

Profond



Segment reporting
2019

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 2019

In 2019, expenses exceeded income by CHF 701.4 million. The value fluctuation reserve therefore had to be increased by the corresponding amount. At 31/12/2019 this stood at CHF 907 million. The value fluctuation reserve therefore equated to around 11.4% of the pension capital required to be covered of CHF 7.9 billion.

Operating liquidity as the balance of (+) income from contributions, (+) entry benefits and deposits, (-) termination benefits and (-) lump-sum and pension benefits amounts to CHF 580.5 million, so this has again risen compared to the previous year.

Net investment income amounted to CHF 1.1 billion. This is equivalent to an increase of CHF 1.4 billion compared to the previous year, which is due to the return of 13.5%.

The risk process again produced a surplus, which at CHF 6.3 million was CHF 4.3 million lower than in 2018, and this was passed on to members. Claims fell again in 2019, by a total of CHF 5.1 million, with an increasing number of members.

Segment reporting (in 1000 CHF)

	Savings process	Risk process	Administrative process	Total 2019	Total 2018
Income from contributions	347 094	37 716	18 826	403 636	354 687
Entry benefits and deposits	1 089 802	0	0	1 089 802	835 939
Income from investments (net)	1 053 994	0	0	1 053 994	- 324 246
Income from insurance benefits	0	3 312	0	3 312	1 933
Total income	2 490 890	41 028	18 826	2 550 744	868 313
Termination benefits	- 543 789	0	0	- 543 789	- 483 112
Lump-sum and pension benefits	- 312 611	- 3 930	0	- 316 541	- 273 515
Formation of pension capital, technical reserves and contribution reserves	- 940 935	- 25 609	0	- 966 544	- 683 212
Insurance expenses	0	- 2 507	0	- 2 507	- 1 935
Administrative costs	0	- 2 651	- 17 332	- 19 983	- 17 548
Change in fluctuation reserves	- 701 380	0	0	- 701 380	591 009
Total expenses	- 2 498 715	- 34 697	- 17 332	- 2 550 744	- 868 313
Result	- 7 825	6 331	1 494	0	0

The result from administrative processes remained at the previous year's high level. This generated a surplus of CHF 1.5 million.

Savings process

Fixed assets rose by a total of CHF 1.6 billion in 2019. Income from fixed assets also increased by CHF 1.4 billion, which is due to the 11.5% return achieved.

The income from savings contributions increased again in the reporting year, rising by CHF 44.7 million. Entry benefits and deposits increased by CHF 253.9 million compared to the previous year, rising to CHF 1.1 billion. This is again due to the large number of new affiliations. The amount of vested benefits paid in also increased by CHF 81.8 million.

Savings process (in 1000 CHF)

	2019	2018
Income from savings contributions	347 094	302 398
New affiliated companies	547 744	388 588
Vested benefit payments	468 586	386 835
Purchases	54 481	50 154
Other deposits	18 991	10 362
Entry benefits and other deposits	1 089 802	835 939
Investment income	1 083 173	- 297 319
Asset management costs	- 29 179	- 26 927
Income from investments (net)	1 053 994	- 324 246
Total income	2 490 890	814 091
Terminated contracts	- 22 877	- 32 197
Vested benefit payments for individual departures	- 503 910	- 434 372
Other withdrawals and benefits	- 17 002	- 16 543
Termination benefits	- 543 789	- 483 112
Lump-sum benefits on retirement	- 100 166	- 73 461
Old-age, spouse's, divorce and children's pensions of retired persons	- 184 820	- 173 204
Disability, child disability, orphan's allowances	- 18 524	- 17 947
Other withdrawals and benefits	- 9 101	- 6 092
Lump-sum and pension benefits	- 312 611	- 270 704
Change in pension capital	- 567 776	- 306 936
Ordinary interest on the pension capital	- 44 035	- 40 069
Supplementary interest on the pension capital	- 111 302	- 19 272
Change in pension capital/technical reserves according to the actuarial report	- 212 476	- 297 564
Change in contribution reserves and uncommitted funds	- 5 346	23
Formation of pension capital, technical reserves and contribution reserves	- 940 935	- 663 818
Administrative costs	0	380
Change in fluctuation reserves	- 701 380	591 009
Total expenses	- 2 498 715	- 826 245
Result	- 7 825	- 12 154

Entry benefits were CHF 546.0 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 41.9 million.

In 2019, the pension capital for actively contributing members increased by CHF 567.8 million. As a result of the cut in the technical interest rate from 2.75% to 2.5%, pensioners' pension capital had to be increased by an additional CHF 59.9 million and technical reserves by CHF 47.0 million.

Overall, expenses exceeded income, meaning that CHF 701.4 million had to be added to 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 and risk rating, the result fell by CHF 4.3 million.

The generally very low claims burden decreased again compared to the previous year (by CHF 5.1 million) and is now CHF 11.7 million. It has been below the actuarially calculated expectations according to the rate basis for several years now. Profond lowered the risk rating in 2018 so as to pass this on to members.

Overall expenses were some CHF 8.6 million higher than in the previous year. This is because of the adjustment of the technical interest rate and the acquisition of new affiliations.

Risk process (in 1000 CHF)

	2019	2018
Income from risk contributions	37 716	34 757
Income from insurance benefits	3 312	1 933
Total income	41 028	36 690
Lump-sum benefits in the event of death	- 1 622	- 940
Old-age, spouse's, divorce and children's pensions of retired persons	- 2 295	- 1 753
Disability, child disability, orphan's allowances	- 13	- 118
Lump-sum benefits in the event of death	- 3 930	- 2 811
Change in pension capital/technical reserves according to the actuarial report	- 13 868	- 2 535
Claims resulting from death or disability	- 11 741	- 16 859
Change in pension capital, technical reserves and contribution reserves	- 25 609	- 19 394
Insurance premiums	- 111	- 149
Insurance benefits	0	0
Contributions to Guarantee Fund	- 2 396	- 1 786
Insurance expenses	- 2 507	- 1 935
Administrative costs	- 2 651	- 1 915
Total expenses	- 34 697	- 26 055
Result	6 331	10 635

Administrative process

The surplus of CHF 1.5 million remains constant compared to the previous year.

In the reporting year, income from contributions increased proportionally more than administration costs. This was primarily due to additions from new affiliations. Administrative expenses amounted to around 64% of revenues in the administrative process, some 36% being remuneration to intermediaries and distributors.

Despite somewhat higher expenses, average administration costs per member could again be reduced thanks to the higher number of members. This is not least due to an increase in efficiency at Profond. Administration costs for the reporting year amounted to CHF 331 (previous year: CHF 346).

Administrative process (in 1000 CHF)

	2019	2018
Contributions for brokers' remuneration	4 713	4 281
Included fees for sales of directly served affiliated companies	2 120	2 810
Administrative cost contributions	11 993	10 441
Income from contributions	18 826	17 532
Total income	18 826	17 532
General administration costs	- 9 905	- 8 597
Marketing and advertising (incl. sales)	- 2 814	- 3 219
Agents and brokerage	- 4 713	- 4 281
Audit, experts and supervisory authority	- 212	- 219
Other expenses/income	312	303
Administrative costs	- 17 332	- 16 013
Total expenses	- 17 332	- 16 013
Result	1 494	1 519

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