

The investment rules of the BVV 2

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The investment of pension fund assets is governed by the Ordinance on Occupational Retirement, Survivors' and Disability Pension Plans (BVV 2), in particular its Articles 49 to 59. The ordinance starts from general principles. Pension funds must manage their assets so as to guarantee security, achieve an adequate return, distribute risks appropriately and ensure the liquidity needed to pay benefits. Security is the primary criterion, assessed in the light of the total assets and liabilities of the fund and its structure and expected development.¹ The board of the fund bears the responsibility for the investment strategy, which it must set out in investment regulations and review regularly against the liabilities of the fund.

To these principles the ordinance adds quantitative limits that each fund must observe in relation to its total assets. Under Article 55 BVV 2, mortgage-backed claims on real estate may account for no more than fifty per cent of total assets and equities for no more than fifty per cent. Real estate may not exceed thirty per cent, of which no more than one third may be invested abroad. Alternative investments, a category comprising hedge funds, private equity, insurance-linked securities, commodities and similar instruments, are limited to fifteen per cent. Foreign currency exposure without currency hedging is capped at thirty per cent.² Article 54 adds a limit of ten per cent for claims against a single debtor, with exceptions for the Confederation, the cantons and mortgage bond institutions, and further limits apply to investments in the employer.

The limits have been revised several times. A notable change came into force in 2020, when a separate category for infrastructure investments was created with its own limit of ten per cent. This removed infrastructure from the category of alternative investments, where it had competed with hedge funds and private equity for the limited allowance.³ Political discussions on a further category for unlisted Swiss companies, intended to

encourage pension funds to invest in domestic venture and growth capital, followed in the years after. Part G described the debate on the Zukunftsfonds Schweiz in that context, which belongs to the same set of efforts to channel pension capital into the domestic economy. Status to be verified.⁴

Investments that do not fit neatly into any category raise frequent questions of classification. A fund investing in a collective investment scheme must look through to its underlying assets, while structured products and derivatives must be attributed according to their economic exposure. Securities lending and repurchase agreements are permitted only under the conditions of collective investment law.⁵ These rules give the investment regulations of a large fund considerable technical depth. Many of the consultants who draft them work in Zurich, although several firms advising pension funds have offices in Basel because of the concentration of corporate and public funds in the region.

1 Notes

1. Ordinance on Occupational Retirement, Survivors' and Disability Pension Plans of 18 April 1984 (BVV 2, SR 831.441.1), Art. 49 to 59, in particular Art. 50 on security and risk diversification and Art. 51 on returns. To be verified. ↩
2. On the category limits in Art. 55 BVV 2 (mortgage-backed securities 50 per cent, equities 50 per cent, real estate 30 per cent with at most one third abroad, alternative investments 15 per cent, unhedged foreign currency 30 per cent), see the ordinance. To be verified. ↩
3. On the amendment of the BVV 2 creating a separate investment category for infrastructure investments with a limit of 10 per cent (Art. 53 para. 1 let. d bis and Art. 55 let. f BVV 2), in force 1 October 2020, see the federal legislation. Date to be verified. ↩
4. On the proposals for a separate investment category for unlisted Swiss companies in the BVV 2 and the related initiatives, see the communications of the Federal Social Insurance Office and Part G, chapter IV, section "The Swiss venture capital gap and the Zukunftsfonds debate", of this book. Status to be verified. ↩

5. On the classification of collective investment schemes, derivatives and structured products, and on securities lending and repurchase agreements by pension funds (Art. 53, 56 and 56a BVV 2 and Art. 76 of the Ordinance on Collective Investment Schemes), see the federal legislation and the professional standards of the Swiss Chamber of Pension Fund Experts. To be verified. ↩

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