

*Annual Report 2017*



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## Foreword

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### The need to find our own solutions

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

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

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

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

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

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

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

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

**Yours faithfully**

Peter Hofmann  
Chairman of the Board of Trustees

## *Key figures*

	2017 CHF 1,000	2016 CHF 1,000	Change in %
Recognised contributions, gross	281,330	267,708	5.1
> of which savings and flat-rate contributions	223,272	211,787	5.4
> of which risk contributions and contributions to administrative costs	58,058	55,921	3.8
Pension capital for working insured	1,832,834	1,771,140	3.5
Pension capital for pensioners	513,319	563,907	-9.0
Pension benefits	43,415	45,079	-3.7
Technical reserves	59,638	45,278	31.7
> of which FZG 17 reserves	159	1,024	-84.5
> of which reserves for OPA minimum termination benefits	153	304	-49.7
> of which reserves for conversion rate	57,070	39,962	42.8
> of which IBNR reserves	2,256	3,988	-43.4
Actuarial surplus	56,257	33,458	68.1
Balance sheet total	2,761,984	2,708,198	2.0
<b>Other information</b>			
Foundation's funding ratio	102.3 %	101.4 %	0.9
Average funding ratio of pension funds	103.5 %	102.8 %	0.6
Affiliated companies	7,984	7,932	0.7
Insured persons	67,325	61,068	10.2
Pension recipients (number of pensions)	2,694	3,247	-17.0
Pending reinsured disability claims	689	560	23.0
Return on investments	5.48 %	2.51 %	
Interest on savings capital	1.00 %	1.25 %	
Technical interest rate	1.75 %	2.25 %	

## *Balance sheet*

<b>Assets</b>	Note	<b>31.12.2017</b> CHF	31.12.2016 CHF	Change in %
<b>Investments</b>	6.4	<b>2,760,153,840</b>	<b>2,706,705,615</b>	2.0
Money market investments	6.4.1	164,254,195	187,935,639	-12.6
Receivables from employers	6.8.1	43,491,324	41,015,220	6.0
Receivables from third parties		6,849,024	6,872,798	-0.3
Mortgage loans		34,294,500	19,820,500	73.0
Domestic and foreign CHF bonds	6.4.2	207,437,592	223,063,162	-7.0
Global bonds in foreign currency	6.4.2	129,294,800	134,467,612	-3.8
Convertible bonds	6.4.3	129,673,833	131,191,078	-1.2
Swiss equities	6.4.4	262,709,342	293,210,255	-10.4
Global equities	6.4.4	262,638,507	286,686,829	-8.4
Alternative investments	6.4	685,995,888	625,034,980	9.8
Swiss real estate	6.4.5	833,514,835	757,407,542	10.0
<b>Accruals</b>		<b>1,203,540</b>	<b>856,097</b>	40.6
<b>Assets under insurance contracts</b>	5.2	<b>627,019</b>	<b>636,056</b>	-1.4
<b>Total assets</b>		<b>2,761,984,399</b>	<b>2,708,197,768</b>	2.0

## *Balance sheet*

Liabilities	Note	31.12.2017 CHF	31.12.2016 CHF	Change in %
<b>Liabilities</b>		<b>229,709,224</b>	<b>215,886,633</b>	6.4
Liabilities from vested benefits and pension benefits		174,018,942	171,916,530	1.2
Capital received for pension funds		29,614,543	27,499,564	7.7
Liabilities to banks and insurance companies		345,422	567,609	-39.1
Other liabilities		25,730,317	15,902,930	61.8
<b>Deferrals</b>		<b>19,558,389</b>	<b>20,039,085</b>	-2.4
<b>Employer contribution reserves</b>	6.8.2	<b>20,885,066</b>	<b>22,698,049</b>	-8.0
<b>Non-technical provisions</b>	4.2	<b>1,060,000</b>	<b>1,458,000</b>	-27.3
<b>Pension capital and technical reserves</b>		<b>2,406,417,998</b>	<b>2,380,961,545</b>	1.1
Pension capital for working insured	5.3	1,832,834,307	1,771,140,294	3.5
Pension capital for pensioners	5.5	513,318,779	563,907,299	-9.0
Liabilities under insurance contracts	5.2	627,019	636,056	-1.4
Technical reserves	5.6	59,637,893	45,277,896	31.7
<b>Value fluctuation reserve for foundation</b>	6.3	<b>56,256,642</b>	<b>33,457,967</b>	68.1
<b>Fluctuation reserves for pension funds</b>	6.3	<b>13,915,955</b>	<b>18,121,799</b>	-23.2
<b>Free assets of pension funds</b>		<b>14,181,125</b>	<b>15,574,690</b>	-8.9
<b>Foundation capital, free assets of foundation / actuarial deficiency</b>		-	-	
Status at beginning of period		-	-	
Expense/revenue surplus		-	-	
<b>Total liabilities</b>		<b>2,761,984,399</b>	<b>2,708,197,768</b>	2.0

## *Operating statement*

	Note	2017 CHF	2016 CHF	Change in %
<b>Statutory and other contributions and deposits</b>		<b>296,204,766</b>	<b>282,533,177</b>	4.8
Employee contributions	3.2	133,787,134	127,024,065	5.3
Employer contributions	3.2	147,543,033	140,683,810	4.9
Withdrawal from employer contribution reserves to finance contributions	6.8.2	-3,794,793	-2,372,726	59.9
Bad debt allowance for premium accounts	6.8.1	-800,000	-1,200,000	-33.3
Buy-in sums and single contributions	5.3	14,031,479	10,800,545	29.9
Contributions to employer contribution reserves	6.8.2	3,582,632	7,177,342	-50.1
Contributions to savings capital (from free assets of pension funds)		1,855,281	420,141	341.6
<b>Benefits brought into pension fund</b>		<b>257,235,198</b>	<b>281,756,785</b>	-8.7
Vested benefits	5.3	241,284,202	268,529,663	-10.1
Contributions on acquisition of insurance portfolios				
> Pension capital for pensioners	5.5	9,914,299	7,344,841	35.0
> Technical reserves		66,976	-	
Transfer of advance withdrawals under promotion of home ownership scheme/for divorce	5.3	5,969,721	5,882,281	1.5
<b>Total inflow from contributions and entry benefits</b>		<b>553,439,964</b>	<b>564,289,962</b>	-1.9
<b>Regulatory benefits</b>		<b>-76,378,379</b>	<b>-76,894,131</b>	-0.7
Retirement pensions		-26,187,341	-26,940,207	-2.8
Survivors, pensions		-5,399,660	-6,355,387	-15.0
Disability pensions		-11,828,247	-11,783,758	0.4
Lump-sum payments on death		-5,528,830	-5,758,115	-4.0
Lump-sum payments on retirement		-27,434,301	-26,056,664	5.3
<b>Departure benefits</b>		<b>-529,395,285</b>	<b>-457,525,066</b>	15.7
Vested benefits on departure	5.3	-363,025,400	-381,360,129	-4.8
Transfer of additional funds in the event of collective departures				
> Pension capital for pensioners	5.5	-152,936,375	-66,316,247	130.6
> Technical reserves		-927,054	-968,369	-4.3
> Employer contribution reserves	6.8.2	-1,689,819	-488,793	245.7
Advance withdrawals under promotion of home ownership scheme/for divorce	5.3	-10,816,637	-8,391,528	28.9
<b>Total outflow for benefits and advance withdrawals</b>		<b>-605,773,664</b>	<b>-534,419,197</b>	13.4

## *Operating statement*

	Note	2017 CHF	2016 CHF	Change in %
<b>Release / creation of pension capital, technical reserves and contribution reserves</b>		<b>-27,611,882</b>	<b>-51,896,596</b>	-46.8
Creation of pension capital for working insured	5.3	-44,983,575	-40,739,228	10.4
Interest on savings capital	5.3	-16,544,838	-19,601,636	-15.6
Reversal of pension capital for pensioners	5.5	50,588,520	1,919,940	2,534.9
Release/creation of technical provisions	5.6	-18,380,128	10,739,441	-271.1
Expenses/income on partial liquidation		-309,249	-55,635	455.9
Release/creation of employers' contribution reserves	6.8.2	2,017,388	-4,159,478	-148.5
<b>Income from insurance benefits</b>		<b>22,573,677</b>	<b>22,788,549</b>	-0.9
Profit participation	5.1	106,464	51,023	108.7
Insurance benefits	5.2	22,467,213	22,737,526	-1.2
<b>Insurance expenses</b>		<b>-39,628,988</b>	<b>-38,450,964</b>	3.1
Insurance premiums				
> Risk premium	3.2	-34,359,983	-33,614,744	2.2
> Cost premium	3.2	-3,538,531	-3,461,394	2.2
Contributions to Security Fund	3.2	-1,730,474	-1,374,826	25.9
<b>Net result from insurance component</b>		<b>-97,000,893</b>	<b>-37,688,246</b>	157.4



## *Operating statement*

	Note	2017 CHF	2016 CHF	Change in %
<b>Net investment result</b>	6.7	<b>138,294,070</b>	<b>51,522,516</b>	168.4
Interest income on payments by previous insurers		64,860	69,486	-6.7
Interest expenses on vested benefits		-2,503,699	-2,801,164	-10.6
Interest on receivables from/liabilities to employers	6.8.1	54,048	6,215	769.6
Interest on receivables from/liabilities to third parties		60,075	-60,677	-199.0
Interest on employer contribution reserves	6.8.2	-204,405	-234,440	-12.8
Interest on mortgage loans		390,719	376,736	3.7
Net return on money market investments		-62,722	-160,153	-60.8
Net return on domestic and foreign CHF bonds		959,321	3,501,357	-72.6
Net return on global bonds in foreign currency		9,911,937	3,943,139	151.4
Net return on convertible bonds		313,737	-367,516	-185.4
Net return on Swiss equities		55,087,377	-1,231,431	-4,573.4
Net return on global equities		60,469,760	22,345,057	170.6
Net return on alternative investments		23,266,131	30,199,664	-23.0
Net return on Swiss real estate		28,198,700	31,261,278	-9.8
Asset management costs	6.7.1	-37,711,769	-35,325,035	6.8
<b>Other income</b>		<b>698,690</b>	<b>762,733</b>	-8.4
Income from services performed		629,526	680,097	-7.4
Other income		69,164	82,636	-16.3
<b>Other expenses</b>		<b>-3,126</b>	<b>-4,210</b>	-25.7
<b>Administrative costs</b>		<b>-23,246,439</b>	<b>-20,861,172</b>	11.4
General administrative costs		-10,533,132	-8,204,710	28.4
Auditors and accredited pension actuary		-193,110	-190,940	1.1
Supervisory authority		-51,623	1,640	-3,247.7
Marketing and advertising costs		-4,613,714	-4,379,954	5.3
Brokers, expenses		-7,854,860	-8,087,208	-2.9
<b>Expense / revenue surplus before interest on available funds</b>		<b>18,742,302</b>	<b>-6,268,379</b>	-399.0
Interest on free assets of pension funds		-149,471	-187,673	-20.4
<b>Expense / revenue surplus before creation / release of fluctuation reserve</b>		<b>18,592,831</b>	<b>-6,456,052</b>	-388.0
Creation/release of fluctuation reserve for Foundation	6.3	-22,798,675	5,405,279	-521.8
Creation/release of fluctuation reserve for pension providers	6.3	4,205,844	1,050,773	300.3
<b>Expense / revenue surplus</b>		<b>0</b>	<b>0</b>	

# 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 (OPA). 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 OPA 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 (OPA) 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 OPA Security Fund pursuant to Art. 57 OPA and pays contributions to the Security Fund in accordance with the provisions of the Ordinance of 22 June 1998 on the OPA 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	13.10.2016	01.01.2017
Terms and conditions of business	13.10.2016	01.01.2017
Pension regulations for employee benefits insurance	18.10.2017	18.10.2017
Cost regulations	05.07.2017	05.07.2017
Regulations on technical rules and the use of surpluses	25.04.2017	25.04.2017
Investment regulations	10.08.2017	10.08.2017
Regulations for the partial liquidation of the foundation or pension funds	22.04.2015	01.01.2014
Organisational regulation	13.10.2016	01.01.2017

## 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 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 OPA 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 Ltd, Zurich, as the pension fund expert for occupational pensions for the 2017 financial year.

### Auditors

The Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans (OPA) 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 2017 financial year.

**Supervisory authority**

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

**Asset management**

Tellco Ltd, Schwyz, a bank 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 Ltd, Schwyz.

**Marketing and sales**

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

**Administration and management**

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

**1.7 Affiliated companies**

The number of affiliated companies changed as follows:

	<b>2017</b>	2016
As at 1 January	7,932	7,718
New affiliated companies	1,024	1,205
Cancelled affiliation contracts	-972	-991
> of which due to business closure	-38	-67
> of which due to outstanding premiums	-187	-239
> of which due to bankruptcy or liquidation	-22	-22
> of which due to switch to another pension fund	-210	-144
> of which due to no employees to be insured	-514	-525
> of which for other reasons	-1	6
<b>As at 31 December</b>	<b>7,984</b>	<b>7,932</b>

## 2 Active insured and pensioners

### 2.1 Active insured

#### Change in number of insured

The portfolio of insured changed as follows:

	2017	2016	Change in %
As at 1 January	61,068	57,557	6.1
Entries	67,714	59,435	13.9
Departures	-60,680	-55,178	10.0
Retirements	-548	-500	9.6
Transfer of disability cases	-196	-201	-2.5
Deaths	-33	-45	-26.7
<b>As at 31 December</b>	<b>67,325</b>	<b>61,068</b>	10.2

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	4,550	1,858	6,408
25 to 34 years	13,306	5,715	19,021
35 to 44 years	12,676	4,903	17,579
45 to 54 years	11,215	5,094	16,309
55 to 65 years (women to 64)	5,101	2,816	7,917
over 65 years (women over 64)	57	34	91
<b>Total</b>	<b>46,905</b>	<b>20,420</b>	<b>67,325</b>

The average age of the insured is:	31.12.17	31.12.16
Men	39.8	39.7
Women	40.7	40.4

## 2.2 Change in pending reinsured disability cases

	2017	2016
As at 31 December	689	560

## 2.3 Pension recipients

	Disability pensions	Retirement pensions	Partner pensions	Child's pensions	Total
As at 1 January 2017	954	1,446	404	443	3,247
New pensions	110	220	31	110	471
> of which acquisitions or from insurance contracts	16	20	1	3	40
Retirement of recipients of disability pensions	-65				-65
Reactivation of recipients of disability pensions	-8				-8
Transfer of pensioners	-278	-305	-123	-63	-769
Discontinuation of child's pensions				-112	-112
Deaths, expiry of bridging pensions	-13	-42	-15		-70
<b>As at 31 December 2017</b>	<b>700</b>	<b>1,319</b>	<b>297</b>	<b>378</b>	<b>2,694</b>

During the year under review, 769 (previous year: 319) pension beneficiaries were transferred to another foundation.

## 2.4 Pension beneficiaries under insurance contracts

	31.12.2017	31.12.2016
Disability pensions	4	5
Partner pensions	2	2
<b>Total</b>	<b>6</b>	<b>7</b>

### 3 Fulfilment of the pension objective

#### 3.1 Description of pension plans

The pension funds have one or several individual OPA-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.

<b>Income (contributions)</b>	<b>2017</b> CHF 1,000	2016 CHF 1,000	Change in %
Employee contributions	133,787	127,023	5.3
Employer contributions	147,543	140,684	4.9
Transfers to contingency premium accounts	-800	-1,200	-33.3
<b>Total income</b>	<b>280,530</b>	<b>266,507</b>	5.3
<b>Expenses (utilisation)</b>			
Retirement credits	222,218	209,226	6.2
Insurance premiums	37,899	37,076	2.2
Contributions to Security Fund	1,730	1,375	25.8
Administrative costs	23,246	20,861	11.4
<b>Total expenses</b>	<b>285,093</b>	<b>268,538</b>	6.2
<b>Balance</b>	<b>-4,563</b>	<b>-2,031</b>	124.7

## **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 (OPO2) as part of the first OPA revision on 1 April 2004, the accounting principles of Swiss GAAP FER 26 have been compulsory for pension funds since 1 January 2005. These 2017 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 OPA as well as the relevant ordinances (in particular OPO2 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 2016 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 106,464 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:

	<b>2017</b> CHF 1,000	2016 CHF 1,000	Change in %
As at 1 January	1,771,140	1,710,738	3.5
Retirement credits	222,218	209,379	6.1
Retirement credits, free of premiums	7,553	7,434	1.6
Buy-ins and single contributions	14,031	10,801	29.9
Vested benefits contributed	241,284	268,530	-10.1
Vested benefits contributions by GENERALI	103	346	-70.2
Contributions of free assets and employer contribution reserves	1,971	576	242.2
Pay-in of advance withdrawals under promotion of home ownership scheme/for divorce	5,970	5,882	1.5
Vested benefits/contract terminations	-362,969	-381,354	-4.8
Reduction due to partial liquidation	-	50	-100.0
Expense due to partial liquidation	115	11	945.5
Lump-sum payments on retirement	-27,434	-26,057	5.3
Transfer to pension capital for pensioners (retirements)	-43,022	-42,170	2.0
Transfer to pension capital for pensioners (deaths)	-4,070	-4,263	-4.5
Advance withdrawals under promotion of home ownership scheme/for divorce	-10,816	-8,391	28.9
Interest on savings capital	16,545	19,602	-15.6
Miscellaneous	215	26	726.9
<b>As at 31 December</b>	<b>1,832,834</b>	<b>1,771,140</b>	3.5
Number of savings accounts for active insured	60,876	55,190	10.3
Number of savings accounts for disability cases and disability pensioners	1,229	1,375	-10.6

In 2017, interest of 1% was provisionally paid on savings assets. At its meeting on 15 December 2017, the Board of Trustees decided to set the definitive interest rate at 1%. This corresponds to the regulations on technical provisions, as the expected coverage ratio as at 31 December 2017 was above 97.5%.

The OPA assets in the shadow account earned interest at the minimum OPA interest rate of 1%.

#### 5.4 Total retirement assets under OPA (shadow account)

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

	<b>31.12.2017</b> CHF 1,000	31.12.2016 CHF 1,000	Change in %
Pension capital for working insured	1,212,162	1,169,387	3.7
Liabilities under insurance contracts	136	126	7.9
	<b>1,212,298</b>	<b>1,169,513</b>	3.7

#### 5.5 Change in pension capital for pensioner

Since 31 December 2016, pension fund pro has recognised its pension obligations in the balance sheet on the basis of the technical OPA 2015 actuarial tables with a technical interest rate of 2.25 %. At its December meeting, the Board of Trustees took the decision to reduce the technical interest rate as at 31 December 2017 from 2.25 % to 1.75 %.

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 %.

	<b>2017</b> CHF 1,000	2016 CHF 1,000	Change in %
As at 1 January	563,907	565,827	-0.3
Pension recipients transferred in	9,914	7,344	35.0
Transfer of pensioners	-153,631	-66,316	131.7
Insurance benefits	18,925	18,903	0.1
Transfer from pension capital for working insured (retirements)	43,021	42,231	1.9
Transfer from pension capital for working insured (deaths)	4,070	4,204	-3.2
Lump-sum payments	-5,529	-5,757	-4.0
Pension payments	-43,134	-44,994	-4.1
Premium waiver for savings credits	-4,462	-4,154	7.4
From reserves for conversion rate	11,360	10,740	5.8
Creation (actuarial adjustment)	68,878	35,879	92.0
<b>As at 31 December</b>	<b>513,319</b>	<b>563,907</b>	-9.0

During the year under review 769 (previous year 319) retirees were transferred to another foundation.

## 5.6 Composition, development and explanation of technical provisions

	Note	31.12.2017 CHF 1,000	31.12.2016 CHF 1,000	Change in %
<b>Composition of technical reserves</b>				
Reserves FZG 17	5.6.1	159	1,024	-84.5
Reserves for minimum OPA termination benefits	5.6.2	153	304	-49.7
Reserves for conversion rate	5.6.3	57,070	39,962	42.8
Other IBNR reserves	5.6.4	2,256	3,988	-43.4
<b>Total technical reserves</b>		<b>59,638</b>	<b>45,278</b>	31.7
<b>Development of technical provisions</b>				
As at 1 January		45,278	56,100	-19.3
Withdrawal of reserves FZG 17	5.6.1	-865	-22	3,831.8
Transfer from reserve for minimum OPA termination benefits	5.6.2	-151	-43	251.2
Reserves for conversion rate				
> Ordinary allocation	5.6.3	28,468	12,521	127.4
> Allocation due to change in provisioning policy	5.6.3	-	3,232	-100.0
> Retirement losses	5.6.3	-11,360	-10,740	5.8
Provisions for IBNR reserves				
> Allocation	5.6.4	20	1	1,900.0
> Withdrawal of other IBNR reserves	5.6.4	-1,752	-	
Dissolution of inflation compensation fund		-	-15,771	-100.0
<b>As at 31 December</b>		<b>59,638</b>	<b>45,278</b>	31.7

The reserves and provisions raised in the balance sheet are based on the Regulations on technical rules and the use of surpluses 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 OPA termination benefits

As a result of the minimum interest rate for savings capital applied in accordance with the imputation principle, the savings capital of 1,324 insured is less than their vested benefits at 31 December 2017. 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.

In the reporting year, retirement losses increased from CHF 10.7 million to CHF 11.4 million.

### 5.6.4 Other IBNR reserves

This concerns IBNR risk in connection with two affiliations.

## 5.7 Results of last actuarial report

A selected pension actuary periodically performs an actuarial review of pension fund pro. The last review took place as of 31 December 2017. It determined that there is an actuarial coverage ratio as per Article 4 of the OPO 2 of 102.3%.

In their report, the pension actuary confirmed that

- > the technical interest rate and the actuarial assumptions used were appropriate as of the cut-off date;
- > the Foundation offered security as of the cut-off date to ensure that it can meet its obligations;
- > the regulations on actuarial provisions governing payments and financing meet the statutory requirements; and
- > the measures taken to cover actuarial risks are sufficient.

## 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 1.75 %, 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 2016 and 2017 annual reports with the following exception:

The technical interest rate was reduced from 2.25 % to 1.75 % as at 31 December 2017. 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	24,915
<b>Total</b>	<b>24,915</b>

### 5.10 Funding ratio pursuant to Art. 44 OPO 2

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

## *Actuarial balance sheet*

	31.12.2017 CHF 1,000	31.12.2016 CHF 1,000	Change in %
<b>Available pension assets</b>			
Balance sheet assets	2,761,984	2,708,198	2.0
Balance sheet liabilities	-229,709	-215,887	6.4
Deferrals	-19,558	-20,039	-2.3
Employer contribution reserves	-20,885	-22,698	-8.0
Non-technical provisions	-1,060	-1,458	-27.3
Fluctuation reserves of pension funds	-13,916	-18,122	-23.2
Free assets of pension funds	-14,181	-15,575	-9.0
<b>Total available pension assets</b>	<b>2,462,675</b>	<b>2,414,419</b>	<b>2.0</b>
<b>Pension capital and technical reserves</b>			
Pension capital for working insured	1,832,834	1,771,140	3.5
Pension capital for pensioners	513,319	563,907	-9.0
Liabilities under insurance contracts	627	636	-1.4
Technical reserves	59,638	45,278	31.7
<b>Pension capital and technical reserves</b>	<b>2,406,418</b>	<b>2,380,961</b>	<b>1.1</b>
<b>Actuarial surplus / deficiency</b>	<b>56,257</b>	<b>33,458</b>	<b>68.1</b>
<b>Foundation's funding ratio</b> (= minimum funding ratio of the pension funds)	<b>102.3 %</b>	<b>101.4 %</b>	
<b>Average funding ratio of the pension funds</b>	<b>103.5 %</b>	<b>102.8 %</b>	
<b>Coverage ratio of the pension providers</b>			
	Number	Pension obligations CHF 1,000	
102.3 %	4,523	842,140	
102.4–104.9 %	3,123	1,397,985	
105.0–109.9 %	209	112,415	
110.0–114.9 %	48	29,945	
115.0–119.9 %	35	18,333	
120.0–124.9 %	8	229	
from 125.0 %	38	5,371	
<b>Total</b>	<b>7,984</b>	<b>2,406,418</b>	

## 6 Explanation of investments and net investment result

### Review

The stock markets continued their upward trend from the previous year almost seamlessly. A dynamically expanding global economy, rising corporate profits and not least a lack of investment alternatives in the low-interest-rate environment boosted the markets. There was a great deal of respect shown by investors before the first round of voting in France's presidential election, while their relief following Emmanuel Macron's victory was equally large. In view of the decreasing political risks in Europe and the confidence-inspiring economic figures, also from the Eurozone's periphery, the euro began to recover strongly. The tax reforms promised by US President Trump, which were then definitively announced in December, were very well received by the markets in advance.

Inflation data, which remained slightly below estimates for much of the year, reinforced the strategy of the US Federal Reserve (Fed) to gradually increase interest rates. The start of the Fed's balance sheet reduction plan ran as smoothly as its three interest rate hikes, each by 25 basis points. The European Central Bank is also making efforts to ensure an orderly exit from its extremely relaxed monetary and liquidity policies. The state of the economy in the Eurozone allowed central banks to reduce net securities purchases.

With a robust global economy, markets were either completely immune from political and geopolitical uncertainties, or only suffered brief setbacks as a result.

### Performance

In the 2017 financial year, pension fund pro generated a performance of 5.48 %. In terms of its investment strategy, Swiss real estate (33 %) and alternative investments (20 %) are deliberately overweighted. With its extremely long investment horizon and low proportion of pension beneficiaries, the investment profile of pension fund pro is ideally suited to skimming off premiums from illiquid asset classes. By contrast, the bond weighting (10 % bonds in Swiss francs, 5 % foreign-currency bonds) is being kept low in the current low-interest-rate environment. This also helps improve the portfolio's diversification.

- > The money market returned 0.14 %. Thanks to efficient cash management, it was possible to completely counter the negative interest rates. Swiss bonds remained at the same level (0.01 %), while foreign-currency bonds returned 6.74 %, not least due to the significantly higher euro exchange rate.
- > Global growth and lower inflation buoyed stock markets. As a result, corporate earnings rose significantly around the globe. Swiss equities generated a return of 19.88 %, while global equities rose by 21.78 %.
- > The conservative real estate portfolio, which accounts for 31 % of total investments, generated a stable return of 3.05 % in 2017. Around a third of the investments were invested directly, with the remaining share being primarily invested indirectly via Swiss investment foundations. All of the real estate is located in Switzerland and is distributed across the entire country, with two-thirds comprising residential properties. Last year, the Swiss real estate market remained highly competitive for investors. There has been no fall in demand for investment properties, while sellers' asking prices have not gone down. In general, we expect there to be an increase in vacancies on the Swiss real estate market over the coming years. The solid Swiss economy is currently counteracting this somewhat.

- > Alternative investments generated a currency-hedged return of 0.54 % in Swiss francs. The reference currencies of the investments are the US dollar and the euro, which are fully hedged against currency fluctuations. The hedging costs because of interest rate differences are high for the US dollar in particular; as a result, the costs of the foreign-currency hedge in 2017 amounted to 2.1 %.
- > Private equity (12.39 % in US dollars) and infrastructure investments (9.35 % in US dollars) provided the desired strong contribution to the pension fund's performance. Infrastructure investments offer inflation protection and highly predictable cash flows. With investments in wind and solar systems, toll roads and airports, pension fund pro is striving to generate uncorrelated and constant returns.
- > The heterogeneous private debt asset class ended the year with a performance of 5.16 % in US dollars. This area includes the direct issuing of loans to companies without the involvement of banks. Alternative credit strategies, such as investments in trade finance loans used to finance the trading, processing or transport of goods, also fall under this category. It also includes loans to local small and medium-sized companies in Switzerland, which sees pension fund pro contribute to value creation in the country.
- > The insurance-linked securities portfolio (ILS portfolio) lost 6.58 % in US dollars. Five major natural disasters occurred in August and September 2017 alone: two earthquakes in Mexico, and Hurricanes Harvey in Texas, Irma in Florida and Maria in Puerto Rico. ILS managers described this as a «once-in-20-years event». Harvey, Irma and Maria alone were responsible for estimated insured industrial losses of USD 80 billion. Taken together, all the disasters in 2017 caused estimated damages totalling USD 353 billion, of which approximately USD 134 billion were insured. The premiums for the same risks have increased, meaning the expected risk-adjusted return for 2018 has improved in comparison to the previous year.
- > The hedge fund portfolio returned 1.85 % in US dollars, which was below expectations. Buoyed by a strong stock market, long/short equity managers generated pleasing results. By contrast, global macro managers and managed futures managers had difficulty generating returns, as apart from the stock markets, there were few strong trends to be identified. Given the US tax reform, increased global fiscal stimuli, scaled-back central bank activities, strong global growth and a potential return of inflation in the US and the Eurozone, managers should have sufficient opportunities to once again find ways to generate better results in 2018.

## Outlook

Intact global economic growth with little inflationary pressure provides the ideal backdrop for capital markets to remain benign. Nevertheless, stock valuations are now at increased levels following the strong price gains, particularly in the US. Given the scaled-back central bank activities, it would be no surprise to see an increase in the volatility of the historically low interest rates we have seen of late. pension fund pro is convinced that it is well positioned with its current investment mix, even in markets that are more prone to fluctuations.



## **6.1 Organisation of investment activities, investment regulations**

The investment regulations are dated 10 August 2017. Tellco 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 terms of investments, and alternative investments in particular, Tellco Ltd has structured monitoring processes that regulate potential conflicts of interest and legal transactions with associates; these are presented to the Board of Trustees of pension fund pro on an annual basis.

In the agreement of 25 October 2007, Tellco 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 2017.

## **6.2 Utilisation of the extended investment possibilities (Art. 50 par. 4 OPO2) with conclusive proof of compliance with security and risk diversification provisions (Art. 50 par. 1 to 3 OPO2)**

### **Alternative investments / real estate**

At the end of 2017, alternative investments made up 25.3 % of total assets, while real estate accounted for 30.2 %. In addition, a number of direct investments were made in private debt, which is permitted under our Investment Regulations.

### **Selection / management / supervision**

Tellco Ltd selects alternative investments and real estate investments with specialists and exercises the same due diligence in managing and supervising them 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 direct and indirect alternative investments. In the area of real estate, importance was attached to maintaining a broadly diversified portfolio. Experience shows that, especially in times of crisis, alternative investments and real estate are a valuable addition to traditional investments. Their contribution to fulfilling the objective of pension provision is thus guaranteed and ensures a consistent contribution.

### **Diversification / liquidity**

Alternative investments contribute significantly to the diversification of the total assets and real estate investments help maintain stability; both asset classes 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. In the area of real estate, importance is attached to achieving a broad regional and user-specific diversification. We also 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

The Board of Trustees decided to increase the percentage of alternative investments and real estate 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.

<b>Value fluctuation reserve foundation</b>	<b>31.12.2017</b> CHF 1,000	31.12.2016 CHF 1,000	Change in %
Status at 1 January	33,458	38,863	-13.9
Withdrawal/allocation from operating statement	22,799	-5,405	-521.8
<b>Status at 31 December</b>	<b>56,257</b>	<b>33,458</b>	68.1
<b>Fluctuation reserve target</b>	<b>356,000</b>	<b>338,000</b>	5.3
Target as % of investments	12.9%	12.5%	
<b>Available fluctuation reserve</b>	<b>56,257</b>	<b>33,458</b>	68.1
<b>Reserve deficit</b>	<b>299,743</b>	<b>304,542</b>	-1.6
<b>Value fluctuation reserves for pension funds</b>			
Status at 1 January	18,122	19,173	-5.5
Deposits/Withdrawals	-4,206	-1,051	
<b>Status at 31 December</b>	<b>13,916</b>	<b>18,122</b>	-23.2

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

	31.12.2017			31.12.2016		
	CHF 1,000	in %	Strategy in %	CHF 1,000	in %	Strategy in %
Money market	164,254	6.0	0–10	187,936	7.1	0–10
Mortgage loans	34,294	1.3	0–5	19,821	0.7	0–5
CHF bonds	207,438	7.6	0–40	223,063	8.4	0–40
Global bonds in foreign currency	129,295	4.8	0–20	134,468	5.1	0–20
Convertible bonds	129,674	4.8	0–8	131,191	4.9	0–8
Swiss equities	262,709	9.7	0–20	293,210	11.0	0–20
Global equities	262,638	9.7	0–20	286,687	10.8	0–20
Alternative investments	685,996	25.3	0–25	625,035	23.5	0–25
Swiss real estate	833,515	30.8	20–35	757,408	28.5	20–35
<b>Subtotal</b>	<b>2,709,813</b>	<b>100.0</b>		<b>2,658,819</b>	<b>100.0</b>	
Receivables from employers	43,491			41,015		
Other receivables Switzerland	6,849			6,873		
Prepaid expenses	1,204			856		
Assets under insurance contracts	627			636		
<b>Total assets</b>	<b>2,761,984</b>			<b>2,708,199</b>		
	CHF 1,000	in %	OPO 2 in %	CHF 1,000	in %	OPO 2 in %
<b>Total restrictions pursuant to OPO 2</b>						
Investments in claims secured by real estate liens pursuant to Art. 55a OPO 2	34,294	1.2	50	19,821	0.7	50
Investments in shares pursuant to Art. 55b OPO 2	525,347	19.0	50	579,897	21.8	50
Investments in real estate pursuant to Art. 55c OPO 2	833,515	30.2	30	757,408	28.5	30
> of which abroad	–	–	10	–	–	10
Alternative investments pursuant to Art. 55d OPO 2	685,996	24.8	15	625,035	23.5	15
Investments in foreign currencies without hedging pursuant to Art. 55e OPO 2	391,568	14.2	30	429,640	16.2	30

<b>Asset allocation of alternative investments</b>	Collective CHF 1,000	Direct CHF 1,000	<b>31.12.2017</b> CHF 1,000	31.12.2016 CHF 1,000
Hedge funds	100,252		100,252	121,872
Insurance-linked securities	154,129		154,129	185,933
Private equities	88,803		88,803	61,833
Private debts	275,718	26,550	302,268	226,882
Infrastructure investments	36,912		36,912	32,299
Foreign exchange hedging transactions	3,632		3,632	-3,784
<b>Total</b>	<b>659,446</b>	<b>26,550</b>	<b>685,996</b>	<b>625,035</b>

#### 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 13.5 % to 12.4 % in the reporting year. The portfolio value is CHF 337 million.

#### 6.4.3 Convertible bonds

Convertible bonds were decreased by CHF 1.5 million to CHF 129.7 million (share of 4.8 %).

#### 6.4.4 Equities

In the reporting year, equities accounted for between 19.2 % and 22.4 %. The portfolio value is CHF 525 million, and the equity exposure has decreased to 19.4 %.

#### 6.4.5 Swiss real estate

The real estate portfolio increased by CHF 76 million in the reporting year. The share remains at 30.8 %. CHF 521 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 2017:

	<b>Market value 31.12.2017</b> in CHF 1,000	<b>Contract volume</b> in CHF 1,000	<b>Commitment- increasing</b> in CHF 1,000	<b>Commitment- reducing</b> in CHF 1,000
<b>Forward exchange transactions EUR, USD</b>				
> positive replacement cost	4,291	634,661		634,661
> negative replacement cost	-655	66,442		66,442
<b>Total forward exchange transactions</b>	<b>3,636</b>	<b>701,103</b>	<b>-</b>	<b>701,103</b>

Derivative financial instruments are covered by the existing investments.

### 6.6 Outstanding funding commitments

	<b>31.12.2017</b> CHF 1,000	31.12.2016 CHF 1,000
<b>Outstanding funding commitments</b>	<b>203,029</b>	<b>242,112</b>

### 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

	2017		2016	
	CHF 1,000	in %	CHF 1,000	in %
Asset management fees at scheme level (TER costs)	6,394	0.23	6,015	0.22
Transaction costs and taxes (TTC costs)	1,257	0.05	933	0.03
Other costs (SC costs)	60	0.00	61	0.00
TER costs for cost-transparent collective investments	30,001	1.10	28,316	1.06
> of which TER costs for cost-transparent alternative investments	17,597	0.64	15,832	0.59
> of which TER costs on performance fees for cost-transparent alternative investments	1,642	0.06	2,578	0.10
> of which TER costs for cost-transparent collective investments in real estate	3,669	0.13	3,597	0.13
> of which TER costs for other cost-transparent collective investments	7,093	0.26	6,309	0.24
<b>Total</b>	<b>37,712</b>	<b>1.38</b>	<b>35,325</b>	<b>1.32</b>
Total investments	2,760,154	100.00	2,706,706	100.00
Non-cost-transparent investments	25,119	0.91	24,517	0.91
<b>Cost-transparent investments – cost transparency ratio</b>	<b>2,735,035</b>	<b>99.09</b>	<b>2,682,189</b>	<b>99.09</b>

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 OPO2 –  
portfolios at 31 december 2017**

<b>Product name</b>	<b>Provider</b>	<b>ISIN</b>	<b>Units</b>	<b>Market value</b> CHF 1,000
Barings Loan Fund II	Barings		8,850,000	8,748
M&G Debt Opportunities III	M&G Group		8,829,750	12,337
Swiss Re Sector V A 6 Reg S	Swiss Re Capital Markets	USG7966TBD75	10,868	97
Tellco SV Private Equity+	Tellco		39,400	3,937
<b>Total</b>				<b>25,119</b>

## **6.8 Investments with the employer and employer contribution reserves**

### **6.8.1 Investments with the employer**

On 31 December 2017, the premium account receivables from affiliated companies totalled CHF 47,205,000 (3,259 employers). These were offset by contingency reserves for doubtful receivables of CHF 3,714,000. Balances to the debit of employers earned 6% interest, and balances in favour of employers earned 1% interest. The net result was interest income of CHF 54,000. These current account receivables do not strictly qualify as investments with the employer.

### 6.8.2 Employer contribution reserves

In addition to premium account liabilities to affiliated companies of CHF 15,293,000, the foundation also held employer contribution reserves for 347 employers on 31 December 2017. The contribution reserves changed as follows:

	<b>2017</b> CHF 1,000	2016 CHF 1,000
As at 1 January	22,698	18,304
Deposits	3,583	7,177
Transfers to supplementary insurer	-1,690	-488
Used for employer contribution payments	-3,795	-2,373
Used for contributions to savings capital	-115	-156
Interest 1 % (previous year 1.25 %)	204	234
<b>As at 31 December</b>	<b>20,885</b>	<b>22,698</b>

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

### 7.1 Other liabilities

	<b>2017</b> CHF 1,000	2016 CHF 1,000	Change in %
Savings contributions	218,988	203,596	7.6%
Risk contributions	50,543	48,757	3.7%
Administrative cost contributions	7,515	7,164	4.9%
Flat-rate contributions	4,284	8,191	-47.7%
<b>Total contributions</b>	<b>281,330</b>	<b>267,708</b>	5.1



## 8 Requirements of the supervisory authority

The OPA and foundation supervisory authority for Central Switzerland (Zentralschweizer OPA- und Stiftungsaufsicht – ZBSA) approved the 2016 annual financial statement on 5 May 2017 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:

	2017 CHF 1,000	2016 CHF 1,000
Investments with Tellco Ltd	98,917	2,260,599
Investments with UBS AG	–	80,658
<b>Total</b>	<b>98,917</b>	<b>2,341,257</b>

### 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 2017: 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 2017 annual financial statement.

# *Auditor's report*

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To the Board of Trustees of  
pension fund pro, Schwyz

Basle, 25 April 2018

## **Report of the statutory auditor on the financial statements**

As statutory auditor, we have audited the financial statements of pension fund pro, which comprise the balance sheet, operating account and notes, for the year ended 31 December 2017.

### **Foundation Board's responsibility**

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

### **Responsibility of the expert in occupational benefits**

In addition to the auditor, the Foundation Board appoints an expert in occupational benefits to conduct the audit. The expert regularly checks whether the occupational benefit scheme can provide assurance that it can fulfil its obligations and that all statutory insurance-related provisions regarding benefits and funding comply with the legal requirements. The reserves necessary for underwriting insurance-related risks should be based on the latest report provided by the expert in occupational benefits in accordance with article 52e paragraph 1 of the Occupational Pensions Act (OPA) and article 48 of the Occupational Pensions Ordinance 2 (OPO 2).

### **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 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 control system. 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 2017 comply with Swiss law and with the foundation's deed of formation and the regulations.

### Report on additional legal and other requirements

We confirm that we meet the legal requirements on licensing (article 52b OPA) and independence (article 34 OPO 2) and that there are no circumstances incompatible with our independence.

Furthermore, we have carried out the audits required by article 52c paragraph 1 OPA and article 35 OPO 2. The Foundation Board is responsible for ensuring that the legal requirements are met and that the statutory and regulatory provisions on organization, management and investments are applied.

We have assessed whether:

- > organization and management comply with the legal and regulatory requirements and whether an internal control exists that is appropriate to the size and complexity of the foundation
- > funds are invested in accordance with legal and regulatory requirements
- > the occupational pension accounts comply with legal requirements
- > measures have been taken to ensure loyalty in fund management and whether the Governing Body has ensured to a sufficient degree that fund managers fulfill their duties of loyalty and disclosure of interests
- > the available funds or discretionary dividends from insurance contracts have been used in compliance with the legal and regulatory provisions
- > the legally required information and reports have been given to the supervisory authority
- > the pension fund's interests are safeguarded in disclosed transactions with related entities

We confirm that the applicable legal and statutory requirements have been met.

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

Ernst & Young Ltd

Patrik Schaller  
Licensed audit expert  
Auditor in charge

Raymond Frey  
Licensed audit expert

**Publishing details**

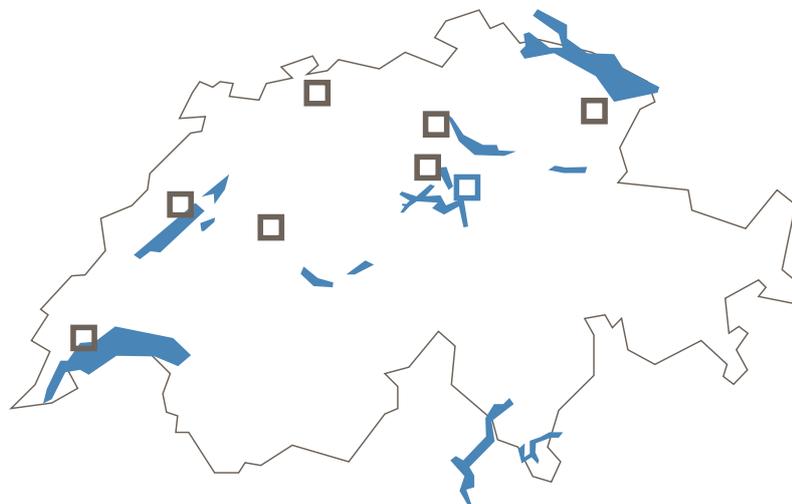
pension fund pro Annual Report 2017

Published by pension fund pro

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The German version is binding.

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