

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 to 1.2%. Fees charged to plan members to cover these costs 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 2009. 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 1.2% of assets under management in Mexico, 1.1% in Spain, 0.9% in Slovenia, 0.8% in Chile and New Zealand, and 0.7% in the Slovak Republic and Hungary. On the other hand, they accounted for less than 0.3% of total assets in Austria (0.2%), Greece (0.2%), Denmark (0.1%), Iceland (0.1%) and Luxembourg (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 mandatory DC systems only.

Fixed fees are found in Australia, Denmark, Mexico and Poland. In Denmark, these fees cover the administration of investments and the administration of the insurance part of the ATP system. In Mexico, only two Afores (out of 16) charged fixed fees in 2009 for additional balance statements and document replacement. In Poland, there is a fixed fee for transfer from one fund to another, based on the duration of membership (PLN 60 for less than one year, PLN 80 for less than two years, no fees for more than two years).

Variable fees on contributions (expressed as percentages of salaries or percentages of contributions) are the most common and are found in most countries in the table. Exceptions are Denmark, in which only fixed fees are charged for the ATP, Estonia, Mexico and Sweden. 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 stock can be levied either on the value of the fund or on returns. Such fees may encourage pension companies to seek higher investment returns. Australia, Estonia, Hungary, Israel, Mexico and Sweden only charge fees on assets, while Poland and the Slovak Republic, charge fees both on assets and on returns.

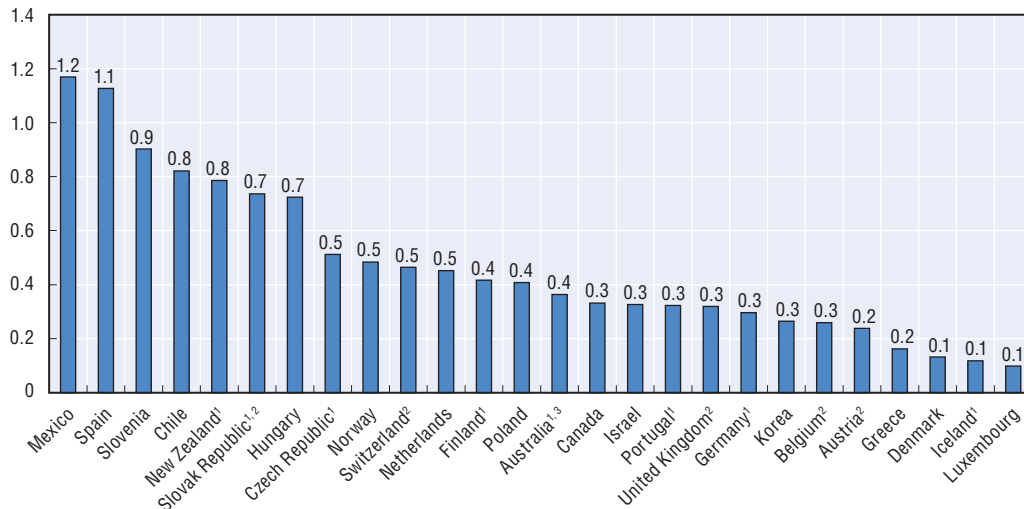
Definition and measurement

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.

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.


Some fees may not be fully reported. For example, in Chile pension funds that invest in international mutual funds deduct management fees directly from the fund. Such fees are not reported separately by pension fund administrators.

Pension funds' operating expenses as a share of total investments in selected OECD countries, 2009 (%)



1. Data do not include investment management costs.
2. Data refer to 2008.
3. Data do not include self-managed superannuation funds.


Source: OECD Global Pension Statistics.

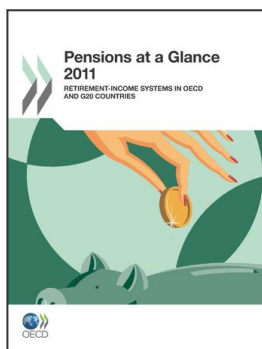
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Average administration fee in mandatory DC systems in selected OECD countries, 2009

	Net fee on contributions (as a % of salary)	Fee on assets (as a % of individual account balances)	Fee on return (as a % of investment income)	Fixed fee (in local currency)
Australia	0-4.5% on contributions	0.7-2.53		38 (annual)
Chile	1.50			
Denmark				362
Estonia		1.54		
Hungary	0.44	0.57		
Israel	4.3% on contributions	0.39		
Mexico		1.70		From 13.02 to 21.70
Poland	0.44	0.41	0.023% of assets	From 80 to 160 (transfer fee)
Slovak Republic	1% on contribution (fee for maintaining of a personal pension account)	Max. 0.025% of the average net monthly value of pension fund's assets	Max. 5.6% of one sixth of the return achieved during past six months	
Sweden		0.42-1.21		

Source: National supervisory authorities' estimates.

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