

Annual Report 2015



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Foreword



Dear Sir or Madam

pension fund pro is optimistic about the future.

This is due, on the one hand, to the robustness of the Swiss economy. Despite the slowdown of the global economy, despite turbulence and uncertainty across all markets, despite negative interest rates and the idea of Switzerland as a “high price island”, our country has proven itself to be resilient. This means that we are privileged to be where we are, but we will also face a number of challenges in the years to come.

One aspect of Switzerland’s positive image is its pension system. The combination of various approaches and pillars has essentially proven itself; however, the creaking in the rafters can no longer be ignored. The OASI, which has not been reformed during the past 15 years, is running a deficit and desperately needs to be updated. The problems with the second pillar are even clearer. We have all heard it so many times, and yet it bears repeating – minimum interest rates, conversion rates and other mathematical factors must be removed from the political realm and considered objectively.

There is no reason for Switzerland to despair; however, the time has come to start making progress on these issues.

pension fund pro is part of this greater whole. At times it is negatively affected by external circumstances, and yet it continues to develop extremely positively, as has been proven by the new record levels of assets (57,557) and company affiliations (7,718). On the other hand, the number of pension beneficiaries has dropped to 3,329. That is not a coincidence, but rather a result of the strategy to lower the average age of pension fund pro members. The return of 1.20 % that was achieved in the year under review corresponds to the market potential. Alternative investments saw extremely positive development (6.74 %) and greatly exceeded the benchmark, which shows us that our strategy is keeping us on the correct path.

Last but not least, some information about us: over the past few years, we have been able to integrate Pensionskasse Profaro into pension fund pro, which has further reinforced our competitiveness and our position on the market. The Board of Trustees of pension fund pro has also experienced two losses and two new additions: Rainer Hürlimann, a long-time member and a person of outstanding merit, died, and Hubert Gwerder changed employers and therefore had to leave the Board of Trustees after many successful years. These former members were replaced by Daniel Andermatt (employee representative) and Pierre Christen (employer representative). We would like to thank the new members of the Board of Trustees, we wish them all the best, and we look forward to the positive impact they will have on pension fund pro and its beneficiaries.

We look forward to another successful year – and are doing our level best to make it happen.

Yours faithfully

A handwritten signature in blue ink, appearing to read 'Peter Hofmann', with a long horizontal flourish extending to the right.

Peter Hofmann
Chairman of the Board of Trustees

Key figures

	2015 CHF 1,000	2014 CHF 1,000	Change in %
Recognised contributions, gross	258,467	234,278	10.3
> of which savings and flat-rate contributions	201,349	177,382	13.5
> of which risk contributions and contributions to administrative costs	57,118	56,896	0.4
Pension capital for working insured	1,710,738	1,469,272	16.4
Pension capital for pensioners	565,827	641,865	-11.8
Pension benefits	63,408	58,197	9.0
Technical reserves	56,100	40,509	38.5
> of which FZG 17 reserves	1,046	1,161	-9.9
> of which reserves for BVG minimum termination benefits	347	406	-14.5
> of which reserves for conversion rate	34,949	21,219	64.7
> of which inflation adjustment fund	15,771	15,771	0.0
> of which IBNR reserves	3,987	1,952	104.3
Actuarial surplus	38,864	124,374	-68.8
Balance sheet total	2,674,468	2,578,888	3.7
Other information			
Foundation's funding ratio	101.7%	105.8%	-3.9
Average funding ratio of pension funds	103.1%	107.4%	-4.0
Affiliated companies	7,718	7,132	8.2
Insured persons	57,557	51,993	10.7
Pension recipients (number of pensions)	3,329	3,560	-6.5
Pending reinsured disability claims	518	478	8.4
Return on investments	1.20%	6.81%	
Interest on savings capital	1.75%	1.75%	
Technical interest rate	2.50%	2.50%	

Balance sheet

Assets	Note Number	31.12.2015 CHF	31.12.2014 CHF	Change in %
Investments	6.4	2,670,098,554	2,575,409,490	3.7
Money market investments	6.4.1	177,121,197	129,266,111	37.0
Receivables from employers	6.8.1	35,879,294	29,762,160	20.6
Receivables from third parties		44,872,828	4,550,753	886.1
Mortgage loans		59,772,267	–	
Domestic and foreign CHF bonds	6.4.2	254,108,721	474,451,738	-46.4
Global bonds in foreign currency	6.4.2	129,590,755	243,661,346	-46.8
Convertible bonds	6.4.3	127,173,318	122,366,310	3.9
Swiss equities	6.4.4	276,779,208	266,261,037	4.0
Global equities	6.4.4	271,484,728	286,298,447	-5.2
Alternative investments	6.4	556,342,882	297,179,959	87.2
Swiss real estate	6.4.5	736,973,356	721,611,629	2.1
Accruals		1,504,349	1,533,856	-1.9
Assets under insurance contracts	5.2	2,864,830	1,944,565	47.3
Total assets		2,674,467,733	2,578,887,911	3.7

Balance sheet

Liabilities	Note Number	31.12.2015 CHF	31.12.2014 CHF	Change in %
Liabilities		230,998,372	225,025,513	2.7
Liabilities from vested benefits and pension benefits		146,259,724	98,069,596	49.1
Capital received for pension funds		28,421,656	41,348,267	-31.3
Liabilities to banks and insurance companies		1,634,638	488,417	234.7
Other liabilities		54,682,354	85,119,233	-35.7
Deferrals		17,412,370	23,718,708	-26.6
Employer contribution reserves	6.8.2	18,304,131	18,037,464	1.5
Pension capital and technical reserves		2,335,529,881	2,153,590,569	8.4
Pension capital for working insured	5.3	1,710,738,071	1,469,271,915	16.4
Pension capital for pensioners	5.5	565,827,239	641,864,663	-11.8
Liabilities under insurance contracts	5.2	2,864,830	1,944,565	47.3
Technical reserves	5.6	56,099,741	40,509,426	38.5
Value fluctuation reserve for foundation	6.3	38,863,247	124,373,543	-68.8
Fluctuation reserves for pension funds	6.3	19,172,572	19,821,546	-3.3
Free assets of pension funds		14,187,160	14,320,568	-0.9
Foundation capital, free assets of foundation / actuarial deficiency		–	–	
Status at beginning of period		–	–	
Expense/revenue surplus		–	–	
Total liabilities		2,674,467,733	2,578,887,911	3.7

Operating statement

	Note Number	2015 CHF	2014 CHF	Change in %
Statutory and other contributions and deposits		274,603,052	250,478,937	9.6
Employee contributions	3.2	122,186,642	110,801,369	10.3
Employer contributions	3.2	136,281,000	123,476,951	10.4
Withdrawal from employer contribution reserves to finance contributions	6.8.2	-1,650,811	-1,182,908	39.6
Bad debt allowance for premium accounts	6.8.1	-700,000	-815,000	-14.1
Buy-in sums and single contributions	5.3	14,878,492	13,876,214	7.2
Contributions to employer contribution reserves	6.8.2	2,722,399	3,448,723	-21.1
Contributions to savings capital (from free assets of pension funds)		796,128	873,588	-8.9
Contributions to the Security Fund		89,202		
Benefits brought into pension fund		283,728,709	189,868,672	49.4
Vested benefits	5.3	245,013,154	158,217,096	54.9
Contributions on acquisition of insurance portfolios				
> Pension capital for pensioners	5.5	33,442,226	26,934,694	24.2
> Technical reserves		972,478	200,000	386.2
Transfer of advance withdrawals under promotion of home ownership scheme/for divorce	5.3	4,300,851	4,516,882	-4.8
Total inflow from contributions and entry benefits		558,331,761	440,347,609	26.8
Regulatory benefits		-94,257,038	-81,807,294	15.2
Retirement pensions		-40,691,312	-35,910,382	13.3
Survivors, pensions		-11,574,653	-9,532,383	21.4
Disability pensions		-11,142,100	-12,754,030	-12.6
Lump-sum payments on death		-6,251,984	-5,249,359	19.1
Lump-sum payments on retirement		-24,596,989	-18,361,140	34.0
Departure benefits		-559,215,671	-412,413,284	35.6
Vested benefits on departure	5.3	-269,561,739	-284,008,419	-5.1
Transfer of additional funds in the event of collective departures				
> Pension capital for pensioners	5.5	-279,456,664	-117,870,485	137.1
> Technical reserves		-586,469	-50,599	1059.1
> Employer contribution reserves	6.8.2	-2,230,086	-1,037,980	114.8
Advance withdrawals under promotion of home ownership scheme/for divorce	5.3	-7,380,713	-9,445,801	-21.9
Total outflow for benefits and advance withdrawals		-653,472,709	-494,220,578	32.2

Operating statement

	Note Number	2015 CHF	2014 CHF	Change in %
Release / creation of pension capital, technical reserves and contribution reserves		19,452,227	28,554,706	-31.9
Creation of pension capital for working insured	5.3	-127,966,580	-6,961,126	1738.3
Reversal of pension capital for pensioners	5.5	183,185,843	61,092,351	199.9
Creation of technical reserves	5.6	-7,938,371	-1,223,127	549.0
Interest on savings capital	5.3	-26,369,644	-23,119,399	14.1
Expenses/income on partial liquidation		-2,623,154	-24,600	
Reversal/formation of employers' contribution reserves	6.8.2	1,164,133	-1,209,393	-196.3
Income from insurance benefits		19,909,709	22,798,546	-12.7
Profit participation	5.1	131,361	269,618	-51.3
Insurance benefits	5.2	19,778,348	22,528,928	-12.2
Insurance expenses		-36,744,610	-32,587,490	12.8
Insurance premiums				
> Risk premium	3.2	-32,224,525	-28,599,800	12.7
> Cost premium	3.2	-3,317,452	-2,913,911	13.8
Contributions to Security Fund	3.2	-1,202,633	-1,073,779	12.0
Net result from insurance component		-92,523,622	-35,107,207	163.5

Operating statement

	Note Number	2015 CHF	2014 CHF	Change in %
Net investment result	6.7	24,240,524	150,950,710	-83.9
Interest income on payments by previous insurers		135,117	172,955	-21.9
Interest expenses on vested benefits		-3,188,678	-2,139,339	49.0
Interest on receivables from/liabilities to employers	6.8.1	-435,652	-521,898	-16.5
Interest on receivables from/liabilities to third parties		-118,209	-31,194	278.9
Interest on employer contribution reserves	6.8.2	-298,923	-273,775	9.2
Interest on mortgage loans		297,259	96,075	209.4
Net return on money market investments		-1,729,940	21,387	
Net return on domestic and foreign CHF bonds		4,338,045	31,916,541	-86.4
Net return on global bonds in foreign currency		-21,928,801	19,841,757	
Net return on convertible bonds		1,933,197	2,366,807	-18.3
Net return on Swiss equities		11,210,211	32,225,137	-65.2
Net return on global equities		7,557,098	43,407,100	-82.6
Net return on alternative investments		36,897,092	22,463,585	64.3
Net return on Swiss real estate		25,020,679	25,770,448	-2.9
Asset management costs	6.7.1	-35,447,971	-24,364,876	45.5
Other income		552,001	477,902	15.5
Income from services performed		468,993	406,742	15.3
Other income		83,008	71,160	16.7
Other expenses		-7,058	-135	
Administrative costs		-21,706,017	-17,762,859	22.2
General administrative costs		-8,776,454	-7,248,727	21.1
Auditors and accredited pension actuary		-379,059	-172,525	119.7
Supervisory authority		-57,523	-40,026	43.7
Marketing and advertising costs		-4,656,922	-3,527,280	32.0
Brokers, expenses		-7,836,059	-6,774,302	15.7
Expense / revenue surplus before interest on available funds		-89,444,171	98,558,411	
Interest on free assets of pension funds		-253,103	-228,551	10.7
Expense / revenue surplus before creation / release of fluctuation reserve		-89,697,274	98,329,860	
Creation/release of fluctuation reserve for Foundation	6.3	89,048,300	-81,634,860	
Creation/release of fluctuation reserve for pension providers	6.3	648,974	-16,695,000	
Expense / revenue surplus		0	0	

Notes

1 Principles and organisation

1.1 Legal form and purpose

pension fund pro is a foundation set up as a legal entity in its own right under private law as defined in Art. 80 et seq. Swiss Civil Code, Art. 331 Swiss Code of Obligations and Art. 48 par. 2 of the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans (BVG). pension fund pro is entered in the Commercial Register under the number CH-109.924.595. It insures the employees and employers of the companies affiliated with it in accordance with the provisions of the BVG and its implementing ordinances as well as its regulations against the financial consequences of old age, death and disability.

1.2 Registration and Security Fund

pension fund pro is in particular subject to the provisions of the Swiss Federal Law of 25 June 1982 on Occupational Retirement, Survivors' and Disability Pension Plans (BVG) and the Swiss Federal Law of 17 December 1993 on Vesting in Pension Plans (FZG). It is entered in the register of occupational benefits providers under the number SZ 69. pension fund pro is affiliated with the BVG Security Fund pursuant to Art. 57 BVG and pays contributions to the Security Fund in accordance with the provisions of the Ordinance of 22 June 1998 on the BVG Security Fund (SFV).

1.3 Deeds and regulations

The following deeds and regulations govern the activities of pension fund pro:

Description	Date of last amendment	In force since
Deed of foundation	27.09.2012	27.09.2012
Regulations on the composition, election and tasks of the Board of Trustees	06.04.2009	01.04.2009
Administrative regulations for the pension fund commission	13.12.2007	01.01.2008
Terms and conditions of business	11.04.2011	11.04.2011
Pension regulations for employee benefits insurance	13.12.2013	01.01.2014
Addendum 1 to the pension regulations	27.01.2015	01.01.2015
Regulations on the promotion of home ownership	17.12.2010	01.01.2011
Cost regulations	14.12.2012	01.01.2013
Regulations on technical provisions	06.10.2015	31.12.2015
Investment regulations	22.04.2015	01.01.2015
Regulations for the partial liquidation of the foundation or pension funds	13.12.2013	01.01.2014
Profit sharing regulations	27.01.2015	01.01.2015

1.4 Joint governing body/signatory authority

Board of Trustees

The Board of Trustees of pension fund pro consists of six members (three employee and three employer representatives) and functions as the strategic governing body of pension fund pro. It is the highest executive body and also supervises and monitors the management of pension fund pro. The members of the Board of Trustees are authorised to sign by joint signature with a minimum of two signatures.

The trustees' term of office is five years. Re-election is possible. The following people serve on the Board of Trustees:

First name, surname, place		Term of office
Peter Hofmann, Geneva (Chairman)	EE	01.06.2005 – 31.12.2019
Thomas Kopp, Lucerne (Vice-Chairman)	ER	01.01.2010 – 31.12.2019
Hubert Gwerder, Muotathal	EE	01.01.2010 – 31.12.2015
Michael Dean Head, Ballwil	EE	01.06.2005 – 31.12.2019
Rainer Hürlimann, Baar	ER	01.06.2005 – 26.09.2015
Hansjörg Wehri, Chur	ER	01.01.2011 – 31.12.2019

ER = employer representative

EE = employee representative

1.5 Management

The management has been delegated to Tellco Pension Ltd.

The employees of the mandated companies are authorised to sign jointly with a minimum of two signatures with procuracy or power of representation.

1.6 Pension actuary, auditors, consultants, supervisory authority

Pension actuary

The pension actuary as defined in Art. 53 par. 2 BVG is DIPEKA Ltd, Zurich. They periodically check that pension fund pro can at all times guarantee the fulfilment of its obligations and whether its regulatory actuarial provisions comply with the statutory provisions.

Auditors

The Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans (BVG) requires the pension fund to have an independent auditor who annually audits the financial statements and reporting for compliance with statutory and other regulations. The Board of Trustees appointed Ernst & Young Ltd, Basle as the auditors for the 2015 financial year.

Supervisory authority

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

Asset management

Tellco Pension Ltd, Schwyz, a securities trader subject to supervision by the Swiss Financial Market Supervisory Authority (FINMA), is the asset manager of pension fund pro.

Depositary

The depositary of pension fund pro is Tellco Pension Ltd, Schwyz.

Marketing and sales

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

Administration and management

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

1.7 Affiliated companies

The number of affiliated companies changed as follows:

	2015	2014
As at 1 January	7,132	6,720
Amount from merger as at 1 January	152	
New affiliated companies	1,282	1,122
Cancelled affiliation contracts	-848	-710
> of which due to business closure	-50	-34
> of which due to outstanding premiums	-189	-165
> of which due to bankruptcy or liquidation	-25	-12
> of which due to switch to another pension fund	-125	-103
> of which due to no employees to be insured	-459	-386
> of which for other reasons	-	-10
As at 31 December	7,718	7,132

Merger with Pensionskasse Profaro

In June 2015, the Boards of Trustees of pension fund pro and Pensionskasse Profaro decided to merge the two funds. pension fund pro took over all of Pensionskasse Profaro's assets and liabilities in the amount of CHF 208,655,716.80 as per its balance sheet as at 31 December 2014. The merger was carried out pursuant to Art. 88 et seqq. of the Swiss Mergers Act (Fusionsgesetz) and entered into legal effect upon registration in the Schwyz commercial register on 27 April 2016.

2 Active insured and pensioners

2.1 Active insured

Change in number of insured

The portfolio of insured changed as follows:

	2015	2014	Change in %
As at 1 January	51,993	47,143	10.3
Amount from merger as at 1 January	958	–	
Entries	53,088	47,621	11.5
Departures	-47,780	-42,296	13.0
Retirements	-478	-275	73.8
Transfer of disability cases	-192	-170	12.9
Deaths	-32	-30	6.7
As at 31 December	57,557	51,993	10.7

The high number of entries and departures compared to the total number of insured is explained by the staff fluctuation, due to the nature of the business, experienced by the employment agencies affiliated with pension fund pro.

Age structure	Men	Women	Total
under 25 years	4,071	1,742	5,813
25 to 34 years	11,879	4,964	16,843
35 to 44 years	10,609	4,290	14,899
45 to 54 years	9,454	4,422	13,876
55 to 65 years (women to 64)	3,916	2,126	6,042
over 65 years (women over 64)	53	31	84
Total	39,982	17,575	57,557

The average age of the insured is:	31.12.15	31.12.14
Men	39.3	39.0
Women	40.2	39.8

2.2 Change in pending reinsured disability cases

	2015	2014
As at 31 December	518	478

2.3 Pension recipients

	Disability pensions	Retirement pensions	Partner pensions	Child,s pensions	Total
As at 1 January 2015	795	1,693	661	411	3,560
Amount from merger as at 1 January	83	347	222	22	674
New pensions	136	223	110	103	572
> of which acquisitions or from insurance contracts	23	61	38	2	124
Retirement of recipients of disability pensions	-57				-57
Reactivation of recipients of disability pensions	-11				-11
Transfer of pensioners	0	-675	-425	-10	-1,110
Discontinuation of child,s pensions				-107	-107
Deaths, expiry of bridging pensions	-40	-89	-63		-192
As at 31 December 2015	906	1,499	505	419	3,329

During the year under review 1,110 retirees were transferred to another foundation.

2.4 Pension beneficiaries under insurance contracts

	31.12.2015	31.12.2014
Disability pensions	20	16
Partner pensions	3	2
Total	23	18

3 Objective fulfilment

3.1 Description of pension plans

The pension funds have one or several individual BVG-compliant, defined contribution pension plans. The risk benefits are either dependent on the projected retirement assets or defined as a percentage of the pensionable salary (with or without coordination).

3.2 Financing, financing methods

The contributions to finance the pension plans are either defined as a percentage of the pensionable salary under the pension plan or through a percentaged allocation of the actual costs. The risk premiums are derived from the risk reinsurance rate. The risk and administrative cost contributions finance the insurance premiums, the Security Fund, the reserves for the conversion rate, the inflation adjustment fund and the administrative costs. The employer finances at least 50 % of the total contributions.

Income (contributions)	2015 CHF 1,000	2014 CHF 1,000	Change in %
Employee contributions	122,186	110,801	10.3
Employer contributions	136,281	123,477	10.4
Transfers to contingency premium accounts	-700	-815	-14.1
Total income	257,767	233,463	10.4
Expenses (utilisation)			
Retirement credits	199,035	175,333	13.5
Insurance premiums	35,541	31,513	12.8
Contributions to Security Fund	1,203	1,074	12.0
Creation of reserves for conversion rate ¹⁾	7,545	9,985	-24.4
Administrative costs	21,706	17,763	22.2
Total expenses	265,030	235,668	12.5
Balance	-7,263	-2,205	229.4

¹⁾ without CHF 12,000,000 due to change in provisioning policy and without reversing a provision of CHF 2,087,000 due to the merger.

4 Valuation and accounting principles, consistency

4.1 Confirmation that accounts are drawn up in accordance with Swiss GAAP FER 26

According to the amendment to the Ordinance on Occupational Retirement, Survivors' and Disability Pension Plans (BVV2) as part of the first BVG revision on 1 April 2004, the accounting principles of Swiss GAAP FER 26 have been compulsory for pension funds since 1 January 2005. These 2015 annual financial statements comply with both the formal requirements as regards the structuring of the balance sheet, operating statement and notes as well as the material requirements of Swiss GAAP FER 26.

4.2 Accounting and valuation principles

Accounting, balance sheet reporting and valuation are done in accordance with the rules of the Swiss Code of Obligations and the BVG as well as the relevant ordinances (in particular BVV2 and Swiss GAAP FER 26).

Securities and currencies are measured at market prices, while medium-term notes, mortgages and loans are measured at nominal values. Direct real estate investments are reported at fair value. All properties are restated annually by way of the discounted cash flow method (DCF method) or, by way of exception, at acquisition cost minus recognised impairment. Alternative investments are measured at the latest available market price.

4.3 Changes to valuation, bookkeeping and accounting principles

No change was made to the valuation, bookkeeping and accounting principles compared with the 2014 annual financial statements.

5 Actuarial risks, risk cover, funding ratio

5.1 Type of risk cover, reinsurance

pension fund pro is a semi-autonomous pension fund. The risks of disability and death are reinsured with Swiss Mobiliar Life Insurance Company Ltd since 1 January 2005, the provisions raised by Mobiliar are assigned to pension fund pro for the definitive benefit claims and the benefit cases are then managed by pension fund pro. A net contract was concluded with Mobiliar from 1 January 2010.

The profit participation under insurance contracts of CHF 131,361 was credited to the value fluctuation reserve for the foundation. The utilization is in accordance with the provisions of the regulations.

5.2 Assets and liabilities under insurance contracts

On the reporting date there were the following assets and liabilities under insurance contracts:

5.3 Change in and interest on the pension capital of working insured

The following table shows the changes in the insured's pension capital:

	2015 CHF 1,000	2014 CHF 1,000	Change in %
As at 1 January	1,469,272	1,439,167	2.1
Amount from merger as at 1 January	87,007	–	
Retirement credits	199,035	175,333	13.5
Retirement credits, free of premiums	6,818	7,340	-7.1
Buy-ins and single contributions	14,879	13,876	7.2
Vested benefits contributed	245,013	158,217	54.9
Vested benefits contributions by GENERALI	61	189	-67.7
Contributions of free assets and employer contribution reserves	802	892	-10.1
Pay-in of advance withdrawals under promotion of home ownership scheme/for divorce	4,301	4,517	-4.8
Vested benefits/contract terminations	-269,508	-283,939	-5.1
Reduction due to partial liquidation	1	25	-96.0
Expense due to partial liquidation	120	–	
Lump-sum payments on retirement	-24,597	-18,361	34.0
Transfer to pension capital for pensioners (retirements)	-37,032	-38,011	-2.6
Transfer to pension capital for pensioners (deaths)	-4,478	-3,694	21.2
Advance withdrawals under promotion of home ownership scheme/for divorce	-7,380	-9,446	-21.9
Interest on savings capital	26,370	23,119	14.1
Miscellaneous	54	48	12.5
As at 31 December	1,710,738	1,469,272	16.4
Number of savings accounts for active insured	51,896	46,378	11.9
Number of savings accounts for disability cases and disability pensioners	1,236	1,124	10.0

In 2015 the savings assets provisionally earned 1.75 %. At its meeting on 18 December 2015 the Board of Trustees decided to set the final interest rate at 1.75 % in accordance with the regulations on technical provisions, as the funding ratio was expected to be more than 97.5 % on 31 December 2015.

The BVG assets in the shadow account earned interest at the minimum BVG interest rate of 1.75 %.

5.4 Total retirement assets under BVG (shadow account)

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

	31.12.2015 CHF 1,000	31.12.2014 CHF 1,000	Change in %
Pension capital for working insured	1,114,243	959,472	16.1
Liabilities under insurance contracts	549	528	4.0
	1,114,792	960,000	16.1

5.5 Change in pension capital for pensioner

Since 31 December 2012, pension fund pro has recognised its pension obligations in the balance sheet on the basis of the technical BVG 2010 actuarial tables with a technical interest rate of 2.5 %. To take account of the increase in life expectancy and to anticipate a change in actuarial tables, the actuarial reserves for pensioners include a longevity reserve of 2.5 %.

	2015 CHF 1,000	2014 CHF 1,000	Change in %
As at 1 January	641,865	702,957	-8.7
Amount from merger as at 1 January	107,148	-	
Pension recipients transferred in	33,443	26,935	24.2
Transfer of pensioners	-279,457	-117,870	137.1
Insurance benefits	16,806	19,353	-13.2
Transfer from pension capital for working insured (retirements)	37,034	38,011	-2.6
Transfer from pension capital for working insured (deaths)	4,478	3,694	21.2
Lump-sum payments	-6,252	-5,249	19.1
Pension payments	-63,408	-58,197	9.0
Premium waiver for savings credits	-4,005	-4,386	-8.7
From reserves for conversion rate	7,652	8,647	-11.5
Creation (actuarial adjustment)	70,523	27,970	152.1
As at 31 December	565,827	641,865	-11.8

During the year under review 1,110 (previous year 1,032) retirees were transferred to another foundation.

5.6 Composition, development and explanation of technical provisions

	Note Number	31.12.2015 CHF 1,000	31.12.2014 CHF 1,000	Change in %
Composition of technical reserves				
Reserves FZG 17	5.6.1	1,046	1,161	-9.9
Reserves for minimum BVG termination benefits	5.6.2	347	406	-14.5
Reserves for conversion rate	5.6.3	34,949	21,219	64.7
Inflation adjustment fund	5.6.4	15,771	15,771	0.0
Other IBNR reserves	5.6.5	3,987	1,952	104.3
Total technical reserves		56,100	40,509	38.5
Development of technical provisions				
As at 1 January		40,509	39,286	3.1
Amount from merger		7,714	–	
Withdrawal of reserves FZG 17	5.6.1	-115	-71	62.0
Transfer from reserve for minimum BVG termination benefits	5.6.2	-59	-193	-69.4
Reserves for conversion rate				
> Ordinary allocation	5.6.3	7,545	9,985	-24.4
> Allocation due to change in provisioning policy		9,913	–	
> Withdrawal in the event of termination		–	-51	100.0
> Retirement losses	5.6.3	-7,652	-8,647	-11.5
Provisions for IBNR reserves				
> Allocation	5.6.5	972	200	386.0
> Withdrawal of other IBNR reserves	5.6.5	-587		
Reversal of provision for actuarial reserves		-2,140		
As at 31 December		56,100	40,509	38.5

The reserves and provisions raised in the balance sheet are based on the regulations on technical provisions drawn up by the Board of Trustees of pension fund pro in cooperation with the pension actuary.

5.6.1 Reserves FZG 17

These reserves cover the difference between the statutory vested benefits and the accrued savings capital. They are made necessary by a single affiliation (cpne), which does not apply a symmetrical system of financing the retirement credits (constant contributions and rising saving scale).

5.6.2 Reserves for minimum BVG termination benefits

As a result of the minimum interest rate for savings capital applied in accordance with the imputation principle, the savings capital of 2,066 insured is less than their vested benefits at 31 December 2015. As these insured are entitled to the higher benefit in the event of a claim, a suitable reserve was raised for the difference.

5.6.3 Reserves for conversion rate

It is the objective of pension fund pro to guarantee the statutory pension conversion rate on the total savings capital of the active insured for as long as possible. To achieve this, pension fund pro raises a reserve that covers the difference between the statutory and technical conversion rates. The amount of the reserve was calculated by the pension actuary.

Retirement losses decreased from CHF 8.6 million to CHF 7.7 million during the year under review.

5.6.4 Inflation adjustment fund

The statutory minimum survivors' and disability pensions which have been paid out for more than three years must be adjusted to inflation until the beneficiary reaches the regular AHV retirement age as stipulated by the Swiss Federal Council. The inflation adjustment fund is raised for this purpose. Since the fund is well endowed, it was decided, in agreement with the pension fund experts, not to make a further allocation in the reporting year. The survivors' and disability pensions that do not have to be adjusted to inflation, and the retirement pensions, are adjusted for inflation as allowed by the financial resources of pension fund pro.

5.6.5 Other IBNR reserves

This concerns IBNR risk in connection with three affiliations. A deposit of CHF 972,478 was made during the reporting year in connection with an affiliation.

5.7 Results of last actuarial report

An actuarial opinion dated 31 December 2015 is available for pension fund pro in which the expert for occupational pensions states as follows:

Financial security and ongoing financing

The Foundation offers security to ensure that it can meet its current obligations.

Regulations on actuarial provisions

The law does not require any adjustments to be made to the regulations on actuarial provisions governing payments and financing.

5.8 Actuarial tables and other actuarial assumptions

Pension fund pro's obligations were determined in accordance with the principles and guidelines for pension actuaries issued by the Swiss Association of Actuaries and the Swiss Chamber of Pension Actuaries. The following bases for calculation are used:

OPA 2010, period life tables 2011, at the rate of 2.5 %, increased by 0.5 % p.a.

5.9 Changes to actuarial tables and assumptions

The regulations on technical provisions must be amended in respect of provisions for conversion rate losses, the lump sum withdrawal rate and the inflation compensation fund. In all other respects, the technical foundations and assumptions are identical in the case of the 2014 and 2015 annual reports.

5.10 Funding ratio pursuant to Art. 44 BVV 2

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

Actuarial balance sheet

	31.12.2015 CHF 1,000	31.12.2014 CHF 1,000	Change in %
Available pension assets			
Balance sheet assets	2,674,468	2,578,888	3.7
Balance sheet liabilities	-230,998	-225,025	2.7
Deferrals	-17,412	-23,719	-26.6
Employer contribution reserves	-18,304	-18,037	1.5
Fluctuation reserves of pension funds	-19,173	-19,821	-3.3
Free assets of pension funds	-14,187	-14,321	-0.9
Total available pension assets	2,374,394	2,277,965	4.2
Pension capital and technical reserves			
Pension capital for working insured	1,710,738	1,469,272	16.4
Pension capital for pensioners	565,827	641,865	-11.8
Liabilities under insurance contracts	2,865	1,945	47.3
Technical reserves	56,100	40,509	38.5
Pension capital and technical reserves	2,335,530	2,153,591	8.4
Actuarial surplus / deficiency	38,864	124,374	-68.8
Foundation's funding ratio (= minimum funding ratio of the pension funds)	101.7%	105.8%	
Average funding ratio of the pension funds	103.1%	107.4%	

Coverage ratio of the pension providers	Number	Pension obligations CHF 1,000
101.7 %	3,645	786,292
101.8 - 104.9 %	3,813	1,359,348
105.0 - 109.9 %	151	150,158
110.0 - 114.9 %	40	30,064
115.0 - 119.9 %	20	3,641
120.0 - 124.9 %	17	3,351
ab 125.0 %	32	2,676
Total	7,718	2,335,530

6 Explanation of investments and net investment result

Review

Stock market trading began with a bang in 2015: the Swiss National Bank (SNB) abandoned its policy of maintaining a minimum exchange rate of CHF 1.20 to the euro. The timing was surprising and markets reacted strongly. At the close of trading on the day of the decision, the euro-Swiss franc exchange rate lay at CHF 0.98 and within two days Swiss stock markets dropped 14 %. However, the broad Swiss Performance Index recovered quickly and even recorded a plus (+2.8 %) at the end of the year. Nonetheless, volatility on global share markets increased significantly during 2015 and in fact reached its highest level since the 2008 financial crisis. The debt crisis and the possibility of a Grexit kept investors on their toes. In addition, fears of deflation arose, which was fuelled by sinking commodity prices and decreasing growth rates in China.

Thanks to strong macro data in the US, the Federal Reserve (FED) raised its key interest rate from 0.25 % to 0.5 % for the first time in 10 years and thus began a turnaround in its zero interest-rate policy. The SNB, on the other hand, dropped its three-month Libor rate to -0.75 %. Low yield from bonds continued to pose a big challenge. Alternative investments were therefore further increased, while bonds in CHF and foreign currencies within the portfolio were reduced.

Performance

pension fund pro's performance stayed at +1.39 % for the whole of 2015, which was 89 basis points higher than that of the benchmark Pictet BVG-25 2000 (+0.5 %). In the year under review, the overweights in the Swiss real estate market and alternative investments maintained at the expense of bonds and equities paid off.

- > The net performance of the CHF bonds portfolio reached +0.26 %. The Swiss Bond Index AAA-BBB Total Return benchmark index posted a gain of +1.77 %.
- > The removal of the exchange rate floor and the related foreign currency loss put pressure on the global bonds portfolio. At the end of the year, its performance had reached -8.47 %, while that of the customised Barclays benchmark was -6.58 %.
- > The Swiss equities portfolio ended the reporting year with a performance of +2.53 % and, at the same time, the SPI benchmark index rose by +2.68 %.
- > Global equities (+0.66 %) clearly outperformed the MSCI All Countries World benchmark in CHF (-1.74 %).
- > Convertible bonds yielded +1.25 %, while the benchmark was +1.87 %.
- > Alternative investments delivered the best performance at +6.75 %, beating the absolute OPA benchmark of a minimum interest rate of +2 % (3.75 %).
- > The Swiss real estate portfolio rose by 2.61 % and the KGAST-Immo benchmark index gained 5.8 %.

Outlook

Geopolitical developments will play a significant role in 2016. The presidential elections in the US, the refugee crisis in the EU and a possible Brexit will influence the markets.

The FED initiated a turnaround in interest rates in 2015 and may be able to implement two additional increases to 1.25 % and to 1.5 % by the end of 2016. This will depend strongly on the situation in the employment market and inflation. The central banks will do everything in their power to fight deflation and bring the inflation rate somewhere close to the mark of 2 % again.

Investments in non-traditional asset categories such as private equity, private debt, hedge funds, insurance-linked securities and physical assets such as infrastructure will allow us to largely avoid negative yields from bonds. Alternative investments will have a positive effect on the risk-return profile. pension fund pro believes that it is well-equipped through its current investment strategy to meet the challenges and risks described in 2016.

6.1 Organisation of investment activities, investment regulations

The investment regulations are dated 22 April 2015. Tellco Pension Ltd., Schwyz, is in charge of asset and real estate management. It is also the custodian for investment securities. Kottmann Advisory Ltd, Zurich, handles investment controlling.

In the agreement of 25 October 2007, Tellco Pension Ltd. provided an undertaking that it has not accepted any pecuniary benefits in the course of its asset management since September 2006 and agreed to automatically transfer any such pecuniary benefits to pension fund pro in the future. No such pecuniary benefits were received in 2015.

6.2 Utilisation of the extended investment possibilities (Art. 50 par. 4 BVV2) with conclusive proof of compliance with security and risk diversification provisions (Art. 50 par. 1 to 3 BVV2)

Alternative investments

At the end of 2015, alternative investments made up 21.5 % of total assets.

Selection / management / supervision

Tellco Pension Ltd. exercises the same due diligence in selecting, managing and supervising alternative investments with specialists as it exercises in the case of traditional investments.

Ensuring that the objective of pension provision is fulfilled

Past experience (among other things, asset allocation studies) was used as the basis for determining the proportion of assets invested in alternative investments. Experience shows that especially in times of crisis they are a valuable addition to traditional investments. Their contribution to fulfilling the objective of pension provision is thus guaranteed.

Diversification / liquidity

Alternative investments contribute significantly to the diversification of the total assets and improve the risk-return profile. The exposure of alternative investments would otherwise be considerably greater. While it is true that the value of alternative investments is influenced to a certain degree by the performance of traditional investments, other factors also have a considerable effect. Investments with cash-flow qualities such as private debt are overweighted. We consider it important that a large share of alternative investments are made in what are more liquid assets (open-end structures which allow monthly/quarterly withdrawal), and that these are supplemented by illiquid assets (closed-end structures where withdrawal is not possible for several years).

Profitability

At its meeting of 22 April 2015, the Board of Trustees decided to increase the percentage of alternative investments since it is convinced that this will contribute positively to achieving earnings targets and serve to diversify risk in an appropriate manner thus supporting the achievement of the objective of pension provision.

6.3 Target and calculation of fluctuation reserve

The fluctuation reserve is created or reversed to eliminate short-term fluctuations in the value of the investments. The target fluctuation reserve for the assets is calculated using a risk-oriented approach during the preparation of the regular asset & liability study.

Value fluctuation reserve foundation	31.12.2015 CHF 1,000	31.12.2014 CHF 1,000	Change in %
Status 1 January	124,374	42,739	191.0
Amount from merger as at 1 January	3,537	–	
Withdrawal/allocation from operating statement	-89,048	81,635	
Status 31 December	38,863	124,374	-68.8
Fluctuation reserve target	334,000	322,000	3.7
Target as % of investments	12.5	12.5	
Available fluctuation reserve	38,863	124,374	-68.8
Reserve deficit	295,136	197,626	49.3
Value fluctuation reserves for pension funds			
Status 1 January	19,822	3,127	533.9
Deposits/Withdrawals	-649	–	
Allocation from operating statement	–	16,695	
Status 31 December	19,173	19,822	-3.3

In the year under review, no distribution to fluctuation reserves for pension providers was made since the coverage ratio was under 105 %.

6.4 Investments by asset class

	31.12.2015			31.12.2014		
	CHF 1,000	in %	Strategy in %	CHF 1,000	in %	Strategy in %
Money market	177,121	6.8	0 - 10	129,266	5.1	0-10
Mortgage loans	59,772	2.3	0 - 5	–	–	0
CHF bonds	254,109	9.8	0 - 40	474,452	18.7	0-40
Global bonds in foreign currency	129,591	5.0	0 - 20	243,661	9.6	0-20
Convertible bonds	127,173	4.9	0 - 8	122,366	4.8	0-8
Swiss equities	276,779	10.7	0 - 20	266,261	10.5	0-20
Global equities	271,485	10.5	0 - 20	286,298	11.3	0-20
Alternative investments	556,343	21.5	0 - 25	297,180	11.7	0-15
Swiss real estate	736,973	28.5	20 - 35	721,612	28.4	20-35
Subtotal	2,589,346	100.0		2,541,096	100.0	
Receivables from employers	35,879			29,762		
Other receivables Switzerland	44,873			4,551		
Prepaid expenses	1,504			1,534		
Assets under insurance contracts	2,865			1,945		
Total assets	2,674,467			2,578,888		
	CHF 1,000	in %	BVV 2 in %	CHF 1,000	in %	BVV 2 in %
Total restrictions pursuant to BVV 2						
Investments in claims secured by real estate liens pursuant to Art. 55a BVV 2	59,772	2.3	50	–	–	50
Investments in shares pursuant to Art. 55b BVV 2	548,264	21.2	50	552,559	21.7	50
Investments in real estate pursuant to Art. 55c BVV 2	736,973	28.5	30	721,612	28.4	30
> of which abroad	–	–	10	–	–	10
Alternative investments pursuant to Art. 55d BVV 2	556,343	21.5	15	297,180	11.7	15
Investments in foreign currencies without hedging pursuant to Art. 55e BVV 2	359,092	13.9	30	246,590	9.7	30

Asset allocation of alternative investments

	Collective CHF 1,000	Direct CHF 1,000	31.12.2015 CHF 1,000	31.12.2014 CHF 1,000
Hedge funds	167,128		167,128	209,316
Insurance-linked securities	141,753		141,753	36,830
Private equity	60,896		60,896	30,444
Private Debts	149,321		149,321	11,106
Infrastructure investments	25,498		25,498	12,749
Foreign exchange hedging transactions	–	11,747	11,747	-3,265
Total	544,596	11,747	556,343	297,180

6.4.1 Money market

The item «Money market» includes the account balances with banks and securities traders, fixed deposits with banks and units in money market funds.

6.4.2 Bonds

In expectation of interest rate increases, the bond component was reduced from 28.3 % to 14.8 % in the reporting year. The portfolio value is CHF 384 million.

6.4.3 Convertible bonds

Convertible bonds were increased by CHF 5 million to CHF 127 million (share of 4.9 %).

6.4.4 Equities

In the reporting year the equity component ranged between 21.0 % and 24.8 %. The portfolio value is CHF 548 million, and the equity exposure has decreased to 21.2%.

6.4.5 Swiss real estate

The real estate portfolio increased by CHF 15 million in the reporting year, with a share of 28.5%. CHF 519 million of the portfolio is invested in units in the Swiss real estate investment group of Telco Investment Foundation.

6.5 Recurring (open) derivative financial instruments

There were the following open derivative contracts on 31 December 2015:

	Market value 31.12.2015 in CHF 1,000	Contract volume in CHF 1,000	Commitment- increasing in CHF 1,000	Commitment- reducing in CHF 1,000
Forward exchange transactions				
EUR, USD				
> positive replacement cost	12,085	562,512		562,512
> negative replacement cost	-515	101,239		101,239
Total forward exchange transactions	11,570	663,751	-	663,751
Futures				
CONF	-	28,836		28,836
SMI	-	32,972		32,972
SMIM	-	5,833		5,833
MSCI World	-	34,897		34,897
MSCI Emerging Markets Mini	-9	3,347		3,347
Total futures	-9	105,885		105,885

Derivative financial instruments are covered by the existing investments.

6.6 Outstanding funding commitments

	31.12.2015 CHF 1,000	31.12.2014 CHF 1,000
Outstanding funding commitments	211,120	68,356

6.7 Explanation of net investment result

The operating statement shows the composition of the net investment result.

6.7.1 Administrative costs for investments

	2015		2014	
	CHF 1,000	in %	CHF 1,000	in %
Asset management fees at scheme level (TER costs)	5,954	0.23	5,442	0.22
Transaction costs and taxes (TTC costs)	4,283	0.17	1,577	0.06
Other costs (SC costs)	144	0.01	54	0.00
TER costs for cost-transparent collective investments	25,067	0.97	17,292	0.69
> of which TER costs for cost-transparent alternative investments	10,195	0.39	4,724	0.19
> of which TER costs on performance fees for cost-transparent alternative investments	3,357	0.13	2,170	0.09
> of which TER costs for cost-transparent collective investments in real estate	3,931	0.15	3,563	0.14
> of which TER costs for other cost-transparent collective investments	7,592	0.29	6,835	0.27
Total	35,448	1.37	24,365	0.98
Total investments	2,670,099	100.00	2,575,409	100.00
Non-cost-transparent investments	83,089	3.11	75,136	2.92
Cost-transparent investments – cost transparency ratio	2,587,010	96.89	2,500,273	97.08

From the 2013 financial year, the Directive of the OAK BV of 23 April 2013 requires all pension funds to also recognise all internal asset management costs (i.e. transaction costs, taxes and TER costs for cost-transparent collective investments) as expenses in their operating statement.

TER costs: namely, management fees, custody fees, fund administration fees and performance fees

TTC costs: transaction costs such as brokerage fees, issuing and redemption commission and taxes (stamp duty)

SC costs: supplementary costs, e. g. external investment controlling

**Non-cost-transparent investments pursuant to Art. 48a par. 3 BVV2 –
portfolios at 31.12.2015**

Product name	Provider	ISIN	Units	Market value CHF 1,000
3i Debt Glb Fl Ptg. Shs -A-	3i Group PLC	IE00BYZG4L93	79,792	7,869
AQR Delta XN Offshore Fund Ltd	AQR Capital Managem.		6,000	6,472
Areca Value Discovery Fund -A-	Ayaltis AG	LU0397699645	4,618	734
Goldmann Sachs Infrastructure 2015	Goldman Sachs		1,870,000	1,870
Leadenhall Value Ins. Linked Inv. Fund	Invesco Asset Man.	IE00B6W1CW81	91,302	10,328
Legion Strategies Q-1	SkyBridge Capital	KYG544811097	126	239
M&G Debt Opportunities III	M&G Group		2,220,000	2,411
PB AI Gl Sec Cr Shs -I-	PineBridge Investments	LU1019991816	20,354	20,206
PG 3 Private ILS CHF	PG3 AG	BMG7060P1095	205	270
PG Global Infrastructure 2012	Commerzbank / PG AG		5,060,104	5,700
Solidum Recovery Fund 2RI	Solidum		71	581
Swiss Re Sector V A 4 Reg S	Swiss Re Capital Markets	USG7966TAP15	4,303	44
Swiss Re Sector V A 5 Reg S	Swiss Re Capital Markets	USG7966TAV82	2,250,000	2,699
Synergy As Agg C Red. Ptg. Shs -C-	Synergy Fund Managem.	KYG8650R1092	5,000	605
Tavau Swiss Fund	Entrepreneur Partners AG	CH0105325903	6,000	972
Telco AST Private Equity C	Telco Vorsorge AG	CH0252508897	167,000	16,721
Trias L/S Fund EUR	Entrepreneur Partners AG	LU0183864052	3,500	744
World Bank GGB 2023	World Bank IBRD	XS1201913651	5,000,000	4,624
Total				83,089

6.8 Investments with the employer and employer contribution reserves

6.8.1 Investments with the employer

On 31 December 2015, the premium account receivables from affiliated companies totalled CHF 38,103,000 (2,974 employers). These were offset by contingency reserves for doubtful receivables of CHF 2,224,000. Balances to the debit of employers earned 6 % interest, and balances in favour of employers earned 1.75 % interest. The net result was an interest expense of CHF 436,000. These current account receivables do not strictly qualify as investments with the employer.

Alternative investments include a loan of CHF 509,000. It is a mortgage loan secured by real estate in Germany (with a low level of borrowing).

6.8.2 Employer contribution reserves

In addition to premium account liabilities to affiliated companies of CHF 14,640,000, the foundation also held employer contribution reserves for 324 employers on 31 December 2015. The contribution reserves changed as follows:

	2015 CHF 1,000	2014 CHF 1,000
As at 1 January	18,037	16,554
Amount from merger as at 1 January	1,132	
Deposits	2,722	3,448
Transfers to supplementary insurer	-2,230	-1,038
Used for employer contribution payments	-1,651	-1,183
Used for contributions to savings capital	-5	-18
Interest 1.75 % (previous year 1.75 %)	299	274
As at 31 December	18,304	18,037

7 Explanation of additional items in the balance sheet and operating statement

7.1 Other liabilities

	2015 CHF 1,000	2014 CHF 1,000	Change in %
Savings contributions	193,439	170,470	13.5
Risk contributions	50,308	50,521	-0.4
Administrative cost contributions	6,810	6,375	6.8
Flat-rate contributions	7,910	6,912	14.4
Total contributions	258,467	234,278	10.3

8 Requirements of the supervisory authority

The Central Switzerland BVG and Foundation Supervision (ZBSA) approved the 2014 annual financial statements on 22 May 2015 without any provisos.

9 Additional information regarding the financial position

9.1 Pledging of assets

The following assets have been pledged to secure obligations resulting from derivative financial instruments:

	2015 CHF 1,000	2014 CHF 1,000
Investments with Tellco Pension Ltd.	2,105,451	–
Investments with UBS AG	65,437	114,800
Investments with Credit Suisse AG	–	10,000
Total	2,170,888	114,800

9.2 Current legal proceedings

No legal proceedings relating to the financial situation are pending.

9.3 Contingent liabilities to third parties

As at 31 December 2015: CHF 620,000

10 Events after the reporting date

There were no material events after the reporting date that would require a correction to the 2015 annual financial statements.

Auditor's report

To the Board of Trustees of
pension fund pro, Schwyz

Basle, 21 April 2016

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the accompanying financial statements of pension fund pro, which comprise the balance sheet, income statement and notes, for the year ended 31 December 2015.

Board of Trustee' responsibility

The Board of Trustees is responsible for the preparation of the financial statements in accordance with Swiss law, the foundation deed 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 Board of Trustees is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Responsibility of the pension actuaries

The Board of Trustees appoints a pension actuary in addition to the auditor. The pension actuary is responsible for periodically assessing whether the pension fund is able to guarantee that it can meet its benefit obligations and whether the actuarial provisions in the regulations concerning benefits and financing comply with the law. In accordance with Art. 52e para. 1 BGV/LPP in conjunction with Art. 48 BVV 2/OPP 2, the current report of the pension actuary is decisive in determining the provisions required for actuarial risks.

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 about 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, the foundation deed and the regulations.

Report on legal and other requirements

We confirm that we meet the legal requirements on licensing (Art. 52b BVG/LPP) and independence (Art. 34 BVV 2/OPP 2) and that there are no circumstances incompatible with our independence.

We have also audited the additional audit areas prescribed by Art. 52c para. 1 BVG/LPP and Art. 35 BVV 2/OPP 2. The Board of Trustees is responsible for ensuring that the legal duties are fulfilled and that the provisions of the law, the foundation deed and the regulations with regard to organization, management and investment are implemented.

We carried out audit procedures to verify whether:

- > The organization and management comply with the provisions laid down by the law and the pension fund's regulations and internal controls are in place that are appropriate for the size and complexity of the pension fund;
- > The investment of assets meets the provisions laid down by the law and the pension fund's regulations;
- > The BVG/LPP retirement accounts comply with the legal provisions;
- > Precautions have been taken to ensure loyalty in asset management and adequate control procedures were performed to verify that the supreme governing body has disclosed any outside interests and complied with loyalty duties;
- > Non-committed funds or shares of insurance surpluses have been appropriated in accordance with the provisions laid down by the law and the pension fund's regulations;
- > The disclosures and reports required by law have been submitted to the supervisory authorities;
- > The disclosed legal transactions with related parties are compatible with the interests of the pension fund.

We confirm that the pension fund has complied with the provisions relating to these areas as defined by the law, the foundation deed and the regulations.

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

Ernst & Young Ltd

Patrik Schaller
Licensed audit expert
(Auditor in charge)

Sandra Hensler Kälin
Licensed audit expert

Publishing details

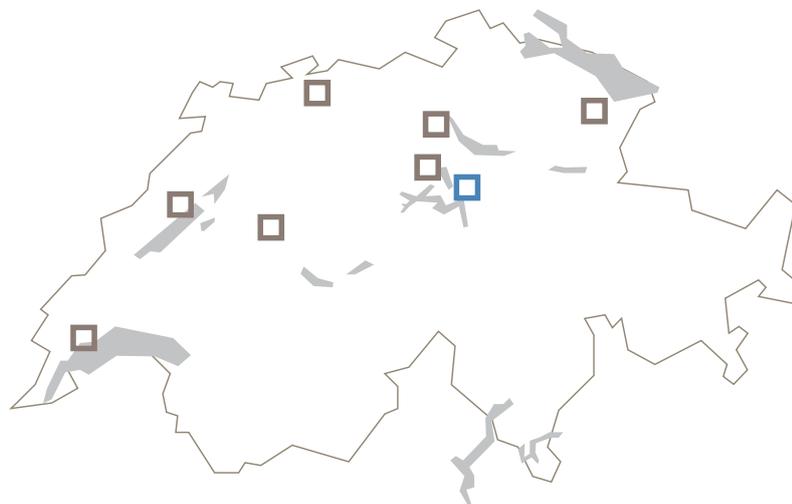
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Based in Schwyz, present close to you.

**Head office**

pensionskasse pro
Bahnhofstrasse 4
Postfach 434
CH-6431 Schwyz
t +41 58 442 50 00
pkpro@tellco.ch

French-speaking Switzerland north

Tellco Prévoyance SA
Services de prévoyance
NE, FR, JU, BE
Rue Saint-Jean 4
Case postale 1102
CH-1260 Nyon 1
t +41 58 442 25 60
romandie-nord@tellco.ch

Eastern Switzerland

Tellco Vorsorge AG
Vorsorgedienstleistungen
AI, AR, GL, GR, SG, TG, SH
Kornhausstrasse 3
Postfach 2134
CH-9001 St. Gallen
t +41 58 442 26 40
ostschweiz@tellco.ch

French-speaking Switzerland

Tellco Prévoyance SA
Services de prévoyance
Administration régionale
Place des Halles 6
Case postale 2108
CH-2001 Neuchâtel
t +41 58 442 25 00
admin.romandie@tellco.ch

Central Switzerland

Tellco Vorsorge AG
Vorsorgedienstleistungen
LU, NW, OW, SZ, ZG, AG
Bahnhofstrasse 3
CH-6340 Baar
t +41 58 442 26 20
zentralschweiz@tellco.ch

Mid-Country

Tellco Vorsorge AG
Vorsorgedienstleistungen
BE, SO
Morgenstrasse 129
CH-3018 Bern
t +41 58 442 26 60
mittelland@tellco.ch

French-speaking Switzerland south

Tellco Prévoyance SA
Services de prévoyance
GE, VD, VS
Rue Saint-Jean 4
Case postale 1102
CH-1260 Nyon 1
t +41 58 442 25 80
romandie-sud@tellco.ch

Zurich

Tellco Vorsorge AG
Vorsorgedienstleistungen
ZH, AG
Schützengasse 4
CH-8001 Zürich
t +41 58 442 26 00
zurich@tellco.ch

Northwestern Switzerland

Tellco Vorsorge AG
Vorsorgedienstleistungen
BS, BL, AG
Bahnhofplatz 11
CH-4410 Liestal
t +41 58 442 26 80
nordwestschweiz@tellco.ch

Tessin / Uri / Schwyz

Tellco Vorsorge AG
Vorsorgedienstleistungen
TI, UR, SZ
Bahnhofstrasse 4
Postfach 713
CH-6431 Schwyz
t +41 58 442 27 00
ticino@tellco.ch