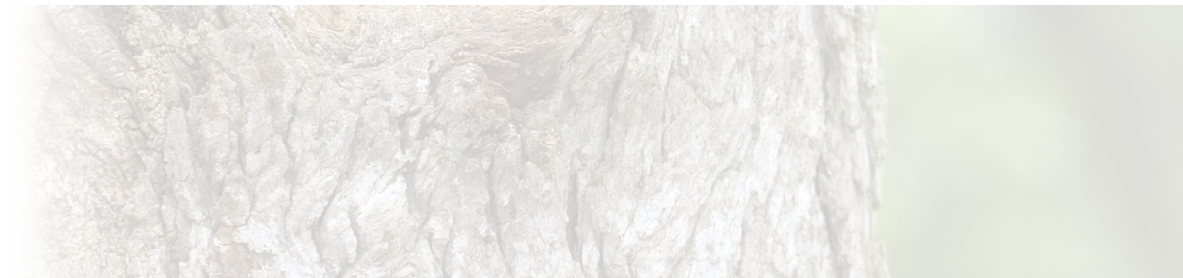
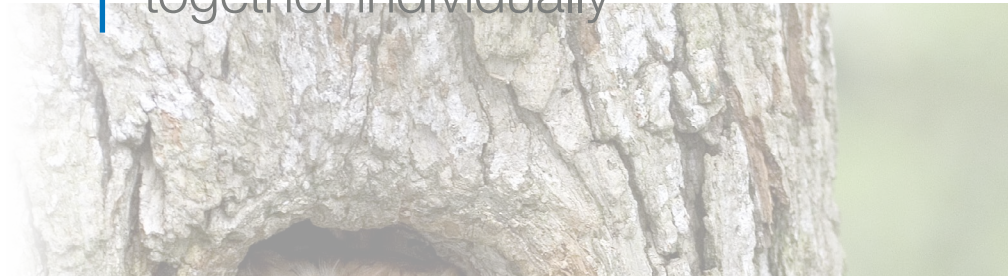


together individually



Provisions Regulations

Valitas collective Foundation LPP

With effect from 1 December 2023

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Art. 1 Principles and objectives

According to Art. 48e OPO 2, Valitas collective Foundation LPP sets out rules for formation of provisions and fluctuation reserves in Regulations. In so doing, it observes the principle of consistency.

By order dated 14 November 2023, the Foundation Board of Valitas collective Foundation LPP stipulated the provision policy and approved these Regulations. Care was taken that the pension objective is ensured at all times. As a Collective Foundation, the Foundation distinguishes between provisions at pension fund level and provisions at Foundation level. The pension funds are independent of one another.

Art. 2 Foundation level

The pensioner pools and the biometric risk pool are managed at the Foundation level.

1. Pensioner pools at Foundation level

In the pensioner pools, the Foundation manages those pensions that are not reinsured and not in the biometric risk pool. These are primarily

- retirement pensions
- temporary and lifetime disability pensions (from acquisitions)
- surviving dependents' pensions arising from retirement and disability pensions
- cost-of-living supplements according to OPA that have been granted
- supplementary allowances between statutory minimum OPA pensions and reinsured pensions.

On the one hand the actuarial reserves required and on the other the provisions and reserves described below are formed for these pensions.

2. Biometric risk pool at Foundation level

In the biometric risk pool at Foundation level, the risks of disability and death of the affiliated pension funds that are not reinsured with a life insurance company are aggregated and managed.

The surrender values of the risk benefits acquired are credited to the biometric risk pool at Foundation level. The ongoing financing is provided via the risk contributions of the pension funds affiliated with the biometric risk pool. Actuarial reserves and any pension capital and reserves of insured risk benefits are reported in the biometric risk pool.

Art. 3 Pension fund level

As a rule

- value fluctuation reserves and
- free resources are managed at pension fund level.

The value fluctuation reserves are determined individually per pension fund and depend on the way the pension fund's investments are structured. The rules for determining the value fluctuation reserves are set out in the separate Investment Regulations.

In each case the free resources ensue from the balance sheet as a balance.

If necessary, the pension fund can form its own technical provisions for specific risks (provisions to offset excessive conversion rates and/or early retirements). They are financed and replenished in accordance with Art. 4.8.

In exceptional cases, the pensioners at pension fund level can be managed (temporarily or permanently). In these cases the same provisions are to be formed for pensioners at pension fund level as at Foundation level. The same

technical principles shall apply. Such pension funds shall be mentioned specifically in the annual accounts and the corresponding statements highlighted.

Art. 4 Technical provisions at Foundation level

The following provisions are formed at Foundation level:

- Provision for future cost-of-living adjustments according to OPA
- Life-long provisions in the case of current pensions if these are not reinsured
- Fluctuation reserve for portfolio of pensioners

1. Technical principles and requirements of the Foundation Board in respect of the conversion rate

For the autonomously borne risks, the technical principles will be decided by the Foundation Board based on the recommendation of the expert in occupational pension provision.

The choice of principles influences the level of obligations, the necessary provisions and therefore the portfolio of free resources.

The cash value of the reversionary spouses' pensions is determined using the collective method, i.e. statistical marriage frequencies are used.

The applicable technical principles, the actuarially correct conversion rate, the reference conversion rate and the ranges within which the Administrative Commissions may move with their own conversion rate are decided by the Foundation Board.

2. Technical interest rate

The technical interest rate is decided by the Foundation Board based on the recommendation of the expert in occupational pension provision, so that it will remain below the effective return on assets with an appropriate margin from a long-term perspective and can be maintained over a longer period of time. The expert takes into account technical directive FRP 4 of the Swiss Chamber of Pension Fund Experts (Schweizerische Kammer der Pensionskassen-Experten) when making the recommendation. If the regulatory technical interest rate exceeds the recommendation, the expert shall inform the Foundation Board and provide guidance on any necessary courses of action.

The Foundation Board decides how high the technical interest rates will be for autonomously borne risks at Foundation level and for the pensioner portfolios of pensioner pools with and without allocated employers.

The technical interest rate for pensioner portfolios in the pensioner pool without allocated employers is set at a significantly lower risk level due to the lack of structural risk capacity.

The technical interest rate for the pensioner portfolios managed at the pension fund level can be decided independently by the Administrative Commission. However, it may not exceed the maximum technical interest rate set by the Foundation. The necessary technical provisions are accounted for and financed at the pension fund level.

3. Actuarial reserves from acquired pension portfolios

The amount of actuarial reserves to be introduced into the acquired pensioner portfolios is to be determined when making new affiliations based on the structure of

the pension fund to be affiliated. The technical interest rate applied may not exceed the maximum technical interest rate set by the Foundation.

The purchased pensioner portfolios are then allocated to the corresponding employer.

4. Actuarial reserves of pension portfolios acquired in line with the SIA revolving door rate

Disability pensions and disabled person's child's pensions acquired or re-acquired from an SIA company or member of Inter-Pension at the SIA revolving door rate are taken into the biometric risk pool at the SIA revolving door rate in deviation from Art. 4(3).

The pension obligations shown in the biometric risk pool are accounted for at the SIA revolving door rate.

5. Provisions for fluctuations in the risk of assets

The target figure for the provisions corresponds to the contractual excess of the stop-loss reinsurance cover of the affiliated pension funds, managed minus the annual risk contributions of the affiliated pension funds, which do not reinsure their risk benefits congruently with a life insurance company.

The provisions will begin to be accrued from 31 December 2024 and can be built up over a three-year period.

6. Provision for future inflation adjustments

An inflation provision is formed for portfolios of Insured Persons whose cost-of-living adjustment is not reinsured according to OPA. The cost-of-living premiums collected and any funds received from third parties for future cost-of-living adjustments are incorporated into the provision and the cash

value of the cost-of-living supplements granted by the Foundation is deducted. If the provision exceeds an annual total of cost-of-living premiums, the Foundation Board shall pass a decision on adjustment of the contribution rates and/or dissolution/further replenishment of the inflation provision.

7. Provisions for retirement losses

There are two parts to the provisions for retirement losses:

a. OPA top up

Due to the actuarially excessive conversion rate according to OPA, it may come about that the minimum OPA benefits are greater than the regulation benefits (OPA top up). This ensues in a loss arising from topping up of the OPA minimum benefits. The Foundation Board shall ensure that no new pension plans with minimal OPA savings benefits are concluded and that the minimum savings benefits are raised for existing plans. The Foundation shall apply the settlement method (comparison of OPA benefits with regulation benefits; top up only if the OPA benefits exceed regulation benefits). If Insured Persons who are entitled to early retirement by law and regulation, but nevertheless have expected a top-up due to the individual details, the cash value of the OPA top-up will be reported as a provision at pension fund level and financed by the pension fund respectively. The average level of the capital withdrawal will be taken into consideration.

b. Conversion rate losses

As long as the conversion rates determined by the Administrative Commission are higher than the actuarially correct conversion rates, the pension fund will suffer retirement losses.

Those conversion rates that ensue from the Foundation's current actuarial basis are designated as actuarially correct. In the process, if accounting tables are used,

those for the appropriate valuation year will be used. For the technical interest, the technical interest rate for the current actuarial basis for pensioners is used to determine the actuarially correct conversion rates.

For all Insured Persons who are entitled to early retirement by law and regulation, the cash value of the difference between the regulation retirement pension and the retirement pension that would ensue from the actuarially correct conversion rate (in the above sense) is reported as a provision. The average level of the capital withdrawal will be taken into consideration.

8. Financing contribution

a. Calculation

The experts calculate a separate risk contribution (longevity contribution) to cover the retirement losses at pension fund level.

The longevity contribution is set as a percentage of the insured salary and savings and at the same level for all Insured Persons. If there is an increased probability of OPA top-ups for pension plans that are only slightly over the OPA minimum for savings benefits, a supplement to the longevity contribution will be deducted for these pension funds. The longevity contribution will be adjusted if the Administrative Commission reduces the conversion rate and as a result the difference to the Foundation's actuarially correct conversion rate reduces.

b. Settlement

The individual pension funds shall settle their longevity contribution on an ongoing basis by raising premiums, via employers' contributions or by offsetting against their share of reinsurance surpluses or other funds available.

9. Provision accounting

The total of the cash value of the OPA top up and cash value of the conversion rate losses minus seven times the annual longevity contribution is used to calculate the provision for retirement losses. The seven years ensue as the number of years from the possibility of early retirement to the normal retirement age, with the age of 65 being taken as the basis. The mean is therefore taken over seven years and the difference between the total expenditure on retirement losses and total income to cover these losses reported on the balance sheet. The average capital withdrawal quota for the current year will also be included in the calculation. Should these parameters shift, the accounting will be adjusted, in particular by increasing the minimum age for drawing the retirement benefit. Negative values will not be reported.

Art. 5 Non-technical provisions

Non-technical provisions are only created when there is an identified need, e.g. for procedural risks.

Art. 6 Provisions for investment risks

a. Situation

Various categories of investment are subject to considerable value and exchange rate fluctuation risks. In order to neutralise the anticipated fluctuations, a separate provision for investment risks or value fluctuation reserve is formed for the retirement capital (pensioner pools) managed by the Foundation at Foundation level.

The value fluctuation reserve serves to offset losses on income from assets, so that these have only a limited effect on Valitas collective Foundation LPP's annual profit.

This measure corresponds to the requirements of Art. 50 OPO 2, which demands that the Foundation ensures certainty of fulfilment of the pension objective. For this

to succeed, the Foundation must carefully match investment of the assets to the risk capacity. This means the capacity to compensate for fluctuations in the total assets caused by the market that are to be expected and to have available sufficient liquid funds, or funds capable of being liquidated in order to satisfy current and future commitments promptly.

The value fluctuation reserve is formed according to the same principles as those applied to the value fluctuation reserves for the affiliated pension funds. In this sense pensioners at Foundation level form a pension fund.

b. **Formation and termination**

If the pensioner pools in question exhibit a positive annual result, the surplus is used to form the value fluctuation reserve until the target value is achieved. If the annual result is negative, this is to be debited insofar as possible to the value fluctuation reserve.

Art. 7 Procedure

The occupational pensions expert's report will comment on provisions and fluctuation reserves periodically, and at least every three years. The Regulations are to be adapted to new circumstances on the basis of the expert's assessment and a newer technical basis chosen.

Art. 8 Distribution of profits

The Foundation Board shall decide on distribution of profits, in particular from reinsurance, which cannot be allocated to the individual pension funds (see also Article 76 Pension Fund Regulations). Priority consideration should be given to the Foundation's financing needs, specifically the necessary replenishment of provisions and financing of losses arising from topping up to OPA and from retirement losses. The Foundation Board shall comment yearly on adjustments to pensions (Art. 36(2) OPA) for withdrawals

from the pensioner pools. If financing is assured, the pensions can also be adjusted at the request of and following a decision by a pension fund commission.

**Art. 9 Right to make amendments/
Entry into force**

The Foundation Board passed these Regulations on 14 November 2023 and they came into force on 1 December 2023. They have therefore been applied to the accounting for the financial statement as of 31 December 2023. The Foundation Board may resolve to amend these Regulations at any time. The competent supervisory authority shall be notified of amendments. The German version is the definitive text for interpretation.

Foundation Board of Valitas collective Foundation LPP

Date of resolution:

Zurich, 14 November 2023

