Swiss Re

Appendix D
to the Regulations of the Pension Fund Swiss Re

Regulations on creating provisions and reserves

Author
Pension Fund Swiss Re

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Contents

1. Objective

1. These Regulations are issued pursuant to Art 65b of the Occupational Pensions Act (BVG) and Art 48e of the Occupational Pensions Ordinance 2 (BVV2). Specifically, occupational pension institutions are required, under transparency rules, to have a set of regulations defining the rules for creating provisions and fluctuation reserves, duly following the consistency principle.

2. Based on the legal requirements, the following Articles define the Pension Fund’s policy on calculating its liabilities for actuarial purposes. These liabilities are created to guarantee the pension provision objectives stated in the Regulations.

2. Definitions

1. The actuarial liabilities on the Pension Fund balance sheet consist of:

   a. The technical reserves of active members ("insureds");

   b. The technical reserves of pension beneficiaries;

   c. The provisions.

2. The *technical reserves of the insureds and pension beneficiaries* are the amounts determined by the pension's actuary ("occupational pensions expert") in accordance with the legislation and the Regulations, applying accepted principles and a generally accessible actuarial basis.

3. The *provisions* are created regardless of the Pension Fund's financial situation and are used to cover known or foreseeable obligations. They are included in calculating the funding ratio as per Art 44 BVV2.

3. Technical reserves of insureds and pension beneficiaries

1. The occupational pensions expert determines the technical reserves for the insureds and pension beneficiaries based on the Regulations and taking account of the Pension Fund's actuarial basis.

2. The technical reserves of insureds correspond to the leaving benefits under the Regulations, which are calculated pursuant to Articles 15, 17 and 18 of the Swiss Federal Law on Vesting in Pension Plans (FZG).

3. The technical reserves of pension beneficiaries correspond to the actuarial provisions required to finance the benefits (present value of benefits). To calculate the actuarial provisions, the Pension Fund applies the BVG 2020 generation tables (GT), projected to the valuation date of the following calendar year, with a technical interest rate of 1.50% by agreement with the occupational pensions expert.

4. Types of provisions

1. The amounts of the provisions required for actuarial purposes are determined in agreement with the occupational pensions expert or are based on the actuarial report. Provisions required by the Pension Fund for actuarial purposes are listed under item 5 below.

2. Where changes are necessary in connection with provisioning, the occupational pensions expert provides a recommendation to the Pension Fund Board regarding the provisions and how to calculate them.

5. Overview of actuarial provisions

The various actuarial provisions of the Pension Fund are detailed below.

5.1 Provision for technical parameters for pension beneficiaries

1. The provision is used to finance the future costs of a conversion or change in the technical parameters (actuarial basis and technical interest rate) for pension beneficiaries.

2. The provision is accrued annually with an amount equal to 0.2% of the technical reserves for pension beneficiaries. The target value is 4.75%.
   As of 31 December 2024, the provision corresponds to 4.25% of the technical reserves for pension beneficiaries.

   At regular intervals, the target value for the provision and increases thereto are determined and revised as appropriate by occupational pension experts performing actuarial audits.

3. When the adjustment to the new technical parameters takes place, the amount will be withdrawn from this provision if/as far as possible.

5.2 Provision for adjustment of the conversion rate

1. The provision is intended to allow co-financing existing benefits, a transitional solution or compensation for generations of pensioners with a lower conversion rate in the event of a future reduction or increase in the conversion rate. In addition, the Pension Fund Board may decide to use the provision for remediation measures to cover a shortfall for insureds.

2. The provision is increased annually by 0.2% of the retirement savings capital of active insureds and beneficiaries of a disability pension ("disabled insureds"). The target value is 4.75%.

   As of 31 December 2024, the provision is 4.25% of the retirement savings capital in the Pension Plan for active and disabled insureds.

   At regular intervals, the target value for the provision and increases thereto are determined and revised as appropriate by occupational pension experts performing actuarial audits.

5.3 Provision for reductions of the technical interest rate for active and disabled insureds

1. The provision for the reduction of the technical interest rate for active insureds is intended, in the event of a future reduction, to allow financing an offset of the difference in the interest rate between active or disabled insureds on the one hand and pension beneficiaries on the other, to ensure equal treatment of all beneficiaries.

2. In any reduction of the technical interest rate, the interest rate offset is achieved by increasing the retirement savings capital of active and disabled insureds equal to the percent increase in the technical reserves of pension beneficiaries.

3. Until the technical interest rate is reduced again, the provision is increased annually by 0.2% of the retirement savings capital of active and disabled insureds in the Pension Plan. The target value is 2.5%.

   As of 31 December 2020, the provision is 0.2% of the retirement savings capital of active and disabled insureds.

At regular intervals, the target value for the provision and increases thereto are determined and revised as appropriate by occupational pension experts performing actuarial audits.

5.4 Provision for risk fluctuation

1. The provision for risk fluctuation compensates for annual fluctuations in the outcomes for the risks of disability and death of active insureds.

2. As provided for in the Pension Fund Regulations, the provision is financed by employer contribution of the salaries insured under the risk insurance and full insurance. The target value corresponds to twice the difference between the disability and death claim amount (calculated at a safety level of 99% and in accordance with the current principles of the Pension Fund Swiss Re) and the risk contribution for one year.

3. At regular intervals, the target value for the provision and increases thereto are determined and revised as appropriate by occupational pension experts performing actuarial audits.

4. The amounts at risk arising as a result of disability and death (pension fund capital necessary to finance the benefits after deduction of the accrued retirement savings capital) and the change to the provision for deferred disability cases are charged to the risk fluctuation provision.

5. The provision should not exceed the target value and must not be negative. If these boundaries are exceeded or undershot due to the mechanism described in item 3 of this section, the Regulations risk contribution will be reviewed and adjusted where necessary.

5.5 Provision for financing supplementary pensions

1. As provided for in the Pension Fund Regulations, the provision is financed by an annual employer contribution of 0.6% of the salaries insured under the risk insurance and full insurance.

2. The provision is reduced by the costs of new supplementary pensions taking effect each year. These costs correspond to the technical reserves required to fund the supplementary pensions.

5.6 Provision for deferred disability cases

1. The provision for deferred disability cases was created to cover the costs of long-term disability that were incurred and reported as of the balance sheet date (or anticipated based on past experience) but the benefits for which were not yet being paid. A disability is deemed long-term if its duration is, or is expected to be, six months or longer.

2. The provision for deferred disability cases is recalculated annually in accordance with the portfolio defined above.

3. The target value for the provision for deferred disability cases corresponds to the expected actuarial provision to cover the benefits (present value of the salary replacement benefits, of the disability pensions and of the exemption from contributions).

5.7 Provision for technical losses on retirement

1. The provision for technical losses on retirements is used to finance the associated costs. The target value is defined based on the average probability per age category to retire at or after age 58 with reference to the retirement trends in recent years.

2. The regulatory conversion rates in effect since 1 January 2019 are lower than the actuarial conversion rates, calculated using 2020 BVG generation tables and a technical interest rate of 1.50%. The expected value therefore will reflect no actuarial loss on every retirement commencing on or after 1 January 2019, whether early or at the normal retirement age.

5. As a result, no further provision for retirement losses will be made until and unless there is an actuarial loss for the expected value for every retirement.

5.8 Provision for the guarantee costs in the Capital Plan

1. Savings contributions and buy-ins to the Capital Plan are invested in an investment fund, the future performance of which can be positive or negative. Any difference between the available savings capital and the benefits defined in the Regulations is guaranteed by the Pension Fund Swiss Re.

2. The provision is used to finance the associated guarantee costs. The provision's target value corresponds to 3.0% of the value of the capital plan.

3. With effect from 30 September 2024, 0.15% of the average fund value is credited annually to this provision. When savings capital is paid out from the Capital Plan, any associated guarantee costs will be offset against this provision.

5.9 Provision for contingencies

1. On a case-by-case basis, further actuarial provisions may be created in line with professionally recognised principles. Such provisions are intended to cover Pension Fund Board decisions or events requiring the Board in the short term to increase the technical reserves of active insureds and/or of pension beneficiaries, raise the target value of provisions, or even make extraordinary payments. Examples of such scenarios include:

    a. A specific decision to increase benefits for active insureds and pension beneficiaries;

    b. A corporate merger or a partial liquidation;

    c. Changes to the Regulations.

6. Fluctuation reserves

1. The fluctuation reserves are used to compensate for fluctuations in investments.

2. The target value for the necessary fluctuation reserves is defined in the Asset Allocation Regulations.

7. Free funds

1. Free funds can only be created from available surpluses, and only if the provisions and fluctuation reserves have attained their target values.

2. The free funds are partially or fully released once the provisions and fluctuation reserves no longer attain their target values.

3. Within the scope of the limits defined above, decisions on the free funds are made solely by the Pension Fund Board.

8. Funding ratio pursuant to Art 44 BVV2

The funding ratio pursuant to Art 44 BVV2 corresponds to the ratio between the assets as defined in Art 44 BVV2 and the total of technical reserves for active insureds and pension beneficiaries and the provisions defined in these Regulations.