Columna Collective
Foundation – Client Invest

Occupational Benefits

Regulations on the creation of provisions and reserves

Columna Collective Foundation - Client Invest, Winterthur

L521.004-12.23

General

Purpose
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 observed 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.

The regulatory retirement assets of the active insured comprise the retirement credits, vested benefits brought into the fund, plus any purchases of additional benefits or single contributions, less any advance withdrawals to finance residential property, payouts in connection with divorce and lump sums used to finance retirement and survivor's benefits that fall due, plus accrued interest.

Pension capital of retirees
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 and by using the technical fundamentals under BVG 2020 as generational tables and a technical interest rate of 2.00%. This does not apply to pensions brought into the fund in as part of a new affiliation, whose 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 calculated based on the group life insurance rate.

Technical provisions

Provision for retirement losses
Par. 5

A provision for retirement losses is formed at the occupational benefits fund level for those occupational benefits funds that invest their retirement assets on their own responsibility and on their own account.

For the remaining pension relationships pertaining to the insured who are incapacitated or disabled following the liquidation of an affiliation contract, the provision for retirement losses is formed at the Foundation level.

The provision for retirement losses serves to cover the financing gap between the retirement benefits based on the conversion rate defined by the occupational benefits fund commission and the foundation-specific conversion rate.

The pensions actuary must determine the provision necessary every year. It is calculated as a supplement on the available BVG and 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 Foundation-specific pension conversion rate set by the Board of Trustees and the conversion rate set by the occupational benefits fund. The probability that the affected insured persons in this Foundation draw their retirement benefits as a pension is also taken into account.

The provision is calculated based on the following formula:

$$\frac{(\text{Occupational benefits fund conversion rate} - \text{Foundation conversion rate}) \times \text{retirement assets as at the balance sheet date}}{\text{Foundation conversion rate}}$$

Occupational benefits fund conversion rate: Corresponds to the conversion rate set by the occupational benefits fund commission.

Foundation conversion rate: Corresponds to the Foundation-specific pension conversion rate set by the Board of Trustees.

The calculation of the provision must be based on the early retirement date that requires the largest amount to be financed for the entire portfolio of insured.
The provision must in principle be set to the target value. After examination by the pension actuaries, the Foundation may facilitate the linear development of the provision within a maximum of 3 years for newly affiliated occupational benefits funds for which the full formation of the provision would result in an underfunding. In any case, the target value of the provision is calculated according to the formula above. The linear development of the provision is carried out as follows:

The provision as a percentage of the target value at the balance sheet date is at least:
– 50% as at the opening balance sheet
– 70% on the first balance sheet date
– 85% in the year after that
Thereafter, the provision must correspond to the target value.

Provision for additional benefit components specific to the pension fund
Par. 6

At the occupational benefits level, individual provisions are formed for occupational benefits funds that, by way of an exception, contain additional regulatory benefit components (AHV bridging pension, additional death lump sums financed by the pension fund, additional benefits for pensioners). The pension actuary will recalculate the required provisions annually on the basis of 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 liquidated 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. **Smaller reduction of the retirement pension on early retirement**
   In the case of guaranteed minimum retirement pensions, the provision is calculated using the same method as for the increased conversion rate for the pension plan.

3. **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.

4. **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.

Provision for exit losses
Par. 7

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 required provision at the occupational benefits fund level every year.

It is calculated as the difference between the withdrawal benefits and the retirement assets of all insured persons.

Further provisions
Par. 8

Any further provisions (e.g. provision for a pension increase, provision for non-distributed surpluses, etc.) will be determined as necessary on the basis of specialist principles. The creation and release of provisions will be carried out in conjunction with the pension actuary.

Fluctuation reserve

Reserve for fluctuations in asset value of occupational benefits funds
Par. 9

In order to cover any fluctuations in the value of the investments, an individual, specific fluctuation reserve is set up for every occupational benefits fund that invests its retirement assets or technical provisions for its own account and at its own discretion. The fluctuation reserve serves as a hedge against losses in the value of the investments and ensures the fund's financial equilibrium.
This is calculated using a flat-rate method as follows:

Percentages per asset class:

Asset class	Fluctuation reserve in % of market value
Receivables in Swiss francs	5%
Claims in foreign currencies	12%
Swiss equities	19%
Foreign equities	20%
Real estate funds, Switzerland	8%
Real estate funds, foreign	15%
Hedge funds	15%
Insurance Linked Securities (ILS)	12%
Private equity	20%
Infrastructure Switzerland	5%
Infrastructure Global	7.5%
Other alternative investments	15%

For investment portions in mixed funds, the percentages used to calculate the fluctuation reserve are based on the relevant structure of the investment fund.

Reserve for fluctuations in asset value of the Foundation
Par. 10

In order to cover any fluctuations in the value of investments, a reserve for fluctuations in asset value is created at Foundation level using the value-at-risk method for the investment of collective foundation assets pursuant to the document "Investment regulations (Collective Foundation Assets)".

Final provision

Entry into force
Par. 11

These regulations enter into force as of December 31, 2023, and supersede the version of December 31, 2022.