

# Regulations governing interest on retirement assets and the use of disposable assets

3 December 2024



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The present regulation constitutes a translation of the original German version. In the event of any discrepancies between the German text and this translation, only the German original shall be deemed authoritative.

# 1 Principles and objectives

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The Johann Jakob Sulzer Foundation (JJS) aspires to equal treatment of those insured with the JJS and its pensioners in the long term. The JJS intends to achieve this objective by accruing at least the actuarial interest rate (from 31.12.2024: 1.75%) on insured persons' retirement assets. However, this will be possible only if the JJS's financial situation allows.

Interest on retirement assets is not accrued continuously, but is determined on an annual basis by the Board of Trustees pursuant to art. 12 para. 3 lit. a) of the Pension Fund Regulations. In so doing, the Board of Trustees observes the statutory provisions, the performance achieved, the provisional annual result and the JJS's coverage ratio.

These regulations describe a model according to which interest is accrued on insured persons' retirement assets depending on the JJS's financial situation.

When fluctuation reserves are fully covered, disposable assets shall be used pro rata for insured persons and pensioners in accordance with the mechanism described in section 2.4. The JJS strives to achieve a balanced distribution for insured persons and pensioners in the long term.

## 2 Interest on retirement assets

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### 2.1 Fundamental definition of interest on retirement assets

Pursuant to art. 12 para. 3 lit. a) of the Pension Fund Regulations, the Board of Trustees shall determine the interest rate on retirement assets on an annual basis. The interest rate for a calendar year is determined in two stages:

- at the end of a calendar year, the Board of Trustees determines the intrayear interest rate for the following calendar year. Interest is accrued on the retirement assets of intrayear fluctuations (e.g. departures, retirements) at the intrayear rate. When determining the intrayear interest rate, the Board of Trustees shall take into account both the legal provisions and the projected earnings for the following calendar year.
- The definitive interest rate on retirement assets is determined towards the end of the current calendar year on the basis of legal provisions and the following model.

The model serves the Board of Trustees as a guideline when determining the interest on insured persons' retirement assets and the use of disposable assets pursuant to section 2.4.

|                                          | Coverage ratio <sup>1</sup>  | Interest accrual, insured persons                                                                                      | Remarks                                                                                          |
|------------------------------------------|------------------------------|------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------|
| <b>Restructuring</b>                     | < 95%                        | 0%                                                                                                                     | ○ Other restructuring measures possible                                                          |
|                                          | 95% to 100%                  | In the event of decreased coverage: 0%<br>In the event of increased coverage: ½ BVG minimum interest rate <sup>2</sup> | ○ Duration of restructuring in principle 5 to 7 years in accordance with OAK directive           |
| <b>Building FR/<br/>Interest accrual</b> | 100% to 104%                 | BVG minimum interest rate                                                                                              |                                                                                                  |
|                                          | 104% to 112%                 | Maximum upper limit according to OAK                                                                                   |                                                                                                  |
|                                          | 112% until target FR reached | End-of-year interest accrual (improved benefits) as per Board of Trustees' decision                                    | Art. 46 BVV 2 must be taken into account (maximum 50% of surplus income for additional interest) |
| <b>Disposable assets</b>                 | Target FR achieved           | End-of-year interest accrual and intrayearly additional interest as per Board of Trustees' decision                    | Additional one-off payment to entitled pensioners as per Board of Trustees' decision (section 3) |

FR = Fluctuation reserves; GT = Generation tables; FRP 4 = Technical guideline 4 of pension fund experts

## 2.2 Restructuring

In the event of a shortfall, the JJS must take steps to remedy the shortfall within a reasonable period (art. 65c BVG). Pursuant to art. 58 of the Pension Fund Regulations, the Board of Trustees shall determine the restructuring measures required.

Depending on the development of the coverage ratio, interest on insured persons' retirement assets will be paid at half the minimum BVG interest rate (increase in coverage ratio), or 0% when the coverage ratio lies between 95% and 100% (decrease in coverage ratio). If the coverage ratio is below 95%, no interest will be paid on insured persons' retirement assets.

## 2.3 Building fluctuation reserves/interest accrual

If the coverage ratio lies between 100% and 112%, interest will in principle be paid according to the model. If the coverage ratio lies above 112% but the fluctuation reserve has not yet been reached, the Board of Trustees will take a decision on the possibility of increasing benefits. In so doing, the Board shall take into account art. 46 BVV 2 in combination with the information sheet provided by the Canton of Zurich's BVG and Foundations Supervisory Board – *Collective and communal institutions – benefit improvements pursuant to art. 46 BVV 2* and the communiqué M – 01/2024 released by the OAK BV on 10 October 2024. Pursuant to this regulation, no more than 50% of surplus earnings before the formation of fluctuation reserves may be used to increase benefits, and fluctuation reserves of at least 75% must be accrued.

## 2.4 Disposable assets

When fluctuation reserves are fully covered, the JJS is deemed to hold disposable assets. The disposable assets shall always be determined on the basis of a revised annual financial statement. In such cases, the Board of Trustees shall decide upon additional interest to be accrued on the retirement assets of insured persons and one-off payments to pensioners.

<sup>1</sup> Coverage ratio at the time of the meeting of the Board of Trustees

<sup>2</sup> Mathematically rounded to 0.1%

## 3 Use of disposable assets

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Based on the revised annual financial statement, the Board of Trustees shall determine the amount of assets to be distributed. The Board of Trustees strives to achieve a balanced distribution for insured persons and pensioners in the long term. These assets shall be allotted to insured persons and pensioners in accordance with their retirement capital. Disposable assets shall be allotted by granting additional interest on retirement assets of insured persons and recipients of a temporary disability pension (see section 0), or in accordance with the one-off bonus payment for pensioners as defined in section 3.1.

### 3.1 Use of disposable assets for insured persons

Insured persons, as well as those drawing a temporary disability pension, will receive an additional interest payment according to the status of their retirement assets based on the disposable assets determined on the reference date. The percentage shall be based on the disposable assets as measured by the total retirement assets.

The additional interest shall be granted to all insured persons and recipients of a temporary disability pension insured with the JJS on the reference date at which the disposable assets are determined (31 December) and on 1 May of the following year. The additional interest shall be credited to their retirement assets on 1 May and shall accrue interest from that date.

### 3.2 Use of disposable assets for pensioners

#### 3.2.1 Basic principle

Due to the fact that conversion rates at retirement differ depending on the date of retirement, disposable assets shall not be distributed as the same lump sum to all pensioners. Instead, conditions at the time of retirement will be taken into account by applying the guaranteed interest based on the conversion rate at the time of retirement to the share of assets to be distributed.

#### 3.2.2 Type of payment and pensioner groups considered

Disposable assets shall be distributed to pensioners as one-off bonus payments, without prejudice to the future, as a percentage of their respective monthly pension.

The following types of pensions are eligible for one-off bonus payments:

- Retirement pensions
- Spouse's/partner's pensions
- Orphans' pensions

Disabled persons' children's pensions, pensioners' children's pensions and offsetting divorce pensions will not receive any one-off bonus payments.

### 3.2.3 Applicable guaranteed interest

Guaranteed interest is calculated on the basis of the conversion rate using the technical basis provided by the BVG 2020/generation tables applied by the JJS. This makes it possible to calculate the guaranteed interest based on all conversion rates applicable at the time of retirement. The following table shows the guaranteed interest dependent on the conversion rate applicable at the beginning of retirement.

| Year of birth | Beginning of retirement <sup>3</sup> | Conversion rate at age 65 | Guaranteed interest |
|---------------|--------------------------------------|---------------------------|---------------------|
| Up to 1941    | Up to 2003 <sup>4</sup>              | 6.66%                     | 4.72%               |
| 1942–1944     | 2004–2006                            | 6.53% <sup>5</sup>        | 4.60%               |
| 1945–1947     | 2007–2009                            | 6.34% <sup>6</sup>        | 4.38%               |
| 1948          | 2010                                 | 6.05%                     | 4.00%               |
| 1949–1950     | 2011–2012                            | 5.95%                     | 3.88%               |
| 1951          | 2013                                 | 5.85%                     | 3.77%               |
| 1952          | 2014                                 | 5.75%                     | 3.64%               |
| 1953          | 2015                                 | 5.65%                     | 3.52%               |
| 1954          | 2016                                 | 5.53%                     | 3.36%               |
| 1955          | 2017                                 | 5.38%                     | 3.16%               |
| 1956          | 2018                                 | 5.15%                     | 2.84%               |
| 1957          | 2019                                 | 4.91%                     | 2.49%               |
| 1958          | 2020                                 | 4.67%                     | 2.14%               |
| From 1959     | From 2021 <sup>7</sup>               | 4.62%                     | 2.14%               |

<sup>3</sup> For the year in which retirement begins, the conversion rate at age 62 is always shown.

<sup>4</sup> For retirements beginning before 1999 under the defined benefit plan, the conversion rate is set at a flat rate of 6.66%.

<sup>5</sup> Special bonus on 1.1.2004 of 2.9% (conversion rate therefore raised from 6.35% to 6.53%)

<sup>6</sup> Special bonus on 1.1.2007 of 2.3% (conversion rate therefore raised from 6.20% to 6.34%)

<sup>7</sup> Conversion rate 2021–2024 of 4.43% with a corresponding increase in old age pensions on 1.1.2025

### 3.2.4 Monthly pension weighting factors

The so-called monthly pension weighting factor is calculated on the basis of the guaranteed interest rate. The monthly pension weighting factor for the lowest conversion rate is 100%, while the other weighting factors are calculated proportionally in relation to the guaranteed interest rate at the time of retirement at 2.14% (with a conversion rate of 4.62%, or 4.67% for the respective age groups). This results in the following monthly pension weighting factors:

| Beginning of retirement | Conversion rate at age 65 | Guaranteed interest | Monthly pension weighting factors |
|-------------------------|---------------------------|---------------------|-----------------------------------|
| Up to 2003              | 6.66%                     | 4.72%               | 45.3%                             |
| 2004–2006               | 6.53%                     | 4.60%               | 46.5%                             |
| 2007–2009               | 6.34%                     | 4.38%               | 48.9%                             |
| 2010                    | 6.05%                     | 4.00%               | 53.5%                             |
| 2011–2012               | 5.95%                     | 3.88%               | 55.2%                             |
| 2013                    | 5.85%                     | 3.77%               | 56.8%                             |
| 2014                    | 5.75%                     | 3.64%               | 58.8%                             |
| 2015                    | 5.65%                     | 3.52%               | 60.8%                             |
| 2016                    | 5.53%                     | 3.36%               | 63.7%                             |
| 2017                    | 5.38%                     | 3.16%               | 67.7%                             |
| 2018                    | 5.15%                     | 2.84%               | 75.4%                             |
| 2019                    | 4.91%                     | 2.49%               | 85.9%                             |
| 2020                    | 4.67%                     | 2.14%               | 100.0%                            |
| From 2021               | 4.62%                     | 2.14%               | 100.0%                            |

The monthly pension weighting factors shall remain unchanged as long as the lowest conversion rate at retirement stands at 4.62% (age 62) or new technical principles are introduced.

### 3.2.5 Distribution to pensioners / disbursement factor

Based on the assets available for distribution, the Board of Trustees shall decide pursuant to section 3.2.4 whether the monthly pension weighting factors should also be multiplied by a factor; this will result in the monthly pension disbursement factors. Appendix 1: Examples of monthly pension disbursement factors provides examples of the monthly pension disbursement factors for factors 1.0 to 3.0.

Pensioners shall receive a one-off bonus payment equivalent to their monthly pension multiplied by the monthly pension disbursement factor.

### 3.2.6 Disbursement conditions for bonus payments

Bonus payments shall be paid out to all pensioners belonging to the groups eligible according to section 3.2.1 who are pensioners of the JJS in the January after the reference date on which the disposable assets were determined (31 December) and as at 1 May. Pension recipients who were still insured persons on the reference date for determining the disposable assets and draw a pension from the pensioner groups taken into account pursuant to section 3.2.1 on May 1 shall also receive a bonus payment. In the event of the death of insured persons and pensioners between the reference date on which the disposable assets were determined and 30 April, persons drawing spouse's and orphan's pensions resulting from such pensions shall receive a bonus payment.

## 4 Deviations from the model/monitoring redistribution

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### 4.1 Deviations from the model

Where justified, the Board of Trustees may deviate from the model and determine an interest rate applicable to the retirement assets that may diverge from the model described in section 0.

### 4.2 Monitoring redistribution

In order to supervise the redistribution between insured persons and pensioners, the interest rate on retirement assets and the actuarial interest rate have been monitored since 2002 (see Appendix 2: Table Redistribution to insured persons/pensioners). The additional interest on insured persons' retirement assets and one-off bonus payments for pensioners (sum paid out, weighted with the pensioner's retirement capital) are taken into account in this comparison.

Regarding matters that are not or not fully governed by these regulations, the Board of Trustees shall base its decisions on the Decree of Foundation. The Board of Trustees may alter these regulations at any time.

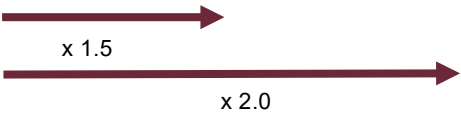
These regulations were resolved by the Board of Trustees at its meeting of 3 December 2024 and shall enter into force with immediate effect.

Winterthur, 3 December 2024

# Appendix

Appendix 1: Examples of monthly pension disbursement factors

| Monthly pension weighting factor (i.e. factor 1.0) | Disbursement factor, monthly pension (factor 1.5) | Disbursement factor, monthly pension (factor 2.0) | Disbursement factor, monthly pension (factor 2.5) | Disbursement factor, monthly pension (factor 3.0) |
|----------------------------------------------------|---------------------------------------------------|---------------------------------------------------|---------------------------------------------------|---------------------------------------------------|
| 45.3%                                              | 68.0%                                             | 90.6%                                             | 113.3%                                            | 135.9%                                            |
| 46.5%                                              | 69.8%                                             | 93.0%                                             | 116.3%                                            | 139.5%                                            |
| 48.9%                                              | 73.4%                                             | 97.8%                                             | 122.3%                                            | 146.7%                                            |
| 53.5%                                              | 80.3%                                             | 107.0%                                            | 133.8%                                            | 160.5%                                            |
| 55.2%                                              | 82.8%                                             | 110.4%                                            | 138.0%                                            | 165.5%                                            |
| 56.8%                                              | 85.2%                                             | 113.6%                                            | 142.0%                                            | 170.4%                                            |
| 58.8%                                              | 88.2%                                             | 117.6%                                            | 147.0%                                            | 176.4%                                            |
| 60.8%                                              | 91.2%                                             | 121.6%                                            | 152.0%                                            | 182.4%                                            |
| 63.7%                                              | 95.6%                                             | 127.4%                                            | 159.3%                                            | 191.1%                                            |
| 67.7%                                              | 101.6%                                            | 135.4%                                            | 169.3%                                            | 203.1%                                            |
| 75.4%                                              | 113.1%                                            | 150.8%                                            | 188.5%                                            | 226.2%                                            |
| 85.9%                                              | 128.9%                                            | 171.8%                                            | 214.8%                                            | 257.7%                                            |
| 100.0%                                             | 150.0%                                            | 200.0%                                            | 250.0%                                            | 300.0%                                            |
| 100.0%                                             | 150.0%                                            | 200.0%                                            | 250.0%                                            | 300.0%                                            |



**Appendix 2: Table Redistribution to insured persons/pensioners**

| Year                  | Interest accrual, insured persons <sup>8</sup> | Valuation principles           | Interest rate for pensioners <sup>9</sup> |
|-----------------------|------------------------------------------------|--------------------------------|-------------------------------------------|
| 2002                  | 4.00%                                          | BVG 2000 4.0%                  | 4.00%                                     |
| 2003                  | 3.25%                                          | BVG 2000 3.75%                 | 5.88%                                     |
| 2004                  | 3.25%                                          | BVG 2000 3.75%                 | 3.75%                                     |
| 2005                  | 3.75%                                          | BVG 2005 3.75%                 | 4.87%                                     |
| 2006                  | 4.00%                                          | BVG 2005 3.5%                  | 5.58%                                     |
| 2007                  | 5.85%                                          | BVG 2005 3.5%                  | 3.50%                                     |
| 2008                  | 1.50%                                          | BVG 2005 3.5%                  | 3.50%                                     |
| 2009                  | 2.00%                                          | BVG 2005 3.5%                  | 3.50%                                     |
| 2010                  | 2.00%                                          | BVG 2010 PT 3.5%               | 4.37%                                     |
| 2011                  | 2.00%                                          | BVG 2010 PT 3.5%               | 3.50%                                     |
| 2012                  | 2.00%                                          | BVG 2010 GT 3.0%               | 12.10%                                    |
| 2013                  | 2.50%                                          | BVG 2010 GT 2.5%               | 6.94%                                     |
| 2014                  | 2.50%                                          | BVG 2010 GT 2.25%              | 4.50%                                     |
| 2015                  | 2.00%                                          | BVG 2010 GT 2.25%              | 2.25%                                     |
| 2016                  | 2.50%                                          | BVG 2015 GT 2.0%               | 12.42%                                    |
| 2017                  | 3.00%                                          | BVG 2015 GT 2.0%               | 2.00%                                     |
| 2018                  | 2.00%                                          | BVG 2015 GT 2.0%               | 2.00%                                     |
| 2019                  | 2.00%                                          | BVG 2015 GT 2.0% <sup>10</sup> | 3.56%                                     |
| 2020                  | 2.00%                                          | BVG 2015 GT 2.0% <sup>11</sup> | 5.09%                                     |
| 2021                  | 4.00%                                          | BVG 2020 GT 1.5% <sup>12</sup> | -4.56%                                    |
| 2022                  | 5.50%                                          | BVG 2020 GT 1.5%               | 2.24%                                     |
| 2023                  | 3.00%                                          | BVG 2020 GT 1.5%               | 1.50%                                     |
| Average <sup>13</sup> | 2.93%                                          |                                | 4.15%                                     |

Together with their employers, insured persons bear the risk of being required to pay for restructuring measures in the event of a shortfall. For this reason, a moderately higher interest rate for insured persons may be justified in the sense of risk equalisation.

<sup>8</sup> Incl. additional interest accrual for insured persons

<sup>9</sup> Actuarial interest rate at year end incl. converted funds for the conversion of the actuarial interest rate and technical principles and supplementary pensions

<sup>10</sup> Incl. provision or liquidation of reserves in the event of a reduction of the actuarial interest rate

<sup>11</sup> Incl. provision or liquidation of reserves in the event of a reduction of the actuarial interest rate

<sup>12</sup> Incl. provision or liquidation of reserves in the event of a reduction of the actuarial interest rate

<sup>13</sup> Geometric mean