

Investment, Governance and Engagement Committee

Meeting – 26 February 2024

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) requires signatories to provide certain cost information to their LGPS clients. 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 98%. The largest proportion of missing templates remain in the infrastructure and unlisted equity asset classes.
3. For 2020/21 the overall completion rate has decreased slightly from 97% to 95%. Late templates remain predominantly in the unlisted equity (more commonly known as private equity), private debt and active listed equity asset classes.
4. For 2021/22 the overall completion rate has decreased slightly from 95% to 94%. 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 decreased slightly from 95% to 94%. Late templates are predominantly in the unlisted equity, active listed equity and private debt asset classes.
6. The slight decrease in the completion rate for these years is due to retrospective changes to schedules that give rise to an increase in the number of templates expected. We are working with a number of managers, see below, to improve the accuracy of data submitted for these years.
7. The Secretariat has identified fund managers that have a significant number of late templates. These are as follows:

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- a. Neuberger Berman Europe Limited has 281 late templates at the time of writing (62 for 2020/21, 101 for 2021/22, 69 for 2022/23 and 49 for 2023/24), a significant increase from 107 late templates at the last meeting. The Secretariat made contact with Neuberger Berman in February 2024 to discuss the lateness of these templates and the reasons for this steep increase. Most of these templates are private markets and ILPA templates and NB informed us that the late submission of some of these templates is due to them having set up both quarterly and annual mandates in areas where one or the other mandate is what is actually needed.
 - b. At the time the Secretariat contacted NB to discuss this matter, they had 359 late templates on the system which has now decreased. Though this is a positive development and additional context for the late templates has been provided, the new total of 281 late templates is still very high and this error should have been addressed by now. Hence the Secretariat have been preparing to commence the formal escalation process. A letter has been drafted to be sent by Jo Donnelly, Board Secretary. As this is an evolving situation, the letter has not been sent to NB at the time of writing this report. The draft letter requests a plan and timeline for the resolution of the late templates and will be sent if the number of NB's late templates does not continue to decrease. The draft letter also includes a warning that NB could be at risk of losing their signatory status if significant progress isn't made in the coming weeks. NB have been responsive to Secretariat contact, which is positive.
 - c. 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 the same as at the last meeting. Partners Group informed us that they would not be uploading the late templates for previous years as they did not have the capacity to do so. The Secretariat made contact with Partners Group in February 2024 to request further context on this statement; however, we have not yet received a response and await this to determine our next steps.
 - d. JP Morgan Asset Management have 17 late templates at the time of writing (5 for 2019/20, 1 for 2020/21, 1 for 2021/22, 1 for 2022/23, 6 for 2019, 2 for 2020 and 1 for 2021), which is a decrease from 62 at the last meeting. The Secretariat made contact with JP Morgan in February 2024 to ask for an update on the remaining outstanding templates and await a response from them.
8. The Secretariat will continue to work with fund managers to resolve issues that are preventing better compliance. Additional fund managers that have been identified to make contact with are as follows:

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- a. Aviva Investors Global Services Limited (22 late templates)
 - b. Harris Associates LP (12 late templates)
 - c. Morgan Stanley Investment Management Limited (17 late templates)
 - d. State Street Global Advisors Limited (15 late templates)
9. The Secretariat will bring an update on the outcome of these discussions to the next meeting.

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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
February 2024	116	10,357	9,630	262	465

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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 Change from November 2023	77 No change	1,431 Up 8	1,407 Up 20	0 No change	24 Down 12
2020/21 Change from November 2023	104 Up 1	2,645 Up 63	2,543 Up 28	0 No change	102 Up 35
2021/22 Change from November 2023	111 Up 1	2,888 Up 91	2,727 Up 45	0 No change	161 Up 46
2022/23 Change from November 2023	113 No change	3,031 Up 86	2,901 Up 93	0 Down 1,603	127 Down 7

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