



Annual report 2019

Vita Joint Foundation

Vita Joint Foundation

Key figures for 2018 2019

Pensioners¹⁾

2,912
4,010

Active members

129,470
141,385

Return on asset investments

-3.08%
8.66%

Affiliated employers

21,828
22,583

Assets in CHF million

13,787
16,247

Maximum interest earned on
mandatory savings capital

2.40% **2.40%**

Maximum interest earned on
super-mandatory savings capital

3.15% **2.65%**

1) Pensioners on own balance sheet

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On a solid footing going forward

Interview with members of the governing body



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

The year 2019 was a good one for pension funds. Is this also true for Vita Joint Foundation?

Adriano Imfeld: In terms of investments, 2019 was indeed a very good year for pension funds. It was a record year in many respects: The equity markets reached new highs, and bond interest rates fell to new lows. Vita Joint Foundation benefited from this long-term trend and posted a performance of 8.66% for the financial year.

Werner Wüthrich: With total assets now exceeding 16 billion francs, Vita Joint Foundation is one of the biggest semi-autonomous collective and joint institutions in Switzerland. The number of affiliated companies rose by 755 to 22,583 last year while the number of insured increased by 9.2% to 141,385. Our size also has a positive effect on the Foundation's security and stability.

Peter E. Naegeli: In the past few years, our beneficiaries have benefited from the above-average interest paid on their retirement assets. Depending on the coverage ratio as at 31 October, Vita Joint Foundation passes on its investment income to its beneficiaries on a staggered basis over five years. We are unique in the sense that we always announce the interest rate for the next year in

advance. Unfortunately, the target coverage ratio of 106% as the condition for raising a new interest reserve was not reached in the 2019 financial year. However, our beneficiaries will still benefit from the interest reserves of the previous years.

How satisfied is Vita Joint Foundation with the annual performance of 8.66%?

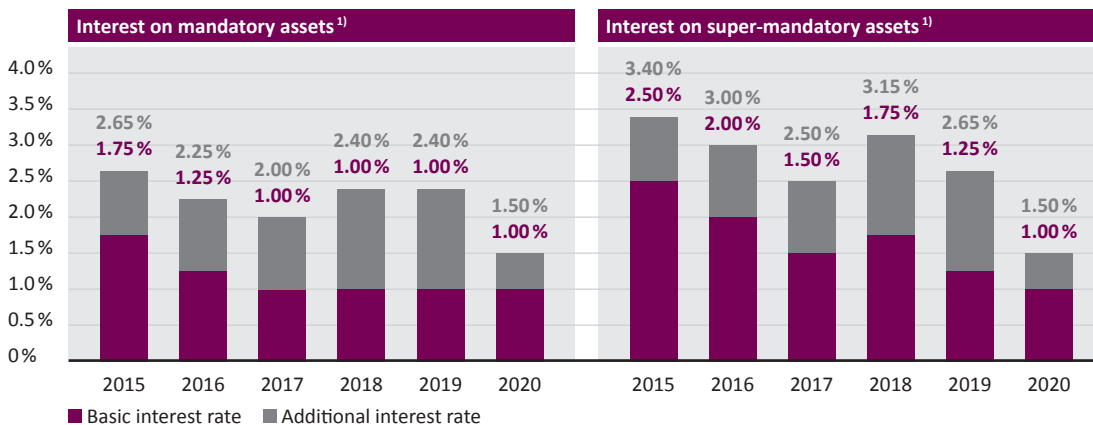
Adriano Imfeld: Vita Joint Foundation's objective is to generate a stable and long-term return for the beneficiaries. If we compare the return to the risk exposure, we can certainly be satisfied with the annual performance. We also have to remember that the hedging strategy introduced in 2018 allowed us to limit negative returns. The success of a long-term investment strategy can only be measured over several years.

The coverage ratio is only 104.3%, in spite of the good performance. How can this be explained?

Werner Wüthrich: The performance isn't the same as the coverage ratio. We used part of the investment income from last year to raise provisions in order to secure future and current pensions. The active insured also participate in the investment performance in the form of basic interest.

Adriano Imfeld: We should bear in mind that interest rates declined further. Although low interest rates are of benefit to us in the investment context, they also mean higher liabilities.

Interest rate comparison for the last few years



1) For customers who affiliated with Vita Joint Foundation on or before December 31, 2016. New customers receive the basic interest and any additional interest due in the following year.

Peter E. Naegeli: We should also consider that the Foundation Board has decided to reduce the technical interest rate to 1.75% retroactively as of December 31, 2019, which affected the coverage ratio. However, the reduction in the technical interest rate further improves the stability of Vita Joint Foundation as we now use an economically realistic interest rate to measure the pensioner obligations. This targeted measure has contributed to strengthening the footing of the Foundation – including for more turbulent times.

What are Vita Joint Foundation's expectations regarding future challenges? And how does it make provision for these?

Adriano Imfeld: The further decline in interest rates for no-risk investments also poses a

challenge for Vita Joint Foundation. But we have initiated the required measures and are well-positioned to master this challenge. The Investment Committee systematically pursues the investment objectives of the Joint Foundation and continuously develops the investment portfolio. Our broadly diversified investment strategy makes it possible to absorb capital market fluctuations.

Werner Wüthrich: We will certainly be greatly challenged by the impact of the COVID-19 pandemic. After the end of the financial year, the global spread of the coronavirus led to some very sharp corrections on the capital market. Our Investment Committee is keeping a close eye on developments and investigating all required



Technical interest rate

The technical interest rate is a mathematical rate which serves as an assumption: What is the interest rate that can be paid on the capital reserved for pension payments while current pensions are being paid out? The technical interest rate depends on the expected performance of the financial markets. The pension fund must generate a return until the expiry of every obligation that is at least as high as the applied technical interest rate. The technical interest rate therefore has to be calculated such as to be less than the expected return on investments earned in the long term.

measures. We are confident, however, that we can master this crisis with our broadly diversified investment strategy.

Peter E. Naegeli: The modest reduction in the conversion rate announced last year is also a step towards stopping the system-adverse redistribution of assets from the young to the old. We are ensuring that the retirement losses will not continue to rise unchecked.

Sustainability remains a topic of current relevance. How does Vita Joint Foundation handle this issue?

Adriano Imfeld: We have developed and implemented a solid sustainability concept. One aspect of this concept is the exercise of our shareholder voting rights for domestic and foreign listed stock companies. We vote at more than 500 annual general meetings and publish the vote summary report on our publicly accessible website. Furthermore, in the traditional investment segment, all our asset managers apply the ESG sustainability criteria to the selection of investments.

Werner Wüthrich: In 2020, we will participate in a study of the Federal Office for the Environment (BAFU) and measure the climate compatibility of our portfolio. We're also thinking of ways for Vita Joint Foundation to make a sustainable contribution to the protection of the environment.

Peter E. Naegeli: Vita Joint Foundation assumes social responsibility and assists municipalities in the implementation of their mandate to provide services and support. Last year, for example, it invested CHF 43 million in «Assisted living». An inter-generational project comprising a total of 78 apartments and commercial space for health-related services, a meeting place for the residents and an inter-generational playground is being developed in Ilanz (GR). As early as spring 2018, Vita Joint Foundation invested some

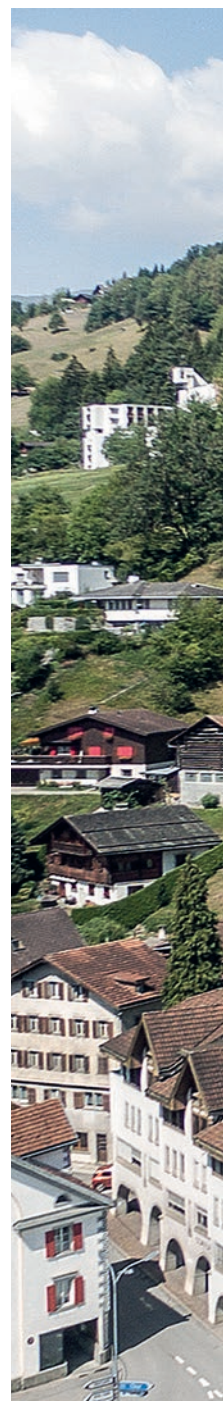
CHF 46 million in a residential project for retired people in Bazenheid (SG). The apartments in Bazenheid will be ready for occupation from May 2020, while the Ilanz project will be ready by October this year.

Which objectives will Vita Joint Foundation pursue over the coming years?

Adriano Imfeld: The objective of Vita Joint Foundation is to generate a solid return for the insured over the long term. We benefit in this objective from our long-term investment horizon and the consistent exploitation of our liquidity reserves. The experience of our partners is also a great advantage.

Werner Wüthrich: We want to get to know our beneficiaries better and focus more on their needs. We took the first steps in this direction last year, for example with the online pension calculator [transparente.ch](https://www.vita.ch/transparente). Many people don't know how much money they will have after retirement. The online calculator gives them a comprehensive overview of their pensions – from the AHV, pension fund and third pillar. We also share our expertise relating to occupational benefits in articles published at [vita.ch](https://www.vita.ch).

Peter E. Naegeli: The social and economic challenges facing the system of occupational pension provision serve as the guiding principle for the decisions of the Foundation Board. In the process, it consistently pursues its primary objective, which is to guarantee financial security for the elderly. The election of the new Foundation Board is scheduled for 2021. The number of Foundation Board members will be reduced for the new term of office and only eight Board members will be elected. The maximum term of office means that three long-standing and deserving Foundation Board members can't stand for re-election. I'm convinced, however, that a powerful and dynamic new Foundation Board will be elected.





«Assisted living»: An inter-generational project comprising 78 apartments is being developed in Illanz (GR).

Balance sheet and operating statement

Balance sheet

Assets

in CHF	Notes	12/31/2019	12/31/2018
Investments		16,233,323,824	13,766,782,259
Cash and cash equivalents and money market investments	6.4	274,767,226	520,090,448
Investments with the employer	6.10	150,200,140	144,751,761
Other receivables	7.1	79,621,240	31,225,658
Bonds	6.4	5,235,180,090	4,405,547,052
Equities	6.4	4,694,293,840	3,661,689,011
Real estate	6.4	2,184,882,021	1,847,416,211
Alternative investments	6.4	2,592,477,634	2,505,926,616
Mortgages	6.4	1,039,136,573	888,012,263
Investments in affiliates	6.4	100,000	100,000
Foreign currency hedging	6.6.1	23,942,899	-2,897,156
Hedging from derivatives transactions	6.6	-41,277,840	-235,079,604
Accrued income and deferred expenses	7.2	13,830,734	20,013,722
Total assets		16,247,154,558	13,786,795,981

Liabilities

in CHF	Notes	12/31/2019	12/31/2018
Liabilities		468,844,069	558,493,530
Vested benefits and pensions	7.3	205,472,714	180,428,125
Other liabilities	7.3	263,371,355	378,065,405
Accrued expenses and deferred income	7.4	1,504,962	2,717,440
Employers' contribution reserves	6.10	153,779,048	141,949,384
Pension capital and technical provisions		14,903,933,702	13,008,530,369
Pension capital of active insured	5.3	12,312,827,975	11,011,901,313
Pension capital of pensioners	5.4	1,772,221,252	1,281,917,736
Technical provisions	5.5	818,884,475	714,711,320
Value fluctuation reserve	6.3	645,644,400	0
Uncommitted funds of pension schemes	7.9	73,398,377	75,055,257
Uncommitted funds of Foundation		0	0
At beginning of period		0	0
Expense surplus (-)/income surplus (+)		0	0
Endowment capital		50,000	50,000
Total liabilities		16,247,154,558	13,786,795,981

Operating statement

in CHF	Notes	01/01–12/31/2019	01/01–12/31/2018
Regular and other contributions and purchases		1,257,959,306	1,126,574,773
Savings contributions	7.7	894,766,783	791,617,023
Risk contributions	7.8	143,139,126	137,953,320
Contributions for inflation adjustments	7.8	1,542,257	1,391,235
Contributions to Security Fund	7.8	5,437,749	4,899,243
Cost contributions	7.8	66,800,722	69,316,305
Withdrawal from employers' contribution reserves to finance contributions	6.10	–16,452,292	–17,237,048
Withdrawal from uncommitted funds of pension schemes	7.9	–16,335,119	–11,274,499
Single contributions and purchase amounts	5.3	146,914,263	126,222,911
Capital contributions to employers' contribution reserves	6.10	32,145,817	23,686,284
Benefits brought into scheme		2,063,095,064	1,716,753,381
Vested benefits	5.3	1,993,030,127	1,310,737,983
Deposits upon takeover of portfolios of insured to			
Value fluctuation reserve		9,720,493	0
Uncommitted funds of pension schemes		20,443,247	22,066,836
Actuarial reserves of pensioners		6,481,405	354,254,805
Incoming advance withdrawals for home ownership promotion/divorce	5.3	33,419,792	29,693,757
Incoming contributions and benefits brought into scheme		3,321,054,370	2,843,328,155
Regulatory benefits		–537,178,659	–460,971,543
Retirement pensions		–185,114,667	–161,563,434
Survivors' pensions		–16,607,709	–14,599,935
Disability pensions		–43,934,848	–39,161,372
Lump-sum payments on retirement	5.3	–239,021,449	–208,201,299
Lump-sum payments on death and disability		–52,499,986	–37,445,503
Departure payments		–1,433,093,811	–1,322,764,952
Vested benefits paid to departing insured	5.3	–1,360,423,118	–1,261,740,799
Transfer of additional funds upon collective withdrawal		–10,675,701	–9,595,150
Advance withdrawals for home ownership promotion/divorce	5.3	–60,037,493	–49,677,337
Actuarial reserves for disability pensions on contract termination		–1,957,499	–1,751,667
Outgoing benefits and advance withdrawals		–1,970,272,470	–1,783,736,494
Reversal (+)/formation (–) of pension capital, technical provisions and contribution reserves		–1,904,537,123	–1,250,111,193
Reversal (+)/formation (–) of pension capital of active insured	5.3	–1,047,632,197	–494,996,790
Reversal (+)/formation (–) of pension capital of pensioners	5.4	–490,303,516	–572,892,312
Reversal (+)/formation (–) of technical provisions	5.5	–104,173,154	86,902,209
Reversal (+)/formation (–) of uncommitted funds of pension schemes	7.9	1,999,634	–3,231,816
Interest on savings capital	5.3	–253,294,466	–261,477,877
Reversal (+)/formation (–) of contribution reserves	6.10	–11,133,423	–4,414,607
Brought forward		–553,755,222	–190,519,532

in CHF	Notes	01/01–12/31/2019	01/01–12/31/2018
Brought forward		–553,755,222	–190,519,532
Income from insurance benefits		260,307,174	234,176,694
Pension benefits		164,280,746	159,428,477
Insurance benefits: lump-sum payments on death and disability		52,317,402	37,445,503
Insurance benefits: premium waiver		27,956,195	29,759,159
Insurance benefits: actuarial reserves for disability pensions		1,957,499	1,751,667
Profit shares from insurance policies		13,795,332	5,791,889
Insurance costs		–248,459,890	–245,589,126
Insurance premiums			
Risk premiums	7.8	–148,913,709	–142,270,680
Cost premiums	7.8	–72,029,356	–69,316,305
Single contributions to insurance companies		–20,935,958	–28,952,289
Security Fund contributions	7.8	–6,580,868	–5,049,852
Net result from insurance activities		–541,907,938	–201,931,965
Net result from investments		1,194,513,518	–463,079,703
Income from cash and cash equivalents and money market investments	6.8	–889,573	–369,798
Income from investments with the employer	6.8	3,248,426	3,602,726
Interest on vested benefits	6.8	–4,283,665	–4,199,499
Interest on uncommitted funds of pension schemes	7.9	–342,753	–437,300
Interest on employers' contribution reserves	6.10	–696,241	–660,759
Income from bonds	6.8	258,066,967	–94,329,206
Income from equities	6.8	951,885,891	–422,052,796
Income from real estate	6.8	204,337,729	54,532,796
Income from alternative investments	6.8	–125,402,066	117,010,304
Income from mortgages	6.8	14,255,027	14,105,455
Income from currency hedging	6.8	–9,836,464	–38,459,300
Asset management costs	6.8	–95,829,759	–91,822,325
Other income		4,157,503	1,381,183
Income from services rendered	7.5	1,574,468	1,381,183
Other income	7.5	2,583,035	0
Other expenses	7.6	–3,371,025	–1,497,286
Administrative costs		–7,747,658	–6,487,554
General administration		–6,467,838	–5,542,826
Marketing and advertising		–879,875	–537,647
Auditors and pension actuary		–267,492	–266,989
Supervisory authority		–132,452	–140,092
Income / expenditure surplus before formation / reversal of value fluctuation reserve		645,644,400	–671,615,325
Formation (–) / reversal (+) of value fluctuation reserve		–645,644,400	671,615,325
Income surplus (+) / expense surplus (–)		0	0

Notes

1 Principles and organization

First entry in Commercial Register / no. CH-020.7.001.096-8	September 17, 2003
Funding method	Defined contribution plan

1.1 Legal form and purpose

Vita Joint Foundation is a foundation pursuant to Art. 80 et seq. of the Swiss Civil Code.

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 BVG registration and Security Fund

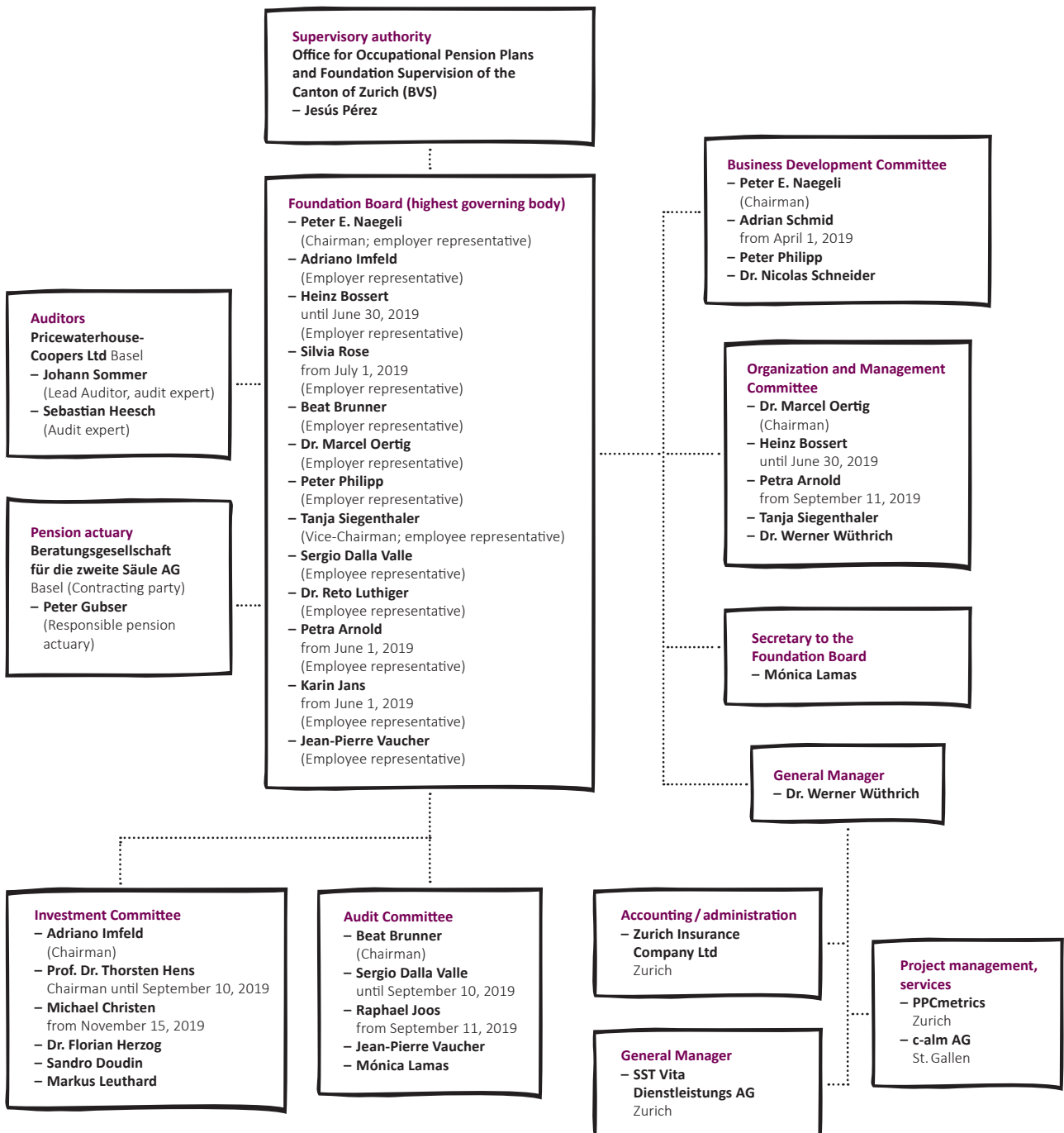
Vita Joint Foundation is registered (registration number ZH 1446) in accordance with the provisions of the BVG and affiliated with the Security Fund.

1.3 Deeds and regulations

Vita Joint Foundation has the legal form of a foundation and was established by public deed of June 13, 2003. The current deed, dated November 15, 2017, has been in force since December 14, 2017.

Valid regulations as at 12/31/2019	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 14, 2018	January 1, 2019	1/2019
Investment regulations	March 12, 2018	January 1, 2018	1/2018
Regulations on the formation of provisions	March 10, 2020	December 31, 2019	1/2020
Regulations on partial liquidation	September 11, 2014	January 20, 2015	1/2014
Pension regulations, association	November 14, 2018	January 1, 2019	1/2020
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

1.4 Highest governing and executive bodies, management and signatory powers



1.4.1 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

1.4.2 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.

1.5 Governance

1.5.1 Risk management, loyalty, transparency and control system

Governance of a joint foundation serves as a statutory and de facto regulatory framework. It has to 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.

1.5.2 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.

1.5.3 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.

1.6 Affiliated employers

	2019	2018
As at 01/01	21,828	21,136
Additions	2,541	2,985
Departures	-1,786	-2,293
As at 12/31	22,583	21,828

+755  IN 2019

2 Active insured and pensioners

2.1 As at 12/31

	12 / 31 / 2019		12 / 31 / 2018	
Total number of active members	141,385		129,470	
Active insured	136,404		124,871	
Occupationally disabled insured	4,981		4,599	
Total number of pensioners	14,802	4,010¹⁾	13,568	2,912¹⁾
Retirement pensions	9,992	3,765	9,035	2,718
Retired person's child's pensions	195	149	167	108
Spouse's pensions	1,263	92	1,176	83
Orphan's pensions	290	4	396	3
Disability pensions	2,507	0	2,346	0
Disabled person's child's pensions	555	0	448	0

1) Of which pensioners included in the Foundation's balance sheet (from 01/01/2016).

2.2 Portfolio development

Active insured	2019	2018
As at 01 / 01	124,871	119,477
Entries	40,555	25,668
Retirements	-1,860	-1,314
Deaths	-161	-164
Exits	-27,001	-18,796
As at 12 / 31	136,404	124,871

	Retirement pensions	Retired person's child's pensions	Spouse's pensions	Orphan's pensions	Disability pensions	Disabled person's child's pensions
As at 1 / 1 / 2018	8,091	152	997	363	1,989	352
New pensions from own portfolio	770	59	131	48	352	110
Pensions from takeovers	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
As at 1 / 1 / 2019	9,035	167	1,176	396	2,346	448
New pensions from own portfolio	1,111	86	105	19	309	110
Pensions from takeovers	16	1	32	4	33	3
Deaths	-144	-1	-46	-5	-29	-6
Departures/exits	-26	-58	-4	-124	-152	0
As at 12 / 31 / 2019	9,992	195	1,263	290	2,507	555

3 Achievement of purpose

3.1 Description of pension plans

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.

3.2 Financing

Contributions are financed by the employers and the employees. The employers' contribution amounts to at least 50%.

4 Valuation and accounting principles, consistency

4.1 Confirmation of conformity of the accounts with Swiss GAAP FER 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 FER 26.

4.2 Accounting and valuation principles

The accounting and valuation principles follow the provisions of Art. 47, 48 and 48a of the Ordinance on Occupational Retirement, Survivors' and Disability Pension Plans (BVV 2). The standards of Swiss GAAP FER 26 («true and fair view») apply in all other respects. The following valuation principles are applied:

Securities and derivative financial instruments

Securities (collective investments in bonds, equities, real estate and alternative investments) and derivative financial instruments are measured at market value.

Foreign currency translation

Assets and liabilities in foreign currency are measured at year-end rates. Any translation differences are recognized in the income statement.

Mortgages and investments in affiliates

Mortgages (direct investments – mortgages) and investments in affiliates are recognized at nominal value, less any impairment.

Pension capital and technical provisions

Pension capital and technical provisions are calculated by the pension actuary every year in accordance with accepted principles.

Other assets and liabilities

Other assets and liabilities are recognized in the balance sheet at nominal value.

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.

The presentation of the balance sheet and operating statement changed compared to the previous year. The prior-year figures were adjusted accordingly.

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, and since January 1, 2016, it has also borne the risk of longevity.

The breakdown by savings, risk and cost contributions is given in section 7.8. 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	2019	2018
Breakdown of cost premium	72,029	69,316
General administration	52,781	54,931
Marketing and advertising	1,020	1,123
Brokers and agents	18,228	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	2019	2018
Breakdown of administrative costs	79,777	75,804
General administration	59,249	60,474
Marketing and advertising	1,900	1,661
Brokers and agents	18,228	13,262
Auditors and pension actuary	267	267
Supervisory authority	132	140

The asset management costs are reported in the operating statement and in note 6.9.

Surplus participation

According to Art. 68a section 2 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.

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.

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	12/31/2019	12/31/2018
Actuarial reserve for pensioners	2,201,565,611	2,192,189,396
Retirement pensions	1,438,782,175	1,484,809,920
Retired person's child's pensions	1,021,268	1,273,179
Spouse's pensions	226,420,997	217,153,979
Orphan's pensions	7,261,101	8,521,583
Disability pensions	280,640,959	254,604,751
Disabled person's child's pensions	10,468,433	8,669,277
Premium waivers	236,970,678	217,156,708

5.3 Trend and interest on savings capital in the defined contribution scheme

in CHF	2019	2018
Interest on mandatory savings capital	1.00%	1.00%
Interest on super-mandatory savings capital	1.25%–2.65%	1.75%–3.15%
Savings capital as at 01/01	11,011,901,313	10,255,426,646
Formation (+)/ reversal (–) of pension capital of active insured	1,047,632,197	494,996,790
Savings contributions	894,766,783	791,617,023
IV savings contributions	25,739,034	28,045,624
Single contributions and purchase amounts	146,914,263	126,222,911
Vested benefits	1,661,875,782	1,154,959,367
Vested benefits (takeover of portfolios)	331,154,345	155,778,616
Vested benefits paid to departing insured	–1,360,423,118	–1,261,740,799
of which difference pursuant to FZG Art. 17 ¹⁾	24,870	38,232
Advance withdrawals for home ownership promotion / divorce	–60,037,493	–49,677,337
Incoming advance withdrawals for home ownership promotion / divorce	33,419,792	29,693,757
Lump-sum payments on retirement	–239,021,449	–208,201,299
Single contributions to insurance companies	–20,935,958	–28,959,270
Transfer to pension capital of pensioners	–365,844,656	–242,780,036
Interest on savings capital	253,294,466	261,477,877
Savings capital as at 12/31	12,312,827,975	11,011,901,313
of which BVG retirement assets	6,725,312,146	6,134,446,627

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».

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

in CHF	2019	2018
Actuarial reserves for pensioners as at 01/01	1,281,917,736	709,025,424
Formation (+) / reversal (-) of actuarial reserves for pensioners	490,303,516	572,892,312
Pension benefits	-81,376,478	-55,896,265
Lump-sum payments on death	-454,046	0
Transfer from pension capital of active insured	365,844,656	242,780,036
Pension purchases	6,481,405	354,254,805
Adjustment to pension actuary's calculation	199,807,979	31,753,735
Actuarial reserves for pensioners as at 12/31	1,772,221,252	1,281,917,736

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 included in the own balance sheet amounts to CHF 1,772 million. The pension capital is calculated on the basis of the BVG 2015 Generation Tables and a technical interest rate of 1.75% (sections 5.7 and 5.8). The Foundation Board decided not to increase pensions in 2019.

5.5 Composition, changes to and notes on technical provisions

in CHF	2019	2018
Technical provisions as at 01/01	714,711,320	801,613,530
Formation (+) / reversal (-) of technical provisions	104,173,154	-86,902,209
Contributions to provision for retirement losses	225,930,426	34,855,063
Withdrawals from interest reserves	-121,757,272	-121,757,272
Technical provisions as at 12/31	818,884,475	714,711,320
of which provisions for retirement losses	693,239,615	467,309,189
of which interest reserves	125,644,860	247,402,132

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 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%.

Until the full target fluctuation reserve of 6% has been accrued, the staggered interest model only makes provision for payment of the minimum interest rate of 1.0% on the mandatory as well as the super-mandatory assets. The interest reserve model only leads to an improvement in benefits after the target value fluctuation reserve of 6% has been accrued in full. Art. 46 BVV 2 has thus been observed.

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 funding 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.

	2019	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	-74,033,284	370,166,422
For 2015	-8,763,552	-8,763,552	-8,763,552	-8,763,552	43,817,758	
For 2016	0	0	0	0		
For 2017	-38,960,436	-38,960,436	194,802,180			
For 2018	0	0				
For 2019	0					
Contributions (+)/ withdrawals (-)	-121,757,272	-121,757,272	112,005,344	-82,796,836	-30,215,526	370,166,422
Balance of interest reserve	125,644,860	247,402,132	369,159,404	257,154,060	339,950,896	370,166,422

5.6 Last actuarial report of May 20, 2020

In this report, the pension actuary determines that:

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 technical interest rate and applied actuarial tables are appropriate;
- the Foundation can provide assurance as at the reporting date that it can fulfill its obligations;
- the regulatory actuarial provisions on benefits and financing correspond to the statutory provisions;
- the measures implemented to cover the actuarial risks are sufficient.

5.7 Actuarial tables and other actuarial assumptions

Actuarial tables	BVG 2015 Generation Tables (previous year: BVG 2015 Generation Tables)
Technical interest rate	1.75% (previous year: 2.00%)

The Foundation's regulations on the formation of provisions, valid from December 31, 2019, apply.

5.8 Changes to actuarial tables and assumptions

At its meeting on March 10, 2020, the Foundation Board decided to apply a technical interest rate of 1.75% from December 31, 2019. According to the calculations of the pension actuary, the cost of reducing the technical interest rate is CHF 159.2 million, which was charged in full to the operating statement for the 2019 financial year.

5.9 Coverage ratio pursuant to Art. 44 BVV 2

A funding deficiency refers to a situation in which 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	12/31/2019	12/31/2018
Accrued pension assets	15,549,628,102	13,008,580,369
Gross assets (total assets)	16,247,154,558	13,786,795,981
Liabilities	-468,844,069	-558,493,530
Accrued expenses and deferred income	-1,504,962	-2,717,440
Employers' contribution reserves	-153,779,048	-141,949,384
Uncommitted funds of pension schemes	-73,398,377	-75,055,257
Actuarial pension capital	14,903,933,702	13,008,530,369
Coverage ratio pursuant to Art. 44 BVV 2	104.3%	100.0%

6 Investments and net investment result

6.1 Organization of investment activities, investment advisors, asset managers and 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 Chief Executive Officer and the Investment Committee.

Mandates, custodian banks

Collective investments	Zurich Investment Fund Capvis Equity Partners Ltd Credit Suisse Funds AG Schroder Adveq Management Ltd Rye Harbour CLO, Ltd
Asset management, derivatives and US Treasuries	Cardano Risk Management B. V., Rotterdam (NL) The Dutch Authority for the Financial Markets (AFM)
Mortgages	Zurich Invest AG, Zurich Swiss Financial Market Supervisory Authority (FINMA)
Investment advisory service	Zurich Invest AG, 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 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 BVV 2) as well as the Foundation's regulations regarding pecuniary advantages, interest alliances and own-account transactions.

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.

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 1/1/2018, 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 compliance with the security and risk diversification provisions (Art. 50 paras. 1–3 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% component of alternative investments (limit pursuant to BVV 2: 15%). As at the reference date of December 31, 2019, alternative investments accounted for 16.2% (previous year: 18.4%) 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

	12/31/2019	12/31/2018
Value fluctuation reserve – target	894,236,022	780,511,822
Target as % of pension obligations	6.0%	6.0%
Value fluctuation reserve – current	645,644,400	0
Value fluctuation reserve as at 01/01	0	671,615,325
Formation (+)/reversal (-) of value fluctuation reserve	645,644,400	-671,615,325

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 asset class

	12/31/2019		Strategy	Band-width	12/31/2018		BVV 2 limit
	in CHF	in %			in CHF	in %	
Cash and cash equivalents and money market investments	274,767,226	1.72	1.0	0–5	520,090,448	3.83	
Current accounts with banks, post office	234,827,339	1.47			520,090,448	3.83	
Money market – collective investments	39,939,887	0.25			0	0.00	
Bonds – collective investments	5,235,180,090	32.71	30.0		4,405,547,052	32.42	
Swiss bonds	870,020,614	5.44	5.0	2–8	706,756,863	5.20	
Foreign bonds	4,365,159,476	27.28	25.0	15–35	3,698,790,189	27.22	
Equities – collective investments	4,694,293,840	29.33	28.0		3,661,689,011	26.94	50
Swiss equities	958,744,769	5.99	6.0	3–9	775,463,253	5.71	
Foreign equities	3,735,549,071	23.34	22.0	17–27	2,886,225,757	21.24	
Real estate – collective investments	2,184,882,021	13.65	13.0		1,847,416,211	13.59	30
Swiss real estate	1,383,524,880	8.65	8.0	4–12	1,173,238,864	8.63	
Foreign real estate	801,357,141	5.01	5.0	2–8	674,177,347	4.96	
Alternative investments – collective investments	2,592,477,634	16.20	21.0		2,505,926,616	18.44	15
Hedge funds	970,317,628	6.06	6.0	3–9	810,555,317	5.96	
Collateralized loan obligations	88,800,599	0.55	3.0	0–5	92,063,872	0.68	
Private equity	371,840,356	2.32	3.0	1–5	285,083,757	2.10	
Insurance-linked strategies	229,814,186	1.44	3.0	0–5	260,110,317	1.91	
Infrastructure	271,902,363	1.70	2.0	0–4	278,781,805	2.05	
Options	49,014,453	0.31			216,467,290	1.59	
Senior loans (unhedged)	610,788,050	3.82	4.0	2–6	562,864,258	4.14	
Mortgages	1,039,136,573	6.49	7.0	3–11	888,012,263	6.53	50
Mortgages – collective investments	79,781,990	0.50			0	0.00	
Mortgages – direct investments	959,354,583	5.99			888,012,263	6.53	
Investments in affiliates	100,000	0.00			100,000	0.00	
Foreign currency hedging	23,942,899	0.15			–2,897,156	–0.02	
Hedging from derivatives transactions	–41,277,840	–0.26			–235,079,604	–1.73	
Total investments	16,003,502,444	100.00	100.00		13,590,804,841	100.00	
Other assets	243,652,114				195,991,140		
Investments with the employer	150,200,140				144,751,761		
Other receivables	79,621,240				31,225,658		
Accrued income and deferred expenses	13,830,734				20,013,722		
Total assets	16,247,154,558				13,786,795,981		
Equities	4,694,293,840	29.33			3,661,689,011	26.94	50
Unhedged foreign currency	2,730,197,517	17.06			1,793,986,239	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 12/31/2019. 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	2019	2018
CapVis III (Private Equity)	0.6 million	0.6 million
CapVis IV (Private Equity)	1.6 million	1.8 million
CapVis V (Private Equity)	13.3 million	15.7 million
Schroder Adveq Real Assets Harvested Resources L. P. (Schroder Adveq Management Ltd)	8.2 million	8.3 million
Private Equity I (Zurich Investment Fund)	78.8 million	88.2 million
Private Equity II (Zurich Investment Fund)	39.2 million	48.0 million
Private Equity III (Zurich Investment Fund)	188.4 million	270.1 million
Private Equity IV (Zurich Investment Fund)	232.4 million	n. a.
Infrastructure I (Zurich Investment Fund)	4.8 million	14.1 million
Infrastructure II (Zurich Investment Fund)	32.8 million	60.0 million
ILS Life (Zurich Investment Fund)	90.6 million	107.6 million
Real estate USA (Zurich Investment Fund)	152.2 million	n. a.

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 Currency hedging

With reference to the Foundation Board's rules on foreign currency hedging, the following currency hedges were outstanding on December 31, 2019:

	12/31/2019	12/31/2018
Total foreign currency		
Equivalent in CHF	5,041,681,704	4,329,412,157
Market value in CHF	5,017,738,805	4,332,309,312
Unrealized gains in CHF	23,942,899	-2,897,156
of which:		
Equivalent in CHF	1,352,306,357	1,142,006,843
Amount in EUR	1,236,200,000	1,001,600,000
Exchange rate on 12/31	1.086293	1.125896
Market value in CHF	1,342,874,962	1,127,697,573
Unrealized gains in CHF	9,431,396	14,309,270
Equivalent in CHF	2,963,392,616	2,504,646,629
Amount in USD	3,048,400,000	2,578,500,000
Exchange rate on 12/31	0.963625	0.978555
Market value in CHF	2,937,515,726	2,523,203,176
Unrealized gains in CHF	25,876,890	-18,556,547
Equivalent in CHF	406,366,831	383,703,561
Amount in GBP	331,700,000	300,300,000
Exchange rate on 12/31	1.280514	1.251007
Market value in CHF	424,746,549	375,677,496
Unrealized gains in CHF	-18,379,718	8,026,065
Equivalent in CHF	227,565,514	261,531,553
Amount in YEN	24,810,000,000	29,880,000,000
Exchange rate on 12/31	0.008894	0.008955
Market value in CHF	220,654,462	267,578,072
Unrealized gains in CHF	6,911,052	-6,046,519
Equivalent in CHF	28,190,428	37,523,571
Amount in SEK	276,800,000	344,900,000
Exchange rate on 12/31	0.103280	0.110620
Market value in CHF	28,587,813	38,152,996
Unrealized gains in CHF	-397,385	-629,425
Equivalent in CHF	33,456,777	0
Amount in DKK	226,800,000	0
Exchange rate on 12/31	0.145223	0
Market value in CHF	32,936,666	0
Unrealized gains in CHF	520,112	0
Equivalent in CHF	30,403,180	0
Amount in AUD	44,900,000	0
Exchange rate on 12/31	0.677564	0
Market value in CHF	30,422,627	0
Unrealized gains in CHF	-19,447	0

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 41,277,840 (previous year: CHF 235,079,604) as at December 31, 2019. These funds were invested in accordance with the investment strategy.

6.6.2 Open derivative contracts

Market value	2019	2018
Derivatives on Swiss equities	9,802,891	45,458,131
Derivatives on foreign equities	39,211,562	171,009,160
Total	49,014,453	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	2019	2018
S & P 500	34%	33%
Euro Stoxx Index 50	10%	11%
FTSE 100	6%	5%
Topix	8%	9%
MSCI EM	22%	21%
Swiss Market Index	20%	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 15 open derivative contracts are OTC transactions with a total replacement value of CHF 49,014,452.

All the transactions were OTC derivatives, and transactions were only executed with the following counterparties:

Counterparties	2019	2018
Credit Suisse AG	18,095,058	55,776,144
BNP Paribas S. A	12,711,950	0
HSBC Bank PLC	12,102,417	14,504,189
UBS Inc.	5,966,020	75,216,928
Merrill Lynch International	70,033	37,438,380
Société Générale	37,265	28,724,136
Goldman Sachs International	31,710	4,807,515
Total	49,014,452	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

in CHF	01/01–12/31/2019	01/01–12/31/2018
Interest	-2,825,895	-2,064,630
Income from cash and cash equivalents	-751,661	-369,798
Income from investments with the employer	3,248,426	3,602,726
Interest on vested benefits	-4,283,665	-4,199,499
Interest on uncommitted funds of pension schemes	-342,753	-437,300
Interest on employers' contribution reserves	-696,241	-660,759
Money market – collective investments	-137,911	0
Bonds – collective investments	258,066,967	-94,329,206
Swiss bonds	15,188,101	115,469
Foreign bonds	242,878,866	-94,444,675
Equities – collective investments	951,885,891	-422,052,796
Swiss equities	189,277,382	-76,581,013
Foreign equities	762,608,509	-345,471,784
Real estate – collective investments	204,337,729	54,532,796
Swiss real estate	91,160,320	41,524,609
Foreign real estate	113,177,409	13,008,187
Alternative investments – collective investments	-125,402,066	117,010,304
Hedge funds	74,276,037	-11,927,812
Private equity	23,907,250	40,238,581
Senior loans, global	27,282,249	13,505,897
Collateralized loan obligations	-2,443,819	-2,675,120
Infrastructure	22,725,956	35,702,202
Insurance-linked strategies	-13,822,651	-14,322,296
Options	-257,327,088	56,488,852
Mortgages	14,255,027	14,105,455
Mortgages – collective investments	-173,944	0
Mortgage interest	14,428,971	14,105,455
Result of currency hedging	-9,836,464	-38,459,300
Asset management costs	-95,829,759	-91,822,325
TER, expenses and other asset management costs	-93,605,207	-89,934,231
Management of mortgages	-2,224,553	-1,888,095
Net investment result	1,194,513,518	-463,079,703
Gross performance (TTWR)	8.66%	-3.08%



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).

6.9 Asset management costs pursuant to Art. 48a BVV 2

Investments	12 / 31 / 2019	12 / 31 / 2018
Total investments	16,233,323,824	13,766,782,259
of which: cost-transparent investments	16,233,323,824	13,676,782,355
Cost-transparent investments in relation to total investments – cost transparency ratio	100.00 %	99.35 %

Non-transparent collective investments	12 / 31 / 2019	12 / 31 / 2018
ZIF Real Estate Direct Switzerland – Zurich Invest Ltd – ISIN: CH0433089270¹⁾		
Market value	0	89,999,904
Number of units	0	882,352

1) This investment is now listed as a transparent investment.

Asset management costs	2019	2018
Directly recognized asset management costs	6,090,320	6,498,884
Total for all cost indicators in CHF for collective investments	89,739,439	85,323,441
Asset management costs recognized in operating statement	95,829,759	91,822,325
End balance for invested capital	16,003,502,444	13,590,804,841
as % of cost-transparent investments	0.59 %	0.68 %

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.

Approx. 54.0% (previous year: 54.4%) of the reported «Total for all cost indicators for collective investments» refers to alternative investments, 32.1% (previous year: 33.2%) to bonds and equities, and 13.9% (previous year: 12.4%) to real estate investments.

6.10 Investments with employers and employers' contribution reserves

in CHF	12 / 31 / 2019	12 / 31 / 2018
Interest on arrears on employers' current accounts	5.00 %	5.00 %
Investments with employers	150,200,140	144,751,761
Employers' current accounts	154,371,624	150,011,053
Allowance for bad debts	-4,171,485	-5,259,292

The allowance for bad debts amounts to 50% of the premiums outstanding on bankrupt contracts (previous year: 100%).

in CHF	2019	2018
Interest on employers' contribution reserves	0.50 %	0.50 %
Employers' contribution reserves – as at 01 / 01	141,949,384	136,867,241
Capital contributions to employers' contribution reserves		
from contracts taken over	597,861	468,519
by employers	31,547,955	23,217,764
Withdrawals from employers' contribution reserves		
from contract terminations	-4,560,376	-2,034,628
by employers	-16,452,292	-17,237,048
Reconciliation	274	6,777
Interest on employers' contribution reserves	696,241	660,759
Employers' contribution reserves – as at 12 / 31	153,779,048	141,949,384

6.11 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	12/31/2019	12/31/2018
Other receivables	79,621,240	31,225,658
Current accounts with Zurich Life Insurance Company Ltd	65,699,117	0
Receivables from Security Fund	4,503,207	5,269,453
Mortgage receivables	1,367,406	176,692
Prepaid benefits to insured	860,266	25,777,994
Withholding tax credits	7,191,245	1,518

7.2 Accrued income and deferred expenses

in CHF	12/31/2019	12/31/2018
Accrued income and deferred expenses	13,830,734	20,013,722
Management fee discount for collective investments	7,950,352	7,305,103
Accrued interest on mortgages	475,270	586,245
Pending benefits from insurance company	3,039,454	8,856,370
Other accruals	2,365,658	3,266,004

7.3 Liabilities

in CHF	12/31/2019	12/31/2018
Vested benefits and pensions	205,472,714	180,428,125
Other liabilities	263,371,355	378,065,405
Current account overdrafts with SST Vita Dienstleistungs AG	812,068	26,740
Current account overdrafts with Zurich Life Insurance Company Ltd	0	837,417
Incoming payments not yet processed	112,247,765	222,236,050
Prepaid contributions and pending benefits	148,964,559	154,046,707
Other liabilities	1,346,963	918,491

7.4 Accrued expenses and deferred income

in CHF	12/31/2019	12/31/2018
Accrued expenses and deferred income	1,504,962	2,717,440
Administrative costs	1,486,581	1,517,609
Other accruals	18,381	1,199,832

7.5 Other income

in CHF	01/01–12/31/2019	01/01–12/31/2018
Other income	4,157,503	1,381,183
Fees according to cost regulations	1,499,148	1,212,592
Provision for withholding tax	75,320	168,591
Extraordinary restructuring of liabilities	2,583,035	0

7.6 Other expenses

in CHF	12/31/2019	12/31/2018
Other expenses	–3,371,025	–1,497,286
Restructuring of accounts receivable and mutation losses	–343,381	–1,497,286
Extraordinary bad debt losses	–3,027,644	0

7.7 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:

	2019		2018	
	in CHF		in CHF	
Savings contributions	894,766,783		791,617,023	
Savings contributions by employees	407,274,567	46%	361,457,372	46%
Savings contributions by employers	487,492,216	54%	430,159,650	54%
Risk and other contributions	216,919,854		213,560,103	
Risk and other contributions by employees	96,766,360	45%	95,177,599	45%
Risk and other contributions by employers	120,153,494	55%	118,382,504	55%
Total contributions	1,111,686,637		1,005,177,125	
Total contributions by employees	504,040,927	45%	456,634,972	46%
Total contributions by employers	607,645,710	55%	548,542,154	54%

7.8 Financing of risk and other costs

in CHF	2019	2018
Risk premiums due to insurance company	-148,913,709	-142,270,680
Cost premiums due to insurance company	-72,029,356	-69,316,305
Subtotal premiums due to insurance company	-220,943,064	-211,586,986
./ profit shares due from insurance company	13,795,332	5,791,889
Security Fund contributions	-6,580,868	-5,049,852
Administrative costs	-7,747,658	-6,487,554
Total premiums and administrative costs	-221,476,258	-217,332,503
Risk and administrative cost	216,987,814	212,958,945
Risk contributions	144,681,383	139,344,554
Cost contributions	66,800,722	69,316,305
Other income (+)/expenses (-)	67,960	-601,158
Contributions to Security Fund	5,437,749	4,899,243
Funding deficiency (-)/ funding surplus (+)	-4,488,444	-4,373,558

7.9 Changes to and interest on pension schemes' uncommitted funds

in CHF	2019	2018
Interest on uncommitted funds	0.50%	0.50%
Uncommitted funds (pension accounts) as at 01 / 01	75,055,257	71,381,827
Capital contributions to uncommitted funds (pension accounts)		
from contracts taken over	20,443,247	22,066,836
Withdrawals from uncommitted funds (pension accounts)		
from contract terminations	-6,115,325	-7,560,522
for improvement of pension benefits	-16,335,119	-11,274,499
Reconciliation	7,563	4,314
Interest on uncommitted funds (pension accounts)	342,753	437,300
Uncommitted funds (pension accounts) as at 12 / 31	73,398,377	75,055,257

8 Requirements of the supervisory authority

The supervisory authority confirmed by letter of January 8, 2020 that it has taken note of the 2018 annual financial statements. No requirements were imposed.

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. There were no partial liquidations at Foundation level in 2019.

10 Events after the reporting date

The turmoil on the capital markets and the high levels of volatility affecting equities in particular triggered by general feelings of uncertainty – among other things owing to the global spread of the coronavirus – are also affecting the investments of Vita Joint Foundation. The Foundation's Investment Committee has been constantly monitoring developments since the onset of the crisis and is reviewing any measures that may be required, such as rebalancing, liquidity management and adjustments to the investment strategy.

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, 2019.

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 December 31, 2019 comply with Swiss law and with the foundation's deed of formation and the regulations.

Report on additional legal and other requirements

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

Furthermore, we have carried out the audits required by article 52c paragraph 1 OPA and article 35 OPO 2. The Foundation Board is responsible for ensuring that the legal requirements are met and that the statutory and regulatory provisions on organisation, management and investments are applied.

We have assessed whether

- organisation and management comply with the legal and regulatory requirements and whether internal controls exist that are appropriate to the size and complexity of the foundation;
- funds are invested in accordance with legal and regulatory requirements;
- the occupational pension accounts comply with legal requirements;
- measures have been taken to ensure loyalty in fund management and whether the governing body has ensured to a sufficient degree that fund managers fulfil their duties of loyalty and disclosure of interests;

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

We confirm that the applicable legal and statutory 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 15, 2020

Vita Joint Foundation

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