

Wealthy individuals and 1e plans

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Occupational pensions also serve as a planning instrument for persons with high incomes. Part E described voluntary buy-ins, the three-year lock-in for lump-sum withdrawals, pillar 3a and the separate taxation of lump sums. It also explained how executives of Basel groups use plans under Article 1e BVV 2, which allow a choice of investment strategy for salary components above a certain threshold.¹ These matters need not be repeated here. Two points nevertheless connect them with the subject of this chapter.

The first concerns the risk transfer. Since the amendment of the FZG in force since 1 October 2017, 1e plans may pay out the actual value of the account on leaving the plan, without the minimum guarantee that applies elsewhere in occupational provision. The insured person therefore bears the investment risk in full.² Several providers in Basel and Zurich, among them banks and specialised foundations, have developed such plans for employers with highly paid staff. They illustrate how the second pillar has moved, at its upper end, towards an individual investment account with tax advantages.

The second point concerns redistribution. The insured persons in 1e plans are not affected by the cross-subsidisation from active members to pensioners that occurs in collective funds, because their capital is converted at retirement according to its actual value or withdrawn as a lump sum. Critics see this as a form of selective exit from the solidarity of the collective fund, while supporters argue that it corresponds to the individual responsibility that the constitutional principle of the second pillar implies.³

1 Notes

1. See Part E, chapter V, section "Pension planning for wealthy individuals", of this book, and Art. 1e BVV 2 and Art. 19a FZG on plans with a choice of investment strategy. To be verified. ↩
2. On the amendment of the FZG of 18 December 2015 (Art. 19a FZG), in force 1 October 2017, which allows 1e plans to pay the effective value of the retirement account on exit, see the federal legislation. Date to be verified. ↩
3. On the debate over the solidarity effects of 1e plans and their place in the system of occupational pensions, see the literature on Swiss occupational pensions and the reports of the Federal Council. To be verified. ↩

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