



Specialist and financial supervision of the AHV

Assessment of supervision in the AHV system

Key facts

In 2013, some 2.14 million people were in receipt of old-age pensions and 130,000 of widow's/widower's pensions. Old-age and survivor's insurance (AHV) contributions amounted to some CHF 29.5 billion while the amount of benefits was around CHF 39.8 billion per annum. Federal contributions, including casino tax and the value added tax share, came to about CHF 10.4 billion.

The Swiss Federal Audit Office (SFAO) performed an announced audit on the Federal Social Insurance Office (FSIO) within the scope of its yearly programme, based on Articles 6 and 8 of the Federal Audit Office Act (FAOA, SR 614.0). The specialist and financial supervision of AHV was assessed. This was to include highlighting the main strengths and weaknesses of current supervision based on the structures. The audit of the disability insurance (IV) area, which was carried out at the same time and submitted in a separate report, focused on the supervision of IV offices. Assessment of the overarching structures was not one of the main topics of the IV audit.

AHV was created on 1 January 1948. Since then, it has undergone ten revisions to make adjustments in line with economic and social developments. The tenth and last AHV revision dates back to January 1997. Despite the need for action as a result of demographic developments, important reforms have been rejected in referendums or by Parliament. In the meantime, the Federal Council has adopted the dispatch on the 2020 retirement provision reform, which aims to protect benefits from AHV and mandatory occupational benefits provision. Efforts were also made in 2014 at the FSIO to modernise the administration as well as the supervision of AHV and IV.

Given the shortcomings that were detected at the Central Compensation Office (CCO) in recent months, the SFAO wondered whether there were gaps in the supervision of AHV.

Despite the fact that no serious shortcomings have arisen in AHV in recent years, risks are nevertheless present in the supervision of the AHV system. In particular, it would appear that the current structures do not facilitate swift problem-solving:

- At federal level, supervisory and implementation tasks are performed by the Central Compensation Office (CCO, main division of the Federal Finance Administration, FFA) and by the FSIO supervisory office. There is no clear separation of supervisory and implementation tasks. This could affect the independence of those involved.
- The Federal Compensation Office (CFC) and the Swiss Compensation Office (SCO) both report to the CCO. The CCO is not independent of its own compensation offices when it comes to the supervision of payment transactions. The CFC is also part of the same employer and is therefore not independent of it either. This, combined with the CCO's subordination to the FFA, hinders the implementation of instructions with regard to the Confederation's compensation offices. Furthermore, in relation to all compensation offices, the fact that differentiated escalation procedures and enforcement tools are still not in place generally does not help when discrepancies are encountered.
- The SFAO deems the division of tasks into the secretariat's administration of the compensation funds and the CCO's performance of central tasks unnecessary. The conditions that

led to this separation when AHV was set up no longer apply, because the central tasks have been financed by the AHV compensation fund since 1954. This compromises the compensation fund's independence. The separation causes problems in the interaction between these two organisational units and involves a risk for both the BoD and the audit office.

- Supervision is divided up between many bodies. The SFAO believes gaps in supervision are possible.
- In addition to its financial supervisory tasks as set by the FAOA, the SFAO is also conducting supervisory audits at the SCO and the CFC at present. It is subject to FSIO supervision in this role. However, the FSIO in turn is subject to SFAO supervision. Their mutual independence is thus compromised.

The SFAO has made various recommendations to remedy these shortcomings so that the structures provide the conditions for complying with basic governance rules. Supervision should be separate from implementation. While supervision remains a federal task, all entities tasked with implementation should be established outside of the Federal Administration and should have their own legal personality. In the case of the compensation funds, which have been made legally independent, the legal form should be clarified or specified. The CCO's central tasks should be merged with those of the compensation funds' secretariats. Ironing out the structures means a clearer division of the various tasks in the AHV area. The SFAO believes that, overall, this will result in a strengthening of all three pillars: compensation offices, CCO, FSIO supervision. The SFAO has also taken steps to have its duty of performing supervisory audits removed from the CCO Ordinance.

The FSIO considers the timely creation of workable instructions and circulars to be one of its most important supervisory activities. These form the basis for the consistent running of AHV. In this respect, the SFAO deems implementation by the FSIO to be good. For supervision, however, there is no overall risk analysis containing the risk inventory, an assessment of the risks and risk minimisation measures. This has to be seen as a shortcoming. The SFAO has recommended checking within the scope of the risk analysis whether the compensation funds' investment activity and the CCO's implementation tasks also need to be included in supervision to a greater extent. The SFAO also sees room for improvement in the audits of the compensation offices. These audits are only partly risk-oriented and no standards are specified. What are mostly required are compliance audits. Against the backdrop of a relatively small liability risk and a lack of auditing standards, the question arises whether all audits fulfil qualitative minimum requirements at all times. There are no tools for consistent assessment. The SFAO has made a recommendation here too.

In addition to the bill for the retirement provision reform (retirement provision 2020), which will be addressed by Parliament from 2015, the FSIO launched a project in 2014 to modernise supervision in the area of AHV, IV, supplementary benefits (EL) and compensation for loss of earnings (EO). The FSIO is also collaborating with the FFA and the Federal Office of Justice on a consultation draft for a new AHV/IV/EO fund act. The SFAO's recommendations should already be taken into consideration as much as possible in that work.

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