

## Added value of a Pension plan review

### Verlingue: your reliable partner for pension plans

As an insurance broker with an exceptional service mentality, we advise you on all risk, insurance and pension issues. Place your trust in our 120 specialists in the regions Lucerne, Berne and Zurich. We combine solid know-how with a real willingness to provide service and simplify insurance matters for you. We focus on our clients' satisfaction. Our individual solutions cover the risks in your company in a clear and understandable way and are tailored to your needs.

Our pension plans department helps our clients review and assess their pension plans for market opportunities, options, risks and consequences and then implement the solutions found. We are a team of experienced specialists in all areas of pension plans.

Thanks to our many years of expertise and our knowledge of the market, we can implement even complex solutions and provide our clientele with a solid and definitive basis for decision-making. We are committed to providing a high quality of service, professionalism and putting your needs first. Fairness and transparency are part of our core values and influence our entire work process.

### Pension plans in transition

Pension plans are in the spotlight more than ever. Increasing life expectancy, statutory regulations, redistribution of pension assets and a persistently low interest rate environment are putting high demands on the entire pension market. Pension plans are also increasingly becoming a significant cost factor. In today's world, the top priority must be to strategically plan costs and benefits as well as retirement issues at an early stage. Employers, employees and pensioners expect to get a healthy, efficient and sustainable pension fund solution from their employer.

### Unused potential and stumbling blocks

In practice, the pension solutions of companies, associations and non-profit organisations are often not optimally structured or organised. There is room for improvement in a number of areas including:

- **Market conditions:** the pensions market is still very volatile. It is worth regularly reviewing market conditions.
- **Pension model:** there are different pension plan models which differ greatly in terms of risk tolerance and the right to have a say. A review and in-depth discussion of the options can provide tangible value added.
- **Plan structure:** in the event of death, disability and old age, it is recommended conducting a regular review of the benefits. Is the current pension plan still up to date? Are the pension benefits still suitably aligned with the employee structure?
- **Interest paid on retirement assets:** the interest paid on retirement assets as a third contributor has a significant impact on future retirement benefits. It is advisable to critically review and assess the pension fund's interest rate policy and the financial risk capacity.
- **Retirement issues:** for a sustainable and independent pension solution, retirement issues must be clarified at an early stage. What happens to the retirement portfolio when the affiliation contract is cancelled? How high are any redistributions or out-funding contributions for upcoming retirement losses? What actuarial principles are applied?

There are a lot of options for a needs and performance-based pension fund solution. Optimal planning and a structured approach are needed here.

### Employee participation in the event of a change of pension fund

In the past, it was customary for the pension commission set up within the framework of the pension solution to decide on the next steps in the event of a change of pension fund.

In May 2020, the Federal Supreme Court published a ruling on the issue of “employee participation” in the event of a change of pension fund solution.

This judgement criticises the previous approach and stipulates that it is only possible to terminate existing pension agreements and sign new ones with the consent of the entire staff or an appointed workers’ representative.

If a potential pension fund change is imminent, it is advisable to organise the project at an early stage. As an external and neutral consulting company, we can provide you with professional support for this project and ensure that all necessary requirements and formalities are met.

### Voluntary continued insurance in the pension plan scheme (ELG reform)

The supplementary benefits reform, which came into force on 1 January 2021, also brought in changes to pension plan schemes. Insured persons whose employment is terminated by their employer will in future be entitled to remain insured with their previous pension scheme.

This measure for older unemployed people who lose their job after reaching the age of 58 is therefore intended to offer them the option of remaining with their previous pension scheme and – provided certain conditions are met – also being able to claim a retirement pension.

If the insured persons wish to remain insured in accordance with this article, they must be placed on an equal footing with the other insured persons in the group in terms of the interest rate, conversion rate, distribution of

unrestricted foundation assets or any restructuring contributions.

The insured persons have the following options for remaining insured:

- Continue risk insurance in the event of death and disability in accordance with the regulatory provisions
- In addition, continue old-age provision

The costs for remaining insured must be fully funded by the insured person.

### Options within the pension plan scheme – elective plan at insured person level

By introducing an elective plan, employers can offer their employees a modern and attractive pension plan option where they can choose from up to three different pension solutions and determine their optimal savings contribution amount.

The following conditions must be met for the type of elective plan mechanism to be introduced:

- Maximum of three elective plans available per group of people
- Employer contribution is the same in each elective plan
- Savings contribution for the pension plan with the lowest contribution rates must be at least 2/3 of the savings contribution for the pension plan with the highest contribution rates.
- The offer of elective plans will therefore have almost no financial impact on the level of employer contributions. The elective plan options must be coordinated with the relevant pension fund.

## 1e pension solution for executives

Employers may offer employees who earn more than CHF 129,060 per year (maximum salary for LOB Guarantee Fund benefits or SiFo maximum) a choice of individual investment strategies within a pension plan.

With this pension solution, the investment risks are transferred from the group to the beneficiary. All investment income and losses generated are allocated to the individual retirement assets. The 1e solution is also often used as a tool to prevent undesired redistributions in pension plan schemes.

Furthermore, 1e pension plans can have a considerable impact on the company balance sheet as the benefits for the individual executive pension plan no longer have to be guaranteed due to the elimination of the retirement pension option and the amendment of the Vested Benefits Act.

Before embedding a 1e pension plan in the existing pension solution, a detailed discussion needs to take place about the opportunities, risks and consequences.

### Contact



André Wyss

Verlingue AG  
Head of Division Pension Plans &  
Board of Management  
+41 58 414 44 44  
andre.wyss@verlingue.ch