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The optional old-age and disability pension scheme (AHV/IV)

# Towards dismantlement

**While denying at the moment any intention of purely and simply abolishing the optional state pension scheme, the federal government is nevertheless subjecting it to a far-reaching revision. The Council for the Swiss Abroad strongly criticised this revision at its March meeting. There was even talk of dismantlement of the scheme.**

The Federal Council is proposing to parliament that the relationship between premiums and benefits should be improved by limiting the number of those who may be insured and by increasing total contributions. It

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is indeed true that the reform worked out by the Federal Commission for the AHV/IV is spectacular.

## Down from 48,000 to 8,000 insured persons

The revision contains two sets of measures. The first aims to limit the number of those insured, and the second is intended to increase the share of contributions in financing the scheme. The proposals would reduce the number of insured persons by 86%, from today's more than 48,000 to about 8,000. The effect of this in terms of reducing the cost to public bodies (the federal government, cantonal authorities and the AHV/IV itself) is no less spectacular. It will fall from Sfr. 134 million (of which 70% paid by the AHV/IV) to under Sfr. 10 million.

The measures have labels which are meant to sound painless, but they will be very effective nonetheless. The principle of continued insurance has been introduced for those entitled to take part in the scheme. This means that only those who were insured by the compulsory AHV/IV scheme in the period immediately preceding the date on which they left Switzerland will be able to join the optional scheme. There will be transitional provisions for those who are already members. The latter will be considered in the same way as persons having contributed in Switzerland and will be able to remain in the scheme for six years.

In addition, the scheme will be restricted to the territory of those



**Many Swiss Abroad depend on the optional pension scheme for a peaceful evening of life.**  
(Photo: Keystone)

countries with which Switzerland does not have a social security agreement. In practical terms, this means the optional pension scheme will be abolished for Swiss citizens resident in Europe, North America, Turkey and Israel. The time limit of six years will apply to all members.

## Increase in the share of contributions

The second set of measures is aimed at increasing substantially the share of contributions in financing the optional AHV/IV. This will result in big increases in premiums. The contribution

rate will be raised from the present 9.2% (for old-age plus disability insurance) to 9.8%. On top of this, contributions will be based on the last annual income obtained in Switzerland. This is an attack on so-called profiteers, and it will sometimes have huge consequences (particularly in cases where annual income abroad is either much lower or much higher).

It is also proposed to abolish the degressive scale which at present applies to all insured persons abroad whose annual income is below Sfr. 46,000, excluding persons not in gainful employment. This will also result in a substantial rise in premiums. For example, for an annual income of Sfr. 30,000 the basic rate will rise from 6.5% to 9.8%. For those not in gainful employment, the minimum annual contribution will rise from Sfr. 378 to Sfr. 764.

## Raising the alarm

The Council for the Swiss Abroad has raised the alarm. It considers the reform to be unacceptable. It is particularly opposed to the six-year limitation on length of membership, the abolition of the AHV/IV for countries with which Switzerland has a social security agreement, the provision by which contributions will be based on the last annual income in Switzerland, and the abolition of optional insurance for persons already resident abroad after a period of six years. The representatives of the Swiss Abroad recall that they have themselves made proposals for reforming the optional pension scheme, while respecting what for them are four priority objectives. These are as follows:

- maintaining the optional insurance scheme for Swiss Abroad, especially those who live in difficult financial circumstances, women in particular, or who live in countries which do not have satisfactory social security systems;
- ensuring the right to mobility of Swiss citizens, particularly those who are obliged to seek work abroad;
- maintaining a degree of solidarity between the interests of Swiss Abroad and Swiss at home, as required by the federal constitution;
- adopting Euro-compatible solutions to the greatest extent possible.

The representatives of the Swiss Abroad are counting on parliament to take these objectives into account in amending the government's reform proposals.