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COST TRANSPARENCY FOR PENSION FUNDS TO IMPROVE – EURAPLAN

A link-up between two pension fund service providers could improve transaction cost transparency, according to accounting software provider Euraplan.

An agreement has been reached between Inalytics, a transaction cost measurement firm, and Euraplan to market TVA, which is a reporting system for transaction costs.

TVA will be marketed to Euraplan's clients – Euraplan also monitors fund costs – giving guidance to trustees on how best to address the issue of benchmarking transaction costs.

According to Inalytics, trustees will benefit from having the information to conduct dialogues with their fund managers on the thorny subject of transaction costs.

Inalytics estimates that an average pension fund incurs transaction costs of one per cent a year.

"At a time when absolute returns for pension funds are low, the impact of transaction costs on the total performance of the fund is significant," said Inalytics chief executive Rick Di Mascio.

This one per cent translates into an industry figure of around £4bn.

At present, funds monitor transaction costs that are visible on the business contract, like commission and tax, but according to Inalytics there are other costs such as spreads, impact and timing which can be as significant but opaque.

TVA reports on these hidden costs, enabling trustees to evaluate the effectiveness of their fund managers' dealing capabilities, added Di Mascio.

The ability to adequately measure transaction costs formed a core part of Paul Myners' report on institutional investment, backed by the government and published last March.

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