

Annual Report 2012



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Foreword



pension fund pro – solid, transparent and flexible

Dear Ladies and Gentlemen

While I am writing this, the Dow Jones Industrial is at an all-time high of more than 14,000 points. At the end of the reporting year the index was still around 13,000 points. The SMI, the most important Swiss equity index, closed at 6,822 points at the end of 2012. This is 14.9% higher than in the previous year and the highest since 2007. All this good news does not, however, ignite euphoria. The euro debt crisis remains unresolved, and US growth does not negate the fact that government and personal debt levels in the US have reached worrying heights. While the Swiss export industry confidently coped with the strong euro, our local financial sector is affected by severe regulation and as a result also by restructuring. The banking sector is suffering from massive job cuts.

In 2012, pension fund pro posted solid growth in all areas. The net return was an encouraging 6.57%, which allowed pension fund pro to accumulate the necessary financial reserves. The number of affiliated companies rose in the past year from 6,169 to 6,421 (+4.1%), while the total number of insured persons increased by as much as 11.9% from 32,271 to 36,124. Total assets now amount to CHF 2.04 billion (+9.6%). The funding ratio improved from 95.4% to 98.0%.

Persistent uncertainties on the financial markets in 2012 convinced us to moderately adjust our investment strategy. By continuing to underweight fixed-interest securities and expanding our real estate portfolio, we are targeting a stable long-term return. In doing so, due diligence, security and diversification take centre stage. We purposely took the costs for these shifts and the related slight drop in return on board in order to sustainably optimise our strategy. More details on our investment strategy and monthly return are always available on our website under «Investments».

We will continue to face enormous challenges in the future, both in the international and national arenas. The management of the assets entrusted to its care with the highest possible degree of security is the core task of every pension fund. Political pressure or media reporting and commentaries must not affect this obligation in any way.

With the measures adopted in the past year, pension fund pro will remain one of the most solid and secure providers in the Swiss pension market in the medium to long term.

We are leaving the conversion rates for the mandatory as well as the extra-mandatory insurance unchanged at the current level in favour of our future pension recipients. Secure and stable pensions are important to us, and we have already accrued the reserves required to safeguard these pensions.

However, as we also have an obligation towards future generations, the Board of Trustees decided to reduce the technical interest rate from 3.5% to 2.5% with effect from 31 December 2012. The technical interest rate reflects the expected future return that determines the interest earned by the actuarial reserves to finance lifelong pension payments. The current recommendation of the Swiss Chamber of Pension Actuaries is 3.5% for 2012, but the trend is falling. Many neutral actuaries believe that this rate (which is based on a ten-year formula) is clearly too high. The decision to strengthen our reserves required a one-off increase of the reserves. The funding ratio as reported already includes this increase in the reserves. In the interests of long-term solidity we consciously accepted an unpopular temporary reduction in our funding ratio by around 2.5% in the reporting year. We are convinced that other pension providers will follow our example in the coming years.

A pension system is not easy to maintain in uncertain and turbulent times when many people question the security of pensions and the cost of the system. But this is exactly what challenged us. With our commitment to pensions that are stable in the long term, we chose our own path. In the past few years we have managed to constantly reduce our administrative costs while continuously upgrading our administration systems. In 2013 we will be able to disclose the full cost structure, comprising the savings, risk and administrative contributions as well as the advisory and management expenses for every insured. This is in addition to the distribution, marketing and administrative costs that are already transparently reported in the Annual Report. This year we will also improve our already excellent customer service once again and increase the recognition of pension fund pro.

On behalf of the Board of Trustees I would like to thank our affiliated companies, associations, insured and distribution partners for their loyalty and their confidence in our work. I would also like to thank the employees of the service companies, who constantly set new standards with their persistence, subject expertise and readiness to tackle new challenges.

Yours sincerely

Peter Hofmann
Chairman of the Board of Trustees

Key figures

	2012 CHF 1,000	2011 CHF 1,000	Change in %
Recognised contributions, gross	193,609	183,230	5.7
> of which savings and flat-rate contributions	142,129	132,009	7.7
> of which risk contributions and contributions to administrative costs	51,480	51,221	0.5
Regulatory savings capital	1,337,332	1,255,911	6.5
Actuarial reserves for pensioners	557,226	489,331	13.9
Pension benefits	41,867	38,786	7.9
Technical reserves	34,666	26,939	28.7
> of which FZG 17 reserves	1,323	1,406	-5.9
> of which reserves for BVG minimum termination benefits	670	660	1.5
> of which reserves for conversion rate	19,870	8,783	126.2
> of which inflation adjustment fund	11,051	8,188	35.0
> of which IBNR reserves	1,752	7,902	-77.8
Actuarial deficiency	38,899	83,153	-53.2
Balance sheet total	2,037,555	1,858,270	9.6
Other information			
Foundation's funding ratio	98.0 %	95.4 %	2.7
Average funding ratio of pension funds	98.9 %	96.4 %	2.6
Affiliated companies	6'421	6'169	4.1
Insured persons	36'124	32'271	11.9
Pension recipients (number of pensions)	3'618	3'289	10.0
Pension recipients reinsured	47	263	-82.1
Pending reinsured disability claims	435	302	44.0
Return on investments	6.57%	-0.94 %	
Interest on savings capital	1.50%	1.50 %	0.0
Technical interest rate	2.50%	3.50 %	-28.6

Balance sheet

Assets	Note Number	31.12.2012 CHF	31.12.2011 CHF	Change in %
Investments	6.4	2,027,914,610	1,792,600,664	13.1
Money market investments	6.4.1	155,931,738	132,064,725	18.1
Receivables from employers	6.7.1	24,777,422	27,201,867	-8.9
Receivables from third parties		4,026,982	745,535	440.1
Mortgage loans to employers	6.7.1	829,000	2,879,000	-71.2
Mortgage loans to third parties		–	6,000,000	-100.0
Domestic and foreign CHF bonds	6.4.2	398,586,499	405,790,013	-1.8
Global bonds in foreign currency	6.4.2	197,303,050	191,811,614	2.9
Convertible bonds	6.4.3	82,338,484	50,222,038	63.9
Swiss equities	6.4.4	161,340,371	127,903,761	26.1
Global equities	6.4.4	277,560,230	288,242,152	-3.7
Alternative investments	6.4.	198,729,981	110,957,097	79.1
Swiss real estate	6.4.5	526,490,853	448,782,862	17.3
Accruals		2,574,537	4,559,117	-43.5
Assets under insurance contracts	5.2	7,066,117	61,110,710	-88.4
Total assets		2,037,555,264	1,858,270,491	9.6

Balance sheet

Liabilities	Note Number	31.12.2012 CHF	31.12.2011 CHF	Change in %
Liabilities		87,325,494	73,660,952	18.6
Liabilities from vested benefits and pension benefits		58,836,348	48,263,224	21.9
Capital received for pension funds		11,825,302	9,572,533	23.5
Liabilities to banks and insurance companies		50	186	-73.1
Other liabilities		16,663,794	15,825,009	5.3
Deferrals		16,550,299	14,515,257	14.0
Employer contribution reserves	6.7.2	19,007,785	18,389,169	3.4
Pension capital and technical reserves		1,936,792,056	1,817,301,060	6.6
Savings capital	5.3	1,337,331,786	1,255,911,513	6.5
Actuarial reserves for pensioners	5.5	557,225,699	489,330,711	13.9
Liabilities under insurance contracts	5.2	7,567,851	45,119,615	-83.2
Technical reserves	5.6	34,666,720	26,939,221	28.7
Fluctuation reserves for pension funds		3,000,000	3,000,000	0.0
Free assets of pension funds		13,778,838	14,557,014	-5.3
Foundation capital, free assets of foundation/ actuarial deficiency		-38,899,208	-83,152,961	-53.2
Status at beginning of period		-83,152,961	-47,445,072	75.3
Expenditure surplus		44,253,753	-35,707,889	
Total liabilities		2,037,555,264	1,858,270,491	9.6

Operating statement

	Note Number	31.12.2012 CHF	31.12.2011 CHF	Change in %
Statutory and other contributions and deposits		206,728,053	205,944,176	0.4
Employee contributions	3.2	90,277,311	85,077,515	6.1
Employer contributions	3.2	103,332,324	98,152,696	5.3
Withdrawal from employer contribution reserves to finance contributions	6.7.2	-1,983,063	-1,835,483	8.0
Bad debt allowance for premium accounts	6.7.1	-540,000	-255,000	111.8
Buy-in sums and single contributions	5.3	11,187,804	9,940,116	12.6
Contributions to actuarial reserves for pensioners on acquisition of insurance portfolios	5.5	1,094,398	9,903,392	-88.9
Contributions to provisions for new affiliations		-	59,800	-100.0
Contributions to employer contribution reserves	6.7.2	3,117,279	4,573,878	-31.8
Contributions to savings capital (from free assets of pension funds)		242,000	327,262	-26.1
Benefits brought into pension fund		129,257,563	160,685,458	-19.6
Vested benefits	5.3	125,647,596	158,481,104	-20.7
Transfer of advance withdrawals under promotion of home ownership scheme/for divorce	5.3	3,609,967	2,204,354	63.8
Total inflow from contributions and entry benefits		335,985,616	366,629,634	-8.4
Regulatory benefits		-69,676,994	-63,595,009	9.6
Retirement pensions		-25,007,479	-23,990,277	4.2
Survivors' pensions		-6,803,484	-6,673,648	1.9
Disability pensions		-10,056,065	-8,122,372	23.8
Lump-sum payments on death		-3,199,757	-5,502,343	-41.8
Lump-sum payments on retirement		-24,610,209	-19,306,369	27.5
Departure benefits		-188,997,505	-186,346,498	1.4
Vested benefits on departure	5.3	-177,065,015	-175,900,354	0.7
Advance withdrawals under promotion of home ownership scheme/for divorce	5.3	-11,167,318	-9,117,754	22.5
Payout of employer contribution reserves	6.7.2	-765,172	-1,328,390	-42.4
Total outflow for benefits and advance withdrawals		-258,674,499	-249,941,507	3.5

Operating statement

	Note Number	31.12.2012 CHF	31.12.2011 CHF	Change in %
Release / creation of pension capital, technical reserves and contribution reserves		-163,436,716	-219,487,651	-25.5
Creation of savings capital	5.3	-64,562,951	-83,817,296	-23.0
Creation of actuarial reserves for pensioners	5.5	-67,894,987	-114,274,414	-40.6
Creation of technical reserves	5.6	-13,877,499	-4,177,256	232.2
Interest on savings capital	5.3	-17,958,663	-17,120,088	4.9
Income from partial liquidation		1,216,457	1,280,470	-5.0
Creation of employer contribution reserves	6.7.2	-359,073	-1,379,067	-74.0
Income from insurance benefits		65,874,047	133,761,101	-50.8
Profit participation	5.1	13,430,954	18,031,860	-25.5
Insurance benefits	5.2	52,443,093	115,729,241	-54.7
Insurance expenses		-33,265,909	-30,467,741	9.2
Insurance premiums				
> Risk premium	3.2	-28,944,399	-26,497,304	9.2
> Cost premium	3.2	-3,504,934	-3,217,563	8.9
Contributions to Security Fund	3.2	-816,576	-752,874	8.5
Net result from insurance component		-53,517,461	493,836	

Operating statement

	Note Number	31.12.2012 CHF	31.12.2011 CHF	Change in %
Brought forward net result from insurance component		-53,517,461	493,836	
Net investment result	6.6	112,096,808	-22,451,051	
Interest income on payments by previous insurers		53,230	81,255	-34.5
Interest expenses on vested benefits		-1,262,405	-1,420,000	-11.1
Interest on receivables from/liabilities to employers	6.7.1	-191,441	-211,763	-9.6
Interest on receivables from/liabilities to third parties		116,503	81,036	43.8
Interest on employer contribution reserves	6.7.2	-259,543	-252,385	2.8
Interest on mortgage loans to employers		65,267	92,476	-29.4
Interest on mortgage loans to third parties		93,375	392,560	-76.2
Net return on money market investments	6.6.1	748,050	344,085	117.4
Net return on domestic and foreign CHF bonds	6.6.2	26,435,092	9,982,453	164.8
Net return on global bonds in foreign currency	6.6.3	16,076,824	-887,748	
Net return on convertible bonds		4,003,238	-2,070,920	
Net return on Swiss equities	6.6.4	22,068,249	-15,713,964	
Net return on global equities	6.6.5	25,177,312	-27,924,070	
Net return on alternative investments		3,991,405	-719,182	
Net return on Swiss real estate	6.6.6	19,357,810	19,112,755	1.3
Asset management costs	6.6.7	-4,376,158	-3,337,639	31.1
Other income		436,472	386,894	12.8
Income from services performed		417,910	357,223	17.0
Other income		18,562	29,671	-37.4
Other expenses		-429	-3,359	-87.2
Administrative costs		-14,552,932	-13,924,114	4.5
General administrative costs		-5,730,889	-5,192,959	10.4
Auditors and accredited pension actuary		-140,604	-117,461	19.7
Supervisory authority		-35,530	-19,324	83.9
Marketing and advertising costs		-3,346,116	-3,252,708	2.9
Agent and broker costs		-5,299,793	-5,341,662	-0.8
Income / expenditure surplus before interest on free assets		44,462,458	-35,497,794	
Interest on free assets of pension funds		-208,705	-210,095	-0.7
Income / expenditure surplus before release of fluctuation reserves		44,253,753	-35,707,889	
Creation/release fluctuation reserves	6.3	-	-	
Income / expenditure surplus		44,253,753	-35,707,889	

Notes

1 Principles and organisation

1.1 Legal form and purpose

pension fund pro is a foundation set up as a legal entity in its own right under private law as defined in Art. 80 et seq. Swiss Civil Code, Art. 331 Swiss Code of Obligations and Art. 48 par. 2 of the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans (BVG). pension fund pro is entered in the Commercial Register under the number CH-130.7.008.327-1. It insures the employees and employers of the companies affiliated with it in accordance with the provisions of the BVG and its implementing ordinances as well as its regulations against the financial consequences of old age, death and disability.

1.2 Registration and Security Fund

pension fund pro is in particular subject to the provisions of the Swiss Federal Law of 25 June 1982 on Occupational Retirement, Survivors' and Disability Pension Plans (BVG) and the Swiss Federal Law of 17 December 1993 on Vesting in Pension Plans (FZG). It is entered in the register of occupational benefits providers under the number SZ 69. pension fund pro is affiliated with the BVG Security Fund pursuant to Art. 57 BVG and pays contributions to the Security Fund in accordance with the provisions of the Ordinance of 22 June 1998 on the BVG Security Fund (SFV).

1.3 Deeds and regulations

The following deeds and regulations govern the activities of pension fund pro:

Description	Date of last amendment	In force since
Deed of foundation	27.09.2012	27.09.2012
Regulations on the composition, election and tasks of the Board of Trustees	06.04.2009	01.04.2009
Administrative regulations for the pension fund commission	13.12.2007	01.01.2008
Terms and conditions of business	11.04.2011	11.04.2011
Pension regulations for employee benefits insurance	14.12.2012	01.01.2013
Regulations on the promotion of home ownership	17.12.2010	01.01.2011
Cost regulations	14.12.2012	01.01.2013
Regulations on technical provisions	16.12.2011	16.12.2011
Investment regulations	14.12.2012	14.12.2012
Regulations for the partial liquidation of the foundation or pension funds	30.04.2010	01.01.2010

1.4 Joint governing body/signatory authority

Board of Trustees

The Board of Trustees of pension fund pro consists of six members (three employee and three employer representatives) and functions as the strategic governing body of pension fund pro. It is the highest executive body and also supervises and monitors the management of pension fund pro. The members of the Board of Trustees are authorised to sign by joint signature with a minimum of two signatures.

The trustees' term of office is five years. Re-election is possible. The following people serve on the Board of Trustees:

First name, surname, place		Term of office
Peter Hofmann, Geneva (Chairman)	EE	01.06.2005 – 31.12.2014
Thomas Kopp, Lucerne (Vice-Chairman)	ER	01.01.2010 – 31.12.2014
Hubert Gwerder, Muotathal	EE	01.01.2010 – 31.12.2014
Michael Dean Head, Ballwil	EE	01.06.2005 – 31.12.2014
Rainer Hürlimann, Baar	ER	01.06.2005 – 31.12.2014
Hansjörg Wehri, Chur	ER	01.01.2011 – 31.12.2014

ER = employer representative

EE = employee representative

1.5 Management

The management has been delegated to Tellco Asset Management Ltd (management) and Tellco Pension Services Ltd (distribution) and is headed by Patrick Bättig.

The employees of the mandated companies are authorised to sign jointly with a minimum of two signatures with procuration or power of representation.

1.6 Pension actuary, auditors, consultants, supervisory authority

Pension actuary

The pension actuary as defined in Art. 53 par. 2 BVG is Auxor Actuaries SA, Gland. They periodically check that pension fund pro can at all times guarantee the fulfilment of its obligations and whether its regulatory actuarial provisions comply with the statutory provisions.

Auditors

The Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans (BVG) requires the pension fund to have an independent auditor who annually audits the pension fund's management, accounting and asset management activities. The Board of Trustees appointed Ernst & Young Ltd, Basle as the auditors for the 2012 financial year.

Supervisory authority

pension fund pro is subject to supervision by the Central Switzerland BVG and Foundation Supervision (ZBSA), which checks, among other things, that the pension fund's regulations comply with the statutory provisions.

Asset management

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

Depositary

The depositary of pension fund pro is Tellco Asset Management Ltd, Schwyz.

Marketing and sales

Tellco Pension Services Ltd, Schwyz handles the marketing and sales of the pension fund pro services.

Administration and management

Administration and management have been delegated to Tellco Asset Management Ltd, Schwyz.

1.7 Affiliated companies

The number of affiliated companies changed as follows:

	2012	2011	2010
As at 1 January	6,169	5,739	5,352
New affiliated companies	982	1,048	954
Cancelled affiliation contracts	-730	-618	-567
> of which due to business closure	-96	-80	-78
> of which due to outstanding premiums	-160	-134	-100
> of which due to bankruptcy or liquidation	-27	-39	-39
> of which due to switch to another pension fund	-87	-46	-25
> of which due to no employees to be insured	-324	-237	-289
> of which for other reasons	-36	-82	-36
As at 31 December	6,421	6,169	5,739

2 Active insured and pensioners

2.1 Active insured

Change in number of insured

The portfolio of insured changed as follows:

	2012	2011	Change in %
As at 1 January	32,271	27,510	17.3
Entries	26,709	24,017	11.2
Departures	-22,562	-18,925	19.2
Retirements	-203	-172	18.0
Transfer of disability cases	-71	-138	-48.6
Deaths	-20	-21	-4.8
As at 31 December	36,124	32,271	11.9

The high number of entries and departures compared to the total number of insured is explained by the staff fluctuation, due to the nature of the business, experienced by the employment agencies affiliated with pension fund pro.

Age structure	Men	Women	Total
under 25 years	2,960	1,264	4,224
25 to 34 years	7,321	3,207	10,528
35 to 44 years	6,351	2,814	9,165
45 to 54 years	5,664	2,930	8,594
55 to 65 years (women to 64)	2,324	1,234	3,558
over 65 years (women over 64)	38	17	55
Total	24,658	11,466	36,124

The average age of the insured is:	2012	2011
Men	38.9	38.8
Women	39.7	39.5

2.2 Change in pending reinsured disability cases

	2012	2011	2010
As at 31 December	435	302	234

2.3 Pension recipients

	Disability pensions	Retirement pensions	Partner pensions	Child,s pensions	Total
As at 1 January 2012	773	1,588	602	326	3,289
New pensions	270	114	41	139	564
> of which acquisitions or from insurance contracts	199		1	61	261
Retirement of recipients of disability pensions	-30				-30
Reactivation of recipients of disability pensions	-27				-27
Transfer pensioners					0
Discontinuation of child,s pensions				-85	-85
Deaths, expiry of bridging pensions	-4	-60	-29		-93
As at 31 December 2012	982	1,642	614	380	3,618

2.4 Pensioner insurance contract GENERALI and ZURICH Personal Insurance

	31.12.2012	31.12.2011
Disability pensions	39	256
Partner pensions	8	7
Total	47	263

The reduction in the number of pensioners is explained by the fact that the annuity insurance contract with GENERALI Personenversicherung was terminated early (cf. par. 5.2).

3 Objective fulfilment

3.1 Description of pension plans

The pension funds have one or several individual BVG-compliant, defined contribution pension plans. The risk benefits are either dependent on the projected retirement assets or defined as a percentage of the pensionable salary (with or without coordination).

3.2 Financing, financing methods

The contributions to finance the pension plans are either defined as a percentage of the pensionable salary under the pension plan or through a percentaged allocation of the actual costs. The risk premiums are derived from the risk reinsurance rate.

The risk and administrative cost contributions finance the insurance premiums, the Security Fund, the reserves for the conversion rate, the inflation adjustment fund and the administrative costs. The employer finances at least 50 % of the total contributions.

Income (contributions)	2012 CHF 1,000	2011 CHF 1,000	Change in %
Employee contributions	90,277	85,078	6.1
Employer contributions	103,332	98,153	5.3
Contingency reserves for premium accounts	-540	-255	111.8
Total income	193,069	182,976	5.5
Expenses (utilisation)			
Retirement credits	140,138	130,037	7.8
Insurance premiums	32,449	29,715	9.2
Contributions to Security Fund	817	753	8.5
Creation of reserves for conversion rate	2,746	3,075	-10.7
Creation of inflation adjustment fund	1,840	1,680	9.5
Administrative costs	14,553	13,924	4.5
Total expenses	192,543	179,184	7.5
Balance	526	3,792	-86.1

4 Valuation and accounting principles, consistency

4.1 Confirmation that accounts are drawn up in accordance with Swiss GAAP FER 26

According to the amendment to the Ordinance on Occupational Retirement, Survivors' and Disability Pension Plans (BVV 2) as part of the first BVG revision on 1 April 2004, the accounting principles of Swiss GAAP FER 26 have been compulsory for pension funds since 1 January 2005. These 2012 annual financial statements comply with both the formal requirements as regards the structuring of the balance sheet, operating statement and notes as well as the material requirements of Swiss GAAP FER 26.

4.2 Accounting and valuation principles

Accounting, balance sheet reporting and valuation are done in accordance with the rules of the Swiss Code of Obligations and the BVG as well as the relevant ordinances (in particular BVV 2 and Swiss GAAP FER 26).

Securities and currencies are measured at market prices, while medium-term notes, mortgages and loans are measured at nominal values. Direct real estate investments are reported at fair 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.

4.3 Changes to valuation, bookkeeping and accounting principles

With the following exceptions, there were no changes to the valuation, bookkeeping and accounting principles compared to the annual financial statements for 2011:

The technical interest rate for the calculation of the pensioners' actuarial reserves and the provision for the conversion rate was reduced from 3.5 % to 2.5 % on 31 December 2012 (cf. par. 5.9).

5 Actuarial risks, risk cover, funding ratio

5.1 Type of risk cover, reinsurance

pension fund pro is a semi-autonomous pension fund. The risks of disability and death are reinsured with Swiss Mobiliar Life Insurance Company Ltd since 1 January 2005, the provisions raised by Mobiliar are assigned to pension fund pro for the definitive benefit claims and the benefit cases are then managed by pension fund pro. A net contract was concluded with Mobiliar from 1 January 2010.

The profit participation under insurance contracts of CHF 13,431,000 was credited to the foundation's operating account and used to reduce the actuarial deficiency as defined in Art. 44 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 the contributions.

The profit participation of CHF 8,879,000 concerns the final statement for the insurance contract with Mobiliar as at 31 December 2009 (cf. par. 5.6.4).

5.2 Assets and liabilities under insurance contracts

On the reporting date there were the following assets and liabilities under insurance contracts:

Assets under insurance contracts	2012 CHF 1,000	2011 CHF 1,000	Change in %
Premium accounts	1,367	10,124	-86.5
IBNR reserves	–	6,150	-100.0
Assets under GENERALI insurance contract	5,127	44,710	-88.5
Assets under ZURICH insurance contract	572	127	350.4
Total assets under insurance contracts	7,066	61,111	-88.4
Liabilities under insurance contracts			
Insurance benefits not settled	1,869	283	560.4
Liabilities under GENERALI insurance contract	5,127	44,710	-88.5
Liabilities under ZURICH insurance contract	572	127	350.4
Total liabilities under insurance contracts	7,568	45,120	-83.2

The assets and liabilities under the insurance contract with GENERALI refer to the actuarial reserves and retirement assets of pensioners with the GENERALI BVG Stiftung (pension fund pro) that were reinsured in full with GENERALI Personenversicherungen AG (GPV).

The annuity insurance contract with GENERALI Personenversicherung for retirement and partners' pensions was terminated early, on 1 January 2011. The disability pensions were transferred in several tranches to pension fund pro from November 2011. In 2012, CHF 36.7 million of the income from insurance benefits derived from the termination of this contract.

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.

The IBNR reserves were managed by Mobiliar as a fund for covering belated claims (cf. par. 5.6.4).

5.3 Change and interest on savings capital

The following table shows the changes to the insured's savings capital:

	2012 CHF 1,000	2011 CHF 1,000	Change in %
As at 1 January	1,255,911	1,155,650	8.7
Retirement credits	140,138	130,037	7.8
Retirement credits, free of premiums	5,041	3,993	26.2
Buy-ins and single contributions	11,187	9,940	12.5
Vested benefits contributed	125,647	158,481	-20.7
Vested benefits contributions by GENERALI	14,142	9,825	43.9
Contributions of free assets and employer contribution reserves	252	358	-29.6
Pay-in of advance withdrawals under promotion of home ownership scheme/for divorce	3,610	2,204	63.8
Vested benefits/contract terminations	-176,827	-175,213	0.9
Reduction due to partial liquidation	-1,101	-719	53.1
Lump-sum payments on retirement	-24,610	-19,306	27.5
Transfer to actuarial reserves for pensioners (retirements)	-20,519	-23,745	-13.6
Transfer to actuarial reserves for pensioners (deaths)	-2,404	-3,674	-34.6
Advance withdrawals under promotion of home ownership scheme/for divorce	-11,167	-9,117	22.5
Interest on savings capital	17,959	17,120	4.9
Miscellaneous	73	77	-5.2
As at 31 December	1,337,332	1,255,911	6.5
Number of savings accounts for active insured	32,166	28,432	13.1
Number of savings accounts for disability cases and disability pensioners	1,191	935	27.4

In 2012, the savings assets provisionally earned 1.5 % interest. At its meeting on 14 December 2012, the Board of Trustees set the final interest rate at 1.5 % in accordance with the regulations on technical provisions, as the funding ratio was expected to be more than 97.5 % on 31 December 2012.

The BVG assets in the shadow account earned interest at the minimum BVG interest rate of 1.5 %.

5.4 Total retirement assets under BVG (shadow account)

In compliance with the provisions of the BVG, pension fund pro manages the statutory retirement assets in a shadow account to ensure compliance at all times with the BVG minimum benefits. The BVG retirement assets are contained in the following items:

	31.12.2012 CHF 1,000	31.12.2011 CHF 1,000	Change in %
Savings capital	848,130	781,008	8.6
Liabilities under insurance contracts	1,591	15,089	-89.5
	849,721	796,097	6.7

5.5 Change to actuarial reserves for pensioners

Since 31 December 2012, pension fund pro has recognised its pension obligations in the balance sheet on the basis of the technical BVG 2010 actuarial tables with a technical interest rate of 2.5 %. To take account of the increase in life expectancy and to anticipate a change in actuarial tables, the actuarial reserves for pensioners include a longevity reserve of 1.0 %. From 1 January 2012, recognition in the balance sheet was based on the BVG 2010 technical tables and a technical interest rate of 3.5 %. The change in the technical interest rate generated a one-off expense of around CHF 36.8 million.

	Note Number	2012 CHF 1,000	2011 CHF 1,000	Change in %
As at 1 January		489,331	375,056	30.5
Pension recipients transferred in		1,094	9,903	-89.0
Insurance benefits	5.2	35,375	102,571	-65.5
Pension recipients transferred out		–	-4	-100.0
Transferred from savings capital (retirements)		20,519	23,746	-13.6
Transferred from savings capital (deaths)		2,404	3,674	-34.6
Lump-sum payments		-3,200	-5,502	-41.8
Pension payments		-41,867	-38,786	7.9
Premium waiver for savings credits		-3,351	-2,616	28.1
From inflation adjustment fund		14	–	–
From reserves for conversion rate		1,862	2,205	-15.6
Creation (standard valuation)		18,209	19,084	-4.6
Creation (reduction in technical interest rate)		36,836	–	–
As at 31 December		557,226	489,331	13.9

5.6 Composition, development and explanation of technical provisions

	Note Number	31.12.2012 CHF 1,000	31.12.2011 CHF 1,000	Change in %
Technical reserves				
Reserves FZG 17	5.6.1	1,323	1,406	-5.9
Reserves for minimum BVG termination benefits	5.6.2	670	660	1.5
Reserves for conversion rate	5.6.3	19,870	8,783	126.2
IBNR reserves of reinsurer	5.6.4	–	6,150	-100.0
Inflation adjustment fund	5.6.5	11,051	8,188	35.0
Other IBNR reserves	5.6.6	1,752	1,752	0.0
Total technical reserves		34,666	26,939	28.7
Development of technical provisions				
As at 1 January		26,939	36,507	-26.2
Withdrawal of reserves FZG 17	5.6.1	-83	-104	-20.2
Allocation to reserves for minimum BVG termination benefits	5.6.2	10	328	-97.0
Reserves for conversion rate				
> Ordinary allocation	5.6.3	2,746	3,075	-10.7
> Allocation due to reduction in technical interest rate	5.6.3	10,202	–	
> Deposit on assumption of pensioners		–	60	-100.0
> Retirement losses	5.6.3	-1,861	-2,206	-15.6
Release of IBNR reserves of reinsurer	5.6.4	-6,150	-13,660	-55.0
Inflation adjustment fund				
> Ordinary allocation	5.6.5	1,840	1,680	9.5
> Allocation to Generali deposit	5.6.5	1,037	1,344	-22.8
> Withdrawal from inflation adjustment fund	5.6.5	-14	–	
Withdrawal from other IBNR reserves	5.6.6	–	-85	-100.0
As at 31 December		34,666	26,939	28.7

The reserves and provisions raised in the balance sheet are based on the regulations on technical provisions drawn up by the Board of Trustees of pension fund pro in cooperation with the pension actuary.

5.6.1 Reserves FZG 17

These reserves cover the difference between the statutory vested benefits and the accrued savings capital. They are made necessary by a single affiliation (cpne), which does not apply a symmetrical system of financing the retirement credits (constant contributions and rising saving scale).

5.6.2 Reserves for minimum BVG termination benefits

As a result of the minimum interest rate for savings capital applied in accordance with the imputation principle, the savings capital of 4,385 insured is less than their vested benefits at 31 December 2012. As these insured are entitled to the higher benefit in the event of a claim, a suitable reserve was raised for the difference.

5.6.3 Reserves for conversion rate

It is the objective of pension fund pro to guarantee the statutory pension conversion rate on the total savings capital of the active insured for as long as possible. To achieve this, pension fund pro raises a reserve that covers the difference between the statutory and technical conversion rates. The amount of the reserve was calculated by the pension actuary.

The reserves had to be reassessed after the reduction in the technical interest rate from 3.5 % to 2.5 %, as the difference between the statutory and technical conversion rates will increase correspondingly. The change generated a one-off expense of around CHF 10.2 million.

5.6.4 IBNR reserves of reinsurer

The risk premiums of the reinsurer are calculated so that they can finance the disability and death cases in the current account. With regard to disability cases, however, several years can pass between the occurrence of the actuarial event and the final settlement of the claim. Suitable reserves must be raised for the subsequent settlement of these cases. The insurance contract was terminated as of 31 December 2009. The remaining IBNR reserves will be determined after settlement of all pending claims.

Mobilier submitted the first final statement in 2012. The profit participation amounted to CHF 8,879,000 (cf. par. 5.1). The remaining claims will be settled with the next final statement.

5.6.5 Inflation adjustment fund

The statutory minimum survivors' and disability pensions which have been paid out for more than three years must be adjusted to price trends until the beneficiary reaches the regular AHV retirement age as stipulated by the Swiss Federal Council. The inflation adjustment fund is raised for this purpose. The allocation of CHF 1,840,000 equals 0.2 % of the coordinated payroll total in accordance with the BVG. The survivors' and disability pensions that do not have to be adjusted to price trends, and the retirement pensions, are adjusted for inflation as allowed by the financial resources of pension fund pro.

CHF 1,037,000 million derived from the termination of the annuity insurance contract with GENERALI was transferred to the inflation adjustment fund.

5.6.6 Other IBNR reserves

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

5.7 Results of last actuarial report

The pension actuary prepared an actuarial report as of 31 December 2012. Based on their audit they confirm that

- the foundation shows a technical actuarial deficiency of CHF 38.9 million on 31 December 2012 and cannot offer complete security that it can meet all its technical obligations. There are no reserves to cover the foundation's financial risks;
- the provisions of Art. 41 a par. 2 BVV 2 have been met. The pension actuary in particular confirms that the measures to eliminate an actuarial deficiency are appropriate and proportional to the deficiency and are part of a balanced overall concept. The measures will also make it possible to eliminate the actuarial deficiency within an appropriate period of time;
- the regulatory actuarial provisions on benefits and financing correspond to the statutory provisions;
- the benefit obligations are secured by pension capital, technical provisions, contributions and expected investment income. The ratio of the target return (1.86 %) to the expected return results in a positive margin for the foundation.

5.8 Actuarial tables and other actuarial assumptions

pension fund pro's obligations were determined in accordance with the principles and guidelines for pension actuaries issued by the Swiss Association of Actuaries and the Swiss Chamber of Pension Actuaries.

5.9 Changes to actuarial tables and assumptions

With the following exception, the actuarial tables and assumptions applied to the 2011 and 2012 annual financial statements are identical:

The technical interest rate was reduced from 3.5 % to 2.5 % on 31 December 2012. This reduction triggered the following one-off expenses:

Allocation to actuarial reserves pensioners	CHF 38,836,000
Allocation to reserves for conversion rate	CHF 10,202,000
Total	CHF 47,038,000

5.10 Funding ratio pursuant to Art. 44 BVV 2

The funding ratio pursuant to Art. 44 BVV 2 equals the ratio between the available pension assets and the actuarially required pension capital (including actuarial reserves).

Actuarial balance sheet

	31.12.2012 CHF 1,000	31.12.2011 CHF 1,000	Change in %
Available pension assets			
Balance sheet assets	2,037,555	1,858,270	9.6
Balance sheet liabilities	-87,325	-73,661	18.5
Deferrals	-16,550	-14,515	14.0
Employer contribution reserves	-19,008	-18,389	3.4
Fluctuation reserves of pension funds	-3,000	-3,000	0.0
Free assets of pension funds	-13,779	-14,557	-5.3
Total available pension assets	1,897,893	1,734,148	9.4
Pension capital and technical reserves			
Savings capital	1,337,332	1,255,911	6.5
Actuarial reserves for pensioners	557,226	489,331	13.9
Liabilities under insurance contracts	7,568	45,120	-83.2
Technical reserves	34,666	26,939	28.7
Pension capital and technical reserves	1,936,792	1,817,301	6.6
Actuarial surplus / deficiency	-38,899	-83,153	-53.2
Foundation's funding ratio (= minimum funding ratio of the pension funds)	98.0%	95.4%	
Average funding ratio of the pension funds	98.9%	96.4%	

6 Notes pertaining to the investments and the net investment result

Review

In 2012, several asset classes increased their yield in spite of the euro debt crisis, contracting growth, political tension and high unemployment in many European countries. The value of the Swiss equity market (SPI) increased by almost 18 % and the MSCI World index rose by almost 13 % in CHF. The continued expansive monetary policy of many central banks also had a positive effect on bond performance. The Swiss bond index improved by 4.2 %, while the world bond index rose by 7.7 %.

The measures instigated by the European Central Bank and the US Fed (LTRO, QE3, purchases of bonds of struggling European countries, etc.) and the expansion of the euro emergency parachute by the European Stability Mechanism (ESM) helped practically all markets to stabilise.

Equity markets recovered dynamically in the first quarter thanks to good indicators (positive corporate results and better economic forecasts). Bond credit spreads shrank for the debt-ridden countries Greece, Ireland, Portugal, Spain and Italy in particular. The sovereign debt crisis, which worsened again from the previous year, is and remains a big element of uncertainty. In the second quarter, Greece's inability to pay and growing financial problems in Spain (massive financial support for struggling banks by the European Central Bank) triggered a wave of selling on the equity markets, the extent of which was quite unexpected. On the bond markets, interest rates in the core countries dropped to new all-time lows, and short-term interest rates in Switzerland and Germany were actually negative. With the intensification of the debt crisis in Europe, uncertainty regarding the robustness of the global economy increased and the latest data for many emerging economies and the BRIC countries (Brazil, Russia, India and China) indicated a slowdown in economic growth.

For the first time since 2007, the US real estate market is showing signs of a recovery, but this is still no reason for unbridled optimism. The imminent fiscal decisions regarding the restructuring of US government debt and the reduction of the annual deficit have a negative impact on the macro-economic environment and the US capital market. In spite of these problems and high volatility, most equity indices and capital markets firmed again in the third and fourth quarters. The price gains were supported by the vigorously expansive monetary policy of the central banks (round three of the quantitative easing by the Federal Reserve, measures by the Bank of Japan and the European Financial Stability Facility). These monetarist measures caused a reduction in risk premiums on the bond markets.

Performance

With a net investment return of 6.6 % for the past financial year, pension fund pro underperformed the Pictet-25 (2000) reference index by around 1 percentage point. This underperformance is explained by the strong underweighting of bonds. The reference index holds 75 % bonds while pension fund pro's investment strategy only contains a 30 % bond component. This underweighting made a negative contribution of 2.4 % to the benchmark return. At 6.7 % (Swiss bonds) and 8.4 % (global bonds), the bond portfolios outperformed their benchmarks with around 2.5 % and 0.6 % respectively.

The net return for Swiss real estate was 4 %. The increase of the Swiss real estate component from 25 % to 29 % of total assets progressed very slowly as good quality residential properties are in short supply. The only remaining option was to invest in new construction projects. These long-term investments in new projects also burdened the performance, as these projects are not yet returning any income.

The asset-liability management study was mandated at the end of 2012 and confirmed the investment strategy adopted by the Board of Trustees at the end of 2011. With the same asset allocation, the expected investment return was reduced to 3.6 %, primarily because the yield expectations for fixed-interest investments had to be revised downward once again.

Outlook

Capital market interest rates in Switzerland increased substantially at the beginning of 2013 and the Swiss bond index already lost 1 % in January. However, the fireworks on the equity markets (Swiss Performance Index: +15 %; S&P 500 in CHF: 14 %; status 26 March 2013) more than made up for the price losses on CHF bonds. The ongoing debt crisis and the by now strong improvement in the equity indices do not detract from our carefully optimistic outlook. Our investments are widely diversified, broadly supported and stable.

6.1 Organisation of investment activities, investment regulations

The investment regulations date from 14 December 2012. Tellco Asset Management Ltd, Schwyz is responsible for managing all assets except the real estate. The depository for the securities investments is Tellco Asset Management Ltd, Schwyz. 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 2012.

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 2012.

6.2 Use of expanded options with conclusion pursuant to Art. 50 par. 4 BVV 2

No expanded options are used.

6.3 Target and calculation of fluctuation reserve

The fluctuation reserve is created or reversed to eliminate short-term fluctuations in the value of the investments. The target fluctuation reserve for the assets is calculated using a risk-oriented approach during the preparation of the regular asset & liability study.

	31.12.2012 CHF 1,000	31.12.2011 CHF 1,000	Change in %
Fluctuation reserve target	253,000	224,000	12.9
Target as % of investments	12.5 %	12.5 %	
Available fluctuation reserve	–	–	
Reserve deficit	253,000	224,000	12.9

6.4 Investments by asset class

	31.12.2012			31.12.2011		
	CHF 1,000	in %	Strategy in %	CHF 1,000	in %	Strategy in %
Money market	155,932	7.8	0-10	132,065	7.5	0-10
Loans and mortgages	829	–	0-2	8,879	0.5	0-2
CHF bonds	398,586	19.9	0-40	405,790	23.0	25-45
Global bonds in foreign currency	197,303	9.9	0-20	191,812	10.9	9-14
Convertible bonds	82,338	4.1	0-8	50,222	2.8	0-8
Swiss equities	161,340	8.1	0-20	127,904	7.2	4-13
Global equities	277,561	13.9	0-20	288,242	16.3	10-20
Alternative investments	198,730	9.9	0-15	110,957	6.3	0-6
Swiss real estate	526,491	26.3	20-35	448,783	25.4	20-30
Subtotal	1,999,110	100.0		1,764,654	100.0	
Receivables from employers	24,777			27,201		
Other receivables Switzerland	4,027			745		
Prepaid expenses	2,575			4,559		
Assets under insurance contracts	7,066			61,111		
Total assets	2,037,555			1,858,270		

Asset allocation of alternative investments

	Collective CHF 1,000	Direct CHF 1,000	31.12.2012 CHF 1,000	31.12.2011 CHF 1,000
Hedge funds	113,453		113,453	67,396
Insurance-linked securities	58,187		58,187	29,281
Private equity	19,702		19,702	15,779
Infrastructure investments	5,147		5,147	–
Foreign exchange hedging transactions		2,241	2,241	-1,499
Total	196,489	2,241	198,730	110,957

6.4.1 Money market

The item «Money market» includes the account balances with banks and securities traders, fixed deposits with banks and units in money market funds.

6.4.2 Bonds

In expectation of interest rate increases, the bond component was reduced from 33.9 % to 29.8 % in the reporting year. The portfolio value is more or less the same at CHF 584 million.

6.4.3 Convertible bonds

Convertible bonds were increased by CHF 32 million to CHF 82 million (share of 4.1 %).

6.4.4 Equities

In the reporting year the equity component was between 20.2 % and 23.7 %. The portfolio value was more or less the same as in the previous year, while the share was reduced to 20.9 %.

6.4.5 Swiss real estate

The real estate portfolio increased by CHF 78 million to 26.3 % in the reporting year. CHF 359 million of the portfolio is invested in units in the Swiss real estate investment group of Tellco Investment Foundation.

6.5 Recurring (open) derivative financial instruments

There were the following open derivative contracts on 31 December 2012:

	Market value 31.12.2012 in CHF 1,000	Contract volume in CHF 1,000	Commitment- increasing in CHF 1,000	Commitment- reducing in CHF 1,000
Forward exchange transactions EUR, USD, AUD, GBP				
> positive replacement cost	2,355	181,640		181,640
> negative replacement cost	-58	6,957		6,957
Total forward exchange transactions	2,297	188,597	-	188,597
Derivatives on global equities				
> positive replacement cost	170	7,019	1,162	5,857
> negative replacement cost	-71	3,556	2,335	1,221
Total derivatives on global equities	99	10,575	3,497	7,078

The forward exchange transactions are covered by existing investments.

The derivatives on global equities are exchange-traded options. The commitments are covered by money market investments or investments in securities.

6.6 Net investment result

The operating statement shows the composition of the net investment result. The following gives an overview of the most important items in the net investment result.

6.6.1 Net return on money market investments

The net return on money market investments comprises:

	2012 CHF 1,000	2011 CHF 1,000
Interest income on money market investments	812	56
Foreign exchange income on money market investments	-64	288
Profit/loss on money market investments	748	344

6.6.2 Net return on domestic and foreign CHF bonds

The net return on domestic and foreign CHF bonds comprises:

	2012 CHF 1,000	2011 CHF 1,000
Interest	94	42
Price gains	2,360	483
Gains on investments of Telco Investment Foundation	23,981	9,458
Profit/loss on domestic and foreign CHF bonds	26,435	9,983

6.6.3 Net return on global bonds in foreign currency

The net return on investments in global bonds in foreign currency comprises:

	2012 CHF 1,000	2011 CHF 1,000
Interest	2,405	1,066
Price gains	533	-2,230
Gains on investments of Telco Investment Foundation	13,138	276
Profit/loss on global bonds in foreign currency	16,076	-888

6.6.4 Net return on Swiss equities

The net return on Swiss equities comprises:

	2012 CHF 1,000	2011 CHF 1,000
Price gains	11	-1,113
Gains on investments of Telco Investment Foundation	22,057	-14,601
Profit/loss on Swiss equities	22,068	-15,714

6.6.5 Net return on global equities

The net return on global equities comprises:

	2012 CHF 1,000	2011 CHF 1,000
Price gains	2,420	-1,547
Gains on investments of Telco Investment Foundation	22,757	-26,377
Profit/loss on global equities	25,177	-27,924

6.6.6 Net return on Swiss real estate

The net return on real estate comprises:

	2012 CHF 1,000	2011 CHF 1,000
Rental income	5,959	5,436
Maintenance	-919	-919
Changes in value of direct investments	-1,022	-596
Change in deferred property gains tax	-	830
Gains on sales of direct investments	33	211
Profit/loss on indirect investments	150	-158
Gains on investments of Telco Investment Foundation	15,157	14,309
Profit/loss on real estate	19,358	19,113

6.6.7 Asset management costs

	2012	
	as % of assets	CHF 1,000
Asset management costs according to operating statement	0.23 %	4,376
TER costs for cost-transparent collective investments	0.55 %	8,173

Non-transparent collective investments – as at 31 December 2012

Product name	Provider	ISIN	Units	Market value CHF 1,000
BlackRock Infrastructure 2012	BlackRock	n/a	1,949,272	1,673
DB Cert Quantica Managed Futures	Deutsche Bank	DE000DB2KXM5	16,000	1,834
EFG Financial Products Tracker Cert.	EFG Financial Products	CH0109098563	2,500	2,430
GAM FCM Cat Bond Fund USD	GAM Holding	VGG3727T1545	73,307	7,990
Twelve Capital ILS SPC -C01-	Twelve Capital	KYG471371073	262,555	26,750
IP Renminbi Credit Fund	Income Partners	KYG493711264	39,196	4,083
LGT Guernsey ILS Plus Fund	LGT Capital Management	GG00B2918D60	18	12,623
Partners Group Private Equity Performance Holding Certificate (P3)	Commerzbank	DE000A1EV899	9,300	17,077
PCAM Blue Chip Ltd Class E	Prime Capital	KYG411361218	9,845	10,230
PG Listed Investments SICAV	Partners Group	LU0196152606	21,300	2,625
PG Listed Infrastructure I-T	Partners Group	LU0263854829	13,100	2,110
PG Global Infrastructure 2012	Partners Group	n/a	1,130,876	1,364
Solidum Recovery Fund 2RI	Solidum	n/a	98	833
Swiss Re Sector V A 2 Reg S	Swiss Re Capital Markets	USG7966TAB29	10,000,000	9,991
Total				101,613

6.7 Investments with the employer and employer contribution reserves

6.7.1 Investments with the employer

On 31 December 2012, the premium account receivables from affiliated companies totalled CHF 26,172,000 (2,559 employers). These were offset by contingency reserves for doubtful receivables of CHF 1,395,000. Balances to the debit of employers earned 6 % interest, and balances in favour of employers earned 1.5 % interest. The net result was an interest expense of CHF 191,000. These current account receivables do not strictly qualify as investments with the employer.

The mortgage loans granted to employers of CHF 829,000 include a collateralised mortgage loan in Germany (with a small lending ratio) and a mortgage loan in Switzerland.

6.7.2 Employer contribution reserves

In addition to premium account liabilities to affiliated companies of CHF 12,617,000, the foundation also held employer contribution reserves for 321 employers on 31 December 2012. The contribution reserves changed as follows:

	2012 CHF 1,000	2011 CHF 1,000
As at 1 January	18,389	16,758
Deposits	3,117	4,574
Payouts	-765	-1,329
Used for employer contribution payments	-1,983	-1,835
Used for contributions to savings capital	-10	-31
Interest 1.50 %	260	252
As at 31 December	19,008	18,389

7 Notes pertaining to additional items in the balance sheet and income statement

7.1 Composition of contributions

	2012 CHF 1,000	2011 CHF 1,000	Change in %
Savings contributions	135,442	125,661	7.8
Risk contributions	45,656	45,912	-0.6
Administrative cost contributions	5,824	5,309	9.7
Flat-rate contributions	6,687	6,348	5.3
Total contributions	193,609	183,230	5.7

8 Requirements of the supervisory authority

The Central Switzerland BVG and Foundation Supervision (ZBSA) approved the 2011 annual financial statements on 1 February 2013 without any provisos.

9 Additional information regarding the financial position

9.1 Actuarial deficiency / measures taken

At its meetings in 2012 the Board of Trustees discussed the actuarial deficiency. The retirement assets provisionally earned interest at 1.5 %, but at its meeting of 14 December 2012, the Board of Trustees decided to leave the final interest rate at 1.5 % as the funding ratio was expected to be more than 97.5 %. This complies with the regulations on technical provisions.

At the same meeting the Board of Trustees decided to reduce the technical interest rate from 3.5 % to 2.5 % with effect from 31 December 2012. The interest rate reduction triggers a one-off expense for provisions of around CHF 47.0 million (cf. par. 5.9). If the technical interest rate were not reduced, the funding ratio as at 31 December 2012 would have been 100.4 %.

The funding ratio was 99.9 % at the end of February 2013.

The provisional interest rate for 2013 was set at the BVG minimum interest rate of 1.5 %.

9.2 Pledging of assets

At UBS Ltd, money market investments of CHF 131.5 million have been pledged to cover margin calls for forward currency transactions, and the balance of an account equalling CHF 1.5 million has been blocked to cover an irrevocable payment obligation related to a real estate purchase.

At Credit Suisse, account balances of CHF 10.0 million have been pledged to cover margin calls for forward currency transactions.

9.3 Current legal proceedings

No legal proceedings relating to the financial situation are pending.

9.4 Contingent liabilities to third parties

As at 31 December 2012: CHF 620,000

10 Events after the reporting date

There were no material events after the reporting date that would require a correction to the 2012 annual financial statements.

Auditor's report

To the Board of Trustees of
pension fund pro, Schwyz

Basle, 18 April 2013

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the accompanying financial statements of pension fund pro, which comprise the balance sheet, income statement and notes, for the year ended 31 December 2012.

Board of Trustee' responsibility

The Board of Trustees is responsible for the preparation of the financial statements in accordance with Swiss law, the foundation deed and the regulations. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Trustees is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Responsibility of the pension actuaries

The Board of Trustees appoints a pension actuary in addition to the auditor. The pension actuary is responsible for periodically assessing whether the pension fund is able to guarantee that it can meet its benefit obligations and whether the actuarial provisions in the regulations concerning benefits and financing comply with the law. In accordance with Art. 52e para. 1 BGV/LPP in conjunction with Art. 48 BVV 2/OPP 2, the current report of the pension actuary is decisive in determining the provisions required for actuarial risks.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal controls relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended 31 December 2012 comply with Swiss law, the foundation deed and the regulations.

Report on legal and other requirements

We confirm that we meet the legal requirements on licensing (Art. 52b BVG/LPP) and independence (Art. 34 BVV 2/OPP 2) and that there are no circumstances incompatible with our independence.

We have also audited the additional audit areas prescribed by Art. 52c para. 1 BVG/LPP and Art. 35 BVV 2/OPP 2. The Board of Trustees is responsible for ensuring that the legal duties are fulfilled and that the provisions of the law, the foundation deed and the regulations with regard to organization, management and investment are implemented.

We carried out audit procedures to verify whether:

- > The organization and management comply with the provisions laid down by the law and the pension fund's regulations and internal controls are in place that are appropriate for the size and complexity of the pension fund;
- > The investment of assets meets the provisions laid down by the law and the pension fund's regulations;
- > The BVG/LPP retirement accounts comply with the legal provisions;
- > Precautions have been taken to ensure loyalty in asset management and adequate control procedures were performed to verify that the supreme governing body has disclosed any outside interests and complied with loyalty duties;
- > Non-committed funds or shares of insurance surpluses have been appropriated in accordance with the provisions laid down by the law and the pension fund's regulations;
- > In case of underfunding, the pension fund has taken the necessary measures to restore full coverage;
- > The disclosures and reports required by law have been submitted to the supervisory authorities;
- > The disclosed legal transactions with related parties are compatible with the interests of the pension fund.

We confirm that the pension fund has complied with the provisions relating to these areas as defined by the law, the foundation deed and the regulations.

The financial statements show an underfunding of CHF 38'899'208 and coverage of 98 %. The notes to the financial statements provide details of the measures agreed by the Board of Trustees, in consultation with a pension actuary but at the Board's own responsibility, to remedy the underfunding, invest assets and inform the beneficiaries. Pursuant to Art. 35a para. 2 BVV 2/OPP 2, we are required to state in our report whether the investments are consistent with the risk capacity of the underfunded pension fund.

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, in a transparent 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 group of beneficiaries;
- > The investments with the employer comply with the legal provisions;
- > taking into consideration the above comments, the investment of the assets is consistent with the requirements of Art. 49a and 50 BVV 2/OPP 2;
- > The measures to remedy the underfunding, as agreed by resolution of the Board of Trustees in consultation with a pension actuary, have been implemented in accordance with the legal requirements and the program of measures; the duty to provide information has been fulfilled;
- > The Board of Trustees has monitored the effectiveness of the measures to remedy the underfunding to date. 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 also depend on events which cannot be anticipated, e.g., developments affecting the investment market and the employer.

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

Ernst & Young Ltd

Patrik Schaller
Licensed audit expert
(Auditor in charge)

Sandra Hensler Kälin
Licensed audit expert

Publishing details

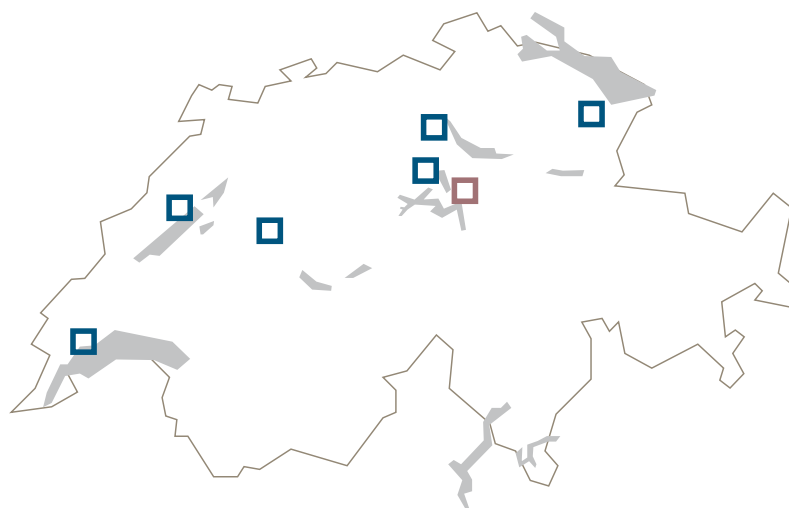
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