

# The Local Government Pension Scheme

## Cutting costs and charges: the campaign continues

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# In the next 20 minutes we will cover

- The Local Government Pension Scheme
    - Who and what we are.....
  - The background to cost transparency
    - The wind starts to blow in one direction.....
  - Case study – West Midlands Pension Fund
    - How much.....
  - The development of the Code
    - To mandate or not to mandate.....
  - Where next?
    - IA, DWP, FCA etc etc .....
-

# The LGPS

## Costs

£730m investment  
management  
expenses in 2014-15

## Membership

Actives 1.9m  
Deferreds 1.8m  
Pensioners 1.5m  
2,000 Employers

## Governance

Administering  
Authorities in  
England and Wales

## Assets

£220b

# Background

LGPS Scheme Advisory Board - ... x Local UK pension schemes was... x

https://www.ft.com/content/be31d8c6-d480-11e4-9bfe-00144feab7de

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## FINANCIAL TIMES

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**Pensions Industry** + Add to myFT

### Local UK pension schemes waste millions on high fees

Vast discrepancy in management costs paid by 89 funds that form UK Local Government Pension Scheme



PENSION DETAILS YR265797D	
A	48.02 (62%)
C	4.97
J	36.49
K	29.97
L	6.52

SEE NEXT PAGE FOR DE EARNINGS RULE

Issuing authority The Pension  
PO Box 25266 Glasgow G

LGPS Scheme Advisory Board - ... x Pension costs rise at four in five... x

https://www.lgcplus.com/investment/pension-costs-rise-at-four-in-five-council-funds/5076360.article

**LGC**  
local government chronicle

THE EDITOR  
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POLITICS AND POLICY SERVICES REGIONS INVESTMENT EVENTS AND AWARDS JOBS

**INVESTMENT**

## Pension costs rise at four in five council funds

6 NOVEMBER, 2014 | BY RACHEL DALTON

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Sir Howard Bernstein to retire

Forbes: Labour MPs have 'lost sight' of purpose

EXCLUSIVE: Pressure mounts over

Our analysis of the Department for Communities & Local Government's latest dataset shows 72 of

90 MINUTES AGO

More on this topic

Suggestions below based on **Pensions Industry**

Demographic change could be disastrous for German pensions

Concern that retirement reforms will trigger a considerable increase in employee contributions

Work on CDC schemes could be put on ice despite demand

Companies are exploring the benefits of hybrid plans but government says there 'little interest'

11:19 16/09/2016



Department for  
Communities and  
Local Government



## Case study - WMPF

**2013-14**

**£87.3m**

**2014-15**

**£81.2m**


ASSET MANAGER COST COLLECTION TEMPLATE		For use with segregated portfolio management mandates					
All figures in GBP unless specified							
Asset Manager							
Portfolio name							
Period of report		Start:		End:			
Investment return	1 year	3 years	5 years	10 years	Since formation		
Gross return (% pa)							
Net return (% pa)							
Investment activity	Total	Equity	Bonds	Property	Pooled funds	Other (specify)	
Opening assets	0						
Closing assets	0						
Purchases	0						
Sales	0						
Turnover (% pa)	%	%	%	%	%	%	
Management fees							
Total							
Involved fees (less rebates)							
VAT (if applicable)							
Payments for research							
Other charges (specify)							
Performance fees							
Total	0						
Indirect fees							
Fees paid from NAV of pooled funds							
Transaction costs							
Total	Equity	Bonds	Property	Pooled funds	Derivatives	Foreign exchange	Other (specify)
Transaction taxes	0						
Broker commission	0						
Market spread cost	0						
Market impact cost	0						
Entry/exit charges	0						
Indirect transaction costs	0						
Exchange fees	0						
Other transaction costs (specify)	0						
Total	0	0	0	0	0	0	0
Stock lending (if applicable)							
Gross income							
Less: income shared (no net recipient)							
Less: other costs							
Income retained by client	0						
Ancillary services (if provided by manager)							
Custody charges							

LGPS Scheme Advisory Board - ...

www.lgpsboard.org/index.php/structure-reform/cost-transparency

The Local Government Pension Scheme Advisory Board

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**Investment fees - Code of Transparency**

ent fee transparency and consistency is seen by the Board as an important factor in the LGPS led and innovative scheme. Transparency is also a target for the revised CIPFA accounting ion in the statutory annual report and accounts and included in the government's criteria for obtaining the data they require in order to report costs on a transparent basis the Board is itary Code of Transparency for LGPS asset managers.

template (PDF 266k or Excel 38k ) for completion by asset managers. This template was a help of the West Midlands Pension Fund, Dr Chris Sier (who has worked extensively with the n this area) and the Investment Association.

s of broad headings for reporting costs and expenses and in its initial form will concentrate on already be available but may not have been supplied by asset managers either proactively or in / LGPS funds.

Local Government Pensions  
**SAB**  
England and Wales

**Useful Links**

- LGPS members site
- DCLG website
- Local Government Association
- The Pensions Regulator
- LGPS regs and guides
- Scottish Public Pensions Agency

Other (specify)

## Where next?

- More asset classes
- Working with others
- Third party audit
- The numbers in context



Department  
for Work &  
Pensions

THE  
INVESTMENT  
ASSOCIATION

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