

Fees charged to members of defined contribution plans

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 Czechia) while in some others, the cap does not seem too binding as pension providers charge less (such as in 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), and heatmaps highlighting underperformance and high fees of pension products such as in Australia.

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 (Table 9.6). Fees can be charged on contributions or on salaries directly (e.g. Colombia), on assets (e.g. Estonia, Spain), on performance, or a combination (e.g. Czechia 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. Czechia, Hungary).

Most countries – 18 out of 24 reporting OECD countries – capped some of the fees that pension providers could charge to members in 2022. Most of these 18 countries capped fees on assets, which is the most widespread way for pension providers to charge members.

The actual level of fees charged to members, aggregated at the national level and expressed as a percentage of total pension plan 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 Czechia (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 countries, pension providers charge less on assets than the cap (which may not be binding), such as 0.4% in Hungary (Table 9.7) (with a cap at 0.8%).

Some countries have also had other initiatives to reduce the fees charged by the industry or improve value for money. These initiatives 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. In

Australia, the pension supervisor publishes heatmaps highlighting underperformance and high fees of superannuation product offerings, so as to urge trustees to reduce fees and review investment performance.

Definition and measurement

The term “pension plans” refers to plans that individuals access via their employer or a financial institution, and in which they accumulate rights or assets. Assets belong to plan members and finance their own future retirement. These assets may accumulate in pension funds, through pension insurance contracts or in other savings vehicles offered and managed by banks or investment funds. Employers may set up provisions or reserves in their books to finance the retirement benefits of occupational pension plans.

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.

Further reading

IOPS (2018), “2018 Update on IOPS work on fees and charges”, *IOPS Working Papers on Effective Pensions Supervision*, No. 32, <https://www.iopsweb.org/WP-32-2018-Update-on-IOPS-work-on-fees-and-charges.pdf>.

OECD (2018), *OECD Pensions Outlook 2018*, OECD Publishing, Paris, https://doi.org/10.1787/pens_outlook-2018-en.

OECD (2023), *Pension Markets in Focus 2022*, OECD, Paris, <https://www.oecd.org/daf/fin/private-pensions/Pension-Markets-in-Focus-2022-FINAL.pdf>.

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	x
Chile	No cap	x	Capped	x	x
Colombia	3% (including insurance)	x	x	x	Capped
Costa Rica – ROP	x	x	0.35%	x	x
Czechia – transformed funds	x	x	0.8% of mean annual fund value	10% of profit	Capped
Czechia – 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	x
Estonia – 3rd pension pillar	x	x	No cap	x	No cap
Germany – DC schemes managed by pension funds	No cap	No cap	No cap	No cap	No cap
Hungary – voluntary personal pension funds	x	6%	0.8%	Included in the 0.8% fee cap on assets	Capped
Ireland	No cap	No cap	No cap	No cap	No cap
Israel	x	6%	0.5%	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	2.5%	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	Capped	x	x
Poland – open pension funds	x	1.75%	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	0.25% + 1%	0.3% of mean annual fund value	Capped	x
Slovak Republic – 3rd pillar	x	x	Capped	Capped	Capped
Slovenia	x	3%	1% of mean assets	x	Capped
Spain	x	x	Capped	No cap	x
Türkiye – personal plans	x	No cap	No cap	x	No cap
United Kingdom – default funds	x	x	0.75%	x	x
United States	No cap	No cap	No cap	No cap	No cap
Brazil – open pension entities	x	5%	No cap	No cap	Capped

Note: “x” means that the type of fee does not exist or is not allowed in the country. “No cap” means that this type of fees exists and there is no limit in the amount that can be charged to members. For Latvia, the 2.5% cap is for fees paid to the social security. In Portugal, in the specific case of personal retirement saving schemes, 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. For the Slovak Republic, the 0.25% cap is for fees paid to the social security institute and the 1% cap is for fees for maintaining the account.

Source: OECD Global Pension Statistics.


StatLink  <https://stat.link/5ra0zl>

Table 9.7. Annual fees charged to members of defined contribution plans by type of fees, 2022

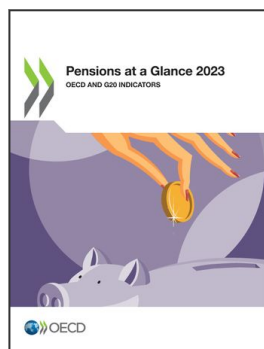
As a percentage of total assets

	Fees on salaries	Fees on contributions	Fees on assets	Fees on returns / performance	Other fees
Australia			0.4		
Chile	0.6	x	0.3	x	x
Colombia	0.3	x	x	x	0.2
Costa Rica	x	x	0.4	x	x
Czechia	x	x	0.8	0.1	0.0
Estonia	x	x	0.6	0.0	0.0
Hungary	x	0.4	0.4
Lithuania	x	..	0.5	..	0.0
Mexico	x	x	0.5	x	x
Poland	x	0.0	0.5	0.0	x
Slovak Republic	x	0.1	0.4	0.0	0.0
Slovenia	x	..	0.8	x	..
Spain	x	x	1.1	..	x
Türkiye	x	0.1	1.4	x	0.4

Note: “x” means that the type of fee does not exist or is not allowed in the country. 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. These percentages are therefore not comparable with the maximum set by law when this maximum is expressed as a percentage of salaries, contributions or investment income. Data for Australia refer to June 2022 for entities with more than six members and come from APRA Annual Superannuation Bulletin. For Colombia, fees are charged on qualifying income, and severance fund management fees are not included. Data for Costa Rica refer to the ROP only. Data for Hungary refer to voluntary private pension funds only. Data for Mexico and Spain refer to personal plans only. Data for Poland refer to open pension funds only.

Source: OECD Global Pension Statistics.

StatLink  <https://stat.link/y75213>



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