

# Vita Classic – Coverage ratio, value fluctuation reserve and interest reserve

This information sheet demonstrates the connections between the coverage ratio and the value fluctuation and interest reserves in the Vita Classic pension planning model.

## What does the term «coverage ratio» mean?

The coverage ratio is a key figure which places the pension assets in relation to the obligations. We talk about a «coverage deficiency» when the coverage ratio is less than 100% and «excess cover» when it is higher than 100%.

A coverage ratio of exactly 100% therefore means that a pension plan could meet all its obligations in full at a specific point in time. In practice, all pension benefits very rarely fall due at the same time.

As a semi-autonomous joint foundation, the Vita Joint Foundation manages the pension funds' assets of the insured persons on its own responsibility and pursues a yield-oriented investment strategy. The aim of the broadly diversified investment strategy is to absorb the effect of short-term fluctuations on the capital markets. The investment strategy is regularly reviewed with respect to the foundation's risk-return profile and adjusted if necessary.

You can find the current coverage ratio of the Vita Joint Foundation at → [www.vita.ch](http://www.vita.ch)

## What do you understand by the term «value fluctuation reserve»?

Value fluctuation reserves compensate for losses in value due to an unfavorable development on the capital markets. These value fluctuation reserves are formed as soon as the coverage ratio exceeds 100%.

In the case of the Vita Joint Foundation, the amount of the necessary value fluctuation reserve is based on a sound analysis of the potential fluctuation margin of the assets. The target level is 6% of the pension assets. The target coverage ratio taking into account the value fluctuation reserve is therefore 106%.

The Vita Joint Foundation allocates the part of the assets that exceeds the target coverage ratio of 106% to the interest reserve.

## What is the «interest reserve» used for?

The interest reserve in the Vita Classic pension planning model is used to stabilize the coverage ratio and helps to avoid undesirable reorganization measures. In the event of a coverage deficiency, it is therefore liquidated to the extent required to ensure a coverage ratio of 100%.

In a favorable market environment, the interest reserve forms the basis for granting additional interest. Additional interest is credited progressively over five years to the retirement assets of the insured persons. The amount of the interest credit depends on the time of affiliation with the Vita Joint Foundation. So this income benefits customers who have contributed towards the positive development with their pension assets. Long-standing customers therefore benefit in particular.

## Why does the Vita Joint Foundation set out two coverage ratio values?

The Vita Joint Foundation sets out two coverage ratio values based on its Vita Classic pension planning model. The most significant value for market comparison is the higher of the two (coverage ratio II). Coverage ratio I takes into account the special characteristics of the Vita Classic pension planning model. The interest rate model allows for the insured to be guaranteed a base interest for the following year depending on the level of the coverage ratio on October 31 (cut-off date). If the coverage ratio exceeds the target coverage ratio of 106% by the cut-off date, an interest reserve will be formed from the current investment year. The corresponding interest pot is forwarded to the insured, distributed over five years, in the form of additional interest.

## What happens if there is a coverage deficiency?

A temporary coverage deficiency does not pose any risk whatsoever to pension benefits. Nevertheless, the Vita Joint Foundation has to approve measures for restructuring within a reasonable time period according to the level of the coverage deficiency.

**The Vita Joint Foundation provides for the following measures to ensure that a financial balance is maintained:**

- liquidation of the interest reserve if necessary
- waiver of the non-obligatory interest earned
- undercutting the minimum interest rate set by the BVG for the duration of the coverage deficiency, for a maximum of five years, by at most 0.5%
- restriction or ban on pledging and early withdrawal for the repayment of mortgage loans
- collection of additional contributions from employers and employees

**What a coverage deficiency would mean for you as an insured person:**

- If you leave your company  
If an insured person leaves a company that is affiliated with a pension plan with a coverage deficiency, 100% of the corresponding vested benefit is transferred to the new employer's pension plan. Thus, a coverage deficiency has no effect whatsoever if you leave the company.
- If you retire  
A coverage deficiency has no effect whatsoever on the retirement benefit if you are about to retire.
- If you are drawing a retirement pension  
A coverage deficiency has no effect on ongoing pensions.
- If the company terminates the contract  
If an employer terminates the affiliation contract at the time of a coverage deficiency, the vested benefits are cut by a percentage of the coverage deficiency. No cuts are made in the area of the BVG mandatory retirement savings.
- If there is a considerable reduction in staff numbers or the company is restructured  
If insured persons leave the company at a time when there is a coverage deficiency due to a considerable reduction in staff numbers for economic reasons or the restructuring of the company – a partial liquidation of the pension fund – the vested benefits of the departing persons are generally not cut.

**Important note:**

This information sheet is for your information. It is based on the pension regulations of the Vita Joint Foundation, the partial liquidation regulations, the provisions of the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Plans, the Swiss Vested Benefits Act and the associated ordinances.



**Any questions?**

**As an affiliated company**

The administrator responsible for your account would be pleased to provide you with further information on the topic of «Coverage ratio, value fluctuation reserve and interest reserve».

**As an insured person**

Do you have questions about your specific pension situation? Give us a call: Help Point BVG (phone 0800 80 80 80) is available to answer any questions about your occupational pension plan from 8 a.m. to 6 p.m. from Monday to Friday.