

Investment, Governance and Engagement Committee

Meeting – 20 November 2023

Item 5 – 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 risen slightly to 97%. The largest proportion of missing templates remain in the infrastructure and unlisted equity asset classes.
3. For 2020/21 the overall completion rate remains at 97%. Late templates remain predominantly in the unlisted equity (more commonly known as private equity) and active listed equity asset classes.
4. For 2021/22 the overall completion rate remains at 95%. Late templates are predominantly in the unlisted equity, infrastructure, active listed equity and ‘other’ asset classes.
5. For 2022/23 the overall completion rate has risen to 95% (up from 41% in July 2023). Late templates are predominantly in the unlisted equity, infrastructure, active listed equity, active listed fixed income, private debt and ‘other’ asset classes.
6. Though only 3.6% of templates are late, across all years excluding 2023/24 (data to be collected after end of FY23/24), private market templates form a majority of these late templates with the mean average being 64.4%.

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	Percentage late, private markets	Percentage late, all
2019/20	77.7	2.5
2020/21	50.7	2.6
2021/22	70.4	4.1
2022/23	58.9	4.6

7. The Secretariat is looking to engage in high-level discussions aimed at increasing transparency in private markets which over time will hopefully improve this issue. Fund managers that have significant number of late templates, many of which are private market templates can be found at paragraph 9.
8. 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 and templates were (or are) missing or late.
9. Since the last meeting, we have had 3 new managers sign up to the Code:
 - Newfleet Asset Management on 18 September
 - Fiera Capital Europe on 6 October 2023
 - Securis Investment Partners on 2 November 2023.
10. We have also been working to encourage the largest non-signatories to sign up to the Code. Since the last meeting, we have contacted 12 funds that use any of the largest non-signatories to the Code. We have had responses from some fund officers confirming they have contacted their managers to encourage them to sign up to the Code. We have not yet been contacted by the underlying fund managers but will continue to engage where possible to encourage sign up.
11. The Secretariat has identified fund managers that have a significant number of late templates. These are as follows:
 - a. Neuberger Berman Europe Limited has 107 late templates at the time of writing (24 for 2020/21, 30 for 2021/22, 47 for 2022/23 and 6 for 2023/24), an increase from 78 late templates at the last meeting. The Secretariat made contact with Neuberger in November 2023 to discuss the lateness of these templates. We have been assured that the matter has been escalated and will be resolved. We will continue to maintain periodic contact to ensure that issues preventing the upload of late templates are resolved.

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- b. Partners Group UK Limited have 34 late templates at the time of writing (9 for 2019/20, 8 for 2020/21 and 17 for 2021/22), which is a decrease from 41 late templates at the last meeting. The Secretariat made contact with Partners Group in November 2023 and they informed us that the late templates for FY2021/22 have been sent to their clients, however they have been having issues uploading them to the Byhiras system. The Secretariat have put them in touch with Byhiras to seek a resolution to the issue and we will continue to make contact with them to seek updates.
- c. JP Morgan Asset Management have 62 late templates at the time of writing (24 for 2019/20, 2 for 2020/21, 19 for 2021/22 and 17 for 2022/23), which represents no change from the last meeting. The Secretariat made contact with JP Morgan in November 2023. We have been informed that the late templates have been caused by an issue uploading their infrastructure templates to the system. JP Morgan is working with Byhiras to resolve the issue and have assured us that the late templates have been sent to their clients in the meantime. The Secretariat will remain in contact with them to ensure the issue is resolved.

12. 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
July 2023	113	9,706	7,751	1,603	352
November 2023	115	9,792	9,418	15	359

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	1,423	1,387	0	36
Change from July 2023	No change	Down 7	Up 5	No change	Down 12
2020/21	104	2,582	2,515	0	67
Change from July 2023	Up 1	Down 5	Up 4	No change	Down 9
2021/22	111	2,797	2,682	0	115
Change from July 2023	Up 1	Down 4	Up 13	No change	Down 17
2022/23	113	2,945	2,811	0	134
Change from July 2023	No change	Up 58	Up 1,623	Down 1,603	Up 38

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