SOUTH YORKSHIRE
PENSIONS AUTHORITY

South Yorkshire Pension Fund

Statement of Accounts

& Notes 2024/25

South Yorkshire Pension Fund - Fund Account

2023/24 £000		Notes	2024/25 £000
	Dealings with Members, Employers and Others Directly Involved in the Fund		
(392,268)	Contributions	[7]	(274,584)
(29,755)	Transfers In from Other Pension Funds	[8]	(32,913)
(422,023)			**(307,497)**
385,636	Benefits	[9]	426,657
29,990	Payments To and On Account of Leavers	[10]	31,447
415,626			**458,104**
(6,397)	**Net (Additions) / Withdrawals from Dealings With Members**		**150,607**
85,193	Management Expenses	[11]	102,335
78,796	**Net Withdrawals Including Fund Management Expenses**		**252,942**
	Returns On Investments		
(72,118)	Investment Income	[12]	(68,629)
(788,740)	(Profit) on Disposal of Investments and Changes in the Value of Investments	[14b]	(312,733)
(860,858)	**Net Return on Investments**		**(381,362)**
(782,062)	**Net (Increase) in the Net Assets Available for Benefits During the Year**		**(128,420)**
(10,201,980)	**Opening Net Assets of the Scheme**		(10,984,042)
(10,984,042)	**Closing Net Assets of the Scheme**		**(11,112,462)**

South Yorkshire Pension Fund - Net Assets Statement

31 March 2024			31 March 2025
£000		Notes	£000
	Long Term Investments		
1,182	Equities		1,182
	Investment Assets		
763	Equities		567
10,116,516	Pooled Investment Vehicles		10,755,969
84,856	Private Credit		111,880
508,525	Direct Property	[14d]	52,400
250,437	Cash		138,089
2,676	Other Investment Assets		26,367
10,964,955	**Total Net Investments**	[14a]	**11,086,454**
35,420	Current Assets	[20]	32,290
11,000,375			**11,118,744**
(16,333)	Current Liabilities	[21]	(6,282)
10,984,042	**Net Assets of the Fund Available to Fund Benefits at the End of the Reporting Period**		**11,112,462**

Note: The Fund's statement of accounts 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 2025

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 Ltd (Border to Coast) was created in response to Government policy on the pooling of investments and is a company that is wholly owned by its partner Funds. South Yorkshire Pension Fund, along with 10 other partner funds, are equal shareholders in Border to Coast. 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 2025, approximately 78% (31 Mar 2024: 72%) 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 2024**	**31 March 2025**
Number of Employers with Active Members	553	571
Number of Employees (Active Contributors)	51,726	51,682
Number of Pensioners	63,523	65,575
Number of Deferred Pensioners *	64,654	63,921
Total Number of Members in the Pension Scheme	**179,903**	**181,178**

* The total shown for deferred pensioners includes 8,148 unprocessed leavers at 31 March 2025 (11,195 at 31 March 2024). 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 standard contributions range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2025. 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 2024/25 ranged from 12.7% to 39.6% and the Secondary employer contribution rates paid in 2024/25 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

Over the course of the financial year, the Fund's investments in UK equities was a key driver of positive returns, although negative returns from our index-linked portfolio partly offset this. Other asset classes, such as multi-asset credit and private markets, generally returned single-digit positive returns.

The 2024/25 year could be described as a potentially transitional year in terms of both major economic and political changes going on around the world. Although the conflicts in Ukraine and in the Middle East remain, with talks and negotiations taking place, resolution looks far from certain at this moment in time. The impact of the new Trump administration in the USA and introduction of tariffs and the ensuing 'tariff war' is continuing to create uncertainty and could result in volatility for months or even years ahead.

Within this current environment though, it is important to keep focussed on being a long term investor; the Fund remains committed to its central objective to pay pensions out over the very long term - for decades to come.

Focussing on the detail of the Fund's performance over the last year, the majority of equity markets delivered positive returns. US equities in the technology sector, particularly the much vaunted Magnificent Seven, had been performing very strongly for much of the year. Cracks began to show in January, however, when an apparent breakthrough at the Chinese AI company, DeepSeek, wiped almost $600bn from Nvidia's market value overnight. This was shortly followed by a slew of tariff announcements from the White House, which led to material market falls in the run up to year end. Overall, US equities rose by 5.4% over the year, slightly ahead of the 4.7% rise in global equities generally.

The UK surprisingly turned out to be the star equity market of the past 12 months, with its more defensive nature and relatively stable government attracting investment.

Within fixed income, certain elements of the Multi-Asset Credit fund were some of the best performers of the past 12 months - high yield credit and leveraged loans had a particularly good year. UK credit markets, on the other hand, were fairly flat over the year. Despite market volatility, credit spreads (effectively the extra yield available for lending money to a company rather than a government) were still relatively tight by historical standards at the year end.

The general air of uncertainty continued into government bond markets, with question marks remaining over the implementation of tariffs and their potential impacts on inflation, borrowing costs and the wider economy.

The Fund continues to reduce its equity exposure to both UK and Overseas markets as part of its gradual move towards the long-term Strategic Asset Allocation (SAA) set in 2023. A high proportion of these proceeds has transferred into the Fund's recently established Natural Capital portfolio; with the balance going towards Infrastructure and Renewables. Some increases have also been added to the Fixed Interest portfolio, bringing the slightly underweight allocation more within its SAA range.

The Fund's allocation to Private Equity remains materially overweight relative to the SAA, albeit this is partly a product of relatively strong performance, combined with its illiquid nature. Future allocations to this asset class are likely to be lower to help mitigate the overweight position.

To support the growth of small and medium sized enterprises locally as part of its place-based impact investments, the Fund, in alignment with the South Yorkshire Mayoral Combined Authority's economic development strategies, pledged £20m of equity investment and £20m of debt funding to two investment managers that specialise in these types of areas and businesses. The remit given to the managers is to focus on key areas such as the number of jobs and apprenticeships, with the aim of enabling provision of additional private sector investment, helping to boost the local economy and the surrounding areas.

One aim of the Fund over the past year has been to de-risk towards its strategic benchmark. Progress towards this target is currently quite heavily dependent on the pace at which money can be deployed into the Fund's illiquid private market portfolios. This has generally been slower than projected – and is unlikely to be aided by the uncertainty brought about by the tariff war, nor the higher levels of inflation and borrowing costs that this could drive.

Over the year, the Fund delivered a return of 2.6% against an expected return of 4.2% from the benchmark (7.8% in 2023/24 against an expected return of 8.1%). The Fund's market value (net investment assets only) was £11,086m as at 31 March 2025 (£10,965m at 31 March 2024).

Note 2. Basis Of Preparation

The Statement of Accounts summarises the Fund's transactions for 2024/25 and its financial position at 31 March 2025. The accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 (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 2024/25.

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 2025. 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 2025, taking consideration of audited accounts for the company at 31 December 2024, 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 2025.

Directly Held Property

The Fund’s property portfolio includes a small 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 IFRS 16 Leases and the Code at 31 March 2025 for lessors, 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.

The CIPFA Code of Practice 2024/25 introduced the adoption of IFRS 16 Leases to be applied from 01 April 2024. For the Fund’s Directly Held Property there has been no change to the Critical Judgements and Application of the Accounting Policies as a result of IFRS 16 Leases being implemented.

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 statement of accounts 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 2025 is £8,129 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 £143 million • a 0.1% p.a. increase in salary growth would increase the promised retirement benefits by approximately £7 million • a 0.1% p.a. increase in the pension increase rate (CPI) would increase the promised retirement benefits by approximately 2% or £137 million • a 1 year increase in member life expectancy would increase the promised retirement benefits by approximately 4% or £325 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. 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 2024, then rolled forward for known cash flows in order to derive the valuation at 31 March 2025. This is the method used on the basis that any changes in market value from 31 December to 31 March are unlikely to be material. The reasonableness of this assumption is reviewed each year.	Private equity investments are valued at £4,486 million at 31 March 2025 (£4,573 million at 31 March 2024) 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 8.4% this would reduce the value of these assets by around £376 million.

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 £1,567 million including both directly held property and property held in pooled investment vehicles. The directly held commercial property portfolio is valued at 31 March 2025. At 31 March 2025 there is a range of potential outcomes. Note 15a shows the effect, based on an assessed volatility range, of a fall of 5% in these directly held property values. For illustrative purposes across the property portfolio, a fall of 10% would result in a reduction to the values in the Net Assets Statement of £157 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 26 June 2025 . 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 2025, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Non-Adjusting Events

The statement of accounts and notes have not been adjusted for the following events taking place after 31 March 2025 as they provide information that is relevant to an understanding of the Fund's financial position but do not relate to conditions at that date.

<u>Court of Appeal Decision - Virgin Media Ltd vs NTL Trustees</u>

On 25 July 2024, the Court of Appeal dismissed the appeal in the case of Virgin Media Limited v NTL Pension Trustees II Limited and others. The appeal was brought by Virgin Media Ltd against aspects of the High Court's ruling handed down in June 2023 relating to the validity of certain historical pension changes due to the lack of actuarial confirmation required by law. The Court of Appeal upheld the High Court's ruling. This ruling may have had implications for other UK defined benefit plans.

On 5 June 2025, the Government announced that it was aware of the uncertainty this had created and recognised that schemes and sponsoring employers need clarity around scheme liabilities and member benefit levels in order to plan for the future. It was therefore confirmed that the Government will introduce legislation to give affected pension schemes the ability to retrospectively obtain written actuarial confirmation that historic benefit changes met the necessary standards and that scheme obligations would be otherwise unaffected.

It is anticipated that this will result in there being no impact on the LGPS and the Fund from the appeal court's ruling. However, further detail is awaited at the date of authorising these accounts for issue.

Note 7. Contributions Receivable

By Category

2023/24 £000		2024/25 £000
78,097	**Employees' Contributions**	**81,865**
	Employers' Contributions:	
349,350	Primary Contributions[1 and 2]	202,559
(39,698)	Secondary Contributions [Deficit / (Surplus) Recovery][1 and 2]	(15,487)
4,519	Augmentation Contributions	5,647
314,171	**Total Employers' Contributions**	**192,719**
392,268	**Total Contributions Receivable**	**274,584**

By Employer Type

2023/24 £000		2024/25 £000
853	Administering Authority	985
	Scheduled bodies: [2]	
30,327	Barnsley Metropolitan Borough Council	29,509
33,767	City of Doncaster Council	34,149
32,675	Rotherham Metropolitan Borough Council	34,480
158,780	Sheffield City Council	26,589
130,294	Other Scheduled Bodies	142,446
5,572	Admitted Bodies	6,426
392,268		**274,584**

[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.

[2] Employer Contributions: Prepayments

In April 2023, Sheffield City Council made a prepayment in relation to their primary and secondary 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 2023/24 figures shown above.

In April 2023, Barnsley Metropolitan Borough Council made a prepayment in relation to their primary 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 Barnsley Metropolitan Borough Council over the 3 year period. The prepayment amounted to £2.36 million in respect of primary contributions. These amounts are accounted for in full in the period received and are therefore included in the 2023/24 figures shown above.

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

Note 8. Transfers In From Other Pension Funds

2023/24 £000		2024/25 £000
29,755	Individual Transfers	32,913
29,755		**32,913**

Note 9. Benefits Payable

By Category

2023/24 £000		2024/25 £000
304,524	Pensions	331,403
72,738	Commutation and Lump Sum Retirement Benefits	84,465
8,374	Lump Sum Death Benefits	10,789
385,636		**426,657**

By Employer Type

2023/24 £000		2024/25 £000
704	Administering Authority	1,213
	Scheduled Bodies:	
48,046	Barnsley Metropolitan Borough Council	54,089
55,030	City of Doncaster Council	61,633
54,189	Rotherham Metropolitan Borough Council	59,060
118,749	Sheffield City Council	123,037
78,207	Other Scheduled Bodies	92,357
30,711	Admitted Bodies	35,268
385,636		**426,657**

Note 10. Payments To And On Account Of Leavers

2023/24 £000		2024/25 £000
887	Refunds to Members Leaving Service	880
29,107	Individual Transfers	30,569
(4)	Payments for Members Joining State Scheme	(2)
29,990		**31,447**

Note 11. Management Expenses

2023/24 £000		2024/25 £000
5,001	Administrative Costs	5,681
78,560	Investment Management Expenses [Note 11a]	94,678
1,632	Oversight and Governance Costs	1,976
85,193		**102,335**

Note 11a. Investment Management Expenses

2023/24					2024/25			
Management Fees	Performance Related Fees	Transaction Costs	Total		Total	Management Fees	Performance Related Fees	Transaction Costs
£000	£000	£000	£000		£000	£000	£000	£000
23,819	13,938	2,186	**39,943**	South Yorkshire Pensions Authority	**40,895**	27,166	12,794	935
32,602	4,213	719	**37,534**	Border to Coast Pensions Partnership	**53,085**	38,717	8,730	5,638
996	0	0	**996**	Aberdeen	**641**	641	0	0
30	0	0	**30**	Bidwells	**0**	0	0	0
57,447	**18,151**	**2,905**	**78,503**		**94,621**	**66,524**	**21,524**	**6,573**
			57	Custody fees	57			
			78,560	**Total**	**94,678**			

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

2023/24 £000		2024/25 £000
66	Bonds	14
36,992	Income from Pooled Investment Vehicles	45,074
28,567	Net Property Income [Note 12a]	16,676
6,314	Interest on Cash Deposits	6,858
179	Other	7
72,118	**Net Investment Income**	**68,629**

The Fund's equity holdings, together with its investment grade and index linked bond holdings, are 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 reinvested income is reported separately and is shown below for information.

Reinvested Income In Border to Coast Pooled Investment Vehicles

2023/24 £000		2024/25 £000
36,919	Border to Coast UK	34,380
65,866	Border to Coast Developed Overseas	69,385
19,785	Border to Coast Emerging Markets	18,249
21,744	Border to Coast Investment Grade Credit	22,922
28,386	Border to Coast Sterling Index Linked Bonds	24,199
26,595	Border to Coast MAC Fund	22,783
6,307	Border to Coast Listed Alternatives Fund	6,300
205,602		**198,217**

Note 12a. Property Income

2023/24 £000		2024/25 £000
28,365	Rental income	17,712
1,262	Other dividends and interest	0
(1,060)	Direct operating expenses	(1,036)
28,567	**Net income**	**16,676**

In October 2024, the Fund transferred 25 of its commercial property holdings (valued at £442.2m) to be managed by Border to Coast in a newly created UK Real Estate fund. The assets were exchanged for the equivalent value of units in the new fund managed by Border to Coast, classified as a Pooled Investment Vehicle. 3 commercial properties (located in Scotland and Wales) remain in the Fund's directly held portfolio.
The transition to the Border to Coast fund has therefore resulted in a significant reduction in the direct rental income disclosed above, and a corresponding increase in the income from Pooled Investment Vehicles disclosed in Note 12.

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

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

2023/24 £000		2024/25 £000
168	Fees Payable in Respect of External Audit	176
168		**176**

Note 13b. Other Fund Account Disclosures - Irrecoverable VAT

2023/24 £000		2024/25 £000
241	Irrecoverable VAT Included in Administration Cost	221
518	Irrecoverable VAT Included in Investment Management Expense	324
70	Irrecoverable VAT Included in Oversight & Governance Cost	89
829		**634**

Unlike other local authorities, the Authority, at 31 March 2025, does not 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 30% 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 2024 £000		31 March 2025 £000	31 March 2025 £000
	Long Term Investments		
1,182	Equities	1,182	
1,182			**1,182**
	Investment Assets		
763	Equities	567	
763			**567**
	Pooled Investments		
5,040,813	Equities	4,755,445	
1,390,000	Private Equity	1,288,703	
2,274,333	Credit	2,245,858	
908,962	Infrastructure	951,209	
502,408	Pooled Property	1,514,754	
10,116,516			**10,755,969**

31 March 2024 £000		31 March 2025 £000	31 March 2025 £000
	Other Investments		
84,856	Private Credit	111,880	
508,525	Direct Property	52,400	
593,381			**164,280**
250,437	Cash Deposits	138,089	
2,676	Investment Income Due	26,367	
253,113			**164,456**
10,964,955	**Total Investment Assets**		**11,086,454**
10,964,955	**Net Investment Assets**		**11,086,454**

Note 14b. Reconciliation Of Movements In Investments And Derivatives

Period 2024/25	**Market Value 1 April 2024**	**Purchases during the year and derivative payments**	**Sales during the year and derivative receipts**	**Change in value during the year**	**Market Value 31 March 2025**
	£000	**£000**	**£000**	**£000**	**£000**
Equities	1,945	0	(547)	351	**1,749**
Bonds	0	0	(1)	1	**0**
Pooled Investments	10,116,516	1,378,425	(1,067,161)	328,189	**10,755,969**
Private Credit	84,856	76,167	(35,939)	(13,204)	**111,880**
Direct Property	508,525	28,710	(483,575)	(1,260)	**52,400**
	10,711,842	**1,483,302**	**(1,587,223)**	**314,077**	**10,921,998**
Other Investment Balances:					
Cash Deposits	250,437			(1,344)	**138,089**
Other Investment Assets	2,676				**26,367**
Net Investment Assets	**10,964,955**			**312,733**	**11,086,454**

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	**9,291,543**	814,295	(829,686)	840,364	**10,116,516**
Private Credit	**51,266**	40,018	(11,438)	5,010	**84,856**
Direct Property	**702,029**	51,129	(239,462)	(5,171)	**508,525**
	10,084,888	**950,442**	**(1,112,765)**	**789,277**	**10,711,842**
Other Investment Balances:					
Cash Deposits	97,025			(537)	250,437
Other Investment Assets	2,250				2,676
Net Investment Assets	**10,184,163**			**788,740**	**10,964,955**

Note 14c. Investments Analysed By Fund Manager

Market Value 31 March 2024 %	Market Value 31 March 2024 £000		Market Value 31 March 2025 £000	Market Value 31 March 2025 %
		Investments managed by Border to Coast Pensions Partnership:		
6.5%	703,521	Border to Coast Sterling Index Linked Bonds	707,795	6.4%
9.6%	1,055,453	Border to Coast UK	1,015,651	9.2%
29.6%	3,248,747	Border to Coast Developed Overseas	2,973,842	26.8%
6.7%	736,612	Border to Coast Emerging Markets	765,951	6.9%
3.6%	390,192	Border to Coast MAC (Multi Asset Credit) Fund	399,374	3.6%
5.0%	552,538	Border to Coast Investment Grade Credit	563,220	5.1%
1.4%	153,007	Border to Coast Listed Alternatives Fund	164,744	1.5%
3.7%	411,162	Border to Coast Private Equity Series	455,936	4.1%
1.6%	170,512	Border to Coast Private Credit Series	255,574	2.3%
4.2%	456,148	Border to Coast Infrastructure Series	810,818	7.3%
0.0%	0	Border to Coast UK Real Estate	448,416	4.0%
0.0%	0	Border to Coast Core Real Estate	17,516	0.1%
71.9%	**7,877,893**		**8,578,837**	**77.3%**

Investments managed outside of Border to Coast Pensions Partnership:

22.3%	2,447,920	South Yorkshire Pensions Authority	2,225,786	20.1%
1.1%	130,617	Royal London Asset Management	229,431	2.1%
4.5%	490,050	Aberdeen - Direct Property - Commercial Portfolio	52,400	0.5%
0.2%	18,475	Bidwells - Direct Property - Agricultural Portfolio	0	0.0%
28.1%	**3,087,062**		**2,507,617**	**22.7%**
100.0%	**10,964,955**	**Total Net Investment Assets**	**11,086,454**	**100.0%**

The following investments each represent over 5% of the net assets of the Fund at 31 March 2025

Market Value 31 March 2024			**Market Value 31 March 2025**	
%	**£000**	**Security**	**£000**	**%**
6.4%	703,521	Border to Coast Sterling Index Linked Bonds	707,795	6.4%
9.6%	1,055,453	Border to Coast UK	1,015,651	9.2%
29.6%	3,248,747	Border to Coast Developed Overseas	2,973,842	26.8%
6.7%	736,612	Border to Coast Emerging Markets	765,951	6.9%
5.0%	552,538	Border to Coast Investment Grade Credit	563,220	5.1%
4.2%	456,148	Border to Coast Infrastructure Series	810,818	7.3%
	6,753,020		**6,837,277**	

Note 14d. Property Holdings

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

2023/24 £000		2024/25 £000
660,719	**Opening balance at 1 April**	**508,525**
	Additions:	
18,540	Purchases	23,789
509	New Construction	3,239
1,240	Subsequent Expenditure	1,682
(163,047)	Disposals [1] [2]	(483,575)
(9,436)	Net Reduction in Market Value	(1,260)
508,525	**Closing balance at 31 March**	**52,400**

The Fund holds 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 2025, there were no vacant properties (31 March 2024: nil) and no vacant units (31 March 2024:two) 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 2024/25 have significantly increased due to the transition in October 2024 of the majority of the Fund's commercial property holdings into a UK Real Estate fund managed by Border to Coast. The new product is classified as a Pooled Investment Vehicle in the Net Assets Statement, valued at £448.4 million at 31 March 2025.

[2] The figure shown includes the disposal of one commercial property, valued at £23.3m, that was also transferred into the UK Real Estate fund, which completed on 31 March 2025. The property disposal settled on this date but the corresponding purchase of units in the pooled fund did not take place until April 2025. Consequently, the value of the asset is recognised within Other Investment Assets in the Net Assets Statement at 31 March 2025.

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 2025, taking consideration of audited accounts for the company at 31 December 2024, 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 2025.

The Fund utilises Private Credit lending through a third-party agent, acting on behalf of the Fund to find appropriate investments within a specified framework. The loans are used specifically for a wide range of building developments, with a variety of conditions of fulfilment. Utilising a third-party agent to find the appropriate investments for these developments is driven by the expertise required for effective work in this particular area. The Private Credit loans are valued at carrying value, i.e. lending amount plus accrued interest to date, as an appropriate estimate of fair value. This is reviewed and assessed each year. Relevant factors include that there is no market of the loan, the loans have a number of clauses which can lead to increased borrowing with higher levels of interest, the loan maturity dates can be extended and the Fund has collateral against the development in the case of default. As at 31 March 2025, taking consideration of loan statements from the third party, there is also no evidence of any impairment in the value of loans held. It has therefore been determined that cost remains an appropriate proxy for fair value at 31 March 2025.

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

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Pooled investments - listed funds and bonds	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
Private Credit	Level 2	Carrying value is deemed to be fair value because expected future interest rates are not significantly different from contractual interest rates for the loan	•Lending amount •Accrued interest	Not required
Pooled investments - limited partnerships, hedge fund of funds, other funds and property funds	Level 3	Valued by investment managers on a fair value basis each year using PRAG guidance	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.
Direct 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 2025

	Assessed valuation range	Value 31 March 2025	Value on increase	Value on decrease
	(+/-) %	£000	£000	£000
Pooled Investment Vehicles	8%	3,627,990	3,918,229	3,337,751
Direct Property	5%	52,400	55,020	49,780
		3,680,390	**3,973,249**	**3,387,531**

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.

	Quoted Market Price	Using Observable Inputs	With Significant Unobservable Inputs	
Values 31 March 2025	**Level 1**	**Level 2**	**Level 3**	**Total**
	£000	**£000**	**£000**	**£000**
Financial assets at fair value through profit and loss	48,833	7,191,593	3,627,990	10,868,416
Non-financial assets at fair value through profit and loss (Note 14d)			52,400	52,400
Net investment assets	**48,833**	**7,191,593**	**3,680,390**	**10,920,816**

The following assets were carried at cost:	**Total**
Values 31 March 2025	**£000**
Investment in Border to Coast Pensions Partnership Pool	1,182
Investments held at cost	**1,182**

Reconciliation to Net Assets Statement	
Total Analysed Above	10,921,998
Plus Cash	138,089
Total Net Investments per Net Assets Statement	**11,060,087**

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	6,965,456	3,077,092	10,204,811
Non-financial assets at fair value through profit and loss (Note 14d)			508,525	508,525
Financial liabilities at fair value through profit and loss				0
Net investment assets	**162,263**	**6,965,456**	**3,585,617**	**10,713,336**

The following assets were carried at cost:	**Total**
Values 31 March 2024	**£000**
Investment in Border to Coast Pensions Partnership Pool	1,182
Investments held at cost	**1,182**

Reconciliation to Net Assets Statement	
Total Analysed Above	10,714,518
Plus Cash	250,437
Total Net Investments per Net Assets Statement	**10,964,955**

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 2024				31 March 2025		
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			
1,945	0	0	Equities	1,749	0	0
10,116,516	0	0	Pooled Investments	10,755,969	0	0
84,856	0	0	Private Credit	111,880	0	0
2,676	0	0	Other Investment Balances	26,367	0	0
0	250,437	0	Cash	0	138,089	0
0	35,420	0	Sundry Debtors and Prepayments	0	32,290	0
10,205,993	**285,857**	**0**		**10,895,965**	**170,379**	**0**
			Financial Liabilities			
0	0	(16,333)	Sundry Creditors	0	0	(6,282)
10,205,993	**285,857**	**(16,333)**	**Total**	**10,895,965**	**170,379**	**(6,282)**
	10,475,517				**11,060,062**	

Note 16b. Net Gains And Losses On Financial Instruments

2023/24 £000		2024/25 £000
	Financial Assets	
794,448	Gain on Assets at Fair Value Through Profit and Loss	315,337
(537)	(Loss) on Assets at Amortised Cost	(1,344)
793,911	**Net Gain on Financial Instruments**	**313,993**

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

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 available in the 'Investments' area of the Fund’s website (https://www.sypensions.org.uk/Investments/Investment-Strategy-Statements) with a link to this included in the published annual report and accounts. 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 2024/25 was approved by the Authority in February 2024.

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 as at 31 March 2025**	**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	567	10.09%	624	510
Pooled Investment Vehicles	10,755,969	8.38%	11,657,319	9,854,619
Total	**10,757,718**		**11,659,125**	**9,856,311**

Asset Type	Values as 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	10,116,516	9.62%	11,089,725	9,143,308
Total	**10,118,461**		**11,091,748**	**9,145,175**

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 2025 and 31 March 2024 are 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 0.93% 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 as at 31 March 2025	Potential Interest Rate Movement	Potential Value on Increase	Potential Value on Decrease
	£000	(+/-)	£000	£000
Cash - Sterling Equivalent	138,089	0.93%	139,373	136,805
Private Credit	111,880	0.93%	112,920	110,840

Exposure To Interest Rate Risk	Values as at 31 March 2024	Potential Interest Rate Movement	Potential Value on Increase	Potential Value on Decrease
	£000	(+/-)	£000	£000
Cash - Sterling	250,437	0.95%	78,443	77,059
Private Credit	84,856	0.95%	85,662	84,050

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 6.80%. A strengthening/weakening of the pound by 6.80% against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Assets Exposed to Currency Risk	Asset Value as at 31 March 2025	Potential Market Movement	Value on Increase	Value on Decrease
	£000	£000	£000	£000
Overseas Equities	567	39	606	528
Overseas Pooled Funds	7,149,281	486,151	7,635,432	6,663,130
Cash - Currency	39,325	2,674	41,999	36,651
Total Change In Assets Available To Pay Benefits	**7,189,173**	**488,864**	**7,678,037**	**6,700,309**

Assets Exposed to Currency Risk	Asset Value as at 31 March 2024	Potential Market Movement	Value on Increase	Value on Decrease
	£000	£000	£000	£000
Overseas Equities	763	53	816	710
Overseas Pooled Funds	7,036,976	490,477	7,527,453	6,546,499
Cash - Currency	22,269	1,552	23,821	20,717
Total Change In Assets Available To Pay Benefits	**7,060,008**	**492,082**	**7,552,090**	**6,567,926**

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 2025 was 1.5% of the Fund (1.5% at 31 March 2024). The actual cash held at 31 March 2025 represented 1.25% of the Fund value (2.28% at 31 March 2024). The Treasury Management Strategy for managing the cash balances held includes limits as to the maximum sum placed on deposit with individual financial institutions and applies a minimum short term credit rating requirement of F1 or better.

Summary of Cash Balances and Credit Ratings		Balances at 31 March 2024	Balances at 31 March 2025
Counterparty Type	Rating	£000	£000
Money Market Funds	AAA	69,500	39,000
Banks	Minimum of F1	180,937	99,089
Total		**250,437**	**138,089**

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 2025 was £138.1 million (31 March 2024 £250.4 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	
Secondary Rate	2020/2021	£26,675,000	2023/2024	(£21,921,000)
	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 Ministry for Housing, Communities and Local Government (then named 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 2024	31 March 2025
Discount Rate	To place a present value on benefits promised to members at the valuation date.	4.85% per annum	5.80% per annum
Benefit Increases/CARE Revaluation	To determine the size of future benefit payments	2.75% per annum	2.75% per annum
Salary Increases	To determine the size of future final-salary linked benefit payments	3.35% per annum	3.35% per annum

Demographic Assumptions	Years
Life expectancy for current pensioners - men age 65	20.5 years
Life expectancy for future pensioners - men age 45	21.3 years
Life expectancy for current pensioners - women age 65	23.6 years
Life expectancy for future pensioners - women age 45	25.0 years

Results	31 March 2024	31 March 2025
Present value of promised retirement benefits	£9,352 million	£8,129 million

The assumptions used are those adopted for the Administering Authority's IAS19 report and are different as at 31 March 2025 and 31 March 2024. The Actuary estimates that the impact of the change in financial assumptions to 31 March 2025 is to decrease the actuarial present value by £1,491m. The Actuary estimates that the impact of the change in demographic assumptions is to decrease the actuarial present value by £19m.

Note 20. Current Assets

31 March 2024 £000		31 March 2025 £000
	Short Term Debtors	
6,594	Contributions Due - Employees	6,914
19,109	Contributions Due - Employers	21,701
25,703		**28,615**
553	Early Retirement Strain Contributions Receivable	664
9,164	Sundry Debtors	3,011
35,420	**Total**	**32,290**

The Fund Net Assets Statement at 31 March 2025 includes a debtor of £0.181 million (£0.898 million at 31 March 2024 Creditor) for sums due to the Fund. This is included in the 'Sundry Debtors' line above.

Note 21. Current Liabilities

31 March 2024 £000		31 March 2025 £000
(6,662)	Sundry Creditors	(1,035)
(3,564)	Payroll Expenses Payable	(4,529)
(6,107)	Advance Property Rents	(718)
(16,333)	**Total**	**(6,282)**

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.

Market Value 31 March 2024 £000		Market Value 31 March 2025 £000
10,105	Prudential[1]	10,855
Not available	Scottish Widows[2]	2,396
1,389	Utmost Life & Pensions	1,187
11,494	**Total**	**14,438**

AVCs Paid to Providers 2023/24 £000		AVCs Paid to Providers 2024/25 £000
1,690	Prudential[1]	2,041
Not available	Scottish Widows[2]	108
4	Utmost Life & Pensions	1
1,694	**Total**	**2,150**

[1] Prudential have been unable to provide audited figures for 2023/24 and 2024/25. The figures disclosed have been based on a snapshot of the Fund at 31 March 2024 and 31 March 2025 respectively.

[2] At the date of authorising the 2023/24 accounts for issue, Scottish Widows were unable to provide the necessary information. The audited figures have subsequently been provided and are shown below.
•Market Value at 31/03/2024: £2,476,000
•AVCs Paid to Providers in 2023/24: £85,000

The issues above have historically 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.

2023/24 £000		2024/25 £000
	Payments on behalf of:	
16	South Yorkshire Pensions Authority	17
2,544	Barnsley MBC	2,608
1,862	City of Doncaster Council	1,878
1,331	Rotherham MBC	1,390
5,775	Sheffield CC	5,805
1,457	Other Scheduled Bodies	1,413
49	Admitted Bodies	52
13,034	**Total**	**13,163**

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 £8.630 million (2023/24 £7.733 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 £0.303 million (2023/24: £0.312 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. Further details are set out in the notes to the Authority's financial statements.

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 2025 (31 March 2024: £1.182 million).

Direct costs of £0.333 million (2023/24 £6.122 million) were paid to Border to Coast Pensions Partnership during the 2024/25 year. The reduction in fees is due to a change in the assets under management charging model introduced by Border to Coast Pensions Partnership in 2024/25. The Border to Coast Pensions Partnership assets under management costs are now taken from the gross income the Fund is due to receive, these management expenses, performance related fees and transaction costs are recorded in Note 11a; Note 11a details the total fees paid to Border to Coast Pensions Partnership.

Note 24a. 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 20 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 2024		31 March 2025
Currency	**£ Equivalent**	**Currency**	**£ Equivalent**
000	**£000**	**000**	**£000**
£348,828	**348,828**	£2,601,098	**2,601,098**
€300,416	**256,503**	€84,922	**71,100**
$1462723	**1,170,928**	$303,489	**234,935**
	1,776,259		**2,907,133**

During the year, the procedure for identifying the capital commitments was revised following a comprehensive review. The change has resulted in an increase to the figures disclosed in this note.
The amounts committed that were yet to be drawn down were previously measured based on only the known amounts due to be called for pending investments being prepared by the relevant managers, rather than the total value outstanding. As a result of the review, it has been determined that the outstanding commitments disclosed here should be the entire value of the funds committed but not yet called. Consequently, the commitments at 31 March 2025 disclosed above are higher than those disclosed at 31 March 2024.The total commitments, if measured on the same basis at 31 March 2024, would have been £1,965,000k.
The review and revision of the procedure also resulted in:
•the reclassification of some capital commitments from Euros to Pound Sterling; and
•the reclassification of some capital commitments from United States Dollars to Pound Sterling.

At 31 March 2025, 9 admitted body employers (31 March 2024: 7) 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 2024/25 (2023/24: Nil).