



# Q&A - changes within the AXA Foundation Suisse Romande with effect from January 1, 2025

Question	Answer
<b>General information</b>	
Why are the benefit parameters being changed?	The Board of Trustees of the AXA LPP Foundation Suisse Romande is committed to providing an attractive, modern and stable Pillar 2 solution. It has already made a key move in this respect by switching to semi-autonomy – insureds are earning more interest, and the redistribution within the Foundation from working insureds to pensioners has been significantly reduced. That said, redistribution persists due to higher life expectancy. The adjustment of the conversion rate is the next step toward ensuring sustainable pension funding and greater generational fairness.
What exactly is changing?	<b>Key points at a glance:</b> <ul style="list-style-type: none"><li>• Between 2025 and 2029, the AXA LPP Foundation Suisse Romande will gradually introduce a <b>comprehensive conversion rate of 5.6%</b> for men and women retiring at age 65. This significantly reduces the redistribution from people who are still working to those who have retired and enhances <b>the attractiveness and financial stability</b> of the Foundation over the long term.</li><li>• The <b>gradual adjustment over the course of five years</b> means insureds can plan with greater reliability, and it cushions any pension reductions.</li><li>• There will be no change to existing retirement pensions and lump sums.</li></ul>
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 adopted changes apply to existing and new customers of the AXA LPP Foundation Suisse Romande with effect from January 1, 2025.
Who decided on the changes?	The Board of Trustees of the AXA LPP Foundation Suisse Romande, which is made up of employee and employer representatives.
<b>Change in conversion rate model</b>	
Which conversion rate model will be used in future?	The comprehensive model will be used starting in 2029. A gradual transition will take place between 2025 and 2029.

**Question****Answer**

What will the conversion rate be in future?

A conversion rate of 5.6% will apply to all men and women retiring at age 65 starting in 2029. The rates will gradually be adjusted between 2025 and 2029.

### Conversion rates from 2025

	2025	2026	2027	2028	2029
<b>Conversion rate Mandatory</b>	6.55%	6.30%	6.05%	5.80%	5.60%
<b>Conversion rate Extra-mandatory</b>	5.50%	5.50%	5.55%	5.55%	5.60%

*The 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 – 6.8% in the case of mandatory assets, and 5.5% for men aged 65 and women aged 64 in the case of voluntary assets – will apply to anyone retiring by the end of 2024.

Is there any provision for a transitional solution?

The adjustment will take place over a span of five 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?

The conversion rates currently in use are too high in view of increasing life expectancy.

The AXA LPP Foundation Suisse Romande pursues the strategy of always offering fair and financially sustainable pension solutions. Given the current return outlook and higher life expectancy, the lifelong pensions currently promised on retirement can no longer be financed sustainably. Funding shortfalls known as conversion losses arise, leading to an unplanned redistribution of assets from working insureds to pensioners. This redistribution is at odds with the fundamental principle of the second pillar, which is that everyone saves for their own retirement.

Adjusting the conversion rate will significantly reduce this redistribution, helping to ensure sustainable pension funding and greater generational fairness.

Why is the conversion rate being changed now?

The Board of Trustees of the AXA LPP Foundation Suisse Romande 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 rates 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. Pension funds are free to set their own conversion rate for voluntary assets.

Even with a comprehensive conversion rate below the statutory minimum (currently 6.8%), the statutory minimum benefits for mandatory assets are paid at all times. To monitor this, a control account (known as a shadow account) is kept for every single insured person.

If the retirement pension calculated using the comprehensive conversion rate is lower than the statutory minimum, the pension fund must increase it to that amount.

A pension fund also has to carry out the same control calculation (shadow accounting) if it applies split conversion rates but uses a conversion rate below the statutory minimum for mandatory assets.

Question	Answer
Outlook: What is likely to happen to the conversion rate in future? Are any further adjustments to be expected?	The Board of Trustees of the AXA LPP Foundation Suisse Romande remains committed to providing an attractive, modern and stable second-pillar solution. No further adjustments to the benefit parameters are planned at present, but the core tasks of the Board of Trustees include monitoring developments on an ongoing basis and finding the fairest and most attractive occupational benefits solution for all insured persons.
<b>Information for employers and working insured persons</b>	
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.
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 affect early retirements if the pension option is chosen. The pension is then correspondingly 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.
What can I do to increase my future pension?	You can increase your personal retirement assets through voluntary buy-ins, provided you have not already reached the maximum buy-in amount. You should check beforehand how a voluntary buy-in will affect both your future pension and your tax situation. You can also save additional capital for your retirement in the third pillar.
What can I do as an employer to improve the occupational benefits insurance I provide for my staff?	Employers have a number of options to improve coverage for their staff in the second pillar. For example, they can increase the share of employer's pension contributions to more than 50%, insure a higher proportion of employees' salaries or buy more extensive risk benefits.
How much more interest can insured persons expect on average over the long term?	This depends on financial market performance and the Foundation's funding ratio, so it is impossible to forecast.

Question	Answer
How does extra interest affect retirement assets?	<p>Even an additional half of a percentage point in interest has a significant impact over the long term, as the following example shows:</p> <p>CHF 100,000 in starting capital, earning interest at <b>1.0%</b> a year over 20 years, grows to <b>CHF 122,019</b>            CHF 100,000 in starting capital, earning interest at <b>1.5%</b> a year over 20 years, grows to <b>CHF 134,685</b></p> <p>CHF 100,000 in starting capital, earning interest at <b>1.0%</b> a year over 40 years, grows to <b>CHF 148,886</b>            CHF 100,000 in starting capital, earning interest at <b>1.5%</b> a year over 40 years, grows to <b>CHF 181,401</b></p>
<b>Information for pensioners</b>	
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.
<b>General information on the conversion rate, redistribution and key figures</b>	
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 5.6%, for example, someone who has CHF 100,000 in retirement capital will receive a pension of CHF 5,600 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.
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. As the conversion rate is still too high, the extent of redistribution is rising steadily – despite the measures that have already been taken. Allowing this to continue would not be fair to working insured persons, who would lose out on interest income on their retirement assets as a result. In addition, it is basically no longer financially viable in spite of rising yields. Further measures are therefore needed to ensure sustainable pension funding and greater generational fairness.

Question	Answer
What is the extent of redistribution at the moment?	Due to continued low interest and rising life expectancy, up to CHF 20 million a year is redistributed from working insureds to retirees within the AXA LPP Foundation Suisse Romande, and the latest forecasts suggest that this will rise to more than CHF 60 million in the next ten years.
Which conversion rate models exist in the marketplace?	There are various models in the occupational benefits insurance marketplace, but the comprehensive and split models are the most common.
What is the difference between a comprehensive conversion rate model and a split one?	<p>A comprehensive conversion rate means that the same conversion rate is applied to a person's entire retirement assets (i.e. both mandatory and voluntary assets).</p> <p>Split conversion rates mean that mandatory and voluntary assets are treated differently, with two different conversion rates used to calculate the annual retirement pension.</p>
Why are you not waiting for the outcome of the vote on reforming the Occupational Pensions Act?	Right now we do not know how the electorate will decide. The Board of Trustees wants to secure the Foundation's financial stability and competitive benefits for the long term, regardless of any legal reform, for the good of the insured persons and the Foundation as a whole. It acts independently and makes forward-looking decisions in line with the Foundation's strategy and circumstances.

*If you have any further questions on the changes within the AXA LPP Foundation Suisse Romande with effect from January 1, 2025, we will be happy to help.*

*Please get in touch with your AXA contact or advisor.*