



Annual report 2015

Vita Joint Foundation

Important key figures 2014 **2015**

Pensioners

All pensioners are reinsured with
Zurich Life Insurance Company Ltd

Active members

115,338
116,968

Return on investments

8.18 %
1.23 %

Affiliated employers

18,950
19,725

Assets in CHF million

10,281
10,770

Interest on mandatory savings capital

2.75 % **2.65 %**

Interest on supermandatory savings capital

3.75 % **3.40 %**

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Turning the focus to the needs of the insured

Statement from the Chairman of the Foundation Board



Peter E. Naegeli

In these times of focus, the occupational pension business would also be well advised to reconsider its own focus, which is embodied by the social institutions. Together with the AHV, the benefits from the second pillar should enable the gainfully employed to maintain their current standard of living by suitable means after their retirement. The financial benefits should be secured with contributions paid in during the period of gainful activity. But the train, however, has long since left the station, heading straight for defined contribution shores. The journey (of life) is now happily longer, but costs more than the trip for which the ticket has been bought.

Growing life expectancy combined with persistently low interest rates on investment markets flooded with money are muddying the waters and pose an enormous challenge for the occupational pension business. The Federal Council, i. e. politics, has pressed ahead with the discussion as part of the «Pensions 2020» reform program, while insurance and pension experts have to date mainly stated their position on this issue. But politicians and experts agree that the most burning issues are

the conversion rate, the size of pensions, the number of pensioners, the retirement age and the generational conflict between active insured and pensioners when it comes to the division of retirement capital. The discussion thus focuses primarily on modifying the benefits due to insured, and only as an afterthought on the possibility of adjusting the contributions. In real life, however, a traveler will first ask where the train is going and how long the journey will last, rather than how far he can go with his fixed-price ticket. All travelers want to reach their destination – nobody wants to leave the train when the price of their ticket has run out.

It is definitely time to redirect the discussion about retirement pensions from the defined contribution concept to a «benefit strategy 2020». This would shift the focus onto the primary interests and needs of the insured, i. e. the customers of the occupational pension business. Under the joint brand Vita occupational pensions, Vita Joint Foundation and its partner Zurich Life Insurance Company Ltd are consistently pursuing this idea. They were pioneers in meeting the challenge of actively designing the occupational pension business to meet the changed framework conditions at an early stage rather than relying on politicians and legislators to make the right regulatory decisions. From the vantage point of a benefit strategy 2020 for occupational pensions, the questions have to be phrased differently:

«How can we make the capital saved by the insured last long enough to finance their pensions in these times of growing life expectancy?»

What conversion rate is needed to ensure that pensions can be paid for a longer period? How can the expected pension period after retirement

be reduced? How can the worsening ratio of active insured to pensioners be exploited to protect the system as a whole from distress and avoid burdening future generations with unreasonable obligations in this age of sustainability?

It should be easier to find answers to questions that have been correctly formulated, even though, objectively speaking, the challenges remain formidable. If the reasoning can be directed away from the defined contribution concept to a search for innovative solutions meant to put occupational aftercare on a secure footing, much will be gained. The insured will also understand this. As a traveler on a 14-day vacation package you do not really expect to suddenly be able to stay on for free for another two or three days at your vacation destination.

Vita Joint Foundation – fit for the future

Vita as a joint foundation is totally committed to the interests of its affiliated insured. As a joint provider with Zurich Life Insurance Company Ltd it is willing to tackle the roots of the problem and turn the focus to its customers' needs for occupational aftercare that pays benefits sufficient to finance their usual standard of living. With the new prize-winning and innovative pension model which has already proved its mettle just a short time after its launch and the advantages offered by the consistently applied partially autonomous model that makes a distinction between investments and risk cover, Vita has laid an important cornerstone for the future. Vita is confident that it can now tackle the next phases of the benefit design process, such as a more flexible retirement age and longer working life, improved awareness of the importance of starting to save for retirement at an early age and new pension forms such as a real pension (→ pension taking the form of the right to use real estate). The systematic realignment of the investment

strategy in the face of persistently low interest rates for investments which have always in the past been considered «safe» investments completes a process focused on benefit design. The Vita Joint Foundation will concentrate on using a longer-term investment horizon to tap into new sources of return that live up to the long-term perspective of occupational aftercare and offer the necessary opportunities.

Politics will not be able to kickstart the pension transition. The insurance industry, joint foundations and pension funds are challenged to come up with innovative, benefit-centric solutions. Although nobody expects politicians to exhibit innovative strength, they should at least refrain from compensating their own lack of innovation with a frenzy for regulation and control. True to the motto «Shape rather than regulate», Vita Joint Foundation and its partner Zurich Life Insurance Company Ltd will remain committed to innovation while drawing strength from their longstanding and tested partnership.

Finally I would like to mention that Vita Joint Foundation once again posted a very positive performance in the past year because it rises to the challenges and actively implements solutions. The figures presented in this annual report on a difficult but successful 2015 financial year confirm the success of our approach.



Peter E. Naegeli
Chairman of the Foundation Board

Vita Joint Foundation does slightly better in a difficult investment year

Statement from the Chairman of the Investment Committee



Prof. Dr. Thorsten Hens

The 2015 investment year started with a big bang: on January 15, the SNB scrapped the euro floor of CHF 1.20, which it had defended for more than three years. As this decision was a huge surprise to the financial markets, the stock exchanges suffered a small earthquake on this day. For a short while the euro dropped below parity with the Swiss franc, and Swiss equities lost 15% on average, with financial stocks falling by as much as 30%. Undaunted, we started buying equities on the same day in order to benefit from this short-term distortion. As a result, Vita Joint Foundation's portfolio had already compensated the initial losses by the beginning of March and ended the first quarter with +1.31%. The rest of the investment year remained volatile, however. The imminent interest rate reversal in the US and the slowdown in global growth made sure that this investment year was anything but easy. Vita Joint Foundation finally ended the year with an annual performance of 1.23%. This is considerably better than the average return of 0.7% for Swiss pension funds (comparison by Swiss Pension Fund Association ASIP) as well as the most important indices such as the CS PF Index (0.9%) and UBS Pension Fund Barometer (0.8%).

Vita Joint Foundation's result over the different asset classes was a thoroughly mixed one in 2015. Equities from the developed countries closed on a positive note, with Japan even reporting a two-digit improvement in performance. Emerging market equities, however, lost almost 15%, but thanks to Vita Joint Foundation's tactical underweight in this area it was not affected as harshly as foreseen by the strategy. Vita Joint Foundation suffered a small loss on its bond portfolio in 2015, with euro bonds posting the biggest losses. Among the traditional asset classes, real estate was the best performer with a return of 9%.

The quality of the Investment Committee's decisions is confirmed when compared to the strategy which is based on the benchmarks for the individual asset classes.

«The performance of Vita Joint Foundation was better than the relevant benchmarks in all asset classes.»

Vita's overall portfolio outstripped the benchmark by 1.7%!

Still impressive eleven-year performance

Vita Joint Foundation was established in 2003 and has been investing in the financial markets for eleven 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 was also the period of both the largest financial crisis ever and the euro crisis. Vita Joint Foundation superbly mastered these and other challenges.

What will happen after this difficult investment year?

The major macroeconomic topics of 2015 will continue to preoccupy us in 2016. The attempt to turn interest rates around will be delayed by the continued weakness of the economy, so it will remain difficult to earn a good yield with traditional investments (equities and bonds) only. However, we are convinced that the large strategic component of non-traditional investments of 23% (hedge funds, private equity, commodities, insurance-linked securities, senior loans, infrastructure investments) will help us to still earn attractive returns for the insured in the near future.

The security of the pension assets is the most important objective of Vita Joint Foundation. In this challenging environment we will thus turn our focus in 2016 to the careful handling of capital market risks and a stable coverage ratio.



Prof. Dr. Thorsten Hens
Chairman of the Investment Committee

Balance sheet and operating statement

Balance sheet

Assets

in CHF	Notes	12 / 31 / 2015	12 / 31 / 2014
Investments		10,731,364,687	10,223,993,154
Cash and cash equivalents	6.4	301,784,601	299,129,460
Employers' current accounts	6.9	91,275,573	87,448,961
Other receivables	7.1	718,574	6,835,465
Collective investments – bonds	6.4	3,594,722,028	3,848,626,153
Collective investments – equities	6.4	2,863,229,275	2,571,581,446
Collective investments – real estate	6.4	1,159,174,395	1,090,834,705
Collective investments – alternative investments	6.4	2,002,197,217	1,658,457,927
Direct investments – mortgages	6.4	714,922,904	678,110,214
Currency overlay	6.4	3,340,120	-17,031,176
Accrued income and deferred expenses	7.2	38,550,633	56,858,747
Total assets		10,769,915,320	10,280,851,901

Liabilities

in CHF	Notes	12 / 31 / 2015	12 / 31 / 2014
Liabilities		242,951,525	207,471,161
Vested benefits		209,646,544	177,876,988
Other liabilities		33,304,981	29,594,173
Accrued expenses and deferred income	7.3	449,071,923	428,381,799
Employers' contribution reserves	6.9	128,777,274	120,031,361
Pension capital and technical reserves		9,465,854,717	8,859,101,349
Savings capital of active insured	5.3	8,904,134,060	8,317,225,338
Technical reserves	5.5	561,720,657	541,876,011
Value fluctuation reserve	6.3	406,324,052	531,546,081
Uncommitted funds of pension schemes	5.4	76,885,830	83,277,855
Uncommitted funds of Foundation		0	50,992,295
At beginning of period		50,992,295	0
Expenses surplus (-) / income surplus (+)		-50,992,295	50,992,295
Endowment capital		50,000	50,000
Total liabilities		10,769,915,320	10,280,851,901

Operating statement

in CHF	Notes	01/01 – 12/31/2015	01/01 – 12/31/2014
Regular and other contributions and purchases		1,269,575,303	1,096,883,329
Savings contributions	7.4	652,466,769	633,344,165
Risk contributions	7.5	136,981,925	151,071,257
Contributions for inflation adjustments	7.5	4,206,497	4,130,553
Security fund contributions	7.5	4,400,651	4,050,993
Cost contributions	7.5	70,112,071	63,593,528
Single contributions and purchase amounts	5.3	401,878,032	252,846,529
Withdrawal from uncommitted funds of pension schemes (net)	5.4	- 7,519,178	- 9,610,802
Capital contributions to employers' contribution reserves	6.9	30,533,614	22,101,966
Withdrawals from employers' contribution reserves	6.9	- 23,485,076	- 24,644,860
Benefits brought into scheme		812,813,828	645,266,870
Vested benefits		804,421,129	636,160,909
Advance withdrawals for promotion of home ownership/divorce		8,392,699	9,105,962
Incoming contributions and benefits brought into scheme		2,082,389,131	1,742,150,199
Regulatory benefits and advance withdrawals		- 310,666,282	- 277,431,868
Retirement pensions		- 108,607,152	- 96,992,770
Survivors' pensions		- 10,137,420	- 9,366,904
Disability pensions		- 33,969,232	- 34,096,777
Lump-sum payments on retirement		- 123,614,891	- 106,575,011
Lump-sum payments for death and disability		- 34,337,587	- 30,400,406
Departure payments		- 1,193,568,783	- 1,320,835,886
Vested benefits paid to departing insured		- 1,139,879,251	- 1,268,083,889
Advance withdrawals for promotion of home ownership/divorce		- 46,645,657	- 44,865,915
Actuarial reserves for disability pensions on contract termination		- 7,043,875	- 7,886,082
Outgoing benefits and advance withdrawals		- 1,504,235,066	- 1,598,267,754
Formation (-)/reversal (+) of pension capital, technical reserves and employers' contribution reserves		- 606,282,727	- 545,556,446
Formation (-)/reversal (+) of pension capital for active insured	5.3	- 360,881,965	95,153,021
Formation (-)/reversal (+) technical reserves	5.5	- 19,844,646	- 420,553,444
Formation (-)/reversal (+) uncommitted funds of pension schemes	5.4	7,519,178	9,610,802
Formation of employers' contribution reserves	6.9	- 30,533,614	- 22,101,966
Reversal of employers' contribution reserves	6.9	23,485,076	24,644,860
Interest on savings capital	5.3	- 226,026,756	- 232,309,719
Brought forward		- 28,128,662	- 401,674,000

in CHF	Notes	01/01 – 12/31/2015	01/01 – 12/31/2014
Brought forward		-28,128,662	-401,674,000
Income from insurance benefits		221,784,484	206,022,844
Pension benefits		152,713,804	140,456,451
Insurance benefits: lump-sum payments		15,872,412	12,468,459
Insurance benefits: premium waiver		27,292,558	26,945,497
Insurance benefits: actuarial reserves for disability pensions		7,043,875	7,886,082
Profit shares from insurance company	5.8	18,861,835	18,266,356
Insurance costs		-438,412,396	-458,089,395
Premiums to insurance companies			
Risk premiums	7.5	-141,331,189	-155,256,413
Cost premiums	7.5	-70,112,071	-63,593,528
Single contributions to insurance companies		-223,252,223	-235,628,608
Security fund contributions		-3,716,913	-3,610,846
Result from insurance activities		-244,756,574	-653,740,552
Net investment result		77,277,582	723,237,601
Interest	6.8.1	-135,617	1,018,690
Interest on uncommitted funds of pension schemes	5.4	-1,127,153	-1,237,099
Interest on employers' contribution reserves		-1,697,376	-1,606,082
Gain on collective investments – bonds	6.8.1	-18,526,370	307,241,729
Gain on collective investments – equities	6.8.1	67,141,353	312,791,803
Gain on collective investments – real estate	6.8.1	101,232,035	105,343,179
Gain on collective investments – alternative investments	6.8.1	52,255,020	123,411,551
Gain on currency hedging	6.8.1	-48,192,492	-51,779,860
Direct investments – mortgages	6.8.1	16,893,289	18,078,686
Asset management costs	6.8	-90,565,107	-90,024,996
Other income		1,434,351	375,879
Income from services rendered		1,434,351	133,030
Reversal of allowance for doubtful debts		0	242,849
Other expenses		-1,919,172	0
Formation of allowance for doubtful debts		-1,919,172	0
Administrative costs		-8,250,511	-5,961,296
General administration		-7,055,467	-5,094,200
Marketing		-724,427	-431,078
Auditors and pension actuary		-296,417	-265,930
Supervisory authority		-174,200	-170,088
Profit / loss before reversal / formation of value fluctuation reserve		-176,214,324	63,911,632
Reversal (+) / formation (-) of value fluctuation reserve		125,222,029	-12,919,336
Expenses surplus (-) / income surplus (+)		-50,992,295	50,992,295

Notes

1 Principles and organization

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

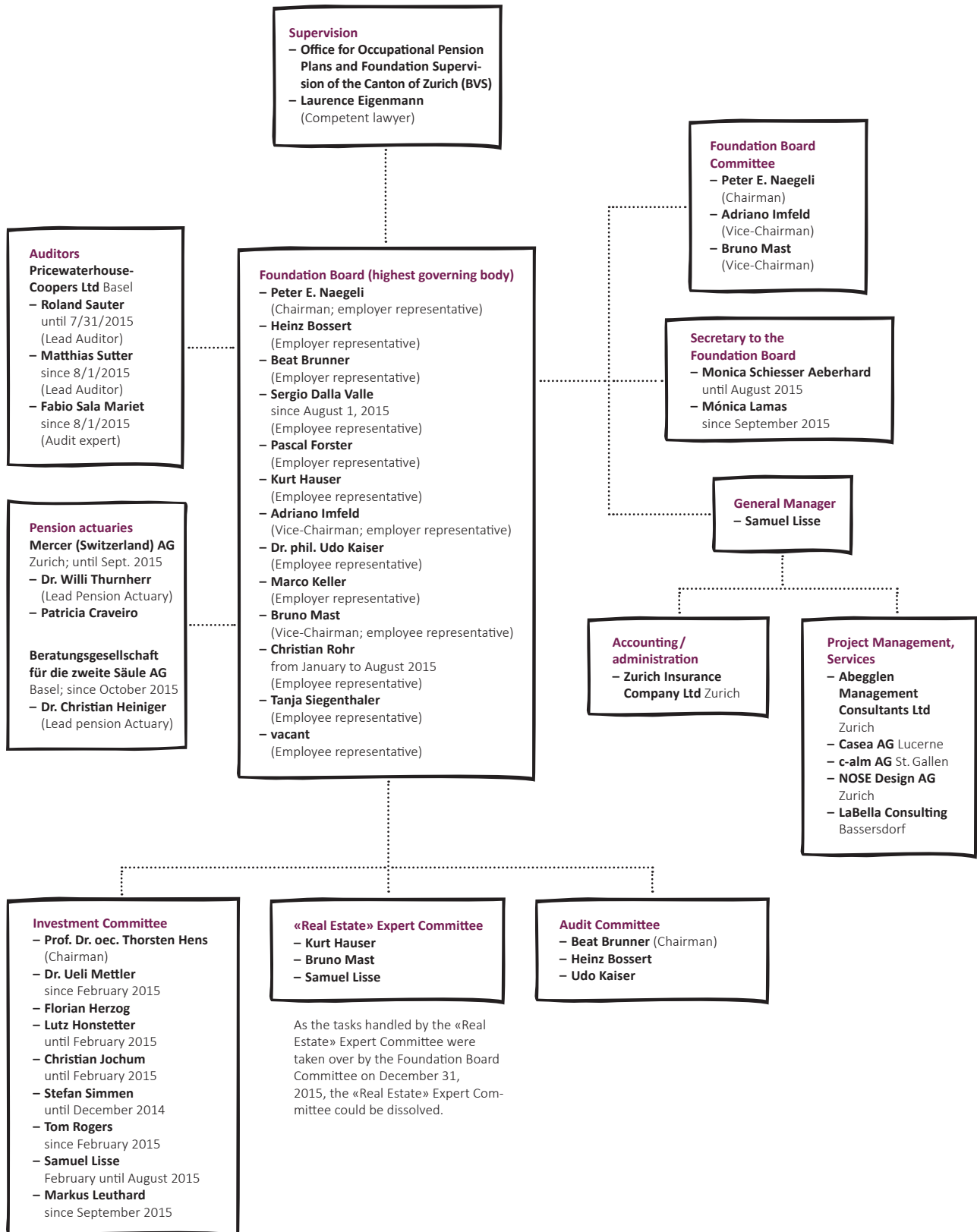
	12/31/2015	12/31/2014
Number of affiliated employers	19,725	18,950

1.3 Development of the number of affiliated employers in 2015

	2015
As at 01/01/2015	18,950
Additions	2,540
Departures	1,765
As at 12/31/2015	19,725



1.4 Governing bodies and other functions



2 Active insured and pensioners

2.1 As at 12/31

	12/31/2015	12/31/2014
Total number of active members	116,968	115,338
Active insured	111,694	110,564
Occupationally disabled insured	5,274	4,774
Total number of pensioners	10,620	9,966
Retirement pensions	6,681	6,107
Retired person's child's pensions	116	108
Spouse's pensions	817	734
Orphan's pensions	304	274
Disability pensions	2,263	2,295
Disabled person's child's pensions	439	448

2.2 Development in 2015

	Retirement pensions	Retired person's child's pensions	Spouse's pensions	Orphan's pensions	Disability pensions	Disabled person's child's pensions
As at 01/01/2015	6,107	108	734	274	2,295	448
New pensions	581	24	94	71	251	62
Assumed	95	0	0	0	0	0
Deaths	101	0	10	0	33	8
Withdrawals	1	16	1	41	250	63
As at 12/31/2015	6,681	116	817	304	2,263	439

	Active insured
As at 01/01/2015	110,564
Entries	12,385
Retirements	1,106
Withdrawals	10,149
As at 12/31/2015	111,694

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 employers, whereby the employers 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 (primarily 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 using 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 nominal 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

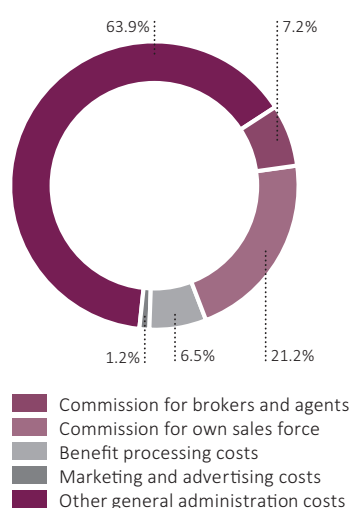
5.1 Type of risk coverage / reinsurance

The Foundation took out a group 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 of the insurance, risk and cost premiums is given in section 7.4. Administrative expenses incurred directly by the Foundation are reported as administrative costs in the operating statement. All other costs incurred by the Foundation are borne by Zurich Life Insurance Company Ltd. To cover the costs of the group 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 group life insurance agreements.

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 the operating statement for the occupational pension business, which is submitted to the Swiss Financial Market Supervisory

Authority (FINMA), makes more sense. The graph below shows the percentages allocated for the gross expenses relating to the group life insurance business in accordance with the operating statement for the occupational pension business drawn up in accordance with the guidelines of FINMA.



(Source: Operating statement 2015 – occupational pensions, accessible on the internet at www.zurich.ch)

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	12/31/2015	12/31/2014
Pensioners' actuarial reserves	2,297,346,676	2,114,953,600
Retirement pensions	1,678,874,285	1,518,583,384
Retired person's child's pensions	2,534,740	2,356,977
Disability pensions	222,981,316	222,526,951
Disabled person's child's pensions	5,972,804	6,423,698
Orphan's pensions	5,566,624	4,419,479
Spouse's pensions	158,252,735	141,487,203
Premium waivers	223,164,172	219,155,908

5.3 Changes to and interest on savings capital

in CHF	2015	2014
Interest on mandatory savings capital	2.65 %	2.75 %
Interest on supermandatory savings capital	3.40 %	3.75 %
Savings capital at 01 / 01	8,317,225,338	8,180,068,641
Formation / reversal of savings capital	360,881,965	- 95,153,021
Savings contributions	652,466,769	633,344,165
IV savings contribution	27,292,558	26,945,497
Purchase amounts	121,784,503	110,958,069
Vested benefits brought into scheme	804,421,129	636,160,909
Departure payments / vested benefits	- 1,139,879,251	- 1,268,083,889
Of which difference pursuant to VBA Art. 17 ¹⁾	25,741	66,670
Deductions for coverage deficiency on contract termination ¹⁾	0	- 6,865
Advance withdrawals for promotion of home ownership / divorce	- 46,645,657	- 44,865,915
Repayment of advance withdrawals	8,392,699	9,105,962
Lump-sum payments for death	- 34,337,587	- 30,400,406
Of which benefits paid by insurance company ¹⁾	15,872,412	12,468,459
Lump-sum payments on retirement	- 123,614,891	- 106,575,011
Single contribution to insurance (pension purchase)	- 223,252,223	- 235,628,608
Of which pension purchase difference ¹⁾	18,262,235	19,469,484
Single contribution (takeover of portfolios)	280,093,529	141,888,460
Interest on savings capital	226,026,756	232,309,719
Savings capital at 12 / 31	8,904,134,060	8,317,225,338
Of which BVG retirement assets	5,240,513,761	4,982,939,517

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

5.4 Changes to and interest on pension schemes' uncommitted funds

in CHF	2015	2014
Interest on uncommitted funds	1.50 %	1.50 %
Uncommitted funds (pension accounts) at 01 / 01	83,277,855	91,651,556
Capital contributions to uncommitted funds (pension accounts)		
From contracts taken over	403,510	1,773,650
From contributions	812,667	1,442,253
Withdrawals from uncommitted funds (pension accounts)		
From contract terminations	- 2,708,904	- 4,428,752
For capital contributions to savings capital	- 6,014,139	- 8,385,552
Reconciliation	- 12,312	- 12,400
Interest on uncommitted funds (pension accounts)	1,127,153	1,237,099
Uncommitted funds (pension accounts) at 12 / 31	76,885,830	83,277,855

5.5 Composition, changes to and notes on technical reserves

Composition of technical reserves	in CHF	12 / 31 / 2015	12 / 31 / 2014	Development
Provision for conversion rate adjustments		221,769,761	171,709,589	- 50,060,172
Provision for formation of interest reserves		339,950,896	370,166,422	30,215,526
Total technical reserves		561,720,657	541,876,011	- 19,844,646

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.

Provision for conversion rate adjustments

As Vita Joint Foundation purchases the retirement benefits from Zurich Life Insurance Company Ltd, it incurs additional costs for the BVG conversion rate guarantee on the mandatory retirement assets. The provision for conversion rate adjustments covers these retirement losses.

The provision comprises the total of the discounted, positive differences between the present value of the regulatory retirement pensions at the regular retirement age and the projected savings assets for all active insured from the age of 60. The calculation of the provision is based on the assumption that 40% of the benefits are drawn as one-off lump-sum payments.

Provision for formation of interest reserves

The annual interest reserves are used to pay additional interest on the retirement assets of all active insured of the eligible pension schemes.

The annual interest reserve is raised on October 31 from the earnings that exceed the value fluctuation reserve of 6%. The provision for the formation of interest reserves equals the total of the interest reserves for the past four calendar years that have not yet been paid out and the interest reserve for the next calendar year.

5.6 Actuarial report of April 15, 2016

In his report, the pension actuary determines that:

A Financial security

The actuarial report was drawn up in accordance with the principles and guidelines applying to pension actuaries as well as Standards (FRP) 1, 2, 4, 5 and 6 of the Swiss Chamber of Pension Actuaries (SKPE).

On the reporting date, the pension fund had

- a surplus of CHF 406,374,052, i. e.
- coverage ratio pursuant to Art. 44 BVV2 was 104.3%.

The value fluctuation reserve could not be accrued in full. The target reserve is 6.0% of the liabilities, i. e. CHF 568 million. The pension fund's financial risk capacity is therefore limited. The GRM/GRF 95

actuarial tables used by the Foundation do not impact the balance sheet as long as there are no pensioners in the portfolio of insured. The corresponding reinsurance with Zurich Life Insurance Company Ltd covers all the risks of disability and death, and assumes the retirement pensions on retirement against a once-off payment.

If the interest reserve is included, the target value fluctuation reserve is just sufficient. The pension actuary confirms that the pension fund can fulfill its obligations in full pursuant to Art. 52e par. 1 (a) BVG and that the regulatory actuarial provisions on benefits and financing meet the statutory requirements.

B Rehabilitation potential

The portfolio consists purely of active insured. All pensioners are reinsured with Zurich Life Insurance Company Ltd. The pension actuary judges the pension fund's rehabilitation potential to be very good.

C Current financing structure

The current financing structure where contributions are used to finance the pension fund is sufficient. In view of the regulatory interest regime, which allows for the automatic reduction of the interest rate if the coverage ratio declines, the ratio of the target return to the expected return is acceptable. The pension actuary judges the Foundation's future financial situation to be stable, provided that capital markets develop more or less in line with return expectations.

D Outlook and recommendation

Given the situation on 12/31/2015 where all pension benefits are purchased from Zurich Life Insurance Company Ltd at the conditions that apply on the reporting date, the pension actuary has no recommendations for the adjustment of the actuarial tables or the conversion rate. If this situation should change in the future, the actuarial tables and conversion rate will have to be reassessed. The pension actuary recommends reducing the technical interest rate to at least 2.5% if it is used in combination with the generation tables, or to at least 2.0% if it is used in combination with the demographic tables.

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

Shortfall in coverage 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	12/31/2015	12/31/2014
Accrued pension assets	9,872,228,769	9,441,689,726
Gross assets (total assets)	10,769,915,320	10,280,851,901
Minus liabilities	-242,951,525	-207,471,160
Minus accrued expenses and deferred income	-449,071,923	-428,381,799
Minus employers' contribution reserves	-128,777,274	-120,031,361
Minus uncommitted funds of pension schemes	-76,885,830	-83,277,855
Actuarial pension capital	9,465,854,717	8,859,101,350
Coverage ratio pursuant to Art. 44 par. 2 BVV2	104.3%	106.6%

5.8 Profit shares from insurance company

In the past financial year, Vita Joint Foundation received profit shares of CHF 18.9 million (previous year CHF 18.3 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 powers of the units to whom the management of the assets has been delegated in the investment regulations and appendices I to III to the investment regulations.

The Foundation Board determines the investment strategy with the advisory 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, custodian banks

Collective investments	Zurich Investment Fund Capvis Equity Partners AG Everest Capital Frontier Markets Equity LTD 36 South Funds PLC Aberdeen Global Services S. A. Adveq Management AG
Mortgages	Zurich IMRE AG, Zurich
Foreign currency hedging	UBS AG, Zurich
Investment advisory service	Zurich Invest AG, Zurich swissQuant Group AG, Zurich SIGLO Capital Advisors AG, Zurich PPCmetrics AG, Zurich c-alm AG, St. Gallen Casea AG, Lucerne
Custodian banks	Bank Julius Baer & Co. AG, Zurich UBS AG, Zurich

6.2 Expanded investment possibilities 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 scope 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 scope in Art. 2.5 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 total assets. At the end of 2015, alternative investments accounted for 18.8% (previous year: 16.4%) of 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 revenue targets and ensure suitable risk diversification, all of which support the achievement of the pension scheme's purpose.

6.3 Target and calculation of value fluctuation reserve

	12/31/2015	12/31/2014
Value fluctuation reserve – target		
Target as % of pension obligations	6%	6%
Value fluctuation reserve – target in CHF	567,951,283	531,546,081
Value fluctuation reserve – current	406,324,052	531,546,081
Value fluctuation reserve at 01/01	531,546,081	518,626,745
Reversal (-)/formation (+) of value fluctuation reserve	-125,222,029	12,919,336
Difference between value fluctuation reserve and target	-161,627,231	-

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.

6.4 Investments by asset class

	12/31/2015	12/31/2015	Strategy	Bandwidths		BVV2 limit
	in CHF			Minimum	Maximum	
Cash and cash equivalents	301,784,601	2.84%	0.50%			
Current accounts with banks, post office	301,784,601	2.84%	0.50%			
Collective investments – bonds	3,594,722,028	33.79%	35.00%			
Swiss bonds	781,595,662	7.35%	9.00%	7.00%	13.00%	
Foreign bonds	2,813,126,366	26.44%	26.00%	18.20%	33.80%	
Collective investments – equities	2,863,229,275	26.91%	23.50%			50%
Swiss equities	661,665,518	6.22%	5.50%	3.85%	7.15%	
Foreign equities	2,201,563,757	20.69%	18.00%	12.60%	23.40%	
Collective investments – real estate	1,159,174,395	10.90%	10.00%			30%
Swiss real estate	807,146,134	7.59%	7.00%	4.90%	15.10%	
Foreign real estate	352,028,261	3.31%	3.00%	0.70%	3.90%	10%
Collective investments – alternative investments	2,002,197,217	18.82%	23.00%			15%
Hedge funds	973,122,801	9.15%	10.00%	7.00%	13.00%	
Collateralized loan obligation	87,861,037	0.83%	1.00%	0.00%	1.30%	
Private equity	126,330,855	1.19%	3.00%	0.00%	3.90%	
Insurance-linked strategies	289,663,007	2.72%	3.00%	0.00%	3.90%	
Infrastructure	95,221,133	0.89%	2.00%	0.00%	2.60%	
Senior Loans (unhedged)	429,998,385	4.04%	4.00%	2.80%	5.20%	
Direct investments – mortgages	714,922,904	6.72%	8.00%			50%
Mortgages	714,922,904	6.72%	8.00%	5.60%	10.40%	
Currency hedging	3,340,120	0.03%	n. a.	n. a.	n. a.	
Total investments	10,639,370,540	100.00%	100.00%			
Operating assets						
Other current accounts	0					
Employers' contribution credits	91,275,573					
Other receivables	718,574					
Accrued income and deferred expenses	38,550,633					
Total assets	10,769,915,320					
Equities	2,989,560,130	28.10%				50%
Unhedged foreign currency exposure	3,005,581,295	28.25%				30%

Limits pursuant to BVV2

The limits prescribed for investments by Art. 54, 54a, 54b and 55a, 55b, 55c and 55e BVV2 were observed on 12/31/2015. The expanded investment options pursuant to Art. 50 par. 4 BVV2 are used for alternative investments (Art. 55d BVV2). This is discussed in section 6.2.

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)	13.0 million
Adveq Real Assets Harvested Resources L. P. (Adveq Management Ltd)	8.4 million
Private Equity I (Zurich Investment Fund)	161.1 million
Private Equity II (Zurich Investment Fund)	89.0 million
Infrastructure (Zurich Investment Fund)	144.7 million

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, 2015:

12/31/2015	CHF	EURO	USD	GBP	YEN
Amount in foreign currency		348,777,690	633,406,390	33,931,130	3,420,035,000
Equivalent in CHF	1,094,625,062	375,699,530	639,328,740	51,548,936	28,047,856
Exchange rate on 12/31		1.08710	1.00038	1.47452	0.00832
Market value in CHF	1,091,284,942	379,156,014	633,646,662	50,032,133	28,450,133
Unrealized gains in CHF	3,340,120	-3,456,485	5,682,078	1,516,803	-402,276

To minimize the counterparty risk for foreign currency hedges, the difference to the relevant market value is deposited in a Foundation bank account. The deposit balance was CHF 11,051,000 on December 31, 2015.

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	2015	2014
Interest	-2,960,146	-1,824,490
Interest on bank accounts	-27,107	5,098
Interest on uncommitted funds of pension schemes	-1,127,153	-1,237,099
Interest on customer balances	8,303,977	8,621,571
Interest on contracts taken over	75,141	90,139
Interest on arrears and other interest due	-8,487,628	-7,698,117
Interest on employers' contribution reserves	-1,697,376	-1,606,082
Collective investments – bonds	-18,526,370	307,241,729
Swiss bonds	6,638,835	57,690,433
Foreign bonds	-25,165,205	249,551,296
Collective investments – equities	67,141,354	312,791,803
Swiss equities	31,526,747	55,837,320
Foreign equities	35,614,607	256,954,483
Collective investments – real estate	101,232,035	105,343,179
Swiss real estate	91,758,490	55,395,327
Foreign real estate	9,473,545	49,947,852
Collective investments – alternative investments	52,255,019	123,411,550
Hedge funds	35,489,908	91,328,212
Private equity	6,232,263	14,900,017
Commodity funds	0	-4,407,176
Senior Loans (unhedged)	16,053,458	11,150,944
Collateralized loan obligation	-13,735,958	0
Infrastructure	4,497,541	6,291,258
Insurance-linked strategies	3,717,807	4,148,295
Direct investments – mortgages	16,893,289	18,078,686
Mortgage interest	16,893,289	18,078,686
Result on currency hedging	-48,192,492	-51,779,860
Asset management costs	-90,565,108	-90,024,996
TER and other asset management costs	-88,728,324	-88,219,479
Management of mortgages	-1,836,784	-1,805,517
Net investment result	77,277,582	723,237,601
Performance net (MWR)	1.01 %	7.93 %
Performance gross (TTWR)	1.23 %	8.18 %



MWR = Money Weighted Rate of Return

Calculation of portfolio performance that takes account of the capital inflows and outflows during the reporting period (source: Zurich Invest AG).

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)

Asset management costs pursuant to Art. 48a BVV2

Investments	12/31/2015	12/31/2014
Total Investments	10,731,364,687	10,223,993,154
Of which: cost-transparent investments	10,731,364,687	10,218,933,490
Cost-transparent investments in relation to total investments – cost transparency ratio	100.00%	99.95%

Asset management costs	12/31/2015	12/31/2014
Directly recognized asset management costs	4,345,412	3,022,192
Total for all cost indicators in CHF for collective investments	86,219,695	87,002,803
Asset management costs recognized in operating statement	90,565,107	90,024,995
Average invested capital	10,227,953,940	9,500,065,189
As % of cost-transparent investments	0.89%	0.88%

The directly recognized asset management costs include direct investment mandates, investment-relevant project costs incl. advisory fees, the costs of managing the Investment Committee and personnel costs relating to the persons at Foundation level who are directly involved in the management of the assets.

Around 65.1% of the reported «Total for all cost indicators for collective investments» refers to alternative investments, 26.2% to bonds and equities, and 8.7% 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 cost for collective investment schemes 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 all 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	12/31/2015	12/31/2014
Interest on arrears on employers' current accounts	3.50%	3.50%
Employers' current accounts	91,275,573	87,448,961
Employers' current accounts (gross)	96,321,121	90,575,336
Minus allowance for doubtful debts	-5,045,548	-3,126,375
Interest on employers' contribution reserves	1.50%	1.50%
Employers' contribution reserves at 01/01	120,031,361	120,968,173
Capital contributions to employers' contribution reserves		
From contracts taken over	129,910	1,000,411
By employers	30,403,704	21,101,555
Withdrawals from employers' contribution reserves		
From contract terminations	-4,790,404	-5,016,626
By employers	-18,694,616	-19,614,162
Reconciliation	-57	-14,072
Interest on employers' contribution reserves	1,697,376	1,606,082
Employers' contribution reserves at 12/31	128,777,274	120,031,361

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 receivables

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	12/31/2015	12/31/2014
Accrued income and deferred expenses	38,550,633	56,858,747
Management fee discount for collective investments	5,912,182	6,463,731
Accrued interest on mortgages	1,663,120	2,144,411
Pending benefits from insurance company	7,526,287	11,658,549
Prepaid benefits to insured	23,140,410	22,992,360
Foreign currency hedging	0	13,490,000
Other deferrals	308,634	109,695

7.3 Accrued expenses and deferred income

in CHF	12/31/2015	12/31/2014
Accrued expenses and deferred income	449,071,923	428,381,799
Prepaid contributions	319,018,348	186,713,525
Incoming payments not yet processed	38,078,123	208,113,276
Foreign currency hedging	11,051,000	0
Other deferrals	80,924,452	33,554,998

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:

	2015		2014	
	in CHF		in CHF	
Savings contributions	652,466,769		633,344,165	
Savings contributions by employees	300,707,941	46 %	294,170,359	46 %
Savings contributions by employers	351,758,827	54 %	339,173,806	54 %
Risk and other contributions	215,701,143		222,846,331	
Risk and other contributions by employees	97,699,507	45 %	101,188,881	45 %
Risk and other contributions by employers	118,001,636	55 %	121,657,450	55 %
Total contributions	868,167,912		856,190,496	
Total contributions by employees	398,407,449	46 %	395,359,240	46 %
Total contributions by employers	469,760,463	54 %	460,831,256	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	2015	2014
Risk premiums due to insurance companies	- 141,331,189	- 155,256,413
Cost premiums due to insurance companies	- 70,112,071	- 63,593,528
Subtotal for premiums due to insurance companies	- 211,443,260	- 218,849,941
Minus profit shares from insurance company	18,861,835	18,266,356
Security fund contributions	- 3,716,913	- 3,610,846
Administrative costs	- 8,250,512	- 5,961,296
Total premiums and administrative costs	- 204,548,850	- 210,155,727
Risk and administrative costs	215,843,911	222,900,934
Risk contributions	141,188,421	155,201,811
Cost contributions	70,112,071	63,593,528
Other income (+)/ costs (-)	142,768	54,603
Security fund cotributions	4,400,651	4,050,993
Funding deficiency (-)/funding surplus (+)	11,295,061	12,745,207

8 Requirements of supervisory authority

Decision of September 24, 2015, of the Office for Occupational Pension Plans and Foundation Supervision of the Canton of Zurich (BVS) regarding its audit of the 2014 report: The supervisory authority listed a number of comments and requirements in its letter regarding the 2014 report. The Foundation has 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. The liquidation process will then correspondingly be started.

In the 2015 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 2015.

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 2015 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 2015.

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 2015 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 are 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

Matthias Sutter
Audit expert
Auditor in charge

Fabio Sala Mariet
Audit expert

Basel, 2 June 2016

Vita Joint Foundation

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