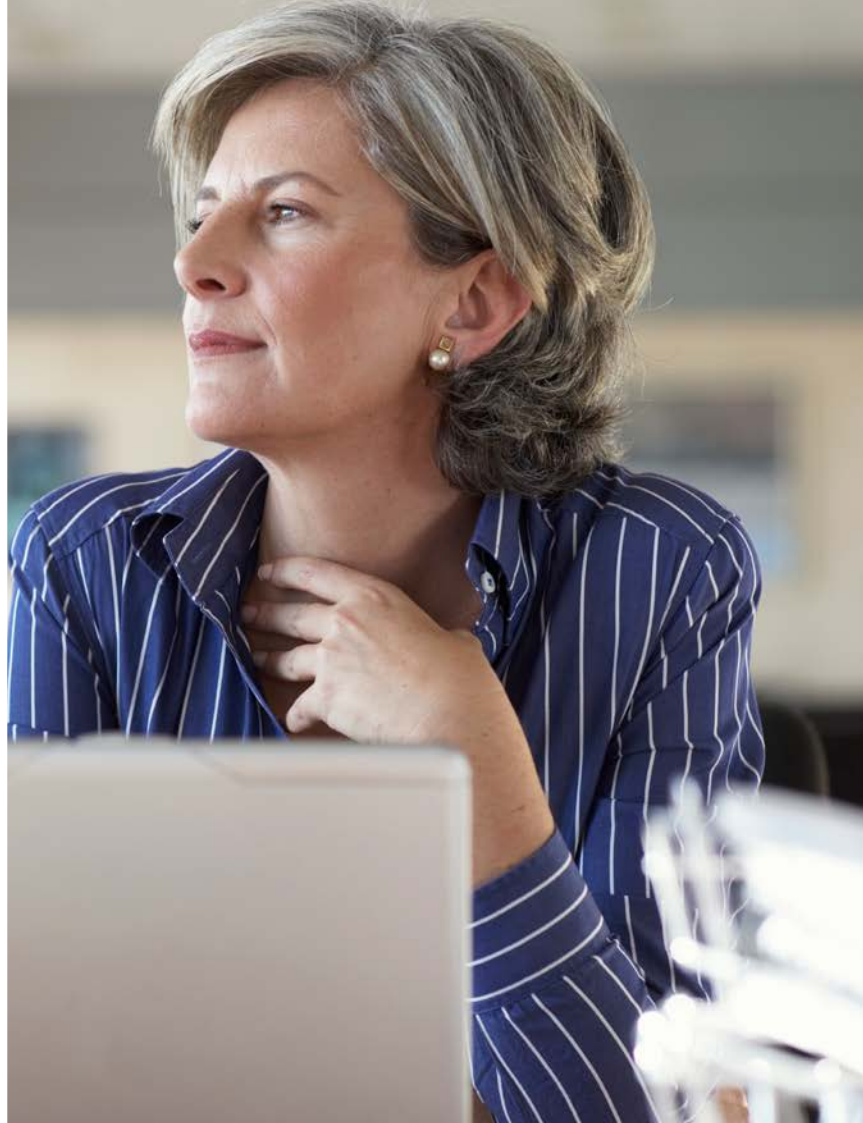
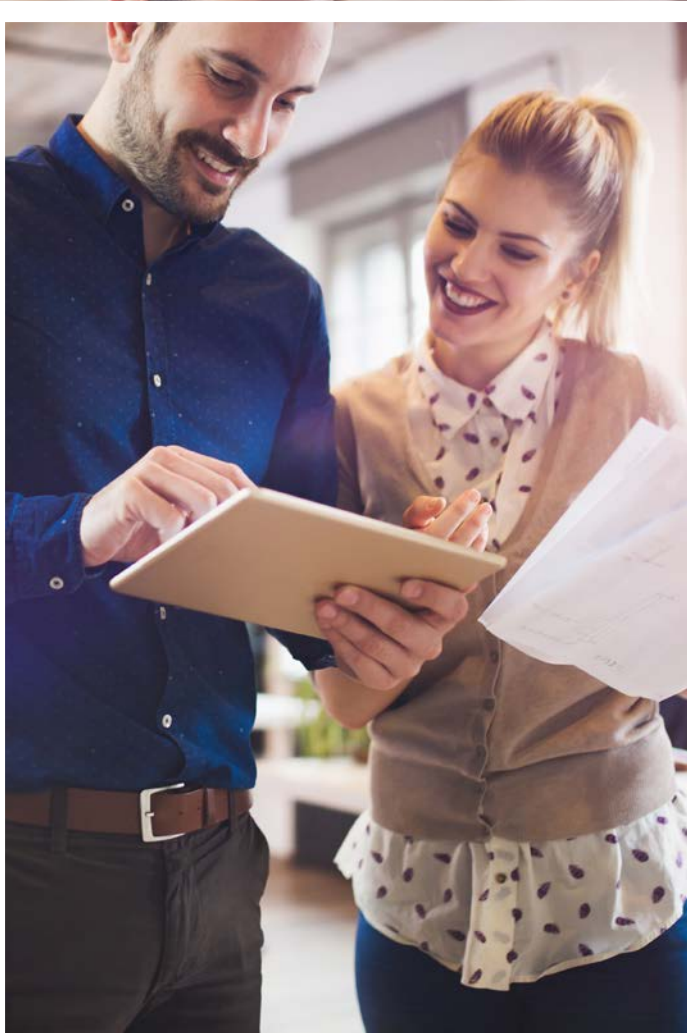


Swiss 1e Pension Plans: Where do they stand?

PwC Market Study 2019





Introduction

Growing 1e market

The 2017 reforms to Swiss pension law for 1e pension plans created opportunities for employers, employees and pension plan providers. We asked the largest providers of 1e pension plans about their offerings and future expectations. They told us that they are ambitious and optimistic about growth going forward.

1e plans allow individual employees to choose from a range of investment strategies for the portion of their salary above CHF128K. Typical Swiss pension plans do not offer such a choice. It can be an attractive option for employees seeking to combine private savings with pension savings.

Our survey studied 11 of the most developed 1e providers currently in the market (a further five providers are building up their offerings). Our most surprising finding was that, when given the choice, employees take less risk with their investments than collective pension funds.

Key findings

The 1e market is becoming significant

Providers had a total of CHF 3.8 bn in assets under management and covered 16,175 members as of 1 January 2019, 41% growth year on year

Market providers expect significant growth

Providers are ambitious and optimistic – on average they expect future growth of around 27% annually for the next five years, with assets under management rising to CHF 12.7 bn

Higher share of low- and moderate-risk investments

Currently 1e plan investments have a higher average allocation of cash and bonds than more traditional collective pension funds – a surprising finding reflecting a rather conservative overall risk profile

1e plans attract buy-ins

1e plans are more heavily used for buy-ins than collective pension funds

State-of-the-art service offering

Providers are innovating, making extensive use of online-based tools to interact with members and offering a high level of flexibility in plan design

Competitive administrative costs

While most providers have very competitive administrative costs, the average general administrative costs cited by survey participants are slightly higher than the average of the entirety of collective pension funds



The 1e market is becoming significant, but there's a wide spread of market shares

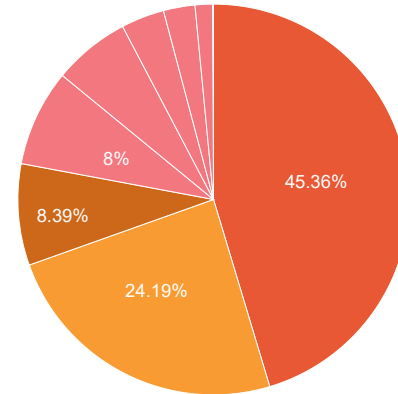
CHF 3.8 bn AuM, 16,175 members

The providers surveyed had total assets under management of CHF 3.8 bn at the start of 2019 and covered a total of 16,175 insured members. The number of members had grown by 41% compared with the end of 2017. These assets and members come from 1'931 affiliated companies, so the average number of members per company is still low at 8.

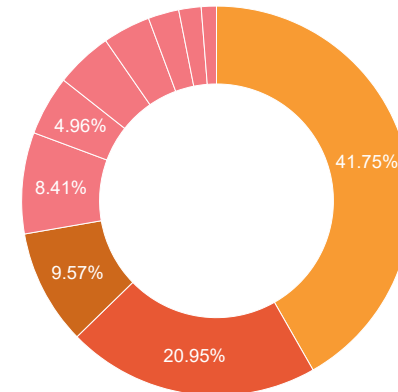
There is a wide spread of market shares. The largest provider by asset volume covers 45% of the total assets in our survey and has 21% of the of insured members.

The three largest industry players hold 78% of total assets.

Total Asset Volume (mCHF) at BoY 2019 by provider



Insured members as at BoY 2019 by provider



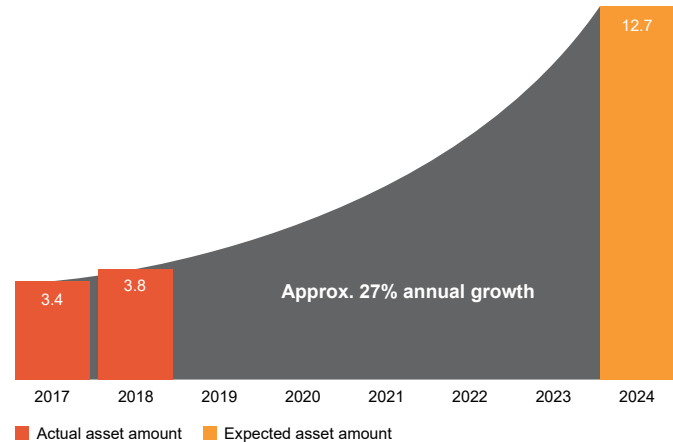
Market providers expect significant growth of over 27% a year on average

Annual growth of 27% expected

The 1e market has seen gradual and steady growth in the past. Although the number of members has increased by 41% in the last year, growth in assets under management has been lower. This is largely due to the way plans are set up: new plans typically only cover future rights, or the amounts transferred are low.

Providers are ambitious and optimistic about future growth. The 11 providers surveyed expect their assets under management to grow from CHF 3.8 bn to CHF 12.7 bn in the next five years.

Development of total assets (CHF)



Higher share of low- and moderate-risk investments

More cash and bonds, less real estate and alternatives

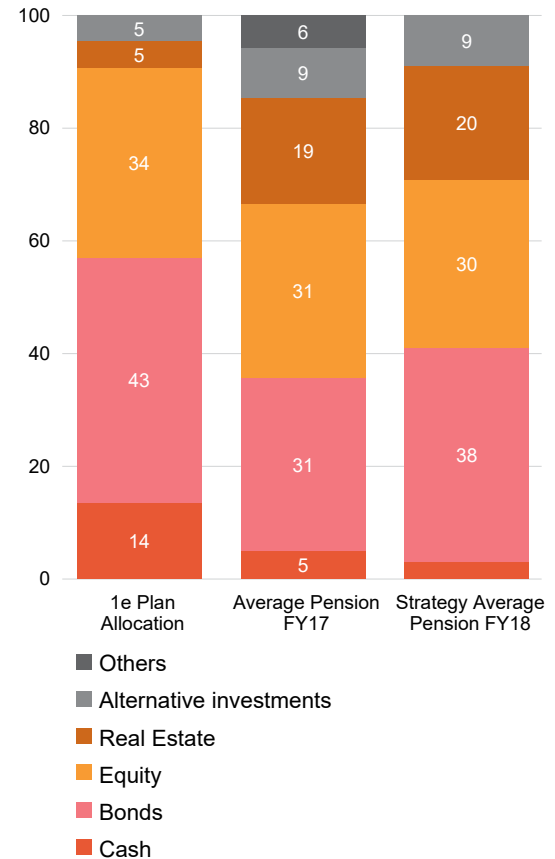
1e plan assets on average show a higher average allocation to cash and bonds than traditional collective Swiss pension funds. This is surprising, as a common challenge for 1e plans is that individuals will take too much risk with their asset strategies if given the freedom to choose. The evidence suggests, however, that the investment strategies chosen by 1e members are not generally different from those of a collective fund.

One factor is that real estate is offered less commonly by 1e pension plan providers than by collective funds. Another factor may be that many individuals are following default strategies which are often based on cash and bond assets.

Source of data

1. Average pension FY17: Pensionskassenstatistik 2017 (<https://www.bfs.admin.ch/bfs/de/home/statistiken/soziale-sicherheit/berufliche-vorsorge.assetdetail.8508159.html>)
2. Strategy average pension FY18: Bericht finanzielle Lage der Vorsorgeeinrichtungen 2018 (https://www.oak-bv.admin.ch/inhalte/Themen/Erhebung_finanzielle_Lage/2018/Bericht_finanzielle_Lage_der_VE_2018_Deutsch.pdf)

Asset Allocations FY19 vs Strategy Average Pension FY18



1e plans attract buy-ins

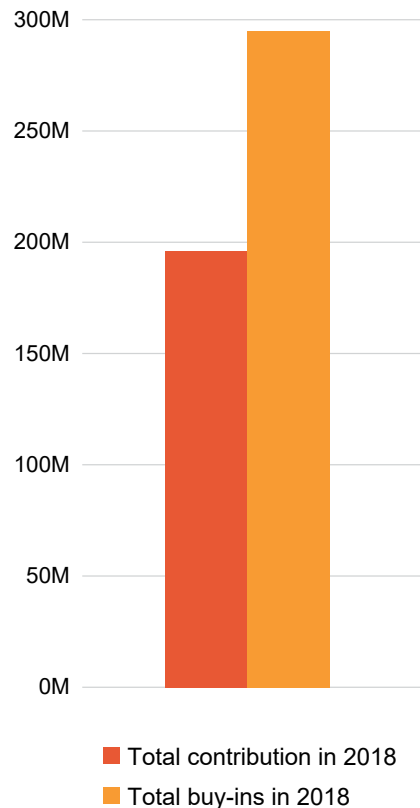
Buy-ins in 1e plans exceed regular contributions

Providers also reported that a high volume of premium and contribution flow came through individual buy-ins. Buy-ins were more than 1.5 times regular contributions, a significantly higher ratio than traditional collective funds¹.

This is unsurprising, but still a notable finding, and supports the view that 1e plans are attractive vehicles for individuals to make additional savings for their retirement. Other reasons might be the low maturity of the market and the nature of plan design. As by definition 1e investors are higher earners, these individuals often have more volatile income and earnings available to invest.

Source of data

¹ Buy-ins are approximately 14% of regular contributions: Pensionskassenstatistik 2017, page 21 (<https://www.bfs.admin.ch/bfs/de/home/statistiken/soziale-sicherheit/berufliche-vorsorge.assetdetail.8508159.html>)



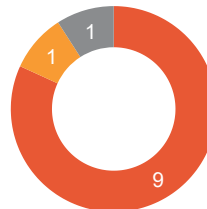
State-of-the-art service offerings

Online presence supports the onboarding process

Online tools are in wide use for interaction with insured members (see selected survey results to the right).

All surveyed providers stated that companies are given the flexibility to choose key elements of plan design such as the range of insured salary, level of savings contributions and risk benefits for their 1e plan, but also other aspects such as additional savings at the employee's discretion (as per BVV 2, Article 1d), segregation of buy-ins in case of death, offering a partner pension for non-married persons and others, etc.

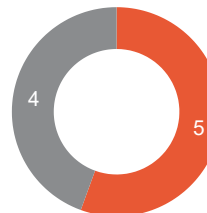
1. Online presence



■ Yes ■ Currently under construction ■ No

Nine of the 11 providers surveyed have an online presence enabling their clients to access information on their 1e pension offerings. The other two providers do not have an online platform for their clients at present, but one confirms that such a platform is currently under construction.

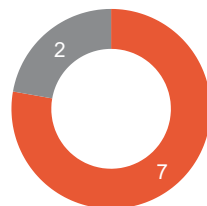
2. Real-time access



■ Yes ■ No

Five of 9 surveyed providers with online platforms allow real-time access and online submission of asset allocation strategy.

3. Initial investment strategy



■ Yes ■ No

Seven of the 9 providers with online platforms allow members to choose their initial individual investment strategy via the online platform.

Competitive administrative costs

Wide range of administrative costs, driven by several factors

Of the 11 surveyed providers, 8 provided information on their annual administrative costs per insured member. The average cost was CHF 349 per member. This is slightly higher than for traditional collective funds, although this is partly due to this market's early stage of maturity, and costs per member should decline as the market grows.

On a provider level there is a wide range of average costs reflecting the maturity of each provider. The highest was over CHF 600 per member and the lowest CHF 100.

AuM costs have not been benchmarked. Eight of the 11 providers offer solutions with no extra transaction costs when rebalancing between investment strategies.



Source of data

1. Average admin costs – collective fund: Swisssanto Schweizer Pensionskassenstudie 2019, page 71
https://www.swisssanto.com/media/pub/1_vorsorgen/pub-107-pks-2019-ergebnisse-deu.pdf

1e survey participants – in alphabetical order

AXA Flex Invest (product)

Credit Suisse Sammelstiftung 1e

FCT 1e Fondation Collective Trianon 1e

Liberty 1e Flex Investstiftung

PensFlex – Sammelstiftung für die ausserobligatorische berufliche Vorsorge

Sammelstiftung Vita Select der Zürich Lebensversicherungs-Gesellschaft AG

Swisscanto 1e Sammelstiftung

Swiss Life Sammelstiftung Invest

UBS Optio 1e Sammelstiftung

VZ Sammelstiftung

yourpension - Sammelstiftung



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