

Follow-up audit of the specialist and financial supervision of the AHV

Federal Social Insurance Office

Key facts

The Swiss Federal Audit Office (SFAO) was commissioned by the Finance Delegation to reassess the conclusions of its 2015 report on the specialist and financial supervision of the old-age and survivors' insurance (AHV).¹ The SFAO found that key parts of its recommendations on reducing structural risks in the governance of the AHV were not included in the Federal Council's proposal to modernise supervision in the first pillar. As the majority of the risks identified at the time still exist, the SFAO is proposing an adapted model for implementing its recommendations, taking into account the developments and analyses that have taken place in the meantime, and in the light of its discussions with various stakeholders. This includes merging the administration of the first pillar compensation funds (compenswiss) with the Central Compensation Office (CCO), which would be fully outsourced from the Federal Administration, in a joint public-law institution.

Risks for governance in the complex structures of the AHV system that have evolved over time

One of the main focuses of the SFAO's 2015 report was on the analysis of the implementation and supervision structures that have grown historically since the AHV was launched in 1948. In the SFAO's view, some of these structures were not, or no longer, aligned with the principles of good governance that now apply in the public sector.

In particular, the SFAO considered questionable the only partial separation of implementation and supervision, the location of AHV implementation tasks within the Federal Administration, the financial and technical subordination of the CCO to two different departments, the subordination of the Federal Compensation Office (CFC) to its main contributor within the Federal Administration, and the unusual division of accounting tasks between the CCO and the compensation funds.

SFAO recommendations insufficiently examined and not taken into account

In order to reduce these structural risks, the SFAO's first recommendation called for a streamlining of the organisation of the CCO by outsourcing all implementation tasks from the Federal Administration and transferring the two compensation funds located at the federal level into separate institutions under public law. In its second recommendation, the SFAO proposed merging the central AHV tasks performed by the CCO with the administration of the compensation funds, clarifying the legal form of the compensation funds and improving the regulation of accounting in the AHV system.

¹ "Specialist and financial supervision of the AHV: assessment of supervision in the AHV system" (PA 14260), available on the SFAO website (www.sfao.admin.ch).

In their joint statement, the Federal Department of Home Affairs (FDHA) and the Federal Department of Finance (FDF) rejected a merger of the central tasks of the CCO with the administration of the compensation funds. At the same time, they held out the prospect of examining the main remaining elements of the two recommendations as part of the legislation project to modernise supervision in the first pillar.

In the meantime, within the framework of the new Social Security Funds Act, clarifying provisions for the accounting of the AHV at the federal level, as well as a legal framework for future ordinance provisions at the level of the compensation offices, have been enacted. In the SFAO's view, the examination of implementation options for streamlining the organisational structures of the CCO was not carried out in sufficient depth. The reorganisation was rejected in the dispatch on the modernisation of supervision on the grounds that it would entail considerable costs without additional benefits. However, these alleged costs were never detailed or analysed.

The risks identified in 2015 in the area of governance still exist

The subordination of the CCO to two federal offices, the Federal Finance Administration (FFA) and the Federal Social Insurance Office (FSIO), and the line subordination of the CFC to its main contributor can lead to conflicts of interest. At the cantonal level, the bill stipulates that cantonal social security funds must be structured as independent public-law institutions with an independent administrative commission and that all units must be audited by the same auditing body. These governance principles, which are intended to ensure the independence and transparency of the first pillar implementing bodies, are currently not applied at the federal level.

The Social Security Funds Act did not solve the interface problems between compensswiss and the CCO. The division of responsibility with regard to budgetary competence and accounting between the asset management arm (compenswiss) and the social insurance arm (CCO) is still problematic in the SFAO's view. The compenswiss Board of Directors is responsible for preparing and approving the aggregated annual accounts, which it can only partially influence. Although this division of responsibility is provided for in the law, it does not comply with the generally accepted principles of good governance.

An adapted proposal for the structure of the first pillar

In its review, the SFAO reassessed the possible restructuring variants, taking into account the main argument against implementing the 2015 recommendation (high project costs).

The SFAO recommends the variant involving a full merger of compenswiss and the CCO in a federal social insurance institution. This would strengthen the independence of the first pillar and limit restructuring costs. Since compenswiss is already an institution under public law with its own legal personality and governed by a board of directors, neither a new entity nor a new body would have to be created. In addition, existing synergies in the CCO could be expanded and operating costs reduced. In a second stage, the implementation tasks currently performed by the FSIO could also be transferred to the new institution.