



Helvetia Switzerland

Annual Report 2014

Helvetia Group Foundation for Employee Pensions.

Your Swiss Insurer.



2014: Continuity despite turbulent framework conditions.

Dear readers,

If the desire to carry on with what has been successful can be regarded as evidence of trust, we can say that you have clearly expressed your trust in the Board of Foundation of the Helvetia Group Foundation. For the election of the Board of Foundation that was conducted in autumn 2014, seven of the eight previous members of the Board of Foundation ran for re-election and were compellingly confirmed in their office. The candidate proposed by the Board of Foundation was elected as a new member. The Board of Foundation would like to thank all voters for their trust – you can rest assured that in the coming office term of five years, the Board of Foundation will do its best to promote the welfare of the insured persons, the affiliated companies and the Foundation!

The introduction of a new insurance tariff often causes a lot of commotion. No wonder, as a new tariff is usually associated with higher premiums. Interestingly, the changes associated with the new collective tariff for 2015, which Helvetia had adopted in 2014 and introduced at the beginning of 2015, are either hardly noticeable for our customers or are mostly evident in the form of a premium reduction: new mortality and invalidity probabilities led to reductions of the risk premiums in most cases – which however only account for a minor portion of the total premium, which is dominated by the old-age credit. Nevertheless, the reduction is likely to attract attention on the market, as with this new tariff, Helvetia is strengthening its position as a fair and inexpensive provider of pension plans.

This position is also evident from the good growth figures that the Helvetia Group Foundation again recorded in the financial year ended, especially with respect to the periodical premiums (more information is available on pages 6 and 9 of this annual report). Both the newly affiliated companies as well as the existing loyal customers are making a material contribution to this net growth: only very few contracts were terminated – which also furnishes clear evidence of the trust that we enjoy!

So no need to worry? Not quite: the Helvetia Group Foundation is also carefully observing the developments on the capital markets, the currency turbulence and the political debate about occupational benefit schemes. The most topical issue is the “Pensions 2020” package of measures of the Federal Council, which the parliament will negotiate in 2015. From the general perspective and for practical purposes, we hope that the package will be adopted as a whole and will not be broken down into individual elements. After all, the need for reform of the second pillar is high and urgent. The risk associated with getting lost in details is that this necessary reform could be delayed both in terms of its timing and scope, and ultimately nothing might be left of it – with disastrous consequences for the insured persons, who rightfully rely on a stable pension system. Whatever the new concept will look like, it must always be implemented with a sense of proportion, as the increasing regulation density merely pushes up costs, but does not deliver any increase in security – on a long-term basis, the ongoing decline of liberal attitudes is endangering the successful Swiss model!

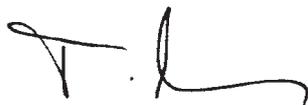
Another event that caused a lot of commotion was the decision of the Swiss National Bank (SNB) of 15 January 2015 to discontinue the minimum exchange rate to the euro and to introduce negative interest rates. Apart from exporters, this decision has also dealt a severe blow to the financial industry. Thanks to high and consistently established hedges, the effects on the Helvetia Group Foundation are very limited. Instead, pressure is evident from well-known factors such as the still too high pension conversion rate and the minimum interest rate, which is a far cry from the market reality. Though the SNB decision is painful, it is still correct and inevitable, as artificial prices give a false sense of security, distort the market transparency and delay necessary structural adjustments. As economists say, “There is no free lunch.” However, the negative interest rates introduced by the SNB are detrimental to social security, and the Helvetia Group Foundation is watching the impact of potential structural adjustments on the real economy diligently and with a measure of concern.

Despite this turbulence in the economic and political environment, you can rest assured that as a customer of the Helvetia Group Foundation, you are being taken care of in the best way possible. We are committed to ensuring that the interests of the affiliated companies and insured persons will be effectively protected even in times of necessary change.

Thank you for your trust



Mirjam Brucker
Chair of the Board
of Foundation



Thomas Klaiber
Managing Director

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The Annual Report of Helvetia Group Foundation is published in German, French, Italian and English. Should the French, Italian or English versions deviate from the original German text, the German text shall be binding.

Annual review 2014.

Portfolio development

The Helvetia Group Foundation can report positive values and pleasing growth rates for all key portfolio figures for the year under review.

Key figures

| | 2014 | 2013 | Change absolute | Change in % |
|-----------------------------------------------|---------|---------|--------------------|----------------|
| Contributions (in CHF million) | | | | |
| Regular contributions employees and employers | 893.0 | 830.8 | 62.2 | 7.5 |
| Entry lump-sum transfers and new contracts | 1 131.3 | 1 041.5 | 89.8 | 8.6 |
| Portfolios | | | | |
| Affiliated pension plans | 10 642 | 10 477 | 165 | 1.6 |
| Active participants | 104 371 | 98 121 | 6 250 | 6.4 |
| Actuarial reserve (in CHF million) | 8 974 | 8 219 | 755 | 9.2 |

Rate of interest on retirement savings capital 2014

In 2014, the retirement savings capital in the mandatory range earned interest at the rate determined by the Federal Council, which was increased to 1.75%. At the same time, the interest rate for the non-mandatory retirement savings capital was increased 0.25 percentage points to 1.25%. The interest rate that is applied for the extrapolation of the assumed retirement benefits (projected interest rate) remains at 2.25%.

Quick access via internet

The Annual Report as well as further interesting information about Helvetia Group Foundation can be accessed easily and straightforwardly at www.helvetia.ch/helvetia-foundation.

Portrait.

Helvetia Group Foundation was founded in 1961 and can boast many years of experience as a provider of needs-based pension solutions in the area of mandatory occupational benefit schemes. At the end of 2014, around 10,600 companies were affiliated. The safety of the pension assets entrusted to it and the sustainable stability of the foundation form the utmost priority.

Guaranteed security

Helvetia Group Foundation offers the comprehensive security of the full insurance model: all the benefit entitlements are hedged via a collective insurance contract (also known as a full insurance contract) with Helvetia. The foundation therefore transfers the risks associated with disability, death and longevity, the investment risks for the pension assets entrusted to it and the management of the scheme to Helvetia.

The full insurance contract guarantees that Helvetia Group Foundation will always be able to meet its obligations vis-à-vis the active participants and pensioners. This means there will never be any underfunding. The affiliated employers and employees benefit from this not only in the form of the greatest possible security for their pension assets; they will also never have to make solidarity payments for the solvency of the foundation.

Support from a strong partner

In Helvetia, Helvetia Group Foundation has the support of a partner that knows how to deal with risks. Helvetia Swiss Insurance Company Ltd is one of Switzerland's largest collective life insurers and looks back on more than 150 years of experience.

The supervisory security provisions and control mechanisms for Swiss life insurance companies are extremely tight. In contrast to the provisions to which autonomous pension funds are subject, those for Swiss life insurance companies come into force even before the obligations vis-à-vis the participants can no longer be fully covered.

Competent...

The density of regulations within the legislation and the complexity of the framework requirements for occupational benefit schemes are constantly increasing. This means that professionalism in implementing occupational benefit schemes is becoming increasingly important. By delegating the management of such schemes, the affiliated pension plans benefit from the know-how of Helvetia's highly specialised employees.

...and individual

The expectations for occupational benefit schemes are as many and varied as the affiliated companies and their employees. By offering a comprehensive range of benefit plans, Helvetia Group Foundation acknowledges this individuality. Thus it is guaranteed that the occupational benefits insurance is in line with the needs of the individual company and that it can keep pace with that company's developments.

Financial statements 2014.

Balance sheet

| in CHF | 31.12.2014 | 31.12.2013 |
|-------------------------------------------------------------------------|-------------------------|-------------------------|
| Assets | | |
| Entitlements to shares in Helvetia Investment Foundation | 5 992 129.40 | 6 486 319.05 |
| Entitlements to Helvetia Investment Foundation BVG-Mix Plus 30 | 2 731 875.00 | 2 529 025.00 |
| Entitlements to Helvetia Investment Foundation real estate | 2 689 604.70 | 1 817 307.20 |
| Liquid funds | 180 907.75 | 26 510.43 |
| Receivables from Helvetia | 24 577.70 | 24 095.78 |
| Accounts receivable | 26.20 | 354.15 |
| Foundation investments | 11 619 120.75 | 10 883 611.61 |
| Investments in securities for the account and risk of the pension plans | 7 956 769.30 | 8 773 629.00 |
| Receivables from affiliated employers | 84 790 871.66 | 79 736 171.09 |
| Receivables from Helvetia | 781 966 314.19 | 752 718 680.36 |
| Liquid funds | 37 439.45 | 49 787.09 |
| Investments for pension plans | 874 751 394.60 | 841 278 267.54 |
| Prepayments and accrued income | 40 001 111.60 | 36 501 151.05 |
| Assets from insurance contracts | 8 974 327 873.92 | 8 219 012 497.78 |
| Total | 9 900 699 500.87 | 9 107 675 527.98 |
| Liabilities | | |
| Termination benefits and pensions | 109 461 721.66 | 103 085 224.69 |
| Liabilities vis-à-vis Helvetia | 84 790 871.66 | 79 736 171.09 |
| Other liabilities | 3 534 990.25 | 3 782 872.55 |
| Liabilities | 197 787 583.57 | 186 604 268.33 |
| Accrued liabilities and deferred income | 315 429 229.05 | 313 037 354.54 |
| Employer-paid contribution reserves | 168 677 069.19 | 160 979 299.12 |
| Liabilities under insurance contracts | 8 974 327 873.92 | 8 219 012 497.78 |
| Regulatory tied funds | 4 300 177.09 | 4 539 894.95 |
| Pension liabilities and actuarial reserves | 8 978 628 051.01 | 8 223 552 392.73 |
| Foundation reserve for fluctuations in asset value | 2 282 700.00 | 2 165 000.00 |
| Non-committed funds of pension plans | 228 810 317.00 | 212 765 647.55 |
| Foundation's non-committed funds | | |
| Balance at the beginning of the period | 8 571 565.71 | 8 211 517.67 |
| Income/Expense surplus | 512 985.34 | 360 048.04 |
| Balance at the end of the period | 9 084 551.05 | 8 571 565.71 |
| Total | 9 900 699 500.87 | 9 107 675 527.98 |

Operative account

| in CHF | 2014 | 2013 |
|-------------------------------------------------------------------------------------------|--------------------------|--------------------------|
| Employee contributions | 413 366 538.90 | 384 038 754.20 |
| Employer contributions | 500 600 544.25 | 463 616 574.95 |
| of which withdrawal from the employer-paid contribution reserves to finance contributions | -21 013 170.40 | -16 818 734.61 |
| Contributions from third parties | 2 846 992.65 | 2 677 730.15 |
| One-time payments and purchase amounts | 95 985 613.50 | 96 887 649.25 |
| Transfers to employer-paid contribution reserves | 27 877 566.91 | 29 141 653.05 |
| Transfers to regulatory tied funds | 710.04 | 4 686 648.95 |
| Payments from guarantee fund | 4 733 203.65 | 4 478 244.90 |
| Ordinary and other contributions and transfers-in | 1 024 397 999.50 | 968 708 520.84 |
| Termination benefit transfers | 1 095 068 696.62 | 1 011 511 760.40 |
| Contributions for transfers of insured persons to | | |
| – non-committed funds | 14 664 656.23 | 9 723 254.98 |
| – employer-paid contribution reserves | 3 283 486.31 | 4 387 273.05 |
| Reimbursements of withdrawals for home ownership/divorce | 18 243 268.30 | 15 887 096.30 |
| Entry lump sum transfers | 1 131 260 107.46 | 1 041 509 384.73 |
| Inflow from contributions and entry lump-sum transfers | 2 155 658 106.96 | 2 010 217 905.57 |
| Retirement pensions | -102 600 246.40 | -90 706 248.65 |
| Survivors' pensions | -16 155 534.68 | -14 761 376.65 |
| Disability pensions | -39 127 807.35 | -39 762 848.75 |
| Other regulatory benefits | -53 168 143.55 | -53 037 385.55 |
| Lump-sum payments on retirement | -139 041 612.80 | -132 037 233.35 |
| Lump-sum payments on death or disability | -27 258 130.05 | -23 316 464.09 |
| Regulatory benefits | -377 351 474.83 | -353 621 557.04 |
| Termination benefits for leavers | -885 606 442.87 | -836 943 002.89 |
| Transfer of additional funds in case of collective withdrawal | -3 380 537.19 | -6 752 623.47 |
| Withdrawals for encouragement of home ownership/divorce | -44 753 343.65 | -39 170 215.35 |
| Termination benefits | -933 740 323.71 | -882 865 841.71 |
| Outflow for benefits and withdrawals | -1 311 091 798.54 | -1 236 487 398.75 |
| Decrease/Increase in regulatory tied funds | 261 139.71 | -3 986 153.25 |
| Decrease/Increase in non-committed funds | -14 205 938.64 | -6 179 781.69 |
| Decrease/Increase in contribution reserves | -6 581 438.67 | -12 842 609.54 |
| Decrease/Increase in pension liabilities, actuarial reserves and contribution reserves | -20 526 237.60 | -23 008 544.48 |
| Insurance benefits | 1 288 636 282.25 | 1 209 348 991.08 |
| Share of insurance surpluses | 38 519 600.50 | 44 080 764.58 |
| Income from insurance benefits | 1 327 155 882.75 | 1 253 429 755.66 |
| Insurance premiums | | |
| – Savings premiums | -697 798 128.55 | -641 826 917.00 |
| – Risk premiums | -170 568 589.52 | -161 825 539.75 |
| – Cost premiums | -51 654 737.50 | -49 568 067.15 |
| One-time contributions to insurances | -1 227 644 387.00 | -1 147 155 556.95 |
| Contributions to guarantee fund | -3 530 111.00 | -3 775 637.15 |
| Insurance cost | -2 151 195 953.57 | -2 004 151 718.00 |
| Net result of insurance activities | 0.00 | 0.00 |

| in CHF | 2014 | 2013 |
|---------------------------------------------------------------------------------------------|---------------|---------------|
| Interest income on receivables | 7 274 579.58 | 7 129 583.91 |
| Interest on regulatory tied funds | -21 421.85 | -17 751.15 |
| Interest on non-committed funds | -1 235 423.55 | -1 171 282.90 |
| Interest expense for liabilities | -5 178 684.73 | -5 164 403.96 |
| Interest expense for employer-paid contribution reserves | -839 049.45 | -776 145.90 |
| Net result on investments of pension plans | 0.00 | 0.00 |
| Income from investments in securities | 926 059.15 | 1 302 602.19 |
| Interest on employer-paid contribution reserves | -277 281.95 | -451 945.05 |
| Interest on non-committed funds | -603 307.26 | -807 347.24 |
| Asset management expense | -45 469.94 | -43 309.90 |
| Net result on individual investments of pension plans | 0.00 | 0.00 |
| Yield on entitlements to shares in Helvetia Investment Foundation | 713 959.15 | 1 433 609.40 |
| Yield on entitlements to Helvetia Investment Foundation BVG-Mix Plus 30 | 263 256.00 | 47 348.20 |
| Yield on entitlements to Helvetia Investment Foundation real estate | 89 510.50 | 72 538.35 |
| Interest rate income from liquid funds | 74.82 | 171.60 |
| Interest rate income on dotation capital | 481.92 | 1 389.79 |
| Asset management expense | -90 410.00 | -80 326.90 |
| Net result on investments of foundation's non-committed funds | 976 872.39 | 1 474 730.44 |
| Income from services rendered | 768 202.47 | 745 458.56 |
| Other income | 768 202.47 | 745 458.56 |
| General administration | -842 788.22 | -834 600.96 |
| Auditors and pension fund actuary | -116 951.20 | -120 742.40 |
| Supervisory authority | -154 650.10 | -272 797.60 |
| Administrative expense | -1 114 389.52 | -1 228 140.96 |
| Income/Expense surplus before decrease/increase in reserves for fluctuations in asset value | 630 685.34 | 992 048.04 |
| Decrease/Increase in reserves for fluctuations in asset value | -117 700.00 | -632 000.00 |
| Income/Expense surplus after decrease/increase in reserves for fluctuations in asset value | 512 985.34 | 360 048.04 |

Explanatory notes to the financial statements.

1 General information and organisation

1.1 Legal form and objectives

Helvetia Group Foundation for Employee Pensions (hereinafter the foundation) is a collective foundation within the meaning of Art. 80 et seq. of the Swiss Civil Code (SCC) that was set up by Helvetia Swiss Life Insurance Company Ltd.

The foundation provides occupational benefits insurance for employees and employers in the event of old age or earning disability and for their survivors in the event of death. The occupational benefits insurance is primarily provided in accordance with the LOB and other social insurance laws. However, the foundation can grant benefit coverage over and above the mandatory benefits to be insured.

1.2 LOB registration and guarantee fund

The foundation is entered in the register for occupational benefit plans within the meaning of the provisions of the LOB (BS-0427). It is subject to the Federal Law on Vesting in Occupational Old-Age, Survivors' and Disability Benefit Plans (LVOB) and thus affiliated to the LOB Guarantee Fund (register no. C1.22).

1.3 Plan statutes and regulations

■ Foundation instrument

07.12.1961, last updated 08.06.2009

■ Organisation rules

January 2013

■ Election rules

January 2014

■ Pension fund regulations

January 2014

■ Partial liquidation regulations

June 2009

■ Regulations on provisions

April 2009

1.4 Supreme body, management and authorised signatories

The members of the Board of Foundation, the managing company Helvetia Swiss Life Insurance Company Ltd and any other authorised signatories have a collective authority to sign with dual signature authority.

1.4.1 Board of Foundation

■ Employer representatives

- Jean-Claude Diener, member
- Hanscaspar Kühnis, vice-chair until 30.04.2014
- Paul-Albert Nobs, member
- Urs Lerch, member since 01.05.2014
- Fritz Zahnd, vice-chair since 01.05.2014, previously member

■ Employee representatives

- Mirjam Brucker, chair
- Stefan Burkart, member since 01.01.2014
- Monika Freund, member
- Marc Rauber, member until 31.07.2014

As the list of replacements had in fact been exhausted due to terminations of employment and reelections were imminent, it was decided not to nominate a successor. The vacancy for employee representative was filled by Mr Jörg Bläsi with effect from 01.01.2015.

■ Other authorised signatories

- Philipp Ammann
- Donald Desax
- René Eggimann
- Angela Godoy
- Thomas Klaiber
- Beat Müller
- Martin Müller

The manager can designate further authorised signatories for the conduct of daily business.

1.5 Actuaries, auditors, advisors, supervisory authority

■ Auditors

KPMG Ltd, Zurich

■ Pension actuaries

Dipeka Ltd, Basel, Dominique Koch

■ Supervisory authority

BVG- und Stiftungsaufsicht beider Basel (BSABB)

1.6 Affiliated employers

| Number | 2014 | 2013 |
|---------------------------------------|---------------|---------------|
| As at 31.12. prior year | 10 477 | 10 921 |
| Entries | 1 011 | 1 027 |
| Departures | -846 | -1 471 |
| As at 31.12. year under review | 10 642 | 10 477 |

2 Active participants and pensioners

2.1 Active participants

| Number | 2014 | 2013 |
|---------------------------------------|----------------|---------------|
| As at 31.12. prior year | 98 121 | 91 642 |
| New recruits | 27 818 | 26 683 |
| Resignations | -20 247 | -18 983 |
| Retirements | -1 321 | -1 221 |
| As at 31.12. year under review | 104 371 | 98 121 |

2.2 Pensioners

| Number | 2014 | 2013 |
|---------------------------------|-------|-------|
| Retirement pensioners | | |
| Initial sum | 7 009 | 6 319 |
| Entries | 898 | 876 |
| Departures | -181 | -186 |
| Final sum of old-age pensioners | 7 726 | 7 009 |

| Number | 2014 | 2013 |
|-----------------------------------------------------------------|---------------|---------------|
| Recipients of pensioner's children's pension¹ | | |
| Initial sum | 81 | 66 |
| Entries | 49 | 40 |
| Departures | -25 | -25 |
| Final sum of recipients of pensioner's children's pension | 105 | 81 |
| Recipients of invalidity pension | | |
| Initial sum | 2 888 | 2 949 |
| Entries | 304 | 294 |
| Departures | -282 | -355 |
| Final sum of recipients of invalidity pension | 2 910 | 2 888 |
| Recipients of disabled's children's pension¹ | | |
| Initial sum | 1 077 | 1 128 |
| Entries | 204 | 203 |
| Departures | -235 | -254 |
| Final sum of recipients of disabled's children's pension | 1 046 | 1 077 |
| Recipients of spouse's pension | | |
| Initial sum | 1 463 | 1 371 |
| Entries | 201 | 199 |
| Departures | -116 | -107 |
| Final sum of recipients of spouse's pension | 1 548 | 1 463 |
| Recipients of orphan's pension¹ | | |
| Initial sum | 383 | 375 |
| Entries | 88 | 91 |
| Departures | -70 | -83 |
| Final sum of recipients of orphan's pension | 401 | 383 |
| Total | | |
| Initial sum | 12 901 | 12 208 |
| Entries | 1 744 | 1 703 |
| Departures | -909 | -1 010 |
| Final sum of pensioners | 13 736 | 12 901 |

¹ The methodology for calculating pensioners (recipients of pensioner's children's pension, disabled's children's pension and orphan's pension) was adjusted compared to the prior year. The prior-year's figures are also listed according to the new methodology.

3 Implementation of objectives

Affiliation with the foundation is carried out by means of the conclusion of an affiliation contract between the employer and the foundation. The affiliated companies form separate pension plans within the foundation. The pension benefits agreed for the individual pension plans are guaranteed by means of a collective insurance contract with Helvetia Swiss Life Insurance Company Ltd (hereinafter Helvetia), dated 23.12.2009, and the supplement to the contract, dated 07.11.2012.

3.1 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.

3.2 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.

4 Significant accounting policies and valuation methods, consistency

4.1 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.

4.2 Significant accounting policies and valuation methods

4.2.1 Significant accounting policies

The financial statements give a true and fair view of the financial position, the cash flows and results of operations in accordance with Swiss GAAP FER 26 and comply with Swiss law.

4.2.2 Valuation methods

| | |
|---------------------------------------|-----------------------------|
| Liquid funds | Par value |
| Securities | Market value |
| Accounts receivable | Par value less amortisation |
| Prepayments and accrued income | Par value |
| Individual investments | Market value |

4.3 Amendment of principles related to valuation, accounting and reporting methods

The methodology for calculating pensioners (recipients of pensioner's children's pension, disabled's children's pension and orphan's pension) was adjusted compared to the prior year. The prior-year figures are also listed according to the new methodology.

5 Actuarial risks/risk benefit coverage/coverage rate

5.1 Type of risk benefit coverage, re-insurance

The risks of old age, death and disability as well as the cost-of-living adjustment for LOB risk benefits are guaranteed for every pension plan by means of a collective insurance contract with Helvetia, dated 23.12.2009, and the supplement to the contract, dated 07.11.2012.

5.2 Comments on assets and liabilities from insurance contracts

The assets and liabilities under insurance contracts listed in the balance sheet amounting to CHF 8,974,327,873.92 (prior year: CHF 8,219,012,497.78) comprise the retirement savings capital of the active participants which have been invested and are managed by Helvetia.

| | 2014 | 2013 |
|-----------------------------------------------|-------|------|
| Interest on LOB mandatory savings capital | 1.75% | 1.5% |
| Interest on LOB non-mandatory savings capital | 1.25% | 1.0% |

All pensions are re-insured. They have no surrender value and therefore are not shown on the balance sheet. The actuarial reserve for pensioners equals CHF 3,061,631,217 (prior year: CHF 2,771,680,000). The calculation and payment of the inflation adjustment on the LOB pensions is carried out by the re-insurer.

5.3 Total retirement savings capital in accordance with LOB

| in CHF | 31.12.2014 | 31.12.2013 |
|------------------------------------------------------------------------|---------------|---------------|
| Retirement savings capital in accordance with the LOB (shadow account) | 5 322 150 184 | 4 880 882 031 |
| LOB minimal interest rate | 1.75% | 1.50% |

5.4 Conclusions of the last actuarial report

The pension actuary confirmed in his report dated 28.01.2015 that, as at 31.12.2014, the foundation is able to fulfil its obligations and that no other technical provisions need to be accrued.

5.5 Actuarial principles and other significant actuarial assumptions

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

At the level of the individual pension plans the following positions can be identified, which appear in the balance sheet as regulatory tied funds at foundation level.

| in CHF | 31.12.2014 | 31.12.2013 |
|--------|------------|------------|
|--------|------------|------------|

Invested with Helvetia

| | | |
|-----------------------|-----------|-----------|
| Regulatory tied funds | 4 300 177 | 4 539 895 |
|-----------------------|-----------|-----------|

5.6 Changes in actuarial principles and assumptions

There are no changes compared with the prior year.

5.7 Funded status under Art. 44 OOB 2

There is a collective life insurance contract with Helvetia that covers all regulatory pension benefits (so-called full insurance model). The foundation therefore transfers to Helvetia all the biometric risks associated with the management of the occupational benefits insurance as well as the investment risk. This means that the obligations of the foundation are completely covered at all times. In principle, the foundation can therefore not suffer from underfunding.

6 Explanatory notes on investments and net result of investments

6.1 Organisation of investment activities, investment advisors and investment managers, investment rules and regulations

All the assets from insurance contracts are transferred to Helvetia and then invested. The investment of the funds by Helvetia is governed in the following documents:

- Helvetia Group investment guidelines, version dated 06.05.2013, and implementation guidelines for Market Switzerland, version dated 09.08.2013

6.2 Target reserve for fluctuations in the foundation's asset value and calculation of the reserve

| in CHF | 2014 | 2013 |
|---------------------------------------------------------------|------------------|------------------|
| Reserve for fluctuations in asset value as at 01.01. | 2 165 000 | 1 533 000 |
| Decrease/Increase in reserves for fluctuations in asset value | 117 700 | 632 000 |
| Reserve for fluctuations in asset value as at 31.12. | 2 282 700 | 2 165 000 |
| Target reserve for fluctuations in asset value | 2 282 700 | 2 165 000 |

The target reserve for fluctuations in the foundation's asset value equals 20% of the market value of the investments.

6.3 Breakdown of investments into investment categories

In principle, all the capital is invested with Helvetia.

Subject to certain requirements, the foundation offers its affiliated pension plans the opportunity to invest the non-committed funds in entitlements in an investment foundation. As part of the "Investment of non-committed funds in the Helvetia Investment Foundation" product, it offers those qualifying pension plans a large amount of co-determination in the investment of the assets. The pension fund assets thus invested are listed under the position "Investments in securities for the account and risk of the pension plans". Any price changes affect the non-committed pension fund assets of the relevant pension plans directly. The number of pension plans with individual investments of non-committed pension fund assets is 9 (prior year: 9).

In contrast, the foundation has made own investments totalling around CHF 11,619,120.75 (prior year: CHF 10,833,611.61).

6.4 Market value and counterparties of shares in securities lending

Both the foundation and the individual affiliated companies hold only units in collective investments and do not carry out any securities lending on their own behalf. No statements can be made regarding any securities lending within the collective investments.

6.5 Comments on net result of investments

Three sub-totals from the investments are reported in the operative account.

In the "Net result on investments of pension plans" position, interest on the assets invested with Helvetia is recognised. The interest received from Helvetia is credited to the corresponding investments. The invested capital comprises the regulatory funds, the non-committed funds, the employer-paid contribution reserves of the pension plans as well as the liabilities to the beneficiaries.

The position "Net result on individual investments of pension plans" shows the income generated of CHF 926,059.15 (prior year: CHF 1,302,602.19) and its appropriation by the pension plans.

The position "Net result of investments foundation's non-committed funds" shows the yield that the foundation was able to achieve by investing the loan that was granted by Helvetia at the time of foundation. The corresponding loan was repaid to Helvetia on 31.12.2004. The result in the current year was CHF 976,872.39 (prior year: CHF 1,474,730.44). The income/expense surplus after a decrease/increase in the reserve for fluctuations in asset value is allocated to the foundation's non-committed funds.

6.6 Explanation of the asset management expense

The reporting and determination of the asset management expense takes place pursuant to the OAK BV instructions dated 23.04.2013.

- The sum of all the expense figures for collective investments amounts to CHF 107,178.00 for the year under review (prior year: CHF 102,377.00).
- The total asset management expense indicated in the operative account as a percentage of cost-transparent investments amounts to 0.02% in the year under review (prior year: 0.01%).
- The cost transparency ratio is 100% for the year under review (prior year 100%).

6.7 Comments on investments in an employer's enterprise and on employer-paid contribution reserves

6.7.1 Investments in an employer's enterprise

The assets for affiliated employers amounting to CHF 84,790,871.66 (prior year: CHF 79,736,171.09) are premium assets. In 2014, the Foundation charged default interest of 5% (prior year: 5%).

As of 31.01. the risk and cost premiums are each owed within 30 days after joining the pension plan. The savings premiums are payable by 31.12. The Foundation monitors whether the premiums are received on time and institutes the necessary claims proceedings in the event of default.

Any premium losses that the Foundation incurs are borne by Helvetia after deduction of the loss cover by the LOB Guarantee Fund.

6.7.2 Employer-paid contribution reserves

The employer-paid contribution reserves for the pension plans developed as follows in the year under review:

| in CHF | 2014 | 2013 |
|---------------------------------------------------------|-----------------------|-----------------------|
| Employer-paid contribution reserves as at 01.01. | 160 979 299.12 | 146 908 598.63 |
| Transfers-in | 27 877 566.91 | 29 141 653.05 |
| Transfers from new contracts | 3 283 486.31 | 4 387 273.05 |
| Used for premium payments | -21 013 170.40 | -16 818 734.61 |
| Used for one-time payments | -689 812.60 | -1 253 429.00 |
| Benefits from termination of contracts | -2 876 631.55 | -2 614 152.95 |
| Interest on investments of pension plans | 839 049.45 | 776 145.90 |
| Interest on individual investments of pension plans | 277 281.95 | 451 945.05 |
| Employer-paid contribution reserves as at 31.12. | 168 677 069.19 | 160 979 299.12 |

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

6.8 Information on valid regulations regarding retrocessions

The assets of the foundation as well as some of the investments for the account and risk of the pension plans are invested with Helvetia Investment Foundation. There is written confirmation by Helvetia Investment Foundation that it does not receive any retrocessions, kick-backs or similar payments from third parties.

7 Comments on other balance sheet and operative account positions

7.1 Comments on receivables from Helvetia

| in CHF | 31.12.2014 | 31.12.2013 |
|-----------------------------------------------------------------------------|-----------------------|-----------------------|
| Current account balances | 109 461 721.66 | 103 085 224.69 |
| Current account balances LOB Guarantee Fund | 3 534 990.25 | 3 782 872.55 |
| Surplus safekeeping accounts | 145 274 544.91 | 134 735 266.53 |
| Employer-paid contribution reserves | 165 982 384.74 | 157 639 750.82 |
| Regulatory tied funds | 4 300 177.09 | 4 539 894.95 |
| Non-committed funds of pension plans | 78 236 247.79 | 72 546 513.23 |
| Prepaid premiums | 40 716 396.61 | 34 913 038.32 |
| Outstanding one-time payments of participants | 234 459 851.14 | 241 476 119.27 |
| Total receivables from Helvetia (from investments for pension plans) | 781 966 314.19 | 752 718 680.36 |

The receivables from Helvetia from investments by the foundation amounted to CHF 24,577.70 in the year under review (prior year: CHF 24,095.78).

7.2 Comments on prepayments and accrued income

| in CHF | 31.12.2014 | 31.12.2013 |
|---------------------------------------------|----------------------|----------------------|
| Prepaid benefits | 40 001 111.60 | 36 501 151.05 |
| Total prepayments and accrued income | 40 001 111.60 | 36 501 151.05 |

7.3 Comments on liabilities to Helvetia

| in CHF | 31.12.2014 | 31.12.2013 |
|--------------------------------------|----------------------|----------------------|
| Premiums owed | 84 298 025.86 | 78 767 248.92 |
| One-time payments owed | 492 845.80 | 968 922.17 |
| Total liabilities to Helvetia | 84 790 871.66 | 79 736 171.09 |

7.4 Comments on accrued liabilities and deferred income

| in CHF | 31.12.2014 | 31.12.2013 |
|------------------------------------------------------|-----------------------|-----------------------|
| Insurance benefits received in advance | 40 001 111.60 | 36 501 151.05 |
| Premiums received in advance | 40 716 396.61 | 34 913 038.32 |
| Outstanding one-time payments | 234 459 851.14 | 241 476 119.27 |
| Other accruals | 251 869.70 | 147 045.90 |
| Total accrued liabilities and deferred income | 315 429 229.05 | 313 037 354.54 |

7.5 Comments on non-committed funds of pension plans

| in CHF | 31.12.2014 | 31.12.2013 |
|-----------------------------------------------------------------------|-----------------------|-----------------------|
| Invested with Helvetia | | |
| Individual surpluses | 124 694 242.86 | 112 814 328.78 |
| Collective surpluses | 20 580 302.05 | 21 920 937.75 |
| Non-committed funds | 78 236 247.79 | 72 546 513.23 |
| Total | 223 510 792.70 | 207 281 779.76 |
| Non-committed funds of pension plans in individual investments | | |
| Collective surpluses | 207 181.45 | 189 220.45 |
| Non-committed funds | 5 092 342.85 | 5 294 647.34 |
| Total | 5 299 524.30 | 5 483 867.79 |
| Total non-committed funds of pension plans | | |
| Individual surpluses | 124 694 242.86 | 112 814 328.78 |
| Collective surpluses | 20 787 483.50 | 22 110 158.20 |
| Non-committed funds | 83 328 590.64 | 77 841 160.57 |
| Total | 228 810 317.00 | 212 765 647.55 |

7.6 Comments on income from insurance benefits

The reconciled net result of insurance activities reflects the fact that the foundation itself does not bear any risk within the framework of the full insurance solution. Helvetia guarantees all the benefits as well as the statutory rate of interest for the retirement savings capital.

7.6.1 Comments on income from insurance

| in CHF | 2014 | 2013 |
|---------------------------------------------|-------------------------|-------------------------|
| Insurance benefits | 1 288 636 282.25 | 1 209 348 991.08 |
| Surpluses from insurances | 38 519 600.50 | 44 080 764.58 |
| Total income from insurance benefits | 1 327 155 882.75 | 1 253 429 755.66 |

The foundation is entitled to the share of insurance surpluses from the collective insurance contract with Helvetia. The surpluses are determined separately, i.e. in relation to the savings, risk and cost processes. Accordingly, risk, cost or interest surpluses can be distributed.

The distributed surpluses were used as follows:

| in CHF | 2014 | 2013 |
|------------------------------|----------------------|----------------------|
| Individual accumulation | 35 060 988.45 | 39 779 189.23 |
| Collective accumulation | 3 258 001.80 | 4 033 038.20 |
| Credit to collection account | 200 610.25 | 268 537.15 |
| Total surpluses | 38 519 600.50 | 44 080 764.58 |

In principle, the accumulation of the surpluses is made on an individual basis. In derogation to this, the Board of Trustees can resolve on a collective accumulation or credit to the collection account.

7.6.2 Comments on insurance cost

| in CHF | 2014 | 2013 |
|------------------------------------|--------------------------|--------------------------|
| Risk premium | -166 551 560.87 | -158 097 376.30 |
| Cost premium | -51 654 737.50 | -49 568 067.15 |
| Savings premium | -697 798 128.55 | -641 826 917.00 |
| Inflation | -4 017 028.65 | -3 728 163.45 |
| One-time payments | -1 227 644 387.00 | -1 147 155 556.95 |
| Contribution to the guarantee fund | -3 530 111.00 | -3 775 637.15 |
| Total insurance cost | -2 151 195 953.57 | -2 004 151 718.00 |

7.7 Comments on income from services rendered

| in CHF | 2014 | 2013 |
|--------------------------------------------------------|-------------------|-------------------|
| Compensation for reminder costs Helvetia | 580 274.47 | 558 852.29 |
| Compensation for encouragement of home ownership costs | 187 928.00 | 186 606.27 |
| Total income from services rendered | 768 202.47 | 745 458.56 |

7.8 Comments on administrative expense

| in CHF | 2014 | 2013 |
|---------------------------------------|----------------------|----------------------|
| Reminder costs | -580 274.47 | -558 852.29 |
| Encouragement of home ownership costs | -187 928.00 | -186 606.27 |
| Auditors and pension fund actuary | -116 951.20 | -120 742.40 |
| Supervisory authority | -154 650.10 | -272 797.60 |
| General administration | -74 585.75 | -89 142.40 |
| Foundation's administrative expense | -346 187.05 | -482 682.40 |
| Total administrative expense | -1 114 389.52 | -1 228 140.96 |

8 Supervisory authority requirements

There are no requirements of the supervisory authority. By the time of the audit, the approval decision for the annual financial statements 2013 had not been received.

9 Further information regarding the financial situation

9.1 Partial liquidations

In 2014 there were some partial liquidations. These were processed in accordance with the regulations. If there were non-committed funds, they were distributed accordingly.

9.2 Separate accounts

Some pension plans have invested their non-committed funds individually.

9.3 Disclosure of FATCA status

The Helvetia Group Foundation for Employee Pensions is a pension fund and an exempted beneficial owner. It is a non-reporting Swiss financial institution and does not have to register with the US tax authorities.

9.4 Events subsequent to the balance sheet date

No events occurred after the balance sheet date that will have a material impact on this financial statement.

Basel, 15 April 2015

Helvetia Group Foundation for Employee Pensions



Mirjam Brucker
Chair of the Board
of Foundation



Fritz Zahnd
Vice-Chair of the Board
of Foundation

Auditor's report.

Source: KPMG Ltd, Zurich



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Report of the Statutory Auditor to the Board of Foundation of the **Helvetia Group Foundation for Employee Pensions, Basel**

Report of the Statutory Auditor on the Financial Statements

As statutory auditor, we have audited the accompanying financial statements of Helvetia Group Foundation for Employee Pensions, which comprise the balance sheet, operating account and notes for the year ended December 31, 2014.

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 an internal control 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 control 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 control. 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.

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Member of EXPERT Suisse



*Helvetia Group Foundation for Employee Pensions, Basel
Report of the Statutory Auditor
to the Governing Board*

Opinion

In our opinion, the financial statements for the year ended December 31, 2014 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 an internal control exists that is appropriate to their size and complexity;
- 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 available funds or 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.

KPMG AG

Stefan Inderbinen
Licensed Audit Expert

Christoph Vonder Mühl
Licensed Audit Expert

Zurich, April 15, 2015

Enclosure:

- Financial statements comprising balance sheet, income statement and notes

**Helvetia Group Foundation
for Employee Pensions**

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