

**Regulations on the Formation  
of Provisions and Reserves  
of the Collective Foundation Trigona  
for Occupational Welfare Provision**

(July 2014 edition)

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## 1. Subject matter

The present regulations, based on Art. 65b BVG, 48e BVV 2 and the Professional Guideline FRP 2 'Retirement assets and technical provisions' issued by the Swiss Chamber of Pension Actuaries, govern the principles defined by the Board of Foundation for the formation of provisions and reserves and the measures to be taken if there are insufficient provisions or reserves, as well as the principles governing the formation and use of unallocated assets.

## 2. Types of provisions and reserves

→ The following provisions and reserves, are to be created in accordance with the principle of consistency and are intended to ensure at all times that the Foundation meets its purpose of providing pensions.

a) Technical reserves (Clause 3 below)

b) Value fluctuation reserves (Clause 4 below)

## 3. Technical reserves (supplementary fund)

### 3.1. Purpose

As the pension fund is set up as a defined contribution pension fund with congruent reinsurance of the risks of death, disability and longevity, technical reserves only need to be created to the extent required to cover any financial shortfalls that may arise due to a difference between the statutory BVG conversion rate and the actuarially required conversion rate under the collective insurance tariff of the reinsuring insurance company as specified in the Appendix to the Organisation Regulations.

### 3.2. Size of the supplementary fund

The required size of the supplementary fund is to be determined annually by the fund's board of trustees on the basis of the number of retirements expected in the coming years and any associated funding shortfall. The size of the supplementary fund is determined for the first time prior to the conclusion of the contract of affiliation.

An annual review will then be carried out as part of the preparation of the actuarial report by the occupational pensions expert.

### 3.3. Formation and dissolution of provisions

The supplementary fund accumulates assets from contributions assigned for this purpose and/or from pension fund earnings. The contributions are defined as a percentage of the salary total.

A lack of funds in the supplementary fund may be compensated either by additional contributions by the employer and by the insured persons or solely by deposits made by the employer, so that the funding shortfall is offset either wholly or partially by the pay-as-you-go system. The fund's board of trustees must decide how to finance any lack of funds before approving the annual financial statements.

If an insured person retires and exercises his or her pension option, any funding gaps that might arise (based on the pay-as-you-go system of pensions funding) are covered by the supplementary fund.

### 3.4. Responsibility for determining the fund size

The fund's board of trustees is responsible for making any changes to the size of the supplementary fund. The fund's board of trustees may consult the occupational pensions expert.

**4. Value fluctuation reserves**

**4.1. Purpose**

The pension fund establishes value fluctuation reserves to compensate for fluctuations in the value of assets (fund assets) and ensure the interest yield on the pension assets.

**4.2. Setting of target values, minimum values and intermediate values**

The Board of Foundation sets recommended target values, minimum values and intermediate values for the fluctuation reserves for each investment group. The target, minimum and intermediate values are expressed as a percentage of the actuarially required pension assets on the balance sheet date (savings and policy reserves), including technical provisions.

**4.2.1 Determination of the values**

The target value, minimal value and intermediate value of the fluctuation reserves are determined according to a recognised financial method. The required target value for the fluctuation reserves is determined based on the investment strategy in accordance with the risk and return characteristics of the current and targeted structure of investments as defined under the Investment Regulations. This permits the required minimum accumulation of interest on the tied retirement assets during a year with a reasonable degree of certainty. The probability of default within 5 years should not exceed 5 %.

**4.2.2 Target values, minimum values and intermediate values of the fluctuation reserves**

Investment group	Minimum value	Target value	Intermediate value
BVG-Mix 15 Plus I	7,00 %	14,00 %	10,05 %
BVG-Mix 25 Plus I	7,50 %	15,00 %	11,25 %
BVG-Mix 40 Plus I	9,00 %	18,00 %	13,50 %

**4.2.3 Review**

The Board of Foundation periodically adapts the recommended target value of the value fluctuation reserves for each investment group in order to match the prevailing market conditions. A review is carried out in the event of a change in the investment strategy and at least once a year in conjunction with the preparation of the annual financial statements as at 31 December.

**4.3. Formation of value fluctuation reserves if the relevant pension fund reserves lie between the minimum fluctuation reserve and target fluctuation reserve values**

Unless it already has the necessary reserves, the pension fund is obligated, to build up value fluctuation reserves in order to achieve the specified target fluctuation reserve value within a few years, in accordance with a reasonable plan to be decided by the fund's board of trustees, which in each case forms an integral part of the Fund Regulations and is to be notified to the Manager. If the intermediate value is exceeded, a maximum of half of the income surplus before formation of the value fluctuation reserve can be used to fund benefit improvements, based on a decision made by the fund's board of trustees. After reaching the target value, unallocated assets can be accumulated with the full income surplus.

In the event of a negative annual result, the shortfall is to be covered first by the unallocated assets and then by the value fluctuation reserves.

If the value of the reserves falls below the intermediate value (again), the Manager informs the pension fund concerned and the affiliated company in accordance with the instructions of the fund's board of trustees. The fund's board of trustees must subsequently submit a plan as per para. 1 or any changes to the plan formerly agreed as per para. 1.

**4.4. Measures to be taken if the value fluctuation reserves are below the minimum fluctuation reserve value [limited risk capacity]**

**a) Failure to achieve the minimum value**

If the value of the reserves is below the minimum fluctuation reserve value, the Manager informs the pension fund concerned and the affiliated company in accordance with the instructions of the fund's board of trustees. The fund's board of trustees must then take the necessary measures, possibly after consultation with occupational pensions expert (e.g. decision regarding

the continuation or adjustment of the investment strategy, development of a plan for building up the necessary value fluctuation reserves, increase in monitoring) and give the necessary instructions to the Manager. In particular, the fund's board of trustees must define what events must occur for it to re-analyse the situation, and adapt the measures if necessary. It must give the Manager the necessary monitoring instructions. If the review shows that the target aimed at by the measures has not been achieved, the fund's board of trustees must enact additional measures following consultation with the occupational pensions expert.

**b) Affiliation in spite of insufficient value fluctuation reserves**

If the value fluctuation reserves are below the minimum value recommended by the Board of Foundation upon affiliation, affiliation is only possible if the pension fund can provide a reasonable plan for building up the necessary value fluctuation reserves, which then forms an integral part of the Fund Regulations.

**c) Measures in the event of a failure to achieve the minimum value**

As a further measure to increase certainty, a temporary waiver of the use of employer contribution reserves is possible. This requires the legal consent of the employer.

In this case, it is not possible to make any unlimited tax-deductible allocation to the contribution reserves, as no underfunding exists.

**d) Duty to keep records**

Analyses, decisions, dispositions and monitoring instructions issued to the Manager must be documented and made available to the Manager. These may be viewed by the Board of Foundation.

**5. Measures to be taken in the event of a shortfall**

**5.1. Definition**

A shortfall exists in accordance with the Appendix to BVV2 if the actuarial pension capital requirement calculated by the occupational pensions expert in accordance with recognised principles under Art. 44 BVV2 is not covered by the pension assets set aside for this purpose on the balance sheet date.

In order to identify possible shortfalls, an actuarial balance sheet is created for each pension fund once a year (in conjunction with the preparation of the annual financial statements) or as required on behalf of the fund's board of trustees or the Board of Foundation.

**5.2. Restructuring principles**

If a pension plan is underfunded as per Clause 5.1, the Manager informs the fund's board of trustees and the Board of Foundation of the extent of the underfunding. The fund's board of trustees must subsequently carry out a restructuring, with the help of the occupational pensions expert and the auditors, and must inform the employers, the insured persons, the pension recipients and the supervisory authority of the extent and the causes of the shortfall and the measures taken in response.

The measures taken must take into account the particular situation of the pension fund, and must also be proportionate, balanced and appropriate to remedy the shortfall within a reasonable period of time (generally within a few years and, at most, not exceeding ten years).

The fund's board of trustees takes the necessary measures under Clause 5.3 and is responsible for their effective implementation. It takes into account the proposals made by the occupational pensions expert and support obtained from other professionals (e.g. investment experts or the auditors), if required. Analyses, decisions, dispositions and monitoring instructions issued to the Manager must be documented and made available to the Manager. These may be viewed by the Board of Foundation.

### 5.3. Restructuring measures

All legal options can be used to eliminate the shortfall, in particular:

- Changes to future regulatory entitlements to benefits under the non-compulsory scheme or a reduction in anticipated benefits
- Creation of employer contribution reserves with stipulated waiver of use
- Employer deposits
- Levying of additional contributions from employers and employees, where the employer's contribution must at least match the sum of the employee contributions
- Change of investment strategy or investment group
- Minimum or zero interest within the non-compulsory scheme
- Minimum interest within the compulsory scheme (maximum of five years, maximum reduction of 0.5 percentage points)

During the period of the shortfall, the fund's board of trustees can:

- impose time restrictions, restrictions on amounts or entirely refuse pledging, advance withdrawals and repayments; and
- it may also abolish any option of early retirement envisaged under the regulations.

### 5.4. Disclosure obligations and review by the occupational pensions expert and the auditors

The obligations of the fund's board of trustees to provide information are based on Clause 4.3 (i) of the Organisation Regulations. The Board of Foundation is responsible for providing information to the supervisory authority and to the auditors. Such notifications are made at the latest after preparation of the annual financial statements documenting the shortfall.

The success of the restructuring measures adopted shall be reviewed annually by the occupational pensions expert. The expert is tasked with creating an annual actuarial report for the attention of the fund's board of trustees, the Board of Foundation and the supervisory authority. If the review by the occupational pensions expert shows that the target set by the restructuring plan has not been achieved, the Board of Foundation must enact additional measures to eliminate the shortfall.

## 6. Unallocated assets

### 6.1. Formation

If the required technical provisions have been increased in accordance with Clause 3 and the target value for the fluctuation reserves has been reached, any income surplus results in unallocated pension fund assets.

### 6.2. Use

The fund's board of trustees shall decide on the use and possible allocation of any unallocated pension fund assets in accordance with Clause 6.1.

When deciding on the use of the unallocated assets, the principle of equal treatment of beneficiaries is to be ensured. In the event of a partial liquidation, the Regulations on the Partial Liquidation of Pension Funds apply.

### 7. Reservation of right of amendment

The Board of Foundation may amend these regulations at any time, in accordance with the law and the Foundation's Articles of Association. Any amendments must be submitted to the supervisory authority.

### 8. Concluding remarks

These Regulations enter into force retroactively as of 1 July 2014 and replace the previous Regulations on Provisions and Reserves.



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