

What will change from January 1, 2014?

Changes in underlying conditions (higher **life expectancy**, lower yields on investments) mean that the Syngenta Pension Fund Board of Trustees has to adjust the **conversion rates** for calculating future retirement pensions. By introducing **supporting measures** – generous financial support from the employer companies as well slightly higher contributions – a **high level of benefits** will be preserved. The new arrangements can secure the **financial stability** of the pension fund in the future.

Ensuring the pension fund's sustainable stability

Why do we have to adjust the conversion rate?

This step has been taken because of the changes in underlying conditions that have occurred with regard to higher life expectancy and lower income earned on assets. The pension fund assets of active insured members that have been saved are converted into a lifelong pension on retirement using the conversion rate. The level of these pensions is guaranteed for life. Both life expectancy and the assumed future yield determine the level of the conversion rate.

Life expectancy and hence the duration of pension payments are steadily increasing while the past few years have seen a sharp fall in income earned on assets. Whereas a long-term yield of 4 % was realistically expected when our model was introduced in 2004, the yields experienced today are substantially lower.

What happens when the income earned on assets is decreasing?

The income earned on assets in the pension fund must be sufficient to pay interest on the capital of the fund of active insured members as well as on the capital of those drawing their pension and in addition to establishing the necessary reserves. If the earned income on assets is not sufficient then funding must come from the fluctuation reserves. This leads to a reduction in the coverage ratio of the pension fund and can put the long-term financial stability of the pension fund at risk.

How is the technical interest rate determined?

The level of the technical interest rate reflects the earnings that can be expected on assets in the long term. These are dependent on the level of interest and the equity markets. The Board of Trustees has therefore reduced the technical interest rate from 3.5 % to 2.5 % with effect from 2014.

How high was the yield of the pension fund in the past?

Over the last 12 years the Syngenta Pension Fund has had an average yield of 1.7 %, which corresponds to the average of Swiss pension funds.

How is the level of the retirement pension calculated?

The level of the retirement pension is calculated from the conversion rate and the capital saved during the professional life. The capital saved consists of the contributions made by the insured and the interest paid. At the time of retirement, the existing capital is converted into a lifelong pension using the conversion rate. A reduction in the conversion rate also results in a lower retirement pension. If the existing capital is increased, the pension rises again.

Example:

Capital at the time of retirement: CHF 500,000

Conversion rate: 7 %

Lifelong annual pension:

$\text{CHF } 500,000 \times 7 \% = \text{CHF } 35,000$

To achieve this pension using a conversion rate of 6.1 %, the following capital is needed:

$\text{CHF } 35,000 : 6.1 \% = \text{CHF } 573,770$

What conversion rates will be applied as from 2014?

Retirement age	Conversion rates	
	old	new
65	7.00 %	6.10 %
64	7.00 %	5.95 %
63	7.00 %	5.80 %
62	7.00 %	5.70 %
61	6.85 %	5.60 %
60	6.70 %	5.50 %

The reduction of the conversion rates take into account the increase in life expectancy and lower future yields.

Will we still have good retirement benefits despite the lower pensions?

Even with the new conversion rates, the Syngenta Pension Fund will still offer insured members a very high level of benefits that will be much higher than the minimum benefits stipulated by law (BVG).

Will these measures impact the current pensions?

The pensions currently being paid out will not be affected by these measures. However, the reduction in the technical interest rate means that the pension fund must increase the actuarial reserves for the pensions. The pension fund must provide more capital to ensure that the pensions can also be paid out lifelong at the guaranteed level even if the yield is lower.

Supporting measures – cushioning a reduction in the pension

How can a reduction in the pension resulting from lower conversion rates be cushioned?

To ensure that when a lower conversion rate is used the pension does not fall to the same extent, the capital saved must be higher. Approximation to the existing level of pension is achieved through the following measures:

- Additional one-off-payment into the retirement plan on January 1, 2014
- Higher employer and employee contributions stipulated by the pension fund regulations
- Additional voluntary savings opportunities for insured members in the “superior” and “excellent” contribution scales
- Voluntary extra contributions by insured members

What additional deposits will the insured members receive?

Insured members who belong to the pension fund on June 1, 2013, will receive a one-off payment of at least 13 % of their retirement assets into the retirement plan on January 1, 2014. Voluntary extra contributions or withdrawals for the purpose of home ownership or as a result of divorce after June 1, 2013, will not be taken into account in this calculation. Insured members born in 1954 or before will receive a higher balance of up to 14.8 % graduated according to age.

Example: insured member born in 1956

Retirement savings on January 1, 2014	500'000
Voluntary extra contribution on November 4, 2013	- 20'000
Basis for calculation of transitional payment	480'000
One-off payment into retirement plan 13%	62'400
New retirement assets on January 1, 2014	562'400

In January 2014, all insured members will receive a pension statement showing the one-off deposit paid into the retirement plan along with the likely retirement pension.

What happens to the one-off deposit if I leave the pension fund?

If you leave the pension fund within the next five years, the additional deposit is returned to the pension fund on a pro rata basis.

How will be contributions be increased?

As from January 1, 2014, the contributions of the insured members to the retirement plan will be increased by 0.5% of the insured remuneration. The employer companies will pay a 1.0% higher contribution.

How will the contribution scales be defined as from January 1, 2014?

New contribution scales will be introduced on January 1, 2014, so that insured members have the opportunity to build up their benefits as best they can. Contributions on the "superior" scale are 1.5% higher than those on the "normal" scale, while contributions on the "excellent" scale are 3% higher. The previous option of paying lower contributions ("light") will no longer exist.

On January 1, 2014, the contributions will be transferred to the new scales as follows:

Previous scale	Scale on January 1, 2014
light	normal
standard	normal
premium	superior
—	excellent

Further information

What further information will be offered?

Insured members who still have the option of early retirement in 2013 will receive additional individual information in the next few days.

The choice of contribution scale can be changed every year as before. With effect from July 1, 2014, insured members can for the first time choose to contribute on the "excellent" scale.

How will the supporting measures be financed?

To cushion any reduction in pensions as a result of the lower conversion rates, the pension fund has established reserves that will be used to finance the on-off payment into the retirement plan. However, the generous arrangement of these measures is only possible thanks to substantial financial support from the employer companies.

The increase in actuarial reserves for current pensions necessitated by the reduction in the technical interest rate is also fully financed by the companies. As a result, all the measures decided upon by the Board of Trustees can be financed without weakening the financial status of the pension fund.

Information events will be held on company sites in the autumn (details to be announced).

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