



Interest model, valid from January 1, 2021

The Federal Council sets the minimum interest rate in accordance with the BVG. This means that the interest to be credited annually by an occupational benefits institution to the BVG retirement assets of its insureds is prescribed. The interest rates paid on the mandatory and extra-mandatory portions of the retirement assets are determined annually by the Board of Trustees.

The Board of Trustees has decided, in a declaration of intent, to allow the retirement assets of the insureds and other pension assets to

participate in the performance according to a pre-defined mechanism in the future in order to make the process more transparent and easier to understand.

The higher the coverage ratio, the higher the total interest. The coverage ratio is mainly influenced by the Foundation's investment income.

The total interest earned in steps 4 and 5 is directly dependent on the performance of the commensurate "mandatory" and "extra-mandatory" sub-strategies.

Level	Forecast coverage ratio as at December 31 (BoT decision of mid-December)	Basic and supplementary interest (mandatory)	Basic and supplementary interest (extra-mandatory)
5	> 111.0%	Sub-strategy performance Mandatory as at November 30 less 1.5%	Extra-mandatory sub-strategy performance as at November 30 less 0.75%
4	> 108.5%	Sub-strategy performance Mandatory as at November 30 less 2.0%	Extra-mandatory sub-strategy performance as at November 30 less 1.25%
3	> 106.0%	BVG minimum interest rate +0.25%	BVG minimum interest rate +1.00%
2	> 103.5%	BVG minimum interest rate	BVG minimum interest rate +0.50%
1	≥ 100.0%	BVG minimum interest rate	BVG minimum interest rate
0	≤ 100.0%	BVG minimum interest rate*	0% up to BVG minimum interest rate

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

The total interest earned in steps 4 and 5 is commensurate with the performance of the mandatory and extra-mandatory sub-strategies less a % deduction (for pension losses, creation of the necessary fluctuation reserves/provisions and guarantee of financial equilibrium, etc.).

The level of interest earned in steps 4 and 5 corresponds at least to that in step 3.

Supplementary 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 1 (as of January 1, 2021 step 3)
If, for example, the coverage ratio as at December 31 reaches 108%, interest rates of 1.25% (mandatory retirement assets) and 2.0% (extra-mandatory retirement assets) apply in 2019.

Example 2 (as of January 1, 2021 step 5)
The coverage ratio as at December 31 is 111.5%, for example, and the “mandatory” sub-strategy performance 4.5% and the “extra-mandatory” sub-strategy performance 5.2%. In this case, the following interest rates apply:

- mandatory retirement assets
3.0% (4.5% less 1.5%)
- extra-mandatory retirement assets
4.45% (5.2% less 0.75%)

The Board of Trustees determines the interest due on employer contribution reserves and unallocated assets based on the applicable BVG minimum interest rate. The interest rate applicable to these assets 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, factoring in the coverage ratio and subject to the condition that the investment performance achieved is at least equal to 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:

- there are indications of changes in the structure of insureds,
- the Foundation’s financial equilibrium can no longer be guaranteed,
- extreme situations arise in the financial markets,
- the technical interest rate is lowered,
- it would violate the legal framework (including Article 46 BVV 2),
- the requirements of the information sheet of the BVG and Foundation Supervision of the Canton of Zurich (Dec. 19) restrict the number of options made possible by the interest model.

The Board of Trustees

Winterthur, Tuesday, March 10, 2020