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News Release

The pillar 2 pension: a key factor in making a job attractive

Employees are one of the most important elements in the success of a company. It is crucial to make a job attractive in order to recruit the best people. This means that the chosen occupational pension solution is an essential strategic HR management tool. Wrong decisions are often made, however, which usually end up having wide-ranging consequences and serious effects at a later stage for both companies and individuals. UBS has introduced a new guide that can help companies navigate their way through this issue.

Zurich, 28 March 2019 – Due to the pressure on all three pillars of the Swiss pension system, the quality of the occupational pension solution will gain in importance in the future – for the individual as well as for the companies. Companies can use the benefits that their pension plans offer as a key element in recruiting new employees, as the pension plan is part of an attractive employment relationship. Although the pension solution is determined by the joint decision-making body of the foundation board of the pension fund, the employer in reality carries a greater decision-making weight, as the employer bears significant costs and risks.

The key questions

In defining the optimal occupational pension plan, companies ask many questions: Does an independent pension fund make sense? Is the best solution to join a collective or communal foundation? Should there be only mandatory benefit coverage, or also super-mandatory coverage? Is it necessary to have reinsurance for the risks of disability and death? What does an attractive pillar 2 pension solution for employees look like? What are the risks for the company and how can they be managed? The latest publication of the UBS Chief Investment Office “Pillar 2: a complex decision – A guide for companies” offers some answers.

Factors influencing decision-making

It is important to find a balance between the desired pension benefits, the pension scheme in which they are available and the costs and risks that are associated with the benefits. If the structure of the company is modified or the economic outlook changes, other benefits could become more important or a better-priced offer may become available. A company should therefore periodically review the model it has selected. The high level of complexity and the many conflicts of interest between stakeholders, such as buyers, providers and brokers of pillar 2 solutions, do not make the decision any easier. Wrong decisions can end up having wide-ranging consequences and serious effects at a later stage for both companies and individuals. That's why many companies turn to a broker for assistance. It is important to ensure that the solution found through a broker is not unnecessarily expensive for both the individual and the company, and that the compensation for the broker is clearly communicated.

A look ahead is also important

Companies and pension funds must also keep in mind the future of pillar 2. The law offers a great deal of flexibility, which a pension plan can use to give individuals an attractive long-term pension solution. But a pension plan must take care to make the right choices, as the mandatory portion of pillar 2 is facing trouble. Ultimately, though, the situation cannot be fixed by companies alone. Additional changes to the law are

needed that offer more flexibility to companies, pension plans and individuals. One example of a change would be a flexible retirement age in order to make retirement provision sustainable.

Links

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