

Investment, Governance and Engagement Committee

Meeting – 3rd July 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 missing templates remain in the infrastructure, property 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, with some property templates also showing as late.
4. For 2021/22 the overall completion rate currently stands at 95% (up slightly from 94% in May 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 41%. This is low due to the reporting year end date of 31 March 2023, and templates will not be classified as late until the end of June. This will be the first set of templates due to be completed since the introduction of automatic email reminders.
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

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prompted to follow up directly with their asset managers where schedules and templates were (or are) missing or late.

7. We have recently had one new manager sign up to the Code, Oakhill Advisors (Europe), LLP on 15 June 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 after the meeting 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 78 late templates at the time of writing (24 for 2020/21, 30 for 2021/22 and 23 for 2022/23), an increase from 77 late templates at the last meeting. The Secretariat will be contacting Neuberger Berman and a further update will be provided at the next Committee meeting.
 - 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), which represents no change from the last meeting. The Secretariat will be following up with them and an update will be brought to the next meeting.
 - 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), a decrease from 72 late templates at the last meeting. The Secretariat will be following up with them and an update will be brought to the next meeting.
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
July 2023	113	9,706	7,751	1,603	352

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	1,430	1,382	0	48
Change from May 2023	No change	Down 1	Up 2	No change	Down 3
2020/21	103	2,587	2,511	0	76
Change from May 2023	No change	Up 2	No change	No change	Up 2
2021/22	110	2,801	2,669	0	132
Change from May 2023	No change	Down 3	Up 7	No change	Down 10
2022/23	113	2,887	1,188	1,603	96
Change from May 2023	Up 6	Up 126	Up 854	Down 714	Down 14

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