



## W20 plans

The Substitute Occupational Benefit Institution LOB has modified the W plans related to the voluntary continuation of retirement pension provision. The current plans, WO (continuation of retirement pension without risk benefits) and WG (continuation of the pension as a whole), will no longer be offered as of 1 January 2020 and will be replaced by the newly formulated W20 plans (WG20 and WO20). These measures are necessary in order to reduce the growing losses associated with conversion rates that are putting an increasing burden on the BVG Substitute Occupational Benefit Institution and its members.

### That will change as of 1 January 2020.

1. The conversion rate will be set as enveloping (credit principle; previously splitting). The enveloping conversion rate will be based on the non-mandatory LOB component (*see glossary: "Enveloping conversion rate"*).
2. The conversion rate will therefore be reduced from 6.8% (mandatory part) and 5.0% (non-mandatory part) to 4.2% (enveloping). The conversion rate of 4.2% assumes a technical interest rate of 1.0%. The technical interest rate is the expected net return (approx. 1.0%) and the rate of interest applicable to the retirement accounts of the active members (1.0%).
3. Women aged 59 and older and men aged 60 and older who conclude a W20 plan in 2020 will benefit from a transitional solution with preferential conversion rates based on the age at entry and applied upon retirement. From 2021 onwards, the same conversion rates will apply for all W20 plans.
4. The current contribution paid to cover the losses arising from the conversion rate will be replaced by a new pension contribution. This contribution has until now been covered by a risk contribution. The pension contribution will be credited to an individual pension contribution account, which does not accrue interest.
5. There is no entitlement to early or delayed retirement.
6. The maximum insurable salary will be increased to the maximum UVG salary (Accident Insurance Act), less the coordination amount (CHF 148,200 – CHF 24,885 = CHF 123,315; status as of 2019, as for the SE plan for self-employed persons).
7. The administrative fee will no longer be capped at CHF 480 but at 1.4% of the maximum insurable salary (CHF 123,315). This means the maximum administrative fee will be CHF 1,726.

## Glossary

	<b>As of 1 January 2020, the following applies:</b>
WO plan	The WO plan (continuation of retirement pension without risk benefits) will no longer be offered as of 1 January 2020. It can only be concluded by persons who withdraw from obligatory pension coverage prior to 1 January 2020 and then sign up for the WO plan within three months. The WO plan will be replaced by the WO20 plan ( <i>see "WO20 plan"</i> ). For those who have concluded the WO plan prior to 1 January 2020, nothing will change. They will remain insured at the same conditions.
WG plan	The WG plan (continuation of the pension as a whole) will no longer be offered as of 1 January 2020. It can only be concluded by persons who withdraw from mandatory pension coverage prior to 1 January 2020 and then sign up for the WO plan within three months. The WG plan will be replaced by the WG20 plan ( <i>see "WG20 plan"</i> ). For those who have concluded the WG plan prior to 1 January 2020, nothing will change. They will remain insured at the same conditions.
WR plan	The WR plan (risk insurance for the unemployed) will not be affected by these changes and will be continued.
WG20 plan	The WG20 plan (continuation of the pension as a whole) will succeed the WG plan ( <i>see "WG plan"</i> ). As of 1 January 2020, it will only be possible to conclude the WG20 plan, as the WG plan will no longer be offered. The WG20 plan provides the same benefits as the WG plan, but with a conversion rate of 4.2% calculated on an enveloping basis ( <i>see "Conversion rate"; see "Enveloping conversion rate"</i> ). A transitional solution is in place for 2020 ( <i>see "2020 transitional solution"</i> ). The technical interest rate ( <i>see "Technical interest rate"</i> ) is 1.0%. In contrast to the WG plan, a pension contribution will now be <i>required</i> ( <i>see "Pension contribution"</i> ) .
WO20 plan	The WO20 plan (continuation of retirement pension without risk benefits) will succeed the WO plan ( <i>see "WO plan"</i> ). As of 1 January 2020, it will only be possible to conclude the WO20 plan, as the WO plan will no longer be offered. The WO20 plan provides the same benefits as the WO plan, but with a conversion rate of 4.2% calculated on an enveloping basis ( <i>see "Conversion rate"; see "Enveloping conversion rate"</i> ). A transitional solution is in place for 2020 ( <i>see "2020 transitional solution"</i> ). The technical interest rate ( <i>see "Technical interest rate"</i> ) is 1.0%. In contrast to the WO plan, a pension contribution will now be <i>required</i> ( <i>see "Pension contribution"</i> ).
W20 plans	The W20 plans are the successors to the WO plan ( <i>see "WO plan"</i> ) and the WG plan ( <i>see "WG plan"</i> ) and are referred to as the WG20 plan ( <i>see "WG20 plan"</i> ) and the WO20 plan ( <i>see "WO20 plan"</i> ) <i>respectively</i> . As of 1 January 2020, it will only be possible to conclude these plans, as the WO and WG plans will no longer be offered. The W20 plans offer the same benefits but apply different conversion rates ( <i>see "Conversion rate"</i> ). A transitional solution is in place for 2020 ( <i>see "2020 transitional solution"</i> ). The technical interest rate ( <i>see "Technical interest rate"</i> ) is 1.0%.

2020 transitional solution	Women aged 59 and older and men aged 60 and older who withdraw from obligatory pension coverage on or before 30 December 2020 and sign up for the W20 plans ( <i>see "W20 plans"</i> ) within three months can benefit from a transitional solution. The conversion rates applied ( <i>see "conversion rate"</i> ) will be based on the age at entry.
Conversion rate	The conversion rate is used to calculate the amount of the annual pension. Upon a person's retirement, the retirement savings that person has amassed is multiplied by the conversion rate. In compulsory occupational pension provision, the minimum LOB conversion rate is currently 6.8%. For the W20 plans ( <i>see W20 plans</i> ), the Substitute Occupational Benefit Institution LOB will offer a new enveloping conversion rate ( <i>see "Enveloping conversion rate"</i> ) of 4.2% as of 1 January 2020.
Enveloping conversion rate	When the principle of an enveloping conversion rate is applied in calculating the retirement pension, the mandatory and non-mandatory retirement capital and any savings in vested benefits accounts are all multiplied by the same conversion rate, in contrast to the splitting approach ( <i>see "Splitting"</i> ). Since under the principle of full inclusion the statutory minimum benefits (LOB) are exceeded, the plan rules of pension funds with enveloping benefits may also deviate with respect to the mandatory LOB component. The Substitute Occupational Benefit Institution will now offer a lower conversion rate ( <i>see "Conversion rate"</i> ) of 4.2% on non-mandatory benefits. The mandatory LOB minimum benefits ( <i>see "Statutory minimum benefits"</i> ) will continue to be provided by the W20 plans.
Splitting	In the provision of occupational benefits (LOB), splitting is when the benefits are calculated on the basis of at least two different conversion rates. This means that the statutory portion has to be calculated using the conversion rate stipulated under LOB (currently 6.8%). The non-mandatory portion is calculated using a conversion rate that can be freely set by the pension provider. The Substitute Occupational Benefit Institution has applied the splitting approach to the W plans since 1 January 2019. As of 1 January 2020, the principle of enveloping will apply ( <i>see "Enveloping conversion rate"</i> ).
Statutory minimum benefits (LOB)	The W20 plans will continue to provide the statutory LOB minimum benefits: A "shadow account" ( <i>see "Shadow account"</i> ), which tracks only the mandatory LOB component, determines the theoretical retirement savings upon retirement. However, if the approach of enveloping ( <i>see "Enveloping conversion rate"</i> ) results in a pension entitlement below the minimum LOB rate, the minimum benefits under LOB will nonetheless be paid.
Technical interest rate	The technical interest rate is the interest rate used in discounting future benefits (and contributions in defined benefit schemes). The lower the technical interest rate is, the greater the pension plan capital held by a pension provider must be. The technical interest rate must be set such that it can be financed by the return on the plan assets. The technical interest rate is different from the rate of interest applied to the retirement savings in the plan.

Shadow account	The Swiss Federal Occupational Retirement, Survivors' and Disability Pension Plans Act (LOB) requires all registered pension schemes to administer individual retirement savings accounts compliant with LOB standards. The theoretical retirement savings upon reaching retirement are tracked in a "shadow account". The shadow account tracks only the mandatory LOB component, in divergence from the approach of enveloping ( <i>see "Enveloping conversion rate"</i> ), and it compares the calculated benefit with the statutory benefits for the mandatory and non-mandatory LOB components.
Pension contribution	In the previous W plans, a contribution (part of the risk contribution) was levied in order to compensate for conversion rate losses. The new W20 plans will instead levy a "pension contribution". The contribution rate is determined based on the effective age of the insured person (to the exact month) at entry and does not subsequently change. The pension contribution is based on the insured member's retirement savings and is credited to an individual pension contribution account, which does not accrue interest.

If you have any questions, please do not hesitate to contact Client Services:

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### The Substitute Occupational Benefit Institution LOB

The Substitute Occupational Benefit Institution LOB is a non-profit organisation operating on behalf of the Swiss federal government as the sole pension fund in Switzerland with the obligation of insuring all employers and individuals who choose to become affiliated with it for compulsory occupational pension provision (LOB). It manages over 1.2 million customers in the area of vested benefits accounts. It is a foundation established under private law supported by Switzerland's employer and employee associations and as such is a key element of pillar 2 pension provision helping to ensure the stability of the system.

The Substitute Occupational Benefit Institution LOB is constantly growing and administers assets totalling over 17 billion Swiss francs. It employs a staff of around 190 at locations in Zurich, Lausanne and Bellinzona.