



EDITORIAL

Committed to serving our clients with strength and determination

At the vote of 3 March, a majority voted in favour of the Association Vieillesse et survivants [Old age and survivors' insurance (AVS)] 13th pension, but the initiative to raise the age of retirement to 66 was rejected. Once again, the reform of our pension system to ensure that it would be financed in the long term was at the heart of the political debate.

Alongside these major societal debates, we wanted to devote this latest issue of *Insurance Inside* to occupational pension plans. We offer you our expert analysis of the subject, and highlight some often overlooked solutions that produce efficient pension plans. Regulations can vary widely from one pension fund to another. We work alongside our clients to conduct these investigations and offer options that are attractive to their employees while remaining financially sustainable for the employers.

Five months have passed since our operational merger, and the Qualibroker-Swiss Risk & Care group is now chaired and managed by Jean-Maurice Cailler. Our organisation is

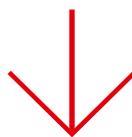
divided into 3 divisions: the French-speaking division, which I have the honour of heading, the German-speaking division, managed by Urs Thalmann, and the Corporate Services division, managed by Jean-Maurice Cailler and me depending on the function. For the most part, your contacts, advisors and managers, remain unchanged. They are committed to providing you with the same quality of service and level of support which forged the reputation of our companies.

This new structure reinforces our position as a leader among Swiss brokers. In addition to our market positioning, we are more than ever a trusted partner for insurers, defending our clients' interests with determination and expertise.

We hope you enjoy reading this issue!

David Cochet

CEO of the French-speaking division
Deputy CEO of the Qualibroker-Swiss Risk & Care Group



Pension Plan Innovation

Switzerland, renowned for its robust pension system, is facing major challenges as a result of its aging population and growing economic pressures. Against this backdrop, Swiss companies are facing another major challenge: how to maintain their attractiveness in an increasingly competitive job market. Innovation is fundamental in responding to these many challenges.

At Qualibroker-Swiss Risk & Care, we firmly believe that occupational pension plans are one of the key drivers of innovation. Here are some examples to prove the case.

Financing your employees' retirement: choosing the third way

The first way to innovate with the Loi fédérale sur la prévoyance professionnelle vieillesse, survivants et invalidité [Federal Law on occupational pension, survivors' and disability schemes (LPP)] is to take action on pension financing. Traditionally, there are two kinds of pension plan:

- **The defined-benefit plan:** benefits are determined on the basis of the last insured wage or of the average of the last wages, and take into account the number of years of contribution. The amount of the pension or termination benefit is thereby defined in advance.

■ The defined-contribution plan:

In this system, contributions are determined in advance, while the benefits will depend on the returns generated by these contributions. Unlike the previous system, there is no guarantee as to the amount of the annuity since it will depend on the performance of the pension fund.

There is a third way, called the "mixed" or "bi-primacy" plan, which tries to reconcile the best features of the aforesaid two schemes by combining their characteristics. It guarantees a minimum amount of annuity determines the amount of the contribution.

This mixed plan is set up with the pension fund, your insurance broker and the company, according to the needs of employees, taking into account several factors such as financial stability, risk, and expectations in terms of pension annuities (see text box).

A decision-making guide: Qualibroker-Swiss Risk & Care benchmarks

Setting up a proper LPP policy that contributes to performance requires a grasp of the company's position in the corporate benefits landscape. Qualibroker-Swiss Risk & Care has developed comprehensive sector benchmarks, in particular in the

The many advantages of mixed plans

Mixed plans are not well known and the support of a broker is required to set them up. They offer a balanced approach to occupational pension schemes together with many advantages:

- **Flexibility:** mixed plans give greater flexibility when designing pension schemes. They enable employers to guarantee minimum annuity amounts while offering the possibility of benefiting from additional returns generated by invested contributions.
- **Risk spreading:** by including both guaranteed annuities and fixed contributions, mixed plans spread risk between employers and employees. The guaranteed annuities provide employees a measure of security, while the fixed contributions offer an opportunity to benefit from financial market returns.
- **Savings incentives:** Bi-primacy plans encourage long-term savings by providing incentives for employees to contribute to their own pensions. Additional contributions paid by employees may be carry tax benefits or other incentives, encouraging participation and the building up of adequate retirement savings.
- **Transparency:** Mixed schemes generally offer greater transparency with regard to pension annuities and employee contributions. Employees gain a greater understanding of how their contributions contribute to their future financial security, and they can make informed financial planning decisions.
- **Adaptability:** Mixed plans can be tailored to the specific needs of the company and employees. They can be adjusted in accordance with demographic changes, economic conditions or the goals of the company, thereby providing a more tailored pension plan that may be adapted over time.



There is a third way, called the “mixed” or “bi-primacy” plan, which is an attempt to reconcile the best features of the aforesaid two schemes by combining their characteristics.

field of occupational pension plans. These benchmarks are based on meticulous analysis of data from its many clients. They provide a fair reflection of the market. They thereby enable companies to align themselves with the standards of their sector, or even to exceed them as part of a more aggressive HR policy. As brokers, we rely on these benchmarks to provide informed and documented advice, while taking into account the company's HR strategy and desired financial effort.

Partial early retirement: a win-win solution for employer and employee

Partial retirement under the first pillar is now possible and governed by a set of specific conditions with the entry into force of the Association Vieillesse

et survivants [Old age and survivors' insurance (AVS)] reform on 1st January 2024. The age of retirement is now flexible, ranging from 63 to 70, while the reference age is set at 65 for both men and women. With most pension schemes, annuities may be paid out between the ages of 58 and 70. They must offer the option of a gradual transition to retirement in at least three stages. In principle, the first stage should involve a reduction in activity and salary of at least 20%. If the pension scheme provides for the payment of a lump sum in lieu of a retirement pension, the lump sum may also be paid in stages not, however, exceeding three instalments. In certain circumstances, this staggering of benefits over time can help spread the tax burden on the second-pillar benefits.

In the case of early retirement, the employer can finance an AVS bridging pension up to the AVS reference age. Its financing is treated as a deductible loss for tax purposes. The conditions for granting this benefit, the choice of the pension scheme that will guarantee it etc. require particular attention, not least because of the statutory provisions specific to this type of benefit.

In addition to the undeniable benefit to employees, who thereby enjoy a smooth transition to retirement, this mechanism also offers significant advantages to employers. Faced with the massive retirement of the “baby boomers”, this measure will help mitigate the impact on companies and enable future recruitment needs to be anticipated. It constitutes a real corporate benefit, in particular for the recognition of the most committed and loyal employees, or for specific categories such as members of management team. It has a potentially favourable tax implications for both the company and the relevant employee. In certain sectors, it is a vector for introducing equality and attractiveness. This is the case, for example, in the secondary sector, where a collective agreement sets an advanced retirement age for companies competing on the employment market.

Our occupational pension scheme advisors are available and ready to work with you to find solutions that will make your company more attractive without increasing the cost burden.



INTERVIEW

1. Do Swiss companies see pension schemes as a performance driver?

Jean-François André (JFA):

The main reason for which companies want to improve their pension plans is to be fair to their employees. The pension fund and level of benefits they select must correspond to their values. Given the high financial cost of pension schemes, there is a strong expectation that the return on investment should be optimal. In this respect, pension plans are a lever within the overall compensation.

Carl de Montigny (CM): *I would add that, thanks to the tax benefits that it provides, pension schemes are also a lever in managing Overall revenue.*



Jean-François André, LPP Director, and Carl de Montigny, LPP Manager - Qualibroker-Swiss Risk & Care Group.

2. What is the added value that you contribute to companies using our services?

JFA: *Employees must understand the pension scheme set up by their company. We regularly organise sessions on our clients' premises to explain the mechanisms in lay terms. Employees generally are interested and want to understand. It's a way of enhancing the employer's social policy, establishing a relationship of trust with its staff and thereby improving their sense of pride and belonging to the company.*

CM: *We have a duty of transparency within the parity committees that bring together employers and employees. Thanks to these efforts to provide explanations, employees are able to become fully involved in decision-making. As brokers, we must also ensure that our clients pay a fair amount in administrative fees. Our knowledge of the market and the weight of the Qualibroker-Swiss Risk & Care group give us this bargaining power.*

JFA: *Lastly, I would like to add that where a company is in a merger transaction, changes management, is in a period of growth, etc., we are able to advise on its transition strategy. Let's take the example of a start-up: when business takes off, it will change its scope and will hire staff with different profiles. It will be necessary to adapt the company's pension scheme accordingly, and even anticipate the required adaptations.*

3. What are the challenges that lie ahead for the pension regime in Switzerland?

CM: *Reforming a system that has proved its worth and continues to preserve a decent standard of living in retirement is a challenge in itself. Our system is based on the principle of fairness and solidarity. Half-baked reforms that are lost in administrative complexity are not the right path to take.*

JFA: *The 2nd pillar is becoming a political issue with its increasingly complex legal framework. With the 1st pillar anchored by government, the 2nd pillar must remain more discretionary and flexible. Pension funds have demonstrated their ability to adapt to social and economic circumstances without jeopardizing annuities and continuing to protect the interests of their policyholders. The proof is that, contrary to popular belief, nominal annuities have not decreased, despite the increase in the life expectancy of retirees and the complex conditions for investing assets.*

Save the date!

We will be organising several events in 2024 with our partners, the French-Swiss Chamber of Commerce and the Geneva Chamber of Commerce, Industry and Services. For further information please follow us on LinkedIn.

The French-Swiss CCI Booster at the French-Swiss Chamber of Commerce (CCIFS) offices in Thônex: **Tuesday, 30 April, from 8 a.m. to 10 a.m.**:

"Better management for your corporate benefit policy to meet the new HR challenges"

Geneva Chamber of Commerce, Industry and Services (CCIG) webinars:

- **Tuesday, 18 June, from 8.30 a.m. to 10 a.m.** on the theme of health in the workplace
- **Tuesday, 15 October, from 8.30 a.m. to 10 a.m.** on insurance portfolio optimisation



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