

PENSIONS COMMITTEE

14 DECEMBER 2015

FEE SAVINGS REPORT

Recommendation

- 1. The Chief Financial Officer recommends that the update regarding the Fund fee savings achieved since December 2013 be noted.**

Purpose of Report

- To update the Committee on the fee savings achieved in regards to active equity manager fee discounts, joint passive equity manager procurement and global custodian fee schedule renegotiation.

Background

- In January 2014, following a further recommendation by the Pension Investment Advisory Panel, Fund officers negotiated a fee discount with Capital International, to be in place until initially June 2015, which was then extended to December 2015. A similar discount was negotiated with JP Morgan EM in October 2014, which ended on 30 September 2015.
- The Fund's global custodian's (BNY Mellon) fee was benchmarked against the market by a third party benchmark provider, Thomas Murray, in 2015. This was to ensure value for money is achieved in relation to the provision of their services. Based on the benchmark analysis, Fund Officers negotiated a revised fee schedule with BNY Mellon to be reviewed in 2018.
- The Committee will be aware that a joint passive procurement has been undertaken with six other LGPS Funds, managed by bfinance, for a passive equity manager. The aim was to gain benefits of scale in terms of fee savings by pooling the Funds' assets. The successful bidder was Legal and General (LGIM). It is expected that a transition to LGIM will take place in December 2015.

Fee Savings

- The fee saving achieved from fee discounts negotiated with Capital International, Nomura and JP Morgan amount to **c. £1.5m** over the period December 2013 to November 2015.
- The annual recurring fee saving achieved from the renegotiated global custodian fee schedule will be **c. £210k per annum**.
- The annual recurring fee saving achieved for the Fund from the joint procurement of LGIM will be **c. £290k per annum**.

Contact Points

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Background Papers

In the opinion of the proper officer (in this case the Chief Financial Officer) there are no background papers relating to the subject matter of this report.