

**DRAFT**

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# Price appendix – Appendix A

## Table of contents

<b>1. Procured price</b> .....	<b>4</b>
<b>2. Defined terms</b> .....	<b>4</b>
<b>3. Calculation of base cost (BC)</b> .....	<b>4</b>
3.1. Formula for the calculation of the base cost (BC) .....	4
3.2. Fund with amended base cost .....	5
3.3. Fund with an estimated base cost .....	5
<b>4. Reporting of fees and costs</b> .....	<b>5</b>
4.1. Reporting of fees .....	6
<b>5. Price reduction intervals</b> .....	<b>6</b>
<b>6. Calculation of price reduction</b> .....	<b>7</b>
6.1. Price reduction per day ( $PR_{DAY}$ ) .....	7
6.1.1. Calculation example for $PR_{DAY}$ .....	8
6.2. Price reduction per invoice ( $PR_{TOT}$ ).....	8
<b>7. Calculation for fees and discount displayed on the fund platform</b> .....	<b>9</b>
7.1. Fund fee (Fee after discount) .....	9
7.2. (Fee before discount).....	9
<b>8. Verification</b> .....	<b>9</b>
<b>9. Invoicing with respect to price reduction</b> .....	<b>9</b>

## Introduction

The Swedish Fund Selection Agency cooperates with the Swedish Pensions Agency as an insurance provider for premium pensions in order to ensure that the collection of fees from pension savers based on the purchased price is correct. The Swedish Pensions Agency as insurer is responsible for invoicing the reimbursement of fund management fees within the framework of the fund agreement and this appendix. The refunded management fees that the Swedish Pensions Agency receives from the Fund Managers are reinvested on behalf of the pension savers in their unit-linked pension plan accounts. The purpose of the appendix is to more closely regulate the commitments that the Fund Manager and the Swedish Pensions Agency as insurer have according to the Fund Agreement. In addition to the procured price, the appendix specifically regulates cost reporting and calculation of any price reduction and specifies the obligations that accrue to the parties and the Pensions Authority to the fund agreement in this part.

The procured price is based on each fund's annual fee plus a performance-based fee where any underlying fund fees are included (base cost). The procured price is the price agreed in the procurement, which may be lower than the fund's regular price (cost withdrawal to the rest of the market). This will be the case if a special share class has not been created in the fund for distribution within the premium pension system. If this is the case, the difference between the procured price and the procured cost shall be paid to the Swedish Pensions Agency by the Fund Manager on a quarterly basis. The size of any price reduction further depends on the amount the Swedish Pensions Agency has invested with each Fund Manager. The larger the amount invested by the Swedish Pensions Agency, the greater the price reduction.

## 1. Procured price

The procured price of the fund covered by this fund agreement is specified in Appendix [A1], which details the fund-specific variables. Details of how the procured price is determined and calculated can be found in the Procurement documents, and below in Appendix A.

In addition to the procured price, this appendix specifically regulates cost reporting and the calculation of any price reduction and specifies the commitments of the parties to the fund agreement in this part.

## 2. Defined terms

In this appendix we understand the following:

**Fund holding:** refers to the value in SEK of the Swedish Pensions Agency's holding in the fund on the day in question.

**Price reduction:** refers to the difference between ordinary base cost and the procured price.

**Procured price:** refers to the price resulting from the procurement and can be seen in Appendix [A1].

This Appendix also includes the definitions listed in section 1 of the main document of the fund agreement along with abbreviations etc., as follows below in this Appendix.

## 3. Calculation of base cost (BC)

### 3.1. Formula for the calculation of the base cost (BC)

At the end of each calendar quarter, the Swedish Pensions Agency calculates the total price reduction for that quarter. The price reduction shall be calculated on the basis of the fund's base cost (BC), which is calculated according to the formula below.

$$\text{Base cost (BC)} = \text{Management fee} + \text{Fee for underlying funds} + \text{Performance-based fee}$$

Management fee = [xxxxx] shall be expressed as a percentage at an annual rate to six decimal places.

Annual fee = The ongoing charges for the fund according to CESR's (Committee of European Securities Regulators) recommendations, Guidelines on the methodology for calculation of the ongoing charges figure in the Key Investor Information Document (CESR/10-674). The annual fee shall be expressed as a percentage to six decimal places.

Fees for underlying funds = If the fund has holdings in other funds, the fees for underlying funds shall be included; including any subscription and redemption fees, and performance-based fees charged by these funds. The fee shall be expressed as a percentage to six decimal places.

Performance-based fee = If the Fund Manager has received a performance-based fee from the fund during the quarter, this fee shall be expressed as a percentage in the annual rate to six decimal places.

If the regulations and industry standard, which form the basis for the Fund Manager's statement of fees for calculating the cost withdrawal quotient, should change, the Swedish Pensions Agency is entitled to adjust the method for calculating the base cost.

### 3.2. Fund with amended base cost

When a fund's base cost is changed in accordance with the Procurement documents, the Fund Manager shall notify the Swedish Pensions Agency as soon as possible, after which the calculation of the price reduction may be adjusted.

### 3.3. Fund with an estimated base cost

In the event of significant changes regarding the fund, an estimated base cost may be used temporarily. When the actual cost can be calculated, the Swedish Pensions Agency may decide that the actual cost should instead be used as the base cost. The Swedish Pensions Agency is then entitled to re-invoice the Fund Manager.

## 4. Reporting of fees and costs

The Fund Manager shall report fees and costs to the Swedish Pensions Agency according to this section, as set out below.

#### 4.1. Reporting of fees

Reported fees shall always be calculated at an annual rate.

Reporting of fees shall be made to the Swedish Pensions Agency at the frequency, in the manner, and using the systems specified by the Swedish Pensions Agency at any point in time. Reporting shall relate at least to the following fees (see 3.1 for definitions):

- Management fee
- Annual fee
- Fees for underlying funds (if applicable)
- Performance-based fee (if applicable)
- Transaction fee (reported annually)

### 5. Price reduction intervals

In connection with the procurement, the Fund Manager is given the opportunity to specify one to five steps/intervals with each procured fee (fee after discount).

The price reduction can therefore be progressive and depends on the size of the Swedish Pensions Agency's holding in each fund.

The first interval runs from zero and there is no upper limit in the last interval. Not all intervals need to be used, but if they are, the table looks like the one below:

Interval ( $i_n$ )	Interval for fund holdings in SEK			Procured fee ( $PF_{i_n}$ )	Fund holdings' exposure per interval in SEK ( $EXP_{i_n}$ )
	Lower limit (LL)		Upper limit (UL)		
1	$LL_1=0$	< Fund holdings $\leq$	$UL_1$	$PF_1$	$EXP_1$
2	$LL_2=UL_1$	< Fund holdings $\leq$	$UL_2$	$PF_2$	$EXP_2$
3	$LL_3=UL_2$	< Fund holdings $\leq$	$UL_3$	$PF_3$	$EXP_3$

4	LL <sub>4</sub> =UL <sub>3</sub>	< Fund holdings ≤	UL <sub>4</sub>	PF <sub>4</sub>	EXP <sub>4</sub>
5	LL <sub>5</sub> =UL <sub>4</sub>	< Fund holdings	∞	PF <sub>5</sub>	EXP <sub>5</sub>

What is determined in the appendix for variables to the fund agreement is thus UL<sub>1</sub> to UL<sub>4</sub> and PF<sub>1</sub> to PF<sub>5</sub>.

The UL is determined in Swedish kronor (rounded).

The PF is rounded up/down [x] decimal places at an annual rate.

The procured fee only applies to the part of the fund holding that is within the interval. If the fund holding exceeds the upper limit in an interval, only the part above the range of the interval will be charged another procurement fee.

	Fund holdings' exposure per interval in SEK (EXP <sub>in</sub> )
Fund holdings ≤ LL <sub>in</sub>	0 SEK
LL <sub>in</sub> < Fund holdings ≤ UL <sub>in</sub>	Fund holdings – LL <sub>in</sub>
Fund holdings > UL <sub>in</sub>	UL <sub>in</sub> – UG <sub>in</sub>

## 6. Calculation of price reduction

### 6.1. Price reduction per day (PR<sub>DAY</sub>)

The price reduction is based on the difference between BC and PF. The Swedish Pensions Agency calculates the price reduction on a daily basis according to the formula below.

$$PR_{DAY} = \sum_{i=1}^5 \left( \frac{((UK_{DAY} - PF_i) * EXP_i)}{365 \text{ (366 for leap year)}} \right)$$

UK<sub>DAY</sub> = Base cost (BC as a % on the current day, see further section [xxx])  
 PF<sub>i</sub> = The procured fee in intervals in, see section [xxxx]  
 EXP<sub>i</sub> = Exposure in SEK in discount interval in, see also section [xxx]

### 6.1.1. Calculation example for $PR_{DAY}$

#### 6.1.1.1. Assumption regarding the intervals

	From	To	Procured fee
Interval 1	0	100,000,000 SEK	0.70%
Interval 2	100,000,000 SEK	1,000,000,000 SEK	0.50%
Interval 3	1,000,000,000 SEK	5,000,000,000 SEK	0.40%
Interval 4	5,000,000,000 SEK	10,000,000,000 SEK	0.30%
Interval 5	10,000,000,000 SEK	with no upper limit	0.20%

#### 6.1.1.2. Other assumptions

$BC = 1.5\%$

Fund holding value = MSEK 5,500

#### 6.1.1.3. Calculation

Then Price reduction for the particular day =  $PR_{DAY} =$   

$$\sum_{i=1}^5 \left( \frac{(UK - PF_i) * EXP_i}{365 \text{ (366 for leap year)}} \right) = \left( \frac{(1,5\% - 0,7\%) * 100 \text{ mSEK}}{365} \right) + \left( \frac{(1,5\% - 0,5\%) * 900 \text{ mSEK}}{365} \right) +$$

$$\left( \frac{(1,5\% - 0,4\%) * 4000 \text{ mSEK}}{365} \right) + \left( \frac{(1,5\% - 0,3\%) * 500 \text{ mSEK}}{365} \right) + \left( \frac{(1,5\% - 0,2\%) * 0 \text{ mSEK}}{365} \right) + = 2191.78 +$$

$$24,657.53 + 120,547.95 + 16,438.36 + 0 = 163,835.62 \text{ SEK for the particular day.}$$

### 6.2. Price reduction per invoice ( $PR_{TOT}$ )

On a quarterly basis, the price reduction is calculated and invoiced as follows:

$$PR_{TOT} = \sum_{DAY=1}^x (PR_{DAY})$$

Where x is the number of days in the previous quarter.



## 7. Calculation for fees and discount displayed on the fund platform

### 7.1. Fund fee (Fee after discount)

The fee shown to savers is the fee after the discount. This is a volume-weighted fee based on the procured fee per interval.

### 7.2. (Fee before discount)

The fee shown as the fee before the discount for fund savers is BC + other fee.

## 8. Verification

The Swedish Pensions Agency is entitled to, independently or with the help of an independent third party, verify that the information on fees and costs etc. provided by the Fund Manager is correct.

At the request of the Swedish Pensions Agency, the Fund Manager shall provide the agency with a current auditor's certificate relating to the fund's fees and costs etc., without charge and within the time specified by the Swedish Pensions Agency.

If the invoicing is incorrect, for example, due to incorrect supporting documentation or calculations, the Swedish Pensions Agency may correct the invoicing either by means of an additional invoice or by the Fund Manager being credited or debited with the excess amount paid. The Fund Manager shall have the opportunity to submit comments on this before such corrections are made.

## 9. Invoicing with respect to price reduction

Invoicing of the price reduction is made quarterly in the month following the end of the calendar quarter (April, July, October and January). If the fund has been closed during the quarter, invoicing may be made earlier.

At the request of the Fund Manager, the Swedish Pensions Agency shall provide data on its calculation of the price reduction.

The invoice from the Swedish Pensions Agency shall be paid no later than 30 days after invoice date and the payment shall be made in Swedish kronor



(SEK). In the event of late payment, penalty interest is charged in accordance with section 6 of the Swedish Interest Act (1975:635).