Annual Survey of 2020 Accounting Assumptions – Switzerland
About this Material

- This report presents the results of Aon's annual survey of accounting assumptions used for employee benefit plans at 2020 year-end for Switzerland. The results of this survey may be useful to companies when setting preliminary assumptions for 2021 year-end and budgets for 2022.

- Aon conducted this survey of fiscal 2020 year-end accounting assumptions by gathering assumptions used by our clients. Similar to last year, we have focused on economic and demographic assumptions that companies select under ASC 715, IAS 19 or IPSAS 39.

- The results are for companies with fiscal years ending on 31 December 2020 and the averages shown are as of the end of 2019 and 2020 for post-employment plans as well as in-service benefits.

- While information about what others are doing can be helpful, the circumstances at one organization may differ in a material way from those at another. As such, decisions should be made based on each organization's relevant facts and circumstances and not solely on the results of a survey.

- If you would like an update on current economic and demographic indices or the current status of changes in accounting standards, please contact your local Aon consultant.
Overview

Economic Assumptions
- Discount Rate
- Inflation
- Expected Return on Plan Assets
- Interest Credited to Account Balances
- Salary Increase Rate
- Increase in Social Security Limits
- Pension Increase Rate

Demographic Assumptions
- Mortality
- Disability
- Turnover
- Early Retirement
- Lump Sum Payments on Retirement
- Proportion of Members with Spouse’s / Partner’s Pension
Economic Assumptions
The average assumption decreased by 0.10% from 0.15% at 31.12.2019 to 0.05% at 31.12.2020.

Around 85% established the discount rate based on a yield curve and the expected cash flows of the plan. Of these, about 83% used a single equivalent rate while about 17% used a full yield curve approach.

2020 average = 0.05% (145 responses)
2019 average = 0.15% (144 responses)

Source: Internal Aon Survey for 2020 Fiscal Year-End
Inflation

- The average assumption decreased slightly from 1.02% at 31.12.2019 to 0.96% at 31.12.2020.
- The most commonly observed inflation assumption at 31.12.2020 was 1.00%.

2020 average = 0.96% (141 responses)
2019 average = 1.02% (142 responses)

Source: Internal Aon Survey for 2020 Fiscal Year-End
Expected Return on Plan Assets

- 2020 average = 2.24% (40 responses)
- 2019 average = 2.22% (38 responses)

Source: Internal Aon Survey for 2020 Fiscal Year-End

- The average assumption stayed nearly the same.
- For autonomous plans, the average assumption was about 2.8%.
- Note that this assumption is only applicable to companies reporting under ASC 715.
Interest Credited to Account Balances

The average assumption stayed nearly the same.

For reference, the BVG minimum interest crediting rate remained unchanged at 1.0% for 2021 in comparison to 2020.

2020 average = 1.17% (137 responses)
2019 average = 1.15% (139 responses)

Source: Internal Aon Survey for 2020 Fiscal Year-End
Salary Increase Rate

2020 average = 1.46% (139 responses)
2019 average = 1.50% (141 responses)

- The average assumption decreased slightly from 1.50% at 31.12.2019 to 1.46% at 31.12.2020.
- The main reason for this slight change is the decrease in the underlying inflation component.
- The average premium in excess of inflation (i.e. the merit component) was around 0.5%, which is similar to the prior year.

Source: Internal Aon Survey for 2020 Fiscal Year-End
Increase in Social Security Limits

- The average assumption decreased slightly from 1.15% at 31.12.2019 to 1.11% at 31.12.2020.
- The main reason for this slight change is the decrease in the underlying inflation component.
- The average premium in excess of inflation was around 0.1%.

2020 average = 1.11% (139 responses)
2019 average = 1.15% (141 responses)

Source: Internal Aon Survey for 2020 Fiscal Year-End
Pension Increase Rate

- The average assumption of 0.01% remained unchanged at 31.12.2020 compared to 31.12.2019.
- Similarly to the prior year, more than 90% assumed no future pension indexation.
- For those assuming one, the average rate was around 0.2%, which is similar to the prior year.

2020 average = 0.01% (141 responses)
2019 average = 0.01% (141 responses)

Source: Internal Aon Survey for 2020 Fiscal Year-End
Demographic Assumptions
Mortality

- No material changes were observed at 31.12.2020 compared to 31.12.2019.
- Similarly to the prior year, more than 90% used the CMI model to determine future mortality improvements. Among those, an average long-term rate of improvement of around 1.5% was observed.
- Widespread adoption of the new BVG 2020 mortality tables is expected to occur during 2021.

Source: Internal Aon Survey for 2020 Fiscal Year-End

2020 (144 responses)
2019 (145 responses)
No material changes were observed at 31.12.2020 compared to 31.12.2019.

More than 90% of our clients still applied an adjustment factor to the standard BVG 2015 table in order to better estimate the effective costs arising from the occurrence of disability. Indeed, the standard table only reflects the probability of becoming disabled, with no distinction between full and partial disability. The average factor used to scale the rates was around 80%.

Widespread adoption of the new BVG 2020 disability table (with an adjustment factor) is expected to occur during 2021.
No material changes were observed at 31.12.2020 compared to 31.12.2019.

For those applying an adjustment factor, essentially to better reflect client-specific turnover expectations, the average factor used to scale the standard rates of the BVG 2015 turnover table was around 135%.

Widespread adoption of the new BVG 2020 turnover table (adjusted or not) is expected to occur during 2021.

Source: Internal Aon Survey for 2020 Fiscal Year-End
Early Retirement

- Similarly to the prior year, nearly 50% assumed early retirement.

<table>
<thead>
<tr>
<th>Year</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>46.9%</td>
<td>53.1%</td>
</tr>
<tr>
<td>2019</td>
<td>48.3%</td>
<td>51.7%</td>
</tr>
</tbody>
</table>

Source: Internal Aon Survey for 2020 Fiscal Year-End

2020 (143 responses)
2019 (145 responses)
Lump Sum Payments on Retirement

- Similarly to the prior year, over 70% of our clients assumed a lump sum election rate between 20% and 39%.

2020 average = 31% (139 responses)
2019 average = 31% (140 responses)

Source: Internal Aon Survey for 2020 Fiscal Year-End
Similarly to the prior year, over 70% of our clients assumed the BVG 2015 table (age-by-gender).

For the others, a flat, gender-specific assumption was used. The average rate was around 74% for males and around 58% for females.

Widespread adoption of the new BVG 2020 table is expected to occur during 2021.

Source: Internal Aon Survey for 2020 Fiscal Year-End
Contact List

If you have questions, please contact your local Aon consultant or one of the consultants below:

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