

Annual report 2018

Vita Joint Foundation

Vita Joint Foundation

Key figures for 2017 2018

Pensioners¹

1,732
2,912

Active members

123,950
129,470

Return on asset investments

6.76%
-3.08%

Affiliated employers

21,136
21,828

Assets in CHF million

13,290
14,021

Maximum interest earned on
mandatory savings capital

2.00% **2.40%**

Maximum interest earned on
super-mandatory savings capital

2.50% **3.15%**

1) Pensioners on own balance sheet

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A dynamic business year

Interview with members of the governing body

Interview with Peter E. Naegeli, Chairman of the Foundation Board, Prof. Dr. Thorsten Hens, Chairman of the Investment Committee, and Dr. Werner Wüthrich, General Manager of Vita Joint Foundation.

Dr. Wüthrich, what developments took place in the 2018 financial year?

Vita Joint Foundation held its own in the Swiss market. Compared to the previous year, the number of insured increased by 4.5% to 129,470 and the number of affiliated companies rose by 692 to 21,828. At CHF 14 billion, total assets reached a new high this year. We are one of the biggest semi-autonomous collective and joint institutions, and actually one of the biggest pension institutions in Switzerland.

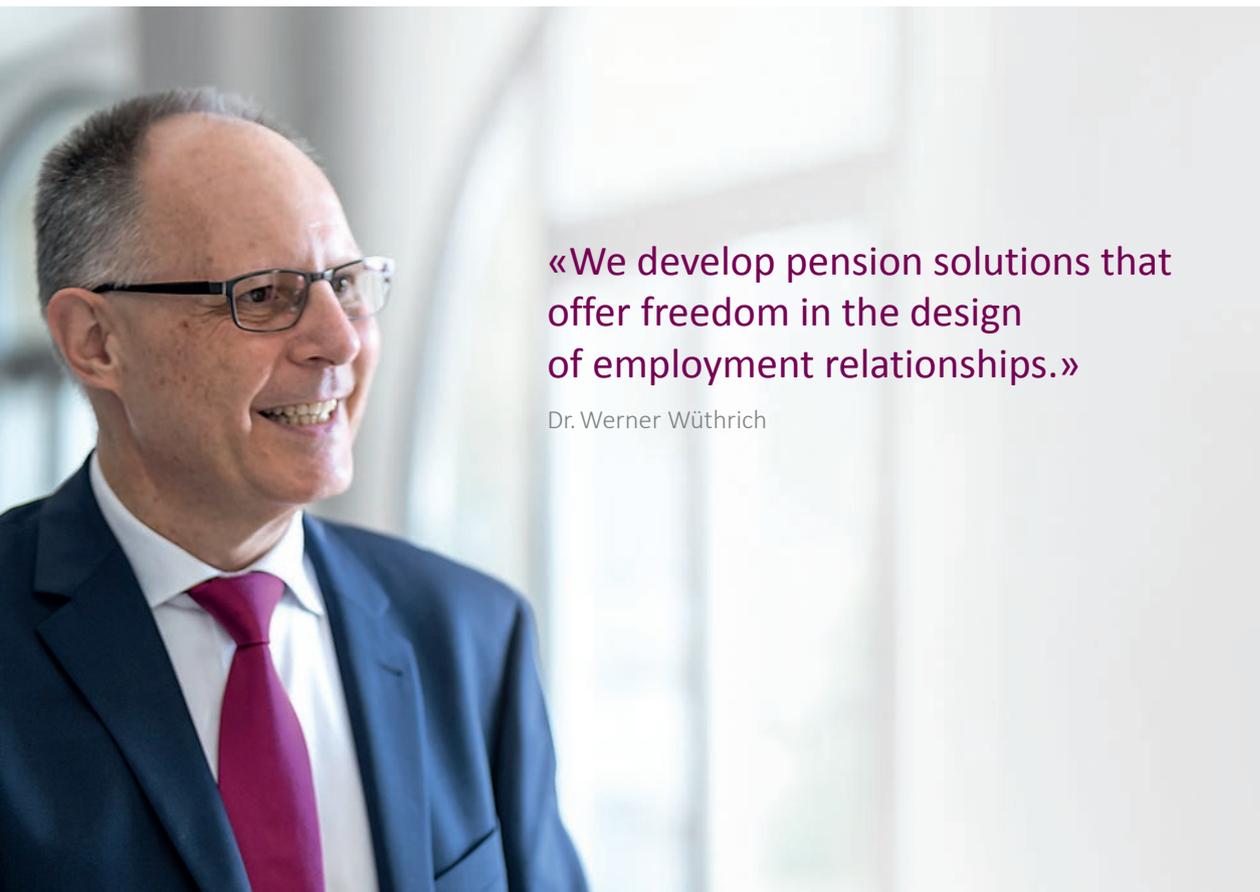
And does Vita Joint Foundation wish to continue growing?

Yes, we do, but not at all costs. As the average age of our insured is only 42 years, we are currently a pension fund with a quite young age structure, but our beneficiaries are also growing

older all the time. When accepting affiliation contracts, we therefore make sure that we can maintain sustainable and healthy growth. This means focusing not only on additional cash flow, but also on costs and the structure of insured persons. This is the only way to safeguard our risk capacity and stability and protect the assets of our current insured against dilution.

What are the benefits for companies affiliated with Vita Joint Foundation?

These days, employers are challenged more than ever before to offer their employees optimized pension solutions in all phases of life. Our modular plans make it possible for them to structure the future flexibly, and these plans can also be adjusted individually when needed. Depending on the coverage ratio as at October 31, our long-standing customers also benefit from the interest advantages offered by our Vita Classic pension model. The maximum interest rates for 2019 are 2.40% on mandatory savings capital and 2.65% on super-mandatory savings capital.



«We develop pension solutions that offer freedom in the design of employment relationships.»

Dr. Werner Wüthrich

To get back to the coverage ratio, it is now only 100%: Is Vita Joint Foundation still stable?

Thanks to a solid financial cushion and a cautious hedging strategy, Vita Joint Foundation can easily withstand value fluctuations on the capital markets. In spite of this, however, the past investment year has left its mark on our coverage ratio. But, as a snapshot, the coverage ratio is not the only yardstick for measuring the financial situation of the Foundation. It merely confirms that all liabilities are covered on a specific date. The technical interest rate and ratio of pensioners to working insured are much more meaningful parameters. At present, 2,912 of a total of 13,500 pensioners are carried on our own balance sheet. This is only around 10% when measured against pension capital. We are therefore one of the pension funds in Switzerland with the best ratio of «pensioners to active insured».

Mr. Naegeli, Vita Joint Foundation is healthy, but the Foundation Board nevertheless decided to progressively reduce the conversion rate to 5.8% by 2022. Why?

We are growing ever older and the accrued capital must cover pension payments for a longer time. Capital is still being redistributed from the working insured to the pensioners. This is unfair to the younger generation! The level-premium system does not make provision for this, or for retirement losses. This redistribution of assets will become more pronounced as the baby boomers reach retirement age. In this sense, a reduction of the conversion rate is a blessing for the younger generation – it's all a matter of perspective. As a responsible Foundation, we take a forward-looking approach to these developments and wish to curb the unwelcome redistribution of assets. In this way, we can make sure that the average return of 4% earned on the capital markets over the past ten years is used to accrue retirement assets rather than to cover retirement losses.

What can companies do to maintain pension levels for their employees?

The occupational pension business is an important mainstay of our three-pillar system. Second-pillar assets play a key role in making provision for a carefree retirement. As we keep on getting older, retirement financing is also growing more urgent,

and all of us have to be ready for change. The process of saving for retirement therefore has to be redefined: by paying higher savings contributions, employers and employees can secure retirement pensions and together they can cushion reductions. An early start to the savings process, the promotion of voluntary retirement savings plans and a longer working life can also increase the accrued retirement savings capital and ultimately lead to a higher retirement pension. After all, the longer the journey, the more supplies are needed! We also support our insured in their everyday lives by reviewing their personal situation and laying the groundwork for their financial future, for example when they enter professional life, change jobs, buy residential property or wish to ensure a carefree life after reaching the regular retirement age.

What course has the Foundation Board set for the coming years?

As both society and working models have changed, the pressure to innovate has increased. We will provide suitable solutions and perform our service



«A reduction of the conversion rate is a blessing for the younger generation.»

Peter E. Naegeli

mandate – to secure a sufficient second-pillar retirement pension – without any unfair redistribution of assets that is contrary to the system. But regardless of the framework conditions, the Foundation Board remains responsible for the secure financial management of the pension fund and thus for the carefree financial future of the insured. The Foundation Board therefore takes governance, transparency and risk management very seriously. It's our ambition to serve as an example to our peers and to be the best in our industry.

Mr. Naegeli, the digital transformation is in full swing. It brings enormous opportunities – how does Vita Joint Foundation exploit these?

We will migrate the last affiliation contracts to the new management system, developed in cooperation with our partner Zurich, in 2020. This modern system not only allows us to save costs, but also to improve our efficiency and the quality of our services. Automatic processing by machine reduces errors and allows us to deploy our employees as advisors at points of in-

tense contact. This enables us to pay more individual attention to the concerns and wishes of our insured. Social media increasingly simplifies direct contact between us and our insured. We see this as an opportunity for opening a qualified, digitized and intense dialog with our insured.

Prof. Hens, Vita Joint Foundation posted a negative return of –3.08% for 2018, how did this happen?

We are now looking back on the first year with a negative return since 2011. As a joint foundation, Vita invests from a long-term viewpoint. Over the past ten years it earned an average return of 4.60% per year. In spite of mostly positive real economic data, 2018 saw two corrections. At the beginning of the year, the financial markets corrected owing to growing interest rate concerns. A second correction occurred in October, with price losses of up to 20%. The fourth quarter losses on the equity markets therefore impacted Vita Joint Foundation's total return, which hovered around –3.08% by the end

«We expect to earn a return of 2.5 to 3% again in 2019 and the following years.»

Prof. Dr. Thorsten Hens



of the year. This return is higher than the average of -3.53% earned by the pension funds included in Swisscanto's Pension Fund Monitor.

How did the Investment Committee react to these stock market developments? After all, the required target return could not be reached.

The Investment Committee actively follows events on the capital markets and considers the latest developments in its decisions. As a long-term investor, we are maintaining our investment strategy. We increased our equity holdings in December as well as in January, which allowed us to take advantage of low share prices.

An investment strategy is based on an expected return but also on some degree of risk, i. e. volatility. High market volatility affected us at the end of 2018 in particular and resulted in a negative return. The equity markets especially contracted in December, impacting the overall result. However, we should not lose sight of the long-term nature of the target return, which has to be reached over a period of 10 to 15 years. If we look back on the last five years, we see that Vita Joint Foundation earned a good return of more than 3% . Vita Joint Foundation is therefore still above its target of 2.43% .

And how does Vita Joint Foundation approach the topic of sustainability?

As an active and responsible investor, Vita Joint Foundation also applies sustainability principles to its investments. In addition to financial criteria, the Foundation's portfolio takes account of environmental and social aspects. Voting rights are

actively exercised and published on the vita.ch website. The consistent implementation of the sustainability strategy is bearing its first fruit, as reflected in the pension fund rating issued by the environmental organization WWF. In the latest survey regarding sustainable investments, Vita Joint Foundation ranks in the upper mid-field.

What, specifically, does focusing investments on social aspects mean?

Vita Joint Foundation began working closely with local municipalities and experienced partners to invest in housing for the elderly throughout Switzerland. The total investment volume was CHF 27,415,462 million by the end of 2018. We are one of the first investors in the market to join forces with local municipalities to invest in assisted living facilities for senior citizens that are firmly rooted in the social environment.

Mr. Hens, what is your assessment of the financial markets? Will the investment return be better in 2019?

The equity markets are becoming more volatile as we are now nearing the end of the economic cycle. The prospects for global growth are weakening, and this trend is strengthened by political strife such as the trade war and Brexit. But realasset investments such as equities and real estate are still doing considerably better than nominalasset investments, bonds and loans. Vita Joint Foundation pursues a balanced strategy, reaping the better returns offered by realasset investments while using options to hedge the related risks.

Balance sheet and operating statement

Balance sheet

Assets

in CHF	Notes	12 / 31 / 2018	12 / 31 / 2017
Investments		14,001,861,863	13,271,307,876
Cash and cash equivalents	6.4	520,090,448	281,273,671
Investments with the employer	6.9	144,751,761	107,960,851
Other receivables	7.1	31,225,658	83,461,639
Collective investments – bonds	6.4	4,405,547,052	4,409,172,618
Collective investments – equities	6.4	3,661,689,011	3,508,161,084
Collective investments – real estate	6.4	1,847,416,211	1,506,470,284
Collective investments – alternative investments	6.4	2,505,926,616	2,518,489,667
Direct investments – mortgage certificates	6.4	888,012,263	851,770,361
Investments in affiliates	6.4	100,000	100,000
Foreign currency hedging	6.6	-2,897,156	4,447,702
Accrued income and deferred expenses	7.2	20,013,722	18,803,747
Total assets		14,021,875,585	13,290,111,624

Liabilities

in CHF	Notes	12 / 31 / 2018	12 / 31 / 2017
Liabilities		793,573,134	642,682,389
Vested benefits and pensions	7.3	180,428,125	210,639,375
Other liabilities	7.3	613,145,009	432,043,014
Accrued expenses and deferred income	7.4	2,717,440	1,449,242
Employers' contribution reserves	6.9	141,949,384	136,867,241
Pension capital and technical provisions		13,008,530,369	11,766,065,599
Pension capital of active insured	5.3	11,011,901,313	10,255,426,646
Pension capital of pensioners	5.4	1,281,917,736	709,025,424
Technical provisions	5.6	714,711,320	801,613,530
Value fluctuation reserve	6.3	0	671,615,325
Uncommitted funds of pension schemes	5.5	75,055,257	71,381,827
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		14,021,875,585	13,290,111,624

Operating statement

in CHF	Notes	01/01–12/31/2018	01/01–12/31/2017
Regular and other contributions and purchases		1,651,118,823	1,204,726,545
Savings contributions	7.5	791,617,023	740,139,722
Risk contributions	7.6	137,953,320	144,206,751
Contributions for inflation adjustments	7.6	1,391,235	1,334,831
Contributions to security fund	7.6	4,899,243	3,008,059
Cost contributions	7.6	69,316,305	70,086,158
Single contributions and purchase amounts	5.3	636,256,332	243,390,075
Withdrawal from uncommitted funds of pension schemes	5.5	3,236,130	–854,633
Capital contributions to employers' contribution reserves	6.9	23,686,284	23,792,139
Withdrawal from employers' contribution reserves to finance contributions	6.9	–17,237,048	–20,376,557
Benefits brought into scheme		1,184,653,124	1,096,026,622
Vested benefits	5.3	1,154,959,367	1,075,871,062
Incoming advance withdrawals for home ownership promotion / divorce	5.3	29,693,757	20,155,560
Incoming contributions and benefits brought into scheme		2,835,771,947	2,300,753,167
Regulatory benefits and advance withdrawals		–460,971,543	–383,185,587
Retirement pensions		–161,563,434	–137,436,598
Survivors' pensions		–14,599,935	–12,190,354
Disability pensions		–39,161,372	–38,140,834
Lump-sum payments on retirement	5.3	–208,201,299	–163,397,682
Lump-sum payments on death and disability		–37,445,503	–32,020,118
Departure payments		–1,315,204,430	–1,291,223,367
Vested benefits paid to departing insured	5.3	–1,261,740,799	–1,240,372,449
Transfer of employers' contribution reserves for collective withdrawal		–2,034,628	–1,685,513
Advance withdrawals for home ownership promotion / divorce	5.3	–49,677,337	–46,998,230
Actuarial reserves for disability pensions on contract termination		–1,751,667	–2,167,176
Outgoing benefits and advance withdrawals		–1,776,175,973	–1,674,408,954
Formation (–)/reversal (+) of pension capital, technical provisions and employers' contribution reserves		–1,250,115,507	–1,173,611,621
Formation (–)/reversal (+) of pension capital of active insured	5.3	–494,996,790	–376,398,436
Formation (–)/reversal (+) of pension capital of pensioners	5.4	–572,892,312	–345,523,907
Formation (–)/reversal (+) of technical provisions	5.6	86,902,209	–245,676,793
Formation (–)/reversal (+) of uncommitted funds of pension schemes	5.5	–3,236,130	854,633
Formation (–)/reversal (+) of contribution reserves	6.9	–4,414,607	–1,730,069
Interest on savings capital	5.3	–261,477,877	–205,137,049
Brought forward		–190,519,532	–547,267,408

in CHF	Notes	01/01–12/31/2018	01/01–12/31/2017
Brought forward		–190,519,532	–547,267,408
Income from insurance benefits		234,176,694	231,780,421
Pension benefits		159,428,477	159,737,387
Insurance benefits: lump-sum payments on death and disability		37,445,503	32,020,118
Insurance benefits: premium waiver		29,759,159	26,413,037
Insurance benefits: actuarial reserves for disability pensions		1,751,667	2,167,176
Profit shares from insurance policies	5.10	5,791,889	11,442,702
Insurance costs		–245,589,126	–244,735,801
Premiums due to insurance companies			
Risk premiums	7.6	–142,270,680	–147,593,924
Cost premiums	7.6	–69,316,305	–70,086,158
Single contributions to insurance companies		–28,952,289	–22,240,315
Security fund contributions	7.6	–5,049,852	–4,815,404
Result from insurance activities		–201,931,965	–560,222,789
Net result from investments		–462,950,042	772,034,837
Interest	6.8.1	–966,572	192,204
Interest on uncommitted funds of pension schemes	5.5	–437,300	–715,938
Interest on employers' contribution reserves	6.9	–660,759	–1,266,059
Gain on collective investments – bonds	6.8.1	–94,329,206	122,134,774
Gain on collective investments – equities	6.8.1	–422,052,796	647,123,580
Gain on collective investments – real estate	6.8.1	54,532,796	109,016,413
Gain on collective investments – alternative investments	6.8.1	117,010,304	64,605,583
Gain on direct investments – mortgage certificates	6.8.1	14,105,455	14,766,351
Gain on foreign currency hedging	6.8.1	–38,459,300	–80,395,963
Asset management costs	6.8.1	–91,692,664	–103,426,107
Other income		1,697,647	1,604,124
Income from services rendered		1,381,183	1,355,609
Reversal of bad debt allowance	6.9	316,464	248,515
Administrative costs		–8,430,965	–8,579,770
General administration		–7,486,237	–7,442,479
Marketing and advertising		–537,647	–762,548
Auditors and pension actuary		–266,989	–254,449
Supervisory authority		–140,092	–120,294
Profit before reversal / formation of value fluctuation reserve		–671,615,325	204,836,402
Reversal (+)/formation (–) of value fluctuation reserve		671,615,325	–204,836,402
Expenses surplus (–)/income 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 12/31/2018	Date of resolution	Entry into force	Version
Rules of organization	June 12, 2017	July 1, 2017	1/2017
Regulations on elections	November 14, 2018	November 1, 2018	1/2019
Pension regulations	November 8, 2016	January 1, 2017	1/2017
Investment regulations	March 12, 2018	January 1, 2018	1/2018
Regulations on the formation of provisions	March 13, 2019	December 31, 2018	1/2019
Regulations on partial liquidation	September 11, 2014	September 11, 2014	1/2014
Pension regulations, association	November 19, 2015	January 1, 2016	1/2016
Regulations on partial liquidation, association	September 8, 2015	September 8, 2015	1/2015
Rules of organization and regulations on elections, association	September 8, 2015	January 1, 2016	1/2016

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

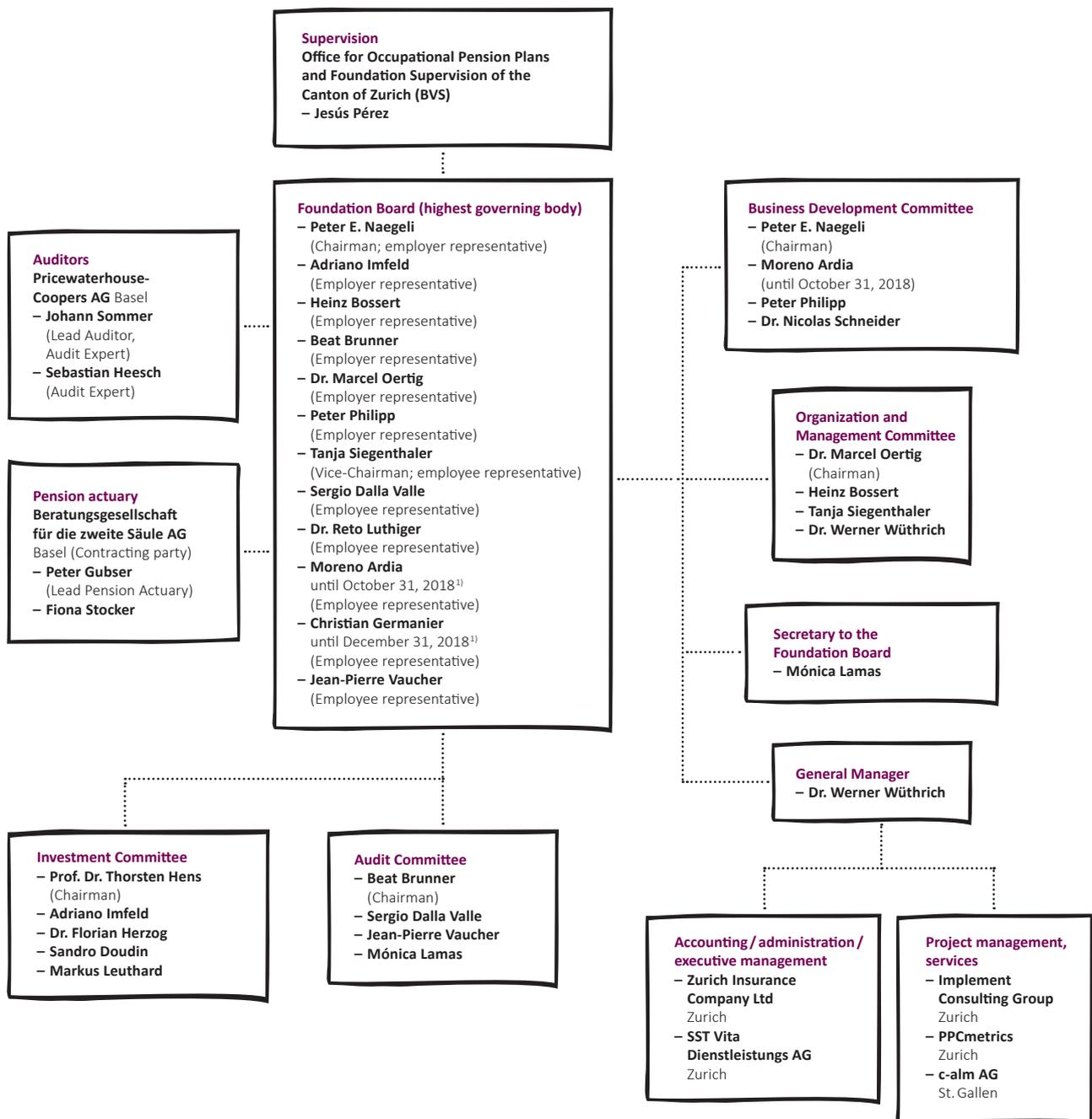
on Occupational Retirement, Survivors' and Disability Pension Plans (BVG) of June 25, 1982, and its implementing ordinances. The Foundation can also provide occupational benefits coverage that exceeds the statutory minimum benefits, including assistance to alleviate the hardship caused by illness, accident, disability or unemployment.

1.2 Affiliated employers

	2018	2017
As at 01/01	21,136	20,554
Additions	2,985	2,869
Departures	-2,293	-2,287
As at 12/31	21,828	21,136



1.3 Highest governing and executive bodies, management and signatory powers



1) The two employee seats have been vacant since November 1, 2018, and January 1, 2019, respectively; new elections were held at the beginning of 2019. The following persons were elected as new members of the Foundation Board from June 1, 2019: Petra Arnold Schlüssel and Karin Jans.

1.3.1 Foundation Board Committees

The rules of organization make provision for the following standing committees:

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

1.3.2 Signatory powers

The Organization and Management 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.

1.4 Governance

1.4.1 Risk management, loyalty, transparency and control system

Governance of a joint foundation serves as a statutory and de facto regulatory framework. It must ensure that the Foundation is correctly managed and controlled by clearly allocating tasks, powers, responsibility and control to the legal and governing bodies. The aim is to meet the needs of the diverse stakeholder groups within the multi-level structures of a joint foundation.

Governance, risk management and compliance should contribute equally to securing the consistent management and security of the joint foundation.

1.4.2 Risk management

Just like a company, a joint foundation is exposed to a diversity of risks. Vita Joint Foundation therefore introduced a holistic risk management system in 2017. The relevant risks are identified,

analyzed and assessed. Causes are investigated and measures and controls are identified. A multi-level annual process is applied to monitor the risks. The risk management system is constantly adjusted to change.

1.4.3 Internal control system (ICS)

The ICS is concerned with operational risks and forms part of the risk management system of Vita Joint Foundation. Operating performance can jeopardize the achievement of defined business and process objectives. The material processes are recorded systematically and in detail so that they can be monitored logically with suitable controls.

1.4.4 Loyalty declaration

Vita Joint Foundation is subject to the ASIP charter. As a result, Vita Joint Foundation has adopted governance regulations designed to ensure compliance with the BVG provisions on loyalty and integrity. The members of the governing bodies, the employees of SST Vita DL AG 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. They sign a declaration every year confirming their compliance with the obligations of integrity and loyalty (Art. 51 BVG and Art. 48f to 48l BVV2) as well as the Foundation's regulations regarding pecuniary advantages, interest alliances and own-account transactions.

1.4.5 Exercise of voting rights

Vita Joint Foundation actively exercises its voting rights in larger Swiss and foreign companies to protect the interests of its insured, and publishes its voting record on its website at www.vita.ch.

2 Active insured and pensioners

2.1 As at 12/31

	12/31/2018	12/31/2017
Total number of active members	129,470	123,950
Active insured	124,871	119,477
Occupationally disabled insured	4,599	4,473
Total number of pensioners ¹⁾	13,568	11,944
Retirement pensions	9,035	8,091
Retired person's child's pensions	167	152
Spouse's pensions	1,176	997
Orphan's pensions	396	363
Disability pensions	2,346	1,989
Disabled person's child's pensions	448	352

1) Including new pensioners from 01/01/2016 who are recognized in the Foundation's balance sheet.

As at 12/31/2018: 2,718 retirement pensions, 108 retired person's child's pensions, 3 orphan's pensions, 83 spouse'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 01/01/2017	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

As at 01/01/2018	8,091	152	997	363	1,989	352
New pensions	770	59	131	48	352	110
Assumed	372	12	75	95	47	1
Deaths	-134	-1	-19	-2	-40	-7
Departures/exits	-64	-55	-8	-108	-2	-8
As at 12/31/2018	9,035	167	1,176	396	2,346	448

Active insured	2018	2017
As at 01/01	119,477	116,904
Entries	25,668	20,527
Retirements	-1,314	-1,251
Exits	-18,960	-16,703
As at 12/31	124,871	119,477

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 (Zurich Life) to cover the actuarial risks of death and disability. The Foundation is the policyholder and beneficiary. The Foundation bears the investment risk. Since January 1, 2016, the Foundation also bears the risk of longevity.

The breakdown by savings, risk and cost contributions is given in section 7.5. The administrative costs incurred directly by the Foundation are included in the «Administrative costs» line item in the operating statement.

All other costs incurred by the Foundation are borne by Zurich Life and are covered by the cost premium. To fund this premium, the Foundation levies a cost contribution on all affiliated pension schemes.

The following table prepared by Zurich Life provides a breakdown of the cost premium:

in CHF 1,000	31.12.2018
Breakdown of cost premium	69,316
General administration	54,931
Marketing and advertising	1,123
Brokers and agents	13,262

The costs for brokers and agents also include commission paid to Zurich's own sales force.

Together with the costs incurred directly by the Foundation (see operating statement), the total administrative costs are as follows (rounded):

in CHF 1,000	31.12.2018
Breakdown of administrative costs	77,747
General administration	62,417
Marketing and advertising	1,661
Brokers and agents	13,262
Auditors and pension actuary	267
Supervisory authority	140

The asset management costs are reported in the operating statement and in note 6.8.2.

5.2 Assets and liabilities under insurance agreements

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

- Liabilities for retirement, spouse's, orphan'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	12/31/2018	12/31/2017
Actuarial reserve for pensioners	2,192,189,396	2,218,414,746
Retirement pensions	1,484,809,920	1,552,004,689
Retired person's child's pensions	1,273,179	1,544,767
Spouse's pensions	217,153,979	193,676,484
Orphan's pensions	8,521,583	6,302,495
Disability pensions	254,604,751	215,877,240
Disabled person's child's pensions	8,669,277	4,502,517
Premium waivers	217,156,708	244,506,554

5.3 Changes to and interest on savings capital

in CHF	2018	2017
Interest on mandatory savings capital	1.00%	1.00%
Interest on super-mandatory savings capital	1.75%–3.15%	1.50%–2.50%
Savings capital as at 01 / 01	10,255,426,646	9,673,891,160
Formation (-) / reversal (+) of pension capital of active insured	494,996,790	376,398,436
Savings contributions	791,617,023	740,139,722
IV savings contributions	28,045,624	25,575,025
Single contributions and purchase amounts ¹⁾	126,222,911	136,014,719
Single contributions (takeover of portfolios) ¹⁾	155,778,616	105,477,156
Vested benefits	1,154,959,367	1,075,871,062
Vested benefits paid to departing insured	-1,261,740,799	-1,240,372,449
of which difference pursuant to FZG Art. 17 ²⁾	38,232	134,748
Advance withdrawals for home ownership promotion / divorce	-49,677,337	-46,998,230
Incoming advance withdrawals for home ownership promotion / divorce	29,693,757	20,155,560
Lump-sum payments on retirement	-208,201,299	-163,397,682
Single contributions to insurance companies ³⁾	-28,959,270	-22,348,554
Transfer to pension capital of pensioners	-242,780,036	-253,852,642
Interest on savings capital	261,477,877	205,137,049
Savings capital as at 12 / 31	11,011,901,313	10,255,426,646
of which BVG retirement assets	6,134,446,627	5,859,380,263

1) Together with pension purchases from the pension capital of pensioners, this accounts for CHF 354,254,805 of the item «Single contributions and purchase amounts» in the operating statement.

2) 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».

3) Income charged to profit and loss for pension purchase differences of CHF 6,981 that is not included in the operating statement in the item «Reversal of pension capital for active insured».

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

in CHF	2018	2017
Pension capital of pensioners as at 01 / 01	709,025,424	363,501,517
Formation (+) / reversal (-) of pension capital of pensioners	572,892,312	345,523,907
Pension payments	-55,896,265	-28,030,400
Transfer to pension capital of pensioners	242,780,036	253,852,642
Pension purchases	354,254,805	1,898,200
Adjustment to pension actuary's calculation	31,753,735	117,803,465
Pension capital of pensioners as at 12 / 31	1,281,917,736	709,025,424

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 pensioners recognized in the Foundation's own balance sheet amounts to CHF 1,282 million. The pension capital is calculated on the basis of the BVG 2015 Generation Tables and a technical interest rate of 2.0%. The Foundation Board decided not to increase pensions in 2018.

5.5 Changes to and interest on pension schemes' uncommitted funds

in CHF	2018	2017
Interest on uncommitted funds	0.50 %	0.50 %
Uncommitted funds (pension accounts) as at 01 / 01	71,381,827	71,520,523
Capital contributions to uncommitted funds (pension accounts)		
from contracts taken over	7,761,760	5,126,061
by employer	14,305,076	6,151,237
Withdrawals from uncommitted funds (pension accounts)		
from contract terminations	-7,560,522	-4,626,004
for capital contributions to savings capital ¹⁾	-11,274,499	-7,506,472
Reconciliation	4,314	544
Interest on uncommitted funds (pension accounts)	437,300	715,938
Uncommitted funds (pension accounts) as at 12 / 31	75,055,257	71,381,827

1) Of which CHF 54,945.40 credited as at 1 / 1 / 2019.

5.6 Composition, changes to and notes on technical provisions

in CHF	2018	2017
Technical provisions as at 01 / 01	801,613,530	555,936,737
Formation (+) / reversal (-) of technical provisions	-86,902,209	245,676,793
Contributions to provision for retirement losses	34,855,063	133,671,449
Contributions / withdrawals from interest provisions	-121,757,272	112,005,344
Technical provisions as at 12 / 31	714,711,320	801,613,530
of which provision for retirement losses	467,309,189	432,454,126
of which interest provisions	247,402,132	369,159,404

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 58 (previously 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 statistics-based assumption 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.

	2018	2017	2016	2015	2014
Contributions to (+) / withdrawals from (-) interest reserve					
For 2014	-74,033,284	-74,033,284	-74,033,284	-74,033,284	370,166,422
For 2015	-8,763,552	-8,763,552	-8,763,552	43,817,758	
For 2016	0	0	0		
For 2017	-38,960,436	194,802,180			
For 2018	0				
Contributions (+) / withdrawals (-)	-121,757,272	112,005,344	-82,796,836	-30,215,526	370,166,422
Balance of interest reserve	247,402,132	369,159,404	257,154,060	339,950,896	370,166,422

5.7 Actuarial report of April 18, 2019

In his report, the pension actuary determines that:

A 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 100.0% on December 31, 2018, and the Foundation is able to fulfill all its obligations as of December 31, 2018;
- the regulatory actuarial provisions on benefits and financing correspond to the statutory provisions;
- the applied technical interest rate equals the reference interest rate.

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, valid from December 31, 2018, apply.

Provision for conversion rate adjustments	Retirement losses calculated from age 58
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	12/31/2018	12/31/2017
Accrued pension assets	13,008,580,369	12,437,730,924
Gross assets (total assets)	14,021,875,585	13,290,111,624
Liabilities	-793,573,134	-642,682,389
Accrued expenses and deferred income	-2,717,440	-1,449,242
Employers' contribution reserves	-141,949,384	-136,867,241
Uncommitted funds of pension schemes	-75,055,257	-71,381,827
Actuarial pension capital	13,008,530,369	11,766,065,599
Coverage ratio pursuant to Art. 44 para. 2 BVV 2	100.0%	105.7%

5.10 Profit shares from insurance company

In the past financial year, Vita Joint Foundation received profit shares of CHF 5.8 million (previous year: CHF 11.4 million) from Zurich Life Insurance Company Ltd.

According to Art. 68a para. 1 (a) BVG, profit shares from insurance contracts must 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 may 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 defines 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 Invest AG, Zurich
Foreign currency hedging, derivatives and US Treasuries	Cardano Risk Management B. V., 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 Switzerland 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.

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 March 12, 2018, the Foundation Board approved the revised investment regulations (version 1/2018) with the revised investment strategy, which entered into force on January 1, 2018. The Foundation's investment strategy makes provision for a 21% (previously 23%) component of alternative investments (limit pursuant to BVV 2: 15%). As at the reference date of December 31, 2018, alternative investments accounted for 18.1% (previous year: 19.3%) 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

	12/31/2018	12/31/2017
Value fluctuation reserve – target	780,511,822	705,963,936
Target as % of pension obligations	6.0%	6.0%
Value fluctuation reserve – current	0	671,615,325
Value fluctuation reserve as at 01/01	671,615,325	466,778,923
Reversal (-)/formation (+) of value fluctuation reserve	-671,615,325	204,836,402

Calculation methods

The target for the value fluctuation reserve (in percent) is calculated in accordance with the value at risk concept, based on a 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

	12/31/2018	12/31/2018	Strategy	Bandwidth		BVV 2 limit
	in CHF	in %		Minimum	Maximum	
Cash and cash equivalents	520,090,448	3.76%	1.00%			
Current accounts with banks, post office	520,090,448	3.76%	1.00%	0.00%	5.00%	
Collective investments – bonds	4,405,547,052	31.86%	30.00%			
Swiss bonds	706,756,863	5.11%	5.00%	2.00%	8.00%	
Foreign bonds	3,698,790,189	26.75%	25.00%	15.00%	35.00%	
Collective investments – equities	3,661,689,011	26.49%	28.00%			50%
Swiss equities	775,463,253	5.61%	6.00%	3.00%	9.00%	
Foreign equities	2,886,225,757	20.88%	22.00%	17.00%	27.00%	
Collective investments – real estate	1,847,416,211	13.37%	13.00%			30%
Swiss real estate	1,173,238,864	8.49%	8.00%	4.00%	12.00%	
Foreign real estate	674,177,347	4.88%	5.00%	2.00%	8.00%	
Collective investments – alternative	2,505,926,616	18.12%	21.00%			15%
Hedge funds	810,555,317	5.86%	6.00%	3.00%	9.00%	
Collateralized loan obligations	92,063,872	0.67%	3.00%	0.00%	5.00%	
Private equity	285,083,757	2.06%	3.00%	1.00%	5.00%	
Insurance-linked strategies	260,110,317	1.88%	3.00%	0.00%	5.00%	
Infrastructure	278,781,805	2.02%	2.00%	0.00%	4.00%	
Options	216,467,290	1.56%				
Senior loans (unhedged)	562,864,258	4.07%	4.00%	2.00%	6.00%	
Direct investments – mortgages	888,012,263	6.42%	7.00%			50%
Mortgages	888,012,263	6.42%	7.00%	3.00%	11.00%	
Investments in affiliates	100,000	0.00%	0.00%			
Foreign currency hedging	-2,897,156	-0.02%	0.00%			
Total investments	13,825,884,445	100.00%	100.00%			
Other assets	195,991,140					
Employers' contribution credits	144,751,761					
Other receivables	31,225,658					
Accrued income and deferred expenses	20,013,722					
Total assets	14,021,875,585					
Equities	3,661,689,011	26.48%				50%
Unhedged foreign currency	1,825,016,747	13.20%				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 12/31/2018. 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 100% of SST Vita Dienstleistungs AG (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	2018	2017
CapVis III (Private Equity)	0.6 million	0.7 million
CapVis IV (Private Equity)	1.8 million	5.0 million
CapVis V (Private Equity)	15.7 million	n. a.
Schroder Adveq Real Assets Harvested Resources L. P. (Schroder Adveq Management Ltd)	8.3 million	8.3 million
Private Equity I (Zurich Investment Fund)	88.2 million	102.8 million
Private Equity II (Zurich Investment Fund)	48.0 million	58.4 million
Private Equity III (Zurich Investment Fund)	270.1 million	296.3 million
Infrastructure I (Zurich Investment Fund)	14.1 million	20.8 million
Infrastructure II (Zurich Investment Fund)	60.0 million	112.2 million
ILS Life (Zurich Investment Fund)	107.6 million	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, 2018:

12 / 31 / 2018	CHF	EUR	USD	GBP	YEN	SEK
Amount in foreign currency		1,001,600,000	2,578,500,000	300,300,000	29,880,000,000	344,900,000
Equivalent in CHF	4,329,412,157	1,142,006,843	2,504,646,629	383,703,561	261,531,553	37,523,571
Exchange rate on 12 / 31		1.125896	0.978555	1.251007	0.008955	0.110620
Market value in CHF	4,332,309,312	1,127,697,573	2,523,203,176	375,677,496	267,578,072	38,152,996
Unrealized gains in CHF	-2,897,156	14,309,270	-18,556,547	8,026,065	-6,046,519	-629,425

6.6.1.1 Collateral received / provided

A collateral management process has been introduced owing to new regulatory requirements (EMIR and FMIA). According to this process, the counterparty risk arising from unrealized gains and losses on over-the-counter (OTC) derivative transactions between market players is settled in cash (collateral) every day. Collateral received amounted to CHF 235,079,604 as at December 31, 2018. These funds were invested in accordance with the investment strategy.

6.6.2 Open derivative contracts

Market value	in CHF
Derivatives on Swiss equities	45,458,131
Derivatives on foreign equities	171,009,160
Total	216,467,291

6.6.2.1 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 %

6.6.2.2 Counting of derivatives to check maximum limits

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

6.6.2.3 Counterparty risk of derivatives

All of the 14 open derivative contracts are OTC transactions with a total replacement value of CHF 216,467,291. All the transactions were OTC derivatives, and transactions were only executed with the following counterparties:

Counterparties	in CHF
UBS Inc.	75,216,928
Credit Suisse AG	55,776,144
Merrill Lynch International	37,438,380
Société Générale	28,724,136
HSBC Bank PLC	14,504,189
Goldman Sachs International	4,807,515
Total	216,467,291

6.6.2.4 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.

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	2018	2017
Interest	-2,064,630	-1,789,794
Interest on bank accounts	-369,798	-304,897
Interest on customer balances	3,947,720	5,783,852
Interest on contracts taken over	19,036	7,709
Interest on arrears and other interest due	-4,563,529	-5,294,460
Interest on uncommitted funds of pension schemes	-437,300	-715,938
Interest on employers' contribution reserves	-660,759	-1,266,059
Collective investments – bonds	-94,329,206	122,134,774
Swiss bonds	-1,235,404	739,502
Foreign bonds	-93,093,803	121,395,272
Collective investments – equities	-422,052,796	647,123,580
Swiss equities	-76,581,013	142,131,586
Foreign equities	-345,471,784	504,991,994
Collective investments – real estate	54,532,796	109,016,413
Swiss real estate	58,189,833	105,380,144
Foreign real estate	-3,657,037	3,636,270
Collective investments – alternative investments	117,010,304	64,605,583
Hedge funds	-11,927,812	71,738,847
Private equity	40,238,581	38,704,791
Senior loans, global	13,505,897	9,935,143
Collateralized loan obligations	-2,675,120	9,692,006
Infrastructure	35,702,202	15,710,465
Insurance-linked strategies	-14,322,296	-22,627,476
Options	56,488,852	-58,548,195
Direct investments – mortgage certificates	14,105,455	14,766,351
Mortgage interest	14,105,455	14,766,351
Result of currency hedging	-38,459,300	-80,395,963
Asset management costs	-91,692,664	-103,426,107
TER and other asset management costs	-89,804,569	-100,887,682
Management of mortgages	-1,888,095	-2,538,426
Net investment result	-462,950,042	772,034,837
Gross performance (TTWR)	-3.08 %	6.76 %



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	12/31/2018	12/31/2017
Total investments	14,001,861,863	13,271,307,876
of which: cost-transparent investments	13,911,861,959	13,271,307,876
Cost-transparent investments in relation to total investments – cost transparency ratio	99.36 %	100.00 %

Non-transparent collective investments	Market value	Number of units
ZIF Real Estate Direct Switzerland – Zurich Invest Ltd – ISIN: CH0433089270	89,999,904	882,352

Asset management costs	2018	2017
Directly recognized asset management costs	6,369,223	6,896,932
Total for all cost indicators in CHF for collective investments	85,323,441	96,529,176
Asset management costs recognized in operating statement	91,692,664	103,426,107
End balance for invested capital	13,590,804,841	13,072,231,195
As % of cost-transparent investments	0.66 %	0.79 %

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.

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 additional costs and services.

Around 54.4% of the reported «Total for all cost indicators for collective investments» refers to alternative investments, 33.2% to bonds and equities, and 12.4% to real estate investments.

6.9 Investments with employers and employers' contribution reserves

in CHF	12 / 31 / 2018	12 / 31 / 2017
Interest on arrears on employers' current accounts	5.00 %	5.00 %
Employers' current accounts	144,751,761	107,960,851
Employers' current accounts	150,011,053	113,536,607
Allowance for bad debts	-5,259,292	-5,575,756

in CHF	2018	2017
Interest on employers' contribution reserves	0.50 %	0.50 %
Employers' contribution reserves as at 01 / 01	136,867,241	133,871,113
Capital contributions to employers' contribution reserves		
from contracts taken over	468,519	697,193
by employers	23,217,764	23,094,947
Withdrawals from employers' contribution reserves		
from contract terminations	-2,034,628	-1,686,825
by employers	-17,237,048	-20,376,557
Reconciliation	6,777	1,312
Interest on employers' contribution reserves	660,759	1,266,059
Employers' contribution reserves as at 12 / 31	141,949,384	136,867,241

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.

7 Other items in the balance sheet and operating statement

7.1 Other receivables

in CHF	12/31/2018	12/31/2017
Other receivables	31,225,658	83,461,639
Third-party current accounts	0	48,261,873
Receivables from security fund	5,269,453	10,368,332
Mortgage receivables	176,692	357,943
Prepaid benefits to insured	25,777,994	24,471,975
Withholding tax credits	1,518	1,516

7.2 Accrued income and deferred expenses

in CHF	12/31/2018	12/31/2017
Accrued income and deferred expenses	20,013,722	18,803,747
Management fee discount for collective investments	7,305,103	7,510,945
Accrued interest on mortgages	586,245	691,135
Pending benefits from insurance company	8,856,370	8,652,845
Other accruals	3,266,004	1,948,823

7.3 Liabilities

in CHF	12/31/2018	12/31/2017
Vested benefits	180,428,125	210,639,375
Other liabilities	613,145,009	432,043,014
Current account overdrafts	864,157	26,740
Incoming payments not yet processed	222,236,050	256,328,066
Advance payments and pending benefits	154,046,707	166,885,726
Collateral received / provided	235,079,604	7,654,192
Other liabilities	918,491	1,148,291

7.4 Accrued expenses and deferred income

in CHF	12/31/2018	12/31/2017
Accrued expenses and deferred income	2,717,440	1,449,242
Administrative costs ¹⁾	1,517,609	n. a.
Other accruals	1,199,832	1,449,242

1) In the previous year, accrued expenses and deferred income for administrative costs of CHF 1,400,152 were included in «Other accruals».

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:

	2018		2017	
	in CHF		in CHF	
Savings contributions	791,617,023		740,139,722	
Savings contributions by employees	361,457,372	46 %	339,488,121	46 %
Savings contributions by employers	430,159,650	54 %	400,651,602	54 %
Risk and other contributions	213,560,103		218,635,799	
Risk and other contributions by employees	95,177,599	45 %	98,637,888	45 %
Risk and other contributions by employers	118,382,504	55 %	119,997,911	55 %
Total contributions	1,005,177,125		958,775,521	
Total contributions by employees	456,634,972	45 %	438,126,009	46 %
Total contributions by employers	548,542,154	55 %	520,649,512	54 %

7.6 Financing of risk and other costs

in CHF	2018	2017
Risk premiums due to insurance company	-142,270,680	-147,593,924
Cost premiums due to insurance company	-69,316,305	-70,086,158
Subtotal premiums due to insurance company	-211,586,986	-217,680,082
./ Profit shares from insurance company	5,791,889	11,442,702
Security fund contributions	-5,049,852	-4,815,404
Administrative costs	-8,430,965	-8,579,770
Total premiums and administrative costs	-219,275,914	-219,632,555
Risk and administrative cost	214,772,695	219,850,130
Risk contributions	139,344,554	145,541,582
Cost contributions	69,316,305	70,086,158
Other income (+)/expenses (-)	1,212,592	1,214,331
Security fund contributions	4,899,243	3,008,059
Funding deficiency (-) / funding surplus (+)	-4,503,219	217,575

8 Requirements of the supervisory authority

Decision of December 20, 2018, of the Office for Occupational Pension Plans and Foundation Supervision of the Canton of Zurich (BVS) regarding its audit of the 2017 report: There were no comments or requirements.

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 2018 financial year, the affiliated employers informed the Foundation of three new decisions that led to the partial liquidation of an affiliated pension fund. All partial liquidation procedures were finalized in 2018. The partial liquidation of one pension fund as at 12/31/2017 could not be finalized in the 2018 financial year and was still pending as at December 31, 2018.

This did not lead to a partial liquidation at the level of the Foundation.

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 2018 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, 2018.

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 2018 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 11, 2019

Vita Joint Foundation

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