



Annual report 2016

Vita Joint Foundation

Important key figures 2015 **2016**

Pensioners

931

Active members

116,968

121,373

Return on investments

1.23 %

3.75 %

Affiliated employers

19,725

20,554

Assets in CHF million

10,770

11,829

Interest on mandatory savings capital

2.65 % **2.25 %**

Interest on super-mandatory savings capital

3.40 % **3.00 %**

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Return to savings process

Statement from the Chairman of the Foundation Board



Peter E. Naegeli

Vita Joint Foundation once again presented solid figures for the 2016 financial year. The Vita model as the leading semi-autonomous solution for occupational pensions is increasingly establishing itself as the market standard and is boasting corresponding growth rates. Companies offering full insurance solutions are either silently adapting or are copying Vita's model – proof enough that the Vita model is not only a modern solution, but also an attractive one.

The retirement provision business is in transition. It has become the focus of public attention through political developments, and the Pensions 2020 reform has also added this topic to the referendum diaries of the voters. It is said that the social insurance systems have become outdated, but the truth is that the beneficiaries, i. e. the recipients of occupational pensions, are growing ever older. While demographic trends mean that the pay-as-you-go first pillar system (AHV) is losing its way, the second pillar (BVG, funded as a level-premium system) is trying to self-correct. However, this requires an awareness among voters that the annual pensions paid from the pension pot in Swiss francs (level-premium system) can only remain at the same level under certain conditions: either the pension pot is filled to the brim with savings contributions, or the number of years for which pensions are paid out is cut. It is really as simple as this.

Unwelcome disruptive factors include legal warranties intended to guarantee that the same pension will still be paid out if the BVG pension pot is empty, as well as the capital market, which pays a smaller return on investments in an enduring low interest rate environment than the required return as calculated («technical interest rate»). The forecasters definitely miscalculated the performance of the capital markets...

With joint foundations, almost half of the pension assets (including voluntary contributions) paid into the second pillar (fully funded system) derive from the income of Swiss employees and thus from reduced consumption. At the current minimum interest rate of 1% «prescribed» by the Federal Council, only very little interest is earned on the retirement savings. As a result, the savings process is much more important than the interest that can be earned in the accumulation of retirement savings.

Is the capital in the pension pot sufficient for financing retirement?

The insured themselves are in charge when it comes to increasing their retirement savings by paying in additional savings contributions. The increase in life expectancy also requires us to redefine the savings process to ensure that the money saved in the pension pot is sufficient to cover the years from the end of the working life until death.

«Savings process must be redefined»

There are two alternatives: either the duration of the working life and thus the savings process is extended, or pensioners have to change their consumption patterns to ensure that their savings can cover the longer period of retirement. Together with the employer, every insured saves up the capital needed after retirement. This is the true meaning of the level-premium system, which is more important now than ever before. It should be remembered that the (often wrongly used) term «sustainability» means that nobody should use up more resources than they can make available

again. The careful use of the available capital is therefore a primary aspect of sustainable retirement provision.

Controversial referendum proposal

As part of the Pensions 2020 reform, we now have to vote simultaneously on two different topics: the pay-as-you-go system (AHV) which is becoming unstuck, and the still intact and generally adaptable level-premium system (BVG). The referendum campaigners are haggling about conversion rates, coordination deduction and the right retirement age, and the package as a whole is made politically acceptable by increasing the AHV pension. And the term «pension theft» is on the table again. However, this term is wrongly used to refer only to the BVG conversion rate that needs to be reduced instead of the abuse of capital from the AHV and BVG pension pot to pay the pensions. For this debate it can be assumed that really only a minority of voters can correctly explain the difference between the pay-as-you-go system (AHV) and the level-premium system (BVG). But this difference is fundamentally important for the future of the Swiss social insurance systems. The treatment of this difference will have a crucial impact on the three-pillar system, which is also gaining much international attention.

Using the opportunities afforded by the semi-autonomous model

Vita Joint Foundation with its 120,000 beneficiaries, 20,000 affiliated pension funds and managing some CHF 12 billion in pension assets is determined to use and further expand the opportunities afforded by the semi-autonomous model in the best interests of its owners – the beneficiaries. The focus falls on two things: open and transparent communication, and attractive benefit conditions combined with good service quality. These services are based on the original purpose of the occupational pension business: providing a pension paid in Swiss francs (not in percent) from the pension pot filled by a level-premium system.

Strong Vita team

The Foundation Board, which represents all pension funds and all the insured, takes this task

very seriously. It is supported in this by the market success to date and the opportunities granted to Vita Joint Foundation by the beneficiaries to actively shape the BVG. All of this would not be possible without the support of the dynamic Vita team headed by Nicolas Schneider, CEO of the new company SST Vita Dienstleistungs AG, and Werner Wüthrich, General Manager of Vita Joint Foundation. Vita Joint Foundation and the other joint occupational pension foundations of Vita are supported by a renowned partner who is strongly rooted in the market in the person of Zurich Insurance Group. With this partner at our side, we are continuing to develop our occupational pension business under the joint Vita brand.

Outlook

Vita Joint Foundation can look to the future with confidence: it has a very solid foundation and has proven in the past few years that the occupational pension business is adaptable. The targeted growth not only confirms the attractiveness of the semi-autonomous Vita model, but it is also an important component in the further reduction of the costs per insured. The objective must be to save in a suitable and acceptable manner, to achieve a high degree of cost efficiency, and to ensure that the parameters for the second pillar's level-premium system are observed and new services are offered (flexible working time models, variable retirement solutions, alternative investment options, etc.).



Peter E. Naegeli
Chairman of the Foundation Board

Rollercoaster ride with a happy end

Statement from the Chairman of the Investment Committee



Prof. Dr. Thorsten Hens

The 2016 investment year kicked off with the kind of equity market losses that are rather unusual for the beginning of a year. Concerns about the Chinese economy caused global price declines of 15% on average. This development at the same time delayed the interest rate reversal, and by the middle of the year, the interest rate for ten-year Swiss federal bonds had dropped to -0.6% again. But the equity markets recovered during the year in spite of serious political uncertainties (Brexit, Trump) and even ended the year with an attractive performance of plus 10%. Interest rates also returned to their original level of 0% by the end of the year.

Good investment result

The Investment Committee mostly maintained the investment strategy in 2016. In contrast to other pension funds, not even the uncertain outcome of the US presidential election was reason for us to reduce our equity exposure. Instead, Vita Joint Foundation profited from the fluctuations of the market and earned attractive returns on its investments by regularly adjusting its equity component to its investment strategy. In the end, the annual performance was 3.75%. The invest-

ment performance is in line with the performance of the largest Swiss pension fund indices with a similar risk profile (UBS PF Index 3.41%, CS PF Index 3.87%).

Vita Joint Foundation also performed well across the different asset classes in 2016. Except for hedge funds, all asset classes made a positive contribution to the total performance of 3.75%. Equities made the biggest contribution to performance, followed by real estate.

«All the objectives of the Foundation Board have been reached.»

At the beginning of 2016, the Foundation Board set the following three objectives for the Investment Committee: firstly, the return should be at least 3% more than the interbank rate (LIBOR). At 3.75%, this target has even been exceeded. Secondly, the risks assumed to earn the return should not be more than 5% (measured against the volatility). With a monthly return volatility of 4.88%, this objective was also reached. And thirdly, no coverage deficiency should occur. This objective was reached with a coverage ratio of 104.4%.

Optimization of investment strategy

The Investment Committee took the opportunity in 2016 to further improve the investment strategy. Savings were achieved in the rebalancing process by improving the alignment of the buy and sell decisions to the flow of funds from savings contributions. In this way, CHF 10 million was saved. In addition, bonds were selected that offer a small return compared to government bonds without increasing the risk by too much. A return of 0.7% to 1.7% can be expected for investment grade corporate bonds. For senior secured loans, we expect a return of 2.9% over the next few years.

**Where are we heading after
this investment year?**

It can be assumed that the US and soon also the European economies will recover further and that the interest rate reversal that started in the US will soon also reach Switzerland. Equity markets are likely to strengthen further, which could lead to a tendency to overheat. And finally, it should be remembered that the time bomb locked into the overindebtedness of Japan, the US and many European countries is continuing to tick.



Prof. Dr. Thorsten Hens
Chairman of the Investment Committee

Balance sheet and operating statement

Balance sheet

Assets

in CHF	Notes	12 / 31 / 2016	12 / 31 / 2015
Investments		11,773,210,332	10,731,364,687
Cash and cash equivalents	6.4	184,687,116	301,784,601
Employers' current accounts	6.9	98,462,322	91,275,573
Other receivables	7.1	7,183,170	718,574
Collective investments – bonds	6.4	4,133,026,416	3,594,722,028
Collective investments – equities	6.4	3,068,763,595	2,863,229,275
Collective investments – real estate	6.4	1,227,026,455	1,159,174,395
Collective investments – alternative investments	6.4	2,287,598,824	2,002,197,217
Direct investments – mortgages	6.4	768,830,041	714,922,904
Investments in affiliates	6.4	100,000	0
Currency overlay	6.6	-2,467,606	3,340,120
Accrued income and deferred expenses	7.2	55,637,197	38,550,633
Total assets		11,828,847,529	10,769,915,320

Liabilities

in CHF	Notes	12 / 31 / 2016	12 / 31 / 2015
Liabilities		198,380,680	242,951,525
Vested benefits		173,510,548	209,646,544
Other liabilities		24,870,132	33,304,981
Accrued expenses and deferred income	7.3	364,916,877	449,071,923
Employers' contribution reserves	6.9	133,871,113	128,777,274
Pension capital and technical reserves		10,593,329,414	9,465,854,717
Pension capital of active insured	5.3	9,673,891,160	8,904,134,060
Pension capital of pensioners	5.4	363,501,517	0
Technical reserves	5.6	555,936,737	561,720,657
Value fluctuation reserve	6.3	466,778,923	406,324,052
Uncommitted funds of pension schemes	5.5	71,520,523	76,885,830
Uncommitted funds of Foundation		0	0
At beginning of period		0	50,992,295
Expenses surplus (-) / income surplus (+)		0	-50,992,295
Endowment capital		50,000	50,000
Total liabilities		11,828,847,529	10,769,915,320

Operating statement

in CHF	Notes	01/01 – 12/31/2016	01/01 – 12/31/2015
Regular and other contributions and purchases		1,333,901,585	1,269,575,303
Savings contributions	7.4	697,355,020	652,466,769
Risk contributions	7.5	143,227,938	136,981,925
Contributions for inflation adjustments	7.5	4,355,190	4,206,497
Security fund contributions	7.5	4,566,471	4,400,651
Cost contributions	7.5	70,632,080	70,112,071
Single contributions and purchase amounts	5.3	415,932,877	401,878,032
Withdrawal from uncommitted funds of pension schemes (net)	5.5	-6,082,651	-7,519,178
Capital contributions to employers' contribution reserves	6.9	31,236,746	30,533,614
Withdrawals from employers' contribution reserves	6.9	-27,322,085	-23,485,076
Benefits brought into scheme		1,017,764,001	812,813,828
Vested benefits	5.3	1,003,492,001	804,421,129
Advance withdrawals for promotion of home ownership/divorce	5.3	14,272,000	8,392,699
Incoming contributions and benefits brought into scheme		2,351,665,585	2,082,389,131
Regulatory benefits and advance withdrawals		-320,172,534	-310,666,282
Retirement pensions		-123,002,213	-108,607,152
Survivors' pensions		-11,078,629	-10,137,420
Disability pensions		-35,900,193	-33,969,232
Lump-sum payments on retirement	5.3	-135,068,948	-123,614,891
Lump-sum payments for death and disability		-15,122,552	-34,337,587
Departure payments		-1,237,408,889	-1,193,568,783
Vested benefits paid to departing insured	5.3	-1,181,575,803	-1,139,879,251
Advance withdrawals for promotion of home ownership/divorce	5.3	-49,942,787	-46,645,657
Actuarial reserves for disability pensions on contract termination		-5,890,300	-7,043,875
Outgoing benefits and advance withdrawals		-1,557,581,424	-1,504,235,066
Formation (-)/reversal (+) of pension capital, technical reserves and employers' contribution reserves		-1,125,306,707	-606,282,727
Formation (-)/reversal (+) of pension capital for active insured	5.3	-497,779,164	-360,881,965
Formation (-)/reversal (+) of pension capital for pensioners	5.4	-363,501,517	0
Reversal (+)/formation (-) technical reserves	5.6	5,783,920	-19,844,646
Reversal of uncommitted funds of pension schemes	5.5	6,082,651	7,519,178
Formation of employers' contribution reserves	6.9	-31,236,746	-30,533,614
Reversal of employers' contribution reserves	6.9	27,322,085	23,485,076
Interest on savings capital	5.3	-271,977,936	-226,026,756
Brought forward		-331,222,546	-28,128,661

in CHF	Notes	01/01 – 12/31/2016	01/01 – 12/31/2015
Brought forward		-331,222,546	-28,128,661
Income from insurance benefits		254,118,589	240,249,659
Pension benefits		158,335,261	152,713,804
Insurance benefits: lump-sum payments for death and disability		15,122,552	34,337,587
Insurance benefits: pension purchases		30,627,490	0
Insurance benefits: premium waiver		25,585,675	27,292,558
Insurance benefits: actuarial reserves for disability pensions		5,890,300	7,043,875
Profit shares from insurance company	5.10	18,557,312	18,861,835
Insurance costs		-241,402,142	-456,877,571
Premiums to insurance companies			
Risk premiums	7.5	-148,224,896	-141,331,189
Cost premiums	7.5	-70,632,080	-70,112,071
Single contributions to insurance companies		-18,691,920	-241,717,398
Security fund contributions		-3,853,245	-3,716,913
Result from insurance activities		-318,506,098	-244,756,573
Net investment result		388,818,607	77,277,582
Interest	6.8.1	1,048,384	-135,617
Interest on uncommitted funds of pension schemes	5.5	-717,344	-1,127,153
Interest on employers' contribution reserves	6.9	-1,179,177	-1,697,376
Gain on collective investments – bonds	6.8.1	113,594,572	-18,526,370
Gain on collective investments – equities	6.8.1	158,195,528	67,141,353
Gain on collective investments – real estate	6.8.1	76,659,961	101,232,035
Gain on collective investments – alternative investments	6.8.1	104,570,707	52,255,020
Gain on direct investments – mortgages	6.8.1	15,572,941	16,893,289
Gain on currency hedging	6.8.1	10,637,798	-48,192,492
Asset management costs	6.8.1	-89,564,762	-90,565,107
Other income		354,271	1,434,351
Income from services rendered		354,271	1,434,351
Other expenses		-778,724	-1,919,172
Formation of allowance for doubtful debts	6.9	-778,724	-1,919,172
Administrative costs		-9,433,185	-8,250,512
General administration		-9,029,714	-7,055,467
Marketing		-352,951	-724,427
Auditors and pension actuary		-267,276	-296,417
Supervisory authority	7.6	216,757	-174,200
Profit/loss before reversal/formation of value fluctuation reserve		60,454,871	-176,214,324
Formation (-)/reversal (+) of value fluctuation reserve		-60,454,871	125,222,029
Income surplus (+)/Expenses surplus (-)		0	-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
Funding method	Defined contribution plan
Registration	BVS reference number ZH.1446
Security fund	Yes

Valid regulations as at December 31, 2016	Date of resolution	Entry into force	Version
Rules of organization	October 31, 2013	January 1, 2014	1/2014
Regulations on elections	March 1, 2016	January 1, 2016	1/2016
Pension regulations	November 19, 2015	January 1, 2016	1/2016
Investment regulations	November 19, 2015	January 1, 2016	1/2016
Regulations on the formation of provisions	April 22, 2015	December 31, 2014	2/2014
Regulations on partial liquidation	September 11, 2014	September 11, 2014	1/2014

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.

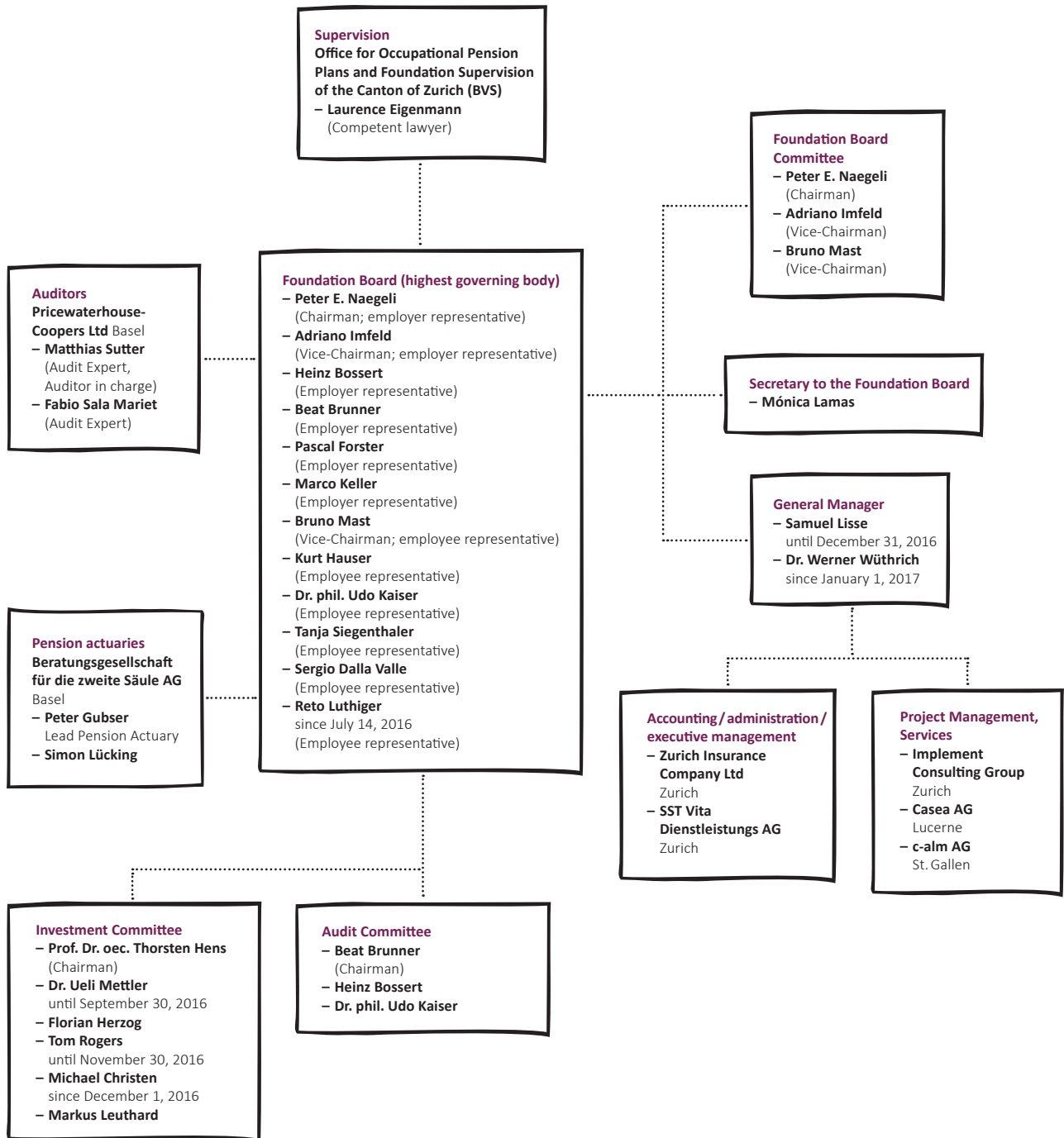
The Foundation Board Committee appoints the persons who are authorized to sign on behalf of the Foundation. Only joint signature with a minimum of two signatures is allowed.

1.2 Affiliated employers

	2016
As at 01/01/2016	19,725
Additions	6,642
Departures	5,813
As at 12/31/2016	20,554



1.3 Governing bodies and other functions



2 Active insured and pensioners

2.1 As at 12/31

	12/31/2016	12/31/2015
Total number of active members	121,373	116,968
Active insured	116,904	111,694
Occupationally disabled insured	4,469	5,274
Total pensioners¹⁾	11,497	10,620
Retirement pensions	7,474	6,681
Retired person's child's pensions	136	116
Spouse's pensions	891	817
Orphan's pensions	331	304
Disability pensions	2,256	2,263
Disabled person's child's pensions	409	439

1) Including new pensioners from 01/01/2016 who are recognized in the Foundation's balance sheet (896 retirement pensions/35 child's pensions).

2.2 Development

	Retirement pensions	Retired person's child's pensions	Spouse's pensions	Orphan's pensions	Disability pensions	Disabled person's child's pensions
As at 01/01/2016	6,681	116	817	304	2,263	439
New pensions	950	51	56	0	1	0
Assumed	46	0	18	80	322	45
Deaths	100	2	0	0	30	6
Withdrawals	103	29	0	53	300	69
As at 12/31/2016	7,474	136	891	331	2,256	409

	Active insured
As at 01/01/2016	111,694
Entries	39,980
Retirements	1,253
Withdrawals	33,517
As at 12/31/2016	116,904

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 administration committee approves the pension regulations enacted by the Foundation Board. The administration committee 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 administration committee 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 of conformity of the accounts 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

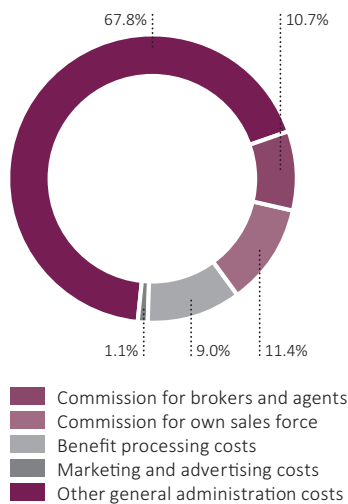
5.1 Type of risk coverage / reinsurance

The Foundation took out a group life insurance agreement with Zurich Life Insurance Company Ltd to cover the actuarial risks of death and disability. The Foundation is the policyholder and beneficiary. The Foundation bears the risk of longevity (from January 1, 2016) and the investment risk.

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. 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 BVV 2 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 2016 – occupational pensions, accessible on the internet at www.zurich.ch)

5.2 Assets and liabilities under insurance agreements

The Foundation's pension obligations can be divided into two categories:

- New retirement and retired person's child's pensions from January 1, 2016, recognized in the Foundation's balance sheet (see section 5.4).
- Pensioners, reinsured by Zurich Life Insurance Company Ltd; the relevant actuarial reserves are not shown in the Foundation's balance sheet

The actuarial reserves for the pension obligations under the group life insurance agreement with Zurich Life Insurance Company Ltd amount to:

in CHF	12 / 31 / 2016	12 / 31 / 2015
Pensioners' actuarial reserves	2,277,602,856	2,297,346,676
Retirement pensions	1,622,074,503	1,678,874,285
Retired person's child's pensions	2,145,987	2,534,740
Spouse's pensions	174,792,296	158,252,735
Orphan's pensions	5,266,211	5,566,624
Disability pensions	230,175,948	222,981,316
Disabled person's child's pensions	5,527,145	5,972,804
Premium waivers	237,620,768	223,164,172

5.3 Development of and interest on savings capital

in CHF	2016	2015
Interest on mandatory savings capital	1.25 % – 2.25 %	1.75 % – 2.65 %
Interest on super-mandatory savings capital	2 % – 3 %	2.5 % – 3.4 %
Savings capital at 01 / 01	8,904,134,060	8,317,225,338
Formation (+) / reversal (–) of pension capital for active insured	497,779,164	360,881,965
Savings contributions	697,355,020	652,466,769
IV savings contribution	25,223,153	27,292,558
Single contributions and purchase amounts	127,798,103	121,784,503
Single contributions (takeover of portfolios)	288,134,774	280,093,529
Vested benefits	1,003,492,001	804,421,129
Vested benefits paid to departing insured	–1,181,575,803	–1,139,879,251
Of which difference pursuant to FZG Art. 17 ¹⁾	8,249	25,741
Advance withdrawals for promotion of home ownership / divorce	–49,942,787	–46,645,657
Payments for promotion of home ownership / divorce	14,272,000	8,392,699
Lump-sum payments on retirement	–135,068,948	–123,614,891
Single contributions to insurance companies	–18,691,920	–241,717,398
Of which pension purchase difference ¹⁾	–1,544,151	18,262,235
Transfer to actuarial reserves for pensions	–271,680,527	0
Interest on savings capital²⁾	271,977,936	226,026,756
Savings capital at 12 / 31	9,673,891,160	8,904,134,060
Of which BVG retirement assets	5,565,823,216	5,240,513,761

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».

2) The 2016 interest includes CHF 39.8 million for the 2015 financial year.

5.4 Development of pension capital of pensioners in the Foundation's balance sheet

in CHF	2016	2015
Pension capital of pensioners as at 01 / 01	0	0
Formation (+) / reversal (-) of pension capital of pensioners	363,501,517	0
Pension payments	-11,645,774	0
Transfer to actuarial reserves for pensions	271,680,527	0
Insurance benefits from pension purchases	30,627,490	0
Increase in actuarial reserves	72,839,273	0
Pension capital of pensioners as at 12 / 31	363,501,517	0

Since January 1, 2016, retirement and survivors' pensions are no longer purchased from Zurich Life Insurance Company Ltd. The pension capital of the pensioners recognized in the Foundation's own balance sheet amounts to CHF 363.5 million. The pension capital is calculated on the basis of the BVG 2015 Generation Tables and a technical interest rate of 2.5%.

5.5 Changes to and interest on pension schemes' uncommitted funds

in CHF	2016	2015
Interest on mandatory savings capital	1.00%	1.50%
Uncommitted funds (pension accounts) at 01 / 01	76,885,830	83,277,855
Capital contributions to uncommitted funds (pension accounts)		
From contracts taken over	1,176,656	403,510
From contributions	1,676,825	812,667
Withdrawals from uncommitted funds (pension accounts)		
From contract terminations	-2,304,223	-2,708,904
For capital contributions to savings capital	-6,540,590	-6,014,139
Reconciliation	-91,319	-12,312
Interest on uncommitted funds (pension accounts)	717,344	1,127,153
Uncommitted funds (pension accounts) at 12 / 31	71,520,523	76,885,830

5.6 Composition, changes to and notes on technical reserves

in CHF	2016	2015
Technical reserves on 01 / 01	561,720,657	541,876,011
Reversal (-) / formation (+) of technical reserves	-5,783,920	19,844,646
Contributions to provision for retirement losses	77,012,916	50,060,172
Withdrawals from interest reserve	-82,796,836	-30,215,526
Technical reserves on 12 / 31	555,936,737	561,720,657
Of which: provision for retirement losses	298,782,677	221,769,761
Of which: interest reserve	257,154,060	339,950,896

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

Provision for conversion rate adjustments (retirement losses)

As the regulatory conversion rates are higher than the conversion rates in the Foundation's actuarial tables, the Foundation incurs retirement losses.

These losses are covered as follows by the provision for conversion rate adjustments:

- All active insured and all disabled insured from the age of 60 are taken into account;
- The amount of the provision equals the difference between the retirement assets extrapolated to the regular retirement age and the actuarial reserves needed to cover the regulatory retirement benefits, taking account of any lump-sum withdrawals of benefits. The resulting amount is discounted with the technical interest rate on the reference date for the calculation;
- The administration's statistics-based assumption that 40% of retirement benefits are drawn as lump-sum payments is applied to calculate the share of lump-sum withdrawals.

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.

Interest on retirement assets

When it comes to interest payments, a distinction is made between the mandatory BVG benefits and the super-mandatory retirement benefits on the one hand, and between the basic interest and additional interest rates on the other. These rates apply for a full calendar year and are communicated in advance.

The basic interest rates are determined on the basis of the Foundation's coverage ratio on October 31 of the previous year (section 4.3.1 of the pension regulations provides more information on the calculation). If the Foundation reported a coverage deficiency on October 31, leading to the reduction or reversal of interest reserves on December 31, the coverage ratio as at October 31 is increased accordingly for the application of this provision.

The additional interest rates are determined in accordance with the Foundation's interest model. The interest model is described in the regulations on the formation of provisions and value fluctuation reserves. This is defined by the financial position of the Foundation in the past five years. The additional interest rate is published on the Foundation's website. Depending on the origin of the interest reserves, the additional interest is credited either to the mandatory retirement assets or to the super-mandatory retirement assets.

	2016	2015	2014
Withdrawals from (-)/contributions to (+) interest reserve			
For 2014	-74,033,284	-74,033,284	370,166,422
For 2015	-8,763,552	43,817,758	
For 2016	0		
Withdrawals (-)/contributions (+)	-82,796,836	-30,215,526	370,166,422
Balance of interest reserve	257,154,060	339,950,896	370,166,422

5.7 Actuarial report of April 19, 2017

In his report, the pension actuary determines that:

A Financial security

The applied biometric tables are appropriate, the technical interest rate of 2.50% is 0.25 percentage points higher than the current technical reference interest rate and less than the expected return of 2.56% by an appropriate margin.

For insurance purposes, the Foundation has full risk capacity as the risks of death and disability are fully covered by matching reinsurance.

The technical reserves have been accrued in full and cover all the benefits promised by the Foundation. The regulations on the formation of provisions will be amended in 2017 in line with the revision of the interest reserve model, and the method for calculating the provision for conversion rate adjustments will likely be reviewed at the same time.

The coverage ratio is 104.4%. As the value fluctuation reserve has not been accrued in full, the financial risk capacity is limited. We welcome the fact that the target value fluctuation reserve and the parameters of the interest reserve model will be adjusted to the new economic conditions during an ALM study in 2017.

Based on the assessment of the Foundation's financial position on December 31, 2016, we confirm that the Foundation can fulfill its obligations pursuant to Art. 52e para. 1 (a) BVG.

B Rehabilitation potential

A 1.0% reduction of the interest credited to the super-mandatory retirement assets has the same effect as a rehabilitation contribution of 1.0% of the pensionable payroll total. A rehabilitation measure combining these two elements will improve the coverage ratio by 4.4% (previous year 4.1%) in five years.

C Regulatory actuarial provisions

The pension actuary reviewed the Foundation's compliance with the principles of the occupational pension insurance pursuant to Chapter 1 BVV 2. These include the principles of suitability, collectivity, equality of treatment and regularity, as well as the insurance principle and the minimum retirement age.

The pension actuary confirmed the Foundation's compliance with the principles of the occupational pension insurance on April 26, 2016. Compliance with the principle of suitability and the insurance principle for new pension plans dating from 2016 is investigated under a separate report.

D Current financing structure

The retirement credits are financed by matching contributions. The risks of death and disability are covered by matching reinsurance. The risk and cost contributions levied in 2016 were sufficient to finance the insurance premiums and administrative costs.

As the conversion rates are substantially higher than the technically correct conversion rates for the mandatory as well as the super-mandatory insurance, the Foundation suffers retirement losses every year. At 2.05%, the target return is less than the expected return of 2.56% by an appropriate margin.

E Confirmation by pension actuary

As accredited pension actuary, we prepared the Foundation's actuarial balance sheet and determined, based on the documents provided to us in accordance with Art. 52e para. 1 BVG, that

- the Foundation's coverage ratio was 104.4% on December 31, 2016, and the Foundation is able to fulfill all its obligations as of December 31, 2016;
- the regulatory actuarial provisions on benefits and financing correspond to the statutory provisions;
- the applied technical interest rate is 0.25 percentage points higher than the reference interest rate.

F Outlook and recommendation

As part of an ALM study, the target value fluctuation reserve and the parameters of the interest reserve model will be adjusted to the new economic conditions. In this regard, the regulations on the formation of provisions will also be revised in 2017.

It is likely that a further reduction of the technical interest rate and a reduction of the conversion rates will have to be considered within the context of the Pensions 2020 reform and the revision of Standard 4 (FRP 4) of the Swiss Chamber of Pension Actuaries.

5.8 Actuarial tables and other actuarial assumptions

Actuarial tables	BVG 2015 Generation Tables
Technical interest rate	2.50 %

The Foundation's regulations on the formation of provisions of December 31, 2014, apply.

Provision for conversion rate adjustments	Retirement losses calculated from age 60
Provision for formation of interest reserves	Interest reserves not yet paid out

5.9 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	12/31/2016	12/31/2015
Accrued pension assets	11,060,158,337	9,872,228,769
Gross assets (total assets)	11,828,847,529	10,769,915,320
Liabilities	-198,380,680	-242,951,525
Accrued expenses and deferred income	-364,916,877	-449,071,923
Employers' contribution reserve	-133,871,113	-128,777,274
Uncommitted funds of pension schemes	-71,520,523	-76,885,830
Actuarial pension capital	10,593,329,414	9,465,854,717
Coverage ratio pursuant to Art. 44 para. 2 BVV2	104.4 %	104.3 %

5.10 Profit shares from insurance company

In the past financial year, Vita Joint Foundation received profit shares of CHF 18.6 million (previous year CHF 18.9 million) from Zurich Life Insurance Company Ltd.

According to Art. 68a para. 1 (a) BVG, profit shares from insurance contracts have to be credited to the savings assets of the insured. Deviation from this principle is only possible if the pension commission of the affiliated pension fund passes a corresponding resolution. This provision refers to the meaning and purpose of joint foundations offering full insurance solutions. The surplus (from the savings, cost and risk share) can only be big enough (if the performance is positive) to pay a substantial profit share to the individual insured under a full insurance model.

A partially autonomous joint foundation can only generate profit shares if the risk experience is positive. Art. 1.3 of the pension regulations of Vita Joint Foundation states that profit shares generated under the group life insurance agreement must be used in accordance with the decision of the Foundation Board.

The decision on the use of the profit shares has thus been delegated to the Foundation Board.

As there is no separate account for every individual pension fund, the profit shares are not allocated in accordance with a specific allocation key, but are «collectively» credited to the Joint Foundation's value fluctuation reserve.

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 Aberdeen Global Services S. A. Adveq Management AG Rye Harbour CLO, Ltd
Mortgages	Zurich IMRE AG, Zurich
Foreign currency hedging	UBS AG, Zurich
Investment advisory service	Zurich Invest AG, Zurich SIGLO Capital Advisors AG, Zurich PPCmetrics AG, Zurich c-alm AG, St. Gallen Casea AG, Lucerne
Investment controlling	Complementa AG, St. Gallen
Custodian banks	Bank Julius Baer & Co. Ltd., Zurich (until October 28, 2016) UBS AG, Zurich

Requirements to be met by managers and asset managers in the occupational pension business pursuant to Art. 48f BVV 2

Only natural persons or legal entities who are qualified for this task and who are organized in such a manner that they meet the requirements of Art. 51b para. 1 BVG and the rules of Art. 48g to 48l BVV 2 can be subject to Art. 6.1 of the investment regulations. The provisions of Art. 6.3 to 6.8 of the investment regulations must be observed. The relevant provisions of the rules of organization also apply.

Loyalty and integrity in asset management

Vita Joint Foundation is subject to the ASIP charter. As a result, Vita Joint Foundation has adopted investment regulations designed to ensure compliance with the BVG provisions on loyalty and integrity. The members of the governing bodies, the employees and the external partners who are responsible for the investment, management and control of the pension assets have undertaken to comply with the statutory and regulatory provisions. Where individual asset managers are subject to stricter regulations, these are applicable. The Foundation Board has implemented all the measures required for checking compliance with these provisions.

6.2 Expanded investment possibilities pursuant to Art. 50 para. 4 BVV2

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

According to Art. 50 para. 4 BVV2, the investment scope may be expanded under investment regulations if proof of compliance with paras. 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 January 1, 2016. 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 2016, alternative investments accounted for 19.6% (previous year: 18.6%) of the total investments, while BVV 2 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

	12/31/2016	12/31/2015
Value fluctuation reserve – target	635,599,765	567,951,283
Target as % of pension obligations	6.0%	6.0%
Value fluctuation reserve – current	466,778,923	406,324,052
Value fluctuation reserve at 01/01	406,324,052	531,546,081
Formation (+)/reversal (-) of value fluctuation reserve	60,454,871	-125,222,029

Calculation methods

The target for the value fluctuation reserve (in percent) is calculated in accordance with the value at risk concept, based on normal distribution, which takes a holistic approach to the risks and makes provision for the portfolio's diversification effect. The target value fluctuation reserve is defined on the basis of the investment strategy adopted by the Foundation Board. The following parameters apply to the calculation:

- Time frame: 1 year
- Targeted level of security without interest reserve: 97.5%
- Targeted level of security with interest reserve: 90.0%

6.4 Investments by investment strategy

	12/31/2016	12/31/2016	Strategy	Bandwidths		BVV2 limit
	in CHF	in %		Minimum	Maximum	
Cash and cash equivalents	184,687,116	1.58%	0.50%			
Current accounts with banks, post office	184,687,116	1.58%	0.50%	0.00%	5.00%	
Collective investments – bonds	4,133,026,416	35.42%	35.00%			50%
Swiss bonds	862,271,336	7.39%	9.00%	6.30%	11.70%	
Foreign bonds	3,270,755,080	28.03%	26.00%	18.20%	33.80%	
Collective investments – equities	3,068,763,595	26.30%	23.50%			30%
Swiss equities	714,387,332	6.12%	6.00%	4.20%	7.80%	
Foreign equities	2,354,376,263	20.18%	17.50%	12.25%	22.75%	
Collective investments – real estate	1,227,026,455	10.52%	10.00%			30%
Swiss real estate	863,910,986	7.40%	7.00%	4.90%	15.10%	
Foreign real estate	363,115,469	3.11%	3.00%	0.70%	3.90%	
Collective investments – alternative investments	2,287,598,824	19.61%	23.00%			15%
Hedge funds	1,094,528,504	9.38%	10.00%	7.00%	13.00%	
Collateralized loan obligation	87,294,821	0.75%	1.00%	0.00%	1.30%	
Private equity	174,049,510	1.49%	3.00%	0.00%	3.90%	
Insurance-linked strategies	298,413,367	2.56%	3.00%	0.00%	3.90%	
Infrastructure	105,749,874	0.91%	2.00%	0.00%	2.60%	
Senior loans (unhedged)	527,562,748	4.52%	4.00%	2.80%	5.20%	
Direct investments – mortgages	768,830,041	6.59%	8.00%			50%
Mortgages	768,830,041	6.59%	8.00%	5.60%	10.40%	
Investments in affiliates	100,000	0.00%	0.00%			
Currency hedging	-2,467,606	-0.02%	0.00%			
Total investments	11,667,564,840	100.00%	100.00%			
Other assets	161,282,689					
Other current accounts	0					
Employers' contribution credits	98,462,322					
Other receivables	7,183,170					
Accrued income and deferred expenses	55,637,197					
Total assets	11,828,847,529					
Equities	3,242,813,105	27.79%				50%
Unhedged foreign currency exposure	3,244,980,816	27.81%				30%

Limits pursuant to BVV 2

The limits prescribed for investments by Art. 54, 54a, 54b and 55a, 55b, 55c and 55e BVV 2 were observed on 12/31/2016. The expanded investment options pursuant to Art. 50 para. 4 BVV 2 are used for alternative investments (Art. 55d BVV 2). This is discussed in section 6.2.

Investments in affiliates

In order to provide further services in the occupational pension business, Vita Joint Foundation owns a stake in SST Vita Dienstleistungen AG with a share capital of CHF 100,000. The capital is included in the investments.

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)	12.1 million
Adveq Real Assets Harvested Resources L. P. (Adveq Management Ltd)	8.5 million
Private Equity I (Zurich Investment Fund)	136.3 million
Private Equity II (Zurich Investment Fund)	74.3 million
Infrastructure (Zurich Investment Fund)	135.7 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, 2016:

12/31/2016	CHF	EUR	USD	GBP	YEN
Amount in foreign currency		373,510,090	805,907,490	33,931,130	4,113,265,000
Equivalent in CHF	1,293,555,906	404,751,968	809,047,958	43,486,713	36,269,268
Exchange rate on 12/31		1.071398	1.014333	1.254306	0.008710
Market value in CHF	1,296,023,512	400,178,110	817,458,368	42,560,021	35,827,014
Unrealized gains in CHF	-2,467,606	4,573,858	-8,410,410	926,692	442,253

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 9,920,000 on December 31, 2016.

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	2016	2015
Interest	-848,137	-2,960,146
Interest on bank accounts	-360,132	-27,107
Interest on uncommitted funds of pension schemes	-717,344	-1,127,153
Interest on customer balances	7,201,035	8,303,977
Interest on contracts taken over	35,907	75,141
Interest on arrears and other interest due	-5,828,426	-8,487,628
Interest on employers' contribution reserves	-1,179,177	-1,697,376
Collective investments – bonds	113,594,572	-18,526,370
Swiss bonds	2,914,531	6,638,835
Foreign bonds	110,680,041	-25,165,206
Collective investments – equities	158,195,528	67,141,353
Swiss equities	1,777,632	31,526,747
Foreign equities	156,417,896	35,614,607
Collective investments – real estate	76,659,961	101,232,035
Swiss real estate	73,672,947	91,758,490
Foreign real estate	2,987,015	9,473,545
Collective investments – alternative investments	104,570,707	52,255,020
Hedge funds	12,602,754	35,489,908
Private equity	24,142,254	6,232,263
Senior loans (unhedged)	41,062,473	16,053,458
Collateralized loan obligation	606,449	-13,735,958
Infrastructure	13,512,582	4,497,541
Insurance-linked strategies	12,644,195	3,717,807
Direct investments – mortgages	15,572,941	16,893,289
Mortgage interest	15,572,941	16,893,289
Result on currency hedging	10,637,798	-48,192,492
Asset management costs	-89,564,762	-90,565,107
TER and other asset management costs	-87,587,559	-88,728,324
Management of mortgages	-1,977,203	-1,836,784
Net investment result	388,818,607	77,277,582
Performance, net (MWR*)	3.53 %	1.01 %
Performance, gross (TTWR**)	3.75 %	1.23 %



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 (source: Zurich Invest AG).

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

Asset management costs pursuant to Art. 48a BVV2

Investments	12/31/2016	12/31/2015
Total Investments	11,773,210,332	10,731,364,687
Of which: cost-transparent investments	11,773,210,332	10,731,364,687
Cost-transparent investments in relation to total investments – cost transparency ratio	100.00%	100.00%

Asset management costs	12/31/2016	12/31/2015
Directly recognized asset management costs	2,938,805	4,345,412
Total for all cost indicators in CHF for collective investments	86,625,957	86,219,695
Asset management costs recognized in operating statement	89,564,762	90,565,107
Average invested capital	10,930,710,674	10,227,953,940
As % of cost-transparent investments	0.82%	0.89%

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
- 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	12/31/2016	12/31/2015
Interest on arrears on employers' current accounts	4.00 %	3.50 %
Employers' current accounts	98,462,322	91,275,573
Employers' current accounts (gross)	104,286,593	96,321,121
Minus allowance for doubtful debts	-5,824,271	-5,045,548

in CHF	2016	2015
Interest on employers' contribution reserves	1.00 %	1.50 %
Employers' contribution reserves at 01/01	128,777,274	120,031,361
Capital contributions to employers' contribution reserves		
From contracts taken over	400,281	129,910
By employers	30,836,465	30,403,704
Withdrawals from employers' contribution reserves		
From contract terminations	-6,969,365	-4,790,404
By employers	-20,339,095	-18,694,616
Reconciliation	-13,625	-57
Interest on employers' contribution reserves	1,179,177	1,697,376
Employers' contribution reserves at 12/31	133,871,113	128,777,274

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	12/31/2016	12/31/2015
Accrued income and deferred expenses	55,637,197	38,550,633
Management fee discount for collective investments	6,718,503	5,912,182
Accrued interest on mortgages	1,057,621	1,663,120
Pending benefits from insurance company	7,409,102	7,526,287
Prepaid benefits to insured	30,251,852	23,140,410
Foreign currency hedging	9,920,000	0
Other deferrals	280,119	308,634

7.3 Accrued expenses and deferred income

in CHF	12/31/2016	12/31/2015
Accrued expenses and deferred income	364,916,877	449,071,923
Prepayments and pending benefits	328,219,493	319,018,348
Incoming payments not yet processed	24,898,885	38,078,123
Foreign currency hedging	0	11,051,000
Other deferrals	11,798,499	80,924,452

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:

	2016		2015	
	in CHF		in CHF	
Savings contributions	697,355,020		652,466,769	
Savings contributions by employees	320,551,782	46 %	300,707,941	46 %
Savings contributions by employers	376,803,238	54 %	351,758,828	54 %
Risk and other contributions	222,781,678		215,701,143	
Risk and other contributions by employees	100,991,866	45 %	97,699,507	45 %
Risk and other contributions by employers	121,789,813	55 %	118,001,636	55 %
Total contributions	920,136,698		868,167,912	
Total contributions by employees	421,543,648	46 %	398,407,448	46 %
Total contributions by employers	498,593,050	54 %	469,760,464	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	2016	2015
Risk premiums due to insurance company	-148,224,896	-141,331,189
Cost premiums due to insurance company	-70,632,080	-70,112,071
Subtotal for premiums due to insurance company	-218,856,977	-211,443,260
./ Profit shares from insurance company	18,557,312	18,861,835
Security fund contributions	-3,853,245	-3,716,913
Administrative costs	-9,433,185	-8,250,512
Total premiums and administrative costs	-213,586,095	-204,548,850
Risk and administrative costs	223,060,925	215,843,911
Risk contributions	147,583,128	141,188,421
Cost contributions	70,632,080	70,112,071
Other income (+)/ costs (-)	279,247	142,768
Security fund contributions	4,566,471	4,400,651
Funding surplus	9,474,830	11,295,061

7.6 Administrative expenses / supervisory authority

in CHF	2016	2015
Supervisory authority	216,757	-174,200
Reversal of deferral	318,754	274,000
Costs paid for supervisory authority	-39,797	-129,446
Deferral	-62,200	-318,754

The costs of the supervisory authority paid in 2016 include the reimbursement of fees paid to the Occupational Pension Supervisory Committee (OAK BV) in the previous years (CHF 86,649).

8 Requirements of supervisory authority

Decision of September 27, 2015, of the Office for Occupational Pension Plans and Foundation Supervision of the Canton of Zurich (BVS) regarding its audit of the 2015 report: the supervisory authority listed a number of comments and requirements in its letter regarding the 2015 report. The Foundation has addressed these in 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 2016 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 2016.

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 2016 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 35), for the year ended 31 December 2016.

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 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 2016 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 organization, management and investments are applied.

We have assessed whether:

- organization 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, statutory and regulatory 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, 12 June 2017

Vita Joint Foundation

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