

February 2021

Revision of Pension Fund Regulations, 2021

Voluntary continued insurance from the age of 58, as well as other clarifications and amendments

Dear SVE members,

Persons who lose their employment a few years before reaching the minimum age at which they are entitled to draw retirement benefits have hitherto automatically left the Pension Fund, thus in many cases losing their entitlement to a lifetime occupational pension. If insured persons do not find a new position, they must have their vested benefits transferred to a vested benefits institution. Such persons will not benefit from an occupational pension at a later date, since vested benefits institutions – almost without exception – pay their benefits in the form of a lump sum. In order to improve the retirement provision of the older persons concerned, the Swiss Federal Parliament has passed the new art. 47a BVG, according to which all registered pension funds – and thus also the SVE – are obliged, as of 1 January 2021, to grant insured persons' requests to remain insured with their pension fund when their employment is terminated by their employer after they have completed their 58th year. This is irrespective of whether pension funds make provisions for the option of early retirement from the age of 58 in their regulations.

In order to implement this new legal obligation, the Board of Trustees has approved updates to the Pension Fund Regulations and determined further amendments and clarifications.

Key updates and amendments:

1. Voluntary continued insurance from the age of 58 at the insured person's request
2. Default interest on pension and lump-sum benefits
3. Guarantee of existence/properly acquired rights for current pensions.

1. Voluntary continued insurance from the age of 58 at the insured person's request (Pension Fund Regulations, art. 8 para. 1^{bis} and Appendix 3b)

The legal obligation to continue to insure older unemployed persons is thus implemented in the new article **8 para. 1^{bis}** in conjunction with **APPENDIX 3b** of the SVE Pension Fund Regulations. Thereafter, insured persons whose employment has been terminated by their employer after they have reached the age of 58 may at their own request continue to be insured with the SVE until no later than when they reach the regular retirement age of 65. They also have the option of continuing to build up their retirement provision by paying contributions during the period of continued insurance. If they do not continue to build up their retirement provision, their retirement assets will remain with the SVE, where they will continue to be managed exempt from contributions. Conversely, contributions for risk provision, including a contribution towards administrative costs, will not be exempt; these contributions must be paid by the insured person. Insured persons also have the option of insuring a lower salary than their salary to date. During the period of continued insurance, insured persons must pay their own employee contributions as well as those of their employer. Applications for voluntary continued insurance must be submitted to the SVE in writing using the application form provided on the SVE website no later than one month after the employment relationship has been terminated.

Continued insurance at the request of the employer, hitherto available for a limited period, remains an option and is now regulated in **APPENDIX 3a** (formerly Appendix 3). Art. 8 para. 1 has been reformulated in order to differentiate between the new form of continued insurance from the age of 58 at the request of insured persons and the existing continued insurance at the employer's request.

2. Default interest on pension fund and lump-sum benefits

(Pension Fund Regulations, art. 51 para. 6)

To date, the Pension Fund Regulations have contained no provisions governing the entitlement to default interest on pension fund and lump-sum benefits.

Art. 51 para. 6 now explicitly stipulates that default interest for pension fund and lump-sum benefits shall be equivalent to the minimum legally required rate, but no higher than 5%.

3. Guarantee of existence/properly acquired rights for current pensions

(Pension Fund Regulations, art. 65 para. 1)

To date, any entitlement to old age, survivors' and disability pensions has been subject to the Pension Fund Regulations applicable at the time when the entitlement to a pension originated. It has therefore been obligatory to continue to pay current pensions in accordance with the original provisions, despite any possible amendments to the law or the regulations, thus benefiting from a so-called guarantee of existence.

This has at times had unfortunate consequences, particularly for disability benefits, as amendments to the law and/or regulations have not been taken into account.

With regard to future legislative revisions, especially of the law on disability insurance, according to which a variable pension system is to be introduced, the guarantee of existence shall no longer apply to all types of pension.

Art. 65 para. 1 has recently been amended to the effect that a guarantee of existence now applies only to old age pensions and their resulting survivors' pensions.

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>).