

Information sheet interest/interest rate

Article 8, 15, 18, 38, 42b, 43, 44, 45, 46, 47, 48, 59 and annex 3 of the Pension Fund Regulations

1. General

This information sheet provides an overview of the provisions contained in Profond's pension fund regulations in connection with the topic of "interest/interest rate".

The Annex lists all articles from the pension fund regulations mentioned.

2. General principles

The **retirement asset interest rate** is used to determine the interest on regulatory retirement assets and deposits. It is defined by the Foundation Board annually. This interest rate takes account of Profond's strategic performance objective as well as its financial circumstances.

3. Projected interest rate (Art. 44)

The **projected interest rate** is used for the preliminary calculation of retirement assets and retirement pensions at retirement age (pension certificate, among other things). It corresponds to the Profond technical interest rate.

4. Technical interest rate (Art. 44)

The **technical interest rate** is used to calculate the actuarial pension reserves, regulatory technical reserves, the purchase amounts necessary to prevent a pension reduction pursuant to Art. 18, other technical calculations and for Profond's accounts. The projected interest rate corresponds to the Profond **technical interest rate**.

The **technical interest rate** is also used for calculating the financing of the reduction of the retirement pension in the event of early retirement for men and women by the purchase amount being discounted by the **technical interest rate** from the effective retirement date until effective contribution of the required amount

5. Purchase interest rate (Art. 18, Art. 43, Art. 44)

The **purchase interest rate** is used for calculating the purchase amounts pursuant to Art. 43, the target retirement pension pursuant to Art. 18 and thus also for evaluating the Pension Plan's adequacy. It is two per cent, provided there is no provision in the Pension Plan to the contrary.

6. BVG minimum interest rate (Art. 8, Art. 15, Art. 44, Art. 47)

The **BVG minimum interest rate** is used for calculating of the BVG minimum benefits, in particular, for the BVG sample accounting. It corresponds to the **BVG minimum interest rate** reviewed and, if necessary, adjusted by the Federal Council (Art. 15 BVG).

Should the insured leave the pension relationship or enter retirement during the year, **interest** for the year in question will be generally paid on the savings capital up to this date at the **BVG minimum interest rate**.

7. Interest on arrears (Art. 44, Art. 45, Annex 3)

The **interest on arrears** is the BVG minimum interest rate plus one per cent (Art. 7 FZV). This rate is used when Profond has not yet transferred your termination benefit despite being aware of the recipient of the payments (after expiry of 30 days).

In connection with collection expenses, Profond may demand interest on arrears if the payment is not received within the statutory period (from the 61st day after the invoice date).

Annex to the information sheet interest/interest rate

Art. 8 Medical check-up; provisos applying to insurance cover

[1...- 7...]

8 If the pension benefits are limited to BVG minimum benefits due to a proviso or violation of a duty to notify, the full disability allowance in the event of disability corresponds to the retirement assets accrued until the occurrence of disability and not subject to a health proviso plus the total of the BVG retirement credits for the years missing until ordinary retirement age, without **interest**, multiplied by the regulatory conversion rate at the ordinary retirement age (see Annex 1). In the event of death, the spouse's or partner's pension amounts to 60 percent, the orphan's allowance to 20 percent of the disability allowance calculated in this way. In the event of a breach of the duty of disclosure, there is no entitlement to a lump sum payable at death in accordance with Art. 30 para. 1.

Art. 15 Retirement credits and retirement assets

1 A separate retirement account is kept for every insured who fulfils the conditions of the Pension Plan. The retirement account is credited with:

- the retirement credits
- the termination benefits contributed to the pension fund from previous employment relationships
- one-off contributions as a result of divorce, the repayment of early withdrawals for promotion of home ownership, purchases of additional benefits, additional credits, the allocation of uncommitted funds, etc.
- the **interest**.

The retirement assets equal the balance of the retirement account.

2 The retirement assets are reduced by:

- Early withdrawals under the promotion of home ownership scheme
- Partial payouts as a result of a divorce or other.

3 The amount of the retirement credits is specified in the Pension Plan.

4 **Interest** is calculated on the balance of the retirement account at the end of the previous year and is credited to the retirement account at the end of each calendar year.

5 If the insured leaves the pension relationship during the year or enters retirement, **interest** for the year in question will be paid on the savings capital up to this date at the BVG/LPP **minimum interest rate**. This does not apply in cases where the insured person transfers to a new pension relationship with a company affiliated with Profond.

Art. 18 Early retirement (ER), purchase of reduced pension benefits

1 It is possible to take early retirement when the insured person reaches the earliest possible retirement age.

2 If early retirement is taken, the retirement pension will be reduced. The reduced retirement pension is calculated on the basis of the retirement assets available at the time of early retirement and the regulatory conversion rate corresponding to the early retirement age.

3 A reduction of the retirement pension upon early retirement may be fully or partially avoided through a purchase if it is ensured that the purchase possibilities pursuant to Art. 43 have been exhausted. Profond shall determine the buy-in amount on request.

4 A separate, individual **interest**-bearing account (ER account) is opened and maintained for each insured person. The buy-in amount for financing the pension reduction and the **interest** pursuant to Art. 44 para 5 are credited to this account.

5 The balance of the ER account is converted into a retirement pension pursuant to annex 1 and paid out at the start of the actual retirement. If the insured person does not take early retirement despite the buy-in, no further retirement credits will be credited to the retirement assets once the target retirement pension is exceeded by at least five per cent. The assets in the ER account will continue to accrue **interest** pursuant to Art 44, para. 6.

[6...- 7...]

Art. 38 Exceptional additional payments

1 Each year the Foundation Board considers whether to make any exceptional additional payments or cost-of-living adjustments to current retirement pensions in line with inflation depending on Profond's financial circumstances.

2 It takes into account the **interest rate** applicable to the retirement assets of insured persons as well as the level of current pensions over time, and seeks to ensure that insured persons and pension recipients are treated equally.

3 There is no entitlement for pensioners to keep an exceptional additional payment, even if one has been paid out several times.

Art. 39 Payment

[1...- 6...]

7 If at the time a pension falls due, the annual retirement pension or the disability allowance for full disability amounts to less than ten per cent, the spouse's pension to less than six per cent, and a child's benefit to less than two per cent of the minimum AHV retirement pension, Profond will pay out a lump sum instead of a pension. Provided the eligible person has fully

complied with their duty to cooperate, interest will be paid on the pension and lump sum payments at the BVG **minimum interest rate** after a period of 30 days following receipt of all the documents.

[8...–9...]

Art. 42b Receivables in the event of insolvency of the employer

If the affiliation agreement is terminated as a result of the insolvency of the employer, the recipients remain with Profond. Profond is entitled to demand financing of the retirement benefits from the employer as of the date the affiliation agreement is terminated. The basis for calculating this claim is the technical **interest rate** pursuant to FRP4 with the currently valid accounting table, less 25 basis points to cover the mortality risk.

Art. 43 Entry benefits, purchase

[1...–3...]

4 The maximum possible purchase amount is equal to the difference between the maximum possible retirement assets and the retirement assets actually available as of the purchase date. In this respect, the maximum possible retirement assets equal the total retirement credits provided under the Pension Plan, plus the **purchase interest rate** pursuant to Art. 44, accrued through the purchase date (but not later than the reference age), assuming the insured is insured from the earliest possible date pursuant to the Pension Plan (start of savings insurance) for the current insured savings salary component of the salary.

[5...]

Art. 44 Interest rates

1 Profond uses different **interest rates** for various commercial, technical and administrative matters. Provided they are not prescribed by law, these rates are defined by the Foundation Board in consultation with occupational pension experts.

2 The technical **interest rate** is used to calculate the actuarial pension reserves, regulatory technical reserves, the purchase amounts necessary to prevent a pension reduction pursuant to Art. 18, other technical calculations and for Profond's accounts.

3 The **projected interest rate** is used for the preliminary calculation of retirement assets and retirement pensions at retirement age. It corresponds to the Profond technical **interest rate**. Any other **projected interest rates** in pension plans agreed before 1 January 2021 will no longer apply.

4 The **purchase interest rate** is used for the calculation of the purchase amounts pursuant to Art. 43, the target retirement pension pursuant to Art. 18 and thus also for evaluating the Pension Plan's adequacy. It is two per cent, provided there is no provision in the Pension Plan to the contrary.

5 The **retirement asset interest rate** is used to determine the **interest** on regulatory retirement assets and deposits. It is defined by the Foundation Board annually. This interest rate takes account of Profond's

strategic performance objective as well as its financial circumstances.

6 The BVG **minimum interest** rate is used for the calculation of the BVG minimum benefits, in particular, for the BVG sample accounting. It corresponds to the BVG **minimum interest rate** reviewed and, if necessary, adjusted by the Federal Council (Art. 15 BVG).

7 The **interest on arrears** is the BVG minimum **interest rate** plus one per cent (Art. 7 FZV).

Art. 45 Maturity of the termination benefit

1 If the pension relationship is terminated before an insured event occurs and no benefits under these regulations are due, the insured leaves Profond at the end of the last day of their employment relationship, and the termination benefits fall due.

2 Termination benefits must **earn interest** at the BVG interest rate pursuant to Art. 15 Para. 2 BVG from the first day after the insured has left Profond.

3 **Interest on arrears** pursuant to Art. 7 FZV only has to be paid if the termination benefits are not transferred within 30 days after Profond received the required instructions on the use of the termination benefits.

[4...–5...]

Art. 46 Amount of the termination benefit

1 The termination benefits are calculated in accordance with Art. 15, 17 and 18 FZG. The termination benefits equal the higher of the amounts calculated in accordance with the following methods of calculation.

2 Calculation method 1 (retirement assets, Art. 15 and 18 FZG): The termination benefits equal the regulatory retirement assets accrued up to the date of withdrawal.

3 Calculation method 2 (minimum amount, Art. 17 FZG):

The termination benefits equal the sum of:

- the entry benefits contributed to the fund and all purchase amounts, plus **interest** (the **interest rate** equals the minimum BVG/LPP **interest rate**), and
- the savings contributions paid by the insured, with **interest** (the **interest rate** equals the BVG/LPP **minimum interest rate**), plus a supplement of 4 per cent per year from the age of 20, but no more than 100 per cent. No supplement of four per cent per year from the age of 20 will be calculated for **contributions** pursuant to Art. 9 Para. 12.

Art. 47 Use of the termination benefit

1 The termination benefits are transferred to the account of the insured with their new pension fund.

2 Insured who are not joining a new pension fund must inform Profond if their termination benefits should be used:

- to open a vested benefits account or
- to set up a vested benefits policy.

If Profond receives no such notification, the termination benefits, together with the BVG **minimum interest**, will be transferred to the National Substitute Pension

Profond

Plan Foundation (Stiftung Auffangeinrichtung BVG) at the earliest six months, but not later than two years after the vested benefits become due.

[3...]

Art. 48 Divorce

[1... – 5...]

6 If a lifelong pension is awarded, Profond will pay this pension to the entitled spouse or transfer it to their pension fund. If the entitled spouse is eligible for a full disability allowance or has reached the minimum age for early retirement, they may request payment of this pension. If they have reached the reference age, the pension will be paid to them or transferred to their pension fund if they are still eligible to purchase benefits under that pension fund's rules. If Profond does not pay the lifelong pension itself, it will transfer it to the pension or vested benefits institution of the entitled spouse in accordance with the procedure set out in Art. 19j of the Federal Ordinance on Vesting in Pension Plans (FZV) (in the absence of relevant details the transfer will go to the National Substitute Pension Plan). **Interest** will be paid on the amount of the annual transfer at an **interest rate** equal to half of the **interest rate** applicable for the relevant year under the regulations in accordance with Art. 44 para. 5. Instead of transferring the pension, Profond may reach agreement with the entitled spouse to pay a one-off settlement in the form of a lump sum.

Art. 59 Measures in the event of cover shortfall

1 If Profond has a cover shortfall which the occupational pension expert believes is a threat to the security of the benefits defined in the regulations, the Foundation Board shall arrange suitable measures to promptly offset the shortfall in actuarial terms. In compliance with the statutory provisions, the Foundation Board may take the following measures in particular:

- Adjustments to the investment strategy
- Adjustments on the financing/benefits side
- Reduction in the internal **remuneration** for the duration of the cover shortfall
- Restrictions on early withdrawals of benefits to finance residential property for the duration of the cover shortfall.

[2... – 4...]