

Coverage ratios and restructuring

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The coverage ratio expresses the relationship between the assets of a pension fund available to cover its liabilities and the actuarially required pension capital. It is calculated according to Article 44 BVV 2. A ratio of one hundred per cent means that the fund can cover all its obligations. Funds aim to build value fluctuation reserves above this level to absorb market losses. A ratio below one hundred per cent means underfunding, which obliges the fund to inform the supervisory authority, the employer and the insured persons and to take measures to restore full coverage within an appropriate period.¹

Restructuring measures may include additional contributions from the employer and the employees, a reduction of interest credited to retirement accounts below the BVG minimum by up to half a percentage point for a limited period, and in exceptional cases contributions from pensioners. Employers may also waive the use of their contribution reserves.² Funds whose coverage ratio fell after the market crises of 2002 and 2008 used these measures widely. In 2022, when both equities and bonds lost value, many funds saw their coverage ratios fall sharply, although most remained above one hundred per cent thanks to the reserves accumulated in previous years.

The OAK BV's annual surveys showed that the financial situation of Swiss pension funds improved in 2023 and 2024, as equity markets recovered and the rise of interest rates reduced the value of liabilities. The average coverage ratio of private funds rose above one hundred and ten per cent, while public-law funds with a state guarantee remained on average lower.³ Funds used part of the improvement to credit higher interest to active members, partly to compensate for the lower returns of earlier years. In the Basel region, the PKBS, the BLPK and the corporate funds reported similar developments in their annual reports, although the details varied according to asset allocation and the structure of the insured population.

1 Notes

1. On the calculation of the coverage ratio under Art. 44 BVV 2 and the duties of a pension fund in case of underfunding (Art. 65c–65e BVG), see the federal legislation. To be verified. ↩
2. On restructuring measures in case of underfunding, including restructuring contributions, the reduction of the minimum interest rate by up to 0.5 percentage points (Art. 65d para. 4 BVG) and contributions from pensioners within limits, see the BVG and the directives of the OAK BV. To be verified. ↩
3. On the development of coverage ratios of Swiss pension funds in 2022, 2023 and 2024 according to the OAK BV surveys and the indices published by banks and consultants, see their publications. Figures to be verified. ↩

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