AXA Foundation
for Occupational Benefits

Occupational benefits

Regulations on the creation of provisions and reserves

AXA Foundation for Occupational Benefits, Winterthur

L518.004-12.23

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.

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 to finance retirement and survivors' benefits that fall due, plus accrued interest.

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 2.25%. This does not apply to pensions brought into the fund as part of a new affiliation. These are valued following affiliation by applying the actuarial interest rate used for calculating the purchase amount, subject to a maximum of 2.25%.

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 BVG/LPP 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 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 fundamentals risk
Par. 6

The Foundation uses the technical fundamentals as generational tables. The generational tables factor in a future development based on the mortality probabilities data observed. This requires specific model-based assumptions to be made. Accordingly, every year of birth has its corresponding mortality probabilities.

The technical fundamentals are periodically adjusted in line with the new statistical circumstances. It may turn out that the model-based assumptions for the future development of mortality data are not the same as the actual development witnessed. One-time increases in pensioners' pension capital following an adjustment of the technical fundamentals and/or the technical interest rate can be funded via this provision.

To create the provision, pensioners' pension capital is calculated dynamically each year with an increase in the probability of partnership (w=110%) and a decrease in the probability of death (q=90%).

This provision will be adjusted or released accordingly when the BVG 2025 mortality tables are published.

Provision for withdrawal 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 provision necessary every year. It is calculated as the difference between the withdrawal benefits and the retirement assets of all insured persons.

Provision for extending the term of disability pensions
Par. 8

The provision for extending the term of disability pensions is used to cover the costs of continued payment/continuation of current disability pensions and the costs of the savings process for women who were (retroactively) entitled to a disability pension until age 64 as of December 31, 2023 within the scope of the OASI 21 reform, through to the current OASI reference age.

The extent of the provision is determined by comparing the costs for the term until the reference age of 64 with the costs for the term until the reference age as defined by the OASI 21 reform.

The provision will be reversed as soon as there are no longer any women in the pool of insureds deemed disabled, pursuant to Para. 1.

The target is reviewed annually by the occupational pension actuaries.

Provision for additional fund-specific benefit components
Par. 9

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.

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 provisons 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:

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

   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 porfolio of insured.
   In the absence of another resolution by the occupational benefits fund commission and approved by the pension actuary, the lump-sum 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.

Non-technical provisions
Par. 10

The Board of Trustees may at any time decide on non-technical provisions that are not listed in these Regulations. In this case, these are to be explained in the Notes to the annual financial statements in accordance with the rules that apply to the creation of provisions. If such provisions are created on a long-term basis, they must be defined in the regulations.

Fluctuation reserve

Objective
Par. 11

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. 12

The Board of Trustees has set the target fluctuation reserve to be applied at 15% of the independently invested pension capital of the active insured persons and pensioners and of the technical reserves (without provision for supplementary interest).

Final provision

Entry into force
Par. 13

These regulations enter into force on December 31, 2023, and supersede the version dated December 31, 2022.