

Audit of the implementation of the supplementary benefits reform

Federal Social Insurance Office

Key points

Supplementary benefits are a key element of the 1st pillar of social insurance. They guarantee a minimum income to all recipients of old-age and disability pensions who live in Switzerland. In 2022, this scheme accounted for expenditure of CHF 5.5 billion.

The Confederation and the cantons share responsibility for supplementary benefits. While the benefits are defined in federal law, their implementation is delegated to the cantons, which finance two-thirds of them. The supervision exercised by the Confederation through the Federal Social Insurance Office (FSIO) is designed to ensure that the law is applied correctly and consistently.

The latest reform of supplementary benefits, which came into force in 2021, changed many of the calculation parameters and introduced new procedures. For example, heirs are now liable for supplementary benefits paid to recipients who have died. According to the FSIO, this reform will lead to a reduction of almost CHF 400 million in the volume of benefits by 2030. As part of this audit, the Swiss Federal Audit Office (SFAO), in collaboration with the cantonal audit offices, conducted a detailed examination of the implementation of this far-reaching reform in three cantonal implementation agencies for supplementary benefits.

Assessment of implementation is positive, with three procedures still to be validated

Although it had to be completed within an extremely tight timeframe, the SFAO's assessment of the implementation of the 2021 supplementary benefits reform is positive. This assessment was based on a review of the situation in three cantonal implementation agencies for supplementary benefits – the canton of Bern compensation fund, the St Gallen social insurance office and the supplementary benefits service in the canton of Geneva – as well as general compliance indicators for all the implementation agencies. However, the SFAO recommended that the FSIO continue to ensure that the three new specific procedures are operationalised in the implementation agencies for supplementary benefits: the recovery of benefits in the event of death, the charging of health insurance premiums in accordance with the Health Insurance Act and the new provisions introduced in the divestment review. Differences were observed that are likely to create a financial risk for supplementary benefits, as well as unequal treatment among recipients of supplementary benefits between the cantons.

Supervision of supplementary benefits is still incomplete despite promises

The SFAO also examined how the supervision of supplementary benefits is organised. It had already examined this aspect in a report published in 2018.⁴ At that time, it identified a number of weaknesses, including the absence of a risk analysis. The FSIO accepted the SFAO's recommendation and undertook to carry out a risk analysis and gave details of other related measures it intended to take to the Finance Delegation. At the end of 2020, it confirmed that it had implemented the recommendation.

Supervision has not yet reached the degree of maturity sought by the SFAO in its 2018 recommendation. A risk analysis of the AHV compensation funds was carried out, but it is still insufficient to cover supplementary benefits. The external audit reports are not sufficient to detect or verify compliance and uniformity of practices on specific points. No additional audit mandate has been issued by the office regarding supplementary benefits, not even to ensure compliance with the correct implementation of the most complex aspects of the 2021 reform. Although some internal work has been carried out, there is no formalised system of indicators based on a detailed risk analysis.

The SFAO has clarified its recommendations on supervision

This situation prompted the SFAO to reformulate its recommendation on the supervision of supplementary benefits, setting a deadline for completion by the end of 2025. It also recommends that the FSIO create reliable and useful monitoring indicators to complement its instruments for assessing the degree of compliance and the differences observed in cantonal practices.

In view of the office's partial rejection of the recommendations, the SFAO sought the opinion of the Head of the Federal Department of Home Affairs. Its position, which is binding on the office, is set out separately after each recommendation.

Original text in French

⁴ "Audit of the supervision of implementation agencies for supplementary benefits" (audit mandate 16428), available on the SFAO website