



**syngenta**

Syngenta Pension Fund  
**Short Report**  
on the Year 2020



## Report by the Executive Director

Switzerland is once again facing a wide-ranging pension debate, which does not only include the first pillar (AHV) but also the second, the Occupational Pensions Act (BVG). All political actors have long recognised that a reform of the occupational benefits scheme is overdue. In addition to the Federal Council's proposal, an alternative proposal is now being discussed in the Swiss Parliament, with the biggest controversy surrounding the first 10 to 15 age groups that are going to retire after the reform has been implemented. What compensation should this transitional generation receive to protect it from pension cuts? And who should pay them?

The Federal Council wants to include an Old-Age and Survivors' Insurance (AHV) element in the second pillar: in future, employees are to pay an additional contribution of 0.5 % of their salary, which is to finance a uniform supplement on the pensions of new retirees. This would incorporate an element of redistribution into the Occupational Pensions Act (BVG) similar to the one in place in Old-Age and Survivors' Insurance (AHV). The pension supplement is to amount to CHF 200 per month, even for those pensioners who will not suffer any losses due to the reform. Over time, the supplement is to be reduced but will not be abolished entirely. The new wage deduction will remain in place.

The opponent model, on the other hand, aims to solve the problems of the second pillar in compliance with the system, without additional redistribution between generations. Over the first ten years, all those insured members are to receive compensation who will require such a supplement in order to maintain their pension level. Thanks to its focus, the model costing CHF 1.8 billion per year will result cheaper than the proposal issued by the Federal Council, which is likely to incur additional costs of around CHF 3 billion. It is now up to the Swiss parliament to find a solution here, which will then also have to be accepted by the Swiss electorate.

The Syngenta Pension Fund is well-funded and boasts a comfortable funding ratio of 119.4 % by the end of 2020. This is the result of prudent financial

management by the Board of Trustees. However, the Syngenta Pension Fund, like all pension funds, is confronted with two major trends: the ongoing low interest rate phase on the one hand and the increase in life expectancy on the other.

In order to ensure the financial stability of the Syngenta Pension Fund in the long term and to continue to offer excellent benefits to its members, the Board of Trustees unanimously decided to reduce the conversion rate from 1 January 2022 onwards and to have new pensioners share the risk to a modest extent. These adjustments agreed by the Board of Trustees will ensure that insured members continue to benefit from a pension plan that is sustainable, flexible and can adapt to keep pace with external changes. Despite these adjustments, the Syngenta Pension Fund still provides its members with particularly good benefits.

The announced changes were explained to the employees in several webinars that took place in May and June. During the traditional information events in autumn, we will again address these changes and explain what the members can do themselves to improve their situation. I am already looking forward to welcoming a large number of active participants.

Juan Carlos Fernández  
Executive Director

## Trust bodies

### Board of Trustees – period of office July 1, 2018 to June 30, 2022

Members	Substitutes
<b>Employee representatives</b>	
Bossert Tobias Coquoz Serge Favre Sylvain Geiser Davina Gsell Bettina Sneiders Luc, Deputy Chairman	Bieri Peronnik Burri Manuela Dufrénois Rémy (until 09.2020) Dollinger Daniel Ferrin Dominique Yannick Gendre (from 10.2020) Schütz Mathieu
<b>Employer representatives</b>	
Cherix Jacques Färber Martin (until 05.2020) Meili Tobias, Chairman (until 02.2020) Nocera Daniele, Chairman (from 03.2020) Peter Markus (from 06.2020) Weingartner Basil (until 03.2020) Widmer Markus (from 04.2020) Suter Sandra Vock Elisabeth	Bugnon Pascal Fischer Erich (until 02.2020) Sartorius Timon (until 03.2020) Kälin Patrick Nistler Christian Hemeryck Filip (from 04.2020)

#### Investment Committee

Meili Tobias, (Chairman),  
Member of Board of Trustees (until 02.2020)  
Geiser Davina, Member of Board of Trustees  
Bieri Peronnik, Substitute Member of Board of Trustees  
Nocera Daniele, (Chairman), Member of Board of Trustees (from 03.2020)  
Nistler Christian, Substitute Member of Board of Trustees, Investment Strategist  
Scherer Hansruedi, Investment Controller  
PPCmetrics AG, Zürich

#### Regulatory Authority

BVG- und Stiftungsaufsicht beider Basel (BSABB)  
Eisengasse 8, 4001 Basel

#### Auditor

PricewaterhouseCoopers AG  
St. Jakobs-Strasse 25, 4002 Basel

#### Expert in Occupational Benefits Schemes (Actuary)

Wiedmer Matthias, Libera AG  
Stockerstrasse 34, 8022 Zürich

#### Executive Director

Fernández Juan Carlos

# Investments

## Capital markets in 2020

The investment year 2020 was characterised by the coronavirus pandemic. While the coronavirus was still deemed to be a problem limited to China at the beginning of the year, rising global infection rates soon changed that notion. In spring, public life in much of the world was shut down to prevent health services from collapsing, which had reached the limits of their capacity. Stock markets reacted to the pandemic and the looming standstill of the global economy with sharp losses. Within four weeks, the major stock markets notched up losses of approximately 30 %. Credit spreads, which serve as an indicator of the default risk of corporate bonds, also expanded very strongly. Credit spreads of investment-grade bonds (i.e. good debtors) increased by 250 basis points, while those of high-yield bonds expanded even more. By the end of March 2020, the return of the Syngenta Pension Fund had dropped to around -8.5 %. It would have taken great optimists to predict at that point that these losses would be more than compensated for by the end of the year.

However, financial markets quickly recovered from the coronavirus shock to the astonishment of many market participants. The extensive support measures applied by many countries and the major central banks proved effective. As early as in June 2020, for example, the US technology index Nasdaq 100 surpassed the record high marked before the Corona crash. Technology and Internet stocks such

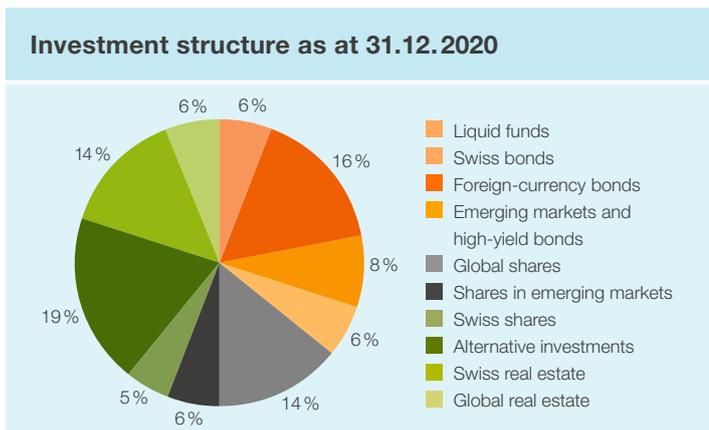
as Amazon, Google, Microsoft and Facebook particularly benefitted from the crisis as transactions over the Internet soared. Towards the end of the reporting year, the prospect of effective vaccines against Covid-19 also contributed to an improvement of the sentiment. Even the US presidential elections, albeit fraught with many imponderables, only briefly caused higher volatilities but did not curb the price rally.

Over the year as a whole, global equities and emerging market equities each gained about 7 %, while large-cap Swiss equities increased by only 4 %.

Bonds yet again posted slight gains. Supported by the Fed's key interest rate cuts from 1.75 % to nearly zero, US bond prices picked up. The ECB also expanded its existing bond purchases on a very large scale. A total volume of 1.85 trillion euros has been targeted until March 2022. In Switzerland, short-term interest rates remained at around -0,75 %, and ten-year interest rates slightly decreased from -0,4 % to -0,5 % within the course of the year.

After significant corrections at the beginning of the year due to the coronavirus crisis, listed Swiss real estate funds were able to gain an astonishing 10 % in a year-end sprint. With these price increases being much higher than the increase in net asset value (NAV), average share premiums rose to 40 %, representing a historic high that calls for caution. However, investors currently seem to be accepting this in their decision to buy concrete gold in order to avoid negative interest rates on cash and many bonds. Listed Swiss real estate shares, on the other hand, fell by about 7 %, mainly due to a weakness in the share price of the two index heavyweights Swiss Prime Site and PSP. The negative sentiment towards office properties in connection with increased work from home may have been the main reason. International real estate also slightly lost in value.

A currency-related development worth noting was the weak performance of emerging-market currencies and the devaluation of the US dollar against the Swiss franc of 8 %. The Syngenta Pension Fund has



an actual foreign currency exposure (after hedging) of about 20 %. Weaker foreign currencies, therefore, have a negative impact on the total return of the Pension Fund.

### Investment strategy of the Pension Fund

While 2019 had been marked by the implementation of the Asset Liability Management (ALM) study carried out at the end of 2018, the 2020 reporting year proved to be more peaceful in this respect. The investment committee agreed to slight adjustments within the hedge fund portfolio and further expanded the Swiss real estate segment through investments into investment foundations. In terms of tactical decisions, two are worth mentioning: on the one hand, price slumps in equity markets at the end of the first quarter were used as an occasion to return these shares to their original portfolio weight (rebalancing). On the other hand, the establishment of a one-percent gold position had a significantly positive impact on the total return of the Pension Fund.

Investment category	Average weight	Return
Bonds/Liquidity	36 %	1 %
Stocks	25 %	8 %
Real estate	19 %	3 %
Alternative investments	20 %	8 %

### Development of investment performance



### Investment results

The Syngenta Pension Fund achieved an investment return of 4.6 % in the year 2020. According to the UBS Pension Fund Barometer, the average return of Swiss pension funds amounted to 4.0 %. The strong performance of alternative investments with a currency-adjusted rate of around 8% contributed to the above-average investment performance of the Syngenta Pension Fund. At just under 20 %, it holds significantly larger investments in this category compared to the average of Swiss pension funds. In particular, private equity (+10 %), infrastructure (+10 %) and hedge funds (+8 %) posted pleasing results. Moreover, the gold position mentioned above increased by approximately 25 %.

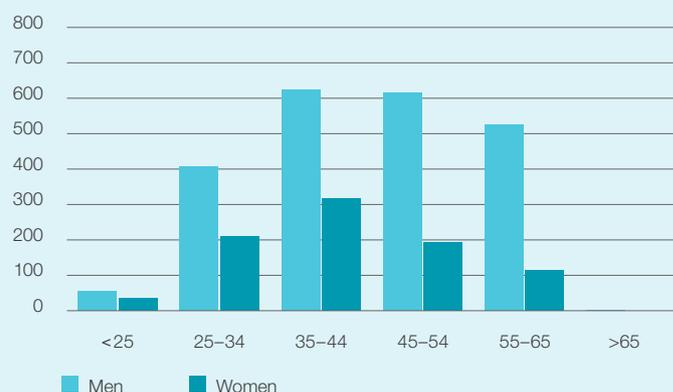
The investment return of 4,6 % in the year under review is composed as follows:

## Financial statement

<b>Assets in CHF</b>	31.12.2020	31.12.2019
Liquid funds	160,137,784	157,581,987
Receivables	10,273,118	17,466,705
Prepaid expenses	1,989,285	14,000
Stocks	714,587,321	616,425,194
Bonds	788,587,321	823,393,294
Real Estate	578,256,160	498,634,110
Alternative Investments	559,978,931	559,974,704
Currency Overlay	50,234,784	50,151,231
Mortgages	14,911,204	14,462,765
<b>Total assets</b>	<b>2,878,891,545</b>	<b>2,738,103,990</b>

<b>Liabilities in CHF</b>	31.12.2020	31.12.2019
Liabilities	18,019,491	18,530,211
Deferred income	1,275,532	980,114
Actuarial reserves for active members	1,032,847,952	999,114,239
Actuarial reserves for retirees	1,190,362,500	1,175,556,300
Technical provisions	171,319,200	175,542,000
Fluctuation reserve	454,960,634	368,381,126
Trust funds	10,106,235	–
<b>Total liabilities</b>	<b>2,878,891,545</b>	<b>2,738,103,990</b>

### Age structure on 31.12.2020



## Pension Fund liabilities

The actuarial reserves for active insured members and recipients of pensions, together with the technical reserves, represent the total pension capital and thus essentially the liabilities of the Pension Fund. The actuarial reserves for active insured members, the sum of all assets of the insured members in the retirement plan, amounted at the end of 2020 to around CHF 1,033 billion. Of which CHF 270 million is allotted to the retirement savings in accordance with BVG (Swiss pensions law) and is the compulsory part of the benefits. This allocation shows the scale of non-compulsory benefits provided by the Syngenta Pension Fund.

The actuarial reserves for recipients of pensions are calculated annually using actuarial methods and, based on the promised retirement benefits, must be sufficient at all times to guarantee these pension payments for life. The relevant figures for calculating the actuarial reserves needed for financing current pensions are the statistic life expectancy (expected benefit period) and the technical interest rate (future interest on retirement capital).

Life expectancy is established with the aid of statistical surveys in so-called technical bases. The Syngenta Pension Fund uses since 2016 the technical basis BVG 2015 as generational tables. The technical interest rate is determined by the Board of Trustees and amounts to 2%.

To make sure that pension obligations were met, the Pension Fund had to provide actuarial reserves of CHF 1,190 billion at the end of 2020. Compared to the previous year this represents an increase by CHF 14,8 million. The number of pension recipients increased by 41 people.

Technical reserves serve as a hedge against insurance risks such as the increasing life expectancy of active members and retirees. The technical reserves were increased by CHF 4,2 million in 2020 in accordance with the annual regulatory formation.

Active members	2020	2019
Women	871	836
Men	2,227	2,130
<b>Total</b>	<b>3,098</b>	<b>2,966</b>

Pension recipients	2020	2019
Retirement pensions	1,317	1,276
Disability pensions	129	134
Spouse's pensions	183	167
Child pensions	112	100
<b>Total</b>	<b>1,741</b>	<b>1,677</b>

Pensions paid in CHF	2020	2019
Retirement pensions	57,686,620	55,694,709
Disability pensions	4,359,501	4,527,378
Spouse's pensions	5,002,082	4,610,950
Other pensions	2,712,149	3,121,358
<b>Total</b>	<b>69,760,352</b>	<b>67,954,395</b>

### Development of funding ratio



## Operating result

Operating result in CHF	2020	2019
Contributions of employees/employer, deposits	100,128,811	98,261,590
Vested benefits, repayment of early withdrawals for home ownership and divorce	56'940'332	16'519'098
<b>Inflow from contributions and deposits</b>	<b>157'069'143</b>	<b>114'780'688</b>
Pension benefits paid out	-69'760'352	-67'954'395
Lump-sum benefits paid out	-21'660'881	-24'390'671
Vested benefits, early withdrawals for home ownership and for divorce	-47'840'065	-52'903'522
<b>Outflow for benefits and early withdrawals</b>	<b>-139'261'298</b>	<b>-145'248'587</b>
Formation of actuarial reserves and technical provisions	-44'317'113	-138'984'184
Contributions to security fund	-289'144	-259'909
<b>Net result from insurance part</b>	<b>-26'798'412</b>	<b>-169'711'992</b>
Net results from investments	125'162'270	297'206'316
Other earnings	14'837	16'977
Other expenses	-1	-30'461
Administrative expenditure	-1'692'951	-1'665'743
<b>Earnings surplus before release/formation of fluctuation reserve</b>	<b>96'685'744</b>	<b>125'815'097</b>
Release(-)/formation fluctuation reserve	-86'579'508	-125'815'097
<b>Expenditure/earnings surplus</b>	<b>10'106'235</b>	<b>0</b>

(-) Expenses

(+) Earnings

### Interest on pension capital

The pension fund's return on assets is used to finance interest on the retirement savings of active members and pensioners as well as administration

costs. The technical interest rate on retiree's assets is set at 2%. The interest on pension assets accrued active members is determined at the end of each year based on the yield achieved during that year.

The technical interest rate is the interest rate that has to be earned on the remaining capital on average in the future in order to meet the obligations set forth in the regulations. The lower and thus the more cautious the technical interest rate, the greater the capital that has to be provided to cover the pension payments. The Board of Trustees reduced the technical interest rate to 1 % with effect from 31.12.2021.

The interest on retirement savings of active members is determined at the end of each year based on the investment return achieved during that year and base on the financial situation of the pension fund.

The Board of Trustees decided that all retirement savings of active members should bear in 2020 an interest rate of 2 %. In contrast the minimum interest rate as defined by the Federal Council was set at 1 % in 2020.

### Fluctuation reserve and funding ratio

The technical funding ratio of the Pension Fund amounts to 119.4 % as per end of 2020 and thus showed due to the positive investment return an increase as compared to the previous year (115.7 %). With the investment return of 4.6 % generated in 2020, the value fluctuation reserves were further increased.

In view of the investment strategy, fluctuation reserves of 19 % are required, which corresponds to a target funding ratio of 119 %. In this method of calculation of the funding ratio as stipulated by law, liabilities are taken at their balance sheet value, discounting the funding ration for current pensions with the technical interest rate of 2 %.

In an economic context, liabilities are calculated at the current market interest on risk-free investments. These fell below zero again in the last year. This valuation of liabilities reflecting market conditions leads to an economic funding ratio as of 31.12.2020 of 101 %.

### Technical funding ratio according to art. 44 BVV2

The technical funding ratio indicates the percentage level at which a pension fund's liabilities are covered by assets 100 percent corresponds to a full coverage.

### Fluctuation reserve

Liabilities must be covered at all times by appropriate assets. While liabilities are relatively stable, assets can be subject to considerable fluctuation in value. Fluctuation reserves serve to absorb asset losses on capital markets. The level of fluctuation reserves needed is determined using a financial economic method. The fluctuation reserve supports the pension fund to meet its liabilities over the long term. Therefore it contributes to the financial stability of the pension fund.

### Economic funding ratio

Contrary to the above-mentioned funding ratio, liabilities are not discounted at the more stable technical interest rate but at a risk-free market interest rate on accrual basis. The interest rates of federal bonds may be taken as a basis for the risk-free interest rate.

### Development of pensions



## Miscellaneous

### Exercise of voting rights

With the „Decree against Excessive Remunerations“, Swiss pension funds are required to exercise their voting rights on shares of Swiss stock corporations they are holding in their portfolios. For items falling within the scope of this decree, shareholders' rights are generally exercised by the Syngenta Pension Fund in accordance with the proposals of the Board of Directors. The Syngenta pension fund abstains from voting on items that do not fall within the scope of the decree.

In view of the asset structure of the Syngenta Pension Fund, voting rights to be exercised only exist in the “Swiss Real Estate” mandate (shares of real estate companies).

In spring 2020 the Syngenta Pension Fund exercised its shareholder's rights in the following companies and thereby approved all motions within the scope of the decree issued by the corresponding Board of Directors:

- Allreal Holding AG
- HIAG Immobilien AG
- MOBIMO Holding AG
- PLAZZA AG
- PSP Swiss Property AG
- Swiss Finance & Property Investment AG
- Swiss Prime Site AG
- Zug Estates Holding AG

### Asset management costs

The asset management costs in the various mandates are comprised of direct and indirect costs. With direct costs the respective asset manager charges the pension fund for the services provided. These costs are recognized as an expense in the income statement. Such investments are always considered as “transparent”. Indirect costs are management costs which are posted in the performance report. These investments can only be considered as transparent, if the costs are reported according to a cost calculation as stipulated by the

Supervisory Commission for Occupational Benefits (OAK BV). If the cost report used by an asset manager and stated in the annual accounts does not comply with one of the calculation methods stipulated by the OAK, these investments are to be posted as “intransparent” investments even though the Pension Fund may have the relevant detailed information about the fund's cost structure.

In the annual report 2020 of the pension fund 98.77 % (previous year: 96.85 %) of the investment costs are considered to be transparent. 1.23 % – mainly alternative investments – are considered to be intransparent.

The Board of Trustees decides on whether to keep these investments considered as intransparent as part of the approval of the annual financial statement. This decision is not only influenced by cost considerations but the costs are also compared to the corresponding net revenue.

### [www.pensionskasse-syngenta.ch](http://www.pensionskasse-syngenta.ch)

On our website you will find the latest news and you can also download information sheets on selected pension topics. These give an overview and provide answers to the most frequently asked questions. In addition, there are two short info movies in German, English and French explaining the insurance certificate and the benefits in case of unforeseen circumstances. The Pension Fund team will of course be happy to answer any further questions you may have.



### **Contact address**

Do you have any questions about your Pension Fund or do you need some expert advice? Don't hesitate to contact us:

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[www.pensionskasse-syngenta.ch](http://www.pensionskasse-syngenta.ch)