

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?

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

- **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?

CTI
COST TRANSPARENCY INITIATIVE

PENSIONS AND LIFETIME SAVINGS ASSOCIATION

THE INVESTMENT ASSOCIATION

SAB

USER SUMMARY

PRIVATE EQUITY - ACCOUNT LEVEL TEMPLATE v.1.0

20181107 INSTITUTIONAL COST TEMPLATE (ICT)

template does not represent any obligation of any kind regarding its usage, it is free of use, intellectual property and copyright. It has been designed by the CTI. This document is a functional description of the minimum set of data to be delivered by asset managers to fulfill XXXXX. This template could be exchanged in doc, csv, xml formats, such as Fundnet. This template may be completed for a single ISIN or multiple ISINs. The naming convention for a single ISIN is "Productiondate_ICT_referencedate_ISIN" in the format "YYYY-MM-DD_Alphanumeric_YYYY-MM-DD_Alphanumeric". The naming convention for multiple ISINs is "Productiondate_ICT_referencedate_CompanyName" in the format "YYYY-MM-DD_Alphanumeric_YYYY-MM-DD_Alphanumeric".

20181107 INSTITUTIONAL COST TEMPLATE 0.1 (Draft issued on 7 November 2018)

4 = mandatory -> the field is a "must have" requirement as specified by rule
 1 = optional -> the field is a "nice to have" as specified by regulatory guidance
 2 = conditional -> the field is always dependent on another mandatory field and linked to the value of this mandatory field to decide whether the conditional field has to be filled or not

IUM	DATA	DEFINITION	CODIFICATION	COMMENT	Mandatory / Optional / Conditional	IDWG ALT
Account information						
1	00010_Portfolio_Identifier_Date	Identification of the fund or share class or segregated	Use the following priority: - ISO 6166 code	Consistent with DCPT approach In case the LEI is used then the type shall be "9"	M	5
2	00020_Type_Of_Identifier_Code_Fac_The_Fund_Share_Or_Portfolio	Codification chosen to identify the share of the CIS	One of the options in the following choice	Consistent with DCPT approach Code type "99" should be consistent with TPT codification	M	
3	00030_Portfolio_Name	Name of the Portfolio or name of the CIS	Alphanumeric (max 255)	Portfolio or Fund or Share Class name	M	4
4	00040_Portfolio_Issuer_Name	Name of issuer of the fund or share class or segregated	Alphanumeric (max 255)	Consistent with DCPT approach	M	3
5	00050_Start_Of_Period	Date of the first day to which the data refers	YYYY-MM-DD ISO 8601	The start date of the period to which the data relates Consistent with DCPT approach	M	6
6	00060_End_Of_Period	Date of the last day to which the data refers	YYYY-MM-DD ISO 8601	The end date of the period to which the data relates For periods covering less than a year, where indicated, the data should be annualised using at least three months of actual data. Consistent with DCPT approach	M	
7	00070_Base_Currency_Of_Account	The base currency in which the fund or investment strat	Code ISO 4217	Is this redundant?		
8	00080_Currency_Of_Expense	Currency in which monetary data is denominated	Code ISO 4217	The currency in which monetary data is provided within the	M	



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>

