

The social partners' BVG reform proposal – neither compromise nor reform



Peter Oser

Chairman of the Foundation Board

After lengthy negotiations, this summer saw the Swiss trade union federation and the employer association present their proposal for the reform of the Swiss Federal Law on Occupational Pension Schemes and the relevant Old-Age, Survivors' and Invalidity Benefits (BVG). The core issue was to reduce the superfluously high conversion rate of 6.8% to put an end to the hefty and unfair redistribution from young people to pensioners.

We were pleased to see the social partners' proposal included the reduction of the coordination deduction and sought to incorporate differing levels of employment. This would allow for improved occupational pension provision for those working part-time and employees on lower salaries.

The planned pension "top-up", however, is a no-go. In order to balance out the reduced BVG pension, the first five annual cohorts of new pensioners would receive a monthly pension top-up of CHF 200. The following five cohorts would receive a top-up of CHF 150, and the five after that CHF 100. This would be financed via a salary contribution of 0.5%.

A top-up of this kind can be seen as nothing other than the incorporation of a redistribution into the second pillar in line with old-age and survivors' insurance (AHV). The redistribution within AHV is an uncontested, conscious step, but this method of financing goes against the principles of occupational pension provision. This is because

the top-up follows a scattergun approach: The pension top-up is paid out irrespective of the pension amount and also irrespective of whether the reduction of the conversion rate has already been offset by the pension fund or employer. Even those receiving pensions of several thousand francs a month will receive it.

The BVG reform was supposed to halt the redistribution from young to old. The current proposal, however, does no more than replace this redistribution with a new one. This concept is also the costliest option. According to the calculations of a well-reputed consulting firm, the proposed reform would cost employees and employers around CHF 3.3 billion each year.

The trade unions have made no concessions at all. The conversion rate applicable to the obligatory BVG component would only drop to 6.0%, failing to consider increasing life expectancy combined with lower projected returns. Just how the employer association could agree to such a proposal is incomprehensible.

The PKE Foundation Board clearly rejects the proposal. It would weaken the second pillar, replace one redistribution with another and be too expensive. It is neither reform nor compromise.

The proposal brought forward by the Swiss pension fund association (ASIP) comes in around CHF 1 billion cheaper per year without compromising the system with a reallocation component. Although it would reduce the conversion rate to 5.8%, the pension reductions would be cushioned without any additional salary contributions and occupational pension provision for those working part-time and employees on lower salaries would be strengthened.

The ASIP proposal is a good and feasible option. This could be the first step towards ensuring our second pillar remains a strong pillar of retirement provision alongside AHV for the generation to come.

New Foundation Board members elected

In summer 2019, ordinary elections to the Foundation Board were held.

All existing members of the Foundation Board who stood for re-election were reaffirmed in their mandates with very good results, while three new members had to be elected to replace those who stepped down this year.

Outgoing members

Fridolin Dürst, who had been a member of the Foundation Board for many years, stepped down due to advancing age. He had acted as an employee representative on the Board since 2004. Silvia Hunziker Rübél (employer representative) and

Gunnar Leonhardt (employee representative) also stepped down, as they were transferring to companies not affiliated with PKE. The Foundation Board would like to take this opportunity to thank all three departing members for their commitment.

The three new Foundation Board members



Marco Balerna

Head of HR,
Azienda Elettrica Ticinese

“ I intend to instrumentalise my experience on the Board of Directors of the former PKE Cooperative to continue to pursue my commitment to safeguarding occupational pension provision in the long term. I have a professional interest in this topic and would like to help shape and actively contribute to PKE's success. ”



Christoph Huber

Head of Group HR,
Axpo Services AG

“ In my professional role, I have dealt with retirement provision topics in depth and on a recurring basis. Sustainable development at PKE is a key issue to me. Both the varying needs of the represented generations and those of affiliated companies must be considered. Solutions that are fair in the long term and financially feasible form the centrepiece of this endeavour. ”



Patrick Winterberg

Head of Treasury Operations & Controlling,
Axpo Services AG

“ As an employee representative, it is of paramount importance to me to do my part in the interests of a stable and successful PKE. I would be delighted to contribute to the PKE Foundation Board by drawing upon my many years of experience as a financial expert and my specialist knowledge of capital markets, asset management, treasury and controlling. ”

New Chairman

The newly elected Foundation Board was constituted in the meeting of 19 September 2019. Peter Oser (EKZ), who was previously Vice-Chairman, was elected Chairman,

while Martin Schwab (CKW), previously Chairman, was elected Vice-Chairman. Peter Oser has been a member of the Foundation Board since 2004.

The new members of the Foundation Board for the term of office from 2019 to 2020 are:

Employee representatives

Peter Oser, Chairman	on the Foundation Board since 2004	Elektrizitätswerke des Kantons Zürich, Zurich
Marco Balerna	since 2019	Azienda Elettrica Ticinese, Monte Carasso
Cristophe Grandjean	since 2016	Groupe E SA, Granges-Paccot
Monika Lettenbauer	since 2016	Axpo Services AG, Baden
Adrian Schwammberger	since 2008	AEW Energie AG, Aarau
Patrick Winterberg	since 2019	Axpo Services AG, Baden

Employer representatives

Martin Schwab, Vice-Chairman	on the Foundation Board since 2013	Centralschweizerische Kraftwerke AG, Lucerne
Alain Brodard	since 2004	Groupe E Connect SA, Granges-Paccot
Peter Eugster	since 2016	Elektrizitätswerke des Kantons Zürich, Zurich
Gian Domenico Giacchetto	since 2017	Ofima e Ofible, Locarno
Christoph Huber	since 2019	Axpo Services AG, Baden
Lukas Oetiker	since 2016	Alpiq Holding AG, Lausanne

Important decisions made by our Foundation Board

PKE's Foundation Board has decided to continue to apply an interest rate of 2% to the retirement savings capital of those insured by the collective pension fund in 2020. Interest payments for the individual pension funds to be set by the respective Pension Committees.

2020 interest

In 2020, PKE is to continue to apply an interest rate of 2.0% to retirement savings capital, "Saving 60" savings accounts and all assets in supplementary pension plans (shift allowance and bonus plans). This sees PKE continuing to pursue its policy of consistent interest rates.

Interest rates are not determined by current annual returns. Instead, they depend on PKE's financial situation, more specifically, its coverage ratio. With this in mind, an interest rate of 2.0% was also awarded to retirement savings capital in 2019, despite 2018 yielding negative returns of -3.5%.

The 2.0% mean that assets held by active participants will continue to benefit from the same interest rate as assets held by pensioners. Also considering the low interest offered by banks on savings, this interest rate is highly attractive and significantly higher than the minimum pension interest rate stipulated by the government of 1.0%.

In addition, most insured members' retirement savings capital was increased by 13% in 2019 to cushion the impact of the lower conversion rates. This deposit will be credited to insured members' accounts in monthly instalments over the next five years.

The Pension Committees representing the individual companies in the individual pension funds are responsible for setting interest rates for 2020. The insured members will receive further information from their Pension Committees directly.

No pension adjustments

The current pension benefits forecast for 2020 are to remain unchanged. Due to the incomplete accrual of PKE's value fluctuation reserve and with inflation remaining low, we will have to go without making any adjustments to pension benefits once again in 2020.

Amendments to the Regulations



The Foundation Board has altered various provisions in the Pension Regulations. The amendments will come into effect on 1 January 2020. Take a look at new aspects to bear in mind here.

Are you unmarried and living in a cohabitation relationship?

Your partner will receive a PKE pension upon your death, provided the regulatory requirements are met (see Pension Regulations Article 16). If there are no shared children to take care of financially, your cohabitation must have been ongoing for at least five years prior to death. The five years must have elapsed by the age of 65 at the latest. You and your partner must have lived in a joint household during this time.

Any entitlement to a potential death benefit (see Pension Regulations Article 18) is also conditional on you having lived together in a joint household for at least five years.

New:

For PKE to be able to issue benefits to a partner, the joint residence of at least five years prior to death must be confirmed by the relevant authorities. This official confirmation must be submitted to PKE within three months after death.

If you have not already done so, please notify PKE of your partnership using the respective form. This is vital in ensuring your partner is entitled to a pension upon your death.

Do you provide significant financial support to others?

PKE has further specified the provision clarifying the circumstances under which those you support may be the beneficiaries of a potential death benefit (see Pension Regulations Article 18). This pertains

not to your children, who would receive an orphan's pension in the event of death, to your spouse or partner (in a joint residence), but to other people you support financially.

New:

For those you support in this way to be entitled to a potential death benefit, you must have been providing uninterrupted financial support for at least five years prior to death. The financial support must also either match or outweigh any income earned by the person you support.

For entitlement to be granted, the relevant proof is to be submitted to PKE within three months after death.

PKE forms and deadlines

If ever you wish to notify PKE of any developments, please use the respective forms. This simplifies the notification process and avoids any misunderstandings. From 1 January 2020 onwards, the duty to use these forms will be anchored in our Pension Regulations (see Pension Regulations Article 6).

Have you already sent us a notification, informing us of your partnership or updating your death benefit beneficiary, for instance? There is no need to fill in a new PKE form for any notifications already sent in.

You can find our forms at www.pke.ch → "Merkblätter/ Formulare" (available in German, French and Italian). Any notifications subject to a deadline must be received by PKE before the respective deadline.

PKE – your partner for attractive mortgages

Whether house or apartment, make your dream of owning your own home a reality. Or would you like to replace an existing mortgage? PKE offers you attractive mortgages. See for yourself.

Why take out your mortgage with PKE?

Thanks to our extensive experience spanning several years, we are able to provide our customers with personal, comprehensive advice on real estate financing. As a reliable partner, we assist private individuals and companies, whether they are insured by PKE or otherwise.

Our products

PKE offers both fixed-rate mortgages with terms of 2 to 15 years and variable-rate mortgages. The fixed-rate mortgages PKE offers are particularly interesting when taken over a long period of time. Secure the current low interest rates for many years to come.

We're here for you

Choose a PKE mortgage and benefit from several advantages:



- favourable conditions (net prices)
- quick, simple and professional processing (in house)
- skilled, dedicated contact partner with years of expertise
- semi-annual interest payments
- no obligation to enter into additional business

Interested?

We'd be delighted to compile a quote for you.

Information

You can find more information, along with our mortgage calculator and application form, at www.pke.ch/hypotheken.



Your contact partner

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PKE's mortgage products at a glance

	Fixed-rate mortgage	Variable-rate mortgage
Requirement	stability, secure planning	flexibility
Term	2–15 years	open-ended
Minimum amount	CHF 100 000	no minimum
Amortisation	possible indirectly	possible directly or indirectly
Termination	payable once the tranche has elapsed, subject to a notice period of one month	6 months' notice period
Interest development	fixed interest rate over a fixed term	market-adjusted interest rate

PKE's interest rate projections

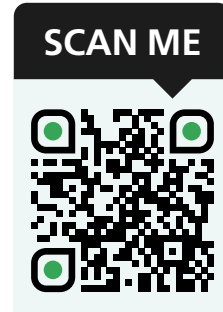
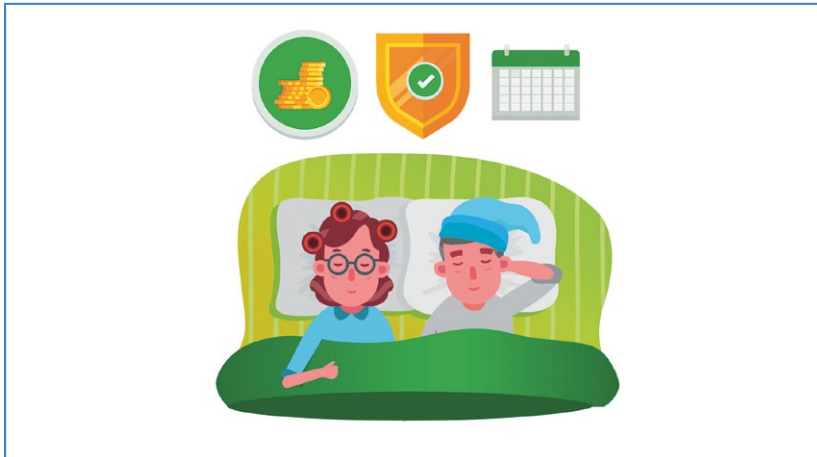
	At present	30 Jun 2020	31 Dec 2020
Variable	0.75%	→	→
5-year fixed rate	0.75%	→	↗
10-year fixed rate	0.95%	→	↗

New explanatory videos: my occupational pension and I

Pension provision is a complicated topic. PKE's videos make it approachable.

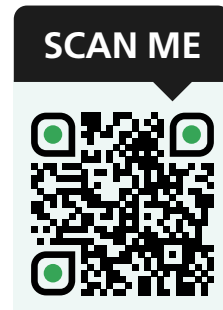
We have created two new informative videos for you that get straight to the point.

Pension or lump-sum payment?



"With a pension, you're on the safe side."

What happens to my pension fund assets when I die?



"Benefits are primarily issued to spouses and under-age children."

PKE explains complex pension provision topics in an understandable, appealing and concise manner. Interested? Take a look at the "PKE CPE" YouTube channel or visit www.pke.ch/videos-de (available in Ger-

man, French and Italian). You will now find a grand total of ten videos presenting answers to questions about occupational pension provision.

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