What is it that make the Swiss annuitise?
A description of the Swiss retirement system

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ABSTRACT

The Swiss model of social security and retirement benefits distinguishes itself by several aspects. It is based on three pillars that offer benefits in case of retirement, disability and death in a coherent, coordinated way. In addition, more than half of the Swiss who retire choose to annuitise their accumulated retirement capital (Bütler, 2003 and Bütler and Teppa, 2007). According to economic theory, the choice of annuitisation at retirement is the one that maximizes one's utility (Yaari, 1965), but few are the countries where such a behaviour can be observed.
In this paper, after a brief overview of the demographic landscape in Switzerland, we describe the Swiss security system with an emphasis on retirement benefits. We then give some insights about what in the Swiss model could explain why the so-called "annuity puzzle" is not observed. We also discuss some of the specific issues the Swiss pensions system is currently facing.

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