

## 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. Mandatory occupational pension

The compulsory occupational benefits requirement is applied to a company's entire staff. The employer is obliged to conclude an agreement with a pension institution domiciled in Liechtenstein in accordance with the Occupational Pension Act (BPVG; LGBl. 1988 Nr. 12).

The employer is to be held responsible that all his employees that are liable to insurance are covered by social insurance and that the cost of the occupational pension provision are paid on the due date to the respective pension institution.

#### 2. 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:

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

<b>Occupational pensions: Compulsory insurance by age</b>		
<b>From 1 January of the year</b>	<b>Risk component: Employees born in</b>	<b>Old age provision: Employees born in</b>
2013	1995	1989
2014	1996	1990
2015	1997	1991
2016	1998	1992

#### 3. Exemptions from compulsory insurance

The following persons are **not liable to insurance**:

- ❑ Employees whose employers are not liable to insurance according to the Law on Old Age and Survivors' Insurance;
- ❑ Employees who already are compulsory insured in their main occupation or whose main occupation is self-employed;
- ❑ Employees of legal entities participating substantially therein and executing employer activity;
- ❑ Employees being disabled for at least two-thirds;
- ❑ Family members of the employer working in the employer's business and not receiving cash salaries or a cash salary amount of 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 liable to insurance may at their own request join the pension scheme of their business. Self-employed persons who do not act as employers may join a pension institution if its rules and regulations so provide.

#### **4. Allowable salary and salary subject to compulsory insurance**

The annual salary subject to AHV **reduced by an exempt amount** of currently CHF **13'920.--** is to be insured. Insurance becomes mandatory once the annual salary reaches the AHV minimum of currently **CHF 20'880.--**. 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 83'520.--**.

#### **5. 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 4 above).

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

The employer has to 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 has to report to its statutory auditor and the Financial Market Authority (FMA) within three months.

#### **6. 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 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. In the event of death due to sickness or accident, widow/widower and orphan pensions are paid out.

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; 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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## 7. 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.

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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