

Investment Strategy Selection Regulations Swisscanto Flex Collective Foundation of cantonal banks

1st January 2024



Swisscanto
Flex Collective
Foundation

Contents

A	Principles	3
Art. 1	Investment strategies	3
Art. 2	Responsibility	3
Art. 3	Changing investment strategy	3
B	Risk tolerance	4
Art. 4	Risk level	4
Art. 5	Financial risk tolerance	4
Art. 6	Structural risk tolerance	5
C	Selecting the investment strategy	6
Art. 7	Necessary risk level	6
Art. 8	Failing to attain the necessary risk level	6
D	Final provisions	7
Art. 9	Scope of application	7

A. Grundsätze

These regulations set out the bases for selecting an investment strategy from 1 January 2024 onwards.

Art. 1 Investment strategies

The Foundation offers three investment strategies:

- Flex 25
- Flex 35
- Flex 45

Art. 2 Responsibility

The Foundation Board selects the investment strategy at the Foundation level and for the 'Flex collective' component. For pension funds in the "Flex individual" category, the responsible pension commission selects the investment strategy.

Art. 3 Changing investment strategy

The investment strategy may be changed on 1 January of any year. Notification of the change must be given by the end of November of the previous year.

B. Risk tolerance

Art. 4 Risk level

A risk level is calculated for each pension fund in the ‘Flex individual’ category. This risk level corresponds to the total of the rating for financial risk tolerance and the rating for structural risk tolerance, where the rating for financial risk tolerance is weighted at 20% and the rating for structural risk tolerance is weighted at 80%.

Risk level = 20% financial risk tolerance rating + 80% structural risk tolerance rating.

For the risk level and the two ratings, 1 is the best risk level/rating and 5 is the worst risk level/rating.

The risk level is reported to the pension commissions via the annual financial statement from the pension fund every year.

For affiliations involving the creation of a new pension fund in the ‘Flex individual’ category, the responsible pension commission may select its investment strategy based on the estimated risk level.

The management office may take account of additional criteria, such as cover levels, when selecting investment strategies.

Art. 5 Financial risk tolerance

The rating for financial risk tolerance is determined based on the coverage ratio (‘CR’). The coverage ratio is calculated in accordance with the FRP 7 guidelines from the Swiss Chamber of Pension Fund Experts. This means that the respective mathematical reserves for pensioners in a pension fund in the ‘Flex individual’ category, together with the actuarial reserves and fluctuation reserves associated with them, are taken into account at the Foundation level.

The financial risk tolerance rating follows the scale below:

Coverage ratio	>120.0%	117.5%	115.0%	112.5%	110.0%	107.5%	105.0%	100.0%	
		-	-	-	-	-	-	-	
		119.9%	117.4%	114.9%	112.4%	109.9%	107.4%	104.9%	<100%
Rating	1.0	1.5	2.0	2.5	3.0	3.5	4.0	4.5	5.0

Art. 6 Structural risk tolerance

The structural risk tolerance rating is determined based on the improvement in the coverage ratio ('I_CR') at a 1% minimum interest rate and 1% restructuring contribution.

Improvement in coverage ratio =
$$\frac{1\% \text{ of insured salaries} + 1\% \text{ of savings capital}}{\text{Pension capital and actuarial reserves}}$$

The structural risk tolerance rating follows the scale below:

Improvement in coverage ratio	>0.80%	0.70%	0.60%	0.50%	0.40%	0.30%	0.20%	0.10%	
		-	-	-	-	-	-	-	
		0.79%	0.69%	0.59%	0.49%	0.39%	0.29%	0.19%	<0.10%
Rating	1.0	1.5	2.0	2.5	3.0	3.5	4.0	4.5	5.0

C. Selecting the investment strategy

Art. 7 Necessary risk level

In order for a higher-risk investment strategy to be chosen, a certain risk level must be attained. The following minimum requirements apply. The responsible pension commission may select a more defensive investment strategy.

Investment strategy	Necessary risk level	Permitted range of risk levels
Flex 25	5.0	1.0 bis 5.0
Flex 35	3.0	1.0 bis 3.0
Flex 45	2.0	1.0 bis 2.0

Art. 8 Failing to attain the necessary risk level

If a pension fund in the "Flex individual" category fails for two consecutive annual closing dates to attain the necessary risk level, the Foundation Board may stipulate that that pension fund must change its investment strategy on the following 1 January.

D. Final provisions

Art. 9 Scope of application

These regulations were adopted by the Foundation Board on 16 January 2024 and enter into effect retroactively as of 1 January 2024.

In accordance with the law and the foundation deed, the Foundation Board may amend these regulations at any time. Such amendments must be submitted to the supervisory authority for approval.

Zurich, 16 January 2024

Swisscanto Flex Collective Foundation
The Foundation Board