



Press Release

No apparent direct relationship between higher costs and (out) performance of pension scheme

No direct relationship between higher costs and out performance of Pension Scheme's investment portfolios can be established based on the results of the first KAS BANK Cost Benchmark Report in the Netherlands. The Cost Benchmark was compiled with information from the 2014 De Nederlandsche Bank (DNB) Quarterly Reports of 40 pension schemes, representing the retirement savings of more than one million pension scheme members.

Management of pension schemes costs has been increasingly in the spotlight in the Netherlands, where regulators and pension scheme members want to be informed about charges in the most transparent manner possible. To date the problem with comparison is that charges have not been compared on a like-to-like basis, or insufficient data has prevented thorough comparison. The KAS BANK Cost Benchmark compares the costs of pension schemes based on similar size of participants and active members, pension scheme type and the entire universe. This gives pension schemes the ability to clarify how the individual pension scheme performs in comparison to its peers. The Dutch benchmark is composed of a variety of corporate, industry wide and occupational pension schemes in the Netherlands.

No apparent direct relationship between higher costs and (out)performance

Traditionally Asset Managers justify their management fees by highlighting the outperformance they achieve compared to the benchmark used by the pension fund. However, KAS BANK's report indicated that there may be no consistent correlation between higher costs and outperformance. The results also indicate that the same applies to the relationship between management costs and total returns.

Implementation costs per member significantly higher for corporate pension schemes

A second conclusion from the benchmark is that the cost per member of Company Pension Schemes (OPF) is significantly higher than for Industry Wide Pension Schemes (BPF). Between various Asset Management fees there can be a difference of 11 basis points between the two types of pension scheme. This is 3 basis points higher than stated in a study by De Nederlandsche Bank (DNB) in 2015 which examined economies of scale in investment costs. At the same time this confirms reports of a drop in costs per member investing in small and medium-sized funds as the scheme membership increases. The administrative costs per member are significantly higher within company schemes than in industry wide schemes by 2.7 times. Therefore scale remains an important factor for company schemes, as a result the arrival of general pension schemes "Algemeen Pensioenfonds" (APF) in the Netherlands will be of increased value.

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