

IOPS COUNTRY PROFILE: LIECHTENSTEIN



DEMOGRAPHICS AND MACROECONOMICS

GDP per capita (USD)	178'730
Population (000s)	39.7
Labour force (000s)	41.4
Employment rate (%)	98.4%
Population over 65 (%)	19.2
Dependency ratio ¹	50.9

1. Ratio of over 65-year-olds / labour force

Note: Data from 2022 or latest available year.

Source: Data from the National Bureau of Statistics

LIECHTENSTEIN: COUNTRY PENSION DESIGN

STRUCTURE OF THE PENSION SYSTEM

Public pensions

- State old-age and survivor's insurance scheme (AHV - Alters- und Hinterlassenenversicherung)

Private pensions: Occupational mandatory

- Pension institutions (Pensionskassen)

Private pensions: Occupational voluntary

- Pension funds (Pensionsfonds)

Private pensions: Personal

- Individual pension savings with insurance companies or banks

Source: OECD/IOPS Global Pension Statistic

LIECHTENSTEIN: THE PENSION SYSTEM'S KEY CHARACTERISTICS

PUBLIC PENSION

The basic state old-age and survivors' insurance scheme (AHV – Alters- und Hinterlassenenversicherung) forms the first part of Liechtenstein's social security insurance system. This state pension system is compulsory for all employees and self-employed, who are older than 17 years and for all unemployed, who are older than 20 years. The public pension scheme aims to secure basic livelihood.

Contributions to the basic scheme amount to 3.95% of earnings for employees. The contributions, which are directly deducted from the salary of an employee, are split between employer and employee. Employer contributions are 4.15%. Unemployed pay CHF 243 annually.

The normal retirement age for men and women is 65. Entitlements for a regular old-age pension arise with a minimum of 1 insurance year and when the statutory retirement age has been reached.

The pension is calculated on the basis of the relative average income and the number of years the person has contributed. Income is made up of total earned income plus bonuses for child-rearing and care-taking. If a person has not contributed for the full period a proportion of the full pension may be drawn.

Maximum monthly pension benefits for old-age amounted to CHF 2'380 and the minimum to CHF 1'190. The maximum benefits amount will be attained, if a person pays the contributions continually since the person is 20 years old.

The state pension insurance scheme comprises the possibility for early retirement. A pension can be received after the 60th year of life. The pension paid in cases of early retirement is reduced by between 21.8% and 5%, depending of the moment of the retirement. The retirement can also be drawn up to the age of 70. The amount of the pension paid increases by between 4.5% and 26.1 %.

The income which spouses have earned during their married life is split in case of retirement, divorce or death of one spouse. 50% of the split values are credited to each spouse.

OCCUPATIONAL MANDATORY PRIVATE PENSIONS

Coverage

The occupational mandatory pensions system of Liechtenstein covers every employee, who is insured under the compulsory state pension system (AHV) and whose annual salary exceeds CHF 14'280. The risks of disability and death are insured from the January 1st after the employee's 17th birthday, retirement benefits starting on January 1st after the employee's 19th birthday; provided the person is permanently employed.

Employees who are not covered by law may join the pension institution of their employer on a voluntary basis. Self-employed persons may voluntarily join the pension institution established for their employees.

Persons receiving unemployment benefits are compulsory insured for the risks of disability and death.

Employers must ensure that their employees are insured. Therefore employers must either establish an own pension institution for their employees or join a multi-employer pension institution. All covered employees must be affiliated to this pension institution and they can not opt for another pension institution.

Pension plans may be defined benefit or defined contribution and must provide protection against the risks of old age, disability and death.

Contributions

Employers enter into a membership contract with a pension institution and opt for a pension plan.

Pension institutions must provide at least the legally defined minimum benefits but may also provide a more generous protection of its members.

For employees covered by old-age insurance, the contribution amounts 8% of the allowable salary. The risk contributions are to be calculated so that the legally specified minimum benefits for disability and death can be funded.

Employers have to pay half of the contributions. The employee contributions are withheld from the paycheck and the employer has to transfer them to pension institution collectively with the employer contribution.

Benefits

Benefit plans can be defined benefit or defined contribution. The benefit formula must be defined in the pension institution's rules. Benefits are generally paid as pensions for life, but there is also the possibility for a lump sum to be paid at retirement.

Upon divorce, benefits accrued during the period of marriage are to be divided between the former married persons, in principle in equal parts.

Survivorship benefits are paid to the deceased member's spouse and to orphans under age 18 (age 25 if in education). The pension for the deceased member's spouse amounts in minimum 18% annually of the last insured income and orphans receive at least 6% of the insured income.

Disability benefits are paid to members who become disable before attaining the retirement age. The degree of disability is defined by the public pension scheme and is binding for the pension institution. Disability benefits are defined in the pension institution's regulations, but full disability benefit must equal at least 30% of covered salary. Additional a child benefit equal to 6% of covered salary per child is paid to disabled members for children under age 18 (age 25 if in education).

Taxation

Employer and employee contributions are tax-deductible. Benefits are taxed as income. Pension and lump sum payments are taxed on a different basis. Lump sum payments are taxed at a preferential rate.

OCCUPATIONAL VOLUNTARY PRIVATE PENSION

Pension funds are institutions offering occupational retirement provision in or from Liechtenstein. A pension fund means an institution, irrespective of its legal form, operating on a funded basis, established separately from any sponsoring undertaking for the purpose of providing retirement benefits on the basis of an agreement in the context of an occupational activity.

The Pension Fund Act implemented Directive 2003/41/EC of the European Parliament and the Council of 3 June 2003 on activities and supervision of institutions for occupational retirement provision, which is now replaced by the Directive 2016/2341 of the European Parliament and the Council of 14 December 2016 (EbAV II).

PERSONAL VOLUNTARY PRIVATE PENSIONS

Every person may make individual pension savings with insurance companies as well as with banks.

Type of contributions and benefits are determined in the contract between individual persons and providers.

MARKET INFORMATION

Occupational mandatory

As of 19 December 2022, there are 16 pension institutions (Pensionskassen) authorised in Liechtenstein: Hilti Pensionskasse, Kaiser Partner Personalvorsorgestiftung, Pensionskasse der Ivoclar Vivadent Aktiengesellschaft, Personalvorsorgestiftung der Kaiser Aktiengesellschaft, Personalvorsorgestiftung der LGT Gruppe (Liechtenstein), Personalvorsorgestiftung der Liechtensteinischen Landesbank, Personalvorsorgestiftung der OC Oerlikon Balzers AG, Presta-Stiftung, Treuhand-Personalstiftung, Vorsorgestiftung der Ospelt Gruppe, AXA Stiftung Betriebliche Vorsorge, LLB Vorsorgestiftung für Liechtenstein, BEVO Vorsorgestiftung für Liechtenstein, Sammelstiftung Malbun der Zürich Lebensversicherungs-Gesellschaft AG, Stiftung Personalvorsorge Liechtenstein, Stiftung Sozialfonds.

As of 30 November 2022, 42'857 persons were part of the occupational mandatory pension system of Liechtenstein; as retired or as insured person. The contribution income in 2021 amounts about mCHF 473 and the total of paid out benefits of the pension institutions was about mCHF 234.3.

Occupational voluntary

As of 19 December 2022, there are 3 pension funds authorised in Liechtenstein: "Rofenberg" Stiftung für Personalvorsorge, LV1871 Pensionsfonds AG, Swiss Life International Employee Benefits Pension Fund (Collectiv Foundation).

As of 31 December 2022, 4'923 persons were insured part of the occupational voluntary pension system; as retired or as insured person. The contribution income in 2022 amounts CHF 64'005'293 and the total of paid out benefits of the pension funds is CHF 38'087'511.

RECENT REFORM

The recent reform of the Law on Occupational Pension Provisions (BPVG) was in 2016.

The reformed Pension Fund Act (PFG) enters into force as from 13 January 2019.

REFERENCE INFORMATION

KEY LEGISLATION

- Law of 20 October 1987 on Occupational Pensions (Occupational Pensions Act), Liechtenstein Law Gazette LGBl. 1988 No. 12).
- Ordinance of 20 December 2005 on the Law on Occupational Pensions (Occupational Pensions Ordinance), Liechtenstein Law Gazette, LGBl. 2005 No. 288.
- Decree on the Mandatory Occupational Provision for Unemployed Persons; provides for disability and survivorship insurance of unemployed persons (Liechtenstein Legal Gazette, 1997 no. 138).
- Law on Supervision of Institutions for Occupational Retirement Provisions (Pension Funds Act), Liechtenstein Gazette, LGBl. 2007 No. 11.
- Ordinance on the Law on Supervision of Institutions for Occupational Retirement Provision (Pension Funds Ordinance), Liechtenstein Gazette, LGBl. 2007 No. 16.
- Directive (EU) 2016/2341 of the European Parliament and of the Council of 14 December 2016 on the activities and supervision of institutions for occupational retirement provision.

KEY REGULATORY AND SUPERVISORY AUTHORITIES

- Financial Market Authority Liechtenstein (FMA)