

PensionBee Position on Transaction Cost Disclosure 2023

April 2024

PensionBee is committed to providing full transparency to its customers regarding their PensionBee Personal Pension and especially on charges.

Although PensionBee, like many pension providers, is not required to disclose the transaction costs of its plans, we have decided to disclose transaction costs to the best of our ability in order to ensure transparency for our customers.

What are transaction costs?

Transaction costs are not fees that PensionBee profits from.

They are incidental costs necessarily incurred by all money managers as a part of buying and selling a pension plan's underlying investments. Transaction costs consist of both explicit and implicit components.

Explicit costs include fees charged by brokers to buy or sell shares, stamp duty reserve tax or other taxes or levies charged by regulatory or tax authorities. Implicit costs can include delay costs and opportunity costs (i.e. the impact of waiting too long to trade), which are more difficult to measure.

At PensionBee we think of transaction costs more simply by comparing them to a context we are all familiar with: grocery shopping.

When we go grocery shopping, we pay the shop for the food we purchase ("shop prices"), which covers the costs of keeping the shop open and the costs to the farmer of producing the food. These are the costs we refer to as "PensionBee fees". PensionBee fees support our business ("the shop") and also the business of the fund managers, BlackRock, HSBC, Legal & General and State Street ("the farmers / manufacturers").

In addition to spending money at the shop, we have to decide how to get to the shop. Do we go quickly by driving and paying for petrol and the congestion charge? Or do we take the cheaper but longer bus route? Do we go during our lunch break when the queue is longer or at the end of the day where we're rather tired and running late for the nursery? These are the transaction costs involved in our grocery run and they are similar in concept to those involved in investing. Government taxes ("the congestion charge") impact us financially and placing an investment at 2pm or 5pm has implications too.

Although we don't usually include these costs when we think about paying the shop, they are important to bear in mind because they impact us financially. PensionBee's objective is to disclose transaction costs associated with the PensionBee Personal Pension in the most simple to understand manner so that our customers are assured they always know the financial impact of saving with us.

Transaction costs at PensionBee

As described earlier, PensionBee's fees include our fees and those of our asset managers. Our fees are expressed as a proportion of the pension.

In addition, each of our plans has transaction costs associated with trading investments. These transaction costs will be captured in the overall performance of your pension.

Although PensionBee does not profit from transaction costs, which are paid to external parties like the government and banks, transaction costs will usually decrease the value of your pension so it is important to know about them.

Similar to the grocery store that does not include the cost of a bus ticket in the price of its bread, we do not include these transaction costs in the PensionBee fees.

How do we express transaction costs?

At PensionBee we strongly believe in making pensions simple – in fact it is our mission! We are one of the few providers who adds up our own fees with those of our asset managers to make a single PensionBee fee.

In deciding how to disclose and manage transaction costs, we have adopted the following approach:

- Just like transportation costs or government taxes, transaction costs in investments are unavoidable. We aim to reduce these costs for our customers by only working with the largest and most reputable managers who can demand the lowest transaction costs in the market.
- We will disclose an annualised transaction cost number reported to us by our money managers at least once annually. Based on 2023 data, PensionBee transaction costs for the most popular plan, the Tailored Plan, ranged from 0.02 - 0.06%. You can see the full breakdown of costs per plan in the table below.
- We will not be including the annual transaction cost in the PensionBee fees. To stick to our mission of making pensions simple, we like to keep PensionBee fees as comparable to those of other consumer decisions. When one goes grocery shopping, the shop does not include the cost of the bus ticket in its bread prices.

PensionBee's fees and the transaction costs

Below we have laid out our fees for each of our plans.

Fee or Cost	PensionBee fees (“shop prices, including the shop and the farmer”)		Transaction costs (“getting to the shop, back home and the implications of which shop you chose”)*
Plan	Amount up to £100,000	Additional amount over £100,000	Transaction cost across entire pension
Tracker	0.50%	0.25%	0.03%
Tailored	0.70%	0.35%	0.02% - 0.06%**
Fossil Fuel Free	0.75%	0.38%	0.01%
4Plus	0.95%	0.48%	0.14%***
Shariah	0.95%	0.48%	0.00%
Preserve	0.50%	0.25%	0.00%
Pre-Annuity	0.70%	0.35%	0.04%

* these figures are compiled based on disclosures made to PensionBee by each asset manager in April 2024 with respect to transaction costs in 2023

** each fund (vintage) within the Tailored Plan has its own individual transaction costs within the range displayed

*** this fund has an actively managed component, adjusting investments on a weekly basis depending on market conditions, thereby incurring more trading costs

In conclusion, we believe transaction costs are important in making financial decisions. Our approach to disclosure allows customers to compare all potential aspects of the PensionBee Personal Pension with any other pension product they may be considering while fundamentally sticking to our mission of keeping pensions simple.