



Occupational Benefits News 1/2015
Swisscanto Collective Foundation

The Financial Year 2014 at a Glance

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Swisscanto

2014: A testing year

Dear Customer and Insured Persons,

Any strategy is only as good as its implementation. Seeing as the new strategy that has been developed in the past few years had to be back up with measurable success, the Swisscanto collective foundation used this truism as a yardstick in the 2014 financial year.

The main elements of the new strategy are paying off

The aim of the strategy was to clearly position the Swisscanto collective foundation as a semi-autonomous provider in the area of occupational benefit schemes and therefore make the benefits of a semi-autonomous provider available to the active participants. A key element was to pay the current and future retirement pensions ourselves and no longer have them reinsured. The recipients of retirement pensions now receive their pension directly from the Swisscanto collective foundation.

Both the inclusion of the corresponding portfolios in the management systems and the necessary capital transactions proceeded without any problems. The success of the restructuring is demonstrated by the fact that the Swisscanto collective foundation is still in good financial shape and the expected greater flexibility has actually materialised. Hence, the conversion rates could be raised to a new level that bears comparison with our competitors. This adjustment has been carefully analysed and is stably financed.

With the second key element of the "funding ratio at pension fund level" strategy, the Swisscanto collective foundation offers companies who meet the criteria the possibility of participating directly in the foundation's performance. Several companies are already taking advantage of this option. Moreover, this product gives companies who are affiliated to an employee benefit institution that has cover shortages the option of switching to the Swisscanto collective foundation without incurring any shortfall losses.

Higher interest dampens redistribution

Not only the interest paid on old-age savings, but also the so-called "redistribution problem" is a constantly recurring theme in the area of occupational benefit schemes: As people are getting older and older and therefore drawing retirement pensions for an increasingly long period of time, and, at the same time, the accumulated old-age savings are not sufficient, more funds from the investment income of the active, working participants have to be used to fund these pensions. This redistribution is alien to the system, as in contrast to the OASI, which is based on the pay-as-you-go system, each insured person in the 2nd pillar finances their old-age savings themselves.

The Swisscanto collective foundation thinks it is vital that the generations are treated fairly and that actively insured persons and pension recipients have equal status. Therefore, it has restructured its performance strategy, with the performance target now based on the level of the technical interest rate of 3%. This means that even in the case of active, working insured persons, we shall strive to pay long-term interest on old-age savings of 3%. The Board of Foundation already made use of its new freedom in 2014: Thanks to a dividend distribution of 1.25%, the total interest on old-age savings could be increased to 3%. The Swisscanto collective foundation is even guaranteeing interest of 3.5% for 2015.

Naturally, all these measures are always approved after carefully weighing up and analysing the risks, and the security of pension assets is a priority at all times. The Board of Foundation will also be guided by this in the future when it decides whether to make further earnings distributions at the end of the respective year.

Comfortable funding ratio

The Board of Foundation has demonstrated its clear commitment to financial stability by using the good 2014 investment year to also strengthen its so-called technical provisions for future pension losses. In the year under review the technical provisions were increased by an additional CHF 90.3 million, thereby providing extra financial stability. The fact that the funding ratio of Swisscanto is still a comfortable 111.2% even after the formation of these provisions confirms the security-oriented policy of the Board of Foundation and is a testament to the excellent financial position of the Swisscanto collective foundation.

Equipped for the future

With the measures taken and the changes in the interests of customers and insured persons, the Swisscanto collective foundation is optimally equipped to meet the forthcoming challenges posed in particular by policymakers, and the investment markets. You can be sure that as a customer or insured person of Swisscanto you are in the best hands. We are committed to ensuring that the interests of the associated companies and the insured persons are optimally safeguarded even in times of necessary change.

Thank you for your trust.



Rolf Knechtli
Chair of the Board of Foundation

Davide Pezzetta
Managing Director



Key Figures 2014

Portfolios	2014	2013	Change absolute	Change in %
Statutory Capital (in CHF Mio.)	4 565	4 383	182	4,2
Investments (in CHF mio.)	6 457	4 989	1 468	29,4
Number of contracts	5 552	5 601	-150	-0,9
Insured persons	49 365	49 473	-108	-0,2

Portfolios

Regulatory capital increased in line with expectations in the period under review. The considerable growth of investments can be explained by the inclusion of the previously reinsured

old-age pensioners and the associated influx of capital as per January 1, 2014. The number of contracts and the number of insured persons fell slightly in the period under review.

Premium Income	2014	2013	Change absolute	Change in %
Periodic employer and employee contributions (in CHF Mio.)	392,2	385,1	7,1	1,8
One-time payments (in CHF Mio.)	457,5	366,5	91,0	24,8
Total	849,7	751,6	98,1	13,0

Premium income

In the period under review the periodic premiums of employers and employees increased slightly, whereas single premiums increased considerably.

Reserves

From January 1, 2014 the transfer of the pension capital of CHF 960 million has been effected by Helvetia, as the foundation bears the longevity risk from this point in time. This was disclosed in the financial statements 2013 under "Events

after balance sheet date". For a better understanding, this transfer was included in the financial statements 2014, meaning that the comparative figures in the balance sheet are from January 1, 2014.

Actuarial reserves	31.12.2014	01.01.2014	Change absolute	Change in %
Actuarial reserves (in CHF Mio.)	183,5	93,2	90,3	96,9

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

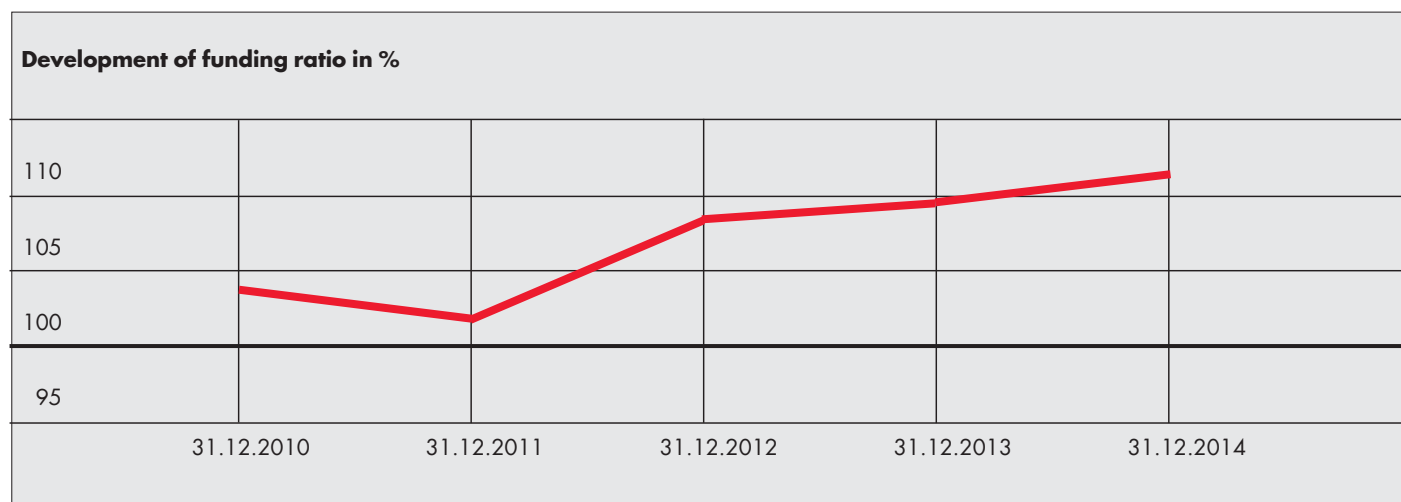
	31.12.2014 in CHF	01.01.2014 in CHF
Assets without individual investments	6 494 482 076	5 979 407 399
Value fluctuation reserves as at 31.12. resp. 01.01.	629 790 238	417 507 384
Target value of the value fluctuation reserves	935 694 090	706 528 145

Funding ratio

Owing to the fact that 2014 was a good investment year, the funding ratio of the Swisscanto collective foundation could be increased to a solid 111.2%. The formation of technical provi-

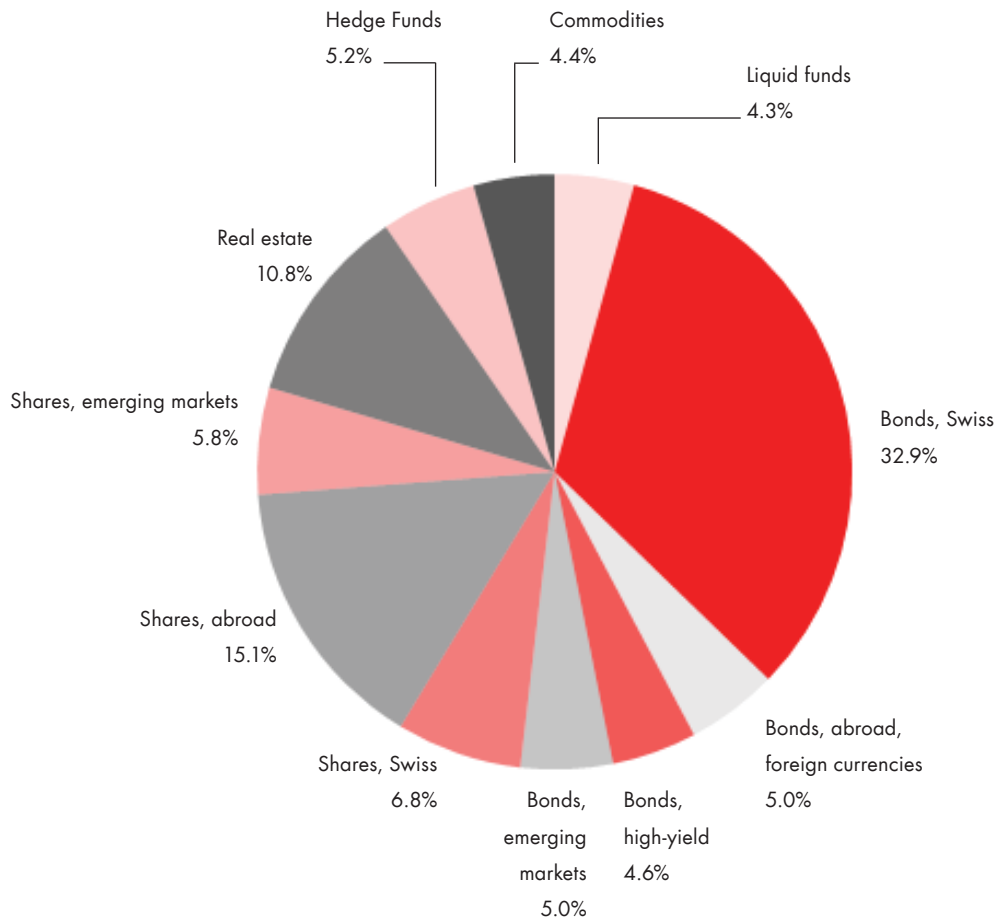
sions amounting to CHF 90.3 million and the associated additional financial reinforcement are already included in this figure.

Funding ratio	2014	2013
Funding ratio as at 31.12. (in %)	111,2	109,4



Investment Portfolio

Asset Allocation as at 31.12.2014



Total investment portfolio (100%): 6 279 Mio. CHF

(Total number of individual investment groups 99.9% due to rounding differences)

Performance: Report of the Investment Committee

Performance development

The 2014 investment year was once again characterised by the monetary interventions of various central banks, which, like in previous years, tried to stimulate the respective national economies. There was however one difference this time. While the ECB opted for intensive funding programmes, the US allowed its programmes to run out, although it was still pursuing an expansionary monetary policy. Global growth is supported by these measures, but the debt crisis is not over yet and is depressing expansion rates. When it comes to growth opportunities, the US can play a leading role. It benefits from good labour market conditions and low-cost energy. Europe is currently suffering from reform weakness. The crisis of individual member countries is anything but solved. Moreover, the emerging markets are still not in the best shape with regard to growth.

Global fears of deflationary trends and the described stimulation measures by the central banks led to an unexpectedly sharp increase in bond prices. Consequently, the yields of individual countries fell to a record level. While this is gratifying from the standpoint of an individual investment year, it will lead to problems in the future. This is because in future the minimum yields let alone the target yields will not be covered by the current return on bonds. Moreover, a subsequent interest increase would lead to temporary price losses.

In the portfolio this led in the past year to a performance of 7.6% for the CHF bonds. The yield for hedged foreign currency bonds is at a similar level at +8.1% and at +9.2% the yield for emerging market bonds was more than satisfactory. The only fly in the ointment in the area of investments in nominal assets was high-yield bonds, whose performance on a hedged basis of -0.3% was slightly negative. Widening credit rating spreads prevented a better performance. Once

again the outcome was also positive for shares, which yielded a return of between 7% (emerging markets) and 16.8%. Swiss shares were sandwiched in between at 12.6%. Companies are benefiting from the high profit margins at present. Ultimately, the price increases also led to rising valuations, which are still accepted by market players in the current climate due to the lack of investment alternatives. Commodities, which achieved a negative performance of -28.7% last year, were disappointing. The funding ratio of the collective foundation has improved again overall and stands at 111.2%.

The portfolio performance of 5.95% was 0.35% short of the benchmark result. The reasons for the deficit were reshuffling effects in the portfolio at the start of the year due to the strategy reorganisation as well as a more cautious stance in the area of CHF bonds. Slight underperformances in the area of foreign shares were offset by the outperformance in the area of commodities.

Future orientation

The strategic reorganisation involving an increase in the share ratio to 28% to the detriment of investments in nominal assets at the end of 2013 has already had a positive effect. Although the share valuations can in the meantime no longer be described as favourable, a balanced allocation to tangible fixed assets still makes sense from the point of view of future earnings perspectives. To ensure that the share quota can be reduced again if necessary in the event of a marked negative trend in share prices, the Swisscanto collective foundation uses a "risk management overlay". In light of the current situation regarding interest rates other options are being considered in the area of alternative investments. 2015 will certainly not be an easy investment year, but we are convinced that with the current direction we are well prepared.

Renewal Election of the Board of Foundation in October 2015

The renewal election of the Board of Foundation of Swisscanto Collective Foundation of the Cantonal Banks will be held in October 2015.

Supreme governing body of the Foundation

The Federal Law on Occupational Benefit Schemes prescribes a jointly composed board as the supreme governing body of an employee benefit institution. In the case of Swisscanto Collective Foundation, this is the Board of Foundation, which has twelve members, six of whom are employee representatives and six employer representatives.

Online election

For the first time, the election proceedings will be conducted online. As a customer and company affiliated with Helvetia Group Foundation, you will receive an information letter regarding this in August 2015. In it you will find two letters for the attention of the employee and employer representatives of your Board of Trustees. The letters will include the login details for the online election platform as well as all other necessary information about the election, the election proceedings and the dates.

In addition to the existing members of the Board of Foundation and the candidates recommended by the Board of Foundation, members of the Boards of Trustees from the group of affiliated companies can make themselves available for the election as additional candidates. All members of your Board of Trustees for the respective election category "employer representatives" or "employee representatives" are also entitled to vote.

Two-stage election process

The election process will consist of several steps in a two-stage procedure:

- 1a) Submit candidate proposals online (Board of Trustees)
- 1b) Verification of candidate proposals (electoral office of Swisscanto Collective Foundation)

- 2a) Description of election with all candidates
- 2b) Casting of votes (Board of Trustees)
- 2c) Confirmation and publication of the election with the names of the elected board members (electoral office)

The five-year period of office 2016-2020 for the new Board of Foundation starts at 01.01.2016.

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), Swisscanto 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 2014 is available on www.swisscanto-collective-foundation.ch ▶ Collective Foundation ▶ Annual Reports

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