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The AMF publishes a study on the costs and performances of employee investment undertakings

This study is the first quantitative analysis of employee savings funds within the universe of collective investment undertakings marketed in France. The regulator analyses the fees and net performances of 810 employee investment undertakings versus those of funds intended for retail investors and funds reserved for institutional investors.

The establishment of employee savings schemes offers many benefits for both employers and employees. For employees, these schemes give access to investment vehicles with several advantages. First, the expected returns in the medium or long term are higher than the returns of the vehicles traditionally used by retail investors, such as passbook savings accounts. Second, employee savings schemes benefit from significant social and tax advantages. For the company, these schemes develop motivation and commitment among employees and also promote a better sharing of value and risk between shareholders and employees.

Given the amounts involved, the restrictions limiting redemptions, as well as the absence of distribution fees and personalised advice, the characteristics of employee investment undertakings should, in theory, be closer to the characteristics of funds reserved for institutional investors than to those of funds intended for retail clients, particularly in terms of fees and net performance. However, the administrative management of schemes continues to be done individually, which may generate specific costs.

The study consisted in the analysis of more than 34,000 French or foreign funds distributed in France including employee investment funds (Fonds communs de placement en entreprise – FCPE) over a 10-year period between 2008 and 2017. The AMF makes the following observations regarding the total expense ratio (TER) and net performance:

- The TER of employee investment undertakings representing all the expenses paid by the employer and the employee is mid-way between institutional and retail funds for equity and bond funds;
- The TER of money market employee investment funds are not significantly different from those of institutional funds while remaining lower than the TER of equivalent mixed and retail funds;
- Regarding diversified funds, employee investment undertakings appear to be the least expensive category, but the difference of TER between employee investment undertakings and institutional funds is small;
- With respect to net performance, the findings do not make it possible to identify meaningful discrepancies between funds reserved for institutional investors, retail investor funds and employee investment undertakings.

The conclusions of the study show that employee investment funds are competitive in terms of fees. The various measures of the PACTE law (Plan d'action pour la croissance et la transformation des entreprises – Business Growth and Transformation Action Plan) and the creation of the Pan-European Personal Pension product (PEPP) should boost the transferability and harmonisation of personal pension products, and thus promote the creation of medium to long-term savings in France and the financing of companies.

About the AMF

The AMF is an independent public authority responsible for ensuring that savings invested in financial products are protected and that investors are provided with adequate information. The AMF also supervises the orderly operations of markets. Visit our website <https://www.amf-france.org>

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