



Occupational benefits

Regulations on the creation of provisions and reserves

AXA Foundation for Supplementary Benefits, Winterthur

General

Objective

Par. 1

These regulations set out the rules that apply to the creation of provisions and reserves for the Foundation and its affiliated occupational benefits funds. The regulations are issued by the Board of Trustees pursuant to Art. 65b BVG/LPP and Art. 48e BVV2/OPP2.

Consistency

Par. 2

The principle of consistency must be followed when calculating the provisions and reserves.

Retirement capital

Retirement capital of active insured

Par. 3

The provisions for retirement capital for active insured must equal the regulatory retirement assets of the active insured.

Pension capital of pensioners

Par. 4

The pension capital of pensioners corresponds to the cash value of the current and reversionary pensions. Pensions paid by the Foundation are calculated in accordance with recognized principles using the technical fundamentals under BVG/LPP 2020 as generational tables and a technical interest rate of 1.50%. This does not apply to pensions brought into the fund as part of a new affiliation. Their valuation is determined with the technical interest rate used for calculating the purchase amount.

The pension capital of those pensioners whose current and reversionary pensions are fully reinsured with AXA Life Ltd. equals the actuarial reserves of AXA Life Ltd. that is calculated based on the group life insurance rate.

Technical provisions

Provision for retirement losses

Par. 5

The provision for retirement losses serves to cover the financing gap between the available retirement

assets and the pension capital needed to cover the pension obligations.

The pensions actuary must determine the provision necessary every year. It is calculated as a supplement to the available extra-mandatory retirement assets of all insured persons who are aged 58 or older on the balance sheet date. The supplement is contingent on the difference between the actuarially correct pension conversion rate in accordance with the Foundation's technical parameters and the regulatory or BVG/LPP conversion rate. The probability that the affected insured persons will draw their retirement benefits as a pension is also taken into account in this Foundation.

Provision for withdrawal losses

Par. 6

An insured person who leaves the Foundation in a vested benefits case is entitled to a withdrawal benefit in accordance with statutory conditions.

The pensions actuary must determine the provision necessary every year. It is calculated as the difference between the withdrawal benefits and the retirement assets of all insured persons.

Provision for additional fund-specific benefit components

Par. 7

Occupational benefits funds must form individual provisions for pension plans that, by way of an exception, contain additional regulatory benefit components (AHV bridging pension, increased conversion rate, lower reduction of retirement pension in case of early retirement, additional death lump sums financed by the pension fund, additional benefits for pensioners). The pension actuary recalculates the amount of the necessary provision annually by using recognized actuarial methods.

For all fund-specific benefit components, the provision must equal at least the amount of the previous year, less the purpose-linked commitments. If a benefit is removed from the pension plan, the provision is dissolved in the favor of the occupational benefits fund. The same applies if these benefit components of the pension plan change significantly.

1. AHV bridging pension

In the case of full or partial early retirement in accordance with the pension plan, a provision is calculated for all active insured persons who are entitled to an AHV bridging pension on the accounting date or who have reached a certain

age as defined in the pension plan. The provision is calculated using purely mathematical valuation methods at cash value for the period up to ordinary retirement, without interest. In the absence of another resolution by the occupational benefits fund commission and approved by the pension actuary, the calculation assumes the maximum benefit period and receipt of pensions by all beneficiaries. Known changes in statutory provisions, in particular those affecting the maximum AHV pension, must be taken into account.

2. Increased conversion rate

In the case of full or partial retirement in accordance with the provisions of the pension plan, a provision is formed for all active insured persons who would be entitled to a retirement pension and for whom the conversion rate as defined in the pension plan is above the rate set by the board of trustees.

The provision is calculated based on the following formula:

$$\frac{(\text{Fund-specific conversion rate} - \text{Foundation-specific conversion rate}) \times \text{retirement assets on the balance sheet date}}{\text{Foundation-specific conversion rate}}$$

The same calculation method is used also in cases where the conversion rates for early retirement defined in the pension plan are higher than the conversion rates for early retirement defined by the Board of Trustees. The calculation must be based on the early retirement date that requires the largest amount to be financed for the entire portfolio of insured.

In the absence of another resolution by the occupational benefits fund commission and approved by the pension actuary, the lumpsum withdrawal rate is not factored into the calculation.

3. Smaller reduction of the retirement pension on early retirement

In the case of guaranteed minimum age pensions, the provision is calculated with the same method as used for the increased regulatory conversion rate.

4. Additional death lump sums financed by the pension fund

Not reinsured reversionary death lump sums for active insured persons and/or pensioners are included in the provision at cash value. The calculation uses the currently valid technical fundamentals of the Foundation.

5. Additional benefits for pensioners

Finalized future improvements in benefits for pensioners are included in the provision at cash value. The calculation uses the currently valid technical fundamentals of the Foundation.

Fluctuation reserve

Objective

Par. 8

A fluctuation reserve is set up to cover any fluctuations in the value of the investments. The fluctuation reserve serves as a hedge against price losses on invested assets and ensures that the financial equilibrium is maintained. It is defined in Appendix 3 of the Investment Regulations.

Target value

Par. 9

The Board of Trustees has set the target fluctuation reserve at 13% of the independently invested pension capital of the active insured and pensioners, the technical reserves (without provision for supplementary interest), the employer contribution reserve and the occupational benefits funds' disposable assets.

Final provision

Entry into force

Par. 10

These Regulations enter into force retroactively as of December 31, 2023, and replace the version of December 31, 2022.