

29 March 2019

Mr Frank Field MP
Chair, Work and Pensions Select Committee
House of Commons
London
SW1A 0AA

Dear Mr Field

As Chair of the Cost Transparency Initiative (CTI), I wanted to write and update you on the progress we have made since we were established in November 2018.

I know a number of people gave evidence to the Committee in December 2018 as part of the it's inquiry into pension costs and transparency. However, more progress has been made since then and I thought it may help the Committee if I set out where we are and our next steps.

Background and objectives of the CTI

As you will know, the CTI was launched in November 2018. It is an independent group working to improve cost transparency for institutional investors with the responsibility for progressing the work already undertaken by the Institutional Disclosure Working Group (IDWG). It is supported by the Pensions and Lifetime Savings Association (PLSA), the Investment Association (IA) and the Local Government Pension Scheme (LGPS) Advisory Board.

The CTI's primary objectives are to:

- Provide a clear voice for the interests of asset owners as we improve cost transparency;
- Run a pilot phase to test the new cost transparency templates and supporting technical and communications materials until early 2019; and
- Following the pilot, roll-out the templates to the asset management and pensions industries to encourage fully transparent and standardised cost and charge information for institutional investors.

The CTI Board

A Board, that I chair, was established in January 2019 and has diverse representation from stakeholders across the industry that will be involved with the templates to ensure all perspectives are represented.

It comprises Jenny Condron of the Association of Consulting Actuaries, Joe Dabrowski of the PLSA, Jason Fletcher of LGPS Central Limited, Adam Henley of JP Morgan AM, Jeff Houston, secretary to the LGPS Advisory Board, Jane Ivinson of Insight Investment, Jonathan Lipkin of the Investment Association, Gurpreet Manku of the British Private Equity & Venture Capital Association, Angela Roberts of the Financial Services Consumer Panel and Robert Waugh of the RBS Pension Fund.

In addition, representatives from the Department for Work and Pensions, Financial Conduct Authority, The Pensions Regulator and the Trade Union Congress attend as Board observers and former Chair of the IDWG, Dr Chris Sier, acts as a Board adviser. The Board has met twice, in January and March, this year.

Progress to date

Over the last three months we have been conducting a pilot of the cost transparency templates developed by the IDWG with asset owners and asset managers to ensure they are clear and workable.

There are five templates in total:

- A user template – this summarises data from an account level template (see below) so institutional investors can easily see the key data from their providers, as well as easily segment data along dimensions such as asset class or manager.
- An account level template - this covers most product types, capturing data from providers in one place and therefore populated through three further sub-templates where costs specific to certain asset classes are needed. The three sub—templates are:
 - Private equity
 - Physical assets
 - Ancillary services (Custody)

At the second Board meeting on 7 March 2019, the Board received an update on the pilot and testing of the templates. It was concluded that, subject to some further refinement, it should be possible to formally release the templates in late April or early to mid-May, with a view to promoting their use by pension schemes, consultants and asset managers.

Following their release, we expect trustees and advisors to start utilising the templates as soon as possible, and to engage with their managers to obtain data in full, or on a “best endeavours” basis. Where data isn’t available in full immediately we expect managers to be able to report against the published templates for no later than their scheme’s next reporting year end – whether that period is December 2019 or April 2020.

Next steps

The next step in the project is the refinement of the templates with input from technical groups made up of asset managers and asset owners, and work to determine the best approach for promotion, education and communication of the template to ensure maximum take-up.

A key part of this process is engagement with Government and regulators to coordinate with wider initiatives to improve trustee and provider standards, and to dovetail with measures that might be introduced in the Pensions Bill, or through regulatory guidance. The CTI Board is also going to

define success measures, which it intends to report on at the end of this calendar year, as well to encourage early adopters to share case studies and support wider trustee education, knowledge and understanding.

From my recent engagements within the industry, it is apparent that there is now a growing appetite from asset owners to obtain this transparency and from asset managers to support it. The Board will review take-up of the template after the end of the reporting period in April 2020 and will be working closely with Government, regulators, and industry to ensure high adoption levels.

I hope this information is helpful. If you require any further information, please contact me via the CTI's Policy Lead, Alyshia Harrington: [REDACTED] or phone [REDACTED].

Yours sincerely

A handwritten signature in black ink, appearing to read 'Mel Duffield', enclosed within a faint, light-colored oval shape.

Mel Duffield
Chair, Cost Transparency Initiative

CC: Anne-Marie Griffiths, Clerk of the Work and Pensions Select Committee