

IGP Country Profile **Switzerland**





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Customary employee benefits

Introduction

Employer sponsored benefit plans include pension plans consisting of either group contracts or self-administered pension funds. These plans have been regulated since January 1, 1985, by the Federal Law on the Occupational Old Age, Survivors', and Disability Pension Act (BVG).

Another common provision is short-term disability (STD) insurance.

Finally, employers sponsor accident insurance covering death, dismemberment, loss of income, and medical and hospital expenses. This provision is regulated by the Accident Insurance Law (UVG), which came into effect on January 1, 1984.

Death benefits

Survivors' benefits:

Spouse's pension:

A pension is payable to the spouse from the time of the insured's death (before or after retirement) until the spouse's death or remarriage. In case of remarriage, a lump-sum equal to three annual spouse's pensions is paid.

The normal spouse's pension is equal to 60% of the projected retirement pension. A pension plan frequently includes a special clause saying that the spouse's pension is reduced by 1% to 3% for each complete year over ten that the widow or widower is younger than her/his spouse.

Orphans' pension:

An orphans' pension is payable upon the insured's death to each child until age 18. The annuity is also payable beyond this age limit, provided that one of the following conditions is met:

- If the child is not fully employed and is studying or in apprenticeship and is under age 25.
- If the child suffers from a presumably persistent disability and has already been disabled for the same cause at age 20. In such cases, the annuity is paid during the child's life in proportion to the degree of disability.

An Orphans' Pension is normally fixed at 20% of the projected retirement pension.

Lump sum death benefit

This benefit is provided to all unmarried males and females in case of death before normal retirement age and, in most cases, as compensation for the absence of a survivors' benefit. The lump sum normally equals 100%-200% of the retirement credits. However, there is a growing trend for spouse's pensions to be provided under private benefit plans.

Disability benefits

A disability pension, classified by degree of disability, is payable in case of inability to work due to sickness or accident. The benefits commence on the day the waiting period, specified in the contract, has lapsed. The duration of the waiting period may be 12 months or, if a separate short-term disability plan exists, 24 months.

The mandatory disability pension is based on the retirement assets without interest projected to age 65 for men and age 64 for women, multiplied by the conversion rate.

The children's pension is normally fixed at 20% of projected disability pension.

Waiver of Premium

Waiver of premium is applicable under the same conditions as mentioned for disability pensions, although a different waiting period may be specified (for example, 6 months for waiver of premium and 24 months for disability pensions).

Short Term Disability Plan (KKTG, 2nd Pillar)

Compensation of lost salary is, within legal requirements, the responsibility of the employer, who may choose to insure its staff unless union agreements compel it to do otherwise. Insurance is by far the most adopted solution.

- The customary plan is as follows: 80%–100% of salary payable for 730 days, taking into consideration a waiting period of 14-60 days.
- STD insurance plans typically provide the following benefits: Daily Benefit: 80%/100% of daily salary for two years; possibility of extending the benefit to ten years or even to retirement age.

Medical benefits

A law, which came into force on January 1, 1996, provides for mandatory medical coverage for all residents in Switzerland.

An employer-sponsored program may also be offered, but it is not very common.

Retirement benefits

Retirement benefits

A retirement pension for all eligible employees is payable from normal retirement age (i.e., age 65 for males and age 64 for females) for as long as the insured is alive.

- Defined Benefit plan: The amount of pension is normally expressed as a percentage (1.5% to 2%) of pensionable salary times the number of credited years of service.
- Defined Contribution plan: The contributions are equal to the BVG retirement credits or to a rate level of 12% 15% of gross salary.

Pensionable salary

In order to integrate the Social Security pension with private group plans, private contracts use a Social Security offset expressed as a certain percentage of the Social Security Old Age Pension for single persons. The percentage is fixed according to the total benefits (pension plan plus Social Security).

Payment of premiums

Normally premiums for annuity benefits are annual level premiums while premiums for lump sum death benefits are annually renewable term insurance premiums.

Employee's contributions

Varies between 5% and 8% of pensionable salary but cannot be more than 50% of total premium.

Vesting rights

Due to a law, which came into effect on January 1, 1995, full vesting is applied on BVG benefits, as well as on any benefits over the BVG limits. For defined contribution plans, employees leaving their place of employment receive the amount of total contributions paid on their behalf including interest. For defined benefit plans, the vested amount is determined by the present value of the accrued pension. Additionally, employees must transfer the vested amount to their new employer's pension fund, which will buy back "years of service".

At the request of the employee, a cash payment can be made in the following cases:

- If an insured employee is leaving Switzerland and not moving permanently to an EU country (effective June 2007 bilateral agreement between EU and Switzerland);
- If an insured employee becomes self-employed. A cash payment requires the written approval of the spouse. All payments are subject to taxes.
- When the total sum accrued is less than one year of payments.

Trends

Market description

The BVG market (2nd pillar) is a competitive market that repeatedly leads to political discussions due to the conversion rate, minimum interest rate and minimum quota. The Swiss Government is currently preparing a 2nd pillar reform and the public will vote within the next years.

The Swiss Pension Solution market in Switzerland has grown steadily (in number of insured persons) since 2012 with an average growth rate of 1.8% per annum.

In 2019, the BVG market was divided into 3 segments:

- Pension funds, which manage 77% of the funds
- Life insurers who manage 18% of their business
- Banks that manage 4%

Market potential

It is assumed that the 2nd-pillar market will grow at an average rate of 2% per year. Retirement due to baby boomers and wage stagnation have led to a reduction in the growth rate.

The assumption is that the insurance market will shrink, and the PF market will increase due to the higher degree of freedom.

Typical employee benefits plans and benchmarking

Sample Multinational Plan (BVG)

Plan design		Basic Plan	Additional benefits
Pension base		Based on salary (without coordinationan deduction) up to 200% of BVG pensionable salary ¹	Basic salary coordination deduction
	20-34	12%	14%
Pension design based on age	35-44	14%	14%
	45-54	16%	14%
	55-65 (64)	18%	14%
Disability pension		50% of insured salary	60% of insured salary
Spouse's pension		35% of insured salary	Lump sum of 3x insured salary, add. accrued capital
Children's pension		10% of insured salary	None
Independent life capital		2x insured salary	3x insured salary
Employee financing		6% of insured salary	7% of insured salary

Defined Benefit plan

Eligibility:	According to BVG
Normal Retirement Age:	Males: 65; Females: 64
Pensionable Salary:	Gross salary less 7% of the AHV pension for a single person.
Retirement Benefits:	<ul style="list-style-type: none"> A pension equal to 1.5 – 2.0% of pensionable salary times years and months of service up to a maximum of 40 years if male or 39 if female. A children's pension equal to 20% of retirement pension.
Death Benefits:	<ul style="list-style-type: none"> Lump Sum Benefit: For all employees over age 24, and all female employees and single males under age 25, an amount equal to 100% of gross salary, or 100% of retirement credits Spouse's Pension*: For all married men/women, a pension equal to 60% of the projected old age pension. Orphans' Pension*: For all employees, a pension equal to 20% of projected old age pension per child (double for full orphan).
Disability Benefits: ²	<ul style="list-style-type: none"> A pension equal to 100% of the projected old age pension, payable after a waiting period of 24 months. For the children of disabled employees, a pension equal to 20% of the projected old age pension per child, payable after a waiting period of 24 months.
Waiver of Premium:	Included after a waiting period of three months.
Employee Contribution:	5% of pensionable salary for employees aged 25 and over, no contributions for employees under age 25.

¹ The maximum pensionable salary under the mandatory BVG scheme in Switzerland was CHF 90,720 in 2025 (annually adjusted)

² Accident coverage excluded (except for UVG/BVG coordination)

Defined Contribution plan

Eligibility:	According to BVG
Normal Retirement Age:	Males: 65; Females: 64
Pensionable Salary:	Gross salary less $\frac{7}{8}$ of the AHV pension for a single person.
Retirement Benefits:	<ul style="list-style-type: none"> • A pension equal for females and males 6.8% of the BVG accrued credits with interest. • A children's pension equal to 20% of retirement pension.
Death Benefits:	<ul style="list-style-type: none"> • Lump sum: 100% of retirement credits if no spouse's pension. • Spouse's Pension*: A pension equal to 30% of pensionable salary, respectively 60% of old age pension. • Orphans' Benefits*: A pension equal to 10% of pensionable salary.
Disability Benefits: ¹	<ul style="list-style-type: none"> • A pension equal to 50% of pensionable salary payable after a waiting period of 24 months. • A children's pension equal to 10% of pensionable salary.
Waiver of Premium:	Included after a waiting period of three months.
Employee Contribution:	50% of premium

¹ Accident coverage excluded (except for UVG/BVG coordination)

Useful links

Demographic information and macro-economic indicators

[CIA World Factbook](#) (please select the country to review)

[World Bank Group](#) (please select the country to review)

Federal Social Insurance Office

www.bsv.admin.ch

More information on AXA Life Ltd.

Your Local Link to IGP in Switzerland

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