

# Investment, Governance and Engagement Committee

**Meeting – 15<sup>th</sup> May 2023**

**Item 4 – Paper B**

## **LGPS Cost Transparency Compliance Update (standing agenda item)**

### **Recommendations:**

- **That the Committee notes this summary**

### Background

1. The LGPS Investment Code of Transparency (Code) was first published in May 2017 requiring signatories to provide certain cost information to their LGPS clients. Initially, this was on a bilateral basis between fund manager and LGPS client. To enable the SAB to have direct oversight of Code compliance as well as see scheme-wide cost data, the SAB procured an online system, specifically for the LGPS, which is provided by Byhiras. This was launched at the end of March 2020.

### Recent developments

2. The table in Annex A sets out how uptake and use of the system has developed since the system was launched. In terms of “headline numbers” for timeliness, the overall percentage of completed templates for 2019/20 has remained at 96%. The largest proportion of late templates remain in the infrastructure, property and unlisted equity asset classes.
3. For 2020/21 the overall completion rate currently stands at 97% (up slightly from 96% in the last report). Late templates remain predominantly in the unlisted equity (more commonly known as private equity) and active listed equity asset classes, with some property templates also showing as late.
4. For 2021/22 the overall completion rate currently stands at 94% (up from 92% in February 2023). Late templates are predominantly in the unlisted equity, infrastructure, active listed fixed income and active listed equity asset classes.
5. For 2022/23 the overall completion rate currently stands at 11% (this is due to the reporting year end date of 31 March 2023 and templates will not be classified as late until end June).
6. The Secretariat continue their engagement and dialogue with fund manager signatories to set up their schedules and complete the relevant templates. LGPS pension fund investment teams have also been prompted to follow up directly with their asset managers where schedules

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and templates were (or are) missing or late. Since the last meeting Byhiras have also implemented additional functionalities i.e. email reminders and quarterly reporting from 1 April 2023. The Secretariat notified funds and fund managers of these changes via email on 9 March 2023.

7. We have recently had two managers sign up to the Code, Magellan Asset Management Ltd on 14 April 2023 and Atlas Partners UK on 18 April 2023. We have also been working to encourage the 10 largest non-signatories to sign up to the Code. We have compiled a list of the funds that utilise these managers and they will be contacted to encourage them to request that these managers sign up to the Code. Details on the outcome will be reported at the next committee meeting.
8. The Secretariat has identified fund managers that have a significant number of late templates. These are as follows:
  - a. Neuberger Berman Europe Limited has 77 late templates at the time of writing (24 for 2020/21, 30 for 2021/22 and 23 for 2022/23). Byhiras have been assisting Neuberger with issues they have had with some of their mandates preventing upload of 2020/21 and 2021/22 late templates. Neuberger say that the delay is because they have yet to receive year end valuations but have agreed to upload these templates as soon as the valuations have been received.
  - b. Partners Group UK Limited have 41 late templates at the time of writing (11 for 2019/20, 11 for 2020/21 and 19 for 2021/22). They have informed us that a modification they made to the CTI templates means that it cannot be uploaded to the SAB's system. It is a requirement of the Code that templates intended for upload to the Byhiras system should not be amended, except with the agreement of the Board and relevant administering authority. Partners Group UK tell us that they have now corrected their internal reporting systems so that future templates (31 March 2023 onwards) can be uploaded correctly by June 2023. They will resubmit earlier years in correct form once resources allow, after the current year's information has been submitted. Partners Group have assured us that they have sent all their LGPS clients their respective CTI templates as they became available in those previous years.
  - c. JP Morgan Asset Management have 72 late templates at the time of writing (27 for 2019/20, 5 for 2020/21, 23 for 21/22 and 17 for 2022/23). The Secretariat contacted JP Morgan regarding these late templates in mid-January and late April 2023. In both instances they informed us that the majority of their late templates fall within the Alternatives category. They have stated that they do not have direct oversight on the submission of these

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templates but have asked those responsible to action as soon as possible.

9. The Secretariat will continue to work with fund managers to resolve issues that are preventing better compliance.

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## Annex A

### Headline statistics on cost transparency compliance system users and uses

#### Cumulative totals to the date shown

| Date           | No. of managers on system | Total no. of schedules established | No. of templates complete | No. of templates due | No. of templates late |
|----------------|---------------------------|------------------------------------|---------------------------|----------------------|-----------------------|
| June 2020      | 46                        | 1,023                              | 922                       | 96                   | 5                     |
| January 2021   | 69                        | 1,358                              | 1,265                     | 0                    | 93                    |
| April 2021     | 86                        | 2,984                              | 1,394                     | 1,448                | 142                   |
| September 2021 | 95                        | 4,252                              | 3,639                     | 163                  | 450                   |
| November 2021  | 103                       | 4,551                              | 3,732                     | 208                  | 611                   |
| February 2022  | 107                       | 4,995                              | 3,863                     | 439                  | 693                   |
| May 2022       | 114                       | 7,326                              | 4,089                     | 2,215                | 1,022                 |
| September 2022 | 113                       | 7,102                              | 6,360                     | 53                   | 744                   |
| November 2022  | 115                       | 6,884                              | 6,411                     | 15                   | 458                   |
| February 2023  | 114                       | 7,147                              | 6,508                     | 264                  | 363                   |
| May 2023       | 114                       | 9,584                              | 6,869                     | 2,344                | 371                   |

#### Totals (non-cumulative) for each financial year

| Date                      | No. of managers with schedules | Total no. of schedules established | No. of templates complete | No. of templates due | No. of templates late |
|---------------------------|--------------------------------|------------------------------------|---------------------------|----------------------|-----------------------|
| 2019/20                   | 77                             | 1,431                              | 1,380                     | 0                    | 51                    |
| Change from February 2023 | No change                      | Down 2                             | Up 1                      | No change            | Down 3                |
| 2020/21                   | 103                            | 2,585                              | 2,511                     | 0                    | 74                    |
| Change from February 2023 | No change                      | Down 9                             | Up 13                     | No change            | Down 22               |
| 2021/22                   | 110                            | 2,804                              | 2,662                     | 0                    | 142                   |
| Change from February 2023 | No change                      | Down 9                             | Up 54                     | No change            | Down 63               |
| 2022/23                   | 107                            | 2,761                              | 334                       | 2,317                | 110                   |
| *May 2023                 | N/A                            | N/A                                | N/A                       | N/A                  | N/A                   |

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