



# Guideline of the Board of Trustees

## on the interest rate on retirement assets and other pension resources

The Federal Council sets the minimum interest rate in accordance with the BVG. Thus, the interest to be credited annually by an occupational benefits institution to the BVG retirement assets of its insured is pre-defined. The interest rates on the mandatory and extra-mandatory portions of the retirement assets are determined annually by the Board of Trustees.

The Board of Trustees has expressed its intention to define the participation of the retirement assets of the insured according to a pre-defined mechanism in the future in order to make the process more transparent and accountable.

The higher the coverage ratio, the higher the total interest. The coverage ratio is essentially influenced by the investment income of the Foundation.

Forecast coverage ratio as at 31.12.XX (BoT meeting in Nov.)	Basic & additional interest (mandatory)	Basic & additional interest (extra-mandatory)
> 112.5%	BVG minimum interest rate +1.00%	BVG minimum interest rate +1.75%
> 110.0%	BVG minimum interest rate +0.50%	BVG minimum interest rate +1.25%
> 107.5%	BVG minimum interest rate +0.25%	BVG minimum interest rate +1.00%
> 105.0%	BVG minimum interest rate	BVG minimum interest rate +0.75%
≥ 100.0%	BVG minimum interest rate	BVG minimum interest rate
< 100.0%	BVG minimum interest rate*	0% – BVG minimum interest rate

\* combined with other restructuring measures, an interest rate up to 0.5% lower than BVG minimum interest is possible

Additional interest will only be paid out if at least one investment performance at the level of the BVG minimum interest rate can be achieved in the same year.

### Example

If, for example, the coverage ratio on 31.12 reaches 108%, interest rates of 1.25% (mandatory retirement assets) and 2.0% (extra-mandatory retirement assets) apply in 2018.

If an occupational benefits fund reaches a contract duration of 4 years by 31.12.XX, it already receives 100% of the additional interest. For a contract duration of less than 4 years, the occupational benefits fund receives the following share for each full year:

On reaching a contract duration of less than 2 full years	no additional interest
On reaching a contract duration of 2 full years	$\frac{1}{3}$ of the additional interest
On reaching a contract duration of 3 full years	$\frac{2}{3}$ of the additional interest
On reaching a contract duration of 4 full years	$\frac{3}{3}$ of the additional interest

The Board of Trustees bases its interest rates for the employer contribution reserves and the unallocated assets on the currently valid BVG minimum interest rates. The interest rate for these funds should be 50% of the BVG minimum interest rate. However, the definitive rate is not determined by the Board of Trustees until the end of the year, taking into account the coverage ratio as well as the condition that the investment performance achieved should equal at least the BVG minimum interest rate.

#### Disclaimer

The Board of Trustees expressly reserves the right to deviate from this mechanism or to adapt it, in particular if:

- changes emerge in the structure of the portfolio of insured persons
- extreme situations arise in the financial markets
- it would violate the legal framework according to Article 46 BVV2
- the requirements of the information sheet of the BVG and Foundation Supervision of the Canton of Zurich (BVS) of March 6, 2017 limit the options of the interest model.

The Board of Trustees

Winterthur, June 14, 2018