



Swisscanto Collective Foundation  
of the Cantonal Banks

# Annual Report 2013



**Swisscanto**



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Swisscanto Collective foundation is a joint venture of the Cantonal Banks and Helvetia Insurances for the realisation of occupational benefit schemes.

# 2013: Innovations from Within and from Without

## **Swisscanto Strategy Successfully Concluded**

Over the last years a continuously repeated theme in all Swisscanto Collective Foundation publications was this: The new strategy with the aim to consequently position the Swisscanto Collective Foundation as a semi-autonomous provider of occupational benefits. The business year 2013 saw this work achieved on schedule.

As of January 1, 2014 all current and future old-age pensions are carried by the Swisscanto Collective Foundation itself and not any longer by Helvetia as reinsurer. The capital transactions necessary for this have taken place and the adaptations of the technical systems have been implemented faultlessly. The new constellation, in which Swisscanto Collective Foundation itself carries the life expectancy risk, offers new possibilities, for instance it is possible to fix the conversion rates for pensions according to the Foundation's financial situation. Within the framework of the new strategic orientation the Board of Foundation reviewed the investment strategy and increased the proportion of shares, which enhances the expected yield without losing sight of the Foundation's risk-carrying capacity. Furthermore, new opportunities emerge in product design, in particular concerning the conversion rate.

The second essential strategic element represents a true novelty for the Swiss employee benefits market: With the product option "coverage rate on the pension funds level" eligible companies can participate in the Foundation's performance in a more direct manner. The new product option furthermore enables companies to affiliate with Swisscanto Collective Foundation under certain circumstances even if their current pension plan is underfunded.

## **Plebiscites and Reforms Affect Occupational Benefits**

In 2013 Swiss voters sent a clear signal by accepting the initiative against rip-offs ("Abzocker-Initiative"). The discussion about excessively high salaries of managers almost succeeded in pushing aside the influence of the initiative on Corporate Governance, i.e. on how major investors vote at general assemblies of companies in which they have a share. This influence is considerable but has only a minor effect on the conduct of the Swisscanto Collective Foundation. The pension fund assets concerned by these new regulations, which clients entrust to the Swisscanto Collective Foundation, are invested entirely in investment groups of the Swisscanto Investment Foundations, who in turn votes independently and in the best interest of investors. Furthermore, Swisscanto Investment Foundations makes its voting transparent by publishing votes down to share certificate level on the internet – and this not only since the acceptance of the anti-rip-off initiative: transparency has always been one of the most important tenets for the entire Swisscanto Group.

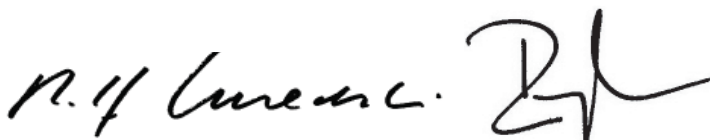
The Swiss old-age provisions system is a success story for which we are widely envied. Numerous countries have adopted our principle of three pillars or tiers as a model for creating their own social security system. It is therefore appropriate and welcome that the Swiss Federal Council should give thought to the future of this success model and for letting foresight prevail in doing so, which is exactly what the Council is doing with the 2020 old-age provision reform ("Altersvorsorge 2020"). The core elements of this reform have been made known in the meantime and Swisscanto can reassuringly state that it is already now ideally equipped to meet these new challenges. Flexible and individual solutions for retirement have been part of Swisscanto's standard package for a long time. For Swisscanto the greatest-possible transparency and a responsible, proactive manner of treating pension funds have been a matter of course and served well in particular during the difficult last years.

### **An Interest-Rate Policy in the Interest of Active Employees as well as Pensioners**

As part of their strategic review the Foundation's Board of Trustees also reassessed Swisscanto's performance strategy. The Board decided to determine the interest rates on retirement assets in future on the principle of equal treatment for insured active employees and old-age pensioners, provided the financial situation of Swisscanto allows it. In this respect the Board is guided in the long term by the technical interest (of currently 3 %) on the one hand and by Swisscanto's security requirements (building the necessary reserves and provisions) on the other. The aim is a long-term, balanced interest-rate policy, which considers the interests of both active employees and pensioners in equal measures. The Foundation's Board of Trustees will decide on the interest rate of the following year shortly before the end of the business year.

### **Trust as the Basis of Cooperation**

We would like to thank you for your confidence, which we hold dear. As in the year past we shall keep on investing into this very trust since it forms the foundation of our continued successful cooperation, to which we very much look forward!



Rolf Knechtli  
Chair of the Board of Foundation

Davide Pezzetta  
Managing Director



# Review 2013: Key Figures

Coverage rate	2013	2012
Coverage rate as at 31.12. (in %)	109,4	108,2

Portfolios	2013	2012	Change absolute	Change in %
Statutory Capital (in CHF mio.)	4 383	4 227	156	3,7
Investments (in CHF mio.)	4 989	4 716	299	6,3
Number of contracts	5 601	5 704	-103	-1,8
Insured persons	49 473	49 333	140	0,3

## Portfolios

The number of insured persons increased despite a very slight decrease in the number of affiliated enterprises, and the statutory capital increased by 3.7% in the period under review.

Altogether the pool of insured showed a slight turnover as compared to the previous year.

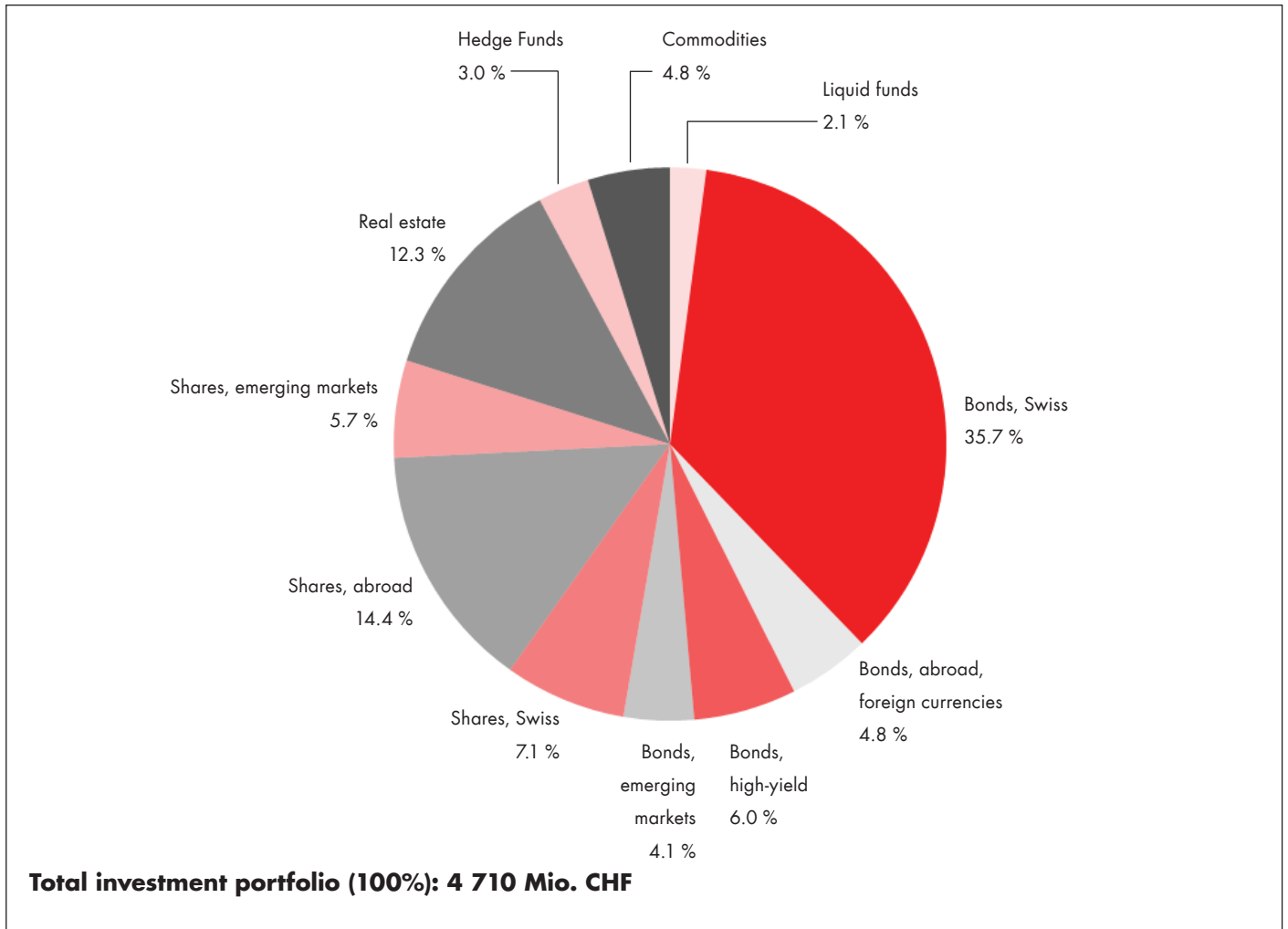
Premium Income	2013 in CHF mio.	2012 in CHF mio.	Change in CHF mio.	Change in %
Periodic employer and employee contributions	385,1	385,9	-0,8	-0,2
One-time payments	366,5	327,1	39,4	12,0
<b>Total</b>	<b>751,6</b>	<b>713,0</b>	<b>38,6</b>	<b>5,4</b>

## Premium Income

The periodic contributions from employers and employees decreased slightly during the reporting period, while one-time payments increased markedly.

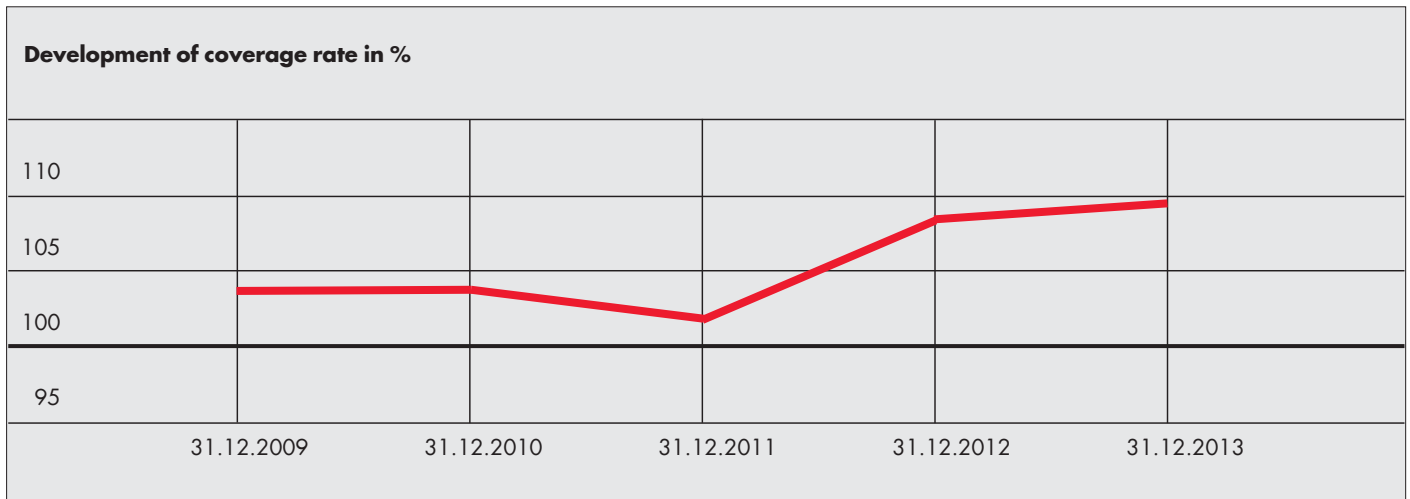
# Investment Portfolio and Policy of Investments

## Asset Allocation as at 31.12.2013



# Development of Coverage Rate

Thanks to the investment portfolio's increased share ratio and the positive developments of the investment markets the coverage rate has further increased in the reported year from 108.2% to 109.4%.





# Economic Situation and Investment Year 2013 in Review: Report of Swisscanto Asset Management AG

## Review 2013

The global economy continued to recover in 2013. Concerning their effect on the financial markets, the economic data were in competition with political events. Right at the beginning of the year the United States managed to avert the so-called fiscal cliff and thus escaped a recession. The economic recovery provided positive signals throughout the year. The European debt crisis continued to be an issue in the first months. The crisis in Cyprus caused nervousness in the markets until the country and in particular its banking system were saved by a financial aid package. Italy's difficulties forming a new government did not preoccupy the markets any more so strongly so that the mood in the markets lightened. Backed up by the positive economic data from the States, an interest-rate cut by the European Central Bank and continued good corporate results, this friendly mood persisted initially into the second quarter.

### US Federal Reserve Bank Causes Corrections

Mid-May Ben Bernanke, chairman of the US Federal Reserve Bank, caused a marked change of mood with his statement that the purchases of government bonds would be reduced if the economic data continued to be positive, which signalled a gradual departure from their very expansionary monetary policy. The market reactions were massive and at first brought about corrections simultaneously for bonds, shares, raw materials, gold and riskier currencies. These setbacks could be offset again during the course of the year, and stock markets of certain industrialised countries reached new record levels. The second half of the year saw the economic indicators in the Euro zone shift as well, and it became clear that the recession in Europe was coming to an end.

Encouraging signs came from Japan: Thanks to a series of growth-promoting measures of Prime Minister Abe's government the world's third-largest economy was recovering from its depression. Until mid-year the Japanese stock indices reached their highest level since more than 4 years, but paused afterwards. While Japan is recovering economically, it is facing great structural challenges. For years, the country has suffered from a weak growth rate and very large national budget deficits, which led to an enormous national debt. The crucial question remains how the economy can be kept growing while at the same time the budget situation is brought under control.

For the emerging countries the past year proved to be difficult, and there was some apprehension that a crisis as in the nineties could repeat itself. However, many of the countries in question nowadays can boast solid national finances as well as high foreign-exchange reserves.

### Real-Estate Funds Less in Demand

In the field of indirect real-estate investments, investors were a little more conservative; this concerned primarily real-estate funds listed on the stock exchange. For the first time since 2007 the real-estate funds index showed a negative performance. The main reason for the investors' caution is the fear of increasing interests. In effect the yield of the 10-year Swiss Confederation bonds ("Eidgenossen") has increased from 0.5% at the end of 2012 to just about 1% by the end of 2013. However, the interest rate level is still so low that the yield advantage of real-estate investments over bonds remains substantial.

## Outlook 2014

The normalisation of the US monetary policy already set in motion is likely to remain the big topic in investment, with the central question of how the markets will react to a further reduction in bond purchases. The market expects a first US interest rate increase by mid-2015 and positive real interest rates as of 2017. However, some renowned experts are of the opinion that the US Federal Reserve will try to keep the real interest rates in the negative well beyond 2017. It is mainly the economic growth that influences the pace with which any future interest rate increases. If the growth is too strong, it would negatively impact the bond, share and real-estate markets. In the best scenario the economic growth therefore would be high enough on the one hand to prevent a relapse into the debt crisis but still weak enough on the other to keep the US Federal Reserve from revoking its monetary policy measures. We have based our forecasting models for the next months on this scenario.

### Difficult Environment for Bonds

The environment for bonds will remain very challenging in the near future: the real yields are negative due to the current interest rate level on the one hand, while on the other a rise in interest rates for portfolios with a longer maturity and therefore a high interest-rate sensitivity would result in a considerable loss in market value. Corporate bonds are expected to

bring a slightly higher yield but this investment segment is no longer appraised favourably. However, there are niches where additional yield are possible through professional and active management. Examples are secured high-yield bonds or emerging-markets bonds which are held in trust very actively under an absolute return approach.

### **Shares: Europe and Japan in Favour**

Shares remain for the time being our favoured investment class. Furthermore, we assume that the global economic situation will continue its slow but steady improvement, which should influence risk assets such as shares positively. Backed up by solid corporate news, healthy balance sheets, high cash flows as well as an increase in consumer confidence we see opportunities for further capital gains.

In our global share portfolios we have further strengthened the prevalence of small-capitalisation companies. European shares continue to be markedly overrepresented due to their

attractive valuation. US and Japanese share also remain overrepresented to the disadvantage of Asian (excluding Japan) and emerging markets shares. Japan still profits from its political momentum and the profit growth of its corporations, which is why we have further expanded our position in Japan.

### **Real Estate: A Favourable Environment**

The fear of increasing interest rates will very likely remain a topic for the Swiss real-estate market. However, the general economic development is more important for existing real-estate portfolios than the interest rate development since rental income depends mainly on the economy. Prognoses are good: we count on a real growth of 2% for the Swiss economy across the entire year 2014 as well as a lower level for interest rates and unemployment.

Swisscanto Asset Management AG

# Report of the Investment Committee

## **2013: Monetary Policy as Defining Component; Successful Year for Shares**

The US Federal Reserve's monetary policy decisions shaped the events in the financial markets over the past investment year. Not least due to this, the year 2013 will go down in the annals as one of the more successful stock market years.

Many important stock indices ended the year on the highest levels for several years or even at all-time highs. In Switzerland the economically more sensitive segment of Small-Caps and Mid-Caps performed at +27% better than the broader SIP (Swiss Performance Index) at +24.6%. The MSCI World Index improved by roughly 23% (in CHF). The only drop of bitterness were the Emerging Markets which lost 5% in CHF. The Swiss bonds market (Swiss Bond Index AAA-BBB) realised for the first time since 2007 an annual loss. The biggest markdowns were suffered by the long-term Swiss Confederation bonds.

Among the most important currencies only Euro and Danish krone were stronger than the Swiss franc. All other currencies lost and some massively, mainly those of developing nations and in particular the Japanese yen.

While positive yields could be registered for the stock markets, raw material and in particular gold suffered considerable losses. The price for one troy ounce of gold (31.1 grams) dropped roughly by 28% during the past year. Therefore the gold price will close for the first time in this millennium with a loss year.

## **Positive Impact of the Strategic Realignment**

Within the portfolio, the investment categories Shares Switzerland (+26.9%) and Shares Abroad (+19.5%) developed best, while in particular Bonds Switzerland (-2.2%) and Shares Emerging Markets (-9.8%) made a negative contribution. Alternative investments and real estates also contributed positively: Hedge Funds (+4.8%), Real Estates Switzerland (+5.9%) and Real Estates Abroad (+5.4%).

The total yield of the portfolio amounted to 4.1% at year-end and is on a similar level to the Pictet BVG 25-Index with +4.4%. The benchmark index reached only 2.0% and could be clearly outperformed. The reason for this is that the portfolio was gradually more dynamically oriented during the year and approached the new strategy. At year-end the share ratio reached roughly 28%, meeting the strategic objectives, while the previous strategy intended a stock ratio of about 13%.

Both the strategic realignment itself as well as its implementation had a positive impact. In future, a Risk Overlay will accommodate the higher dynamics of the new strategy. In extreme cases this will allow a reduction of the share ratio from 28% to nearing 10% in a negative market environment.

The positive yield has furthermore led to the improvement of the coverage rate from 108.2% to 109.4%.



# Annual Financial Statement 2013

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# Balance Sheet as per December 31, 2013 and 2012

## Assets

	31.12.2013 in CHF	31.12.2012 in CHF
<b>Investments</b>		
Liquid funds	248 828 079.94	211 240 462.17
Accounts receivable	29 791 041.74	36 404 608.95
Investment portfolio	4 710 187 630.87	4 468 294 958.30
Liquid funds strategic	98 858 920.69	88 444 378.00
Collective investments bonds	2 478 747 693.90	2 735 405 074.00
Collective investments convertible bonds	0.00	282 732 947.15
Collective investments shares	1 184 775 891.80	501 970 048.06
Collective investments real estate	577 494 793.80	670 508 843.40
Collective investments hedge funds	143 611 596.60	90 320 651.69
Collective investments commodities	226 698 734.08	98 913 016.00
<b>Total investments</b>	<b>4 988 806 752.55</b>	<b>4 715 940 029.42</b>
<b>Individual investments</b>	<b>94 409 764.38</b>	<b>104 450 511.82</b>
<b>Prepayments and accrued income</b>	<b>30 200 647.00</b>	<b>35 950 052.00</b>
<b>Total Assets</b>	<b>5 113 417 163.93</b>	<b>4 856 340 593.24</b>

## Liabilities

	<b>31.12.2013</b> in CHF	<b>31.12.2012</b> in CHF
<b>Liabilities</b>		
Termination benefits and pensions	38 619 107.30	42 575 409.93
Other liabilities	4 429 785.08	5 127 458.43
<b>Total liabilities</b>	<b>43 048 892.38</b>	<b>47 702 868.36</b>
<b>Accrued liabilities and deferred income</b>	<b>95 329 406.20</b>	<b>64 684 690.27</b>
<b>Employer-paid contribution reserves</b>	<b>93 095 265.92</b>	<b>90 534 154.18</b>
<b>Pension liabilities, actuarial reserves and non-committed funds of pension plans</b>		
Pension liabilities for active insured persons	4 383 491 452.26	4 226 716 864.90
Actuarial reserves	24 959 310.00	21 000 000.00
Non-committed funds of pension plans	55 985 453.76	53 380 075.74
<b>Pension liabilities, actuarial reserves and non-committed funds of pension plans</b>	<b>4 464 436 216.02</b>	<b>4 301 096 940.64</b>
<b>Asset value fluctuation reserves</b>	<b>417 507 383.41</b>	<b>352 321 939.79</b>
<b>Dotation capital, non-committed funds/underfunding of the foundation</b>		
Balance at the beginning of the period	0.00	0.00
Income surplus/expense surplus	0.00	0.00
<b>Total dotation capital, non-committed funds of the foundation</b>	<b>0.00</b>	<b>0.00</b>
<b>Total Liabilities</b>	<b>5 113 417 163.93</b>	<b>4 856 340 593.24</b>

# Operative Account

	2013 in CHF	2012 in CHF
<b>Regular and other contributions and transfers</b>	<b>437 593 513.59</b>	<b>441 416 722.22</b>
Employee contributions	181 247 999.05	179 715 276.85
Employer contributions	213 469 375.39	213 534 726.07
Withdrawal from employer contribution reserve for contributory funding	-9 594 235.30	-7 311 170.51
Contributions from third parties	900 431.40	851 492.10
One-time payments and purchase amounts	36 232 330.70	40 105 782.95
Transfers to employer-paid contribution reserves	12 355 045.20	11 735 296.00
Payments from guarantee fund	2 982 567.15	2 785 318.76
<b>Entry lump-sum transfers and new contracts</b>	<b>366 515 184.25</b>	<b>327 103 920.64</b>
Termination benefit transfers	297 949 139.90	281 284 264.85
Reimbursements of withdrawals for home ownership/divorce	10 052 333.70	10 207 334.20
Transfers from new contracts	58 513 710.65	35 612 321.59
<b>Inflow from contributions and entry lump-sum transfers</b>	<b>804 108 697.84</b>	<b>768 520 642.86</b>
<b>Regulatory benefits</b>	<b>-270 372 584.15</b>	<b>-259 449 290.95</b>
Retirement pensions	-50 393 044.90	-44 344 833.60
Survivors' pensions	-6 204 067.10	-5 842 492.25
Disability pensions	-21 516 542.90	-21 303 600.95
Other regulatory benefits	-1 882 925.65	-1 929 176.85
Lump-sum payments on retirement	-179 805 000.85	-166 666 081.95
Lump-sum payments on death or disability	-10 571 002.75	-19 363 105.35
<b>Termination benefits and termination of contracts</b>	<b>-449 349 764.72</b>	<b>-475 103 249.39</b>
Termination benefits and termination of contracts	-421 750 479.82	-447 280 915.39
Carryover of additional means due to collective terminations	-4 344 895.25	0.00
Withdrawals for encouragement of home ownership/divorce	-23 254 389.65	-27 822 334.00
<b>Outflow for benefits and withdrawals</b>	<b>-719 722 348.87</b>	<b>-734 552 540.34</b>
<b>Decrease/Increase in pension liabilities, actuarial reserves and contribution reserves</b>	<b>-187 211 295.80</b>	<b>-92 954 592.33</b>
+/- Decrease/Increase in pension liabilities of active insured persons	-95 412 534.86	-35 597 059.95
+/- Decrease/Increase in non-committed funds of pension plans	4 265 855.58	6 848 457.48
+/- Decrease/Increase in actuarial reserves	-3 959 310.00	-2 000 000.00
- Interest on pension liabilities (regular)	-60 004 841.45	-58 974 810.95
- Interest on pension liabilities (additional)	-30 000 000.00	0.00
+/- Decrease/Increase in contribution reserves	-2 100 465.07	-3 231 178.91
<b>Income from insurance benefits</b>	<b>111 767 464.06</b>	<b>117 408 970.01</b>
Insurance benefits	93 689 463.75	92 031 849.40
Share of insurance surpluses	18 078 000.31	25 377 120.61
<b>Insurance cost</b>	<b>-114 160 133.60</b>	<b>-118 532 213.85</b>
Insurance premiums		
- Risk premiums	-92 955 755.75	-97 490 269.40
- Cost premiums	-19 277 624.40	-19 328 500.95
Contributions to guarantee fund	-1 926 753.45	-1 713 443.50
<b>Net result of insurance activities</b>	<b>-105 217 616.37</b>	<b>-60 109 733.65</b>



	<b>2013 in CHF</b>	<b>2012 in CHF</b>
<b>Net result on investments</b>	<b>184 189 241.89</b>	<b>313 139 814.28</b>
Income from liquid funds strategic	-1 383 009.56	4 408 378.24
Income from bonds	-22 043 479.86	158 978 555.46
Income from convertible bonds	32 617 239.36	16 171 118.19
Income from shares	144 200 358.89	78 555 743.51
Income from real estate	43 550 433.06	56 115 932.68
Income from Hedge Funds	5 482 445.94	1 337 074.44
Income from Commodities	-771 099.24	-141 673.25
<b>Total income on investments</b>	<b>201 652 888.59</b>	<b>315 425 129.27</b>
Interest income on bank receivables	80 370.45	73 290.73
Interest income on accounts receivable	314 337.33	262 857.67
Interest expenses for liabilities	-1 396 816.54	-1 366 582.40
Interest expense for employer-paid contribution reserves	-434 926.02	-417 460.85
Asset management expenses <sup>1</sup>	-16 026 611.92	-837 420.14
<b>Total Profit Other Income and Expenditure</b>	<b>-17 463 646.70</b>	<b>-2 285 314.99</b>
<b>Partial operative account for individual investments</b>	<b>0.00</b>	<b>0.00</b>
Income from individual investments	8 035 050.18	7 777 254.42
Asset management expenses <sup>1</sup>	-682 120.38	-151 389.00
<b>Net result on individual investments</b>	<b>7 352 929.80</b>	<b>7 625 865.42</b>
Administrative expenses	-28 600.00	-33 954.85
Interest on pension liabilities	-1 357 211.05	-1 551 299.20
Interest expenses for employer-paid contribution reserves	-25 720.65	-24 911.05
Decrease/Increase in non-committed funds of pension plans	-5 941 398.10	-6 015 700.32
<b>Other income</b>	<b>443 143.29</b>	<b>467 873.09</b>
Income from services rendered	230 547.04	232 886.09
Other income	212 596.25	234 987.00
<b>Administrative expense</b>	<b>-14 229 325.19</b>	<b>-13 862 788.32</b>
General administration	-408 430.07	-321 899.32
Expense for marketing and publicity	-93 087.81	-115 705.15
Negotiations and brokerage	-13 321 042.91	-13 156 845.85
Auditors and pension fund actuary	-220 886.60	-210 340.30
Supervisory authorities	-185 877.80	-57 997.70
<b>Income/Expenses surplus before decrease/increase of asset value fluctuation reserves</b>	<b>65 185 443.62</b>	<b>239 635 165.40</b>
Decrease/Increase in reserves for asset value fluctuation reserves	-65 185 443.62	-239 635 165.40
<b>Income/Expenses surplus</b>	<b>0.00</b>	<b>0.00</b>

<sup>1</sup> As of the business year 2013 asset management costs are reported in compliance with directives OAK BV D – 02/2013. This directive was not yet in force for the business year 2012.



# Explanatory Notes to the Financial Statement

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# Principles and Organisation

## Legal form and objectives

The Swisscanto Collective Foundation of the Cantonal Banks is a collective foundation by the Association of Swiss Cantonal Banks, Basel and Patria Swiss Mutual Life Insurance Company, Basel (since September 2006 Helvetia Swiss Life Insurance Company Ltd.) pursuant to Article 80 et seq. of the Swiss Civil Code (Schweizerisches Zivilgesetzbuch, ZGB). The foundation's aim is to provide mandatory and voluntary occupational benefit schemes for employees and employers in ac-

cordance with the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans (BVG/LPP). The foundation's purpose is pursued particularly in the manner in which the foundation serves as a saving bank for the individual pension funds under the foundation's coverage, subject to their available means and separate regulations, and takes out in addition risk and life annuity insurance with Helvetia Swiss Life Insurance Company Ltd., Basel.

## LOB registration and guarantee fund

Register for occupational benefit plans  
LOB Guarantee Fund

BS-0432  
Number C1 11

## Plan statutes and regulations

Foundation instrument  
Investment rules  
Partial liquidation regulations  
Regulations on provisions  
Election rules  
Organisation rules  
Pension fund regulations

25.06.1973, last updated 21.06.2012  
01.12.2009  
12.11.2010  
01.12.2009, last updated 23.11.2013  
01.01.2005  
14.06.2010  
individual, according to the pension plan, last updated 23.11.2013

The Foundation is managed by the Helvetia Swiss Life Insurance Company Ltd.(formerly Patria Swiss Life Insurance Company). The management agreement of December 28, 2004

between the Foundation and Helvetia Swiss Life Insurance Company Ltd. governs duties, competences and responsibilities of the persons in charge of the administration.

## Supreme body/authorised signatories

The members of the Board of Foundation and the other authorised signatories have joint dual signature authority.

<p><b>Board of Foundation</b></p>	<p><b>Employer representatives</b></p> <p>Rolf Knechtli Chair Adrian Beeli Member Eduard Gasser Member Oliver Gloor Member Stefan Kehrli Member Urs Saxer Member</p> <p><b>Employee representatives</b></p> <p>Fredy Schläpfer Vice-chair Claudia Breitenstein Member Urs Christen Member Beat Kempfer Member Jürg Stalder Member vacant</p> <p><b>Assessors without voting right</b></p> <p>Hanspeter Hess Donald Desax Beat Müller René Raths</p>
<p><b>Investment Committee</b></p>	<p>Hendrik van der Bie Chair Martin Flück Member Herbert Joss Member Stefan Kunzmann Member</p>
<p><b>Authorised signatories</b></p>	<p>Davide Pezzetta Managing director Claude Schreiber Assistant managing director; Head Key Accounts und Underwriting</p> <p>Roger Bopp Head of Sales and Consulting Ulrike Martina Bühler Teamleader ZKB, Client Service Francesco Carlino Teamleader Broker, Client Service René Eggimann Head Legal Services Michael Maxelon Head Client Service Louis Rideau Teamleader Intercantonal, Client Service Daniel Rossi Head Vested Benefits Foundation Christoph Schneider Head Legal Services Swisscanto</p>

### Actuaries, auditors, advisors, supervisory authority

Pension actuaries	Beratungsgesellschaft für die zweite Säule AG, Basel, Ernst Sutter
Auditors	PricewaterhouseCoopers AG, Basel
Investment Controlling	Complementa Investment-Controlling AG, St.Gallen
Supervisory authority	BVG- und Stiftungsaufsicht beider Basel (BSABB)

### Affiliated employers

	2013 Number	Development Number	2012 Number
As per 31.12. prior year	5 704	-46	5 750
Entries	233	-34	267
Leavings	-336	--23	-313
<b>As per 31.12. year under review</b>	<b>5 601</b>	<b>-103</b>	<b>5 704</b>

### Active participants and pensioners

Active participants	2013 Number	Development Number	2012 Number
As at 31.12. prior year	49 333	-304	49 637
Entries	811	50	761
Leavings	-671	394	-1 065
<b>As at 31.12. year under review</b>	<b>49 473</b>	<b>140</b>	<b>49 333</b>

Pensioners	31.12.2013 Number	Development Number	31.12.2012 Number
Retirement pensions	3 846	315	3 531
Pensioner's children's pensions	33	6	27
Disability pensions	1 563	-14	1 577
Disabled's children's pensions	350	-24	374
Spouse's pensions	678	41	637
Orphan's pensions	133	-9	142
<b>Total</b>	<b>6 603</b>	<b>315</b>	<b>6 288</b>

# Implementation of Objectives

Affiliation with the foundation is carried out by means of the conclusion of an affiliation contract between the employer and the foundation. The affiliated companies form separate pension plans within the foundation.

## Characteristics of the pension plan

Every pension plan has its own benefit plan as part of the mandatory occupational benefit scheme. The retirement benefits are based on the defined contribution plan, the risk benefits on either the defined benefit plan or the defined contribution plan, depending on the pension plan and benefits.

## Financing, financing method

Financing is governed separately for each pension plan. As a rule, the financing of the benefit costs is carried out by the employees and employers, whereby the employer must meet at least 50% of such costs.

## Further information concerning pension fund activities

Some pension plans have individual asset investments (so-called individual investments). Modalities comply with the separate contractual and regulatory provisions of the Swisscanto Collective Foundation. Pension plans with individual investments may use their employer contribution reserves as value fluctuation reserves for individual asset investments.

<b>Coverage rate of pension plans with individual investments</b>	<b>31.12.2013 Number</b>	<b>31.12.2012 Number</b>
Coverage rate above 110%	10	11
Coverage rate between 100% and 109.9%	8	14
Coverage rate between 95% and 99.9%	0	0
<b>Total</b>	<b>18</b>	<b>25</b>

# Significant Accounting Policies and Valuation Methods, Consistency

## Statement of compliance with Swiss GAAP FER 26

The accounts are prepared in accordance with the special accounting recommendations of Swiss GAAP FER 26, version dated 01.01.2004.

## Significant accounting policies and valuation methods

### Significant accounting policies

The financial statements comprise the balance sheet, the operative account and the explanatory notes. They contain the figures for the prior year.

The explanatory notes contain additional facts and information on the investments and the financing as well as on

individual positions of the balance sheet and the operative account. Events following the balance sheet date must be disclosed if they will materially affect the assessment of the position of the pension plan.

In all other respects articles 957–964 of the Swiss Code of Obligations (OR) shall apply.

### Valuation Methods

Liquid funds

Exchange-traded instruments such as futures

Products that are not exchange traded such as currency forwards und swaps

Foreign currency conversion

Accounts receivable

Collective investments

Prepayments and accrued income

Individual investments

Par value

Marketable value

Replacement value on balance sheet date

Day's rate

Par value less amortisation

Market value

Par value

Market value



# Actuarial Risks, Risk Benefit Coverage, Coverage rate

## **Type of risk benefit coverage, reinsurance**

To cover the insurance risks of death and invalidity as well as to purchase retirement benefits the Foundation has taken out collective life insurance with Helvetia Swiss Life Insurance Company Ltd., Basel (hereinafter Helvetia).

Policyholder and beneficiary is the Foundation. Any difference between the retirement benefits according to the pension scheme and the conditions of the insurance contract shall be borne by the Foundation. The difference shall be financed by an amount for the purchase of retirement benefits (pay-as-you-go assessment of pension value).

As of January 1, 2014 the Foundation carries 100% of the life expectancy risk (old-age pension, spouse's pension, retired person's children's pension) itself. As per the same date, the sum of roughly CHF 960 Mio. is transferred from Helvetia to the Foundation, who manages these actuarial reserves for pensions from then on itself.

## **Explanations on assets and liabilities from insurance contracts**

All retirement pensions are reinsured. The actuarial reserves for the pensions is not recognised in the balance sheet and amounts to CHF 1 471 181 000 (previous year CHF 1 332 290 000).

## Development and interest rates of retirement savings in the contribution plan

	2013 in CHF	2012 in CHF
Retirement savings as at the end of the previous year	4 226 716 866	4 130 593 695
Saving contributions	310 599 611	303 862 568
Termination benefit transfers, purchase amounts and new contracts	397 234 159	363 917 145
Saving contributions from disability insurance	10 814 020	10 551 344
Termination benefits for leavers and on termination of contracts	-411 233 188	-436 238 384
Withdrawals for encouragement of home ownership/divorce	-23 254 390	-27 822 334
Dissolution due to retirement, death and disability	-188 747 677	-178 673 278
Interest payments on pension capital (regular)	61 362 053	60 526 110
<b>Retirement savings as at the end of the year under review</b>	<b>4 383 491 453</b>	<b>4 226 716 866</b>
Interest on LOB mandatory savings capital (regular)	1.50%	1.50%
Interest on LOB non-mandatory savings capital (regular)	1.50%	1.50%

## Sum of retirement savings according to LOB

	31.12.2013 in CHF	31.12.2012 in CHF
Retirement savings capital in accordance with the LOB (shadow account)	2 618 808 928	2 532 636 816
LOB minimal interest rate	1.50%	1.50%

## Conclusions of the last actuarial report

The Occupational Benefits expert comes on April 7, 2014 to the following conclusions in his short actuarial assessment per December 31, 2013:

Due to the particular actuarial structure of the Foundation – all actuarial risks are still reinsured at 100% on an individual basis – we can confirm that the technical reserves are adequately endowed. Since the Foundation itself will carry the life expectancy risk in future, higher conversion losses have been calculated and reserved in place of the former annuity costs.

The number of active insured persons has increased slightly from 49 333 to 49 473 in the year under review, while the number of pensioners has increased considerably from 6 288 to 6 608. However, the actuarial risk capacity of the Foundation can still be described as very good.

Due to the unchangedly favourable net cash flow situation and thanks to the further improvement of the coverage ratio, which could be achieved, the actuarial risk capacity has slightly improved. Nevertheless the Board of the Foundation decided in autumn 2013 to increase the target value of the value fluctuation reserve from previously 10.3% to 15%. In other words, though, this means that the risk capacity for investments has slightly diminished measured against the higher security level.

The performance, which is lower in comparison to last year, and the planned by 0.75% points increased interest rate, which has already been incorporated in the calculation, are primarily responsible for the fact that the coverage ratio only rose by 1.2% points in the year reported.

The planned increase of 0.75% points for the interest rate of retirement assets, which has been proposed to the Board of the Foundation, can be described as reasonable due to the achieved level of the value fluctuation reserve. At the balance sheet date on December 31, 2013 the value fluctuation reserve amounted to slightly more than 86% of its previous target value of 10.3%; applied to the new target value it is still 59%. Due to the solid financial and actuarial situation of the Foundation, it would have been possible to gradually increase the value fluctuation reserve.

Against the background of the dilution effects, which can be expected due to the long-term continuing net cash flow situa-

tion (taking over the old-age pensions as of January 1, 2014), and on the basis of the available actuarial key figures and their changes over the past 12 months, we as recognized experts can confirm that the Foundation continues to be able to fulfil its obligations in future and that therefore it is not necessary to take any measures at present. This with the reservation that the framework conditions, which are necessary for a continued growth of the Foundation, are preserved and further developed.

## Actuarial principles and other significant actuarial assumptions

### Actuarial reserves

#### Actuarial reserves for annuity costs and conversion losses

Pursuant to the regulations governing provisions and fluctuation reserves it is necessary to build technical provisions for losses due to retirements (annuity costs). The Foundation transfers the retirement pension obligations to the reinsurer when they are first claimed. The reinsurer applies the annuity conversion rates according to the collective tariff. Extra costs due to differences between the regulatory conversion rates of the Foundation and those of the reinsurer's collective tariff must be financed by the Foundation at the expense of the profit account. The annuity costs are fixed on the basis forecast com-

putations executed periodically (at least every two years) by the occupational pension expert. This corresponds to the anticipated cost to be incurred in the next two years. Up until December 31, 2012 the annuity costs for the purchase of currently paid-out pensions were calculated and accounted for by Helvetia. As of December 31, 2013 conversion losses will be calculated and accounted for in the place of the annuity costs because as of January 1, 2014 the pensions are no longer purchased from Helvetia. In a sense, the conversion losses can be seen as the Foundation's in-house annuity costs.

<b>Development of actuarial reserves for annuity costs and conversion losses</b>	<b>31.12.2013 in CHF</b>	<b>31.12.2012 in CHF</b>
Balance at the beginning of the year	21 000 000	19 000 000
Assignment in favour/account of the operational account	3 959 310	2 000 000
<b>Balance at the end of the year</b>	<b>24 959 310</b>	<b>21 000 000</b>

Based on the congruent cover of all the insurance risks it is not necessary for the foundation to accrue actuarial reserves.

<b>Composition of non-committed funds of pension plans</b>	<b>31.12.2013 in CHF</b>	<b>31.12.2012 in CHF</b>
<b>Non-committed funds of pension plans</b>		
Non-committed funds of the affiliated pension plans	11 892 820	10 012 288
Non-committed funds from former special mesures	16 570 321	18 722 589
Deposits of surpluses of the affiliated pension plans	11 013 131	12 197 090
Individual surpluses of the affiliated pension plans	1 236 208	1 496 734
<b>Total non-committed funds of pension plans</b>	<b>40 712 479</b>	<b>42 428 700</b>
<b>Non-committed funds of pension plans with individual investments</b>		
Non-committed funds of the affiliated pension plans	6 660 959	9 357 615
Deposits of surpluses of the affiliated pension plans	539 467	694 569
Non-committed funds from former special mesures	216 013	510 021
Reserve for fluctuations in asset value of the affiliated pension plans	2 734 046	1 804 211
Expense surplus of the affiliated pension plans	5 122 489	-1 415 040
<b>Non-committed funds of pension plans with individual investments</b>	<b>15 272 974</b>	<b>10 951 376</b>
<b>Total non-committed funds/deficit of pension plans</b>	<b>55 985 454</b>	<b>53 380 076</b>

### **Changes in actuarial principles and assumptions**

There are no changes compared with the prior year.

### **Employer-paid contribution reserves with renounced use**

The provisions of the Swisscanto Collective Foundation's regulations allow employers in the case of underfunding to contribute to the employer-paid contribution reserves with renounced use. As per December 31, 2013 there are no employer-paid contribution reserves with renounced use (previous year total: CH 0)

## Coverage rate according to art. 44 OBB2

	31.12.2013 in CHF	31.12.2012 in CHF
Balance assets	5 113 417 164	4 856 340 593
Individual investments	-94 409 764	-104 450 512
Liabilities; accruals and deferrals	-138 378 299	-112 387 559
Liabilities individual investments	37 706	-34 247
<b>Distributable pension assets</b>	<b>4 880 666 807</b>	<b>4 639 468 275</b>
Pension capital of active insured persons	4 383 491 452	4 226 716 865
Employer-paid contribution reserves	93 095 266	90 534 154
Non-committed funds of pension plans	55 985 454	53 380 076
Actuarial reserves of the foundation	24 959 310	21 000 000
<b>Pension capital, actuarial reserves of the foundation, non-committed funds of pension plans and employer-paid contribution reserves</b>	<b>4 557 531 482</b>	<b>4 391 631 095</b>
<b>Pension capital, non-committed funds and employer-paid contribution reserves in contracts with individual investments</b>		
Pension capital of active insured persons	-76 662 786	-90 400 715
Non-committed funds of pension plans	-15 272 974	-10 951 376
Employer-paid contribution reserves	-2 436 298	-3 132 668
<b>Pension capital, actuarial reserves of the foundation, non-committed funds of pension plans and employer-paid contribution reserves</b>	<b>4 463 159 424</b>	<b>4 287 146 336</b>
<b>Coverage rate</b>	<b>109.4</b>	<b>108.2%</b>

### Coverage rate

In case of the partial or complete liquidation of a pension scheme the Swisscanto Collective Foundation pension plan regulations allows to offset an actuarial deficit against the employer-paid contribution reserve. For the calculation of the coverage ratio the employer-paid contribution reserves are treated therefore as pension capital as well as actuarial reserves.

After the interest payments on the retirement assets as well as the coverage of all other costs, the coverage ratio increases from 108.2% to 109.4%. The value fluctuation reserve decreased from 77% to 59% of its target value due to a change in strategy.

All affiliated pension schemes with individual investments show a coverage ratio of more than 100% as per December 31, 2013.

The coverage ratio of pension schemes with individual investments is calculated separately and communicated to the pension schemes concerned. In the process the target fluctuation reserves are determined individually on the basis of the chosen investment strategy.

It should be noted that the calculation of the coverage ratio includes a calculation of the retirement assets based on an interest rate of 1.5% for 2013. The planned interest increase of 0.75% is included in accrued expenses and deferred income. Calculated this way – reduced assets instead of increased liabilities – the coverage ratio deviates therefore slightly from the mathematically correct one.

# Explanatory Notes on Investments and Net Result of Investments

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

The organisation of the Swisscanto Collective Foundation's investment activities is governed by the investment regulations. Investment organisation is entrusted to the Board of Foundation, the investment committee, the board of directors, portfolio managers, and overlay managers as well as the investment controller.

The Board of Foundation nominates the members of the investment committee and defines the investment organisation. At the request of the investment committee and in accordance with legal requirements the Board authorises the investment strategy, investment guidelines, overlay management as well as the investment controlling.

The investment committee is responsible for the supervision, implementation and initiation of adjustments to the investment strategy and the overlay management.

Depositaries are Zurich Cantonal Bank and Banque Cantonale Vaudoise.

The overlay management is realised with Zurich Cantonal Bank. The overlay management aims to control investments within ranges by means of the derivative instruments for those asset classes for which such derivative instruments exist. Furthermore rebalancing transactions are conducted for these asset classes within the scope of contractually defined limits. The tasks and responsibilities are defined in the asset management mandate with Zurich Cantonal Bank dated April 24, 2008.

Complementa Investment-Controlling AG is responsible for the investment controlling. It consolidates the assets, verifies statutory compliance, adherence to the investment guidelines as well as the implementation of the overlay management and reports the consolidated investment and supervision results to the investment committee. The tasks are defined in the mandate agreement dated August 27, 2010.

The board of directors ensures operational solvency and the necessary reporting to the investment committee as well as the overlay manager. Furthermore the board executes rebalancing transactions for asset classes which cannot be controlled by overlay management.

The portfolio managers' tasks are defined in the asset management mandate of December 6, 2001, and comprise in particular the preparation of a monthly report regarding the core investments as well as informing the investment committee of results obtained, market expectations and extraordinary events concerning the core investments.

The traditional investments consist exclusively of entitlements of the Swisscanto Investment Foundation and funds of the Swisscanto Asset Management AG.

The overlay management is made by investments such as exchange-traded futures as well as currency forwards and interest swaps which are not exchange traded.

## Target value for and calculation of the value fluctuation reserves

Target value of the value fluctuation reserves	31.12.2013 in CHF	31.12.2012 in CHF
Total of investments	4 710 187 631	4 468 294 958
of which 15% as target value of the value fluctuation reserves (previous year 10.3%)	706 528 145	460 234 381

Value fluctuation reserves	2013 in CHF	2012 in CHF
Value fluctuation reserves as of 1.1.	352 321 940	112 686 774
Assignment in favour/account of the operational account	65 185 444	239 635 165
<b>Value fluctuation reserves as of 31.12.</b>	<b>417 507 383</b>	<b>352 321 940</b>
<b>Target value of the value fluctuation reserves</b>	<b>706 528 145</b>	<b>460 234 381</b>
<b>Deficit for the value fluctuation reserves</b>	<b>289 020 761</b>	<b>107 912 441</b>

## Breakdown of investments into investment categories

### Investment strategy as per 31.12.2013

	Strategy %	Spread		Market value according to balance sheet in CHF	Commitment changing effect of derivatives in CHF	Market value, incl., in CHF	Share %
		Min. %	Max. %				
Liquid funds strategic	2.0%	0.0%	22.0%	98 858 921	-1 650 623	97 208 298	2.1%
Bonds, Swiss	33.0%	30.0%	36.0%	1 777 079 610	-94 164 508	1 682 915 102	35.7%
Bonds, abroad, foreign currencies	5.0%	4.0%	6.0%	225 325 496	0	225 325 496	4.8%
Bonds high-yield	5.0%	4.0%	6.0%	284 216 246	0	284 216 246	6.0%
Bonds, emerging markets	5.0%	4.0%	6.0%	192 126 343	0	192 126 343	4.1%
<b>Collective investments bonds</b>				<b>2 478 747 694</b>			
Shares, Swiss	7.0%	0.0%	8.0%	333 449 179	0	333 449 179	7.1%
Shares, abroad	15.0%	0.0%	17.0%	582 189 114	95 815 131	678 004 245	14.4%
Shares, emerging markets	6.0%	0.0%	7.0%	269 137 598	0	269 137 598	5.7%
<b>Collective investments shares</b>				<b>1 184 775 892</b>			
Real estate	12.0%	10.0%	14.0%	577 494 794	0	577 494 794	12.3%
<b>Collective investments real estate</b>				<b>577 494 794</b>			
<b>Collective investments Hedge Funds</b>	<b>5.0%</b>	<b>4.0%</b>	<b>6.0%</b>	<b>143 611 597</b>	<b>0</b>	<b>143 611 597</b>	<b>3.0%</b>
<b>Collective investments commodities</b>	<b>5.0%</b>	<b>4.0%</b>	<b>6.0%</b>	<b>226 698 734</b>	<b>0</b>	<b>226 698 734</b>	<b>4.8%</b>
<b>Total investments</b>	<b>100.0%</b>			<b>4 710 187 631</b>		<b>4 710 187 631</b>	
Liquid funds				248 828 080			
Accounts receivable				29 791 042			
Prepayments and accrued income				30 200 647			
Individual investments				94 409 764			
<b>Other assets</b>				<b>403 229 533</b>			
<b>Balance sheet total</b>				<b>5 113 417 164</b>			

The investment strategy was redefined by the Board of the Foundation in the year under review. The implementation of the new strategy has not been concluded by December 31,

2013. The implementation plan for the new investment strategy intends the conclusion for the year 2014.



## Portfolio analysis in categories according to art. 55 OBB2

Article	Category	Value in CHF	Commitment changing effect of derivatives	Relevant value according to art. 55 OBB2	in % of total assets	Limits OBB2
	Accounts receivable on definite amount of money, liquid funds incl.					
	<b>Other accounts receivable on definite amount of money</b>	<b>2 886 426 383</b>	<b>-91 839 904</b>	<b>2 794 586 479</b>	<b>54.7%</b>	<b>100.0%</b>
	Total in CHF	2 442 718 087	291 689 817			
	Total in foreign currencies	<b>443 708 296</b>	<b>-383 529 721</b>			
<b>55a</b>	<b>Mortgage titles and mortgage bonds</b>	<b>0</b>		<b>0</b>	<b>0.0%</b>	<b>50.0%</b>
	in CHF	0				
<b>55b</b>	<b>Shares</b>	<b>1 184 775 892</b>	<b>95 815 131</b>	<b>1 280 591 023</b>	<b>25.0%</b>	<b>50.0%</b>
	in CHF	333 449 179	0			
	in foreign currencies	851 326 713	95 815 131			
<b>55c</b>	<b>Real estate</b>	<b>577 494 794</b>		<b>577 494 794</b>	<b>11.3%</b>	<b>30.0%</b>
	Inland	577 494 794				
	Abroad	0		0	0.0%	10.0%
	in CHF	0				
	in foreign currencies	0				
<b>55d</b>	<b>Alternative investments</b>	<b>370 310 331</b>	<b>0</b>	<b>370 310 331</b>	<b>7.2%</b>	<b>15.0%</b>
	in CHF	226 698 734				
	in foreign currencies	143 611 597	0			
<b>55d</b>	<b>Individual investments</b>	<b>94 409 764</b>	<b>0</b>	<b>94 409 764</b>	<b>1.8%</b>	<b>15.0%</b>
	LOB mixed assets	94 409 764				
	<b>Total assets in balance sheet</b>	<b>5 113 417 164</b>				
<b>55e</b>	<b>Positions in foreign currencies without collateralization</b>	<b>1 438 646 605</b>	<b>-287 714 590</b>	<b>1 150 932 015</b>	<b>22.5%</b>	<b>30.0%</b>

### Comments on net result of investments

Investment yields are continuously monitored by the investment controller and compared to the benchmark performance. Performance is measured by the customary TWR

(time-weighted return) method and according to the systematic of the described investment strategy. The following performance values can thus be established:

	2013	Performance	2012
	CHF	%	CHF
Liquid funds strategic	22 500	n/a	45 484
Bonds Swiss CHF	-43 252 026	-2.24	58 393 100
Bonds abroad, foreign currencies	2 017 604	5.67	41 325 551
Bonds high-yield	19 190 941	6.19	59 259 905
Convertible bonds abroad, foreign currencies	32 617 239	10.51	16 171 118
Shares Swiss	48 733 487	26.95	25 318 282
Shares abroad (without emerging markets)	106 182 529	19.52	37 687 715
Shares emerging markets	-10 715 657	-9.80	15 549 746
Real estate Swiss	35 167 941	5.91	29 524 360
Real estate abroad	8 382 492	5.39	26 591 572
Hedge Funds	5 482 446	4.75	1 337 074
Commodities	-771 099	-1.08	-141 673
Forward contracts in foreign currencies	-1 405 510	n/a	4 362 895
<b>Total investment portfolio</b>	<b>201 652 889</b>	<b>4.07</b>	<b>315 425 129</b>

	2013 in CHF	2012 in CHF
Interest income on liquid funds	80 370	73 291
Interest income on accounts receivable	314 337	262 858
Interest expense for liabilities	-1 396 817	-1 366 582
Interest expense for employer-paid contribution reserves	-434 926	-417 461
<b>Total income from other assets and liabilities</b>	<b>-1 437 035</b>	<b>-1 447 895</b>
<b>Expenses for asset management<sup>1</sup></b>	<b>-16 026 612</b>	<b>-837 420</b>
<b>Net result of investments</b>	<b>184 189 242</b>	<b>313 139 814</b>

<sup>1</sup> As of the business year 2013 asset management costs are reported in compliance with directives OAK BV D - 02/2013. This directive was not yet in force for the business year 2012.

	2013 in CHF	2012 in CHF
<b>Income from Overlay Management</b>		
Tactical control of the asset classes	0	0
Rebalancing	53 465 640	15 276 540

The asset management expenses for collective investments are directly charged to the individual investment groups by the supplier.

Distribution remunerations, which the Foundation receives through its asset investments, are included in the asset yield of the individual investment groups.

### **Asset management expense report**

The reporting and determination of the asset management expense is executed pursuant to the OAK BV instructions (W-02/2013).

- The sum of all expense figures for the collective investments amounts to CHF 15 574 481 for the year under review.

- The total asset management expenses indicated in the operative account as a percentage of cost-transparent investments amounts to 0.33% in the year under review.
- The cost transparency ratio is 100% for the year under review.

### Current (open) derivative financial instruments

During the meeting of April 16, 2008 the Board of Foundation decided to introduce overlay management. It is the aim of the overlay management to tactically control the investments within ranges and to conduct rebalancing transactions by means of the derivative instruments for those asset classes for which such derivative instruments exist.

Currently the following asset categories are controlled by overlay management: Bonds Swiss, Bonds abroad, Shares

Swiss, Shares abroad without Shares emerging markets and Commodities.

The contractual regulations define the following derivative instruments: stock index futures, commodity index futures (cash settling), bond futures, interest swaps CHF and EUR with a maximum maturity of 15 years, forward exchange dealings in the currencies AUD, CAD, GBP, EUR, HKD, JPY, SGD and USD.

### Open derivatives: Forward contracts in foreign currencies

For every transaction in foreign currency futures or swaps, a forward currency exchange contract is completed at the same time to the value of the contract nominal of that currency. The forward currency exchange contracts were at all times fully covered by the core investments.

As per December 31, 2013 forward contracts in foreign currencies (expiry date March 2014) with a marketable value of CHF 57 631 (previous year CHF 537 364) were open.

Forward contracts in foreign currencies	Market value in CHF	Economic exposure in CHF	Exposure OBB2 in CHF*
	57 631	-291 689 817	-291 689 817

\* Solvency requirements pursuant to BVV2

The market value of forward currency exchange contracts is recorded under "Liquid funds strategic" in the balance sheet.

### Open derivatives: Futures

The future contracts were at all times covered by the core investments. As per December 31, 2013 the following future contracts were open:

Futures	Market value in CHF	Economic exposure in CHF	Exposure OBB2 in CHF*
Bonds Swiss	0	0	0
Bonds abroad, foreign currencies	0	0	0
Shares Swiss	0	0	0
Shares abroad	0	95 815 131	91 839 904
Commodities	0	0	0
<b>Total</b>	<b>0</b>	<b>95 815 131</b>	<b>91 839 904</b>

\* Solvency requirements pursuant to BVV2

### Open derivatives: Interest swaps

For the tactical control of Bonds Swiss either interest swaps with a maximum maturity of 15 years or CONF futures are used depending on the volume.

The nominal value of the swaps was at all times fully covered by the value of the core investments.

Interest swaps	Market value in CHF	Par value	Exposure OBB2 in CHF*
	-45 829	-94 100 000	0
<b>Total</b>	<b>-45 829</b>	<b>-94 100 000</b>	<b>0</b>

\* Solvency requirements pursuant to BVV2

### Comments on employer-paid contribution reserves

Employer-paid contribution reserves	2013 in CHF	2012 in CHF
<b>Balance at the beginning of the period</b>	<b>90 534 154</b>	<b>86 860 603</b>
Transfers into the employer-paid contribution reserves	12 355 045	11 735 296
Transfers from new contracts	1 059 483	762 779
Benefits from termination of contracts	-1 247 145	-1 703 451
Used for premium payments	-9 594 235	-7 311 171
Used for one-time payments*	-472 683	-252 275
Interest	460 647	442 372
<b>Balance at the end of the period</b>	<b>93 095 266</b>	<b>90 534 154</b>

\* Utilisation for single premiums can only be granted upon submission of an explicit declaration of non-objection issued by the appropriate tax authority or in the event of a liquidation of the portfolio.

The employer-paid contribution reserves earned interest at 0.5%.

# Comments on Other Balance Sheet and Operative Account Positions

<b>Comments on accounts receivable</b>	<b>31.12.2013 in CHF</b>	<b>31.12.2012 in CHF</b>
Receivable premiums	24 280 249	25 731 866
Withholding tax	4 306 222	10 654 188
Other accounts receivable	1 204 571	18 555
	<b>29 791 042</b>	<b>36 404 609</b>

<b>Comments on prepayments and accrued income</b>	<b>31.12.2013 in CHF</b>	<b>31.12.2012 in CHF</b>
Prepaid benefits	21 250 222	22 443 254
Income from distribution compensations	50 425	5 006 798
Surplus share	8 900 000	8 500 000
	<b>30 200 647</b>	<b>35 950 052</b>

<b>Comments on accrued liabilities and deferred income</b>	<b>31.12.2013 in CHF</b>	<b>31.12.2012 in CHF</b>
Outstanding entry benefits	41 660 917	36 901 314
Prepaid premiums	18 004 017	19 345 358
Interests on debts	160 000	170 000
Expense for distribution compensations	5 000 000	5 100 000
Broker's commissions	0	2 700 000
Asset management expense	322 472	288 018
Higher rate of interest	30 000 000	0
Other accruals	182 000	180 000
	<b>95 329 406</b>	<b>64 684 690</b>

<b>Comments on income from insurance</b>	<b>2013 in CHF</b>	<b>2012 in CHF</b>
Insurance benefits	93 689 464	92 031 849
Surpluses from insurance result	17 481 407	25 249 705
Surpluses from cost result	596 593	127 416
	<b>111 767 464</b>	<b>117 408 970</b>

The pension plan regulations provide for surpluses to be credited to the asset pool to be used in order to build value fluctuation reserves.

<b>Comments on insurance cost</b>	<b>2013 in CHF</b>	<b>2012 in CHF</b>
Risk premium	78 873 514	82 440 806
Risk premium inflation	1 874 895	3 718 413
Contributions to guarantee fund	1 926 753	1 713 444
Purchase of longevity risk	12 207 347	11 331 051
Cost premium	19 277 624	19 328 501
	<b>114 160 134</b>	<b>118 532 214</b>

<b>Comments on administrative expenses</b>	<b>2013 in CHF</b>	<b>2012 in CHF</b>
Distribution compensations	10 517 490	10 504 423
Broker's commissions	2 803 552	2 652 423
Auditors, actuary	220 887	210 340
Supervisory authority	185 878	57 998
Expenses for marketing and publicity	93 088	115 705
Other administrative expenses	408 430	321 900
	<b>14 229 325</b>	<b>13 862 788</b>

# Supervisory Authority Requirements

The supervisory authority has not commented on the annual financial statement of 2012 until the end of the year under review.

## **Information on the regulations in force concerning retrocession payments**

The asset investment activities of the Swisscanto Collective Foundation are carried out in accordance with a collaborative contract with the Swisscanto Investment Foundation on the one hand, based on a funds placement agreement with the Swisscanto Asset Management AG on the other, as well as in

accordance with the asset management mandate with Zurich Cantonal Bank for the overlay management.

All three contractual partners confirm that they have not received any third-party retrocession payments arising from the above-mentioned contractual relationships.

## **Information on the regulations in force concerning surpluses**

The Foundation is entitled to the surplus shares Helvetia confers from the collective life insurance. The annual financial

statement 2013 includes the sum of von CHF 18 078 000 (previous year: 25 377 120) in surpluses. Pursuant to regulations this sum was used to support the coverage ratio in the current year.



# Further Information Regarding the Financial Situation

## Pending Litigations

On the basis of the current status for each pending litigation we do not assume that the Foundation will incur other than legal costs.

## Events after balance sheet date

As of January 1, 2014 the Foundation assumes on its own account the current old-age and survivor's pensions. As a result,

pension fund assets increase by CHF 960 Mio and pension capital by CHF 864 Mio. The coverage ratio changes from 109.4% (December, 31, 2013) to 109.6% (January 1, 2014).

## Assets

	01.01.2014 in CHF	31.12.2013 in CHF	Change in CHF
<b>Investments</b>			
Liquid funds	1 209 228 079.94	248 828 079.94	960 400 000.00
Accounts receivable	29 791 041.74	29 791 041.74	0.00
Investments	4 710 187 630.87	4 710 187 630.87	0.00
Liquid funds strategic	98 858 920.69	98 858 920.69	0.00
Collective investments bonds	2 478 747 693.90	2 478 747 693.90	0.00
Collective investments convertible bonds	0.00	0.00	0.00
Collective investments shares	1 184 775 891.80	1 184 775 891.80	0.00
Collective investments real estate	577 494 793.80	577 494 793.80	0.00
Collective investments hedge funds	143 611 596.60	143 611 596.60	0.00
Collective investments commodities	226 698 734.08	226 698 734.08	0.00
<b>Total investments</b>	<b>5 949 206 752.55</b>	<b>4 988 806 752.55</b>	<b>960 400 000.00</b>
<b>Individual investments</b>	<b>30 200 647.00</b>	<b>30 200 647.00</b>	<b>0.00</b>
<b>Prepayments and accrued income</b>	<b>94 409 764.38</b>	<b>94 409 764.38</b>	<b>0.00</b>
<b>Total Assets</b>	<b>6 073 817 163.93</b>	<b>5 113 417 163.93</b>	<b>960 400 000.00</b>

## Liabilities

	01.01.2014 in CHF	31.12.2013 in CHF	Change in CHF
<b>Liabilities</b>			
Termination benefits and pensions	38 619 107.30	38 619 107.30	0.00
Other liabilities	4 429 785.08	4 429 785.08	0.00
<b>Total liabilities</b>	<b>43 048 892.38</b>	<b>43 048 892.38</b>	<b>0.00</b>
<b>Accrued liabilities and deferred income</b>	<b>95 329 406.20</b>	<b>95 329 406.20</b>	<b>0.00</b>
<b>Employer-paid contribution reserves</b>	<b>93 095 265.92</b>	<b>93 095 265.92</b>	<b>0.00</b>
<b>Pension liabilities, actuarial reserves and non-committed funds of pension plans</b>			
Pension liabilities for active insured persons	4 383 491 452.26	4 383 491 452.26	0.00
Pensioners' pension fund assets	796 000 000.00	0.00	796 000 000.00
Actuarial reserves	24 959 310.00	24 959 310.00	0.00
Actuarial reserve interest	68 200 000.00	0.00	68 200 000.00
Non-committed funds of pension plans	55 985 453.76	55 985 453.76	0.00
<b>Pension liabilities, actuarial reserves and non-committed funds of pension plans</b>	<b>5 328 636 216.02</b>	<b>4 464 436 216.02</b>	<b>864 200 000.00</b>
<b>Asset value fluctuation reserves</b>	<b>513 707 383.41</b>	<b>417 507 383.41</b>	<b>96 200 000.00</b>
<b>Dotation capital, non-committed funds/underfunding of the foundation</b>			
Balance at the beginning of the period	0.00	0.00	0.00
Income surplus/expense surplus	0.00	0.00	0.00
<b>Total dotation capital, non-committed funds of the foundation</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Total Liabilities</b>	<b>6 073 817 163.93</b>	<b>5 113 417 163.93</b>	<b>960 400 000.00</b>
<b>Coverage rate</b>	<b>109.6%</b>	<b>109.4%</b>	





Report of the statutory auditor  
to the Foundation Board of  
Swisscanto Sammelstiftung der Kantonalbanken  
Basel

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

As statutory auditor, we have audited the accompanying financial statements of Swisscanto Sammelstiftung der Kantonalbanken, which comprise the balance sheet, operating accounts and notes (on pages 14 to 42), for the year ended 31 December 2013.

#### *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 internal controls 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 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 2013 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 organisation, management and investments are applied.

We have assessed whether

- organisation and management comply with the legal and regulatory requirements and whether internal controls exist 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 fulfil their duties of loyalty and disclosure of interests;
- the 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.

PricewaterhouseCoopers AG



**Roland Sauter**

Audit expert  
Auditor in charge



**Matthias Sutter**

Audit expert

Basel, 8 May 2014



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**Swisscanto**