Annual Survey of 2019 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 2019 year-end for Switzerland. The results of this survey may be useful to companies when setting preliminary assumptions for 2020 year-end and budgets for 2021;

- Aon conducted this survey of fiscal 2019 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 2019 and the averages shown are as of the end of 2018 and 2019 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 Incidence
- Turnover
- Early Retirement
- Lump Sum Payments on Retirement
- Proportion of Members with Spouse’s / Partner’s Pension
Economic Assumptions
**Discount Rate**

- **2019 average = 0.15% (145 responses)**
- **2018 average = 0.84% (148 responses)**

Source: Internal Aon Survey for 2019 Fiscal Year-End
Inflation

- Average assumed inflation of 1.0% remained unchanged at 31.12.2019 compared to 31.12.2018;
- Similarly to the prior year, around 90% assumed a rate between 1.00% – 1.24%.

2019 average = 1.0% (142 responses)
2018 average = 1.0% (146 responses)

Source: Internal Aon Survey for 2019 Fiscal Year-End
Expected Return on Plan Assets

- Average assumption for the following year decreased by 0.1% from 2.3% at 31.12.2018 to 2.2% at 31.12.2019;
- Moreover, for autonomous plans, the assumption decreased by 0.2% from 2.8% at 31.12.2018 to 2.6% at 31.12.2019.

2019 average = 2.2% (38 responses)
2018 average = 2.3% (37 responses)

Source: Internal Aon Survey for 2019 Fiscal Year-End
Interest Credited to Account Balances

- Average assumption decreased by 0.1% from 1.2% at 31.12.2018 to 1.1% at 31.12.2019;
- For reference, the minimum BVG interest crediting rate remained unchanged at 1.0% for 2020 in comparison to 2019.

2019 average = 1.1% (139 responses)
2018 average = 1.2% (143 responses)

Source: Internal Aon Survey for 2019 Fiscal Year-End
Salary Increase Rate

- Average assumed salary increase rate of 1.5% remained unchanged at 31.12.2019 compared to 31.12.2018;
- Similarly to the prior year, more than 80% assumed a rate between 1.00% – 1.99%;
- Similarly to the prior year, the average premium in excess of inflation (i.e. merit component) was around 0.5%.

2019 average = 1.5% (141 responses)
2018 average = 1.5% (145 responses)

Source: Internal Aon Survey for 2019 Fiscal Year-End
### Increase in Social Security Limits

<table>
<thead>
<tr>
<th>Rate Range</th>
<th>2019 Percentage</th>
<th>2018 Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 0.75%</td>
<td>0.7%</td>
<td>0.7%</td>
</tr>
<tr>
<td>0.75% - 0.99%</td>
<td>1.4%</td>
<td>1.4%</td>
</tr>
<tr>
<td>1.00% - 1.24%</td>
<td>46.1%</td>
<td>48.6%</td>
</tr>
<tr>
<td>1.25% - 1.49%</td>
<td>50.4%</td>
<td>45.2%</td>
</tr>
<tr>
<td>1.50% - 1.74%</td>
<td>1.4%</td>
<td>1.4%</td>
</tr>
<tr>
<td>&gt;= 1.75%</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
</tbody>
</table>

- **2019 average = 1.1% (141 responses)**
- **2018 average = 1.1% (146 responses)**

Source: Internal Aon Survey for 2019 Fiscal Year-End

- Average assumed increase in social security limits of 1.1% remained unchanged at 31.12.2019 compared to 31.12.2018;
- Similarly to the prior year, around 95% assumed a rate between 1.00% – 1.49%;
- The average premium in excess of inflation was around 0.1%.
Pension Increase Rate

- Average assumed pension increase rate of 0.0% remained unchanged at 31.12.2019 compared to 31.12.2018;
- Similarly to the prior year, more than 90% assumed no future pension indexation;
- Similarly to the prior year, for those assuming a future pension indexation, the average rate is around 0.25%.

2019 average = 0.0% (141 responses)
2018 average = 0.0% (145 responses)

Source: Internal Aon Survey for 2019 Fiscal Year-End
Demographic Assumptions
Similarly to the prior year, more than 90% of our clients used the CMI model to determine future mortality improvements instead of the 2015 Menthonnex model. This broad switch began in 2017 in response to internal research and developments and is continuing to take hold both at Aon and externally;

Among those using the CMI model to determine future mortality improvements, an average long-term rate of improvement of around 1.5% was observed.

Source: Internal Aon Survey for 2019 Fiscal Year-End

<table>
<thead>
<tr>
<th>Year</th>
<th>BVG15 (CMI)</th>
<th>BVG15 (Menthonnex)</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>93.1%</td>
<td>4.8%</td>
<td>2.1%</td>
</tr>
<tr>
<td>2018</td>
<td>92.6%</td>
<td>5.4%</td>
<td>2.0%</td>
</tr>
</tbody>
</table>

2019 (145 responses)
2018 (148 responses)
Similarly to the prior year, more than 90% of our clients applied an adjustment factor to the standard table. This broad switch began in 2017 in response to internal research and developments and is continuing to take hold both at Aon and externally;

For those applying such an adjustment factor, the average factor used to scale the rates of the standard BVG 2015 disability table is around 80%. Indeed, the standard table implies that all participants will receive full disability benefits, which is not always the case. Taking into account the degree of disability in the calculations results in a better estimate of the effective costs arising from the occurrence of disability.

<table>
<thead>
<tr>
<th>Year</th>
<th>BVG15 Adjusted</th>
<th>BVG15</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>93.1%</td>
<td>5.6%</td>
<td>1.4%</td>
</tr>
<tr>
<td>2018</td>
<td>90.5%</td>
<td>8.2%</td>
<td>1.3%</td>
</tr>
</tbody>
</table>

2019 (144 responses)
2018 (147 responses)

Source: Internal Aon Survey for 2019 Fiscal Year-End
For those applying an adjustment factor, the average factor used to scale the rates of the standard BVG 2015 turnover table is around 135%.

2019 (144 responses)
2018 (147 responses)

Source: Internal Aon Survey for 2019 Fiscal Year-End
Early Retirement


2019 (145 responses)
2018 (148 responses)

Source: Internal Aon Survey for 2019 Fiscal Year-End
Lump Sum Payments on Retirement

- Average assumption decreased by 1% from 32% at 31.12.2018 to 31% at 31.12.2019;

2019 average = 31% (140 responses)
2018 average = 32% (143 responses)

Source: Internal Aon Survey for 2019 Fiscal Year-End
Proportion of Members with Spouse’s / Partner’s Pension

- Around 72% assumed the BVG 2015 table (age-by-gender) at 31.12.2019 compared to 36% at 31.12.2018. This important year-on-year increase is the result of a concerted effort to promote the quality and accuracy of the assumption over its simplicity;

- For the remaining 28%, a flat, gender-specific assumption was used. The average assumption was around 73% for males and around 56% for females.

Source: Internal Aon Survey for 2019 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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