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PwC 1e Market Study 2020

July 2020

Introduction

1e market still growing fast

Building on our 2019 survey, we again asked the largest providers of Swiss 1e pension plans about their offerings and future expectations for the market.

Our 2020 survey showed that providers saw significant growth last year, are still ambitious and optimistic when it comes to future growth.

We surveyed 12 current 1e providers in the Swiss market for facts, figures and their experience. Since last year, two additional providers have emerged in the market and built up their offerings.

While 2019 was considered a good year for equity returns, a surprising finding is that overall, employees have reduced their equity exposure. 1e portfolios are less diversified than collective pension funds and are arguably invested in less risky assets.

Key findings

The 1e market has been growing significantly	The providers had a total asset volume of CHF 5.0 billion under management (31% growth in 2019), with 2,229 affiliated companies (298 affiliations more than last year) covering 18,592 members on 1 January 2020 (15% growth).
Market providers expect double-digit growth	Providers expect average future growth of around 15% annually for the next five years, with assets under management expected to rise to over CHF 10 billion. This is less optimistic than last year, but still means significant growth.
Less equity, more real estate	After a year which can be considered a good year for equity, 1e plans have a lower equity exposure than in the previous year. 1e plans continue to have higher average allocations of cash and bonds compared with more traditional collective pension funds.
1e plans continue to attract buy-ins	1e plans are still attracting buy-ins, especially when compared with collective pension funds.
Providers are going digital	All except one of the participating providers offer, or are developing, online-based tools to interact with members, and offer a high level of flexibility in terms of plan design.
Slightly higher general administrative costs	While most providers have very competitive administrative costs, the average general administrative costs stated by survey participants are noticeably higher than the average for the entirety of collective pension funds. Higher costs usually reflect the enhanced level of service offered by providers.

1e market continues to grow and become more significant, but market shares still vary widely

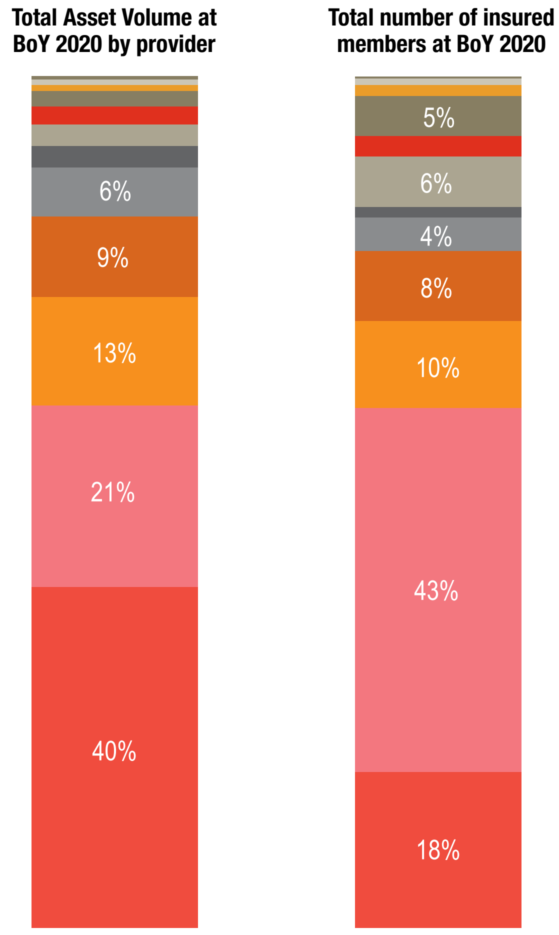
CHF 5.0 bn AuM, 2,229 companies, 18,592 members

The providers surveyed had a total asset value of CHF 5.0 billion at the start of 2020 and catered to a total of 18,592 insured members. They now provide 1e plans for 2’229 affiliated companies (+298 compared to 2019) representing an increase of more than 15%.

Asset volume under management grew by around 31% and the number of insured members grew by about 15% from the previous year. The survey includes 12 1e pension plan providers. The average number of participants per affiliated company remains low (approximately eight), although the range between providers is wide.

The market remains fragmented. The largest provider by asset volume covers 40% of the total assets in our survey (compared to 45% last year), although these assets cover only 18% of total members.

The three largest industry players hold 74% of total 1e plan assets market share and 71% of total insured members covered.



BoY = Beginning of year

Market providers expect significant growth of around 15% a year on average

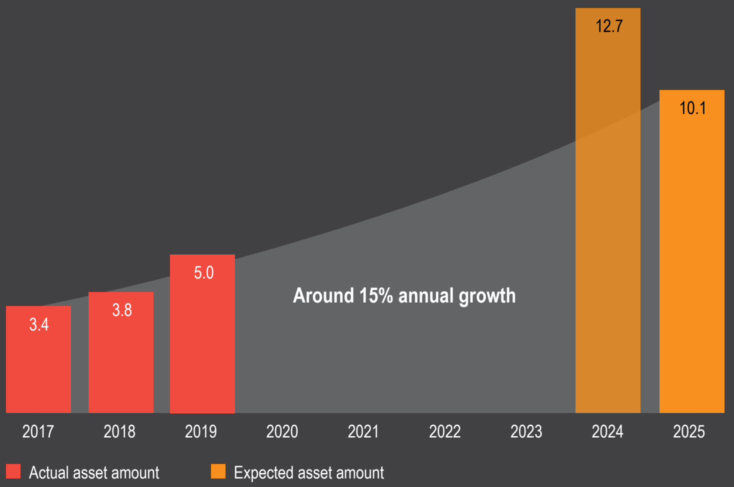
Annual growth of 15% expected

The 1e market saw significant growth in 2019.

While providers were generally less optimistic than they were last year, they still anticipate a high rate of future growth.

The 12 providers surveyed expect their total assets under management to grow to over CHF 10.1 billion by 2025. This is 20% less than anticipated in our survey last year, where providers expected assets to grow to 12.7 billion by 2024.

Development of total assets CHF billion



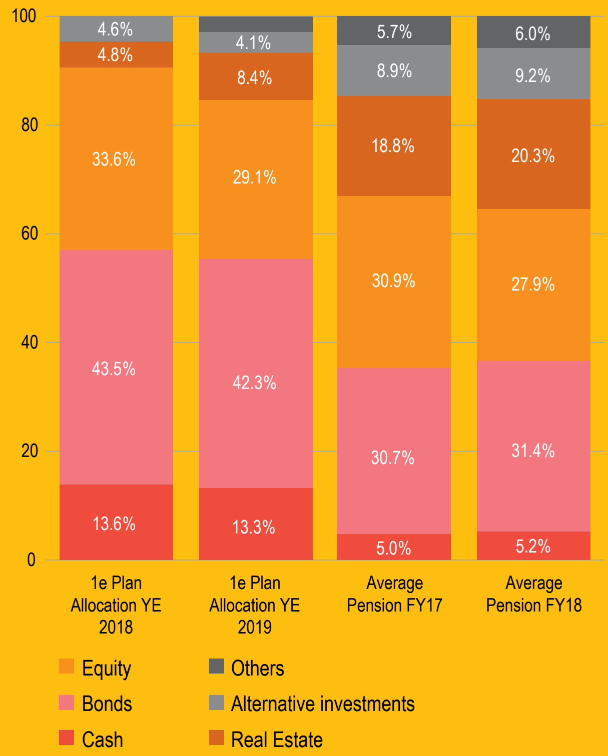
Higher share of low and moderate risk investments

Less equity, more real estate

A surprising fact is that 1e participants had lower equity exposure at year-end 2019 after what could be considered a good year for equity returns. The reduction in equity exposure was offset by a similar increase in real estate. This may be in part due to increases in the range of asset options available.

Overall, and compared with the average pension plan allocation for collective funds, 1e plan asset allocations continue to be arguably less risky than (or at least similar to) collectively managed funds. This goes against the common claim that individuals will take too much risk with their asset strategies if given the freedom to choose. We suspect that the difference is largely due to the wider range of complex asset categories available to collective pension funds today.

1e Asset Allocations vs Average Pension Allocations



Source of data
Average pension: Pensionskassenstatistik 2018 report (https://www.bfs.admin.ch/bfs/en/home/statistics/social-security/occupational-pension-plans.assetdetail.12527055.html)

1e plans still attractive for buy-ins

Buy-ins into 1e plans close to level of regular contributions

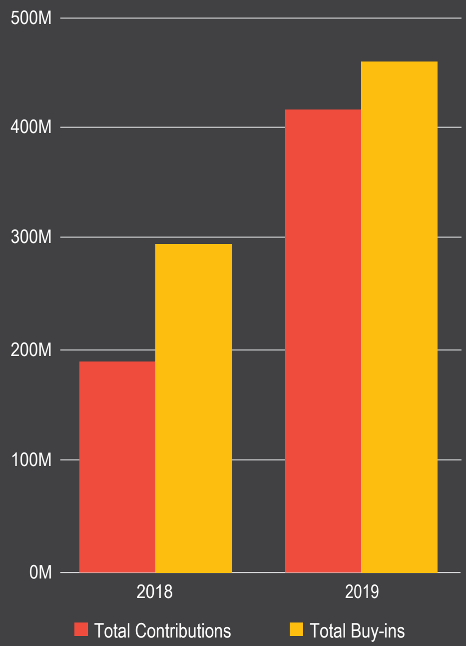
In 2019, a high volume of contributions continued to flow into plans in the form of individual buy-ins.

Buy-ins were slightly higher than regular contributions in 2019, and the ratio is significantly higher than for traditional collective funds[1].

This confirms the common view that 1e plans are attractive vehicles for individuals to make additional savings for their retirement.

The decline versus last year's ratio (compared with regular contributions) might be connected to the increasing maturity of the market and the nature of plan design.

Total Contributions and Total Buy-ins by Year



Source of data

[1] Buy-ins are approximately 15% of regular contributions: Pensionskassenstatistik 2018 report (https://www.bfs.admin.ch/bfs/en/home/statistics/social-security/occupational-pension-plans.assetdetail.12527055.html)

Providers getting more digital, but physical meetings still in demand

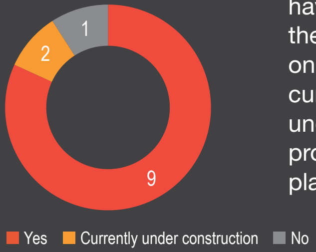
Increasingly digital approach, but personal presence demanded in onboarding

Providers are increasingly using a more digital approach to serve their clients.

Online tools are in wide use for interactions with insured participants.

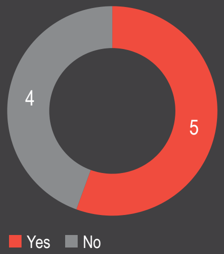
All but one provider stated that they offer face-to-face sessions at the client's request, and say that 1e clients regularly call for this at the onboarding or implementation phase.

1. Online Presence



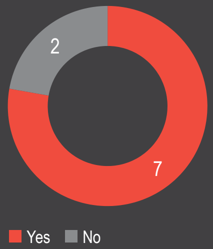
Nine of the 12 surveyed providers have online facilities allowing their clients to access information on their offerings. Two providers currently have online platforms under construction, and only one provider offers its clients no online platform at present.

2. Real-time access



Nine of the 12 participants responded to the question of whether their online platform provided real-time access and submission of asset strategy. Of these nine providers, five allowed real-time access and online submission of asset allocation strategy.

3. Initial investment strategy



Seven of the nine surveyed providers with online platforms allow clients to choose their initial individual investment strategy via this platform.

Competitive administration costs

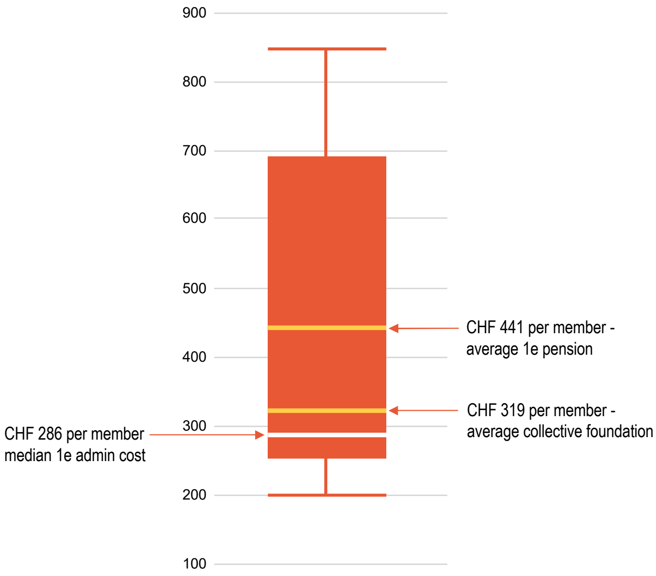
Wide range of administrative costs driven by several factors

Of the 12 surveyed providers, ten provided information on their annual administrative cost per insured member. The average cost was CHF 441 per member. This is higher than for traditional collective funds, although this is partly due to this market's early stage of maturity, and costs per member should decline as the market grows.

The average costs vary widely from provider to provider reflecting their different levels of maturity. The highest was over CHF 800 per member and the lowest CHF 200.

AuM costs were not benchmarked. Ten of the 12 surveyed providers offer solutions with no extra transaction costs when rebalancing between investment strategies.

Admin cost per FER26 reporting



Source of data
Average admin costs – collective fund: Swisscanto Schweizer Pensionskassenstudie 2019, page 71
https://www.swisscanto.com/media/pub/1_vorsorgen/pub-107-pks-2019-ergebnisse-deu.pdf

Further findings

Strategic Investment Priorities

Most providers said that their strategic focus for the coming years is to widen their investment portfolio. They plan to include additional investment strategies and asset classes in their investment universe, expanding their offering to clients.

Examples of planned additions:

- Strategies with ESG (environmental, social and corporate governance focus) funds
- Strategies with a higher share of equities
- Real estate strategies
- Passive strategies

Client Satisfaction

Half the providers currently measure client satisfaction to get a view of how to improve their value proposition.

They obtained client feedback via:

- Surveys
- Direct client discussions
- Consultants and intermediaries.

On the basis of the feedback they had received, providers described their ratings as ‘good’ to ‘very good’.

1e survey participants – in alphabetical order

AXA Flex Invest (product)
Credit Suisse Sammelstiftung 1e
FCT 1e (Fondation Collective Trianon 1e)
GEMINI 1e-Sammelstiftung
Katharinen Pensionskasse II
Liberty 1e Flex Investstiftung
PensFlex – Sammelstiftung für die ausserobligatorische berufliche Vorsorge
Sammelstiftung Vita Select der Zürich Lebensversicherungs-Gesellschaft AG
Swiss Life Sammelstiftung Invest
UBS Optio 1e Sammelstiftung
VZ Sammelstiftung
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