Ageing Switzerland: Three effective reforms for three-pillar retirement provision

MAKING AN IMPACT THAT MATTERS since 1845

Contents

About this study

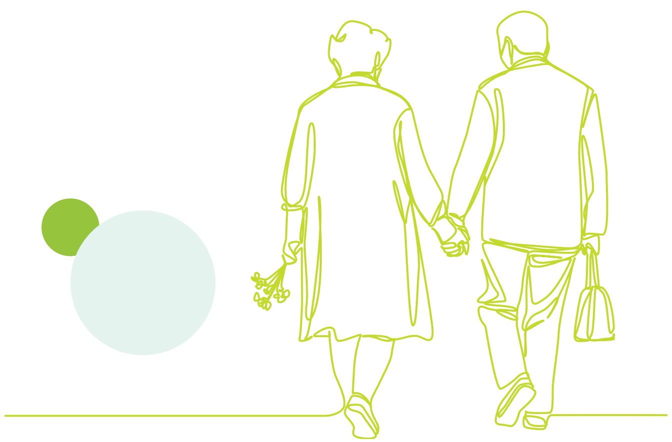
This is the fifth study in our series on Switzerland's demographic challenge. All studies are available on our website.

The study is based on a population survey of 1,000 people in Switzerland, representative by age and gender. Additionally, a series of expert interviews were conducted as part of this study. We extend our sincere thanks to all interviewees for their valuable insights.

Executive Summary

Switzerland faces the challenge of demographic ageing, necessitating urgent reforms to the pension system. A survey by Deloitte indicates that Swiss people are in favour of reforms, but not those currently under discussion most commonly. Two-thirds oppose an increase in VAT, 49% are against higher wage contributions, 60% are against more taxes on pension funds, and 67% oppose a one-time increase in the retirement age. This opposition spans all age groups and both genders, except for those under 34 and over 64, who narrowly support higher wage contributions.

Given the opposition of common proposals, there are three reform options that are likely to gain majority support and are economically sensible. These offer the advantage of sustainable financing, promote intergenerational fairness, and strengthen Switzerland as a business location, as only a strong business location can sustainably finance a social system.



1. Temporary increase in federal contributions to OASI/AHV[1]:

Among respondents to our survey, 44% support an increase in federal contributions. However, these should not be used for ongoing expenses but earmarked for supplementing the OASI fund. This could stabilise the OASI deficit in the short term and generate capital returns in the long term.

2. Stronger capital coverage in all three pillars:

1. Pillar (OASI/AHV): 53% of respondents favour stronger capital coverage for the OASI. Doubling the OASI fund – to be financed through annual contributions until 2035 – would be sufficient to close a large part of the projected funding gap by 2040. This could be achieved through a temporary increase in federal contributions and savings, without requiring a fundamental system change.

2. Pillar (pension funds): Higher contributions and returns would strengthen the second pillar. The reduction in the entry threshold should be revisited, to increase contributions and improve the pension provision for low earners. Additionally, higher returns should be sought in the second pillar. Although the risks would increase, these would be mitigated by the long-term investment duration.

In addition, greater individualisation of investment strategies would allow for the inclusion of personal preferences, enabling a choice of strategies with higher expected returns. The risk of loss would be limited with long-term investments. Transparency, accessibility of information, and greater involvement of insured individuals should also be improved where possible.

3. Pillar: In our survey, about half the respondents indicate that they contribute to the third pillar, but only 17% pay the maximum amount. Of those who contribute, only 9% invest the entire amount in the financial markets. The main obstacle to contributions is a lack of financial resources (41% of respondents), and the main reason for not investing is risk aversion (43%). The impact of long-term, regular investments should not be underestimated, as even small amounts can make a significant difference. Offers in the third pillar could be further optimised in terms of cost-benefit ratio, customer experience, range of offerings for different age groups, or asset classes.

3. Flexibility in retirement age:

68% of respondents support flexibility in the choice of retirement age. For this to strengthen the pension system financially, voluntary longer working would need to occur. Implementation could succeed with the following measures.

Opt-in-model: Introduction of an opt-in model for retirement, where employees decide when to retire from a minimum age onwards. The reference age would remain at 65 years and determine the amount of pension receivable.

Voluntary longer working: There is often a desire to work – 69% of respondents can imagine working beyond the regular retirement age, with part-time employment being twice as popular as full-time employment. These values are stable across different age groups and do not differ fundamentally between genders, although women have a lower desire to work and a higher preference for part-time work.

Continuing to work is not always possible. Health barriers are mentioned by 30% of respondents who are already retired and 44% of those who have not yet retired. Age-appropriate, flexible employment opportunities would counter concerns such as the desire for more leisure time or stress avoidance.

Improved incentive structure: Work should be rewarding, and employees should be motivated to work voluntarily beyond the OASI age. Accordingly, no OASI contributions should be levied on this economically desirable work (which would be taxed). Contributors have earned the right to an OASI pension on reaching OASI age; this right should not be reduced. In the second and third pillars, contribution opportunities, interest rates, and tax advantages should be secured even after the reference age.

More measures for age-appropriate work implementation: Companies can motivate and retain older employees through flexible employment models and tailored programmes. Flexible working hours, part-time options, and home working opportunities provide older employees with the flexibility they need. Targeted training programmes and mentoring programmes for knowledge transfer are also important. Companies are increasingly required to employ older workers without prejudice and invest in their onboarding and training.

Reform gridlock

Demographic ageing is happening faster than anticipated, as highlighted in our series "Ageing Switzerland."[2] Due to birth rates being lower than forecast, the impacts of ageing are increasing: the pension system is particularly affected but is inadequately prepared.

Since 2024, an "annus horribilis" for pension reforms, developments have been heading in the wrong direction: instead of strengthening the pension system and designing it sustainably and fairly across generations, uncovered deficits are continually increasing. The strength of the system, namely the three pillars—a combination of different financing, pay-as-you-go, and capital funding methods—is being undermined.

This development is illustrated in Chart 1, with a rough division into three phases. It shows changes to the pension system that were either accepted or rejected in referendums,[3] and both the direction of development and the willingness of the electorate to reform. Reform ideas are categorised according to the criteria in the box "Evaluation Criteria for Pension Reforms" into economically sensible and not sensible.

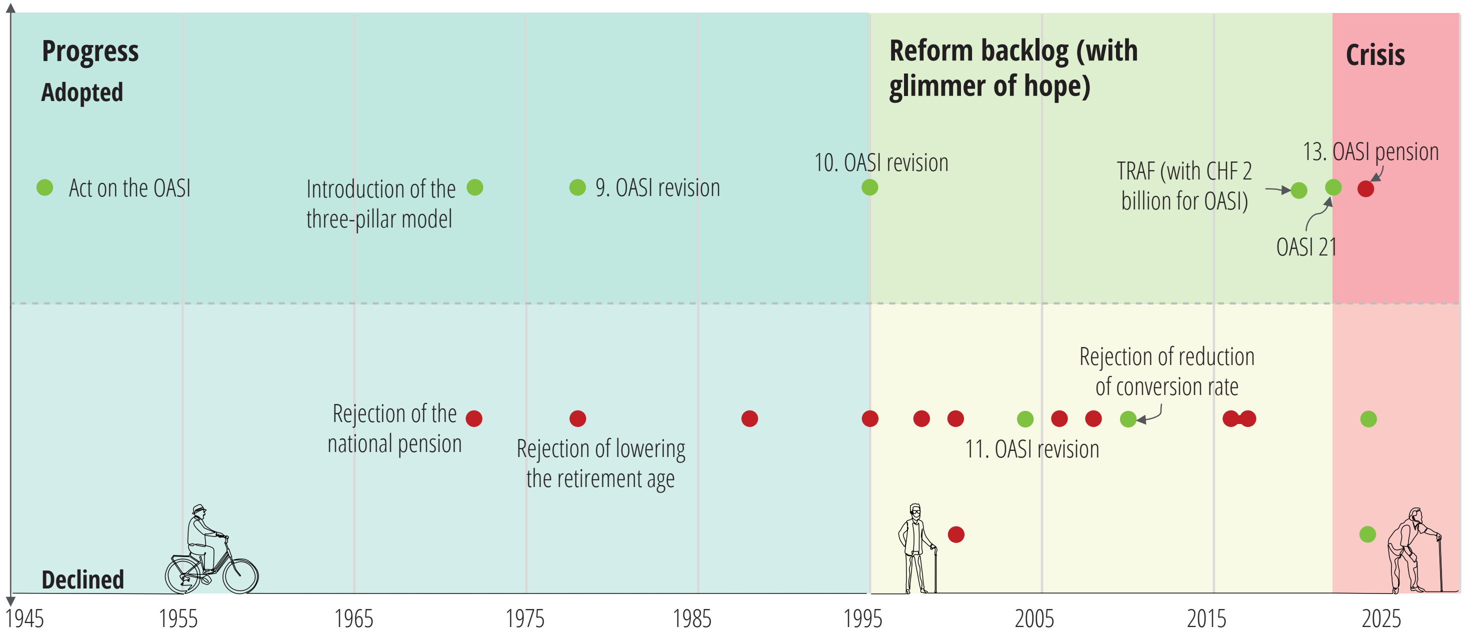
The first phase ("Progress"), shows the establishment and adaptation of the system over decades. Economically sensible reforms were accepted at the polls, and changes that were not economically sensible were rejected. The exemplary three-pillar model emerged.

This pattern broke down halfway in the second phase, "Reform Gridlock." For the first time, economically sensible reforms were rejected at the polls (rejection of the 11th OASI revision and reduction of the BVG conversion rate). At the same time, changes that were economically not sensible continued to be rejected, so none of the pension changes held at the polls. A small happy ending at the end of this phase, the acceptance of the Tax Reform and OASI Financing (STAF) 2019[4] and the OASI-21 reform,[5] brought hope. However, this was deceptive.

In Phase 3, from 2024 onwards, the pattern from the first phase reversed: now economically sensible reforms were rejected, while some that were economically not sensible (OASI-13) were accepted. During the reform gridlock, no improvements were achieved, but at least no deterioration occurred. The acceptance of the 13th monthly pension in 2024 actively undermined the financial sustainability of the OASI for the first time. Currently, further expansion is under discussion (increase in couple's pension), and further deterioration is threatened. The planned financing of the 13th OASI through higher wage contributions and VAT, as well as the planned increase in the couple's pension, would lead to a significant additional burden, particularly on the working population, which is already struggling with increased burdens due to demographic ageing.

Chart 1: From progress to stagnation to crisis

Key referendums on pension provision since 1947. Above the dashed line = accepted, below = rejected. Green represents economically sensible reforms, red represents not sensible ones. Rough division of the period since 1947 into three phases based on referendum results: First Phase 1947-1995 acceptance of sensible and rejection of not sensible reforms. Second Phase 1996-2023 rejection of all reforms, except for STAF 2019 and OASI-21. Third Phase from 2024: rejection of sensible and acceptance of not sensible reforms.



Source: Deloitte analysis, Federal Office for Social Insurance

Evaluation criteria for pension reforms

This study categorises pension reforms into economically sensible and not sensible reforms. The evaluation is based on the following principles:
The pension system should be able to fulfil the social mandate of pension financing. Sustainable financing is indispensable to maintain intergenerational fairness and not jeopardise Switzerland's competitiveness. The focus is on incentives for work, personal responsibility, and reducing government intervention, while avoiding excessive burdens on labour, capital, and entrepreneurship. Poverty in old age should only be targeted specifically.

Reform pressure

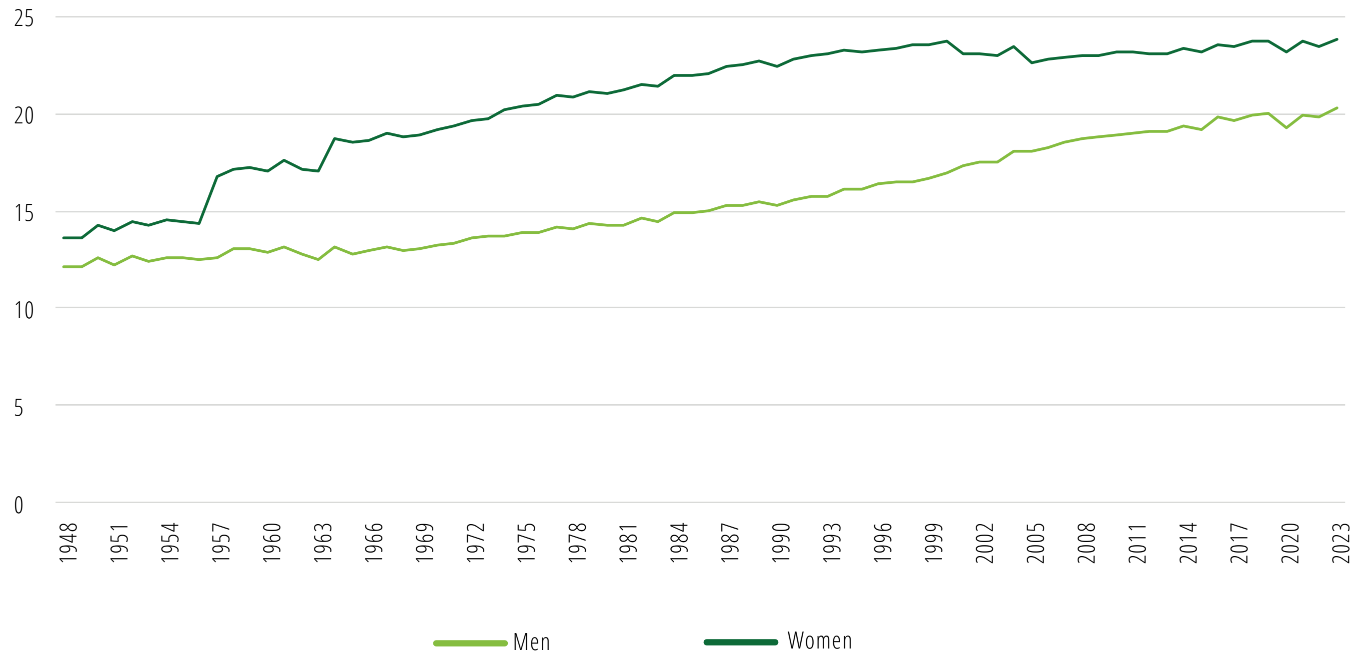
Switzerland is experiencing a profound demographic shift, characterised primarily by two factors: increasing life expectancy and declining birth rates. This shift impacts pension costs through two main channels: firstly, pensions are paid out for longer periods on average due to increased life expectancy, and secondly, there are fewer contributors per pensioner. The capital funding method is affected by the first of these reasons, while the pay-as-you-go system of the OASI is impacted by both, making the challenge particularly significant for the OASI. However, the second and third pillars are also challenged by demographic changes. The longer a pension needs to be financed through capital, the more capital is required. To build up capital, contributions must be or longer or for larger amounts, or should achieve higher returns.

Longer pension duration: A blessing for pensioners that needs to be financed

Life expectancy in Switzerland is continually rising. In 2023, it was 82.2 years for men and 85.8 years for women.[6] Consequently, pensions need to be financed for longer periods. Considering the applicable retirement age, when the OASI was introduced in 1948, the average financing period was only 12.1 years for men and 13.7 years for women, but by 2023 it had increased to 20.3 years for men and 23.8 years for women.[7] Thus, the duration of pension receipts increased by 68% for men and 74% for women. The gender differences are based on differing life expectancies and historically different retirement ages.[8] Forecasts from the Federal Statistical Office (FSO) and the Federal Office for Social Insurance (FSI) indicate a further increase, with an expected remaining life expectancy from age 65 of 23 years for men and 26 years for women by 2050. Pensions would therefore need to be financed for an average of 23 to 26 years.

Chart 2: Pensions are being paid out for longer periods

Average life expectancy from retirement age in years, men from age 65, women from respective retirement age, excluding start of couple's pensions or widow's pensions



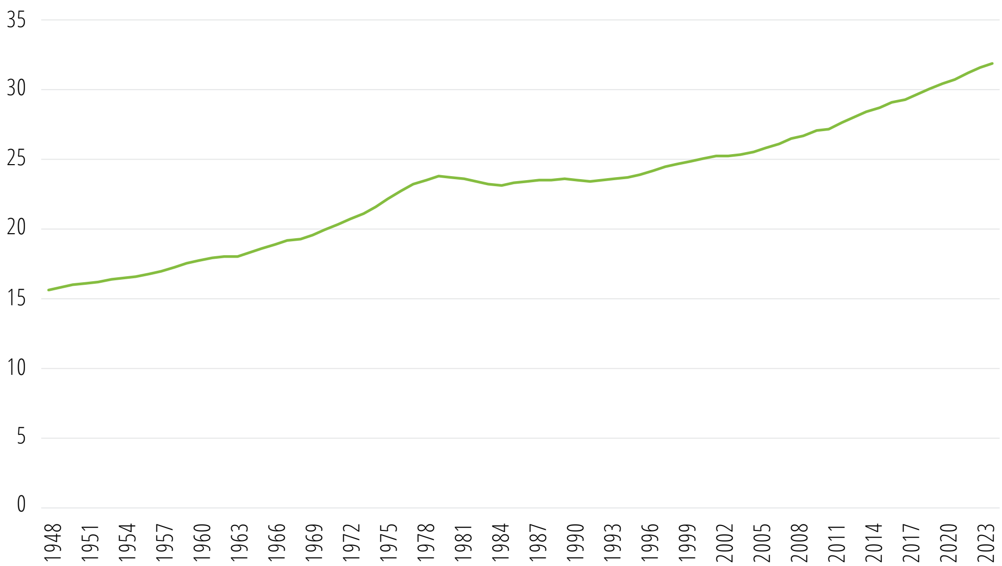
Source: Federal Office for Social Insurance, Deloitte calculations

Old-age dependency ratio deteriorates drastically: Fewer contributors, more pensioners

The ratio of pensioners (65 years and older) to working-age individuals (20-64 years), known as the old-age dependency ratio, is deteriorating significantly. From 1948 to 2023, this ratio has approximately doubled to 33. According to the FSO population forecast, this number is expected to rise to 45 by 2055.[9]

Chart 3: Ratio of working-age individuals to pensioners

Number of people aged 65 and over per 100 working-age individuals



Source: Federal Statistical Office

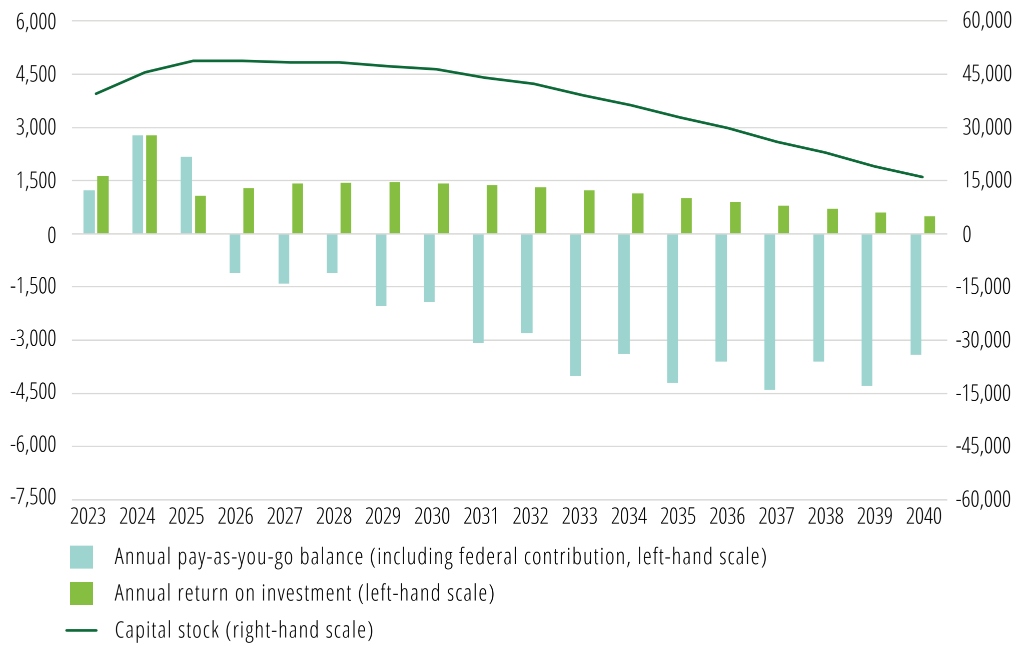
Multiple deficits of the OASI: Financing not secured

The demographic shift is putting significant pressure on the OASI. Wage contributions currently cover only about three-quarters of today's expenses, which amount to approximately 50 billion Swiss francs, with the deficit being closed by tax contributions (federal/VAT). According to the FSI, expenses will rise to 75 billion Swiss francs by 2040 (an increase of 47%), while wage contributions will reach 50 billion Swiss francs. The wage contributions in 2040 would struggle to be sufficient to finance today's pension payments.

The FSI assumes that the pay-as-you-go balance will become negative from 2026 and that the annual deficit will rise to an average of 3.9 billion Swiss francs from 2035 onwards.[10]

Chart 4: OASI deficits are increasing

Pay-as-you-go balance, investment return, and capital stock of the OASI fund in billion Swiss francs, forecast up to 2040, based on calculations in August 2025



Source: Federal Office for Social Insurance

The costs of the 13th OASI pension are included in these figures, but the costs of the recently approved increase in couple's pensions by the Council of States are not (as of August 2025). These would increase the deficit by an additional 4-5 billion Swiss francs annually.

Another deficit already exists today with the legally required minimum reserves of 100% of expenses, the OASI fund. Although this nominally stands at over 100% of expenses (2024), it includes 10.2 billion Swiss francs in debts from the disability insurance (IV) to the OASI, which are low-interest and for which repayment is unresolved.[11] Without without additional financing, the fund is at risk of disappearing completely. In 2023 and 2024, the fund contributed about 2 billion Swiss francs annually on average to OASI costs – emptying the fund would further increase the ongoing deficit.

The need for reform is widely recognised

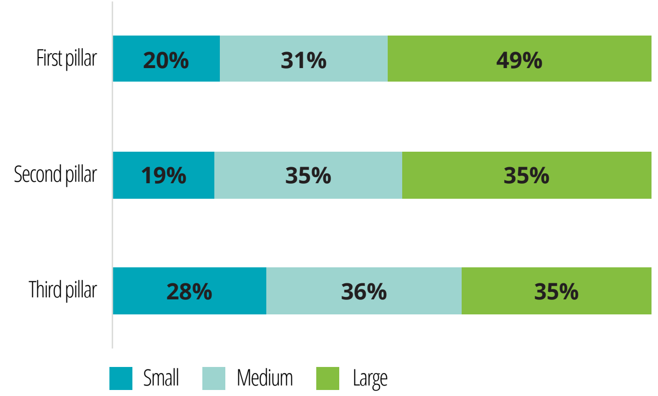
The need for reform is widely acknowledged. In our representative population survey, 49% of respondents perceive a high need for reform in the OASI. For the other two pillars, respondents see less immediate need for reform. However, a large majority recognises at least a moderate need for reform.

> "People tend to overestimate the impact of short-term events – such as a stock market crash – and underestimate the consequences of long-term developments, such as climate change or demographic shifts in many Western societies. As a result, potential long-term challenges – for example, those facing social security systems due to population ageing – are often not fully taken into account."

Noah Savary
Head of Customer & Market Research Swiss Life AG

Chart 5: Estimated need for reform in the three pillars of Swiss pension provision

Responses to the question: "In your opinion, how significant is the need for reform in the three pillars of Swiss pension provision?"



Source: Population survey commissioned by Deloitte 2025

Younger generations are particularly affected by the lack of reform, and this should be expected to result in greater uncertainty. As our current edition of the "Global Gen Z and Millennial" study shows,[12] this is indeed the case, especially for Generation Z (1995–2004). Nearly half of Generation Z (49%) are concerned about not being able to retire in financial security. Compared to previous surveys, the concern among Generation Z has increased significantly. wesentlich zugenommen.

Reform options

The pressure for reform exists – but what reform options does Switzerland have? Fundamentally, two areas of approach are possible, with two additional special cases for each area: either revenues can be increased or costs reduced. Revenues could also be generated through stronger capital coverage (shifting from contribution/tax financing to capital coverage), and expenses could be reduced by raising the retirement age.

An option is effective only if two criteria are met: the option must be economically sensible and it must be capable of gaining majority support. In chart 6, possible reform ideas are subjected to these two tests. The economic evaluation follows the criteria outlined in the box on page 6 and is shown in chart 7. Majority support was assessed through a representative population survey. Although the survey asked about reform options for the OASI, some are relevant for all three pillars. Out of the multitude of possible options, only a few remain; more details are in the following section:

- An increase in federal contributions, if counter-financed through savings measures elsewhere
- A stronger role for capital coverage even in the first pillar
- Flexibility in the retirement age

None of the options currently proposed by the Federal Council, such as increasing VAT and wage contributions or reducing tax advantages in pension provision, pass the test for effectiveness. None are economically sensible, and none find majority support in our population survey.

> "One advantage of the Swiss pension system is the dual financing through the pay-as-you-go system and the capital-funded system. We should leverage this positive experience to finance the increasing care costs and place greater emphasis on private provision and a capitalisation scheme."

Diego Taboada
Director for French-speaking Switzerland and Senior Fellow

Chart 6: Reform options tested: only a few are sensible and capable of gaining majority support

Red represents economically not sensible options (Deloitte assessment according to the box on page 6, see also chart 7) or those without majority support according to our population survey. **Yellow** indicates a relative majority. **Green** indicates economically sensible or majority-supported options. A reform option must meet both criteria (sensible and majority-supported). Those marked with a frame are further discussed in the following chapters. In the population survey, the following question was asked for each option: There are many ideas on how the OASI could be financially stabilised. Which of the following measures would you support; response options yes/no/don't know. Shown here is the percentage of "yes" responses.

Increase revenue	Proportion of supporters	Does it make economic sense?	Reform option?
Increase VAT	26%	No	No
Increase wage contributions	44%	No	No
Increase federal contributions	44%	Partly	Partly
Introduce/increase capital or wealth taxes	43%	No	No
Distributing the profits of the Swiss National Bank to the OASI	72%	No	No
Reduce today's tax advantages in the 2nd and 3rd pillars	28%	No	No
Capital income (OASI assets, interest, dividends, etc.)			
Financing the OASI more through capital income	53%	Yes	Yes
Financing OASI largely through capital income	48%	Partly	Partly
Pensionable age			
Increase the regular retirement age once (e.g. to 67)	26%	Yes	No
Increase the regular retirement age and henceforth adapt it to life expectancy	32%	Yes	No
Making the retirement age more flexible	68%	Yes	Yes
Replacing the retirement age with a working lifetime	57%	No	No
Reduce expenses			
Reduce survivors' / relatives' pensions (e.g. widow's pensions, children's pensions)	24%	Yes	No
Increase old-age pensions less sharply (e.g. link less to wage development)	23%	No	No
Freeze old-age pensions (do not increase them again)	17%	No	No
Reduce retirement pensions	11%	No	No

Source: Deloitte analysis, population survey commissioned by Deloitte 2025

Chart 7: Economic evaluation of reform options

Assessment based on the criteria outlined in the box on page 6. Green: economically sensible option, red: not sensible, yellow: potentially sensible under certain circumstances

VAT increase

- Emergency solution from an economic point of view
- Broad-based tax, affects all consumers, does not primarily burden labour or capital
- Reduction in purchasing power
- Dampening of the domestic economy
- Regressive effect
- Risk that tax increases will replace structural reforms

(Temporary) Increase in federal contributions

- Financing from the state budget, use of income, profit or consumption taxes
- Shifting from contributors to taxpayers, reducing transparency
- Structural problems of the pay-as-you-go system remain
- But: with cuts in other government expenditures to compensate and temporarily for building up financial reserves, it makes sense

Distribution of SNB profits to the OASI

- Endangers the independence of the SNB and increases pressure on monetary policy
- Long-term stability of the financial system and credibility of the currency at risk
- SNB profits volatile and unreliable as a source of funding
- Diversion of profits requires cuts in government spending by the Confederation and cantons or an increase in taxes/debt

Increase in wage contributions

- One of the Federal Council's proposals
- Increases non-wage labour costs, tax on labour
- Reduction of employment and performance incentives
- Undermines competitiveness, risk of job relocation
- Reduction of disposable income, reduction of private consumption power
- This impairs private pension provision

Capital or wealth taxes

- Harmful to capital formation, investment and attractiveness of Switzerland as a business location
- Punish thrifty citizens and successful companies that are the basis for growth
- Complex administration, risk of double taxation
- Capital shifts possible, tax revenues could disappoint
- Endanger economic prosperity, growth and capital-based retirement provision

Reduction of tax benefits for pension provision

- Tax benefits are essential incentives for private retirement provision, reduction reduces the attractiveness of pension systems
- Less attractive private pension provision weakens pension system as a whole
- Undermines confidence in the reliability of the pension system

Increased funded OASI financing

- Larger share of OASI financed by capital, relieves taxpayers and contributors, reduces deficits
- Seems to be contrary to the system (no pay-as-you-go system), but OASI is already partially funded (approx. 2% of expenditure in 2023), therefore difference in extent, not in type
- Transformation costs considerable in the event of a stronger conversion to a funded system, but then a sustainable source of financing

Making the retirement age more flexible

- Allows for early or later retirement with surcharges or discounts
- Promotes personal responsibility, adaptation to personal situation, change from compulsory to optional retirement age
- Incentives for working longer through financial benefits
- But OASI is only better off financially if the retirement age actually increases (or well-calibrated deductions/supplements)

Reduction of survivors' and relatives' pensions

- Benefits are often criticised as no longer up-to-date or too generous, such as widow's pensions
- Also applies to widower's pensions, which are to be introduced according to the court decision to avoid discrimination
- Adaptation to today's social realities worth examining

One-time or multiple increases in the retirement age

- Takes into account increased life expectancy and pension period, structural adjustment
- Extends contribution period, shortens pension period
- Strengthens the ratio of contributors to pensioners, improves financing

Working lifetime replaces retirement age

- Pension linked to contribution period, possibly incentive to work longer
- Implementation complex, possible inequalities due to illness, unemployment or care responsibilities
- Financially sensible only for longer working hours, retirement age must be effectively increased
- Wrong incentives due to disadvantage of main contributors to the OASI (long training period, higher salaries)

Increase, freeze or reduce old-age pensions to a lesser extent

- Loosening of the link to wage developments (mixed index)
- Lower increase improves financial sustainability without direct reduction
- Pensioners are financially well off on average
- Freezing old-age pensions would be drastic, leading to a real loss of purchasing power for pensioners
- Direct reduction of old-age pensions: emergency measure as a last resort

Three reform directions for three pillars

Three promising directions can be identified (see also chart 8):

- Temporary increase in federal contributions to OASI, financed through savings
- Stronger capital coverage in all three pillars
- Flexibility in the retirement age

Temporary increase in federal contributions to OASI, financed through savings

Reducing government spending is a challenge that many states are currently failing to meet. However, it is necessary to ensure that government spending is sensible and to redirect funds that could be more beneficially used elsewhere, for example, to sustainably finance the OASI.

The Institute for Swiss Economic Policy (IWP) has identified subsidies in Switzerland amounting to 38 billion Swiss francs in its subsidy report, which are classified as economically questionable to superfluous, meaning they generate more harm than benefit. Of these, 6.7 billion Swiss francs are considered the most harmful; the risk of a welfare-reducing effect outweighs the benefits.[13]

Ideally, those subsidies that generate the least net benefit, such as the 6.7 billion Swiss francs identified by the IWP, should be reduced first. However, reaching agreement on which these are would be politically challenging. An alternative, pragmatic approach would be a linear reduction: and achieving the savings target by cutting all areas by a uniform amount.

Savings from subsidies could cover OASI deficits. The Federal Office for Social Insurance forecast shows average uncovered deficits of 3.9 billion Swiss francs per year from 2035 onwards,[14] which could be covered by reducing harmful or ambivalent subsidies. Even more sensible would be to use the freed-up funds for temporary stronger capital coverage of the OASI – this would increase costs only temporarily but would permanently strengthen the OASI.

Chart 8: Overview of the three proposed directions for pension reforms

Three directions for promising pension reforms

Temporary increase in the federal contribution to the OASI, financed by savings

- There would be considerable savings potential in public finances
- According to the IWP Subsidy Report*, the reduction in subsidies that are harmful to the economy could save up to CHF 6.7 billion
- Alternatively, subsidies could be cut linearly, a 10% cut would save CHF 3.8 billion
- These funds could be used temporarily to strengthen the OASI

Stronger capital coverage in all three pillars

1st pillar:

- Increasing instead of emptying the OASI fund would significantly reduce the deficit
- Doubling the fund would close the deficit by about CHF 2 billion, doubling and increasing yields could close the deficit (almost) completely: A CHF 100 billion Fund would generate the CHF 3.9 billion/ year with a return of 3.9%, that are forecasted as uncovered deficit from 2035 onwards
- Capital accumulation could be financed by a temporary increase in federal contribution (see first direction)

2nd pillar:

- Higher deposits due to lowering of the entry threshold
- Higher average returns should be sought where possible
- Implementation through greater individualisation and transparency

3rd pillar:

- Policyholders should take advantage of opportunities to pay in more and invest more in an age-appropriate way. 10 CHF/week over 40 years -> approx. 70,000 CHF
- Tax advantages are decisive: 44% of survey respondents cite them as a main reason for deposits

Flexibility in the retirement age

Pension opt-in instead of rigid retirement age: Pension only begins with opt-in, from minimum age the choice is up to the employee

- **Fair accounting:** Earlier/later entry must be fairly offset with surcharges/discounts. Working longer must be worthwhile, no OASI contributions on work according to reference age, full flexibility in 2. and secure 3rd pillar
- Many people **want to work longer voluntarily** (69% would be willing), often part-time
- **The labour market must be sufficiently receptive,** more could be achieved here, flexibility, age-appropriate jobs, re-skilling & up-skilling

* Subsidy report by the Institute for Swiss Economic Policy (IWP) available at: https://www.iwp.swiss/subventionsampel/

Stronger capital coverage in all three pillars

Stronger capital coverage can be achieved essentially through two elements: a higher investment amount or a higher return. This can be applied in different forms across all three pillars of pension provision. While higher investment amounts are associated with monetary costs, higher returns can be "purchased" with higher risks.

Generally, higher returns come with higher risk; however, this can be significantly reduced with an age-appropriate investment strategy and over the long term. The private bank Pictet has calculated the average long-term annualised real return between 1926 and 2024 as 5.6% for Swiss equities and 2.1% for Swiss bonds.[15] Past returns are no guarantee of future returns, but these figures demonstrate the potential for capital market investments. During this period, according to the Pictet study, equity investors achieved a positive total return in 86% of cases with a holding period of five years and in 97% of cases with a holding period of ten years. With a holding period of 14 years, investing in Swiss equities never resulted in a negative return, meaning no losses were incurred.

While a higher average return already offers "free" advantages, this is further enhanced by the effect of compound interest: Pictet calculates that 1,000 Swiss francs invested in Swiss equities in 1926 would have yielded a cumulative total return of 926,351 Swiss francs by 2024, taking into account investment costs. Not everyone has 100 years to accumulate wealth, but if there is one area with a long savings period, it is pension provision.

> "The financial markets can be seen as an important third contributor to retirement provision, alongside employees and employers. This success story should be increasingly leveraged to sustainably secure our retirement provision."

Tashi Gumbatshang
Head of Competence Centre for Wealth and Pension Advisory, Raiffeisen Switzerland

Stronger capitalisation of the OASI

Of the three pillars, the OASI is the least capital-financed, although the OASI fund already covers a small portion of expenses through capital income. Stronger capital coverage in the OASI could be achieved through the existing OASI fund without fundamentally changing the system.

A range of different target sizes for the fund could be envisaged, generating capital returns depending on the yield and fund size. However, additional costs would arise during the accumulation phase. Once the target size is reached, the fund should contribute more reliably and significantly to financing in the long term than it does today. As mentioned previously, the additional costs could be covered by a temporary increase in federal contributions, financed through savings.

Unlike pure deficit financing, these would be investments in the sustainable financing of the OASI, which would reduce future costs and independently generate returns.

To illustrate with a simple example using figures from the OASI financial perspectives of the Federal Office for Social Insurance from August 2025:[16] in 2023, the fund held just under 50 billion Swiss francs and generated 1.6 billion Swiss francs in capital income, in 2024 it even generated 2.8 billion Swiss francs. Doubling the fund, with the yield remaining constant, could generate an additional 2 billion Swiss francs in capital income, which would cover a large part of the deficit from 2035 onwards.

Additionally, if the average return could be increased to 3.9% annually, the deficit would be fully covered. Of course, no excessive risk should be taken that would weaken the fund's function as a liquidity reserve. However, with a doubling of the fund, the additional half would not need to be held as a reserve to the same extent as the fund is today, allowing this portion to be invested more long-term with a higher expected return.

It is a missed opportunity that this was not tackled 10 years ago, and it would be incomprehensible to let the next 10 years pass by without action. In any case, the depletion of the fund must be prevented – since any depletion would increase the ongoing deficits.

Strengthening the second pillar

The second pillar is already capital-funded. Nevertheless, more capital income could be generated through higher contributions (lowering the entry threshold) and achieving a higher average return on investment. Greater individualisation could be a way to embed pension funds more firmly in the consciousness of insured individuals. At the same time, this could increase the average return in practice, at least if insured individuals use their freedom for increased capital market investments.

Higher contributions by lowering the entry threshold

The BVG reform rejected in 2024 proposed lowering the entry threshold, i.e., the minimum income for mandatory insurance in the second pillar. This would increase contributions and thereby improve pension provision, especially for low earners and part-time workers. This remains a sensible option, which should be pursued again. The earlier and the more savings that are accumulated, the higher pensions can be.

Higher average return

For most Swiss people, the second pillar constitutes a significant part of their wealth. The goal should be to derive as many benefits as possible from it. Thus, the average return achieved is crucial, and there are significant differences here. While the prescribed minimum interest rate is only 1%, several of the most successful pension funds achieved an average annual return of at least 4% over the five years from 2020, with one provider even achieving 5.4%.[17] For example, with the maximum coordinated BVG salary (64,260 Swiss francs in 2025) over 40 years, a 1% return results in approximately 397,000 Swiss francs in retirement savings, while a 4% return results in almost 720,000 Swiss francs. With a conversion rate of 6.8%, the monthly pension increases from 2,251 to 4,079 Swiss francs, an increase of 81%, without an additional franc being paid in or an extra year worked.

Of course, pension funds have different return possibilities depending on their size, insured structure, proportion of mandatory and extra-mandatory funds, and ratio of contributors to beneficiaries, etc. Nevertheless overall an increase in the average interest rate should be pursued.

Greater individualisation for the second pillar

One way to achieve this could be through greater individualisation for the second pillar. One of the most extensive steps would be to allow insured individuals, rather than employers, to choose their pension fund. This could be implemented as an opt-in, so that employees are generally insured through the pension fund chosen by their employer but have the right to choose their own fund if desired. Our population survey shows that 44% would of respondents would welcome this option and probably make use of it, while 37% welcome it even though they probably would not make use of it.

A less far-reaching option would be to allow greater individualisation within the existing pension fund, so that insured individuals for example have more influence over the investment strategy and – under restrictions, age-appropriate and without destabilising the pension fund – could choose a higher equity share and thus likely achieve higher returns over the long term. Employers could involve their employees more in the choice of pension fund and investment strategy, thereby offering them greater choice.

Greater transparency and accessibility would be particularly beneficial in the second pillar. In our survey, almost a third of respondents indicated that they do not know their expected retirement savings in the pension fund. 40% have a rough idea, and 26% know it (fairly) accurately.

Today, insured individuals are informed regularly via the pension fund statement, which provides all important information, although not in a particularly understandable or graphically appealing form. This should be improved to increase the identification of insured individuals with their pension fund and their savings, and to make the benefits they derive from it clearer and more comprehensible. Ideally – similar to existing account offerings or the third pillar – insured individuals should be provided with the most up-to-date information about their pension fund. Digitalisation is necessary and often already present today, but it does not go far enough. The goal should be for individuals to access well-prepared information and services as easily and comfortably as possible. Online portals, an app, suitable information events, or increased communication from employers would generally be helpful.

"The future of the pension system lies not only in politics but also in innovative approaches by companies. Pension funds could be more personalised and digitised, for example through default solutions that provide a solid basic setup and can be tailored to individual needs. Employers could also differentiate themselves in the competition for talent through attractive pension offerings."

Jonas Gusset
Co-Founder VIAC

It would be even better if this were possible across all three pillars, using interoperable and standardised interfaces. An app or a mouse click, and the individual's current pension situation would be visible across all three pillars. This necessity has been recognised, as seen in the Ettlin motion (24.4597),[18] and should be advanced.

Stronger capitalisation of the third pillar

In the third pillar, insured individuals already have these individualisation options. Nevertheless, the utilisation of the third pillar falls short of its potential. More could be contributed, and higher returns could be achieved.

In our survey, about half of the respondents indicated that they contribute to the third pillar. Only 17% pay the maximum amount. Of those who contribute, only 9% invest the entire amount in the financial markets, while 24% invest at least half.

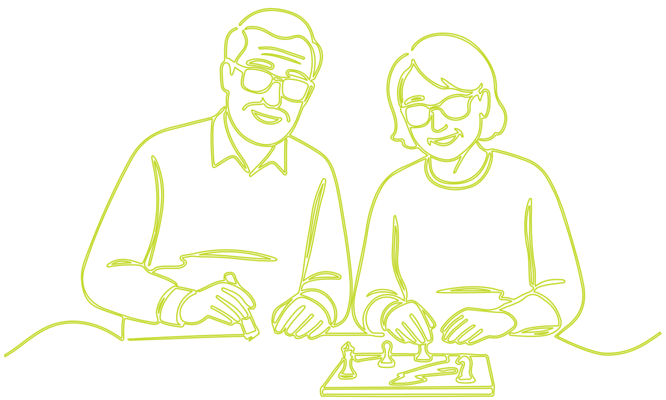
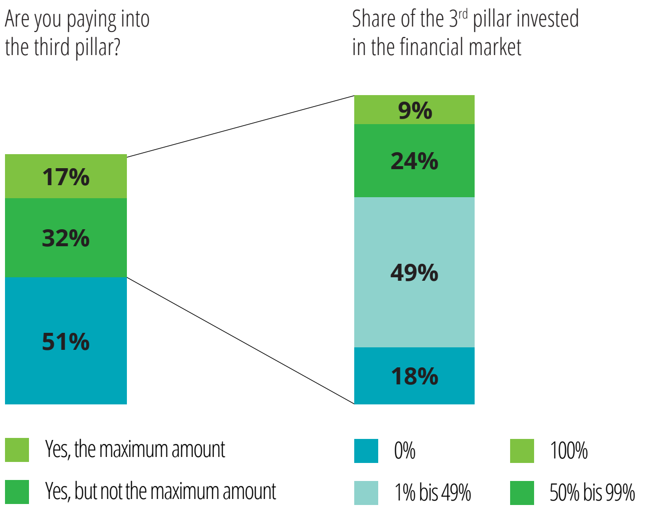


Chart 9: Potential for third pillar and financial market investments

Responses to the questions: "Do you contribute to the third pillar?" and for those who did not answer "No" to this question: "Approximately what proportion of your third pillar capital have you invested in the financial market?"



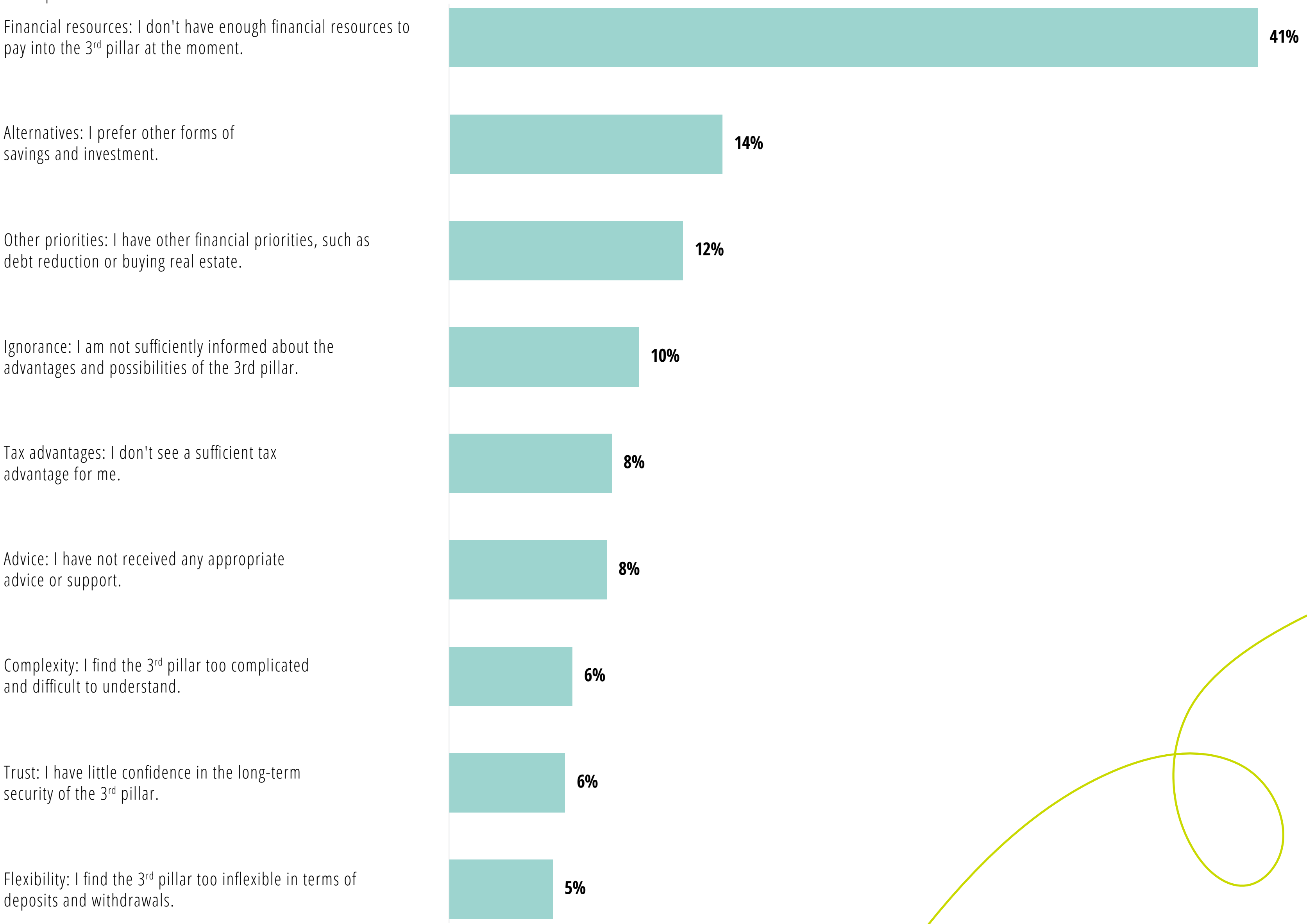
By far the most important reason for not contributing to the third pillar is a lack of financial resources.

"In the third pillar of retirement provision, individuals have the freedom to act according to their personal priorities. Unlike the first pillar, it offers a scope for action that increasingly motivates younger people to become active and shape their financial future themselves."

Tashi Gumbatshang
Head of Competence Centre for Wealth and Pension Advisory, Raiffeisen Switzerland

Chart 10: Reasons for not contributing to the third pillar

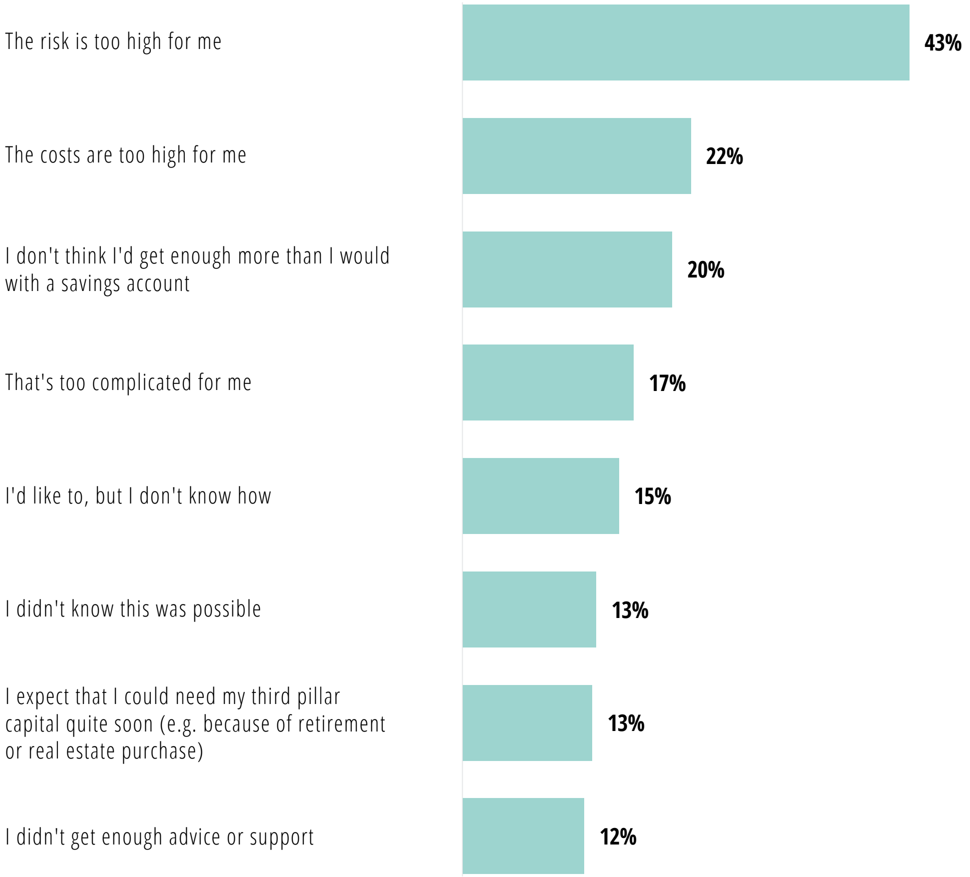
Responses to the question: “What are the main reasons why you do not contribute to the third pillar? Please indicate up to three main reasons; question asked only to those who do not contribute to the third pillar.”



By far the most important reason for not investing is high risk aversion.

Chart 11: Reasons for not (more) investing third pillar savings in the financial market

Responses to the question: “Why do you not invest (more) of your third pillar capital in the financial market? Please indicate up to three main reasons. This question asked only to those who invest a maximum of 49% of their third pillar savings.”



Both reasons, lack of financial resources and risk aversion, are understandable. However, neither the impact of regular contributions of small amounts should be underestimated, nor the investment risk overestimated.

"The ability to invest with small amounts lowers entry barriers and helps to overcome obstacles such as scepticism or inexperience. The third pillar is perfectly suited to motivate people to plan systematically and gain experience in long-term wealth building. This approach can also contribute to attracting more people to the financial market and strengthening financial self-responsibility outside of tied individual pension schemes."

Daniel Peter
Co-Founder VIAC

Only 13% of respondents in our survey indicate that they do not invest because they plan to withdraw the funds soon. Especially for investments that can remain invested for at least 14 years (see loss probabilities above), the risk to an individual's wealth is greater from missing out on gains by not investing than from incurring losses due to investing. The following example calculations illustrate how substantial such gains can be over the long term, even with smaller amounts:

Goal: Weekly savings of smaller amounts

Investment of CHF 5 per week over 40 years at 5.6% annual average return: **CHF 34,629**

Goal: Weekly savings of smaller amounts

Investment of 10 CHF weekly over 40 years at 5.6% annual average return: **69,257 CHF**

Goal: My child should be able to retire as a millionaire (starting at 0 years):

With an average annual return of 5.6%, you have to invest monthly: **137 CHF**

Goal: Become a millionaire by retirement, starting at the age of 25

With an average annual return of 5.6%, you have to invest monthly: **578 CHF**

Goal: Become a millionaire by retirement, starting at the age of 50

With an average annual return of 5.6%, you have to invest monthly: **3'582 CHF**

The earlier one starts, the longer the compound interest effect can work. For the third pillar, this presents a natural dilemma: it is particularly important to start precisely at the age when many people have other challenges, interests, and opportunities than saving for retirement.

Despite the diverse and well-made information offered by providers, there is still room for improvement. In chart 10, 12% to 20% of respondents indicate in various forms that they do not sufficiently utilise these offerings or benefits, or that they desire more advice. This is an area that should be addressed. Additionally, the perceived high costs by 22% of respondents indicate potential for improvement, even though costs have already been significantly reduced in recent years.

The government could also improve the flexibility of saving in the third pillar. The option of later contributions, as has been possible since early 2025,[19] is a step in the right direction, as are proposals to enable third pillar accounts for children.[20]

Flexibility in the retirement age

The retirement age is a major focus. It would be the natural approach to mitigate the effects of demographic ageing: longer life, longer work. However, if working longer becomes mandatory, without sufficient ability to accommodate individual circumstances, such as health and unemployment, a later retirement becomes a burden and is correspondingly unpopular. Flexibility and de-focusing of the retirement age would counteract this doubly: individual choices increase, and the burden and obligation decrease. This should be pursued as far as possible. The OASI-21 reform with greater flexibility is a step in the right direction, but it does not go far enough.

The focus should be shifted as much as possible from the retirement age (or reference age), which should serve as a calculative basis in the background.

Pension opt-in instead of retirement age

A far-reaching possibility would be to completely abolish a fixed/formal retirement age and replace it with an opt-in with a minimum age. Individuals would not retire until making use of this opt-in. The choice would lie solely with the employee. There would be no upper limit at which retirement is compulsory. The reference age would remain at 65 years and determine the amount of pension payable.

Greater transparency would also help here: insured individuals should be able to see easily where their current pension entitlement stands and how much it will increase if they work longer. Capital-funded savings especially increase particularly significantly in the final years, and each additional year of work results in a much larger gain at the end of the working life than at the beginning. The more clearly, they can see how much more an additional year of work can bring, the more motivated people should be.

The current almost automatic assumption by both employers and employees that retirement begins at 65 would no longer apply. Ideally, instead, employees and employers should discuss and shape future plans for older employees, so that both sides benefit as long as possible from continued employment.

> "Raising the retirement age is inevitable in the long term to sustainably stabilise the first pillar. A more flexible working life could increase acceptance by allowing people with long work histories to retire earlier. Such reforms would be not only socially fair but also economically sensible."

Patrick Eugster
Economist

Is a later retirement sufficiently worthwhile financially?

There is room for improvement here.

OASI: Employees who work beyond retirement age have an OASI exemption of 16,800 Swiss francs per year. Income above this exemption is still subject to OASI contributions. However, these contributions do not increase the OASI pension if the maximum pension has already been reached.[21]

One possibility would be to waive OASI contributions for work performed after reaching retirement age. The value added from this work and the income taxes levied on it would still be beneficial.

Pension funds: The retirement savings in the second pillar can increase through further contributions and the additional interest on existing savings. This is currently dependent on the pension fund regulations, but should generally be enabled.

Third pillar: Contributions are possible depending on the provider even after reaching the reference age, but they are no longer tax-exempt. This should be changed.

Do people want to work longer?

Flexibility in the retirement age generally has advantages for people but only makes financial sense if it leads to voluntary longer working. This means firstly that people must be fundamentally willing to work longer and, secondly that the labour market must be ready to employ them.

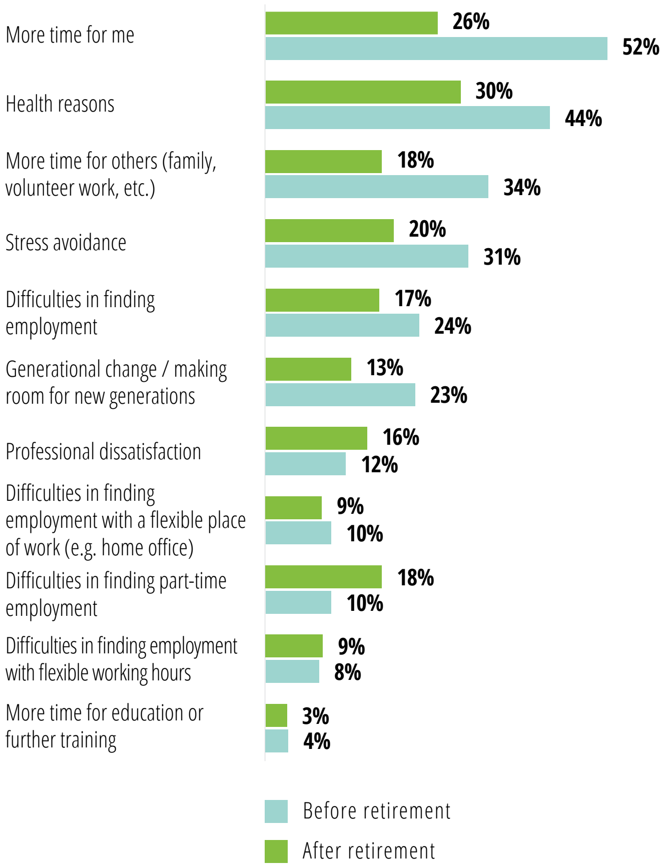
Our survey shows that the desire is often present. More than twice as many respondents (69% to 31%) indicate that they could imagine working beyond the regular retirement age compared to not working further. Part-time employment is twice as popular as full-time employment (41% to 20%; and 9% would want to do something different from today). These values are fairly consistent across different age groups and hardly differ between genders, although the desire to work, especially full-time, is lower for women (25% of men but only 13% of women would want to continue working full-time). Even among current retirees, about two-thirds could have imagined continuing to work if the opportunity had existed.

> "The connection between health and retirement financing should not be overlooked. The longer one stays healthy, the better one can prepare financially, and the lower the health costs in retirement. One should view personal health as part of retirement planning and plan it strategically and long-term wherever possible. Longevity not only enhances one's quality of life but is also a crucial component of retirement financing."

Nadine Esposito
Founder Wellthspan Advisory

Chart 12: Reasons for not wanting to work longer

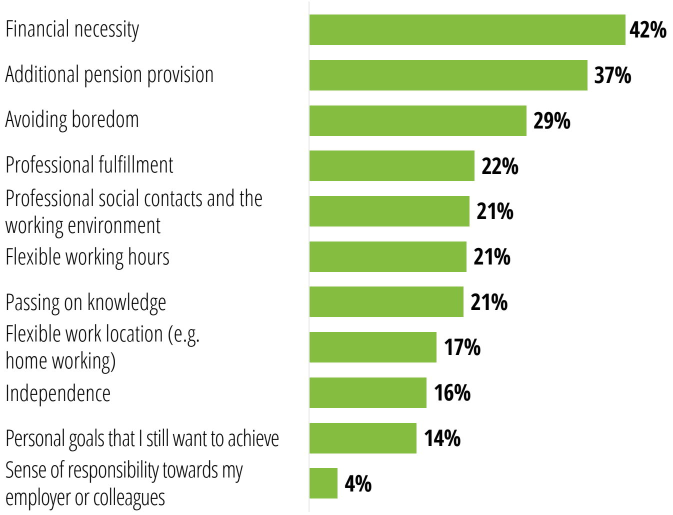
Before retirement: employees who do not wish to work longer.
After retirement: retirees who did not continue working.



The priorities are similar for employees who do not plan to work longer and retirees who did not continue working, although current employees perceive most problems as more significant than those who have already retired. Only job dissatisfaction and difficulties in finding a part-time position are greater problems for retirees than for those still working.

Chart 13: Reasons for wanting to work longer

Responses from employees to the question: "For what reasons can you imagine working beyond the regular retirement age? Please indicate up to three main reasons."



Older individuals represent a significant reserve labour force. Age-appropriate working conditions, including increased part-time opportunities, should be offered more frequently.

Is the labour market receptive enough for older individuals?

A major hurdle is the increasing employment difficulties for older people. Although the general unemployment rate for older individuals is not higher than for those who are younger, it can take longer for older individuals to find new employment if they become unemployed. The number of older individuals who have exhausted their unemployment benefits is also higher. The group of 45 to 64-year-olds comprises 51% of those who have exhausted their benefits, while they make up only 42% of the working population.[22]

Additional measures are needed to keep older individuals in the labour market for as long as possible. Of course, this requires motivated and willing-to-learn employees. But companies could also become more active, as we outline in our study "Ageing Switzerland: Rethinking Labour Market Dynamics for Sustainable Growth."[23]

Companies can motivate and retain older employees through flexible employment models and tailored programmes to secure their valuable know-how. Flexible working hours, part-time options, and home working opportunities provide older employees with the flexibility they need to balance their professional and personal needs. Additionally, targeted training programmes focusing on technological and digital skills can help older employees meet the evolving demands of the workplace.

Mentoring programmes leverage the expertise of experienced employees to pass valuable knowledge and skills to younger generations. This not only ensures the retention of existing knowledge within the company but also accelerates the development of young talent by providing them with practical insights and targeted support. To maintain a resilient workforce, comprehensive health programmes that consider both mental and physical well-being are beneficial. These measures help maintain employee productivity throughout their careers, strengthen engagement, and support longer and healthier working lives – thus ensuring a stable and capable workforce.

As with the retirement age, a significant step is also a greater shift in awareness. Employers should be more willing to hire older employees without prejudice and invest in their onboarding and training. The potential of longer working lives with age-appropriate employment opportunities has not yet been fully realised.

"The perspective on a higher retirement age should be changed. Such an age is not only beneficial for the pension system as a whole but also the best way to increase one's own pension. However, this requires a well-functioning labour market."

Diego Taboada
Director for French-speaking Switzerland and Senior Fellow

Recommendations for implementing the three reform directions

The recommendations shown in chart 14 are intended to help successfully implement the three directions for pension reforms in Switzerland and ensure the long-term financial stability of the pension system. The state plays a crucial role. However, precisely because state pension reforms are difficult to implement, companies and individuals should also utilise the options to improve the pension provision for their employees or themselves. The less progress that occurs with state reforms, the more it will depend on insured individuals to secure their own retirement.

Chart 14: Recommendations for implementing the three reform directions

	Temporary increase in federal contributions	Temporary increase in federal contributions	Making the retirement age more flexible
State	• **Subsidy cuts:** Reduction of economically questionable subsidies. • **Temporary increase in the federal contribution,** financed by savings in other areas. • In general, **increased prioritisation and efficiency of** government expenditure in order to counteract the manifold and unsustainable increases in expenditure and to optimise the benefits of government spending.	• **Incentives:** Maintain current tax incentives for higher payments and ensure full age flexibility in terms of payments, interest and tax benefits in the second and third pillars. • **Regulation:** Lowering the entry threshold in the second pillar. • **Education**: Promoting financial literacy to increase the understanding and acceptance of capital market investments.	• **Opt-in model:** Introduction of an opt-in model for retirement, in which employees decide for themselves when they retire from a minimum age, with corresponding increases/ discounts. • **Incentives:** Creating incentives for working longer, such as no OASI contributions from the reference age. • **Legal adjustments:** Adaptation of the legal framework to promote flexible working models.

	Temporary increase in federal contributions	Temporary increase in federal contributions	Making the retirement age more flexible
Enterprise		• Increasing **the transparency and accessibility of information** about pension funds and their benefits. • **Involvement of employees in pension fund choice and strategy** in order to achieve a higher return without jeopardising stability. • **Further optimisation of offers in the third pillar,** cost-benefit ratio, customer experience, range of offers, for different age groups, asset classes and risk profiles	• **Flexible working models:** Promoting flexible working hours, part-time options and home working options. • **Training:** Providing targeted training programmes for older employees. • **Mentoring:** Implementation of mentoring programmes to pass on knowledge between generations. • Ensuring the **unprejudiced employment** and further training of older employees.
Individuals		• **Payments:** Increase in payments into the third pillar and greater use of capital market investments. • **Risk awareness:** Improving risk awareness and willingness to invest in the financial market. • **Long-term planning:** Promoting long-term financial planning and taking advantage of compound interest from the start as early as possible.	• **Readiness to work:** Willingness to continue working after the normal retirement age. • **Health management:** Wherever possible, active planning, design and maintenance of one's own health. • **Continuing education:** Use of continuing education opportunities to adapt to the changing demands of the labour market.

"Personal responsibility is becoming increasingly important in retirement planning. Financial planning up to retirement is correct and important, but it is not enough. One must continue to plan and remain invested, of course, in an age-appropriate manner. The goal must be that the wealth span, i.e., access to financial resources, is at least as long as the lifespan (years of life), even if one is fortunate enough to live longer than one could have ever dreamed."

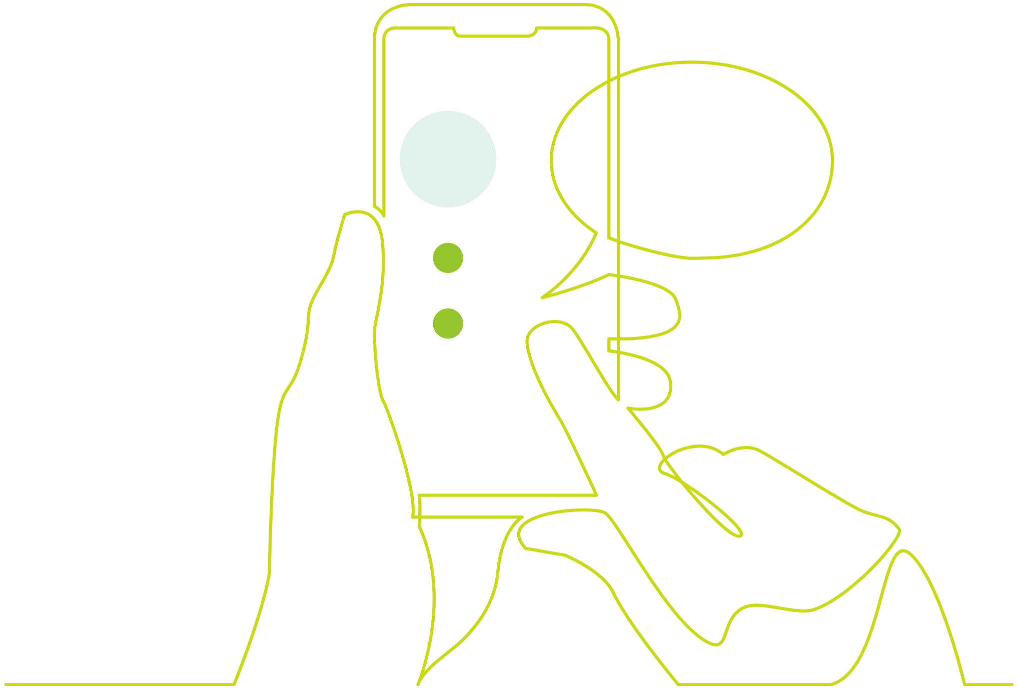
Nadine Esposito
Founder Wellthspan Advisory

Authors and contacts

Reto Savoia
CEO
Deloitte Switzerland
+41 58 279 60 00
rsavoia@deloitte.ch

Dr. Michael Grampp
Chief Economist and Head Insights
+41 58 279 68 17
mgrampp@deloitte.ch

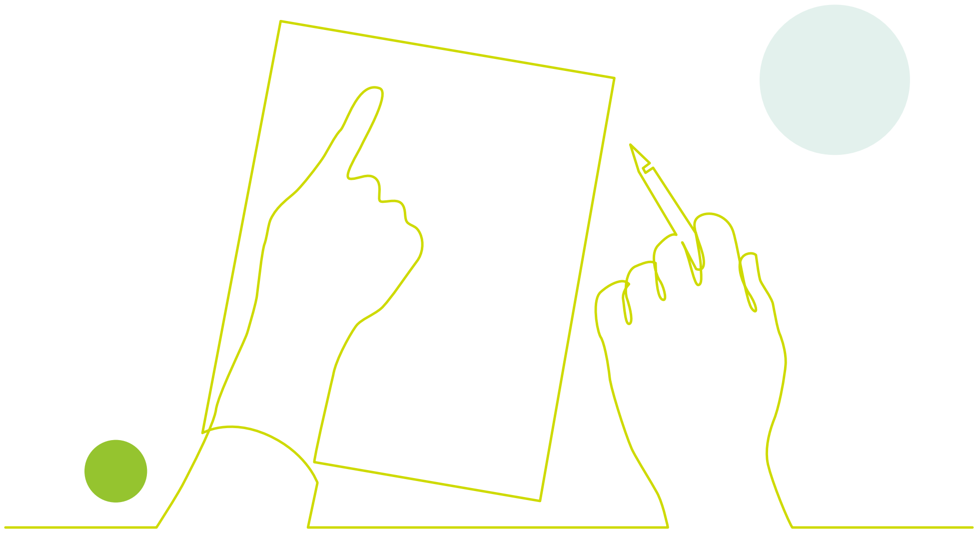
Dennis Brandes
Economist & Senior Research Manager
+41 58 279 65 37
dbrandes@deloitte.ch



Special thanks to Benjamin Frei (Analyst, Deloitte) for his valuable contributions to this report.

Endnotes

1. The first pillar of the Swiss pension fund, the AHV in German, is called Old-age and survivor's insurance (OASI) in English
2. Deloitte Switzerland (2025), Ageing Switzerland: Growth Despite Demographic Change | Deloitte Switzerland, available here
3. Federal Office for Social Insurance (2024), Previous AHV Revisions
4. Federal Office for Social Insurance (2025), Tax Reform and AHV Financing
5. Federal Office for Social Insurance (2023), Stabilisation of AHV (AHV 21)
6. Federal Statistical Office (2024), Life Expectancy
7. Federal Statistical Office (2024), Life Expectancy at Age 65 - 1876-2023
8. Federal Office for Social Insurance (2023), The History of AHV, document in German
9. Federal Statistical Office (2025), Switzerland Scenarios
10. Federal Office for Social Insurance (2025), Financial Perspectives of the AHV
11. Neue Zürcher Zeitung, Albert Streck (2024), The Billion Hole in Disability Insurance Threatens the AHV, article in German
12. Deloitte Switzerland (2025), 2025 Gen Z and Millennial Survey, available here
13. Institute for Swiss Economic Policy IWP (2023), Subsidy Report: Billion-Franc Savings Possible in Federal Subsidies
14. Federal Office for Social Insurance (2025), Financial Perspectives of the AHV
15. Pictet Wealth Management (2025), The Long-term Performance of Swiss Securities is Back on Track
16. Federal Office for Social Insurance (2025), Financial Perspectives of the AHV
17. SPRA GmbH (2025), Swiss Pension Funds Rating
18. Swiss Parliament (2025), 24.4597 | Enable Standardised Access to Personal Pension Data
19. Swiss Parliament (2020), 19.3702 | Enable Contributions to Pillar 3a
20. Swiss Parliament (2025), 25.3778 | Enable Voluntary Pension Provision (Pillar 3a) for Children
21. Federal Office for Social Insurance (2024), Exemption
22. Federal Statistical Office (2024), Situation of Individuals Who Have Exhausted Their Benefits
23. Deloitte Switzerland (2025), Ageing Switzerland: Rethinking Labour Market Dynamics for Sustainable Growth, available here



Deloitte.

Designed by CoRe Creative Services. RITM2189028