



## Questions and answers about the new W20 plans

### **What are W plans?**

These are plans from the Substitute Occupational Benefit Institution LOB for the voluntary continuation of retirement pension provision pursuant to Article 47 LOB. The insured person pays both the employee and employer contributions.

### **Why are the W plans being modified?**

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 a very high 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 pensions right before they retire. The large number of new retirees is thus causing high conversion rate losses and places a burden on the Substitute Occupational Benefit Institution to the disadvantage of other insured members. 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.

### **What will happen to the W plans that were concluded before 2020?**

All previously concluded W plans will remain unchanged and will be continued under the same conditions.

### **How will the WO plans (Continuation of retirement pension without risk benefits) change from 1 January 2020?**

The WO plan has been modified and is now called the WO20 plan. It offers the same benefits as the WO plan, but with a conversion rate of 4.2% and an enveloping calculation. Enveloping means that the calculation of retirement savings will take account of statutory minimum retirement capital as well as non-mandatory retirement capital and any savings in vested benefits accounts. This results in a uniform conversion rate of 4.2% on the whole balance.

### **How will the WG plans (Continuation of the pension as a whole) change from 1 January 2020?**

The WG plan has been modified and is now called the WG20 plan. It offers the same benefits as the WG plan, but with a conversion rate of 4.2% and an enveloping calculation. Enveloping means that the calculation of retirement savings will take account of mandatory retirement capital as well as non-mandatory retirement capital and any savings in vested benefits accounts. This results in a uniform conversion rate of 4.2%.

### **What will happen to the WR plans (Risk insurance for the unemployed)?**

WR plans will not be affected by this change. They will continue in the same format.

**What will happen to the WA plans (Continuation of retirement pension with contribution waiver)?**

WA plans stopped being offered in 2017, but anyone who is insured by such a plan will continue to be insured.

**How can the conversion rate be 4.2% when the law calls for 6.8%?**

The W20 plans apply the principle of enveloping. Because the principle of enveloping 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 may apply a lower conversion rate in connection with non-mandatory benefits. The W20 plans will continue to grant statutory LOB minimum benefits with the new conversion rate: The "shadow account", which only accounts for the LOB mandatory part, determines the theoretical retirement savings upon retirement. However, if a pension is indicated for the enveloping benefit that is below the minimum rate, the retiree will receive the LOB minimum benefits.

**What does enveloping mean?**

The principle of an enveloping conversion rate means that the calculation of retirement savings will take account of mandatory retirement capital as well as non-mandatory retirement capital and any savings in vested benefits accounts.

**What is special about the transitional year 2020?**

Women aged 59 and older and men aged 60 and older who leave mandatory pension coverage up to and including 30 December 2020 and sign up for the W20 plans within three months will benefit from an interim solution with higher conversion rates. The conversion rates upon retirement will be applied based on the age at entry.

**What is a pension contribution?**

In the previous W plans, a contribution (part of the risk contribution) was levied in order to compensate for conversion rate losses. The new W20 plans will levy a "pension contribution". This contribution rate is determined based on the effective age (to the exact month) at entry and not subsequently modified. The pension contribution is based on the insured member's retirement savings and is credited to an individual pension contribution account, which does not accrue interest. If the insured member leaves or withdraws a lump sum, funds are transferred to non-mandatory vested benefits.

**Can I take early retirement or delay benefits?**

There is no entitlement to early or delayed retirement.

**Can my insured salary change?**

No, the last insured salary serves as the basis for the calculation. The maximum insurable salary is CHF 123,315 (as at 2020).

**How much are the administration fees?**

The administrative fee for W20 plans will no longer be capped at CHF 480 and will now amount to 1.4% of the insured salary, or a maximum of CHF 1,726 (1.4% of CHF 123,315).

**Can I make voluntary purchases?**

If the pension fund's regulations permit you to make a purchase, you can do so at any time.

**What should I be aware of concerning the transfer of vested benefits?**

All vested benefits must be transferred. They may not be divided.

**I also have a vested benefits account with the Substitute Occupational Benefit Institution. Do I have to do anything?**

No, the Substitute Occupational Benefit Institution will take care of the transfer.

If you have any questions, please do not hesitate to contact Client Services:

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