



Annual report 2017

Vita Joint Foundation

Important key figures 2016 **2017**

Pensioners

931
1,732

Active members

121,373
123,950

Return on investments

3.75% **6.76%**

Affiliated employers

20,554
21,136

Assets in CHF million

11,829
13,290

Maximum interest on savings capital

3.00% **2.50%**

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Need for action – the right focus

Statement from the Chairman of the Foundation Board on the 2017 financial year



Peter E. Naegeli

The review of the past financial year is positive: the insured benefited from good investment performance of 6.76% and once again received very good interest on their pension capital compared to other pension institutions. Thanks to the interest reserve model, insured will receive 2.40% interest on their mandatory assets and 3.15% on their super-mandatory assets this year. The number of affiliated companies rose to 21,136 and the pension assets under management to CHF 13.3 billion. This development confirms the success of the semi-autonomous solution, which was pioneered by Vita Joint Foundation and is nowadays known on the market as the Vita model. The key success components of the Vita model are its consistent focus on the interests of the insured persons and the improved flexibility in investment options compared to full value insurance solutions, which allows a better interest rate.

Political efforts to rejuvenate the system of retirement provision and the exit of a big market player from the full value insurance model confirm: the need for action regarding the second pillar has been recognized. Unfortunately, technical and system-relevant parameters take center stage in the discussions about the future direction of reforms: conversion rate, coordination deduction, technical interest rate and minimum interest rate. The most important principle – the level-

premium system – seems to have been forgotten. The redistribution of assets from the young to the old is continuing, and is also exacerbated by demographic trends. With the level-premium system, employees and their employer save together to accrue the retirement capital. Upon retirement from work, the conversion rate is used to convert this capital into a lifelong pension.

The focal need for action has to shift to the savings process as the core of the level-premium system. In the past ten years, savings contributions accounted for some 80% and interest credits for some 20% of the process of accruing pension capital. This ratio is strongly reminiscent of the Pareto principle: 80% of the effects come from 20% of the causes. In the occupational pension business, however, it seems that 80% of the attention (and efforts) are focused on finding the correct parameters, formulating the investment rules, and calculating the correct technical interest rates and conversion rate. Seemingly only around 20% of the efforts focus on ensuring that the amount of the savings contributions is correct. An inverse Pareto principle! But given the weighting of the savings contributions, saving more will have an enormous leverage effect on future pension payments.

Traveling longer – taking along more supplies

Life expectancy in Switzerland has increased by some 16 years since the introduction of the state social security system (AHV) 70 years ago and is now at 83 years. With a statutory retirement age of 64/65, Switzerland is now one of the countries in the world where pensioners draw a pension for the longest time, and second pillar pensions have to be financed with the level-premium system. There are three levers for providing the required capital:

- **Saving longer:** For occupational pensions, this means working longer. This will increase the total amount of savings contributions and relieve the burden on social insurance schemes in two ways: there will be more pension capital available, and pensioners will draw a pension for a shorter time. The second pillar as well as the first pillar are already allowing workers to defer their retirement. Employees can volun-

tarily work and thus save five years longer. Employers and employees are challenged to engage in a dialog to discuss more flexible models for working past the regular retirement age.

The total savings contributions can be increased further at the beginning of professional life: employees can pay contributions to both the AHV and the second pillar from the age of 18.

- **Contributing more:** Together with voluntary single contributions (purchases), the annual savings contributions paid into the pension fund determine the amount of the future pension. Not only saving longer but also contributing more is a move in the right direction – toward the 80% lever.

«A longer trip requires more supplies.»

The interest paid on retirement assets as a capital market function plays an important but supporting role only.

- **Paying out less:** This means receiving a smaller pension after retirement so that the money that was saved can last longer. The insured have to make do with less money. But the reduction of the conversion rate is unpopular, as confirmed once again by the result of the referendum on the Pensions 2020 reform. Given the rise in life expectancy, the current conversion rate can only be maintained if the retirement assets are increased.

Using the leeway afforded by the semi-autonomous model

The Foundation Board consists of an equal number of employee and employer representatives, who represent the owners of Vita Joint Foundation. This provides a good basis for engaging in a balanced dialog between employees and employers at the highest management level. The Foundation Board can use its leeway to come up with a good mix of the three levers. Its mandate to ensure sufficient funding for pensions leads to innovative savings models with flexible, individually designed savings plans, lower BVG entry thresholds and the opportunity to combine several part-time jobs.

Vita Joint Foundation follows these three guiding principles:

- **Promoting innovation in savings models:** The opportunities for making voluntary savings contributions are exhausted as much as possible in order to accumulate the required pension capital. The parameters of new and flexible working time models are incorporated.
- **Using flexible investment options:** The investment strategy fully exploits the legal options available to the semi-autonomous model in order to generate an appropriate return. Security is honored as the most important consideration at all times.
- **Intensifying the dialog with the beneficiaries:** The insured, as the real end customers, are involved in an intensive dialog with their employers. We will find possible solutions under the mutual understanding that saving is a crucial step toward ensuring pension security.

Vita Joint Foundation is very well equipped with our solid foundation, many years of experience with the semi-autonomous model and the powerful team of SST Vita Dienstleistungs AG. In the context of the tried-and-tested partnership with Zurich, the Foundation Board is looking forward to diligently pursuing the challenges of the future today. It is actively rising to the challenges facing the second pillar. The Foundation Board of Vita Joint Foundation will not rely on the next political revision of the pension system, but will take matters into its own hands – as part of the dialog with employers and employees.



Peter E. Naegeli
Chairman of the Foundation Board

Relatively quiet year with good investment performance

Statement from the Chairman of the Investment Committee



Prof. Dr. Thorsten Hens

The investment trends of the past few years continued in 2017. The stock market rally persisted and interest rates, although volatile, moved sideways. Globally, stock markets improved by more than 20%, with the developing countries showing the best performance (27.81%) and Europe (15.8%) the weakest, relatively speaking. The main driver of this encouraging equity performance was positive economic growth, which remains solid in the US and has now also reached Europe. Although oft announced, the big interest rate reversal has not yet materialized. Inflation remains low in spite of expansionary monetary policies, but inflation fears still regularly trigger price corrections on the markets. As the US Fed gradually raised short-term interest rates slightly during the year, ten-year Swiss federal bonds occasionally moved into positive territory yet ended the year at -0.15%.

Encouraging investment performance

Investment performance was good at 6.76%. This was strongly driven by equities, which improved by 21.24% and contributed 5.30% to the positive result. All other important asset classes also made a positive contribution, albeit with a smaller impact on performance. Bonds contributed 0.77%, real estate 0.59% and alternative investments 0.48%.

The Investment Committee of Vita Joint Foundation generally maintained its tried-and-tested investment philosophy in 2017. The focus continues to fall on broad diversification. Vita Joint Foundation

mainly distinguishes itself from other pension institutions by investing in the most diverse risk premiums. Vita has a substantial equity component. Vita Joint Foundation applies targeted risk hedging to prepare its portfolio as well as possible for a possible crash of the currently very expensive equity markets. This allows Vita Joint Foundation to hedge its equity investments and ensures that the risk is not only focused on the equity portfolio.

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

The Foundation Board set the Investment Committee three objectives for 2017: Vita had to generate a target yield of 2.5% with a limited risk budget. This risk budget had to be underpinned by a relatively stable coverage ratio, the objective being to avoid any serious coverage deficiency. Vita substantially exceeded its target yield with its performance of 6.76%, while consistently adhering to the allocated risk budget, thus creating the required security for our beneficiaries. Vita Joint Foundation also reported a good coverage ratio of 105.7%.

New investment strategy for 2018+

In 2017, the Investment Committee used the quiet year to further develop its investment strategy. Equity risks are now covered by what is known as tail hedges. As this reduces the risk represented by the equities in Vita Joint Foundation's portfolio, more equities can be included in the portfolio. Tail hedging can be used to stabilize the coverage ratio, even for bigger equity risks. This improves the potential for return without increasing the investment risk. Like all insurance policies, it costs money to hedge the portfolio against a possible stock market crash. It can be expected, however, that the long-term average return from the increased equity component will cover the hedging costs.

«Equity risks are now covered by tail hedges.»

The new strategic asset allocation calculations show that tail hedging reduces the importance of

hedge funds. The hedge fund component has therefore been reduced from 10% to 6% in the new strategic asset allocation. As a result, hedge funds could be selected on the basis of their contribution to total performance and the asset management costs could be reduced.

Where are we heading after this investment year?

It has to be assumed that 2018 will be a more turbulent investment year. The trade war incited by US President Trump and the interest rate reversal that has started in the US will eventually also reach Switzerland. Stock markets are therefore likely to move sideways, and if interest rates should rise, bond markets can hardly be expected to return any yields. As Vita Joint Foundation has made provision for a large component of alternative investments (31%) in its investment strategy to weather such phases, good performance is possible for 2018 too.



Prof. Dr. Thorsten Hens
Chairman of the Investment Committee

Balance sheet and operating statement

Balance sheet

Assets

in CHF	Notes	12 / 31 / 2017	12 / 31 / 2016
Investments		13,271,307,876	11,773,210,332
Cash and cash equivalents	6.4	281,273,671	184,687,116
Employers' current accounts	6.9	107,960,851	98,462,322
Other receivables	7.1	83,461,639	7,183,170
Collective investments – bonds	6.4	4,409,172,618	4,133,026,416
Collective investments – equities	6.4	3,508,161,084	3,068,763,595
Collective investments – real estate	6.4	1,506,470,284	1,227,026,455
Collective investments – alternative investments	6.4	2,518,489,667	2,287,598,824
Direct investments – mortgage certificates	6.4	851,770,361	768,830,041
Investments in affiliates	6.4	100,000	100,000
Foreign currency hedging	6.6	4,447,702	-2,467,606
Accrued income and deferred expenses	7.2	18,803,747	55,637,197
Total assets		13,290,111,624	11,828,847,529

Liabilities

in CHF	Notes	12 / 31 / 2017	12 / 31 / 2016
Liabilities		642,682,389	198,380,680
Vested benefits	7.3	210,639,375	173,510,548
Other liabilities	7.3	432,043,014	24,870,132
Accrued expenses and deferred income	7.4	1,449,242	364,916,877
Employers' contribution reserves	6.9	136,867,241	133,871,113
Pension capital and technical provisions		11,766,065,599	10,593,329,414
Pension capital of active insured	5.3	10,255,426,646	9,673,891,160
Pension capital of pensioners	5.4	709,025,424	363,501,517
Technical provisions	5.6	801,613,530	555,936,737
Value fluctuation reserve	6.3	671,615,325	466,778,923
Uncommitted funds of pension schemes	5.5	71,381,827	71,520,523
Uncommitted funds of Foundation		0	0
At beginning of period		0	0
Expenses surplus (-) / Income surplus (+)		0	0
Endowment capital		50,000	50,000
Total liabilities		13,290,111,624	11,828,847,529

Operating statement

in CHF	Notes	01/01–12/31/2017	01/01–12/31/2016
Regular and other contributions and purchases		1,204,726,545	1,340,884,574
Savings contributions	7.5	740,139,722	697,355,020
Risk contributions	7.6	144,206,751	143,227,938
Contributions for inflation adjustments	7.6	1,334,831	4,355,190
Contributions to security fund	7.6	3,008,059	4,566,471
Cost contributions	7.6	70,086,158	70,632,080
Single contributions and purchase amounts	5.3	243,390,075	415,932,877
Withdrawal from uncommitted funds of pension schemes	5.5	–854,633	–6,082,651
Capital contributions to employers' contribution reserves	6.9	23,792,139	31,236,746
Withdrawal from employers' contribution reserves to finance contributions	6.9	–20,376,557	–20,339,095
Benefits brought into scheme		1,096,026,622	1,017,764,001
Vested benefits	5.3	1,075,871,062	1,003,492,001
Incoming advance withdrawals for home ownership promotion / divorce	5.3	20,155,560	14,272,000
Incoming contributions and benefits brought into scheme		2,300,753,167	2,358,648,575
Regulatory benefits and advance withdrawals		–383,185,587	–320,172,534
Retirement pensions		–137,436,598	–123,002,213
Survivors' pensions		–12,190,354	–11,078,629
Disability pensions		–38,140,834	–35,900,193
Lump-sum payments on retirement	5.3	–163,397,682	–135,068,948
Lump-sum payments on death and disability		–32,020,118	–15,122,552
Departure payments		–1,291,223,367	–1,244,391,879
Vested benefits paid to departing insured	5.3	–1,240,372,449	–1,181,575,803
Transfer of employers' contribution reserves for collective withdrawal		–1,685,513	–6,982,990
Advance withdrawals for home ownership promotion / divorce	5.3	–46,998,230	–49,942,787
Actuarial reserves for disability pensions on contract termination		–2,167,176	–5,890,300
Outgoing benefits and advance withdrawals		–1,674,408,954	–1,564,564,413
Formation (–)/reversal (+) of pension capital, technical provisions and employers' contribution reserves		–1,173,611,621	–1,125,306,707
Formation (–)/reversal (+) of pension capital of active insured	5.3	–376,398,436	–497,779,164
Formation (–)/reversal (+) of pension capital of pensioners	5.4	–345,523,907	–363,501,517
Formation (–)/reversal (+) of technical provisions	5.6	–245,676,793	5,783,920
Reversal (+)/formation (–) of uncommitted funds of pension schemes	5.5	854,633	6,082,651
Formation (–)/reversal (+) of contribution reserves	6.9	–1,730,069	–3,914,661
Interest on savings capital	5.3	–205,137,049	–271,977,936
Brought forward		–547,267,408	–331,222,546

in CHF	Notes	01/01–12/31/2017	01/01–12/31/2016
Brought forward		–547,267,408	–331,222,546
Income from insurance benefits		231,780,421	254,118,589
Pension benefits		159,737,387	158,335,261
Insurance benefits: lump-sum payments on death and disability		32,020,118	15,122,552
Insurance benefits: pension purchases		0	30,627,490
Insurance benefits: premium waiver		26,413,037	25,585,675
Insurance benefits: actuarial reserves for disability pensions		2,167,176	5,890,300
Profit shares from insurance policies	5.10	11,442,702	18,557,312
Insurance costs		–244,735,801	–241,402,142
Premiums due to insurance companies			
Risk premiums	7.6	–147,593,924	–148,224,896
Cost premiums	7.6	–70,086,158	–70,632,080
Single contributions to insurance companies		–22,240,315	–18,691,920
Security fund contributions	7.6	–4,815,404	–3,853,245
Result from insurance activities		–560,222,789	–318,506,098
Net result from investments		772,034,837	388,818,607
Interest	6.8.1	192,204	1,048,384
Interest on uncommitted funds of pension schemes	5.5	–715,938	–717,344
Interest on employers' contribution reserves	6.9	–1,266,059	–1,179,177
Gain on collective investments – bonds	6.8.1	122,134,774	113,594,572
Gain on collective investments – equities	6.8.1	647,123,580	158,195,528
Gain on collective investments – real estate	6.8.1	109,016,413	76,659,961
Gain on collective investments – alternative investments	6.8.1	64,605,583	104,570,707
Gain on direct investments – mortgage certificates	6.8.1	14,766,351	15,572,941
Gain on foreign currency hedging	6.8.1	–80,395,963	10,637,798
Asset management costs	6.8.1	–103,426,107	–89,564,762
Other income		1,604,124	354,271
Income from services rendered		1,355,609	354,271
Reversal of bad debt allowance	6.9	248,515	0
Other expenses		0	–778,724
Bad debt allowance	6.9	0	–778,724
Administrative costs		–8,579,770	–9,433,185
General administration		–7,442,479	–9,029,714
Marketing and advertising		–762,548	–352,951
Auditors and pension actuary		–254,449	–267,276
Supervisory authority	7.7	–120,294	216,757
Profit before reversal / formation of value fluctuation reserve		204,836,402	60,454,871
Formation (–)/ reversal (+) of value fluctuation reserve		–204,836,402	–60,454,871
Income surplus (+)/ expenses surplus (–)		0	0

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)	November 15, 2017
Funding method	Defined contribution plan
Registration	BVS reference number ZH 1446
Security fund	yes

Valid regulations as at 12/31/2017	Date of resolution	Entry into force	Version
Rules of organization	June 12, 2017	July 1, 2017	1/2017
Regulations on elections	June 2, 2016	January 1, 2017	1/2017
Pension regulations	November 8, 2016	January 1, 2017	1/2017
Investment regulations	June 12, 2017	July 1, 2017	1/2017
Regulations on the formation of provisions	June 12, 2017	December 31, 2016	1/2016
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 dependents 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) of June 25, 1982, and its implementing ordinances.

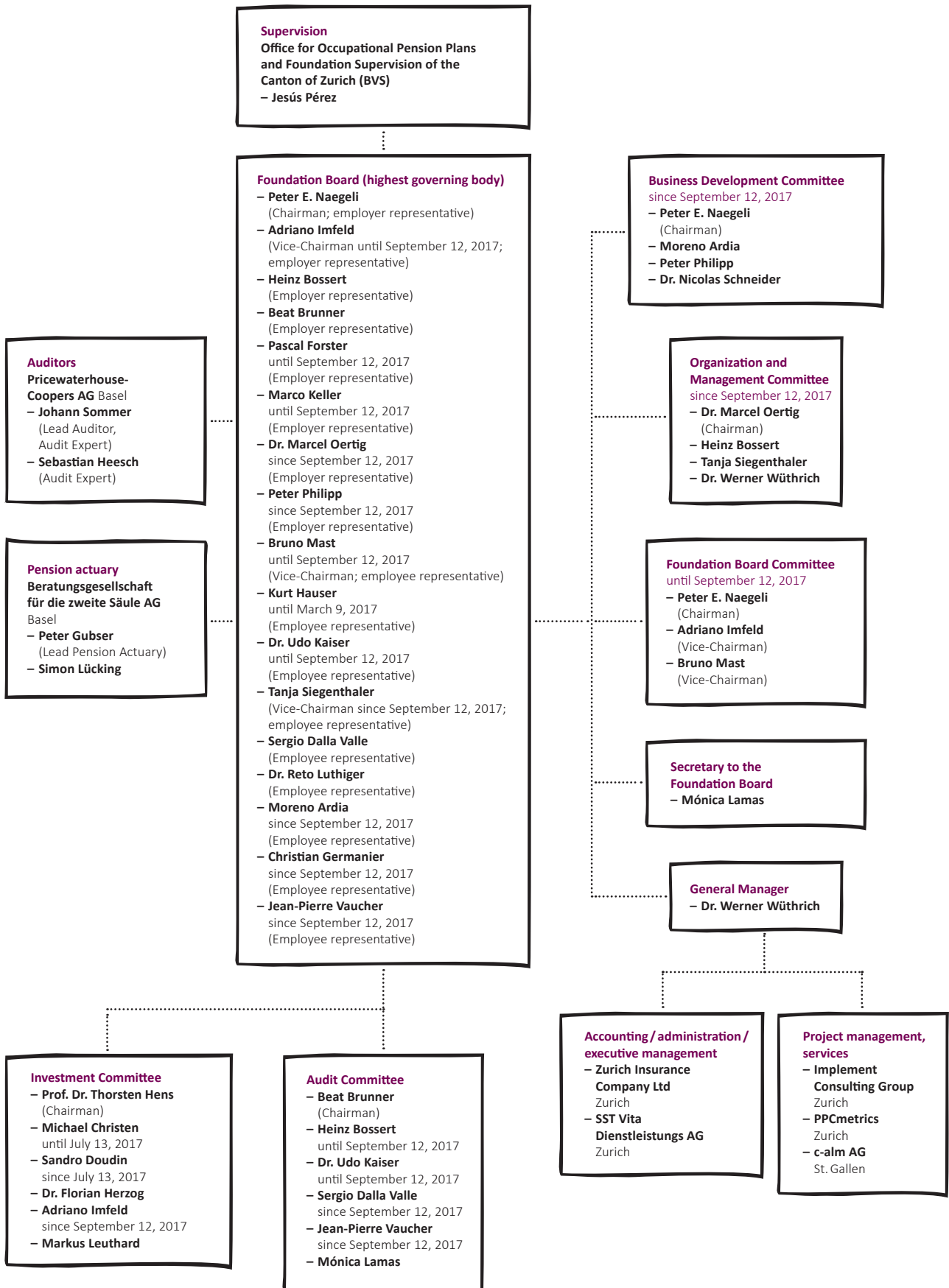
The Foundation can also provide occupational benefits coverage that exceeds the statutory minimum benefits, including assistance to alleviate the hardship caused by illness, accident, disability or unemployment.

1.2 Affiliated employers

	2017	2016
As at 01/01	20,554	19,725
Additions	2,869	6,642
Departures	-2,287	-5,813
As at 12/31	21,136	20,554



1.3 Highest governing and executive bodies, management and signatory powers



1.3.1 Foundation Board (highest governing body)

The elections for the new Foundation Board took place in the second quarter of 2017. The new Foundation Board constituted itself at the meeting of September 12, 2017.

1.3.2 Foundation Board Committees

The amended rules of organization entered into force on July 1, 2017. Art. 3 of the rules makes provision for the following standing committees:

- a) Organization and Management Committee
- b) Audit Committee
- c) Business Development Committee
- d) Investment Committee

The previous Foundation Board Committee was dissolved on September 12, 2017. The tasks of the Foundation Board Committee are now being handled by the Business Development Committee and the Organization and Management Committee.

1.3.3 Signatory powers

The Organization and Management Committee (until June 30, 2017: the Foundation Board Committee) appoints the persons who are authorized to sign on behalf of the Foundation. The members of the Foundation Board and the other authorized signatories are authorized to sign jointly with a minimum of two signatures.

2 Active insured and pensioners

2.1 As at 12/31

	12/31/2017	12/31/2016
Total number of active members	123,950	121,373
Active insured	119,477	116,904
Occupationally disabled insured	4,473	4,469
Total number of pensioners¹⁾	11,944	11,497
Retirement pensions	8,091	7,474
Retired person's child's pensions	152	136
Spouse's pensions	997	891
Orphan's pensions	363	331
Disability pensions	1,989	2,256
Disabled person's child's pensions	352	409

1) Including new pensioners from 01/01/2016 who are recognized in the Foundation's balance sheet.
As at 12/31/2017: 1,657 retirement pensions, 74 child's pensions, 1 spouse's pension.

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
Departures/exits	-103	-29	0	-53	-300	-69
As at 12/31/2016	7,474	136	891	331	2,256	409

As at 01/01/2017	7,474	136	891	331	2,256	409
New pensions	787	54	93	24	158	52
Assumed	42	0	51	96	94	1
Deaths	-134	0	-19	0	-24	-6
Departures/exits	-78	-38	-19	-88	-495	-104
As at 12/31/2017	8,091	152	997	363	1,989	352

Active insured	2017	2016
As at 01/01	116,904	111,694
Entries	20,527	39,980
Retirements	-1,251	-1,253
Exits	-16,703	-33,517
As at 12/31	119,477	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.

Alternative investments for which no market value is available are recognized at net asset value. All other assets are recognized at nominal value less any impairment.

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.

4.3 Changes to valuation, bookkeeping and accounting principles

The valuation, bookkeeping and accounting principles did not change in any way.

5 Actuarial risk / risk coverage / coverage ratio

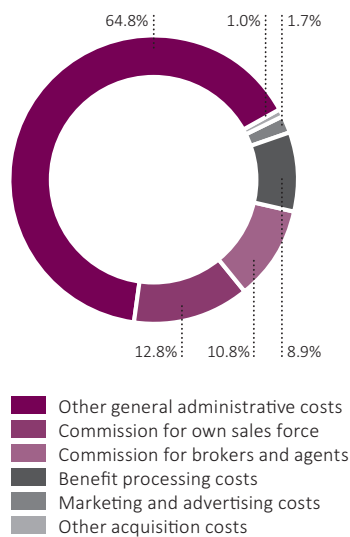
5.1 Type of risk coverage / reinsurance

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 contributions is given in section 7.5. The administrative costs 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 contribution is levied on all the pension schemes affiliated with the Foundation. Zurich Life Insurance Company Ltd posts 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 2017 – occupational pensions, available 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:

- Liabilities for retirement, spouse's and retired person's child's pensions that are recognized in the Foundation's balance sheet from January 1, 2016 (see 5.4.)
- Pensioner obligations, 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	12/31/2017	12/31/2016
Actuarial reserve for pensioners	2,218,414,746	2,277,602,856
Retirement pensions	1,552,004,689	1,622,074,503
Retired person's child's pensions	1,544,767	2,145,987
Spouse's pensions	193,676,484	174,792,296
Orphan's pensions	6,302,495	5,266,211
Disability pensions	215,877,240	230,175,948
Disabled person's child's pensions	4,502,517	5,527,145
Premium waivers	244,506,554	237,620,768

5.3 Changes to and interest on savings capital

in CHF	2017	2016
Interest on mandatory savings capital	1.00%	1.25%
Interest on super-mandatory savings capital	1.50%–2.50%	2.00%–3.00%
Savings capital as at 01 / 01	9,673,891,160	8,904,134,060
Formation (–)/ reversal (+) of pension capital of active insured	376,398,436	497,779,164
Savings contributions	740,139,722	697,355,020
IV savings contributions	25,575,025	25,223,153
Single contributions and purchase amounts	137,912,919	127,798,103
of which purchases of pension capital of pensioners	–1,898,200	0
Single contributions (takeover of portfolios)	105,477,156	288,134,774
Vested benefits	1,075,871,062	1,003,492,001
Vested benefits paid to departing insured	–1,240,372,449	–1,181,575,803
of which difference pursuant to FZG Art. 17 ¹⁾	134,748	8,249
Advance withdrawals for home ownership promotion / divorce	–46,998,230	–49,942,787
Incoming advance withdrawals for home ownership promotion / divorce	20,155,560	14,272,000
Lump-sum payments on retirement	–163,397,682	–135,068,948
Single contributions to insurance companies	–22,240,315	–18,691,920
of which pension purchase difference ¹⁾	–108,239	–1,544,151
Transfer to pension capital of pensioners	–253,852,642	–271,680,527
Interest on savings capital²⁾	205,137,049	271,977,936
Savings capital as at 12 / 31	10,255,426,646	9,673,891,160
of which BVG retirement assets	5,859,380,263	5,565,823,216

1) Expenses and income charged to profit and loss that are not 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	2017	2016
Pension capital of pensioners as at 01 / 01	363,501,517	0
Formation (+)/ reversal (–) of pension capital of pensioners	345,523,907	363,501,517
Pension payments	–28,030,400	–11,645,774
Transfer to pension capital of pensioners	253,852,642	271,680,527
Pension purchases	1,898,200	30,627,490
Adjustment to pension actuary's calculation	117,803,465	72,839,273
Pension capital of pensioners as at 12 / 31	709,025,424	363,501,517

Since January 1, 2016, retirement pensions and the related survivors' pensions and retired person's child's 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 709.0 million. The pension capital is calculated on the basis of the BVG 2015 Generation Tables and a technical interest rate of 2.0%.

5.5 Changes to and interest on pension schemes' uncommitted funds

in CHF	2017	2016
Interest on uncommitted funds	0.50 %	1.00 %
Uncommitted funds (pension accounts) as at 01 / 01	71,520,523	76,885,830
Capital contributions to uncommitted funds (pension accounts)		
from contracts taken over	5,126,061	1,176,656
from contributions	6,151,237	1,676,825
Withdrawals from uncommitted funds (pension accounts)		
from contract terminations	-4,626,004	-2,304,223
for capital contributions to savings capital	-7,506,472	-6,540,590
Reconciliation	544	-91,319
Interest on uncommitted funds (pension accounts)	715,938	717,344
Uncommitted funds (pension accounts) as at 12 / 31	71,381,827	71,520,523

5.6 Composition, changes to and notes on technical reserves

in CHF	2017	2016
Technical reserves as at 01 / 01	555,936,737	561,720,657
Formation (+) / reversal (-) of technical reserves	245,676,793	-5,783,920
Contributions to provision for retirement losses	133,671,449	77,012,916
Contributions / withdrawals from interest reserves	112,005,344	-82,796,836
Technical provisions as at 12 / 31	801,613,530	555,936,737
of which provision for retirement losses	432,454,126	298,782,677
of which interest reserves	369,159,404	257,154,060

The basis used for the calculation of the required technical provisions was audited by the pension actuary and documented in the 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 suffers 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.

- To calculate the share of lump-sum withdrawals, the management's assumption based on statistics is applied that 40% of retirement benefits are drawn as 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.

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. The additional interest is calculated for the mandatory and super-mandatory pension capital. Since January 1, 2017, the total additional interest has been credited to the super-mandatory pension capital.

	2017	2016	2015	2014
Withdrawals from (-)/ contributions to (+) interest reserve				
For 2014	-74,033,284	-74,033,284	-74,033,284	370,166,422
For 2015	-8,763,552	-8,763,552	43,817,758	
For 2016	0	0		
For 2017	194,802,180			
Withdrawals (-)/ contributions (+)	112,005,344	-82,796,836	-30,215,526	370,166,422
Balance of interest reserve	369,159,404	257,154,060	339,950,896	370,166,422

5.7 Actuarial report of April 25, 2018

In his report, the pension actuary determines that:

A Financial security

The applied biometric tables are appropriate, the technical interest rate of 2.0% equals the current reference technical reference rate and is less than the expected return of 2.78% 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 provisions have been accrued in full and cover all the benefits promised by the Foundation.

The coverage ratio is 105.7%. As the value fluctuation reserve has not been accrued in full, the financial risk capacity is limited. The interest reserve model is being adjusted to the new economic conditions. To supplement this reserve, a stability reserve is being introduced to improve the Foundation's stability.

Based on the assessment of the Foundation's financial position on December 31, 2017, 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 4.3% (previous year 4.4%) 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.

Compliance with the principle of suitability and the insurance principle for new pension plans dating from 2017 is investigated under a separate report. The pension actuary confirmed the Foundation's compliance with the other principles of the occupational pension insurance on January 15, 2018.

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 2017 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 2.43%, the target return is less than the expected return of 2.78% 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 105.7% on December 31, 2017, and the Foundation is able to fulfill all its obligations as of December 31, 2017;
- the regulatory actuarial provisions on benefits and financing correspond to the statutory provisions;
- the applied technical interest rate equals the reference interest rate.

F Outlook

In tandem with the adjustment of the interest reserve model, the regulations on the formation of provisions have been revised, effective from January 1, 2018.

G Recommendation

Following the reduction of the technical interest rate, the technically correct conversion rates also dropped. An eye should be kept on the current conversion rates in order to take account of the continued rise in life expectancy.

5.8 Actuarial tables and other actuarial assumptions

Actuarial tables	BVG 2015 Generation Tables
Technical interest rate	2.00 %

The Foundation's regulations on the formation of provisions of December 31, 2016, 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 para. 2 of the Ordinance on Occupational Retirement, Survivors' and Disability Pension Plans (BVV 2)

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

in CHF	12/31/2017	12/31/2016
Accrued pension assets	12,437,730,924	11,060,158,337
Gross assets (total assets)	13,290,111,624	11,828,847,529
Liabilities	-642,682,389	-198,380,680
Accrued expenses and deferred income	-1,449,242	-364,916,877
Employers' contribution reserves	-136,867,241	-133,871,113
Uncommitted funds of pension schemes	-71,381,827	-71,520,523
Actuarial pension capital	11,766,065,599	10,593,329,414
Coverage ratio pursuant to Art. 44 para. 2 BVV 2	105.7%	104.4%

5.10 Profit shares from insurance company

In the past financial year, Vita Joint Foundation received profit shares of CHF 11.4 million (previous year CHF 18.6 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. The Foundation Board has decided: 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 credited as income to the operating account.

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 defined the asset management organization and the powers of the units to whom asset management has been delegated in 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 Ltd Schroder Adveq Management Ltd Rye Harbour CLO, Ltd
Mortgages	Zurich IMRE AG, Zurich
Currency hedging	Cardano, Rotterdam (NL)
Investment advisory service	Zurich Invest Ltd, Zurich SIGLO Capital Advisors AG, Zurich PPCmetrics AG, Zurich c-alm AG, St. Gallen
Investment controlling	Complementa AG, St. Gallen
Custodian banks / global custodian	UBS Inc., 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.

Financial Market Infrastructure Act (FMIA)

The FMIA makes a distinction between small and large financial counterparties. The threshold for a small financial counterparty is CHF 8 billion.

As a pension institution, Vita Joint Foundation qualifies as a financial counterparty. It falls well below the above threshold and is thus classified as a small financial counterparty.

The focus of the FMIA falls on the following duties: the duty to mitigate risks, the duty to provide accounts, and the duty to trade on platforms. Since January 1, 2018, a reporting duty has also applied. Vita Joint Foundation has delegated these tasks to Cardano Risk Management B. V. The delegation and related tasks are set out in the asset management agreement between Vita Joint Foundation and Cardano Risk Management B. V.

6.2 Expanded investment options pursuant to Art. 50 para. 4 BVV 2

Use of expanded options (Art. 50 para. 4 BVV 2) with proof of security and risk diversification (Art. 50 paras. 1 to 3 BVV 2).

According to Art. 50 para. 4 BVV 2, 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 BVV 2 is provided in the notes to the annual financial statements.

At its meeting of June 12, 2017, the Foundation Board approved the revised investment regulations (version 1/2017) with the new investment strategy, which entered into force on July 1, 2017. The Foundation's investment strategy makes provision for a 23% component of alternative investments (limit pursuant to BVV 2: 15%). As at the reference date of December 31, 2017, the alternative investments accounted for 19.3% (previous year: 19.6%) of the total investments.

Regarding the alternative investments, the Foundation Board is making use of the expanded investment options pursuant to section 2.5 of the investment regulations. Based on the asset liability management study of the consulting company c-alm of March 9, 2017, 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 Foundation's purpose to provide occupational pension coverage.

6.3 Target and calculation of value fluctuation reserve

	12/31/2017	12/31/2016
Value fluctuation reserve – target	705,963,936	635,599,765
Target as % of pension obligations	6.0%	6.0%
Value fluctuation reserve – current	671,615,325	466,778,923
Value fluctuation reserve as at 01/01	466,778,923	406,324,052
Formation (+)/reversal (-) of value fluctuation reserve	204,836,402	60,454,871

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

	12/31/2017	12/31/2017	Strategy	Bandwidth		BVV 2 limit
	in CHF	in %		Minimum	Maximum	
Cash and cash equivalents	281,273,671	2.15 %	1.00 %			
Current accounts with banks, post office	281,273,671	2.15 %	1.00 %	0.00 %	5.00 %	
Collective investments – bonds	4,409,172,618	33.71 %	34.50 %			50 %
Swiss bonds	695,894,035	5.32 %	8.50 %	4.00 %	13.00 %	
Foreign bonds	3,713,278,583	28.39 %	26.00 %	21.00 %	35.00 %	
Collective investments – equities	3,508,161,084	26.82 %	23.50 %			30 %
Swiss equities	771,932,993	5.90 %	6.00 %	3.00 %	9.00 %	
Foreign equities	2,736,228,090	20.92 %	17.50 %	12.00 %	23.00 %	
Collective investments – real estate	1,506,470,284	11.52 %	10.00 %			30 %
Swiss real estate	1,018,782,400	7.79 %	7.00 %	3.00 %	11.00 %	
Foreign real estate	487,687,885	3.73 %	3.00 %	1.00 %	5.00 %	
Collective investments – alternative	2,518,489,667	19.25 %	23.00 %			15 %
Hedge funds	1,120,278,787	8.56 %	10.00 %	5.00 %	15.00 %	
Collateralized loan obligation	95,598,199	0.73 %	1.00 %	0.00 %	2.00 %	
Private equity	229,504,864	1.75 %	3.00 %	1.00 %	5.00 %	
Insurance-linked strategies	272,448,398	2.08 %	3.00 %	1.00 %	5.00 %	
Infrastructure	224,411,587	1.72 %	2.00 %	0.00 %	4.00 %	
Options	22,769,305	0.17 %				
Senior loans (unhedged)	553,478,527	4.23 %	4.00 %	2.00 %	6.00 %	
Direct investments – mortgages	851,770,361	6.51 %	8.00 %			50 %
Mortgages	851,770,361	6.51 %	8.00 %	4.00 %	12.00 %	
Investments in affiliates	100,000	0.00 %	0.00 %			
Foreign currency hedging	4,447,702	0.04 %	0.00 %			
Total investments	13,079,885,387	100.00 %	100.00 %			
Other assets	210,226,237					
Other current accounts	48,261,873					
Employers' contribution credits	107,960,851					
Other receivables	35,199,765					
Accrued income and deferred expenses	18,803,747					
Total assets	13,290,111,624					
Equities	3,508,161,084	26.82 %				50 %
Unhedged foreign currency	2,174,347,987	16.62 %				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 12/31/2017. The expanded investment options pursuant to Art. 50 BVV 2 para. 4 are used for alternative investments (Art. 55d BVV 2). This is discussed in section 6.2.

Investments in affiliates

In order to provide services in the occupational pension business, Vita Joint Foundation owns a stake in SST Vita Dienstleistungs 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)	5.7 million
Schroder Adveq Real Assets Harvested Resources L. P. (Schroder Adveq Management Ltd)	8.3 million
Private Equity I (Zurich Investment Fund)	102.8 million
Private Equity II (Zurich Investment Fund)	58.4 million
Private Equity III (Zurich Investment Fund)	296.3 million
Infrastructure I (Zurich Investment Fund)	20.8 million
Infrastructure II (Zurich Investment Fund)	112.2 million
ILS Life (Zurich Investment Fund)	116.8 million

6.6 Open derivative contracts

Derivative contracts were in use on the reporting date in accordance with the provisions of Art. 56A BVV 2.

6.6.1 Foreign currency hedging

With reference to the Foundation Board's rules on foreign currency hedging, the following currency hedges were outstanding on December 31, 2017:

12/31/2017	CHF	EUR	USD	GBP	YEN	SEK
Amount in foreign currency		813,400,000	1,657,500,000	148,200,000	23,760,000,000	400,000,000
Equivalent in CHF	3,013,383,501	941,673,002	1,623,424,793	193,474,050	207,528,975	47,282,681
Exchange rate on 12/31		1.169555	0.971215	1.315724	0.008639	0.118964
Market value in CHF	3,008,935,799	951,315,968	1,609,788,548	194,990,341	205,255,213	47,585,729
Unrealized gains in CHF	4,447,702	-9,642,966	13,636,245	-1,516,291	2,273,762	-303,048

To minimize the counterparty risk for foreign currency hedges, the difference to the relevant market value is secured. The security amounted to CHF -7,654,191.50 on December 31, 2017.

6.6.2 Open derivative contracts

6.6.2.1 Market value

	in CHF
Derivatives on Swiss equities	4,781,554
Derivatives on foreign equities	17,987,751
Total	22,769,305

6.6.2.2 Obligation to provide cover – commitment-reducing derivatives

Commitment-reducing derivatives are covered by their corresponding underlyings. Vita Joint Foundation used the following indices with the relevant weighting to cover the underlyings. This well-diversified allocation mostly maps the portfolio of Vita Joint Foundation. The underlyings are available.

Index	Weighting
S&P 500	33 %
Euro Stoxx Index 50	11 %
FTSE 100	5 %
Topix	9 %
MSCI EM	21 %
Swiss Market Index	21 %

6.6.2.3 Counting of derivatives to check maximum limits

These put options are asymmetric derivatives that are not credited to the underlyings.

6.6.2.4 Counterparty risk of derivatives

All of the twelve open derivative contracts are OTC transactions with a total replacement value of CHF 22,769,305.

6.6.2.5 Use of derivatives during the financial year

Derivatives were used in the Swiss equities and foreign equities asset classes throughout the year.

All derivatives were covered at all times and never led to a commitment that exceeded the maximum limit pursuant to Art. 54 BVV 2. All the transactions were OTC derivatives, and transactions were only executed with the following counterparties:

Counterparties	in CHF
HSBC Bank PLC	11,759,815
Goldman Sachs International	5,678,010
Merrill Lynch International	5,325,395
UBS Inc.	6,085
Total	22,769,305

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 of net investment result

in CHF	2017	2016
Interest	-1,789,794	-848,137
Interest on bank accounts	-304,897	-360,132
Interest on uncommitted funds of pension schemes	-715,938	-717,344
Interest on customer balances	5,783,852	7,201,035
Interest on contracts taken over	7,709	35,907
Interest on arrears and other interest due	-5,294,460	-5,828,426
Interest on employers' contribution reserves	-1,266,059	-1,179,177
Collective investments – bonds	122,134,774	113,594,572
Swiss bonds	739,502	2,914,531
Foreign bonds	121,395,272	110,680,041
Collective investments – equities	647,123,580	158,195,528
Swiss equities	142,131,586	1,777,632
Foreign equities	504,991,994	156,417,896
Collective investments – real estate	109,016,413	76,659,961
Swiss real estate	105,380,144	73,672,947
Foreign real estate	3,636,270	2,987,015
Collective investments – alternative investments	64,605,583	104,570,707
Hedge funds	71,738,847	12,602,754
Private equity	38,704,791	24,142,254
Senior loans (unhedged)	9,935,143	41,062,473
Collateralized loan obligations	9,692,006	606,449
Infrastructure	15,710,465	13,512,582
Insurance-linked strategies	-22,627,476	12,644,195
Options	-58,548,195	0
Direct investments – mortgage certificates	14,766,351	15,572,941
Mortgage interest	14,766,351	15,572,941
Result of currency hedging	-80,395,963	10,637,798
Asset management costs	-103,426,107	-89,564,762
TER and other asset management costs	-100,887,682	-87,587,559
Management of mortgages	-2,538,426	-1,977,203
Net investment result	772,034,837	388,818,607
Gross performance (TTWR)	6.76 %	3.75 %



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 Ltd).

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

Asset management costs pursuant to Art. 48a BVV 2

Investments	12/31/2017	12/31/2016
Total investments	13,271,307,876	11,773,210,332
of which: cost-transparent investments	13,271,307,876	11,773,210,332
Cost-transparent investments in relation to total investments – cost transparency ratio	100.00%	100.00%

Asset management costs	2017	2016
Directly recognized asset management costs	6,896,932	2,938,805
Total for all cost indicators in CHF for collective investments	96,529,176	86,625,957
Asset management costs recognized in operating statement	103,426,107	89,564,762
End balance for invested capital ¹⁾	13,072,231,195	10,930,710,674
as % of cost-transparent investments	0.79%	0.82%

1) In the previous years, the average invested capital was used as the benchmark.

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 64.4% of the reported «Total for all cost indicators for collective investments» refers to alternative investments, 27.0% to bonds and equities, and 8.6% 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 costs for collective investment schemes include 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	12/31/2017	12/31/2016
Interest on arrears on employers' current accounts	5.00%	4.00%
Employers' current accounts	107,960,851	98,462,322
Employers' current accounts	113,536,607	104,286,593
Allowance for bad debts	-5,575,756	-5,824,271

in CHF	2017	2016
Interest on employers' contribution reserves	0.50%	1.00%
Employers' contribution reserves as at 01/01	133,871,113	128,777,274
Capital contributions to employers' contribution reserves		
from contracts taken over	697,193	400,281
by employers	23,094,947	30,836,465
Withdrawals from employers' contribution reserves		
from contract terminations	-1,686,825	-6,969,365
by employers	-20,376,557	-20,339,095
Reconciliation	1,312	-13,625
Interest on employers' contribution reserves	1,266,059	1,179,177
Employers' contribution reserves as at 12/31	136,867,241	133,871,113

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 the balance sheet and operating statement

In the previous years, the items «Accrued income and deferred expenses» and «Accrued expenses and deferred income» also contained receivables and payables which, after a review, were not classified as classic transitory items.

In these annual financial statements, these items are recognized in the balance sheet as «Other receivables» or «Liabilities».

7.1 Other receivables

in CHF	12/31/2017	12/31/2016
Other receivables	83,461,639	7,183,170
Third-party current accounts	48,261,873	0
Receivables from security fund	10,368,332	6,818,704
Foreign currency hedging	0	n. a.
Mortgage receivables	357,943	364,051
Prepaid benefits to insured ¹⁾	24,471,975	n. a.
Withholding tax credits	1,516	415

1) In the 2016 financial statements, these items were recognized in full or in part as «Accrued income and deferred expenses».

7.2 Accrued income and deferred expenses

in CHF	12/31/2017	12/31/2016
Accrued income and deferred expenses	18,803,747	55,637,197
Management fee discount for collective investments	7,510,945	6,718,503
Accrued interest on mortgages	691,135	1,057,621
Pending benefits from insurance company	8,652,845	7,409,102
Prepaid benefits to insured ¹⁾	n. a.	30,251,852
Foreign currency hedging	0	9,920,000
Other accruals	1,948,823	280,119

1) In these financial statements, these items are recognized as «Other receivables».

7.3 Liabilities

in CHF	12 / 31 / 2017	12 / 31 / 2016
Vested benefits	210,639,375	173,510,548
Other liabilities	432,043,014	24,870,132
Current account overdrafts	26,740	18,208,388
Incoming payments not yet processed ¹⁾	256,328,066	5,947,614
Advance payments and pending benefits ¹⁾	166,885,726	n. a.
Foreign currency hedging	7,654,192	0
Other liabilities	1,148,291	714,130

1) In the 2016 financial statements, these items were recognized in full or in part as «Accrued expenses and deferred income».

7.4 Accrued expenses and deferred income

in CHF	12 / 31 / 2017	12 / 31 / 2016
Accrued expenses and deferred income	1,449,242	364,916,877
Advance payments and pending benefits ¹⁾	n. a.	328,219,493
Incoming payments not yet processed ¹⁾	n. a.	24,898,885
Other accruals	1,449,242	11,798,499

1) In these financial statements, these items are recognized as «Liabilities».

7.5 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:

	2017		2016	
	in CHF		in CHF	
Savings contributions	740,139,722		697,355,020	
Savings contributions by employees	339,488,121	46 %	320,551,782	46 %
Savings contributions by employers	400,651,602	54 %	376,803,238	54 %
Risk and other contributions	218,635,799		222,781,678	
Risk and other contributions by employees	98,637,888	45 %	100,991,866	45 %
Risk and other contributions by employers	119,997,911	55 %	121,789,813	55 %
Total contributions	958,775,521		920,136,698	
Total contributions by employees	438,126,009	46 %	421,543,648	46 %
Total contributions by employers	520,649,512	54 %	498,593,050	54 %

7.6 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	2017	2016
Risk premiums due to insurance company	-147,593,924	-148,224,896
Cost premiums due to insurance company	-70,086,158	-70,632,080
Subtotal premiums due to insurance company	-217,680,082	-218,856,977
./ Profit shares from insurance company	11,442,702	18,557,312
Security fund contributions	-4,815,404	-3,853,245
Administrative costs	-8,579,770	-9,433,185
Total premiums and administrative costs	-219,632,555	-213,586,095
Risk and administrative cost	219,850,130	223,060,925
Risk contributions	145,541,582	147,583,127
Cost contributions	70,086,158	70,632,080
Other income (+)/expenses (-)	1,214,331	279,247
Security fund contributions	3,008,059	4,566,471
Funding surplus	217,575	9,474,830

7.7 Administrative expenses / supervisory authority

in CHF	2017	2016
Supervisory authority	-120,294	216,757
Reversal of deferral	62,200	318,754
Costs paid for supervisory authority	-137,494	-39,797
Deferral	-45,000	-62,200

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 the supervisory authority

Decision of February 6, 2018, of the Office for Occupational Pension Plans and Foundation Supervision of the Canton of Zurich (BVS) regarding its audit of the 2016 report: The letter from the supervisory authority contained a comment regarding the approximate allocation of employer and employee contributions in the operating statement. The BVS has noted that the allocations will be presented correctly in the financial statements as of 2020 at the latest.

9 Additional information on the 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 administration committee of the relevant pension fund must pass a declaratory resolution to trigger the partial liquidation process.

In the 2017 financial year, the affiliated employers informed the Foundation of one decision that will lead to the partial liquidation of an affiliated pension fund. The partial liquidation procedure had not yet been finalized by December 31, 2017.

10 Events after the reporting date

No events after the reporting date have come to light that could have a material impact on the assessment of the 2017 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 financial statements of Sammelstiftung Vita, which comprise the balance sheet, operating accounts and notes (on pages 9 to 39 of the annual report), for the year ended December 31, 2017.

Foundation Board's responsibility

The Foundation Board is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and with the foundation's deed of formation and the regulations. This responsibility includes designing, implementing and maintaining 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 2017 comply with Swiss law and with the foundation's deed of formation and the regulations.

Report on additional legal and other requirements

We confirm that we meet the legal requirements on licensing (article 52b OPA) and independence (article 34 OPO 2) and that there are no circumstances incompatible with our independence.

Furthermore, we have carried out the audits required by article 52c paragraph 1 OPA and article 35 OPO 2. The Foundation Board is responsible for ensuring that the legal requirements are met and that the statutory and regulatory provisions on 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 is appropriate to the size and complexity of the foundation;
- funds are invested in accordance with legal and regulatory requirements;
- the occupational pension accounts comply with legal requirements;
- measures have been taken to ensure loyalty in fund management and whether the Governing Body has ensured to a sufficient degree that fund managers fulfil their duties of loyalty and disclosure of interests;

- the available funds or discretionary dividends from insurance contracts have been used in compliance with the legal and regulatory provisions;
- the legally required information and reports have been given to the supervisory authority;
- the pension fund's interests are safeguarded in disclosed transactions with related entities.

We confirm that the applicable legal and statutory and regulatory requirements have been met.

We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Johann Sommer
Audit expert
Auditor in charge

Sebastian Heesch
Audit expert

Basel, June 8, 2018

Vita Joint Foundation

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