



NÁRODNÁ BANKA SLOVENSKA
EUROSYSTEM



Controlling costs in Slovakia

**2nd IOPS REGIONAL WORKSHOP ON PENSION SUPERVISION
FOR CEE, CIS, CAUCASIA AND CENTRAL ASIA REGIONS
10th May 2012, Skopje**



Retirement pension saving

Act No 43/2004 Coll. (2nd pillar)

DC scheme; fully funded → accumulation phase

- 6 companies (24 pension funds)

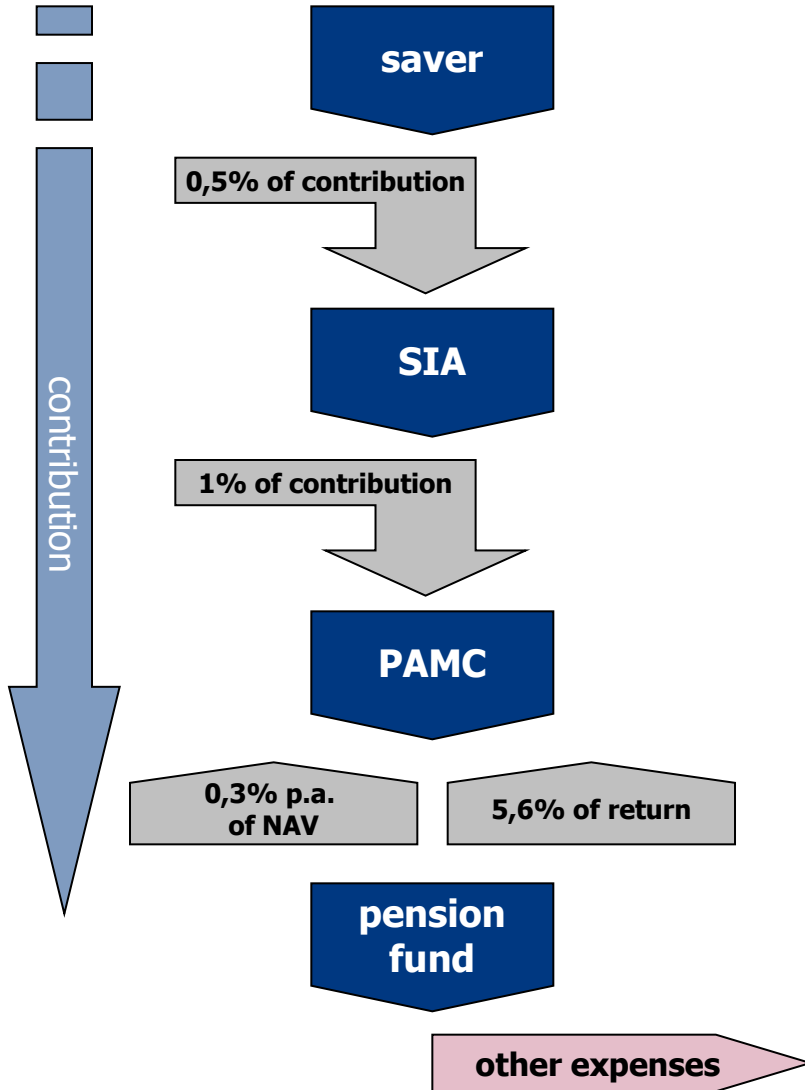
Current structure of fees:

1. administration fee (for Social Insurance Agency, central collection system)
2. admission fee (for PAMC)
3. management fee (for PAMC)
 - + costs of transactions, taxes, fee for depository bank etc. (deducted from pension fund's assets)
4. success fee (for PAMC)

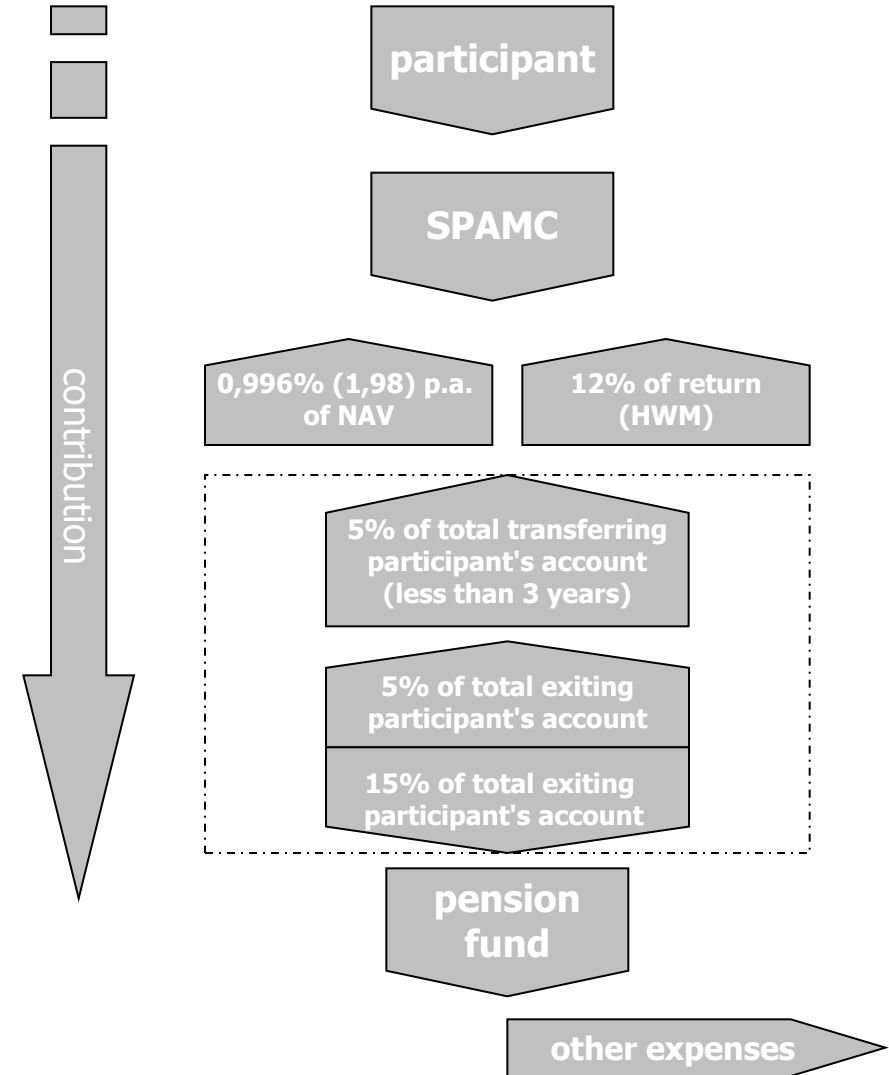
Pay-out phase: no legislative framework yet



2nd pillar



3rd pillar





Retirement pension saving

Major fee alterations

as of July 2009 /April 2012

Management fee

- fell from 0,78% p.a. to 0,3% p.a. of NAV

Success fee (new)

- calculated every month (about 5,6% of average return)
- + **launching of guarantees in 2009** (provided by PAMC) with slight correction in 2012
- + **deduction of other expenses** (costs of transactions, taxes, etc.) **from pension funds assets**

Reason

expensive system with bad performance (in 2008: BndPF 2,8%, MixPF -5,2%, EqPF -7,4%) ↓

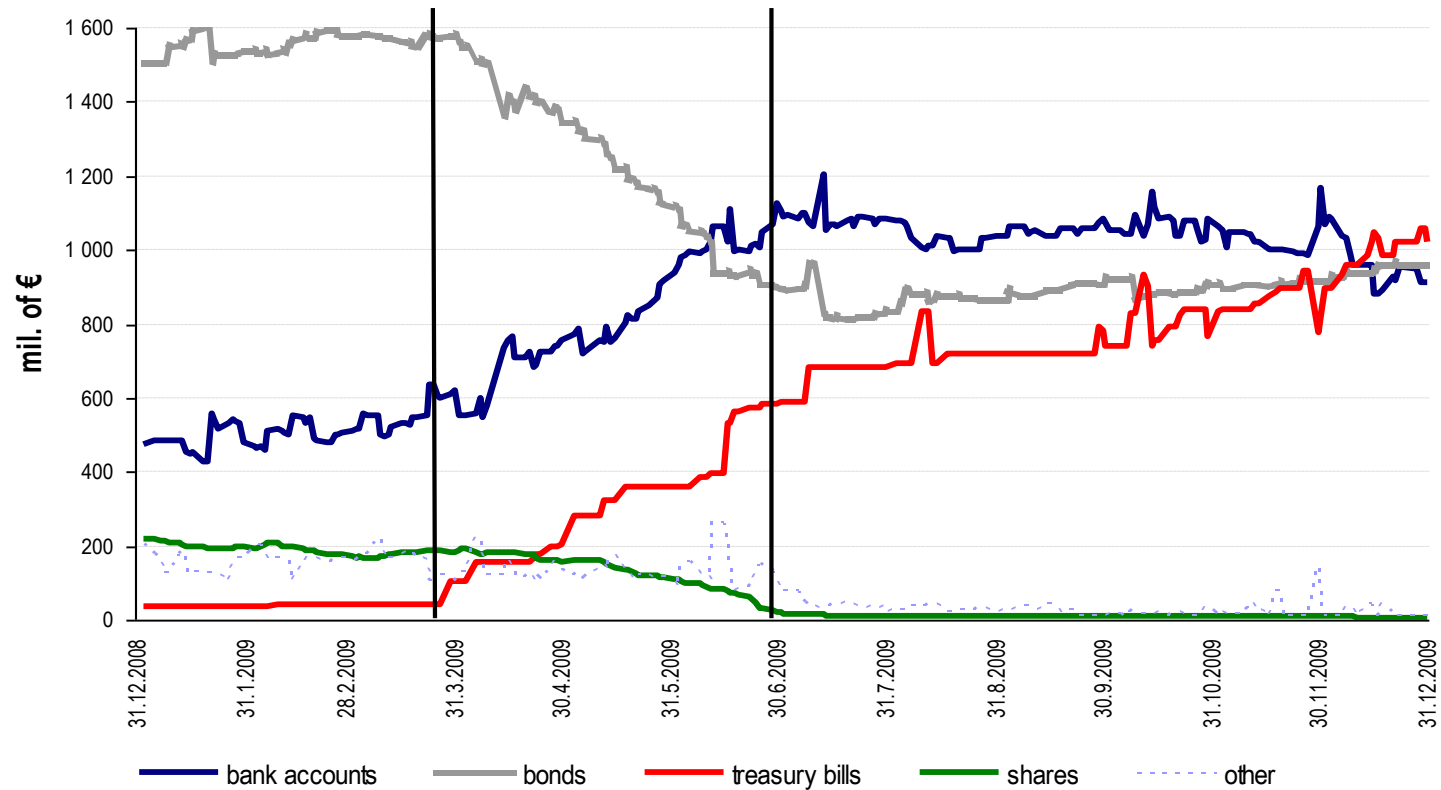
Requirements

- improve competition, define and distinguish investment strategies, eliminate „herding behavior“ within the pension industry (**tool:** benchmarks)
- reward good performance (**tool:** success fee)
- focus on long-term objectives (**tool:** guarantee account/guarantees)



Retirement pension saving – market response

Structure of assets in retirement pension savings (2009)





Retirement pension saving performance

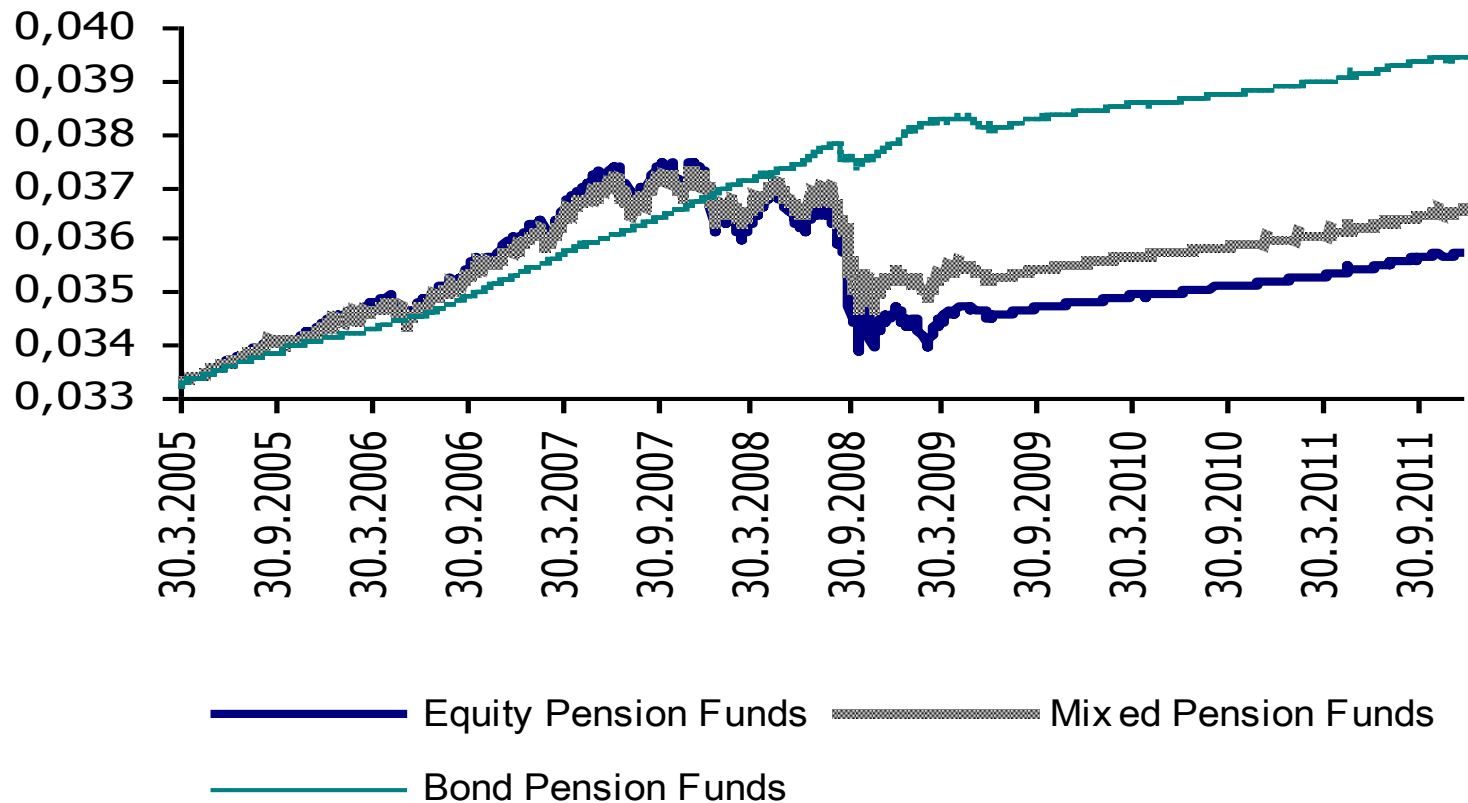
Annual returns on pension funds (in %; weighted average)

	2009		2010		2011	
	June	December	June	December	June	December
2nd pillar						
Bond PF	1,9	1,6	1,3	1,2	1,3	1,5
Mixed PF	-3,4	0,8	1,3	1,2	1,3	1,5
Equity PF	-4,8	0,7	1,2	1,2	1,3	1,4

	31.12.2008	31.12.2009	31.12.2010	31.12.2011
Fee income of PAMCs (in th. of €)	23 727	21 399	19 621	23 593



Retirement pension saving current value of pension units





Supplementary pension saving

Act No 650/2004 Coll. (3rd pillar)

DC scheme; fully funded

- 4 companies (14 pension funds)

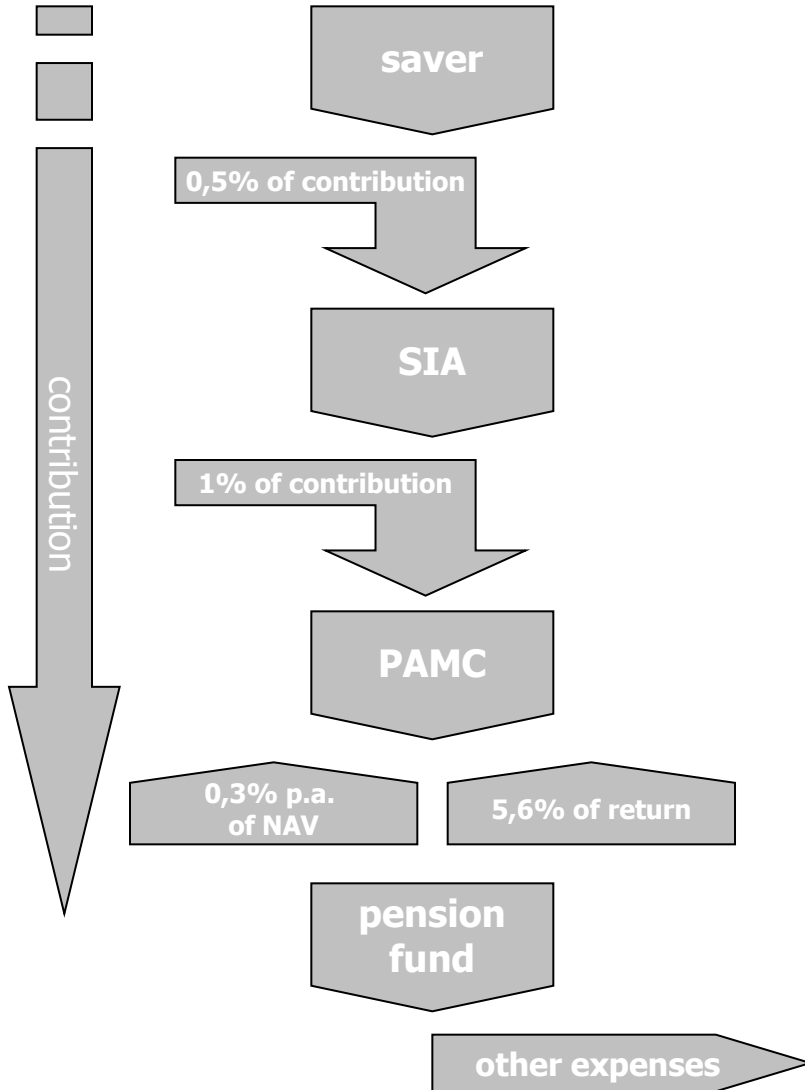
Current structure of fees:

1. management fee (for SPAMC)
 - + costs of transactions, taxes, fee for depository bank etc.
(deducted from pension fund's assets)
2. success fee (for PAMC)
3. transfer fee (for PAMC)
4. exit fee (for PAMC, pension fund)

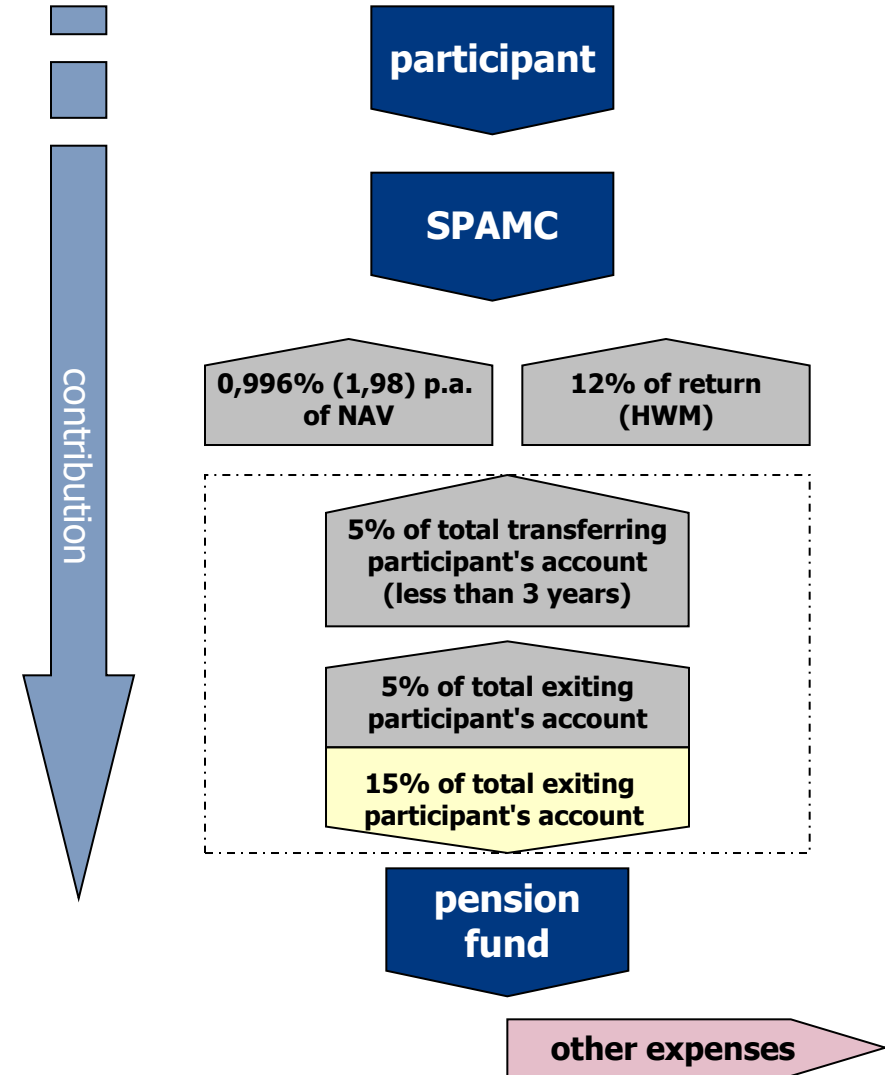
Pay-out phase: charge on benefits by insurance company (not regulated)



2nd pillar



3rd pillar





Supplementary pension savings performance

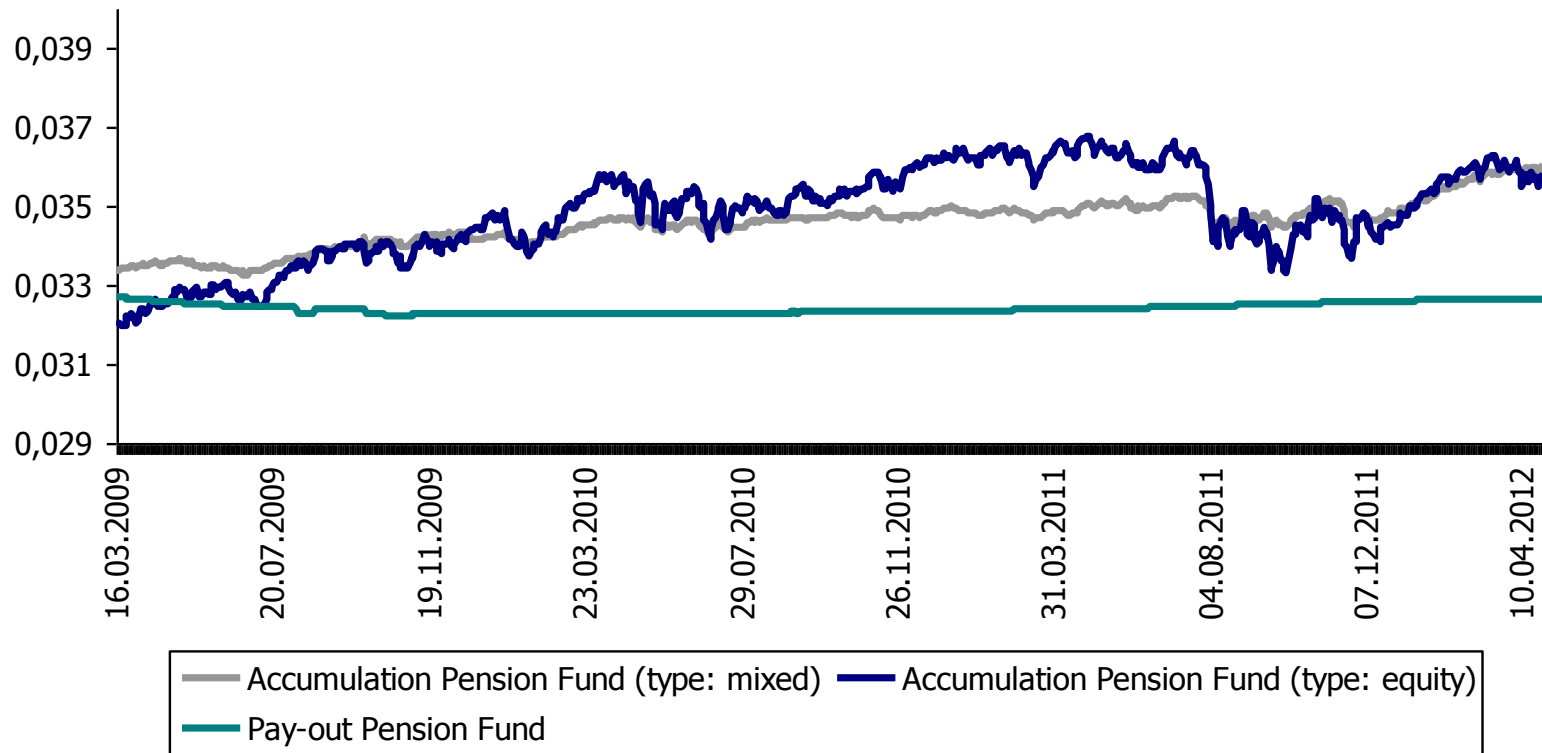
Annual returns on pension funds (in %; weighted average)

	2009		2010		2011	
3rd pillar	June	December	June	December	June	December
Accumulation PF	-0,19	3,6	2,45	1,9	2	-2,8
Pay-out PF	0,74	1,6	2,48	1,5	0,9	0,5

	31.12.2008	31.12.2009	31.12.2010	31.12.2011
Fee income of SPAMCs (in th. of €)	22 757	26 697	26 736	26 806



Supplementary pension savings current value of pension units





Thank you for your attention

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