

Regulations on ALM January 2021



1 General provisions

1.1 Introduction

The asset-liability management process of the Pension Fund of Credit Suisse Group (Switzerland), hereinafter referred to as the “Pension Fund,” is responsible for how the Board of Trustees manages the relationship between assets and liabilities on the balance sheet.

The overarching goal of the Pension Fund is to safeguard pension certainty, i.e. to ensure that the Pension Fund is able to meet its financial obligations toward beneficiaries in the long term. The interests of the beneficiaries are always paramount.

The overarching goal in managing the assets is to generate the target return. This ensures the largest possible contribution to preserving the value of promised pension benefits in the long term. The Pension Fund selects its investments prudently, and manages and monitors these.

1.2 Goals and purpose

These regulations define the goals and principles, the structure, the processes, and the duties and competencies pertaining to asset-liability management, hereinafter referred to as “ALM.”

The regulations provide the necessary framework conditions to ensure the continuous monitoring of the medium- and long-term alignment between the investment of assets and the obligations of the Pension Fund. When investing the assets, the Pension Fund pays special attention to safeguarding the certainty with which it is able to fulfill its purpose of providing employee benefits. This certainty is assessed in particular in consideration of the entire assets and liabilities as well as the structure and the projected development of the portfolio of insured.

The ALM process and the ALM Committee support the Board of Trustees, which, in accordance with Art. 71 of the Federal Act on Occupational Retirement, Survivors' and Disability Pension Plans (BVG) and Art. 49ff. of the Ordinance on Occupational Retirement, Survivors' and Disability Pension Plans (BVV2) and current case law, is responsible for the appropriate management of investments based on the risk ability of the Pension Fund.

The ALM process results in the preparation of recommendations for strategic requirements that are submitted to the Board of Trustees. The strategic requirements incorporate the following:

- Definition of the relevant asset categories and subcategories
- Investment principles
- Neutral position/strategic asset allocation (“SAA”)
- Trading ranges
- Benchmarks
- Risk budget
- Other requirements and guidelines relevant to the Board of Trustees in respect of management of the investments, e.g. investment objectives or ESG requirements

1.3 Principles

The ALM process supports the definition of strategic requirements for the investment of assets. The requirements are aligned with the performance objectives (contributions/benefits) and the risk ability of the Pension Fund, and aim to ensure the long-term appropriateness of the investment of assets.

The risks associated with the investment of assets are aligned with the available financial and structural risk ability of the Pension Fund as well as the risk appetite defined by the Board of Trustees. The ALM Committee continuously reviews current positions and submits requests to the Board of Trustees for amendments to the strategic requirements.

2 Duties and competencies

2.1 ALM Committee

Duties and competencies

- Prepares the recommendations for strategic requirements for the Board of Trustees.
- Ensures and coordinates implementation of the ALM process (and the corresponding ALM study).
- Ensures financial and structural risk ability is adequately taken into account when preparing recommendations for strategic requirements for the Board of Trustees.
- Ensures the appropriateness of the capital market assumptions (CMAs) when preparing recommendations for strategic requirements for the Board of Trustees.
- Ensures and coordinates the ongoing monitoring of risk ability.
- Defines and ensures implementation of appropriate measures in the event of relevant changes to the risk ability and CMAs.
- Defines pertinent trigger points for the monitoring of risk ability, including the funding ratio.
- Monitors compliance with the ALM regulations; is responsible for periodic review of the procedural organization; and determines the entity to carry out the ALM study.

2.2 ALM officer

Duties and competencies

- Continuously monitors risk ability and trigger points, including the funding ratio.
- Prepares recommendations for strategic requirements for the Board of Trustees, as a basis for discussion in the ALM Committee.
- Carries out or initiates the ALM study (full study).
- Carries out or initiates the ALM refresher.
- Convenes ad-hoc meetings of the ALM Committee in the event of a sudden change in the risk ability.

3 ALM process

The ALM Committee is responsible for the ALM process and therefore for the preparation of recommendations/proposals for strategic requirements to be submitted to the Board of Trustees. The CIO, as member of the ALM Committee, ensures that the Pension Fund's perspective regarding the assets (in particular the CMAs) is incorporated into the ALM process. During the iterative development of the strategic requirements, there is close collaboration between the experts on both the assets and liabilities side (actuarial) of the Pension Fund.

However, the decision about the proposal for the strategic requirements to be submitted to the Board of Trustees is made by the ALM Committee as a whole; this process is thus independent of the Investment Committee, which is responsible for implementing the strategic requirements.

The following subprocesses are envisaged:

3.1 Creation of an ALM study (periodically)

The goal is to identify appropriate strategic requirements. An ALM study comprises the following elements in particular:

- Determination and substantiation of returns achievable on the capital markets in the long term (CMAs).
- Detailed analysis of obligations and assets based on a marked-to-market valuation.
- Determination of the financial and structural risk ability.

- Determination and substantiation of an appropriate risk budget for the Pension Fund and sponsor.
- Preparation of strategic requirements (neutral position, trading ranges, benchmark, and risk budget) taking into account risk ability.
- The actuarial bases (sources, assumptions, and calculation methods, etc.) used in the context of the ALM study must be presented to the ALM Committee in a transparent manner.
- The ALM Committee reviews and approves changes to the aforementioned actuarial bases and ensures that they are applied consistently.
- The ALM Committee of the Pension Fund coordinates the ALM study. Preparation of the ALM study can be delegated to suitable (internal or external) specialists.
- The ALM Committee presents the ALM study, consisting of the strategic requirements and any other recommendations, to the Board of Trustees.

3.2 Continuous monitoring

Underlying factors (e.g. risk ability, risk budget, CMAs) can change continuously. For this reason, the ALM Committee ensures continuous monitoring of these long-term factors and sets the relevant thresholds. The monitoring work is coordinated by the ALM Committee or the ALM officer and can be delegated to suitable specialists.

If relevant changes are determined in the risk ability or the underlying capital market assumptions, an ad-hoc meeting of the ALM Committee will be convened. The ALM Committee decides on appropriate measures and ensures that the measures are implemented.

Potential measures comprise the following:

- Carrying out a new ALM study or an ALM refresher.
- Proposals of measures to the Board of Trustees, e.g. review of the promised benefits.

3.3 Reporting to the ALM Committee, the Investment Committee, and the Board of Trustees

- Periodic and ad-hoc reporting on the underlying factors pertaining to the financial and structural risk ability and, where appropriate, submission of proposed measures to the Board of Trustees.
- ALM study.

4 Final provisions

4.1 Amendment proviso

The Board of Trustees is authorized to amend these ALM regulations at any time.

4.2 Entry into force

Following the resolution of the Board of Trustees of October 29, 2020, these ALM regulations enter into force on January 1, 2021.

4.3 Prevailing text

These regulations have been drafted in German and may be translated into other languages. In the event of any discrepancy between the German text and a translation into another language, the German text shall prevail.

PENSION FUND OF CREDIT SUISSE GROUP (SWITZERLAND)

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