

# Belgian Supervisory focus on costs

Value for Money approach and  
transparency towards members

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# Agenda

1. Introduction: impact of costs
2. POG – Value for money
3. FSMA Cost Study
4. How can we help the plan members / consumers?

# 1. Introduction: impact of costs



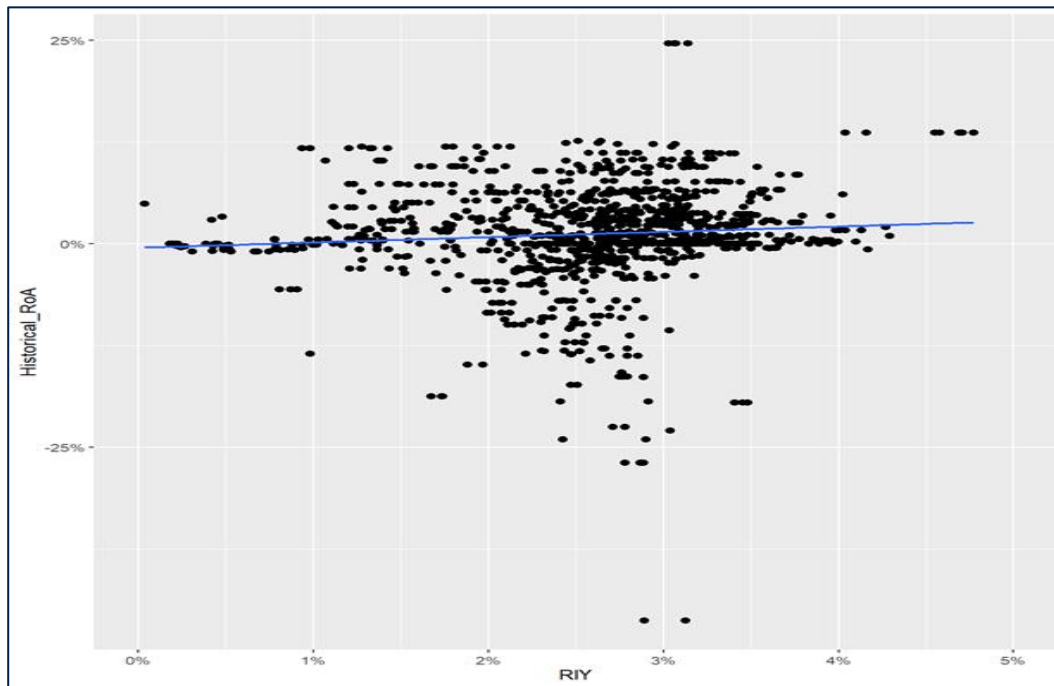
# In general

- Given the increasing focus on DC plans, it is becoming increasingly important for plan members/consumers to have a clear picture of the costs charged in connection with the management of these DC plans.
- With regard to insurers, this focus on costs is part of the value for money approach.



# Why focus on costs?

- No meaningful correlation between return and costs



# Impact of costs

Estimating the impact of costs is not easy

costs	Product A	Product B
Entry fees	15%	0,5%
Recurring costs	0,5%	2%



- Yearly contribution: 500 €
- Gross return: 4%

Duration	Product A	Product B
15 years	8.189 €	8.554 €
30 years	21.868 €	19.932 €

# Impact of costs

Even with proper disclosure of costs, 'wrong' decisions cannot be ruled out - impact is not small

*Illustration:* Impact of 1% recurring costs on the pension benefit (lump sum) taking into account a yearly contribution of 1.000 € and a return of 4%

Duration	Retirement benefit (lump sum) without costs	Retirement benefit (lump sum) 1% recurring cost	Impact expressed in %
20 years	29.778 €	26.761 €	10,13%
30 years	56.085 €	47.268 €	15,72%
40 years	95.026 €	74.721 €	21,37%

## 2. POG - Value for money





# POG - Value for money

## Basis

- "Product oversight and governance" (IDD / MIFID)
- Applies to insurance products and UCITS/AIF

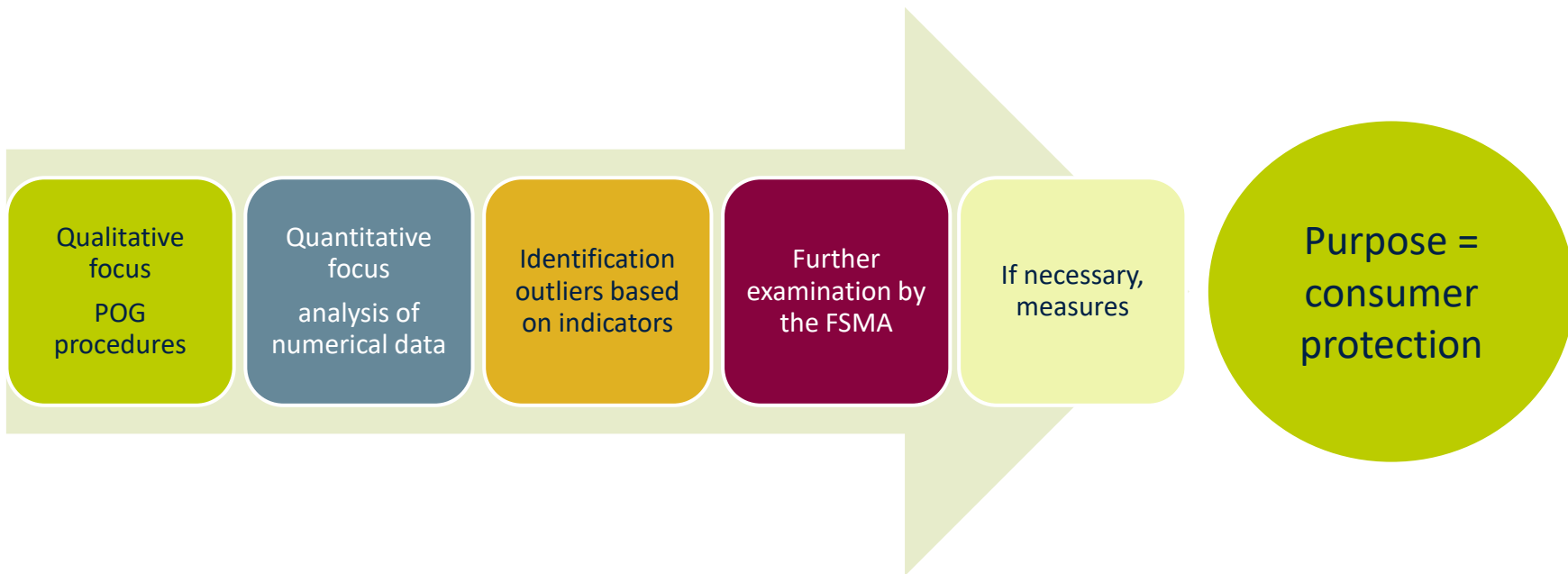
## Each product must meet the needs of the target market

- Balance between the cost and the benefits of a product
- *Value for money* is checked at the level of the product / option
- *Value for money* for the client is different from profitability for the insurer

## Supervision by FSMA

- At the level of the procedures
- At the level of the products → identifying *outliers*
- *Vademecum* published by the FSMA

# From data to strategy



POG supervision will continue to develop

# What about IORPs?

POG applies to insurance products, UCITS / AIF, but not to IORPs

The FSMA conducted a **comprehensive cost study** relating to pension products

However, costs are also very important for IORPs ⇒ have to take into account best interests of plan members and beneficiaries

### 3. FSMA Cost Study



# FSMA Cost Study (publicly available via [www.fsma.be](http://www.fsma.be))

Broad field of research



Both **2nd and 3rd pillar** pensions (DB out of scope)



2nd pillar:  
pension plans for **salaried** employees (industry-wide / company level)  
pension plans for **self-employed** employees



Various pension providers: **IORPs** (2nd pillar), **insurance companies** (2nd & 3rd pillar), **pension savings funds** (3rd pillar)

# FSMA Cost Study

Which costs?

## Insurance companies and pension savings funds

- Entry fees (on the **contribution**)
- Recurring costs (on the **pension reserves**), including costs relating to asset management
- Not in scope: incidental costs / exit fees

## IORP

- Costs on contributions, on individual accounts, on returns and underlying assets
- Not in scope: costs directly paid by the employer

# FSMA Cost Study

Some general conclusions

Scale has  
significant  
impact

- Industry-wide pension plans are cheaper
- Individual contracts are more expensive

Distribution  
channel

- Connected to scale
- Intervention of an intermediary comes with a price

# FSMA Cost Study

Some general conclusions

**Unit-linked  
insurance and the  
cost of the  
'insurance  
wrapper'**

'double' charging of costs

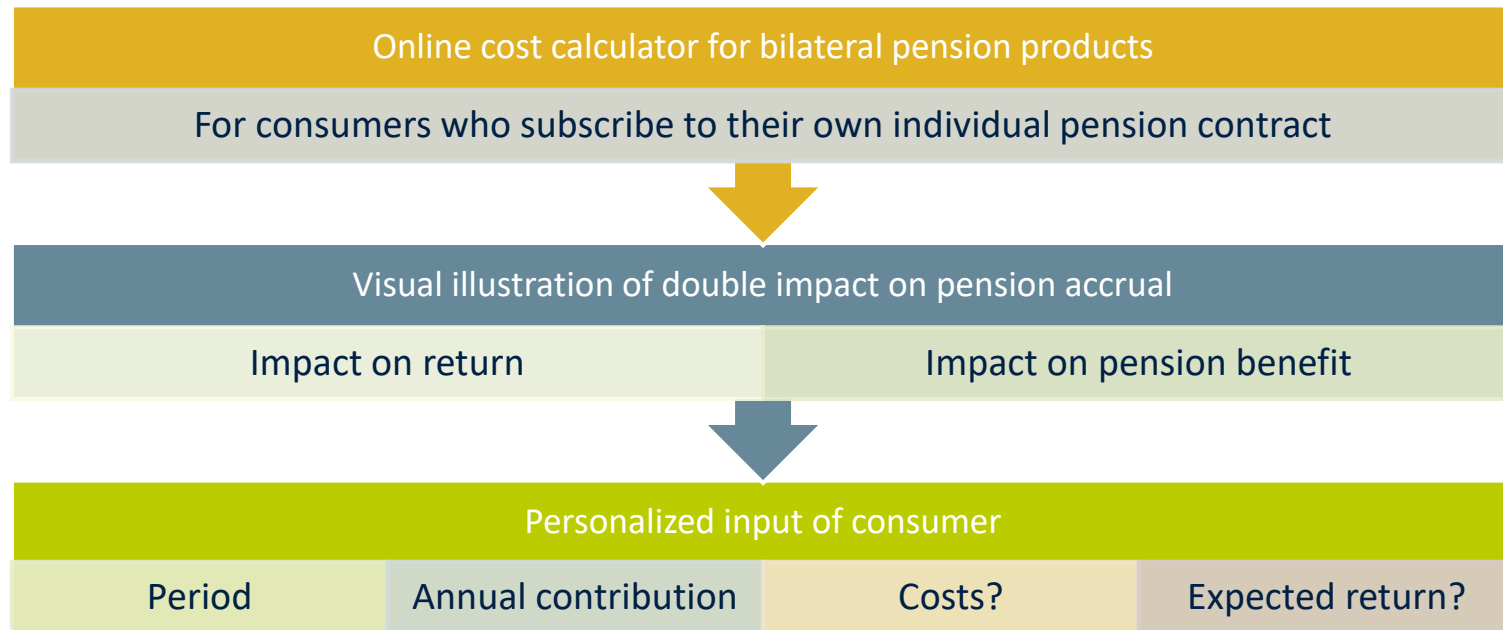
- Insurance contract
- Asset management



4. How can we help  
the plan members /  
consumers?



# Cost calculator



Royal Decree of 24 January 2025 laying down disclosure requirements for pension providers as regards costs applicable to pension plans and bilateral second pillar products



## Objectives:

### Transparency

- One percentage for the entry fees / recurring costs
- To be reported per investment option (unit linked insurance)

### Comparability

- Standardised calculation method for these percentages
- Mandatory use of certain notions: 'entry fee' – 'recurring cost'
- 'look through' approach: costs of underlying assets integrated in % recurring costs



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