

The three-pillar principle and its constitutional basis

*Dr Alexander Ressos, TEP
Attorney-at-Law (Switzerland), Solicitor (Hong Kong),
Solicitor (England & Wales)*

The Swiss pension system rests on a principle that was written into the Federal Constitution by popular vote on 3 December 1972. On that day, voters rejected a popular initiative of the Swiss Party of Labour that would have transformed the federal old-age and survivors' insurance into a comprehensive state pension, which supporters called a *Volksversicherung*. At the same time they accepted a counter-proposal of the Federal Assembly that assigned the provision for old age, survivors and disability to three complementary instruments. The first pillar is the state insurance (AHV/AVS together with the disability insurance IV/AI), financed on a pay-as-you-go basis. The second pillar is occupational provision through employers, financed by capital accumulation. The third pillar consists of individual saving, which the state encourages through tax incentives.¹

The total revision of the Federal Constitution in 1999 transferred the principle into Articles 111 to 113. Article 111 obliges the Confederation to take measures for adequate provision for old age, survivors and disability, which shall rest on the three pillars. Article 112 governs the first pillar and states that the pensions shall cover basic living costs appropriately. Under Article 113, occupational provision together with the first pillar shall enable the insured persons to maintain their previous standard of living in an appropriate manner.² This formula, often quoted as the aim of reaching about sixty per cent of the last salary from the first two pillars together, has never been translated into a binding replacement rate. It nevertheless serves as the benchmark against which every reform is measured in political debate.

The three-pillar system was a compromise between those who wanted a strong state pension and those who preferred private and employer-based provision. When the constitutional principle was adopted, many employers already ran pension funds or had concluded group contracts with life insurers. The insurance industry, with Basel companies among its

leaders, had an obvious interest in a model that left occupational provision in private hands. The decision of 1972 thus protected a market that insurers had cultivated since the late nineteenth century, while obliging the legislature to extend occupational provision to all employees above a certain income. That extension took another twelve years.³

1 Notes

1. On the popular vote of 3 December 1972 on the initiative of the Swiss Party of Labour for a "true people's pension" and the counter-proposal of the Federal Assembly (Art. 34quater of the Federal Constitution of 1874), see the records of the Federal Chancellery on popular votes. To be verified. ↩
2. Federal Constitution of the Swiss Confederation of 18 April 1999 (SR 101), Articles 111 to 113, in particular Art. 113 para. 2 let. a on the purpose of occupational provision. To be verified. ↩
3. On the political background of the three-pillar concept, the role of the insurance industry and the pre-existing occupational pension institutions, see the literature on the history of Swiss social insurance, for example the online resource *Geschichte der sozialen Sicherheit in der Schweiz* published by the Federal Social Insurance Office (FSIO), and Part D, chapter IV, of this book. To be verified. ↩

For general information only. This article does not constitute legal or tax advice, does not replace advice on an individual case and creates no lawyer-client relationship. It reflects the legal position as of September 2026.

Online version: helveticaregister.com/basel-the-three-pillar-principle-and-its-constitutional-basis