COST TRANSPARENCY INITIATIVE

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CTI BOARD CHAIR





To promote understanding, raise awareness, and encourage full transparency and standardisation of costs and charges information for institutional investors













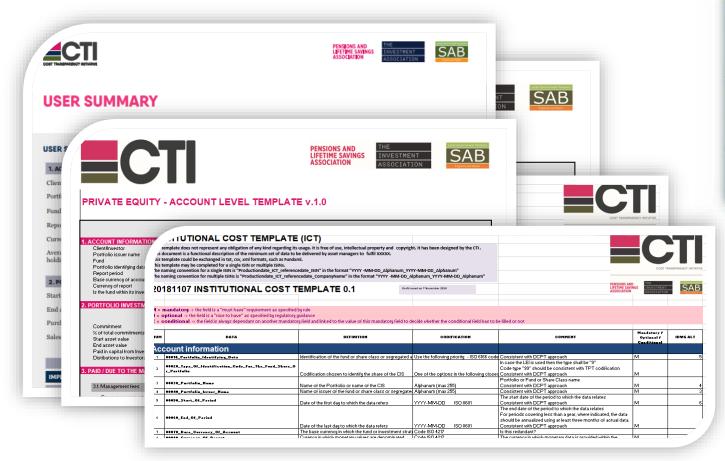
WHY CTI?

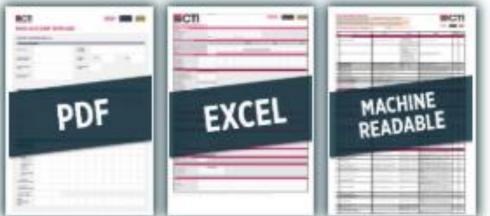
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- standardised data fields enable consistent cost comparisons
- **flexible format** machine readable, spreadsheets, summaries
- free of use, intellectual property and copyright
- **open access** (via website) by different players in the market who assist schemes to analyse costs, e.g. consultants, data providers
- alignment schemes annual reporting cycle
- compatibility regulatory and other reporting frameworks



WHAT'S IN THE FRAMEWORK?













TOOLS AND GUIDANCE

- **Main Account Template** the main cost disclosure template to be completed by asset managers, covering the majority of assets and product types. It can also collect data in one place from other sub-templates, for specific asset classes, such as private equity.
- **The Private Markets Sub-template** to be completed by asset managers of closed-ended private equity, private debt and real estate (property) funds.
- **The Fiduciary Management Template** tailored to fiduciary managers
- Liability Driven Investments (LDI) Template tailored to LDI managers
- User Summary (and associated guidance/FAQs) illustration of the categories of costs and charges information which asset owners will see

Further areas of development

CTI Board keeps the framework under review and will be developing new tools 2020/2021



DISCLOSURE REQUIREMENTS

CTI framework is industry developed: yet compatible with regulatory/disclosure requirements

- Institutional Limited Partners (ILPA) template which is already widely used by private equity firms, can be reconciled with the CTI templates on completing both together (CTI guidance available)
- The Association of Real Estate Funds (AREF) guidance available for AREF members on completing the CTI templates
- **MiFID II** compatible with *ex ante* costs and charges disclosure requirements



CTI ADOPTION

- Asset managers the Investment Association (IA) and British Private Equity & Venture
 Capital Association (BVCA) are represented on the CTI Board feedback demonstrates wide
 adoption across the asset management industry
- 74% of pensions schemes report good understanding of CTI [PLSA member survey April 2020; the majority of survey responds are adopting or planning to adopt CTI
- Local Government Pension Scheme Advisory Board (SAB) fully adopted the CTI framework into its Code of Transparency. LGPS assets under management falling under the Code is over £190bn (and over 130 signatory fund managers)
- Utilities (information providers) several active in the market and reporting good levels of engagement with CTI across managers and schemes



CTI CASE STUDIES

"when we carried out our full disclosure exercise [using the CTI framework], we discovered an additional £210m of costs. The total equated to around 1.8% of our asset value...we have now saved a percentage point at least..."

Victoria Bell, Finance Director, RPMI Railpen

"a process that used to take us two weeks now takes around two hours"

"it also gives us the ability to benchmark our fund costs accurately against other schemes."

"You wouldn't run a business without knowing your costs, so why would you run a pension scheme that way?"

Robert Waugh CEO & CIO The Royal Bank of Scotland (RBS) Group Pension Fund.



TRANSPARENCY AGENDA - CONTEXT

DWP Call for Evidence

Review of the Default Fund Charge Cap and Standardised Cost Disclosure (August 2020)

Work and Pensions Select Committee

Pension costs and transparency (Twenty-ninth report of session 2017-19) (HC 1476) (5 August 2019)

FCA/TPR Joint Regulatory Strategy (2018 – current)

FCA and TPR have prioritised value for money (VFM). FCA's CP20/9 'Driving value for money in pensions' – new proposals for IGCs/GAAs to examine and compare costs and charges (June 2020)



CTI Board priorities - 2020/2021

Promotion and adoption

CTI Board will be holding discussions with pensions consultants, utilities and other advisers, providing guidance and assistance in using the CTI framework.

Development

CTI Board's Technical Expert Panel (TEP), composed of industry experts from a range of backgrounds. Future consideration to include: funds of funds and custodian costs. (Prospective new tools and guidance.)

Research and communication

Surveys and in-depth discussions and consultation with scheme representatives (e.g. CIOs) to understand their needs and priorities and how the CTI framework can help facilitate.



https://www.plsa.co.uk/Policy-and-Research-Investment-Cost-Transparency-Initiative

