LUKAS MÜLLER-BRUNNER

Built to last

Swiss Pension Fund Association director, *Lukas Müller-Brunner,* sits down with *Paige Perrin* to speak about the strengths of Switzerland's multi-pillar pension system, the challenges the Swiss pension industry is facing, and the importance of preserving employer involvement and improving efficiency without simply relying on further consolidation of pension funds

Could you explain the role of the Swiss Pension Fund Association (ASIP) within Switzerland's pension landscape?

■ The Swiss three-pillar system combines state (first pillar), occupational (second pillar) and private pension provision (third pillar) to ensure financial security in old age, in the event of disability or death. The ASIP is the umbrella organisation for occupational pension provision in Switzerland. It represents over 900 pension funds and, through its members, accounts for around two-thirds of those insured under occupational pension schemes and pension assets totalling some CHF 650 billion.

From ASIP's perspective, what are the greatest strengths of Switzerland's pension system?

■ The second pillar is particularly robust; it is based on the funded scheme financed by employees and employers, which, thanks to its compulsory nature, ensures broad participation and creates an excellent foundation for long-term saving. Each insured person, together with their employer, builds up retirement savings that are continuously invested in the capital market and can be drawn down after retirement as a pension, a lump sum or a combination of the two. Together with the first pillar, it serves to safeguard the accustomed standard of living in old age. The third pillar is voluntary and based on individual savings. It supplements the benefits provided by the first two pillars and enables individuals to take personal responsibility for additional financial security.

What are the biggest challenges currently facing Swiss pension funds and what issues are the highest priorities for ASIP at the moment?

■ A key challenge for occupational pension provision is the population's rising life expectancy. For pension funds, it means that they must, ideally, finance benefits of the same level over an ever-longer lifespan. In this case, from a purely arithmetic perspective, either contributions must increase or the number of years over which benefits are drawn must be reduced by adjusting the retirement age. We are observing with some concern the increasing trend towards taking a lump-sum payment on retirement at the expense of a pension. Both options have their merits: A pension offers security, while a lump sum provides greater flexibility. ASIP is committed to ensuring that insured persons understand the differences between a pension and a lump-sum payment and can make an informed decision.

The OECD argued in its latest economic survey of Switzerland that substantial pension reform is overdue. Do you agree with this statement?

■ We do not share the OECD's criticism. There are some areas in need of improvement in the Swiss pension system, particularly in the first pillar, the AHV. In the second pillar, however, we have a major asset in the form of the supplementary scheme, which goes beyond the statutory minimum framework and can be applied very flexibly. It allows most funds to adapt their pension plans flexibly, for example to rising life expectancy or increased part-time work. Furthermore, it counteracts an unjustified redistribution between generations and enables the modernisation of outdated statutory requirements. Occupational pension provision is therefore characterised precisely by the fact that it can develop gradually without a backlog of reforms, whilst adhering to its tried-and-tested fundamental principles.

Swiss pension funds are facing a changing landscape. How is the sector evolving to ensure it can continue to deliver secure retirement outcomes?

■ The major advantage of the Swiss system is that pension funds are organised on a decentralised basis and can adjust their schemes independently within the flexible legal framework. Furthermore, certain measures can be implemented without any change to the law. Swiss pension funds are in very good shape; their governing bodies, composed equally of employee and employer representatives, are doing an excellent job alongside those responsible for day-to-day operations. Thanks to healthy reserves, the pension funds achieved their highest real return in 25 years last year.

The proposed reform of Switzerland's occupational pension system was rejected in 2024, but the challenges it was intended to address remain. What should policymakers focus on in discussions about the future of occupational pensions?

■ Another attempt to amend the BVG would once again lead to a political tug-of-war in parliament, resulting in an extremely shaky compromise and costly transitional measures. We saw what became of such proposals in 2010, 2017 and 2024: all three reform proposals failed at the ballot box. It's now important to focus on targeted and broadly supported improvements. In this regard, ASIP attaches great importance to policymakers bearing in mind their subsidiary role and intervening in the occupational system only where necessary. Funds can resolve many problems themselves without the need for legislation. Selective tweaks to the law, for the sake of modernisation, aren't appropriate.

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The Swiss pensions regulator, the Oberaufsichtskommission Berufliche Vorsorge, called for clearer responsibilities and stronger supervisory powers to enhance pension fund oversight. What is ASIP's view on these proposed changes?

■ In principle, it is up to the supervisory authorities to determine the most appropriate method for supervising funds. ASIP merely notes that a risk-based approach generally – and when correctly implemented – leads to more targeted supervision and fewer unnecessary, or at least more effective, supervisory actions. Against this background, we welcome supervisory authorities adopting a risk-based approach rather than operating in a 'bureaucratic' manner without a risk focus. This is, however, conditional upon the correct identification of risks and methodical implementation.

How does ASIP expect the Swiss pension landscape to evolve, and what developments could shape the future of the sector?

■ We view the market consolidation that has been underway in Switzerland for several years with a degree of scepticism. We note that the efficiency gains resulting from a declining number of funds are extremely modest. Should employers nevertheless move away from actively shaping occupational pension provision and the number of company-owned funds continue to decline, a 'commodities' market would emerge. Such a step backwards must be prevented.
Real potential for even greater efficiency lies, amongst other things, in the automatic exchange of data, in management based on social partnership and, not least, in the legislator's realisation that pension funds shouldn't be burdened with ever more tasks.