

The Pensionskasse Basel-Stadt

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The pension fund of the canton of Basel-Stadt, the Pensionskasse Basel-Stadt (PKBS), is the largest pension institution in the region outside the corporate sector. It insures the employees of the canton and of affiliated institutions, among them the University Hospital, the University of Basel and the public transport company. Its assets are in the range of more than ten billion francs, invested in securities, mortgages and a substantial portfolio of real estate in the city.¹ Like most cantonal funds, it had for decades operated on the defined-benefit principle (*Leistungsprimat*), under which pensions were calculated as a percentage of the final insured salary. The canton stood behind the fund with a guarantee.

Public-law pension funds were long permitted to operate with a coverage ratio below one hundred per cent, because the state guarantee was considered sufficient security. A reform of the BVG adopted in December 2010 and in force since 1 January 2012 changed this. Funds of public-law entities may continue to operate on a partial capitalisation basis only if they hold a guarantee from their public-law sponsor and follow a financing plan that achieves a coverage ratio of at least eighty per cent by 2052. Other public-law funds must be fully funded. The reform also required the legal independence of these funds from the administration.²

Basel-Stadt chose full capitalisation. In the years that followed, the PKBS was converted into an independent institution of public law, the technical interest rate was reduced and the canton made substantial payments to bring the fund to full coverage. The fund also changed from the defined-benefit to the defined-contribution principle (*Beitragsprimat*), under which the pension depends on the capital accumulated in the individual retirement account. Transitional measures were adopted to protect older employees.³ The details of these steps and the amounts involved were the subject of long debates in the Grand Council, since every adjustment

affected thousands of cantonal employees and required public funds at a time of intense budgetary discussion.

The changes at the PKBS reflect a wider trend among cantonal funds. Defined-benefit plans proved difficult to finance when interest rates fell and life expectancy rose, because the promise of a pension related to the final salary transferred the investment and longevity risks entirely to the fund and, behind it, to the taxpayer. The change to defined contribution shifted part of these risks to the insured persons while preserving the collective structure of the fund. The canton nevertheless retains a residual responsibility as employer, and political pressure to compensate employees for lower conversion rates has recurred. The debates in Basel thus mirror those in other cantons, among them Zurich, Geneva and Bern, each of which reformed its public pension fund in the decade after 2010.⁴

1 Notes

1. On the Pensionskasse Basel-Stadt (PKBS), its affiliated employers, its assets and its real estate portfolio, see its annual reports. Figures to be verified. ↩
2. On the financing of public-law pension institutions under the amendment of 17 December 2010 (Art. 72a–72g BVG), in force 1 January 2012, including partial capitalisation with a state guarantee and the target coverage ratio of 80 per cent by 2052, see the federal legislation. To be verified. ↩
3. On the recapitalisation of the PKBS, the change to the defined-contribution principle, the reduction of the technical interest rate, the payments of the canton and the transitional measures, see the cantonal pension fund legislation of Basel-Stadt (Pensionskassengesetz), the decisions of the Grand Council and the annual reports of the PKBS. Dates and amounts to be verified. ↩
4. On the reforms of cantonal pension funds after the 2010 amendment of the BVG, including the recapitalisations in Zurich (BVK), Geneva (CPEG) and Bern (BPK and BLVK), see the cantonal legislation and the literature on public-sector pension reform in Switzerland. To be verified. ↩

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