

Helvetia Group Foundation  
for Employee Pensions

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# Annual Report 2017.

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Your Swiss Insurer



# Financial year 2017: stable situation despite muted prospects.

Dear Reader,

Swiss voters cast their vote on 24 September 2017. The 2020 Pension Reform, known as AV2020, will not be implemented. In the run-up to the vote, Helvetia – along with numerous other providers of employee benefit schemes – repeatedly emphasised the importance of this proposal to the health of Switzerland’s trusted social security system. To this day, we are convinced that important opportunities were missed due to the outcome of this vote. The biggest missed opportunity is the failure to eliminate cross-subsidisation, a concept that runs counter to the idea of solidarity and the structure of our social security system. Some income from the occupational benefit scheme has to be diverted to finance current pensions, instead of using it to improve benefit schemes for the active generation, as the occupational benefit scheme actually intends. The minimal conversion rate will stay at 6.80% for now; the normal retirement age will remain 65/64.

That makes Switzerland the only country in Europe without a long-term strategy for adjusting the retirement age. Elsewhere in Europe, retirement ages are rising. There is no getting around it: the problem plaguing the OASI – and occupational benefit schemes as a whole – is caused by demographics. People are getting older and drawing pensions for longer periods. The current structures cannot continue funding these obligations forever. For a long time and not just in the run-up to this vote, parliament, the Federal Council, the authorities and the political parties failed to educate people about this problem and prepare them for it. The parties’ vested interests are too strong; the oft-unsavoury alliances are too powerful; the coalition spirit is too weak.

Helvetia obviously respects the result of the vote and has begun to take steps to continue successfully providing occupational benefit schemes under the current regulations and FINMA’s increasingly stringent requirements. While we intend to continue offering the standard full insurance model, the excessively high pension conversion rate and persistently low interest rates will force us to shed unprofitable lines of business more and more.

## **Favourable investment performance**

The stock market was on its best behaviour in 2017. Real estate investments also performed well. These two investment segments have been on the rise for several years. The real economy has not been this robust in a long time, either. This stands in contrast to persistently weak bond performance and extremely low interest rates. The question, though, is how much longer this trend will last in both directions.

## **Slightly restrained growth**

The Helvetia Group Foundation has seen steady increases in business in recent years, both in terms of associated companies and in the number of insured persons. This trend continued in the 2017 financial year, albeit to a somewhat lesser degree. The slight slowdown in growth is the result of a prudent underwriting policy, which helps to minimise pension losses and boost the income ratio. The extremely low termination rate is evidence of unabated trust in the Helvetia Group Foundation and the full insurance model.

Single premiums increased slightly. We had a one-time item in 2016: we closed out the safekeeping accounts and included them with retirement savings capital, which manifested itself as an unusually strong growth of single premiums in 2016. This one-time item did not continue into 2017. Single premiums would have increased more after adjusting for this factor. New business is developing at a favourable pace overall.

### **Digitalisation continues**

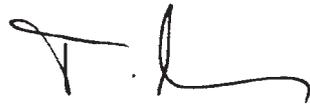
Helvetia's digitalisation efforts are helping to cut costs and thereby increase profits significantly. Helvetia continued to press ahead with digitalisation on multiple fronts in the previous year. For example, it expanded "black box processing" in the BVGonline internet portal, enabling individual transactions to be processed even faster for customers. And the new customer portal, which has been accessible to insured persons since November 2017, opens up entirely new opportunities for beneficiaries, too: the portal ([www.helvetia.ch/customer-portal](http://www.helvetia.ch/customer-portal)) enables everyone insured with Helvetia to access their own policy information online, retrieve documents and perform their own calculations for early retirement, a voluntary pension buy-in or other scenarios. Other automation initiatives are under way. We will keep you posted as events unfold.

### **Well equipped for the future**

With all the above measures, Helvetia Group Foundation feels well equipped to meet any challenges the future may hold – be it in the area of upcoming reforms or in the rapidly evolving area of new technologies. Every single day, the Board of Foundation and the employees of the Helvetia Group Foundation do their best to meet the needs and demands of their customers and insured persons. The trust of our customers and insured persons is what drives and sustains us; we thank them for their support.



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 2017.

## Portfolio development

Both the number of associated companies and the number of insured persons have remained practically unchanged; contributions from entry lump sum transfers and new contracts have increased significantly. Combined with a very low separation rate, this resulted in moderate net growth year on year.

## Key figures

in %	2017	2016	Change absolute	Change in %
<b>Contributions</b> (in CHF million)				
Regular contributions employees and employers	941.4	929.8	11.6	1.2
Entry lump-sum transfers and new contracts	1 047.2	899.2	177.4	19.7
<b>Portfolios</b>				
Affiliated pension plans	10 995	10 897	98	0.9
Active participants	107 574	107 159	415	0.4
Actuarial reserve (in CHF million)	10 212	9 930	282	2.8

## Rate of interest on retirement savings capital 2017

In 2017, the retirement savings capital in the mandatory area earned interest at the rate of 1.00%; in the extra-mandatory area, it earned interest at 0.25%. The interest rate that is applied to the extrapolation of the assumed retirement benefits (projected interest rate) amounted to 1.75%.

### Quick access via the internet

The management report as well as further interesting information about Helvetia Group Foundation can be accessed at [www.helvetia.ch/helvetia-foundation](http://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 2017, around 11,000 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 Life 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 2017.

## Balance sheet

in CHF	31.12.2017	31.12.2016
<b>Assets</b>		
Entitlements to shares in Helvetia Investment Foundation	6 826 759.85	5 524 132.20
Entitlements to Helvetia Investment Foundation BVG-Mix Plus 30	3 031 336.15	2 795 888.85
Entitlements to Helvetia Investment Foundation real estate	3 005 322.25	2 904 185.65
Liquid funds	277 137.38	568 174.20
Accounts receivable	0.00	27.40
<b>Foundation investments</b>	<b>13 140 555.63</b>	<b>11 792 408.30</b>
Investments in securities for the account and risk of the pension plans	8 385 390.75	4 014 200.30
Receivables from affiliated employers	95 940 912.94	83 218 030.67
Receivables from Helvetia	543 470 524.29	531 099 710.04
Liquid funds	56 602.27	48 462.58
<b>Investments for pension plans</b>	<b>647 853 430.25</b>	<b>618 380 403.59</b>
<b>Prepayments and accrued income</b>	<b>35 695 373.32</b>	<b>164 823 206.58</b>
<b>Assets from insurance contracts</b>	<b>10 211 746 589.02</b>	<b>9 929 958 258.92</b>
<b>Total</b>	<b>10 908 435 948.22</b>	<b>10 724 954 277.39</b>
<b>Liabilities</b>		
Termination benefits and pensions	122 492 016.47	110 496 475.77
Liabilities vis-à-vis Helvetia	95 940 912.94	83 218 030.67
Other liabilities	4 625 188.85	3 746 975.75
<b>Liabilities</b>	<b>223 058 118.26</b>	<b>197 461 482.19</b>
<b>Accrued liabilities and deferred income</b>	<b>208 516 091.67</b>	<b>327 778 317.65</b>
<b>Employer-paid contribution reserves</b>	<b>164 375 107.15</b>	<b>167 064 780.88</b>
Liabilities under insurance contracts	10 211 746 589.02	9 929 958 258.92
Regulatory tied funds	3 795 953.67	2 810 039.47
<b>Pension liabilities and actuarial reserves</b>	<b>10 215 542 542.69</b>	<b>9 932 768 298.39</b>
<b>Foundation reserve for fluctuations in asset value</b>	<b>2 572 600.00</b>	<b>2 244 800.00</b>
<b>Non-committed funds of pension plans</b>	<b>83 995 504.02</b>	<b>88 282 054.03</b>
<b>Foundation's non-committed funds</b>		
Balance at the beginning of the period	9 354 544.25	9 077 959.02
Income/Expense surplus	1 021 440.18	276 585.23
<b>Balance at the end of the period</b>	<b>10 375 984.43</b>	<b>9 354 544.25</b>
<b>Total</b>	<b>10 908 435 948.22</b>	<b>10 724 954 277.39</b>

## Income statement

in CHF	31.12.2017	31.12.2016
Employee contributions	434 047 907.40	428 763 024.55
Employer contributions	525 275 149.75	518 004 026.72
– of which withdrawal from the employer-paid contribution reserves to finance contributions	–17 870 726.55	–17 004 681.26
Contributions from third parties	3 387 862.95	3 365 774.20
One-time payments and purchase amounts	109 881 298.95	114 918 732.00
Transfers to employer-paid contribution reserves	15 830 208.35	21 442 105.80
Transfers to regulatory tied funds	500 000.00	150 000.00
Payments from guarantee fund	5 595 883.45	5 289 085.05
<b>Ordinary and other contributions and transfers-in</b>	<b>1 076 647 584.30</b>	<b>1 074 928 067.06</b>
Termination benefit transfers	1 012 074 296.88	870 677 261.42
Contributions for transfers of insured persons to		
– non-committed funds	12 378 561.64	5 464 104.27
– employer-paid contribution reserves	1 865 537.45	1 426 691.25
Reimbursements of withdrawals for home ownership/divorce	20 840 208.05	21 600 953.50
<b>Entry lump-sum transfers</b>	<b>1 047 158 604.02</b>	<b>899 169 010.44</b>
<b>Inflow from contributions and entry lump-sum transfers</b>	<b>2 123 806 188.32</b>	<b>1 974 097 077.50</b>
Retirement pensions	–144 761 283.25	–130 733 664.11
Survivors' pensions	–19 479 935.41	–18 170 846.37
Disability pensions	–37 735 270.39	–39 530 812.40
Other regulatory benefits	–38 642 997.95	–46 982 576.34
Lump-sum payments on retirement	–146 682 555.05	–142 416 984.85
Lump-sum payments on death or disability	–37 098 659.65	–29 760 619.35
<b>Regulatory benefits</b>	<b>–424 400 701.70</b>	<b>–407 595 503.42</b>
Termination benefits for leavers	–1 255 144 317.00	–1 139 893 125.15
Transfer of additional funds in case of collective withdrawal	–8 514 497.79	–11 573 631.13
Withdrawals for encouragement of home ownership/divorce	–44 913 674.90	–46 434 490.20
<b>Termination benefits</b>	<b>–1 308 572 489.69</b>	<b>–1 197 901 246.48</b>
<b>Outflow for benefits and withdrawals</b>	<b>–1 732 973 191.39</b>	<b>–1 605 496 749.90</b>
Decrease/Increase in regulatory tied funds	–985 914.20	651 358.45
Decrease/Increase in non-committed funds	5 012 675.40	147 952 349.26
Decrease/Increase in contribution reserves	2 850 233.15	427 769.44
<b>Decrease/Increase in pension liabilities, actuarial reserves and contribution reserves</b>	<b>6 876 994.35</b>	<b>149 031 477.15</b>
Insurance benefits	1 724 928 271.30	1 584 309 328.03
Share of insurance surpluses	26 539 480.64	25 929 276.53
<b>Income from insurance benefits</b>	<b>1 751 467 751.94</b>	<b>1 610 238 604.56</b>
Insurance premiums		
– Savings premiums	–758 379 085.75	–742 289 612.55
– Risk premiums	–155 368 042.02	–158 843 708.65
– Cost premiums	–52 442 853.70	–52 759 394.80
One-time contributions to insurances	–1 178 377 080.05	–1 170 238 012.71
Contributions to guarantee fund	–4 610 681.70	–3 739 680.60
<b>Insurance cost</b>	<b>–2 149 177 743.22</b>	<b>–2 127 870 409.31</b>
<b>Net result of insurance activities</b>	<b>0.00</b>	<b>0.00</b>

in CHF	31.12.2017	31.12.2016
Interest income on receivables	4 470 108.83	4 995 318.81
Interest on regulatory tied funds	0.00	7 227.05
Interest on non-committed funds	-35 354.23	-60 889.51
Interest expense for liabilities	-4 394 798.51	-4 887 107.20
Interest expense for employer-paid contribution reserves	-39 956.09	-54 549.15
<b>Net result on investments of pension plans</b>	<b>0.00</b>	<b>0.00</b>
Income from investments in securities	876 218.30	70 615.00
Interest on employer-paid contribution reserves	-120 603.33	3 102.29
Interest on non-committed funds	-690 771.17	-48 552.11
Asset management expense	-64 843.80	-25 165.18
<b>Net result on individual investments of pension plans</b>	<b>0.00</b>	<b>0.00</b>
Yield on entitlements to shares in Helvetia Investment Foundation	1 337 976.65	216 167.95
Yield on entitlements to Helvetia Investment Foundation BVG-Mix Plus 30	264 851.30	201 274.98
Yield on entitlements to Helvetia Investment Foundation real estate	121 572.60	135 750.27
Interest rate income from liquid funds	0.00	0.00
Interest rate income on dotation capital	0.00	22.11
Asset management expense	-85 188.15	-87 085.85
<b>Net result on investments of foundation's non-committed funds</b>	<b>1 639 212.40</b>	<b>466 129.46</b>
Income from services rendered	835 776.05	923 150.81
<b>Other income</b>	<b>835 776.05</b>	<b>923 150.81</b>
General administration	-909 220.07	-989 054.40
Auditors and pension fund actuary	-118 951.20	-127 159.20
Supervisory authority	-97 577.00	-23 081.44
<b>Administrative expense</b>	<b>-1 125 748.27</b>	<b>-1 139 295.04</b>
<b>Income/Expense surplus before decrease/increase in reserves for fluctuations in asset value</b>	<b>1 349 240.18</b>	<b>249 985.23</b>
<b>Decrease/Increase in reserves for fluctuations in asset value</b>	<b>-327 800.00</b>	<b>26 600.00</b>
<b>Income/Expense surplus after decrease/increase in reserves for fluctuations in asset value</b>	<b>1 021 440.18</b>	<b>276 585.23</b>

# 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 and thus affiliated with 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 2017

- **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
- Paul-Albert Nobs, member
- Urs Lerch, member
- Fritz Zahnd, vice-chair

- **Employee representatives**

- Mirjam Brucker, chair
- Stefan Burkart, member
- Monika Freund, member
- Jörg Bläsi, member

- **Other authorised signatories**

- Donald Desax
- René Eggimann
- Angela Godoy
- Thomas Klaiher
- Beat Müller

The manager can designate further authorised signatories for conducting 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	2017	2016
As at 31.12. prior year	10 897	10 799
Entries	1 010	1 032
Departures	-912	-934
<b>As at 31.12. year under review</b>	<b>10 995</b>	<b>10 897</b>

## 2. Active participants and pensioners

### 2.1 Active participants

Number	2017	2016
As at 31.12. prior year	107 159	107 112
New recruits	24 848	23 598
Resignations	-22 988	-22 097
Retirements	-1 445	-1 454
<b>As at 31.12. year under review</b>	<b>107 574</b>	<b>107 159</b>

### 2.2 Pensioners

Number	2017	2016
<b>Retirement pensioners</b>		
Initial sum	9 192	8 395
Entries	992	984
Departures	-1	-4
Retirements	-204	-183
<b>Final sum of old-age pensioners</b>	<b>9 979</b>	<b>9 192</b>

#### Recipients of pensioner's children's pension

Initial sum	158	116
Adjustment to initial sum	0	7
Entries	60	63
Departures	-46	-28
Deaths	-3	0
<b>Final sum of recipients of pensioner's children's pension</b>	<b>169</b>	<b>158</b>

#### Recipients of invalidity pension

Initial sum	2 746	2 875
Entries	257	216
Departures	-302	-304
Deaths	-39	-41
<b>Final sum of recipients of invalidity pension</b>	<b>2 662</b>	<b>2 746</b>

Number	2017	2016
<b>Recipients of disabled's children's pension</b>		
Initial sum	946	1 010
Adjustment to initial sum	0	10
Entries	129	158
Departures	-161	-223
Deaths	-12	-9
<b>Final sum of recipients of disabled's children's pension</b>	<b>902</b>	<b>946</b>

#### Recipients of spouse's pension

Initial sum	1 731	1 640
Entries	181	190
Departures	-117	-99
Deaths	0	0
<b>Final sum of recipients of spouse's pension</b>	<b>1 795</b>	<b>1 731</b>

#### Recipients of orphan's pension

Initial sum	408	406
Adjustment to initial sum	0	3
Entries	77	85
Departures	-72	-86
Deaths	0	0
<b>Final sum of recipients of orphan's pension</b>	<b>413</b>	<b>408</b>

#### Total

Initial sum	15 181	14 442
Adjustment to initial sum	0	20
Entries	1 696	1 696
Departures	-699	-744
Deaths	-258	-233
<b>Final sum of pensioners</b>	<b>15 920</b>	<b>15 181</b>

### 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

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<b>Liquid funds</b>	Par value
<b>Securities</b>	Market value
<b>Accounts receivable</b>	Par value less amortisation
<b>Prepayments and accrued income</b>	Par value
<b>Individual investments</b>	Market value

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## 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 10,211,746,589.02 (prior year: CHF 9,929,958,258.92) comprise the retirement savings capital of the active participants which have been invested and are managed by Helvetia.

	2017	2016
Interest on LOB mandatory savings capital	1.00%	1.25%
Interest on LOB non-mandatory savings capital	0.25%	0.50%

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 4,089,314,474 (prior year: CHF 3,754,998,072). The calculation and payment of the inflation adjustment on the LOB pensions are carried out by the re-insurer.

### 5.3 Total retirement savings capital in accordance with LOB

in CHF	31.12.2017	31.12.2016
Retirement savings capital in accordance with the LOB (shadow account)	5 915 130 274	5 770 042 284
LOB minimum interest rate	1.00%	1.25%

### 5.4 Amounts and rates of interest for liabilities under insurance contracts

in CHF	31.12.2017	31.12.2016
<b>Liabilities under insurance contracts at the end of the prior year</b>	<b>9 929 958 258.92</b>	<b>9 547 793 316.21</b>
Savings contributions	758 379 085.75	742 289 612.55
Termination benefit transfers, purchase sums and new contracts	1 178 377 080.05	1 170 238 012.71
Termination benefits for leavers and on termination of the contract	-1 254 990 726.67	-1 140 270 233.25
Lump sum payments on retirement, death or disability	-183 776 414.70	-172 171 604.20
Withdrawals for encouragement of home ownership/divorce	-44 913 674.90	-46 434 490.20
Decrease as a result of retirement, death or disability	-262 214 549.59	-286 624 176.35
Rate of interest on capital from the pension fund	63 755 617.30	85 729 526.00
Waivers of premiums	21 244 678.40	21 271 790.95
Other changes	5 927 234.46	8 136 504.50
<b>Liabilities under insurance contracts in the year under review</b>	<b>10 211 746 589.02</b>	<b>9 929 958 258.92</b>

### 5.5 Conclusions of the last actuarial report

The pension actuary confirmed in his report dated 26.01.2018 that, as at 31.12.2017, the foundation is able to fulfil its obligations and that no other technical provisions need to be accrued.

### 5.6 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:

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in CHF	31.12.2017	31.12.2016
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#### Invested with Helvetia

Regulatory tied funds	3 795 954	2 810 039
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### 5.7 Changes in actuarial principles and assumptions

There are no changes compared with the prior year.

### 5.8 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 29.08.2016, and implementation guidelines for Market Switzerland, version dated 01.01.2016

### 6.2 Implementation of the Ordinance Against Excessive Pay in Stock Exchange Listed Companies

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

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

in CHF	2017	2016
Reserve for fluctuations in asset value as at 01.01.	2 244 800	2 271 400
Decrease/Increase in reserves for fluctuations in asset value	327 800	-26 600
Reserve for fluctuations in asset value as at 31.12.	2 572 600	2 244 800
<b>Target reserve for fluctuations in asset value</b>	<b>2 572 600</b>	<b>2 244 800</b>

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

#### **6.4 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 funds and the employer-paid contribution reserves of the respective pension plans directly. The number of pension plans with individual investment of non-committed assets or employer contribution reserves is seven (prior year: five).

In addition, the foundation has made its own investments totalling CHF 13,140,555.63 (prior year: CHF 11,792,408.30).

#### **6.5 Market value and contract partners 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.

#### **6.6 Comments on net result of investments**

Three sub-totals from the investments are reported in the income statement.

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 876,218.30 (prior year: CHF 70,615.00) and its appropriation by the pension plans.

The position "Net result on investments of 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 1,639,212.40 (prior year: CHF 466,129.46). 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.

#### **6.7 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 138,088.00 for the year under review (prior year: CHF 106,179.00).
- The total asset management expense indicated in the income statement as a percentage of cost-transparent investments amounts to 0.02% in the year under review (prior year: 0.02%).
- The cost-transparency ratio is 100% for the year under review (prior year 100%).

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

### 6.8.1 Investments in an employer's enterprise

The assets for affiliated employers amounting to CHF 95,940,912.94 (prior year: CHF 83,218,030.67) are premium assets. In 2017, 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.

### 6.8.2 Employer-paid contribution reserves

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

in CHF	2017	2016
Employer-paid contribution reserves as at 01.01.	167 064 780.88	167 441 103.46
Transfers-in	15 830 208.35	21 442 105.80
Transfers from new contracts	1 865 537.45	1 426 691.25
Used for premium payments	-17 870 726.55	-17 004 681.26
Used for one-time payments	-400 652.25	-948 588.98
Benefits from termination of contracts	-2 274 600.15	-5 343 296.25
Interest on investments of pension plans	39 956.09	54 549.15
Interest on individual investments of pension plans	120 603.33	-3 102.29
<b>Employer-paid contribution reserves as at 31.12.</b>	<b>164 375 107.15</b>	<b>167 064 780.88</b>

The majority of the employer-paid contribution reserves earned interest at 0.0%.

## 6.9 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 income statement positions

### 7.1 Comments on receivables from Helvetia

in CHF	31.12.2017	31.12.2016
Current account balances	122 492 016.47	110 496 475.77
Current account balances LOB Guarantee Fund	4 625 188.85	3 746 975.75
Surplus safekeeping accounts	14 120 992.63	18 525 923.24
Employer-paid contribution reserves	163 841 069.81	166 431 821.92
Regulatory tied funds	3 795 953.67	2 810 039.47
Non-committed funds of pension plans	61 966 555.71	66 326 426.02
Prepaid premiums	45 076 411.76	45 028 965.86
Outstanding one-time payments of participants	127 552 335.39	117 733 082.01
<b>Total receivables from Helvetia (from investments for pension plans)</b>	<b>543 470 524.29</b>	<b>531 099 710.04</b>

The receivables from Helvetia from investments by the foundation amounted to CHF 0.00 in the year under review (prior year: CHF 0.00).

### 7.2 Comments on prepayments and accrued income

in CHF	31.12.2017	31.12.2016
Prepaid benefits	35 695 373.32	164 823 206.58
<b>Total prepayments and accrued income</b>	<b>35 695 373.32</b>	<b>164 823 206.58</b>

### 7.3 Comments on liabilities to Helvetia

in CHF	31.12.2017	31.12.2016
Premiums owed	95 204 389.97	82 491 658.10
One-time payments owed	736 522.97	726 372.57
<b>Total liabilities to Helvetia</b>	<b>95 940 912.94</b>	<b>83 218 030.67</b>

### 7.4 Comments on accrued liabilities and deferred income

in CHF	31.12.2017	31.12.2016
Insurance benefits received in advance	35 695 373.32	164 823 206.58
Premiums received in advance	45 076 411.76	45 028 965.86
Outstanding one-time payments	127 552 335.39	117 733 082.01
Other accruals	191 971.20	193 063.20
<b>Total accrued liabilities and deferred income</b>	<b>208 516 091.67</b>	<b>327 778 317.65</b>

## 7.5 Comments on non-committed funds of pension plans

in CHF	31.12.2017	31.12.2016
<b>Invested with Helvetia</b>		
Individual surpluses	693 444.68	2 087 653.39
Collective surpluses	13 427 547.95	16 438 269.85
Non-committed funds	61 966 555.71	66 326 426.02
<b>Total</b>	<b>76 087 548.34</b>	<b>84 852 349.26</b>
<b>Non-committed funds of pension plans in individual investments</b>		
Collective surpluses	224 996.96	212 501.08
Non-committed funds	7 682 958.72	3 217 203.69
<b>Total</b>	<b>7 907 955.68</b>	<b>3 429 704.77</b>
<b>Total non-committed funds of pension plans</b>		
Individual surpluses	693 444.68	2 087 653.39
Collective surpluses	13 652 544.91	16 650 770.93
Non-committed funds	69 649 514.43	69 543 629.71
<b>Total</b>	<b>83 995 504.02</b>	<b>88 282 054.03</b>

## 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	31.12.2017	31.12.2016
Insurance benefits	1 724 928 271.30	1 584 309 328.03
Surpluses from insurance	26 539 480.64	25 929 276.53
<b>Total income from insurance benefits</b>	<b>1 751 467 751.94</b>	<b>1 610 238 604.56</b>

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	31.12.2017	31.12.2016
Individual accumulation	24 580 955.44	23 449 388.93
Collective accumulation	1 865 404.10	2 387 742.40
Credit to collection account	93 121.10	92 145.20
<b>Total surpluses</b>	<b>26 539 480.64</b>	<b>25 929 276.53</b>

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	31.12.2017	31.12.2016
Risk premium	-154 099 573.42	-154 646 820.45
Cost premium	-52 442 853.70	-52 759 394.80
Savings premium	-758 379 085.75	-742 289 612.55
Inflation	-1 268 468.60	-4 196 888.20
One-time payments	-1 178 377 080.05	-1 170 238 012.71
Contribution to the guarantee fund	-4 610 681.70	-3 739 680.60
<b>Total insurance cost</b>	<b>-2 149 177 743.22</b>	<b>-2 127 870 409.31</b>

### 7.7 Comments on income from services rendered

in CHF	31.12.2017	31.12.2016
Compensation for reminder costs Helvetia	642 989.55	723 795.81
Compensation for encouragement of home ownership costs	192 786.50	199 355.00
<b>Total income from services rendered</b>	<b>835 776.05</b>	<b>923 150.81</b>

### 7.8 Comments on administrative expense

in CHF	31.12.2017	31.12.2016
Reminder costs	-638 129.55	-723 795.81
Encouragement of home ownership costs	-192 786.50	-199 355.00
Auditors and pension fund actuary	-118 951.20	-127 159.20
Supervisory authority	-97 577.00	-23 081.44
General administration	-78 304.02	-65 903.59
Foundation's administrative expense	-294 832.22	-216 144.23
<b>Total administrative expense</b>	<b>-1 125 748.27</b>	<b>-1 139 295.04</b>

## 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 2016 had not been received.

## 9. Further information regarding the financial situation

### 9.1 Partial liquidations

No partial liquidation procedure was conducted in 2017 at the foundation level. Partial liquidations which were to be conducted by pension plans in 2017 were identified in accordance with the provisions of the partial liquidation regulation. The resulting distributions of non-committed funds from these pension plans were processed under the applicable regulations. Likewise, the terminations of contracts of association and the corresponding pension plan exits were conducted in accordance with the partial liquidation regulations. There are no legal disputes or objections currently in effect in connection with partial liquidations.

### 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, 12 April 2018

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**

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**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, 2017.

*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 system. 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 December 31, 2017 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 the size and complexity of the foundation;
- funds are invested in accordance with legal and regulatory requirements;
- the occupational pension accounts comply with legal requirements
- measures have been taken to ensure loyalty in fund management and whether the Governing Body has ensured to a sufficient degree that fund managers fulfil their duties of loyalty and disclosure of interests;
- the 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  
Auditor in Charge*

Christoph Vonder Mühl  
*Licensed Audit Expert*

Zurich, April 12, 2018

*Enclosure:*

- Financial statements comprising balance sheet, operating accounts and notes

Helvetia has been a leading Swiss insurance company with customised insurance and pension solutions for companies and private customers since 1858. Helvetia supports a range of social commitments.



Official partner of Swiss-Ski since 2005.



Committed to the protection forest topic since 2012.



Presenting Partner of the Helvetia Swiss Cup since 2016.

**Helvetia Group Foundation  
for Employee Pensions**

T 058 280 10 00 (24h), [www.helvetia.ch/helvetia-foundation](http://www.helvetia.ch/helvetia-foundation)



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