

IOPS COUNTRY PROFILE: SWITZERLAND



DEMOGRAPHICS AND MACROECONOMICS

Nominal GDP (CHF bn)	659.0
GDP per capita (USD)	78 812.65
Population (000s)	8 493.0
Labour force (000s)	4 870.4
Employment rate (%)	95.2
Population over 65 (%)	17.6
Dependency ratio (%) ¹	29.0

Data from 2017 or latest available year.

1. Ratio of over 65-year-olds per labour force. Source: OECD, various sources.

SWITZERLAND: COUNTRY PENSION DESIGN

STRUCTURE OF THE PENSION SYSTEM

Public pensions (mandatory)

- State-run mandatory pension system with limited benefits and unlimited contributions
- Should cover basic living expenses adequately
- Pay-as-you-go

Private pensions: occupational (mandatory)

- Privately managed mandatory pension system
- Should maintain the previous lifestyle in an appropriate manner (together with first pillar)
- Funding principle

Private pensions: personal (voluntary)

- Voluntary personal pension plans
- Funding principle

Source: OECD/IOPS Global Pension Statistic

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 26% of the cost of the benefits (of which, about 20% is provided by direct funding of the federal government and roughly 6% by VAT and other taxes (e.g. tobacco, alcohol, and gambling)).

Benefits depend on income. The minimum monthly full pension is CHF 1,175 (for insured's average annual incomes up to CHF 14,100), while the maximum amount is CHF 2,350 (for insured's average annual incomes of CHF 84,600 and more), graduated in-between. Benefits are adjusted to prices and wages normally 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 2016 estimate for the gross replacement rate is 42.1% and the net replacement rate 44.7%.

OCCUPATIONAL MANDATORY

Coverage

Employees whose annual earnings exceed CHF 21,150 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 vary according to the insured person's age and apply to earnings between CHF 24,675 and CHF 84,600. The contributions are determined as follows:

Contribution rates by the insured person's age

As a percentage of eligible earnings

Men/women within age	25-34	35-44	45-54	55-
Total contribution	7%	10%	15%	18%

Employer contributions must be at least one-half of total contribution, employees pay the remaining part.

From 1 January 2017, the minimum rate of return for mandatory occupational pensions is 1.00%.

The annual benefit in 2018 equals 6.80% of the accumulated funds, plus any interest in the individual account. Benefits are normally paid as pensions but lump-sum benefits are possible if pensions would be lower than 10 per cent of the minimum retirement pension under the basic insurance scheme (CHF 1,175 a month in 2018). The member may claim the payment of a quarter of their retirement assets as a capital benefit. The pension institution's regulations can provide the possibility to receive the whole assets as a capital benefit.

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

Any employed person wishing to increase his or her level of pensions after retirement may participate.

Contributions

Contributions made by individuals are capped. In 2018 the ceiling was CHF 6,768 for those with a mandatory occupational pension, but CHF 33,840 (or 20% of earned income) for those without a mandatory occupational pension.

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.

MARKET INFORMATION

Occupational mandatory

In December 2015 there were 1,782 occupational pension funds with about 4.8 million participants. Accrued assets were of CHF 924.1 billion in 2015.

POTENTIAL REFORM

In 2017, a comprehensive reform project of 1st and 2nd pillar was rejected by Swiss voters.

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.avs-ai-international.ch.

Mandatory Occupational Pension

Regional supervisory authorities: supervise the pension institutions that have their head office on its territory.

Occupational Pensions Supervisory Commission (OPSC): supervise the regional supervisory authorities, the LOB guarantee fund, the Substitute Occupational Benefit Institution and investment funds.

www.oak-bv.admin.ch/en.

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.