Information sheet:
Securing tomorrow's pension today – Edition 2016

Baloise is continuing to implement the adjustment begun in 2016 of conversion rates in the non-compulsory insurance scheme, and is now adjusting conversion rates in the non-compulsory insurance scheme for comprehensive insurance for the period from 2017 to 2019. The reasons for this are continually increasing life expectancy and persistently low interest rates in the capital markets.

Summary of the key points:

- The following conversion rates will be used in the non-compulsory insurance scheme:

	Men (Age 65)	Women (Age 64)
2016	5.602 %	5.428 %
2017	5.355 %	5.206 %
2018	5.123 %	4.978 %
2019	4.9 %	4.8 %

- The conversion rates for the compulsory pension components (statutory provision) are set by the Federal Council and are not affected by Baloise's adjustments. The current conversion rate under the compulsory scheme is 6.800 % for women (age 64) and men (age 65).
- There will be no change to lump-sum withdrawals. If an insured person opts for a lump-sum withdrawal, his/her retirement assets will be paid in full with no loss.
- Current pensions will not be affected by the adjustment.

What is meant by compulsory scheme, non-compulsory scheme and conversion rate?

Under Pillar 2, a distinction is made between the compulsory and non-compulsory components.

- The compulsory scheme (income components up to CHF 84 600) governs the minimum benefits to be provided under the statutory pension cover.
- The non-compulsory scheme provides enhanced pension cover including all additional benefits.
- The conversion rate is the decisive factor when calculating pensions. The conversion rate is the percentage of the accumulated assets, which are paid out to pensioners as an annual pension. Different conversion rates apply under the compulsory and non-compulsory schemes: in the compulsory scheme, the conversion rates are set by the Federal Council, while in the non-compulsory scheme, they are set by the pension funds.

Baloise will adjust the conversion rates in the non-compulsory scheme gradually until 2019.

Limited impact on pensions

Most insured persons have accumulated the majority of their retirement savings in the compulsory scheme, which is not affected by Baloise's adjustments. The following calculation example illustrates a typical case of how the reduction in the non-compulsory conversion rates will affect pensions.

Man (comparison 2016 & 2017)	Compulsory (BVG)	Non-compulsory	Total
Retirement assets at retirement age	300000	200000	500000
Pension on retirement as of 2016	20400	11 204	31 604
Pension on retirement as of 2017	20400	10710	31 110
Difference per year	–	−494	**−494**
Difference per month	–	−41	**−41**
Percentage difference	–	−4.41 %	**−1.56 %**

Women (comparison 2017 & 2019)	Compulsory (BVG)	Non-compulsory	Total
Retirement assets at retirement age	300000	200000	500000
Pension on retirement as of 2017	20400	10412	30812
Pension on retirement as of 2019	20400	9600	30000
Difference per year	–	−812	**−812**
Difference per month	–	−68	**−68**
Percentage difference	–	−7.80 %	**−2.64 %**

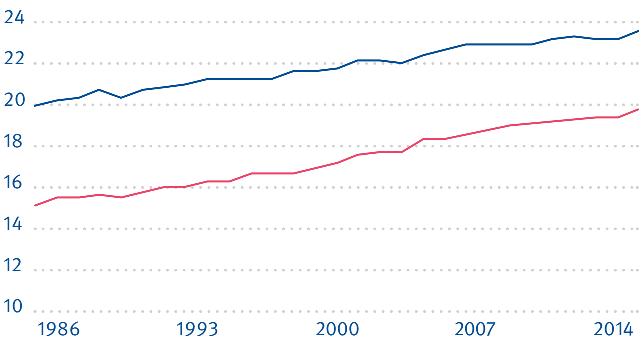
All amounts are stated in CHF

What are the reasons and what does this change mean for you?

The underlying conditions affecting occupational pensions have changed in recent years.

Data collected by the Federal Statistical Office have for many years indicated a welcome increase in life expectancy, which has increased by approximately 4 years since the introduction of the BVG in 1985 1. This longer life expectancy results in pensions being drawn for longer, which, if the conversion rate remains the same, requires higher pension assets to fund the retirement pension.

1 Average remaining life expectancy on retirement



Source: Federal Statistical Office

In addition to the increase in life expectancy, interest income has declined steadily in recent decades. This can be seen clearly in the trend in the returns on Swiss federal bond 2. A large proportion of the pension assets under the comprehensive insurance provision are invested in such fixed-income investments (bonds) by law. Since the introduction of the BVG, the returns on Swiss federal bonds have fallen steadily and are now at a historic low (in fact they are sometimes even negative), thereby significantly reducing the investment income generated by the pension assets.

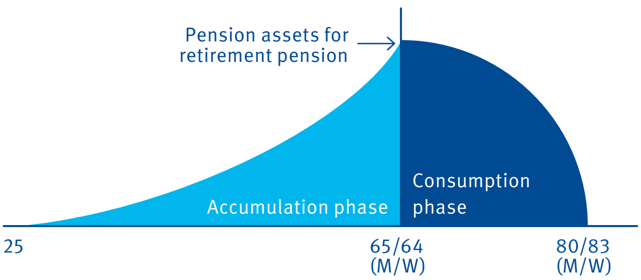
2 Swiss federal bonds (10-year term)

Source: SNB Monthly Statistical Bulletin

Emergence of a pension funding gap

The pension assets for retirement pensions consist of employee and employer contributions to the pension fund, which are then invested in the financial markets and earn a return (accumulation phase). The assets accumulated in this way (pension assets for retirement pensions) are converted into a lifelong guaranteed pension on retirement (consumption phase), based on an actuarial conversion rate 3.

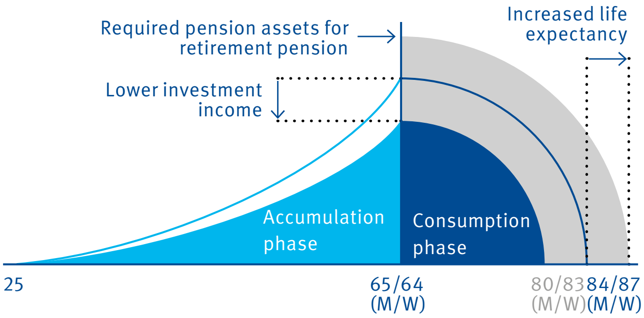
3 Situation when the BVG was introduced in 1985



As a result of the increase in life expectancy and the resulting longer average periods over which pensions are drawn, higher pension assets are now required for retirement pensions than was the case when the BVG was introduced (1985) 4.

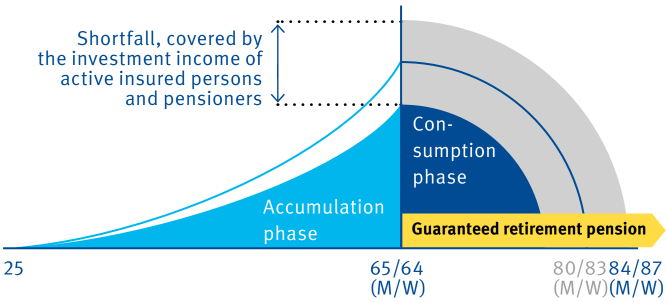
At the same time, due to the significantly lower interest rate environment, investment returns on the pension assets are now considerably lower, which is also reflected in the lower interest on the compulsory and non-compulsory components of the pension assets 4.

4 Situation in 2015



Increased life expectancy and the continuing low interest rate environment mean that a funding gap is developing for the pension assets. This means that an average insured person is now accumulating lower pension savings than are required to fund his/her pension at the current conversion rates 5.

5



The resulting gap has to be closed using, among other things, the investment income of active contributors, meaning that they will have smaller retirement assets when they retire than would otherwise have been the case.

The problem of the funding gap is being passed on to current employees (contributors) and will be further exacerbated in the future due to the redistribution from economically active people to pensioners. This is even more problematic because the ratio of economically active people to pensioners has been decreasing for many years, meaning that each individual active contributor is increasingly affected by this redistribution. However, unlike AHV provision, such a redistribution between contributors and pensioners is not provided for under the Pillar 2 funding principles.

Under the current parameters, the financial stability of occupational pension provision is therefore at risk in the long term.

Changes to your pension

The non-compulsory scheme conversion rates at the ordinary retirement age (age 64 for women, age 65 for men) will be as follows for the years 2016 to 2019:

	Men (Age 65)	Women (Age 64)
2016	5.602 %	5.428 %
2017	5.355 %	5.206 %
2018	5.123 %	4.978 %
2019	4.9 %	4.8 %

A detailed overview is available on our website at www.baloise.ch/bvgdokumente

What you can do to increase your pension

There are several ways of offsetting or mitigating the impact on retirement pensions. By purchasing additional pension benefits, you can increase your assets and thereby increase your pension. If you opt for a lump-sum withdrawal rather than a pension, you will receive your accumulated assets in full with no deductions.

Do you have any questions?

- The myBaloise customer portal provides access to all your insurance policies via the online e-insurance tool. This allows you to carry out simulated calculations of your future pension.
  If you do not have access to our online e-insurance tool, you can register at www.baloise.ch/mybaloise
- If you have any further questions, your adviser will be happy to provide you with further assistance.

Baloise Life Ltd
Aeschengraben 21, P.O. Box
CH-4002 Basel

Customer Service 00800 24 800 800
Fax +41 58 285 90 73
customerservice@baloise.ch

Making you safer.
www.baloise.ch

350.8032 e 1.16 500