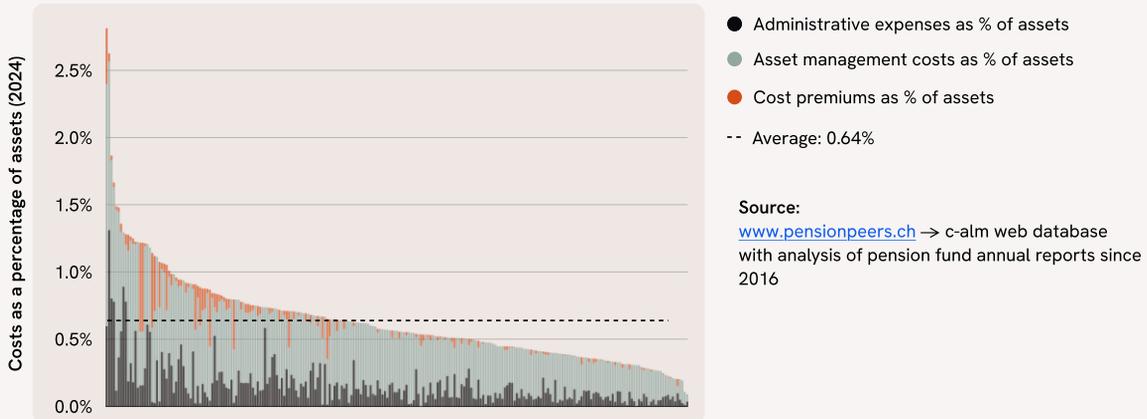


# Economico Flash ⚡ #50

Cost-benefit ratio of a pension fund: Costs



Chart of the week: The three cost sources for pension funds



The book on the true costs of a pension fund comprises three chapters! And each of these chapters, or rather each cost component, can be transparently derived from the pension fund's annual report. The **three cost components** are **administrative expenses, asset management costs, and the cost premium**. In this week's chart, we have stacked these three components for each pension fund. The **total costs** average **0.64%** of the pension fund's assets. Now, let's look at the individual cost components:

- **Administrative expenses (average 0.16%):** Administrative expenses include general administrative costs, marketing and advertising costs, brokerage fees, auditor fees, occupational pension experts, and regulatory oversight. A pension fund's administrative expenses can be directly derived from its operating statement.
- **Asset management expenses (average 0.44%):** Asset management costs must be reported separately. This includes, first and foremost, asset management fees, custody fees, and expenses for property management. Since the structural reform of 2011 and a corresponding directive from the supervisory authority, the costs included in collective investment vehicles (investment funds, investment foundations, structured products, etc.) must also be disclosed in the notes to the financial statements. The author was able to actively participate in drafting this regulation at the time ;-)

- **Cost premium (average 0.04%):** Some pension funds, particularly those linked to insurance companies, outsource the provision of risk benefits and, in some cases, retirement benefits to a life insurance company. In return, they pay the life insurance company an insurance premium, which—depending on the scope of coverage—consists of a savings premium, a risk premium, and a cost premium. The corresponding breakdown must also be disclosed by the pension fund in the notes to its annual financial statements. The cost premium should be considered an integral component of a pension fund's costs.
- While there may be valid reasons for high costs in certain cases, the general assumption that one is better off with a cost-efficient pension fund is not incorrect.

## Takeaways

- The costs of a private health insurance company consist of three components.
- In a cost-efficient private health insurance company, one wants to be