

Regulations on Provisions January 2019



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Note: The use of masculine pronouns and adjectives to refer to persons or functions in these Regulations refers to both men and women.



Organization

4 Responsibility

I – Organization

1.1 Responsibility

As the highest governing body, the Board of Trustees is responsible for issuing the Regulations on Provisions.



Balance Sheet Reporting of Investments (Liabilities)

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II – Balance Sheet Reporting of Investments (Liabilities)

2.1 Principles and Definitions

The Board of Trustees issues rules governing the creation of actuarial provisions and the fluctuation reserve (Art. 48(e) BVV 2). The amount of retirement capital, actuarial provisions, and reserves is determined by the recommendations of the accredited pensions actuary and the guidelines of the Swiss Chamber of Pension Insurance Experts (see www.skpe.ch). The principle of consistency applies.

The retirement capital is calculated on the balance sheet date and is broken down as follows:

- The retirement capital of the pension recipients
- The retirement capital of the active insured
- The actuarial provisions

The actuarial provisions serve to cover current or foreseeable liabilities that will impact the financial situation of the Pension Fund or that arise due to events preceding the reporting date. In the calculation of the funding ratio, the provisions are treated in the same manner as the retirement capital of the active insured and the pension recipients.

The Board of Trustees, in consultation with the accredited pensions actuary, defines the type and amount of the actuarial provisions. In particular, the following provisions are created:

- Provision for actuarial risks
- Provision due to a decision of the Board of Trustees

The accredited pensions actuary proposes the actuarial provisions to be created and the calculation methodology to the Board of Trustees. The type and purpose of the provisions must be disclosed in the annual report.

The fluctuation reserve is intended to provide a hedge against price losses on assets and serves to guarantee financial stability (funding ratio of at least 100%).

2.2 Retirement Capital of the Pension Recipients

The retirement capital of the pension recipients comprises the cash value of current pensions, current bridging pensions, and current awarded cost-of-living allowances, including the expected surviving spouse's pensions for pension recipients. The accredited pensions actuary calculates the retirement capital of the pension recipients in accordance with statutory and regulatory requirements.

2.3 Retirement Capital of the Active Insured

The retirement capital of the active insured comprises the retirement assets in accordance with statutory and regulatory requirements.

2.4 Provision for Actuarial Risks (Pension Capital Savings)

The provision for actuarial risks is intended to offset short-term unfavorable fluctuations of the risks of death and disability for the active insured. The provision is determined by the recommendations of the accredited pensions actuary and is based on a risk analysis. The provision is recalculated each year and corresponds to at least 2.0% of the total insured base salaries in the pension capital savings.

2.5 Provision for Actuarial Risks (Retirement Capital Savings)

The provision for actuarial risks is intended to offset short-term unfavorable fluctuations of the risks of death and disability for the active insured. The provision is determined by the recommendations of the

accredited pensions actuary and is based on a risk analysis. The provision is recalculated each year and corresponds to at least 2.0% of the total insured base salaries in the retirement capital savings.

2.6 Provision for Increase in Life Expectancy

The provision for the increase in life expectancy is intended to mitigate the impact of the changeover to newer generation tables. The provision is formed on the basis of a recommendation by the accredited pensions actuary as a flat-rate percentage of the pension recipients' retirement capital.

The flat-rate percentage is $0.2\% \times [\text{calendar year} - 2014]$; for 2017, the flat-rate percentage is thus 0.6%.

2.7 Provision for Retirement Losses

The provision for conversion rate losses aims to cover expected losses for cases of new retirement where these are not covered by current financing. The amount of the provision is calculated by the accredited pensions actuary.

2.8 Provision for Pension Recipients Remaining from Previous Affiliations

Upon dissolution of an affiliation agreement, all active insured and pension recipients allocated to the affiliation, whose pension entitlement arose after December 31, 2016, shall leave the Pension Fund. The provision for pension recipients remaining from previous affiliations serves to compensate the lost restructuring potential of employers who are no longer affiliated for the share of pension recipients allocated to them from all annuities in payment as of December 31, 2016. The allocated pension recipients are assessed as risk-free. The amount of the provision is calculated by the pensions actuary and is defined as the difference between the risk-free assessment and the assessment in accordance with the technical interest rate.

2.9 Provision Due to a Decision of the Board of Trustees

The Board of Trustees can, on the recommendation of the accredited pensions actuary, create additional provisions. The type and purpose of these provisions must be disclosed in the annual report.

2.10 Fluctuation Reserve

The target value of the fluctuation reserve is defined by the Board of Trustees. The target value is measured using the *conditional value-at-risk* at a confidence level of 95% (CVaR 95%). At this target value, the Pension Fund holds sufficient fluctuation reserves to withstand the expected loss of the worst year during a 20-year period.

For the determination of the target value, the Board of Trustees prepares an asset and liability management study (ALM study) periodically, but at least every two years. The principle of consistency applies.

2.11 Funding Ratio

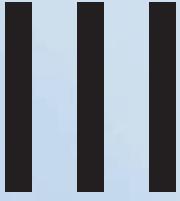
The funding ratio pursuant to Art. 44 BWV 2 is equivalent to the ratio of net assets to the total retirement capital of the active insured, the pension recipients, and the actuarial reserves created by the Board of Trustees in accordance with these Regulations.

2.12 Technical Interest Rate

The Pension Fund applies a variable technical interest rate when making actuarial valuations for future benefits.

The variable technical interest rate is determined as the yield on Swiss “Eidgenossen” bonds for the duration of the liabilities (currently 13.2 years), plus 200 basis points (bps), subject to a cap of 200 bps. The 200 bps supplement and any possible cap are set out by the ALM study.

The technical interest rate is disclosed in the annual report.



Employer's Contribution Reserves

10 General Information on the Employer's Contribution Reserves

III – Employer’s Contribution Reserves

3.1 General Information on the Employer’s Contribution Reserves

Each affiliated employer may build up a separately reported employer's contribution reserve from which the employer contributions can be provided at its request.

The employer's contribution reserves are invested as part of the fund's assets and earn interest in the same way as interest is paid on the pension capital.

IV

Final Provisions

12 Amendment Proviso

12 Entry into Force

12 Prevailing Text

IV – Final Provisions

4.1 Amendment Proviso

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

4.2 Entry into Force

Following the resolution of the Board of Trustees of September 21, 2018, these Regulations enter into force on December 31, 2018, and replace the Regulations of December 1, 2017.

4.3 Prevailing Text

The present 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)

Philip Hess
Chairman of the Board of Trustees

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Vice-Chairman of the Board of Trustees



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