

# Public Document Pack



Date: 18 December 2025

To: MEMBERS OF SOUTH YORKSHIRE PENSIONS  
AUTHORITY

Oakwell House  
2 Beevor Court  
Pontefract Road  
Barnsley  
S71 1HG

[www.sypensions.org.uk](http://www.sypensions.org.uk)

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Dear Member

**South Yorkshire Pensions Authority**  
**Thursday, 18 December 2025**

A meeting of South Yorkshire Pensions Authority will be held at **Oakwell House, 2 Beevor Court, Pontefract Road, Barnsley, S71 1HG on Thursday, 18th December, 2025 at 10.00 am.**

The agenda is attached.

Yours sincerely

*G Graham*

George Graham  
Director and Clerk

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**Distribution: Councillor Martin O'Donoghue, Councillor Craig Ward, Councillor John Reed, Councillor Donna Sutton (Chair), Councillor Roy Bowser (Vice-Chair), Councillor Simon Clement-Jones, Councillor Alexi Dimond, Councillor Jayne Dunn, Councillor David Fisher, Councillor Craig Gamble Pugh, Councillor Ken Guest and Councillor Andrew Sangar and Councillor Craig Ward**

# **SOUTH YORKSHIRE PENSIONS AUTHORITY**

**THURSDAY, 18 DECEMBER 2025 AT 10.00 AM, OAKWELL HOUSE, 2 BEEVOR COURT, PONTEFRACT ROAD, BARNSELEY, S71 1HG**

## **AGENDA**

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1	Apologies		
2	Announcements		
3	Urgent Items  To determine whether there are any additional items of business which by reason of special circumstances the Chair is of the opinion should be considered at the meeting; the reason(s) for such urgency to be stated.		
4	Items to be considered in the absence of the public and press  To identify where resolutions may be moved to exclude the public and press. (For items marked * the public and press may be excluded from the meeting.)		
5	Declarations of Interest		
6	Section 41 Feedback from District Councils		
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<b>CORPORATE</b>			
11	Quarter 2 Corporate Performance Report 2025/2026		159 - 204

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<b>INVESTMENTS</b>			
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<b>PENSIONS ADMINISTRATION</b>			
20	Update on Pensions Administration Improvement Plan		359 - 370
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<b>GOVERNANCE</b>			
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## **SOUTH YORKSHIRE PENSIONS AUTHORITY**

**4 SEPTEMBER 2025**

### PRESENT:

Councillor Roy Bowser (Vice-Chair)  
Councillors: Simon Clement-Jones, Alexi Dimond, Jayne Dunn,  
David Fisher, Craig Gamble-Pugh, Andrew Sangar and Rachel Reed

Trade Unions: Nicola Doolan-Hamer (Unison) and Garry Warwick  
(GMB)

Investment Advisors: Aoifinn Devitt and Jonathan Hunt

Officers: George Graham (Director), Debbie Sharp (Assistant Director  
- Pensions), Jo Stone (Head of Governance and Corporate Services),  
Gillian Taberner (Director Designate), Will Goddard (Acting Assistant  
Director - Resources) and Andy Stone (Assistant Director - Investment  
Strategy)

Rachel Elwell and Sharmila Sikdar (Border to Coast Pensions  
Partnership Ltd)

Apologies for absence were received from Councillor Donna Sutton  
and Councillor Ken Guest

### 1 **APOLOGIES**

The Chair welcomed everyone to the meeting.

Apologies were noted as above.

### 2 **ANNOUNCEMENTS**

The Director informed members that Councillor Trevor Smith had resigned from his position as a member of the Authority, Barnsley MBC will appoint a replacement at their next full Council meeting.

### 3 **URGENT ITEMS**

None

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

Members noted that items 20 and 21 would be considered in the absence of the press and public.

### 5 **DECLARATIONS OF INTEREST**

Gillian Taberner (Assistant Director – Resources) and William Goddard (Head of Finance & Performance) declared an interest in item 9 and would leave the room whilst the item is considered.

**6     SECTION 41 FEEDBACK FROM DISTRICT COUNCILS**

Cllr Dunn advised that a Motion at Sheffield City Council was debated and passed the previous day, and the Authority will receive the feedback from this meeting in due course. The only action raised for SYPA in the motion had already been completed so there is nothing further to add.

**7     MINUTES OF THE MEETING HELD ON 05.06.2025**

**RESOLVED: Members agreed that the minutes as presented for the Authority Meeting held on 05 June 2025 were a true and accurate record.**

**8     QUESTIONS FROM THE PUBLIC**

Questions were received from Mr Ashraf, Ms Smith, Mr Cross and Mr Burnham. The Director replied on behalf of the Authority.

Written copies of the questions and the responses were given to the questioners and are attached as appendix to these minutes.

**9     APPOINTMENT OF HEAD OF PAID SERVICE AND MISCELLANEOUS HUMAN RESOURCE MATTERS**

The Director presented a report seeking approval of the appointment of an individual to perform Statutory Officer functions and to address consequential human resources issues and the impact of the national pay award on the Authority's pay and grading structure.

**RESOLVED: Members**

- a. Approve the appointment of Gillian Taberner as Head of Paid Service and Clerk with effect from 19<sup>th</sup> December 2025.**
- b. Approve the arrangements to set out in para 5.4 for interim cover for the role of Assistant Director – Resources pending a permanent appointment to the role.**
- c. Approve the arrangements of the appointment of permanent Assistant Director – Resources set out in para 5.6.**
- d. Approve the appointment of William Goddard as s.73 (Chief Finance) Officer with effect from 1<sup>st</sup> October 2025 until the appointment of a permanent Assistant Director – Resources.**
- e. Approve the setting of Grade M at £93,559 - £102,865p.a. following the local government national pay award and the consequent setting of pay packages for staff at Grade M greater than £100,000.**

**10    QUARTER 1 CORPORATE PERFORMANCE REPORT 2025/26**

The Assistant Director – Resources presented the Quarter 1 Corporate Performance Report for 2025-26, noting that this is the first quarter reporting on the new Corporate Strategy that was approved by the Authority in February.

The Assistant Director – Investment Strategy provided an update on the Investment Performance, noting that a separate report for this quarter was not included in the agenda due to the recent transition to a new custodian, which led to some inevitable teething issues. A slimmed-down version of the report will be made available in the online reading room for members in due course and normal reporting procedures will resume from next quarter.

The Head of Finance and Performance provided an update on the budget outturn, noting that there was a forecast £247k underspend, some of which will be used towards costs associated with clearing the backlog in pensions administration. The prime driver of the underspend was employee costs, including the pay award which was budgeted at 4% but was now confirmed at 3.2%; alongside some recruitment delays and the Director transition which has had a knock-on effect.

Members probed about the risk relating to clearing the backlogs, asking that if we are not able to meet the current target what will be a realistic timeline for clearing the casework. The Assistant Director – Pensions responded that we hope to have it cleared by March next year based on current clearance rates and will be keeping a very close eye on it.

Members further questioned whether there was a published timeline for the Investment Strategy Statement and consultation arrangements.

The Director responded that there will be engagement with elected members in the period leading up to March 2026, before it is brought to the Authority for approval. Further to this we are obliged to consult with those who have an interest in the strategy.

Members requested an update on the procurement for the Local Affordable Housing Mandate Manager and how this will interact with local authorities.

The Assistant Director – Investment Strategy updated that we are expecting responses from managers who are continuing in the process and the assessment day is scheduled to take place in two weeks' time. During this session, there will be detailed discussions and scrutiny. As part of these discussions, we will also be looking to understand how the managers plan to engage with local authorities.

Members sought further explanations in relation to the risk register section of the report; with questions relating to the increased risk of cashflow imbalances as a result of anticipated reduction in employer contributions income, and about the risk relating to Border to Coast strategic plan and expansion.

The Director explained that there would be a post-lunch briefing session from the actuary to provide further details regarding the valuation results and implications for employer contribution rates. He also noted that the Assistant Director – Investment Strategy will work with the investment consultants to assess the investment income needed to bridge the cashflow gap between contributions and pension payments.

In relation to Border to Coast, the Director responded that the risk has been identified due to the considerable amount of time, resource and effort required from Border to Coast to integrate the seven new funds into the pool. SYPA has its own priorities for

Border to Coast, which creates a potential conflict and while the risk appears to be managed at present the score cannot be reduced at this stage.

The risk score may decrease in the Q2 review, depending on how the integration of the seven new partners funds is progressing.

Rachel Elwell added that she does not discount the concern raised by SYPA and has already implemented changes in how her teams operate, including bringing in additional resources.

In addition to this, longer term bringing in additional partners will increase the demand and capacity for products SYPA want to see delivered. Border to Coast is clear on the actions required and remains committed to delivering on their 2030 Strategy, whilst acknowledging and accepting the risk.

Members raised concern that in the context of the Pensions Review and Investment Strategy, any efforts to gather views of our scheme members should be carefully worded to avoid giving the impression that the process is a referendum.

Noting the importance of ensuring that scheme members understand the broader context, including the potential impact of the Pensions Review and decisions made by the Authority. Emphasising that transparency is essential, and scheme members need to be aware of their role in the process and how decisions are ultimately made.

The Director responded that he is not currently able to provide a definitive answer on how this will be communicated to scheme members, as it will depend on the final content of what needs to be communicated. He noted that the Authority will be working within the menu of investment options provided by Border to Coast as this is the restriction placed upon us and the Investment Advisers will then provide recommendations based on these available options.

Communicating this back to scheme members presents a challenge, given the complexity of the subject and the range of potential scenarios, and the importance of factors such as cashflow, income generation, and the various mechanisms for harvesting income from the portfolio.

The Chair noted that Rachel Elwell the Chief Executive Officer of Border to Coast and her colleague Sharmila Sikdar joined the meeting at this item.

**RESOLVED:** Members noted the report.

## 11 ADVISER MARKET COMMENTARY

Aoifinn Devitt, Independent Investment Adviser, presented the Market Commentary Report for members to consider and note.

Members sought the Independent Advisers' opinions on equities, given how high they are at present, asking if the bubble is at risk of bursting and does she anticipate a financial crash.

Aoifinn Devitt commented that recent events such as the regional banking issues and the challenges in the commercial property sector have not yet resulted in a market

crash. Financial institutions today are generally more robust, better regulated, and more prepared to intervene when needed.

As a result, it is increasingly difficult to identify a single trigger for a major downturn. Rather than a sudden "big bang" crash, any future correction is more likely to be a slow burn, as a large-scale sell-off would be required to cause significant disruption, something she does not currently foresee.

Regarding equity markets being overvalued, the Adviser noted that this is true to some extent. The technology sector appears overvalued, with many stocks trading at unsustainable levels well above the normal levels, however the broader market does not reflect the same trend.

Much of the non-tech sector appears fairly valued or even undervalued, therefore she recommends rebalancing the portfolio by reducing exposure to technology and U.S. equities and increasing allocations to other regions and sectors.

Jonathan Hunt added that while the media noise can make short-term issues feel more significant, SYPA as a pension fund maintains a long-term investor perspective. As long-term investors we must remain focused on our objectives and be prepared to ride out any short-term volatility along the way.

**RESOLVED: Members noted the report.**

## 12 INVESTMENT STRATEGY REVIEW

The Assistant Director – Investment Strategy presented the Investment Strategy Review report to update the Authority with the recommendation to agree the scope for the planned review.

Noting that Hymans Robertson have been appointed as consultants for this project. The key output of the review will be the Investment Strategy Statement, and this would determine the long-term asset allocation for the coming years until the next valuation cycle.

Members probed whether the Responsible Investment Survey will inform this and to what extent will scheme members' non-financial interests be considered.

The Assistant Director – Investment Strategy responded that this is one of many factors that will be considered, but the focus will be on high-level strategic issues such as climate change and the route to net zero.

It was noted that some scheme members views are often nuanced and may not be fully representative or directly applicable when considering decisions at such a macro level such as in relation to specific stocks.

The Director added that scheme members' views from the survey will also inform the Responsible Investment Framework, which will come to the Authority in March as it does every year.

A Member commented that while climate change is recognised as the biggest risk to the portfolio, it appears contradictory to suggest that the 2030 target may not be achievable.

The Assistant Director – Investment Strategy responded that in an ideal world we would move as quickly as possible towards our net zero goals, however, the necessary investment opportunities remain limited, as many companies have not progressed fast enough.

Currently, only a minimal number of companies are aligned with a 2030 net zero target, and we do not want to reduce our portfolio from 30 holdings to just two to meet that timeline.

We will therefore review our current allocation and assess the likely timeline for achieving net zero.

The focus will be on identifying whether there are realistic portfolios we can construct that will allow us to reach our goals and achieve real world impact within a reasonable and achievable timeframe.

**RESOLVED: Members agreed the scope of the Investment Strategy Review as set out in the body of the report.**

13 QUARTER 1 RESPONSIBLE INVESTMENT UPDATE 2025/26

The Assistant Director – Investment Strategy presented the Q1 Responsible Investment Update and informed Members that on a question raised at the last meeting regarding holdings in Israeli government bonds and engagement on conflict-related risks, a written response has been provided directly to the Authority Member and a brief update on this was shared in the meeting.

The Assistant Director – Investment Strategy updated that the bonds held by PIMCO within the Border to Coast Multi-Asset Credit Fund, are not a restricted investment and we have been engaging with Border to Coast to understand the rationale behind PIMCO's decision, especially in relation to ESG risks. Adding that PIMCO stated the investment was made prior to the conflict, based on Israel's then-strong credit rating and economic fundamentals.

They confirmed they monitor conflict-related risks, which have since put downward pressure on ESG indicators. However, we are not fully satisfied with their responses and have asked further questions, particularly around whether Israel's ESG rating has moved to the lowest tier.

Additionally, Border to Coast have rolled out a new tool to improve risk oversight and engagement with managers. This is currently being used with equity managers, with fixed income managers like PIMCO to follow after their next review.

The Assistant Director noted that officers appreciate Border to Coast's continued efforts to follow up, though the process has been slow, we remain actively engaged and will update on further developments, including related conflict-area engagements.

Rachel Elwell added that Border to Coast welcome the challenge and engagement with her team, who share these same frustrations. Rachel will continue to engage with PIMCO and their senior leadership team to seek answers and express their frustrations, as they are not receiving the external transparency they expect from investment managers.

A concern was raised around the timeliness of receiving answers and the frustration in the responses received from PIMCO, alongside their rationale in decision making back in 2024 given the political direction of travel at the time.

The Assistant Director – Investment Strategy responded that he is seeking to understand a further level of detail as they already mentioned the downward pressure on ESG ratings.

We want to understand what those ratings were at the time of the initial investment, particularly as they have since invested in more of these bonds, to assess whether the ESG ratings have moved and what the threshold would be for a government entity to become un-investable. While there are no sanctions against Israel in the same way there are with Russia, it's difficult to engage in the next level of debate without clarity on the underlying decision-making process.

Rachel Elwell also assured members that she will follow up, and highlighted that unlike the Russia case, the lack of clear international consensus makes this a more complex and nuanced investment decision, particularly as the bonds remain liquid and performing. She will personally take this forward and respond once she has further clarity from PIMCO's senior leadership team.

**RESOLVED: Members noted the report.**

#### 14 UPDATE ON PENSIONS ADMINISTRATION IMPROVEMENT PLAN

The Assistant Director – Pensions presented a report to update the Authority on the Pensions Administration Improvement Plan.

Members probed around whether we have any idea on the software provider's timetable to implement the functionality needed to address all the elements in the McCloud Remedy which need to be applied to scheme members.

The Assistant Director – Pensions responded that a plan is being pulled together outlining the key elements to assess if the latest development is successful. While we can't set a timetable yet, we're identifying all potential actions to be ready when we can. With the McCloud implementation extended to August next year, we're hopeful we can comply. The current functionality should support much of the rectification work however we cannot yet estimate how much will require manual intervention so the testing will clarify this.

Members sought assurance that we were not the only pension fund awaiting these software updates and asked when we will know if the August target is unachievable. The Assistant Director – Pensions responded that many other pension funds using the same software are in the same position and that she is hopeful that the latest delivery will allow us to understand the scale of the work by the end of September.

**RESOLVED: Members**

- a. **Noted and commented on the 2025/2026 plans for Administration improvement that are in place.**
- b. **Agreed the Data Quality Improvement Plan 2025/27 at Appendix A.**
- c. **Agreed the Dashboard Matching Criteria Policy at Appendix B.**

15 PENSION ADMINISTRATION POLICY UPDATES

The Assistant Director – Pensions presented an Administration Policy Update to update members on changes required to the core Funding Strategy Statement, Policy (J) Academy Funding, and Policy (L) on Prepayments in line with the 2025 triennial Valuation to comply with Regulation 58 of the Local Government Pension Scheme Regulations 2013.

The Pension Administration Strategy and the Breaches Procedure also required updating and there is need to introduce a Complaints Procedure.

**RESOLVED: Members**

- a. **Agreed the Funding Strategy Statement, Academy Funding Policy and the Prepayments Policy be updated in line with this report, as shown in Appendix A**
- b. **Agree with the Pensions Administration Strategy at Appendix B**
- c. **Agree with the Complaints Procedure at Appendix C**
- d. **Agree with the Breaches Procedure at Appendix D**

16 CHAIR OF LOCAL PENSION BOARD REPORT TO AUTHORITY

The Chair of the Local Pension Board, Riaz Nurennabi presented the Summary of the Local Pension Board Report.

This report is a means of continuing to grow the relationship between the Board and the Authority and to provide an update on matters discussed at the Board and work they are doing with officers and the Authority to ensure compliance with regulations and legislation.

It was noted that the pensions administration software provider has been invited to the Members Away Day in November to allow members to have a constructive discussion with them around the quality and timeliness of their delivery of the software for the McCloud Remedy work.

**RESOLVED: Members**

- a. **Noted the content of the report.**
- b. **Make any recommendations to the Local Pension Board if required.**

17 GOVERNANCE, REGULATORY AND POLICY UPDATE

The Head of Governance and Corporate Services provided members with an update on current governance related activity and regulatory matters.

**RESOLVED: Members noted the updates included in the report.**



18 INDEPENDENT GOVERNANCE REVIEW ACTION PLAN

The Assistant Director – Resources presented the progress update on the Independent Governance Review Action Plan.

It was noted that most actions on the plan are completed or in progress, the one main action that isn't yet progressed is around starting a project to review report templates and consistency, which was delayed due to workload pressures and lack of staff capacity. This project will now commence from next month, with a new target date of June 2026.

**RESOLVED: Members noted the updates and progress against the Independent Governance Review Action Plan.**

19 DECISIONS TAKEN BETWEEN MEETINGS

The Head of Governance and Corporate Services presented the report on decisions taken as a matter of urgency between meetings of the Authority.

To note, two decisions have been made since the last meeting which are noted within section 5.3 and 5.7 of the report.

**RESOLVED: Members noted the decisions taken between meetings of the Authority using the urgency procedure.**

20 ANNUAL REVIEW OF BORDER TO COAST 2024-24

The Assistant Director – Investment Strategy presented the Annual Review of Border to Coast 2024/25 to update the Authority on the review which encompasses both the company itself and the wider partnership.

**RESOLVED: Members noted the content and conclusions.**

21 UPDATE ON POOLING

The Director presented an update on pooling to consider the Authority's stance in relation to the admission of further funds to the Border to Coast Pensions Partnership as a result of the Government's Fit for the Future process.

**RESOLVED: Members**

- a. **Agreed that the funds identified in para 5.2 should be supported to become members of the Border to Coast Pensions Partnership.**
- b. **Note the Heads of Terms for admission of new partners set out at Appendix B which will form the basis on which the admission of new partners is negotiated.**
- c. **Note the intention that SYPA offer to relinquish the role of Secretary to the Joint Committee as part of the approach to signifying the start of a new partnership.**
- d. **Authorise the Director to cast the Authority's shareholder vote in support of the admission of the named funds as shareholders in the operating company and in support of any other shareholder resolutions, including,**

- but not limited to, for the issue of further shares, necessary to facilitate this process.
- e. Authorise the Head of Governance and Corporate Services to sign and attach the Authority's seal as necessary to the legal agreements needed to give effect to these decisions, including but not limited to the Shareholder Agreement and Inter-Authority Agreement.

Cllr Alexi Dimond abstained.

## 22 APPENDIX A

Public Questions – 4 September 2025

### Question 1 – Mr Ashraf

As-Salaam Alaikum,

Good Morning Chair, Councillors and Officers,

My question concerns SYPA's fiduciary duty and its alignment with the urgent need to divest from entities complicit in Israel's violations of international law in Palestine. Recent disclosures confirm SYPA holds **£118 million in arms manufacturers** (including BAE Systems and Rolls-Royce) and **£4.8 million in Israeli investment**, of which **£1.9 million comprises Israeli government bonds**, initiated in 2024 amid the International Court of Justice's genocide investigation. These investments directly contradict SYPA's Responsible Investment Policy, which mandates investments to "do no harm. Yet, SYPA has consistently cited fiduciary duty and operational constraints within the **Border to Coast Pensions Partnership** (managing 80% of SYPA's £11bn fund) as barriers to divestment. I argue this interpretation is legally incomplete, financially unsound, and ethically indefensible.

**Fiduciary Duty Encompasses More Than Short-Term Returns**, SYPA's narrow view of fiduciary duty ignores material risks:

**Reputational & Legal Liability:** Continuing investments in companies implicated in war crimes (e.g., BAE Systems' provision of F-35 jets used in Gaza) exposes SYPA to legal challenges under international law, including the Rome Statute which is applicable via the United Kingdom's International Criminal Court Act of 2001. The UN has explicitly called on states to sever economic ties with Israel, noting complicity risks.

**Member Sentiment:** SYPA has no mandate for investing members' money in companies profiting from genocide or Israeli government bonds. The 7,000 strong petition (including signatures of over 700 scheme members) collected in a short space of time along with recent polling of the UK general public supporting an arms embargo and sanctions on Israel (<https://palestinecampaign.org/polling-reveals-huge-public-support-for-arms-embargo>) strongly suggests that members would oppose these investments. SYPA has recently also conducted a survey of its scheme members, which it is yet to publish fully, but which may further demonstrate member sentiment. SYPA has a fiduciary duty to take account of the views and interests of members, some of whom may have been harmed morally or directly through these investments.

**Precedents:** Councils like **Manchester, Bristol, and Islington** have divested from similar assets, proving fiduciary duty accommodates ethical divestment.

**Pooling Arrangements Are Not Absolute Barriers.** SYPA claims divestment requires unanimous agreement from all 11 Border to Coast funds. However, this misrepresents options:

**Segregation of Assets:** SYPA can work with Border to Coast to create **exclusion-led pooled funds** or segregate contentious assets for phased divestment. Other pools (e.g., Brunel) have engineered such solutions for climate goals.

**Leverage as a Major Investor:** As part of a £64bn pool, SYPA holds influence to demand ethical screens. Withholding further investments until exclusion policies align is a legitimate fiduciary tool.

**Divestment of Directly Held Assets:** SYPA retains control over 20% of its portfolio (£2.2bn), including Israeli bonds. Divesting these immediately is wholly within SYPA's power.

**Financial Stability Supports Principled Action** SYPA's funding level stands at **159–160%**—far above liabilities. Arms investments constitute just **1% of total assets** (£118m). Divesting this fraction poses no material risk to members' benefits but mitigates long-term reputational and legal harm. As has been previously noted, divestment is "morally, legally, and financially justifiable" given this buffer.

**The Path Forward: A Fiduciary Imperative**

Continuing these investments violates SYPA's own policies and legal norms. The International Criminal Court's investigation into Gaza atrocities, coupled with ICJ rulings on plausible genocide, escalates the legal peril of inaction. Fiduciary duty requires SYPA to:

**Conduct an immediate fiduciary risk assessment** evaluating legal, reputational, and financial exposure from these holdings.

**Demand Border to Coast establish an exclusion screen** for companies on the UN's list of settlement violators and arms suppliers to Israel.

**Divest directly held Israeli bonds** and reinvest in local impact initiatives (e.g., South Yorkshire Debt Fund) that align with SYPA's place-based strategy.

**My Question to the Authority** that should be answered directly and not as part of a general, amalgamated response is:

Given the legal, financial, and ethical imperatives, **will SYPA commit by December 2025 to:**

1. **Immediately divest its £1.9m in Israeli bonds** from its directly managed portfolio?
2. **Commission an independent fiduciary risk assessment** of all Israel-linked holdings, including BAE Systems and Rolls-Royce, evaluating continued investment under UK and international law?
3. **Formally table a motion at the next Border to Coast meeting** to create an exclusion policy for companies complicit in human rights abuses in Palestine?

**Silence is complicity.**

**Fiduciary duty is not a shield for inaction, it is a mandate to protect members' interests holistically.**

**The world is watching South Yorkshire Pensions Authority.**

**We all are watching South Yorkshire Pensions Authority.**

**Response**

1. **Immediately divest its £1.9m in Israeli bonds from its directly managed portfolio?**

Contrary to your email, no Israeli government bonds are held directly by SYPA. These are held within the Border to Coast Multi-Asset Credit Fund as part of a mandate run by PIMCO. As this is a pooled fund, with multiple investors, SYPA is not able to divest from any individual holdings.

We have been engaging with Border to Coast over the course of several months to understand PIMCO's rationale for the purchases of their Israeli government bond holdings, the Environmental, Social and Governance (ESG) risks PIMCO took account of as part of this evaluation and their continuing choice to retain these assets. To-date, we have been extremely disappointed by the lack of detailed insight and transparency provided to Border to Coast by PIMCO. We have expressed our concerns to Border to Coast and are actively working to obtain more credible responses from PIMCO.

**2. Commission an independent fiduciary risk assessment** of all Israel-linked holdings, including BAE Systems and Rolls-Royce, evaluating continued investment under UK and international law?

Border to Coast and its underlying managers carry out risk assessment as part of their investment process and ongoing monitoring. More details on the approach can be found within Border to Coast's Responsible Investment Policy - [Border-to-Coast-RI-Policy-2025-FINAL-EXTERNAL.pdf](#).

As one of the largest funds in the Local Government Pension Scheme it is expected that the South Yorkshire Pension Fund has holdings in many large multi-national companies. The holdings identified are managed by the Border to Coast Pensions Partnership who engage with companies to ensure that they are making appropriate assessments of the implications of their operations in conflict affected areas.

The Authority does not invest in companies associated with the manufacture of controversial weapons, such as cluster munitions and land mines - these are subject to various international restrictions - and this is a very common position in the pensions industry. However, investment managers can and do invest in major defence contractors such as BAE Systems, where there is a financial case for doing so. Indeed, companies supplying arms will be doing so under the explicit terms of licences from the relevant government and it would be unreasonable (in terms of the legal principle known as Wednesbury reasonableness) to disinvest in a company acting with specific legal sanction.

**3. Formally table a motion at the next Border to Coast meeting** to create an exclusion policy for companies complicit in human rights abuses in Palestine?

Decisions taken by Border to Coast and their underlying managers regarding the investment risk from a company's Environmental, Social or Governance activities need to reflect the financial materiality of the issue. Revenues from Israel and the Occupied Palestinian Territories for the investee companies you have referenced are unlikely to be financially material in making decisions on investment or disinvestment. As noted above, companies exporting arms and military technology do so under very strict licensing conditions imposed by domestic governments. Further, the Supreme Court held in its judgement on the Palestine Solidarity Campaign case that it is not appropriate for political preferences, whether local or national, to take precedence over what is required under a pension scheme's fiduciary duty.

As touched upon in the response to question 1, the Pensions Authority does not directly own the shares and bonds of individual companies and government entities. Rather, it invests largely through pooled funds which are ultimately managed by Border to Coast. It is worth noting that Brunel's approach, whose segregated account approach you referenced, has been rejected by the Government and the pool will effectively be discontinued in the coming months.

The Authority encourages engagement by Border to Coast with investee companies to ensure that they are fully considering the impact of their activity in conflict affected areas through appropriate risk assessment. The standards which are expected of companies are set out in the collectively agreed Responsible Investment Policy. SYPA has identified that this is an area where they would wish to see policy tightened in future and will be lobbying for this in the next annual review. In addition, the Chair of SYPA has raised at the Border to Coast Joint Committee the need to actively address these issues.

### **Question 2 – Ms Smith**

As a member of SYPA in receipt of a pension I completed the member survey - it's shocking to me that SYPA have taken so long to provide any sort of information about the outcome of that survey and have not taken the trouble to provide me, as a member with any information about when or how the results of the survey would be disseminated or acted upon.

In a brief summary of the results of the Responsible Investment Survey published by the SYPA on its website, 90% of members stated that they wanted clear, transparent communication about how their pensions are invested.

In spite of this call for clear communication, the SYPA has failed to communicate the results of the Responsible Investment Survey with members - as a member myself, I have not been informed that a summary of results was published on the SYPA website. Moreover, the summary is incomplete: it entirely fails to report the results of questions relating to the arms trade. This is a significant omission: especially when over 700 SYPA members signed a petition to the SYPA explicitly demanding divestment from arms companies complicit in the genocide of Gaza.

The SYPA is duty-bound to consider the views of members in its decision-making, yet it is failing to reveal what those views actually are to members themselves. What practical steps will the SYPA to rectify its lack of transparency in regard to the members survey results, and how will it ensure accountability to members in its implementation of the outcome of the survey results?

Secondly, as far as I can see there is no information on the website about the extremely serious concerns raised at the last meeting about the fact that SYPA holds investments in Israeli Government bonds. This should surely be a matter of grave concern to each of you who sit as councillors as members of SYPA, and I would have thought each of you would be concerned to raise questions about this investment. I therefore request a detailed explanation of how this investment came about, and what steps are being taken to cease all investment in Israeli Government bonds.

### **Response**

*The Authority undertook the Responsible Investment survey to inform the work being undertaken on the Investment Strategy Review and its next annual review of its responsible investment policies. Both of these pieces of work are due to report back to the Authority in March 2026 and it had been intended to publish the full results alongside these pieces of work although a summary of the results was published on the website as a news story during August, after Authority members had been briefed on the results. Following interest from scheme members the full results as provided by the external market research company that undertook the work have been published on the website.*

*It should be understood that this is not a referendum but a piece of research which establishes to some degree the views of a self-selecting sample of scheme members*

*on a range of issues. The Authority's duty is to consider these views as part of its overall decision making process and act in the best interests of all scheme members avoiding material financial impact on the returns achieved for scheme members.*

*As indicated in answers to other questions officers of the Authority continue to pursue answers in relation to the fund manager's rationale for investment in Israeli government bonds. To date no satisfactory answer has been received. When a satisfactory answer is received it will be published.*

**Question 3 – Finn Cross – Unable to attend in person**

I understand that North Yorkshire has moved to remove its holdings in UK equities and, as a result of that process, no longer hold shares in Shell or BP. Is this something that SYPA would consider and, if not, why not?

**Response**

*North Yorkshire has recently divested from Border to Coast's UK Listed Alpha Fund. For information, this is not the same UK equity fund South Yorkshire Pensions Authority (SYPA) is invested in.*

*We understand this divestment was part of a change to North Yorkshire's long-term investment strategy - and this was not a decision related to holdings in BP and Shell. Essentially, North Yorkshire made this change to help de-risk its portfolio as a result of its increased funding level. The proceeds were invested into a bond fund, which is expected to have a lower risk/return profile than equities.*

*SYPA is in the early stages of reviewing its own long-term investment strategy and expects to recommend an updated investment strategy to its Pensions Committee in March 2026. This will primarily focus on:*

- *Risk and return profile of our investments*
- *Cashflow and liquidity considerations*
- *Climate considerations and net zero alignment*

*It is worth noting SYPA's view that engagement with energy companies is more effective than divestment when it comes to having a real-world impact. As a responsible investor, we are able to engage with companies and utilise our shareholder rights to vote at company's annual general meetings. This gives us a voice at the table, which we can use to try and sway company management. If we divest from these companies, we think it's important to keep in mind the following:*

- *We lose our voting rights - our seat at the table is gone.*
- *By divesting from energy companies like BP and Shell we may be making a statement – but we would not actually be denying these companies of capital. The shares we sell would immediately be bought by another investor, perhaps an investor who is less focussed on the transition to a lower emission world than SYPA.*
- *Divesting from energy companies will make SYPA's own portfolio emissions figures look better - but it doesn't have any impact on actual global emissions. We want to see our portfolio emissions reduce over time, but via the route whereby the larger emitters are actually moving to a more sustainable approach themselves, rather than simply selling our holdings in those companies. That's how we believe we can make a real-world difference.*

**Question 4 – Richard Burnham**

In the minutes from the Committee meeting of Thursday 13th March, point 15 b states that

the Committee 'Requested officers review the impact of SYPA advocating for active exclusion where engagement has demonstrably failed and provide the results in a report at the 18 December 2025 Authority meeting.'

When a decision is made that engagement has demonstrably failed, as is clearly the case for Shell and BP, how will SYPA work with BCPP to facilitate exclusion of these companies from SYPA's holdings?

What steps will SYPA take to encourage partner funds within BCPP to follow suit in excluding Shell and BP?

**Response**

*The work to respond to the resolution made at the Authority's March meeting is ongoing and it is too early in that process to identify whether the result will be a decision to promote disinvestment in specific cases and this will be a decision taken by members of the Authority in due course.*

*Given the way in which the investment pooling process works while SYPA might advocate for disinvestment in particular circumstances it is not able to implement such a policy in relation to its holdings in pooled investment vehicles and therefore the implementation of such a policy will depend upon the Authority's ability to build alliances with other partner funds. The likelihood of being able to successfully build such alliances will form a consideration in the advice which officers will provide to members of the Authority in December.*

CHAIR



<b>Subject</b>	<b>Funding Strategy Statement</b>	<b>Status</b>	For Publication
<b>Report to</b>	Authority	<b>Date</b>	18 December 2025
<b>Report of</b>	Assistant Director - Pensions		
<b>Equality Impact Assessment</b>	Not Required	Attached	No
<b>Contact Officer</b>	Debbie Sharp	<b>Phone</b>	01226 666
<b>E Mail</b>	dsharp@sypa.org.uk		

## 1 **Purpose of the Report**

- 1.1 To secure approval of the Funding Strategy Statement which has been updated following the 2025 valuation.

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## 2 **Recommendations**

- 2.1 Members are recommended to:
- a. Approve the revised Funding Strategy Statement at Appendix A.**

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## 3 **Link to Corporate Objectives**

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

### **Listening to our stakeholders**

To ensure that stakeholders' views are heard within our decision making processes.

### **Effective and Transparent Governance**

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

## 4 **Implications for the Corporate Risk Register**

- 4.1 The actions outlined in this report relate to the identified Corporate Risks ORG 004 around the Authority failing to comply with relevant Regulations and IAF 005 Employer contributions becoming unaffordable.

## 5 **Background and Options**

- 5.1 The Funding Strategy Statement (FSS) is a statutory document which sets out the Authority's policies with regard to a range of issues concerned with achieving and maintaining full funding of the scheme and about the way in which a range of key

issues concerning employers which might affect the Fund's liabilities should be dealt with. The regulations require an LGPS administering authority to produce a statement setting out the processes it will use to:

- establish a clear and transparent Fund-specific strategy identifying how employers' pension liabilities are best met going forward
- support the regulatory framework to maintain as nearly constant employer contribution rates as possible
- ensure the Fund meets its solvency and long-term cost efficiency objectives
- take a prudent longer-term view of funding those liabilities.

5.2 The FSS is routinely reviewed at each valuation and more frequently if there are changes in regulations. Given the technical nature of the FSS its production and review involve close liaison with the actuary. The most recent review is in line with latest guidance provided by SAB/MHCLG/CIPFA.

5.3 The 'effective date' of the revised FSS is 1 April 2026. This means that all employer work from this date will be carried out in line with the requirements of this FSS document, and all existing employer work will be carried out in line with the existing FSS. This is consistent with current practice and is explicit in the FSS. This is consistent with a valuation date of 31 March 2025, as this valuation determines contribution rates payable from 1 April 2026 to 31 March 2029, which is the period covered by this FSS.

5.4 The LGPS regulations require that employers are consulted on changes to the FSS. A full consultation was undertaken and closed at the end of November. This consultation ran alongside the consultation on the revised Employer contribution rates from the 2025 Valuation.

5.5 The consultation elicited 4 responses (one from a F/HE institution, one from the DFE, one from a MAT and one from a Resolution body). None of the responses indicated significant opposition to the proposed policies set out in the draft FSS. Wording was added to clarify the treatment of MATs. The DFE thanked the Authority for considering their points. While this scale of response to the consultation process might be regarded as disappointing it is not untypical in exercises of this sort.

5.6 Given that there is no fundamental opposition to the proposed FSS, members are asked to approve its adoption with immediate effect

## **6 Implications**

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

Financial	None directly, although the FSS represents the framework through which risks to the overall funding level are managed.
Human Resources	None
ICT	None
Legal	Production of the FSS and consultation on changes to it are requirements of the LGPS regulations and this report demonstrates compliance with the regulations.
Procurement	None

**Debbie Sharp**

**Assistant Director Pensions**

Background Papers	
Document	Place of Inspection
Administration Policy update item 15 Authority 04.09.2025	<a href="#">Agenda for South Yorkshire Pensions Authority on Thursday, 4th September, 2025, 10.00 am - South Yorkshire Pensions Authority</a>

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## South Yorkshire Pension Fund Funding Strategy Statement



Effective date	1 April 2026
Previous valuation date	31 March 2025
Date approved	
Next review	March 2029
Prepared in accordance with SAB / CIPFA / MHCLG guidance dated	January 2025

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- Appendix A – The regulatory framework
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- Appendix C – Glossary
- Appendix D – Risks and controls
- Appendix E – Actuarial assumptions

# 1 Purpose of the South Yorkshire Pension Fund and the funding strategy statement

This document sets out the funding strategy statement (FSS) for South Yorkshire Pension Fund.

The South Yorkshire Pension Fund is administered by the South Yorkshire Pensions Authority (the Authority), known as the administering authority. The Authority worked with the fund's actuary, Hymans Robertson, to prepare this FSS which is effective from 1 April 2026.

There's a regulatory requirement for the Authority to prepare an FSS. You can find out more about the regulatory framework in [Appendix A](#). If you have any queries about the FSS, contact [support@sypa.org.uk](mailto:support@sypa.org.uk)

## 1.1 What is the South Yorkshire Pension Fund?

The South Yorkshire Pension Fund is part of the Local Government Pension Scheme (LGPS). You can find more information about the LGPS at [www.lgpsmember.org](http://www.lgpsmember.org). The administering authority runs the fund on behalf of participating employers, their employees and current and future pensioners. You can find out more about roles and responsibilities in [Appendix B](#).

## 1.2 What are the funding strategy objectives?

The funding strategy objectives are to:

- take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient funds to pay benefits to members and their dependants
- use a balanced investment strategy to minimise long-term cash contributions from employers and meet the regulatory requirement for long-term cost efficiency
- where appropriate, ensure stable employer contribution rates
- reflect different employers' characteristics to set their contribution rates, using a transparent funding strategy
- use reasonable measures to reduce the risk of an employer defaulting on its pension obligations.
- The Fund will engage with employers when developing funding strategy in a way which balances the risk appetite of stakeholders.

## 1.3 Who is the FSS for?

The FSS is mainly for employers participating in the fund, because it sets out how money will be collected from them to meet the fund's obligations to pay members' benefits.

Different types of employers participate in the fund:

### Scheduled bodies

Employers who are specified in a schedule to the LGPS regulations, including councils and employers like academies and further education establishments. Scheduled bodies must give employees access to the LGPS if they can't accrue benefits in another pension scheme, such as another public service pension scheme.

### Designating employers (otherwise known as Resolution bodies)

Employers like town and parish councils can join the LGPS through a resolution. If a resolution is passed, the fund can't refuse entry. The employer then decides which employees can join the scheme.

### Admission bodies

Other employers can join through an admission agreement. The fund can set participation criteria for them and can refuse entry if the requirements aren't met. This type of employer includes contractors providing outsourced services like cleaning or catering to a scheduled body.

Some existing employers may be referred to as **community admission bodies** (CABs). CABs are employers with a community of interest with another scheme employer. Others may be called **transferee admission bodies** (TABs), that provide services for scheme employers. These terms aren't defined under current regulations but remain in common use from previous regulations.

The Scheme Advisory Board refer to three different tiers of employers which may participate in the LGPS, specifically:

- Tier 1 – Local Authorities (including contractors participating in the LGPS with Local Authority backing)
- Tier 2 – Academy Trusts and Further Education Institutions (Colleges).
- Tier 3 – Standalone employers with no local or national taxpayer backing. Include universities, housing associations and charities.

## 1.4 How is the funding strategy specific to the South Yorkshire Pension Fund?

The funding strategy reflects the specific characteristics of the fund employers and its own investment strategy.

### 1.5 How often is the Funding Strategy Statement reviewed?

The FSS is reviewed in detail at least every three years ahead of the triennial actuarial valuation and an annual check is carried out in the intervening years.

Amendments to the FSS may be in the following circumstances:

- material changes to the scheme benefit structure (e.g. HM Treasury-led)
- on the advice of the fund actuary
- Significant changes to investment strategy or if there has been significant market volatility which impacts the FSS or goes beyond FSS expectation
- if there have been significant changes to the fund membership and/or fund maturity profile
- if there have been significant or notable changes to the number, type, or individual circumstances of any of the employing authorities to such an extent that they impact on the funding strategy (e.g. exit/restructuring/failure) which could materially impact cashflow and/or maturity profile and/or covenant)
- if there has been a material change in the affordability of contributions and/or employer(s) financial covenant strength which has an impact on the FSS.
- recommendations from MHCLG/GAD.

In undertaking such reviews, the administering authority should consider:

- looking at experiences in relation to long-term funding assumptions (in terms of both investment income and forecast contributions income) and consequences of actions taken by employers (e.g. pay awards and early retirements)
- the implications for the funding strategy and, if significant, determine what action should be taken to review the FSS
- the implications arising from the funding strategy for meeting the liabilities of individual employers and any amendments required to the ISS
- consulting with individual employers specifically impacted by any changes as an integral part of the monitoring and review process and ensuring any communication regarding a review won't necessarily lead to rates changes for individual employers but could impact admissions, terminations, approach to managing risk and employer risk assessment.

Any amendments will be consulted on, approved by the Authority Board and included in the relevant meeting minutes.

This Funding Strategy Statement is effective from 1 April 2026 and is expected to remain in force until 31 March 2029 at the latest, unless an interim review is carried out prior to then.

### 1.6 Links to Administration Strategy

The fund maintains an Administration Strategy Statement which outlines the responsibilities, standards and procedures for employers and the fund. A copy of this can be found [here](#).

Adherence with the requirements of the Administration Strategy Statement is crucial to ensure the well-running of the pension fund and any failure to do so may lead to uncertainty around the value of an employer's liabilities and the need for prudent assumptions to fill any data gaps.

### 1.7 Actuarial valuation report

LGPS Regulations (specifically Regulation 62) require an actuarial valuation to be carried out every three years, under which contribution rates for all participating employers are set for the following three years. This Funding Strategy Statement sets out the assumptions and methodology underpinning the 2025 actuarial valuation actuarial exercise. The actuarial valuation report sets out 1) the actuary's assessment of the past service funding position, and 2) the contributions required to ensure full funding by the end of the time horizon. The Rates and Adjustments certificate shows the contribution rates payable by each employer (which may be expressed as a percentage of payroll and/or monetary amounts).



## 2 How does the fund calculate employer contributions?

### 2.1 Calculating contribution rates

Employee contribution rates are set by the LGPS regulations.

Employer contribution rates are determined by a mandatory actuarial valuation exercise and are made up of the following elements:

- **the primary contribution rate** – contributions payable towards future benefits
- **the secondary contribution rate** – the difference between the primary rate and the total employer contribution
- The primary rate also includes an allowance for the **fund's expenses**.

The fund actuary uses a methodology known as Asset Liability Modelling to set employer contribution rates. Under this methodology, for a given proposed employer contribution rate, the model projects future asset and liability values for the employer under 5,000 different simulations of the future economic environment. Each simulation – generated by Hymans Robertson's Economic Scenario Service (ESS) model - has a different path for future interest rates, inflation rates and the investment return on different asset classes. This approach allows the fund actuary to understand the potential range of future funding outcomes that could be achieved via payment of that contribution rate.

The fund has set *funding strategy criteria* for each employer in the fund which must be satisfied in order for a given employer contribution to be deemed acceptable. The funding strategy criteria are specified in terms of the following four parameters:

- **the target funding level** – how much money the Fund aims to hold for each employer
- **the time horizon** – the time over which the employer aims to achieve the target funding level
- **the funding basis** – the set of actuarial assumptions used to value the employer's (past and future service) liabilities
- **the likelihood of success** – the proportion of modelled scenarios where the target funding level is met.

For example, an employer's funding strategy criteria may be set as follows:

*The employer must have at least a 70% likelihood of being 100% funded on the ongoing participation basis at the end of a 20 year funding time horizon*

The funding strategy criteria used by the fund are set out in Table 2. Further detail on the ESS and on the funding bases used by the fund are set out in [Appendix E](#).

The target funding level may be set greater than 100% as a buffer against future adverse experience. This may be appropriate for long term open employers, where adverse future funding experience may lead to future contribution rises.

This approach takes into account the maturing profile of the membership when setting employer contribution rates.

The approach taken by the fund actuary helps the fund meet the aim of maintaining as stable a primary employer contribution rate as possible.

The fund will consider the prepayment of employer contributions on a case-by-case basis. The fund's policy on prepayments is detailed in Appendix L.

## 2.2 The contribution rate calculation

Table 2: contribution rate calculation for individual or pooled employers

Type of employer	Scheduled bodies				CABs and designating employers		TABs
Sub-type	Local authorities, police, fire	Universities	Colleges	Academies	Open to new entrants	Closed to new entrants	(all)
SAB tier	Tier 1	Tier 3	Tier 2	Tier 2	Tier 3	Tier 3	Tier 1
Funding basis*	Ongoing	Ongoing	Ongoing	Ongoing	Ongoing, but may move to low-risk exit basis		Ongoing
Target funding level	120%	120%	120%	100%	100%	100%	100%
Minimum likelihood of success	70%	70%	70%	70%	70%	70%	70%
Maximum time horizon	16 years	16 years	16 years	16 years	16 years (guarantee) 11 years (no guarantee)	As per for open employers (or average future working lifetime, if less)	16 years (limited to remaining lifetime of the contract)
Primary rate approach**	The contributions must be sufficient to meet the cost of benefits earned in the future with the required likelihood of success at the end of the time horizon, expressed as a percentage of pensionable pay.						
Secondary rate	The difference between the total contribution rate payable (determined as per 2.1) and the primary rate.  Negative adjustments are expressed as a percentage of payroll and positive adjustments can be expressed as a percentage of payroll or monetary amounts (for mature closed employers).						
Stabilised contribution rate?	Yes	Yes	Yes	No	No	No	No
Treatment of surplus	Enhanced surplus distribution****	Covered by stabilisation arrangement		Reduce contributions where appropriate***	Preferred approach: contributions kept at primary rate. Reductions may be permitted by the administering authority		
Recognising covenant	Stabilisation parameters				Adjust likelihood of success		
Phasing of contribution changes	Covered by stabilisation arrangement			Phasing of increases to secondary contribution rates may be permitted.			none

*Employers participating in the fund under a pass-through agreement will pay a contribution rate as agreed between the contractor and letting authority*

\* See [Appendix E](#) for further information on funding bases.

\*\* The Primary Rate for the whole fund is the weighted average (by payroll) of the individual employers' primary rates

\*\*\* Total contributions will generally not be reduced relative to the current total rate in payment.

\*\*\*\* Total contribution rates payable by Tier 1 employers (excluding TABs) are set at the 2025 valuation based on the expected cost of benefit accrual determined with a 70% level of prudence, subject to the employer accepting the level of downside risk associated with this contribution pattern. This applies only to Tier 1 employers (excluding TABs) due to the ability of these employers to directly influence the income they generate.

Contribution rates for the academies have been determined based on the funding parameters set out table 2, i.e. to target a funding level of 100% on the ongoing valuation basis (80% prudence) over a 16 year time horizon, with a 70% likelihood of success. The rates calculated using these parameters are much lower than the current rates in payment (and in some cases, lower than the employee rates payable), and payment of rates at this level would lead to an unacceptable likelihood that rates would have to increase again at the 2028 valuation. To reduce the likelihood of large rate increases at the 2028 valuation, the rate payable by each academy following the 2025 valuation is set subject to a floor equal to the calculated primary rate determined with a 70% (as opposed to 80%) prudence.

The fund manages funding risks as part of the wider risk management framework, as documented in the fund's risk register. The funding-specific risks identified and managed by the fund are set out in [Appendix D](#).

### 2.3 Making contribution rates stable

Making employer contribution rates reasonably stable is an important funding objective. Where appropriate, contributions are set with this objective in mind. The fund may adopt a stabilised approach to setting contributions for individual employers, which keeps contribution variations within a pre-determined range from year-to-year.

After taking advice from the fund actuary, the administering authority believes a stabilised approach is a prudent longer-term strategy.

**Table 1: current stabilisation approach**

Type of employer	Councils	Mayoral Combined Authority	Police and Fire	HE / FE institutions
Maximum contribution increase per year	+0.5% of pay	+1.0% of pay	+1.5% of pay	+2.0% of pay
Maximum contribution decrease per year	-0.5% of pay	-1.0% of pay	-1.5% of pay	-2.0% of pay

The criteria outlined in the table above are expected to apply until at least 31 March 2029, at which point a long-term stabilisation mechanism of  $\pm 0.5\%$  per annum is expected to apply.

Stabilisation criteria and limits are reviewed during the valuation process. The administering authority may review them between valuations to respond to membership or employer changes.

### 2.4 Links to investment strategy

The funding strategy sets out how money will be collected from employers to meet the fund's obligations. Contributions, assets and other income are then invested according to an investment strategy set by the administering authority.

The funding and investment strategies are closely linked. The fund must be able to pay benefits when they are due - those payments are met from a combination of contributions (through the funding strategy) and asset returns and income (through the investment strategy). If investment returns or income fall short the fund won't be able to pay benefits, so higher contributions would be required from employers.

The investment strategy is designed allowing for the funding position determined on an appropriate and prudent basis, with the objective of achieving the funding objective for each employer group of the specific time horizon.

The fund's current strategic investment strategy as at 31 March 2025 is summarised in the table, with full details available [here](#).

Asset class	Allocation
UK equities	7.5%
Global equities	30.5%
Index-linked gilts	7.0%
UK corporate bonds	5.0%
Multi asset credit	2.5%
Infrastructure equity	18.0%

Property	12.5%
Private lending	7.5%
Private equity	8.0%
Cash	1.5%

## 2.5 Does the funding strategy reflect the investment strategy?

The funding policy is consistent with the investment strategy. Future investment return expectations are set with reference to the investment strategy, including a margin for prudence which is consistent with the regulatory requirement that funds take a 'prudent longer-term view' of funding liabilities (see [Appendix A](#))

## 2.6 Reviewing contributions between valuations

The fund may amend contribution rates between formal valuations, in line with its policy on contribution reviews. The fund's policy is available in Appendix I. The purpose of any review is to establish the most appropriate contributions. A review may lead to an increase or decrease in contributions.

## 2.7 What is pooling?

The administering authority operates funding pools for similar types of employers. Contribution rates can be volatile for smaller employers that are more sensitive to individual membership changes – pooling across a group of employers minimises this. In this type of pooling arrangement, employers do not target full funding at exit. While the fund receives the contributions required, the risk that employers will be entitled to a surplus payment on exit increases.

Employers in a pool maintain their individual funding positions, tracked by the fund actuary. That means some employers may be better funded or more poorly funded than the pool average. If pooled employers used stand-alone funding rather than pooling, their contribution rates could be higher or lower than the pool rate.

Pooled employers are identified in the rates and adjustments certificate and only have their pooled contributions certified. Individual contribution rates aren't disclosed to pooled employers, unless agreed by the administering authority.

CABs that are closed to new entrants aren't usually allowed to enter a pool.

If an employer leaves the fund, the required contributions are based on their own funding position rather than the pool average. Cessation terms also apply, which means higher contributions may be required at that point.

## 2.8 What are the current contribution pools?

The following pooling arrangements exist in the Fund:

- **Academies** – Multi Academy Trusts (MATs) are groups of Academies managed and operated by one proprietor. The Fund's default position is all academies within a MAT will be pooled i.e. that the combined funding position and average contribution requirements will apply.
- **Schools** – generally pool with their funding council, although there may be exceptions for specialist or independent schools.
- **Smaller TABs** – may be pooled with the letting employer (for example as part of a pass-through arrangement).

## 2.9 Administering authority discretion

Individual employers may be affected by circumstances not easily managed within the FSS rules and policies. If this happens, the administering authority may adopt alternative funding approaches on a case-by-case basis.

Additionally, the administering authority may allow greater flexibility to the employer's contributions if added security is provided. Flexibility could include things like a reduced contribution rate, extended time horizon, or permission to join a pool. Added security may include a suitable bond, a legally binding guarantee from an appropriate third party, or security over an asset.

The fund permits the prepayment of employer contributions in specific circumstances. Further details are set out in the fund's prepayment policy detailed in Appendix L.

## 2.10 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 M.

## 2.11 Non cash funding

Should any employer wish to provide non-cash assets in lieu of contributions, the Fund will fully consider this request based on specialist advice and take steps to manage any conflict of interest that may arise.

## 2.12 Managing surpluses and deficits

The funding strategy is designed to ensure that all employers are at least fully funded on a prudent basis at the end of their own specific time horizon. The uncertain and volatile nature of pension scheme funding means that it is likely there will be times when employers are in surplus and times when employers are in deficit. The funding strategy recognises this by 1) including sufficient prudence to manage the effect of this over the time horizon, and 2) making changes to employer contribution rates to ensure the funding strategy objectives are met.

Fluctuations in funding positions are inevitable over the time horizon, due to market movements and changing asset values, which could lead to the emergent of deficits and surplus from time to time, and lead to changes in employer contribution rates to ensure

[Table 2](#) sets out the Fund's approach to setting contribution rates for each employer group.

### 3 What additional contributions may be payable?

#### 3.1 Pension costs – awarding additional pension and early retirement on non ill-health grounds

If an employer awards additional pension as an annual benefit amount, they pay an additional contribution to the fund as a single lump sum. The amount is set by guidance issued by the Government Actuary's Department and updated from time to time.

If an employee retires before their normal retirement age on unreduced benefits, employers are required to pay additional contributions called strain payments.

Employers are required to make strain payments as an immediate single lump sum.

#### 3.2 Pension costs – early retirement on ill-health grounds

If a member retires early because of ill-health, their employer must pay a funding strain, which may be a large sum.

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 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

The administering authority's approach to help manage ill-health early retirement costs was put in place on 1 October 2014 and this is reviewed at each formal valuation.

The Fund's policy of managing ill health retirement risk is detailed in Appendix M.

## 4 How does the fund calculate assets and liabilities?

### 4.1 How are employer asset shares calculated?

The fund adopts a cashflow approach to track individual employer assets.

Each fund employer has a notional share of the fund's assets, which is assessed yearly by the actuary. The actuary starts with assets from the previous year-end, adding cashflows paid in/out and investment returns to give a new year-end asset value. The fund actuary makes a simplifying assumption, that all cashflow and investment returns have been paid uniformly over the year. This assumption means that the sum of all employers' asset values is slightly different from the whole fund asset total over time. This minimal difference is split between employers in proportion to their asset shares at each valuation.

### 4.2 How are employer liabilities calculated?

The fund holds membership data for all active, deferred and pensioner members. Based on this data and the assumptions in [Appendix E](#), the fund actuary projects the expected benefits for all members into the future. This is expressed as a single value – the liabilities – by allowing for expected future investment returns.

Benefits are valued in line with the regulations in force at the time of the valuation, with an exception relating to the McCloud ruling. The benefits of members likely to be affected by the McCloud ruling have instead been valued in line with the expected regulations, reflecting an underpin as directed by MHCLG.

Each employer's liabilities reflect the experience of their own employees and ex-employees.

### 4.3 What is a funding level?

An employer's funding level is the ratio of the market value of asset share against liabilities. If this is less than 100%, the employer has a shortfall: the employer's deficit. If it is more than 100%, the employer is in surplus. The amount of deficit or surplus is the difference between the asset value and the liabilities value.

Funding levels and deficit/surplus values measure a particular point in time, based on a particular set of future assumptions. While this measure is of interest, for most employers the main issue is the level of contributions payable. The funding level does not directly drive contribution rates. See section 2 for further information on rates. Absolute factors include:

1. comparing funds with an objective benchmark
2. the extent to which contributions will cover the cost of current benefit accrual and interest on any deficit
3. how the required investment return under relative considerations compares to the estimated future return targeted by the investment strategy
4. the extent to which contributions paid are in line with expected contributions, based on the rates and adjustment certificate
5. how any new deficit recovery plan reconciles with, and can be a continuation of, any previous deficit recovery plan, allowing for fund experience.

These metrics may be assessed by GAD on a standardised market-related basis where the fund's actuarial bases don't offer straightforward comparisons



## 5 What happens when an employer joins the fund?

### 5.1 When can an employer join the fund

Employers can join the fund if they are a new scheduled body or a new admission body. New designated employers may also join the fund if they pass a designation to do so.

On joining, the fund will determine the assets and liabilities for that employer within the Fund. The calculation will depend on the type of employer and the circumstances of joining.

A contribution rate will also be set. This will be set in accordance with the calculation set out in Section 2, unless alternative arrangements apply (for example, the employer has agreed a pass-through arrangement). More details on this are included in the fund's admissions policy in [E](#).

### 5.2 New academies

New academies (including free schools) join the fund as scheduled employers. Only active members of former council schools transfer to new academies. Free schools do not transfer active members from a converting school but must allow new active members to transfer in any eligible service.

Liabilities for transferring active members will be calculated (on the ongoing basis) by the fund actuary on the day before conversion to an academy. Liabilities relating to the converting school's former employees (ie members with deferred or pensioner status) remain with the ceding council.

New academies will be allocated an asset share based on the estimated funding level of the ceding council's active members, having first allocated the council's assets to fully fund their deferred and pensioner members. This funding level will then be applied to the transferring liabilities to calculate the academy's initial asset share, capped at a maximum of 100%. The council's estimated funding level will be based on market conditions on the day before conversion.

It is expected that new academies will join an existing MAT. Following conversion, the new academy will join the MAT pool and pay the pooled contribution rate. If the new academy is not part of a MAT, or if the MAT does not already participate in the South Yorkshire Pension Fund, the new academies' contribution rate will be determined based on the current funding strategy (set out in section 2) and the transferring membership.

If an academy leaves one MAT and joins another, all active members transfer to the new MAT. Deferred and pensioner members previously associated with the academy will remain the responsibility of the MAT for funding purposes.

The fund's policies on academies may change based on updates to guidance from the Ministry of Housing, Communities, and Local Government, or the Department for Education. Any changes will be communicated and reflected in future funding strategy statements.

The Fund's full policy on academy participation is detailed in Appendix J.

### 5.3 New admission bodies as a results of outsourcing services

New admission bodies usually join the fund because an existing employer (usually a scheduled body like a council or academy) outsources a service to another organisation (a contractor). This involves TUPE transfers of staff from the letting employer to the contractor. The contractor becomes a new participating fund employer for the duration of the contract and transferring employees remain eligible for LGPS membership. At the end of the contract, employees typically revert to the letting employer or a replacement contractor.

The Fund's default position is to require all new admission bodies to be set up with a pass-through arrangement, unless alternative arrangements for mitigating the risk to the Fund of a contractor's participation are put in place by the letting employer. The assessment of the adequacy of the alternative arrangements will be carried out by the Administering Authority in conjunction with the Fund Actuary.

### 5.4 Other new employers

There may be other circumstances that lead to a new admission body entering the fund, e.g., set up of a wholly owned subsidiary company by a Local Authority. Calculation of assets and liabilities on joining and a contribution rate will be carried out allowing for the circumstances of the new employer.

New designated employers may also join the fund. These are usually town and parish councils. Contribution rates will be set using the same approach as other designated employers in the fund.

### 5.5 Risk assessment for new admission bodies

Under the LGPS regulations, a new admission body must assess the risks it poses to the fund if the admission agreement ends early, for example if the admission body becomes insolvent or goes out of business. In practice, the fund actuary assesses this because the assessment must be carried out to the administering authority's satisfaction.



After considering the assessment, the administering authority may decide the admission body must provide security, such as a guarantee from the letting employer, an indemnity or a bond.

This must cover some or all of the:

- strain costs of any early retirements, if employees are made redundant when a contract ends prematurely
- allowance for the risk of assets performing less well than expected
- allowance for the risk of liabilities being greater than expected
- allowance for the possible non-payment of employer and member contributions
- admission body's existing deficit.

The Fund's admissions policy is detailed in Appendix F.

## 6 What happens if an employer has a bulk transfer of staff?

Bulk transfer cases will be looked at individually, but generally:

- the fund won't pay bulk transfers greater in value than either the asset share of the transferring employer in the fund, or the value of the liabilities of the transferring members, whichever is lower
- the fund won't grant added benefits to members bringing in entitlements from another fund, unless the asset transfer is enough to meet the added liabilities
- the fund may permit shortfalls on bulk transfers if the employer has a suitable covenant and commits to meeting the shortfall in an appropriate period, which may require increased contributions between valuations.

The Fund's bulk transfer policy is available in Appendix H.

## 7 What happens when an employer leaves the fund?

### 7.1 What is a cessation event?

Triggers for considering cessation from the fund are:

- the last active member stops participation in the fund. The administering authority, at their discretion, can defer acting for up to three years by issuing a suspension notice. That means cessation won't be triggered if the employer takes on one or more active members during the agreed time
- insolvency, winding up or liquidation of the admission body
- a breach of the agreement obligations that isn't remedied to the fund's satisfaction
- failure to pay any sums due within the period required
- failure to renew or adjust the level of a bond or indemnity, or to confirm an appropriate alternative guarantor
- termination of a deferred debt arrangement (DDA)

### 7.2 What happens on cessation?

The administering authority must protect the interests of the remaining fund employers when an employer leaves the scheme. The actuary aims to protect remaining employers from the risk of future loss. The actuarial basis target adopted for the cessation calculation is below.

- Where there is no guarantor, cessation liabilities and a final surplus/deficit will usually be calculated using a low-risk basis, which is more prudent than the ongoing participation basis. The low-risk exit basis is defined in the cessation policy in Appendix G.
- Where there is a guarantor, the guarantee will be considered before the cessation valuation.
  - Where the guarantor is a guarantor of last resort (i.e. where the guarantee will cease to have effect after the cessation event and final settlement), this will have no effect on the cessation valuation.
  - If this isn't the case (i.e. if the guarantee continues to apply in respect of the former employer's obligations post cessation), cessation may be calculated using the same basis that was used to calculate liabilities (and the corresponding asset share) on joining the fund.
- Depending on the guarantee, it may be possible to transfer the employer's liabilities and assets to the guarantor without crystallising deficits or surplus. This may happen if an employer can't pay the contributions due and the approach is within guarantee terms. This is known as 'subsumption' of the assets and liabilities.

If the fund can't recover the required payment in full, unpaid amounts will be paid by the related letting authority (in the case of a ceased admission body) or shared between the other fund employers. This may require an immediate revision to the rates and adjustments certificate or be reflected in the contribution rates set at the next formal valuation.

The fund actuary charges a fee for cessation valuations and there may be other cessation expenses. Fees and expenses are at the employer's expense and are deducted from the cessation surplus or added to the cessation deficit. This improves efficiency by reducing transactions between employer and fund.

The cessation policy is available in Appendix G.

### 7.3 What happens if there is a surplus?

If the cessation valuation shows the exiting employer has more assets than liabilities – an exit credit – the administering authority can decide how much will be paid back to the employer based on:

- the surplus amount
- the proportion of the surplus due to the employer's contributions
- any representations (like risk sharing agreements or guarantees) made by the exiting employer and any employer providing a guarantee or some other form of employer assistance/support
- any other relevant factors.

The Fund's policy on exit credit policy is included in the cessation policy in Appendix G.

### 7.4 How do employers repay cessation debts?

If there is a deficit, full payment will usually be expected in a single lump sum or:

- spread over an agreed period, if the employer enters into a deferred spreading agreement
  - if an exiting employer enters into a deferred debt agreement, it stays in the fund and pays contributions until the cessation debt is repaid. Payments are reassessed at each formal valuation.
- The Fund's policy on employer flexibilities is included in the cessation policy in Appendix G.
- If no DDA exists, the administering authority will instruct the fund actuary to carry out a cessation valuation to calculate if there is a surplus or a deficit when the fund leaves the scheme. the implied deficit recovery period

2. the investment return required to achieve full funding after 20 years.

### 7.5 What if an employer has no active members?

When employers leave the fund because their last active member has left, they may pay a cessation debt, receive an exit credit or enter a DDA/DSA. Beyond this they have no further obligation to the fund and either:

- a) their asset share runs out before all ex-employees' benefits have been paid. The other fund employers will be required to contribute to the remaining benefits. The fund actuary will portion the liabilities on a pro-rata basis at the formal valuation.
- b) the last ex-employee or dependant dies before the employer's asset share is fully run down. The fund actuary will apportion the remaining assets to the other fund employers.

Absolute factors include:

1. comparing funds with an objective benchmark
2. the extent to which contributions will cover the cost of current benefit accrual and interest on any deficit
3. how the required investment return under relative considerations compares to the estimated future return targeted by the investment strategy
4. the extent to which contributions paid are in line with expected contributions, based on the rates and adjustment certificate
5. how any new deficit recovery plan reconciles with, and can be a continuation of, any previous deficit recovery plan, allowing for fund experience.

These metrics may be assessed by GAD on a standardised market-related basis where the fund's actuarial bases don't offer straightforward comparisons.

### 7.6 Partial cessations

The fund will consider requests for partial cessations on their merits on a case by case basis.

## 8 What are the statutory reporting requirements?

### 8.1 Reporting regulations

The Public Service Pensions Act 2013 requires the Government Actuary's Department to report on LGPS funds in England and Wales after every three-year valuation, in what's usually called a section 13 report. The report should include advice on whether the following aims are achieved:

- Compliance
- Consistency
- Solvency
- Long term cost efficiency

### 8.2 Solvency

Employer contributions are set at an appropriate solvency level if the rate of contribution targets a funding level of 100% over an appropriate time, using appropriate assumptions compared to other funds. Either:

- (a) employers collectively can increase their contributions, or the fund can realise contingencies to target a 100% funding level  
or
- (b) there is an appropriate plan in place if there is, or is expected to be, a reduction in employers' ability to increase contributions as needed.

### 8.3 Long-term cost efficiency

Employer contributions are set at an appropriate long-term cost efficiency level if the contribution rate makes provision for the cost of current benefit accrual, with an appropriate adjustment for any surplus or deficit.

To assess this, the administering authority may consider absolute and relative factors.

Relative factors include:

1. comparing LGPS funds with each other
2. the implied deficit recovery period
3. the investment return required to achieve full funding after 20 years.

Absolute factors include:

4. comparing funds with an objective benchmark
5. the extent to which contributions will cover the cost of current benefit accrual and interest on any deficit
6. how the required investment return under relative considerations compares to the estimated future return targeted by the investment strategy
7. the extent to which contributions paid are in line with expected contributions, based on the rates and adjustment certificate
8. how any new deficit recovery plan reconciles with, and can be a continuation of, any previous deficit recovery plan, allowing for fund experience.

These metrics may be assessed by GAD on a standardised market-related basis where the fund's actuarial bases don't offer straightforward comparisons.

Standard information about the fund's approach to solvency of the pension fund and long-term cost efficiency will be provided in a uniform dashboard format in the valuation report to facilitate comparisons between funds.

# Appendices

## Appendix A - The regulatory framework

### A1 Why do funds need a funding strategy statement?

The Local Government Pension Scheme (LGPS) regulations require funds to maintain and publish a funding strategy statement (FSS). According to the Ministry for Housing, Communities and Local Government (MHCLG) the purpose of the FSS is to document the processes the administering authority uses to:

- *establish a **clear and transparent fund-specific strategy** identifying how employers' pension liabilities are best met going forward*
- ***support the desirability of maintaining as constant** and stable primary contribution rate as possible, as defined in Regulation 62(5) of the LGPS Regulations 2013*
- *ensure that the regulatory requirements to set contributions to ensure the **solvency and long-term cost efficiency of the fund are met**.*
- *explain how the fund **balances the interests of different employers**.*
- *explain how the fund deals with **conflicts of interest** and references other policies/strategies.*

To prepare this FSS, the administering authority has used guidance jointly prepared by the Scheme Advisory Board (SAB), MHCLG, and the Chartered Institute of Public Finance and Accountancy (CIPFA), dated January 2025.

The fund has a fiduciary duty to scheme members and obligations to employers to administer the scheme competently to keep employer contributions at an affordable level. The funding strategy statement sets out how the fund meets these responsibilities.

### A2 Consultation

Both the LGPS regulations and most recent CIPFA guidance state the FSS should be prepared in consultation with “persons the authority considers appropriate”. This should include ‘*meaningful dialogue... with council tax raising authorities and representatives of other participating employers*’.

The consultation process included involved an informal stage focusing on key changes such as the introduction of “pass through” arrangements where a range of engagement including face to face and online meetings with employers took place followed by a formal stage which involved issuing a draft version of the full FSS to participating employers and publishing the draft documents on the Authority’s website.

The fund also shared the draft FSS with the Department for Education and facilitated a meeting to discuss the changes made and the implications of the fund’s funding policies on academy employers.

### A3 How is the FSS published?

The FSS is emailed to participating employers and employee and pensioner representatives. Summaries are issued to members and a full copy is included in the fund’s annual report and accounts and the Fund’s website. Copies are freely available on request and sent to investment managers and independent advisers.

The FSS is published [here](#).

### A5 How does the FSS fit into the overall fund documentation?

The FSS is a summary of the fund’s approach to funding liabilities. It isn’t exhaustive – the fund publishes other statements like the statement of investment principles, investment strategy statement, governance strategy and communications strategy. The fund’s annual report and accounts also includes up-to-date fund information.

You can see all fund documentation on the Fund’s website [www.sypensions.org.uk](http://www.sypensions.org.uk)

## Appendix B - Roles and responsibilities

### **B1 The administering authority is required to:**

- 1 operate a pension fund
- 2 collect employer and employee contributions, investment income and other amounts due to the pension fund as stipulated in LGPS Regulations
- 3 have an escalation policy in situations where employers fail to meet their obligations
- 4 pay from the pension fund the relevant entitlements as stipulated in LGPS Regulations
- 5 invest surplus monies in accordance with the relevant regulations
- 6 ensure that cash is available to meet liabilities as and when they fall due
- 7 ensure benefits paid to members are accurate and undertake timely and appropriate action to rectify any inaccurate benefit payments
- 8 take measures as set out in the regulations to safeguard the fund against the consequences of employer default
- 9 manage the valuation process in consultation with the fund's actuary
- 10 prepare and maintain an FSS and associated funding policies and SIP/ISS, after proper consultation with interested parties
- 11 monitor all aspects of the fund's performance and funding, and amend the FSS/ISS accordingly
- 12 establish a policy around exit payments and payment of exit credits/debits in relation to employer exits
- 13 effectively manage any potential conflicts of interest arising from its dual role as both fund administrator and scheme employer
- 14 enable the local pension board to review the valuation and FSS review process and as set out in their terms of reference
- 15 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

### **B2 Individual employers are required to:**

- 1 Ensure staff who are eligible are contractually enrolled and deduct contributions from employees' pay correctly after determining the appropriate employee contribution rate (in accordance with the Regulations),
- 2 provide the fund with accurate data and understand that the quality of the data provided to the Fund will directly impact on the assessment of their liabilities and their contributions. In particular, any deficiencies in their data may result in the employer paying higher contributions than otherwise would be the case if their data was of high quality
- 3 pay all ongoing contributions, including employer contributions determined by the actuary and set out in the rates and adjustments certificate, promptly by the due date
- 4 develop a policy on certain discretions and exercise those discretions as permitted within the regulatory framework
- 5 make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of scheme benefits and early retirement strain
- 6 notify the administering authority promptly of all changes to active membership that affect future funding
- 7 Pay any exit payments on ceasing participation in the fund timely provide the fund with accurate data and understand that the quality of the data provided to the fund will directly impact on the assessment of their liabilities and their contributions. In particular, any inaccuracies in data may result in the employer paying higher contributions than otherwise would be the case if their data was of high quality.

### **B3 The fund actuary should:**

- 1 prepare valuations including the setting of employers' contribution rates at a level to ensure fund solvency and long-term cost efficiency based on the assumptions 26 set by the administering authority and having regard to the FSS and the LGPS Regulations
- 2 provide advice so the fund can set the necessary assumptions for the valuation
- 3 prepare advice and calculations in connection with bulk transfers and the funding aspects of individual benefit-related matters such as pension strain costs, ill health retirement costs, compensatory added years costs, etc

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- 4 provide advice and valuations to the fund so that it can make decisions on the exit of employers from the fund
  - 5 provide advice to the fund on bonds or other forms of security against the financial effect on the fund of employer default
  - 6 assist the fund in assessing whether employer contributions need to be revised between valuations as permitted or required by the regulations
  - 7 ensure that the fund is aware of any professional guidance or other professional requirements that may be relevant in the role of advising the fund.
  - 8 Identify to the fund and manage any potential conflicts of interest that may arise in the delivery the contractual arrangements to the fund and other clients

**B4 Local Pension Boards (LPB):**

Local Pension Boards have responsibility to assist the administering authority to secure compliance with the LGPS regulations, other legislation relating to the governance and administration of the LGPS, any requirements imposed by the Regulator in relation to the LGPS, and to ensure the effective and efficient governance and administration of the LGPS. It will be for each fund to determine the input into the development of the FSS (as appropriate within fund's own governance arrangements) however this may include:

- 1 Assist with the development and review the FSS
- 2 Review the compliance of scheme employers with their duties under the FSS, regulations and other relevant legislation
- 3 Assist with the development of and review communications in relation to the FSS

**B5 Employer guarantors:**

- 4 Department for Education - To pay cessation debts in the case of academy cessations (where the obligations are not being transferred to another MAT) and to consider using intervention powers if an academy is deemed to be in breach of the regulations.
- 5 Other bodies with a financial interest (outsourcing employers).

**B6 Other parties:**

- 1 Internal and external investment advisers ensure the investment strategy statement (ISS) is consistent with the funding strategy statement
- 2 Investment managers, custodians and bankers play their part in the effective investment and dis-investment of fund assets in line with the ISS
- 3 Auditors comply with standards, ensure fund compliance with requirements, monitor and advise on fraud detection, and sign-off annual reports and financial statements
- 4 Governance advisers may be asked to advise the administering authority on processes and working methods
- 5 Internal and external legal advisers ensure the fund complies with all regulations and broader local government requirements, including the administering authority's own procedures
- 6 the Ministry for Housing, Communities and Local Government, assisted by the Government Actuary's Department and the Scheme Advisory Board, work with LGPS funds to meet Section 13 requirements.



## Appendix C – Glossary

**Actuarial certificates** - A statement of the contributions payable by the employer (see also rates and adjustments certificate). The effective date is 12 months after the completion of the valuation.

**Actuarial valuation** - An investigation by an actuary, appointed by an Administering Authority into the costs of the scheme and the ability of the fund managed by that authority to meet its liabilities. This assesses the funding level and recommended employer contribution rates based on estimating the cost of pensions both in payment and those yet to be paid and comparing this to the value of the assets held in the Fund. Valuations take place every three years (triennial).

**Administering Authority (referred to as 'the fund')** - A body listed in Part 1 of Schedule 3 of the regulations who maintains a fund within the LGPS and a body with a statutory duty to manage and administer the LGPS and maintain a pension fund (the fund). Usually, but not restricted to being, a local authority.

**Admission agreement** - A written agreement which provides for a body to participate in the LGPS as a scheme employer

**Assumptions** - Forecasts of future experience which impact the costs of the scheme. For example, pay growth, longevity of pensioners, inflation, and investment returns,

**Code of Practice** - The Pensions Regulator's General Code of Practice.

**Debt spreading arrangement** - The ability to spread an exit payment over a period of time

**Deferred debt agreement** - An agreement for an employer to continue to participate in the LGPS without any contributing scheme members

**Employer covenant** - The extent of the employer's legal obligation and financial ability to support its pension scheme now and in the future.

**Funding level** - The funding level is the value of assets compares with the liabilities. It can be expressed as a ratio of the assets and liabilities (known as the funding level) or as the difference between the assets and liabilities (referred to as a surplus or deficit).

**Fund valuation date** - The effective date of the triennial fund valuation.

**Guarantee / guarantor** - A formal promise by a third party (the guarantor) that it will meet any pension obligations not met by a specified employer. The presence of a guarantor will mean, for instance, that the fund can consider the employer's covenant to be as strong as its guarantor's.

**Local Pension Board** - The board established to assist the Administering Authority as the Scheme Manager for each Fund.

**Non-statutory guidance** - Guidance which although it confers no statutory obligation on the parties named, they should nevertheless have regard to its contents

**Notifiable events** - Events which the employer should make the Administering Authority aware of

**Past service liabilities** - The cost of pensions already built up or in payment

**Pension committee** - A committee or sub-committee to which an administering authority has delegated its pension function

**Pensions Administration Strategy** - A statement of the duties and responsibilities of scheme employers and Administering Authorities to ensure the effective management of the scheme

**Primary and secondary employer contributions** - Primary employer contributions meet the future costs of the scheme and Secondary employer contributions meet the costs already built up (adjusted to reflect the experience of each scheme employer). Contributions will therefore vary across scheme employers within a Fund.

**Rates and adjustments certificate** - A statement of the contributions payable by each scheme employer (see actuarial certificates)

**Scheme Manager** - A person or body responsible for managing or administering a pension scheme established under section 1 of the 2013 Act. In the case of the LGPS, each Fund has a Scheme Manager which is the Administering Authority.



## Appendix D - Risks and controls

### D1 Managing risks

The administering authority has a risk management programme to identify and control financial, demographic, regulatory and governance risks.

Details of the key fund-specific risks and controls are below.

### D2 Financial risks

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.

### D3 Demographic risks

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 L).

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.

### D4 Regulatory risks

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 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.

#### D5 Governance risks

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

#### D6 Employer covenant assessment and monitoring

Many of the employers participating in the fund, such as admitted bodies (including TABs and CABs), have no local tax-raising powers. The fund assesses and monitors the long-term financial health of these employers to assess an appropriate level of risk for each employer's funding strategy.

Type of employer	Assessment	Monitoring
Local Authorities, Police, Fire	Tax-raising or government-backed, no individual assessment required	N/a
Colleges	Government-backed, covered by DfE guarantee in event of failure	Check that DfE guarantee continues, after regular scheduled DfE review
Universities	Review of accounts	Regular scheduled review
Academies	Government-backed, covered by DfE guarantee in event of MAT failure	Check that DfE guarantee continues, after regular scheduled DfE review
Admission bodies (CABs)	Guarantor and/or indemnity or bond required to support new admission agreements	Indemnity or bond subject to regular review
Admission bodies (TABs)	Guarantor and/or indemnity or bond required to support new admission agreements if not full pass through.	Indemnity or bond subject to regular review

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Designating employers	Generally backed by tax raising powers if not then Guarantee from Scheduled Employer	N/a
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Any change in covenant over the inter-valuation period may lead to a contribution rate review.

## D7 Climate risk and TCFD reporting

The fund has considered climate-related risks when setting the funding strategy.

The Fund has carried out climate scenario analysis incorporating both stress testing, and narrative-based scenario analysis for the local authority employers at the 2025 valuation. The narrative approach explores the complex and interrelated risks associated with climate change by defining a specific extreme, downside risk (in this instance a food shock) and constructing a narrative around potential policy and market response. This approach allows consideration to be given to the impact of sudden, severe downside risks in the short term, and potential immediate actions. Coupling the narrative approach with stress testing (to better understand the impact of possible climate scenarios) has allowed the Fund to incorporate real world climate scenarios that may occur and indicate the resilience of the Fund under these scenarios.

The results show that:

1. When considering climate scenario stress tests, the Fund appears to be generally resilient to different climate scenarios, with generally modest impacts versus the base case modelled
2. The results of the downside, narrative analysis suggest that the Fund is likely to be resilient in the face of some severe downside risk events (in comparison to the base case), but not all.

Climate scenario analysis helps assess risks and tests the resilience of current and long-term strategies under various scenarios. This helps to identify vulnerabilities across both assets and liabilities. Identification of these vulnerabilities can inform risk management processes (see figure 1), helping the Fund ensure appropriate controls and mitigations are in place. Scenario analysis therefore supports informed decision making, and may be used in future to assist with disclosures prepared in line with Task Force on Climate-Related Financial Disclosures (TCFD) principles.

### Climate scenario analysis outputs can support the delivery of the following actions:

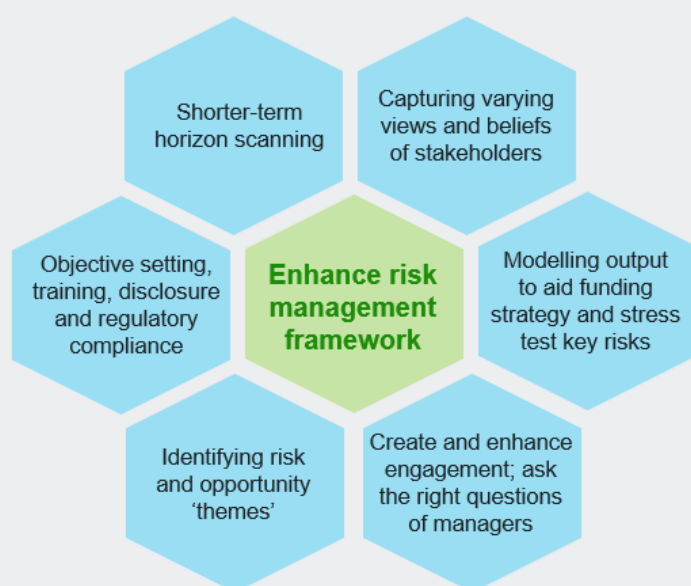


Figure 1.

This climate analysis was not applied to the funding strategy modelling for smaller employers. However, given that the same underlying model is used for all employers and that the local authority employers make up the vast majority of the fund's assets and liabilities, applying the climate analysis to all employers was not deemed proportionate at this stage and would not be expected to result in any changes to the agreed contribution plans. The Fund has a Responsible Investment Policy Framework and a separate Climate Change Policy, both of which were last agreed by Pensions Authority in March 2023.

## D8 Gender Pension Gap reporting

To be created.

## D9 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

## Appendix E - Actuarial assumptions

The key outputs from an employer's funding valuation are its contribution rate requirement (see Section 2 for further details) and its funding level (see Section 4). For both calculations the fund actuary requires actuarial assumptions.

The fund typically reviews and sets the actuarial assumptions used for funding purposes as part of the triennial valuation. Those assumptions are then used until the next triennial valuation (updated for current market conditions where appropriate).

The fund has reviewed the actuarial assumptions used for funding purposes as part of the 2025 valuation. These are set out below.

### E1 What are actuarial assumptions?

Actuarial assumptions are required to value the fund's liabilities because:

- There is uncertainty regarding both the timing and amount of the future benefit payments (the actual cost can't be known until the final payment is made). Therefore to estimate the cost of benefits earned to date and in the future, assumptions need to be made about the timing and amount of these future benefit payments
- The assets allowed to an employer today are a known figure. However, the future investment return earned on those assets and future cashflows into the fund are uncertain. An assumption is needed about what those future investment returns will be

There are two types of actuarial assumptions that are needed to perform an actuarial valuation: **financial assumptions** determine the expected amount of future benefit payments and the expected investment return on the assets held to meet those benefits, whilst **demographic assumptions** relate primarily to the expected timing of future benefit payments (i.e. when they are made and for how long).

All actuarial assumptions are set as best estimates of future experience with the exception of the discount rate assumption which is deliberately prudent to meet the regulatory requirement for a 'prudent' valuation.

Any change in the assumptions will affect the value that is placed on future benefit payments ('liabilities'), but different assumptions don't affect the actual benefits the fund will pay in future.

### E2 What funding bases are operated by the fund?

A *funding basis* is the set of actuarial assumptions used to value an employer's (past and future service) liabilities. The fund operates two funding bases for funding valuations: the *ongoing participation basis* and the *low-risk exit basis*. All actuarial assumptions are the same for both funding bases with the exception of the discount rate – see further details below.

### E3 What financial assumptions were used?

#### Discount rate

The discount rate assumption is the average annual rate of future investment return assumed to be earned on an employer's assets from a given valuation date.

The fund uses a risk-based approach to setting the discount rate which allows for prevailing market conditions on the valuation date (see 'Further detail on the calculation of financial assumptions') and the fund's investment strategy.

The discount rate is determined by the *prudence level*. Specifically, the discount rate is calculated to be:

*The average annual level of future investment return that can be achieved on the Fund's assets over a 20 year period with a x% likelihood.*

The prudence level is the likelihood. The prudence levels used by the fund are as follows:

Funding basis	Prudence level
Ongoing participation	80%
Low-risk exit basis	90% (mid point of the cessation corridor)

### CPI inflation

The CPI inflation assumption is the average annual rate of future Consumer Price Index (CPI) inflation assumed to be observed from a given valuation date. This assumption is required because LGPS benefit increases (in deferment and in payment) and revaluation of CARE benefits are in line with CPI.

The fund uses a risk-based approach to setting the CPI inflation assumption which allows for prevailing market conditions on the valuation date (see 'Further detail on the calculation of financial assumptions').

The CPI inflation assumption is calculated to be:

The average annual level of future CPI inflation that will be observed over a 20 year period with a 50% likelihood

### Salary growth

The salary increase assumption is linked to the CPI assumption via a fixed margin. The salary increase assumption is 0.6% above the CPI inflation assumption plus a promotional salary scale.

### E4 Further detail on the calculation of financial assumptions

The (ongoing participation basis) discount rate and CPI inflation assumptions are calculated using a risk-based method. To assess the likelihood associated with a given level of investment return or a given level of future inflation, the fund actuary uses Hymans Robertson's propriety economic scenario generator; the Economic Scenario Service (or ESS). The model uses statistical distributions to project a range of 5,000 different possible outcomes for the future behaviour of different asset classes and wider economic variables, such as inflation.

The table below shows the calibration of the model as at 31 March 2025 for some sample asset classes and economic variables. All returns are shown net of fees and are the annualised total returns over 5, 10 and 20 years. Yields and inflation refer to the simulated yields at that time horizon.

		Annualised total returns							Economic variables				
		Cash	Index Linked Gilts (medium)	Fixed Interest Gilts (medium)	UK Equity	Developed World ex UK Equity	Property	Corp Medium A	Inflation (RPI)	17 year real yield (RPI)	Inflation (CPI)	17 year real yield (CPI)	17 year yield
5 years	16th %ile	3.5%	1.7%	2.2%	0.1%	-0.5%	0.2%	2.5%	2.2%	1.4%	1.2%	1.5%	4.8%
	50th %ile	4.3%	4.5%	4.3%	8.2%	8.2%	6.8%	4.9%	3.8%	2.4%	2.8%	2.4%	5.8%
	84th %ile	5.1%	7.5%	6.2%	16.4%	16.9%	14.1%	7.1%	5.3%	3.3%	4.3%	3.3%	7.1%
10 years	16th %ile	3.6%	2.7%	4.2%	2.5%	2.1%	2.3%	4.5%	1.3%	0.8%	0.8%	0.8%	3.9%
	50th %ile	4.6%	4.7%	5.4%	8.6%	8.5%	7.3%	6.0%	3.0%	2.1%	2.5%	2.1%	5.3%
	84th %ile	5.8%	6.9%	6.5%	14.6%	14.8%	12.7%	7.3%	4.6%	3.3%	4.1%	3.3%	7.1%
20 years	16th %ile	3.1%	2.9%	5.0%	3.8%	3.7%	3.5%	5.5%	1.0%	-0.5%	0.7%	-0.5%	1.6%
	50th %ile	4.5%	4.6%	5.8%	8.4%	8.3%	7.3%	6.5%	2.5%	1.2%	2.3%	1.3%	3.6%
	84th %ile	6.3%	6.4%	6.5%	12.9%	13.1%	11.3%	7.4%	4.2%	3.0%	3.9%	3.0%	6.2%
	Volatility (Disp) (1 yr)	0.3%	6.7%	5.5%	16.3%	18.6%	15.2%	6.5%	1.4%		1.4%		

The ESS model is recalibrated monthly. The fund actuary uses the most recent calibration of the model (prior to the valuation date) to set financial assumptions for each funding valuation.

### E5 What demographic assumptions are used by the fund?

The fund uses advice from Club Vita to set demographic assumptions, as well as analysis and judgement based on the fund's experience.

Demographic assumptions vary by type of member, so each employer's own membership profile is reflected in the assumptions that apply to them.

### Life expectancy

The longevity assumptions are a bespoke set of VitaCurves produced by detailed analysis and tailored to fit the fund's membership profile.

Allowance has been made for future improvements to mortality, in line with the 2024 version of the continuous mortality investigation (CMI) published by the actuarial profession. The core parameters of the model apply, however, the starting point has been adjusted by +0.25% (for males and females) to reflect the difference between the population-wide data used in the CMI and LGPS membership. A long-term rate of mortality improvements of 1.5% pa applies.

### Other demographic assumptions

Retirement in normal health	Members are assumed to retire at the earliest age possible with no pension reduction.
Promotional salary increases	Sample increases below
Death in service	Sample rates below
Withdrawals	Sample rates below
Retirement in ill health	Sample rates below



Family details	A varying proportion of members are assumed to have a dependant partner at retirement or on earlier death. For example, at age 65 this is assumed to be 55% for males and 54% for females. Dependant of a male is 3.5 years younger than him Dependent of a female is 0.6 years older than her
Commutation	75% of future retirements elect to exchange pension for additional tax free cash up to HMRC limits
50:50 option	0% of members will choose the 50:50 option.

**Males - Incidence per 1000 active members per year**

Age	Salary Scale	Death Before Retirement	Withdrawals		III Health Tier 1		III Health Tier 2	
		FT & PT	FT	PT	FT	PT	FT	PT
20	105	0.17	444.74	813.01	0.00	0.00	0.00	0.00
25	117	0.17	293.77	537.03	0.00	0.00	0.00	0.00
30	131	0.20	208.44	380.97	0.00	0.00	0.00	0.00
35	144	0.24	162.85	297.63	0.10	0.07	0.02	0.01
40	150	0.41	131.12	239.55	0.16	0.12	0.03	0.02
45	157	0.68	123.16	224.96	0.35	0.27	0.07	0.05
50	162	1.09	101.52	185.23	0.90	0.68	0.23	0.17
55	162	1.70	79.95	145.94	3.54	2.65	0.51	0.38
60	162	3.06	71.25	130.02	6.23	4.67	0.44	0.33
65	162	5.10	0.00	0.00	11.83	8.87	0.00	0.00

**Females - Incidence per 1000 active members per year**

Age	Salary Scale	Death Before Retirement	Withdrawals		III Health Tier 1		III Health Tier 2	
		FT & PT	FT	PT	FT	PT	FT	PT
20	105	0.10	387.67	514.11	0.00	0.00	0.00	0.00
25	117	0.10	260.85	345.88	0.10	0.07	0.02	0.01
30	131	0.14	218.66	289.90	0.13	0.10	0.03	0.02
35	144	0.24	188.72	250.12	0.26	0.19	0.05	0.04
40	150	0.38	157.07	208.09	0.39	0.29	0.08	0.06
45	157	0.62	146.58	194.16	0.52	0.39	0.10	0.08
50	162	0.90	123.58	163.52	0.97	0.73	0.24	0.18
55	162	1.19	92.21	122.13	3.59	2.69	0.52	0.39
60	162	1.52	74.31	98.31	5.71	4.28	0.54	0.40
65	162	1.95	0.00	0.00	10.26	7.69	0.00	0.00



## South Yorkshire Pension Fund Policy on admissions



November 2022

Effective date of policy	1 <sup>st</sup> April 2026
Date approved	
Next review	March 2029

# 1. Introduction

The purpose of this policy is to set out the administering authority's default approach to admitting new employers into the fund.

While it is possible for a prospective new employer to request alternatives, any deviation from the stated default position would have to ensure no risk to other scheme employers and will be at the discretion of the Fund to agree to.

In addition, and subject to review on a case-by-case basis, the fund may be willing to apply its pass-through principles to other admission bodies where liabilities are covered by a guarantor within the fund.

## 1.1 Aims and objectives

The administering authority's aims and objectives related to this policy are as follows:

- Set out how the fund ensures that only appropriate bodies are admitted to the Fund and that the financial risk to the fund and to other employers in the fund is identified, minimised, and managed accordingly.
- Set out the Fund's default position in relation to the admission of new employers.
- In respect of the admission of new contractors, to set out the calculation of contribution rates and how risks are shared under the pass-through arrangement.
- To outline the process for admitting new employers into the fund.

## 1.2 Background

It is essential for the administering authority to establish its fundamental approach to the risks involved in the admission of new employers to the fund.

The regulatory framework relating to the different types of employer that may join the fund is set out in the next section.

## 1.3 Guidance and regulatory framework

The [Local Government Pension Scheme Regulations 2013](#) (as amended) set out the various types of employer that can participate in the fund and the different requirements that apply to each. These can be summarised as:

- **Scheduled Bodies** listed in Part 1 to Schedule 2 – the councils, further education colleges, academies, police and fire services. These bodies must provide access to the LGPS to their employees (assuming they are not eligible to be members of other pension schemes)
- **Designating employers** listed in Part 2 to Schedule 2 – have the right to decide who of their employees are eligible to join the scheme. Includes town and parish councils, as well as entities connected to bodies in Part 1 above. If a relevant designation is made the Administering Authority cannot refuse entry into the scheme in respect of that employer.
- **Admission bodies listed in part 3 to schedule 2** – who can apply to participate in the scheme. Admission bodies can encompass a variety of different types of employer. These are –
  - a body which provides a public service in the United Kingdom which operates otherwise than for the purposes of gain and has sufficient links with a Scheme employer for the body and the Scheme employer to be regarded as having a community of interest (whether because the operations of the body are dependent on the operations of the Scheme employer or otherwise);
  - a body, to the funds of which a Scheme employer contributes;
  - a body representative of any Scheme employers, or local authorities or officers of local authorities;
  - 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—
    - the transfer of the service or assets by means of a contract or other arrangement (i.e. outsourcing),
    - a direction made under section 15 of the Local Government Act 1999,
    - directions made under section 497A of the Education Act 1996;
  - a body which provides a public service in the United Kingdom and is approved in writing by the Secretary of State for the purpose of admission to the Scheme.

When an administering authority is considering permitting a body to become an admission body, the LGPS Regulations include some discretions relating to the creation and management of admission agreements. These discretions are considered within this policy. The discretionary areas are:

- Part 3 of Schedule 2 (para 1) – Whether or not to proceed with admission agreements
- Part 3 of Schedule 2 (para 9(d)) – Whether to terminate the admission agreement

- Regulation 54(1) – If the Fund will set up separate pension funds in respect of admission agreements

Further, the regulations contain requirements around the determination of employer contributions, and the relevant provisions regarding the payment of these, specifically:

- Regulation 67 – which sets out the requirement for employers to pay contributions in line with the Rates and Adjustments (R&A) certificate.
- Regulation 64 - covers the requirements for a cessation valuation following the exit of a participating employer from the fund.

Employees outsourced from local authorities, police and fire authorities or from independent schools (generally academies, regulated by the Department for Education) must be offered pension benefits that are the same, better than, or count as being broadly comparable to, the Local Government Pension Scheme (as per the Best Value Authorities Staff Transfer (Pensions) Direction 2007). This is typically achieved by employees remaining in the LGPS and the new employer becoming an admitted body to the Fund and making the requisite employer contributions.

## 2 Statement of principles

### 2.1 General

The administering authority's policy is drafted on the basis of the following key principles:

- to ensure the long-term solvency of the fund as a whole and the solvency of each of the notional sub-funds allocated to the individual employers;
- to ensure that sufficient funds are available to meet all benefits as they fall due for payment;
- not to restrain unnecessarily the investment strategy of the fund so that the administering authority can seek to maximise investment returns (and hence minimise the cost of the benefits) for an appropriate level of risk;
- to set clear principles and ensure there is a consistency of requirement for employers in respect of all admissions and cessations to and from the fund.
- to ensure employers recognise the impact of their participation in the LGPS, helping them manage their pension liabilities as they accrue and understanding the effect of those liabilities on the ongoing operation of their business;
- to minimise the degree of short-term change in the level of each employer's contributions where the administering authority considers it reasonable to do so;
- to use reasonable measures to reduce the risk to other employers and ultimately to the council taxpayer from an employer ceasing participation or defaulting on its pension obligations;
- to address the different characteristics of the disparate employers or groups of employers to the extent that this is practical and cost-effective; and
- to maintain the affordability of the Fund to employers as far as is reasonable over the longer term.

There is also an overriding objective to ensure that the LGPS Regulations and any supplementary guidance (in particular the Best Value Authorities Staff Transfer (Pensions) Direction 2007 and Fair Deal guidance) as they pertain to admission agreements are adhered to.

### 2.2 New contractors

This statement of principles covers the **admission of new contractors** to the fund. Each case will be treated on its own merits, but in general:

- In the absence of a preferred approach from the letting authority, pass-through is the default approach for the admission of all new contractors to the fund from the effective date of this policy. For the avoidance of doubt, this would apply to contracts established by councils, police & fire authorities, and academy trusts ("the letting authority").
- Pass-through is an arrangement whereby the letting authority (the local authority or the independent school) retains the main risks of fluctuations in the employer contribution rate during the life of the contract, and the risk that the employer's assets may be insufficient to meet the employees' pension benefits at the end of the contract.
- The contractor's pension contribution rate is set equal to the primary contribution rate payable by the letting authority. This will change from time to time in line with changes to the letting authority's primary contribution rate (i.e. following future actuarial valuations).

- The letting authority retains responsibility for variations in funding level, for instance due to investment performance, changes in market conditions, longevity, and salary experience under its pass-through arrangement, irrespective of the size of the outsourcing.
- The contractor will meet the cost of additional liabilities arising from (non-ill health) early retirements and augmentations.
- Ill health experience will be pooled with the letting authority and no additional strain payments will be levied on the contractor in respect of ill health retirements.
- The contractor will not be required to obtain an indemnity bond.
- There will be no notional transfer of assets to the contractor within the Fund. This means that all assets and liabilities relating to the contractor's staff will remain the responsibility of the letting authority during the period of participation.
- At the end of the contract (or when there are no longer any active members participating in the fund, for whatever reason), the admission agreement will cease and no further payment will be required from the contractor (or the letting authority) to the fund, save for any outstanding regular contributions and/or invoices relating to the cost of early retirement strains and/or augmentations. Likewise, no "exit credit" payment will be required from the Fund to the contractor (or letting authority).
- The terms of the pass-through agreement will be documented by way of the admission agreement between the administering authority, the letting authority, and the contractor.
- All existing admission agreements are unaffected by this policy.

The principles outlined above are the default principles which will apply for the admission of new contractors, however, the letting authority may request the specific details of a particular agreement to differ from the principles outlined above.

The administering authority is not obliged to agree to a departure from the principles set out in this policy but will consider such requests and engage with the letting authority to reach agreement.

## 3 Policy and process – all employers

### 3.1 Entry conditions

The following entry conditions apply;

- **Scheduled bodies** must ensure that the fund is aware of their creation.
- **Designating employers** must ensure that the fund is aware of their creation and provide the fund with a copy of its resolution, confirming who is eligible for membership of the fund.
- **Admission bodies.** The fund will consider applications from bodies;
  - with links to a scheme employer, or
  - that provides services or assets on behalf of a scheme employer
 Agreements can be open or closed so long as necessary protections are in place.

### 3.2 Security

The security requirements (i.e. via a bond, indemnity and/or guarantor) are as follows:

- There are no security requirements for **scheduled bodies** and **designating employers**.
- **Admission bodies.** Where contractors are being admitted to the fund under a pass-through arrangement, the requirement set out in Section 4 will apply. For all other admission bodies:
  - the admission body is required to undertake risk assessment to the satisfaction of the administering authority (and scheme employer where seeking admission as a body under Part 1(d) to Part 3 of Schedule 2).
  - the admission body is required to put in place a secure and financially durable bond to the satisfaction of the administering authority or agree an alternative guarantor (generally with a scheme employer and/or government department).
  - Documentary evidence of the bond or guarantee must be provided to the administering authority by the admission body.
  - The level of risk must be reviewed and any associated security renewed on an annual basis

### 3.3 Approval

The process for approving the participation of a new employer in the fund is as follows;

- **Scheduled bodies.** The Fund has no power to refuse participation of any new employer set up under Part 1 of schedule 2 and where the Fund is designated as the appropriate Fund for that employer.
- **Designating employers** The Fund has no power to refuse participation of an employer under Part 2 of schedule 2, although it will require sight of a signed copy of the relevant resolution to confirm the employees eligible for participation in the scheme.
- **Admission bodies.** Fund officers to be responsible for ensuring prospective admission bodies meet the necessary criteria. Admission agreement template will generally be standard and non-negotiable

All new employers will be reported to the Pension Authority and Local Pension Board for information only.

### 3.4 Asset allocation

The starting asset allocation for new employers will be determined in the following way;

- **Scheduled bodies and designating employers.** Assets for any new employer will be calculated using the Fund's ongoing funding basis, as set out in the Funding Strategy Statement (FSS).  
Academies may be pooled with other academies as part of a Multi Academy Trust (MAT).  
Where a new employer is created from an existing scheme employer, the initial asset allocation will be based on a share of the ceding employer's assets, with consideration taken of the ceding employer's estimated deficit as at the date of transfer.
- **Admission bodies.** The asset allocation will be agreed on a case by case basis. For new contractors participating in the fund under a pass-through arrangement, the fund assets (and liabilities) associated with outsourced employees are retained by the letting authority.

### 3.5 Contributions

Contribution rates will be set in accordance with the FSS.

### 3.6 Costs

Employer being admitted to the fund will be required to meet the cost of this, which includes (but is not limited to) the actuarial fees incurred by the administering authority.

### 3.7 Employer specific policy

#### 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 administering authority 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 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 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

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)"

## 4 Policy and process – new contractors

### 4.1 Compliance

Adherence to this policy is the responsibility of the relevant responsible service manager for any given outsourcing.

The administering authority and the fund actuary must always be notified that an outsourcing has taken place, regardless of the number of members involved.

### 4.2 Contribution rates

The contribution rate payable by the contractor over the period of participation will be set equal to the primary rate payable by the letting authority from time to time. This means that the contractor's contribution rate will change once every three years, following the triennial actuarial valuation, but not between those times. Even then, this would always be in line with changes in the letting authority future service primary rate, and not affected by the (generally more volatile) changes in past service funding level.

### 4.3 Risk sharing and cessation valuation

The letting authority will retain the risk of the contractor becoming insolvent during the period of admission and so no indemnity bond will be required from contractors participating in the Fund on a pass-through basis. The letting authority is effectively guaranteeing the contractor's participation in the fund.

A cessation valuation is required when a contractor no longer has any active members in the fund. This could be due to a contract coming to its natural end, insolvency of a contractor or the last active member leaving employment or opting out of the LGPS.

Where a pass-through arrangement is in place, the fund assets and liabilities associated with outsourced employees are retained by the letting authority. At the end of the admission, the cessation valuation will therefore record nil assets and liabilities for the ceasing employer and therefore that no cessation debt or exit credit is payable to or from the Fund.

The contractor will be required to pay any outstanding regular contributions and/or unpaid invoices relating to the cost of (non-ill health) early retirement strains and/or augmentations at the end of the contract.

However, in some circumstances, the winning bidder will be liable for additional pension costs that arise due to items over which it exerts control. The risk allocation is as follows:

Risks	Letting authority	Contractor/ Admitted body
Surplus/deficit prior to the transfer date	✓	
Interest on surplus/deficit	✓	
Investment performance of assets held by the Fund	✓	
Changes to the discount rate that affect past service liabilities	✓	
Changes to the discount rate that affect future service accrual *		✓
Change in longevity assumptions that affect past service liabilities	✓	
Changes to longevity that affect future accrual *		✓
Price inflation affects past service liabilities	✓	
Price inflation / pension increases that affect future accrual *		✓
Exchange of pension for tax free cash	✓	
Ill health retirement experience	✓	
Strain costs attributable to granting early retirements (not due to ill health (e.g. redundancy, efficiency, waiving actuarial reductions on voluntary early retirements)		✓
Greater/lesser level of withdrawals	✓	
Rise in average age of contractor's employee membership	✓	



Changes to LGPS benefit package *		✓
Excess liabilities attributable to the contractor granting pay rises that exceed those assumed in the last formal actuarial valuation of the Fund (the letting authority may wish to address this as part of any contract discussions).	✓	
Award of additional pension or augmentation		✓

\* These elements would be picked up at the next triennial valuation, if the contractor is still active in the Fund at that time and would feed through into the letting authority's primary contribution rate and hence the contractor's contribution rate.

#### 4.4 Accounting valuations

Accounting for pensions costs is a responsibility for individual employers.

It is the administering authority's understanding that contractors may be able to account for such pass-through admissions on a defined contribution basis and therefore no formal FRS102 / IAS19 report may be required (contractors are effectively paying a fixed rate and are largely indemnified from the risks inherent in providing defined benefit pensions).

As the letting authority retains most of the pension fund risk relating to contractors, it is the administering authority's understanding that these liabilities (and assets) should be included in the letting authority's FRS102 / IAS19 disclosures.

The administering authority expect employers to seek approval to the treatment of pension costs from their auditor.

#### 4.5 Application

Letting authorities may request terms which differ from those set out in this policy and any such request will be considered by the Administering authority.

All existing admission agreements (i.e. which commenced prior to the effective date of this policy) are unaffected by this policy.

#### 4.6 Process

The procurement department at each letting authority that has responsibility for staff/service outsourcing must be advised of this policy. The process detailed below must be adhered to by the letting authority and (where applicable) the winning bidder.

- **Tender Notification** - The letting authority must publicise this pass-through policy as part of its tender process to bidders. This should confirm that the winning bidder will not be responsible for ensuring that the liabilities of outsourced employees are fully funded at the end of the contract, and that the winning bidder will only be responsible for paying contributions to the fund during the period of participation and meeting the cost of (non-ill health) early retirement strains, the cost of benefit augmentations. It should also advise the employer contribution rate as detailed in paragraph 4.2.
- **Initial notification to Pension Team** – The letting authority must contact the administering authority when a tender (or re-tender) of an outsourcing contract is taking place and staff (or former staff) are impacted. The administering authority must be advised prior to the start of the tender and the letting authority must also confirm that the terms of this policy have been adhered to.
- **Confirmation of winning bidder** – The letting authority must immediately advise the administering authority of the winning bidder.
- **Request for winning bidder to become an admitted body** – The winning bidder (in combination with the letting authority), should request to the administering authority that it wishes to become an admitted body within the Fund.
- **Template admission agreement** – a template pass-through admission agreement will be used for admissions under this policy. It will set out all agreed points relating to employer contribution rate, employer funding responsibilities, and exit conditions. Only in exceptional circumstances, and only with the prior agreement of the Administering authority, will the wording within the template agreement be changed. All admission agreements must be reviewed (including any changes) by the administering authority and possibly its legal advisors.
- **Signed admission agreement** - Signing of the admission agreement can then take place between an appropriate representative of the winning bidder, the lead finance officer of the letting authority, and the administering authority. It is at this point the fund can start to receive contributions from the contractor and its employee members (backdated if necessary).
- **Admitted body status** – The letting authority will advise the contractor of its requirements and responsibilities within the Fund.

## 5 Related Policies

The information contained with the FSS applies equally to admission bodies as to other participating employers within the Fund. This admissions policy, therefore, supplements the general policy of the Fund as set out in the FSS and should be read in conjunction with that document, together with its associated funding policies.



## South Yorkshire Pension Fund Policy on cessations



Effective date of policy	1 <sup>st</sup> April 2026
Date approved	
Next review	March 2029

# 1 Introduction

The purpose of this policy is to set out the administering authority's approach to dealing with circumstances where a scheme employer leaves the fund and becomes an exiting employer (a cessation event).

It should be noted that this policy is not exhaustive. Each cessation will be treated on a case-by-case basis, however certain principles will apply as governed by the regulatory framework and the fund's discretionary policies (see below).

## 1.1 Aims and Objectives

The administering authority's aims and objectives related to this policy are as follows:

- To confirm the approach for the treatment and valuation of liabilities for employers leaving the fund.
- To provide information about how the fund may apply its discretionary powers when managing employer cessations.
- To outline the responsibilities of (and flexibilities for) exiting employers, the administering authority, the actuary and, where relevant, the original ceding scheme employer (usually a letting authority).

## 1.2 Background

As described in Section 7 of the Funding Strategy Statement (FSS), a scheme employer may become an exiting employer when a cessation event is triggered e.g. when the last active member stops participating in the fund. On cessation from the fund, the administering authority will instruct the fund actuary to carry out a valuation of assets and liabilities for the exiting employer to determine whether a deficit or surplus exists. The fund has full discretion over the repayment terms of any deficit, and the extent to which any surplus results in the payment of an exit credit.

## 1.3 Guidance and regulatory framework

The Local Government Pension Scheme Regulations 2013 (as amended) contain relevant provisions regarding employers leaving the fund ([Regulation 64](#)) and include the following:

- Regulation 64 (1) – this regulation states that, where an employing authority ceases to be a scheme employer, the administering authority is required to obtain an actuarial valuation of the liabilities of current and former employees as at the termination date. Further, it requires the Rates & Adjustments Certificate to be amended to show the revised contributions due from the exiting employer
- Regulation 64 (2) – where an employing authority ceases to be a scheme employer, the administering authority is required to obtain an actuarial valuation of the liabilities of current and former employees as at the exit date. Further, it requires the Rates & Adjustments Certificate to be amended to show the exit payment due from the exiting employer or the excess of assets over the liabilities in the fund.
- Regulation 64 (2ZAB) – the administering authority must determine the amount of an exit credit, which may be zero, taking into account the factors specified in paragraph (2ZC) and must:
  - a) Notify its intention to make a determination to-
    - (i) The exiting employer and any other body that has provided a guarantee to the Exiting Employer
    - (ii) The scheme employer, where the exiting employer is a body that participated in the Scheme as a result of an admission agreement
  - b) Pay the amount determined to that exiting employer within six months of the exit date, or such longer time as the administering authority and the exiting employer agree.
- Regulation (2ZC) – In exercising its discretion to determine the amount of any exit credit, the administering authority must have regard to the following factors-
  - a) The extent to which there is an excess of assets in the fund relating to that employer in paragraph (2)(a)
  - b) The proportion of this excess of assets which has arisen because of the value of the employer's contributions
  - c) Any representations to the administering authority made by the exiting employer and, where that employer participates in the scheme by virtue of an admission agreement, any body listed in paragraphs (8)(a) to (d)(iii) of Part 3 to Schedule 2 of the Regulations: and
  - d) Any other relevant factors
- Regulation 64 (2A) & (2B)– the administering authority, at its discretion, may issue a suspension notice to suspend payment of an exit amount for up to three years, where it reasonably believes the exiting employer is to have one or more active members contributing to the fund within the period specified in the suspension notice.
- Regulation 64 (3) – in instances where it is not possible to obtain additional contributions from the employer leaving the Fund or from the bond/indemnity or guarantor, the contribution rate(s) for the appropriate scheme employer or remaining fund employers may be amended.

- Regulation 64 (4) – where it is believed a scheme employer may cease at some point in the future, the administering authority may obtain a certificate from the fund actuary revising the contributions for that employer, with a view to ensuring that the assets are expected to be broadly equivalent to the exit payment that will be due.
- Regulation 64 (5) – following the payment of an exit payment to the Fund, no further payments are due to the fund from the exiting employer.
- Regulation 64 (7A-7G) – the administering authority may enter into a written deferred debt agreement, allowing the employer to have deferred employer status and to delay crystallisation of debt despite having no active members.
- Regulation 64B (1) – the administering authority may set out a policy on spreading exit payments.

In addition to the 2013 Regulations summarised above, [Regulation 25A](#) of the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (“the Transitional Regulations”) give the fund the ability to levy a cessation debt on employers who have ceased participation in the fund (under the previous regulations) but for whom a cessation valuation was not carried out at the time. This policy document describes how the fund expects to deal with any such cases.

This policy also reflects [statutory guidance](#) from the Ministry of Housing, Communities and Local Government on preparing and maintaining policies relating to employer exits. Interested parties may want to refer to an accompanying [guide](#) that has been produced by the Scheme Advisory Board.

These regulations relate to all employers in the fund.

## 2 Statement of Principles

This Statement of Principles covers the fund’s approach to exiting employers. Each case will be treated on its own merits but in general:

- it is the fund’s policy that the determination of any surplus or deficit on exit should aim to minimise, as far as is practicable, the risk that the remaining, unconnected employers in the Fund have to make contributions in future towards meeting the past service liabilities of current and former employees of employers leaving the fund.
- the fund’s preferred approach is to request the full payment of any exit debt (an exit payment), which is calculated by the actuary on the appropriate basis (as per Section 7 of the FSS and Section 3.1 below). This would extinguish any liability to the fund by the exiting employer.
- the fund’s key objective is to protect the interests of the fund, which is aligned to protecting the interests of the remaining employers. A secondary objective is to consider the circumstances of the exiting employer in determining arrangements for the recovery of any cessation debt.
- the fund’s objective is to apply a robust and consistent approach to the determination of exit credits, and one which is fair to all employers, including any employer(s) who retain the pension risk post cessation.

## 3 Policies

On cessation, the administering authority will instruct the fund actuary to carry out a cessation valuation to determine whether there is any deficit or surplus as defined in Section 4.3 of the FSS.

Where there is a deficit, payment of this amount in full would normally be sought from the exiting employer. The fund’s normal policy is that this cessation debt is paid in full in a single lump sum within 28 days of the employer being notified.

However, the fund will consider written requests from employers to spread the payment over an agreed period, in the exceptional circumstance where payment of the debt in a single immediate lump sum could be shown by the employer to be materially detrimental to the employer’s financial situation (see [3.2 Repayment flexibility on exit payments](#) below).

In circumstances where there is a surplus, the administering authority will determine, at its sole discretion, the amount of exit credit (if any) to be paid to the exiting employer (see [3.3 Exit credits](#) below).

### 3.1 Approach to cessation calculations

Cessation valuations are carried out on a case-by-case basis at the sole discretion of the fund depending on the exiting employer’s circumstances. However, in general the following broad principles and assumptions may apply, as described in Section 7.2 of the FSS and summarised below:

Type of employer	Cessation exit basis	Responsible parties for unpaid or future deficit emerging
Local Authorities, Police, Fire	Low risk basis <sup>1</sup>	Shared between other fund employers
Universities	Low risk basis <sup>1</sup>	Shared between other fund employers
Academies & Colleges	Low risk basis <sup>1</sup>	DfE guarantee may apply, otherwise see below
Admission bodies (TABs)	Ongoing basis <sup>2</sup>	Letting authority (where applicable), otherwise shared between other fund employers
Admission bodies (CABs)	Low risk basis	Shared between other fund employers (if no guarantor exists)
Designating employers	Low risk basis	Shared between other fund employers (if no guarantor exists)

<sup>1</sup>Cessation is assumed not to be generally possible, as Scheduled Bodies are legally obliged to participate in the LGPS. In the rare event of cessation occurring (e.g. machinery of Government changes), these cessation principles would apply.

<sup>2</sup>Where a TAB has taken, in the view of the administering authority, action that has been deliberately designed to bring about a cessation event (e.g. stopping future accrual of LGPS benefits), then the cessation valuation will be carried out on a low-risk basis.

### Risk Based cessation approach

The fund uses a risk-based approach to set employer funding strategy, including within cessation calculations. In particular, the likelihood of the fund's assets achieving particular future investment returns is analysed.

Where appropriate, the fund will use this approach to set an upper and lower amount (or "corridor") in order to consider the amount of assets a ceasing employer must leave behind to pay for its members' benefits.

Under this approach, an employer is deemed to have a deficit if its assets are below the lower amount and a surplus if its assets are above the higher amount (ie there will be no deficit or surplus if a ceasing employers assets fall within the "corridor").

### Cessation of academies and multi-academy trusts (MATs)

A cessation event will occur if a current academy or MATs cease to exist as an entity or an employer in the fund.

The cessation treatment will depend on the circumstances:

- If the cessation event occurs due to an academy or MAT merging with another academy or MAT within the fund, all assets and liabilities from each of the merging entities will be combined and will become the responsibility of the new merged entity.
- If the MAT is split into more than one (new or existing) employer within the fund, the actuary will calculate a split of the assets and liabilities to be transferred from the exiting employer to the new employers. The actuary will use their professional judgement to determine an appropriate and fair methodology for this calculation in consultation with the administering authority.
- In all other circumstances, and following payment of any cessation debt, section 7.5 of the FSS would apply.

Further details are included in the Fund's Academies Policy.

## 3.2 Repayment flexibility on exit payments

### Deferred spreading arrangement (DSA)

The fund will consider written requests from exiting employers to spread an exit payment over an agreed period, in the exceptional circumstance where payment of the debt in a single immediate lump sum could be shown by the employer to be materially detrimental to the employer's financial situation.

In this exceptional case, the fund's policy is:

- The agreed spread period is no more than three years, but the fund could use its discretion to extend this period in extreme circumstances.
- The fund may consider factors such as the size of the exit payment and the financial covenant of the exiting employer in determining an appropriate spreading period.

- The exiting employer may be asked to provide the administering authority with relevant financial information such as a copy of its latest accounts, sources of funding, budget forecasts, credit rating (if any) etc. to help in this determination.
- Payments due under the DSA may be subject to an interest charge.
- The fund will only consider written requests within six months of the employer exiting the fund. The exiting employer would be required to provide the fund with detailed financial information to support its request.
- The Fund would take into account the amount of any security offered and seek actuarial, covenant and legal advice in all cases.
- The Fund proposes a legal document, setting out the terms of the exit payment agreement, to be prepared by the fund and signed by all relevant parties prior to the payment agreement commencing.
- The terms of the legal document should include reference to the spreading period, the annual payments due, interest rates applicable, other costs payable and the responsibilities of the exiting employer during the exit spreading period.
- Any breach of the agreed payment plan would require payment of the outstanding cessation amount immediately.

### Deferred debt agreement (DDA)

The fund's preferred policy is for the spreading of payments, as detailed above, to be followed in the exceptional circumstances where an exiting employer is unable to pay the required cessation payment as a lump sum in full. However, in the event that spreading of payments will create a high risk of bankruptcy for the exiting employer, the fund may exercise its discretion to set up a deferred debt agreement as described in [Regulation 64 \(7A\)](#).

The employer must meet all requirements on Scheme employers and pay the secondary rate of contributions as determined by the Fund actuary until the termination of the DDA.

The Administering Authority may consider a DDA in the following circumstances:

- The employer requests the Fund consider a DDA.
- The employer is expected to have a deficit if a cessation valuation was carried out.
- The employer is expected to be a going concern.
- The covenant of the employer is considered sufficient by the administering authority.

The Administering Authority will normally require:

- A legal document to be prepared, setting out the terms of the DDA and signed by all relevant parties prior to the arrangement commencing.(including details of the time period of the DDA, the annual payments due, the frequency of review and the responsibilities of the employer during the period).
- Relevant financial information for the employer such as a copy of its latest accounts, sources of funding, budget forecasts, credit rating (if any) to support its covenant assessment.
- Security be put in place covering the employer's deficit on their cessation basis and the Fund will seek actuarial, covenant and legal advice in all cases.
- Regular monitoring of the contribution requirements and security requirements
- All costs of the arrangement are met by the employer, such as the cost of advice to the fund, ongoing monitoring or the arrangement and correspondence on any ongoing contribution and security requirements.

A DDA will normally terminate on the first date on which one of the following events occurs:

The employer enrolls new active fund members.

The period specified, or as varied, under the DDA elapses.

The take-over, amalgamation, insolvency, winding up or liquidation of the employer.

The administering authority serves a notice on the employer that the Administering Authority is reasonably satisfied that the employer's ability to meet the contributions payable under the DDA has weakened materially or is likely to weaken materially in the next 12 months.

The Fund actuary assesses that the employer has paid sufficient secondary contributions to cover all (or almost all) of the exit payment due if the employer becomes an exiting employer on the calculation date (i.e. employer is now largely fully funded on their low risk basis).

The Fund actuary assesses that the employer's value of liabilities has fallen below an agreed *de minimis* level and the employer becomes an exiting employer on the calculation date.

The employer requests early termination of the agreement and settles the exit payment in full as calculated by the fund actuary on the calculation date (i.e. the employer pays their outstanding cessation debt on their cessation basis).

On the termination of a DDA, the employer will become an exiting employer and a cessation valuation will be completed in line with this policy.

### 3.3 Exit credits

The administering authority's entitlement to determine whether exit credits are payable in accordance with these provisions shall apply to all employers ceasing their participation in the fund after 14 May 2018. This provision therefore is retrospectively effective to the same extent as provisions of the [Local Government Pension Scheme \(Amendment\) Regulations 2020](#).

The administering authority may determine the amount of exit credit payable to be nil, however in making a determination the Administering Authority will take into account the following factors.

- a) the extent to which there is an excess of assets in the fund relating to the employer over and above the liabilities specified.
- b) the proportion of the excess of assets which has arisen because of the value of the employer's contributions.
- c) any representations to the Administering Authority made by the exiting employer, guarantor, ceding Scheme Employer (usually the Letting Authority) or by a body which owns, funds or controls the exiting employer; or in some cases, the Secretary of State.
- d) any other relevant factors.

### Admitted bodies

- i. Where an exit credit payment is appropriate, this will normally be determined by measuring the proportion of contributions paid by the admission body (to the total asset value at the cessation date) and applying this proportion to the surplus identified in the cessation valuation, subject to the total exit credit being no greater than the level of contributions paid by the admission body during their period of participation in the Fund. The administering authority will also consider any other 'relevant factors' and adjust the exit credit payment accordingly.
- ii. No exit credit will be normally payable to any admission body who participates in the fund via the mandated pass through approach. For the avoidance of doubt, whether an exit credit is payable to any admission body who participates in the fund via the "Letting employer retains pre-contract risks" route is subject to its risk sharing arrangement, as per paragraph iii) below.
- iii. The fund will make an exit credit payment in line with any contractual or risk sharing agreements which specifically covers the ownership of exit credits/cessation surpluses or if the admission body and letting authority have agreed any alternative approach (which is consistent with the Regulations and any other legal obligations). This information, which will include which party is responsible for which funding risk, must be presented to the fund in a clear and unambiguous document with the agreement of both the admission body and the letting authority/awarding authority/ceding employer and within one month (or such longer time as may be agreed with the administering authority) of the admission body ceasing participation in the Fund.
- iv. In the absence of this information or if there is any dispute from either party with regards interpretation of contractual or risk sharing agreements as outlined in c), the fund will withhold payment of the exit credit until such disputes are resolved and the information is provided to the administering authority.
- v. Where a guarantor arrangement is in place, but no formal risk-sharing arrangement exists, the fund will consider how the approach to setting contribution rates payable by the admission body during its participation in the fund reflects which party is responsible for funding risks. This decision will inform the determination of the value of any exit credit payment.
- vi. If the admission agreement ends early, the fund will consider the reason for the early termination, and whether that should have any relevance on the fund's determination of the value of any exit credit payment.
- vii. If an admitted body leaves on a low risk basis (because no guarantor is in place), then any exit credit will normally be paid in full to the employer subject to the assets being above the upper "corridor" amount – see "Risk-based cessation approach" above.
- viii. The decision of the fund is final in interpreting how any arrangement described under iii), v), vi) and vii) applies to the value of an exit credit payment.

### Scheduled bodies and designating bodies

- i. Where a guarantor arrangement is in place, but no formal risk-sharing arrangement exists, the fund will consider how the approach to setting contribution rates payable by the employer during its participation in the fund reflects which party is responsible for funding risks. This decision will inform the determination of the value of any exit credit payment.
- ii. Where no formal guarantor or risk-sharing arrangement exists, the fund will consider how the approach to setting contribution rates payable by the employer during its participation in the fund reflects the extent to



which it is responsible for funding risks. This decision will inform the determination of the value of any exit credit payment.

- iii. The decision of the fund is final in interpreting how any arrangement described under i) and ii) applies to the value of an exit credit payment.
- iv. If a scheduled body or designating body becomes an exiting employer due to a reorganisation, merger or take-over, then no exit credit will be paid.
- v. If a scheduled body or resolution body leaves on a low-risk basis (because no guarantor is in place), then any exit credit will normally be paid in full to the employer subject to the assets being above the upper “corridor” amount – see “Risk-based cessation approach” above.

### General

- i. The fund will advise the exiting employer as well as the letting authority and/or other relevant scheme employers of its decision to make an exit credit determination under Regulation 64.
- ii. The fund will also factor in if any contributions due or monies owed to the fund remain unpaid by the employer at the cessation date. If this is the case, the fund’s default position will be to deduct these from any exit credit payment.
- iii. The final decision will be made by the pension manager, in conjunction with advice from the fund’s actuary and/or legal advisors where necessary, in consideration of the points held within this policy.
- iv. The fund accepts that there may be some situations that are bespoke in nature and do not fall into any of the categories above. In these situations the fund will discuss its approach to determining an exit credit with all affected parties. The decision of the fund in these instances is final.
- v. The guidelines above at point v) in the ‘Admitted bodies’ section, and at points i) and ii) in the ‘Scheduled bodies and designating bodies’ section, make reference to the Fund ‘considering the approach to setting contribution rates during the employer’s participation’. The different funding approaches, including the parameters used and how these can vary based on employer type, are covered in detail in Table 2 (section 2.2) in the FSS. Considering the approach taken when setting contribution rates of the exiting employer may help the fund to understand the extent to which the employer is responsible for funding the underlying liabilities on exit. For example, if contribution rates have always been based on ongoing assumptions then this may suggest that these are also appropriate assumptions for exit credit purposes (subject to the other considerations outlined within this policy). Equally, a shorter than usual funding time horizon or lower than usual probability of success parameter may reflect underlying commercial terms about how responsibility for pension risks is split between the employer and its guarantor. For the avoidance of doubt, each exiting employer will be considered in the round alongside the other factors mentioned above.
- vi. None of the above should be considered as fettering the fund’s discretionary decision, instead it is an indication of how decisions are likely to be made. However it is important to bear in mind that each and every potential exit credit case will be considered by the administering authority on its own merits, and the administering authority will make its discretionary decision on that basis.

### Disputes

In the event of any dispute or disagreement on the amount of any exit credit paid and the process by which that has been considered, the appeals and adjudication provisions contained in Regulations 74-78 of the LGPS Regulations 2013 would apply.

## 4 Practicalities and process

### 4.1 Responsibilities of ceasing employers

An employer which is aware that its participation in the fund is likely to come to an end must:

- advise the fund, in writing, of the likely ending of its participation (either within the terms of the admission agreement in respect of an admission body (typically a 3 month notice period is required) or otherwise as required by the Regulations for all other scheme employers). It should be noted that this includes closed employers where the last employee member is leaving (whether due to retirement, death or otherwise leaving employment).
- provide any relevant information on the reason for leaving the Fund and, where appropriate, contact information in the case of a take-over, merger or insolvency.
- provide all other information and data requirements as requested by the Administering Authority which are relevant, including in particular any changes to the membership which could affect the liabilities (e.g. salary

increases and early retirements) and an indication of what will happen to current employee members on cessation (e.g. will they transfer to another Fund employer, will they cease to accrue benefits within the Fund, etc.).

## 4.2 Responsibilities of Administering Authority

The administering authority will:

- gather information as required, including, but not limited to, the following:
  - details of the cessation - the reason the employer is leaving the fund (i.e. end of contract, insolvency, merger, machinery of government changes, etc.) and any supporting documentation that may have an effect on the cessation.
  - complete membership data for the outgoing employer and identify changes since the previous formal valuation.
  - the likely outcome for any remaining employee members (e.g. will they be transferred to a new employer, or will they cease to accrue liabilities in the Fund).
- identify the party that will be responsible for the employer's deficit on cessation (i.e. the employer itself, an insurance company, a receiver, another Fund employer, guarantor, etc.).
- commission the fund actuary to carry out a cessation valuation under the appropriate regulation.
- where applicable, discuss with the employer the possibility of paying adjusted contribution rates that target a 100% funding level by the date of cessation through increased contributions in the case of a deficit on the cessation basis or reduced contributions in respect of a surplus.
- where applicable, liaise with the original ceding employer or guarantor and ensure it is aware of its responsibilities, in particular for any residual liabilities or risk associated with the outgoing employer's membership.
- having taken actuarial advice, notify the employer and other relevant parties in writing of the payment required in respect of any deficit on cessation and pursue payment.

### Payment of an exit credit

- If the actuary determines that there is an excess of assets over the liabilities at the cessation date, the administering authority will act in accordance with the exit credit policy above. If payment is required, the administering authority will advise the exiting employer of the amount due to be repaid and seek to make payment within six months of the exit date. However, in order to meet the six month timeframe, the administering authority requires prompt notification of an employers' exit and all data requested to be provided in a timely manner. The administering authority is unable to make any exit credit payment until it has received all data requested.
- At the time this policy was produced, the fund has been informed by HMRC that exit credits are not subject to tax, however all exiting employers must seek their own advice on the tax and accounting treatment of any exit credit.

## 4.3 Responsibilities of the actuary

Following commission of a cessation valuation by the administering authority, the fund actuary will:

- calculate the surplus or deficit attributable to the outgoing employer on an appropriate basis, taking into account the principles set out in this policy.
- provide actuarial advice to the administering authority on how any cessation deficit should be recovered, giving consideration to the circumstances of the employer and any information collected to date in respect to the cessation.
- where appropriate, advise on the implications of the employer leaving on the remaining fund employers, including any residual effects to be considered as part of triennial valuations.

# 5 Related Policies

The fund's approach to exiting employers is set out in the FSS, specifically "Section 8 – What happens when an employer leaves the fund?"

The approach taken to set the actuarial assumptions for cessation valuations is set out in Appendix E of the FSS.



## South Yorkshire Pension Fund

### Policy on bulk transfers



Effective date of policy	01 March 2026
Date approved	
Next review	March 2029

# 1 Introduction

The purpose of this policy is to set out the administering authority's approach to dealing with the bulk transfer of scheme member pension rights into and out of the fund in prescribed circumstances.

It should be noted that this statement is not exhaustive and individual circumstances may be taken into consideration where appropriate.

## 1.1 Aims and Objectives

The administering authority's aims and objectives related to this policy are as follows:

- Bulk transfers out of the fund do not allow a deficit to remain behind unless a scheme employer is committed to repairing this; and
- Bulk transfers received by the fund must be sufficient to pay for the added benefits being awarded to the members, again with the scheme employer making good any shortfall where necessary.

Bulk transfer requests will be considered on a case-by-case basis.

## 1.2 Background

Bulk transfers into and out of the fund can occur for a variety of reasons, such as:

- where an outsourcing arrangement is entered into and active fund members join another LGPS fund, or leave the LGPS to join a broadly comparable scheme;
- where an outsourcing arrangement ceases and active scheme members re-join the Fund from another LGPS fund or a broadly comparable scheme;
- where there is a reorganisation of central government operations (transfers in from, or out to, other government sponsored schemes);
- where there is a reorganisation or consolidation of local operations (brought about by, for example, local government shared services, college mergers or multi-academy trust consolidations); or
- a national restructuring resulting in the admission of an employer whose employees have LGPS service in another LGPS fund, or vice versa.

Unlike bulk transfers out of the LGPS, there is no specific provision to allow for bulk transfers into the LGPS. As a result, any transfer value received into the LGPS, whether on the voluntary movement of an individual or the compulsory transfer of a number of employees, must be treated the same way as individual transfers.

## 1.3 Guidance and regulatory framework

### Local Government Pension Scheme Regulations

When considering any circumstances involving bulk transfer provisions, the administering authority will always ensure adherence to any overriding requirements set out in the Local Government Pension Scheme Regulations 2013 (as amended), including:

- Regulation 98 – applies on transfer out to non-LGPS schemes. It allows for the payment of a bulk transfer value where at least two active members of the LGPS cease scheme membership and join another approved pension arrangement.
- Regulation 99 - gives the LGPS actuary discretion as to the choice of method of calculation used to calculate the bulk transfer value.
- Regulation 100 – allows an individual who holds relevant pension rights under a previous employer to request to be admitted for past service into the LGPS. Members wishing to transfer in accrued rights from a [Club scheme](#) (that is schemes with benefits broadly similar to those of the LGPS), who request to do so within 12 months of joining their new LGPS employment, must be granted their request. For members with “non-Club” accrued rights the LGPS fund does not have to grant the request. Any request must be received in writing from the individual within 12 months of active employment commencing or longer at the discretion of the employer and the administering authority.
- Regulation 103 - states that any transfer between one LGPS fund and another LGPS fund (in England and Wales) where 10 or more members elect to transfer will trigger bulk transfer negotiations between Fund actuaries.

### Best Value authorities

The [Best Value Authorities Staff Transfers \(Pensions\) Direction 2007](#), which came into force on 1 October 2007, applies to all “Best Value Authorities” in England. Best Value Authorities include all county, district and borough councils in England, together with police and fire and rescue authorities, National Park Authorities and waste disposal authorities. The Direction:

- requires the contractor to secure pension protection for each transferring employee through the provision of pension rights that are the same as or are broadly comparable to or better than those they had as an employee of the authority, and
- provides that the provision of pension protection is enforceable by the employee.

The Direction also requires similar pension protection in relation to those former employees of an authority, who were transferred under TUPE to a contractor, in respect of any re-tendering of a contract for the provision of services (i.e. second and subsequent rounds of outsourcing).

#### **Academies and multi-academy trusts**

[New Fair Deal guidance](#), introduced in October 2013, applies to academies and multi-academy trusts. It requires that, where they outsource services, they ensure pension protection for non-teaching staff transferred is achieved via continued access to the LGPS. As a result the fund would not expect to have any bulk transfers out of the LGPS in respect of outsourcings from academies or multi-academy trusts.

#### **Other employers**

For all scheme employers that do not fall under the definition of a Best Value Authority or are not an academy (i.e. town and parish councils, arms-length organisations, further and higher education establishments, charities and other admitted bodies), and who are not subject to the requirements of Best Value Direction or new Fair Deal guidance, there is no explicit requirement to provide pension protection on the outsourcing or insourcing of services. However, any successful contractor is free to seek admission body status in the fund, subject to complying with the administering authority's requirements (e.g. having a bond or guarantor in place).

The old Fair Deal guidance may still apply to a specific staff transfer if permitted by the new Fair Deal guidance or if outside the coverage of the new Fair Deal guidance. (If the individual remains in their original scheme then their past service rights are automatically protected). In the absence of a bulk transfer agreement the administering authority would not expect to pay out more than individual Cash Equivalent Transfer Value (CETV) amounts, in accordance with appropriate [Government Actuary's Department \(GAD\) guidance](#).

## **2 Statement of principles**

This statement of principles covers bulk transfer payments into and out of the fund. Each case will be treated on its own merits alongside appropriate actuarial advice, but in general:

- Where a group of active scheme members joins (or leaves) the fund, the administering authority's objective is to ensure that sufficient assets are received (or paid out) to meet the cost of providing those benefits.
- Ordinarily the administering authority's default approach for bulk transfers out (or in) will be to propose (or accept) that the transfer value is calculated using ongoing assumptions based on the employer's share of fund assets (capped at 100% of the value of the liabilities). The fund will retain the discretion to amend the bulk transfer basis to reflect the specific circumstances of each transfer – including (but not restricted to):
  - the use of cessation assumptions where unsecured liabilities are being left behind;
  - where a subset of an employer's membership is transferring (in or out), the Fund may consider an approach of calculating the bulk transfer payment as the sum of CETVs for the members concerned; or
  - where transfer terms are subject to commercial factors.
- Where an entire employer is transferring in or out of the fund the bulk transfer should equal the asset share of the employer in the transferring fund regardless of whether this is greater or lesser than the value of past service liabilities for members.
- There may be situations where the fund accepts a transfer in amount which is less than required to fully fund the transferred in benefits on the fund's ongoing basis (e.g. where the employer has suitable strength of covenant and commits to meeting that shortfall over an appropriate period). In such cases the administering authority reserves the right to require the receiving employer to fund this shortfall (either by lump sum or by increasing in ongoing employer contributions) ahead of the next formal valuation.
- Any shortfall between the bulk transfer payable by the fund and that which the receiving scheme is prepared to accept must be dealt with outside of the fund, for example by a top up from the employer to the receiving scheme or through higher ongoing contributions to that scheme.
- Service credits granted to transferring scheme members should fully reflect the value of the benefits being transferred, irrespective of the size of the transfer value paid or received.

## 3 Policy

The following summarises the various scenarios for bulk transfers in or out of the fund, together with the Administering Authority's associated policies.

### 3.1 Inter-fund transfer (transfer between the fund and another LGPS fund)

Scenario	Bulk transfer mechanism	Policy	Methodology
In	< 10 members – GAD guidance	CETVs in accordance with GAD guidance.	On receipt of a transfer value (calculated in line with the CETV transfer out formulae), the Fund will award the member a pension credit on a day-for-day basis.
	10 or more members – Regulation 103 of the Local Government Pension Scheme Regulations 2013	<p>Where agreement can be reached, the Fund and the transferring fund (and their two actuaries) may agree to a negotiated bulk transfer arrangement. However, where agreement cannot be reached:</p> <p><b>Actives only transferring:</b> CETVs in accordance with GAD guidance using transferring fund's actual fund returns for roll up to date of payment (rather than the interest applied for standard CETV's).</p> <p><b>All members transferring (i.e. all actives, deferred and pensioners):</b> Receive all assets attributable to the membership within the transferring scheme.</p>	<p>The Fund's default policy is to accept a transfer value that is at least equal to the total of the individual CETVs calculated using the Club transfer-out formulae.</p> <p>The Fund will consult with the scheme employer whose funding position will be impacted by the transfer before agreeing to a negotiated bulk transfer arrangement.</p> <p>Pension credits will be awarded to the transferring members on a day-for-day basis.</p>
Out	< 10 members – GAD guidance	CETVs in accordance with GAD guidance.	The transfer value paid to the receiving fund will be calculated in line with the CETV transfer-out formulae.
	10 or more members – Regulation 103 of the Local Government Pension Scheme Regulations 2013	<p>Where agreement can be reached, the Fund and the receiving Fund (and their two actuaries) may agree to a negotiated bulk transfer arrangement. However, where agreement cannot be reached:</p> <p><b>Actives only transferring (i.e. remaining members left behind):</b> CETV in accordance with GAD guidance using transferring fund's actual fund returns for roll-up to date of payment (rather than the interest applied for standard CETV's).</p> <p><b>All actives transferring (i.e. deferred and pensioner members left behind):</b> Assets will be retained by the Fund to cover the liabilities of the deferred and pensioner members calculated using the Fund's cessation assumptions. The residual assets will then be transferred to the receiving scheme.</p> <p><b>All members transferring (i.e. all actives, deferred and pensioners):</b></p>	<p>The Fund's default policy is to offer a transfer value that is equal to the total of the individual CETV calculated using the Club transfer-out formulae.</p> <p>The Fund will consult with the scheme employer whose funding position will be impacted by the transfer before agreeing to a negotiated bulk transfer arrangement.</p> <p>Discretion exists to amend this to reflect specific circumstances of the situation.</p>

		Transfer all assets attributable to the membership to the receiving scheme.	
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### 3.2 Club Scheme

Scenario	Bulk transfer mechanism	Policy	Methodology
In	Club Memorandum	The Club mechanism ensures the pension credit in the Fund provides actuarially equivalent benefits.	The pension credit awarded to members transferring in will be calculated in line with the Club transfer-in formulae.
Out	Regulation 98 of the Local Government Pension Scheme Regulations 2013 or Club Memorandum	Where agreement can be reached, the Fund and the receiving scheme (and their two actuaries) may agree to a negotiated bulk transfer arrangement.  Or  Where agreement cannot be reached, revert to the Club transfer out formulae in accordance with GAD guidance.	The Fund's default policy is to offer the receiving scheme transfers out calculated using ongoing assumptions based on the ceding employer's share of fund assets (capped at 100% of the liability value).  Discretion exists to amend this to reflect specific circumstances of the situation.

### 3.3 Broadly Comparable Scheme or non-Club scheme

Scenario	Bulk transfer mechanism	Policy	Methodology
In	GAD guidance	Non-Club transfer in formulae in accordance with GAD guidance	The pension credit awarded to members transferring in will be calculated in line with the non-Club transfer in formulae.
Out	1 member only – GAD guidance  2 or more members – Regulation 98 of the Local Government Pension Scheme Regulations 2013	CETV in accordance with GAD guidance  Where agreement can be reached, the fund and the receiving scheme (and their two actuaries) may agree to a negotiated bulk transfer arrangement.  Or  Where agreement cannot be reached, revert to cash equivalent transfer values under GAD guidance	The transfer value paid to the receiving scheme will be calculated in line with the CETV transfer-out formulae.  The fund's default policy is to offer the receiving scheme transfers out calculated in line with the CETV transfer-out formulae.  Discretion exists to amend this to reflect specific circumstances of the situation.

## 4 Practicalities and process

### 4.1 Format of transfer payment

Ordinarily payment will be in cash.

A deduction from the bulk transfer will be made for any administration, legal and transaction costs incurred by the Fund as a result of having to disinvest any assets to meet the form of payment that suits the receiving scheme.

### 4.2 Impact on transferring employer

Any transfer out or in of pension rights may have an effect on the valuation position of the employer and consequently their individual contribution rate.

The Fund will agree with the transferring employer how this change is dealt with. Though it is likely this will be through adjustments to its employer contribution rate, the Fund may require a lump sum payment or instalments of lump sums to cover any relative deterioration in deficit, for example where the deterioration in deficit is a large proportion of its total notional assets and liabilities. Where the transfer is small relative to the employer's share of the Fund, any adjustment may be deferred to the next valuation.

### 4.3 Consent

Where required within the Regulations, for any bulk transfer the Administering Authority will ensure the necessary consent is obtained from each individual eligible to be part of the transfer.

### 4.4 Approval process

The Fund will normally agree to bulk transfers into or out of the Fund where this policy is adhered to.

### 4.5 Non-negotiable

It should be noted that, as far as possible, the Fund's preferred terms on bulk transfers are non-negotiable. Any differences between the value the Fund is prepared to pay (or receive) and that which the other scheme involved is prepared to accept (or pay) should be dealt with by the employers concerned outside the Fund.

### 4.6 Costs

Actuarial and other professional costs will be recharged in full to the employer.

Staff time involved on the Fund side will be charged at the rate defined within the Administration Strategy Statement.

## 5 Related Policies

Section 7 of the Fund's Funding Strategy Statement.

## South Yorkshire Pension Fund Policy on contribution reviews



Effective date of policy	1 <sup>st</sup> April 2026
Date approved	
Next review	March 2029

# 1 Introduction

The purpose of this policy is to set out the administering authority's approach to reviewing contribution rates between triennial valuations.

It should be noted that this statement is not exhaustive and individual circumstances may be taken into consideration where appropriate.

## 1.1 Aims and objectives

The administering authority's aims and objectives related to this policy are as follows:

- To provide employers with clarity around the circumstances where contribution rates may be reviewed between valuations.
- To outline specific circumstances where contribution rates will not be reviewed.

## 1.2 Background

The Fund may amend contribution rates between valuations for 'significant change' to the liabilities or covenant of an employer.

Such reviews may be instigated by the fund or at the request of a participating employer.

Any review may lead to a change in the required contributions from the employer.

## 1.3 Guidance and regulatory framework

[Regulation 64](#) of the Local Government Pension Scheme Regulations 2013 (as amended) sets out the way in which LGPS funds should determine employer contributions, including the following;

- Regulation 64 (4) – allows the administering authority to review the contribution rate if it becomes likely that an employer will cease participation in the fund, with a view to ensuring that the employer is fully funded at the expected exit date.
- Regulation 64A - sets out specific circumstances where the administering authority may revise contributions between valuations (including where a review is requested by one or more employers).

This policy also reflects [statutory guidance](#) from the Ministry of Housing, Communities and Local Government on preparing and maintaining policies relating to the review of employer contributions. Interested parties may want to refer to an accompanying [guide](#) that has been produced by the Scheme Advisory Board.



## 2 Statement of principles

This statement of principles covers review of contributions between valuations. Each case will be treated on its own merits, but in general:

- The administering authority reserves the right to review contributions in line with the provisions set out in the LGPS Regulations. It will also consider requests from employers to do so.
- The decision to make a change to contribution rates rests with the administering authority, subject to consultation with employers during the review period.
- Full justification for any change in contribution rates will be provided to employers.
- Advice will be taken from the fund actuary in respect of any review of contribution rates.
- Any revision to contribution rates will be reflected in the Rates & Adjustment certificate.
- Any change in market conditions will not be a reason to review contributions on its own between valuations.

## 3 Policy

### 3.1 Circumstances for review

The fund would consider the following circumstances as a potential trigger for review:

- in the opinion of an administering authority there are circumstances which make it likely that an employer (including an admission body) will become an exiting employer sooner than anticipated at the last valuation;
- an employer is approaching exit from the fund within the next two years and before completion of the next triennial valuation;
- there are changes to the benefit structure set out in the LGPS Regulations which have not been allowed for at the last valuation;
- it appears likely to the administering authority that the amount of the liabilities arising or likely to arise for an employer or employers has changed significantly ( but not in cases due to changes in market conditions) since the last valuation;
- it appears likely to the administering authority that there has been a significant change in the ability of an employer or employers to meet their obligations (e.g. a material change in employer covenant, or provision of additional security);
- it appears to the administering authority that the membership of the employer has changed materially such as bulk transfers, significant reductions to payroll or large-scale restructuring; or
- where an employer has failed to pay contributions or has not arranged appropriate security as required by the administering authority.

### 3.2 Employer requests

The administering authority will also consider a request from any employer to review contributions where the employer has undertaken to meet the costs of that review and sets out the reasoning for the review (which would be expected to fall into one of the above categories, such as a belief that their covenant has changed materially, or they are going through a significant restructuring impacting their membership).

The administering authority will require additional information to support a contribution review made at the employer's request. The specific requirements will be confirmed following any request and this is likely to include the following:

- a copy of the latest accounts;
- details of any additional security being offered (which may include insurance certificates);
- budget forecasts; and/or
- information relating to sources of funding.

The costs incurred by the administering authority in carrying out a contribution review (at the employer's request) will be met by the employer. These will be confirmed upfront to the employer prior to the review taking place.

### 3.3 Other employers

When undertaking any review of contributions, the administering authority will also consider the impact of a change to contribution rates on other fund employers. This will include the following factors:

- The existence of a guarantor.
- The amount of any other security held.
- The size of the employer's liabilities relative to the whole fund.

The administering authority will consult with other fund employers as necessary.

### **3.4 Effect of market volatility**

Except in circumstances such as an employer nearing cessation, the administering authority will not consider market volatility or changes to asset values as a basis for a change in contributions outside a formal valuation. However, if a contribution change is proposed, this may take account of changes in markets and asset values since the last formal valuation.

### **3.5 Documentation**

Where revisions to contribution rates are necessary, the fund will provide the employer with a note of the information used to determine these, including:

- Explanation of the key factors leading to the need for a review of the contribution rates, including, if appropriate, the updated funding position.
- A note of the new contribution rates and effective date of these.
- Date of next review.
- Details of any processes in place to monitor any change in the employer's circumstances (if appropriate), including information required by the administering authority to carry out this monitoring.

The Rates & Adjustments certificate will be updated to reflect the revised contribution rates.

## **4 Related Policies**

The fund's approach to setting employer contribution rates is set out in the Funding Strategy Statement, specifically "Section 2 – How does the fund calculate employer contributions?".

## South Yorkshire Pension Fund Policy on Academy Funding



Effective date of policy	01 April 2026
Date approved	
Next review	March 2029

# 1 Introduction

The purpose of this policy is to set out the administering authority's funding principles relating to academies and Multi-Academy Trusts (MATs).

## 1.1 Aims and Objectives

The administering authority's objectives related to this policy are as follows:

- to state the approach for the treatment and valuation of academy liabilities and asset shares on conversion from a local maintained school, if establishing as a new academy or when joining or leaving a MAT
- to state the approach for setting contribution rates for MATs
- to outline the responsibilities of academies seeking to consolidate
- to outline the responsibilities of academies when outsourcing

## 1.2 Background

As described in Section 5.2 of the Funding Strategy Statement (FSS), new academies join the fund on conversion from a local authority school or on creation (eg newly established academies, Free Schools, etc). It is expected that new academies will join an existing MAT and so, upon joining the fund, academies will join an existing MAT pool for funding purposes. Where a new academy does not join an existing MAT pool, asset allocation and contribution rates will be determined by the Fund Actuary based on policy set out in the FSS.

Funding policy relating to academies and MATs is largely at the fund's discretion, however guidance on how the fund will apply this discretion is set out within this policy.

## 1.3 Guidance and regulatory framework

The Local Government Pension Scheme Regulations 2013 (as amended) contains general guidance on Scheme employers' participation within the fund which may be relevant but is not specific to academies.

There is currently a [written ministerial guarantee of academy LGPS liabilities](#), which was [reviewed](#) in 2022.

Academy guidance from the Department for Education and the Ministry for Housing, Communities and Local Government may also be relevant.

# 2 Statement of Principles

This Statement of Principles covers the fund's approach to funding academies and MATs. Each case will be treated on its own merits but in general:

- the fund will seek to apply a consistent approach to funding academies that achieves fairness to the ceding councils, MATs and individual academies.
- the fund's current approach is to treat all academies within a MAT as a single employer (operating as a funding pool where all pension risks are shared).
- academies must consult with the fund prior to carrying out any outsourcing activity.
- the fund will generally not consider receiving additional academies into the fund as part of a consolidation exercise, unless this has been mutually agreed with the relevant administering authorities.

# 3 Policies

## 3.1 Admission to the fund

As set out in section 5.2 of the FSS:

### Asset allocation on conversion

New academies will be allocated an asset share based on the estimated funding level of the ceding council's active members, having first allocated the council's assets to fully fund their deferred and pensioner members. This funding level will then be applied to the transferring liabilities to calculate the academy's initial asset share, capped at a maximum of 100%. The council's estimated funding level will be based on market conditions on the day before conversion.

For new academies joining a MAT, assets calculated using the approach outlined in the previous paragraph will be transferred from the ceding council to the MAT.

### Contribution rate

New academy contribution rates are based on the current funding strategy (set out in section 2 of the FSS) and the transferring membership.

If an academy is joining an existing MAT within the fund then it will pay the MAT contribution rate (which may or may not be updated as a result - see below).

If the new academy is not part of a MAT, or if the MAT does not already participate in the South Yorkshire Pension Fund, the new academies' contribution rate will be determined based on the current funding strategy (set out in section 2 of the FSS) and the transferring membership.

### 3.2 Multi-academy trusts

#### Asset tracking

The fund's policy is to pool assets (and liabilities) of all the academies within a MAT. Once an academy joins a MAT the individual asset share of that academy is merged into the MAT. All funding risks within the MAT pool are shared with other academies within the MAT pool. As such, only the MAT pool asset and liability share is tracked.

#### Contribution rate

The default approach is that the MAT is treated as a 'full funding risks' pool meaning that all academies within the MAT pay the same contribution rate to the fund and all membership experience is shared across the MAT (i.e. full cross-subsidy exists).

Any transferring academy will pay the certified contribution rate of the MAT it is joining. At the discretion of the fund, the MAT's contribution rate may be revised by the fund actuary to allow for impact of the transferring academy joining.

### 3.3 Academy transfers

#### Academy leaves a MAT and joins another MAT

If an academy(ies) leave(s) a MAT and joins another MAT, all active members will transfer from the existing MAT to the new MAT. The value of transferring assets will be determined based on the estimated funding level of the MAT's (from which the academy(ies) is transferring) active members, having first allocated the MAT's assets to fully fund their deferred and pensioner members. This funding level will then be applied to the transferring liabilities to calculate the transferring asset value, capped at a maximum of 100%. The MAT's estimated funding level will be based on market conditions on the day before conversion.

The academy will pay the new MAT pool rate.

#### Merging of MATs

If two MATs merge during the period between formal valuations, all assets and liabilities will be combined to form a new MAT pool.

The new merged MAT will pay the higher of the two certified individual MAT rates until the rates are reassessed at the next formal valuation (NB where one or both MATs are paying a monetary secondary contribution rate these will be converted to a % of pay for the purposes of determining the new merged contribution rate).

Alternatively, as set out in the fund's contribution review policy and per Regulation 64 A (1)(b) (iii) the MAT may request that a contribution review is carried out. The MAT would be liable for the costs of this review.

#### Standalone Academy joins a MAT

If an existing standalone academy joins a MAT, all active deferred and pensioner liabilities, along with the full asset share for the existing standalone academy, will transfer to the MAT.

The academy will pay the existing MAT pool rate.

### 3.4 Cessations of academies and multi-academy trusts

A cessation event will occur if a current standalone academy or MAT ceases to exist as an entity or an employer in the fund.

The cessation treatment will depend on the circumstances:

- In the event of a MAT closure (or the closure of a standalone academy), where individual academies may be subsequently transferred to another MAT (or several MATs), a formal cessation valuation would be carried out. Assets transferred to any new MAT(s) would be set based on the value of the transferring active liabilities, but these may be adjusted to ensure that the legacy MAT deferred and pensioner liabilities are fully funded on the low-risk cessation basis.
- If an academy or MAT merges with another academy or MAT within the fund, all assets and liabilities from each of the merging entities will be combined and will become the responsibility of the new merged entity. A formal cessation valuation would then be carried out in respect of the former entities (on the basis of their being nil assets and liabilities remaining).

If a single academy operating within a MAT ceases to exist as a school, the legacy assets and liabilities of the academy will remain the responsibility of the MAT. This is not a cessation event (as defined in Regulation 64 of the LGPS Regulations), and a cessation valuation will not be required.

In all other circumstances, and following payment of any cessation debt, section 7.5 of the FSS would apply.

### 3.5 Academy consolidations

If an academy or MAT is seeking to merge with another MAT outside of the fund they would need to seek approval from the secretary of state to consolidate their liabilities (and assets) into one LGPS fund. It is the fund's preference that academies do not seek to consolidate.

The fund will provide the necessary administrative assistance to academies seeking to consolidate into another LGPS fund, however the academy (or MAT) will be fully liable for all actuarial, professional and administrative costs.

### 3.6 Outsourcing

An academy (or MAT) may outsource or transfer a part of its services and workforce via an admission agreement to another organisation (usually a contractor). The contractor becomes a new participating fund employer for the duration of the contract and transferring employees remain eligible for LGPS membership.

The contractor will pay towards the LGPS benefits accrued by the transferring members for the duration of the contract, but ultimately the obligation to pay for these benefits will revert to the academy (or MAT) at the end of the contract.

It is critical for any academy (or MAT) considering any outsourcing to contact the fund initially to fully understand the administrative and funding implications. The academy should also read and fully understand the fund's admissions policy.

In some cases, it is necessary to seek approval from Department for Education before completing an outsourcing (including seeking confirmation that the guarantee provided to academies will remain in place for the transferring members).

The academy (or MAT) will provide the Fund with a copy of the contract (between the ceding Academy and the new contractor) 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.

It is the fund's policy that new contractors will be admitted to the fund on a pass-through basis. The fund's policy on pass-through is [here](#).

### 3.7 Accounting

Given underlying assets and liabilities for academies within a MAT are not tracked individually, only combined FRS102 disclosures (eg for all academies within a MAT) can be prepared.

## 4 Related Policies

The fund's approach to admitting new academies into the fund is set out in the Funding Strategy Statement, specifically "Section 5 – What happens when an employer joins the fund?"

The following Fund policies are also relevant:

- Contribution review policy
- Cessation policy
- Bulk transfer policy
- Pass-through policy

The academy (or MAT) will provide the Fund with a copy of the contract (between the ceding Academy and the new contractor) 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.

### 4.1 Accounting

Given underlying assets and liabilities for academies within a MAT are not tracked individually, only combined FRS102 disclosures (eg for all academies within a MAT) can be prepared.

## 5 Related Policies

The fund's approach to admitting new academies into the fund is set out in the Funding Strategy Statement, specifically "Section 5 – What happens when an employer joins the fund?"

The following Fund policies are also relevant:

- Contribution review policy
- Cessation policy
- Bulk transfer policy

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## South Yorkshire Pension Fund Policy on Covenant Assessment and Monitoring



Effective date of policy	1 <sup>st</sup> April 2026
Date approved	
Next review	March 2029

# 1 Introduction

The purpose of this policy is to set out the administering authority's approach to assessing and monitoring covenant.

## 1.1 Aims and objectives

The administering authority's aims and objectives related to this policy are as follows:

- To outline the general approach taken by the fund when carrying out a covenant assessment, including the key risk criteria.
- To outline the process for monitoring covenant strength.

## 1.2 Background

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 cessation 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.

## 2 Statement of principles

The assessment criteria upon which an employer should be reviewed includes the following;

- 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 employer's obligations to other pension schemes
- 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
- The presence and nature of any guarantee provided by another scheme employer within the fund

## 3 Policy and process

### 3.1 Assessing employer covenant

The employer covenant will be assessed objectively and its ability to meet its obligations will be viewed in the context of the Fund's exposure to risk and volatility based on publicly available information and/or information provided by the employer. The monitoring of covenant strength along with the funding position (including on the cessation 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/Green (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.

### 3.2 Frequency of monitoring

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 twelve months.

### 3.3 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:

- Parental Guarantee and/or Indemnifying Bond.
- Transfer to a more prudent actuarial basis (e.g. the termination basis).
- Shortened recovery periods and increased cash contributions.
- Managed exit strategies and bespoke investment strategies in the run up to exit.

- Contingent assets and/or other security such as escrow accounts.

## 4 Related policies

A summary of the Fund's policy on covenant assessment and monitoring, as they apply to employer groups, is set out in the FSS, specifically "Appendix D6 – Employer Covenant Assessment and Monitoring".

## South Yorkshire Pension Fund Policy on Prepayments



Effective date of policy	1 <sup>st</sup> April 2026
Date approved	
Next review	March 2029

# 1 Introduction

The purpose of this policy is to set out the administering authority's approach to the prepayment of regular contributions due by participating employers.

It should be noted that this statement is not exhaustive and individual circumstances may be taken into consideration where appropriate.

The fund's default position is that prepayments will not be supported. Applications to prepay employer contributions will be considered on a case-by-case basis.

## 1.1 Aims and objectives

The administering authority's aims and objectives related to this policy are as follows:

- To provide employers with clarity around the circumstances where prepayment of contributions will be permitted.
- Where prepayments are permitted, to outline the key principles followed when calculating prepayment amounts.
- To outline the approach taken to assess the suitability of a prepayment as sufficient to meet the required contributions.

## 1.2 Background

It is common practice in the LGPS for employers to pre-pay regular contributions that were otherwise due to be paid to the fund in future. Employer contributions include the 'Primary Rate' – which is expressed as a percentage of payroll and reflects the employer's share of the cost of future service benefits, and the 'Secondary Rate' – which can be expressed as a percentage of payroll or a monetary amount and is an additional contribution designed to ensure that the total contributions payable by the Employer meet the funding objective in the long term.

On 22 March 2022, following a request from the LGPS Scheme Advisory Board, James Goudie (then) QC provided an [Opinion](#) on the legal status of prepayments. This Opinion found that the prepayment of employee and employer contributions was not illegal, subject to the basis for determining the prepayment amount being reasonable, proportionate and prudent. Further, the Opinion set out specific requirements around the presentation of prepayments.

## 1.3 Guidance and regulatory framework

The Local Government Pension Scheme Regulations 2013 (as amended) set out the way in which LGPS funds should determine employer contributions and contain relevant provisions regarding the payment of these, including the following:

- Regulation 67 – sets out the requirement for employers to pay contributions in line with the Rates and Adjustments (R&A) certificate and specifies that primary contributions be expressed as a percentage of pensionable pay of active members.
- Regulation 62 - sets the requirement for an administering authority to prepare an R&A certificate.
- Regulation 9 – outlines the contribution rates payable by active members

# 2 Statement of principles

This statement of principles covers the prepayment of regular employer contributions to the fund. Each case will be treated on its own merits, but in general:

- The administering authority's default position is that prepayment of employer contributions is **not** supported. This is as a result of:
  - the need to receive regular contributions from employers to help match contribution income to benefit payments; and
  - the significant costs incurred investing and disinvesting these contributions over relatively short timescales
- Applications will be considered to prepay employer contributions on a case by case basis, based on individual employer circumstances.
- Prepaying contributions expressed as a percentage of pay introduces the risk that the prepayment amount will be insufficient to meet the scheduled contribution (as a result of differences between expected and actual payroll). Prepaying contributions will therefore only be considered in the case of secure, long-term employers (e.g. local authorities).
- The prepayment of employee contributions is not permitted.

- Where prepayments are allowed:
  - No discount will be applied given the need to carefully manage the cashflow position of the fund i.e. amounts received in respect of prepaid contributions are unlikely to be invested over the prepayment period.
  - The fund actuary will determine the prepayment amount, which may require assumptions to be made about payroll over the period which the scheduled contribution is due.
  - Where contributions expressed as a percentage of pay have been prepaid, the administering authority will carry out an annual check (and additional contributions may be required by the employer) to make sure that the actual amounts paid are sufficient to meet the contribution requirements set out in the R&A certificate.
  - Prepayment agreements will be documented by way of correspondence between the administering authority and the employer.
  - The Rates & Adjustments (R&A) certificate will be updated on an annual basis to reflect any prepayment agreements in place.
  - Employers are responsible for ensuring that any prepayment agreement is treated appropriately when accounting for pensions costs, and for ensuring the agreement of their own auditor.
  - Prepayment agreements can cover any annual period of the R&A (or a consecutive number of annual periods).

## 3 Policy

### 3.1 Eligibility and periods covered

The fund's default position is that prepayments will not be supported. The fund will consider requests from employers to pre-pay certified primary and secondary contributions. However, in general, the prepayment of primary contributions is only appropriate for large, secure employers with stable active memberships. Employer contributions over the period of the existing R&A certificate (and, where a draft R&A certificate is being prepared following the triennial valuation, the draft R&A certificate) may be pre-paid by employers, where the fund permits.

Prepayment of contributions due after the end of the existing (or draft) R&A certificate is not permitted, e.g. it would not be possible to prepay employer contributions due in the 2029/30 year until the results of the 2028 valuation are known and a draft R&A certificate covering the 2029 to 2032 period has been prepared.

### 3.2 Request and timing

If an employer wishes to pre-pay employer contributions, they are required to seek approval from the fund in writing.

This request should be received by the fund within 2 months of the start of the period for which the prepayment is in respect of.

The fund will then consider the request and if successful, provide the employer with a note of the prepayment amount and the date by which this should be paid. In general, the prepayment should be made as close as possible to the beginning of the appropriate R&A period and by 31 May at the latest.

Failure to pay the prepayment amount by the specified date may lead to the need for an additional and immediate payment from the employer to ensure that the amount paid is sufficient to meet the certified amount set out in the R&A certificate.

### 3.3 Calculation

If an application to the fund to pre-pay contributions is successful, the fund actuary will determine the prepayment amount required.

Where the prepayment is in respect of contributions expressed as a percentage of pay:

- The fund actuary will determine the value of scheduled contributions based on an estimate of payroll over the period (using the information available and assumptions set at the previous valuation). No discounting will be applied.
- A sufficiency check will be required at the end of the period (see section 3.4)

Where the prepayment is in respect of contributions expressed as a monetary amount:

- The fund actuary will determine the value of scheduled contributions. No discounting will be applied.
- No sufficiency check will be required

Employers may pay more than the prepayment amount determined by the fund actuary.

No allowance for expected outsourcing of services and/or expected academy conversions will be made in the fund actuary's estimation of payroll for the prepayment period.

### 3.4 Sufficiency check

Where required, the fund actuary will carry out an **annual** assessment to check that sufficient contributions have been prepaid in respect of that period. Specifically, this will review the prepayment calculation based on actual payroll of active members over the period and this may lead to a top-up payment being required from the employer.

If this sufficiency check reveals that the prepayment amount was higher than that which would have been required based on actual payroll (i.e. if actual payroll over the period is less than was assumed), this will not lead to a refund of contributions to the employer.

The sufficiency check will make no allowance for investment return generated over the period.

The administering authority will notify the employer of any top-up amount payable following this annual sufficiency check and the date by which any top-up payment should be made.

### 3.5 Documentation and auditor approval

If an application to the fund to pre-pay contributions is successful, the fund will provide the employer with a note of the information used to determine the prepayment amount, including:

- The estimate of payroll (where applicable)
- The effective date of the calculation (and the date by which payment should be made)
- The scheduled regular payments which the prepayment amount covers.

The prepayment agreement will be reflected in the R&A certificate as follows:

- The unadjusted employer regular contribution rate payable over the period of the certificate
- As a note to the contribution rate table, information relating to the prepayment amount for each employer where a prepayment agreement exists. The table will also note that no discount has been applied.

The R&A certificate will be updated on an annual basis to reflect any prepayment agreements in place.

Employers should discuss the prepayment agreement with their auditor prior to making payment and agree the accounting treatment of this. The fund will not accept any responsibility for the accounting implications of any prepayment agreement.

### 3.6 Costs

If an application to the fund to pre-pay contributions is successful, employers entering into a prepayment agreement will be required to meet the cost of this, which includes (but is not limited to) the actuarial fees incurred by the administering authority.

### 3.7 Risks

Employers enter into prepayment agreements on the expectation that the fund will be able to generate higher returns than the employers can over the prepayment period. Employers should be aware that future returns are not guaranteed, and it is possible that the returns generated on prepayment amounts may be lower than that which can be generated by the employer. It is also possible that negative returns will arise, which lead to the value of any prepayment being less than that which was scheduled to be paid. In such circumstances, a top-up payment would not be required (as the sufficiency check only considers the effect of actual payroll being different to that assumed in the prepayment calculation), however the employer's asset share would be lower than it would have been if contributions were paid as scheduled. This would be considered by the fund actuary at the next triennial valuation (as per the normal course of events).

## 4 Related Policies

The fund's approach to setting regular employer contribution rates is set out in the Funding Strategy Statement, specifically "Section 2 – How does the fund calculate employer contributions?".



## South Yorkshire Pension Fund Policy on Ill Health Risk Management



Effective date of policy	1 <sup>st</sup> April 2026
Date approved	
Next review	March 2029

# 1 Introduction

The purpose of this policy is to set out the administering authority's approach to managing the risk arising due to ill health retirements.

It should be noted that this statement is not exhaustive and individual circumstances may be taken into consideration where appropriate.

## 1.1 Aims and objectives

The administering authority's aims and objectives related to this policy are as follows:

- To explain the approach taken to manage ill health risk
- To specify circumstances where a review of experience may lead to additional contributions.
- To outline the key risks and benefits to this arrangement.

## 1.2 Background

Additional liabilities can arise following the retirement of members due to ill health. These additional liabilities can include the unreduced early payment of pension benefits and the award of additional service. The level of pension benefits paid on ill health depends on the severity of the member's condition.

The LGPS Regulations require the additional liabilities to be funded by way of payments from employers. Payment of large lump sums to meet strains as and when they arise can lead to unexpected payments and put significant strain on employers' budgets. LGPS funds are able to put arrangements in place which mitigate the risk of having to pay a large cash sum due to an ill health retirement strain.

To mitigate this risk to employers and to evidence good governance and risk management, the decision has been taken to operate a captive insurance arrangement within the Fund.

## 1.3 Guidance and regulatory framework

The Local Government Pension Scheme Regulations 2013 (as amended) set out the benefits payable to members and the way in which additional benefits (such as those arising on ill health early retirement) should be funded. These include the following:

- Regulation 35 – permits the early retirement of pension on ill health grounds.
- Regulation 39 – sets out the calculation of the pension payable in the instance of ill health retirement.
- Regulation 68 – sets out the additional contributions payable by the employer to meet the liability strain caused by a member retiring through ill health.

# 2 Statement of principles

This statement of principles covers the captive insurance arrangement in place to manage the risks created by ill health retirements. In general:

- This arrangement applies to all employers in the Fund (except the secure major employers).
- Eligible employers are unable to opt out of this arrangement.
- A separate pot of assets (the 'captive fund') will be maintained to meet the cost of ill health retirement strains.
- Regular contributions payable by employers will include amounts equal to the expected cost of assumed ill health retirements. These amounts will be paid into the captive fund, and will be reassessed at each triennial actuarial valuation.
- Eligible employers will not be required to pay lump sum amounts to meet ill health retirement strains (in the normal course of events).
- Both Tier 1 and Tier 2 ill health retirement strains will be covered by this arrangement.
- The fund will look to protect eligible employers against the risk of unusually high ill health retirement experience of other employers.
- Employers not eligible to join the captive arrangement (i.e. secure long-term employers) will be responsible for meeting their own ill health retirement experience.

## 3 Policy

### 3.1 Purpose

The purpose of this captive insurance arrangement is to share the cost of ill health retirement experience across all small employers.

### 3.2 Eligibility

Eligible employers are:

- Academies and former grant-maintained schools
- All admitted bodies (including those legacy admitted bodies referred to as Community Admission Bodies and Transferee Admission Bodies)
- Designating / resolution bodies
- Other scheduled bodies as determined by the administering authority
- All other bodies with less than 100 members.

All ill health experience since 1 October 2014 is pooled as per the captive insurance arrangement.

### 3.3 Operation

The captive arrangement works as follows:

- Contribution rates are set by the Fund Actuary every three years as part of the triennial valuation. Primary contribution rates include allowance for the expected cost of assumed ill health retirements (expressed as a percentage of payroll) – this is referred to as the ‘ill health premium’.
- Ill health premiums are paid into the ‘captive fund’ – this is a separate pot of assets which is tracked by the Fund Actuary at each triennial valuation.
- All ill health retirement strains arising in respect of eligible employers are then met by the captive fund. In practice, assets equal to the strain payment due would be transferred within the fund from the captive fund to the employer’s asset share.
- Note that this arrangement covers the initial employer strain cost, and does not monitor the actual cost of ill-health early retirements thereafter: in effect, each employer bears the risks (and receives the potential benefits) of its ill-health members incurring a higher or lower cost over the years than was anticipated by the strain cost.
- The ill health premiums will be reviewed at each triennial valuation with a view to ensuring that the captive fund is sufficient to meet the cost of ill health retirement strains over time. This review will consider the expected level of future ill health retirements and recognise the effect of any adverse/favourable ill health retirement experience. Advice will be taken from the Fund Actuary in the review of ill health premia, but in general:
  - Where a shortfall exists in the captive fund, this shortfall may be allocated across all eligible employers and/or this may lead to an increase in ill health premiums following the next triennial valuation.
  - Where excess funds exist in the captive fund, these may be used as a buffer against future adverse experience. Excess funds may be transferred to the eligible employers at the discretion of the administering authority.

The ill health retirement experience across eligible employers is likely to differ. This introduces cross-subsidies, in particular where the experience of one employer is very high compared to that of another. This is a feature of the captive insurance arrangement in place and no asset recalibration will take place to address such cross subsidies.

### 3.4 Review and additional contributions

The administering authority will review the level of ill health experience across all employers at each triennial valuation.

If an employer has an unusually high incidence of ill health retirement over the previous inter-valuation period, the administering authority will engage with the employer to understand the reasons for this. In the event of concerns around the eligibility criteria applied by the employer in granting ill health retirements, this could lead to the need for the employer to pay additional contributions to the fund (which would then be shared across all other employers as recompense for meeting this unusually high level of ill health retirement strains).

### 3.5 Costs

The costs of operating the captive insurance arrangement will be met by the fund.

### **3.6 Ineligible employers**

Secure, long-term employers (such as Local Authorities) are not eligible to join the captive arrangement. For these ineligible employers, regular contributions paid include the expected cost of assumed ill health retirements. No additional contributions would be required from these employers as a result of actual ill health retirement experience. A review of experience will be carried out each triennial valuation, which will be used to set the assumptions underlying the calculation of contribution rates payable.

## **4 Related Policies**

The fund's approach to setting regular employer contribution rates is set out in the Funding Strategy Statement, specifically "Section 2 – How does the fund calculate employer contributions?".

<b>Subject</b>	<b>Valuation 2025 - Outcome</b>	<b>Status</b>	For Publication
<b>Report to</b>	Authority	<b>Date</b>	18 December 2025
<b>Report of</b>	Director		
<b>Equality Impact Assessment</b>	Not Required	Attached	No
<b>Contact Officer</b>	Debbie Sharp Assistant Director - Pensions	<b>Phone</b>	01226 6664
<b>E Mail</b>	dsharp@sypa.org.uk		

## 1 **Purpose of the Report**

- 1.1 To receive the Fund Actuary's report on the outcome of the 2025 valuation and approve the employer contribution rates for the 3 years from 2026/27 set out in the rates and adjustments certificate.

## 2 **Recommendations**

- 2.1 Members are recommended to:
- a. **Note the results of the 2025 valuation carried out by the Fund Actuary set out in the report at Appendix A, and**
  - b. **Approve the employer contribution rates set out in the rates and adjustments certificate to apply for the three years starting 1st April 2026.**

## 3 **Link to Corporate Objectives**

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

### **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.

### **Effective and Transparent Governance**

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

## 4 Implications for the Corporate Risk Register

- 4.1 The issues discussed in this report have implications for the following risks contained in the corporate risk register:

IAF-001 Material changes to the value of investment assets and/or liabilities – The valuation shows a significant downward movement in liabilities, largely due to the changed interest rate environment that exists now in comparison to the previous valuation. The valuation addresses the risk that this creates of future instability in contributions using prudent assumptions and a stabilisation mechanism. The review of the investment strategy is also undertaken in the context of these assumptions with a view to creating a strategy which gives a significant likelihood of maintaining the current position and level of contributions into the future.

IAF-004 Imbalance in cashflows – Material changes in the level of employer contributions will increase the monthly gap between contribution income and benefits paid out resulting in an increased need to harvest investment income to meet benefit payments. Again, this will need to be taken into account in the review of the investment strategy.

IAF-005 Employer contributions become unaffordable – The significant reductions in the overall level of employer contributions (averaging a reduction of c. 30% in cash payable over this valuation period compared to the previous one) provide a significant mitigation to this risk. There is an inherent tension between what employers regard as affordable and what is sufficient to meet the future liabilities which they are building up over time. The Fund needs to strike a balance and while the proposals set out in the valuation report may be regarded as insufficient by employers, they represent the furthest that the Fund, acting as it is required to do, in line with proper advice, can go.

## 5 Background and Options

- 5.1 The Local Government Pension Scheme (LGPS) Regulations require that the Fund Actuary undertake a full valuation of the Fund every three years for the purpose of setting employer contribution rates for the next three-year period. The Actuary, who will be in attendance at this meeting, has now completed his work and set out employer contribution rates in the valuation report attached at **Appendix A**. These contribution rates have been calculated in line with the policies set out in the revised Funding Strategy Statement which appears elsewhere on the agenda for this meeting.
- 5.2 At headline level the results of the valuation are as set out in the table below which also shows a comparison with the 2022 position.

	At 31 <sup>st</sup> March 2025	At 31 <sup>st</sup> March 2022
Fund Assets £m	11,112	10,674
Fund Liabilities £m	7,818	8,988
Surplus £m	3,294	1,685
Funding Level %	142%	119%
Average Contribution Rate % (primary and secondary)	12.7%	18.3% 2023/24 18.5% 2024/25 18.7% 2025/26

- 5.3 Looked at a different way, none of the Fund's employers will see an increase in contributions at this valuation with the vast majority seeing reductions and only 3 employers seeing contributions maintained at the level of the previous valuation. The

range of contributions for each employer group at this valuation and compared to the previous valuation is set out in the table below.

<b>Employer Type</b>	<b>Lowest %</b>	<b>Highest %</b>
Major Employers	11.0%	15.9%
Resolution Bodies	12.7%	NA
MATs	9.8%	18.9%
Other Academies	11.5%	15.0%
CABs	10.1%	21.8%
TABS	0.0%	21.4%

- 5.4 The proposed contributions for each employer are set out in the Rates and Adjustments Certificate which forms part of Appendix A. Of note are the following:
- Significantly fewer individual contribution rates have been set at this valuation due to the impact of the “pass through” which means increasingly contractors do not require a separate contribution rate, and the impact of treating Multi-Academy Trusts (MATs) rather than individual schools as employers. In effect this creates fewer, larger employers which reduces the volatility in contribution rates potentially experienced by very small employers such as contractor serving an individual primary school, or an individual primary school.
  - In addition to the “pooling” of contributions within MATs, a separate pool has been created for so-called resolution bodies such as parish councils and internal drainage boards. This is administratively simpler and does provide on average lower and potentially less volatile rates for individual employers through risk sharing.
  - There are an increased number of employers with certified nil contribution rates (48). These are contractors whose surplus is sufficient to meet their liabilities over the remainder of their contract. Setting contributions at nil for this fixed period minimises the likelihood that the Fund will need to pay an exit credit when the employer terminates their participation at the end of the contract
- 5.5 SYPA’s results are the first full results published by the actuary, so it is difficult to draw conclusions about how the proposed contribution rates compare to those being proposed by other funds. However, the expectation is that these contribution rates will be among the lowest in the LGPS, although it should be emphasised that this was not an objective in setting out the Fund’s strategy for contribution rates. Overall, the aim has been to set rates at a level that is likely to be able to be maintained into the future, and this has been achieved with the “risk of regret” at for the stabilised employers (i.e. the likelihood of having to raise rates at Valuation 2028) being around 18%.
- 5.6 The Authority has undertaken a much more substantial consultation with employers about the setting of contribution rates than has occurred at previous valuations. This has involved early engagement with major employers from the first quarter of the calendar year, engagement through employer focus groups on specific issues such as the treatment of MATs and a series of webinars and one-off meetings once the detailed results and proposed revisions to the Funding Strategy Statement and other policies were available. Broad feedback has been favourable. However, the councils’ feedback on the Authority’s initial proposals was broadly that they felt that the approach being taken was overly prudent. As a result of this, officers and the actuary considered the points made and agreed a revised approach to setting the floor on contribution rates which balanced prudence with a somewhat faster release of surplus. This does increase the risk that rates will need to increase at the next valuation, but this is still within what are considered acceptable bounds. Similar principles to those applied to

the councils have been applied to other employer groups, in particular setting rates at no less than the level required to meet the cost of future accrual.

- 5.7 In due course the Government Actuary's Department (GAD) will conduct a review of the valuation process across the scheme under s.13 of the Public Service Pensions Act 2013. GAD will "flag" funds where they think that rates have not been set in the long-term interests of the scheme and where they feel undue risk is being taken. The view of the fund actuary is that the strategy being adopted by SYPA does not run the risk of regulatory action of this sort.
- 5.8 The Government has made proposals as part of its Access and Fairness consultation to add further information to valuation reports relating to the Gender Pension Gap among other things. At present the detail of these requirements, which are intended to apply to the 2025 valuation, are not known and therefore a revised version of the Actuary's report reflecting the final guidance will be published on the Authority's website before the statutory deadline of 31st March. In the interim this report will be published and made available to stakeholders.
- 5.9 As required by the relevant professional standards, the actuary has also conducted an analysis to understand how the contribution strategy will stand up in a range of different climate scenarios. The results of this are summarised in Appendix A and the full analysis has been made available to members in the online reading room and will be published on the Authority's website alongside the final valuation report.
- 5.10 The proposed contribution rates are forecast to increase the gap between contributions and benefits paid out to £148m in the first year of the valuation period rising to £177m by 2030 and reaching £229m by 2045. This gap, which already exists, needs to be met by harvesting income generated from the fund's investments and the means of increasing the level of available income on this scale will be a key debate within the work to revise the investment strategy which is currently being undertaken.

## **6 Implications**

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

Financial	The implications of the reduced level of contribution income will be built into future financial planning and the review of the investment strategy which will need to include a focus on the generation and harvesting of investment income.
Human Resources	None
ICT	None
Legal	The LGPS regulations require that the Fund Actuary undertake a valuation every three years in line with relevant guidance and professional standards. The Authority is obliged under the regulations to approve the employer contribution rates certified by the actuary.
Procurement	None

**George Graham**

**Director**



Document	Place of Inspection
Setting the Framework for the 2025 Valuation – Report to the Authority 13th February 2025 Pension Administration Policies Update – Report to Authority with Appendices 4th Sept 2025 Agenda item 15	<a href="#">20250213 Valuation Framework Final.pdf</a>  <a href="#">Agenda for South Yorkshire Pensions Authority on Thursday, 4th September, 2025, 10.00 am - South Yorkshire Pensions Authority</a>

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# South Yorkshire Pension Fund

Report on the actuarial valuation as at 31 March 2025

December 2025

**Steven Scott FFA C.Act**

**Greer Flanagan FFA C.Act**

**Reece Notman FFA C.Act**

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

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Executive  
summary



# 1. Executive summary

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

## 1. Contribution rates

The contribution rates for individual employers set at this valuation can be found in the Rates and Adjustments certificate. Table 1 shows the combined individual employer rates set at this valuation and the last valuation.

	31 March 2025		31 March 2022	
Primary rate	17.5% of pay		20.3% of pay	
Secondary rate	2026/27	-4.8%	2023/24	-2.0%
	2027/28	-4.8%	2024/25	-1.8%
	2028/29	-4.8%	2025/26	-1.6%

Table 1: Whole fund contribution rates compared with the previous valuation

The overall contribution rate, expressed as a percentage of pay, has reduced due to both an improvement in the past service funding position and higher assumed future investment returns at 2025 compared to 2022.

## 2. Funding position

At 31 March 2025, the past service funding position has improved from the last valuation at 31 March 2022. Table 2 shows the single reported funding position at this valuation and the last valuation.

Valuation Date	31 March 2025	31 March 2022
Assets	11,112	10,674
Liabilities	Actives (£m)	3,060
	Deferred (£m)	1,712
	Pensioners (£)	4,216
Surplus / (Deficit) (£m)	3,294	1,685
Funding Level	142%	119%

Table 2: Single reported funding position compared with the previous valuation

The required investment return to be 100% funded is broadly unchanged since 2022 at 3.5% p.a. The likelihood of the Fund’s investment strategy achieving the required return is greater than 95% (80% at 2022).

# Valuation approach





## 2. Valuation approach

### 2.1 Valuation purpose

The triennial actuarial valuation is an important part of the Fund's risk management framework. Its main purpose is to ensure the Fund continues to have a contribution plan and investment strategy that will achieve the objectives set out in the Funding Strategy Statement.

**This report marks the culmination of the valuation process and contains its two key outcomes:**

- Employer contribution rates for the period 1 April 2026 to 31 March 2029
- The funding level of the whole Fund at 31 March 2025.

Further information on the valuation process, methodology and strategy is set out in the publicly available Funding Strategy Statement and published papers of the Fund's Pensions Authority Board. Additional material is also contained in [Hymans Robertson's LGPS 2025 valuation toolkit](#).

### 2.2 Setting employer contribution rates

Employer contributions need to be set at a level which ensures the Fund has a reasonable likelihood of having enough money to pay members' benefits. Identifying the amount of benefits that may be paid is complex, as benefits earned today may only start being paid in 50 years' time. Over that period, there is significant uncertainty over factors which affect the cost of benefits e.g. inflation and investment returns. These uncertainties are allowed for by taking a risk-based approach to setting employer contribution rates. This approach is built around three key funding decisions set by the Fund.

#### 2.2.1 Key funding decisions

- **Decision 1:** What is the target funding level (how much money the Fund aims to hold) and funding basis (the set of actuarial assumptions used to value the past and future liabilities) for each employer?
  - **Consider:** Will the employer remain in the Fund for the long-term or exit at some point? Should the target funding level be set to greater than 100% as a buffer against future adverse experience? Is a more prudent set of assumptions required?
- **Decision 2:** What is the funding time horizon?
  - **Consider:** How long will the employer participate in the Fund?
- **Decision 3:** What is the required likelihood of success?
  - **Consider:** What should the required likelihood of success be for the employer (bearing in mind that this may differ between employers reflecting differences in employer covenant)?

#### 2.2.2 Modelling approach

Asset-liability modelling is used to project each employer's assets and benefit payments into the future using 5,000 different economic scenarios. These are generated using Hymans Robertson's Economic Scenario Service (ESS). Further information on this can be found in [Appendix 2](#).

A contribution rate is set for each employer which has (at least) the required likelihood of meeting the funding target over the relevant funding time horizon. The 5,000 projections of the employer's assets and benefits from the asset-liability model are used to quantify the likelihood that a given contribution rate will meet this target.



## 2.3 Measuring the funding level

The past service funding level is measured at the valuation date. While it is limited in providing insight into a funding plan, it is a useful high-level summary statistic. A market-related approach is taken to calculate both the assets and the liabilities to ensure they are consistent with one another:

- The market value of the Fund's assets at the valuation date has been used.
- The liabilities have been valued using assumptions based on market indicators at the valuation date (these assumptions are detailed in [Appendix 2](#)).

### 2.3.1 Calculating the liabilities

The liabilities are the value of all future payments to members based on all benefits earned up to the valuation date, expressed in today's money.

Chart 1 shows the projected payments for all members in the Fund at the valuation date. The projections are based on the membership data provided for the valuation ([Appendix 1](#)), the assumptions ([Appendix 2](#)), and our understanding of the LGPS benefit structure as at 31 March 2025 (details at <http://www.lgpsregs.org>).

The “spike” in year 2 reflects the assumed retirement of a tranche of older active and deferred members, whilst the “dip” around year 20 anticipates the planned increase in State Pension Age between.

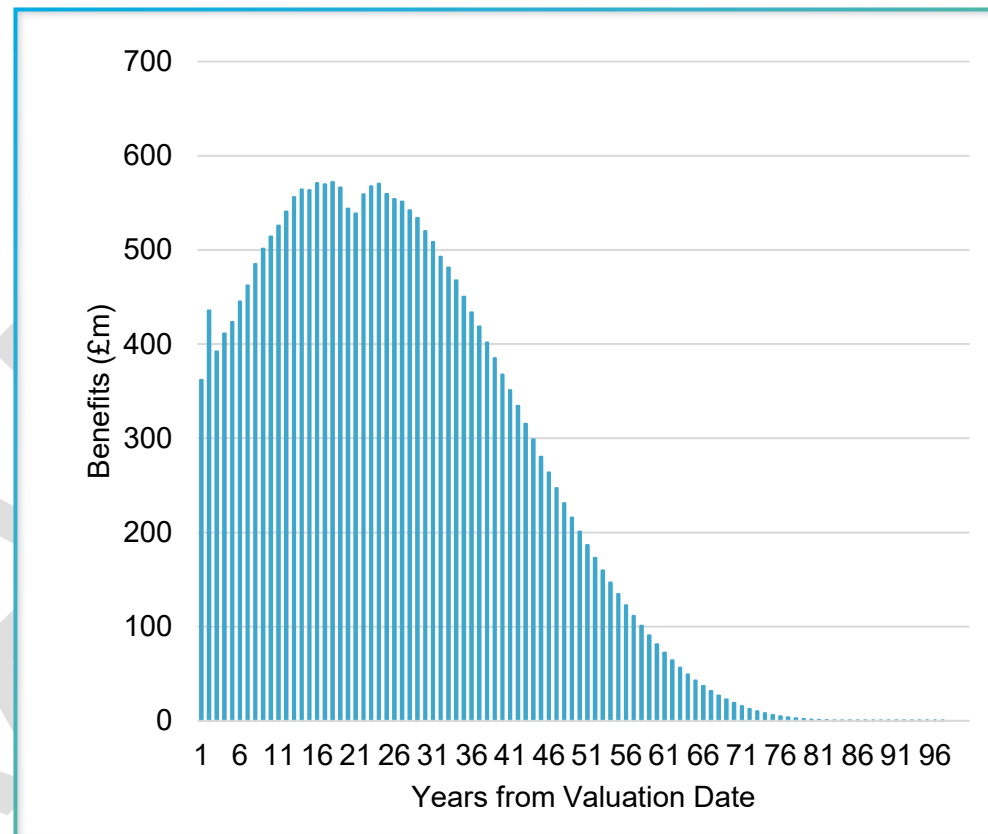


Chart 1: Projected benefit payments for all service earned up to 31 March 2025

To express the future payments in today's money, each projected payment is discounted back to the valuation date in line with an assumed rate of future investment return (known as the discount rate').

# Valuation results

### 3. Valuation results

#### 3.1 Employer contribution rates

The primary objective of the Fund is to set employer contribution rates that will enable it to pay members' benefits. A secondary objective is to ensure the rates are as stable as possible. The risk-based approach detailed earlier is used to meet both those objectives.

The employer contribution rate is made up of two components.

- **A primary rate:** the level sufficient to cover benefits that will be accrued in the future.
- **A secondary rate:** the costs associated with sufficiently funding benefits accrued up to the valuation date.

Each employer has a contribution rate which is appropriate to their circumstances, and these can be found in the Rates & Adjustments Certificate ([Appendix 9](#)).

On average, contribution rates are reduced at this valuation due to both an improvement in the past service funding position and higher assumed future investment returns at 2025 compared to 2022.

However, all employers will be different, and the contribution rate will reflect the membership and experience of each employer.

Table 3 shows the total of all employer contribution rates to be paid into the Fund over the period 1 April 2026 to 31 March 2029

	31 March 2025		31 March 2022	
Primary rate	17.5% of pay		20.3% of pay	
Secondary rate	2026/27	-4.8%	2023/24	-2.0%
	2027/28	-4.8%	2024/25	-1.8%
	2028/29	-4.8%	2025/26	-1.6%

Table 3: Whole fund contribution rates compared with the previous valuation

The primary rate includes an allowance of 0.6% of pensionable pay for the Fund's administration and governance expenses (0.5% of pay at the last valuation).

Employees pay a contribution to the Fund in addition to these rates. These rates are set by the LGPS Regulations. The average employee contribution rate at 31 March 2025 is 6.4% of pay (6.5% at 31 March 2022).

### 3.1.1 Changes since the last valuation – primary rate

Chart 2 details the factors that have caused the primary rate to change since the last valuation.

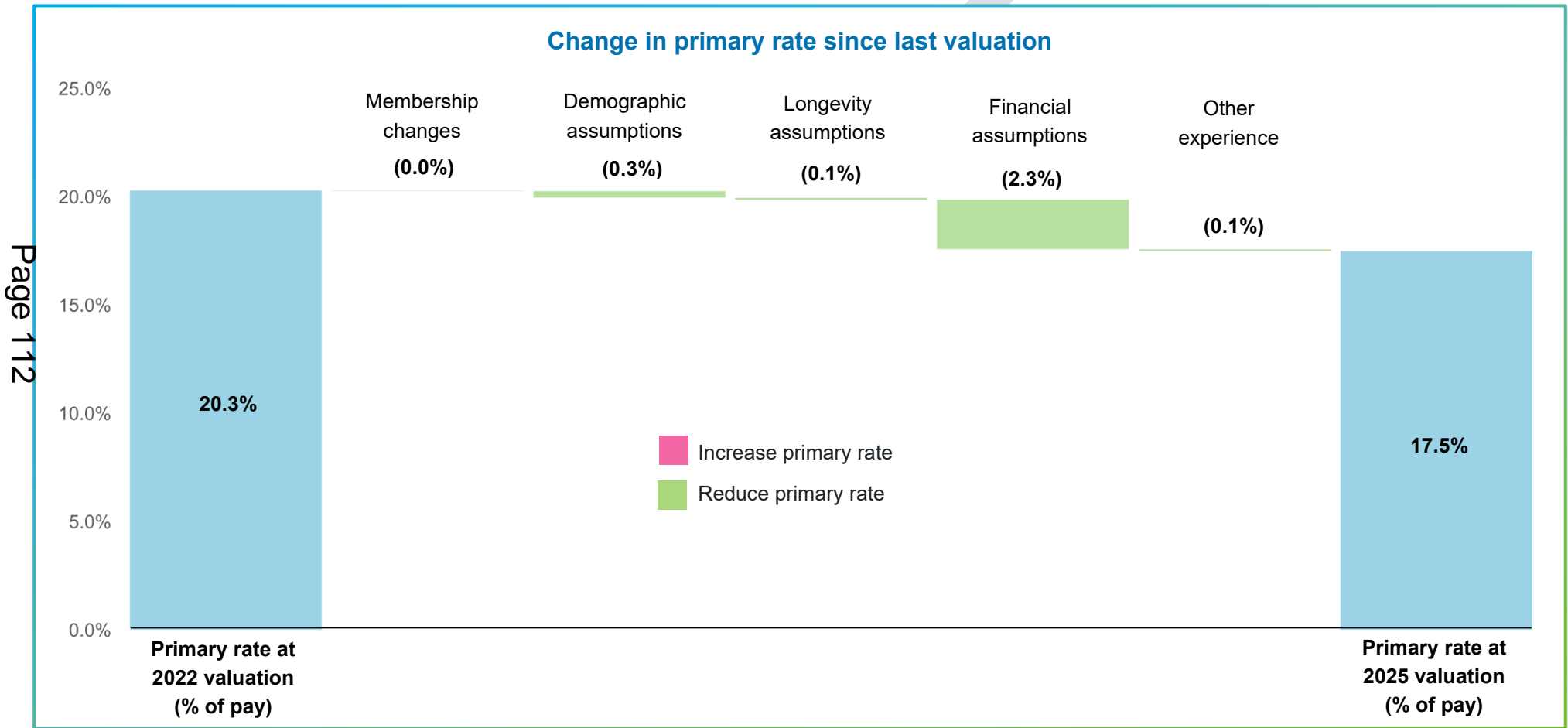


Chart 2: Change in primary rate since last valuation

### 3.2 Single funding level as at 31 March 2025

To report a single funding level and funding surplus for the 2025 valuation, an assumed future investment return of 6.0% p.a. has been used. There is an 80% likelihood of the Fund achieving this level of future investment return over a 20 year time horizon.

Table 4 sets out the assets and liabilities at the valuation date. The results at the 2022 valuation are shown for comparison.

**The funding level and surplus figures provide a high-level snapshot of the funding position as at 31 March 2025, but there are limitations:**

- The liabilities are calculated using a single set of assumptions about the future and so are very sensitive to the choice of assumptions.
- The market value of assets held by the Fund will change daily.

The future progression of the funding position is uncertain. If the financial and demographic assumptions made at this valuation occur in practice, employers pay contributions in line with the R&A certificate, and there are no other changes in the financial or demographic environment, we project that the funding level at the next valuation (31 March 2028) will stay approximately the same at 137%.

Valuation date		31 March 2025	31 March 2022
Assets		11,112	10,674
	Actives (£m)	2,266	3,060
Liabilities	Deferreds (£m)	1,340	1,712
	Pensioners (£m)	4,212	4,216
Surplus / (Deficit) (£m)		3,294	1,685
Funding Level		142%	119%

*Table 4: Single reported funding position compared with the previous valuation*

Employer contribution rates are not set using the reported funding level above. The contribution rates take into consideration how assets and liabilities will evolve over time in different economic scenarios. They also reflect each employer's funding profile and covenant.

### 3.3 Other funding metrics

The future investment return required to be 100% funded at this valuation is 3.5% p.a. which is broadly unchanged from the previous valuation. This means, at 31 March 2025, the Fund needed to earn 3.5% p.a. to have enough money to meet accrued benefits at that date. The likelihood of the Fund's investment strategy achieving the required return is greater than 95% (80% at 2022).

### 3.3.1 Changes since the last valuation – funding position

The factors that have caused the funding position to change are split between:

- actual experience being different from expectations at the last valuation (**known events**)
- changes in assumptions about the future (**future expectations**).

Chart 3 details the factors that have caused the funding position to change since the last valuation. Further detail on this reconciliation is included in [Appendix 4](#)

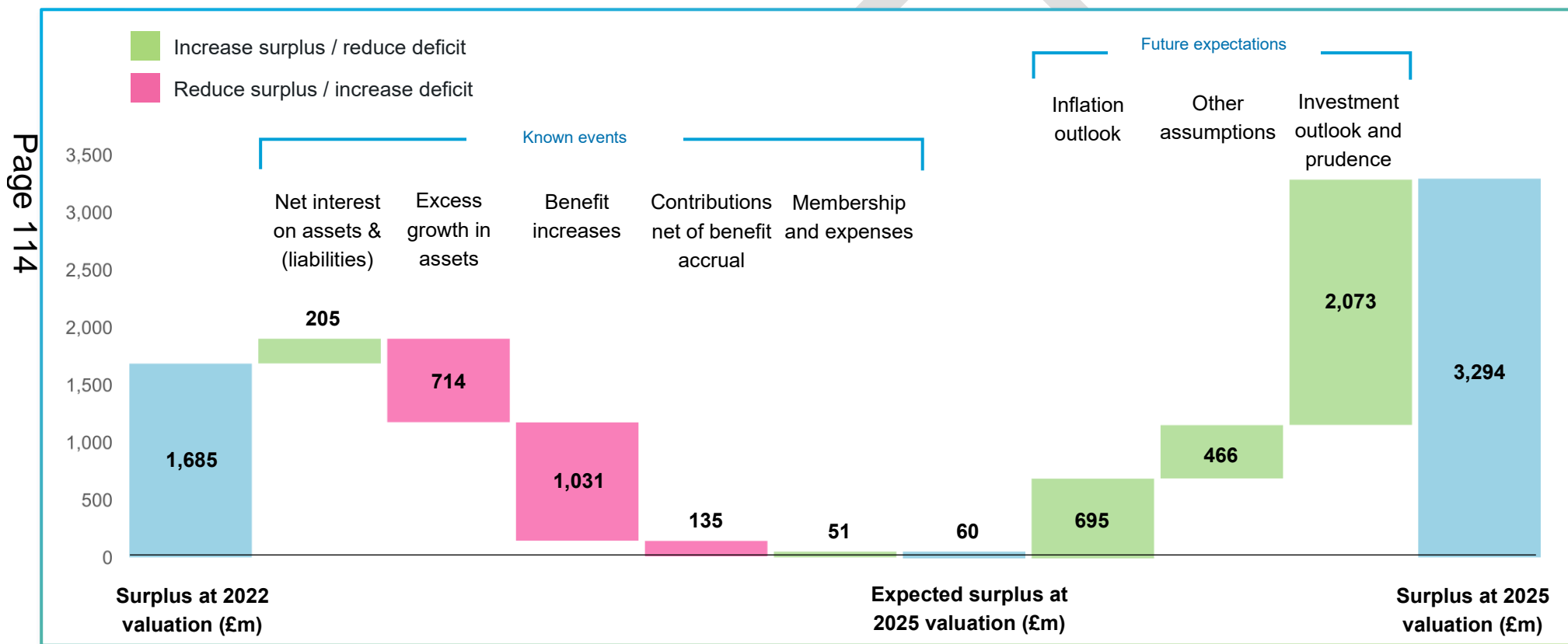
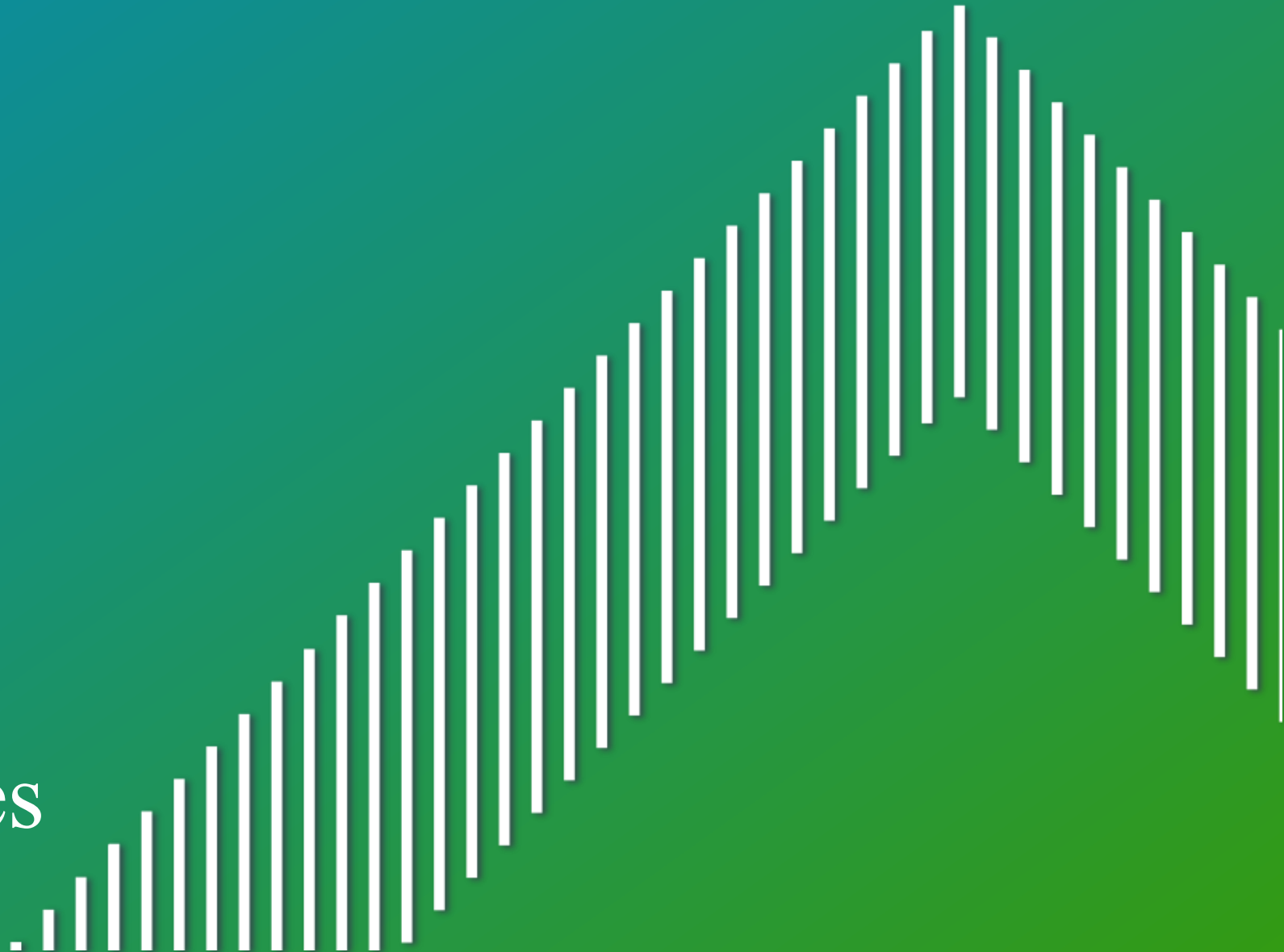


Chart 3: Change in funding position since last valuation

# Risks and sensitivities



## 4. Risks and sensitivities

### 4.1 Background

The funding position, and the Fund's funding plans, are sensitive to various sources of risks. These funding risks broadly fall into categories of economic, demographic, regulatory and other.

Identifying and specifying these risks, including analysis of their potential impact, is an important part of the risk cycle.

### 4.2 Economic risks

#### 4.2.1 Impact of known events

The main economic risks are in relation to investment returns, benefit increases (ie Consumer Price Index inflation) and salary increases.

For all three sources of risk, the table below details the actual experience since the last valuation compared to 2022 expectations, and the impact on the funding position.

Source	Expected	Actual	Funding impact
Investment returns	4.45% pa	2.31% pa	-£714m
Benefit increases	2.7% pa	6.1% pa	-£1,031m
Salary increases	3.3% pa	6.1% pa	-£127m

*Table 5: Impact of known events since 2022*

#### 4.2.2 Impact of changes in future outcomes

The results in this report are based on a set of assumptions about the future outcomes for these economic risks. If the future differs from the assumptions used at this valuation the current estimate of the Fund's liabilities may later prove inaccurate.



### Investment returns

Chart 4 shows how the funding level at 31 March 2025 changes depending on the level of future investment returns. The green line shows the same analysis at 31 March 2022. Each point on the line denotes the estimated likelihood of achieving the level of future return at the relevant valuation date. This indicates that the best estimate (return with 50% likelihood) funding level at 31 March 2025 is 204%.

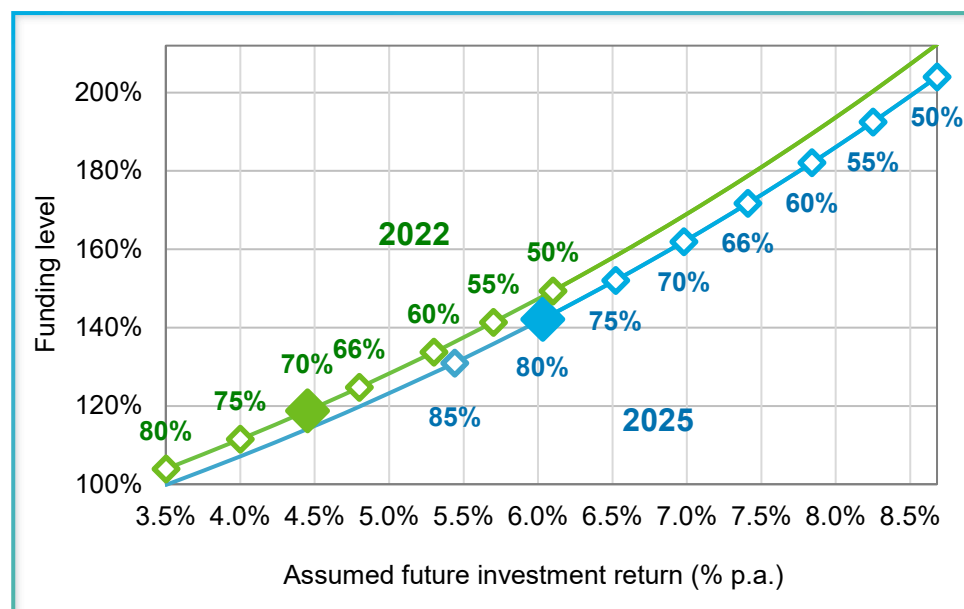


Chart 4: Impact of future return assumption on funding level

The change in funding environment has given rise to a significant increase in expected future investment returns since the previous valuation in 2022. The Fund's assumption at this 2025 valuation is summarised in [Appendix 2](#) and is illustrated by the solid blue diamond in Chart 4 opposite.

**Benefit increases:** if future inflation was 0.1% pa higher than assumed at this valuation then the funding level would reduce by c2% (with a £102m fall in the surplus / increase in the deficit).

**Salary increases:** if future inflation was 0.5% pa higher than assumed at this valuation then the funding level would reduce by c1% (with a £51m fall in the surplus / increase in the deficit).

## 4.3 Demographic risks

### 4.3.1 Impact of known events

The main demographic risk is in relation to life expectancy.

The Fund's mortality experience between 2022 and 2025 has resulted in a positive impact on the funding position, as shown in Table 6.

Actual amount of pension ceased	£25.7m
Expected amount of pension ceased	£24.7m
Difference	-£1.0m
Impact on liabilities	-£11.3m

Table 6: Impact of known events since 2022

### 4.3.2 Impact of changes in future outcomes

The results in this report are based on an assumption that in the long-term, the rate of mortality reduces at a rate of 1.5% p.a. If this rate of longevity improvement turned out to be stronger (1.75% p.a. instead of 1.5% p.a.), then members would live longer than expected. In this scenario, the funding level would fall by 1% (with a £39m fall in the surplus/increase in the deficit).

## Other risks

### 4.3.3 Regulatory

Changes in central government legislation may affect the future cost of the LGPS. For example, the cost to rectify the McCloud discrimination is estimated to be a liability of £14m at this valuation.

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

### 4.3.4 Climate change

This is now widely regarded as one of the main sources of risk for pension schemes, with potential implications for future inflation, investment returns and longevity (and other relevant factors). Climate change has the potential to make extreme outcomes more likely which could in turn have a significant impact on the funding position. The Fund has carried out separate modelling to assess the potential impact of extreme outcomes on longer term funding. Further details on this are presented in [Appendix 4](#).

### 4.3.5 Post-valuation events

The results in this report are as at 31 March 2025. Since this date, asset performance has been positive and the funding level is likely to have improved as a result. We have not applied any adjustments to the valuation assumptions regarding this experience. When setting contribution rates, we take a long-term view on financial market conditions and so recognition of this post-valuation experience has no impact on the contribution rates set for employers.



Final  
comments



## 5. Final comments

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

- The Funding Strategy Statement which (in particular) highlights how different employers in different circumstances have their contributions calculated.
- The Statement of Investment Principles, which sets out the investment strategy for the Fund.
- The general governance of the Fund, including meetings of the Pensions Authority Board and Local Pensions Board, decisions delegated to officers, the Fund's business plan, etc.

### 5.1 New employers joining the Fund

Any new employers or admission bodies joining the Fund should be referred to the Fund Actuary to assess the required level of contribution. Depending on the number of transferring members the ceding employer's rate may also need to be reviewed.

### 5.2 Cessation and bulk transfers

Any employer who ceases to participate in the Fund should be referred to the Fund Actuary in accordance with Regulation 61 of the LGPS regulations.

**Any bulk movement of scheme members:**

- involving 10 or more scheme members being transferred from or to another LGPS fund.
- involving 2 or more scheme members being transferred from or to a non-LGPS pension arrangement.

should be referred to the Fund Actuary to consider the impact on the Fund.

### 5.3 Valuation frequency

Under the LGPS regulations, the next formal valuation of the Fund is due to be carried out as at 31 March 2026 where contribution rates payable from 1 April 2027 will be set.



December 25  
For and on behalf of Hymans Robertson

**Steven Scott FFA C.Act**

**Greer Flanagan FFA C.Act**

**Reece Notman FFA C.Act**



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# Appendices

South Yorkshire Pension Fund

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## Appendix 1: Data

### Membership data

The membership data for this valuation was provided to us by the Administering Authority on 11 July 2025.

A summary of the membership data used for this valuation is set out in Table 7, alongside corresponding data from the previous valuation for comparison. The membership numbers in the table relate to the total number of records.

The results of this valuation are dependent on the quality of the underlying data used. We have relied on information supplied by the Administering Authority as being accurate. We have carried out a series of reasonableness validation checks on the supplied membership data and compared against the Fund’s audited accounts to confirm its suitability for the purposes of this valuation.

More information on how we verify the quality of the data used in the valuation has been shared with the Administering Authority in our report ‘Data Report for the 2025 Valuation’.

Whole Fund Membership Data	This Valuation 31 March 2025	Last Valuation 31 March 2022
Employee members		
Number	51,356	49,683
Total actual pay (£000)	1,281,159	1,012,765
Total accrued pension (£000)	241,806	195,514
Average age (liability weighted)	54	51
Deferred pensioners (including undecideds)		
Number	77,474	81,305
Total accrued pension (£000)	135,213	104,813
Average age (liability weighted)	53	51
Pensioners and dependants		
Number	65,910	60,075
Total pensions in payment (£000)	342,733	270,230
Average age (liability weighted)	69	68

Table 7: Membership data summary

Investment strategy

A summary of the investment strategy allocation used to derive the future assumed investment return is set out in Table 8.

This strategy was confirmed by the Administering Authority in October 2024 as appropriate for the purposes of the valuation.

Asset data

To check the membership data and derive employer asset values, we have used asset and accounting data and employer level cash flow data provided by the Fund.

Asset class	Allocation
UK equities	7.5%
Global equities	30.5%
Index-linked gilts (24 yr maturity)	7.0%
UK Corporate bonds (A-rated average)	5.0%
Multi-asset credit	2.5%
Infrastructure equity	18.0%
Property	12.5%
Private lending	7.5%
Private equity	8.0%
Cash	1.5%
Total	100.0%

Table 8: Investment strategy allocation used for the calculation of employer contribution rates.



## Appendix 2: Assumptions

To set and agree assumptions for the valuation, the Fund carried out an in-depth analysis and review in February 2025 with the final set noted by the Pensions Authority Board on 18 December 2025.

### Summary of assumptions

	31 March 2025	31 March 2022
<b>Financial assumptions</b>		
Discount rate	6.0% p.a. (80% likelihood of success)	4.45% p.a. (70% likelihood of success)
Benefit increases (CPI inflation)	2.3% p.a.	2.7% p.a.
Salary increases	2.9% p.a.	3.3% p.a.
<b>Demographic assumptions</b>		
Baseline longevity	VitaCurves	VitaCurves
Longevity future improvements	CMI2024 model with core parameterisation except Initial addition = 0.25% (Male & Female) Long-term rate of improvement 1.5% p.a.	CMI 2021 model Initial addition, A = 0.25% (both Male and Female) Smoothing factor, Sk = 7.0 Long-term rate of improvement = 1.5% p.a.
Commutation	75% of maximum under HMRC limits	50% of maximum under HMRC limits
50:50 scheme	0% of members	0% of members
Retirement age	Earliest age at which members can retire with unreduced benefits	
Family statistics	Varying proportion have dependant at retirement/earlier death Dependant of a male is 3.5 years younger than him Dependant of a female is 0.6 years older than her	Varying proportion have dependant at retirement/earlier death Dependant of a male is 3 years younger than him Dependant of a female is 3 years older than her

Table 9: Summary of assumptions

### Deriving future investment return likelihoods

To derive the distribution of future investment returns and obtain associated estimated likelihoods, we use the Fund's long-term investment strategy and our Economic Scenario Service (ESS) model. The ESS uses statistical models to generate a future distribution of year-on-year returns for each asset class, eg UK equities. The ESS reflects correlations between asset classes and wider economic variables (eg inflation). In the short-term (first few years), the models are fitted with current financial market expectations. Over the longer-term, models are built around our views of fundamental economic parameters, for example equity risk premium, credit-spreads and long-term inflation. Table 10 sets out the individual asset class return distribution of the ESS model at 31 March 2025.

Time period	Percentile	Annualised total returns										Inflation/Yields		
		UK Equities	Global Equities (unhedged)	Index linked gilt (24 yr maturity)	A Credit (14 yr maturity)	Multi Asset Credit (sub investment grade)	Infrastructure equity (unlisted)	Property	Private Lending	Private Equity	Cash	Inflation (CPI)	17 year real yield (CPI)	17 year yield
5 years	16 <sup>th</sup>	0.1%	-0.5%	1.4%	2.5%	4.1%	1.1%	0.2%	4.5%	-2.5%	3.5%	1.2%	1.5%	4.8%
	50 <sup>th</sup>	8.2%	8.2%	4.6%	4.9%	6.7%	8.1%	6.8%	8.2%	10.0%	4.3%	2.8%	2.4%	5.8%
	84 <sup>th</sup>	16.4%	16.9%	8.0%	7.1%	8.8%	15.5%	14.1%	11.4%	22.8%	5.1%	4.3%	3.3%	7.1%
10 years	16 <sup>th</sup>	2.5%	2.1%	2.8%	4.5%	5.8%	3.1%	2.3%	6.4%	1.2%	3.6%	0.8%	0.8%	3.9%
	50 <sup>th</sup>	8.6%	8.5%	5.0%	6.0%	7.4%	8.4%	7.3%	8.8%	10.2%	4.6%	2.5%	2.1%	5.3%
	84 <sup>th</sup>	14.6%	14.8%	7.5%	7.3%	8.9%	13.8%	12.7%	10.9%	19.6%	5.8%	4.1%	3.3%	7.1%
20 years	16 <sup>th</sup>	3.8%	3.7%	3.1%	5.5%	6.1%	4.2%	3.5%	7.0%	3.4%	3.1%	0.7%	-0.5%	1.6%
	50 <sup>th</sup>	8.4%	8.3%	4.9%	6.5%	7.6%	8.3%	7.3%	8.8%	9.9%	4.5%	2.3%	1.3%	3.6%
	84 <sup>th</sup>	12.9%	13.1%	6.8%	7.4%	9.1%	12.4%	11.3%	10.7%	17.0%	6.3%	3.9%	3.0%	6.2%
	Volatility (1 yr)	16.3%	18.6%	7.8%	6.5%	6.3%	14.5%	15.2%	9.3%	26.6%	0.3%	1.4%	-	-

Table 10: ESS individual asset class return distributions at 31 March 2025

**Demographic assumptions**

Sample rates for demographic assumptions

**Males**

Age	Salary Scale	Death Before Retirement	Withdrawals		III Health Tier 1		II I Health Tier 2	
		FT & PT	FT	PT	FT	PT	FT	PT
20	105	0.17	355.79	609.76	0.00	0.00	0.00	0.00
25	117	0.17	235.01	402.77	0.00	0.00	0.00	0.00
30	131	0.20	166.75	285.73	0.00	0.00	0.00	0.00
35	144	0.24	130.28	223.22	0.10	0.07	0.02	0.01
40	151	0.41	104.89	179.66	0.16	0.12	0.03	0.02
45	159	0.68	95.83	168.72	0.35	0.27	0.07	0.05
50	167	1.09	81.22	138.92	0.90	0.68	0.23	0.17
55	173	1.70	63.96	109.45	3.54	2.65	0.51	0.38
60	174	3.06	57.00	97.51	6.23	4.67	0.44	0.33
65	174	5.10	34.99	59.85	11.83	8.87	0.00	0.00

Table 11: Sample rates for demographic assumptions – Males

**Females**

Age	Salary Scale	Death Before Retirement	Withdrawals		III Health Tier 1		II I Health Tier 2	
		FT & PT	FT	PT	FT	PT	FT	PT
20	105	0.10	310.13	411.29	0.00	0.00	0.00	0.00
25	117	0.10	208.68	276.71	0.10	0.07	0.02	0.01
30	131	0.14	174.93	231.92	0.13	0.10	0.03	0.02
35	144	0.24	150.98	200.09	0.26	0.19	0.05	0.04
40	151	0.38	125.66	166.48	0.39	0.29	0.08	0.06
45	159	0.62	117.26	155.33	0.52	0.39	0.10	0.08
50	167	0.90	98.86	130.81	0.97	0.73	0.24	0.18
55	173	1.19	73.77	97.71	3.59	2.69	0.52	0.39
60	174	1.52	59.45	78.65	5.71	4.28	0.54	0.40
65	174	1.95	28.34	37.47	10.26	7.69	0.00	0.00

Table 12: Sample rates for demographic assumptions - Females

Figures are incidence rates per 1,000 members except salary scale. FT and PT denoted full-time and part-time members respectively.

## Average life expectancy and benefit structure

### Average life expectancies

Based on the longevity assumptions used for the 2025 valuation, Table 13 details the average life expectancy for the Fund's membership.

Average life expectancy	31 March 2025	31 March 2022
Male pensioner	21.0 years	21.0 years
Male non-pensioner	22.2 years	22.0 years
Female pensioner	23.8 years	24.0 years
Female non-pensioner	24.9 years	25.5 years

Table 13: Average life expectancies

The average life expectancies are from the age of 65. They assume that pensioners are aged 65 at the respective valuation date and non-pensioners are aged 45.

### Benefit structure

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

**McCloud:** in line with the 2022 valuation, we have made an allowance for the cost of these potential improvements in the 2025 valuation based on the agreed assumptions (in particular, the salary increase and withdrawal assumptions) and the Fund's membership data, including McCloud data (where available). Further detail on the assumption is available on request.

**Cost sharing mechanism:** we have assumed that there will be no changes required to the LGPS benefit structure due to this mechanism.

**Guaranteed Minimum Pension equalisation and revaluation:** in line with the 2022 valuation, we have assumed that all increases on GMP for members with a State Pension Age after 5 April 2016 will be funded by the Fund.

**Other benefit changes:** there may be benefit changes due to the current "Access and Fairness" consultation. We have not made any allowance for any changes to the benefit structure proposed in this consultation as we would not expect them to be material if implemented.

**Virgin Media case:** we have made no allowance for any impact the recent Virgin Media case may have on the LGPS benefit structure.

## Appendix 3: Reconciliation of funding position

	£m	Assets	Liabilities	Surplus/(deficit)
<b>Last valuation</b>		<b>10,674</b>	<b>8,988</b>	<b>1,685</b>
	Employer contribution paid in	645		645
	Employee contribution paid in	233		233
	Benefits paid out	(1,161)	(1,161)	0
	Other cashflows (eg, expenses, transfers)	(11)		(11)
<b>Known events last valuation</b>	Interest on assets (& liabilities)	1,448	1,243	205
	Accrual of new benefits		1,013	(1,013)
	Benefit Increases		1,031	(1,031)
	Membership experience		(61)	61
	Excess growth in assets	(714)		(714)
<b>Expected position at 31 March 2025</b>		<b>11,112</b>	<b>11,053</b>	<b>60</b>
	Longevity assumptions		(110)	110
	Other demographic assumptions		(357)	357
	Financial assumptions		(2,768)	2,768
<b>Actual position at 31 March 2025</b>		<b>11,112</b>	<b>7,818</b>	<b>3,294</b>

Table 14: Detailed funding position reconciliation

Numbers may not sum due to rounding

## Appendix 4: Climate change

### Climate scenario analysis

Climate change is now widely regarded as one of the main sources of risk for pension funds, with potential implications for future **inflation**, **investment returns** and **longevity**. LGPS funds, given their long-term horizons, may face greater exposure to climate risks – and many stakeholders are asking what more can be done to understand the possible impact of these risks.

We have used two sets of scenario analysis to test the resilience of the funding strategy under potential climate-related risks.

Scenario analysis helps assess risks and tests the resilience of current and long-term strategies under various scenarios. This helps to identify vulnerabilities across both assets and liabilities.

Identification of these vulnerabilities can inform risk management processes helping to ensure that appropriate controls and mitigations are in place. Scenario analysis can therefore also support informed decision making, as well as ensuring compliance with regulations, including TCFD.

#### Scenario approach 1 – Stress testing

We take our usual 5000 simulations to see how a sample LGPS fund could evolve over 20 years. We then consider how quickly the world responds to climate risk in three scenarios (broadly speaking now, later and even later), with the simple assumption that in every case the response leads to intense disruption and a period of heightened market volatility. The scenarios are not explicitly designed to be “good” or “bad”, and we tend to see a modest impact on high level risk metrics.

#### Scenario approach 2 – Narrative driven

The new, narrative analysis complements the stress tests by imagining a specific climate-related trigger event and considering how that plays out under three different pathways.

We take a specific, extreme, downside risk event (in this instance a shock to the planet’s food supply) that could occur in the coming years. We then map out distinctive potential reactions to the event, considering things like market changes and policy responses and how these may evolve differently over time. This results in three distinct pathways.

#### Challenges and limitations

When interpreting the results, users should be aware of the following challenges and limitations in addition to the usual limitations of asset-liability modelling:

- All of the modelling results are ultimately based on the original 5,000 projections from our core model, so we are implicitly assuming that markets continue to function and that the assumed correlations, risk premia, volatilities etc are still valid.
- Neither set of scenarios is intended to be exhaustive, and other outcomes beyond what the scenarios cover are of course possible

**Full details and results are included in the 2025 Climate Scenario Analysis Output Report dated November 2025, and further detail on the scenario methodology is included in the [2025 valuation toolkit](#).**

## Climate scenario stress test analysis – output summary

Below we set out the quantitative outputs from the ‘stressed’ climate scenarios. These reflect how the Fund may be impacted over the coming years should the world’s response to climate change reflect the one of our three qualitative scenario descriptions. The base case reflects the market having already priced in climate change, but not any one specific climate scenario.

Modelling results at 20-year time horizon				
Metric	Base case	Green revolution	Delayed transition	Head in the sand
Likelihood of success	88%	88%	85%	87%
Worst 5% of outcomes	58%	60%	52%	52%

*Summary modelling results in the base case and stress test scenarios*

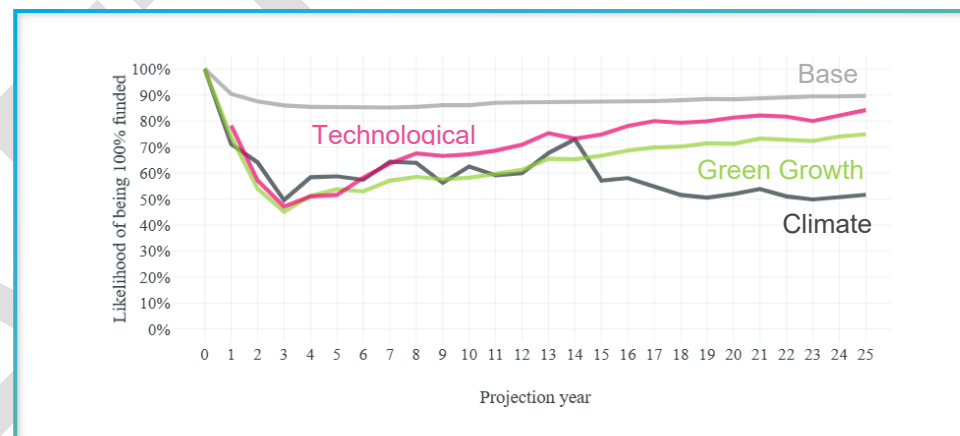
Overall, the impact on likelihood of success is modest over the 20-year horizon, suggesting that the level of prudence in the funding strategy has not been drastically underestimated due to climate risk. There is generally a greater impact on downside risk which is to be expected given that higher volatility will lead to a broader range of outcomes and this means that the worst outcomes get even worse.

The stress test scenarios are designed to test the entire range of funding outcomes. The above impact on downside risk suggests that the extremes merit further, dedicated investigation, particularly as climate change has the potential to make “extreme” outcomes more likely.

The narrative-driven scenario approach was introduced at the 2025 valuation to complement the stress tests by digging further into potential downside risks.

## Narrative-driven scenario analysis – output summary

The chart below shows the likelihood of success in each of the three narrative scenarios. All of them begin with the same initial shock, and then the results diverge based on different imagined responses.



*Likelihood of success over time in the base case and narrative-driven scenarios*

Over medium time horizons of 5-10 years, we see improvement in the likelihood of success under each of the three scenarios, although all remain below both the base case and the level of success that is required by the Fund. Over longer time horizons of 10+ years we begin to see a divergence in the likelihood of success, with rapid response and technology investment supporting regrowth under the Green Growth and Technological Triumph pathways, but delayed action under Climate Catastrophe instead leading to prolonged economic and social disruption, and a likelihood of success below the Fund’s desired threshold.

There is therefore a plausible downside scenario prompted by a climate-related event that would put the Fund’s funding strategy at risk.

## Appendix 5: Gender pay gap

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To be updated once guidance has been issued on reporting requirements.



## Appendix 6: Section 13 dashboard

Metric	Unit	2025 valuation
<b>2025 funding position – local funding basis</b>		
Funding level (assets/liabilities)	%	142%
Funding level (change since previous valuation)	%	23% increase
Asset value used at the valuation	£m	11,112
Value of liabilities (including McCloud liability)	£m	7,818
Surplus (deficit)	£m	3,294
Discount rate – past service	% p.a.	6.0%
Discount rate – future service	% p.a.	Past service and future service are consistently valued with the same underlying assumptions, methodologies and models regarding future expected levels of inflation, interest rates and investment returns.
Assumed pension increase (CPI)	% p.a.	2.3%
Method of derivation of discount rate, plus any changes since previous valuation		There is a 80% likelihood that the Fund's assets will return at least 6.0% pa over the 20 years following the 2025 valuation date. This is the same methodology used for the 2022 valuation, but the likelihood has been increased from 70%.

Metric	Unit	2025 valuation
<b>Assumed life expectancy at age 65</b>		
Life expectancy for current pensioners – men age 65	years	21.0
Life expectancy for current pensioners – women age 65	years	23.8
Life expectancy for future pensioners – men age 45	years	22.2
Life expectancy for future pensioners – women age 45	years	24.9
<b>Past service funding position – SAB basis (for comparison purposes only)</b>		
Market value of asset	£m	11,112
Value of liabilities	£m	9,512
Funding level on SAB basis (assets/liabilities)	%	117%
Funding level on SAB basis (change since last valuation)	%	8% decrease

Metric	Unit	2025 valuation	2022 valuation
<b>Contribution rates payable</b>			
Primary contribution rate	% of pay	17.5%	20.3%
<b>Secondary contribution rate (cash amounts in each year in line with CIPFA guidance)</b>			
1 <sup>st</sup> year of rates and adjustments certificate	£m	-64.958	-21.921
2 <sup>nd</sup> year of rates and adjustments certificate	£m	-66.844	-20.058
3 <sup>rd</sup> year of rates and adjustments certificate	£m	-68.785	-18.043
<b>Giving total expected contributions</b>			
1 <sup>st</sup> year of rates and adjustments certificate (£ figure based on assumed payroll)	£m	171.099	197.253
2 <sup>nd</sup> year of rates and adjustments certificate (£ figure based on assumed payroll)	£m	176.068	206.406
3 <sup>rd</sup> year of rates and adjustments certificate (£ figure based on assumed payroll)	£m	181.180	215.954
<b>Assumed payroll (cash amounts in each year)</b>			
1 <sup>st</sup> year of rates and adjustments certificate	£m	1,349.879	1,079.404
2 <sup>nd</sup> year of rates and adjustments certificate	£m	1,389.076	1,115.308
3 <sup>rd</sup> year of rates and adjustments certificate	£m	1,429.411	1,152.406
3 year average total employer contribution rate	% of pay	12.7%	18.8%
Average employee contribution	% of pay	6.4%	6.5%
Employee contribution rate (£ figure based on assumed payroll of £1,349.879m)	£m p.a.	86.392	69.963

Metric	Unit	2025 valuation	2022 valuation
Deficit recovery and surplus spreading plan			
Latest deficit recovery period end date, where this methodology is used by the fund's actuarial advisor	Year	Methodology not used	Methodology not used
Earliest surplus spreading period end date, where this methodology is used by the fund's actuarial advisor	Year	Methodology not used	Methodology not used
The time horizon end date, where this methodology is used by the fund's actuarial advisor	Year	2041	2038
The funding plan's likelihood of success, where this methodology is used by the fund's actuarial advisor	%	80%	70%
Surplus Methodology		Dynamic contribution floors/caps	Dynamic contribution floors/caps
Surplus methodology & parameters explanation (including changes since previous valuation)		Contribution rates floored at the primary contribution rate with a 70% likelihood of success.	Contribution rates floored at lower of primary contribution rate and current rate in payment.
Additional information			
Percentage of liabilities relating to employers with deficit recovery periods of longer than 20 years	%	0%	0%
Percentage of total liabilities that are in respect of Tier 3 employers	%	7%	8%
Included climate change analysis/comments in the 2025 valuation report		Yes	Yes
Gender pension gap statistic - Fund active mean CARE pension GPG	%	TBC	N/A
Gender pension gap statistic - Fund active mean Final Salary pension GPG	%	TBC	N/A
Gender pension gap statistic - Fund pensioner mean pension GPG	%	TBC	N/A
Value of McCloud liability in the 2025 valuation report (on local funding basis)	£m	14	18

## Appendix 7: Reliances & limitations

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

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

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

- our [2025 valuation toolkit](#) which sets out the methodology used when reviewing funding plans
- our paper dated 22 January 2025 which discusses the funding strategy for the Fund's stabilised employers
- our paper dated 3 February 2025 which discusses the valuation assumptions.

- our initial results report dated 25 July 2025 which outlines the whole Fund results and inter-valuation experience
- our data report dated 1 December 2025 which summarises the data used for the valuation, the approach to ensuring it is fit for purpose and any adjustments made to it during the course of the valuation
- the Funding Strategy Statement which details the approach taken to adequately fund the current and future benefits due to members.

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

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

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

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## Appendix 8: Glossary

### ➤ 50:50 option

An option for LGPS members to pay half contributions and earn half the retirement benefit (pre-retirement protection benefits are unreduced).

### ➤ Asset-liability modelling

An approach to modelling and understanding risk for a pension fund. The assets and liabilities are projected forwards into the future under many different future scenarios of inflation, investment returns and interest rates. The future scenarios are then analysed to understand the risk associated with a particular combination of contribution rates and investment strategy. Different combinations of contribution rates and/or investment strategies may be tested.

### ➤ Baseline longevity

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

### ➤ VitaCurves

The assumptions used for baseline longevity. These assumptions are provided by Club Vita, a firm of longevity experts we partner with for longevity analysis. They combine data from thousands of pension schemes and use it to create detailed longevity assumptions at member-level, as well as insight on general longevity trends and future improvements.

### ➤ Commutation

The option for members to exchange part of their annual pension for a one-off lump sum at retirement. In the LGPS, every £1 of pension exchanged gives the member £12 of lump sum. The amounts that members commute is heavily influenced by tax rules which set an upper limit on how much lump sum can be taken tax-free.

### ➤ CPI inflation

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

### ➤ Deferred pensioner

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

### ➤ Demographic assumptions

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

### ➤ Discount rate

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

### ➤ Employee members

Members who are currently employed by employers who participate in the Fund and are paying contributions into the Fund.

### ➤ ESS

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

### ➤ Funding position

The extent to which the assets held by the Fund at 31 March 2025 cover the accrued benefits ie the liabilities.

**The two measures of the funding position are:**

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

### ➤ Inflation

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

### ➤ Liabilities

An employer's liability value is the single value at a given point in time of all the benefit payments expected to be made in future to all members. Benefit payments are projected using demographic and financial assumptions and the liability is calculated using a discount rate.

### ➤ Longevity improvements

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

### ➤ Pensioner

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

### ➤ Primary rate

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

### ➤ Prudence

To be prudent means to err on the side of caution in the overall set of assumptions. We build prudence into the choice of discount rate by choosing an assumption with a prudence level of more than 50%. All other assumptions aim to be best estimate.

### ➤ Prudence level

A percentage indicating the likelihood that the assumed rate of investment return will be achieved in practice, based on the ESS model.

The higher the prudence level, the more prudent the assumed rate of investment return.

### ➤ Secondary rate

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

### ➤ Withdrawal

Refers to members leaving the scheme before retirement. These members retain an entitlement to an LGPS pension when they retire but are no longer earning new benefits.

## Appendix 9: Rates and Adjustments Certificate

In accordance with Regulation 62 of the Regulations, we have assessed the contributions that should be paid into the Fund by participating employers for the period 1 April 2026 to 31 March 2029 to maintain the solvency of the Fund.

The method and assumptions used to calculate the contributions set out in this Rates and Adjustments Certificate are detailed in the Funding Strategy Statement dated April 2026 and in [Appendix 2](#) of the report on the actuarial valuation dated 1 December 2025. These assumptions underpin our estimate of the number of members who will become entitled to a payment of pensions under the provisions of the LGPS and the amount of liabilities arising in respect of such members.

The table below summarises the whole Fund primary and secondary contribution rates for the period 1 April 2026 to 31 March 2029. The primary rate is the payroll weighted average of the underlying individual employer primary rates and the secondary rate is the total of the underlying individual employer secondary rates, calculated in accordance with the LGPS regulations and CIPFA guidance. The secondary rate has been shown both as a monetary amount and an equivalent percentage of the projected pensionable pay.

This valuation (31 March 2025)		
Primary rate	17.5% of pay	
Secondary rate	Monetary amount	Equivalent to % of payroll
2026/27	-£65,020,000	-4.8%
2027/28	-£66,908,000	-4.8%
2028/29	-£68,850,000	-4.8%

Table 15: Whole fund primary and secondary contribution rates from 1 April 2026 to 31 March 2029

The required minimum contribution rates for each employer in the Fund are set out in the remainder of this certificate.

Steven Scott FFA C. Act

Greer Flanagan FFA C. Act

Reece Notman FFA C. Act

December 25  
For and on behalf of Hymans Robertson LLP



Employer code	Employer name	Primary rate (% of pay)	Secondary rate (% of pay and monetary amount)			Total contributions (Primary rate plus secondary rate)			Notes
			2026/27	2027/28	2028/29	2026/27	2027/28	2028/29	
Major Employers									
	Sheffield City Council	17.4%	-5.5%	-5.5%	-5.5%	11.9%	11.9%	11.9%	
115	Compass Contract Services (King Edward VII School)	17.4%				17.4%	17.4%	17.4%	
116	Compass Contract Services (Ecclesfield Secondary School)	17.4%				17.4%	17.4%	17.4%	
143	SMG (UK) Limited (Utiltia Arena Sheffield)	17.4%				17.4%	17.4%	17.4%	
141	SLM Ltd (Everyone Active)	17.4%				17.4%	17.4%	17.4%	
144	SMG (UK) Limited (Sheffield City Hall)	17.4%				17.4%	17.4%	17.4%	
	City of Doncaster Council	17.5%	-5.4%	-5.4%	-5.4%	12.1%	12.1%	12.1%	
	Rotherham MBC	17.5%	-5.4%	-5.4%	-5.4%	12.1%	12.1%	12.1%	
	Barnsley MBC	17.2%	-5.5%	-5.5%	-5.5%	11.7%	11.7%	11.7%	
295	The Chief Constable	17.2%	-5.5%	-5.5%	-5.5%	11.7%	11.7%	11.7%	
296	South Yorkshire Fire Authority	17.4%	-5.5%	-5.5%	-5.5%	11.9%	11.9%	11.9%	
	South Yorkshire Mayoral Combined Authority	16.5%	-5.5%	-5.5%	-5.5%	11.0%	11.0%	11.0%	

Employer code	Employer name	Primary rate (% of pay)	Secondary rate (% of pay and monetary amount)			Total contributions (Primary rate plus secondary rate)			Notes
			2026/27	2027/28	2028/29	2026/27	2027/28	2028/29	
250	South Yorkshire Pensions Authority	16.3%	-4.9%	-4.9%	-4.9%	11.4%	11.4%	11.4%	
220	Barnsley College	17.2%	-1.5%	-1.5%	-1.5%	15.7%	15.7%	15.7%	
	DN Colleges Group	17.8%	-1.9%	-1.9%	-1.9%	15.9%	15.9%	15.9%	
232	R N N Group	17.3%	-1.7%	-1.7%	-1.7%	15.6%	15.6%	15.6%	
	Sheffield Hallam University	17.0%	-1.4%	-1.4%	-1.4%	15.6%	15.6%	15.6%	
222	The Sheffield College	17.0%	-1.5%	-1.5%	-1.5%	15.5%	15.5%	15.5%	
<b>Town &amp; Parish Councils</b>									
509	Anston Parish Council	18.2%	-5.5%	-5.5%	-5.5%	12.7%	12.7%	12.7%	
423	Armthorpe Parish Council	18.2%	-5.5%	-5.5%	-5.5%	12.7%	12.7%	12.7%	
404	Askern Town Council	18.2%	-5.5%	-5.5%	-5.5%	12.7%	12.7%	12.7%	
512	Aston-cum-Aughton Parish Council	18.2%	-5.5%	-5.5%	-5.5%	12.7%	12.7%	12.7%	
405	Barnby Dun with Kirk Sandall Parish Council	18.2%	-5.5%	-5.5%	-5.5%	12.7%	12.7%	12.7%	
660	Bradfield Parish Council	18.2%	-5.5%	-5.5%	-5.5%	12.7%	12.7%	12.7%	
254	Brodsworth Parish Council	18.2%	-5.5%	-5.5%	-5.5%	12.7%	12.7%	12.7%	

Employer code	Employer name	Primary rate (% of pay)	Secondary rate (% of pay and monetary amount)			Total contributions (Primary rate plus secondary rate)			Notes
			2026/27	2027/28	2028/29	2026/27	2027/28	2028/29	
917	Dalton Parish Council	18.2%	-5.5%	-5.5%	-5.5%	12.7%	12.7%	12.7%	
201	Danum Drainage Commissioners	17.5%				17.5%	17.5%	17.5%	
661	Ecclesfield Parish Council	18.2%	-5.5%	-5.5%	-5.5%	12.7%	12.7%	12.7%	
407	Hatfield Town Council	18.2%	-5.5%	-5.5%	-5.5%	12.7%	12.7%	12.7%	
305	Penistone Town Council	18.2%	-5.5%	-5.5%	-5.5%	12.7%	12.7%	12.7%	
37	Ravenfield Parish Council	18.2%	-5.5%	-5.5%	-5.5%	12.7%	12.7%	12.7%	
408	Rossington Parish Council	18.2%	-5.5%	-5.5%	-5.5%	12.7%	12.7%	12.7%	
329	Silkstone Parish Council	18.2%	-5.5%	-5.5%	-5.5%	12.7%	12.7%	12.7%	
411	Sprotbrough & Cusworth Parish Council	18.2%	-5.5%	-5.5%	-5.5%	12.7%	12.7%	12.7%	
409	Stainforth Town Council	18.2%	-5.5%	-5.5%	-5.5%	12.7%	12.7%	12.7%	
662	Stocksbridge Town Council	18.2%	-5.5%	-5.5%	-5.5%	12.7%	12.7%	12.7%	
410	Thorne Moorends Town Council	18.2%	-5.5%	-5.5%	-5.5%	12.7%	12.7%	12.7%	
510	Thrybergh Parish Council	18.2%	-5.5%	-5.5%	-5.5%	12.7%	12.7%	12.7%	
60	Thurscroft Parish Council	18.2%	-5.5%	-5.5%	-5.5%	12.7%	12.7%	12.7%	

Employer code	Employer name	Primary rate (% of pay)	Secondary rate (% of pay and monetary amount)			Total contributions (Primary rate plus secondary rate)			Notes
			2026/27	2027/28	2028/29	2026/27	2027/28	2028/29	
999	Waverley Community Council	18.2%	-5.5%	-5.5%	-5.5%	12.7%	12.7%	12.7%	
515	Wickersley Parish Council	18.2%	-5.5%	-5.5%	-5.5%	12.7%	12.7%	12.7%	
Multi-Academy Trusts									
	Aston Community Education Trust	17.5%	-2.5%	-2.5%	-2.5%	15.0%	15.0%	15.0%	
	Astrea Academy Trust	17.2%	0.2%	0.2%	0.2%	17.4%	17.4%	17.4%	
79	RCCN Limited (Atlas Academy)	17.2%				17.2%	17.2%	17.2%	
86	RCCN Limited (Intake Primary Academy)	17.2%				17.2%	17.2%	17.2%	
82	RCCN Limited (Denaby Main Primary Academy)	17.2%				17.2%	17.2%	17.2%	
84	RCCN Limited (Hexthorpe Primary Academy)	17.2%				17.2%	17.2%	17.2%	
88	RCCN Limited (Waverley Academy)	17.2%				17.2%	17.2%	17.2%	
81	RCCN Limited (Castle Academy)	17.2%				17.2%	17.2%	17.2%	
107	RCCN (Kingfisher Primary Academy)	17.2%				17.2%	17.2%	17.2%	
83	RCCN Limited (Edenthorpe Hall Academy)	17.2%				17.2%	17.2%	17.2%	

Employer code	Employer name	Primary rate (% of pay)	Secondary rate (% of pay and monetary amount)			Total contributions (Primary rate plus secondary rate)			Notes
			2026/27	2027/28	2028/29	2026/27	2027/28	2028/29	
85	RCCN Limited (Highgate Academy)	17.2%				17.2%	17.2%	17.2%	
109	Bulloughs Cleaning Services Ltd (Astrea Academy Sheffield)	17.2%				17.2%	17.2%	17.2%	
	Brigantia Learning Trust	17.3%	-3.2%	-3.2%	-3.2%	14.1%	14.1%	14.1%	
	Brighter Futures Learning Partnership Trust	17.7%	-4.0%	-4.0%	-4.0%	13.7%	13.7%	13.7%	
	Cascade Multi Academy Trust	17.6%	-3.5%	-3.5%	-3.5%	14.1%	14.1%	14.1%	
	Central Learning Partnership Trust	17.7%	-3.0%	-3.0%	-3.0%	14.7%	14.7%	14.7%	
	Chorus Education Trust	17.5%	-2.8%	-2.8%	-2.8%	14.7%	14.7%	14.7%	
	Consilium Academies Trust	15.5%	-5.7%	-5.7%	-5.7%	9.8%	9.8%	9.8%	
	De la Salle	17.5%	-5.5%	-5.5%	-5.5%	12.0%	12.0%	12.0%	
	Delta Academies Trust	17.7%	-3.1%	-3.1%	-3.1%	14.6%	14.6%	14.6%	
94	Carroll Cleaning Company (Pheasant Bank Academy)	17.7%				17.7%	17.7%	17.7%	
96	Carroll Cleaning Company (Crookesbroom Primary Academy)	17.7%				17.7%	17.7%	17.7%	
97	Carroll Cleaning Company (Grange Lane Primary School)	17.7%				17.7%	17.7%	17.7%	

Employer code	Employer name	Primary rate (% of pay)	Secondary rate (% of pay and monetary amount)			Total contributions (Primary rate plus secondary rate)			Notes
			2026/27	2027/28	2028/29	2026/27	2027/28	2028/29	
95	Carroll Cleaning Company (Morley Place Academy)	17.7%				17.7%	17.7%	17.7%	
	Diocese of Sheffield Academies Trust	18.1%	-2.1%	-2.1%	-2.1%	16.0%	16.0%	16.0%	
132	Mellors (Pye Bank Primary School)	18.1%				18.1%	18.1%	18.1%	
128	Taylor Shaw (Travis Lawrence Primary School)	18.1%				18.1%	18.1%	18.1%	
	E-ACT	17.4%	-5.5%	-5.5%	-5.5%	11.9%	11.9%	11.9%	
140	Cleantec Services (E-ACT)	17.4%				17.4%	17.4%	17.4%	
	Emmanuel Schools Foundation	18.2%	-5.4%	-5.4%	-5.4%	12.8%	12.8%	12.8%	
	Empowering Minds Academy Trust	18.3%	0.3%	0.3%	0.3%	18.6%	18.6%	18.6%	
	ETHOS	17.0%	-3.9%	-3.9%	-3.9%	13.1%	13.1%	13.1%	
	Every Child Matters (ECM) Academy Trust	18.0%	-1.1%	-1.1%	-1.1%	16.9%	16.9%	16.9%	
	Exceed Learning Partnership	17.5%	-2.4%	-2.4%	-2.4%	15.1%	15.1%	15.1%	
133	Mellors (Exceed Learning Partnership Trust)	17.5%				17.5%	17.5%	17.5%	
	Five Rivers Multi Academy Trust	17.0%	-0.4%	-0.4%	-0.4%	16.6%	16.6%	16.6%	

Employer code	Employer name	Primary rate (% of pay)	Secondary rate (% of pay and monetary amount)			Total contributions (Primary rate plus secondary rate)			Notes
			2026/27	2027/28	2028/29	2026/27	2027/28	2028/29	
	Hoyland Common Academy Trust	17.3%	-5.6%	-5.6%	-5.6%	11.7%	11.7%	11.7%	
	Inspire Learning Trust	17.2%	-5.5%	-5.5%	-5.5%	11.7%	11.7%	11.7%	
	James Montgomery Trust	17.9%	-4.2%	-4.2%	-4.2%	13.7%	13.7%	13.7%	
	Koinonia Academy Trust	18.2%	-0.4%	-0.4%	-0.4%	17.8%	17.8%	17.8%	
	L.E.A.D	18.2%	0.2%	0.2%	0.2%	18.4%	18.4%	18.4%	
	Learners Trust	17.3%	0.7%	0.7%	0.7%	18.0%	18.0%	18.0%	
	Leger Education Trust	17.7%	-4.8%	-4.8%	-4.8%	12.9%	12.9%	12.9%	
125	OCS Group UK Ltd (Leger Education Trust)	17.7%				17.7%	17.7%	17.7%	
	Lift Schools	17.3%	-2.2%	-2.2%	-2.2%	15.1%	15.1%	15.1%	
113	Churchill Contract Services (Shafton Academy)	17.3%				17.3%	17.3%	17.3%	
	Maltby Learning Trust	17.0%	-5.6%	-5.6%	-5.6%	11.4%	11.4%	11.4%	
	Mercia Learning Trust	17.7%	-0.6%	-0.6%	-0.6%	17.1%	17.1%	17.1%	
76	Solutions 4 Cleaning (Nether Edge Primary)	17.7%				17.7%	17.7%	17.7%	

Employer code	Employer name	Primary rate (% of pay)	Secondary rate (% of pay and monetary amount)			Total contributions (Primary rate plus secondary rate)			Notes
			2026/27	2027/28	2028/29	2026/27	2027/28	2028/29	
117	Compass Contract Services (King Ecgbert)	17.7%				17.7%	17.7%	17.7%	
	Minerva Learning trust	17.5%	-2.3%	-2.3%	-2.3%	15.2%	15.2%	15.2%	
	New Collaborative Learning Trust	17.8%	-5.5%	-5.5%	-5.5%	12.3%	12.3%	12.3%	
	NEXUS Multi Academy Trust	17.3%	-3.1%	-3.1%	-3.1%	14.2%	14.2%	14.2%	
99	Norse Group (Bader Free School)	17.3%				17.3%	17.3%	17.3%	
136	Norse Group (Nexus MAT)	17.3%				17.3%	17.3%	17.3%	
	Northern Education Trust (NET)	17.6%	-2.7%	-2.7%	-2.7%	14.9%	14.9%	14.9%	
	Oasis Community Learning	16.4%	-3.9%	-3.9%	-3.9%	12.5%	12.5%	12.5%	
	Our Lady of Doncaster Umbrella Trust	18.0%	-2.3%	-2.3%	-2.3%	15.7%	15.7%	15.7%	
	Outwood Grange Academies Trust	17.9%	-4.0%	-4.0%	-4.0%	13.9%	13.9%	13.9%	
91	Caterlink (Outwood Primary Woodlands)	17.9%				17.9%	17.9%	17.9%	
77	Solutions 4 Cleaning (Woodlands Primary)	17.9%				17.9%	17.9%	17.9%	
118	Independent Cleaning Services Ltd (Outwood City)	17.9%				17.9%	17.9%	17.9%	



Employer code	Employer name	Primary rate (% of pay)	Secondary rate (% of pay and monetary amount)			Total contributions (Primary rate plus secondary rate)			Notes
			2026/27	2027/28	2028/29	2026/27	2027/28	2028/29	
119	Independent Cleaning Services (Outwood Primary Woodlands)	17.9%				17.9%	17.9%	17.9%	
120	Caterlink (Outwood Academy City)	17.9%				17.9%	17.9%	17.9%	
	Peak Edge MAT	18.4%	-2.9%	-2.9%	-2.9%	15.5%	15.5%	15.5%	
	Pioneer Academies Community Trust	18.1%	-5.4%	-5.4%	-5.4%	12.7%	12.7%	12.7%	
	Sheffield South East Trust	17.8%	-1.2%	-1.2%	-1.2%	16.6%	16.6%	16.6%	
	St Clare MAT	17.9%	-3.8%	-3.8%	-3.8%	14.1%	14.1%	14.1%	
	St Francis MAT	18.2%	-3.5%	-3.5%	-3.5%	14.7%	14.7%	14.7%	
137	Taylor Shaw (St Pius X Catholic High School)	18.2%				18.2%	18.2%	18.2%	
145	RCCN (St Pius X Catholic High School)	18.2%				18.2%	18.2%	18.2%	
	St Thomas More Catholic Primary Academy	17.4%	0.7%	0.7%	0.7%	18.1%	18.1%	18.1%	
	Steel City Schools Partnership	17.8%	-0.3%	-0.3%	-0.3%	17.5%	17.5%	17.5%	
	Tapton School Academy Trust	17.5%	-1.6%	-1.6%	-1.6%	15.9%	15.9%	15.9%	
	Team Education Academy Trust	17.4%	1.5%	1.5%	1.5%	18.9%	18.9%	18.9%	

Employer code	Employer name	Primary rate (% of pay)	Secondary rate (% of pay and monetary amount)			Total contributions (Primary rate plus secondary rate)			Notes
			2026/27	2027/28	2028/29	2026/27	2027/28	2028/29	
	The Rose Learning Trust	17.8%	-1.9%	-1.9%	-1.9%	15.9%	15.9%	15.9%	
	The Sheffield UTC Academy Trust	17.6%	-4.5%	-4.5%	-4.5%	13.1%	13.1%	13.1%	
	United Learning Trust	17.1%	-5.5%	-5.5%	-5.5%	11.6%	11.6%	11.6%	
102	Taylor Shaw (Barnsley Academy)	17.1%				17.1%	17.1%	17.1%	
	Venn Academy trust	17.8%	-4.7%	-4.7%	-4.7%	13.1%	13.1%	13.1%	
	Wales High School	18.0%	-5.4%	-5.4%	-5.4%	12.6%	12.6%	12.6%	
	Waterton Multi Academy Trust	17.9%	-5.0%	-5.0%	-5.0%	12.9%	12.9%	12.9%	
131	Caterlink Ltd (Churchfields School)	17.9%				17.9%	17.9%	17.9%	
	Wellspring Academy Trust	16.7%	-1.5%	-1.5%	-1.5%	15.2%	15.2%	15.2%	
	White Woods Primary Academy Trust	17.7%	-1.2%	-1.2%	-1.2%	16.5%	16.5%	16.5%	
	Wickersley Partnership Trust	17.5%	-1.8%	-1.8%	-1.8%	15.7%	15.7%	15.7%	
	Willow Tree Academy	17.7%	-1.9%	-1.9%	-1.9%	15.8%	15.8%	15.8%	
	XP Trust	17.5%	-2.3%	-2.3%	-2.3%	15.2%	15.2%	15.2%	

Employer code	Employer name	Primary rate (% of pay)	Secondary rate (% of pay and monetary amount)			Total contributions (Primary rate plus secondary rate)			Notes
			2026/27	2027/28	2028/29	2026/27	2027/28	2028/29	
Other Academies									
454	Armthorpe Shaw Wood Academy	17.9%	-2.9%	-2.9%	-2.9%	15.0%	15.0%	15.0%	
435	Auckley Junior & Infant Academy	18.4%	-3.2%	-3.2%	-3.2%	15.2%	15.2%	15.2%	
614	Broomhill Infant School	18.9%	-4.8%	-4.8%	-4.8%	14.1%	14.1%	14.1%	
443	Conisbrough Ivanhoe Primary Academy	17.2%	-3.1%	-3.1%	-3.1%	14.1%	14.1%	14.1%	
701	Fir Vale School Academy Trust	17.1%	-5.6%	-5.6%	-5.6%	11.5%	11.5%	11.5%	
356	Heather Garth Primary School	18.2%	-3.7%	-3.7%	-3.7%	14.5%	14.5%	14.5%	
654	Meadowhead School Academy Trust	17.1%	-2.2%	-2.2%	-2.2%	14.9%	14.9%	14.9%	
608	St Josephs Primary School	18.7%	-5.3%	-5.3%	-5.3%	13.4%	13.4%	13.4%	
611	St Therasas RC School	18.2%	-5.4%	-5.4%	-5.4%	12.8%	12.8%	12.8%	
229	The Hayfield School	18.6%	-5.3%	-5.3%	-5.3%	13.3%	13.3%	13.3%	
Community Admission Bodies									
228	Barnsley Premier Leisure	20.1%				20.1%	20.1%	20.1%	
	Berneslai Homes	19.4%	-9.3%	-9.3%	-9.3%	10.1%	10.1%	10.1%	

Employer code	Employer name	Primary rate (% of pay)	Secondary rate (% of pay and monetary amount)			Total contributions (Primary rate plus secondary rate)			Notes
			2026/27	2027/28	2028/29	2026/27	2027/28	2028/29	
881	Border to Coast Pensions Partnership Ltd	18.6%				18.6%	18.6%	18.6%	
230	Doncaster Community Transport	18.5%				18.5%	18.5%	18.5%	
432	Doncaster Culture & Leisure Trust	19.7%				19.7%	19.7%	19.7%	
412	Doncaster Deaf Trust	19.5%				19.5%	19.5%	19.5%	
241	Great Places Housing Association	20.0%				20.0%	20.0%	20.0%	
310	Independent Training Services Ltd	14.1%				14.1%	14.1%	14.1%	
768	Learn Sheffield	20.2%				20.2%	20.2%	20.2%	
209	National Horseracing College	21.5%				21.5%	21.5%	21.5%	
231	Roth Don and South Humber Mental Health NHS Foundation Trust	20.9%				20.9%	20.9%	20.9%	
610	Sheffcare Ltd	20.3%				20.3%	20.3%	20.3%	
235	Sheffield Community Transport	20.6%				20.6%	20.6%	20.6%	
666	Sheffield Futures	21.8%	-1.7%	-1.7%	-1.7%	20.1%	20.1%	20.1%	
239	Sheffield Health & Social Care NHS Foundation Trust	20.9%				20.9%	20.9%	20.9%	

Employer code	Employer name	Primary rate (% of pay)	Secondary rate (% of pay and monetary amount)			Total contributions (Primary rate plus secondary rate)			Notes
			2026/27	2027/28	2028/29	2026/27	2027/28	2028/29	
	Sheffield Museums Trust	17.5%				17.5%	17.5%	17.5%	
663	Sheffield Unison	21.5%				21.5%	21.5%	21.5%	
214	South Yorkshire Housing Association	21.8%				21.8%	21.8%	21.8%	
428	St Leger Homes of Doncaster	19.4%	-9.2%	-9.2%	-9.2%	10.2%	10.2%	10.2%	
<b>Transferee Admission Bodies</b>									
31	ABM Catering (Maltby Learning Trust)	20.3%	-20.2%	-20.2%	-20.2%	0.1%	0.1%	0.1%	
256	Amey Community Ltd (Barnsley BSF Design & Building Schools)	23.1%	-23.1%	-23.1%	-23.1%	0.0%	0.0%	0.0%	
257	Amey Community Ltd SPV1 (Barnsley BSF/PFI)	21.9%	-8.4%	-8.4%	-8.4%	13.5%	13.5%	13.5%	
258	Amey Community Ltd SPV2 (Barnsley BSF/PFI)	26.4%	-26.4%	-26.4%	-26.4%	0.0%	0.0%	0.0%	
259	Amey Community Ltd SPV3 (Barnsley BSF/PFI)	22.1%	-0.7%	-0.7%	-0.7%	21.4%	21.4%	21.4%	
655	Amey LG Limited (Sheffield Highways)	18.9%	-18.9%	-18.9%	-18.9%	0.0%	0.0%	0.0%	
15	Aspens Services Ltd (Brinsworth)	17.4%	-17.4%	-17.4%	-17.4%	0.0%	0.0%	0.0%	
339	Barnsley Norse Ltd	18.6%	-18.5%	-18.5%	-18.5%	0.1%	0.1%	0.1%	

Employer code	Employer name	Primary rate (% of pay)	Secondary rate (% of pay and monetary amount)			Total contributions (Primary rate plus secondary rate)			Notes
			2026/27	2027/28	2028/29	2026/27	2027/28	2028/29	
616	Capita (Outstanding Sheffield Programme)	18.1%	-18.1%	-18.1%	-18.1%	0.0%	0.0%	0.0%	
479	Carroll Cleaning Company (De Warenne Academy)	21.5%	-21.5%	-21.5%	-21.5%	0.0%	0.0%	0.0%	
32	Churchill Contract Services (St Helens)	20.0%	-19.9%	-19.9%	-19.9%	0.1%	0.1%	0.1%	
896	Churchill Contract Services - Dinnington High School	22.5%	-22.5%	-22.5%	-22.5%	0.0%	0.0%	0.0%	
429	Crispin & Borst	17.5%	-17.5%	-17.5%	-17.5%	0.0%	0.0%	0.0%	
389	Dimensions (UK) Ltd	21.0%	-21.0%	-21.0%	-21.0%	0.0%	0.0%	0.0%	
849	Dolce Ltd (Harthill Primary)	23.7%	-23.6%	-23.6%	-23.6%	0.1%	0.1%	0.1%	
813	Dolce Ltd (Swinton Fitzwilliam)	23.4%	-23.3%	-23.3%	-23.3%	0.1%	0.1%	0.1%	
864	Dolce Ltd (Swinton Queen Primary)	22.0%	-22.0%	-22.0%	-22.0%	0.0%	0.0%	0.0%	
814	Dolce Ltd (Whiston Junior & Infants)	22.5%	-22.5%	-22.5%	-22.5%	0.0%	0.0%	0.0%	
815	Dolce Ltd (Whiston Worrygoose)	20.5%	-20.5%	-20.5%	-20.5%	0.0%	0.0%	0.0%	
816	Dolce Ltd (Wickersley Northfield)	17.0%	-17.0%	-17.0%	-17.0%	0.0%	0.0%	0.0%	
17	Enviroserve (Blackburn Primary)	19.6%	-19.6%	-19.6%	-19.6%	0.0%	0.0%	0.0%	

Employer code	Employer name	Primary rate (% of pay)	Secondary rate (% of pay and monetary amount)			Total contributions (Primary rate plus secondary rate)			Notes
			2026/27	2027/28	2028/29	2026/27	2027/28	2028/29	
393	Equans Engie Services Ltd (Barnsley Schools)	24.1%	-18.5%	-18.5%	-18.5%	5.6%	5.6%	5.6%	
982	Equans Engie Services Ltd (Rotherham Council)	19.1%	-19.1%	-19.1%	-19.1%	0.0%	0.0%	0.0%	
513	Equans Engie Services Ltd (Rotherham Schools)	19.1%	-19.1%	-19.1%	-19.1%	0.0%	0.0%	0.0%	
9	Happy Kids Childcare (RMBC Thrybergh)	18.4%	-18.4%	-18.4%	-18.4%	0.0%	0.0%	0.0%	
14	Hutchison Catering Ltd (AET MAT)	19.6%	-19.6%	-19.6%	-19.6%	0.0%	0.0%	0.0%	
392	ISS Mediclean Ltd	21.3%	-21.3%	-21.3%	-21.3%	0.0%	0.0%	0.0%	
688	Kier Managed Services	27.3%	-27.3%	-27.3%	-27.3%	0.0%	0.0%	0.0%	
150	Mellors (Brighter Futures MAT)	20.3%	-20.3%	-20.3%	-20.3%	0.0%	0.0%	0.0%	
56	Mellors (Goldthorpe Primary Academy)	18.3%	-18.3%	-18.3%	-18.3%	0.0%	0.0%	0.0%	
21	Mellors (Hall Cross Academy)	23.5%	-23.5%	-23.5%	-23.5%	0.0%	0.0%	0.0%	
949	Mellors (Hatfield Crookesbroom Primary)	20.6%	-20.6%	-20.6%	-20.6%	0.0%	0.0%	0.0%	
950	Mellors (Hatfield Woodhouse Primary)	24.3%	-24.3%	-24.3%	-24.3%	0.0%	0.0%	0.0%	
12	Mellors (Montagu Academy)	18.1%	-18.1%	-18.1%	-18.1%	0.0%	0.0%	0.0%	

Employer code	Employer name	Primary rate (% of pay)	Secondary rate (% of pay and monetary amount)			Total contributions (Primary rate plus secondary rate)			Notes
			2026/27	2027/28	2028/29	2026/27	2027/28	2028/29	
59	Mellors (Morley Place)	13.5%	-13.5%	-13.5%	-13.5%	0.0%	0.0%	0.0%	
671	Mitie FM Limited	25.3%	-25.3%	-25.3%	-25.3%	0.0%	0.0%	0.0%	
686	Mitie Ltd	23.8%	-23.8%	-23.8%	-23.8%	0.0%	0.0%	0.0%	
533	Morrison Facilities Service Ltd	18.6%	-18.5%	-18.5%	-18.5%	0.1%	0.1%	0.1%	
18	NowThen (Prince Edward School Cleaning)	23.9%	-23.9%	-23.9%	-23.9%	0.0%	0.0%	0.0%	
548	Places for People (RMBC)	19.4%	-19.4%	-19.4%	-19.4%	0.0%	0.0%	0.0%	
759	Places for People (Wisewood Sports Centre)	15.6%	-15.6%	-15.6%	-15.6%	0.0%	0.0%	0.0%	
30	RCCN (Hall Cross Academy)	20.1%	-20.1%	-20.1%	-20.1%	0.0%	0.0%	0.0%	
40	RCCN Armthorpe Academy	20.9%	-20.9%	-20.9%	-20.9%	0.0%	0.0%	0.0%	
35	Relish School Foods (Nexus)	21.3%	-21.2%	-21.2%	-21.2%	0.1%	0.1%	0.1%	
69	Taylor Shaw (Monkwood Primary)	23.8%	-23.8%	-23.8%	-23.8%	0.0%	0.0%	0.0%	
70	Taylor Shaw (Sandhill Primary)	16.9%	-12.3%	-12.3%	-12.3%	4.6%	4.6%	4.6%	
135	Taylor Shaw (Sheffield School Meals Contract 2)	19.9%	-0.9%	-0.9%	-0.9%	19.0%	19.0%	19.0%	



Employer code	Employer name	Primary rate (% of pay)	Secondary rate (% of pay and monetary amount)			Total contributions (Primary rate plus secondary rate)			Notes
			2026/27	2027/28	2028/29	2026/27	2027/28	2028/29	
698	Taylor Woodrow Construction (Sheffield Schools)	27.5%	-27.5%	-27.5%	-27.5%	0.0%	0.0%	0.0%	
346	Trustclean Ltd (Athersley North)	23.3%	-23.2%	-23.2%	-23.2%	0.1%	0.1%	0.1%	
390	Turning Point	19.0%	-19.0%	-19.0%	-19.0%	0.0%	0.0%	0.0%	
676	Veolia Environmental Services PLC	20.4%	-20.4%	-20.4%	-20.4%	0.0%	0.0%	0.0%	
702	Vinci Construction UK Ltd (Bradfield FM)	24.4%	-24.4%	-24.4%	-24.4%	0.0%	0.0%	0.0%	
781	Wates Living Space Maintenance Ltd	23.1%	-23.1%	-23.1%	-23.1%	0.0%	0.0%	0.0%	

#### Notes to the Rates & Adjustments Certificate

- Contributions expressed as a percentage of payroll should be paid into the Fund at a frequency in accordance with the requirements of the Regulations.
- Further sums should be paid to the Fund to meet the costs of any early retirements and/or augmentations using methods and factors issued by us from time to time or as otherwise agreed.
- Payments may be required to be made to the Fund by employers to meet the capital costs of any ill-health retirements that exceed those allowed for within our assumptions.
- The certified contribution rates represent the minimum level of contributions to be paid. Employing authorities may pay further amounts at any time and future periodic contributions may be adjusted on a basis approved by the Fund Actuary.

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# Delivering for our Customers — Corporate Performance Report

**Quarter 2 2025/26**

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## **1. Introduction**

- 1.1 South Yorkshire Pensions Authority only exists to provide services to our customers whether they be scheme members or employers.
- 1.2 This Corporate Performance Report provides a summary view of overall performance in achieving the Authority's objectives, bringing together information on progress against the corporate strategy, a range of key performance measures, financial monitoring, and an ongoing assessment of the risks to the delivery of the Corporate Strategy. By providing this single view of how we are doing, it will be easier for councillors and other stakeholders to hold us to account for our performance.
- 1.3 This report presents the information on overall performance during the second quarter of the 2025/26 financial year. More detailed information on the performance of the Authority's investments and the pension administration department during the quarter are contained in other reports which are available on the Authority's website.

## 2. Headlines

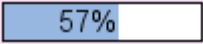




2.1 Key messages for the quarter are highlighted here. The detail and underlying context behind these are set out in the sections of the report that follow.






<p>2025 Valuation work is nearing completion, with the Fund in a strong funding position, broadly leading to reduced contributions rates for employers.</p> <p>A forecast under-spend on the revenue budget will enable the building up of earmarked reserves.</p> <p>Four risk scores have reduced across IAF and PEO - but there has been an increased risk score in IAF and a new risk in ORG added to the Risk Register.</p> <p>Pension member surveys are maintaining positive rates of satisfaction.</p>	<p>Sickness absence has increased in this quarter.</p> <p>Investment performance is a little behind the benchmark target over recent periods - but remains ahead of expectations over the long term.</p> <p>Clearance of backlogs of pensions case work is progressing but remains a challenge, with an extended timeline of completion by 31 March 2026.</p>
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### 3. Delivering the Corporate Plan & Supporting Strategies





- 3.1 This section provides an update on progress made in delivering the corporate objectives of the organisation.
- 3.2 The Corporate Strategy was fully reviewed and updated for the April 2025 to March 2028 period as part of our triennial cycle of review of the Corporate Planning Framework, supported and underpinned by newly revised People and ICT Strategies, and Diversity, Equality and Inclusion Scheme. These strategies were approved by the Authority in February 2025.
- 3.3 The plan for the next three years is organised around these themes:
- a) **Pensions Administration** – with a focus on Backlogs, McCloud, Data Quality, Pensions Dashboards, the 2025 Valuation and the development of our system and optimising our use of this.
  - b) **Investment Strategy** – representing a continued focus on Place Based Impact Investment, progress towards the Net Zero 2030 ambition, the 2026 Investment Strategy review, and the transition of legacy assets to Border to Coast.
  - c) **Corporate Organisation** – which includes the continuation and full implementation of the new Performance Management Framework as well as plans to ensure the DEI Scheme is delivered, a new Social Media Strategy is developed, and work on developing an Environmental Sustainability plan for the organisation's own operations.
  - d) **Governance and Partnerships** – this reflects a focus on building on the good progress already achieved with continuous improvement in governance arrangements and member knowledge and understanding as well as plans to ensure that the Authority is well-placed to deliver the governance outcomes from the Government's Fit for the Future consultation and keep our level of influence within our key partnership, Border to Coast.
  - e) **Our People** and **Information Technology** are included in the corporate strategy as plans to deliver the separate strategies for both of these significant elements of our corporate framework.
- 3.4 The plans and how these link to the Authority's objectives and corporate risks are set out in the Corporate Strategy published on our website at: [Corporate Plans](#).
- 3.5 The following table provides updates in respect of developments that have taken place during the quarter in delivering these programmes of work.

Ref	Project/Action	Start	Finish	Responsible Manager	Quarter 2 Update	Status
<b>PA</b>	<b>Pensions Administration</b>					57% 
PA1	Clear the remaining Backlogs of casework and ensure arrangements in place to prevent further backlogs developing.	01-Feb-2024	31-Dec-2025	Service Manager - Benefits	The backlog was at 80% complete in October 2025. Overtime is currently being used to work through the backlog, with other measures being explored. The end of March 2026 is now being targeted for completion depending on the resource we can allocate to this and the complexity of remaining cases. A plan is also being developed to prevent further backlogs being created.	Not achievable by the target date 
PA2	Plan and deliver the Valuation 2025, including increased engagement with employers.	01-Sep-2024	31-Dec-2025	Service Manager - Employer Services; Service Manager - Technical Support & Training	<p>Following a significant amount of work and engagement all provisional Valuation results have been sent to Employers; the Rates and Adjustments Certificate is due from the actuary at the end of December 2025.</p> <p>Consultation is underway on the Funding Strategy Statement and the Pensions Administration Strategy; consultation closes December 2025.</p>	On track 
PA3	Implement the McCloud Remedy successfully.	01-Apr-2024	31-Aug-2026	Assistant Director - Pensions	<p>The latest release was installed in the Pension Admin system in November. The following update is expected before the end of this year, and this is a batch of patches to fix reported defects from previous releases.</p> <p>The teams are working to understand what the system will rectify automatically and what will need to be done manually.</p> <p>The next major system delivery is planned for June 2026; the delivery timing increases the risk of the project not meeting the extended deadline of 31 August 2026.</p>	At risk but achievable 
PA4	Deliver the Data Quality Improvement Plan	01-Apr-2024	31-Mar-2026	Service Manager - Technical Support & Training	Data Quality and Improvement Strategy has now been published. The cyclical activities per annum	On track 






Ref	Project/Action	Start	Finish	Responsible Manager	Quarter 2 Update	Status
					are in place and work is ongoing to produce the operational data quality improvement plan.	
PA5	Ensure Pensions Administration software system is developed, and its functionality used to optimal effect for achieving efficiencies, to the extent possible	01-Apr-2024	31-Mar-2028	Head of ICT; Assistant Director - Pensions	<p>Strategic UPM group set up with quarterly meetings. Smaller working group set up to look at automation in the system. Some improvements to the scheme member online portal and the employer online portal have been implemented, with further improvements being developed.</p> <p>We continue to work on holding the system provider to account within the contract and to push for the delivery of the developments required through regular engagement.</p>	On track 
PA6	Implement the Pensions Dashboards to required timescales	01-Sep-2024	31-Oct-2025	Service Manager - Customer Services	<p>Our Integrated Service Provider (ISP) are in receipt of a successful Penetration Test/ICT Health Check. Subsequently we have tested the connection successfully, therefore we will be able to complete connection to the pensions dashboards ecosystem.</p> <p>Work is ongoing with the AVC providers to ensure the data will be presented on the dashboards.</p> <p>We met with The Pensions Regulator in September 2025 who had some deep dive questions around connection, data, processes. No follow up questions have been received.</p>	On track 
IS	Investment Strategy					<div>44%</div>
IS1	Plan and deliver the 2026 Investment Strategy Statement review, including increased stakeholder consultation.	01-Nov-2024	31-Mar-2026	Assistant Director - Investment Strategy	Strategy scoping stage completed. Awaiting first draft of the external consultant's report on outcomes and recommendations.	On track 

Ref	Project/Action	Start	Finish	Responsible Manager	Quarter 2 Update	Status	
IS2	Continue to develop and deliver our Place Based Impact Investment approach.	01-Apr-2025	31-Mar-2028	Investment Manager	<p>Place Based Impact Investment Strategy continues to be managed in line with allocations agreed in Investment Strategy.</p> <p>Drawdown of the Border to Coast UK Opportunities Fund commitments continued during the quarter.</p> <p>Both our local impact investment managers, Foresight and FW Capital, continue to look for new investments into Small and Medium sized enterprises within the South Yorkshire region.</p> <p>Officers are exploring options within existing real estate mandates to meet the allocation to deliver local housing.</p>	At risk but achievable	
IS3	Continue the progress towards the Authority's ambition of Net Zero 2030.	01-Apr-2025	31-Mar-2028	Investment Manager	<p>Interim 2025 target of a 52% reduction in financed emissions, compared to the 2019 baseline, achieved with a 59% reduction in financed emissions across the five Border to Coast funds where emissions are measured. The next stage of financed emission reductions will depend on Border to Coast delivering ahead of their 2050 net zero pathway.</p> <p>The feasibility of net zero pathways, including 2030, are being tested as part of the ongoing investment strategy review.</p>	At risk	
IS4	Undertake transition of legacy assets portfolio to Border to Coast.	01-Apr-2025	31-Mar-2026	Assistant Director - Investment Strategy	<p>The Fit for the Future consultation led to a requirement that the management of all legacy assets will pass to Border to Coast, ideally by 31 March 2026. Border to Coast have now established a long-term solution for the legacy private market assets, expected to be in place by 30 June 2026. Therefore, the legacy assets should transition by 30 June 2026.</p>	At risk but achievable	

Ref	Project/Action	Start	Finish	Responsible Manager	Quarter 2 Update	Status
CO	Corporate Organisation					<div><div>30%</div></div>
CO1	Develop and deliver an Environmental Sustainability plan for our operations.	01-Jan-2026	31-Mar-2027	Head of ICT	Not yet due to start.	Not started 
CO2	Ensure the Diversity, Equality and Inclusion Scheme is delivered effectively.	01-Apr-2025	31-Mar-2028	Assistant Director - Investment Strategy	<p>Staff have completed training on reducing inequalities and there is a baseline survey planned for early 2026.</p> <p>The project team are focused on developing an impact assessment that can inform decision making; the assessment is currently being drafted by the Governance Team.</p> <p>Ongoing work streams:</p> <ul style="list-style-type: none"><li>Continue to make our services more accessible</li><li>Ensure our workforce represents our customers</li></ul>	At risk but achievable 
CO3	Plan and implement a Social Media Strategy to ensure we communicate and promote the Authority's work and achievements	01-Apr-2025	31-Mar-2026	Director	The Communications team is now fully staffed with the new Digital Media and Communications Officer in post since September 2025. The small team are now making progress on implementing the plans set out in the Social Media Strategy, with various actions planned for Quarter 3 and Quarter 4.	On track 
CO4	Embed the Performance Management Framework and use this to deliver improvements in reporting of management information.	01-Apr-2025	31-Mar-2026	Head of Finance & Performance; Service Manager - Programmes & Performance	Operational Dashboards have been developed for the ICT and Pension System Teams that track the incidents logged through the helpdesk system. The team are now building dashboards to track calls to the Customer Services Team and Debt Recovery cases for the Finance Team.	On track 

Ref	Project/Action	Start	Finish	Responsible Manager	Quarter 2 Update	Status	
<b>GP</b>	<b>Governance and Partnerships</b>					46%	
GP1	Implement the Good Governance outcomes arising from the Government's Fit for the Future consultation.	01-Jul-2025	31-Mar-2028	Head of Governance & Corporate Services; Assistant Director - Resources	At the end of Quarter 2 we were still awaiting further detail on the regulations from Government. The draft regulations were published in November for technical consultation, to which officers will prepare a response in conjunction with the Border to Coast partnership, as well as submitting our own for SYPA. This will be updated in the next quarterly review.	Not started	●
GP2	Maintain Authority's level of influence as a partner fund within Border to Coast – including input to the implementation of the 2030 Strategy.	01-Apr-2025	31-Mar-2028	Director	The Authority has maintained its influence within the process of bringing 7 new partners into Border to Coast, as part of Strand 3 of the 2030 Strategy. Positive progress continues on all aspects of the strategy. However, there remain the risk that the Partnership will not be able to deliver the full range of investment propositions necessary to achieve the Authority's aspirations and this is a focus for ongoing dialogue.	On track	✓
GP3	Ensure continuous improvement of the Authority's Governance arrangements to meet good practice – including compliance with TPR General Code.	01-Apr-2025	31-Mar-2028	Head of Governance & Corporate Services; Assistant Director - Resources	<p>Positive progress continues in respect of compliance with The Pensions Regulator's General Code.</p> <p>External Governance action plan tasks almost completed, a small number of these remain outstanding.</p> <p>Procurement action plan in place with key areas of work identified to strengthen arrangements. Internal audit review to take place this year.</p>	On track	✓

Ref	Project/Action	Start	Finish	Responsible Manager	Quarter 2 Update	Status	
GP4	Support Authority and LPB members to develop the knowledge and skills required to perform their roles effectively.	01-Apr-2025	31-Mar-2028	Head of Governance & Corporate Services	<p>Long standing members compliant with core training. New members who joined October 2025 on track to complete core training by 31 Jan 2026.</p> <p>All individual L&amp;D plans completed; common trends of training requirements identified for the 2026/27 L&amp;D Strategy.</p>	On track	
OP	Our People					<div><div></div>7%</div>	
OP1	Produce and implement a separate Workforce Plan to identify and plan how to meet future people resourcing needs, including succession planning.	01-Jul-2025	31-Mar-2026	Assistant Director - Resources	<p>Work on this action is dependent on the implementation of the new HR software system, which was delayed but the project will now commence during Q3 of 2025/26, aiming to go live in Q4.</p> <p>Substantive progress on the workforce plan will therefore not commence until March 2026.</p>	Not started	
OP2	Ensure the effective delivery of Our People Strategy.	01-Apr-2025	31-Mar-2028	Assistant Director - Resources	<p>Progress is continuing to be made on the different elements of the People Strategy. Highlights this quarter included a successful staff away day, delivery of further recruitment and selection training for managers, the launch of another 6-month management development programme for new and aspiring managers and running our biennial employee engagement survey - a report on the results of the survey is elsewhere on the Authority agenda.</p> <p>Areas where progress has been slower include the review of the annual appraisal process and finalising the new career grade progression scheme. Further action on these will be taken in the coming months.</p>	On track	




Ref	Project/Action	Start	Finish	Responsible Manager	Quarter 2 Update	Status
					A full report on progress against the People Strategy will be presented to the Authority's February 2026 meeting.	
IT	Information Technology					<div><div></div>16%</div>
IT1	Maintain and continually strengthen our cyber security defences – including development and implementation of an updated Cyber Security Strategy.	01-Apr-2025	31-Mar-2028	Head of ICT	<div>Key activities<ul style="list-style-type: none"><li>• Cyber Security Strategy approved</li><li>• Application control policies live</li><li>• Penetration Test completed for external infrastructure and web applications</li><li>• Cyber Essentials Plus certification successfully renewed</li><li>• Cyber insurance procurement in progress</li></ul></div>	<div>On track</div>
IT2	Ensure the effective delivery of the Technology Strategy.	01-Apr-2025	31-Mar-2028	Service Manager - ICT Infrastructure; Head of ICT	<div>Key activities:<ul style="list-style-type: none"><li>• Windows 11 migration complete</li><li>• Implemented Windows Hello for Business</li><li>• Various ICT policies reviewed and awaiting approval</li></ul></div>	<div>On track</div>

## 4. How are we performing?

- 4.1 This section sets out a range of performance measures which give an overall indication of how the organisation is doing in terms of delivering the services for which it is responsible.

### Corporate Measures


- 4.2 The sickness absence measures for this quarter as compared to the same quarter in the previous year, and the year to date figures are summarised in the following table.

Measure	Performance Quarter 2 2025/26	Performance Quarter 1 2025/26	Performance YTD 2025/26	Performance in Previous Year Q2: 2024/25	Movement Year on Year
Short Term Sickness Absence – Days Lost per FTE	0.91	1.43	2.34	0.62	
Long Term Sickness Absence – Days Lost per FTE	2.15	0.31	2.46	1.04	
<b>Total Days Lost per FTE</b>	<b>3.06</b>	<b>1.74</b>	<b>4.80</b>	<b>1.66</b>	

- 4.3 Short-term sickness absence has decreased from the previous quarter, although it is an increase on the same period last year. There have been a variety of reasons, but mainly this has increased due to planned surgery.
- 4.4 Long-term sickness absence has seen a significant increase in the quarter, representing 9 employees (5 of which are now back at work). There are two main reasons for these cases, one reason being stress and anxiety relating to personal circumstances and the second due to serious illness.
- 4.5 Sickness absence is managed actively in line with the relevant HR policy – absence monitoring meetings have been held and the formal stages of improving attendance put in place where appropriate.
- 4.6 A total of 99 employees had no sickness absence at all during this quarter; equating to 79% of the workforce.
- 4.7 The Authority's Health, Safety and Wellbeing Committee continue to promote a range of initiatives to help support staff with their wellbeing. The annual opportunity for 'know your numbers' lifestyle health checks were offered to all employees during September 2025.

## Investment Measures

- 4.8 The following table presents a high-level summary of the key indicators of investment performance. A more detailed quarterly report on investment performance, including commentary on market conditions and performance, is provided on our website.





Measure	Performance Quarter 2 2025/26	Quarterly Benchmark	Performance YTD 2025/26	2025/26 Benchmark	2025/26 Actuarial Target	RAG Indicator
Investment Return – Whole Fund	3.6%	4.4%	6.3%	7.7%	3.5%	

- 4.9 The total Fund value on 30 September 2025 was £11.78bn; compared with £11.38bn on 30 June 2025.
- 4.10 The Funding Level on 30 September 2025 is estimated at 173%, an increase to the 164% reported at the end of quarter 1. This is based on a roll forward of 2022 valuation data and is not directly comparable with the figures that will emerge from the 2025 valuation process using updated member data. It is anticipated that the funding level will drop when the 2025 valuation figures are updated by the actuary.
- 4.11 At the end of the quarter, 79.3% of the Fund's assets were being managed in pooled structures provided by Border to Coast.



## Pension Administration Measures

4.12 The key performance indicators for Pension Administration are presented in the table below. A more detailed report on the performance of the Pension Administration service is provided for each meeting of the Local Pension Board.

Measure	2025/26 Quarter 2	2025/26 Quarter 1	2025/26 YTD	Previous Year: 2024/25	Target 2025/26	Movement
Proportion of priority cases processed on time	60%	49%	54%	64%	100%	
Proportion of non-priority cases processed on time	62%	66%	64%	65%	100%	
Proportion of all cases processed on time	62%	64%	63%	62%	100%	
Proportion of employer data submissions on time	99%	99%	99%	96%	100%	

4.13 In quarter 1 there was a focus on clearing the backlog in preparation for valuation data extracts. The change in focus through quarter 2 has improved the performance of the priority cases processed on time.

4.14 During the quarter a large volume of outstanding leaver, aggregation and deferment processes have been cleared. Clearing these outstanding cases has negatively impacted the proportion of all cases processed on time; we are exploring options which will improve the efficiency of these processes.

4.15 Employer submissions performance is being maintained with 99% of submissions received on time.

4.16 At the end of the quarter, membership of the Fund stood at 180,781.

4.17 There were 563 participating employers with active members on 30 September 2025, compared with 567 on 30 June 2025.

## Financial Measures

### 2025/26 Q2 Forecast Outturn

4.19 The quarter 2 forecast expenditure for the year and variance against the budget is as follows. Details of the significant variances are shown beneath the table.

South Yorkshire Pensions Authority Operational Budget	2024/25 Actuals £	2025/26 Revised Budget £	2025/26 Q2 Forecast £	2025/26 Q2 Forecast Variance £	2025/26 Q2 Forecast Variance %
Pensions Administration	3,661,230	3,961,370	4,001,960	40,590	1.00%
Investment Strategy	642,330	666,630	660,990	(5,640)	(0.80%)
Resources	1,322,510	1,585,950	1,438,440	(147,520)	(9.30%)
ICT	1,314,010	1,790,060	1,638,970	(151,090)	(8.40%)
Central Costs	707,020	815,010	809,820	(5,180)	(0.60%)
Democratic Representation	132,560	156,100	150,100	(6,000)	(3.80%)
<b>Subtotal - Cost of Services</b>	<b>7,779,660</b>	<b>8,975,120</b>	<b>8,700,280</b>	<b>(274,840)</b>	<b>(3.10%)</b>
<b>Capital Expenditure and Financing:</b>					
Financing / Interest Charges	37,090	36,910	36,910	0	0.00%
Minimum Revenue Provision Charge	3,270	3,450	3,450	0	0.00%
Capital Expenditure Charge to Revenue	97,410	130,000	130,000	0	0.00%
<b>Subtotal - Capital Expenditure and Financing</b>	<b>137,770</b>	<b>170,360</b>	<b>170,360</b>	<b>0</b>	<b>0.00%</b>
<b>Subtotal Before Transfers to Reserves</b>	<b>7,917,430</b>	<b>9,145,480</b>	<b>8,870,640</b>	<b>(274,840)</b>	<b>(3.00%)</b>
Appropriations to / (from) Reserves	216,290	(94,650)	175,000	269,650	(284.90%)
<b>Total</b>	<b>8,133,720</b>	<b>9,050,830</b>	<b>9,045,640</b>	<b>(5,190)</b>	<b>(0.10%)</b>

4.20 The forecast outturn for the year before transfers from reserves is an under-spend of (£275k). After the planned transfers into reserves, we are currently forecasting a remaining minor under-spend of (£5k), equivalent to (0.1%) of the budget total. The reasons for these variances are set out in the analysis below.

### *2025/26 Local Government Pay Award and Salary Expenditure Variances*

- 4.21 The pay award for 2025/26 was agreed in July 2025 at 3.2% on all salaries and allowances, with effect from 1 April 2025.
- 4.22 The 2025/26 budget was set incorporating a pay award assumption of 4%, equivalent to a total cost of £259k. Implementing the agreed pay award has resulted in an approximate cost of £195k. Therefore, there is a forecast under-spend of (£64k) as a result of the pay award being slightly lower than assumed.
- 4.23 Separately, a vacancy allowance of -1% of the pay budget was included to allow for staff turnover and the time that would be needed to recruit to several newly established posts included in the budget.
- 4.24 In total, there is a net under-spend of (£349k) against the staffing costs budget for the year, making this the primary cause of the overall under-spend for the year. The breakdown of this per each department, with explanations, is included in the analysis that follows.

### *2025/26 Director Transition Arrangements*

- 4.25 The 2025/26 budget included an amount for costs relating to the process and handover period for appointment of a new Director.
- 4.26 Based upon the previously reported interim arrangements, the forecast position on the relevant budgets held within Resources and within Central Costs is for a net under-spend of (£54k) as analysed below.
  - a) The Resources employee costs budget is forecast to be under-spent by (£64k) driven by the use of internal acting-up arrangements from the finance team. It has been determined that the use of agency resources for backfilling would not be effective in the circumstances.
  - b) There is a net over-spend of £10k forecast on the Central Costs budget. This reflects the additional costs of the handover period for the Director post between October and December 2025, which was planned for and is partially funded from a corporate contingency budget included within Central Costs for this purpose.

### *2025/26 Forecast and Explanation of Other Variances*

- 4.27 The significant variances against budget for each of the service areas are explained below.
- 4.28 Pensions Administration – Forecast Over-Spend £41k:
- 4.29 There is a total net under-spend of (£35k) forecast on staffing costs which comprises the following items:
  - a) The forecast saving for this department relating to the pay award is (£34k).
  - b) Within the department there has been significant amounts of recruitment driven by internal moves. The impact of this is a net forecast under-spend of (£46k), after taking account of the department's vacancy allowance.
  - c) A net forecast over-spend of £45k in relation to overtime for backlog processing, casual hours and maternity leave, offset by changes in hours. The additional spend on overtime is an intentional measure to use the vacancy underspends to fund this as a way of making up for the shortfall in resourcing.
- 4.30 There is a forecast over-spend of £21k in relation to Customer Compensation. As the casework backlog has been worked through, a number of historic one-off items have arisen, which have been dealt with. The main element of this over-spend is a £22k

cost paid to one member to compensate them for an error made by the Authority when processing a Transfer In Quote.

- 4.31 The Hybrid Mail budget is forecast to be over-spent by £6k. Working through the pensions backlog has continued to see an increase in usage through 2025/26.
- 4.32 There is a forecast net over-spend of £52k in relation to Professional Services. The main driver of this over-spend is consultancy costs of £64k; relating to use of an external provider to support the Authority with clearing a portion of outstanding pensions processes to ensure that a further backlog is not created. These costs were not anticipated at the time the budget was set a year ago. This overspend is reduced by a saving of (£12k) for external support in the design and production of member communications.
- 4.33 A small under-spend of (£3k) in total is forecast comprising small variances including death certificates, HMRC interest payments, training, recruitment, fees and other premises costs.
- 4.34 Investment Strategy – Forecast Under-Spend (£6k):
- 4.35 There is a total net under-spend of (£12k) forecast on staffing costs which comprises the following items:
- a) The forecast saving for this department relating to the pay award is (£3k).
  - b) Within the department there is a vacant post; the requirement of the post moving forward is under review in conjunction with the anticipated outcomes of the Pensions Bill. The impact of this is a net forecast under-spend of (£9k), after taking account of the department's vacancy allowance.
- 4.36 Investment adviser fees are forecast to be over-spent by £4k, driven by additional requirements for participating in the procurement of consultants for the triennial investment strategy review.
- 4.37 Minor net over-spends of £2k are forecast due to the increased use of Corporate Subscriptions and Other Professional Services, offset by a lower usage of the training and catering budgets.
- 4.38 Resources – Forecast Under-Spend (£148k):
- 4.39 There is a total net under-spend of (£164k) forecast on staffing costs which comprises the following items:
- a) The forecast saving for this department relating to the pay award is (£15k).
  - b) Within the department there have been delays to recruitment due to workload pressures driving forecast under-spend. The impact of the delays and additional changes in working hours is a forecast under-spend of (£85k), after taking account of the department's vacancy allowance.
  - c) The Director transition arrangements set out above at paragraph 4.25, show a forecast net under-spend of (£64k).
- 4.40 The recruitment budget is forecast to be over-spent by £9k due to the planned use of a specialist recruitment agency for the Assistant Director-Resources post.
- 4.41 The budget for corporate subscriptions / services is forecast to be overspent by £6k. The primary driver is an unexpected cost for copyright licencing including a retrospective fee for the period 2022 to 2025.
- 4.42 Other minor net over-spends of £1k are forecast in relation to the increased usage of other professional services and consultancy, offset by a reduction in training expenditure.

4.43 ICT – Forecast Under-Spend (£151k):

4.44 There is a total net under-spend of (£145k) forecast on staffing costs which comprises the following items:

- a) The forecast saving for this department relating to the pay award is (£10k).
- b) Within the department there have been delays to recruitment due to an ongoing resourcing assessment for the pension systems team. It is anticipated that the piece of work will be completed by the end of the financial year, with any recruitment commencing in 2026. Additionally, there were unplanned costs relating to a termination payment. The impact of this is a forecast net under-spend of (£135k), after taking account of the department's vacancy allowance.

4.45 There is a total net under-spend of (£9k) forecast on software costs which comprises the following items:

- a) The HR & Payroll system budget is forecast to be under-spent by (£32k) based on the known costs of the preferred supplier now identified. A prudent estimate for the implementation and annual costs had been included, however the new contract is significantly lower than these estimates.
- b) The Pensions Administration system budget is forecast to be over-spent by £17k. New automation developments are more expensive than what had been estimated within the budget.
- c) The Finance system budget is forecast to be over-spent by £6k. To unlock additional benefits from the system we have had to expand the user base across the Authority. These ongoing cost increases will be factored into the setting of the 2026/27 budget.

4.46 A minor over-spend of £3k is forecast in relation to the ICT Network and Infrastructure.

4.47 Central Costs – Forecast Under-Spend (£5k):

4.48 There is a total net over-spend of £22k forecast on staffing costs which comprises the following items:

- a) The forecast saving for this department relating to the pay award is (£2k).
- b) The Director transition arrangements set out above at paragraph 4.25, show a forecast net over-spend of £10k.
- c) The past service pension surplus is forecast to be over-spent by £14k. The surplus the Authority is entitled to is driven by the assumed pensionable pay for our staff in the pension scheme. As there have been savings on the staffing budgets, this has reduced the surplus we are entitled to.

4.49 Buildings expenditure is forecast to be a net under-spend of (£17k). The main drivers of the under-spends are reductions in utility costs and repairs and maintenance, offset by forecast over-spends relating to the events room having undergone a one-off piece of work to try and improve the acoustics.

4.50 The Oakwell House rent straight line adjustment is forecast to be under-spent by (£41k). The adjustment no longer being required as a result of the accounting policy change for IFRS. This took place after the budget was set for 2025/26 but has been factored into the budget planning for 2026/27 onwards. The change in policy resulted in a one-off piece of work to value Oakwell House for the Authority Financial Statements 2024/25. The over-spend for the valuation is forecast to be £5k. The net under-spend will be transferred to reserves to fund future Oakwell House building upgrades or maintenance requirements.

- 4.51 An over-spend of £13k is forecast on the corporate training budget. There have been a number of internal staff moves, noted throughout the report, resulting in additional requirements for a variety of training to ensure all staff have the appropriate skillset in their role.
- 4.52 The insurance budget is forecast to be over-spent by £8k. For 2025/26 we have entered into a new contract following the transition of the commercial property portfolio to Border to Coast Pensions Partnership. The previous Authority contract had the benefit of economies of scale through the Fund's significant property portfolio, the result of the removal of this from the contract is an increase in pricing for the Authority. The increased cost base will be reflected within the 2026/27 budget.
- 4.53 A number of small over-spends of £5k in total is forecast on corporate subscriptions, venue hire and catering.
- 4.54 Democratic Representation – Forecast Under-Spend (£6k):
- 4.55 Member allowances have increased by 3.2% in line with the nationally agreed pay award for local government staff. The 2025/26 budget was set with an assumed increase of 3% for member allowances. There is a net total under-spend of (£6k) for member allowances comprising the following items:
- The Authority members net forecast is an under-spend of (£1k). The driver of the under-spend is the turnover of members, offset by the pay award above the budgeted increase.
  - The Local Pension Board members net forecast is an under-spend of (£5k). The driver of the under-spend is vacant roles, offset by the pay award above the budgeted increase.

#### Earmarked Reserves

- 4.56 The table below shows the forecast transfers to and from the earmarked reserves in 2025/26.

Reserve	Balance at 01/04/2025 £	Contributions to Reserves £	Contributions from Reserves £	Forecast Balance at 31/03/2026
Corporate Strategy Reserve	104,855	59,000	(10,000)	153,855
ICT Reserve	183,360	86,000	0	269,360
Capital Projects Reserve	76,380	40,000	0	116,380
<b>Total Earmarked Reserves</b>	<b>364,595</b>	<b>185,000</b>	<b>(10,000)</b>	<b>539,595</b>
<b>Net Total Transfer</b>		<b>175,000</b>		

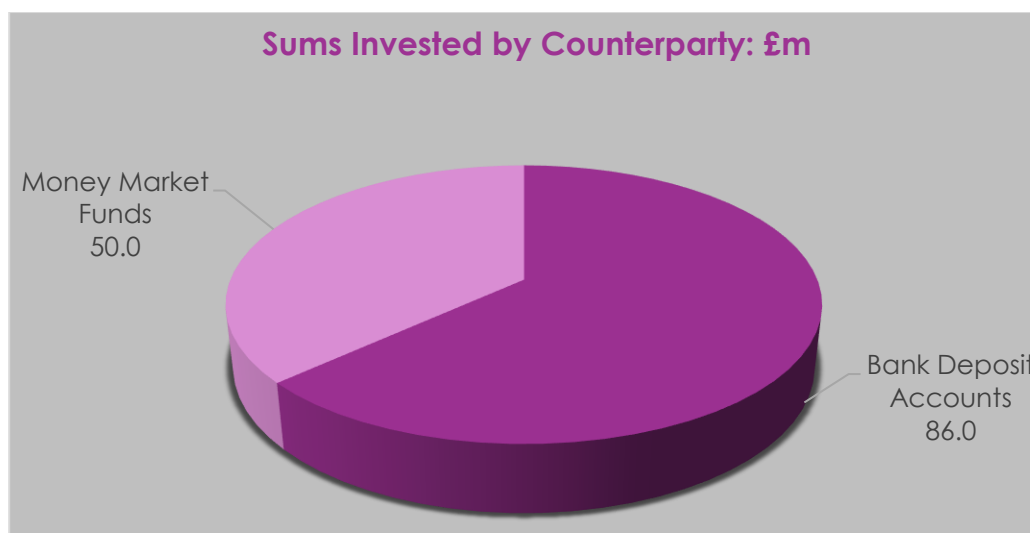
- 4.57 The planned transfer out of the Corporate Strategy Reserve is to contribute towards the cost of the triennial investment strategy review.
- 4.58 The planned transfers into the Corporate Strategy Reserve are to transfer funds from the forecast revenue budget underspends to be used for meeting future corporate priorities.
- 4.59 The contribution into the ICT reserve is to set aside income received from software sales in line with policy to be used for future ICT development requirements and to

use the staffing underspends to fund any future development requirements for the Pensions Administration System.

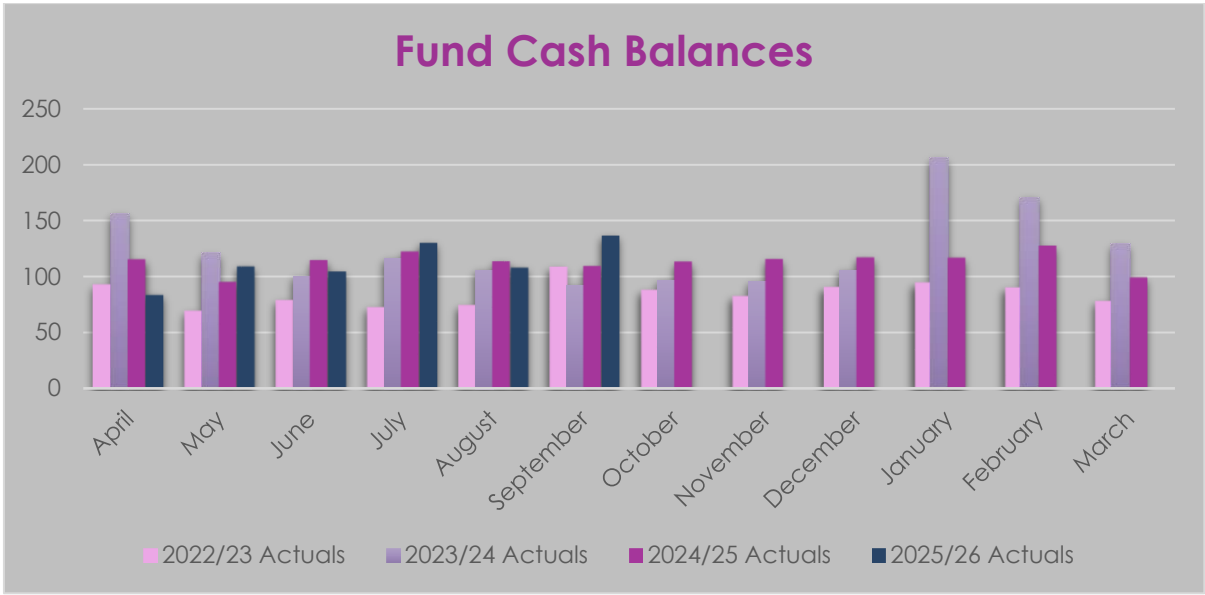
- 4.60 The proposed transfer into the Capital Projects reserve comprises the under-spends arising in 2025/26 from the effect of the change in lease accounting. These reserved funds will be used in future years for financing planned maintenance and improvements to the Oakwell House office.
- 4.61 The result of the above is a net total transfer into reserves of £175,000.
- 4.62 The forecast balance of the revenue reserves following the transfers proposed for the year, is £540k in total, equating to 5.9% of the Authority's total revenue budget, and is well within the limit of 10% that we set for ourselves in the Medium-Term Financial Strategy for 2025/26 onwards.

#### *Treasury Management*

- 4.63 The Fund's sterling cash balances at 30 September 2025 stood at £136.0 million (£104.4 million at 30 June 2025). The chart below shows how the balances have been invested with different counterparties in line with the approved treasury management strategy for the year.



- 4.64 The following chart shows the movement in cash balances held for the current year to date and the previous three financial years.



4.65 Cash is only held pending Fund investment and the balance of cash at the end of the quarter represents 1.15% of the Fund, compared with 0.92% at 30 June 2025.



## 5. What is getting in the way – Risk Management

- 5.1 We regularly review the things which might get in the way of us achieving our objectives – these are the risks that are set out in detail in the strategic risk register.
- 5.2 The Strategic Risk Register report is attached at Appendix A. The results of the latest review of the Authority's risks undertaken in November 2025 are set out in the commentary shown in the table in the report.
- 5.3 As a result of this latest review, one risk score has increased, four have reduced and there is one new risk as explained below.
- 5.4 Risk *IAF-001 Material changes to the value of investment assets and/or liabilities* – has increased score from 12 to 16. The increase of this risk score is driven by the strengthening of the external consensus that the Artificial Intelligence market gains have created a bubble which could soon pop. Should the bubble pop, this could lead to material volatility across financial markets, with potentially large losses of asset values within the Fund. Additionally, the geopolitical uncertainty remains at an escalated level.
- 5.5 Risk *IAF-003 Border to Coast Strategic Plan* – has reduced score from 12 to 9. The risk score has been lowered following the agreements being in place to bring 7 new partners into Border to Coast, which has been a key step risk mitigation. Border to Coast still have a significant amount of work to do including developing the investment advisory role, before we would expect the risk score to be at target.
- 5.6 Risk *IAF-005 Employer contributions become unaffordable* – has reduced score from 12 to 9. The risk score has reduced following the significant progress of the Valuation work. The substantive Valuation work has been completed, with a good degree of certainty around the funding position and contributions rates for employers. At the 2025 Valuation the Fund is 142% funded, this strong position enables a proportion of the surplus to be returned to employers through a reduction in contributions rates.
- 5.7 Risk *IAF-010 The Pensions Review* – has reduced score from 12 to 9. After a review of the planning work done to date, it indicates there is a measured approach being taken to the transition of new partner assets. A measured approach will help to ensure other developments can continue broadly as planned, bringing the risk score to target.
- 5.8 Risk *PEO-003 Single person risk in specialist knowledge roles* – has reduced score from 12 to 9. Business continuity planning work has now been completed, which has identified and implemented mitigations relating to single person risk in the event of a business continuity incident. The risk score is now at target but will remain on the risk register in a monitoring state to ensure the outstanding actions are completed.
- 5.9 Risk *ORG-009 Major ICT Failure* – is a new risk with score of 12 and target score of 9. As part of the operational risk review process, it was determined that the risk of Major ICT Failure should be escalated to the Strategic Risk Register. The use of technology is critical in all facets of the work of the Authority and the Fund. There are already a significant number of preventative measures in place.
- 5.10 There were no other changes to risk scores.

## 6. Learning from things that happen

- 6.1 Inevitably when dealing with the number of customers that we do things can go wrong and we try to ensure that we learn from these things. Equally we should celebrate where things go particularly well or where customers feel members of our team have gone the extra mile to help them. This section provides information on the various sources of feedback we receive.

	Received in Q2 2025/26	Received in Q1 2025/26	Received YTD 2025/26	Received in Previous Year: 2024/25
Complaints	18	7	25	39
Appeals Stage 1	3	1	4	6
Appeals Stage 2	0	5	5	27

- 6.2 A detailed report of appeals, breaches and complaints and action taken is included in the quarterly administration report to the Local Pension Board for scrutiny.
- 6.3 During the quarter it has become clear there has been an increase in members expectations for how quickly their case will be processed. To ensure members are given accurate information on when they can expect their case to be processed, there have been corrective actions taken including additional staff training and updating the Service Standards published to members.
- 6.4 Three stage 1 appeals were determined during the quarter. Two were not upheld, with one of these being rejected. One appeal was upheld resulting in changes to our website and additional training for the teams involved with the work; following the actions taken, the appeal has now been closed.

### *Breaches of Law and Regulation*

	Recorded in Q2 2025/26	Recorded in Q1 2025/26	Recorded YTD 2025/26	Total Number Recorded in Previous Year 2024/25
Breaches recorded	9	11	20	41

- 6.5 As previously reported, training and awareness raising has resulted in more accurate recording of breaches. The details of the 9 breaches recorded in quarter 2 are as follows.
- a) 1 breach related to an AVC not paid at the same time as the main scheme pension.
  - b) 7 breaches relate to late payment of refunds.
  - c) 1 breach reported to the Pensions Regulator.
- 6.6 The breach reported to the Regulator was in relation to the McCloud data not being ready to be included within the Annual Benefits Statements and any rectifications being undertaken by 31 August 2025. The breach had been expected following the

determination to delay rectification to August 2026, made by the Authority at the June 2025 meeting.

### *Satisfaction Surveys*

- 6.7 A survey of 537 retiring members between May and July 2025 found that 96% of the 82 respondents were satisfied with the service they received, an increase in satisfaction rate of 2% on the previous quarter. Responses which were only part completed have been excluded from the figures.
- 6.8 A customer centre survey sent out to 4,017 members for the same period showed that of the 342 respondents, 88% were satisfied with the service they received, which is the same satisfaction rate as the previous quarter.

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# Corporate Risk Register

Generated on: 07 November 2025

## South Yorkshire Pensions Authority – Corporate Risk Register

The following report sets out the register of strategic level risks. The risk scores are shown on a matrix of impact and likelihood – this equates to scores as shown on this key:

IMPACT	5	5	10	15	20	25
	Very High					
	4	4	8	12	16	20
	High					
	3	3	6	9	12	15
	Medium					
	2	2	4	6	8	10
	Low					
	1	1	2	3	4	5
	Very Low					
		1	2	3	4	5
		Very Low	Low	Medium	High	Very High
		LIKELIHOOD				

Next to each current risk score and matrix in the table, an icon is included to show the trend in the score since the previous review.



Indicates no change in score from the previous review.




































Indicates the risk score has reduced since the previous review.

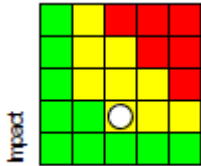
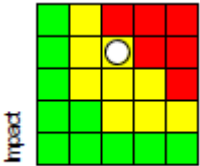



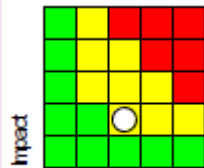
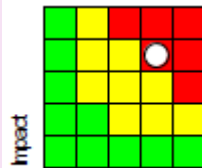

Indicates the risk score has increased since the previous review.

The results of the latest review resulted in one risk having its current score increased and four risks having their current score decreased. One new risk has been added to the register, ORG-009 Major ICT Failure.

This table provides a high-level summary of the risks on the register that follows:

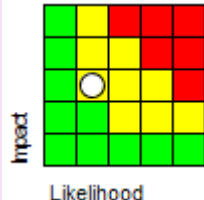
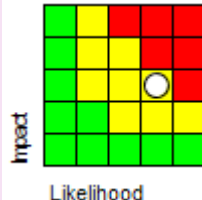

Risk Ref	Risk	Previous Score	Score	Risk Rating	Trend
ADM - 001	Poor data quality	12	12		
ADM - 002	Backlogs in work flows	16	16		
ADM - 003	McCloud Rectification	16	16		
GOV - 001	Local Pension Board and Authority Members Knowledge and Understanding	12	12		
GOV - 003	Delivery of Key Objectives in Corporate Strategy	8	8		
GOV - 004	Failure to apply data protection requirements.	12	12		
IAF - 001	Material changes to the value of investment assets and/or liabilities	12	16		
IAF - 002	Failure to mitigate the impact of climate change	20	20		
IAF - 003	Border to Coast Strategic Plan	12	9		
IAF - 004	Imbalance in cashflows	15	15		
IAF - 005	Employer contributions become unaffordable	12	9		
IAF - 010	The Pensions Review	12	9		
ORG - 002	Cyber security attack	16	16		
ORG - 004	Failure of the Authority to comply with relevant Regulations	12	12		
ORG - 009	Major ICT Failure	New Risk	12		
PEO - 002	High level of vacancies within the organisation	9	9		
PEO - 003	Single person risk in specialist knowledge roles	12	9		

<b>Risk:</b> ADM - 001 Poor data quality		<b>Risk Owner:</b> Assistant Director – Pensions	
		<b>Last Review:</b> 30-Oct-2025	
<b>Risk effect:</b> Reputational Impact Regulatory and financial penalties Failure to deliver key projects such as McCloud rectification on time Provision of inaccurate information and payment of benefits to members Inaccurate data impacting the valuation of liabilities during the triennial valuation. Increased delays to backlogs contributing to further increases			
<b>Existing Preventative Measures</b>		<b>Existing Mitigation Measures</b>	<b>Linked Actions</b>
Ongoing development of data improvement plan. Dedicated Programmes and Performance Team Use of DART to run daily validations (200) Projects Team resource to target highlighted issues - bulk data corrections. Use of Hymans data cleansing tool as part of valuation process. Targeted overtime with focus on priority casework		Implementation of front end validation of employer data submissions. Use of DART to run daily validations (200 per day) New system testing, releases and updates Dedicated systems team in place Issues and errors reported to System Providers Checking process in existing systems. Targeted staff overtime worked Capacity exercise outcomes have been implemented and a dedicated team resourced	Further preventative measures to be assessed to address route cause
			In house system improvements and efficiencies
			Robust contract management
			Targeted staff training
Page 187	<b>Target matrix and score:</b>		<b>Current matrix and score:</b>
	<b>Target score: 6</b>		
			<b>Trend:</b> 
			<b>Current Score = 12</b>
<b>Commentary from latest review:</b>		Data Quality Strategy authorised and in place.  Data improvement plan in place for Valuation 2025. Early feedback received from actuary that the data has improved. Internal feedback from ABS exercise again shows that data has improved.  Data corrections for annual exercises have been undertaken and are now captured on the Monitoring and Reviewing activity document. Dashboards to be developed to understand and monitor our data quality in real time.  The impact of the introduction of the policy and monitoring cannot yet be assessed so there is no justification to reduce the score at present.	

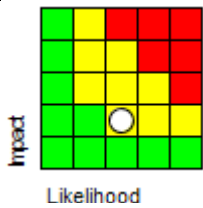
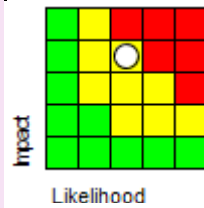

<b>Risk:</b> ADM - 002 Backlogs in work flows		<b>Risk Owner:</b> Assistant Director – Pensions		
		<b>Last Review:</b> 30-Oct-2025		
<b>Risk effect:</b> Declines in the overall level of service performance. Regulatory penalties Reputational Damage				
<b>Existing Preventative Measures</b> Capacity planning exercise has been undertaken. An action plan considering a range of specific actions to address aspects of problems identified has been developed and is being worked through.		<b>Existing Mitigation Measures</b> Improved processes and staff training Targeted overtime to focused areas Changes to work tray allocations Outcomes of Capacity Planning implemented - Dashboard in place for teams to enable close monitoring of workloads in against workloads completed.  Pre live launch testing processes in place.	<b>Linked Actions</b> Continuation of implementation of the action plan (particularly the automation of certain bulk processes) will provide some mitigation in the interim  Review of processes and policies	
Page 188	<b>Target matrix and score:</b>  Likelihood	<b>Target score: 6</b>	<b>Current matrix and score:</b>  Likelihood	<b>Trend:</b>   <b>Current Score = 16</b>
	<b>Commentary from latest review:</b>  The overarching action plan that was approved in February 2024 is being monitored monthly. SMT are passed updates on progress which are discussed at regular meetings.  As the initial budget for overtime had been spent the rate of clearing the backlog cases had slowed. The Service Manager Benefits set up a Taskforce team (each benefit team rotates monthly) to work solely on this area. This latest action did not increase clearing of the backlog more quickly, so overtime was reintroduced from October 2025.  The backlog will not be cleared by 31 December 2025, the target date is to be revised to 31 March 2026.  There is no reason to adjust the risk score at present.			

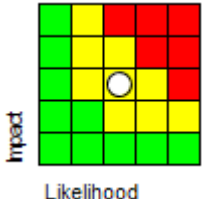
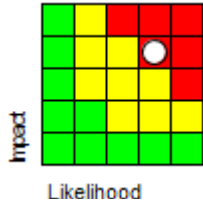


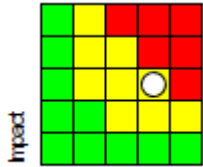
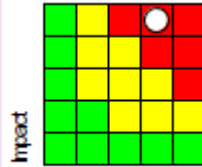

<b>Risk:</b> ADM - 003 McCloud Rectification		<b>Risk Owner:</b> Assistant Director – Pensions	
		<b>Last Review:</b> 30-Oct-2025	
<b>Risk effect:</b> Timescales to rectify members benefits not met. TPR fines and reputational damage.			
<b>Existing Preventative Measures</b>		<b>Existing Mitigation Measures</b>	<b>Linked Actions</b>
		SYPA and other Provider Clients working together to collectively drive the Provider to deliver the developments required to adhere to national guidance	McCloud - Rectification Plan to be implemented and team training put in place
<div>Target matrix and score:</div> <div><div>Impact</div><div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div></div><div></div><div></div><div></div><div></div></div></div></div><div>Likelihood</div></div></div></div></div></div></div></div>		<div>Current matrix and score:</div> <div><div>Impact</div><div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div></div><div></div><div></div><div></div><div></div></div></div></div><div>Likelihood</div></div></div></div></div></div></div>	<div>Trend:</div> <div><div></div></div> <div>Current Score = 16</div>
<div>Page 188</div> <div>Commentary from latest review:</div>		<div>Determination made by the Authority at their June meeting to delay rectification to August 2026. But as determination is needed for everyone affected by McCloud, a report was also made to the Regulator in August 2025.</div> <div>Latest system development issued November 2025 is there has been a further delay to the software update, which is proposed to be available June 2026. Officers are working with Civica to understand the requirements expected from this update in order to plan resourcing accordingly.</div> <div>Even though we now have longer to deliver this project there is no justification to lower the risk score.</div>	

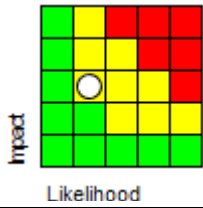
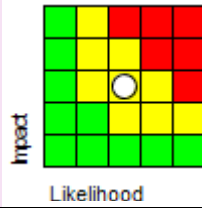
<b>Risk:</b>		<b>GOV - 001 Local Pension Board and Authority Members Knowledge and Understanding</b>		<b>Risk Owner:</b> Head of Governance and Corporate Services	
				<b>Last Review:</b> 05-Nov-2025	
<b>Risk effect:</b>		Poorly informed decision making Regulatory / legislative non-compliance Insufficient questioning and challenge of officers.			
<b>Existing Preventative Measures</b>		<b>Existing Mitigation Measures</b>		<b>Linked Actions</b>	
Annual effectiveness review and action plan Identify changes to legislation and key regulatory requirements that require enhanced knowledge and skills development Continuation of collaborative engagement of Independent Advisors, Internal Auditors and Officers		Member Learning and Development Strategy and associated mandatory training requirements in place.		Continuous review of the pensions landscape for legislative and regulatory change	
<b>Page 190</b>	<b>Target matrix and score:</b>			<b>Current matrix and score:</b>	
		<b>Target score: 6</b>			
					<b>Trend:</b> 
					<b>Current Score = 12</b>
<b>Commentary from latest review:</b>		Further turnover in membership during Q2 means there is no justification to reduce the score at this stage. All new members continue to receive support with their training and induction.			

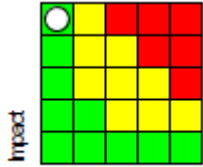
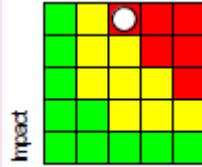

<b>Risk:</b>		<b>GOV - 003 Delivery of Key Objectives in Corporate Strategy</b>		<b>Risk Owner:</b> Head of Finance and Performance	
				<b>Last Review:</b> 22-Oct-2025	
<b>Risk effect:</b>		We will not deliver the service to our scheme members set out in our mission statement.			
<b>Existing Preventative Measures</b>		<b>Existing Mitigation Measures</b>		<b>Linked Actions</b>	
				Performance Framework - Further implement and embed the Framework	
				Programme Management Framework - Further implement and embed the Framework	
<b>Target matrix and score:</b>				<b>Current matrix and score:</b>	
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<b>Risk:</b> <b>GOV - 004 Failure to apply data protection requirements</b>		<b>Risk Owner:</b> Head of Governance and Corporate Services	
		<b>Last Review:</b> 05-Nov-2025	
<b>Risk effect:</b> Financial or Regulatory penalties. Reputational damage to the organisation. Inability to deliver the service.			
<b>Existing Preventative Measures</b>  Data breach process followed to identify areas for improvement. Close liaison with DPO. Reporting to ICO and implementing any recommendations. Implementation of data recovery plan.		<b>Existing Mitigation Measures</b>  Access to expertise through BMBC Corporate Assurance Team and DPO. ICT control measures. Data protection policies, procedures and training in place. Phase 1 of information governance action plan fully completed. Data Protection Policies implemented and embedded. All mandatory staff training completed including team sessions to raise awareness of new processes.	
<b>Linked Actions</b>  Information Governance Action Plan Phase 2			
Page 192	<b>Target matrix and score:</b>  		
	<b>Target score:6</b>		
	<b>Current matrix and score:</b>  		<b>Trend:</b> 
	<b>Current Score = 12</b>		
<b>Commentary from latest review:</b>		Work on Phase 2 of the Information Governance action plan continues to progress. All internal teams have now completed their input to the Master Information Asset Register before our November 2025 deadline. This will inform further parts of Phase 2 including data retention policy and procedures. The work will continue over several months and therefore this risk score will not be reduced until complete.	

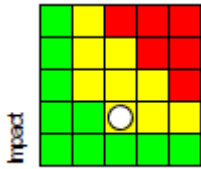
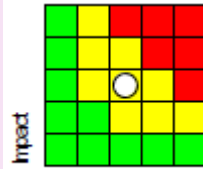

<b>Risk:</b> IAF - 001 Material changes to the value of investment assets and/or liabilities		<b>Risk Owner:</b> Assistant Director – Investment Strategy	
<b>Risk effect:</b> Sharp and sudden movements in the overall funding level		<b>Last Review:</b> 07-Nov-2025	
<b>Existing Preventative Measures</b> Having a diversified Investment Strategy focussed on relatively lower risk and less volatile investments. Element of inflation protection built into the asset allocation both through specific assets (such as index linked gilts) and proxies such as property and infrastructure		<b>Existing Mitigation Measures</b>	
		<b>Linked Actions</b> Ability to implement protection strategies if market circumstances indicate they are appropriate.	
Page 193	<b>Target matrix and score:</b>  <b>Target score: 9</b>		<b>Current matrix and score:</b>  <b>Current Score = 16</b>
	<b>Commentary from latest review:</b> High geopolitical uncertainty remains. Gathering consensus that the Artificial Intelligence market gains, which represent a large part of global equity markets, have driven the creation of a bubble that could soon pop. This could lead to material volatility and potentially large losses in value. As a result of this, the risk score has been increased to reflect higher likelihood and impact.		

<b>Risk:</b> IAF - 002 Failure to mitigate the impact of climate change		<b>Risk Owner:</b> Director	
		<b>Last Review:</b> 21-Oct-2025	
<b>Risk effect:</b> Significant deterioration in the funding level			
<b>Existing Preventative Measures</b>		<b>Existing Mitigation Measures</b>	<b>Linked Actions</b>
Climate Change Policies and Net Zero Goals adopted by both the Authority and Border to Coast. Asset allocation tilted to favour more climate positive investments. Review of Investment Strategy following the 2022 Valuation to integrate the achievement of Net Zero within the Strategic Asset Allocation. Reporting in line with the requirements of TCFD and regular monitoring of the level of emissions from portfolios, with outline targets for reductions.		Climate Change Policies and Net Zero Goals adopted by both the Authority and Border to Coast	Additional engagement with Border to Coast to identify potentially climate positive investments.
			Analysis of end of year climate data to gain a detailed understanding of the current emissions trajectory.
			Clear targets for emission reduction to be set for remaining portfolios.
<div>Target matrix and score:  Likelihood</div> <div>Target score: 12</div>		<div>Current matrix and score:  Likelihood</div> <div>Trend: </div> <div>Current Score = 20</div>	
<b>Commentary from latest review:</b>		Work being carried out as part of the investment strategy review will give a clearer view on the actual trajectory of emissions. However, it is clear that it is unlikely that the current Net Zero goal will be achievable. Therefore, some degree of reassessment of both the goal and the way in which this risk is formulated will be necessary, to ensure the Authority's actions are able to have an impact.	


<b>Risk:</b> IAF - 003 Border to Coast Strategic Plan		<b>Risk Owner:</b> Director	
		<b>Last Review:</b> 21-Oct-2025	
<b>Risk effect:</b> Decline in investment performance. Increased costs as a result of the need to move to more expensive products. Potential changes in the risk and volatility levels within the portfolio			
<b>Existing Preventative Measures</b> Programme of specific risk mitigations agreed as part of the 2022 - 2025 Strategic Plan and Budget		<b>Existing Mitigation Measures</b> Process of engagement between the Company and stakeholders to agree the Company's Strategic Plan and Budget containing appropriate mitigations. Succession and contingency planning arrangements in place within the Company Ongoing monitoring of Programme of specific risk mitigations set out in 2022 - 2025 strategic plan	
<b>Linked Actions</b>			
Page 195	<b>target matrix and score:</b>  Likelihood	<b>Target score: 6</b>	<b>Current matrix and score:</b>  Likelihood
	<b>Commentary from latest review:</b> The agreement of all involved to bring 7 new partners into the Border to Coast partnership represents a key step in mitigating the largest risk facing achievement of the 2030 Strategy. While there is still much work to do, and in particular new services such as advisory to develop, these are broadly lower risk activities and SYPA is in a much better position to help shape them, than the process of bringing in new partners.		

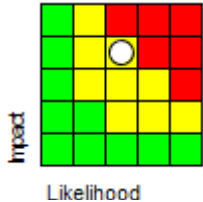
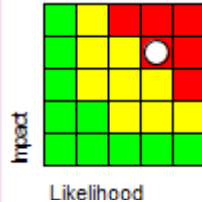

<b>Risk:</b> IAF - 004 Imbalance in cashflows		<b>Risk Owner:</b> Assistant Director – Investment Strategy	
		<b>Last Review:</b> 07-Nov-2025	
<b>Risk effect:</b> Inability to pay pensions without resorting to borrowing or "fire sale" liquidation of investments. Potential negative impacts on individual pensioners.			
<b>Existing Preventative Measures</b> Process for monitoring and forecasting cashflows		<b>Existing Mitigation Measures</b> Maintenance of "cash buffer" of liquidity sufficient to cover more than one monthly payroll.	
		<b>Linked Actions</b> Further improvements in cashflow forecasting Implementation of strategies to more regularly harvest income from investments	
<b>Target matrix and score:</b>	 Likelihood	<b>Current matrix and score:</b>	 Likelihood
	<b>Target score: 5</b>		<b>Current Score = 15</b> <b>Trend:</b> 
<b>Commentary from latest review:</b>		The Investment Strategy Review is in its early stages. Looking at net cashflow position (including any income from assets too) will be one of the key elements we investigate as we progress. The elevated rating will remain until we have further clarity.  Note: we have been aware of the expected reduction in contributions arising from the valuation results for some months now, this resulted in an updated risk rating back in July 2025.	

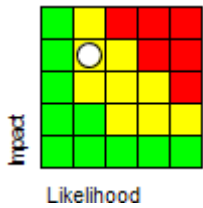
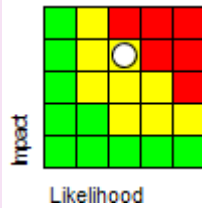


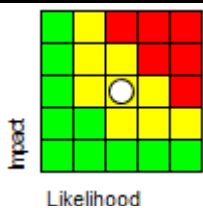
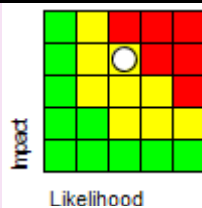
<b>Risk:</b> IAF - 005 Employer contributions become unaffordable		<b>Risk Owner:</b> Assistant Director – Pensions	
		<b>Last Review:</b> 30-Oct-2025	
<b>Risk effect:</b> Increased contribution rates to the extent that they become unaffordable. Default on the making of contributions by employers			
<b>Existing Preventative Measures</b>		<b>Existing Mitigation Measures</b>	
Phasing of increases and stabilisation mechanism in the valuation Negotiated exit depending on the type of employer 2. Ability to undertake contribution reviews		Investment strategy that is focused on long term returns and reduced volatility Reviews of employer covenant and ongoing monitoring of funding levels	
		<b>Linked Actions</b>	
		More systematic review of employer covenants	
		More systematic use of the funding monitoring tools that the actuary gives us access to	
<b>Target matrix and score:</b>  Likelihood		<b>Current matrix and score:</b>  Likelihood	
		<b>Trend:</b> 	
		<b>Current Score = 9</b>	
<b>Commentary from latest review:</b>		This risk concerns the fact that the overall financial environment for public services can mean that some employers will find contributions affordability an issue.  Covenants are monitored. Work is progressing towards the end on the 2025 Valuation with all employers having received their contributions rates for the period from 01/04/2026 to 31/03/2029, with all rates seeing a reduction of varying amounts. The Fund is 142% funded with a proportion of the surplus being returned through the reductions to contribution rates.  The funding position and reduction in contributions rates means there is a reduced likelihood of rates becoming unaffordable over the next 3 years, therefore the risk rating has reduced to a 9.	

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<b>Risk:</b> IAF - 010 The Pensions Review		<b>Risk Owner:</b> Director		
		<b>Last Review:</b> 21-Oct-2025		
<b>Risk effect:</b> Destabilisation of the B2C pensions partnership. Inability to deliver the investment strategy. Regulatory action against the Authority if we fail to meet the Governance standard				
<b>Existing Preventative Measures</b> The existing strong partnership through B2C. Strong governance arrangements as evidenced in the Independent Governance Review .		<b>Existing Mitigation Measures</b>		
		<b>Linked Actions</b> Ensure that steps are taken to address requirements as far as possible in advance of regulation Influence Final Guidance and Regulation		
<div>Page 198</div>	<div>Target matrix and score:</div> <div><div>Impact</div><div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div></div><div></div><div></div><div></div><div></div></div></div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div></div><div></div><div></div><div></div><div></div></div></div></div><div>Likelihood</div></div><div>Target score: 9</div></div></div></div></div></div></div></div>		<div>Current matrix and score:</div> <div><div>Impact</div><div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div></div><div></div><div></div><div></div><div></div></div></div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div></div><div></div><div></div><div></div><div></div></div></div></div><div>Likelihood</div></div><div>Current Score = 9</div><div>Trend: </div></div></div></div></div></div></div></div>	
	<div>Commentary from latest review:</div> <div>The planning work done to date indicates a measured approach to the transition of new partner assets, which allows other developments to continue broadly as planned, allowing some reduction in the assessed impact of this risk.</div>			

<b>Risk:</b> <b>ORG - 002 Cyber security attack</b>		<b>Risk Owner:</b> <b>Head of ICT</b>	
		<b>Last Review:</b> 30-Oct-2025	
<b>Risk effect:</b> Significant disruption to the provision of services. Loss / unauthorised release of key data. Reputational damage and financial penalties			
<b>Existing Preventative Measures</b>		<b>Existing Mitigation Measures</b>	<b>Linked Actions</b>
Effective ICT business continuity plan in place. Incident response retainer with specialist security provider Cyber Security Incident Management Policy in place. Further enhancement of Cyber Security defences		Internal facing Cyber Security Strategy now in place. Regularly updated policies, software and hardware e.g. firewalls etc. to ensure multi layer cyber security defences. Regular penetration testing. Cyber Security Essentials Plus Certification Regular refresher training on cyber security for all staff with a requirement to achieve a minimum level of pass. Policies and Codes of Practice in place Targeted threat protections Regular internal and external audits	Implementation of Internal Facing Cyber Security Strategy
Page 199	<b>Target matrix and score:</b>  <b>Target score: 12</b>		<b>Current matrix and score:</b>  <b>Current Score = 16</b>
	<b>Commentary from latest review:</b>  Several significant improvements to our cyber security defences continue to be explored/implemented, as detailed in the new SYPA Cyber Security Strategy.  At this stage there is no justification to reduce the risk score.		<b>Trend:</b> 

<b>Risk:</b> ORG - 004 Failure of the Authority to comply with relevant Regulations		<b>Risk Owner:</b> Head of Governance and Corporate Services	
		<b>Last Review:</b> 05-Nov-2025	
<b>Risk effect:</b> Enforcement action by relevant regulatory authorities			
<b>Existing Preventative Measures</b>		<b>Existing Mitigation Measures</b>	
Regular reviews of key policies and processes		Service areas are aware of key points of reference for relevant regulations	
Ongoing process of awareness raising and training for staff in relation to operational matters		Reporting of compliance within relevant standards.	
Oversight of key updates and awareness of milestone approvals		Assessment of compliance with TPR General code is in place.	
		<b>Linked Actions</b>	
		Delivery of additional Data Protection training in roles and responsibilities for all staff, middle managers, and SMT	
		Implement and embed the Information Governance action plan in collaboration with Internal Audit at each stage of review	
		More detailed assessment of compliance with emerging regulatory requirements. TPR General Code with associated action plan and enhanced regular reporting	
Page 200	<b>Target matrix and score:</b> 		<b>Current matrix and score:</b> 
	<b>Target score: 8</b>		
<b>Commentary from latest review:</b>		Whilst progress is being made, in line with the last update there are still some outstanding items that are targeted for completion by Dec 2025. No justification for change at this stage.	

<b>Risk:</b> <b>ORG - 009 Major ICT Failure – NEW RISK</b>		<b>Risk Owner:</b> <b>Head of ICT</b>	
		<b>Last Review:</b> 07-Nov-2025	
<b>Risk effect:</b> Disruption to operations resulting in loss of data/data corruption, support arrangements with an increased chance of breaches. Potential reputational damage and financial implications.			
<b>Existing Preventative Measures</b>		<b>Existing Mitigation Measures</b>	<b>Linked Actions</b>
Managed Detection & Response (MDR) Service E-Backup & Recovery Service Business Continuity Plan Maintenance and support contracts Uninterruptible Power Supply (UPS) High availability and hardware redundancy			Develop a Cyber Security Strategy (third party assurance reports)
Page 201	<b>Target matrix and score:</b>  Likelihood		<b>Current matrix and score:</b>  Likelihood
	<b>Target score: 9</b>		<b>Trend:</b> New Risk  <b>Current Score = 12</b>
<b>Commentary from latest review:</b>		As part of the scheduled review process, the risk of Major ICT Failure has been escalated from the ICT Operational Risk Register to the Corporate Risk Register due to the potentially high impacts across the whole of the Authority’s operations. Strengthening existing mitigations and preventative measures will continue, in addition to specific actions that have been identified in the new Cyber Security Strategy.	

<b>Risk:</b> PEO - 002 High level of vacancies within the organisation		<b>Risk Owner:</b> Director Designate	
		<b>Last Review:</b> 05-Nov-2025	
<b>Risk effect:</b> Inability to deliver the service Negative impact on staff wellbeing Poor staff retention resulting in loss of specialist knowledge			
<b>Existing Preventative Measures</b> Capacity planning to identify additional resources. Regular one to ones, review of workload and work life balance. Promotion of wellbeing initiatives. Provision of Counselling, Occupational Health and Employee Assistance Programme. Investment in training and development. Market supplements to secure specialist roles. Develop action plan following 2023 employee survey		<b>Existing Mitigation Measures</b> Career grade scheme in place to develop in house specialists. Targeted advertising including using social media Introduction of hybrid working and existing flexi scheme. Increase in staffing following capacity planning outcomes.	
<b>Linked Actions</b> Develop talent attraction via Employee Value Proposition			
<div><div>Target matrix and score:</div><div><div><div>Impact</div><div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div></div><div></div><div></div><div></div><div></div></div></div></div><div>Likelihood</div></div><div>Target score: 6</div></div></div></div></div></div></div></div>		<div><div>Current matrix and score:</div><div><div><div>Impact</div><div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div></div><div></div><div></div><div></div><div></div></div></div></div><div>Likelihood</div></div><div>Current Score = 9</div><div>Trend: <div></div></div></div></div></div></div></div></div></div>	
<b>Commentary from latest review:</b>		There is again no change to the assessment at this review. Work on the linked actions - including the delivery of the People Strategy is continuing and we will be providing a progress update on this as part of the Corporate Planning Framework review to be presented to the Authority in February 2026.	

<b>Risk:</b> PEO - 003 Single person risk in specialist knowledge roles		<b>Risk Owner:</b> Director Designate	
		<b>Last Review:</b> 05-Nov-2025	
<b>Risk effect:</b> Failure to deliver service and reduced service quality. Reputational damage. Impact on staff morale and wellbeing.			
<b>Existing Preventative Measures</b> Organisational Resilience Plan. Lessons learned to identify single points of failure. Ability to call on external third party support. Regular one to ones, review of workload and work life balance. Promotion of wellbeing initiatives. Provision of Counselling, Occupational Health and Employee Assistance Programme. Arrangements for third party support are in place where appropriate		<b>Existing Mitigation Measures</b> Revised pay and benefits package Range of policies for supporting wellbeing Documented procedures and work instructions Learning and development plans and knowledge transfer	
		<b>Linked Actions</b> Knowledge Transfer Succession Planning	
<div>Page 203</div> <div><b>Target matrix and score:</b><div><div>Impact</div><div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></div><div></div><div></div><div></div><div></div></div><div><div><div><div></d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<b>Subject</b>	<b>Approval of the Levy 2026/27</b>	<b>Status</b>	For Publication
<b>Report to</b>	Authority	<b>Date</b>	18 December 2025
<b>Report of</b>	Chief Finance Officer and Director		
<b>Equality Impact Assessment</b>	Not Required	Attached	N/a
<b>Contact Officer</b>	Melanie Priestley, Acting Head of Finance and Performance	<b>Phone</b>	01226 666421
<b>E Mail</b>	<a href="mailto:mpriestley@sypa.org.uk">mpriestley@sypa.org.uk</a>		

## **1 Purpose of the Report**

- 1.1 To approve the Levy for 2026/27 under the Levying Bodies (General) Regulations 1992.

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## **2 Recommendations**

- 2.1 Members are recommended to:
- a. **Approve a total levy of £251,566.00 for 2026/27 in accordance with The Levying Bodies (General) Regulations 1992, to be allocated to the District Councils in proportion to their approved council tax base shares.**

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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.

The approval of the Levy ensures the Authority demonstrates transparency and complies with regulations in the recovery of costs associated with the former South Yorkshire County Council and South Yorkshire Residuary Body.

## **4 Implications for the Corporate Risk Register**

- 4.1 The actions outlined in this report have no direct implications for the Corporate Risk Register.

## **5 Background and Options**

- 5.1 Responsibility for early retirement compensation payments awarded by the former South Yorkshire County Council and South Yorkshire Residuary Body passed to the Pensions Authority when it was created in 1988. The statutory instrument under which the Authority was created (*The Local Government Reorganisation (Pensions etc.) (South Yorkshire) Order 1987*) made provision for the four District Councils to reimburse the Pensions Authority for the cost of those payments on a proportional

basis according to the size of their population. The Levy is the mechanism by which that reimbursement is achieved.

- 5.2 The Levy is calculated in November each year based on an estimate of the costs of these payments in the following financial year less any balances owed to the councils. The total Levy amount is allocated to each district in proportion to their council tax base for the year.

- 5.3 The forecast outturn on the Levy account for 2025/26 is as follows.

Levy Account 2025/26	Balance Brought Forward 1 April 2025	Plus: 2025/26 Levy Income	Plus: Nov 2025 Forecast of Costs 2025/26	= Forecast Balance Owed (To)/From Districts at 31 March 2026
	£	£	£	£
Barnsley MBC	(5,566)	(50,329)	49,298	(6,597)
City of Doncaster Council	(7,225)	(65,589)	64,224	(8,590)
Rotherham MBC	(6,069)	(54,779)	53,665	(7,183)
Sheffield City Council	(12,270)	(116,150)	113,356	(15,064)
<b>Total</b>	<b>(31,130)</b>	<b>(286,847)</b>	<b>280,543</b>	<b>(37,434)</b>

- 5.4 The costs for 2026/27 have been estimated as £289,000; the estimation methodology takes account of actual movements in the costs during the current financial year and applies the inflationary increase expected to take effect in April 2026, which is forecast as 3.8% based on September 2025 CPI. Taking into account the estimated closing balance from 2025/26 of (£37,434) as per the table above, this results in a total Levy for 2026/27 of £251,566.

- 5.5 The estimated apportionment of the 2026/27 Levy, based on 2025/26 Council Tax Base shares, is shown in the table below. Please note the actual apportionment of the 2026/27 charges will be re-calculated to reflect the approved 2026/27 Council Tax Base figures for each district as soon as this information is available.

Levy 2026/27	Forecast Balance at 1 April 2026	Plus: Estimated 2026/27 Costs	= Total Levy 2026/27	Proportion
	£	£	£	
Barnsley MBC	(6,597)	50,784	44,187	17.56%
City of Doncaster Council	(8,590)	66,160	57,570	22.88%
Rotherham MBC	(7,183)	55,283	48,100	19.13%
Sheffield City Council	(15,064)	116,773	101,709	40.43%
<b>Total</b>	<b>(37,434)</b>	<b>289,000</b>	<b>251,566</b>	<b>100.00%</b>

## **6      Implications**

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

Financial	The issuing of the Levy to the four districts enables the Authority to recover costs relating to the former SYCC / Residuary Body.
Human Resources	None
ICT	None
Legal	The Levy approval as outlined in this report ensures that the Authority complies with The Levying Bodies (General) Regulations 1992.
Procurement	None

**Will Goddard**

**Gillian Taberner**

**Acting Assistant Director – Resources  
& Chief Finance Officer**

**Director**

<b>Background Papers</b>	
<b>Document</b>	<b>Place of Inspection</b>
None	

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<b>Subject</b>	<b>Staff Engagement Survey 2025</b>	<b>Status</b>	For Publication
<b>Report to</b>	Authority	<b>Date</b>	18 December 2025
<b>Report of</b>	Director Designate		
<b>Equality Impact Assessment</b>	Not Required	Attached	n/a
<b>Contact Officer</b>	Gillian Taberner Director Designate	<b>Phone</b>	01226 666420
<b>E Mail</b>	<a href="mailto:gtaberner@sypa.org.uk">gtaberner@sypa.org.uk</a>		

## 1 **Purpose of the Report**

- 1.1 To present the results of the 2025 Staff Engagement Survey for Members' information and consideration.

## 2 **Recommendations**

- 2.1 Members are recommended to:
- a. **Note and welcome the positive results of the staff survey.**

## 3 **Link to Corporate Objectives**

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

### **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.

### **Listening to Our Stakeholders**

to ensure that stakeholders' views are heard within our decision making processes.

### **Effective and Transparent Governance**

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

- 3.2 Our staff are an important stakeholder group and are crucial to our success as an organisation. By considering the results of the survey at this time, in advance of the update to the corporate strategy due in February 2026, members can ensure that appropriate actions are being taken in response to the results.

## 4 **Implications for the Strategic Risk Register**

- 4.1 The actions outlined in this report seek to address the 'People' risks in the strategic risk register.

## 5 Background and Options

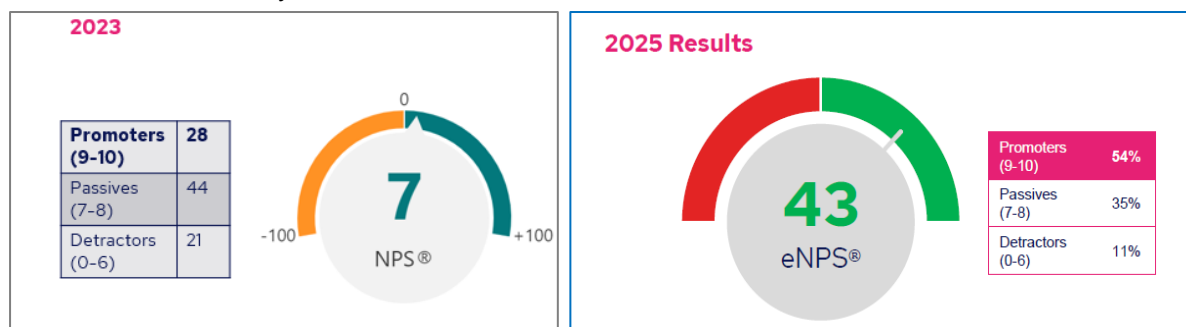
- 5.1 The Authority aims to undertake staff engagement surveys on a regular basis, once every two years, in order to assess progress and direction of travel. The last such survey was undertaken in 2023. The 2025 Staff Survey was therefore carried out during September-October 2025 with the results reported to SMT, HR and the Trades Union representatives in November.
- 5.2 The previous surveys (2023 and before that in 2020) were undertaken with an external consultant – Reed – who designed the survey in such a way as to make it repeatable in future years to enable direct comparison of results and assess improvements or any decline in particular aspects of engagement. For the 2025 survey, we again commissioned Reed to administer the survey on this basis and collate and analyse the results.
- 5.3 The results of the 2023 survey showed improvements across employee engagement when compared to 2020, as well as highlighting some areas for us to focus on for improvement and a series of actions were planned to do this as reported to the Authority in December 2023, when we also set a target to achieve even higher scores of engagement the next time the survey was conducted.
- 5.4 A summary of the 2025 survey results is attached at Appendix A and this shows that we have certainly achieved the above goal.
- 5.5 The survey response rate was high at 84% - just slightly above the rates achieved in 2023 and 2020. This compares to a UK companies benchmark of 69%.
- 5.6 The survey provides a measure of employee satisfaction by asking a single question which leads to what is called the 'Net Promoter Score'. The question asks employees: *On a scale of 0 – 10, how likely are you to recommend working here to a friend or colleague?*

The responses are then grouped as follows:

- Employees giving scores of 9 – 10 are categorised as Promoters.
- Employees giving scores of 7 – 8 are categorised as Passives.
- Employees giving scores of 0 – 6 are categorised as Detractors.

An overall score is then calculated as the percentage of employees who are Promoters minus the percentage of employees who are Detractors.

- 5.7 The results for 2025 show a very large improvement in our Net Promoter Score since the last survey as shown below:



- 5.8 The net promoter score has increased by a total of 36; from a score of plus 7 in 2023 to plus 43 this time – with significantly more employees now promoters than detractors.
- 5.9 This a very pleasing result, demonstrating that actions taken since the last survey in 2023 have been effective in achieving such a substantial increase in the overall level of employee satisfaction.

5.10 The results of the rest of the survey also reflect further marked improvements in all four measures of engagement assessed when compared to 2023.

5.11 The measures of engagement are:

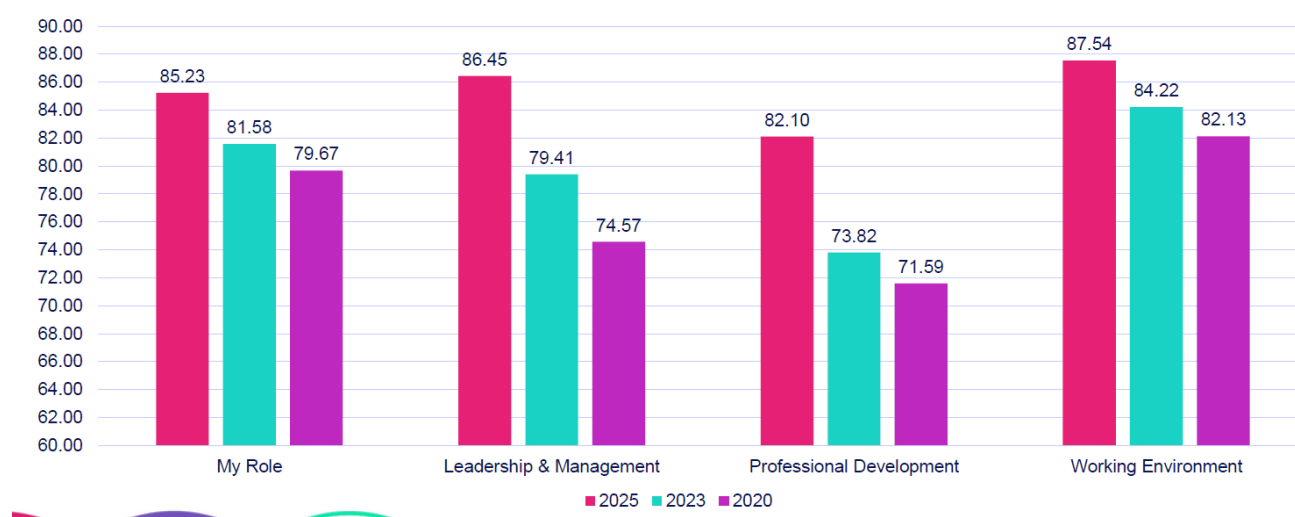
Engagement Measure	Includes questions about:
<b>My Role</b>	Having access to resources and information needed to do the job well, being trusted to make decisions, and employees knowing what is expected of them in their role.
<b>Leadership and Management</b>	Receiving regular feedback on performance, that the employee feels their opinions count, being aware of the organisation's values and goals and the employee's role in achieving these.
<b>Professional Development</b>	Availability of training, support from manager in improving skills, feeling stimulated by the role and understanding the next steps for the employee's career here.
<b>Working Environment</b>	Being treated fairly by manager, working within a collaborative and supportive team, having a good work-life balance, availability of good wellbeing initiatives and being able to express authentic self at work. An additional question was also included in 2025 on diversity and inclusion by asking the extent to which employees feel comfortable sharing information about their protected characteristics.

5.12 The chart below illustrates the consistent and strong improvement in the results.

## 4 Measures of Engagement Over Time 2025, 2023 & 2020 Data



The survey responses in 2025 showed improvement across all 4 measures of engagement since the 2023 and 2020 surveys.



5.13 The Working Environment remains the highest scoring of the four measures overall, as it was in both 2023 and 2020. The score for Leadership and Management has increased substantially again since 2023 and is now the second highest scoring measure, overtaking My Role which is now third. The most significant improvement

since 2023 is in the measure of Professional Development which has increased by 11% to 82.10; although it remains the lowest scoring measure, as it was last time. The increase in the score indicates that some good progress has been made through the actions taken since the 2023 survey, but the fact that it still scores lower than the other measures, along with some of the themes drawn out from the qualitative feedback, shows that there remains more for us to do in this area.

5.14 Other positive highlights:

- a. Professional Development now shows the most significant rise of 11%.
- b. Being aware of the Authority's goals and values is the highest scoring question followed by being treated fairly and inspired by teams.
- c. Availability of training is the most improved question, up 16% on 2023.
- d. Significant improvement on 2023 in being stimulated by the role, awareness of goals and values, and receiving feedback.
- e. There is excellent engagement at team leader and middle management grades who overwhelmingly feel supported by both their managers and their wider teams.
- f. In relation to tenure, the highest level of engagement was among those who've been with the Authority for 2 to 5 years – providing an opportunity to develop this group into future leaders.

5.15 Areas with room for further improvement:

- a. Lowest response rate amongst entry Grades A – C, albeit still above UK benchmark at 74%.
- b. There is a drop off in engagement among those with a tenure of more than 5 years.
- c. Senior practitioners (Grade F – G) continue to provide the lowest scores in most areas, particularly professional development.
- d. Understanding the next steps in career remains the lowest scoring question despite an 11% rise since 2023.
- e. Bringing authentic self to work remains the lowest score in the working environment section.

5.16 These points, with further detail available in the qualitative feedback summarised in Appendix A, are consistent with our expectations based on areas already identified for attention and the subject of actions planned within the People Strategy. These include the development of a learning and development strategy incorporating information on career pathways supported by a documented career grade progression scheme for certain roles.

5.17 Similarly, qualitative feedback themes showed that workload strain and the impact of casework backlogs are stressors and that addressing these would improve productivity and morale. These issues are also already known and plans are in place within the corporate strategy. Clearance of the backlog is progressing and currently targeted for completion by end of March 2026. The strategic action to optimise use of technology will help with the management of ongoing workloads and a project is under way to implement automation in the processing of certain casework types. Resourcing demands and capacity are also being reviewed as part of budget and workforce planning.

5.18 The survey outcomes clearly demonstrate the successful impact of actions taken in the last two years and provides confidence that by making progress on the current strategic plans, we will strengthen employee engagement in these areas.

5.19 The very impressive results overall of this year's survey also provides us with opportunities to build on the very clear strengths identified – such as informing the



strategic plans around developing our Employee Value Proposition as part of the work to continually evolve and remain ahead in relation to recruitment and retention, and to build on the strong levels of engagement within certain grades and tenure to maximise the potential here and develop future leaders.

### *Conclusion*

- 5.20 The survey results show very strong improvement from the first one in 2020 to 2023 to the very high and impressive scores across all four measures of engagement now evident in 2025, demonstrating that significant progress has been made and that the actions taken have been effective.
- 5.21 Employees have provided some useful feedback that confirms and will help to further inform the plans already in progress around professional development and workload pressures.
- 5.22 Looking ahead once again, the aim will now be to ensure that the very high scores from this year's survey will be at least maintained, and that we can make progress in the areas requiring some improvement to result in positive impact and outcomes when we run the survey again in two years' time.

## **6 Implications**

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

Financial	There are no direct financial implications arising from this report. The budget included the funds required for carrying out the survey. The funding for the actions outlined in the report as aiming to address some of the findings are or will be resourced appropriately from the relevant budget or corporate reserves and separately approved.
Human Resources	As outlined in the body of the report.
ICT	None
Legal	None
Procurement	None

**Gillian Taberner**

**Director Designate**

<b>Background Papers</b>	
<b>Document</b>	<b>Place of Inspection</b>
Previous report on results of the 2023 survey.	<a href="#">Agenda item - Staff Survey 2023 - South Yorkshire Pensions Authority</a>

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# Executive Summary

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## Staff Survey

Survey distributed 22<sup>nd</sup> September  
to 13<sup>th</sup> October 2025



# Overview of the approach

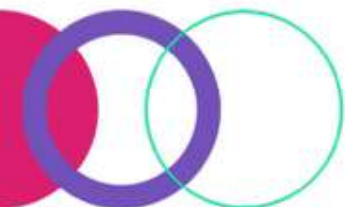
## Staff Survey 2025

Objectives:

- Review previously utilised survey and comparison index.
- Collect responses online.
- Present back results in multiple formats:
  - Presentation
  - Report
  - Survey data

## Key Dates

- Survey distributed 22<sup>nd</sup> September to 13<sup>th</sup> October 2025
- Presentation 6<sup>th</sup> November 2025, followed by final report and survey data



# eNPS®

## Employee Net Promotor Score

The eNPS measures employee satisfaction with a single question. Your score represents the net volume of employees who are promoters of your organisation.

**On a scale of 0-10, how likely is it you will recommend working here to a friend or colleague?**

Based on their responses, your employees will fall into one of three groups.

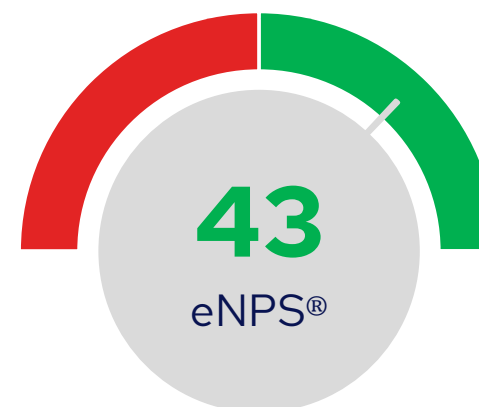
**Promoters: 9-10.** Loyal enthusiasts who will recommend your company as a good place to work to their friends and family.

**Passives: 7-8.** Satisfied but unenthusiastic who could be swayed.

**Detractors: 0-6.** Unhappy employees who have the potential to damage your reputation.

The score is calculated using: (% of employees who are Promoters) - (% of employees who are Detractors) = Employee Net Promoter Score.

## 2025 Results



Promoters (9-10)	54%
Passives (7-8)	35%
Detractors (0-6)	11%

- Large increase of 36 points from a score of 7 in 2023
- SYPA now has significantly more promoters than detractors

# Staff Survey Index

## How to use the index

The SYPA staff survey index provides an overall survey score, along with a score for each section of the survey. The index is used throughout the report to compare results with the previous staff survey conducted in 2020.

The score for each question is calculated as the mean average response, with a range of 1 to 5. Each section will then produce a score of between 0 and 100. With the overall score also being between 0 and 100. Any score above 50% means that any "agree" or "strongly agree" responses outweigh "disagree" or "strongly disagree" responses.

There is an overall score for each section, with each question being given equal weighting within the section.

The overall index score is a total of the index points, which gives a higher weighting to Leadership & Management, and Working Environment.

Average of the responses

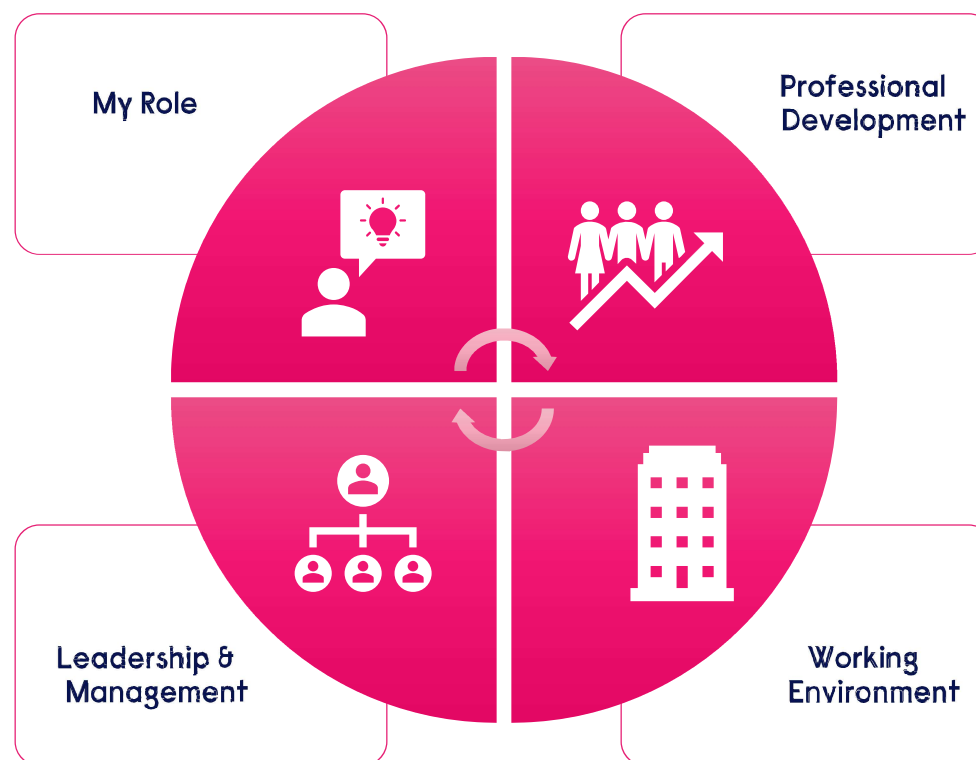
	Weighting	Score	Index Points
My Role	Access to resources	33.3%	5.00
	Trusted to make decisions	33.3%	5.00
	Know what is expected	33.3%	5.00
	<b>SECTION SCORE</b>	<b>20.0%</b>	<b>100.00</b>
Leadership and Management	Receive feedback	25.0%	5.00
	Opinions count	25.0%	5.00
	Aware of goals and values	25.0%	5.00
	Understand how to contribute	25.0%	5.00
Professional Development	<b>SECTION SCORE</b>	<b>30.0%</b>	<b>100.00</b>
	Training available	25.0%	5.00
	Coaching support	25.0%	5.00
	Stimulated by my role	25.0%	5.00
Working Environment	Career path	25.0%	5.00
	<b>SECTION SCORE</b>	<b>20.0%</b>	<b>100.00</b>
	Treated fairly	20.0%	5.00
	Inspired by my team	20.0%	5.00
Working Environment	Work/life balance	20.0%	5.00
	Wellbeing support	20.0%	5.00
	Authentic self	20.0%	5.00
	<b>SECTION SCORE</b>	<b>30.0%</b>	<b>100.00</b>
<b>TOTAL INDEX SCORE</b>			<b>100.00</b>

Total survey score

Overall section score

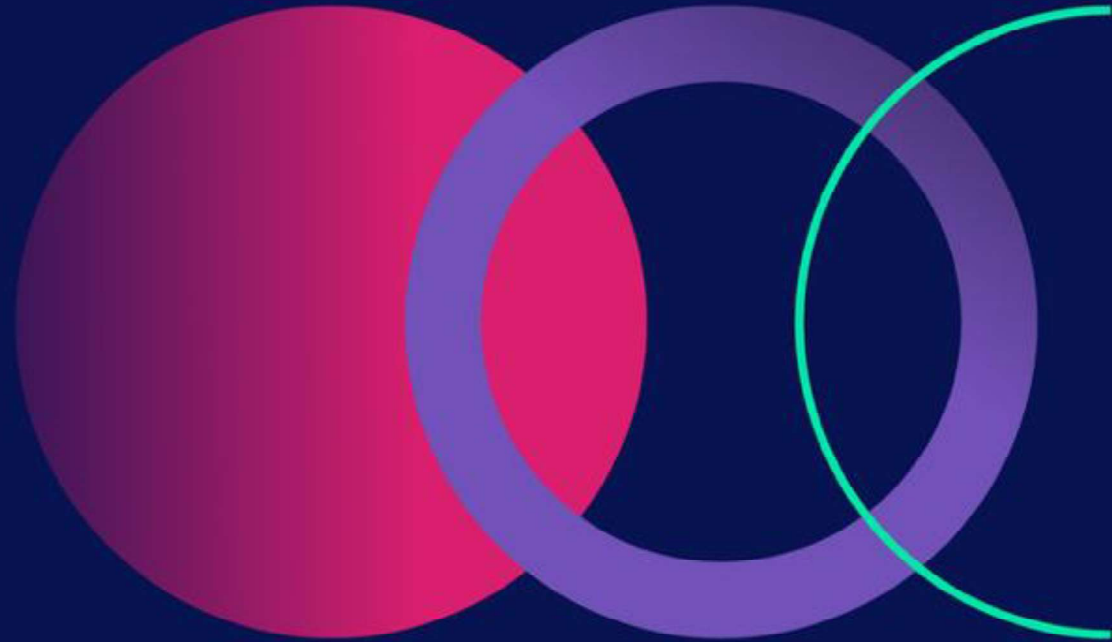


# 4 Measures of Engagement



# Survey Results by Grade, Function & Tenure

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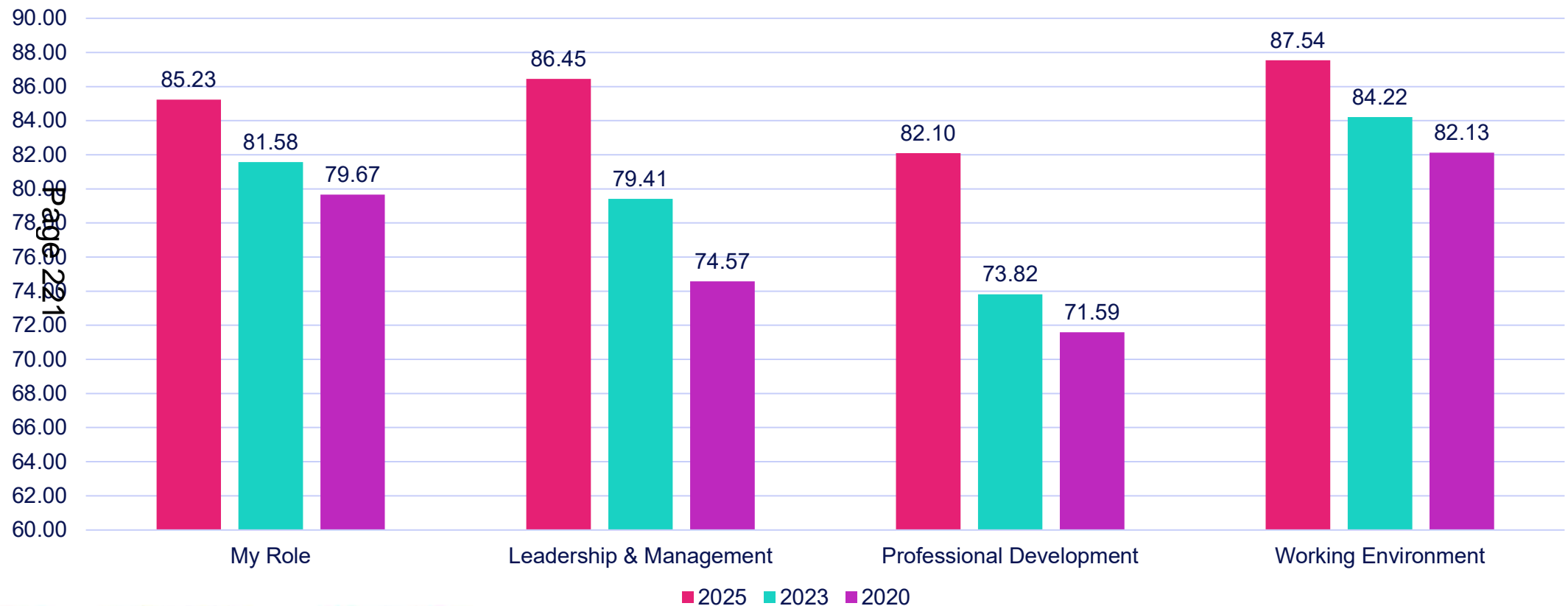




# 4 Measures of Engagement Over Time

## 2025, 2023 & 2020 Data

The survey responses in 2025 showed improvement across all 4 measures of engagement since the 2023 and 2020 surveys.



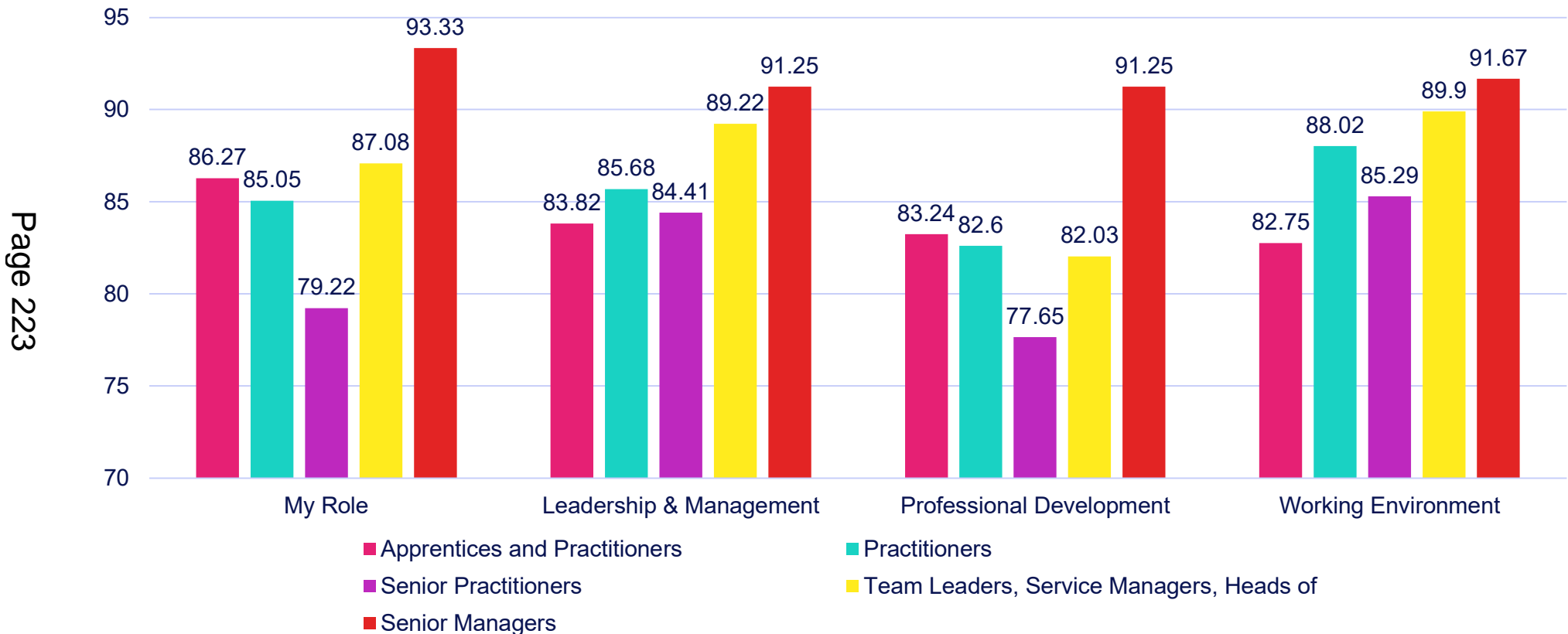
# Survey Responses by Job Grade

SYPA's response rate across all grades is good or excellent, with the UK average for engagement survey response rates being 69% for comparison.

Your Defined Job Grade	Maps to	Number of Responses	Percentage of Responses
Apprentices and Practitioners	Up to Grade C	17/23	74%
Practitioners	Grade D – E	37/44	84%
Senior Practitioners	Grade F – G	17/22	77%
Team Leaders, Service Managers, Heads of	Grade H – L	32/35	91%
Senior Managers	Grade M – N	4/4	100%

# Engagement Scores by Job Grade

Senior Managers consistently had the highest engagement results across each measure, followed by Team Leaders. Senior Practitioners had the lowest scores in general, and this is particularly noticeable across 'My Role' and 'Professional Development' measures.



# Survey Responses by Function

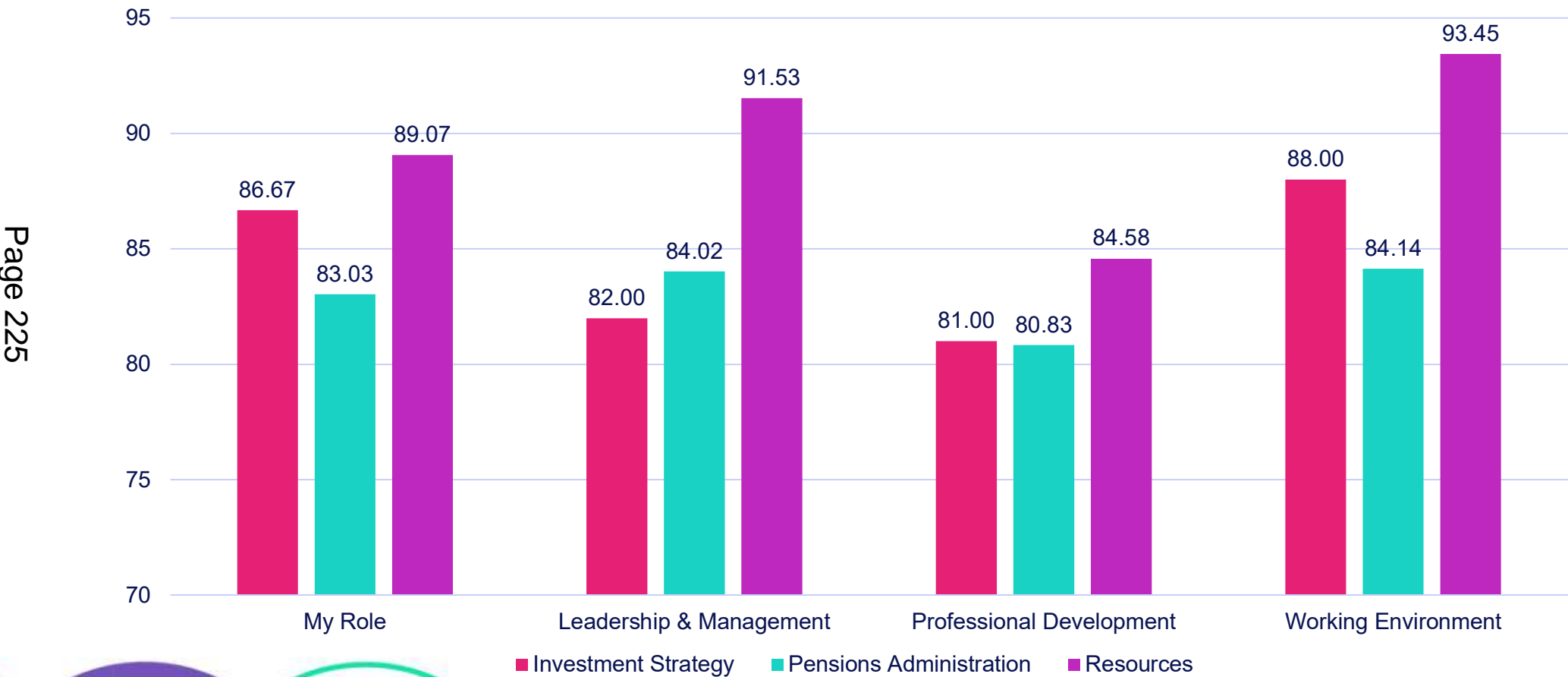
SYPA's response rate across all functions is excellent. Response rates are more varied across the grades than they are across functions.

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SYPA Function	Number of Responses	Percentage of Responses
Investment Strategy	5/5	100%
Pensions Administration	66/80	83%
Resources	36/43	84%

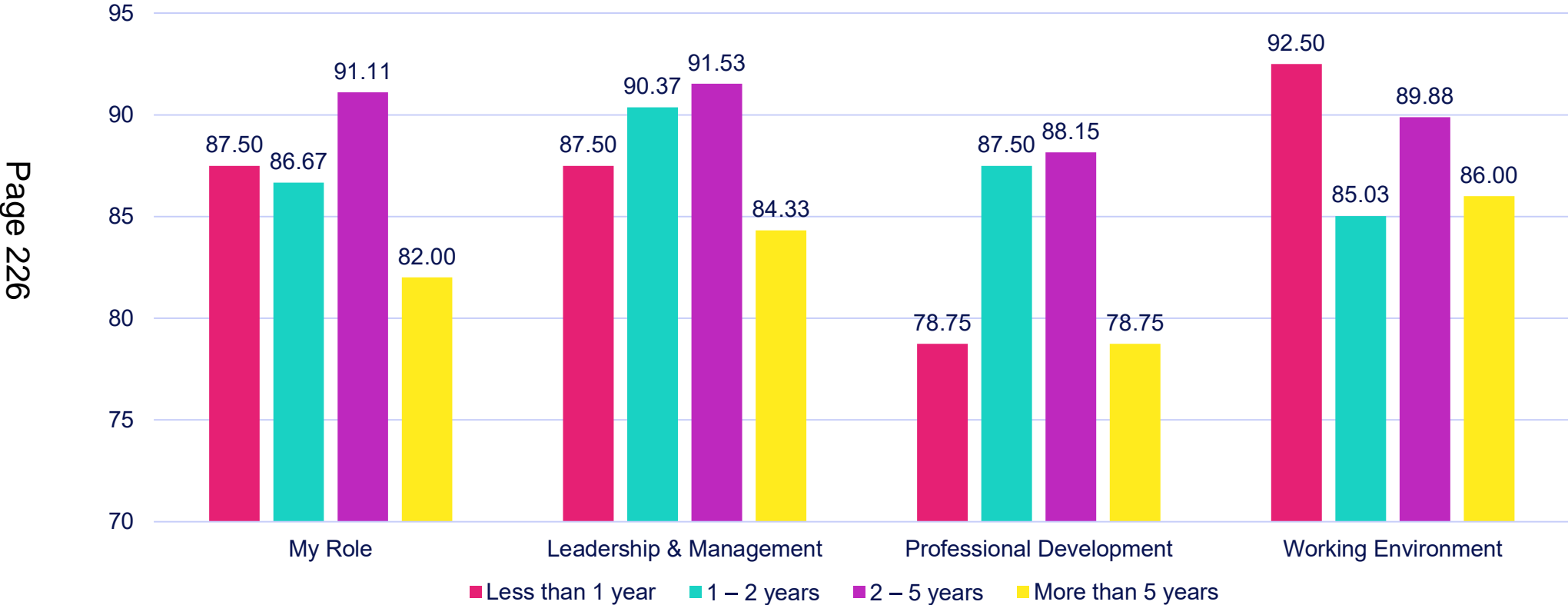
# Engagement Scores by Function

Resources consistently show higher engagement scores across all 4 measures. Investment Strategy follows, with the exception of ‘Leadership & Management’ where they have the lowest score by a small margin.



# Engagement Scores by Tenure

Those with more than 5 years service scored lower in the ‘My Role’ and ‘Professional Development’ measures, and joint lowest in ‘Professional Development’ alongside those with less than 1 year service. Those with 2-5 years service scored higher in all measures bar ‘Working Environment’.

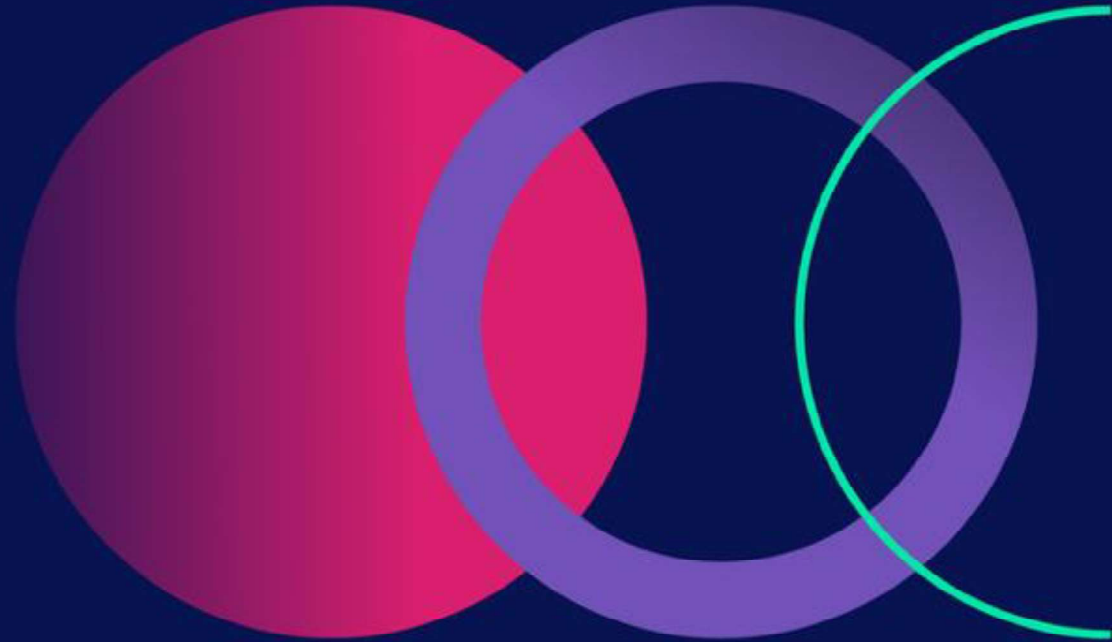


Number of responses by  
tenure length

SYPA Tenure Length	Number of Responses
Less than 1 year	8
1 – 2 years	12
2 – 5 years	27
More than 5 years	60

# Analysis Across the 4 Measures of Engagement

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# Your Role

Change since in the last survey

Question	Question Score	% change vs 2023
I have access to the resources and information that I need to do my job well	4.30	9%
I am trusted to make decisions	4.19	1%
I know what is expected of me in my role	4.30	2%



# Your Role

## Qualitative Feedback

### Main themes

#### Trust and Autonomy

- Staff feel trusted to make decisions and value autonomy.
- Frustration arises when autonomy is undermined by senior interference.
- Desire for more control over systems and processes.

#### Resources and Training

- Positive feedback on access to tools and structured training.
- Some gaps in procedural knowledge and informal learning methods.

#### Role Clarity

- Mixed experiences with understanding role expectations.
- Some roles are evolving, leading to uncertainty.
- Appreciation for managers who help clarify objectives.

#### Communication and Support

- Support is available but not always proactive.
- Communication from managers can feel routine or insincere.
- Need for clearer plans and more consistent check-ins.

#### Recognition and Progression

- Concerns about doing higher-grade work without recognition.
- Desire for clearer pathways for progression and acknowledgment.

# Leadership & Management

Change since the last survey

Question	Question Score	% change vs 2023
I regularly receive feedback on my performance	4.32	10%
I feel that my opinions count	4.05	6%
I am aware of SYPA's goals and values	4.57	10%
I understand how I can contribute to achieving these goals	4.36	7%

# Leadership & Management

## Qualitative Feedback

### Main themes

#### Support and Recognition

- Staff feel supported by their managers and teams.
- Appreciation and recognition are present but could be more consistent.
- Leaders are seen as invested in staff development.

#### Communication and Feedback

- Mixed experiences with feedback—some find it empowering, others see it as formulaic.
- Desire for more meaningful and specific praise.
- Listening and being heard are valued.

#### Career Development

- Strong desire for clearer progression paths for non-managers.
- Suggestions for mentoring schemes and more equitable training access.

#### Leadership Style

- Praise for non-hierarchical structure and strategic leadership.
- Concerns about micromanagement and rigid practices.
- Need for leaders to focus on strategic rather than operational tasks.

#### Inclusivity and Collaboration

- Positive team environments noted.
- Call for inclusivity training and broader collaboration across levels.

# Professional Development

Change since the last survey

Question	Question Score	% change vs 2023
There is training available for me to improve my skills	4.32	13%
My manager supports me in improving my skills	4.44	5%
I feel stimulated by my role	3.95	12%
I clearly understand the next steps in my career here	3.71	10%

# Professional Development

## Qualitative Feedback

### Main themes

#### Training and Support

- Strong appreciation for training when available.
- Desire for more structured and consistent training programmes.
- Managers play a key role in facilitating development.
- Some staff feel left to self-manage their learning due to lack of follow-through.

#### Career Progression

- Clear frustration around limited progression paths in smaller or newer teams.
- Recognition that leadership can make or break career development.
- Suggestions for formalised pathways and grading reviews.

#### Recognition and Value

- Staff want their contributions to be acknowledged more formally.
- Regrading and additional responsibilities are seen as positive steps.

#### Leadership Influence

- Leadership style directly affects development opportunities.
- Supportive managers are praised, while self-focused ones are critiqued.

#### Workload and Time Constraints

- Time pressures and workload can hinder development.
- Automation is seen as a potential solution to free up time for growth.

# Working Environment

Change since the last survey

Question	Question Score	% change vs 2023
I am treated fairly by my manager	4.50	0%
I work within a collaborative and supportive team	4.51	1%
I have a good work/life balance	4.36	6%
SYPA has good wellbeing initiatives that support me at work	4.36	4%
I feel comfortable sharing information around my protected characteristics	4.37	-
I feel comfortable expressing my authentic self at work	4.17	8%

# Working Environment

## Qualitative Feedback

### Main themes

#### Inclusivity and Belonging

- SYPA is praised for inclusivity, but some staff feel excluded due to age or neurodiversity.
- Concerns about favouritism and unequal recognition.
- Desire for more balanced recognition of different working styles.

#### Work-Life Balance

- Flexi-time and reduced hours are appreciated.
- High workload and staff turnover negatively impact balance.
- Wellbeing initiatives are valued but may feel excessive to some.

#### Team Collaboration

- Supportive teams are a strength.
- Some teams lack collaboration due to sickness or remote working.
- Hybrid working and office layout can hinder team integration.

#### Recognition and Fairness

- Mixed experiences with recognition—some feel valued, others overlooked.
- Vocal staff may receive more opportunities than quieter contributors.

#### Office Environment

- Open-plan offices and desk habits can feel restrictive or cliquish.
- Desire for more dynamic and inclusive desk arrangements.



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**2025 - a year of Slips and Slides, (Regulatory) Sludge and (AI) Slop**

It has been a staggering year for risk assets, resets, realignments and reality checks. As we come to an end of a dramatic first year of President Trump’s second term in the US, certain conflicts remain, others have been sparked, and others are sitting on a precarious peace.

Norms such as long-stable geopolitical alliances, global trade partnerships, the intersection between personal and political interests, stock market diversification and the relevance of data have been questioned. There have been winners and losers in asset terms, and in society too as all talk is of a K-shaped economy that rewards the few, while consumers continue to struggle.

The past quarter saw a UK budget that saw the country diverge sharply from a low-tax, pro-growth trajectory in the US, with the highest tax regime in history. While inflation seemed to be coming into check here growth proved to be anemic and a rising concern about government debt and regulatory uncertainty led to a downbeat outlook at year end. This puts it more or less in line with its European neighbours which are similarly sluggish in growth terms, although inflation is more roundly subdued, enabling a clearer path for stimulus in the month ahead.

The US economy staved off uncertainty around AI in the past month but cannot shake the reality that it has become a play on AI and large cap tech stocks, which continue to dominate the S&P index, while individual company market caps (e.g. Nvidia) dwarf regional stock markets. The US economy continues to display exuberance (expanding an annualized 3.8% in the 2Q of 2025), with stock markets hitting new records and unemployment still relatively controlled. President Trump continues to keep the economy and the world “guessing” with bold and unorthodox economic policy but bond markets are settled, CEO confidence is high and earnings as well as consumer spending suggest that the music is very much still playing.

Emerging markets have re-emerged from underdogs to play their own part in the commodities and

tech upswings, while China has started to track the tech stock trajectory as it appears as a viable threat to US tech hegemony.

### **Key Developments since the last quarterly update:**

- **The UK sets out its budgetary stall** While well telegraphed, the high tax budget announced by Chancellor Rachel Reeves in late November led to now traditional hand-wringing about it being the nail in the coffin for growth and stimulus in the UK. Some regulatory “sludge” and uncertainty around power pricing served as a sharp upset to renewable energy companies. UK stock markets have done surprisingly well since the budget, perhaps due to the sanguine reaction by the Gilts markets, which were a lot less punishing than they have been in recent years, and due to the perception that the UK has represented overlooked value.
- **Inflation’s New Higher Equilibrium** Inflation remains higher than average in the UK – at 3.6%, and even in the US it is settling at closer to 3% than the erstwhile 2% target. The cumulative effect of food price inflation has prompted President Trump to selectively drop some tariffs (e.g. on coffee, beef and tomatoes) while energy prices remain in sharp focus. This leads to a mixed picture for potential interest rate cuts at present with the US seeming poised for a downward bonanza while other central banks are wary of overheating.
- **AI bubble talk** AI has continued to fuel the equity market “fever dream” in the US and concentration by top stocks has continued to provide some concern about stock market volatility and risk profile. The unprecedented scale, revenue and income projections as well as growing web of alliances, investments and co-dependencies up and down the supply chain for AI has led to inevitable assertions of complexity. The proliferation of video tools and increasing AI “slop” that has blurred the lines of what is real and what is not have intensified the sense that this industry is moving too quickly for proper, sound, analysis to take place.
- **Unconventional Diplomacy.** While President Trump was not the recipient of the Nobel Peace Prize he continues to bring his style of unconventional diplomacy to conflicts around the world. From the war in Gaza to the Russia/Ukraine conflict business interests have formed a bargaining chip and stock markets seem to be less perturbed by conflict than would traditionally be the case.

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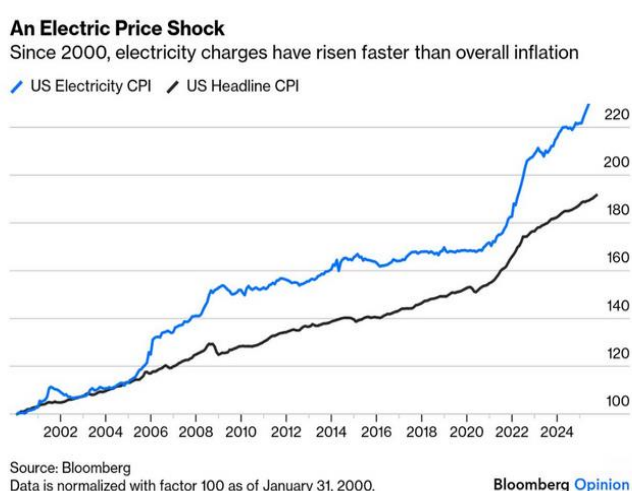
## Current Macro Snapshot

*Growth persists, how much is AI?*

US growth figures continue to defy expectations and the dramatic increase in AI spending has been attributed to some of the recent strength. Other markets have had more anemic but still positive numbers while inflation seems to be more subdued in some regions (Eurozone) than others (the UK). There is still considerable divergence about inflation expectations, particularly in the regions where it has become politicized (the US), with Democrats and independent voters believing inflation will rise while Republicans have been supportive of the lower inflation narrative. *Affordability* remains a key election topic in the US as confirmed by the recent wave of special elections and it was a wake-up-call following these elections that led to some relaxation of tariffs on a few core goods.

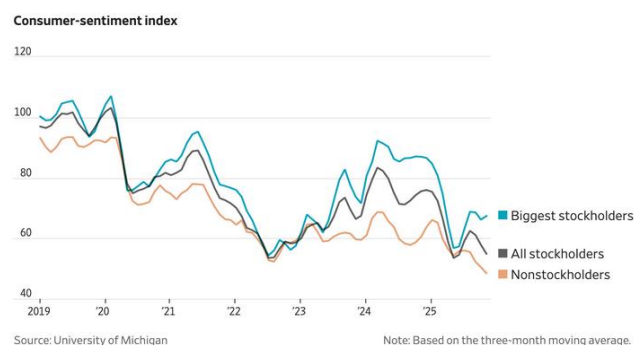
This apparent focus on affordability aligns with softer consumer sentiment numbers in the US which certainly squared with the “anecdotal” around a growing inequality and K-shaped divide in the US economy. The absence of actual data (due to the US government shutdown) certainly made reading the tea leaves on employment and price data more challenging, but there has clearly been a schism between lower end and higher end consumers when it comes to wealth creation and spending power.

Inflation data - where available – has revealed a higher “resting” rate of close to 3% and a growing contribution by energy/electricity charges as shown on the chart below. This only exacerbates the focus on supply of electricity and competing demands for it – which has created tensions around data centre expansion as well as a focus on the collateral effects of AI spending.



As the chart below shows consumer sentiment has been weaker in the US but notably less so when there is stock market participation underscoring that participation by retail investors is increasing and also increasing the likelihood of “Main Street” and “Wall Street” working in sync. Over 60% of US

consumers have some participation in the stock market, which is notably more than in the UK and Europe, so the growing performance of stock markets does bring more distributed wealth there.

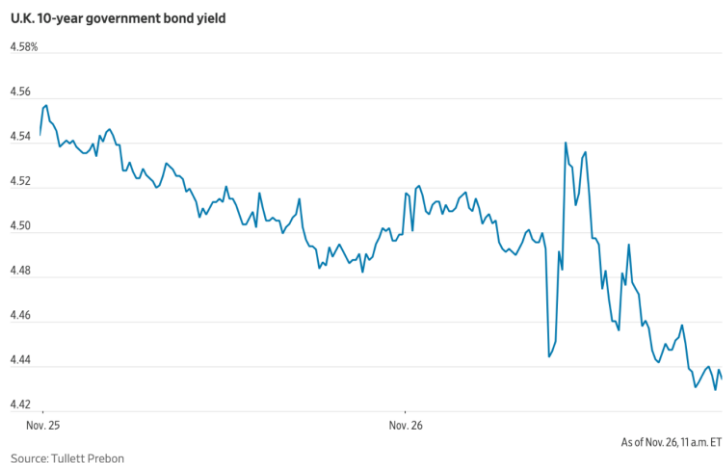


In the UK, the latest budget provoked fears of prolonged stagnation and a return to regulatory uncertainty as well as fears of a flight of wealthy taxpayers. Much of the changes will be enacted only after some delay so there have been no immediate negative market reactions - actually markets have responded positively with Gilts movement subdued. It is worth comparing this benign reaction to the Gilts crisis at the end of 2022, which was far more severe in its sell-off. The benefit of hindsight has suggested that that was very much a creature of its time – as it occurred against a hostile climate globally – while nowadays the climate is less strained. This (negatively oriented) interpretation does not read too much into the current benign response to the 2025 budget.



It is also worth noting that although the announced measures would add to the UK budget deficit by increasing government borrowing this has stoked decidedly less discontent than in the past no matter the economy in question (c.f. Japan and the US, where Debt/GDP levels run at close to 230% and 125%, respectively). Whether there is a sense that debts can be inflated away or that economies can

grow their way out of debt problems, this looming problem does not appear to be a kitchen table issue affecting markets. While growth in the UK remains elusive, this “fiscal creep” as well as the growing budget deficit does not appear to be affecting sentiment – yet.



### Individual Asset Class Performance.

- Equities
- Fixed income

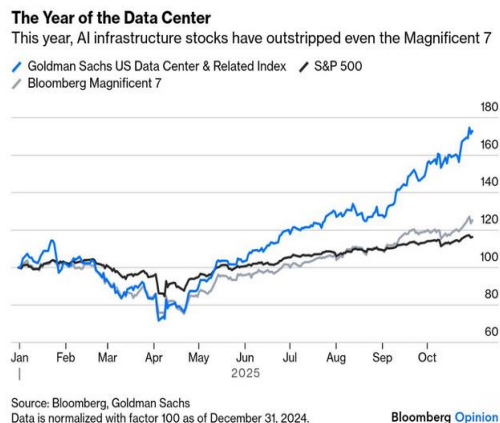
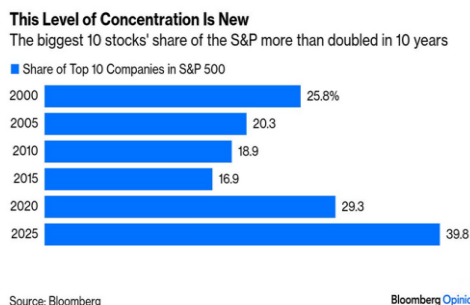
The chart below shows recent performance in main equity indices (at November 30, 2025):

Equity Index	Last 12 months	Year to date (November 30, 2025)
FTSE 100	16.93%	18.94%
S&P 500	13.26%	16.45%
Nasdaq	22.59%	21%
Stoxx 600	11.79%	13.11%
Hang Seng	42.80%	27.24%
Shanghai Comp	16.35%	16.77%
Nikkei 225	28.02%	23.58%

US markets endured a particularly rocky month of November although ended the month broadly flat. The upset to risk sentiment was heralded by a sell-off in Bitcoin towards the beginning of the month, which has tended in recent months to indicate a receding interest in risk assets. This continued as large tech stocks sold off during the month reflecting concerns around the possible existence of an AI bubble.

While last month we showed this chart showing rising concentration among the top 10 stocks of the S&P, the rise of individual stocks in terms of their market cap has been the enduring story of 2025.

Another suggestion of breadth is the increased uptick in interest in AI adjacent sectors such as infrastructure – as shown in the chart below.



This is well depicted in the graphic below, which has attracted a lot of attention due to:

- The sheer dominance of US equity markets
- The fact that individual stocks such as Nvidia have touched a market cap of \$5 trillion (while Alphabet approaches \$4 trillion) – each of these stocks dwarf individual stock markets such as Canada and the UK.
- This begs the question as to what a market-cap weighted equity portfolio will look like going forward and how much one or two stocks can affect its performance – should this adjust the risk/reward expectation of a diversified equity portfolio if one stock can fall 10% in a day, while it would be highly unusual for an entire stock market – with the same market cap weighting – to do so?



Source: Visual Capitalist

## Fixed Income

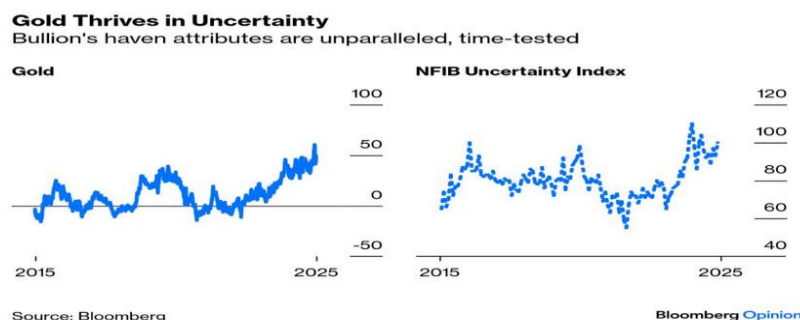
Major economies have been on restrained rate cut trajectories with central banks keeping a watchful eye on the potential for overheating and a repeat of rampant inflation to occur. The background chatter around the new Fed chairman has ebbed and flowed over the quarter, and it seems that the heir apparent (as yet unnamed) will definitely be biased towards rate cuts. The chart below shows divergent rate curves for the ECB, the UK and the US and it is interesting that the Eurozone, with its most decisively low inflation number, is resting at a lower level, while the US and UK expectations remain higher, with the US rate heading lower than the UK rate in short order. Whether this is justified by fundamentals or not, it is certainly likely to lead to a divergence in economic stimulus between both regions.



Fixed income as an asset class has been bolstered by a lower-than-expected level of volatility suggesting that overall bond investors are relatively upbeat about the creditworthiness of issuers. Cash remains a decent place for dry powder while real rates are positive although there have been some isolated incidents of defaults and even fraud in the private credit area sparking fears of a broader more systemic problem that so far has not materialized. As was noted in the last quarterly letter some of this relative optimism in fixed income has been attributed to the burgeoning private credit market, which is said to be absorbing some of the less credit-worthy credits, leaving the public market for only the strongest issuers.

## Outlook

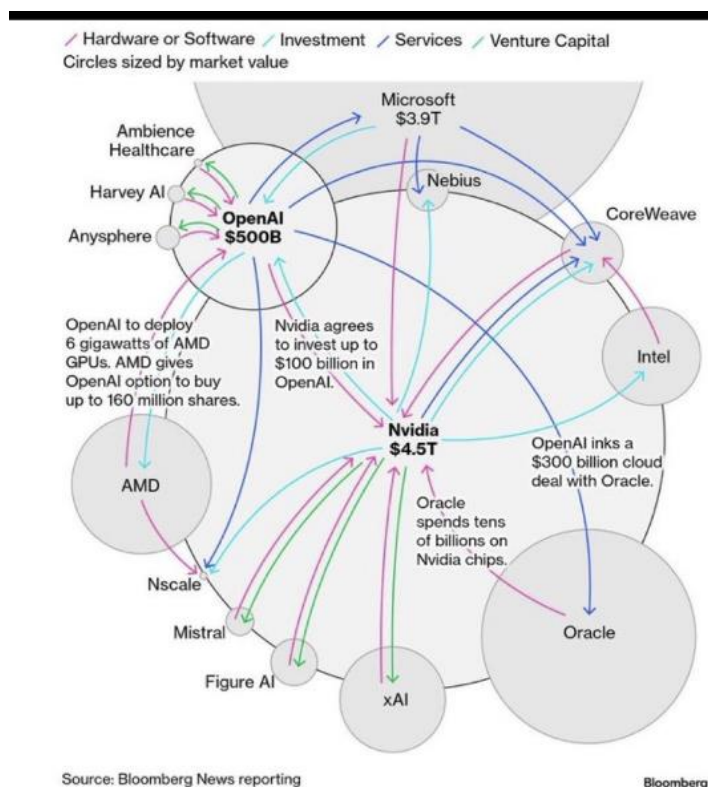
As we look to the end of the year the chart below shows both how much “uncertainty” remains in US markets, which coincides more or less directly with the demand for gold – typically a safe-haven asset that is often used as a hedge against risk assets.



As investors learn to navigate a higher base level of uncertainty, we expect to see higher levels of volatility in the most concentrated ends of the equity markets. Over coming months we will be watching in particular:

- **Chair Chatter Builds.** The current Fed Chairman – Jerome Powell – comes to the end of his term in April 2026, and his successor will be announced long before that. Given how well telegraphed policy is likely to be, we will be watching to see whether markets discount in extensive rate cuts in advance and how markets react.
- **Bubble Redux.** The rumblings of trouble in AI paradise that rocked markets in November are likely to continue until there is definitive proof, one way or the other, of demand justifying the expenditure on capex. The broadening of market strength is likely to continue as investors seek to rebalance away from some of the most dramatic momentum stocks. The chart below was produced in November 2025 and highlights the massive interdependence and complexity of AI and related companies in the ecosystem. This will likely be redundant in a few months as more links and connections are built. This underscores the need to understand the co-dependencies and build in hedges within a portfolio.





- **The UK Budget's Long Morning After.** A strong year for the UK equity market may well start to shift the mindset around UK equity investment and it will be interesting to see if the environment of low expectations around growth really starts to stimulate change. The rally cry for investment in local investments in the UK as well as increased activity around venture capital is bound to lead to some change in this area and it is likely to be highly effective and welcome when it comes.

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A reminder that you can tune in to similar macro overviews weekly on the Markets Happy Hour [youtube channel](#) – where there are new episodes every Thursday evening.

**December 2, 2025**

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<b>Subject</b>	<b>Investment performance report – quarter 2 2025</b>	<b>Status</b>	For Publication
<b>Report to</b>	Authority	<b>Date</b>	18 December 2025
<b>Report of</b>	Assistant Director – Investment Strategy		
<b>Equality Impact Assessment</b>	Not Required	Attached	No
<b>Contact Officer</b>	Andrew Stone	<b>Phone</b>	01226 666 463
<b>E Mail</b>	astone@sypa.org.uk		

## **1 Purpose of the Report**

- 1.1 To introduce SYPA's quarterly investment performance report for periods up until 30 September 2025.

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## **2 Recommendations**

- 2.1 Members are recommended to note the report.

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## **3 Link to Corporate Objectives**

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

### **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.

## **4 Implications for the Corporate Risk Register**

- 4.1 The details outlined in the enclosed report form a key part of how we address the various investment risks identified in the Corporate Risk Register.

## **5      Background and Options**

- 5.1      Each quarter, we produce a report on SYPA's investments, chiefly covering:
- a.      Market conditions.
  - b.      Asset allocation, including any notable changes.
  - c.      Performance of our assets.
- 5.2      Although we provide updates on SYPA's performance every quarter, it should be kept in mind that SYPA is a long-term investor. The majority of our investments have performance objectives linked to performance over 5 years or more. Greater consideration should therefore be given to the Fund's performance over longer periods of time.
- 5.3      The full investment report is enclosed.

## **6      Implications**

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

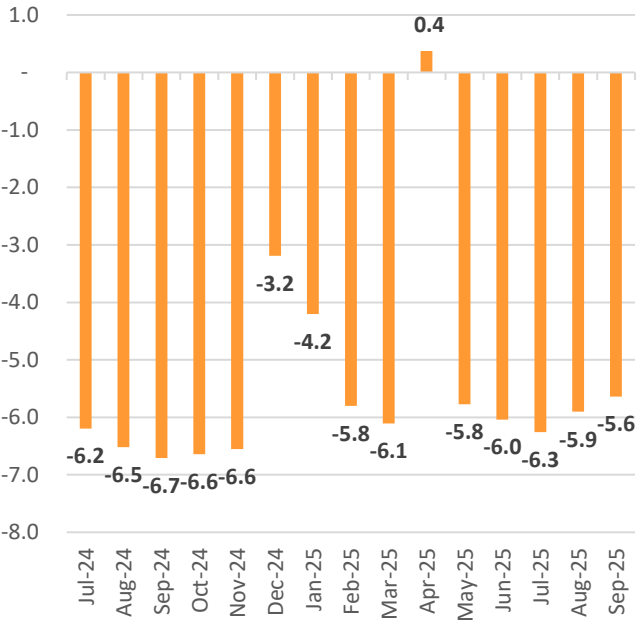
Financial	The performance of our investments has a key impact on the funding level of our Fund, and hence the contribution levels of the employers within SYPA.
Human Resources	None
ICT	None
Legal	None
Procurement	None

**Andrew Stone**

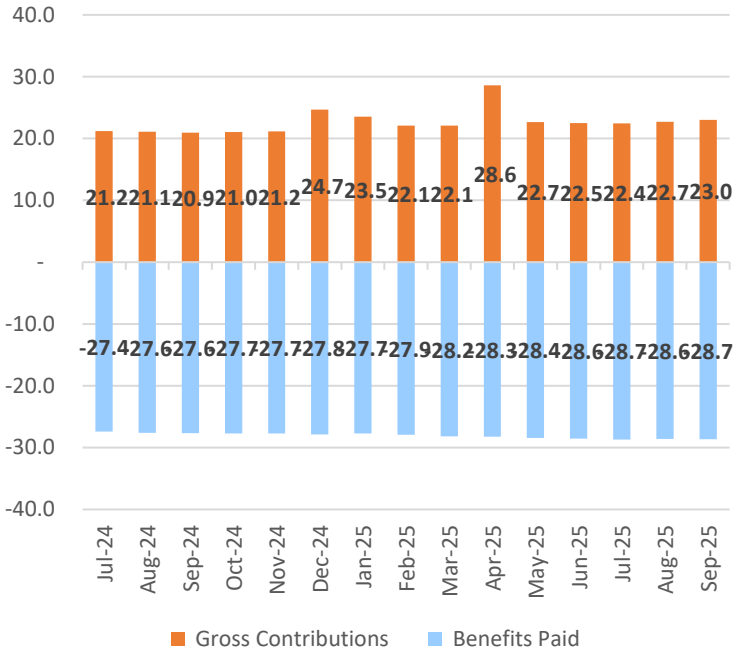
**Assistant Director – Investment Strategy**

# QUARTERLY REPORT TO 30 SEPTEMBER 2025

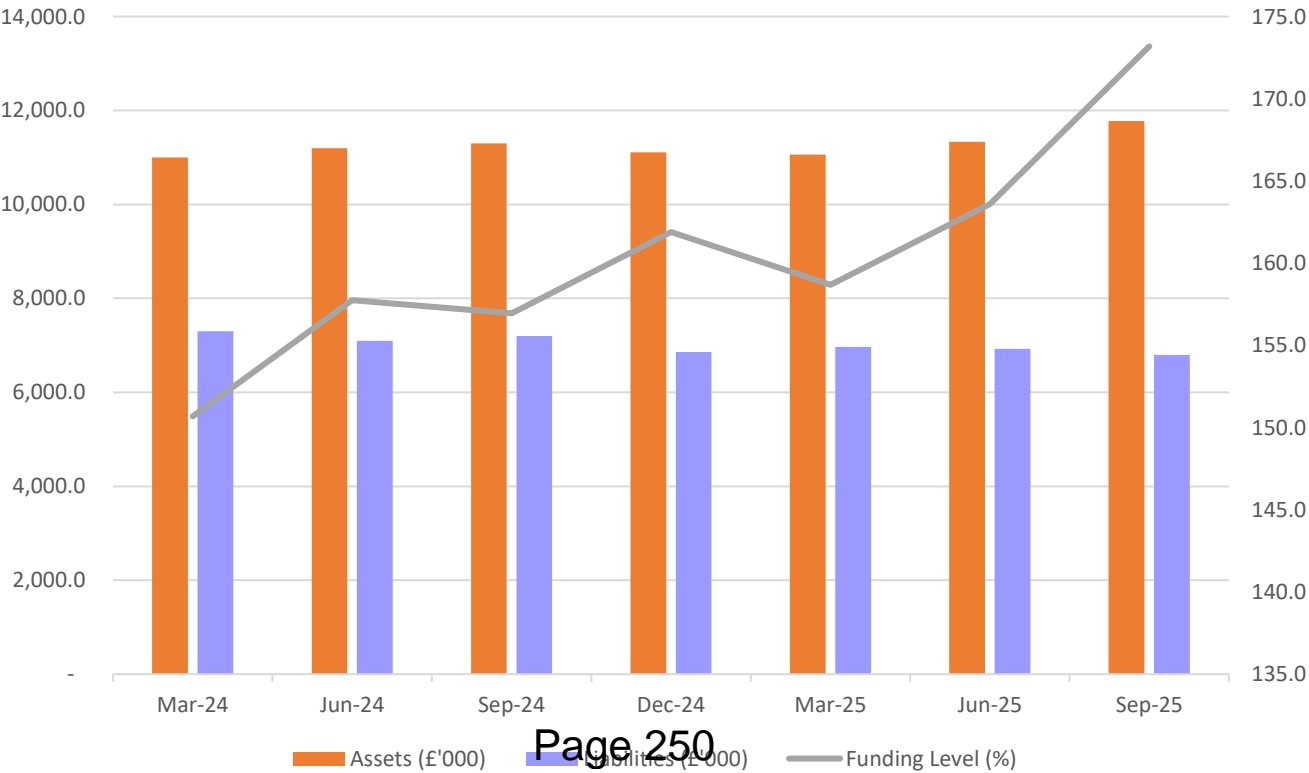
### NET CONTRIBUTIONS



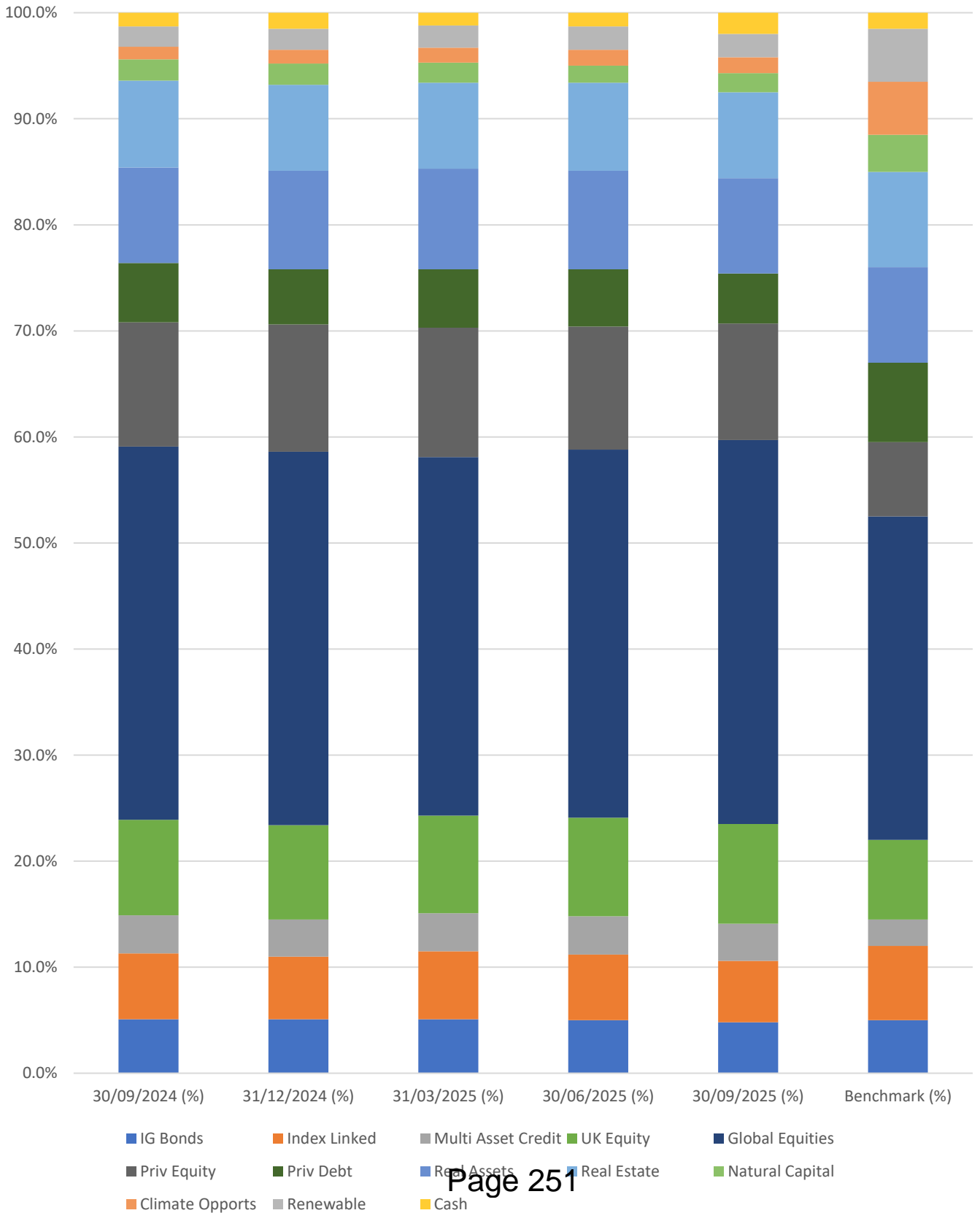
### BREAKDOWN OF NET CONTRIBUTIONS



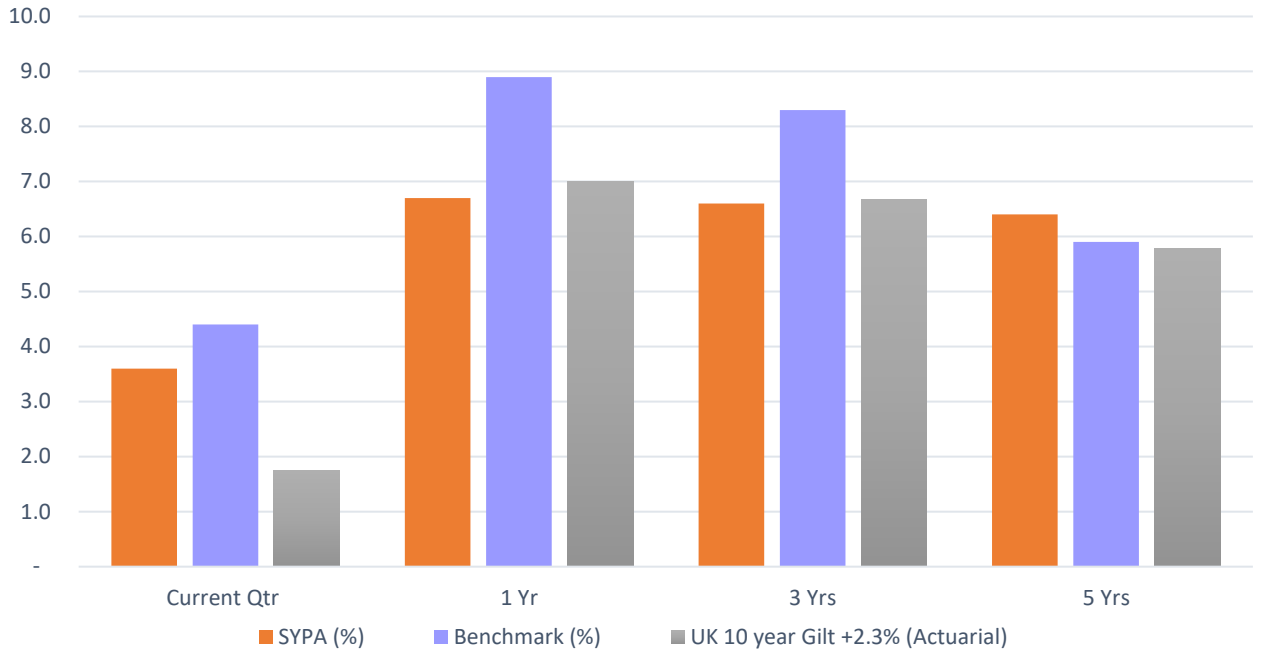
### FUNDING LEVEL



# ASSET ALLOCATION



## TOTAL FUND RETURN



## ASSET PERFORMANCE BY TOTAL ASSET CLASS - 12 MONTHS TO SEPTEMBER 2025





## Market background

Despite the threat of increasing volatility, we saw another strong quarter for equity markets. The global index returned over 9.5% for the quarter in sterling terms, with Emerging Markets (12.5%), Japan (10.4%) and the US (10.0%) the strongest performing regions. Solid performance also came from both UK and European equity markets, producing 5-7% returns over the quarter. Multiple equity market indices have reached all-time highs, which perhaps papers over some of the underlying economic and geopolitical risks.

It has been well publicised how concentrated the US S&P 500 index has become, with the Magnificent 7 now accounting for 35% of this and almost 25% of MSCI's global index. The S&P 500 itself is now trading at levels unseen since the dot.com bubble. It is worth noting, however, that SYPA's allocation to the Border to Coast Overseas Developed Equity Fund caps US exposure at a much lower level than the market exposure, which should help to protect the portfolio in the event of AI euphoria turning sour.

The US economy grew during the quarter, driven by consumer spending as well as AI investment. However, the Purchasing Managers Index (PMI) indicated a slowing expansion. Inflation in the US increased to 3% in September, as the Fed projects two further rates cuts before the end of the year. Inflation also rose in the Eurozone to 2.2% but the ECB decided to keep rates stable, as this remained within the permitted range.

In the UK, inflation remained sticky at 3.8% although core inflation slowed down to 3.5%, allowing the Bank of England to cut the base rate of interest to 4%; with one further cut expected for this year. However, the UK economy is in a precarious position, as the jobless rate rose to 5% at the end of September (a benchmark target of around 4% is usually considered to be a peak). With the annual growth rate slowing to 1.4% from the previous quarter and the current Government Debt to GDP ratio at around 95.9%, this added pressure to Rachel Reeves' Budget, particularly in relation to fiscal sustainability. However, we now know that the Chancellor's announcements have managed to keep the skittish UK government bond market quite calm.

Within fixed income assets, credit spreads have generally tightened (meaning that the additional yield available for lending to a company over a sovereign has reduced). This has contributed to positive performance for our investments in Border to Coast's Multi-Asset Credit Fund and Sterling Investment Grade Corporate Bond Fund over the quarter.

The SYPA Fund has continued to benefit from these increases in asset value and our upcoming investment strategy review is intended to keep us in a robust position.

# Fund Valuation

## as at 30 September 2025

	Jun-25 £m	%	Quarterly Net Investment	Sep-25 £m	%
<b>FIXED INTEREST</b>					
Inv Grade Credit - BCPP	572.2	5.0	0.0	569.9	4.8
UK ILGs - BCPP	708.3	6.2	0.0	686.2	5.8
MAC - BCPP	405.3	3.6	-4.9	412.0	3.5
<b>TOTAL</b>	<b>1685.8</b>	<b>14.8</b>	<b>-4.9</b>	<b>1668.1</b>	<b>14.1</b>
<b>UK EQUITIES</b>	<b>1055.3</b>	<b>9.3</b>	<b>-10.0</b>	<b>1111.4</b>	<b>9.4</b>
<b>INTERNATIONAL EQUITIES</b>					
Developed Market - BCPP	3141.7	27.6	-10.0	3353.5	28.5
Emerging Market - BCPP	807.2	7.1	0.0	906.7	7.7
Emerging Market - SYPA	0.4	0.0	0.0	0.4	0.0
<b>TOTAL</b>	<b>3949.3</b>	<b>34.7</b>	<b>-10.0</b>	<b>4260.5</b>	<b>36.2</b>
<b>LISTED ALTERNATIVES -BCPP</b>	<b>168.5</b>	<b>1.5</b>	<b>-10.0</b>	<b>162.0</b>	<b>1.4</b>
<b>PRIVATE EQUITY</b>					
BCPP	471.2		2.0	458.9	
SYPA	680.3		-34.7	655.7	
<b>TOTAL</b>	<b>1151.5</b>	<b>10.1</b>	<b>-32.7</b>	<b>1114.6</b>	<b>9.6</b>
<b>PRIVATE DEBT FUNDS</b>					
BCPP	270.0		22.4	272.9	
SYPA	342.0		-59.4	285.7	
<b>TOTAL</b>	<b>612.0</b>	<b>5.4</b>	<b>37.0</b>	<b>558.6</b>	<b>4.7</b>
<b>INFRASTRUCTURE</b>					
BCPP	660.2		-8.3	673.1	
SYPA	393.7		27.1	385.2	
<b>TOTAL</b>	<b>1053.9</b>	<b>9.3</b>	<b>18.8</b>	<b>1058.4</b>	<b>9.0</b>
<b>RENEWABLE ENERGY</b>	<b>248.0</b>	<b>2.2</b>	<b>4.2</b>	<b>253.5</b>	<b>2.2</b>
<b>CLIMATE OPPORTUNITIES</b>	<b>165.6</b>	<b>1.5</b>	<b>14.3</b>	<b>174.4</b>	<b>1.5</b>
<b>NATURAL CAPITAL</b>	<b>187.4</b>	<b>1.6</b>	<b>32.9</b>	<b>215.4</b>	<b>1.8</b>
<b>PROPERTY</b>	<b>945.9</b>	<b>8.3</b>	<b>7.9</b>	<b>958.8</b>	<b>8.1</b>
<b>CASH</b>	<b>155.9</b>	<b>1.3</b>		<b>241.2</b>	<b>2.0</b>
<b>TOTAL FUND</b>	<b>11379.1</b>	<b>100.0</b>		<b>11776.9</b>	<b>100.0</b>

# Asset Allocation Summary

Strategic vs Current Asset Allocation					
Asset Class	SAA Target	Range	Current Asset Allocation		
	%	%	£m	%	OW/(UW)
Equities	38.0	+/- 5%	5371.9	45.6	7.6
Private Equity	7.0	+/- 2%	1114.5	9.6	2.6
Listed Alternatives			162.0	1.4	1.4
<b>Total Growth</b>	<b>45.0</b>		<b>6648.5</b>	<b>56.6</b>	
Multi Asset Credit	2.5	+/- 2%	412.0	3.5	1.0
Infrastructure	9.0	+/- 3%	1058.4	9.0	-
Private Debt	7.5	+/- 2%	558.6	4.7	-2.8
Property	9.0	+/- 2%	958.8	8.1	-0.9
Natural Capital	3.5	+/- 2%	215.4	1.8	-1.7
Climate Opportunities	5.0	+/- 2%	174.4	1.5	-3.5
Renewable Energy	5.0	+/- 2%	253.5	2.2	-2.8
<b>Total Income</b>	<b>41.5</b>		<b>3631.1</b>	<b>30.8</b>	
UK Index Linked Gilts	7.0	+/- 2%	686.2	5.8	-1.2
Corporate Bonds	5.0	+/- 1%	569.9	4.8	-0.2
Cash	1.5	+/- 1%	241.2	2.0	0.5
<b>Total Protection</b>	<b>13.5</b>		<b>1497.3</b>	<b>12.6</b>	
<b>Total</b>	<b>100.0</b>		<b>11,776.9</b>	<b>100.0</b>	

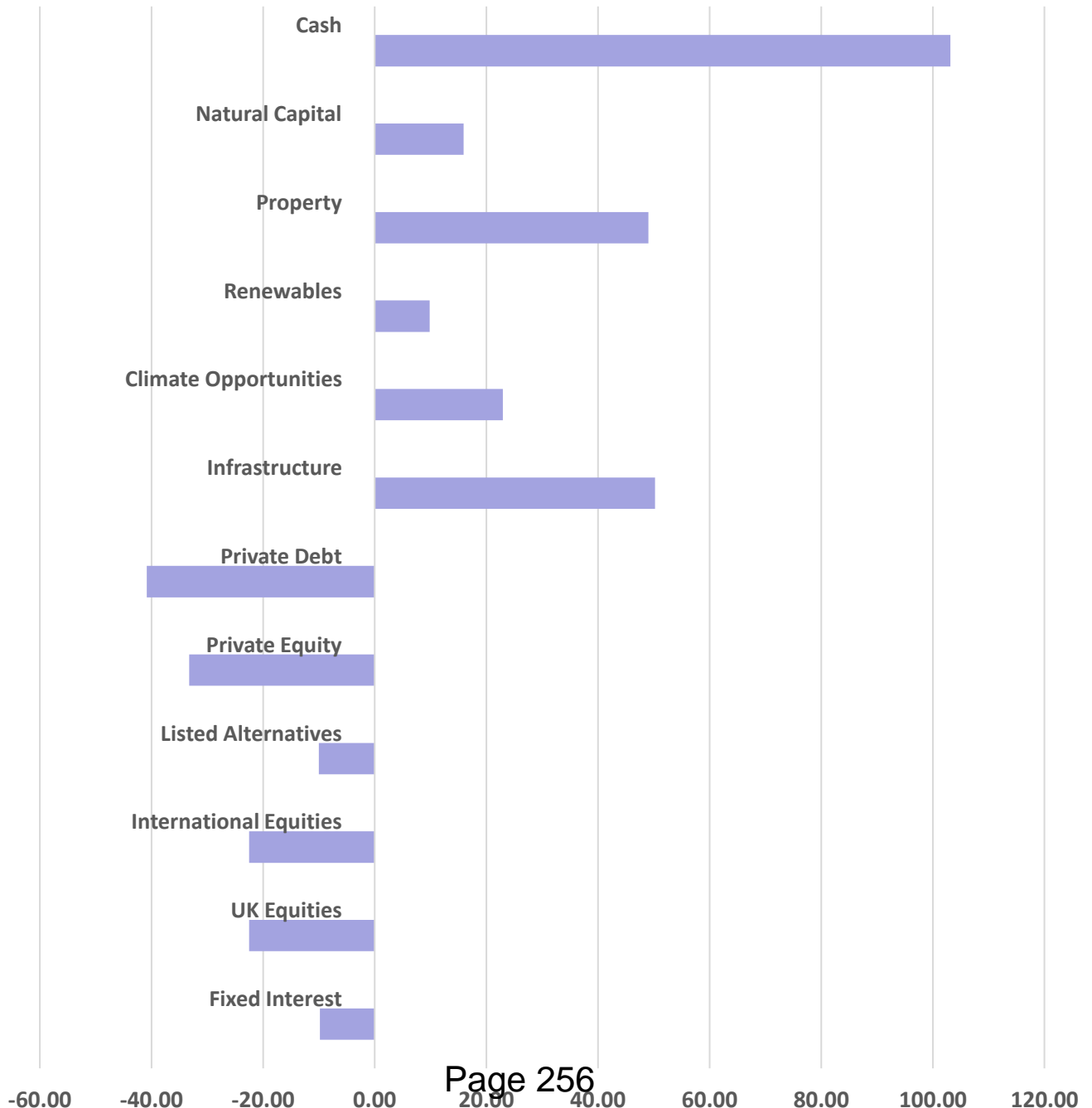
## OW/UW 'RAG' ratings

**Green** ratings indicate that current asset allocation is within agreed tolerances

**Red** ratings indicate that current asset allocation is out of range

# Asset Allocation Summary

Net Investment over the financial year to 30.09.25  
£m



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## Asset Allocation Summary

Given the current strategic asset allocation target, the aim is to reduce our current overall exposure to **growth assets**, in particular equities. The proceeds would be used to gradually increase our allocations towards **income assets** - such as Private Credit, Climate Opportunities and Renewable Energy – which all remain underweight relative to our long-term strategic asset allocation.

Net positive drawdowns have been made into asset classes such as Property and Infrastructure during this timeframe, with redemption cashflows from our legacy Private Equity and Private Debt funds more than offsetting drawdowns made by Border to Coast's private market offerings.

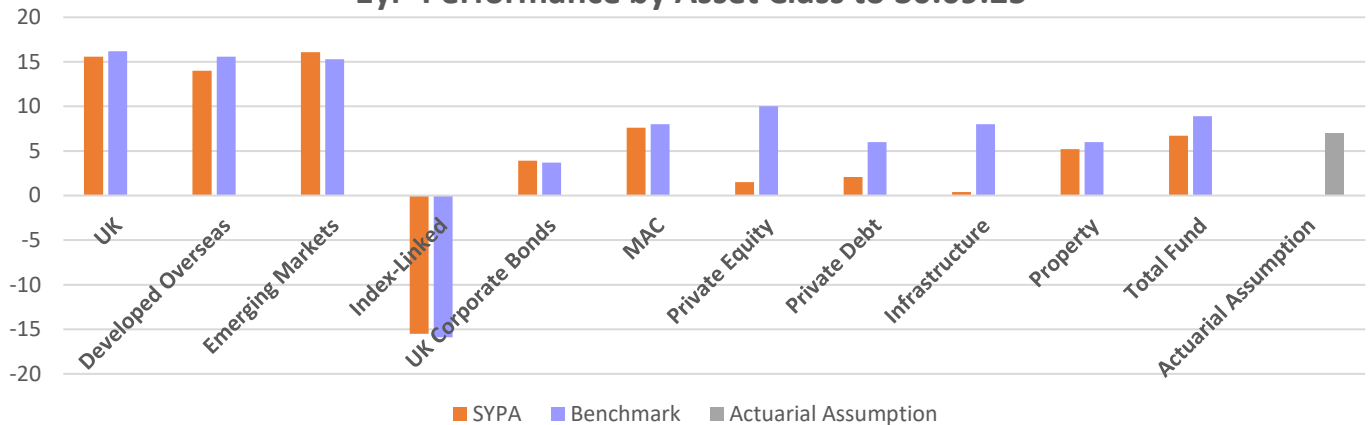
Over the period shown, our cash balance appears to have increased materially. However, this is partly due to the accounting system used by our new custodian, Northern Trust, in which certain balances show up as “cash” when the money involved has very recently been allocated to other asset classes.

## Performance: as at 30 September 2025

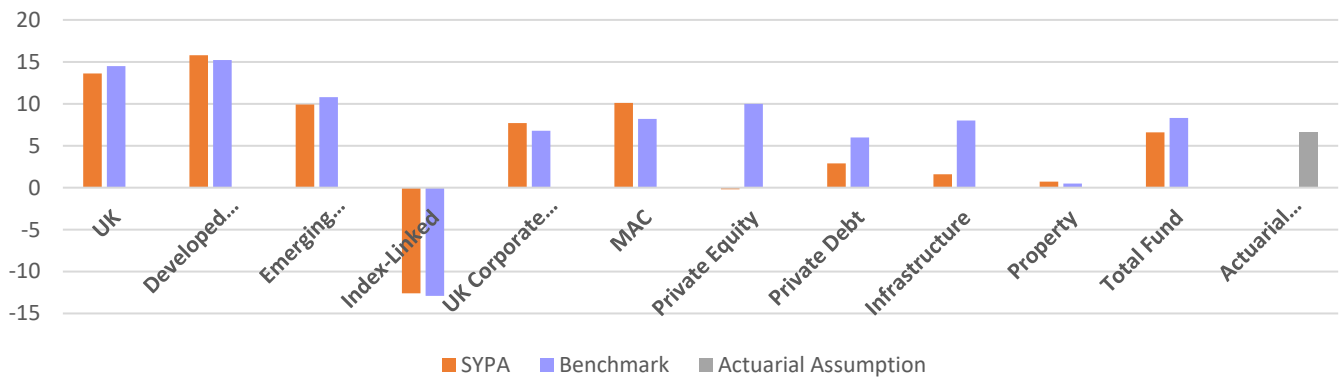
	Qtrly Performance		Performance last 12 months	
	SYPA	Benchmark	SYPA	Benchmark
	%	%	%	%
<b>FIXED INTEREST</b>				
Investment Grade Credit - BCPP	0.7	0.7	3.9	3.7
UK ILGs	-3.1	-3.3	-15.5	-15.9
Multi Asset Credit - BCPP	2.9	1.9	7.6	8.0
<b>UK EQUITIES</b>	<b>7.2</b>	<b>6.9</b>	<b>15.6</b>	<b>16.2</b>
<b>INTERNATIONAL EQUITIES</b>				
Developed Market - BCPP	7.9	8.4	14.0	15.6
Emerging Market	12.3	12.5	16.1	15.3
<b>TOTAL</b>	<b>8.8</b>	<b>9.3</b>	<b>14.4</b>	<b>15.7</b>
<b>PRIVATE EQUITY</b>	<b>-0.3</b>	<b>2.4</b>	<b>1.5</b>	<b>10.0</b>
<b>PRIVATE DEBT FUNDS</b>	<b>-1.7</b>	<b>1.5</b>	<b>2.1</b>	<b>6.0</b>
<b>INFRASTRUCTURE</b>	<b>-0.8</b>	<b>1.9</b>	<b>0.4</b>	<b>8.0</b>
<b>RENEWABLES</b>	<b>0.7</b>	<b>1.9</b>	<b>7.0</b>	<b>8.0</b>
<b>CLIMATE OPPORTUNITIES</b>	<b>-2.7</b>	<b>1.9</b>	<b>1.9</b>	<b>8.0</b>
<b>PROPERTY</b>	<b>1.4</b>	<b>1.5</b>	<b>5.2</b>	<b>6.0</b>
<b>NATURAL CAPITAL</b>	<b>-2.3</b>	<b>1.3</b>	<b>-3.2</b>	<b>5.2</b>
<b>CASH</b>	<b>0.6</b>	<b>1.0</b>	<b>3.3</b>	<b>4.5</b>
<b>TOTAL FUND</b>	<b>3.6</b>	<b>4.4</b>	<b>6.7</b>	<b>8.9</b>

# Performance-Medium term

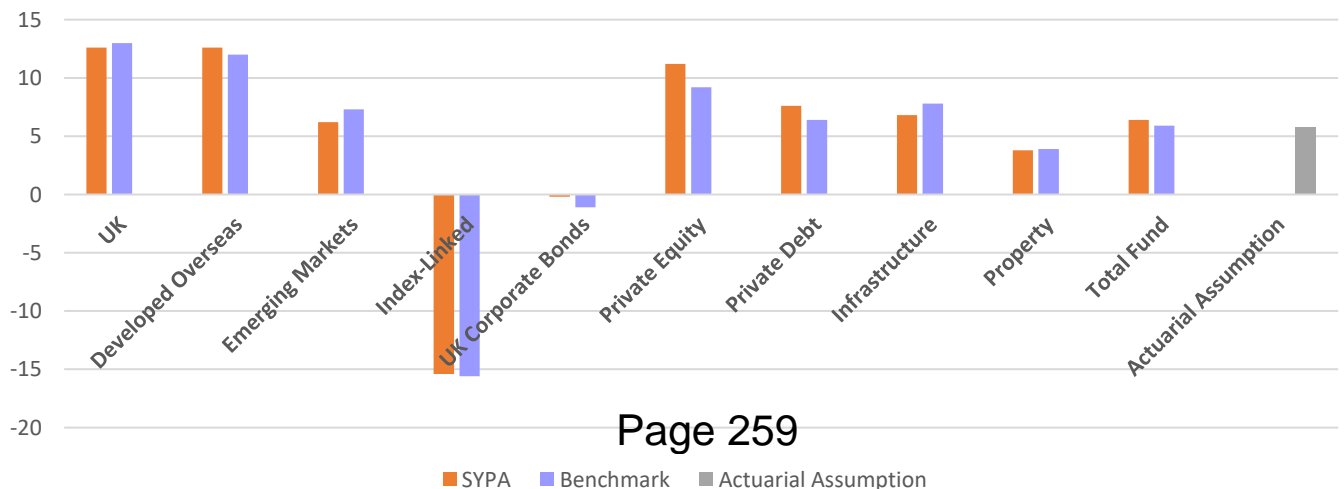
1yr Performance by Asset Class to 30.09.25



3yr Performance by Asset Class to 30.09.25



5yr Performance by Asset Class to 30.09.25



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## Performance – Border to Coast Funds

The **UK Listed Equity Fund** generated a total return of 7.1% during the quarter, outperforming the benchmark return of 6.9%. The Fund's aim is to generate outperformance principally through stock picking, rather than overweighting specific industrial sectors or other factors.

Internationally exposed companies fared better than their domestic facing equivalents this quarter, particularly given UK growth and pre-Budget concerns. Babcock International, a new addition to the portfolio last quarter, has continued to perform well. Balfour Beatty has also benefitted from its exposure to growing infrastructure markets. Longer-term performance of the Fund is mixed – it remains above benchmark but below its long-term 1% p.a. outperformance target since inception.

The **Overseas Developed Markets Equity Fund** generated a return of 7.9% over the quarter, which was below the benchmark of 8.4%. All four underlying regions of the Fund produced positive absolute returns, with markets returns of around 10% in each of Japan, the United States and Asia Pacific ex Japan. Europe lagged with a still very respectable 5% over this 3-month period.

The Asia Pacific ex Japan sleeve was the only component of the Fund to outperform its benchmark over the quarter. This was driven by strong performance from Korea through receding trade concerns, and strong semiconductor demand. The US sleeve underperformed due to the Trump administration backlash impacting key entertainment names, plus a strong performance by Tesla (which the Fund is underweight in). In Europe, political turmoil in France impacted performance, and regional IT firms struggled with the impact of AI. The Japanese sleeve – the best relative performer since inception – underperformed by 3% over the quarter, with underperformance from industrials and a relative absence of companies linked to AI supply chains.

Although relative performance has disappointed over the past twelve months, the overall Fund remains ahead of its 1% p.a. outperformance target since inception.

The **Emerging Markets Equity Fund** benefitted from strong market returns over the quarter, although the Fund's performance was modestly below that of the benchmark (12.3% vs 12.5%). Chinese equities were a significant contributor to the absolute performance, with the FTSE China Index posting an impressive 23.2% return. This was largely driven by technology firms, supported by government policies promoting innovation and self-sufficiency in semiconductors and advanced manufacturing. The Taiwanese equity market, home of many key AI infrastructure companies, also performed well.

Of the underlying managers in this Fund, Border to Coast's Emerging Markets ex China sleeve underperformed by 0.9% (Brazilian industrials being a key factor), whereas FountainCap outperformed by 3.4% in China (with a strong contribution from renewable energy) and UBS (also China) underperformed by 0.5% - consumer staples struggled due to a ban on alcohol at government-related events.



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## Performance – Border to Coast Funds

The **Listed Alternatives** Fund delivered a return of 2.1% over the quarter, materially below its representative global equity benchmark. This was largely due to the continuing exceptional strength of global equity markets. Despite the Fund's long-term investment horizon, recent political events – such as French government instability and the seemingly traditional US government shutdown – have acted as headwind to infrastructure and private equity, respectively. Alternative credit holdings within the portfolio also struggled during the quarter, with the bankruptcy of First Brands hurting confidence.

The Fund's performance remains materially below its main benchmark and secondary comparator since inception.

For **Multi Asset Credit**, the Fund delivered a return of 2.9% in Q3, with almost all of the six underlying managers contributing positively to relative performance. The Fund outperformed both its primary benchmark (SONIA +3.5%) and its secondary blended benchmark by +1.0% and +0.2% respectively, over the quarter. Fixed income and credit markets generated strong returns over this period, with the easing interest rate environment in the US providing a tailwind to performance. Emerging market debt and high yield corporate bonds were the best performing sub asset classes in the Fund over this period.

The Fund's performance has materially improved over more recent years (1.8% p.a. above its primary benchmark over the past 3 years). However, difficult market conditions during the Fund's early days mean that it remains materially below target since inception.

**Sterling investment grade** The Fund returned 0.7% over the quarter, marginally outperforming the iBoxx Sterling Non-Gilts Index. Since inception (March 2020), the Fund continues to consistently outpace its 0.6% p.a. performance target, with a relative return of 0.9% p.a.

Positive absolute performance during the quarter was driven by attractive yield levels and further credit spreads reducing to multi-year tights. Moderate interest rate increases across longer-dated holdings offset some of the positive performance.

Of the underlying managers, the relative outperformance was driven by RLAM, with its portfolio outperforming by 0.4% thanks to an overweight exposure to collateralised debt and financials..

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## Performance – Border to Coast Funds

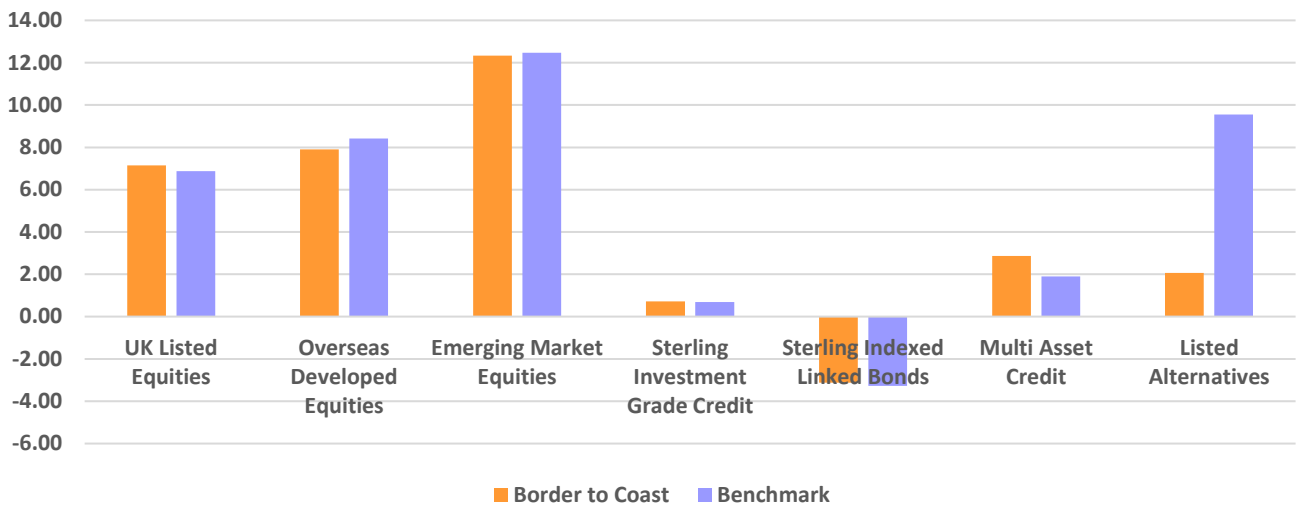
The **Sterling Index-Linked Bond** Fund returned -3.1% over the quarter, outperforming the benchmark by 0.15%. Positive contributions came from the Fund's off-benchmark holdings in corporate bonds and its overweight position in ultra-long-dated gilts. As an asset class, index-linked gilts have experienced a very difficult period since 2022, with increasing real yields (in excess of inflation) causing these bonds to fall in value. Border to Coast's portfolio managers have continued to meet their relative performance objectives though, with the Fund 0.3% p.a. above its benchmark since inception.

Although we provide overall performance figures in this report, the long-term nature of Border to Coast's **private markets (AKA alternatives) capabilities** mean that we need to wait multiple years before reasonably assessing the performance. This is because managers of asset classes such as private equity, private credit and infrastructure tend to spend the first few years of their programs identifying investments and gradually drawing down commitments to develop and enhance these assets. It is only in later years that we expect these investments to bear fruit in the form of positive long-term investment returns.

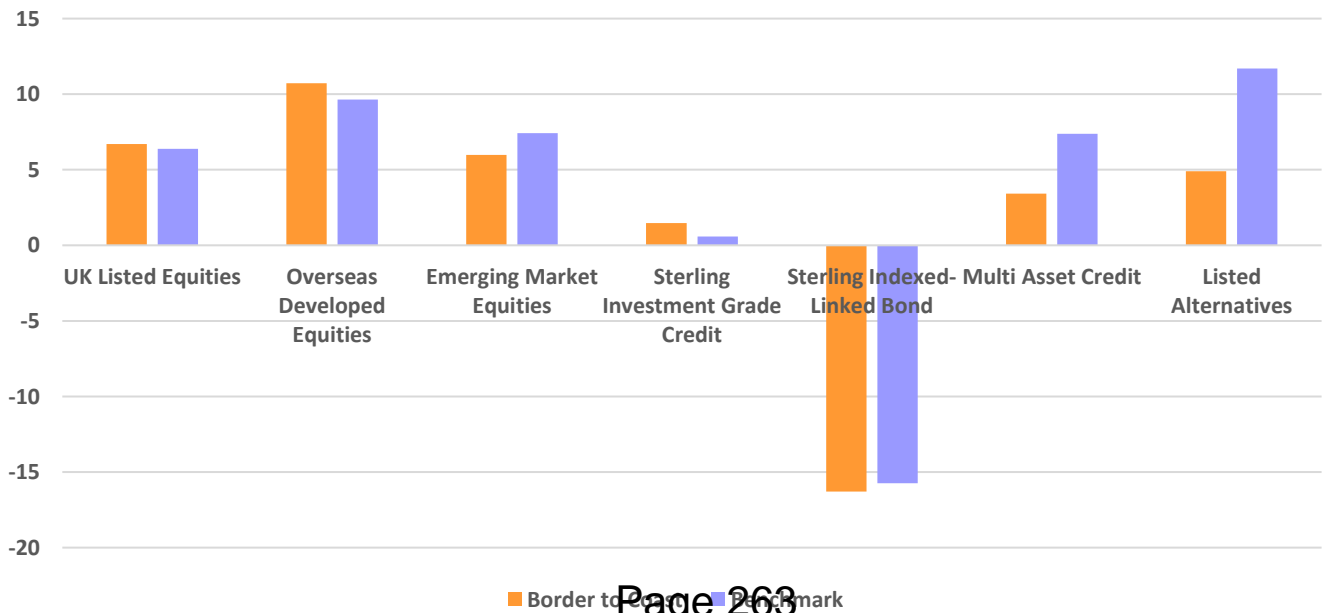
The earliest Border to Coast investments ("Series 1") are now beginning to show some promising performance figures, particularly in private equity and private credit. As time progresses, we will continue to update the Authority with more information on these investments.

# Performance-Border to Coast Funds

## Border to Coast Funds - Quarter to Sep 25

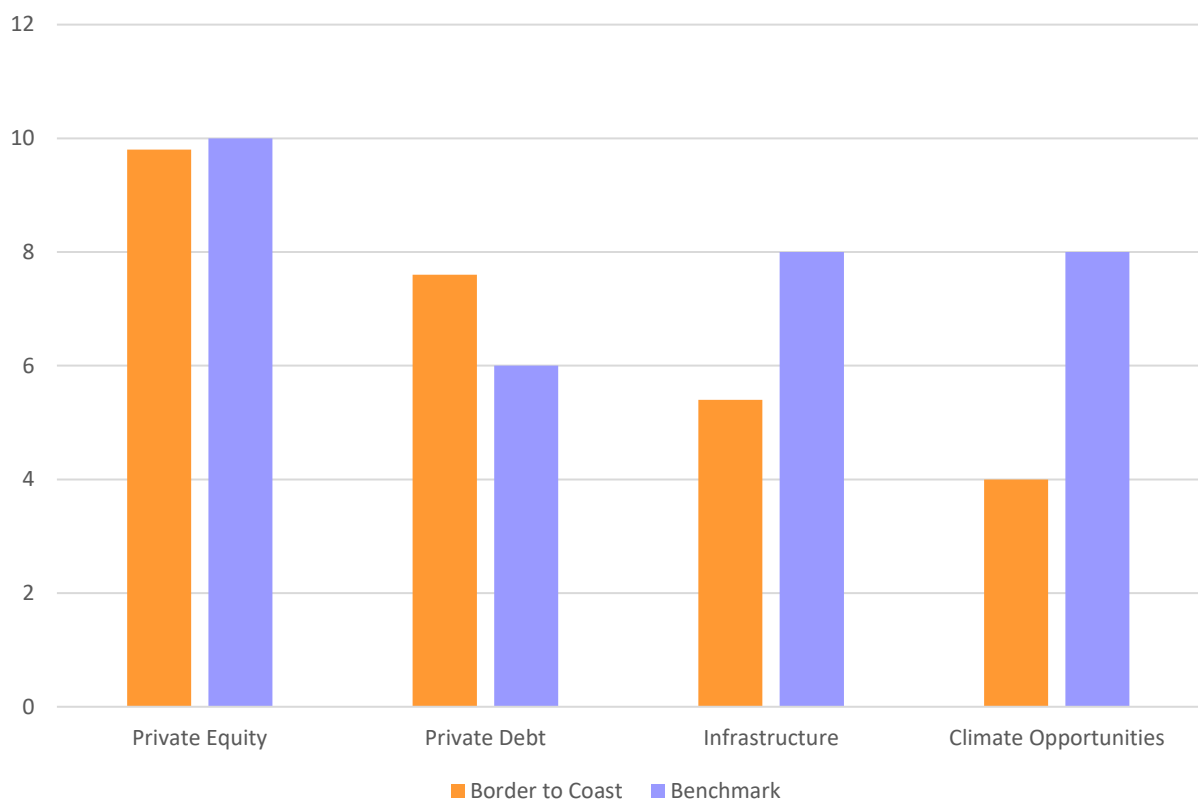


## Border to Coast Funds - Since Inception



# Performance-Border to Coast Alternative Portfolios

Border to Coast Alternative Funds - Since Inception (% p.a.)



(\*) Performance is from inception up to the end of Q2 2025, which is the most recent available reporting date for the Alternative Portfolios.

## Funding Level

SYPA's funding level as at 30 September 2025 is estimated to be c173%:

The breakdown is as follows:

Fund's Assets at 30 September:	£11,777
--------------------------------	---------

Fund's estimated Liabilities at 30 September:	£6,800
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**Caveat:**

The estimated liabilities are calculated on a roll-forward basis. This means that no allowance is made for any actual member experience since the last formal valuation on 31 March 2022. This will be updated once the 31 March 2025 valuation process is formally concluded and signed-off.

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## Investment Strategy Review

Our current strategic asset allocation was set following the 31 March 2022 actuarial valuation. Following the 31 March 2025 valuation, we are now working with our advisors on an investment strategy review to refresh that strategic allocation.

The key areas we will be focussing on in our work are:

- The risk and return profile for the potential asset allocations we are considering.
- Ensuring that we are generating enough money to pay our pensioners on an ongoing basis.
- Making sure our portfolio is robust in a rapidly changing world (climate impact is the most significant single risk in SYPA's risk register).

<b>Subject</b>	<b>Quarterly Review of Responsible Investment Activity</b>	<b>Status</b>	For Publication
<b>Report to</b>	Authority	<b>Date</b>	18 December 2025
<b>Report of</b>	Assistant Director – Investment Strategy		
<b>Equality Impact Assessment</b>	Not Required	Attached	No
<b>Contact Officer</b>	Michael Littlechild – Investment Manager	<b>Phone</b>	01226 666 423
<b>E Mail</b>	<a href="mailto:mlittlechild@sypa.org.uk">mlittlechild@sypa.org.uk</a>		

## **1 Purpose of the Report**

- 1.1 To update the Authority on SYPA's quarterly responsible investment actions and outcomes.
- 

## **2 Recommendations**

- 2.1 Members are recommended to note the content and conclusions – and raise any questions or challenges for discussion.
- 

## **3 Link to Corporate Objectives**

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

### **Responsible Investment**

To develop our investment options within the context of a sustainable and responsible investment strategy.

Regularly reporting the progress related to Responsible Investment ensures that the Authority stays abreast of the complex range of issues facing investors in this area.

## **4 Implications for the Corporate Risk Register**

- 4.1 The actions outlined in this report specifically address the climate related risks include in the Corporate Risk Register and the various risks related to the maintenance of an effective investment process.

## **5 Background and Options**

- 5.1 The purpose of this report is to provide an update on the Responsible Investment activities carried out by Border to Coast over the quarter. The activities include voting and engagement with underlying investee companies and reporting on the progress of financed emissions towards a net zero target.

## **6 Implications**

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

Financial	There are no direct financial implications arising from this report
Human Resources	None
ICT	None
Legal	None
Procurement	None

**Andrew Stone**

**Assistant Director – Investment Strategy**





# Responsible Investment Update Quarter 2 2025/26 December 2025

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## Highlights and Recommendations

Highlights over the quarter to the end of September include:

- Following the end of peak voting season, voting activity fell quarter-on-quarter with c750 votes cast at 72 company meetings.
- The overall level of engagement activity also fell quarter-on-quarter and compared to Q2 2024/25 as LAPFF has taken a more targeted approach to engagement with invested companies.
- The engagement focus remained on environmental topics, including net zero, with business strategy topics also remaining a material proportion of engagement topics.
- The overall ESG performance of the listed asset portfolios with Border to Coast has continued to be relatively strong compared to the respective benchmarks. However, there was a decrease in the score of the Overseas Equity Fund, in line with the benchmark, and for the score of the Listed Alternative Fund.
- Overall financed emissions of the Border to Coast invested assets decreased over the quarter with the exception of the UK Equity and Listed Alternatives funds which both increased and highlight the volatility in financed emissions each quarter. It should be kept in mind that actual emissions reductions is only one contributor to the carbon footprint of a fund, or a benchmark index. This can be outweighed by the impact of changes in market values and index constituents. Hence, it is important that we focus more on the long-term trends than shorter-term changes to these scores (as the latter can be more susceptible to this market “noise”).
- Carbon emissions coverage marginally improved during the quarter, as the coverage of securities held in the UK and Overseas equity funds increased, along with coverage in the Sterling Investment Grade Credit Fund.

The Authority are recommended to note the activity undertaken in the quarter.

## Background

The Authority has developed a statement which sets out what it believes Responsible Investment is and how it will go about implementing it within its overall approach to investment. This statement is set out in the Responsible Investment Policy which is available on the website [here](#).

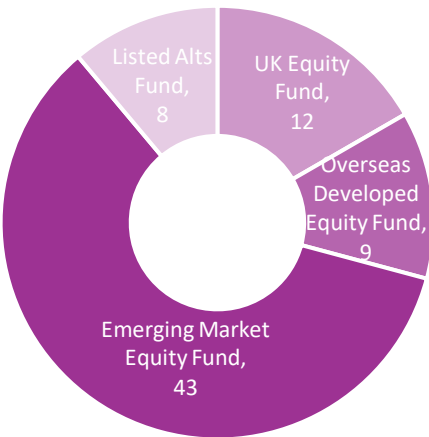
Our approach is largely delivered in collaboration with the other 10 funds involved in the Border to Coast pool. This report provides an update on activity in the last quarter covering:

- Voting – Information on how the voting rights attached to shareholdings have been used over the period to influence the behaviour of companies to move in line with best practice.
- Engagement – Information on the volume and nature of work undertaken on the Authority's behalf to engage in dialogue with companies in order to influence their behaviour and also to understand their position on key issues.
- Portfolio ESG Performance – Monitoring the overall ESG performance of the various products in which the Authority is invested, and on the commercial property portfolio.
- Progress to Net Zero – Monitoring the carbon emissions of the various portfolios where data is available in order to identify further actions required to support progress to Net Zero.
- Stakeholder Interaction – There is considerable interaction between the Authority and stakeholders around responsible investment issues which is summarised for wider accountability purposes.
- Collaboration – Working with others to influence the behaviour of companies and improve stewardship more generally.
- Policy Development – An update on broader policy developments in the Responsible Investment space some of which directly involve the Authority and others which are of more general interest.

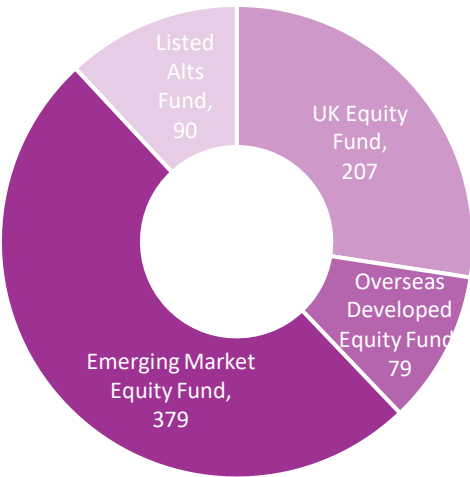
## Voting Activity

This quarter saw an increase in both the number of meetings and votes cast as we reach peak voting season. Detailed reports setting out each vote are available on the Border to Coast website [here](#). The charts below show a breakdown of the meetings and votes cast by Border to Coast on behalf of SYPA investments.

Number of Meetings Voted Jul - Sep 2025



Number of Votes Cast Jul - Sep 25



In their (Jul - Sep 25) Q2 2025/26 Active Ownership proxy voting report, Robeco highlighted how the topic of director election through shareholder voting remains an ongoing cause of friction each annual general meeting (AGM) season. Further detail is provided in the box below:

### **The strange world of director elections**

Several persistent governance challenges continue to weaken the effectiveness and accountability of director elections, particularly in jurisdictions where outdated or flexible voting standards remain in place. One prominent issue is the ongoing presence of so-called “zombie directors”—individuals who fail to secure majority support from shareholders but nevertheless continue to serve on the board. This outcome is typically made possible when companies do not adopt a binding majority voting standard that would require the board to accept the resignation of any director who does not receive majority approval. Instead, many companies rely on mechanisms such as plurality voting, where a director can be elected with a single vote in an uncontested election, or majority voting frameworks that allow the board to reject a tendered resignation. These structures enable directors to stay in place despite clear shareholder disapproval, effectively undermining genuine accountability.

Robeco’s approach is to expect any director who lacks sufficient shareholder support to resign from the board. When this does not occur, Robeco generally votes against the chair of the nomination committee, viewing this position as responsible for maintaining an appropriate and accountable board composition.

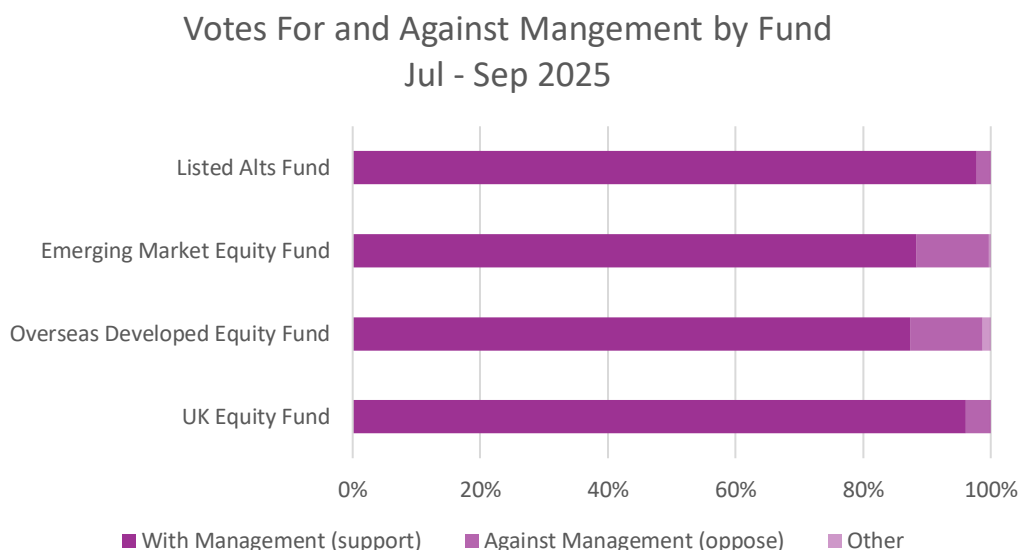
Accountability is further eroded by the use of staggered board terms and bundled or slate elections. Best practice recommends that all directors stand for election annually, enabling shareholders to evaluate the performance and suitability of each board member on a regular basis. Many boards, however, operate with multi-year terms, meaning only a subset of directors is up for election at any given meeting. This can entrench incumbents and weaken shareholder oversight. The practice of slate elections compounds the problem by requiring shareholders to vote on an entire group of nominees at once, rather than having a separate vote on the election of each candidate, preventing them from expressing targeted support or opposition to individual candidates. Robeco therefore regards individual director elections as essential and will oppose full slates if concerns about any individual nominee arise.

Shareholder influence may also be diluted by structural arrangements such as dual class share structures that grant enhanced voting power to insiders or controlling shareholders. While cumulative voting systems—recently mandated for large, listed companies in South Korea—can help improve minority representation by enabling shareholders to allocate votes strategically, Robeco maintains a preference for the “one share, one vote” principle as the most equitable and transparent standard. Where dual-class structures lack meaningful sunset provisions, Robeco generally votes against the chair of the governance committee.

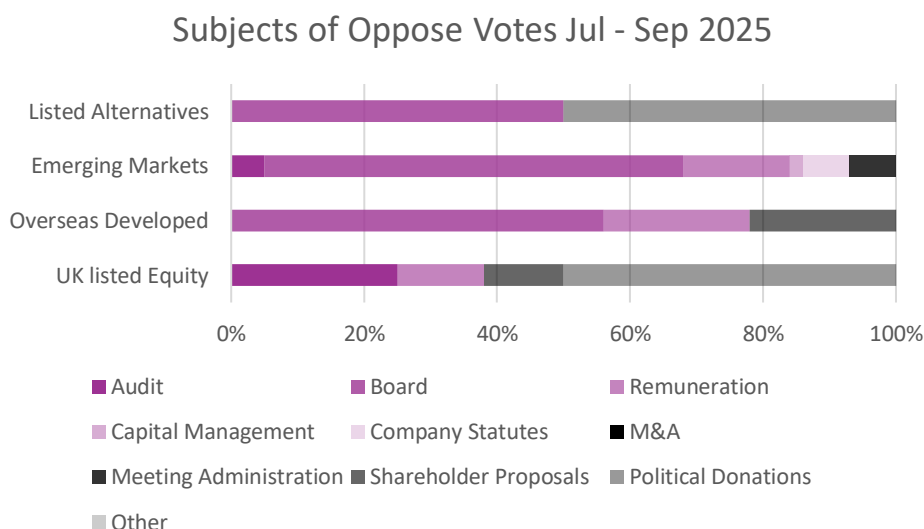
A further challenge is the insufficient disclosure of director nominees. Effective shareholder decision-making depends on receiving nominees’ names well in advance, along with detailed information on each candidate’s skills, experience, and relevance to the board’s needs. When companies fail to provide adequate disclosure, Robeco votes against the nominee. Collectively, these issues highlight the need for transparent, equitable, and shareholder-aligned director election practices.

*Robeco Active Ownership Report October 2025*

The breakdown of support and oppose votes, which align with votes for or against management, is shown in the chart below.



The above graph shows the breakdown of votes cast for (in support of management) and against (in opposition to management) resolutions during the quarter. The proportion of votes against the line taken by company management dropped below 10% overall, with 8.2% of total votes cast against management. In absolute terms, the number of votes against management decreased from 614 to 62, due to a significant decrease in the number of votes cast in total across all publicly listed funds following the passing of peak voting season.



The above graph indicates that votes against management were less dispersed this quarter across topics in all funds this quarter. The largest areas where voting continues to oppose management relate to Board composition and Political donations. The latter made up a significant proportion of votes against in the UK Listed Equity and Listed Alternatives funds. Further, it is worth keeping in mind some of the key reasons why votes are made against management.

- In the case of Board composition there are a number of factors which under the voting guidelines automatically trigger an oppose vote. These include insufficient independence, insufficient diversity within the Board, and insufficient progress in terms of adapting the business to the risks posed by climate change.
- In the case of remuneration votes against, these are triggered by executive pay packages which are either excessive in absolute terms, where incentive packages are not aligned with shareholder interests, or the performance targets are poorly defined or too easily achieved.
- In the case of votes against political donations in the UK, this reflects the fact that in the UK donations must be put to a shareholder vote and the voting guidelines oppose any donations of this kind.
- Auditor appointments are automatically opposed if reappointment would result in an unduly long term which is viewed as compromising the independence of the Auditor.

Shareholder resolutions, as can be seen within the information on notable votes in these reports linked below, can cover a whole range of issues. Over the course of the last year the focus of shareholder resolutions, aside from climate issues, has tended to be on diversity and human rights issues, particularly for US companies. The voting policy does not automatically support such resolutions, rather analysis is undertaken on a case-by-case basis covering both the company's and proponent's positions before votes are decided by Border to Coast on the advice of Robeco.

Notable votes in the quarter are summarised below and further details on the voting undertaken for each of the funds can be found [here](#).





**Macquarie**, the Australian headquartered financial services firm, held their 2025 AGM, where shareholders voted on director elections, executive pay, and two shareholder proposals on non-binding resolutions and climate-related disclosure. Robeco opposed the re-election of the Audit Committee Chair due to persistent compliance failures, slow board responses to regulatory issues, and recent ASIC enforcement actions, signalling the need for stronger oversight. Robeco also supported enabling non-binding proposals to enhance shareholder rights and engagement. Additionally, Robeco backed improved disclosure of fossil fuel exposure and net-zero alignment, viewing greater transparency as essential for assessing climate risks and Macquarie's transition progress.



Naspers Limited operate in the consumer internet sector in Africa, Asia, Europe and Latin America. At Naspers's AGM, concerns were raised over the election of the Audit Committee Chair who, despite being labelled independent, is a former employee and long-serving director - thus compromising the required independence for this oversight role. Remuneration issues also persisted. Although Short-Term Incentive disclosure improved, the Long-Term Incentive Plan still relies on a sole metric which rewards executives for below median performance and only has a short vesting period. Excessive CEO pay is also a concern, including a potential \$154m "moonshot" award. Additional payouts to the former CEO upon departure highlighted weak restraint. Ongoing shareholder dissent and unresolved structural flaws led to Robeco to vote against both the remuneration policy and its implementation.



**Compagnie Financière Richmond SA** - an investment holding and luxury goods business - held their AGM on 10 September where shareholders voted on director elections. Fifteen directors were nominated - but two key concerns emerged. Johann Rupert, the non-independent founder with over 50% of voting power, was nominated as Chair of both the board and the Nominations Committee. His control over candidate selection and election raised serious governance concerns, leading Robeco to oppose his election. Additionally, Josua Malherbe was nominated to the Audit Committee despite long-standing ties to the Rupert family which undermine his independence. Robeco expect Audit Committees to be entirely composed of independent directors and voted against his election. Both directors were re-elected with 91.5% and 93.0% support respectively.

## Engagement Activity

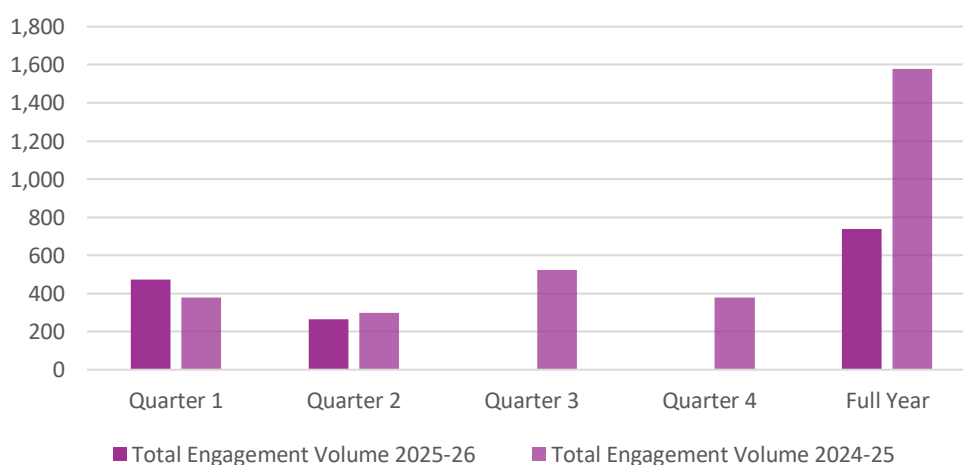
Engagement is the process by which the Authority, working together with other like-minded investors, seeks to influence the behaviour of companies on key issues. Engagement (in distinction to voting) is an ongoing process and is undertaken by those directly managing money for the Authority. This includes the investment team at Border to Coast and the external managers in the Investment Grade Credit fund together with Robeco who act on behalf of Border to Coast and the Local Authority Pension Fund Forum (“LAPFF”) which acts on behalf of all its member funds. The graphs below illustrate the scale (in terms of the total number of pieces of engagement activity), the route for and the focus of engagement activity undertaken in the quarter, as well as the method of engagement undertaken.

Engagement Routes Jul - Sep 2025

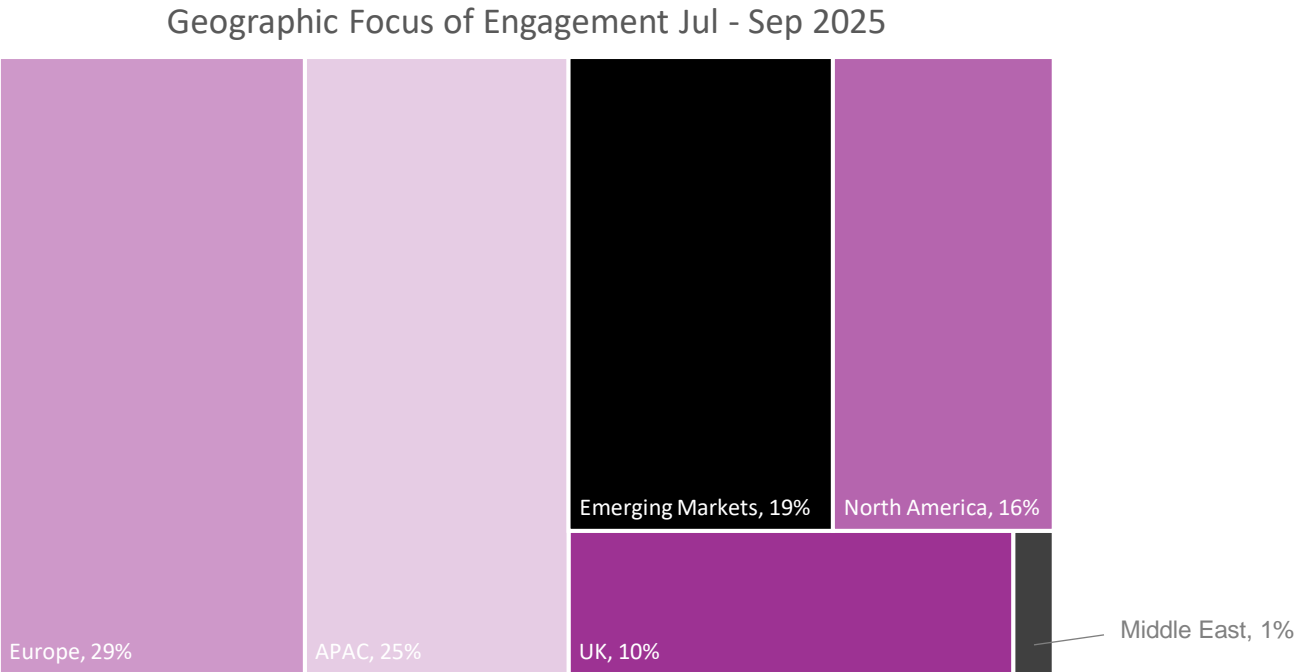


The graph below shows the overall level of engagement activity in the quarter decreased compared to the same quarter last year. This decrease was primarily driven by a drop in the level of engagement by LAPFF on behalf of members due to the implementation of a more targeted approach to company engagement.

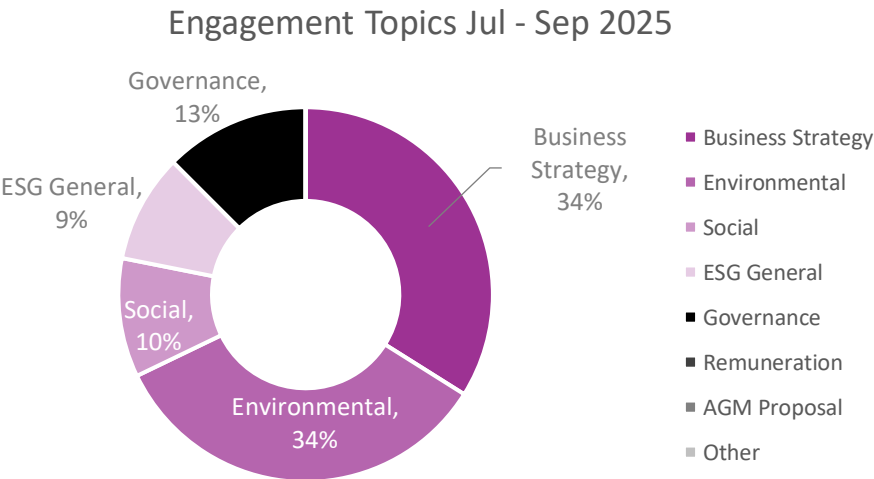
Total of Engagement Activity



The chart below shows a breakdown of the geographic market focus in engagement over the last quarter. The proportion of engagement focus remains fairly equally weighted between major investment markets. The most notable changes come from a proportionate increase in Asia Pacific (“APAC”) and Emerging Markets engagement, with a decrease in US and UK regional engagement.

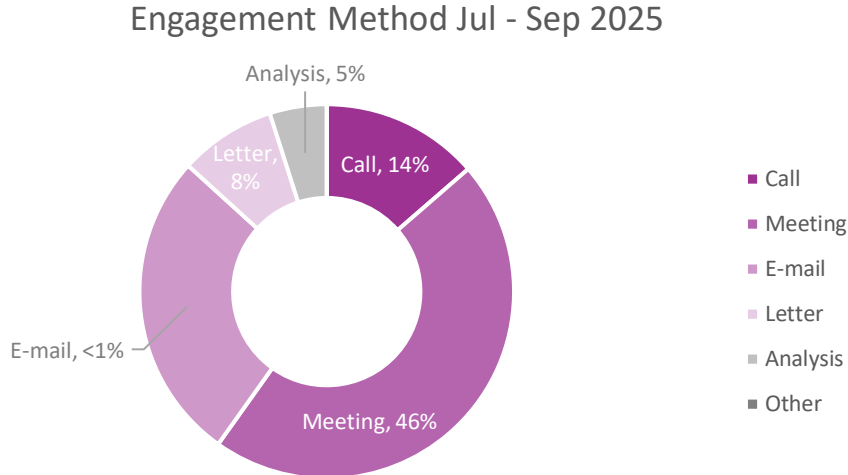


The range of topics covered through engagement is set out in the chart below with a continuing strong focus on business strategy and environmental issues this quarter.



The method by which companies are engaged is important. Letters and emails are much more easily ignored or likely to generate a stock response from companies, whereas calls or meetings allow for more effective and genuine interaction with the company. The positive momentum seen over recent

quarters in the proportion of engagement taking place via calls or meetings has been maintained, at 60% of total engagement this quarter.



More details of the engagement activities undertaken by Border to Coast and Robeco in the quarter are available [here](#). Robeco provided updates on their engagement covering the following areas: Good governance; Labour practices; climate and nature transition of financials and SDG engagement. The highlights from Robeco’s engagement report are summarised below.

**Transition Minerals: Costing the Earth?**

Demand for transition minerals is surging, with lithium up nearly 30% in 2024 and nickel and cobalt rising 8%. Meeting global decarbonisation targets will require doubling mineral supply by 2030 and tripling it by 2050, yet current production and planned projects fall far short. Extraction carries significant environmental and social risks, including land-use change, water stress, and human rights violations. Investors therefore face the challenge of supporting rapid energy transition while avoiding the harms associated with past resource booms.

Robeco’s new engagement theme focuses on risks across the electric vehicle (EV) value chain – with mining, battery manufacturing and EV production being the three key sectors central to transition mineral demand. Major risks include biodiversity loss, water contamination, hazardous waste, unsafe labour conditions, displacement of communities, and violations of indigenous rights. Weak supply chain traceability further hinders responsible sourcing and compliance with regulations such as the EU Battery Regulation.

Poor management of these issues can lead to project delays, regulatory sanctions, reputational damage and disrupted supply chains. Conversely, companies that adopt robust ESG practices are better positioned to benefit from regulatory alignment, consumer trust and long-term value creation.

Running from Q3 2025 to Q3 2028, Robeco’s engagement will target six companies across the three key sectors above. The programme focuses on six objectives: strong public commitments; strengthened governance; measurable targets on climate and nature; value chain goals including Scope 3; inclusive stakeholder engagement; and transparent disclosure aligned with global frameworks. Sector-specific priorities include the Initiative for Responsible Mining Assurance

(IRMA) standards and Free, Prior and Informed Consent (FPIC) compliance in mining, hazardous waste reduction and circularity in battery manufacturing, and due diligence and traceability improvements for EV producers.

Robeco will complement this with sovereign engagement to promote stronger policy frameworks supporting responsible sourcing and sustainability.

### **Hazardous Chemicals: Risks of PFAs continue to rise**

PFAS (per- and polyfluoroalkyl substances) are classified as Substances of Very High Concern under the EU's REACH regulation and face mounting restrictions in both Europe and the United States. Their widespread use—in consumer goods, electronics, healthcare products and firefighting foams — combined with significant health and environmental risks makes them a major priority for regulators and investors. PFAS exposure is associated with cancer, infertility and immune dysfunction, and contamination commonly occurs through manufacturing activities and polluted water or food sources.

For investors, PFAS represent both financial and reputational risk. Litigation is rising rapidly, with major settlements already reached in the United States, including 3M's USD 10.3 billion agreement over contaminated drinking water and additional settlements exceeding USD 1 billion by DuPont and others. Europe is experiencing similar momentum, with class actions, government lawsuits and a Swedish Supreme Court ruling recognising elevated PFAS levels as injury. Regulatory trends—such as tighter disclosure requirements under the CSRD—are accelerating demand for transparency and safer alternatives.

Robeco launched a three-year engagement programme in 2024 to encourage chemical companies to improve PFAS reporting, develop phase-out plans and invest in safer substitutes. Early progress includes companies announcing PFAS manufacturing phase-outs and increasing disclosure of hazardous chemical production. Robeco also participates in the Investor Initiative on Hazardous Chemicals, a coalition of 74 investors managing USD 18 trillion, which advocates for timebound PFAS phase-outs, greater transparency and reduced hazardous product portfolios.

As regulatory pressure, scientific evidence and litigation intensify, companies face growing legal, operational and reputational risks. Investors have a key role in driving improved governance, transparency and innovation in safer chemical solutions.

### **Tax transparency – every cloud has a silver lining**

Robeco considers corporate taxation highly relevant for investors, as effective tax rates directly influence net profits and shareholder returns. Beyond financial impact, aggressive tax strategies such as Base Erosion and Profit Shifting (BEPS) can expose companies to regulatory scrutiny and societal backlash. Investors therefore require clear, meaningful disclosure on tax practices to assess alignment between value creation and tax treatment, expected shifts in tax rates, and potential risks linked to investigations.

In early 2024, Robeco launched its Tax Transparency engagement theme, focusing on companies in the US and Europe. The engagement is built around three priorities: clearly articulated tax policies and principles; strong governance systems that ensure tax policies are properly implemented; and transparent reporting that reflects how tax payments align with economic activity. Engagement has revealed that many companies maintain robust internal tax processes yet provide only vague public disclosures, partly due to concerns about legal risks, uncertainty, and conflicting stakeholder expectations—some favour greater transparency, while others prioritise minimising tax burdens.

The regulatory landscape is evolving rapidly. The OECD's BEPS 2.0 project, involving over 145 jurisdictions, aims to introduce a global minimum corporate tax rate of 15% for large multinational groups. The GRI 207 tax standard is also shaping expectations by requiring detailed disclosure of tax governance and country-by-country reporting. However, US political developments have disrupted progress, with the 2025 administration withdrawing support for the OECD Global Tax Deal, creating greater uncertainty for American corporates.

In response, Robeco is shifting engagement efforts towards Europe, where regulatory alignment—such as EU public country-by-country reporting—is strengthening. By focusing on regions with clearer policy direction, Robeco aims to generate more impactful improvements in corporate tax transparency.

### **Border to Coast Engagement**

Border to Coast produced their quarterly Stewardship report which outlined a number of their key engagement highlights during the quarter and can be viewed [here](#).

### **BP and Shell – Climate Change**

Border to Coast continued its direct engagement with BP and Shell, two of the largest contributors to its financed emissions, concentrating on net-zero commitments, interim reduction targets, and the strength of their transition plans. During the quarter, Border to Coast met BP to address concerns following the company's weakening transition strategy, which had prompted Border to Coast to take the unprecedented step of voting against management at BP's 2025 AGM. Border to Coast requested a post-2030 transition plan and clear interim targets demonstrating how BP intends to achieve its 2050 net-zero commitment. BP indicated it had no plans to present additional information to shareholders in 2026, leading Border to Coast to consider further escalation.

Border to Coast also met Shell to discuss its votes against management and the board's response to significant shareholder support for a proposal on liquefied natural gas (LNG) expansion. A further meeting with Shell's Chair, Sir Andrew MacKenzie, covered LNG plans, medium-term emission reduction targets, post-2030 strategy, and ensuring a just transition for North Sea oil and gas workers. Engagement remains constructive and ongoing.

### **Kingfisher and Tesco – Real Living Wage**

In 2024, Border to Coast joined the Good Work Coalition, a collaboration of 47 institutional investors co-ordinated by ShareAction and representing \$7.1 trillion in AUM.

As part of its support for the Coalition, Border to Coast joined the Living Wage workstream, which engages with FTSE350 companies in the retail sector to encourage them to become accredited real Living Wage Employers, ensuring the Living Wage is paid to both directly employed and third-party staff.

During the quarter, Border to Coast met Kingfisher and Tesco to promote accreditation. Engagement is ongoing.

### **St James's Place – Diversity of Thought**

Border to Coast views diversity of thought on boards as a vital element of good governance, helping to reduce the risk of groupthink and supporting stronger decision-making.

To advance this agenda, Border to Coast joined the 30% Club investor group, which engages companies to promote improved gender and ethnic minority diversity on boards and executive teams.

During the quarter, Border to Coast met St James' Place on behalf of the collaboration to discuss the company's progress in this area. Border to Coast welcomed St James' Place's positive response and recent changes in board composition, and subsequently closed the engagement as the company now adheres to best practice.

## LAPFF Engagement

Local Authority Pension Fund Forum ("LAPFF") is another relevant organisation which SYPA is a member of where LAPFF carry out activity and engagement with invested companies. A detailed report of the work undertaken by LAPFF in the quarter is available [here](#). A selection of key issues worked on during the quarter are summarised below and include:

**Water Stewardship:** LAPFF views water stewardship as a critical risk across sectors such as mining, energy, utilities, and food and drink, where poor management can lead to serious social, environmental, and financial harm. Engagement focuses on water scarcity, human rights impacts, pollution, and the growing threat of PFAS "forever chemicals". Climate change is intensifying pressures in water-stressed regions, increasing operational and reputational risks. In the UK, sewage spills from storm overflows remain historically high, prompting LAPFF to engage Pennon, Severn Trent and United Utilities on performance, regulatory change and pollutant management.

Pennon has shown improvement, with reduced pollution incidents and major investment programmes, though challenges remain. Severn Trent has retained strong environmental ratings and significantly reduced spill frequency, but regulatory uncertainty persists as the UK restructures oversight. LAPFF also engaged Coca-Cola over weakened water commitments and governance concerns, pressing for stronger targets and accountability. Engagements aim to ensure responsible water use, pollution reduction and protection of ecosystems and communities.

**Cement production - Heidelberg and CRH:** Cement production is a highly localised, carbon-intensive industry, accounting for up to 10% of some countries' CO<sub>2</sub> emissions. Key environmental challenges include decarbonising both the chemical process that releases CO<sub>2</sub> from calcium carbonate and the fossil-fuel energy used to heat kilns, as well as managing water use and aggregate supply. Carbon Capture and Storage (CCS) is currently the only viable route to reducing process emissions, with Heidelberg the first company to operate a full-scale CCS facility at its Brevik plant in Norway.

Engagements with Heidelberg and CRH focused on the credibility of their decarbonisation strategies, including substitution of clinker (a key cement ingredient and the main source of CO<sub>2</sub> emissions in cement production), alternative fuels, and CCS deployment. CRH has made progress on CCS, reduced its clinker factor to 75.9%, and increased alternative fuel use, though some targets remain undisclosed. Heidelberg has achieved significant milestones through CCS but remains reliant on government funding, with challenges around economic viability, material supply, and biodiversity impacts. Both companies face competitive pressures and evolving regulatory conditions.

**Nature & Biodiversity:** LAPFF continues to focus on nature and biodiversity, two years after the publication of the Taskforce on Nature-Related Financial Disclosures (TNFD) recommendations. It expects companies with significant impacts on nature to commit publicly to mitigating nature loss, disclose their material dependencies and impacts, and explain the concrete steps they are taking across operations and supply chains.

As part of its work with Nature Action 100, LAPFF led its first investor meeting with Pfizer. The company acknowledged links between climate change and biodiversity and shared findings from its 2023 biodiversity risk assessments, which identified sites located near sensitive ecosystems. LAPFF emphasised the need for transparent disclosures as a foundation for effective governance and target-setting.

Beyond collaborative engagement, LAPFF contacted several global companies dependent on natural resources, with Bunge responding and inviting LAPFF to an upcoming ESG investor call. LAPFF will continue to assess progress, pressing companies to integrate nature-related risks into strategy and disclosures and considering escalation where engagement is insufficient.



## Portfolio ESG Performance

### Equity Portfolios

Each of the equity portfolios is monitored by Border to Coast in terms of its overall ESG performance with data reported quarterly. This section of the report provides a summary of performance and of changes over time. The full reports are available for Authority members in the on-line reading room, but this summary provides a high-level indication of the position of each of the listed funds.



## Overseas Developed Equity Fund

The Fund's overall ESG score declined by 0.1 to 7.0, in line with the benchmark, which also fell by 0.1. The Fund continues to score narrowly above benchmark.

The Fund maintains a lower exposure to ESG laggards compared to the benchmark and continues to hold four CCC rated companies.

## UK Listed Equity Fund

Both the Fund and its benchmark experienced a notable decline in overall ESG scores over the period. The Fund, which previously matched the benchmark, now sits 0.1 points below it. This was driven by a reduction in the proportion of holdings classified as ESG Leaders. The Fund's exposure to ESG Leaders fell from 64% to 51%, driven by downgrades in the ESG ratings of AstraZeneca, Antofagasta, and Melrose Industries, as well as the exit of Intercontinental Hotels Group from the portfolio.

In terms of environmental risk, the Fund has a higher proportion of holdings exposed to high water stress compared to the benchmark. This is due to positions in mining companies such as Anglo American, Antofagasta, and Rio Tinto. Additional contributors to water stress exposure include Coats Group (a thread manufacturer), Imperial Brands and British American Tobacco (tobacco producers), Coca-Cola, and Cranswick (food producer/supplier). These companies operate in sectors with high water dependency.

## Emerging Markets Equity Fund

The Fund's overall ESG score remained unchanged this quarter, while the benchmark improved by 0.1. Although the Fund continues to score above the benchmark, the gap eroded to a differential of 0.1.

Emerging market governance standards often diverge from global norms. However, the Fund maintains materially lower exposure to governance and ESG laggards compared to the benchmark. The number of CCC-rated holdings increased from three to four following the initiation of a new position in Lens Technology.

## Listed Alternatives Fund

The Fund's overall ESG score declined slightly by 0.1 to 7.1, while the benchmark remained unchanged at 6.6. The Fund continues to outperform the benchmark, though the gap has narrowed.

Despite a higher overall exposure to ESG laggards, the Fund holds only one CCC rated company, Blue Owl Capital, and remains notably less exposed than the benchmark to issuers flagged as being at risk of breaching the UN Global Compact.

## Sterling Investment Grade Credit Fund

Similar information is now available for the Investment Grade Credit portfolio as is available for the equity portfolios. It is important to note that while the availability and quality of ESG data has been improving in recent years, there can still be material gaps across the fixed income market. This is particularly prevalent where a debt-issuing entity does not also issue publicly listed equity, which, in most cases, the fixed income issuer maps to. The highlights from this report are set out below:



The Fund's ESG score remained stable at 7.4 quarter on quarter. The benchmark's score increased by 0.1 to 7.6, widening the gap above the Fund. Following the exit from Akelius, previously the Fund's only CCC rated holding, GB Social Housing was downgraded to CCC during the quarter. As a result, the Fund continues to hold one issuer rated CCC.

### Commercial Property Portfolio

During the last quarter of 2024, part of the directly held property portfolio transitioned into a pooled investment vehicle managed by Border to Coast and made up of the direct property assets of other Partner Funds.

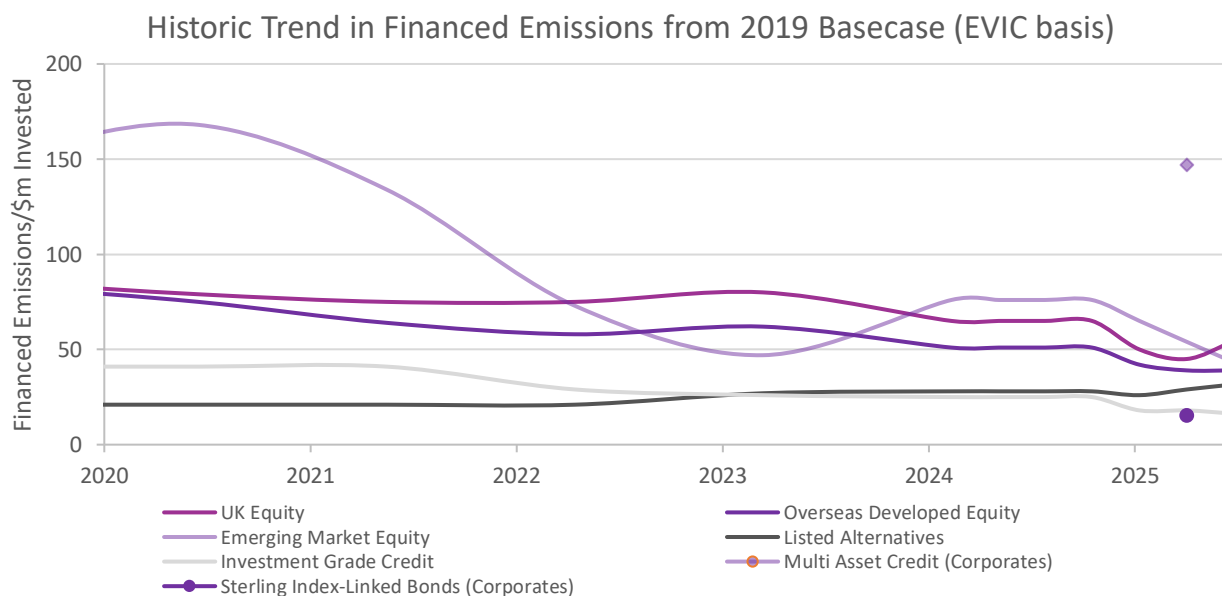
This transition of assets is in support of the pooling process; however, it limits the direct control that SYPA has over the specific assets to make dedicated decisions to reduce the carbon footprint. Instead, investment decisions will now be taken by Border to Coast with the continued support of Aberdeen who were the Fund Manager for the SYPA assets, when under direct ownership. Border to Coast is targeting net zero for the UK Real Estate Fund of 2050 and we will continue to push for a more ambitious target.

## Progress to Net Zero

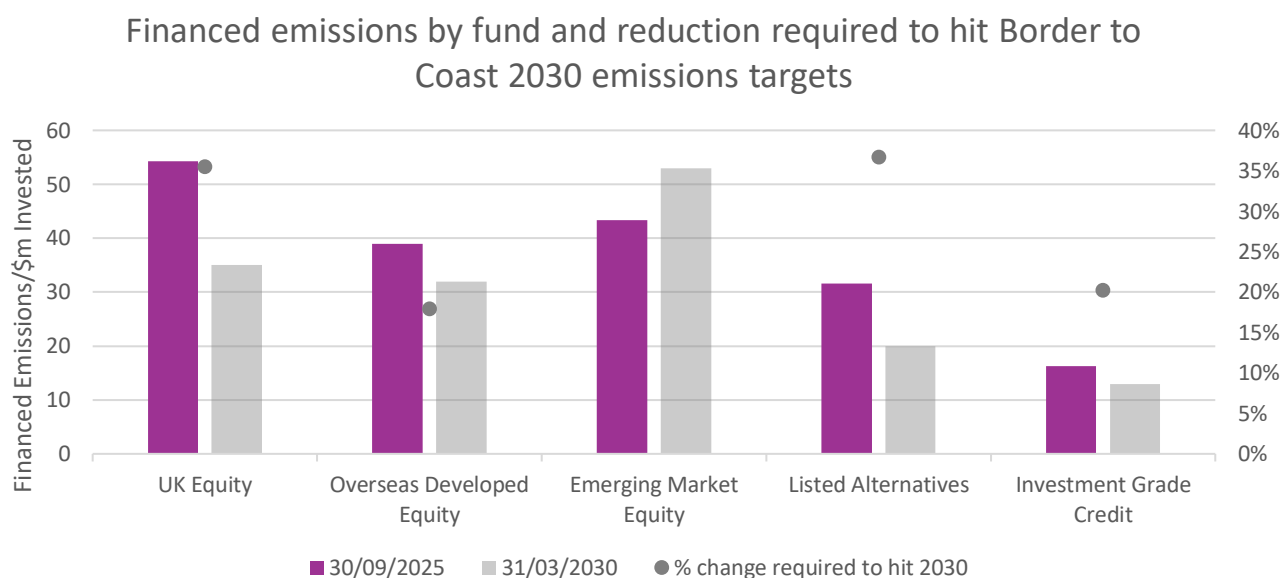
Each quarter Border to Coast's reporting on carbon emissions considers progress towards Net Zero and features particular stocks and their plans for decarbonisation. To increase the level of transparency on the engagement undertaken with companies and the assessment of their future decarbonisation plans, case studies for each listed fund are included below. It should be recognised that these metrics do exhibit volatility quarter-on-quarter as companies report emissions data annually and metrics fluctuate as market capitalisation and reported revenues are updated. The graph below shows the historic trend for what is now termed financed emissions (i.e. absolute carbon emissions) which is the main indicator for which targets have to be set. This emissions data covers the publicly traded funds held with Border to Coast for which carbon emissions data is available and now includes emissions reporting for the corporate bond constituents of both the Multi Asset Credit and Sterling Index-Linked Bond funds however currently data availability for both of these funds currently lags by one quarter.

Border to Coast have recently shifted from reporting financed emissions on a market-capitalisation basis to an enterprise-value basis (EV or EVIC) which reflects a move toward a more complete and stable measure of a company's economic value. Market capitalisation captures only the value of equity and fluctuates with daily market sentiment, which can distort emissions-intensity metrics and make year-to-year comparisons unreliable. Enterprise value, by contrast, includes both equity and debt and represents the full value of the business that investors finance. This makes enterprise value a better proxy for the share of a company's activities that financial institutions actually support. As it is more comprehensive, less volatile, and better aligned with real economic exposure, an enterprise-value basis provides a more accurate and decision-useful foundation for assessing financed emissions.

The below graph shows the movement of actual financed emissions of the listed funds held over time with the financed emissions trend that has been directionally reducing, albeit with some volatility and in general, at a slowing rate over recent quarters.



The below chart shows the changes required by fund to meet the Border to Coast stated financed emissions targets by 2030. As previously noted, some level of volatility in financed emissions, at a fund level, should be expected quarter-on-quarter, as firms report emissions annually and changes in overall market value and in underlying securities will impact the reported metrics. As previously stated, reaching the net zero goal by 2030 will require a change in the emissions reduction trajectory of the reported Border to Coast funds that is significantly beyond the current Border to Coast targets.



### Overseas Developed Equity Fund

The Fund saw minimal change in its scope 1 and 2 emissions profile this quarter, with financed emissions and weighted average carbon intensity both increasing by 1% quarter on quarter. In contrast, the benchmark recorded a 7% reduction in financed emissions and a 5% decrease in weighted average carbon intensity. Despite this, the Fund remains below benchmark on both metrics.

The benchmark's improvement was driven by small reductions in weights across top emitters and turnover that introduced lower-emission issuers. The most notable change in the Fund was the addition of NRG Energy, which has become the fourth largest emitter in the portfolio, replacing Qantas Airways. NRG is this quarter's feature stock.

#### Featured stock: NRG

NRG is an independent power producer (IPP) or merchant utility that sells utility in competitive states through the wholesale market. It is also one of the largest retail electricity providers in the US, serving 7m+ customers, primarily in Texas. Historically reliant on coal for generation, NRG has over the years transformed its generation mix to natural gas, now further enhanced through the pending acquisition of LS Power.

Natural gas is seen as the likely bedrock for US utility generation, now amplified by the uncertainty the One Big Beautiful Bill Act (OBBBA) brings to renewable project development. That said, NRG has net zero targets by 2050, and compared to its 2014 base year, the company has achieved a 57% reduction in CO2 emissions. While Utilities and especially NRG are broadly fossil fuel

emitters, NRG's Vivint platform offers energy savings and circular economy benefits which we see as a carbon positive feature.

NRG, through its subsidiaries Vivint and CPower, is expanding beyond traditional electricity generation by contributing to grid efficiency via its Virtual Power Plant (VPP) initiatives. VPPs represent a strategic intersection of financial and ESG considerations. While some investors view VPPs as lower quality compared to core generation assets, they can offer meaningful environmental benefits by enhancing grid flexibility and reducing peak demand. NRG's moderate exposure to smart home technologies positions the company to benefit from this segment without over-reliance. This is a balanced approach: supporting growth in a lower-emission business line while maintaining a core investment case rooted in more established operations.

### UK Listed Equity Fund

The Fund recorded a 20% increase in scope 1 and 2 financed emissions, 14% increase in carbon intensity and a 4% rise in weighted average carbon intensity over the quarter. The Fund now sits above benchmark across all emissions metrics.

The increase in financed emissions occurred despite notable reductions in the portfolio weights of Shell and Rio Tinto. The primary driver for the increase was the introduction of a new active position in International Airlines Group, which is now the Fund's second largest contributor to financed emissions, this quarter's feature stock.

#### **Featured stock: International Airlines Group (IAG)**

IAG is one of the world's largest airline holding companies, comprising British Airways, Iberia, Aer Lingus, Vueling, and LEVEL. Operating across Europe, North America, Latin America, and Asia, IAG maintains a strong presence in long-haul and premium travel markets.

The group has a clear roadmap to achieve net zero carbon emissions by 2050 across its operations and supply chain. IAG is ahead of schedule on its climate goals, having already met its 2025 target of reducing emissions intensity to 78.1g CO<sub>2</sub> per passenger kilometre, beating its 80g target. It has committed to using 10% Sustainable Aviation Fuel (SAF) by 2030 and has secured one-third of the required supply. To meet its targets, IAG is pursuing a multi-pronged strategy:

- Fleet Modernization: €3.7 billion invested in fuel-efficient aircraft, including 53 widebody orders in 2025;
- SAF Agreements: Long-term deals include 785,000 tonnes of e-SAF from Twelve, a 10-year supply from Infinium, and 28,000 tonnes from Repsol for Spanish operations;
- SAF Innovation: Backing Alcohol-to-Jet technology via LanzaJet for scalable SAF production;
- Carbon Removals: Continued investment in verified offset schemes and carbon removal technologies;
- Climate Governance: All senior leaders now have climate-linked pay incentives;
- Operational Efficiency: Advanced analytics and planning help optimise routes and reduce fuel burn.

Despite challenges in scaling SAF and transitioning from fossil fuels, IAG remains a sector leader in aviation decarbonization, advocating for supportive policy and investing in innovation to meet long-term climate commitments.

### Emerging Markets Equity Fund

The Fund recorded a 19% reduction in financed emissions, an 18% decrease in carbon intensity, and an 11% drop in weighted average carbon intensity this quarter. The Fund remains materially below benchmark across all emissions metrics. The primary driver for the reduction in emissions was the exit from CEMEX, which was the Fund's second-highest emitter in Q2, accounting for 17.5% of total emissions at the time.

### **Featured stock: Astra International**

Astra International is one of Indonesia's largest conglomerates, with a diversified revenue mix: approximately 40% autos, 10% financial services, 35% heavy equipment (via 60% ownership of United Tractors), and 10% across property, agriculture, infrastructure, and technology. As the distribution partner for Toyota, Daihatsu, and Isuzu in Indonesia, it holds a dominant market position, controlling approximately 50% of the four-wheeler distribution market and 75% of the two-wheeler segment.

The company operates in environmentally and socially sensitive sectors, including coal mining and palm oil. Astra claims to be enhancing its ESG performance through sustainable practices in mining and agribusiness, and investments in renewables. However, governance concerns persist. MSCI rates Astra BB, citing limited board independence and concentrated ownership, 50.1% held by Jardine Cycle & Carriage and 4.7% by Toyota Motor Corp.

Astra's climate-related risks centre on its exposure to high emission sectors, particularly coal mining and palm oil. While the company supports Indonesia's 2060 carbon neutrality goal and has set an absolute emissions reduction target for Scope 1 and 2 by 2030, with a net zero ambition by 2050, its involvement in coal mining remains. Astra has expressed interest in zero emission vehicles and is investing in renewable energy, but the pace and scale of transition efforts will require ongoing monitoring.

### **Listed Alternatives Fund**

The Fund saw a 9% increase in financed emissions, a 7% rise in carbon intensity, and a 3% increase in weighted average carbon intensity this quarter. The increase was primarily driven by higher portfolio weights in the Fund's three largest contributors to financed emissions: NextEra (+0.2%), Veolia (+0.5%), and Enbridge (+0.6%).

### **Featured stock: Iberdrola**

Iberdrola is a Spanish multinational utility company with a diversified portfolio encompassing hydroelectric, gas-fired, nuclear, and renewable power generation assets. As one of the world's foremost developers, producers, and distributors of renewable energy, Iberdrola is strategically positioned to benefit from the long-term global trend toward energy market decarbonisation. Its extensive experience in the renewables sector provides it with a significant competitive edge over smaller or less agile peers.

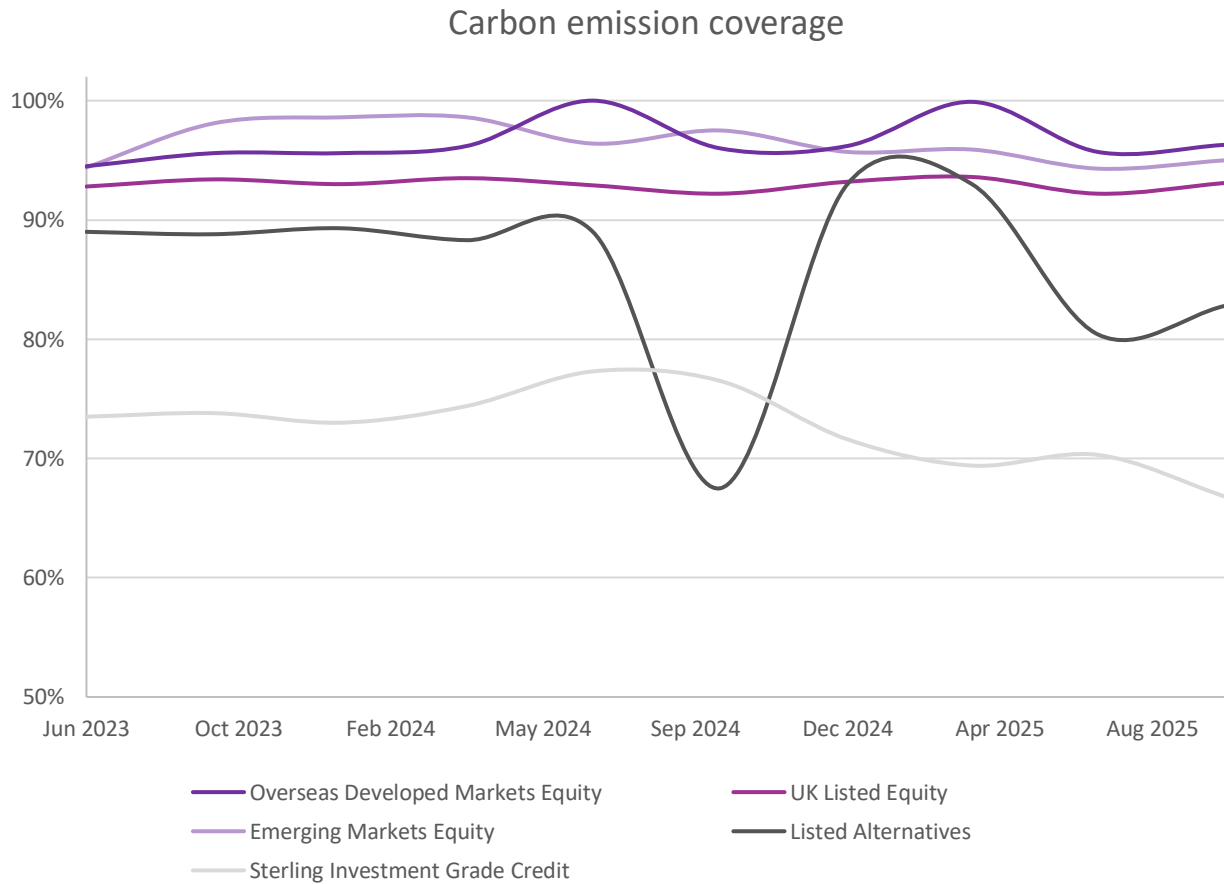
Iberdrola has positioned itself as a global leader in climate action, with a clear and ambitious roadmap to achieve carbon neutrality for scopes 1 and 2 by 2030 and net-zero emissions across all scopes, including scope 3, by 2040. These targets are aligned with the Science Based Targets initiative (SBTi) and the Paris Agreement. The company's Climate Action Plan integrates sustainability into its core business strategy, emphasising renewable energy, electrification, and digitalisation of its networks to reduce emissions and enhance resilience.



To support its decarbonisation goals, Iberdrola is investing heavily in renewable energy infrastructure, including offshore wind farms, solar plants, and energy storage systems. Between 2024 and 2026, the company plans to invest €50 billion, with almost one-third of it allocated to renewables and storage.

Coverage

The proportion of companies covered is an important metric when assessing the progress made to net zero. Without a high level of coverage, the emissions reduction picture will be incomplete and inaccurate. The graph below outlines how the level of coverage in the funds held with Border to Coast has developed over time. It can be seen that over time the % of the individual funds covered has in general improved and reported emissions data is now available for both the Multi-Asset Credit Fund and Sterling Index-Linked Bond Fund, albeit both are starting at low levels of coverage. However, the progress of the more established reported funds has largely plateaued within the last year with a decrease in the coverage in three of the listed equity funds.



As has been made clear previously, the forecast reduction in emissions shown is dependent upon Border to Coast delivering the targets set out in their own Net Zero Strategy. This further depends on changes within the investment process as well as on the actions of individual companies. Officers continue to engage with Border to Coast to further understand both the nature of the changes being made to the investment process and their likely impact.

Beyond this the current investment strategy, revised in 2023 and undergoing implementation, will result in changes to the mix of assets that reduce the level of emissions from the portfolio. However,



this process is too early stage to determine the scale of any reduction. As has previously been reported there remains a very strong probability that the Net Zero Goal will be missed although there is a possibility, should all portfolios achieve the reductions targeted by fund managers, that a date earlier than 2050 could be achieved.

It should also be noted that while there is, rightly, a significant focus on emissions there is no credit in the calculations for the emissions avoided by the significant investment by the Authority in renewable energy, natural capital and other climate solutions and this is something that we are working with investment managers on and will look to begin reporting on in future.

## Stakeholder Interaction

Over the quarter the Director has answered questions regarding the value of investments in Israeli based securities, with the team continuing to seek answers from fund managers about specific investments where stakeholders have raised concerns that the decision-making process has not been in line with the relevant policies.

## Collaborative Activity

This section focuses on the notable activity and developments during the quarter through the various collaborations in which the Authority is either directly involved or indirectly involved through Border to Coast.



LAPFF held amid year conference and a business meeting during the quarter which included member input into the draft workplan for the year 2025/2026.

- Update for letter to FTSE100 on Risk Related to Conflict Affected and High-Risk Areas (CAHRAs)
- Draft Quarterly Engagement Report: January to March 2025
- Progress against the Work Plan; and
- An update on LAPFF board members' visit to Taiwan and the company engagements undertaken whilst there.
- LAPFF also produced a short guide for members about PTV and LAPFF voting alerts.



Climate Action 100+, is the world's largest investor engagement initiative on climate change made up of more than 600 investors. CA100+ investor members actively are engaging companies on improving climate change governance, creating transition plans that include cutting long-term emissions and strengthening climate-related disclosures in order to mitigate financial risk and maximise long-term asset value.

The latest results from the Climate Action 100+ (CA100+) "Net Zero Company Benchmark" indicate that among the 164 highest-emitting companies assessed, there is encouraging progress in ambition but serious shortcomings in implementation. On the positive side, a majority of companies have established medium-term (85%) and long-term (80%) greenhouse-gas (GHG) reduction targets, and more firms are disclosing decarbonisation strategies which include offsets, abatement measures and climate solutions — though these disclosures still only amount to 8% of companies providing disclosures on decarbonisation strategies overall.

However, the pace of actual emissions reduction and strategy delivery remains weak. While many companies have reduced absolute Scope 1 & 2 emissions, only 32 % achieved emissions-intensity reductions aligned with credible 1.5 °C sectoral benchmarks in the past three years. Short-term target setting is also lagging: only 41% set a short-term GHG reduction target in 2025, a drop from the prior year — despite a few more aligning with 1.5 °C benchmarks.

Other key gaps include corporate climate accounting and audit disclosures, which show little year-on-year improvement. Regionally, companies in the UK/Europe are further ahead (81% of those assessed partially met relevant accounting criteria) but many other markets, especially North America, lag considerably.

In addition, policy engagement via industry associations has regressed slightly, with a 2% drop in alignment of indirect engagement activities.

In summary: companies are increasingly setting targets and boosting disclosure, yet execution remains fragmented and far slower than required for alignment with the Paris Agreement 1.5 °C goal. Long term ambition is present, but the concrete investment, capital allocation planning and strategic follow through needed for meaningful transition are still underdeveloped.



The Institutional Investors Group on Climate Change (IIGCC) published a progress report for its Finance Sector Deforestation Action (FSDA) initiative which reached several important milestones ahead of its transition into the new Deforestation Investor Group (DIG) in January 2026. All participating financial institutions have now introduced formal policies explicitly addressing agricultural-commodity-driven deforestation, and each has completed an assessment of their exposure to deforestation risk.

In addition, 73 % of participants are actively engaging with policymakers, while over 100 engagement meetings with companies and banks have been logged. Within those efforts, 27 participants have reported expanded outreach with their highest risk holdings. On the corporate side, the number of companies that disclose via CDP on deforestation-related matters grew from 30 in 2022 to 46 in 2024; supply chain traceability, deforestation free commodity volumes and collaborative supplier/jurisdictional approaches have also improved. The initiative has produced key resources including “Investor Expectations of Companies” and “Investor Expectations for Commercial and Investment Banks”, as well as seven case studies showcasing how signatories are implementing policies and engagement. While FSDA’s four-year mandate ends at year end, the momentum will be carried on through DIG, supporting investors to align with the goal to halt and reverse deforestation by 2030.

## Policy Development and Industry Highlights

This section of the report highlights the key pieces of policy and industry related activity which have taken place that will impact SYPA in the future.

### Industry Net Zero Initiatives

In August, the remaining members of the Net Zero Banking Alliance voted to disband the initiative, citing sustained political pressure, particularly from Republican lawmakers in the US. The group ceased operations immediately following the decision. In October, the Net Zero Asset Managers Initiative released updated guidance and a revised commitment statement. The new version removes the requirement for specific targets and references to achieving net zero by 2050, significantly weakening the original pledge. This follows a period of suspended operations and member withdrawals, with State Street's US arm being the most recent to exit. Signatories now have three months to review and respond to the updated guidance.

### International Political Environment

Political pressure in the US continues to weigh heavily on the ESG landscape. In July, the Florida Attorney General launched an investigation into the Science Based Targets initiative (SBTi) and CDP, citing potential antitrust and deceptive trade practices. This was followed by a letter from 23 State Attorneys General demanding information from SBTi over concerns about legal violations linked to net zero commitments. The Texas Attorney General also began investigating proxy advisors Glass Lewis and ISS, alleging they misled investors by supporting diversity and sustainability policies. The SEC Chair also warned the IFRS Foundation not to allow sustainability standards to undermine the funding for accounting standards. Otherwise, the Commission may reconsider its 2007 decision to allow foreign companies to file accounts using the IFRS standards.

Europe has also seen turbulence. In September, the EU deferred implementation of the Deforestation Regulation (EUDR) by 12 months, citing IT system capacity issues. While in July, the UK government announced it would not proceed with plans to develop a UK Green Taxonomy, a key part of its sustainable finance framework aimed at classifying climate and environmentally sustainable economic activities.

Meanwhile China announced its first ever absolute emissions reduction target in September. By 2035, China is aiming to cut net greenhouse gas emissions by 7% to 10% from peak levels and has committed to increasing non-fossil fuels to over 30% of total energy consumption by 2035.

### ICJ Climate Opinion

In July, the International Court of Justice issued its Advisory Opinion on the Obligations of States in respect of Climate Change. The Court affirmed that under international law, states have binding obligations to protect the climate system from greenhouse gas emissions and to support adaptation efforts. It also stated that countries causing significant harm may bear legal consequences, particularly in relation to vulnerable states such as small island developing nations, potentially opening the door to compensation claims.

Note some data within this report is provided by Border to Coast using data provided by MSCI to which the following applies.

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<b>Subject</b>	<b>The Authority's Approach to Investment Exclusions</b>	<b>Status</b>	For Publication
<b>Report to</b>	Authority	<b>Date</b>	18 <sup>th</sup> December 2025
<b>Report of</b>	Director		
<b>Equality Impact Assessment</b>	Not Required	Attached	No
<b>Contact Officer</b>	George Graham Director	<b>Phone</b>	01226 666439
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## **1 Purpose of the Report**

- 1.1 To allow the Authority to consider the approach to the exclusion of specific investments from the investment universe following discussion at the March meeting.

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## **2 Recommendations**

- 2.1 Members are recommended to:
- Consider the issues and options outlined in the body of the report and provide guidance for officers.**

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## **3 Link to Corporate Objectives**

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

### **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.

## **4     Implications for the Corporate Risk Register**

- 4.1     The process of exclusion of specific investments could, depending on how it is applied have either a positive or negative impact on the identified corporate risks relating to investment returns and climate change.

## **5     Background and Options**

- 5.1     At its March meeting the Authority resolved to request officers to “review the impact of SYPA advocating for active exclusion where engagement has demonstrably failed and provide the results in a report at the 18th of December 2025 Authority meeting.” This report responds to that resolution which followed discussion about the frustration felt by some members that the current situation leaves the Authority in an uncomfortable position seemingly unable to express its views on key issues through investment decisions.
- 5.2     In addition, at its meeting on 3<sup>rd</sup> September 2025 Sheffield City Council passed a motion which among other things “calls on South Yorkshire Pensions Authority (SYPA) to consult with their members on ethical investments and divesting from companies potentially complicit in war crimes and reflect members' views in investments made by SYPA and Border to Coast Pensions Partnership.” This report also responds to the issues raised by this motion.
- 5.3     Before addressing the detail of the resolution, it is important to understand how officers have understood what members have asked to be considered. The resolution refers to cases where engagement has “demonstrably failed”. As engagement takes place with individual companies this has been taken to mean that consideration is being given to the exclusion of individual companies rather than to the exclusion of whole classes of company such as tobacco companies. The Sheffield City Council motion also addresses the activities of individual companies. Officers have worked on this basis and have consulted with the Border to Coast operating company and other partner funds as well as reviewing the policies operated by a range of fund managers.
- 5.4     The approach taken by officers in producing this report has been:
- a. To understand how a policy as suggested in the resolution might operate in simple process terms.
  - b. To consider how this might be translated into the investment process.
  - c. To consider whether there would be wider support for the adoption of such a process across the Border to Coast partnership, as this is not an approach that the Authority could implement in isolation.
  - d. To consider the wider implications for the Authority in the context of the Partnership if it were to actively advocate for such a course.
- 5.5     Taking the first aspect of this. The key to the suggested approach is to clearly define the “demonstrable failure” of engagement. Assuming this can be done, things become simple in process terms in that the relevant stocks would be sold. However, defining “demonstrable failure” is not easy and the definition would be different in relation to each engagement process undertaken, although it would be possible to set some criteria to define demonstrable failure at the beginning of each engagement process. Additionally, there will need to be a clear policy about the steps which would be taken in the event that the company changed its position in a way that meant the objectives of the engagement had been achieved. If this were to occur would the company be removed from the list of exclusions? This is certainly the position taken by several



asset managers. It is also the case that timing the sale of stocks based on a determination of failed engagement may result in financial detriment to the Fund and scheme members. This would, if financially significant, run counter to the Authority's fiduciary duty.

- 5.6 More difficult is how this sort of approach fits into the investment process. Portfolio managers make decisions to buy, hold or sell stocks based on a wide range of considerations. It is important that the Authority does not substitute its own judgement for that of portfolio managers whose skills are ultimately what our fees are paying for. Doing so could be to the financial detriment of the Fund and therefore scheme members, and as set out above counter to the Authority's fiduciary duty.
- 5.7 It is recognised, however, that viewed from the outside, there appears to be no obvious relationship between:
- the very significant efforts made to engage with companies (which incur not inconsiderable cost);
  - change (or lack of change) in the behaviour of those companies; and
  - the decisions made by portfolio managers regarding those companies, which often seem to completely ignore the reputational damage their decisions may have on their clients.
- 5.8 There is also a further consideration, in relation to holdings within the Border to Coast equity funds SYPA invests in. As has been discussed previously, the pooled Border to Coast products have a series of risk parameters which constrain the degree to which portfolio managers can depart from the composition of the benchmark index in the construction of a portfolio. Broadly, for the funds in which SYPA is invested this means that to remain within these parameters the portfolio will look at pairs of companies within a sector, overweighting the one evaluated as the better of the pair and underweighting the worse of the two as a key part of the risk management approach.
- 5.9 Adopting a policy of exclusion related to failed engagement could potentially undermine this element of the investment process and, if such a policy affected a significant number of companies, it could change the risk dynamics of the product in a way that would not be in line with the Authority's risk tolerance, or the product prospectus which is subject to FCA approval. It could also require the making of fundamental changes to the investment process for what could be seen as non-investment reasons. Such changes are generally regarded as high risk and can undermine performance.
- 5.10 It should also be noted that divestment achieves no real-world impact - an oil company will still drill for oil if the stock is sold by Border to Coast, it is just that the stock may be bought by an investor less concerned about ensuring that the business has a sustainable future by moving away from fossil fuel production. So, exclusion presents a choice between making certain metrics for SYPA look better in isolation or seeking to move the dial on those metrics in aggregate in the real world. The Authority in determining its approach to exclusion needs to determine which of these choices it is seeking to prioritise.
- 5.11 There are fund managers who implement policies that involve divestment where engagement is seen to have failed although generally within investment products with different investment processes and risk tolerances to those of the Border to Coast funds in which the Authority is invested. Such products also tend to be marketed to a different investor base potentially with fewer fiduciary constraints than an LGPS fund.
- 5.12 In discussion on this issue as part of the annual review of responsible investment policies, Border to Coast have estimated that adopting such a policy would take something like 18 months to deliver a new policy and changes in the investment

process together with additional resources in the Responsible Investment Team. The priority to be attached to such changes and additional resource requirements would need to be judged by shareholders in approving the budget alongside other resource requirements such as that required to facilitate the integration of the 7 new partner funds and the transition of legacy assets to pool management - the timescale for which is mandated by the Government. Therefore, from the overall point of view of the Partnership such a change if adopted would necessarily be a lower priority than addressing the requirements placed on the Partnership by Government.

- 5.13 Such an approach cannot be implemented by SYPA in isolation. To do so would require support across the Border to Coast partnership. While this is a debate that at least 3 of the current partner funds (including SYPA) are having at present it is not on the agenda for the others and the state of debate among the 7 new partners is not clear. This means that it is unlikely, given the other priorities outlined above, that there would be sufficient weight of opinion behind the issue to secure such a fundamental change of policy. However, there has been some development in the collective policy position following this year's annual review as set out elsewhere on the agenda for this meeting.
- 5.14 While there is no consensus on extending the use of exclusion currently it would be possible for SYPA to continue to advocate for such a position on an ongoing basis (for example as part of the annual review of Responsible Investment policies), in the same way that the Authority already advocates for gradual changes to policies in various areas. This would need to be handled very carefully to ensure that SYPA was not viewed as a fund obsessed with a single issue. If this were to be the case SYPA could be perpetually in a minority of one within the partnership making it more difficult to build alliances on a range of other issues because the Authority would be seen as an outlier and holder of views outside the mainstream.
- 5.15 In addition to these practical and partnership considerations, the Sheffield City Council motion asks the Authority to consult members on their views on divestment specifically related to the situation in Gaza. As members are aware, the Authority has already consulted scheme members on responsible investment issues generally, rather than on the specific issues associated with Gaza. In this survey, while a significant proportion of respondents felt that arms manufacturers were not an appropriate investment, this was not in the top 3 less acceptable investments and was deemed considerably more acceptable than the next ranked category of investment. It is acknowledged that this does not address the specific question of the situation in Gaza. However, Law Commission advice on fiduciary duty and the consideration of non-financial factors in investment decisions makes clear that the Authority is under no obligation to consult members on issues of this sort, as it is very difficult to ensure that the results of any survey are truly representative and the results of any survey cannot remove the obligation on members of the Authority acting as trustees to exercise their own judgement and act in what they consider is the best financial interests of scheme members. A further survey would therefore provide no additional benefit over and above the survey already undertaken and potentially incur unnecessary cost. In addition, a survey on a single issue such as this could easily be manipulated by lobby groups on either side of the debate undermining any value which its results might have.
- 5.16 Fundamentally the question facing members of the Authority is whether there is a desire to adopt a policy which cannot effectively be implemented and the adoption of which might distance South Yorkshire from its pooling partners making it difficult to achieve progress on other issues of importance such as local investment and the development of additional products which would allow the Fund to deliver its investment strategy more effectively. Alternatively, members have the option of retaining the stance of building alliances with partners to move the collective position

across the pool in what SYPA would regard as a positive direction. This could be accompanied by the setting of clear goals for the use of such influence as part of the annual review of the Authority's own responsible investment policy framework, which is due to come to the Authority's March 2026 meeting, and on which consultation could take place with members prior to refining the proposed policies.

## 6 **Implications**

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

Financial	There are no direct financial implications arising from this report. However, there is the possibility that a policy of exclusion as outlined in the report could result in micro-level decisions being made based on non-financial factors outweighing financial factors which could have a negative impact on the financial returns achieved by the Fund, and thus impact on the delivery of the Authority's fiduciary responsibilities.
Human Resources	None
ICT	None
Legal	The framing of any exclusion policy would need to be very carefully considered to ensure that its operation does not intrude upon the Authority's ability to exercise its fiduciary duty to scheme members and the duty of the pool operating company to treat clients fairly under the terms of its FCA authorisation.
Procurement	None

**George Graham**

**Director**

<b>Background Papers</b>	
<b>Document</b>	<b>Place of Inspection</b>
Results of the 2025 Responsible Investment Survey	<a href="#">Responsible Investment Survey Results</a>

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<b>Subject</b>	<b>Annual review of Border to Coast's responsible investment policies</b>	<b>Status</b>	For Publication
<b>Report to</b>	Authority	<b>Date</b>	November 2025
<b>Report of</b>	Assistant Director – Investment Strategy		
<b>Equality Impact Assessment</b>	Not Required	Attached	No
<b>Contact Officer</b>	Andrew Stone	<b>Phone</b>	01226 666 463
<b>E Mail</b>	astone@sypa.org.uk		

## 1 **Purpose of the Report**

- 1.1 To introduce and summarise the most recent review and update of Border to Coast's responsible investment policies.

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## 2 **Recommendations**

- 2.1 Members are recommended to endorse the updated policies attached at Appendices A to C.

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## 3 **Link to Corporate Objectives**

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

### **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.

## 4 **Implications for the Corporate Risk Register**

- 4.1 The actions outlined in this report form a key part of how we address the various investment risks identified in the Corporate Risk Register.

## **5      Background and Options**

- 5.1      Border to Coast has undertaken a review of its three responsible investment policies, which are targeted to be live from January 2026. The updated policies, with tracked changes included, are attached as Appendices. The review encompasses the documents set out below:

### ***The Responsible Investment Policy: [Appendix A]***

- 5.2      This details the approach Border to Coast follows in fulfilling its commitment to SYPA and the other Partner Funds in their delegation of the implementation of certain responsible investment and stewardship responsibilities. The proposed changes are as follows:

5.3      Exclusions (amendment)

- a.      Border to Coast is tightening the thermal coal exclusion thresholds based on revenue earned from this activity to 25% for developed markets and 50% for emerging markets, continuing their tiered approach to support a just transition.
- b.      This completes the phased policy introduced in 2023/24 and aligns with peer benchmarks. It also enables engagement with companies near the threshold, such as RWE.
- c.      The exclusion remains limited to public markets to allow for potential transition investments by general partners.
- d.      The proposed thresholds would bring 32 additional issuers into scope (based on August 2025 data), on top of the 24 currently excluded. Border to Coast holds only one of these issuers, ESKOM Holdings, in the MAC portfolio.

5.4      Engagement and Escalation (amendment)

- a.      The RI Policy has been updated in alignment with the engagement strategy. Updates include the addition of an engagement definition and clarification on Border to Coast's stance on engagement and divestment, most notably:
  - i.      "We define company engagement as actively using our influence for business change or better disclosure. We believe there should be a point of difference with company management, with examples including letters or meetings to request changes to business strategy, governance, or capital expenditure, or requesting disclosure of metrics or policy not currently in the public domain."
  - ii.     "If the investment case has been fundamentally weakened, which may be the result of a company failing to address the risk or concern under engagement, the portfolio manager may decide to reduce or exit the position. This decision rests solely with the portfolio manager."

### ***The Corporate Governance & Voting Guidelines: [Appendix B]***

- 5.5      This details the framework within which voting decisions are administered. These guidelines work in conjunction with the Responsible Investment Policy.

5.6      Nature (addition):

- a.      Border to Coast is implementing a nature risk priority framework to address nature-related risks beyond deforestation.
- b.      Using the World Benchmarking Alliance's Nature Benchmark Border to Coast will identify priority companies with nature risk management. A materiality lens will guide deeper assessment, focusing on governance, strategy, and action.

Where credible action is lacking, Border to Coast will vote against the most accountable board member or the report and accounts.

- c. This flexible approach, mirrors the human rights framework, enables targeted stewardship on material nature related risks. Fewer than ten nature priority assessments will be performed each year.

#### 5.7 Anti ESG Resolutions (addition)

- a. Robeco has recommended a policy update to address anti-ESG resolutions, those that appear pro-ESG but aim to reverse corporate commitments. Border to Coast propose assessing these on a case-by-case basis and excluding them from our overall ESG resolution support metrics.

### ***The Climate Change Policy: [Appendix C]***

- 5.8 This details the approach that Border to Coast will follow in fulfilling its commitment to managing the risks and opportunities associated with climate change across the assets managed on behalf of SYPA and the other Partner Funds.
- 5.9 The policy has been peer-reviewed and assessed by Robeco as fit for purpose. The most notable update is the removal of exclusion threshold details, maintaining all exclusions into a single reference point within the RI Policy.
- 5.10 In addition, Border to Coast now propose that the Responsible Investment and Climate Change policies move to a three-year review cycle. This reflects the fact that broad policies of this sort now that they have achieved a degree of stability should be relatively constant and that the review process itself takes about six months and requires significant resource input. This does not mean that changes to these policies cannot be made out of cycle if there are significant changes in the external environment, simply that the standard review period will now be three years. The Corporate Governance and Voting Guidelines will continue to be reviewed annually.

## **6 Implications**

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

Financial	The performance of our investments has a key impact on the funding level of our Fund, and hence the contribution levels of the employers within SYPA.
Human Resources	None.
ICT	None.
Legal	None.
Procurement	None.

**Andrew Stone**

**Assistant Director – Investment Strategy**

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# Responsible Investment Policy

## Border to Coast Pensions Partnership



Live from: January 2025

## Responsible Investment Policy

This Responsible Investment Policy details the approach that Border to Coast Pensions Partnership follows in fulfilling its commitment to our Partner Funds in their delegation of the implementation of certain responsible investment (RI) and stewardship responsibilities.

### 1. Introduction

Border to Coast Pensions Partnership Ltd is an FCA-authorised investment fund manager (AIFM). It operates investment funds for its eleven shareholders which are Local Government Pension Scheme funds (Partner Funds). The purpose is to make a difference to the investment outcomes for our Partner Funds through pooling to create a stronger voice; working in partnership to deliver cost effective, innovative, and responsible investment now and into the future; thereby enabling great, sustainable performance.

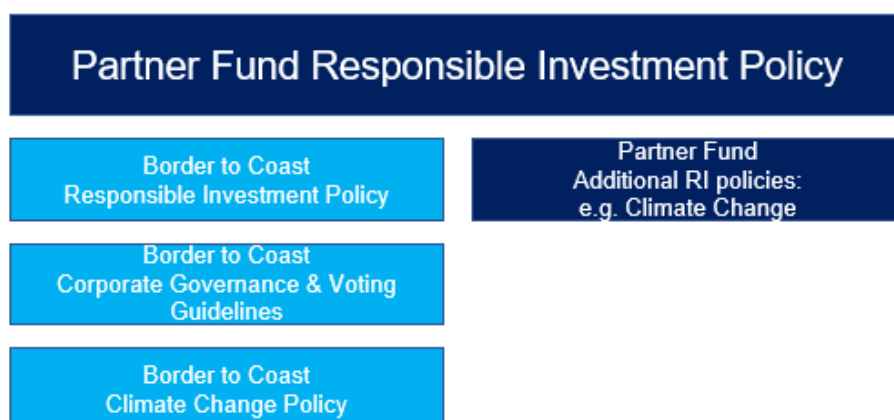
Border to Coast takes a long-term approach to investing and believes that businesses that are governed well, have a diverse board and run in a sustainable way are more resilient, able to survive shocks and have the potential to provide better financial returns for investors. Diversity of thought and experience on boards is significant for good governance, reduces the risk of 'group think' leading to better decision making. Environmental, social and governance (ESG) issues can have a material impact on the value of financial assets and on the long-term performance of investments, and therefore need to be considered across all asset classes in order to better manage risk and generate sustainable, long-term returns. Well-managed companies with strong governance are more likely to be successful long-term investments.

Border to Coast is an active owner and steward of its investments across all asset classes. This commitment is demonstrated through achieving signatory status to the Financial Reporting Council UK Stewardship Code. As a long-term investor and representative of asset owners, we hold companies and asset managers to account regarding environmental, societal and governance factors that have the potential to impact corporate value. We incorporate such factors into our investment analysis and decision making, enabling long-term sustainable investment performance for our Partner Funds. As a shareowner, Border to Coast has a responsibility for effective stewardship of the companies it invests in, whether directly or indirectly through mandates with fund managers. It practices active ownership through voting, monitoring companies, engagement and litigation.

#### 1.1. Policy framework

The LGPS (Management and Investment of Funds) 2016 regulations state that the responsibility for stewardship, which includes shareholder voting, remains with the Partner Funds. Stewardship day-to-day administration and implementation have been delegated to Border to Coast by the Partner Funds, on assets managed by Border to Coast, with appropriate monitoring and challenge to ensure this continues to be in line with Partner Fund requirements. To leverage scale and for operational purposes, Border to Coast has, in conjunction with Partner Funds, developed this RI Policy and accompanying Corporate Governance & Voting Guidelines to ensure clarity of approach on behalf of Partner Funds. This collaborative approach results in an RI policy framework illustrated below with the colours demonstrating ownership of the various aspects of the framework:

## RI Policy Framework



### 2. What is responsible investment?

Responsible investment (RI) is the practice of incorporating 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 risks and the opportunities leading to better informed investment decisions and can improve performance as well as risk-adjusted returns.

Investment stewardship includes active ownership; using voting rights, engaging with investee companies, influencing regulators and policy makers, and collaborating with other investors to improve long-term performance. We believe that our responsible investment approach and associated activities help identify and manage non-financial risks and so should add value to our investment portfolios over the long-term.

### 3. Governance and Implementation

Border to Coast takes a holistic approach to the integration of sustainability and responsible investment, which are at the core of our corporate and investment thinking. Sustainability, which includes RI, is considered and overseen by the Board and Executive Committees. Specific policies and procedures are in place to demonstrate the commitment to RI, which include the Responsible Investment Policy and Corporate Governance & Voting Guidelines (available on the [website](#)). Border to Coast has dedicated staff resources for managing RI within the organisational structure.

The RI Policy is owned by Border to Coast and created after collaboration and engagement with our eleven Partner Funds. The Chief Investment Officer (CIO) is accountable for implementation of the policy. The policy is monitored with regular reports to the CIO, Investment Committee, Board, Joint Committee and Partner Funds. It is reviewed every three years or whenever revisions are proposed, taking into account evolving best practice, and updated, as necessary.

#### 4. Skills and competency

Border to Coast, where needed, takes proper advice in order to formulate and develop policy. The Board and staff maintain appropriate skills in responsible investment and stewardship through continuing professional development; where necessary expert advice is taken from suitable RI specialists to fulfil our responsibilities.

#### 5. Integrating RI into investment decisions

Border to Coast considers material ESG factors when analysing potential investments. ESG factors tend to be longer term in nature and can create both risks and opportunities. It is therefore important that, as a long-term investor, we take them into account when analysing potential investments.

The factors considered are those which could cause financial and reputational risk, ultimately resulting in a reduction in shareholder value. ESG issues are considered and monitored in relation to all asset classes. The CIO is accountable for the integration and implementation of ESG considerations. Issues considered include, but are not limited to:

Environmental	Social	Governance	Other
Climate change Resource & energy management Water stress Single use plastics Biodiversity	Human rights Child labour Supply chain Human capital Employment standards Pay conditions (e.g. living wage in UK) Just transition	Board independence Diversity of thought Executive pay Tax transparency Auditor rotation Succession planning Shareholder rights	Business strategy Risk management Cyber security Data privacy Bribery & corruption Political lobbying

##### 5.1 Human Rights

When considering human rights issues, ~~we believe that all~~ companies should abide by the UN Global Compact Principles and the OECD Guidelines for Multinational Enterprises. Companies should have processes in place to both identify and manage human rights risks across their business and supply chain. We engage with companies on human rights as part of our social priority engagement theme, engaging on modern slavery and labour practices and human rights due diligence where companies operate in high-risk areas. We have incorporated considerations into how we exercise our votes at company meetings.

##### 5.2 Nature

Nature and Biodiversity loss is increasingly seen as posing a risk to financial markets. Over half of global GDP is dependent on nature-based services<sup>1</sup>, and looking ten years out, six of the top ten global risks identified by the World Economic Forum are climate and environmental related. We address nature risks through engagement on issues like deforestation, resource management, and climate change. We also integrate nature related risks into voting decisions, using benchmarks to identify priority companies, assess their governance, strategy and measures to address nature related risks, and vote accordingly where risks are poorly managed. Further detail on our voting approach is set out in our Corporate Governance &

<sup>1</sup> World Economic Forum

Voting Guidelines. We currently address biodiversity issues through engagement with companies and governments on issues including deforestation, natural resource management and climate change.

Further detail on our voting approach is included in the Corporate Governance & Voting Guidelines.

### **5.3 Climate change**

The world is warming, the climate is changing, and the scientific consensus is that this is due to human activity, primarily the emissions of carbon dioxide (CO<sub>2</sub>) from burning fossil fuels. We support this scientific consensus; recognising that the investments we make, in every asset class, will both impact climate change and be impacted by climate change. We actively consider how climate change, the shifting regulatory environment and potential macroeconomic impact will affect investments. We believe that we have the responsibility to contribute and support the transition to a low carbon economy in order to positively impact the world in which pension scheme beneficiaries live in.

Climate change is a systemic risk with potential financial impacts associated with the transition to a low-carbon economy and physical impacts that may manifest under different climate scenarios. Transition will affect some sectors more than others, notably energy, utilities and sectors highly reliant on energy. However, within sectors there are likely to be winners and losers which is why divesting from and excluding entire sectors may not be appropriate.

In addition, the transition to a low-carbon economy will undoubtedly affect the various stakeholders of the companies taking part in the energy transition. These stakeholders include the workforce, consumers, supply chains and the communities in which the companies' facilities are located. A just transition involves minimising and managing social risks, seeking to maximise social opportunities, and a focus on the place based economic impacts of the transition to net zero. We expect companies to consider this social dimension in decarbonisation strategies and engage with companies, directly and through collaboration with other investors.

We have committed to a net zero carbon emissions target by 2050, or sooner for our assets under management, in order to align with efforts to limit temperature increases to under 1.5°C and have developed an implementation plan which sets out the four pillars of our approach.

Stewardship is an important element of meeting this goal and we engage with companies on climate-related risks and opportunities and use our voting rights to hold boards to account.

Details on Border to Coast's approach to managing the risks and opportunities associated with climate change can be found in our Climate Change Policy on our website.

### **5.4 Asset Class Considerations**

Whilst the specific aspects and form of ESG integration and stewardship vary across asset classes, the overarching principles outlined in this policy are applied to all assets of Border to Coast. More information on specific approaches is outlined below.

## **5.1. 5.5 Listed equities (Internally managed)**

Border to Coast looks to understand and evaluate the ESG-related business risks and opportunities companies face. We consider the integration of ESG factors into the investment process as a necessary complement to the traditional financial evaluation of assets; this results in a more informed investment decision-making process. Rather than being used to preclude certain investments, it is used to provide an additional context for stock selection. It is an integral part of the research process and when considering portfolio construction, sector analysis and stock selection.

We use third-party ESG data and research from specialist providers alongside general stock and sector research. ESG factors are incorporated into analysis and research templates as part of the decision-making process. We consider the financial materiality of ESG factors, which will vary depending on the geography, industry and individual company. For companies subject to very severe controversies as defined by our third-party data provider, UN Global Compact breaches, with elevated ESG risk, or subject to securities litigation, a more detailed research and climate risk template is completed which is also used to inform engagement and voting. The RI team as subject matter experts support the portfolio managers, and the Head of RI works with colleagues to ensure they are knowledgeable and fully informed on ESG issues. Voting and engagement are also part of the investment process with information from engagement meetings shared with the team to increase and maintain knowledge, and portfolio managers involved in engagement meetings and the voting decision making process.

## **5.6 Fixed income**

ESG factors can have a material impact on the investment performance of bonds, both negatively and positively, at the issuer, sector and geographic levels. ESG analysis is therefore incorporated into the investment process for corporate and sovereign issuers to manage risk. The challenges of integrating ESG in practice are greater than for equities with the availability of data for some markets lacking.

Third-party ESG data is used along with information from sources including UN bodies, the World Bank and other similar organisations. This together with traditional credit analysis is used to determine a bond's credit quality. Information is shared between the equity and fixed income teams regarding issues which have the potential to impact corporates and sovereign bond performance.

The approach to engagement can also differ as engagement with sovereigns is much more difficult than with companies.

## **5.2. 5.7 Private markets**

ESG risk forms an integral part of the overall risk management framework for private market investment. An appropriate ESG strategy will improve downside protection and help create value in underlying portfolio companies. Border to Coast takes the following approach to integrating ESG into the private market investment process:

- The assessment of ESG issues is integrated into the investment process for all private market investments.

- A manager's ESG strategy is assessed through a specific ESG questionnaire agreed with the Head of RI and reviewed by the Alternatives investment team with support from the RI team as required.
- Managers are requested to complete an annual monitoring questionnaire which contains both binary and qualitative questions, enabling us to monitor several key performance indicators, including RI policies, people, and processes, promoting RI, RI-specific reporting and progress on measuring and reporting GHG emissions.
- Managers are requested to report annually on the progress and outcomes of ESG related values and any potential risks.
- Ongoing monitoring includes identifying any possible ESG breaches and following up with the managers concerned.
- Work with managers to improve ESG policies and ensure the approach is in-line with developing industry best practice.
- We engage in a range of industry initiatives which seek to improve transparency and disclosure of ESG and carbon data within private markets.

### **5.3. Fixed income**

~~ESG factors can have a material impact on the investment performance of bonds, both negatively and positively, at the issuer, sector and geographic levels. ESG analysis is therefore incorporated into the investment process for corporate and sovereign issuers to manage risk. The challenges of integrating ESG in practice are greater than for equities with the availability of data for some markets lacking.~~

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### **5.4. 5.8 Real Estate**

Border to Coast manages Real Estate investments through both direct properties and indirect through investing in real estate funds. For real estate funds, a central component of the fund selection/screening process is an assessment of the General Partner and Fund/Investment Manager's Responsible Investment and ESG approach and policies.

A Responsible Investment framework has been developed for Real Estate to ensure the integration of ESG factors throughout the investment process. This covers the stages of selection, appointment and monitoring and a feedback loop to report performance and review processes. It includes pre-investment, post-acquisition and post-investment phases. An ESG scorecard has been developed tailored to the direct or indirect property fund, monitoring key performance indicators such as energy performance measurement, flood risk and rating systems such as GRESB (formerly known as the Global Real Estate Sustainability Benchmark), and BREEAM (Building Research Establishment Environmental Assessment



Method). For direct real estate, the RI Policy will be implemented through ESG strategies embedded into the asset management plans of individual properties; this is to ensure a perpetual cycle of review and improvement against measurable standards.

## **5.5- 5.9 Externally managed or selection Assets**

RI is incorporated into the external manager appointment process including the request for proposal (RFP) criteria and scoring and the investment management agreements. The RFP includes specific requirements relating to the integration of ESG by managers into the investment process which includes assessing and mitigating climate risk, and their approach to engagement. We expect to see evidence of how material ESG issues are considered in research analysis and investment decisions. Engagement needs to be structured with clear aims, objectives and milestones.

Voting is carried out by Border to Coast for both internally and externally managed equities where possible and we expect external managers to engage with companies in alignment with the Border to Coast RI Policy and to support our Net Zero commitment.

The monitoring of appointed managers also includes assessing stewardship and ESG integration in accordance with our policies. All external fund managers are expected to be signatories or comply with international standards applicable to their geographical location. We encourage managers to become signatories to the UN-supported Principles for Responsible Investment<sup>2</sup> ('PRI') and will consider the PRI assessment results in the selection and monitoring of managers. We also encourage managers to make a firm wide net zero commitment and to join initiatives that drive industry wide collaboration on systemic issues ~~the Net Zero Asset Manager initiative (NZAM) or an equivalent initiative~~. Managers are required to report to Border to Coast on their RI activities quarterly.

## **5.6. Climate change**

~~The world is warming, the climate is changing, and the scientific consensus is that this is due to human activity, primarily the emissions of carbon dioxide (CO<sub>2</sub>) from burning fossil fuels. We support this scientific consensus; recognising that the investments we make, in every asset class, will both impact climate change and be impacted by climate change. We actively consider how climate change, the shifting regulatory environment and potential macroeconomic impact will affect investments. We believe that we have the responsibility to contribute and support the transition to a low carbon economy in order to positively impact the world in which pension scheme beneficiaries live in.~~

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~~In addition, the transition to a low carbon economy will undoubtedly affect the various stakeholders of the companies taking part in the energy transition. These stakeholders include the workforce, consumers, supply chains and the communities in which the companies'~~

<sup>2</sup> The UN-supported Principles for Responsible Investment (PRI) is the world's leading advocate for responsible investment enabling investors to publicly demonstrate commitment to responsible investment with signatories committing to supporting the six principles for incorporating ESG issues into investment practice.



~~facilities are located. A just transition involves minimising and managing social risks, seeking to maximise social opportunities, and a focus on the place based economic impacts of the transition to net zero. We expect companies to consider this social dimension in decarbonisation strategies and engage with companies, directly and through collaboration with other investors.~~

~~We have committed to a net zero carbon emissions target by 2050, or sooner for our assets under management, in order to align with efforts to limit temperature increases to under 1.5°C and have developed an implementation plan which sets out the four pillars of our approach.~~

~~Stewardship is an important element of meeting this goal and we engage with companies on climate related risks and opportunities and use our voting rights to hold boards to account.~~

~~Details on Border to Coast's approach to managing the risks and opportunities associated with climate change can be found in our Climate Change Policy on our website.~~

## 6. Stewardship

As a shareholder Border to Coast has a responsibility for effective stewardship of the companies it invests in, whether directly or indirectly through mandates with fund managers. It practises active ownership through the full use of rights available including voting, monitoring companies, engagement and litigation, where appropriate. As a responsible shareholder, we are committed to being a signatory to the UK Stewardship Code<sup>3</sup> and were accepted as a signatory in March 2022. We are also a signatory to the PRI.

### 6.1. Voting

Voting rights are an asset and Border to Coast exercises its rights carefully to promote and support good corporate governance principles. It aims to vote in every market in which it invests where this is practicable. To leverage scale and for practical reasons, Border to Coast has developed a collaborative voting policy to be enacted on behalf of the Partner Funds which can be viewed on our [website](#). Where possible the voting policies are also be applied to assets managed externally. [Policies-The Corporate Governance and Voting Guidelines](#) are reviewed annually in collaboration with the Partner Funds. There may be occasions when an individual Partner Fund may wish Border to Coast to vote its pro rata holding contrary to an agreed policy; there is a process in place to facilitate this. A Partner Fund wishing to diverge from this policy will provide clear rationale in order to meet the governance and control frameworks of both Border to Coast and, where relevant, the Partner Fund.

#### 6.1.1. Use of proxy advisors

Border to Coast use a Voting and Engagement provider to implement the set of detailed voting guidelines and ensure votes are executed in accordance with policies. Details of the third-party Voting and Engagement provider and proxy voting advisor are included in Appendix A.

A proxy voting platform is used with proxy voting recommendations produced for all meetings voted managed by the Voting & Engagement provider. The proxy voting advisor provides voting recommendations based upon Border to Coast's Corporate Governance & Voting Guidelines ('the Voting Guidelines'). A team of dedicated voting analysts analyse the merit of

<sup>3</sup> The UK Stewardship Code aims to enhance the quality of engagement between investors and companies to help improve long-term risk-adjusted returns to shareholders. <https://www.frc.org.uk/directors/corporate-governance-and-stewardship>

each agenda item to ensure voting recommendations are aligned with the Voting Guidelines. Border to Coast's Investment Team receives notification of voting recommendations ahead of meetings which are assessed on a case-by-case basis by portfolio managers and responsible investment staff prior to votes being executed. A degree of flexibility is required when interpreting the Voting Guidelines to reflect specific company and meeting circumstances, allowing the override of voting recommendations from the proxy adviser.

The Voting and Engagement provider evaluates its proxy voting agent at least annually, on the quality of governance research and the alignment of customised voting recommendations and Border to Coast's Voting Guidelines. This review is part of the control framework and is externally assured. Border to Coast also monitors the services provided monthly, with a six monthly and full annual review.

Border to Coast has an active stock lending programme. Where stock lending is permissible, lenders of stock do not generally retain any voting rights on lent stock. Procedures are in place to enable stock to be recalled prior to a shareholder vote. Stock is recalled ahead of meetings, and lending can also be restricted, when any, or a combination of the following, occur:

- The resolution is contentious.
- The holding is of a size which could potentially influence the voting outcome.
- Border to Coast needs to register its full voting interest.
- Border to Coast has co-filed a shareholder resolution.
- A company is seeking approval for a merger or acquisition.
- Border to Coast deems it appropriate.

Proxy voting in some countries requires share blocking. This requires shareholders who want to vote their proxies to deposit their shares before the date of the meeting (usually one day after cut-off date) with a designated depository until one day after the meeting date.

During this blocking period, shares cannot be sold; the shares are then returned to the shareholders' custodian bank. We may decide that being able to trade the stock outweighs the value of exercising the vote during this period. Where we want to retain the ability to trade shares, we may refrain from voting those shares.

Where appropriate Border to Coast considers co-filing shareholder resolutions and notifies Partner Funds in advance. Consideration is given as to whether the proposal reflects Border to Coast's Responsible Investment policy, is balanced and worded appropriately, and supports the long-term economic interests of shareholders.

## 6.2. Engagement

We define company engagement as actively using our influence for business change or better disclosure. We believe there should be a point of difference with company management, with examples including letters or meetings to request changes to business strategy, governance, or capital expenditure, or requesting disclosure of metrics or policy not currently in the public domain.

~~The best way to influence companies is through engagement; therefore, Border to Coast will not divest from companies principally on social, ethical or environmental reasons. As responsible investors, the approach taken is to influence companies' governance standards,~~

~~environmental, human rights and other policies by constructive shareholder engagement and the use of voting rights.~~

The services of specialist providers may be used when necessary to identify issues of concern. Meeting and engaging with companies are an integral part of the investment process. As part of our stewardship duties, we monitor investee companies on an ongoing basis and take appropriate action if investment returns are at risk. Engagement takes place between portfolio managers and investee companies across all markets where possible.

Border to Coast has several approaches to engaging with investee holdings:

- Border to Coast ~~and all eleven Partner Funds are~~ is a members of the Local Authority Pension Fund Forum ('LAPFF'). Engagement takes place with companies on behalf of members of the Forum across a broad range of ESG themes.
- We seek to work collaboratively with other like-minded investors and bodies in order to maximise Border to Coast's influence on behalf of Partner Funds, particularly when deemed likely to be more effective than acting alone. This is achieved through actively supporting investor RI initiatives and collaborating with various other external groups e.g. LAPFF, the Institutional Investors Group on Climate Change, other LGPS pools and other investor coalitions.
- Due to the proportion of assets held in overseas markets it is imperative that Border to Coast is able to engage meaningfully with global companies. To enable this and complement other engagement approaches, Border to Coast use an external Voting and Engagement service provider. We provide input into new engagement themes which are considered to be materially financial, selected by the external engagement provider on an annual basis, and also participate in some of the engagements undertaken on our behalf.
- Engagement takes place with companies in the internally managed portfolios with portfolio managers and the Responsible Investment team engaging directly across various engagement streams; these cover environmental, social, and governance issues as well as UN Global Compact<sup>4</sup> breaches or OECD Guidelines<sup>5</sup> for Multinational Enterprises breaches.
- We expect external managers to engage with investee companies and bond issuers as part of their mandate on our behalf and in alignment with our RI policies. We recognise the importance of engaging directly with our external managers to support the development and improvement of their own stewardship practices. This includes encouraging stronger ESG integration, more effective engagement strategies, and transparent reporting on stewardship outcomes.

Engagement conducted with investee holdings can be broadly split into two categories: engagement based on financially material ESG issues, or engagement based on (potential)

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<sup>4</sup> UN Global Compact is a shared framework covering 10 principles, recognised worldwide and applicable to all industry sectors, based on the international conventions in the areas of human rights, labour standards, environmental stewardship and anti-corruption.

<sup>5</sup> OECD Guidelines for Multinational Enterprises are recommendations providing principles and standards for responsible business conduct for multinational corporations operating in or from countries adhering to the OECD Declaration on International and Multinational Enterprises.

violations of global standards such as the UN Global Compact or OECD Guidelines for Multinational Enterprises.

When engagement is based on financially material ESG issues, engagement themes and companies are selected in cooperation with our engagement service provider based on an analysis of financial materiality. Such companies are selected based on their exposure to the engagement topic, the size and relevance in terms of portfolio positions and related risk.

For engagement based on potential company misconduct, cases are selected through the screening of news flows to identify breaches of the UN Global Compact Principles or OECD Guidelines for Multinational Enterprises. Both sets of principles cover a broad variety of basic corporate behaviour norms around ESG topics. Portfolio holdings are screened on the validation of a potential breach, the severity of the breach and the degree to which management can be held accountable for the issue. For all engagements, SMART<sup>6</sup> engagement objectives are defined.

In addition, internal portfolio managers and the Responsible Investment team monitor holdings which may lead to selecting companies where engagement may improve the investment case or can mitigate investment risk related to ESG issues. Members of the Investment Team have access to our engagement provider's thematic research and engagement records. This additional information feeds into the investment analysis and decision making process.

We encourage companies to improve disclosure in relation to ESG and to report and disclose in line with the TCFD recommendations.

As a responsible investor we also engage with regulators, public policy makers, and other financial market participants on systemic risks to help create a stable environment to enhance long-term returns.

### 6.2.1. Engagement themes

Recognising that we are unable to engage on every issue, we focus our efforts on areas that are deemed to be the most material to our investments - our key engagement themes. These are used to highlight our priority areas for engagement which includes working with our Voting and Engagement provider and in considering collaborative initiatives to join. We do however engage more widely via the various channels including LAPFF and our external managers.

Key engagement themes are reviewed on a three yearly basis using our Engagement Theme Framework. There are three principles underpinning this framework:

- that progress in the themes is expected to have a material financial impact on our investment portfolios in the long-term;
- that the voice of our Partner Funds should be a part of the decision; and
- that ambitious, but achievable milestones can be set through which we can measure progress over the period.

When building a case and developing potential new themes we firstly assess the material ESG risks across our portfolios and the financial materiality. We also consider emerging ESG issues and consult with our portfolio managers and Partner Funds. The outcome is for the key themes

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<sup>6</sup> SMART objectives are: specific, measurable, achievable, relevant and time bound.

to be relevant to the largest financially material risks; for engagement to have a positive impact on ESG and investment performance; to be able to demonstrate and measure progress; and for the themes to be aligned with our values and important to our Partner Funds.

The key engagement themes following the 2021 review are:

- Low Carbon Transition
- Diversity of thought
- Waste and water management
- Social inclusion through labour management

### 6.2.2. Escalation

Border to Coast believes that engagement and constructive dialogue with the companies in which we invest is more effective than excluding companies. If engagement does not lead to the desired result, Border to Coast will escalate engagement when required, including holding the board of directors and individual directors to account, which we believe to be the most effective consequence of an inadequate response.

The board is responsible for setting the company's strategy, overseeing risk, and for exercising accountability to shareholders. Companies whose boards are not responsive to shareholders may struggle to protect long-term value effectively. Votes against directors can demonstrate that a board is out of step with shareholders and may have tangible consequences for individuals, which can include potential removal from the board, reduced compensation, limited committee assignments, and fewer directorships at other firms.

- A lack of responsiveness to engagement by a company can result in:
- conducting collaborative engagement with other institutional shareholders.
- writing to the chair of the board or director with oversight responsibility for the issue under engagement.
- registering concern by voting on related agenda items at shareholder meetings.
- registering concern by voting against the re-election of the chair of the board, or the chair or members of the committee with the closest oversight responsibilities.
- attending a shareholder meeting in person.
- making public statements.
- publicly pre-declaring our voting intentions ahead of AGMs.
- filing/co-filing shareholder resolutions.

If the investment case has been fundamentally weakened, which may be the result of a company failing to address the risk or concern under engagement, the portfolio manager may decide to reduce or exit the position. This decision rests solely with the portfolio manager.

Border to Coast will also escalate engagement on a sector basis, particularly where systemic and portfolio risks are concentrated, and the sector has been subject to significant collaborative

engagement over a prolonged period. Sector engagement escalation includes strengthening the voting policy specifically for that sector and public pre-declaration of votes against management for companies in that sector.

~~Border to Coast believe that engagement and constructive dialogue with the companies in which it invests is more effective than excluding companies from the investment universe. However, if engagement does not lead to the desired result escalation may be necessary. A lack of responsiveness by the company can be addressed by conducting collaborative engagement with other institutional shareholders, registering concern by voting on related agenda items at shareholder meetings, attending a shareholder meeting in person, making a public statement, publicly pre-declaring our voting intention, and filing/co-filing a shareholder resolution. If the investment case has been fundamentally weakened, the decision may be taken to sell the company's shares.~~

### 6.2.3 Exclusions

~~We believe that using our influence through ongoing engagement with companies, rather than divestment, drives positive outcomes. This is fundamental to our responsible investment approach. Our investment approach is not to divest or exclude entire sectors, however there may be specific instances when we will look to sell or not invest in some industries based on investment criteria and, the investment time horizon, and the likelihood for success in influencing company strategy and behaviour.~~

When considering whether a company is a candidate for exclusion, we do so based on the associated material financial risk of a company's business operations and whether we have concerns about its long-term viability. We initially assess the following key financial risks:

- regulatory risk
- litigation risk
- reputational risk
- social risk
- environmental risk

#### **Thermal coal and oil sands:**

Using these criteria, due to the potential for stranded assets and the significant carbon emissions of certain fossil fuels, we will not invest in public or private market companies ~~or illiquid assets~~ with more than 25% of revenues derived from the extraction of thermal coal and oil sands, unless there are exceptional circumstances. We will continue to monitor companies with such revenues for increased potential for stranded assets and the associated investment risk which may lead to the revenue threshold decreasing over time.



We will exclude public market companies in developed markets with >2550% revenue derived from thermal coal power generation. For public market companies in emerging markets the revenue threshold is >5079%, this is to reflect our support of a just transition towards a low-carbon economy which should be inclusive and acknowledge existing global disparities. We recognise that not all countries are at the same stage in their decarbonisation journey and need to consider the different transition timelines for emerging market economies. We will assess the implications of the exclusion policy and where we consider it appropriate, may operate exceptions.

Any public market companies excluded will be reviewed with business strategies and transition plans assessed for potential reinstatement.

### **Controversial weapons:**

Certain weapons are considered to be unacceptable as they may have an indiscriminate and disproportional impact on civilians during and after military conflicts. Several International Conventions and Treaties have been developed intended to prohibit or limit their use. We will therefore not invest in companies contravening the Anti-Personnel Landmines Treaty (1997), Chemical Weapons Convention (1997), the Biological Weapons Convention (1975), and the Convention on Cluster Munitions (2008). It is illegal to use these weapons in many jurisdictions,

and in some countries legislation also prohibits the direct and indirect financing of these weapons. Therefore, as a responsible investor we will not invest in the following, where public and private market companies are contravening the above treaties and conventions:

- Companies where there is evidence of manufacturing such whole weapons systems.
- Companies manufacturing components that were developed or are significantly modified for exclusive use of such weapons.

~~Companies that manufacture "dual-use" components, such as those that were not developed or modified for exclusive use in cluster munitions, will be assessed and excluded on a case-by-case basis.~~

Dual-use components, in the context of controversial weapons, refer to goods or technologies that have the potential for both civilian and military applications. Where our screening identifies companies potentially involved in the manufacture of such components used in controversial weapons, we will endeavour to assess whether credible evidence supports such a link.

We seek to apply our screening approach in private markets where practicable. However, we recognise that, due to limited disclosure and less accessible information on business involvement, de minimis exposure may occur.

Restrictions relate to the corporate entity only and not any affiliated companies.

Any companies excluded will be monitored and assessed for progress and potential reinstatement at least annually. We aim to implement our exclusion list promptly and efficiently. However, short-term holdings may arise due to timing gaps between list updates and application, fund transitions, or legacy positions. These holdings are not intentional and are managed to ensure alignment as soon as is practicable with our exclusion policies.

### 6.3. Due diligence and monitoring procedure

Internal procedures and controls for stewardship activities are reviewed by Border to Coast's external auditors as part of the audit assurance (AAF) control review. The external Voting and Engagement provider is also monitored and reviewed by Border to Coast on a regular basis to ensure that the service level agreement is met.

The Voting and Engagement provider also undertakes verification of its stewardship activities and the external auditor audits stewardship controls on an annual basis; this audit is part of the annual International Standard for Assurance Engagements control.

## 7. Litigation

Where Border to Coast holds securities, which are subject to individual or class action securities litigation, where appropriate, we participate in such litigation. There are various litigation routes available dependent upon where the company is registered. We use a case-by-case approach to determine whether or not to participate in a class action after having considered the risks and potential benefits. We work with industry professionals to facilitate this.

## 8. Communication and reporting

Border to Coast is transparent with regard to its RI activities and keeps beneficiaries and stakeholders informed. This is done by making publicly available RI and voting policies; publishing voting activity on our [website](#) quarterly; reporting on engagement and RI activities to the Partner Funds quarterly, and in our annual RI and Stewardship report.

We also report in line with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations and provide an annual progress report on the implementation of our Net Zero Plan.

## 9. Training and ~~assistance~~ Support

Border to Coast offers the Partner Funds training on RI and ESG issues. Where requested, ~~assistance~~ support is given on identifying ESG risks and opportunities in order to help develop individual fund policies and investment principles for inclusion in the Investment Strategy Statements.

The Investment Team receive training on RI and ESG issues with ~~assistance and~~ input from ~~our Voting & Engagement Partner~~ the RI team and other experts where required. Training is also provided to Border to Coast colleagues, the Board and the Joint Committee as and when required.

## 10. Conflicts of interest

Border to Coast has a suite of policies which cover any potential conflicts of interest between itself and the Partner Funds which are applied to identify and manage any conflicts of interest, this includes potential conflicts in relation to stewardship.



**Appendix A: Third-party Providers**

Voting and Engagement provider	Robeco Institutional Asset Management BV	June 2018 - Present
Proxy advisor	Glass Lewis	June 2018 - Present

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# Corporate Governance & Voting Guidelines

## Border to Coast Pensions Partnership



Live from: January 2025



## 1. Introduction

Border to Coast Pensions Partnership believes that companies operating to higher standards of corporate governance along with environmental and social best practice have greater potential to protect and enhance investment returns. As an active owner Border to Coast will engage with companies on environmental, social and governance (ESG) issues and exercise its voting rights at company meetings. When used together, voting and engagement can give greater results.

An investment in a company not only brings rights but also responsibilities. The shareholders' role includes appointing the directors and auditors and to be assured that appropriate governance structures are in place. Good governance is about ensuring that a company's policies and practices are robust and effective. It defines the extent to which a company operates responsibly in relation to its customers, shareholders, employees, and the wider community. Corporate governance goes hand-in-hand with responsible investment and stewardship. Border to Coast considers the UK Corporate Governance Code and other best practice global guidelines in formulating and delivering its policy and guidelines.

## 2. Voting procedure

These broad guidelines should be read in conjunction with the Responsible Investment Policy. They provide the framework within which the voting guidelines are administered and assessed on a case-by-case basis. A degree of flexibility will be required when interpreting the guidelines to reflect specific company and meeting circumstances. Voting decisions are reviewed with the portfolio managers. Where there are areas of contention the decision on voting will ultimately be made by the Chief Executive Officer. A specialist proxy voting advisor is employed to ensure that votes are executed in accordance with the policy.

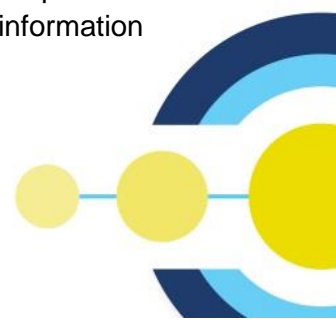
Where a decision has been made not to support a resolution at a company meeting, Border to Coast will, where able, engage with the company prior to the vote being cast. In some instances, attendance at AGMs may be required.

Border to Coast discloses its voting activity on its website and to Partner Funds on a quarterly basis.

We will support incumbent management wherever possible but recognise that the neglect of corporate governance and corporate responsibility issues could lead to reduced shareholder returns.

We will vote **For**, **Abstain** or **Oppose** on the following basis:

- We will support management that acts in the long-term interests of all shareholders, where a resolution is aligned with these guidelines and considered to be in line with best practice.
- We will abstain when a resolution fails the best practice test but is not considered to be serious enough to vote against.
- We will vote against a resolution where corporate behaviour falls short of best practice or these guidelines, or where the directors have failed to provide sufficient information to support the proposal.



### **3. Voting Guidelines**

#### **Company Boards**

The composition and effectiveness of the board is crucial to determining corporate performance, as it oversees the running of a company by its managers and is accountable to shareholders. Company behaviour has implications for shareholders and other stakeholders. The structure and composition of the board may vary between different countries; however, we believe that the following main governance criteria are valid across the globe.

#### **Composition and independence**

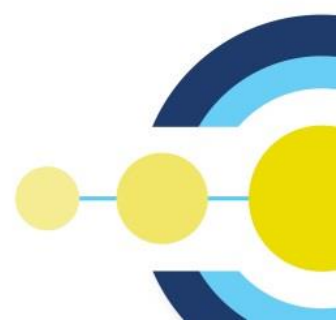
The board should have a balance of executive and non-executive directors so that no individual or small group of individuals can control the board's decision making. They should possess a suitable range of skills, experience and knowledge to ensure the company can meet its objectives. Boards do not need to be of a standard size: different companies need different board structures, and no simple model can be adopted by all companies.

The board of companies, excluding the Chair, should consist of a majority of independent non-executive directors although local market practices shall be taken into account. Controlled companies should have a majority of independent non-executive directors, or at least one-third independent directors on the board. As non-executive directors have a fiduciary duty to represent and act in the best interests of shareholders and to be objective and impartial when considering company matters, the board must be able to demonstrate their independence. Non-executive directors who have been on the board for a significant length of time, from nine to twelve years (depending on market practice) have been associated with the company for long enough to be presumed to have a close relationship with the business or fellow directors. We aspire for a maximum tenure of nine years but will review resolutions on a case-by-case basis where the local corporate governance code recommends a maximum tenure between nine and twelve years.

The nomination process of a company should therefore ensure that potential risks are restricted by having the right skills mix, competencies and independence at both the supervisory and executive board level. It is essential for boards to achieve an appropriate balance between tenure and experience, whilst not compromising the overall independence of the board. The re-nomination of board members with longer tenures should be balanced out by the nomination of members able to bring fresh perspectives. It is recognised that excessive length of tenure can be an issue in some markets, for example the US where it is common to have a retirement age limit in place rather than length of tenure. In such cases it is of even greater importance to have a process to robustly assess the independence of long tenured directors. Where it is believed an individual can make a valuable and independent contribution, tenure greater than nine years will be assessed on a case-by-case basis.

The company should, therefore, have a policy on tenure which is referenced in its annual report and accounts. There should also be sufficient disclosure of biographical details so that shareholders can make informed decisions. There are a number of factors which could affect independence, which includes but is not restricted to:

- Representing a significant shareholder.
- Serving on the board for over nine years.



- Having had a material business relationship with the company in the last three years.
- Having been a former employee within the last five years.
- Family relationships with directors, senior employees or advisors.
- Cross directorships with other board members.
- Having received or receiving additional remuneration from the company in addition to a director's fee, participating in the company's share option or performance-related pay schemes, or being a member of the company's pension scheme.

If the board has an average tenure of greater than 10 years and the board has had fewer than one new board nominee in the last five years, we will vote against the chair of the nomination committee.

## **Leadership**

The role of the Chair is distinct from that of other board members and should be seen as such. The Chair should be independent upon appointment and should not have previously been the CEO. The Chair should also take the lead in communicating with shareholders and the media. However, the Chair should not be responsible for the day-to-day management of the business: that responsibility rests with the Chief Executive. The role of Chair and CEO should not be combined as different skills and experience are required. There should be a distinct separation of duties to ensure that no one director has unfettered decision making power.

However, Border to Coast recognises that in many markets it is still common to find these positions combined. Any company intending to combine these roles must justify its position and satisfy shareholders in advance as to how the dangers inherent in such a combination are to be avoided; best practice advocates a separation of the roles. A senior independent non-executive director should be appointed, in-line with local corporate governance best practice, if roles are combined to provide shareholders and directors with a meaningful channel of communication, to provide a sounding board for the chair and to serve as an intermediary for the other directors and shareholders. Led by the senior independent director, the non-executive directors should meet without the chair present at least annually to appraise the chair's performance. Where the Chair and CEO roles are combined and no senior independent non-executive director has been appointed, we will vote against the nominee holding the combined Chair/CEO role, taking into consideration market practice.

## **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; free from connections and situations which could impact their judgement. They must commit sufficient time to their role to be able to carry out their responsibilities. A senior independent non-executive director should be appointed to act as liaison between the other non-executives, the Chair and other directors where necessary.

## **Diversity**

Board members should be recruited from as broad a range of backgrounds and experiences as possible. A diversity of directors will improve the representation and accountability of



boards, bringing new dimensions to board discussions and decision making. Companies should broaden the search to recruit non-executives to include open advertising and the process for board appointments should be transparent and formalised in a board nomination policy. Companies should have a diversity and inclusion policy which references gender, ethnicity, age, skills and experience and how this is considered in the formulation of the board. The policy should give insight into how diversity is being addressed not only at board level but throughout the company, it should reflect the demographic/ethnic makeup of the countries a company is active in and be disclosed in the Annual Report.

We support the government-backed FTSE Women Leaders Review and Parker Review which set goals for UK companies regarding the representation of women and ethnic minorities on boards, executive teams and in leadership positions. The Financial Conduct Authority ('FCA') has also set targets on diversity for certain companies for boards and senior board positions. Therefore, in the UK we expect boards to be composed of at least 40% female directors. For developed markets without legal requirements the threshold will be 33%. Where relevant, this threshold will be rounded down to account for board size. Recognising varying market practices, we generally expect emerging market and Japanese companies to have at least one female on the board. We will vote against the Chair of the nomination committee where this is not the case and there is no positive momentum or progress. On ethnic diversity, we will vote against the Chair of the nomination committee at FTSE 100 companies where the Board does not have at least one person from an ethnic minority background, and from 2024, we will also vote against the Chair of the nomination committee at FTSE 250 companies unless there are mitigating circumstances or plans to address this have been disclosed. In the US we will generally vote against the nomination committee Chair at Russell 1000 companies that fail to disclose sufficient racial and ethnic board demographic information.

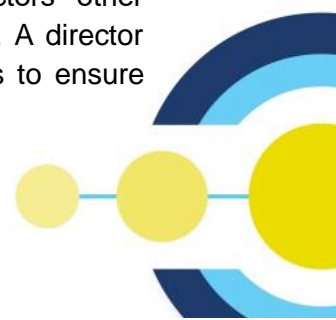
### **Succession planning**

We expect the board to disclose its policy on succession planning, the factors considered and where decision-making responsibilities lie. A succession policy should form part of the terms of reference for a formal nomination committee. The committee should comprise of a majority of independent directors or comply with local standards and be headed by the Chair or Senior Independent Non-executive Director except when it is appointing the Chair's successor. External advisors may also be employed.

### **Directors' availability and attendance**

It is important that directors have sufficient time to devote to the company's affairs; therefore, full time executives should not hold more than one non-executive position in a FTSE 100 company, or similar size company in other regions; nor the chairmanship of such a company. In the remaining instances, directors working as full-time executives should serve on a maximum of two publicly listed company boards.

With regard to non-executive directors, there can be no hard and fast rule on the number of positions that are acceptable: much depends upon the nature of the post and the capabilities of the individual. Shareholders need to be assured that no individual director has taken on too many positions. Full disclosure should be made in the annual report of directors' other commitments and attendance records at formal board and committee meetings. A director should attend a minimum of 75% of applicable board and committee meetings to ensure commitment to responsibilities at board level.



## Re-election

For a board to be successful it needs to ensure that it is suitably diverse with a range of skills, experience and knowledge. There is a requirement for non-executive directors to be independent to appropriately challenge management. To achieve this, boards need to be regularly refreshed to deal with issues such as stagnant skill sets, lack of diversity and excessive tenure; therefore, all directors should be subject to re-election annually, or in-line with local best practice. As representatives of shareholders, directors should preferably be elected using a majority voting standard. In cases where an uncontested election uses the plurality<sup>1</sup> voting standard without a resignation policy, we will hold the relevant Governance Committee accountable by voting against the Chair of this committee.

## 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. The annual evaluation should consider its composition, diversity and how effectively members work together to achieve objectives. As part of the evaluation, boards should consider whether directors possess the necessary expertise to address and challenge management on key strategic topics. These strategic issues and important areas of expertise should be clearly outlined in reporting on the evaluation. The board should disclose the process for evaluation and, as far as reasonably possible, any material issues of relevance arising from the conclusions and any action taken as a consequence. Individual director evaluation should demonstrate the effective contribution of each director. An internal evaluation should take place annually with an external evaluation required at least every three years.

## Stakeholder engagement

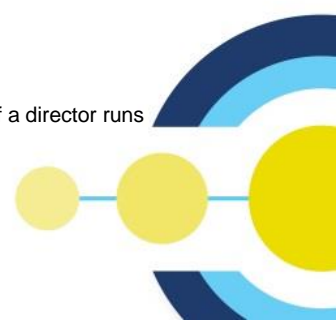
Companies need to develop and maintain relationships with key stakeholders to be successful in the long-term. The board therefore should take into account the interests of and feedback from stakeholders which includes the workforce. Considering the differences in best practice across markets, companies should report how key stakeholder views and interests have been considered and impacted on board decisions. Companies should also have an appropriate system in place to engage with employees.

Engagement and dialogue with shareholders and wider stakeholders on a regular basis are key for companies; being a way to discuss governance, strategy, and other significant issues. Companies should engage with shareholders ahead of the AGM in order that high votes against resolutions can be avoided where possible.

Where a company with a single share class structure has received 20% votes against a proposal at a previous AGM, a comprehensive shareholder and stakeholder consultation should be initiated. A case-by-case approach will be taken for companies with a dual class structure where a significant vote against has been received. Engagement efforts and findings, as well as company responses, should be clearly reported on and lead to tangible improvement. Where companies fail to do so, the relevant board committees or members will be held to account.

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<sup>11</sup> A plurality vote means that the winning candidate only needs to get more votes than a competing candidate. If a director runs unopposed, he or she only needs one vote to be elected.





## Directors' remuneration

Shareholders at UK companies have two votes in relation to pay; the annual advisory vote on remuneration implementation which is non-binding, and the triennial vote on forward-looking pay policy which is binding. If a company does not receive a majority of shareholder support for the pay policy, it is required to table a resolution with a revised policy at the next annual meeting.

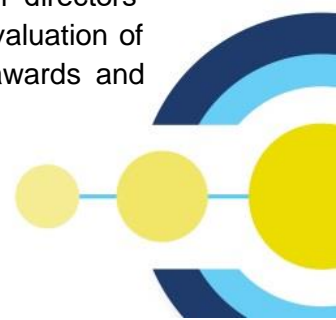
It must be noted that remuneration structures are varied, with not one model being suitable for all companies; however, there are concerns over excessive remuneration and the overall quantum of pay. Research shows that high executive pay does not systematically lead to better company performance. Excessive rewards for poor performance are not in the best interests of a company or its shareholders. Remuneration levels should be sufficient to attract, motivate and retain quality management but should not be excessive compared to salary levels within the organisation and with peer group companies. There is a clear conflict of interest when directors set their own remuneration in terms of their duty to the company, accountability to shareholders and their own self-interest. It is therefore essential that the remuneration committee is comprised solely of non-executive directors and complies with the market independence requirement.

Remuneration has serious implications for corporate performance in terms of providing the right incentives to senior management, in setting performance targets, and its effect on the morale and motivation of employees. Corporate reputation is also at risk. Remuneration policy should be sensitive to pay and employee conditions elsewhere in the company, especially when determining annual salary increases.

Where companies are potentially subject to high levels of environmental and societal risk as part of its business, the remuneration committee should also consider linking relevant metrics and targets to remuneration to focus management on these issues. The selection of these metrics should be based on a materiality assessment that also guides the company's overall sustainability strategy. If environmental or social topics are incorporated in variable pay plans, the targets should set stretch goals for improved ESG performance, address achievements under management's control, and avoid rewarding management for basic expected behaviour. Where relevant, minimum ESG standards should instead be incorporated as underpins or gateways for incentive pay. If the remuneration committee determines that the inclusion of environmental or social metrics would not be appropriate, a clear rationale for this decision should be provided in the remuneration report.

The compensation provided to non-executive directors should reflect the role and responsibility. It should be structured in a manner that does not compromise independence, enhancing objectivity and alignment with shareholders' interests. Non-executive directors should, therefore, not be granted performance-based pay. Although we would not expect participation in Long-term Incentive Plans (LTIPs), we are conscious that in some exceptional instances non-executives may be awarded stock, however the proportion of pay granted in stock should be minimal to avoid conflicts of interest.

To ensure accountability there should be a full and transparent disclosure of directors' remuneration with the policy published in the annual report and accounts. The valuation of benefits received during the year, including share options, other conditional awards and



pension benefits, should be provided. Companies should also be transparent about the ratio of their CEO's pay compared to the median, lower and upper quartiles of their employees.

- **Annual bonus**

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. Bonuses should be set at an appropriate level of base salary and should be capped. Provisions should be in place to reduce or forfeit the annual bonus where the company has experienced a significant negative event. For large cap issuers, we expect the annual bonus to include deferral of a portion of short-term payments into long-term equity scheme or equivalent. We will also encourage other companies to take this approach.

- **Long-term incentives**

Remuneration policies have over time become more and more complex making them difficult for shareholders to adequately assess. Border to Coast therefore encourages companies to simplify remuneration policies.

Performance-related remuneration schemes should be created in such a way to reward performance that has made a significant contribution to shareholder value. Poorly structured schemes can result in senior management receiving unmerited rewards for substandard performance. This is unacceptable and could adversely affect the motivation of other employees.

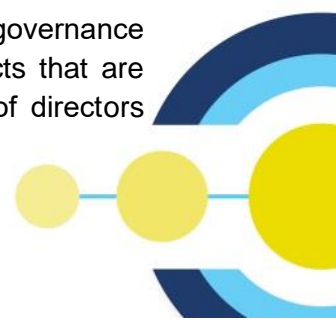
Incentives are linked to performance over the longer-term in order to create shareholder value. If restricted stock units are awarded under the plan, the vesting period should be at least three years to ensure that the interests of both management and shareholders are aligned in the long-term. Executives' incentive plans should include both financial and non-financial metrics and targets that are sufficiently ambitious and challenging. Remuneration should be specifically linked to stated business objectives and performance indicators should be fully disclosed in the annual report.

The performance basis of all such incentive schemes under which benefits are potentially payable should be clearly set out each year, together with the actual performance achieved against the same targets. We expect clawback or malus provisions to be in place for all components of variable compensation, taking into account local market standards. We encourage Executive Directors to build a significant shareholding in the company to ensure alignment with the objectives of shareholders. These shares should be held for at least two years post exit.

The introduction of incentive schemes to all employees within a firm is encouraged and supported as this helps all employees understand the concept of shareholder value.

### **Directors' contracts**

Directors' service contracts are also a fundamental part of corporate governance considerations. Therefore, all executive directors are expected to have contracts that are based upon no more than twelve months' salary. Retirement benefit policies of directors



should be aligned with those of the majority of the workforce, and no element of variable pay should be pensionable. The main terms of the directors' contracts including notice periods on both sides, and any loans or third-party contractual arrangements such as the provision of housing or removal expenses, should be declared within the annual report. Termination benefits should be aligned with market best practice.

### **Corporate reporting**

Companies are expected to report regularly to shareholders in an integrated manner that allows them to understand the company's strategic objectives. Companies should be as transparent as possible in disclosures within the report and accounts. As well as reporting financial performance, business strategy and the key risks facing the business, companies should provide additional information on ESG issues that also reflect the directors' stewardship of the company. These could include, for example, information on a company's human capital management policies, its charitable and community initiatives and on its impact on the environment in which it operates.

Every annual report should include an environmental section, which identifies key quantitative data relating to energy and water consumption, emissions and waste etc., explains any contentious issues and outlines reporting and evaluation criteria. It is important that the risk areas reported upon should not be limited to financial risks.

We will encourage companies to report and disclose in line with the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) recommendations, and the Workforce Disclosure Initiative in relation to human capital reporting.

### **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. To ensure that the audit committee can fulfil its fiduciary role, it should be established as an appropriate committee composition with at least three members who are all independent non-executive directors and have at least one director with a relevant audit or financial background. Any material links between the audit firm and the client need to be highlighted, with the audit committee report being the most appropriate place for such disclosures. Audited financial statements should be published in a timely manner ahead of votes being cast at annual general meetings.

FTSE 350 companies should tender the external audit contract at least every ten years. Reappointment of the same firm with rotation of the audit partner, will not be considered as sufficient. If an auditor has been in place for more than ten fiscal years, their appointment will not be supported unless there are plans in place to address this.

For the wider market, the external audit contract should be put out to tender at least every ten years. Where an auditor has resigned, an explanation should be given. If the accounts have been qualified or there has been non-compliance with legal or regulatory requirements, this should be drawn to shareholders' attention in the main body of the annual report. If the appropriate disclosures are not made, the re-appointment of the audit firm will not be supported.



## **Non-Audit Fees**

There is concern over the potential conflict of interest between audit and non-audit work when conducted by the same firm for a client. Companies must therefore make a full disclosure where such a conflict arises. There can be legitimate reasons for employing the same firm to do both types of work, but these need to be identified. As a rule, the re-appointment of auditors will not be supported where non-audit fees are considerably in excess of audit fees in the year under review, and on a three-year aggregate basis, unless sufficient explanation is given in the accounts.

## **Political donations**

There are concerns over the reputational risks and democratic implications of companies becoming involved in funding political processes, both at home and abroad. Companies should disclose all political donations, demonstrate where they intend to spend the money and that it is the interest of the company and shareholders. Where these conditions are not met, or there is insufficient disclosure that the money is not being used for political party donations, political donations will be opposed. Any proposals concerning political donations will be opposed.

## **Lobbying**

A company should be transparent and publicly disclose direct lobbying, and any indirect lobbying through its membership of trade associations. We will assess shareholder proposals regarding lobbying on a case-by-case basis; however, we will generally support resolutions requesting greater disclosure of trade association and industry body memberships, any payments and contributions made, and requiring alignment of company and trade association values. This includes expectations of companies to be transparent regarding lobbying activities in relation to climate change and to assess whether a company's climate change policy is aligned with the industry association(s) it belongs to.

## **Shareholder rights**

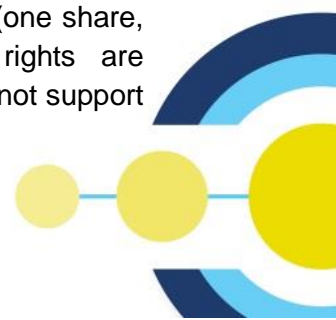
As a shareowner, Border to Coast is entitled to certain shareholder rights in the companies in which it invests (Companies Act 2006). Boards are expected to protect such ownership rights.

- **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. Failure to seek approval would elicit opposition to other resolutions as appropriate unless there is a clearly disclosed capital management and allocation strategy in public reporting.

- **Voting rights**

Voting at company meetings is the main way in which shareholders can influence a company's governance arrangements and its behaviour. Shareholders should have voting rights in equal proportion to their economic interest in a company (one share, one vote). Dual share structures which have differential voting rights are disadvantageous to many shareholders and should be abolished. We will not support measures or proposals which will dilute or restrict our rights.



- **Authority to issue shares**

Companies have the right to issue new shares in order to raise capital but are required by law to seek shareholders' authority. Such issuances should be limited to what is necessary to sustain the company and not be in excess of relevant market norms.

- **Disapplication of Pre-emption Rights**

Border to Coast supports the pre-emption rights principle and considers it acceptable that directors have authority to allot shares on this basis. Resolutions seeking the authority to issue shares with and without pre-emption rights should be separate and should specify the amounts involved, the time periods covered and whether there is any intention to utilise the authority.

## **Share Repurchases**

Border to Coast does not necessarily oppose a company re-purchasing its own shares but it recognises the effect such buy backs might have on incentive schemes where earnings per share measures are a condition of the scheme. The impact of such measures should be reported on. It is important that the directors provide a full justification to demonstrate that a share repurchase is the best use of company resources, including setting out the criteria for calculating the buyback price to ensure that it benefits long-term shareholders.

## **Memorandum and Articles of Association**

Proposals to change a company's memorandum and articles of association should be supported if they are in the interests of Border to Coast, presented as separate resolutions for each change, and the reasons for each change provided.

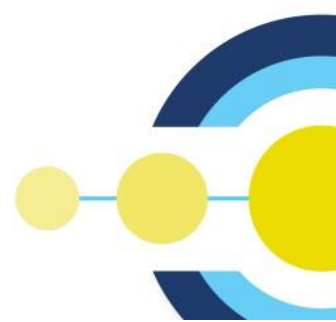
If proposals to adopt new articles or amend existing articles might result in shareholders' interests being adversely affected, we will oppose the changes.

## **Mergers and acquisitions**

Border to Coast will normally support management if the terms of the deal will create rather than destroy shareholder value and makes sense strategically. Each individual case will be considered on its merits. Seldom will compliance with corporate governance best practice be the sole determinant when evaluating the merits of merger and acquisition activity, but full information must be provided to shareholders on governance issues when they are asked to approve such transactions. Recommendations regarding takeovers should be approved by the full board.

## **Articles of Association and adopting the report and accounts**

It is unlikely that Border to Coast will oppose a vote to adopt the report and accounts simply because it objects to them per se; however, there may be occasions when we might vote against them to lodge dissatisfaction with other points raised within this policy statement. Although it is a blunt tool to use, it can be an effective one especially if the appropriate Chair or senior director is not standing for election.



## **Virtual Shareholder General Meetings**

Many companies are considering using electronic means to reach a greater number of their shareholders. An example of this is via a virtual annual general meeting of shareholders where a meeting takes place exclusively using online technology, without a corresponding in-person meeting. There are some advantages to virtual only meetings as they can increase shareholder accessibility and participation; however, they can also remove the one opportunity shareholders have to meet face to face with the Board to ensure they are held to account. We would expect an electronic meeting to be held in tandem with a physical meeting. If extraordinary circumstances rule out a physical meeting, we expect the company to clearly outline how shareholders' rights to participate by asking questions and voting during the meeting are protected. Any amendment to a company's Articles to allow virtual only meetings without these safeguards will not be supported.

## **Shareholder Proposals**

We will assess shareholder proposals on a case-by-case basis. Consideration is given as to whether the proposal reflects Border to Coast's Responsible Investment policy, is balanced and worded appropriately, and supports the long-term economic interests of shareholders.

Shareholder proposals are an important tool to improve transparency. Therefore, we will, when considered appropriate, support resolutions requesting additional reporting or reasonable action that is in shareholders' best interests on material business risk, ESG topics, climate risk and lobbying.

We will generally vote in favour of shareholder resolutions that are aligned with the objectives of the Paris climate agreement, taking a 'comply or explain' approach, publicly disclosing our rationale if we vote against.

We will generally vote in favour of shareholder proposals that ask companies to mitigate deforestation risks, taking a 'comply or explain' approach, publicly disclosing our rationale if we vote against.

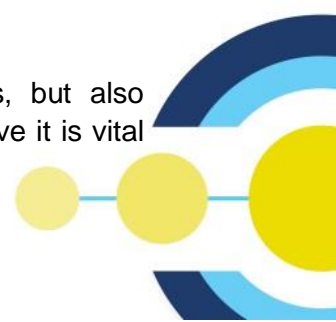
Some shareholder proposals can appear to address environmental or social issues, but in practice seek to roll back elements of corporate practices and commitments. While we assess each proposal on its individual merits and vote accordingly, where we identify such resolutions, we will exclude them from our environmental and social related voting record.

## **Human rights**

When considering human rights issues, we believe that all companies should abide by the UN Global Compact Principles and the OECD Guidelines for Multinational Enterprises. We expect companies exposed to human rights issues to have adequate due diligence processes in place to identify risks across their business and supply chain, in line with the UN Guiding Principles on Business and Human Rights. Where a company is involved in significant social controversies and at the same time is assessed as having poor human rights due diligence, we will vote against the most accountable board member or the report and accounts.

## **Climate change**

Climate change is a systemic risk which poses significant investment risks, but also opportunities, with the potential to impact long-term shareholder value. We believe it is vital





we fully understand how companies are dealing with this challenge, and feel it is our duty to hold the boards of our investee companies to account.

Our primary objective from climate related voting and engagement is to encourage companies to adapt their business strategy in order to align with a low carbon economy and reach net zero by 2050 or sooner. The areas we consider include climate governance; strategy and Paris alignment; command of the climate subject; board oversight and incentivisation; TCFD disclosures and scenario planning; scope 3 emissions and the supply chain; capital allocation alignment, climate accounting, a just transition and exposure to climate-stressed regions.

For companies in high emitting sectors that do not sufficiently address the impact of climate change on their businesses, we will oppose the agenda item most appropriate for that issue. To that end, the nomination of the accountable board member takes precedence. Companies that are not making sufficient progress in mitigating climate risk are identified using recognised industry benchmarks including the Transition Pathway Initiative ('TPI'), the Climate Action 100+ ('CA100+') Net Zero Benchmark and the Urgewald Global Coal Exit List. We use TPI scores and will vote against the Chair (or relevant agenda item) where companies are scored 2 or lower, and for Oil and Gas companies scoring 3 or lower, unless more up to date information is available. Where a company covered by CA100+ Net Zero Benchmark fails indicators of the Benchmark, which includes a net zero by 2050 (or sooner) ambition, short, medium and long-term emission reduction targets, and decarbonisation strategy, we will also vote against the Chair of the Board.

Additionally, an internally developed framework is used to identify companies with insufficient progress on climate change and not covered by the industry benchmarks.

Where management put forward a 'Say on Climate' resolution, we will vote against the agenda item if, following our analysis, we believe it is not aligned with the Paris Agreement.

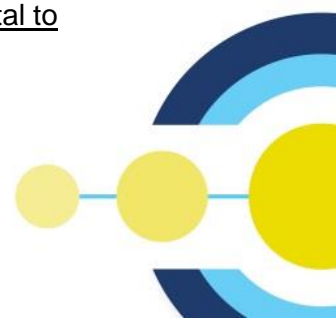
Banks will play a pivotal role in the transition to a low carbon economy, and we will therefore be including the sector when voting on climate-related issues. We will assess banks using the IIGCC/TPI framework and will vote against the Chair of the Sustainability Committee, or the agenda item most appropriate, in the case where we have significant concerns regarding the bank's transition plans to net zero.

We support a just transition towards a low-carbon economy which should be inclusive and acknowledge existing global disparities. We recognise that not all countries are at the same stage in their decarbonisation journey and need to consider the different transition timelines for emerging market economies. Therefore, in the interests of a just transition we will assess the implications when considering our voting decisions on a case-by-case basis.

## **Nature**

Nature related risks are systemic and pose one of the most significant long term threats to global economic stability.\_

Nature related risks arise in many forms, including land use change, habitat destruction, pollution, and water stress. Companies that fail to address these risks may face operational, reputational, and regulatory consequences. Such consequences can be detrimental to financial performance and, therefore, to long-term shareholder value.



If a company is identified as having poor management of nature related risks, we will consider voting against the most accountable board member or the approval of the report and accounts.

We identify nature priority companies through the following steps:

- We establish any material exposure we have to company's scoring less than 10 out of 100 on the World Benchmarking Alliance's Nature Benchmark;
- We then conduct an independent assessment of companies meeting the above criteria. The assessment looks at alignment to emerging frameworks like the Taskforce on Nature Related Financial Disclosures, any recent controversies related to nature and the level of board oversight regarding nature related risks.
- The results of the independent assessment highlight priority companies for which we will consider exercising votes as set out above.

We place separate emphasis on companies with high exposure to deforestation risk commodities. Such commodities include palm oil, soy, beef, and timber, paper and pulp. We expect companies that have high exposure to deforestation risk commodities to take action to address those risks within their operations and supply chains.

Our assessment of the quality of mitigating actions includes reference to external benchmarks, such as Forest500.

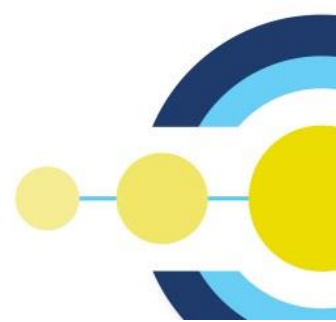
For companies that have such exposure, and either do not have adequate policies and processes in place to reduce their impact or are involved in severe deforestation-linked controversies, we will oppose the re-election of the Chair of the Sustainability Committee (or most appropriate agenda item).

## **Investment trusts**

Border to Coast acknowledges that issues faced by the boards of investment companies are often different to those of other listed companies. The same corporate governance guidelines do not necessarily apply to them; for example, investment companies can operate with smaller boards. However, the conventions applying to audit, board composition and director independence do apply.

The election of any representative of an incumbent investment manager onto the board of a trust managed or advised by that manager will not be supported. Independence of the board from the investment manager is key, therefore management contracts should not exceed one year and should be reviewed every year. In broad terms, the same requirements for independence, diversity and competence apply to boards of investment trusts as they do to any other quoted companies.

We may oppose the adoption of the report and accounts of an investment trust where there is no commitment that the trust exercises its own votes, and there is no explanation of the voting policy.





# Climate Change Policy

## Border to Coast Pensions Partnership



Live from: January 2025

# Climate Change Policy

This Climate Change Policy details the approach that Border to Coast Pensions Partnership will follow in fulfilling its commitment to managing the risks and opportunities associated with climate change across the assets managed on behalf of our Partner Funds.

## 1 Introduction

Border to Coast Pensions Partnership Ltd is an FCA regulated and authorised investment fund manager (AIFM), operating investment funds for its eleven shareholders which are Local Government Pension Scheme funds (Partner Funds). As a customer-owned, customer-focused organisation, our purpose is to make a sustainable and positive difference to investment outcomes for our Partner Funds. Pooling gives us a stronger voice and, working in partnership with our Partner Funds and across the asset owner and asset management industry, we aim to deliver cost effective, innovative and responsible investment thereby enabling sustainable, risk-adjusted performance over the long-term.

### 1.1 Policy framework

Border to Coast has developed this Climate Change Policy in collaboration with our Partner Funds. It sits alongside the Responsible Investment Policy and other associated policies, developed to ensure clarity of approach and to meet our Partner Funds' fiduciary duty and fulfil their stewardship requirements. This collaborative approach resulted in the RI policy framework illustrated below with the colours demonstrating ownership of the various aspects of the framework:

### RI Policy Framework



## 2 Policy overview

### 2.1 Our views and beliefs on climate change

The world is warming, the climate is changing, and the scientific consensus is that this is due to human activity, primarily the emissions of carbon dioxide (CO<sub>2</sub>) from burning fossil fuels. Our planet has warmed by over 1°C relative to the pre-industrial average temperature, and we are starting to experience the significant effects of this warming. This changes the world in which we live, but also the world in which we invest.

Atmospheric CO<sub>2</sub> is at unprecedented levels in human history. Further warming will occur, and so adaptation will be required. The extent of this further warming is for humankind to collectively decide, and the next decade is critical in determining the course. If the present course is not changed and societal emissions of CO<sub>2</sub> and other greenhouse gases (GHG) are not reduced to mitigate global warming, scientists have suggested that global society will be catastrophically disrupted beyond its capability to adapt, with material capital market implications.

Recognising the existential threat to society that unmitigated climate change represents, in 2015, the nations of the world came together in Paris and agreed to limit global warming to well below 2°C and to pursue efforts to limit the temperature increase to 1.5°C. A key part of the Paris Agreement was an objective to make finance flows consistent with a pathway towards low GHG emissions and climate resilience. This recognises the critical role asset owners and managers play, reinforcing the need for us and our peers to drive and support the pace and scale of change required.

In 2018, the Intergovernmental Panel on Climate Change (IPCC) published a special report, “Global warming of 1.5°C”<sup>1</sup>, which starkly illustrated how critical successful adaptation to limit global warming to 1.5°C is. The report found that limiting global warming to 1.5°C would require “rapid and far-reaching” transitions in land, energy, industry, buildings, transport, and cities. This includes a need for emissions of carbon dioxide to fall by approximately 45 percent from 2010 levels by 2030, and reach ‘net zero’ around 2050. We support this scientific consensus; recognising that the investments we make, in every asset class, will both impact climate change and be impacted by climate change. Urgent collaborative action is needed to reach net zero greenhouse gas emissions globally by 2050, and everyone has a part to play in ensuring the goal is met.

## 2.2 Why climate change is important to us

The purpose of embedding sustainability into our actions is twofold: we believe that considering sustainable measures in our investment decisions will increase returns for our Partner Funds, in addition to positively impacting the world beneficiaries live in.

As a long-term and responsible investor, we have a duty to ensure our investments are well-positioned to manage the physical climate risks, regulations, and policies that are developed to promote a Net Zero economy. Being an active investor, we have the skills and capabilities to deliver investments that will support the necessary transition to Net Zero. Representing our asset owners, we have a role to play in influencing those companies and organisations in which we invest to take into account climate change; this includes providing better climate-related financial disclosures, which assist us in making better-informed investment decisions.

While climate change creates risks to investors, there are also investment opportunities related to the transition to a lower carbon economy. The transition to a Net Zero economy will require new business models, new companies and new infrastructure. These represent potentially profitable investments that will help our Partner Funds look after beneficiaries for decades to come.

Our exposure to climate change comes predominantly from the investments that we manage on behalf of our Partner Funds. We develop and operate a variety of internally and externally managed investments across a range of asset classes both in public and private markets for our Partner Funds to invest in.

We try to mitigate these exposures by taking a long-term approach to investing as we believe that businesses that are governed well and managed in a sustainable way are more resilient, able to survive shocks and have the potential to provide better financial returns for investors. Climate change can have a material impact on the value of financial assets and on the long-term performance of investments, and therefore needs to be considered across all asset classes in order to better manage risk and generate sustainable, long-term returns.

Climate change is a systemic risk which poses significant investment risks, but also opportunities, with the potential to impact long-term shareholder value. There are two types of risks that investors are exposed to, the physical risk of climate change impacts and the transitional risk of decarbonising economies, both can also impact society resulting in social risks.

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<sup>1</sup> <https://www.ipcc.ch/sr15/>

Transition to a low carbon economy will affect some sectors more than others, and within sectors there are likely to be winners and losers, which is why divesting from and excluding entire sectors may not be appropriate. We actively consider how climate change, the shifting regulatory environment and potential macroeconomic impact will affect investments. We believe that we have the responsibility to contribute and support the transition to a low carbon economy in order to positively impact the world in which pension scheme beneficiaries live in.

In addition, the transition to a low-carbon economy will undoubtedly affect the various stakeholders of the companies taking part in the energy transition. A just transition refers to the integration of the social dimension into net zero transition strategies and is part of the Paris Agreement, the guidelines adopted by United Nations' International Labour Organization (ILO) in 2015, and the European Green Deal. These stakeholders include the workforce, communities in which the companies operate, supply chains, and customers. Whilst our specific expectations differ depending upon the sector and market, we expect all companies to consider the potential stakeholder risks and opportunities associated with decarbonisation.

Our climate change strategy is split into four pillars: **Identification and Assessment, Investment Strategy, Engagement and Advocacy, and Disclosures and Reporting**. We continue to monitor scientific research in this space; evolving and adapting our strategy in order to best respond to the impacts of climate change.

### 2.3 How we execute our climate change strategy

*We integrate climate change risks within our wider risk management framework and have robust processes in place for the identification and ongoing assessment of climate risks.*

*We consider climate change risks and opportunities within our investment decision making process.*

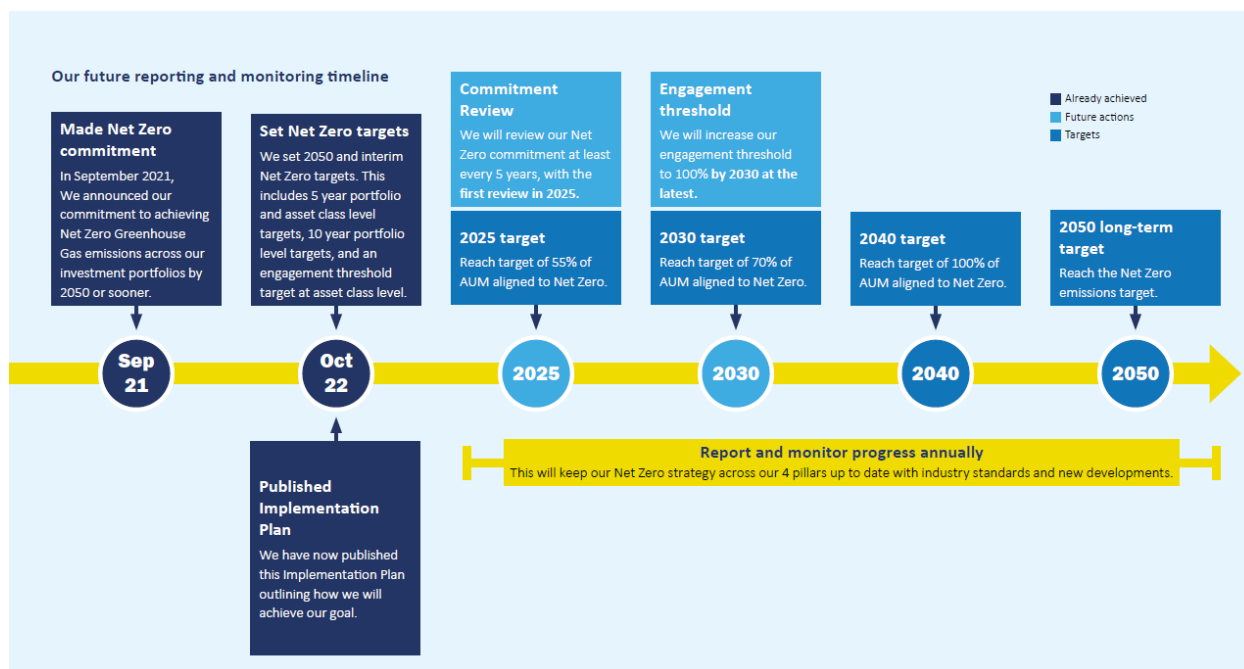


*Border to Coast, as a large investor, aims to influence companies to adapt and articulate their climate change strategy, to enable them to be well prepared for the transition to a low carbon economy. This in turn will improve investment outcomes.*

*We are committed to transparency regarding our climate change issues and activities.*

## 2.4 Roadmap

The roadmap demonstrates the future reporting and monitoring timeline for implementing our Net Zero plan.



## 3 Climate change strategy and governance

### 3.1 Our ambition – Net Zero

Our climate change strategy recognises that there are financially material investment risks and opportunities associated with climate change which we need to manage across our investment portfolios. We have therefore committed to a net zero carbon emissions target by 2050 at the latest for our assets under management, in order to align with efforts to limit temperature increases to 1.5°C.

We recognise that assessing and monitoring climate risk is under constant development, and that tools and underlying data are developing rapidly. There is a risk of just focusing on carbon emissions, a backwards looking metric, and it is important to ensure that metrics we use reflect the expected future state and transition plans that companies have in place or under development. We continue to assess the metrics and targets used as data and industry standards develop.

As a supporter of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), we continue to embed climate change into our investment process and risk management systems, reporting annually on our progress in the Climate Change report.

To demonstrate our Net Zero commitment, we joined the Net Zero Asset Manager initiative (NZAM) pledging to decarbonise investment portfolios by 2050 or sooner.

We are using the Net Zero Investment Framework (NZIF) to support us in implementing our strategy to being Net Zero by 2050. We have developed an implementation plan which sets out the four pillars of our approach: governance and strategy, targets and objectives, asset class alignment, and stewardship and engagement. We believe success across these four elements will best enable us to implement the change needed.

To meet our commitment to reach net zero carbon emissions by 2050 or sooner, we have developed targets for our investments in line with NZIF. We have set targets at two levels: portfolio level, which refers to our combined total investments in the asset classes covered by this plan,

and asset class level, which refers to our investments split by investment type (i.e. listed equity, corporate fixed income etc.). This covers approximately 57% of our AUM (at 31/03/2023) and we will look to increase coverage across the rest of our investments when appropriate.

We have set short and medium-term reduction targets for carbon emissions, targeting a 53% reduction in financed emissions (normalised by AUM) by 2025 and a 66% reduction by 2030 in order to reach 100% emission reductions by 2050 or sooner. We have also set Net Zero alignment targets for our portfolios based on specific assessment criteria with the aim of reaching 100% Net Zero alignment by 2040 and asset class level engagement targets with 80% of finance emissions to be under engagement by 2025, reaching 100% coverage by 2030.

More detail can be found in the Net Zero Implementation Plan on our website.

### **3.2 Governance and implementation**

We take a holistic approach to the integration of sustainability and responsible investment; it is at the core of our corporate and investment thinking. Sustainability, which includes RI is considered and overseen by the Board and Executive Committee. We have defined policies and procedures that demonstrate our commitment to managing climate change risk, including this Climate Change Policy, our Responsible Investment Policy and Corporate Governance & Voting Guidelines which can be found on our [website](#).

### **3.3 Division of roles and responsibilities**

The Board determines the Company's overall strategy for climate change and with support from the Board Risk Committee, more broadly oversees the identification and management of risk and opportunities. The Board is responsible for the overarching oversight of climate related considerations as part of its remit with respect to Border to Coast's management of investments. The Board approves the Responsible Investment strategy and policies, which includes the Climate Change Policy. Updates on Responsible Investment are presented to the Board at regular intervals, this includes activities related to climate change. The Board reviews and approves the Climate Change report prior to publication.

The Climate Change Policy is owned by Border to Coast and created after collaboration and engagement with our Partner Funds. We will, where needed, take appropriate advice in order to further develop and implement the policy.

The Chief Investment Officer (CIO) is responsible for the implementation and management of the Climate Change Policy, with oversight from the Investment Committee, which is chaired by the Chief Executive Officer. The remit of the Investment Committee includes overseeing progress and reporting against our Net Zero targets. Each year the CIO reviews the implementation of the policy and reports any findings to the Board. The policy is reviewed every three years, taking into account evolving best practice, and updated as needed.

The Investment Team, which includes a dedicated Responsible Investment Team, works to identify and manage environmental, social and governance (ESG) issues including climate change, with support and oversight from the Risk and Compliance function. Climate change is one of our responsible investment priorities and sits at the core of our sustainability dialogue. We are on the front foot with UK, European and Global climate change regulation, horizon scanning for future regulation and actively participate in discussions around future climate policy and legislation through our membership of industry bodies.

### **3.4 Training**

Border to Coast's Board and colleagues maintain appropriate skills in responsible investment, including climate change, maintaining and increasing knowledge and understanding of climate change risks, available risk measurement tools, and policy and regulation. Where necessary expert advice is taken from suitable climate change specialists to fulfil our responsibilities. We also offer our Partner Funds training on climate change related issues.



### 3.5 Regulatory change management

Regulatory change horizon scanning is a key task undertaken by the Compliance function, which regularly scans for applicable regulatory change. This includes FCA, associated UK financial services regulations, and wider regulation impacting financial services including Responsible Investment, and climate change. The relevant heads of functions and departments, as subject matter experts, also support the process and a tracker is maintained to ensure applicable changes are appropriately implemented.

## 4 Identification and assessment

### 4.1 How we identify climate-related risks

The Identification and Assessment pillar is a key element of our climate change strategy. Our investment processes and approach towards engagement and advocacy reflect our desire to culturally embed climate change risk within our organisation and drive change in the industry.

The risk relating to climate change is integrated into the wider Border to Coast risk management framework and considered within the related components of our Risk Appetite Framework, such as strategy, customer outcomes and stewardship. The Company operates a risk management framework consistent with the principles of the 'three lines of defence' model. Primary responsibility for risk management lies with the Investment and Operations teams. Second line of defence is provided by the Risk and Compliance functions, which report to the Board Risk Committee, and the third line of defence is provided by Internal Audit, which reports to the Audit Committee and provides risk-based assurance over the Company's governance, risk and control framework.

We consider both the transition and physical risks of climate change. The former relates to the risks (and opportunities) from the realignment of our economic system towards low-carbon, climate-resilient and carbon-positive solutions (e.g. via regulations). The latter relates to the physical impacts of climate change (e.g. rising temperatures, changing precipitation patterns, increased risk arising from rising sea levels and increased frequency and severity of extreme weather events).

### 4.2 How we assess climate-related risks and opportunities

We currently use a number of different tools and metrics to measure and monitor climate risk across portfolios. We acknowledge that this is a rapidly evolving area, and we are developing our analytical capabilities to support our ambition. Carbon data is not available for all equities as not all companies disclose, therefore there is a reliance on estimates. Data is even more unreliable for fixed income and is only just being developed for Private Markets. We will work with our managers and the industry to improve data disclosure and transparency in this area.

We utilise third party carbon portfolio analytics to conduct carbon footprints across equity and fixed income portfolios, analysing carbon emissions, carbon intensity and weighted carbon intensity and fossil fuel exposure when assessing carbon-related risk, on a quarterly basis. The Transition Pathway Initiative (TPI)<sup>2</sup> tool and Climate Action 100+ Net Zero Company Benchmark analysis is used to support portfolio managers in decision making with respect to net zero assessments. We use research from our partners and specific climate research, along with information and data from initiatives and industry associations we support.

We continue to develop climate risk assessments for our listed equity investments that combine several factors to assess overall whether a company is aligned with the Paris Agreement (to limit global warming to 2°C), so that we can both engage appropriately with the company on their direction of travel and also track our progress. This is an iterative process, recognising that data, tools and methodologies are developing rapidly.

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<sup>2</sup> The Transition Pathway Initiative ('TPI') is a global initiative led by asset owners and supported by asset managers. Aimed at investors, it is a free-to-use tool that assesses how prepared companies are for the low carbon transition.

We understand that scenario analysis can be useful for understanding the potential risks and opportunities attached to investment portfolios and strategies due to climate change. We note that scenario analysis is still developing, with services and products evolving as data quality and disclosure from companies continues to improve and are aware of the current limitations of the models and associated risks of using this information to make informed investment decisions. We have used the Climate Financial Risk Forum's selection framework to consider climate scenario options and based on this framework will use the Regional Model of Investment and Development ("REMIND") model scenarios which come from the Network for Greening the Financial System ("NGFS"), a group of central banks and supervisors in the financial system. We will be considering a 1.5°C disorderly scenario, 2.0°C scenarios (orderly and disorderly) and the 3.0°C 'Hot House World' scenario. We will initially conduct scenario analysis on our listed equity and investment grade credit funds.

## **5 Investment strategy**

### **5.1 Our approach to investing**

Climate change systematically integrated into our investment decision-making process to identify related risks and opportunities. This is critical to our long-term objective of improving investment outcomes for our Partner Funds.

Border to Coast works with Partner Funds to provide a variety of internally and externally managed investment funds covering a wide-ranging set of asset classes with different risk-return profiles.

Partner Funds retain responsibility for setting their investment strategy, including their strategic exposure approach to climate risk. Border to Coast is responsible for implementing these strategies through appropriate investment solutions.

We consider climate change risks and opportunities in the process of constructing and developing investment funds. Engaging with our investee companies and fund managers is a key lever we will use to reach our Net Zero goals, but we also recognise the role of screening, adjusting portfolio weights, and tilted benchmarks in decarbonising our investments.

Climate change is also considered during the external manager selection and appointment process. We monitor and challenge our internal and external managers on their portfolio holdings, analysis, and investment rationale in relation to climate-related risks.

We monitor a variety of carbon metrics, managing climate risk in portfolios through active voting and engagement, whilst also looking to take advantage of the long-term climate-related investment opportunities.

We believe in engagement rather than divestment and that by doing so can effect change at companies. Our investment approach is not to divest or exclude entire sectors, however there may be specific instances when we will look to sell or not invest in some industries based on investment criteria, the investment time horizon and if there is limited scope for successful engagement. When considering whether a company is a candidate for exclusion, we do so based on the associated material financial risk of a company's business operations and whether we have concerns about its long-term viability. Following these principles, our Responsible Investment Policy sets out our exclusions policy on issuers deriving revenue from the extraction of thermal coal and oil sands and revenue from thermal coal power generation. The Responsible Investment Policy is available on our website.

### **5.2 Acting within different asset classes**

We integrate climate change risks and opportunities into our investment decisions within each asset class. The approach we take for each asset class is tailored to the nature of the risk and our investment process for that asset class. The timeframe for the impact of climate change can vary, leading to differing risk implications depending on the sector, asset class and region. These variations are considered at the portfolio level. This policy gives our overall approach and more



detail on the processes and analysis can be found in our annual Climate Change Report.

Climate risks and opportunities are incorporated into the stock analysis and decision-making process for **listed equities** and **fixed income**. Third-party ESG and carbon data are used to assess individual holdings. We also use forward looking metrics including the TPI ratings, Climate Action 100+ ('CA100+') Net Zero Company Benchmark and the Science Based Targets initiative ('SBTi') to assess companies' transition progress. Internal, sell-side and climate specific research, and engagement information are also utilised. Carbon footprints are conducted relative to the benchmark. Climate scenario analysis is also conducted for listed equity and fixed income portfolios using third-party data.

For our **alternative funds**, ESG risks, which includes climate change, are incorporated into the due diligence process including ongoing monitoring. Across both funds and co-investments, we consider the impact of carbon emissions and climate change when determining our asset allocation across geographies and industries. We assess and monitor if our GPs track portfolio metrics in line with TCFD recommendations. Climate change presents real financial risks to portfolios but also provides opportunities with significant amounts of private capital required to achieve a low-carbon transition. We have therefore launched a Climate Opportunities offering and will be facilitating increased investment in climate transition solutions taking into account Partner Fund asset allocation decisions.

ESG risks, including climate change, are an integral part of the due diligence process, including ongoing monitoring for our **Real Estate** funds. For all funds, we consider the impact of carbon emissions and climate change when determining our asset allocation across geographies, sectors and assets. We will look to assess and monitor all the funds against portfolio metrics in line with TCFD recommendations. For UK real estate, there is a blueprint and roadmap for Net-Zero Carbon, prepared by the selected third-party Investment Manager ('TPIM') working with an external expert (Verco) to understand (I) current carbon baselines (II) carbon reductions and costs to reduce global warming to 1.5 degrees and (III) high risk assets within their client portfolios. This will be of significant benefit to Border to Coast and the real estate funds as they evolve.

### 5.3 Working with External Managers

Assessing climate risk is an integral part of the External Manager selection and appointment process. It also forms part of the quarterly screening and monitoring of portfolios and the annual manager reviews. We monitor and review our fund managers on their climate change approach and policies. Where high emitting companies are held as part of a strategy managers are challenged and expected to provide strong investment rationale to substantiate the holding. We expect managers to engage with companies in line with our Responsible Investment Policy and to support collaborative initiatives on climate, and to report in line with the TCFD recommendations. In addition, we encourage managers to make a firm wide net zero commitment. We work with External Managers to implement specific decarbonisation parameters for their mandate. We monitor our managers' carbon profiles and progress against targets on a quarterly basis and as part of our annual reviews. We also consider the suitability of those targets on an annual basis. Where carbon profiles are above target, this acts as a prompt for discussion with the manager to understand why this has occurred, any appropriate actions to be taken to bring them back to target, and the timescales for any corrective action.

## 6 Engagement and advocacy

As a shareholder, we have the responsibility for effective stewardship of all companies or entities in which we invest, whether directly or indirectly. We take the responsibilities of this role seriously, and we believe that effective stewardship is key to the success for our climate ambition. As well as engaging with our investee companies it is important that we engage on systemic risks, including climate change, with policymakers, regulators and standard setters to help create a stable environment to enhance long-term investment returns.

### 6.1 Our approach to engagement

As a long-term investor and representative of asset owners, we hold companies and asset managers to account regarding environmental, social and governance issues, including climate change factors, that have the potential to impact corporate value. We support engagement over divestment as we believe that constructive dialogue with companies in which we invest is more effective than excluding companies from the investment universe, particularly with regard to promoting decarbonisation in the real world. If engagement does not lead to the desired results, we have an escalation process which forms part of our RI Policy, this includes voting against management on related AGM voting items, amongst other steps. We practice active ownership through monitoring companies, engagement, voting and litigation where considered to be appropriate. Through meetings with company directors, we seek to work with and influence investee companies to encourage positive change. Climate is one of our key engagement themes. We believe it is vital we fully understand how companies are dealing with this challenge, and feel it is our duty to hold the boards of our investee companies to account.

Our primary objective from climate related engagement is to encourage companies to adapt their business strategy in order to align with a low carbon economy and reach net zero by 2050 or sooner. The areas we consider in our engagement activities include climate governance; strategy and Paris alignment; command of the climate subject; board oversight and incentivisation; TCFD disclosures and scenario planning; scope 3 emissions and the supply chain; capital allocation alignment, a just transition and exposure to climate-stressed regions.

Engagement is the primary mechanism for driving alignment to Net Zero in our portfolio companies and thereby meeting our Net Zero targets, both at asset class and portfolio level, as well as for driving real-world decarbonisation. We have therefore set asset class level engagement targets with 80% of financed emissions to be under engagement by 2025, reaching 100% coverage by 2030.

In order to increase our influence with corporates and policy makers we work collaboratively with other like-minded investors and organisations. This is achieved through actively supporting investor RI initiatives and collaborating with various other external groups on climate related issues, including the Institutional Investors Group on Climate Change (IIGCC), CA100+, the UN-supported Principles for Responsible Investment, the Local Authority Pension Fund Forum and the TPI.

In particular, we are currently focusing on the following actions:

- When exercising our voting rights for companies in high emitting sectors that do not sufficiently address the impact of climate change on their businesses, we will oppose the agenda item most appropriate for that issue. To that end, the nomination of the accountable board member takes precedence. Companies that are not making sufficient progress in mitigating climate risk are identified using recognised industry benchmarks including the TPI, CA 100+ Net Zero Company Benchmark and the Urgewald Global Coal Exit List. Additionally, an internally developed framework is used to identify companies with insufficient progress on climate change. Our voting principles are outlined in our Corporate Governance & Voting Guidelines. We are also transparent with all our voting activity and publish our quarterly voting records on our [website](#).
- We will generally vote in favour of shareholder resolutions that are aligned with the objectives of the Paris climate agreement, taking a 'comply or explain' approach, publicly disclosing our rationale if we vote against.
- We will vote against management 'Say on Climate' resolutions that are not aligned with the Paris climate agreement.
- For companies that have high exposure to deforestation risk commodities (for example, palm oil, soy, beef, and timber, paper and pulp), but either don't have adequate policies and processes in place to reduce their impact or are involved in severe deforestation-linked controversies, we will oppose the re-election of the Chair of the Sustainability

Committee (or most appropriate agenda item). Assessments of the quality of mitigating actions are based on external benchmarks such as the Forest500.

- We will generally vote in favour of shareholder proposals that ask companies to mitigate deforestation risks, taking a 'comply or explain' approach, publicly disclosing our rationale if we vote against.
- We will co-file shareholder resolutions at company AGMs on climate risk disclosure, emission reduction targets, transition plans, and lobbying, after conducting due diligence, that we consider to be of institutional quality and consistent with our Climate Change Policy.
- Engage with companies in relation to business sustainability, disclosure of climate risk and to publish greenhouse gas emissions reduction targets in line with the TCFD recommendations.
- Engage with the largest emitters across our portfolios on transition plans and science aligned capital expenditure plans.
- Engage with the banking sector as it plays a pivotal role in the transition to a low-carbon economy.
- Engage with our largest portfolio emitters and all fossil fuel companies and banks subject to votes against management due to failure to meet our climate policies.
- Support a Just Transition through collaboration with other investors and consider in our engagement and voting.
- Work collaboratively with other asset owners in order to strengthen our voice and make a more lasting impact for positive change. Engagement is conducted directly, through our engagement partner and through our support of collaborations. We also expect our external asset managers to engage with companies on climate-related issues.
- Implementing our net zero stewardship strategy developed using IIGCC's Net Zero Stewardship Toolkit.
- Use carbon footprints, the TPI toolkit, CA100+ Net Zero Company Benchmark, SBTi along with other data sources to assess companies and inform our engagement and voting activity. This will enable us to prioritise shareholder engagement, set timeframes and monitor progress against our goals.
- Engage collaboratively alongside other institutional investors with policy makers through membership of organisations such as the IIGCC. We will engage with regulators and peer groups to advocate for improved climate related disclosures and management in the pensions industry and wider global economy.

## **7 Disclosures and reporting**

Border to Coast is transparent with regard to its RI activities and keeps beneficiaries and stakeholders informed. We disclose our RI activity on our website, publishing quarterly stewardship and voting reports, annual RI & Stewardship reports and our TCFD report. We are committed to improving transparency and reporting in relation to our RI activities, which include climate change related activities.

We keep our Partner Funds and our stakeholders informed on our progress of implementing the Climate Change Policy and Net Zero commitment, as well as our exposure to the risks and opportunities of climate change. This includes:

- Reviewing annually how we are implementing this policy with findings reported to our Board and Partner Funds. Report in line with the TCFD recommendations on an annual basis, including reporting on the actions undertaken with regards to implementation of this policy and progress against our Net Zero commitment.

- We disclose our voting activity and report on engagement and RI activities, including climate change, to the Partner Funds quarterly and in our annual RI & Stewardship report.
- Disclose climate metrics and targets that help to analyse the overall exposure of our portfolios to the risks and opportunities presented by climate mitigation and adaption.

<b>Subject</b>	<b>Update to SYPA's Statement of Investment Beliefs</b>	<b>Status</b>	For Publication
<b>Report to</b>	Authority	<b>Date</b>	18 December 2025
<b>Report of</b>	Assistant Director – Investment Strategy		
<b>Equality Impact Assessment</b>	Not Required	Attached	No
<b>Contact Officer</b>	Andrew Stone	<b>Phone</b>	01226 666 463
<b>E Mail</b>	astone@sypa.org.uk		

## 1 **Purpose of the Report**

- 1.1 To update SYPA's Statement of Investment Beliefs. Our review of the statement was driven by the Government's *Fit for the Future* consultation – but we have also taken the opportunity to update other aspects of the document, where appropriate.

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## 2 **Recommendations**

- 2.1 Members are recommended to approve the updated beliefs statement.

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## 3 **Link to Corporate Objectives**

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

### **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.

## 4 **Implications for the Corporate Risk Register**

- 4.1 The actions outlined in this report have the following implications for the Corporate Risk Register.

## **5 Background and Options**

- 5.1 The purpose of our Statement of Investment Beliefs is to provide a framework for reference when we are making investment decisions., particularly in relation to the investment strategy review and subsequent update of our Investment Strategy Statement. This will also be an important document as we delegate more of our decision-making to Border to Coast in light of the Government's *Fit for the Future* consultation outcomes.
- 5.2 The proposed amendments to our current statement (dated October 2019) are as set out below:
- a. Allowing the use of passive management, in addition to active management.
  - b. Incorporating a new belief related to SYPA's funding requirements.
  - c. Incorporating a new belief related to SYPA's liquidity requirements.
  - d. A new belief that there may be risk benefits to hedging part of our currency exposure.
  - e. Explicitly stating that a portion of our investments will be committed locally.
  - f. Combining our previous beliefs on Responsible Investment and Environmental, Social and Governance matters into a single belief (due to overlap between these topics).

Other than this, the existing beliefs remain in place.

- 5.3 Members were consulted on informally regarding these changes to the investment beliefs.
- 5.4 The updated statement is attached at Appendix A.

## **6 Implications**

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

Financial	There are no direct financial implications for the Authority and Fund from the Statement of Investment Beliefs itself. Although the implementation of our beliefs, and performance of our investments, can have implications for our funding strategy and outcomes.
Human Resources	None
ICT	None
Legal	None
Procurement	None

**Andrew Stone**

**Assistant Director – Investment Strategy**

## Statement of Investment Beliefs

The following statement summarises the Authority's Investment Beliefs, which define how we go about investing the Pension Fund's money.

"SYPA is a **global, long-term** investor and looks to maintain a **diversified** portfolio of assets managed through the Border to Coast Pensions Partnership in a **responsible** manner. SYPA's objective is to achieve **net of fees, risk adjusted returns** which meet its **funding requirements**, with sufficient **liquidity** to meet benefit payments as they fall due. SYPA believes that there is a place for both **active and passive** management, and there may be risk-related benefits from hedging some of the **currency** exposures within its investments. SYPA is also committed to allocating a proportion of its investments **locally**. SYPA's overall approach to risk can be summarised as **moderate**."

The terms in bold are key parts of these beliefs, which are further explained below:

### Global

Some investors may restrict themselves to investment in their home market (in SYPA's case the UK). However, SYPA believes that it will be better able to harvest the benefits of growth in the world economy by investing on a global basis.

This does not mean that we do not invest in the UK. Like most LGPS funds we have more exposure to the UK than would be justified solely based on the size of the UK economy in the context of the world economy. This exposure is spread across multiple types of investment, including equities, loans to companies and the UK government, housing, development lending, infrastructure and supporting local small and medium sized enterprises.

### Long Term

The pension payments (or liabilities) which the Fund is seeking to meet through its investments will not finally mature for another 70 or 80 years and therefore we need to look to the long-term performance of our investments, rather than shorter term market movements. For this reason, we focus more on 3, 5 and 10 year performance than the shorter term.

### Diversified

The old saying about not putting all your eggs in one basket applies as much to the investment world as to any other aspect of life. If we invested all the Pension Fund's assets in equities, and equity markets subsequently fell, the whole Fund's value would fall. By investing in a range of less correlated asset classes which do not all react in the same way to economic conditions, we can reduce such risks.

### Responsible investment

SYPA wants to be a "good owner of good companies" which means those companies who properly address Environmental, Social and Governance (ESG) risks. Evidence shows that such companies tend to perform better and deliver better shareholder value in the long term.

Responsible investment incorporates ESG issues<sup>(\*)</sup> into the investment decision making process. Responsible investment also involves practicing investment stewardship to better manage risk and help generate the sustainable, long-term returns required.

(\*) ESG issues include, but are not limited to:

- Environmental factors including climate change, pollution and biodiversity. Climate change is considered the most significant risk on SYPA's risk register. We recognise that this presents opportunities – such as investment in new technology to support future energy security – as well as downside risks.
- Social factors including human rights, health and safety and labour standards.
- Governance factors including executive pay, independence of auditors and board composition.

### **Net of Fees Risk Adjusted Returns**

The amount of return we can expect to receive on an investment is very much driven by the degree of risk involved. Return can be seen as the value of the risk that we take in making a particular investment.

Private equity investments are inherently riskier than property, therefore our baseline assumption is that returns from private equity will be higher than for property. In simple terms this is what we mean by risk adjusted return.

We look at all performance after we have paid fees to those managing money on our behalf. This makes us conscious of the costs of delivering a given level of return and the impact of costs on return.

- For example, a product that tracks an index for a cost of 5bps will deliver net underperformance of the index of 5bps
- However, an actively managed product delivering outperformance of 1% above the same index for a cost of 20bps will deliver outperformance of the index of 80bps, thus providing better value in that scenario.

### **Meeting our funding requirements**

Arguably the key objective for our investments is that they provide the required investment returns set by the Scheme Actuary to meet our funding requirements. Based on the 31 March 2025 actuarial valuation results, the Pension Fund requires a return of 3.5% p.a. to remain above 100% funded but will be targeting a return of 6% p.a. (the actuarial discount rate).

### **Liquidity**

It is critical that we retain sufficient liquidity within our investments to meet pensions payments as they fall due. This may be achieved through a combination of:

- Regular, reliable income from our investments (for example, coupon payments from bond investments, rental income on properties and loan repayments).
- Retention of a proportion of our investments in cash and other liquid assets which can easily be sold.



## **Active and passive management**

There are two broad styles of investment management - active and passive - both of which can play a part across our portfolios:

- Active investment involves selecting specific investments based on a process of analysis. SYPA believes that it is possible for skilful active managers to add value over the longer term, particularly in inefficient markets. Active management can generally be applied to any investment market.
- Passive (or index-tracking) investment involves buying all the stocks in an index in the same proportions as in the index, thus if Tesco is 5% of the index, it will be 5% of the portfolio. This style of investment can provide attractive, low-cost exposure to investment markets. The passive approach is generally restricted to publicly listed markets, which typically means equities and bonds.

## **Currency exposure**

As noted, SYPA is a global investor, meaning that we own assets which are denominated in a range of different currencies (US dollar, euro, Japanese yen, etc). Movements in the exchange rates between these currencies and sterling (£) can have a material impact on the value of the Fund's investments – both positive and negative. For example, if we own an asset denominated in US dollar assets (such as shares in a US company):

- An increase in the value of the US dollar relative to sterling would increase the value of our holding in that asset.
- But a decrease in the value of the US dollar relative to sterling would decrease the value of our holding in that asset.

This is particularly pertinent for SYPA as the Fund's liabilities are all denoted in sterling (£). We therefore believe there may be benefits to "hedging" at least a proportion of the Fund's exposure to foreign currencies, which essentially means mitigating the impact of movements in currency exchange rates on our funding level.

## **Local investment**

SYPA is committed to achieving place-based impact from its investments by allocating a proportion of these locally, subject to suitable risk/return characteristics being achievable. Part of this allocation will be UK-wide, but certain elements (such as local development lending) are expected to be wholly focussed on the South Yorkshire region. Within South Yorkshire, it is envisaged that these investment opportunities will align with specific strategic priorities of the South Yorkshire Mayoral Combined Authority (SYMCA).

## **Moderate**

The Authority's Investment Strategy seeks to achieve the returns required to meet the Fund's liabilities without taking excessive risk. We have described this as a moderate attitude to risk - slightly less risky than the midpoint of the range. This is reflected in our investments.

In equities, for example, our preference is for a broad diversified portfolio, rather than a higher risk (and higher potential return) portfolio holding a much smaller number of individual stocks.

## **South Yorkshire Pensions Authority**



## Agenda Item

<b>Subject</b>	<b>Update on Pensions Administration Improvement Plan</b>	<b>Status</b>	For Publication
<b>Report to</b>	Authority	<b>Date</b>	18 December 2025
<b>Report of</b>	Assistant Director - Pensions		
<b>Equality Impact Assessment</b>	Not Required	Attached	No
<b>Contact Officer</b>	Debbie Sharp, Assistant Director Pensions	<b>Phone</b>	01226 666480
<b>E Mail</b>	dsharp@sypa.org.uk		

### **1 Purpose of the Report**

- 1.1 To update the Authority on the Pensions Administration Improvement Plan.
- 1.2 To update the Authority on a consultation opened by MHCLG on the Local Government Pensions Scheme in England and Wales; Access and Protections.

### **2 Recommendations**

- 2.1 Members are recommended to:
  - a. **Note and comment on the 2025/2026 plans for Administration improvement that are in place.**
  - b. **Delegate the response to the consultation to Officers.**

### **3 Link to Corporate Objectives**

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

#### **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. The report includes information about the engagement with the employers in the scheme and how SYPA can support them to complete their responsibilities.

#### **Effective and Transparent Governance**

To uphold effective governance showing prudence and propriety at all times. The report includes detail on the overall administration performance to ensure Members are able to scrutinise the service being provided to our customers.

## 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.

## 4 Implications for the Corporate Risk Register

- 4.1 The actions outlined in this report seek to address operational risks around data quality and backlogs in work (ADM-001 and ADM-002) and the people risks around vacancy levels and single person risk (PEO-001 and PEO-002). The key mitigants of these risks identified are the plan to address backlogs on a systematic basis and the recruitment to roles as they become vacant.

## 5 Executive Summary and highlights

- 5.1 Work was undertaken on improving the Authority's pension administration service in the last quarter. This was as well as complying with the statutory deadlines for benefit and transfer payments, onboarding new employers and ceasing those that no longer have active members in the Fund as well as collecting monthly membership data.
- 5.2 At time of writing 85% of the backlog has been cleared.
- 5.3 The government has launched another consultation focussed on LGPS benefits and administration. The consultation, titled Access and Protections, includes proposals on four key areas, covering Normal Minimum Pension Age (NMPA), LGPS access for councillors and mayors, academy consolidation, and Fair Deal. The Authority supports much of the proposal.
- 5.4 RAG status for Administration Improvement activities

Corporate Action 2025/28	Update	On Target
PA1 – Clear the remaining Backlogs of casework and ensure arrangements in place to prevent further backlogs developing	1 <sup>st</sup> October budget agreed to reintroduce overtime to work on backlog as the teams could not clear backlogs as well as keep on top of incoming work during normal workhours. On 27 November 85% of backlog now complete. At current rates 90% should be cleared by 31 December.	At risk
PA2 – Plan and deliver the Valuation 2025, including increased engagement with employers.	Project running to timetable. All results sent to Employers. Consultation period on Valuation Results including Funding Strategy Statement and Pensions Administration Strategy now ended and any comments responded to. Valuation report, Funding Strategy and	Yes

Corporate Action 2025/28	Update	On Target
	Administration Strategy all brought to this meeting under separate Reports.	
PA 3 – Implement the McCloud Remedy successfully.	<p>Breach reported to the Pension Regulator for failure to implement the McCloud remedy by 31.08.2025.</p> <p>Latest software development release now captures Mccloud underpin for death cases and dependent benefits. Calculation testing still in progress on the rectification of pensioners and deferred members. Systems team working on running the rectification on full membership to give us an indication on actual members due an uplift.</p> <p>Update from CIVICA at away day provided an update on the next release which would be in June 2026 this would capture rectification of death cases and transfers and well as BAU for transfers. The date of this release does put at risk completing all rectifications and new calculations by the extended completion date of 31.08.2026.</p>	At risk.
PA4 – Deliver the Data Quality Improvement	<p><b>Focus areas</b></p> <p><b>TPR</b> – data scores submitted on time. An improvement on the Conditional results from 95% to 98% from last year. Common data score retained at 97%.</p> <p><b>McCloud</b> -data issues have been identified and a plan in place for correction. Some issues have been identified and sent to CIVICA for correction.</p> <p><b>Valuation</b> working with CIVICA to improve the extraction reports used to provide data to the Actuary.</p> <p><b>Dashboards-</b> AVC data cleansing being prioritised.</p>	Yes
PA5 – Ensure Pensions Administration software system is developed, and its functionality used to optimal effect for achieving efficiencies, to the extent possible.	Now running the latest McCloud software. Agreement given to purchase Automation software. Project in place to implement the automation.	No

Corporate Action 2025/28	Update	On Target
PA6 – Implement the Pensions Dashboards to required timescales	Project has had a slight delay. Connection date missed due to ISP. Replacement connection date agreed as 9 <sup>th</sup> December. Project still on plan to be live on the Pensions Dashboard by October 2026.	Yes

## 6 **Background and Options**

6.1 The Corporate Strategy includes an Administration Improvement Plan. The Plan is a series of interlinked activities, intended to address long standing issues, which have affected the underlying performance of the administration service, and to place the service on a stable and sustainable basis.

The plan was originally influenced by;

- Changes in the nature of the scheme caused by regulatory changes which will require the recalculation of benefits in payment and entitlements for a sizeable proportion of scheme members.
- The need to address the long-standing backlogs and process issues within the administration service.
- Developments within the Local Government Pension Scheme and the wider pensions industry such as the Pensions Dashboard.
- Technological developments.
- Feedback from stakeholder groups, including scheme members, employers and our staff.

This programme of work incorporates the need also to address things over which the Authority has no choice, such as the need to implement the changes in the pension regulations arising from various legal challenges related to discrimination based on either age or gender. The improvement plan represents a significant volume of work for the team over several years and must not be underestimated.

6.2 The Administration Improvement Plan 2025/20206 aims to deliver in six key areas:

PA1 – Clear backlogs

PA2 – Plan and deliver the 2025 Valuation.

PA3 – Implement the McCloud Remy.

PA4 – Improve Data Quality

PA5 – Ensure Pensions Administration software is developed and used to optimal effect.

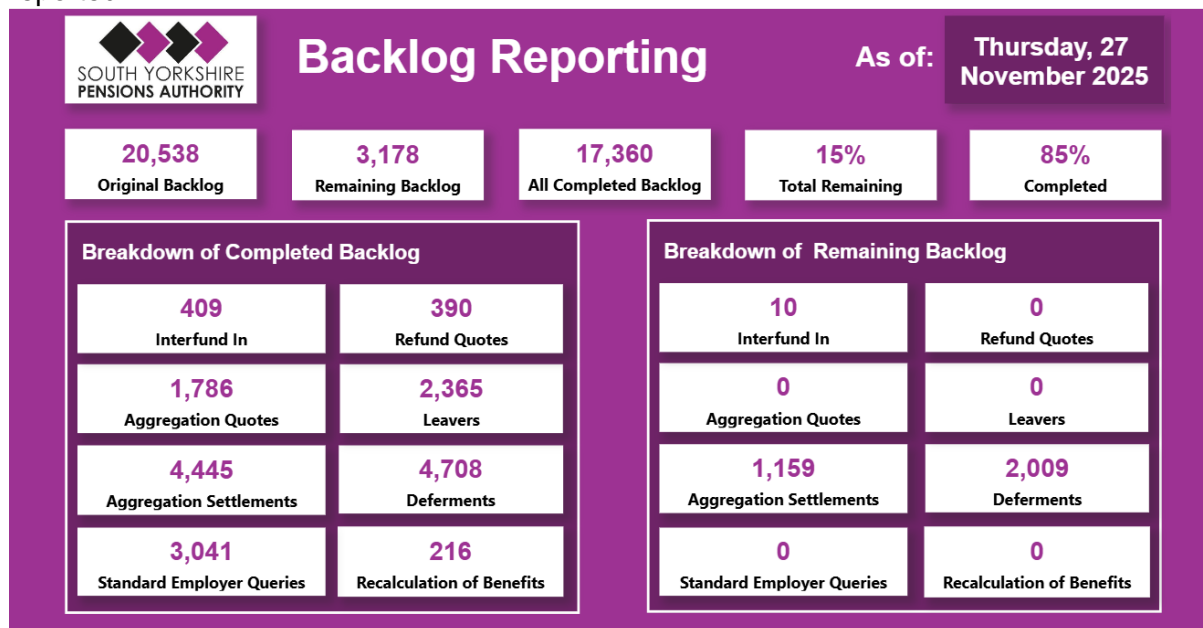
PA6 – Successfully link SYPA to the Pensions Dashboards

6.3 **PA1 – Clear Backlogs**

Progress on addressing the backlog continues with 85% of cases complete at the time of writing. At the current rate the team are on track to clear 90% of the backlog by 31 December 2025. This project is therefore at risk of running over to 31 March 2026. Overtime is again being utilised to focus on the backlog as monitoring showed more

backlog was cleared using overtime than between June and September when one team, from within the Benefits Team, focussed solely on the backlog. The overtime is carefully managed to ensure all members of staff working on overtime are processing the number of cases relevant to the hours they are claiming, and that no member of staff is working too many hours.

Back log cases remaining are more complex and require more processes to be created and completed to bring the record up to date and ensure the data is clean as previously reported.



#### 6.4 [PA2 – Plan and deliver 2025 Valuation.](#)

Employers' individual results were issued in September, alongside the Funding Strategy Statement (FSS) and the Pensions Administration Strategy, as planned. The FSS was also shared with the DfE for comment; their feedback was received, and a response has been issued.

Town and Parish Councils were consulted on the Authority's proposal to pool them this Valuation. They were provided with information on the advantages of pooling, and this was covered at their webinar. They were also given their individual and pooled contribution rates. Pooling could only proceed with majority support, which was achieved. An email has since been issued confirming the new pooled rate effective from April 2026.

Confirmation of acceptance has been received from all Employers subject to the stabilisation mechanism.

Four webinars held in October were well received, and an update on the Valuation was provided at the Employers Forum in November. No further comments were submitted during the consultation period. The 2025 Valuation report is covered separately.

To ensure employers remain informed, a Valuation Update continues to be included in the Employers Newsletter.

#### 6.5 [PA3 – McCloud](#)

MHCLG issued statutory guidance for the implementation of the McCloud remedy in

June 2024. The guidance states that by 31 August 2025 the new underpin should have been applied to all leavers, all retrospective changes to benefits for most members (who left since 1 April 2014) should have been made, and Annual Benefit Statements (ABS) for 2025 should reflect the McCloud remedy.

The guidance did allow for the implementation phase to be extended to 31 August 2026 for specific members or classes of members. Such classes are not defined in the guidance.

Due to considerable delays with implementing the changes to functionality required to the administration software, the Authority would not be able to meet the 31 August 2025 deadlines for any class of member. This is in line with the position of many Pension Funds within the sector. Whilst this is technically not a breach, as the Authority could make their own determination to extend the deadline to 31 August 2026 for any members or class of members they haven't been able to process, the Authority was not in a position to meet any of the requirements by 31 August 2025 this was reported as a breach to The Pensions Regulator (TPR) in September.

As previously reported to comply with the McCloud remedy the Authority needs to develop a detailed implementation and rectification plan. As the Authority are aware the availability of the software is a key component in the design of the implementation and rectification plan. It will allow the teams to determine what work can be completed in bulk and what will require manual intervention. Detail is awaited on the number of members who will require a recalculation and uplift to their pension. Once these figures are available, the Authority will be able to develop a detailed implementation and rectification plan to manage the work required under the McCloud legislation. Although the plan is currently in draft form, further testing is required on the remaining administration system functionality, and the dates for when rectification work can begin will depend on the outcomes of this testing.

#### 6.6 PA4 – Improve Data Quality.

The Pension Regulators annual return was submitted in November. The return includes the latest data scores. There are 2 scores Conditional data and Common data. This year the scores showed a notable improvement in the Conditional results, increasing from 95% last year to 98% this year. Common data score remains at 97%, reflecting ongoing data quality efforts.

Data improvement has focused on the areas covered in the data improvement plan.

- McCloud eligibility reports have identified data discrepancies which are being corrected.
- Valuation – the reports used to pass all membership data to the Actuary include errors. The team is actively collaborating with CIVICA to correct files used in these valuation extracts, ensuring accurate and reliable outputs for the 2028 Valuation.
- Dashboards – Reports have been identified that focus on errors that could affect the flow of data to the Pension Dashboards. AVC data cleansing continues.

#### 6.7 PA5 – Making Best Use of Technology.



A steering group meets quarterly to decide on the Pension Administration system developments and improvements to be taken forward for the following quarter. Release dates and guides are discussed within the group which is ensuring all teams are more aware of developments being introduced and able to update teams on the changes to the system that may affect their day-to-day work.

A working group has been looking at what automation is available within the software. The outcome is that agreement has been given to purchase the Automation module.

There are still concerns about the capacity within Civica, the administration software provider, to deliver developments required. A representative from Civica attended the Training and development day in November to update the Authority on how they aim to raise the confidence of their clients and improve their product.

#### 6.8 PA6 - Successfully link SYPA to the Pensions Dashboards.

Members will recall that the Authority previously appointed its administration software provider, Civica UK Limited, as our Integrated Service Provider (ISP). Before becoming an approved ISP, all such providers are required to go through a sign off process known as the “volunteer” phase.

Civica commenced their volunteer phase back in December 2024. However, we had a recent update on their ISP connection to the Pensions Dashboard Programme (PDP), following them being required to repeat part of the process. During the onboarding phase, an external IT Health Check (penetration test) was conducted, as required by PDP. While the test passed with no vulnerabilities found, PDP identified that the scope of the testing did not meet all required criteria. This was due to an oversight in the original brief provided by Civica, to the test provider. As a result, a new penetration test was commissioned with the correct scope, which introduced a delay of several weeks to their connection timeline.

To address this, internal teams across Civica were immediately mobilised, with executive oversight, to ensure the issue was resolved with priority. They have assured us that they have also kept both the Pensions Regulator (TPR) and PDP fully informed throughout.

In parallel, Civica has implemented new governance processes to centralise ownership across operations, platforms, and information security. These changes are to ensure tighter quality control going forward.

They have communicated well over this issue. Introducing weekly webinars on the Dashboard connection progress. In w/c 20 October they confirmed that they are in receipt now of a successful penetration test and IT health check.

Because of this Civica are late connecting to dashboards but now have sign off to start connecting their clients. A timeline for the Fund's own connection to Dashboards has now been agreed. Live connection date has been agreed as 9<sup>th</sup> December.

The deadline for all LGPS Funds to connect to the national dashboards service was 31 October 2025 however, dashboards will be made available to the public later. The PDP recognise delays in the ISP sign-off are beyond Funds' control and have stated that provided an ISP is in the 'volunteer' phase, Funds working with the ISP would not need to find an alternative way to connect to the dashboards by the October 2025 deadline.

Actions completed (those completed since last report) and still outstanding are;

<b>Governance</b>	<ul style="list-style-type: none"> <li>• Dashboards a standing item on Authority / LPB Agenda</li> <li>• Authority and Local Pension Board adequately trained on Dashboards requirements</li> <li>• DPIA updated to take account of matching criteria</li> </ul>	✓ ✓ ✓
<b>Policy</b>	<ul style="list-style-type: none"> <li>• Matching criteria agreed</li> <li>• Data Improvement in place</li> <li>• Backlog clearance plan in place for unprocessed benefits</li> </ul>	✓ ✓ ✓
<b>Connection</b>	<ul style="list-style-type: none"> <li>• ISP selected and formally appointed</li> <li>• Connection timeline agreed with ISP</li> <li>• AVC – all decision agreed with providers</li> </ul>	✓ ✓ ✓
<b>Record-Keeping Decisions</b>	<ul style="list-style-type: none"> <li>• ISP selection process and rationale documented, and parties communicated with</li> <li>• The main scheme and AVC matching criteria Policies in place</li> <li>• All data cleansed</li> </ul>	✓ ✓ ✓
<b>Communications</b>	<ul style="list-style-type: none"> <li>• Early communication to members to raise awareness of Dashboards</li> <li>• Update communication strategy to reflect Dashboards</li> <li>• All relevant stakeholders aware of their responsibilities</li> </ul>	✓ ✓ ✓
<b>Data</b>	<ul style="list-style-type: none"> <li>• Assessment of quality and digital accessibility of the data undertaken</li> <li>• Regular data cleansing scheduled; prioritising data most likely to be used for matching criteria</li> <li>• Main scheme view data requirements that must be returned understood together with timescales</li> </ul>	✓ ✓

## **7 LGPS 'Access and Protections' consultation**

7.2 On 13 October 2025, MHCLG launched a consultation on changes to the LGPS in England and Wales. The proposals relate to access to the Scheme and its benefits and cover four main areas:

- normal minimum pension age (NMPA)
- pension access for mayors and councillors
- academies in the LGPS
- new Fair Deal.

The Government published draft regulations for comment covering new Fair Deal and pension access for mayors and councillors alongside the consultation. This is a short consultation, and a full Officer response will be made based on the following;

7.3 Normal minimum pension age

Provisions of the Finance Act 2022 mean that some LGPS members have a protected pension age (PPA). Members can only take benefits from their PPA if the pension scheme rules allow it. The Government is proposing changes that will allow certain

members to continue to access their LGPS benefits before age 57 after the NMPA rises in April 2028. The four categories of members are:

- Category 1: members immediately before 4 November 2021. These members have a protected pension age (PPA) and will continue to be able to take LGPS benefits from age 55.
- Category 2: members who joined the LGPS after 3 November 2021 and transferred in benefits with a PPA from a different scheme. These members do not have a PPA in respect of their LGPS pension and will not be able to access their transferred in pension from age 55. The transferred in benefits however retain a PPA. If the member transfers out of the LGPS, the transfer value of their pension with a PPA must be identified separately.
- Category 3: members who join the LGPS after 3 November 2021 do not have a PPA in the LGPS. Their NMPA will increase to 57 in April 2028.
- Category 4: members with a PPA below age 55. No change – members who are already able to take benefits between age 50 and 55 will continue to be able to do so

**SYPA Response** - the Authority supports this proposal but does have concerns around category 2 members losing protection for service they have already transferred and may have made different decisions if this fact was known at that time. The consultation does not currently include draft regulations regarding this change. The government has indicated that they intend to consult on these regulations later this year. Hopefully they will help to provide clarity on this issue.

#### 7.4 Access for councillors and mayors

- mayors and deputy mayors of combined authorities and combined county authorities, and mayors of single authorities (in their capacity as councillors not their role as mayors) will have access to the LGPS
- councillors of county councils, district councils, London Boroughs, the Common Council of the City of London and the Council of the Isles of Scilly will have access to the LGPS
- the Mayor of London, deputy mayors and London Assembly Members will have access to the LGPS
- mayors and councillors will be able to opt in to the 2014 Scheme, membership will not be automatic
- not all Scheme rules will apply to elected members in the same way that they apply to employees. There will be changes to the rules covering aggregation, redundancy, flexible retirement, shared cost additional contributions and awarding additional pension

**SYPA Response** – the Authority supports this proposal. Administration will be more complex because of the scheme rules exclusions for this category of member, and this may also increase software costs. The proposed start date of 01/04/2026 will pose a huge challenge to administrators and software companies.

#### 7.5 Academies

The Government is proposing changes to the rules covering applications by academies for a direction to substitute a different administering authority:

- removing the requirement for Secretary of State consent where criteria set out in regulations are met
- those criteria will include:
  - a value for money assessment in favour of the application
  - a pre-existing relationship between the multi academy trust and the administering authority it wishes to consolidate into
  - all administering authorities and employers involved agree to the change
  - the receiving authority is able to administer the transfer effectively
- applications to the Secretary of State will still be required if the criteria are not met

**SYPA Response** – the Authority supports this proposal on the grounds that all parties **must** agree and there must be a pre-existing relationship between the MAT and the administering Authority. MATs and authorities should proceed carefully, weighing short- and long-term effects to ensure benefits exceed risks and cost. Should this approach achieve significant momentum it does pose a material risk to the Authority through the potential loss of cashflow positive employers which is an issue which is insufficiently recognised in the proposals.

## 7.6 New Fair Deal

Following consultations in 2016 and 2019, the Government is committed to extending protections set out in 2013 Fair Deal guidance to LGPS members and individuals eligible for LGPS membership who are transferred to a new employer when a local government contract is outsourced. The proposals are summarised below and would apply to all LGPS employers except admission bodies and higher education corporations:

- the removal of the option to offer transferred employees' membership of a broadly comparable scheme, but allowing existing schemes to continue in exceptional circumstances
- on re-tender, staff who were outsourced under existing rules and are in a broadly comparable scheme will rejoin the LGPS. Transfers of benefits from the broadly comparable scheme to the LGPS for this group will operate under preferential terms
- the option to give access to the LGPS to staff hired after the initial outsourcing
- the removal of the admission body option when a contract is outsourced, replacing it with the deemed employer route
- the organisation that has outsourced the service would be the 'deemed employer' and have continued pension responsibilities relating to the transferred staff
- the service provider or 'relevant contractor' would have some responsibilities as an LGPS Scheme employer, such as dealing with applications to join or leave the Scheme, automatic enrolment duties, ill health retirement decisions and payment of any strain cost related to early retirements or award of additional pension

- employer contribution rates would be based on the primary contribution rate of the deemed employer. This would either be fixed for the term of the contract or subject to change in line when the rate changes following the triennial valuation
- protection for members with an ongoing shared cost additional pension contribution or shared cost additional voluntary contribution contract when they are compulsorily transferred to a new employer. The Government is seeking views on different options
- a six-month transitional period during which contracts could be agreed under the existing rules rather than the new ones.

**SYPA Response** – the Authority supports parts of this proposal but there are concerns around there being no direct legal contract between the fund and the contractor. This would have to be covered by other means which are not presently covered in the proposals. Also, the proposals will not reduce employer numbers or workloads for the Fund.

## 8 Implications

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

Financial	The costs from the improvements being implemented have been included in the Authority's approved budget. The cost of any overtime utilised is monitored on a monthly basis within an agreed budget that is funded from under-spends on the staffing budget arising from vacancies. Costs for the ISP to connect SYPA to Pensions Dashboards will be reflected in future year's budgets.
Human Resources	Resourcing needs for meeting the workload requirements that may arise from changes in the Government consultation and around clearance and prevention of further backlogs will be subject to further review.
ICT	None
Legal	None
Procurement	An ISP provider has been procured to connect to the Pensions Dashboards programme.

**Debbie Sharp**  
Assistant Director Pensions

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<b>Subject</b>	<b>Pensions Administration Strategy</b>	<b>Status</b>	For Publication
<b>Report to</b>	Authority	<b>Date</b>	18 December 2025
<b>Report of</b>	Assistant Director - Pensions		
<b>Equality Impact Assessment</b>	Not Required	Attached	No
<b>Contact Officer</b>	Debbie Sharp	<b>Phone</b>	01226 666428
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## **1 Purpose of the Report**

- 1.1 To secure approval of the revised Pensions Administration Strategy following a full consultation with Fund Employers.

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## **2 Recommendations**

- 2.1 Members are recommended to:
- a. Approve the revised Pension Administration Strategy at Appendix A.**

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## **3 Link to Corporate Objectives**

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

### **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.

### **Effective and Transparent Governance**

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

## **4 Implications for the Corporate Risk Register**

- 4.1 The actions outlined in this report seek to address operational risks around the Authority failing to comply with relevant Regulations Org 004.

## **5 Background and Options**

- 5.1 The discretion for an administering authority to prepare and publish a pension administration strategy document was first introduced into the Local Government Pension Scheme Regulations on 30th June 2007. The Regulations include a list of matters that, as a minimum, must be included in the pension administration strategy document. The document is a vehicle to formalise the administrative arrangements between the Authority and Employers participating in the Fund.
- 5.2 The Authority and the employers must have regard to the strategy document when carrying out their functions under the Scheme regulations.
- 5.3 A full consultation has been undertaken with Fund employers from September to the end of November. Including being discussed at employers' valuation webinars and the Employer Forum.
- 5.4 There were no comments received on this document. Whilst this is disappointing it was not unexpected.
- 5.5 Given that there is no fundamental opposition to the proposed Pension Administration Strategy members are asked to approve its adoption with immediate effect

## **6 Implications**

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

Financial	The Pension Administration Strategy allows the Authority to consider giving written notice to any of its Scheme employers under regulation 70 to pass on additional costs arising from Scheme employers' level of performance.
Human Resources	None
ICT	None
Legal	None
Procurement	None

**Debbie Sharp**

**Assistant Director Pensions**

<b>Background Papers</b>	
<b>Document</b>	<b>Place of Inspection</b>
Item 15 Pension Administration Policy Update & Appendix B	<a href="#">Agenda for South Yorkshire Pensions Authority on Thursday, 4th September, 2025, 10.00 am - South Yorkshire Pensions Authority</a>



## Pensions Administration Strategy

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## Introduction

The Local Government Pension Scheme (LGPS) is one of the largest public sector pension schemes in the UK. The South Yorkshire Pensions Authority (the Authority) administers the scheme for, at time of writing, 574 employers in South Yorkshire.

The LGPS is a valuable element of the total remuneration package of employees working with employers in the scheme. Good quality administration and communication of the overall benefits of the LGPS aids in the confidence of membership towards the scheme and in their value of this employee benefit.

The LGPS Regulations 2013 enables the Administering Authority to prepare a written Pension Administration Strategy (the Strategy) of its policy in relation to communications between and levels of performance for both the Pensions Authority and employers within the scheme.

This Strategy replaces the current Pension Administration Strategy with effect from 1 January 2026 and applies to all existing employers, and all new employers joining the Fund after the effective date.

Delivery of such an administration service is not the responsibility of one person or one organisation, but rather the joint working of several different stakeholders, who between them are responsible for delivering the pensions administration service to meet the diverse needs of members as well as regulatory requirements.

The Strategy sets out the expected levels of administration performance of both the Authority and the employers within the Fund, as well as details on how performance levels will be monitored and the action that might be taken where persistent failure occurs.

## Aims and Objectives

The purpose of this Strategy is to set out the quality and performance standards expected of the Authority and Employers within the Fund.

The Authority's specific objectives relating to this Strategy are as follows:

- Provide a high quality, professional, proactive, timely and customer focussed administration service to the Fund's stakeholders.
- Administer the Scheme in a cost effective and efficient manner utilising technology appropriately to obtain value for money.

- Ensure the Fund's employers are aware of and understand their roles and responsibilities under the LGPS regulations and in the delivery of the administration functions of the Fund.
- Ensure the correct benefits are paid to, and the correct income collected from, the correct people at the correct time.
- Maintain accurate records and ensure data is protected and has authorised use only.

## **Compliance**

Developed in consultation with fund employers, the Strategy seeks to promote good working relationships, improve efficiency and ensure agreed standards of quality in delivery of the pension administration service among scheme employers. A copy of this Strategy is made available on the Fund's website.

In no circumstances does this Strategy override any provision or requirement of the regulations, nor is it intended to replace the more extensive commentary provided on the Authority's website and administration guides that are provided by the Local Government Association (LGA).

## **Review**

The Pensions Administration Strategy Statement will be reviewed

- Every 3 years as a matter of routine.
- Whenever impacted by regulatory and other legislative changes or major amendments to the Authority's other policies, statements and strategies.
- Employers will be consulted and informed about any changes.

## Regulatory Framework

The LGPS is a statutory scheme, established by an Act of Parliament. The Local Government Pension Scheme Regulations 2013 (the Regulations) provide the conditions and regulatory guidance surrounding the production and implementation of Administration Strategies.

In carrying out the required roles and responsibilities in relation to the administration of the Scheme, the Authority and Fund Employers will, as a minimum, comply with overriding legislation, including:

- Local Government Pension Scheme Regulations
- Pensions Acts 2004, 2011 and 2021 and associated disclosure legislation
- Public Service Pensions Act 2013 and associated record keeping legislation
- the Discretionary and Compensation Regulations 2006
- TPR General Code of Practice 2024
- Freedom of Information Act 2000
- Equality Act 2010
- Finance Act 2013
- Relevant Health and Safety legislation
- Data Protection Act 2018
- the Disability Discrimination Act 1995
- the Age Discrimination Act 2006
- Employment Rights Act 2010
- HMRC Legislation and Current GAD Guidance
- and any future amendments to the above legislation.

In accordance with the Public Service Pensions Act 2013, the Scheme is regulated by the Pensions Regulator (TPR). The Authority and Fund employers are required to comply with regulatory guidance and in particular the General Code of Practice issued by TPR. The Regulator has the power to issue sanctions and fines in respect of failings caused by the Authority and where employers fail to provide us with correct or timely information. Should this happen, the Authority would recharge any costs back to employers as set out later in this Strategy.

Regulation 59(1), of the Regulations, enables a LGPS Administering Authority to prepare a written statement of the Administering Authority's policies in relation to such matters mentioned in Regulation 59(2) that it considers appropriate. This written statement shall be known as the "Pension Administration Strategy" and shall include the following:

- Procedures for liaison and communications between the Authority and its Scheme Employers
- The establishment of levels of performance which the Authority and its Scheme Employers are expected to achieve in carrying out their Scheme functions. These functions are:
  - (i) The setting of performance targets
  - (ii) The making of agreements about levels of performance and associated matters, or
  - (iii) Such other means as the Administering Authority considers appropriate.
- Procedures which aim to secure that the Administering Authority and its Scheme Employers comply with statutory requirements in respect of those functions and with any agreement about levels of performance
- Procedures for improving the communications by the Administering Authority and its Scheme Employers to each other of information relating to those functions
- The circumstances in which the Administering Authority may consider giving written notice to any of its Scheme Employers under these regulations (additional costs arising from the Scheme Employer's level of performance) on account of that employer's unsatisfactory performance in carrying out its Scheme functions when measured against levels of performance established under the SLA
- The publication by the Administering Authority of annual reports dealing with:
  - (i) The extent to which the Administering Authority and its Scheme Employers have achieved the level of performance established under the Strategy
  - (ii) Such other matters arising from The Strategy as the Administering Authority considers appropriate.

- Such other matters as appear to the Administering Authority after consulting its Scheme Employers and such other persons as it considers appropriate, to be suitable for inclusion in The Pension Administration Strategy.

In addition, Regulation 59(3 - 7) requires that:

- Where the Administering Authority produces a Pension Administration Strategy, it is kept under review and revised where appropriate
- When reviewing or revising the Pension Administration Strategy the Administering Authority must consult with its Scheme Employers and such other persons it considers appropriate
- Where the Administering Authority produces a Pension Administration Strategy or revises that strategy it must send a copy of it to each Scheme Employer and to the Secretary of State
- The Administering Authority and Scheme employers must have regard to the Pension Administration Strategy when carrying out functions under the LGPS regulations.

Regulation 60 requires each employing authority to publish its discretion on:

- Funding additional pension [16(2)(e) and 16(4)(d)]
- Flexible retirement [30(6)]
- Waiving actuarial reductions [30(8)]
- The award of additional pension [31]

In addition, Regulation 14 of the Local Government (Discretionary Payments) (Injury Allowances) Regulations 2011 requires employers to publish and keep under review its policy on these regulations.

There are also several discretionary discretions under the current regulations and some mandatory discretions under previous sets of regulations.

The Employers Services Team can provide template discretion policies upon request.

Regulation 70 of the Local Government Pension Scheme Regulations 2013 enables the Administering Authority to recover additional costs from a Scheme Employer when, in the opinion of the Administering Authority, it has incurred additional costs because of the poor performance of the Scheme Employer in relation to the Pension Administration Strategy.

The Administering Authority may give written notice to the Scheme Employer stating:

- The Administering Authority's reasons for forming the opinion
- The amount the Administering Authority has determined the Scheme Employer should pay under Regulation 69(1)(d) in respect of those costs and the basis on which the specified amount is calculated
- The provisions of the Pension Administration Strategy which are relevant to the decision to issue the notice.

### **Data Protection Act 2018**

The Authority is a Data Controller as part of the Data Protection Act 2018 which incorporates the General Data Protection Regulation (GDPR). This means we store, hold, and manage personal data in line with statutory requirements to enable us to provide pension administration services. To enable us to carry out our statutory duty, we are required to share information with certain bodies but will only do so in limited circumstances. More information about how we hold data and with whom we share it can be found in the Fund's Privacy Notice on the website.

### **Scheme Employer Duties and Responsibilities**

The delivery of a high-quality cost-effective administration service is not the responsibility of just the administering authority. It also relies on joint working of the administering authority with several individuals employed in different organisations to ensure scheme members and other interested parties receive the appropriate level of service, and that statutory requirements are met.

### **Monthly data transfer**

The Authority's method of data collection is by way of electronic data transfer using the Employer Hub. All employers will be provided with training and guidance on how to use Employer Hub and to maintain user access.



## **Response to queries**

There are times when Employer Services may need to contact employers with queries on the data provided, or to request additional information to provide scheme members with details of their pension entitlement. From time to time, employers may also require information from the Pensions Team regarding the scheme.

Timescales for dealing with specific requests are listed in this document and where a timeframe is not provided, either party should be responded to within 10 working days of receipt of the request. Timescales for dealing with bulk queries from either party should be agreed separately.

## **Appointing a main contact**

Each employing authority must designate a named individual to act as the main point of contact regarding any aspect of administering the LGPS, and to be responsible for ensuring the requirements set out in this strategy are met.

Their key responsibilities are:

- to act as a liaison for communications to appropriate staff within the employer - for example, Human Resources, Payroll teams, Directors of Finance;
- to ensure that standards and levels of service are maintained, and regulatory responsibilities are complied with.
- to ensure that details of all nominated representatives and authorised signatures are correct and to notify the fund of any changes immediately;
- to arrange distribution of communications literature as and when required;
- to inform the fund of any alternative service arrangements required;
- to assure data quality and ensure the timely submission of data to the fund; and
- to assist and liaise with the fund on promotional activities.

**Notification of employee's rights: Internal Disputes Resolution Procedure (IDRP)**

Under Regulation 72 of the LGPS 2013 regulations, any decisions made by an Scheme Employer affecting an employee's rights to membership, or entitlement to benefits must be made as soon as is reasonably practicable and notified to the employee in writing including a reference to their right of appeal in line with Regulation 73 of the LGPS regulations. Every notification must;

- Specify the rights under stage 1 and stage 2 of the appeals procedure, quoting the appropriate regulations;
- Specify the time limits within an appeal, under either stage, which apply and;
- Specify to whom an application for appeal must be made to.

For first stage appeals, this must be the nominated person of the employer who made the decision.

For 2nd stage appeals, this will be the appointed person at the Authority.

The Authority has guidance for employers to provide to individuals who raise an issue under the IDRP procedure. This can be found on the fund's website.

**Nominated person**

Each employing authority is required to nominate and name the person to whom applications under Stage 1 of the IDRP should be made. Employers must also notify the fund of any first stage appeals they receive.

**Audit**

The Authority is subject to an annual audit of its processes and internal controls. Employers are expected to fully comply with any requests for information from both internal and approved external auditors. Any subsequent recommendations will be considered and, where appropriate, implemented with employing authority cooperation.

## Service Standards to Scheme Members

Overriding legislation dictates the standards that pension schemes and employers should meet in providing certain pieces of information to various associated parties – not least of which includes the scheme member. The Regulations also identify several requirements for the fund and employers, which may not have all been covered in this document. It is important that employers make themselves familiar with the HR and Payroll guides available on [www.lgpsregs.org](http://www.lgpsregs.org)

Employer guides are available on the Authority's website: <https://www.sypensions.org.uk/>

The responsibilities that the Authority and employers are expected to achieve to ensure compliance with legislation are outlined in the following tables:

New Starters	
Employer Responsibility	Authority Responsibility
<ul style="list-style-type: none"> <li>To ensure that pensions information is included as part of any new employment induction process, including in contracts of employment and appointment letters.</li> <li>The pensions information to be provided includes links to the Scheme Guide and New Joiner Form. By directing all new members to the fund's website where the information can be viewed or downloaded. The most up-to-date versions of forms and guides can always be found on the fund website. <a href="https://www.sypensions.org.uk/Members/All-members/Booklets">https://www.sypensions.org.uk/Members/All-members/Booklets</a> <a href="https://www.sypensions.org.uk/Members/All-members/Forms">https://www.sypensions.org.uk/Members/All-members/Forms</a></li> <li>To ensure that all employees subject to contractual admission are brought into the scheme from their relevant start date, and provide the Pensions Team with accurate</li> </ul>	<ul style="list-style-type: none"> <li>To accurately create member records on the Pensions Administration System following notification from an employer of a new entrant to the scheme.</li> <li>To support employer requests to attend inductions.</li> <li>To update pension information in accordance with regulatory changes, and to keep PDF versions of forms and guides up to date on the fund website</li> <li>The fund will contact all new starters, providing them with access the 'MyPension' and reissuing a New Joiner Form if one has not been received, within eight weeks of notification of a new starter.</li> <li>To accurately record and update member records on the pension administration system.</li> <li>Inform each employer of any new contribution bandings tables in place from each April, so that employee contribution rates can be updated each year on commencement of joining the pension scheme.</li> </ul>

<p>member data, using the monthly data submission, within six weeks of the members' start date.</p> <ul style="list-style-type: none"> <li>• To determine the appropriate contribution rate (whether individually or by an automated process on payroll) and (as soon as is reasonably practicable), notify the employee of this contribution rate which is to be deducted from the employee's pensionable pay and the date from which the rate will become payable. It is for the employer to determine the method by which the notification is given to the employee, but the notification must contain a statement giving the address from which further information about the decision may be obtained. The notification must also notify the employee of the right to appeal, including the processes and timescales involved. Furthermore, the correct employee contribution rate according to the scheme the member is in – either the 50/50 or 100/100 scheme should be applied and (if appropriate) adjusted throughout the year according to the employer's discretionary policy on re-banding.</li> <li>• To send the fund notification via Employer Hub of any eligible employees subject to automatic enrolment, who opt out of the scheme within six weeks of joining.</li> <li>• Where there is more than one contract of employment with the same employer, each membership shall be maintained separately, and the fund notified as above.</li> </ul>	
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<b>CHANGES IN CIRCUMSTANCES FOR ACTIVE MEMBERS</b>	
Employer's Responsibility	Authority Responsibility
<p>To ensure that the fund is informed of any changes in the circumstances of employees within four weeks of the change. Please note that changes should ideally be submitted on the</p>	<ul style="list-style-type: none"> <li>• To provide forms and spreadsheets for recording key changes in circumstance and to provide guidance on the secure submission of data through Employer Hub</li> </ul>

<p>Monthly Data submission but can also be provided through Employer Hub via selecting the correct process. Changes may include:</p> <ul style="list-style-type: none"> <li>• Personal information</li> <li>• Change of name</li> <li>• Marital status</li> <li>• National insurance number</li> </ul>	<ul style="list-style-type: none"> <li>• To accurately record and update member records on the pensions administration systems within four weeks of notification, or any shorter period as requested by the employer with regards to specific requirements</li> </ul>
<p><b>Conditions of employment affecting pension such as:</b></p> <ul style="list-style-type: none"> <li>• Contractual hours (mandatory for members who meet the McCloud underpin requirements only)</li> <li>• Any remuneration changes due to promotion, downgrading or car salary sacrifice.</li> <li>• Full-time equivalent pensionable pay according to the pre 2014 definition</li> <li>• Actual pensionable pay (including overtime/additional hours and APP) in 100/100 and 50/50 schemes according to the post 2014 definition (CARE).</li> <li>• Employee's contribution rate</li> <li>• Employee number and/or post number</li> <li>• Date joined scheme</li> </ul> <p>Guidance can be found in the employers' area of the Authority's website.</p> <p>The Full Termination Form on Employer Hub needs to be completed for:</p> <ul style="list-style-type: none"> <li>• Leavers – accessing pension benefits immediately</li> </ul>	<p><b>Transfer of Pension benefits from other providers</b></p> <ul style="list-style-type: none"> <li>• To provide information to the scheme member on any potential transfer in of benefits once all information required to process the quotation has been received. The fund has up to two months to provide the transfer quotation.</li> <li>• Once the member has agreed to proceed with the transfer of benefits into the LGPS the fund must send information confirming the additional pension benefits within 2 months of receipt of payment from the previous pension provider</li> </ul>

- **NB.** An employee can easily exceed HMRC annual allowance if their pay increases. You therefore are asked to inform the fund of:
- Significant pay awards/pay increases
- Honorariums
- Additional Voluntary Contributions (AVC) contributions
- Shared Cost AVC contributions (if applicable)
- Shared Cost Additional Pension Contributions

For a full list of data items required, see the section FINANCIAL AND DATA OBLIGATIONS, or further information is available from the Authority directly.

### **Absence**

- During periods of reduced or nil pay because of sickness, injury, or relevant child-related leave (i.e., ordinary maternity, paternity or adoption leave or paid shared parental leave and any paid additional maternity or adoption leave) assumed pensionable pay (APP) should be applied for pension purposes and included in the CARE pay sent via the monthly data submission
- Employer contributions should be deducted from pay and any APP. If the employee receives no pay the employer contributions should still be deducted from APP. The APP should be shown on the Monthly Submission for the correct employer contributions to be collected.
- Should an employee wish to purchase Additional Pension Contributions (APC) or a Shared Cost Additional Pension Contributions (SCAPC) contract to buy back the pension 'lost' during the absence, the APP amount will need to be calculated and provided to the member's employer.

<p>Employers must bring to the attention of the member, before a period of absence, that they can buy back the 'lost' pension. Employers should also direct members to the website <a href="http://www.lgpsmember.org">www.lgpsmember.org</a> where they can calculate the cost to buy back this 'lost' pension. As employees have a 30- day timeframe within which to buy back the lost pension, employers should be sure to mention this to the employee early in the 30-day period.</p> <p>Types of absences include:</p> <ul style="list-style-type: none"> <li>• Maternity, paternity, and adoption</li> <li>• Paid &amp; unpaid leave of absence</li> <li>• Industrial action (SCAPC not available)</li> <li>• Any other material/authorised period of absence</li> </ul>	
<b>ANNUAL YEAR END RETURN, VALUATION &amp; ANNUAL BENEFIT STATEMENTS</b>	
<b>Employers' Responsibility</b>	<b>Authority Responsibility</b>
<ul style="list-style-type: none"> <li>• To ensure the fund receives accurate year to date information to 31 March through the final monthly data submission of the tax year by the date specified by the Authority. Information received after this date will be a breach and will be recorded on the breaches log. If this is deemed to be a material breach this will be reported to the Pensions Regulator</li> <li>• To ensure the correct whole time contractual pay figure is supplied in Column AB of the March Monthly Submission.</li> <li>• To provide any additional information that may be required by the fund to complete year-end and produce annual benefit statements by the 30 April each year.</li> <li>• To ensure that all errors highlighted from the annual contribution and pensionable pay posting exercise are</li> </ul>	<ul style="list-style-type: none"> <li>• To process employer year end contribution returns by 30 June</li> <li>• To produce annual benefit statements for all active members by 31 August.</li> <li>• To highlight annually if an individual has exceeded their annual allowance and issue a pension saving statement by 5 October.</li> <li>• To provide data to the fund Actuary and Government Actuary's Department to enable employer contribution rates to be accurately determined.</li> <li>• To provide an electronic copy of the actuarial valuation report and contributions certificate to each employer.</li> </ul>

<p>responded to and corrective action taken promptly and by 30 June at the very latest.</p> <p>NB. It is recommended that you ensure your processes and internal controls are covered by your own Audits.</p>	
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<b>Retirement Estimates</b>	
Employers' Responsibility	Authority Responsibility
<ul style="list-style-type: none"> <li>To obtain early retirement estimates where a strain cost may be incurred, from Employer Hub.</li> <li>Please contact the fund if you would like more information or unable to obtain a specific online estimates, for example partial Flexible Retirement.</li> </ul>	<ul style="list-style-type: none"> <li>Following receipt of a request, to issue the individual quotations/information within fifteen working days after all information required to process a quotation has been received. If the member is unable to self-serve via mypension.</li> </ul>

<b>Outsourcings</b>	
Employers' Responsibility	Authority Responsibility
<p><b>Staff transfers e.g., outsourcings</b></p> <ul style="list-style-type: none"> <li>To comply with the relevant regulations and statutory guidance to ensure continued membership of the LGPS for protected members affected by an outsourcing exercise.</li> <li><b>To provide advanced notification/liaison with Employer Services when considering an outsourcing exercise or re-letting a contract which affects members/eligible members of the LGPS.</b></li> <li>See guidance on the fund's website. To be aware that legal and actuarial costs associated with an outsourcing exercise will be passed onto the employer outsourcing the service.</li> </ul> <p><b>Change of payroll provider</b></p>	<ul style="list-style-type: none"> <li>To provide guidance, arrange the relevant actuarial calculations to current employers participating in the fund who are considering outsourcing.</li> </ul>



Employers need to inform the Authority if they are considering changing their payroll provider so Employer Services can ensure they are aware of the pension fund's requirements. Ensure you complete the necessary forms and have received all your data from the outgoing payroll provider. There will be a charge for all the work undertaken by the Authority to move you to your new payroll provider.	<ul style="list-style-type: none"> <li>To provide support to employers to assist with transfers to a new payroll provider. This is chargeable</li> </ul>
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<b>Actual Retirements</b>	
Employers' Responsibility	Authority Responsibility
<ul style="list-style-type: none"> <li>To submit the appropriate leavers instruction to the Authority through the termination form on Employer Hub and the monthly data submission as soon as required information is available. Confirming the decision as to the type of benefit that is to be paid to the member.</li> <li>Evidence of the calculation of final pensionable pay may be requested so the Pensions Team can check the accuracy of the pay provided.</li> <li>Further information can be found in the Employers area of the Authority website.</li> </ul>	<ul style="list-style-type: none"> <li>The Authority will send to the member information of their benefit entitlement within 15 days of receiving all required information from the employer</li> <li>The Authority will send the member a letter notifying them of the date retirement benefits will be paid within 15 days following receipt of all documentation from the member.</li> <li>To make payment of any lump sum within 15 days following receipt of all relevant fully completed forms and certificates, or retirement date if later.</li> <li>To pay any pension payment on the last banking day of the month each month following retirement unless this falls on a weekend or bank holiday when the payment will be made on the last working day before.</li> </ul>

<b>Ill Health Retirements</b>	
Employers' Responsibility	Authority Responsibility
<ul style="list-style-type: none"> <li>To determine whether an ill health benefit award is to be made, based on medical evidence and the criteria set in the current LGPS regulations, and after obtaining an opinion from an Authority approved Independent</li> </ul>	<ul style="list-style-type: none"> <li>To calculate and pay the required benefits in line with actual retirement timescales.</li> </ul>

<p>Registered Medical Practitioner (IMRP) on the appropriate certificate. If an award is made, to then determine which tier 1, 2 or 3 is to be awarded.</p> <ul style="list-style-type: none"> <li>• Inform the Authority of your decision supported with all related paperwork including IMRP certificate and a copy of the notice letter issued to the member confirming the level of ill health benefits awarded and the appeal information under IDPR. •</li> <li>• To keep a record of all Tier 3 ill health retirements, particularly in regard to arranging the 18-month review. Arranging, if necessary, with an (IMRP) approved by the Authority for a further medical certificate.</li> <li>• To recover any overpayment of pension benefits following a discovery of gainful employment and notify the fund, where appropriate. •</li> <li>• To review all Tier 3 ill health retirement cases at eighteen months. Further information on ill health retirements can be found on the employers' pages on the website</li> </ul>	<ul style="list-style-type: none"> <li>• To assist, if required, the employer in performing their legislative responsibility to review Tier 3 ill health cases at eighteen month.</li> </ul>
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<b>Members Leaving Employment before Retirement</b>	
<b>Employers' Responsibility</b>	<b>Authority Responsibility</b>
<ul style="list-style-type: none"> <li>• To notify the fund via Employer Hub as a leaver, ensuring all relevant information is included on the submission within four weeks of the members leave date.</li> <li>• If the member has Final Salary membership, you need to provide Final Salary pay to the date of leaving on your monthly data submission or complete the additional leaver form on Employer Hub.</li> </ul>	<ul style="list-style-type: none"> <li>• To accurately record and update member records on the pension administration system.</li> <li>• The fund will notify a member of their deferred benefit entitlement within 2 months following receipt of correct information from the employer Hub data upload.</li> <li>• To process and pay a refund within 2 months following receipt of all relevant information from both the employer and the member.</li> </ul>

<b>Former Members with Deferred Benefits</b>	
<b>Employers' Responsibility</b>	<b>Authority Responsibility</b>
<ul style="list-style-type: none"> <li>To keep adequate records of the following for members who leave the scheme with deferred benefits, as early payment of benefits may be required:               <ul style="list-style-type: none"> <li>Name &amp; last known address</li> <li>National Insurance number</li> <li>Payroll number</li> <li>Date of birth</li> <li>Last job information including job description</li> <li>Salary details</li> <li>Date and reason for leaving</li> </ul> </li> <li>To determine, following an application from the former employee to have their deferred benefits paid early, if they are eligible for early payment on ill health grounds.</li> <li>This must be in line with the criteria set in the relevant regulations and after requesting a medical opinion from an (IRMP) approved by the Authority. Or to determine whether benefits should be released early and, in some cases, any actuarial reduction waived on compassionate grounds.</li> </ul>	<ul style="list-style-type: none"> <li>To record and update member records on the pensions administration system.</li> <li>To provide former members with an annual benefit statement of their deferred benefits, updated by the annual pensions increase award when applicable by 31st August each year</li> <li>To provide estimates of benefits that may be payable and any resulting employer costs within 20 working days of request from the employer</li> </ul>

<b>Death in Service &amp; Terminal Illness</b>	
<b>Employers' Responsibility</b>	<b>Fund's Responsibility</b>
<ul style="list-style-type: none"> <li>To inform the fund immediately on the death of an employee via the leavers form, or when a member is suffering from a potentially terminal illness and to provide details of the next of kin within 1 week.</li> </ul>	<ul style="list-style-type: none"> <li>To provide an initial letter of acknowledgement to the next of kin/informant within 10 working days following a notification of death.</li> </ul>

<ul style="list-style-type: none"> <li>• Further information can be found on the employer pages of our website</li> </ul>	<ul style="list-style-type: none"> <li>• To provide a letter notifying dependents of benefits within 15 working days following receipt of identification/certificates and all relevant documentation.</li> <li>• To assist employers, employees and their next of kin in ensuring the pension options are made available and that payment of benefits are expedited in an appropriate and caring manner.</li> </ul>
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<b>Financial &amp; Data Obligations</b>	
Employers' Responsibility	Authority Responsibility
<ul style="list-style-type: none"> <li>• To pay the fund all contributions deducted from payroll (not including AVCs) of its employees and employer contributions and any deficit lump sum payments due monthly by Direct Debit. Further information can be found on the website.</li> <li>• Each payment must be accompanied by a monthly data submission providing the following mandatory data for each member:             <ul style="list-style-type: none"> <li>• Employer reference</li> <li>• Folder reference</li> <li>• Payroll reference</li> <li>• National Insurance number</li> <li>• Title</li> <li>• Forename(s)</li> <li>• Surname</li> <li>• Gender</li> <li>• Date of Birth</li> <li>• Effective Date of submission</li> <li>• Scheme section</li> <li>• Contribution rate</li> <li>• Employee's main/5050 contributions</li> <li>• Employee's main/5050 section pensionable pay</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• To allocate correctly the contributions received to each employee record and to keep a log of contributions received from each employer.</li> <li>• To charge interest for late payment in the following circumstances.</li> <li>• Employer contributions (including deficit payment) are overdue if they are received a month later than the due date specified.</li> <li>• All other payments (including employee contributions) are overdue if they are not received by the due date specified.</li> <li>• The fund will record any late receipt of payment or data submissions on the Breaches Log. These will be monitored and reported to the Pensions Regulator, if deemed materially significant.</li> </ul>

<ul style="list-style-type: none"> <li>• Employer's contributions</li> <li>• Annual contractual pensionable salary</li> <li>• Mandatory data for APC/SCAPC/Added Years             <ul style="list-style-type: none"> <li>• Employee monthly amount</li> <li>• Employer monthly amount (if applicable)</li> </ul> </li> <li>• Mandatory data for leavers/opt out:             <ul style="list-style-type: none"> <li>• Date of leaving</li> <li>• Reason for leaving</li> <li>• The last 365 days whole time contractual salary*</li> <li>• Upload the Opt out form through Employer Hub</li> </ul> </li> <li>• Mandatory data for starters             <ul style="list-style-type: none"> <li>• Marital Status</li> <li>• Address</li> <li>• Start date</li> <li>• Starting hours</li> <li>• Whole-time equivalent hours</li> <li>• Starting pay</li> </ul> </li> <li>• Changes Information**:             <ul style="list-style-type: none"> <li>• Absence:                 <ul style="list-style-type: none"> <li>▪ Unpaid absence period and reason</li> <li>▪ If absence is purchased – please upload the relevant form through Employer Hub</li> </ul> </li> <li>• Hours:                 <ul style="list-style-type: none"> <li>▪ Effective date</li> <li>▪ Previous and Current hours</li> <li>▪ Whole-time equivalent hours</li> </ul> </li> <li>• Personal Information:                 <ul style="list-style-type: none"> <li>▪ Name</li> <li>▪ Address</li> <li>▪ Marital status and date changed</li> </ul> </li> </ul> </li> <li>• Employers are required to pay all rechargeable items to the fund immediately on receipt of the invoice. The fund, in certain</li> </ul>	<ul style="list-style-type: none"> <li>• Inform employers of any rechargeable items as they become due. Early Retirement Strain will be notified prior to benefits being put into payment.</li> </ul>
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circumstances, may not commence the member benefits until the invoice has been paid.	
<b>**Can be supplied through Employer Hub</b>	

<b>ADDITIONAL PENSION CONTRIBUTIONS (APCs) and SHARED COST APC's (SCAPCs)</b>	
<b>Employers' Responsibility</b>	<b>Authority Responsibility</b>
<ul style="list-style-type: none"> <li>To communicate to employees regarding the option of SCAPC's to cover periods of 'lost pension' and the timeframe they must elect to purchase a SCAPC. Members must elect within 30 days of returning to work following the absence, but employers have the discretion to extend this period. This should be laid out in the employer's Discretions Policy.</li> <li>To calculate and collect from the employee, payroll contributions and to arrange the prompt payment to the fund, according to the published schedule the month following the deduction. More information can be found in the employer area on the Website.</li> </ul>	<ul style="list-style-type: none"> <li>To provide information on APCs via a link to the national LGPS member website where a modeller can be found.</li> </ul>

### Measuring Performance

Both employer and Authority targets will be measured on a quarterly basis. Administrator performance levels will be published in the quarterly Board reports. Overall Authority performance will be published in the Annual Report.

<b>Reference</b>	<b>Casework KPI</b>	<b>Fund Target</b>
B1	Communication issued with acknowledgement of death of active, deferred, pensioner and dependent member	5 days
B2	Communication issued confirming the amount of dependents pension	10 days

B3	Communication issued to deferred member with pension and lump sum options (quotation)	15 days
B4	Communication issued to active member with pension and lump sum options (quotation)	15 days
B5	Communication issued to deferred member with confirmation of pension and lump sum options (actual)	15 days
B6	Communication issued to active member with confirmation of pension and lump sum options (actual)	15 days
B7	Payment of lump sum (both actives and deferreds)	15 days
B8	Communication issued with deferred benefit options	30 days
B9	Communication issued to scheme member with completion of transfer in	15 days
B10	Communication issued to scheme member with completion of transfer out	15 days
B11	Payment of refund	10 days
B12	Divorce quotation	45 days
B13	Communication issued following actual divorce proceedings i.e application of a Pension Sharing Order	15 days
B14	Communication issued to new starters	40 days
B15	Member estimates requested by scheme member and employer	15 days

### Benchmarking

The fund will regularly monitor its costs and service performance by benchmarking with other administering authorities. Details of the costs of administration, quality measures and standards of performance will be published in the Annual Report

### Employer Performance

As part of this Pensions Administration Strategy, the fund has processes for reporting on employer performance. Performance will be measured across;

- The submission of monthly data returns.

- The payment of contributions and other payments due.
- The submission of retirement notifications.
- The number of queries, along with the rate and quality of responses.
- The number of data breaches or near misses caused by the employer for failing to provide accurate information.
- The number of complaints received and IDRP cases upheld against the employer.
- Whether or not a copy of the employer's current discretions policy has been shared with the Authority.
- Whether or not an employer has failed to notify the Authority of key changes or events within a reasonable timeframe

### **Poor performance leading to additional work and costs**

The Authority will work closely with all employers to assist them in understanding all statutory requirements, whether they are specifically referenced in the Regulations, in overriding legislation, or in this Strategy. The Authority will work with each employer to ensure that overall quality and timeliness is continually improved.

The Regulations provide that the Authority may recover from an employer any additional costs associated with the administration of the scheme, incurred because of the unsatisfactory level of performance of that employer.

Where the Authority wishes to recover any such additional costs, notice will be given stating:

- The reason that the employer's level of performance contributed to the additional cost.
- The amount determined that the employer should pay.
- The basis on which this amount was calculated.
- The provisions of the Administration Strategy relevant to the decision to give notice.

The Authority provides a framework which enables employers to be equipped with the tools to meet these requirements through further training, where required, and provides them with the opportunity to improve where performance is not satisfactory.

However, in instances where the performance of the employer results in fines being levied against the Authority by TPR, Pensions Ombudsman or other regulatory body, an amount no greater than the amount of that fine will be recharged to that employer.

The Authority has the discretion to charge interest on the late payment of contributions by an employer. Interest will be charged in respect of late payments of contributions received from employers, where the payment is overdue (with the overdue date being as specified in the relevant regulations). Interest will be calculated as per the relevant provisions in the LGPS regulations. However,



the Authority can choose to waive the charge. Waiving the amount will generally only be considered if the interest is considered de-minimis.

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.

### Schedule of Charges

Activity	Charge
Accounting Disclosures	There will be a minimum administrative charge of £100 to provide the cashflow data to the actuary to prepare the Accountancy Disclosures. Additional charges for additional work will be notified on request.
Monthly data return submitted late	A fixed penalty of £500 if received after the date specified by the Authority in the following month, plus a further fixed penalty of £50 for every further day late after that deadline.
Resubmission of an incorrect data return	A fixed penalty of £500 plus charges to account for the officer resource used to rectify any issues charged at a minimum hourly rate of £100
Failure to provide correct member data or respond to any queries raised within the requested timeframe	A charge of £25 per case for each case chased after the original deadline has passed.
Failure to provide a copy of discretions policy or latest version	A fixed penalty of £500 for failing to supply a copy plus a further £250 charged on each occasion that a policy is requested or is chased by an officer and is not supplied

Other rectification work the Authority is required to carry out in order to rectify errors caused as a result of employer error	The Authority will recover the cost for the work involved based on an appropriate officer hourly rate.
Failure to notify the Authority of key changes or events, including a change of payroll provider or outsourcing.	A fixed penalty of £1000 for every monthly report that fails to be submitted from Month 1 of the new contract and £1000 where the change has a significant impact on administration or £500 plus a further £100 charged on each occasion that further information is requested or chased and not supplied.
Failure to complete a direct debit mandate	A fixed penalty of <b>£1000</b> plus a further fixed penalty of <b>£50</b> per day for every further day late following that deadline

### Associated Policies and Documents

Participating employers are advised to familiarise themselves with the other policies issued by the fund, available on our website <https://www.sypensions.org.uk/Pensions-Policies>

- Funding Strategy Statement and all supporting Policies.
- The Consultation, Communications and Engagement Strategy
- Governance Compliance Policy
- Customer Charters

<b>Subject</b>	Summary of the Activity of the Local Pension Board	<b>Status</b>	For Publication
<b>Report to</b>	Authority	<b>Date</b>	18 December 2025
<b>Report of</b>	Riaz Nurennabi Chair of Local Pension Board		

## **1 Purpose of the Report**

- 1.1 To provide Authority members with a summary of administrative and governance issues reviewed by the Local Pension Board (the Board) at its last meeting.
- 1.2 To update the Authority regarding areas where the Board has received sufficient assurance that it is compliant with regulations and legislation, and to highlight any areas where the Board would like to see further progress in order to strengthen the assurance obtained.
- 1.3 For the Authority to consider any recommendations from the Local Pension Board.

## **2 Recommendations**

- 2.1 Authority Members are recommended to:
  - a. **Note the content of this report.**
  - b. **Make any recommendations to the Local Pension Board if required.**

## **3 Background and Information**

- 3.1 This report summarises the activity of the Board and is part of the arrangements in place to ensure good governance and that the Board is enabled to fulfil its duties to assist the Authority in relation to securing compliance with regulations relating to the governance and administration of the Fund.
- 3.2 Full draft minutes of the Board meeting held on 6 November 2025 are attached at Appendix A and are subject to approval at the next meeting of the Board on 26 February 2026.

## **4. Summary of the Local Pension Board Meeting on 6 November 2025**

### **Governance and Resources**

- 4.1 The Board reviewed progress against actions from previous meetings
- 4.2 The Head of Governance and Corporate Services presented the Governance, Regulatory and Policy Update to the Board and gave an update on decisions made by the Authority and the Audit and Governance Committee.
- 4.3 The Board reviewed the Corporate Risk Register.
- 4.4 The Board reviewed the Independent Governance Review Action Plan.
- 4.5 Local Pension Board Budget 2026/27 was reviewed and approved.

## Pensions Administration

- 4.6 The Assistant Director - Pensions presented the Pensions Administration quarterly report to the Board.
- 4.7 The Board were given a progress update on the triennial actuarial valuation (as at 31 March 2025).
- 4.8 In the private section of the meeting the Board received an update on progress with pooling and discussed the Border to Coast Annual Review.

## Conclusion

### 5. Assurances gained by the Board

- 5.1 The Board gained assurance in the following areas:
  - a) Recent decisions made by the Authority
  - b) Member training and membership of the Board
  - c) Actions taken after the Independent Governance Review
  - d) Risk Management
  - e) Administration casework completed in the quarter
  - f) The progress of the triennial actuarial valuation
  - g) Planning for the integration of new members of the Border to Coast pool
- 5.2 The Board is keen to see further progress in the following areas to gain a more complete level of assurance:
  - a) Pensions administration and the clearance of the backlog and the overall levels of outstanding work
  - b) Implementation of the McCloud remedy
  - c) Connection with the Pension Dashboard
  - d) In relation to items b) and c), improvement in the performance of Civica in supporting the Authority to undertake these activities.
  - e) The Cyber Security Strategy and Business Continuity Plan

### 6. Implications

- 6.1 This report has the following implications:

Financial	No direct implications.
Human Resources	No direct implications.
ICT	No direct implications.
Legal	No direct implications.
Procurement	No direct implications.

**Riaz Nurennabi**

**Chair of Local Pension Board**

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**SOUTH YORKSHIRE PENSIONS AUTHORITY****LOCAL PENSION BOARD****6 NOVEMBER 2025**

PRESENT: Riaz Nurennabi (Employer Representative and Chair), David Webster (Employee Representative and Vice Chair), Cllr David Nevett (City of Doncaster Council), Cllr Linda Beresford (Rotherham MBC), Nicola Gregory (Employer Representative), Andrew Gregory (Scheme Member Representative), Kimberley Bond (Employer Representative) Sheldon McClure (Unite) and Rhona Bywater (Unison)

Neil Mason (Independent Adviser to the Board)

Officers in Attendance: George Graham (Director) Gillian Taberner (Director Designate), Debbie Sharp (Assistant Director – Pensions), Andrew Stone (Assistant Director – Investment Strategy) Jo Stone (Head of Governance and Corporate Services), Annie Palmer (Team Leader – Governance)

1 **WELCOME AND APOLOGIES**

The Board welcomed Rhona Bywater who has been appointed as the Unison Union Representative and Kimberley Bond who has been appointed as an Employer Representative.

Apologies for absence were received from Shelagh Carter (GMB).

2 **ANNOUNCEMENTS**

None

3 **URGENT ITEMS**

None

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

**RESOLVED: Item 16 and 17 were considered in the absence of Public and Press by virtue of Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972.**

5 **DECLARATIONS OF INTEREST**

Declarations were received from Neil Mason in relation to his role as Director of Surrey Pension Fund and Independent Chair of the London Borough of Hounslow

Local Pension Board and Riaz Nurennabi and Nicola Gregory as participating employers in relation to any valuation items.

6 MINUTES OF THE MEETING HELD ON 7 AUGUST 2025 AND ACTIONS AND MATTERS ARISING

**RESOLVED: The minutes of the meeting of the Board held on 7 August 2025 were agreed as a true record.**

7 REVIEW OF ACTION TRACKER

Members requested that action 60 in relation to updates to the Constitution remain on the tracker until the outcome of the review of the terms of reference as part of the Board effectiveness review in 2026.

In addition members asked officers to provide an update in relation to progress made since February on action 51 in terms of incorporating the “Days of Work to Target” onto the dashboard for each project. The Assistant Director - Pensions set out the work that was currently taking place with both the Service Manager Benefits and Service Manager - Programmes and Performance to analyse the processing targets and develop an efficient format for monitoring and reporting. It was noted that our target percentage is 100% however more realistic targets are being considered where appropriate. It was explained that once the assessment is complete a plan would be developed and brought back to members for review with a target for quarter one next year for this to take place.

Members were supportive of the adjustment to realistic targets and requested that when the plan is presented that both previous and new targets are captured for comparison.

Members queried if the pensions administration system was impacting negatively on the work to assess the targets. The Service Manager Benefits explained that whilst there were some processes that do not always measure target dates correctly due to being on hold pending further information, this was not the case for a lot of the processes. Members were also asked to note that there are large number of different processes that potentially could be aggregated for reporting purposes.

**RESOLVED: Members noted updates and agreed the items proposed to be closed be actioned before the next meeting of the Board, subject to the comments noted.**

8 GOVERNANCE, REGULATORY AND POLICY UPDATE

The Head of Governance and Corporate Services presented the report to provide Board members with an update on current governance related activity and regulatory matters.

The report highlighted that the membership of the board is now complete with two new members filling the vacancies with training ongoing for both new and existing



members. Members were asked to note that there was a common trend for members requesting wider knowledge and understanding of Border to Coast and the Authority / Fund's role within the partnership and that Officers are exploring options to support this.

Members queried if there are any FCA compliance issues with the Pensions Dashboard AVC provider arrangements. The Assistant Director – Pensions confirmed that we have three AVC providers. We will be collecting their data from them and taking full responsibility for ensuring that the information links to the dashboard. Members were given assurance that data checks have been carried out and memorandums of understanding will be signed to ensure clarity around the responsibilities of each party.

Members welcomed the positive attendance at external events by board members and commented on the value of attending these events but questioned how feedback and learning can be captured and fed back through to all LPB members. The Head of Governance and Corporate Services agreed to review this with a view to capturing feedback, similar to what currently takes place with our internal seminars.

Members asked for an estimated timeline for a response to the letter sent by the Scheme Advisory Board to the Local Government Minister around the calls to divest from investments that are seen to support the recent conflict in the Occupied Palestinian Territories. The Director explained that the Scheme Advisory Board were awaiting a response but suggested that this would likely take some time, although an update will be provided as soon as available.

**RESOLVED: Members noted the updates included in the report.**

9 UPDATE ON DECISIONS MADE BY AUTHORITY

The Head of Governance and Corporate Services provided Local Pension Board members with an update on decisions made by the Authority and its Committees, and any decisions taken under the urgency procedure between meetings of the Authority.

Members asked for an update on the recruitment process for the Assistant Director – Resources. The Director Designate confirmed that the detailed recruitment timetable would be based on the date set for the Appointments and Appeals Committee which is scheduled to take place on 10 March 2026 and that our partners at North Yorkshire Resourcing will be supporting the Authority with the process.

**RESOLVED: Members noted and commented upon the decisions included in the report.**

10 CORPORATE RISK REGISTER

The Team Leader – Governance provided members of the Board with the opportunity to review the updated risk register which supports the corporate strategy.

Members asked for clarification on the increase in risk score around imbalance in cashflows and asked why the risk score for affordability of employer contributions had not reduced alongside this. The Director Designate explained that this was due to the timing of the valuation progress and confirmed that there will be a corresponding reduction in the contributions affordability risk score that will be reflected in the next review.

Members also discussed the Pensions Review risk, commenting on the increased consistency of the position resulting in a reduced risk score and asked for assurance that this reflected the potential outcome. They also requested detail around the mitigations being implemented to manage the transition of new partner assets. The Director gave assurance that there is a reasonable level of confidence in the current position and confirmed that although the risk has reduced from red to amber it will still need close monitoring. He explained that the Company's approach to the transfer of partner assets is to run a parallel process for both existing and new assets and these are being resourced individually.

Members commented on the red risks, supporting the rationale for no change at this review, but questioned if there were any issues that they needed to be aware of for each of the risks. The Director confirmed that the risks around the backlogs and McCloud would be discussed in more detail as part of the agenda items and set out the intention to review the climate change risk to assess if it will be appropriate to reframe and apply mitigations that are within the control of the Authority. It was explained that the Investment Strategy review will feed into this and any likely revisions to the risk would materialise during the next municipal year.

Members highlighted that the figures in the summary details in the risk matrix did not tally and it was explained that this is a snapshot of the current position taken from the live system but in future the detail will be pulled from the system at the time of the update.

**RESOLVED: Members noted and commented upon the revised corporate Risk Register at Appendix A.**

## 11 INDEPENDENT GOVERNANCE REVIEW ACTION PLAN

The Director Designate presented the report to provide Board members with an update on the progress made on each of the actions that have previously been reported to the Board on the independent governance review (IGR).

The Independent Adviser questioned if and when the Cyber Security Strategy would be presented to the Board for review. The Director Designate explained that the strategy is an internal facing document that has been approved internally and that, due to the nature of its contents, would not be published publicly. In order to give members assurance that cyber security is being addressed appropriately it was agreed that arrangements would be made for the Head of ICT to provide an

update on an annual basis to Board and Authority members. It was also highlighted that the TPR Code update that will be presented to the Board in February will include updates in relation to Cyber Security.

It was also confirmed that the work around the Business Continuity Plan would form part of the TPR Code update in February. The Director Designate provided an update highlighting that the plan has been signed off and teams are now working on the next layer of operational procedures.

Members requested an update around the Investment Strategy project, and it was agreed that an update be provided at the next meeting. The Director confirmed that an update would also form part of the Members Training and Development Day on 20<sup>th</sup> November and that Board members were invited to attend the Authority and LPB Seminar on the Investment Strategy Review Analysis taking place on the 18 December.

**RESOLVED: Members noted the updates and welcomed the progress against the Governance Review action plan.**

12 LOCAL PENSION BOARD BUDGET 2026-27

The Director Designate presented the report setting out the current forecast budget outturn for 2025/26 and the proposed budget for 2026/27

**RESOLVED: Members**

- a. Received and commented on the proposed 2026/27 LPB budget of £52,810.**
- b. Recommended the draft LPB budget to the Authority for approval as part of the Authority's overall budget.**

13 QUARTERLY PERFORMANCE REPORT

The Assistant Director – Pensions presented the Pensions Administration Quarterly Report giving the latest information on work undertaken in Quarter 2 2025-26.

Attention was drawn to the additional detail now included around the movement across membership and members queried if the figures included spouses of deceased members. It was confirmed that the figures did reflect this along with any dependents.

It was noted that the table around reported breaches required retotalling.

The Assistant - Director Pensions highlighted progress around Pensions Dashboards (PDB) and explained the issues around the scope of the penetration testing carried out by the Integrated Service Provider (ISP) not meeting all required PDB criteria. Members commented that the ISP should have checked the PDB requirements and it was confirmed that the ISP acknowledged the gaps in the initial set up and this is now being rectified.

Members questioned what the Authority's liabilities were within the contract for the Pensions Administration System. It was explained that the contract with the

provider is to deliver the system to enable the correct calculation of benefits to allow the Authority to perform its duties under LGPS legislation. The Assistant - Director Pensions clarified that as the Pensions Administrator the Authority are liable for any breaches of legislation that may be due to the failure of the administration system although under the terms of the contract the provider would be liable if any costs were incurred by the Authority due to a failure of the system.

Members asked what the position would be if the current pensions administration system provider took a decision to no longer offer this service. The Assistant - Director Pensions explained that this is not the feedback that is being given from them but if this did happen then a new provider would need to be contracted with, and as discussed earlier in the report this pool is very limited.

A discussion took place around the delayed Pensions Dashboard connection date and it was confirmed that the Authority as administrator would be in breach if connection is not met by end of January 2026 and, as a result, will need to report itself to the Pensions Regulator.

The Independent Adviser commented on the positive formation of the customer collaboration group in relation to the pensions administration software. He also raised a query in relation to the progress of the clearing of backlogs and how work is being targeted within the teams in relation to complexity. The Assistant - Director Pensions confirmed that a plan has been developed that will look to focus resource on more simple calculations to newer staff with a view to freeing up more experience staff to carry out more complex ones.

Members reviewed the figures in the table in relation to casework processing and requested that future reports include the outstanding balances at both the start and the end of the period. Members also requested further detail around the late refund payment breaches reported in the period. The Assistant - Director Pensions explained that, under the current regulations, where a late refund payment exceeds five years this is classed as a breach.

Members questioned if the additional overtime to clear the backlogs had an allocated amount in the budget. The Director Designate explained that overtime is not generally budgeted for but that an underspend in the forecasting on salaries due to vacancies has funded this. It was also highlighted that there is a robust process in place for monitoring health and wellbeing of the staff who are working over the standard hours.

**RESOLVED: Members noted the contents of this report with comments.**

#### 14 VALUATION 2025

The Assistant Director – Pensions updated members on the 2025 triennial Valuation to comply with Regulation 62 of the Local Government Pension Scheme Regulations 2013 and confirmed that this is on track with the final report scheduled to be present to the Authority meeting in December.

Members discussed the revised approach to setting the floor on contribution rates following feedback from councils that the Authority were being overly prudent and the Assistant Director – Pensions explained the position of needing to protect the fund as well as being fair to employers. The Director also clarified the approach to the calculation of how the floor on contributions has been set.

Members also asked if there was a potential for Multi Academy Trusts to bring together academies from other regions into the scheme under one scheme. It was confirmed that this is currently being consulted on but that the basis to implement a change will be as a result of mutual agreement.

**RESOLVED: Members accepted the report with comment and indicated any areas where they would like to receive further detail.**

15     SCHEDULING OF LOCAL PENSION BOARD NEXT MEETING AGENDA

The Head of Governance and Corporate Services set out the draft agenda for the next meeting of the Board for discussion and included progress on the work programme for the current year.

Members requested they receive updates on the Investment Strategy at the next meeting and this was added to the agenda.

**RESOLVED: Members discussed and commented on the draft agenda for the February 2026 meeting as set out in paragraph 5.1 of the report.**

**RESOLVED: Items 16 and 17 were considered in the absence of Public and Press by virtue of Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972.**

16     UPDATE ON POOLING PROGRESS

The Director presented an update to the Board on developments with the pooling process and the admission of new partners to the Border to Coast Pensions Partnership. The report set out the funds that have indicated their intention to join the partnership and highlighted the process for admission. It was noted that the admission of the funds would result in creating one of the largest investment funds in the UK.

Members discussed how the new alliances and decision making would be managed whilst ensuring that the Authority's objectives and investment strategies are still implemented and noted that the mechanisms for this would be developed as the partnership progressed.

**RESOLVED: Members noted the progress made with the admission of new partners to the Border to Coast Pensions Partnership.**

17     BORDER TO COAST ANNUAL REVIEW

The Assistant Director – Investment Strategy presented the conclusions and recommendations of the Annual Review of the Border to Coast Pensions Partnership conducted with the Investment Advisory Panel.

Members discussed the report noting that the conclusions drawn are largely positive but noted concerns around the people risks and specifically turnover in the Company's senior management team leaving gaps in local government knowledge and expertise. The Assistant Director – Investment Strategy confirmed that this type of change is not unusual in financial organisations. Members also discussed the importance that the public sector ethos and culture needs to be managed by Border to Coast to ensure this continues to be applied by portfolio managers.

**RESOLVED: Members noted the content and conclusions and raised questions and challenges for discussion.**

CHAIR

<b>Subject</b>	<b>Governance, Regulatory and Policy Update</b>	<b>Status</b>	For Publication
<b>Report to</b>	Authority	<b>Date</b>	18 December 2025
<b>Report of</b>	Head of Governance and Corporate Services		
<b>Equality Impact Assessment</b>	Not Required	Attached	No
<b>Contact Officer</b>	Jo Stone, Head of Governance and Corporate Services	<b>Phone</b>	01226 666418
<b>E Mail</b>	jstone@sypa.org.uk		

## 1 **Purpose of the Report**

To provide Authority members with an update on current governance related activity and regulatory matters.

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## 2 **Recommendations**

- 2.1 Authority Members are recommended to:
- a. Note the updates included in this report.**
- 

## 3 **Link to Corporate Objectives**

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

### **Effective and Transparent Governance**

- 3.2 To uphold effective governance showing prudence and propriety at all times.
- 3.3 The contents of this report are part of the arrangements in place to ensure good governance.

## 4 **Implications for the Corporate Risk Register**

- 4.1 The actions outlined in this report relate to actions that will contribute to addressing risks around regulatory compliance.

## 5 **Background and Options**

- 5.1 This report provides updates on current activities and regulatory matters relevant to the Authority's overall governance framework.

### *Government Consultations*

- 5.2 There are two open consultations affecting the LGPS, the Access and Protection consultation is covered in the Pensions Administration reporting on the agenda. The second consultation is a technical consultation on the draft regulations for the Pensions Scheme Bill to deliver the policy set out in Fit for the Future. We are collaborating with the Border to Coast partnership on a shared response to the consultation as well as submitting a similar response, tailored as necessary, from the Authority. The work to prepare the response is in progress and will be shared with members when available.

### *Pensions Dashboard – Compliance for AVC arrangements*

- 5.3 Clarification from the Pensions Regulator (TPR) regarding compliance responsibilities in relation to Additional Voluntary Contribution (AVC) arrangements under LGPS regulations has been published. LGPS administering authorities, in their role as scheme managers, are responsible for ensuring that all data submitted to the dashboard's ecosystem, covering both main scheme and AVCs, is accurate and legally compliant. Although AVC arrangements are established under LGPS Regulations and form part of LGPS benefits, AVC providers are regulated by the Financial Conduct Authority (FCA), rather than TPR.

### *LGPS England and Wales Scheme Advisory Board (SAB)*

- 5.4 Letter to Local Government Minister – SAB published a letter sent to Local Government Minister Alison McGovern MP on 13<sup>th</sup> October requesting her to advise whether there is a view from the UK Government on the issues concerning calls to divest from investments that are seen to support the recent conflict in the Occupied Palestinian Territories and the letter sent to most administering authorities from the Palestine Solidarity Campaign. The letter requests the minister to advise on the Government's view in order to provide much needed clarity for the 86 funds across England and Wales. No response has been received yet.
- 5.5 Advice on Conflicts of Interest – SAB published some high-level legal advice commissioned from Burges Salmon to help administering authorities consider practical ways of working consistent with the 'Fit for the Future' proposals while managing conflicts of interest, taking into consideration the different pooling governance models, with the intention that this will help to inform the development of wider pooling governance guidance that might be issued.
- 5.6 Survey – Understanding Diversity of Representation in the LGPS – A report has been published on the findings from SAB's survey on diversity of representation. SAB received responses from 38 funds. This included our own response for SYPA. The survey found that 49% of responding funds have a formal Equality, Diversity and Inclusion policy, whilst only 19% of funds collect gender data on Pension Committee and Board members, 11% publishing this information. Even fewer collect data on age and ethnicity (8% and 6% respectively) and only 3% publish this information. However, many funds responding expressed a willingness to publish demographic data if required.
- 5.7 The SAB will consider incorporating demographic reporting into statutory guidance to encourage consistent good practice and providing templates or best practice examples.

Authority members can be reassured that the Authority has its own Diversity, Equality and Inclusion policy and is already demonstrating best practice in collecting data on demographic characteristics of our Authority and LPB members, publishing this each year in our annual report. However, we are not complacent and the encouragement of greater diversity in our representation remains a focus.



### *Succession Planning, Training and Collaboration*

- 5.8 The Local Pension Board (LPB) now has full representation after the employer representative vacancy and the scheme member union representative vacancy were both filled – by Kim Bond and Rhona Bywater respectively.
- 5.9 New Authority and LPB members are progressing with their member inductions and working towards compliance of the core training requirements by mid-January 2026.
- 5.10 Work will commence in the new year on the member L&D Strategy, which will be include coverage to meet the training requirements identified in the member self-assessments and individual one-to-one annual review sessions that took place earlier in the year. There was a common trend for members requesting wider knowledge and understanding of Border to Coast and the Authority / Fund's role within the partnership. Officers are in progress with exploring options to support this through training and/or documentation.
- 5.11 The LPB Chair and Vice Chair attended the annual Employer forum in November to promote the Board and its work. Work will continue to raise awareness through planned articles in our Employer and Scheme Member Newsletters. These will include 'showcase' pieces on the Chair and Vice Chair, employer representatives, and a Union representative. The aim is that this will continue to increase interest from our scheme employers and scheme members to aid succession planning.
- 5.12 There was a high attendance rate of both Authority and LPB members at the Border to Coast Annual Conference held in September, which is very positive. Members are encouraged to attend this conference annually as an opportunity to network, raise awareness and collaborate with peers whilst increasing their knowledge and understanding.

### **Implications**

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

Financial	There are no direct financial implications arising from this report.
Human Resources	None
ICT	None
Legal	None
Procurement	None

**Jo Stone**

**Head of Governance and Corporate Services & Monitoring Officer**

<b>Background Papers</b>	
<b>Document</b>	<b>Place of Inspection</b>
Authority Members' Registers of Interests	Link to: <a href="#">Your Members - South Yorkshire Pensions Authority</a>
Scheme Advisory Board updates:	Link to: <a href="#">Letter to LG Minister</a> Link to: <a href="#">Legal Advice Conflicts of Interest</a> Link to: <a href="#">Understanding Diversity of Representation in LGPS Report</a>

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<b>Subject</b>	<b>Decisions taken between meetings of the Authority</b>	<b>Status</b>	For Publication
<b>Report to</b>	Authority	<b>Date</b>	18 December 2025
<b>Report of</b>	Head of Governance and Corporate Services		
<b>Equality Impact Assessment</b>	Not Required	Attached	No
<b>Contact Officer</b>	Jo Stone Head of Governance and Corporate Services	<b>Phone</b>	01226 666418
<b>E Mail</b>	<a href="mailto:jstone@sypa.org.uk">jstone@sypa.org.uk</a>		

## 1 **Purpose of the Report**

- 1.1 To report on decisions taken as a matter of urgency between meetings of the Authority.
- 

## 2 **Recommendations**

- 2.1 Members are recommended to:
- Note the decisions taken between meetings of the Authority using the urgency procedure.**
- 

## 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.

## 4 **Implications for the Corporate Risk Register**

- 4.1 The contents of this report will contribute to addressing risks around regulatory compliance.

## 5 **Background and Options**

- 5.1 It is often necessary for decisions to be taken between meetings of the Authority due to the time sensitive nature of the matters involved. These decisions are taken by the Chair in consultation with the s41 members and the Director and, while published on the Authority's website, are also reported to the next Authority meeting for transparency.

Since the last report to the Authority, there has been one decision taken under the urgency procedure between meetings of the Authority regarding the requirement for a Shareholder Resolution.

*Shareholder Resolution: Approval of Investment and Data Platform Budget*

- 5.2 Border to Coast Shareholders were asked to approve a resolution to approve additional budget for a single investment data platform as part of the Company's 2030 strategy. The budget required is to cover the costs to support the implementation and for the operational running costs. These will be shared equally among the 18 partner funds.
- 5.3 For commercial reasons the details of the work cannot be published, however the information was shared in full with the Chair of the Authority. Following discussions the Chair confirmed support for approving the resolution.

**6 Implications**

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

Financial	No direct implications.
Human Resources	No direct implications.
ICT	No direct implications.
Legal	No direct implications.
Procurement	No direct implications.

**Jo Stone,**

**Head of Governance and Corporate Services (Monitoring Officer)**

<b>Background Papers</b>	
<b>Document</b>	<b>Place of Inspection</b>