

News from the C&A Group Pension Fund

Investments

The prevailing situation with low interest rates again dominated the investment world in 2016. The markets displayed large regional differences in performance among the shares. On the Swiss stock market (SMI) significant losses were suffered. By contrast, the investments in Emerging Markets showed significant gains until the election of Donald Trump at the beginning of November 2016. Swiss real estate continued to deliver good returns. For all investments as a whole, a yield of 4.5 % was achieved in 2016.

Funding ratio

Starting with a funding ratio of 104.4 % in the previous year, towards the end of 2016 the funding ratio declined to approx. 100 %. The definitive figures are not yet available. The reason for the decline in the funding ratio is, firstly, the insufficient yield, and secondly the higher liabilities. The returns on investments more or less covered the expenditure for interest accruing on the retirement assets plus the administrative expenses. The higher liabilities result from the changes made in 2016. The Board of Trustees has reduced the discount rate for the pension capital of pensioners from 2.75 % to 2.50 % and also adjusted the parameters for the actively contributing insured persons. The discount rate is used to calculate the pension fund's liabilities. A lower discount rate results in higher liabilities and therefore a lower coverage ratio.

Remuneration of retirement assets

At its meeting on 13 December 2016, the Board of Trustees decided to apply the Federal Council's minimum interest rate of 1.25 % to retirement assets for 2016. For 2017, the Federal Council has further reduced the minimum interest rate for occupational pensions (BVG) to 1.00 %. The Board of Trustees will meet in December to decide on the final return on retirement assets for the current year. Retirement assets held by members who leave the scheme during 2017 will attract the minimum interest rate up to their time of leaving.

Prospects

The record low interest rates, uncertainties in the financial markets and the increasing life expectancy of the population are having a major influence on the long-term financing of pensions. The environment has changed significantly in recent years to the disadvantage of pension funds. The Federal Council intends to address these challenges with its "Pension Reform 2020" package (*Altersvorsorge 2020*). The package is currently being discussed by the National Council and the Council of States, and will probably be the subject of a public referendum in September 2017. From the Pension Fund's standpoint, we are in favour of acceptance of the "Pension Reform 2020". We will keep you duly informed of the ongoing discussions and about the consequences that the referendum will have for our Pension Fund.

Regulations

At its meeting on 13 December 2016, the Board of Trustees presented and approved the appropriate adjustments relating to the new structure of the pension scheme, the new divorce law, and the revision of the Accident Insurance Act (UVG). Please find enclosed the regulations that have come into effect on 1 January 2017.

Mr Hans-Peter Gasser of Libera AG will be pleased to help with any suggestions or questions you may have: he can be reached by phone on 061 / 205 74 25, or you can send an email to hans-peter.gasser@libera.ch. Mr Gasser has been responsible for the administration of our Pension Fund since 1 December 2016, replacing Mr Schnyder in this position, who has taken up a new professional challenge outside Libera AG.