



Important changes to the voluntary continuation of retirement pension provision

The Substitute Occupational Benefit Institution LOB has modified the W plans related to the voluntary continuation of retirement pension provision. The current plans, WO (Continuation of retirement pension without risk benefits) and WG (Continuation of the pension as a whole), will no longer be offered as of 1 January 2020 and will be replaced by the new W20 plans (WG20 and WO20). These measures are necessary in order to reduce the growing losses associated with conversion rates that are putting an increasing burden on the Substitute Occupational Benefit Institution LOB and its members.

The Substitute Occupational Benefit Institution LOB is the only pension fund in Switzerland that insures all employers and individuals who choose to become affiliated with it under compulsory occupational pension provision on behalf of the federal government (Art. 60 BVG). The economic and political environment surrounding retirement pension provision is becoming increasingly challenging: For several years now, Swiss pension funds have been faced with negative interest rates, while the conversion rate in the mandatory part remains at an excessive 6.8%. As the Substitute Occupational Benefit Institution is required to accept all individuals willing to affiliate with it pursuant to its federal mandate, these framework conditions present it with particular difficulties. Moreover, in the area of voluntary continuation of retirement pension provision, it has become increasingly common in recent years for insured members to use W plans in a targeted manner in order to optimise their pension right before they retire. The growing number of new retirees is thus causing high conversion rate losses and places a burden on the Substitute Occupational Benefit Institution LOB, to the disadvantage of other insured members. – Legislators intended the W plans to close a gap for those who involuntarily cease gainful activity and are no longer insured.

In order to meet these challenges and to strengthen the financial stability of the Substitute Occupational Benefit Institution, the W plans must be revised so as to reduce the enormous conversion rate losses. For this reason, the Substitute Occupational Benefit Institution will offer new W20 plans with a single all-encompassing conversion rate instead of varying conversion rates for the mandatory and non-mandatory portions. This means that the calculation of retirement savings will take account of the statutory minimum retirement capital as well as supplementary retirement capital and any savings in vested benefits accounts. Because the principle of enveloping plans goes beyond the statutory minimum benefits (LOB), the plan rules of pension funds with enveloping benefits may also deviate from the LOB mandatory component. Therefore, the Substitute Occupational Benefit Institution will now offer a lower conversion rate in connection with non-mandatory benefits.

New: enveloping conversion rate of 4.2%

The conversion rate in the enveloping W20 plans will therefore be reduced as at 1 January 2020 from 6.8% (mandatory part) and 5.0% (non-mandatory part) to 4.2% (enveloping).

Mandatory LOB minimum benefits will continue to be granted with the new conversion rate: The "shadow account", which only accounts for the LOB obligatory part, determines the theoretical retirement savings upon retirement. However, if a pension is below the benefit according to the mandatory LOB benefits, the retiree will receive the minimum LOB benefits.

The W20 plans are being introduced immediately; however, there is an interim solution for women aged 59 and older and men aged 60 and older: Anyone who leaves mandatory insurance in 2020 and concludes a WG20 or WO20 plan within three months will benefit from the interim solution based on their age of entry, with higher conversion rates in some cases. Plans concluded later will have an enveloping conversion rate of 4.2%.

Current W plans will not be affected by these changes: All members who are already insured by the Substitute Occupational Benefit Institution in a WO or WG plan will be subject to the previous conversion rates.

The revised W20 plans continue to comply with the legal mandate according to Art. 47 LOB and offer insured members who leave mandatory LOB insurance the ability to secure pension provision or simply retirement provision to the previous extent of voluntary continuation of retirement pension provision. The WR plan (risk insurance for the unemployed) will not be affected by this change and will be continued.

For further information

- Further information on [aeis.ch](https://www.aeis.ch)
- The W plans in brief: [fact sheet](#)
- The most important [questions & answers](#)
- Rules WG20 and WO20: [Plan Rules](#)