

The pension funds of the groups

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The pension funds of Roche and Novartis belong to the largest corporate pension funds in Switzerland, with assets of many billions of francs each. They provide occupational retirement benefits under the Federal Act on Occupational Retirement, Survivors' and Disability Pension Plans (BVG) and the supplementary regulations of each fund. Their investment portfolios include Swiss and foreign equities, bonds, real estate and alternative investments, managed by internal investment teams with external mandates. In Basel, these funds are among the most important institutional investors and are significant owners of residential and commercial property.¹

In the last two decades, both groups have converted their Swiss pension plans from defined benefit to defined contribution, or to hybrid forms that come close to defined contribution. Under international accounting standards, defined benefit obligations must be recognised on the balance sheet of the employer, with changes in interest rates and life expectancy producing large fluctuations in reported equity. The conversion reduced these accounting risks for the employer and shifted investment risk to the insured persons, although Swiss law ensures that the minimum benefits under the BVG continue to be guaranteed. The change was accompanied by transitional arrangements for older employees.²

In periods of high returns on financial markets, the pension funds of the groups have built up surpluses, which raise the question of how they should be used. Under Swiss law, the assets of a pension fund belong to the fund and may not be returned to the employer, although surpluses can be used for benefit improvements or to reduce future contributions within certain limits. Employer contribution reserves offer a further instrument for managing contributions. Part I of this book examines pension funds and captive insurance companies of the pharmaceutical groups in more detail, including their role in the Swiss insurance market.³

1 Notes

1. On the pension funds of Roche and Novartis in Switzerland, including the Pensionskasse Roche and the Novartis Pensionskasse, their assets and investment policies, see their annual reports and the statistics of the Federal Statistical Office on pension funds. Asset figures to be verified. ↩
2. On the conversion of the Swiss pension plans of Roche and Novartis from defined benefit to defined contribution or hybrid plans, the accounting under IAS 19 and the transitional arrangements for employees, see the notes on post-employment benefits in the annual reports of both groups. Dates and details to be verified. ↩
3. On the treatment of surpluses in Swiss pension funds, employer contribution reserves (Arbeitgeberbeitragsreserven) and the principle that pension fund assets may not be returned to the employer, see the BVG, the BVV 2 and the literature on occupational pensions. On pension funds and captives in more detail, see Part I. To be verified. ↩

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