

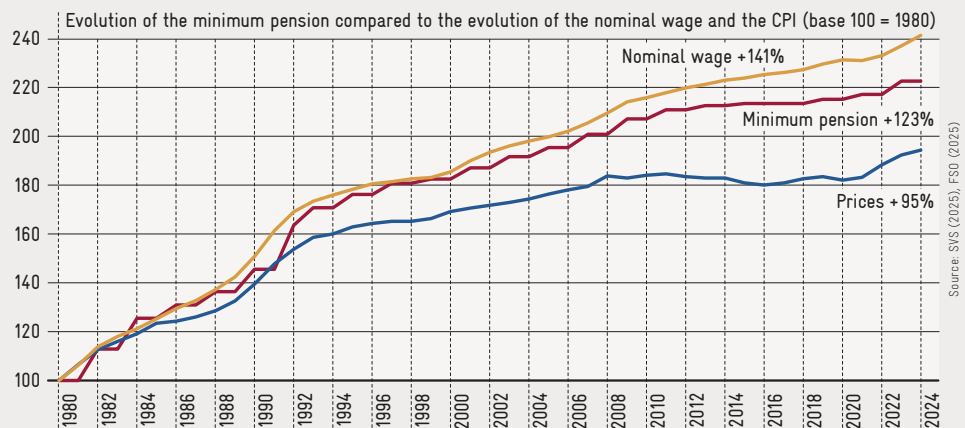
# OASI, the Unstable First Pillar

*The benefits of the first pillar of retirement provision are rising faster than prices. However, its long-term financing is not guaranteed.*

## Situation

The old-age and survivors' insurance (OASI) is the first of three pillars in Switzerland's old-age insurance system. Its aim is to cover the bare minimum during retirement. It is financed based on apportionment: each year, the contributions of the employed and of the government must cover the pensions of that given year. Despite two recent reforms (Staf and AHV21 in German), its financing is not guaranteed past 2030. As more baby boomers retire and life expectancy increases, the pension payment period will extend over time, and the number of recipients will exceed the number of contributors.

## Minimum OASI pensions rise faster than prices



Minimum OASI pensions are adjusted every two years according to the mixed index (= the average of the wage index and the Swiss Consumer Price Index (CPI)). Since its first application in 1980, minimum OASI pensions have risen much faster (+123%) than prices (+95%).

## Facts

# +CHF 116,200

In 1980, from the age of 65, recipients of the minimum OASI pension received a total of CHF 183,600 (inflation-adjusted) until they passed away. In 2024, this amount added up to CHF 299,800. Therefore, today, a pensioner receives CHF 116,200 more than 40 years ago.

### ■ A gap of several billions a year

The annual deficit in the apportionment result will amount to CHF 5 billion in 2033 (incl. 13th pension) and will increase every year. By comparison, building the Lötschberg tunnel cost CHF 4.6 billion – in total!

### ■ OASI is also financed by taxes

The OASI must guarantee minimum living standard also to those who have been unemployed. For this reason, salary contributions only cover about 75% of its expenditure. The federal government finances the rest (25%).

### ■ Higher pensions for women

Contrary to popular belief, the average monthly OASI pension for women (CHF 1,923 in 2024) is slightly higher than for men (CHF 1,906).

### ■ Discrimination of widowers

If a spouse passes away, a widower only receives a pension if he has underage children. A widow who has been married for five years receives a lifelong pension from the age of 45, regardless of whether she has children or not. In 2024, 97% of widow's and widower's pension were provided to women. Since the ECtHR ruling in 2022, it is necessary to adjust the situation.

## Recommendations

These are the three measures that must be taken to ensure long-term financing of the OASI:

**1) Save for a longer period of time** by incrementally adapting retirement age (a few months per year) to life expectancy. This allows to split prolonged life expectancy between work and leisure.

**2) Reduce expenditure** by adjusting widow's and widower's pension regardless of gender and only for spouses with dependent children. **3) Increase revenues** through a federal contribution (i.e. VAT or other tax sources) instead of a wage contribution. The OASI is intergenerational, both the employed and the pensioners must contribute to its long-term financing.

