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Ascaro News



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2022 – the year which marks a turning point in history?

2022 was characterised by geopolitical crises and the turnaround in monetary policy. This marks the end of one of the worst trading years in a long time. Important equity indices from New York to Zurich and Shanghai reported double-digit value losses. Weaker than expected economic growth and higher discount rates led to a sharp decline in equity markets, with cyclical and growth-oriented sectors hardest hit.

Not only the equity markets, but also the bonds that were supposedly safe in times of crisis were hardly able to offer any protection and depreciated significantly. Coronavirus-related catch-up effects, supply chain problems and the massive increase in commodity prices as a result of the Ukrainian war have caused global inflation rates to explode. Double-digit inflation rates, like in the USA and Europe, were last recorded in the 1980s. At around 3.00 %, inflation in Switzerland rose relatively moderately compared to the rest of the world. The central banks were forced to abandon their loose monetary policy. The Fed raised its benchmark interest rate in five steps from 0.25 % to 4.50 %, and in Europe and Switzerland, the period of negative interest rates came to an end in the autumn. Following the Swiss National Bank's (SNB) third interest rate rise, the benchmark interest rate at the end of the year is 1.00 %.

The performance of the Swiss real estate market could not be more varied. While the performance of direct real estate investments, as the majority of investments in Ascaro are structured, remains stable, the value of high premiums of Swiss real estate funds dropped significantly last year. Prices for listed instruments are approaching their net asset value. However, continued high demand for residential properties is supporting prices, and yield potential is likely to increase as a result of the interest rate hike.

In this difficult market environment, Ascaro achieved a return of -2.89 %, which reduced the coverage ratio to around 108.83 % and reduced the fluctuation reserves accordingly. When compared to published comparative figures and the internal benchmark (-5.78 %) or "Pictet BVG 2015-25" index closely associated with our company figures (-13.21 %), Ascaro is in a very advantageous position. The chosen investment strategy – shaped by a cautious equity ratio and an impressive share of Swiss real estate – has limited losses in this difficult investment year and meant we did not become nervous. This strategy will continue in future. Tactically, investments in bonds continue to be underweighted in favour of liquidity.

Interest on savings capital in 2023

The current investment environment is and will remain challenging. It is hardly surprising that last year, pension funds reported a negative return on investment, including Ascaro (although the latter performed significantly better than the industry average). The Board of Trustees will maintain the attractive long-term interest rate and set the interest rate for savings capital at 1.25 % in advance (previous year: 2.00 % + 3.00 % additional interest as an anniversary-related improvement in per-

formance). It is therefore a quarter of a percentage point above the unchanged minimum interest rate under the Occupational Pensions Act of 1.00 %, as set by the Federal Council. The interest is payable on compulsory and supplementary assets for the whole year (even in the event of departure or retirement during the year). Looking back over the last five years, savings balances yielded an average annual interest rate of 3.55 % – a top figure!



5.00 %

Interest on savings capital



-2.89 %

Return



108.83 %

Coverage

No inflation on pensions

Compared to the same month of the previous year (December 2022 vs. December 2021 with index base Dec. 2020), inflation amounts to 2.80 %. For 2023, the State Secretariat for Eco-

nomic Affairs (SECO) is forecasting annual inflation for Switzerland of 2.20 %. There is a risk that inflation will prove to be more persistent than previously assumed. For the Board of Trustees as the

supreme body, the financial stability of the occupational benefits scheme and thus the long-term security of pensions is paramount. As the Foundation's financial resources currently do not allow this and the focus must be on accumulating fluctuation reserves, no inflation adjustment will be

granted on current pensions. However, last year, it was once again proved that the Board of Trustees also thinks of the pensioners, given the appropriate financial situation. In July, the beneficiaries of Ascaro received an additional 50 % of one monthly pension (min. CHF 500/max. CHF 5,000).

Political kitchen

On 25 September 2022, the people and the cantons adopted the "Reform OASI 21", thus securing the funding of the OASI until 2030. Both the amendment to the AHV Act and the Federal Decree on Additional Funding for OASI Pensions by 0.40 % increasing VAT were adopted. The two bills were linked together. The finances of the OASI and the level of pension benefits are thus secured for the next ten years. The reference age for women and men will be standardised at 65, retirement will be made more flexible and VAT will be slightly increased. The reform is expected to enter into force on 1 January 2024.

The Council of States has taken the first steps in the reform of occupational pensions. In doing so, it has opted for a new model for the coordination offset. This is intended to improve the situation of low-income earners and employees with several jobs when they reach retirement age. Under the mandatory OPA, 15 % of the salary subject to OASI is now to be calculated as a coordination offset. This amount will be deducted from the relevant salary

(gross annual salary) in the second pillar. This is how you get the insured salary. Since 1 January 2023, this deduction has been fixed at CHF 25,725.

At the heart of the bill, however, are the transitional provisions for all those who, as a result of the planned reduction of the conversion rate in the mandatory pension scheme from 6.80 % to 6.00 %, are no longer able to save sufficient retirement capital before retirement and are no longer able to compensate for this loss of pension of around 12 % in good time. There is a lifelong supplement of CHF 200 per month for the first 15 years in the case of retirement assets of less than CHF 215,100. The surcharge is reduced for higher retirement assets. No surcharge at all is planned for retirement assets of CHF 430,200 or more. We look forward to the further discussions!



Limits for the new year

The OASI/IV pensions will be adjusted in line with current price and salary trends as of 1 January 2023 and increased by 2.50 %. This adjustment in accordance with the statutory mixed index was approved by the Federal Council at its meeting on 12 October 2022 and affects the limits for mandatory pensions. The amended limits are as follows:

Old age and survivors' insurance (OASI)	Previously (CHF)	From 2023 onwards (CHF)
Maximum annual retirement pension	CHF 28,680	CHF 29,400
Minimum annual retirement pension	CHF 14,340	CHF 14,700

BVG	Previously (CHF)	From 2023 onwards (CHF)
Entry threshold	21,510	22,050
Coordination offset	25,095	25,725
Maximum coordinated annual salary	60,945	62,475
Minimum coordinated annual salary	3,585	3,675
Maximum authoritative annual salary	86,040	88,200
Maximum annual salary insurable according to OPA	860,400	882,000
Minimum OPA interest rate	1.00 %	1.00 %

Each affiliated company defines in the **pension plan** how the authoritative salary is determined and which coordination rule applies. The above values relate to the statutory limits according to OPA and may differ for each individual company.



Redesign

As already reported in the previous Ascaro News, work has been done on the redesign of Ascaro in recent months, so we are pleased to present the new corporate image. Our brand has been revamped to meet the needs of digital and analogue readability where the font, graphics and images are concerned. At

the same time, the website has been adapted to the redesign and revised. It provides potential new members, affiliated companies and their insured employees with the necessary information in a clear and simple manner. Browse our new website and see for yourself!

www.ascaro.ch

Ascaro News – soon only available in digital form

Five years ago in January, we informed you that our news was now also available in electronic form. Since then, we have seen a steady increase in our digital readership, while demand for the printed versions has fallen sharply. Initially, roughly 2,000 printed copies were produced, but we now only deliver 350

envelopes to the recipients. For this reason, we will discontinue the printed Ascaro News at the end of this year and ask you, if you have not already done so, to subscribe to our electronic newsletter – simply and quickly via our new website!

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