

RETIREMENT LOSSES

Retirement sample calculation with various actuarial interest rates

Pension funds, among them the GEMINI Collective Foundation, are forced to lower the actuarial interest rate, and hence the conversion rates, due to the consistently difficult interest rate environment and uncertain return expectations. The sample calculation below presents the impact on the calculated retirement pension and the financing gap that arises when conversion rates are (too) high.

Even after their approved reduction to 5.4% at age 64 (women) and age 65 (men), the conversion rates are too high from an actuarial perspective. The following tables present the financial impact on the Foundation with respect to retirements in 2022 and 2024. The comparative calculation uses the correct actuarial conversion rates (mixed percentage, men and women). The applicable actuarial interest rate (AIR) is a mathematical value representing the interest rate at which retirement assets

are discounted on the basis of the expected future returns and earmarked for retirement benefits. The current actuarial interest rate of 2.0% is higher than the rate specified in the professional guideline of the Chamber of Pension Fund Experts. Due to the Foundation's positive ratio of active members to pensioners, the PF expert considers this rate to be within the admissible range.

2022	AIR	CR GEMINI 2022 (at age 64/65)	Correct actuarial CR (F + M mixed)	Retirement losses	Funding shortfall per CHF 100 000 ret. assets
Foundation's current AIR	2.00% TP	5.60%	5.21%	7.49%	7 485.60
Upper threshold of the recommended AIR acc. to FRP 4, valid as of 30/9/2021	1.87% TP	5.60%	5.13%	9.16%	9 161.79

2024	AIR	CR GEMINI 2024 (at age 64/65)	Correct actuarial CR (F + M mixed)	Retirement losses	Funding shortfall per CHF 100,000 ret. assets
Foundation's current AIR	2.00% TP	5.40%	5.21%	3.65%	3 646.83
Upper threshold of the recommended AIR acc. to FRP 4, valid as of 30/9/2021	1.87% TP	5.40%	5.13%	5.26%	5 263.16

AIR: Actuarial interest rate

PT: Periodic table

FRP 4: Professional guideline FRP 4 issued by the Swiss Chamber of Pension Fund Experts

CR: Conversion rate