

Profond



Segment reporting 2021

Segment reporting

Since the 2014 financial year Profond has reported the results for the three business segments “Savings”, “Risk” and “Administrative process” separately. This segment reporting shows how the funds are used. The aim is for the risk and administrative processes to cover costs, and for all savings contributions to benefit the savings process. Any 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 2021

In 2021, income exceeded expenditure by CHF 669.2 m. This meant that we were able to fully increase the value fluctuation reserve by CHF 509.0 m, which amounted to a healthy CHF 1.3 bn as at 31.12.2021. This good result made it possible to create additional uncommitted funds of CHF 160.2 m.

Operating liquidity, expressed as the net amount of (+) income from contributions, (+) entry payments and deposits, (-) termination benefits and (-) lump-sum and pension payments, amounted to CHF 81.1 m, a reduction compared to the previous year. This was due to a significantly lower number of new affiliations than in the previous year.

Segment reporting (in CHF 1 000)

	Savings process	Risk process	Administrative process	Total 2021	Total 2020
Income from contributions	390 774	39 071	18 604	448 449	442 269
Entry benefits and deposits	581 654	0	0	581 654	924 109
Income from investments (net)	1 260 482	0	0	1 260 482	265 351
Income from insurance benefits	0	1 525	0	1 525	2 418
Total income	2 232 910	40 596	18 604	2 292 110	1 634 147
Termination benefits	- 604 663	0	0	- 604 663	- 566 426
Lump-sum and pension benefits	- 341 225	- 3 087	0	- 344 312	- 333 778
Formation of pension capital, technical reserves and contribution reserves	- 607 935	- 39 679	0	- 647 614	- 776 129
Insurance expenses	0	- 2 671	0	- 2 671	- 2 601
Administrative costs	0	- 4 651	- 18 955	- 23 606	- 22 578
Change in fluctuation reserves and uncommitted funds	- 669 244	0	0	- 669 244	67 365
Total expenses	- 2 223 067	- 50 088	- 18 955	- 2 292 110	- 1 634 147
Result	9 843	- 9 492	- 351	0	0

Net investment income amounted to just under CHF 1.3 bn. This is equivalent to a year-on-year increase of CHF 995.1 m which is due to the return of 12.8% (previous year: 2.7%).

Savings process

In 2021, assets rose by a total of CHF 1.3 bn. The income from investments increased by CHF 995.1 m which resulted from the 12.8% return achieved.

It proved possible to increase the income from savings contributions once more in the reporting year. This rose by CHF 9.0 m. By contrast, entry payments and deposits fell by CHF 342.5 m year on year to CHF 581.7 m. This is due to the lower cash inflow from new affiliations. The vested pension benefits transferred from other funds also fell, decreasing by CHF 49.2 m.

Savings process (in CHF 1 000)

	2021	2020
Income from savings contributions	390 774	381 761
New affiliated companies	108 078	432 156
Vested benefit payments	370 209	419 366
Purchases	70 000	62 934
Other deposits	33 367	9 653
Entry benefits and other deposits	581 654	924 109
Investment income	1 307 228	301 429
Asset management costs	- 46 746	- 36 078
Income from investments (net)	1 260 482	265 351
Total income	2 232 910	1 571 221
Terminated contracts	- 114 907	- 33 904
Vested benefit payments for individual departures	- 465 457	- 508 844
Other withdrawals and benefits	- 24 299	- 23 678
Termination benefits	- 604 663	- 566 426
Lump-sum benefits on retirement	- 106 309	- 84 972
Old-age, spouse's, divorce and children's pensions of retired persons	- 209 008	- 192 975
Disability, child disability, orphan's allowances	- 18 868	- 19 128
Other withdrawals and benefits	- 7 040	- 32 520
Lump-sum and pension benefits	- 341 225	- 329 595
Change in pension capital	- 95 963	- 436 939
Interest on the pension capital	- 411 432	- 90 509
Change in pension capital/technical reserves according to the actuarial report	- 97 161	- 204 942
Change in contribution reserves and uncommitted funds	- 3 379	12 165
Formation of pension capital, technical reserves and contribution reserves	- 607 935	- 720 225
Change in fluctuation reserves and uncommitted funds	- 669 244	67 365
Total expenses	- 2 223 067	- 1 548 881
Result	9843	22 340

In 2021, the termination benefits were higher than entry payments, which meant there was a cash outflow of CHF 23.0 m. This situation was due to the lower cash flows from new affiliations and the larger number of contracts that were terminated. The lump-sum and pension benefits that were paid out increased again, this time by CHF 11.6 m.

In 2021, pension capital for actively contributing members of CHF 96.0 m was created. As a result of the cut in the technical interest rate from 2.25% to 2.00%, pensioners' pension capital needed to be increased by a further CHF 69.6 m and the technical reserves by CHF 62.4 m.

The good investment performance meant that income was higher than expenses overall, making it possible to fully increase the target value fluctuation reserve of 14.38% of the pension capital to be covered. It was also possible to create uncommitted funds of CHF 160.2 m.

Risk process

In the reporting year, the result was still negative, but was nevertheless an improvement of CHF 13.2 m in comparison to the previous year. The conversion of the actuarial principles to the BVG 2020, 2021 mortality tables (previous year: BVG 2015, 2012 mortality tables) meant that some of the reserves had to be released.

Risk process (in CHF 1 000)

	2021	2020
Income from risk contributions	39 071	40 634
Income from insurance benefits	1 525	2 418
Total income	40 596	43 052
Lump-sum benefits in the event of death	- 842	- 1 970
Old-age, spouse's, divorce and children's pensions of retired persons	- 2 236	- 2 203
Disability, child disability, orphan's allowances	- 9	- 10
Lump-sum benefits in the event of death	- 3 087	- 4 183
Change in pension capital/technical reserves according to the actuarial report	- 23 448	- 38 665
Claims resulting from death or disability	- 16 231	- 17 239
Change in pension capital, technical reserves and contribution reserves	- 39 679	- 55 904
Contributions to Guarantee Fund	- 2 671	- 2 601
Insurance expenses	- 2 671	- 2 601
Administrative costs	- 4 651	- 3 082
Total expenses	- 50 088	- 65 770
Result	- 9 492	- 22 718

Furthermore, the reserve for pending and deferred pension claims was increased by CHF 33.9 m. This reserve was first created in 2020 and has been increased to CHF 70.4 m in the meantime. No further material adjustments are expected for the future, which means that the result should also become positive again.

The generally very low claims burden decreased by CHF 1.0 m year on year and is now CHF 16.2 m. For the past several years it has been below the actuarially calculated expectations according to the tariff bases.

Administrative process

The administrative process reported a slightly negative result of CHF 0.4 m for 2021.

The contributions for administration costs were lowered for 2021, which reduced income by CHF 2.0 m. Overall, contributions for administrative costs comprised around 57% of the income in the administrative process (previous year: 64%), intermediary and distribution remuneration accounted for around 43% (previous year: 36%).

The average administration costs per insured person decreased in the reporting year. Investment in digitalisation is slowly having a positive effect on administration costs. The administration costs per insured person thus amount to CHF 329 for the reporting year (previous year: CHF 347).

Administrative process (in CHF 1 000)

	2021	2020
Contributions for brokers' remuneration	5 219	5 355
Included fees for sales of directly served affiliated companies	2 688	1 859
Administrative cost contributions	10 697	12 660
Income from contributions	18 604	19 874
Total income	18 604	19 874
General administration costs	- 11 046	- 11 472
Marketing and advertising (incl. sales)	- 2 856	- 2 790
Agents and brokerage	- 5 219	- 5 354
Audit, experts and supervisory authority	- 248	- 255
Other expenses/income	414	375
Administrative costs	- 18 955	- 19 496
Total expenses	- 18 955	- 19 496
Result	- 351	378

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