International Accounting Outlook 2024 – *Quarter 1 / Quarter 2 Update*

Assumptions and Methods – Key Take Aways

- Lower **discount rate** volatility over the year to the middle of May 2024 in comparison to the recent past
- Actual **inflation** continues to vary over the short-term in comparison to medium to long-term expectations
- Continuing **refinement** of assumptions and methods adopted by companies and scrutiny thereof

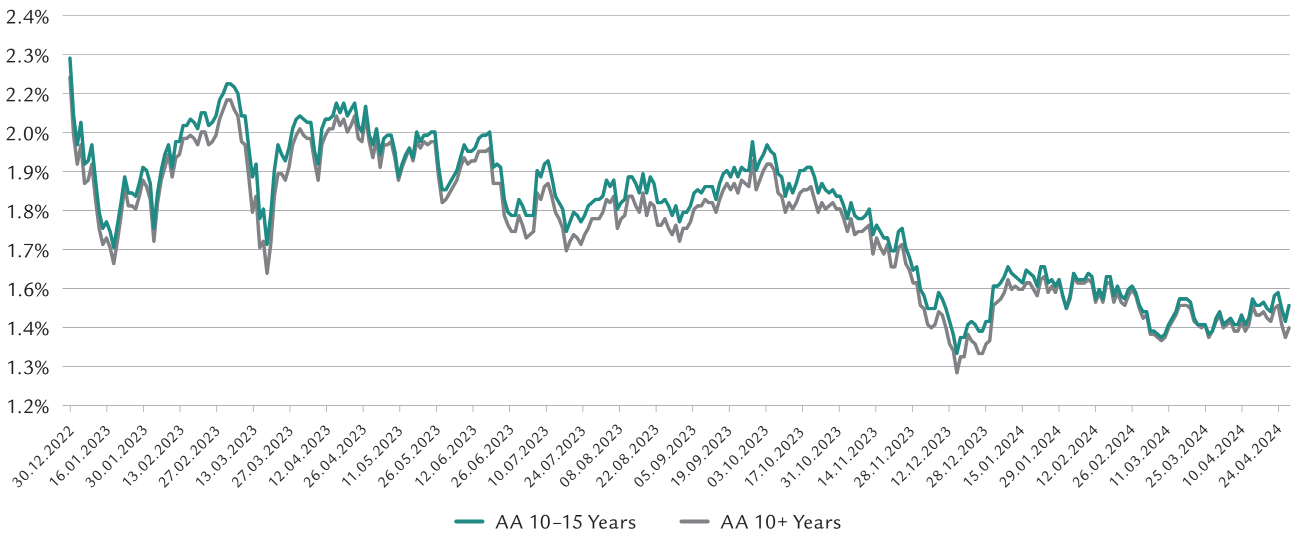
Discount Rate

In comparison to 2022 – 2023, rates commonly adopted by companies from January 2024 to April 2024 in accordance with international accounting standards, e.g. International Accounting Standard 19 (IAS 19) have experienced lower levels of volatility, also per US GAAP.

1.50 %

Pursuant to the duration of the liabilities in respect of the particular pension / benefit arrangements being valued, discount rates of around 1.50 percent are not uncommonly being adopted by companies during 2024 in comparison with discount rates of around 1.50 percent per 31.12.2023 and with around 2.25 percent per 31.12.2022.

Graph 1: Swiss Bond Index (SBI) AA 10+ / 10–15 year data from 01.01.2023 to 30.04.2024



Discount Rate (continued)

Whilst end of 2024 discount rates are not known at this stage, methodologies are well established in respect of how accounting boards require rates to be set in accordance with international standards, e.g. International Accounting Standard 19 (IAS 19).

IAS 19 requires an entity to determine the discount rate by reference to market yields at the end of the reporting period on high quality corporate bonds of a currency and term consistent with the currency and term of the post-employment benefit obligations.

Changing discount rates can significantly impact the Defined Benefit Obligation (DBO) per IAS 19, Projected Benefit Obligation (PBO) per US GAAP. The impact on the DBO / PBO funded status should also be considered and benefit expense in future years.

One can expect a lower discount to lead to a higher obligation and vice-versa. Increasing the rate by, e.g., 25 basis points, may decrease the obligation by around 3 to 5 percent, decreasing the rate by, e.g., 25 basis points may increase the obligation by around 3 to 5 percent.

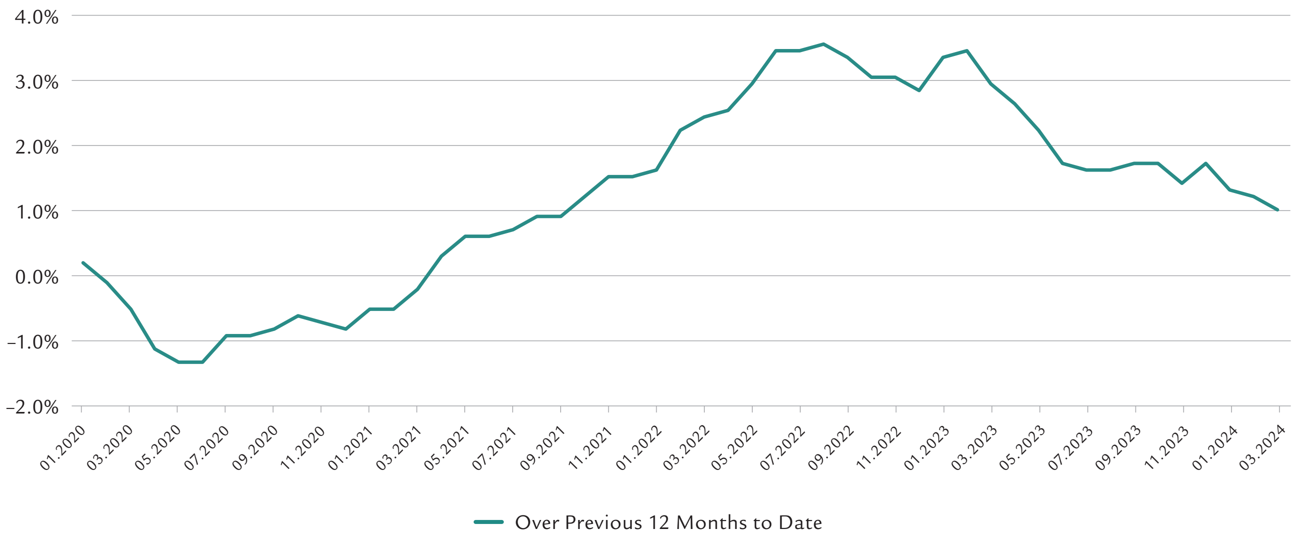
Inflation

Whilst short-term fluctuations in actual Consumer Price Index (CPI) data continue to be observed – See graphic below over the period from January 2020 to April 2024, assumptions adopted over the medium to long-term have continued to exhibit lower levels of volatility.

Entities continue to adopt a medium to long-term inflation rate assumption used to determine benefit obligations in accordance with international accounting standards, e.g. IAS 19, of around 1.00 to 1.25 percent during 2024 in comparison with an assumption of around 1.00 to 1.25 percent per 31 December 2023, also per 31 December 2022.

1.10 %

Graph 2: Consumer Price Index (CPI) data from 01.2020 to 04.2024



Next Steps and Closing

To ensure a smooth budget planning process and year-end valuations for 2024, companies should continue to monitor and refine assumptions and methods used in accordance with international standards.

We are delighted to support the process not least via our award winning forecasting of economic activity in Switzerland but also via the breadth and depth of actual information available to us in respect of Swiss pension arrangements and developments thereof.

Companies are continuing to monitor not only how economic forecasts evolve but also trends in actual demographic experience over the recent past.

Swiss Life is the number one provider of comprehensive life and pensions and financial solutions. 1.4 million private individuals and over 50 000 companies place their trust in our over 165 years of experience for their future provisions.

If you might happen to have any questions in respect of the themes arising, please do feel free to let us know.

We would be delighted to provide further insights, also to welcome you to our upcoming events in Switzerland.

Please do feel free to register using the following links:
www.swisslife.ch/slps-events / pension.services@slps.ch

Iain Richardson
Head of International Accounting
iain.richardson@slps.ch

Swiss Life Pension Services

Talk to us. Electronically. By telephone. In person.
For a self-determined life.

Swiss Life Pension Services
Avenue des Morgines 10, P. O. Box 564, 1213 Petit-Lancy 1
Telephone 0800 00 25 25, pension.services@slps.ch
www.swisslife.ch/slps

Swiss Life Pension Services
General-Guisan-Quai 40, P. O. Box, 8022 Zurich
Telephone 0800 00 25 25, pension.services@slps.ch
www.swisslife.ch/slps