

Insuree Update No. 40

24 June 2016

Dear insuree,

At its meeting on 20 June 2016, the Board of Trustees approved the conversion factors to be applied from 1 January 2018. In Insuree Update No. 39 dated 25 May 2016, we announced that the 72nd meeting of the Board of Trustees on 20 June 2016 would define the new conversion factors, which would then be widely publicised. This Insuree Update and the scheduled information events meet that commitment.

The key points in brief

- New conversion factors applicable from 1 January 2018
- Cushioning measures for individuals born in or before 1960
- Special rules for beneficiaries with nightwork credits or shift-based leave
- Other regulatory changes
- Simulation calculator

New conversion factors applicable from 1 January 2018

In a majority vote at the meeting on 20 June 2016, the Board of Trustees agreed to reduce the actuarial interest rate to 2.50% and adjust the conversion factors for old-age pensions accordingly with effect from 1 January 2018. The findings of the **Asset-Liability-Management** study (**ALM**) revealed that the agreed measures are essential for the long-term stability of Personalvorsorge Swissport / PVS and to guarantee our benefit commitments.

Insurees retiring on or after 1 December 2017 and receiving their first old-age pension on or after 1 January 2018 will be subject to the new conversion factors specified in Appendix I. The conversion factors are based on the BVG 2015 actuarial tables and an actuarial interest rate of 2.50%.

Where the new conversion factors are applied to an insuree with

- a) a spouse or long-term partner who is also insured to the value of 70% of the old-age pension, the old-age pension on retirement at 63 will be reduced by 6.8%.
- b) no insured spouse or long-term partner, the old-age pension on retirement at 63 will be reduced by 6.5%.

In order to benefit from the current conversion rates, an insuree must retire no later than 30 November 2017 with a pension start date of 1 December 2017 at the latest.

The Board of Trustees is aware that the decision taken on 20 June 2016 will have significant repercussions for many beneficiaries. The Board has therefore agreed the following cushioning measures:

▪ **Beneficiaries due to retire in the near future**

A transition period of 18 months will apply to beneficiaries who are due to retire in the near future. During the transition period, beneficiaries will still be able to retire under the old conditions.

- **Cushioning measures for individuals born in 1960, 1959, 1958, 1957, 1956 or 1955**

The transitional arrangements set out in Appendix I of the Pension Scheme Regulations will determine the conversion factors applied from 1 January 2018 to individuals born in 1960 or before.

In the case of conversion factors applied where

- a) a spouse or long-term partner is also insured to the value of 70% of the old-age pension, the old-age pension on retirement at 63 will be reduced by 4.5%.
- b) no spouse or long-term partner is insured, the old-age pension on retirement at 63 will be reduced by 4.3%.

These rules should cushion the medium-term impact of the reduction for this age group.

- **Special provision for beneficiaries with nightwork credits or shift-based leave**

The existing conversion factors will still apply to all employees with nightwork credits after 1 December 2017, provided that the corresponding irrevocable agreement on retirement with nightwork credits is agreed in writing by 30 November 2017 and that the employee begins taking the relevant nightwork credits no later than 1 December 2017.

The Board of Trustees has introduced these measures with a view to reducing the impact on older beneficiaries.

All insurees, but particularly younger insurees, also have the option of taking action to offset the reduction in their old-age pension. For example, transferring to the Standard Plus pension plan will increase the savings rate, thereby increasing the savings capital that will be converted into a pension at the conversion rate. The next opportunity for moving to the Standard Plus pension plan is on 1 January 2017.

Other regulatory changes

We hereby give notice that, in addition to revising the conversion factors and amending Appendix I of the Pension Scheme Regulations accordingly, the Board of Trustees has made two further changes:

- **Rules for reducing pensions payable to spouses and long-term partners**

Under the changes, if a spouse or long-term partner is more than ten years younger than the insuree, the pension will be reduced by 5% for every year or part-year difference in excess of ten years. However, the pension payable to the spouse or long-term partner will be a minimum of 50% of the insured pension before the reduction.

- **Disability pension insurance**

The disability pension payable is determined using the conversion factors.

Under the existing Pension Scheme Regulations, the disability pension must amount to the future old-age pension, based on the projected savings capital at retirement age, which is calculated using the conversion factors contained in the Regulations at a rate of 6.1.

The applicable minimum interest rate pursuant to the BVG is applied as the actuarial interest rate to calculate the future savings capital available on retirement at 63. The projection is based on the Standard pension plan.

Personalvorsorge Swissport | Prévoyance professionnelle Swissport

A full invalidity pension comprises

- a) at least the pension calculated based on the savings capital available on the pension start date and the conversion factors contained in Appendix I of the Pension Scheme Regulations
- b) and at most the projected old-age pension at 63 calculated using the actuarial interest rate.

The Board of Trustees also revised the applicable conversion factor from 6.1 to 5.7. Disability pensions will therefore be reduced by 6.6%.

▪ Buying in benefits

Reducing the actuarial interest rate has also resulted in changes to the table for buying in benefits. The table can be found in Appendix II of the Pension Scheme Regulations. A copy of the table is enclosed with this Update.

Entry into force of the changes

These changes require amendments to be made to Article 14.5 and Appendix I of the Pension Scheme Regulations dated 13 November 2015. We have enclosed details of the amended Regulations. The Board of Trustees has approved the amendments, which will take effect from 1 September 2016.

The new Pension Scheme Regulations will be published on our website on 1 September 2016 (www.pv-swissport.ch/en) under Publications => Regulations.

Simulation calculator

The new conversion factors will also be incorporated into the simulation calculator with effect from 1 September 2016. After that date, you will be able to use the simulation calculator to calculate how the new conversion factors will affect your old-age, disability and survivors' benefits.

All statements of benefits and simulations produced on or before 31 August 2016 will be based on the current Pension Scheme Regulations. The lower conversion rates and reduced old-age benefits will only be shown in statements of benefits produced on or after 1 September 2016.

Information events

Last but not least, we would like to remind you of the information events announced in Insuree Update No. 39 on 25 May 2016. The contents of the presentations will be published on our website at the same time (www.pv-swissport.ch/en) under Publications => Information events.

With best regards,

For the PVS Board of Trustees



Peter Graf
President of the Board of Trustees



Elisabeth Müller
Managing Director

Enclosure 1: New Appendix I of the Pension Scheme Regulations
Enclosure 2: New Article 14.5
Enclosure 3: Sample calculations

Enclosure 1 to Insuree Update No. 40

Appendix I (to the Pension Scheme Regulations)

Conversion factors

Calculating old-age pension

The conversion factor is used to calculate the old-age pension as a percentage of the savings capital.

Pension entitlement of spouse or long-term partner

The conversion factors used to calculate the pension entitlement for a spouse or long-term partner are applied to an entitlement of 70% of the old-age pension.

If the spouse or long-term partner is more than ten years younger than the insuree, the pension will be reduced by 5% for every year or part-year difference in excess of ten years. However, the pension payable to the spouse or long-term partner will be a minimum of 50% of the insured pension before the reduction.

Conversion factors applicable until 31 December 2017

Conversion factors applicable until 31 December 2017

| Age of insuree | Pension entitlement of spouse/long-term partner | No pension entitlement for spouse/long-term partner |
|----------------|---|---|
| 58 | 5.01 | 5.57 |
| 59 | 5.10 | 5.70 |
| 60 | 5.21 | 5.84 |
| 61 | 5.32 | 5.99 |
| 62 | 5.44 | 6.15 |
| 63 | 5.56 | 6.32 |
| 64 | 5.70 | 6.50 |
| 65 | 5.84 | 6.69 |

This table is based on the BVG 2010 actuarial tables and an actuarial interest rate of 3.0%.

New conversion factors applicable from 1 January 2018

New conversion factors applicable from 1 January 2018

| Age of insuree | Pension entitlement of spouse / long-term partner | No pension entitlement for spouse / long-term partner |
|----------------|---|---|
| 58 | 4.64 | 5.18 |
| 59 | 4.73 | 5.31 |
| 60 | 4.84 | 5.45 |
| 61 | 4.94 | 5.59 |
| 62 | 5.06 | 5.75 |
| 63 | 5.18 | 5.91 |
| 64 | 5.32 | 6.08 |
| 65 | 5.46 | 6.27 |

This table is based on the BVG 2015 actuarial tables and an actuarial interest rate of 2.5%.

Transitional measures (Cushioning measures), applicable from 1 January 2018

Transitional measures (Cushioning measures), applicable from 1 January 2018

The following conversion factors apply to anyone born in or before 1960:

| Age of insuree | Pension entitlement of spouse / long-term partner | No pension entitlement for spouse / long-term partner |
|----------------|---|---|
| 58 | 4.76 | 5.31 |
| 59 | 4.85 | 5.44 |
| 60 | 4.96 | 5.58 |
| 61 | 5.07 | 5.72 |
| 62 | 5.19 | 5.88 |
| 63 | 5.31 | 6.05 |
| 64 | 5.44 | 6.22 |
| 65 | 5.58 | 6.41 |

Transitional rules for insurees with nightwork credits

The existing conversion factors will still apply to all employees with nightwork credits after 1 December 2017, provided that the corresponding irrevocable agreement on retirement with nightwork credits is agreed in writing by 30 November 2017 and that the employee begins taking the relevant nightwork credits no later than 1 December 2017.

Enclosure 2 to Insuree Update No. 40

Amount 14.5 The minimum interest rate specified in Article 12 of BVV2 will be applied as the actuarial interest rate used to determine the projected savings capital and calculate the disability pension. The projections are based on the Standard pension plan up to the insuree's 63rd birthday and are calculated using a conversion factor of 5.7%. A full disability pension corresponds to at least the pension calculated based on the available savings capital as at the pension start date and the conversion factors in Appendix I of the Pension Scheme Regulations, up to a maximum of the projected old-age pension at 63 calculated using the actuarial interest rate.

Enclosure 3 to Insuree Update No. 40

Sample calculations

| | Example 1 | | | Example 2 | | | Example 3 | | |
|-----------------------------------|-----------------------|-----------------------|----------------------------|-----------------------|-----------------------|----------------------------|-----------------------|-----------------------|----------------------------|
| Calculation date | 01/01/2016 | | | 01/01/2016 | | | 01/01/2016 | | |
| Date of birth | 15/06/1965 | | | 15/06/1975 | | | 15/06/1985 | | |
| Pensionable earnings | 75,000 | | | 75,000 | | | 65,000 | | |
| Insured salary | 60,900 | | | 60,900 | | | 54,600 | | |
| Savings capital as at 1/1/2016 | 400,000 | | | 300,000 | | | 100,000 | | |
| Conversion factor | Old | New | New | Old | New | New | Old | New | New |
| Savings capital at retirement age | Standard pension plan | Standard pension plan | Standard Plus pension plan | Standard pension plan | Standard pension plan | Standard Plus pension plan | Standard pension plan | Standard pension plan | Standard Plus pension plan |
| 58 | 512,623 | 512,623 | 527,015 | 564,839 | 564,839 | 601,096 | 387,355 | 387,355 | 445,110 |
| 59 | 529,447 | 529,447 | 545,883 | 582,446 | 582,446 | 621,074 | 400,965 | 400,965 | 461,147 |
| 60 | 546,524 | 546,524 | 565,033 | 600,318 | 600,318 | 641,352 | 414,779 | 414,779 | 477,424 |
| 61 | 563,857 | 563,857 | 584,470 | 618,458 | 618,458 | 661,935 | 428,801 | 428,801 | 493,945 |
| 62 | 581,449 | 581,449 | 604,200 | 636,870 | 636,870 | 682,826 | 443,033 | 443,033 | 510,715 |
| 63 | 599,306 | 599,306 | 624,225 | 655,558 | 655,558 | 704,030 | 457,479 | 457,479 | 527,735 |
| Monthly old-age pension | Married | | | Married | | | Married | | |
| 58 | 2,140 | 1,982 | 2,038 | 2,358 | 2,184 | 2,324 | 1,617 | 1,498 | 1,721 |
| 59 | 2,250 | 2,087 | 2,152 | 2,475 | 2,296 | 2,448 | 1,704 | 1,580 | 1,818 |
| 60 | 2,373 | 2,204 | 2,279 | 2,606 | 2,421 | 2,587 | 1,801 | 1,673 | 1,926 |
| 61 | 2,500 | 2,321 | 2,406 | 2,742 | 2,546 | 2,725 | 1,901 | 1,765 | 2,033 |
| 62 | 2,636 | 2,452 | 2,548 | 2,887 | 2,685 | 2,879 | 2,008 | 1,868 | 2,154 |
| 63 | 2,777 | 2,587 | 2,695 | 3,037 | 2,830 | 3,039 | 2,120 | 1,975 | 2,278 |
| Monthly old-age pension | Single | | | Single | | | Single | | |
| 58 | 2,379 | 2,213 | 2,275 | 2,622 | 2,438 | 2,595 | 1,798 | 1,672 | 1,921 |
| 59 | 2,515 | 2,343 | 2,416 | 2,767 | 2,577 | 2,748 | 1,905 | 1,774 | 2,041 |
| 60 | 2,660 | 2,482 | 2,566 | 2,922 | 2,726 | 2,913 | 2,019 | 1,884 | 2,168 |
| 61 | 2,815 | 2,627 | 2,723 | 3,087 | 2,881 | 3,084 | 2,140 | 1,998 | 2,301 |
| 62 | 2,980 | 2,786 | 2,895 | 3,264 | 3,052 | 3,272 | 2,271 | 2,123 | 2,447 |
| 63 | 3,156 | 2,952 | 3,074 | 3,453 | 3,229 | 3,467 | 2,409 | 2,253 | 2,599 |