

Scheme Advisory Board Transparency Code

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What we'll cover



- **Background**
 - Public Sector pensions reform, consultations and workplace pension transparency
- **Progress to date**
 - Work completed by Dr Chris Sier, West Midlands Pension Fund and Scheme Advisory Board (SAB) secretariat
- **The template**
 - Dutch model case study, consultation with Investment Association and CIPFA
- **Consultation/engagement**
 - Meetings with fund accountants and investment managers. Separate template to be drafted for private equity holdings/alternatives
- **The Code**
 - Voluntary participation, transparent cost reporting beneficial for asset managers
- **Timescale and process for implementation**
 - Autumn 2016 release, aim for first reporting year to 31st March 2017 where possible



Background

- **Call for evidence on the future structure of the Local Government Pension Scheme (DCLG September 2013)**
 - reduce investment fees set as secondary objective
 - transparent, comparable and consistent information required
- **Opportunities for collaboration, cost savings and efficiencies – consultation (DCLG, July 2014)**
 - Minister for Local Government asked Shadow Board to look at data transparency in more detail.
 - reform process that began with suggestion of consolidating LGPS to half a dozen funds has resulted in a policy for investment fund pooling rather than full asset and liability mergers
- **Improving transparency in workplace pensions: transaction costs disclosure (Department for Work & Pensions (DWP) and Financial Conduct Authority (FCA), May 2015)**
 - Feedback under analysis

Purpose and Aims

- **Investment fee transparency and consistency seen by the Board as an important factor in Scheme being perceived as value-led and innovative**
- **Transparency a target for CIPFA accounting standards and is also included in Government criteria for pooling investments**
- **Data collected will be for funds to enable informed decision making; it is not the intention to create league tables**

Progress to date

- **Testing and development**

- Proven data collection method in the Netherlands, regulated by the Dutch regulator – de Nederlandsche Bank (DNB)
- Some Funds are beginning to collect much more cost data following CIPFA guidance. Fund accountants are well positioned to manage the process
- Secretariat and Dr Chris Sier have worked with West Midlands Pension Fund to trial draft template spreadsheets.

- **Engagement**

- Benefits communicated with pension funds
- Interest and agreement in principle from asset managers

- **Consultation**

- Areas for further consideration identified; for example commercially sensitive information; Freedom of information requests and exemption

Template (broad headings)

Investment activity

Primary data and calculation of turnover

Management fees/Ongoing charges

Invoiced fees (less rebates)

Payments for research

Performance fees/
Manager's fees

Other fees

Indirect fees

Transaction costs

Transaction taxes

Broker commission

Market spread

Market impact

Entry/exit charges

Indirect transaction costs

Exchange fees

Stock lending and ancillary services

Consultation

- **Stakeholders**

- LGPS asset managers (e.g. Aviva, Baillie Gifford, Columbia Threadneedle)
- Fund accountants/pension and investment managers

- **Format**

- Via Investment Association (IA template based on work with Dr Chris Sier)
- Via informal discussion/emails
- Fund accountant meeting (21st September 2016)
- Asset Manager meeting (3rd October 2016)
- Consultation is expected to be complete by the end of October 2016
- Collaboration with stakeholders to continue as code and template are put into practice

The Code

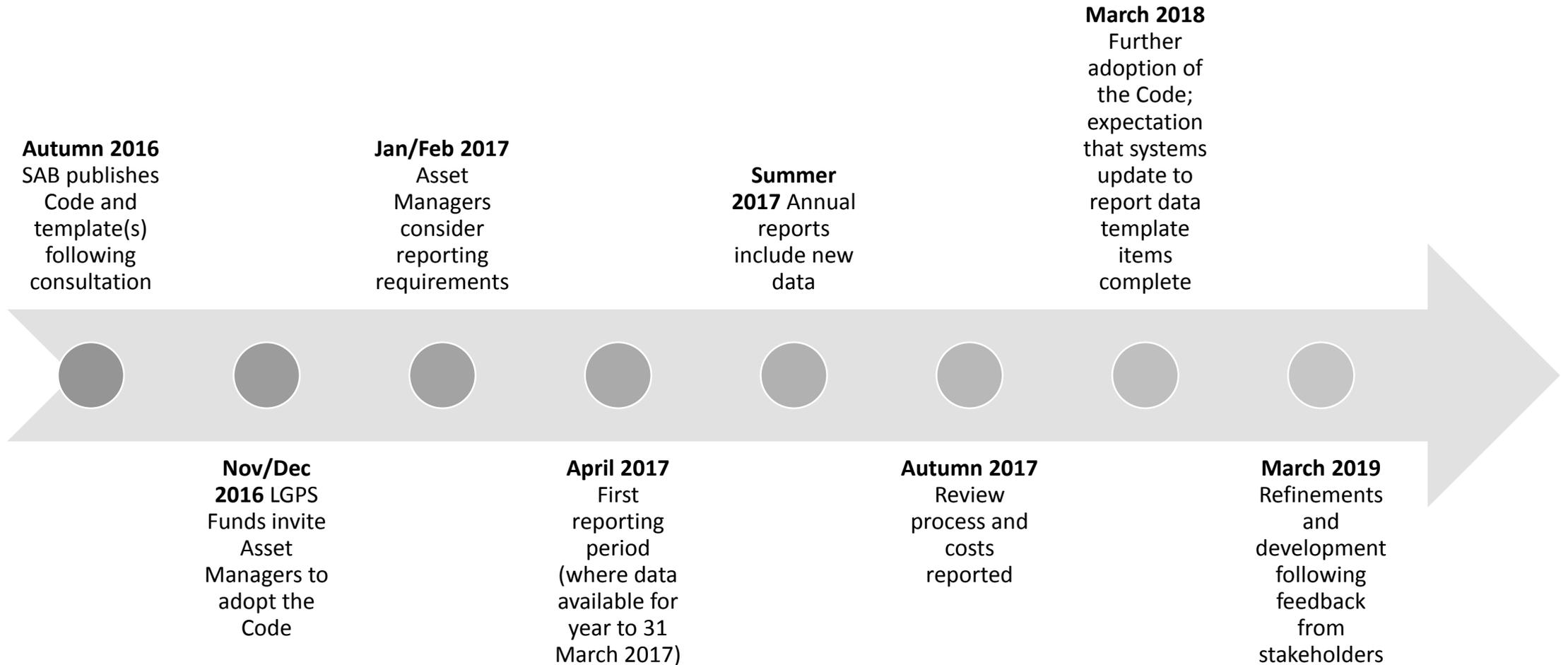
- **Key points**

- Voluntary participation with flexibility to evolve
- Core template aimed at listed asset managers, covering segregated and pooled funds, and investment in main asset classes
- Supplementary template to be developed for private equity and non-listed assets
- Discussions to continue with FCA and DWP to ensure that the Code will work with any regulatory requirements that may be made in future and avoid any duplication

- **Asset Pooling**

- Reporting at fund level to be maintained
- Balance to be struck between keeping template(s) simple whilst capturing relevant information for all asset classes at different levels

Timescale – implementation timeline



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