

Investment Committee

Meeting – 8 July 2024

Item 4 – Paper B

LGPS Cost Transparency Compliance Update (standing agenda item)

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 remained the same at 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 risen from 95% to 98%. Late templates are predominantly in the unlisted equity (more commonly known as private equity), private debt, property and ‘other’ asset classes.
4. For 2021/22 the overall completion rate has risen from 94% to 98%. Late templates are predominantly in the unlisted equity, private debt, active listed equity and ‘other’ asset classes.
5. For 2022/23 the overall completion rate has risen from 94% to 98%. Late templates are predominantly in the property, active listed equity and private debt and ‘other’ asset classes.
6. For 2023/24 the overall completion rate currently stands at 46% (at the time of writing). This is low due to the reporting year end date of 31 March 2024, and templates will not be classified as late until the end of June. We expect that as fund managers begin to receive notifications about late templates these will be uploaded to the system and the rate of compliance would have increased sharply by the time of the next meeting in November 2024. This is line with the pattern of activity on the system shown in previous 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 32 late templates at the time of writing (1 for 2019/20, 1 for calendar year end 2020, 5 for 2020/21, 10 for 2021/22, 8 for 2022/23 and 7 for 2023/24). These figures represent a significant decrease and positive development from 281 late templates at the last meeting. Neuberger Berman Europe have been responsive and communicative with the Secretariat over the past few months and are working to upload the outstanding templates.
- b. 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. We have been informed that for the 2021/22 period templates were emailed directly to clients and could not be uploaded to the system at the time due to errors being flagged on the system. The focus of the team is now on uploading templates for the 2023/24 reporting year so there is no capacity to rework the templates and upload them.
- c. JP Morgan Asset Management have 12 late templates at the time of writing (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 17 at the last meeting. The Secretariat made contact with JP Morgan in February and June 2024 to ask for an update on the remaining outstanding templates but have not received a response from them to date. The continued decrease in late templates however is a positive development and the Secretariat will continue to make contact with JP Morgan requesting uploads of the outstanding templates.
- d. Aviva Investors Global Services Limited have 25 late templates at the time of writing (2 for 2019/20, 4 for 2020/21, 4 for 2021/22, 4 for 2022/23, 2 for 2020, 3 for 2021, 3 for 2022 and 3 for 2023). The Secretariat made contact with Aviva in June 2024 to request some context on the late templates. We have been informed that their clients are normally in real estate which is not as fast moving as liquid markets, so it takes longer to complete templates. This means that the data doesn't align with the reporting schedules on the system which causes issues when uploading the templates, but clients are sent the data directly without issue. In addition to this, we have been informed that the IT team at Aviva does not like employees downloading

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authenticator apps on work phones which causes issues with logging in to the system.

- e. Morgan Stanley Investment Management Limited have 20 late templates on the system at the time of writing (10 for 2022 and 10 for 2023). We contacted them in June 2024 to enquire about this and since then they have uploaded 7 outstanding templates from 2021 which brought their total down to the current 20 and have informed us that they are working on uploading the remaining outstanding templates. They apologised for the oversight in not uploading required templates to the system.
 - f. State Street Global Advisors Limited have 28 late templates on the system at the time of writing (1 for 2022/23, 1 for 2021/22, 5 for 2020, 8 for 2022 and 13 for 2023). They have informed us that the templates have now been completed and will be uploaded to the system shortly.
 - g. The Secretariat also made contact with Veritas Asset Management, Goldman Sachs Asset Management International and First Sentier Investors but have not yet received a response.
8. The Secretariat will continue to work with fund managers to resolve issues that are preventing better compliance.
 9. Since the last meeting, we have had 5 new managers sign up to the Code:
 - IFM Investors Pty Ltd on 8 March 2024
 - Anterra Capital on 9 April 2024
 - LGT Capital Partners on 10 April 2024
 - Gresham House Asset Management Limited on 11 April 2024
 - Patria Capital Partners LLP on 20 June 2024

Recommendation: That the Committee notes this summary report.

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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
July 2024	118	13,154	11,344	1,571	239

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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 February 2024	78 Up 1	1,438 Up 7	1,418 Up 11	0 No change	20 Down 4
2020/21 Change from February 2024	103 Down 1	2,671 Up 26	2,638 Up 95	0 No change	33 Down 69
2021/22 Change from February 2024	111 No change	2,912 Up 24	2,854 Up 127	0 No change	58 Down 103
2022/23 Change from February 2024	109 Down 4	3,057 Up 26	2,998 Up 97	0 No change	59 Down 68
2023/24 *As of June 2024	107	3,075	1,436	1,570	69