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# OFFICIAL COMMUNICATIONS

## SOME DETAILS OF THE OLD-AGE AND SURVIVORS' INSURANCE SCHEME AND THE DISABILITY INSURANCE SCHEME (AVS/AI) AND THE MODIFICATIONS INTRODUCED BY THE EIGHTH REVISION

1. On the occasion of the eighth revision of the AVS/AI, Swiss abroad who have not yet enrolled in this voluntary insurance scheme are being given a special chance to do so. The offer is open to all Swiss nationals residing abroad who are still able to pay the contributions for at least one full year and thus acquire the right to an old age pension. This applies to men born after 30th November 1908 and women born after 30th November 1911.

The necessary application forms will be sent to anyone interested by the Swiss diplomatic or consular missions, to whom they must be returned by

31st December 1973 at the latest.

Contributions will be payable as from 1st January 1973, whatever the date of enrolment.

2. From 1st January 1974 the only persons eligible to enrol in the voluntary

insurance scheme will be those Swiss abroad who apply to do so not later than one year after their fiftieth birthday (no longer the fortieth birthday, as hitherto). Of course, the usual time-limits for transference from the compulsory insurance scheme in Switzerland to the voluntary insurance scheme abroad, like those laid down in special cases, remain reserved.

3. The eighth revision of the AVS/AI has resulted in a *big increase in the size of pensions*. This improvement has not, of course, been possible without a certain *increase in contributions*.

4. Further details appear in the "Leaflet on the voluntary insurance scheme for Swiss citizens resident abroad", which has just been reissued and takes account of the situation as from 1st January 1973. This leaflet can be obtained from any Swiss diplomatic or consular mission.

### SWISS ABROAD

You are offered a special opportunity to join the AVS/AI

Don't miss it!

#### Introduction

*What is the AVS/AI (Old Age and Survivors' Insurance Scheme/Invalidity Insurance Scheme)?*

This is the most important branch of Swiss social security; in Switzerland it is compulsory and covers everyone, whether they are gainfully employed or not.

In particular, apart from old age pensions, the AVS/AI provides pensions for widows and orphans. Persons who have joined the scheme are also insured, by law, against the consequences of invalidity.

#### *Who can join the voluntary AVS/AI?*

All Swiss resident abroad are eligible to be voluntarily insured.

*Age*, however, entails certain restrictions on the right of membership; that is why Swiss living abroad have not hitherto been allowed to join the voluntary insurance scheme later than one year after reaching their 40th birthday. On the occasion of the eighth revision of the AVS/AI it was decided to extend that *time-limit*

*to one year after the completion of the 50th year of age*. In particular, this improvement will enable Swiss abroad who have heavy financial burdens until about the age of 50 (children's education and consolidation of their own careers), or who have to move from a country with a good social security system to one where social insurances are less developed, to join the Swiss insurance system.

If the husband joins, the wife automatically becomes a member too; *married women* can therefore only enrol on their own account if the husband is a foreign national, if they have been separated for at least a year or if they have married an uninsured compatriot provided they were insured themselves immediately before the marriage. Swiss women living abroad who are widowed or whose marriages are dissolved can still join the voluntary insurance scheme, even if they are over 50. In these various cases it should be noted that there are very strict time-limits for joining (e.g. for widows and divorced women, aged 50 and over: not more than one year

after the husband's death or the divorce, as the case may be).

#### **Special opportunity to join in 1973**

There are many Swiss abroad, who for one reason or another, bitterly regret not having joined the voluntary AVS/AI in time. The eighth revision takes account of this and offers men born after 30th November 1908 and women born after 30th November 1911 a special opportunity to join in 1973. Why this difference according to sex? Simply because women pay contributions until the age of 62, not 65 like men, and because one can only join the voluntary insurance scheme if one is still young enough to pay contributions for at least a year.

Those interested are asked to apply for a membership form to their local Swiss representation.

#### **The AVS pensions**

These are of several types:

a) *Basic old age pension*: women are entitled to this type of pension after their

62nd birthday and men after their 65th birthday; where the wife reaches pensionable age before her husband she can claim a personal pension only if she has herself paid contributions.

b) *Married couple's old age pension:*

The couple is entitled to this where the man has reached his 65th birthday and the wife her 60th birthday (they are also entitled to this pension if the wife is at least 50% disabled but is not yet 60); the eighth revision of the AVS/AI fixes the amount of the married couple's old age pension at 150% of the basic pension.

c) *Supplementary pension for children or for the wife:* a man in receipt of an AVS pension is entitled to draw a supplementary pension for his wife if she is between 45 and 59 years of age, and for his children up to their 18th birthdays (up to their 25th birthdays at the latest if they are studying or undergoing apprenticeships); under the eighth revision the wife's supplementary pension has been newly fixed at 35% and the dependent child's at 40% of the basic AVS pension. For example, a family of four in which the father is 66 years old, the mother 50 and the children 16 and 19 (student) respectively will receive 215% of the basic pension (100% + 35% + 40% + 40%), that is to say, a basic pension, a wife's supplementary pension and two supplementary child's pensions).

d) *Survivor's pensions for widows and orphans:* whatever their age, widows who have children (their own, adopted, or even, in certain cases, fostered) at the time of the husband's death are entitled to a pension. This also applies to widows without children who are over 45 at the time and have been married for at least five years; if these last conditions are not fulfilled, they will receive a lump sum, which may be as much as five times the annual widow's pension, to help them return to working life. The pension in question is 80% of the basic AVS pension, by which it will be replaced when the widow reaches the age of 62.

The basic orphan's pension has been fixed at 40% of the AVS pension; a widowed mother of two children will thus receive a monthly sum amounting to 160% (80% + 40% + 40%) of the basic AVS pension.

Orphans who have lost both father and mother are entitled to a so-called double pension, which corresponds to 60% of the basic AVS pension.

It should also be noted that the eighth revision has considerably improved the conditions on which motherless children are entitled to a pension.

**AI (Invalidity Insurance) payments**

The Swiss living abroad who is insured at the time he becomes disabled is entitled to an AI pension if the disablement is permanent from the start or is of long duration in the sense of the AI law; he must also have paid contributions for a year and be at least 50% disabled (in cases of hardship, one-third). He receives a full pension if he is at least two-thirds disabled, and a half-pension if he is at least 50% disabled.

These payments are made in the form of basic AI pensions (where applicable, with supplementary pensions for the wife and children) or married couples' AI pensions (where applicable, with supplementary pensions for the children).

The full AI pensions are of the same value and are calculated in the same way as the AVS pensions.

Before paying pensions the Invalidity Insurance Scheme examines each case to see whether the invalid can be rehabilitated and his earning capacity restored. The invalid wife of a voluntarily insured man only receives a pension if she has herself paid contributions for at least a full year.

**Special payments**

There are two types of AVS and AI payments:

a) *Extraordinary pensions:* these are not paid to Swiss domiciled abroad, but those who return to Switzerland can often draw an extraordinary old age pension equivalent to the minimum AVS pension; however, a pension of this kind is only granted on condition that the capital and income of the pensioner do not exceed certain limits. Further information can be obtained from the "Caisse de compensation" in the relevant canton.

The special AI pensions are also subject to income limits; they are principally intended for *persons domiciled in Switzerland* who have become invalids before their 20th birthday without having been able to pay contributions; the pension is equal to the minimum AVS pension plus one-third.

b) *The AVS and AI assistance allowances:* these are paid in particular, but only *in case of need*, to Swiss abroad who *joined the voluntary insurance scheme in time* but who were overtaken by the insured event (death, invalidity, old age) before fulfilling the condition of a full year's contributions to which the payment of ordinary AVS or AI pensions is subject. *In case of need*, persons domiciled abroad can obtain assistance allowances from the AI in place of the allowances for totally incapacitated persons, which are not paid abroad.

**Full pensions and partial pensions**

There are full pensions and partial pensions. Full pensions are only paid to insured persons with the same number of qualifying contribution years as are required of persons of the same age who are compulsorily insured in Switzerland. Where this is not the case, they receive only partial pensions based on the number of contribution years. In practice, the calculations are rather complicated, and in future account will also have to be taken of the fact that contributions paid from 1973 onwards will be distinctly higher than in the past.

**Increase in AVS/AI pensions**

The eighth AVS/AI revision has resulted in a very big increase in pensions. The table below shows the monthly minima and maxima of the principal cate-

gories of pensions; the sum drawn by each beneficiary between these two amounts according to the annual mean earned income which has served as a basis for calculating the contributions paid previously.

The figures given here correspond to FULL pensions (see last section for the differences between partial and full pensions).

**Table showing the new monthly FULL pensions**

Type of pension	Min. (in Swiss francs)	Max.
Basic AVS/AI pension	400.-	800.-
Married couple's AVS/AI pension	600.-	1200.-
Supplementary AVS/AI pension for wife	140.-	280.-
Supplementary AVS/AI pension for child	160.-	320.-
Widow's pension	320.-	640.-
Basic orphan's pension	160.-	320.-
Double orphan's pension	240.-	480.-

A further increase in the pensions is already envisaged as from 1st January 1975.

**Improvement in the woman's position under the AVS/AI**

Even before the eighth revision, married women and widows who were not gainfully employed, were insured, although not obliged to contribute, and enjoyed an old age pension, either direct or through the husband's right to a married couple's pension. The age at which women are entitled to a basic old age pension was fixed at 62, while that for men is 65.

The eighth revision improves the legal position of the *married woman*; in fact, it gives her *the right to apply (in writing), if she wishes, for half the married couple's pension to be paid to her*; contrary decisions by the courts are expressly reserved. The status of the divorced woman has also undergone various modifications bringing it closer to that already enjoyed by widows.

**The AVS/AI contributions**

Of course, the considerable improvement in pensions decided within the framework of the eighth revision necessitated an increase in the AVS/AI contributions as well; thus, the rate has gone up from 5.2% to 7.6% for Swiss abroad who are gainfully employed; insured persons whose income is less than 20,000 Swiss francs, however, benefit from a degressive scale with a lower limit of 4.3%.

From 1st January 1973 insured persons who are not gainfully employed will pay a contribution of between 86 and 8,600 Swiss francs per year according to their capital and their income from any pensions.

**Withdrawal from the insurance scheme**

Insured persons can withdraw from the insurance scheme at any time, but only with effect at the end of the then current calendar year. In the case of an

insured married man, the wife's written consent is essential. The official resignation from can be obtained from Swiss representations.

The effect of resignation (the same

applies to exclusion) is that the Swiss abroad cannot claim the right to AI payments from contributions paid into the voluntary insurance scheme. On the other hand, the right to AVS pensions is guaranteed, since this derives from the contributions.

Federal Political Department in collaboration with the Federal Office of Social Insurances.

# SWITZERLAND AND THE COMMON MARKET

On 22nd July, 1972 Switzerland signed an agreement in Brussels with the European Economic Community (EEC) which provides, in particular, for the progressive abolition of customs duties on all industrial products. Recently, Mr. Ernst Brugger, Head of the Federal Department of Public Economy, kindly answered our questions about that agreement.

*Federal Councillor, could you tell us Switzerland's reasons for moving closer to the Common Market?*

The EEC is our most important trading partner. Already nearly 60% of our imports come from that group of countries, which in turn absorbs 38% of our exports. Since the creation of the Common Market Switzerland's aim has been to establish links with that economic organisation. However, as she was very anxious that such links should not affect her neutrality, her constitutional system or her right to determine her own relations with the rest of the world, she deliberately renounced the possibility of membership. For her part, the agreement to be concluded was intended principally to lead to the elimination of customs barriers or, in other words, to the establishment of a large free market in Western Europe. The creation of EFTA had already constituted a first step in that direction. For a long time, however, it was not possible to achieve a rapprochement between the EEC and EFTA, two free trade bodies which were nevertheless so close to each other. We had to wait for the Hague summit conference, in December 1969, to see the outlining of an overall solution comprising three elements: the entry into the EEC of some members of EFTA, the conclusion of free trade agreements between the Common Market and the other EFTA countries and, finally, the maintenance of free trade between the members of EFTA remaining faithful to that organisation. This was the basis on which a large free market embracing 300 million inhabitants was created in Western Europe.

*The negotiations took place in several phases: could you remind us of the principal stages?*

After the summit conference at The Hague, negotiations with the applicants for membership began. The first talks with those members of EFTA which did not wish or were not able to join the EEC, for



*Federal Councillor Brugger*

political or economic reasons, took place shortly afterwards. Switzerland submitted her concept to the EEC ministers on 10th November, 1970. In its opening statement the Federal Council accepted the Common Market's invitation to draw up an agreement enabling Switzerland to maintain with the countries entering the EEC the free trade achieved within the framework of EFTA and to extend it to the other members of the EEC.

The exploratory talks took place in the winter of 1970/71. They confirmed the impression that the agreement being sought by both Switzerland and the EEC could most satisfactorily be realised in the form of a free trade area.

The negotiations themselves began in December 1971 and ended with the signing of the agreement in Brussels on 22nd July, 1972.

*What are the principal features of the new agreement?*

In the first place, I should mention the *abolition of customs duties* on imports of industrial products exchanged between Switzerland and the EEC; this will be carried out in five stages of 20% each between 1st April, 1973 and 1st July, 1977. More than 90% of our exports to the enlarged Common Market and of our imports from it will thus be exempted from customs duties. It was also necessary to introduce *rules of origin* in order to

determine what products would enjoy the customs reductions. The latter will apply only to those products which have undergone in the EEC, in Switzerland or in another EFTA country a process of transformation regarded as sufficiently important.

Provisions relating to *competition* state that no practice, private or public, which distorts the free play of competition must affect the Swiss-EEC trade covered by the agreement. *Safeguard clauses* authorise the Contracting Parties to reintroduce customs barriers temporarily, after consultations, if certain difficulties specified in the agreement should arise.

Free trade in *agricultural products* is not provided for by the agreement, but both Parties, undertaking expressly to respect the agricultural policy of their partners, pledged themselves to foster the harmonious development of trade in those products.

For both parties, the *evolutionary clause* leaves the door open for a subsequent development of their relationship. The conclusion of new arrangements will, of course, only be possible after new negotiations.

The agreement also contains a *denunciation clause*; it will therefore be possible to withdraw from it by giving twelve months' notice.

*Will Swiss farmers derive some advantages from the agreement?*

As I said just now, it will not contain agricultural clauses. Consequently our policy of supporting agriculture will not be modified in any way; this applies to prices or internal structures in that branch of our economy as well as to our present regulations on the importation of agricultural products. Our farmers will, however, derive certain advantages from the customs reductions, particularly when acquiring agricultural machinery or fertilisers. It should also be remembered that our agricultural policy is relatively costly and that our agriculture will therefore continue to thrive only if the economy as a whole does well.

*Was the problem of foreign workers in Switzerland discussed in Brussels?*

The agreement contains no provisions which could affect the policy we have adopted with regard to the labour market, and it allows us, in particular, to pursue our efforts to stabilise the total