

Profond



Segment reporting 2018

Segment reporting

Since the 2014 financial year Profond has reported the results for the three business segments “Savings”, “Risk” and “Administration process” separately. This segment reporting shows how the funds are used. The aim is for the risk and administration processes to cover costs, and for all savings contributions to benefit the savings process. A positive net result of the three segments is made available for the so-called savings process and, as Profond is an independent collective foundation, it is always passed on in full to the beneficiaries.

Savings process

The main income comes from the contributions, “entry benefits” (starting contributions brought in from previous pension plans) and deposits and the return on assets. Profond uses this income primarily to finance lump-sum and pension benefits, termination benefits, interest and provisions, and asset administration costs.

Risk process

Almost all the income comes from customers’ risk contributions. Because Profond stopped taking out re-insurance in 2013 it only receives minor compensation for old claims. This income is used to finance lump-sum benefits in the event of death and disability and for associated widows’ and orphans’ pensions.

Administrative process

This segment includes activities relating to general customer care (such as preparing documents and

statements for insured members or affiliated companies) and customer advice on entry or departure (for example regarding voluntary purchases or retirement). The contributions to administrative costs are used to pay employees, rental and other expenses.

Overall result for 2018

In 2018, expenses exceeded income by CHF 591.0 million. The value fluctuation reserve therefore had to be reduced by the corresponding amount. As of 31.12.2018, this amounted to CHF 205.1. The value fluctuation reserve therefore equated to around 2.9% of the pension capital of CHF 7.0 billion which has to be covered.

Operating liquidity as the balance of (+) income from contributions, (+) entry benefits and deposits, (-) termination payments and (-) lump-sum and pension benefits amounts to CHF 434.0 million, so this has again risen compared to the previous year.

Net income from investments amounted to – CHF 324.2 million. This is equivalent to a decrease of CHF 1.1 billion compared to the previous year, which is due to the return of –4.2%.

The risk process again produced a surplus, which at CHF 10.6 million was CHF 3.7 million lower than in 2017, and this was passed on to the members. Claims fell again in 2018, by a total of CHF 1.1 million, with an increasing number of members.

Segment reporting (in 1000 CHF)

	Savings process	Risk process	Administrative process	Total 2018	Total 2017
Income from contributions	302 398	34 757	17 532	354 687	316 075
Entry benefits and deposits	835 939	0	0	835 939	606 354
Income from investments (net)	- 324 246	0	0	- 324 246	729 304
Income from insurance benefits	0	1 933	0	1 933	2 469
Total income	814 091	36 690	17 532	868 313	1 654 202
Termination benefits	- 483 112	0	0	- 483 112	- 355 048
Lump-sum and pension benefits	- 270 704	- 2 811	0	- 273 515	- 254 065
Formation of pension capital, technical reserves and contribution reserves	- 663 818	- 19 394	0	- 683 212	- 653 967
Insurance expenses	0	- 1 935	0	- 1 935	- 1 737
Administrative costs	380	- 1 915	- 16 013	- 17 548	- 16 650
Change in fluctuation reserves	591 009	0	0	591 009	- 372 735
Total expenses	- 826 245	- 26 055	- 16 013	- 868 313	- 1 654 202
Result	- 12 154	10 635	1 519	0	0

The result in the administration process has again improved significantly compared to the previous year. This resulted in a surplus of CHF 1.5 million.

Savings process

In 2018, investments rose by a total of CHF 0.2 billion. Income from investments, by contrast, fell by CHF 1.1 billion. This is due to the -4.2% return achieved.

The income from savings contributions increased again in the reporting year, rising by CHF 33.8 million. Entry benefits and deposits increased by CHF 229.6 million compared to the previous year, rising to CHF 835.9 million. This is again due to the large number of new affiliations. The amount of vested benefits paid in also increased by CHF 108.0 million.

Savings process (in 1000 CHF)

	2018	2017
Income from savings contributions	302 398	268 632
New affiliated companies	388 588	266 193
Vested benefit payments	386 835	278 846
Purchases	50 154	44 856
Other deposits	10 362	16 459
Entry benefits and other deposits	835 939	606 354
Investment income	- 297 319	754 826
Asset management costs	- 26 927	- 25 522
Income from investments (net)	- 324 246	729 304
Total income	814 091	1604 290
Terminated contracts	- 32 197	- 7 588
Vested benefit payments for individual departures	- 434 372	- 329 012
Other withdrawals and benefits	- 16 543	- 18 448
Termination benefits	- 483 112	- 355 048
Lump-sum benefits on retirement	- 73 461	- 59 581
Old-age, spouse's, divorce and children's pensions of retired persons	- 173 204	- 162 439
Disability, child disability, orphan's allowances	- 17 947	- 17 762
Other withdrawals and benefits	- 6 092	- 12 541
Lump-sum and pension benefits	- 270 704	- 252 323
Change in pension capital	- 306 936	- 258 237
Ordinary interest on the pension capital	- 40 069	- 34 534
Supplementary interest on the pension capital	- 19 272	- 87 801
Change in pension capital/technical reserves according to the actuarial report	- 297 564	- 261 271
Change in contribution reserves and uncommitted funds	23	2 334
Formation of pension capital, technical reserves and contribution reserves	- 663 818	- 639 509
Administrative costs	380	266
Change in fluctuation reserves	591 009	- 372 735
Total expenses	- 826 245	- 1619 349
Result	- 12 154	- 15 059

Entry benefits were CHF 352.8 million higher than terminations. This positive effect is due to the fact that, once again, more new affiliations were gained than in the previous year and there were hardly any terminations. The lump-sum benefits and pension benefits that were paid out increased again, this time by CHF 19.5 million.

In 2018, the pension capital for actively contributing members was increased by CHF 306.9 million. As a result of the cut in the technical interest rate from 3.0% to 2.75%, pensioners' pension capital additionally had to be increased by CHF 55.1 million. Technical reserves also had to be increased by CHF 38.1 million as a result of this cut.

Overall, expenses exceeded income, meaning that CHF 591.0 million had to be released from the value fluctuation reserve.

Risk process

The result was positive again in the reporting year. On account of the cut in the technical interest rate, the result fell by CHF 3.7 million.

In 2018, it was possible to fully release the provision for the reduction of risk contributions that was recognised in 2015 (CHF 4.3 million). The release of the provision also contributed to the good result.

The generally very low claims burden decreased again compared to the previous year (by CHF 1.1 million) and is now CHF 16.9 million. It has been below the actuarially calculated expectations according to the rate basis for several years now. Profond therefore adjusted the risk rate in 2018 in order to pass this on to members.

Risk process (in 1000 CHF)

	2018	2017
Income from risk contributions	34 757	31 589
Income from insurance benefits	1 933	2 469
Total income	36 690	34 058
Lump-sum benefits in the event of death	- 940	- 1 742
Old-age, spouse's, divorce and children's pensions of retired persons	- 1 753	0
Disability, child disability, orphan's allowances	- 118	0
Lump-sum benefits in the event of death	- 2 811	- 1 742
Change in pension capital/technical reserves according to the actuarial report	- 2 535	3 464
Claims resulting from death or disability	- 16 859	- 17 922
Change in pension capital, technical reserves and contribution reserves	- 19 394	- 14 458
Insurance premiums	- 149	- 144
Insurance benefits	0	0
Contributions to Guarantee Fund	- 1 786	- 1 593
Insurance expenses	- 1 935	- 1 737
Administrative costs	- 1 915	- 1 758
Total expenses	- 26 055	- 19 695
Result	10 635	14 363

Overall expenses were some CHF 6.4 million higher than in the previous year. This is because of the adjustment of the technical interest rate and the acquisition of an affiliation where we had to pay retirement benefits.

Administrative process

The surplus increased by CHF 0.8 million compared to the previous year to CHF 1.5 million.

In the reporting year, income from contributions increased proportionally more than administration costs. This was primarily due to additions from new affiliations. As in the previous year, administration cost contributions accounted for around 60% of revenues in the administrative process, and some 40% came from intermediary and distribution remuneration.

Despite somewhat higher spending, the average administration costs per member were reduced again thanks to the higher number of members. This is not least due to an increase in efficiency at Profond. For example, the administration costs for the reporting year amounted to CHF 346 (previous year: CHF 366).

Administrative process (in 1000 CHF)

	2018	2017
Contributions for brokers' remuneration	4 281	3 895
Included fees for sales of directly served affiliated companies	2 810	2 513
Administrative cost contributions	10 441	9 446
Income from contributions	17 532	15 854
Total income	17 532	15 854
General administration costs	- 8 597	- 8 121
Marketing and advertising (incl. sales)	- 3 219	- 3 061
Agents and brokerage	- 4 281	- 3 895
Audit, experts and supervisory authority	- 219	- 298
Other expenses/income	303	217
Administrative costs	- 16 013	- 15 158
Total expenses	- 16 013	- 15 158
Result	1 519	696

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