

ACTUARIAL POLICY

CYTA Pension Fund

Version 1.0

Effective from 23 November 2021

Actuarial Policy

1. Introduction

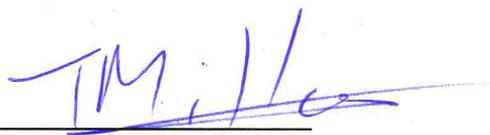
The Cyprus Law regarding the supervision of the Institutions for Occupational Retirement Provision (IORP), as modified by the Law 10 (I) 2020, hereafter referred to as "the Law", requires an IORP which itself provides cover against biometric risks or guarantees either an investment performance or a given level of benefits to provide for an effective Actuarial Function. In addition, the Law requires the IORP to designate at least one independent person, inside or outside the IORP, who is responsible for the Actuarial Function.

As such, the CYTA Pension Fund (hereafter referred to as the "Fund") has developed and implements this Actuarial Policy.

The policy aims to ensure that the Fund has an effective Actuarial Function commensurate with the volume, nature and complexity of its operations, which is part of its risk management system. This policy specifies:

- I. the scope of the policy,
- II. the structure of the Actuarial Function, and
- III. the responsibilities of the Actuarial Function.

This version of the Actuarial Policy has been approved by the Management Committee of the Fund on 23 November 2021. The Actuarial Policy is updated when a change to the risk profile of the Fund occurs but at least on a triannual basis. Any changes to the Actuarial Policy will be communicated to the Registrar within one month.



Theocharis Millas

Chairman of the Management Committee



Nayia Stylianidou

Member of the Management Committee

2. Scope of the Policy

The Actuarial Policy is approved by the Management Committee of the Fund and is implemented by the Actuarial Function of the Fund.

The Actuarial Function and specifically the designated responsible person for the Actuarial Function is responsible for the development, updating and proper implementation of the Actuarial Policy, as well as for suggesting any amendments or revisions of the policy to the Management Committee, whenever deemed necessary.

3. Structure of the Actuarial Function

The signing actuary of the Scheme (hereafter referred to as the "Scheme Actuary") is appointed as the designated responsible person for the Actuarial Function. The Scheme Actuary is ethical and acts with integrity, competence, care and impartiality, as well as possesses sufficient theoretical and practical knowledge of occupational retirement issues. The Scheme Actuary is a Fellow of a professional Actuarial Association that is a member of the International Actuarial Association. In addition, the Scheme Actuary has management skills and experience, and his/her consent is required for decisions regarding resourcing of the Actuarial Function.

The Scheme Actuary has access to any books, documents and records of the Fund. The Management Committee cooperates with him/her and generally facilitates his/her work in every way.

4. Responsibilities of the Actuarial Function

The Actuarial Function and specifically the Scheme Actuary is responsible to:

- a) coordinate and oversee the calculation of technical provisions;
- b) assess the appropriateness of the methodologies and underlying models used in the calculation of technical provisions and the assumptions made for this purpose;
- c) assess the sufficiency and quality of the data used in the calculation of technical provisions;
- d) compare the assumptions underlying the calculation of the technical provisions with the experience;
- e) inform the administrative, management or supervisory body of the Fund of the reliability and adequacy of the calculation of technical provisions;
- f) express an opinion on the overall underwriting policy in the event of the Fund having such a policy;
- g) express an opinion on the adequacy of insurance arrangements in the event of the Fund having such arrangements; and

- h) contribute to the effective implementation of the risk management system. The Actuarial Function coordinates the calculation of technical provisions by type of risk of the Fund. The estimates of the technical provisions and the methodology of the calculations are determined by the technical specifications of the legislative framework which are adopted and followed by the Actuarial Function of the Fund.

An actuarial report is prepared with a reference date of 31/12 of each year and more regularly, if deemed necessary. The report takes into account data such as the number and age distribution of insured members, the structure of contributions and benefits, etc. The actuarial report, after being approved by the Management Committee, is submitted to the Registrar.

Where required, the Actuarial Function validates the valuation methodology used to calculate the technical provisions by comparing actual experience with the results derived from the actuarial calculations explained above (actual vs expected), and assesses the adequacy of the assets in relation to the estimated liabilities, at least on an annual basis. In this way, the Actuarial Function validates the appropriateness of the approaches and assumptions it uses to calculate the technical provisions, ensures the relevance of the actuarial methods it uses as well as the adequacy of the level of technical provisions it ultimately calculates.

In case the Actuarial Function identifies weaknesses in the process of estimating the technical provisions or in case of inability of the Fund to cover the amount of the technical provisions resulting from the actuarial estimates, it suggests corrective actions and monitors the implementation of those actions approved by the Management Committee.

The Actuarial Function ensures that the Fund, where the Fund itself, and not the sponsoring undertaking, underwrites the liability to cover against biometric risk, or guarantees a given investment performance or a given level of benefits, holds on a permanent basis additional assets above the technical provisions to serve as a buffer (solvency margin). The Actuarial Function coordinates the calculation of the solvency margin by type of risk but also in total. The methodology of calculating the solvency margin is determined by the technical specifications of the applicable legal framework which are adopted and followed by the Actuarial Function of the Fund.

The Actuarial Function ensures that the Fund has at all times sufficient and appropriate assets to cover the technical provisions. In case the Fund has insufficient assets to cover the technical provisions, the Actuarial Function drafts a concrete and realisable recovery plan with a timeline, in order to re-establish the required amount of assets to cover fully the technical provisions in due time. The Actuarial Function submits the recovery plan to the Registrar for approval. In drawing up the recovery plan, the Actuarial Function takes into account the specific situation of the Fund, in particular the asset/liability structure, risk profile, liquidity plan, and the age profile of the members entitled to receive retirement benefits.

The provision of suitable, complete/adequate and accurate data is a crucial factor for the effective operation of the Actuarial Function. To ensure the suitability and completeness of the data, the Actuarial Function shares in advance a data template including all requested data points for the purposes of the actuarial calculations. To ensure the accuracy of the data, various reasonability checks are performed by the Actuarial Function at record level or overall. The Actuarial Function does not perform audits based on practices followed by auditors.

The designated responsible person for the Actuarial Function communicates with the Registrar on issues related to the actuarial operation of the Fund.