Audit of opportunity and risk management
Substitute Occupational Benefit Institution

Key facts

The Substitute Occupational Benefit Institution (hereafter: the Institution) is a national pension institution. It was set up by the employers' and employees' top-level organisations and is managed jointly. It acts as a support mechanism and safety net for the 2nd pillar. As at the end of 2020, its total assets amounted to CHF 19.6 billion.

The Swiss Federal Audit Office (SFAO) audited the Institution for the first time with a view to evaluating the Institution's opportunity and risk management. The audit findings were very positive.

Opportunities and risks identified

The Institution identified the main opportunities and risks by means of internal surveys. They were all listed on a risk map and their value assessed. With the exception of pandemic risk, which the Institution, like most other organisations, had not defined as a risk, the SFAO did not identify any further risks that were unaccounted for.

In order to exploit the opportunities and reduce the risks, measures, responsibilities and timelines were defined or prescribed.

The implementation of risk management is efficient and effective

The Institution is working constantly to implement the planned measures (for instance, restructuring pension plans in the area of voluntary insurance) and is putting them into practice in a targeted way. The decision-making bodies are regularly updated on progress.

The persistently negative interest rates on the financial market pose one of the greatest risks for the Institution. It is legally obliged to accept vested benefit payments (these amounted to over CHF 14.3 billion at the end of 2020), but is not allowed to pass on the negative interest to insured persons. In 2020, an emergency revision to the Occupational Pensions Act (OPA, new Article 60*b*) granted the Institution the option of investing up to CHF 10 billion of these pension assets interest-free and at no charge as part of the Confederation's centralised treasury management activities if the coverage ratio falls below 105%. Since there is a three-year time limit on this solution (until 25 September 2023), the SFAO recommends that an alternative be found without delay.

The modified requirements for the board are not consistent

The legislator requires that the Institution's board be composed of an equal number of employer and employee representatives. The public administration is to be appropriately included. For some years now, the public administration has been represented by only one member, while the employers and employees have five representatives each. Moreover, since 2020, the member from the public administration has not had voting rights. This solution, presented as a pragmatic way of maintaining parity on the board, appears to have been accepted by all concerned.

However, as board member liability cannot be ruled out, the public administration board member cannot be deprived of the right to participate in decision-making, and hence to vote. The SFAO therefore considers that the risk to the public administration from the disparity between influence and responsibility is not acceptable. The board must find another way to ensure parity.

Original text in German