

RPMI Railpen – CTI case study

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As a large, complex defined benefit scheme with a few hundred investment funds, ensuring investment costs deliver good value for the scheme and its members is a major priority for RPMI Railpen.

Back in 2011, it undertook an investment transformation programme, with a focus on value for members. “We wanted to better understand our costs and whether they provide value for us,” explains Andrew Walton, Forensic Accountant at RPMI Railpen. “At that time, there was no industry-wide mechanism for gathering the information we needed, so we had to create our own approach.

“I had to draw together details about costs from various different sources and from documents that each manager sent me. There was little consistency, and it was difficult to compile meaningful data – there were often discrepancies in information from the same fund manager, and it was hard to make comparisons between managers. We also found it time-consuming to get data from fund managers, partly because so many other schemes were also asking them for different types of information. There was no consistency of approach.”

In 2019, RPMI Railpen participated in the trial of the Cost Transparency Initiative (CTI) templates, designed to provide an industry-standard, consistent approach to obtaining cost information from fund managers. “In some respects, the CTI process is something that we were already doing, but the templates have given us a more structured and industry-standard approach,” says Walton. “It also helped that investment managers have been involved in developing CTI, making the process of gathering information more efficient and effective. We know we will receive information in a consistent and more accurate way, and then I just have to audit that data for our internal processes.”

“Transparency has been another major benefit for us,” says Victoria Bell, Finance Director, RPMI Railpen. “And ultimately, that’s meant that we’ve been able to reduce our costs. You can manage costs down if you have a clear idea of what they are.”

Bell says that in 2011, RPMI Railpen believed its costs were £80m per year. “However, when we carried out our full disclosure exercise, we discovered an additional £210m of costs. The total equated to around 1.8% of our asset value.” The work that the scheme has carried out over time, using its own approach and CTI, has meant “we have now saved a percentage point at least on that.”

RPMI Railpen carries out an analysis of its investment costs on an annual basis, so used the CTI approach for the first time in 2019. Bell says: “It is still early days for the industry when it comes to CTI. We found managers that had been involved in designing the templates were much more advanced than others in terms of data availability, and we could only involve a sample of our managers this year. When we repeat the exercise next year, we can explore whether it’s possible to start earlier and whether more fund managers will have the appropriate data available.”

Bell adds: “I’d recommend the CTI approach to other schemes. It is now an industry standard and increasingly managers expect to be asked the questions on the template as it has been well publicised. If pension schemes want to know what their costs are, this is definitely the way to do it.”

“Once asset managers have the technology in place to make the CTI templates machine-readable, that should improve their speed of response and also help with the accuracy of the information. I think that if pension schemes want this type of data from their managers, they have to make it as easy as possible for managers to respond.”