AXA Foundation
for Supplementary Benefits

Q&A - changes within the AXA Foundation for Supplementary Benefits with effect from January 1, 2025

Question	Answer
General information	
Why are the benefit parameters being changed?	The AXA Foundation for Supplementary Benefits, Winterthur focuses on attractive benefits for all generations and is committed to financial security and stability. It has already made a key move in this respect by switching to semi-autonomy. Since the Foundation switched from a full insurance model to a semi-autonomous model, insureds enjoyed average annual interest of 3.93 % on their retirement savings between 2019 and 2023. In order to continue providing attractive interest rates for insureds' retirement savings and optimizing working insureds' benefits from compound interest, the Board of Trustees has decided to gradually adjust the conversion rate between 2025 and 2027. This will help offset the increasing redistribution from working insureds to retired insureds. Without this step, the redistribution would increase by over CHF 4 million a year in the next five years.
What exactly is changing?	**Key points at a glance:** • A standard **conversion rate of 4.6 %** will apply to all men and women retiring at age 65 starting in 2027. This will reduce the redistribution from people who are still working to those who have retired as well as ensuring an attractive level of benefits for insureds over the long term. • The conversion rate will gradually be adjusted over the next three years. This allows insureds to plan with greater reliability, and it cushions any pension reductions. • There will be no change to existing retirement pensions or lump sums.
When do the changes come into effect?	The changes will take effect on January 1, 2025.
Who is affected by the changes?	All of the approved changes apply to existing and new customers of the AXA Foundation for Supplementary Benefits.
Who decided on the changes?	The Board of Trustees of the AXA Foundation for Supplementary Benefits, which is made up of employee and employer representatives.

Question	Answer
Conversion rate adjustment	
What will the conversion rate be in future?	A conversion rate of 4.6 % will apply to all men and women retiring at age 65 starting in 2027 (only voluntary portions). A gradual transition will take place between 2025 and 2027.

Conversion rates from 2025

	2025	2026	2027
Extra-mandatory:	4.87 %	4.74 %	4.60 %

The respective conversion rates apply to women and men aged 65.

The conversion rate of the previous year applies if you retire on January 1.

The former conversion rates of 5.0 % for men aged 65 and 4.88 % for women aged 64 will to apply to anyone retiring before the end of 2024.

Question	Answer
Is there any provision for a transitional solution?	The adjustment will take place over a span of three years. This means insureds can plan with greater reliability, and it cushions any pension reductions, especially for people who are about to retire.
Why is the conversion rate being changed?	By adjusting the conversion rate to 4.6 %, the AXA Foundation for Supplementary Benefits is minimizing the increasing redistribution from working insureds to retirees. Insureds can thus expect to receive more interest in the future, allowing them to accumulate more retirement assets by the time they retire.
Why is the conversion rate being changed now?	The Board of Trustees of the AXA Foundation for Supplementary Benefits checks on an ongoing basis whether any adjustments are necessary to maintain a stable pension fund that provides competitive benefits. It is adjusting the conversion rate to take into account the rising life expectancy and to lower the redistribution between working insureds and retirees. This allows it to make the system fairer for all generations and secure consistently fair and attractive pensions for its insureds.
The statutory minimum conversion rate is set at 6.8 %. How can the conversion rate be lower than this?	The statutory minimum conversion rate, currently set at 6.8 %, applies to mandatory assets in occupational benefits insurance, i.e. the minimum according to the Occupational Pensions Act. The AXA Foundation for Supplementary Benefits deals solely with the voluntary portion. Pension funds are free to set their own conversion rate for the voluntary portion.
Outlook: What is likely to happen to the conversion rate in future? Are any further adjustments to be expected?	By lowering the conversion rate, the Board of Trustees is laying the foundation for the long-term planning of a financially viable level of benefits. At the same time, it is increasing the potential of insureds to receive attractive interest rates.
Information for employers and working insured persons	
How are future retirement pensions calculated?	Each individual's future pension is different and depends on a range of factors, including how much retirement capital they have saved while working and the relative proportions of mandatory and voluntary assets. Generally speaking, retirement assets x conversion rate = annual pension.
Where can I see how much my future pension will be?	Insureds can calculate their future pension in the myAXA pensions portal.

Question	Answer
How will the adjustment of the conversion rate affect a lump-sum withdrawal?	Lump sums are not affected by the adjustment of the conversion rate. The conversion rate only applies to retirement capital that is converted into a pension.
Will the adjustment of the conversion rate affect early retirements?	Yes. The reduction of the conversion rate will also affect early retirements if the pension option is chosen. The pension is then considerably lower.
Why is there now a single conversion rate for both women and men?	The Board of Trustees specifically chose the same conversion rate for both men and women retiring at age 65. Following the OASI reform, both men and women will also have the same reference age of 65 in the future.
How much more interest can insured persons expect on average over the long term?	This depends on the performance of the financial markets, so it is impossible to forecast.
How does extra interest affect retirement assets?	Even an additional half of a percentage point in interest has a significant impact over the long term, as the following example shows: CHF 100,000 in starting capital, earning interest at **1.0 %** a year over 20 years, grows to **CHF 122,019** CHF 100,000 in starting capital, earning interest at **1.5 %** a year over 20 years, grows to **CHF 134,685** CHF 100,000 in starting capital, earning interest at **1.0 %** a year over 40 years, grows to **CHF 148,886** CHF 100,000 in starting capital, earning interest at **1.5 %** a year over 40 years, grows to **CHF 181,401**

Information for pensioners

What will happen to existing retirement pensions?	Current retirement pensions are not affected by these adjustments.
How will the adjustment of the conversion rate affect current survivors and disability pensions?	The adjustment of the conversion rate has no effect on current survivors and disability pensions.

General information on the conversion rate, redistribution and key figures

What is a conversion rate?	The conversion rate determines how much pension a person receives from the day they retire. It determines the percentage at which the retirement capital they saved up while working is converted into a lifelong annual pension. With a conversion rate of 4.6 %, for example, someone who has CHF 100,000 in retirement capital will receive a pension of CHF 4,600 a year.
What is meant by conversion losses?	The conversion rate determines how much a person's annual pension will be when they retire. If the conversion rate currently in use is above the correct level from an actuarial point of view, then every time someone retires, the pension fund needs to have more capital in reserve than the assets that person has actually saved in order to fund his or her retirement pension. This is the reason for the ever-increasing redistribution of assets from working insureds to retirees. The difference between the assets accumulated and the capital actually needed is referred to as a conversion loss.

Question	Answer
Is it not possible to offset conversion losses with investment returns?	Conversion losses have indeed been offset with investment returns up to now, which amounts to cross-subsidization of pensioners by working insured persons. However, investment returns should really accrue to the latter.
What is the extent of redistribution at the moment?	If no action is taken, the redistribution from working insureds to retirees would increase to over CHF 4 million per year in the next five years at the AXA Foundation for Supplementary Benefits.

If you have any further questions on the changes within the AXA Foundation for Supplementary Benefits with effect from January 1, 2025, we will be happy to help.

Please get in touch with your AXA contact or advisor.

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