

Swiss Parliament amends AV2020 pension reform package

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Switzerland's wide-ranging pensions reform package, entitled Altersvorsorge 2020, has taken another step to fruition after the smaller chamber of Parliament, the Ständerat, considered the government's reform proposal in detail.

The Ständerat made a number of changes, most notably the re-introduction of the existing minimum-wage level, above which people will be able to participate in a Pensionskasse.

Stephan Wyss – managing partner at new consultancy Prevanto, created through a friendly MBO at Swisscanto last month – said: “The government proposal of covering more employees under the second pillar would have cost too much money and with it probably many jobs.”

Additionally, companies will have to pay into occupational Pensionskassen for workers from the age of 21 rather than 25, should the package go through the next chamber and the subsequent public referendum in its current form.

Overall, Wyss praised the Ständerat for taking its time, building the requisite expertise on the subject and making decisions with “little political bias”.

He warned, however, that this might change in the second chamber, the Nationalrat, which he described as being “much more politically motivated”.

He also predicted that demands for reform amendments would “differ immensely” depending on political affiliation.

The Nationalrat will discuss the Ständerat proposal during its winter session at the earliest – i.e. after the Swiss general elections in mid-October.

Wyss said the current proposal was a “very good basis for discussion” for the MPs.

The Swiss pension fund association ASIP also welcomed the Ständerat paper, particularly the proposed reduction of the conversion rate to 6% and the inclusion of the new joint statutory retirement age of 65 for men and women.

It said changes made to the first-pillar AHV could “serve as good basis for a compromise” and pass a public referendum.

But Wyss said the Ständerat's decision to extend payout from the first pillar while only ensuring the necessary financing until 2030 via a further VAT increase was “problematic”.

“This would mean that, shortly after the AV2020 package is passed, a new reform package becomes necessary to ensure financial stability in the first pillar,” he said.

He said he was also concerned about the transition period between the old regulations and the new ones, as Pensionskassen will be required to do “complex triple-shadow accounting”.