REGULATIONS ON THE VALUATION OF LIABILITIES OF ACTUARIAL NATURE

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I. PURPOSE

The present regulations, prepared in application of Articles 65b LPP and 48e OPP2, are intended to define the principles applied by COPRÉ (hereinafter: the Foundation) with respect to determining the liabilities of actuarial nature. They comply with the principle of permanence.

II. DEFINITIONS AND PRINCIPLES

1. The Foundation's liabilities of actuarial nature are composed of:
   a. the pension capital of the active insured;
   b. the pension capital of the pension recipients;
   c. the technical provisions.
2. The pension capital of the active insured refers to the amount of the rights acquired by the active insured, namely the amount of the vested benefits (or exit benefits) determined by the Foundation in a manner compliant with the law and the regulations.
3. The pension capital of the pension recipients refers to the amount of the rights acquired by the pension recipients, namely the cover capital of the ongoing pensions determined according to calculation rules recognised actuarially and to generally accepted technical bases, as well as the savings capital of the temporarily disabled insured.
4. The technical provision refers to any amount posted on the liabilities of the Foundation's balance sheet to cover a certain or probable (more probable than improbable) commitment that has an impact on its financial equilibrium and is a result of events known at the date of the balance sheet. A technical provision is constituted independently of the Foundation's financial situation. It is considered when calculating the degree of cover as per article 44 OPP2, in the same way as the pension capital.
5. In identifying the commitments and risks of an actuarial nature, the general principles of accounting and of the RPC 26 standard are applicable, in particular:
   a. their valuation is based on recognised criteria;
   b. the constitution and dissolution of the provisions are recorded through the operating account;
   c. any modification made to the principles applied shall be mentioned in the appendix to the accounts.
6. The degree of cover as per the appendix to Article 44 OPP2 corresponds to the relation between the Foundation's net assets and the sum of the pension capital of the active insured, the pension capital of the pension recipients and the technical provisions defined in the present regulations.
7. The accredited expert submits recommendations to the Foundation with respect to determining the pension capital and technical provisions.

III. TECHNICAL BASES

1. The Foundation's technical bases are used to calculate the pension capital of pension recipients and the technical provisions. They are composed of the periodic actuarial tables LPP 2020 (P2020) and the technical interest rate of 2.25%.
2. The Board of Trustees is authorised to modify the technical bases taking into account the recommendation of the accredited expert. The change in the actuarial tables must be re-examined at least once every ten years.
3. The technical interest rate is set by the Board of Trustees on the basis of a recommendation by the expert. For this, the expert shall take particular account, in addition to the directives incumbent on him, of the evolution of the Foundation's expected structure. The technical interest rate of pension recipients is defined in a medium-term perspective, with a reasonable margin of security in relation to the expected average annual profitability of the Foundation's assets.

IV. PENSION CAPITAL OF ACTIVE INSURED AND PENSION RECIPIENTS

1. The Foundation determines each year the pension capital of the active insured and that of pension recipients taking into consideration the legal and regulatory provisions, the Foundation's technical bases and generally accepted rules of calculation. The pension capital of pension recipients is calculated by the accredited expert, and the pension capital of the active insured is verified by the auditing body.
2. The pension capital of the active insured corresponds to the vested benefit determined in accordance with the Foundation's pension regulations. It corresponds to the highest of the following three amounts:
   a. the regulatory retirement capital constituted;
   b. the minimum exit benefit as per Article 17 paragraph 2 LFLP;
   c. the retirement capital as per Article 15 LPP (article 18 LFLP).
3. The pension capital of pension recipients corresponds to the current value of the pensions paid out and the expectations of insured regulatory pensions in the event of death of the beneficiary, to which is added the sum of the savings capital of temporarily disabled insured persons. It does not take into consideration the future adaptation of pensions and expectations as to the evolution of inflation.

V. NATURE OF THE TECHNICAL PROVISIONS

1. The Foundation constitutes the following technical provisions:
   a. provision for longevity;
   b. provision for non-actuarial conversion rate;
   c. provision for fluctuation of risks;
   d. special technical provision of the affiliates;
   e. affiliates' disposable funds to be allocated.
2. The technical provisions must be endowed in such a way as to achieve the objectives according to the methods and in the timeframes established in the present regulations. The annual endowment of the technical provisions takes place in the order in which these provisions are defined in the present regulations. They can only be dissolved when the risk covered by the provision materialises partially or wholly, or when the reason for the provision becomes obsolete. The expert is obliged to give his opinion on dissolution.

VI. PROVISION FOR LONGEVITY

1. The provision for longevity is intended to allow for the future increase in life expectancy, which is measured at each change of actuarial tables (periodic tables). It serves to finance the increase in the pension capital of pension recipients due to a change in the actuarial tables.
2. The provision for longevity is set at the end of each year in percentage of the pension capital of pension recipients (excluding savings capital of temporarily disabled insured persons), after deduction of the pension capital of children's pensions. It is determined on the basis of the following formula:

$$PL(t) = (t - t_0) \times 0.005 \times CPB(t)$$

In which:

PL(t)	Level of the provision for longevity at the end of year t;
CPB(t)	Pension capital of pension recipients, except for savings capital of disabled insured persons and children's pensions, at the end of year t;
t	Date of the accounting period considered;
t_0	Date of the projection year of the actuarial tables applied (t_0 = 2020 for the tables LPP 2020 (P2020)).

3. The increase in the provision for longevity from one year to another is charged to the accounting period concerned.
4. At the change of actuarial tables, the resulting increase in the pension capital of pension recipients is taken from the provision for longevity. If the provision is insufficient, the difference is financed on the accounting period; if it is too high, the balance is dissolved.
5. At each change of actuarial tables, the Foundation reviews the formula for determining the level of the provision for longevity, in collaboration with the accredited expert.

VII. PROVISION FOR NON-ACTUARIAL CONVERSION RATE

1. The provision for non-actuarial conversion rate is intended to finance, when opening a retirement pension, the difference between the necessary pension capital of pension recipients and the available pension capital of the active or temporarily disabled insured.
2. The objective of the provision for non-actuarial conversion rate is calculated each year by the accredited expert. It is determined on the basis of the possible retirement cases (active and temporarily disabled insured) over the course of the five years following the date of valuation, the regulatory age of the plan being determinant. The agreed expert takes account of the expected proportion of pension capital received in the form of capital.

VIII. PROVISION FOR FLUCTUATION OF RISKS

1. In order to achieve its provident fund objective, the Foundation is obliged, pursuant to Article 43 OPP2, to take the appropriate security measures to cover the risks in the event of disability and death when the accredited expert deems this necessary. These measures can take the form of the constitution of an adequate technical provision or a reinsurance solution coupled, if need be, with the constitution of a technical provision.
2. The provision for fluctuation of risks is intended to alleviate in the short term unfavourable fluctuations of the risks of disability and death with respect to active insured, taking into consideration, if appropriate, the existing reinsurance cover. The provision for fluctuation of risks is only necessary when the Foundation waives any reinsurance cover or when it concludes a partial reinsurance contract (stop loss for example).
3. Taking into account the congruent reinsurance of the disability and death risks of the active insured in force since January 1st, 2015, a provision for fluctuation of risks is constituted to cover costs not covered by the reinsurance, such as possible costs relating to incapacity to earn arising before January 1st, 2015.

IX. SPECIAL TECHNICAL PROVISION OF AFFILIATES

The special technical provision of affiliates is intended to finance special benefits offered by the pension plans of certain pension funds (for example AVS-bridge pensions) and it is constituted in function of the financing put in place for these benefits.

X. AFFILIATES' DISPOSABLE FUNDS TO BE ALLOCATED

1. The account of affiliates' disposable funds to be allocated is intended for the accounting of the disposable funds attributed to the different affiliation agreements managed by the Foundation but not yet allocated. The Foundation holds separate accounts of the disposable funds already attributed to each agreement and not yet allocated. The total of the amounts posted corresponds to the total amount of members' disposable funds still to be allocated.
2. When an affiliate decides to allocate disposable funds that are due to its insured,

the corresponding amount is deducted on the account of disposable funds relating to the agreement. Allocation of these disposable funds can only be made in favour of the active insured or pension recipients.

3. When the account of the disposable funds of an affiliate reaches or exceeds 2% of its pension capital of the active insured and pension recipients, the Foundation imposes an allocation of these funds to the extent of at least half.

XI. ENTRY INTO FORCE

The present regulations enter into force on January 16, 2024 for the closure at December 31, 2023, and replace those of January 25, 2021.

The regulations are brought to the attention of the surveillance authority, the auditing body and the accredited expert.

On behalf of the Board of Trustees

Claude Roch	Kathlen Overeem
The Chairman	The Vice-Chairman

Geneva, January 16, 2024