South Yorkshire Pension Fund

Financial Statements

& Notes 2023/24

South Yorkshire Pension Fund - Fund Account

2022/23 £000		Notes	2023/24 £000
	Dealings with Members, Employers and Others Directly Involved in the Fund		
(210,836)	Contributions	[7]	(392,268)
(25,107)	Transfers In from Other Pension Funds	[8]	(29,755)
(235,943)			**(422,023)**
346,267	Benefits	[9]	385,636
20,125	Payments To and On Account of Leavers	[10]	29,990
366,392			**415,626**
130,449	**Net (Additions) / Withdrawals from Dealings With Members**		**(6,397)**
68,428	Management Expenses	[11]	84,793
198,877	**Net Withdrawals Including Fund Management Expenses**		**78,396**
	Returns On Investments		
(57,455)	Investment Income	[12]	(72,118)
330,160	Profit And Losses on Disposal of Investments and Changes in the Value of Investments	[14b]	(788,740)
272,705	**Net Return on Investments**		**(860,858)**
471,582	**Net Decrease/ (Increase) in the Net Assets Available for Benefits During the Year**		**(782,462)**
(10,673,562)	**Opening Net Assets of the Scheme**		(10,201,980)
(10,201,980)	**Closing Net Assets of the Scheme**		**(10,984,442)**

South Yorkshire Pension Fund - Net Assets Statement

31 March 2023 £000		Notes	31 March 2024 £000
	Long Term Investments		
1,182	Equities		1,182
	Investment Assets		
786	Equities		763
38,082	Bonds		0
9,342,809	Pooled Investment Vehicles		10,300,122
702,029	Direct Property	[14a]	508,525
97,025	Cash		151,687
2,250	Other Investment Assets		2,676
10,184,163	**Total Net Investments**	[14a]	**10,964,955**
33,482	Current Assets	[20]	35,420
10,217,645			**11,000,375**
(15,665)	Current Liabilities	[21]	(15,933)
10,201,980	**Net Assets of the Fund Available to Fund Benefits at the End of the Reporting Period**		**10,984,442**

Note: The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed at Note 19.

Notes To The South Yorkshire Pension Fund For The Year Ended 31 March 2024
Note 1. Description Of Fund

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

a) General

The LGPS is governed by the Public Service Pensions Act 2013. The Fund is administered in accordance with the following scheme legislation:
• the LGPS Regulations 2013 (as amended)
• the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
• the LGPS (Management and Investment of Funds) Regulations 2016.

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

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

The Border to Coast Pensions Partnership (Border to Coast) was created in response to Government policy on the pooling of investments. South Yorkshire Pension Fund, along with 10 other partner funds, are equal shareholders in the company. Most of the Fund's equity investments have been managed by Border to Coast since July 2018 and transition of the Fund's assets from internal management to Border to Coast is a continuing process that is expected to take a number of years to complete fully. At 31 March 2024, approximately 72% (31 Mar 2023: 70%) of the Fund's assets were being managed in pooled structures provided by Border to Coast.
Asset allocation remains the responsibility of the Authority.

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

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

b) Membership

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

Organisations participating in the South Yorkshire Pension Fund include:

• Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund.

• Admitted bodies, which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

Membership details are set out below:

South Yorkshire Pension Fund	**31 March 2023**	**31 March 2024**
Number of Employers with Active Members	548	553
Number of Employees (Active Contributors)	52,763	51,726
Number of Pensioners	61,662	63,523
Number of Deferred Pensioners *	62,012	64,654
Total Number of Members in the Pension Scheme	**176,437**	**179,903**

* The total shown for deferred pensioners includes 11,195 unprocessed leavers at 31 March 2024 (11,351 at 31 March 2023). Once processed, these leavers could be a combination of deferred pensioners, frozen refunds, and aggregations. Until processed, this outcome is not known.

c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the fund and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2024. Employer contributions are set based on triennial actuarial funding valuations. The latest triennial valuation was undertaken as at 31 March 2022 and this determined the employer contribution rates payable from April 2023 to March 2026.
The Primary employer contribution rates paid in 2023/24 ranged from 15.1% to 39.6% and the Secondary employer contribution rates paid in 2023/24 ranged from -39.6% to 23.2%. This resulted in a range of net employer contribution rates paid of 0.0% to 40.8%.

d) Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service. From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is uprated annually in line with the Consumer Prices Index. A range of other benefits are also provided under the scheme including early retirement, disability pensions and death benefits, as explained on the LGPS website at www.lgpsmember.org.

e) Investment Performance

Despite further rises in interest rates by major central banks during 2023, the global economy avoided recession. As the year progressed there was increasing conviction that an economic soft landing would unfold, with economic growth slowing but remaining reasonable and inflation rates falling and expected to continue to decline in 2024. This led to expectations that central banks would be able to make cuts in interest rates in 2024 and to equity markets showing strong gains in the second half of the year. This outcome was much better than had widely been expected at the start of the year.

Bond markets have responded to the change in rate expectations over the year. They started very weak as the rhetoric for rates to stay higher for longer prevailed, but then as the mood changed and inflationary pressures eased the expectation that rate cuts would be imminent grew and bond yields fell. This led to a recovery in prices but in the final quarter of the year expectations were scaled back as unexpected sticky inflation tempered the expectation of imminent cuts and bond values fell again.

UK commercial property continued to suffer as rising interest rates led to yield increases but started to stabilise at the end of the period following a significant correction over the previous eighteen months. The office and retail sectors continued to see capital value declines and more polarisation based on the quality of assets, while the industrial and residential sectors started to improve as they are expected to benefit from better near-term prospects for rental growth. Transaction volumes remained low during the year as capital value declines weighed on performance and investors continued to narrow their focus on prime and best-in-class assets.

Over the last year we introduced a new Investment Strategy which incorporates Renewable Energy, Climate Opportunities and Natural Capital as new asset classes with divestment to come from listed equities and Multi Asset Credit (MAC) bonds. This new strategy continues the de-risking of the Fund assets by reducing the volatility in the strategy and incorporates the Authority's Net Zero Strategy. The expected return from this new strategy was not diminished from the previous strategy but the volatility and diversification were improved. These investments are made on a commitment and drawdown basis and so it will take some time until we meet the new benchmark weightings.

We have held a direct portfolio of agricultural property for over 40 years. This portfolio was held as a store of value and as a diversifying asset, but did not fit into the new LGPS pooling environment. During the year we completed a joint venture project with Royal London where these assets became the seed assets for a new Natural Capital fund and allowed us to realise part of our investment. This fund will still allow the delivery on the environmental potential of the portfolio and improve the capital stock whilst also continuing to contribute to UK food security. Our holding in the new fund will form the cornerstone of our Natural Capital portfolio. Due diligence has also been undertaken on several timberland funds and it is expected that two investments will be made during 2024. Over the year, we also switched money from listed equities and MAC to new investments within the alternative asset classes, in particular infrastructure and Climate Opportunity funds.

This year our investments in listed equities, particularly overseas equities, were the driver of growth for the Fund although negative returns from our index-linked portfolio partly offset this with other asset classes giving low, single-digit returns. Over the year the Fund delivered a return of 7.8% against an expected return of 8.1% from the benchmark (-3.3% in 2022/23 against an expected return of -4.1%) and it had a market value (net investment assets only) of £10,965m at 31 March 2024 (£10,184m at 31 March 2023).

Note 2. Basis Of Preparation

The Statement of Accounts summarises the Fund's transactions for 2023/24 and its financial position at 31 March 2024. The accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (the Code) which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

Paragraph 3.3.1.2 of the Code requires disclosure of information relating to the impact of an accounting change that will be required by a new accounting standard that has been issued but not yet adopted by the Code for the relevant financial year. There are no such accounting changes to be disclosed in this respect for 2023/24.

The accounts report on the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year, nor do they take into account the actuarial present value of promised retirement benefits. The Code gives administering authorities the option to disclose this information in the Net Assets Statement, in the notes to the accounts, or by appending an actuarial report prepared for this purpose. The Fund has opted to disclose this information in Note 19.

The accounts have been prepared on a going concern basis.

Note 3. Summary of Significant Accounting Policies

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

Fund Account - Revenue Recognition

a) Contribution Income

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

• Employee contribution rates are set in accordance with LGPS regulations, using common percentage rates for all schemes which rise according to pensionable pay.

• Employer contributions are set at the percentage rate recommended by the fund actuary for the period to which they related.

Employer deficit funding contributions are accounted for on the basis advised by the Fund actuary in the rates and adjustment certificate issued to the relevant employing body or on receipt if received earlier than the due date. Additional employers' contributions in respect of ill-health and early retirements are accounted for in the year the event arose. Any amount due in the year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

b) Transfers To / From Other Schemes

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

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

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

c) Investment Income

i. Interest income is recognised in the Fund Account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination. Income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.

ii. Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as an investment asset.

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

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

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

Fund account - Expense Items

d) Benefits payable

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

e) Taxation

The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a Fund expense as it arises.

f) Management expenses

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

Administrative Expenses	All costs incurred by the Authority in respect of pensions administration are accounted for on an accruals basis and charged to the Fund.
Oversight and Governance	All costs incurred by the Authority in respect of Oversight and Governance are accounted for on an accruals basis and are charged to the Fund.
Investment Management Expenses	Investment management expenses are charged directly to the Fund as part of management expenses and are not included in, or netted off from, the reported return on investments. Where fees are netted off quarterly valuations by investment managers, these expenses are shown separately in Note 11a and grossed up to increase the change in value of investments. Fees of the external investment managers, property advisor and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change. All costs incurred by South Yorkshire Pensions Authority internally in respect of investment management expenses are accounted for on an accruals basis and are also charged to the Fund.

Net Assets Statement

g) Financial Assets

The shares held as an unquoted equity investment in Border to Coast Pensions Partnership Ltd, are valued at cost - i.e. transaction price - as an appropriate estimate of fair value. It has been determined that cost remains an appropriate proxy for fair value at 31 March 2024. There is no market in the shares held and cost is a reasonable estimate of fair value. See Note 4 for further details.

All other financial assets are included in the Net Assets Statement on a fair value basis as at the reporting date. A financial asset is recognised in the Net Assets Statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of assets are recognised in the Fund Account.

The values of investments as shown in the Net Assets Statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13 (see Note 15). For the purposes of disclosing levels of the fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

h) Freehold and Leasehold Properties

Properties are valued quarterly by independent external valuers on a fair value basis and in accordance with the Royal Institute of Chartered Surveyors' Valuation Standards, see Note 15 for more details.

i) Foreign Currency Transactions

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

j) Cash and Cash Equivalents

Cash comprises cash in hand and demand deposits.

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

k) Loans and Receivables

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

l) Financial Liabilities

A financial liability is recognised in the Net Assets Statement on the date the Fund becomes party to the liability. The Fund recognises financial liabilities relating to investment trading at fair value as at the reporting date, and any gains or losses arising from the changes in the fair value of the liability between contract date, the year-end and the eventual settlement date are recognised in the Fund Account as part of the change in market value of the investments.

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

m) Actuarial Present Value of Promised Retirement Benefits

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

n) Additional Voluntary Contributions

The South Yorkshire Pension Fund provides an additional voluntary contribution (AVC) scheme for its members, the assets of which are invested separately from those of the Pension Fund. AVCs are not included in the accounts in accordance with Section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed for information in Note 22.

o) Contingent Liabilities

A contingent liability arises where an event has taken place prior to the year-end giving rise to a possible financial obligation whose existence will only be confirmed or otherwise by the occurrence of future events. Contingent liabilities can also arise in circumstances where a provision would be made, except that it is not possible at the balance sheet date to measure the value of the financial obligation reliably.
Contingent liabilities are not recognised in the Net Assets Statement but are disclosed by way of narrative in the notes.

Note 4. Critical Judgements In Applying Accounting Policies

Pension Fund Liability

The net pension fund liability is re-calculated every three years by the appointed actuary, Hymans Robertson LLP, with annual updates in the intervening years. The methodology used is in line with accepted guidelines.

The estimate is subject to significant variances based on changes to the underlying assumptions which are agreed with the actuary and have been summarised in Notes 18 and 19. Actuarial revaluations are used to set future contribution rates and underpin the Fund's most significant investment management policies, for example in terms of the balance struck between longer term investment growth and short-term yield/return.

Investment in Border to Coast

This investment has been valued at cost, i.e. transaction price, as an appropriate estimate of fair value. This is reviewed and assessed each year. Relevant factors include that there is no market in the shares held, disposal of shares is not a matter in which any shareholder can make a unilateral decision, and the company is structured so as not to make a profit. As at 31 March 2024, taking consideration of audited accounts for the company at 31 December 2023, there is also no evidence of any impairment in the value of shares held. It has therefore been determined that cost remains an appropriate proxy for fair value at 31 March 2024.

Directly Held Property

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

Private Equity

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

Note 5. Assumptions Made About The Future And Other Major Sources Of Estimation Uncertainty

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

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits (Note 19)	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, salary increases, changes in retirement ages, mortality rates and returns on fund assets. A firm of consulting actuaries is engaged to provide the Fund with expert advice about the assumptions to be applied.	The actuarial present value of promised retirement benefits at 31 March 2024 is £9,352 million. The sensitivities regarding the principal assumptions used to measure the obligations are as follows: • a 0.1% p.a. reduction in the discount rate would increase the promised retirement benefits by approximately 2% or £170 million • a 0.1% p.a. increase in salary growth would increase the promised retirement benefits by approximately £8 million • a 0.1% p.a. increase in the pension increase rate (CPI) would increase the promised retirement benefits by approximately 2% or £174 million • a 1 year increase in member life expectancy would increase the promised retirement benefits by approximately 4% or £374 million
Private market investments (Note 15)	Private market instruments are valued at fair value in accordance with International Private Equity and Venture Capital Valuation guidelines (2012). Investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	Private equity investments are valued at £4,573 million at 31 March 2024 (£4,219 million at 31 March 2023) in the financial statements. Based on the assessed level of volatility using the same methodology as outlined in the sensitivity analysis shown in Note 17, if prices fell by 9.6% this would reduce the value of these assets by around £440 million.

Investments in private equity funds are valued based on the Fund’s share of the net assets in the private equity fund using the latest financial statements published by the respective fund managers. These are as at 31 December 2023, then rolled forward for known cash flows in order to derive the valuation at 31 March 2024. This is the method used on the basis that any changes in market value from 31 December to 31 March are unlikely to be material. The reasonableness of this assumption is reviewed each year.

Item	Uncertainties	Effect if actual results differ from assumptions
Freehold, leasehold property and pooled property funds (Note 15)	Valuation techniques are used to determine the carrying amount of pooled property funds and directly held freehold and leasehold property. Where possible these valuation techniques are based on observable data, but where this is not possible management uses the best available data.	Changes in the valuation assumptions used, together with significant changes in rental growth, vacancy levels or the discount rate could all affect the fair value of property-based investments. The total value of property investments in the Net Assets Statement is £1,195 million including both directly held property and property held in pooled investment vehicles. The directly held commercial property portfolio is valued at 31 March 2024. At 31 March 2024 there is a range of potential outcomes. Note 17 shows the effect, based on an assessed volatility range, of a fall of 7% in these property values. For illustrative purposes, a fall of 10% would result in a reduction to the values in the Net Assets Statement of £120 million. However, it should be noted that this is illustrative only and is not necessarily indicative of the actual effects that would be experienced.

Note 6. Events After The Reporting Period

The Statement of Accounts was authorised for issue on 31 May 2024 . Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provide information about conditions existing at 31 March 2024, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Non-Adjusting Event

The financial statements and notes have not been adjusted for the following event taking place after 31 March 2024 as it provides information that is relevant to an understanding of the Fund’s financial position but does not relate to conditions at that date.

The Fund is preparing to transition its commercial property holdings (valued at £508.5m in the Net Assets Statement as at 31 March 2024) to be managed by Border to Coast Pensions Partnership in a newly created UK Real Estate fund. It is planned that the Fund's directly held commercial property assets will be exchanged for the equivalent value of units in the new fund managed by Border to Coast. The transition will continue to progress the Fund’s commitment to pooling its assets. A significant process of commercial property due diligence is under way and based on current timelines, it is estimated that this will be concluded during 2024/25.

Note 7. Contributions Receivable

By Category

2022/23 £000		2023/24 £000
72,604	**Employees' Contributions**	**78,097**
	Employers' Contributions:	
124,461	Primary Contributions[1 and 2]	349,350
8,001	Secondary Contributions [Deficit / (Surplus) Recovery][1 and 2]	(39,698)
5,770	Augmentation Contributions	4,519
138,232	**Total Employers' Contributions**	**314,171**
210,836	**Total Contributions Receivable**	**392,268**

By Employer Type

2022/23 £000		2023/24 £000
651	Administering Authority	853
	Scheduled bodies: [2]	
24,675	Barnsley Metropolitan Borough Council	30,327
13,986	City of Doncaster Council	33,767
14,976	Rotherham Metropolitan Borough Council	32,675
36,619	Sheffield City Council	158,780
110,495	Other Scheduled Bodies	130,294
9,434	Admitted Bodies	5,572
210,836		**392,268**

[1] Employer Contributions

As detailed in Note 18, employer contributions are determined based on the results of funding valuations held every three years. The 2022 Pension Fund triennial valuation determined the employer contributions for the three-year period commencing 1 April 2023. This valuation saw the Fund move to a funding surplus position from a deficit at the previous triennial valuation in 2019.
Employer contributions are made up of:
> the primary contribution rate – contributions payable towards future benefits
> the secondary contribution rate – the costs associated with sufficiently funding benefits accrued up to the valuation date
In broad terms, the results of the 2022 funding valuation led to an increase in the primary contributions due from employers for 2023/24 and a significant reduction in the secondary contributions with many employers in surplus and therefore the secondary contributions becoming a negative amount. These changes are the main reason for the significant differences in the contributions receivable in 2023/24 when compared with 2022/23. Employer prepayments also affect this as explained further below.

[2] Employer Contributions: Prepayments

In April 2023, Sheffield City Council made a prepayment in relation to their employer contributions due for the period April 2023 to March 2026. By making the payment early, the cash amounts payable over the period are reduced. The amount of the prepayment and the discount applied were calculated by the Fund's actuary based on an estimate of the pensionable pay for Sheffield City Council over the 3 year period. The prepayment amounted to £134.31 million in respect of primary and secondary contributions. These amounts are accounted for in full in the period received and are therefore included in the figures shown for 2023/24 above.
Sheffield City Council had previously prepaid their employer contributions due for the period April 2020 to March 2023 on the same basis - the prepayment was accounted for in the period received of 2020/21 and therefore is not included in the 2022/23 figures shown above.

No other employers have made prepayments in relation to their employer contributions due for the period April 2023 to March 2026.

In April 2020, City of Doncaster Council, Rotherham Metropolitan Borough Council and one Other Scheduled Body (South Yorkshire Fire & Rescue Authority) made prepayments in relation to their employer contributions due for the period April 2020 to March 2023 amounting to £87.366 million in respect of normal contributions.
Additionally, Barnsley Metropolitan Borough Council and 46 Other Scheduled Bodies (primarily Multi Academy Trusts and large employers including South Yorkshire Fire & Rescue Authority and The Chief Constable) opted to make prepayments in relation to their deficit recovery contributions due for the period April 2020 to March 2023 amounting to £13.241 million in respect of secondary contributions.
These amounts were all accounted for in the period received (2020/21) and are therefore not included in the 2022/23 figures shown above.

Note 8. Transfers In From Other Pension Funds

2022/23 £000		2023/24 £000
25,107	Individual Transfers	29,755
25,107		**29,755**

Note 9. Benefits Payable

By Category

2022/23 £000		2023/24 £000
272,528	Pensions	304,524
64,045	Commutation and Lump Sum Retirement Benefits	72,738
9,694	Lump Sum Death Benefits	8,374
346,267		**385,636**

By Employer Type

2022/23 £000		2023/24 £000
798	Administering Authority	704
	Scheduled Bodies:	
44,441	Barnsley Metropolitan Borough Council	48,046
48,035	City of Doncaster Council	55,030
48,205	Rotherham Metropolitan Borough Council	54,189
107,919	Sheffield City Council	118,749
67,626	Other Scheduled Bodies	78,207
29,243	Admitted Bodies	30,711
346,267		**385,636**

Note 10. Payments To And On Account of Leavers

2022/23 £000		2023/24 £000
584	Refunds to Members Leaving Service	887
19,543	Individual Transfers	29,107
(2)	Payments for Members Joining State Scheme	(4)
20,125		**29,990**

Note 11. Management Expenses

2022/23 £000		2023/24 £000
4,170	Administrative Costs	5,001
62,732	Investment Management Expenses [Note 11a]	78,160
1,526	Oversight and Governance Costs	1,632
68,428		**84,793**

Note 11a. Investment Management Expenses

2022/23 Management Fees	2022/23 Performance Related Fees	2022/23 Transaction Costs	2022/23 Total		2023/24 Total	2023/24 Management Fees	2023/24 Performance Related Fees	2023/24 Transaction Costs
£000	£000	£000	£000		£000	£000	£000	£000
24,024	5,765	1,495	**31,284**	South Yorkshire Pensions Authority	**39,543**	23,419	13,938	2,186
29,861	0	194	**30,055**	Border to Coast Pensions Partnership	**37,534**	32,602	4,213	719
1,292	0	0	**1,292**	Abrdn	**996**	996	0	0
41	0	0	**41**	Bidwells	**30**	30	0	0
55,218	**5,765**	**1,689**	**62,672**		**78,103**	**57,047**	**18,151**	**2,905**
			60	Custody fees	57			
			62,732	**Total**	**78,160**			

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

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

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

Note 12. Investment Income

2022/23 £000		2023/24 £000
243	Income from Equities	0
14,201	Bonds	66
15,406	Income from Pooled Investment Vehicles	36,992
25,852	Net Property Income [Note 12a]	28,567
1,868	Interest on Cash Deposits	6,314
(115)	Other	179
57,455	**Net Investment Income**	**72,118**

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

Re-Invested Income In Border to Coast Pooled Investment Vehicles

2022/23 £000		2023/24 £000
38,732	Border to Coast UK	36,919
73,535	Border to Coast Developed Overseas	65,866
58,449	Border to Coast Emerging Markets	19,785
0	Border to Coast Investment Grade Credit	21,744
14,810	Border to Coast Sterling Index Linked Bonds	28,386
25,237	Border to Coast MAC Fund	26,595
29,838	Border to Coast Listed Alternatives Fund	6,307
240,601		**205,602**

Note 12a. Property Income

2022/23 £000		2023/24 £000
26,782	Rental income	28,365
604	Other dividends and interest	1,262
(1,534)	Direct operating expenses	(1,060)
25,852	**Net income**	**28,567**

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

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

2022/23 £000		2023/24 £000
39	Fees Payable in Respect of External Audit	168
39		**168**

Note 13b. Other Fund Account Disclosures - Irrecoverable VAT

2022/23 £000		2023/24 £000
199	Irrecoverable VAT Included in Administration Cost	241
362	Irrecoverable VAT Included in Investment Management Expense	118
65	Irrecoverable VAT Included in Oversight & Governance Cost	70
626		**429**

Unlike other local authorities, the Authority does not currently have Section 33 status under the VAT Act 1994 that would enable it to reclaim VAT incurred. This is due to its unique nature as a local authority with the sole purpose of administering the Pension Fund. Instead, a special exemption method agreed with HMRC is used for reclaiming a proportion of the Authority's VAT expense only. The remaining proportion that is not recoverable is charged to the management expenses of the Fund as outlined above. This irrecoverable proportion is approximately 8% of the total VAT expense incurred. The amounts shown here are included in the respective totals shown in Note 11.

Note 14a. Investments

31 March 2023 £000		31 March 2024 £000	31 March 2024 £000
	Long Term Investments		
1,182	Equities	1,182	
1,182			**1,182**
	Investment Assets		
786	Equities	763	
38,082	Bonds	0	
38,868			**763**
	Pooled Investments		
4,755,200	Equities	5,040,813	
1,062,509	Private Equity	1,390,000	
2,226,458	Credit	2,274,333	
929,969	Infrastructure	908,962	
160,118	Indirect Property	0	
208,555	Other Managed Funds	686,014	
9,342,809			**10,300,122**

31 March 2023 £000		31 March 2024 £000	31 March 2024 £000
	Other Investments		
660,719	Direct Property	508,525	
41,310	Property Other	0	
702,029			**508,525**
97,025	Cash Deposits	151,687	
2,250	Investment Income Due	2,676	
99,275			**154,363**
10,184,163	**Total Investment Assets**		**10,964,955**
10,184,163	**Net Investment Assets**		**10,964,955**

Note 14b. Reconciliation Of Movements In Investments And Derivatives

Period 2023/24	Market Value 1 April 2023	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in value during the year	Market Value 31 March 2024
	£000	£000	£000	£000	£000
Equities	1,968	0	(953)	930	**1,945**
Bonds	38,082	45,000	(31,226)	(51,856)	**0**
Pooled Investments	9,342,809	953,062	(841,123)	845,374	**10,300,122**
Property	702,029	51,129	(239,462)	(5,171)	**508,525**
	10,084,888	**1,049,191**	**(1,112,764)**	**789,277**	**10,810,592**
Other Investment Balances:					
Cash Deposits	97,025			(537)	**151,687**
Other Investment Assets	2,250				**2,676**
Net Investment Assets	**10,184,163**			**788,740**	**10,964,955**

Period 2022/23	Market Value 1 April 2022	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in value during the year	Market Value 31 March 2023
	£000	**£000**	**£000**	**£000**	**£000**
Equities	**26,803**	0	(23,535)	(1,300)	**1,968**
Bonds	**64,692**	30,000	(47)	(56,563)	**38,082**
Pooled Investments	**9,648,130**	730,438	(877,371)	(158,388)	**9,342,809**
Property	**795,555**	31,570	(8,773)	(116,323)	**702,029**
					0
	10,535,180	**792,008**	**(909,726)**	**(332,574)**	**10,084,888**
Other Investment Balances:					
Cash Deposits	118,756			2,414	97,025
Other Investment Assets	2,468				2,250
Net Investment Assets	**10,656,404**			**(330,160)**	**10,184,163**

Note 14c. Investments Analysed By Fund Manager

Market Value 31 March 2023 %	Market Value 31 March 2023 £000		Market Value 31 March 2024 £000	Market Value 31 March 2024 %
Investments managed by Border to Coast Pensions Partnership:				
7.0%	702,953	Border to Coast Sterling Index Linked Bonds	703,521	6.5%
10.4%	1,057,699	Border to Coast UK	1,055,453	9.6%
27.9%	2,845,928	Border to Coast Developed Overseas	3,248,747	29.6%
6.8%	695,779	Border to Coast Emerging Markets	736,612	6.7%
5.5%	562,712	Border to Coast MAC (Multi Asset Credit) Fund	390,192	3.6%
4.3%	435,757	Border to Coast Investment Grade Credit	552,538	5.0%
1.5%	155,794	Border to Coast Listed Alternatives Fund	153,007	1.4%
2.4%	244,898	Border to Coast Private Equity Series	411,162	3.7%
1.1%	115,644	Border to Coast Private Credit Series	170,512	1.6%
3.5%	355,724	Border to Coast Infrastructure Series	456,148	4.2%
70.4%	**7,172,888**		**7,877,893**	**71.9%**
Investments managed outside of Border to Coast Pensions Partnership:				
23.1%	2,350,556	South Yorkshire Pensions Authority	2,349,170	21.4%
4.7%	477,930	Abrdn - Direct Property - Commercial Portfolio	490,050	4.5%
1.8%	182,789	Bidwells - Direct Property - Agricultural Portfolio	18,475	0.2%
0.0%	0	Royal London Asset Management	229,367	2.0%
29.6%	**3,011,275**		**3,087,062**	**28.1%**
100.0%	**10,184,163**	**Total Net Investment Assets**	**10,964,955**	**100.0%**

The following investments each represent over 5% of the net assets of the Fund at 31 March 2024.

Market Value 31 March 2023			Market Value 31 March 2024	
%	**£000**	**Security**	**£000**	**%**
6.9%	702,953	Border to Coast Sterling Index Linked Bonds	703,521	6.5%
10.4%	1,057,699	Border to Coast UK	1,055,453	9.6%
27.9%	2,845,928	Border to Coast Developed Overseas	3,248,747	29.6%
6.8%	695,779	Border to Coast Emerging Markets	736,612	6.7%
4.3%	435,757	Border to Coast Investment Grade Credit	552,538	5.0%
	5,738,116		**6,296,872**	

Note 14d. Property Holdings

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

2022/23 £000		2023/24 £000
779,745	**Opening balance at 1 April**	**660,719**
	Additions:	
467	Purchases	18,540
167	New Construction	509
1,036	Subsequent Expenditure	1,240
(8,773)	Disposals[1]	(163,047)
(111,923)	Net Increase / (Decrease) in Market Value	(9,436)
660,719	**Closing balance at 31 March**	**508,525**

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

As at 31 March 2024, there were no vacant properties (31 March 2023: two) and two vacant units (31 March 2023: five) across the property portfolio. Repairs and maintenance of the properties are either directly with the occupant of the property or via a service charge. Each lease sets out the condition in which a property should be left at the end of the tenancy and states that any cost to restore it to this condition is the responsibility of the tenant.

[1]Disposals in 2023/24 have significantly increased in comparison to 2022/23 due to the sale of the agricultural property portfolio that took place during the year. The directly held agricultural portfolio has been transferred to a new joint venture with Royal London Asset Management. The joint venture has created a new Natural Capital Vehicle of which the Fund owns around 46% of the holdings, classified as Pooled Investment Vehicles in the Net Assets Statement and valued at £131m at 31 March 2024. The remaining proceeds from the disposals were reinvested in the Royal London UK Real Estate Fund, also classified as Pooled Investment Vehicles in the Net Assets Statement and valued at £98m at 31 March 2024. Further details can be found in Note 24a. Related Party Transactions – Subsidiary Companies.

Note 15a. Fair Value - Basis Of Valuation

The shares held as unquoted equities in our pool, Border to Coast Pensions Partnership Ltd, are valued at cost, i.e. transaction price, as an appropriate estimate of fair value. This is reviewed and assessed each year. Relevant factors include that there is no market in the shares held, disposal of shares is not a matter in which any shareholder can make a unilateral decision, and the company is structured so as not to make a profit. As at 31 March 2024, taking consideration of audited accounts for the company at 31 December 2023, there is also no evidence of any impairment in the value of shares held. It has therefore been determined that cost remains an appropriate proxy for fair value at 31 March 2024.

All other investments are held at fair value in accordance with the requirements of the Code and IFRS 13. The valuation bases are set out below. All assets have been valued using fair value techniques based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information. There has been no change in the valuation techniques used during the year.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Exchange traded pooled investments and property funds	Level 1	Closing bid value on published exchanges	Not required	Not required
Pooled investments - listed funds, bonds and private debt	Level 2	Closing bid price where bid and offer prices are published Closing single price where single price published	NAV-based pricing set on a forward pricing basis or a single price advised by the fund manager	Not required

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Pooled investments - limited partnerships, hedge fund of funds, other funds and property funds	Level 3	Closing bid price where bid and offer prices are published Closing single price where single price published	NAV-based pricing set on a forward pricing basis	Valuations could be affected by post balance sheet events, gating or closing of pooled property funds, changes to expected cash flows, or by any differences between audited and unaudited accounts.
Freehold and leasehold properties	Level 3	Valued at fair value at the year-end using the investment method of valuation by Jones Lang LaSalle for the commercial portfolio and Fisher German for the agricultural portfolio in accordance with the *RICS Valuation – Professional Standards* January 2014	• Existing lease terms and rentals • Independent market research • Vacancy levels • Estimated rental growth • Discount rate	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations as could more general changes to market prices.

Sensitivity Of Assets Valued At Level 3

Having analysed historical data and current market trends, and consulted with independent investment advisors, the Fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2024.

	Assessed valuation (+/-)	Value 31 March 2024 £000	Value on increase £000	Value on decrease £000
Equities (Long Term)	0%	1,182	1,182	1,182
Equities	10%	99	109	89
Pooled Investment Vehicles	10%	3,109,115	3,420,026	2,798,204
Pooled Property Funds	7%	151,484	162,088	140,880
Property	6%	508,525	539,036	478,014
		3,770,405	**4,122,441**	**3,418,369**

Note 15b. Fair Value Hierarchy

Assets and liabilities have been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1

Where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Comprise quoted equities, quoted bonds and unit trusts. Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2

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

Level 3

Where at least one input that could have a significant effect on the instrument’s valuation is not based on observable market data.
Such instruments include unquoted equity investments and hedge fund of funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.
Investments in private equity funds and unquoted listed partnerships are valued based on the Fund’s share of the net assets in the private equity fund or limited partnership using the latest financial statements published by the respective fund managers in accordance with the guidelines set out by the British Venture Capital Association or other professional bodies.

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

Values 31 March 2024	Quoted Market Price Level 1 £000	Using Observable Inputs Level 2 £000	With Significant Unobservable Inputs Level 3 £000	Total £000
Financial assets at fair value through profit and loss	162,263	6,880,600	3,260,698	10,303,561
Non-financial assets at fair value through profit and loss (Note 14d)			508,525	508,525
Net investment assets	**162,263**	**6,880,600**	**3,769,223**	**10,812,086**

The following assets were carried at cost:

Values 31 March 2024	Total £000
Investments in Border to Coast Pensions Partnership Pool	1,182
Investments held at cost	**1,182**

Reconciliation to Net Assets Statement	
Total Analysed Above	10,813,268
Plus Cash	151,687
Total Net Investments per Net Assets Statement	**10,964,955**

Values 31 March 2023	Quoted Market Price Level 1 £000	Using Observable Inputs Level 2 £000	With Significant Unobservable Inputs Level 3 £000	Total £000
Financial assets at fair value through profit and loss	168,530	6,533,570	2,723,137	9,425,237
Non-financial assets at fair value through profit and loss (Note 14d)			660,719	660,719
Net investment assets	**168,530**	**6,533,570**	**3,383,856**	**10,085,956**

The following assets were carried at cost:

Values 31 March 2023				Total £000
Investments in Border to Coast Pensions Partnership Pool				1,182
Investments held at cost	**0**	**0**	**0**	**1,182**

Reconciliation to Net Assets Statement	
Total Analysed Above	10,087,138
Plus Cash	97,025
Total Net Investments per Net Assets Statement	**10,184,163**

Note 16a. Classification Of Financial Instruments

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

31 March 2023				31 March 2024		
Fair value through profit and loss	**Assets at amortised cost**	**Liabilities at amortised cost**		**Fair value through profit and loss**	**Assets at amortised cost**	**Liabilities at amortised cost**
£000	**£000**	**£000**		**£000**	**£000**	**£000**
			Financial Assets			
1,968	0	0	Equities	1,945	0	0
38,082	0	0	Bonds	0	0	0
9,342,809	0	0	Pooled Investments	10,300,122	0	0
41,310	0	0	Property Other	0	0	0
2,250	0	0	Other Investment Balances	2,676	0	0
0	97,025	0	Cash	0	151,687	0
0	33,482	0	Sundry Debtors and Prepayments	0	35,420	0
9,426,419	**130,507**	**0**		**10,304,743**	**187,107**	**0**
			Financial Liabilities			
0	0	(15,665)	Sundry Creditors	0	0	(15,933)
9,426,419	**130,507**	**(15,665)**	**Total**	**10,304,743**	**187,107**	**(15,933)**
	9,541,261				**10,475,917**	

Note 16b. Net Gains And Losses On Financial Instruments

2022/23 £000		2023/24 £000
	Financial Assets	
(216,251)	(Loss) / Gain on Assets at Fair Value Through Profit and Loss	794,448
2,414	(Loss) / Gain on Assets at Amortised Cost	(537)
(213,837)	**Net (Loss)/ Gain on Financial Instruments**	**793,911**

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

Note 17. Nature And Extent Of Risks Arising From Financial Instruments

Risk and Risk Management

The Fund’s primary long-term risk is that its assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund’s forecast cash flows.

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

The cash balances of the Fund are managed by the Administering Authority. The Authority’s treasury management activities are governed by the Local Government Act 2003 and the Fund has broadly adopted CIPFA’s Treasury Management Code of Practice. The annual Treasury Management Strategy for 2023/24 was approved by the Authority in February 2023.

a) Market Risk

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

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

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

Price Risk

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

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

Price Risk - Sensitivity Analysis

Potential price changes are determined based on the observed historical volatility of asset class returns. 'Riskier' assets such as equities will display greater potential volatility than bonds as an example, so the overall outcome depends largely on the Fund's asset allocations. Based on this, the Fund has determined that the following movements in market price risk are reasonably possible for 2024/25, assuming that all other variables, in particular foreign exchange rates and interest rates, remain the same:

Asset Type	**Values at 31 March 2024**	**Potential Market Movements**	**Potential Value on Increase**	**Potential Value on Decrease**
	£000	**(+/-)**	**£000**	**£000**
Long Term Equities	1,182	0.00%	1,182	1,182
Overseas Equities	763	10.24%	841	685
Pooled Investment Vehicles	10,110,199	9.62%	11,082,800	9,137,598
Indirect Property	189,923	7.17%	203,540	176,306
Total	**10,302,067**		**11,288,363**	**9,315,771**

Asset Type [Prior Year]	Values at 31 March 2023	Potential Market Movements	Potential Value on Increase	Potential Value on Decrease
	£000	(+/-)	£000	£000
Long Term Equities	1,182	0.00%	1,182	1,182
Overseas Equities	786	12.03%	881	691
UK Bonds	37,879	20.50%	45,644	30,114
Overseas Bonds	203	7.24%	218	188
Pooled Investment Vehicles	9,182,691	11.57%	10,245,128	8,120,254
Indirect Property	160,118	7.85%	172,687	147,549
Total	**9,382,859**		**10,465,740**	**8,299,978**

Interest Rate Risk

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

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

The Fund's direct exposure to interest rate movements as at 31 March 2024 and 31 March 2023 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

The Fund recognises that interest rates can vary and can affect both income to the Fund and the carrying value of Fund assets, both of which affect the value of the net assets available to pay benefits. The sensitivity analysis shown below is based on the Fund's methodology for this risk and shows the potential impact of a 0.95% change in interest rates. This percentage is equal to 1 standard deviation of the 10 year government bond yield (annualised).

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

Exposure To Interest Rate Risk	Values 31 March 2024 £000	Potential Interest Rate Movement (+/-)	Potential Value on Increase £000	Potential Value on Decrease £000
Cash - Sterling	129,418	0.95%	130,647	128,189

Exposure To Interest Rate Risk [Prior Year]	Values 31 March 2023 £000	Potential Interest Rate Movement (+/-)	Potential Value on Increase £000	Potential Value on Decrease £000
Cash - Sterling	77,751	0.89%	78,443	77,059

Currency Risk

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

Following analysis of historical data, the Fund considers the likely volatility associated with foreign exchange rate movements to be not more than 6.97%. A strengthening/weakening of the pound by 6.97% against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Assets Exposed to Currency Risk	Asset Value 31 March 2024 £000	Potential Market Movement £000	Value on Increase £000	Value on Decrease £000
Overseas Equities	763	53	816	710
Overseas Pooled Funds	6,934,022	483,301	7,417,323	6,450,721
Overseas indirect property	11,193	780	11,973	10,413
Cash - Currency	22,269	1,552	23,821	20,717
Total Change In Assets Available To Pay Benefits	**6,968,247**	**485,686**	**7,453,933**	**6,482,561**

Assets exposed to currency risk [Prior Year]	Asset Value 31 March 2023	Potential Market Movement	Value on Increase	Value on Decrease
	£000	£000	£000	£000
Overseas Equities	786	87	873	699
Overseas Bonds	203	22	225	181
Overseas Pooled Funds	6,547,550	720,885	7,268,435	5,826,665
Overseas indirect property	12,763	1,405	14,168	11,358
Cash - Currency	19,274	2,122	21,396	17,152
Total Change In Assets Available To Pay Benefits	**6,580,576**	**724,521**	**7,305,097**	**5,856,055**

b) Credit Risk

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

The Fund’s benchmark allowance for cash at 31 March 2024 was 1.5% of the Fund (1.5% at 31 March 2023). The actual cash held at 31 March 2024 represented 1.18% of the Fund value (0.76% at 31 March 2023).
The Treasury Management Strategy for managing the cash balances held includes limits as to the maximum sum placed on deposit with individual financial institutions and applies a minimum short term credit rating requirement of F1 or better.

Summary of Cash Balances and Credit Ratings

Counterparty Type	Rating	31 March 2023 £000	31 March 2024 £000
Money Market Funds	AAA	32,000	69,500
Banks	Minimum of F1	35,751	59,918
Other Local Authorities	-	10,000	0
Total		**77,751**	**129,418**

c) Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Pension Fund therefore takes steps to ensure that it always has adequate cash resources to meet its commitments. The Fund's cash holding under its treasury management arrangements at 31 March 2024 was £129.4 million (31 March 2023 £77.8 million).

The Fund maintains at least £40 million of its cash balances as readily available through the use of money market funds, call accounts and short-term deposits to meet expected or unexpected demands for cash.

Note 18. Funding Arrangements

In line with the Local Government Pension Scheme Regulations 2013, the Fund’s actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2022 and the next valuation is due to take place as at 31 March 2025.

The funding strategy objectives are to:

1. 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
2. use a balanced investment strategy to minimise long-term cash contributions from employers and meet the regulatory requirement for long-term cost efficiency
3. where appropriate, ensure stable employer contribution rates
4. reflect different employers' characteristics to set their contributions rates, using a transparent funding strategy
5. use reasonable measures to reduce the risk of an employer defaulting on its pension obligations.

The primary objective of the Fund is to set employer contribution rates that will adequately cover the cost of benefits which will accrue in the future and any costs related to benefits already earned. A secondary objective is to ensure the rates are as stable as possible. A risk-based approach to setting employer contribution rates is used to meet these objectives.

An actuarial valuation of the South Yorkshire Pension Fund was carried out as at 31 March 2022 to determine the contribution rates with effect from 1 April 2023 to 31 March 2026.

Based on the assumptions adopted, the Fund was assessed as 119% funded (99% at the 2019 valuation). This corresponded to a surplus of £1,685 million (2019 valuation: £63 million deficit).

The employer contribution rate is made up of two components as follows:

Primary Contribution Rate

The Primary rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date.

Secondary Contribution Rate

The Secondary rate covers the costs associated with sufficiently funding benefits accrued up to the valuation date.

Each employer has a contribution rate appropriate to their circumstances. These are shown in the 'Rates and Adjustments Certificate' section of the Valuation Report available on the Authority's website at www.sypensions.org.uk

The table below shows the whole Fund contribution rate as determined at the 2022 Valuation, as compared with the rates set at the previous valuation.

	Last Valuation 31 March 2019		This Valuation 31 March 2022	
Primary Rate	16.1% of pay		20.3% of pay	
	2020/2021	£26,675,000	2023/2024	(£21,921,000)
Secondary Rate	2021/2022	£13,475,000	2024/2025	(£20,058,000)
	2022/2023	£13,881,000	2025/2026	(£18,043,000)

In broad terms, primary rates have increased since the last valuation due to rising inflation. While secondary rates had decreased due to strong investment performance since the previous valuation. However, all employers will be different and the contribution rate will reflect the membership and experiences of each employer.

Valuation Assumptions

To set and agree assumptions for the valuation, the Fund carried out in depth analysis and review in February 2022 with the final set agreed by the Pensions Authority on 17 March 2022. The main actuarial assumptions used for assessing the Solvency Funding Target were as follows:

Financial Assumptions	**Required for**	**Last Valuation 31 March 2019**	**This Valuation 31 March 2022**
Discount Rate	To place a present value on benefits promised to members at the valuation date.	3.9% per annum	4.45% per annum
Benefit Increases/CARE Revaluation	To determine the size of future benefit payments	2.4% per annum	2.7% per annum
Salary Increases	To determine the size of future final-salary linked benefit payments	3.6% per annum	3.3% per annum

Demographic Assumptions	**Years**
Life expectancy for current pensioners - men age 65	21.0
Life expectancy for future pensioners - men age 45	22.0
Life expectancy for current pensioners - women age 65	24.0
Life expectancy for future pensioners - women age 45	25.5

Commutation Assumption

Members have the option to commute part of their pension at retirement in return for a lump sum at a rate of £12 cash for each £1 per annum of pension given up. It is assumed that 50% of future retirements will elect to exchange pension for additional tax free cash up to HMRC limits.

Risk Analysis

Specific risks relating to the valuation include:
• McCloud: the remedy to resolve the McCloud case had yet to be formalised in regulations when the valuation was completed. However, an allowance was included for this expected benefit change at the 2022 valuation as directed by the Department of Levelling Up, Housing and Communities.

• Goodwin: the remedy to this issue is still uncertain, it is difficult to identify who it would apply to and its impact is estimated to be very small for a LGPS fund (0.1% to 0.2% of liabilities). Therefore, no allowance was made for this case at the 2022 valuation.

• Cost Cap: at the time of the valuation, a legal challenge was still ongoing in relation to the results of the 2016 cost cap valuation and no information was known about the outcome of the 2020 cost cap valuation. At this valuation, no allowance was made for any changes to the benefit structure that may occur as a result of a cost cap valuation. The legal decision was subsequently published in April 2024 which was in agreement with the earlier ruling from the High Court (published in March 2023) which ruled in favour of HM Treasury on all grounds. Following this, on 11 April 2024, the Government Actuary's Department published its completed valuation of the Local Government Pension Scheme (England and Wales) as at 31 March 2020. The valuation found that the core ‘cost cap cost’ of the scheme lies outside the 3% cost control mechanism corridor (3.2% below target cost). The new ‘economic cost cap cost’ of the scheme also lies outside the 3% corridor, but in the other direction (7.3% above target cost). As a result, the mechanism as a whole is not breached and the Government is not proposing to make any changes to scheme benefits.

• GMP Indexation: it was assumed that all increases on GMPs for members reaching State Pension Age after 6 April 2016 will be paid for by LGPS employers. This is the same approach that was taken for the 2019 valuation.

Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated 31 March 2022; this is available in the 'How We Operate' area of the Fund's website at: www.sypensions.org.uk.

Note 19. Actuarial Present Value Of Promised Retirement Benefits

In addition to the triennial funding valuation, the Fund’s actuary also undertakes a valuation of the Pension Fund liabilities on an IAS 19 basis every year using the same base data as the funding valuation rolled forward to the current financial year, but taking account of changes in membership numbers and updating assumptions to the current year.

This valuation is not carried out on the same basis as that used for setting fund contribution rates and the Fund accounts do not take account of liabilities to pay pensions and other benefits in the future. In order to assess the value of the benefits on this basis, the actuary has updated the actuarial assumptions (set out below) from those used for funding purposes set out in Note 18. The actuary has also valued ill health and death benefits in line with IAS 19.

Financial Assumptions	**Required for**	**31 March 2023**	**31 March 2024**
Discount Rate	To place a present value on benefits promised to members at the valuation date.	4.75% per annum	4.85% per annum
Benefit Increases/CARE Revaluation	To determine the size of future benefit payments	2.95% per annum	2.75% per annum
Salary Increases	To determine the size of future final-salary linked benefit payments	3.55% per annum	3.35% per annum

Demographic Assumptions	**Years**
Life expectancy for current pensioners - men age 65	20.6
Life expectancy for future pensioners - men age 45	21.4
Life expectancy for current pensioners - women age 65	23.6
Life expectancy for future pensioners - women age 45	25.0

Results	**31 March 2023**	**31 March 2024**
Present value of promised retirement benefits	£9,280 million	£9,352 million

The assumptions used are those adopted for the Administering Authority’s IAS19 report and are different as at 31 March 2024 and 31 March 2023. The Actuary estimates that the impact of the change in financial assumptions to 31 March 2024 is to decrease the actuarial present value by £516m. The Actuary estimates that the impact of the change in demographic assumptions is to decrease the actuarial present value by £65m.

Note 20. Current Assets

31 March 2023 £000		31 March 2024 £000
	Short Term Debtors	
6,123	Contributions Due - Employees	6,594
18,602	Contributions Due - Employers	19,109
24,725		**25,703**
1,265	Early Retirement Strain Contributions Receivable	553
7,492	Sundry Debtors	9,164
33,482	**Total**	**35,420**

Note 21. Current Liabilities

31 March 2023 £000		31 March 2024 £000
(7,578)	Sundry Creditors	(6,262)
(2,725)	Payroll Expenses Payable	(3,564)
(5,362)	Advance Property Rents	(6,107)
(15,665)	**Total**	**(15,933)**

The Fund Net Assets Statement at 31 March 2024 includes a creditor of £0.498 million (£1.831 million at 31 March 2023) for sums due to the Authority. This is included in the 'Sundry Creditors' line above.

Note 22. Additional Voluntary Contributions

The Pension Fund’s Additional Voluntary Contributions (AVC) providers are Prudential, Scottish Widows and Utmost Life & Pensions. This note shows information about these separately invested AVCs. The AVC providers secure benefits on a money purchase basis for those members electing to pay AVCs.
In accordance with Regulation 4(2)(b) of the Pension Scheme (Management and Investment of Funds) Regulations 2009 as amended, the contributions paid and the assets of these investments are not included in the Fund’s Accounts.

Restated Market Value 31 March 2023 £000		Market Value 31 March 2024 £000
10,551	Prudential[1]	10,105
Not available	Scottish Widows[2]	Not available
1,544	Utmost Life & Pensions	1,389
12,095	**Total**	**11,494**

Restated AVCs Paid to Providers 2022/23 £000		AVCs Paid to Providers 2023/24 £000
1,797	Prudential[1]	1,690
Not available	Scottish Widows[2]	Not available
6	Utmost Life & Pensions	4
1,803	**Total**	**1,694**

[1] At the date when the 2022/23 accounts were authorised for issue, it was reported that audited figures from Prudential were not available and therefore the figures disclosed for 2022/23 were based on a snapshot of the fund at 31 March 2023. The audited figures for 2022/23 have subsequently been provided and are now disclosed above.
However, the equivalent information for 2023/24 has again not been provided by Prudential to the required timescales. Instead, Prudential have provided the figures disclosed above for 2023/24 based on a snapshot of the fund at 31 March 2024.

[2] At the date of authorising the 2023/24 accounts for issue, Scottish Widows have again been unable to provide the necessary information for both 2022/23 and 2023/24 within the required timescales.

The issues above have been reported to The Pensions Regulator.

Note 23. Agency Services

The South Yorkshire Pension Fund pays discretionary awards to former employees of various bodies as shown below. The amounts paid are fully reclaimed from the employer bodies.

2022/23 £000		2023/24 £000
	Payments on behalf of:	
15	South Yorkshire Pensions Authority	16
2,393	Barnsley MBC	2,544
1,788	City of Doncaster Council	1,862
1,252	Rotherham MBC	1,331
5,529	Sheffield CC	5,775
1,463	Other Scheduled Bodies	1,457
48	Admitted Bodies	49
12,488	**Total**	**13,034**

Note 24. Related Party Transactions

South Yorkshire Pensions Authority

The South Yorkshire Pension Fund is administered by South Yorkshire Pensions Authority. During the reporting period, the Authority incurred costs of £7.333 million (2022/23 £6.555 million) in relation to the administration and management of the Fund and was reimbursed by the Fund for these expenses. All transactions are shown either in the Authority's statements or in the Fund accounts. All contributing employers are related parties to the Fund, and have material transactions with the Fund during the year in the form of contributions described elsewhere in the accounts.

The Fund received a total of £0.312 million (2022/23: £0.315 million) from the Authority as contributions for the unfunded benefits residual liabilities of the former South Yorkshire County Council and Residuary Body.

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

External fund managers are also related parties to the Fund and fees paid to them are included within investment management expenses (see Note 11a).

Border To Coast Pensions Partnership

Border to Coast Pensions Partnership (Border to Coast) is a related party to the Fund as the Fund is a shareholder in the company, along with 10 other LGPS Funds, and holds shares amounting to £1.182 million at 31 March 2024 (31 March 2023: £1,182 million).
Direct costs of £6.122 million (2022/23 £5.149 million) were paid to Border to Coast during the 2023/24 year.

Note 24a. Related Party Transactions - Subsidiary Companies

Waldersey Farms Limited and FH Bowser Limited

The Fund previously held within its portfolio two wholly owned subsidiaries - Waldersey Farms Limited and FH Bowser Limited - a farming company and a company holding agricultural property to let to third parties respectively.
During the year, the Fund completed a transaction to transfer its directly held agricultural property portfolio and the two wholly owned companies to Royal London Asset Management as part of the creation of a new farmland Joint Venture. The transaction completed on 26 January 2024.
The total value of the directly held agricultural property and the investments in the two companies reported on the Fund's Net Assets Statement as at 31 March 2023 was £224m. These created the seed assets for a new Royal London Natural Capital vehicle of which South Yorkshire Pension Fund owns around a 46% holding. The remaining proceeds received from the sale of the agricultural property have been reinvested into a Royal London UK Real Estate fund. The holdings in both the Natural Capital vehicle and the UK Real Estate fund are reported in the Fund's Net Assets Statement as Pooled Investment Vehicles at a total value of £229m at 31 March 2024.
Due to legal delays, one of the agricultural property assets sales has yet to complete and this asset continues to be held as direct property in the Net Assets Statement at a value of £18m at 31 March 2024.

Note 24b. Key Management Personnel

The key management personnel of the Fund are the senior managers and the holders of statutory roles for the South Yorkshire Pensions Authority. These officers and their remuneration payable is set out in Note 18 to the Authority's accounts.

Note 25. Contractual Commitments and Contingent Assets

Outstanding capital commitments (investments) at 31 March are shown below. These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the private equity and infrastructure parts of the portfolio. The amounts ‘called’ by these funds are irregular in both size and timing over a period of a number of years from the date of the original commitment. The following table shows the commitments analysed according to the different currencies in which they are designated.

	31 March 2023		31 March 2024
Currency	**£ Equivalent**	**Currency**	**£ Equivalent**
000	**£000**	**000**	**£000**
£272,654	**272,654**	£348,828	**348,828**
€366,756	**322,452**	€300,416	**256,503**
$1,214,848	**984,719**	$1,462,723	**1,170,928**
	1,579,825		**1,776,259**

At 31 March 2024, 7 admitted body employers (31 March 2023: 6) in the South Yorkshire Pension Fund hold insurance bonds to guard against the possibility of being unable to meet their pension obligations. These bonds are drawn in favour of the Pension Fund and payment will only be triggered in the event of employer default. No such defaults have occurred in 2023/24 (2022/23: Nil).