

### 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. In some countries, the actual amount of fees levied on assets is close to this cap (such as in Costa Rica and the Czech Republic) while in some others, the cap does not seem too binding as pension providers charge less (such as in Estonia and Hungary). 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).

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 and supervisors, investing the assets, converting account balances to benefit payments, and making these payments.

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. Colombia), on assets (e.g. Estonia), 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 can be charged fees when they join, switch or leave a pension provider (e.g. Hungary, the Czech Republic).

Most countries – 17 out of 22 reporting OECD countries – capped some of the fees that pension providers can charge to members. Most of these 17 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 to reduce the fees charged by the industry. For instance, Costa Rica has been reducing the maximum fees on assets for the mandatory ROP system to reach 0.35% in 2020. In Estonia, the management fee for second pillar pension funds must decline by 10% after each EUR 100 million of assets under management since 2015, and since 2 September 2019, the cap for management fees became 1.2% for all pension funds (while before, the cap was 1.2% for conservative funds only, 2% for the other funds). However, Estonia also introduced a performance fee for all funds except conservative ones, on top of the basic fee, in 2019.

The actual level of fees charged to members, aggregated at the national level and expressed as a percentage of total pension assets, can be compared to the cap in the legislation when fees are precisely levied on assets. For instance, pension providers charged fees on assets near or as high as the cap in Costa Rica (cap at 0.35%) and the Czech Republic (cap at 0.8% for transformed funds that are the main type of funds in the

country). The choice of the level of the cap is therefore important but challenging. If the cap is too high, charges may rise to the level of this cap. If the cap is too low, pension providers may try to lower costs and could lower the quality of the services they provide. In some other countries, pension providers charge less on assets than the cap (which may not be binding), such as 0.6% in Estonia (with a cap at 1.2% for the second pension pillar and no cap for the third pension pillar), and 0.3% in Hungary (with a cap at 0.8%).

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 fees down.

### Definition and measurement

The term “retirement savings plans” refers to private pension arrangements (funded and book reserves) and funded public arrangements (e.g. ATP in Denmark).

The actual level of fees charged to members, aggregated at the national level, is difficult to compare across countries for multiple reasons. First, the aggregated amounts of fees could be the result of many factors, including the fee structure and the maturity of the system. These aggregated amounts, shown at a given point in time, do not reflect the amount of fees that individuals bear over their lifetime nor how expensive DC plans are from the perspective of members whatsoever. Second, fees may pay for different levels of services across countries and should be examined in light of these services and of the value they generate for plan members. Third, some indirect charges that reduce the pension pot of plan members may also still need to be uncovered and disclosed for some countries, and would therefore not be accounted for in the currently available data on fees for these countries.

Table 9.6. Fee structure in selected OECD and other major economies

	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 except for low balances	No cap	No cap
Chile	No cap	x	Capped	x	x
Colombia	Capped	x	x	x	Capped
Costa Rica – ROP	x	x	Capped	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 – 2nd pension pillar	x	x	Capped	Capped	Redemption fee could be charged
Estonia – 3rd pension pillar	x	x	No cap	x	No cap
Hungary – voluntary personal pension funds	x	Capped	Capped	x	Capped
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	Capped
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	No cap	Capped
Mexico – personal plans	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
Slovenia	x	Capped	Capped	x	Capped
Spain	x	x	Capped	No cap	x
United Kingdom – default funds	x	x	Capped	x	x
United States	No cap	No cap	No cap	No cap	No cap
Brazil – open pension entities	x	Capped	No cap	No cap	Capped

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

Source: OECD Pension Markets in Focus 2021.

StatLink  <https://stat.link/ihz89w>

Table 9.7. Annual fees charged to members, by type of fee, 2020

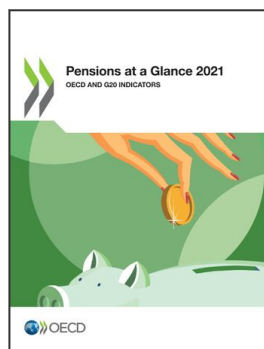
As a percentage of total assets

	Fees on salaries	Fees on contributions	Fees on assets	Fees on returns / performance	Other fees (e.g. exit fees, entry fees, switching fees)
Australia			0.4		
Chile	0.5	x	0.3	x	x
Colombia	0.4	x	x	x	0.2
Costa Rica	x	x	0.3	x	x
Czech Republic	x	x	0.8	0.1	0.0
Estonia	x	x	0.6	0.1	0.0
Hungary	x	0.3	0.3	x	..
Korea	x	x	0.5	x	x
Lithuania	x	..	0.6	..	0.0
Mexico	x	x	0.8	x	x
Poland	x	0.0	0.4	0.0	x
Slovak Republic	x	0.1	0.4	0.2	0.0
Slovenia	x	..	0.8	x	..
Spain	x	x	1.0	..	x

Note: “x” means that the type of fee does not exist or is not allowed in the country. “..” means missing data. All the fees are expressed in this Table as a percentage of total assets, even when fees are levied on salaries, contributions or investment income.

Source: OECD Global Pension Statistics.

StatLink  <https://stat.link/w2o5gz>



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