



Annual Survey of 2021 Accounting Assumptions

Switzerland

Aon Switzerland Ltd.
Wealth Solutions



About the Survey

- An internal survey of Aon Switzerland's international accounting clients is performed each year in order to review and document the various valuation assumptions used for disclosure purposes under ASC 715, IAS 19 or IPSAS 39. This survey includes results as of the end of 2020 and 2021 for approximately 150 companies with a 31 December financial year-end.
- The results of this survey may be useful to companies when setting preliminary assumptions for 2022 year-end and budgets for 2023. 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.

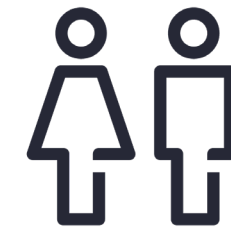


Surveyed Assumptions



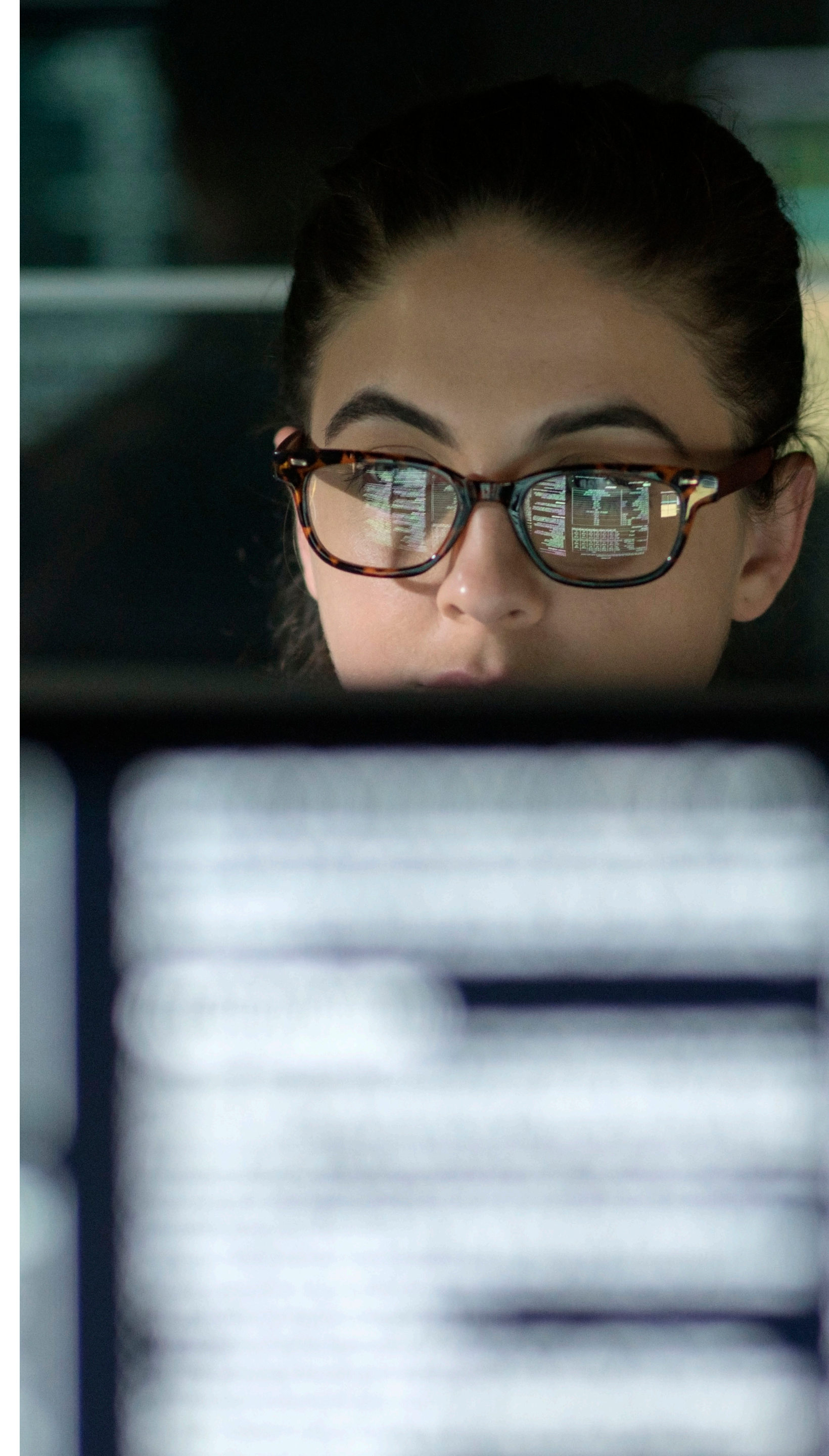
Economic Assumptions

- Discount Rate
- Interest Credited to Account Balances
- Expected Return on Plan Assets
- Inflation
- 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



Key Observations

Economic Assumptions

The largest variation observed in the economic assumptions this year was in the discount rate, which increased by about 20 basis points (from 0.05% at 31.12.2020 to 0.24% at 31.12.2021). Most other economic assumptions remained fairly stable compared to their year-end 2020 values. A brief overview of these year-on-year changes can be found in the table below.

Economic Assumptions	Average 31.12.2020	Average 31.12.2021	Change
Discount Rate	0.05%	0.24%	+0.19%
Interest Crediting Rate	1.17%	1.22%	+0.05%
Expected Return on Plan Assets	2.24%	2.21%	-0.03%
Inflation Rate	0.96%	0.97%	+0.01%
Salary Increase Rate	1.46%	1.48%	+0.02%
Increase in Social Security Limits	1.11%	1.12%	+0.01%
Pension Increase Rate	0.01%	0.01%	+0.00%

Demographic Assumptions

As expected, a significant shift in the selection of demographic assumptions occurred at year-end 2021 with the widespread adoption of the BVG/LPP 2020 demographic tables.



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Economic Assumptions

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Discount Rate

0.05%

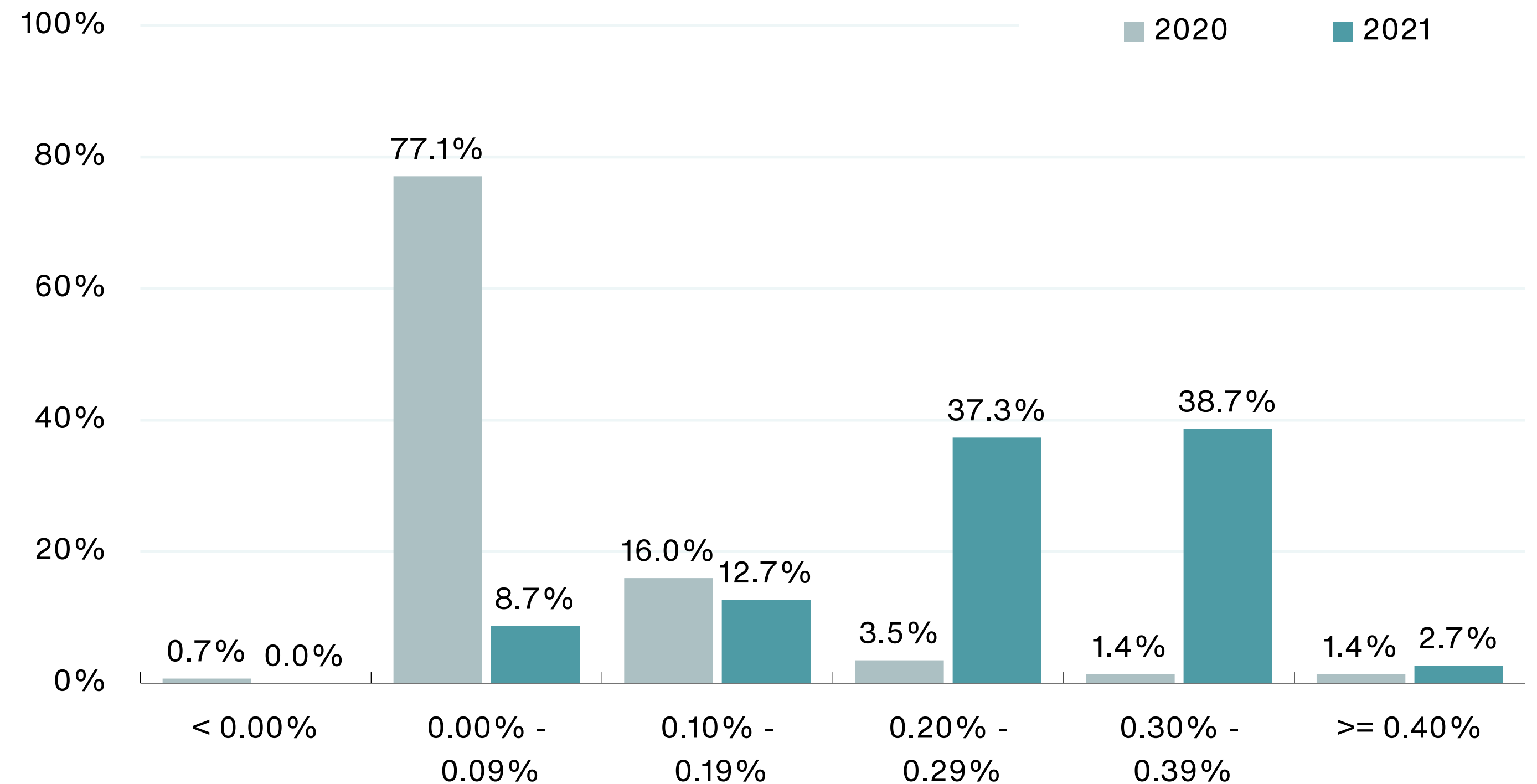
31.12.2020

0.24%

31.12.2021

+0.19%

- The average assumption increased by 0.19% from 0.05% at 31.12.2020 to 0.24% at 31.12.2021.
- Over 95% established the discount rate based on a yield curve and the expected cash flows of the plan. Of these, around 85% used a single equivalent rate while around 15% used a full yield curve approach.



2021 average = 0.24% (150 responses)

2020 average = 0.05% (144 responses)

Source: Internal Aon Survey for 2021 Fiscal Year-End

Interest Credited to Account Balances

1.17%

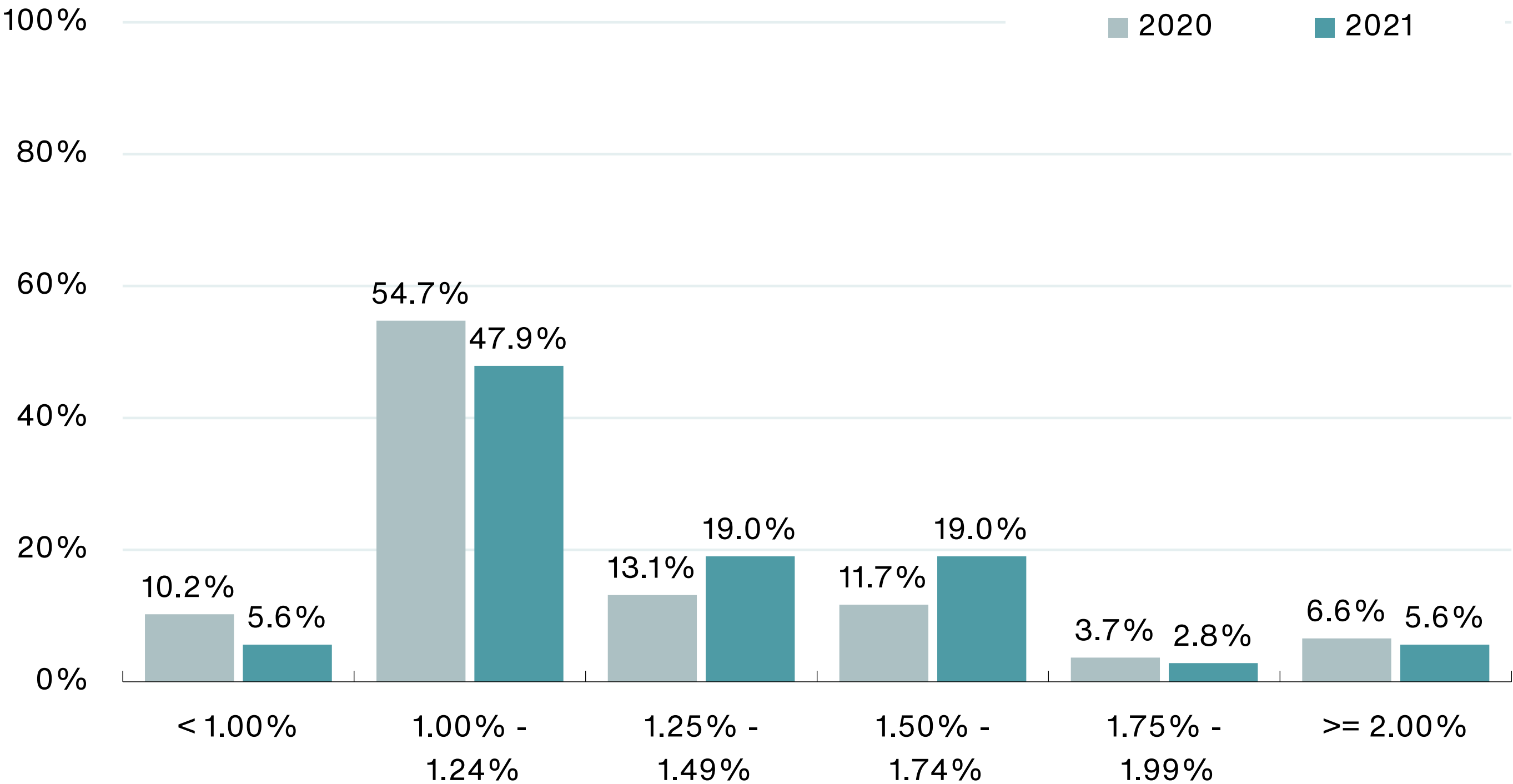
31.12.2020

1.22%

31.12.2021

+0.05%

- The average assumption increased slightly from 1.17 % at 31.12.2020 to 1.22 % at 31.12.2021.
- For reference, the BVG minimum interest crediting rate remained unchanged at 1.0% for 2022 in comparison to 2021.



2021 average = 1.22% (142 responses)
2020 average = 1.17% (137 responses)

Source: Internal Aon Survey for 2021 Fiscal Year-End

Expected Return on Plan Assets

2.24%

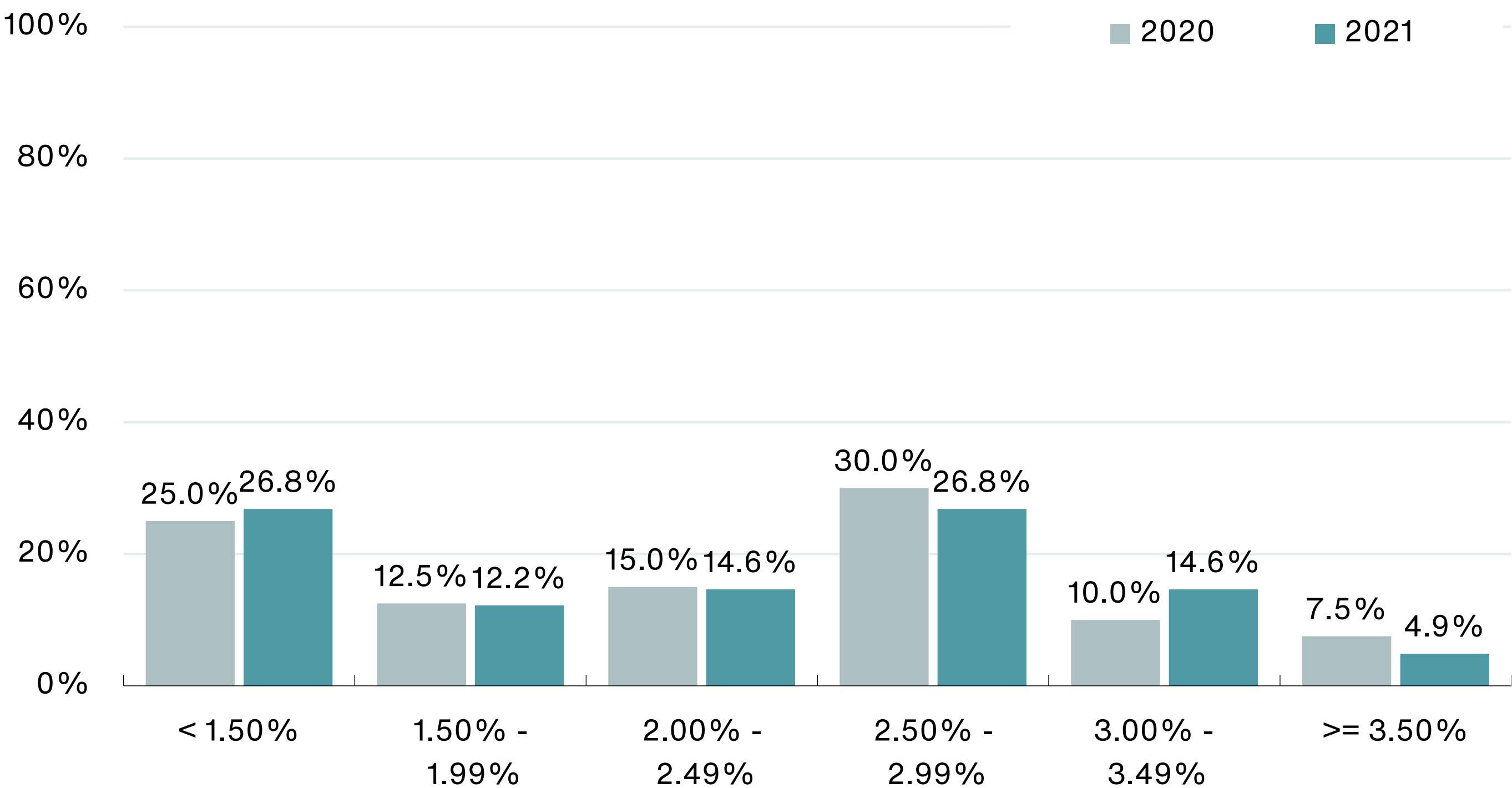
31.12.2020

2.21%

31.12.2021

-0.03%

- The average assumption stayed nearly the same.
- For autonomous plans, the average assumption was around 2.9%.
- Note that this assumption is only applicable to companies reporting under ASC 715.



2021 average = 2.21% (41 responses)
2020 average = 2.24% (40 responses)

Source: Internal Aon Survey for 2021 Fiscal Year-End

Inflation

0.96%

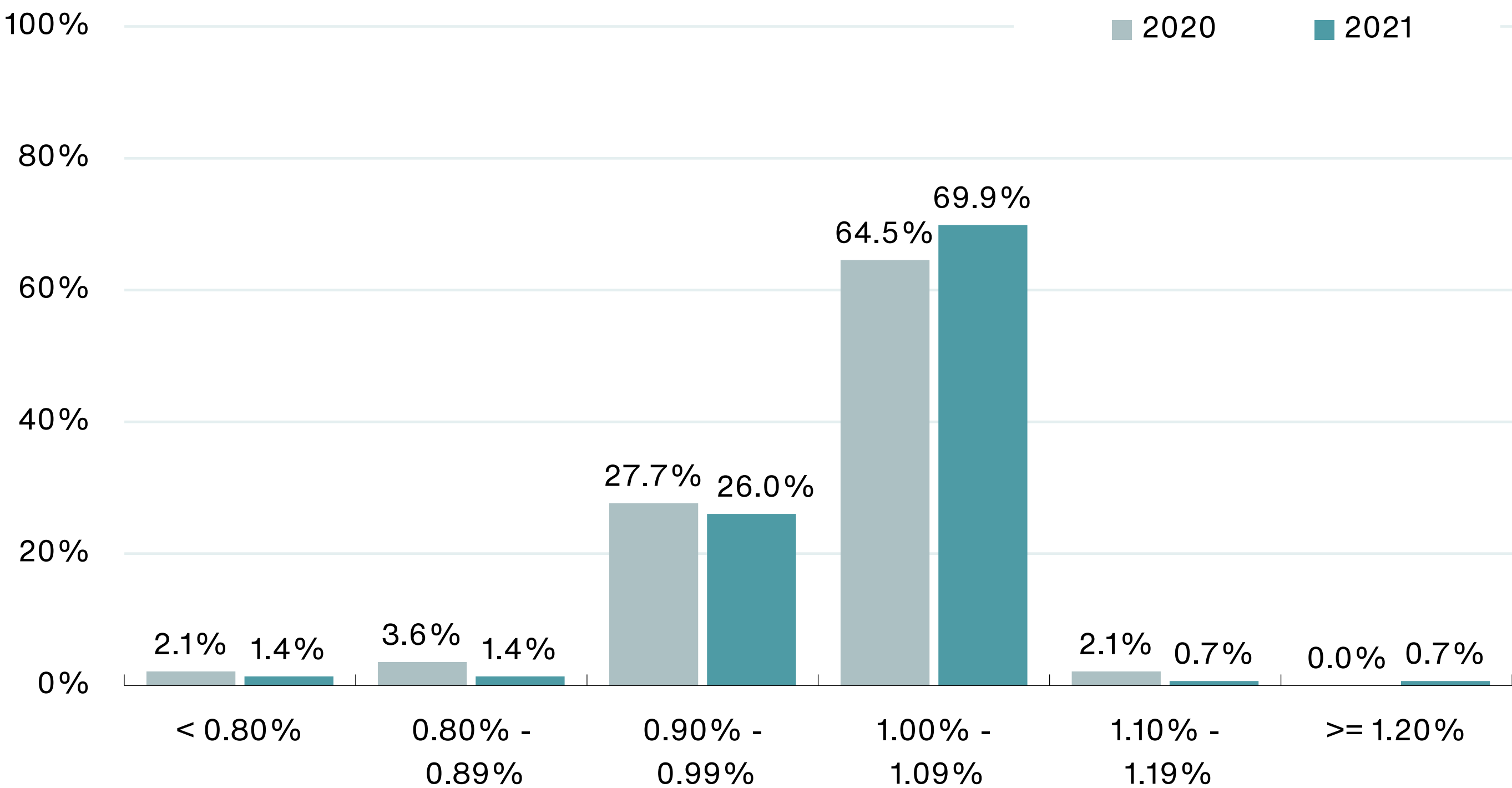
31.12.2020

0.97%

31.12.2021

+0.01%

- The average assumption stayed nearly the same.
- The most commonly observed inflation assumption at 31.12.2021 was 1.00%.



2021 average = 0.97% (146 responses)
2020 average = 0.96% (141 responses)

Source: Internal Aon Survey for 2021 Fiscal Year-End

Salary Increase Rate

1.46%

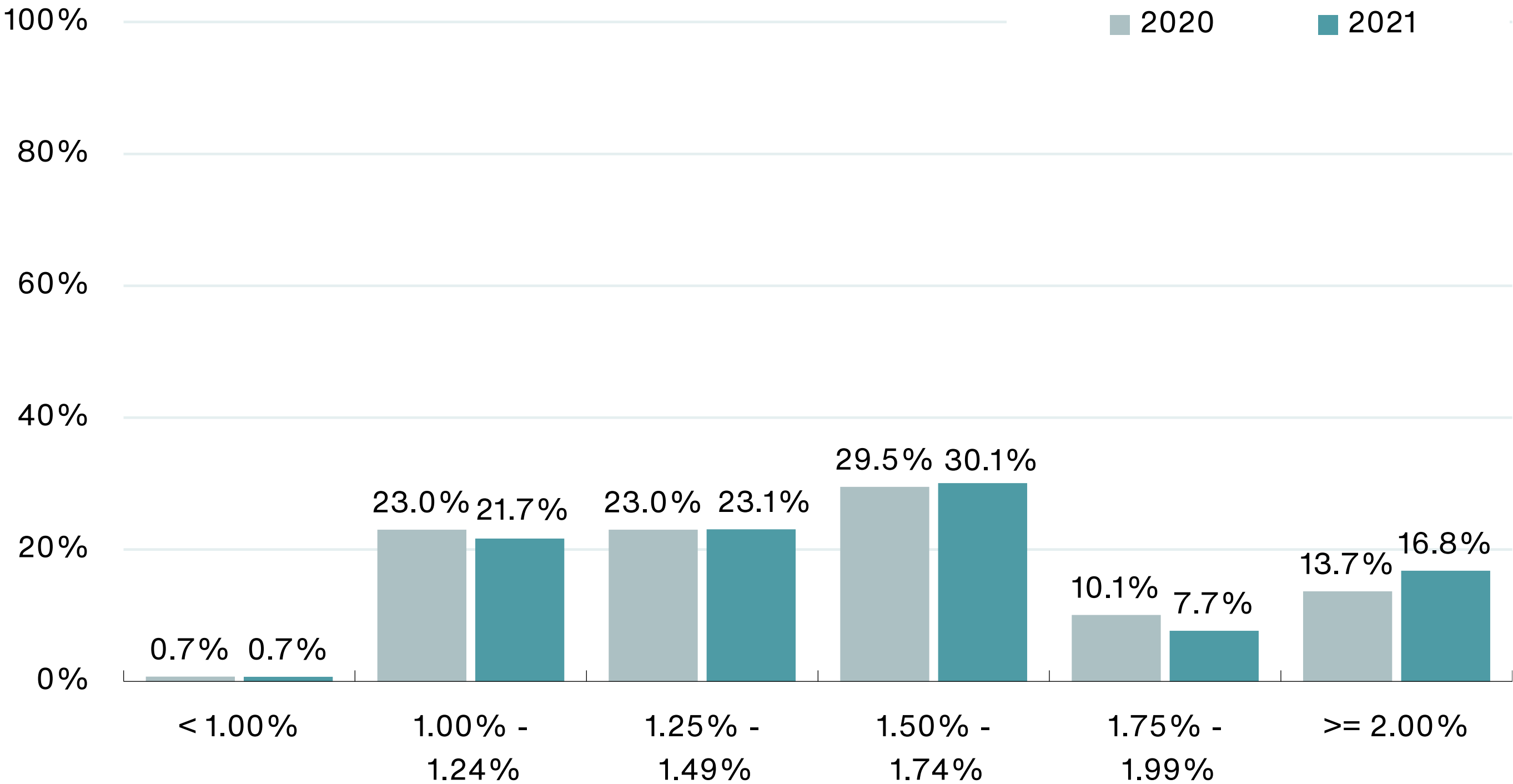
31.12.2020

1.48%

31.12.2021

+0.02%

- The average assumption stayed nearly the same.
- The average premium in excess of inflation (i.e. the merit component) was around 0.5%, which is similar to the prior year.



2021 average = 1.48% (143 responses)
2020 average = 1.46% (139 responses)

Source: Internal Aon Survey for 2021 Fiscal Year-End

Increase in Social Security Limits

1.11%

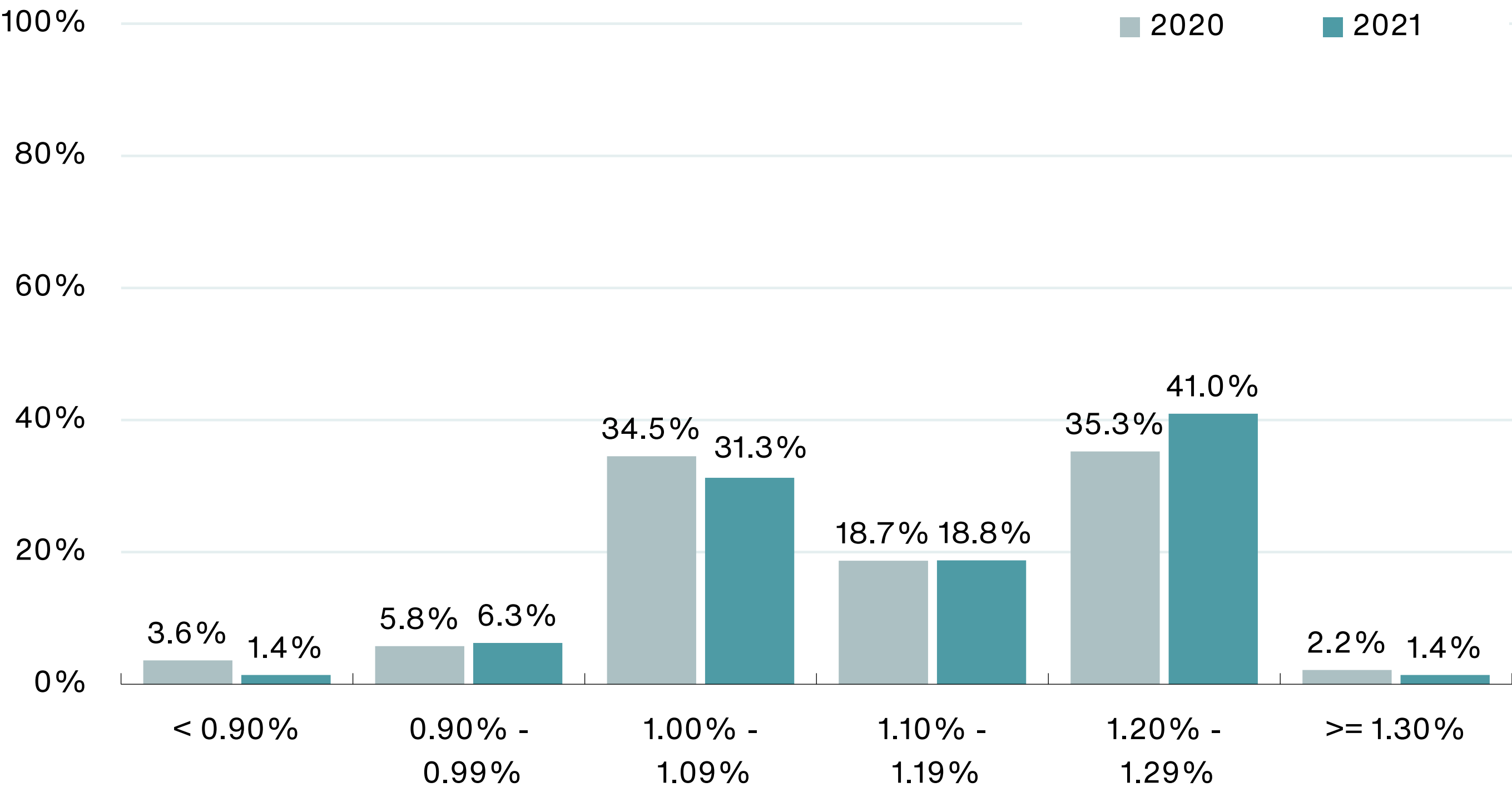
31.12.2020

1.12%

31.12.2021

+0.01%

- The average assumption stayed nearly the same.
- The average premium in excess of inflation was around 0.15%, which is similar to the prior year.



2021 average = 1.12% (144 responses)

2020 average = 1.11% (139 responses)

Source: Internal Aon Survey for 2021 Fiscal Year-End

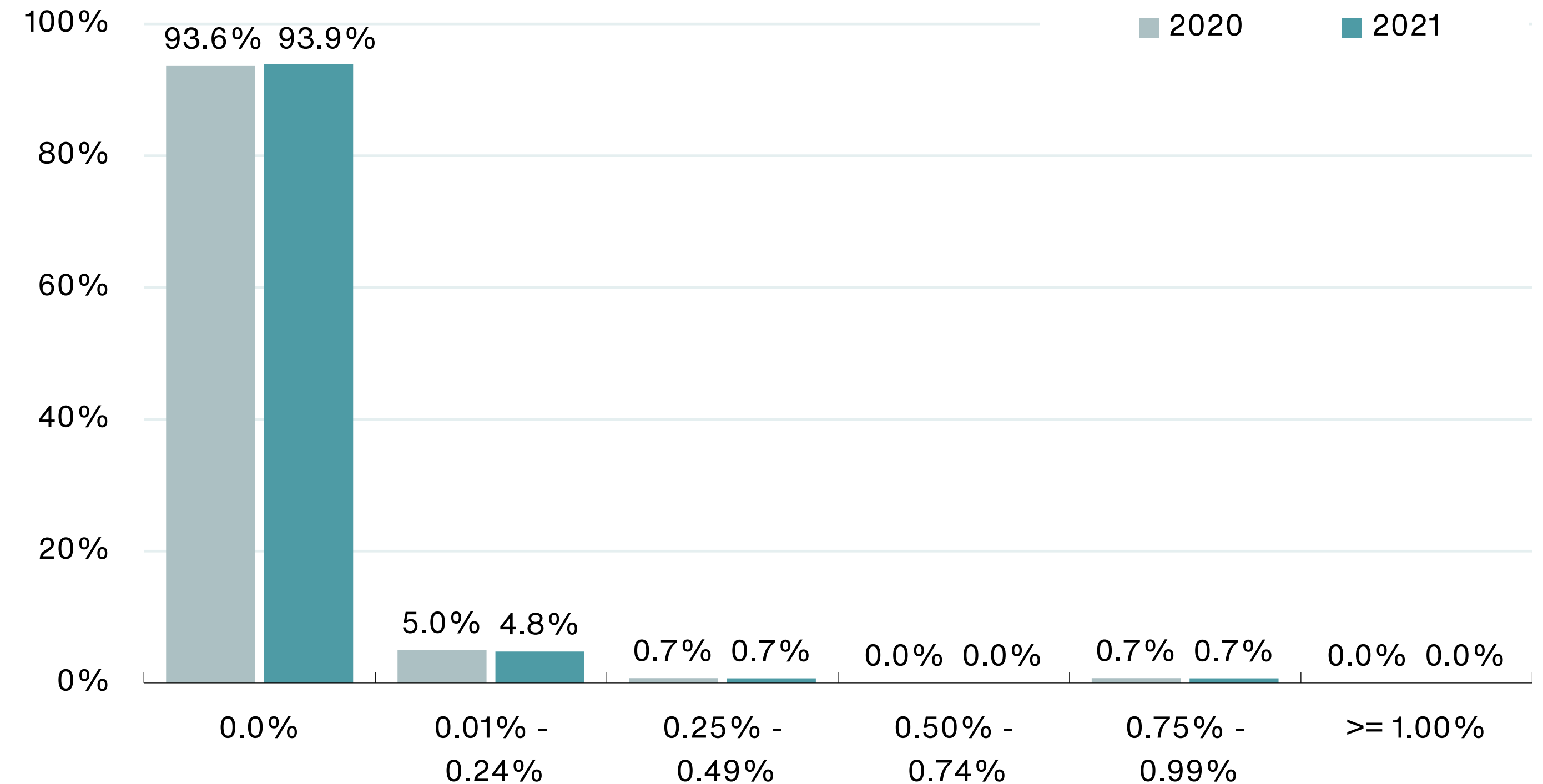
Pension Increase Rate

0.01%
31.12.2020

0.01%
31.12.2021

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- The average assumption of 0.01% remained unchanged at 31.12.2021 compared to 31.12.2020.
- 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.



2021 average = 0.01% (147 responses)

2020 average = 0.01% (141 responses)

Source: Internal Aon Survey for 2021 Fiscal Year-End

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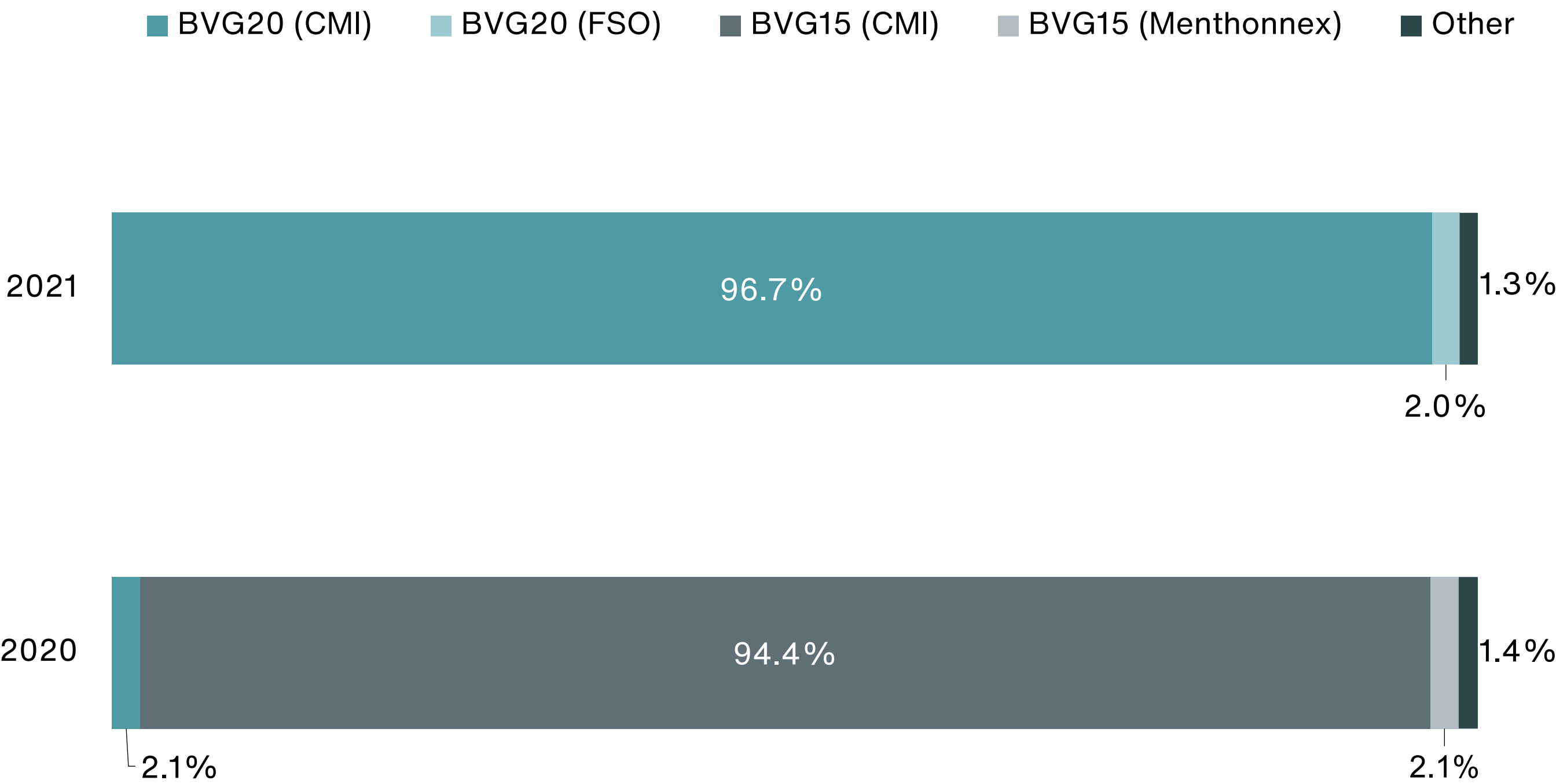


Demographic Assumptions



Mortality

- Widespread adoption of the new BVG 2020 mortality tables occurred during 2021.
- For determining future mortality improvements, more than 95% used the CMI model. Among those, an average long-term rate of improvement of around 1.5% was observed, which is similar to the prior year.



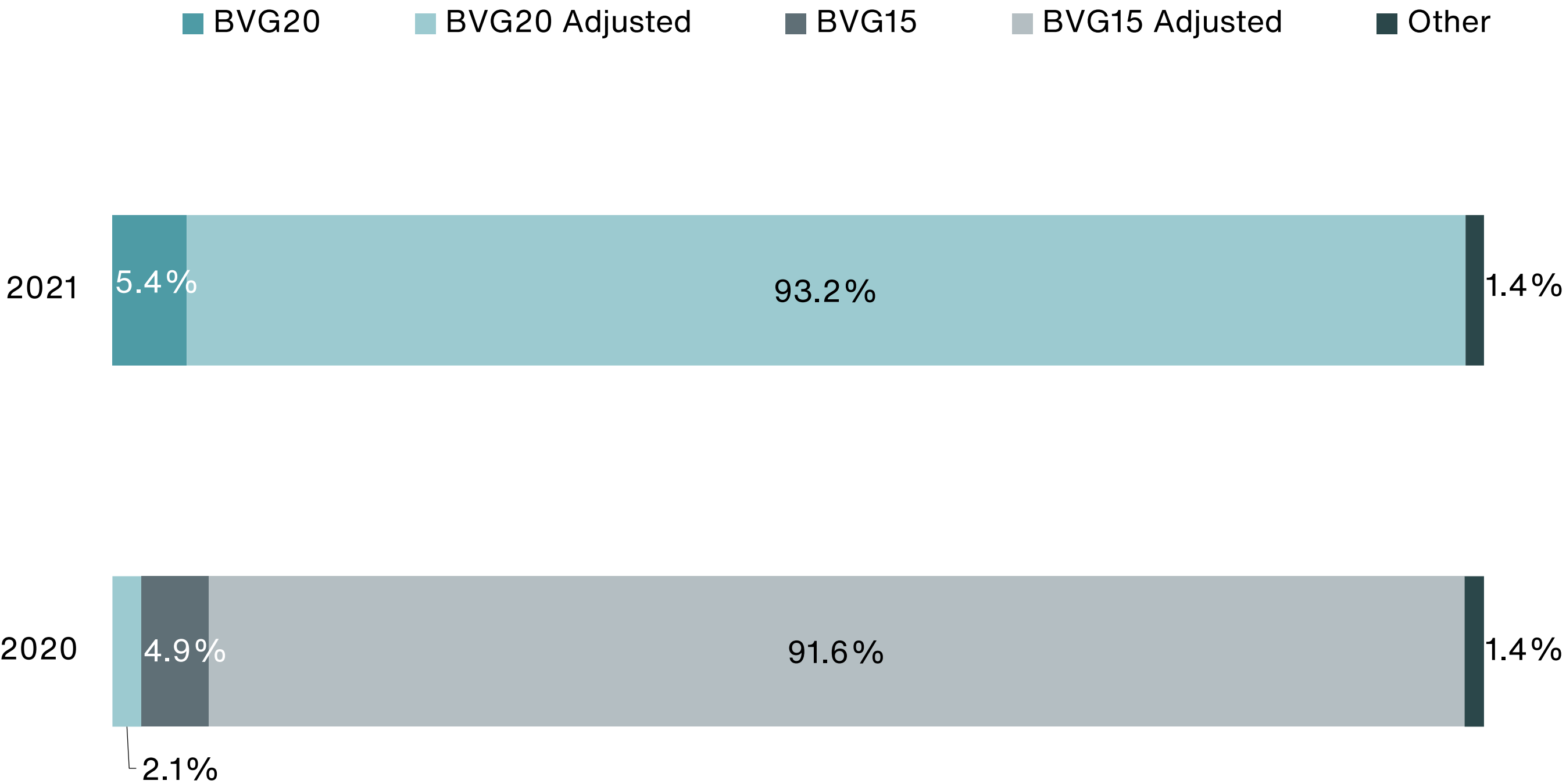
2021 (150 responses)

2020 (144 responses)

Source: Internal Aon Survey for 2021 Fiscal Year-End

Disability

- Widespread adoption of the new BVG 2020 disability table occurred during 2021.
- More than 90% of our clients continue to apply an adjustment factor to the standard BVG 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%, which is similar to the prior year.



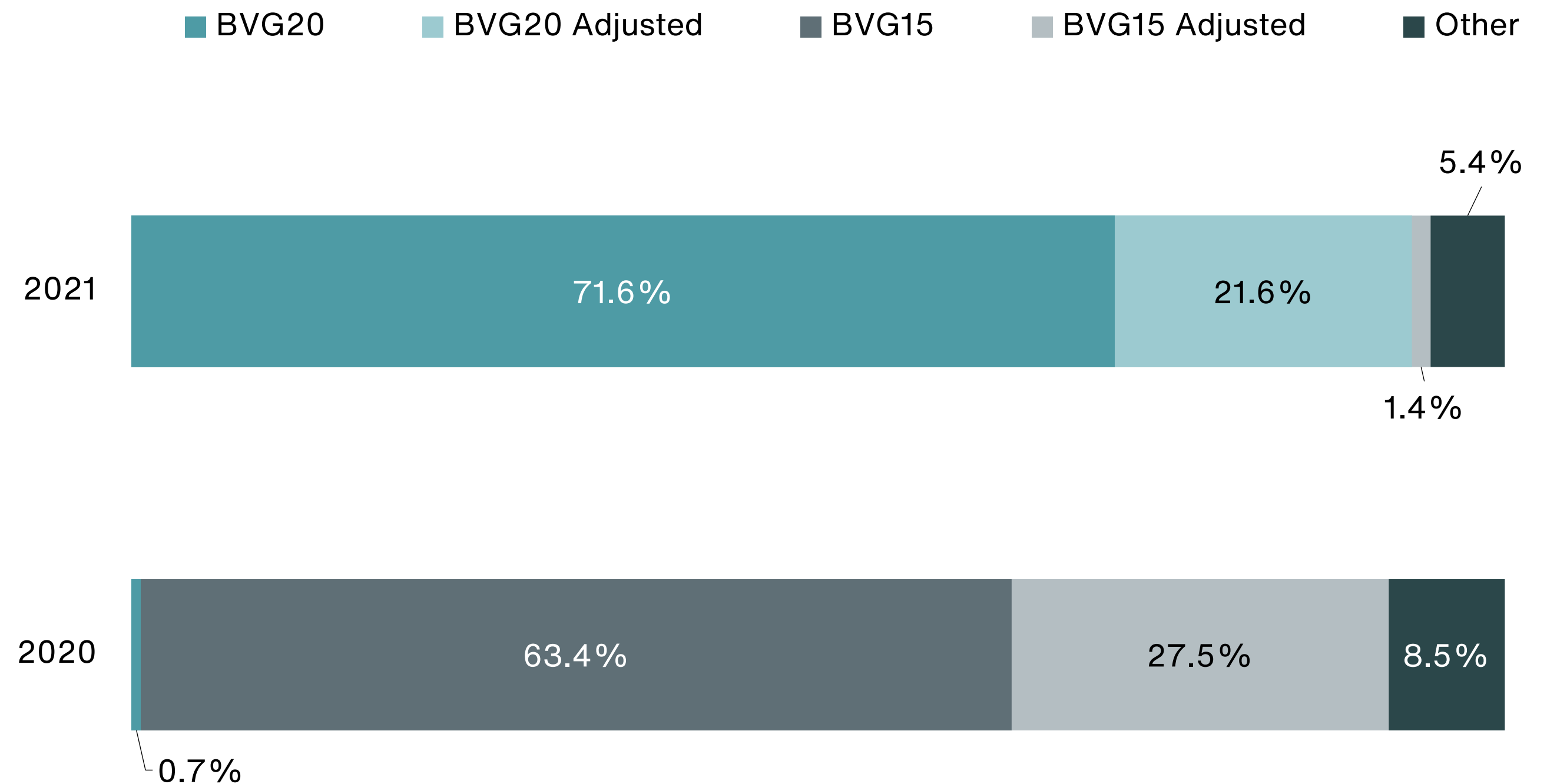
2021 (148 responses)

2020 (142 responses)

Source: Internal Aon Survey for 2021 Fiscal Year-End

Turnover

- Widespread adoption of the new BVG 2020 turnover table (sometimes with an adjustment) occurred during 2021.
- 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 2020 turnover table was around 130%.



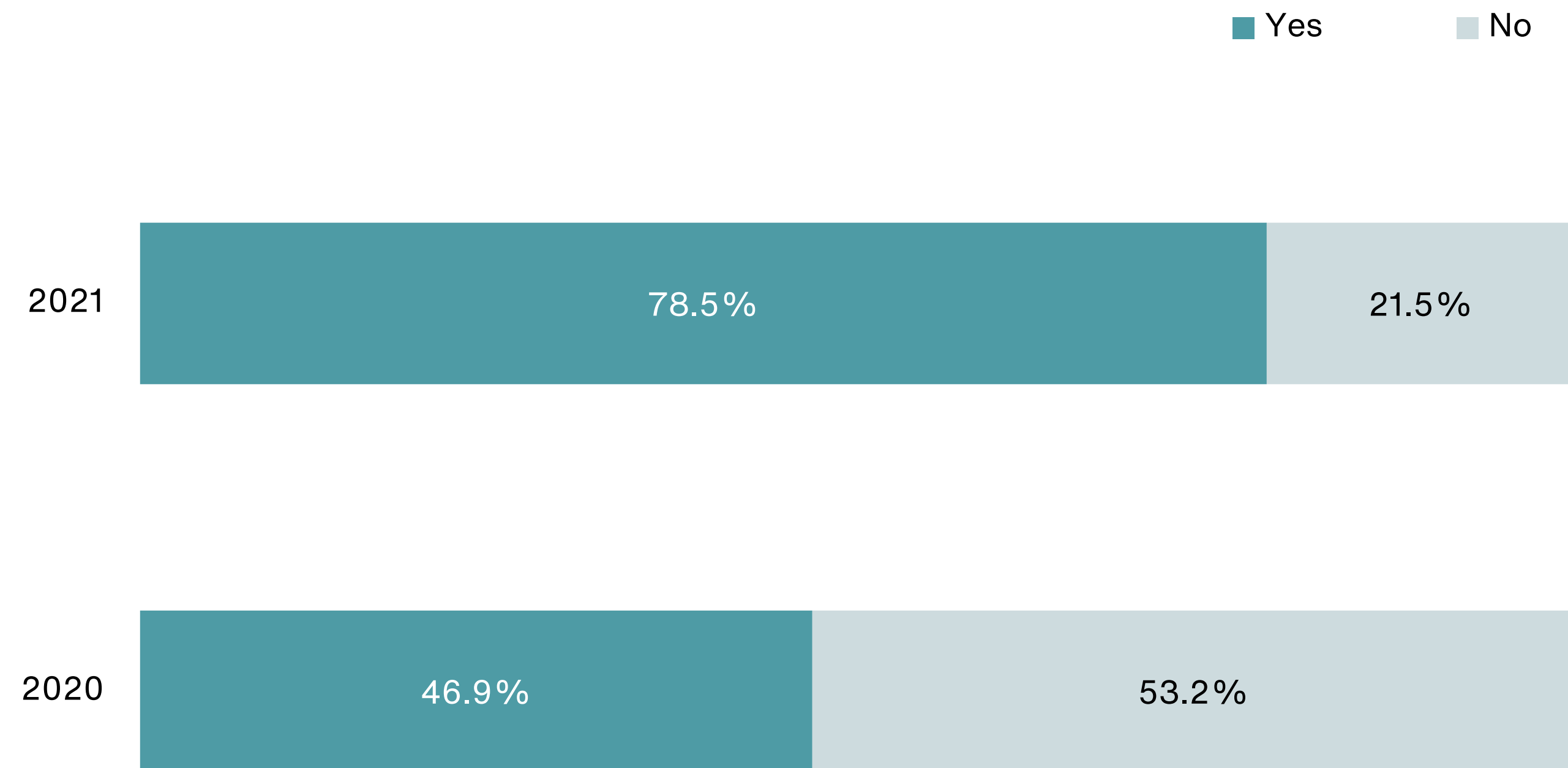
2021 (148 responses)

2020 (142 responses)

Source: Internal Aon Survey for 2021 Fiscal Year-End

Early Retirement

- Almost 80% allowed for early retirement at 31.12.2021 compared to around 45% at 31.12.2020. This material year-on-year increase is the result of more sophistication in the assumption setting process as part of a concerted effort to promote the quality and accuracy of the assumption over its simplicity.
- More specifically, Aon developed an early retirement table from studying the distribution of early retirements for about 7'000 cases over a recent 5-year period. As a result, this table is now available for our clients to use in cases where their data is unavailable or not credible.
- Of the almost 80% that allowed for early retirement at 31.12.2021, around 50% are using the Aon table.



2021 (149 responses)

2020 (143 responses)

Source: Internal Aon Survey for 2021 Fiscal Year-End

Lump Sum Payments on Retirement

24%

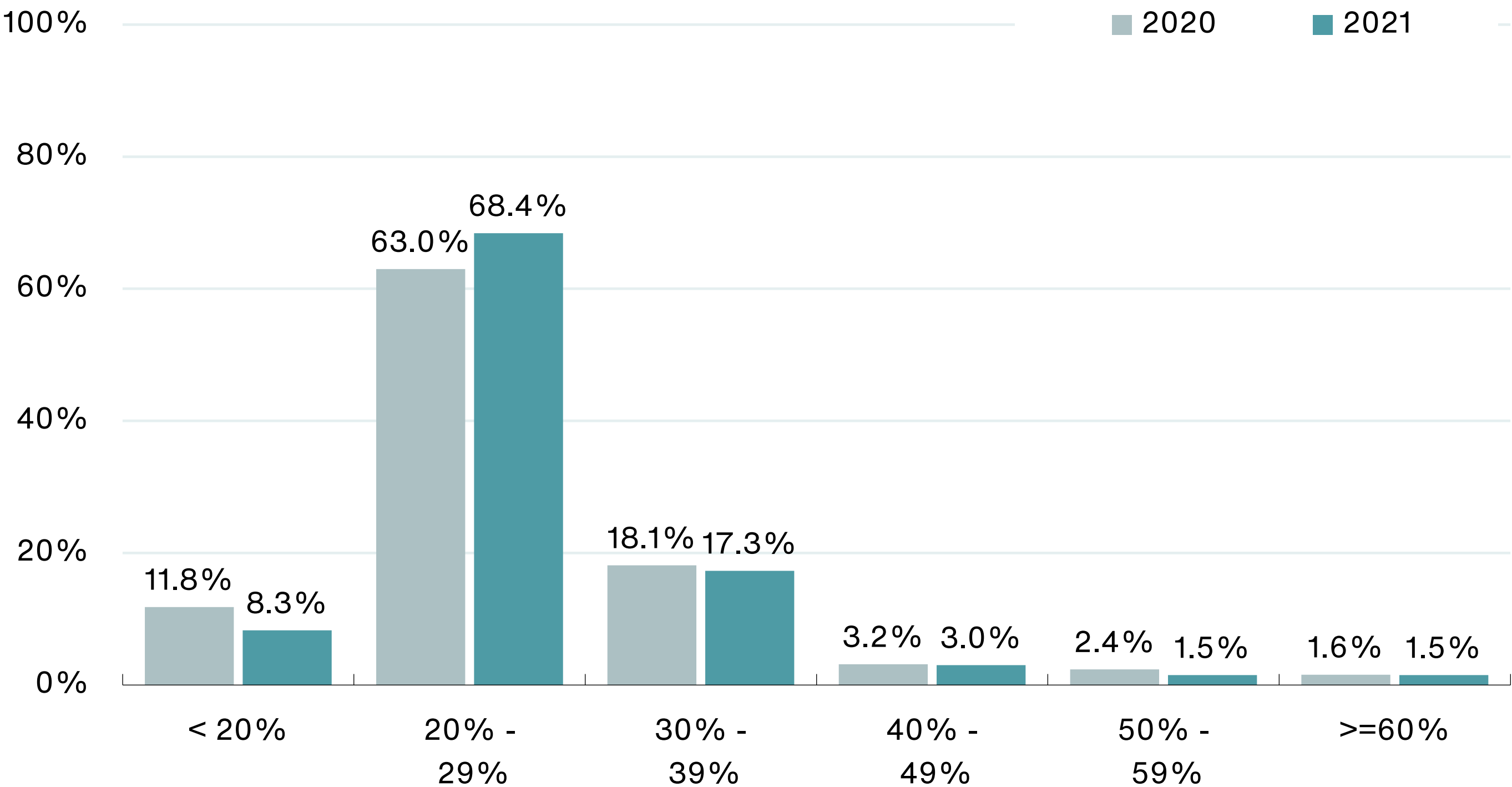
31.12.2020

25%

31.12.2021

+1%

- The average assumption stayed nearly the same.
- Similarly to the prior year, over 80% of our clients assumed a lump sum election rate between 20% and 39%.



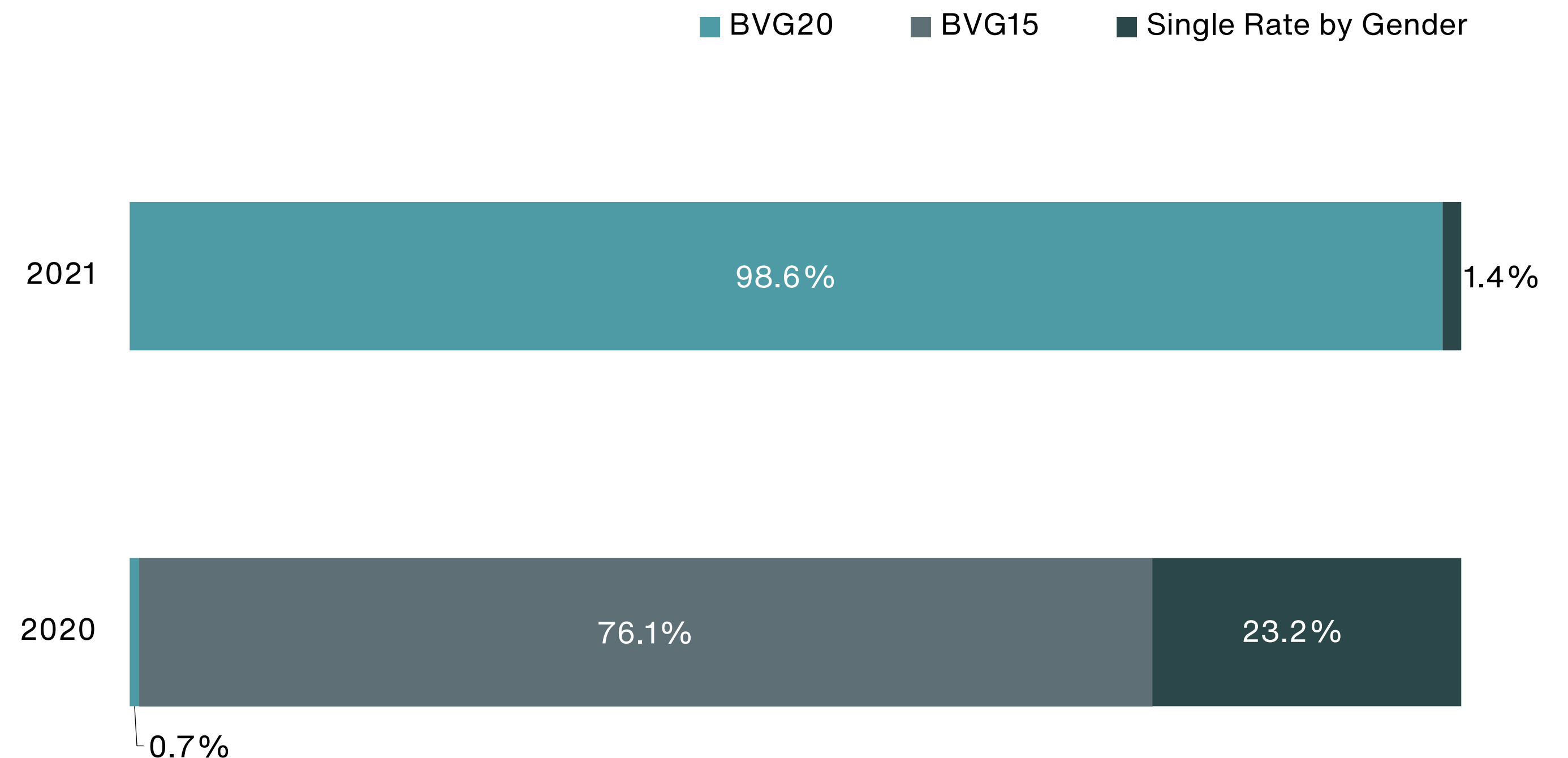
2021 average = 25% (133 responses)

2020 average = 24% (127 responses)

Source: Internal Aon Survey for 2021 Fiscal Year-End

Proportion of Members with Spouse's / Partner's Pension

- Widespread adoption of the new BVG 2020 table occurred during 2021.
- At 31.12.2021, nearly 99% used the BVG table (age-by-gender). This material year-on-year increase is the continued result of a concerted effort to promote the quality and accuracy of the assumption over its simplicity.



2021 (143 responses)

2020 (138 responses)

Source: Internal Aon Survey for 2021 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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