

Annual Report 2016



Table of contents

Foreword	3
Key figures	4
Balance sheet	5
Operating statement	7
Notes	10
1 Principles and organisation	10
2 Active insured and pensioners	13
3 Fulfilment of the pension objective	15
4 Valuation and accounting principles, consistency	16
5 Actuarial risks, risk cover and coverage ratio	16
Actuarial balance sheet	23
6 Explanation of investments and net investment result	24
7 Explanation of additional items in the balance sheet and income statement	33
8 Requirements of the supervisory authority	34
9 Additional information regarding the financial position	34
10 Events after the reporting date	34
Auditor's report	35
Publishing details	37

Foreword



pension fund pro – offering secure value

Demographic developments, the situation on the financial markets and regulatory framework conditions represent a stress test for occupational pension schemes. It is thus all the more pleasing that pension fund pro has once more succeeded in posting solid growth for the 2016 financial year. The number of active insured persons has increased, as has the number of affiliates. A return in line with the prevailing market conditions was also generated. Thanks to its client-oriented solutions, pension fund pro is optimally prepared for the future.

The situation facing the area of occupational pension provision is a challenge that needs to be taken seriously. Politicians have now responded, and the Swiss parliament has passed the Altersvorsorge 2020 (Pensions 2020) reform package. The package of reforms includes a reduction in the conversion rate and is essential for the future of the second-pillar pensions. If action is not taken soon, there is a risk of suffering further significant losses, with a substantial shift in the ratio of active insured persons to pension beneficiaries. This would put an internationally respected pension system in a precarious position.

The financial markets are likewise offering no assistance at present. Furthermore, the system parameters are outdated. The basis for the technical calculation of pensions was set in 1985 and has not been changed since. It is apparent to everybody that it will not be possible to generate the returns of three decades ago, neither today nor in the immediate future. As such, there is also a need for reform here.

pension fund pro has responded and, in 2016, took the decision to gradually adjust the conversion rate from 6.8% to 6.0%. The technical interest rate was reduced from 2.5% to 2.25%. This change has been borne by the coverage ratio and makes pension fund pro more secure. These are steps which should reduce the generational shift to a system-compliant level. In taking these measures, pension fund pro is accepting responsibility for its policyholders and for the pension fund itself.

Despite the difficult environment, the performance posted by pension fund pro remains remarkably positive. This can be seen, on the one hand, in its reported figures: During the 2016 financial year, the number of active insured persons increased from 57,557 to 61,068, while the number of affiliates rose from 7,718 to 7,932. The return generated also grew from 1.20% to 2.51% (further information can be found in the detailed annual financial statement).

pension fund pro has created good conditions for a successful future. Revised regulations have been in force since 1 January 2017, meeting the need for flexibility and offering greater transparency. With the introduction of the Case Management service, efforts aimed at the integration or reintegration of invalidity insurance (IV) cases have also been stepped up. The number of IV cases should be reduced, thus leading to a further reduction in costs. To achieve this, it will require the professional support of all those involved in the IV process.

During the past financial year, pension fund pro laid important groundwork for the future – very much in the interest of its beneficiaries. With financially sustainable solutions, we will not only create a stable basis for the active generations, but also for pension beneficiaries. We exercise caution and are thus optimistic about the future.

Yours faithfully

Peter Hofmann

Chairman of the Board of Trustees

Key figures

	2016 CHF 1,000	2015 CHF 1,000	Change in %
Recognised contributions, gross	267,708	258,467	3.6
> of which savings and flat-rate contributions	211,787	201,349	5.2
> of which risk contributions and contributions to administrative costs	55,921	57,118	-2.1
Pension capital for working insured	1,771,140	1,710,738	3.5
Pension capital for pensioners	563,907	565,827	-0.3
Pension benefits	45,079	63,408	-29.0
Technical reserves	45,278	56,100	-19.3
> of which FZG 17 reserves	1,024	1,046	-2.1
> of which reserves for BVG minimum termination benefits	304	347	-12.4
> of which reserves for conversion rate	39,962	34,949	14.3
> of which inflation adjustment fund	–	15,771	-100.0
> of which IBNR reserves	3,988	3,987	0.0
Actuarial surplus	33,458	38,864	-13.9
Balance sheet total	2,708,198	2,674,468	1.3
Other information			
Foundation's funding ratio	101.4%	101.7%	-0.3
Average funding ratio of pension funds	102.8%	103.1%	-0.3
Affiliated companies	7,932	7,718	2.8
Insured persons	61,068	57,557	6.1
Pension recipients (number of pensions)	3,247	3,329	-2.5
Pending reinsured disability claims	560	518	8.1
Return on investments	2.51%	1.20%	
Interest on savings capital	1.25%	1.75%	
Technical interest rate	2.25%	2.50%	

Balance sheet

Assets	Note	31.12.2016 CHF	31.12.2015 CHF	Change in %
Investments	6.4	2,706,705,615	2,670,098,554	1.4
Money market investments	6.4.1	187,935,639	177,121,197	6.1
Receivables from employers	6.8.1	41,015,220	35,879,294	14.3
Receivables from third parties		6,872,798	44,872,828	-84.7
Mortgage loans		19,820,500	59,772,267	-66.8
Domestic and foreign CHF bonds	6.4.2	223,063,162	254,108,721	-12.2
Global bonds in foreign currency	6.4.2	134,467,612	129,590,755	3.8
Convertible bonds	6.4.3	131,191,078	127,173,318	3.2
Swiss equities	6.4.4	293,210,255	276,779,208	5.9
Global equities	6.4.4	286,686,829	271,484,728	5.6
Alternative investments	6.4	625,034,980	556,342,882	12.3
Swiss real estate	6.4.5	757,407,542	736,973,356	2.8
Accruals		856,097	1,504,349	-43.1
Assets under insurance contracts	5.2	636,056	2,864,830	-77.8
Total assets		2,708,197,768	2,674,467,733	1.3

Balance sheet

Liabilities	Note	31.12.2016 CHF	31.12.2015 CHF	Change in %
Liabilities		215,886,633	230,998,372	-6.5
Liabilities from vested benefits and pension benefits		171,916,530	146,259,724	17.5
Capital received for pension funds		27,499,564	28,421,656	-3.2
Liabilities to banks and insurance companies		567,609	1,634,638	-65.3
Other liabilities		15,902,930	54,682,354	-70.9
Deferrals		20,039,085	17,412,370	15.1
Employer contribution reserves	6.8.2	22,698,049	18,304,131	24.0
Non-technical provisions		1,458,000	–	
Pension capital and technical reserves		2,380,961,545	2,335,529,881	1.9
Pension capital for working insured	5.3	1,771,140,294	1,710,738,071	3.5
Pension capital for pensioners	5.5	563,907,299	565,827,239	-0.3
Liabilities under insurance contracts	5.2	636,056	2,864,830	-77.8
Technical reserves	5.6	45,277,896	56,099,741	-19.3
Value fluctuation reserve for foundation	6.3	33,457,967	38,863,247	-13.9
Fluctuation reserves for pension funds	6.3	18,121,799	19,172,572	-5.5
Free assets of pension funds		15,574,690	14,187,160	9.8
Foundation capital, free assets of foundation / actuarial deficiency		–	–	
Status at beginning of period		–	–	
Expense/revenue surplus		–	–	
Total liabilities		2,708,197,768	2,674,467,733	1.3

Operating statement

	Note	2016 CHF	2015 CHF	Change in %
Statutory and other contributions and deposits		282,533,177	274,603,052	2.9
Employee contributions	3.2	127,024,065	122,186,642	4.0
Employer contributions	3.2	140,683,810	136,281,000	3.2
Withdrawal from employer contribution reserves to finance contributions	6.8.2	-2,372,726	-1,650,811	43.7
Bad debt allowance for premium accounts	6.8.1	-1,200,000	-700,000	71.4
Buy-in sums and single contributions	5.3	10,800,545	14,878,492	-27.4
Contributions to employer contribution reserves	6.8.2	7,177,342	2,722,399	163.6
Contributions to savings capital (from free assets of pension funds)		420,141	796,128	-47.2
Contributions to the Security Fund		–	89,202	-100.0
Benefits brought into pension fund		281,756,785	283,728,709	-0.7
Vested benefits	5.3	268,529,663	245,013,154	9.6
Contributions on acquisition of insurance portfolios				
> Pension capital for pensioners	5.5	7,344,841	33,442,226	-78.0
> Technical reserves		–	972,478	-100.0
Transfer of advance withdrawals under promotion of home ownership scheme/for divorce	5.3	5,882,281	4,300,851	36.8
Total inflow from contributions and entry benefits		564,289,962	558,331,761	1.1
Regulatory benefits		-76,894,131	-94,257,038	-18.4
Retirement pensions		-26,940,207	-40,691,312	-33.8
Survivors, pensions		-6,355,387	-11,574,653	-45.1
Disability pensions		-11,783,758	-11,142,100	5.8
Lump-sum payments on death		-5,758,115	-6,251,984	-7.9
Lump-sum payments on retirement		-26,056,664	-24,596,989	5.9
Departure benefits		-457,525,066	-559,215,671	-18.2
Vested benefits on departure	5.3	-381,360,129	-269,561,739	41.5
Transfer of additional funds in the event of collective departures				
> Pension capital for pensioners	5.5	-66,316,247	-279,456,664	-76.3
> Technical reserves		-968,369	-586,469	65.1
> Employer contribution reserves	6.8.2	-488,793	-2,230,086	-78.1
Advance withdrawals under promotion of home ownership scheme/for divorce	5.3	-8,391,528	-7,380,713	13.7
Total outflow for benefits and advance withdrawals		-534,419,197	-653,472,709	-18.2

Operating statement

	Note	2016 CHF	2015 CHF	Change in %
Release / creation of pension capital, technical reserves and contribution reserves		- 51,896,596	19,452,227	- 366.8
Creation of pension capital for working insured	5.3	- 40,739,228	- 127,966,580	- 68.2
Interest on savings capital	5.3	- 19,601,636	- 26,369,644	- 25.7
Reversal of pension capital for pensioners	5.5	1,919,940	183,185,843	- 99.0
Creation of technical reserves	5.6	10,739,441	- 7,938,371	- 235.3
Expenses/income on partial liquidation		- 55,635	- 2,623,154	- 97.9
Reversal/formation of employers' contribution reserves	6.8.2	- 4,159,478	1,164,133	- 457.3
Income from insurance benefits		22,788,549	19,909,709	14.5
Profit participation	5.1	51,023	131,361	- 61.2
Insurance benefits	5.2	22,737,526	19,778,348	15.0
Insurance expenses		- 38,450,964	- 36,744,610	4.6
Insurance premiums				
> Risk premium	3.2	- 33,614,744	- 32,224,525	4.3
> Cost premium	3.2	- 3,461,394	- 3,317,452	4.3
Contributions to Security Fund	3.2	- 1,374,826	- 1,202,633	14.3
Net result from insurance component		- 37,688,246	- 92,523,622	- 59.3

Operating statement

	Note	2016 CHF	2015 CHF	Change in %
Net investment result		51,522,516	24,240,524	112.5
Interest income on payments by previous insurers		69,486	135,117	-48.6
Interest expenses on vested benefits		-2,801,164	-3,188,678	-12.2
Interest on receivables from/liabilities to employers	6.8.1	6,215	-435,652	-101.4
Interest on receivables from/liabilities to third parties		-60,677	-118,209	-48.7
Interest on employer contribution reserves	6.8.2	-234,440	-298,923	-21.6
Interest on mortgage loans		376,736	297,259	26.7
Net return on money market investments		-160,153	-1,729,940	-90.7
Net return on domestic and foreign CHF bonds		3,501,357	4,338,045	-19.3
Net return on global bonds in foreign currency		3,943,139	-21,928,801	-118.0
Net return on convertible bonds		-367,516	1,933,197	-119.0
Net return on Swiss equities		-1,231,431	11,210,211	-111.0
Net return on global equities		22,345,057	7,557,098	195.7
Net return on alternative investments		30,199,664	36,897,092	-18.2
Net return on Swiss real estate		31,261,278	25,020,679	24.9
Asset management costs	6.7.1	-35,325,035	-35,447,971	-0.3
Other income		762,733	552,001	38.2
Income from services performed		680,097	468,993	45.0
Other income		82,636	83,008	-0.4
Other expenses		-4,210	-7,058	-40.4
Administrative costs		-20,861,172	-21,706,017	-3.9
General administrative costs		-8,204,710	-8,776,454	-6.5
Auditors and accredited pension actuary		-190,940	-379,059	-49.6
Supervisory authority		1,640	-57,523	-102.9
Marketing and advertising costs		-4,379,954	-4,656,922	-5.9
Brokers, expenses		-8,087,208	-7,836,059	3.2
Expense / revenue surplus before interest on available funds		-6,268,379	-89,444,171	-93.0
Interest on free assets of pension funds		-187,673	-253,103	-25.9
Expense / revenue surplus before creation / release of fluctuation reserve		-6,456,052	-89,697,274	-92.8
Creation/release of fluctuation reserve for Foundation	6.3	5,405,279	89,048,300	-93.9
Creation/release of fluctuation reserve for pension providers	6.3	1,050,773	648,974	61.9
Expense / revenue surplus		0	0	

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-109.924.595. 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 governed the activities of pension fund pro in the year under review:

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	13.12.2013	01.01.2014
Addendum 1 to the pension regulations	27.01.2015	01.01.2015
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	06.10.2015	31.12.2015
Investment regulations	18.12.2015	01.01.2016
Regulations for the partial liquidation of the foundation or pension funds	13.12.2013	01.01.2014
Profit sharing regulations	27.01.2015	01.01.2015

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 – 31.12.2019
Thomas Kopp, Lucerne (Vice-Chairman)	ER	01.01.2010 – 31.12.2019
Daniel Andermatt, Holzhäusern	EE	01.01.2016 – 31.12.2019
Michael Dean Head, Ballwil	EE	01.06.2005 – 31.12.2019
Pierre Christen, Veyrier	ER	01.01.2016 – 31.12.2019
Hansjörg Wehrli, Chur	ER	01.01.2011 – 31.12.2019

ER = employer representative

EE = employee representative

1.5 Management

The management has been delegated to Tellco Pension Ltd.

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 DIPEKA Ltd, Zurich. 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. The Board of Trustees appointed DIPEKA AG, Zurich, as the pension fund expert for occupational pensions for the 2016 financial year.

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 financial statements and reporting for compliance with statutory and other regulations. The Board of Trustees appointed Ernst & Young Ltd, Basle as the auditors for the 2016 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 Pension 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 Pension Ltd, Schwyz.

Marketing and sales

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

Administration and management

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

1.7 Affiliated companies

The number of affiliated companies changed as follows:

	2016	2015
As at 1 January	7,718	7,132
Amount from merger as at 1 January	–	152
New affiliated companies	1,205	1,282
Cancelled affiliation contracts	-991	-848
> of which due to business closure	-67	-50
> of which due to outstanding premiums	-239	-189
> of which due to bankruptcy or liquidation	-22	-25
> of which due to switch to another pension fund	-144	-125
> of which due to no employees to be insured	-525	-459
> of which for other reasons	6	–
As at 31 December	7,932	7,718

2 Active insured and pensioners

2.1 Active insured

Change in number of insured

The portfolio of insured changed as follows:

	2016	2015	Change in %
As at 1 January	57,557	51,993	10.7
Amount from merger as at 1 January	–	958	
Entries	59,435	53,088	12.0
Departures	-55,178	-47,780	15.5
Retirements	-500	-478	4.6
Transfer of disability cases	-201	-192	4.7
Deaths	-45	-32	40.6
As at 31 December	61,068	57,557	6.1

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	4,066	1,753	5,819
25 to 34 years	12,387	5,131	17,518
35 to 44 years	11,591	4,401	15,992
45 to 54 years	10,315	4,599	14,914
55 to 65 years (women to 64)	4,442	2,314	6,756
over 65 years (women over 64)	42	27	69
Total	42,843	18,225	61,068

The average age of the insured is:	31.12.16	31.12.15
Men	39.7	39.3
Women	40.4	40.2

2.2 Change in pending reinsured disability cases

	2016	2015
As at 31 December	560	518

2.3 Pension recipients

	Disability pensions	Retirement pensions	Partner pensions	Child,s pensions	Total
As at 1 January 2016	906	1,499	505	419	3,329
New pensions	40	191	37	147	415
> of which acquisitions or from insurance contracts	36	10	0	12	58
Retirement of recipients of disability pensions	37				37
Reactivation of recipients of disability pensions	-12				-12
Transfer of pensioners	-4	-201	-113	-1	-319
Discontinuation of child,s pensions				-122	-122
Deaths, expiry of bridging pensions	-13	-43	-25		-81
As at 31 December 2016	954	1,446	404	443	3,247

During the year under review, 319 (previous year: 1,110) pension beneficiaries were transferred to another foundation.

2.4 Pension beneficiaries under insurance contracts

	31.12.2016	31.12.2015
Disability pensions	5	20
Partner pensions	2	3
Total	7	23

3 Fulfilment of the pension objective

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 Guarantee Fund, the reserves for the conversion rate and the administrative costs. The employer finances at least 50% of the total contributions.

Income (contributions)	2016 CHF 1,000	2015 CHF 1,000	Change in %
Employee contributions	127,023	122,186	4.0
Employer contributions	140,684	136,281	3.2
Transfers to contingency premium accounts	-1'200	-700	71.4
Total income	266,507	257,767	3.4
Expenses (utilisation)			
Retirement credits	209,226	199,035	5.1
Insurance premiums	37,076	35,541	4.3
Contributions to Security Fund	1,375	1,203	14.3
Creation of reserves for conversion rate ¹⁾	12,521	7,545	66.0
Administrative costs	20,861	21,706	-3.9
Total expenses	281,059	265,030	6.0
Balance	-14,552	-7,263	100.4

¹⁾ without change in provisioning policy (2016: CHF 3,232,000, 2015: CHF 12,000,000) and without reversing a reserve of CHF 2,087,000 in 2015 due to the merger.

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 (BVV2) 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 2016 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 BVV2 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. Alternative investments are measured at the latest available market price.

4.3 Changes to valuation, bookkeeping and accounting principles

No change was made to the valuation, bookkeeping and accounting principles compared with the 2015 annual financial statements.

5 Actuarial risks, risk cover and coverage 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. (Mobiliar). Since 1 January 2005, the reserves raised by Mobiliar for definitive benefit claims have been assigned to and subsequently managed by pension fund pro. A net contract has been in place with Mobiliar since 1 January 2010.

The profit participation under insurance contracts of CHF 51,023 was credited to the value fluctuation reserve for the foundation. This utilisation is in line with the regulatory provisions.

5.2 Assets and liabilities under insurance contracts

This comprises coverage capital with the insurance companies AXA, GENERALI and ZURICH.

5.3 Change in and interest on the pension capital of working insured

The following table shows the changes in the insured's pension capital:

	2016 CHF 1,000	2015 CHF 1,000	Change in %
As at 1 January	1,710,738	1,469,272	16.4
Amount from merger as at 1 January	–	87,007	
Retirement credits	209,379	199,035	5.2
Retirement credits, free of premiums	7,434	6,818	9.0
Buy-ins and single contributions	10,801	14,879	-27.4
Vested benefits contributed	268,530	245,013	9.6
Vested benefits contributions by GENERALI	346	61	467.2
Contributions of free assets and employer contribution reserves	576	802	-28.2
Pay-in of advance withdrawals under promotion of home ownership scheme/for divorce	5,882	4,301	36.8
Vested benefits/contract terminations	-381,354	-269,508	41.5
Reduction due to partial liquidation	50	1	4,900.0
Expense due to partial liquidation	11	120	-90.8
Lump-sum payments on retirement	-26,057	-24,597	5.9
Transfer to pension capital for pensioners (retirements)	-42,170	-37,032	13.9
Transfer to pension capital for pensioners (deaths)	-4,263	-4,478	-4.8
Advance withdrawals under promotion of home ownership scheme/for divorce	-8,391	-7,380	13.7
Interest on savings capital	19,602	26,370	-25.7
Miscellaneous	26	54	-51.9
As at 31 December	1,771,140	1,710,738	3.5
Number of savings accounts for active insured	55,190	51,896	6.3
Number of savings accounts for disability cases and disability pensioners	1,375	1,236	11.2

In 2016, interest of 1.25% was provisionally paid on savings assets. At its meeting on 16 December 2016, the Board of Trustees decided to set the definitive interest rate at 1.25%. This corresponds to the regulations on technical provisions, as the expected coverage ratio as at 31 December 2016 was above 97.5%.

The BVG assets in the shadow account earned interest at the minimum BVG interest rate of 1.25%.

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:

	31.12.2016 CHF 1,000	31.12.2015 CHF 1,000	Change in %
Pension capital for working insured	1,169,387	1,114,243	4.9
Liabilities under insurance contracts	126	549	-77.0
	1,169,513	1,114,792	4.9

5.5 Change in pension capital for pensioner

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%. At its December meeting, the Board of Trustees took the decision to reduce the technical interest rate as at 31 December 2016 from 2.5% to 2.25% and at the same time adjust the calculation bases from OPA 2010 to OPA 2015.

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 0.5%.

	2016 CHF 1,000	2015 CHF 1,000	Change in %
As at 1 January	565,827	641,865	-11.8
Amount from merger as at 1 January	–	107,148	
Pension recipients transferred in	7,344	33,443	-78.0
Transfer of pensioners	-66,316	-279,457	-76.3
Insurance benefits	18,903	16,806	12.5
Transfer from pension capital for working insured (retirements)	42,231	37,034	14.0
Transfer from pension capital for working insured (deaths)	4,204	4,478	-6.1
Lump-sum payments	-5,757	-6,252	-7.9
Pension payments	-44,994	-63,408	-29.0
Premium waiver for savings credits	-4,154	-4,005	3.7
From reserves for conversion rate	10,740	7,652	40.4
Creation (actuarial adjustment)	35,879	70,523	-49.1
As at 31 December	563,907	565,827	-0.3

During the year under review 319 (previous year 1,110) retirees were transferred to another foundation.

5.6 Composition, development and explanation of technical provisions

	Note	31.12.2016 CHF 1,000	31.12.2015 CHF 1,000	Change in %
Composition of technical reserves				
Reserves FZG 17	5.6.1	1,024	1,046	-2.1
Reserves for minimum BVG termination benefits	5.6.2	304	347	-12.4
Reserves for conversion rate	5.6.3	39,962	34,949	14.3
Inflation adjustment fund	5.6.4	–	15,771	-100.0
Other IBNR reserves	5.6.5	3,988	3,987	0.0
Total technical reserves		45,278	56,100	-19.3
Development of technical provisions				
As at 1 January		56,100	40,509	38.5
Amount from merger as at 1 January		–	7,714	
Withdrawal of reserves FZG 17	5.6.1	-22	-115	-80.9
Transfer from reserve for minimum BVG termination benefits	5.6.2	-43	-59	-27.1
Reserves for conversion rate				
> Ordinary allocation	5.6.3	12,521	7,545	66.0
> Allocation due to change in provisioning policy	5.6.3	3,232	9,913	-67.4
> Retirement losses	5.6.3	-10,740	-7,652	40.4
Provisions for IBNR reserves				
> Allocation	5.6.5	1	972	-99.9
> Withdrawal of other IBNR reserves	5.6.5	–	-587	
Dissolution of inflation compensation fund	5.6.4	-15,771	–	
Reversal of provision for actuarial reserves		–	-2,140	
As at 31 December		45,278	56,100	-19.3

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 1,738 insured is less than their vested benefits at 31 December 2016. 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

The regulatory conversion rate for the calculation of retirement pensions is too high from an actuarial perspective. A reserve needs to be established for the expected losses.

Due to the gradual reduction in the conversion rate over the coming years and the reduction in the actuarial assumptions, retirement losses increased from CHF 7.7 million to CHF 10.7 million in the year under review.

5.6.4 Inflation adjustment fund

This reserve was reversed in the year under review and assigned to the non-committed funds.

5.6.5 Other IBNR reserves

This concerns IBNR risk in connection with three affiliations.

5.7 Results of last actuarial report

An actuarial opinion dated 31 December 2016 is available for pension fund pro in which the expert for occupational pensions makes the following recommendations and notes:

- > As at the reporting date, the technical interest rate applied by the Foundation (2.25%) corresponds to the reference interest rate pursuant to Guideline 4 (2.25%). According to the Guideline, the technical interest rate is to be reduced if the technical interest rate is more than 0.25% above the reference interest rate and exceeds it for a period of more than a year. Simulations of the development of the reference interest rate show with a high degree of probability that a reduction may be necessary as early as the end of 2017. Further developments in the reference interest rate must be monitored and, in particular, be taken into account appropriately in the case of important events (e.g. interest rate decision, partial liquidation).
- > The Board of Trustees has taken the decision to reduce the conversion rate for new affiliates and in general from 2019 from 6.8% to 6.0%. However, with the application of a technical interest rate of 2.25%, the conversion rate would have to be around 5.4%. Should the technical interest rate have to be reduced even further, the difference between the regulatory and technical conversion rates would increase accordingly, and it would become more difficult to finance the incurred retirement losses. The level of the regulatory conversion rate and the ability to finance retirement losses need to be monitored, with measures to be taken where necessary.
- > Due to the only very slight surplus cover as at the reporting date, the volatile investment markets and the possible costs relating to a reduction in the technical interest rate, the likelihood of underfunding must be considered as high. We therefore recommend that the Board of Trustees continue to monitor developments in the coverage ratio in a timely manner and, where necessary, take restructuring measures.
- > Due to the reduction in the technical interest rate as at 31 December 2016, compliance with the reinsurance contract with Mobiliar must be checked, with amendments being made to the contract if need be.

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. The following bases for calculation are used:

OPA 2015, period life tables 2016, at the rate of 2.25%, increased by 0.5% p.a.

5.9 Changes to actuarial tables and assumptions

The technical foundations and assumptions are identical in the case of the 2015 and 2016 annual reports with the following exception:

The technical interest rate was reduced from 2.5% to 2.25% as at 31 December 2016, and at the same time the calculation bases were adjusted from OPA 2010 to OPA 2015. This reduction resulted in the following one-time expenses:

	CHF 1,000
Assignment of coverage capital to pension beneficiaries due to reduction in technical interest rate	13,015
Reduction in coverage capital for pension beneficiaries due to change in actuarial assumptions	-5,986
Expenses relating to the change in actuarial assumptions and reduction in the conversion rate	3,232
Total	10,261

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

	31.12.2016 CHF 1,000	31.12.2015 CHF 1,000	Change in %
Available pension assets			
Balance sheet assets	2,708,198	2,674,468	1.3
Balance sheet liabilities	-215,887	-230,998	-6.5
Deferrals	-20,039	-17,412	15.1
Employer contribution reserves	-22,698	-18,304	24.0
Non-technical provisions	-1,458	–	
Fluctuation reserves of pension funds	-18,122	-19,173	-5.5
Free assets of pension funds	-15,575	-14,187	9.8
Total available pension assets	2,414,419	2,374,394	1.7
Pension capital and technical reserves			
Pension capital for working insured	1,771,140	1,710,738	3.5
Pension capital for pensioners	563,907	565,827	-0.3
Liabilities under insurance contracts	636	2,865	-77.8
Technical reserves	45,278	56,100	-19.3
Pension capital and technical reserves	2,380,961	2,335,530	1.9
Actuarial surplus / deficiency	33,458	38,864	-13.9
Foundation's funding ratio (= minimum funding ratio of the pension funds)	101.4%	101.7%	
Average funding ratio of the pension funds	102.8%	103.1%	
Coverage ratio of the pension providers			
	Number	Pension obligations CHF 1,000	
101.4%	4,029	810,302	
101.5 - 104.9%	3,638	1,442,202	
105.0 - 109.9%	150	70,612	
110.0 - 114.9%	43	33,579	
115.0 - 119.9%	24	14,020	
120.0 - 124.9%	13	6,508	
from 125.0%	35	3,738	
Total	7,932	2,380,961	

6 Explanation of investments and net investment result

Review

The 2016 stock market year was as varied as it was challenging. It was also characterised by surprising geopolitical developments shaped by referendums and elections.

The year started in turbulent fashion on global stock markets due to concerns about Chinese growth. Thanks to intact growth momentum in the US economy and calming economic data from Europe, the situation subsequently eased once more. The supportive measures of the central banks remained a key factor. In its efforts to gradually normalise interest rates, the US Federal Reserve (Fed) saw itself left with no choice but to hit the pause button until December 2016. The European Central Bank (ECB) extended its bond-purchasing programme in order to counter deflationary tendencies, while the Bank of Japan and the Swiss National Bank also remained active with regular interventions. In the middle of the year, the United Kingdom unexpectedly decided to leave the European Union, resulting in interest rates in developed countries plummeting to new record lows. The equally surprising election of Donald Trump as US President and his announced infrastructure programmes and tax cuts, on the other hand, led to increased inflation expectations in November. At the end of the year, interest rates in the major currencies thus found themselves at the same level as they had been at the start of 2016. The equity markets, especially in the US, closed the year at an all-time high.

Performance

In 2016, pension fund pro generated a solid performance of 2.51%. The investment strategy stood out due to its low bond exposure relative to the sector as a whole. Swiss real estate and alternative investments have been assigned significant weightings for a number of years, leading to a high level of diversification within the portfolio.

- > Thanks to efficient treasury management, it was largely possible to avoid negative interest rates. In the bonds space, the yield stood at 1.01% in Swiss francs and at 2.61% in foreign currencies. At -1.41%, however, the small allocation in convertible bonds was unable to make a positive contribution.
- > In the area of traditional investments, global equities, with a return of 7.99%, impressed most in 2016. Swiss equities continued to lag behind and closed with a performance of -0.88%.
- > The conservative real estate portfolio, which accounts for 28.5% of total investments, generated a stable return of 3.84% in 2016. This represents an impressive performance by this asset class. Around a quarter of the investments were invested directly, with the remaining share being invested primarily via Swiss investment foundations, also directly. All of the real estate is located in Switzerland and is distributed across the entire country, with two-thirds comprising residential properties.
- > Alternative investments generated a return of 1.67% in Swiss francs, and as at year-end accounted for a share of 23.5%. The positions were chiefly listed in US dollars and euros, and are fully hedged against currency fluctuations. The renewed increase in hedging costs in 2016 impacted the net return in Swiss francs.
- > Investments in private equity (7.45% in US dollars) and private debt (8.16% in US dollars) closed the year in positive territory. The private debt investment category also includes the issuing of loans to local small and medium-sized enterprises, which sees pension fund pro contribute to value creation in Switzerland.

- > The infrastructure investments (4.1% in US dollars) offer inflation protection and highly predictable cash flows. The allocation was expanded in 2012 via infrastructure funds. The funds are called over several years, with the programmes running between 10 and 15 years. With investments in wind and solar systems, toll roads and airports, pension fund pro is striving to generate uncorrelated and constant returns. The investments in insurance-linked securities (ILS) – primarily covering storm and earthquake risks – delivered the desired returns, posting a performance of 4.54% in US dollars. No major claims were reported by the reinsurance market in 2016.
- > The hedge fund portfolio, which was reduced by one-third to 4% at the start of the year by the Investment Committee, closed with a disappointing performance of -2.96% in US dollars. At the beginning of 2016, in particular, managers had to wrestle with increased levels of market volatility. Investors feared weak global economic growth going forward and a lasting fall in commodity prices. The increased credit default risks for energy companies likewise impacted returns. With its selected distribution of managers and strategies, pension fund pro is convinced that the allocation will once again in future make a positive contribution to performance and diversification.

Outlook

The global economy has started 2017 in good shape. Political uncertainties, however, represent a certain level of risk. The medium-term impact of the Trump administration on the global economy remains unclear: promised infrastructure programmes, tax reductions and deregulation stand alongside protectionist objectives. In Europe, important elections are pending in France and Germany, while in Italy the risk of early new elections is growing. The Fed plans to further hike key interest rates in 2017, and the ECB could curb its bond purchases should the economy continue to develop positively. Low and even negative bond yields, in Switzerland in particular, are making investments in non-traditional asset classes more attractive (e.g. in private equity, private debt, hedge funds and ILS). These improve the risk/return profile. pension fund pro is thus convinced that it is optimally prepared for both 2017 and the years ahead.

6.1 Organisation of investment activities, investment regulations

The investment regulations are dated 18 December 2015. Tellco Pension Ltd., Schwyz, is in charge of asset and real estate management. It is also the custodian for investment securities. Kottmann Advisory Ltd, Zurich, handles investment controlling.

In the agreement of 25 October 2007, Tellco Pension Ltd. provided an undertaking that it has not accepted any pecuniary benefits in the course of its asset management since September 2006 and agreed to automatically transfer any such pecuniary benefits to pension fund pro in the future. No such pecuniary benefits were received in 2016.

6.2 Utilisation of the extended investment possibilities (Art. 50 par. 4 BVV2) with conclusive proof of compliance with security and risk diversification provisions (Art. 50 par. 1 to 3 BVV2)

Alternative investments

At the end of 2016, alternative investments made up 23.5% of total assets.

Selection / management / supervision

Tellco Pension Ltd. exercises the same due diligence in selecting, managing and supervising alternative investments with specialists as it exercises in the case of traditional investments.

Ensuring that the objective of pension provision is fulfilled

Past experience (among other things, asset allocation studies) was used as the basis for determining the proportion of assets invested in alternative investments. Experience shows that, especially in times of crisis, alternative investments are a valuable addition to traditional investments. Their contribution to fulfilling the objective of pension provision is thus guaranteed and ensures a more consistent contribution.

Diversification / liquidity

Alternative investments contribute significantly to the diversification of the total assets and improve the risk-return profile. The exposure of alternative investments would otherwise be considerably greater. While it is true that the value of alternative investments is influenced to a certain degree by the performance of traditional investments, other factors also have a considerable effect. Investments with cash-flow qualities such as private debt are overweighted. We consider it important that a large share of alternative investments are made in what are more liquid assets (open-end structures which allow monthly/quarterly withdrawal). Nevertheless, we supplement these with an allocation of more illiquid assets (closed-end structures where withdrawal is not possible for several years) in order to achieve an improved level of diversification here as well.

Profitability

At its meeting of 22 April 2015, the Board of Trustees decided to increase the percentage of alternative investments since it is convinced that this will contribute positively to achieving earnings targets and serve to diversify risk in an appropriate manner thus supporting the achievement of the objective of pension provision.

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.

Value fluctuation reserve foundation	31.12.2016 CHF 1,000	31.12.2015 CHF 1,000	Change in %
Status 1 January	38,863	124,374	-68.8
Amount from merger as at 1 January	–	3,537	
Withdrawal/allocation from operating statement	-5,405	-89,048	-93.9
Status 31 December	33,458	38,863	-13.9
Fluctuation reserve target	338,000	334,000	1.2
Target as % of investments	12.5%	12.5%	
Available fluctuation reserve	33,458	38,863	-13.9
Reserve deficit	304,542	295,136	3.2
Value fluctuation reserves for pension funds			
Status 1 January	19,173	19,822	-3.3
Deposits/Withdrawals	-1,051	-649	
Allocation from operating statement	–	–	
Status 31 December	18,122	19,173	-5.5

In the year under review, no distribution to fluctuation reserves for pension providers was made since the coverage ratio was under 105%.

6.4 Investments by asset class

	31.12.2016			31.12.2015		
	CHF 1,000	in %	Strategy in %	CHF 1,000	in %	Strategy in %
Money market	187,936	7.1	0 - 10	177,121	6.8	0 - 10
Mortgage loans	19,821	0.7	0 - 5	59,772	2.3	0 - 5
CHF bonds	223,063	8.4	0 - 40	254,109	9.8	0 - 40
Global bonds in foreign currency	134,468	5.1	0 - 20	129,591	5.0	0 - 20
Convertible bonds	131,191	4.9	0 - 8	127,173	4.9	0 - 8
Swiss equities	293,210	11.0	0 - 20	276,779	10.7	0 - 20
Global equities	286,687	10.8	0 - 20	271,485	10.5	0 - 20
Alternative investments	625,035	23.5	0 - 25	556,343	21.5	0 - 25
Swiss real estate	757,408	28.5	20 - 35	736,973	28.5	20 - 35
Subtotal	2,658,819	100.0		2,589,346	100.0	
Receivables from employers	41,015			35,879		
Other receivables Switzerland	6,873			44,873		
Prepaid expenses	856			1,504		
Assets under insurance contracts	636			2,865		
Total assets	2,708,199			2,674,467		
	CHF 1,000	in %	BVV 2 in %	CHF 1,000	in %	BVV 2 in %
Total restrictions pursuant to BVV 2						
Investments in claims secured by real estate liens pursuant to Art. 55a BVV 2	19,821	0.7	50	59,772	2.3	50
Investments in shares pursuant to Art. 55b BVV 2	579,897	21.8	50	548,264	21.2	50
Investments in real estate pursuant to Art. 55c BVV 2	757,408	28.5	30	736,973	28.5	30
> of which abroad	–	–	10	–	–	10
Alternative investments pursuant to Art. 55d BVV 2	625,035	23.5	15	556,343	21.5	15
Investments in foreign currencies without hedging pursuant to Art. 55e BVV 2	429,640	16.2	30	359,092	13.9	30

Asset allocation of alternative investments	Collective CHF 1,000	Direct CHF 1,000	31.12.2016 CHF 1,000	31.12.2015 CHF 1,000
Hedge funds	121,872		121,872	167,128
Insurance-linked securities	185,933		185,933	141,753
Private equity	61,833		61,833	60,896
Private Debt	223,520	3,362	226,882	149,321
Infrastructure investments	32,299		32,299	25,498
Foreign exchange hedging transactions	-3,784		-3,784	11,747
Total	621,673	3,362	625,035	556,343

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 14.8% to 13.5% in the reporting year. The portfolio value is CHF 358 million.

6.4.3 Convertible bonds

Convertible bonds were increased by CHF 4 million to CHF 131 million (share of 4.9%).

6.4.4 Equities

In the reporting year the equity component ranged between 19.5% and 21.8%. The portfolio value is CHF 580 million, and the equity exposure has increased to 21.8%

6.4.5 Swiss real estate

The real estate portfolio increased by CHF 21 million in the reporting year. The share remains unchanged at 28.5%. CHF 536 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 2016:

	Market value 31.12.2016 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				
> positive replacement cost	13	5,529		5,529
> negative replacement cost	-3,881	657,021		657,021
Total forward exchange transactions	-3,868	662,550		662,550

Derivative financial instruments are covered by the existing investments.

6.6 Outstanding funding commitments

	31.12.2016 CHF 1,000	31.12.2015 CHF 1,000
Outstanding funding commitments	242,112	211,120

6.7 Explanation of net investment result

The operating statement shows the composition of the net investment result.

6.7.1 Administrative costs for investments

	2016		2015	
	CHF 1,000	in %	CHF 1,000	in %
Asset management fees at scheme level (TER costs)	6,015	0.22	5,954	0.23
Transaction costs and taxes (TTC costs)	933	0.03	4,283	0.17
Other costs (SC costs)	61	0.00	144	0.01
TER costs for cost-transparent collective investments	28,316	1.06	25,067	0.97
> of which TER costs for cost-transparent alternative investments	15,832	0.59	10,195	0.39
> of which TER costs on performance fees for cost-transparent alternative investments	2,578	0.10	3,357	0.13
> of which TER costs for cost-transparent collective investments in real estate	3,597	0.13	3,931	0.15
> of which TER costs for other cost-transparent collective investments	6,309	0.24	7,592	0.29
Total	35,325	1.32	35,448	1.37
Total investments	2,706,706	100.00	2,670,099	100.00
Non-cost-transparent investments	24,517	0.91	83,089	3.11
Cost-transparent investments – cost transparency ratio	2,682,189	99.09	2,587,010	96.89

From the 2013 financial year, the Directive of the OAK BV of 23 April 2013 requires all pension funds to also recognise all internal asset management costs (i.e. transaction costs, taxes and TER costs for cost-transparent collective investments) as expenses in their operating statement.

TER costs: namely, management fees, custody fees, fund administration fees and performance fees

TTC costs: transaction costs such as brokerage fees, issuing and redemption commission and taxes (stamp duty)

SC costs: supplementary costs, e.g. external investment controlling

**Non-cost-transparent investments pursuant to Art. 48a par. 3 BVV2 –
portfolios at 31.12.2016**

Product name	Provider	ISIN	Units	Market value CHF 1,000
AQR Delta XN Offshore Fund S. 08 2015	AQR Capital Management, LCC		6,000	6,639
AQR Delta XN Offshore Fund S. 04 2016	AQR Capital Management, LCC		4,697	5,191
GCM Infra II	GCM Grosvenor		2,726,248	2,793
Goldman Sachs Infrastructure 2015	Goldman Sachs MB Services Limited		1,650,000	1,720
M&G Debt Opportunities III	M&G Group		4,491,000	5,584
Swiss Re Sector V A 5 Reg S	Swiss Re Capital Markets	USG7966TAV82	9,627	26
Swiss Re Sector V A 6 Reg S	Swiss Re Capital Markets	USG7966TBD75	2,250,000	2,564
Total				24,517

6.8 Investments with the employer and employer contribution reserves

6.8.1 Investments with the employer

On 31 December 2016, the premium account receivables from affiliated companies totalled CHF 44,090,000 (3,127 employers). These were offset by contingency reserves for doubtful receivables of CHF 3,075,000. Balances to the debit of employers earned 6% interest, and balances in favour of employers earned 1.25% interest. The net result was interest income of CHF 6,000. These current account receivables do not strictly qualify as investments with the employer.

Alternative investments include a loan of CHF 362,000. It is a mortgage loan secured by real estate in Germany (with a low level of borrowing).

6.8.2 Employer contribution reserves

In addition to premium account liabilities to affiliated companies of CHF 15,152,000, the foundation also held employer contribution reserves for 350 employers on 31 December 2016. The contribution reserves changed as follows:

	2016 CHF 1,000	2015 CHF 1,000
As at 1 January	18,304	18,037
Amount from merger as at 1 January	–	1,132
Deposits	7,177	2,722
Transfers to supplementary insurer	-488	-2,230
Used for employer contribution payments	-2,373	-1,651
Used for contributions to savings capital	-156	-5
Interest 1.25% (previous year 1.75%)	234	299
As at 31 December	22,698	18,304

7 Explanation of additional items in the balance sheet and income statement

7.1 Other liabilities

	2016 CHF 1,000	2015 CHF 1,000	Change in %
Savings contributions	203,596	193,439	5.3
Risk contributions	48,757	50,308	-3.1
Administrative cost contributions	7,164	6,810	5.2
Flat-rate contributions	8,191	7,910	3.6
Total contributions	267,708	258,467	3.6

8 Requirements of the supervisory authority

The OPA and foundation supervisory authority for Central Switzerland (Zentralschweizer BVG- und Stiftungsaufsicht – ZBSA) approved the 2015 annual financial statement on 9 December 2016 without any provisos.

9 Additional information regarding the financial position

9.1 Pledging of assets

The following assets have been pledged to secure obligations resulting from derivative financial instruments:

	2016 CHF 1,000	2015 CHF 1,000
Investments with Tellco Pension Ltd.	2,260,599	2,105,451
Investments with UBS AG	80,658	65,437
Total	2,341,257	2,170,888

9.2 Current legal proceedings

No legal proceedings relating to the financial situation are pending.

9.3 Contingent liabilities to third parties

As at 31 December 2016: 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 2016 annual financial statement.

Auditor's report

To the Board of Trustees of
pension fund pro, Schwyz

Basle, 25 April 2017

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 2016.

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 2016 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;
- > 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.

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

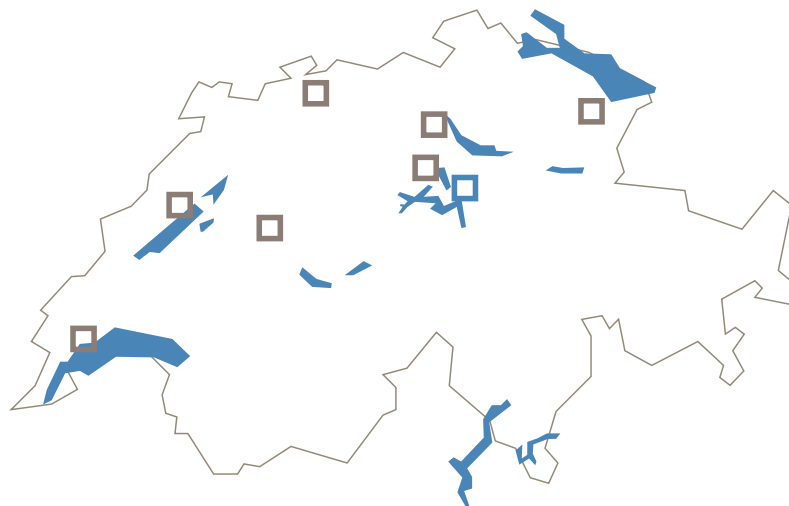
pension fund pro Annual Report 2016

Published by pension fund pro

© Copyright 2017 Tellco Ltd, Schwyz, tellco.ch

The German version is binding.

Based in Schwyz, present close to you.



▣ Head office

pensionskasse pro
Bahnhofstrasse 4
Postfach 434
CH-6431 Schwyz
t +41 58 442 50 00
pkpro@tellco.ch

French-speaking Switzerland

Caisse de pension pro
Administration régionale
Place des Halles 6
Case postale 2108
CH-2001 Neuchâtel
t +41 58 442 51 00
admin.romandie@tellco.ch

Regional locations

French-speaking Switzerland

Tellco Prévoyance SA
Services de prévoyance
BE, FR, GE, JU, NE, VD, VS
Rue Saint-Jean 4
Case postale 1102
CH-1260 Nyon 1
t +41 58 442 25 80
romandie@tellco.ch

Mid-Country

Tellco Vorsorge AG
Vorsorgedienstleistungen
BE, SO
Morgenstrasse 129
CH-3018 Bern
t +41 58 442 26 60
mittelland@tellco.ch

Northwestern Switzerland

Tellco Vorsorge AG
Vorsorgedienstleistungen
BS, BL, AG
Bahnhofplatz 11
CH-4410 Liestal
t +41 58 442 26 80
nordwestschweiz@tellco.ch

Tessin / Uri / Schwyz

Tellco Previdenza SA
Prestazioni previdenziali
TI, UR, SZ
Bahnhofstrasse 4
Postfach 713
CH-6431 Schwyz
t +41 58 442 27 00
ticino@tellco.ch

Eastern Switzerland

Tellco Vorsorge AG
Vorsorgedienstleistungen
AI, AR, GL, GR, SG, TG, SH
Kornhausstrasse 3
Postfach 2134
CH-9001 St. Gallen
t +41 58 442 26 40
ostschweiz@tellco.ch

Central Switzerland

Tellco Vorsorge AG
Vorsorgedienstleistungen
LU, NW, OW, SZ, ZG, AG
Bahnhofstrasse 3
CH-6340 Baar
t +41 58 442 26 20
zentralschweiz@tellco.ch

Zurich

Tellco Vorsorge AG
Vorsorgedienstleistungen
ZH, AG
Schützengasse 4
CH-8001 Zürich
t +41 58 442 26 00
zurich@tellco.ch