



# Novartis Pension Fund 1

## Conversion Rate Adjustment 2022

Dear Colleagues,

The Board of Trustees of the Novartis Pension Fund 1 has spent the last few months reviewing the parameters of the current pension plan to secure sustainable benefits for associates in the long term.

After careful consideration, the Board of Trustees decided to adjust the conversion rate upon retirement and at the same time to provide for appropriate compensation measures to offset the impact on benefits at retirement as much as possible. The change will come into force as of January 1, 2022.

### Why review the pension plan?

The primary objective is to secure a financially healthy and sustainable occupational benefits scheme for Novartis associates in Switzerland in the future, taking into account the all-time low levels of interest rates and continuously increasing life expectancy.

### What will change?

- Adaptation of Conversion Rate

Currently, pension annuities at retirement are calculated using a conversion rate of 5.35%. Reflecting updated assumptions on life expectancy and discount rate, the applicable conversion rate will be adjusted to 5.0% as from January 1, 2022.

Without the below compensation measures, this change would lead to a reduction of benefits at retirement:

- Compensation Measures

We are pleased to inform you that the currently strong position of the Novartis Pension Fund 1 allows us to take measures to largely mitigate the impact of this change.

First of all, the Pension Fund 1 will grant compensation credits on the existing members' retirement accounts, based on their age and years of service.

This compensation will be calculated individually and credited to the existing members'

retirement accounts in annual instalments over the next five years, starting in January 2022.

Furthermore, there will be an increase of the savings contributions in the Pension Fund's retirement plan for both employer and employee contributions.

### **What are the next steps?**

Early in Q2 2021, all insured members to whom the upcoming changes apply, will receive an information from the Pension Fund describing the changes in further detail, including a personalized provisional comparison statement illustrating their projected benefits and contributions under the current and the new conversion rate.

Please also visit the Pension Funds website (<https://www.pensionskassen-novartis.ch/en/>) where more information will be shared as we go forward.

Kind regards,

Daniel Weiss  
Chairman of the Board of Trustees

Thomas Boesch  
Head P&O Switzerland



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