

Long-term security and stability in focus

In order to guarantee a stable 2nd Pillar capable of offering financial security and generous and fair benefits to all of its insured persons, some reforms will be necessary. The stalling of the "Retirement Pension" political reform process has led to the co-financing of retirement pensions by active insured persons for the benefit of future pensioners. This inter-generational solidarity, which is present in the 1st Pillar (AVS-AI), is not desirable in the 2nd Pillar.

Inter-generational redistribution is no longer defensible in the long term as it favours a small number of insured persons (the future pensioners) at the expense of Copré's other beneficiaries.

In order to guarantee that Copré's benefits are properly balanced, we have decided to continue adjusting the conversion rates.

From 2024 onwards, the conversion rate for the legal retirement age will decrease by 0.2 points per year until 2026.

We are aware that changes to the pension system always raise important questions. We have listed below the most frequently asked questions and their answers. If you still have questions, we are always here to help.

1. What is a conversion rate?

Retirement benefits can be received as a lump sum, an annuity, or a combination of the two.

A lump sum has the advantage of benefiting from reduced tax rates when it is paid by the Foundation. In the event of the death of the retired person, the capital withdrawn at retirement forms part of their estate.

An annuity, on the other hand, has the advantage of being paid lifelong, but has the disadvantage of being subject to income tax. Furthermore, in the event that the retired person dies, only the spouses/partners and children who are entitled to a pension are entitled to benefits (widower's or widow's pension equal to 60% of the retirement pension, orphan's pension equal to 20% of the retirement pension).

If an insured person chooses to receive an annuity, the amount paid over their lifetime will depend on the available retirement savings, multiplied by the current conversion rate. Retirement assets comprise the savings contributions that each insured person has put aside during their professional career with their employer (generally from the age of 25 to 64 or 65), to which interest is added annually to the Foundation.

Example: retirement assets of CHF 500,000 will give an annual pension of CHF 28,000 in 2026, with a conversion rate of 5.6% ($500,000 \times 5.6\% = 28,000$) for men and CHF 29'000, with a conversion rate of 5.8% for women.

In other words, retirement assets are converted into the lifetime retirement pension (for life) using the conversion rate (CR).

2. How does Copré adjust its conversion rate?

Copré's conversion rate for retirement at the legal retirement age (64 for women and 65 for men) will decrease by 0.2 points per year from 1 January 2024 and will reach 5.6% and 5.8% in 2026 for men and women respectively.

The retirement assets available for lump sum withdrawal remain the same.

Early retirement is calculated with a reduction of 0.20% per year.

Homme

Age	2021	2022	2023	2024	2025	2026
58	5.00%	4.90%	4.80%	4.60%	4.40%	4.20%
59	5.20%	5.10%	5.00%	4.80%	4.60%	4.40%
60	5.40%	5.30%	5.20%	5.00%	4.80%	4.60%
61	5.60%	5.50%	5.40%	5.20%	5.00%	4.80%
62	5.80%	5.70%	5.60%	5.40%	5.20%	5.00%
63	6.00%	5.90%	5.80%	5.60%	5.40%	5.20%
64	6.20%	6.10%	6.00%	5.80%	5.60%	5.40%
65	6.40%	6.30%	6.20%	6.00%	5.80%	5.60%
66	6.60%	6.50%	6.40%	6.20%	6.00%	5.80%
67	6.80%	6.70%	6.60%	6.40%	6.20%	6.00%
68	7.00%	6.90%	6.80%	6.60%	6.40%	6.20%
69	7.20%	7.10%	7.00%	6.80%	6.60%	6.40%
70	7.40%	7.30%	7.20%	7.00%	6.80%	6.60%

Femme

Age	2021	2022	2023	2024	2025	2026
58	5.20%	5.10%	5.00%	4.80%	4.60%	4.40%
59	5.40%	5.30%	5.20%	5.00%	4.80%	4.60%
60	5.60%	5.50%	5.40%	5.20%	5.00%	4.80%
61	5.80%	5.70%	5.60%	5.40%	5.20%	5.00%
62	6.00%	5.90%	5.80%	5.60%	5.40%	5.20%
63	6.20%	6.10%	6.00%	5.80%	5.60%	5.40%
64	6.40%	6.30%	6.20%	6.00%	5.80%	5.60%
65	6.60%	6.50%	6.40%	6.20%	6.00%	5.80%
66	6.80%	6.70%	6.60%	6.40%	6.20%	6.00%
67	7.00%	6.90%	6.80%	6.60%	6.40%	6.20%
68	7.20%	7.10%	7.00%	6.80%	6.60%	6.40%
69	7.40%	7.30%	7.20%	7.00%	6.80%	6.60%
70	7.60%	7.50%	7.40%	7.20%	7.00%	6.80%

Les taux de conversion susmentionnés sont les taux règlementaires.

Ceux-ci peuvent être différents et sont définis dans le plan de prévoyance.

The above-mentioned conversion rates are the regulatory rates.

These can be different and are defined in the pension plan.

3. Is the conversion rate lower than allowed by the law?

Copré's conversion rate is 'enveloping'. It is applied to all retirement assets (the mandatory portion + the extra-mandatory portion). In this case, we are talking about the regulatory conversion rate.

The conversion rate set by law (6.80%) applies only to the mandatory retirement assets, the minimum LPP (shadow/witness account).

In the current practice of an 'enveloping' conversion rate, Copré maintains a shadow account for each insured person, which guarantees the legal minimum pension.

Specifically, a comparison between the regulatory conversion rate and the legal conversion rate is established for each retirement pension calculation. The two pension levels are then compared. In all cases, the highest retirement pension is paid out (see calculation example).

The statutory minimum pension is therefore guaranteed in all cases.

Calculation example 1: male / retiring in 2025

Retirement assets amount to CHF 250,000 and consist of CHF 240,000 in mandatory retirement assets (minimum LPP, as per the shadow account) and CHF 10,000 in extra-mandatory retirement assets.

Regulatory retirement pension = Total retirement assets of CHF 250,000 x 5.8% = CHF 14,500.

Minimum LPP retirement pension = Mandatory retirement assets of CHF 240,000 x 6.8% = CHF 16,320.

In this example, the retirement pension which is actually paid out corresponds to the LPP minimum pension: CHF 16,320.

Calculation example 2: male / retiring in 2025

Retirement assets amount to CHF 500,000 and consist of CHF 250,000 in mandatory retirement assets (minimum LPP, as per the shadow account) and CHF 250,000 in extra-mandatory retirement assets.

Regulatory retirement pension = Total retirement assets of CHF 500,000 x 5.8% = CHF 29,000.

Minimum LPP retirement pension = Mandatory retirement assets of CHF 250,000 x 6.8% = CHF 17,000.

In this example, the retirement pension which is actually paid out corresponds to the LPP minimum pension: CHF 29,000.

4. Is my retirement pension affected by the lowering of the conversion rate?

Yes, with equivalent retirement assets, we estimate that there will be a pension difference of between 8% and 10% (comparison between a conversion rate of 6.2% in 2023 and a conversion rate of 5.6% in 2026).

The exact answer to this question will depend on the individual assets as several factors are involved in the calculation, i.e. the ratio between mandatory and extra-mandatory retirement assets, the year of retirement, the interest rates applied by Copré and the pensions that we compare.

Our web portal for insured persons may help you make simulations that will answer most of your questions.

Our account managers will also be happy to assist with any queries you may have.

5. Can I personally increase my retirement pension?

Yes, you can increase your retirement benefits (capital and annuities) by making additional contributions.

Buy-ins: Your buy-in potential is indicated on the back of the insurance certificate you receive from Copré each year.

If this is the case, we invite you to contact your account manager to determine if you meet the conditions to proceed with a buy-in. If you do, a buy-in will increase your personal retirement assets, which will subsequently increase your retirement pension. Buy-ins made within the legal framework are also tax-exempt and can be deducted from your income.

Pension plans with bespoke savings plans: modern pension plans now offer up to three different savings plans. Find out from your employer whether your current pension plan provides these contributions scales. If it does, you can switch to one of the higher savings plans to increase your personal monthly savings contributions.

6. Are existing retirement pensions affected?

No, beneficiaries of existing retirement pensions will not see any reductions.

The annuities of future pensioners will be reduced and the Board of Trustees is aware that insured persons who are close to retirement age will be the most affected by the adjustment in the conversion rate. It is for this reason that the Board of Trustees has decided to announce the new measures (which will become applicable in two years time) as soon as possible, and has opted for a gradual reduction. The effects will be staggered until 2026. We are convinced that we have adequately cushioned the drop in retirement pensions with a transitional solution that is acceptable to all, without neglecting the long-term objective of providing security for Copré.

7. Who benefits from the adjustment of the conversion rate?

This adjustment benefits the Foundation and therefore all of its insured persons, including yourself.

The adjustment of conversion rates is necessary for two reasons: fortunately, life expectancy is still on the rise, and the prospects for returns in the financial markets remain limited.

The difference between the retirement assets (the amount actually saved by the insured person) and the value of annuity promised (amount needed to finance the annuity) currently stands at 20%. With the arrival of the baby boom generation, the number of insured persons benefiting from this difference will further increase the losses for the Foundation.

In this context, the conversion rates currently applied by Copré are too high if we want to avoid significant inter-generational funding. A conversion rate too high benefits a small proportion of insured persons at the expense of the other active insured persons. With the conversion rates that we are proposing to apply from 2026 onwards, the loss incurred on each retirement will be halved. The security of the Foundation will therefore be strengthened. This adaptation will provide a more equitable allocation of the Foundation's profits from yields on its investments. This distribution will involve an increase in the portion of returns on investments dedicated to remunerative interest credited to the retirement assets of all active insured persons.

The adaptation therefore benefits all of the Foundation's active insured persons.

Copré intends to continue offering all its insured persons a secure and attractive pension fund capable of providing a high level of benefits.