

Annual Report 2010



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Foreword from the President

Dear pension fund pro employees
Dear ladies and gentlemen



Pension fund pro continued to do well in the 2010 financial year in spite of persistently low interest rates. The return on investments was 1.44 %; 0.13 % higher than the benchmark Pictet BVG-25 Index 2000. The funding ratio was 97.2 % as of 31 December 2010, which is 0.1 % lower than at the end of 2009. In spite of this slight actuarial deficiency the Board of Trustees did not apply a lower interest rate and decided in December to credit the BVG minimum interest of 2 % to the retirement assets and the premium accounts for the reporting year. Pension capital earned interest at 3.5 %.

A total of 5,739 companies (5,352 in the previous year) with 27,510 insured employees (29,228 in the previous year) entrusted their employee benefits insurance to pension fund pro. This represents an increase of 387 companies. In spite of facing strong competition, pension fund pro is continuing to focus on qualitative growth. The assets under management increased by CHF 7 million to CHF 1.8 billion in total.

The income/expenditure statement is extremely solid owing to the fact that the insurance premiums dropped by CHF 5.7 million from the previous year. Thanks to this pleasing development we were able to offer attractive terms to clients renewing their contracts.

The Board of Trustees maintained its tried-and-tested conservative investment strategy for the 2010 investment year. There were small shifts in the CHF bonds and global bonds asset classes where the exposure was reduced slightly, in expectation of higher inflation, in favour of equities and real estate.

The Board of Trustees is keeping a close eye on the European sovereign debt crisis as well as the unstable monetary situation and its impact on the financial markets.

The Board of Trustees met the challenges posed by current demographic trends (longevity) by applying the BVG 2010 actuarial tables for the first time and increasing the reserve for securing the conversion rate.

A structural reform of the employee benefits insurance system is one of the items on the political agenda. In addition to some sensible proposals, the aim is to limit the scope for action of the employer and employee representatives on the governing and executive bodies of pension funds and to substantially tighten regulatory requirements, which will increase the administrative burden. Pension fund pro is in the vanguard of the efforts to limit excessive regulatory pressure and thus also the increase in administration costs facing affiliated companies.

Thanks to its business philosophy and strong market position as a pension specialist for SMEs and temporary job agencies, pension fund pro can look to the future with confidence.

On behalf of the Board of Trustees I would like to thank all our clients and distribution partners for their long-standing loyalty and trust enabling our continued progress along this road. I would also like to thank our employees who devote their subject expertise and commitment to service quality to the service of pension fund pro.

Yours sincerely,

Peter Hofmann
 Chairman of the Board of Trustees

Key Figures

	2010 CHF 1,000	2009 CHF 1,000	Change in %
Gross Premiums Written	164,635	165,033	-0.2
> of Which Savings Contributions	116,112	117,170	-0.9
> of Which Risk and Administrative Cost Contributions	48,523	47,863	1.4
Regulatory Savings Capital	1,155,650	1,177,407	-1.8
Pensioners' Coverage Capital	375,056	356,735	5.1
Pension Payments	30,873	25,316	22.0
Technical Reserves	36,507	35,300	3.4
> of Which Portable Benefits Act 17 Reserves	1,510	1,586	-4.8
> of Which are BVG Minimum Retirement Benefit Reserves	332	372	-10.8
> of Which IBNR Loss Reserves	21,647	22,447	-3.6
> of Which Reserves for Conversion Rate	7,854	4,268	84.0
> of Which Price Rise Compensation Fund	5,164	3,809	35.6
> of Which Risk Reserves	–	2,818	-100.0
Coverage Deficit	47,445	45,724	3.8
Balance Sheet Total	1,800,272	1,792,895	0.4
Other details			
Foundation's Cover Margin	97.2 %	97.3 %	-0.1
Pension Funds' Average Cover Margin	98.2 %	98.6 %	-0.4
Affiliated Companies	5,739	5,352	7.2
Insured Parties	27,510	29,228	-5.9
Pensioners (Number of Pensions)	2,338	2,251	3.9
Reinsured Pension Recipients	871	924	-5.7
Pending Reinsured Disability Claims	234	228	2.6
Return on Investments	1.44 %	9.90 %	-85.5
Interest on Savings Capital	2.00 %	2.00 %	0.0
Technical Interest Rate	3.50 %	3.50 %	0.0

Balance Sheet

Assets	Note Number	31.12.2010 CHF	31.12.2009 CHF	Change in %
Money Market Investments	6.4	1,637,988,122	1,624,962,044	0.8
Receivables from Employers	6.4.1	46,902,588	105,147,665	-55.4
Payments on account for Pension Schemes	6.7.1	19,768,572	19,180,308	3.1
Receivables from Third Parties		–	126,000,000	-100.0
Tangible Assets		753,702	666,002	13.2
Mortgage Bonds to Employers	6.7.1	2,930,000	3,180,000	-7.9
Mortgage Bonds to Third Parties	6.4.2	6,000,000	6,000,000	0.0
Domestic and Foreign Bonds in CHF	6.4.3	427,986,002	439,979,643	-2.7
Foreign Bonds in Foreign Currencies	6.4.3	192,689,573	191,403,310	0.7
Convertible Bonds		66,928,566	78,625,000	-14.9
Swiss Equities	6.4.4	157,922,411	136,947,661	15.3
Global Equities	6.4.4	242,693,189	196,781,379	23.3
Alternative Investments	6.4.5	77,756,521	13,396,149	480.4
Swiss Real Estate	6.4.6	395,656,998	307,654,927	28.6
Accrued Assets		3,671,582	906,429	305.1
Assets from Insurance	5.2	158,612,153	167,026,187	-5.0
Total Assets		1,800,271,857	1,792,894,660	0.4

Balance Sheet

Liabilities	Note Number	31.12.2010 CHF	31.12.2009 CHF	Change in %
Liabilities		95,572,983	74,326,805	28.6
Liabilities from Vested Pensions and Pension Payments		48,678,560	39,747,873	22.5
Capital Received for Pension Funds		35,458,449	19,058,951	86.0
Other Liabilities		11,435,974	15,519,981	-26.3
Accrued Liabilities		11,524,862	11,382,190	1.3
Employer Contribution Reserves	6.7.2	16,757,717	14,868,213	12.7
Non-Technical Reserves	4.2	830,000	834,000	-0.5
Pension Capital and Technical Reserves		1,705,850,584	1,715,226,651	-0.5
Savings Capital	5.3	1,155,650,459	1,177,407,196	-1.8
Coverage Capital for Pensioners	5.5	375,056,297	356,734,667	5.1
Liabilities from Insurance Policies	5.2	138,636,654	145,785,106	-4.9
Technical Reserves	5.7	36,507,174	35,299,682	3.4
Fluctuation Reserves of Pension Funds		3,000,000	3,000,000	0.0
Disposable Assets of Pension Funds		14,180,783	18,980,803	-25.3
Foundation's Capital, Liquid Assets, Foundation's Coverage Shortfall		-47,445,072	-45,724,002	3.8
Status at the Beginning of the Period		-45,724,002	-142,309,272	-67.9
Surplus Earnings		-1,721,070	96,585,270	
Total Liabilities		1,800,271,857	1,792,894,660	0.4

Operating Account

	Note Number	31.12.2010 CHF	31.12.2009 CHF	Change in %
Ordinary and Other Contributions and Deposit		190,933,927	231,379,182	-17.5
Employee Contributions	3.2	76,144,657	76,892,477	-1.0
Employer Contributions	3.2	88,490,644	88,140,295	0.4
Less Employers' Contributions to Contribution Reserves	6.7.2	-1,636,141	-1,302,122	25.7
Less Formation of Contingency Reserve Premium Accounts	6.7.1	-350,000	-200,000	75.0
Purchase Totals and One-Time Deposits	5.3	15,720,965	6,590,084	138.6
Deposits in Coverage Capital Pensioners for Takeover of Insurance Holdings	5.5	7,528,381	53,691,921	-86.0
Allocated Provisions for New Affiliations		75,613	3,773,733	-98.0
Deposits in Employer Contribution Reserves	6.7.2	4,382,236	3,792,794	15.5
Savings Capital Contributions (from Disposable Assets of Pension Funds)		577,572	0	
Entry Payment		126,945,892	122,008,322	4.0
Vested Pension Deposits	5.3	123,898,293	119,384,689	3.8
Payment of Residential Property Early Withdrawals/Divorce	5.3	3,047,599	2,623,633	16.2
Total Influx from Contributions and Entry Payments		317,879,819	353,387,504	-10.0
Regulatory Payments		-43,452,127	-43,911,900	-1.0
Retirement Pensions		-18,376,462	-15,509,202	18.5
Survivor Pensions		-4,691,498	-3,554,896	32.0
Disability Pensions		-7,805,440	-6,252,030	24.8
Lump-sum Payments in Case of Death		-3,813,089	-2,333,907	63.4
Lump-sum Payments on Retirement		-8,765,638	-16,261,865	-46.1
Departure Payments		-280,703,696	-178,596,138	57.2
Vested Pension Benefits on Departure	5.3	-266,806,307	-164,907,438	61.8
Early Withdrawals for Residential Property/Divorce	5.3	-13,086,324	-13,442,896	-2.7
Payment of Employer Contribution Reserves	6.7.2	-811,065	-245,804	230.0
Total Outflow for Payments and Early Withdrawals		-324,155,823	-222,508,038	45.7

Operating Account

	Note Number	31.12.2010 CHF	31.12.2009 CHF	Change in %
Dissolution / Formation of Pension Capital, Technical Reserves and Contribution Reserves		2,816,310	-132,822,517	
Dissolution/Formation of Savings Capital	5.3	41,462,889	-23,729,718	
Formation of Coverage Capital for Pensioners	5.5	-18,321,631	-81,797,576	-77.6
Formation of Technical Reserves		-2,071,560	-7,989,674	-74.1
Interest on Savings Capital	5.3	-20,593,542	-20,920,989	-1.6
Proceeds from Partial Liquidations		3,939,007	3,860,308	2.0
Formation of Employer Contribution Reserves	6.7.2	-1,598,853	-2,244,868	-28.8
Income from Insurance Payments		23,558,175	13,680,246	72.2
Surplus Participation		3,243,779	103,725	3027.3
Insurance Payments		20,314,396	13,576,521	49.6
Insurance Expenditure		-26,597,711	-32,340,796	-17.8
Insurance Premiums	3.2	-25,789,086	-31,516,371	-18.2
Contributions to Guarantee Fund	3.2	-808,625	-824,425	-1.9
Net Result from the Insurance Portion		-6,499,230	-20,603,601	-68.5

Operating Account

	Note Number	31.12.2010 CHF	31.12.2009 CHF	Change in %
Transfer of Net Result from Insurance Portion		-6,499,230	-20,603,601	-68.5
Net Result from Asset Investment	6.6	17,017,256	130,005,440	-86.9
Interest Income on Payments from Previous Insurers		111,382	36,017	209.2
Interest Expenditure on Vested Pension Payments		-1,523,288	-1,213,771	25.5
Interest on Receivables/Obligations to Employers	6.7.1	-268,224	-314,562	-14.7
Interest on Receivables/Obligations to Third Parties		22,413	55,800	-59.8
Interest on Employer Contribution Reserves	6.7.2	-290,651	-261,797	11.0
Interest on Mortgage Loans to Employers		91,169	84,259	8.2
Interest on Mortgage Loans to Third Parties		323,735	300,396	7.8
Net Returns on Money Market Investments	6.6.1	-1,591,361	816,116	–
Net Returns on Domestic and Foreign Bonds in CHF	6.6.2	14,656,943	39,481,495	-62.9
Net Returns on Foreign Bonds in Foreign Currencies	6.6.3	-19,307,845	7,582,274	
Income from Convertible Bonds		2,251,911	3,446,897	-34.7
Net Return on Swiss Equities	6.6.4	5,546,767	26,815,106	-79.3
Net Return on Global Equities	6.6.5	-2,364,921	42,188,768	
Net Return on Alternative Investments		9,426,804	2,252,207	318.6
Net Return on Swiss Real Estate	6.6.6	12,847,421	11,311,361	13.6
Administrative Expenditures for Asset Investment	6.6.7	-2,914,999	-2,575,126	13.2
Liquidation of Non-Technical Reserves		–	308,000	-100.0
Other Returns		564,417	409,258	37.9
Return from Services Performed		560,800	406,667	37.9
Miscellaneous Returns		3,617	2,591	39.6
Other Expenses		-244	-308,115	-99.9
Administrative Expenditures		-12,495,639	-12,857,890	-2.8
Administrative Expenditures		-4,687,504	-4,926,625	-4.9
Marketing and Advertising Expenditures		-7,808,135	-7,931,265	-1.6
Surplus Earnings Prior to Interest in Available Resources		-1,413,440	96,953,092	
Interest on Available Resources Pension Funds		-307,630	-367,822	-16.4
Expenditure/Income Surplus before Creation / Release of Fluctuation Reserve		-1,721,070	96,585,270	
Creation of Fluctuation Reserve	6.3	–	–	
Income/Expenditure Surplus		-1,721,070	96,585,270	

Notes

1 Principles and Organization

1.1 Legal Structure and Purpose

Pension fund pro is a private-legal foundation in the sense of Art. 80 and following of the Swiss Code of Civil Law (ZGB), Art. 331 of the Swiss Code of Obligations (OR) and Art. 48 Para. 2 of the Swiss Law on pension funds (LOB). It is an independent legal entity registered in the commercial registry under the number CH-130.7.008.327-1. It insures the employees and employers of its affiliated firms within the context of the Swiss law on pension funds and its regulations to provide financial security for Old-age, death and disability.

1.2 Registration and Guarantee Fund

Pension fund pro is subject to the mandatory provisions of the Swiss Federal Law (June 25, 1982) on Employment Insurance, Old-age, Survivor and Disability Benefits (LOB); also the Federal Law (December 17, 1993) on the Vesting of Employment, Old-age, Survivor and Disability Benefits (FZG). It is registered as C1.0110 in the Registry of Professional Pensions. Pension fund pro is affiliated to the LOB Guarantee Fund under the provisions of Art. 57 LOB and contributes to this fund as per the articles of the ordinance of June 22, 1998 concerning the LOB Guarantee Fund (SFV).

1.3 Charter and Regulatory Authorizations

Pension fund pro operates under the following charter and regulatory provisions:

Description	Date of Last Change	In Effect Since
Deed of Foundation	10.06.2005	10.06.2005
Regulation Concerning the Election and Work Methods of the Foundation Board	06.04.2009	01.04.2009
Pension Regulations for the Pension Commission	13.12.2007	01.01.2008
Business Terms and Conditions	12.12.2008	01.11.2008
Pension Plan Regulation	17.12.2010	01.01.2011
Regulation for Residential Property Promotion	17.12.2010	01.01.2011
Cost Regulation	17.12.2010	01.01.2011
Regulation Concerning Technical Provisions	17.12.2010	31.12.2010
Investment Regulation	23.04.2009	01.05.2009
Regulation Concerning Partial Liquidation of the Foundation or Pension Institutions	30.04.2010	01.01.2010

1.4 Parity Management Body / Signing Authority

Foundation Board

Pension fund pro's Foundation Board consists of six members (three employee and three employer representatives) and forms the strategic management body of pension fund pro. It has senior management oversight and authority over operations of pension fund pro. Two members of the Foundation Board together have joint signatory authority.

Foundation Board members serve terms of five years. Re-election is possible. The present Members of the Board are:

First Name, Surname, Location		Term
Peter Hofmann, Genève (President)	AN	01.06.2005 – 31.12.2014
Dirk Jan Post, Oberdorf (Vice-President), until 31.12.2010	AG	01.06.2005 – 31.12.2014
Hubert Gwerder, Muotathal	AN	01.01.2010 – 31.12.2014
Michael Dean Head, Ballwil	AN	01.06.2005 – 31.12.2014
Rainer Hürlimann, Baar	AG	01.06.2005 – 31.12.2014
Thomas Kopp, Lucerne (from 01.01.2011 Vice-President)	AG	01.01.2010 – 31.12.2014
Hansjörg Wehrli, Chur, from 01.01.2011	AG	01.01.2011 – 31.12.2014

AG = Employer representative

AN = Employee representative

1.5 General Management

Management has been delegated to two companies: Tellco Asset Management Ltd. (formerly Swiss Asset & Risk Management AG - investments and finance) and Tellco Pension Services Ltd. (formerly Project Engineering AG - administration and management as well as communication, marketing and sales). The following managers of these companies form the management of pension fund pro:

Manfred Villiger (President)	Investment and Finance
Luigi Calarota	Administration and Management
Franz Pirker	Communication, Marketing and Sales

Employees from authorized companies with power of procuration or power of attorney may co-sign collectively in pairs.

1.6 Experts, Auditors, Advisors, Supervisory Authority

Experts for Occupational Pensions

Auxor Actuaries SA, in Gland are the recognized authority on occupational pensions as required under Article 53 Para 2 LOB. They perform periodic audits to ensure that pension fund pro's assets always suffice to meet legal and insurance regulatory obligations.

Auditors

Swiss Federal Law on Employment Insurance, Old-age, Survivor and Disability Benefits (LOB) mandates an annual review by an independent auditing firm of the management, accounting, and investments. The Foundation Board elected Ernst & Young AG, Zurich, to be the auditor for the 2010 financial year.

Supervisory Authority

Pension fund pro is subject to supervision by the Swiss Federal Council for Social Insurance (BSV) which, among other things, verifies that the regulatory provisions of the pension fund meet statutory requirements.

Asset Management

Tellco Asset Management Ltd. (formerly Swiss Asset & Risk Management AG), Schwyz, a securities trader subject to supervision by the Swiss Financial Market Supervisory Authority (FINMA), is the asset manager of pension fund pro.

Depositories

The depositories of pension fund pro are Tellco Asset Management Ltd. (formerly Swiss Asset & Risk Management AG), Schwyz and Newedge Group (UK), Frankfurt.

Marketing and Sales

Tellco Pension Services Ltd. (formerly Project Engineering AG), Schwyz handles the marketing and sales of pension fund pro services.

Administration and Management

Tellco Pension Services Ltd. (formerly Project Engineering AG), Schwyz has been mandated to handle the administration and management of pension fund pro.

1.7 Affiliated Companies

The number of affiliated companies developed as follows:

	2010	2009	2008
Status as of January 1	5,352	5,159	4,176
Newly Affiliated Companies	954	785	1,259
Dissolved Affiliation Policies	-567	-592	-276
> of Which, as a Result of Business Closure	-78	-84	-69
> of Which, Cancellations Due to Premium Payment Defaults	-100	-223	-50
> of Which, as a Result of Bankruptcy or Liquidation	-39	-18	-16
> of Which, as a Result of Change of Pension Institution	-25	-27	-7
> of Which, Uninsured Employees	-289	-215	-118
> of Which, as a Result of Other Reasons	-36	-25	-16
Status as of December 31	5,739	5,352	5,159

Geographical Distribution of the Affiliated Companies:

	2010	2009
Zurich/Aargau	1,450	1,367
Central Switzerland	1,430	1,262
Western Switzerland	1,180	1,044
Eastern Switzerland	791	848
Mid-Country	684	649
Ticino	204	182

2 Active Members and Pensioners

2.1 Active Insured Parties

Development of Number of Insured Parties

The number of insured parties has developed as follows:

	2010	2009	Change in %
Status as of January 1	29,228	28,287	3.3
Entries	17,073	12,909	32.3
Departures	-18,402	-11,745	56.7
Retirements	-133	-181	-26.5
Carryforward Disability Cases 1)	-241	-22	995.5
Mortalities	-15	-20	-25.0
Status as of December 31	27,510	29,228	-5.9

1) Disability cases are now accounted for separately by the reinsurer from the date on which the obligation to pay benefits is acknowledged.

The relatively high level of plans opened and closed is explained by personnel turnover within affiliated companies.

Age Structure	Men	Women	Total
Under 25 Years	2,277	1,003	3,280
25 to 34 Years	5,385	2,361	7,746
35 to 44 Years	4,855	2,359	7,214
45 to 54 Years	4,322	2,146	6,468
55 to 65 Years (Women to 64)	1,809	959	2,768
Over 65 (Women over 64)	22	12	34
Total	18,670	8,840	27,510

The Average Age of the Insured Persons is:	2010	2009
Men	39.0	38.4
Women	39.7	39.4

2.2 Evolution of Pending Reinsured Invalidity Cases

	2010	2009	2008
Status as of December 31	234	228	210

2.3 Pensioners

	Disability Pensions	Retirement Pensions	Partner Pensions	Child Pensions	Total
Status as of January 1	572	1,021	426	232	2,251
New Pensions	80	83	26	65	254
> of Which Mergers	24	1	1	19	45
Retirement of Disabled Pensioners	-14				-14
Reactivation of Disabled Pensioners	-23				-23
Transfer of Pensioners	-2				-2
Matured Child Pensions				-56	-56
Mortalities	-3	-43	-26		-72
Status as of December 31	610	1,061	426	241	2,338

2.4 Pensioners - Insurance Contract, 'GENERALI Personenversicherungen'

	31.12.2010	31.12.2009
Disability Pensions	313	333
Retirement Pensions	409	418
Partner Pensions	149	173
Total	871	924

3 Strategy

3.1 Details on Pension Plans

Pension funds may have one or more defined contribution plans that are LOB-compliant. Risk obligations depend either on the total projected funds available at the pensionable age, or are expressed as a percentage of the insured's salary (with or without coordination).

3.2 Financing, Financing Methods

Contributions to the financing of pension plans are either defined as a percentage of the insured salary, or, attributed as a specific percentage of effective costs. The risk premiums are based on the risk reinsurance tariff. The risk and administration cost contributions finance the risk premium, the guarantee fund, provision for the conversion protection, the inflation rate fund, and administration costs. An employer pays at least 50 % of total contributions.

Contributions (Income)	2010 CHF 1,000	2009 CHF 1,000	Change in %
Employee Contributions	76,145	76,893	-1.0
Employer Contributions	88,490	88,140	0.4
Contingency Reserve Premium Accounts	-350	-200	75.0
Total Contributions	164,285	164,833	-0.3
Disbursements (Expenditures)			
Pension Credits	116,112	117,170	-0.9
Insurance Premiums	25,789	31,516	-18.2
Contributions to Guarantee Fund	809	824	-1.8
Formation of Reserve for Conversion Rate	2,099	2,492	-15.8
Formation of Price Increase Compensation Fund	1,460	1,495	-2.3
Administrative Expenditures	12,496	12,858	-2.8
Total Disbursements	158,765	166,355	-4.6
Balance	5,520	-1,522	

There has been a positive reversal of the unprecedented situation of 2009, in which the contributions that were collected were insufficient to cover the costs of the insurance premiums, set up the technical reserves and finance the administration costs. This is mainly thanks to the reduction in the reinsurer's risk premium rate which took effect on 1 January 2010. Although the risk premium rate is guaranteed for the next four years, the positive balance will fall continuously in the coming years.

4 Valuation and Accounting Principles, Consistency

4.1 Confirmation of Accounting Principles According to Swiss GAAP FER 26

The amendment to the Ordinance on Occupational Old-age, Survivors' and Disability Benefit Plans (OOB 2) in the context of the 1st LPP revision on April 1, 2004, states that as of January 1, 2005 the accounting rules of the Swiss GAAP FER 26 apply mandatory to pension plan institutions. The financial statements for the Fiscal Year 2010 satisfy the formal requirements on balance sheet, operating accounts presentation, notes to financial statements, and material requirements.

4.2 Principles of Bookkeeping and Valuation

Bookkeeping, balance and valuation principles applied agree with the provisions of the OR and LOB, including relevant legal provisions (especially OOB2 and Swiss GAAP FER 26).

Securities and currencies are stated at market value while bearer bonds, mortgage bonds and loans are shown at their nominal value. Direct investments in real estate are shown at their fair market value. All properties are restated annually by way of the discounted cash flow method (DCF method) or, by way of exception, at acquisition cost minus recognised impairment. Deferred taxes on taxable property gains are calculated based on holding a property for at least five years, and they appear on the balance sheet as 'non-technical reserves'. Land for construction and buildings under construction are stated at the cost to acquire them.

4.3 Changes in the Principles for Valuation, Bookkeeping and Accounting

Compared to the annual financial statement for 2009, there were no changes in the principles for valuation, bookkeeping or accounting procedures that need disclosure.

5 Insurance-Technical Risks, Risk Coverage, Coverage Ratio

5.1 Type of Risk Coverage, Reinsurance

Pension fund pro is a semi-autonomous pension fund. Disability and death risks are reinsured with the 'Schweizerische Mobiliar Lebensversicherungs-Gesellschaft' ('Mobiliar'). Since January 1, 2005, reserves accumulated by 'Mobiliar' for actual cases revert back to pension fund pro and since then the responsibility for their administration lies with pension fund pro. A new 'Net Agreement' with 'Die Mobiliar' took effect on January 1, 2010.

The profit participation under insurance contracts of CHF 3,243,779 (of which CHF 3,000,000 has been estimated for 2010) was debited to the Foundation's operating account and used to reduce the actuarial deficiency as defined in Art. 44 of the Ordinance on Occupational Retirement, Survivors' and Disability Pension Plans (BVV 2) in accordance with Art. 3.30.1 (a) of the Pension Fund Regulations. These funds were therefore not used in favour of any individual employers or to reduce contributions.

5.2 Explanation of Assets and Liabilities Arising from Insurance Policies

The following Assets and Liabilities resulted from insurance policies at the end of fiscal 2010:

Assets from Insurance Policies	2010 CHF 1,000	2009 CHF 1,000	Change in %
Premium Accounts	426	2,022	-78.9
IBNR Loss Reserves	19,810	20,609	-3.9
GENERALI Insurance Policy Assets	138,376	144,395	-4.2
Total Assets from Insurance Policies	158,612	167,026	-5.0
Liabilities from Insurance Policies			
Unbilled Insurance Payments	260	1,390	-81.3
GENERALI Insurance Policy Liabilities	138,376	144,395	-4.2
Total Liabilities from Insurance Policies	138,636	145,785	-4.9

The Assets and Liabilities arising from the insurance contract with GENERALI consist of Actuarial Reserves and Retirement Assets of Pensioners of the GENERALI BVG Foundation (pk pro) that are fully reinsured through the GENERALI Personenversicherung.

The 'Insured-But-Not-Reported-Loss' (IBNR) Claims Reserve is managed by 'Die Mobiliar' as a fund to cover IBNR claims (see Article 5.7.5).

5.3 Development of and Return on Savings Capital

The following table lists the progress of the Savings Capital of insured parties:

	2010 CHF 1,000	2009 CHF 1,000	Change in %
Status as of January 1	1,177,407	1,136,524	3.6
Pension Credits	116,112	117,170	-0.9
Premium-Exempted Pension Credits	4,728	2,218	113.2
Purchases and One-Time Deposits	15,721	6,590	138.1
Vested Pension Deposits	123,898	119,385	3.8
Contributions to Disposable Assets and Employer Contribution Reserve	913	–	
Payment of Residential Property Early Withdrawals/Divorce	3,047	2,623	16.2
Vested Benefits/Dissolution of Contracts	-266,250	-163,609	62.7
Reduction Resulting From Partial Liquidation	-950	-3,860	-75.4
Capital Payments on Retirement	-8,766	-16,140	-45.7
Transfer to Pensioners' Coverage Capital (Retirements)	-14,554	-29,291	-50.3
Transfer to Pensioners' Coverage Capital (Deaths)	-3,266	-1,824	79.1
Early Withdrawals for Residential Property/Divorce	-13,087	-13,443	-2.6
Return on Savings Capital	20,594	20,921	-1.6
Miscellaneous	103	143	-28.0
Status as of December 31	1,155,650	1,177,407	-1.8
Number of Savings Accounts Active Insured Parties	24,507	25,375	-3.4
Number of Savings Accounts and Disability Cases	754	576	30.9

In 2010, the savings assets provisionally earned 2 % interest. At the meeting of 17 December 2010 the Board of Trustees decided to apply a definitive interest rate of 2 %, even though the funding ratio is expected to be only 97.2 %. Towards the end of the year the US dollar and the euro dropped sharply in value, but the Board of Trustees expects the strong Swiss franc to weaken in the medium term.

The BVG assets in the shadow account earned interest at the minimum BVG interest rate of 2 %.

5.4 Total of the Old-Age Credits According to LOB (Shadow Accounting)

Pension fund pro maintains the legally-prescribed Old-age pension credits as stated in the provisions of the LOB for shadow accounting. These provisions ensure the availability of the necessary means to meet minimum obligations at all times. The following items contain these pension credits:

	31.12.2010 CHF 1,000	31.12.2009 CHF 1,000	Change in %
Savings Capital	704,221	714,157	-1.4
Liabilities from Insurance Policies	25,404	27,118	-6.3
	729,625	741,275	-1.6

5.5 Development of Coverage Capital, Pensioners

	2010 CHF 1,000	2009 CHF 1,000	Change in %
Status as of January 1	356,735	274,981	29.7
Pensioners Transferred-In	7,528	53,692	-86.0
Insurance Payments	17,454	12,291	42.0
Pensioners Transferred-Out	-57	-909	-93.7
Transfer to Savings Capital (Retirements)	14,554	29,291	-50.3
Transfer to Savings Capital (Deaths)	3,266	1,824	79.1
Lump-sum Payments	-3,813	-1,958	94.7
Pension Payments	-30,873	-25,317	21.9
Premium-Exempt Savings	-2,394	-2,070	15.7
From Price Increase Compensation Fund	105	–	
From Reserve for Conversion Rate	1,343	2,827	-52.5
Formation of Coverage Capital (Valuation)	11,208	12,083	-7.2
Status as of December 31	375,056	356,735	5.1

5.6 Insurance-Technical Consultant Report

The Consultant Report confirms for December 31, 2010:

- A shortfall of CHF 47.4 million in the Foundation's coverage as of December 31, 2010 meaning it does not currently fully meet its technical obligations;
- the Foundation meets regulatory and legal provisions for services and financing;
- the collective insurance policy with 'Mobiliar' reinsures death and disability risks and existing reserves adequately cover the Foundation's technical risks.

5.7 Technical Principles and Other Relevant Insurance Technical Assumptions

Pension fund pro's obligations were reviewed based on the Principles and Standards 2000 applicable to pension insurance consultants accredited by the Swiss Institute of Accredited Pension Fund Experts (Schweizerische Kammer der Pensionskassen-Experten) and the Swiss Association of Actuaries (Schweizerische Aktuarvereinigung).

	31.12.2010 CHF 1,000	31.12.2009 CHF 1,000	Change in %
Pensioners' Coverage Capital	375,056	356,735	5.1
Technical Reserves			
Reserves for FZG 17	1,510	1,586	-4.8
Reserves Minimum Withdrawal Payment under LOG	332	372	-10.8
Reserves for Conversion Rate	7,854	4,268	84.0
IBNR Loss Reserves, Reinsurers	19,810	20,610	-3.9
Price Increase Compensation Fund	5,164	3,809	35.6
Risk Reserve	–	2,818	-100.0
Other IBNR Loss Reserves	1,837	1,837	0.0
Total Technical Reserves	36,507	35,300	3.4

Balance sheet 'reserves' and 'provisions' conform to the Foundation Board's 'Technical Regulations'. The Board created these regulations with the help of the Pension Fund Consultant.

5.7.1 Pensioners' Coverage Capital

Pension fund pro assesses its pension obligations for balance sheet purposes based on technical principles set down in EVK 2000 (3.5 %). Data collected from 1993 to 1998 formed the basis for these life expectancy tables. Since then, however, life expectancies have increased continuously. Anticipating basic changes due to longer life expectancies based actuarial reviews, long-life reserves now include a provision of 5 % (4.5 % in the previous year) calculated on the pension obligation.

5.7.2 Reserves under FZG 17

These reserves encompass the difference between the vested statutory pension benefit and the accumulated savings capital. These reserves are caused by a single enrolment (cpne) which does not give rise to any symmetrical financing of the retirement credits (constant contributions and increasing savings scale).

5.7.3 Reserves for LOG Minimum Conversion Rate

As of December 31, 2010 the savings capital of 2,309 insured parties was not fully covered for withdrawal; this was due to lower interest on savings capital under the attribution principle. Where pensions become payable or pension plan members leave, the higher withdrawal amount is payable. A reserve for this difference between the savings capital and the withdrawal amount is included in the balance sheet.

5.7.4 Reserves for Conversion Rate

Pension fund pro's goal is to guarantee the legal pension conversion rate of the entire savings capital for as long as possible for all active insured parties. Pension fund pro accounts for the difference between the legal and the technical conversion rate in the form of a reserve. The Pension Fund Consultant calculated the applicable reserve.

In compliance with the amendments to the regulations on technical provisions, a target reserve was calculated and recognised as of 31 December 2010. The previous contingency reserve of CHF 2,818,000 was used to increase the reserve for securing the conversion rate.

5.7.5 IBNR Loss Reserve Reinsurers

The reinsurer's risk premiums are calculated to ensure that current operations can satisfy new and existing disability and death claims. However for disability claims, delays of several years may occur between the receipt of a claim and its actual settlement. Reserves must be set aside for these delayed settlements. Actual current reserves cover these needs as determined by the insurance company. The insurance contract was terminated as of 31 December 2009. Following the settlement of all claims, the remaining IBNR Reserve will be determined in 2012.

5.7.6 Compensation Fund – Cost of Living Increases

As decreed by the Swiss Federal Council, the legal minimum for survivor and disability pensions in effect for over three years must be adjusted for inflation up to the time the insured party reaches the nominal OASI retirement age. Reserves for inflation accumulate in the Compensation Fund – Cost of Living Increases. The remittance of CHF 1,460,000 is equal to 0.2 % of the affected salary sum determined according LOB regulations. Reserves for an increase in cost of living compensation for survivor, disability and Old-age pensions that are not subject to mandatory adjustments will be adjusted based on pension fund pro's ability to pay.

5.7.7 Risk Reserve

In compliance with the amendments to the regulations on technical provisions, the contingency reserve was transferred to the reserve for securing the conversion rate.

5.7.8 Other 'Incurred-But-Not-Reported-Loss' (IBNR) Reserves

These reserves concern claims that were incurred but not reported in relation to a new affiliation that was acquired in 2009.

5.7.9 Changes to actuarial tables and assumptions

With the following exceptions the actuarial tables and assumptions applied to the 2009 and 2010 annual accounts are identical:

- Increase of surcharge by 0.5 % to 5.0 % for a possible change in actuarial tables (cf. par. 5.7.1)
- Definition of a target for the reserve for securing the conversion rate (cf. par. 5.7.4)
- Transfer of the contingency reserve to the reserve for securing the conversion rate.

5.7.10 Degree of Coverage According to Art. 44 OOB2

The coverage ratio, within the meaning of OOB2 article 44, expresses the relationship between available pension assets and insurance-technical pension capital needs (including insurance-technical reserves).

Insurance-Technical Balance Sheet

	31.12.2010 CHF 1,000	31.12.2009 CHF 1,000	Change in %
Available Pension Assets			
Balance Sheet Assets	1,800,272	1,792,895	0.4
Balance Sheet Liabilities	-95,573	-74,327	28.6
Accrued Liabilities	-11,525	-11,382	1.3
Employer Contribution Reserves	-16,758	-14,868	12.7
Non-Technical Reserves	-830	-834	-0.5
Fluctuation Reserves of Pension Funds	-3,000	-3,000	0.0
Disposable Assets of Pension Funds	-14,181	-18,981	-25.3
Total Available Pension Assets	1,658,405	1,669,503	-0.7
Pension Capital and Technical Reserves			
Savings Capital	1,155,650	1,177,407	-1.8
Coverage Capital, Pensioners	375,056	356,735	5.1
Liabilities from Insurance Policies	138,637	145,785	-4.9
Technical Reserves	36,507	35,300	3.4
Total Pension Capital and Technical Reserves	1,705,850	1,715,227	-0.5
Insurance-Technical Deficit / Surplus	-47,445	-45,724	3.8
Cover Margin of the Foundation (= Minimum Cover Margin for Pension Institutions)	97.2 %	97.3 %	
Average Cover Margin of Pension Institutions	98.2 %	98.6 %	

6 Notes pertaining to the Investments and the Net Investment Result

Review

The principal topics in the reporting year included the stabilisation of the global economy, the European sovereign debt crisis (which also affected other 'Old World' economic giants such as the US), surprisingly positive corporate results, and moderate inflation which is gaining momentum slowly but surely. The following is a selection of the relevant events of the past year:

- The European Union threw a lifebelt to the indebted countries.
- Massive growth in US money supply.
- Even higher levels of government debt for the industrialised nations of Europe and the US.
- The expansionary monetary policy followed by the central banks pushed global interest rates even lower.
- Extremely volatile stock markets: Due to the debt and euro crisis the global stock markets dropped by more than 10 % following a positive trend at the beginning of the year.
- The Swiss franc strengthened considerably, in particular also against the euro (-15.9 %).

Compared to the previous year, fixed-interest investments were reduced further. Equities that we believed to be valued fairly were weighted a little stronger, with the result that we are positioned neutrally vis-à-vis the benchmark. The real estate component was expanded in a difficult environment (surplus demand) and reached the strategic target by the end of the year. Alternative investments were also increased to almost 5 % by the end of the reporting period. These investments helped to stabilise portfolio income and made a substantial contribution to the good result.

Performance

Following a spectacular year for bonds in 2009 (CHF bonds turned in a performance of around 8 %), bond values improved again in 2010 by almost 3.5 % net (almost on a par with the benchmark) in spite of the generally low level of nominal interest rates. The lion's share of this improvement was posted in the first half of the year. Bond performance was not consistently good over the course of the year, but was characterised by excesses in both directions. Although the picture was similar for foreign bonds, these investments were additionally affected by the collapse of the euro. However, in spite of the negative correlation with the benchmark (-10.85 %) the net return was encouraging at -9.7 %. Convertible bonds (hedged for foreign currencies), accounting for about 4 % of the portfolio, made a positive contribution of around 3 % to the overall performance.

Stock exchanges were very volatile in 2010 in spite of the sustained recovery of global economic growth. Thanks to excellent corporate results, higher sales and profits and good economic data the stock exchanges gradually recovered from the second-quarter setbacks in the second half of the year and soared to new annual highs at the end of the year. With good stock picking and derivative overlays, the benchmark (SPI) was outperformed by 1 %, resulting in a net performance for Swiss equities of 3.9 %. In spite of the overweighting of European equities, global equities outperformed the benchmark by 0.25 % and ended the reporting year with a loss of just under 1.1 %.

The alternative investments mainly comprise (around 4 %) investments in broadly diversified, conservative funds of hedge funds. These were selected to ensure the lowest possible correlation to traditional asset classes whilst still targeting a positive performance over 12 months in any market environment. Foreign currencies were hedged. The remaining alternative investments consist of various listed private equity investments. The performance for 2010 was excellent at 21.25 %.

Market observers noted that around half of the large real estate investment funds made only purchases but no sales. As a result, high sales proceeds could be earned on divestments. The vacancy rate for rented accommodation increased slightly. The real estate component was increased by approximately CHF 88 million in the reporting year. The net return on Swiss real estate was 3.90 %.

Thanks to a good relative performance in almost all asset classes, the benchmark (Pictet 25 2000) was outperformed in spite of the strong underweighting of CHF bonds with a short duration. The net asset performance was 1.44 % (benchmark: 1.31 %). The performance was 1.25 % after deduction of the asset management costs.

Most of the investments (CHF 1,233 million as of the end of 2010) were made indirectly through Anlagestiftung Rigi (Tellico Investment Foundation from 1 January 2011).

Outlook

The year 2011 started on a positive note. The Swiss franc weakened slightly and stock prices improved across the board. However, the unrest in North Africa and the Middle East and the disaster in Japan meant that the positive results of the first two months could not be maintained.

The outlook for 2011 remains uncertain, but by continuing our conservative investment strategy we are prepared to successfully navigate these stormy waters. Even the possibility of inflation triggered by the expected rise in interest rates is unlikely to leave deep scars on our future performance.

6.1 Organisation of Investment Activities, Investment Regulations

The investment regulations date from 23 April 2009. Tellco Asset Management Ltd., Schwyz is responsible for managing all assets except the real estate. Tellco Asset Management Ltd., Schwyz and Newedge Group (UK), Frankfurt serve as the depositaries for all securities investments. Tellco Real Estate Ltd., Schwyz is responsible for the management and administration of the real estate portfolio.

In the agreement of 25 October 2007, Tellco Asset Management Ltd. confirmed that it has not accepted any pecuniary advantages as part of its asset management activities since September 2006 and that it will in future automatically forward any such pecuniary advantages to pension fund pro. No such pecuniary advantages were received in 2010.

In its service agreement, Tellco Real Estate Ltd. undertook to automatically forward all pecuniary advantages received by the company or its employees from third parties while performing the service agreement to pension fund pro. No such pecuniary advantages were received in 2010.

6.2 Use of Expanded Options and Result of Report

No expanded options are used.

6.3 Target Reserve and Computation of Value-Fluctuation Reserves

Compensations for short-term value fluctuations of investment assets are made either way through the Value-Fluctuation Reserves. The amount of the Target Reserve is determined by applying risk-oriented principles to the value of the asset investments. The calculation is timed to coincide with the periodic Asset & Liability Review.

	31.12.2010 CHF 1,000	31.12.2009 CHF 1,000	Change in %
Value-Fluctuation Reserve Goal	205,000	203,000	1.0
Target Figure in % of Asset Investments	12.5 %	12.5 %	
Value-Fluctuation Reserve Available	–	–	

6.4 Asset Investments by Investment Categories

	31.12.2010			31.12.2009		
	CHF 1,000	in %	Strategy in %	CHF 1,000	in %	Strategy in %
Money Market	46,903	2.9	0 - 10	105,148	7.1	0 - 10
Loans and Mortgages	8,930	0.6	0 - 2	9,180	0.6	0 - 2
Domestic and Foreign Bonds in CHF	427,986	26.5	25 - 45	439,980	29.7	25 - 45
Foreign Bonds in Foreign Currencies	192,690	11.9	9 - 14	191,403	12.9	9 - 14
Convertible Bonds	66,929	4.1	0 - 8	78,625	5.3	0 - 8
Swiss Equities	157,922	9.8	4 - 13	136,948	9.3	4 - 13
Global Equities	242,693	15.0	6 - 16	196,781	13.3	6 - 16
Alternative Investments	77,756	4.8	0 - 5	13,396	0.9	0 - 5
Swiss Real Estate	395,657	24.5	20 - 30	307,655	20.8	20 - 30
Subtotal	1,617,466	100.0		1,479,116	100.0	
Receivables from Employers	19,768			19,180		
Payments on account for Pension Schemes	–			126,000		
Other Swiss Receivables	754			666		
Transitory Assets	3,672			907		
Assets from Insurance Policies	158,612			167,026		
Total Assets	1,800,272			1,792,895		

6.4.1 Money Market

The item, 'Money Market' includes the account balances with banks and securities traders.

6.4.2 Mortgages and Loans

Pension fund pro granted mortgage loans secured by mortgage notes to two employers and one third party.

6.4.3 Bonds

The CHF Bonds component was reduced once again in the reporting year in expectation of interest rate increases. There was very little change in value to the Global Bonds in Foreign Currency component, but the percentage of the total portfolio represented by this asset class was reduced slightly.

6.4.4 Equities

During the reporting year the equity component was between 21 % and 26 %. The portfolio increased by CHF 66.9 million.

6.4.5 Alternative Investments

This item consists of Hedge Fund Investments of CHF 62.2 million and Private Equity Investments of CHF 15.2 million.

6.4.6 Swiss Real Estate

The Real Estate Portfolio increased by CHF 88 million to 24.5 % in the reporting year. Approximately CHF 288.4 million of the portfolio is invested in units in the Swiss Real Estate investment group of Telco Investment Foundation.

6.5 Open Derivative Contracts

There were the following open derivative contracts on 31 December 2010:

Currency Forward Contracts (hedging)	Maturity	Market value CHF 1,000	Contract volumes CHF 1,000
Sale USD/CHF	25.3.2011	3,702	57,710
Sale USD/CHF	25.3.2011	102	1,499
Sale EUR/CHF	25.3.2011	623	10,989
Total		4,427	70,198

The hedging transactions are covered by existing investments.

6.6 Net Investment Asset Results

The operating account lists net results from the Investment Asset categories. The following items are the most significant of the net investment assets.

6.6.1 Net Return from Money Market Investments

The net return from Money Market Investments is composed as follows:

	2010 CHF 1,000	2009 CHF 1,000
Interest Returns from Money Market Investments	81	160
Foreign Currency Earnings from Money Market Investments	-1,672	656
Net Return from Money Market Investments	-1,591	816

6.6.2 Net Return from Domestic and Foreign Bonds in CHF

The net return from Domestic and Foreign Bonds in CHF is made up from:

	2010 CHF 1,000	2009 CHF 1,000
Interest	85	315
Price Gain	362	977
Return from Telco Investment Foundation Investments	14,210	38,189
Net Return from Domestic and Foreign Bonds in CHF	14,657	39,481

6.6.3 Net Return from Global Bonds in Foreign Currencies

The following is a breakdown of net returns from investments in Global Bonds in Foreign Currencies:

	2010 CHF 1,000	2009 CHF 1,000
Interest	–	19
Price Gain	-1,685	525
Net Return from Telco Investment Foundation Investments	-17,623	7,038
Net Return from Global Bonds in Foreign Currencies	-19,308	7,582

6.6.4 Net Return from Swiss Equities

The following is the composition of net returns from Swiss Equities:

	2010 CHF 1,000	2009 CHF 1,000
Price Gain	-161	292
Net Return from Telco Investment Foundation Investments	5,707	26,523
Net Return from Swiss Equities	5,546	26,815

6.6.5 Net Return from Global Equities

The net return from Global Equities is comprised as follows:

	2010 CHF 1,000	2009 CHF 1,000
Price Gain	-673	238
Net Return from Telco Investment Foundation Investments	-1,692	41,393
Gains from Hedging Transactions (Futures)	–	557
Net Return from Global Equities	-2,365	42,188

6.6.6 Net Return from Real Estate

The following states the composition of Real Estate net returns:

	2010 CHF 1,000	2009 CHF 1,000
Rental Income	4,824	4,559
Maintenance	-965	-811
Value Changes in Direct Investments	-1,174	28
Change in Deferred Tax on Property Gains	4	-12
Gains on Sales of Direct Investments	341	–
Net Return from Telco Investment Foundation Investments	9,817	7,546
Net Real Estate Returns	12,847	11,310

6.6.7 Administrative Expenditures for Asset Investments

	2010 CHF 1,000	2009 CHF 1,000
Custody Fees and Bank Fees	12	22
Property Appraisal Values	32	12
Asset and Property Management	2,871	2,541
Administrative Costs-Investment Activity	2,915	2,575

The average value of the investments rose from CHF 1.35 billion in 2009 to CHF 1.52 billion (+ 12.6 %). This accounts for the increase in the asset management costs.

6.7 Explanation of the Investments for the Employer and the Employer Contribution Reserves

6.7.1 Explanation of Investments with the Employer

On December 31, 2010 the premium account receivables for affiliated companies totalled CHF 20,784,000 (2,735 employers). On the other hand, the accumulated reserve for bad debts for doubtful receivables stands at approximately CHF 1,015,000. Interest of 6 % was charged to employer debit balances and 2 % interest was paid on their credit balances resulting in a net interest expense of CHF 268,000. These overdraft account receivables are not considered investments with the employer in the true sense.

The 'Mortgage Loans to Employers' in the amount of CHF 2,930,000 consist of a mortgage loan secured by a mortgage on a property in Germany with a low debt level, and a mortgage loan in Switzerland.

6.7.2 Employer Contribution Reserve

In addition to contribution account obligations of CHF 10,122,000 towards affiliated companies, there are employer contribution reserves for 315 employers effective December 31, 2010. The following listing shows the status of the contribution reserves:

	2010 CHF 1,000	2009 CHF 1,000
Status as of January 1	14,869	12,362
Deposits	4,382	3,793
Disbursements	-811	-246
Use for Employer Contribution Payments	-1,636	-1,302
Use of Savings Capital Contributions	-336	–
Interest 2.00 % (2.00 % in the previous year)	290	262
Status as of December 31	16,758	14,869

7 Explanation of Additional Items on the Balance Sheet and Operating Account

None.

8 Duties Imposed by Supervisory Authorities

The Federal Office for Social Security accepted the 2009 Annual Report on October 1, 2010 as presented.

9 Supplemental Information with Respect to the Financial Situation

9.1 Coverage Shortfall/Explanation of the Measures Undertaken (Art. 44 OOB2)

At its meetings in 2010 the Board of Trustees discussed the actuarial deficiency. The retirement assets provisionally earned interest at 2 % (cf. par. 5.3). At the meeting of 17 December 2010 the Board of Trustees decided to apply a definitive interest rate of 2 %, even though the funding ratio is expected to be only 97.2 %. Towards the end of the year the US dollar and the euro dropped sharply in value, but the Board of Trustees expects the strong Swiss franc to weaken in the medium term. The funding ratio was slightly above 98% at the end of February 2011.

The provisional interest rate for 2011 has also been set at 2 %.

Measures to eliminate the actuarial deficiency will only be implemented if the situation worsens again.

9.2 Partial Liquidations

The contract cancellations as per 31 December 2010 will be settled in application of the regulations on the partial liquidation of the foundation or pension funds of 20 April 2010 at the applicable funding ratio of 97.2 %.

9.3 Pending Legal Cases

No legal proceedings relating to the financial situation are pending. The supervisory appeal filed in the previous year against our foundation with the Federal Social Insurance Office in Berne was written off as moot in the reporting year on application of the appellant.

9.4 Contingency, Third Party Liabilities

Balance as of December 31, 2010 CHF 620,000

9.5 Early termination of the annuity insurance contract with GENERALI

The annuity insurance contract with GENERALI Insurance of Persons for retirement and partners' pensions was terminated early on 1 January 2011. An amicable solution has been reached under which GENERALI will fully finance the benefits on the basis of the EVK 2000 actuarial tables at a technical interest rate of 2.75 % with current lifelong pensions strengthened by 5 %. These benefits exceed the contractual surrender value.

10 Events after the Balance Sheet Date

There were no events of significance that occurred following the end of the fiscal year and that would mandate a restatement of the 2010 financial statements.

Auditor's Report

To the Board of Trustees of
pension fund pro, Schwyz

Zurich, 5th April 2010

As statutory auditor, we have audited the financial statements (balance sheet, income statement and notes), the administrative management and the asset management as well as the retirement accounts of the pension fund pro for the year ended 31 December 2010.

The financial statements, the administrative management and the asset management as well as the retirement accounts are the responsibility of the board of trustees. Our responsibility is to express an opinion on these matters based on our audit. We confirm that we meet the licensing and independence requirements as stipulated by Swiss law.

Our audit was conducted in accordance with Swiss Auditing Standards, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, the accounting and the asset management, as well as significant estimates made and the overall financial statement presentation. For the audit of the administrative management, we assess whether the legal requirements on organization, administration, collection of contributions and payments of benefits, as well the requirements regarding loyalty in the asset management were complied with. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements, the administrative management and the asset management as well as the retirement accounts comply with Swiss law and the regulations.

The financial statements show an underfunding of CHF 47,445,072 and a coverage of 97.20 %. The measures to remedy the underfunding, for the investment of assets and for the information of the beneficiaries determined by the board of trustees on its own responsibility, in consultation with a pensions expert, are presented in the notes to the financial statements. Art. 35a par. 2 BVV 2 requires that we state in our report whether the investments are consistent with the risk capacity of the underfunded pension foundation. In our opinion

- the board of trustees exercises its management duty in the selection of an investment strategy appropriate to the given risk capacity, as explained in the notes to the financial statements under figure 1 and 6, actively, appropriately to the situation and in a verifiable manner;
- in investing the assets, the board of trustees has observed the legal requirements and has, in particular, determined the risk capacity by assessing the assets and liabilities as a whole under consideration of the actual financial position and the structure and anticipated development of the body of beneficiaries;

- the investments with the employer comply with the legal requirements;
- taking into consideration the above comments, the investment of the assets is consistent with the requirements of Art. 49a and 50 BVV 2;
- the measures to remedy the underfunding, as resolved by the board of trustees in consultation with a pensions expert, have been implemented within the framework of the legal requirements and the concept for action; and the obligation to provide information has been fulfilled;
- the board of trustees has to date monitored the effectiveness of the measures to remedy the underfunding. Further, the board of trustees has confirmed to us that it will continue such monitoring and will adapt the measures if the situation changes.

We note that the possibility of remedying the underfunding and the risk capacity regarding the investments depend also on events which cannot be anticipated, e.g. the developments affecting the investment market and the employer.

We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd.



Bruno Christen
Licensed audit expert
(Auditor in charge)



Sandra Hensler Kälin
Licensed audit expert

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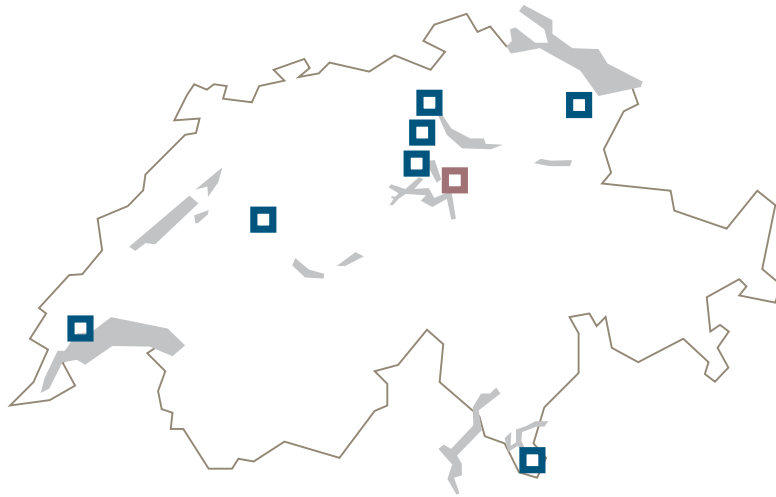
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