



Occupational Benefits News 1/2017  
Swisscanto Collective Foundation

## The Financial Year 2016 at a Glance

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**Swisscanto**

Stiftungen/Fondations/Fondazioni

# 2016: sound growth, stable situation, persistent challenges

Dear Customer and Insured Persons,

For the Swisscanto Collective Foundation, the financial year 2016 was very positive: the key figures exhibited very good trends, and the economic and political environment developed in a way that give reason to hope that the occupational benefit sector, which has been tense for a number of years, will gradually relax. However, there is no reason for euphoria, as these trends have not yet stabilised.

## Sound portfolio growth

The portfolio figures, which show the net growth or losses, are key indicators for the attractiveness of a collective foundation, its products and services. In our case, the number of associated companies has remained virtually unchanged, and the number of insured persons has undergone encouraging growth. Together with a very low separation rate, this resulted in sound net growth.

Most importantly, 2016 was a highly successful year in terms of acquisitions: last year, more companies than usual decided to entrust the Swisscanto Collective Foundation with their occupational benefit schemes. However, this success is not yet visible in the annual report for 2016; the new contracts will only appear in the portfolio figures for 2017. The acquisition success is a clear indication of the trust that the Swisscanto Collective Foundation enjoys on the market.

## Robust situation; challenges remain

The development of the interest rates remains difficult for occupational benefit schemes. The existing regulations continue to pose a challenge for providers of occupational benefit schemes who want to retain their financial stability. Swisscanto Collective Foundation still boasts a high level of stability. To retain this stability, the Board of Foundation regularly reviews the relevant parameters in collaboration with the respective expert committees. In the financial year 2016, this review revealed that the technical interest rate – the expected interest required to finance future pensions – needs to be reduced to 2.5% as of 1 January 2017 and the conversion rate too needs to be adjusted in the extra-mandatory area. We informed the associated companies of this in July 2016. As the necessity of these measures had been known for quite some time, the Board of Foundation had already recognised the required provisions. Thanks to this farsighted policy, the funding ratio did not suffer from these adjustments.

The basic principle of anticipatory action applies especially also in the investment policy: the establishment of a separate investment class “mortgages” has already reached an advanced stage, and very soon, the share of fixed-interest investments in the portfolio is to be further reduced in response to the situation on the investment markets.

## Continuity in the benefits policy

Due to the ongoing changes in the financial landscape, Swisscanto Collective Foundation also reviews and adjusts its investment strategy more frequently than it used to do a few years ago. However, the Board of Foundation continues to stick to its benefits policy. The fact that the Swisscanto Collective Foundation has been able to pay interest rates that are significantly higher than the minimal interest rate determined by the Federal Council on the old-age savings shows that the right decisions have been made in this area. In 2016, the interest rate for the mandatory and extra-mandatory area was already twice as high as the minimal interest rate, and this will also be the case in 2017. On the occupational benefits market, the average value of 2.5% for the last five years compares favourably.

## Pension 2020 reform enters its next phase

In recent years, the agenda of the pension provider sector was dominated by the “Pension 2020” reform of the Federal Council. Following intensive deliberations in parliament, some controversial disputes in parties and commissions as well as active contributions by stakeholder groups, this complex major project will now be submitted to the voters. This will determine what the tried-and-tested Swiss social insurance system will look like in the future. In view of its solid financial basis, the Swisscanto Collective Foundation is well prepared for any new challenges, regardless of the outcome of the vote.

## LOB – by no means a mystery: [www.swisscanto-foundations.ch](http://www.swisscanto-foundations.ch)!

The entire subject area of the 2<sup>nd</sup> pillar has a persistent reputation of being absolutely cryptic for non-experts. Doubtlessly, the details specified in the laws as well as their actual implementation are complex. However, the Swisscanto Collective Foundation has made it its mission to make this information comprehensible for its customers and insured persons. We want you to understand what you pay contributions for and what you can expect in return. The Swisscanto Foundations have set up their new website on the basis of this goal of

aligning themselves more closely with customer needs and ensuring that the various stakeholders understand them. All information that you need in order to find your way through the information jungle of occupational benefit schemes is provided in the form of entertaining stories, easy-to-understand texts on individual subject areas or brief, descriptive animations.

**The Board of Foundation: continuity with new members**

Following the 2015 re-elections, the Board of Foundation welcomed two new members in its midst. After the first year of work, it is evident that the commitment and enthusiasm with which the new members took on their duties guarantee the smooth continuation of the work to be done. The Board of Foundation and the employees of the Swisscanto Collective Foundation will continue to make efforts to retain the trust that you have always placed in us. For this, we would like to express our appreciation.



Rolf Knechtli  
Chair of the Board of Foundation

Davide Pezzetta  
Managing Director



# Key Figures 2016

| Portfolios                      | 2016   | 2015   | Change<br>absolute | Change<br>in % |
|---------------------------------|--------|--------|--------------------|----------------|
| Statutory Capital (in CHF Mio.) | 5 177  | 4 768  | 409                | 8.6            |
| Investments (in CHF mio.)       | 7 271  | 6 567  | 704                | 10.7           |
| Number of contracts             | 5 352  | 5 436  | -84                | -1.5           |
| Insured persons                 | 49 599 | 48 293 | 1 306              | 2.7            |

## Portfolios

The portfolio of actively insured persons went up 2.7%. Fluctuation remained high; about 23% of the portfolio at the end of the year were new entrants and about 19% of the same portfolio departed in the year under review.

| Premium Income   | 2016           | 2015         | Change<br>absolute | Change<br>in % |
|--|----------------|--------------|--------------------|----------------|
| Periodic employer and employee contributions (in CHF Mio.) | 411.1          | 389.6        | 21.5               | 5.5            |
| One-time payments (in CHF Mio.)                            | 667.2          | 425.6        | 241.6              | 56.8           |
| <b>Total</b>   | <b>1 078.3</b> | <b>815.2</b> | <b>263.1</b>       | <b>32.3</b>    |

## Premium income

As expected, the regular employer and employee contributions went up due to the positive portfolio development. The increase in single premiums also resulted from the fact com-

pared to the previous year, the number of new associations increased considerably.

# Reserves

| <b>Actuarial reserves</b>           | <b>31.12.2016</b> | <b>31.12.2015</b> | <b>Change<br/>absolute</b> | <b>Change<br/>in %</b> |
|-------------------------------------|-------------------|-------------------|----------------------------|------------------------|
| Actuarial reserves<br>(in CHF Mio.) | 229.4             | 198.6             | 30.8                       | 15.5                   |

## **Investment Portfolio; Value Fluctuation Reserves and Target Value of the Value Fluctuation Reserves**

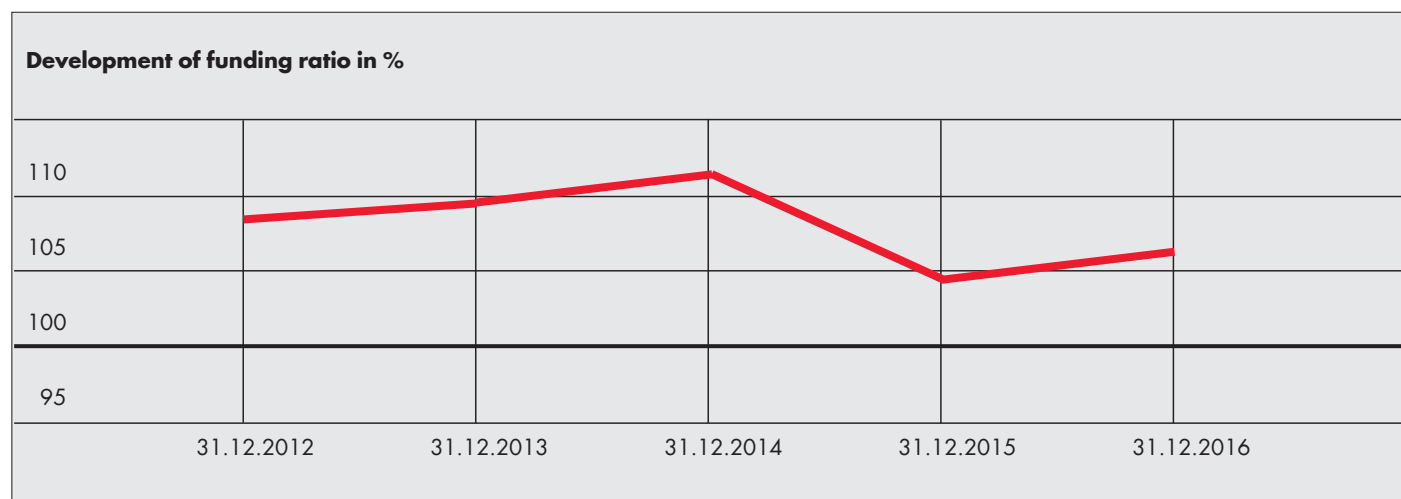
|  | <b>31.12.2016<br/>in CHF</b> | <b>31.12.2015<br/>in CHF</b> |
|--|------------------------------|------------------------------|
| Assets without individual investments          | 7 319 523 757                | 6 620 242 028                |
| Value fluctuation reserves                     | 411 159 514                  | 280 702 641                  |
| Target value of the value fluctuation reserves | 989 181 484                  | 898 001 468                  |

# Funding ratio

The positive investment year 2016 closed with a performance of 4.8% (see also report of the Investment Commission, page 8). Compared to the minimal interest rate determined by the Federal Council (2016: 1.25%), the Swisscanto Collec-

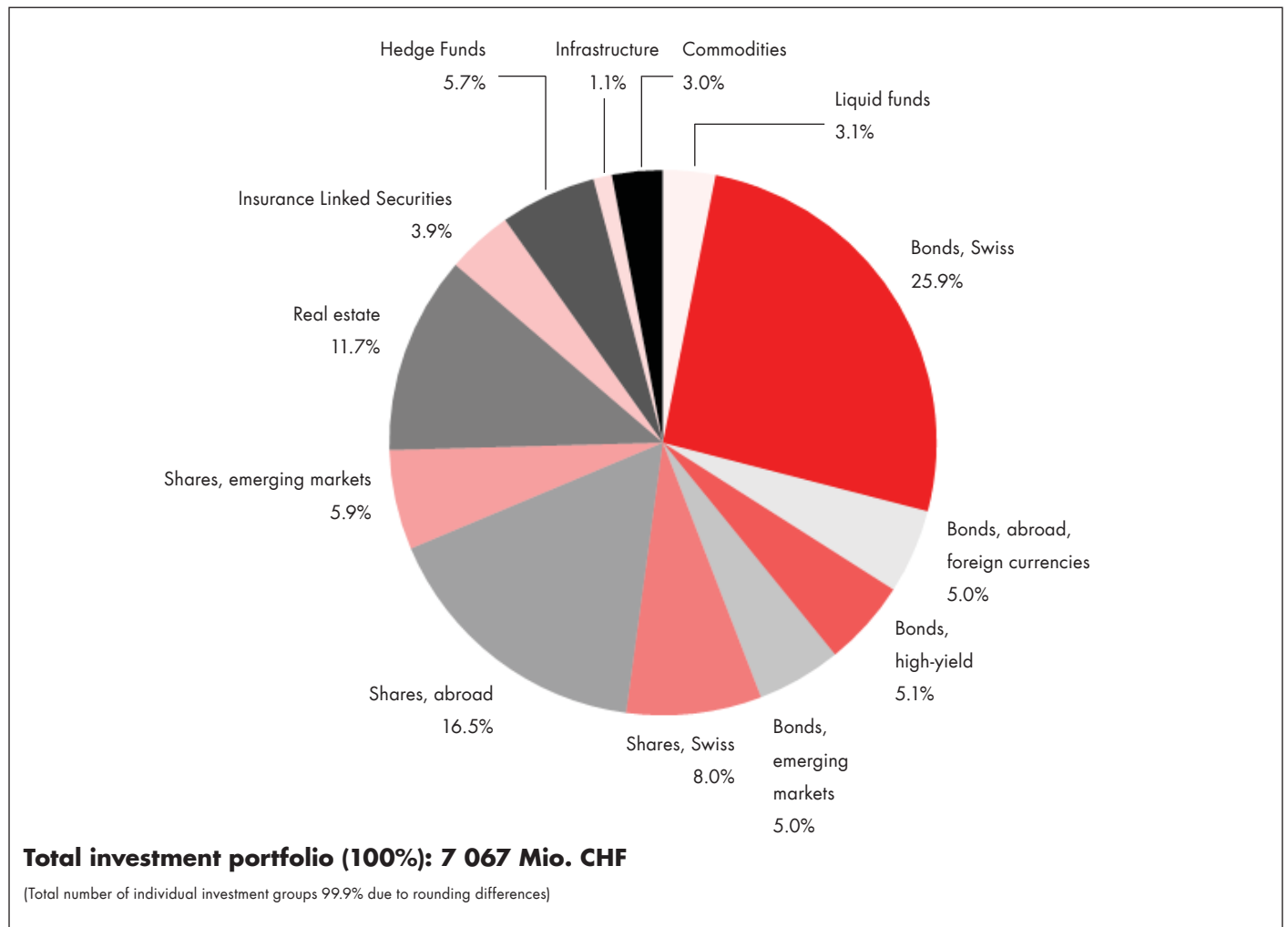
tive Foundation paid an interest rate of 2.5% on old-age savings and recognised the required technical provisions in the year under review. At the bottom line, this resulted in a healthy increase of the funding ratio to 106.2%

| <b>Funding ratio</b>              | <b>2016</b> | <b>2015</b> |
|-----------------------------------|-------------|-------------|
| Funding ratio as at 31.12. (in %) | 106.2       | 104.7       |



# Investment Portfolio

## Asset Allocation as at 31.12.2016



# Performance: Report of the Investment Committee

## Review

Risky investment classes suffered severe losses at the beginning of 2016, especially due to the newly emerging concerns regarding growth in China. In the USA, the macroeconomic data and the corporate reporting also initially lagged behind consensus expectations, triggering global recession fears. To counteract these risks, the leading central banks decided to undertake further comprehensive easing measures. During the second quarter, the emerging-market economies stabilised, and the growth figures in the industrial countries also picked up. Owing to the returning optimism, the stock markets rallies in spring, also backed by the significant recovery of the oil prices.

The “Brexit referendum” is considered to be the main political event that affected the market in the first half of the year. Due to the narrow opinion poll forecasts, the international financial and commodity markets were already very volatile and nervous prior to the referendum. After the vote, abrupt turbulence occurred, and the risk affinity was temporarily curbed to a major extent.

Despite grave economic concerns, the “Brexit effect” quickly lost momentum in the weeks that followed. Instead, the focus increasingly shifted to positive fundamental factors related to the US economy and the reporting season, brightening up the investor mood. In the remaining summer months, it became more and more evident that the Fed could abandon its ultra relaxed measures. Rising inflation data and the hawkish statements of several Fed representatives pointed to an imminent change in US interest rates, making the stock markets move sideways.

In the last quarter, the US presidential elections dominated the scene. The victory of Republican Donald Trump over his opponent was considered a surprise and briefly irritated the markets. However, Trump’s moderate tone in his victory speech and his announcements to stimulate the economy with tax cuts and higher public spending caused investors’ risk appetite to grow and made the stock markets and the USD rise.

## Portfolio results

2016 saw excellent performance of +4.8%. Especially the categories that had posted negative figures in the previous year accounted for the positive result. In particular, this applies to high-yield bonds (+11.3%), emerging-market bonds (+8.2%), emerging-market shares (+15.5%) and commodities

(+11.7%). The other categories also achieved sound results. For example, real estate (+5.7%) benefited from the declining interest rates. CHF bonds also remained positive (+1.6%), though this item put the overall performance under pressure. In future, it is unlikely that this category will deliver any major performance, especially as the current performance is slightly negative on average, and losses must be expected in the case of higher interest rates.

## Strategy and shifting

At the end of 2015, due to the gloomier performance perspectives, the quota of CHF funds was reduced by 9% in favour of shares and particularly alternative investments (infrastructure/hedge funds). So far, this move has proved successful, especially as the performance of the new investments has been much better than that of the CHF bonds. As the interest situation has grown even more acute in the meantime and the mere holding of bonds is likely to result in negative performance, the Board of Foundation reacted again and further reduced the bond quota by 5% in favour of mortgages at the beginning of the year. As of the new year, the CHF bond quota has thus dropped to 19%. Last year, various portfolios were established and developed in the field of alternative investments.

## Risk management overlay

Due to risk considerations, the Swisscanto Collective Foundation has implemented a risk overlay. Under this arrangement, the share quota is reduced in the event of an overly negative market development. This risk protection was partly activated in spring, with a slightly negative impact on performance.

## Outlook

Though we are happy with last year’s result, it will become more difficult for the entire sector to reach the required yield targets. The gloomier performance perspectives of investments in nominal values stand against higher share valuations. At least in this year, however, the shares are again supported by the positive profit perspectives and increasing growth. We are convinced that with our strategy adjustments and risk management, we have established the preconditions for successfully mastering future challenges.

We are looking forward to an exciting investment year 2017.



# Fairness through Transparency

## **Number 1 of Collective Bank Foundations**

As a joint venture of the Cantonal Banks, Swisscanto Collective Foundation is the biggest collective bank foundation in Switzerland. So far, some 6 000 enterprises have entrusted their occupational benefits plans to Swisscanto.

## **Core Strengths of the Cantonal Banks**

Surveys over the last years have repeatedly shown the extraordinarily high degree of confidence in the Cantonal Banks among Swiss banks. Furthermore, their branch network is the densest of all Swiss banks: You can reach your personal insurance consultant easily and any time.

The Cantonal Banks combine state-of-the-art financial service management with a tradition of comprehensive safety requirements. For specific tasks they can source their own specialists: In the case of occupational benefits this is Swisscanto Collective Foundation; Swisscanto Investment Foundation and Helvetia Insurances are additional partners.

## **To Optimize Returns:**

### **Swisscanto Investment Foundation**

Funds of occupational benefits plans demand a highly professional investment strategy which complies with all legal requirements but also satisfies demands for both security and yield. Swisscanto Investment Foundation, a joint venture of the Cantonal Banks as well and the biggest such foundation in Switzerland, is the ideal partner for fund placements in connection with occupational benefits. A member of the Conference of Managers of Investment Foundations (KGAST), Swiss-

canto Investment Foundation adheres to the high KGAST standards of quality. In KGAST performance comparisons among different categories of investment foundations Swisscanto Investment Foundation has continuously reached top ranks.

## **For Security: Helvetia Insurances**

Thanks to Helvetia Insurance, co-founder of Swisscanto Collective Foundation, the risks of death and disability are covered. One of the biggest insurance enterprises in Switzerland, Helvetia Insurance offers comprehensive insurance protection at all times owing to their highly professional risk management.

## **To Maximize Security**

Building on the same pillars of reliability and stability as Swisscanto Collective Foundation, Swisscanto Investment Foundation's prudent and professional investment policy aims to optimize returns while maximizing security at the same time. The insured can thus always be certain that their pension assets are in safe hands.

## **Transparency in the Administration thanks to Strict Parity**

The Swisscanto Board of Foundation is composed equally and only of employees and employers representing the affiliated enterprises. This absolute parity ensures that all board decisions take into account the interests of both the insured persons and the affiliated enterprises – an important element supporting and assuring the independence of the foundation.

The detailed version of the annual report 2016 is available on  
[www.swisscanto-foundations.ch](http://www.swisscanto-foundations.ch) ▶ Downloads ▶ Annual  
Reports

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