



Annual Survey of 2019 Accounting Assumptions

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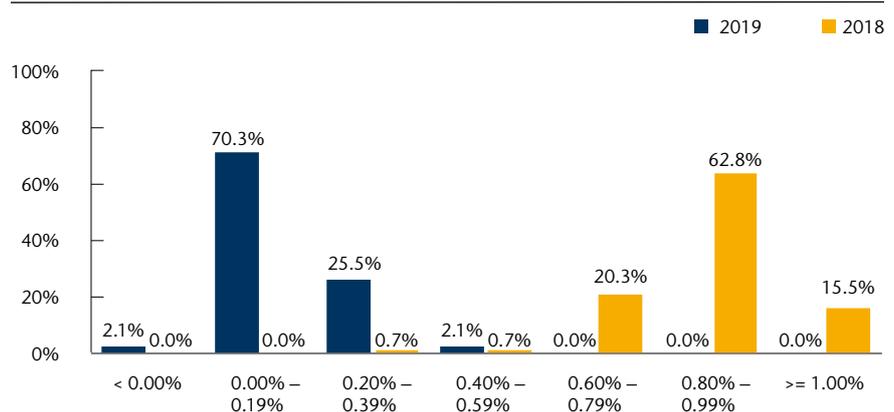
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An internal survey of Aon Switzerland’s valuation clients is performed each year to determine the prevalence of pension accounting assumptions in accordance with ASC 715, IAS 19 or IPSAS 39. The overview below shows the results for a subset of key assumptions as of the end of 2018 and 2019 for approximately 140 companies with 31 December 2019 financial year ends. The full survey is available on the dedicated section of our website here: [Aon CH – International Accounting Standards](#).

As a reminder, please note that assumptions used for accounting purposes are long-term, forward-looking parameters whose aim is to model future financial and demographic expectations. As such, they do not necessarily reflect or represent recent experience, although they might partially take it into account.

Financial Assumptions

Discount Rate



The average assumption decreased by 0.69% from 0.84% at 31.12.2018 to 0.15% at 31.12.2019. Overall, around 92% established the discount rate based on a yield curve and the expected cash flows of the plan. Of these, about 84% used a single equivalent rate while about 16% used a full yield curve approach.

Inflation

The average assumption of 1.0% remained unchanged at 31.12.2019 compared to 31.12.2018.

Expected Return on Plan Assets

The average assumption for the following year decreased by 0.1% from 2.3% at 31.12.2018 to 2.2% at 31.12.2019. Note that this assumption is only applicable to companies reporting under ASC 715.

Interest Credited to Account Balances

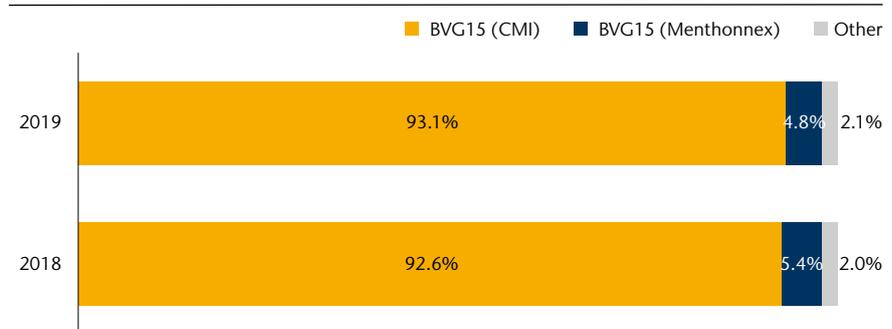
The average assumption decreased by 0.1% from 1.2% at 31.12.2018 to 1.1% at 31.12.2019. For reference, the minimum BVG interest crediting rate remained unchanged at 1.0% for 2020 in comparison to 2019.

Salary Increase Rate

The average assumption of 1.5% remained unchanged at 31.12.2019 compared to 31.12.2018.

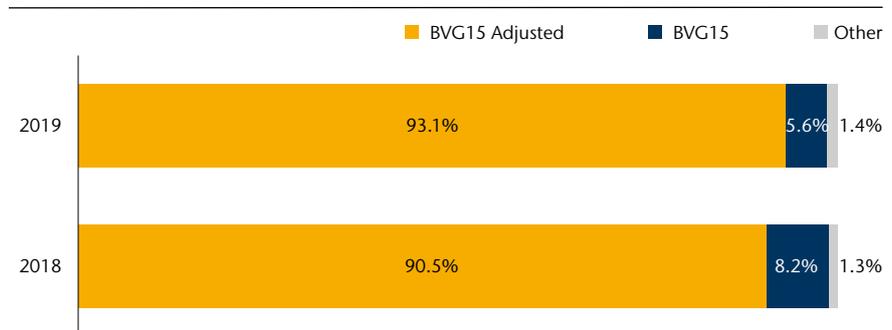
Demographic Assumptions

Mortality



Similarly to the prior year, more than 90% of our clients used the CMI model to determine future mortality improvements instead of the 2015 Mentonnex model. This broad switch began in 2017 in response to internal research and developments and is continuing to take hold both at Aon and externally. Among those using the CMI model to determine future mortality improvements, an average long-term rate of improvement of around 1.5% was observed.

Disability



Similarly to the prior year, more than 90% of our clients applied an adjustment factor to the standard table. This broad switch began in 2017 in response to internal research and developments and is continuing to take hold both at Aon and externally. For those applying such an adjustment factor, the average factor used to scale the rates of the standard BVG 2015 disability table is around 80%. Indeed, the standard table implies that all participants will receive full disability benefits, which is not always the case. Taking into account the degree of disability in the calculations results in a better estimate of the effective costs arising from the occurrence of disability.

Contact

Aon Suisse SA

Avenue Edouard-Dubois 20
2000 Neuchâtel

Aon Suisse SA

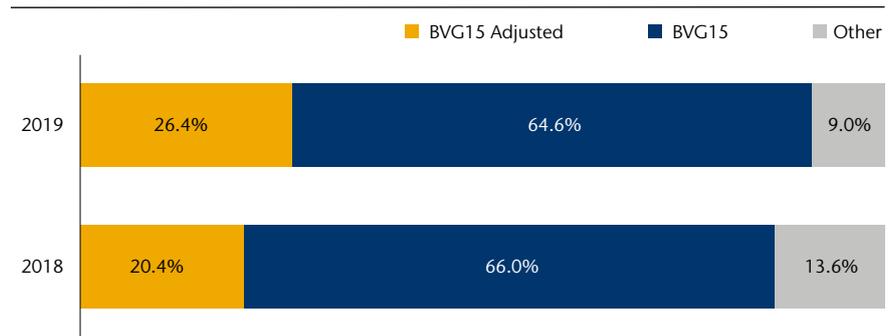
Avenue Edouard Rod 4
Case postale 1203
1260 Nyon 1

Aon Schweiz AG

Vulkanstrasse 106
8048 Zürich

+41 (0) 58 266 10 11
swissnews@aon.com
aon.ch

Turnover



Over 60% of our clients apply the standard BVG 2015 turnover table. For those applying an adjustment factor, the average factor used to scale the rates of the standard BVG 2015 turnover table is around 135%.

Next Steps

The results of this survey may be useful when setting preliminary assumptions for 2020 year-end and budgets for 2021. However, as evidenced above, assumption setting is a vast and intricate topic, and innovative trends beneficial to your organization can emerge rapidly. As such, do not hesitate to download a full copy of our report and reach out to your local Aon consultant for additional support, insight and expertise.

About Aon

Aon plc (NYSE:AON) is a leading global professional services firm providing a broad range of risk, retirement and health solutions. Our 50,000 colleagues in 120 countries empower results for clients by using proprietary data and analytics to deliver insights that reduce volatility and improve performance.

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