



# Regulations for provisions and reserves

## Vita Invest

Vita Invest Joint Foundation  
of Zurich Life Insurance Company Ltd, Zurich

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# Regulations for provisions and reserves

(pursuant to Art. 48e BVV2)

## 2018 edition

### 1 Introduction

These regulations define the rules for the recognition of provisions, reserves and value fluctuation reserves pursuant to Art. 48e BVV2. They take into account the Swiss Accounting and Reporting Recommendations, Swiss GAAP ARR 26, and observe the principle of consistency.

### 2 Definitions

Pension capital, provisions and reserves used to cover the Foundation's obligations are calculated according to recognized principles and reported on the liabilities side of the balance sheet. Pension capital in this regard means the total amount resulting from the individual legal entitlements of the active insured and any pensioners. Underwriting reserves relate to the pension capital and its funding.

The value fluctuation reserves are recognized on the liabilities side of the balance sheet for the market-specific risks underlying the asset investments (including real estate) in order to support the long-term fulfillment of the benefit commitments. When the coverage ratio is calculated pursuant to Art. 44 BVV2, they are not allocated to the pension capital required for underwriting. As far as the value fluctuation reserves are concerned, reference is made to the Foundation's investment regulations.

### 3 Underwriting principles

The basis for the actuarial calculations are the underwriting principles (mortality tables) and the guaranteed minimum interest rate. The underwriting principles used must take the particularities of the pool of insured persons and general developments into account. The underwriting principles shall be increased if necessary.

#### **Guaranteed minimum interest rate**

The guaranteed minimum interest rate shall be set at a reasonable level below the long-term effective return on assets so that it can be maintained over a long period of time. Economic aspects shall also be taken into consideration and the effective returns (and changes in value) compared with the assumptions.

#### **Principles**

If the pension obligations are partially or completely autonomously managed by the pension fund, the pension actuary may recommend other recognized underwriting principles for the pension fund, such as BVG 2015 (life expectancy table) and a guaranteed minimum interest rate based on the specialized guidelines of the Swiss Chamber of Pension Actuaries (FRP 4).

### 4 Responsibilities

The Foundation Board shall decide which underwriting principles are to be used based on the suggestion and recommendation of the pension actuary.

### 5 Types of provisions and reserves

On the basis of the Swiss Accounting and Reporting Recommendations, Swiss GAAP ARR 26, the following underwriting liabilities shall be reported in the annual financial statement:

- a) Pension capital of the active insured and any pensioners
- b) Underwriting reserves
  - Reserve for the conversion rate (retirement losses)
  - Reserve for the risks of death and disability (for partially or completely autonomous management of pension obligations)
  - Reserve for waivers of contributions for current disability pensions (for partially or completely autonomous management of pension obligations)

- Reserve for vested benefits pursuant to Art. 17 of the Vested Benefits Act (FZG)
- Reserve for latent and pending cases of disability (for partially or completely autonomous management of pension obligations)
- Reserve for the increase in the life expectancy of pensioners (for partially or completely autonomous management of pension obligations)
- Reserve for risk fluctuations in the pool of pensioners (for partially or completely autonomous management of pension obligations)
- Reserve for special events

The pension capital and the underwriting reserves shall be calculated on a yearly basis using the static method.

### 6 Pension capital of the active insured and any pensioners

The pension capital shall correspond to the total amount of the retirement savings capital of the active insured on the balance sheet date.

If the pension benefits within the pension fund are partially or completely autonomously managed, the pension capital shall be increased by the present value of current pensions and the associated reversionary benefits of the pensioners.

The actuarial reserves for pension obligations under the group life insurance contract are not reported on the balance sheet. The surrender values of the pensions purchased from Zurich Life Insurance Company Ltd are set out every year in the notes to the annual financial statements of the Vita Invest Joint Foundation.

## 7 Reserve for the conversion rate

The reserve for the conversion rate (retirement losses) shall cover the additional funding requirement resulting from the difference between the conversion rate set according to underwriting principles and the statutory conversion rate, or the conversion rate set by the fund managers

The reserve shall be formed for persons who will reach the retirement age in the next 10 years. The funding requirement for these persons shall be calculated on the basis of the existing capital, and time-weighted provisions shall also be formed (linear method).

The provision shall be calculated on the assumption that the following percentage of benefits will be drawn in the form of a single lump-sum payment:

- Number of potential claim events 1–5: 0%
- Number of potential claim events 6–9: 10%
- Number of potential claim events 10–49: 20%
- Number of potential claim events from 50: 40%

For a new affiliation, the fund managers may require that the provision be formed on a linear basis within no more than 5 years. The fund managers may shorten the provision formation period at any time during the formation phase.

## 8 Provision for the risks of death and disability

This provision serves to cover short-term fluctuations in the death and disability risk experience (deviations from the expected cases of death and disability).

The amount of provision to be formed shall be calculated according to an actuarial method. The amount needed to cover the total loss shall be calculated with a degree of probability determined by the expert for occupational retirement provision, depending on the risk characteristics of the current pool of insured persons, for a time-span of one-year while applying the

relevant underwriting principles. The provision to be reported on the balance sheet shall correspond to the total loss less the risk contributions of the current pool of insured persons, according to the regulations .

This fluctuation reserve does not have to be formed as long as the Foundation has congruent reinsurance for the death and disability risks.

## 9 Provision for waivers of contributions for current disability pensions

The provision for waivers of contributions for current disability pensions shall not be reported as part of the pensioners' pension capital, but as an underwriting reserve. The provision shall correspond to the present value of the future savings contributions.

## 10 Reserve for vested benefits pursuant to Art. 17 of the Vested Benefits Act (FZG)

The reserve for vested benefits pursuant to Art. 17 of the Vested Benefits Act (FZG) serves to finance departure losses that might be incurred by the Vita Invest Joint Foundation and the pension fund if the vested benefits pursuant to Art. 17 FZG are higher than the available retirement savings capital. This reserve shall be formed if a pension fund's annual expenses for departure losses show a significant rise over a certain period.

## 11 Provision for latent and pending risks of death and disability

This provision is calculated on the balance sheet date as the total amount of the difference between the present values of the probable future disability pensions and the vested benefits applicable in the case of disability.

## 12 Provision for the increase in the life expectancy of pensioners

This provision serves to strengthen the actuarial reserves for pensioners (without current children's pensions). It is intended to secure the additional funding requirement as a result of an increase in life expectancy.

The Foundation currently uses life expectancy tables. It is therefore not necessary to form this provision.

## 13 Provision for risk fluctuations in the pool of pensioners

This additional provision has the purpose of securing the financing of pensions as compensation for unexpected differences in the average life expectancy of pensioners.

The provision shall be formed if there are fewer than 100 pensioners. The amount of the provision shall correspond to the pensioners' pension capital multiplied by 0,5 and divided by the root of the number of pensioners.

## 14 Provision for special events

The provision for special events shall take account of decisions that give rise to a funding requirement on short notice. Some examples of such events are:

- Improvements in benefits
- Changes to the guaranteed minimum
- interest rate
- Merger or partial liquidation
- Bridging benefits and early retirement

## 15 Final provisions and effective date

These guidelines come into force on June 1, 2018.

The expert for occupational retirement provision will comment on the underwriting reserves from time to time, but at least every three years in his/her report. On the basis of the recommendations of the expert for occupational retirement provision, the regulations may have to be adjusted to take account of the new circumstances.

If these regulations are translated into another language they shall be interpreted on the basis of the German version.

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Vita Invest Joint Foundation of Zurich  
Life Insurance Company Ltd

The Foundation Board