

In any work using data from this report, please quote as follows:

Trampusch, Christine/Eichenberger, Pierre/de Roo, Micha/ Bartlett Rissi, Robin/Bieri, Isabelle/Schmid, Laura/Steinlin, Simon (eds.) (2010). *Pension in Switzerland*. REBECA (Research on Social Benefits in Collective Agreements). Database, Part 2 'Social Benefits in Collective Agreements'. SNF-Project No. 100012-119898. Institute of Political Science, University of Berne.

Pension in Switzerland

1. Introduction

Overview

In Switzerland old age is covered within a three pillar system, which is set by the constitution since 1972 (Leimgruber 2008: 2).

- The first pillar consists of the mandatory state provision for one's old age: the AHV/AVS (*Alters- und Hinterbliebenenversicherung/Assurance Vieillesse et Survivants*, Swiss Old-Age and Survivors' Insurance). Its purpose is to secure one's existence. This pillar is based on the solidarity concept, because one generation covers for the old age of the other generation (SPV 2009).
- The occupational pension funds form the second pillar. The purpose is the continuance of one's standard of living. The employers are bound by national law to insure their employees in a pension fund and to pay at least half of the contribution. The financial concept behind the second pillar is that of capital cover, which means that the individual savings are linked to each insured person (SPV 2009).
- The third pillar is the optional individual addition to the first two pillars. Individual saving is encouraged (SPV 2009).

The role of collective labor agreements (CLAs):

- Many aspects of the pension system are regulated by law. This is the reason why collectively negotiated pension agreements do not play an important role at the sectoral or intersectoral level in Switzerland. Social partners' negotiations on pension benefits take much more place at the company level (Steiger 20.10.2009, telephone interview).

Levels of Bargaining

- As mentioned above, bargaining at sectoral level is not important.
- But the pension funds for the occupational pensions are managed by bipartite boards of administration composed of representatives of the employers and employees.
- Within these boards bargaining on certain pension benefits may take place (Steiger 20.10.2009, telephone interview).

Actors

- The bipartite boards of advisors of the pension funds are important actors.
- They may negotiate pension benefits outside of the normal collective bargaining on agreements.
- The negotiations taking place in the boards may also indirectly affect negotiations on collective agreements (Steiger 20.10.2009, telephone interview).

Critical Junctures

Definition: Critical junctures are years or time periods when important decisions on the development of the collectively negotiated pension scheme were made.

Two critical junctures must be highlighted:

- The three pillar system was introduced in the federal constitution in 1972 and therefore the occupational pension funds took an official role in the provision of old age security (Stettler 2009).
- In 1982 the BVG (*Bundesgesetz über die berufliche Alters-, Hinterbliebenen- und Invalidenvorsorge*; Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans) was implemented. This law commits the companies to either set up a pension fund for the employees or to join an existing pension fund (Schneider 2009).

2. Important Collective Agreements (Examples)

We have not found any regulations concerning occupational pension in the CLAs.

3. Important Sectors

We have not found any sectors which have concluded CLAs containing regulations on pension.

4. Structure, Organization and Mode of Administration

- Occupational pension is organized through private law foundations which can either function as an insurance of just one company (e.g. *Pensionskasse SBB* which is the pension fund for the public railroad company) or as a collective fund for many different companies and organizations (e.g. *Pensionskasse Stadt Zürich* which insures the employees of the city administration of Zurich, as well as 162 other organizations) (Steiger 20.10.2009, telephone interview).
- Article 51 of the BVG states that the pension funds have to be administered on the basis of parity. This is implemented through boards of administrations which are composed of representatives of both the employers and the employees. The foundation councils are therefore comprised of an equal number of representatives of the unions and the employers' associations (BVG 1982: Article 51).

5. Role of the State: Financial Support, Legislation, and Extension Procedures

- The main role of the state is to implement the federal law on occupational pension (BVG 1982).
- Furthermore, the state grants tax exemptions for contributions to pension funds (Steiger 20.10.2009, telephone interview).

6. Financial Structure of the Collectively Negotiated Schemes

- Occupational pensions are financed according to the funding principle (Stettler 2009).
- Traditionally, the defined benefit plan was very common amongst the big pension funds. Since the end of the 20th century, the trend goes towards defined contribution plan (Stettler 2009).

- The BVG sets the minimum contributions for employers. They have to pay at least the same amount as the employees. It is possible to negotiate that the share of the employers may be higher, but not lower (Steiger 20.10.2009, telephone interview).

7. Benefits and Measures of the Collectively Negotiated Schemes

The benefits are not collectively negotiated at national or sector level but defined by national law:

- The retirement age is 65 for men and 64 for women (Sommer 2009: 1)
- People earning less than 22,575 CHF annually do not obtain occupational pension, because their old age provision is only covered for by the first pillar (this is called the coordination reduction). The purpose of the second pillar (occupational pension) is the continuance of ones standard of living in the old age. It therefore only concerns employees with higher earnings than 22,575 CHF per year (Profaro 2009; Sommer 2009: 1).
- The mandatory part of the second pillar funds old age provision on employees' earnings up to a maximum annual income of 82,080 CHF. Pension for earnings higher than this limit can be build up through voluntary individual savings within the framework of the third pillar (Sommer 2009: 1).

Benefits that are negotiated within the board of administration within the pension fund:

- Level of contribution of the employers and the employees: The employers may not pay less than the employee. But anything beyond that can be negotiated within the bipartite pension fund. It can be negotiated that the employers pay more than 50 per cent of the contributions. This is the case for example in the pension fund for the city employees in Zürich (Steiger 20.10.2009, telephone interview).
- Interest rate: Any amount of interest rates which are above the minimum given by law can be and are negotiated within the boards of the pension funds (Steiger 20.10.2009, telephone interview).
- The coordination reduction may be negotiated. The law only states that wages higher than the threshold of 22,575 CHF must be insured. It is within the competence of the social partners to negotiate, whether or not they also insure employees with lower annual wages than 22,575 CHF (Steiger 20.10.2009, telephone interview).

8. Coverage Rates of the Collectively Negotiated Schemes

100 per cent of the employees earning more than 20,520 CHF annually are covered by occupational pension (because it is mandatory) (Steiger 20.10.2009, telephone interview).

9. The Politics around the Collectively Negotiated Schemes

Linkages to Public Reform Policies

We have not found any evidence.

Linkages to Wage Agreements and Wage Policy (e.g. Wage Restraint, Tripartite Agreements) and Other Agreements

- Negotiations within the bipartite board of the pension funds indirectly affect negotiations between the social partners on collective agreements. If the employers are willing to pay higher pension contributions, it may make them less willing to accept wage increases or other demands within the collective agreement negotiations.
- Therefore, although pension is not regulated within the collective agreements, negotiations on pension benefits are still linked to them (Steiger 20.10.2009 Interview).

Actors' Strategies and Conflicts among and between Them (State, Political Parties, Employers, Trade Unions)

We have not found any evidence.

10. Recent Developments and Other Interesting Information

- Possible development: for seven years, the board of the pension fund for employees of the city administration of Zurich has not negotiated the level of benefit contributions. Since then the employers have paid two thirds and the employees one third of the pension contributions. According to Steiger, it is to be expected that negotiations are going to start again soon. Considering the financial crisis, the employers will push towards paying lower contributions (Steiger 20.10.2009, telephone interview).
- The coordination reduction is the amount which is subtracted from the total salary in order to determine the total sum to be insured. This amount is 22,575 CHF. It means that individuals earning less than this amount annually are not covered by the second pillar occupational pension (only through the first pillar AHV) (Profaro 2009). In some cases it is

regulated in the collective agreements that this amount is lower (22,575 CHF is the maximum given by law). This means that employees earning less than this may also be insured by occupational pension. This is the case for example for the employees of the administration of the city of Zurich (Steiger 20.10.2009, telephone interview).

11. Contacted Experts

We thank the following expert for providing information and answering very specific questions:

- Steiger, Rudolf, 20.10.2009, President of the Foundation Council of the Pensionskasse Stadt Zürich, telephone interview.

12. List of Abbreviations

- AHV/AVS: *Alters- und Hinterbliebenenversicherung/Assurance Vieillesse et Survivants* (Swiss Old-Age and Survivors' Insurance)
- BVG: *Bundesgesetz über die berufliche Alters-, Hinterbliebenen- und Invalidenvorsorge* (Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans)
- CHF: Schweizer Franken (Swiss franc)
- SPV: *Schweizerische Personalvorsorge* (a periodical or journal and website which covers topics of old age insurance in Switzerland)

References

- BVG (1982): *Bundesgesetz über die berufliche Alters-, Hinterbliebenen- und Invalidenvorsorge vom 25. Juni 1982*. State: 1st of June, 2009.
http://www.admin.ch/ch/d/sr/831_40/index.html (27.05.2010).
- Leimgruber, Matthieu (2008): *Solidarity without the State? Business and the Shaping of the Swiss Welfare State, 1890-2000*. New York: Cambridge University Press.
- Profaro (2009): *Koordinationsabzug*.
<http://www.profaro.ch/service/glossar/koordinationsabzug.html> (20.10.2009).
- Schneider, Jacques-André (2009): Berufliche Vorsorge. In: *SOCIAL info: Wörterbuch der Sozialpolitik*. <http://www.socialinfo.ch/cgi-bin/dicopossode/show.cfm?id=89> (07.10.2009).
- Sommer, Marie-Claude (2009): *Wichtige Messzahlen im Bereich der beruflichen Vorsorge*.

http://www.schweizerpersonalvorsorge.ch/fileadmin/user_uploads/Dateien/bvg/Masszahlern_2009.pdf (08.10.2009).

- SPV (2009): *Das 3-Säulen-Konzept*.
<http://www.schweizerpersonalvorsorge.ch/grundlagen-der-beruflichen-vorsorge/3-saeulen-konzept/> (01.10.2009).
- Stettler, Niklaus (2009): Pensionskassen. In: *Historisches Lexikon der Schweiz*.
<http://www.hls-dhs-dss.ch/textes/d/D14068-1-2.php> (01.10.2009).