

FREQUENTLY ASKED QUESTIONS ASSET OWNERS

ADOPTION

Q. Is the intention that the CTS will to be adopted by the industry as a whole?

A. Yes. The CTS provides an industry standard for cost reporting for institutional asset owners. Universal adoption of the standard will be driven by the clear regulatory guidance and participation in the CTS by asset owners and their advisors.

The Cost Transparency Standard (CTS) has been developed by the Irish Association of Pension Funds (IAPF) with The Pensions Authority and is fully supported by The Department of Social Protection. The programme is also supported by The Irish Association of Investment Managers (IAIM).

Q. What are the expectations on timing of take-up of the CTS?

A. The Pensions Authority expects pension funds to engage with the Cost Transparency Standard (CTS) immediately.

Over 500 asset managers are already routinely supplying data using the Cost Transparency Initiative (CTI) Templates in the United Kingdom which are in the same format as the CTS Templates in Ireland). Asset managers will therefore be able to complete CTS templates for the January 1 to December 31, 2023 reporting period without undue difficulty.

The Pensions Authority will regularly review adoption and participation by pension funds in Ireland.

Q. Is the CTS Mandatory?

A. The CTS is voluntary however it is important to note that the Pensions Regulator, Brendan Kennedy, said the following at the announcement of the Cost Transparency Standard (CTS) at the IAPF Conference on March 13, 2024:

“Although this Cost Transparency Standard (CTS) is voluntary, it will introduce a de facto standard, and the availability of this standardised information on costs and charges will be important to enable trustees to decide whether they are getting value for money on their investment.”

“If this voluntary approach does not work, we at the Authority would look at other initiatives, including, if necessary, going to our parent Department of Social Protection or to the government to discuss the issue of a mandatory reporting standard.”

SCOPE OF THE CTS

Q. What costs are covered by the CTS templates?

A. The CTS framework provides a number of open-access templates which provide a standardised way for asset managers to report costs and charges to asset owners.

The templates cover costs which draw down directly on the value of the funds of the asset owners. This includes direct costs (costs which can be invoiced) and indirect costs (implicit costs that are reflected in a reduced net performance figure). Costs that are borne by the manager or service provider are not included in the templates.

Q. Will the Irish Association of Pension Funds (IAPF) hold any cost and charges data?

A. The IAPF does not gather or hold cost data. The cost and charges information gathered through the CTS templates is reported directly to asset owners (or via third party information services or consultants).

Q. Does this framework extend to retail consumers?

A. The CTS framework is aimed at institutional asset owners and the information is not likely to be of direct interest to retail consumers. It may be appropriate, however, to include summaries of some of the information in member communications or publications such as a Chair's statement.

Q. Does the framework cover DC?

A. The CTS framework is intended to be compatible with any regulatory or governance structure for all institutional asset owners, as it focuses on the costs and charges of investment and not on the structure of the management/governance.

Q. What is the Jurisdictional scope of the CTS?

A. The CTS scope covers all Irish institutional asset owners, and this does not depend on Irish domicile.

COMPLETING CTS TEMPLATES

Q. Who completes the CTS Templates?

A. Asset managers.

Q. Which template is for which asset class?

A. The Main Account Template covers listed asset classes, including pooled property. The Private Markets template covers closed-ended private equity, private debt and real estate funds, typically limited partnership structures with a fixed, finite life.

Q. How frequently should the templates be completed?

A. Unless you have specifically agreed otherwise, asset managers should expect to receive a request to complete the templates once a year, for the January 1 to December 31 reporting period.

FURTHER QUESTIONS ON THE CTS

Q. What skills and knowledge do asset owners need to use the CTS framework?

A. The CTS framework is designed to sit alongside existing regulatory requirements and, therefore, asset owners should be well equipped to use this information to help discharge their duties. An important part of what asset owners do is to consider the value for money delivered by the asset managers they employ. Having access to readily available and standardised costs and charges information will help them assess this.

ClearGlass Ireland (clearglass.com/ireland) is also able to provide immediate value for money benchmarking against the United Kingdom market (including for Irish domiciled funds).

Q. Can I share/publish the cost information I receive?

A. You should discuss with your asset manager what, if any, information it may be appropriate to share or publish.

Q. How long will the collection process take?

A. Discuss the timelines with your service provider to understand what is a reasonable expectation in your circumstances.

Please note this will depend on the processes, procedures and technology that each of your asset managers use. Some managers may be able to provide the information very quickly after you have requested it. Other asset managers may want to undertake additional data checking, be dependent on third party data providers, or any number of other complexities.

In most cases the CTS data will not be available until at least 3 months after the end of the reporting period.

Q. What will the information look like when I receive it from the service provider?

A. You should discuss in advance with your service provider the format of their reports.

An illustration of how the information could be provided is available in the User Summary, which can be downloaded from the CTS section of the IAPF website – iapf.ie/cts.

Q. Is there a central database of CTS Templates?

A. The IAPF does not collect or retain cost or charges data itself – the CTS is intended only to facilitate information requests and for the collection of data from asset managers according to an industry standard.