

INFORMATION FOR FINANCIAL YEAR 2018
Groupe Mutuel Prévoyance-GMP

2018

Groupe Mutuel[®]
PRÉVOYANCE PREVIDENZA VORSORGE

Overview of financial year 2018

Choosing to combine forces

2018 was an important step for the future of Groupe Mutuel Prévoyance, following the decision to merge with Mutuelle Valaisanne de Prévoyance. Effective on 1 January 2019, the merger will add a new dimension to Groupe Mutuel Prévoyance, with 2700 member companies and close to CHF 2 billion of assets under management.

Two companies of the same size, with more or less the same assets. This merger is particularly timely, since both companies are in exceptionally good financial health, at the top of rankings assessing the reliability of pension funds in Switzerland and with a coverage ratio of 112.35% that will serve as a benchmark as from 1 January 2019.

Combining forces into a single entity will offer increased synergies and a reliable and efficient pension solution to our insured members.

Diversifying the sources of income

Given the persistence of very low interest rates on a global scale, the first discussions on introducing an allocation in private equity and private debt markets took place at the end of 2017. The main objectives of this strategy were to reduce exposure to changes in interest rates and to diversify the sources of income.

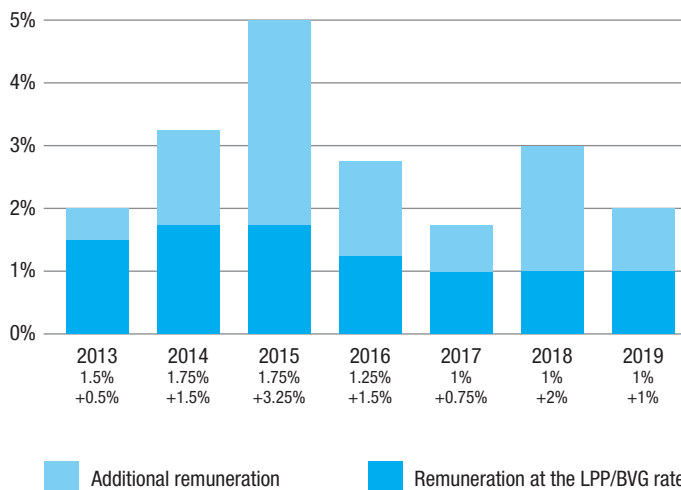
Adding the «alternative management» segment to the strategic asset allocation was completed in 2018. This will result in a 5% decrease in assets affected by changes in interest rates, 3% of which will be transferred to Private Equity (unlisted equity market) and 2% to Private Debt (loans to unlisted companies). The implementation will take several years to complete.

A 2018 result in line with the market

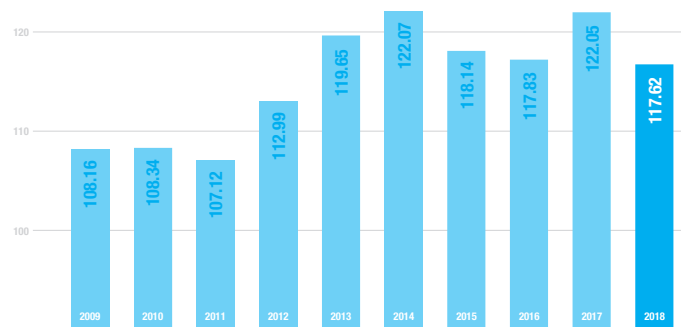
The sideways move of bond yields, close to zero, as well as the spectacular decline in equities in December, led to a performance of -3.1% in 2018. Although negative in absolute terms, this result is somewhat positive when compared to competitors (cf. UBS Pension Fund Indicators: -3.45%; Credit Suisse: -3.2%; Swisscanto: -3.52%).

A 3% payout to insured members

Despite this, Groupe Mutuel Prévoyance was able to grant an interest rate of 3% to its insured members for 2018. This was done by using provisions built up in previous years for the purpose of allocating additional interest.



Evolution of the coverage ratio over 10 years



Calculation of the coverage ratio

	31.12.2018	31.12.2017
Total assets	954,639,320	957,909,590
Liabilities	-29,330,155	-12,876,645
Vested termination benefits and pensions to be paid out	-44,552,579	-62,030,054
Assets as at 31.12	880,756,586	883,002,890
Retirement assets and technical provisions	748,786,705	723,485,383
Coverage ratio	117.62%	122.05%

Business success on the agenda

Financial year 2018 was an incredibly intense year on a business level, with a record number of new offers and signed contracts. Thanks to our strategic vision for an efficient solution for insured members, we met with many employers in 2018 who were concerned about the pension security of their employees. A new pricing approach, based on criteria specific to each company, contributed to the commercial success. Groupe Mutuel Prévoyance is expanding its customer base, mainly in the tertiary sector and throughout Switzerland. Already well-known in French-speaking Switzerland, the Fund now offers its services to a growing number of companies in German-speaking Switzerland.

Annual accounts 2018 – Summary

Balance sheet

Assets in CHF	31.12.2018	31.12.2017
Investments	898,110,625	907,060,437
Operating liquidity	40,919,859	38,039,679
Deliverables	11,664,693	9,163,654
Accruals for assets	3,944,143	3,645,820
Total assets	954,639,320	957,909,590
Liabilities in CHF	31.12.2018	31.12.2017
Commitments	45,251,062	62,959,434
Accruals for liabilities	23,696,563	7,302,989
Employer contribution reserves	4,935,109	4,644,277
Retirement assets and technical provisions	748,786,705	723,485,383
Value fluctuation reserve	82,200,000	75,300,000
Fund assets / Uncommitted funds	49,769,882	84,217,507
Total liabilities	954,639,320	957,909,590

Operating account

in CHF	2018	2017
Inflows from contributions and entry benefits	152,306,590	145,391,035
Expenses related to benefits and advance payments	-120,118,961	-145,978,607
Adjustment / build-up of retirement assets, technical provisions and contribution reserves	-25,592,153	-26,057,744
Revenue of insurance benefits	7,434,065	11,737,642
Insurance expenses	-6,476,771	-6,749,843
Net insurance result	7,552,769	-21,657,517
Net return on investments	-29,335,970	62,593,852
Other revenue	127,306	53,467
Administrative fees	-5,891,730	-5,884,652
Revenue / expenses surplus before building up the value fluctuation reserve	-27,547,625	35,105,150
Building up / adjusting the value fluctuation reserve	-6,900,000	-1,400,000
Expenses (-) / revenue surplus (+)	-34,447,625	33,705,150

Groupe Mutuel Prévoyance is semi-autonomous joint pension fund with a contribution-based plan. It is reinsured with life insurance companies for disability and death risks, and partly for longevity, in accordance with the provisions of the Federal Law on Occupational Benefits (LPP/BVG).

Allocation of investments

31.12.2018

	In CHF	
Assets available for investment and money market investments in CHF	61,543,292	6.9%
Assets available for investment and money market investments in foreign currencies	11,258,743	1.3%
Bonds in CHF	248,636,013	27.7%
Foreign currency bonds hedged in CHF	64,190,952	7.1%
Foreign currency bonds	69,588,073	7.7%
Swiss shares	114,609,889	12.8%
Foreign shares	145,688,402	16.2%
Real estate held in Switzerland currently in use	102,841,000	11.5%
Buildings under construction	7,065,638	0.8%
Indirect real estate investments in Switzerland	22,890,636	2.5%
Absolute returns	49,797,987	5.5%
Total	898,110,625	100.0%

Return per asset type (net of expenses)

2018

	Performance Benchmark Index	Achieved performance
Swiss shares (SMI Expanded with dividends)	-7.82%	-8.10%
Foreign shares (Composite)	-12.21%	-10.70%
Swiss franc bonds (SBI AAA-BBB Total return)	0.07%	-0.02%
Bonds hedged in CHF (Barclays Global Aggregate hedged in CHF)	-1.47%	-3.04%
Bonds in foreign currencies (Composite)	-2.82%	-3.21%
Absolute return (minimum LPP/BVG rate)	1.00%	-0.84%
Direct real estate (4%)	4.00%	3.54%
Indirect real estate (SXI Real Est. Funds TR Index)	-5.32%	-0.42%
Liquidity (JPM Cash Index CHF 3 months)	-0.71%	-0.04%
Total	-2.86%	-3.12%

Retirement assets and technical provisions

	31.12.2018	31.12.2017
Retirement assets of insured employees	663,089,653	628,610,053
Retirements assets of pensioners	60,831,166	52,913,527
Funds linked to companies	1,792,885	1,845,803
Provision for gaps in conversion rates	13,081,000	12,147,000
Provision for increase in life expectancy	912,000	528,000
Provision for small number of pensioners	2,380,000	2,241,000
Provision for additional interest	6,700,000	12,600,000
Provision for future interest allocation	0	12,600,000
Total	748,786,705	723,485,383

In 2019, insured members will receive an additional interest share of 1% of the accumulated assets, in the form of a provision of CHF 6,700,000, in addition to the legal interest of 1%. The allocation of additional interest applies only to contracts signed in 2018.

Value fluctuation reserve

The purpose of the valuation fluctuation reserve is to cover specific risks in the market in order to fund pension payments in the long-term. Creating such a reserve aims to reach a security level of around 99.75% (2017: 99%) taking into account the expected return and volatility of each investment category and considering the advantages of diversification.

Purpose and calculation of the value fluctuation reserve

	2018	2017
Value fluctuation reserve as at 1 January	75,300,000	73,900,000
Build-up / adjustment	6,900,000	1,400,000
Value fluctuation reserve as at 31.12	82,200,000	75,300,000
Retirement assets and technical provisions	748,786,705	723,485,383
Purpose and calculation of the value fluctuation reserve	10.98%	10.41%

The calculation method for the value fluctuation reserve is defined by the Risk Adjusted Capital. This method takes into account:

- the remuneration of the Fund's retirement assets at the minimum LPP/BVG rate
- the volatility of the investment strategy chosen by the Fund
- the expected return of the investment strategy chosen by the Fund
- the degree of likelihood of occurrence.

Exercise of shareholders' voting rights

The Ordinance against Improper Remuneration in Public Limited Companies (ORAb) came into force on 1 January 2014. Under the ORAb, pension funds are required to exercise their voting rights at the general meetings of listed Swiss domiciliary companies.

The Pension Board is responsible for exercising the right to vote and voting in the interests of the insured in such a way as to ensure sustainable wealth.

An annual report on the votes cast during the year under review is available to the Fund's policyholders on the website www.groupemutuel.ch.

Members of the Pension Board

Mrs Karin Perraudin, President¹

Mr Patrick Varone, Vice-President²

Mr Marc-Etienne Berdoz, Member¹

Mr Stéphane Roduit, Member²

Mr Antonio Rosafio, Member²

Mr Thierry Rosset, Member¹

Founder's representatives

Mr Fabio Naselli Feo, Secretary (not a member of the Board)

Mr Urs Schwaller

Administrator

Groupe Mutuel, Martigny

Auditors

Ernst & Young SA, Lausanne

Expert

Allea SA, M. Christophe Steiger, Lausanne

¹ Employer representative

² Employee representative

The financial statements 2018 can be downloaded from the website (in French, German or Italian), at the address:

www.groupemutuel.ch/rapportLPP.

It is also possible to order them by email: lpp@groupemutuel.ch

Numbers

Headcount	31.12.2018	31.12.2017
	1,783	1,767

Active members	31.12.2018	31.12.2017
Men	5,257	5,223
Women	4,412	4,274
Total	9,669	9,497

Number of persons who contributed during the financial year	11,695	11,838
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Pensioners	31.12.2018	31.12.2017
Old-age pensions	346	328
Spouse's / partner's pensions	23	20
Disability pensions	121	105
Pensions for children (of pensioners or disabled members)	68	55
Orphan pensions	28	27
Total	586	535

Administrator:

Groupe Mutuel Previdenza-GMP

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