

Vita Classic – cover ratio and value fluctuation reserve

This information sheet explains the terms “cover ratio” and “value fluctuation reserve”.

What does the term “cover ratio” mean?

The cover ratio is a key figure that places the retirement provision assets in relation to the obligations. A pension fund is considered to be underfunded (coverage deficiency) if the cover ratio is below 100%. If it is above 100%, there is excess coverage.

A cover ratio of exactly 100% means that the pension plan can meet all of its obligations in full. In practice, all pension benefits very rarely fall due at the same time.

As a semi-autonomous collective foundation providing cover for multiple employers, the Vita Collective Foundation manages the pension fund assets of the insured persons under its own responsibility. The aim of the broadly diversified investment strategy is to absorb the effect of short-term fluctuations on the capital markets. The investment strategy is regularly reviewed with respect to the foundation’s risk-return profile and adjusted if necessary.

You can find the current cover ratio of the Vita Collective Foundation at → www.vita.ch

What does the term “value fluctuation reserve” mean?

Value fluctuation reserves are formed as soon as the cover ratio exceeds 100%. These compensate for losses in value due to an unfavorable development on the capital markets.

In the case of the Vita Collective Foundation, the amount of the necessary value fluctuation reserve is based on a sound analysis of the potential fluctuation margin of the assets. The target level is 14% of the assets. The target cover ratio taking into account the value fluctuation reserve is therefore 114%.

What happens if there is a coverage deficiency?

A temporary coverage deficiency does not pose any risk whatsoever to pension benefits. Nevertheless, the Vita Collective Foundation has to approve measures for restructuring within a reasonable time period according to the level of the coverage deficiency.

The Vita Collective Foundation provides for the following measures to ensure that a financial balance is maintained:

- Regular review of the investment strategy
- Waiver of the super-obligatory interest earned
- Introduction of time and amount restrictions on the payment of early withdrawals for the repayment of mortgage loans
- Collection of additional contributions from employers and employees
- Undercutting the BVG minimum interest rate for the duration of the coverage deficiency for a maximum of five years, by 0.5% at most

What a coverage deficiency would mean for you as an insured person:

- If you leave your company
If an insured person leaves a company that is affiliated with a pension plan with a coverage deficiency, 100% of the corresponding vested termination benefit is transferred to the new employer’s pension plan. A coverage deficiency therefore has no effect whatsoever if you leave the company.
- If you retire
A coverage deficiency has no effect whatsoever on the retirement benefit for the upcoming retirement.
- In the case of active retirement or a partner pension
A coverage deficiency has no effect on ongoing retirement or partner pensions.
- If the company terminates the contract
If an employer terminates the affiliation contract at the time of a coverage deficiency, the vested benefits are cut by a percentage of the coverage deficiency. No cuts are made in the area of the BVG mandatory coverage.
- If there is a considerable reduction in the number of employees or the company is restructured
More on this in the information sheet on “Partial liquidation”.



Please note:

This information sheet is for your information. The current regulations of the Vita Collective Foundation, namely the pension regulations, the investment regulations and the partial liquidation regulations, are authoritative. Furthermore, the provisions of the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans, the Swiss Vested Benefits Act and the associated ordinances should be noted. The deduction for a coverage deficiency in the event of contract termination is set out in the affiliation contract.

The current regulations of the Vita Collective Foundation can be found at → www.vita.ch in the Download area.

Do you have any questions?

As an affiliated company

The administrator responsible for your contract would be pleased to provide you with further information on the topic of the "cover ratio and value fluctuation reserve."

As an insured person

The Help Point BVG (phone 0800 80 80 80) is available to you Monday to Friday from 8.00 a.m. to 12.00 noon and from 1.00 p.m. to 5.00 p.m. for all questions relating to occupational retirement provision. Or visit us at → www.vita.ch