

PRESS RELEASE

EMBARGOED UNTIL 00.01 Tuesday 4th December
2018

“If transparency of costs are improved in the UK this may impact upon reduction of costs as seen in the Netherlands ” says Pensions Policy Institute

The Pensions Policy Institute (PPI) is today publishing *Charges, returns and transparency in DC: What can we learn from other countries?* a report that explores UK charges for pension schemes against those in the US, Australia, the Netherlands and Sweden. The report is sponsored by Which?.

The report finds that UK pension Defined Contribution (DC) fund charges are generally towards the lower end of those in the countries studied; they are competitive with those in the US and cheaper than those in Australia. And whilst Dutch and Swedish DC charges to scheme members look competitive, overall they are typically more complex with additional administration fees, in the case of the Netherlands, paid for by the employer.

It also found that the level of charges in the US and Australia has been reducing at around 2% a year. This suggests that as DC pensions schemes grow so do the economies of scale – although the trend to invest in cheaper, passive funds may also be a contributory factor.

The report highlights the improved transparency of costs in the Dutch pensions system and its reported impact in reducing costs, and sees current developments in the UK as working down a similar path.

Daniela Silcock, Head of Policy Research said: *“The way in which economies of scale play out in the UK will be important to understand as part of the debate around value for money in DC pensions. Until recently, UK disclosure did not facilitate direct examination of how costs are changing as it does in the Netherlands or Australia. It may be important for all stakeholders in the UK market to have access to this data to manage outcomes better as scale grows in UK DC.”*

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Notes for editors

1. The Pensions Policy Institute (PPI) is an educational research charity, which provides non-political, independent comment and analysis on policy on pensions and retirement income provision in the UK. Its aim is to improve the information and understanding about pensions policy and retirement income provision through research and analysis, discussion and publication. Further information on the PPI is available on our website www.pensionspolicyinstitute.org.uk.
2. Which? has been championing the cause for consumers since 1957, asking probing questions of businesses and manufacturers, and pursuing the answers that put you in the driving seat. Today, Which? has more than 1.3m members and supporters, making us the largest independent consumer body in the UK.
3. Sponsorship has been given to help fund the research, and does not necessarily imply agreement with, or support for, the analysis or findings from the project.

A Pensions Policy Institute report

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