

### Key results

Pension providers charge fees to members to cover their operating expenses for running pension plans. Most countries cap fees, generally fees on assets, which can be charged to members. Other initiatives to reduce the fees charged by the industry include auction mechanisms based on fees such as in Chile and in New Zealand (along with other criteria). Regardless of the fee structure, members paid the lowest amount of fees in 2018 in Australia, Chile and Israel (0.5% of assets).

Pension providers charge fees to their members to cover their operating expenses. Operating expenses 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.

Pension providers charge fees to members in different ways depending on the country. Fees can be charged on contributions or on salaries directly (e.g. Chile), on assets (e.g. Estonia, Spain), on performance, or a combination (e.g. the Czech Republic where pension funds can charge fees on assets and profits). On top of regular fees, members in some countries may be charged fees when they join, switch or leave a pension provider (e.g. the Czech Republic).

Most countries - 12 out of 20 reporting OECD countries - capped some of the fees that pension providers can charge to members. Most of these 12 countries capped fees on assets, which is one of the most widespread way for pension providers to charge members. Some have been lowering their cap on fees recently (e.g. Estonia, the Slovak Republic, Spain). In Estonia, the cap for management fees of mandatory pension funds became 1.2% for all pension funds from 2 September 2019 (while before, the cap was 1.2% for conservative funds only, 2% for the other funds). Spain recently reduced the cap on custody fees (from 0.25% to 0.2%) and the cap on management fees for fixed income funds (from 1.5% to 0.85%) and for equity funds (from 1.5% to 1.3%).

Other initiatives to reduce the fees charged by the industry include auction mechanisms based on fees such as in Chile and New Zealand (along with other criteria). Pension providers in Chile bid on fees charged to members. The winning pension provider receives all new eligible entrants.

In New Zealand, default providers are selected based on a range of selection criteria that include fees. These mechanisms intend to drive the fees down.

The amount of fees charged to members was heterogeneous across countries at the end of 2018. Regardless of the fee structure, the highest fees charged to members relatively to the amount of assets under management were recorded in Turkey (2.0% in 2017) and Spain (1.1%) among reporting OECD countries. By contrast, members paid the lowest amount of fees in Australia, Chile and Israel (0.5% of assets).

### Definition and measurement

The term "funded and private pensions" actually refers to private pension arrangements (funded and book reserves) and funded public arrangements (e.g. ATP in Denmark).

Some fees may not be fully reported in all the cases. Data may underestimate the actual charges on the pension pot paid by members in some countries (e.g. through indirect costs reducing investment returns). 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.

### Further reading

IOPS (2018), 2018 Update on IOPS work on fees and charges, IOPS Working Papers on Effective Pensions Supervision, No.32

OECD (2018), OECD Pensions Outlook 2018, OECD Publishing, Paris.

Table 9.6. Fee structure in selected OECD countries

	Fees on salaries	Fees on contributions	Fees on assets	Fees on returns / performance	Other fees (e.g. exit fees, entry fees, switching fees)
Australia (except MySuper)	No cap	No cap	No cap	No cap	No cap
Chile	No cap	x	x	x	x
Czech Republic - transformed funds	x	x	Capped	Capped	Capped
Czech Republic - participation funds	x	x	Capped	Capped	Capped
Denmark	No cap	No cap	No cap	No cap	No cap
Estonia - mandatory schemes	x	x	Capped	x	Capped
Estonia - voluntary schemes	x	x	No cap	x	No cap
Ireland	No cap	No cap	No cap	No cap	No cap
Israel	x	Capped	Capped	x	x
Italy	x	No cap	No cap	Possible but rare	No cap
Korea - occupational DC	x	x	No cap	x	x
Latvia - state funded scheme	x	Capped	Capped	Capped	x
Latvia - private pension funds	x	No cap	No cap	No cap	x
Lithuania - 2nd pillar	x	x	Capped	x	Capped
Lithuania - 3rd pillar	x	No cap	No cap	x	Capped
Mexico	x	x	No cap	x	x
Poland - open pension funds	x	Capped	Capped	Capped	x
Poland - PPK	x	x	Capped	Capped	No cap
Portugal	No cap	No cap	No cap	No cap	Capped
Slovak Republic - 2nd pillar	x	Capped	Capped	Capped	x
Slovak Republic - 3rd pillar	x	x	Capped	Capped	Capped
Spain	x	x	Capped	x	x
Sweden - Premium pension	x	x	Capped	x	x
Turkey - auto-enrolment plans	x	x	Capped	Capped	x
United Kingdom - default funds	x	x	Capped	x	x
United States	No cap	No cap	No cap	No cap	No cap

Note: "x" means that the type of fee does not exist or is not allowed in the country.

Source: OECD Reviews of Pension Systems: Latvia; and OECD Global Pension Statistics.


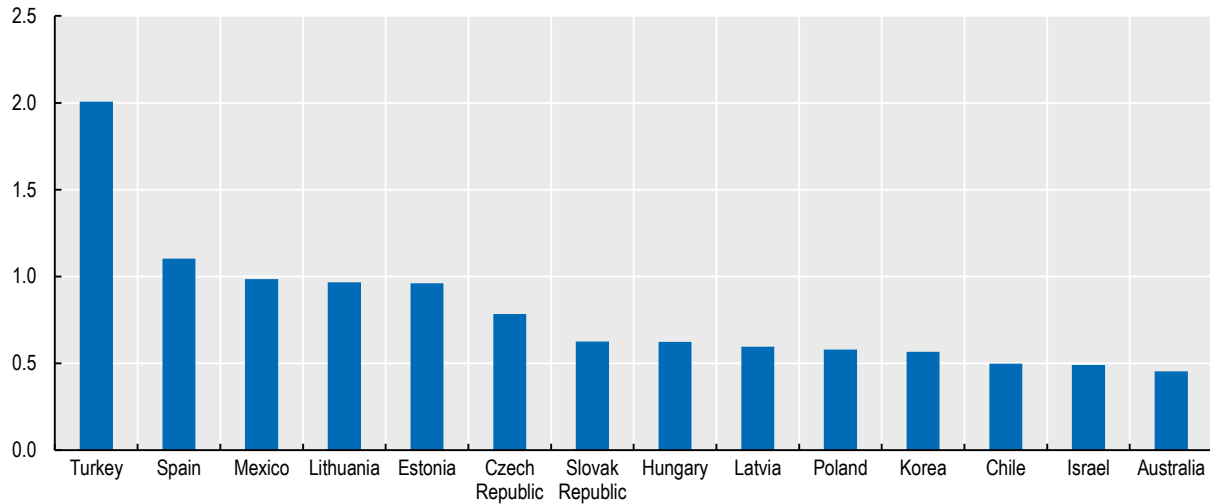

StatLink  <https://doi.org/10.1787/888934042561>

Figure 9.6. Annual fees or commissions charged to members, 2018 or latest year available  
As a percentage of total assets



Source: OECD Global Pension Statistics.

StatLink  <https://doi.org/10.1787/888934042580>



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