



## **Supplementary Benefits to the Old Age and Survivors' Insurance (AHV) and to the Invalidity Insurance (IV)**

### **An Evaluation of Information Policy and Examination of Applications**

#### **Key facts**

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Supplementary Benefits to the Old Age and Survivors' Insurance (AHV) and to the Invalidity Insurance (IV) were introduced in 1966 as a transitional benefit until the pensions reach a minimum level of subsistence. In the meantime, the Supplementary Benefits have developed as an indisputable component of the first pillar of provisions for old age, widowed spouses or children and for the disabled. They assist in cases where the pension and other income do not cover minimum costs of living. The Supplementary Benefits are a demand-related insurance benefit. A person eligible for an entitlement must lodge a claim. The execution falls under the jurisdiction of the cantons who have generally designated the cantonal compensation offices as the implementing agency for Supplementary Benefits. The cantons of Basel City, Geneva and partially Zurich, are exceptions to this rule. The communes, or the branch offices of the Old Age and Survivors' Insurance (AHV), are also involved in the execution of benefits. Accordingly, they play a role of varying importance, depending on the canton. The confederation exercises internal supervision over the implementation of the benefits and ensures that its subsidies are appropriately deployed. According to the Federal Social Insurance Office (FSIO), at the end of 2004, 235,000 people were receiving Supplementary Benefits - this represents 14.6% of all AHV and IV pensioners. In 2004, around 50,000 new requests for Supplementary Benefits were received in all of Switzerland, of which two thirds were approved.

The Supplementary Benefits were funded out of general taxation funds from the confederation, the cantons and also to some extent from the communes. The confederation's contribution lies between 10% and 35%. The extent of the contribution by the cantons, depends on the financial strength of the individual cantons. The entire expenditure on Supplementary Benefits reached CHF 2.85 billion in 2004, of which 22.5% fell upon the confederation. With the introduction of the reform of the Financial Equalisation Mechanism, the Supplementary Benefits are envisaged as a new funding equalisation formula between the confederation and the cantons. In the future, the confederation will take on five eighths of the Supplementary Benefits expenditure for covering basic needs, and in contrast, the cantons will fully take on the costs of the Supplementary Benefits for covering additional nursing home costs, as well as the costs for sickness and disability. Based on extrapolation, the share of the confederation will reach around 30% accordingly.

#### **The purpose and object of the evaluation**

On the one hand the evaluation should serve the purpose of reviewing the information policy of the executing bodies of the individual cantons with respect to Supplementary Benefits' claimants. On the other hand, the evaluation should enable an analysis to take place of the procedures for examining applications in the individual cantons, in particular with respect to the use and impact of the mode of establishing countable assets. The results attained from this exercise assist the Federal

Social Insurance Office in responding to two postulates. Furthermore, it was investigated to what extent a range of different factors influence the Supplementary Benefits quota which fluctuates widely between the cantons and communes. The evaluation is based on an analysis of a written questionnaire completed by the Supplementary Benefits implementing bodies (28 Supplementary Benefits implementing agency, corresponding to a return ratio of 100%, and 1,138 branch offices of the Old Age and Survivors' Insurance, return ratio 63%), as well as on telephone interviews with 2,347 people over the age of 60, on interviews and on written material, on the FSIO's statistical records on Supplementary Benefits and on a multivariate analysis.

### **The information works and is up to date**

The evaluation revealed that the legal requirement for disseminating information by the Supplementary Benefits implementing agencies has been respected and information on Supplementary Benefits is disseminated on a regular basis by the cantons. With respect to the use of the various modes of communication there are distinct differences. Apart from the compensation offices, the branch offices of the Old Age and Survivors' and Disability Insurance, state social welfare services as well as retirement and nursing homes, the organisations Pro Senectute and Pro Infirmis also play an important advisory and information role in the area of Supplementary Benefits. Nearly 90% of those contacted in telephone interviews, had already heard of Supplementary Benefits. We can therefore conclude that the information activities on Supplementary Benefits have reached their target audience.

The general public is informed through various information channels. The Supplementary Benefits implementing agency provides information to first time claimants to the Old Age and Survivors' Insurance and to the Invalidity Insurance schemes in writing. The remainder of the general public is mainly kept informed through the press. In particular, the branch offices of the Old Age and Survivors' Insurance use public posters, as well as publishing articles in the local newspaper. The internet also represents an important information channel today. A further key information channel for potential Supplementary Benefits claimants is one's own immediate circle of friends and family.

### **Particular difficulties by the examination of applications**

Basically the data given by the applicant is considered as true. Nevertheless, the Supplementary Benefits implementing agency carries out an in-depth examination of a new application for Supplementary Benefits claims. The procedures for making an application and for its examination are similar between the various cantons, although new requests are examined in more depth than cases subject to periodic review. In carrying out the examination of applications for Supplementary Benefits, the greatest challenge for the processing offices is posed by the difficulty of establishing and appraising facts on changes to the level of required support by a case, by foreign property and pension claims, the calculation of a hypothetical income, claims under the Occupational Pension Act, as well as by inheritance matters. The implementing body of Supplementary Benefits often remains unaware of assets not declared by the applicant and therefore cannot be checked. In this regard, there is scope for improvement in the exchange of information (or the availability of data) between all the various government agencies likely to be involved in the application procedure. Abuse of the system is estimated by the 1,166 implementing agencies to range between 0 to 5 % of all Supplementary Benefits cases.

### **Disclaimers play a minor role**

For each new application the Supplementary Benefits implementing agency must check whether there is a disclaimer of assets or income (e.g. in relation to *inter vivos* gifts to descendants, advance payments of inheritances, inheritance disclaimers, pension benefits, legal claims and maintenance contributions under family law, as well as rights of abode or rights of use). The written survey carried out on the implementing agencies shows that in an estimated 10% of the requests for Supplementary Benefits received, a disclaimer exists. The existence of a disclaimer, or the presumption of such, is examined retrospectively to the extent possible and reasonable, based on details from tax returns. There are differences among the cantons however, in relation to the time frame examined.

### **There is scant information available on rejected applications**

As there is no detailed data available on the rejected applications, it cannot be clearly determined which criterion contributed to the rejection of applications for Supplementary Benefits and to what extent. What can be established however, is the fact the scope of discretion enjoyed by the cantons in granting tax free allowances on property, as well as in the area of the consumption of countable assets by pensioners in nursing homes and hospitals, leads to differing calculations for Supplementary Benefits. Around 75% of all recipients of Supplementary Benefits have no access to countable assets. An estimated 10% of the Supplementary Benefits applicants own their own home and 40% of the requests for Supplementary Benefits from this group are approved. This proportion is somewhat lower when compared with the overall approval rate of two thirds for new requests.

### **The Supplementary Benefits quota is mainly influenced by structural factors**

The analysis shows that the information policy of the Supplementary Benefits implementing agency and other investigated factors specific to Supplementary Benefits have a statistically significant influence, even if the influence they exert on the Supplementary Benefits quota is rather minor (factors investigated include provisions on countable assets and the funding equalisation formula of Supplementary Benefits). Other factors, such as the structural framework and demographic constellations, play a more important role here. The most significant factors influencing the Supplementary Benefits quota are the share of foreign pensioners (presumably as a result of missing contributory years to the pension scheme and the consequentially lower income), differing shares of employed pensioners, the rate of home ownership, as well as the taxation and income levels in the cantons and communes. Furthermore, differing Supplementary Benefits quotas were influenced by other factors not taken into consideration in the model, or, it is simply a matter of inexplicable differences per se, occurring by chance.

### **The proportion not drawing on Supplementary Benefits was assessed as low by the implementing bodies**

The proportion not drawing on Supplementary Benefits signifies the percentage share of those persons basically entitled to Supplementary Benefits but do not lodge a claim. The Supplementary Benefits implementing agencies estimate an average of 6% of those who would qualify for Supplementary Benefits but who are not drawing on them (this is substantially lower for those living in a nursing home than for those persons living at home). The 33% showed in a National Funds study

in 1997 as a proportion of those entitled but not claiming Supplementary Benefits would now appear too high in light of the results of the recent evaluation. The main reasons for not claiming Supplementary Benefits entitlements are basically the lack of need for support and reluctance to reveal one's personal and financial situation to local government authorities. Results from the telephone interviews confirm the estimates made by the Supplementary Benefits implementing bodies in this regard.

### **Recommendations**

The results of this evaluation lead to the following five recommendations to the FSIO:

- The establishment of a minimum standard for information dissemination activities carried out by the Supplementary Benefits implementing agencies (or the branch offices of the Old Age and Survivors' Insurance) in collaboration with the Committee for Issues on the Implementation of Supplementary Benefits
- The establishment of a uniform basis for all cantons regarding the consumption of countable assets by pensioners (AHV and IV) in nursing and retirement homes
- In future, data should be collected regarding rejected applications for Supplementary Benefits and incorporated into the statistical records of FSIO
- A re-introduction of the practice of examination by the FSIO of individual cases in Supplementary Benefits on location at the implementing agency
- Ensuring automatic access by the Supplementary Benefits implementing agency to data relevant to the examination of applications (particularly data relating to tax details).

The FSIO rejects the idea of fixed minimum standards on information dissemination activities, as responsibility for information rests with the cantons. Furthermore, the FSIO fears that the cantons would only adhere to the minimum standard. With respect to the recommendation regarding the establishment of a uniform basis for all cantons for the consumption of countable assets, it was proposed in the message on the revision of the Supplementary Benefits Act in the context of reform of the Financial Equalisation Mechanism that the cantons continue to enjoy the possibility of establishing differing bases for the consumption of countable assets. In the spring session of 2006, the Council of States (the first council to do so) approved the revised Supplementary Benefits Act in this respect. With regard to the remaining three recommendations, the FSIO will clarify which appropriate measures will be taken for their implementation. Further details on the FSIO's position can be found at the end of the full report.

### **Original text in German**