risks are as follows:-

- Changes to Regulations, e.g. changes to the benefits package, retirement age, potential new entrants to scheme. Typically these would be via the Cost Management Process although in light of the McCloud discrimination case (see further comment in Section 9) there can be exceptional circumstances which give rise to unexpected changes in Regulations
- Changes to national pension requirements and/or HMRC Rules
- Political risk that the guarantee from the Department for Education for academies is removed or modified along with the operational risks as a consequence of the potential for a large increase in the number of academies in the Fund due to Government policy.

Membership of the Local Government Pension Scheme is open to all local government staff and should be encouraged as a valuable part of the contract of employment. However, increasing membership does result in higher employer monetary costs.

GOVERNANCE

The Fund has done as much as it believes it reasonably can to enable employing bodies and scheme members (via their trades unions) to make their views known to the Fund and to participate in the decision-making process. So far as the revised Funding Strategy Statement is concerned,

- consultation took place with employers at the end of 2018 on a range of key issues and assumptions influencing the valuation process. These issues were also discussed at the 2018 Employer Forum.
- Copies of the draft Funding Strategy Statement were circulated to all employers during November 2019 for their comments and an invitation to comment was placed on the Fund's website.
- The Fund Actuary and Fund Officers presented details in relation to specific issues and changes at workshops for specific groups of employers and at the 2019 Employer Forum

The final Funding Strategy Statement was approved on 23rd January 2020.

Governance risks are as follows:-

- The quality of membership data deteriorates materially due to breakdown in processes for updating the information resulting in liabilities being under or overstated
- Administering Authority unaware of structural changes in employer's membership (e.g. large fall in employee numbers, large number of retirements) with the result that contribution rates are set at too low a level
- Administering Authority not advised of an employer closing to new entrants, something which would normally require an increase in contribution rates
- An employer ceasing to exist with insufficient funding or adequacy of a bond.
- Political risk that the academies guarantee from the Department for Education is removed, especially given the large increase in the number of academies in the Fund.

For these risks to be minimised much depends on information being supplied to the Administering Authority by the employing bodies. Arrangements are strictly controlled and monitored (e.g. with regular data reconciliations with employers), but in most cases the employer, rather than the Fund as a whole, bears the risk.

PENSIONS AUTHORITY

South Yorkshire Pensions Authority, as the Administering Authority for South Yorkshire Pension Fund, has responsibility and accountability for overseeing the Fund.

Full details of the business of the authority including the meeting dates of the various Boards, minutes and agenda's, the contact details of the current Members and links to live webcasting of meeting can be accessed through the Authority's website https://www.sypensions.org.uk/Home/About-Us

PENSIONS ADMINISTRATION STRATEGY

The Pensions Administration Strategy (PAS) sets out clear standards of service to members by defining employer and Fund responsibilities in administering the Scheme and sets out the requirements for the two-way flow of information. The employer should notify the administering authority of the following events.

- Structural change in employer's membership e.g. large fall in employee numbers or large number of retirements.
- A closure in accessibility of the scheme to new entrants.
- An employer ceasing to exist.

The strategy has been developed and adopted in consultation and agreement with the participating Fund Employers and is provided for through statute by Regulation 59 of the Local Government Pension Scheme Regulations 2013 (as amended). It sets out, amongst other things, how the Administering Authority, SYPA, will administer the Pension Scheme and Fund on behalf of Employing Organisations, and their Scheme Members, participating in the South Yorkshire Pension Fund, its requirements for employers in terms of the timely and accurate provision of information pertinent to the administration of the Scheme and Fund, and the penalties to be applied to those employing organisations failing to meet their duties, responsibilities and obligations as detailed within the strategy document.

The strategy has been developed and adopted in consultation to improve the overall standard of administration of the Scheme and the Fund and is intended to apply in a spirit of partnership working and co-operation where every assistance, tool, facility, system, training and guidance will be provided where possible to enable employers to improve administrative performance and meet the requirements of the strategy. Any penalties and censures carried within the strategy are not intended to apply as a first resort but rather as a last resort following a period of time and opportunity given for improvement to any organisation struggling to meet its obligations.

LOCAL PENSION BOARD

The Pension Board was established in April 2015 in accordance with the Public Service Pensions Act 2013, the national statutory governance framework delivered through the LGPS Regulations and guidance as issued by the Scheme Advisory Board.

The Board seeks to assist the South Yorkshire Pensions Authority to maintain effective and efficient administration and governance. The LPB comprises both Scheme members, retired and active, together with employer representatives. Employer representation is not restricted to the four large local Councils.

It meets quarterly and all Board Members have undertaken training and have established a work programme that will enable them to meet their obligations to ensure that the Fund complies with the relevant codes of practice and current legislation.

The Board is now supported by an Independent Adviser in order to ensure that it can provide effective challenge to the Authority and its officers.

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MONITORING AND REVIEW

The Administering Authority has taken advice from the actuary in preparing this Statement, and has consulted with the employers participating in the Fund.

A full review of this statement will occur no less frequently than every three years, to coincide with completion of a full statutory actuarial valuation and every review of employer rates or interim valuation. Any review will take account of the current economic conditions and will also reflect any legislative changes.

The Administering Authority will monitor the progress of the funding strategy between full actuarial valuations. If considered appropriate, the funding strategy will be reviewed (other than as part of the valuation process), for example, if there:

- has been a significant change in market conditions, and/or deviation in the progress of the funding strategy
- have been significant changes to the Scheme membership, or LGPS benefits
- have been changes to the circumstances of any of the employing authorities to such an extent that they impact on or warrant a change in the funding strategy
- have been any significant special contributions paid into the Fund.

When monitoring the funding strategy, if the Administering Authority considers that any action is required, the relevant employers will be contacted. In the case of admitted bodies, there is statutory provision for rates to be amended between valuations and this will be considered in conjunction with the employer affected and any associated guarantor of the employer's liabilities (if relevant).

REVIEW OF CONTRIBUTIONS

In line with any future change in Regulations, the Administering Authority may have the ability to review employer contributions or request a full interim valuation. If considered appropriate, the Fund will carry out an interim valuation or a review of contributions for a specific employer or employer(s), if there:

1. has been a significant change in market conditions and/or deviation in the progress of the Funding Strategy.
2. has been a material change in an employer's covenant assessed in line with the policy in Appendix E.
3. the employer has notified the Fund of their intention to exit within the next 3 years. Employers must notify the Fund as soon as they become aware of their planned exit date.
4. has been a deviation in the progress of the funding strategy for the employer.
5. have been significant changes to the Scheme membership, or LGPS benefits.
6. has been a change in employer status.
7. have been any significant special contributions paid into the Fund.
8. have been significant statutory or regulatory changes.

In the normal course of events, contributions will only be reviewed for statutory or tax raising employers as part of a full actuarial valuation (statutory or interim valuation).

In exceptional circumstances, not envisaged in the Funding Strategy Statement, the Fund can apply for a direction from the Secretary of State to carry out an interim valuation. The Secretary of State would also have a power to require interim valuations of the Fund either on representation from the Fund, scheme employers or of his own volition.

Where the contribution review is triggered by an employer request (e.g. points 2, 3, 4, 5, 6 and 7 above), the costs associated with the review will be met by the employer(s) concerned.

COST MANAGEMENT AND THE MCLOUD JUDGMENT

The cost management process was set up by the Government, with an additional strand set up by the Scheme Advisory Board (for the LGPS). The aim of this was to control costs for employers and taxpayers via adjustments to benefits and/or employee contributions.

As part of this, it was agreed that employers should bear the costs/risks of external factors such as the discount rate, investment returns and inflation changes, whereas employees should bear the costs/risks of other factors such as wage growth, life expectancy changes, ill health retirement experience and commutation of pension.

The outcomes of the cost management process were expected to be implemented from 1 April 2019, based on data from the 2016 valuations for the LGPS. This has now been put on hold due to age discrimination cases brought in respect of the firefighters and judges schemes, relating to protections provided when the public sector schemes were changed (which was on 1 April 2014 for the LGPS and 1 April 2015 for other Schemes).

The Government have confirmed that this judgment will result in a remedy being required for the LGPS. The Scheme Advisory Board issued guidance, which sets out how the McCloud case should be allowed for within the 2019 valuation.

The Government have confirmed that this judgment will result in a remedy being required for the LGPS. The Scheme Advisory Board issued guidance here, which sets out how the McCloud case should be allowed for within the 2019 valuation. As a consequence, cost management is expected to remain paused until the remedy is known and therefore no allowance has been made in this valuation. This will be reconsidered once the final outcomes are known.

The potential impact of the McCloud judgment (based on the information available at the time) has been quantified and communicated to employers as part of the 2019 valuation. This has been assessed by removing the current age criteria applied to the underpin implemented in 2014 for the LGPS. This underpin therefore would apply to all active members as at 1 April 2012. Employers will be able to choose to pay these estimated costs over 2020/23 in their certified contributions. Alternatively, they will need to make provision within their budgets and backdated contributions would be paid once the remedy is known. The mechanism to achieve this has been set out in the Actuary's certificate.

APPENDIX A - ACTUARIAL METHOD AND ASSUMPTIONS

METHOD

The actuarial method to be used in the calculation of the solvency funding target is the Projected Unit method, under which the salary increases assumed for each member are projected until that member is assumed to leave active service by death, retirement or withdrawal from service. This method implicitly allows for new entrants to the scheme on the basis that the overall age profile of the active membership will remain stable. As a result, for those employers which are closed to new entrants, an alternative method is adopted, which makes advance allowance for the anticipated future ageing and decline of the current closed membership group potentially over the period of the rates and adjustments certificate.

FINANCIAL ASSUMPTIONS – SOLVENCY FUNDING TARGET AND COST OF FUTURE ACCRUAL

Investment return (discount rate) – Solvency Funding Target

The discount rate has been derived based on the expected return on the Fund assets based on the long-term strategy set out in the Investment Strategy Statement (ISS). It includes appropriate margins for prudence. When assessing the appropriate discount rate consideration has been given to the returns in excess of CPI inflation (as derived below). The discount rate at the valuation has been derived based on an assumed return of 1.5% per annum above CPI inflation i.e. a real return of 1.5% per annum and a total discount rate of 3.9% per annum. This real return will be reviewed from time, to time, typically at the time of a formal valuation or bond review based on the investment strategy, market outlook and the Fund's overall risk metrics. The discount rate will be reviewed as a matter of course at the time of a formal valuation.

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For those employers for whom the Administering Authority deems an alternative funding target should apply, a 5% or 10% loading will be applied to the baseline liabilities determined using the discount rate above, as deemed appropriate.

Investment return (discount rate) – Cost of Future Accrual

The future service liabilities are calculated using the same assumptions as the solvency funding target except that a different financial assumption for the discount rate is used. A critical aspect here is that the Regulations state the desirability of keeping the "Primary Rate" (which is the future service rate) as stable as possible so this needs to be taken into account when setting the assumptions.

As future service contributions are paid in respect of benefits built up in the future, the Primary Rate should take account of the market conditions applying at future dates, not just the date of the valuation, thus it is justifiable to use a slightly higher expected return from the investment strategy. In addition, the future liabilities for which these contributions will be paid have a longer average duration than the past service liabilities as they relate to active members only.

The financial assumptions in relation to future service (i.e. the normal cost) are based on an overall assumed real discount rate of 2.35% per annum above the long-term average assumption for consumer price inflation of 2.4% per annum. This leads to a discount rate of 4.75% per annum.

Inflation (Consumer Prices Index)

The inflation assumption will be taken to be the investment market's expectation for RPI inflation as indicated by the difference between yields derived from market instruments, principally conventional and index-linked UK Government gilts as at the valuation date, reflecting the profile and duration of the Scheme's accrued liabilities, but subject to an adjustment due to retirement pensions being increased annually by the change in the Consumer Price Index rather than the Retail Price Index.

The overall average reduction to the assumption to long-term RPI inflation to arrive at the CPI inflation assumption at the valuation date is 1.0% per annum. The CPI inflation assumption at the valuation date is 2.4% per annum.

This adjustment to the RPI inflation assumption will be reviewed from time to time to take into account any reform of the RPI index as announced by the Chancellor in the March 2020 budget. Any change will then be implemented for all relevant policies in this Funding Strategy Statement.

Salary increases

In relation to benefits earned prior to 1 April 2014, the assumption for real salary increases (salary increases in excess of price inflation) will be determined by an allowance of 1.25% p.a. over the inflation assumption as described above. This includes allowance for promotional increases. In addition to the long term salary increase assumption allowance has been made for expected short term pay restraint for employers The default assumption is for pay growth of 3% (covering both headline increases and incremental drift) each year from the valuation date up to 31st March 2023 although employers will be able to opt for the long-term assumption only should they wish.

Application of bespoke salary increase assumptions as put forward by individual employers will be at the ultimate discretion of the Administering Authority but as a minimum must be reasonable and practical. Employers will need to provide clear evidence that justifies any bespoke assumptions (for example a long-term pay agreement) To the extent that experience differs to the assumption adopted, the effects will emerge at the next actuarial valuation.

Pension increases/Indexation of CARE benefits

Increases to pensions are assumed to be in line with the inflation (CPI) assumption described above. This is modified appropriately to reflect any benefits, which are not fully indexed in line with the CPI (e.g. Guaranteed Minimum Pensions where the LGPS is not required to provide full indexation).

For members in pensionable employment, their CARE benefits are also indexed by CPI although this can be less than zero i.e. a reduction in benefits, whereas for pension increases this cannot be negative, as pensions cannot be reduced.

DEMOGRAPHIC ASSUMPTIONS

Mortality/Life Expectancy

The mortality in retirement assumptions will be based on the most up-to-date information in relation to self-administered pension schemes published by the Continuous Mortality Investigation (CMI), making allowance for future improvements in longevity and the experience of the scheme. The mortality tables used are set out below, with a loading reflecting Fund specific experience. The derivation of the mortality assumption is set out in a separate paper as supplied by the Actuary.

A specific mortality assumption has also been adopted for current members who retire on the grounds of ill health.

For all members, it is assumed that the trend in longevity seen over recent time periods (as evidenced in the 2018 CMI analysis) will continue in the longer term and as such, the assumptions build in a level of longevity 'improvement' year on year in the future in line with the CMI 2018 projections and a long term improvement trend of 1.75% per annum.

The mortality before retirement has also been reviewed based on LGPS wide experience.

Commutation

Based on scheme specific analysis undertaken over a long period, it has been assumed that, on average, retiring members will commute pension up to 90% of the maximum tax-free cash available at retirement (allowing for any standard 3/80ths cash sum that may be payable). The option, which members have to commute part of their pension at retirement in return for a lump sum, is a rate of £12 cash for each £1 p.a. of pension given up.

Other Demographics

Following an analysis of Fund experience carried out by the Actuary, the incidence of ill health retirements, withdrawal rates and the proportions married/civil partnership assumption remain in line with the assumptions adopted for the last valuation. In addition, no allowance will be made for the future take-up of the 50:50 option. Where any member has actually opted for the 50:50 scheme, this will be allowed for in the assessment of the rate for the next 3 years. Other assumptions are as per the last valuation.

Expenses

Expenses are met out the Fund, in accordance with the Regulations. This is allowed for by adding 0.5% of pensionable pay to the contributions as required from participating employers. This addition is reassessed at each valuation. Investment expenses have been allowed for implicitly in determining the discount rates.

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Discretionary Benefits

The costs of any discretion exercised by an employer in order to enhance benefits for a member through the Fund will be subject to additional contributions from the employer as required by the Regulations as and when the event occurs. As a result, no allowance for such discretionary benefits has been made in the valuation.

EMPLOYER ASSET SHARES

The Fund is a multi-employer pension scheme that is not formally unitised and so individual employer asset shares are calculated at each actuarial valuation. This means it is necessary to make some approximations in the timing of cashflows and allocation of investment returns when deriving the employer asset share.

In attributing the overall investment performance obtained on the assets of the Scheme to each employer a pro-rata principle is adopted. This approach is effectively one of applying a notional individual employer investment strategy identical to that adopted for the Scheme as a whole unless agreed otherwise between the employer and the Fund at the sole discretion of the Administering Authority.

At each review, cashflows into and out of the Fund relating to each employer, any movement of members between employers within the Fund, along with investment return earned on the asset share, are allowed for when calculating asset shares at each valuation. In addition, the asset share may be restated for changes in data or other policies.

Other adjustments are also made on account of the funding positions of orphan bodies, which fall to be met by all other active employers in the Fund.

SUMMARY OF KEY WHOLE FUND ASSUMPTIONS USED FOR CALCULATING FUNDING TARGET AND COST OF FUTURE ACCRUAL (THE "PRIMARY RATE") FOR THE 2019 ACTUARIAL VALUATION

Long-term yields	
Market implied RPI inflation	3.40% p.a.
Solvency Funding Target financial assumptions	
Investment return/Discount Rate	3.90% p.a.
CPI price inflation	2.40% p.a.
Long Term Salary increases*	3.65% p.a.
Pension increases/indexation of CARE benefits	2.40% p.a.
Future service accrual financial assumptions	
Investment return/Discount Rate	4.75% p.a.
CPI price inflation	2.40% p.a.
Long Term Salary increases*	3.65% p.a.
Pension increases/indexation of CARE benefits	2.40% p.a.

* in addition to this, an allowance for further short-term pay restraint may be made. This will be 3% per annum for 4 years to 31 March 2023 depending on an employer's circumstances.

Life expectancy assumptions

The post retirement mortality tables adopted for this valuation, along with sample life expectancies, are set out below:

-Post retirement mortality tables

Current Status	Retirement Type	Mortality Table
Annuitant	Normal Health	101% S3PMA_CMI_2018 [1.75%] 88% S3PFA_M_CMI_2018 [1.75%]
	Dependant	133% S3PMA_CMI_2018 [1.75%] 89% S3DFA_CMI_2018 [1.75%]
	Ill Health	125% S3IMA_CMI_2018 [1.75%] 122% S3IFA_CMI_2018 [1.75%]
	Future Dependant	128% S3PMA_CMI_2018 [1.75%] 107% S3DFA_CMI_2018 [1.75%]
Active	Normal Health	109% S3PMA_CMI_2018 [1.75%] 90% S3PFA_M_CMI_2018 [1.75%]
	Ill Health	125% S3IMA_CMI_2018 [1.75%] 139% S3IFA_CMI_2018 [1.75%]
Deferred	All	131% S3PMA_CMI_2018 [1.75%] 105% S3PFA_M_CMI_2018 [1.75%]
Future Dependant	Dependant	137% S3PMA_CMI_2018 [1.75%] 113% S3DFA_CMI_2018 [1.75%]

-Life expectancies at age 65

Membership Category	Male Life Expectancy at 65	Female Life Expectancy at 65
Pensioners	22.4	25.1
Actives aged 45 now	23.8	27.0
Deferreds aged 45 now	22.4	25.9

Further detail and other demographic assumptions are set out in the Actuary's formal report.

APPENDIX B – EMPLOYER DEFICIT / SURPLUS RECOVERY PLANS

As the assets of the Fund are less than the liabilities at the effective date, a deficit recovery plan needs to be adopted such that additional contributions are paid into the Fund to meet the shortfall.

Deficit contributions paid to the Fund by each employer will be expressed as £s amounts and will increase at 2.4% p.a. (unless agreed with the Administering Authority). It is the Fund's objective that any funding deficit is eliminated as quickly as the participating employers can reasonably afford based on the Administering Authority's view of the employer's covenant and risk to the Fund.

Recovery periods will be set by the Fund on a consistent basis across employer categories where possible and communicated as part of the discussions with employers. This will determine the minimum contribution requirement and employers will be free to select any shorter deficit recovery period and higher contributions if they wish, including the option of prepaying the deficit contributions in one lump sum either on annual basis or a one-off payment. This will be reflected in the monetary amount requested via a reduction in overall £ deficit contributions payable.

The principles used to determine the recovery periods is summarised in the table below. These will be used to derive the minimum contributions payable subject to reasonable affordability and covenant assessment. In some cases, the actuary may recommend a higher deficit contribution for 2020/23.

Category	Maximum Deficit Recovery Period	Derivation
District Councils	16 years	Determined by reducing the period from the preceding valuation by at least 3 years
Other Tax-raising Scheduled and Designating Bodies	16 years	Determined by reducing the period from the preceding valuation by at least 3 years and to ensure, where appropriate, total contributions do not reduce versus the current contributions from the existing recovery plan.
Academies and Multi-Academy Trusts	16 years	Determined by reducing the period from the preceding valuation by at least 3 years and to ensure, where appropriate, total contributions do not reduce versus the current contributions from the existing recovery plan.
Higher and Further Education Bodies (Universities and Colleges)	16 years	Determined by reducing the period from the preceding valuation by at least 3 years and to ensure, where appropriate, total contributions do not reduce versus the current contributions from the existing recovery plan.

Community Admission Bodies (guaranteed by another Scheme Employer within the Fund)	16 years	Determined by reducing the period from the preceding valuation by at least 3 years and to ensure, where appropriate total contributions do not reduce versus the current contributions from the existing recovery plan.
Community Admission Bodies (with no guarantee).	11 years	Determined by reducing the period from the preceding valuation by at least 3 years (unless the expected participation in the Fund is known and is shorter) and to ensure, where appropriate, total contributions do not reduce versus the current contributions from the existing recovery plan.
Transferee Admission Bodies (guaranteed by the letting Scheme Employers)	16 years	Deficit recovery period to be limited to the lifetime of the contract. For those employers in surplus, the maximum recovery period may apply unless the contract is expected to expire in the next three years.

The recovery period adopted for individual employers has been notified to them along with their individual valuation results.

In determining the actual recovery period to apply for any particular employer or employer grouping, the Administering Authority may take into account some or all of the following factors:

- The size of the funding shortfall;
- The business plans of the employer;
- The assessment of the financial covenant of the Employer, and security of future income streams;
- Any contingent security available to the Fund or offered by the Employer such as guarantor or bond arrangements, charge over assets, etc.

The objective is to recover any deficit over a reasonable timeframe, and this will be periodically reviewed. Subject to affordability considerations a key principle will be to maintain the total contributions at the expected monetary levels from the preceding valuation (allowing for any indexation in these monetary payments over the recovery period).

For any employers assessed to be in surplus, their individual contribution requirements may be adjusted to such an extent that any surplus is unwound over a maximum 16 year period unless agreed with the Administering Authority (if surpluses are sufficiently large, contribution requirements will be set to a minimum nil total amount). The current level of contributions payable by the employer may also be phased down to the reduced level as appropriate.

Other factors affecting the Employer Deficit Recovery Plans

As part of the process of agreeing funding plans with individual employers and managing risk in the intervaluation period, the Administering Authority will exceptionally consider the use of contingent assets (for example a charge on a property) and other tools such as bonds or guarantees that could assist employing bodies in managing the cost of their liabilities or could provide the Fund with greater security against outstanding liabilities. All other things equal this could result in a longer recovery period being acceptable to the Administering Authority, restricted to a maximum period of 16 years, although employers will still be expected to at least cover expected interest costs on the deficit.

It is acknowledged by the Administering Authority that, whilst posing a relatively low risk to the Fund as a whole, a number of smaller employers may be faced with significant contribution increases that could seriously affect their ability to function in the future. The Administering Authority therefore would be willing to use its discretion to accept an evidenced based affordable level of contributions for the organisation for the three years 2020/2023. Any application of this option is at the ultimate discretion of the Fund officers in order to effectively manage risk across the Fund. It will only be considered after the provision of the appropriate evidence as part of the covenant assessment and also the appropriate professional advice.

For those bodies identified as having a weaker covenant, the Administering Authority will need to balance the level of risk plus the solvency requirements of the Fund with the sustainability of the organisation when agreeing funding plans. As a minimum, the annual deficit payment must meet the on-going interest costs to ensure, everything else being equal, that the deficit does not increase in monetary terms.

Notwithstanding the above, the Administering Authority, in consultation with the actuary, has also had to consider whether any exceptional arrangements should apply in particular cases.

APPENDIX C - ADMISSIONS AND TERMINATION POLICY

ENTRY TO THE FUND

MANDATORY SCHEME EMPLOYERS

Certain employing bodies are required to join the scheme under the Regulations. These bodies include tax raising bodies, those funded by central government (academies and colleges) and universities (reliant on non-government income). Academies also fall under this category.

DESIGNATING BODIES

Designating bodies are permitted to join the scheme if they pass a resolution to this effect. Designating bodies, other than connected entities, are not required under the Regulations to provide a guarantee. These bodies usually have tax raising powers and include Parish and Town Councils.

ADMISSION BODIES

An admitted body is an employer, which, if it satisfies certain regulatory criteria, can apply to participate in the Fund. If its application is accepted by the administering authority, it will then have an "admission agreement". In accordance with the Regulations, the admission agreement sets out the conditions of participation of the admitted body including which employees (or categories of employees) are eligible to be members of the Fund.

Admitted bodies can join the Fund if

- They provide a service for a scheme employer as a result of an outsourcing (formerly known as Transferee Admission Bodies)
- They provide some form of public service and their funding in most cases derives primarily from local or central government. In reality they take many different forms but the one common element is that they are "not for profit" organisations (formerly known as Community Admission Bodies).

Admitted bodies may only join the Fund if they are guaranteed by a scheme employer. When the agreement or service provision ceases, the Fund's policy is that in all cases it will look to recover any outstanding deficit from the outgoing body unless appropriate instruction is received from the outsourcing employer or guaranteeing employer, in which case the assets and liabilities of the admission body will in revert to the outsourcing scheme employer or guaranteeing employer.

JOINING THE FUND VIA THE 'DEEMED EMPLOYER' ROUTE

Joining the fund through the deemed employer route would rely on a regulatory change. This is an alternative route to the admitted body route for achieving pension protection. It relates to employers which have employees working for a third party but fall under the deemed employer for the purposes of the Regulations.

It will be the outsourcing Scheme Employer's choice, when initially putting the contract out to tender, whether the Admission Agreement or Deemed Employer approach will be used. The outsourcing scheme employer will be also known as the deemed employer with regard to this admitted body.

If the Deemed Employer route is chosen, the admitted body will not join the Fund and will instead be grouped/pooled with the original scheme employer. This may be used when a pass through arrangement has been agreed.

The Fund's policy would be dependent on the deemed employer's policy and approach to dealing with these outsourcings. This makes it imperative that each outsourcing scheme employer would need to have a clear policy on the treatment of each type of admitted body. The Fund also requires an agreement (similar to the admission agreement) with the admitted body to ensure their duties are fulfilled e.g. payment of contributions. Further details will be available should there be a change to the Regulations facilitating this route.

CONNECTED ENTITIES

Connected entities by definition have close ties to a scheme employer given that a connected entity is included in the financial statements of the scheme employer.

Although connected entities are "Designating Bodies" under the Regulations, they have similar characteristics to admitted bodies (in that there is an "outsourcing employer"). However, the Regulations do not strictly require such bodies to have a guarantee from a scheme employer.

However, to limit the risk to the Fund, the Fund will require that the scheme employer provides a guarantee for their connected entity, in order that the ongoing funding basis will be applied to value the liabilities.

CHILDREN'S CENTRE TRANSFER TO ACADEMY TRUSTS

Local education authorities have an obligation to provide Children's Centres under the Childcare Act 2006. The Act places duties on these authorities in relation to establishing and running Children's Centres and therefore the financial obligation to cover the LGPS costs of eligible staff remains a responsibility of the local education authority regardless of service delivery vehicle. The local education authority is liable for all the LGPS liabilities of the Children's Centre.

As the staff cannot be employed directly by an Academy or Academy Trust, the South Yorkshire Pension Fund will permit admission of a separate participating employer (with its own contribution rate requirements based on the transferring staff), through a tri-partite admission agreement between the South Yorkshire Pension Fund, the Local Education Authority of the ceding Council and the body responsible for managing the Children's Centre (this could be an Academy Trust or private sector employer).

SECOND GENERATION OUTSOURCINGS FOR STAFF NOT EMPLOYED BY THE SCHEME EMPLOYER CONTRACTING THE SERVICES TO AN ADMITTED BODY

A 2nd generation outsourcing is one where a service is being outsourced for the second time, usually after the previous contract has come to an end. For Best Value Authorities, principally the unitary authorities, they are bound by The Best Value Authorities Staff Transfers (Pensions) Direction 2007 so far as 2nd generation outsourcings are concerned. In the case of most other employing bodies, they should have regard to Fair Deal Guidance issued by the Government.

It is usually the case that where services have previously been outsourced, the transferees are employees of the contractor as opposed to the original scheme employer and as such will transfer from one contractor to another without being re-employed by the original scheme employer. There are even instances where staff can be transferred from one contractor to another without ever being employed by the outsourcing scheme employer that is party to the Admission Agreement. This can occur when one employing body takes over the responsibilities of another, such as a maintained school (run by the local education authority) becoming an academy. In this instance the contracting body is termed a 'Related Employer' for the purposes of the Local Government Pension Scheme Regulations and is obliged to guarantee the pension liabilities incurred by the contractor

"Related employer" is defined as "any Scheme employer or other such contracting body which is a party to the admission agreement (other than an administering authority in its role as an administering authority)".

LGPS REGULATIONS 2013: SCHEDULE 2 PART 3, PARA 8

Where, for any reason, it is not desirable for an admission body to enter into an indemnity or bond, the admission agreement must provide that the admission body secures a guarantee in a form satisfactory to the administering authority from—

(a) a person who funds the admission body in whole or in part;

(b) in the case of an admission body falling within the description in paragraph 1(d), the Scheme employer referred to in that paragraph;

> *(d) a body that is providing or will provide a service or assets in connection with the exercise of a function of a Scheme employer as a result of—*
>
> *(i) the transfer of the service or assets by means of a contract or other arrangement,*
>
> *(ii) a direction made under section 15 of the Local Government Act 1999 (115) (Secretary of State's powers),*
>
> *(iii) directions made under section 497A of the Education Act 1996 (116) ;*

(c) a person who—

(i) owns, or

(ii) controls the exercise of the functions of, the admission body; or

In accordance with the above Regulations, the Fund requires a guarantee from the related employer. The related employer may seek a bond from the admitted body taking into account the risk assessment carried out by the Fund actuary.

ILL-HEALTH CAPTIVE

Those employers determined by the administering authority as being automatically eligible for the ill-health captive arrangement on entry to the Fund are as follows:

- Academies
- Admitted Bodies formerly known as Community Admission Bodies
- Designating / Resolution Bodies
- Transferee Admission Bodies
- All other bodies with less than 100 members

EXITING THE FUND

INTRODUCTION

Admission bodies are required to have an "admission agreement" with the Fund. In conjunction with the Regulations, the admission agreement sets out the conditions of participation of the admission body including which employees (or categories of employees) are eligible to be members of the Fund.

A list of all current admission bodies participating in the Fund is published in the Fund's annual report http://www.sypensions.org.uk/Publications/Annual-Reports

TERMINATION POLICY

When an employer's participation in the Fund comes to its end, or is prematurely terminated for any reason (e.g. a contract with a local authority comes to an end or the employer chooses to voluntarily cease participation), employees may transfer to another employer, either within the Fund or elsewhere. If this is not the case the employees will retain pension rights within the Fund i.e. either deferred benefits or immediate retirement benefits.

In addition to any liabilities for current employees the Fund will also retain liability for payment of benefits to former employees, i.e. to existing deferred and pensioner members.

Where the Fund obtains advance notice that an employer's participation is coming to an end, the Regulations enable the Fund to commission a funding assessment leading to a revised contribution certificate which is designed to eliminate, as far as possible, any surplus or deficit by the cessation date.

Whether or not an interim contribution adjustment has been initiated once participation in the Fund has ceased, the employer becomes an exiting employer under the Regulations and the Fund is then required to obtain an actuarial valuation of that employer's liabilities in respect of benefits of the exiting employer's current and former employees along with a revision of the rates and adjustment certificate showing any contributions due from the admission body.

When an employer exits the Fund the Regulations give power to the Fund to set a repayment plan to recover the outstanding debt over a period at its sole discretion and this will depend on the affordability of the repayments and financial strength of the exiting employer. Once this repayment plan is set the payments would not be reviewed for changes in the funding position due to market or demographic factors.

The Fund's policy for termination payment plans is as follows:

- The default position is for exit payments and exit credits to be paid immediately in full unless there is a risk sharing arrangement in place with a separate guarantor in the Fund. In these cases the default position is no exit credit will be paid as default unless representation is made by the parties to the contrary.
- At the discretion of the administering authority, instalment plans over a defined period will only be agreed when there are issues of affordability that risk the financial viability of the organisation and the ability of the Fund to recover the debt.
- Any costs associated with the exit valuation will be paid by the employer by either increasing the exit payment or reducing the exit credit by the appropriate amount. In the case of an employer where the exit debt/credit is the responsibility of the original employer through a

risk sharing agreement the costs will be charged directly to the employer unless the original employer directs otherwise.

In the event that unfunded liabilities arise that cannot be recovered from the exiting employer, these will normally fall to be met by the Fund as a whole (i.e. all employers) unless there is a guarantor or successor body within the Fund.

BASIS OF TERMINATION

Whilst reserving the right to consider the options on a case by case basis, the Fund's general policy is that a termination assessment will be made based on a more cautious "minimum risk" funding basis, unless a Transferor Body (e.g. guaranteeing employer within the Fund) exists to take over the admission body's liabilities (including those for former employees). This is to protect the other employers in the Fund as, at termination, the admitted body's liabilities will become "orphan liabilities" within the Fund, and there will be no recourse to the admission body if a shortfall emerges in the future (after the admission has terminated).

Under the "minimum risk" basis of termination the discount rate assumption used will be derived to be consistent with a lower risk investment strategy linked to low risk income generating assets such as bonds. At the 2019 valuation date the discount rate adopted would have been 1.5% per annum. The "minimum risk" assumptions will be updated on a case-by-case basis, with reference to prevailing market conditions at the relevant employing body's cessation date. This is subject to the financial assumptions used being no less cautious than the equivalent valuation assumptions updated appropriately based on the advice of the actuary.

In addition to using a more cautious discount rate, the Actuary will also use a more cautious mortality assumption when assessing the size of the liabilities for termination purposes. In particular, the Actuary will assume a higher improvement rate for future improvements to life expectancy than is used for ongoing funding purposes. Where it is appropriate to apply a more cautious assumption the Actuary will assume that the accelerated trend in longevity seen in recent years will continue in the longer term and as such, the assumption will build in a minimum level of longevity 'improvement' year on year in the future in line with the CMI projections subject to a minimum rate of improvement of 2% per annum for males and females, compared to 1.75% per annum used in the 2019 valuation for ongoing funding and contribution purposes. This assumption will be reviewed from time to time to allow for any material changes in life expectancy trends and will be formally reassessed at the next valuation.

In addition, since the valuation date, it has been announced that RPI inflation is likely to be reformed with the reform potentially meaning the index is closer to the CPIH inflation measure. This would need to be reflected when deriving an updated market estimate of CPI inflation. For example when assessing a termination position (at February 2020) we will adjust the market RPI inflation to arrive at the CPI inflation assumption by deducting 0.7% per annum as opposed to the 1.0% per annum at the valuation date when assessing an employer's termination position. This adjustment will be kept under review as more details emerge on the reform of RPI.

If a Transferor Body exists to take over the admission body's liabilities, the Fund's policy is that the most recent valuation funding basis will be used for the termination assessment updated for market yields and inflation applying at the termination date. The Transferor Body will then, following any termination payment made, subsume the assets and liabilities of the admission body within the Fund (sometimes known as the "novation" of the admission agreement). This will include the novation to the Transferor Body of any funding deficit (or surplus) on closure, which the Authority has been unable to resolve with the exiting employer or its insurer, indemnifier or bondsman.

Subject to sufficient financial covenant and at the sole discretion of the Administering Authority an employer may continue to participate in the Fund with no contributing members under the Deferred Debt arrangement, should the relevant regulations be changed as discussed in the earlier sections above

IMPLEMENTATION

The policy for employers who have a guarantor participating in the Fund:

The residual assets and liabilities and hence any surplus or deficit will transfer back to the guarantor as a default policy. The interested parties will need to consider any separate contractual agreements that have been put in place between the exiting employer and the guarantor. In some instances an exit credit or debt may be payable by an employer before the assets and liabilities are subsumed by the guarantor, this will be considered on a case-by-case basis.

If there is any dispute, then the following arrangements will apply:

- In the case of a surplus, in line with the amending Regulations (The Local Government Pension Scheme (Amendment) Regulations 2020) the parties will need to make formal representations to the Administering Authority if they believe an Exit Credit should be paid outside the policy set out above, or if they dispute the determination of the Administering Authority. The Fund will notify the parties of the information required to make the determination on request.
- If the Fund determines an Exit Credit is payable then they will pay this directly to the exiting employer within 6 months of completion of the cessation assessment by the Actuary.
- In the case of a deficit, in order to maintain a consistent approach, the Fund will seek to recover this from the exiting employer in the first instance although if this is not possible then the deficit will be recovered from the guarantor either as a further contribution collection or at the next valuation.

In some instances, the outgoing employer may only be responsible for part of the residual deficit or surplus as per the separate risk sharing agreement. The default is that any surplus would be retained by the Fund in favour of the outsourcing employer/guarantor unless representation is made by the relevant parties in line with the Regulations (as noted above). For the avoidance of doubt, where the outgoing employer is not responsible for any costs under a risk sharing agreement then no exit credit will be paid as per the Regulations, provided that the Fund is aware of the provisions of the risk sharing agreement in any representation made.

The Fund will inform the guarantor of the exiting employer's request to receive the surplus before making payment of the exit credit. However, the Fund will not become embroiled in any disagreement over the refund of any surplus which is contrary to commercial agreements.

Ultimately the Fund will have to comply with the Regulations and therefore pay any exit credit should this be deemed appropriate once representations have been made. It is then up to the guarantor to contest the surplus payment citing the commercial contract in place and the desire for equal treatment in the event of a deficit.

The Government has confirmed that a remedy is required for the LGPS in relation to the McCloud judgment, however the final remedy is not known. Where a surplus or deficit is being subsumed, no allowance will be made for McCloud within the calculations. However, if a representation is made to the Administering Authority then a reasonable estimate for the potential cost of McCloud will need to be included. This will be calculated in line with the treatment set out in this Funding Strategy Statement for all members of the outgoing employer. For the avoidance of doubt, there will be no recourse for an employer with regard to McCloud, once the final termination has been settled and payments have been made. Once the remedy is known, any calculations will be performed in line with the prevailing regulations and guidance in force at the time.

In the event of parties unreasonably seeking to crystalise the exit credit on termination unreasonably the Fund will consider its overall policy and seek to recover termination deficits as opposed to allowing them to be subsumed with no impact on contribution requirements until the next assessment of the contribution requirements for the guarantor. Equally where a guarantor decides not to underwrite the residual liabilities then the basis on termination the basis of assessment will assume the liabilities are orphaned and the minimum risk basis of termination will apply.

As the guarantor will absorb the residual assets and liabilities under the default policy above, it is the view of the Actuary that the ongoing valuation basis described above should be adopted for the termination calculations. This is the way the initial admission agreement would typically be structured i.e. the admission would be fully funded based on liabilities assessed on the valuation basis.

If the guarantor refuses to take responsibility, then the residual deferred pensioner and pensioner liabilities should be assessed on the more cautious minimum risk basis. In this situation the size of the termination payment would also depend on what happened to the active members and if they all transferred back to the original Scheme Employer (or elsewhere) and aggregated their previous benefits. As the transfer would normally be effected on a "fully funded" valuation basis the termination payment required would vary depending on the circumstances of the case. Where this occurs the exiting employer would then be treated as if it had no guarantor as per the policy below.

The Administering Authority also reserves the right to modify this approach on a case by case basis at its sole discretion if circumstances warrant it based on the advice of the Actuary, based on representations from the interested parties where appropriate.

NON CONTRACT BASED ADMISSION BODIES WITH A GUARANTOR IN THE FUND

The approach for these will be the same as that above and will depend on whether the guarantor is prepared to accept responsibility for residual liabilities. Indeed, it may be that Fund is prepared to accept that no actual termination payment is needed (even if one is calculated) and that all assets/liabilities can simply be absorbed by the guarantor.

The policy for employers who do not have a guarantor participating in the Fund:

In the case of a surplus, the Fund pays the exit credit to the exiting employer following completion of the termination process (within 6 months of completion of the cessation by the Actuary). This is subject to the exiting employer providing sufficient notice to the Fund of their intent to exit; any delays in notification will impact on the payment date.

In the case of a deficit, the Fund would require the exiting employer to pay the termination deficit to the Fund as an immediate lump sum cash payment (unless agreed otherwise by the Administering Authority at their sole discretion) following completion of the termination process.

The Administering Authority also reserves the right to modify this approach on a case by case basis at its sole discretion if circumstances warrant it based on the advice of the Actuary.

Where an employer with no guarantor leaves the Fund and leaves liabilities with the Fund, which the Fund must meet without recourse to that employer, the valuation of the termination payment, will be calculated using a discount rate based on the minimum risk basis of termination.

The Government has confirmed that a remedy is required for the LGPS in relation to the McCloud judgment, however the final remedy is not known. Where a surplus or deficit is being subsumed, no allowance will be made for McCloud within the calculations. However, if a representation is made to the Administering Authority then a reasonable estimate for the potential cost of McCloud will need to be included. This will be calculated in line with the treatment set out in this Funding Strategy Statement for all members of the outgoing employer. For the avoidance of doubt, there will be no recourse for an employer with regard to McCloud, once the final termination has been settled and payments have been made. Once the remedy is known, any calculations will be performed in line with the prevailing regulations and guidance in force at the time.

EMPLOYERS THAT JOINED VIA THE 'DEEMED EMPLOYER' ROUTE

Should the "Deemed Employer" route be made available following a change to the Regulations, in the event of cessation, the assets and liabilities will remain with the outsourcing scheme employer and no termination assessment or payment will be required.

CONNECTED ENTITIES

In the event of cessation, the connected entity will be required to meet any outstanding liabilities valued in line with the approach outlined above. In the event there is a shortfall, the assets and liabilities will revert to the Fund as a whole (i.e. all current active employers).

In the event that a scheme employer provides a guarantee for their connected entity, the assets and liabilities will revert in totality to that scheme employer on termination, including any unrecovered deficit.

RELEVANT REGULATIONS WITHIN THE LOCAL GOVERNMENT PENSION SCHEME REGULATIONS 2013 (AS AMENDED BY THE LOCAL GOVERNMENT PENSION SCHEME (AMENDMENT) REGULATIONS 2018)

Regulation 64 sets out special circumstances where revised actuarial valuations and certificates must be obtained including Regulation 64 (2) where an admission agreement ceases to have effect, the Administering Authority who made it must obtain –

- an actuarial valuation as at the date it ceases the liabilities in respect of current and former employees of the admission body which is a party to that admission agreement ("the outgoing admission body"),

- a revision of any rates and adjustments certificate for any Pension Fund which is affected, showing the exit payment due from the exiting body or exit credit payable to the exiting body.

Where it is not possible for any reason to obtain revised contributions from the exiting body, or from an insurer or any person providing an indemnity or bond on behalf of the body, the Administering Authority may obtain a further revision of any rates and adjustment certificate for the Pension Fund, showing –

a) in the case where the exiting body falls within paragraph 1(d) of Part 3 of Schedule 2 the revised contributions due from the body which is the related employer in relation to that admission body, and

b) in any other case, the revised contributions due from each employing authority who contributes to the fund.

If the Administering Authority becomes aware or is of the opinion of a Scheme employer becoming an exiting employer, Regulation 64 (4) provides that it may obtain from an actuary a certificate specifying, in the case of an admission body, the percentage or amount by which, in the actuary's opinion –

- • the contribution at the primary rate should be adjusted, or
- • any prior secondary rate adjusted should be increased or reduced, with a view to providing that assets equivalent to the exit payment that will fall due from the Scheme employer are provided to the fund by the likely exit date or, where the Scheme employer is unable to meet the liability by that date, over such period of time thereafter as the administering authority considers reasonable.

APPENDIX D - ACADEMIES / MULTI-ACADEMY TRUSTS

ACADEMY CONVERSIONS AND DEFICIT TRANSFERS

The Fund's policy regarding the treatment of schools when converting to academy status is for the new academy to inherit the school's share of the historic local authority deficit prior to its conversion. This is in accordance with the Department for Education (DfE) guidance issued when the Academy conversion programme was extended to cover all schools.

Therefore, the transferring deficit is calculated as the capitalised amount of deficit funding contributions (based on the local authority deficit recovery period) the school would have made to the Fund had it not converted to academy status. This deficit amount is subject to a limit to ensure that the minimum asset share of the new academy is nil.

If the contribution rate for a local authority does not include any allowance for deficit funding contributions at the point at which a school converts to academy status, then no deficit will be allocated to the academy at the point of conversion.

MULTI ACADEMY TRUSTS

Multi Academy Trusts (MATS) are groups of Academies managed and operated by one proprietor. The employer of non-teaching staff in Academies is the proprietor of the Academy Trust and not the individual Academy within the Trust. It is therefore the proprietor who is the employer for LGPS purposes making the MAT legally responsible for staff across all schools in the pool.

Within a MAT all Academies are governed by one Trust and a Board of Directors. The MAT holds ultimate responsibility for all decisions regarding the running of the individual Academies, however, the governing bodies of the individual academies remain in place and the MAT will need to decide the extent to which it delegates functions to these governing bodies to enable more focused local control.

Multi-Academy Trusts are set up to cover a number of academies across England. The employees of the former schools can be employed directly by the Trust so they can be deployed across different academy schools in the Trust if necessary.

In cases where numerous academies which participate in the Fund are in the same Multi-Academy Trust, the Fund's default position is that the combined funding position and average contribution requirements will apply (unless the Multi-Academy Trust requests separate contribution rates). Notwithstanding this, the Fund will continue to track the constituent academies separately on an approximate basis, in the interests of transparency and clarity around entry and exit of individual academies to the Trust in future.

APPROACH TO SETTING CONTRIBUTION RATES

The South Yorkshire Pension Fund must have a separate employer number for each academy for transparency of cashflows, managing risks should an academy need to leave one Trust for another and for accounting reporting where disaggregated disclosure reports are required. It should also be noted that, at the present time, the Department for Education (DfE) have confirmed that guarantee relates to individual academies and MATs.

As commented above, unless requested otherwise by the MAT, the Fund's policy is that the actuary will certify a common primary rate for all the academies within the MAT bearing in mind that the risks of under and over payments will be shared by all academies in the MAT pool. The Fund has requested confirmation from the DfE that the guarantee extends to MATs. In the event that MATs are not guaranteed, the Fund will review any option for MATs to have a common primary rate.

The past service deficit will still be assessed at an individual academy level so that it only relates to the staff of the respective academy. The ceding local authority requires a corresponding adjustment for the share of the deficit that transfers on conversion therefore individual academy figures will be required. In line with the approach adopted for the Primary Rate, the Fund's policy is that the actuary will certify a combined secondary rate for all academies within the MAT unless requested otherwise by the MAT.

Any new academies joining an existing MAT pool in the South Yorkshire Pension Fund can contribute at the employer contribution rate already established for the MAT but an actuarial assessment will still need to be carried out to determine the deficit applicable to the transferring staff and thus the additional secondary rate contributions payable.

For any academies who exit a MAT pool during the inter-valuation cycle, the MATs secondary rate contributions will be adjusted at the point of exit, based on the outcomes for the exiting academy at the most recent actuarial valuation.

OUTSOURCINGS BY MULTI ACADEMY TRUSTS

The South Yorkshire Pension Fund's current policy is in accordance with the regulations requiring a separate admission agreement in respect of separate contracts.

Under **Schedule 2, Part 3, paragraph 5. of the 2013 Regulations**, if the admission body is exercising the functions of the Scheme employer in connection with more than one contract or other arrangement under paragraph 1(d)(i), the administering authority and the admission body shall enter into a separate admission agreement in respect of each contract or arrangement.

The Fund will need to have sight of the contract in order to satisfy the regulatory requirement that the Admission Agreement covers one contract. The Admission Agreement will need to have provision for adding future employees should any academies join the MAT subsequent to the commencement date.

The Scheme employer, the Multi Academy Trust in this instance, needs to be a party to any admission agreement and, as such, is the ultimate guarantor. In the event of contractor failure, the LGPS regulations provide that the outstanding liabilities assessed by the Fund's actuary can be called from the Scheme employer i.e. the Multi Academy Trust.

If academies are to comply with "new" Fair Deal guidance, employees carrying out a service on behalf of the Academies must be allowed continued access to the LGPS. This can be achieved by entering into an Admission Agreement with the Administering Authority, Multi Academy Trust and the contractor (admitted body).

At every triennial valuation the actuary reviews the funding level of the admitted body and adjusts its employer contribution rate as required. Once either the service contract comes to an end or all the LGPS members have left, the admission agreement terminates and, in accordance with Fund policy, the Fund will commission a cessation valuation in all cases from the Fund actuary to recovery any outstanding deficit unless instructed otherwise by the Trust. The Trust will then become responsible for the assets and liabilities standing to the account of the admitted body.

APPENDIX E – COVENANT ASSESSMENT AND MONITORING POLICY

An employer's covenant underpins its legal obligation and ability to meet its financial responsibilities now and in the future. The strength of covenant depends upon the robustness of the legal agreements in place and the likelihood that the employer can meet them. The covenant effectively underwrites the risks to which the Fund is exposed, including underfunding, longevity, investment and market forces.

An assessment of employer covenant focuses on determining the following:

> Type of body and its origins
> Nature and enforceability of legal agreements
> Whether there is a bond in place and the level of the bond
> Whether a more accelerated recovery plan should be enforced
> Whether there is an option to call in contingent assets
> Is there a need for monitoring of ongoing and termination funding ahead of the next actuarial valuation?

The strength of employer covenant can be subject to substantial variation over relatively short periods of time and, as such, regular monitoring and assessment is vital.

RISK CRITERIA

The assessment criteria upon which an employer should be reviewed could include:

- Nature and prospects of the employer's industry
- Employer's competitive position and relative size
- Management ability and track record
- Financial policy of the employer
- Profitability, cashflow and financial flexibility
- Employer's credit rating
- Position of the economy as a whole

Not all of the above would be applicable to assessing employer risk within the Fund; rather a proportionate approach to consideration of the above criteria would be made, with further consideration given to the following:

- The scale of obligations to the pension scheme relative to the size of the employer's operating cashflow
- The relative priority placed on the pension scheme compared to corporate finances

- An estimate of the amount, which might be available to the scheme on insolvency of the employer as well as the likelihood of that eventuality.

ASSESSING EMPLOYER COVENANT

The employer covenant will be assessed objectively and its ability to meet their obligations will be viewed in the context of the Fund's exposure to risk and volatility based on publically available information and/or information provided by the employer. The monitoring of covenant strength along with the funding position (including on the termination basis) enables the Fund to anticipate and pre-empt employer funding issues and thus adopt a proactive approach. In order to objectively monitor the strength of an employer's covenant, adjacent to the risk posed to the Fund, a number of fundamental financial metrics will be reviewed to develop an overview of the employer's stability and a rating score will be applied using a Red/Amber/Greed (RAG) rating structure.

In order to accurately monitor employer covenant, it will be necessary for research to be carried out into employers' backgrounds and, in addition, for those employers to be contacted to gather as much information as possible. Focus will be placed on the regular monitoring of employers with a proactive rather than reactive view to mitigating risk.

The covenant assessment will be combined with the funding position to derive an overall risk score. Action will be taken if these metrics meet certain triggers based on funding level, covenant rating and the overall risk score.

FREQUENCY OF MONITORING

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The funding position and contribution rate for each employer participating in the Fund will be reviewed as a matter of course with each triennial actuarial valuation. However, it is important that the relative financial strength of employers is reviewed regularly to allow for a thorough assessment of the financial metrics. The funding position will be monitored (including on the termination basis) using an online system provided to officers by the Fund Actuary.

Employers subject to a more detailed review, where a risk criterion is triggered, will be reviewed at least every six months, but more realistically with a quarterly focus.

COVENANT RISK MANAGEMENT

The focus of the Fund's risk management is the identification and treatment of the risks and it will be a continuous and evolving process which runs throughout the Fund's strategy. Mechanisms that will be explored with certain employers, as necessary, will include but are not limited to the following:

1. Parental Guarantee and/or Indemnifying Bond.
2. Transfer to a more prudent actuarial basis (e.g. the termination basis).
3. Shortened recovery periods and increased cash contributions.
4. Managed exit strategies and bespoke investment strategies in the run up to exit.
5. Contingent assets and/or other security such as escrow accounts.

APPENDIX F – ILL-HEALTH CAPTIVE INSURANCE ARRANGEMENT

OVERVIEW

With effect from 1 October 2014, for certain employers in the Fund, following discussions with the Fund Actuary and after considering potential alternative insurance arrangements, a captive insurance arrangement was established by the administering authority to cover ill-health retirement costs.

The captive arrangement operates as follows:

- "Premiums" are paid by the eligible employers into a captive fund which is tracked separately by the Fund Actuary in the valuation calculations.
- The captive fund is then used to meet strain costs emerging from ill-health retirements i.e. there is no impact on funding position for employers within the captive
- Any shortfall in the captive fund is effectively be underwritten by all other employers within the Fund i.e. with potential for increases to their own contribution requirements at subsequent actuarial valuations to meet the shortfall. If any excess funds are built up in the Captive, some or all of those excess funds will be held in reserve to act as a contingency against future adverse experience at the discretion of the administering authority based on the advice of the actuary,
- Premiums payable subject to review from valuation to valuation depending on experience and included in employer rates.
- Over the longer-term, given the regular review of the premiums payable into the Captive fund there would be expected to be no net cost to those employers underwriting the Captive Fund in the long-term i.e. any fluctuations in their own contribution requirements arising from experience would smooth out over time.

EMPLOYERS

Those employers (both existing and new) determined by the administering authority as being eligible for the arrangement are as follows:

- Academies and former Grant Maintained Schools
- Admitted Bodies formerly known as Community Admission Bodies
- Designating / Resolution Bodies
- Transferee Admission Bodies
- Other scheduled bodies meeting certain criteria at the inception of the arrangement.
- All other bodies with less than 100 members

For all other employers who do not form part of the captive arrangement, the any costs associated with ill-health retirements will emerge as part of subsequent actuarial assessments.

The Fund and the Actuary will also monitor the number of retirements that each captive employer is granting over time. If any employer has an unusually high incidence of ill health retirements, consideration will be given to the governance around the eligibility criteria applied by the employer and it is possible that some or all of the costs would fall on that employer if the governance was not deemed strong enough.

PREMIUM REVIEW

As part of each actuarial valuation exercise (or earlier review if appropriate), the Fund Actuary will review the experience of the captive fund since the last review.

Should the premiums paid into the captive fund over the period not be sufficient to cover the ill-health retirement costs emerging, any shortfall in the fund will be allocated across all those employers within the Fund underwriting the captive. If any excess funds are built up in the Captive, some or all of those excess funds will be held in reserve to act as a contingency against future adverse experience at the discretion of the administering authority based on the advice of the actuary.

The ongoing premium payable by those employers within the captive fund will also be assessed as part of this process and will be set by the Actuary to cover the period until the next review (e.g. to the next actuarial valuation assessment). The Premiums that will be assessed will take into account the expected level of future ill-health retirements across those employers within the captive and also to reflect any adverse/favourable experience where appropriate.

APPENDIX G - GLOSSARY

Actuarial Valuation: an investigation by an actuary into the ability of the Fund to meet its liabilities. For the LGPS the Fund Actuary will assess the funding level of each participating employer and agree contribution rates with the administering authority to fund the cost of new benefits and make good any existing deficits as set out in the separate Funding Strategy Statement.

Benchmark: a measure against which fund performance is to be judged.

Best Estimate Assumption: an assumption where the outcome has a 50/50 chance of being achieved.

Bonds: loans made to an issuer (often a government or a company) which undertakes to repay the loan at an agreed later date. The term refers generically to corporate bonds or government bonds (gilts).

Career Average Revalued Earnings Scheme (CARE): with effect from 1 April 2014, benefits accrued by members in the LGPS take the form of CARE benefits. Every year members will accrue a pension benefit equivalent to 1/49th of their pensionable pay in that year. Each annual pension accrued receives inflationary increases (in line with the annual change in the Consumer Prices Index) over the period to retirement.

Corporate Bond Basis: an approach where the discount rate used to assess the liabilities is determined based on the market yields of high quality corporate bond investments (usually at least AA rated) based on the appropriate duration of the liabilities being assessed. This is usually adopted when an employer is exiting the Fund.

Contingent Assets: assets held by employers in the Fund that can be called upon by the Fund in the event of the employer not being able to cover the debt due upon termination. The terms will be set out in a separate agreement between the Fund and employer.

CPI: acronym standing for "Consumer Prices Index". CPI is a measure of inflation with a basket of goods that is assessed on an annual basis. The reference goods and services differs from those of RPI. These goods are expected to provide lower, less volatile inflation increases. Pension increases in the LGPS are linked to the annual change in CPI.

CPIH: An alternative measure of CPI which includes owner-occupiers' housing costs and Council Tax (which are excluded from CPI).

Deficit: the extent to which the value of the Fund's past service liabilities exceeds the value of the Fund's assets.

Discount Rate: the rate of interest used to convert a cash amount e.g. future benefit payments occurring in the future to a present value.

Employer Covenant: the degree to which an employer participating in an occupational pension scheme is willing and able to meet the funding requirements of the scheme.

Employer's Future Service Contribution Rate: the contribution rate payable by an employer, expressed as a % of pensionable pay, as being sufficient to meet the cost of new benefits being accrued by active members in the future. The cost will be net of employee contributions and will include an allowance for the expected level of administrative expenses.

Equities: shares in a company, which are bought and sold on a stock exchange.

Equity Protection: an insurance contract, which provides protection against, falls in equity markets. Depending on the pricing structure, this may be financed by giving up some of the upside potential in equity market gains.

Exit Credit: the amount payable from the Fund to an exiting employer where the exiting employer is determined to be in surplus at the point of cessation based on a termination assessment by the Fund Actuary.

Funding or Solvency Level: the ratio of the value of the Fund's assets and the value of the Fund's liabilities expressed as a percentage.

Funding Strategy Statement: This is a key governance document that outlines how the administering authority will manage employer's contributions to the Fund.

Solvency Funding Target: an assessment of the present value of benefits to be paid in the future. The desired funding target is to achieve a solvency level of a 100% i.e. assets equal to the past service liabilities assessed on the ongoing concern basis.

Government Actuary's Department (GAD): the GAD is responsible for providing actuarial advice to public sector clients. GAD is a non-ministerial department of HM Treasury.

Ill-Health Captive: this is a notional fund designed to immunise certain employers against excessive ill-health costs in return for an agreed insurance premium.

Investment Strategy: the long-term distribution of assets among various asset classes that takes into account the Funds objectives and attitude to risk.

Past Service Liabilities: this is the present value of the benefits accrued by members up to the valuation date. It is assessed based on a set of assumptions agreed between the Administering Authority and the Actuary.

Percentiles: relative ranking (in hundredths) of a particular range. For example, in terms of expected returns a percentile ranking of 75 indicates that in 25% of cases, the return achieved would be greater than the figure, and in 75% of cases, the return would be lower.

Prepayment: the payment by employers of contributions to the Fund earlier than that certified by the Actuary. The amount paid will be reduced compared to the certified amount to reflect the early payment.

Present Value: the value of projected benefit payments, discounted back to the valuation date.

Prudent Assumption: an assumption where the outcome has a greater than 50/50 chance of being achieved i.e. the outcome is more likely to be overstated than understated. Legislation requires the assumptions adopted for an actuarial valuation to be prudent.

Real Return or Real Discount Rate: a rate of return or discount rate net of CPI inflation.

Recovery Plan: a strategy by which an employer will make up a funding deficit over a specified period of time ("the recovery period", as set out in the Funding Strategy Statement.

Section 13 Valuation: in accordance with Section 13 of the Public Service Pensions Act 2014, the Government Actuary's Department (GAD) have been commissioned to advise the Department for Communities and Local Government (DCLG) in connection with reviewing the 2019 LGPS actuarial valuations. All LGPS Funds therefore will be assessed on a standardised set of assumptions as part of this process.

50/50 Scheme: in the LGPS, active members are given the option of accruing a lower benefit in the 50/50 Scheme, in return for paying a lower level of contribution.

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Report on the actuarial valuation as at 31 March 2019

South Yorkshire Pension Fund

31 March 2020

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Appendices

Introduction

This report is addressed to South Yorkshire Pensions Authority ("the Administering Authority") as the Administering Authority of the South Yorkshire Pension Fund ("the Fund") and is provided to meet the requirements of Regulation 62 of the Local Government Pension Scheme Regulations 2013 (as amended) ("the Regulations"). It describes the factors considered by the Administering Authority when carrying out the actuarial valuation as at 31 March 2019 and the decisions reached as a result.

The purpose of the actuarial valuation is for the Administering Authority to determine:

- The expected cost of providing the benefits built up by members at the valuation date (the "liabilities"), and compare this against the funds held by the Fund (the "assets").
- The contributions needed to cover the cost of the benefits that active members will build up in the future and other costs incurred in running the Fund (the 'Primary Contribution Rate').
- An appropriate plan for making up the shortfall if the Fund has less assets than liabilities. This plan will cover the amounts which will need to be paid (the 'Secondary Contribution Rate') and the timeframe over which they will be paid ('the Recovery Period').

Signature	P Middleman	C Lewis
Name	Paul Middleman	Clive Lewis
Qualification	Fellow of the Institute and Faculty of Actuaries	Fellow of the Institute and Faculty of Actuaries
Date	31 March 2020	

This report uses various technical terms. These are explained in more detail in the explanatory boxes which appear throughout this report, and in the Glossary at Appendix I.

This report has been prepared in accordance with Technical Actuarial Standards TAS 100: Principles for Technical Actuarial Work and TAS 300: Pensions which are issued by the Financial Reporting Council. The calculations referred to in the report use methods and assumptions appropriate for reviewing the financial position of the Fund and determining a contribution rate for the future. Mercer does not accept liability to any third party in respect of this report; nor do we accept liability to the Administering Authority if the information provided in this report is used for any purpose other than that stated. The report may be disclosed to members and others who have a statutory right to see it. It may also be disclosed to any participating employer and, if the Administering Authority and Mercer consent, it may be disclosed to other third parties.

1

Funding Strategy – Key Elements

Fundamental to the valuation results is the funding strategy adopted by the Fund. This funding strategy is set out in a specific document (the Funding Strategy Statement or FSS for short) which is one of the Administering Authority's key governance documents for the Fund. In essence, the FSS sets out an overview of the approach to be used for the actuarial valuation. Amongst other things it outlines the assumptions, both economic and demographic, to be used in calculating the value of the liabilities built up, the contributions required to correct any funding shortfall or surplus, and the contribution rate required to fund the benefits for future service. It also sets out the strategy for making good any funding shortfall, in particular how any shortfall is expected to be financed in terms of the balance between future contributions and future investment returns, and the period over which any surplus or shortfall is expected to be recovered.

> The FSS is the Administering Authority's key governance document in relation to the actuarial valuation. It sets out the funding policies adopted, the actuarial assumptions used, and the timescales over which deficits will be paid off. Employers are consulted about the FSS as part of the actuarial valuation process.

The principal elements of the funding strategy adopted for this actuarial valuation are as follows:

- The McCloud judgment (see Appendix D for details) – the Solvency Funding Position and Primary Contribution Rate set out in Section 2 of this report do not include an allowance in relation to the potential cost of the McCloud judgment. However, an estimate of the effect of the judgment for the whole Fund is shown at the end of that section. Each employer has been notified of a reasonable estimate of the potential cost of the judgment and given the option to pay additional contributions over 2020/23 in respect of this, which would not be reviewed until the next actuarial valuation unless this is a requirement of the final, remedy process. Once the final remedy for McCloud is known, employers who did not make an allowance in their rates will be notified of the costs and any additional payments required.

> The "McCloud judgment" refers to a legal challenge in relation to historic benefit changes for all public sector schemes being age discriminatory. The Government announced in 2019 that this needs to be remedied for all schemes including the LGPS. This is likely to result in increased costs for some employers. This remedy is not yet agreed but guidance issued requires that the each Fund sets out its policy on addressing the implications.

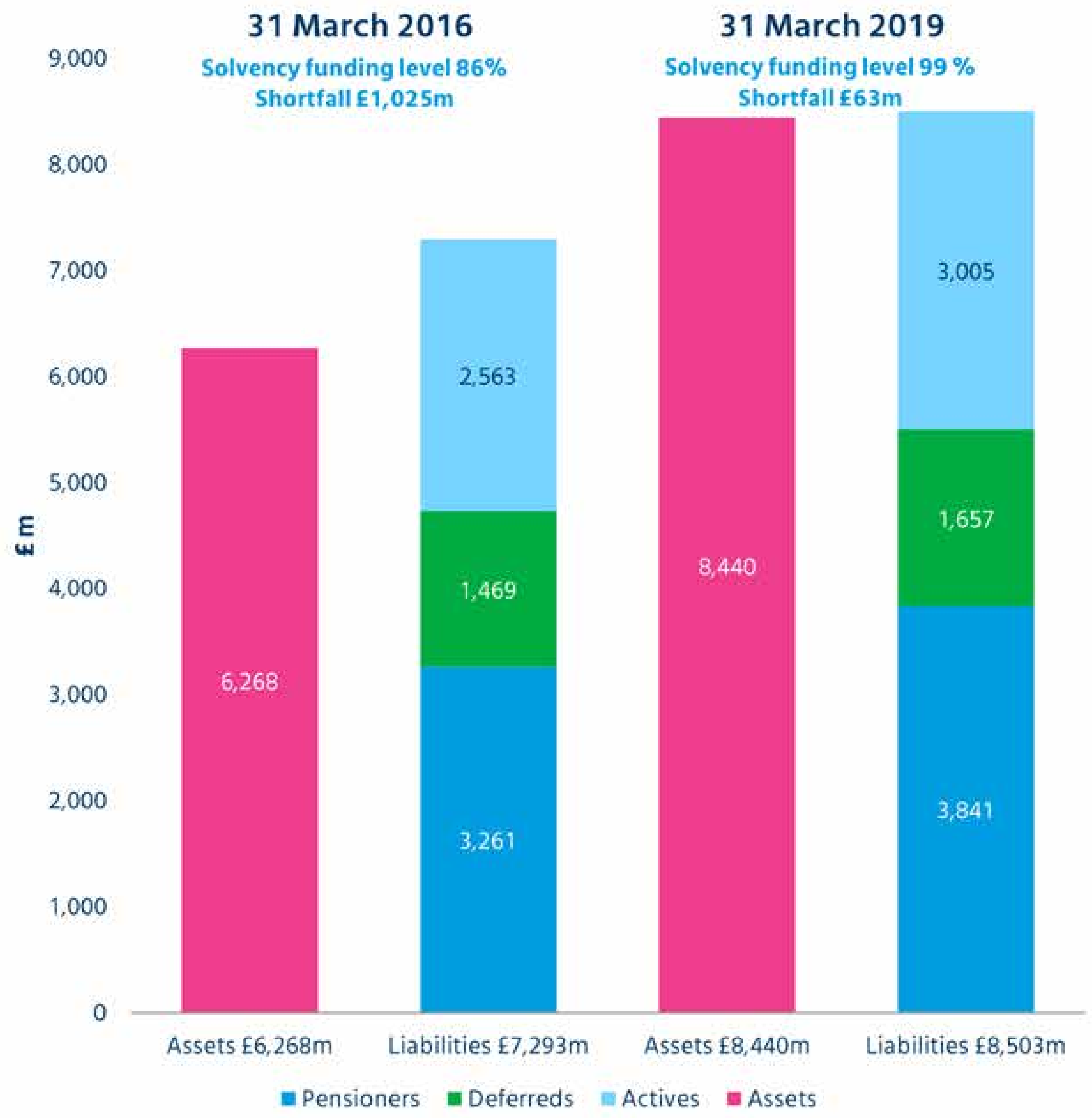
- Assumed rate of future long term average CPI inflation – 2.4% p.a., based on the yields available on gilts and index-linked gilts of appropriate duration less an adjustment of 1% p.a. to allow for the difference between market-implied future RPI and estimated future CPI inflation.
- Real investment returns over and above CPI for past service – 1.50% p.a., based on the anticipated real returns achievable on the Fund's expected long-term investment strategy with a suitable margin for prudence.
- Real investment returns over and above CPI for future service – 2.35% p.a., based on the anticipated real returns achievable on future invested contributions.

- Future pay growth – 3% p.a. over the 4 years to April 2023, taking into account the government's policy on pay restraint in the public sector, and then 1.25% p.a. over and above CPI in the longer term.
- Baseline life expectancy based on a scheme-specific mortality study.
- Future mortality improvements based on the CMI 2018 model with a long-term improvement trend of 1.75% p.a.
- An average recovery period of 15 years for correcting any imbalance between the existing assets and past service liabilities. The FSS sets out the circumstances in which this might vary from one employer to another.

2 Key results of the funding assessment

Solvency funding position

The table below compares the assets and liabilities of the Fund at 31 March 2019. Figures are also shown for the last valuation as at 31 March 2016 for comparison.



The chart shows that **at 31 March 2019 there was a shortfall of £63m** against the Fund's solvency funding target. An alternative way of expressing the position is that **the Fund's assets were sufficient to cover 99% of its liabilities** – this percentage is known as the solvency funding level of the Fund.

At the previous valuation at 31 March 2016 the shortfall was £1,025m, equivalent to a solvency funding level of 86%. The key reasons for the changes between the two valuations are considered in Section 4.

The liability value at 31 March 2019 shown in the table above is known as the Fund's "solvency funding target". The solvency funding target is calculated using assumptions that the Administering Authority has determined are appropriate having consulted with the actuary, and are also set out in the FSS.

The LGPS Regulations require the contributions to be set so as to secure the Fund's solvency and long-term cost efficiency. In this context solvency means being able to meet the liabilities as and when they arise, with long-term cost efficiency meaning that contribution levels should not be set so as to give rise to additional costs at a later date. In practice, contribution levels have been set so as to target a solvency funding level of 100%, based on the funding parameters outlined in Section 2 above.

Further details of the way in which the solvency funding target has been calculated are set out in Appendix A.

Primary Contribution Rate

The valuation looks at the normal employer contribution rate required to cover the cost of the benefits (including death benefits and expenses) that will be built up over the year after the valuation date (the "Primary Contribution Rate"). A summary of the assumptions used is provided in Appendix A.

The "Primary rate" of the employers' contribution is the contribution rate required to meet the cost of the future accrual of benefits including ancillary, death in service and ill health benefits together with administration costs.

The table below gives a breakdown of the Primary Contribution Rate at 31 March 2019 and also shows the corresponding rate at 31 March 2016 for comparison. In calculating the average Primary Contribution Rate we have not made any allowance for future members to opt for the 50:50 scheme

Active members pay contributions to the Fund as a condition of membership in line with the rates required under the governing Regulations (see Appendix D).

	% of Pensionable Pay	
PRIMARY CONTRIBUTION RATE	**31 March 2019**	**31 March 2016**
Normal Contribution rate for retirement and death benefits	22.0	21.0
Allowance for administrative expenses	0.5	0.4
Total normal contribution rate	22.5	21.4
Average member contribution rate	6.4	6.4
Primary contribution rate*	16.1	15.0

** In line with updated CIPFA guidance, the 2019 Primary Contribution Rate is the weighted average of the individual employer Primary Contribution Rates as derived based on their individual circumstances (e.g. whether or not they are closed to new entrants).*

Correcting the imbalance – 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. Equally, where there is a surplus it is usually appropriate to offset this against contributions for future service, in which case contribution reductions will be put in place to allow for this.

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 2020/21) is an addition of approximately £20.0m plus 0.7% of pensionable pay (which allows for the contribution plans which have been set for individual employers under the provisions of the FSS), including the estimated costs in relation to the McCloud judgment and prepayments where appropriate.

The "Secondary rate" of an individual employer's contribution is an adjustment to the Primary Contribution Rate to reflect any past service deficit or surplus, to arrive at the rate the employers are required to pay.

The Secondary rate for 2020/21 quoted above does not include any allowance for the advance payment of deficit contributions by Sheffield City Council and Borders to Coast Pension Partnership prior to 31 March 2020 (totaling £3.7m).

The McCloud Judgment

As described in Section 1 of this report, the **Solvency Funding Position and Primary Contribution Rate** figures 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.

The "McCloud judgment" refers to a legal challenge in relation to historic benefit changes for all public sector schemes being age discriminatory. The Government announced in 2019 that this needs to be remedied for all schemes including the LGPS. This is likely to result in increased costs for some employers. This remedy is not yet agreed but guidance issued requires that each Fund sets out its policy on addressing the implications.

To the extent that employers have opted to pay additional contributions over 2020/23 in relation to the McCloud judgment, these emerge in the **Secondary Contribution Rate figures** quoted above.

Overall, based on the decisions taken by employers, it is expected that an additional £38.4m will be paid into the Fund over 2020/23 as a provision in relation to the potential costs emerging from the McCloud judgment. This represents 97% of the total £39.7m calculated across all employers. It also represents approximately 8% of the total contributions (Primary and Secondary Rate) payable over 2020/23.

3
Experience since last valuation

Summary of key inter-valuation experience

The last actuarial valuation was carried out with an effective date of 31 March 2016. With effect from 1 April 2014 the scheme's benefit structure changed from a Final Salary Scheme to a Career Average Revalued Earnings (CARE) Scheme, and the 2016 actuarial valuation took these changes into account.

The average Pensionable Salary increase for the Fund members who were in service for the whole of the inter-valuation period was 3.2% per annum.

Pensions in payment (in excess of Guaranteed Minimum Pensions (GMPs) were increased as guaranteed under the Fund as follows:

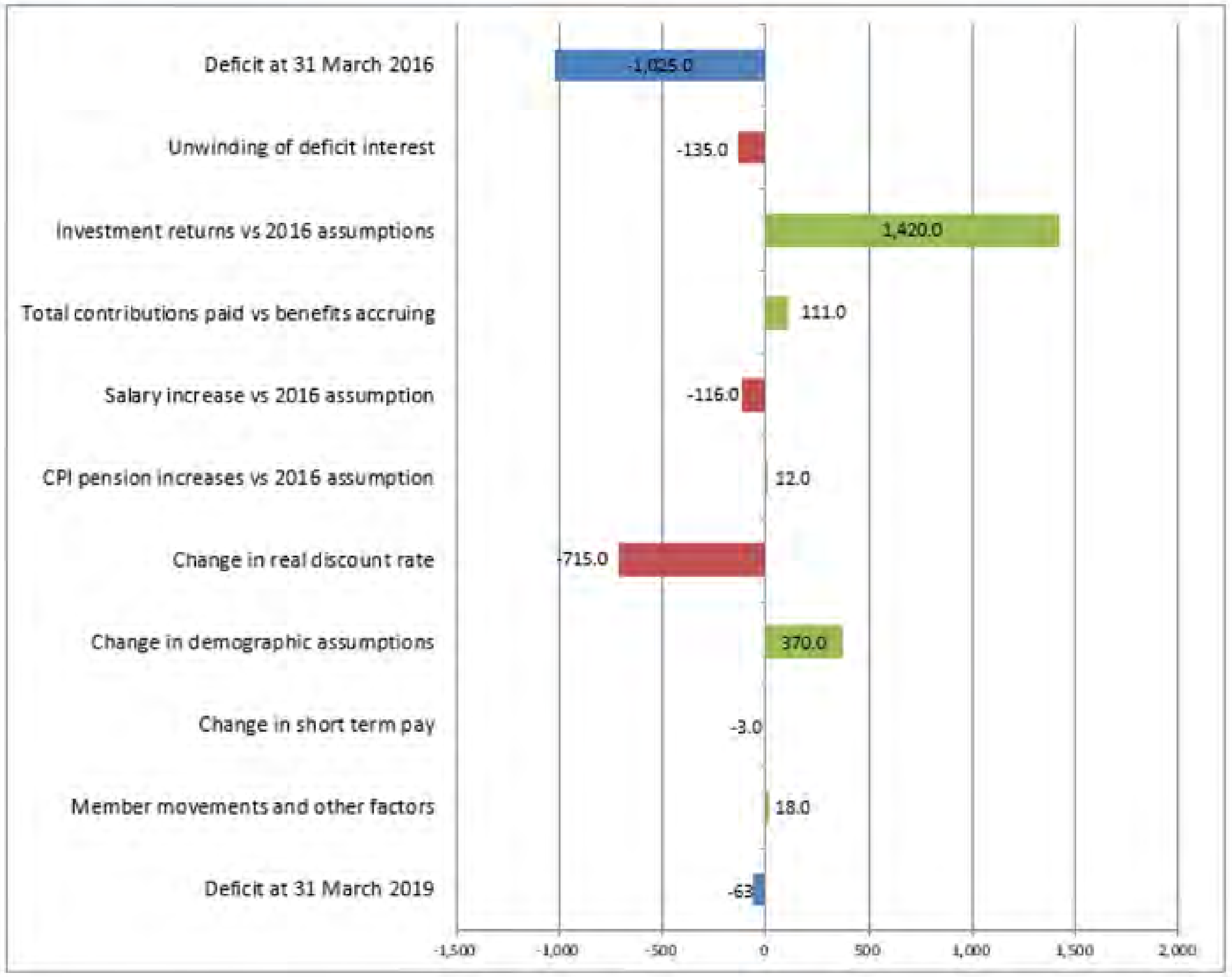
- April 2017 1.0%
- April 2018 3.0%
- April 2019 2.4%

> The outcomes from the valuation are determined both by the assumptions adopted for the future, and the Fund's historic experience relative to assumptions made in the past. In this section we consider the effect of the Fund's experience over the last three years.

Over the inter-valuation period, benefit inflation has averaged 2.1% p.a. Over the three years to 31 March 2019 the gross investment return on the Fund's assets has averaged 10.7% per annum, meaning that the average real return over CPI inflation has been about 8.4% p.a.

Reasons for the change in funding position since the last actuarial valuation

The shortfall at the last valuation date was £1,025m. The chart below sets out the main reasons for the change in the shortfall between 31 March 2016 and 31 March 2019 (figures shown in £m).



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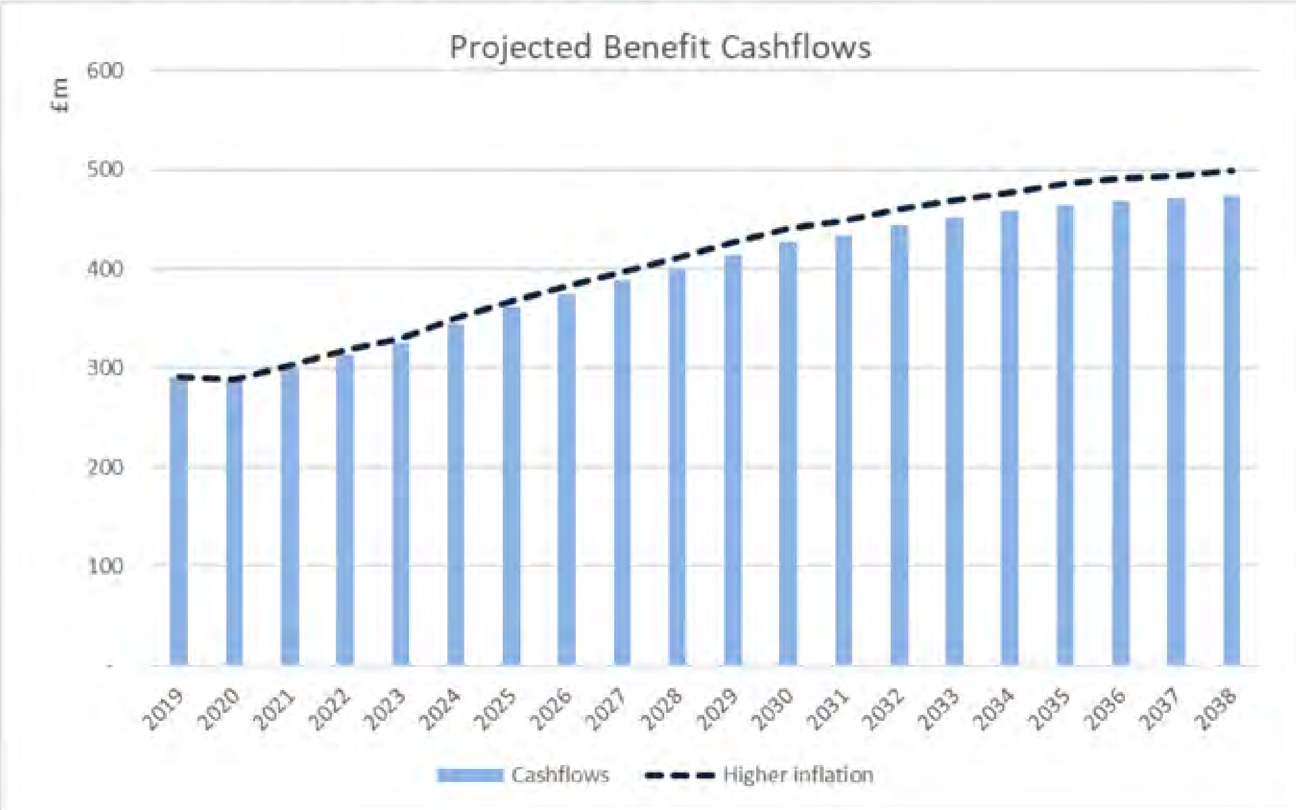
4 Cash flows, risks and alternative funding positions

Benefit cash flows

The projected benefit cash flows which result from applying the assumptions as set out in Section 2 are shown in the chart below. The additional trendline sets out how those total projected benefit cash flows would change if we were to assume inflation of 0.25% p.a. higher than the assumption of 2.4% p.a. used for the actuarial valuation. Over the 20 years following the valuation date, the extra benefit payments which would result from the extra 0.25% p.a. inflation assumption are projected to be £239m.

> The actuarial valuation process is principally concerned with projecting all the expected benefit cash flows into the future, and then converting them into present day values by discounting them to allow for assumed future investment returns. The chart shows those projected cash flows, and also illustrates how sensitive they are to the future inflation assumption.



Projected funding position at next actuarial valuation

As part of this valuation, the Administering Authority has set an average recovery plan of approximately 15 years. The next actuarial valuation will take place with an effective date of 31 March 2022. If experience up to that date were to be in line with the assumptions made for this current actuarial valuation and contributions are paid at the agreed rates or amounts, there would be a shortfall at 31 March 2022 of £21m, equivalent to a funding level of close to 100% (prior to any potential impact of the McCloud judgment).

Material risks faced by the Fund

The Fund is subject to some potentially material risks that are, to an extent, outside the Administering Authority's control, but could affect the funding level and ultimately the employer contribution requirements. Any material worsening of the funding level will mean more contributions are needed (either at an increased rate or at the same rate over a longer period) to be able to provide the benefits built up in the Fund – unless experience acts in other ways to improve the funding level. Examples of such risks, and how the Administering Authority manages them, are:

> Funding a defined benefit pension scheme such as the LGPS which is open to new members is by its nature uncertain, and involves some level of risk. The principal funding risks are investment (e.g. whether the Fund earns the desired level of long-term real returns) and demographic (e.g. whether longevity of members is longer or shorter than anticipated). In practice, the key is whether such risks can be managed and mitigated.

- If an Employer becomes unable to pay contributions or to make good deficits in the future, the Fund's assets will be lower than expected and the funding level will be worse than expected. The Administering Authority regularly monitors the financial strength of the Employers so that actions can be taken to mitigate (but not fully remove) the risk.
- If future investment returns on assets are lower than assumed in the valuation, the Fund's assets will be lower, and the funding level worse, than expected. The Administering Authority has a process in place to monitor investment performance quarterly, and it reviews the Fund's investment strategy alongside each actuarial valuation. The Fund has also put in place a strategy of "equity protection", which offers some protection to the Fund's asset values in the event of an equity market fall.
- If improvements in life expectancy are greater than assumed, the cost of benefits will increase because members are living longer than expected. This will mean the funding level will be worse than expected. The Administering Authority regularly reviews the Fund's experience and ensures that the assumptions it makes about members' life expectancy take the most recent information available into account.
- If members make decisions about their options which increase the Fund's liabilities, the funding level will be worse than expected. An example would be if members commute less pension for cash than is being assumed. The Administering Authority reviews the Fund's experience at each valuation to ensure that their treatment of member options remains appropriate.

Impact of COVID-19

The valuation results and employer contributions shown in this report are assessed as at 31 March 2019. In March 2020 we have seen significant volatility and disruption to markets for all asset classes around the world to as a result of the uncertainty and slowdown in economic activity caused by the

COVID-19 pandemic. This potentially has far-reaching consequences in terms of funding and risk which will need to be kept under review. Our view is that it is important to take stock of the situation as opposed to make immediate decisions in what is an unprecedented set of events. The Fund has a risk management framework in place and in particular, equity protection is in place, which will may help mitigate some of the impact of these equity market falls if they persist. The level of mitigation will depend on the structure of the arrangements. Our view is that employer contributions should not be revisited but the position should 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. If necessary and subject to the regulations in place at the time it may be necessary to review contributions for some employers prior to the next scheduled valuation, particularly where there have been material changes in employer covenant.

Sensitivity of funding position to changes in key assumptions

The value placed on the Fund's liabilities is critically dependent on the assumptions used to carry out the calculations. If future experience differs from the assumptions the Administering Authority has used after consulting with the Employers, then the projected future funding level will be different from the level described above.

To illustrate how sensitive the funding level is to experience being different from assumed, the table below shows how the valuation results at 31 March 2019 would have differed given small changes in the key assumptions.

Assumption change	Reduction in surplus/increase in deficit at 31 March 2019 (£m)	Resultant surplus (deficit) at 31 March 2019 (£m)
Original solvency funding position	-	(63)
Real investment return 0.25% lower than assumed	379	(442)
Pensionable Salary growth 0.25% higher than assumed	32	(95)
Long term improvement rate in life expectancy reduced by 0.25% per annum	(64)	1
Assets fall by 25%	2,110	(2,173)

Minimum risk funding position

In assessing the value of the Fund's liabilities (the solvency funding target), allowance has been made for investment returns as described in Appendix A, taking into account the investment strategy adopted by the Fund, as set out in the Fund's Investment Strategy Statement (ISS).

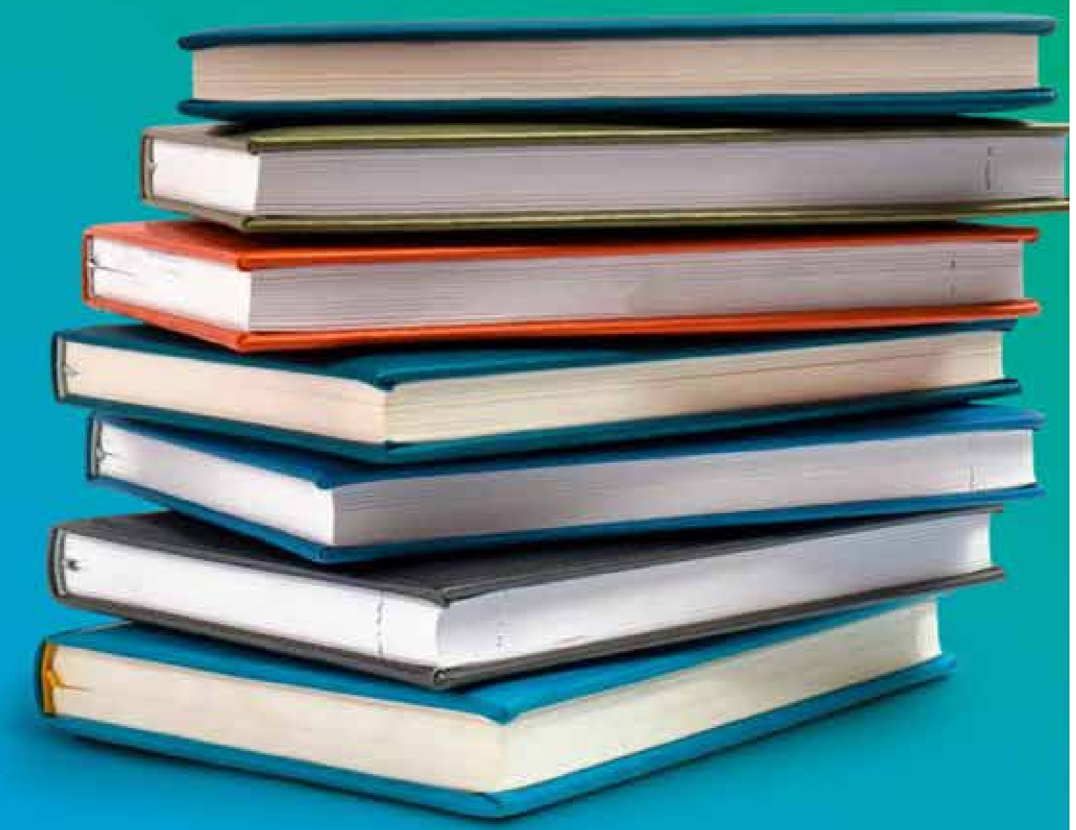
It is not possible to construct a portfolio of investments which produces a stream of income exactly matching the expected liability outgo. However, it is possible to construct a portfolio which attempts closely to match the liabilities and provide a high level of certainty in future investment returns above CPI inflation. This represents a "minimum risk" investment position.

Such a portfolio would consist mainly of a mixture of long-term index-linked and fixed interest gilts. Investment of the Fund's assets in line with the minimum risk portfolio would minimise fluctuations in the Fund's minimum risk funding level between successive actuarial valuations but would result in much higher employer contributions (all other things equal).

If, at the valuation date, the Fund had been invested in this portfolio, then in carrying out the valuation it would not be appropriate to make any allowance for out-performance of the Fund investments. In this event the value of the Fund liabilities would have increased substantially, to £13,851m, and the funding level would have reduced correspondingly to 61%. If the actuarial assumptions are borne out in practice and contributions are paid in line with the Rates and Adjustment Certificate for all employers, the projected funding level on this basis at the next actuarial valuation would be slightly higher at 62% (prior to any potential impact of the McCloud judgment).

The value of the liabilities on the ongoing solvency funding target assumptions was £8,503m, which is £5,348m less than the value on the minimum risk basis. The funding plan is therefore making a prudent allowance for future investment returns of £5,348m over and above those available from the notional minimum risk investment portfolio to support the funding of member benefits along with contributions payable. This is an indication of the expected return built into the funding strategy for the Fund as a whole.

APPENDICES



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Appendix A
Assumptions

How the benefits are valued

In order to calculate the liabilities, there is a need to make assumptions about various factors that affect the cost of the benefits provided by the Fund – for example, how long members will live, or the future level of inflation. The table below explains the key assumptions being made in the valuation.

Assumption	Why it is important and how it impacts on the liabilities
Discount rate	The majority of benefits in a pension fund are paid many years in the future. In the period before the benefits are paid, the Administering Authority invests the funds held by the Fund with the aim of achieving a return on those funds. When calculating how much money is needed now to make these benefit payments, it is appropriate to make allowance for the investment return that is expected to be earned on these funds. This is known as "discounting". The higher the investment return achieved, the less money needs to be set aside now to pay for benefits. The calculation reflects this by placing a lower value on the liabilities if the "discount rate" is higher.
Inflation	Pensions in payment increase in line with Consumer Price Inflation (CPI). Salary growth is also normally linked to price inflation in the long term. A higher inflation assumption will, all other things being equal, lead to a higher value being placed on the liabilities.
Pensionable Salary growth	Benefits earned prior to 1 April 2014 for active members are based on their salaries immediately before retirement, so it is necessary to make an assumption about future Pensionable Salary growth. The higher this assumption, the higher the value placed on the liabilities for active members.
Life expectancy	Pensions are paid while the member (and potentially their spouse or partner) is alive. The longer people live, the greater is the cost of providing a pension. Allowing for longer life expectancy therefore increases the liabilities.

The liabilities of the Fund are calculated by projecting forward all of the future benefit cash flows and discounting them back to the effective date of the valuation, using these assumptions. For example, the liability for a single pensioner is calculated by estimating the amount of each pension payment they will receive in the future, multiplying by the probability that the member will still be alive by the date of each payment, and then discounting each payment back to the effective date of the valuation using the appropriate discount rate, and then summing up all of these discounted amounts. The liabilities for the whole Fund are calculated by summing the liabilities for each of the individual members.

Financial assumptions used to calculate the solvency funding target

The table below summarises the key financial assumptions used in the calculation of the solvency funding target at whole Fund level and those used for the 31 March 2016 actuarial valuation. Section 1 of this report sets out how these assumptions might vary from one employer to another.

Financial assumptions	31 March 2019	31 March 2016
Discount rate	3.9 % p.a.	4.2 % p.a.
Price inflation (CPI)	2.4% p.a.	2.2% p.a.
Salary increases (short term)	3% p.a. for 4 years*	1.25% p.a. for 4 years*
Salary increases (long term)	3.65% p.a.	3.45% p.a.
Pension increases in payment:	2.4% p.a.	2.2% p.a.

* unless agreed with the Administering Authority

> Our analysis of expected future real investment returns uses a Monte Carlo simulation (stochastic) model, based on 4,000 simulations. Within the overall analysis we specify and calibrate a range of economic and asset class models. Our analysis uses an asset correlation matrix to help generate each stochastic simulation. The model includes estimates for long-term expected returns and inflation along with volatilities each asset class and inflation.

The key financial assumption is the expected long term investment return above CPI inflation as this is usually the principal factor which determines the long term cost to employers via their contributions. In determining this we consider first the long term real returns (i.e. returns above CPI) which the Fund's investment strategy can be expected to deliver based on market outlook at the valuation date taking into account the projected cashflow position of the Fund. This analysis then helps us recommend and agree with the Administering Authority on a suitably prudent assumption for the valuation discount rate based on the investment strategy, any risk management framework in place, and reasonably allowing for the likely changes in investment strategy as the Fund matures. In order to consider the level of prudence we look at the likelihood of the expected real return from the Fund's assets exceeding the assumption made. We measure this by considering the percentile expected return from the analysis. A return assumption higher than the 50th percentile return from the analysis can be deemed to be prudent and retain margins to provide some protection against increases in contributions at future valuations.

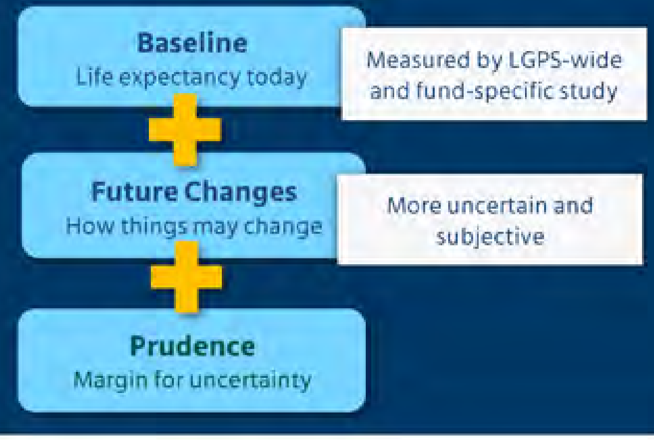
At this actuarial valuation the real discount rate which we have used is 1.5 % p.a., which is the 63rd percentile return from our analysis. At the previous valuation the real discount rate used was 2.0 % p.a., which at the time was a similar percentile return.

Actuarial Valuation as at 31 March 2019 South Yorkshire Pension Fund

Demographic assumptions used

Post-retirement Mortality

> There are two separate decisions on mortality assumptions:
> – The baseline table for the current rates of mortality; and
> – The allowance for future improvements.



Mortality (or life expectancy) tables are typically made up of three elements: a baseline table (equivalent to the expected current mortality), an allowance for future improvements, and a margin for prudence. Very few pension funds are large enough for them to be able to determine a bespoke set of baseline assumptions based purely on the fund's own membership experience. Typically, the life expectancy assumptions are set by benchmarking a fund's membership profile and mortality experience against larger external datasets. For this actuarial valuation, we have benchmarked the Fund's membership profile and experience against the "S tables" published by the CMI. We have applied weightings and age ratings as appropriate to adjust the standard tables so as to arrive at assumptions which are appropriate for the Fund. We have generally used the S3PA tables ("middle" tables for females), other than for female dependants where the S3DA tables have been used and ill-health retirements where the S3IA tables have been used. At the 2016 actuarial valuation the S2PA tables were used (S2DA tables for female dependants).

The weightings and age ratings applied to the above are set out in the table below.

Current Status	Retirement Type	2019 weighting/age rating	2016 weighting/age rating
Annuitant	Normal Health	101% males, 88% females	96% males, 88% females
	Dependant	133% males, 89% females	122% males, 104% females
	Ill Health	125% males, 122% females	96% males, 88% females with an age rating of +3 years in each case
	Future Dependant	128% males, 107% females	119% males, 114% females
Active	Normal Health	109% males, 90% females	96% % males, 88% females
	Ill Health	125% males, 139% females	96% males, 88% females with an age rating of +4 years in each case
Deferred	All	131% males, 105% females	96% males, 88% females
Active/ deferred	Future Dependant	137% males, 113% females	119% males, 114% females

A weighting applied to an actuarial table has the effect of increasing or reducing the chance of survival at each age, which increases or reduces the corresponding life expectancy. Similarly, an age rating applied to an actuarial table has the effect of assuming that beneficiaries have a life expectancy equal to those older (or younger) than their actual age.

Future improvements are assumed to follow the CMI 2018 model with a 1.75% p.a. long-term improvements trend. At the 2016 actuarial valuation the CMI 2015 model with 1.5% p.a. long-term trend was used.

The mortality assumptions used for the 31 March 2019 valuation result in the following life expectancies.

	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

Pre-retirement Mortality

The following mortality tables (together with any appropriate weightings and age ratings) have been adopted for mortality rates in the period up to retirement.

	31 March 2019	31 March 2016
Base Table	DxL08 tables with adjustments of 80% (male) 50% (female) to reflect the Fund's membership profile	DxL08 tables with adjustments of 80% (male) 50% (female) to reflect the Fund's membership profile
Allowance for Future Improvements	CMI_2015 [1.5%]	CMI_2015 [1.5%]

Commutation

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 at the 2016 actuarial valuation, which was broadly equivalent to members taking 80% of the maximum tax-free cash available.

Retirement lump sums are less costly for the Fund to provide than the alternative pension, as members receive only £12 of each £1 p.a. of pension given up. If members take the cash sum option at a higher rate than has been assumed then this will normally lead to an improvement in the funding level.

Early retirement

For those members who are entitled to receive their accrued benefits (or part of those benefits) prior to the Fund's normal pension age, a proportion of the active membership is assumed to retire in normal health prior to age 65, as set out below:

If members take early retirement to a greater extent than has been assumed then this will typically lead to a worsening of the funding level. This is because many members are able to take substantial parts of their benefits from age 60 without them being reduced for early payment.

	% retiring per annum	% retiring per annum
Age	Males	Females
60	10	20
61	8	15
62	8	15
63	8	15
64	8	15
65	100	100

The appropriate early retirement factors applied to the relevant tranche of benefits are in line with the Government Actuary's Department (GAD) guidance.

Ill health retirement

A small proportion of the active membership has been assumed to retire owing to ill health. As an example of the rates assumed, the following is an extract from the decrement table used:

The level of ill-health retirement benefit provided for a member falls into one of three "tiers", depending on whether and when the member might be expected to resume gainful employment. Tier 1, for example, is on the basis that the member is unlikely to be able to do so before Normal Pension Age. Full details are set out in the LGPS Regulations and associated guidance.

	% retiring per annum	% retiring per annum
Age	Males	Females
35	0.02	0.01
45	0.05	0.04
55	0.21	0.18

The proportion of ill health early retirements falling into each tier category, split by males and females, has been assumed to be as set out below:

	Tier 1	Tier 2	Tier 3
Males	75%	12.5%	12.5%
Females	75%	12.5%	12.5%

Withdrawal

This assumption relates to those members who leave the scheme with an entitlement to a deferred pension or transfer value. It has been assumed that active members will leave the Scheme at the following sample rates:

	% leaving per annum	% leaving per annum
Age	Males	Females
25	20.25	22.38
35	5.09	6.27
45	2.54	3.89

In relation to pre 2014 benefits, deferred benefits tend to be less costly for the Fund to provide than if the member had remained in the Fund until retirement. If the number of members leaving the Fund is greater than expected then this will typically lead to a slight improvement in the funding level.

Partners' and Dependants' Proportions

It has been assumed that the proportions of members below will on death give rise to a dependant's pension (spouse's and partner's), and that spouses/partners of female (male) members are three years older (younger), on average than the member.

	% spouse/partner	% spouse/partner
Age	Males	Females
25	43	46
35	69	60
45	72	60
55	74	60
65	76	55

If more members than assumed have partners then this will lead to an increase in the number of dependants pensions coming into payment over and above that expected. This would lead to a worsening of the funding level.

Assumptions used to calculate the Primary Contribution Rate

The cost of future accrual (the Primary Contribution Rate) has been calculated using the same actuarial assumptions as used to calculate the solvency funding target and recovery plan as set out above except that the financial assumptions adopted are as described below.

The financial assumptions for assessing the future service contribution rate should take account of the fact that contributions will be invested in market conditions applying at future dates, which are unknown at the effective date of the valuation, and which are not directly linked to market conditions at the valuation date.

The financial assumptions in relation to future service (i.e. the Primary Contribution Rate) are not specifically linked to investment conditions as at the valuation date itself, and are based on an overall assumed real return (i.e. return in excess of price inflation) of 2.35% per annum. This represents a reduction of 0.40% per annum compared to the 2016 valuation, which increases the estimated cost of providing LGPS benefits. With a long term average assumption for price inflation of 2.4% per annum, this gives rise to an overall discount rate of 4.75% p.a. (the corresponding discount rate at the 2016 actuarial valuation was 4.95% p.a.).

Nevertheless, it is instructive to consider the assumption against the long term real returns (i.e. returns above CPI) which the Fund's investment strategy can be expected to deliver based on the current market outlook. At this actuarial valuation the real discount rate used was 2.35% p.a., which is the 51st percentile return from our analysis. At the previous valuation the real discount rate used was 2.75% p.a., which at the time was a marginally higher percentile return.

Appendix B
Summary membership data

The membership data is summarised in the table, with figures at the previous valuation shown for comparison.

Data in relation to members of the Fund was supplied by the Administering Authority. The accuracy of the data provided has been relied on. While reasonableness checks on the data have been carried out, they do not guarantee the completeness or the accuracy of the data. Consequently, Mercer does not accept any liability in respect of its advice where it has relied on data that is incomplete or inaccurate.

	31 March 2019	31 March 2016
Active members		
Number	50,518	51,377
Total Pensionable Salaries (£000s p.a.)	925,570	868,395
Average Pensionable Salary (£ p.a.)	18,322	16,902
Average age (pension weighted)	50.1	49.5
Deferred pensioners		
Number	66,488	58,542
Total deferred pensions revalued to valuation date (£000s p.a.)	90,176	79,652
Average deferred pension (£ p.a.)	1,356	1,361
Average age (pension weighted)	49.2	48.9
Pensioners (including dependants)		
Number	52,555	45,939
Total pensions payable (£000s p.a.)	234,915	201,666
Average pension (£ p.a.)	4,470	4,390
Average age (pension weighted)	70.5	69.8

Appendix C
Assets

The market value of the Fund's assets was £8,440,000,000 on the valuation date.

The Administering Authority's investment strategy is to proportion the Fund's assets by asset class as shown in the table below. The actual distribution of assets will vary over time due to changes in financial markets. The table also shows the distribution of assets at the valuation date.

	Investment strategy (March 2020 changes in brackets)	Actual market value of assets at 31 March 2019	
	%	£m	%
UK equities	15.0 (10.0)	1,232.3	14.6
Overseas equities	35.0	3,097.8	36.7
Private equity	7.0	745.6	8.8
Emerging Market / High Return / Private Debt	9.5 (11.5)	788.8	9.4
Infrastructure	5.0 (10.0)	207.2	2.5
Property	10.0	760.9	9.0
Fixed interest gilts	5	138.9	1.6
Index-linked gilts	12.0 (10.0)	1,112.3	13.2
Hedge Funds / Derivatives	0	6.1	0.1
Cash (including net Current assets / liabilities)	1.5	350.1	4.1
Total	100.0	£8,440.0m	100%

The Administering Authority also holds additional voluntary contributions (AVCs) which are separately invested. These assets have been excluded from the market value shown as they exactly match the value of the benefits they cover.

The details of the assets at the valuation date and the financial transactions during the inter-valuation period have been obtained from the audited accounts for the Fund.

Appendix D
Scheme benefits

The benefits valued within our calculations are those in force at the effective date of the valuation. Full details of these can be found in the Local Government Pension Scheme Regulations 2013 (as amended). The principal details are as follows:

The Local Government Pension Scheme Regulations 2013 (http://www.legislation.gov.uk/uksi/2013/2356/contents/made)

The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (http://www.legislation.gov.uk/uksi/2014/525/contents/made)

Directions made by the Treasury under Section 59A of the Social Security Pensions Act 1975 (https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/761639/Treasury_Direction_under_section_59A_Social_Security_Pensions_Act_1975.pdf). We have made no allowance for the possibility that the directions may be extended to require the LGPS to become responsible for increases to GMPs for members reaching State Pension Age after 5 April 2021.

The Fund is also responsible for paying and, where appropriate, recharging to employers the benefits arising from the award of compensatory added years (CAY) of service on premature retirement. Unless these CAY benefits have been converted into "funded" benefits, they are normally recharged to the relevant employer (together with associated pension increases), and so are excluded from the valuation.

The benefits that will emerge from money purchase AVCs paid by members, and SCAVCs paid by employers, and the corresponding invested assets in respect of these AVCs and SCAVCs, have been excluded from the valuation.

UK and European law requires pension schemes to provide equal benefits to men and women in respect of service after 17 May 1990 (the date of the "Barber" judgment) and this includes providing equal benefits accrued from that date to reflect the differences in GMPs. Following the Lloyds Bank case in 2018, HM Treasury has issued a consultation on equalising and indexation of GMPs in all the public service pension schemes, including the LGPS, and discussions are ongoing about the extent of any inequalities and how these might be addressed.

The valuation makes no allowance for removal of these inequalities. It is consequently possible that additional funding will be required for equalisation once the law has been clarified. It is recommended that the Administering Authority seek further legal advice if it is concerned about this issue.

The McCloud Judgment

The McCloud judgment in the LGPS refers to the legal decisions (initially by the Employment Appeal Tribunal and then ratified by the Court of Appeal) in the Sargeant/McCloud cases for the Fire and Judiciary pension arrangements. The Court ruled that transitional protections afforded to older members when these schemes were amended constituted unlawful age discrimination. Remedial action, in the form of benefit changes for these schemes, will therefore be required.

Although the above cases did not relate directly to the LGPS, the LGPS also put in place protections for older members as part of the reforms which came into effect from 2014. For the LGPS these took the form of an underpin, where older members would get the better of the benefits payable under the new and old schemes. The UK Government confirmed on 15 July 2019 that, alongside the process to remedy the Fire and Judiciary schemes, it will also bring forward proposals to address the issue for the other public service pension schemes, including the LGPS, although it is unclear at this stage what the exact extent will be of any required changes.

Following discussions with the Administering Authority, in order to consider a reasonable provision for the potential costs in employer contributions, we have assumed that the eventual remedy will be that the underpin which applies to older members will also apply to younger members who joined the Fund before 1 April 2012 (the cut-off date for the protections to apply), in the same way as for older members. More specifically we have agreed with the Administering Authority to:

- Estimate the underpin benefits for active members for service after 31 March 2014 (when the new scheme took effect).
- Compare this to the actual post 31 March 2014 benefits.
- Calculate the cost for each member as the value of the underpin benefits less the value of the actual benefits (ignoring members where the value of the actual benefits is higher).
- Sum these costs across all active members to give the impact of the underpin for each employer.

We have calculated this cost across all benefits (including deferred benefits for active members who are assumed to leave the scheme before retirement in the future).

At this stage, as the data was not readily available for the valuation we have not calculated any costs for members who had already left service or retired as at 31 March 2019. Given the nature of the underpin we expect any costs for this group of members to be immaterial at whole Fund. We also believe the approach applied to active members and the assumptions underlying the actuarial valuation contain prudential margins which are sufficient to cover the vast majority of such costs for the affected employers.

The LGPS Scheme Advisory Board has issued guidance on the approach to including the costs of the McCloud judgment within the 2019 LGPS actuarial valuations and this can be found at http://www.lgpsboard.org/images/Other/Advice_from_the_SAB_on_McCloud_May_2019.pdf.

Appendix E
Analysis of membership experience

The analysis below compares the actual experience over the 3 year period with the assumptions used for the 2019 valuation.

	Actual	Expected	%
Ill Health Retirements	122	186	66
Withdrawals	14,946	7,557	198
Pensioner Deaths (lives)	4,379	2,928	150

Note that actual withdrawals can include members moving to another LGPS Fund, bulk transfers and also transfers under the special transfer club terms.

Appendix F
Valuation Dashboard as agreed by Scheme Advisory Board

Past service funding position - local funding basis	
Funding level (assets/liabilities)	99%
Funding level (change since last valuation)	13%
Asset value used at the valuation (£m)	8,440
Value of liabilities (£m)	8,503
Surplus (deficit) (£m)	(63)
Discount rate(s)	3.9 % p.a. past service 4.75% p.a. future service
Assumed pension increases (CPI)	2.4% p.a.
Method of derivation of discount rate, plus any changes since previous valuation	See Appendix A
Assumed life expectancies at age 65	
Average life expectancy for current pensioners - men currently age 65	22.4
Average life expectancy for current pensioners - women currently age 65	25.1
Average life expectancy for future pensioners - men currently age 45	23.8
Average life expectancy for future pensioners - women currently age 45	27.0

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The basis for the purposes of the LGPS Scheme Advisory Board funding position (the "SAB basis") is a set of assumptions determined by the SAB. Its purposes are to set out the funding position on a standardised approach so that comparisons can be made with other LGPS Funds, and to assist with the "Section 13 review" as carried out by the Government Actuary's Department. We are happy to supply further details of the SAB basis as requested.

Past service funding position - SAB basis	
Market value of assets	8,440
Value of liabilities	7,092
Funding level on SAB basis (assets/liabilities)	119%
Funding level on SAB basis (change since last valuation)	20%
Contribution rates payable	
Primary contribution rate	16.1%
Secondary contributions:	
Secondary contributions 2020/21 (£m)	30.6 (includes those paid prior to 31 March 2020)
Secondary contributions 2021/22 (£m)	13.7
Secondary contributions 2022/23 (£m)	14.2
Giving total expected contributions:	
Total expected contributions 2020/21 (based on assumed payroll of £979m) (£m)	188.2 (includes those paid prior to 31 March 2020)
Total expected contributions 2021/22 (based on assumed payroll of £1,008m) (£m)	176.0
Total expected contributions 2022/23 (based on assumed payroll of £1,038m) (£m)	181.3
Average employee contribution rate	6.4%
Employee contributions (based on assumed payroll of £978m) (£m)	62.7
Additional information	
Percentage of liabilities relating to employers with deficit recovery periods of longer than 20 years	0%
Percentage of total liabilities that are in respect of Tier 3 employers	11%

Appendix G

Rates and Adjustments Certificate issued in accordance with Regulation 62

Name of fund South Yorkshire Pension Fund

Primary Contribution Rate

I hereby certify that, in my opinion, the primary rate of the employers' contribution for the whole Fund for each of the three years beginning 1 April 2020 is 16.1% of pensionable pay.

The primary rate of contribution for each employer for the three year period beginning 1 April 2020 is set out in the attached schedule.

Secondary Contribution Rate

I hereby certify that, in my opinion, the secondary rate of the employer's contribution for the whole Fund for each of the three years beginning 1 April 2020 is as follows:

2020/21 £20.0 million plus 0.7% of pensionable pay

2021/22 £6.6 million plus 0.7% of pensionable pay

2022/23 £6.8 million plus 0.7% of pensionable pay

The Secondary rate for 2020/21 quoted above does not include any allowance for the advance payment of deficit contributions by Sheffield City Council and Borders to Coast Pension Partnership prior to 31 March 2020 (totaling £3.7m).

The secondary rate of contribution for each employer for each of the three years beginning 1 April 2020 is set out in the attached schedule. The above secondary rates, and the secondary rates for each employer, where appropriate include a provision for the costs of the McCloud judgment as set out in the notes to Appendix H.

Contribution amounts payable

The total contribution payable for each employer is the total of the primary and secondary rates as detailed in the attached schedule. Contributions will be paid monthly in arrears with each payment normally being due by the 19th of the following month (or the 22nd if paid electronically) or at intervals agreed with the Administering Authority) unless otherwise noted in the schedule.

Further adjustments

A further individual adjustment shall be applied in respect of each non-ill health early retirement occurring in the period of three years covered by this certificate. This further individual adjustment will be calculated in accordance with methods agreed from time to time between the Fund's Actuary and the Administering Authority.

The contributions set out in the attached schedule represent the minimum contribution which may be paid by each employer in total over the 3 years covered by the certificate. Additional contributions or a different pattern of contributions may be paid if requested by the employer concerned at the sole discretion of the Administering Authority as agreed with the Actuary. The total contributions payable by each employer will be subject to a minimum of £nil.

The individual employer contributions may be varied as agreed by the Actuary and Administering Authority to reflect any changes in contribution requirements as a result of the McCloud judgment remedy as set out in this report and/or any benefit costs being insured with a third party or parties including where the third party or parties participate in the Fund.

In cases where an element of an existing Scheme employer's surplus or deficit is transferred to a new employer on its inception, the Scheme employer's secondary contributions, as shown on the schedule to this Certificate in Appendix H, may be reallocated between the Scheme employer and the new employer to reflect this, on the advice of the Actuary and as agreed with the Administering Authority so that the total payments remain the same overall.

The Administering Authority and employer with advice from the Fund's Actuary can agree that contributions payable under this certificate can be sourced under an alternative financing arrangement which provides the Fund with equivalent cash contributions.

Regulation 62(8)

No allowance for non-ill health early retirements has been made in determining the results of the valuation, on the basis that the costs arising will be met by additional contributions. Allowance for ill health retirements has been included in each employer's contribution rate, on the basis of the method and assumptions set out in the report (and the FSS for those employers in the ill-health captive).

Signature:	P Middleman	Clive Lewis
Name:	Paul Middleman	Clive Lewis
Qualification:	Fellow of the Institute and Faculty of Actuaries	Fellow of the Institute and Faculty of Actuaries
Date of signing:	31 March 2020	

Appendix H
Schedule to the Rates and Adjustments Certificate dated 31 March 2020

Employer	Employer Number	Notes	Primary rate 2020/21 to 2022/23	Secondary rates (including any allowance for potential McCloud adjustment and/or phasing)			Total Contribution Rate from 2019 Valuation		
				2020/21	2021/22	2022/23	2020/21	2021/22	2022/23
Local Authorities									
Barnsley MBC	300	2	15.6%	0.7% plus £2,344,150	0.7%	0.7%	16.3% plus £2,344,150	16.3%	16.3%
Doncaster MBC	400	4	16.3%	0.7% less £654,800	0.7% less £670,500	0.7% less £686,600	17.0% less £654,800	17.0% less £670,500	17.0% less £686,600
Rotherham MBC	500	4,13	16.4%	0.8% plus £61,800	0.8% plus £63,300	0.8% plus £64,800	17.2% plus £61,800	17.2% plus £63,300	17.2% plus £64,800
Sheffield City Council	600	6	16.6%	0.9%	0.9%	0.9%	17.5%	17.5%	17.5%
South Yorkshire Fire Authority	296	2, 4	14.5%	0.5% plus £213,840	0.5%	0.5%	15.0% plus £213,840	15.0%	15.0%

Employer	Employer Number	Notes	Primary rate 2020/21 to 2022/23	Secondary rates (including any allowance for potential McCloud adjustment and/or phasing)			Total Contribution Rate from 2019 Valuation		
				2020/21	2021/22	2022/23	2020/21	2021/22	2022/23
South Yorkshire Passenger Transport Executive	100		15.4%	1.0% less £412,200	1.0% less £422,100	1.0% less £432,200	16.4% less £412,200	16.4% less £422,100	16.4% less £432,200
South Yorkshire Pensions Authority	250		14.4%	1.7% less £41,700	1.7% less £42,700	1.7% less £43,700	16.1% less £41,700	16.1% less £42,700	16.1% less £43,700
The Chief Constable	295	2	15.3%	0.8% plus £3,668,180	0.8%	0.8%	16.1% plus £3,668,180	16.1%	16.1%
The Police and Crime Commissioner	297	2	14.8%	0.3% plus £138,410	0.3%	0.3%	15.1% plus £138,410	15.1%	15.1%
Local Authorities - Post 31 March 2019									
Sheffield City Region - Combined Authority	905		13.5%	0.6%	0.6%	0.6%	14.1%	14.1%	14.1%
Other Scheme Employers									
Anston Parish Council	509		18.4%	0.4% less £3,900	0.4% less £4,000	0.4% less £4,100	18.8% less £3,900	18.8% less £4,000	18.8% less £4,100
Armthorpe Parish Council	423		16.6%	1.2% less £3,100	1.2% less £3,100	1.2% less £3,200	17.8% less £3,100	17.8% less £3,100	17.8% less £3,200
Askern Town Council	404		16.9%	(£1,600)	(£1,600)	(£1,700)	16.9% less £1,600	16.9% less £1,600	16.9% less £1,700

Employer	Employer Number	Notes	Primary rate 2020/21 to 2022/23	Secondary rates (including any allowance for potential McCloud adjustment and/or phasing)			Total Contribution Rate from 2019 Valuation		
				2020/21	2021/22	2022/23	2020/21	2021/22	2022/23
Aston-cum-Aughton Parish Council	512		25.0%	(£700)	(£700)	(£700)	25.0% less £700	25.0% less £700	25.0% less £700
Barnburgh and Harlington Parish Council	424		16.7%	(£1,000)	(£1,000)	(£1,000)	16.7% less £1,000	16.7% less £1,000	16.7% less £1,000
Barnby Dun with Kirk Sandall Parish Council	405		19.3%	1.0% less £800	1.0% less £800	1.0% less £800	20.3% less £800	20.3% less £800	20.3% less £800
Barnsley College	220	3,13	14.8%	£173,000	£177,200	£181,500	14.8% plus £173,000	14.8% plus £177,200	14.8% plus £181,500
Berneslai Homes	321		16.1%	0.9% less £862,500	0.9% less £883,200	0.9% less £904,300	17.0% less £862,500	17.0% less £883,200	17.0% less £904,300
Bradfield Parish Council	660		20.7%	0.3% less £18,200	0.3% less £18,600	0.3% less £19,100	21.0% less £18,200	21.0% less £18,600	21.0% less £19,100
Brodsworth Parish Council	254		21.2%	£0	£0	£0	21.2%	21.2%	21.2%
DN Colleges Group	221		16.6%	0.5% less £187,100	0.5% less £191,600	0.5% less £196,200	17.1% less £187,100	17.1% less £191,600	17.1% less £196,200
Edlington Town Council	406	2	20.1%	0.3% plus £11,900	0.3%	0.3%	20.4% plus £11,900	20.4%	20.4%

Employer	Employer Number	Notes	Primary rate 2020/21 to 2022/23	Secondary rates (including any allowance for potential McCloud adjustment and/or phasing)			Total Contribution Rate from 2019 Valuation		
				2020/21	2021/22	2022/23	2020/21	2021/22	2022/23
Hatfield Town Council	407		19.1%	0.3% less £2,000	0.3% less £2,100	0.3% less £2,100	19--.4% less £2,000	19.4% less £2,100	19.4% less £2,100
Penistone Town Council	305		19.8%	£100	£100	£100	19.8% plus £100	19.8% plus £100	19.8% plus £100
R N N Group	232		15.2%	£48,500	£49,700	£50,900	15.2% plus £48,500	15.2% plus £49,700	15.2% plus £50,900
Rossington Parish Council	408	2	22.8%	0.3% plus £3,490	0.3%	0.3%	23.1% plus £3,490	23.1%	23.1%
Sheffield Hallam University	224	13	14.5%	0.8% plus £1,952,700	0.8% plus £1,999,600	0.8% plus £2,047,600	15.3% plus £1,952,700	15.3% plus £1,999,600	15.3% plus £2,047,600
Silkstone Parish Council	329		TBC	TBC	TBC	TBC	TBC	TBC	TBC
Sprotbrough & Cusworth Parish Council	411		27.2%	(£1,400)	(£1,400)	(£1,500)	27.2% less £1,400	27.2% less £1,400	27.2% less £1,500
St Leger Homes of Doncaster	428		15.1%	0.9% less £736,400	0.9% less £754,100	0.9% less £772,100	16.0% less £736,400	16.0% less £754,100	16.0% less £772,100
Stainforth Town Council	409		16.6%	1.6% plus £10,700	1.6% plus £10,900	1.6% plus £11,200	18.2% plus £10,700	18.2% plus £10,900	18.2% plus £11,200
The Sheffield College	222		17.2%	0.5% less £389,100	0.5% less £398,400	0.5% less £408,000	17.7% less ++*£389,100	17.7% less £398,400	17.7% less £408,000

Employer	Employer Number	Notes	Primary rate 2020/21 to 2022/23	Secondary rates (including any allowance for potential McCloud adjustment and/or phasing)			Total Contribution Rate from 2019 Valuation		
				2020/21	2021/22	2022/23	2020/21	2021/22	2022/23
Thorne Moorend Town Council	410		18.4%	(£2,160)	(£2,260)	(£2,260)	18.4% less £2,160	18.4% less £2,260	18.4% less £2,260
Thrybergh Parish Council	510	3	24.2%	£980	£980	£980	24.2% plus £980	24.2% plus £980	24.2% plus £980
Wickersley Parish Council	515		20.2%	(£700)	(£700)	(£700)	20.2% less £700	20.2% less £700	20.2% less £700
Other Scheme Employers - Post 31 March 2019									
Dalton Parish Council	917		16.7%	£0	£0	£0	16.7%	16.7%	16.7%
Academies and Free Schools									
Abbeyfield Primary Academy	766		13.7%	0.2% plus £72,100	0.2% plus £73,800	0.2% plus £75,600	13.9% plus £72,100	13.9% plus £73,800	13.9% plus £75,600
All Saints Catholic High School	606		15.6%	0.3% plus £10,400	0.3% plus £10,700	0.3% plus £10,900	15.9% plus £10,400	15.9% plus £10,700	15.9% plus £10,900
Anston Brook Primary School	835		15.9%	0.5% plus £15,600	0.5% plus £16,000	0.5% plus £16,300	16.4% plus £15,600	16.4% plus £16,000	16.4% plus £16,300
Anston Greenlands Primary School	569		17.1%	0.5% plus £13,200	0.5% plus £13,500	0.5% plus £13,800	17.6% plus £13,200	17.6% plus £13,500	17.6% plus £13,800

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Anston Park Infants School	867		18.8%	0.4% plus £20,300	0.4% plus £20,800	0.4% plus £21,200	19.2% plus £20,300	19.2% plus £20,800	19.2% plus £21,200
Armthorpe Academy	450		17.5%	0.1% plus £35,000	0.1% plus £35,900	0.1% plus £36,700	17.6% plus £35,000	17.6% plus £35,900	17.6% plus £36,700
Armthorpe Shaw Wood Academy	454		16.4%	0.7% plus £39,300	0.7% plus £40,200	0.7% plus £41,200	17.1% plus £39,300	17.1% plus £40,200	17.1% plus £41,200
Armthorpe Tranmoor Primary School	825		17.9%	0.6% plus £49,600	0.6% plus £50,800	0.6% plus £52,000	18.5% plus £49,600	18.5% plus £50,800	18.5% plus £52,000
Aston All Saints C of E School	570		19.0%	0.2% plus £14,700	0.2% plus £15,000	0.2% plus £15,400	19.2% plus £14,700	19.2% plus £15,000	19.2% plus £15,400
Auckley Junior & Infant Academy	435		17.2%	0.2% plus £19,700	0.2% plus £20,200	0.2% plus £20,600	17.4% plus £19,700	17.4% plus £20,200	17.4% plus £20,600
Balby Central Primary School	496		16.4%	0.3% plus £46,600	0.3% plus £47,700	0.3% plus £48,800	16.7% plus £46,600	16.7% plus £47,700	16.7% plus £48,800
Barnby Dun Primary Academy	451		17.3%	0.9% plus £17,000	0.9% plus £17,500	0.9% plus £17,800	18.2% plus £17,000	18.2% plus £17,500	18.2% plus £17,800
Barnsley Academy	327		13.4%	0.5% less £10,400	0.5% less £10,600	0.5% less £10,900	13.9% less £10,400	13.9% less £10,600	13.9% less £10,900

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Bessacarr Primary School	829		15.4%	0.2% plus £43,500	0.2% plus £44,500	0.2% plus £45,600	15.6% plus £43,500	15.6% plus £44,500	15.6% plus £45,600
Bradfield School	704	3	16.3%	0.1% plus £28,650	0.1% plus £29,330	0.1% plus £30,020	16.4% plus £28,650	16.4% plus £29,330	16.4% plus £30,020
Bramley Grange Primary	567		17.0%	0.3% plus £23,500	0.3% plus £24,000	0.3% plus £24,700	17.3% plus £23,500	17.3% plus £24,000	17.3% plus £24,700
Brinsworth Academy	530		14.7%	0.7% less £9,400	0.7% less £9,600	0.7% less £9,900	15.4% less £9,400	15.4% less £9,600	15.4% less £9,900
Brinsworth Manor Juniors	879		16.3%	0.4% plus £16,100	0.4% plus £16,500	0.4% plus £16,900	16.7% plus £16,100	16.7% plus £16,500	16.7% plus £16,900
Broomhill Infant School	614		18.4%	(£100)	(£100)	(£100)	18.4% less £100	18.4% less £100	18.4% less £100
Canklow Woods Primary Academy	550		16.7%	0.5% plus £39,000	0.5% plus £39,900	0.5% plus £40,900	17.2% plus £39,000	17.2% plus £39,900	17.2% plus £40,900
Canon Popham C of E Primary & Nursery School	883		18.8%	0.5% plus £32,200	0.5% plus £33,000	0.5% plus £33,700	19.3% plus £32,200	19.3% plus £33,000	19.3% plus £33,700
Catcliffe Primary School	800		14.4%	0.5% plus £27,200	0.5% plus £27,800	0.5% plus £28,500	14.9% plus £27,200	14.9% plus £27,800	14.9% plus £28,500
Chapeltown Academy	742		16.7%	0.1% plus £1,900	0.1% plus £1,900	0.1% plus £2,000	16.8% plus £1,900	16.8% plus £1,900	16.8% plus £2,000

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Chaucer School	656	2	17.0%	0.4% plus £143,790	0.4%	0.4%	17.4% plus £143,790	17.4%	17.4%
Clifford All Saints C of E School	609		18.3%	0.1% plus £5,600	0.1% plus £5,800	0.1% plus £6,000	18.4% plus £5,600	18.4% plus £5,800	18.4% plus £6,000
Conisbrough Ivanhoe Primary Academy	443		14.0%	£29,500	£30,300	£31,000	14.0% plus £29,500	14.0% plus £30,300	14.0% plus £31,000
Consilium Academies Trust	255		14.8%	0.5% plus £9,700	0.5% plus £10,000	0.5% plus £10,200	15.3% plus £9,700	15.3% plus £10,000	15.3% plus £10,200
Dinnington Community Primary School	587		14.8%	0.7% plus £42,600	0.7% plus £43,700	0.7% plus £44,600	15.5% plus £42,600	15.5% plus £43,700	15.5% plus £44,600
Dinnington High School	571	3	16.3%	0.4% plus £122,730	0.4% plus £125,670	0.4% plus £128,710	16.7% plus £122,730	16.7% plus £125,670	16.7% plus £128,710
Diocese of Sheffield Academies Trust	863		14.3%	0.7% plus £2,800	0.7% plus £2,800	0.7% plus £3,000	15.0% plus £2,800	15.0% plus £2,800	15.0% plus £3,000
Dunsville Primary School	456		16.1%	0.6% plus £13,800	0.6% plus £14,100	0.6% plus £14,400	16.7% plus £13,800	16.7% plus £14,100	16.7% plus £14,400
E-ACT Pathways Academy	719		14.9%	0.4% plus £46,500	0.4% plus £47,600	0.4% plus £48,700	15.3% plus £46,500	15.3% plus £47,600	15.3% plus £48,700

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Emmanuel Junior School	744		19.1%	0.3% plus £24,900	0.3% plus £25,500	0.3% plus £26,100	19.4% plus £24,900	19.4% plus £25,500	19.4% plus £26,100
Emmaus Catholic & C of E Voluntary Academy	736		16.7%	0.3% plus £28,500	0.3% plus £29,200	0.3% plus £29,900	17.0% plus £28,500	17.0% plus £29,200	17.0% plus £29,900
Fir Vale School Academy Trust	701		13.5%	0.2% plus £49,100	0.2% plus £50,300	0.2% plus £51,500	13.7% plus £49,100	13.7% plus £50,300	13.7% plus £51,500
Flanderwell Primary School	576		16.5%	0.8% plus £31,900	0.8% plus £32,700	0.8% plus £33,400	17.3% plus £31,900	17.3% plus £32,700	17.3% plus £33,400
Forge Valley School	737	2	15.8%	£483,770	£0	£0	15.8% plus £483,770	15.8%	15.8%
Fox Hill Primary School	712		16.1%	0.4% plus £44,900	0.4% plus £45,900	0.4% plus £47,000	16.5% plus £44,900	16.5% plus £45,900	16.5% plus £47,000
Greenhill Primary School	870		16.7%	0.7% plus £66,000	0.7% plus £67,600	0.7% plus £69,300	17.4% plus £66,000	17.4% plus £67,600	17.4% plus £69,300
Hall Cross Academy Trust	445		17.4%	0.8% plus £158,000	0.8% plus £161,800	0.8% plus £165,600	18.2% plus £158,000	18.2% plus £161,800	18.2% plus £165,600
Hallam Primary Academy	752	2	15.8%	0.2% plus £47,870	0.2%	0.2%	16.0% plus £47,870	16.0%	16.0%

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Hatchell Wood Primary Academy	845		14.4%	0.2% plus £45,200	0.2% plus £46,300	0.2% plus £47,500	14.6% plus £45,200	14.6% plus £46,300	14.6% plus £47,500
Heather Garth Primary School	356		18.5%	0.3% plus £35,200	0.3% plus £36,000	0.3% plus £36,900	18.8% plus £35,200	18.8% plus £36,000	18.8% plus £36,900
High Greave Infant School	590		13.1%	0.4% plus £14,700	0.4% plus £15,000	0.4% plus £15,400	13.5% plus £14,700	13.5% plus £15,000	13.5% plus £15,400
High Greave Junior School	591		15.4%	0.4% plus £29,200	0.4% plus £29,900	0.4% plus £30,600	15.8% plus £29,200	15.8% plus £29,900	15.8% plus £30,600
High Hazels Junior Academy	745		16.5%	0.5% plus £33,800	0.5% plus £34,600	0.5% plus £35,500	17.0% plus £33,800	17.0% plus £34,600	17.0% plus £35,500
High Hazels Nursery Infants Academy	749		15.7%	1.0% plus £38,700	1.0% plus £39,600	1.0% plus £40,600	16.7% plus £38,700	16.7% plus £39,600	16.7% plus £40,600
High View Primary Learning Centre	375		17.7%	0.3% plus £87,100	0.3% plus £89,200	0.3% plus £91,400	18.0% plus £87,100	18.0% plus £89,200	18.0% plus £91,400
Highwoods Academy	830		16.7%	0.1% plus £28,000	0.1% plus £28,700	0.1% plus £29,300	16.8% plus £28,000	16.8% plus £28,700	16.8% plus £29,300
Hillsborough Primary School	720	2	15.3%	0.1% plus £136,140	0.1%	0.1%	15.4% plus £136,140	15.4%	15.4%
Holy Family Catholic Primary	467		15.4%	0.4% plus £15,700	0.4% plus £16,000	0.4% plus £16,500	15.8% plus £15,700	15.8% plus £16,000	15.8% plus £16,500

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Holy Trinity Academy	878		17.5%	0.5% plus £135,700	0.5% plus £139,000	0.5% plus £142,300	18.0% plus £135,700	18.0% plus £139,000	18.0% plus £142,300
Hoyland Common Primary School	360		13.2%	0.9% plus £47,700	0.9% plus £48,900	0.9% plus £50,100	14.1% plus £47,700	14.1% plus £48,900	14.1% plus £50,100
Hoyland Springwood Primary School	377		18.2%	0.9% plus £39,900	0.9% plus £40,800	0.9% plus £41,800	19.1% plus £39,900	19.1% plus £40,800	19.1% plus £41,800
Hungerhill Academy Trust	446		16.2%	£80,800	£82,700	£84,700	16.2% plus £80,800	16.2% plus £82,700	16.2% plus £84,700
Hunningley Primary School	388		16.1%	0.2% plus £46,800	0.2% plus £47,800	0.2% plus £49,000	16.3% plus £46,800	16.3% plus £47,800	16.3% plus £49,000
James Montgomery Trust	885		17.0%	£900	£900	£900	17.0% plus £900	17.0% plus £900	17.0% plus £900
Kexborough Primary School	384		17.9%	£26,900	£27,600	£28,200	17.9% plus £26,900	17.9% plus £27,600	17.9% plus £28,200
Kilnhurst Primary School	880		19.7%	0.1% plus £19,300	0.1% plus £19,900	0.1% plus £20,300	19.8% plus £19,300	19.8% plus £19,900	19.8% plus £20,300
Kilnhurst St Thomas C of E Primary Academy	859		16.9%	0.3% plus £14,000	0.3% plus £14,400	0.3% plus £14,800	17.2% plus £14,000	17.2% plus £14,400	17.2% plus £14,800

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King Ecgbert School	658		14.7%	0.5% plus £77,800	0.5% plus £79,600	0.5% plus £81,600	15.2% plus £77,800	15.2% plus £79,600	15.2% plus £81,600
Kirk Balk Community College	368	2	14.8%	0.1% plus £168,150	0.1%	0.1%	14.9% plus £168,150	14.9%	14.9%
Kirk Sandall Infant School	455		14.8%	0.5% plus £31,100	0.5% plus £31,900	0.5% plus £32,600	15.3% plus £31,100	15.3% plus £31,900	15.3% plus £32,600
Kirk Sandall Junior School	476		17.9%	0.2% plus £30,700	0.2% plus £31,400	0.2% plus £32,200	18.1% plus £30,700	18.1% plus £31,400	18.1% plus £32,200
Laithes Primary School	373		15.0%	0.5% plus £30,300	0.5% plus £31,000	0.5% plus £31,800	15.5% plus £30,300	15.5% plus £31,000	15.5% plus £31,800
Lound Infant School	715		15.6%	0.7% plus £30,000	0.7% plus £30,700	0.7% plus £31,500	16.3% plus £30,000	16.3% plus £30,700	16.3% plus £31,500
Lound Junior School	716		19.5%	£38,300	£39,200	£40,100	19.5% plus £38,300	19.5% plus £39,200	19.5% plus £40,100
Maltby Academy	529		15.0%	0.4% less £86,300	0.4% less £88,300	0.4% less £90,500	15.4% less £86,300	15.4% less £88,300	15.4% less £90,500
Maltby Lilly Hall Academy	578		17.5%	0.4% plus £35,100	0.4% plus £35,900	0.4% plus £36,800	17.9% plus £35,100	17.9% plus £35,900	17.9% plus £36,800
Maltby Manor Academy	577		14.8%	0.3% plus £40,900	0.3% plus £41,900	0.3% plus £42,800	15.1% plus £40,900	15.1% plus £41,900	15.1% plus £42,800

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Maltby Redwood Academy	558		13.6%	0.1% plus £17,400	0.1% plus £17,800	0.1% plus £18,200	13.7% plus £17,400	13.7% plus £17,800	13.7% plus £18,200
Mansel Primary School	710		13.5%	0.5% plus £49,300	0.5% plus £50,500	0.5% plus £51,700	14.0% plus £49,300	14.0% plus £50,500	14.0% plus £51,700
McAuley Catholic High School	465		17.3%	0.4% plus £112,200	0.4% plus £114,900	0.4% plus £117,600	17.7% plus £112,200	17.7% plus £114,900	17.7% plus £117,600
Meadowhead School Academy Trust	654	2	15.4%	0.8% plus £322,320	0.8%	0.8%	16.2% plus £322,320	16.2%	16.2%
Mercia School	900		15.0%	£200	£200	£200	15.0% plus £200	15.0% plus £200	15.0% plus £200
Meynell Primary School	708	2	14.5%	0.2% plus £165,410	0.2%	0.2%	14.7% plus £165,410	14.7%	14.7%
Milton School Swinton	869		15.4%	0.3% plus £46,400	0.3% plus £47,500	0.3% plus £48,700	15.7% plus £46,400	15.7% plus £47,500	15.7% plus £48,700
Monteney Primary School	711		14.7%	0.9% plus £79,100	0.9% plus £81,100	0.9% plus £83,000	15.6% plus £79,100	15.6% plus £81,100	15.6% plus £83,000
National College for High Speed Rail	834		14.3%	£2,800	£2,900	£2,900	14.3% plus £2,800	14.3% plus £2,900	14.3% plus £2,900

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Nether Edge Primary Academy	750		15.1%	0.4% plus £41,200	0.4% plus £42,100	0.4% plus £43,200	15.5% plus £41,200	15.5% plus £42,100	15.5% plus £43,200
Newfield Secondary School	729		16.0%	0.5% plus £96,600	0.5% plus £98,900	0.5% plus £101,300	16.5% plus £96,600	16.5% plus £98,900	16.5% plus £101,300
Notre Dame High School	604		15.9%	1.0% plus £37,600	1.0% plus £38,500	1.0% plus £39,400	16.9% plus £37,600	16.9% plus £38,500	16.9% plus £39,400
Our Lady of Sorrows Catholic Academy	828		18.2%	0.2% plus £20,700	0.2% plus £21,200	0.2% plus £21,700	18.4% plus £20,700	18.4% plus £21,200	18.4% plus £21,700
Owston Park Primary School	894		18.0%	0.3% plus £43,600	0.3% plus £44,600	0.3% plus £45,700	18.3% plus £43,600	18.3% plus £44,600	18.3% plus £45,700
Parkwood Academy	622		15.1%	0.4% less £46,200	0.4% less £47,400	0.4% less £48,300	15.5% less £46,200	15.5% less £47,400	15.5% less £48,300
Porter Croft C of E Primary Academy	718		16.0%	0.5% plus £32,600	0.5% plus £33,400	0.5% plus £34,200	16.5% plus £32,600	16.5% plus £33,400	16.5% plus £34,200
Ravenfield Primary Academy	579		18.4%	0.2% plus £20,100	0.2% plus £20,600	0.2% plus £21,100	18.6% plus £20,100	18.6% plus £20,600	18.6% plus £21,100
Richmond Hill Primary Academy	464		15.6%	0.3% plus £60,500	0.3% plus £62,000	0.3% plus £63,500	15.9% plus £60,500	15.9% plus £62,000	15.9% plus £63,500

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				2020/21	2021/22	2022/23	2020/21	2021/22	2022/23
Rossington St Michaels C of E Primary School	831		16.6%	1.0% plus £30,900	1.0% plus £31,600	1.0% plus £32,300	17.6% plus £30,900	17.6% plus £31,600	17.6% plus £32,300
Sacred Heart School A Voluntary Academy	722	3	19.3%	0.3% plus £28,940	0.3% plus £29,730	0.3% plus £30,410	19.6% plus £28,940	19.6% plus £29,730	19.6% plus £30,410
Sandhill Primary School	371		15.5%	0.5% plus £28,600	0.5% plus £29,200	0.5% plus £30,000	16.0% plus £28,600	16.0% plus £29,200	16.0% plus £30,000
Sheffield Park Academy	692		14.5%	0.8% plus £10,000	0.8% plus £10,200	0.8% plus £10,500	15.3% plus £10,000	15.3% plus £10,200	15.3% plus £10,500
Sheffield Springs Academy	691		14.9%	0.5% plus £3,500	0.5% plus £3,600	0.5% plus £3,700	15.4% plus £3,500	15.4% plus £3,600	15.4% plus £3,700
Sir Thomas Wharton Academy	457		17.4%	0.7% plus £45,900	0.7% plus £47,000	0.7% plus £48,200	18.1% plus £45,900	18.1% plus £47,000	18.1% plus £48,200
Southey Green Primary School & Nurseries	705	2	14.9%	£166,450	£0	£0	14.9% plus £166,450	14.9%	14.9%
Southfield Primary School	821		15.6%	1.1% plus £40,500	1.1% plus £41,400	1.1% plus £42,400	16.7% plus £40,500	16.7% plus £41,400	16.7% plus £42,400
St Anns RC Primary School	607		17.0%	(£2,100)	(£2,200)	(£2,200)	17.0% less £2,100	17.0% less £2,200	17.0% less £2,200

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St Bedes Catholic Primary School	544		17.9%	0.6% plus £24,200	0.6% plus £24,900	0.6% plus £25,400	18.5% plus £24,200	18.5% plus £24,900	18.5% plus £25,400
St Bernards Catholic High School	539		16.2%	0.7% plus £43,300	0.7% plus £44,300	0.7% plus £45,500	16.9% plus £43,300	16.9% plus £44,300	16.9% plus £45,500
St Catherines Catholic Primary School	725		15.9%	0.8% plus £65,400	0.8% plus £67,000	0.8% plus £68,700	16.7% plus £65,400	16.7% plus £67,000	16.7% plus £68,700
St Gerards Catholic Primary - Thrybergh	545	3	21.3%	0.6% plus £10,690	0.6% plus £11,090	0.6% plus £11,280	21.9% plus £10,690	21.9% plus £11,090	21.9% plus £11,280
St John Fisher Primary - A Catholic Voluntary Academy	605	3	18.5%	0.5% plus £2,160	0.5% plus £2,160	0.5% plus £2,350	19.0% plus £2,160	19.0% plus £2,160	19.0% plus £2,350
St Josephs Catholic Primary (Dinnington)	557		19.5%	0.4% plus £23,600	0.4% plus £24,200	0.4% plus £24,700	19.9% plus £23,600	19.9% plus £24,200	19.9% plus £24,700
St Josephs Catholic School (Rossington)	463		16.6%	0.7% plus £17,400	0.7% plus £17,900	0.7% plus £18,200	17.3% plus £17,400	17.3% plus £17,900	17.3% plus £18,200
St Josephs Primary School	608		19.4%	0.3% less £4,700	0.3% less £4,800	0.3% less £4,900	19.7% less £4,700	19.7% less £4,800	19.7% less £4,900

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St Marys C of E Academy (Walkley)	738		16.5%	1.0% plus £26,200	1.0% plus £26,800	1.0% plus £27,500	17.5% plus £26,200	17.5% plus £26,800	17.5% plus £27,500
St Marys Catholic Primary (Maltby)	549		18.5%	0.4% plus £10,600	0.4% plus £10,800	0.4% plus £11,100	18.9% plus £10,600	18.9% plus £10,800	18.9% plus £11,100
St Marys Catholic Primary School (Herringthorpe)	546		19.1%	0.1% plus £16,500	0.1% plus £17,000	0.1% plus £17,400	19.2% plus £16,500	19.2% plus £17,000	19.2% plus £17,400
St Marys Primary School (High Green)	721	3	17.9%	0.2% plus £25,210	0.2% plus £25,800	0.2% plus £26,490	18.1% plus £25,210	18.1% plus £25,800	18.1% plus £26,490
St Oswalds C of E Academy	453		14.6%	0.2% plus £5,600	0.2% plus £5,700	0.2% plus £5,800	14.8% plus £5,600	14.8% plus £5,700	14.8% plus £5,800
St Patricks Catholic Academy Trust	612		19.2%	£900	£1,000	£1,000	19.2% plus £900	19.2% plus £1,000	19.2% plus £1,000
St Theresas RC School	611		17.8%	0.4% less £10,500	0.4% less £10,800	0.4% less £11,000	18.2% less £10,500	18.2% less £10,800	18.2% less £11,000
St Thomas More Catholic Primary Academy	756	3	17.0%	0.4% plus £17,360	0.4% plus £17,760	0.4% plus £18,250	17.4% plus £17,360	17.4% plus £17,760	17.4% plus £18,250
St Thomas of Canterbury Trust	657		17.6%	0.3% plus £21,600	0.3% plus £22,100	0.3% plus £22,600	17.9% plus £21,600	17.9% plus £22,100	17.9% plus £22,600

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St Wilfrids Catholic Primary School	700		18.1%	0.3% plus £26,000	0.3% plus £26,600	0.3% plus £27,300	18.4% plus £26,000	18.4% plus £26,600	18.4% plus £27,300
Swinton Fitzwilliam Primary Academy	809		17.6%	0.7% plus £27,900	0.7% plus £28,700	0.7% plus £29,300	18.3% plus £27,900	18.3% plus £28,700	18.3% plus £29,300
Swinton Queen Primary School	596		16.7%	0.4% plus £28,700	0.4% plus £29,300	0.4% plus £30,100	17.1% plus £28,700	17.1% plus £29,300	17.1% plus £30,100
Tapton School	639	2	15.4%	0.4% plus £377,080	0.4%	0.4%	15.8% plus £377,080	15.8%	15.8%
The Academy at Ridgewood Trust	442	2	16.0%	0.3% plus £78,780	0.3% plus £80,640	0.3% plus £82,600	16.3% plus £78,780	16.3% plus £80,640	16.3% plus £82,600
The Hayfield School	229		17.3%	0.2% less £19,900	0.2% less £20,400	0.2% less £20,900	17.5% less £19,900	17.5% less £20,400	17.5% less £20,900
Thrybergh Academy & Sports College	540		15.6%	0.7% plus £152,900	0.7% plus £156,500	0.7% plus £160,400	16.3% plus £152,900	16.3% plus £156,500	16.3% plus £160,400
Thrybergh Fullerton Primary	575		16.9%	0.6% plus £11,500	0.6% plus £11,800	0.6% plus £12,000	17.5% plus £11,500	17.5% plus £11,800	17.5% plus £12,000
Tinsley Meadows Primary School	758		12.6%	0.4% plus £95,200	0.4% plus £97,600	0.4% plus £99,900	13.0% plus £95,200	13.0% plus £97,600	13.0% plus £99,900

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Totley All Saints C of E School	613		15.6%	0.1% less £3,200	0.1% less £3,300	0.1% less £3,400	15.7% less £3,200	15.7% less £3,300	15.7% less £3,400
Totley Primary School	724		15.5%	0.1% plus £29,000	0.1% plus £29,700	0.1% plus £30,500	15.6% plus £29,000	15.6% plus £29,700	15.6% plus £30,500
Treeton C of E Primary Academy	846		15.7%	0.6% plus £26,600	0.6% plus £27,200	0.6% plus £27,900	16.3% plus £26,600	16.3% plus £27,200	16.3% plus £27,900
Trinity Croft C of E Primary Academy	572		15.7%	£10,600	£10,900	£11,100	15.7% plus £10,600	15.7% plus £10,900	15.7% plus £11,100
University Technology College (Sheffield)	246		15.3%	0.4% plus £24,700	0.4% plus £25,200	0.4% plus £25,800	15.7% plus £24,700	15.7% plus £25,200	15.7% plus £25,800
Upperwood Academy	348	3	15.3%	0.8% plus £16,870	0.8% plus £17,360	0.8% plus £17,660	16.1% plus £16,870	16.1% plus £17,360	16.1% plus £17,660
Valley Park Community Primary	746		13.7%	0.8% plus £81,200	0.8% plus £83,200	0.8% plus £85,100	14.5% plus £81,200	14.5% plus £83,200	14.5% plus £85,100
Wales High School (Academy Trust)	531	2	16.7%	0.6% plus £86,390	0.6%	0.6%	17.3% plus £86,390	17.3%	17.3%
Ward Green Academy	382		16.1%	0.3% plus £47,400	0.3% plus £48,600	0.3% plus £49,700	16.4% plus £47,400	16.4% plus £48,600	16.4% plus £49,700

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Wellgate Primary School	383		15.2%	0.9% plus £45,700	0.9% plus £46,800	0.9% plus £47,900	16.1% plus £45,700	16.1% plus £46,800	16.1% plus £47,900
Wentworth CoE Junior & Infant School	888		13.1%	£5,500	£5,600	£5,800	13.1% plus £5,500	13.1% plus £5,600	13.1% plus £5,800
Whiston Junior & Infant School	551		19.0%	0.5% plus £17,800	0.5% plus £18,200	0.5% plus £18,600	19.5% plus £17,800	19.5% plus £18,200	19.5% plus £18,600
Whiston Worrygoose Junior & Infant School	552		17.5%	1.4% plus £43,000	1.4% plus £44,000	1.4% plus £45,000	18.9% plus £43,000	18.9% plus £44,000	18.9% plus £45,000
Wickersley Northfield Primary	574		18.4%	0.7% plus £44,400	0.7% plus £45,400	0.7% plus £46,600	19.1% plus £44,400	19.1% plus £45,400	19.1% plus £46,600
Wickersley St Albans C of E Primary School	566		18.9%	0.5% plus £18,100	0.5% plus £18,500	0.5% plus £18,900	19.4% plus £18,100	19.4% plus £18,500	19.4% plus £18,900
Windmill Hill School Academy	866		16.7%	0.3% plus £41,900	0.3% plus £42,900	0.3% plus £43,900	17.0% plus £41,900	17.0% plus £42,900	17.0% plus £43,900
Wingfield Academy	547	3	15.6%	0.7% plus £78,780	0.7% plus £80,740	0.7% plus £82,600	16.3% plus £78,780	16.3% plus £80,740	16.3% plus £82,600
Winterhill School	580	3	14.9%	0.8% plus £135,290	0.8% plus £138,520	0.8% plus £141,860	15.7% plus £135,290	15.7% plus £138,520	15.7% plus £141,860

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Wisewood Community Primary	751	2	19.2%	0.2% plus £76,940	0.2%	0.2%	19.4% plus £76,940	19.4%	19.4%
Wombwell Park Street Primary School	376		14.2%	0.6% plus £31,400	0.6% plus £32,200	0.6% plus £32,900	14.8% plus £31,400	14.8% plus £32,200	14.8% plus £32,900
Woodfield Primary School	493		16.2%	0.2% plus £34,800	0.2% plus £35,700	0.2% plus £36,500	16.4% plus £34,800	16.4% plus £35,700	16.4% plus £36,500
Woodsetts Primary School	836		17.6%	0.1% plus £22,300	0.1% plus £22,800	0.1% plus £23,300	17.7% plus £22,300	17.7% plus £22,800	17.7% plus £23,300
Worsbrough Bank End	387		13.9%	0.3% plus £28,900	0.3% plus £29,600	0.3% plus £30,300	14.2% plus £28,900	14.2% plus £29,600	14.2% plus £30,300
Academies and Free Schools - 1 September Change									
Abbey School	588		14.2%	2.5% plus £5,900 to 31 August 2020	0.2% plus £20,200 to 31 August 2021	0.2% plus £20,700 to 31 March 2022	16.7% plus £5,900 to 31 August 2020	14.4% plus £20,200 to 31 August 2021	14.4% plus £20,700 to 31 March 2022
				0.2% plus £28,300 from 1 September 2020 to 31 March 2021	0.2% plus £28,900 from 1 September 2021 to 31 March 2022	0.2% plus £29,600 from 1 September 2022 to 31 March 2023	14.4% plus £28,300 from 1 September 2020 to 31 March 2021	14.4% plus £28,900 from 1 September 2021 to 31 March 2022	14.4% plus £29,600 from 1 September 2022 to 31 March 2023

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Kelford School	593		13.5%	- 0.1% plus £26,800 to 31 August 2020	0.7% plus £45,200 to 31 August 2021	0.7% plus £46,300 to 31 March 2022	13.4% plus £26,800 to 31 August 2020	14.2% plus £45,200 to 31 August 2021	14.2% plus £46,300 to 31 March 2022
				0.7% plus £63,400 from 1 September 2020 to 31 March 2021	0.7% plus £64,900 from 1 September 2021 to 31 March 2022	0.7% plus £66,400 from 1 September 2022 to 31 March 2023	14.2% plus £63,400 from 1 September 2020 to 31 March 2021	14.2% plus £64,900 from 1 September 2021 to 31 March 2022	14.2% plus £66,400 from 1 September 2022 to 31 March 2023
Maltby Hilltop School	589		14.7%	- 0.4% plus £31,700 to 31 August 2020	0.4% plus £52,000 to 31 August 2021	0.4% plus £53,200 to 31 March 2022	14.3% plus £31,700 to 31 August 2020	15.1% plus £52,000 to 31 August 2021	15.1% plus £53,200 to 31 March 2022
				0.4% plus £72,800 from 1 September 2020 to 31 March 2021	0.4% plus £74,600 from 1 September 2021 to 31 March 2022	0.4% plus £76,400 from 1 September 2022 to 31 March 2023	15.1% plus £72,800 from 1 September 2020 to 31 March 2021	15.1% plus £74,600 from 1 September 2021 to 31 March 2022	15.1% plus 76,400 from 1 September 2022 to 31 March 2023
St Maries School Catholic	659		17.1%	- 2.4% plus £11,600 to 31 August 2020	0.5% plus £13,700 to 31 August 2021	0.5% plus £14,000 to 31 March 2022	14.7% plus £11,600 to 31 August 2020	17.6% plus £13,700 to 31 August 2021	17.6% plus £14,000 to 31 March 2022

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Voluntary Academy				0.5% plus £19,100 from 1 September 2020 to 31 March 2021	0.5% plus £19,600 from 1 September 2020 to 31 March 2021	0.5% plus £20,100 from 1 September 2021 to 31 March 2022	17.6% plus £19,100 from 1 September 2020 to 31 March 2021	17.6% plus £19,600 from 1 September 2020 to 31 March 2021	17.6% plus £20,100 from 1 September 2021 to 31 March 2022
				- 0.6% plus £24,000 to 31 August 2020	0.3% plus £27,600 to 31 August 2021	0.3% plus £28,300 to 31 March 2022	14.7% plus £24,000 to 31 August 2020	15.7% plus £27,600 to 31 August 2021	15.7% plus £28,300 to 31 March 2022
Pennine View School	826		15.4%	0.3% plus £38,700 from 1 September 2020 to 31 March 2021	0.3% plus £39,600 from 1 September 2021 to 31 March 2022	0.3% plus £40,500 from 1 September 2022 to 31 March 2023	15.7% plus £38,700 from 1 September 2020 to 31 March 2021	15.7% plus £39,600 from 1 September 2021 to 31 March 2022	15.7% plus £40,500 from 1 September 2022 to 31 March 2023
Academies and Free Schools - Post 31 March 2019									
Bradfield Dungworth Primary School	911		18.4%	£900	£900	£1,000	18.4% plus £900	18.4% plus £900	18.4% plus £1,000
Chorus Education Trust	910		14.3%	0.9%	0.9%	0.9%	15.2%	15.2%	15.2%
Churchfield Primary School	956		15.8%	0.3% plus £4,800	0.3% plus £4,900	0.3% plus £5,000	16.1% plus £4,800	16.1% plus £4,900	16.1% plus £5,000

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Hawthorn Primary School	980		16.9%	0.7%	0.7%	0.7%	17.6%	17.6%	17.6%
Horizon Community College	921		16.6%	0.5% plus £26,900	0.5% plus £27,600	0.5% plus £28,200	17.1% plus £26,900	17.1% plus £27,600	17.1% plus £28,200
Lakeside Primary School	940		15.8%	0.5% plus £3,700	0.5% plus £3,800	0.5% plus £3,900	16.3% plus £3,700	16.3% plus £3,800	16.3% plus £3,900
Laughton All Saints C of E Primary	941		16.9%	0.3%	0.3%	0.3%	17.2%	17.2%	17.2%
Loxley Primary School	913		20.2%	£1,200	£1,300	£1,300	20.2% plus £1,200	20.2% plus £1,300	20.2% plus £1,300
Maltby Learning Trust MAT HQ	903		16.8%	0.2%	0.2%	0.2%	17.0%	17.0%	17.0%
Mapplewell Primary	975		18.3%	0.2% plus £4,600	0.2% plus £4,700	0.2% plus £4,800	18.5% plus £4,600	18.5% plus £4,700	18.5% plus £4,800
Marshland Primary	907		17.6%	0.8% plus £1,400	0.8% plus £1,500	0.8% plus £1,500	18.4% plus £1,400	18.4% plus £1,500	18.4% plus £1,500
Mercia Learning Trust MAT HQ	920		13.1%	0.1%	0.1%	0.1%	13.2%	13.2%	13.2%
Minerva Learning Trust	919		16.0%	0.2%	0.2%	0.2%	16.2%	16.2%	16.2%

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Nook Lane Junior School	912		19.2%	£2,400	£2,400	£2,500	19.2% plus £2,400	19.2% plus £2,400	19.2% plus £2,500
Oughtibridge Primary School	909		15.9%	0.3% plus £2,800	0.3% plus £2,800	0.3% plus £2,900	16.2% plus £2,800	16.2% plus £2,800	16.2% plus £2,900
Pye Bank C of E Primary School	922		15.7%	0.5% plus £4,700	0.5% plus £4,800	0.5% plus £4,900	16.2% plus £4,700	16.2% plus £4,800	16.2% plus £4,900
Stannington Infant School	914		16.1%	0.5% plus £1,300	0.5% plus £1,400	0.5% plus £1,400	16.6% plus £1,300	16.6% plus £1,400	16.6% plus £1,400
Thorne Brooke Primary	908		16.6%	0.7% plus £3,300	0.7% plus £3,400	0.7% plus £3,400	17.3% plus £3,300	17.3% plus £3,400	17.3% plus £3,400
Wath Academy	904		15.2%	0.9% plus £7,900	0.9% plus £8,100	0.9% plus £8,300	16.1% plus £7,900	16.1% plus £8,100	16.1% plus £8,300
West Road Primary School	942		16.4%	0.5% plus £1,200	0.5% plus £1,300	0.5% plus £1,300	16.9% plus £1,200	16.9% plus £1,300	16.9% plus £1,300
Wharncliffe Side Primary	915		18.5%	0.5% plus £2,400	0.5% plus £2,400	0.5% plus £2,500	19.0% plus £2,400	19.0% plus £2,400	19.0% plus £2,500
Woodseats Primary Academy	943		18.3%	0.4% plus £5,200	0.4% plus £5,300	0.4% plus £5,500	18.7% plus £5,200	18.7% plus £5,300	18.7% plus £5,500
Worsbrough Common Primary	959		14.8%	0.5% plus £6,800	0.5% plus £6,900	0.5% plus £7,100	15.3% plus £6,800	15.3% plus £6,900	15.3% plus £7,100

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				2020/21	2021/22	2022/23	2020/21	2021/22	2022/23
Multi Academy Trusts									
Becton School	981		15.6%	2.5% to 31 August 2020 0.4% plus £2,300 from 1 September 2020 to 31 March 2021	0.4% plus £1,600 to 31 August 2021 0.4% plus £2,300 from 1 September 2021 to 31 March 2022	0.4% plus £1,700 to 31 March 2022 0.4% plus £2,400 from 1 September 2022 to 31 March 2023	18.1% to 31 August 2020 16.0% plus £2,300 from 1 September 2020 to 31 March 2021	16.0% plus £1,600 to 31 August 2021 16.0% plus £2,300 from 1 September 2021 to 31 March 2022	16.0% plus £1,700 to 31 March 2022 16.0% plus £2,400 from 1 September 2022 to 31 March 2023
Coppice Community Special School	957		17.8%	- 0.3% to 31 August 2020 0.1% plus £1,300 from 1 September 2020 to 31 March 2021	0.1% plus £900 to 31 August 2021 0.1% plus £1,300 from 1 September 2021 to 31 March 2022	0.1% plus £900 to 31 March 2022 0.1% plus £1,300 from 1 September 2022 to 31 March 2023	17.5% to 31 August 2020 17.9% plus £1,300 from 1 September 2020 to 31 March 2021	17.9% plus £900 to 31 August 2021 17.9% plus £1,300 from 1 September 2021 to 31 March 2022	17.9% plus £900 to 31 March 2022 17.9% plus £1,300 from 1 September 2022 to 31 March 2023
Crags Community School	954		15.8%	1.7% to 31 August 2020 0.6% plus £800 from 1 September 2020 to 31 March 2021	0.6% plus £500 to 31 August 2021 0.6% plus £800 from 1 September 2021 to 31 March 2022	0.6% plus £600 to 31 March 2022 0.6% plus £800 from 1 September 2022 to 31 March 2023	17.5% to 31 August 2020 16.4% plus £800 from 1 September 2020 to 31 March 2021	16.4% plus £500 to 31 August 2021 16.4% plus £800 from 1 September 2021 to 31 March 2022	16.4% plus £600 to 31 March 2022 16.4% plus £800 from 1 September 2022 to 31 March 2023

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Heatherwood Community Special School	944		17.6%	- 0.1% from 1 September 2020 to 31 March 2021 0.6% plus £800 from 1 September 2020 to 31 March 2021	0.6% plus £600 to 31 August 2021 0.6% plus £900 from 1 September 2021 to 31 March 2022	0.6% plus £600 to 31 March 2022 0.6% plus £900 from 1 September 2022 to 31 March 2023	17.5% from 1 September 2020 to 31 March 2021 18.2% plus £800 from 1 September 2020 to 31 March 2021	18.2% plus £600 to 31 August 2021 18.2% plus £900 from 1 September 2021 to 31 March 2022	18.2% plus £600 to 31 March 2022 18.2% plus £900 from 1 September 2022 to 31 March 2023
North Ridge School	979		18.8%	- 1.3% to 31 August 2020 0.1% from 1 September 2020 to 31 March 2021	0.1% to 31 August 2021 0.1% from 1 September 2021 to 31 March 2022	0.1% to 31 March 2022 0.1% from 1 September 2022 to 31 March 2023	17.5% to 31 August 2020 18.9% from 1 September 2020 to 31 March 2021	18.9% to 31 August 2021 18.9% from 1 September 2021 to 31 March 2022	18.9% to 31 March 2022 18.9% from 1 September 2022 to 31 March 2023
Multi Academy Trusts									
Academies Enterprise Trust	MAT9		16.2%	0.1% plus £256,600	0.1% plus £262,600	0.1% plus £269,000	16.3% plus £256,600	16.3% plus £262,600	16.3% plus £269,000
Aston Community Education Trust	MAT29		16.9%	0.5% plus £363,770	0.5% plus £372,510	0.5% plus £381,430	17.4% plus £363,770	17.4% plus £372,510	17.4% plus £381,430
Astrea Academy Trust	MAT7		14.9%	0.4% plus £994,100	0.4% plus £1,018,200	0.4% plus £1,042,400	15.3% plus £994,100	15.3% plus £1,018,200	15.3% plus £1,042,400

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Brigantia Learning Trust	MAT2		16.5%	0.6% plus £303,100	0.6% plus £310,400	0.6% plus £317,800	17.1% plus £303,100	17.1% plus £310,400	17.1% plus £317,800
Cascade Multi Academy Trust	MAT51		14.1%	0.5% plus £171,500	0.5% plus £175,600	0.5% plus £179,700	14.6% plus £171,500	14.6% plus £175,600	14.6% plus £179,700
Central Learning Partnership Trust	MAT31	2	14.8%	1.0% plus £216,390	1.0%	1.0%	15.8% plus £216,390	15.8%	15.8%
Chorus Education Trust	MAT44	2	15.6%	0.7% plus £462,050	0.7%	0.7%	16.3% plus £462,050	16.3%	16.3%
Delta Academies Trust	MAT16	2	16.6%	0.3% plus £1,863,880	0.3%	0.3%	16.9% plus £1,863,880	16.9%	16.9%
Emmanuel Schools Foundation	MAT15		17.5%	0.2% plus £1,100	0.2% plus £1,100	0.2% plus £1,100	17.7% plus £1,100	17.7% plus £1,100	17.7% plus £1,100
Exceed Learning Partnership	MAT26		16.9%	0.3% plus £123,600	0.3% plus £126,700	0.3% plus £129,500	17.2% plus £123,600	17.2% plus £126,700	17.2% plus £129,500
Inspire Multi Academy Trust	MAT1	2	15.7%	0.6% plus £317,030	0.6%	0.6%	16.3% plus £317,030	16.3%	16.3%
Inspiring Futures	MAT19		17.0%	0.4% plus £117,200	0.4% plus £120,100	0.4% plus £122,900	17.4% plus £117,200	17.4% plus £120,100	17.4% plus £122,900

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James Montgomery Trust	MAT27		15.3%	0.2% plus £252,300	0.2% plus £258,200	0.2% plus £264,800	15.5% plus £252,300	15.5% plus £258,200	15.5% plus £264,800
L.E.A.D	MAT54		17.4%	0.3% plus £379,700	0.3% plus £388,700	0.3% plus £398,100	17.7% plus £379,700	17.7% plus £388,700	17.7% plus £398,100
Leger Education Trust	MAT57		19.9%	0.6% plus £48,200	0.6% plus £49,400	0.6% plus £50,600	20.5% plus £48,200	20.5% plus £49,400	20.5% plus £50,600
Minerva Learning trust	MAT49		16.1%	0.5% plus £432,300	0.5% plus £442,700	0.5% plus £453,400	16.6% plus £432,300	16.6% plus £442,700	16.6% plus £453,400
Oasis Community Learning	MAT50	3	12.3%	0.2% plus £27,180	0.2% plus £27,760	0.2% plus £28,350	12.5% plus £27,180	12.5% plus £27,760	12.5% plus £28,350
Outwood Grange Academies Trust	MAT10		16.5%	0.4% plus £426,300	0.4% plus £436,300	0.4% plus £446,600	16.9% plus £426,300	16.9% plus £436,300	16.9% plus £446,600
Pioneer Academies Community Trust	MAT8		17.7%	0.8% plus £51,600	0.8% plus £53,000	0.8% plus £54,200	18.5% plus £51,600	18.5% plus £53,000	18.5% plus £54,200
Sheffield South East Trust	MAT53		16.3%	0.4% plus £325,300	0.4% plus £333,200	0.4% plus £341,000	16.7% plus £325,300	16.7% plus £333,200	16.7% plus £341,000
St Mary's Academy Trust	MAT5		17.1%	0.8% plus £209,800	0.8% plus £214,900	0.8% plus £220,200	17.9% plus £209,800	17.9% plus £214,900	17.9% plus £220,200

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Wellspring Academy Trust	MAT6	2	13.0%	0.5% plus £1,743,020	0.5%	0.5%	13.5% plus £1,743,020	13.5%	13.5%
Wickersley Partnership Trust	MAT33		14.8%	0.7% plus £548,700	0.7% plus £561,900	0.7% plus £575,300	15.5% plus £548,700	15.5% plus £561,900	15.5% plus £575,300
Willow Tree Academy	MAT37		15.8%	0.4% plus £111,100	0.4% plus £113,800	0.4% plus £116,500	16.2% plus £111,100	16.2% plus £113,800	16.2% plus £116,500
XP Trust	MAT25		13.7%	£49,500	£50,600	£51,900	13.7% plus £49,500	13.7% plus £50,600	13.7% plus £51,900
Admitted Bodies ("Community Admission Bodies")									
Action Housing & Support Ltd	204	12	16.9%	0.4% plus £103,600	0.4% plus £106,100	0.4% plus £108,600	17.3% plus £103,600	17.3% plus £106,100	17.3% plus £108,600
Barnsley BIC Ltd	308	12	19.7%	(£2,300)	(£2,400)	(£2,400)	19.7% less £2,300	19.7% less £2,400	19.7% less £2,400
Barnsley Premier Leisure	228	12	15.8%	0.9% plus £117,400	0.9% plus £120,200	0.9% plus £123,100	16.7% plus £117,400	16.7% plus £120,200	16.7% plus £123,100
Border to Coast Pensions Partnership Ltd	881	7	14.7%	1.0%	1.0%	1.0%	15.7%	15.7%	15.7%
Community Action Halfway Home	520	12	29.9%	£2,500	£2,600	£2,600	29.9% plus £2,500	29.9% plus £2,600	29.9% plus £2,600

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Danum Drainage Commissioners	201	12	22.0%	(£2,200)	(£2,300)	(£2,300)	22.0% less £2,200	22.0% less £2,300	22.0% less £2,300
Doncaster Childrens Services Trust Ltd	473	12	14.5%	0.4% plus £135,000	0.4% plus £138,200	0.4% plus £141,500	14.9% plus £135,000	14.9% plus £138,200	14.9% plus £141,500
Doncaster Community Transport	230	12	14.7%	(£16,500)	(£16,900)	(£17,300)	14.7% less £16,500	14.7% less £16,900	14.7% less £17,300
Doncaster Culture & Leisure Trust	432	12	20.5%	0.1% plus £120,100	0.1% plus £123,000	0.1% plus £125,900	20.6% plus £120,100	20.6% plus £123,000	20.6% plus £125,900
Doncaster Deaf Trust	412	12	17.4%	£140,700	£144,100	£147,500	17.4% plus £140,700	17.4% plus £144,100	17.4% plus £147,500
Forge Community Partnership	322	12	15.4%	0.8% plus £27,000	0.8% plus £27,600	0.8% plus £28,300	16.2% plus £27,000	16.2% plus £27,600	16.2% plus £28,300
Great Places Housing Association	241	12	17.7%	1.4% less £1,400	1.4% less £1,500	1.4% less £1,500	19.1% less £1,400	19.1% less £1,500	19.1% less £1,500
Independent Training Services Ltd	310	12	28.8%	£2,100	£2,200	£2,200	28.8% plus £2,100	28.8% plus £2,200	28.8% plus £2,200
Learn Sheffield	768	3, 12	18.1%	£7,650	£7,850	£8,040	18.1% plus £7,650	18.1% plus £7,850	18.1% plus £8,040

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National Childrens Bureau	202	12	18.0%	0.6% less £58,800	0.6% less £60,200	0.6% less £61,700	18.6% less £58,800	18.6% less £60,200	18.6% less £61,700
Northern College	226	3, 12	16.4%	0.5% plus £106,740	0.5% plus £109,290	0.5% plus £111,940	16.9% plus £106,740	16.9% plus £109,290	16.9% plus £111,940
Northern Racing College	209	12	20.0%	0.1% plus £27,200	0.1% plus £27,900	0.1% plus £28,500	20.1% plus £27,200	20.1% plus £27,900	20.1% plus £28,500
Priory Campus Ltd	311	12	26.7%	£5,700	£5,800	£6,000	26.7% plus £5,700	26.7% plus £5,800	26.7% plus £6,000
Roth Don and South Humber Mental Health NHS Foundation Trust	231	12	21.0%	0.4% less £44,100	0.4% less £45,200	0.4% less £46,200	21.4% less £44,100	21.4% less £45,200	21.4% less £46,200
Shaw Trust	422	12	24.9%	(£45,600)	(£46,700)	(£47,800)	24.9% less £45,600	24.9% less £46,700	24.9% less £47,800
Sheffcare Ltd	610	3, 12	20.5%	£44,640	£45,720	£46,800	20.5% plus £44,640	20.5% plus £45,720	20.5% plus £46,800
Sheffield City Trust	242	12	18.5%	0.9% less £40,500	0.9% less £41,600	0.9% less £42,500	19.4% less £40,500	19.4% less £41,600	19.4% less £42,500
Sheffield Community Transport	235	12	22.0%	(£39,500)	(£40,500)	(£41,400)	22.0% less £39,500	22.0% less £40,500	22.0% less £41,400

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Sheffield Futures	666	12	16.7%	0.4% less £85,700	0.4% less £87,800	0.4% less £89,900	17.1% less £85,700	17.1% less £87,800	17.1% less £89,900
Sheffield Galleries & Museums	523	12	18.1%	(£29,500)	(£30,200)	(£30,900)	18.1% less £29,500	18.1% less £30,200	18.1% less £30,900
Sheffield Health & Social Care NHS Foundation Trust	239	12	20.9%	(£131,300)	(£134,500)	(£137,700)	20.9% less £131,300	20.9% less £134,500	20.9% less £137,700
Sheffield Industrial Museums Trust Ltd	521	12	15.3%	0.1% less £2,000	0.1% less £2,100	0.1% less £2,100	15.4% less £2,000	15.4% less £2,100	15.4% less £2,100
Sheffield MIND	518		TBC	TBC	TBC	TBC	TBC	TBC	TBC
Sheffield Students Union	237	12	20.9%	(£1,400)	(£1,400)	(£1,500)	20.9% less £1,400	20.9% less £1,400	20.9% less £1,500
Sheffield Unison	663	3, 12	18.6%	0.1% plus £7,550	0.1% plus £7,750	0.1% plus £7,850	18.7% plus £7,550	18.7% plus £7,750	18.7% plus £7,850
South Yorkshire Housing Association	214	12	22.1%	£5,900	£6,100	£6,200	22.1% plus £5,900	22.1% plus £6,100	22.1% plus £6,200
Voluntary Action Barnsley	307	12	20.1%	0.4% plus £4,600	0.4% plus £4,700	0.4% plus £4,800	20.5% plus £4,600	20.5% plus £4,700	20.5% plus £4,800

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Voluntary Action Rotherham	506		26.5%	0.1% less £30,100	0.1% less £30,800	0.1% less £31,600	26.6% less £30,100	26.6% less £30,800	26.6% less £31,600
Admitted Bodies ("Transferee Admission Bodies")									
Affinity Trust - NHS Transfer (SCC)	877		22.2%	£11,300	£0	£0	22.2% plus £11,300	22.2%	22.2%
Amey Community Ltd (Barnsley BSF Design & Building Schools)	256		24.0%	£300	£300	£300	24.0% plus £300	24.0% plus £300	24.0% plus £300
Amey Community Ltd SPV1 (Barnsley BSF/PFI)	257		23.4%	£100	£100	£100	23.4% plus £100	23.4% plus £100	23.4% plus £100
Amey Community Ltd SPV2 (Barnsley BSF/PFI)	258		26.2%	£0	£0	£0	26.2%	26.2%	26.2%
Amey Community Ltd	259		23.8%	£2,800	£2,900	£2,900	23.8% plus £2,800	23.8% plus £2,900	23.8% plus £2,900

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SPV3 (Barnsley BSF/PFI)									
Amey LG Limited (Sheffield Highways)	655		19.7%	0.6% less £1,878,300	0.6% less £1,923,400	0.6% less £1,969,600	20.3% less £1,878,300	20.3% less £1,923,400	20.3% less £1,969,600
Argent Catering Solutions Ltd	767		22.4%	£68,400	£0	£0	22.4% plus £68,400	22.4%	22.4%
Aspens Services Ltd - Netherwood Catering Contract	887		20.8%	£69,300	£0	£0	20.8% plus £69,300	20.8%	20.8%
Aspens Services Ltd (E-ACT Pathways Academy)	765		26.8%	£1,500	£0	£0	26.8% plus £1,500	26.8%	26.8%
Aspens Services Ltd (McAuley Academy)	482		22.7%	(£22,300)	£0	£0	22.7% less £22,300	22.7%	22.7%
Aspens Services Ltd (Parkwood Academy)	764		29.7%	(£12,900)	£0	£0	29.7% less £12,900	29.7%	29.7%
Barnsley Norse Ltd	339		22.4%	0.4% less £146,100	0.4% less £149,600	0.4% less £153,200	22.8% less £146,100	22.8% less £149,600	22.8% less £153,200

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British Red Cross	748		28.9%	(£34,600)	£0	£0	28.9% less £34,600	28.9%	28.9%
Capita (Outstanding Sheffield Programme)	616		19.9%	0.6% less £1,654,600	0.6% less £1,694,300	0.6%	20.5% less £1,654,600	20.5% less £1,694,300	20.5%
Carroll Cleaning Company (De Warenne Academy)	479		23.1%	(£15,100)	£0	£0	23.1% less £15,100	23.1%	23.1%
Caterlink (Barnsley Academy)	364		21.7%	£9,800	£0	£0	21.7% plus £9,800	21.7%	21.7%
Caterlink (Hunningley Primary)	394		23.5%	£9,200	£0	£0	23.5% plus £9,200	23.5%	23.5%
Caterlink (Sheffield Park Academy)	733		24.4%	(£40,000)	£0	£0	24.4% less £40,000	24.4%	24.4%
Churchill Contract Services - Dinnington High School	896		22.0%	£1,600	£0	£0	22.0% plus £1,600	22.0%	22.0%

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Compass (Don Valley Academy)	483		22.1%	0.1% less £74,600	0.1%	0.1%	22.2% less £74,600	22.2%	22.2%
Compass (Kirk Balk Academy)	391		22.2%	£80,100	£0	£0	22.2% plus £80,100	22.2%	22.2%
Compass (RCAT)	248		23.3%	(£30,900)	£0	£0	23.3% less £30,900	23.3%	23.3%
Compass (Rossington All Saints Academy)	484		22.0%	7.5% plus £4,100	7.5%	7.5%	29.5% plus £4,100	29.5%	29.5%
Compass (St Pius X Catholic High School)	884		22.9%	£10,500	£0	£0	22.9% plus £10,500	22.9%	22.9%
Compass (The Hayfield School)	495		21.4%	0.2% plus £15,800	0.2%	0.2%	21.6% plus £15,800	21.6%	21.6%
Cordant Cleaning Ltd	760		22.3%	£44,100	£0	£0	22.3% plus £44,100	22.3%	22.3%
Crispin & Borst	429		18.3%	1.6% less £14,300	1.6% less £14,600	1.6% less £15,000	19.9% less £14,300	19.9% less £14,600	19.9% less £15,000
Dimensions (UK) Ltd	389		22.1%	0.2% plus £242,300	0.2%	0.2%	22.3% plus £242,300	22.3%	22.3%

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Dolce - Conisbrough Ivanhoe Primary Academy	906		22.3%	£100	£100	£100	22.3% plus £100	22.3% plus £100	22.3% plus £100
Dolce Ltd (Blackburn Primary)	847		18.6%	0.3% plus £5,500	0.3%	0.3%	18.9% plus £5,500	18.9%	18.9%
Dolce Ltd (Dodworth St Johns)	852		26.8%	£100	£0	£0	26.8% plus £100	26.8%	26.8%
Dolce Ltd (Elsecar Holy Trinity)	855		20.0%	£3,600	£0	£0	20.0% plus £3,600	20.0%	20.0%
Dolce Ltd (Harthill Primary)	849		23.6%	£1,400	£0	£0	23.6% plus £1,400	23.6%	23.6%
Dolce Ltd (Kilnhurst Junior & Infants)	812		21.7%	0.4% less £900	0.4%	0.4%	22.1% less £900	22.1%	22.1%
Dolce Ltd (Kiveton Park)	848		18.6%	£1,700	£0	£0	18.6% plus £1,700	18.6%	18.6%
Dolce Ltd (Sitwell Juniors)	804		21.8%	0.2% plus £13,100	0.2%	0.2%	22.0% plus £13,100	22.0%	22.0%
Dolce Ltd (St Josephs - Handsworth)	851		24.4%	£2,800	£0	£0	24.4% plus £2,800	24.4%	24.4%

Employer	Employer Number	Notes	Primary rate 2020/21 to 2022/23	Secondary rates (including any allowance for potential McCloud adjustment and/or phasing)			Total Contribution Rate from 2019 Valuation		
				2020/21	2021/22	2022/23	2020/21	2021/22	2022/23
Dolce Ltd (St Marys Maltby)	865		19.7%	£2,600	£0	£0	19.7% plus £2,600	19.7%	19.7%
Dolce Ltd (Swinton Fitzwilliam)	813		21.8%	£3,700	£0	£0	21.8% plus £3,700	21.8%	21.8%
Dolce Ltd (Swinton Queen Primary)	864		20.6%	£5,800	£0	£0	20.6% plus £5,800	20.6%	20.6%
Dolce Ltd (Todwick)	850		22.8%	£13,700	£0	£0	22.8% plus £13,700	22.8%	22.8%
Dolce Ltd (Whiston Junior & Infants)	814		22.8%	£8,400	£0	£0	22.8% plus £8,400	22.8%	22.8%
Dolce Ltd (Whiston Worrygoose)	815		22.2%	£800	£0	£0	22.2% plus £800	22.2%	22.2%
Dolce Ltd (Wickersley Northfield)	816		22.5%	£1,600	£0	£0	22.5% plus £1,600	22.5%	22.5%
Dolce Ltd (Woodsetts)	817		22.5%	(£100)	£0	£0	22.5% less £100	22.5%	22.5%
Edwards Commercial Cleaning (NORTH) Ltd	780		21.6%	0.3% plus £7,300	0.3%	0.3%	21.9% plus £7,300	21.9%	21.9%

Employer	Employer Number	Notes	Primary rate 2020/21 to 2022/23	Secondary rates (including any allowance for potential McCloud adjustment and/or phasing)			Total Contribution Rate from 2019 Valuation		
				2020/21	2021/22	2022/23	2020/21	2021/22	2022/23
Engie Services Ltd (Barnsley Schools)	393		23.6%	£1,600	£1,600	£1,600	23.6% plus £1,600	23.6% plus £1,600	23.6% plus £1,600
Engie Services Ltd (Rotherham Schools)	513		25.2%	0.3% less £14,300	0.3% less £14,600	0.3% less £14,900	25.5% less £14,300	25.5% less £14,600	25.5% less £14,900
Go Plant Fleet Services Ltd	514	12	22.3%	(£206,600)	£0	£0	22.3% less £206,600	22.3%	22.3%
Independent Cleaning Services Ltd (Danum Academy)	478		23.1%	0.2% less £40,400	0.2%	0.2%	23.3% less £40,400	23.3%	23.3%
Interserve - SCC Catering Contract	886		22.9%	£7,400	£0	£0	22.9% plus £7,400	22.9%	22.9%
Interserve FM Ltd	671		22.3%	(£25,800)	(£26,400)	(£27,100)	22.3% less £25,800	22.3% less £26,400	22.3% less £27,100
ISS Mediclean Ltd	392		23.8%	£700	£700	£700	23.8% plus £700	23.8% plus £700	23.8% plus £700
Kier (Barnsley Housing Stock Maintenance)	332		20.9%	0.4% less £944,500	0.4%	0.4%	21.3% less £944,500	21.3%	21.3%
Kier Managed Services	688		25.8%	(£53,300)	(£54,600)	(£55,900)	25.8% less £53,300	25.8% less £54,600	25.8% less £55,900

Employer	Employer Number	Notes	Primary rate 2020/21 to 2022/23	Secondary rates (including any allowance for potential McCloud adjustment and/or phasing)			Total Contribution Rate from 2019 Valuation		
				2020/21	2021/22	2022/23	2020/21	2021/22	2022/23
Mellors (Aston Hall Junior & Infants)	837		20.7%	£3,800	£3,900	£4,100	20.7% plus £3,800	20.7% plus £3,900	20.7% plus £4,100
Mellors (Aston Lodge Primary)	838		18.2%	£600	£600	£600	18.2% plus £600	18.2% plus £600	18.2% plus £600
Mellors (Brinsworth Whitehill)	839		22.0%	0.2% plus £3,600	0.2% plus £3,700	0.2% plus £3,900	22.2% plus £3,600	22.2% plus £3,700	22.2% plus £3,900
Mellors (Brinsworth)	585		20.7%	0.6% less £5,400	0.6%	0.6%	21.3% less £5,400	21.3%	21.3%
Mellors (Hinde House/King Ecgbert)	709		23.8%	(£5,200)	(£5,300)	£0	23.8% less £5,200	23.8% less £5,300	23.8%
Mellors (Monkwood Primary)	840		19.1%	£2,300	£2,300	£2,400	19.1% plus £2,300	19.1% plus £2,300	19.1% plus £2,400
Mellors (Rawmarsh Ashwood Primary)	841		21.1%	£1,700	£1,800	£1,800	21.1% plus £1,700	21.1% plus £1,800	21.1% plus £1,800
Mellors (Rawmarsh Comprehensive)	537		28.5%	(£6,100)	(£6,300)	(£6,500)	28.5% less £6,100	28.5% less £6,300	28.5% less £6,500
Mellors (Sandhill Primary)	842		20.0%	£1,900	£1,900	£2,000	20.0% plus £1,900	20.0% plus £1,900	20.0% plus £2,000

Employer	Employer Number	Notes	Primary rate 2020/21 to 2022/23	Secondary rates (including any allowance for potential McCloud adjustment and/or phasing)			Total Contribution Rate from 2019 Valuation		
				2020/21	2021/22	2022/23	2020/21	2021/22	2022/23
Mellors (Sheffield Schools)	653		30.8%	(£9,500)	(£9,700)	(£10,000)	30.8% less £9,500	30.8% less £9,700	30.8% less £10,000
Mellors (Thrybergh Primary)	843		23.2%	£5,500	£5,700	£5,700	23.2% plus £5,500	23.2% plus £5,700	23.2% plus £5,700
Midshire Catering Ltd	244		24.8%	(£9,200)	£0	£0	24.8% less £9,200	24.8%	24.8%
Mitie Ltd	686		19.1%	(£900)	(£900)	(£900)	19.1% less £900	19.1% less £900	19.1% less £900
Morrison Facilities Service Ltd	533		18.8%	1.1% less £98,200	1.1% less £100,500	1.1% less £102,900	19.9% less £98,200	19.9% less £100,500	19.9% less £102,900
NPS Barnsley Ltd	334	12	19.7%	0.6% less £201,100	0.6% less £205,900	0.6% less £210,900	20.3% less £201,100	20.3% less £205,900	20.3% less £210,900
Places for People (RMBC)	548		20.0%	0.6% less £65,100	0.6% less £66,600	0.6% less £68,300	20.6% less £65,100	20.6% less £66,600	20.6% less £68,300
Places for People (SCC)	747		20.5%	0.3% less £22,100	0.3% less £22,600	0.3% less £23,100	20.8% less £22,100	20.8% less £22,600	20.8% less £23,100
Places for People (Wisewood Sports Centre)	759		18.5%	(£3,200)	(£3,300)	(£3,300)	18.5% less £3,200	18.5% less £3,300	18.5% less £3,300

Employer	Employer Number	Notes	Primary rate 2020/21 to 2022/23	Secondary rates (including any allowance for potential McCloud adjustment and/or phasing)			Total Contribution Rate from 2019 Valuation		
				2020/21	2021/22	2022/23	2020/21	2021/22	2022/23
Premiserv (Blackburn Primary)	872		24.6%	0.5% plus £2,400	0.5%	0.5%	25.1% plus £2,400	25.1%	25.1%
Sodexo (Forest Primary Academy Wellspring)	875		20.2%	£3,200	£3,200	£3,300	20.2% plus £3,200	20.2% plus £3,200	20.2% plus £3,300
Sodexo (Greenacre Academy Wellspring)	397		18.2%	0.5% plus £7,000	0.5% plus £7,200	0.5% plus £7,400	18.7% plus £7,000	18.7% plus £7,200	18.7% plus £7,400
Sodexo (Oakhill Academy Wellspring)	396		17.6%	1.1% plus £1,700	1.1% plus £1,800	1.1% plus £1,900	18.7% plus £1,700	18.7% plus £1,800	18.7% plus £1,900
Sodexo (Oakwell Rise Academy Wellspring)	874		26.1%	£2,300	£2,400	£2,400	26.1% plus £2,300	26.1% plus £2,400	26.1% plus £2,400
Sodexo (Springwell Special Academy Wellspring)	398		24.0%	£1,400	£1,400	£1,500	24.0% plus £1,400	24.0% plus £1,400	24.0% plus £1,500
Taylor Shaw (Bradfield School)	703		30.3%	(£1,200)	(£1,200)	(£1,300)	30.3% less £1,200	30.3% less £1,200	30.3% less £1,300

Employer	Employer Number	Notes	Primary rate 2020/21 to 2022/23	Secondary rates (including any allowance for potential McCloud adjustment and/or phasing)			Total Contribution Rate from 2019 Valuation		
				2020/21	2021/22	2022/23	2020/21	2021/22	2022/23
Taylor Shaw (Sheff School Meals Central Contract)	629		23.4%	(£991,000)	£0	£0	23.4% less £991,000	23.4%	23.4%
Taylor Shaw (Sheffield Catering)	618		30.4%	(£7,400)	(£7,600)	(£7,800)	30.4% less £7,400	30.4% less £7,600	30.4% less £7,800
Taylor Shaw (St John Fisher Academy)	754		22.2%	£4,200	£0	£0	22.2% plus £4,200	22.2%	22.2%
TnS (DeWarenne Academy)	876		19.0%	£3,600	£0	£0	19.0% plus £3,600	19.0%	19.0%
Trustclean (Wath CE School)	541		27.3%	(£1,500)	£0	£0	27.3% less £1,500	27.3%	27.3%
Trustclean (Wath Victoria Primary)	581		24.5%	(£300)	£0	£0	24.5% less £300	24.5%	24.5%
Trustclean Ltd (Athersley North)	346		23.9%	(£20,000)	£0	£0	23.9% less £20,000	23.9%	23.9%
Turning Point	390		20.7%	£125,000	£0	£0	20.7% plus £125,000	20.7%	20.7%

Employer	Employer Number	Notes	Primary rate 2020/21 to 2022/23	Secondary rates (including any allowance for potential McCloud adjustment and/or phasing)			Total Contribution Rate from 2019 Valuation		
				2020/21	2021/22	2022/23	2020/21	2021/22	2022/23
Veolia Environmental Services PLC	676		22.1%	(£762,100)	(£780,400)	(£799,100)	22.1% less £762,100	22.1% less £780,400	22.1% less £799,100
Vinci Construction UK Ltd (Bradfield FM)	702		23.9%	(£1,700)	(£1,700)	(£1,800)	23.9% less £1,700	23.9% less £1,700	23.9% less £1,800
Wates Living Space Maintenance Ltd	781		21.2%	0.5% plus £150,600	0.5%	0.5%	21.7% plus £150,600	21.7%	21.7%
Admitted Bodies ("Transferee Admission Bodies") - Post 31 March 2019									
Aspens Services Ltd (Astrea Academy Dearne)	948		21.9%	0.2%	0.2%	0.2%	22.1%	22.1%	22.1%
Aspens Services Ltd (Astrea Woodfields Academy)	974		21.6%	£0	£0	£0	21.6%	21.6%	21.6%
Caterleisure (Riverside House)	939		23.3%	£0	£0	£0	23.3%	23.3%	23.3%
Compass (Atlas Academy)	924		21.9%	£0	£0	£0	21.9%	21.9%	21.9%

Employer	Employer Number	Notes	Primary rate 2020/21 to 2022/23	Secondary rates (including any allowance for potential McCloud adjustment and/or phasing)			Total Contribution Rate from 2019 Valuation		
				2020/21	2021/22	2022/23	2020/21	2021/22	2022/23
Compass (Carrfield Primary)	932		21.6%	£0	£0	£0	21.6%	21.6%	21.6%
Compass (Castle Academy)	933		20.7%	0.6%	0.6%	0.6%	21.3%	21.3%	21.3%
Compass (Denaby Main Primary Academy)	934		24.4%	£0	£0	£0	24.4%	24.4%	24.4%
Compass (Edenthorpe Hall Primary Adademy)	935		20.5%	£0	£0	£0	20.5%	20.5%	20.5%
Compass (Gooseacre Primary Academy)	936		21.4%	£0	£0	£0	21.4%	21.4%	21.4%
Compass (Hartley Brook Primary School)	937		20.4%	£0	£0	£0	20.4%	20.4%	20.4%
Compass (Hatfield Primary)	923		21.1%	£0	£0	£0	21.1%	21.1%	21.1%
Compass (Hexthorpe Primary School)	925		19.2%	£0	£0	£0	19.2%	19.2%	19.2%

Employer	Employer Number	Notes	Primary rate 2020/21 to 2022/23	Secondary rates (including any allowance for potential McCloud adjustment and/or phasing)			Total Contribution Rate from 2019 Valuation		
				2020/21	2021/22	2022/23	2020/21	2021/22	2022/23
Compass (Highgate Primary Academy)	926		23.9%	£0	£0	£0	23.9%	23.9%	23.9%
Compass (Hillside Academy)	927		24.5%	£0	£0	£0	24.5%	24.5%	24.5%
Compass (Intake Primary Academy)	928		20.1%	£0	£0	£0	20.1%	20.1%	20.1%
Compass (Kingfisher Academy)	929		22.5%	£0	£0	£0	22.5%	22.5%	22.5%
Compass (The Hill Primary)	930		20.0%	£0	£0	£0	20.0%	20.0%	20.0%
Compass (Waverley Academy)	931		21.6%	£0	£0	£0	21.6%	21.6%	21.6%
Engie Services Ltd (Rotherham Council)	982		19.1%	0.5%	0.5%	0.5%	19.6%	19.6%	19.6%
Happy Kids Childcare (Rotherham)	961		20.9%	£0	£0	£0	20.9%	20.9%	20.9%

Employer	Employer Number	Notes	Primary rate 2020/21 to 2022/23	Secondary rates (including any allowance for potential McCloud adjustment and/or phasing)			Total Contribution Rate from 2019 Valuation		
				2020/21	2021/22	2022/23	2020/21	2021/22	2022/23
MAM Doncaster Ltd - Doncaster Markets	916		19.3%	0.8%	0.8%	0.8%	20.1%	20.1%	20.1%
Mellors (Bramley Grange)	973		25.2%	£0	£0	£0	25.2%	25.2%	25.2%
Mellors (Grange Lane Infant Academy)	947		20.4%	£0	£0	£0	20.4%	20.4%	20.4%
Mellors (Hatfield Crookesbroom Primary)	949		21.9%	£0	£0	£0	21.9%	21.9%	21.9%
Mellors (Hatfield Woodhouse Primary)	950		22.7%	£0	£0	£0	22.7%	22.7%	22.7%
Mellors (Pheasant Bank Academy)	951		29.7%	£0	£0	£0	29.7%	29.7%	29.7%
Mellors (Rowena Academy)	952		23.7%	£0	£0	£0	23.7%	23.7%	23.7%
Optime Support Limited	938		20.1%	£0	£0	£0	20.1%	20.1%	20.1%

Employer	Employer Number	Notes	Primary rate 2020/21 to 2022/23	Secondary rates (including any allowance for potential McCloud adjustment and/or phasing)			Total Contribution Rate from 2019 Valuation		
				2020/21	2021/22	2022/23	2020/21	2021/22	2022/23
RM Education Ltd (Firth Park Academy)	960		21.9%	£0	£0	£0	21.9%	21.9%	21.9%
Taylor Shaw Aston All Saints	962		20.3%	£0	£0	£0	20.3%	20.3%	20.3%
Taylor Shaw Canon Popham	963		21.9%	£0	£0	£0	21.9%	21.9%	21.9%
Taylor Shaw Flanderwell Primary	964		22.7%	£0	£0	£0	22.7%	22.7%	22.7%
Taylor Shaw Kilnhurst St Thomas	965		21.3%	£0	£0	£0	21.3%	21.3%	21.3%
Taylor Shaw Laughton All Saints	966		20.7%	£0	£0	£0	20.7%	20.7%	20.7%
Taylor Shaw Rossington St Michaels	967		21.7%	£0	£0	£0	21.7%	21.7%	21.7%
Taylor Shaw St Oswald's Finningley	968		23.2%	£0	£0	£0	23.2%	23.2%	23.2%
Taylor Shaw Thrybergh Fullerton	969		21.9%	£0	£0	£0	21.9%	21.9%	21.9%

Employer	Employer Number	Notes	Primary rate 2020/21 to 2022/23	Secondary rates (including any allowance for potential McCloud adjustment and/or phasing)			Total Contribution Rate from 2019 Valuation		
				2020/21	2021/22	2022/23	2020/21	2021/22	2022/23
Taylor Shaw Treeton C of E Primary	970		23.1%	0.3%	0.3%	0.3%	23.4%	23.4%	23.4%
Taylor Shaw Trinity Croft	971		28.6%	£0	£0	£0	28.6%	28.6%	28.6%
Taylor Shaw Wickersley St Albans	972		28.4%	£0	£0	£0	28.4%	28.4%	28.4%

Other Interested Bodies with no Pensionable Employees (see note 13)	
Employer	Proportion of Pension Increases to be Recharged %
National Water Council	100
Sheffield Alcoholic Advisory Service	100
Youth Association South Yorkshire	60
Sheffield Racial Equality Council	100
Yorkshire % Humberside Regional Examination Board	100

The following employers exited the Fund during 2016/20. Termination assessments will be required and any additional contributions required will be notified separately:

Employer
Shafton Parish Council
SPS Security Ltd (Doncaster College)
Dolce Ltd (Sitwell Infants)
Dial a Ride
Creative Support
KGB Cleaning
Mellors (Thrybergh Fullerton)
Taylor Woodrow Construction (Cleaning)
Dolce Greengate Lane
Compass (Rowena)
Caterlink (Worsborough Bank End)
Dolce (Aston All Saints)
Dolce (Flanderwell)
Dolce (Wickersley St Albans)
Dolce (Trinity Croft)
Dolce (Rossingotn St Michaels)
Dolce Ltd (Intake Primary)
Compass (Hatfield Crookesbroom)
Compass (Hatfield Woodhouse)
Compass (Pheasant Bank)
CIVICA (Barnsley Schools)
Compass (Grange Lane Infants)

Employer
ADS Doncaster Substance Misuse
Churchill Contract Services (Brinsworth Academy)
Termination Assessment - ABM Catering (Bramley Grange)
RM Education (Dearne ALC)
Leonard Cheshire Disability

Important notes to the Certificate:

1. The percentages shown are percentages of pensionable pay and apply to all members, including those who are members under the 50:50 option under the LGPS.

2. The employer has chosen to pay their required lump sum secondary rate over the three years as one payment. Cash payments in respect of the total £ lump sums are payable by 30 April 2020. The amounts shown each year have been reduced to reflect the early payment.

3. The employer has chosen to pay each year's lump sum secondary rate as one payment each year. These annual cash payments are payable by 30 April of the year in which they are due. These amounts have been reduced to reflect this early payment.

4. With the agreement of the Administering Authority employers may also opt to pay any other element of their employer contributions in advance instead of monthly amounts, with either all three years being paid in April 2020 or payment being made in the April of the year in question. The cash amounts payable will be reduced in return for this early payment as follows:

    - Payments made in the April of the certified year will be reduced by 1.89% (i.e. the above amounts will be multiplied by 0.9811)
    - 2021/22 payments made in April 2020 will be reduced by 5.58% (i.e. the above amounts will be multiplied by 0.9442)
    - 2022/23 payments made in April 2020 will be reduced by 9.12% (i.e. the above amounts will be multiplied by 0.9088)

    The employers shown under this note in the schedule above have already opted to prepay % contributions in April 2020.

5. Where % contributions are being paid in advance, for these cases the employer will need to estimate in advance the pensionable pay for the entire period (subject to an agreed adjustment with the Administering Authority) and a balancing adjustment to reflect the actual pensionable pay over the period would be made at the end of the period (no later than 30th April as appropriate following the year-end). Consideration will be required for employers in surplus as at 31 March 2019, where any surplus offset would be made up front before any reduction for early payment is applied. Further information on the policy for prepayments can be provided by the Fund upon request. It should be noted that only certain employers will be able to pay their primary rate in advance due to the operational complexity.

6. The lump sum secondary rate (£3.2m) for this employer and a proportion of the % contributions in relation to the period 1 April 2020 to 31 March 2023 were paid prior to 31 March 2020.

7. The lump sum secondary rate (£0.5m) for this employer in relation to the period 1 April 2020 to 31 March 2023 was paid prior to 31 March 2020.

8. Where an employer initially opts to prepay contributions and this subsequently does not happen then the contribution schedule will be updated to reflect the undiscounted contribution amounts which would be payable monthly or at and interval otherwise agreed with the Administering Authority.

9. Where the secondary rate is a £ deduction to the primary rate due to an employer being in surplus, the total annual contributions payable by each employer will be subject to a minimum of £nil i.e. no monies can be refunded to an employer whilst they participate in the Fund.

10. Employers were given the option of whether to pay additional contributions over 2020/23 in respect of the potential additional McCloud costs or any other factors. Where employers did not opt to pay the additional contributions for the McCloud costs, they are expected to make provision for this within their budgets. Once the final remedy for McCloud is known, additional contributions will be required from such employers, which will include allowance for any additional McCloud liabilities built up after 31 March 2019. Employers will therefore be notified of the additional payments required once the remedy has been agreed and the costs are known. This certificate will then be updated if appropriate to reflect these changes to contribution requirements.

For those employers who did opt to pay the additional contributions for the McCloud costs, the above secondary contributions include provision for the estimated effect of the McCloud judgment. Once the final remedy for McCloud is known, the position will be reviewed. Whilst it is possible that the Fund may require additional contributions from employers at that point in time if the McCloud remedy is substantially different from that currently anticipated, based on the Administering Authority's current knowledge and understanding of the likely outcome it believes that requiring such additional contributions is an unlikely outcome. In the event that additional contributions are required, this certificate will then be updated to reflect these changes.

Any contribution changes will take effect from a date to be determined by the Administering Authority.

11. The Fund has an internal captive insurance arrangement in place in order to pool the risks associated with ill health retirement costs. The captive has been designed for employers that could be materially affected by the ill health retirement of one or more of their members. Those employers (both existing and new) that will be included in the captive are set out in the separate policy in the FSS. These employers will be notified of their participation. New employers entering the Fund who fall into this category will also be included. For those employers in the ill-health captive arrangement, allowance for ill health retirements has been included in each employer's contribution rate, on the basis of the method and assumptions set out in the report. Details of the arrangement are set out in the FSS.

12. The secondary rate for these employers have been determined using the separately agreed solvency target.

13. The secondary rate contributions for these employers over 2020/23 also include an allowance for the recovery of excess ill-health retirement costs.

14. The pension increase recharges in relation to former employers will continue at the current levels.

Appendix I
Glossary

Actuarial Valuation: an investigation by an actuary into the ability of the Fund to meet its liabilities. For the LGPS the Fund Actuary will assess the funding level of each participating employer and agree contribution rates with the administering authority to fund the cost of new benefits and make good any existing deficits as set out in the separate Funding Strategy Statement.

Best Estimate Assumption: an assumption where the outcome has a 50/50 chance of being achieved.

Bonds: loans made to an issuer (often a government or a company) which undertakes to repay the loan at an agreed later date. The term refers generically to corporate bonds or government bonds (gilts).

Career Average Revalued Earnings Scheme (CARE): with effect from 1 April 2014, benefits accrued by members in the LGPS take the form of CARE benefits. Every year members will accrue a pension benefit equivalent to 1/49th of their pensionable pay in that year. Each annual pension accrued receives inflationary increases (in line with the annual change in the Consumer Prices Index) over the period to retirement.

CPI: acronym standing for "Consumer Prices Index". CPI is a measure of inflation with a basket of goods that is assessed on an annual basis. The reference goods and services differs from those of RPI. These goods are expected to provide lower, less volatile inflation increases. Pension increases in the LGPS are linked to the annual change in CPI.

Deficit: the extent to which the value of the Fund's past service liabilities exceeds the value of the Fund's assets.

Discount Rate: the rate of interest used to convert a cash amount e.g. future benefit payments occurring in the future to a present value.

Employer Covenant: the degree to which an employer participating in an occupational pension scheme is willing and able to meet the funding requirements of the scheme.

Employer's Future Service Contribution Rate: the contribution rate payable by an employer, expressed as a % of pensionable pay, as being sufficient to meet the cost of new benefits being accrued by active members in the future. The cost will be net of employee contributions and will include an allowance for the expected level of administrative expenses. It is normally the same as an employer's Primary Contribution Rate under the Regulations.

Employer's Primary Contribution Rate: the contribution rate required to meet the cost of the future accrual of benefits including ancillary, death in service and ill health benefits together with administration costs. It is expressed as a percentage of pensionable pay, ignoring any past service surplus or deficit, but allowing for any employer-specific circumstances, such as its membership profile, the funding strategy adopted for that employer, the actuarial method used and/or the employer's covenant. The Primary Contribution Rate for the whole Fund is the weighted average (by payroll) of the individual employers' Primary Contribution Rates.

Employer's Secondary Contribution Rate: an adjustment to the Primary Rate to reflect any past service deficit or surplus, to arrive at the rate each employer is required to pay. The Secondary Rate may be expressed as a percentage adjustment to the Primary Rate, and/or a cash adjustment in each of the three years beginning 1 April in the year following that in which the valuation date falls. The Secondary Rate is specified in the Rates and Adjustments Certificate. For any employer, the rate they are actually required to pay is the sum of the Primary and Secondary Rates. Secondary Rates for the whole fund in each of the three years shall also be disclosed. These will be calculated as the weighted average based on the whole fund payroll in respect of percentage rates and as a total amount in respect of cash adjustments.

Equities: shares in a company which are bought and sold on a stock exchange.

Funding Strategy Statement (FSS): This is a key governance document that outlines how the administering authority will manage employer's contributions to the Fund.

Guaranteed Minimum Pension (GMP): This part of a member's pension which was earned between 6 April 1978 and 5 April 1997 and which replaces part of that member's State Scheme benefits in respect of that period.

Investment Strategy: the long-term distribution of assets among various asset classes that takes into account the Funds objectives and attitude to risk.

McCloud Judgment: This refers to the linked legal cases of Sargeant and McCloud, and which found that the transitional protections (which were afforded to older members when the public service pension schemes were reformed in 2014/15) constituted unlawful age discrimination.

Past Service Liabilities: this is the present value of the benefits accrued by members up to the valuation date. It is assessed based on a set of assumptions agreed between the Administering Authority and the Actuary.

Percentile: A method of ranking a series of outcomes. For example, a 10th percentile outcome means that only 10% of results would be expected to be as good as or better than the 10th percentile and 90% of results would be expected to be worse.

Prepayment: the payment by employers of contributions to the Fund earlier than that certified by the Actuary. The amount paid will be reduced compared to the certified amount to reflect the early payment.

Present Value: the value of projected benefit payments, discounted back to the valuation date.

Primary rate of the employers' contribution: the contribution rate required to meet the cost of the future accrual of benefits including ancillary, death in service and ill health benefits together with administration costs. It is expressed as a percentage of pensionable pay, ignoring any past service surplus or deficit, but allowing for any employer-specific circumstances, such as its membership profile, the funding strategy adopted for that employer, the actuarial method used and/or the employer's covenant. The Primary rate for the whole fund is the weighted average (by payroll) of the individual employers' Primary rates.

Prudent Assumption: an assumption where the outcome has a greater than 50/50 chance of being achieved i.e. the outcome is more likely to be overstated than understated. Legislation and guidance requires the assumptions adopted for an actuarial valuation overall to be prudent.

Real Return or Real Discount Rate: a rate of return or discount rate net of CPI inflation.

Recovery Plan: a strategy by which an employer will make up a funding deficit over a specified period of time ("the recovery period", as set out in the Funding Strategy Statement.

SAB Funding Basis or SAB Basis: a set of actuarial assumptions determined by the LGPS Scheme Advisory Board (SAB). Its purposes are to set out the funding position on a standardised approach so that comparisons can be made with other LGPS Funds, and to assist with the "Section 13 review" as carried out by the Government Actuary's Department. As an example, the real discount rate over and above CPI used in the SAB Basis as at 31 March 2019 was 2.4% p.a., so it can be substantially different from the actuarial assumptions used to calculated the Fund's solvency funding position and contribution outcomes for employers.

Solvency/Funding Level: the ratio of the value of the Fund's assets and the value of the Fund's liabilities expressed as a percentage.

Solvency Funding Target: an assessment of the present value of benefits to be paid in the future. The desired funding target is to achieve a solvency level of a 100% i.e. assets equal to the past service liabilities assessed on the ongoing concern basis.

50/50 Scheme: in the LGPS, active members are given the option of accruing a lower benefit in the 50/50 Scheme, in return for paying a lower level of contribution.

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MARSH & McLENNAN COMPANIES

SOUTH YORKSHIRE
PENSIONS AUTHORITY

Investment Strategy Statement

March 2020

Introduction

The South Yorkshire Pension Fund ("the Fund") is administered by the South Yorkshire Pensions Authority ("the Administering Authority") which is required to maintain an Investment Strategy Statement (ISS) in accordance with Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

The ISS is an important governance tool for the Fund as well as providing transparency in relation to how the Fund investments are managed. The regulations establish the range of matters that the Authority must consider when carrying out its responsibilities. In addition, the Authority is required to manage the Fund in the best financial interests of its members and beneficiaries at all times.

In preparing this statement officers have taken advice from an investment consultant, the Fund's actuary and from out two retained independent advisors.

The Statement is subject to review periodically, but at least every three years, and without delay after any significant change in investment policy. The ISS should be read in conjunction with the Fund's Funding Strategy Statement, which is available on our website at www.sypensions.org.uk.

Investment objectives

The Fund's primary investment objective is to ensure that over the long term it will have sufficient assets to meet all of its pension liabilities as they fall due. This objective is more fully explained in the Authority's Funding Strategy Statement (FSS) derived from the actuarial valuations of the Fund.

The crux of the FSS is the need to achieve a future funding level of 100% or better whilst keeping employer contribution rates as low and reasonably stable and affordable as possible. In order to achieve this the Fund's actuary estimates that an investment return of CPI+1.75%pa (equivalent to a nominal figure of approximately 4.15%pa) is required.

To meet this objective the Authority manages the Fund from a long term viewpoint and endeavours to maximise its returns but, at the same time, operates within a closely controlled range of acceptable risks. It also ensures that liquidity requirements are at all times met.

Process for ensuring suitability of investments

The Authority manages the Fund's investments and it has delegated its day to day management responsibilities to its officers. The Scheme of Delegation to Officers is formally approved by the Authority and forms part of its constitution. The Authority comprises twelve councillors drawn from the four district councils of South Yorkshire (together with three trade union observers). The constituent councils appoint members to the Authority in accordance with the provisions of the Local Government Act 1985. The Authority also liaises with the Local Pension Board which includes representatives of employers and scheme members.

The Authority is responsible for setting the investment strategy of the Fund. As well as obtaining advice from Authority's officers it has also appointed independent investment advisors to advise it on investment matters and an actuary for the production of actuarial valuations and for advice on liability issues. For other work it appoints consultants when required.

In order to ensure as far as possible that the investment strategy is appropriate for the Fund's liabilities the Authority has created its own bespoke or customised strategic asset allocation. This benchmark acts as a framework and is adopted only after analysing the Fund's liability structure in detail. It is reviewed at least every three years and always after the statutory actuarial valuation.

The Regulations define the types of investments the Fund can hold. The Authority participates in stock lending, where it holds investments directly to the limit permitted and the programme is managed by the custodian bank in accordance with best market practice. The Fund's directly owned securities are held by the custodian bank or its agents or directly by the Authority.

The Fund has recently carried out an asset and liability study alongside the 2019 actuarial valuation. The Fund's liability data was used in the modelling and the implications of adopting a range of alternative investment strategies were assessed. The implications for the future development of the Fund were considered under a wide range of different scenarios.

The investment strategy is determined based on the expected return on asset classes (for equities, bonds, property etc.) with the appetite for risk as measured by the dispersion (likely range) of these returns. The Fund may also make use of derivatives, either directly or in pooled investments, for the purposes of efficient portfolio management or to hedge specific risks, in order to protect the value of the Fund's assets.

The conclusion of the study was that although the current strategy has a good chance of meeting the long-term objective there was an opportunity to marginally improve the risk and return balance that increases the likelihood of achieving the long term objective and reduces the potential for adverse outcomes. This is done by reducing the exposure to equities and index-linked gilts and allocating to alternative and income focussed assets such as multi-asset credit and private debt.

Changes to the allocations to public markets investments can take place relatively quickly but change to private market investments will take several years. The Authority is satisfied that the investment strategy has a sufficient probability (65.2%) of meeting its return targets over the long-term and it is expected that the Fund's long term investment returns will be at least in line with these assumptions and those published in the FSS.

The long term benchmark positions before and after March 2020 are set out in the table below. Due to the amount of time it will take to increase the allocations to private market investments, interim benchmarks will be used over an appropriate period to reflect these changes.

Asset Class	Current Benchmark %	New Benchmark %	Tolerance
UK Equities*	15.0	10.0	} +/- 5%
Global Equities*	35.0	35.0	}
Private equity	7.0	7.0	+/- 2%
Total Growth	**57.0**	**52.0**	
Multi Asset Credit	6.0	6.0	+/- 2%
Infrastructure	5.0	10.0	+/- 3%
Private Debt	3.5	5.5	+/- 1%
UK Property	10.0	10.0	+/- 2%
Total Income	**24.5**	**31.5**	
UK Index-Linked Gilts	12.0	10.0	+/- 3%
Corporate Bonds	5.0	5.0	+/- 1%
Cash	1.5	1.5	+/- 1%
Total Protection	**18.5**	**16.5**	
Total	**100.0**	**100.0**	

*Note for the purposes of these tolerances listed equity allocations will be treated as a single allocation

As indicated above this asset allocation is constructed on the basis that it delivers a 65.2% probability of achieving the actuarially required return target of CPI+1.75% which equates to 4.15% pa over the longer term.

In line with the regulations, the authority's investment strategy does not permit more than 5% of the total value of all investments of fund money to be invested in entities which are connected with the authority within the meaning of section 212 of the Local Government and Public Involvement in Health Act 2007. At the time of writing there are no such investments.

In order to measure the performance of each asset class against its benchmark index and monitor the investment objective, the Authority requires detailed performance measurement figures. These are independently provided by Portfolio Evaluation and are presented to the Authority on a quarterly basis.

Risk measurement and management

The Fund's main long-term risk is that assets do not match liabilities, and that funding objectives are not achieved. There are many different types of risk involved in capital stewardship and the Authority notes that without taking "risks" it will be difficult for the Fund to achieve the performance it needs if it is to meet its objectives. The Authority recognises that risk is inherent in any investment or operational activity and seeks to control risk rather than try to eliminate it. The approach aims to mitigate risk without compromising returns. In order to generate the required investment returns necessary to match the growth in liabilities this implies that the Fund will continue to take an active risk relative to its liability profile.

The key risks inherent in the Fund, and how these risks are mitigated, are below.

Risk	Description	Mitigants
Counter Party	Counterparty risk in every transaction in which the Authority takes part.	Use reputable service providers who operate effective controls. Independent investment advisers appointed to assist in the scrutiny of the internal investment management activity.
Funding strategy risk	There is a risk that the value of Fund assets will not match the increase in its liabilities which could result in a deteriorating financial position.	The effect can be reduced by diversifying the Fund's portfolios across a broad spectrum of assets and markets, taking into account these differences and the correlations between them and by granting the Fund's managers sufficient freedom to meet their targets but setting range constraints. An equity protection strategy is currently implemented
Performance	The Fund's investment managers fail to deliver returns in line with the underlying asset classes.	Analysis of market performance and investment managers' performance relative to their index benchmark on a quarterly basis. Manager performance is also reviewed regularly with support from external advisers.
Demographic	Demographic factors including the uncertainty around longevity/mortality projections (e.g. longer life expectancies) can also contribute to funding risk.	Demographic assumptions are conservative, regularly monitored, and reviewed on a triennial basis.
Liquidity	Liquidity or market risk associated with the volatility of prices in certain assets and under certain market conditions.	Part of the Fund is held in securities that can be realised quickly in normal market conditions. Management of Authority cash flows to ensure future payments can be met.
Inflation & 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.	It is important that the Fund's strategy takes into account these differences and the correlation between them. The Fund regularly monitors its exposure to interest rates.

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Risk	Description	Mitigants
Foreign exchange	Investing overseas exposes the Fund to fluctuations in exchange rates.	The Fund's customised benchmark regulates such exposure: part of that approach involves the Authority passively hedging its overseas property portfolio's currency risk.
Environmental, Social and Governance (ESG)	ESG risks have the ability to impact a company's profitability and the Fund's investment performance.	The Fund has a suite of Responsible Investment (RI) policies, acts as a responsible share owner and factors ESG into investment decision making. These are also referenced elsewhere in the report.
Employers	The financial capacity and willingness of sponsoring employers to support the Fund.	This is regularly reviewed by the Authority.
Governance	The risk of poor governance and the potential issue of Committee member turnover.	Ensure that Members are well informed by officers and independent advisers. A Member training programme is in operation. The Local Pension Board and external and internal audit also support the scrutiny and governance process.

Asset Pooling

The Fund is a participating scheme in the Border to Coast Pensions Partnership (BCPP). This is a Financial Conduct Authority regulated company set up to manage the assets of the following 12 administering Authorities.

> Bedfordshire Pension Fund, Cumbria Pension Fund, Durham Pension Fund, East Riding Pension Fund, Lincolnshire Pension Fund, North Yorkshire Pension Fund, Northumberland Pension Fund, South Yorkshire Pension Fund, Surrey Pension Fund, Teesside Pension Fund, Tyne and Wear Pension Fund, Warwickshire Pension Fund.

The July 2016 submission to Government of the Border to Coast Pool provided a statement addressing the structure and governance of the Pool and the mechanisms by which the Fund can hold the Pool to account.

As anticipated in the legal documentation surrounding the creation of Border to Coast the Northumberland and Tyne and Wear funds have announced a proposal to merge, a proposal which if approved will become operational during 2020/21. While this will reduce the number of funds in the pool to 11 it will have no other practical implications for the operation of the Pool.

Border to Coast's role is to independently and professionally deliver Partner Funds asset allocation choices. It will make decisions relating to and monitor the investment managers (including employees of Border to Coast) who manage the administering authorities' "fund money" with the aim of maximising the long-term net of fees investment returns attributable to each of the Parties. Border to Coast has a strong corporate governance philosophy, focused on the delivery of long term value through active corporate engagement, the rationale being that this aligns directly with ensuring the Partner Funds exercise their fiduciary duty in the best interests of their members and employers.

The Partner Funds acknowledge that there may be occasions where Border to Coast is unable to implement all asset allocation strategy decisions made because it would not be cost effective to do so, but the Parties and Border to Coast will work together to try to avoid this situation.

The Fund will hold Border to Coast to account through the following mechanisms:

- The Authority will monitor and regularly review the investment performance of the assets under Border to Coast's management, seeking explanation and attendance of Border to Coast personnel at meetings where necessary.
- The conducting of an annual review of the performance of Border to Coast by the Authority's officers and independent advisers resulting in an annual report to the Authority.
- Two shareholder nominated Non-Executive Directors on the Board of the Company, with equal voting rights, who will provide oversight and control of the corporate operations of Border to Coast.
- A representative on the Joint Committee who will monitor and oversee the investment operations of Border to Coast.
- Officer support to the above representatives from the Officer Operations Group and the Statutory Officer Group.

The Pension Fund will retain the decision making powers regarding investment strategy and will delegate the investment management function to Border to Coast.

It is the intention that a large proportion of the Fund's investments will be made through Border to Coast. At the time of writing 55% of the Fund's assets have been transferred to Border to Coast and other assets will transfer across to the pool on a phased basis. We have also made significant new commitments to three alternative asset class sub funds.

Where it is not practical or cost effective for assets to be transferred into the pool they will continue to be managed at the Fund level. These are expected to predominantly include unquoted investments such as limited partnerships. Whilst these assets are unlikely to be transferred it is expected that once these investments mature the proceeds will be reinvested into suitable Border to Coast sub-funds.

The Fund currently has an equity protection strategy in place and the Index-Linked Gilt holdings are used as collateral for this and as such will remain outside of the Pool.

The Fund has a significant holding invested directly in a portfolio of agricultural property. Border to Coast are not proposing to develop a product in this area and if this portfolio is retained it will continue to be managed directly.

The Fund is also permitted to directly invest locally, subject to suitable risk/return characteristics, where this is not available through the Pool. Allocations have been made to two investments of this type, one of which has a 10 year investment period and the other of which is a rolling investment.

Social, environmental and corporate governance policy

The Authority is fully committed to responsible investment and good stewardship of its investments. It acts at all times in the best long-term interests of all its members and looks to protect and enhance the economic value of the companies in which it invests on their behalf. It believes that well governed companies produce sustainable and superior long term returns. Responsible investment is fundamental to the Authority as it is in accordance with the fiduciary duty owed to stakeholders.

The Authority takes its responsibilities as a long-term investor seriously integrating environmental, social and governance factors into the investment process. Environmental risks include climate change; the Authority believes that the associated risks and opportunities may have a material impact on the financial performance of the Fund and has therefore published a Climate Change policy statement which can be found on the Authority's website.

The Authority believes that the pursuit of standards of best practice aligns the interest of Fund members with those of fellow shareholders and with society as a whole and, therefore, will not actively invest in or disinvest from companies solely or largely for social or ethical or environmental reasons. The Authority recognises that it is unable to use its policies to pursue boycotts, divestment and sanctions against foreign nations and UK defence industries other than where formal legal sanctions, embargoes and restrictions have been put in place by the Government. The Authority has published a separate Responsible Investment policy statement available to view on its website.

These policy statements and a statement specifically related to the application of responsible investment in the context of the Commercial Property portfolio are regularly updated.

This is an area where the Authority works together with Border to Coast and the other 11 partner funds, who have agreed a policy framework in this area which the Company is required to follow. This ensures that the Company is able to apply a consistent framework in this area across all aspects of its work.

The Authority invests in sustainable and impact funds which have positive social and environmental impacts. It does so only when returns are considered to be commercial and will not forego financial return in order to generate social impact.

Under Regulations issued in 2009 administering authorities of the LGPS are required to report their compliance against the Principles for Investment Governance. The six Principles are intended to guide institutional investors on matters such as investment, scheme governance, disclosure and consultation and the Authority publishes a separate statement outlining its full compliance with the Principles.

Responsibility for the practical implementation of the Fund's approach to responsible investment is devolved to Border to Coast as the provider of investment management services. As such they are required to publish their own responsible investment policy and sign up to both the UK Stewardship Code and the UN Principles of Responsible Investment compliance with both of which will be externally monitored on an ongoing basis. Border to Coast procedures ensure that ESG issues are routinely monitored as part of the investment analysis and incorporated into the due diligence leading to investment selection and reviewed as part of the active ownership of assets under management.

Stewardship

The Fund has a statement of compliance with the UK Stewardship Code which references a suite of policies addressing responsible investment and stewardship.

The Authority recognises that it is not always possible for it to conduct constructive engagement alone: therefore, it will enter directly or through Border to Coast, into collaboration with other like-minded investors when the occasion warrants doing so.

It is an active member of the Local Authority Pension Fund Forum and will join other collaborative pressure or lobbying groups if it feels it is appropriate to do so. The Authority is a member of the IIGCC which is a forum for collaboration on climate change for European investors. The Authority believes that risks and opportunities associated with climate change may have a material impact on the financial performance of the Fund and, therefore, supports the Group's objective to catalyse greater investment in a low-carbon economy by bringing investors together to use their collective influence with companies, policymakers and investors.

Border to Coast has also signed up to the 30% Club whose aim is to pursue gender diversity on company boards, the Workforce Disclosure Initiative, Climate Action 100+ and the Task Force on Climate Related Financial Disclosure.

Voting rights

The Authority regards its voting rights as an asset to be used carefully. The voting power is delegated to Border to Coast as investment manager. Border to Coast aims to vote in every market in which it operates. It has appointed a contractor to ensure that its votes are effectively executed.

The Authority subscribes to the Border to Coast voting policy which has been agreed by all partner funds and has been informed through the interpretation of best practice guidelines in consultation with the proxy advisor. Voting decisions, nonetheless, are made on a case-by-case basis bearing in mind a company's circumstances. Voting decisions will be available to view via the Fund's website quarterly.

Constructive shareholder engagement, with the aim of promoting and supporting good corporate governance principles and practice, will be pursued whenever it is deemed appropriate to do so. The Voting Guidelines collectively agreed by all 12 funds participating in the Border to Coast pool are available on the internet and can be accessed through the Responsible Investment pages of the Authority's website www.sypensions.org.uk

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Administration Strategy

SOUTH YORKSHIRE PENSIONS AUTHORITY

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CUSTOMER SERVICE EXCELLENCE CSE

Administration Strategy

SOUTH YORKSHIRE PENSIONS AUTHORITY

STRATEGY FOR THE ADMINSTRATION OF
THE LOCAL GOVERNMENT PENSION SCHEME IN SOUTH YORKSHIRE

Incorporating:

- Employer Service Level Agreements with the Fund Administrator
- Fund Administrator Service Level Agreement with Employers
- Communication Policy and Strategy (Elements of)
- Consultation Policy and Strategy (Elements of)
- IDR Procedure (Charging Policy)
- Actuarial Services (Charging for certain elements)
- Interest (Policy & Rates)
- Funding and Debt Recovery Strategies (Elements of and Policy)

The following, revised, document details the strategy to be adopted in the administration of the Local Government Pension Scheme by South Yorkshire Pensions Authority and participating Fund Employers with effect from 1 April 2020.

It has been updated in consultation with the participating Fund Employers and is provided for through statute by Regulation 59 of the Local Government Pension Scheme Regulations 2013 (as amended).

It sets out, amongst other things, how the Administering Authority, SYPA, will administer the Pension Scheme and Fund on behalf of Employing Organisations, and their Scheme Members, participating in the South Yorkshire Pension Fund, its requirements for employers in terms of the timely and accurate provision of information pertinent to the administration of the Scheme and Fund, and the penalties to be applied to those employing organisations failing to meet their duties, responsibilities and obligations as detailed within this strategy document.

The strategy has been developed and adopted in consultation to improve the overall standard of administration of the Scheme and the Fund in the South Yorkshire Fund area and is intended to apply in a spirit of partnership working and co-operation where every assistance, tool, facility, system, support, training and guidance will be provided where possible to enable employers to improve administrative performance and meet the requirements of the strategy.

Any penalties and censures carried within the strategy are not intended to apply as a first resort but rather as a last resort following a period of grace during which time any organisation struggling to meet its obligations will be given the opportunity to make the necessary improvements to their performance.

Jason Bailey

Head of Pensions Administration
South Yorkshire Pensions Authority

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REVIEW DATE

This Administration Strategy will be reviewed as follows:

- Every 5 years as a matter of routine
- Whenever impacted by Regulatory Changes
- Whenever impacted by other legislative changes
- Whenever impacted by major changes to other policies, statements and strategies used by the Administering Authority
- As required by operational changes and demands

Where changes are planned or thought to be necessary outside of the routine review period then consultation will begin on those proposals for change as soon as possible after the potential requirement(s) for change has been identified, or at the beginning of year five if the review is as a result of the routine review policy.

REGULATIONS AND OTHER LEGISLATION GOVERNING THE STRATEGY

- The Local Government Pension Scheme 1995, 1997 and 2008 Regulations as they still have effect in part
- The Local Government Pension Scheme (Transitional Protection) Regulations 2014
- The Local Government Pension Scheme Regulations 2013 in force now or as amended and in force at any future date
- The Public Sector Pensions Act 2013
- The Pensions Act 1993
- The Pensions Act 1995
- The Pensions Act 2014
- The 2004, 2006 and 2014 Finance Acts
- The Occupational & Personal Pension Schemes (Disclosure of Information) Regulations in force and as amended
- The Occupational Pension Schemes (Transfer Values) Regulations in force and as amended

This list is not exhaustive and other Legislation and Regulations may and will apply in certain specific circumstances

SERVICE LEVEL AGREEMENTS

South Yorkshire Pensions Authority is using its powers under Regulation 59 of the Local Government Pension Scheme Regulations 2013, Pension Administration Strategy, to consolidate its former Service Level Agreement documents, (which were signed by Employing Organisations on a voluntary basis when they were first introduced and only made compulsory for new organisations joining the Fund later), into, and make them, an integral part of, this formal Administration Strategy document

The original publication of, and any subsequent revisions and amendments to, this Strategy follows consultation with Employers and means that there will no longer be a requirement for Employers to have a separate SLA with SYPA. It is implicit that this strategy, and therefore the Service Level Standards contained within it, applies to ALL Employing Organisations participating in the South Yorkshire Pension Fund.

Where either necessary, relevant or appropriate those standards are detailed in the following pages so that all parties are aware of the requirements of this element of the Strategy as the administration of the Scheme in South Yorkshire moves forward under this document.

SCOPE

These are the tasks and issues falling within the scope of the Administration Strategy:

- The requirements and obligations of New Employers joining the Fund
- The routine notification and provision of information by employers about individual scheme members
- The monthly provision of information and data of sufficient quality and quantity such as to enable the Administering Authority to collect payment of employee and employer contributions from employers via direct debit, to post member contributions, create records for new entrants to the Scheme, amend records to reflect personal and contractual changes and to create the leaver process for those members leaving the Scheme for whatever reason
- The non-routine bulk notification and provision of information by employers about their scheme members where event driven
- The payment to the Fund of employee and employer contributions including any additional contributions paid by scheme members
- The payment to the Fund’s appropriate third party AVC providers of employee Additional Voluntary Contributions, AVCs
- The payment by employers of deficit contributions in accordance with the Funding Strategy Statement

- The payment by employers of any costs associated with the early termination of employment of scheme members or policy decisions requiring additional funding
- The development and publication of Employer Discretionary Policies
- The IDR Procedure and/or Formal Member Complaints about Employing Organisations
- Actuarial Services
- The Provision of Scheme compliant Payroll Services by employing organisations
- Accounting Standard Exercises for Employers
- Fund Valuation Exercises
- TUPE Transfers, Admission and/or Bond Agreements, School Conversions
- The provision of information to employers in relation to their scheme members for the purposes of:
  - Individual member retirement benefit estimates
  - Bulk member retirement benefit estimates
  - Bulk costings for employer led early retirement exercises
- The Communication Strategy
- The Consultation Strategy
- Reporting to the Regulator
- Debt Collection Procedure
- The National Fraud Initiative Exercise
- Service Standards to Employers
- Service Standards to Scheme Members
- Funding Strategy Requirements where appropriate and inter-related
- The provision of information to third parties in relation to transfer values and deferred benefits for individual scheme members
- Reporting to the Authority and its Boards

STATEMENT OF ADMINISTERING AUTHORITY OBJECTIVES AND AIMS

The following is SYPA's statement of its objectives and aims in relation to how it intends to deliver its administration service to all of its stakeholders:

"The Authority wishes and intends to provide a high quality pensions' service to employing organisations and members of the Fund by:

- **Supporting member organisations in their planning, promotion and use of pension provision for their employment needs**
- **Administering pension provision for member organisations in accordance with statutory requirements**
- **Being recognised as a continually improving provider of cost effective, efficient and high quality pension administration**
- **Providing a first class, accurate and timely service to its members, their dependants and representatives for the entire lifetime of their relationship with the Authority"**

EQUALITY STATEMENT

The Authority is committed to equal opportunities for our members and will take all necessary steps to ensure that is complies with the specific duties that have been placed upon it.

It is the Authority's intention, in addition to the specific promises made in its Customer Charters, to strive at all times to attain the aims of that commitment.

Additionally, the Authority recognises that some of its members may have special personal needs that may differ from the majority of its members and as such it aims to tailor some of its services to meet those needs.

Examples of where a bespoke service can be provided are:

- Large print documents
- Audio CD recordings of Customer Charter Service Standards
- Home visits where a member is unable to visit any of the Authority's premises
- Signing facilities for visiting members who are hard of hearing
- Limited Interpreter Services for any visiting members and/or their representatives who may have difficulties with spoken English

Some services will necessarily require advance notification of their requirement in order to help the Authority make the necessary arrangements and may not always be available even where notice is provided.

MEMBER SERVICES

PENSION INFORMATION SURGERIES

SYPA currently runs an on-line booking service for appointments by members at any one of its four locations. More detail can be found on the website at: www.sypensions.org.uk

SYPA is committed to continuing these services for as long as there is sufficient demand and it has access to premises at the four District Councils and has the facilities at the location of its HQ premises wherever that might be now or in the future.

PENSION SAVINGS TAX ISSUES

Whilst tax is a personal issue, some tax liabilities can arise as a result of pension savings growth for an individual exceeding that allowed by HMRC in any given tax year. As a result SYPA will notify members of any tax implications arising from their pension's savings in the LGPS:

- By an initial notification on their Annual benefit Statement
- By a follow up letter confirming the excess savings amount and the implications for tax if any
- By providing further information on the options available through the Scheme for discharging any tax liability arising

Additionally, to assist SYPA in providing as timely and accurate a service as possible in relation to Annual Allowance issues it will, at the end of March each year, write to every participating organisation having any members deemed to be at risk of breaching the Allowance to request additional details of those members' pay for the period 6 April to 5 April for the year in question. This information will have to be provided to SYPA by the 21 April. This is in addition to the provision of a monthly return and covers a slightly different but critical period to that covered by the return.

REPORTING POLICY

The Pensions Regulator

The Pensions Regulator is the UK regulator of work-based pension schemes. It works with trustees, employers, pension specialists and business advisors, giving guidance on what is expected of them.

It also has functions under legislation passed in 2008 and a statutory objective to maximise compliance with the employer duties under that legislation relating to automatic enrolment.

Its principal aim is to prevent problems from developing. It uses its powers flexibly, reasonably and appropriately, with the aim of putting things right and keeping schemes, and employers on the right track for the long-term.

The Pensions Regulator has published a Code of Practice for Public Sector Pension Schemes that in itself is not law but which is designed to help Scheme Administrators comply with the law. SYPA intends to comply fully with this code of practice at all times and to self-report instances where it fails to do so.

It also has a policy of reporting "material" employer breaches that it becomes aware of where such a breach is deemed to be detrimental to the Fund's position or reputation or where member benefits could be in jeopardy, for example where an employer deducts pension contributions from members' pay but either fails consistently to remit those contributions to the Fund by the statutory deadline or fails to remit them at all.

The Pensions Regulator will decide on any appropriate course of action or censure deemed appropriate.

More information about the role and responsibility of the Pensions Regulator can be found at: **www.thepensionsregulator.gov.uk**

South Yorkshire Pensions Authority Annual Report

The Authority will, as a matter of Policy, include the names of those organisations incurring financial penalties in any year for poor performance or non-compliance with the Administration Strategy, in its Annual report.

Office of the Information Commissioner

SYPA has a policy of self-reporting "material" data protection breaches to the Office of the Information Commissioner. This policy will continue under both current and future legislation such as GDPR which is effective from May 2018.

DATA HANDLING AND SHARING

General

The business of the Authority requires it to transmit and receive personal data to a number of individuals and organisations, often electronically.

Where it transmits data electronically it will do so using a secure method and in accordance with any other Policies the Authority has in place, for instance, its E-Mail Usage Policy.

Where it receives data from individuals or organisations within the Fund it will require that data to be sent to it in a secure manner and may require the sender to adopt and use the Authority's own secure electronic transmission facility.

It will only collect, store and use Data for the purposes for which it was collected and for the purposes of administering the Pension Scheme.

It will delete data in accordance with its Document Retention Policy.

General Data Provisions Regulations 2018

The General Data Protection Regulations 2018 came into force in May 2018. Although of European Genesis the UK Government has confirmed it will enshrine the principles of the Regulations in UK Law and the Regulations will therefore apply.

SYPA, who for the purposes of the Regulations are classified as a "Data Controller", will comply with this legislation wholly and fully and will:

- Requisition the services of an independent and qualified Data protection officer
- Publish a Memorandum of Understanding with employers to clarify the arrangements for sharing personal data
- Ensure data sharing partners are themselves fully compliant with the requirements of the Regulations
- Publish a Privacy Notice to explain how and why it uses personal data
- Only use their data for the purposes for which it was collected

- Only hold that data for as long as is necessary to administer the Scheme for the members concerned
- Ensure members are able to have their data deleted from the Authority's systems in accordance with the Regulations

ADMINISTERING AUTHORITY DUTIES, RESPONSIBILITIES AND OBLIGATIONS

The main duties, responsibilities and obligations of an Administering Authority are detailed and can be viewed in the Local Government Pension Scheme Regulations 2013, Part 2 - Administration.

The major compliance tasks are as follows:

- To prepare and publish the Pension Fund Annual Report
- To prepare, publish and maintain its Funding Strategy Statement
- To prepare, publish and maintain its Communications' Policy
- To commission and obtain a valuation of Fund assets and liabilities as at the 31 March in every third year commencing on 31 March 2016 and to obtain a report and a rates and adjustments certificate prepared by an Actuary in respect of that valuation
- To decide any question concerning a person's previous service or employment, the crediting of additional pension and the amount of benefit to which any person has or will become entitled out of the Fund
- To publish a statement concerning its policy on the use of its discretions
- To issue annual benefits statements in respect of its active, deferred, deferred pensioner and pension credit members
- To appoint an adjudicator to consider applications from members affected by first instances decisions or any acts or omissions of the Administering Authority and to make a decision on such applications

The above list is not exhaustive nor is it as detailed as the Regulations which should be referred to in the event of any doubt.

ADMINISTERING AUTHORITY DISCRETIONS

The main discretions afforded to an Administering Authority are detailed and can be viewed in the Local Government Pension Scheme Regulations 2013, Part 2 - Administration.

The major discretions are concerned with and relate to the following:

- The waiving of reductions in any benefits of members where there is no longer a scheme employer to fulfil that function
- The person(s) or bodies to whom it will pay any death grant arising from the death of a member

In addition, the Administering Authority is also required to exercise its discretion, together with the Employing Organisation concerned, in the matter of extending the time frame in which a member can request an inwards transfer of pension rights from a previous arrangement.

Because of the Regulatory requirement for both employing and administering authority to agree on the use of this discretion it will be a requirement placed on all employers within the Fund to notify SYPA of any decision to allow an extension of time for requesting such a transfer. That notification must be submitted on the Late Transfer Form which is available on EPIC. Where appropriate it must be accompanied by any supporting minute from the Board, Panel or Committee ratifying the decision.

In addition **Absolute Discretion** is afforded under the Statutory Regulations to Administering Authorities to determine to whom any Death Grant is payable, even where an expression of wish exists for the deceased member. For operational expediency, SYPA have delegated this discretionary decision making power to the Officer occupying the post of Pension Benefits Team Manager, this avoids any conflict with the IDRP Adjudicator who may need to look at any decisions made under this discretion and subsequently appealed against and make a determination about the correctness of that decision. Currently the role of Adjudicator is delegated to the Post of Head of Pensions Administration. It is not practical for the Authority to have to make these decisions given the frequency of cases occurring balanced against the additional report writing required and the infrequency of Authority meetings which could delay payment of these benefits to the detriment of the potential recipients.

EMPLOYING ORGANISATION DUTIES AND OBLIGATIONS

The main duties, responsibilities and obligations of a Scheme Employer are detailed and can be viewed in the Local Government Pension Scheme Regulations 2013, Part 2 - Administration.

The major compliance tasks are as follows:

- To contribute to the Fund in each year covered by the rates and adjustment certificate the amount determined by reference to that certificate
- To pay over all amounts received from employees by way of their contributions to the Fund
- To deduct from a person's pay any contributions payable by the member under the Regulations
- To decide any question relating to a person's rights or liabilities under the Scheme not falling to the Administering Authority to determine
- To appoint an adjudicator to consider applications from members affected by first instances decisions or any acts or omissions of the employer and to make a decision on such applications
- To provide the Administering Authority, within three months of the end of the Scheme Year, with a statement of details of every employee that has been an active member

during the scheme year. Employers now meet this requirement via the submission of monthly data files.

The above list is not exhaustive nor is it as detailed as the Regulations which should be referred to in the event of any doubt.

EMPLOYING ORGANISATION DISCRETIONS

The main discretions afforded to a Scheme Employer are detailed and can be viewed in the Local Government Pension Scheme Regulations 2013, Part 2 - Administration.

The major discretions are concerned with and relate to the following:

- The Funding of additional pension
- Flexible Retirement
- Waiving of actuarial reductions
- Award of additional pension

PROVISION OF INFORMATION BY THE ADMINISTERING AUTHORITY TO:

Members and Member Representatives

The Authority is required to provide members and/or their representatives with a wide range of information under Regulation and other legislation which may also prescribe timeframes in which the information must be provided. SYPA has published Customer Charters detailing its own service standards. These are invariably much tighter and more stringent than those allowed for in law and are the standards SYPA always aims to achieve. However, the fall-back position at particularly busy or demanding times, and SYPA reserves the right to move to that fall-back position without notice, will be the legislative requirements governing the type of case(s) concerned.

Therefore, as a minimum, SYPA will always administer the Scheme in relation to the provision of information to members and/or their representatives in line with the Regulations in force at any time and in line with any other appropriate legislation.

The major requirements in this respect are as follows:

- The notification to individual members and/or their representatives of the type of benefit and amount of benefit to which the member and/or their representatives or dependants have become entitled as a result of an actual event, such as retirement or death, will be issued in line with the standards detailed in the Authority's Customer Charters. Any payments due from the Fund as a result will also be dealt with in line with the same service standards. The detailed content of such information will, as a minimum, meet the requirements of any Regulations or legislation in force at the time.

- The issuing of Annual Benefits Statements to Active, Deferred, Deferred Pensioner and Pension Credit members. Regulation states that these must be issued by 31 August and, although the Authority relies heavily on its Employing Organisation Partners for data upon which to base these statements it is the Authority's intention and objective to comply with Regulation in this respect and to issues Annual Benefit Statements by the 31 August each year or by whatever date subsequent changes in the Regulations dictate.
- The provision of information for matrimonial proceedings is a statutory duty under both Regulation and over-riding Divorce legislation. The Authority will administer the provision of this information in accordance with both sets of legal requirements both in terms of timeframes and the persons to whom the information is to be released. The service standards for this are also contained with the Authority's Customer Charters. Where matrimonial proceedings result in an actual Pension Sharing order then SYPA's Policy is to make a charge of £350 plus VAT for the implementation and maintenance of such an order. SYPA may increase the charge to reflect the cost of living and/or any changes to the information required to be issued which result in additional resourcing requirements. Costs will usually be charged to the ex-spouse of the member but may be allocated or apportioned by the Court in which case the Authority will comply with such direction and invoice the parties according to the Court's direction.
- The provision of Preserved Benefit and Transfer Value information is also prescribed for in Regulation and specific legislation. The Authority will provide such information in accordance with its legal obligations to members and/or their representatives. In this context a member's representative may be any financial advisor appointed by the member, any third party administrator authorised by the member to obtain such information or the administrators of any occupational scheme acting for the member in a new or subsequent employment. Where transfer value information is requested by an advisor or pensions' administration company for an active member of the pension scheme, then a statement of entitlement will only be provided as a result of a direct request by the member concerned. This is to ensure, so far as possible, that the member is fully aware of the implications associated with the requirements of the Scheme for the member to opt-out in order to transfer out. The information will then be sent directly to the member concerned and not any third party.

The Authority's Policy on the provision of this information is to only provide it to the member and or their representative once in any twelve month rolling period. The Authority reserves the right to make a charge for the provision of this information prior to the commencement of a new 12 month period and the right to introduce such a charging policy at any time without notice. Any such charge so levied will only ever seek to cover the actual cost to the Authority of the work undertaken in producing the information again.

Independent Financial Advisors or other advisors acting for or on behalf of the member

The Authority will provide information to Independent Financial or other Advisors appointed or authorised by the member in accordance with any Regulatory or legislative obligations and, where Preserved Benefit and/or Transfer Value information is concerned, in accordance with the Policy described in the preceding paragraph.

The Authority:

- Will provide all member specific information it is obligated to provide in the timeframes required of it in law
- Will provide all generic Scheme information it is able to provide in order to assist the enquirers to advise their client(s)
- Will not respond to additional questions it deems not relevant to the enquiry
- Will not engage in follow up discussions by telephone, or communications by e-mail or letter until such time as the member has made a decision in relation to any transfer out of the Scheme, but
- Will provide all information required by the member or their representatives to enable members to take advantage of the Freedoms of Choice as announced by the Government in the 2015 Spring Budget and enabled in subsequent legislation

Participating Employer Organisations

Information will be provided to participating employers as a matter of routine in some instances and upon request in others.

Where information is provided as a matter of routine it will be provided in timeframes and schedules as follows:

- Employer performance, as measured against the agreed service standards, will be reported quarterly in retrospect for the periods:
    - 1 January to 31 March
    - 1 April to 30 June
    - 1July to 30 September
    - 1 October to 31 December

in each calendar year. Employer performance will also be reported to the Authority.

- Electronic Employer Newsletters will be issued as and when circumstances dictate that Regulatory or legislative change needs to be communicated
- Employer specific alerts of outstanding tasks will be communicated through the EPIC System or any subsequent replacement system developed and introduced by the Authority
- The Authority will hold an Employers' workshop/training event at least once a year, to disseminate other important and relevant information
- The Authority will, either pro-actively or upon request, where appropriate and/or necessary, disseminate information by the use of roadshows, presentations, advisory surgeries, training seminars, on-line tutorials, and other electronic media. There would usually be no charge for these services

Where information is provided following a request from the employer then the following service standards will apply:

- Employers will be directed to the online portal to process requests for retirement estimates. However, where the online portal is not available. Estimate requests for individual employees will be provided **within 5 working days** of the Authority being in possession of all information necessary to ensure the accuracy of the estimate.
- Bulk Retirement Estimate requests **involving 20 or more employees** will be provided **within 10 working** days of receipt of the bulk request template assuming this is populated correctly and accurate estimates can be provided as a result
- Early Retirement Strain on the Fund Costs as part of a bulk estimate request will also be provided **within 10 working** days of receipt of the bulk request template

None of the information detailed above or the services used to provide this information will incur any fee or charge to employing organisations.

Other Administering Authorities:

The working relationship between SYPA and other LGPS Administering Authorities is usually one based on member administration except where the Authority undertakes an element of collaborative working with another Administering Authority or the Administering Authority has become a software/systems client of SYPA.

Member administration would usually involve:

- Supplying information to Fund Actuaries and the other Administering Authority where a bulk transfer of staff was taking place between employers of the respective Funds and either receiving and investing or paying out a subsequent bulk transfer payment, or
- Administering the Scheme in respect of individual voluntary member movement between funds and receiving and investing or paying out individual transfer payments

The Authority will conduct the administration of member business in respect of either of these scenarios in accordance with the requirements of any Regulations in force at the time and the service standard targets set by SYPA for individual member administration.

The Fund Actuary:

Typically, the routine business of the Authority with its Fund Actuary will fall into one of the following categories:

- Triennial Fund Valuation
- Accounting Standards exercises for participating employers
- Individual contribution rate assessments for new employers
- Risk assessments for new outsourced contract employers and bond assessments for the outsourcing employer
- Employer covenant assessments
- Liability assessments for employers leaving the Fund
- Re-assessment of Employer's Contribution Rate where any allowance is exceeded

Fund Valuation

The Fund Valuation is a Statutory Duty of the Administering Authority and SYPA will carry out this duty in accordance with the Regulations in force at the time.

The Authority will, as a partner and under Regulation, consult and work closely with employing organisations to ensure that member data and financial data relating to employer cash flow is accurate and up to date at all times and that year end data, or as the case may be, monthly data, submissions, are accurate, timely and usable. The objective being that immediately following the 31 March in any given valuation year the Authority will be in a position to provide the Fund Actuary with data of sufficient quality and timeliness to allow for accurate calculations of the Fund's assets and liabilities to be performed using agreed methodology and assumptions.

The target schedule in any valuation year will be as follows:

Year End work completed by SYPA and Valuation Data Extract to Fund Actuary	**July**
Interim Results	**September/October**
Individual Employer Results Consultation	**October/November**
Formal Report	**March**

There are no employer charges or fees related to the Valuation unless additional bespoke work is requested. Before the commencement of each financial year the Authority will publish each employing organisation's contribution statement for the next financial year. The statement will be placed on SYPA's EPIC System. Organisations must ensure that they read, check and comply with it by submitting a monthly data file to facilitate the collection of contributions by direct debit. This is an Audit requirement.

Accounting Standards Exercises

Although not required to do so under Regulation the Authority does offer to obtain and provide the appropriate accounting standards requisite information as a voluntary service to employers.

By making use of the readily available expertise and Fund profile familiarity of the Actuary the Authority feels it is able to offer a structured and efficient method of providing this information to participating employers whilst also using efficiency of scale to save employers money compared to the potential cost involved in individual approaches for actuarial assessments.

There are three scheduled exercises each year as follows:

- Organisations with a Year End of 31 March
- Educational Establishments with a Year End of 31 July
- Academies with a Year End of 31 August.

The procedure and schedule for all organisations is driven and set by the Fund Actuary following consultation and agreement on the assumptions to be used in the exercises.

The typical target schedule for organisations with a 31 March Year End would be:

End of January prior to Year End	-	SYPA writes to employers inviting participation and collection of data begins
Mid-February prior to Year End	-	Data issued to Actuary
Mid-April following Year End	-	Results issued to participating employers

The typical target schedule for organisations with a 31 July Year End would be:

End of May prior to Year End	-	SYPA writes to employers inviting participation and collection of data begins.
By 3rd week in July	-	Data issued to Actuary
End of August following Year End	-	Results issued to participating employers

The typical target schedule for organisations with a 31 August Year End would be:

Mid-July prior to Year End	-	SYPA writes to employers inviting participation and collection of data begins
By Mid-August	-	Data issued to Actuary
End of September following Year End	-	Results issued to participating employers

There is a cost for this service as the Authority has to commission and pay the Actuary for the work performed.

SYPA will negotiate an overall cost with the Actuary each year based on the numbers participating in the exercises. This cost will then be notified to those employers when known as part of the communication process.

In addition the Authority makes an administrative charge to cover its own costs of the additional work involved. Currently this charge is £100.00 per employing organisation but the Authority reserves the right to increase this in future should its own costs of administering the exercise(s) increase.

Employers will be invoiced by the Authority for their individual charge.

Individual contribution rate assessments for new employers

As part of the process of setting up a new employer when it joins the Fund, member data will be collected and submitted to the Actuary for an assessment of the indicative contribution rate payable for the remainder of the valuation period by the employer in question.

Typically, such assessments take about six weeks to complete. There is a schedule of charges for such work which is set by the Actuary and not the Authority. This is updated by the Actuary at regular intervals. The latest schedule is available upon request.

The new employer or the outsourcing employer is expected to pay any charges incurred in this respect.

Risk assessments for new outsourced contract employers and bond assessments for the outsourcing employer

Where a participating scheme employer outsources a service to a private contractor and that contractor enters into an admission agreement to admit transferred employees to the Scheme then, as a matter of routine, or at the instigation of the outsourcing employer, SYPA will, through the Fund Actuary, commission a risk and bond assessment as provided for by Regulation, in order to protect the outsourcing employer and the Fund from incurring unfunded liabilities in the event of early termination of the contract and the possible redundancy of employees upon re-absorption of the service.

The cost of the actuarial work will recharged to the outsourcing employer.

Employer covenant assessments

Covenant assessment may form part of the routine work associated with the admission of a new employer, in which case the cost of such work will be included in the overall cost of the risk/bond assessment and recharged accordingly.

However, where the Fund undertakes covenant assessment work at its own initiative as part of long-term risk management strategy then no charge will be passed on to employing organisations as a result.

Liability assessments for employers leaving the Fund

These assessments are commissioned by the Authority when an employer exits the Fund. An exit from the Fund may be triggered by:

- The natural end of a set period outsourced service contract
- The early termination of an outsourced service contract by the outsourcing employer or by the contractor
- The forced termination of an organisation as a result of financial issues
- The natural effluxion of active members leaving no contributors to the Fund

The Authority's Policy, as set out in its Funding Strategy Statement, (FSS), is that termination assessments, where required, will be calculated on a "least risk" basis to ensure that residual liabilities are fully funded and that, subject to prudent investment, sufficient money is recovered from the exiting employer to fund those liabilities for the remaining lifetime of its members and their dependants. However, its Termination Funding Policy under Regulation, set out within the FSS allows certain flexibilities in how, when and over how long it will recover those costs. In addition, employers within the scheme whose active membership has reduced to nil for some reason, will not automatically be required to exit the Scheme, thereby triggering an exit cost calculation. Instead they will be allowed a period of grace to allow for recruitment strategies to bring in new active members.

Where the exiting employer is solvent and able to discharge its liabilities in respect of the Fund the cost of the actuarial work will be added to the total to be recovered in respect of those liabilities.

Where the exiting employer is insolvent the cost of the actuarial work will be added to any claim made by the Authority, as a creditor, to the appointed administrator(s).

Where the exiting employer is a contractor and the exit is triggered by the natural expiry of the contract then SYPA will normally have endeavoured to manage the contributions required over the period leading to the exit to avoid any deficit or surplus arising.

Government and other Public Sector Agents

The Authority has signed up to be included in the National Audit Office's (NAO) bi-annual National Fraud Initiative (NFI) in which Public Sector Bodies and Organisations share Pensions and Payroll information in an effort to combat benefit fraud and reduce overpayments in both areas to individuals no longer entitled to receive them.

As a participant in this exercise SYPA will share information about its Fund Members with:

- The National Audit Office
- Its own Internal and External Auditors where appropriate
- The Auditors of other Local Authorities and other Local Government Organisations
- Other Local Authority Benefit Departments
- The Department for Work and Pensions
- The Police where appropriate and/or necessary

The Data Protection Act, and the General Data Protection Regulations, (effective May 2018), permit the sharing of data without the express consent of the individuals concerned where the object of such sharing is the prevention or investigation of fraud and other crimes.

Prior to the release of the reports SYPA will notify its members of its participation in the forthcoming exercise and confirm the intent to share data with other agencies.

Upon the release and receipt of the NFI Reports at the commencement point of each bi-annual exercise the Authority will nominate a senior officer to manage the project.

It will then prioritise and address the workload arising as follows:

- Apparent un-notified pensioner member deaths will be investigated within two months. Pensions in payment from the South Yorkshire Fund will be immediately suspended
- Apparent un-notified preserved pensioner deaths will be investigated within three months

As a matter of Policy, SYPA will in all cases:

- Report instances of suspected Fraud to the NAO, its Internal Audit Office and the Police
- Pursue the recovery of all overpayment of pensions resulting from the non-notification of pensioner deaths whether fraud is suspected or not*

*See later section on Debt recovery

As part of its management and administration of casework the Authority will also share some data with other Administering Authorities through the Local Government Association's (LGA) National Database. It will also participate in the National "Tell us Once" initiative.

As part of its Communication Strategy the Authority will also share and/or provide member data to its printer Agents, for the provision of information to members, and its Tracing Agents for the purposes of paying benefits.

General

It should be noted that where information is required by any member, member representative, dependant or advisor, whether legal or financial, in order to pursue a claim through the courts for financial loss, damages or compensation for any event not connected to the Authority's actions or inactions or omissions, then the Authority will always make a charge to cover the cost of the work done in connection with the provision of the information requested. Any such charge will not be negotiable and will always need to be settled prior to the release of the information required.

POTENTIAL NEW EMPLOYERS

Potential new employers will have certain obligations to enable their admittance to participate in the LGPS in South Yorkshire to be completed in a timely and accurate manner and ensure that there is no subsequent detriment to members. Admission Agreements cannot be backdated.

The LGPS can be an expensive commitment and any potential new employers having a choice of pension provision, either through legislation or constitution, should satisfy themselves as to the appropriateness and suitability of the Scheme for their staff, organisation, budget and business plan.

Schools converting to Academy Status

Academies are required to enroll their non-teaching staff into LGPS upon conversion. Schools considering conversion to Academy Status should:

- Liaise with their LEA well in advance of any proposed conversion date in relation to the current funding of the Pension Scheme and any potential financial deficit to be inherited
- Assess whether their budget will allow for the payment of employer contributions based on the pensionable payroll of their non-teaching staff being transferred to the new organisation, any deficit payments necessary and any business development plans under consideration following conversion
- Be aware of the Funding Strategy of the South Yorkshire Fund
- Provide SYPA with at least six months' notice of their intent to convert together with a proposed conversion date
- Be able to provide a full and detailed personal and payroll data set of the non-teaching staff being taken on by the new organisation from the old school at least three months in advance of the proposed conversion date
- Have a Payroll System (or agent) and staff, together with HR staff, ready and able to take over the management of the employer's pensions' administration function in relation to the LGPS from day one following the conversion
- Familiarise themselves with the requirements of the Fund, Regulations and other legislation associated with the administration of the Scheme and with this Administration Strategy
- Have other systems and staff in place to ensure continuity of the pensions administration function upon conversion
- Pay the actuarial fees associated with the creation of the academy as a new employer in the SYPA fund

Transferee Admission Bodies

Potential Transferee Admission Bodies considering pensions implications of bidding for a Local Authority or other public sector service contract where transferring staff would normally be eligible for the LGPS should:

- Liaise with the letting body well in advance of any proposed contract date in relation to the pension costs and liabilities involved in the running the contract
- Be aware of, and committed to meeting, the requirements of the Regulations in respect of Admission Bodies
- Ensure the lead-time is sufficient for the Actuarial work to be completed prior to the transfer date
- Be in a position to provide a bond or such guarantee as might be required by the letting body

- Be aware of the Funding Strategy of the South Yorkshire Fund
- Be aware of, or, where the appropriate, the Parent Company should be aware of, the financial implications for early termination of the contract, and also be aware of the Authority's Policy on the pursuit and recovery of debt, including Closure Costs, as detailed elsewhere in this document
- Have a Payroll System (or agent) and staff, together with HR staff, ready to take over the management of the employer's pensions' administration function in relation to the LGPS from day one of the contract
- Have other systems and staff in place to ensure continuity of the pensions administration function from day one of the contract

Community Admission Bodies

Community Bodies have absolute discretion in deciding whether to apply for admission to the Fund. Any organisation meeting the criteria for admission to the Fund as a Community Admission Body and considering applying should:

- Make their formal application at least six months prior to any proposed admission date
- Be aware of, and committed to meeting, the requirements of the Regulations in respect of Admission Bodies
- Ensure the lead-time is sufficient for the Actuarial work to be completed prior to the transfer date
- Be able to provide financial and personal data about the employees to be admitted under the terms of the Admission Agreement at least three months prior to any proposed admission date
- Be able to demonstrate strength of covenant
- Be aware of the Funding Strategy of the South Yorkshire Fund
- Be aware of the Authority's Policy on the pursuit and recovery of debt, including Closure Costs, as detailed elsewhere in this document
- Have a Payroll System (or agent) and staff, together with HR staff, ready to take over the management of the employer's pensions' administration function in relation to the LGPS from day one following the conversion
- Have other systems and staff in place to ensure continuity of the pensions administration function upon conversion
- Ensure they can provide a third party financial guarantor in line with the Authority's policy on the admission of Community Bodies

Town & Parish Councils

Town and Parish Councils are precepting, resolution bodies. There is no compulsion upon them to offer employees membership of the LGPS. Town and Parish Councils considering using the LGPS in South Yorkshire should:

- Assess whether their budget will allow for the payment of employer contributions based on the pensionable payroll of the employees they wish to give access to Scheme to
- Be aware of the Funding Strategy of the South Yorkshire Fund
- Provide SYPA with at least six months' notice of their intent to implement a Resolution to use the LGPS for their staff
- Ensure an appropriate resolution is passed at least one month prior to the proposed implementation date detailing the staff or posts to be designated as pensionable and to provide SYPA with copies of the Council Approved Resolution(s)
- Be able to provide a full and detailed personal and payroll data set of the employees joining the Scheme at least three months in advance of the proposed admission date
- Ensure that where they operate their own payroll, the Payroll System, or where the Payroll Function is provided by a third party that the third party system, can provide the range of information required by the Scheme in the format required
- Familiarise themselves with the requirements of the Fund, Regulations and other legislation associated with the administration of the Scheme and with this Administration Strategy

NEW EMPLOYER REQUIREMENTS

All new employers to the Fund will be required to:

- Attend a scheme administration meeting with officers of the Authority to ensure they understand the administration requirements of the Scheme in relation to their role as a scheme employer
- Ensure that the appropriate people attend such a meeting so that where responsibilities and duties in relation to the Pension Scheme are split across different posts all responsible people are aware of their obligations in this respect
- Undergo training where training needs are identified by either the Administering Authority or the Employer. Such training may be held either on site at the Employer's premises or at SYPA HQ where access to systems may be more easily facilitated if necessary
- Submit electronic documentation in relation to the formal notification of new joiners to the Scheme and any subsequent contractual changes affecting their employee members' pensionable circumstances, through the Authority's Employer Web System or any replacement system introduced in the future. Paper documentation will not be accepted

- Nominate specific contacts with whom the Authority can work on the various aspects of Scheme Administration requiring specialist knowledge or authority

FEES FOR THE PROVISION OF INFORMATION AND ADDITIONAL NON-STANDARD WORK

The Authority recognises that Employers already contribute to the administration of the Scheme through an actuarial allowance built into their contribution rates by the Fund Actuary as part of the triennial valuation exercise and, as such, it will carry out all of its statutory and routine duties and obligations under the Regulations and any other legislation affecting it without further charge.

However, the Authority reserves the right to charge for work associated with the creation and termination of employers and for any work unique to an Employer (or Group of Employers) such as a bulk transfer of pension rights.

The Authority also reserves the right to make a charge for bulk routine work that is required as a matter of urgency in exceptional circumstances that would lead the Authority to incur additional costs to complete the work, for example by the use of overtime, or where the work is required, exceptionally, well within the agreed service standards for that work which could then compel the Authority to resource the work at a cost to other work, members or employers.

Any such charge or fee would always be made clear and agreed at the outset before any such work was commenced or service provided.

Possible examples of instances where the Authority may deem it appropriate to make such a charge are:

- A bulk redundancy exercise where an employer may require benefit estimates and employer costs more quickly than the agreed service standard time for providing such information
- Non-routine or bespoke actuarial work, (see later Section on Actuarial Services)
- Officer attendance at special meetings outside normal working hours

The above list is not exhaustive.

INTERNAL DISPUTE RESOLUTION PROCEDURE (IDRP)

Under the Local Government Pension Scheme Regulations 2013, both Administering Authority and Employing Organisations are required to appoint an Adjudicator to review First Instance Decisions upon receipt of an application by the member or member's representatives. This is generally referred to as Stage 1 of the IDRP.

Where a Scheme Employer reviews a First Instance Decision under Regulation 74 and makes a consequential decision under Regulation 75 that results in the member making a referral to the Administering Authority for reconsideration of that decision, generally referred to as Stage 2 of the IDRP, then the Administering Authority Adjudicator will reconsider the First Instance decision and notify the employer and the member accordingly.

Where the Administering Authority makes a decision to uphold the member's appeal against the First Instance Decision and to refer the matter back to the employer for re-consideration then the Administering Authority may take the view that there has been a failing by the Employing organisation in the original decision making review process. Possibly as a result of the Employer concerned:

- Not taking into account all relevant evidence, or
- Taking into account non-relevant evidence, or
- Disregarding the relevant evidence and making a decision that would be perverse or contrary to Regulation

SYPA's Adjudicator will always be happy to discuss these referrals and to provide any assistance, advice and guidance where appropriate or requested in the interests of ensuring that correct decisions are reached for right reasons and the member receives fair and equitable treatment through the process.

ACTUARIAL SERVICES

Actuarial services are provided by the Fund Actuary.

This service is subject to periodic tender and the appointed Fund Actuary may change.

The Fund Actuary is independent.

The retention of the Fund Actuary is a Regulatory requirement for the Authority and a number of the services commissioned from him are also required by Regulation.

Where a service or exercise is provided to the Administering Authority or Fund as a result of a statutory requirement then the Authority will fund this work from its administration budget.

Where a non-statutory service, task, exercise or some bespoke work is offered by the Authority to employing organisations then it is on the understanding that the Actuarial fees or charges will be passed through either proportionately or as previously agreed to those employing organisations on a non-profit basis for the Authority and/or Fund.

Where a service, task, exercise or bespoke work is requested specifically by an employing organisation to be commissioned by the Authority then it is on the understanding that the

Actuarial fees or charges will be passed through to the employing organisation(s) concerned on a non-profit basis for the Authority and/or Fund.

Where an employing organisation chooses to approach the Fund Actuary independently, whether for advice, guidance, consultancy work or anything else then it is on the understanding that no charges will be incurred on behalf of the Authority or Fund and the employer concerned will be solely responsible for the settlement of any fees or charges arising.

It should be noted that the Fund Actuary will rarely invoice an employing organisation directly but will submit their bill for any work carried out to SYPA who will then recharge the amount invoiced to the employer concerned.

Where the Fund Actuary provides a schedule of standard charges for certain categories of work then SYPA will provide this to Employing organisations on request.

PAYROLL SERVICES AND PROVIDERS

All employing organisations must ensure that they procure payroll services and systems that:

- Store the personal and financial data of its scheme member employees that is required by SYPA in order to maintain its business and meet its duties and obligations as an Administering Authority
- Are able to provide data extracts that meet the reporting requirements of the Administering Authority and the Scheme and are in the appropriate format to interface with the Authority's Computerised Pensions Administration System

Where an employing organisation takes its Payroll Services from a third party or from a payroll located in another part of the organisation or parent company then responsibility for providing timely, quality data from the Payroll remains with the employing organisation concerned that is participating in the South Yorkshire Fund.

Where an employing organisation changes payroll providers in the financial year then that organisation must ensure that the new service provider's payroll must be able to:

- Store the personal and financial data of its scheme member employees that is required by SYPA in order to maintain its business and meet its duties and obligations as an Administering Authority
- Provide data extracts that meet the reporting requirements of the Administering Authority and the Scheme and are in the appropriate format to interface with the Authority's Computerised Pensions Administration System

The employing organisation concerned must also ensure that the new service provider has advance knowledge of the requirements of the Pension Scheme in terms of data supply and reporting, has a system in place that is able to meet those requirements and has sufficient notice of its duties and responsibilities to enable it to seamlessly take over the supply of data to ensure that the monthly posting of member contributions is maintained from the first month of the new provider's contract. Failure to ensure this will result in a finacial penalty being applied to the employing organisation responsible as outlined in Appendix A of this document.

Additionally, for scheme management, accounting and data control and quality purposes and to ensure continuity of the pensions administration side of the business for members, data on the previous payroll up to the date of termination and change must remain available for extraction and provision to SYPA as appropriate and necessary.

SERVICE STANDARDS – SERVICE LEVEL AGREEMENTS

All service standards for SLA purposes are measured by reference to the time taken by the Authority from the first day when it has all of the necessary information to hand to enable it to perform the task and exclude the day of receipt of the information or final part of the information required.

Administering Authority to Employing Organisations

• Respond to employer queries	5 **working days**
• Individual retirement benefit estimates	5 **working days**
• Individual early retirement employer costs	5 **working days**
• Bulk retirement benefits estimates (20 or more)	10 **working days**
• Bulk early retirement employer costs	10 **working days**

All service standards for SLA purposes are measured by reference to the time taken by the Authority from the "event date" to the date of receipt by SYPA in its HQ Office at, Barnsley,

Employing Organisation to Administering Authority

• Notification of a new scheme joiner	6 **weeks**
• Notification of a member's contractual change	4 **weeks**
• Notification of a member leaving the Scheme with a right to immediate payment of benefits	4 **weeks**
• Notification of a member leaving the Scheme without a right to immediate payment of benefits	6 **weeks**
• Notification of the death of an active member	1 **week**
• Provide a written response to any query	1 **week**

SERVICE STANDARDS - CUSTOMER CHARTER

All service standards in the Customer Charters are measured by reference to the time taken by the Authority from the first day when it has all of the necessary information to hand to enable it to perform the task and exclude the day of receipt of the information or final part of the information required.

All Members

- Complaints **3 working days**
- General Enquiries **5 working days**
- Provision of information for Divorce Proceedings **5 working days**
- Notification of death benefit entitlements to Dependants and/or representatives **5 working days**

Active Members

- Setting up a new joiner record **5 working days**
- Making changes to records **5 working days**
- Providing information about Additional Benefits **12 working days**
- Provision of Retirement Benefit Estimates* **5 working days**
- Providing transfer value quotations **10 working days**

Preserved Pensioner Members

- Notification of Entitlement **20 working days**
- Provide an updated benefit statement **5 working days**

Pensioner Members

- Information on re-employment **7 working days**

*Subject to the Authority's policy in force at the date of the request.

FINANCIAL PENALTIES FOR NON-COMPLIANCE BY EMPLOYING ORGANISATIONS

The Authority has determined that there will be a range of financial penalties for non-compliance with the requirements of this Administration Strategy under Regulation 70 of the Local Government Pension Scheme Regulations 2013, "Additional Costs arising from Scheme Employers' level of performance".

In addition it has determined a Policy to apply under the umbrella of this strategy document whereby penalties imposed on the Administering Authority by third party agencies as a result of, whether directly or indirectly, the poor administrative performance or decision making process of a scheme employer, will be recovered from the Employing organisation concerned.

Penalties imposed on the Administering Authority by other Agencies

The penalties that will be recovered are as follows:

- Financial penalties imposed on the Administering Authority by Agencies such as the Pensions' Regulator for a breach of its statutory duties, such as the issuing of Annual Benefit Statements, but where the breach was occasioned by the poor performance of an employing organisation by reason of non-provision of member and/or financial data, provision of data not fit for purpose or the late provision of data or a combination of all these factors.

  The penalty will be paid by the Authority but will be recovered from the Employing Organisation concerned.

- Financial Penalties imposed on the Administering Authority by HMRC, for instance Scheme Sanction Charges that arise as a result of the decision of a Scheme Employer, (for example, by allowing a member to claim benefits that will entail the Authority making an unauthorised payment).

  The penalty will be paid by the Authority but will be recovered from the Employing Organisation concerned.

- Any penalties imposed by the Office of the Information Commissioner following a data breach where the breach was occasioned by the actions of a scheme employer.

  The penalty will be paid by the Authority but will be recovered from the Employing Organisation concerned.

The list is not exhaustive and the Authority reserves the right to utilise the same principles and policy for other penalties imposed on it by outside agencies not detailed here.

Financial penalties for non-compliance by employing organisations

Financial penalties as detailed here may be applied by SYPA where failure of an employing organisation to:

- Meet the requirements of the Administration Strategy
- Meet the requirements of the Regulations
- Meet the requirements of other legislation

Results in:

- Additional work for the Authority or its Agent(s)
- Additional cost(s) for the Authority or its Agent(s)
- Failure of the Authority to meet its own obligations under Regulation, other legislation or guidance
- Complaints by organisations or Members
- Appeals by members or their representatives

Then the Authority will impose either a fixed penalty or a charge based on the cost of the work occasioned.

The table in **Appendix A** provides details of the fixed penalty.
Any such penalties imposed will be recovered from the Employing Organisation concerned through additions to any existing deficit or deductions from any existing surplus with effect from the next contribution year (1st April).

INTEREST

It is the Authority's Policy, supported by Regulation in a number of areas, to charge interest for late payment on the following items and at the following rates. Late is defined as being a month or more after the due date:

- Payment of Employees' Pension Contributions, including any additional contributions paid by the employee, remitted to the Fund
- Payment of lump sum employer contributions arising from an employer decision to backdate membership for an individual or group of individuals (but cannot apply to Admission Agreements)
- Payment of Employer's Pension Contributions remitted to the Fund

Employee and Employer Contributions have to be with the Fund by the 19th of the month following the month of deduction. (Pensions Act 1993).

- Payment of any Lump Sum Deficit Contributions owed to the Fund

Deficit payments are calculated as an annual amount due by the Fund Actuary. That annual figure is then sub-divided into 12 equal payments for remittance on a monthly basis by Employers. To allow for the spread of payments over a 12 month period and to compensate the Fund for lost investment return an element of interest is already included in the monthly amounts to be paid. Late payment of these amounts will however incur additional interest.

- Any rechargeable payments due in respect of Injury Allowances, Gratuities and Added Compensatory years
- Any costs arising from initial and annual invoices in respect of strain on the Fund costs arising from the early release of retirement benefits
- Lump sum payments arising from the granting of additional pension

- Any fees or charges arising from the use of additional or bespoke Actuarial Services or Employer initiatives
- Any fees or charges arising from the voluntary participation in Accounting Standards Exercises
- Any costs arising from the termination or exit from the Fund of a solvent employing organisation
- Any liability settlement charge arising from a claim on a Bond Agreement or similar charge that would have arisen from such a claim but where no Bond was required by the outsourcing employer. In these latter circumstances the liability falls to the employer concerned

Annual Invoices carry an element of interest in their costs already at the point of issue to allow for the spread of the cost over three years (or less). However, further interest will be incurred if annual invoices are settled late.

The rate of interest charged on all of the above items is 1% above the Bank of England Base Rate compounded with quarterly rests.

DEBT RECOVERY POLICY AND PROCEDURE

The Authority has a Debt Recovery Policy and Strategy in place.

It is the Authority's Policy to attempt recovery of ALL debts whether invoiced or not.

The Policy applies to individual Scheme Members, their dependants, their representatives, employing organisations, third party or outside agencies, purchasers of goods or services from the Authority and any other person or persons upon whom the Authority has a reasonable claim for payment.

The debt recovery procedure is as follows:

- Once the amount of the debt and the debtor is identified the Authority will issue an account
- If no response is received within one month of the date of issue of the account the Authority will issue one reminder
- No further reminders will be issued
- If no response is received within one month of the date of issue of the reminder the debt will be passed to the Authority's Debt Recovery Agents who will pursue the debt using the full force of the law if necessary
- Any additional costs incurred as a result of the debt recovery process, including interest for late payment, agent's fees and legal fees will be added to the total amount to be recovered
- Any party receiving an account from the Authority should immediately contact the number provided with a view to settling the debt in full or arranging a payment plan

No debt will be written off unless there is no prospect of recovery for any reason, for example there are no assets of value belonging to the debtor, (organisation insolvency), or the debtor's estate or where there is no estate and no surviving family.

Where the debt is in respect of overpaid pension and the pensioner has died recovery proceedings will be commenced against the estate through the pensioners surviving family, dependants or personal representatives.

SPECIAL REQUIREMENTS FOR EDUCATIONAL ESTABLISHMENTS

For business continuity purposes and for ensuring that scheme members of Educational Establishments are able to be provided with, and have access to, the same level of service as scheme members in other organisations during educational holiday breaks such as end of term and half term holidays as well as the extended summer break holiday, Educational Establishments must:

- Provide contact details of Payroll, HR, Finance and Business officers who are able to continue to conduct the pensions administration side of the employers business during any closedown or holiday period including third party service providers where appropriate
- Ensure officers are available to deal with routine pensions administration tasks and queries during any closedown or holiday period
- Ensure specialist personnel are available to maintain the Accounting Standards Exercises during any closedown or holiday period, especially given that these exercises affect other employers and are Actuary driven

If at any point in the future SYPA experiences difficulties in business continuity with any Educational Establishment during a holiday break because the organisation has failed to ensure that contacts are available then it reserves the right to introduce and impose finacial penalties on the organisation(s) concerned.

Member complaints submitted as a result of the above failure will be forwarded to the organisation concerned for a response to the member concerned.

The Authority will not be responsible for the effects of any failure of Educational Establishments to have arrangements in place during closedown or holiday periods that will enable an establishment to:

- respond to invitations,
- respond to data collection requests
- respond to queries on such information
- provide member information and documentation as normal to ensure member benefits are not delayed
- enable records to be kept up to date and
- ensure that the normal daily business of pensions administration is able to be continued for that establishment

ADMINISTRATION GUIDE FOR EMPLOYERS

To assist all participating employing organisations with the task of administering the employers' functions in relation to the Local Government Pension Scheme, the Authority has produced an online administration guide.

The guide can currently be found on EPIC and should be referred to whenever an employer is in any doubt about what is required of them in terms of their pension scheme administrative duties and obligations.

In addition, help, advice and guidance will always be available from Member Services Management Teams for employers falling within their purview.

Contact can be made by e-mail, telephone or letter.

APPENDIX A

Tables of charges and financial penalties

Charges

Implementation of a Pension Splitting order	**£350 + VAT**
Provision of information in relation to Accounting Standards Exercises	Currently **£100 + VAT** but subject to review
Provision of additional transfer value within 12 months should the Authority introduce a charging policy. The current policy reserves the right to charge.	**£350 + VAT**
Bespoke Pensions Administration work	At the appropriate hourly rate to recover the actual cost of the work only
Rechargeable Actuarial work	At the appropriate hourly rate to recover the actual cost of the work only

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Penalties

Monthly Returns from April 2020 Failure to submit an accurate monthly return permitting the correct collection of contributions by direct debit by the 5th of the month following the month of employees' contribution deduction	A fixed penalty of **£500** plus a further fixed penalty of **£50 per day** for every further day late following that deadline
Service Level Agreements Failure to submit member event information in line with the requirements of the SLA	**£25** per case
Discretionary Policy Statements Failure to devise and publish any statement of policy on the use of discretionary powers under the Regulations by any statutory deadline	A fixed penalty of **£500** plus a Further fixed penalty of **£250** for every further week late following that deadline
Payroll Provider Service Failure to ensure that any new Payroll Service Provider is able to maintain the continuity of the monthly posting system	A fixed penalty of **£1000** for every monthly report that fails to be submitted from month 1 of the new contract by the standard monthly deadline **plus** the standard penalty for late submission of monthly returns
Direct Debit Mandate Failure to complete a mandate to consent to the collection of contributions via direct debit prior to 1 April 2020 or the date of joining the SYPA fund or date of change in banking arrangements if later	A fixed penalty of **£500** plus a further fixed penalty of **£50** per day for every further day late following that deadline

Original version April 2016 – V1

Revised wef April 2020 – This version: V3

Governance Compliance Statement

1. Introduction

1.1 As a statutory public service scheme the Local Government Pension Scheme (LGPS) has a different legal status compared to trust based schemes and therefore, the governance arrangements are different as well. This is especially true given the interface with local democratic practice since it is elected councillors who ultimately bear responsibility for the stewardship and management of local authority pension funds. Publication of this Statement is a statutory requirement under s 55(1) of the Local Government Pension Scheme Regulations 2013, which requires:

An administering authority must prepare a written statement setting out—

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

(b) if the authority does so—

(i) the terms, structure and operational procedures of the delegation,
(ii) the frequency of any committee or sub-committee meetings,
(iii) whether such a committee or sub-committee includes representatives of Scheme employers or members, and if so, whether those representatives have voting rights;

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

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

An administering authority must keep a statement prepared under paragraph (1) under review, and make such revisions as are appropriate, following a material change to any of the matters mentioned in that paragraph.

Before preparing or revising a statement under this regulation, an administering authority must consult such persons as it considers appropriate.

An administering authority must publish its statement under this regulation, and any revised statement.

1.2 This statement has been revised following an annual review undertaken in preparing the Authority's report and accounts for 2019/20.

2. Governance of the South Yorkshire Pension Fund

2.1 The Authority was created by the Local Government Reorganisation (Pensions etc.)(South Yorkshire) Order 1987 made under the Local Government Act 1985, and is a Joint Authority created under that act. As such it is a local authority in its own right, albeit with a prescribed set of functions.

2.2 The Authority does not operate under a cabinet structure. The Chair and Vice-Chair are nominated from and elected by its own membership but the Authority as a whole carries the strategic responsibilities of an administering authority.

2.3 Under Section 41 of the Local Government Act 1985 arrangements are made enabling the district councils to raise questions at council meetings. The Authority is required to nominate a member or members to answer questions on the discharge of the Authority's functions in meetings of each of the constituent councils. One member from each district has been nominated as the Section 41 spokesperson.

2.4 The Authority has created two committee's to support it in its work:

2.5 The **Audit Committee** which is responsible for fulfilling 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.

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.

2.6 The **Staffing Appointments and Appeals Committee** which is responsible for the following functions.

(1) To exercise all the Authority's functions in respect of:

a) Appeals by staff (where a right of appeal exists).

b) Complaints against senior officers.

(2) To exercise the Authority's functions in relation to the appointment of Statutory Officers and Chief Officers, subject to legislative requirements regarding the approval of statutory officer appointments by the Authority.

(3) To approve proposals for changes to the organisation of the Authority's staffing where more than 5 posts are affected.

(4) Determining appeals and requests under the Local Government Pension Scheme Regulations not otherwise delegated to officers.

(5) To make appointments of Independent Investment Adviser (s) on behalf of the Authority.

(6) To approve arrangements for the procurement of external fund managers, the Fund Actuary and Custodian

(7) To deal with all matters concerning complaints concerning member conduct under the Standards regime.

3. Representation

3.1 Unlike other Administering Authorities within the Local Government Pension Scheme the Authority's membership is laid down in the Local Government Reorganisation (Pensions etc.) (South Yorkshire) Order 1987 made under the Local Government Act 1985. The four district councils in South Yorkshire nominate members to the Authority, from their own elected members, in the specified proportion –

Constituent Council	Number of Members
Barnsley	2
Doncaster	3
Rotherham	2
Sheffield	5

3.2 In addition the Authority has co-opted 3 non-voting members nominated by the Regional Secretaries of the three largest trade unions recognised by the National Joint Council for Local Government Services. These individuals are provided with the facility to attend and participate in meetings of the Authority and its committees, other than in matters concerned with staffing and labour relations.

3.3 The Audit Committee is chaired by the Authority's Vice-Chair and contains 4 other Authority Members (including the Chair). Representatives from the trade unions attend as non-voting co-optees.

3.4 The Staffing Appointments and Appeals Committee is chaired by the Authority's Chair and contains 4 other Authority members (including the Vice Chair). Given that the major business of this Committee is concerned with staffing and labour relations the non-voting co-opted members nominated by the Trades Unions do not routinely attend meetings of this committee.

3.5 Both Committees have full delegated powers but only the Elected Members have voting rights.

4. Reasons for Current Representation

4.1 Myners' first Principle states that decisions should only be taken by persons or organisations with the skills, information and resources necessary to take them effectively. Where trustees elect to take investment decisions, they must have sufficient expertise and appropriate training to be able to evaluate critically any advice they take. All members of the Authority are required to undertake the LGA' fundamentals training and the Pensions Regulator's Public Sector Toolkit and are exposed, on the occasions that they review investment performance and strategy, to presentations on topical issues, and differing types of investment. In addition a Learning and Development Strategy is in place which identifies individual learning needs and aims to address them through both internal and external means.

4.2 Formal statutory responsibility for the LGPS and fund investment remains with the administering authority that is answerable for the effective and prudent management of the scheme. Current representation of the Authority provides the appropriate balance between accountability and inclusion as required by best practice with councillors serving on the Authority having full voting rights as a matter of course.

5. Arrangements Outside of Formal Governance

5.1 The Authority is committed to inclusion of all stakeholders in consultation and communication outside of the formal governance arrangements. A separate Communications Policy Statement can be viewed on our website, and is included with the Annual Report as required by the relevant regulations.

5.2 Meetings of the Authority are webcast to provide scheme members and other stakeholders with the opportunity to see the decisions that are being made on their behalf.

5.3 The Authority holds an annual meeting, usually in October, to which members and employers are invited. Members attending receive presentations on the financial position of the Fund, a review of investment and administration performance together with news of topical issues. Occasionally, a guest speaker will be invited to address national issues or pension related subjects. Attendees are encouraged to raise questions. A video of this meeting is made available on the internet.

5.4 The Authority has in line with the requirements of the Public Sector Pensions Act 2013 established a Local Pension Board comprising equal numbers of employer and scheme member representatives.

5.5 The Authority provides each participating organisation with an employer's guide to the Scheme. In addition, regular newsletters are produced to keep employers up to date with scheme developments and administration issues. These are provided via our dedicated employers' website and can also be made available in hard copy. Employers' attention is drawn to LGPC Circulars whenever these are published so that they can view the national perspective as well as the local view.

5.6 A variety of meetings are used to communicate with employers. In addition to the Annual Fund Meeting described earlier, the Authority normally holds an annual employers' forum. This is primarily aimed at topical and administrative issues but is also valuable in providing an opportunity for employer representatives to raise questions and discussion points. Further to these, ad-hoc meetings are called to consider specific issues as and when appropriate. Every employer is offered at least one annual meeting with the Authority's officers on a one-to-one basis to discuss any topic either side wishes to raise, although experience shows that very few take advantage of this facility.

5.7 Officers attend the quarterly meeting of finance department representatives from the four district councils and the other South Yorkshire joint authorities as and when required.

6. Comparison with "Best Practice" Principles

6.1 The Authority is required to make a statement as to the extent to which a delegation, or the absence of a delegation, complies with guidance given by the Secretary of State and, to the extent that it does not so comply, the reasons for not complying.

6.2 The appendix to this document provides that statement, setting out against each of the principles the extent of compliance supported by further explanation or comments where further action is to be considered.

Appendix A

Principle A – Structure

		Compliant*
a)	The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.	**Yes**
b)	That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	**Mainly**
c)	That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	**Yes**
d)	That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	**Yes**

* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations)

Please use this space if you wish to add anything to explain or expand on the ratings given above :-

The Authority's separate legal status ensures that a), c) and d) are complied with and ensure representation (proportionate to size) of the major local authority employers. It is not practical for the many (over 500) non-local authority employers, whose activities are extremely diverse, to be separately represented. Trades unions representatives attend meetings of the Authority and Audit committee as non-voting co-opted members representing the interests of scheme members. The Local Pension Board as required by regulations operates alongside the formal Authority structure but is intrinsically linked with it.

Principle B – Representation

		Compliant*
a)	That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include :- i) employing authorities (including non-scheme employers, eg, admitted bodies); ii) scheme members (including deferred and pensioner scheme members), iii) independent professional observers, and iv) expert advisors (on an ad-hoc basis).	**Mainly**
b)	That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.	**Yes**

* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations)

Please see the answer to A(b) above.

Please use this space if you wish to add anything to explain or expand on the ratings given above :-

The Authority appoints 2 independent investment advisers who attend meetings of the Authority and give advice to members during discussion of investment related matters.

Principle C- Selection and role of lay members

		Compliant*
a)	That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.	Yes

* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations)

Please use this space if you wish to add anything to explain or expand on the ratings given above :-

Induction courses are held for all new members who are also required to attend initial basic training via the LGA 3-day programme and the Pensions Regulator's Public Sector Toolkit. Members are also provided with an annually updated handbook which clearly sets out their responsibilities as "quasi-trustees".

A series of member seminars to address new topics or cyclical issues such as the actuarial valuation are included in the programme of meetings and members (whether elected or co-optees) are able to attend approved conferences and external seminars details of which are circulated to all members at the beginning of the year and throughout the year as they become available.

Principle D – Voting

		Compliant*
a)	The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	**Yes**

* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations)

Please use this space if you wish to add anything to explain or expand on the ratings given above :- The Order creating the Authority and its constitution provides full voting rights to all elected Members. Co-optees do not have voting rights.

Principle E – Training/Facility time/Expenses

		Compliant*
a)	That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.	**Yes**
b)	That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	**Yes**
c)	That the administering authority considers the adoption of training plans for committee members and maintains a log of all such training undertaken.	**Mainly**

* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations)

Please use this space if you wish to add anything to explain or expand on the ratings given above :- Induction and in-house training events are made available to all members of the Authority, its Boards and Committees, including Trade Union Observers. In addition, all Authority members are required to undertake the Fundamentals course provided by the LGA and the Pensions Regulators Public Service Toolkit within the first year of their appointment. Members are offered individual training plans. Records of training received are logged and published. All members (whether councillors or co-optees) are eligible for the reimbursement of legitimate expenses incurred in undertaking learning and development activity. Councillors receive allowances paid by the Authority in respect of their membership of the Authority. Co-opted members are not eligible for such allowances.

Principle F – Meetings (frequency/quorum)

		Compliant*
a)	That an administering authority's main committee or committees meet at least quarterly.	**Yes**
b)	That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.	**Yes**
c)	That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented	**Yes**

* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations)

Please use this space if you wish to add anything to explain or expand on the ratings given above :-

The Authority meets at least quarterly, and the Audit Committee meets three times per year. The Staffing Appointments and Appeals Committee, given the nature of its business meets as required. In addition annual forums are held for both fund employers and Scheme members. The Local Pension Board meets 4 times per year which is in excess of the minimum set out in regulations.

South Yorkshire Pensions Authority – Governance Compliance Statement

Principle G – Access

		Compliant*
a)	That subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.	**Yes**

* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations)

The only exception to this general principle is that non-voting co-optees are not permitted access to papers concerned with individual staffing matters.

Please use this space if you wish to add anything to explain or expand on the ratings given above :-

Principle H Scope

		Compliant*
a)	That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements	**Yes**

* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations)

Please use this space if you wish to add anything to explain or expand on the ratings given above :-

Principle I – Publicity

		Compliant*
a)	That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.	**Yes**

* Please use this space to explain the reason for non-compliance (regulation 73A(1)(c)/1997 Regulations)

Please use this space if you wish to add anything to explain or expand on the ratings given above :-   Details of the Authority's governance arrangements are published both on its website and in its annual report. The details of the Authority's meetings are publicised both on the website and social media and the public parts of meetings of the full Authority are webcast.   The Authority maintains a specific policy that the number of items to be considered in private is minimised thus opening up the maximum amount of its business to scrutiny by scheme members and the wider public.

Subject	Internal Audit Annual Report 2020/21	**Status**	For Publication
Report to	Audit Committee	**Date**	29/07/2021
Report of	Head of Internal Audit, Anti-Fraud and Assurance		
Equality Impact Assessment	Not Required		
Contact Officer	Sharon Bradley	**Phone**	07795 305846
E Mail	sharonbradley@barnsley.gov.uk		

1. Purpose of the Report

1.1 To report on the Internal Audit Team's completed assignments relating to the 2020/21 audit plan, agreed management actions and also the Head of Internal Audit's assurance opinion based on the work undertaken.

2 Recommendation

2.1 Members are recommended to consider and receive the report.

3. Background Information

The Audit Committee has responsibility for reviewing the adequacy of the Authority's corporate governance arrangements, including those relating to internal control and risk management. The reports issued by Internal Audit are a key source of assurance contributing to the evidence the Committee receives to assure them that the governance, risk and internal control environment is operating as intended.

At the end of the financial year, the Head of Internal Audit, Anti-Fraud and Assurance will produce his Annual Report, which will provide his overall opinion on the adequacy of the Authority's governance, risk and internal control environment and compliance with it during the year.

4. Implications

4.1 The proposals outlined in this report have the following implications

Financial	The cost of the services of the Internal Audit Team is contained within the budget and is periodically invoiced.
Human Resources	n/a
ICT	n/a
Legal	Section 73 of the Local Government Act 1985 requires the Authority to make arrangements for the proper administration of its financial affairs; and Regulation 6 of the Accounts and Audit Regulations 2015 requires the Authority to maintain an adequate and effective system of Internal Audit of its accounting records and of its system of internal control.

	This report does not contain any information which is exempt under the Freedom of Information Act 2000.
Procurement	n/a

Rob Winter CPFA

Head of Internal Audit, Anti-Fraud and Assurance

Background Papers	
Document	**Place of Inspection**
Background papers and other sources of reference include: Internal Audit Charter 2018-20, Annual Plan 2020-21, Individual Internal Audit Reports, MK Insight (Audit Management System), Public Sector Internal Audit Standards 2017	Barnsley Metropolitan Borough Council, Westgate Plaza, Barnsley.

South Yorkshire Pensions Authority

Internal Audit Annual Report 2020/21

Audit Committee

29th July 2021

The matters arising in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required. Whilst every care has been taken to ensure that the information provided in this report is as accurate as possible, based on the information provided and documentation reviewed, no complete guarantee or warranty can be given with regard to the advice and information contained herein. Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

INTERNAL AUDIT ANNUAL REPORT 2020/21
1st April 2020 to 31st March 2021

Purpose of this report

To report on the Internal Audit Team's completed assignments relating to the 2020/21 audit plan, agreed management actions and the Head of Internal Audit's assurance opinion on the Authority's internal control, risk management and governance arrangements based on the work undertaken.

Background

In accordance with statutory best practice provided by the PSIAS, there is a requirement that the Head of Internal Audit (HoIA) prepares an annual report to the appropriate member body providing, amongst other things, an opinion on the overall adequacy and effectiveness of the Authority's framework of governance, risk management and internal control based on the audit work undertaken. For the Authority, the appropriate member body is the Audit Committee.

The Accounts and Audit Regulations require all local authorities to publish an Annual Governance Statement (AGS) providing a narrative on the Authority's internal control, risk management and governance framework, the results of the annual review process and detailing any actions to be taken in respect of any identified weaknesses. The AGS will address all aspects of corporate governance including internal control and risk management arrangements, in addition to financial controls.

This report provides a summary of key issues arising from the work of Internal Audit covered in the 2020/21 audit plan and up to the point of preparing this report, which contributes to the overall assurance opinion the HoIA is able to give the Audit Committee. The work of Internal Audit has been undertaken throughout the year with no impairment to our independence or objectivity.

Although providing an important and significant contribution to the assurances the Audit Committee needs in its consideration of the AGS, this report forms only part of the assurance framework. The Audit Committee will receive the Annual Governance Statement for 2020/21 at the July meeting. The Audit Committee are therefore encouraged to consider this annual report in the context of broader assurance.

The financial budget for the Internal Audit Team is clearly set covering the period 1st April to 31st March each year and a plan of the days and where they are planned to be delivered is prepared similarly. However, the actual delivery of internal audit work and the constant review and revision of coverage is on a more rolling basis. In order to align the annual Internal Audit report to the AGS and the signing of the Statement of Accounts it is more appropriate that the Head of Internal Audit's opinion is provided reflecting all the work undertaken at the point of the approval of the AGS and Accounts.

Head of Internal Audit's Indicative Opinion on the Effectiveness of the Authority's Governance, Risk and Internal Control Environment

The Audit Committee has received quarterly reports throughout the audit year. In each of these reports a **reasonable** assurance opinion had been given reflecting on a quarterly basis an overall satisfactory level of internal controls and their application and also satisfactory governance and risk arrangements.

Taking the whole year into account, the audits completed, it is appropriate to give an overall **reasonable** (positive) indicative assurance opinion for the year. The information supporting this opinion is provided below.

The general financial pressures on the public sector (particularly following the impact of the Covid 19 pandemic) coupled with significant legislative and organisational changes in the pension's arena will in turn place pressure on the capacity of senior management that if not managed effectively could give rise to threats to the effectiveness of the control, risk and governance framework. The Authority's Senior Management Team will need to remain focused on maintaining a sound internal control, risk and governance framework – i.e. 'staying safe' in 2021-22 and beyond. The 2021-22 Internal Audit Plan aims to support the Authority and Senior Management through this period as well as focus on particular areas of activity and responsibility identified as higher risk.

Internal Audit is conscious of the extent and nature of overall scrutiny, oversight and challenge the Authority is subject to. Of particular importance is the good and effective working relationship between Internal Audit and senior management and other managers, to ensure an efficient audit is delivered and resources are directed to the most important areas of risk.

Although audit work aims to cover a broad range of services, systems and areas of Authority activity, it needs to be recognised that Internal Audit coverage cannot guarantee to detect all errors, systems or control weaknesses or indeed identify all of the opportunities for improvements in management arrangements that might exist. Accordingly the assurance opinion provided is based on <u>reasonable</u> coverage, as resources allow, and cannot be regarded as absolute assurance. Equally, there is a responsibility of senior managers through the annual governance statement process to provide assurances to the Fund Director regarding the application and effectiveness of the internal control and governance framework in their operational or functional areas.

To remind the Committee, Internal Audit assurance opinions are classified within a range of four options, two positive and two negative. The table below shows in broad terms the basis for the different opinions applied.

	Level	Control Adequacy	Control Application
POSITIVE OPINIONS	**Substantial Assurance**	A robust framework of controls exists that are likely to ensure that objectives will be achieved.	Controls are applied continuously or with only minor lapses.
	Reasonable Assurance	A sufficient framework of key controls exists that are likely to result in objectives being achieved, but the control framework could be stronger.	Controls are applied but with some lapses.
NEGATIVE OPINIONS	**Limited Assurance**	Risk exists of objectives not being achieved due to the absence of key controls in the system.	A significant breakdown in the application of key controls.
	No Assurance	A significant risk exists of objectives not being achieved due to the absence of controls in the system.	A fundamental breakdown in the application of all or most controls.

Internal Audit seeks to work closely as appropriate with other auditors, most significantly External Audit. However, for 2020-21, no work undertaken by other auditors or any other review body has been specifically relied upon in the provision of this annual assurance opinion.

Summary of Internal Audit Work and Coverage 2020-21

Internal Audit aims to utilise a risk-based approach to planning its work. This approach seeks to ensure that the key risks facing the Authority are covered where appropriate by Internal Audit work. Internal Audit was able to use the Strategic and Operational Risk Registers to contribute to the planning of audit coverage. The audit planning process and details of the 2020-21 audit plan were reported to the Audit Committee in the March 2020 meeting.

The Audit Committee has received quarterly reports that incorporate the results of audit work and management's response on a continuous basis. A summary of the Internal Audit reports for 2020-21 is at Appendix 1.

At the beginning of the year provision is made in the allocation of audit resources for unplanned work, through a contingency. As requests for Audit work are received, or more time is required for jobs or changes in priorities are identified, time is allocated from this contingency.

It should also be noted that Internal Audit work is variable both in its nature and timing. The risk-based approach aims to ensure the highest priority work is undertaken. As with all plans, the audit plan was determined at a particular point in time (March 2020) utilising information available and has been subject to changes in certain areas. The Audit Committee should be assured that within the finite resources available to Internal Audit, the key audit risks identified have either received audit attention during the year or are reflected in the audit plan for 2021-22.

2020-21 Internal Audit Plan Progress

The following table shows the delivery of the internal audit planned days for 2020-21 (incl. days spent on completing 2019-20 work in Q1 of the financial year), with a breakdown per Service Area. A further table confirms the number of planned assignments for the 2020-21 planned days and those completed at the time of drafting this report.

As at financial year end, we had delivered 95% of the planned days. 17 of the 18 formal audit reports have now been completed. The majority of work was scheduled to be undertaken towards the end of the financial year and Internal Audit profiled their resources to ensure the 2020-21 Pensions Authority plan was delivered. No pieces of work were cancelled / deferred by management during the year and 1 piece of work was divided into 2 (Pensions Review Process).

Delivery of 2020-21 Plan – Audit Days Delivered as at 31st March 2021

	Original plan days	Revised plan days	Actual days (% of revised days)
Finance	98	105	112 (107%)
Pensions Admin	54	46	45 (98%)
Investments	15	15	9 (60%)
Authority Wide	106	110	97 (88%)

	Original plan days	Revised plan days	Actual days (% of revised days)
Contingency	5	2	0
Chargeable Planned Days	278	278	263 (95%)

Delivery of 2020/21 Plan – Planned Assignments Delivered as at 31st May 2021

	Planned Assignments	Actual Assignments Completed
Finance	8	8
Pensions Admin	4	4
Investments	1	1
Authority Wide	5	4
	18	17

Summary of Governance, Risk and Internal Control Issues Arising from Internal Audit work in 2020-21

Internal Audit has completed 17 individual reviews of aspects of the Authority's governance, risk and internal control framework during 2020-21 that resulted in a formal report. These audits sought to identify, test and review various controls to ensure management were meeting their responsibilities to establish and adhere to appropriate systems of internal control.

There is 1 review not yet finalised. Information has been provided by the Head of Pensions Administration to enable the required work to be undertaken (Customer Contact Centre).

A summary of the assurance opinions given for the 15 reports issued, where an assurance opinion was provided, are shown below together with a comparison to 2019/20 and 2018/19.

Assurance Opinion		**2020/21 Completed**		**2019/20**		2018/19	
		No	**%**	**No**	**%**	No.	%
Positive Opinions	Substantial	**6**	**40%**	1	14%	11	92%
	Reasonable	**8**	**53%**	4	58%	1	8%
Negative Opinions	Limited	**1**	**7%**	2	28%	0	0%
	No Assurance	**0**	**0%**	0	0%	0	0%
TOTAL		**15**	**100%**	7	100%	12	100%

Across the various completed pieces of work 27 implications were reported and management actions agreed. These are summarised below:

	2020/21		2019/20		2018/19	
Agreed Management Action Category	No	%	**No**	**%**	No	%
High	**0**	**0%**	0	0%	0	0%
Medium	**19**	**70%**	18	56%	2	17%
Low	**8**	**30%**	14	44%	10	83%
Total	**27**	**100%**	32	100%	12	100%

No high categorised management actions were made. All implications / management actions being categorised as medium (70%) and and low (30%) priority. In all cases, management have agreed to implement the required actions and set timescales for implementation. Although there has been significant pressure on management throughout the year and across all services, Internal Audit has continued to get good co-operation from management across the Authority and at various levels.

Details of the key issues arising from these reviews have been presented to the Audit Committee in the quarterly reports. In terms of the 1 limited assurance report (Child Pensions Process), management asked Internal Audit to undertake an in-depth review as they were aware that improvements were required. The audit has enabled management to initiate a review of this particular area.

As stated in the quarterly reports it is important to note that the identification of control weaknesses does not necessarily indicate that any loss or inefficiency has actually occurred. Weaknesses indicate an increased *potential/risk* that losses or inefficiencies could occur.

An important part of Internal Audit's assessment of controls is undertaken through the annual reviews of the core financial systems of the Authority. This work is considered by External Audit who have regard to Internal Audit's work to assist in their opinion on the financial systems for their audit of the Accounts.

Internal Audit monitors the implementation of management actions. The progress is reported to the Audit Committee via the quarterly reports. These include the priority level and status of newly added management actions. As at 30th June 2021, there were four management actions that remained outstanding six months after the original agreed implementation date and/or that had 3 revisions to the original agreed implementation date. Refer to Appendix 2.

The timeliness of when management implement their agreed actions has been generally satisfactory throughout the year.

Other Internal Audit work undertaken

Audit Activity	**Description**
Follow-up of Agreed Management Actions	Regular work undertaken to follow-up of agreed management actions.
Liaison, Planning and Feedback	Meeting and corresponding with Senior Management regarding progress of audit work, future planning and general client liaison.
Advice	General advice to services regarding controls, risk or governance matters.

Audit Activity	Description
Audit Committee Support	Time taken in the preparation of Audit Committee reports, Member training (where required), general support and development.
NFI	Time allocated to undertake the National Fraud Initiative data matching exercise.
AGR/AGS Process	Independent review of the Officer Assurance Statements completed by SMT and the draft AGS.

Appendix 1

Summary of Internal Audit Reports 2020-21

Audit Assignment	Assurance Opinion	Number of implications raised:			Total	Agreed
		High	Medium	Low		
Authority Wide – Risk Management	Reasonable	0	1	1	2	2
Authority Wide – DPO Cybersecurity	Reasonable	0	4	0	4	4
Authority Wide - DPO IG Awareness Surveys	Reasonable	0	1	1	2	2
Authority Wide – Procurement Insurance	Reasonable	0	2	0	2	2
Investments – Pensions Pooling Arrangements	Reasonable	0	1	0	1	1
Pensions Admin – Customer Services	N/A - Advisory	0	1	0	1	1
Finance – Main Accounting	Substantial	0	0	1	1	1
Finance – Accounts Receivable	Reasonable	0	1	2	3	3
Finance – UPM Payroll	Substantial	0	0	1	1	1
Finance – Transfer Values	Substantial	0	0	0	0	0
Finance – Fund Contributions	Reasonable	0	1	0	1	1
Finance – Verification of Assets	Substantial	0	0	0	0	0
Finance – Treasury Management	Substantial	0	0	0	0	0
Finance – Accounting for Deals	Substantial	0	0	1	1	1
Pensions Admin – Child Pensions Process	Limited	0	4	0	4	4
Pensions Admin – Existence Checks	Reasonable	0	1	0	1	1
Pensions Admin – Online Retirement Tool	N/A - Advisory	0	2	1	3	3
Total 17		**0**	**19**	**8**	**27**	**27**

Appendix 2

Longstanding Recommendations and Management Responses

Sponsor	Category of Work	Title of Audit / Date of Final Report	Recommendations Outstanding	Priority of Rec.	Original Completion Date	Current Status / Management Updates and Revised Completion Date
Head of Pensions Administration	Pensions Admin	Added Voluntary Contributions 16/09/2019	R10 - The Authority should undertake a review to determine the adequacy of the current contract management arrangements with the AVC providers. Amendments to any agreements where possible should maximise processing efficiencies, value for money and enhance customer service. Moving forward, a process should be established to monitor progress against Key Performance Indicators (KPIs) between the AVC provider and the Authority. Where KPI targets are not met, the Authority should ensure these are followed up within a timely manner.	Significant	31/12/2019 (4 revisions)	Performance issues with Prudential continue to be addressed locally and nationally and this will feed into the AVC review. A new national LGPS Framework for Benefits Consultancy is due to go live on 1 July 2021 which will allow SYPA to select an appropriate partner to assist with the widescale AVC review so this has been rescheduled to Quarter 2. Implementation date revised to 30th September 2021.
Director	Authority Wide	HR Governance 22/01/2020	I3 - The lack of a corporate approach to the management of training & development has led to an ineffective and inefficient process for monitoring training requirements across the Pensions Authority.	Medium	31/07/2020 (3 revisions)	Some limited progress is being made in terms of specific training for staff and in redeveloping the career grade scheme for Pensions Administration. However due to lockdown and the need to concentrate on more immediate priorities, it was not possible to recruit the undergraduate placement that it was intended to use to support key element of this work, which will now need to fall into 2021/22. It would be reasonable to set a revised implementation date of 31/12/21 given where things stand at present. Target implementation date revised to 31/12/2021.

Sponsor	Category of Work	Title of Audit / Date of Final Report	Recommendations Outstanding	Priority of Rec.	Original Completion Date	Current Status / Management Updates and Revised Completion Date
Head of Finance & Corporate Services	Finance	Payroll Review 20/02/2020	I1 - Lack of detailed and up to date procedures that have been recently reviewed, approved and published may result in a lack of clarity with regards to individual roles and responsibilities and a failure to take into consideration and comply with any changes in legislative / regulatory requirements.	Medium	31/07/2020 (2 revisions)	Due to further staff changes in June, the training isn't fully complete yet – it takes a while due to the payroll process only taking place once a month. Can we revise the implementation date again to 31 August. Implementation date revised to 31st August 2021.
Head of Pensions Administration	Authority Wide	Information Governance 18/08/2020	I3 - Lack of a framework upon which the Authority can monitor and evidence its progress in addressing the areas of non-compliance with GDPR requirements.	Medium	30/11/2020 (0 revisions)	The Governance, Risk and Compliance Officer has only recently been appointed. Although the development of process maps is on her work list, it is likely this will now be completed later in the year - a revised completion date of 31 December 2021 has therefore been suggested. Implementation date revised to 31st December 2021.

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Subject	Internal Audit Charter Report 2021-24	Status	For Publication
Report to	**Audit Committee**	**Date**	**29/07/2021**
Report of	Head of Internal Audit, Anti-Fraud and Assurance		
Equality Impact Assessment	Not Required		
Contact Officer	Sharon Bradley	**Phone**	07795 305846
E Mail	SharonBradley@barnsley.gov.uk		

1. Purpose of the Report

1.1 This report presents to the Committee the Internal Audit Charter (attached as Appendix 1) for approval as required by the Public Sector Internal Audit Standards (PSIAS).

2 Recommendation

2.1 The Committee is recommended to consider and approve the Internal Audit Charter and consequently be assured that the Internal Audit function operates in accordance with the relevant standards.

3 Background Information

3.1 The first Standard in the PSIAS – 1000 Purpose, Authority and Responsibility, states that:

"*The internal audit charter is a formal document that defines the internal audit activity's purpose, authority and responsibility. The internal audit charter establishes the internal audit activity's position within the organisation, including the nature of the Head of Internal Audit's functional reporting relationship with the Board (Audit Committee); authorises access to records, personnel and physical properties relevant to the performance of engagement; and defines the scope of internal audit activities. Final approval of the internal audit charter resides with the Board*."

3.2 The Charter is structured to explain the various aspects of the function, its Mission and Core Principles, authority and scope, purpose, definitions, responsibilities of Internal Audit and Senior Management, the position of Internal Audit within the organisation, the resources, skills, competencies and standards, access to people and information, the scope of activity, planning, reporting and quality assurance.

3.3 Some of the language used in the Charter is generic, to cover the various organisations that Internal Audit serves.

3.4 It is good practice to review the Charter periodically to ensure it reflects how the function operates but also to ensure that the requirements and provisions of the PSIAS are adequately covered. Other than relatively minor updates, the Charter represents how the Internal Audit operates currently and as such there are no significant changes to highlight.

4. Appendix

Appendix 1 – Internal Audit Charter 2021 – 2024

Officer Contact:	Head of Internal Audit, Anti-Fraud and Assurance
Email:	robwinter@barnsley.gov.uk
Date:	28th May 2021

BARNSLEY

Metropolitan Borough Council

INTERNAL AUDIT SERVICES

Internal Audit Charter

2021 – 2024

Updated March 2021

1. Introduction

1.1 The Internal Audit function is a key component of an organisation's governance framework. As such, it aims to provide a quality objective and independent management support function in order to influence and contribute to the achievement of strategic objectives. An important part of this support is the development and maintenance of excellent client relationships and adopting an innovative and flexible approach to the delivery of the service. This Charter provides the framework for the management and delivery of the Internal Audit function and is applicable to all client organisations.

1.2 This Charter therefore defines the mission and core principles for Internal Audit, its authority and scope, purpose, responsibilities, position in the organisation, resources and standards, planning and reporting. This is consistent with and in compliance with the Public Sector Internal Audit Standards (PSIAS).

1.3 The PSIAS defines internal audit as:

> "…. *an independent, objective assurance and consulting function designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.*".

2. Mission and Core Principles

2.1 The PSIAS also provides a mission for the Internal Audit function that articulates what it aspires to accomplish within the Council and for its external client organisations.

2.2 The mission for Internal Audit is:

> "*To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight*".

2.3 A set of core principles have also been defined through the PSIAS aimed at articulating internal audit effectiveness. The function aims to demonstrate these principles in all it does and across all the organisations it serves. The core principles and how they are met are: -

Principle	How Discharged
Demonstrates integrity	All IA staff are obliged to adhere to the Code of Ethics within the PSIAS (see para 8.8) and confirm annually that they have read, understood and will comply.
Demonstrates competence and due professional care	IA have a performance management process of specific job supervision and management complimented by regular 1:1s and the corporate PDR process. Feedback from clients and peers on each piece of work is also utilised for this purpose. IA staff undertake regular specific and general training and development activities in accordance with the agreed training plan. (See para 8.9)
Is objective, free from undue influence and therefore demonstrates independent thought	As individuals, the ability to operate objectively and with an independent mind is a core attribute of being in IA and a requirement within PSIAS (see paras 8.5 and 8.6). The HoIA's position within the organisation also sets this tone and is further reinforced by the specific access to information and other officers afforded to IA.
Aligns with the strategies, objectives and risks of the organisation	IA planning and delivery is built upon the knowledge of the organisation's strategies, objectives and key risks. Consideration of these is an integral part of annual and specific job planning.

Principle	How Discharged
Is appropriately positioned and adequately resourced	The HoIA has the necessary reporting lines and unfettered access to the relevant statutory officers, audit committees and the external auditors of all client organisations. The resources of the IA function are assessed annually as part of the audit planning process. It is the duty of the HoIA to highlight any concern regarding the resources available for IA to the organisation.
Demonstrates quality and strives for continuous improvement	The HoIA maintains a Quality Assurance and Improvement Programme (QAIP) as required by PSIAS. This aims to ensure the delivery of high-quality IA services but to also identify any opportunities for further improvement. The client feedback process is a key element of this and liaison with other external parties (e.g. S&WY HoIA Group, CIPFA Special Interest Group for IA and Police Audit Group).
Communicates effectively	A key output from IA is the audit report. These are compiled in a clear and concise manner to highlight the key areas for management to address. Regular liaison meetings are held with each client throughout the year via client update meetings with nominated SPOCs, DMTs, to ensure the sharing of information and that operational working arrangements, job planning and delivery are effective. The HoIA's annual report is also a key element of organisational communication.
Provides risk-based assurance and advice	All IA planning (formal assurance work and advice/consultancy) considers the risk, concerns, issues and threats to an organisation, a service or system in whatever capacity IA work is focussed. IA reports refer to these matters such that management are alerted to undertake any actions to address risks etc. The HoIA's annual opinion focusses on assurance about the effectiveness of an organisation's risk management, control and governance arrangements.
Is insightful, proactive and future-focussed	The scoping of IA work includes prompts and opportunities to provide innovative solutions, provide advice and consider future activities, capacity and efficiencies. This is particularly an area of focus in the advisory work IA undertakes.
Promotes organisational improvement	All IA work as referenced above, is designed to assist management and the organisation deliver its strategic and operational objectives in the most efficient and effective way.

2.4 The Barnsley Internal Audit Service operates within a challenging environment across all client organisations to deliver the services each requires and to ensure it provides added value. The Service needs to be able to react and adapt to the rapid pace of change which is taking place both locally, regionally and nationally. Accordingly, and in addition to the core principles in the PSIAS, the Charter has been extended to include even wider aspirations of the Internal Audit Service, which are to:

- ✓ Develop, maintain and enhance relationships particularly where a client organisation is undergoing significant change to ensure that the service is aware of and understands its needs and objectives;
- ✓ promote and support clients with regards to an increase in regional and collaborative working;
- ✓ understand its position with respect to the organisation's other sources of assurance and plan our work accordingly;
- ✓ be seen as a catalyst and support for change at the heart of the organisation;
- ✓ be the auditor of choice, delivering exceptional client service;
- ✓ add value and assist the organisation in achieving its strategic objectives;
- ✓ be forward looking – knowing where the organisation wishes to be and being aware of the relevant national agenda and its impact;
- ✓ be innovative and challenging;

- ✓ help to shape the ethics and standards of the organisation, reducing bureaucracy whilst maintaining high standards of governance and compliance;
- ✓ ensure the right resources are available recognising that the skills mix, capacity, specialisms, qualifications and experience requirements all change constantly;
- ✓ ensure all staff are supported in undertaking relevant professional qualifications and continuous professional development;
- ✓ share best practice with other internal auditors, clients and other professional services;
- ✓ seek opportunities for joint working with other organisations' auditors and assurance providers.

3. Authority and Scope of Internal Audit

3.1 The requirement for an internal audit function is detailed within the Accounts and Audit Regulations 2015 which state that a relevant body must "*undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes taking into account public sector internal auditing standards and guidance [PSIAS]*".

3.2 In accordance with the PSIAS, the scope of Internal Audit allows that in fulfilment of audit responsibilities there will be unrestricted coverage of all the organisation's activities and unrestricted access to all functions, records, data, personnel, premises and assets of the organisation and its partner organisations, as deemed necessary in the course of audit work and as set out in relevant partnership agreements and contracts. Internal Audit has therefore the authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities.

3.3 All records, documentation and information accessed in the course of undertaking internal audit activities are to be used solely for the conduct of these activities. The Head of Internal Audit (HoIA) and staff are responsible and accountable for maintaining the confidentiality of the information they receive during the course of their work.

3.4 The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the governance, risk management, and internal control processes in an organisation as well as the quality of performance management arrangements in carrying out assigned responsibilities to achieve the objectives of the organisation.

4. Purpose of Internal Audit

4.1 Each client organisation is responsible for establishing and maintaining appropriate risk / concern management processes, control systems, accounting records and governance arrangements. Internal Audit plays a vital part in advising whether effective and efficient arrangements exist. The annual HoIA opinion, which informs the annual governance statement, both emphasises and reflects upon the importance of this aspect of Internal Audit work. The response to Internal Audit activity should lead to the strengthening of the control environment and therefore contribute to the achievement of the corporate objectives, improvement and support innovation and change.

4.2 This is achieved through internal audit providing a combination of assurance and consulting/advisory activities. Assurance work involves assessing how well the systems and processes are designed (adequacy) and how well they are working (application). Consulting and advisory activities are available and complimentary to assist management make improvements to systems and processes where necessary.

5. Definitions

5.1 As the Internal Audit function serves a number of different organisations and for the purpose of this Charter the following definitions apply:

<u>The Board</u> – generally the governance group charged with seeking independent assurance on the adequacy of the control, risk management and governance framework, and the main oversight body for the delivery of the internal audit function. Such Boards are usually the group performing the role of an audit committee.

Senior Management – generally those responsible for the leadership and direction of the organisation as a collective, incorporating the 'chief executive' role.

6. Responsibilities of Internal Audit and Senior Management

6.1 The responsibilities and objectives of Internal Audit are as follows:

i. To be a valuable asset to the organisation by supporting senior management in meeting their corporate responsibilities.
ii. To contribute to assurances to those charged with governance in relation to the robustness and reliability of internal controls, risk / concern management and governance to support the Annual Governance Statement (AGS).
iii. To support the Statutory S151 Officer / Responsible Financial Officer in discharging their duties.
iv. To periodically review, appraise and report on the extent to which the assets and interests of the organisation are accounted for and safeguarded from loss and the suitability and reliability of financial and other management data and information.
v. To support the requirement to seek efficiency including the arrangements for achieving value for money and effective change management.
vi. To provide soundly based assurances to management on the adequacy and effectiveness of their internal control, risk / concern and governance arrangements. Such assurances include information technology governance and ethical behaviour.
vii. To assess the adequacy and effectiveness of the organisation's contracts, procurement, commissioning and associated governance arrangements.
viii. To assess the adequacy and effectiveness of the organisation's corporate risk / concern management process and the level of embeddedness in business as usual, whilst ensuring that Internal Audit does not adopt management responsibilities for managing risks.
ix. To evaluate the risk of fraud and the manner in which it is managed by the organisation. In addition, to reduce the incidence of fraud and irregularity by publicising the findings of fraud investigations to act as a deterrent and provide a quality fraud and irregularity prevention, detection and investigation service.
x. To disseminate examples of best practice in the application of an effective control, risk / concern and governance framework.
xi. To provide an Internal Audit advisory service intended to add value and improve governance, risk / concern management and control processes.
xii. To provide advice and an objective and supportive consulting service in respect of the development of new programmes and processes and / or significant changes to existing programmes and processes including the design of appropriate controls. This is usually achieved through membership of Officer Groups, Governance and other Boards or working parties as well as direct contact with officers within services / functions / departments. Such advice and consultation work forms an important part of the audit plan.
xiii. To prepare timely, concise and informative reports to management to facilitate the improvement of the control environment.
xiv. To undertake Audit support activities in respect of assisting the Audit Committee (or equivalent) to discharge its responsibilities; monitoring the implementation of agreed management actions; disseminating across the entity better practice and lessons learnt arising from its audit activities and having oversight of the audit function.

6.2 Under the PSIAS, the HoIA has a specific responsibility to lead and manage the Internal Audit function and have the necessary and unfettered access to senior management and audit committees.

6.3 Senior management also have responsibilities under this Charter in order to maximise the effectiveness and efficiency of the Internal Audit function. These are to:

- Engage fully and flexibly in the audit planning process, providing information and insight into high risk areas or areas of strategic focus or concern
- Nominate and commit to lead officers for each internal audit assignment and a point of reference for the overall management of the internal audit service
- Engage in a timely manner with Internal Audit in the scoping of work and agreeing terms of reference, dealing with audit queries and discussing draft and final reports

- Provide evidence to Internal Audit (and the audit committee) of the implementation of agreed management actions.

6.4 Arrangements will be made with each client organisation to monitor joint compliance with these responsibilities.

6.5 It should be noted that internal audit is not responsible for the operation of control functions within the Council (or other organisations); these responsibilities rest with senior management. Internal audit should not be regarded as a substitute for good management.

7. Position of Internal Audit in the Organisation(s)

7.1 Within the Council the HoIA reports functionally to the Audit Committee and organisationally to the Service Director – Finance (Section 151 Officer).

7.2 With regards to non-council client organisations the HoIA reports functionally to the respective audit committee / Board. Whilst the organisational relationship is different in the external client organisations, to fulfil professional responsibilities the HoIA will report to the respective Chief Finance Officer and/or Chief Executive.

7.3 Irrespective of the organisation, the HoIA has direct and unfettered access to the Chief Executive (or equivalent), Monitoring Officer (or equivalent) and Responsible Finance Officer. The HoIA also has access to the respective audit committees where this is deemed necessary in the discharging of professional responsibilities.

8. Internal Audit Resources / Skills / Competencies and Standards

8.1 In accordance with PSIAS, the HoIA will be professionally qualified and suitably experienced in the leadership and management of an internal audit function. These requirements reflect the responsibilities of the HoIA in leading a professional discipline, demonstrating personal independence and objectivity and the need to liaise with senior management, members and other professionals.

8.2 It is the responsibility of the HoIA to establish and maintain an appropriately skilled and experienced team and to set a culture of continuous improvement for the function. Resources will be set aside in the operational budget for the purposes of staff development and general and professional training.

8.3 At least annually, the HoIA will submit to the 'Chief Executive' and the Audit Committee an Internal Audit plan for review and approval. The plan will consist of a work schedule and resource requirements for the next financial year(s). The plan will include the impact of any resource limitations and significant actual or planned changes.

8.4 The Standards element of the PSIAS highlights some key expected competencies. These are:

8.5 <u>Independence:</u>

8.5.1 An independent approach and mind-set is essential to the effectiveness of the Internal Audit function. To ensure this, Internal Audit operates within a framework that allows: -

- Unrestricted access to the relevant senior officers; the Chair of the Audit Committee and Audit Committee Members; individual Senior Management Officers; employees and the responsible External Auditor.
- The HoIA to report in his own name.
- Segregation from line operations. Where the Head of Internal Audit has management responsibility for an operational area (i.e. Data Protection Officer for the Council and Clients, Risk Management, Governance and Assurance, Corporate Anti-Fraud), the Audit Manager will be responsible for managing reviews of those areas and for approving the final reports.

8.5.2 The Head of Internal Audit reports directly to the Board and it is the Board's responsibility to:

- Approve the internal audit charter;
- Approve the risk based internal audit plan (within the approved resource envelope);
- Receive updates on internal audit activity and performance relative to the delivery of the plan and other matters;
- Make appropriate enquiries of management and the Head of Internal Audit to determine whether there are inappropriate scope, operational responsibility or resource limitations.

8.5.3 The Internal Audit function has no responsibility for developing or implementing procedures or systems and does not prepare records or engage in original line processing functions or activities.

8.5.4 Internal Auditors are generally not involved in undertaking non-audit activities and an Auditor will not be involved in the audit of any system or process for which they had previous operational responsibility for a period of two years, where they have secondary employment or where there is a conflict of interest.

8.5.5 Audit responsibilities are periodically rotated to avoid over-familiarity and complacency and to provide for service continuity and resilience.

8.6 <u>Objectivity:</u>

8.6.1 Internal Auditors must exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal Auditors must make a balanced assessment of all the relevant circumstances and:

- not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organisation.
- not accept anything that may impair or be presumed to impair their professional judgement.
- disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review.
- declare any real or perceived interests on an annual basis. In addition, a prompt is included at the assignment planning phase of each audit and officers are reminded each year (and asked to confirm understanding) that they will comply with the Council's Code of Conduct plus that of their professional body (e.g. AAT, CIPFA, IIA).

8.7 <u>Confidentiality:</u>

8.7.1 Internal Auditors are expected to display confidentiality and:

- Shall be prudent in the use and protection of information acquired in the course of their duties.
- Shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organisation.

8.8 <u>Integrity:</u>

8.8.1 In the conduct of audit work, Internal Audit staff will:

- perform their work with honesty, diligence and responsibility.
- observe the law and make disclosures expected by the law and the profession.
- not knowingly be a party to any illegal activity or engage in acts that are discreditable to the profession of internal auditing or to the organisation.
- respect and contribute to the legitimate and ethical objectives of the organisation.
- comply with relevant professional codes/standards of conduct and declare any real or perceived conflicts of interest.
- respect and contribute to the legitimate and ethical objectives of the organisation.
- observe the Standards of Public Life's Seven Principles of Public Life.

8.9 Competency:

8.9.1 Internal Auditors are competent in their role by:

- engaging only in those services for which they have the necessary knowledge, skills and experience.
- performing internal auditing services in accordance with the International Standards for the Professional Practice of Internal Auditing.
- continually improving their proficiency and effectiveness and quality of their services.

8.9.2 The allocation of audit work to an Internal Auditor is based on consideration of their knowledge, skills and experience and any expression of interest to develop in a particular field/business area. Internal Auditors are encouraged to undertake continuous professional development and opportunities for further development are discussed and agreed during day to day on the job supervision, mentoring, 1:1s and PDR meetings. A training plan is maintained for the Service.

8.9.3 The HoIA maintains a Quality Assessment and Improvement Programme (QAIP) as required by the PSIAS and reports this to each client audit committee on an annual basis.

9. Access to Relevant Personnel and Information

9.1 Each member of the Internal Audit Team will carry with them at all times an ID card that clearly shows their responsibilities and authority as auditors. In the fulfilment of their audit duties this entitles them to unrestricted access to all records, assets, personnel and premises belonging to each client organisation. In addition, internal auditors have the authority to obtain such information and explanations as is considered necessary to meet the requirements of the audit activity. Where necessary, such access will be granted on demand and not subject to prior notice.

10. Scope of Internal Audit Activity

10.1 The HoIA is responsible for producing an annual report to each client organisation's audit committee providing an opinion on the adequacy and effectiveness of the control, risk / concern management and governance arrangements. Through careful annual audit planning and based on a programme of audit activities of sufficient breadth and depth covering the whole organisation, the HoIA is able to produce such an annual opinion.

10.2 The overall approach is determined by the HoIA and will take into account the level of assurance required, the significance of the objectives of the organisation, the degree of change within the organisation, the prevailing risk appetite and culture, and previous audit findings and implementation of agreed management actions.

10.3 To fulfil the scope of internal audit, the programme of audit activities is usually varied covering assurance work, advice, consultancy, anti-fraud work and irregularity investigations. The types of internal audit work are shown as annexe 1.

10.4 Increasingly, a major contribution to the HoIA's annual opinion is through advisory/consultancy type work where in a more proactive and timelier basis input can be given and assurance obtained regarding the adequacy and effectiveness of the activities of the organisation, e.g. through attendance at key management meetings, steering groups and project and programme boards. This work is also valuable for audit planning and generally ensuring a high level of awareness of the organisation's direction, objectives, pressures and performance.

11. Internal Audit Planning

11.1 Setting an annual or periodic risk-based plan is the responsibility of the HoIA. The audit plan is determined through a process of information gathering, reflection, forward looking and above all consultation and engagement with senior management and the Board.

11.2 The following are the key issues in the development of the risk-based audit plan: -

- An understanding of the organisation's vision and ambition, as articulated within the organisation's strategic plans and ensuring that audit coverage is directed and links to these areas of corporate importance.
- Identification of the significant (key) risks, concerns and issues arising from the above and understanding which areas of service delivery the significant risks impact upon.
- Internal Audit provides support to management and directs resources to areas where the Service can add value and support change and innovation.

11.3 The HoIA will advise senior management and the Board regarding the planned coverage and if/where this is potentially compromised due to limited resources.

11.4 Each year the HoIA will set out the planning process and key issues as part of senior management and Board engagement.

12. Reporting

12.1 The key output from internal audit activity is a report, a written and formal product to show the outcome from the assignment.

12.2 <u>Audit Assignment Reporting</u>

12.2.1 In reporting the outcome of individual audit assignments, the lead Internal Auditor will follow a proactive and consultative approach to engage management. The key principles of which are: -

- Advance discussion and agreement of the scope and objectives of audit assignments, the timescales for the completion of the work, and key client / audit contacts along with the recipients of the final audit report.
- Immediate reporting of any significant or critical issues arising during the course of audit work.
- Post audit meetings to discuss the conclusion and outcome of audit work on a prioritised basis and to agree management actions and timescales.
- Any areas of disagreement which are not resolved by discussion are recorded in the action plan and the residual risk highlighted within the report.
- Providing management with the opportunity to give feedback on the conduct of the work and how valuable and effective they found the audit process and report.

12.2.2 The process for the communication of audit work is designed to conform with the PSIAS.

12.2.3 Final audit reports will normally include an overall assurance opinion on the adequacy and effectiveness of the system of risk / concern management, controls and governance arrangements. The report will be issued on a timely basis and responses sought monthly from senior management on the implementation of high and medium agreed management actions. The non-receipt of a response will be followed up with the responsible manager, on a quarterly basis with the Executive Director or equivalent and also reported to the Audit Committee.

12.2.4 A process has been established with each organisation to ensure the high and medium categorised agreed actions are implemented or that senior management have accepted the risk of not taking action. Internal Audit will in certain circumstances undertake specific further work to obtain direct evidence of management actions having been taken as planned. The implementation of agreed management actions is reported to each audit committee where senior management may be invited to explain any delays in taking action.

12.2.5 All low categorised agreed management actions are reported to senior management (i.e. Executive Directors) on a 6-monthly basis. It is management's responsibility to obtain assurance that these have been implemented, and they are required to declare that they have fulfilled this responsibility within the annual declaration which forms part of the Annual Governance Review.

12.3 Reporting of Ad Hoc Advice and Development / Consultancy Work

12.3.1 Internal Audit undertakes a variety of tasks which do not always justify a formal audit report, e.g. responding to one-off queries, advice and consultancy type work given verbally at meetings e.g., projects and developments. Internal Audit does however ensure that details of advice given are recorded by the retention of memos / copy e-mails, or file notes and minutes of meetings. Such records are retained in respect of advice given which is likely to (or intended to) influence management decisions or effect changes in systems and processes. The result of this work is considered as part of the HoIA's overall assurance opinion.

12.3.2 Issues and risks / concerns arising would also be recorded within project and operational risk / concern registers in order to be managed by project lead officers. Details of issues arising would not necessarily be reported separately to the Audit Committee. However, details of the engagement and work undertaken would be recorded within the respective Audit Committee Report and any material issues would be followed up in accordance with the standard reporting and monitoring process.

12.4 Reporting to the Audit Committee

12.4.1 Internal Audit reports as follows: -

- Details of audit plans, performance against plans and against key performance measures, and on significant control or compliance issues arising from audit work, longstanding agreed management actions and management responses, completed projects / advice, unplanned, cancelled or deferred audit work.
- To client Audit Committee's on its performance and on individual audit reports.
- Audit Committees provide a route for the escalation of a failure to respond to audit reports, or the non-implementation of agreed management actions, with the potential for management to be called to answer to the Committee.
- The Audit Committee receives an annual report summarising the outcome of the review of the effectiveness of the internal audit function which is required under the PSIAS.

12.5 Annual Report of the Head of Internal Audit

12.5.1 The annual report to the Audit Committee includes the HoIA's opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk / concern management and control as determined from the programme of work undertaken. The following elements are incorporated into annual audit reports: -

- The HoIA's opinion on the overall effectiveness of the organisation's internal control, risk / concern management and governance environment based on work undertaken.
- Disclosure of any qualification to this opinion, together with the reason for the qualification.
- The disclosure of any impairments or restriction in scope of audit work.
- A summary of the audit work undertaken to provide this opinion, including any reliance placed on assurance work by other bodies.
- Details of any issues that the HoIA judges to be particularly relevant to the AGS.
- A comparison of work actually undertaken with the work originally planned and a summary of the performance of Internal Audit against its performance measures and criteria.
- A statement to confirm work has been completed independently and in accordance with the PSIAS.
- The results of the Quality Assurance Improvement Programme (QAIP).
- Any other issues that the HoIA judges is relevant to the preparation of the AGS.

13. Quality Assurance

13.1 Internal Audit is committed to provide a high-quality service to all client organisations and encourages clients to give feedback. A programme of internal quality assurance reviews of completed work are undertaken during the year to provide assurance that these have been undertaken in compliance with PSIAS and operational procedures. All matters relating to the quality of the function are captured within the Quality Assessment and Improvement Plan (QAIP) which is maintained by the HoIA and reported to each audit committee annually.

14. Contacts

The key contacts for the Internal Audit Service are:

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The office address is:

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Barnsley
S70 9EY

Types of Internal Audit Work

Advice	To meet requests from management for information and guidance on matters of internal control, procedures, compliance with relevant policies etc.
IT Audit	Operational IT audit designed to assess and review the operating procedures supporting key IT policies, environmental controls and input into system developments and new systems.
Information Governance	Work specifically looking at the adequacy and effectiveness of the management, use, control and security of information, compliance with the requirements of data protection legislation as well as internal policies and procedures. Support the Data Protection Officer in undertaking specific compliance reviews in relation to Data Protection legislation.
Regularity	Audit work designed to review and assess compliance with policies and procedures to ensure internal controls exist and are effective. Such work covers the functional areas of services and establishments. Important Internal Audit work to demonstrate presence at an operational level. Work supported by risk based and themed audit work.
Financial Systems	Work designed to assess and review the adequacy of the internal controls within the financial systems of the Organisation. Such work will take the form of either a walkthrough or full compliance audit on a risk-based approach set out in the annual strategy. This work is also considered by External Audit as part of their work on the statutory opinion on the accounts.
Grant Claims	Work necessary to independently verify grant claims as required by the awarding body.
Management Audit (Incl. Corporate items)	Provision for work on corporate procedures and processes. Also incorporates work specifically for management on an advisory basis. These jobs also tend to be of a significant length in terms of Internal Audit days and elapsed time due to their detail and nature.
Anti-Fraud and Investigations	This work, undertaken or led by the Corporate Anti-Fraud Team, focuses on prevention, detection and investigations. *Prevention* work focuses on developing good procedures, polices and guidance for managers and ensuring awareness so that appropriate controls are in place to avoid irregularities. *Detection* work focuses on proactively examining the transactions of the organisation and other information to identify potentially fraudulent activity. *Investigations* work is largely in response to allegations of irregularity being brought to Internal Audit's attention. This work is often extremely sensitive and requires great care, tact, diplomacy and attention to detail. A report to management is most often the output from this work where audit findings

	are described along with recommendations regarding potential disciplinary action or referral to the Police, and guidance on improving controls to minimise the risk of such matters arising again.
Commissioning, Procurement and Contract Audit	*Commissioning & Procurement* - generally focussed on the policies, procedures and systems in place to identify, assess and deliver a requirement; including compliance with procurement regulations (EU requirements and/or Contract Procedure Rules, Commissioning and Procurement Strategies/Policies). *Contract* - this work focuses on the controls within the organisation's contractual policies and procedures to ensure that individual contracts are entered on a timely basis and that these protect the organisation's interests. In addition, that the contract management arrangements are robust, and payments made are appropriate.
Project Management	Work which evaluates the effectiveness of the application of project management principles in order to achieve given outcomes / deliverables.
Corporate Governance Assurance	Requirements under the Accounts and Audit Regulations mean that all client organisations have to prepare and publish a statement on the overall adequacy of their governance arrangements (annual governance statement). A key element to providing assurance to the organisation is the work of Internal Audit overall and particularly in the key areas of corporate governance, risk management, performance management and general policy and procedure compliance.
Audit Committee Support	Time is allocated to support the various audit committees. This work involves the provision of reports, guidance and training.

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Subject	**Internal Audit Progress Report 2021/22**	**Status**	For Publication
Report to	**Audit Committee**	**Date**	**29/07/2021**
Report of	Head of Internal Audit, Anti-Fraud and Assurance		
Equality Impact Assessment	Not Required		
Contact Officer	Sharon Bradley	**Phone**	07795 305846
E Mail	SharonBradley@barnsley.gov.uk		

1. Purpose of the Report

1.1 The purpose of this report is to provide a summary of the Internal Audit activity completed, and the key issues arising from it, for the period from 1st April 2021 to 11th July 2021.

1.2 To provide information regarding the performance of the Internal Audit function during the period.

2 Recommendation

2.1 It is recommended that Members consider the report and as necessary request further information and/or explanations from Internal Audit or Management.

3 Background Information

3.1 The Audit Committee has responsibility for reviewing the adequacy of the Authority's corporate governance arrangements, including those relating to internal control and risk management. The reports issued by Internal Audit are a key source of assurance contributing to the evidence the Committee receives to assure them that the internal control environment is operating as intended.

3.2 At the end of the financial year, the Head of Internal Audit will produce his Annual Report, which will provide his overall opinion on the adequacy of the Authority's control environment and compliance with it during the year.

4. Implications

4.1 The proposals outlined in this report have the following implications:

Financial	The cost of the services of the Internal Audit Team is contained within the budget and is periodically invoiced.
Human Resources	n/a
ICT	n/a
Legal	Section 73 of the Local Government Act 1985 requires the Authority to make arrangements for the proper administration of its financial affairs; and Regulation 6 of the Accounts and Audit Regulations 2015 requires the Authority to maintain an adequate and effective system of Internal Audit of its accounting records and of its system of internal control.

	This report does not contain any information which is exempt under the Freedom of Information Act 2000.
Procurement	n/a

Rob Winter FCPFA
Head of Internal Audit, Anti-Fraud and Assurance

Background Papers	
Document	**Place of Inspection**
Background papers and other sources of reference include: Internal Audit Charter 2021-24, Annual Plan 2021-22, Individual Internal Audit Reports, MK Insight (Audit Management System), Public Sector Internal Audit Standards 2017	Barnsley Metropolitan Borough Council, Westgate Plaza, Barnsley.

South Yorkshire Pensions Authority

Internal Audit Progress Report

Audit Committee

29th July 2021

The matters arising in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required. Whilst every care has been taken to ensure that the information provided in this report is as accurate as possible, based on the information provided and documentation reviewed, no complete guarantee or warranty can be given with regard to the advice and information contained herein. Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

INTERNAL AUDIT PROGRESS REPORT 2020/21
1st April 2021 to 11th July 2021

Purpose of this report

This report has been prepared to update the Committee on our activity for the period 1st April 2021 to 11th July 2021, bringing to your attention matters that are relevant to your responsibilities as members of the Authority's Audit Committee.

The report also provides information regarding the performance of the Internal Audit function during the period.

Internal Audit Plan Progress

The following table shows the progress of the internal audit plan up to the 11th July 2021, analysed by the number of plan assignments and audit days delivered by Service Area.

To date, we have delivered 6% of the planned days. The 2021/22 plan (as in previous years) is profiled more heavily towards the end of the financial year and Internal Audit has profiled its resources accordingly. As in previous years, there are likely to be a number of pieces of work that will be completed in the new financial year.

Position as at 11th July 2021 - Plan Days Delivered

2021/22 Plan (incl. c/fwd)	Original Plan Days	Revised Plan Days	Actual days (% of revised days)
Finance	82.5	82.5	2.5
Pensions Admin	37.5	37.5	6
Investments	0	0	0
Authority Wide	87	87	6.5
Corporate Services	30	30	0
Contingency	4	4	0
Chargeable Planned Days	241	241	15

Position as at 13th July 2021 – Planned Assignments With Report

	Planned assignments in year	Assignments to be completed in period	Actual assignments completed in period
Finance	3*	1	1
Pensions Admin	6	3	2
Investments	0	0	0
Corporate Services	1	0	0
Authority Wide	3**	0	0
Total	**13**	**4**	**3**

* The 2021/22 DPO assurance coverage will be agreed with the Head of Pensions Admin in due course.
** The 2021/22 core financial systems coverage will be agreed with the Head of Finance & Corporate Services and the Treasurer in due course.

Changes to the 2021/22 Internal Audit Plan

At the beginning of the year provision is made in the allocation of audit resources for unplanned work, through a contingency. As requests for audit work are received, or more time is required for jobs or changes in priorities are identified, time is allocated from this contingency.

No audits have been deferred, added to or deleted from the audit plan, during the period.

Final Internal Audit Reports

The following reports have been issued during the period.

Audit Assignment	Assurance Opinion	Number of recommendations raised:			Total	Agreed
		High	Medium	Low		
Finance: UPM Payroll	Substantial	0	0	1	1	1
Pensions Admin: Pensions Review Process – Life Certificates	Reasonable	0	1	0	1	1
Pensions Admin: Pensions Review Process – Child Pensions	Limited	0	4	0	4	4
Total		**0**	**5**	**1**	**6**	**6**

Other Internal Audit work undertaken

Audit Activity	Description
Annual Governance Review / Statement	Advice and challenge in relation to the annual governance review process and also draft annual governance statement 2020-21.
Financial Management and Investment Systems - Design and Implementation	Independent advice, support and challenge to the Project Manager during the design stage. Included training session attendance.
Pensions Administration System – Design & Implementation	Independent advice, support and challenge to the Project Manager during the identification and assessment of gaps in current service provision against the new contract Specification of Requirements (to start next year) and liaison with the supplier to agree required actions.
Follow-up of Agreed Management Actions (AMAs)	Regular work undertaken to follow-up agreed management actions.
Liaison, Planning and Feedback	Meeting and corresponding with Senior Management regarding progress of audit work, future planning and general client liaison.
Advice	General advice to services regarding controls, risk or governance.
Audit Committee Support	Time taken in the preparation of Audit Committee reports, Audit Committee Member training (as required), general support and development.
NFI	Time allocated to undertake the National Fraud Initiative data matching exercise. Head of Pensions Admin has been provided with an update regarding the Datasets and Timescales for 2021/22.

Work in Progress

The following table provides a summary of the audits in progress at the time of producing this report:

Directorate- Audit Assignment	Audit Planning	Work in Progress	Draft Report
DPO – Customer Contact Centre		✓	
Pensions Admin: Data Quality Improvement Plan		✓	
Corporate Services: HR Governance	✓		

Follow-up of Internal Audit Report Management Actions

The following table shows the status of internal audit management actions due for completion during the period:

Management Action Classification	Followed up	Closed - Implemented	Revised target date agreed	Awaiting Update From Mgt
High	0	0	0	0
Medium	18	9	9	0
TOTAL	**18**	**9**	**9**	**0**

Internal Audit continues to get good co-operation from management including the Senior Management Team (SMT) and as such is able to closely monitor any implications that may arise from a delay in the implementation of management actions.

Internal Audit performance indicators and performance feedback for 2021/22 (Quarter 1)

Internal Audit's performance against a number of indicators is summarised below. The Service uses a range of performance indicators to monitor operational efficiency. Quarterly performance of the function is satisfactory and all PIs for the year are either on or exceed target levels.

Ref.	Indicator	Frequency of Report	Target 2021/22	This Period	Year to Date
1.	**Customer Perspective:**				
1.1	Percentage of questionnaires received noted "good" or "very good" relating to work concluding with an audit report.	Quarterly	95%	100%	100%
2.	**Business Process Perspective:**				
2.1	Percentage of final audit reports issued within 10 working days of completion and agreement of the draft audit report.	Quarterly	80%	100%	100%
2.2	Percentage of chargeable time	Quarterly	73%	69%	69%

Ref.	Indicator	Frequency of Report	Target 2021/22	This Period	Year to Date
	against total available.				
2.3	Average number of days lost through sickness per FTE	Quarterly	6 days	0 days	0 days
3.	**Continuous Improvement Perspective:**				
3.1	Personal development plans for staff completed within the prescribed timetable.	Annual	100%	100%	100%
4.	**Financial Perspective:**				
4.1	Total Internal Audit costs v budget.	Quarterly	Within budget	Yes	Yes

Performance indicator definitions and supporting information

PI Ref	Indicator	Comments
1.1	Percentage of favourable auditee questionnaire responses received (noted “good” or “very good”) relating to work concluding with an audit report.	Audit Sponsor and Operational Lead Questionnaires are circulated at the end of each piece of work. The questionnaires asks specific questions covering the effectiveness of audit planning, communication, timing and quality of the audit report/output. An overall assessment is sought as to the overall value of the work. This is the answer used for this PI. All questionnaires are analysed in detail to ensure all aspects of the audit process are monitored and improved.
2.1	Percentage of final audit reports issued within 10 working days of completion and agreement of the draft audit report.	This is an operational PI to ensure the timely issue of final reports. This PI is influenced by the availability of Senior Internal Audit staff to clear the report and any issues the Service’s quality assessment process highlights along with the availability of the auditee.
2.2	Percentage of chargeable time against total available.	A key operational measure of the ‘productivity’ of Audit staff taking into account allowances for administration, general management, training and other absences. This PI will reflect the % chargeable time of staff in post, net of vacancies.
2.3	Average number of days lost through sickness per FTE.	A corporate PI to measure the effectiveness of good absence / attendance management.
3.1	Personal development plans for staff completed within the prescribed timetable.	IA place a high level of importance on staff training and continuous development and are committed to ensure all staff have their own training plans derived from the personal development plan process.
4.1	Total Internal Audit costs v budget.	This is a simple overall measure to note whether the Service’s expenditure for the year has been kept within the budget.

Head of Internal Audit's Assurance Opinion

The Head of Internal Audit, Anti-Fraud and Assurance must deliver an annual internal audit opinion and report that can be used by the organisation to inform its Annual Governance Statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

At this point in the audit year, based on work completed to date, it is anticipated that a **Reasonable** (positive) overall assurance opinion will be provided.

Audit Contacts

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Appendix 1

KEY TO INTERNAL AUDIT ASSURANCE GRADINGS AND CLASSIFICATION OF IMPLICATIONS

1. Classification of Implications (impact)

High — Requires immediate action – imperative to ensuring the objectives of the system under review are met.

Medium — Requiring action necessary to avoid exposure to a significant risk to the achievement of the objectives of the system under review.

Low — Action is advised to enhance control or improve operational efficiency.

2. Assurance Opinions

	Level	Control Adequacy	Control Application
POSITIVE OPINIONS	**Substantial**	Robust framework of controls exist that are likely to ensure that objectives will be achieved.	Controls are applied continuously or with only minor lapses.
	Reasonable	Sufficient framework of key controls exist that are likely to result in objectives being achieved, but the control framework could be stronger.	Controls are applied but with some lapses.
NEGATIVE OPINIONS	**Limited**	Risk exists of objectives not being achieved due to the absence of key controls in the system.	Significant breakdown in the application of key controls.
	None	Significant risk exists of objectives not being achieved due to the absence of controls in the system.	Fundamental breakdown in the application of all or most controls.

SOUTH YORKSHIRE PENSIONS AUTHORITY

Subject	**Progress Update on Audit Recommendations**	**Status**	For Publication
Report to	Audit Committee	**Date**	29/07/2021
Report of	Head of Finance and Corporate Services		
Equality Impact Assessment	Not Required	Attached	Na
Contact Officer	Gillian Taberner Head of Finance & Corporate Services	**Phone**	01226 772850
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1 Purpose of the Report

1.1 To update Members on the actions being taken in response to audit recommendations made by both internal audit and external audit during the current financial year and in previous financial years.

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2 Recommendations

2.1 Members are recommended to:

a. **Note the progress being made on implementing audit recommendations; and**

b. **Consider if any further information or explanation is required from officers.**

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3 Link to Corporate Objectives

3.1 This report links to the delivery of the following corporate objectives:

Effective and Transparent Governance

To uphold effective governance showing prudence and propriety at all times.

3.2 The reporting of audit findings and recommendations is a key part of providing assurance on the adequacy of the Authority's corporate governance arrangements, particularly those relating to internal control and financial and risk management.

4 Implications for the Corporate Risk Register

4.1 The contents of this report do not link to a specific risk in the corporate risk register; instead they set out the actions being taken in a number of areas that will contribute to addressing various risks in relation to operations and governance as detailed in the original audit reports.

5 Background and Options

5.1 The Authority's Local Code of Corporate Governance sets out the framework in which the Authority complies with the seven principles of good governance; one of which is "*managing risks and performance through robust internal control and strong public financial management*". One aspect of achieving this is having arrangements for assurance and effective accountability in place and ensuring that recommendations made by both external audit and internal audit are acted upon.

5.2 The Audit Committee has received reports of the external auditor and of the Head of Internal Audit at regular intervals during the financial year. The report attached at Appendix A summarises the actions taken and progress being made on implementing the audit recommendations from internal audit reviews during the current and previous financial years. The external auditor's final report on their 2019/20 audit included no recommendations, and their report on 2020/21 is elsewhere on this agenda.

5.3 Members will note that there are several areas in which actions are being taken in order to address the findings and implications from the internal audit reviews. The number of areas and actions in progress is partly a reflection of the fact that SMT commissioned audit reviews in those areas that had been identified as requiring improvement so that the audit findings would help to focus the improvement process and actions.

5.4 The previous report on progress to the March meeting noted that there had been some delays in implementing agreed actions arising from the impact of COVID and lockdowns during 2020/21 in particular. Since then, further progress has been made and there are several actions that have now been fully completed. The tables in the attached appendix also show the status and progress being made on the remaining outstanding action plans and this will continue to be actively monitored.

5.5 The progress on implementation will continue to be reported to the Audit Committee at regular intervals.

6 Implications

6.1 The proposals outlined in this report have the following implications:

Financial	No additional financial implications; the costs of the internal audit service and the fees for the external audit are met from existing budgets.
Human Resources	None
ICT	None
Legal	None
Procurement	None

Gillian Taberner

Head of Finance & Corporate Services

Background Papers	
Document	**Place of Inspection**
None	-

Table 1: Actions Arising from Internal Audit Reviews

Audit Review Title	Report Issued Date	Finding / Implication	Progress Update	Officer Responsible and Timescale
Additional Voluntary Contributions (AVC) Review	13/09/2019	The Authority should undertake a review to determine the adequacy of the current contract management arrangements with the AVC providers. A process should be established to monitor progress against Key Performance Indicators (KPIs) between the AVC provider and the Authority. Where KPI targets are not met, the Authority should ensure these are followed up within a timely manner.	Performance issues with Prudential continue to be addressed locally and nationally and this will feed into the AVC review. A new national LGPS Framework for Benefits Consultancy is due to go live on 1 July 2021 which will allow SYPA to select an appropriate partner to assist with the wide scale AVC review so this has been rescheduled to Quarter 2.	Head of Pensions Administration Revised: 30 September 2021
HR Governance	22/01/2020	Ensure the 3-year policy review programme is completed.	The 3-year review programme remains on target for completion by October 2021. Progress is reviewed by the Senior Management Team on a quarterly basis allowing work to be prioritised between this activity and other equally important HR related work that needs to be undertaken.	HR Business Partner & SMT October 2021
HR Governance	22/01/2020	Implement a corporate approach to the management of training and development.	Progress is being made in terms of specific training for staff, a skills development programme for managers, and in redeveloping the career grade scheme for Pensions Administration. The discovery phase of the project to procure and implement an integrate HR and payroll system is also under way. As previously reported, it was not possible to make further headway during 2020/21 as initially envisaged but the HR undergraduate, who will support the key elements of this work, has now been recruited and is due to start their placement on 09/08/2021. Therefore this target remains on track to be implemented by the revised date of 31/12/2021.	Director 31 December 2021

Audit Review Title	Report Issued Date	Finding / Implication	Progress Update	Officer Responsible and Timescale
Staff Payroll	20/02/2020	A review of the Staff Payroll procedures identified that they needed to be reviewed and enhanced to include the roles and responsibilities of all payroll staff, the receipt and types of source documentation to be provided to payroll, the controls in place for all payroll data to be approved by an authorised signatory and reference to the Authority's Financial Regulations.	This action is partially complete; the staff payroll procedures document has been updated. This has been done by the acting senior payroll officer who has been the only officer involved in processing staff payroll until the last couple of months; she is now training up the other officers in the team and they will be asked to sign and confirm on completion of that training. However, due to further staff turnover within the team and the fact that the staff payroll closedown procedures are only undertaken once a month, the training process is taking a little longer than anticipated and the implementation date has now been revised to 31 August 2021.	Head of Finance & Corporate Services 31 August 2021
Information Governance	18/08/2020	Ensure a framework is in place upon which the Authority can monitor and evidence its progress in addressing the areas of non-compliance with GDPR requirements and to ensure compliance with legislative requirements relating to document retention.	This work will be undertaken by the Governance & Risk Officer who commenced in post at the end of May 2021. This will involve the introduction of monitoring of individual service area process maps for information governance and creation of a records management policy. This is on the work schedule but is likely to be completed later in the year and a revised implementation timescale has been agreed for completion by 31/12/2021.	Head of Pensions Administration Revised to 31 December 2021
Purchase to Pay	27/08/2020	Ensure the contract register published is fully comprehensive and kept up to date.	The Governance & Risk Officer will be tasked with review of the register and ensuring all relevant contracts are included in the published information as required. It will then be their responsibility to monitor this on an on-going basis.	Head of Finance & Corporate Services 30 September 2021

Audit Review Title	Report Issued Date	Finding / Implication	Progress Update	Officer Responsible and Timescale
Procurement - Insurance	29/10/2020	Legislative / regulatory compliance; absence of effective and robust management trail increases risk of potential supplier challenge. Contract formalities – ensuring that contracts are signed / sealed in accordance with Contract Standing Orders (CSOs)	Agreed actions are to develop procurement process guidance notes to supplement the contract standing orders; arrange for training to be delivered to key officers and consider introduction of a gateway document to review & obtain documented approvals at key stages of the procurement process. This will also extend to review and update contract execution requirements in terms of signing / sealing and the CSOs will be updated to reflect any revisions to this process. This work will be undertaken by the Governance & Risk Officer who commenced in post at the end of May 2021.	Head of Finance & Corporate Services 30 September 2021
Online Retirement Tool	22/01/2021	Ensure that previously identified AVC concerns are resolved to prevent any issues having an impact on the successful delivery of the Online Retirement Tool.	Although performance of AVC providers was previously assessed as satisfactory, recent concerns have been identified with the performance of the largest AVC provider as a result of Covid-related issues. This recent drop is a national issue applying across different sectors and has been reported to the Pensions Regulator by a number of funds and by Prudential themselves, as well as being followed up by the LGA. We continue to monitor performance locally and to apply pressure nationally to resolve the issue and this will form part of our wider review of AVC providers scheduled for Quarter 2. In the interim, members are being offered the opportunity to receive payment of 'interim' benefits to minimise the personal impact.	Head of Pensions Administration Revised to 30 September 2021

Table 2: Recommendations Fully Completed Since Last Report

Audit Review Title	Report Issued Date	Finding / Implication	Progress Update	Officer Responsible and Timescale
Monthly Data Collection	20/12/2018	An internal post-implementation review of the monthly data collection process should be completed. This may help to inform future developments such as direct debit collection.	The cross-service project group has identified a number of process improvements (including software developments) which have now been implemented and the end result is that 98% of employers have now had their monthly files processed for 2020/21. This is significantly ahead of 2019-20 and will ensure that the 2021 Annual Benefit Statement exercise can be completed on time. A number of further developments have been identified through this group so the intention is to continue in operation until late summer as a process improvement group to build on the enhancements already made. A final summary can be produced in late summer by which time it is expected the MDC process will be operating without any backlogs.	Head of Pensions Administration 30 April 2021 IMPLEMENTED
HR Governance	22/01/2020	Ensure an appropriately structured Performance Appraisal & Development programme, including corporate timescales, workflows and review forms.	Actions agreed here now completed. The new appraisal form and new 1-1 forms are in place on SharePoint. The process is for annual appraisal and a 6 month review supplemented by monthly 1-1 meetings. Training for line managers is being provided via a structured management development programme which will include managing performance as well as various other management skills and will be run over a period of 10 months from June 2021 to April 2022.	HR Business Partner & SMT 30 April 2021 IMPLEMENTED
HR Governance	22/01/2020	Ensure there is a formalised change management process for requesting changes to the existing establishment structure.	A detailed scheme of delegation for HR related matters was issued to all staff responsible for people management on 17 May 2021 (with a requirement to acknowledge receipt and understanding). This includes details around the ability to make changes to the establishment within the cash limited budget. The authorised establishment is now jointly maintained by Finance and HR and, as evidenced in the budget report, is providing a clear baseline against which changes can be measured. Further automation of processes will be limited until the new HR system is implemented to avoid unnecessarily wasting resources.	Director 31 May 2021 IMPLEMENTED

Audit Review Title	Report Issued Date	Finding / Implication	Progress Update	Officer Responsible and Timescale
Customer Services	29/09/2020	Ensure updated and approved procedure notes published and provide ‘prompts’ built into the pension administration system to guide customer centre staff.	The original intention in relation to the use of 'prompts' and standardised response texts was to apply these directly in UPM. However, this proved impractical and these have therefore been developed within SharePoint. This action is therefore considered completed. For reference, we are scheduled to migrate to a specific Contact Centre telephony platform in August/September 2021 so the relevant texts will be transferred to the new platform for ease of use once available.	Head of Pensions Administration 31 May 2021
Online Retirement Tool	22/01/2021	The absence of a formalised and embedded Project Management Framework will result in a lack of clarity with regards to roles and responsibilities, inconsistencies in processes and failure to meet project development objectives.	A Project and Improvement Lead was recruited in September 2020 to help fill this gap. All Team Managers have now received initial overview training on Lean Six Sigma principles and a select group of staff involved in projects have received Prince2 Foundation Training covering all the principles and the tools needed to ensure these are built into future projects. Specifically for this project, minutes and Action Logs are now in place as well as identification of Stakeholder engagement and a “lessons learned” review will be conducted once the Retire Online system is live.	Head of Pensions Administration 31 March 2021 IMPLEMENTED
Pensions Review Process – Child Pensions	2020/21	Revised process maps to ensure consistent working practices, clarity of processes, roles and responsibilities.	The revised process map is designed to obtain a revised Letter of Authority each year from the child beneficiary, together with a declaration of their educational/vocational status prior to corresponding with the educational/vocational institution. Non receipt of the Review Form in a timely manner will result in a temporary suspension on the Child Beneficiary’s benefits until this has been received, thus minimising the risk of overpayments occurring. The revised process has appropriate prompting built into the automated letters and improved guidance notes at the age 18 review stage. Training on the new process was delivered in week commencing 28 June to enable the new map to go live immediately.	Benefits Team Leader 30 June 2021 IMPLEMENTED
Pensions Review Process – Existence Checks	2020/21	The reporting on the Annual Life Certificate Exercise for overseas pensioners to SMT will be enhanced. As the annual exercise involves ongoing dialogue with members, a report will be produced for SMT twice yearly to provide a current status report on ongoing and unresolved cases.	The new reporting is now in place and the 2021 Annual Life Certificate exercise is scheduled for August 2021. This action should therefore be subject to a final review in October 2021.	Head of Pensions Administration IMPLEMENTED

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