INVESTMENT & PENSIONS EUROPE

Second-pillar funding in Switzerland reaches post-crisis high

18 September 2014 **By Barbara Ottawa (URL=/barbara-ottawa/2482.bio)**

The average funding level for non-public pension funds in Switzerland has increased to 113%, according to estimates based on Swisscanto's most recent survey (URL=http://www.swisscanto.ch/ch/de/berufliche-vorsorge/publikationen/pkstudie/studien.html) of the sector.

The figure marks the highest level of funding since the financial crisis, while pre-crisis levels were slightly higher only in 2006, at 113.7%, Swisscanto said.

According to the asset manager, a 4% average return over the first half of 2014 went far in raising funding levels for the 370 Pensionskassen, managing a combined CHF506bn (€413bn) in assets, that took part in the survey.

The return was chiefly the result of the performance of equities, Swisscanto said, although it pointed out that recent surveys had shown a "slightly anti-cyclical" approach among Swiss schemes, with the average allocation to the asset class at less than 30%.

The survey also found a wide range of equity returns, even among those schemes with the same allocation.

Swisscanto said this meant the "whole asset allocation, in addition to the make-up of the equity allocation, was decisive for performance".

Similarly, the asset manager stressed that the funding level alone did not paint a full picture of a Pensionskassen's solvency.

"Measures such as the share of pensioners, the discount rate (technischer Zins) applied or the average age of active members must also be taken into account," it said.

PPCmetrics has integrated these additional factors into its calculation for Swiss schemes' risk-adjusted funding levels, which, based on a sample of 200 pension funds managing CHF450bn in combined assets, showed an improvement compared with last year.

The consultancy said the risk-adjusted funding level of non-public pension funds increased from 94.3% at the end of 2012 to 107.1% year on year, and to 109.7% as of the end of August 2014.

"Despite this positive development," it added, "there are still several private pension funds with a risk-adjusted funding level well below 100%."

PPCmetrics said those schemes were mainly Pensionskassen with a high proportion of pensioners.

The consultancy said those funds presented a potential risk for active members in the event of a company leaving the Pensionskasse, at which point risk buffers must be divided.

Swisscanto also sounded a note of caution on the record funding level, pointing out that the 113% average was still below the 116% calculated as the requisite buffer based on pension funds' asset allocation.

Quelle: http://www.ipe.com/countries/switzerland/second-pillar-funding-in-switzerland-reaches-post-crisis-high/10003170.article