

VALUE FOR MONEY

The cost compass

The continent’s pension sector is rethinking fees and costs as regulators, providers and policymakers shift the debate from price alone in search for value for money, transparency and better long-term outcomes for savers. Pete Carvill reports

Recent months on the continent have seen a handful of developments when it comes to fees and costs associated with European pensions, most particularly those levelled – usually as a percentage – against pension holders.

In April, the Swedish financial regulator Finansinspektionen (FI) said it was looking to examine the fees for individual occupational

pensions, which are significantly higher than those under collective agreements. Reports at the time stated that the standard management fee was usually around 1.25 per cent for those with an individual occupational pension; conversely, those in their collectively agreed counterparts paid typical fees of around only 0.34 per cent.

The FI’s explanation for this at the time was

that this was due to the lack of bargaining power between the two types of pension holders.

At the same time, also in Sweden, the local government collective agreement saw its 1.2 million employees cut their own pension management fees. The reform also introduced a uniform annual fee structure, aimed at simplifying the system and reducing costs for members.

Whilst there are some positive stories emerging from the Nordics, over in the Netherlands, its pension reform appears to be having a negative impact on fees. The Dutch pension law, known as the Future Pensions Act (Wtp), has already seen many Dutch pension funds switch to the new system, bringing with them approximately 9.5 million workers (for context, the population of the Netherlands is about 18.5 million).

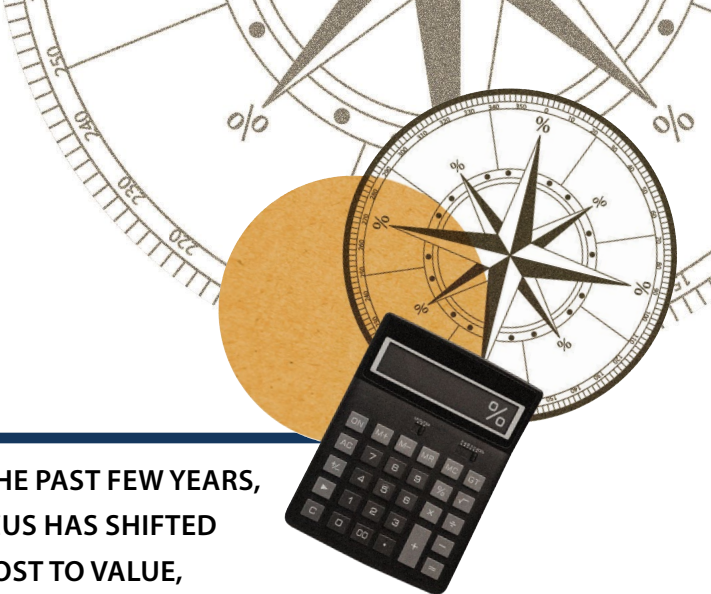
The aims and methodology of the Wtp are simple: moving the nation away from defined benefit (DB) schemes to their defined contribution (DC) equivalents. And, in doing so, maintaining the sense that the schemes are working for the end consumer and no one else.

What this has caused, however, is an increase in fees. According to Bell PCA, the average costs per participant increased from €110 in 2022, to €121 in 2023, and then to €136 in 2024. That was a 10 per cent increase between the first two years, followed by a 12.4 per cent rise. Overall, between 2022 and 2024, the overall increase was 23.64 per cent. This was brought on by preparations for the Wtp transition, Bell PCA said.

Other, more recent numbers are starker. For example, PME Pension Fund's annual report for 2025 revealed that costs for pension management per participant rose from €115 in 2024 to €178 in 2025, or close to 55 per cent.

However, PME spokesperson, Rutger Schuil, says there is an expectation that these costs will drop significantly in future years, adding: "By how much is hard to estimate, but most likely to the level before or lower. The costs are paid for by our participants and employers by roughly one third and two thirds."

It is still early days with little known about what will happen to the current bump in fees that the market is seeing. Festina Finance country head, Dan McLaughlin, says: "In the years ahead, we will have to wait and see how



**"OVER THE PAST FEW YEARS,
THE FOCUS HAS SHIFTED
FROM COST TO VALUE,
WITH A RECOGNITION THAT NET
RETURNS ARE WHAT REALLY MATTER"**

the post-transformation phase plays out in terms of member outcomes and the fees they pay. What is certain is that the transition to Wtp has driven an impressive increase in data quality and a move to modern technology systems, both vital as the foundation delivery the best outcomes for members."

A shifting landscape

These developments have played out against a shifting landscape in which costs and fees have been paid particular attention to. Back in 2015, the European Insurance and Occupational Pensions Authority (EIOPA) looked at the costs and charges associated with Institutions for Occupational Retirement Provisions (Iorps).

At the time, EIOPA found that the pensions landscape across the European markets was highly heterogeneous, a fact reflected in the costs and charges structure of occupational pensions.

But things change. In the 11 years since then, the conversation has shifted from the price of a product or service costs but to how it ultimately enriches its end-user.

WTW senior consultant for retirement, David Robbins, says: "Over the past few years, the focus has shifted from cost to value, with a recognition that net returns are what really matter."

The reason for this shift has largely been the movement from DB to DC schemes. In 2021, analysts working for the European Central Bank estimated that once Dutch pension funds have transitioned the share of DC pension fund schemes in the euro area would increase from around 17 per cent to 77 per cent.

Even EIOPA acknowledges this, as its spokesperson says: “Value for money and in particular costs transparency become especially relevant in the context of a continuing phenomenon across the continent of shifting from DB to DC pension schemes, where individual members increasingly carry the risks of their retirement outcome.

“Value for money and addressing the existing cost cap has been also an important part of the Pan-European Personal Pension Product (PEPP) section of the 2025 Technical Input that EIOPA gave the European Commission for the revision of both the IORP II Directive as well as the PEPP regulation. And the European Commission has put forward value for money and cost transparency aspects in its proposal to boost supplementary pensions from November 2025 that focus on the review of the two pensions legislative pieces of European legislation.”

The impact of fees

There is no doubt that elevated or higher fees grossly impact pension holders, particularly over the lifecycle of their pension savings. Higher fees, even just a small percentage, add up over time.

Even a single percentage point can have a gross impact. According to the OECD, annual costs and charges of 1 per cent of assets reduce final pension income by more than 20 per cent after 40 years of pension saving. Or looked at from another perspective, that would require an increase in contributions of more than 20 per cent to achieve a given level of retirement income.

Those are big proportions, possibly seen as small in the day-to-day by the end consumer.

“Even where people compare charges at all,” says Robbins, “a difference that appears as a fraction of 1 per cent does

not look like one that can translate into serious amounts of money when compounded over decades.”

There is a movement to bring down fees in order to guarantee more lucrative outcomes for pension holders – the thinking is that reducing the amount of money spent in this area will add buoyancy to another. One option would be for consolidation amongst individual pension pots as people move throughout their careers from one employer to another.

That, says Robbins, could see charges move down rather than up. Many, he says, want to see all their pensions in the same place. He adds: “But it remains to be seen whether allowing people to view multiple pots on a pension dashboard will give fresh impetus to this sort of consolidation or reduce it because it is easier to keep track of multiple pots.”

A regulatory level

At a higher level, there are moves towards a better understanding of fees and costs on the continent. In its special report from 2025 on developing supplementary pensions, the European Court of Auditors recommended that EIOPA systematically collect, analyse, and publish comparable data on the costs and charges, past performance and value-for-money risks of Iorps in all member states in order to improve transparency on Iorps’ costs and returns.

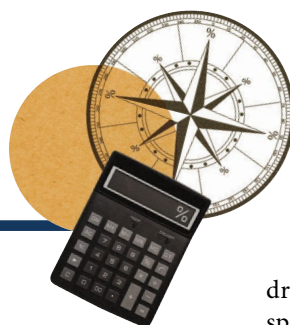
In response, EIOPA said that it had already been collecting limited data on expenses for personal pensions and, more recently, for occupational pensions, too. This data is limited to costs and past performance reports.

However, its spokesperson says that it intends to further develop this activity.

One area that will be looked at will be that of cost transparency. EIOPA has stated that this should be reflected towards scheme members, a position it has held since its 2020 Model

Pension Benefit Statement. This, it says, has been available for member states to draw ‘inspiration’ from with a model focusing specifically in a section on the costs and charges aspect.

There seems, then, to be a direction of travel. But the details so far are scarce – and that is where the devil likes to hide.



“IN THE YEARS AHEAD, WE WILL HAVE TO WAIT AND SEE HOW THE POST-TRANSFORMATION PHASE PLAYS OUT IN TERMS OF MEMBER OUTCOMES AND THE FEES THEY PAY”