PKE
CPE

exclusive

PKE Energy Pension Foundation | December 2024

Decisions made by our Foundation Board

PKE will apply an interest rate of 2% to insured members' retirement savings assets in 2025. The Foundation Board will reach a decision on potential additional interest in January 2025.

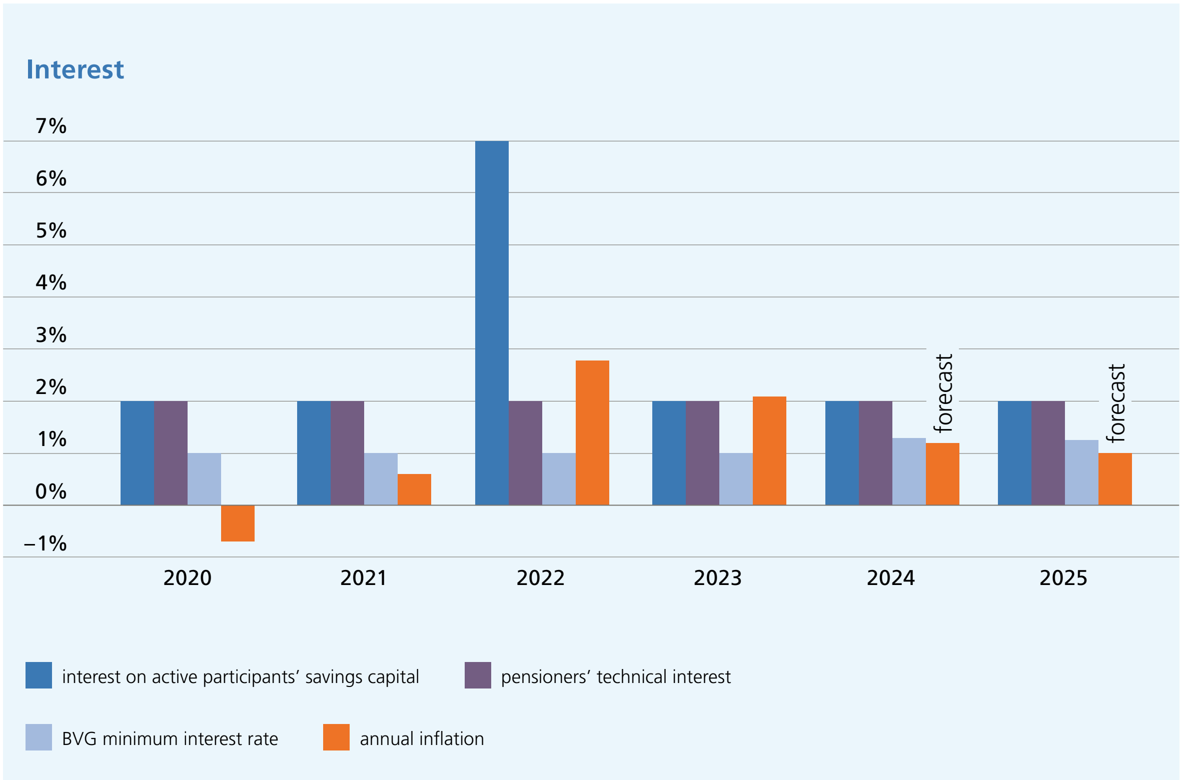
2025 interest

The interest applied to retirement savings assets is an important part of occupational pension provision. Interest and compound interest on your assets act as a "third contributor", ensuring you have more capital to fund your retirement benefits when you retire than you have paid in along with your employer.

At the end of November, the Foundation Board defines the interest rate to be applied to pension fund assets for the following year. The goal is to keep interest rates as steady as possible, defining these independently of the coverage ratio, so that all active participants receive equal treatment over the years.

For 2025, the Foundation Board has decided to apply an interest rate of 2% to retirement savings assets, as was the case the previous year. As ever, this applies to all assets, including "Saving 60" early retirement savings accounts and assets in supplementary pension plans (shift allowance and bonus pension plans). This means that PKE's interest rate will be higher than the minimum pension interest rate stipulated by the government of 1.25% again in 2025.

At the end of January 2025, the Foundation Board will decide whether PKE will issue additional interest in 2025 thanks to the good return and the good coverage ratio, as was previously done in 2022.



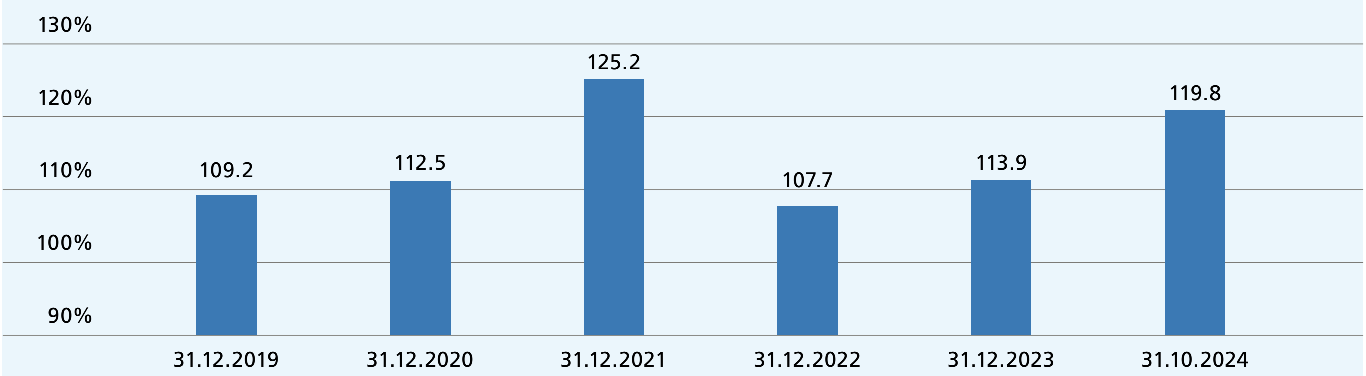
Potential pension adjustments

Two-part pensions

For those who have retired since 2014, retirement pensions and the resulting spouse's or partner's pensions have been split into a basic pension and a supplementary pension. 90% of the pension is guaranteed and always paid out (basic pension). The remaining part (supplementary pension) is variable and dependent on PKE's coverage ratio.

The target pension corresponds to 100%, which is paid out when the coverage ratio is between 100% and 119.9%. If PKE's finances are healthy and if the coverage ratio is higher, your pension is increased by up to 10% of the target pension. If the coverage ratio is lower than 100%, your pension is reduced to no lower than 90% of the target pension. Since the introduction of two-part pensions, the payment target of 100% has been met every year and, in 2022/2023, even exceeded. If the coverage ratio is over 120% as at the end of the year, two-part pensions can be increased by 5% for one year as of 1 April 2025. We will inform those whose pensions are affected in February 2025.

Collective pension fund coverage ratio



Other pensions

If you retired before January 2014, your pension is not split into a basic and a supplementary pension. Your retirement pension is not adjusted according to the height of PKE's coverage ratio as is a two-part pension. This also applies if you receive a spouse's or partner's pension based on a retirement pension predating that point.

Unfortunately, fixed pensions cannot be adjusted, which holds true in 2025. Any existing non-committed funds must first be used to balance out pensions from 2014 onwards and of active participants. These two groups of beneficiaries continue to be at a disadvantage today considering criteria such as inflation, the conversation rate, interest and restructuring capacity in comparison with pensioners on fixed pensions. When compared in this way, they have been receiving lower benefits. Any non-committed funds may only be allocated to fixed pensions when there are enough to balance out these inequalities.

Farewell after over ten years

After over ten years on the Foundation Board, of which seven as President, having been elected President of the Association of Swiss Electricity Companies (VSE), Martin Schwab has decided to step down from the Foundation Board as of the end of 2024.

On 19 September 2013, Martin Schwab was voted into PKE's Foundation Board. That same day, the members of the Foundation Board elected him to be their President.

Over the subsequent years, the challenging task fell to him to lead PKE through a long and difficult period of falling interest rates. Under his leadership, two major packages of measures were implemented, following which the conversion rate had to be lowered from 6.25% to 5.0% and the technical interest rate from 4.0% to 1.75%. These measures were not easy, but it is thanks to these steps that PKE was and remains healthy and stable, safeguarding pension provision for 29 000 insured members.

Under Martin Schwab's stewardship, the PKE foundation was also able to provide almost all of the companies from the then PKE Energy Pension Fund Cooperative with new, secure pension provision. During his time as President, the PKE foundation's pension assets increased from CHF 3.6 billion to CHF 9.8 billion, and the number of insured members rose from 12 600 to over 29 000, more than doubling.

Martin Schwab leaves PKE as a President with great foresight and excellent leadership skills, having proven himself during crises and always afforded PKE's best interests the highest priority. On behalf of the insured members and all of the employees at the PKE office, the Foundation Board would like to take this opportunity to thank him for his dedication and leadership.

Further change to the Foundation Board
As of 31 January 2025, Yannick Hanselmann will also be stepping down from the Foundation Board. He was voted into the Foundation Board in autumn 2022 as EKZ's employer representative. His seat on the board will remain vacant until ordinary elections take place in September 2025.

Interview with Martin Schwab

Talking to Ronald Schnurrenberger, Chief Executive Officer at PKE, Martin Schwab looks back on pivotal moments, highlights the special relationship of trust among Foundation Board members and explains why he, personally, intends to opt for a pension.

Ronald Schnurrenberger:
Martin, looking back on your time as President, what was the greatest challenge for you?

Martin Schwab: The integration of the PKE cooperative into the PKE Energy Pension Foundation, which was successfully completed in 2018, was certainly the most major task. The situation at the time was very tense, with important decisions being blocked by minorities. Along with the Board of Directors, we then decided in favour of integration into the foundation. Not least, we have Daniele Lotti, the last President of the cooperative, to thank for this having gone so well. Thankfully, we were spared any significant turbulence on the financial markets during this time.

It seems collaboration on the Foundation Board is very good. How would you describe it?
It really is something special. We have a remarkably good relationship of trust – one I will most certainly miss. What impressed me time and again is that, more often than not, you could barely tell who was representing

> "I will miss actively contributing to PKE."

the employers and who was there on behalf of employees. Everyone was working towards the same goal. As employers, we know: A good pension fund forms a key part of our attractiveness. And employee representatives appreciate that PKE really is an excellent pension fund providing very good benefits.

If you had your time again, would you agree to take on the role of President of the Foundation Board?

Definitely! It was a good period of time, and we were able to make several decisions on the Board that paved the way for PKE to become the exceedingly stable pension fund that it is today. Now is the correct point in time for me to step down from the Foundation Board. Given my new role as President of the Association of Swiss Electricity Companies (VSE), it would be difficult to find the time. It also would not be appropriate to preside over two major organisations in the Swiss energy sector.

What advice would you give to your successor?

My successor has no need for any advice from me. I am certain that he will do outstanding work as President of the Foundation Board. But if you would like me to share my most insightful experiences from my time in the role: A President of a Foundation Board is not a CEO in corporate management. In this sense, there is no power to give orders. The art lies in allowing for different opinions without attempting to "lead" the Foundation Board. You have to have a real sense for when you can let the discussion run free and when it needs to conclude in a result. At the end of the day, all members of the Foundation Board should feel comfortable with the decisions made and be able to get on board with them, even if, on occasion, one might have made a different choice alone.

As President of the Foundation Board, Martin Schwab shaped a period of significant change at PKE, including the successful integration of the PKE cooperative into the PKE Energy Pension Foundation.

Where do you see potential for PKE to develop?

We have to protect our reputation as an exemplary pension fund. This includes having a solid financial basis, and PKE is on a very solid footing in this regard, of course. But many factors in our environment are evolving. So I believe that we will have to make some serious efforts, in conjunction with our members, to remain agile as a pension fund and open to new developments. The needs of our younger insured members differ from those of the generation that came before them. We have to respond to this in the right ways.

You are a stalwart defender of the Swiss pension system...

Absolutely. The three-pillar model works wonderfully. Although: only if all three pillars are balanced. In the capital cover system, the capital an individual has saved has to suffice for the payment of benefits. The efforts we witness time and again to redistribute capital from young to old – letting young people foot the bill for pensioners' pensions – is something I fundamentally disagree with. Unfortunately, it has not yet been possible to secure the required political majorities for a sensible BVG revision. I hope this can be achieved soon.

To close on a more personal note: when you retire yourself, will you be drawing a pension or will you have your savings capital paid out?

To me, that is clear: I will be drawing a pension. Of course, the key question is how long you want to live after retirement. If you withdraw the capital, perhaps you might even be able to increase your standard of living when you retire. But if you use up the capital too early in life, things get very, very difficult. Anyone who is working on the assumption that they have many good years ahead when they retire would be well advised to opt for a pension. And I hope that will be the case for me. And those unfortunate enough to pass away shortly after retirement all the same are no longer around to regret their decision.

Take charge of your retirement planning:
www.online.pke.ch

Partial retirement: leaving the workplace gradually

Those who retire early accrue less retirement savings capital and thus receive a significantly lower pension. Those who leave the workplace gradually, however, can continue to build their retirement savings capital until they retire definitively thanks to their remaining part-time employment.

Would you like to reduce your hours gradually rather than retiring in one fell swoop? In agreement with your employer, you can gradually reduce your level of employment from the age of 58 and receive part of your PKE benefits in advance. You can also pursue partial retirement if your salary is reduced, for example if you hand over leadership responsibilities but your level of employment remains the same.

The most important points at a glance:

- You can partially retire from the age of 58 until one month before your 65th birthday.
- You may do so in a maximum of three steps, whereby the third step is full retirement.
- The first partial retirement step may be taken when your salary drops by at least 20%. For the following partial retirement steps, the salary reduction may be less significant.
- Please note that your part-time salary must always be above the entry threshold for you to remain insured by PKE. Ordinarily, the threshold is CHF 22 680.
- For each partial retirement step, you can choose whether to receive the respective proportion of your retirement benefits as a pension or lump sum. A combination of the two is also possible.
- If you choose to partially retire, your retirement benefits will be lower than if you were to retire at 65 as usual. Risk benefits will also be reduced on account of the salary reduction.
- Of course, you can also reduce your level of employment without withdrawing any benefits from PKE.

Advantages of partial retirement

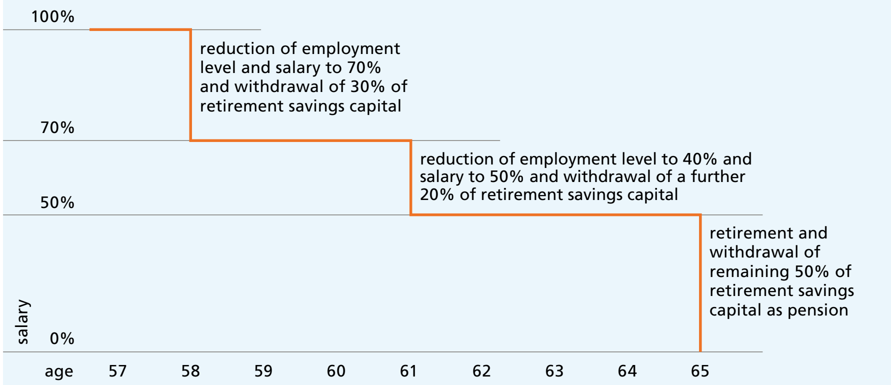
Not only can partial retirement facilitate a smooth transition from working life to retirement, but it can also provide tax advantages. This applies in particular when the retirement benefit is withdrawn in part or entirely as a lump sum. Contrary to early retirement, partial retirement does not require any additional AHV contributions. The duty to make AHV contributions is usually met thanks to the contributions from your part-time income.

PKE adapted the provisions on partial retirement in its Pension Regulations on the basis of the "AHV 21" reform as of 1 January 2024 (see Article 12). What is new is that the reduction is no longer measured as a percentage of the employment level, but as a percentage of the salary. The previous approach differed from the current provisions in that it was possible to retire in five steps rather than three, but each step was required to constitute a reduction of at least 20% of the full employment level. Withdrawing a lump sum was only possible for one of the partial retirement steps as well as for the last step (full retirement).

How to prepare for partial retirement

If you are considering partial retirement, it is important to gain clarity on the exact repercussions in advance. You can simulate your partial retirement to learn more about your potential contributions and benefits using the pension calculator (under "Simulation") at www.online.pke.ch. If you are planning to withdraw several lump sums over the course of your gradual retirement, please clarify the tax implications with your local tax authorities directly. Many thanks.

Example: retiring in three steps



BVG reform rejected

On 22 September 2024, the Swiss population rejected the reform of the Swiss Federal Law on Occupational Pension Schemes and the relevant Old-Age, Survivors' and Invalidity Benefits (BVG). What does this mean for insured members?

Reasons why the BVG reform fell short

The exact reasons for the rejection are yet to be investigated. For the moment, what we can say is that the reform was probably too complex to resonate with a broad audience. The envisaged pension supplements being allocated in a scattergun approach may also have been a reason. There would have been better solutions for the pension supplements, but parliament went with an option that was not overly target-oriented. We certainly hope the misleading and factually incorrect mantras of the trade unions did not hold too much sway over the result of the popular vote.

Consequences for insured members

Irrespective of the reasons for the rejection of the reform, most insured persons will not be affected by the outcome. They are insured by pension funds like PKE that did their homework a long while back and adjusted pensions to the lower interest rates and higher life expectancy. Pensions at funds like ours are financed sustainably. This means that young people are not paying for today's pensioners, but instead they will later receive what they have saved along with their employers.

It is a different story for pension funds that are more closely aligned with the minimum BVG requirement. Unfortunately, they were not able to implement these measures as the legally required conversion rate was too high. In those cases, young people continue to subsidise current pensions – at least to a degree.

Missed opportunity

Unfortunately, with the reform being rejected, an opportunity has been missed to provide part-time workers and employees on lower salaries with better coverage. As these insured members are employees who would have been particularly reliant upon the support of the trade unions, it is all the more surprising that the trade unions so steadfastly fought against the BVG reform.

Looking to the future

It is doubtful another attempt to reform the BVG will be undertaken in the near future. Presumably, the goals of the individual interest groups and parties lie too far apart. As long as the trade unions, in particular, wish to further expand the AHV, which is based on redistribution, and wish to do so by weakening the second pillar, which is based on saving mechanisms, it is unlikely we will see a compromise.

This will be of little consequence to the lion's share of insured members. They are insured by sustainably financed, healthy pension funds. Your future pension is safeguarded, and you are not paying for current pensions. The BVG system – in contrast to the AHV – remains a strong pillar of pension provision even after the rejection of the reform. This is thanks to the professional, forward-thinking and sustainable leadership at pension funds in Switzerland.

PKE Energy Pension Foundation

Freigutstrasse 16
8027 Zurich
www.pke.ch

Phone 044 287 92 88
contact@pke.ch