

Pushing for change

As the representative of occupational pension schemes in Switzerland, ASIP stands in the middle of a welfare system in transition. Sunniva Kolostyak talks to the association's scientific assistant Michael Lauener about reforms, law making and the origins of pensions

WRITTEN BY SUNNIVA KOLOSTYAK

Can you explain what ASIP is and what interests you represent?

The ASIP furthers the consciousness and awareness of the important role of the Swiss pension funds. The occupational pension scheme system, which is important for the Swiss social system is on the move. Demographic trends, flexible employment relationships, economic changes or complex capital markets require other solutions. We want to recognise the challenges early and introduce and put in practice reforms that can guarantee the safety and stability in the second pillar on a long-term basis.

Our objectives are to run the occupational pension funds in partnership with the social partners and to sustain the occupational pension funds and guarantee its safety and stability. Also, we want to train the persons in charge of the pension funds as experts who act with sole responsibility, to create underlying conditions that are actuarially correct and comprehensible, and to support an efficient leadership of the pension funds.

What are the main challenges pension funds in Switzerland face and what you think should be done to address these?

Pension reform – on the 24



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September 2017 the Pensions 2020, the pension reform, was refused by the Swiss people. After that, Federal Council Alain Berset ordered unions and management to negotiate a compromise proposal. Firstly, the conversion rate must be lowered from 6.8 per cent to an actuarially correct value.

You have recently spoken out against a draft proposal to determine a maximum rate for the technical interest rate. Why would this cause issues?

We support the Guideline FRP 4 of the Swiss Chamber of pension funds as it leaves the competence of fixing the technical interest rate to the supreme organ of the pension funds (cf. art. 51a al. 2 let. e LPP).

What would you consider key features of good occupational pensions?

According to the law on occupational pension schemes (LPP), occupational pension funds, also called the second pillar, complete the basic first pillar AVS/AI/APG system – old age, disability, loss of income and so on. Together, these two insurance systems should ensure that retired people to a large extent maintain their former standard of living, i.e. they should jointly provide approximately 60 per cent

of the final salary.

The first pension funds were set up over 100 years ago in the machine industry. Only people whose employer had instituted such a system were covered – unlike today, insurance was optional and depended on the employer’s good will. People not gainfully employed had no insurance whatever and no means of making provision for their old age: in this respect they had to look entirely after themselves. The AVS system was created much later, in 1948. The occupational pension scheme system was embodied in the constitution in 1972. It is the second element of a three pillar system and is defined as complementary to the first pillar.

The federal law on occupational pension schemes, and the relevant

old-age, survivors’ and disability benefits, which came into force on 1 January 1985, is based on this constitutional provision.

Although the system set up by the lawmakers was largely inspired by the structure of existing pension funds, they also wanted to introduce the principle of minimum provision guaranteed by the law. This is the mandatory part of the occupational pension fund system. The LPP defines minimum benefits in the event of old age, death, and disability. But pension funds are free to provide benefits going beyond the statutory minimum and these are called ‘over-obligatory’ benefits. In principle, in both cases within the legal framework (art. 48-53f LPP, art. 89a section 6-8 ZGB) the pension funds can choose the form

of organisation they prefer, their design of benefits, and the ways of financing them.

In December, the Swiss government proposed making it easier for pension funds to invest in venture capital for domestic start-ups. What is your view on this?

To invest in venture capital can be a good investment for a pension fund. But pension funds must have the freedom to decide whether they want to do it or not (no legal constraints).

Overall, what is ASIP hoping to achieve this year?

ASIP hopes that the politics can give a thrust for a new revision of the LPP. ■



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