December 2023

Revision of Pension Fund Regulations and Pension Plans, 2024

Dear SVE members,

Swiss voters approved the AHV reform (AHV 21) on 25 September 2022. This is the first major AHV reform since the tenth AHV revision, which was approved in the vote of 25 June 1995, with 60.7% in favour. The adoption of the AHV 21 reform, which will enter into force on 1 January 2024, will also lead to various adjustments to occupational pension provision regulations (BVG). These adjustments must be implemented in the SVE's Pension Fund Regulations and Pension Plans, which is why the Board of Trustees approved the relevant amendments at its meeting of 22 June 2023. The pending revision of the regulations was used to integrate a long overdue gender-sensitive writing style in the Pension Fund Regulations and Pension Plans. In addition, insured persons' needs were met, while certain provisions in the regulations that had proven in practice to be critical and incomplete have been revised. Furthermore, the Board of Trustees decided at the aforementioned meeting to reduce the risk contributions in all Pension Plans by a total of 0.4% (insured person -0.2%/company -0.2%).

All amendments to the Pension Fund Regulations and Pension Plans decided by the Board of Trustees will enter into force at the same time as the AHV reform on **1 January 2024**.

The **most important amendments** are summarised below:

- Adjustments to the BVG due to the AHV reform: new reference age terminology; increase in reference age for women; flexible retirement; purchases during/after withdrawal of retirement benefits
- Implementation of gender-appropriate writing style
- Introduction of choice between lump-sum settlement and spouse's/partner's pension
- Repeal of the option to offset termination benefits with an outstanding disability pension
- Clarification of interest rate on employer contribution reserve
- Clarification of formal requirements for applying for a partner's pension
- Repeal of the option of continued insurance in the event of a non-equivalent pension scheme
- Offset of spouse's settlement against lump-sum death benefit
- Reduction of risk contributions
- Adjustment of amounts of lump-sum withdrawals by disability pensioners at the age of 65

Pension Fund Regulations

1. Adjustments to the BVG due to the AHV reform

a) Reference age terminology

In both the AHV law and the BVG, the term "retirement age" that has been used hitherto shall be replaced by the new term "reference age." The relevant provisions in our Pension Fund Regulations and Pension Plans will be adapted to this new terminology. Find the new term "Reference age," for example, under **Definitions**, page v.

b) Same reference age in AHV and BVG

The AHV 21 reform introduces a reference age of 65, which is the same for women and men, both in the AHV and in the BVG. The reference age for women will be gradually increased, in three-month steps, from 64 to 65 years. The first to be affected will be women born in 1961. Their reference age will increase by three months to 64 years and 3 months on 1 January

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2025. Finally, from the year of birth 1964 or from 1.1.2028, the reference age of 65 shall apply to all. In the SVE, the regulatory retirement age for all genders, and thus also for women, has been 65 for many years, which is why no changes are needed in this instance.

However, Article 23 of our Pension Fund Regulations does allow for the financing of an AHV bridging pension, the duration of which is limited to the reference age applicable under the AHV. Due to this regulatory reference to the AHV, the new AHV reference age and the five-year transition period for women must be taken into account in the Pension Fund Regulations. The “AHV reference age” is therefore newly defined under **Definitions**, page iv and **Article 23** has been clarified. In addition, a transitional provision has been created for women in **Article 65 paragraph 2**, which governs bridging pensions that are already running. These women’s bridging pensions will continue to run until they reach the age of 64, as they are pre-funded only up to the age of 64.

c) Flexible retirement: partial retirement, pension deferral, early retirement

Pension funds have hitherto been able to specify flexible retirement autonomously. The legislator is now also enforcing this flexible retirement option in its various forms as part of the BVG, and pension funds – and thus also the SVE – will henceforth have to offer the following options: Partial retirement in at least three steps; deferred retirement from the age of 65 to a maximum age of 70; early retirement from the age of 63. Currently, we already enable insured persons to retire gradually from working life, to defer retirement until after the age 65 and to retire early from the age of 58. Our existing provisions will thus be aligned with the new legal provisions solely as follows:

Partial retirement

By law, a smooth transition to retirement in at least three steps must be made possible. The first partial withdrawal must amount to at least 20% and the proportion of the retirement benefit drawn may not exceed the proportion of the salary reduction. It should also be possible to make a lump-sum withdrawal in up to three steps. It is also possible for there to be full retirement if the remaining salary falls below the entry threshold. Otherwise, partial retirement may not be made subject to any further conditions. In the current **Article 20**, these legal requirements are implemented, in summary, as follows: Partial retirement will still be possible in up to three steps, but now with one lump-sum withdrawal option per step. Each sub-step will now amount to at least 20% (previously 30%). If the remaining salary falls below the entry threshold, this will result in full retirement. The present provision, according to which a period of one year must elapse between steps, will be repealed.

Deferral of withdrawal of retirement benefits after the age of 65

Insured persons who continue to work after the age of 65 must now be able to defer drawing their retirement benefits until the end of their employment relationship, up to a maximum of age 70, without having to continue to pay contributions during the deferral period. Today, we already allow such persons the choice of either retiring at the age of 65 and thus drawing retirement benefits or continuing with the pension scheme. However, continuation of the pension cover is currently subject to the condition that contributions continue to be paid during the deferral period and that the respective employer provides for the continuation of the pension cover on a contributory basis in the affiliation contract. If the employer does not have such a provision in its affiliation contract, the employees concerned can currently only choose to receive retirement benefits, even though they continue to work. **Article 22** is thus supplemented accordingly with the option of continuing the pension scheme during the deferral period without having to pay contributions. If pension provision is to be continued through contributions, notification must be made at least one month before reaching the age of 65.

Early retirement

The legislator will introduce the regulation according to which insured persons may already draw their old-age benefit at the age of 63. Pension funds may continue to provide for early retirement from the age of 58. Because we already allow insured persons to retire flexibly from the age of 58, no amendments to the regulations will be necessary in this regard.

d) Purchases made during or after drawing retirement benefits

Persons already drawing retirement benefits are free to resume employment insured under occupational pension schemes at a later date. This will enable them to make tax-privileged purchases into the pension fund again. Such persons will now be prevented from buying into the scheme completely, since the current old-age pension or a withdrawal of retirement capital will in future have to be taken into account in the purchase options. This regulation has already been applied and is now being explicitly enforced by the legislator. **Article 15 paragraph 1** will therefore be substantiated accordingly.

2. Other amendments

a) Gender-appropriate writing style

A gender-appropriate writing style is now being integrated into the Pension Fund Regulations and Pension Plans.

b) Choice between lump-sum settlement and spouse's or partner's pension

In future, the surviving spouse/life partner will be given the option of receiving a one-off lump-sum settlement instead of the spouse's/life partner's pension after the death of the insured person or pension recipient. The details are regulated in the new **Article 36bis**. Due to vested rights, the provisions of the regulations valid until 31 December 2023 shall continue to apply to current retirement pensions and the resulting survivors' benefits.

c) Settlement of termination benefits with outstanding disability pension

Pursuant to the current **Article 9 paragraph 2**, termination benefits already paid may be offset against disability benefits that become due. However, this provision is contrary to case law and the legal situation, which is why it is to be repealed.

d) Interest on employer's contribution reserve

Article 59 will be substantiated to the effect that the interest on the employer's contribution reserve shall include the statutory annual interest, but not the additional interest granted to the insured persons.

Appendices to the Pension Fund Regulations

Appendix 2a (life partner's pension)

In future, the signature of the insured person on the support contract for the payment of a partner's pension may be officially certified only by a notary's office. Official certification by a municipality will therefore no longer be accepted.

Appendix 3a (voluntary continued insurance)

According to the current **Clause 2**, an insured person whose new employer is not affiliated to a pension scheme that is equivalent to the SVE may continue to be insured with the SVE. In practice, this provision has proven to be cumbersome and problematic, as it is particularly difficult to verify compliance with the statutory prohibition of double insurance as well as the principle of appropriateness in view of a relationship with an employer who is not affiliated to the SVE and is therefore a third party. For this reason, **Clause 2** will be repealed.

sve | BESSER VORSORGEN

Classic, Basic, Medium and Premium Pension Plans

1. Offset of spouse's settlement against lump-sum death benefit

It is not currently possible to offset any spousal settlement against the surviving spouse's claim to the lump-sum death benefit. Accordingly, this person will receive both the entire retirement assets of the deceased insured person and the spouse's settlement. This is unfair towards the rest of the beneficiaries. **Clause 3.5.1.** of the respective Pension Plan will therefore be supplemented to the effect that, in future, any spouse's settlement will be taken into account in the lump-sum death benefit.

2. Reduction of risk contributions

The SVE's risk evolution has been positive for some years, which is why the risk contributions to cover claims from death and disability can now be reduced by a total of 0.4% in all Pension Plans. For insured persons, this means a 0.2% reduction of their risk contribution.

Specifics regarding the Classic Pension Plan

Disability pensioners: lump-sum withdrawals at 65

Should a disability pensioner wish to withdraw his/her entire capital at the age of 65 today, the sum will be limited to 12 times his/her current annual disability pension. Accordingly, the basis for calculation will be the current pension rather than the continued retirement assets available at the age of 65. The regulation was introduced when the conversion rate still stood at 7.2%. The cash equivalent of the capital benefit was close to this regulation. In view of today's conversion rate of 4.8%, the cash equivalent has increased significantly and is therefore higher than the former regulation. In such cases, the SVE would make a mutational gain that is alien to the system; this should be corrected. A disability pensioner should therefore now be permitted to withdraw his/her entire continued retirement assets and be treated in the same way as insured persons who retire. For certain disability pensioners, a transitional provision will be created. Details of this are set out in **Clause 3.2.2** and **Clause 4** of the Classic Pension Plan.

Entry into force

All amendments shall enter into force on 1 January 2024.

Do you have any questions?

Should you have any queries or require further information, please do not hesitate to contact us. Our Customer Service team will be delighted to be of assistance (https://www.sve.ch/team).

You can obtain the revised Pension Fund Regulations as well as your 2024 Pension Plan from your employer. The Pension Fund Regulations are also available on our website at www.sve.ch.

No legal claims can be derived from this information. The current provisions of the Pension Fund Regulations are binding.

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