UWPSAMMELSTIFTUNG
FÜR BERUFLICHE VORSORGE

Factsheet

PENSION PROVISION IN SWITZERLAND

Pillar 1		Pillar 2		Pillar 3	
State pension		Occupational pension		Private pension	
Securing a minimum standard of living		Maintenance of current standard of living		Individual supplement	
OASI/ DI	Supplementary benefits	2a mandatory	2b non-mandatory	Restricted pension plan	Unrestricted pension plan

Pillar 1, also known as the Old-Age, Survivors' and Invalidity Insurance, operates according to a „pay-as-you-go" system. This means that contributions paid in today are used tomorrow to pay current benefits. Individuals do not save for themselves.

Each employee and their employer pay a fixed percentage, currently 6.375% each of the salary, into the Old-Age, Survivors' and Invalidity Insurance scheme, so that higher earners pay in more and lower earners less. The insured member does not have to declare contributions to the Old-Age, Survivors' and Invalidity Insurance as income.

Pillar 2 provision has to be set up by each employer for its employees with an annual salary in excess of CHF 21,510. Pillar 2 operates according to the funding principle. This means that each insured member and their employer pay savings contributions into the employee's personal account held with the pension fund.

When insured members change job, they take this capital with them and deposit it in the pension fund of the new employer. Employee and employer pay a risk contribution to insure for benefits in the event of disability or death.

You can also learn how a pension fund works from the video in our UWP app. As with the contributions to Old-Age, Survivors' and Invalidity Insurance, all pension fund contributions are not subject to tax.

Pillar 3 is intended to reduce or eliminate gaps in provision from pillars 1 and 2. Increasingly, pillars 1 and 2 together are insufficient to ensure an accustomed standard of living of insured members after retirement.

Tied pension provision (pillar 3a) is offered by banks and insurance companies to close such gaps in provision. Tied pension provision can be deducted from taxable income up to a maximum amount.

On top of this there is also untied pension provision (pillar 3b) in the form of cash, bank accounts, securities, real estate and holdings etc. However, this does not enjoy any tax breaks.

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