



## Ascaro News

January 2022

### Positive returns again in 2021

Towards the end of the previous year, the stock markets had celebrated the breakthroughs in the development of vaccines with skyrocketing prices. Despite many risk factors, this positive basic mood on the markets was maintained for the whole of 2021. Many share indices reached all-time highs over the course of the year. While the virus once again really dampened the mood at the end of the year, at the same time the economy is booming as it rarely has before.

However, this positive development was only possible because the global economy has been and is still being supported by fiscal stimulus packages and massive intervention by central banks. The side effects of these measures are the continuing low interest rates and the return of inflation.

The latter, in particular, made an impressive comeback! After years of low or no inflation, it returned with unexpected intensity in many industrialised countries. For instance, inflation in the USA rose to 6.8%, the highest level in almost 40 years. But the euro area also recorded a price increase of around 5%. Although part of the rise can be explained by the recovery following the price cuts due to the pandemic in the previous year, it remains uncertain how much of the price adjustment will be temporary and how much permanent. In the USA

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and the UK, there are now signs that they are about to turn away from expansionary monetary policy. The European Central Bank (ECB) still has its foot on the accelerator. As long as the ECB does not make a move, the Swiss National Bank (SNB) is also likely to continue its current policy. The markets are still responding calmly. If that changes, volatility on the markets will rise sharply.

The Swiss real estate market is hardly suffering from the coronavirus pandemic. Residential properties are still the preferred real estate investments. With the positive economic outlook, price rises are also expected in the future. Office buildings, on the other hand, are experiencing negative trends. Ascaro is not very allocated and well-allocated respectively in this respect. Digitisation and ESG issues are gaining in importance in the real estate sector. Considerations in the property and portfolio strategy are becoming increasingly important in terms of reconstruction planning, densification, carbon emissions, but also cost-effectiveness.

In this market environment, which is favourable despite the many risk factors, Ascaro achieved a positive return of around 6.0 %, which further strengthens the coverage ratio and thus the fluctuation reserves.

## **Further development of invalidity insurance (IV) and amendment of the Pension Fund Regulations**

The further development of IV (7th IV revision) entered into force on 1 January 2022. The revision of the legislation is mainly aimed at three target groups: children, young people and people with mental impairments. They are primarily aimed at intensifying the care provided to those affected, extending measures that have already proven to be effective and strengthening cooperation with treating physicians and employers.

The most important measure where children are concerned is updating the list of birth defects, which was last revised in 1985. The aim was to adapt the list to the latest state of scientific knowledge. Various diseases that can be easily treated today have been removed from the list and are now covered by health insurance. Other diseases are only grouped under a new position and continue to be borne by IV.

Targeted measures are being taken for young people and young adults with health problems, especially mental impairments, to prevent them from starting their adult life with an invalidity pension if at all possible. Targeted support for the transition from school to vocational training and later into the labour market is therefore a priority. This requires intervention in this target group as early as possible.

Several new provisions are intended to improve the occupational (re-)integration of people with mental health impairments, since the latter are the most com-

mon reason for an invalidity pension. The advisory and support services are more closely tailored to the needs and are provided more continuously and for longer periods. Early detection will be extended, so that IV can provide support as soon as an incapacity for work becomes apparent.

The real innovation for all insured persons is the transition to a variable pension system, which creates an incentive to work more. In the current four-tier pension system, many IV pensioners do not find it attractive to work more because their disposable income does not increase due to threshold effects. As before, a full pension is awarded for a degree of disability of 70 per cent or more.

Because Ascaro's disability benefits are mainly in the extra-mandatory sector, the revision of the Invalidity Insurance Act and the related amendments to OPA have no direct influence on Ascaro's benefit parameters. In principle, and as long as the statutory benefits are not affected, the benefits provided for under the regulations can continue to be paid. However, because the application of the same pension model facilitates communication, management and monitoring, the Board of Trustees has decided to equate the pension scheme analogously and only for new pension entitlements. Existing IV benefit cases will not be adjusted and will remain unchanged. On our website, you will find the new Pension Fund Regulations.

## **Adjustments to the technical principles and the technical interest rate**

The new basic technical principles for "BVG 2020" were published in mid-December 2020. The biometric information contained therein is needed to calculate pension obligations in pension funds. The currently used basic principles "BVG 2015" therefore no longer take into account the latest observation periods and trends, and must therefore be replaced by the new principles. As already communicated in the August issue of "Ascaro News", the Board of Trustees has discussed this matter and has now decided to switch to the new principles. This change will result in an unforeseen positive valuation difference for Ascaro.

This led the Board of Trustees to strengthen the balance sheet in the form of a further reduction of the technical interest rate to 1.25%, as well as the partial formation of a provision for a further reduction step in future. This provision will be built up over the next three years.

By reason of the good financial situation and the extraordinary, successful investment year 2021, our members also benefited. In addition to an improvement in benefits during the year, all active insured persons will receive an additional 2.0% interest on their savings capital in 2021. If an active insured person has been a member of Ascaro since 31 December 2020, he or she will benefit from a total interest rate of 5.5% in 2021 (previous year 2.0%).

## Interest on savings capital in 2022

Taking into account the legal framework conditions, the Board of Trustees has set the interest rate for 2022 at 2% (previous year: 2.0% + 3.5% additional interest as an improvement to benefits). The interest rate for Ascaro is thus twice the OPA minimum interest rate, which has been set by the Federal Council at the same rate of 1%. This higher interest rate applies to both compulsory and voluntary retirement assets. This means that Ascaro continues to maintain a solid, continuously high interest rate on the savings capital of active insured persons.

## No inflation on pensions

Compared to the same month of the previous year (September 2021 vs. September 2020 with index base Dec. 2015), inflation amounts to +0.9%. The State Secretariat for Economic Affairs (SECO) forecasts annual inflation of +0.5% for 2021 (as of September 2021). The consensus is that the effect will be temporary.

For the supreme body, the long-term safeguarding of pensions is paramount. With the continued low interest rate environment, further reductions in the technical interest rate must therefore be expected in the coming years. Last September, it was once again proved that the Board of Trustees also thinks of the pensioners, given the appropriate financial situation. The beneficiaries insured with Ascaro received an additional 1,000 francs with their October pension. From the point of view of the Board of Trustees, however, it is not appropriate to adjust pensions in general, taking into account the framework conditions.

## Reform of the Old-age and Survivors' Insurance (OASI)

The "AHV 21" reform is intended to provide financial cover for the first pillar of retirement provision for the next few years. It is centred around two elements: the women's retirement age is now also expected to be 65, and VAT is to be increased by 0.4 percentage points, or 1.4 billion francs per year. The popular vote is expected to take place this coming September. Because the baby boomer generation is approaching retirement age, this will significantly increase the number of pensioners and spending by OASI will increase sharply. In 2020, the social institution distributed around 45 billion francs. According to the "Neue Zürcher Zeitung", this figure is expected to be more than 80 billion francs in 2045.

## Reform of the Occupational Pensions Act (OPA)

The OPA reform “BVG 21” bill is before Parliament and is currently being debated in the first chamber, after which it will be put to the Council of States. The reform aims to guarantee pensions from the 2nd pillar, strengthen financing and provide greater protection to part-time workers – and thus especially women. The proposed measures include the adjustment of the minimum conversion rate, the reduction of the starting age for the OPA obligation, the reduction of the coordination deduction and the adjustment of the retirement credits.

### Limits for the new year

The limits for mandatory occupational benefits provision remain unchanged as of 1 January 2022.

OASI	Previously	From 2022 onwards
Maximum annual retirement pension	CHF 28,680	CHF 28,680
Minimum annual retirement pension	CHF 14,340	CHF 14,340

OPA	Previously	From 2022 onwards
Entry threshold	CHF 21,510	CHF 21,510
Coordination deduction	CHF 25,095	CHF 25,095
Maximum coordinated annual salary	CHF 60,945	CHF 60,945
Minimum coordinated annual salary	CHF 3,585	CHF 3,585
Maximum authoritative annual salary	CHF 86,040	CHF 86,040

Each affiliated company defines in the pension plan how the authoritative salary is determined and which coordination rule applies. The above values relate to the statutory limits according to OPA and may differ from those of your company.

## Ascaro is now offering fixed-rate mortgages

We have been providing variable-rate mortgages to our beneficiaries and third parties for years. In addition, you already have access to our attractive offers in the area of fixed-rate mortgages via the Valiant Bank AG mortgage platform. We are now expanding our service to include fixed-rate mortgages for residential properties with a mortgage volume of at least CHF 500,000 or a maximum of CHF 1,500,000 directly through the Ascaro office. You will find more information about our services on our website. Have we aroused your interest? For more information, please send an e-mail to [marlene.zingg@ascaro.ch](mailto:marlene.zingg@ascaro.ch)