

Swiss Life
Occupational Pension Foundation, Zurich
(foundation)

Regulations

governing the

**formation of provisions and reserves
at foundation level**

Effective date: 1 January 2018

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Art. 1 Introduction

The present regulations set out the principles and guidelines for the establishment of technical provisions and reserves in the Swiss Life Collective Occupational Pension Foundation (BVST).

Art. 2 Principles and objectives

Pursuant to Art. 48e BVV 2, the Board of Trustees of the Swiss Life Collective Occupational Pension Foundation (foundation) approves the reserving policy at the level of the employee benefits unit and of the foundation, as well as these regulations.

The regulations govern the formation of reserves and provisions, taking into account the principle of consistency. Attention has been paid to the fact that the foundation must be in a position to fulfil its future provision objectives at all times.

The pension actuary shall report regularly, at least once every three years, on the status of reserves and provisions. Based on the pension actuary's report, the Board of Trustees shall review these regulations periodically and, if necessary, adapt them to any new circumstances.

Art. 3 Organisation of the Foundation

The Foundation maintains a Vorsorgewerk for each affiliated company. The Foundation concludes insurance contracts with Swiss Life to cover the risks of death and disability.

The Foundation's Vorsorgewerke are organised in the form of savings and risk systems. A retirement account is maintained for each insured person. Savings contributions and interest are credited to this account. The insurance risks (death, disability) are covered by Swiss Life. The cost of living adjustment risk in accordance with Art. 36, cl. 1 of the BVG is borne by the foundation.

The retirement pensions thus arising are purchased by the employee benefits unit from Swiss Life, for which purpose the savings capital available to the insured person is transferred to Swiss Life. In such cases the employee benefits units bear any underwriting risk within the scope of the funding gap arising from the conversion of all or part of the retirement savings into a retirement pension as a result of the conversion rate differences between the pension fund regulations and the group life insurance premium rates of Swiss Life.

Art. 4 Reserves and provisions at foundation level

1 - Cost of living adjustment fund

Cost of living premiums are credited to the cost of living adjustment fund for the adjustment of risk pensions to inflation required under Art. 36 cl. 1 BVG. The cost of living adjustment fund disburses the appropriate cost of living allowances.

The amount of the cost of living adjustment fund at the end of the year is calculated on the basis of the amount of the cost of living adjustment fund at the end of the previous year plus the cost of living premiums and the investment income on the cost of living adjustment fund, less the cost of living allowances and the amount required for allocation to the value fluctuation reserve of the cost of living adjustment fund.

The Board of Trustees decides on the dissolution or continuing accumulation of the cost of living adjustment fund.

2 - Provision for special cases

The foundation currently has several contracts in force where the employer no longer exists (e.g. as a result of bankruptcy or dissolution of the company and lack of coverage by the security fund). Except for the remaining benefit cases which cannot be transferred to Swiss Life, these contracts no longer have any active insured persons.

Benefit obligations arising from such contracts are therefore borne by the foundation alone. For this reason, a provision for special cases is set up at foundation level. The provision corresponds to liabilities on the key date for which the employer no longer exists.

The Board of Trustees decides on the amount and dissolution of this provision.

3 - Provision for shortfall and a lack of restructuring options

At foundation level, there are several contracts with insufficient cover. In most of these cases, the employer no longer exists and regulatory or statutory restructuring measures are no longer an option (e.g. as a result of bankruptcy or dissolution of the company and lack of coverage by the security fund).

The shortfall under these contracts is borne by the foundation alone. For this purpose, a provision for shortfall is set up at foundation level for Vorsorgewerks which lack restructuring options. The provision amount corresponds to the total shortfall under contracts where the employer no longer exists.

The Board of Trustees decides on the amount and dissolution of this provision.

4 - Other technical provisions

Any other technical provisions at foundation level shall be established in accordance with actuarial principles. The actual and target amounts of the provision are regularly assessed by the pension actuary and adjusted to current circumstances.

5 - Value fluctuation reserve

A value fluctuation reserve is set up at foundation level to offset expected fluctuations in the remaining foundation assets (total assets less the sum of the assets of the Vorsorgewerks).

This measure ensures compliance with Art. 50 of the BVV 2, which stipulates that an employee benefits institution must ensure compliance with its future provision objectives. To accomplish this, the employee benefits institution must adjust its investments carefully according to its risk capacities. This includes the ability to offset expected market-related fluctuations in the value of its assets and to maintain sufficient cash means or readily realisable investments to fulfil its current and future obligations on time.

In accordance with Art. 48e of the BVV 2, value fluctuation reserves shall be formed in a reasonable and readily explicable way. The decisive factors for the formation of value fluctuation reserves are the risk and return features of the current or envisaged strategic structure of the investment (strategic asset allocation) and the bandwidths for the implementation of the investment strategy (tactical asset allocation scope).

In the case of a positive annual result, the foundation uses the surplus achieved to increase the value fluctuation reserve until the target amount is reached. In the case of a negative annual result, the shortfall is made up through the value fluctuation reserve as far as possible. For further information on the value fluctuation reserves, see the investment regulations.

Art. 5 Effective date

The *Regulations governing the formation of provisions and reserves at foundation level* entered into force on 1 January 2018 on the basis of the resolution of the Board of Trustees of 28 February 2017, and replace the previous regulations. They are sent to the supervisory authority for the latter's information. The Board of Trustees may change the regulations at any time in accordance with the law and the Foundation Charter.

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