

Report of the Board of Trustees of the Foundation 2008

The year 2008 is at an end, but the relief that each would have liked to feel remains insignificant, due as much to the shock endured as to the fears inspired by the socio-economic uncertainties.

2008 was also the most difficult year endured by the Board up to the present. The economic upheavals greatly tested our emotional equilibrium and resistance. Despite the negative 11.3% investment management result, however, we are relieved that our defensive and dynamic management policy succeeded in retaining a 94.4% coverage rate for our Foundation, in a world that is still endeavouring to find its way subsequent to a cataclysm.

In view of the fact, moreover, that our deficit was cyclical and non-structural in origin, the Board decided to set the rate of interest on the savings of all the insured at 2.75%, and also to «freeze» the pension conversion rates for men and women at 7%.

In consequence of a call for tenders, the management of bank assets underwent a rejuvenation course that led us, after considerable research and analytical effort, to engage an extra manager as from mid-July (thus increasing the total up to three), to be followed by two more in early January 2009. This is the first time in the history of our Foundation that such a procedure has been applied.

During the period under review, the management of real estate assets has been particularly active. Our Foundation has traditionally utilised our real estate portfolio as a shock absorber for the volatility of its assets. Confident in the experience gathered in managing the effects of the bursting of the internet bubble in 2001, we have been anticipating a strong influx since 2007 of affiliated companies and an ever increasing volatility in the financial markets. This approach led us to carry out some acquisitions in Montreux (late December 2007), and in Lausanne urban area and Yverdon (early January 2008). The brutal degradation of the financial markets accompanied by a strong increase in systemic risks – allied notably to the quasi disappearance of inter-bank liquidity - encouraged the Board to acquire an important real estate portfolio in Nyon. This transaction, as reported in the local press, took place in early January 2009. Among the important work by the Board relative to the real estate assets, we would mention the analysis that has enabled a reduction in the capitalization rate of the real estate yield from 7.5% to 6.5%, and participation in the plus-value real estate accounting of CHF 6.8 million. The net yield on our real estate portfolio, including all the acquisitions, now stands at nearly 5%.

This management policy, which is based according to the periods on bank assets or real estate, would not be possible without a particularly suitable management structure. The Copré business model, which recommends outsourcing for reducing costs and favours flexibility of solutions, has shown itself to be remarkably effective during this troubled period. A recent study by Asip, based on data provided by important reputable pension institutions in Switzerland that are especially active in real estate asset management, has presented Copré in a flattering way over the last five years, concerning its management results of bank assets, real estate or in combination of both.

Headquarters:

8, rue Jacques-Grosselin case postale CH-1227 Carouge T 022 308 86 69 www.copre.ch

Administration :

39, rue de la Madeleine case postale CH-1800 Vevey 1 T 021 924 87 40 copre@copre.ch

An important area treated this year has been that of reinsurance. Experience had indeed shown that a less costly solution better supporting the quality work of our administrator could be found. A very favourable offer, received within the scope of our study on the possibility of resorting to a «stop loss» solution, persuaded us to change the model, i.e. to abandon a very expensive integral reinsurance and dismiss our former reinsurer. Completed by an «excess of loss» insurance, we have started 2009 in a new environment that should enable us to control our costs more satisfactorily.

The administration expenses, which remained an important preoccupation of the Board within this period of a strong growth in the balance sheet, were also reviewed. Although the management expenses collected from the affiliated companies do not always cover the costs borne by the Federation, it has been possible to renegotiate a reduction with our administrator in proportion to the number of insured, in accordance with the desire formulated by the Board of Trustees of the Foundation.

Finally, the Board wishes to recall that, in these actions, it seeks nothing more than to satisfy its insured who, in these troubled times, are above all looking for security in their retirement. Growth for its own sake has no sense. The size now attained by our Foundation places it in a comfortable position for negotiation, without the hindrances that inevitably apply to organisations that have grown beyond a reasonable size. Your Board of Trustees is governed by the desire to act well and sensibly. Thank you for your confidence.

For the Board of Trustees of the Foundation

Christina Rancic

Chairwoman of the Board



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