Pension Fund Due-Diligence Checklist

32 questions to protect compound interest

A practical audit for tracing every contribution through investment, costs, real returns, retirement distributions and terminal value.

WHAT HAPPENS TO EVERY EURO CONTRIBUTED?

PENSION ARRANGEMENT	
PROVIDER	
PARTICIPANT	
DATE REVIEWED	

AUDIT PURPOSE & METHODOLOGY

Before committing decades of capital to an occupational, private, or collective pension scheme, conduct a rigorous line-by-line audit. Tracing contributions from initial deduction to retirement income and terminal legacy reveals the true cost of compounding interruptions, governance constraints, and structural transfers. Every answer should be backed by binding contractual documentation.

How to use this checklist

Ask the provider to answer each question in writing. Record the document that supports the answer. Do not treat a marketing statement, projection or verbal assurance as verified evidence.

RECOMMENDED STATUS LABELS

☐ VERIFIED	A written answer is supported by an identifiable governing document, statement or calculation.
☐ PARTLY VERIFIED	Some evidence exists, but the amount, methodology, period or legal effect remains incomplete.
☐ UNCLEAR	The provider has not supplied enough information to evaluate the answer.
☐ RED FLAG	The answer indicates material cost, lost control, unquantified transfer, weak disclosure or another issue requiring investigation.

THE THREE PHASES

Use the same dated cash flows throughout: **(1) accumulation before retirement**, **(2) distributions during retirement** and **(3) terminal value remaining at death**. A comparison limited to the monthly pension payment omits the third phase.

IMPORTANT BOUNDARY

An opportunity-cost estimate is a hypothetical comparison. It is not a fee, debt, realised loss, legal claim or amount owed by the pension provider. Guarantees, employer contributions, tax treatment, longevity pooling, disability cover and survivor benefits must be identified and valued.

FIVE-QUESTION QUICK SCREEN

Initial Assessment

Use this page for an initial assessment. Any answer marked Unclear or Red flag should be investigated with the full 31-question audit.

1 For every 100 currency units (CCY) contributed, how much is actually invested and compounded?

STATUS: ☐ VERIFIED ☐ PARTLY VERIFIED ☐ UNCLEAR ☐ RED FLAG

Notes:

2 What has been the participant's annualised net real return after all costs and inflation?

STATUS: ☐ VERIFIED ☐ PARTLY VERIFIED ☐ UNCLEAR ☐ RED FLAG

Notes:

3 What capital or economic value does the participant legally own, transfer or leave to heirs?

STATUS: ☐ VERIFIED ☐ PARTLY VERIFIED ☐ UNCLEAR ☐ RED FLAG

Notes:

4 What is the projected net retirement payment after every tax and compulsory deduction?

STATUS: ☐ VERIFIED ☐ PARTLY VERIFIED ☐ UNCLEAR ☐ RED FLAG

Notes:

5 What would the same dated contributions have produced in a comparable low-cost benchmark across accumulation, retirement distribution and terminal value?

STATUS: ☐ VERIFIED ☐ PARTLY VERIFIED ☐ UNCLEAR ☐ RED FLAG

Notes:

SECTION 1 · STRUCTURE

Questions 1–4

1 Is this a funded pension, defined-benefit arrangement, defined-contribution arrangement, collective plan, insurance product or pay-as-you-go system?

STATUS: ☐ VERIFIED ☐ PARTLY VERIFIED ☐ UNCLEAR ☐ RED FLAG

PROVIDER'S ANSWER

EVIDENCE / DOCUMENT

FINANCIAL CONSEQUENCE

FOLLOW-UP REQUIRED

2 Are my contributions invested, and if so, when do they enter the market?

STATUS: ☐ VERIFIED ☐ PARTLY VERIFIED ☐ UNCLEAR ☐ RED FLAG

PROVIDER'S ANSWER

EVIDENCE / DOCUMENT

FINANCIAL CONSEQUENCE

FOLLOW-UP REQUIRED

3 Does each contribution create personally attributable capital, a collective claim or only a future statutory or contractual entitlement?

STATUS: ☐ VERIFIED ☐ PARTLY VERIFIED ☐ UNCLEAR ☐ RED FLAG

PROVIDER'S ANSWER

EVIDENCE / DOCUMENT

FINANCIAL CONSEQUENCE

FOLLOW-UP REQUIRED

4 Which benefits are guaranteed, conditional, projected or capable of being changed?

STATUS: ☐ VERIFIED ☐ PARTLY VERIFIED ☐ UNCLEAR ☐ RED FLAG

PROVIDER'S ANSWER

EVIDENCE / DOCUMENT

FINANCIAL CONSEQUENCE

FOLLOW-UP REQUIRED

SECTION 2 · CONTRIBUTIONS AND DEDUCTIONS

Questions 5–8

5 What are the employee, employer and any state contributions, expressed in both percentages and currency amounts?

STATUS: ☐ VERIFIED ☐ PARTLY VERIFIED ☐ UNCLEAR ☐ RED FLAG

PROVIDER'S ANSWER

EVIDENCE / DOCUMENT

FINANCIAL CONSEQUENCE

FOLLOW-UP REQUIRED

6 What salary definition, contribution ceiling and waiting period apply?

STATUS: ☐ VERIFIED ☐ PARTLY VERIFIED ☐ UNCLEAR ☐ RED FLAG

PROVIDER'S ANSWER

EVIDENCE / DOCUMENT

FINANCIAL CONSEQUENCE

FOLLOW-UP REQUIRED

7 How much of every 100 [CCY] contributed is actually invested?

STATUS: ☐ VERIFIED ☐ PARTLY VERIFIED ☐ UNCLEAR ☐ RED FLAG

PROVIDER'S ANSWER

EVIDENCE / DOCUMENT

FINANCIAL CONSEQUENCE

FOLLOW-UP REQUIRED

8 What is deducted for administration, insurance, advice, custody, transactions, investment management, reserves, guarantees, taxation or redistribution?

STATUS: ☐ VERIFIED ☐ PARTLY VERIFIED ☐ UNCLEAR ☐ RED FLAG

PROVIDER'S ANSWER

EVIDENCE / DOCUMENT

FINANCIAL CONSEQUENCE

FOLLOW-UP REQUIRED

SECTION 3 · PERFORMANCE

Questions 9–12

9 What were the fund's annualised gross and net returns over 1, 5, 10, 20 and, where available, 30 years?

STATUS: ☐ VERIFIED ☐ PARTLY VERIFIED ☐ UNCLEAR ☐ RED FLAG

PROVIDER'S ANSWER

EVIDENCE / DOCUMENT

FINANCIAL CONSEQUENCE

FOLLOW-UP REQUIRED

10 What were the real returns after inflation?

STATUS: ☐ VERIFIED ☐ PARTLY VERIFIED ☐ UNCLEAR ☐ RED FLAG

PROVIDER'S ANSWER

EVIDENCE / DOCUMENT

FINANCIAL CONSEQUENCE

FOLLOW-UP REQUIRED

11 What benchmark was used, and did the fund outperform it after all costs?

STATUS: ☐ VERIFIED ☐ PARTLY VERIFIED ☐ UNCLEAR ☐ RED FLAG

PROVIDER'S ANSWER

EVIDENCE / DOCUMENT

FINANCIAL CONSEQUENCE

FOLLOW-UP REQUIRED

12 What was the participant's money-weighted return or internal rate of return based on actual cash flows?

STATUS: ☐ VERIFIED ☐ PARTLY VERIFIED ☐ UNCLEAR ☐ RED FLAG

PROVIDER'S ANSWER

EVIDENCE / DOCUMENT

FINANCIAL CONSEQUENCE

FOLLOW-UP REQUIRED

SECTION 4 · COMPOUNDING INTERRUPTIONS

Questions 13–16

For each interruption, distinguish the immediate euro cost from the future value that could no longer compound.

13 Which events, policies and deductions reduced the capital that remained invested?

STATUS: ☐ VERIFIED ☐ PARTLY VERIFIED ☐ UNCLEAR ☐ RED FLAG

PROVIDER'S ANSWER

EVIDENCE / DOCUMENT

FINANCIAL CONSEQUENCE

FOLLOW-UP REQUIRED

14 What was the immediate euro cost of each interruption?

STATUS: ☐ VERIFIED ☐ PARTLY VERIFIED ☐ UNCLEAR ☐ RED FLAG

PROVIDER'S ANSWER

EVIDENCE / DOCUMENT

FINANCIAL CONSEQUENCE

FOLLOW-UP REQUIRED

15 What was the estimated future value lost because the removed capital could no longer compound?

STATUS: ☐ VERIFIED ☐ PARTLY VERIFIED ☐ UNCLEAR ☐ RED FLAG

PROVIDER'S ANSWER

EVIDENCE / DOCUMENT

FINANCIAL CONSEQUENCE

FOLLOW-UP REQUIRED

16 Which interruptions paid for benefits received by the participant, and which transferred value elsewhere?

STATUS: ☐ VERIFIED ☐ PARTLY VERIFIED ☐ UNCLEAR ☐ RED FLAG

PROVIDER'S ANSWER

EVIDENCE / DOCUMENT

FINANCIAL CONSEQUENCE

FOLLOW-UP REQUIRED

SECTION 5 · INFLATION AND INDEXATION

Questions 17–19

Evaluate purchasing power preservation and the history of indexation cuts or conditional indexation deficits.

17 Is indexation guaranteed, conditional or discretionary?

STATUS: ☐ VERIFIED ☐ PARTLY VERIFIED ☐ UNCLEAR ☐ RED FLAG

PROVIDER'S ANSWER

EVIDENCE / DOCUMENT

FINANCIAL CONSEQUENCE

FOLLOW-UP REQUIRED

18 How much cumulative indexation was withheld, and was any missed indexation later restored?

STATUS: ☐ VERIFIED ☐ PARTLY VERIFIED ☐ UNCLEAR ☐ RED FLAG

PROVIDER'S ANSWER

EVIDENCE / DOCUMENT

FINANCIAL CONSEQUENCE

FOLLOW-UP REQUIRED

19 What is the projected real purchasing power of the pension at ages 67, 77, 87 and 97?

STATUS: ☐ VERIFIED ☐ PARTLY VERIFIED ☐ UNCLEAR ☐ RED FLAG

PROVIDER'S ANSWER

EVIDENCE / DOCUMENT

FINANCIAL CONSEQUENCE

FOLLOW-UP REQUIRED

CUMULATIVE INDEXATION DEFICIT & PURCHASING POWER NOTES

Baseline inflation index (HICP / CPI):

Cumulative indexation granted vs inflation:

Statutory restoration mechanism / policy:

Estimated purchasing power erosion at age 85:

SECTION 6 · RETIREMENT AND TERMINAL VALUE

Questions 20–24

Evaluate accumulation, retirement distributions and the value remaining at death as one continuous economic lifecycle.

20 **Is it possible to exit the pension fund prematurely?**

STATUS: ☐ VERIFIED ☐ PARTLY VERIFIED ☐ UNCLEAR ☐ RED FLAG

PROVIDER'S ANSWER

EVIDENCE / DOCUMENT

FINANCIAL CONSEQUENCE

FOLLOW-UP REQUIRED

21 **What gross and net monthly income is expected after every tax, contribution and charge?**

STATUS: ☐ VERIFIED ☐ PARTLY VERIFIED ☐ UNCLEAR ☐ RED FLAG

PROVIDER'S ANSWER

EVIDENCE / DOCUMENT

FINANCIAL CONSEQUENCE

FOLLOW-UP REQUIRED

22 **Does the remaining capital continue to earn returns during retirement?**

STATUS: ☐ VERIFIED ☐ PARTLY VERIFIED ☐ UNCLEAR ☐ RED FLAG

PROVIDER'S ANSWER

EVIDENCE / DOCUMENT

FINANCIAL CONSEQUENCE

FOLLOW-UP REQUIRED

23 **What is paid to a spouse, partner, children or estate if the participant dies before or shortly after retirement?**

STATUS: ☐ VERIFIED ☐ PARTLY VERIFIED ☐ UNCLEAR ☐ RED FLAG

PROVIDER'S ANSWER

EVIDENCE / DOCUMENT

FINANCIAL CONSEQUENCE

FOLLOW-UP REQUIRED

24 **What personally owned or transferable terminal value is expected to remain at death?**

STATUS: ☐ VERIFIED ☐ PARTLY VERIFIED ☐ UNCLEAR ☐ RED FLAG

PROVIDER'S ANSWER

EVIDENCE / DOCUMENT

FINANCIAL CONSEQUENCE

FOLLOW-UP REQUIRED

SECTION 7 · LEGAL AND ECONOMIC CONTROL

Questions 25–27

Assess property rights, statutory vs contractual protections, and exit flexibility across lifecycle changes.

25 Who legally owns the assets, and what enforceable claim does the participant possess?

STATUS: ☐ VERIFIED ☐ PARTLY VERIFIED ☐ UNCLEAR ☐ RED FLAG

PROVIDER'S ANSWER

EVIDENCE / DOCUMENT

FINANCIAL CONSEQUENCE

FOLLOW-UP REQUIRED

26 Can the accrued value be transferred, and how is the transfer value calculated?

STATUS: ☐ VERIFIED ☐ PARTLY VERIFIED ☐ UNCLEAR ☐ RED FLAG

PROVIDER'S ANSWER

EVIDENCE / DOCUMENT

FINANCIAL CONSEQUENCE

FOLLOW-UP REQUIRED

27 What happens after emigration, divorce, employer change, fund merger, provider failure or legislative reform?

STATUS: ☐ VERIFIED ☐ PARTLY VERIFIED ☐ UNCLEAR ☐ RED FLAG

PROVIDER'S ANSWER

EVIDENCE / DOCUMENT

FINANCIAL CONSEQUENCE

FOLLOW-UP REQUIRED

LEGAL RIGHTS, PORTABILITY & SOLVENCY FRAMEWORK

Applicable governing statute / jurisdiction:

Statutory individual transfer right (portability):

Participant legal recourse in case of deficit:

Segregation of assets from sponsor/employer:

SECTION 8 · GOVERNANCE

Questions 28–30

Verify accountability, mandate disclosure, conflict management, and participant recourse.

28 Who appoints and supervises the board, investment managers, actuaries, advisers and custodians?

STATUS: ☐ VERIFIED ☐ PARTLY VERIFIED ☐ UNCLEAR ☐ RED FLAG

PROVIDER'S ANSWER

EVIDENCE / DOCUMENT

FINANCIAL CONSEQUENCE

FOLLOW-UP REQUIRED

29 What conflicts of interest exist, how are they managed, and can participants inspect the relevant mandates, costs and decisions?

STATUS: ☐ VERIFIED ☐ PARTLY VERIFIED ☐ UNCLEAR ☐ RED FLAG

PROVIDER'S ANSWER

EVIDENCE / DOCUMENT

FINANCIAL CONSEQUENCE

FOLLOW-UP REQUIRED

30 What individual right of objection, appeal or redress does a participant hold — and where the law limits this to collective action, what is the process, realistic timeline and practical effect of that constraint?

STATUS: ☐ VERIFIED ☐ PARTLY VERIFIED ☐ UNCLEAR ☐ RED FLAG

PROVIDER'S ANSWER

EVIDENCE / DOCUMENT

FINANCIAL CONSEQUENCE

FOLLOW-UP REQUIRED

SUPERVISORY AUTHORITY & DISPUTE RESOLUTION SUMMARY

Supervisory authority (e.g. DNB / AFM / BaFin):

Pension ombudsman / complaints board:

Internal dispute timeline & binding nature:

Collective litigation threshold / constraints:

SECTION 9 · COMPARABLE ALTERNATIVES

Questions 31–32

Benchmark the arrangement against a transparent, low-cost baseline across all three lifecycle phases.

31 What would the same dated net contributions have produced in a transparent, low-cost benchmark under clearly stated assumptions?

STATUS: ☐ VERIFIED ☐ PARTLY VERIFIED ☐ UNCLEAR ☐ RED FLAG

PROVIDER'S ANSWER

EVIDENCE / DOCUMENT

FINANCIAL CONSEQUENCE

FOLLOW-UP REQUIRED

32 After valuing guarantees, insurance, survivor benefits and tax treatment, what is the difference in retirement income and terminal value?

STATUS: ☐ VERIFIED ☐ PARTLY VERIFIED ☐ UNCLEAR ☐ RED FLAG

PROVIDER'S ANSWER

EVIDENCE / DOCUMENT

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FOLLOW-UP REQUIRED

OPPORTUNITY COST & BENCHMARK COMPARISON WORKSHEET

Benchmark index / fund selected:	
Assumed benchmark TER / annual cost drag:	
Gross return & inflation assumptions applied:	
Tax treatment differential (EET vs TEE / taxable):	
Valuation of ancillary covers (disability / survivor):	
Net monthly retirement income differential ([CCY]/mo):	
Terminal capital value differential at death ([CCY]):	

EVIDENCE REGISTER

Audit Documentation

List every source used to verify the provider's answers. Record documents in chronological order of receipt.

NO.	DOCUMENT / SOURCE	DATE / VERSION	QUESTIONS SUPPORTED
1			
2			
3			
4			
5			
6			
7			
8			
9			
10			
11			
12			

RECORD KEEPER VERIFICATION & DOCUMENT CUSTODY

All source documents recorded in this register must be preserved in the physical or secure digital audit file. Document references should specify exact section numbers, table identifiers, and official publication dates from the pension provider, governing board, or supervisory authority.

Lead document custodian / archivist: _____

Audit repository location / file reference: _____

Verification completion sign-off date: _____

FINAL ASSESSMENT

Summary · Findings · Actions

Count the status assigned to the 32 audit questions and record the overall institutional assessment.

☐ VERIFIED	☐ PARTLY VERIFIED	☐ UNCLEAR	☐ RED FLAGS

OVERALL CLASSIFICATION

- ☐ Transparent and personally funded
- ☐ Collective arrangement with adequate disclosure
- ☐ Material information missing
- ☐ Compounding materially impaired or insufficiently explained
- ☐ Ownership, portability or terminal value absent
- ☐ Further investigation required before commitment

MAIN FINDINGS

FINDING 1:

FINDING 2:

FINDING 3:

NEXT ACTIONS

ACTION	RESPONSIBLE PERSON	DEADLINE

AUDIT SIGN-OFF: _____ **DATE:** _____

METHODOLOGY AND SOURCES

Standards · References · Disclaimers

This checklist accompanies the article "Before You Join a Pension Fund: 32 Questions That Protect Your Compound Interest."

Its structure follows the participant's full economic lifecycle: contributions, investment, real returns, compounding interruptions, retirement distributions and terminal value.

PRIMARY REFERENCE POINTS

- **OECD** — Investment performance, Pensions at a Glance 2025
- **EIOPA** — Costs, charges and defined-contribution risk management
- **EIOPA** — Model IORP II Pension Benefit Statement
- **OECD** — Recommendation on Core Principles of Private Pension Regulation

DISCLAIMER

This checklist and any accompanying calculation tools are provided for educational and informational purposes only. They do not constitute financial, investment, pension, actuarial, tax or legal advice. Opportunity-cost results are hypothetical and depend on the assumptions entered. Opportunity cost is not a fee, debt, realised loss, legal claim or amount owed by a pension provider. Historical or assumed returns do not guarantee future results. Pension arrangements may include employer contributions, tax advantages, guarantees, longevity pooling, disability cover, survivor benefits and other provisions that are not automatically captured in a simplified comparison. Verify all inputs against the governing documents and applicable law.

RELATED RESOURCE

Explore the Pension vs Index Fund Opportunity Cost Calculator at InvestCalcs.net to compare accumulation, retirement distributions and terminal value using your own assumptions.