PRESENTATION BY ELIANE REY, SWISS SENIORS' COUNCIL

For many people, when they think of Switzerland, they imagine the most beautiful mountains in the world, such as the Matterhorn in Zermatt, snow, chocolate and Heidi! Of course, the prosperity of Switzerland also comes to mind. While the landscapes are as enchanting as ever, daily life inside the walls of every home has become more difficult.

To begin with, here's a brief overview of Switzerland's economic situation. During the Covid, unprecedented public support measures helped sustain incomes and employment. At present, the economic situation in Switzerland remains uncertain. Since the start of the war in Ukraine, inflation has picked up again (2.8% in 2022) due to rising electricity, gas and food prices. Low-income earners are not the only ones to suffer from the rising cost of living. The middle class is also feeling the pinch. Bank mortgage interest rates, which for years had been very low or even zero, have soared, leading to widespread rent increases. The energy transition will have a cost (Switzerland has voted to phase out nuclear power). Health insurance premiums, which account for an ever-increasing proportion of income, are at the heart of every debate. Year after year, major increases are announced, and the system seems out of control. On the eve of the renewal of the federal parliament, numerous proposals are being put forward by political parties: limiting health insurance premiums throughout Switzerland to 10% of income - the balance being paid by the public authorities - reducing the basic catalog of benefits for low-cost insurance, introducing a single public health insurance scheme, freezing premiums, and so on. Purchasing power is at the heart of the debate.

These developments obviously have an impact on senior citizens. What about their economic situation in such a context ? Before delving into this aspect, I'd like to introduce you to the Swiss three-pillar system, which is the foundation of Switzerland's social security system, guaranteed by the Federal Constitution, and which has been providing for retirement provision for decades:

The first pillar, known as old-age and survivors' insurance (AVS), is a compulsory insurance scheme designed to guarantee a minimum standard of living. It is compulsory for all persons living or working in Switzerland. Contributions are shared equally between employers and employees. To obtain the maximum amount of CHF 2,450/month, you need to have contributed for 44 years on an average income of CHF 88,000. This pension is paid 12 months a year. The minimum amount is CHF 1,225. If a person is unable to meet the minimum subsistence requirement with the pension they receive, they are entitled to supplementary benefits.

The second pillar, known as the LPP, is compulsory (with the exception of certain groups of people, such as the self-employed), and is financed by employer/employee contributions. The law defines minimum benefits for insured persons. Company pension funds are free to provide benefits that go beyond this minimum. The retirement capital built up by the insured on his individual account over the years of insurance is used to finance his retirement pension. This capital is converted into an annual life annuity using a conversion rate set by law. The more you contribute, the better your pension.

Occupational pension provision, or the 2^e^ pillar, complements the 1^er^ pillar. Together, the two types of insurance should enable policyholders to maintain their previous standard of living to a large extent. The aim is to ensure that, when the two pensions are added together, they provide a pension of around 60% of the final salary. In 2021, 2nd pillar benefits were around twice as high for men as for women.

The third pillar is part of a voluntary pension plan. It enables individuals to supplement the pensions provided by the other 2 pillars by paying in a maximum amount each year. It is open to all those in gainful employment in Switzerland, and is tax-deductible.

Let's return to the economic situation of senior citizens. In Switzerland, 1.7 million people are aged 65 and over, representing around 20% of the population. According to a report by the Swiss Federal Statistical Office in 2020, most of them are satisfied with their financial situation. But this does not apply to all segments of the elderly population. If we look at the poverty rate, i.e. the proportion of people who are unable to cover their basic needs and have a minimum level of participation in social life, it stands at 13.6% for the over-65s (5.8% for people of working age). There are considerable differences within the elderly population. For example, according to 2018 federal figures, higher rates of poverty are found among single people (24.5%), people who receive only 1st pillar income (23.9%), senior citizens without post-compulsory education (19.1%). In addition, people aged 75 and over have a higher poverty rate than younger seniors. The poverty rate tends to be higher among women aged 65 and over than among men, which is no doubt explained by gender differences in access to the 2nd pillar.

According to another partial report by Pro Senectute's National Old Age Observatory 2022 (written by the University of Applied Sciences ZH in collaboration with the University of Geneva), the Swiss 3-pillar pension system is largely fulfilling its mission of providing a minimum standard of living. However, 1 in 5 people in Switzerland aged 65 and over are affected or threatened by poverty. The results reveal significant gender differences. Education has a protective effect. 3.2% of people are in absolute poverty. Some Swiss cantons are more affected than others.

People with incomes below the subsistence minimum are entitled to assistance, in particular supplementary benefits paid by their canton. Many who are entitled to these benefits do not apply for them. Some cantons also pay subsidies to help with health insurance premiums. Social services exist throughout Switzerland to support people in need, and they also grant subsidies to organizations to which they delegate social services. I won't go into detail on this subject, nor on the Swiss strategy and the dynamic policies developed by the Swiss cantons and municipalities in favor of the elderly, which could be the subject of presentations on their own.

As you can see, Switzerland's 3-pillar system is of fundamental importance to pensioners. But it has been under pressure for some time now. This is due to increasing life expectancy and fluctuating financial markets. In recent years, the Swiss government has undertaken various reforms to ensure the sustainability of such a system. Many of these reforms have failed to pass muster.

In 2022, the Swiss said yes to a reform of the 1er pillar, whose finances will be consolidated until 2030. This reform is financed by raising the retirement age for women to 65 and by increasing the value-added tax, which provoked lively debate. Pillar 1er pensions have been indexed to 2.5% in 2023.

A major reform of the 2ème pillar on the future of pensions in Switzerland has been adopted by parliament for 2023. It will lead to a reduction in the conversion rate, and therefore in pensions, but also aims to bring about some improvements for low-wage earners and part-timers. It also reduces social security contributions for working people over 55. A successful referendum has been launched against this reform. The Swiss people will decide in 2024.

You know that in Switzerland, if you collect 100,000 signatures from citizens, you can submit a popular initiative that will be processed by the government and parliament and then put to a compulsory popular vote.

Among the initiatives in favor of pensioners, I'd like to mention two: one that proposes granting pensioners a 13th pension under the 1er pillar, and another that calls for couples to be granted two full pensions, rather than one-and-a-half as is currently the case.

These issues are the subject of fierce debate and tension in parliament and among the Swiss population, with some arguing that these benefits should be strengthened, and others that we cannot afford additional expenditure at the risk of jeopardizing one or other of the social insurances.

After this overview, and before concluding, allow me to say a few words about the Swiss Seniors Council, which I have the honour of representing at this conference :

The Swiss Seniors Council was established in November 2001 as an advisory body to the Federal Council on matters relating to old age.

It aims to :

Defending the dignity, quality of life and autonomy of the elderly;

Improve public awareness of this population group;

Promoting the participation of older generations in society and solidarity between generations;

Defending the social, cultural and economic interests of the elderly;

Promote the further development of a social security network acceptable to society and the population as a whole;

Represent the older generations in every organization active in the field of old age policy.

To achieve these objectives, the CSA :

Maintains contacts with the relevant federal offices, so as to be able to participate in the preparation by the federal administration of draft legislation of importance to social and ageing policies;

Participate in consultation procedures concerning this theme;

Advises the Federal Council on matters relating to old age and carries out the tasks entrusted to it by the Federal Council, Parliament or the departments;

Draws up its own projects and recommendations for federal authorities;

Organizes events to publicize its objectives and promote its activities;

Collaborate with other organizations with similar objectives.

We work in working groups on a wide range of topics, including social insurance, health, mobility, housing and information technology. Like all of you, we defend the interests of seniors with passion and perseverance.

Thank you for your attention.

Eliane Rey

Delegate of the Swiss Seniors Council

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