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BVG NEWS

Retirement provision – a future without shortfalls



Yves Barbezat
Head of Group Life

Dear customer

Who would have thought that a virus could have such an impact on our society and keep the world on tenterhooks for so long? Since the coronavirus pandemic broke out in late 2019, we have experienced an exceptionally challenging time, and it isn't over yet. It seems that we will have to learn to live with the virus. The coronavirus has challenged and taught us to rethink traditional mindsets and working methods and to break new, innovative ground.

Innovation has always been a top priority at Allianz Suisse. In July, we completed the migration of all customer contracts to our new group life system (KLS). KLS has been one of the largest and most important projects at Allianz Suisse in recent years, and we are very proud that, in addition to switching to a new technological base, we have also brought about numerous advantages for you, the customers, with this change. In KLS you can, for example, make changes such as entries, departures and salary modifications yourself at any time and from anywhere via the BVG portal.

Although the long-term consequences of the pandemic remain uncertain, one thing is clear: the need for security has intensified during the coronavirus crisis. We are committed to providing our insured persons and customers with financial protection against unexpected and unforeseen events and fates with our products. Capital protection in full insurance is a criterion that should not be underestimated. Did you know that, according to a representative survey, a large majority of the Swiss population do not count their pension assets as part of their personal wealth, even though for most of them it is precisely these assets that make up the largest portion of their wealth? As a responsible employer, you have decided to protect your employees' retirement assets with full insurance and avoid exposing them to unnecessary risks. We do our part by investing responsibly and sustainably and by taking all measures necessary to ensure the long-term security of the pension assets entrusted to us.

These measures comprise, among other things, the ongoing strengthening of our equity and reserves in order to cover any future risks and all measures to protect our active insured persons. They also include the adjustment of conversion rates and the associated reduction in the cross-subsidisation of pensioners' excessively high pensions.

The pandemic has forced us to rethink in many areas. A reassessment is also necessary with regard to retirement provision in Switzerland, which is in great need of reform. It is the duty of all responsible companies to secure their employees' future and ensure that they can maintain their accustomed standard of living after retirement. If you would like to know what you can do for your employees, we will be happy to advise you and help you to develop suitable measures.

Although we cannot influence the future, we can at least ensure financial security! Thank you for placing your trust in us and for the excellent working relationship.

Yours sincerely

Yves Barbezat
Head of Group Life

MULTIPLE-AWARD-WINNING TOTAL RATE OF INTEREST

In the compulsory component, retirement assets earn interest at the guaranteed BVG interest rate of 1.00%. Due to this guaranteed interest rate, which is very high in the current environment, it is not possible to pay a surplus.

Elective retirement savings accrue interest at a guaranteed rate of 0.125%. In 2021, insured persons will again receive an attractive interest surplus on the elective retirement assets in the amount of 0.875%. The surplus will be credited to the retirement assets of the insured persons.

When it comes to the total rate of interest, we are unbeatable. It is a source of great pride to us that we have been awarded **first place** for the **“Highest interest rate over 10 years”** in the full insurance category for **the tenth time** in a row by SonntagsZeitung’s Switzerland-wide pension fund comparison for 2021. **First place for “Best investment return over three years”** also went to Allianz Suisse.

Overview of interest surplus

(applies to full insurance solutions)

	Guaranteed	Interest surplus	Total rate of interest*
Compulsory portion	1.000%	0.000%	1.000%
Elective portion	0.125%	0.875%	1.000%

* The total interest paid on an insured person’s retirement assets may differ from the average total interest rate indicated for various reasons. There shall be no entitlement in individual cases to payment of the average total interest rate indicated.

ADJUSTED CONVERSION RATES FOR SUSTAINABLE AND SECURE RETIREMENT PROVISION

We informed you and all insured persons aged 55 and over about the adjusted conversion rates in the spring. These will be valid from 1 January 2022 for the annuitisation of compulsory and elective retirement assets. This change will enable us to safeguard pensions sustainably and on a long-term basis. The conversion rates applied and approved by the Swiss Financial Market Supervisory Authority FINMA can be found in the document “Key BVG figures, interest and conversion rates” on our homepage at allianz.ch/bvg-regulations. For retirements as of 1 January 2022, the conversion rate valid on 31 December 2021 shall apply. Current retirement pensions are not affected by the change.

Expected pension benefits on the pension certificate

The pension certificate valid from 1 January 2022 will show the retirement pensions calculated using the new and future assumed conversion rates.

Your employees can have their personal pension situation comprehensively analysed free of charge by a pension expert. Personalised advice is particularly worthwhile for employees who are coming up for retirement. Here, too, Allianz offers comprehensive and very attractive and flexible solutions. Insured persons can access their own pension certificate in the customer portal at any time. Instructions on how to download the pension certificate are available at allianz.ch/bvg-insureds.

Lump sum or pension?

The conversion rate has no effect on the part of the retirement assets that is drawn as a lump sum on retirement. If an insured person opts for a full lump-sum payment, he or she will receive the full amount of the retirement assets saved. Lump-sum withdrawals are taxed separately from other income at a reduced rate. Allianz also offers customers the option of drawing their retirement benefits as a combination of a pension and a lump sum. The “Rente oder Kapital” (“Pension or lump sum”) fact sheet at allianz.ch/bvg-insureds can help you with the decision-making process.

Optimise your pension plan

It is urgently necessary and unavoidable for the legislator to adjust the statutory conversion rate in line with the prevailing economic and demographic conditions. The statutory conversion rate of 6.8% is far too high and takes neither negative interest rates nor increased life expectancy into account. Falling conversion rates lead to lower pensions on retirement. To counteract this, we recommend that our customers optimise their pension plan in such a way as to create more savings and purchase opportunities. Please do not hesitate to contact your advisor in order to take the time to analyse and, if necessary, update your occupational pension solution in the interest of your employees.

GOOD TO KNOW

Compulsory minimum interest rate

The Federal Council has decided to leave the BVG minimum interest rate for compulsory retirement assets at 1.00% for 2022.

Elective guaranteed interest rate

The interest rate guaranteed by Allianz Suisse for elective retirement assets in 2022 remains unchanged at 0.125%.

Inflation adjustment of pensions

Survivors' and disability pensions under the compulsory occupational benefits scheme that originated from the year 2018 will be adjusted in line with inflation on 1 January 2022. The inflation adjustment will be 0.3%.

Change to the General Terms and Conditions (GTC) as of 1 January 2022

The GTC will undergo changes with effect from 1 January 2022. The amended GTC will be available in summarised form at allianz.ch/bvg-regulations, among other places, from January onwards.

Purchases as additional lump-sum death benefit

We would particularly like to highlight one change that will come into effect on 1 January 2022. Purchases of additional pension benefits increase the elective retirement assets. Depending on the pension plan, this can lead to correspondingly higher benefits. At the same time, a purchase can reduce customers' income tax bill. As a general rule, purchases are counted towards the financing of survivors' benefits in the event of the insured person's death. The part of the retirement assets not required for financing is paid out to the survivors as a lump-sum death benefit (refund). Our customers can decide whether purchases should be excluded from the assets that are counted towards the survivors' benefits and, in the event of the insured person's death, be paid out to the survivors in full as an additional lump-sum death benefit. To date, this has only been possible for future purchases made in the Allianz Collective Foundation, i.e. the purchases were separated with effect from the date on which the plan amendment became valid.

As of 1 January 2022, Allianz Suisse is now offering the option of also insuring purchases made in the past as an additional lump-sum death benefit. This means that, in the event of the insured person's death before retirement, all purchases made would be paid out to the survivors as well as any survivors' pension or lump-sum death benefit already insured.

Such a refund of purchases as a lump-sum death benefit must be agreed in the pension plan. The following options are therefore now available to you:

- Purchases should not be separated, but should be counted towards the financing of survivors' pensions in the event of death, as has been the case to date.
- Only future purchases should be insured as additional lump-sum death benefits.
- All purchases verifiably made in the past and to be made in the future will be insured as additional lump-sum death benefits.

We are thus introducing the greatest possible degree of flexibility with regard to purchases, not only for your existing employees but also for future new recruits, who can likewise benefit from the solution you have chosen. Your pension advisor will be happy to explain the different options to you in detail.

Further documents on the Internet

Various fact sheets, forms and further documents are available to you and your employees on the Internet.

As usual, you can find them at:

allianz.ch/bvg-insureds (for insured persons)

allianz.ch/bvg-employers (for employers)

Quick and easy access to your pension scheme

What is the quickest way to find out how high your employees' new BVG salary deductions will be? It could not be easier: simply report the current salaries to us via the BVG portal and you will immediately receive the amount of the salary deductions for your employees. In the BVG portal, you can also access the most important information and documents relating to your occupational pension solution at any time and make further notifications such as entries and departures online. Register today and benefit from the great flexibility the portal offers. Further information and registration forms are available at allianz.ch/bvg-employers.

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