

## Instructions

### Occupational pensions

These instructions contain only a brief overview of occupational pensions. In actual cases, the legal provisions and the orders issued by the Financial Market Authority apply exclusively. The FMA is available for any further questions.

#### 1. Compulsory insurance

**All employees** are subject to compulsory pension who are also subject to compulsory Old Age and Survivors' Insurance (AHV) and who meet the following conditions:

- At least 17 years of age for insurance against **disability**
- At least 17 years of age and duty of care or maintenance for spouse, children, or separated spouse for insurance **payable at death**
- At least 23 years of age for **old age benefits**, provided that the employment relationship is open-ended or with more than a three-month fixed term.

Occupational pensions: Compulsory insurance by age		
From 1 January of the year	Risk component (age 17): Employees born in	Old age provision (age 23): Employees born in
2004	1986	1980
2005	1987	1981
2006	1988	1982
2007	1989	1983

The **employer** is responsible for undertaking the insurance. The employer must ensure that all employees subject to compulsory insurance are registered with the pension scheme and that the contributions are paid to the pension scheme on time.

#### 2. Exemptions from compulsory insurance

The following persons are **not required to contribute**:

- Employees whose employers are not required to contribute pursuant to the Law on Old Age and Survivors' Insurance;
- Employees who already have compulsory insurance for their main occupation or whose main occupation is self-employed;
- Employees of legal entities who participate substantially therein and who function as employers;

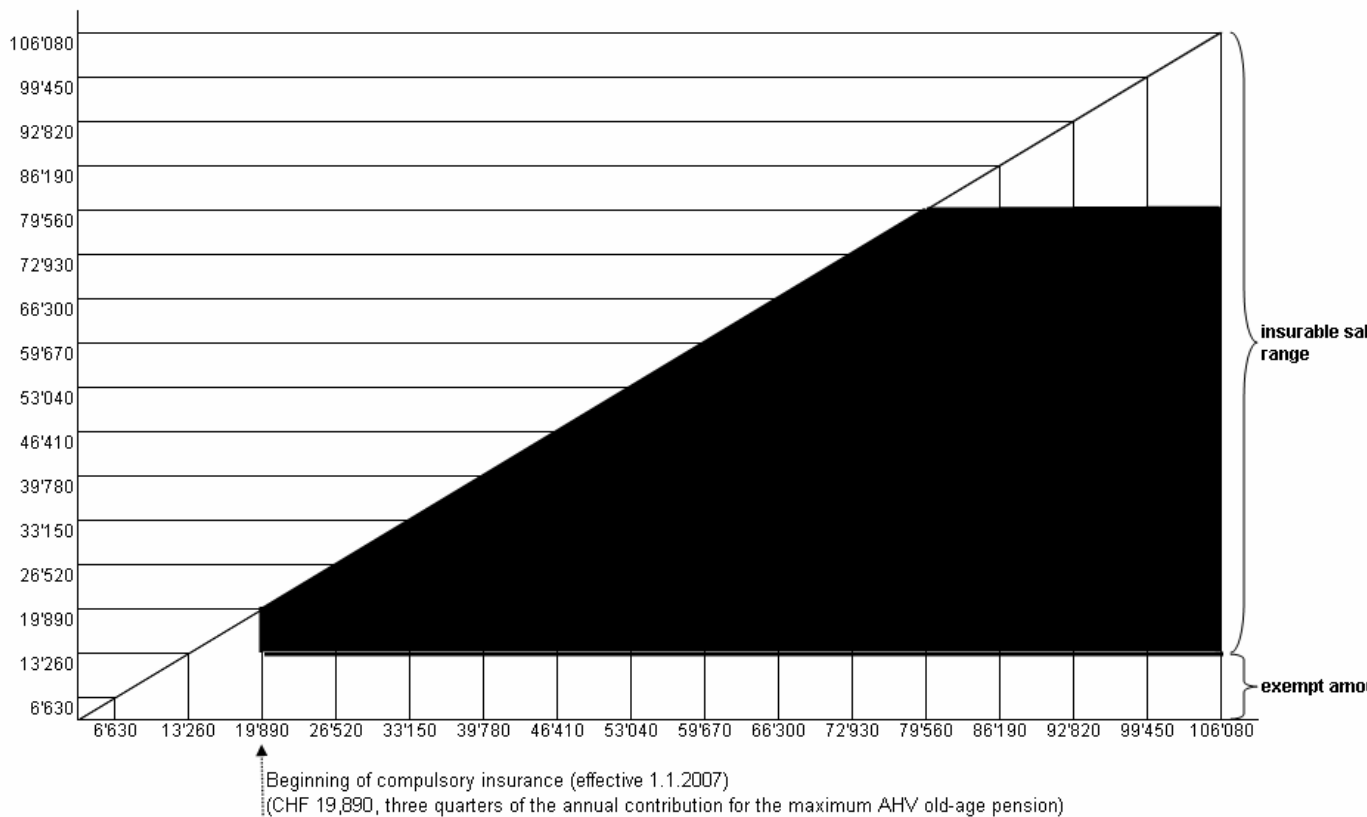
- ❑ Employees who are at least two-thirds disabled;
- ❑ The family members of the employer who work in the employer's business and do not receive cash salaries or whose cash salaries amount to less than three-quarters of the annual salary for the maximum old-age pension of Old Age and Survivors' Insurance;
- ❑ Employees who are not permanently working in Liechtenstein and who have sufficient insurance coverage abroad.

Self-employed persons and employees not required to contribute may at their own request join the pension scheme of their place of work. Self-employed persons who do not act as employers may join a pension scheme if its rules and regulations provide this option.

### 3. Allowable salary and salary subject to compulsory insurance

The annual salary subject to AHV **reduced by an exempt amount** of currently CHF 13'260 must be insured. Insurance becomes mandatory once the annual salary reaches the AHV minimum of currently **CHF 19'890**. The rules and regulations of the pension scheme may set an upper threshold for the allowable annual salary, as long as this threshold is not lower than currently **CHF 79'560**.

**Occupational pensions: Allowable salary and salary subject to compulsory insurance**



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#### 4. Contributions

For employees covered by old-age insurance, at least 8% of the allowable salary must be paid for the entire pool of employees for old-age provision. For each employee, at least 6% of the allowable salary must be used for old-age provision. The allowable salary corresponds to the annual salary subject to AHV reduced by the exempt amount (for salary thresholds, see point 3 above).

The risk contributions are to be calculated so that the legally specified minimum benefits for disability and death can be funded.

The employer must pay **at least half** of the contributions. The **employee contributions** are withheld from the paycheck and are to be transferred to the pension scheme along with the employer contribution at the latest **by the end of each calendar quarter**. If the employer's payment is late, the pension scheme must report to its audit office and the Financial Market Authority within three months.

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#### 5. Benefits

Occupational pensions cover old-age and risk benefits. Accordingly, they encompass provisions for old age, disability, and death. The benefits are generally paid as annuities; lump-sum payments are also possible.

Upon retirement, old-age benefits consist of an old-age pension; risk benefits paid out in the case of inability to work due to sickness or accident consist of disability and child pensions; and in the event of death due to sickness or accident, widow/widower and orphan pensions.

The extent of the benefits depends on the payments made by the employee and the employer, i.e., the contribution amount, the duration of the contributions, and the insured income (allowable salary).

The old-age benefits are determined on the basis of the contributions made, i.e., a certain part of the contribution is allocated to reserves for accrual of the old-age capital (see point 4 above); the amount of the old-age pension depends on the individually accumulated old-age capital (capital cover procedure).

In contrast, the risk benefits are determined on the basis of the insured performance, namely as a minimum percentage of the allowable salary.

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#### 6. Pension institutions

The **legal entities** administering occupational pensions must be foundations domiciled in Liechtenstein that are legally independent of the employer and entered in the Public Registry. In the case of employers with no more than three employees subject to compulsory insurance, the employer may opt to conclude an insurance contract for each employee with a life insurance company offering the same benefits.

The **risk carriers** of occupational pensions may be life insurance companies licensed to operate in Liechtenstein or the pension schemes themselves, as long as they fulfill the requisite actuarial requirements. A pension scheme intending to bear the actuarial risks of old age, disability, and death itself must have sufficient reinsurance as certified by a pension insurance expert.

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## 7. Participation on equal terms

Employers and employees shall be allowed to **participate on equal terms** in the organs of the pension scheme that decide on the selection of the risk carrier, the issuing and amendment of rules and regulations, the funding of the pensions, and asset management. Employers may deduct their participation for the benefit of the extent of their employees participation. The insured employees elect their representatives from their midst.

If equal participation is not possible due to the structure of the pension scheme, such as in the case of **collective foundations**, then the Financial Market Authority may approve other forms of representation. The collective foundations issue election rules.

The organs appoint a **chairperson** among their members. The chairperson has a vote; the pension scheme specifies the procedure for breaking a tie vote. If the employer covers the full internal administrative costs of the pension scheme in addition to half of the contributions, then it may appoint the chairperson.

**Resolutions** concerning the selection of the risk carrier, the issuing and amendment of rules and regulations, the termination of association agreements with a collective foundation, the dissolution of the pension scheme, or its fusion with another pension scheme may not be taken if all employee representatives or all employer representatives participating in the decision process object.

The pension scheme must ensure the basic and continuing training of the employer and employee representatives in the highest organ with equal participation, so that they are able to fulfill their managerial functions.

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## 8. Rules and regulations

Every pension scheme must issue rules and regulations that set out the **rights and obligations** of the insured employees and of the employer vis-à-vis the pension scheme. The rules and regulations must be issued with equal participation on the employer and employee side. In particular, they must lay down the type and amount of the insured benefits, the amount of the contributions to be made, and the vested pension benefits, and they govern the organization of the pension scheme. The procedure in the event of partial liquidation must also be set out in the rules and regulations.

Furthermore, the pension schemes issue investment rules and determine their investment strategy. For this purpose, the goals and principles and the administration and oversight of the asset investments must be specified in such a way that they can be traced and the organ with equal participation can fully meet its managerial responsibilities.

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## 9. Guarantee Fund, 2nd Pillar Central Office

Since 1 January 2007 Liechtenstein pension schemes are affiliated with the Schweizerische Stiftung Sicherheitsfond BVG which is the Guarantee Fund of Swiss pension schemes. This fund is financed by annual contributions of the pension schemes under private and public law and serves to insure against insolvency. The main responsibility of the Guarantee Fund is to ensure the benefits of insolvent pension schemes mandated by law and rules and regulations. However, the guarantee currently covers benefits of at most CHF 119'340.

The Guarantee Fund also acts as the 2nd Pillar Central Office, thereby constituting the link between the institutions administering vested pension accounts or policies and the insured persons. The institutions administering vested pension accounts or policies must annually provide information to the insured persons on their entitlements. If this contact can no longer be maintained, then the institutions must report these unclaimed entitlements of retirees to the 2nd Pillar Central Office (forgotten assets).

More information concerning Schweizerische Stiftung Sicherheitsfond BVG can be received at: <http://www.sfbvg.ch/>.

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## 10. Legal foundations

The most important legal foundations are:

- Law of 20 October 1987 on Occupational Pensions (Occupational Pensions Act, OPA), Liechtenstein Law Gazette LGBl. 1988 No. 12.
- Ordinance of 20 December 2005 on the Law on Occupational Pensions (Occupational Pensions Ordinance, OPO), LGBl. 2005 No. 288.
- Ordinance of 17 March 1992 on the Taxation of Occupational Pension Schemes, LGBl. 1992 No. 31.

These law gazettes are available from the Government Chancellery, 9490 Vaduz (Government Building, Tel. +423 / 236 60 30, Fax +423 / 236 65 97) or at [www.gesetze.li](http://www.gesetze.li).

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