

# Croydon Council

<b>REPORT TO:</b>	<b>Local Pension Board 29 March 2018</b>
<b>SUBJECT:</b>	<b>LGPS Scheme Advisory Board Code of Transparency</b>
<b>LEAD OFFICER:</b>	<b>Nigel Cook, Head of Pensions and Treasury</b>
<b>CORPORATE PRIORITY/POLICY CONTEXT:</b> <b>Sound Financial Management:</b> This report deals with the LGPS Code of Transparency which is intended to assist LGPS administering authorities in obtaining detailed investment fee data.	
<b>FINANCIAL SUMMARY:</b> This initiative should assist administering authorities in understanding and controlling investment fees.	
<b>FORWARD PLAN KEY DECISION REFERENCE NO.:</b> N/A	

## 1 RECOMMENDATIONS

- 1.1 The Board is asked to note the contents of this report.

## 2 EXECUTIVE SUMMARY

- 2.1 This report sets out the progress made by the LGPS Scheme Advisory Board in introducing a Code of Transparency. This is intended as an aid for administering bodies to report costs. Five fund managers who manage Croydon Pension Fund assets have adopted the Code.

## 3 DETAIL

- 3.1 The Local Government Pension Scheme Advisory Board was established by Section 7 of the Public Service Pensions Act 2013 and The Local Government Pension Scheme Regulations 110-113. The purpose of the Board is to be both reactive and proactive. It seeks to encourage best practice, increase transparency and coordinate technical and standards issues.
- 3.2 The move toward investment fee transparency and consistency is seen by the Board as an important factor in the LGPS being perceived as a value led and innovative scheme. Transparency is also a target for the revised CIPFA accounting standard issued for inclusion in the statutory annual report and accounts and included in the government's criteria for pooling investments.
- 3.3 To assist LGPS funds in obtaining the data they require in order to report costs on a transparent basis the Board has developed a voluntary Code of Transparency for LGPS asset managers.

- 3.4 Compliance with the Code will require managers to complete and submit the Template without request to their LGPS clients whether that be individual funds or pooled entities. The listed asset template will evolve in line with that used by the Investment Association for their Disclosure Code. The FCA (Financial Conduct Authority) Market Study report of June 2017 Chapter 13 welcomed the use of the LGPS template and proposed that “both industry and investor representatives agree a standardised template of costs and charge” and to “ask an independent person to convene a group of relevant stakeholders to develop this further, for both mainstream and alternative assets classes”. The LGPS Code template will develop in line with that process.
- 3.5 The full text of the Code is appended to this report (Appendix A: Code of Transparency).
- 3.6 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 Code is voluntary and covers the provision of transparent and consistent investment cost and fee information between Investment Managers and Administering Authorities. An Investment Manager who signs up to the Code in respect of the investment types covered by the Code, i.e. listed assets, agrees that within a period of twelve months of signing up it will put in place the systems necessary to allow the completion and automatic submission of the template to each Administering Authority that the Investment Manager is appointed by. There are separate templates for segregated portfolio management and for pooled funds.
- 3.7 The template lists a series of broad headings for reporting costs and expenses and in its initial form will concentrate on those areas which should already be available but may not have been supplied by asset managers either proactively or in a format easily useable by LGPS funds.
- 3.8 The Scheme Advisory Board website lists the funds that have adopted the Code. Currently there are 42 names on the list. The following managers have signed up and currently manage, or are in process of on-boarding, Croydon Pension Fund Assets:

Janus Henderson  
Legal & General IM  
Markham Rae  
Schroders  
Wellington

## **4 CONSULTATION**

- 4.1 Officers have fully consulted with the Pension Fund’s advisers in preparing this report.

## **5 FINANCIAL CONSIDERATIONS**

5.1 This initiative will make statutory reporting easier.

## **6 FREEDOM OF INFORMATION/DATA PROTECTION CONSIDERATIONS**

6.1 This report does not contain any information which will not be made publically available by being published on the Council's Pension Fund website.

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### **CONTACT OFFICER:**

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### **Appendices**

Appendix A: The Local Government Pension Scheme Advisory Board Code of Transparency, May 2017

**LGPS Investment Code of Transparency (“the Code”)****Date of Publication: 18th May 2017****Definitions**

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

<b>Administering Authority</b>	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
<b>Board</b>	means the Local Government Pension Scheme Advisory Board
<b>Investment Manager</b>	means an investment manager appointed by an Administering Authority in accordance with the Investment Regulations
<b>Investment Regulations</b>	means The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (as from time to time amended or replaced)
<b>LGPS</b>	means the Local Government Pension Scheme for England and Wales
<b>Template</b>	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

**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 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. Transparency is also a target for the revised CIPFA accounting standard 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.
4. The Administering Authority and the Board 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.

5. 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 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).

7A. Where an asset class is not covered by the template(s) available under the Code, 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 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.

8. The Template(s) must be submitted automatically (i.e. without the client having to make a request) each year to each Administering Authority (if required by the Administering Authority) and to any independent third party appointed by the Board in accordance with paragraph 12. Administering Authorities may also request such submissions on a quarterly basis.

9. 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. The Investment Manager will not vary the Templates except with the written agreement of the Board and the relevant Administering Authority.

11. The current Templates only apply in relation to listed asset classes. Templates for unlisted asset classes such as private equity will be developed in due course. It is envisaged that the Templates will develop over time to encompass other more challenging areas of cost transparency and will remain flexible to enable changes to meet the rapidly developing market for investment products. The listed asset Template may be amended from time to time to keep in line with the Investment Association's Disclosure Code and/or the outcome of the FCA's Institutional Disclosure Working Group, IDWG.

12. The Board may appoint an independent third party to audit Templates provided in accordance with the Code and general compliance of the Code by Investment Managers. The third party may also be asked by the Board to collate, analyse and publish generic, non-attributable information obtained from the Templates at a national level. The Investment Manager shall co-operate with the Board and/or appointed third party and provide such information and explanations as the third party may reasonably require within a reasonable period of request.

13. The third party shall report the findings of any audit direct to the Board, including any recommended actions or improvements. The Investment Manager shall co-operate and work with the Board to address and implement any recommended actions or improvements.

14. 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).

15. 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.

16. 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.

17. An Investment Manager 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.

18. 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.

19. 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 to be in breach of the Code.