

Annual Report 2017 Short Version



Foreword

The need to find our own solutions

Swiss retirement provision is good. What is not so good is the failure to make the necessary changes. The last reform of old-age and survivors' insurance (OASI) took place over 20 years ago. Since then all efforts towards change have been unsuccessful. This was again what happened with the Pensions 2020 reform package that was rejected in a national referendum in 2017. The reform would have brought a number of improvements to the world of the Occupational Pensions Act (OPA). Once more, we see the reality: political solutions are problematic. Pension institutions are obliged to be proactive themselves. That is what pension fund pro is continuing to do.

2017 was a positive year for pension fund pro. Investment performance has improved compared with the previous year and the numbers of affiliated companies and insured persons have increased. The important groundwork laid in 2016 and implemented in the reporting year has paved the way for these results. Therefore, pension fund pro remains on a secure footing, and is ideally placed to face the future.

The regulatory environment presents all pension funds with increasing concerns. Many regulations have been issued over the last 15 years but the key problems have not been addressed. Occupational pension arrangements have gradually moved closer to the OASI's pay-as-you-go concept. Every year, there is a dramatic redistribution from the younger to the older generation. The reduction of the conversion rate from 7.2% to 6.8% will soon be nothing more than a drop in the ocean. Experts believe 5% would be realistic thanks to the drastic fall in expected yields and the marked increase in life expectancy for both men and women (1985: 76.7 years of age; 2015: 83.2 years of age).

The number of pension institutions continues to fall and this should come as a surprise to no one. In 2013, there were 1,957 such institutions but at the end of 2016 only 1,713. And this comes at a time when the numbers of active insured persons, pension beneficiaries and even the accumulated balance sheet totals have risen significantly once again. What can be done now? The Federal Council intends to renew its efforts by splitting the pensions reform into parts. The OASI reform is to be given priority over the second pillar. The only option for pension funds is to carry on making the best of it.

pension fund pro is making strenuous and successful efforts to do just that. Here are four examples:

- > The strategy adopted years ago, of reducing both the technical values and the pensions portfolio at the same time, is bearing fruit. The risk-bearing coverage ratio (coverage ratio excluding pension beneficiaries) lies at almost 100%.
- > Our pension fund deliberately accepts a lower coverage ratio because this brings significantly improved levels of stability and security.
- > We continue to adopt a clearly conservative investment strategy: this puts us in a strong position to deal with any foreseeable interest rate rises.
- > Sustainable investment in automation and reduction of administration costs: iTelco is going through the testing process and should be ready for our distribution partners and clients in 2018.

This demonstrates that pension fund pro is itself taking the steps that seem impossible in the political environment. It is well placed to face the future in every respect.

We take both the promise and the mandate set out in the OPA seriously: stable finances and years that are as carefree as possible for our clients after their retirement – even in times of political and financial uncertainty.

Yours faithfully

Peter Hofmann
Chairman of the Board of Trustees

Organization

Foundation board	
Employee representative	Peter Hofmann, Geneva (President) Daniel Andermatt, Holzhäusern Michael Dean Head, Ballwil
Employer representative	Thomas Kopp, Lucerne (Vice-President) Pierre Christen, Veyrier Hansjörg Wehrli, Chur
Experts	DIPEKA AG
Auditors	Ernst & Young AG
Supervisory authority	Central Switzerland BVG and Foundation Supervision (ZBSA)
Asset management	Tellco Ltd, Schwyz
Depository	Tellco Ltd, Schwyz
Marketing and sales	Tellco Ltd, Schwyz
Administration and management	Tellco Ltd, Schwyz
General management	Michel Herzig, Manager pension fund pro, Tellco Ltd, Schwyz

pension fund pro at a glance

Name	pension fund pro
Abbreviated name	pf pro
Legal entity	Foundation subject to civil law
Type of risk coverage	Semi-autonomous Pension Fund
Re-Insurer (Disability and Death)	Die Mobiliar
System	Defined Contribution Plan
Affiliated companies	7,984
Insured persons	67,325
Pension capital for working insured	1,832,834,307
Interest on savings capital	1.00 %
Pension recipients (number of pensions)	2,694
Pension capital for pensioners	513,318,779
Pension benefits	43,415,248
Technical interest rate	1.75 %
Membership ratio of pensioner to actives (with respect to capital)	21.9 %
Technical reserves	59,637,893
Technical principles	OPA 2015, period life tables 2016
Investments at 31 December 2017	2,760,153,840
Return on Investments	5.48 %
Funding ratio at 31 December 2017	102.3 %
Value fluctuation reserve for foundation	56,256,642

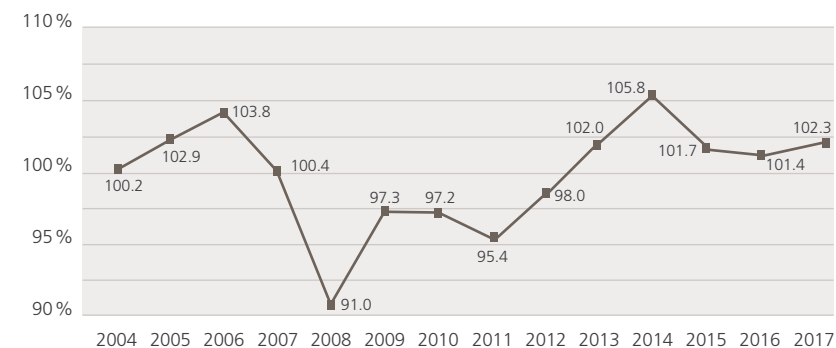
Balance sheet per 31 December 2017

	31.12.2017	31.12.2016
	CHF 1,000	CHF 1,000
Assets		
Investments	2,760,153	2,706,706
Money market investments	164,254	187,936
Receivables from employers	43,491	41,015
Receivables from third parties	6,849	6,873
Mortgage loans	34,294	19,820
Domestic and foreign CHF bonds	207,438	223,063
Global bonds in foreign currency	129,295	134,468
Convertible bonds	129,674	131,191
Swiss equities	262,709	293,210
Global equities	262,638	286,687
Alternative investments	685,996	625,035
Swiss real estate	833,515	757,408
Accruals	1,204	856
Assets under insurance contracts	627	636
Total Assets	2,761,984	2,708,198
Liabilities		
Liabilities	229,709	215,887
Liabilities from vested benefits and pension benefits	174,019	171,916
Capital received for pension funds	29,615	27,500
Liabilities to banks and insurance companies	345	568
Other liabilities	25,730	15,903
Deferrals	19,558	20,039
Employer contribution reserves	20,885	22,698
Non-technical provisions	1,060	1,458
Pension capital and technical reserves	2,406,418	2,380,961
Pension capital for working insured	1,832,834	1,771,140
Pension capital for pensioners	513,319	563,907
Liabilities under insurance contracts	627	636
Technical reserves	59,638	45,278
Value fluctuation reserve for foundation	56,257	33,458
Fluctuation reserves for pension funds	13,916	18,122
Free assets of pension funds	14,181	15,575
Foundation capital, free assets of foundation / actuarial deficiency	0	0
Status at beginning of period	0	0
Expense/revenue surplus	0	0
Total liabilities	2,761,984	2,708,198

Insurance-technical balance sheet

	31.12.2017	31.12.2016
	CHF 1,000	CHF 1,000
Balance sheet assets	2,761,984	2,708,198
> Balance sheet liabilities	-229,709	-215,887
> Deferrals	-19,558	-20,039
> Employer contribution reserves	-20,885	-22,698
> Non-technical provisions	-1,060	-1,458
> Fluctuation reserves of pension funds	-13,916	-18,122
> Free assets of pension funds	-14,181	-15,575
Total available pension assets	2,462,675	2,414,419
Pension capital for working insured	1,832,834	1,771,140
Pension capital for pensioners	513,319	563,907
Liabilities under insurance contracts	627	636
Technical reserves	59,638	45,278
Pension capital and technical reserves	2,406,418	2,380,961
Actuarial surplus / deficiency	56,257	33,458
Foundation's funding ratio (= minimum funding ratio of the pension funds)	102.3 %	101.4 %
Non-committed funds and fluctuation reserves of pension providers	-28,097	-33,697
Average funding ratio of the pension funds	103.5 %	102.8 %

Chronology of funding ratio



Affiliated companies / Portfolio figures 2017

	2017	2016
Affiliated companies		
As at January 1	7,932	7,718
Newly affiliated companies	1,024	1,205
Cancelled affiliation contracts	-972	-991
As at December 31	7,984	7,932

Active insured and pensioners		
Women	20,420	18,225
Men	46,905	42,843
As at December 31	67,325	61,068

The average age of the insured is		
Women	40.7	40.4
Men	39.8	39.7

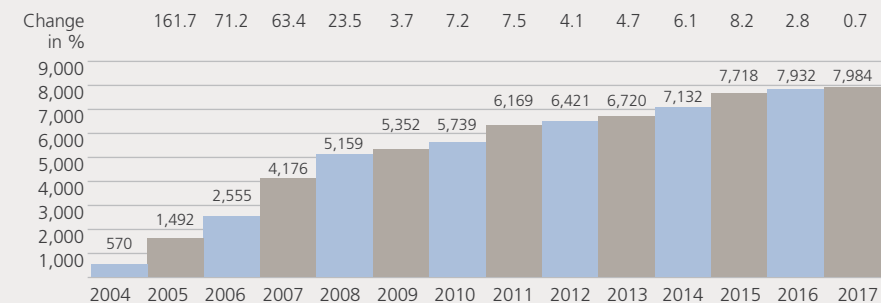
Pensioners		
Disability pensions	700	954
Retirement pensions	1,319	1,446
Partner pensions	297	404
Child pensions	378	443
As at December 31	2,694	3,247

Pension beneficiaries under insurance contracts		
Disability pensions	4	5
Partner pensions	2	2
As at December 31	6	7

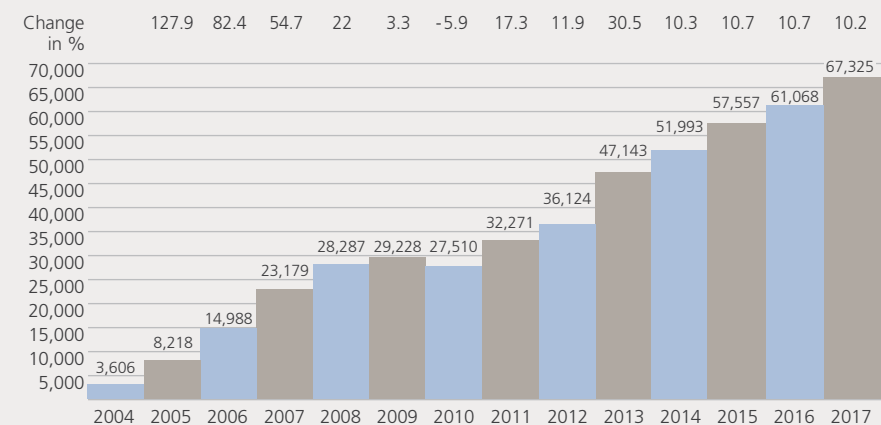
Change in pending reinsured disability cases		
As at December 31	689	560

Ratio of pensioners to active members (Number, including pending disability cases)	4.8 %	5.9 %
Ratio of pensioners to active members (Number, including insurance contracts)	4.8 %	5.9 %

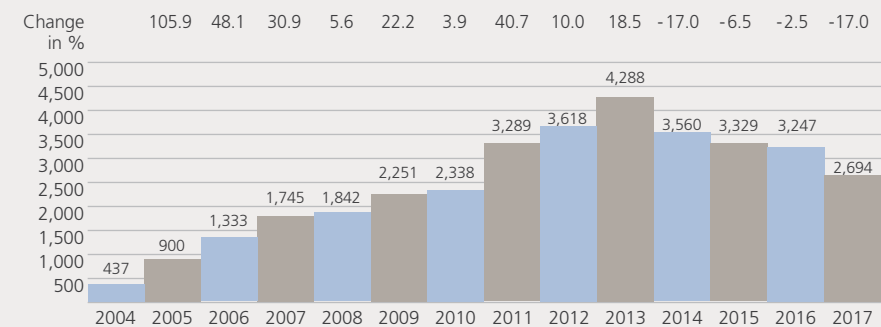
Affiliated companies



Active members

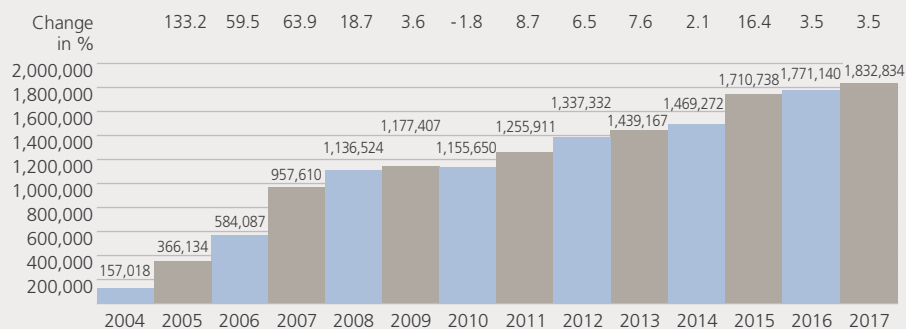


Pensioners

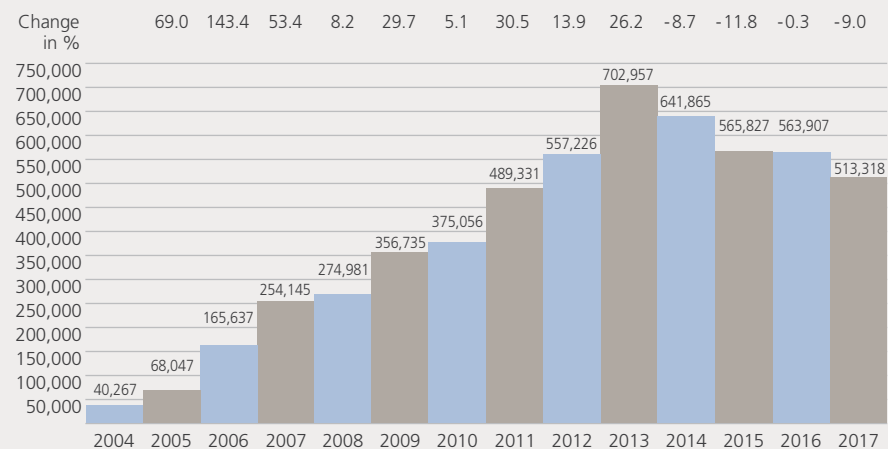


Funding (application of contributions)

Pension capital for working insured (including BVG share) – from 2004 to 2017



Change in pension capital for pensioner – from 2004 to 2017



	2017 CHF 1,000	2016 CHF 1,000
Income (contributions)		
Employee contributions	133,787	127,023
Employer contributions	147,543	140,684
Contingency reserve premium accounts	-800	-1,200
Total income	280,530	266,507
Expenses (utilisation)		
Retirement credits	222,218	209,226
Insurance premiums	37,899	37,076
Contributions to Security Fund	1,730	1,375
Administrative costs	23,246	20,861
Total expenses	285,093	268,538
Balance	-4,563	-2,031
Employee / Employer		
Employee	48 %	47 %
Employer	52 %	53 %
Cost per insured / pensioner		
Administrative costs	329	322
Administrative costs (investment portfolio)	533	544
Total costs	862	866

Operating statement

	2017	2016
	CHF 1,000	CHF 1,000
Total inflow from contributions and entry payments	553,440	564,290
Total outflow for benefits and early withdrawals	-605,774	-534,419
Release/creation of pension capital, technical reserves and contribution reserves	-27,612	-51,897
Income from insurance benefits	22,574	22,789
Insurance expenses	-39,629	-38,451
Net result from insurance component	-97,001	-37,688
Result from investment	176,006	86,848
Administrative expenses (Investment portfolio)	-37,712	-35,325
Net investment result	138,294	51,523
Other returns/other expenses	695	758
Administrative costs	-23,246	-20,861
Expense / revenue surplus before interest on available funds	18,742	-6,268
Interest on free assets of pension funds	-149	-188
Expense / revenue surplus before creation / release of fluctuation reserve	18,593	-6,456
Creation / release of fluctuation reserve for Foundation	-22,799	5,405
Creation / release of fluctuation reserve for pension providers	4,206	1,051
Expense / revenue surplus	0	0

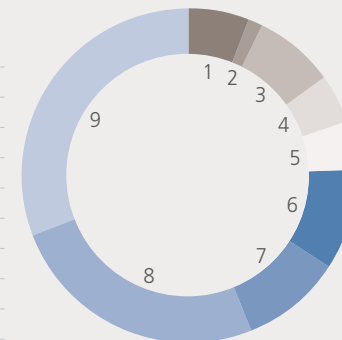


Capital 2017

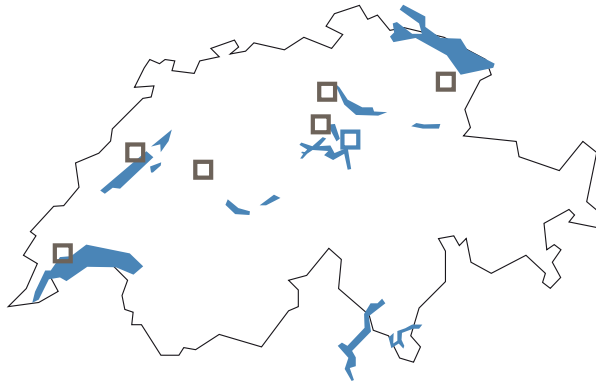
	2017 CHF 1,000	2016 CHF 1,000	Asset classes
Money market investments	164,254	187,936	6.1%
Mortgage loans	34,294	19,821	1.3%
Domestic and foreign bonds CHF	207,438	223,063	7.7%
Foreign bonds in foreign currencies	129,295	134,468	4.8%
Convertible bonds	129,674	131,191	4.8%
Swiss equities	262,709	293,210	9.7%
Global equities	262,638	286,687	9.7%
Alternative investments	685,996	625,035	25.3%
Swiss real estate	833,515	757,408	30.8%
Subtotal	2,709,813	2,658,819	100.0%
Interest on receivables from employers	43,491	41,015	
Other receivables Switzerland	6,849	6,873	
Prepaid expenses	1,204	856	
Assets under insurance contracts	627	636	
Total assets	2,761,984	2,708,199	

Asset classes

Money market investments	6.1 %	1
Mortgage loans	1.3 %	2
Domestic and foreign bonds CHF	7.7 %	3
Foreign bonds in foreign currencies	4.8 %	4
Convertible bonds	4.8 %	5
Swiss equities	9.7 %	6
Global equities	9.7 %	7
Alternative investments	25.3 %	8
Swiss real estate	30.8 %	9
	100.0 %	



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