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essentials
The Facts of the Matter Distilled

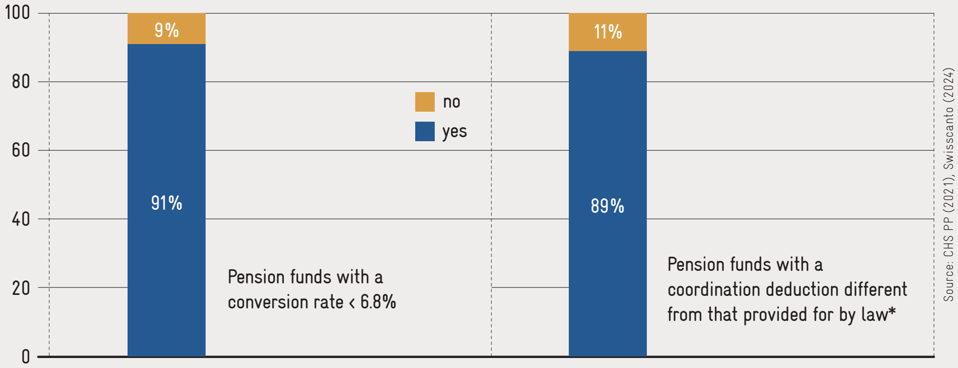
A Second Stable Pillar

The decentralization of the second pillar is its strength, but it needs revitalizing.

Situation

Occupational pension plans, financed by capitalization, make up the second pillar of retirement provision. They serve as a substitute for income from professional activity. This, along with the first pillar, means people can maintain their living standards. Designed in the 1970s, it is now facing economic and societal challenges. Firstly, inflation is likely to eat away at working people's assets and retirees' pensions. Secondly, the increasing popularity of atypical forms of work (part-time, multiple jobs, self-employed) means that the system needs to adapt to policyholders' new needs and preferences.

Pension funds aren't waiting for the Bern cavalry to arrive



*They set the coordination deduction based on the level of employment or salary, or even abolish it altogether.

Pension funds have not waited for politics to adapt. 91% have reduced their conversion rate and 89% have either abolished the coordination deduction, which penalizes part-time work, or made it more flexible.

70 %

According to Swisscanto, under the 2023 pension regulations, the 1st and 2nd pillars should provide pensions corresponding to 70% of final salary. This is higher than the 60% replacement rate that the regulator considers necessary to maintain people's previous standard of living.

Facts

3/4 of retirees have a 2nd pillar
More and more new pensioners are benefiting from occupational pension schemes in addition to AHV: 76% in 2019 versus 68% in 2008.

Restoring balance between workers and retirees
Pension funds offering benefits above the legal minimum lowered their conversion rates from 6.46% to 5.31% between 2013 and 2023. This has helped reduce the redistribution of assets to retirees not provided for by the capitalization system from CHF 8.4 billion in 2016 to CHF –0.3 billion in 2023.

Assets eaten away by inflation
Inflation isn't just a problem for retirees' pensions. In 2022, the return on the assets of policyholders still in employment (1.9%) was lower than inflation (2.8%), resulting in a real loss of their future pensions.

No difference for single people
2nd pillar pensions depend on your career path. Married women who have withdrawn from the workforce to raise their children receive a much lower pension than married men (–56%), but there is no significant difference between the sexes among single people.

Recommendations

To keep pace with the economic and social changes affecting policyholders and companies, we need to **1) maintain the proven decentralized and parity-based organizational structure** of occupational pension plans, **2) consider the interests of both retirees and those in employment** when making technical adjustments (interest on assets, inflation compensation), and **3) allow for greater individualization** (investment strategy, free choice of fund) to better meet policyholders' increasingly diverse needs.

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