

Information for financial year 2022

Groupe Mutuel
Prévoyance-GMP



Overview of financial year 2022

2022: the second pillar in the midst of the crisis

While the previous year had offered excellent prospects for returns for the second pillar, 2022 served as a reminder of the fundamentals of this business activity: a long-term view and the building up of appropriate reserves in prosperous times with a view to absorbing fluctuations in market values. The war in Ukraine and its strong impact, the return of inflation and the sudden rise in interest rates, although expected, was a sharp turnaround, which GMP was able to cope with thanks to a sound management policy.

The security of pension assets has always been the priority. A high level of coverage is not only a sign of the ability to meet commitments for policyholders, but also of the ability to get through turbulent times with less difficulty. Groupe Mutuel Prévoyance-GMP has therefore maintained a level of coverage of 105.25% as of 31 December 2022, despite an investment result of -9.35%. This means that liabilities remain fully covered.

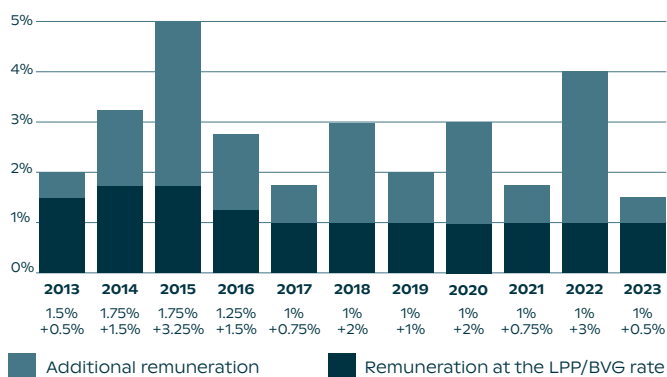
Coverage ratio according to Art. 44 OPP2/BVV2

as of 31.12	2022	2021
Total assets	2 554 808 404	2 630 202 201
Commitments	-96 381 127	-64 647 500
Accruals for liabilities	-23 568 221	-27 171 611
Employer contribution reserves	-16 771 540	-15 906 244
Assets as of 31.12	2 418 087 516	2 522 476 847
Retirement assets of active policyholders and pensioners	2 230 098 428	2 008 106 637
Uncommitted funds of affiliated employers	7 455 228	8 184 623
Technical provisions	59 976 616	132 876 616
Retirement assets and technical provisions	2 297 530 272	2 149 167 876
Coverage ratio	105.25%	117.37%

A high return on assets

At the end of 2021, the Pension Board decided to set aside part of the result of the financial year for the allocation of additional interest in future years. For this reason, in 2022, insured persons received a total interest of 4%, made up of the minimum LPP/BVG rate of 1% and an additional interest of 3%. For 2023, insured persons will receive a 1.5% interest, including an allocation of an additional interest of 0.5% from the available provision. This approach places Groupe Mutuel Prévoyance-GMP among the collective pension funds that have distributed the highest interest rates over the last 10 years, with an average of 2.8%.

Interest rate allocated on the total savings of insured persons



A significant breakthrough in German-speaking Switzerland that is still going strong

After the record year of 2021, the success of the business activities was confirmed once again, with 342 new contracts signed, which represents an annual premium volume of CHF 10.2 million. It is pleasing to note that 30% of the growth in turnover was achieved in the German-speaking part of Switzerland, thereby strengthening the national presence of Groupe Mutuel Prévoyance-GMP.

The return of the General Meeting of Delegates in person

After two years of general meetings held by correspondence, we were pleased to see our delegates in person in 2022. This meeting represents a unique opportunity to present our activities and to learn more about the needs of the representatives of each of our member companies. We therefore look forward to seeing many of our delegates at the next General Meeting on 12 June 2023 in Sion.

ESG - Sustainable and responsible investments

The annual audit by Conser SA, an independent expert, confirmed the positive trend in the investment methodology, with an improvement in the overall rating: GMP was awarded an A for its overall portfolio, compared to an A- in 2021 (the rating scale ranging from A+ to D, with the benchmark remaining at B+). All asset categories in the portfolio contribute to the improvement of this assessment. The practical implementation is based on different principles.



1. Affiliation

GMP is a member of the association Swiss Sustainable Finance SSF. It publicly demonstrates the foundation's commitment to sustainability issues and provides access to the latest developments with regard to capital management. A partnership is in place with ISS Institutional Shareholder Services, which provides access to the ESG ratings of the global investment opportunities.

2. Exercise of voting rights

Voting rights at the general meetings of Swiss companies are exercised in accordance with the voting recommendations of the Ethos Foundation. Climate issues considered insufficiently ambitious and lacking in transparency were rejected.

3. Commitment

GMP is a member of the ISS engagement group for shareholder dialogue. The pension fund provided support to 13 companies whose practices have high potential for improvement.

4. Exclusions

The list of exclusion recommendations drawn up by the ASIR (Swiss Association for Responsible Investment) has been extended and is still followed and applied.

5. Environmental awareness

CO₂ emissions are 42% lower than the benchmark, while carbon intensity is 37% lower. The reduction in the portfolio's CO₂ emissions corresponds to more than 15% since the end of 2021. Exposure to fossil fuels has been reduced to 1.3% of the portfolio (1.6% in 2021). This exposure is mainly composed of companies in energy transition. Therefore, GMP is moving in a direction that can be considered in line with the objectives of the Paris Climate Agreement.

6. Other sustainability aspects

The independent association "Alliance Climatique Suisse" has confirmed GMP's good practice in terms of responsible investment: GMP has moved into the "Good Practice" category, with a rating of "Significantly Better", making it one of the 30% best rated pension funds.

Annual accounts 2022 – Summary

Total contributions from employees and employers amounted to CHF 186,543,091, up by 6.76% compared to the previous financial year. The result of the investment activities reflects the simultaneous negative development of the various investment vehicles, with a loss in value of CHF 251,860,644. Administrative and commercial expenses amounted to CHF 12,357,572 and represented 6.62% of the financial year's contributions, a slightly lower rate than in the previous year. The target of the value fluctuation reserves corresponds to 16.25% of tied funds, compared to 14.57% at the end of the previous financial year. With an available balance of CHF 120,557,244 as of 31 December 2022, the value fluctuation reserve target is met at 32.3%. The expenses surplus for the year amounted to CHF 252,751,727. This is covered by the release of uncommitted funds of CHF 60,208,971 and the partial release of the value fluctuation reserve of CHF 192,542,756. As of 31 December 2022, the balance sheet total was CHF 2,554,808,404, i.e. down 2.87%.

Balance sheet

Assets in CHF	31.12.2022	31.12.2021
Investments	2 485 256 080	2 536 544 008
Operating liquidity	44 136 881	69 776 781
Deliverables	20 666 541	19 420 097
Accruals for assets	4 748 902	4 461 316
Total assets	2 554 808 404	2 630 202 201

Liabilities in CHF	31.12.2022	31.12.2021
Commitments	96 381 127	64 647 500
Accruals for liabilities	23 568 221	27 171 611
Employer contribution reserves	16 771 540	15 906 244
Retirement assets and technical provisions	2 297 530 272	2 149 167 876
Value fluctuation reserve	120 557 244	313 100 000
Fund assets / Uncommitted funds	0	60 208 971
Total liabilities	2 554 808 404	2 630 202 201

Operating account

in CHF	2022	2021
Inflows from contributions and entry benefits	477 208 423	413 480 450
Expenses relating to benefits and advance payments	-345 438 463	-303 307 804
Adjustment / build-up of retirement assets, technical provisions and contribution reserves	-149 593 669	-191 162 395
Revenue of insurance benefits	44 092 153	19 212 739
Insurance expenses	-15 112 286	-13 983 659
Net insurance result	11 156 156	-75 760 670
Net return on investments	-251 860 644	153 904 674
Other revenue	310 332	294 097
Administrative fees	-12 357 572	-11 818 018
Revenue / expenses surplus before build-up / adjustment of the value fluctuation reserve	-252 751 727	66 620 083
Adjustment / build-up of the value fluctuation reserve	192 542 756	-41 300 000
Expenses (-) / revenue surplus (+)	-60 208 971	25 320 083

Capital investment activities

The management of different types of assets in 2022 provided a return on equity of -9.4% net of fees. By way of comparison, the benchmark index was -10.2%. This overperformance is mainly due to Swiss equities and Swiss franc bonds. This result should also be compared with Pictet's LPP25 and LPP40 indices, which posted losses of -14.1% and -14.8% respectively.

In accordance with the provisions of Swiss GAAP FER 26, the pension fund's assets are valued at market value. Alternative management consists of private equity and private debt. Absolute returns relate to defensive structured products, mortgages, secured capital, loans and microfinance.

The performance achieved is calculated according to the MWR (Money Weighted Return) method.

Allocation of investments

as of 31.12	2022	
Assets available for investment and money market investments in CHF	157 662 107	6.3%
Assets available for investment and money market investments in foreign currencies	19 154 103	0.8%
Bonds in CHF	600 045 889	24.1%
Foreign currency bonds hedged in CHF	127 068 423	5.1%
Foreign currency bonds	131 385 392	5.3%
Swiss shares	294 653 184	11.9%
Foreign shares	437 706 880	17.6%
Real estate held in Switzerland currently in use	250 942 250	10.1%
Real estate held in Switzerland under construction	14 615 895	0.6%
Indirect real estate investments in Switzerland	179 390 625	7.2%
Alternative investments	83 039 002	3.3%
Absolute returns	189 592 331	7.6%
Total	2 485 256 080	100.0%

Return per asset type (net of expenses)

	2022 Performance Reference index	Achieved return
Swiss shares (SMI Expanded with dividends)	-16.21%	-14.61%
Foreign shares (Composite)	-18.01%	-18.16%
Swiss franc bonds (SBI AAA-BBB Total return)	-12.10%	-8.85%
Foreign bonds in CHF (Barclays Global Aggregate hedged in CHF)	-13.71%	-15.16%
Bonds in foreign currencies (Composite)	-15.05%	-12.55%
Private Equity (MSCI World +2%)	8.00%	9.02%
Private Debt (Libor CHF 12 months +3%)	2.33%	1.37%
Absolute return (minimum LPP/BVG rate)	1.00%	-1.67%
Direct real estate (3.5% in 2022 compared to 3.5% in 2021)	3.50%	5.57%
Indirect real estate (SXI Real Est. Funds TR Index)	-15.17%	-10.72%
Liquidity (JPM Cash Index CHF 3 months)	-0.87%	-3.52%
Total	-10.24%	-9.35%

Purpose and calculation of the value fluctuation reserve

	2022	2021
Value fluctuation reserve as of 01.01	313 100 000	271 800 000
Build-up / adjustment	-192 542 756	41 300 000
Value fluctuation reserve as of 31.12	120 557 244	313 100 000
Purpose of the value fluctuation reserve as a % of commitments	16.25%	14.57%
Purpose of the value fluctuation reserve in CHF	373 300 000	313 100 000

The purpose of the value fluctuation reserve is to cover specific market risks in order to fund pension benefits in the long-term. Its objective is to achieve a security level of 99.75% (99.85% in 2021) taking into account the expected return and volatility of every investment category and taking into account the diversification gain. As of 31 December 2022, the value fluctuation reserve is not fully constituted.

Technical provisions

as of 31.12	2022	2021
Provision for conversion rate difference	34 176 616	34 176 616
Provision for risk fluctuation and costs	9 700 000	9 700 000
Provision for additional interest	9 800 000	53 400 000
Provision for future interest allocation	6 300 000	35 600 000
Total of technical provisions	59 976 616	132 876 616

The regulations for actuarial liabilities govern the constitution of provisions. The provision for conversion rate difference is set up to prefinance the costs of ordinary or early retirements resulting from the application of a regulatory conversion rate higher than the conversion rate corresponding to the technical bases used. The provision for risk and expense fluctuations is intended to compensate for variations and differences between the actual costs and the premiums charged for risks and expenses.

Background and organisation

Groupe Mutuel Prévoyance-GMP is a semi-autonomous joint pension fund of the "defined contribution plan" type, with its head office in Sion. The pension fund is registered under the number 304,083 with the Supervisory Authority for LPP/BVG Pensions and Foundations in Western Switzerland and the LPP/BVG Security Fund. The bodies of the pension fund are the Pension Board, the Meeting of Delegates and the Auditors. The Pension Board is the highest body of the pension fund. The Meeting of Delegates appoints and revokes the members of the Pension Board. The Meeting of Delegates reviews the annual report of the Pension Board.

Pension Board

Mrs Karin Perraudin, President¹
Mr Bruno Pache, Vice-President¹
Mr Patrick Varone, Secretary¹
Mr Marc-Etienne Berdoz, Member
Mrs Stéphanie Emery Haenni, Member
Mr François Frezza, Member
Mrs Patricia Lorenz, Member
Mr Stéphane Roduit, Member
Mr Thierry Rosset, Member
Mr Benoît Schoechli, Member
¹joint signatures in pairs

Founders' representatives, excluding the Board

Mr Fabio Naselli Feo
Mr Nicolas Debons, until 30 June 2022
Mr Fabrice Constantin, as from 1 July 2022

2022 - Amendment of the regulations

The regulations for administrative fees were adopted by the Pension Board on 26 September 2022, and the organisational regulations and the signature regulations were adopted on 14 December 2022.

The pension fund and investment regulations of 14 December 2022 take effect on 1 January 2023.

The financial statements 2022 can be downloaded from the website, at the address: www.groupemutuel.ch/rapportLPP. You may also order them by email: lpp@groupemutuel.ch

Numbers

Insured employers as of 31.12	2022	2021
	2 802	2 735
Active members as of 31.12	2022	2021
Men	11 465	10 790
Women	10 398	9 492
Total	21 863	20 282
Number of persons who contributed during the financial year	2022	2021
	27 264	25 143
Pensioners as of 31.12	2022	2021
Old-age pensions	1 303	1 189
Spouse's / partner's pensions	113	105
Disability pensions	400	378
Pensions for children (of pensioners or disabled members)	191	192
Orphan pensions	55	48
Pensions of divorced spouse	1	1
Total	2 063	1 913

Takeover of Credit Suisse by UBS

On 19 March 2023, the takeover of Credit Suisse by UBS was announced by the Swiss authorities. This takeover by exchange of shares valued the Credit Suisse shares at CHF 0.76 (at the price of 17 March). The pensions fund's exposure to the Credit Suisse balance sheet was negligible prior to this announcement (less than 0.1% of assets). GMP's securities custody account with Credit Suisse is off-balance sheet, and normal banking operations are not affected. The residual risk is therefore low. The deposited portfolio is highly liquid and can be transferred at any time.

Administrator: