

## **Agenda Item**

<b>Subject</b>	<b>Scope of Investment Strategy Review</b>	<b>Status</b>	For Publication
<b>Report to</b>	Authority	<b>Date</b>	4 September 2025
<b>Report of</b>	Assistant Director – Investment Strategy		
<b>Equality Impact Assessment</b>	Not Required	Attached	
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### **1 Purpose of the Report**

- 1.1 To update the Authority as to the scope of SYPA's upcoming investment strategy review.

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### **2 Recommendations**

- 2.1 Members are recommended to agree the scope of the Investment Strategy Review as set out in the body of the report.

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### **3 Link to Corporate Objectives**

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

#### **Investment Returns**

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

#### **Responsible Investment**

To develop our investment options within the context of a sustainable and responsible investment strategy.

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

- 4.1 The actions outlined in this report form a key part of how we address the various investment risks identified in the Corporate Risk Register.

## **5 Background and Options**

- 5.1 The purpose of this paper is to set out and allow members to comment on the initial outline scope for the review of SYPA's investment strategy following the 31 March 2025 actuarial valuation.
- 5.2 SYPA has appointed Hymans Robertson as the investment consultancy firm to assist us with our investment strategy review following a procurement process using the relevant LGPS national framework.

### **Key areas for review**

- 5.3 We will consider the review through three key lenses:
  - Our primary consideration is, and always will be, the risk and return profile of our investment strategy - i.e. this will have more impact on the Fund's success than any other decision we make.
  - Secondly, we need to ensure we are generating sufficient money to pay pensioners without having to sell assets at an inopportune moment - so we focus on cashflows and liquidity.
  - Thirdly, climate impact is the most significant standalone risk in SYPA's risk register. We wish to ensure our portfolio is robust in a rapidly changing world.
- 5.4 Each of the above areas would be considered using a mix of quantitative and qualitative analysis to reflect different views, market outlooks and the interactions between strategic decisions. A more detailed scope and structure is set out below:

### **Risk and return profile and its impact on success and risk metrics**

- 5.5 The focus of this part of the review is to test the current strategy, plus an agreed set of alternative potential strategies, against a range of success and risk metrics. This will be supported by asset liability modelling (ALM) using assumptions consistent with the actuarial valuation.
- 5.6 Some of the key variations to be considered would include de-risking and re-risking to understand the impact on our expected future outcomes. We will also consider the use of new allocations, such as Border to Coast's upcoming Green Social and Sustainable Bonds portfolio which will give us exposure to global investment grade credit.
- 5.7 The ALM analysis will be supported by Hymans Robertson's views on capital markets and will take into account implementation considerations such as the ability to implement change through Border to Coast's solutions.
- 5.8 As the equity allocation is the largest part of SYPA's asset allocation, Hymans Robertson will carry out a principles-based assessment of this against our beliefs. This would cover the use of active risk, regional exposures, currency and Border to Coast's fund range.
- 5.9 To test the resilience of the current and alternative strategies we will also include some additional scenario model and stress testing on two different bases:
  - a. Firstly, a range of alternative financial assumptions such as higher inflation or lower growth to assess the impact on success and risk.
  - b. Secondly, some climate driven stress scenarios based on different global policy actions and temperature pathways. This would include quantitative climate scenarios based on variations of the core modelling, and narrative based climate scenarios to capture more extreme climate driven events.

### **Cashflow and liquidity considerations**

- 5.10 Cashflow is a key consideration for SYPA and will therefore be incorporated in the review of strategy and its implementation. The review will cover the following areas:
- a. Assessing SYPA's net position in terms of the contributions in versus benefit flows out based on the latest projections from the actuarial valuation. The review will build from this to look at SYPA's asset allocation and the cashflow and liquidity considerations across our various mandates and private market commitments. This would include comments on the potential variability or certainty of net cashflows and factors that might influence this positively or negatively.
  - b. A forward-looking view will also be applied to assess how the cashflow position might change in the coming years based on the outlook for each asset class and the potential evolution of the solutions and services offered by Border to Coast. The impact on cashflow from any potential strategic changes will also be considered.

### **Climate considerations and net zero alignment**

- 5.11 SYPA has set an ambitious target on climate, which has been a key part of previous reviews. As part of this review, Hymans Roberston will:
- a. Assess the alignment of the current strategy against the current 2030 net zero target.
  - b. Consider the impact which some of the modelled strategies would have on the emission trajectory.
  - c. Assess potential realistic timescales by which Net Zero could be achieved, given that as previously reported the achievement of a 2030 goal is unlikely.
  - d. Consider emissions at an individual mandate level.
  - e. Outline considerations for listed equity portfolio construction and implications for net zero.

### **Key dates for Authority members**

- 5.12 Agreement of scope of review by members of the Authority: 4<sup>th</sup> Sept 2025
- 5.13 Training for the Authority members on investment strategy: 20<sup>th</sup> November 2025 (as part of Away Day).
- 5.14 Authority session to introduce strategy review analysis and potential conclusions: 18 December 2025.
- 5.15 Presentation of final report to the Authority: 12 March 2026.

## **6 Implications**

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

Financial	Our investment strategy can have a key impact on the contribution levels of employers within SYPA.
Human Resources	None
ICT	None
Legal	There is a regulatory requirement to regularly review the Investment Strategy Statement, which will be one output from this process

Procurement	The procurement of Hymans Robertson to assist with this review was conducted through a legally compliant framework.
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**Andrew Stone**

**Assistant Director – Investment Strategy**