

Investment, Governance and Engagement Committee

Meeting – 20 September 2021

Item 6 – Paper C

Update on LGPS Investment Code of Transparency Consultation

Recommendations:

- **To note the results of the consultation over the summer on the proposed updates to the Code of Transparency**
- **To recommend to the Board approval of the amended Code**

Background

1. A paper was presented to the Investment, Governance and Engagement Committee in July on proposed amendments to the Code of Transparency. The Committee agreed a draft of the updated Code for consultation with Code signatories over the summer. The draft amended Code, showing the markup of proposed changes is at Annex A.
2. 154 Code signatories were emailed (institutional names at Annex B – this includes those LGPS pools that are signatories) and other recipients were followed up for those that returned undelivered emails (approximately 20 institutions). The email was also sent for information to the Section 151 Officers and LGPS pension fund officers that the Secretariat has on record.
3. There were six responses / acknowledgements from Code signatories and three responses from pension fund officers. Five responses contained substantive comments (four from Code signatories, one from a fund) and the other four were either supportive of the changes or confirming no comment. In the consultation email, it was made clear to recipients that nil responses would be treated as agreement with the proposed changes.
4. The substantive comments largely relate to the nature of the templates in use and will be forwarded to the CTI for their consideration. One comment specifically on a change to the suggested wording of paragraph 9 has been considered but could potentially lead to more restrictive wording around timescales than the existing suggested wording.

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5. Upon reviewing the Code wording, we have noted an error in the cross-reference in paragraph 9 to paragraph 12 – this should read paragraph 13 and will be corrected in the next, published, version of the Code.
6. Having considered all the consultation responses, the Secretariat recommends adopting the proposed changes in full.

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Annex A

LGPS Investment Code of Transparency (“the Code”)

Date of Publication: 18th May 2017 (reviewed and amended XX 2021)

Definitions

For the purpose of this Code the following definitions shall apply:

Administering Authority	means the administering authority of a pension fund within the LGPS. For the purposes of the Code only this term shall also apply to the operator of any LGPS investment pool
Board	means the Local Government Pension Scheme Advisory Board, England and Wales
Investment Manager	means an investment manager, who has been or wishes to be, appointed by an Administering Authority in accordance with the Investment Regulations
Investment Regulations	means The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, the Local Government Pension Scheme (Management and Investment of Funds) (Scotland) Regulations 2010, and the Local Government Pension Scheme (Management and Investment of Funds) Regulations (Northern Ireland) 2000 (as from time to time amended or replaced)
LGPS	means the Local Government Pension Schemes for England and Wales, Scotland and Northern Ireland
Template	means the template information form for the relevant investment types provided by the Board as updated from time to time and made available on the Board’s website

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A Introduction

1. The Board is a body established under the Local Government Pension Scheme Regulations 2013. The function of the Board is to provide advice to the Secretary of State on the desirability of making changes to the LGPS. The Board also has the function of providing advice to Administering Authorities and local pension boards in relation to the effective and efficient administration and management of the LGPS and their pension funds. The Board has the power to do anything which is calculated to facilitate, or is conducive or incidental to, the discharge of any of its functions.
2. The Board ~~views~~continues to support the move toward investment cost transparency and consistency as an important factor in the LGPS being perceived as a value-led and innovative pension scheme. The principle of cost transparency is also ~~relevant a target~~ for the ~~revised~~ CIPFA accounting standards issued for inclusion in the statutory annual report and accounts and is included in the government's investment reform guidance and criteria for LGPS pooling.
3. To assist LGPS administering authorities in obtaining the more detailed investment fee data they require, the Board ~~has~~ worked with key stakeholders including investment managers, CIPFA and LGPS administering authorities to develop the Code. The Board continues to support Cost Transparency across the wider pensions industry as a founder member of the Cost transparency Initiative (CTI)
4. The Administering Authority and the Board continue to recognise their obligations pursuant to the Freedom of Information Act and the Section 45 FoIA Code of Practice and will engage with Investment Managers appropriately in that respect.

B Application of the Code

5. The Code is a voluntary code and covers the provision of transparent and consistent investment cost and fee information between Investment Managers and Administering Authorities.
6. An Investment Manager may sign up to the Code in writing in the form agreed by the Board. By doing so the Investment Manager is demonstrating its commitment to the transparent reporting of ~~LGPS~~ investment costs and fees relating to the LGPS to administering authorities.
7. An Investment Manager who signs up to the Code ~~in respect of the investment types covered by the Code~~ agrees that within a period of twelve months of signing up to the Code (or such longer period as the Board may in its discretion agree) it will put in place the systems necessary to allow the completion and automatic (i.e. without the client having to make a request) submission of the Template(s) to each Administering Authority that the Investment Manager is appointed by (whether at the time of signing up to the Code or in the future).
8. ~~7A.~~ Where an asset class is not covered by the template(s) available under the Code, and following confirmation of such by the Board, an investment manager may sign up on the understanding that within a period of 12 months (or such longer period as the Board may in its discretion agree) it will put in place the systems necessary to allow the completion and automatic (i.e. without the client having to

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make a request) submission of cost data substantially similar in scope and detail to that covered by existing templates. The exact format of that cost data is to be agreed with each Administering Authority that the Investment Manager is appointed by (whether at the time of signing up to the Code or in the future). Managers who sign up to the Code under this provision must adopt and make use of relevant Code templates as they become available.

9. The Template(s) must be submitted automatically (i.e. without the client having to make a request) at least each year to each Administering Authority ~~(if required by the Administering Authority)~~ and to any independent third party or parties appointed by the Board in accordance with paragraph 12. Administering Authorities may also request such submissions on a quarterly or semi-annual basis. However a more regular provision of completed templates is also acceptable if so agreed by Investment Managers and Administering Authorities.
- ~~10. There are separate Templates for segregated portfolio management and for pooled funds. Where an Investment Manager operating a segregated mandate invests in a pooled fund as part of that mandate, the reporting will be done via the Investment Manager's own Template.~~
- ~~10. Where an Investment Manager who signs up to the Code invests through further fund managers (a fund of funds or multi-manager model), it will also seek the same cost information it is required to provide from its underlying managers to enable the full reporting of costs incurred (both direct and indirect) to the LGPS Administering Authority.~~
11. The Investment Manager will not vary the Templates except with the written agreement of the Board and the relevant Administering Authority.
12. The templates covered by this Code are those within the framework published from time to time by the Cost Transparency Initiative (CTI). Investment Managers regulated by parties other than UK regulatory authorities ~~The only exceptions being Code signatories prior to 21st May 2019 (see (11A.) below) and managers based in the US who may~~ also complete the Institutional Limited Partner Association (ILPA) template.
- ~~11A. Signatories to the Code prior to the 21st May 2019 may continue to complete the LGPS template for a period no longer than 12 months i.e. 20th May 2020. Such signatories are expected to discuss moving to the CTI templates with their clients as soon as possible within this period. Continued supply of LGPS templates beyond this period will be considered a breach of the Code.~~
13. The Board may appoint one or more ~~an~~ independent third party / parties to assist with compliance and / or analysis of ~~audit~~ Templates provided in accordance with the Code and general compliance of the Code by Investment Managers. The third party / parties may also be asked by the Board to collate and, analyse ~~and publish generic~~, non-attributable information obtained from the Templates at a national level for the Board to consider and / or publish. The Investment Manager shall co-operate with the Board and/or appointed third party / parties and provide such information and explanations as the third party / parties may reasonably require within a reasonable period of request.
14. The third party or parties shall report the findings of any audit-analysis or compliance check direct to the Board, including any recommended actions or

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improvements. The Investment Manager shall co-operate and work with the Board to address and implement any recommended actions or improvements.

15. The Investment Manager may, subject to any overarching legal or reporting requirements, require an Administering Authority to sign up to a reasonable confidentiality agreement not to disclose the information contained in the Template to any third parties (excluding any third party appointed by the Board).
16. The Board agrees that when an Investment Manager signs up to the Code in the agreed form it will, as soon as reasonably practicable, list the Investment Manager on its website and allow the Investment Manager to use the Code's logo on its marketing literature in accordance with the Code Logo Use and Guidance (available from the Board website and amended from time to time). The Code Logo Use and Guidance can be downloaded from the Board website.
17. The Board owns the Code logo and will retain all intellectual property rights and any other rights in the Code logo. An Investment Manager will not acquire any rights, title or interest in the Code logo and will not use the Code logo except as expressly specified in the Code and the Code Logo Use and Guidelines.
18. An Investment Manager which has signed up to the Code will be permitted to use the Code logo on a non-exclusive basis to communicate their compliance with the Code. The Code logo will convey to stakeholders that the Investment Manager is compliant with the Code and committed to the transparent reporting of LGPS investment costs and fees.
19. An Investment Manager will not use the Code logo for any other purpose nor for the benefit of any other person and will not alter or change the Code logo in any way – ownership of any modifications in the Code logo will vest in the Board.
20. The Board may revoke use of the Code logo and remove an Investment Manager from the list on its website at any time if an Investment Manager is reported by an Administering Authority, or considered by the Board, to be in breach of the Code.

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Annex B

List of Code signatories who received the consultation email and proposed draft Code

Aberdeen Standard Investments
Adams Street Partners LLC
AGF International Advisors Company Ltd
Alcentra Limited
AllianceBernstein
Allianz Global Investors GmbH
American Century Investment Management (UK) Limited
Amundi Asset Management
AQR Capital Management LLP
Ardea Investment Management Pty Ltd
Ardevora Asset Management LLP
Artemis Investment Management LLP
Ashmore Investment Management Limited
Aviva Investors Global Services Limited
AXA Investment Managers UK Limited
Baillie Gifford & Co
Baring Asset Management Limited (and group)
Bell Asset Management Limited
BlackRock Investment Management (UK) Limited
BMO Global Asset Management
BNP Paribas Asset Management Luxembourg
BNY Mellon Investment Management EMEA Limited
Border to Coast Pensions Partnership Limited
Brunel Pension Partnership Limited
Canada Life Investments
Candriam
Capital Dynamics Ltd
Capital Dynamics, Inc
Capital International Ltd
CBRE Global (& Group)
Churchill Asset Management LLC
CQS (UK) LLP
Credit Suisse Asset Management Limited
Dalmore Capital Ltd
Darwin Alternative Investment Management (Guernsey) Limited
Darwin Property Investment Management (Guernsey) Limited
Deutsche Asset Management (UK) Limited
Dodge & Cox

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DTZ Investment Management Limited
DTZ Investors UK Limited
East Lodge Capital Partners LLP
Eaton Vance Management (International) Limited
Ediston Properties Limited
Epoch Investment Partners Inc
Fidelity International
First State Investment Management (UK) Limited
Fisher Investments Europe
FountainCap Research & Investment (Hong Kong) Co. Limited
Franklin Templeton Fund Management Limited
GAM International Management Limited, GAM London Limited
Grosvenor Capital Management, L.P.
Genesis Investment Management LLP
Goldman Sachs Asset Management International
HarbourVest Partners (U.K.) Limited
Harding Loevner LP
Harris Associates LP
Hearthstone Investment Management Limited
Hermes GPE LLP
HSBC Global Asset management (UK) Limited
Impax Asset Management Limited
Insight Investment
Invesco Asset Management Limited
Investec Asset Management
IPM Informed Portfolio Management AB
Janus Capital International Limited
JP Morgan Asset Management
Jupiter Asset Management Ltd
Kames Capital Plc
KBI Global Investors
Kempen Capital Management
Kohlberg Kravis Roberts & Co. L.P.
Lazard Asset Management
Legal & General Assurance (Pensions Management) Ltd
LGPS Central Limited
Lindsell Train Limited
Link Fund Solutions Ltd
Liontrust Investment Partners LLP
Local Pensions Partnership Investments Ltd
Lombard Odier Asset Management (Europe) Limited
London LGPS CIV Ltd
Longview Partners (Guernsey) Limited
Longwall Venture Partners LLP
Loomis, Sayles & Company L.P.

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M&G Investments
Mackay Shields LLC
Mackay Shields UK LLP
Macquarie Capital (Europe) Ltd
Macquarie Investment Management Europe Limited
Madison Capital Funding LLC
Majedie Asset Management
Man Group plc
Manulife Asset Management (Europe) Limited
Marathon Asset Management LLP
Markham Rae
MFS International (UK) Limited
Mirabaud Asset Management Limited
Mirova
Mondrian Investment Partners Ltd
Montanaro Asset Management
Morgan Stanley Investment Management Limited
Muzinich & Co. Limited
Natixis Investment Managers UK Limited
Neuberger Berman Europe Limited
Newton Investment Management
Nikko Asset Management Europe Ltd
Nomura Asset Management UK Limited
Nordea Investment Management AB
Numeric Investors LLP
Oaktree Capital Management (UK) LLP
Oldfield Partners
Pantheon Ventures (UK) LLP and Pantheon Ventures (Ireland) DAC
Partners Group UK Ltd
Payden & Rygel Global Ltd
Permira Credit Limited
PGIM Fixed Income, PGIM Limited
Pictet Asset Management
PIMCO Europe Ltd
Pinebridge Investments Europe Limited
PiP Multi-Strategy Infrastructure LP
Public Sector Social Impact Fund LP (Altana Wealth)
Pyrford International
Pzena Investment Management, LLC
Quinbrook Infrastructure Partners (Jersey) Limited
Quoniam Asset Management
RBC Global Asset Management (UK) Limited
Record Currency Management Ltd
River and Mercantile Asset Management LLP

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SEI Investments Europe Ltd
Skagen AS
Stafford Capital Partners Limited
State Street Global Advisors Limited
Stone Harbor Investment Partners LP
Sustainable Growth Advisers LP
SVM Asset Management Limited
T. Rowe Price International Ltd
Threadneedle Asset Management Ltd
Trilogy Global Advisors
TT International
TwentyFour Asset Management LLP
UBS Asset Management (UK) Ltd
Unigestion (UK) Ltd
Union Investment Institutional GmbH
Veritas Asset Management
Vontobel Asset Management AG, Zurich
Walter Scott and Partners Limited
Wellington Management International
Western Asset Management Company Limited
WHEB Asset Management LLP
Woodford Investment Management Ltd