

Report of the Section 151 Officer

Pension Fund Committee – 13 July 2017

COST TRANSPARENCY – CODE OF CONDUCT

Purpose:	To update the Pension Fund Committee on the new voluntary code of conduct on cost transparency in the fund management industry
Report Author:	Jeff Dong Chief Treasury & Technical Officer
Finance Officer:	Jeff Dong Chief Treasury & Technical Officer
Legal Officer:	Stephanie Williams
Access to Services Officer:	N/A

FOR INFORMATION

1 Background

- 1.1 One of the most material costs incurred by LGPS funds are usually fund manager costs. These can be charged in a number of ways e.g flat fees, performance fees, high water marks, catch up etc.
- 1.2 Quite often the headline manager fee payable is not the only cost incurred by the fund as often broker's commissions, transaction costs, FX costs are netted of the bottom line. These various practices although industry standard make for comparison and benchmarking of total fund manager costs challenging.
- 1.3 In light of the above the Scheme Advisory Board (SAB) of the LGPS has developed a voluntary Code of Conduct that investment managers can sign up to, in order to demonstrate full disclosure of all their costs.

2 Scheme Advisory Board

- 2.1 The Scheme Advisory Board (SAB) of the Local Government Pension Scheme views cost transparency as a vital tool for those charged with governance and those who manage schemes can ensure they achieve value for money with their appointed managers.
- 2.2 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.

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 Code of Conduct

- 3.1 Attached at Appendix 1 is the Code of Conduct for Cost Transparency. It is recognised that the template for completion has only been developed for equity mandates at this stage and the templates for other asset classes are being developed, however it is intended to engage our already appointed equity managers and (other asset class managers as the templates become available) to sign up to the voluntary code. It should become a requisite of any future appointments to the fund or the Wales Pension Partnership Pool.

4 Legal Implications

- 4.1 There are no legal implications arising from this report.

5 Financial Implications

- 5.1 There are no financial implications arising from this report.

6 Equality and Engagement Implications

- 6.1 There are no equality and engagement implications arising from this report.

Background papers: None

Appendices: