

Profond



Segment reporting 2020

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 2020

In 2020, expenses exceeded income by CHF 67.4 m. The value fluctuation reserve therefore needed to be reduced by this amount. The value fluctuation reserve was CHF 839.1 m as of 31.12.2020 and thus equated to around 9.6% of the pension capital to be covered of CHF 8.7 bn.

Operating liquidity, as the net amount of (+) income from contributions, (+) entry benefits and deposits, (-) termination benefits and (-) lump-sum and pension payments, amounts to CHF 466.2 m, having fallen compared to the previous year.

Net investment income amounted to CHF 265.4 m. This is equivalent to a year-on-year decrease of CHF 788.6 m, which is due to the return of 2.7% (previous year: 13.5%).

Segment reporting (in 1000 CHF)

	Savings process	Risk process	Administrative process	Total 2020	Total 2019
Income from contributions	381 761	40 634	19 874	442 269	403 636
Entry benefits and deposits	924 109	0	0	924 109	1 089 802
Income from investments (net)	265 351	0	0	265 351	1 053 994
Income from insurance benefits	0	2 418	0	2 418	3 312
Total income	1 571 221	43 052	19 874	1 634 147	2 550 744
Termination benefits	- 566 426	0	0	- 566 426	- 543 789
Lump-sum and pension benefits	- 329 595	- 4 183	0	- 333 778	- 316 541
Formation of pension capital, technical reserves and contribution reserves	- 720 225	- 55 904	0	- 776 129	- 966 544
Insurance expenses	0	- 2 601	0	- 2 601	- 2 507
Administrative costs	0	- 3 082	- 19 496	- 22 578	- 19 983
Change in fluctuation reserves	67 365	0	0	67 365	- 701 380
Total expenses	- 1 548 881	- 65 770	- 19 496	- 1 634 147	- 2 550 744
Result	22 340	- 22 718	378	0	0

Savings process

In 2020, the investment volume rose by a total of CHF 729.1 m. The income from investments decreased by CHF 788.6 m, which is due to the 2.7% return achieved.

It was possible to increase the income from savings contributions once more in the reporting year. This rose by CHF 34.7 m. By contrast, entry benefits

and deposits fell by CHF 165.7 m year on year to CHF 924.1 m. This is due to the lower cash inflow from new affiliations. The termination benefits received also fell, decreasing by CHF 49.2 m.

The entry benefits exceeded termination benefits by CHF 357.7 m. Once again, there were hardly any terminations. The lump-sum and pension benefits that were paid out increased again, this time by CHF 17.0 m.

Savings process (in 1000 CHF)

	2020	2019
Income from savings contributions	381 761	347 094
New affiliated companies	432 156	547 744
Vested benefit payments	419 366	468 586
Purchases	62 934	54 481
Other deposits	9 653	18 991
Entry benefits and other deposits	924 109	1 089 802
Investment income	301 429	1 083 173
Asset management costs	- 36 078	- 29 179
Income from investments (net)	265 351	1 053 994
Total income	1 571 221	2 490 890
Terminated contracts	- 33 904	- 22 877
Vested benefit payments for individual departures	- 508 844	- 503 910
Other withdrawals and benefits	- 23 678	- 17 002
Termination benefits	- 566 426	- 543 789
Lump-sum benefits on retirement	- 84 972	- 100 166
Old-age, spouse's, divorce and children's pensions of retired persons	- 192 975	- 184 820
Disability, child disability, orphan's allowances	- 19 128	- 18 524
Other withdrawals and benefits	- 32 520	- 9 101
Lump-sum and pension benefits	- 329 595	- 312 611
Change in pension capital	- 436 939	- 567 776
Interest on the pension capital	- 90 509	- 155 337
Change in pension capital/technical reserves according to the actuarial report	- 204 942	- 212 476
Change in contribution reserves and uncommitted funds	12 165	- 5 346
Formation of pension capital, technical reserves and contribution reserves	- 720 225	- 940 935
Change in fluctuation reserves	67 365	- 701 380
Total expenses	- 1 548 881	- 2 498 715
Result	22 340	- 7 825

In 2020, pension capital for actively contributing members increased by CHF 436.9 m. As a result of the cut in the technical interest rate from 2.5% to 2.25%, pensioners' pension capital needed to be additionally increased by CHF 64.5 m and the technical reserves by CHF 56.5 m.

Overall, expenses exceeded income, meaning that CHF 67.4 m of the value fluctuation reserve needed to be released.

Risk process

The result was negative in the reporting year despite higher contributions of CHF 2.9 m. Due to a new technical reserve for "pending and latent pension claims" involving one-off costs of CHF 36.0 m and to a larger number of claims, the result fell by CHF 29.0 m.

The generally very low claims burden increased by CHF 5.5 m year on year and is now CHF 17.2 m. It has been below the actuarially calculated expectations according to the rate bases for several years now.

Risk process (in 1000 CHF)

	2020	2019
Income from risk contributions	40 634	37 716
Income from insurance benefits	2 418	3 312
Total income	43 052	41 028
Lump-sum benefits in the event of death	- 1 970	- 1 622
Old-age, spouse's, divorce and children's pensions of retired persons	- 2 203	- 2 295
Disability, child disability, orphan's allowances	- 10	- 13
Lump-sum benefits in the event of death	- 4 183	- 3 930
Change in pension capital/technical reserves according to the actuarial report	- 38 665	- 13 868
Claims resulting from death or disability	- 17 239	- 11 741
Change in pension capital, technical reserves and contribution reserves	- 55 904	- 25 609
Insurance premiums	0	- 111
Contributions to Guarantee Fund	- 2 601	- 2 396
Insurance expenses	- 2 601	- 2 507
Administrative costs	- 3 082	- 2 651
Total expenses	- 65 770	- 34 697
Result	- 22 718	6 331

Administration process

The surplus fell by CHF 1.1 m compared to the previous year.

In the reporting year, income increased by CHF 1.0 m. This is primarily due to additions from new affiliations. Overall, as in the previous year, administrative contributions comprised around 64% of income in the administration process, intermediary and distribution remuneration comprised around 36%.

The average administration costs per insured person increased in the reporting year. This is due to higher intermediary remuneration and investments in digitalisation. The administration costs per insured person thus amount to CHF 347 for the reporting year (previous year: CHF 331).

Administrative process (in 1000 CHF)

	2020	2019
Contributions for brokers' remuneration	5 355	4 713
Included fees for sales of directly served affiliated companies	1 859	2 120
Administrative cost contributions	12 660	11 993
Income from contributions	19 874	18 826
Total income	19 874	18 826
General administration costs	- 11 472	- 9 905
Marketing and advertising (incl. sales)	- 2 790	- 2 814
Agents and brokerage	- 5 354	- 4 713
Audit, experts and supervisory authority	- 255	- 212
Other expenses/income	375	312
Administrative costs	- 19 496	- 17 332
Total expenses	- 19 496	- 17 332
Result	378	1 494

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