



# Annual report 2014

Vita Joint Foundation

# Important key figures 2013 **2014**

Pensioners

All pensioners are reinsured with  
Zurich Life Insurance Company Ltd

Active members

114,881  
**115,338**

Assets in CHF million

9,475  
**10,281**

Affiliated employers

18,189  
**18,950**

Return on investments

7.14%  
**8.18%**

Interest on mandatory savings capital

2.00% **2.75%**

Interest on supermandatory savings capital

2.50% **3.75%**

# Table of contents

## Foreword

Statement from the Chairman of the Foundation Board	4
Statement from the Chairman of the Investment Committee	6

## Balance sheet and operating statement

Balance sheet	9
Operating statement	10

## Notes

1 Principles and organization	13
2 Active insured and pensioners	15
3 Achievement of purpose	16
4 Valuation and accounting principles, consistency	16
5 Actuarial risk / risk coverage / coverage ratio	17
6 Investments and net investment result	21
7 Other items in balance sheet and operating statement	28
8 Requirements of supervisory authority	31
9 Additional information on financial position	31
10 Events after reporting date	31

## Report of the statutory auditor to the Foundation Board

Report of the statutory auditor on the financial statements	33
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# Innovative pension model successfully launched

## Statement from the Chairman of the Foundation Board



Peter E. Naegeli

During 2014, Vita Joint Foundation set another milestone in the active restructuring of the second pillar: the launch of a prize-winning new pension model. The model has met with great interest from customers as well as within professional circles. This is proof positive that it is not only imperative but also possible to break new ground in the occupational pension business. Vita Joint Foundation and its partner Zurich are convinced that the solution simply cannot lie in passively waiting for the problems with retirement planning to arise as foretold by current demographic trends.

The new Vita Classic pension model with interest reserve not only removes the spotlight from the overly prominent coverage ratio focusing on the short term, but also uses a system of staggered earnings distribution to set a clear counterpoint to the minimum interest rate determined annually for the next year by the Federal Council. Unfortunately, capital market performance cannot be conjured out of a hat, particularly not in an environment of persistently low interest rates.

### **Graying of population affects every individual**

Lady Barbara Judge, chairperson of the UK Pension Protection Fund, once neatly summed up the challenges facing the system of occupational retirement planning and the consequences for each individual: «Save more, expect less and work longer.» Those who accept these three directives and take them seriously can no longer remain inactive. Those who base their expectations on the hope that life expectancy will decline again and bring the graying of the population to a stop have already lost the battle. But what does playing an active role mean in this context? Playing an active role means no longer just focusing during the time before retirement on a future date that has already been fixed now. The focus must increasingly shift to an approach of «occupational aftercare» – which is the real purpose of occupational retirement planning – to also include the time after full-time employment.

### **2015 started at full tilt**

Vita Joint Foundation and its partner Zurich are continuing to play an active role with their joint brand Vita.

**«The advantages of the partially autonomous model are becoming ever more pronounced.»**

Vita Joint Foundation and Zurich have been pioneering the partially autonomous model since 2004, consistently applying it to the benefit of their participating companies, active insured and pensioners.

Vita Joint Foundation started the year 2015 at full tilt. The acceptance granted to the Vita Classic pension model by new and renowned corporate customers not only adds new momentum, but also gives us the assurance of being able to play an active role in the restructuring of the occupational pension system.

On behalf of the Foundation Board, I would like to thank you for your confidence. You can rest assured that the Foundation Board, together with General Manager Samuel Lisse and his employees, will do everything possible to continue providing occupational retirement products that serve your best interests.

A handwritten signature in black ink, appearing to read 'P. Naegeli', with a stylized, cursive script.

Peter E. Naegeli  
Chairman of the Foundation Board  
of Vita Joint Foundation

# An excellent investment year for Vita Joint Foundation

## Statement from the Chairman of the Investment Committee



Prof. Dr. Thorsten Hens

The 2014 investment year was dominated by rising share prices and falling interest rates. Headed by bonds and equities, (almost) all asset classes contributed to the positive performance. At 8.17%, Vita once again posted a very encouraging annual performance, also when compared to previous years. Vita Joint Foundation reported a positive result for all asset classes, with equities (+13.89%) and real estate (+10.31%) deserving a particular mention. Even the return of 7.96% earned on the capital market is excellent, while mortgages also improved by 2.73% over the previous year. These yields confirm that Vita's investment strategy was very good in 2014. The quality of strategy implementation is determined by comparing the results against the benchmarks for the individual asset classes. The performance of Vita Joint Foundation was very close to the relevant benchmarks in all asset classes. Vita Joint Foundation earned a return of 4.35% on alternative invest-

ments, which is more than 3.4% above the benchmark. With such a positive picture, one has to look very closely to find something that could be improved. In the area of European equities, Vita Joint Foundation lagged 2.41% behind the benchmark. And if it had not reduced the durations, it could have considerably outperformed its benchmark for the capital market.

### Impressive ten-year performance

Vita Joint Foundation was established in 2003 and has been investing in the financial markets for ten years. With great success: looking back it is clear that Vita Joint Foundation achieved an excellent average annual performance of almost 4% over this time. This performance is all the more remarkable if we remember that this period also saw the largest financial crisis ever, which the still young Vita Joint Foundation mastered with aplomb.

«Vita Joint Foundation is a very secure joint foundation, not only when measured against the low fluctuation in yields.»

### What will happen following the all-time high for equities?

Equities benefited twice in 2014: from the recovery of the economy as well as falling interest rates. This triggered an unprecedented stock market rally. In 2014, important stock markets such as the Dow Jones Industrial Average, the index of the biggest US stocks, once again closely approached or actually reached new all-time highs.

Other traditional asset classes favored by Swiss pension funds, such as Swiss bonds and Swiss real estate, are more expensive than ever before. Against this background, it will remain a challenge for Swiss pension funds and joint foundations to earn appealing returns in the near future, particularly if secure Swiss investments should continue to pay negative interest rates. In this demanding environment it is an advantage that Vita Joint Foundation has a broadly diversified investment portfolio. We are convinced that the large strategic component of non-traditional investments of 22% (hedge funds, private equity, commodities, insurance-linked securities, senior loans, infrastructure investments) will help us to still earn attractive returns in the near future.



Prof. Dr. Thorsten Hens  
Chairman of the Investment Committee

# Balance sheet and operating statement



# Balance sheet

## Assets

in CHF	Notes	12 / 31 / 2014	12 / 31 / 2013
<b>Investments</b>		<b>10,223,993,154</b>	<b>9,395,895,686</b>
Cash and cash equivalents	6.4	299,129,460	165,279,960
Other current accounts	7.1	0	1,022,554
Employers' current accounts	6.9	87,448,961	87,404,197
Other receivables		6,835,465	8,638,724
Collective investments – bonds	6.4	3,831,594,976	4,015,526,307
Collective investments – equities	6.4	2,571,581,446	2,287,216,386
Collective investments – real estate	6.4	1,090,834,705	990,358,930
Collective investments – alternative investments	6.4	1,658,457,927	1,163,187,778
Direct investments	6.4	678,110,214	677,260,850
<b>Accrued income and deferred expenses</b>	<b>7.2</b>	<b>56,858,747</b>	<b>79,097,111</b>
<b>Total assets</b>		<b>10,280,851,901</b>	<b>9,474,992,797</b>

## Liabilities

in CHF	Notes	12 / 31 / 2014	12 / 31 / 2013
<b>Liabilities</b>		<b>207,471,161</b>	<b>154,771,501</b>
Vested benefits		177,876,988	152,634,428
Other liabilities		29,594,173	2,137,073
<b>Accrued expenses and deferred income</b>	<b>7.3</b>	<b>428,381,799</b>	<b>287,533,614</b>
<b>Employers' contribution reserves</b>	<b>6.9</b>	<b>120,031,361</b>	<b>120,968,173</b>
<b>Pension capital, technical reserves and uncommitted funds of pension schemes</b>		<b>8,859,101,349</b>	<b>8,301,391,208</b>
Pension capital of active insured	5.3	8,317,225,338	8,180,068,641
Technical reserves	5.5	541,876,011	121,322,567
<b>Value fluctuation reserve</b>	<b>6.3</b>	<b>531,546,081</b>	<b>518,626,745</b>
<b>Uncommitted funds of pension schemes</b>	<b>5.4</b>	<b>83,277,855</b>	<b>91,651,556</b>
<b>Endowment capital and uncommitted funds</b>		<b>51,042,295</b>	<b>50,000</b>
Endowment capital		50,000	50,000
Net income for current year		50,992,295	0
<b>Total liabilities</b>		<b>10,280,851,901</b>	<b>9,474,992,797</b>

# Operating statement

in CHF	Notes	12/31/2014	12/31/2013
<b>Regular and other contributions and purchases</b>		<b>1,121,190,721</b>	<b>1,097,866,590</b>
Savings contributions	7.4	633,344,165	636,353,100
Risk contributions	7.5	151,071,257	153,503,438
Contributions for inflation adjustments	7.5	4,130,553	4,150,632
Security fund contributions	7.5	4,050,993	3,721,769
Cost premiums	7.5	63,593,528	59,844,614
Single contributions and purchase amounts		252,846,529	222,881,981
Withdrawal from uncommitted funds of pension schemes (net)	5.4	9,610,802	12,489,916
Capital contributions to employers' contribution reserves	6.9	-22,101,966	-2,686,405
Withdrawals from employers' contribution reserves	6.9	24,644,860	7,607,546
<b>Benefits brought into scheme</b>		<b>645,266,870</b>	<b>628,972,423</b>
Vested benefits		636,160,909	622,987,769
Advance withdrawals for promotion of home ownership/divorce received		9,105,962	5,984,654
<b>Incoming contributions and benefits brought into scheme</b>		<b>1,766,457,591</b>	<b>1,726,839,013</b>
<b>Regulatory benefits and advance withdrawals</b>		<b>-277,431,868</b>	<b>-260,355,360</b>
Retirement pensions		-96,992,770	-85,308,671
Survivors' pensions		-9,366,904	-8,298,002
Disability pensions		-34,096,777	-34,767,109
Lump-sum payments on retirement		-106,575,011	-100,315,950
Lump-sum payments for death and disability		-30,400,406	-31,665,628
<b>Departure payments</b>		<b>-1,320,835,886</b>	<b>-1,276,452,220</b>
Vested benefits paid to departing insured		-1,268,083,889	-1,225,433,397
Advance withdrawals for promotion of home ownership/divorce		-44,865,915	-45,901,122
Actuarial reserves for disability pensions on contract termination		-7,886,082	-5,117,700
<b>Outgoing benefits and advance withdrawals</b>		<b>-1,598,267,754</b>	<b>-1,536,807,580</b>
<b>Reversal/formation of pension capital, technical reserves and employers' contribution reserves</b>		<b>-569,863,837</b>	<b>-229,626,579</b>
Reversal of pension capital for active insured		95,153,021	87,288,768
Formation of technical reserves		-420,553,444	-121,322,567
Formation of uncommitted funds of pension schemes	5.4	-9,610,802	-12,489,916
Formation of employers' contribution reserves	6.9	22,101,966	2,686,405
Reversal of employers' contribution reserves	6.9	-24,644,860	-7,607,546
Interest on savings capital	5.3	-232,309,719	-178,181,724
<b>Brought forward</b>		<b>-401,674,000</b>	<b>-39,595,147</b>

in CHF	Notes	12/31/2014	12/31/2013
Brought forward		-401,674,000	-39,595,147
<b>Income from insurance benefits</b>		<b>206,022,844</b>	<b>206,677,037</b>
Pension benefits		140,456,451	128,373,783
Insurance benefits: lump-sum payments		12,468,459	12,352,063
Insurance benefits: premium waiver		26,945,497	25,967,406
Insurance benefits: actuarial reserves for disability pensions		7,886,082	5,117,700
Profit shares from insurance company	5.8	18,266,356	34,866,084
<b>Insurance costs</b>		<b>-458,089,395</b>	<b>-452,415,720</b>
Premiums to insurance companies			
Risk premiums	7.5	-155,256,413	-157,654,070
Cost premiums	7.5	-63,593,528	-59,608,944
Single contributions to insurance companies		-235,628,608	-231,090,124
Security fund contributions		-3,610,846	-4,062,581
<b>Result from insurance activities</b>		<b>-653,740,552</b>	<b>-285,333,830</b>
<b>Net investment result</b>		<b>723,237,601</b>	<b>603,642,894</b>
Interest	6.8.1	1,018,690	4,142,275
Interest on uncommitted funds of pension schemes	5.4	-1,237,099	-1,409,109
Interest on employers' contribution reserves		-1,606,082	-1,632,557
Gain on collective investments – bonds	6.8.1	307,241,729	26,317,810
Gain on collective investments – equities	6.8.1	312,791,803	429,293,644
Gain on collective investments – real estate	6.8.1	105,343,179	63,494,716
Gain on collective investments – alternative investments	6.8.1	123,411,551	139,159,417
Gain on currency hedging	6.8.1	-51,779,860	3,674,179
Mortgage interest	6.8.1	18,078,686	19,364,249
Asset management costs	6.8	-90,024,996	-78,761,730
<b>Other income</b>		<b>375,879</b>	<b>1,016,349</b>
Income from services rendered		133,030	344,438
Reversal of allowance for doubtful debts		242,849	671,911
<b>Administrative costs</b>	<b>5.1</b>	<b>-5,961,296</b>	<b>-4,304,898</b>
General administration		5,094,200	3,577,151
Marketing		431,078	101,310
Auditors and pension actuary		265,930	389,238
Supervisory authority		170,088	237,199
<b>Income before reversal / formation of value fluctuation reserve</b>		<b>63,911,632</b>	<b>315,020,516</b>
Formation of value fluctuation reserve		-12,919,336	-315,020,516
<b>Income surplus</b>		<b>50,992,295</b>	<b>0</b>

# Notes

# 1 Principles and organization

<b>Legal form</b>	Foundation pursuant to Art. 80 et seq. Swiss Civil Code
<b>Establishment of Foundation</b>	June 13, 2003
<b>First entry in Commercial Register / no. CH-020.7.001.096-8</b>	September 17, 2003
<b>Deed of Foundation (last amendment)</b>	May 2010
<b>Rules of organization</b>	October 2013
<b>Pension regulations</b>	October 2014
<b>Investment regulations</b>	September 2014
<b>Regulations on the formation of provisions</b>	September 2014
<b>Regulations on partial liquidation</b>	September 2014
<b>Funding method</b>	Defined contribution plan
<b>Registration</b>	BVS reference number ZH.1446
<b>Security fund</b>	Yes

## 1.1 Purpose

The purpose of the Foundation is to provide mandatory occupational pension plans for employees and employers as well as their surviving dependants against the consequences of old age, disability and death. Occupational pension plans are provided in accordance with the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans (BVG) and its implementing ordinances. The Foundation can also provide occupational benefits coverage that exceeds the statutory minimum benefits, including assistance to alleviate the hardship caused by illness, accident, disability or unemployment.

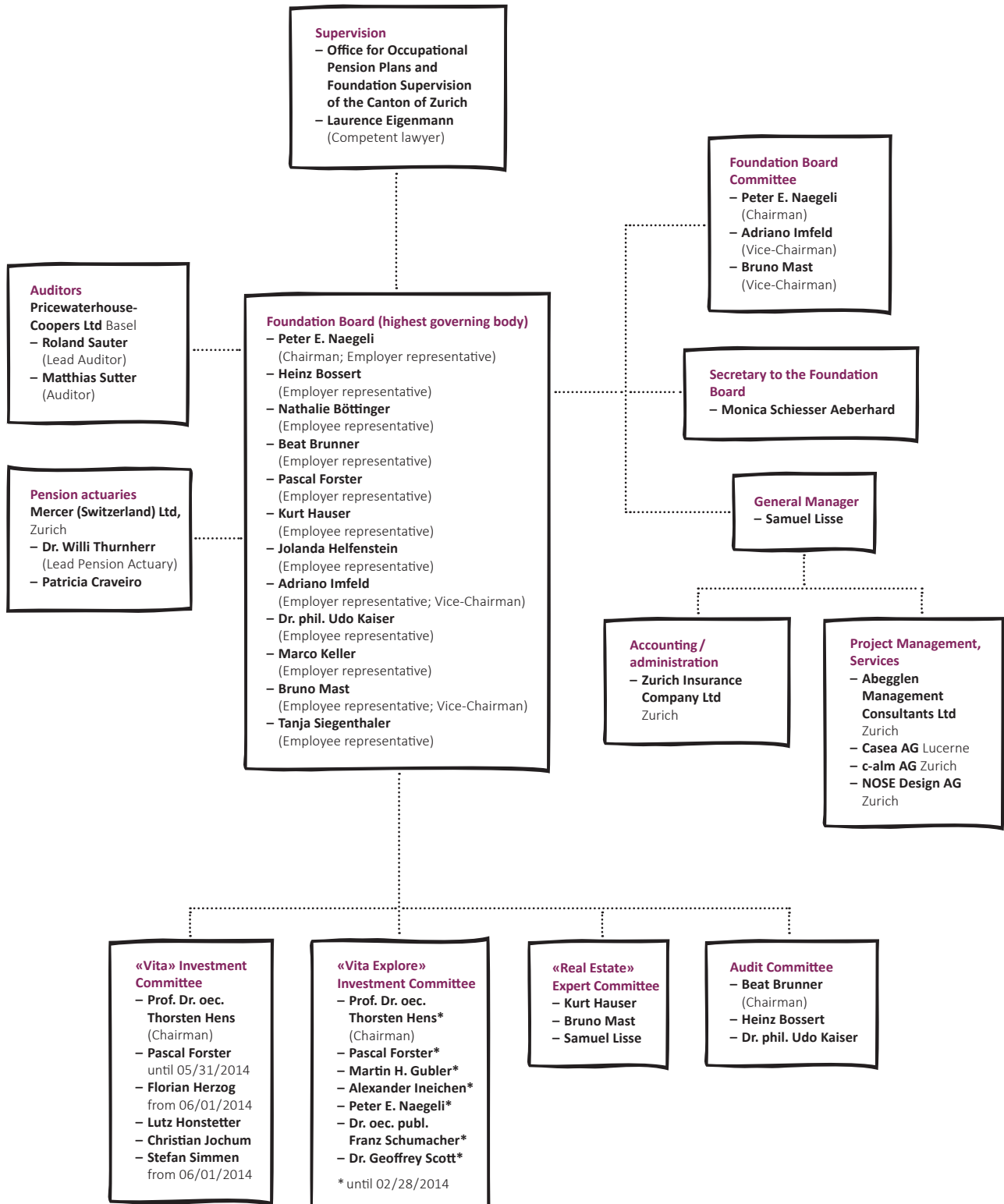
The Foundation Board Committee appoints the persons who are authorized to sign on behalf of the Foundation. Only joint signature with a minimum of two signatures is allowed.

## 1.2 Affiliated employers

	12 / 31 / 2014	12 / 31 / 2013
<b>Number of affiliated employers</b>	18,950	18,189

+761  IN 2014

### 1.3 Governing bodies and other functions



As the tasks handled by the Vita Explore Committee were taken over by the Vita Investment Committee from February 2014, the Vita Explore Committee could be dissolved.

## 2 Active insured and pensioners

### 2.1 As at 12/31

	12/31/2014	12/31/2013
<b>Total number of active members</b>	<b>115,338</b>	<b>114,881</b>
Active insured	110,564	110,568
Occupationally disabled insured	4,774	4,313
<b>Total number of pensioners</b>	<b>9,966</b>	<b>9,311</b>
Retirement pensions	6,107	5,494
Retired person's child's pensions	108	100
Spouse's pensions	734	653
Orphan's pensions	274	258
Disability pensions	2,295	2,332
Disabled person's child's pensions	448	474

### 2.2 Change in 2014

	Retirement pensions	Retired person's child's pensions	Spouse's pensions	Orphan's pensions	Disability pensions	Disabled person's child's pensions
<b>As at 01/01/2014</b>	<b>5,494</b>	<b>100</b>	<b>653</b>	<b>258</b>	<b>2,332</b>	<b>474</b>
New pensions	700	33	–	–	–	–
Assumed	16	–	90	49	253	78
Deaths	–103	–4	–9	–1	–37	–6
Withdrawals	–	–21	–	–32	–253	–98
<b>As at 12/31/2014</b>	<b>6,107</b>	<b>108</b>	<b>734</b>	<b>274</b>	<b>2,295</b>	<b>448</b>

	Active insured
<b>As at 01/01/2014</b>	<b>110,568</b>
Entries	10,954
Retirements	–1,068
Withdrawals	–9,890
<b>As at 12/31/2014</b>	<b>110,564</b>

## 3 Achievement of purpose

The purpose of the Foundation is fulfilled in that employers willing to affiliate with the Foundation join the Foundation under affiliation contracts. With the affiliation contract, a pension fund is established.

The fund manager approves the pension regulations enacted by the Foundation Board. The fund manager also adopts a pension plan that

sets out the type and scope of the occupational benefits, the contributions of the insured and the employer, and the provisions specific to the pension fund. The fund manager enacts the pension regulations and pension plan.

The pension costs are financed by the employees and the employer, whereby the employer must bear at least 50% of the costs.

## 4 Valuation and accounting principles, consistency

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

Accounting, reporting and valuation practices comply with the provisions of the Swiss Code of Obligations (OR) and the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans (BVG). The annual financial statements comprising the balance sheet, operating statement and notes portray the actual financial position of the Foundation as defined in the occupational benefits legislation and comply with the provisions of Swiss GAAP ARR 26.

### 4.2 Accounting and valuation principles

Investments are stated at present value (generally market value). The standards of Swiss GAAP ARR 26 («true and fair view») apply in all other respects.

The value of direct real estate investments is determined with an accepted method in accordance with statutory valuation guidelines.

All other investments for which no market value is available are recognized at net asset value (e.g. private equity) or at par value less any impairment (e.g. mortgages).

All amounts in Swiss francs are rounded to the nearest franc in the annual financial statements and the notes. This may lead to small rounding differences.



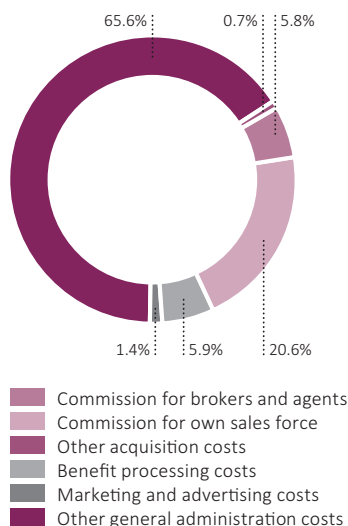
## 5 Actuarial risk / risk coverage / coverage ratio

### 5.1 Type of risk coverage / reinsurance

The Foundation took out a collective life insurance agreement with Zurich Life Insurance Company Ltd to cover the actuarial risks of death and disability as well as the purchase of retirement benefits. The Foundation is the policyholder and beneficiary.

The breakdown by insurance, risk and cost premiums is given in section 7.4. The administrative expenses incurred directly by the Foundation are reported as administrative costs in the operating statement.

The Foundation Board is therefore of the opinion that the reinsurer's breakdown of the Foundation's administrative costs pursuant to Art. 48a BVV2 cannot be applied directly and that a breakdown following FINMA's operating statement makes more sense. The adjacent graph shows the percentages allocated for the gross expenses relating to the collective life insurance business in accordance with the operating statement for the occupational pension business drawn up in accordance with the guidelines of the Swiss Financial Market Supervisory Authority FINMA.



(Source: Operating statement 2014 – occupational pensions, accessible on the internet at [www.zurich.ch](http://www.zurich.ch)).

All other costs incurred by the Foundation are borne by Zurich Life Insurance Company Ltd. To cover the costs of the collective life insurance business, a cost premium is charged to all the pension schemes affiliated with the Foundation. Zurich Life Insurance Company Ltd recognizes joint cost items for all its collective life insurance agreements.

### 5.2 Assets and liabilities under insurance agreements

The actuarial reserves for pension obligations under the collective life insurance agreement with Zurich Life Insurance Company Ltd are not shown in the balance sheet. They amount to:

in CHF	12/31/2014	12/31/2013
<b>Pensioners' actuarial reserves</b>	<b>2,114,953,600</b>	<b>1,923,295,328</b>
Retirement pensions	1,518,583,384	1,351,190,799
Retired person's child's pensions	2,356,977	2,180,671
Disability pensions	222,526,951	222,854,632
Disabled person's child's pensions	6,423,698	6,488,661
Orphan's pensions	4,419,479	4,749,092
Spouse's pensions	141,487,203	126,501,699
Premium waivers	219,155,908	209,329,775

### 5.3 Changes to and interest on savings capital

in CHF	12/31/2014	12/31/2013
Interest on mandatory savings capital	2.75 %	2.00 %
Interest on supermandatory savings capital	3.75 %	2.50 %
<b>Savings capital at 01/01</b>	<b>8,180,068,641</b>	<b>8,089,175,684</b>
<b>Formation of savings capital</b>	<b>-237,041,481</b>	<b>-202,372,007</b>
Savings contributions	633,344,165	636,353,100
IV savings contribution	26,945,497	25,967,406
Purchase amounts	110,958,069	107,798,741
Vested benefits brought into scheme	636,160,909	622,987,769
Departure payments / vested benefits	-1,268,083,889	-1,225,433,397
Of which difference pursuant to VBA Art. 17 <sup>1)</sup>	66,670	309,334
Deductions for coverage deficiency on contract termination <sup>1)</sup>	-6,865	-171,422
Advance withdrawals for promotion of home ownership / divorce	-44,865,915	-45,901,122
Repayment of advance withdrawals	9,105,962	5,984,654
Lump-sum payments for death	-30,400,406	-31,665,628
Of which benefits paid by insurance company <sup>1)</sup>	12,468,459	12,352,063
Lump-sum payments on retirement	-106,575,011	-100,315,950
Purchase of retirement / survivors' / disability pensions	-235,628,608	-231,090,124
Of which pension purchase difference <sup>1)</sup>	19,469,484	20,452,568
<b>Takeover of portfolios from previous insurers</b>	<b>141,888,460</b>	<b>115,083,240</b>
<b>Interest on savings capital</b>	<b>232,309,719</b>	<b>178,181,724</b>
<b>Savings capital at 12/31</b>	<b>8,317,225,338</b>	<b>8,180,068,641</b>
Of which BVG retirement assets	4,982,939,517	4,936,018,206

1) Expenses and income charged to profit and loss that are included in the operating statement in the item «Formation of pension capital for active insured».

### 5.4 Changes to and interest on pension schemes' uncommitted funds

in CHF	12/31/2014	12/31/2013
Interest on uncommitted funds	1.50 %	1.50 %
<b>Uncommitted funds (pension accounts)</b>	<b>83,277,854</b>	<b>91,651,556</b>
Uncommitted funds (pension accounts) previous year	91,651,556	102,732,306
Capital contributions to uncommitted funds (pension accounts)		
From contracts taken over	1,773,650	512,500
From contributions	1,442,253	1,395,632
Withdrawals from uncommitted funds (pension accounts)		
From contract terminations	-4,428,752	-3,399,324
For capital contributions to savings capital	-8,385,552	-10,987,594
Reconciliation	-12,400	-11,129
Interest on uncommitted funds (pension accounts)	1,237,099	1,409,167

## 5.5 Composition, changes to and notes on technical reserves

The basis used for the calculation of the required technical reserves was audited by the pension actuary and documented in regulations approved by the Foundation Board.

The new pension model was introduced in 2014. According to the regulations on the formation of provisions, this model requires the formation of interest reserves. A new interest reserve of CHF 370,166,422 was raised.

Composition of technical reserves	in CHF	2014	2013
Provision for conversion rate adjustments		171,709,589	121,322,567
Provision for formation of interest reserves		370,166,422	0
<b>Total technical reserves</b>		<b>541,876,011</b>	<b>121,322,567</b>

## 5.6 Actuarial report of May 13, 2015

In his report, the pension actuary determines that:

### Financial security

#### Coverage ratio

The coverage ratio pursuant to Art. 44 BVV2 amounts to 106.6% per December 31, 2014 (previous year: 106.2%). This means that the pension scheme can completely fulfill all its financial obligations in full.

#### Rehabilitation potential

The portfolio consists purely of active insured. As all pensioners are reinsured with Zurich Life Insurance Company Ltd, the restructuring potential is judged to be very good.

#### Risk capacity

The technical reserves and value fluctuation reserve have been fully raised for the defined target amounts. The pension scheme's risk capacity as at December 31, 2014, is therefore judged as excellent in view of the selected investment strategy.

### Suitability of financing structure

The contributions are used to finance the retirement benefits, risk benefits and administrative costs of the Joint Foundation. As retirement losses are financed by a separate provision rather than by the contributions, the premiums collected for risks and administrative costs must only cover the insurance premium owed to Zurich Life Insurance Company Ltd and the contributions to the security fund. According to the operating statement this condition is fulfilled. The Joint Foundation's administrative costs are financed by the investment income.

The following formula is used to calculate the long-term target return:

$$PA \times \text{target return} = \text{target interest rate} \times PC_{\text{Active}} + \text{TIR} \times PC_{\text{Pensioners}} + \text{formation provision} + \text{AdmC}$$

The notation is as follows:

PA:	Pension assets
PC <sub>Active</sub> :	Pension capital of active insured
TIR:	Technical interest rate
PC <sub>Pensioners</sub> :	Pension capital of pensioners
AdmC:	Administrative costs of Joint Foundation

The long-term target return is the return that is needed to pay interest on the retirement assets of the active insured and the actuarial reserves of the pensioners as well as to finance the costs that are not covered by the contributions. The higher the coverage ratio, the lower the target return. To keep the coverage ratio constant, the expected return has to be higher than the target return.

As the Joint Foundation does not carry any of its own pensioner obligations, the following formula is used to calculate the target return:

$$\text{Target return} = (\text{target interest rate} \times \text{PC}_{\text{Active}} + \text{AdmC}) / \text{PA}$$

The expected return is 3.5%<sup>1</sup> p.a., while the target return is 2.70% and 1.59% p.a. respectively<sup>2</sup>.

The target return is lower than the expected return, both when the calculation is based on an assumed interest rate of 3.00% and a more conservative interest rate of 1.75%. We consider the pension scheme's future financial situation to be stable.

- 1) According to information provided by the General Manager of Vita Joint Foundation.
- 2) Calculation based on an interest rate for the pension capital of the active insured of 3.00% (current technical interest rate) and 1.75% (current minimum BVG interest rate).

## Technical fundamentals

### Assessment of demographic tables

The pension scheme uses the GRM/GRF 95 actuarial tables that do not have any direct impact on the calculation of the pension capital and technical reserves.

### Assessment of technical interest rate

The technical interest rate applied by the pension scheme complies with our recommendations as well as the recommendations of the Swiss Chamber of Pension Actuaries.

The actuarial balance sheet as at December 31, 2014, can be inspected at the office of the General Manager.

## 5.7 Coverage ratio pursuant to Art. 44 par. 2 BVV2

A coverage deficiency refers to a situation where a pension fund does not have sufficient pension assets on the reporting date to cover its future pension liabilities as calculated by the pension actuary.

in CHF	12 / 31 / 2014	12 / 31 / 2013
<b>Accrued pension assets</b>	<b>9,441,689,726</b>	<b>8,820,067,953</b>
Gross assets (total assets)	10,280,851,901	9,474,992,797
Minus liabilities	- 207,471,160	- 154,771,501
Minus accrued expenses and deferred income	- 428,381,799	- 287,533,614
Minus employers' contribution reserves	- 120,031,361	- 120,968,173
Uncommitted funds of pension schemes	- 83,277,855	- 91,651,557
<b>Actuarial pension capital</b>	<b>8,859,101,350</b>	<b>8,301,391,209</b>
<b>Coverage ratio pursuant to Art. 44 par. 2 BVV2</b>	<b>106.6 %</b>	<b>106.2 %</b>

## 5.8 Profit shares from insurance company

In the past financial year, Vita Joint Foundation received profit shares of CHF 18.3 million (previous year CHF 34.9 million) from Zurich Life Insurance Company Ltd. The profit shares are used to finance benefit changes arising from the purchase of additional benefits.

## 6 Investments and net investment result

### 6.1 Organization of investment activities, investment regulations

As the highest governing body, the Foundation Board is responsible for the investments. It defines the asset management organization and the powers of the units to whom the asset management has been delegates in the investment regulations and appendices I to III. The Foundation Board determines the investment strategy with the advice and support of the Investment Committee. The Foundation Board delegates the implementation of the investment strategy and the monitoring of the investments to the General Manager and the Investment Committee.

#### Mandates, asset managers, custodian banks

<b>Collective investments</b>	Zurich Investment Fund Capvis Equity Partners AG Everest Capital Frontier Markets Equity Ltd 36 South Funds PLC Aberdeen Global Frontier Markets Equity Fund Adveq Management AG
<b>Mortgages</b>	Zurich IMRE Ltd
<b>Foreign currency hedging</b>	UBS Inc.
<b>Investment advisory service</b>	swissQuant Group AG SIGLO Capital Advisors AG PPCmetrics AG c-alm AG casea AG
<b>Custodian banks</b>	Bank Julius Baer & Co. Ltd. UBS Inc.

### 6.2 Expanded investment options pursuant to Art. 50 par. 4 BVV2

Use of expanded options (Art. 50 par. 4 BVV2) with proof of security and risk diversification (Art. 50 par. 1 to 3 BVV2).

According to Art. 50 par. 4 BVV2, the investment options may be expanded under investment regulations if proof of compliance with par. 1 to 3 (due diligence, security and risk diversification) of Art. 50 can be provided in the notes to the annual financial statements.

Vita Joint Foundation made provision for the expansion of the investment options in Art. 2.5 par. 10 of its investment regulations of July 1, 2014. The current investment strategy as set out in the investment regulations is based on an asset and liability analysis by c-alm of January 24, 2014, and swissQuant of February 2014, and limits the alternative investments to 22% of the total assets. At the end of 2014, alternative investments accounted for 16.38% of the total investments, while BVV2 applies a limit of 15%.

The Foundation Board is convinced that the alternative investments, which were carefully selected and monitored as part of the implementation of the investment strategy, make a positive contribution to the achievement of the revenue targets and ensure a suitable risk diversification, all of which support the achievement of the pension scheme's purpose.

### 6.3 Target and calculation of value fluctuation reserve

	12/31/2014	12/31/2013
<b>Value fluctuation reserve – target</b>		
Target as % of pension obligations	6 %	12 %
Value fluctuation reserve – target in CHF	531,546,081	1,007,165,132
<b>Value fluctuation reserve – current</b>	<b>531,546,081</b>	<b>518,626,745</b>
Value fluctuation reserve at 01/01	518,626,745	203,606,229
Reversal (-)/formation (+) of value fluctuation reserve	12,919,336	315,020,516
Difference between value fluctuation reserve and target	–	488,538,387

The method for calculating the target for the value fluctuation reserve is defined in the investment regulations. It is based on financial and economic principles and takes account of current circumstances and future expectations.

With the implementation of the new interest model (interest reserve), the target for the value fluctuation reserve expressed as a percentage of the pension obligations was reduced from 12% to 6%.

## 6.4 Investments by asset class

	12/31/2014	12/31/2014	Strategy	Tactical bandwidth		BVV2 limit
	in CHF			Minimum	Maximum	
<b>Cash and cash equivalents</b>	<b>299,129,460</b>	<b>2.95 %</b>	<b>0.50 %</b>	<b>0.00 %</b>	<b>5.00 %</b>	
Current accounts with banks, post office	299,129,460	2.95 %	0.50 %	0.00 %	5.00 %	
<b>Collective investments – bonds</b>	<b>3,831,594,976</b>	<b>37.83 %</b>	<b>36.00 %</b>	<b>25.20 %</b>	<b>46.80 %</b>	
Swiss bonds	907,290,712	8.96 %	10.00 %	7.00 %	13.00 %	
Foreign bonds	2,941,335,441	29.04 %	26.00 %	18.20 %	33.80 %	
Currency hedging	-17,031,177	-0.17 %	n. a.	n. a.	n. a.	
<b>Collective investments – equities</b>	<b>2,571,581,446</b>	<b>25.39 %</b>	<b>23.50 %</b>	<b>16.45 %</b>	<b>30.55 %</b>	<b>50 %</b>
Swiss equities	559,585,308	5.52 %	5.50 %	3.85 %	7.15 %	
Foreign equities	2,011,996,138	19.86 %	18.00 %	12.60 %	23.40 %	
<b>Collective investments – real estate</b>	<b>1,090,834,705</b>	<b>10.77 %</b>	<b>10.00 %</b>	<b>5.60 %</b>	<b>19.00 %</b>	<b>30 %</b>
Swiss real estate	728,655,760	7.19 %	7.00 %	4.90 %	15.10 %	
Foreign real estate	362,178,945	3.58 %	3.00 %	0.70 %	3.90 %	10 %
<b>Collective investments – alternative investments</b>	<b>1,658,457,927</b>	<b>16.37 %</b>	<b>22.00 %</b>	<b>9.80 %</b>	<b>28.60 %</b>	<b>15 %</b>
Hedge funds	984,630,598	9.72 %	10.00 %	7.00 %	13.00 %	
Private equity	80,389,895	0.79 %	3.00 %	0.00 %	3.90 %	
Insurance-linked strategies	244,646,297	2.42 %	3.00 %	0.00 %	3.90 %	
Infrastructure	66,737,414	0.66 %	2.00 %	0.00 %	2.60 %	
Senior Loans (unhedged)	282,053,723	2.78 %	4.00 %	2.80 %	5.20 %	50 %
<b>Direct investments</b>	<b>678,110,214</b>	<b>6.69 %</b>	<b>8.00 %</b>	<b>5.60 %</b>	<b>10.40 %</b>	<b>50 %</b>
Real estate	7,713,600	0.08 %	n. a.	n. a.	n. a.	
Mortgages	670,396,614	6.62 %	8.00 %	5.60 %	10.40 %	
<b>Total investments</b>	<b>10,129,708,728</b>	<b>100.00 %</b>	<b>100.00 %</b>			
<b>Operating assets</b>						
Other current accounts	0					
Employers' contribution credits	87,448,961					
Other receivables	6,835,465					
Accrued income and deferred expenses	56,858,747					
<b>Total assets</b>	<b>10,280,851,901</b>					
Equities	2,651,971,342	26.18 %				50 %
Unhedged foreign currency exposure	2,678,126,491	26.44 %				30 %

### Limits pursuant to BVV2

The limits prescribed for investments by Art. 54, 54a, 54b and 55a, b, c and e BVV2 have been observed. As discussed in section 6.2, the conditions of Art. 55d BVV2 (alternative investments) have not been met.

### 6.5 Current (pending) capital commitments

On the reporting date, capital commitments were pending for the following investments:

	in CHF
CapVis III & IV (Private Equity)	16,100,000
Adveq Real Assets Harvested Resources L. P. (Adveq Management Ltd)	8,300,000
Private Equity I (Zurich Investment Fund)	203,200,000
Private Equity II (Zurich Investment Fund)	101,600,000
Infrastructure (Zurich Investment Fund)	181,700,000

### 6.6 Open derivative contracts

With reference to the Foundation Board's rules on foreign currency hedging, the following currency hedges were outstanding on December 31, 2014:

12/31/2014	CHF	USD	GBP	YEN
Amount in foreign currency		568,530,550	16,242,430	2,643,125,000
<b>Equivalent in CHF</b>	<b>594,576,299</b>	<b>547,241,384</b>	<b>24,925,732</b>	<b>22,409,183</b>
Exchange rate on 12/31		0,99303	1,54794	0,00829
<b>Market value in CHF</b>	<b>611,607,475</b>	<b>564,566,755</b>	<b>25,142,323</b>	<b>21,898,396</b>
<b>Unrealized gains in CHF</b>	<b>-17,031,176</b>	<b>-17,325,371</b>	<b>-216,591</b>	<b>510,787</b>

To minimize the counterparty risk for foreign currency hedges, the difference to the relevant market value is deposited in a Foundation bank account. The balance was CHF 13,490,000 on December 31, 2014.

### 6.7 Market value and contracting parties for securities lending

The Foundation did not engage in any securities lending in the past financial year.



## 6.8 Net investment result

### 6.8.1 Presentation net investment result

in CHF	2014	2013
<b>Interest</b>	<b>- 587,391</b>	<b>2,509,718</b>
Interest on bank accounts	5,098	6,506
Interest on customer balances	8,621,571	9,170,051
Interest on contracts taken over	90,139	143,429
Interest on arrears and other interest due	- 7,698,117	- 5,177,711
Interest on employers' contribution reserves	- 1,606,082	- 1,632,557
<b>Collective investments – bonds</b>	<b>307,241,729</b>	<b>26,317,810</b>
Swiss bonds	57,690,433	- 38,754,485
Foreign bonds	197,110,148	31,894,166
Global convertible bonds	52,441,148	33,178,130
<b>Collective investments – equities</b>	<b>312,791,803</b>	<b>429,293,644</b>
Swiss equities	55,837,320	132,432,376
Foreign equities	256,954,483	296,861,268
<b>Collective investments – real estate</b>	<b>105,343,179</b>	<b>63,494,716</b>
Swiss real estate	55,395,327	47,447,759
Foreign real estate	49,947,852	16,046,957
<b>Gain on collective investments – alternative investments</b>	<b>123,411,550</b>	<b>139,159,417</b>
Hedge funds	91,328,212	140,913,753
Private equity	14,900,017	12,530,699
Commodity funds	- 4,407,176	- 15,206,216
Senior Loans (unhedged)	11,150,944	0
Infrastructure	6,291,258	869,426
Insurance-linked strategies	4,148,295	51,756
<b>Direct investments</b>	<b>18,078,686</b>	<b>19,364,249</b>
Mortgage loans	18,078,686	19,364,249
<b>Gain on currency hedging</b>	<b>- 51,779,860</b>	<b>3,674,179</b>
<b>Asset management costs</b>	<b>- 90,024,996</b>	<b>- 78,761,730</b>
TER and other asset management costs	- 88,219,479	- 76,873,586
Management of mortgages	- 1,805,517	- 1,888,144
<b>Net investment result</b>	<b>724,474,700</b>	<b>605,052,003</b>
<b>Performance, net (MWR)</b>	<b>7.93 %</b>	<b>6.93 %</b>
<b>Performance, gross (TTWR)</b>	<b>8.18 %</b>	<b>7.14 %</b>



**MWR = Money Weighted Rate of Return**

Calculation of portfolio performance that takes account of the capital inflows and outflows during the reporting period.

**TTWR = True Time Weighted Rate of Return**

Calculation of portfolio performance that does not take account of the capital inflows and outflows during the reporting period.

## 6.8.2 Asset management costs (with total expense ratio [TER] costs)

### Investments

	2014	2013
<b>Total investments</b>	<b>10,223,993,154</b>	<b>9,395,895,686</b>
Of which: cost-transparent investments	10,218,933,490	9,370,597,737
Cost-transparent investments in relation to total investments – cost transparency ratio	99.95 %	99.73 %

### Investments pursuant to Art. 48a par. 3 BVV2 without TER

Description (issuer)	ISIN	Number	Market value in CHF
Adveq Real Assets Harvested Resources L. P. (Adveq Management AG) <sup>1)</sup>	n. a.	n. a.	5,059,664

1) New investment, first made in June 2014 (no TER available yet)

### Asset management costs

	2014	2013
Directly recognized asset management costs	3,022,192	4,405,360
Total for all cost indicators in CHF for collective investments	87,002,803	74,356,370
Asset management costs recognized in operating statement	90,024,995	78,761,730
As % of cost-transparent investments	0.88 %	0.84 %

The directly recognized asset management costs include the management of mortgage contracts, investment-relevant project costs, and personnel costs relating to the persons at Foundation level who are directly involved in the management of the assets.

Around 67.6% of the reported «Total for all cost indicators in CHF for collective investments» refers to alternative investments, which increased slightly year-on-year in view of the positive yield trend, related performance fees and bigger weighting; 24.5% to bonds and equities; 7.9% to real estate investments. In addition to the fixed and performance-related portfolio management fees charged at the level of the fund of funds and target funds, the total includes the following additional costs and services:

- Manager selection/dismissal, permanent monitoring and risk management at the level of the individual asset classes, and all related expenses (preparation of analyses, due diligence reports, implementation/structuring, etc.
- Management of the direct real estate held through Zurich Investment Fund
- Custody fees for all domestic and foreign securities and units in Zurich Investment Fund
- Proxy voting
- Investment advice and support in the advisory and sales process for the affiliated companies

## 6.9 Investments with employers and employers' contribution reserves

in CHF	2014	2013
Interest on arrears on employers' current accounts	3.50 %	3.50 %
<b>Employers' current accounts</b>	<b>87,448,961</b>	<b>87,404,197</b>
Employers' current accounts (gross)	90,575,336	90,773,421
Minus allowance for doubtful debts	-3,126,375	-3,369,224
Interest on employers' contribution reserves	1.50 %	1.50 %
<b>Employers' contribution reserves</b>	<b>120,031,361</b>	<b>120,968,173</b>
Employers' contribution reserves at 01 / 01	120,968,173	124,256,792
Capital contributions to employers' contribution reserves		
From contracts taken over	1,000,411	493,681
By employers	21,101,555	2,192,724
Withdrawals from employers' contribution reserves		
From contract terminations	-5,016,626	-5,944,251
By employers	-19,614,162	-1,661,554
Reconciliation	-14,072	-1,740
Interest on employers' contribution reserves	1,606,082	1,632,521

## 6.10 Contractual agreements regarding retrocessions

Vita Joint Foundation primarily invests the pension assets in investment groups (collective investments) managed by Zurich Investment Fund. For managing the individual investment groups and the institutional funds used for this purpose, Zurich Invest Ltd (the manager of Zurich Investment Fund) is paid a management fee from the institutional funds. No retrocessions are paid. By investing in collective investment schemes managed by Zurich Investment Fund, Vita Joint Foundation is an investor with the investment fund.

## 7 Other items in balance sheet and operating statement

### 7.1 Other current accounts

All current payments between the Foundation and Zurich Life Insurance Company Ltd relating to insurance premiums, doctors' fees for medical check-ups and costs for advance withdrawals to finance residential property are routed through this account.

### 7.2 Accrued income and deferred expenses

in CHF	12/31/2014	12/31/2013
<b>Accrued income and deferred expenses</b>	<b>56,858,747</b>	<b>79,097,111</b>
Management fee discount for collective investments	6,463,731	5,155,514
Accrued interest on mortgages	2,144,411	2,570,079
Pending benefits from insurance company	11,658,549	8,303,329
Prepaid benefits to insured	22,992,360	23,032,775
Foreign currency hedging	13,490,000	0

### 7.3 Accrued expenses and deferred income

in CHF	12/31/2014	12/31/2013
<b>Accrued expenses and deferred income</b>	<b>428,381,799</b>	<b>287,533,614</b>
Prepaid contributions	186,713,525	173,459,273
Incoming payments not yet processed	208,113,276	47,598,931
Contracts taken over and other deferrals	33,554,998	53,955,409

#### 7.4 Savings, risk and other contributions broken down into employer and employee contributions

For technical reasons, the contributions are not broken down into employer and employee contributions in the operating statement. For information purposes, the following table provides such a breakdown for all contributions:

	2014		2013	
	in CHF		in CHF	
<b>Savings contributions</b>	<b>633,344,165</b>		<b>636,353,100</b>	
Savings contributions by employees	294,170,359	46 %	292,793,170	46 %
Savings contributions by employers	339,173,806	54 %	343,559,931	54 %
<b>Risk and other contributions</b>	<b>222,846,331</b>		<b>221,220,453</b>	
Risk and other contributions by employees	101,188,881	45 %	99,821,012	45 %
Risk and other contributions by employers	121,657,450	55 %	121,399,441	55 %
<b>Total contributions</b>	<b>856,190,496</b>		<b>857,573,553</b>	
Total contributions by employees	395,359,240	46 %	392,614,181	46 %
Total contributions by employers	460,831,256	54 %	464,959,371	54 %

## 7.5 Financing of risk and other costs

According to the Foundation Board's decision of February 21, 2005, no contributions to cover the difference between the retirement benefits according to the pension plan and according to the conditions of the insurance agreement have been collected since 2006. Any shortfall must be covered by investment income.

in CHF	12/31/2014	12/31/2013
<b>Subtotal for premiums due to insurance companies</b>	<b>-218,849,941</b>	<b>-217,263,015</b>
Risk premiums due to insurance companies	-155,256,413	-157,654,070
Cost premiums due to insurance companies	-63,593,528	-59,608,944
Minus profit shares due from insurance companies	18,266,356	34,866,084
Security fund contributions	-3,610,846	-4,062,581
Additional costs for purchase of retirement pensions	-19,469,484	-20,452,568
Administrative costs	-5,961,296	-4,304,898
<b>Total premiums and administrative costs</b>	<b>-229,625,211</b>	<b>-211,216,978</b>
<b>Risk and administrative costs</b>	<b>222,900,934</b>	<b>220,984,783</b>
Risk contributions	155,201,811	157,654,070
Cost contributions	63,593,528	59,844,614
Other income (+)/costs (-)	54,603	-235,669
Security fund contributions	4,050,993	3,721,769
<b>Funding deficiency (-)/funding surplus (+)</b>	<b>-6,724,277</b>	<b>9,767,806</b>

## 8 Requirements of supervisory authority

Decision of December 17, 2014, of the Office for Occupational Pension Plans and Foundation Supervision of the Canton of Zurich (BVS) regarding its audit of the 2013 report: The supervisory authority listed a number of comments and requirements in its letter regarding the 2013 report. The Foundation already incorporated these into this year's financial statements.

## 9 Additional information on financial position

### Report on partial liquidations of affiliated pension funds

The Foundation's regulations on partial liquidation require employers to inform the Foundation without delay of any workforce reduction or restructuring that could lead to a partial liquidation. If the conditions for a partial liquidation are met, the fund manager of the relevant pension fund must pass a declaratory resolution to trigger the partial liquidation process.

In the 2014 financial year the affiliated employers did not inform the Foundation of any decisions that led to the partial liquidation of an affiliated pension fund. As a result, no partial liquidations of affiliated pension funds were carried out in 2014.

## 10 Events after reporting date

No events after the reporting date have come to light that could have a material impact on the assessment of the 2014 annual financial statements.

# Report of the statutory auditor to the Foundation Board



# Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the accompanying financial statements of Sammelstiftung Vita, which comprise the balance sheet, operating accounts and notes (on pages 9 to 31), for the year ended 31 December 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 internal controls 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 controls relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements for the year ended 31 December 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 internal controls exist 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.

PricewaterhouseCoopers AG



Roland Sauter  
Audit expert  
Auditor in charge



Matthias Sutter  
Audit expert

Basel, 2 June 2015



**Vita Joint Foundation**

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