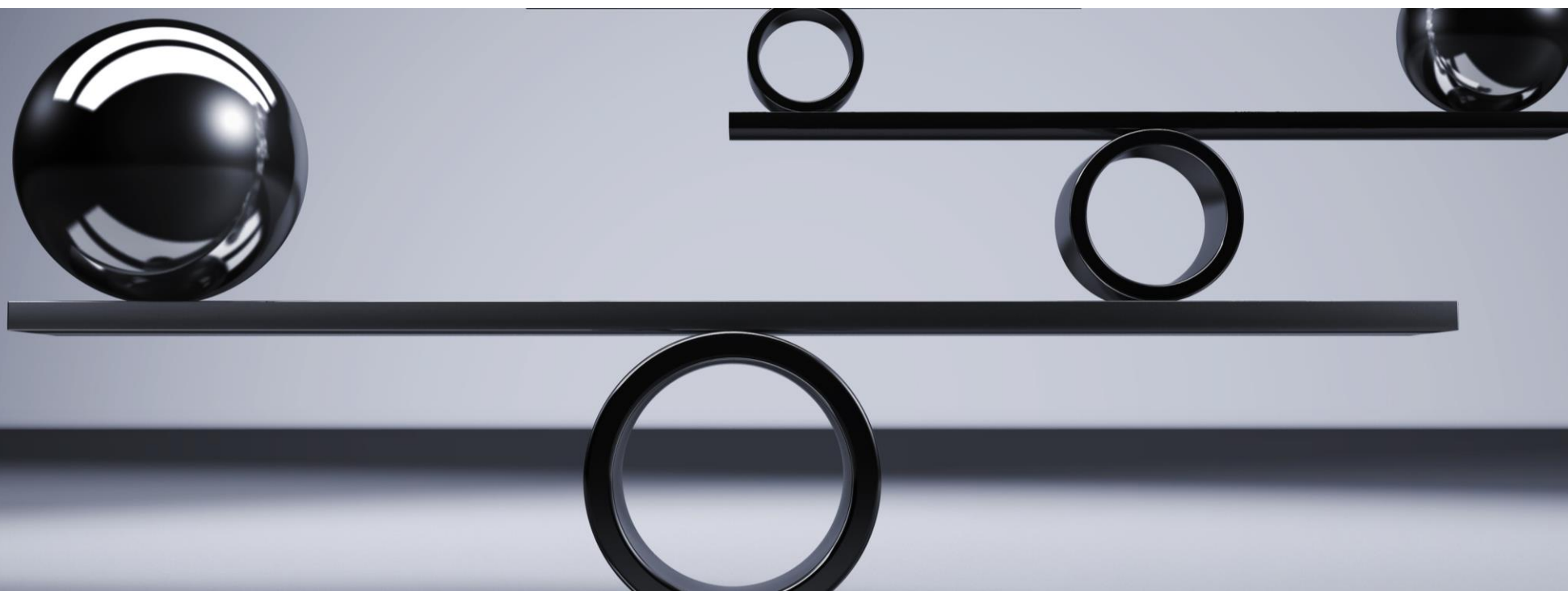


# PKL 2023

Changes to the pension plan from 01.01.2023

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October 2022 / Beni Stoffel, Head of Swiss Retirement Plans



- News about the Lonza Pension Fund / Challenges
- Plan changes for 2023
  - Definition of insured salary
  - Contribution funding
  - Saving / risk contributions
  - New plan design
- Reduction of conversion rate
- Compensation measures
- PKL website and Pension Cockpit
- Next steps
- Summary



# News about the Lonza Pension Fund

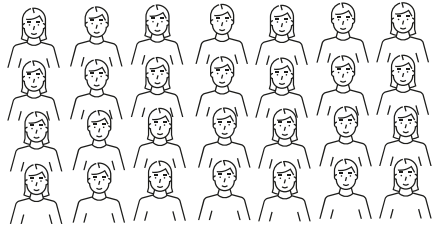
## Key figures

| Key figure   | 31.12.2010 | 31.12.2020 | 31.12.2021 | 08.2022 | Notes 08.2022       |
|--|------------|------------|------------|---------|---------------------|
| Number of active insured                               | 3'211      | 4'410      | 5'904      | 6'648   | incl. Arxada (~900) |
|  |            |            |            |         |                     |
| Retirement assets of active employees (in CHF million) | 536        | 794        | 881        | 914     | incl. Arxada        |
|  |            |            |            |         |                     |
| Number of pensioners                                   | 1'806      | 1'969      | 2'017      | 2'015   |                     |
|  |            |            |            |         |                     |
| Total assets (in CHF billion)                          | 0,808      | 1,661      | 1,912      |         |                     |
|  |            |            |            |         |                     |
| Coverage ratio (as a %)                                | 108.1      | 112.4      | 118.5      |         |                     |

# News about the Lonza Pension Fund

## General conditions & challenges

Pension plan is growing as the company grows



Arxada carve-out with partial liquidation as of 31.12.2022



Uncertainties on the financial markets – worst half-year in years



Insured population is becoming more international and younger – many new employees from abroad



Increasing life expectancy



**Responsibility of the board of trustees**  
to ensure the long-term financial security of the pension plan, taking all requirements into consideration



# News about the Lonza Pension Fund

## Initial situation

The existing pension plan has been in force since 2004 (adjustments 2016 and 2019)

The financing according to the pension plan regulations provides for defined percentages of the contributions for the insured employees

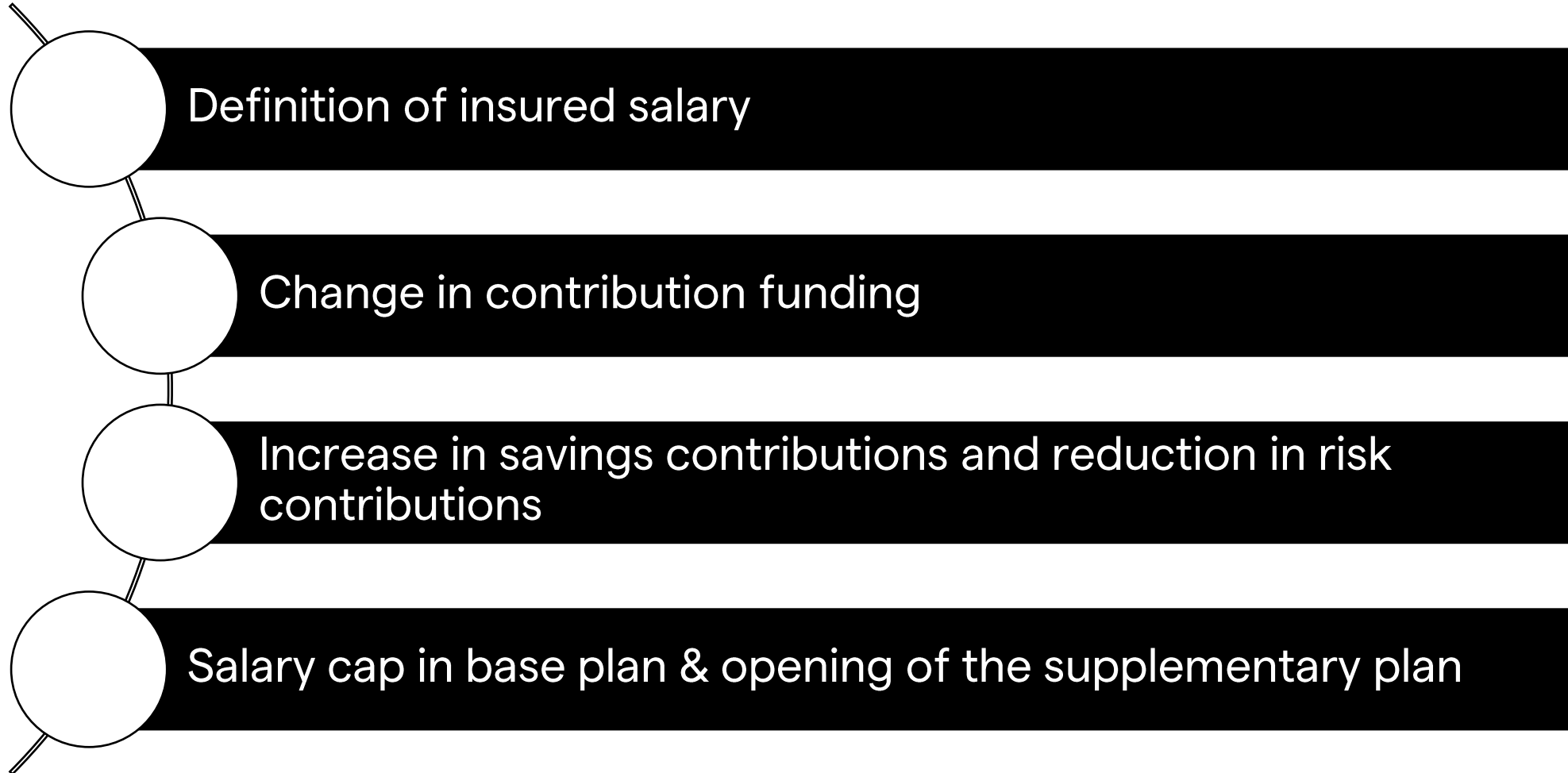
The employer's contributions correspond to 60% of the total costs (factor of 1.5)

External comparisons (benchmarks) show that individual elements of our pension plans need to be adjusted

Pension provision is becoming an increasingly important issue – in terms of recruitment, but also for each individual insured person

# Plan changes for 2023

Upcoming changes to the plan design as of 01.01.2023



# Plan changes for 2023

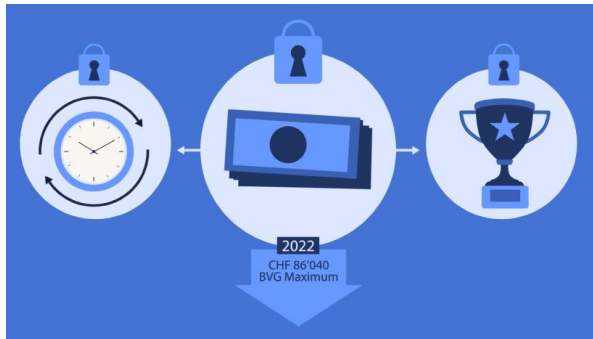
Video definition of insured salary & contribution funding



# Plan changes for 2023

## Definition of insured salary

### Today



- Base salary insured
- Shift allowances and bonus only insured if base salary is below the BVG max. (as at 2022: CHF 86,040)

### From 01.01.2023



- Base salary insured
- Average shift allowances as well as the target value of the bonus are fully included in the calculation of the insured salary



### Why this adjustment?



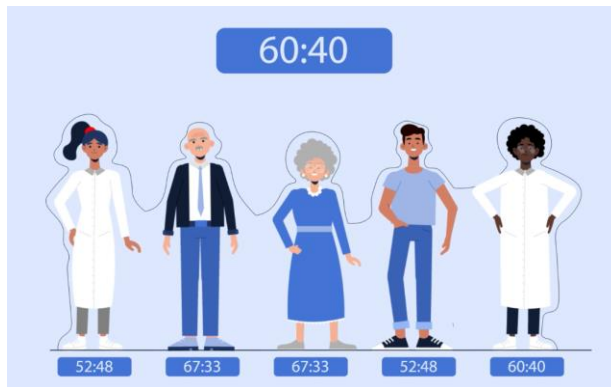
- Adaptation to the market
- Covering the needs of the insured
- Improving retirement provision & risk benefits
- Support for reducing the conversion rate



# Plan changes for 2023

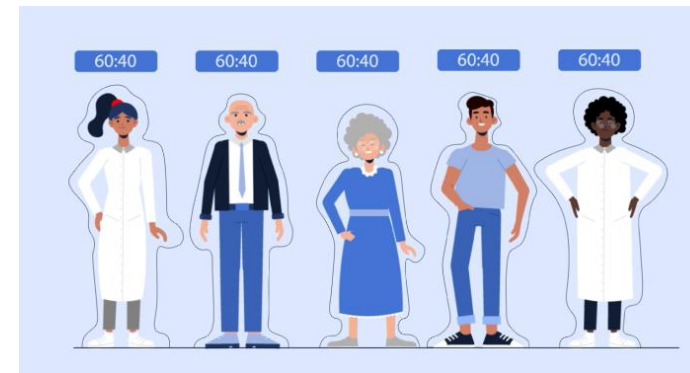
## Standard plan contribution funding

### Today



- 60:40 funding
- Not provided for each individual
- For younger insured, the employer pays less; for older insured, the employer pays more
- Voluntary plans possible

### From 01.01.2023



- 60:40 funding
- Provided for each individual insured
- Employee pays 40% of contributions, employer pays 60%
- Voluntary plans possible



### Why this adjustment?

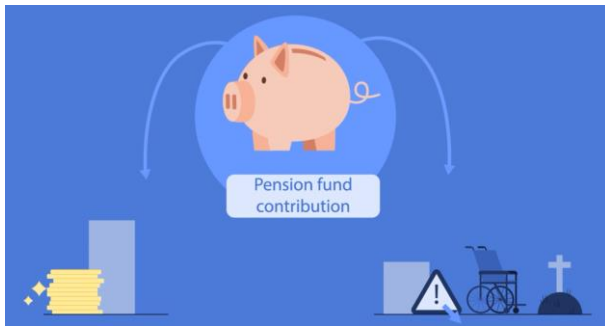


- Current plan from 2004
- Adaptation to the market
- Very large number of new young employees
- Careers are no longer the same as they used to be

# Plan changes for 2023

Increase in savings contributions and reduction in risk contributions

## Today



- A small part of the contribution is used for risk insurance
- The greater part of the contribution is credited to the savings of each insured person

## From 01.01.2023



- Due to the positive risk trend, the risk contribution decreases and the savings contribution increases in parallel
- Risk contribution decreases by 1.0%
- Savings contribution increases by 1.0%



## Why this adjustment?



- Positive risk trend – fewer cases than expected
- Employer and insured person pay the same percentage
- Improvement of the savings process for all insured people
- Support for reducing the conversion rate

# Plan changes for 2023

New contribution structure from 2023 (standard plan; voluntary plans still possible without changes)

## Employees

| Age     | Savings contribution<br>* | Risk contribution<br>** | Total contribution |
|---------|---------------------------|-------------------------|--------------------|
| 18 - 24 | 0.00%                     | 0.60%                   | <b>0.60%</b>       |
| 25 - 34 | 5.10%                     | 0.90%                   | <b>6.00%</b>       |
| 35 - 44 | 5.90%                     | 0.90%                   | <b>6.80%</b>       |
| 45 - 54 | 7.50%                     | 0.90%                   | <b>8.40%</b>       |
| 55 - 65 | 9.90%                     | 0.90%                   | <b>10.80%</b>      |
| 66 - 70 | 9.90%                     | 0.00%                   | <b>9.90%</b>       |

\* as a % of the insured savings salary

\*\* as a % of the insured risk salary

## Employer

| Age     | Savings contribution<br>* | Risk contribution<br>** | Total contribution |
|---------|---------------------------|-------------------------|--------------------|
| 18 - 24 | 0.00%                     | 0.90%                   | <b>0.90%</b>       |
| 25 - 34 | 7.65%                     | 1.35%                   | <b>9.00%</b>       |
| 35 - 44 | 8.85%                     | 1.35%                   | <b>10.20%</b>      |
| 45 - 54 | 11.25%                    | 1.35%                   | <b>12.60%</b>      |
| 55 - 65 | 14.85%                    | 1.35%                   | <b>16.20%</b>      |
| 66 - 70 | 14.85%                    | 0.00%                   | <b>14.85%</b>      |

\* as a % of the insured savings salary

\*\* as a % of the insured risk salary

**The employer therefore pays a factor of 1.5 for each insured person (60:40 ratio)**

# Plan changes for 2023

New plan design – salary cap in basic plan & opening of the supplementary plan

## Existing plan design

**Base plan** – insured salary up to the statutory maximum of CHF 882,000  
(10 x maximum BVG-insured salary)

**Supplementary plan** – global grade 17+ up to the statutory maximum of CHF 882,000

## Future concept

**Base plan** – insured salary  
**up to CHF 235K**  
(8 x maximum AHV pension)

**Supplementary plan\*** – up to the statutory maximum of CHF 882,000  
(**> CHF 235K**)

\*all employees who will be insured under the supplementary plan in the future will be invited to separate information sessions



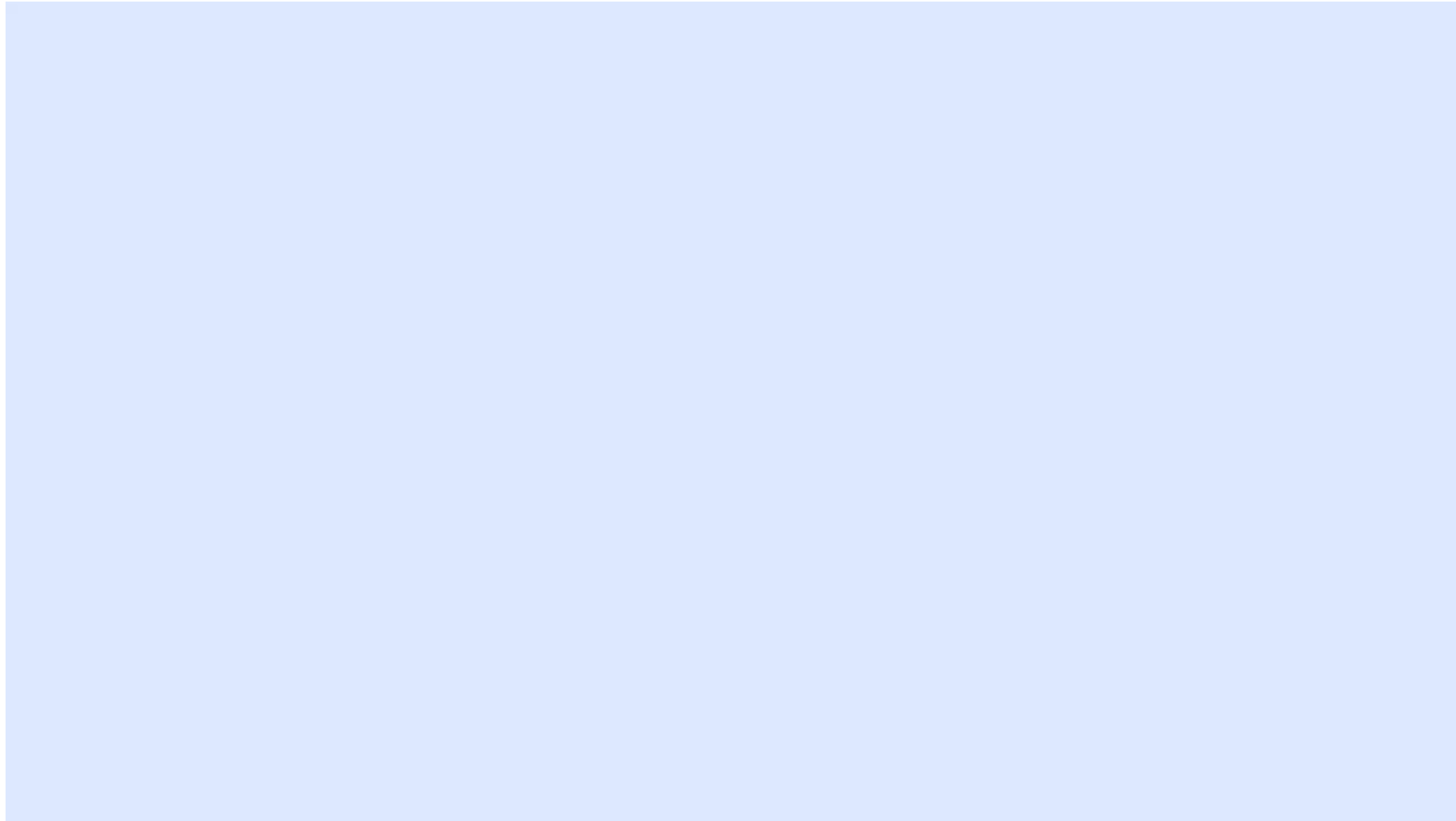
## Why this adjustment?



- Adaptation to the market
- Opening of the supplementary plan for the larger population

# Reduction of conversion rate from 5.4% to 5.0%

Conversion rate video



# Reduction of conversion rate from 5.4% to 5.0%

What is the conversion rate?



1

- Employees and employer pay contributions to the pension plan



2

- The pension fund invests the funds on the capital market and grants the insured employees interest on an annual basis



3

- Each insured person will then have an individual pension credit balance at retirement



4

- This pension credit is converted into a lifelong annuity pension at the conversion rate
- Example:  $\text{CHF } 800,000 \times 5.0\% = \text{CHF } 40,000$  pension per year

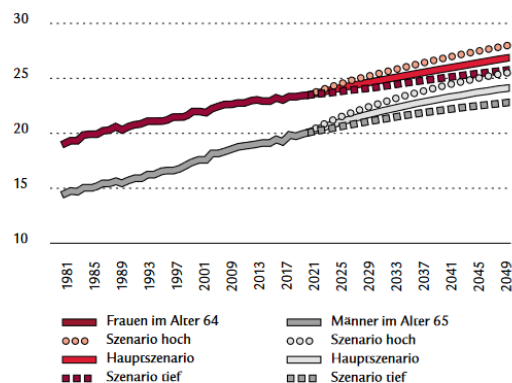
- Example BVG:  $\text{CHF } 350'000 \times 6.8\% = \text{CHF } 23,800$  pension per year

# Reduction of conversion rate from 5.4% to 5.0%

Why does the conversion rate need to be lowered?

## Increasing life expectancy and uncertainties on the capital markets

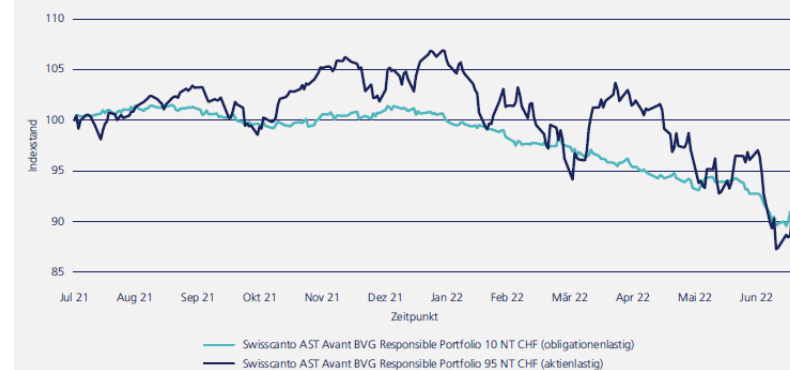
Abb. 1: Lebenserwartung steigt – in der Schweiz bisher keine Trendumkehr erkennbar  
Lebenserwartung im Alter 65 (Männer) und 64 (Frauen);  
ab 2020 Bevölkerungsszenarien des BFS vom Mai 2020



Quelle: Bundesamt für Statistik, Swiss Life



Abbildung 1: Zwölf-Monats-Performance von obligationenlastigen und aktienlastigen Anlagegruppen im Vergleich



Quellen: Bloomberg Finance L.P., Zürcher Kantonalbank Asset Management, Stand: 30.06.2022



**Why this adjustment?**



- Increasing life expectancy
- Uncertainties on the capital markets
- Retirement losses
- Actuarial recommendation / responsibility of the board of trustees

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# Reduction of conversion rate from 5.4% to 5.0%

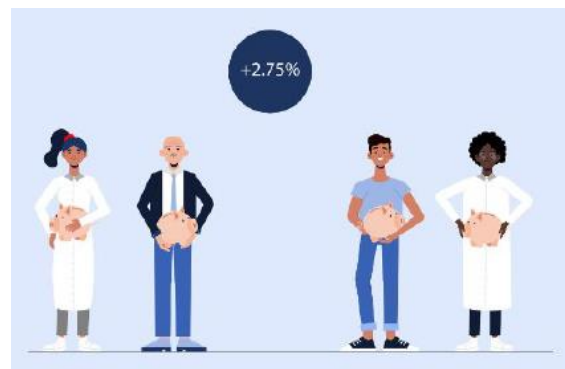
What are the compensation measures?

**To ensure a socially responsible approach to the losses from the reduction in the conversion rate, compensation measures are being implemented**

## Increase in insured salaries



## Additional interest of 2.75%



## Higher savings contributions



## Additional measures for employees over 51 years of age





# Reduction of conversion rate from 5.4% to 5.0%

What are the compensation measures?

## Increase in insured salaries



- By including shift allowances and the target value of the bonus for all insured employees in the future, the insured salary of many of our insured will increase
- The contributions and therefore the retirement assets of the insured will increase accordingly
- Funding is provided by the employer and the employee (60:40 ratio)

## Higher savings contributions

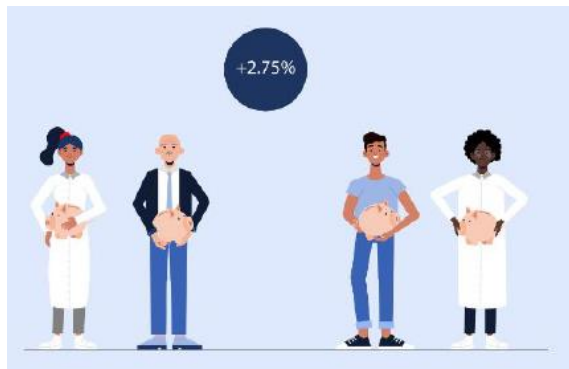


- As a result of the positive risk trend (in particular, fewer disability cases than expected), the risk contributions can be reduced for all and the savings contributions increased accordingly
- This does not change the total amount; it is merely a redistribution from risk to savings
- Correspondingly, each insured will save more in the future and have higher retirement assets
- Funding is provided by the employer and the employee (60:40 ratio)

# Reduction of conversion rate from 5.4% to 5.0%

What are the compensation measures?

## Additional interest of 2.75%



- All insured will receive credit of 2.75% on their individual retirement assets from 01.01.2023 (e.g. CHF 500,000 x 2.75% = CHF 13,750 credit)
- The individual credit will be displayed on the pension statement on the new PK Cockpit portal from 01.01.2023
- This measure will increase the retirement assets of all insured with retirement assets from 01.01.2023
- Young people will benefit from a compound interest effect
- This measure is financed by the Pension Fund as well as the Welfare Fund

## Additional measures for employees over 51 years of age



- People who are closer to retirement will benefit less from the compound interest effect, but the majority have higher retirement assets
- All insured who are or will be 60 (year of birth: 1963) or older in 2023 will be credited 100% of the difference in pension loss
- All insured who are 51 or older in 2023 (born 1964-1972) will receive pro rata credit for the pension loss (51 = 10%, 52 = 20% ..... 59 = 90%)
- This measure is financed by the Pension Fund as well as the Welfare Fund

# Reduction of conversion rate from 5.4% to 5.0%

## Additional measures for employees over 51 years of age

### Additional measures for employees over 51 years of age



- The basis for the calculation of compensation is the previous pension from the base plan & supplementary plan compared to the new expected pension from the base plan & supplementary plan
- The pension from the reduction in the conversion rate will be shown separately on the pension statement from 2023, as was the case with the last two reductions in 2016 & 2019
- The corresponding credit is granted at retirement in the base plan. The entitlement lapses if the insured leaves the PKL or in the event of a lump-sum withdrawal on retirement, as it is a matter of safeguarding pensions

### Example

- Insured person is 63 years old in 2023 (born in 1960) -> compensation 100%
- Expected pension as of 31.12.2022 is CHF 38,000/year with conversion rate of 5.4%
- Expected pension as of 01.01.2023 is CHF 37,500/year with conversion rate of 5.0% -> pension decreases by CHF 500/year
- For the insured, a pension from the 2023 reduction of the conversion rate to the amount of CHF 500 will be shown on the pension statement in the future
- A provision of CHF 10,000 is made for this purpose ( $\text{CHF } 10,000 \times 5.0\% = \text{CHF } 500$ )

| Year of birth | Compensation |
|---------------|--------------|
| 1972          | 10%          |
| 1971          | 20%          |
| 1970          | 30%          |
| 1969          | 40%          |
| 1968          | 50%          |
| 1967          | 60%          |
| 1966          | 70%          |
| 1965          | 80%          |
| 1964          | 90%          |
| From 1963     | 100%         |

# Website and Pension Cockpit Webportal

The Lonza Pension Fund is going digital – pensionskasse-lonza.ch



## The Lonza Pension Fund is synonymous with individuality

Our efforts to make the benefits of our employee benefits institution attractive are just as diverse as our insured persons and their needs.

## The Lonza Pension Fund

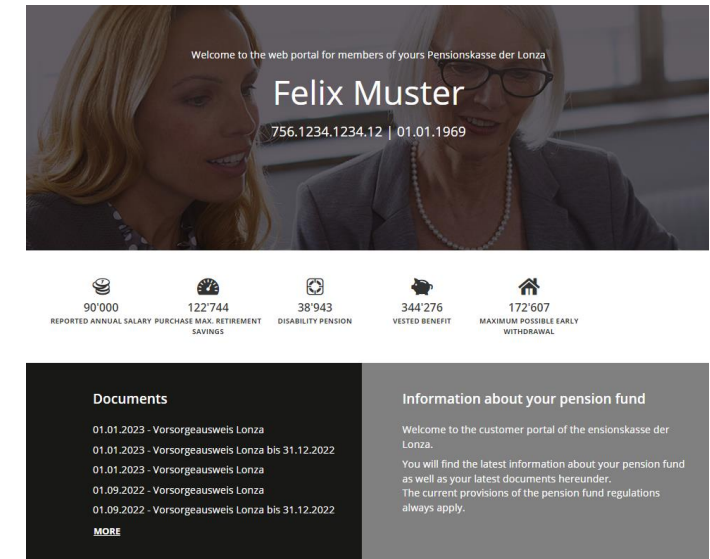
Well cared for – with certainty

# Website and Pension Cockpit Webportal

The Lonza Pension Fund is going digital – Pension Cockpit Webportal

## Pension Cockpit Webportal

- The Pension Cockpit offers all insured the option of accessing their individual PK situation at any time
- Simulation calculations can be created, or an up-to-date pension statement can be downloaded
- Documents, such as purchase confirmations, tax reports, etc., can be provided directly in the Pension Cockpit
- Login takes place using two-factor authentication
- Calculations for early retirement will only be possible in a second step via the Pension Cockpit
- The required login documents will be sent to each employee by mail in December 2022



Your key figures as at 03.10.2022

| Salary   |         | Pension                              |            | Purchase                                 |         |
|--|---------|--------------------------------------|------------|--|---------|
| Level of employment                              | 100 %   | Retirement date                      | 31.01.2034 | Purchase max. retirement savings 122'744 |         |
| Insured salary                                   | 64'905  | Retirement capital                   | 680'014    |  |         |
|  |         | Projected interest rate              | 2.5 %      |  |         |
|  |         | Retirement pension                   | 36'720     |  |         |
|  |         | Retirement child's pension           | 7'344      |  |         |
| residential property                             |         | Risk benefits                        |            | Lump sum                                 |         |
| Maximum possible early withdrawal                | 172'607 | Disability pension                   | 38'943     | Vested benefit                           | 344'276 |
| Repayment of early withdrawal for home ownership | 0       | Disabled person's children's benefit | 7'788      | Projected interest rate                  | 2.5 %   |
|  |         | Spouse's/unmarried partner's pension | 23'365     | Employee savings contribution            | 8'113   |
|  |         | Orphan's pension                     | 7'788      | Employer savings contribution            | 7'996   |
|  |         |                                      |            |  |         |

# Website and Pension Cockpit Webportal

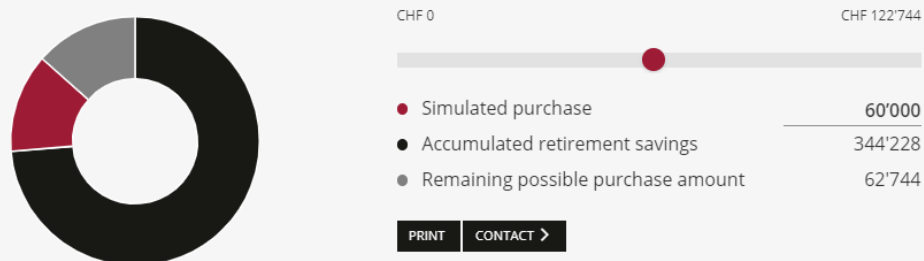
## The Lonza Pension Fund is going digital – Pension Cockpit Webportal

### What impact does a purchase have?

#### Calculate your maximum possible purchase

The main advantage is obvious: The more you pay into your pension fund, the higher the payouts in old age and, as the case may be, the higher your risk benefits. A payment into the pension fund also has tax advantages: Payments from private income can be deducted from your taxable income. This reduces your tax rate. For this reason it is generally a good idea to spread payments over several years. Your vested pension capital is also exempt from wealth, income and withholding tax during the contribution period.

You can calculate how your benefits might improve as a result of a purchase here.



#### Detailed information

| Benefit                              | Before purchase (CHF) | After purchase (CHF) | Improvement (CHF) |
|--------------------------------------|-----------------------|----------------------|-------------------|
| Final retirement savings             | 680'014               | 759'096              | 79'082            |
| Retirement pension                   | 36'721                | 40'991               | 4'270             |
| Unmarried partner's pension          | 23'366                | 23'366               | 0                 |
| Orphan's benefit                     | 7'789                 | 7'789                | 0                 |
| Disability pension                   | 38'943                | 38'943               | 0                 |
| Disabled person's children's benefit | 7'789                 | 7'789                | 0                 |

#### Latest documents

| Received     | Document name                        | Action |
|--------------|--------------------------------------|--------|
| 01.01.2023   | Vorsorgeausweis Lonza                |        |
| 01.01.2023   | Vorsorgeausweis Lonza bis 31.12.2022 |        |
| ● 01.01.2023 | Vorsorgeausweis Lonza                |        |
| ● 01.09.2022 | Vorsorgeausweis Lonza                |        |
| ● 01.09.2022 | Vorsorgeausweis Lonza bis 31.12.2022 |        |

#### Insurance certificates

| Received     | Document name                        | Action |
|--------------|--------------------------------------|--------|
| 01.01.2023   | Vorsorgeausweis Lonza                |        |
| 01.01.2023   | Vorsorgeausweis Lonza bis 31.12.2022 |        |
| ● 01.01.2023 | Vorsorgeausweis Lonza                |        |
| ● 01.09.2022 | Vorsorgeausweis Lonza                |        |
| ● 01.09.2022 | Vorsorgeausweis Lonza bis 31.12.2022 |        |



## Next steps

- Communication with insured will take place until the middle of December
- Provision of login data for the Pension Cockpit Webportal by the middle of December
- Any purchases (one-time payments) must be made by 24.12.2022 at the latest (simplification of the year-end process).
- New pension plan regulations valid from 01.01.2023
- New pension statements available on the Pension Cockpit Webportal from January 25, 2023 (31.12.2022 vs. 01.01.2023 comparison possible)
- Individual discussions possible from the end of January
- General questions can be answered on an individual basis at any time in advance



# Summary

## Importance of a balanced pension plan

### **Responsibility of the board of trustees**

to ensure the long-term financial security of the pension plan, taking all requirements into consideration



**With the new pension plan, the  
Lonza Pension Fund is prepared to  
meet the challenges ahead**





# Questions or suggestions?

Questions can be directed to us. These will then be answered and made available to all on our website under the FAQ.

Further information can be found on our new website.

[www.pensionskasse-lonza.ch](http://www.pensionskasse-lonza.ch)

pensionskasse@lonza.com

We are always here for you!

