2^{nd} phase of structural measures

What you need to know about the 2^{nd} phase of structural measures

To maintain the Fund's financial stability in the medium and long term, the committee must implement a 2^{nd} phase of structural measures which represent a reduction in benefits for all policyholders retiring after the 1^{st} of December 2019.

Why are structural measures being implemented?

Structural measures are measures that must be implemented by the Fund when its financial stability is not guaranteed in the medium and long term (LCPEG, art. 28). They affect the future benefits of policyholders on a long-term basis.

The 1^{st} phase of structural measures entered into force on the 1^{st} of January 2018. It consisted of an increase in the retirement age (65 in the standard plan, 62 in the difficult role plan), which represented a 5% reduction in benefits. As this measure is not enough to restore the Fund's financial stability in the medium and long term, the committee made the decision to implement a 2^{nd} phase of structural measures which will unfortunately be essential unless a law concerning additional capitalisation is passed between now and the 31^{th} of May 2019.

What does the 2^{nd} phase of structural measures consist of?

The 2^{nd} phase of structural measures essentially represents a maximum 10% reduction in retirement benefits with mitigation measures for policyholders over 47 years of age. This reduction will only affect active policyholders (pensioners benefits are guaranteed). This 2^{nd} phase will enter into force on the 1^{st} of January 2020 if no law concerning additional capitalisation is passed between now and the 31^{st} of May 2019.

The primary outcome of the 2^{nd} phase of structural measures consists of reducing the pension target by up to 10% **in the standard plan**.

This measure does not affect all policyholder categories in the same way : it will have the greatest effect on policyholders below the age of 47 (a decrease of around 10%) and less so for policyholders approaching retirement *(see the table below)*.

The **transitional measures** implemented for policyholders present during the 2014 merger will be maintained in their entirety. For the policyholders affected, this concerns the fixed pension supplement at retirement age that appears on their pension certificate.

At the same time, a **supplementary savings-based plan** will be set up with the creation of a compensation account for each policyholder. Its aim is to improve the benefits of the main plan by funding these accounts if the Fund's financial situation allows it, following a decision made annually by the committee.

Other measures are also planned, specifically the improvement of reduction factors for a pension taken between the ages of 58 and 61, the restriction of provision conditions and a reduction in the amount of pension for pensioners' children and an adaptation to the calculation of disability pensions.

Average retirement pension reductions following the introduction of structural measures

Policyholder's age	Average reduction
20 - 46	-10%
47	-9.9%
55	-7.6%
58	-6.2%
60	-6%
61	-5.7%
62	-5.3%
63	-3.9%
64	-1.8%

Comments:

- The average reduction in retirement pension is calculated based on the projected pension at retirement age, which is 65 on the standard plan and 62 on the difficult role plan.
- The reduction shown does not take into account the transitional measures introduced following the merger in 2014.
- These reduction rates are indicative. As they are averages, an individual reduction rate could not be deduced on these reductions rates.

Who will be affected?

This 2nd phase of structural measures will apply to all policyholders who retire after the 1st of December 2019.

The 2nd phase of structural measures, which will enter into force on the 1st of January 2020 if no law concerning additional capitalisation is passed between now and the 31th of May 2019, will apply to all policyholders who retire after the 1st of December 2019.

This measure does not affect all policyholder categories in the same way: it will have the greatest effect on policyholders below the age of 47 (a decrease of around 10%) and less so for policyholders approaching retirement *(see the table above)*.

Pension beneficiaries are not affected by these measures because their benefits are guaranteed by federal law.

What is the link between the 2^{nd} phase of structural measures and the laws passed by the Grand Council?

The structural measures were adopted by the CPEG's committee to restore the Fund's financial stability in the short, medium and long term. In fact, this committee is legally responsible for adapting the benefits based on the funding available.

The Grand Council has the power to define the allocation of the Fund (contributions, capitalisation) and the type of primacy. On the 14^{th} of December 2018, the Grand Council adopted two laws concerning additional capitalisation of the Fund, which are mutually incompatible. To date, two referendums have been launched against these two laws and the people will have to vote on the 19^{th} of May 2019. According to the information provided by the Council of State, the only situation that would lead to the implementation of the structural measures would be in a situation where the people responded with a no vote on both counts. In any other scenario, one or other of these laws should, in all likelihood, enter into force on the 1^{st} of January 2020, thus avoiding the entry into force of the Fund's structural measures.

Frequently asked questions

Are these structural measures absolutely essential?

Financial stability depends on funding on the one hand, and benefits on the other. As the funding is the responsibility of the Grand Council, the committee, which is responsible for the Fund's financial stability in the medium and long term, can only make changes to the benefits. The 1^{st} phase of structural measures (the increase of the retirement age), which entered into force on the 1^{st} of January 2018, is not sufficient to restore this balance and the 2^{nd} phase is essential to allow the Fund to meet its legal obligations.

Will there be any transitional measures?

Mechanisms for mitigating the effects of the 2^{nd} phase of structural measures have been included for policyholders over 47 years old.

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Will existing pensions be affected by these measures?

No, benefits for pension beneficiaries are guaranteed by federal law and will remain unchanged.

What is the supplementary plan?

The supplementary plan has been created to mitigate the reduced benefits due to the reduction of the pension target. It is a savings-based plan which will add to policyholders' accounts if the Fund's financial situation permits it. At the time of retirement, this savings plan will be converted into a supplementary benefit and will be added to the main plan's benefit. In addition, policyholders aged over 47 will receive a certain amount when the measures enter into force on the 1st of January 2020.

Why reduce the amount and limit the provision conditions of supplementary pensions for the children of pensioners?

Experience shows that this supplementary benefit usually benefits men rather than women. In addition, the choice to have children "late in life" is an individual one. Yet this supplementary benefit is funded collectively and thus creates solidarity among policyholders without children compare to policyholders with children at the time of retirement. The Fund's bodies felt it was necessary to reduce the cost (reduction of the amount limited to the minimum set out by law) and to limit the provision with a deferral of the eligibility age from 60 to 62 for policyholders in difficult role plan and 65 for policyholders in standard plan In addition, the birth of a child after retirement will no longer give access to this type of supplement.

Calendar and documents

Calendar

Here are the steps of the political agenda :

On the 14th of December 2018 : vote by the Grand Council on 2 mutually-incompatible laws concerning capitalisation of the Fund at 75% (L 12228 et L 12404)

On the 21st of December 2018 : presentation by the Council of State of the 4 possible scenarios concerning these 2 laws

On the 24th of January 2019 : vote by the Grand Council on a 3rd law. This law is based on the popular initiative 168 "Sauvegarder les rentes en créant du logement"

On the 11th of February 2019 : deposition of the 2 referendums against the laws voted in on the 14th of December 2018
On the 13th of March 2019 : referendum deadline for the collection of signatures against the 3rd law
On the 19th of May 2019 : referendum vote (L 12228 et L 12404)

On the 31st of May 2019 : deadline for the passing of a law concerning sufficient capitalisation which would make the structural measures unnecessary as of the 1st of January 2020

On the 1st of January 2020 : entry into force of structural measures if no law has been passed by the deadline

Documents

For more details, please consult the following documents :

Phase	Measures	Entry into force	Related documents
1st phase	One-year increase in retirement age	On the 1st of January 2018	Statement of the 7th of November 2016 Statement of the 20th of December 2016 CPEG INFO n° 6, p. 1 and 3 CPEG INFO n° 7, p. 1-2-3 CPEG INFO n° 9, p. 3 CPEG INFO n° 10, p. 1-2-3
2nd phase	Pension rate reduction Creation of a supplementary savings-based plan Changes in the way that disability pensions are calculated Changes to the conditions for granting and calculating pensions for pensioners' children Changes to the reduction factors for early retirement between the ages of 58 and 61	On the 1st of January 2020	Statement of the 20th of December 2016 Statement of the 4th of May 2017 Statement of the 21th of September 2018 CPEG INFO n° 7, p. 1-2-3 CPEG INFO n° 9, p. 3 CPEG INFO n° 10, p. 1-2-3
Laws	Link to our Table of laws		L 12404 L 12228 L on IN 168 Statement from the Council of State of the 21th of December 2018 Press briefing from the Council of State of the 16th of January 2019