



Swisscanto Collective Foundation  
of the Cantonal Banks

# Annual Report 2015



**Swisscanto**

Stiftungen/Fondations/Fondazioni



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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.

# Stability and progress: Not mutually exclusive

Dear Customer and Insured Persons,

In 2015, the uncertainties on the financial markets remained persisted. The framework conditions for the entire financial industry became even more difficult. However, for the Swisscanto Collective Foundation, the past financial year showed that despite unfavourable conditions, it is possible to generate a solid business result and with more than 40 years of experience to contribute to maintaining confidence in the security of the pension assets entrusted to it.

## **Credibility as a success factor**

We are pleased that in 2015 many companies decided to entrust their employee benefit schemes to the Swisscanto Collective Foundation starting in 2016. This positive growth will first appear in the annual report for the coming year, when the corresponding contracts become included in the portfolio. But one thing is certain: The trust that these companies are placing in the Swisscanto Collective Foundation with their association can be achieved only with a high degree of credibility – a value that the Swisscanto Collective Foundation has acquired over many years by applying a consistent interest rate, adopting a cautious acceptance policy, and unwaveringly complying with its benefits commitments.

The Foundation's financial situation continues to be stable. The funding ratio of 104.7% as at 31 December 2015 is clear evidence of this. Creating provisions on a continual basis ensures that this will also remain the case. As a result of a cautious policy of reserves and hedges, the Swisscanto Collective Foundation was also able to largely cushion the blow from the abolishment of the minimum CHF/EUR exchange rate by the Swiss National Bank on 15 January 2015.

## **Need for action recognised**

Stability and continuity: These terms have always been important guiding values for the Swisscanto Collective Foundation. While they continue to apply, these values should not be permitted to distort the view as regards necessary reforms. The

upcoming "Pension 2020" reform, about which we already extensively informed you in our "Occupational Benefit News", shows that the political bodies have also recognised the need for action: If we want to preserve the proven Swiss social-security system, incisive measures are necessary in some cases. The Swisscanto Collective Foundation is anticipating these reforms with forward-looking business policies that are characterised by security. These include regularly reviewing the applicable conversion rates in the supplementary area, i.e. the one in which the Board of Foundation currently has discretion to act.

In 2016, as well, the Board of Foundation will prioritise the technical parameters and deal with them intensively – in the interest of ensuring the long-term financial stability of the Swisscanto Collective Foundation, but as well also in light of the reform package Pension 2020.

## **Modern investment strategies, modern tools**

Another important element for the long-term security of pensions is a balanced investment strategy: Here as well, the objective is to continuously redefine how security is to be balanced against the effort to generate the necessary income. Modern tools are available to the Investment Commission today for this purpose. Read more about this in the report of the Investment Commission on page 12.

Mainly as a result of the efforts in the investment area, coupled with an adjustment of the investment strategy, the Swisscanto Collective Foundation was able in the past year to keep the interest rate for old-age savings at 3.5% for both the mandatory and supplementary areas, which was well above the minimum interest rate set by the Federal Council (1.75%).

## **Continuity also on the Board of Foundation**



The newly elected joint Board of Foundation began its work on 1 January 2016. The voters have shown us that they, too, are interested in continuity in the strategic decision-making bodies. All members who ran for election again were re-elect-

ed. In addition, two new members were elected to fill vacancies resulting from resignations. Numerous other candidates are available for future openings.

**Focus on the interests of insured persons**

For the new Board of Foundation, the focus of its activities and decisions will continue to be on the interests of associated companies and insured persons. Over the past years, the Board of Foundation but also the other decision-making bodies and employees of the Swisscanto Collective Foundation

have proved time and again that they know how to keep the ship on course even in turbulent times. But this is possible only if you as our customer consistently place your trust in us. We thank you for it.



Rolf Knechtli  
Chair of the Board of Foundation

Davide Pezzetta  
Managing Director



# Review 2015: Key Figures

<b>Funding ratio</b>	<b>2015</b>	<b>2014</b>
Funding ratio as at 31.12. (in %)	104.7	111.2

<b>Portfolios</b>	<b>2015</b>	<b>2014</b>	<b>Change absolute</b>	<b>Change in %</b>
Statutory Capital (in CHF Mio.)	4 768	4 565	203	4.4
Investments (in CHF mio.)	6 567	6 457	110	1.7
Number of contracts	5 436	5 552	-116	-2.1
Insured persons	48 293	49 365	-1 072	-2.2

## Portfolios

During the reporting period, both regulatory capital and investments increased in line with expectations. In the 2015 financial year, the number of both contracts and insured per-

sons fell by roughly 2%. This was due to the fact that the number of customers who terminated their benefit arrangement as at 31 December 2014 exceeded the number of new customers who were accepted as at 1 January 2015.

<b>Premium Income</b>	<b>2015</b>	<b>2014</b>	<b>Change absolute</b>	<b>Change in %</b>
Periodic employer and employee contributions (in CHF Mio.)	389.6	392.2	-2.6	-0.7
One-time payments (in CHF Mio.)	425.6	457.5	-31.9	-7.0
<b>Total</b>	<b>815.2</b>	<b>849.7</b>	<b>-34.7</b>	<b>-4.1</b>

## Premium income

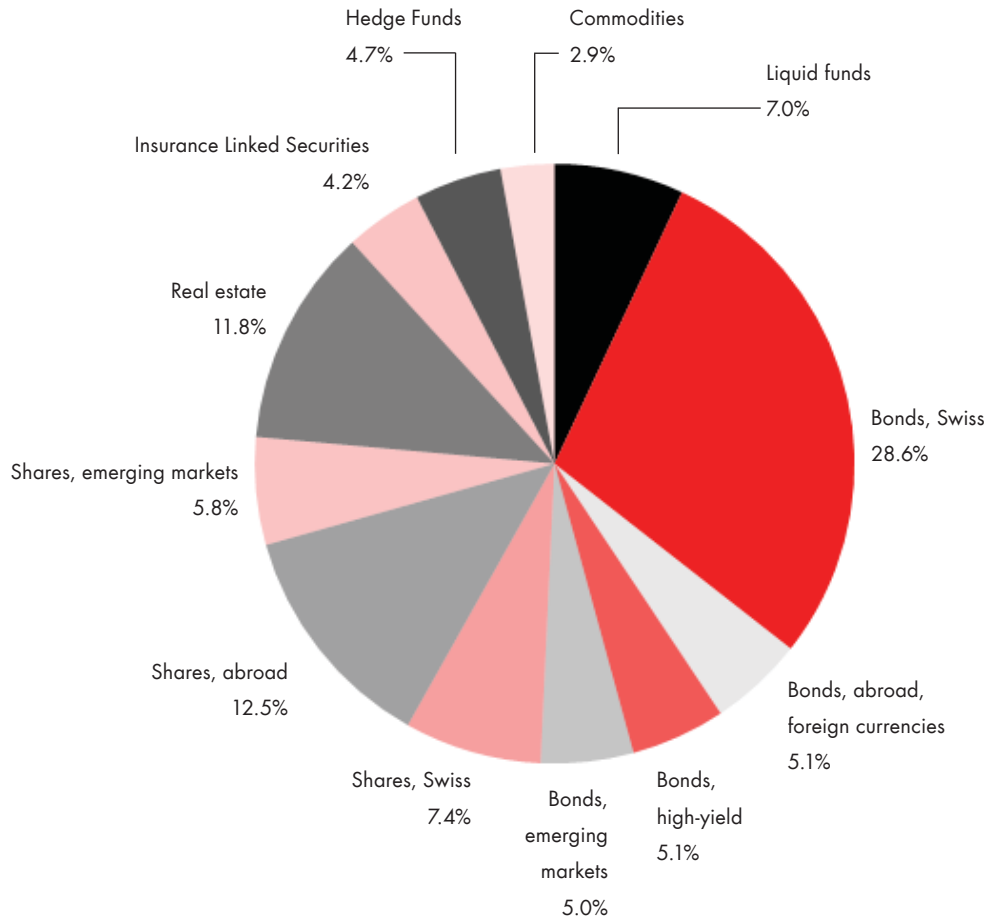
Both periodic contributions by employers and employees and single premiums fell during the reporting period. While the decline in periodic contributions was small (-0.7%), single

premiums fell 7% year on year. But it should also be noted that single premiums are by their nature subject to stronger fluctuations. In the 2014 financial year, for instance, they grew by +24.8%.

<b>Pensioners</b>	<b>2015</b> Number	<b>Development</b> Number	<b>2014</b> Number
Retirement pensions	4 585	358	4 227
Pensioner's children pensions	59	11	48
Disability pensions	1 435	-66	1 501
Disabled's children's pensions	470	-54	524
Spouse's pensions	771	42	729
Orphan's pensions	189	4	185
<b>Total</b>	<b>7 509</b>	<b>295</b>	<b>7 214</b>

# Investment Portfolio and Policy of Investments

## Asset Allocation as at 31.12.2015



**Total investment portfolio (100%): 6 342 Mio. CHF**

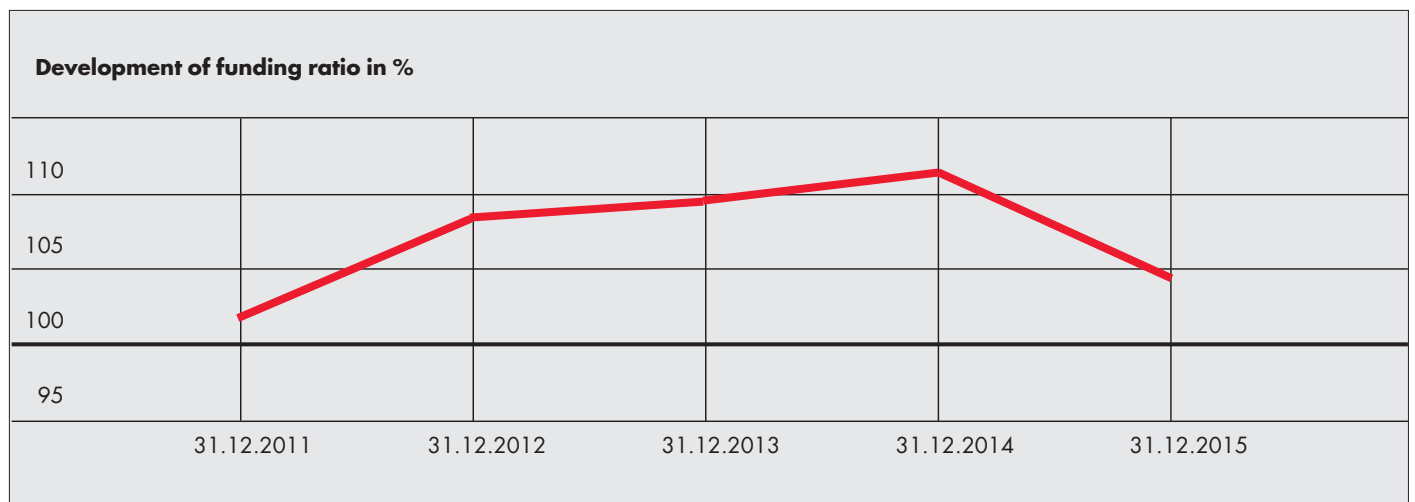
(Total number of individual investment groups 100.1% due to rounding differences)



# Development of Funding ratio

The year 2015 was a very difficult one for investments (on this point, also see the reports of Swisscanto Fund Management Company Ltd. and the Investment Commission), and it left its mark on the funding ratio of the Swisscanto Collective Foundation. Nevertheless, the Swisscanto Collective Foundation

posted a comfortable funding ratio of 104.7% as at the end of 2015. This value takes technical provisions into account (e.g. for a potential lowering of the technical interest rate to 2.5%, provisions for future conversion rate losses and increased life expectancy).



# Economic Situation and Investment Year 2015 in Review: Report of Swisscanto Fund Management Company Ltd.

## 2015 in review

Investors experienced an eventful year in 2015. The abolishment of the minimum CHF/EUR exchange rate by the Swiss National Bank (SNB) at the start of the year, the sharp correction in emerging countries (2015: -17%) coupled with the continuing collapse of oil prices (2015: -30.5%), the Greek debt thriller in the 2nd quarter, and the bursting of the stock bubble in China (2015: +5.6%) in the 3rd quarter all worked to create nervousness at the global level. This was capped at the end of the year by the first interest rate hike by the U.S. Fed since 2006. With this change of course in monetary policy, it underscored as expected its confidence that the U.S. economy would continue its solid recovery (2015: -0.7%).

## Surprisingly good year for bonds

Significant corrections were feared on the bond market, but they failed to materialise. Contrary to the nearly unanimous expectations of analysts, the much maligned bond markets delivered a positive performance overall in 2015 as well. The Swiss Bond Index closed the year up by 1.8%. Government bonds rose in value globally. The one exception was credit bonds, which declined due to the expansion of credit risk premiums.

## Switzerland

Concurrently with the abolishment of the minimum CHF/EUR exchange rate in January 2015, the SNB lowered the negative interest rate for sight deposits by banks by 0.5 percentage points to -0.75%. As a consequence, the yield on 10-year Swiss Confederation bonds fell into the negative zone, reaching a low of -0.38% over the course of the year. We will continue to face negative prime rates in 2016 as well, since in view of the ECB's persistently expansive monetary policy, the SNB's hands are tied.

Swiss equities quickly recovered from the franc shock, ultimately because in light of negative interest rates, they were a more attractive investment alternative. In this truly turbulent year, the Swiss equities market finished the year 2015 up by 2.7%, as measured against the SPI index. Compared with its high in January 2015, the strength of the Swiss franc is gradually waning: In particular, it could recently be observed that when participants on the financial market grow more risk-averse, the Swiss franc is no longer reflexively sought out as a safe harbour. For Switzerland's export-oriented industry, and particularly for the tourism sector, this new trend following the shock of 2015 spells a great relief.

## Oil: Over-supply

The causes for the collapse of the price of petroleum in the second half of 2015 by roughly 30% are unrelated to demand. Rather, while demand in fact rose strongly, it was exceeded by expanded supply. Today, OPEC is producing considerably more than it was one year ago. The output by OPEC, which can hardly be called a cartel any more, is mainly due to Saudi Arabia and Iraq. Even outside of OPEC, the expected cutbacks in production did not materialise. Russia is currently producing oil at a record level, which is, among other things, a reaction to the massive devaluation of the rouble. Even the highly price-sensitive production of shale oil in the U.S. declined only marginally over the course of 2015. Following the lifting of sanctions, Iran will become yet another supplier on the oil market.

## **Outlook for 2016**

Despite all the difficulties associated with the strong franc, we again anticipate economic growth for Switzerland this year of about 1% with negative inflation still at -0.4%. For industrialised countries, we anticipate on whole a continuation of the economic recovery. Global economic growth is being driven by the services sector in the U.S., which continues to be a "job machine". In view of the unemployment rate, which will drop below 5%, the U.S. domestic economy is likely to grow at a brisk rate. The recovery on the labour market has begun to make its presence felt in the eurozone as well. Rising confidence in the security of one's own job will stimulate consumption in general and that for durable goods in particular. At the same time, the export economy is benefitting from the low euro. In 2016, emerging countries are facing challenges comparable to those of the past year. Weak growth in conjunction with declining trade activity, and low commodities prices coupled with a high level of debt. The problem applies in particular to China. The efforts to change Chinese economic demand and the growth model at the expense of industry are going forward there, but they will not bear fruit on the equities markets, even in the future, without stumbling blocks.

### **Modest prospects for bonds**

For 2016, the question now is how long interest rates will remain in negative territory. We expect that the global deflationary pressure occasioned by the collapse of oil prices (and in Switzerland, due to trends in the exchange rate) will abate. Even if the long-term structural reasons for low interest rates remain intact, we are under-weighted with bonds due to the gradually abating deflationary pressure.

### **Equities: Nail-biter**

The turbulent start to the year on the global equities markets is a sign of the prevailing uncertainty that will accompany investors throughout the year. For the year 2016 as a whole, we anticipate a positive trend on the equities markets with increased volatility. Due to its potential for a rally, we are favouring the European market, which is continuing to be supported by the extremely expansive monetary policy of the European Central Bank. Our equities strategists rate the Swiss equities market as having the potential for a yield (including dividends) of up to 10% for 2016. Realistically, however, it can be said that with a price-earnings ratio of 17.5 for 2016, the Swiss equities market is somewhat over-valued in comparison to its long-term average. The Swiss portion of our portfolio is heavily invested in the securities of companies that either have a solid balance sheet, stable income, and rising dividends (e.g. Roche, Nestlé, Swiss Re, Swisscom) or can expect structural growth that is relatively independent of trends in the global economy (e.g. Lonza and Sonova). Overall, then, the expected higher income from equities will likely have to be generated with more risk than usual.

### **Real estate**

We will continue to maintain our previous overweighting in Swiss real estate in 2016. There is a clear relationship between the higher valuation of properties and extremely low interest rates. For this reason, we realise that there is little room for higher valuations of real estate in view of the interest level that has been reached. Fortunately, the conservative valuation practice in the portfolio provides for a certain security buffer here. Although the current yield on real-estate investments is continuously declining, it is considerably higher than for bonds in Swiss francs.

Swisscanto Fund Management Company Ltd.

# Report of the Investment Committee

## Review

Here in Switzerland, the year 2015 started with a bang when in mid-January the Swiss National Bank surprised everyone by abolishing the minimum exchange rate of CHF 1.20 to EUR 1.00 and at the same time lowered interest rates still further into the negative zone. Just days later, the ECB announced a gigantic QE programme in which it planned to make monthly purchases of bonds in the amount of EUR 60 billion until the autumn of 2016. This flood of money was intended, on the one hand, to boost the inflation rate and, on the other, above all to stimulate the economy. In comparison to Europe, the macroeconomic environment in the U.S. turned out to be much more stable, for which reason the U.S. Fed raised interest rates slightly by 0.25% in December. This divergent stance by the central banks led to a strengthening of the USD against most currencies. Unsettling signals about economic trends in China began reaching investors in the summer. As a result, equities and bonds from emerging markets, as well as commodities, struggled over the course of the year. National economies with structural problems, such as Russia and Brazil, were disproportionately affected by the commodities slump and fell into recession.

## Portfolio results

The past year was disappointing in terms of investments. With a performance of -2.3%, December in particular contributed to the negative annual result of -2.5%. For the year, it was primarily the slump in commodities as well as emerging market investments that were responsible for the result. With the price of oil standing at about USD 30, commodities fluctuated at a multi-year low. Clear exaggerations can currently be observed on the market, which are developing in a way that is detached from fundamental factors with a longer-term effect, such as supply costs. At the current price level, there will inevitably be adjustment processes in terms of supply, which in the medium term will likely lead to higher prices again. Many market observers are already expecting a corresponding easing over the course of the year.

With regard to emerging market bonds, the trends in exchange rates in particular had a negative influence. Many negative factors are already priced in, and because of interest rate differences, yields on local currency bonds are very high in comparison to industrialised nations. Nevertheless, in the medium to long term, a strategic share of emerging market bonds in local currencies is sensible.

The positive investment categories in the past year were CHF bonds, real estate, alternative investments, and Swiss equities.

## Strategy adjustment

A positive performance of roughly 2% was again achieved with CHF bonds in the past year. However, the income perspectives have deteriorated. At the current rate level, the best-case scenario is a yield that is still barely positive. This prompted the Board of Foundation to reduce the share of CHF bonds near the end of the year by 9% (now 24%) in favour of equities +3% (now 31%) and alternative investments +6% (now 16%). Investments in the area of alternative investments, such as CTA/global macro and infrastructure, are intended to further increase portfolio diversification and stabilise the portfolio result.

## Risk management overlay

Due to risk considerations, the Swisscanto Collective Foundation implemented a risk overlay. In this regard, the share of equities will be reduced in the event of an overly negative market development. Whereas in the past year, this risk cover had not yet paid off, the share of equities was substantially reduced during the first several weeks of the new year. The negative performance on the equities markets was able to be considerably cushioned, particularly starting in February of this year. Through the overlay, the share of equities can be reduced from 31% to as little as 10% in an extreme case.

The year 2016 is likely to bring new challenges in terms of investments. With the slight strategy adjustment and the risk overlay, the conditions have been created for accepting these challenges and looking positively into the future.

# Annual Financial Statement 2015

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# Balance Sheet as per December 31, 2015 and 2014

## Assets

	31.12.2015 in CHF	31.12.2014 in CHF
<b>Investments</b>		
Liquid funds	185 935 997.75	136 519 096.00
Accounts receivable	17 814 269.55	16 482 496.13
Receivables from affiliated employers	21 545 136.26	25 465 569.08
Investment portfolio	6 341 757 744.28	6 237 960 598.83
Liquid funds strategic	83 664 761.13	41 078 884.52
Time deposits	0.00	100 000 000.00
Collective investments bonds	2 783 413 447.64	3 029 080 962.80
Collective investments shares	1 977 626 997.47	1 829 598 601.35
Collective investments real estate	746 385 807.70	677 403 010.40
Collective investments, alternative investments	750 666 730.34	601 878 024.28
<b>Total investments</b>	<b>6 567 053 147.84</b>	<b>6 457 506 644.56</b>
<b>Individual investments</b>	<b>101 636 489.45</b>	<b>102 812 931.10</b>
<b>Prepayments and accrued income</b>	<b>53 188 881.93</b>	<b>36 975 432.00</b>
<b>Total Assets</b>	<b>6 721 878 519.22</b>	<b>6 597 295 007.66</b>

## Liabilities

	<b>31.12.2015</b> in CHF	<b>31.12.2014</b> in CHF
<b>Liabilities</b>		
Termination benefits and pensions	44 964 201.80	39 245 551.41
Other liabilities	11 574 373.00	3 674 541.48
<b>Total liabilities</b>	<b>56 538 574.80</b>	<b>42 920 092.89</b>
<b>Accrued liabilities and deferred income</b>		
	<b>213 060 389.80</b>	<b>120 100 455.66</b>
<b>Employer-paid contribution reserves</b>		
	<b>90 394 927.48</b>	<b>92 512 787.93</b>
<b>Pension liabilities, actuarial reserves and non-committed funds of pension plans</b>		
Pension liabilities for active insured persons	4 768 425 728.31	4 564 913 589.62
Pension liabilities of pensioners	1 019 658 346.00	907 884 196.00
Actuarial reserves	198 592 377.00	183 531 037.00
Non-committed funds of pension plans	94 505 535.28	55 642 610.73
<b>Pension liabilities, actuarial reserves and non-committed funds of pension plans</b>	<b>6 081 181 986.59</b>	<b>5 711 971 433.35</b>
<b>Asset value fluctuation reserves</b>		
	<b>280 702 640.55</b>	<b>629 790 237.83</b>
<b>Dotation capital, non-committed funds</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>6 721 878 519.22</b>	<b>6 597 295 007.66</b>

# Operative Account (I)

	2015 in CHF	2014 in CHF
<b>Regular and other contributions and transfers</b>	<b>459 135 445.94</b>	<b>448 163 245.80</b>
Employee contributions	182 767 749.10	183 959 263.65
Employer contributions	217 082 094.09	217 425 932.59
Withdrawal from employer contribution reserve for contributory funding	-10 338 714.95	-9 192 460.99
Contributions from third parties	522 691.40	591 543.70
One-time payments and purchase amounts	56 925 990.25	41 975 895.90
Transfers to employer-paid contribution reserves	9 007 272.30	10 230 715.90
Payments from guarantee fund	3 168 363.75	3 172 355.05
<b>Entry lump-sum transfers and new contracts</b>	<b>425 615 390.05</b>	<b>457 485 269.25</b>
Termination benefit transfers	405 157 539.15	420 955 516.65
Transfers for inclusion of portfolios of insured persons in		
- Pension liabilities of pensioners	3 435 913.65	22 273 988.15
- Actuarial reserves	159 333.00	2 031 860.30
- Value fluctuation reserves	0.00	1 758 496.50
- Non-committed funds	3 279 595.80	2 285 143.90
- Employer contribution reserves	556 649.30	95 209.15
Reimbursements of withdrawals for home ownership/divorce	13 026 359.15	8 085 054.60
<b>Inflow from contributions and entry lump-sum transfers</b>	<b>884 750 835.99</b>	<b>905 648 515.05</b>
<b>Regulatory benefits</b>	<b>-177 880 546.15</b>	<b>-166 719 572.90</b>
Retirement pensions	-65 974 944.35	-58 900 217.45
Survivors' pensions	-7 148 331.45	-6 802 228.10
Disability pensions	-20 960 299.25	-21 404 686.70
Other regulatory benefits	-1 785 381.45	-1 831 373.10
Lump-sum payments on retirement	-64 408 647.30	-62 797 052.05
Lump-sum payments on death or disability	-17 602 942.35	-14 984 015.50
<b>Termination benefits and termination of contracts</b>	<b>-565 481 629.48</b>	<b>-519 543 945.37</b>
Termination benefits and termination of contracts	-529 849 446.10	-488 894 009.14
Carryover of additional means due to collective terminations	-13 471 048.03	-9 775 395.58
Withdrawals for encouragement of home ownership/divorce	-22 161 135.35	-20 874 540.65
<b>Outflow for benefits and withdrawals</b>	<b>-743 362 175.63</b>	<b>-686 263 518.27</b>



# Operative Account (II)

	2015 in CHF	2014 in CHF
<b>Decrease/Increase in pension liabilities, actuarial reserves and contribution reserves (pool)</b>	<b>-314 081 787.71</b>	<b>-395 373 033.55</b>
+/- Decrease/Increase in pension liabilities of active insured persons	-52 768 263.34	-107 063 553.56
+/- Decrease/Increase in pension liabilities of pensioners	-111 774 150.00	-111 884 196.00
+/- Decrease/Increase in non-committed funds of pension plans	9 183 484.38	7 242 973.97
+/- Decrease/Increase in actuarial reserves	-15 061 340.00	-90 371 727.00
- Interest on pension liabilities (regular)	-148 397 024.25	-72 911 295.20
- Interest on pension liabilities (additional)	2 146 645.95	-21 438 946.20
+/- Decrease/Increase in contribution reserves	2 588 859.55	1 053 710.44
<b>Income from insurance benefits</b>	<b>99 133 860.06</b>	<b>69 822 831.36</b>
Insurance benefits	47 202 701.11	41 215 598.14
Share of insurance surpluses	51 931 158.95	28 607 233.22
<b>Insurance cost</b>	<b>-101 017 078.90</b>	<b>-103 307 223.70</b>
Insurance premiums		
- Risk premiums	-80 012 046.00	-81 419 155.30
- Cost premiums	-19 348 759.80	-20 218 617.55
Contributions to guarantee fund	-1 656 273.10	-1 669 450.85
<b>Net result of insurance activities</b>	<b>-174 576 346.19</b>	<b>-209 472 429.11</b>
<b>Net result on investments</b>	<b>-162 574 128.42</b>	<b>338 572 108.30</b>
Income from liquid funds strategic/Overlay	-58 593 335.85	-10 990 749.39
Income from bonds	-10 179 443.97	193 863 401.24
Income from shares	-47 113 748.09	216 289 330.25
Income from real estate	46 189 227.79	32 806 981.78
Income from alternative investments	-66 866 467.32	-69 685 943.82
<b>Total income on investments</b>	<b>-136 563 767.44</b>	<b>362 283 020.06</b>
Income from bank receivables	-32 736.57	62 729.54
Interest income on accounts receivable	393 931.32	421 341.30
Interest expenses for liabilities	-1 760 413.90	-1 370 561.27
Interest expense for employer-paid contribution reserves	-443 579.45	-444 675.90
Asset management expenses	-24 167 562.38	-22 379 745.43
<b>Total Other Income and Expenditure</b>	<b>-26 010 360.98</b>	<b>-23 710 911.76</b>

# Operative Account (III)

	<b>2015 in CHF</b>	<b>2014 in CHF</b>
<b>Partial operative account for individual investments</b>	<b>0.00</b>	<b>0.00</b>
Income from individual investments	2 262 329.27	8 885 172.47
Asset management expenses/individual investments	-487 945.18	-479 212.88
<b>Net result on individual investments</b>	<b>1 774 384.09</b>	<b>8 405 959.59</b>
Administrative expenses/individual investments	-247 144.66	-31 983.50
Interest on pension liabilities/individual investments	-2 346 851.10	-1 447 288.60
Interest expenses for employer-paid contribution reserves/individual investments	-27 419.65	-26 556.55
Decrease/Increase in non-committed funds of pension plans/individual investments	847 031.32	-6 900 130.94
<b>Other income</b>	<b>497 559.56</b>	<b>278 996.38</b>
Income from services rendered	313 773.21	85 862.33
Other income	183 786.35	193 134.05
<b>Administrative expense</b>	<b>-12 434 682.23</b>	<b>-13 295 821.15</b>
General administration	-327 936.62	-279 935.72
Expense for marketing and publicity	-139 219.06	-89 357.08
Negotiations and brokerage	-11 696 098.55	-12 515 053.95
Auditors and pension fund actuary	-270 840.00	-279 374.40
Supervisory authorities	-588.00	-132 100.00
<b>Income/Expenses surplus before decrease/increase of asset value fluctuation reserves</b>	<b>-349 087 597.28</b>	<b>116 082 854.42</b>
Decrease/Increase in reserves for asset value fluctuation reserves	349 087 597.28	-116 082 854.42
<b>Income/Expenses surplus after decrease/increase of asset value fluctuation reserves</b>	<b>0.00</b>	<b>0.00</b>

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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 accordance 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. The foundation may conclude insurance contracts for all or individual risks, preferably with Helvetia Swiss Life Insurance Company Ltd, Basel (hereinafter referred to as Helvetia). The foundation must always be the policyholder and beneficiary.

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## LOB registration and guarantee fund

Register for occupational benefit plans  
LOB Guarantee Fund

BS-0432  
Number C1 11

## Plan statutes and regulations

Foundation instrument  
General regulatory provisions  
  
Special regulatory provisions  
  
Partial liquidation regulations  
Regulations on provisions  
Election rules  
Organisation rules  
Investment rules

25.06.1973, last updated 21.06.2012  
Pension fund regulations as framework regulations for all pension funds, last adjusted as at January 1, 2015  
Benefit plans for the affiliated pension funds, on an individual basis  
15.05.2014  
01.12.2009, least updated 23.11.2013  
01.04.2015  
14.06.2010  
01.01.2015

The Foundation is managed by Helvetia. The management agreement of December 28, 2004 between the Foundation

and Helvetia governs duties, competences and responsibilities of the persons in charge of the administration.

## Top governing body, management and 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 Eduard Gasser Oliver Gloor Anthony Goldstein Stefan Kehrl Urs Saxer</p> <p><b>Employee representatives</b></p> <p>Alfred Schläpfer Claudia Breitenstein Urs Christen Beat Kempfer Jürg Stalder vacant</p> <p><b>Assessors without voting right</b></p> <p>Hanspeter Hess Donald Desax Beat Müller René Raths</p>	<p>Chair Member Member Member Member Member</p> <p>Vice-chair Member Member Member Member</p>
<p><b>Investment Committee</b></p>	<p>Hendrik van der Bie Martin Flück Herbert Joss Stefan Kunzmann</p>	<p>Chair Member Member Member</p>
<p><b>Authorised signatories</b></p>	<p>Davide Pezzetta Claude Schreiber</p> <p>Ulrike Bühler René Eggimann Roger Eisenring Caroline Loewert Michael Maxelon Louis Rideau Daniel Rossi Christoph Schneider</p>	<p>Managing director Assistant managing director; Head Key Accounts and Underwriting Teamleader ZKB, Client Service Head Legal Services Head Finances Teamleader Broker, Client Service Head Client Service Teamleader Intercantonal, Client Service Head Vested Benefits Foundation 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

	2015 Number	Development Number	2014 Number
As per 31.12. prior year	5 552	-49	5 601
Entries	241	-66	307
Leavings	-357	-1	-356
<b>As per 31.12. year under review</b>	<b>5 436</b>	<b>-116</b>	<b>5 552</b>

### Active participants and pensioners

Active participants	2015 Number	Development Number	2014 Number
As at 31.12. prior year	49 365	-108	49 473
Entries	9 747	-768	10 515
Leavings	-10 125	-187	-9 938
Retirements	-694	-9	-685
<b>As at 31.12. year under review</b>	<b>48 293</b>	<b>-1 072</b>	<b>49 365</b>

<b>Pensioners</b>	<b>2015 Number</b>	<b>Development Number</b>	<b>2014 Number</b>
<b>Retirement pensions</b>			
Number at beginning	4 227	381	3 846
Entries	462	-16	478
Leavings	-104	-7	-97
End number of retirement pensioners	4 585	358	4 227
<b>Pensioner's children pensions</b>			
Number at beginning	48	4	44
Entries	23	2	21
Leavings	-12	5	-17
End number of pensioner's children pensioners	59	11	48
<b>Disability pensions</b>			
Number at beginning	1 501	-62	1 563
Entries	97	-8	105
Leavings	-163	4	-167
End number of disability pensioners	1 435	-66	1 501
<b>Disabled children's pensions</b>			
Number at beginning	524	-44	568
Entries	75	-18	93
Leavings	-129	8	-137
End number of disabled children's pensioners	470	-54	524
<b>Spouse's pensions</b>			
Number at beginning	729	51	678
Entries	116	17	99
Leavings	-74	-26	-48
End number of spouse's pensioners	771	42	729
<b>Orphan's pensions</b>			
Number at beginning	185	-1	186
Entries	46	-6	52
Leavings	-42	11	-53
End number of orphan's pensioners	189	4	185
<b>Total</b>			
Number at beginning	7 214	329	6 885
Entries	819	-29	848
Leavings	-524	-5	-519
<b>End number of pensioners</b>	<b>7 509</b>	<b>295</b>	<b>7 214</b>

Affiliation with the foundation is carried out by means of the conclusion of an affiliation contract between the employer and the foundation. The associated 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.

Funding ratio of pension plans with individual investments	31.12.2015 Number	31.12.2014 Number
Funding ratio above 110%	9	11
Funding ratio between 100% and 109.9%	6	6
Funding ratio between 95% and 99.9%	0	0
<b>Total</b>	<b>15</b>	<b>17</b>

For some pension funds the funding ratio is listed individually at pension fund level for specific products (FRPFL). The princi-

ples for this are based on the separate contractual and regulatory provisions of the Swisscanto collective foundation.

Funding ratio of pension funds with FRPFL	31.12.2015 Number	31.12.2014 Number
Funding ratio above 110%	2	5
Funding ratio between 100% and 109.9%	3	1
Funding ratio between 95% and 99.9%	1	0
<b>Total</b>	<b>6</b>	<b>6</b>

At the end of the year under review one pension fund with the funding ratio at pension fund level shows a slight cover shortage. As long as the cover shortage is not completely re-

deemed, this pension fund remains under constant observation by the management.



# 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 01.01.2014.

## Significant accounting policies and valuation methods

### Significant accounting policies

The financial statements give a true and fair view of the assets, financial position and earnings within the meaning of Swiss law and Swiss GAAP FER 26.

### Valuation Methods

Liquid funds	Par value
Derivative financial instruments	Market value
Collective investments	Market value
Foreign currency conversion	Day's rate
Accounts receivable	Par value less amortisation
Prepayments and accrued income	Par value
Individual investments	Market value

### Change of principles with regard to valuation, accounting, and financial reporting

The method for calculating conversion losses (technical provisions) was changed as of 31 December 2015. The main feature of the new method (liquidation method): Active insured persons aged 58 and older are also included in the calculations (old method: all active insured persons who will reach the retirement age of 65/64 within the next five years). Conversion losses are calculated on the basis of the

accrued old-age savings on the reporting date, as if all active insured persons were to retire on the reporting date (old method: projection of the old-age savings to age 65/64 and calculation of conversion losses at age 65/64 using several assumptions about trends in the relevant influencing factors). What is decisive is that the new method leaves out uncertain assumptions about the future and makes do with the retirement amounts and parameters that are valid today.

# Actuarial Risks, Risk Benefit Coverage, Funding ratio

## Type of risk benefit coverage, reinsurance

The foundation bears the longevity risk (old-age pensions, spouse's pensions as well as pensioner's children's pensions and orphan's pensions) itself in its entirety. To cover the insurance risks such as death before retirement age, disability as well as LOB inflation, the foundation has concluded a collective life insurance contract with Helvetia, whereby the foundation is itself the policyholder and beneficiary.

## Explanations on assets and liabilities from insurance contracts

The actuarial reserves for the pensions not recognised in the balance sheet amounts to CHF 503 400 000 (previous year CHF 510 440 000).

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

	2015 in CHF	2014 in CHF
Retirement savings as at the end of the previous year	4 564 913 590	4 383 491 452
Saving contributions	317 100 437	316 898 674
Termination benefit transfers, purchase amounts and new contracts	483 999 198	477 645 805
Saving contributions from disability insurance	10 815 093	10 948 591
Termination benefits for leavers and on termination of contracts	-522 788 872	-488 689 180
Withdrawals for encouragement of home ownership/divorce	-22 161 135	-20 874 541
Dissolution due to retirement, death and disability	-214 196 457	-188 865 796
Interest payments on pension capital (regular)	150 743 875	74 358 584
<b>Retirement savings as at the end of the year under review</b>	<b>4 768 425 728</b>	<b>4 564 913 590</b>
Interest on LOB mandatory savings capital (regular)	3.50%	1.75%
Interest on LOB non-mandatory savings capital (regular)	3.50%	1.75%

The revised Article 7.3 of the pension fund regulations forms the basis for setting the interest rate for interest on old-age savings. In this regard, the Board of Foundation takes into ac-

count the Foundation's financial possibilities and the Foundation's technical interest rate applicable on average in the long term.

## Sum of retirement savings according to LOB

	31.12.2015 in CHF	31.12.2014 in CHF
Retirement savings capital in accordance with the LOB (shadow account)	2 791 999 601	2 708 087 789
LOB minimal interest rate	1.75%	1.75%

## Development of the mathematical reserve for pensioners

	31.12.2015 in CHF	31.12.2014 in CHF
As at 01.01.	907 884 196	796 000 000
+ Increase/- Decrease	111 774 150	111 884 196
As at 31.12.	1 019 658 346	907 884 196

Due to portfolio growth in the 2015 year under review, the required mathematical reserves for old-age and survivors' pensions, which have been managed autonomously since

1 January 2014, as well as for pensioner's children's pensions and old-age orphan's pensions, increased, net, by CHF 111 774 150 from CHF 907 884 196 to CHF 1 019 658 346.

## Composition, development and explanation of the technical provisions

	31.12.2015 in CHF	31.12.2014 in CHF
Provisions for conversion losses	103 415 350	103 147 037
Provisions for increase in life expectancy	45 818 332	36 256 000
Provisions for reduction of the technical interest rate	49 358 695	44 128 000
<b>Total technical provisions</b>	<b>198 592 377</b>	<b>183 531 037</b>

### Explanation of technical provisions

Technical provisions are based on the applicable regulations for creating provisions, including the adjustment of the method for calculating the provision for conversion losses that was made as at 31 December 2015. The new method is more appropriate, is based solely on the currently valid actuarial bases, and is not dependent on assumptions about future trends

in these bases. Fortunately, this method did not lead to any appreciable additional costs as at the reporting date of 31 December 2015. The calculation under the old method would have resulted in an amount of CHF 112 393 000 as at 31 December 2015.

### Result of the latest actuarial report

In the year under review, both the number of pension funds (-2.1%) and the number of active insured persons (-2.2%) declined further.

By contrast, the portfolio of pensioners has increased again. The total portfolio increased by 295, or 4.1%. The partial portfolio (old-age and old-age survivors' pensions), which is autonomously managed, increased by about 8%. The downward trend also continued for disability and disabled's children's pensions. The net decrease for disability pensions was 66, or 4.4%, and for children's pensions, 54, or 10.3%. It is likewise evident from the pensioner statistics as at 31 December 2015 that the largest portion of new spouse's pensions is attributable to discontinued retirement pensions. Based on these general findings, it may be concluded that the risk experience in the partial portfolio of actively insured persons was once again positive. We will undertake a detailed analysis of the risk result for 2015 in connection with a comprehensive appraisal in the second quarter of 2016.

The pensioner ratio in relation to retirement and spouse's pensions fell over the course of the year from 10.6 to 1 (31 December 2014) to 9.6 to 1 (31 December 2015). During the same period, the ratio for the capital from the pension fund (old-age savings of actively insured persons to capital from the pension fund for retirement and spouse's pensions) fell from about 5.0 to 1 (31 December 2014) to about 4.7 to 1 (31 December 2015). The portfolio structure therefore deteriorated further during the year under review as expected. However, net cash flow is still positive, although this will of course also increasingly deteriorate unless the Foundation returns to the growth path (stagnating premium income versus rising pension payments). Nevertheless, the Foundation's current structural risk capacity can still be regarded as good.

The funding situation deteriorated substantially during the year under review. Over the course of the year, the funding ratio fell from 111.2% to 104.7%. This decline by 6.5 percentage points had the following three principal causes:

- Interest rate for capital from the pension fund averaged about 3.4%,
- Investment yield of -2.5% achieved in the year under review
- 0.6 percentage points for the financing of technical provisions, as well as for other Foundation expenses not covered by contributions and dilution.

Extraordinary income generated during the year under review from the insurance result was allocated to the free funds of the pension funds and therefore did not contribute to an improvement in the funding ratio. A direct consequence of the deterioration of the funding situation is the decline in the Foundation's investment-related risk capacity. The deficit in the reserve for value fluctuations increased from nearly 33% to nearly 69%.

As a result of this change in the Foundation's investment-related risk capacity, it seems obvious that the Foundation's investment strategy, along with several technical parameters important for the positioning of the Foundation, should be reviewed and if necessary redefined. We are thinking here about expected yield, target yield, the conversion rate, and the technical interest rate. In this connection, it should also be noted that the technical reference interest rate of the Swiss Chamber of Accredited Pension Actuaries was lowered from 3% to 2.75%, effective 31 December 2015. With this, we are merely pointing out a trend. However, this reference value has no generally binding character. In the first quarter of 2016, the Foundation arranged to have projections made in order to review possible adjustments to the technical parameters. The results from the projections are intended to serve as a decision-making basis for any adjustments.

The expert for occupational benefit schemes can thus confirm that as at 31 December 2015:

- the Foundation offers security that it can meet its obligations (article 52e, para. 1, letter a LOB);
- there are no systematic financing gaps;
- the actuarial obligations are valued pursuant to the principles and guidelines that the expert for occupational benefit schemes is required to comply with.

The expert for occupational benefit schemes made the following recommendations: review of the investment strategy and the expected yield; review of the conversion rate and the technical interest rate. Depending on the result of these reviews, possible adjustments are to be made. However, no immediate measures are necessary.

## Actuarial principles and other significant actuarial assumptions

### Actuarial principles

LOB 2010 and a technical interest rate of 3% are used as an actuarial accounting basis.

### Non-committed funds of pension plans

At the level of individual pension funds the following positions exist, which are carried in the balance sheet at foundation level as free assets of pension plans:

	<b>31.12.2015 in CHF</b>	<b>31.12.2014 in CHF</b>
Non-committed funds of the affiliated pension plans	9 289 234	11 087 211
Non-committed funds from former special measures	12 024 468	13 614 260
Deposits of surpluses of the affiliated pension plans	10 857 066	8 367 883
Individual surpluses and income of the affiliated pension plans	42 564 185	1 055 165
<b>Total non-committed funds of pension plans</b>	<b>74 734 953</b>	<b>34 124 518</b>

The deferred income position for the approved surplus income distribution (in addition to interest on capital from the pension fund), which was created at the expense of the results for previous years, was mostly credited in the year under review to the individual surpluses and income of the associated pension funds.

Non-committed funds of the affiliated pension plans	4 666 635	5 699 465
Deposits of surpluses of the affiliated pension plans	674 584	412 137
Non-committed funds from former special measures	129 850	216 013
Reserve for fluctuations in asset value of the affiliated pension plans	3 851 898	3 655 211
Income/expense surplus of the affiliated pension plans	10 447 616	11 535 267
<b>Non-committed funds of pension plans with individual investments</b>	<b>19 770 583</b>	<b>21 518 093</b>
<b>Total non-committed funds of pension plans</b>	<b>94 505 535</b>	<b>55 642 611</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, 2015 there are no employer-paid contribution reserves with renounced use (previous year total: CHF 0)

## Funding ratio according to art. 44 OBB2

	31.12.2015 in CHF	31.12.2014 in CHF
Balance assets	6 721 878 519	6 597 295 008
Individual investments	-101 636 489	-102 812 931
Assets FRPFL	-81 064 057	-84 775 320
Liabilities; accruals and deferrals	-269 598 965	-163 020 549
Employer-paid contribution reserves	-90 394 927	-92 512 788
Accounts receivable/Liabilities individual investments	130 356	162 939
<b>Distributable pension assets</b>	<b>6 179 314 437</b>	<b>6 154 336 360</b>
Pension capital of active insured persons	4 768 425 728	4 564 913 590
Pensioners' pension assets	1 019 658 346	907 884 196
Actuarial reserves of the foundation	198 592 377	183 531 037
Non-committed funds of pension plans	94 505 535	55 642 611
<b>Pension capital, actuarial reserves of the foundation and non-committed funds of pension plans</b>	<b>6 081 181 987</b>	<b>5 711 971 433</b>
<b>Pension capital, non-committed funds and employer-paid contribution reserves in contracts with individual investments</b>		
Pension capital of active insured persons/individual investments	-79 986 119	-78 972 194
Pension capital of active insured persons FRPFL	-75 340 123	-74 107 736
Non-committed funds of pension plans	-19 770 583	-21 518 093
Employer-paid contribution reserves	-1 749 432	-2 159 705
<b>Pension capital, actuarial reserves of the foundation, non-committed funds of pension plans and employer-paid contribution reserves</b>	<b>5 904 335 730</b>	<b>5 535 213 705</b>
<b>Funding ratio</b>	<b>104.7%</b>	<b>111.2%</b>

### Funding ratio

The funding ratio taking into account assets and liabilities from insurance contracts not shown in the balance sheet amounts to 104.3% (previous year: 110.2%) for the year under review.

The listed funding ratio only applies to the part of the pension funds invested in collective investments.

It should be added that there are 15 pension funds with individual investments as well as 6 pension funds with a funding ratio at pension fund level. One pension fund with a funding ratio at pension-fund level showed a slight cover shortage as at 31 December 2015. The pension funds are informed individually by the foundation about their coverage situation and about any measures that might need to be checked.

# Explanatory Notes on Investments and Net Result of Investments

## **Organisation of investment activities, investment adviser and investment manager, 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 Credit Suisse.

The overlay management is realised with Zurich Cantonal Bank. Through the overlay portfolio the weight of the base assets is managed indirectly by buying and selling derivative financial instruments and currency hedging. The hedging of specific investment categories is also carried out. The tasks and responsibilities are defined in the asset management mandate with Zurich Cantonal Bank dated 11.12.2013. Additionally, the Advisory Mandate with Finreon AG of December 2, 2013 exists in order to hedge investment categories.

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 (Zurich Cantonal Bank, Credit Suisse) report periodically to the investment commission on the development of assets and market expectations.

The foundation only holds collective investments. This is along with liquid funds, including time deposits as well as derivative financial instruments for the overlay management.

## **Implementation of the Ordinance against Excessive Remuneration in Listed Companies Limited by Shares (ERCO)**

Only collective investments exist, which do not permit any exercising of voting rights.

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

Target value of the value fluctuation reserves	31.12.2015 in CHF	31.12.2014 in CHF
Technically necessary capital / Total of investments	5 986 676 451	6 237 960 599
of which 15% as target value of the value fluctuation reserves	898 001 468	935 694 090

Value fluctuation reserves	2015 in CHF	2014 in CHF
Value fluctuation reserves as of 1.1.	629 790 238	417 507 384
Allocation due to transfer of pensioners' pension assets	0	96 200 000
Allocated and charged to/released and credited to operative account	-349 087 597	116 082 854
<b>Value fluctuation reserves as of 31.12.</b>	<b>280 702 641</b>	<b>629 790 238</b>
<b>Target value of the value fluctuation reserves</b>	<b>898 001 468</b>	<b>935 694 090</b>
<b>Deficit for the value fluctuation reserves</b>	<b>617 298 827</b>	<b>305 903 852</b>

Pursuant to the investment regulations adjusted as at 1 January 2015, the technically necessary capital is decisive as the basis of the target fluctuation reserve. Until then, it had been the total of the investments.



## Breakdown of investments into investment categories

	Strategy %	Spread		Market value according to balance sheet in CHF	Economic exposure of derivatives in CHF	Economic exposure of investments, in CHF	Share %
		Min. %	Max. %				
Liquid funds strategic/ time deposits	2.0	0.0	28.0	83 664 761	358 951 502	442 616 263	7.0
Bonds, CHF	24.0	21.0	27.0	1 813 554 845	0	1 813 554 845	28.6
Bonds, foreign currencies	5.0	3.0	7.0	328 909 119	-4 150 452	324 758 668	5.1
Bonds high-yield	5.0	3.0	7.0	323 544 038	0	323 544 038	5.1
Bonds, emerging markets	5.0	3.0	7.0	317 405 445	0	317 405 445	5.0
<b>Collective investments bonds</b>	<b>39.0</b>	<b>30.0</b>	<b>48.0</b>	<b>2 783 413 448</b>	<b>-4 150 452</b>	<b>2 779 262 996</b>	<b>43.8</b>
Shares, Swiss	8.0	3.0	10.0	528 152 757	-61 047 080	467 105 677	7.4
Shares, abroad	17.0	5.0	20.0	1 080 536 032	-289 320 344	791 215 688	12.5
Shares, emerging markets	6.0	2.0	8.0	368 938 209	0	368 938 209	5.8
<b>Collective investments shares</b>	<b>31.0</b>	<b>10.0</b>	<b>38.0</b>	<b>1 977 626 997</b>	<b>-350 367 424</b>	<b>1 627 259 574</b>	<b>25.7</b>
<b>Collective investments real estate</b>	<b>12.0</b>	<b>10.0</b>	<b>14.0</b>	<b>746 385 808</b>	<b>0</b>	<b>746 385 808</b>	<b>11.8</b>
Collective investments Insurance Linked Securities	4.0	2.0	6.0	264 740 052	-624 738	264 115 314	4.2
Collective investments Hedge Funds	6.0	3.0	8.0	299 838 895	-3 808 888	296 030 006	4.7
Collective investments infrastructure	3.0	0.0	5.0	0	0	0	0.0
Collective investments Commodities	3.0	1.0	5.0	186 087 783	0	186 087 783	2.9
<b>Collective investments alternative investments</b>	<b>16.0</b>	<b>10.0</b>	<b>18.0</b>	<b>750 666 730</b>	<b>-4 433 626</b>	<b>746 233 104</b>	<b>11.8</b>
<b>Total investments</b>	<b>100.0</b>			<b>6 341 757 744</b>		<b>6 341 757 744</b>	<b>100.0</b>
Liquid funds				185 935 998			
Accounts receivable				17 814 270			
Receivables from employers				21 545 136			
Individual investments				101 636 489			
Prepayments and accrued income				53 188 882			
<b>Other assets</b>				<b>380 120 775</b>			
<b>Balance sheet total</b>				<b>6 721 878 519</b>			

The investment strategy was adjusted by the Board of Foundation during the year under review. As at 31 December 2015, implementation of the new investment strategy had not yet been completed. With regard to CHF bonds, there is a spread violation as a consequence of the pending investments in infrastructure.

## 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
	<b>Accounts receivable on definite amount of money, liquid funds incl.</b>	<b>3 216 039 786</b>	<b>289 595 656</b>	<b>3 505 635 442</b>	<b>52.2%</b>	<b>100.0%</b>
	Total in CHF	2 564 750 946	929 840 855	3 494 591 801	52.0%	
	Total in foreign currencies	651 288 839	-640 245 199	11 043 641	0.2%	
<b>55a</b>	<b>Mortgage titles and mortgage bonds</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.0%</b>	<b>50%</b>
	in CHF	0	0			
<b>55b</b>	<b>Shares</b>	<b>1 982 210 750</b>	<b>-351 145 925</b>	<b>1 631 064 825</b>	<b>24.3%</b>	<b>50.0%</b>
	in CHF	532 126 949	-61 550 268	470 576 681	7.0%	
	in foreign currencies	1 450 083 801	-289 595 656	1 160 488 145	17.3%	
<b>55c</b>	<b>Real estate</b>	<b>750 104 808</b>	<b>0</b>	<b>750 104 808</b>	<b>11.2%</b>	<b>30.0%</b>
	Inland	691 304 808	0	691 304 808	10.3%	
	Abroad	58 800 000	0	58 800 000	0.9%	10.0%
	in CHF	58 800 000	0	58 800 000	0.9%	
	in foreign currencies	0	0	0	0.0%	
<b>55d</b>	<b>Alternative investments</b>	<b>773 523 176</b>	<b>0</b>	<b>773 523 176</b>	<b>11.5%</b>	<b>15.0%</b>
	in CHF	417 336 754	0	417 336 754	6.2%	
	in foreign currencies	356 186 422	0	356 186 422	5.3%	
	<b>Total assets in balance sheet</b>	<b>6 721 878 520</b>				
<b>55e</b>	<b>Positions in foreign currencies without collateralization</b>	<b>2 457 559 062</b>	<b>-929 840 855</b>	<b>1 527 718 207</b>	<b>22.7%</b>	<b>30.0%</b>

### Current (open) derivative financial instruments

Derivative financial instruments are used within the framework of overlay management. This is implemented by Zurich Cantonal Bank. Through the overlay portfolio the weight of the base assets is managed indirectly by buying and selling derivative financial instruments and currency hedging. The hedging of specific investment categories is also carried out.

All exposure-reducing derivative positions must be covered by base investments at all times. A leverage effect (exposure is

larger than available liquidity) and short sales are prohibited. The provisions of Art. 56a OOB2 and the specialist recommendation of the Swiss Federal Social Insurance Office in relation to the use of derivative financial instruments must be adhered to by the asset manager.

The use of derivative financial instruments is dealt with in the asset management agreement concluded with Zurich Cantonal Bank in December 11, 2013.

### Forward contracts

The forward currency exchange contracts were at all times fully covered by the core investments. As per December 31,

2015 forward contracts (expiry date January 2016) with a marketable value of CHF –10 320 648 (previous year CHF –5 801 020) were open.

Investment category	Market value in CHF	Economic exposure in CHF	Exposure OBB2 in CHF*
Liquid funds strategic/time deposits	-1 736 570	-1 736 570	0
Bonds, foreign currencies	-4 150 452	-4 150 452	0
Hedge Funds	-3 808 888	-3 808 888	0
Insurance Linked Securities	-624 738	-624 738	0
<b>Total</b>	<b>-10 320 648</b>	<b>-10 320 648</b>	<b>0</b>

\* 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 fully covered by the core investments. As per December 31, 2015 the following future contracts (expiry date 1<sup>st</sup> quarter 2016) were open:

Investment category	Market value in CHF	Economic exposure in CHF	Exposure OBB2 in CHF*
Shares Swiss	0	-61 047 080	0
Shares abroad	0	-289 320 344	0
<b>Total</b>	<b>0</b>	<b>-350 367 424</b>	<b>0</b>

\* Solvency requirements pursuant to BVV2

The success of futures contracts is reported under "Rebalancing Overlay".

### Fair value and counterparties in securities lending

The Foundation exclusively holds interests in collective investments and does not conduct its own securities lending. Noth-

ing can be stated about any securities lending within the collective investments.

### 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:

	Net result in CHF		Performance %	
	2015	2014	2015	2014
Liquid funds strategic	18 566	33 750	n/a	n/a
Bonds Swiss CHF	42 531 289	145 535 369	1.84	7.64
Bonds abroad, foreign currencies	252 806	23 420 438	0.00	8.09
Bonds high-yield	-6 845 030	-473 118	-2.36	-0.31
Bonds emerging markets	-46 118 510	25 380 712	-14.13	9.18
Shares Swiss	20 838 178	48 523 242	4.38	12.64
Shares abroad	-12 691 796	141 448 459	-0.87	16.78
Shares emerging markets	-55 260 130	26 317 630	-14.15	6.95
Real estate	46 189 228	32 806 982	6.15	4.72
Insurance Linked Securities	8 125 059	6 551 531	3.34	3.58
Hedge Funds	12 037 169	4 990 647	0.54	-2.10
Commodities	-87 028 696	-81 228 121	-29.46	-28.67
Income from Overlay	-58 611 902	-11 024 499	n/a	n/a
<b>Total investments</b>	<b>-136 563 767</b>	<b>362 283 020</b>	<b>-2.48</b>	<b>5.95</b>
Income from bank balances	-32 737	62 730		
Interest income on accounts receivable	393 931	421 341		
Interest expense for liabilities	-1 760 414	-1 370 561		
Interest expense for employer-paid contribution reserves	-443 579	-444 676		
Expense for asset management	-24 167 562	-22 379 745		
<b>Total other expense and income</b>	<b>-26 010 361</b>	<b>-23 710 912</b>		
<b>Net result of investments</b>	<b>-162 574 128</b>	<b>338 572 108</b>		

The asset management costs for collective investments are charged by the providers directly to the individual investment groups. The net result from insurance-linked securities

(CHF 6 551 531) was recognised in the 2014 financial statement as a component of the net result from hedge funds (CHF 11 542 177).

### Comments on asset management expense

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 22 688 344 for the year under review (previous year CHF 20 883 875).
- The total asset management expenses indicated in the operative account as a percentage of cost-transparent investments amounts to 0.38% in the year under review (previous year 0.35%).
- The cost transparency ratio is 96.59% for the year under review (previous year 100%).

Non-transparent collective investments:

- ISIN KYG494041331, IRIS Dynamic SPC -I-25-; Provider IRIS Dynamic; Holding: 42 000, Fair value CHF 42 160 382
- ISIN XF0002897326, PREPAY 100% IRIS Dynamic SPC -I-25; Provider IRIS Dynamic; Holding: 10 000 000, Fair value CHF 10 010 000
- ISIN XF0002897300, PREPAY 100% IRIS Low Volatility Plus Fund LTD -I-CHF; Provider CS IRIS LV Plus; Holding: 50 000 000, Fair value CHF 50 000 000
- ISIN IE00BYQDN231, Crown Alpha LGT Crown Managed Futures Sub-Fund -N-USD; Provider Crown LGT; Holding: 1 250 000, Fair value CHF 125 125 000

### Comments on investments in the employer and employer-paid contribution reserves

#### Investments in the employer

The assets for affiliated employers amounting to CHF 21 545 136.26 (previous year: CHF 25 465 569.08) are premium receivables. In 2015 the foundation levied default interest of 5.0% (previous year: 5.0%).

The risk and cost premiums are each owed as per January 31 respectively within 30 days after joining the pension fund.

The savings premiums are payable by December 31. The foundation monitors the punctual receipt of premiums and institutes the necessary claims proceedings if default occurs.

Any premium losses incurred by the foundation are borne by the foundation after deduction of the loss cover by the LOB Guarantee Fund.

Employer-paid contribution reserves	2015 in CHF	2014 in CHF
<b>Balance at the beginning of the period</b>	<b>92 512 788</b>	<b>93 095 266</b>
Transfers into the employer-paid contribution reserves	9 007 272	10 230 716
Transfers from new contracts	556 649	95 209
Benefits from termination of contracts	-1 423 632	-1 610 843
Used for premium payments	-10 338 715	-9 192 461
Used for one-time payments*	-390 434	-576 332
Interest	470 999	471 232
<b>Balance at the end of the period</b>	<b>90 394 927</b>	<b>92 512 788</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>31.12.2015 in CHF</b>	<b>31.12.2014 in CHF</b>
Withholding tax	11 782 772	9 703 597
Other accounts receivable	6 031 498	6 778 899
	<b>17 814 270</b>	<b>16 482 496</b>

<b>Comments on prepayments and accrued income</b>	<b>31.12.2015 in CHF</b>	<b>31.12.2014 in CHF</b>
Prepaid benefits	26 588 882	17 864 182
Surplus share	26 500 000	19 100 000
Other accruals	100 000	11 250
	<b>53 188 882</b>	<b>36 975 432</b>

<b>Comments on accrued liabilities and deferred income</b>	<b>31.12.2015 in CHF</b>	<b>31.12.2014 in CHF</b>
Outstanding entry benefits	192 746 391	50 254 796
Prepaid premiums	19 514 500	17 715 064
Expense for distribution compensations	0	275 527
Additional yield distribution	400 000	51 438 946
Other accruals	399 499	416 122
	<b>213 060 390</b>	<b>120 100 456</b>

<b>Comments on income from insurance</b>	<b>2015 in CHF</b>	<b>2014 in CHF</b>
Insurance benefits	47 202 701	41 215 598
Surpluses from insurance result	52 862 259	28 278 230
Surpluses from cost result	-931 100	329 003
	<b>99 133 860</b>	<b>69 822 831</b>

<b>Comments on insurance cost</b>	<b>2015 in CHF</b>	<b>2014 in CHF</b>
Risk premium	78 164 297	79 533 705
Risk premium inflation	1 847 749	1 885 450
Contributions to guarantee fund	1 656 273	1 669 451
Cost premium	19 348 760	20 218 618
	<b>101 017 079</b>	<b>103 307 224</b>

<b>Comments on administrative expenses</b>	<b>2015 in CHF</b>	<b>2014 in CHF</b>
Distribution compensations	8 230 446	8 997 801
Broker's commissions	3 465 653	3 517 253
Auditors, pension actuaries	270 840	279 374
Supervisory authority	588	132 100
Expenses for marketing and publicity	139 219	89 357
Other administrative expenses	327 937	279 936
	<b>12 434 682</b>	<b>13 295 821</b>

# Supervisory Authority Requirements

The supervisory authority has not commented on the annual financial statement of 2014 until the end of the year under review.

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

The institutions entrusted with investing assets confirm that they have received no compensation within the meaning of the Swiss Federal Court's case law.

## **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 2015 includes the sum of CHF 51 931 159 (previous year: CHF 28 607 233) in surpluses. In accordance with the regulations this sum was used to support the coverage ratio in the current year.



# Further Information Regarding the Financial Situation

## **Partial liquidations**

Partial liquidations to be carried out by pension funds in 2015 were identified in accordance with the provisions of the par-

tial liquidation regulations. The resulting distributions of these pension funds' free assets were handled according to the relevant rules.

## **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

We are not aware of any events after the reporting date that are likely to have a material impact on the financial statements.



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 41), for the year ended 31 December 2015.

#### *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 2015 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

Matthias Sutter  
Audit expert  
Auditor in charge

Felix Steiger

Basel, 11 April 2016

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