

Solvency requirements for Swiss pension funds and how to ensure the guarantee of benefit payments at any time.

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Abstract

We develop an approach for practitioners for setting up the target value of investment fluctuation reserves for autonomous Swiss pension funds and determine a desirable level for them to ensure benefits payments at any time. The Swiss pension legislation does not stipulate any methodology and requirements for setting up such reserves. We give an overview of methods used and suggest some improvements based on our experience as many pension funds are underfunded after 2008. A suggested approach will help trustees to better comply with funding and solvency requirements for Swiss pension funds.

Keywords

Asset Liability Management, Value-at-Risk, Cornish-Fisher approximation, pension funds, solvency, underfunding, investment fluctuation reserves, investment return models, risk tolerance, risk capacity