

Reform proposal unfit for purpose



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“Sustainability” is a concept with great impact on today’s world. It is shaping our elections, our votes, our investments. Nowadays, dealing with sustainability is non-negotiable for all companies. They are held accountable for both their actions and inaction. This is right and important.

Sustainability means balance. It is about utilising the available resources responsibly and ensuring a well-calibrated system. Treating nature, the environment and upcoming generations with the appropriate respect.

The occupational pension provision reform proposal recently presented by the Federal Council is neither sustainable nor responsible. This “pension reform is unfair” as the NZZ newspaper quite rightly comments. The Federal Council wants to cement the injustice between generations, with young insureds having to cross-subsidise pensioners for decades to come.

Pension reform of this kind would cost insureds over three billion francs: Active participants are now to pay pensioners up to CHF 200 per month for 15 years. And once the 15 years have elapsed, the Federal Council wants to determine how high these payments should remain. The

active generation is therefore set to continue to finance pensions that are too high, now even under the direct pay-as-you-go system. This proposal is detrimental to solidarity between generations. It also punishes pension funds like PKE, who work in a sustainable and responsible manner and have therefore already adjusted their benefits to the new circumstances (higher life expectancy, lower returns on capital markets).

Pension reform is urgent. The “compromise” presented by the Federal Council, however, is misleading. The Federal Council was made aware of this during the consultation procedure in no uncertain terms. The proposed cross-subsidisation was rejected by almost all sides. Pension funds, various employer groups and several parties have put together alternative reform proposals that would render the second pillar more sustainable and more appropriate as well as significantly lowering costs.

The Federal Council, however, has labelled these alternatives “unsuitable” in one fell swoop and fails to even remotely address the criticism regarding fairness across generations. Our national government has to ask itself why it conducts consultation procedures if it does not pay heed to serious, well-founded input.

The current reform proposal does not reform the second pillar. Instead, it weakens BVG occupational pension provision and the entire social insurance system. And it shifts the problems with pension provision to future generations. This proposal is neither sustainable nor responsible.

Along with other stakeholders who are aware of their responsibilities, PKE is committed to achieving better and more just reform. To ensure the second pillar remains strong. And to safeguard our pension provision in tandem with AHV.

Decisions made by our Foundation Board

PKE's Foundation Board has decided to continue to apply an interest rate of 2% to the retirement savings capital of those insured by the collective pension fund in 2021.

2021 interest

In 2021, PKE is to continue to apply an interest rate of 2.0% to retirement savings capital, "Saving 60" savings accounts and all assets in supplementary pension plans (shift allowance and bonus plans). This sees PKE continuing to pursue its policy of consistent interest rates despite a difficult 2020.

Interest rates are not primarily determined by current annual returns. Instead, they depend on PKE's financial situation, more specifically, its coverage ratio.

The 2.0% mean that assets held by active participants will continue to benefit from the same interest rate as assets held by pensioners. Also considering the low interest offered by banks on savings, this interest rate is highly attractive and significantly higher than the minimum pension interest rate stipulated by the government of 1.0%.

The Pension Committees representing the companies in the individual pension funds are responsible for setting interest rates for 2021. The insured members will receive fur-

ther information from their Pension Committees directly.

No pension adjustments

The current pension benefits forecast for 2021 are to remain unchanged. Due to the incomplete accrual of the value fluctuation reserve and low inflation, we will have to go without making any adjustments to pension benefits once again in 2021.

Provisions for the promotion of home ownership to be adjusted

The provisions for the promotion of home ownership using funds set aside for occupational pension plans are to be adjusted from 1 January 2021. Read here what is changing.



Since 1995, it has been possible to withdraw pension fund capital for the purchase of owner-occupied residential property or to pledge it for this purpose.

PKE is adjusting its provisions. From 1 January 2021, it will now only be possible to withdraw pension fund capital for the purchase of residential property or to pledge it for this

purpose up to six months (previously three years) prior to retirement or before the insured member's 65th birthday.

From 1 January 2021, withdrawals for the purchase of residential property can be paid back up to the time of retirement (previously three years before retirement). If the residential property is sold, repayment is now mandatory up to retirement.

The other conditions for the early withdrawal, pledging and repayment of pension fund capital remain the same. Further information on this topic can be found on our website at www.pke.ch → "Arbeitnehmende" → "Sparen & Finanzieren" → "Vorbezug & Verpfändung" (available in German, French and Italian).

2020 – a turbulent year

The coronavirus crisis has serious consequences for the economy and the financial markets. Stock market slumps have seen losses recorded by shares, in particular, with returns falling as a result. Switzerland's pension funds have been unable to escape this development.

The reserves formed after the successful stock market year of 2019 melted away during the first quarter of 2020 and PKE's coverage ratio even fell below 100% for a few days.

While the substantial declines were surprising, they by no means caught PKE unprepared. Thanks to the reserves formed by the Foundation Board during strong stock market years, the losses were manageable.

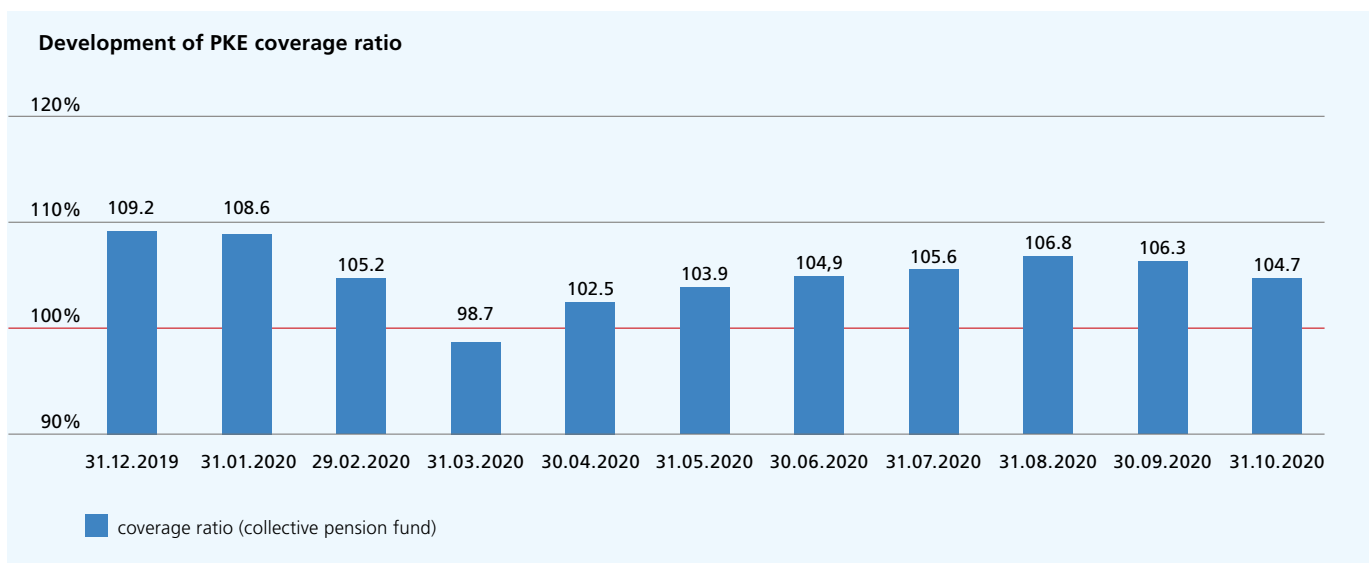
Although the situation has eased somewhat in the meantime, the stock markets remain volatile and developments going forward are uncertain.

Thanks to the Foundation Board's cautious and prudent policies, however, PKE has a good financial basis. Pensions are secure and active participants' assets continue to be subject to an interest rate of 2%.



As a pension fund, PKE pursues long-term investment goals. Stock market slumps and the corresponding losses in value are a recurring feature. Our investment experts are prepared for situations like this. We are keeping a close eye on the state of affairs, adhering to our long-term investment strategy.

The important thing is that pension funds set aside large enough reserves in good times. They serve as a buffer for market fluctuations. The reserves are dependent on an interest rate policy with a long-term orientation and the definition of pensions based on sustainably realistic returns over the long term.



Continuation of pension plan for insured members from age 58 who lose their job

Insured members aged 58 and over can now remain insured by PKE and continue their pension plan if their employment relationship is terminated by their employer.

Those who lose their job are usually faced with a difficult situation. For older people who are close to retirement, unemployment is even more drastic, as it has a direct impact on the benefits provided by their pension fund.

In such cases, it had until now been necessary for these individuals to draw retirement benefits if they were unable to find a new position, resulting in a severe reduction in their pension. Alternatively, they had the option to transfer their retirement savings to a vested benefits account. If their endeavours to find a new position failed to bear fruit, however, they no longer had the option to later receive their retirement savings as a monthly pension; instead, they had to be drawn as a one-time capital payment.

From 1 January 2021, the following will now apply:

Insured members aged 58 and over can continue their pension plan with PKE if their employer terminates their employment relationship and they are not insured with a pension fund via a new employer.

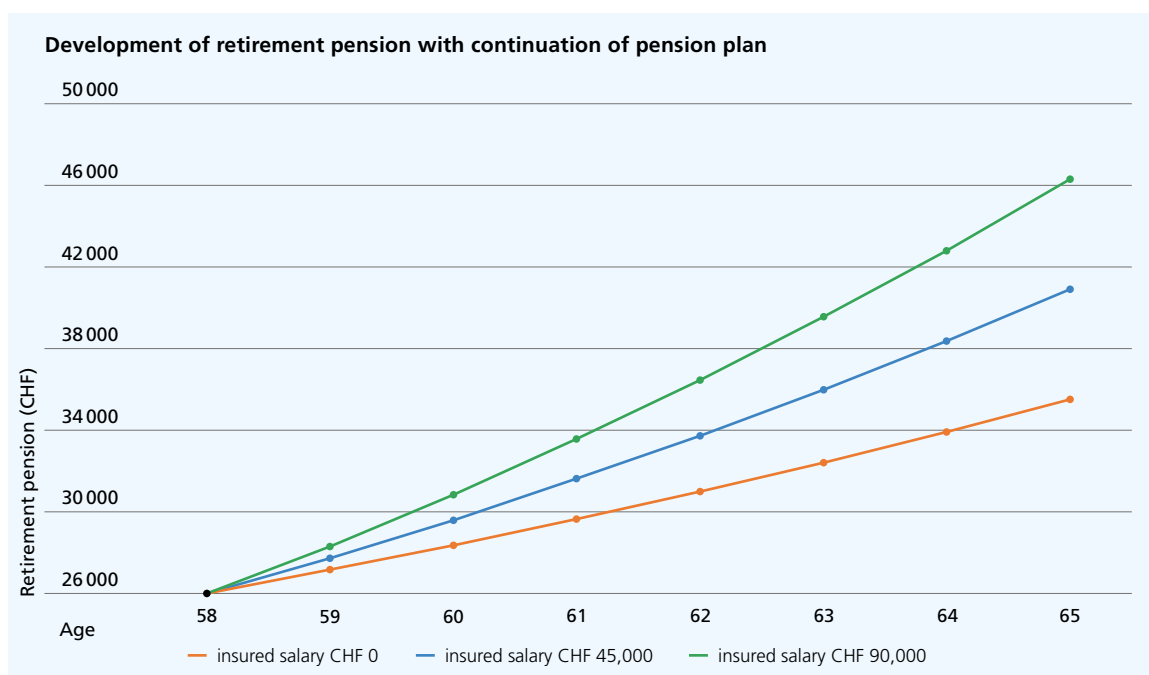
date if they become unemployed. Generally speaking, the continuation of the pension plan ceases if a new position is started and the individual joins the associated pension fund.

After opting to continue the pension plan, the insured member decides whether he would also like to pay savings contributions in addition to the risk contributions. The insured member can also decide whether the contributions are made on the basis of the previously insured salary or half of this figure.

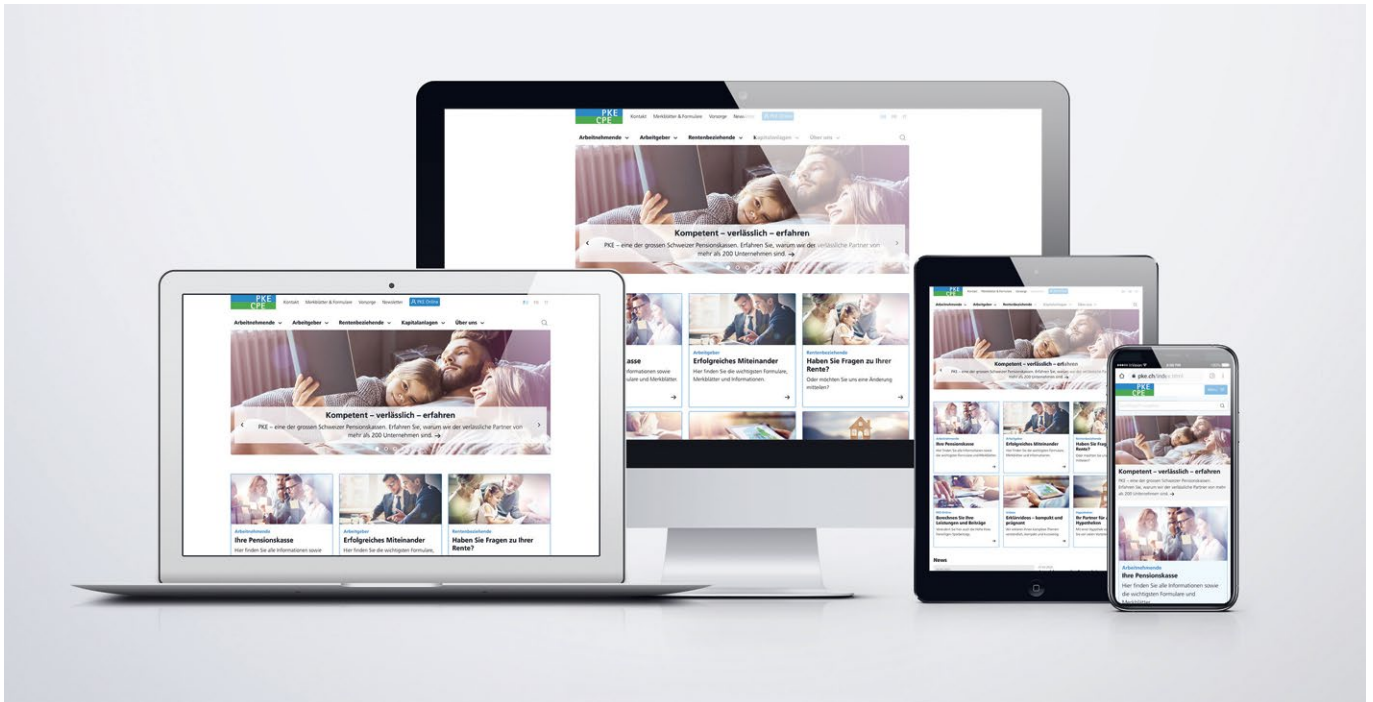
Even if the insured member opts against making savings contributions, the retirement savings increase in line with the applicable interest. The conversion rate also increases with each month. These two effects alone mean a substantially higher retirement pension. If savings contributions are also made, the retirement pension improves significantly once more.

Further information can be found on our website at www.pke.ch → "Arbeitnehmende" → "Administration & Service" → "Entlassung ab 58" (available in German, French and Italian).

This will considerably improve the situation for older employees, meaning they will still have the option to draw a pension at a later



PKE website refreshed and modernised



Over recent years, the PKE website has developed into a central information platform. Publications, information sheets, forms and regulations can be accessed here. The PKE website now has a more modern look and a clearer structure.

New technologies and graphic elements improve the user experience and optimise the way the website is displayed on any end device – irrespective of whether you are accessing it from a smartphone, tablet, laptop or desktop computer.

The proven and user-friendly architecture with its main tabs for employees, employers and pensioners has only been modified slightly, while the website's contents have been revised and optimised in some cases.

Information sheets and forms can be found even faster using the simple filter function, and we have improved the search function, meaning it is now even easier for you to find the information you need.

New: mortgage calculator

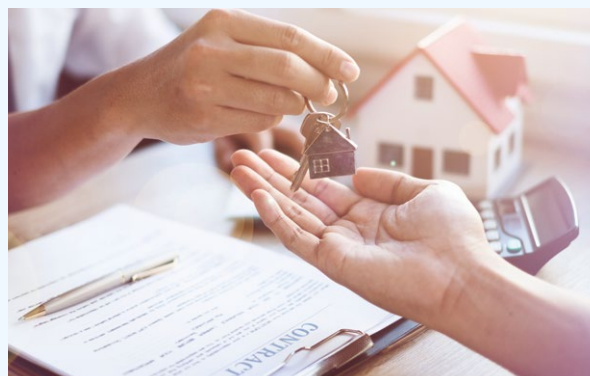
We are your expert partner for attractive mortgages. PKE offers both fixed-rate mortgages with terms of 2 to 15 years and variable-rate mortgages.

Using the brand-new mortgage calculator, you can find out in a matter of seconds whether it will be possible to purchase your dream property thanks

to PKE financing and how favourable PKE's conditions are for your mortgage.

Simply click on the following link, whether you are on your PC, mobile phone or tablet:

www.pke.ch/hypothenen (available in German, French and Italian).



SCAN ME

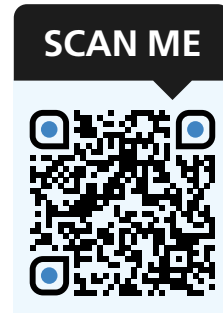


New explanatory video on pension provision

Pension provision is a complicated topic. PKE makes it understandable for you with eleven videos.

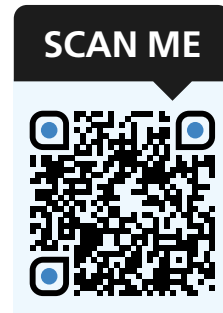
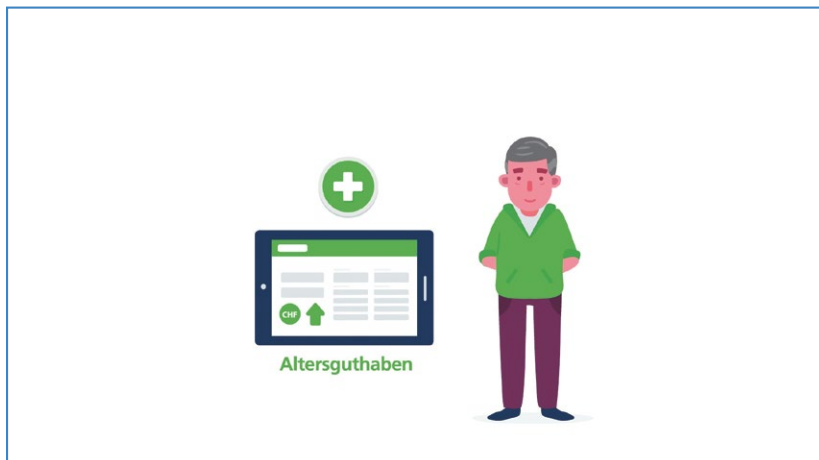
We have created a new informative video for you that gets straight to the point.

How can I improve my old-age pension provision?



Also of interest in this context, further background information on pension fund pensions:

How do pension funds calculate pension payments?



PKE explains complex pension provision topics in an understandable, appealing and concise manner. Interested? Take a look at the "PKE CPE" YouTube channel or visit www.pke.ch/videos-de (available in German, French and Italian).

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