Key facts

Overall vested benefits amount to approximately CHF 50 billion and thus correspond to 7% of overall pension fund assets in occupational benefits provision. The vested benefits of 65 vested benefits institutions are currently managed in approximately 2 million vested benefits accounts and policies. The Swiss Federal Audit Office (SFAO) analysed to what extent the vested benefits institutions guarantee the maintenance of pension coverage and how big the financial risks are for the owners of vested benefits and for the Confederation. To this end, it sought the views of owners of vested benefits by means of a representative survey.

When employees who are insured under the second pillar leave their pension fund before the event insured occurs (old age, death or disability), e.g. in the case of termination of an employment relationship, they are entitled to the entire amount of retirement assets already accumulated. Until the person concerned joins a new pension fund, the vested benefits remain earmarked in the form of a bank account or a policy with an insurance company. The SFAO concluded that vested benefits are generally managed securely and in compliance with the law, and at the same time referred to the potential for improvement particularly regarding the interfaces between pension funds and vested benefits institutions.

Preservation of vested benefits for when benefits fall due

Regarding the management of vested benefits, the legislator has made provision for a system in which the various vested benefits institutions compete with each other. The owners of vested benefits can themselves select and change vested benefits institution at any time; for example, if the service offering is no longer satisfactory. Approximately 75% of vested benefits are deposited with banks. The investment possibilities are similar to those for pillar 3a and saving with securities is also allowed in addition to the normal savings option. The SFAO noted that over 80% of the owners of vested benefits invest using the normal savings option.

The SFAO recognises that the system works well for those owners of vested benefits who are sufficiently well informed. With the regulated transfer between pension funds and vested benefits institutions, the retirement assets remain in the occupational benefits provision circuit in line with the legislator's basic concept. The preservation of plan assets in the case of vested benefits is generally ensured.

Benefits differ considerably from those of pension funds

As a rule, occupational benefits provision for owners of vested benefits is not as good as that for persons insured under a pension fund, particularly concerning the mandatory portion of occupational benefits provision. There is no minimum interest rate for the retirement assets and no comparably good pension payment possibilities in the event of death or disability. The biggest difference is for people who reach retirement age with vested benefits and who are not insured with a pension fund. They do not receive a pension, or only one with worse conditions. Employees who lose their job just before retiring and do not find another one are particularly disadvantaged. Corrective measures are currently being examined at the legislative level within the scope of the 2020 retirement provision reform.

Management of a vested benefits account or policy is generally free of charge. The interest rates vary considerably over time and according to the providers in question. Saving with securities has yielded good returns with a corresponding level of risk over the past ten years. Furthermore, it is possible to split vested benefits into several accounts or policies. This legally compliant possibility which enables progressive taxation to be reduced is little used. The SFAO believes the loss of tax receipts for the Confederation in this regard to be minimal. It is likely to be higher for the cantons and the communes.

Reduce large number of vested benefits holdings with no contact details

At least a third of all vested benefits accounts and policies have no contact details. The reason for this large number is the lack of understanding and awareness of one's own retirement provision, owners' change of address and an insufficient supply of information when leaving a job. The vested benefits with no contact details are mainly small amounts from mostly short-term employment contracts. However, it is estimated that they amount to approximately CHF 5 billion, or 10% of all vested benefits. Avoidance of the many very small vested benefit amounts would alleviate the administrative and investigative burden.

The SFAO sees a risk that the number of "forgotten" holdings which will never be reclaimed will increase in the years ahead because many holders of vested benefits are gradually reaching retirement age. In general terms, the SFAO believes that the quality of the data situation is no longer sufficient in view of the persistent, systemic increase in volume. Because of the poor knowledge of the size distribution and the reasons for the inflows and outflows, it is currently impossible to carry out any statistical analysis of how well vested benefits preserve the retirement provision of their owners at present and in the future depending on the socio-economic situation. The SFAO has recommended measures to reduce the number of vested benefits holdings with no contact details.

Vested benefits to be consistently brought into pension funds

Those people insured with pension funds must bring existing vested benefits up to the maximum regulatory amount into the pension fund. However, the SFAO noted that, even though they are legally obliged to do so, at least 10% of those concerned deliberately decide not to comply with it for reasons to do with anticipated tax benefits or in the case of the pension fund facing financial difficulties. In addition, approximately half of those concerned forgot or failed to transfer existing vested benefits to their pension fund. In the case of larger amounts of vested benefits which are abandoned for a prolonged period, this can lead to losses of earnings. The SFAO has recommended measures to ensure that vested benefits are brought into a pension fund consistently in compliance with the law upon starting a new job.

Protecting vested benefits from non-culpable loss

Unlike pension fund assets, vested benefits are not protected by the so-called guarantee fund. Since the Vested Benefits Act came into force, several hundred people have lost their vested benefits in the wake of the bankruptcy of two vested benefits institutions. In the SFAO's view, the non-culpable loss of pension assets in the second pillar cannot be justified. The SFAO thus recommends that the corresponding legal loophole be closed.

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