

SWITZERLAND



DEMOGRAPHICS AND MACROECONOMICS

Nominal GDP (CHF bn)	508.0
GDP per capita (USD)	56 079.5
Population (000s)	7 550.0
Labour force (000s)	4 572.3
Employment rate	96.5
Population over 65 (%)	16.3
Dependency ratio ¹	26.9

Data from 2007 or latest available year.
 1. Ratio of over 65-year-olds the labour force.
 Source: OECD, various sources.

COUNTRY PENSION DESIGN

STRUCTURE OF THE PENSION SYSTEM

Public pensions

- The earnings-related, public scheme has been transformed from a standard defined-benefit formula to a point system.
- There is a minimum annual pension accrual related to the minimum wage.

Private pensions: occupational (mandatory)

- Privately managed mandatory pension system

Private pensions: personal (voluntary)

- Voluntary personal pension plans

Source: OECD Global Pension Statistic.

PENSION FUNDS DATA OVERVIEW

	2001	2002	2003	2004	2005	2006	2007
Assets							
Total investments (National currency millions)	440,898	416,517	450,281	484,044	542,629	583,267	606,447
Total investments, as a % of GDP	102.46	95.91	102.87	107.24	117.03	119.97	119.37
Of which Assets overseas, as a % of Total investment:							
• Issued by entities located abroad	4.50	4.80	5.62	6.33	7.02	7.95	8.55
• Issued in foreign currencies	24.90	24.46	25.39	26.18	28.72	29.77	29.53
By financing vehicle (as a % of Total investments)							
• Pension funds	100.00	100.00	100.00	100.00	100.00	100.00	100.00
• Book reserves	NA	NA	NA	NA	NA	NA	NA
• Pension insurance contracts	ND	ND	ND	ND	ND	ND	ND
• Other financing vehicle	ND	ND	ND	ND	ND	ND	ND
By pension plan type							
• Occupational assets	440,898	416,517	450,281	484,044	542,629	583,267	606,447
• % of DB assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00
• % of DC (protected and unprotected) assets	100.00	100.00	100.00	100.00	100.00	100.00	100.00
• Personal assets	ND	ND	ND	ND	ND	ND	ND
Structure of Assets (as a % of Total investments)							
Cash and Deposits	8.47	9.95	9.53	9.16	8.48	7.66	8.17
Fixed Income	39.15	39.78	37.96	35.51	33.39	30.82	29.06
Of which:							
• Bills and Bonds issued by the public and private sector	27.96	29.28	28.27	27.39	27.43	25.76	24.41
• Loans	11.19	10.50	9.69	8.11	5.96	5.06	4.65
Shares	23.64	19.33	19.05	18.58	18.11	17.46	15.72
Land and Buildings	11.36	12.29	11.53	10.88	10.09	9.57	9.31
Other Investments	17.38	18.66	21.94	25.87	29.92	34.49	37.74
Contributions and Benefits							
Total Contributions, as a % of GDP	6.56	6.84	7.26	7.50	7.83	7.91	7.88
• Employer Contributions, as a % of Total contributions	60.68	60.18	58.65	57.30	56.45	56.30	64.75
• Employee Contributions, as a % of Total contributions	39.32	39.82	41.35	42.70	43.55	43.70	35.25
Total Benefits, as a % of GDP	4.74	4.85	5.13	5.29	5.27	5.34	5.45
• % of benefits paid as a Lump sum	17.26	15.57	17.38	18.98	17.73	19.49	20.82
• % of benefits paid as a Pension	82.74	84.43	82.62	81.02	82.27	80.51	79.18
Membership (in thousands of persons)¹							
Total membership	4,050	4,118	4,089	4,060	4,183	4,362	ND
• % of Active membership	80.71	80.42	79.78	79.14	79.17	79.30	ND
Of which: % of Deferred membership	ND	ND	ND	ND	ND	ND	ND
• % of Passive membership	19.29	19.58	20.63	20.86	20.83	20.70	ND
Other beneficiaries	ND	ND	ND	34	28	34	ND
Number of Pension Funds/Plans							
Total number of funds	3,290	3,170	3,050	2,934	2,770	2,667	ND
Total number of plans	104,494	84,310	77,217	70,124	36,987	19,916	ND

Note: Data refer only to occupational pension funds.

1. Membership figures reflect 'membership' rather than 'people'. Therefore a person may be a member of more than one types of plan at any one time, particularly if the person has a number of employments in the year.

ND = data not available

NA = data not applicable

Source: OECD, Global Pension Statistics

SWITZERLAND: THE PENSION SYSTEM'S KEY CHARACTERISTICS

PUBLIC PENSION

The basic state pay-as-you-go system in Switzerland (i.e. *AHV – Alters- und Hinterlassenenversicherung*) covers all residents or those in salaried employment. The contribution rate is equally split between employer and employee at 4.2% of gross earnings from each side. In addition, the government covers roughly 20% of the cost of the benefits (of which, 16.36% is provided by the federal government and 3.64% by the cantons). Benefits depend on income. If the insured's average annual income is less than or equal to CHF 38,700, benefits amount to CHF 9,546 plus a variable amount equal to the annual income times 13/600. If the insured's average income is larger than CHF 38,700, benefits are 13,416 plus a variable amount equal to average annual income times 8/600. The minimum monthly pension is CHF 1,075, while the maximum amount is CHF 2,150. Benefits are adjusted against prices and wages every two years, and the full pension is reduced if the contribution period is less than the required time (in order to be entitled to the full pension, the insured must have contributed each year from age 21 until 65 (men) and 64 (women)). The minimum contribution period is 1 year. The OECD's 2007 estimate for the gross replacement rate is 58.2% and the net replacement rate 67.3%.

OCCUPATIONAL MANDATORY

Coverage

Employees whose annual earnings exceed CHF 19 350 with the same employer are required to join the pension fund established by their employer. The system is voluntary for self-employed persons and those not eligible for mandatory insurance.

Typical Plan Design

Contribution rates for employees vary according to age and gender and are applied to earnings between CHF 22 575 and CHF 77 400. Employee contributions are determined as follows:

Contribution rates for employees by age and gender

As a percentage of eligible earnings

Men within age range	25-34	35-44	45-54	55-64
Women within age range	25-31	33-41	43-51	52-63
Employee contribution	7%	10%	15%	18%

Employer contributions must be at least equal to the employee's contribution.

From 1 January 2008, the minimum rate of return for mandatory occupational pensions was raised from 2.5% to 2.75%.

The annual benefit in 2008 equals 7.05% (men) or 7.1% (women) of the accumulated funds, plus any interest in the individual account. Benefits are normally paid in the form of an annuity. Insured members can request that a quarter of their assets be paid out as capital. Moreover, the pension fund may grant a capital payment instead of a pension or annuity, if this amount is less than 10% of the minimal old age

public pension for a member affected by old age or disability, less than 6% for widows' and widowers' pensions, or less than 2% for an orphan's pension.

Members may start withdrawing their pension benefits on reaching the ordinary retirement age (65 for men, 64 for women). Both early and deferred retirement are possible, with benefits accordingly adjusted down for early retirees and up for those who retire later.

Taxation

EET tax treatment applies: contributions and investment income are exempt, while benefit payments are taxable.

PERSONAL VOLUNTARY

Coverage

Anyone wishing to increase his or her level of pensions after retirement may participate.

Contributions

Contributions made by individuals are capped. In 2007 the ceiling was CHF 6 365 for those with a pension fund, but CHF 31 824 (or 20% of earned income) for those without a pension fund.

Benefits

Because benefits are based on defined contributions, a member's total contributions' plus any interest that has accrued are paid out, either when he or she reaches the statutory retirement age (65 for men, 64 for women), or in the event of disability or death. Early withdrawal of benefits is possible in certain circumstances, *e.g.* if a member starts his or her own business, or leaves Switzerland permanently.

Benefits may be paid in the form of annuities or as a capital lump-sum.

Taxation

EET tax treatment applies: contributions and investment income are exempt, while pension benefit is taxable, albeit separately from other income and at a lower rate.

PERSONAL VOLUNTARY

MARKET INFORMATION

Occupational mandatory

In December 2006 there were 2 667 occupational pension funds with about 4.4 millions participants. Accrued assets were of CHF 606.4 billion (USD 505.4 billion) in 2007.

POTENTIAL REFORM

From 1 January 2008, the minimum rate of return for mandatory occupational pensions will be increased from 2.5% to 2.75%.

REFERENCE INFORMATION

KEY LEGISLATION

Base Pension Plan

2000-2003: Federal Law of 6 October relative to social insurance, passed in 2000, but implemented in 2003.

Mandatory Occupational Pension Plan

1982/1985: Federal Law of 25 June relative to occupational old age, disability, and survivor pensions; passed in 1982, but implemented in 1985.

1946: Federal Law of 20 December on old-age and survivors insurance.

KEY REGULATORY AND SUPERVISORY AUTHORITIES

Base Pension Plan

Federal Department of the Interior: provides general supervision and regulation;

www.edi.admin.ch.

Federal Social Insurance Office: supervises implementation of the base pension plan;

www.bsv.admin.ch.

Central Compensation Office: maintains a register of all insured persons and pensioners;

www.av-sai-international.ch.

Mandatory Occupational Pension

Federal Social Insurance Office and Cantons: provide general supervision, while registered occupational pension institutes administer mandatory occupational pension schemes;

www.bsv.admin.ch.

SELECTED KEY STATISTICAL REFERENCE

Office Fédéral de la Statistique

www.bfs.admin.ch/bfs/portal/fr/index.html.

OECD, Global Pension Statistics project, www.oecd.org/daf/pensions/gps.

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