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Funded pensions in Poland: Fee structure, disclosure and education

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Pension funds in Poland - basic facts

- Around 10 million members
 - ⇒ mandatory participation for all workers born after 1968
 - ⇒ voluntary participation for workers born between 1949 and 1968 (choice made in 1999)
- 18 pension funds operating on the market
 - ⇒ three mergers completed in 2000 and 2001



Fee structure

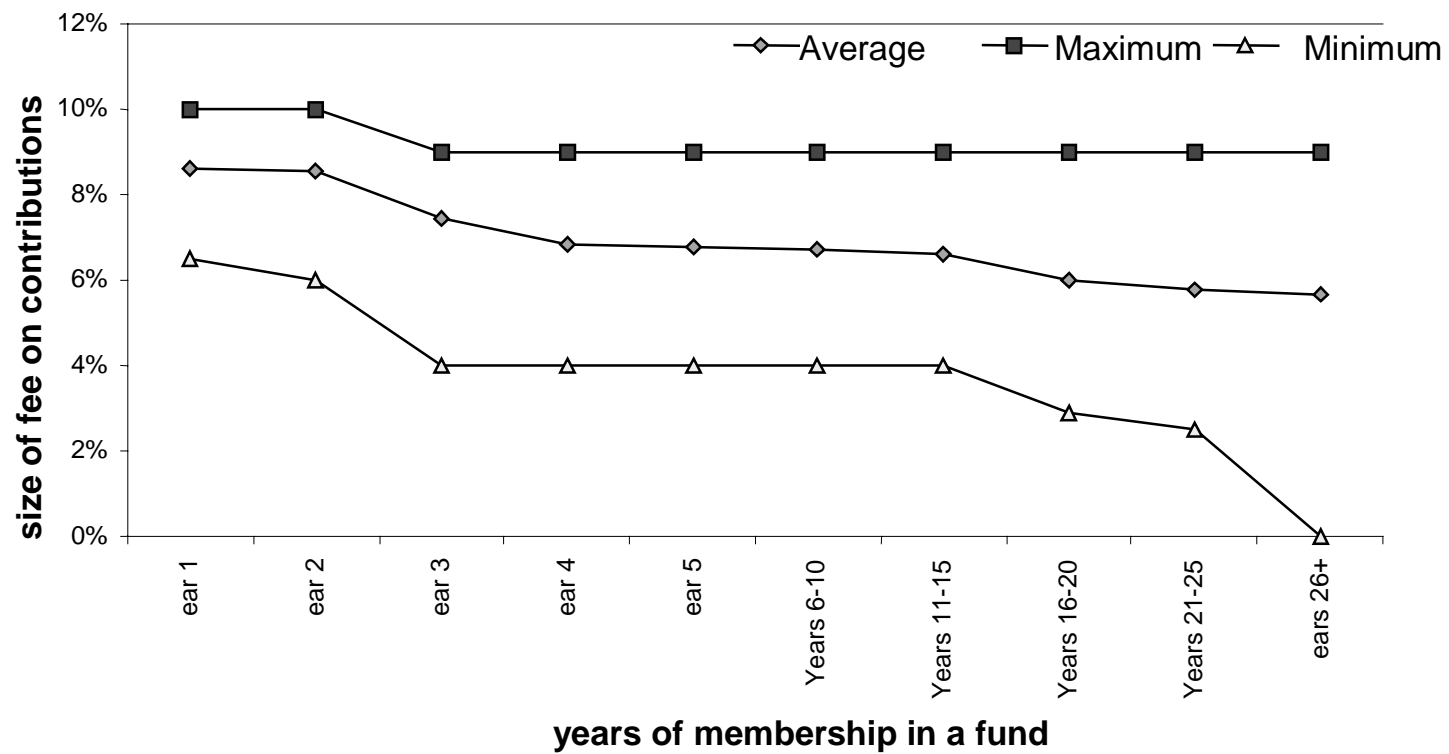
- Fees defined in the Law on organisation and functioning of pension funds include:
 - ⇒ up-front fee on contributions
 - not limited by the law
 - ⇒ management fee on assets
 - maximum: 0.6% of assets annually

Type of fee	Main advantage	Main disadvantage
% on contributions	Direct relationship with collection fees	Lack of incentive for better investment
% on assets	Direct relationship with brokerage fees	Growing trend over time

⇒ exit-fee on early transfer between funds

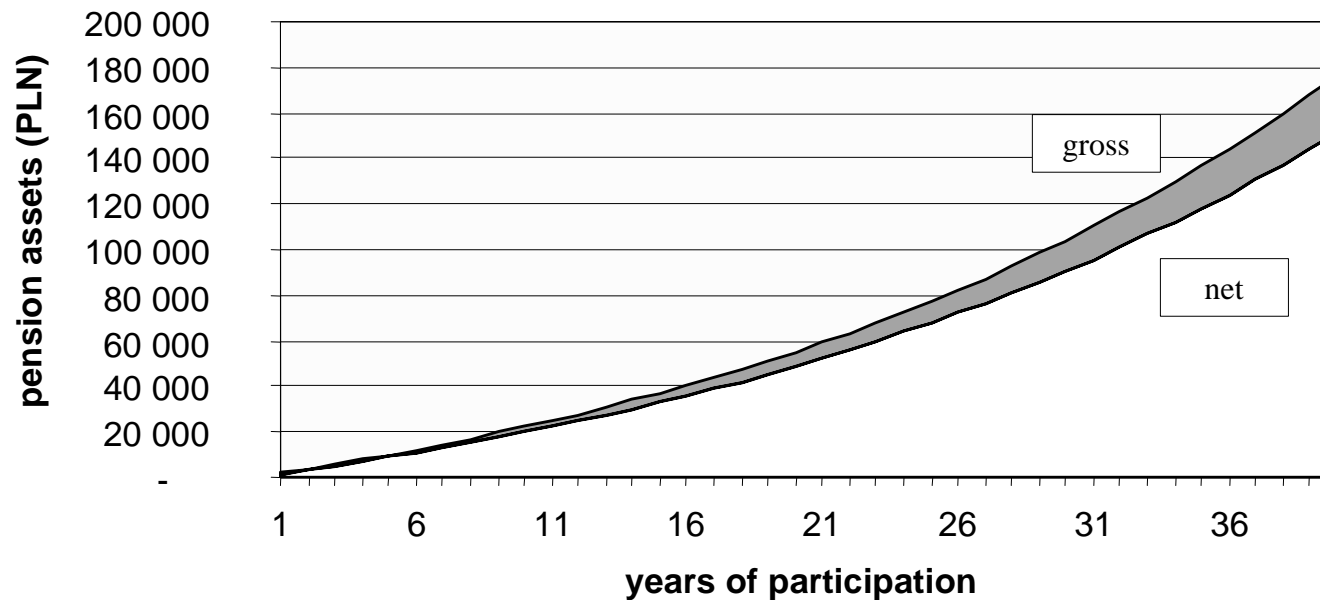


Fees on contributions in Poland





Impact of fees on pension size



- Reduction in yield: 0.88% (assuming gross rate of return at 6%)
- Reduction in pension size: 19%



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Disclosure

- Pension funds are obliged by the law to send annual reports to pension fund members
- Information includes:
 - ⇒ number of investment units on account
 - ⇒ value of investment unit
 - ⇒ achieved rate of return
 - ⇒ information on contributions received by fund
- Additionally, most of pension funds offer up-to date information in the following forms:
 - ⇒ on web sites
 - ⇒ by telephone
 - ⇒ in ATMs
 - ⇒ by mail



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Education

- Information and education on funded tier is provided by Superintendency of Pension Funds (UNFE)
- UNFE activities include:
 - ⇒ organising 'open days'
 - ⇒ publications: monthly and quarterly bulletins, booklets
 - ⇒ information is also available on web site (www.unfe.gov.pl)