

For a
safe PF

Vote!

nav

**election newspaper
2020**



nav novartis angestellten verband
association des employés de novartis
novartis employees' association

Strengthen your voice, your rights and your benefits.

It is therefore important you choose NAV (Novartis Employees' Association) candidates.

● **Your vote** influences your future performance as well as your contribution model. The NAV candidates are of the opinion that the high current pension level must also be maintained for future retirees, and that the pensions that have already been granted must remain untouchable.

Everyone should be able to count on the capital they have saved, and care must be taken to ensure that future generations can build up financially sustainable retirement provision.

The NAV has succeeded in ensuring that Pension Fund 1 is and remains a secure pension scheme. The return on your capital must be appropriate, even in times of economic difficulty. One of the many performance indicators was the amount of interest earned on your capital. Thanks to a balanced investment strategy, this has led to better performance than that of comparable pension funds.

Your rights are guaranteed by the NAV candidates. You have the right to secure and sound financial investments that meet high ecological, social and ethical standards.

Sustainability and reliable planning are obligations. The capital paid in should be invested as securely as possible. The projections regarding your retirement should not just remain projections – they should become reality. Interest rates must be realistic and realizable so that your capital is not exposed to additional risks.

Your benefits. The NAV candidates act independently and are not influenced by any union interests. The existing NAV candidates participate in ongoing education and constitute a group of experienced pension fund trustees. The incoming candidates will bring a high level of commitment and enthusiasm to their new roles.

Choose NAV candidates – so **your voice** and **your rights** are properly represented. Make competence, security and fairness **work for your benefit**.



Strengthen your voice, your rights and your benefits.

That is why it is important you choose NAV candidates.

● **Your vote.** We maintain and ensure an overall view of retirement pensions for employees within Switzerland. We will continue to advocate pragmatic solutions and the continuous development of Pension Fund 2 (PF 2). Use your vote and choose NAV candidates.

Your rights are safeguarded by NAV candidates. PF 2 insures your salary components between CHF 150,000 and 220,000 pa. In contrast to PF 1, all insured persons receive the total amount of assets saved upon retirement as a lump sum.

Your benefits. While you are saving, you can play an active role in your investments and choose between six different investment strategies. Money Market, Bonds^{Plus}, Shares 25^{Plus}, Shares 25^{ESG} (environmental, social and governance), Shares 40^{Plus} or Life-Cycle^{Plus}. If you opt for last of these strategies, the share component is reduced linearly and according to age until retirement. This allows you to take your individual investment and risk profile into account. At present, around 40 percent of insured members have made at least one choice of investment strategy. This goes to show that choice is valued and people take advantage of it.

Choose candidates from the NAV – so **your voice** and **your rights** are ensured. Make competence, security and fairness **work for your benefit.**

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PF 1 – Vote!

14**xnav**

PF 2 – Vote!

4**xnav**

Novartis Pension Fund 1

Company determines

Seven members including the president are appointed by the company.

your 14 votes

Seven members are elected by the insured persons from among their ranks and determine the vice presidency.

The election result determines the members of the Board of Trustees and the substitute board members

Election result
According to number of votes received

Elected No. 1
Elected No. 2
Elected No. 3
Elected No. 4
Elected No. 5
Elected No. 6
Elected No. 7

7 members

7 substitute board members

Supreme body of the Board of Trustees

14 members

7 members

7 substitute board members

Elected No. 8
Elected No. 9
Elected No. 10
Elected No. 11
Elected No. 12
Elected No. 13
Elected No. 14

The Board of Trustees manages the business of the Foundation in accordance with the provisions of the law, the provisions of the pension fund statutes, and the regulations and directives of the supervisory authority.

The Board of Trustees makes all decisions that are necessary to achieve the purpose of the Foundation and issues the necessary implementing provisions.

7 votes

7 votes

The 7 members must be able to make uniform decisions.

Just one abstention and the balance shifts

Editorial

PF 1 – Vote!

4Xnav

PF 2 – Vote!

4Xnav



Great, you have opened the first page of the electronic material, which is being sent electronically for the first time. This should introduce you to the candidates from the NAV so that you can be well informed when you elect your representatives to the Pension Fund Board of Trustees.

Choosing electronic election materials means taking into account environmental considerations and the growing need for digitization.

The NAV candidates comprise long-standing, experienced members of the Board of Trustees as well as new colleagues who are eager to take on their new role. It is important that you elect all the NAV candidates for strategic reasons. Why? The Board of Trustees of the Novartis Pension Fund consists of 14 Board members plus 14 substitutes.

The 14 trustees are divided into 7 board members chosen by the company (GJFA 1-3) and 7 employees (GJFA 4-8). All 7 Employee Representative Council members frame and jointly contribute to the decisions of the Board of Trustees. There is no room for ideological or externally dictated political decisions.

The NAV candidates are competent, responsible and stand up for your interests.

Take the time to cast your vote and make a decisive contribution to your future.

The deadline for voting is
Monday, December 7, 2020 at 6.00 p.m.

to date

Board member PF 1

● **We cannot change the past, but we can influence the future.**

It is therefore important that we invest time and energy where we can do good. In the last few years and months, we have seen how quickly the world can change. Needs and social behavior have shifted within a short period of time. This has had a major impact on the economy and the financial markets. In this situation, the Board of Trustees has succeeded in acting sustainably by applying its specialist knowledge. For example, sustained interest rates have been paid in recent years. This is one of the most important parts of fulfilling your pension promises.



Davide Lauditi

Chairman of the PV-A | NBS
Co-President NAV

I have been a member of our Pension Fund's Board of Trustees for many years. Thanks to this experience and my ongoing training, I have amassed sound expertise in the field of occupational pension provision. As Chairman of the Employee Representative Council and Co-Chairman of the NAV, I advocate intensively for the interests of employees. My knowledge and experience allow me to dedicate myself in full to your needs. My in-depth knowledge in both areas enables me to view your interests

from a unique perspective. Social plans are inextricably linked with pension fund issues. Such negotiations have nothing to do with employment contracts. Whether we are managers or work at GJFA 4-8, we are all employees and we all want someone to represent our interests in the Pension Fund.

With your vote, I can continue to campaign in this respect on your behalf. Many thanks in advance for your confidence.

to date

Board member PF 1 & PF 2

● **Motto: Let us equip our Novartis pension fund for the future with a focus on sustainable and ethical principles!**

Dear Colleagues

In principle, it is never too early to address the topic of retirement pension planning, however complex the matter may seem.

When you're young, retirement still seems a long way off. Statements like „It'll be fine, nobody in Switzerland has to go hungry“ or „By the time we young people retire, there'll be no money left“ are not uncommon. I find these words astonishing and I marvel both at the trust in God and the pessimism. On the other hand, both



Andrea Fedriga-Haegeli

Head Visitor Services | NBS

Co-President NAV

Member Employee Representative Council

statements reflect the spirit of the times. Our pension system is solid and it works, but to ensure that it stays that way, adjustments are needed for the future.

To protect the pensions not only of today, but also of future generations, we must take care of our system and take our responsibility seriously.

We as employees have the right to a secure and predictable pension in retirement. In order for this to succeed, sustainable and ethical principles of action must be ob-

served. Only in this way will the next generation be able to relate to and pursue the work we're doing.

With this in mind, I am very happy to stand for re-election to PF 1 and PF 2.

to date

Substitute board
member PF 1
New PF 2

● **As a Board member, I will work to ensure that your pension is secure.**

I have been a member of the Board of Trustees for 4 years. With my specialist knowledge, high level of motivation and ability to get things done, I actively contribute to ensuring that our Pension Fund remains efficient in the future, and am pleased to stand for reelection. The Board of Trustees is your pension fund's most important decision-making body and needs strong employee representation. Like a staff representative, a board of trustees must ask the right questions and work together constructively on solutions.



Ralf Endres

Principal Scientist | NIBR
Member Employee Representative Council

My goals:

We should maintain our balanced investment policy so that we can continue to get through difficult phases such as the corona pandemic or negative interest rates.

The effects of necessary adjustments must be distributed fairly among employers and employees in line with their economic capacity and the current pension level must be maintained.

As a staff representative and board member, I will ensure that the current models for early retirement are continued and developed.

Use your right to vote in this important election and thus directly influence future developments. Select the people on the NAV list. The Novartis Pension Fund is one of the best in Switzerland and we want it to stay that way.

to date

Substitute board

member PF 1

Board member PF 2

● The pension funds are still faced with some major challenges and have a lot of work ahead of them, in particular due to the current financial developments (the low interest rate policy) and demographic change (aging population). To combat these, various legal changes are planned or have been implemented for pension funds (adjustment of the retirement age and conversion rate); these will affect all of us. The corresponding leeway must nevertheless be utilized and coordinated with the employer accordingly. I would like to actively apply my many years of experience and knowledge as an auditor for various Swiss pension funds by contributing pragmatic solutions to help solve the current challenges in the pension fund for the benefit of all; and to further develop our sound pension fund.



Eliana Mussin

Senior Statutory Controller | Pharma

In order to ensure that our pension fund remains a privilege for all of us and that difficult years – such as the current year 2020 – do not simply bring about reduced retirement benefits, I am happy to take over the duties and responsibility in the Novartis Pension Fund on your behalf. I will be glad to find suitable solutions for all of us and to deal with these challenges in greater depth. I am happy to stand for re-election as your employee representative in the Novartis Pension Fund.

to date

Vice-Chairman PF 1 & PF 2

● “The overexploitation of the pension system must stop”

So read a recent newspaper headline. In the case of the Novartis pension funds (PF 1 and PF 2), fortunately there is no overexploitation. But there is still a redistribution from active members to pensioners. This is because *life expectancy is increasing, but the technical parameters cannot yet fully reflect reality.*

The redesign of the BVG solution is taking time because changes usually have to be financed. The third contributor, i.e. the investment market, has long been in crisis: what was a sure bet yesterday – bonds – is effectively only generating negative returns today.



Claudio Campestrin

Country Coordinator Novartis Switzerland | NI

I have been committed to making the pension fund solution at Novartis sustainable since 2008, *since 2012 additionally as Vice Chair of the PF 1 and PF 2 Boards of Trustees.*

I am happy to put myself at your disposal once again *to continue the important structuring while safeguarding everyone's interests: in a way that is as secure, sustainable and fair as possible.*

For long-standing employees at Novartis, this means that the benefits shown on the insurance statements should apply upon retirement.

For young employees, this means accumulating substantial pension savings that should provide them with a healthy capital base for their future careers – possibly outside Novartis as well.

Please support me again with your vote and I thank you for your trust. I would be happy to continue to support the interests of PF 1 and PF 2 and work for all of us.

to date

Board member PF 1

● When occupational pension provision was introduced in 1985, life expectancy was 76 years. Today we live ten years longer. That's great, but it creates problems for the pension system. Low interest rates present a greater challenge still, while pension funds are being crippled by interest rates that are even negative in some cases. As if that weren't enough, we are still struggling with the effects of the current pandemic and upheavals on the global financial markets, and we are wondering how badly we are affected by them.

Without a doubt, the Novartis Pension Funds are among the best in Switzerland. It is not a foregone conclusion that this will remain the case, however. This is why a strong, broadly based Board of Trustees with qualified employee representatives is extremely important if we are to master the challenges to come.



Roger Staub

EUX Service Delivery Expert NBS IT | RKZ

I have been an elected member of the Novartis PF 1 Board of Trustees (as a substitute) since summer 2012; I have served on the Board of Trustees since December 2019 and for over 20 years I have also represented the concerns of employees in the corresponding committees of the social partnership.

As a member of the Board of Trustees, I will continue to work to maintain the high level of quality so that the Novartis Pension Fund remains attractive for all its members.

new

PF 1 & PF 2

● **Financial crises do not destroy money; they destroy financial instruments**

Do you know which financial instruments and markets – and their resulting collapse – caused the global financial crisis of 2007/2008?

Do you know which banks created and offered these financial instruments?

Do you know what values these financial instruments embodied?

Do you know which banks and investment professionals invested in these financial instruments?



Marco Preci

Senior Manager Share Registry | NI
Member Employee Representative Council

If you want an unconventional, solid and critical voice on the Board of Trustees of the Novartis Pension Funds, who also deals with these questions privately and does not shy away from their complexity, then I am the one to choose: PF 1 & PF 2.

new

PF 1

● Sustainable commitment to a secure and future-oriented Pension Fund.

Since I embarked on my professional career, I have been dealing with the various options for occupational pension schemes. As today's environment is making the sustainable management of pension fund assets more and more difficult, I would like to contribute and put my knowledge to good use.



Clarissa Vajna

Associate Scientist | GDD

Member Employee Representative Council

As elected staff representative, I have always stood up for your rights and, as the elected PF 1 board member, I would continue this with the same passion.

new

PF 1

● I have worked in various positions at Novartis for more than 30 years. I have to admit, for all this length of time, like probably most of you, I never really grappled with pension fund issues. The biggest challenge was always to interpret the pension fund statement of benefits every year and the resulting question: "What do these numbers tell me?"

When I then took up the post of Chair of the GAV Employee Representative Council Basel and Schweizerhalle two and a half years ago, all of this suddenly changed. From then on, I have been getting to grips with the issues of restruc-



Benny Niederberger

Präsident Personalvertretung GAV | NTO

turing, the social plan, early retirement, transfer of operations and of course with the Pension Fund. I have been able to contribute to various issues and provide advice to many affected employees. As a member of the Board of Trustees, I would now like to expand this knowledge and commitment even more; to be there for you here too and support your concerns.

new

PF 1

● I have worked in the quality assurance department for many years and am standing for the first time as an employee representative for the Novartis Board of Trustees elections. The impetus for this came from a work colleague and member of the Employee Representative Council; it reawakened in me an existing interest in the issue of retirement provision in general. A commitment to the Board of Trustees would allow me to deal specifically and in depth with occupational pensions and to work actively and in partnership to maintain a solid and reliable pension fund.



Birgit Schmid

Associate Director GMA QA | NTO

Pension funds are increasingly struggling with a difficult environment in which boards of trustees has to be more vigilant and cautious than ever. Adjustments will be necessary to ensure that our pension fund does not get into financial trouble. I would like to work to ensure that these adjustments meet our needs as fund members in the best possible way and that we can all continue to have confidence in our pension fund in the future.

new

PF 1

● Again and again I meet colleagues on campus or in Rotkreuz who are in well-deserved retirement. They are enjoying their new-found free time and making the most out of this new phase in their life. I want that for myself too!

It needs all of us to keep the Novartis pension fund among the best in Switzerland. We need to strengthen our employee representation. We need a diverse team that represents our interests. How can we achieve that? By all of you casting your votes! Don't be passive any more. Let me be your mouthpiece, and you will get more visibility in return.



Marjana Milardovic

Marketing BF Respiratory
Product Manager | RKZ

I will look for partnership and uncomplicated solutions in order to achieve the best for you and for me – for ALL of us. Now is the time to speak up!

I am happy for you to contact me, without obligation – I am here for you.

new

PF 1

● I am a committed and at the same time critical candidate. I have a technical and commercial background (as a design engineer, system engineer and business IT specialist). As a member of the NEM, PKI and substitute on the Employee Representative Council, I am excellently networked.

In order that the interests of all contributors can continue to be safeguarded as optimally as possible, strong employee representation on the Board of Trustees is essential. As the NAV board member, I am well networked with the other employee representatives; this is extremely important for cohesion and unity in dealing with the employer, who is more inclined to pursue business advantage than social interests.



Felix Tobler

GDC Engineering Expert | NBS IT

The low-yielding financial market, particularly the record low interest rates, poses major challenges for the Pension Fund. Due to the current global crisis, the tasks I look forward to tackling together with my colleagues on the Board of Trustees are not getting any smaller. As a business IT specialist, I often deal with the topic of security; and now want to use this capability as a Pension Fund board member so that we can all live a dignified old age, as our federal constitution requires.

The staff associations provide their trustees with the necessary training and support so that they can stand up for the interests of the fund members. This support gives me the necessary competence and independence from the employer as a new member of the Board of Trustees.

I look forward to your vote and to representing your concerns.

new

PF 1

● Because of my professional career and, most recently, as a result of my further training as a business administrator, I have acquired the necessary skills to be able to represent your interests with professionalism and competence.

The volatile economy of recent years has meant that pension funds have come under increasing pressure. Lower prospective returns and higher life expectancy are decisive factors for the future of our pension fund. With my commitment, I want to ensure that all Novartis employees continue to have a financially sound pension



Caterina Liberatore

Coordinator Project Controlling
Site Development NTO | Engineering CH-ST

fund that pays attractive pensions. Social competence, willingness to compromise and a solution-oriented approach define my work ethic. I am convinced that I can represent your concerns and interests competently and I am therefore happy to stand for election to the Board of Trustees of the Novartis Pension Fund.

new

PF 1

● I have been working for Novartis in Basel for more than 20 years. During this time I have benefited from the voluntary work of my NAV colleagues, who have worked tirelessly in our interest. I really appreciate the way the employee representatives at the NAV are committed to the cause and represent our interests toward the company in a spirit of partnership.

Now it's time to put myself forward as a member of the Pension Fund Board of Trustees. In the course of my working life in research, I have learned through my rational and analytical approach to find both creative and pragmatic solutions. I would now like to contribute my experience and deal with the issue of "pension funds" over the long term.



Markus Trunzer

Principal Scientist | NIBR

We live in a time of constant change, which is being accelerated by technological advancements. The challenges posed by low interest rates and demographic changes are great. In this environment, I believe that it is important for pension funds, with their long-term mandate, to operate sustainably and at the same time to adapt to changing situations.

As a member of the Board of Trustees, I am for:

- a sound, sustainable and flexible Pension Fund that adapts to the rapidly changing environment in order to achieve a fair, long-term pension level.
- an equitable distribution of the burden among all social partners.

new

PF 1

● **What does sustainability mean to you?**

For me this word has several meanings. In the case of the Pension Fund, for example, I think of sustainability in the sense of environmental awareness. I would like our retirement assets to be invested in environmentally sound and future-oriented technologies.

The investments should also be financially sustainable. Our pension fund should generate sufficient returns so that we, the members, can maintain our standard of living even after our retirement.



Emanuel Travaglini

Technical Coordinator | NTO
Engineering CH-ST

And ultimately, our investment strategy should also be sustainable for future generations, so that you too can retire on fair terms and at the appropriate age.

I am committed to such a sustainable pension fund!

Shortfall in interest – the challenge for pension funds

Due to the shortfall in interest, every pension fund is forced to take investment risks in order to finance its obligations. These risks are borne by the active insured members and the employer, but not by the pensioner. What guarantees are these and what ways are there to minimize the associated investment risks?

Patrick Spuhler

Swiss certified pension insurance expert
Member of the Federal BVG Committee
Partner Prevanto Basel

● Switzerland is often envied for its good retirement provision. Since AHV (Swiss old age and survivors' insurance) ("first pillar") came into force in 1948, followed by BVG (Swiss mandatory occupational insurance) ("second pillar") in 1985, it has a well-established pension system. Both pillars pay more than CHF 40 billion in benefits each year. Nevertheless, both are in urgent need of reform.

Dependency of the first pillar on demographics

The first pillar is based on the pay-as-you-go system. Active insured members finance the retirement pensions of those who have retired together with the employer through salary deductions. The pay-as-you-go system is independent of the return on assets, but is heavily dependent on demographics. In the case of occupational pension schemes, the so-called second pillar, the opposite is true: Every employed person with AHV income of more than around CHF 20,000 saves capital for old age with personal contributions as well as contributions from their employer. On retirement, this capital is converted into a pension at the conversion rate. The Novartis Pension Fund, for example, has a conversion rate of 5.35% at the age of 65. Thus,

if the capital on retirement is CHF 1,000,000, the retirement pension is CHF 53,500.

Dependency of the second pillar on returns

In contrast to the first pillar, the second pillar is heavily dependent on the returns that are obtained on the capital market. The higher the interest on the savings capital, the higher the capital upon retirement and thus the higher the retirement pension. The pension funds are independent of demographics, provided that the actuarial parameters are set correctly. In addition to retirement benefits, both pillars also insure disability or survivors' benefits.

Need for reform in spite of perfect diversification

The two pillars complement and diversify one another perfectly. Nevertheless, their key principles are in need of reform: In the first pillar, this is due to demographics and the "double" aging in Switzerland: fewer and fewer employees have to finance the pensions of more and more retirees. What is more, these retirees are getting older. With the baby boomer generation poised for retirement – in Switzerland, the largest age group was born in 1964 – this situation is only going to get worse. In the second pillar, the shortfall in interest is the greatest challenge. Both pillars are therefore in urgent need of adaptation to modern-day realities. But reforms that include modifications, such as increasing the retirement age, are difficult and are often rejected at the ballot box. This is why our pension system has slipped in the international rankings over recent years, falling behind the Scandinavian countries, for example.

Legal minimum prescribes far too high conversion rate

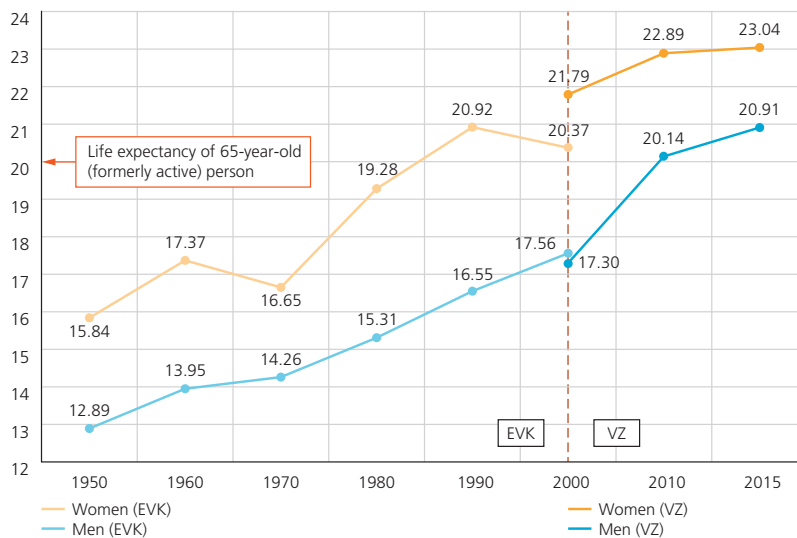
In the case of the second pillar, it is important to know that there is a legal minimum prescribing a conversion rate of 6.80% on retirement – which is much too high in today's environment. The conversion rate depends primarily on the calculated life expectancy and the assumed interest on the pension capital, the so-called technical interest rate. While the life expectancy of a 65-year-old has increased by around one year every 10 years since 1985 (Table 1), the safe interest, i.e., that paid on federal bonds, has fallen over the same

Table 1:

Life expectancy of 65-year-old active member upon retirement

(VZ: Basics of the pension fund of the city of Zurich and other public-law funds;

EVK: Basics of the Swiss federal pension scheme)



risks, however. Because, as we all know, stocks have the potential to generate high returns, but at the same time they can also be very volatile. The active insured members and the employer carry the risk in every pension fund, but not the retirees, since, as already stated, the current pensions cannot be reduced.

Shortfall in interest as the main challenge for the second pillar

In the 1990s, the interest commitment for retirees could be guaranteed simply by buying federal bonds, and could be offered risk-free for active insured members.

Today, every pension fund has to

period from 4% to -0.5% (Table 2). A conversion rate of 6.8% today includes an interest commitment of almost 5%. This must be guaranteed in the mandatory area, since current pensions cannot be reduced.

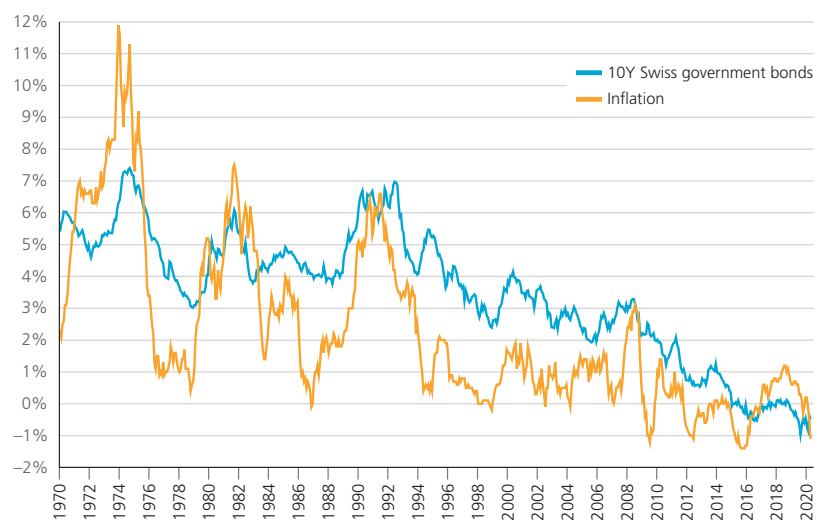
Novartis Pension Fund

As already mentioned, the Novartis Pension Fund has a conversion rate of 5.35% instead of 6.80%. Almost all pension funds that offer benefits better than the legal minimum have lowered their conversion rates to below 6.80% and will continue to lower them – in some cases below 5%. But reducing the conversion rate leads to lower insured retirement pensions, unless the pension fund and/or the employer can finance contributions to cushion the shortfall.

At the Novartis Pension Fund, the technical interest rate is 2%. This interest is credited to the pension capital regardless of the return obtained. If the return on assets is lower, this interest rate guarantee is financed at the expense of the fluctuation reserve. The reserve amounted to a good 13% at the end of 2019. Nevertheless, it is clear that with an interest rate of minus 0.5%, the 2% can only be achieved through equity and real estate returns. This is because such investments yield much higher returns than bonds. These higher returns – which have to be achieved in order to pay the interest on the pension capital of the pension recipients – involve taking investment

finance these guarantees by taking investment risks. This means that the active insured members and the employer bear a high risk, depending on the proportion of retirees. In addition, life expectancy continues to rise. These risks and challenges can only be countered with lower conversion rates and lower technical interest rates. On the other hand, the downside of these measures are lower insured retirement benefits for today's active insured members, assuming that the pension fund and/or the employer cannot provide for or finance any cushioning measures. In addition to the widely known increase in life expectancy, the shortfall in interest is the biggest challenge currently facing every pension fund.

Table 2:

Return on 10-year Swiss government bonds and inflation

All candidates PF 1 at a glance

Vote!

14**xnav**



All candidates PF 2 at a glance

Vote!

4xnav

