



## Local Pension Board

1<sup>st</sup> October 2019

**Subject Heading:**

**LGPS Code of Transparency**

**SLT Lead:**

Jane West,

**Report Author and contact details:**

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**Policy context:**

*To Note the Havering Pension Fund  
Managers compliance with the code of  
Transparency.*

**Financial summary:**

*No immediate direct cost implications*

**The subject matter of this report deals with the following Council Objectives**

Communities making Havering	X]
Places making Havering	[X]
Opportunities making Havering	[X]
Connections making Havering	[X]

**SUMMARY**

The Local Pension Board is notified of the Local Government Pension Scheme (LGPS) Code of Transparency and Havering's Fund Managers compliance against the code.

**RECOMMENDATIONS**

The report is to notify members of the Local Pension Board of the LGPS Code of Transparency and compliance system and to update them on the number of Havering's Fund Managers that have signed up to the code (Appendix A refers).

**REPORT DETAIL**

**1. Background**

- 1.1. The move toward investment fee transparency and consistency is seen by the SAB as an important factor in the perception that LGPS is a value led and innovative scheme.
- 1.2. A voluntary Code of Transparency into investments management fees and costs was developed and approved by the Scheme Advisory Board (SAB) and launched in May 2017. Its purpose is to assist the LGPS in obtaining data required to report costs on a transparent basis.
- 1.3. The Financial Conduct Authority (FCA) launched the International Disclosure Working Group as part of the remedies package designed as a result of their asset management market study and noted the success of the LGPS code.
- 1.4. In order to see a more consistent and standardised disclosure of costs and charges for institutional investors, the FCA thought that a standardised disclosure template would provide institutional investors with a clearer understanding of the costs and charges for a given fund or mandate. This would allow investors to compare charges between providers and give them a clear expectation of the disclosure they can expect.
- 1.5. Fund Managers to the LGPS are being encouraged to sign up to this voluntary code and as at April 2019, there were over 110 signatories. Nine out of the eleven funds within Havering have confirmed they are Transparency compliant and 2 have yet to respond to our emails. (See Appendix A).

## **2 Code of Transparency Compliance and Reporting System**

- 2.1 Compliance with the Code will require managers to complete and submit the Template (See Appendix B) without request to their LGPS clients whether that be individual funds or pooled entities.
- 2.2 Since the introduction of the templates the SAB has appointed Byhiras to develop and host the Compliance and Reporting System. Once live in Q1 2020 the system will:
- Enable managers to evidence compliance with the Code via a single on line portal
  - Enable the uploading of template data in LGPS,CTI,CTI machine readable and ILPA formats
  - Provide LGPS clients with a range of reporting and comparison tools
  - Link to new CIPFA reporting formats
  - Provide facilities for LGPS pool companies as both received and provider of templates
  - In specifying the system the SAB has placed great emphasis on security and confidentiality. The template data held within the compliance system will be separate from any other database held by the service provider and cannot be shared by the service provider with any third parties for any purpose.

### **IMPLICATIONS AND RISKS**

#### **Financial implications and risks:**

It is common practice in pooled funds for fund management fees to be charged directly to the fund and deducted from the Net Asset Value, effectively through the redemption of units in the fund.

The value of the pooled fund is then reported at the end of the reporting period net of the units redeemed.

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In such cases, the level of fees may not be readily identifiable and this lack of transparency has resulted in some funds failing to account for these fees in the correct manner.

If the fees are not extracted, the change in value of the fund, the reported disposals in the fund and the fund management fees are all understated.

As a result of the introduction of the Code of transparency and the completion of the transparency template, management costs are more easily identifiable. During the preparation of the accounts for 2018/19 this has resulted in an increased disclosure of management fees in the Pension Fund Accounts

The investment fees are reflected in the increase to the change in market value and the net effect on the Fund Account and the net asset statements is nil.

### **Legal implications and risks:**

As this report is for information only there are no direct legal implications for the Pension Board to consider

### **Human Resources implications and risks:**

The recommendations made in this report do not give rise to any identifiable HR risks or implications that would directly, or indirectly, affect either the Council or its workforce.

### **Equalities implications and risks:**

There are no equality implications regarding this report