



allea Ltd

Consultants and Actuaries

2026 review

Employee benefits accounting

at 31 December 2025



A forward-looking analysis of trends under **IAS 19**, **ASC 715** and **IPSAS 39**



1.

Average funding levels under accounting standards **improved** from 92 % to **96 %** over the year.

The rise in discount rates from 0.97 % per year to **1.14 %** per year, on average, explains the majority of this improvement.

Together with another year of **strong investment returns**, this left almost two companies in five fully funded on an accounting basis.

2.

Our survey of **239 companies** with 31 December year-ends shows a “set-and-forget” approach to accounting assumptions that is highly prevalent.

This is particularly true for **demographic** assumptions.

This is likely to result in assumptions that are **no longer best estimate**.

3.

The assumption for the proportion of retirement benefit that will be taken as a cash lump sum has increased, as has member practice. However, the average assumption of **39 %** still lags behind the latest Swiss average, which now stands at 43 %.

Driven by falling conversion rates and increasing wealth, this trend shows no sign of slowing: **63 companies** – more than a quarter of our survey – now assume exactly 43 %.

The latest actuarial tables in the popular BVG series, the BVG 2025 tables, were published in late December 2025. They are based on the experience of the fourteen largest Swiss occupational pension schemes for the years 2020 to 2024 inclusive.

The latest experience is usually considered as the best estimate of the future, and we expect most companies to move to the new tables over 2026.

Discount rates have risen since the end of 2025: allea's rate for a 15-year duration stood at **1.40 %** per year at 30 September 2026, compared with 1.20 % per year at 31 December 2025.

The BVG Commission has recommended to the Federal Council a rise in the BVG/LPP minimum interest rate from 1.25 % to **1.75 %** per year for 2027, which we expect to be followed. Companies should allow for it in their interest credit assumption.

Companies changing their interest credit assumption may find that doing so results in an overall deterioration in their accounting balance sheet. As this depends on multiple factors – the extent of the change, the maturity of the pension plan and the level of turnover – companies that are sensitive to their accounting results should review this in advance of their year-end.

Indeed, increasing numbers of our clients are reviewing their accounting position during the year, whether formally as part of quarterly reporting or simply for internal budgeting.

WHAT 2026 HOLDS

December 2025

The BVG 2025 tables were published.

Over 2026

We expect most companies to move to the new tables. Best practice is to quantify the impacts early to avoid surprises.

At every year end

Auditors keep pressing for an interest credit assumption higher than the discount rate. Nevertheless, interest credit rate equal to discount rate remains a popular approach, with one in three companies surveyed maintaining this method.

During the year

There is a gradual trend for more companies to monitor their accounting position during the year.

Companies that have not already done so should do the following to ensure that their assumptions are best-estimate:

1. Review the proportion of retirement benefit taken as cash.

The assumption used by the companies surveyed rose from 35 % to 39 % over 2025, but it still lags the published Swiss average, which reached 43 % for retirements in 2024.

With falls in conversion rates and increasing wealth, companies should review this assumption at their next year end.

2. Review the turnover assumption.

One third of companies assume their voluntary turnover is exactly in line with the Swiss average. Companies with a workforce of the order of 100 employees have sufficient exposure to analyse their own experience.

3. Refine the disability assumption.

Four out of five companies assume their incidence of disability is in line with the Swiss average. Large companies should review their own experience instead.

All companies reporting under IAS 19 should consider reporting their disability benefits as an “Other long-term employee benefit” as this will reduce their accrued Defined Benefit Obligation. Only one company in four does so today.

4. Apply the IAS 19 risk sharing provisions.

Swiss occupational pension plans are Defined Benefit (“DB”) as there is a risk that employers will need to make additional contributions for deficits relating to benefits employees have already earned.

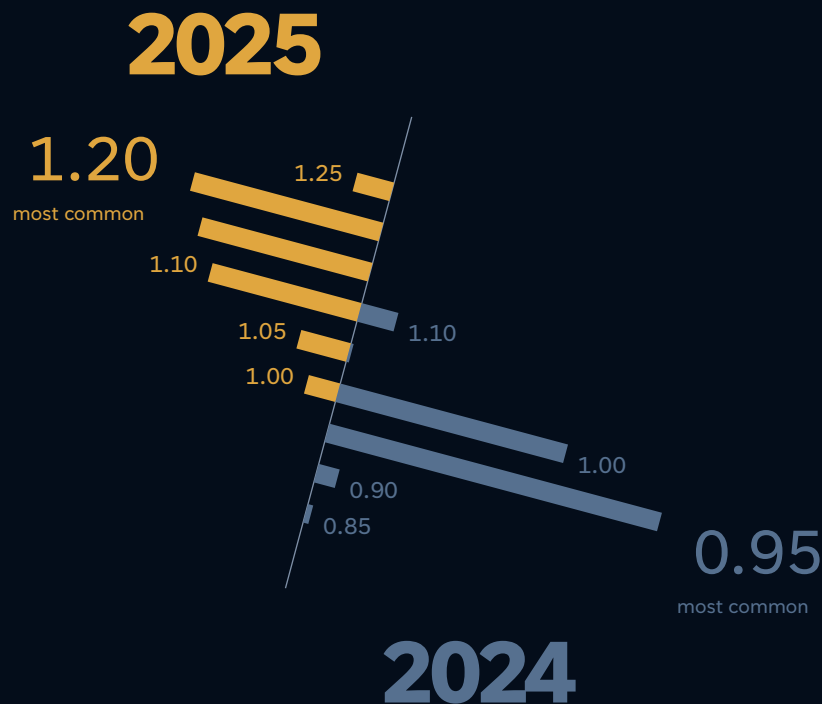
However, unlike most countries, the DB risks do not rest solely on the employer in Switzerland: employees may also have to make additional contributions and/or their benefits may be reduced.

Modelling this shared risk is complex, but companies are increasingly doing this in light of accounting deficits that rarely materialize in the form of additional contributions and hence seem unrealistic.

For more detail, please see the later section on “Methodology”.

Discount rate

These charts
show the distribution
of discount rates
each 31 December,
rounded to the
nearest 0.05 %



Discount rate

Swiss corporate bond yields rose over 2025 and discount rates increased for the first time since 2022, from 0.97 % to 1.14 % per year on average.

Higher discount rates held back the growth in liabilities and, together with positive investment returns, lifted average funding levels on an accounting basis from 92 % to 96 %.

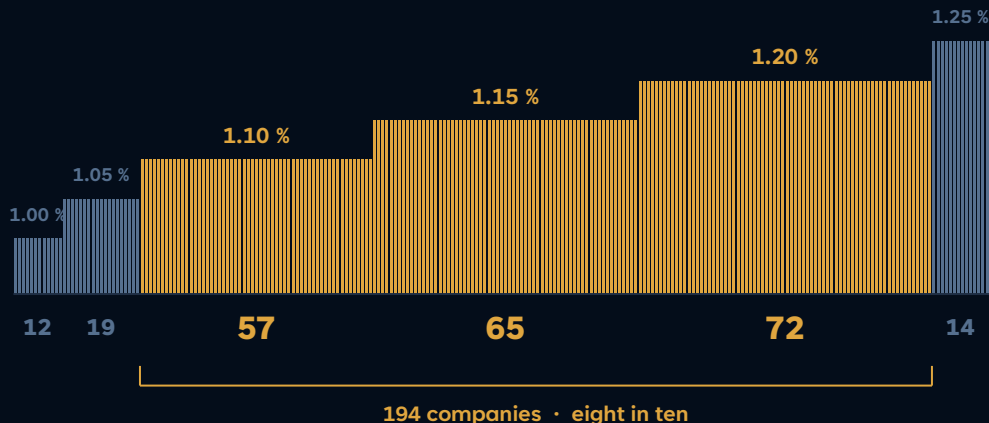
The accounting rules for determining discount rates still produce a narrow range of assumptions: three of them – 1.10 %, 1.15 % and 1.20 % per year – account for eight companies in ten. The range is nevertheless wider than a year earlier, when a single five basis point band covered nine in ten.

Please see allea.ch/discount-rates for our latest recommendations.

1.14 %

the average discount rate at 31 December 2025,
17 basis points higher than a year earlier

EVERY COMPANY, ORDERED BY THE RATE IT ADOPTED

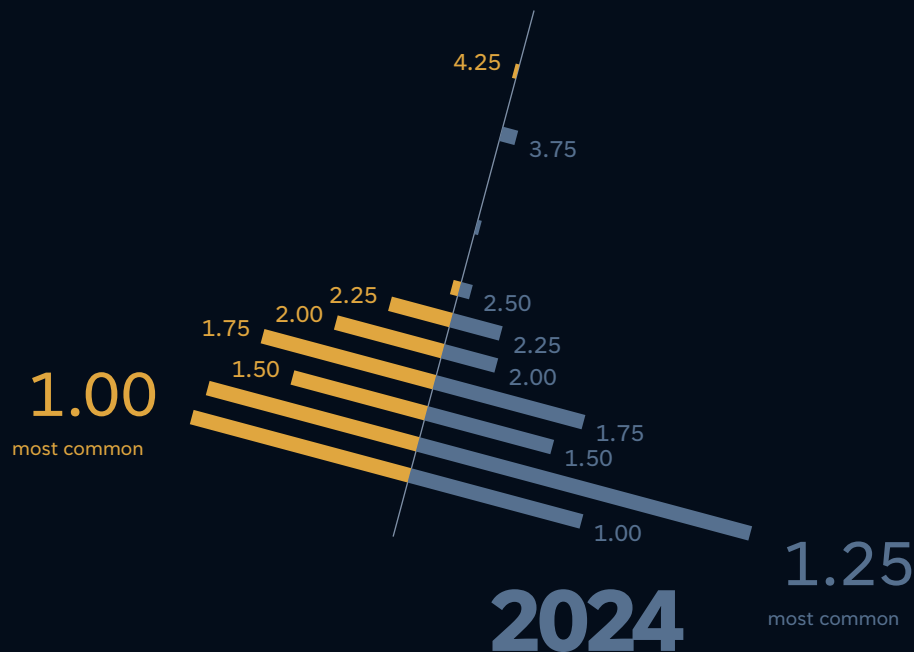


Each bar represents a survey participant, with its assumption rounded to the nearest five basis points.

2025

Interest credit rate

These charts
show the distribution
of the interest credited
on savings in excess of the
BVG/LPP minimum,
each 31 December,
rounded to the
nearest 0.25 %



Interest credit rate

At the end of 2024 only one company in six set its interest credit rate assumption equal to its discount rate for savings in excess of the BVG/LPP minimum. At the end of 2025 almost one in three did so.

The average assumption itself barely moved, from 1.48 % to 1.51 % per year, while discount rates rose by 17 basis points.

Practice remains unsettled. Expert Suisse, an association of Swiss auditors, has published that the assumption should be based on the expected investment returns of the foundation – and for most asset classes those returns are highly subjective.

It is therefore more important than ever to agree your intended assumptions with your auditor in advance of your year-end.

COMPANIES SETTING THE INTEREST CREDIT RATE

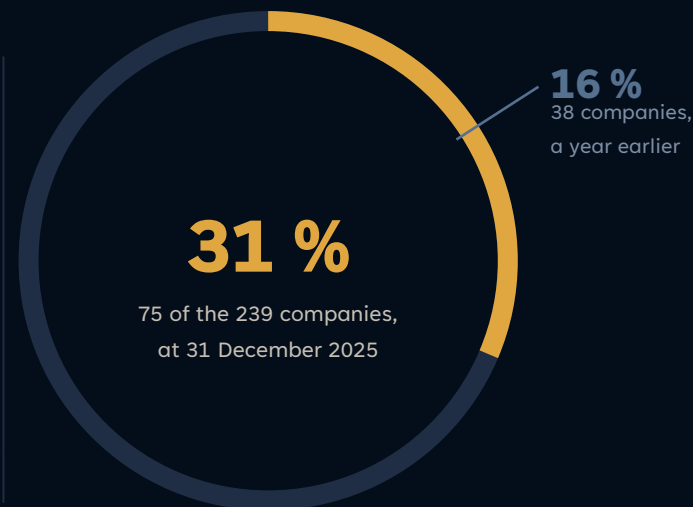
equal to their discount rate

1.51 %

the average rate
assumed above the
BVG/LPP minimum

1.25 %

the BVG/LPP minimum
rate for 2026; 1.75 %
recommended for 2027



Rate of pension increase in payment

At the end of 2025 just two of the 239 companies surveyed assumed that pensions in payment would increase.

The assumption of “no increases” has been widespread for many years.

However, it should be kept under review. Continued good investment returns and further falls in conversion rates at retirement make increases to pensions in payment affordable once investment fluctuation reserves have been restored.

0 %

the rate of increase to pensions in payment assumed
by 237 of the 239 companies surveyed

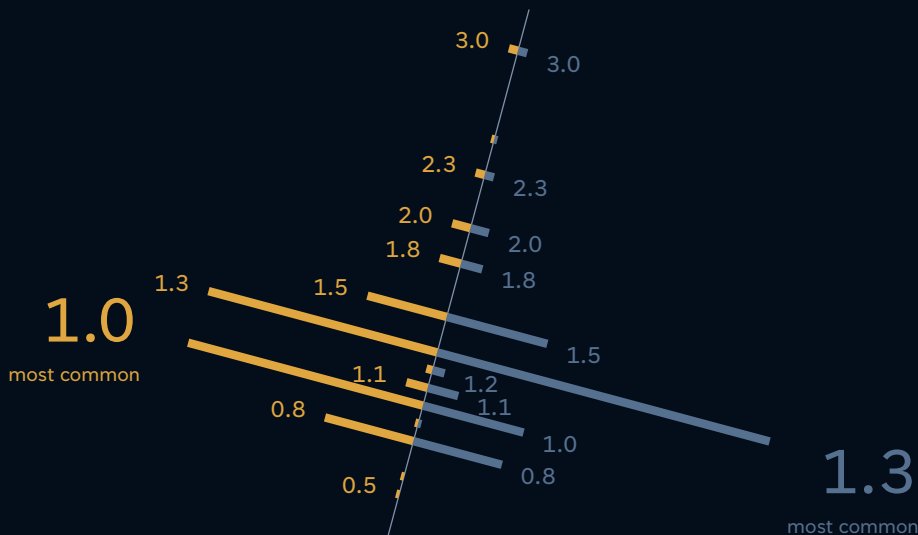
2 companies · 0.10 % per year

237 companies · no increase assumed

2025

Salary increases

These charts
show the distribution
of assumed salary
increases, including
promotion, each
31 December,
rounded to the
nearest 0.1 %



2024

Salary increases

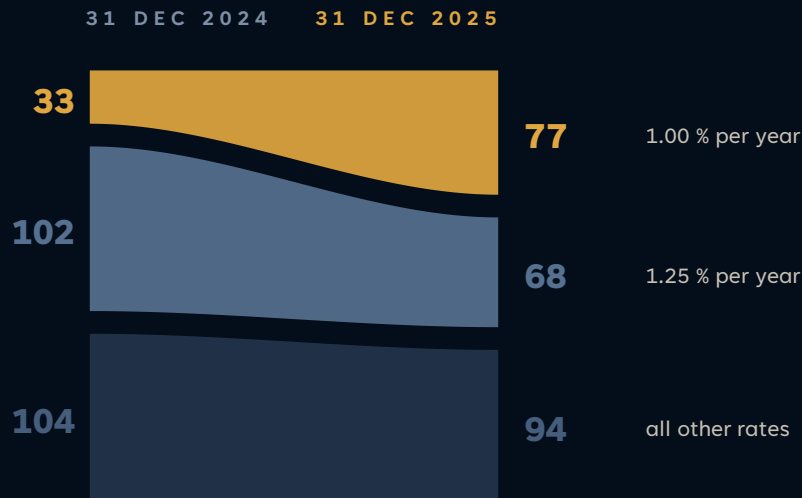
Inflation expectations eased further over 2025, reducing the average assumption for salary increases, including promotion, from 1.25 % per year at the beginning of the period to 1.20 % per year at the end.

The movement was concentrated in the middle of the distribution: the number of companies assuming exactly 1.25 % per year fell from 102 to 68, while those assuming 1.00 % per year rose from 33 to 77.

The tails barely moved, which is consistent with the “set-and-forget” behaviour we see across the survey.

For more information, please see:
allea.ch/projections

WHERE THE MIDDLE OF THE DISTRIBUTION WENT



1.20 %

the average assumption for salary increases, including promotion, down from 1.25 % per year over 2025

Proportion of retirement benefit taken as cash

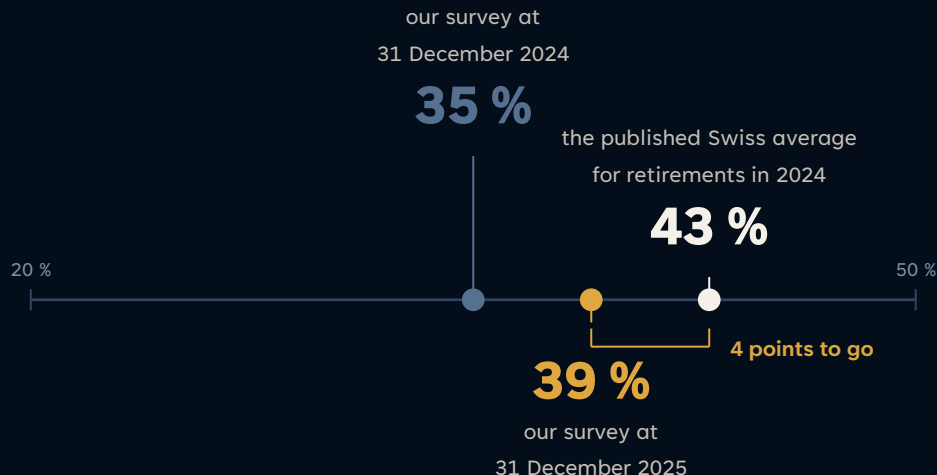
The published Swiss average reached 43 % for retirements in 2024, up from 39 % for 2023. In part this is driven by falling conversion rates at retirement.

Wealthier employees, as well as foreign nationals, are also likely to take more of their benefit as cash.

Companies should review their assumption considering these factors and, for large employers, their actual experience.

The next charts show a further rightwards shift in line with the national trend. The average assumption across our survey rose from 35 % to 39 % over 2025 and 63 companies now assume exactly 43 %, the published Swiss average for retirements in 2024.

CLOSING IN ON THE PUBLISHED SWISS AVERAGE



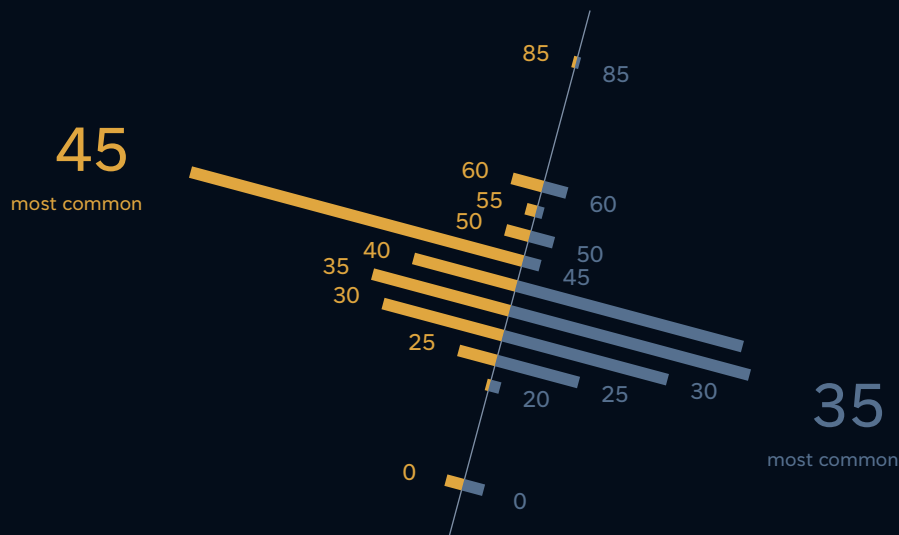
63

companies – more than a quarter of the survey – already assume exactly 43 %, the published Swiss average for retirements in 2024

2025

Proportion of retirement benefit taken as cash

These charts
show the distribution
of the assumption
each 31 December,
rounded to the
nearest 5 %



2024

Turnover

Large and medium sized companies, with a workforce of the order of one hundred employees, have sufficient exposure to measure their experience of voluntary turnover reliably.

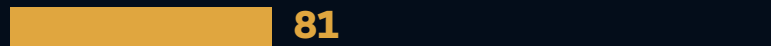
This is best practice as the starting point for setting a best estimate assumption.

Our survey shows that one company in three has yet to refine its assumption, instead assuming Swiss average turnover unadjusted. Half of the companies scale the standard table up or down, and 40 use a table built from their own experience.

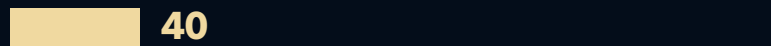
HOW THE 239 COMPANIES SET THEIR TURNOVER ASSUMPTION



scale the standard table up or down



assume the Swiss average, unadjusted



use a table built from their own experience

Best practice starts from your own experience. A workforce of the order of one hundred employees is enough exposure to measure it.

Disability

Four out of five companies surveyed assume that their incidence of disability is in line with the Swiss average.

We recommend that large companies, with a workforce of the order of one thousand employees, analyse their disability experience as this often shows that the assumption of average is an overstatement, with corresponding overstatement of liability and cost.

An overstatement is more likely to be the case for companies in Consumer, Financials, Health Care, Technology and Telecommunications sectors.

Under IAS 19.157, companies can opt to treat their temporary disability benefits as an “Other long-term employee benefit” if the benefit is defined independently of service. This reduces the accrued amount of Defined Benefit Obligation.

This option does not exist under US GAAP. Only one in four of the companies reporting under IAS 19 or IPSAS 39 is taking it, and the proportion fell slightly over 2025.

Valuations should allow for the waiting period before disability benefits start, as well as recovery from disability and the extent of disability resulting in partial disability benefits.

allea’s market-leading study of these factors allows us to value these impacts accurately instead of making crude adjustments to disability incidence. This makes our valuations more robust.

IN LINE WITH THE AVERAGE

78 %



186 of the 239 companies assume the Swiss average incidence of disability

TAKING THE IAS 19.157 OPTION

25 %



57 of the 231 companies reporting under IAS 19 or IPSAS 39 treat disability as an other long-term employee benefit, down from 63 a year earlier

Mortality

All of the companies surveyed rely on the BVG 2020 tables for its baseline mortality assumption. These are derived from the experience of fourteen of the largest Swiss occupational pension schemes for the years 2015 to 2019 inclusive.

The BVG 2025 tables, covering the years 2020 to 2024, were published in late December 2025 – too late for any company in our survey to adopt them at 31 December 2025. We expect a broad move to the new tables over 2026.

Life expectancies under the BVG 2025 tables with a long-term rate of improvement of 1.25 % per year are very close to those under the BVG 2020 tables with the same rate, supporting 1.25 % per year as a best estimate.

Divergence in mortality assumptions arises from how mortality is projected to change

in the future.

The UK actuarial profession's Continuous Mortality Investigation ("CMI") has produced a more sophisticated model for future improvement which acknowledges that different cohorts or generations are experiencing different rates of mortality improvement. It assumes that all cohorts will trend to the same long-term rate of improvement, with the time taken to converge depending on how far each cohort's current rate of improvement is from that long-term rate.

The Swiss market most commonly assumes that the long-term rate of mortality improvement ("LTR") will be 1.25 % per year. This gives shorter life expectancies than the older, FSO model of mortality improvement, resulting in lower liabilities and cost.

Yet more than half of the companies surveyed still use the FSO model for their mortality assumption.

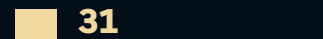
HOW IMPROVEMENT IS PROJECTED



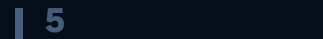
the FSO model



CMI, LTR 1.25 %



CMI, LTR 1.50 %



CMI, LTR 1.75 %

Risk sharing

The simplest approach for applying the risk sharing provisions of IAS 19 and IPSAS 39 is to allow for future increases to contributions from employees (“Risk Sharing 1”). Almost nine in ten companies reporting under these standards do so.

Some foundations have a written and past practice of limiting their share of the total contributions. Allowing for this (“Risk Sharing 2”), either as a fixed employer share of any deficit or by projecting future reductions in conversion rates, is more controversial where the limit has not been tested by a deficit under Swiss measurement rules.

Several companies have reworded their plan rules to make their limited commitment explicit. At the end of 2025, one company in eight applied this approach.

IAS 19 AND IPSAS 39 COMPANIES, BY APPROACH

89 %

Risk Sharing 1

205 companies allow for future increases in employee contributions

13 %

Risk Sharing 2

29 companies allow for a limit on the employer’s share of the total

8 %

No allowance

19 companies make no allowance for risk sharing at all

US GAAP has no risk sharing provisions, so the 8 companies reporting under ASC 715 are excluded. Risk Sharing 1 and 2 are not mutually exclusive: 22 companies apply both, so the shares add up to more than 100 %.

The survey is based on participating international accounting clients of allea Ltd.

The survey has been restricted to the **239** Swiss companies with a reporting year end of 31 December 2025, drawn from 117 groups, to enable a fair comparison of market-based assumptions.

Whilst most participants report under IAS 19, it also includes companies reporting under ASC 715 and IPSAS 39.

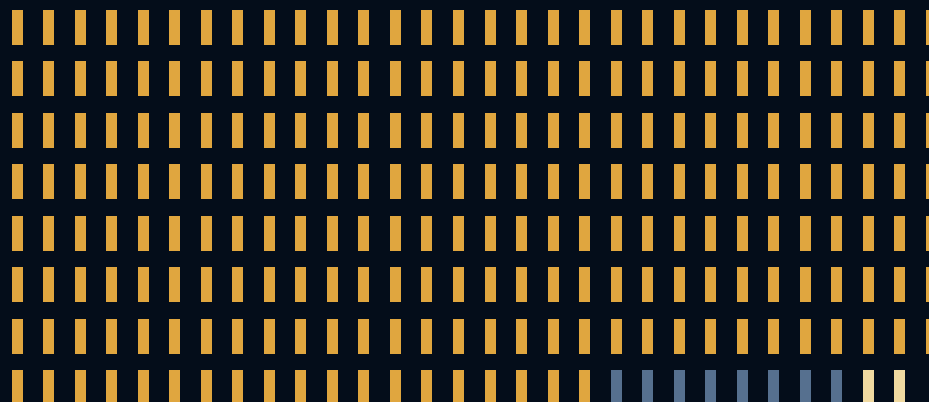
We did not observe a material difference in any assumption between the different standards.

All figures in this publication are calculated from the assumptions actually adopted by the participating companies at 31 December 2025 and, for comparison, at 31 December 2024 on the same population.

239

Swiss companies with a reporting year end of
31 December 2025, drawn from 117 groups

THE SAMPLE, ONE STROKE PER COMPANY



IAS 19 · 229

ASC 715 · 8

IPSAS 39 · 2

allea Ltd is an occupational benefits consultancy operating independently of banks and insurers.

It was established in 2004 with the spinoff of a profit centre that had been in existence since 1998. The joint stock company allea Ltd is wholly owned by its active partners.

We serve our clients from offices in **Baar** and **Lausanne**.

We take the needs and challenges of our clients seriously – they are what motivates us on a day-to-day basis.

allea Ltd is committed to finding flexible, individual and practicable solutions to complex issues relating to the entire field of occupational benefits.

With our team of **actuaries**, **mathematicians**, **lawyers** and **IT professionals** we can draw on the longstanding experience of experts with a proven track record, both locally and internationally.

Our corporate culture is designed to foster the development and delivery of **innovative ideas** and **solutions** for our clients.

Highlights at
31 December
2025

Expectations
for 2026

Financial
assumptions

Demographic
assumptions

Methodology

Survey
data

About
us

Our
experts



239

Companies



40

Pension funds



230 000

Insured members

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