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Interim Financial Statements 1st Quarter / 25-plus pool

June 2019

The first quarter of 2019 brought excellent performance figures. Last December's dive might be more than compensated for. This has meant that the pool 25-plus is no longer in deficit, and hence restructuring measures are no longer necessary. For strategic reasons however, the 25-plus pool will still be cancelled at the end of 2019.

First Quarter Results 2019

The stock markets have been developing positively since the start of the year. The sharp losses of last December were quickly made up for. At the end of March 2019, the 60-plus pool achieved a very good performance of 8.9% and the 25-plus pool of 5.7%. In both pools, the requirements of the Pictet BVG reference indices were exceeded.

This excellent asset result led to a significant improvement in the financial position of both pools. The coverage ratio in the 60-plus pool reached approximately 107.3% (end of 2018 101.4%). The pool 25-plus once more reached full coverage, with a coverage ratio of just over 100% (end of 2018 96.5%). This is very good news and has led the Board of Trustees to refrain from restructuring measures in the 25-plus pool.

The April investment month also showed positive performance, while the month of May was a bit more tense. On the whole, however, the previous positive direction was maintained.

25-plus pool

After thorough consideration, the integral board of trustees decided to dissolve the 25-plus pool at the end of 2019 for strategic reasons. Various developments in recent years have led to this decision. The 25-plus pool, despite notable additional benefits, has met with little demand in the current pension market, in contrast to the 60-plus pool, which continues to grow strongly. The lack of growth in the 25-plus pool, among other things, has caused the insurance structure to slowly but steadily deteriorate. This means that the proportion of pensioners is increasing. In addition, the interest rate policy of the National Bank for the 25-plus pool was not without consequences. As a result of the low-interest-rate policy, the return expectation in the high-quality 25-plus pool fell below 2%. The foundation would therefore be unable to correct the technical interest rate and the conversion rate in the Pool 25-plus downwards in the near future. However, the main objective of the foundation is to achieve more benefits for the beneficiaries. This goal cannot be achieved in the 25-plus pool in the coming years. The integral foundation is also primarily identified in the retirement market with the 60-plus pool.

For these reasons, we have decided to repeal the 25-plus pool, for the benefit of policyholders, affiliated companies and of the foundation itself. In future, we want to focus on the 60-plus retirement product and thus continue to have a successful and high-performance pension solution to offer. This will also consolidate our long-term prospects for the increasingly demanding provision market.

The liquidation of the 25-plus pool is subject to the condition that there is no shortfall at the time of triggering. This is currently the case, which is why the necessary decisions have already been made to liquidate the 25-plus pool in recent weeks. Among other things, the securities were sold at good market prices. Thus, the coverage ratio of the 25-plus pool should also be more than 100% by the end of the year.

Customers in the 25-plus pool have been prepared for the dissolution of the pool. They will receive an offer to change to the 60-plus pool in the coming days. The 25-plus pool customers are then free to decide whether they wish to continue to stay with the Integral Foundation or to change their pension plan by 2020.

Due to the pool change no costs are incurred for the affected customers. It is particularly important that there should be no financial losses for the affected policyholders. The actively insured parties will leave the 25-plus pool with their vested benefit acquired as of 31.12.2019. The pensions are acquired rights that cannot be reduced.

The resolved-upon pool resolution will trigger a total liquidation of the 25-plus pool. In this case, the provisions for each connection are calculated and given. For the 60-plus pool, this means that no technical provisions need to be refinanced for new connections from pool changes. In general, no costs should ensue for customers transferring from the 25-plus pool to the 60-plus pool.

Policy amendments

The liquidation of the 25-plus pool has resulted in various regulatory adjustments. For example, the investment strategy in the 25-plus pool had to be adjusted in the first instance to make a complete sale of the securities possible.

Further changes are summarized below. The complete version of the regulations mentioned below can be downloaded on our homepage at

<https://www.integral.swiss/en/service/regulations.html>

Cost regulations

- Art. 6 Affiliated pension funds No fee will be charged for the liquidation of a pool.

Regulations concerning a change of pool

- Art. 3 Insured persons The pensioners of the pool to be dissolved can either change to another pool or a new pension plan.
- Art. 8 Pool resolution Previously, a pool release was not planned. Due to this fact a regulatory basis has had to be created.

The organizational regulations have also changed marginally in the meantime. These organizational adjustments concern questions of the delineation of powers between the Board of Trustees and the management (Articles 14 and 18) and the eligibility requirements of the Board of Trustees (Article 12).