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| <b>Subject</b>                    | <b>Update and Overview of Investment Strategy Review Process</b> | <b>Status</b> | For Publication  |
| <b>Report to</b>                  | Local Pension Board  | <b>Date</b>   | 26 February 2026 |
| <b>Report of</b>                  | Assistant Director – Investment Strategy                         |               |                  |
| <b>Equality Impact Assessment</b> | Not Required   | Attached      | No               |
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## 1 **Purpose of the Report**

To update the Local Pension Board regarding the approach taken with SYPA's triennial investment strategy review – and progress to date.

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## 2 **Recommendations**

- 2.1 Board Members are recommended to:
- a. **Note the update provided; and**
  - b. **Consider if any further information or explanation is required from officers.**
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## 3 **Link to Corporate Objectives**

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

### **Investment Returns**

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

### **Responsible Investment**

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

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

4.1 The actions outlined in this report have implications for the following items in the Corporate Risk Register. Essentially the outcomes of our investment strategy review should help to mitigate these risks to the extent possible.

*a. IAF – 001 Material changes to the value of investment assets and/or liabilities:*

South Yorkshire Pension Fund is a scheme which remains open to new entrants and new accrual of benefits, meaning that our investment focus is more on the continuing growth of assets, rather than matching changes in the value of our liabilities. Over the longer-term however, we hope to set a strategy whereby the growth of the Fund's assets is greater than that of its liabilities.

*b. IAF – 002 Failure to mitigate the impact of climate change:*

Climate change is considered the most significant risk in our corporate risk register. We recognise that it is not possible to completely mitigate its impact, but we seek to address this by setting a net zero objective for our assets, engaging with company management for positive change through Border to Coast, and pursuing climate positive investment opportunities such as natural capital, renewable energy and climate opportunities.

*c. IAF - 004 Imbalance in cashflows:*

Although our funding level is very positive, one implication of this is that our employer contributions will be reducing, so we need to ensure that we are able to raise sufficient income from our assets to bridge this gap.

*d. IAF - 005 Employer contributions become unaffordable:*

By setting an investment strategy which has a high probability of retaining an elevated funding level over the long-term, employer contributions should remain affordable.

## **5 Background and Options**

5.1 The Authority carries out a full investment strategy review every three years, following on from the completion of the actuarial valuation.

5.2 This report to the Board provides an overview of the process followed and consultation undertaken to date. Board members are asked to consider and comment on the approach from their perspective of providing scrutiny of the process ahead of the final stage of the strategy review being presented for approval to the Authority's March meeting. An early step in the process incorporated a review and update of the Authority's investment beliefs, which effectively sets a framework for our strategy. Approval for the updated beliefs was obtained at the December 2025 Authority meeting.

5.3 Following a procurement exercise (utilising the relevant LGPS framework) Hymans Robertson was appointed as the investment consultancy firm to assist with the investment strategy review.

5.4 The SYPA team worked closely with Hymans Robertson to help them understand the key objectives of this exercise and to propose a range of potential asset allocations to be modelled.

5.5 The key aim of the exercise was to review the effectiveness of the current funding and investment strategy to meet the Fund's objectives and test potential alternative

strategies that may enhance the likelihood of achieving long-term investment outcomes.

- 5.6 The Fund’s position was reviewed using three key lenses:
- a. Risk and return profile, and impact of success and risk metrics.
  - b. Cashflow and liquidity.
  - c. Climate and net zero alignment.
- 5.7 As the investment strategy review project has developed, we have sought to incorporate stakeholders’ views into the process. In addition to involving members of the Local Pensions Board in briefings alongside the Authority members, we have also:
- a. Provided an update on the review to the largest participating employers in the Fund at our annual Financial Directors’ summit. We also sought the attendees’ views on local investment.
  - b. Undertaken a focused Fund member sample survey to hear the respondents’ views on both local and responsible investment.
- 5.8 Further, as the incoming pensions bill amendments will require us to obtain principal investment advice from our pool in future, we have included Border to Coast in a listening and learning role throughout the investment strategy review
- 5.9 Additionally, a requirement of the draft LGPS regulations is that local investment should be explicitly covered within our Investment Strategy Statement going forwards. Attached at Appendix A is a copy of a discussion paper recently presented to Authority and Local Pension Board members to set out these requirements and take input on our future direction.
- 5.10 SYPA’s independent investment advisers have also been engaged throughout this project, providing their experience and insight to the process.
- 5.11 To assist Members of the Authority and Local Pension Board through this process and the related proposals, investment strategy briefing meetings have already been held on 18 December 2025 and 12 February 2026.
- 5.12 A final investment strategy proposal will be taken to the 12 March 2026 Authority meeting.

## **6 Implications**

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

|                 |   |
|-----------------|---|
| Financial       | The implementation of our investment strategy and performance of our assets will have implications for the Fund’s outcomes, which may impact future funding strategies. |
| Human Resources | None  |
| ICT             | None  |
| Legal           | None  |
| Procurement     | None  |

**Andrew Stone**

**Assistant Director – Investment Strategy**