

Update on fees and charges

This version:

- Incorporates comments received during and after the Technical Committee meeting held in Mauritius in October 2017
- Extends Table 1 (info on average fees, caps, types of fees)
- Extends section 2 on fees changes since 2014 with summary Table 2
- Extends Table 3 (explicit costs and charges covered in pension scheme members fees)

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Update on fees and charges

Project Background

1. At the IOPS Annual General Meeting in Hong Kong, China, held on 9 November 2016, the IOPS Members decided to follow up on the IOPS research into fees and charges as part of the IOPS Programme of Work (POW) for 2017-2018. Bearing in mind the on-going work of the OECD, Delegates agreed to develop a joint project with the OECD Working Party on Private Pensions aimed at analysing good practices and effects of policy interventions to lower costs of funded pensions.

2. The project will be accomplished through two papers. The first one will provide an update of the IOPS work in the area of costs and fees. The second paper will discuss current challenges with regard to the costs of private pension provision, past and recent policy interventions aimed at lowering fee levels, evaluate these interventions and provide policy recommendations.

3. This document outlines the main elements of the update paper and provides preliminary data on fees and charges that were collected from the IOPS members at the 2017 OECD Global Pension Statistics exercise.

Project team: The OECD, Iceland, Italy, India, Mexico, Slovak Republic, South Africa, Turkey, Uganda, the World Bank.

Introduction

4. Costs and fees related to the process of saving for retirement are one of the most important factors affecting the final value of retirement income. Proper information about the level and the structure of costs and fees is crucial for the effective governance of pension plans. Such information also has a great value to the members of the pension scheme, particularly the DC and hybrid ones where members face investment risks and need to take various decisions related to their retirement saving process.

5. The goal of this paper is twofold. First, it aims to provide an update of the current situation with regard to the structure, level and types of fees and charges present in the surveyed IOPS jurisdictions. Therefore, it is a follow-up of the IOPS Working Papers No. 20 (April 2014) and No. 6 (June 2008). Such updated information can be of use for the various stakeholders. However, as it has been already stated in the previous edition, direct comparing of fees and charges across jurisdictions is a difficult task for a number of reasons discussed in the previous report (see IOPS, 2014: 5).

6. For this reason, the second goal of the paper will be to develop some more understanding of the nature of costs incurred in IOPS jurisdictions. In particular, in line with the current joint work developed by the Working Party on Private Pensions (WPPP, 2017)¹ and IOPS, we will make an attempt to learn

¹ “Analysis of policy measures to contain costs of running funded private pension plans” ([DAF/AS/PEN/WD\(2017\)5](#)), a draft report presented at the joint WPPP/IOPS meetings in Paris, June 2017

more about *the total member reductions*² of their pension savings, i.e. the type of costs/expenditures that are covered by the existing fees charged directly to the members and the other costs that are charged indirectly.

7. It must be emphasized that owing to differences in the design of pension systems, it is difficult to compare the fees and charges across various jurisdictions. Although the paper intends to develop some “clusters” of jurisdictions that share similar fee characteristics, one needs to remember that making conclusions on the basis of international comparisons can be misleading. There are major limitations present when comparing fees and charges of different pension systems such as for example system design, charging methods, size and maturity of systems.

Scope and coverage

8. The project will cover all private pension funds including occupational and personal, and mandatory and voluntary. Focus will be given to DC and hybrid plans, however with an ambition to expand the knowledge on the total member reductions to the DB pension plans as well.

1. Fees charged in the surveyed IOPS jurisdictions

9. This section presents an overview of fees currently charged in selected IOPS jurisdictions as well as a summary of changes since the last IOPS paper on this subject was published.

1.1. Current market average fees and maximum legally allowed fees

10. Table 1. summarises (asset-weighted) market averages and maximum legally allowed fees charged in selected jurisdictions. The information is based on 2017 OECD Global Pension Statistics exercise, where more granular data were collected to understand better the fees charged in different type of pension schemes. Schemes in each jurisdiction were classified into 3 different categories: 1) Occupational plans³, 2) Personal plans⁴ to which access can be linked to employment or professional activity⁵, 3) Personal plans to which access is not linked to employment or professional activity⁶.

² *Total member reductions* – “any reduction in the build-up of the plan participant's pension portfolio that is the result of a payment to either the pension provider or a third party. This includes deductions that are made before contributions are invested, such as a fee on contributions, deductions that are made from the assets in the portfolio, such as annual management charges or performance fees, and deductions that are made for specific transactions, such as switching fees” (WPPP, 2017: 4)

³ *Occupational pension plans*: “Access to such plans is linked to an employment or professional relationship between the plan members and the entity that establishes the plan (the plan sponsor). Occupational plans may be established by employers or groups thereof (e.g. Industry associations) and labour or professional associations, jointly or separately. The plan may be administered directly by the plan sponsor or by an independent entity (a pension fund or a financial institution acting as pension provider). In the latter case, the plan sponsor may still have oversight responsibilities over the operation of the plan.” (OECD definition)

⁴ *Personal pension plans*: “Access to these plans does not have to be linked to an employment relationship. The plans are established and administered directly by pension fund or a financial institution acting as pension provider without any intervention of employers. Individuals independently purchase and select material aspects of the arrangements. The employer may nonetheless make contributions to personal pension plans. Some personal plans may have restricted membership.” (OECD definition)

⁵ *Personal pension plans, to which access can be linked to employment or professional activity*: “Access to these plans is linked to employment or professional activity or there is at least one option that allows accessing to these plans through employment or professional activity. Such plans include mandatory individual account

11. Similarly to the results presented in the previous IOPS Working Paper No. 20 (April 2014), the data reveal the variety of types and levels of fees in the analysed jurisdictions. However, fees are most commonly charged on assets. Amongst 87 different pension schemes in 44 selected jurisdictions (39 belonging to IOPS⁷), majority, i.e. 78 schemes (90%) in 40 jurisdictions imposed fees on assets. The other types of fees included the ones charged on contributions (23 jurisdictions, 47% of analysed schemes), returns (performances fees) (10 jurisdictions, 22% schemes), and salaries (4 jurisdictions, 7% of schemes). Also many pension schemes imposed less common charges such as transfer fee, redemption fee, entry fee, switching fee, exit fee which are mostly expressed in fixed terms.

12. 40 pension schemes (i.e. 46% of the sample) charged fees on one component only; either on contributions, salaries, assets or returns⁸. On the other hand, 34 schemes (39%) applied fees charged on two different components, and 12 schemes (14%) had fees charged on three components. No pension scheme reported imposing fees on all four components (assets, contributions, returns, salaries). In one jurisdiction (Iceland) in case of occupational plans the number of fees can vary depending on the fund, which makes it hard to classify them to one of these groups. Of course, one needs to be careful when analysing these results because the number of components on which fees are charged does not directly speak about the cost effectiveness of each pension schemes. Such effectiveness is rather related to different characteristics (such as level of market competition, transparency, maturity of capital market, degree of regulation) and the nature and purposes of each pension scheme.

13. One can also observe that many jurisdictions introduced legal caps on fees. In most cases, the average fees do not equal the legal cap, which can be explained as a positive effect of market competition. However, the difference between the cap and the actual level may be insignificant. To verify whether this might be the case for our data, we analysed, the sub-sample where both the info on average fees and legal caps is available and comparable. We found out that the average fees were lower than the legal caps by at least 10% in 72% (i.e. 26 out of 36) of schemes. This suggests that in ¾ of the cases pension providers tended to adhere to the legal maximum values stipulated by governments.

systems, plans for which the access can be provided by the employer without the employer establishing the plan, and plans established for the self-employed for instance.” (OECD definition)

⁶ *Personal pension plans, to which access is not linked to employment or professional activity*: “Access to these plans is not and cannot be linked to employment or professional activity. Individuals independently enrol themselves to these plans with no involvement of their employers in this process.” (OECD definition)

⁷ Croatia, Latvia, Slovenia, Sweden, Uruguay are five non-IOPS members included in this analysis.

⁸ For simplicity, we do not take here into consideration “others fees” when calculating these numbers.

Table 1. Fees charged by pension funds in selected jurisdictions (as of 2016)

Jurisdiction	Type of funds	Contributions			Salaries			Assets			Returns			Others			Notes
		Y/N	Legal cap	Avg.	Y/N	Legal cap	Avg.	Y/N	Legal cap	Avg.	Y/N	Legal cap	Avg.	Y/N	Legal cap	Avg.	
Albania	Occupational DC plans							Y ¹⁾	3%	2.1%	Y ²⁾	15%	15%	Y ³⁾	0.5% / 2%-20%	0.5% / 2%-20%	Other: switching fee, withdrawal fee
	Personal plans L ⁹							Y ¹⁾	3%	2.1%	Y ²⁾	15%	15%	Y ³⁾	0.5% / 2%-20%	0.5% / 2%-20%	
Armenia	Personal plans NL ¹⁰							Y	1.5%					Y	1%		Other: redemption fee
Australia	Occupational DC plans							Y		0.59%				Y		0.02%	Other: Represent fees paid by employer sponsor
	Personal plans NL							Y		1.31%				Y		0.01%	
Belgium	Occupational DC plans ^{4),5)}	Y	5%					Y			Y			Y			
	Personal plans L ^{5),6)}	Y						Y			Y			Y			
	Personal plans NL: Fonds d'épargne-pension Pensioenspaarfonds	Y						Y ⁷⁾			Y			Y			Others: exit fee, external audit fee, regulatory fee
	Personal plans NL: Branche 21 life insurance operated by an insurance company	Y						Y						Y			Others: exit costs
	Personal plans NL: Branche 23 life insurance operated by an insurance company	Y						Y			Y ⁸⁾			Y			Others: exit costs
Brazil	Occupational plans (DC, DB and hybrid)	Y	9%	7%				Y	1%	0.34%	Y ⁹⁾						
Bulgaria	Occupational DC plans	Y	7%	3.9%										Y	Fixed		Other: entry fee, switching fee, and etc.
	Personal plans L	UPF ¹⁰⁾	Y	4.5%				Y	0.9%	0.8%							
		PPF ¹⁰⁾	Y	4.5%				Y	0.9%								
		VPF ¹⁰⁾	Y	7%							Y	10%	8.9%	Y	Fixed		Other: entry fee, switching fee, and etc.
Chile ¹¹⁾	Personal plans L				Y		1.27% ¹²⁾							Y		1.41%	
Colombia	Occupational DC plans				Y	3% ¹³⁾								Y			Other: fees on changing manager, fees on passive members

⁹ Personal plans, to which access can be linked to employment or professional activity¹⁰ Personal plans, to which access is not linked to employment or professional activity

Jurisdiction	Type of funds	Contributions			Salaries			Assets			Returns			Others			Notes
		Y/N	Legal cap	Avg.	Y/N	Legal cap	Avg.	Y/N	Legal cap	Avg.	Y/N	Legal cap	Avg.	Y/N	Legal cap	Avg.	
Costa Rica	ROP ¹⁴⁾							Y	0.5% (2020: 0.35%)	0.49%							
Croatia ¹⁵⁾	Occupational DC plans							Y		3.7%				Y			Other: entry fee, switching fee
	Personal plans L							Y	0.45%	96.53%				Y		0.8%	
	Personal plans NL							Y		21.67%				Y			
Czech Republic	Personal plans – Transformed funds ¹⁶⁾							Y	0.8%		Y	10%		Y			Other: fee for transfers, fee for one-off payment
	Personal plans – Participation funds ¹⁷⁾							Y	1 % / 0.4 %		Y	15 % / 10 %		Y			Other: fee for change in the savings strategy, fee for transfers, etc.
Estonia	2 nd pillar							Y ¹⁸⁾						Y			Other: redemption fee up to 0.1% of the net value of a unit (0.05% for conservative funds)
	3 rd pillar							Y						Y			Other: redemption fee and unit issue fee
FYR of Macedonia	Mandatory pension funds	Y	3%	3.0%				Y	0.04% (monthly)	0.43%				Y	Fixed		Other: switching fee
	Voluntary pension funds	Y	7%	2.62%				Y	0.15% (monthly)	0.86%				Y	Fixed		
Ghana	Occupational DC plans							Y	2.5% ¹⁹⁾	2.2%							Other: scheme audit fee
	Personal plans L							Y	2.5% ¹⁹⁾	2.0%							
Hong Kong*	Mandatory Provident Fund (MPF)							Y	Note ²⁰⁾	1.56% ²¹⁾							
Hungary	Occupational DC plans	Y						Y						Y			
	Personal plans NL	Y	6%	4.9%				Y	0.8%	0.5%				Y ²²⁾	Fixed		
Iceland	Occupational plans ²³⁾									≈0.2%							Average is approximately calculated based on assets (Fees may not be charged on assets)
	Personal plans ²⁴⁾							Y ²⁵⁾		≈0.5% ²⁵⁾							
India	Personal plans L							Y	0.0102% ²⁶⁾ / 0.01% ²⁷⁾	0.0102% ²⁶⁾ / 0.01% ²⁷⁾							
	Personal plans NL							Y	0.0102% ²⁶⁾ / 0.01% ²⁷⁾	0.0102% ²⁶⁾ / 0.01% ²⁷⁾							
Ireland	Occupational plans	Y ²⁸⁾						Y ²⁹⁾						Y			Others: Exit penalties Fee or cost applied to policy holder for early exit from policy)
	Personal plans (Standard PRSA)	Y ²⁸⁾	5%					Y ²⁹⁾	1%					Y			
	Personal plans (Non-Standard PRSA)	Y ²⁸⁾						Y ²⁹⁾						Y			
Israel	DC Plans	Y	6%	2.85%				Y	0.5%	0.27%							

Jurisdiction	Type of funds		Contributions			Salaries			Assets			Returns			Others			Notes
			Y/N	Legal cap	Avg.	Y/N	Legal cap	Avg.	Y/N	Legal cap	Avg.	Y/N	Legal cap	Avg.	Y/N	Legal cap	Avg.	
Jamaica	Occupational plans ³⁰⁾		N			N			N									
	Personal plans L		Y						Y						Y			Other: transfer fees to other funds or schemes & between unitized funds
Korea	Personal plans L								Y		0.46%							
Kosovo	Occupational DC plans		Y		3%				Y		1.5%	Y		20% ³¹⁾	Y	1% / 2%		Other: exit fee - 1% when member died and assignees withdraw the money - 2% when members get retired and withdraw the money
Latvia	Occupational DC plans		Y		0.5%				Y		0.3%							
	Personal plans L		Y		0.001%				Y	1.5% - 2% ³²⁾	1.4%							
	Personal plans NL		Y		0.9%				Y		1.4%							
Liechtenstein	Occupational DC plans		Y		1.93%				Y		0.37%				Y		0.21%	
Lithuania	Personal plans NL	2 nd pillar	Y	0.5%	0.05%				Y	0.65% / 1% ³³⁾	0.89%				Y	0.05%	0.002%	Other: switching fee
		3 rd pillar	Y	No cap					Y	No cap					N			
Maldives	Occupational DC plans								Y	0.8% (Monthly)								
Mexico	Personal plans L								Y		1.06%							
Namibia	Occupational DC plans					Y			Y			Y						
	Personal plans L		Y						Y			Y						
	Personal plans NL		Y						Y			Y						
Nigeria	Occupational DC plans		Y	N100	N100				Y	3%	2.25%							N100 is a monthly fee
Peru ³⁴⁾ *	Occupational DC plans ³⁵⁾	(a) Salary				Y		1.58%										
		(b) Mixed				Y		0.63%	Y		1.23%							
		Fund 0							Y		0.80%							
	Personal plans L ³⁶⁾	Fund 1							Y		1.17%							
		Fund 2							Y		1.74%							
		Fund 3							Y		2.03%							
		Fund 0							Y		0.80%							
	Personal plans NL	Fund 1	Y		1.1%	Y		1.61%	Y		1.17%							
		Fund 2							Y		1.74%							
		Fund 3							Y		2.03%							
Poland*	Occupational DC plans		N						Y	0.6%								
	Personal plans L		Y	1.75%	1.55%				Y	0.54%	0.48%	Y	0.06%	0.031%				Fees on return is charged on net assets
	Personal plans NL		Y						Y									

Jurisdiction	Type of funds	Contributions			Salaries			Assets			Returns			Others			Notes
		Y/N	Legal cap	Avg.	Y/N	Legal cap	Avg.	Y/N	Legal cap	Avg.	Y/N	Legal cap	Avg.	Y/N	Legal cap	Avg.	
Portugal	Occupational DC plans							Y ³⁷⁾		0.3%				Y			Other: transfer fees, fees on the issuance and redemption of participation units, etc.
	Personal plans NL							Y		1%				Y ³⁸⁾			
Romania *	Mandatory Personal plans	Y	2.5%	2.5%				Y	0.6%	0.6%				Y			Other: transfer penalties for transfers under 2 years of membership
	Voluntary Personal plans	Y	5.0%	2.78%				Y	2.4%	1.85%				Y			
The Russian Federation	Mandatory DC										Y ³⁹⁾	15%					
	Voluntary Pension Component	Y ⁴⁰⁾	3%								Y ³⁹⁾	15%					
Serbia	Occupational DC plans	Y	3%	1.96%				Y	2%	1.81%							
Slovak Republic	2 nd pillar	Y ⁴¹⁾		0.25%				Y	0.3%	0.3%	Y	10%	7.22%	Y	1%		Contributions: 0.25% from monthly contribution
	3 rd pillar							Y	0.8% / 1.6% ⁴²⁾	1.44%	Y	10%	1.14%	Y ⁴³⁾		0.001% / 1.113%	0.001% : switching fee, 1.113% : termination settlement fee
Slovenia (SMA)	Occupational DC plans							Y						Y			
Slovenia (ISA)	Personal plans L							Y	1%	0.98%				Y ⁴⁴⁾	3% / 1% / €5 per switch	0.4% / 0.1% / ND	Others: entry fee / exit fee / switching fee
Spain	Occupational DC plans							Y ⁴⁵⁾	1.5% / 0.25%	0.2% / 0.036%							
	Personal plans NL							Y ⁴⁵⁾	1.5% / 0.25%	1.14% / 0.14%							
Suriname	Occupational DC plans	Y		10%													
Sweden	Premium pension							Y ⁴⁶⁾	0.89% / 0.62% / 0.42%								
Turkey	Personal plans L	Y ⁴⁷⁾		0.24%				Y	0.365% / 1.09%					Y ⁴⁷⁾		0.48%	Others: Entrance fees paid at entrance / Entrance fee paid at termination / Additional Administrative Expenses Fees in case of Contribution holidays
	Personal plans NL	Y ⁴⁷⁾		1.2%				Y	1.91% / 2.28% ⁴⁸⁾	1.64%				Y ⁴⁷⁾		0.06%	
United Kingdom	Default funds							Y	0.75%								
Uruguay	Personal plans L				Y		1.64%	Y ⁴⁹⁾		0.018%							

Source: 2017 OECD Global Pension Statistics, IOPS Members and desk research.

Note: Figures in (*) are as of 2017.

1) Management fee (shall not in any event exceed 3% per annum of the net asset value of the pension fund).

- 2) Personal income tax (any payment from a pension fund to a unit holder as in cases of early withdrawal and receiving pay out retirement benefits is subject to personal income tax and is calculated on the net asset value to be received by the unit holder).
- 3) Others: 0.5% switching fee (calculated on the transferred amount of net assets of the pension plan member who decides to transfer his assets to a new pension fund);
2%-20% withdrawal fee (penalties related to premature withdrawal from pension funds, calculated on the net value of the assets to be withdrawn prematurely, after tax has been deducted and vary based on the number of years the unit holder has been a member of the pension fund).
- 4) Occupational DC plans: Overall, no costs may be deducted from employee contributions (cap=0%). No indemnity or loss of profit sharing can be charged to the member or deducted of his vested reserves as a result of leaving the employer. DC and cash balance schemes, “the beneficiary has the right, at the time of his discharge, of his retirement or in case of abrogation of the pension commitment, to the part of the contribution which has not been paid by him, which has not been used to cover the death and invalidity risks before retirement and which has not been used to cover the fees limited to 5% of the payments.” (article 24§2 of the Law dated 2003.04.28 on supplementary pensions, Belgian SLL). The term “fees” is not defined. Since the majority of pension plans in Belgium are of the DB type (in terms of AUM), costs and charges borne by members and beneficiaries are limited compared to those borne by the IORPs themselves. Further, as per the Law on Supplementary Pensions, DC plans are subject to a minimum guaranteed return on employer and employee contribution.
- 5) Occupational DC plans and Personal plans L: Apart from the fees mentioned in 4), pension laws in Belgium do not make a specific reference to particular types of fees or require costs and charges to be broken down and disclosed in a particular way, although “assets” and “returns” fees exist. These are usually disclosed as “administration costs”. In practice, IORPs report costs and charges related to transactions/operations in their investment portfolios on an aggregate basis in their annual reporting. Since no distinction is made between the different types of fees, it is not possible to compute an average level of fees for the categories in the table.
- 6) Personal plans L are of two types: for self-employed people and for company leaders. They do not carry a minimum guarantee or a legal cap on contributions
- 7) Fees on assets include administration fees, management fees, distribution fees and custodian fees
- 8) In theory, performance fee can be charged; in practice this is not the case for any current products in Belgium.
- 9) Fees on returns are booked into the “fees on assets” account [clarification is required]
- 10) UPF: Universal pension funds, PPF: Professional pension funds, VPF: Voluntary pension funds
- 11) (i) The average fee over salaries charged to members is weighted by the number of contributors to the system in December 2016.
(ii) The fee reported in “Others” corresponds to the fee charged on salaries to employers for providing the disability and survivor insurance [clarification is required]
(iii) There is no a fee charged to members over assets but pension providers deduct directly from pension funds the investment expenses related to indirect investment transactions (such as for mutual funds and other investment vehicles, both domestic and offshore). As of 2016, this cost represented on average 0.24% of assets under management.
- 12) The weighted average fee charged in Chile declined to 1.23% in January 2017 and 1.19% in August 2017
- 13) Legal cap (3%) includes administration fees and the payment of the premium of the death and disability insurance
- 14) ROP (Régimen Obligatorio de Pensiones) is the mandatory supplementary pension scheme in Costa Rica (DC, second pillar)
- 15) Non IOPS members. Data pending confirmation [tbc]
- 16) Transformed funds: The law specifies the maximum annual management fee at 0.8 % value of a fund’s assets and 10 % of its profit
- 17) Participants funds: The law specified the maximum annual management fee at 1 % of the value of assets and 15 % of assets’ appreciation value. The only exceptions are mandatory conservative funds with annual management fee at 0.4 % of the value assets and 10 % of assets’ appreciation value.
- 18) There is no cap in force. However management fee must decline by 10% each time when assets of pension funds managed by the same management company exceed the next level of EUR 100 million
- 19) The limit consists of maximum fees charged by Approved Trustees (1.33%), Pension Fund Managers (0.56%), Pension Fund Custodians (0.28%) and the Supervisory Authority (0.33%) for contributions collection, fund administration/investment and supervision.

- 20) For funds under the Default Investment Strategy there is a cap of 0.75% on management fees & 0.20% on recurrent out-of-pocket expenses
- 21) Refers to the average of the Fund Expense Ratios of MPF constituent funds with their financial year end dates falling within the period from 1 April 2016 to 31 March 2017 which was published in the MPFA website on 29 December 2017.
- 22) Others: Entry fee - Switching between portfolios of fund member's individual account may not exceed 0.1 percent of , and may not be higher than 2.000 forints- withdraw money from the personal account (reasonable cost, may not exceed 3000 forints + money transfer cost) [clarification is required]
- 23) In occupational plans, costs can vary depending on the fund
- 24) In personal plans, 85% of the market is managed by the occupational private pension funds, with similar charges as note 23). Other providers (15%) of personal pension savings charge fee as a % of assets
- 25) This legal cap and market average value relate to few providers of personal pension other than the occupational pension funds [tbc]
- 26) Fees for subscribers of Government Sector, NPS-Lite and APY
- 27) Fees for subscribers of private sector (i.e. Corporates and All Citizen models)
- 26) Fees on contributions include an allocation rate (the percentage of members contribution that actually is used for purchasing investment units, which is net of any fees that may be incurred upon initial investment and is effectively the amount that is invested) and bid-offer spreads (the difference between the price at which units can be purchased and the price at which units can be sold back to the investment manager on any given day in unit-linked investments contracts)
- 28) Include annual management charges (associated with costs of fund management) and policy fees (monthly or annual; levied by a life assurance company to cover administration costs)
- 29) In occupational pension plans in Jamaica asset managers and administrators fees are usually paid out of the fund (i.e. by the members) or by the sponsor.
These fees are based on contributions paid and/or assets under management
- 30) 20% of profit above the benchmark
- 31) From 1st January 2018 legal cap on assets is 1.03%-1.5%, and from 1st January 2019 legal cap on assets will be reduced to 0.85%-1.1%
- 32) 0.65% for bond 2nd pillar PFs, 1% for other 2nd pillar PFs
- 33) Average values in the table relate to simple average of all pension managers (AFP) by type of fund: Fund 0 (ultra-conservative), Fund 1 (conservative), Fund 2 (balanced) and Fund 3 (risky)
- 34) In the Peru's Private Pension System, fees are charged to members on (a) monthly salary, and (b) a mixed scheme, which is charged on two parts: i) monthly salary and ii) assets on an annual basis. For the implementation of the mixed scheme, a 10 years transition period was established, which began in February 2013
- 35) Related to voluntary pension saving, which are of two types: i) for pension purposes (L) and ii) for non-pension purposes (NL)
- 36) Includes scheme manager fees (remuneration/costs of administration of the pension fund management entity), custodial fees/costs of safekeeping of assets, costs related to portfolio transactions.
- 37) For the specific case of retirement saving schemes in personal plans, transfer fees are subject to a maximum of 0.5% of the transferred amount if there is a capital or return guarantee and cannot be charged otherwise.
- 38) The maximum which pension funds can take from the amount which is equal to earned income reduced by fees for asset management companies and specialized depositaries.
- 39) This fee can be used by pension funds for forming insurance reserve. However, the fee must be specified in pension programme agreement.
- 40) Contribution fees are revenues of the Social Insurance Agency.
- 41) 0.8% for pay out supplementary pension fund, 1.6% for contributory pension fund
- 42) Other fees are paid from a client's individual account.

- 43) Entry fee 3% of contributions / exit fee 1% of assets / switching fee 15€
- 44) Managing entity fee / Custodian fee
- 45) Equity funds / Mixed funds / Fixed income funds
- 46) Fees apply for the first 5 years of the contract. Only one joint cap is applied for total of entrance fees (paid at entrance and paid at termination), administrative expenses fees and additional administrative expenses Fee in the case of contribution holiday for each year, 8.5% of monthly minimum gross wage (140 TRY for 2016)
- 47) Annual total fund management fee ratio – a) Money market funds, Precious metal funds: 1.09%. b) Government bonds and bills funds, Standard funds, Index funds: 1.91%. c) Stock funds, Participation funds, Composite funds, Fund basket funds, Variable funds, Life Cycle / Target funds: 2.28%. d) State contribution funds: 0.365%
- 48) Fees on assets are charged for custody of financial instruments and therefore drive no profit for fund manager

1.2. Summary of changes since 2014

14. The previous paper (IOPS Working Papers No. 20, 2014) analysed fees charged by pension funds in 37 jurisdictions. Among these jurisdictions, we received sufficient information from 23 respondents so we can compare the changes that took place in these jurisdictions since 2014.

15. Since more granular data were collected in this year's exercise, it is not easy to directly compare some results with the previous report. Nonetheless, some high level comparison was performed. ("Other fees" position was not analysed due to its heterogeneity.)

16. Table 2 is the summary of fees charged in 2017 as compared to 2014. All 22 jurisdictions who participated in both 2014 and 2017 exercises maintained their ways of charging fees. The major tendency is that average fees decreased in 2017 as compared to 2014. We analysed various pension schemes from 14 jurisdictions for which we had sufficient data for both 2014 and 2017. In some jurisdictions the fees changed in different directions. The only two clear cases where average fee increased were Polish personal plans type L where fees charged on assets increased from 0.46% to 0.51%¹¹, and Romanian voluntary personal plans where fees charged on assets increased from 1.79% to 1.85%. With regard to the legal maximum fees, nine countries (Bulgaria, Costa Rica, Czech Republic, FYR of Macedonia, Lithuania, Poland, Slovak Republic, Spain, and U.K.) lowered their fee ceilings, whereas three other (Columbia, Hungary and Serbia) increased them. Four jurisdictions (Albania, Ghana, Israel, and Romania) did not change them. Other five jurisdictions reported no legal caps or it was difficult to compare the changes due to different level of details available for 2014 and 2017.

Table 2. Fees charged by pension funds in 2017¹² as compared to 2014¹³

Country	Type of funds	Fees in 2017			Fees in 2014		
		Based on	Legal cap	Average	Based on	Legal cap	Average
Albania	Occupational DC plans	Assets	3%	2.1%	Assets	3%	2.4%
	Personal plans L ¹⁴	Assets	3%	2.1%			
Bulgaria	Personal plans L	UPF, PPF Contributions	4.5%	4.3% ¹⁾	Contributions	5%	4.97%
		Assets	0.9%	0.8%	Assets	1%	1%
		VPF Contributions	7%	4.3% ¹⁾	Contributions	7%	2.75%
		Returns	10%	8.9%	Returns	10%	9.43%
Chile	Personal plans L	Salaries	-	1.27%	Salaries	-	1.42%
Colombia	Occupational DC plans	Salaries	3%	-	Salaries	1.31%	-
Costa Rica	ROP	Assets	0.5%	0.49%	Assets	1.1%	-
Czech Republic	Transformed funds	Assets	0.8%	-	Assets	0.6%	0.6%
		Returns	10%	-	Returns	15%	15%
	Participation funds	Assets	1.0% / 0.4% ²⁾	-	Assets	0.6%	0.6%
		Returns	15% / 10% ²⁾	-	Returns	15%	15%
FYR of Macedonia	Mandatory pension funds	Contributions	3%	3%	Contributions	4%	4%
		Assets	0.04% (monthly)	0.43%	Assets	0.54%	0.54%
Ghana	Occupational DC plans	Assets	2.5%	2.2%	Assets	2.5%	-
	Personal plans	Assets	2.5%	2.0%			
Hong Kong	Mandatory Provident funds	Assets	-	1.56%	Assets	-	1.7%
Hungary	Personal plans NL	Contributions	6%	4.9%	Contributions	0.9%	-

¹¹ Out of which 0.031% is the average fee on returns, charged on assets

¹² The numbers are based on from 2016 to 2017 depending on the jurisdictions

¹³ The numbers are based on from 2010 to 2013 depending on the jurisdictions

¹⁴ Personal plans, to which access can be linked to employment or professional activity

		Assets	0.8%	0.5%	Assets	0.2%	-
Israel	DC Plans	Contributions	6%	2.85%	Contributions	6%	3.8%
		Assets	0.5%	0.27%	Assets	0.5%	0.33%
Korea	Personal plans L	Assets	-	0.46%	Assets	-	0.70%
Lithuania	Personal plans NL (2 nd pillar)	Contributions	0.5%	0.05%	Contributions	2%	1.86%
		Assets	0.65% / 1.0% ³⁾	0.89%	Assets	0.65% / 1.0% ³⁾	0.65% / 0.99% ³⁾
Mexico	Personal plans L	Assets	-	1.06%	Assets	1.5%	1.38%
Poland	Personal plans L	Contributions	1.75%	1.55%	Contributions	3.5%	3.5%
		Assets	0.54%	0.48%	Assets	0.6%	0.46%
		Returns	0.06% ⁴⁾	0.031% ⁴⁾			
Romania	Mandatory Personal plans	Contributions	2.5%	2.5%	Contributions	2.5%	2.5%
		Assets	0.6%	0.6%	Assets	0.6%	0.6%
	Voluntary Personal plans	Contributions	5%	2.78%	Contributions	5%	4.58%
		Assets	2.4%	1.85%	Assets	2.4%	1.79%
The Russian Federation	Mandatory DC	Returns	15%	-	Assets	0.4% (as an equivalent of all types of fees)	-
	Voluntary Pension Component	Contributions	3%	-			
		Returns	15%	-			
Serbia	Occupational DC plans	Contributions	3%	1.96%	Contributions	2.27%	-
		Assets	2%	1.81%	Assets	2%	-
Slovak Republic	2 nd pillar	Contributions	0.25%	-	Contributions	1.25%	1.25%
		Assets	0.3%	0.3%	Assets	0.3%	0.3%
		Returns	10%	7.22%	Returns	10%	10%
	3 rd pillar	Assets	0.8 / 1.6% ⁵⁾	1.44%	Assets	0.9 / 1.8% ⁵⁾	0.9 / 1.8% ⁵⁾
Spain	Occupational DC plans	Assets	1.5% / 0.25% ⁶⁾	0.2% / 0.036% ⁶⁾	Assets	2%	0.21%
	Personal plans NL	Assets	1.5% / 0.25% ⁶⁾	1.14% / 0.14% ⁶⁾	Assets	2%	1.39%
Turkey	Personal plans L	Contributions	-	0.24%	Contributions	2%	-
		Assets	-	1.64%	Assets	1.09% / 2.28% ⁷⁾	2%
	Personal plans NL	Contributions	-	1.2%	Contributions	2%	-
		Assets	-	1.64%	Assets	1.09% / 2.28% ⁷⁾	2%
United Kingdom	Default funds	Assets	0.75%	-	Assets	1.5%	-

1) 4.3% is an average of UPF, PPF, and VPF

2) Exception for mandatory conservative funds

3) Conservative funds / Other funds except conservative funds

4) Fee is charged on assets, even if based on rates of return

5) Pay out supplementary pension funds / contributory pension funds

6) Managing entity fee / Custodian fee

7) Liquid funds / Stock funds. The maximum fees on assets of other funds are included in this range

8) Charged as expenses to pay for custody of financial instruments and therefore drive no profit for fund managers

2. Total member reductions of pension savings in the surveyed IOPS jurisdictions

17. Members were requested to provide a, as granular as possible, the list of costs and expenditures that constitute the total member reduction of pension savings. The aim of this section is to identify the most substantial direct and indirect reductions. Section 2.1. presents the items that are already incorporated in the fees, whereas Section 2.2. will make an attempt to enumerate (but not quantify) the most substantial items that indirectly lower the value of pension contributions and/or assets.

2.1. Costs/expenditures covered by fees

18. This section provides analysis of costs and expenditures that are explicitly covered by fees charged from the pension plan members. Direct comparison of fees and charges across jurisdictions may lead to inaccurate conclusions due to various reasons including different coverage of pension fees in each jurisdiction. Therefore in Table 3, we present jurisdictions by clusters, i.e. by groups of countries with identical or very similar items already covered by pension fees. We tentatively sorted them out in the descending order of the extent to which the underlying data incorporate the full range of fees, charges and expenses that ultimately affect member benefits.

19. Obviously, the ordering in Table 3 must be somewhat discretionary as it is subject to subjective assessment. Due to the diversity of cost positions in the countries, it seems impossible to design a more 'scientific' approach, so we maintained similar approach we introduced in the IOPS Working Papers No. 20 (April 2014). In this way, Namibia has fees that are the most inclusive of typical (yet not exhaustive list) of costs related to saving for retirement. One can therefore assume that the charge ratio that will be calculated for this jurisdiction will provide a reasonably accurate reflection of how much the assets accumulated by a member of the Namibian pension system are being reduced by all fees, charges and expenses directly or indirectly charged to the member. On the other hand, Austria has the least inclusive fees because plans/schemes administration fees, investment management fees, custodian fees, investment transaction costs, and guarantee costs would not taken into account when calculating the charge ratio.

Table 3. What do the pension plan members pay for in their fees?: Cost and fee elements explicitly covered in fees charged to the members

Country	Plan/scheme administration fees	Investment management fees, for:		Custodian fees	Investment transaction costs	Guarantee fees	Other (please specify)
		Primary funds only	Underlying funds				
Namibia	•	•	•	•	•	•	•
Poland	•	•	•	•	•	•	
Russian Federation	•	•	•	•	•	•	
Belgium (Fonds d'épargne-pension Pensioenspaarfonds)	•	•	•	•	•		• ¹⁾
Belgium (Branche 21 life insurance operated by an insurance company)	•	•	•		•		• ¹⁾
Belgium (Branche 23 life insurance operated by an insurance company)	•	•	•	• ²⁾	•		• ¹⁾
Hong Kong, China	•	•	•	•		•	• ³⁾
Australia	•	•	•	•	•		• ⁴⁾
Ghana	•	•	•	•	•		
Liechtenstein	•	•	•	•			•
Serbia	•	•	•		•		• ⁵⁾
Jamaica ⁶⁾	•	•	•		•		• ⁷⁾
India	•	•	•	•			• ⁸⁾
Nigeria	•	•	•	•			
Bulgaria	•	•	•				•
Peru	•	•		•	•	•	•
Slovak (2 nd pillar)	•	•		•	•		• ⁹⁾
Latvia (voluntary pensions)	•	•		•	•		• ¹⁰⁾
Portugal	•	•		•	•		• ¹¹⁾
Slovenia	•	•		•	•		
Hungary	•	•		•			
Mexico	•	•		•			• ¹²⁾
FYR of Macedonia ¹³⁾	•	•			•		•
Albania ¹⁴⁾	•	•					•
Costa Rica ¹⁵⁾	•	•			•		
Colombia	•	•					• ¹⁶⁾
Ireland	•	•					
Slovak (3 rd pillar)		•		•	•		• ¹⁷⁾
Latvia (mandatory pensions)		•		•	•		• ¹⁸⁾
Czech Republic		• ¹⁹⁾		•	•		• ²⁰⁾

(Transformed funds)							
Czech Republic (Participation funds)		• ¹⁹⁾		•	•		• ²¹⁾
Austria ²²⁾							•

* Notes: A **blank** cell means that the fee component **is not included** in the charge ratio calculations.
A **crossed** cell means that the fee component **is not applicable** in the jurisdiction.

1) Other: exit costs

2) Look through approach

3) Other: audit fees, legal costs, fund establishment costs, indemnity insurance & out-of-pocket disbursements like postage

4) Other: Advice fees, Exit fees, Insurance fees (for Life, Total Permanent Disability or Income Protection), or Family law requests

5) Other: tax liabilities, costs of the current maintenance of real estate in which fund assets are invested

6) The types of fees identified above represent the fees charged by Asset Managers and Administrators to funds and schemes in the Jamaican private pension industry

7) Other: audit, actuarial and legal fees

8) Other: Central Recordkeeping charges, Point of Presence fees (entry fee), Retirement advisers

9) Other: Success fee, other costs & fees (under the Act) paid only if the ground of their payment is related directly to the assets

10) Other: audit and consultants fees

11) Other: transfer fees, fees on the issuance and redemption of participation units, etc. The answer is based on the main costs and fees that are foreseen in the national legislation/regulations. The costs and fees which are effectively charged, as well as who borne those costs and fees in the case of occupational plans, have to be analysed on a case-by-case basis.

12) Other: Price vendor fees and market costs

13) Investment management fee is monthly fee from the value of the net assets of the pension fund. The fee is calculated on each valuation date of the pension fund assets, and it is charged from the asset of the pension fund on the fifth working day in the month after the valuation. The custodian fees are paid directly by the pension company from its own assets and the fees are listed in the contract between custodian and the pension company. The transaction fees related to transactions of acquisition or transfer of the assets of the pension fund are paid from the assets of the pension fund

14) The administration and investment costs are both covered by the management fee. Switching fee and early withdrawal fee are paid by the pension plan members, whereas audit fee, marketing fee, legal fee, etc. are paid by the pension management company

15) The information only refers to the main complementary pension scheme (ROP) in the second pillar. Even though investment fees (i.e. invest in mutual funds or ETFs) and investment transaction costs are not included in the charge ratio calculation, those costs are paid by the fund because the fund records the net return in these instruments

16) Other: Success fee, switching fee, termination settlement fee, other costs & fees (under the Act)

17) Other: Premium of the death and disability insurance, legal fees and administrative costs

18) Other: audit and consultants fees

19) Investment management fee has to be used to cover above mentioned custodian fees and investment transaction costs as well as commissions for intermediaries, cost of advertising and fees to the bank.

20) Other: Fee for transfers, fee for one-off payment

21) Commissions for intermediaries are specified in the Act No. 427/2011 Coll., on Supplementary Pension Savings. There is also exhaustive list of possible fees, which pension management company can charge from the participant in question (change in the savings strategy, transfers, etc.). There is also cap on commissions for intermediaries

22) In Austria, explicitly covered in fees (see Art. 16a PKG) are only three kinds of costs (costs for calculating a vested amount, costs for administration of non-contributory, investment management fees for (only) beneficiaries managed in the so called security investment- and risk sharing group). These special costs are stated as "other fees"

2.2. Costs/expenditures as indirect member reductions of pension savings

20. This section will stocktake the information about the most substantial items in the surveyed IOPS jurisdictions that indirectly lower plan members' contributions and/or assets.

Table 4. The most substantial costs which indirectly lower plan members' contributions and/or assets

Jurisdiction	Answer
Romania	<ul style="list-style-type: none"> ▪ In the mandatory pillar, pension fund management companies are allowed to charge only a fee on contributions and a fee on AUM. All other costs incurred by the pension fund are contained in the AUM fee. The only indirect cost relates to the underlying funds management fee. There is no estimate on the value of this.
Ireland	<ul style="list-style-type: none"> ▪ Investment management fees for underlying funds and investment transaction costs
Mauritius	<ul style="list-style-type: none"> ▪ Information not available at this stage

Request to the Members: Please let us know which are the most substantial, in your opinion, cost and fee elements in your jurisdiction that are paid indirectly by the pension plan members, therefore reducing members' pension contributions or assets. If possible, please provide the value/estimate of each item.

2.3. Charge ratios

21. In this section, charge ratios will be calculated in line with the methodology developed in the past (IOPS, 2014). Based upon the information received in sections 2.1 and 2.2., the jurisdictions will be grouped in comparable clusters, depending on the degree to which the explicit fees cover the cost and fee elements. Should any estimates of indirect member reductions be available, the charge ratios will be adjusted accordingly.

3. Conclusions

22. This section will provide conclusions of the study.

Proposed updated time frame:

March-April 2018	Final confirmation regarding data in each jurisdiction
June 2018	2 nd draft of the paper (extended with charge ratios and preliminary conclusions)
Summer- Autumn 2018	Final draft of paper – approval to publish it in IOPS Working Paper series

References

IOPS (2008). Comparison of Costs and Fees in Countries with Private Defined Contribution Pension Systems, IOPS Working Papers on Effective Pensions Supervision, No.6

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