

Key results

Private pension systems efficiency, as measured by the total operating costs in relation to assets managed, varies considerably between countries, ranking from 0.1% of assets under management annually to 1.5%. Fees charged to plan members to cover these costs also vary considerably in structure and level across countries.

The efficiency of private pension systems can be judged by looking at the total operating costs in relation to assets managed. The total operating costs of private pension systems include all costs of administration and investment management involved in the process of transforming pension contributions into retirement benefits.

The figure shows the operating costs of the pension fund industry reported by OECD countries in 2013. In general, countries with defined contribution systems and those with large numbers of small funds appear to have higher operating costs than countries with only a few funds offering defined benefit, hybrid, or collective defined contribution pension arrangements. For instance, operating costs accounted for 1.5% of assets under management in the Czech Republic, 1.4% in Estonia, 1.2% in Spain and Slovenia, 1.0% in Hungary, 0.8% in the Slovak Republic and Australia, and 0.7% in Mexico and Turkey. On the other hand, they accounted for less than 0.3% of total assets in Norway (0.3%), Iceland (0.2%), the United Kingdom (0.2%), Portugal (0.2%), Germany (0.2%), the Netherlands (0.1%), Denmark (0.1%) and Finland (0.1%).

In defined contribution private pension systems, providers cover their operating costs through the fees they charge to plan members. The structure of charges across countries is fairly complex. The analysis considers fees in selected DC systems only. While there is a tendency for countries from the same region (e.g. Latin America, Central and Eastern Europe) to have similar fee structures, they can vary greatly across wider geographical regions.

Variable fees on contributions can be expressed as percentages of salaries or as percentages of contributions. They can be found in Chile, Israel, Poland, the Slovak Republic and Turkey for instance. In Chile, fees are expressed as percentages of salary. Such fees on contributions are not

charged in Estonia, Mexico and Spain. In Mexico, as of March 2008, Afores may only charge a fee on assets, while before that date they could charge fees both on assets and on contributions.

A variable fee on the stock of funds can be levied either on the value of the fund or on returns. Such fees may encourage pension companies to seek higher investment returns. Fees on assets can be found in all countries presented in the table, except in Chile. Most countries only charge fees on assets, while the Czech Republic, Poland and the Slovak Republic charge fees both on assets and on returns.

Definition and measurement

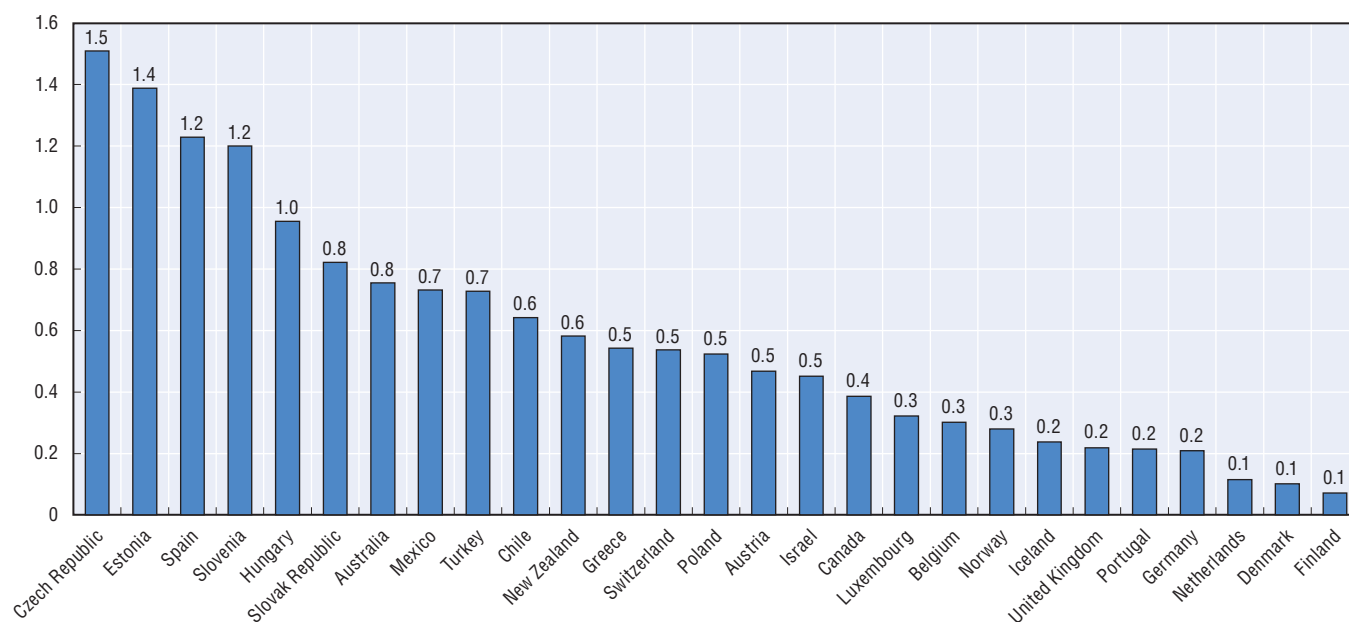
Operating costs include marketing the plan to potential participants, collecting contributions, sending contributions to investment fund managers, keeping records of accounts, sending reports to participants, investing the assets, converting account balances to annuities, and paying annuities.

Some costs may not be fully reported. For example, in Chile pension funds that invest in international mutual funds deduct management costs directly from the fund. These costs are reported separately by each pension fund administrator to the Superintendence of Pensions. However, they are not included in the fees charged to members and thus not included in the operating expenses.

Fees can either be fixed or variable. Fixed fees are characterised by the fact that their levels depend neither on salaries nor on funds. A variable fee may take the form of a percentage of the inflow of contributions, of the amount of assets managed, or of the investment return on the assets under management. The table only reports variable fees.

10.9. Pension funds' operating expenses as a share of total investments in selected OECD countries, 2013

As a percentage of total investment



Source: OECD Global Pension Statistics.

StatLink <http://dx.doi.org/10.1787/888933300930>**10.10. Total fees or commissions charged by pension funds or their administrators/managers to members, by type of fee, in selected OECD countries, 2013**

As a percentage of total investment

	Fee on contributions	Fee on assets	Fee on return/performance	Other fees (e.g. exit fees, entry fees, switching fees)	Total
Chile	0.6	-	-	-	0.6
Czech Republic	..	0.6	0.3
Estonia	-	1.3	-	0.0	1.4
Hungary	..	0.5	-
Israel	0.1	0.1
Mexico	-	1.0	-	-	1.0
Poland	0.1	0.4	0.0	-	0.5
Slovak Republic	0.1	0.6	0.2	0.1	0.9
Slovenia	..	0.9	-	2.2	..
Spain	-	1.0	-	-	1.0
Turkey	0.1	0.6	-	0.2	0.9

Note: .. = Not available; - = Nil.

Source: OECD Global Pension Statistics.

StatLink <http://dx.doi.org/10.1787/888933301293>



From:
Pensions at a Glance 2015
OECD and G20 indicators

Access the complete publication at:
https://doi.org/10.1787/pension_glance-2015-en

Please cite this chapter as:

OECD (2015), "Pension fund operating costs and fees", in *Pensions at a Glance 2015: OECD and G20 indicators*, OECD Publishing, Paris.

DOI: https://doi.org/10.1787/pension_glance-2015-39-en

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