



# 2009 Annual Report

of the Federal Pension Fund PUBLICA

1 January to 31 December 2009

## Summary of the financial year

*2009 will probably go down in history as the crisis year of the century. It does not escape a certain sense of irony that in this year PUBLICA achieved its best return on investment since the fund began in 2003, recording performance of 10.13% (previous year: -6.85%). Such a result was also urgently needed in order to put the funded ratio of the company pension plans back above 100%. In the first half of the year, however, the prognosis did not bode well. The Board of Directors and the joint bodies of the affiliated company pension plans were forced to seriously consider potential turnaround measures. The gradual recovery on the financial markets eased the pressure to reform and at the end of the year the average funded ratio stood at 102.4%. Although the figures confirm a surplus, a cushion of a good 2% is more than thin. This is especially true for the "closed" pensioner-only pension plans, which can quickly fall into a financial situation not to be overcome without external help. For this reason, the Board of Directors plans to create a separate, low-risk investment strategy for these schemes.*

Although from an actuarial point of view the year ran smoothly, a few factors should be highlighted. Owing to the favourable risk trends, the Board of Directors recommended lower risk pricing for the larger company pension plans (as of 1 January 2010). For the smaller company pension plans, the statistics were not definite enough to warrant taking this step. The next pricing review will coincide with the change in the actuarial base effective from 1 January 2012. The need for a change in the actuarial base was confirmed by the profit and loss source analysis, which was carried out for the first time. Out-of-date accounting principles have caused an annual loss of approximately CHF 90m on longevity risk; this represents 0.3% of balance sheet volume. Until now, this loss has been compensated for by the run-off profit on disability risk. Both positions will be put back on track by the change in the actuarial base on 1 January 2012.

In terms of portfolio development, it is noticeable that pension payments (in terms of both quantity and policy reserves) are shrinking while the active portfolios (i.e. the number of insureds and pension fund capital) are growing. Structurally, this is a welcome development as it improves the turnaround prospects of the pension plans concerned. We do not, however, expect this phenomenon to last. It is likely to be an effect of the change from a defined benefit to defined contribution scheme, which is poised to become more volatile over the coming years. Against this background, it is worth noting that the provision for the static grandfathering was only marginally required. The 2010 financial year will show whether these provisions are sufficiently funded or even overfunded.

The PUBLICA collective institution was able to complete an important organisational step in the 2009 financial year. With effect from 1 January 2010, PUBLICA has employer status under the Federal Employees Act (BPG). The relevant legal adjustments were passed by the Swiss Federal Council on 19 August 2009 and 16 December 2009. This change takes PUBLICA one step closer to increased autonomy from the Federal Council.

## **Joint bodies of the affiliated company pension plans**

The first complete financial year represented a test for the joint bodies. The deficit from 2008 remained a key focus throughout the entire year. All joint bodies have reviewed specific turnaround measures and nobody was unhappy that this contingency planning was ultimately left unrealised. The discussions between the Board of Directors, the joint bodies and PUBLICA were helpful and constructive for all involved. Authority between the different parties has been made much clearer and the division of the roles of the various bodies has virtually disappeared from fundamental discussions. The joint bodies of the various company pension plans are using the flexibility they have been granted to design their own pension products. This development is useful and advantageous for all members.

## **The company pension plans**

In the 2009 financial year, two new pension plans emerged by partial liquidation (exit from the confederation pension plan): FINMA (financial market supervisory authority) and ENSI (Swiss Federal Nuclear Safety Inspectorate). No legal action was taken against the partial liquidation. The process of partial liquidation is complex; these two cases were used to review in detail and optimise the work processes involved. We can therefore be confident about handling the other partial liquidation cases that are either planned or already in process.

## **Cost-income ratio**

The costs of PUBLICA's insurance administration are borne wholly by the employers, with any surpluses in expenses or income deducted from or added to a separate expense provision per pension plan. Income in 2009 fully covered PUBLICA's administrative expenses, and there was a surplus of CHF 6.3m (2008: CHF 1.2m), which was allocated to the cost provision. Several pension plans have therefore reached the upper target value for this provision. In such cases PUBLICA will enter into negotiations with the employers concerned to discuss premium reductions.

## **Our thanks**

The Board of Directors would like to thank all PUBLICA employees, whose commitment and calm and reliable approach has brought about the desired success in a hectic year. We would also like to express our due thanks to all partners and others who have worked to provide an occupational pension for the benefit of personnel at federal level, at the decentralised administrative units and at the affiliated organisations.

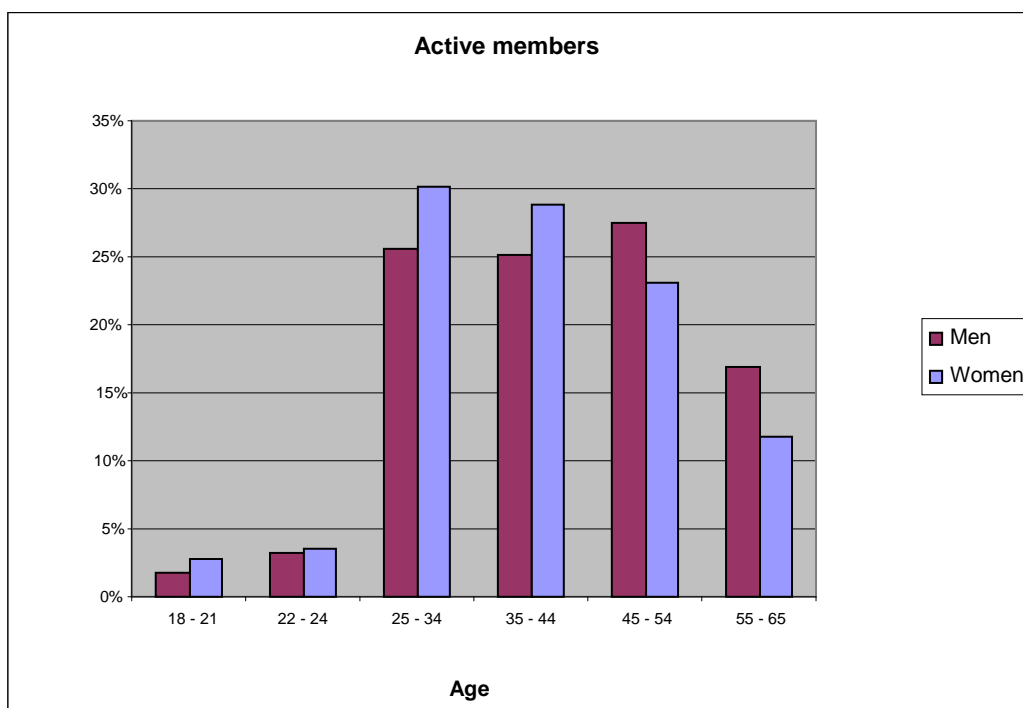
Hanspeter Lienhart  
Chairman of PUBLICA Board of Directors

Werner Hertzog  
Managing Director of PUBLICA

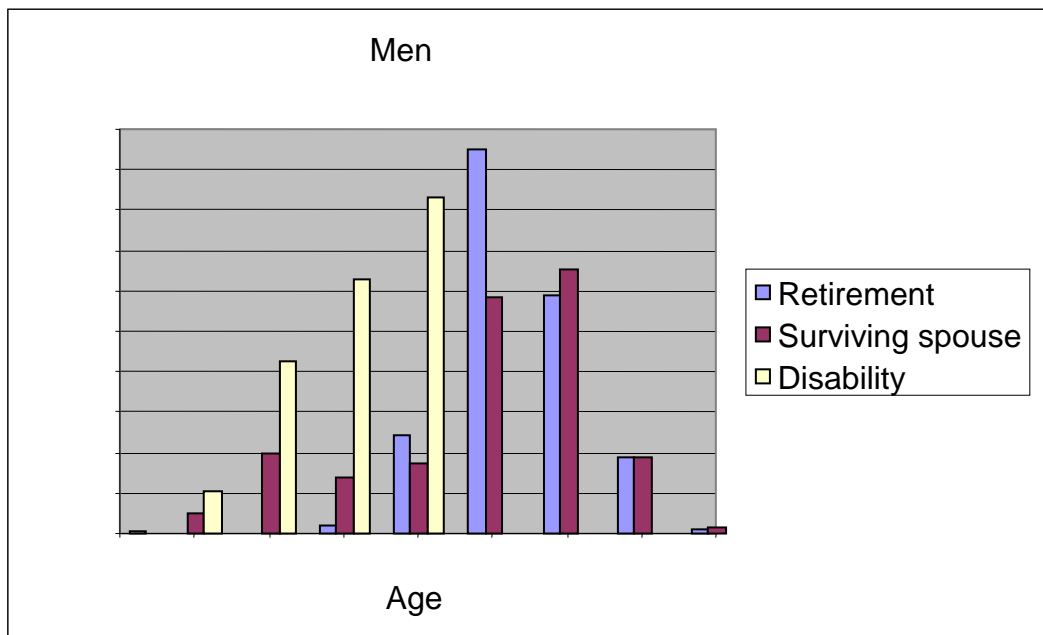
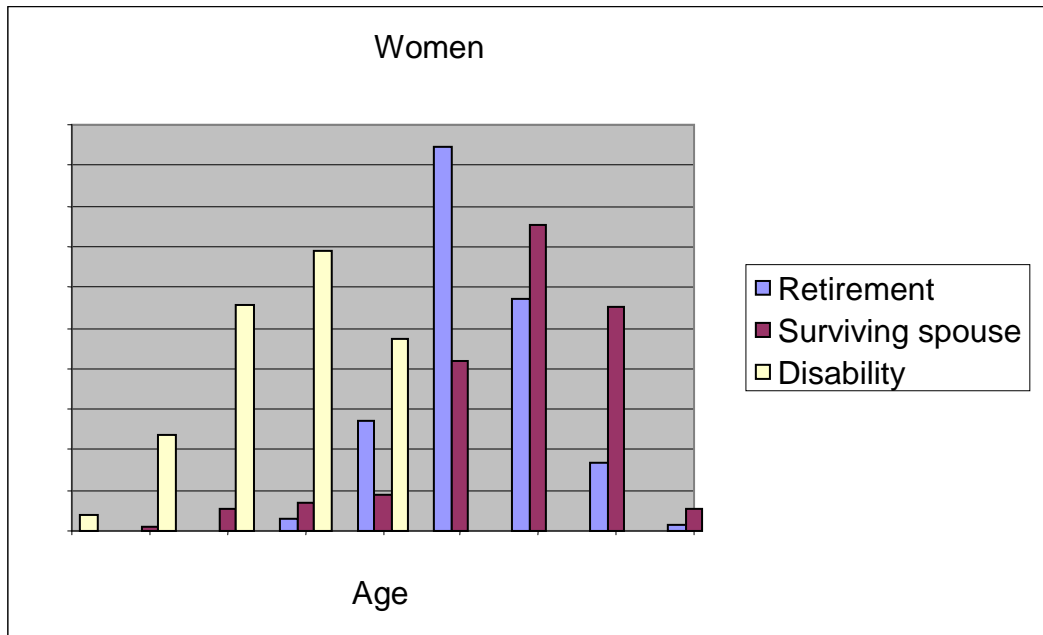
Key figures	2009	2008
Balance sheet total in CHF	32'459'718'878	30'294'953'247
Pension fund capital in CHF	29'479'998'702	29'560'112'028
Funded ratio as per Art. 44 BVV 2	102.4%	95.8%
Economic funded ratio	87.3%	83.8%
Return on investment	10.13%	-6.86%
Net investment income in CHF	2'962'135'171	-2'200'962'757
Statutory contributions in CHF	1'035'224'338	871'642'767
Statutory benefits in CHF	-1'758'094'130	-1'902'682'214

<b>Number of active members</b> (including death/disability cover)	<b>56'870</b>	<b>54'721</b>
<b>Number of pensions</b>	<b>50'502</b>	<b>52'524</b>
Retirement pensions	31'364	31'971
Retired person's child's pensions	720	799
Disability pensions	1'873	2'020
Disabled person's child's pensions	403	443
Surviving spouse/life-partner pensions	10'912	10'911
Orphan's pensions	388	404
Retirement bridging pensions	4'474	5'548
IV/AI replacement pensions	368	428
<b>Number of new pensions (including child's pensions)</b>	<b>1'102</b>	<b>2'914</b>
Retirement pensions	471	2'137
Disability pensions	93	128
Survivor pensions (pensions payable following a death)	538	649

## Age structure of active members



### Age structure of pensioners



## Balance sheet

The financial statements (balance sheet, income statement, notes) comply with the formal and material requirements of Swiss GAAP ARR 26. (The amounts shown in the income statement, balance sheet and tables are rounded to the nearest franc. For this reason, total amounts may deviate slightly from the sum of the individual values.)

<b>Assets</b>	<b>31.12.2009</b> CHF	<b>31.12.2008</b> CHF
<b>Investments</b>	<b>32'424'096'386</b>	<b>30'262'181'541</b>
Cash and cash equivalents	1'485'193'428	419'665'048
Receivables	140'562'494	186'811'847
Bonds	19'148'776'262	20'551'300'752
Equities	8'044'680'049	5'885'131'274
Mortgages	1'302'633'150	1'366'193'289
Real estate	2'053'432'385	1'853'079'332
Alternative investments	248'818'619	0
<b>Operating assets</b>	<b>21'189'560</b>	<b>16'966'281</b>
<b>Prepaid expenses and accrued income</b>	<b>14'432'931</b>	<b>15'805'425</b>
<b>Total assets</b>	<b>32'459'718'878</b>	<b>30'294'953'247</b>

<b>Liabilities</b>		
<b>Vested pension benefits and liabilities</b>	<b>85'468'882</b>	<b>97'041'539</b>
Vested pension benefits and pensions	41'696'014	55'764'550
Other liabilities	22'583'308	24'310'709
Operational liabilities	21'189'560	16'966'281
<b>Accrued expenses and deferred income</b>	<b>21'797'209</b>	<b>16'290'258</b>
<b>Employer contribution reserves</b>	<b>10'809'052</b>	<b>2'777'678</b>
<b>Non-technical provisions</b>	<b>17'098'042</b>	<b>10'798'523</b>
<b>Pension fund capital and technical provisions</b>	<b>31'551'689'197</b>	<b>31'484'608'084</b>
Pension plan capital - Active members	10'605'904'422	9'856'891'021
Pension fund capital - Pensioners	18'872'876'972	19'703'221'007
<b>Technical provisions</b>	<b>2'072'907'804</b>	<b>1'924'496'056</b>
Technical provisions - Company pension plans	1'956'063'780	1'811'132'075
Technical provisions - Collective institution	116'844'024	113'363'981
<b>Fluctuation reserves</b>	<b>772'856'496</b>	<b>0</b>
<b>Uncommitted funds / Underfunding</b>		
Opening balance sheet	-1'316'562'835	0
Cash inflow from partial liquidation	1'799'299	0
Surplus income	1'314'763'536	-1'316'562'835
Closing balance sheet	0	-1'316'562'835
<b>Total liabilities</b>	<b>32'459'718'878</b>	<b>30'294'953'247</b>

# Income statement

	01.01.-31.12.2009	01.01.-31.12.2008
	CHF	CHF
<b>Standard contributions and lump-sum transfers</b>	<b>1'070'124'105</b>	<b>1'023'661'294</b>
Employee contributions	395'602'998	319'797'942
Employer contributions	639'621'340	374'662'049
Additional employee contributions	0	28'020'599
Additional employer contributions	0	149'162'178
Lump-sum payments and buy-ins	26'912'381	150'690'908
Payment of employer contribution reserves	7'987'385	1'327'619
<b>Entrance benefits</b>	<b>287'311'151</b>	<b>336'962'717</b>
Vested pension benefits received	281'528'370	332'813'245
Home ownership and divorce payments received	5'782'781	4'149'472
<b>Inflow from contributions and lump-sum transfers</b>	<b>1'357'435'255</b>	<b>1'360'624'010</b>
<b>Statutory benefits</b>	<b>-1'758'094'130</b>	<b>-1'902'682'214</b>
Retirement pensions	-1'299'235'075	-1'303'300'556
Survivor pensions	-291'639'692	-288'979'843
Disability pensions	-46'274'792	-50'944'258
Other statutory benefits	-97'816'908	-117'098'731
Lump-sum benefits upon retirement	-22'409'919	-141'314'558
Lump-sum benefits in the case of death/disability	-717'744	-1'044'268
<b>Vested termination benefits</b>	<b>-354'949'357</b>	<b>-456'881'668</b>
Vested pension benefits paid upon departure	-281'890'176	-391'186'405
Early withdrawals for home ownership/divorce	-73'059'181	-65'695'262
<b>Outflow for benefits and early withdrawals</b>	<b>-2'113'043'487</b>	<b>-2'359'563'881</b>
<b>Formation/release of pension fund capital, technical provisions and contribution reserves</b>	<b>-113'360'392</b>	<b>-143'428'362</b>
Formation/release of pension plan capital - Active members	-533'836'544	519'573'766
Formation/release of pension plan capital - Pensioners	775'048'688	-495'733'466
Formation of technical provisions - Company pension plans	-148'994'363	-22'756'312
Formation of technical provisions - Collective institution	-3'068'282	-6'899'109
Interest on savings capital	-194'522'505	-135'019'458
Interest on special savings capital	0	-1'266'164
Formation of employer contribution reserves	-7'987'385	-1'327'619
<b>Insurance expenses</b>	<b>-5'839'141</b>	<b>-6'271'594</b>
Contributions to safety fund	-5'839'141	-6'271'594
<b>Net insurance income</b>	<b>-874'807'765</b>	<b>-1'148'639'827</b>
<b>Net investment income</b>	<b>2'962'135'171</b>	<b>-2'200'962'757</b>
Net income from cash and cash equivalents	74'692	8'091'208
Net income from claims from the Confederation	0	682'421
Net income from receivables	599'597	1'021'096
Net income from bonds	859'499'128	1'072'751'664
Net income from equities	1'976'301'495	-3'381'711'839
Net income from mortgages	39'490'219	38'363'580
Net income from real estate	115'560'617	86'046'868
Net income from alternative investments	1'282'570	0
Net income from liabilities	-937'819	-1'293'769
Administrative expenses of investments	-29'735'330	-24'913'986
<b>Formation of non-technical provisions</b>	<b>-6'323'984</b>	<b>0</b>
<b>Other expenses</b>	<b>-3'653'359</b>	<b>-11'567'636</b>
<b>Other income</b>	<b>10'269'969</b>	<b>11'810'547</b>
<b>Administrative account - Operations</b>	<b>0</b>	<b>0</b>
Total operating expenses	-29'976'202	-33'146'526
Total operating income	36'300'186	34'316'082
Operating income surplus	-6'323'984	-1'169'556
<b>Income/expense surplus before formation of fluctuation reserve</b>	<b>2'087'620'032</b>	<b>-3'349'359'673</b>
<b>Formation/release of fluctuation reserve</b>	<b>-772'856'496</b>	<b>2'032'796'837</b>
<b>Income/expense surplus</b>	<b>1'314'763'536</b>	<b>-1'316'562'835</b>

# Notes

## 1 Fundamentals and organization

### 1.1 Legal form and purpose

The Federal Pension Fund PUBLICA is an undertaking of the Swiss Confederation established under public law with a separate legal personality. Its head office is in Berne and it is entered in the commercial register.

PUBLICA insures the employees of the centralized and decentralized Federal Administration (Article 32a of the Federal Employees Act of 24 March 2000 [SR 172.220.1]) and of affiliated organizations (Article 4 of the Federal Act on the Federal Pension Fund [PUBLICA Act, SR 172.222.1]).

PUBLICA provides its insured members with occupational pension insurance in accordance with, and in excess of, the requirements set out in the Federal Act on Occupational Old Age, Survivors' and Disability Pensions of 25 June 1982 (BVG, SR 831.40). PUBLICA is an autonomous collective institution.

### 1.2 BVG registration and safety fund

Pursuant to the provisions of the BVG, PUBLICA is entered under order number C1.0100 in the register of occupational pension plans of the Federal Social Insurance Office (FSIO).

PUBLICA is subject to the Federal Act on the Portability of Occupational Old Age, Survivors' and Disability Pensions of 17 December 1993 (Occupational Pension Portability Act, FZG, SR 831.42), and is thus affiliated with the safety fund as per Article 57 BVG, to which it contributes in accordance with the provisions of the Ordinance of 22 June 1998 on the BVG Safety Fund of 22 June 1998 (SFV, SR 831.432.1).

### 1.3 Legislation and regulations

PUBLICA was established as an undertaking under public law on 1 March 2001 following the enforcement of the Federal Act on the Federal Pension Fund of 23 June 2000 (PKB Act, AS **2001**, 707). There are no deeds of establishment.

When the PUBLICA Act came into effect on 1 July 2008, there was no change to the status of PUBLICA as an undertaking under public law; however, the former common institution became a collective institution as of this date.



The following laws and regulations govern the activities of PUBLICA:

### **Federal legislation**

Federal Act on Occupational Old Age, Survivors' and Disability Pensions of 25 June 1982 (BVG, SR 831.40)

Federal Act on the Federal Pension Fund of 20 December 2006 (PUBLICA Act, SR 172.222.1)

Federal Employees Act of 24 March 2000 (SR 172.220.1)

### **Regulations and policy documents**

Corporate and Organizational Regulations of the Federal Pension Fund PUBLICA of 29 April 2003/1 August 2008

Compliance policy of 24 February 2005

Regulations governing the Provisions and Reserves of the Federal Pension Fund PUBLICA and the company pension plans of 1 July 2008

Regulations governing the Board of Directors of the Federal Pension Fund PUBLICA of 21 May 2008

Regulations governing the Election of the Assembly of Delegates of the Federal Pension Fund PUBLICA of 1 July 2008

Investment Guidelines of the Federal Pension Fund PUBLICA (PUBLICA Investment Guidelines) of 25 October 2007/21 February 2008

Regulations governing the Audit Committee of the Federal Pension Fund PUBLICA of 29 April 2003

Regulations governing the Actuarial Policy and Law Committee of the Federal Pension Fund PUBLICA of 29 April 2003

PUBLICA policy document on hardship cases of 13 October 2005

Expenses policy for the beneficiaries of the Federal Pension Fund PUBLICA of 21 February 2008

Regulations governing the remuneration of members of the joint bodies of the company pension funds of the Confederation, the ETH Domain, the Swiss Federal Institute of Intellectual Property, the Swiss Agency for Therapeutic Products Swissmedic, and the Swiss Federal Institute for Vocational Education and Training of 3 July 2007

### **Contracts of affiliation**

Employers become affiliated with PUBLICA by entering into a contract of affiliation with PUBLICA; however, this contract may only be signed with the participation and approval of the joint body. A separate company pension plan exists for each affiliated employer, its employees and its allocated pensioners; a common pension plan may be created for several affiliated employers (Article 7 PUBLICA Act). The plans

affiliated with PUBLICA include pensioner-only plans (Article 23 (2) PUBLICA Act, pensioner-only plans).

The following form integral components of the contract of affiliation:

the company pension plan's Pension Plan Regulations

the Service Level Agreement on Services

the Service Level Agreement on Health Examinations (not obligatory; as required)

the Winding-Up Regulations.

## **1.4 Management bodies and signing powers**

### **Board of Directors**

The joint Board of Directors comprises 16 members (eight representing the insured members and eight representing the employers) and forms the strategic management body of PUBLICA. As the highest management body of PUBLICA, it supervises and oversees its operations.

The members of the PUBLICA Board of Directors appoint the management team and choose the Fund's Statutory Auditor and Accredited Pension Actuary. The other tasks of the Board of Directors, which are not listed exhaustively in the PUBLICA Act, include deciding on the formation of provisions and issuing regulations.

The Board of Director's remit also covers a range of, for the most part, finalising tasks of a financial nature. For instance, it issues the investment guidelines and approves the budget and the annual financial statements.

The first term of office of the PUBLICA Board of Directors started on 1 July 2002 and lasted six years, as provided for in Article 4 of the Board of Directors Ordinance applicable until 30 June 2008. The Board of Directors' term of office was extended by one year, i.e. until 30 June 2009, under Article 26 (3) of the PUBLICA Act, which had already been implemented on 1 May 2007. For this reason, elections were held in May 2009.

The term of office of the Chairman of the Board of Directors is set at two years. Hanspeter Lienhart, employee representative, replaced Kurt Buntschu, employer representative, as Chairman with effect from 1 July 2009. Christian Bock, employer representative, became Vice-Chairman on 1 July 2009. Valérie Cavero, Erwin Heri and Irène Maeder Marsili stepped down as employer representatives and Alex Hinder, Matthias Remund and Peter Siegenthaler were elected as their replacements. Prisca Grossenbacher-Frei, Petra Maurer and Alfred Wyler replace the employee representatives Mariantonia Rosset, Monica Savioni and Otto Siegrist.

Members of the Board of Directors:

Last and first names	Function	In office since/until
Bock Christian, Vice-Chairman	Employer representative	01.01.2009
Buntschu Kurt	Employer representative	01.07.2002
Cavero Valérie	Employer representative	01.05.2005 - 30.06.2009
Cereghetti Piero	Employee representative	01.07.2002
Gerber Hugo	Employee representative	01.01.2005
Grossenbacher-Frei Prisca	Employee representative	01.07.2009
Heri Erwin W.	Employer representative	01.07.2002 - 30.06.2009
Hinder Alex	Employer representative	01.07.2009
Lienhart Hanspeter, Chairman	Employee representative	01.07.2002
Maeder Marsili Irène	Employer representative	01.07.2002 - 30.06.2009
Maurer Petra	Employee representative	01.07.2009
Meier Ruth	Employer representative	01.07.2006
Müller Hans	Employee representative	01.02.2004
Remund Matthias	Employer representative	01.07.2009
Rosset Mariantonia	Employee representative	01.07.2002 - 30.06.2009
Savioni Monica	Employee representative	01.07.2002 - 30.06.2009
Schärer Barbara	Employer representative	01.05.2008
Scholl Fred	Employee representative	01.07.2002
Siegenthaler Peter	Employer representative	01.07.2009
Siegrist Otto	Employee representative	01.07.2002 - 30.06.2009
Sommer Martin	Employer representative	01.07.2002
Wyler Alfred	Employee representative	01.07.2009

External mandates

Last and first names	Mandates
Bock Christian	Chairman of the Board of Directors, Come-2-IT AG, Berne Vice-Chairman of the Board of Directors, Planag Planungsbüro für Industrie und Gerüstbau AG, Laufenburg Member of the Childcare Service, Berne Full member of the Reserve Funds for Pensions and Social Security of the European Patent Organisation
Gerber Hugo	Member of the Board of Directors, Swisscom Member of the Board of Directors, Suva Member of the Board of Directors, Worklink

Last and first names	Mandates
	Member of the Board of Trustees, VORSORGE RUAG Member of the Managing Committee, Genossenschaft Schweizer Reisekasse (Reka)
Heri Erwin W.	Chairman of the Board of Directors, Valartis Bank, Zurich Chairman of the Board of Directors, Valartis Bank, Baar Chairman of the Board of Directors, Sofisa SA, Fribourg Member of the Board of Directors, infrassure Ltd., Zurich Member of the Board of Directors, Nüssli Invest, Hüttwilen Member of the Board of Directors, Ciba Spezialitätenchemie, Basel
Hinder Alex	External finance expert, investment committee and external finance expert, investment committee, BVK Personalvorsorge for Canton Zurich, Zurich Member of the investment commission, DKSH Pension Fund (Diethelm Keller Siber Hegner), Zurich Member of the investment commission, Grano collective foundation, Winterthur Member of the investment commission, Swissbroke pension foundation, Chur
Lienhart Hanspeter	Member of the Council of Zurich University of Applied Sciences CFO, Verband Personal öffentlicher Dienste (association for personnel of public services) Member of Bülach Town Council
Schärer Barbara	Member of the Board of Directors, Bernmobil, Berne Member of the Council of the Institute for Intellectual Property (IGE), Berne Member of Executive MBA Public Administration, University of Berne, Berne Member of OEC Alumni UZH, Zurich
Siegenthaler Peter	Chairman of the Board of Directors, Hotel Bellevue-Palace Immobilien AG
Wyler Alfred	Chairman of the Board of Trustees, member of the investment committee, Pensionskasse Post (post office pension fund) Member of the Board of trustees, member of the investment committee, comPlan pension fund

The Board of Directors has appointed the following committees:

### **Investment Committee**

The main tasks of the Investment Committee are to define the Strategic Asset Allocation on behalf of the Board of Directors, appoint the internal and external portfolio managers and approve real estate transactions up to CHF 30 million.

According to the Investment Guidelines, the Investment Committee comprises three to five appointed persons and one representative of the Federal Department of Finance and, as consultative members, the CEO, CFO and CIO of PUBLICA.

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Last and first names	Function	In office since/until
Cereghetti Piero	Employee representative	29.10.2002
Eggenberger Urs	Vice-Director Federal Department of Finance	19.11.2007
Gisiger Hanspeter	CFO	01.09.2008
Haury von Siebenthal Susanne	CIO	01.01.2006
Heri Erwin W.	Employer representative	29.10.2002 - 30.06.2009
Hertzog Werner	Managing Director of PUBLICA	01.07.2004
Hinder Alex, Chairman	Employer representative	01.07.2009
Maeder Marsili Irène	Employer representative	01.01.2005 - 30.06.2009
Meier Ruth	Employer representative	01.07.2009
Müller Hans	Employee representative	01.01.2005
Wyss Oskar	External	29.10.2002

### External mandates

Last and first names	Mandates
Eggenberger Urs	Representative of the Federal Finance Administration (EFV): Member of the Board of Directors, Member of Board of Directors AHV Compensation Fund Committee  Representative of the Federal Finance Administration (EFV): Member of the Commission, Member of the Investment Committee for the Decommissioning Fund and Waste Disposal Fund  Representative of the Federal Finance Administration (EFV): Member of the Board of Trustees of BVG Security Fund
Haury von Siebenthal Susanne	Member of the Swiss Takeover Board Member of the Investment Committee of CERN Pension Fund
Hertzog Werner	Member of the Federal Commission for Occupational Pension Plans Chairman of the residents' association in Laufen BL
Wyss Oskar	Member of the Board of Directors, Vigierhof AG, Solothurn

### Actuarial Policy and Law Committee

This committee deals mainly with issues concerning the actuarial policy in general and its implementation, the implementation of the employers' actuarial policies and the submission of suggestions to the employers with regard to the structuring of actuarial policy options. Since 1 July 2009 the committee has been chaired by Martin Sommer and has comprised the following persons:

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Last and first names	Function	In office since/until
Burgunder Daniel	Head of Insurance PUBLICA	10.12.2002
Geiser Corinne	Head of Strategic Legal Services PUBLICA	01.11.2006
Grossenbacher-Frei Prisca	Employee representative	01.07.2009
Lienhart Hanspeter, Chairman	Employee representative	10.12.2002 - 30.06.2009
Schärer Barbara	Employer representative	01.01.2009
Scholl Fred	Employee representative	10.12.2002
Sommer Martin, Chairman	Employer representative	20.03.2003

### **Audit Committee**

The Audit Committee reviews PUBLICA's annual financial statements and the report by the Accredited Pension Actuary, among other things; it discusses the conclusions with the management of PUBLICA, the head of the external Statutory Auditor and the Accredited Pension Actuary. The Audit Committee is chaired by Hugo Gerber.

The members of the Audit Committee are:

Last and first names	Function	In office since/until
Bock Christian	Employer representative	01.01.2009 - 30.06.2009
Gerber Hugo, Chairman	Employee representative	01.01.2005
Maurer Petra	Employee representative	01.07.2009
Meier Ruth	Employer representative	01.07.2006 - 30.06.2009
Remund Matthias	Employer representative	01.07.2009
Siegenthaler Peter	Employer representative	01.07.2009
Siegrist Otto	Employee representative	10.12.2002 - 30.06.2009

### **Assembly of Delegates**

The PUBLICA Act introduced the Assembly of Delegates as a new body. The Assembly of Delegates consists of 80 employees of the affiliated employers. It elects the employees' representatives to the Board of Directors. It may submit motions to the Board of Directors on all issues concerning PUBLICA. The members of the Assembly of Delegates are informed annually on PUBLICA's operations by the Board of Directors and by management.

The members of the Federal Pension Fund PUBLICA cast postal votes to elect the 80 members of the Assembly of Delegates for the first time on 28 November 2008. The four-year term of office begins on 1 January 2009. The 80 seats were distributed between the four constituencies according to the policy reserves of the company

pension plans as at 30 June 2008. The elected delegates and the distribution among the company pension plans are listed at [www.publica.ch](http://www.publica.ch).

At its constitutive meeting of 21 January 2009, the PUBLICA Assembly of Delegates elected its Chairman and Vice-Chairman:

Last and first names	Function
Alvarez Cipriano	Chairman
Grunder Jürg	Vice-Chairman

## Management

Management is responsible for PUBLICA's operational strategy and management and for attaining its strategic goals and safeguarding its long-term success. Its activities are based on the Corporate and Organizational Regulations of the Federal Pension Fund PUBLICA of 1 August 2008. The management consists of the Managing Director, Werner Hertzog, and his deputy, Susanne Haury von Siebenthal (Head of Asset Management).

## Executive Board

As at 31.12.09, the Executive Board comprised the following members:

Last and first names	Function
Burgunder Daniel	Head of Insurance PUBLICA
Gisiger Hanspeter	CFO PUBLICA
Haury von Siebenthal Susanne	Head of Asset Management PUBLICA Deputy to the Managing Director PUBLICA
Hertzog Werner	Managing Director of PUBLICA
Zaugg Markus	Head of Resources PUBLICA

## Extended Executive Board

The Extended Executive Board includes Corinne Geiser, Head of Strategic Legal Services, and Jürg Gautschi, Head of Quality Management/Training Coordination.

Last and first names	Function
Gautschi Jürg	Head of Quality Management / Training Coordination PUBLICA
Geiser Corinne	Head of Strategic Legal Services PUBLICA

## 1.5 Human Resources at PUBLICA

At PUBLICA, the reporting year was dominated by the preparatory work associated with employer status. The legal basis required for the status was approved by the Federal Council in the Federal Council decision of 19 August 2009. Both the personnel regulations and the affiliation contract were approved in the Federal Council decision of 16 December 2009.

In contrast to the previous year, personnel turnover evened out at a sensible level, which was almost certainly in no small part due to the ongoing difficult conditions on the labour market. PUBLICA offers an excellent benefits package, and, as shown by the results of the 2009 staff survey, employees are satisfied overall with their employer.

Fluctuation rate	2007	2008	2009
<b>PUBLICA</b>	5.0	14.0	3.7

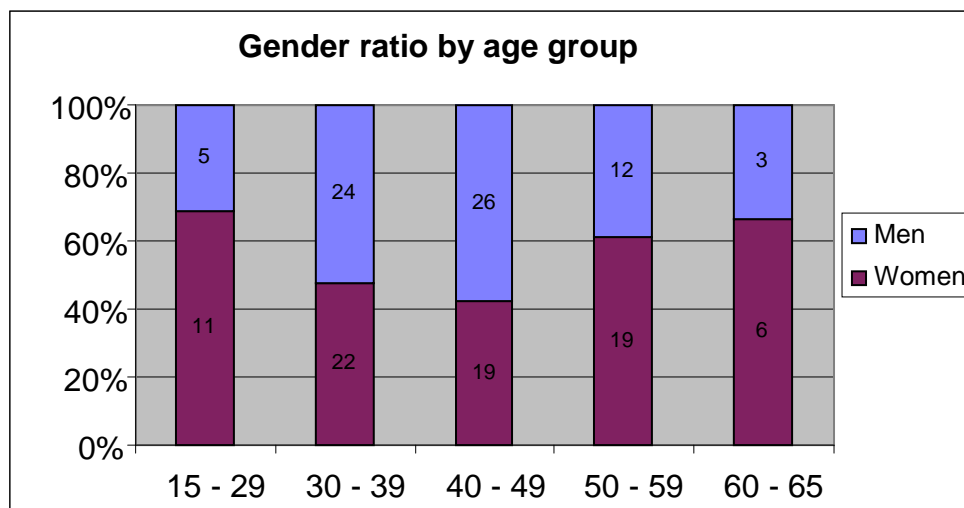
The gender ratio at PUBLICA is close to 50:50. Overall, the organization employed seven people more than in the previous year. The new employees are all German-speaking.

Breakdown of staff by gender and language		German		French		Italian		Total		Percentage	
		2008	2009	2008	2009	2008	2009	2008	2009	2008	2009
Positions filled	Women	49.8	55.8	4.8	4.4	1.4	1.4	56	61.6	43.6	48.8
	Men	54.6	55.7	4	4	4.9	4.9	63.5	64.6	56.4	51.2
Positions	Total	104.4	111.5	8.8	8.4	6.3	6.3	119.5	126.2	100	100

Breakdown of staff by gender and language		German		French		Italian		Total		Percentage	
		2008	2009	2008	2009	2008	2009	2008	2009	2008	2009
People	Women	62	69	6	6	2	2	70	77	47.8	52.4
	Men	61	61	4	4	5	5	70	70	52.2	47.6
People	Total	123	130	10	10	7	7	140	147	100	100

The average age of PUBLICA staff has again fallen slightly and is now 42.0 years (2008: 42.17). The gender ratio is similar in all age groups. 91 of the total of 147 employees are aged between 30 and 49. Three employees retired in the year under review. Two people are expected to retire in 2010.





### 1.6 Actuary, auditors, consultants, supervisory body

Accredited Pension Actuary	Hewitt Associates SA Avenue Edouard-Dubois 20 2000 Neuchâtel	<a href="http://www.hewitt.ch">www.hewitt.ch</a>
Statutory Auditors	Ernst & Young AG Belpstrasse 23 3001 Berne	<a href="http://www.ch.ey.com">www.ch.ey.com</a>
Supervisory Body	Federal Social Insurance Office FSIO Effingerstrasse 20 3003 Berne	<a href="http://www.bsv.admin.ch">www.bsv.admin.ch</a>
Investment Controlling	PPCmetrics AG Badenerstrasse 6, Postfach 8021 Zurich	<a href="http://www.ppcmetrics.ch">www.ppcmetrics.ch</a>
Global Custodians (Custodian banks for foreign securities and consolidation of all assets)	J.P. Morgan (Schweiz) AG Dreikönigstrasse 21 8022 Zurich	<a href="http://www.jpmorgan.com">www.jpmorgan.com</a>
CH Custodian (Custodian bank for CH securities)	Credit Suisse Custody & Transaction Services Uetlibergstrasse 231 8070 Zurich	<a href="http://www.credit-suisse.com">www.credit-suisse.com</a>

### 1.7 Affiliated employers

The circle of employers that must or may insure their employees' occupational pensions with PUBLICA is defined in the PUBLICA Act (Article 4). As of 31 December 2009, the collective institution PUBLICA encompassed 17 mutually independent company pension plans, of which seven were closed-scheme pensioner plans without any active members.

**Active members**

	<b>31.12.2009</b>	<b>31.12.2008</b>
Confederation	37'390	36'572
Affiliated organizations	1'998	1'958
ETH Domain	16'074	15'172
Federal Institute of Intellectual Property	259	251
Swissmedic	379	363
Federal Institute for Vocational Education and Training	206	176
Federal Audit Oversight Authority	29	26
Historical Dictionary of Switzerland	38	38
Federal Financial Market Supervisory Authority (FINMA)	382	-
Federal Nuclear Safety Inspectorate (ENSI)	115	-
Swiss National Science Foundation	-	165
<b>Total</b>	<b>56'870</b>	<b>54'721</b>

**Pensioners**

	<b>31.12.2009</b>	<b>31.12.2008</b>
Confederation	26'387	26'940
Voluntarily insured (retirement started on or after 01.06.2003)	324	334
Affiliated organizations	860	863
Pensioners only – Affiliated organizations	373	377
Pensioners only - Confederation	911	932
Pensioners only - Swiss National Science Foundation	-	13
ETH Domain	4'944	4'927
Pensioners only – Swisscom Pension entitlement before 01.01.1999	7'509	7'682
Pensioners only – RUAG Pension entitlement before 01.07.2001	2'836	2'970
Pensioners only – SRG SSR idée suisse Pension entitlement before 01.01.2003	1'209	1'249
Pensioners only – PUBLICA administration	91	83

	<b>31.12.2009</b>	<b>31.12.2008</b>
Federal Institute of Intellectual Property	48	47
Swissmedic	83	82
Federal Institute for Vocational Education and Training	9	9
Federal Audit Oversight Authority	0	0
Historical Dictionary of Switzerland	10	10
Federal Financial Market Supervisory Authority (FINMA)	40	-
Federal Nuclear Safety Inspectorate (ENSI)	26	-
Swiss National Science Foundation	-	30
<b>Total</b>	<b>45'660</b>	<b>46'548</b>

When they set up their own pension plans, Swisscom, SRG SSR idée suisse and RUAG decided to leave their allocated pensioners in PKB, the former Federal Pension Fund. The other pensioner-only plans include pensioners who remained with PKB or PUBLICA following the departure of their employer, as well as the former voluntarily insured persons. This is the main reason for the relatively high proportion of pensioners within the fund.

## 2 Active members and pensioners

### 2.1 Active members

Active members also include those who are insured only against the risks of death and/or disability.

	<b>31.12.2009</b>	<b>31.12.2008</b>
Men	38'319	37'079
Women	18'551	17'642
<b>Total active members</b>	<b>56'870</b>	<b>54'721</b>

### 2.2 Pensions

	<b>31.12.2009</b>	<b>31.12.2008</b>
Retirement pensions	31'364	31'971
Retired person's child's pensions	720	799
Disability pensions	1'873	2'020
Disabled person's child's pensions	403	443
Surviving spouse/life-partner pensions	10'912	10'911

	<b>31.12.2009</b>	<b>31.12.2008</b>
Orphan's pensions	388	404
Retirement bridging pensions	4'474	5'548
IV/AI replacement pensions	368	428
<b>Total</b>	<b>50'502</b>	<b>52'524</b>

In 2009 there were a total of 471 new retirement pensions and retired person's child's pensions, 93 new disability pensions and disabled person's child's pensions, and 538 new surviving spouse pensions and orphan's pensions. The fact that the number of new retirement pensions is significantly lower than it was last year is an after-effect of the change of system. Insured members who reached retirement age before 1 July 2008 benefited from the former conditions and were therefore more likely to enter retirement.

### **3 Implementation of the purpose**

#### **3.1 Note to the pension plans**

PUBLICA runs separate pension schemes for each company pension plan. The employer allocates the insured persons to the various pension plans on the basis of the objective criteria set out in the Pension Plan Regulations. The insured members may top up their personal retirement assets with voluntary savings contributions so as to increase their retirement pension or vested termination benefits upon leaving the company pension plan.

#### **3.2 Financing, method of financing**

PUBLICA is an autonomous collective institution running 17 mutually independent company pension plans. The actuarial financing of the individual company pension plans is based on what is known as the capitalization system. The revenues are formed by savings contributions, risk premiums, inflows of vested pension benefits from previous pension plans and the buy-ins, as well as income earned on pension plan assets. The amount of the savings contributions and any risk contribution from employees are set out in the individual Pension Plan Regulations.

The operation of PUBLICA is funded by contributions to administrative expenses invoiced to the employers. These are set out in service level agreements (SLA D) with the company pension plans. Any additional services are invoiced separately using agreed fee schedules.

#### **3.3 Further information on pension provision**

Pursuant to Article 3 (2) of the PUBLICA Act, the Federal Council may delegate other tasks to PUBLICA provided that these are relevant to its area of responsibility under the PUBLICA Act; the costs incurred are borne by the Confederation. In this respect,

PUBLICA takes charge of, for example, paying the members of the Federal Council and the other Federal Councillors in accordance with retirement ordinances. These payments are not financed under the capitalization system; they are billed to the Confederation on an ongoing basis and are not charged to PUBLICA's annual financial statements.

## **4 Valuation and accounting principles, consistency**

### **4.1 Confirmation of financial reporting as per Swiss GAAP ARR 26**

The annual financial statements of the Federal Pension Fund PUBLICA meet the formal requirements in terms of the breakdown of the balance sheet, income statements and notes and also the material requirements of the BVG (Swiss GAAP ARR 26). The accounts convey the actual financial situation and contain all the information required for their appraisal.

### **4.2 Accounting and valuation principles**

The accounting, recognition and valuation are conducted as prescribed in the Code of Obligations (CO) and the Federal Act on Occupational Old Age, Survivors' and Disability Pensions of 25 June 1982 (BVG and Swiss GAAP ARR 26).

Securities, foreign currencies, direct investments in real estate and loans to public-law bodies are stated at market value. The value of all real estate is reappraised each year using the discounted cash flow (DCF) method. Properties under construction are recognised at the proportionate cost of construction according to their stage of completion and corrected by means of a value adjustment where necessary. Once these buildings have been completed and added to the real estate portfolio, they are assessed as part of the annual valuation.

The mortgages and cash and cash equivalents are entered in the balance sheet at nominal value.

Since the closure of the annual accounts as at 31.12.2008, there have been no changes in the valuation, accounting or financial reporting principles. They have not been changed since the introduction of the Swiss GAAP ARR 26 regulations. This applies in particular to the technical provisions, the non-technical provisions and the fluctuation reserves which are included in the legal basis and are audited in an expert actuarial assessment.

## 5 Actuarial risks / risk coverage / funded ratio

### 5.1 Form of risk coverage, reinsurance

PUBLICA is an autonomous collective institution divided into mutually independent company pension plans. It has not taken out any reinsurance cover for its actuarial risks. With respect to actuarial risks, the individual company pension plans are either autonomous or are fully or partially reinsured with the collective institution. Both the collective institution (in the function of reinsurer) and the individual company pension plans have formed adequate provisions (see 5.6) to cover foreseeable liabilities and counteract any actuarial fluctuations.

### 5.2 Development of pension fund capital for active members

The balance sheet item "Pension fund capital – active members" contains the total statutory vested termination benefits for active members of CHF 10.6bn (prior year: CHF 9.9bn). The following table shows the development during the period under review.

<b>Pension fund capital - Active members</b>		
	<b>31.12.2009</b>	<b>31.12.2008</b>
	<b>CHF</b>	<b>CHF</b>
Pension fund capital as at 01.01	9'856'891'021	10'223'258'639
Change in pension fund capital at 31.12	749'013'401	-366'367'618
<b>Total pension fund capital - Active members</b>	<b>10'605'904'422</b>	<b>9'856'891'021</b>

Number of active members	56'870	54'721
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The pension fund capital of active members increased by CHF 749.0m overall over the previous year. This relatively sharp rise is the other side of the coin with regard to the effects of the change of system (described in 2.2) on the number of newly concluded retirement pensions.

The minimum amount as per Article 17 FZG is taken into account when calculating the pension fund capital. The reported figure therefore corresponds to the vested pension benefits at that point in time.

### 5.3 Total retirement assets under BVG

in CHF				<b>31.12.2009</b>	<b>31.12.2008</b>
<b>Total</b>	<b>retirement</b>	<b>savings</b>	<b>capital</b>	<b>3'878'963'137</b>	<b>3'594'401'648</b>
<b>according to the BVG</b>					
BVG	minimum	interest	rate,		
fixed by the Federal Council				2.0%	2.75%

In addition to managing the pension fund capital of its active members, PUBLICA manages the retirement assets prescribed by the provisions of the BVG (shadow account). This ensures that the requirements for statutory minimum benefits are met in all cases. The reported retirement savings capital according to the BVG is contained in the pension fund capital of active members.

#### 5.4 Development of pension fund capital for pensioners

<b>Pension fund capital - Pensioners</b>		
	<b>31.12.2009</b>	<b>31.12.2008</b>
	<b>CHF</b>	<b>CHF</b>
Pension fund capital as at 01.01	19'703'221'007	18'193'599'705
Change in pension fund capital at 31.12	-830'344'035	1'509'621'302
<b>Total pension fund capital - Pensioners</b>	<b>18'872'876'972</b>	<b>19'703'221'007</b>
<b>Number of pensions (for details see 2.2)</b>	<b>50'502</b>	<b>52'524</b>

The pension fund capital for pensioners corresponds to the present value of current pensions including associated deferred annuities and decreased by some CHF 830m from the previous year's figure. This reduction is a result of the relatively low retirement rate in the year under review (after-effect of the change of system).

#### 5.5 Results of the latest actuarial assessment

Please see the confirmation from the Accredited Pension Actuary as at 31 December 2009 (point 12).

#### 5.6 Technical basis and technical provisions

The collective institution's liabilities are calculated according to the principles and guidelines issued by the Swiss Association of Actuaries and the Swiss Chamber of Pension Actuaries. The calculations use the technical basis of EVK 2000 3.5% for active company pension plans (with active members) or EVK 2000 3.0% for pensioner-only plans. Moreover, based on PUBLICA's loss experience, the disability probability is weighted at 80% of its value (60% for the Confederation pension plan).

**Technical provisions consolidated**

	<b>31.12.2009</b>	<b>31.12.2008</b>
	<b>CHF</b>	<b>CHF</b>
<b>Company pension plans</b>		
Provision for conversion factor – Active members	477'265'699	394'275'640
Provision for longevity - Pensions	865'810'967	793'657'408
Provision for outstanding claims	187'220'065	189'465'985
Provision for death and disability	58'462'000	58'369'000
Provision for guarantees (change of system)	341'548'219	348'037'083
Provision for cost-of-living adjustment & administrative expenses	25'756'830	27'326'959
<b>Total technical provisions - Company pension plans</b>	<b>1'956'063'780</b>	<b>1'811'132'075</b>
<b>Collective institution</b>		
Provision for outstanding claims	8'308'724	2'503'681
Provision for death and disability	20'460'000	15'156'000
Provision for pricing	59'774'000	67'403'000
Provision for hardship cases	28'301'300	28'301'300
<b>Total technical provisions - Collective institution</b>	<b>116'844'024</b>	<b>113'363'981</b>
<b>Total technical provisions</b>	<b>2'072'907'804</b>	<b>1'924'496'056</b>

The provisions and reserves stated in the balance sheet are based on PUBLICA's Regulations on Provisions and Reserves of 1 July 2008, drawn up by the Board of Directors in conjunction with the Accredited Pension Actuary (Hewitt Associates), the Investment Controller (PPCmetrics) and the external Statutory Auditors (Ernst & Young).

The technical provisions increased by CHF 148.4m over the previous year.

### 5.6.1 Technical provisions – company pension plans

#### Provision for conversion factor – active members

The conversion factor has to be lowered at regular intervals so as to take account of the increase in life expectancy for future benefits promised.

The provision for the conversion factor is set aside to help ensure that this factor can be lowered as quickly as possible and to counteract – in whole or in part – any adverse impact on the future benefits of active members.

#### Provision for longevity – pensioners

Where the life expectancy trend over time is not reflected in the technical principles used (life table), certain precautions have to be taken to ensure that the promised benefits can always be provided. This is why a provision for longevity is formed for pension recipients.



### **Provision for outstanding claims**

The risk premiums are calculated on an actuarial basis so that they can finance the death and disability cases arising in the current income statement. In the case of disability, however, several years may pass between the occurrence of the insured event and the definitive settlement. Sufficient provisions must be set aside for the subsequent processing of such cases.

### **Provision for death and disability**

The cases of death and disability to be expected in one year and the policy reserve required for paying the statutory benefits are calculated using the technical basis of the EVK 2000 actuarial tables. The purpose of the provision for death and disability is to cushion the adverse financial impact of unexpected deviations in the volume of claims. This provision only exists in those pension plans that cover the risks of death and disability themselves, in whole or in part, and are thus exposed to the risk of fluctuation.

### **Provision for guarantees (change of system)**

The provision for guarantees (change of system) is used to finance those pension components arising on the basis of Article 25 of the PUBLICA Act (static grandfathering). Since it was brought into existence 18 months ago, this provision has been used relatively little (after-effect of the change of system).

### **Provision for cost-of-living adjustment and administrative expenses**

Certain groups of pensioners no longer have an employer to assume their future administrative expenses. The provision for cost-of-living adjustments and administrative expenses thus serves to fund future administrative expenses and any cost-of-living adjustments and is allocated to specific groups of pensions in the company pension plan Pensioners only – PUBLICA administration.

## **5.6.2 Technical provisions – collective institution**

### **Provision for outstanding claims**

Like the company pension plans, the collective institution, in its function as reinsurer, also has to maintain provisions for outstanding claims. This is accumulated using the risk premium of the fully or partially reinsured company pension plans.

### **Provision for death and disability**

As with the provision for outstanding claims, the collective institution is also obliged to set aside a provision for death and disability because, as reinsurer, it has to bear the risk of fluctuations in the volume of claims.

### **Provision for pricing**

The provision for pricing buys the collective institution some time for adapting premiums in the case of an error in the actuarial basis.

### Provision for hardship cases

The prerequisites for guaranteeing voluntary benefits from the collective institution are set out in the PUBLICA policy document on hardship cases. In 2009 there were no applications for benefits that met these requirements.

### 5.7 Funded ratio as per Article 44 BVV 2

The funded ratio as per Article 44 BVV 2 results from the ratio between the assets available to cover actuarial liabilities and the required actuarial pension fund capital (pension fund capital and technical provisions).

in CHF	31.12.2009	31.12.2008
Required actuarial pension fund capital	31'551'689'197	31'484'608'084
Fluctuation reserve	772'856'496	0
Uncommitted funds	0	0
Available funds	32'324'545'693	30'168'045'248
<b>Funded ratio as per Article 44 BVV 2</b>	102.4%	95.8%

For further comparisons, see also the details of the economic funded ratio under 9.1.

### 5.8 Mortality result for death and disability of the collective institution PUBLICA as reinsurer

The company pension plans with a relatively low number of active members are fully or partially reinsured with the collective institution. Cases of disability which originated before the transfer to the collective institution are borne by the respective company pension plans (provision for outstanding claims). As expected, only such cases occurred in 2009, with the result that the entire risk premium of the reinsured company pension plans of CHF 5.8m went directly into the collective institution's provision for outstanding claims.

### **5.9 Mortality result for death and disability for active members, total for all company pension plans**

Both the mortality result for death (CHF 18.9m) and for disability (CHF 132.6m) show an actuarial profit for the year 2009. This implies that the claims that actually occurred were lower than was expected according to actuarial principles. As a result, the risk premiums were reviewed and, where necessary, were revised downwards for 2010. It is likely that the change to the new and updated actuarial principles will entail a general adjustment to risk premiums for the individual company pension plans because the purpose of the risk premium is to ensure not only profit-free but also loss-free claims processing over the long term.

### **5.10 Mortality result for death for pension recipients, total for all company pension plans**

The mortality result for death for pension recipients – a loss of over CHF 90m (share of retirement pension recipients around CHF 85m) – is a stark reminder of the necessity of maintaining longevity provisions for pension recipients. This loss is based on the increase in life expectancy and demonstrates clearly that periodic adjustments to the technical principles for the purpose of updating the statistical figures used to calculate the conversion factor are unavoidable, especially in the case of retirement pensions. Thanks to the change of technical principles mentioned in 5.9 and the updated statistical figures on life expectancy used by the new system, this loss should be lowered significantly or, initially, even eliminated completely.

## **6 Notes on investments and the net return on investment**

The year 2009 began on a bad footing with a vicious circle of an ongoing financial crisis and a slump in growth in the real economy. Share prices plummeted by a further 20% by the beginning of March and credit risk premiums became much more widespread, with the result that, despite low interest rates, it was difficult for companies to obtain finance. Between July 2008 and May 2009, industrial production in the US fell by 13%, and in the eurozone this decrease was even higher at 17%. The already pessimistic forecasts for growth in the overall economy and corporate earnings were again revised downwards and the mood among consumers and industry darkened.

But then a light appeared at the end of the tunnel. Supported by enormous economic stimulus packages worth some USD 3,000bn and a broad spectrum of monetary measures, economic developments took a surprisingly positive turn and the fundamental situation stabilized quicker than had been expected. Consequently, by the end of the first quarter of 2009 other criteria for judging the market participants had become important again. The dramatic collapse in share prices meant that risky asset classes – equities, corporate bonds – had become cheap and, in an average long-term comparison, were massively underweighted in the investors' portfolios. The willingness to take risks increased and in mid-March the markets began what was to become a remarkable recovery.

## **6.1 Organization of investment activity, Investment Guidelines**

PUBLICA's investment philosophy seeks to systematically exploit incompletely correlated risk premiums from the widest of sources – equity risks, interest rate risks, credit risks, liquidity risks – by means of the broad diversification of our assets. It therefore invests mainly passively or in line with the index, selecting individual products with risk/return profiles that are as clear as their impact on the risk/return profile of its investments.

The Board of Directors bears overall responsibility for the management of assets. It is responsible for issuing and amending the Investment Guidelines and determines the strategic asset allocation. The Investment Committee advises the Board of Directors on investment-related issues and monitors compliance with the Investment Guidelines and strategy. PUBLICA Asset Management is responsible for implementing the strategic asset allocation and for taking the tactical decisions – engaging in temporary deviations from the weightings laid down in the strategic asset allocation with the objective of generating added value over the strategic allocation itself.

Equity investments are made passively and replicate market development. All equity portfolios are managed by external specialists. The bond portfolios are managed by PUBLICA Asset Management and external specialists actively, albeit close to the index. Real estate investments take the form of direct investments within Switzerland. Commodities investments are managed by two external specialists. One of the mandates is completely passive, while the other allows minor, ruled-based deviations from the benchmark. Both currency hedging programmes are managed completely passively by external specialists.

The following institutions were entrusted with the administration of PUBLICA's assets as at the balance sheet date of 31 December 2009:

<b>Asset managers</b>		
<b>Mandate</b>	<b>Asset manager</b>	<b>Investment style</b>
Bonds CHF	PUBLICA Asset Management	Low tracking error
Bonds EUR	PUBLICA Asset Management	Low tracking error
Bonds EUR	Swisscanto	Low tracking error
Bonds USD	PUBLICA Asset Management	Low tracking error
Bonds USD	Swisscanto	Low tracking error
Government bonds GBP, hedged	PUBLICA Asset Management	Low tracking error
Currency hedging Bonds foreign currency	Record Currency Management	Passive
Mortgages	Mortgages PUBLICA	Direct investments
Equities Switzerland	Credit Suisse Asset Management	Passive
Equities Switzerland	Pictet Asset Management	Passive
Equities global indust. countries	Credit Suisse Asset Management	Passive
Equities global indust. countries	Blackrock	Passive
Currency hedging equities global	Russell Investment	Passive
Commodities	Morgan Stanley	Low tracking error (swaps)
Commodities	Blackrock	Passive (futures)
Real estate Switzerland	PUBLICA Asset Management	Direct investments

<b>Mandate</b>	<b>Asset manager</b>	<b>Investment style</b>
Bonds CHF	PUBLICA Asset Management	Low tracking error
Bonds EUR	PUBLICA Asset Management	Low tracking error
Bonds EUR	Swisscanto	Low tracking error
Bonds USD	PUBLICA Asset Management	Low tracking error
Bonds USD	Swisscanto	Low tracking error
Government bonds GBP, hedged	PUBLICA Asset Management	Low tracking error
Currency hedging Bonds foreign currency	Record Currency Management	Passive
Mortgages	Mortgages PUBLICA	Direct investments
Equities Switzerland	Credit Suisse Asset Management	Passive
Equities Switzerland	Pictet Asset Management	Passive
Equities global indust. countries	Credit Suisse Asset Management	Passive
Equities global indust. countries	Blackrock	Passive
Currency hedging equities global	Russell Investment	Passive
Commodities	Morgan Stanley	Low tracking error (swaps)
Commodities	Blackrock	Passive (futures)
Real estate Switzerland	PUBLICA Asset Management	Direct investments

PUBLICA exercises its voting rights at the annual general meetings of listed public-limited companies in Switzerland with a view to protecting its long-term shareholder interests. Voting rights are generally not exercised abroad. PUBLICA does not make the details of its voting behaviour publicly known.

## 6.2 Target size and calculation of the fluctuation reserve

The fluctuation reserve comprises two separate reserves: the technical interest rate reserve and the fluctuation reserve for investments.

**Target value and calculation of the fluctuation reserve**

	2009 CHF	2008 CHF
Technical interest rate reserve 01.01	0	705'108'554
Fluctuation reserve 01.01	0	1'327'688'283
<b>Total fluctuation reserve 01.01</b>	<b>0</b>	<b>2'032'796'837</b>
Change in technical interest rate charged/credited to income statement	279'212'631	-705'108'554
Change in fluctuation reserve charged/credited to income statement	493'643'865	-1'327'688'283
Technical interest rate reserve 31.12	279'212'631	0
Fluctuation reserve 31.12	493'643'865	0
<b>Total fluctuation reserve 31.12</b>	<b>772'856'496</b>	<b>0</b>
Target technical interest rate reserve	2'624'906'019	2'175'557'930
Target fluctuation reserve	4'732'753'382	4'722'691'213
<b>Overall total of targets</b>	<b>7'357'659'401</b>	<b>6'898'249'143</b>
Technical interest rate reserve deficit	2'345'693'388	-2'175'557'930
Fluctuation reserve deficit	4'239'109'517	-4'722'691'213

The creation or release of the technical interest rate reserve and the fluctuation reserve are always synchronous, i.e. both reserves always show the same degree of performance in terms of their target value. Thanks to the positive result in 2009, it was possible to accumulate a fluctuation reserve again. However, this reserve amounts to only 10.5% (0% in the previous year) of the target value, so it is still impossible to claim that adequate risk capacity has been reached.

### 6.2.1 Technical interest rate reserve

Risk-free market interest rates for certain or all maturities may differ from the standard technical interest rate defined for long-term use. If all or some of the risk-free market rates for the various maturities are lower than the technical interest rate defined, this results in potentially higher economic liabilities for the fund. The technical interest rate reserve is created to absorb at least some of the economic fluctuation risk and, if necessary, to finance a necessary reduction in the technical interest rate.

According to PUBLICA's Regulations for Provisions and Reserves, the target size of this reserve corresponds to 50% of the difference between the liabilities calculated using the current technical interest rate of 3.5% for active company pension plans and 3.0% for pensioner-only plans and the liabilities calculated using a risk-free interest rate.

## 6.2.2 Fluctuation reserve

The fluctuation reserve is used to ensure that the investment risks that have to be taken in order to attain the long-term target returns can actually be borne. The target size of the fluctuation reserve depends on the risk/return characteristics of the strategic asset allocation, the security level sought and the investment horizon. For the time being, the minimum target value is set at 15% of the sum of pension fund capital and technical provisions.

## 6.3 Assets by asset category

The investments are divided into the following categories, with currency forwards used to hedge all currency risks.

<b>Investments by asset class</b>		
	<b>31.12.2009</b>	<b>31.12.2008</b>
	<b>CHF</b>	<b>CHF</b>
<b>Cash &amp; cash equivalents and receivables</b>	<b>1'625'755'921</b>	<b>606'476'895</b>
Cash & cash equivalents	1'485'193'428	419'665'048
Receivables	140'562'494	186'811'847
<b>Bonds</b>	<b>19'148'776'262</b>	<b>20'551'300'752</b>
Bonds CHF	13'539'459'710	14'688'213'609
Bonds Europe	3'506'050'667	3'825'391'452
Bonds USD	1'862'389'148	2'037'695'691
Bonds GBP	240'876'737	0
<b>Equities</b>	<b>8'044'680'049</b>	<b>5'885'131'274</b>
Equities Switzerland	2'859'211'755	2'080'140'374
Equities Europe	2'573'382'542	1'783'452'582
Equities North America	2'058'563'317	1'577'135'670
Equities Pacific	553'522'435	444'402'647
<b>Mortgages</b>	<b>1'302'633'150</b>	<b>1'366'193'289</b>
<b>Real estate</b>	<b>2'053'432'385</b>	<b>1'853'079'332</b>
<b>Alternative investments</b>	<b>248'818'619</b>	<b>0</b>
Commodities	248'818'619	0
<b>Investments</b>	<b>32'424'096'386</b>	<b>30'262'181'541</b>

### 6.3.1 Cash and cash equivalents

The amount of cash and cash equivalents increased sharply in comparison with the previous year. This is a reflection of the increased requirements for cash and cash equivalents to build up commodities investments, but also of the muted outlook for the bond markets.

### **6.3.2 Other receivables**

At CHF 99.9m, the current accounts of employers with contributing receivables form one of the single largest items under the item "Receivables". The employee and employer contributions are billed to the employers at the end of each month. Such contributions for the month of December were owed on 31 December 2009.

### **6.3.3 Bonds**

The weighting of bond investments in the portfolio decreased slightly in comparison with the previous year. The primary reasons for this were the continued expansion of the real estate portfolio, the build up of commodities investments and the more positive assessment of the equity markets.

### **6.3.4 Equities**

As a consequence not only of active tactical investment decisions but also of price gains on the stock markets, the portfolio's equity weighting was increased considerably from the previous year's level.

### **6.3.5 Mortgages**

The portfolio of individual mortgage loans totalled CHF 1.111bn as at 31 December 2009. Mortgage loans amounting to CHF 191.3m were granted to housing cooperatives.

### **6.3.6 Real estate**

PUBLICA has a real estate portfolio of residential and commercial properties throughout Switzerland. This portfolio is still being built up and targets a size of some CHF 3bn. The current value (including properties under construction and projects) came to CHF 2.053bn as at 31 December 2009, up from CHF 1.853bn a year earlier.

### **6.3.7 Strategic asset allocation**

With the PUBLICA Act, the new strategic asset allocation came into force on 1 July 2008. The transition from the previous strategy to the new one will be gradual, by asset class, giving priority to the impact of an asset class on the risk/return profile of the overall portfolio. A pro-rata strategy will be defined for the individual steps, against which the portfolio will be measured.



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<b>Strategic asset allocation</b>					
<b>Asset category</b>	<b>31.12.2009</b>	<b>investment strategy</b>	<b>Target structure pro rata</b>	<b>Minimum pro rata</b>	<b>Maximum pro rata</b>
<b>Nominal values</b>	<b>67.90%</b>	<b>56.00%</b>	<b>66.25%</b>	<b>60.25%</b>	<b>75.25%</b>
Money market	4.45%	0.00%	1.25%	0.00%	8.00%
Bonds CHF	42.01%	31.00%	45.50%	42.50%	48.50%
Government bonds EUR	17.38%	7.00%	15.00%	5.00%	25.00%
Government bonds GBP		1.00%			
Government bonds USD		3.00%			
Government bonds JPY		1.00%			
Investment grade credit		8.50%			
US		4.50%			
Europe		3.00%			
Asia		1.00%			
Sub-investment grade credit	0.00%	0.00%	0.00%	0.00%	2.00%
Mortgages	4.06%	4.50%	4.50%	0.00%	6.00%
Government bonds emerging markets	0.00%	0.00%	0.00%		
<b>Equities</b>	<b>24.97%</b>	<b>24.00%</b>	<b>23.00%</b>	<b>19.00%</b>	<b>27.00%</b>
Switzerland	8.89%	5.00%	8.00%	6.00%	10.00%
Europe	7.98%	7.00%	7.00%	5.00%	9.00%
North America	6.39%	6.00%	6.00%	4.00%	8.00%
Pacific	1.71%	2.00%	2.00%	1.00%	3.00%
Emerging markets	0.00%	4.00%	0.00%	0.00%	2.00%
<b>Alternative investments</b>	<b>0.77%</b>	<b>5.00%</b>	<b>0.75%</b>	<b>0.00%</b>	<b>2.00%</b>
Commodities	0.77%	5.00%	0.75%	0.00%	2.00%
Infrastructure	0.00%	0.00%	0.00%	0.00%	3.00%
Private equity	0.00%	0.00%	0.00%	0.00%	3.00%
Hedge funds	0.00%	0.00%	0.00%	0.00%	0.00%
<b>Real estate</b>	<b>6.36%</b>	<b>15.00%</b>	<b>10.00%</b>	<b>8.00%</b>	<b>12.00%</b>
Switzerland	6.36%	10.00%	10.00%	8.00%	12.00%
Europe	0.00%	3.00%	0.00%	0.00%	2.00%
Asia	0.00%	0.00%	0.00%	0.00%	2.00%
US (REITs)	0.00%	2.00%	0.00%	0.00%	3.00%

The values as at 31 December 2009 in the second column are based on the assets of the Global Custodian and Investment Controller, which do not take account of the items "Receivables" and "Prepaid expenses and accrued income" amounting to a total of CHF 155.0m.

All temporary deviations from the target percentages for the asset classes that continued to exist as at the balance sheet date were analyzed and approved by the Investment Controller, the Investment Committee and the Board of Directors.

## 6.4 Current (open) derivative financial instruments

As at 31 December 2009, the following derivative positions were open:

<b>Current (open) derivative financial instruments</b>		
	<b>Net re-acquisition value in CHF</b>	<b>Net contract volumes in CHF (sales)</b>
Interest rate swaps	10'899'702	160.0m
Commodity swaps	480'216	119.5m
Currency forwards	79'531'923	10.9bn
Equity futures	887'469	50.8m
Commodity futures	2'338'843	122.3m

Interest-rate swaps are used to control interest-rate risks. One half of the investments in commodities is formed using a corresponding swap transaction, while the other half is formed with commodity futures. Currency forwards are used for strategic hedging of the currency risks arising from bond and equity investments in other countries and reduce the currency risk to which the overall investments are exposed. Equity futures are used to hedge dividends already contained in the equity indices but not yet paid out.

The necessary collateral for all derivative items is available in the form of cash and cash equivalents. This rules out a leverage effect on the overall assets.

## 6.5 Securities lending

PUBLICA has signed securities lending agreements with custodians JP Morgan and Credit Suisse, whereby PUBLICA exercises its voting right at the AGMs of Swiss public liability companies, excluding the shares in question from the securities lending directly before and during the AGMs. As at 31 December 2009, securities valued at CHF 273'364'505 were on loan (as opposed to CHF 614'279'783 as at 31 December 2008), backed up by a pledged securities account.

The requirements for securities lending set out in the letter from the Federal Social Insurance Office of 12 March 2009 were complied with.

## 6.6 Note on net investment income

The overall net investment income consists of total net income from the various asset classes:

<b>Net investment income</b>		
	<b>31.12.2009</b>	<b>31.12.2008</b>
	<b>CHF</b>	<b>CHF</b>
Net income from cash & cash equivalents	74'692	8'091'208
Net income from receivables from the Confederation	0	682'421
Net income from receivables	599'597	1'021'096
Net income from bonds	859'499'128	1'072'751'664
Net income from equities	1'976'301'495	-3'381'711'839
Net income from mortgages	39'490'219	38'363'580
Net income from real estate	115'560'617	86'046'868
Net income from alternative investments	1'282'570	0
Net income from liabilities	-937'819	-1'293'769
Administrative expenses of investments	-29'735'330	-24'913'986
<b>Net investment income</b>	<b>2'962'135'171</b>	<b>-2'200'962'757</b>

The item "Net income from liabilities", which carries the interest on beneficiaries' assets, is strictly speaking not an asset class. Net income from receivables consists of, among other things, interest on the deficit coverage liabilities of affiliated organizations.

### Distribution of net income from bonds

<b>Net income from bonds</b>		
	<b>31.12.2009</b>	<b>31.12.2008</b>
	<b>CHF</b>	<b>CHF</b>
Net income from bonds CHF	745'073'770	742'397'764
Net income from bonds Europe	175'735'474	198'210'431
Net income from bonds GBP	-33'884'838	0
Net income from bonds USD	-27'949'326	132'143'469
Net income from bonds JPY	388'285	0
<b>Net income from bonds</b>	<b>859'363'366</b>	<b>1'072'751'664</b>

**Distribution of net income from equities**

<b>Net income from equities</b>		
	<b>31.12.2009</b>	<b>31.12.2008</b>
	<b>CHF</b>	<b>CHF</b>
Net income from equities Switzerland	576'053'127	-780'128'610
Net income from equities Europe	707'624'505	-1'192'785'284
Net income from equities North America	571'779'402	-1'037'094'138
Net income from equities Pacific	120'843'374	-300'065'845
Net income from equities NICs	1'087	-71'637'962
<b>Net income from equities</b>	<b>1'976'301'495</b>	<b>-3'381'711'839</b>

**Net income from mortgages**

The net income comprises the income from interest, fees and prepayment profit.

**Net income from real estate**

The net income of CHF 115.5m takes due account of the year-end valuations and the reclassification of the management fee under the item "Management fees".

**Administrative expenses of investments**

The expenses incurred for the administration of investments came to a total of CHF 29.6m, comprising the main items listed in the table below.

<b>Administrative expenses of investments</b>		
	<b>31.12.2009</b>	<b>31.12.2008</b>
	<b>CHF</b>	<b>CHF</b>
Bank and post office interest, net	15'689	205'803
Transaction fees and duties	5'955'562	4'935'118
Management fees and charges	23'692'962	15'437'247
Other investment administrative expenses	71'116	4'335'818
<b>Total administrative expenses of investments</b>	<b>29'735'330</b>	<b>24'913'986</b>

The increase in administrative expenses of investments for the most part does not represent an increase in costs but is in the interests of a more transparent cost statement (on a gross basis). Following the structural conversion of securities accounting as at 1 July 2008 (only ½ year), the management fees now include the management fees for real estate and mortgages. As an additional result of this adjustment, the transaction fees and duties are allocated to asset management expenses. Only the growth in assets from CHF 30bn to CHF 32bn and the new investment category "Commodities" brought about a real increase of ca. CHF 1.8m.

## 6.7 Overall investment performance

Investment performance reached 10.13% in 2009 and thus exceeded the performance of the benchmark (strategic asset allocation) by a hair's-breadth. A substantial factor in this encouraging investment result was the fact that the portfolio's equity component was increased to its strategic target level in spring 2009, once the reasons for maintaining the underweighting ceased to apply.

	Performance portfolio	Performance benchmark	Deviation from portfolio benchmark
<b>Overall assets</b>	<b>10.13%</b>	<b>10.12%</b>	<b>0.01%</b>
<b>Securities investments</b>	<b>10.82%</b>	<b>11.07%</b>	<b>-0.25%</b>
<b>Bonds and money market</b>	<b>4.38%</b>	<b>4.61%</b>	<b>-0.23%</b>
CHF	5.57%	6.20%	-0.63%
EUR currency-hedged	3.74%	3.62%	0.12%
GBP currency-hedged (since 01.12.2009)	-2.62%	-2.72%	0.10%
USD currency-hedged	-1.33%	-4.43%	3.10%
<b>Equities</b>	<b>29.14%</b>	<b>29.20%</b>	<b>-0.06%</b>
Switzerland	22.07%	22.09%	-0.02%
Global indust. countries currency-hedged	33.03%	33.02%	0.01%
<b>Commodities currency-hedged</b>	<b>0.54%</b>	<b>0.58%</b>	<b>-0.04%</b>
<b>Mortgages</b>	<b>2.96%</b>	<b>2.56%</b>	<b>0.40%</b>
<b>Real estate</b>	<b>5.63%</b>	<b>5.40%</b>	<b>0.23%</b>

## Annual financial statements and performance calculation

A precise performance cannot be calculated from the figures given in the annual financial statements. These are based on the financial accounting figures and serve to document the transactions carried out. The performance calculation, however, seeks to report, as factually and detailed as possible, the influence of market trends and asset management investment decisions on investments.

Returns are calculated as the ratio of income to average invested capital. Inflows and outflows of funds influence average invested capital, with the timing of the fund flows also playing a role. PUBLICA's performance calculation is conducted by independent third parties, the Investment Controller and the Global Custodian. It is adjusted by the flows of funds and is based on a daily valuation of securities.

### 6.8 Note on investments with the employers and the employer contribution reserve

Following the Confederation's amortization of the deficit coverage liability in 2008, the following points remain under this title:

The banks entrusted with the respective asset management mandates are authorized to assume receivables from the Confederation, e.g. the bond portfolio. However, due to the special legal requirements governing PUBLICA, the restrictions set out in Articles 57 and 58 BVV2 on investments with the employer (in this case the Confederation) do not apply.

At the end of 2008, deficit coverage liabilities of affiliated organizations still totalled CHF 10.5m. Of this figure, only CHF 8m was assumed by the Confederation, in the form of Supplementary Credit I 2009 (*Nachtragskredit I 2009*) from the Swiss Federal Department of Finance (FDF). The remaining figure remains in the balance sheet as a deficit coverage liability. Interest will be charged until it is fully repaid by the affected organizations.

The largest individual item in consolidated employer reserves is an allocation made by the Swiss Federal Institute of Technology (ETH) of CHF 5.3m as cushioning for the age categories 45+ and 55+. It will be distributed among the over 1,000 beneficiaries during the course of 2010.

#### Employer contribution reserves - Consolidated

	31.12.2009 CHF	31.12.2008 CHF
<b>Employer contribution reserves as at 01.01</b>	<b>2'777'678</b>	<b>1'118'227</b>
Allocations	8'085'269	1'645'496
Utilisation	-97'883	0
Interest (1%)	43'988	13'956
<b>Total employer contribution reserves 31.12</b>	<b>10'809'052</b>	<b>2'777'678</b>

## 7 Note on other items in the balance sheet and income statement

### 7.1 PUBLICA operations

PUBLICA's accounts are supervised by the Audit Committee and presented to the Board of Directors. This is carried out using the budget and analyzing any deviations.

#### Operating assets / liabilities

The operating assets / liabilities comprised the following:

<b>Operating assets PUBLICA</b>		
	<b>31.12.2009</b>	<b>31.12.2008</b>
	<b>CHF</b>	<b>CHF</b>
Current assets	17'640'149	13'401'895
Investment assets	3'549'411	3'564'386
<b>Operating assets PUBLICA</b>	<b>21'189'560</b>	<b>16'966'281</b>
<b>Debt</b>	<b>3'168'050</b>	<b>3'548'825</b>
Short-term debt	2'422'909	2'715'105
Long-term debt	745'141	833'720
<b>Equity capital</b>	<b>18'021'510</b>	<b>13'417'456</b>
Working capital	11'697'526	11'468'143
Reserves and retained earnings	0	779'756
Profit	6'323'984	1'169'556
<b>Operating liabilities PUBLICA</b>	<b>21'189'560</b>	<b>16'966'281</b>

#### Administrative account – operations

The administrative expense for PUBLICA operations came to CHF 30.0m, while administrative income in the period under review amounted to CHF 36.3m. The administrative expense shown contains the costs of administration for the active members and the pension recipients, and also the costs of asset management incurred during operations. However, the latter are financed via the return on investments and thus also generate corresponding income in the administrative account. Neutralized for asset management, the administrative account showed a profit of CHF 6.3m, which is a reflection of the fact that the membership administration was financed with the cost premiums of employers (administrative costs).

### **Appropriation of profit to the individual company pension plans**

As mentioned in the previous chapter, PUBLICA's operating expenses are allocated to the two core areas of business, asset management and membership administration.

A further step is then to allocate to the company pension plans the effective proceeds and the costs on a pro-rata basis, according to the services actually used. The project costs are allocated to the company pension plans in proportion to the administrative costs paid. The result calculated in this way for each company pension plan takes account of the different fee schedules and the varying amounts of administration required.

### **Appropriation of profit in 2009**

In the past, the administrative profit per company pension plan was calculated relative to the administrative costs billed. The objective, however, is to appropriate profits based on the result calculated in the cost and performance accounts. Depending on the company pension plan in question, the two results can differ considerably.

The following transitional method was therefore used for the appropriation of profit in 2009: the first step was to calculate the average result from the previous and the future methods for each company pension plan. Negative company pension plan results were then neutralized against the results of the other company pension plans. Finally, the results of these calculations were allocated to the company pension plans' non-actuarial reserves. There are plans for the 2010 accounts to allocate the individual company pension plans with their effective result (profit or loss) calculated from the cost and performance accounts..

## **8 Requirements of the supervisory bodies**

PUBLICA strives to ensure low costs and fair, transparent agreements. According to the regulations with our partners, no retrocessions may be received in association with instructions under a mandate agreement in the securities and real estate areas with PUBLICA. The general contractor and total contractor agreements for construction in the real estate sector are primarily contracts for work and services and are thus not affected by BGE 132 II 460. The agreed services are paid by way of a flat-rate fee that already includes a volume discount appropriate to the sector.



## **9 Further information concerning the financial situation**

### **9.1 Note on the economic funded ratio**

Because the actuarial funded ratio had reached 102.4% as at 31 December 2009 (see point 5.7), all of the fund's liabilities are once again fully covered by the available assets. The general interest-rate situation has not yet improved significantly, however, meaning that even the lower technical interest rate (3.5% for the active company pension plans and 3.0% for the pensioner-only plans) is still relatively high. This situation should be taken into account when assessing the fund's actual situation and an economic funded ratio should be considered in addition to the actuarial funded ratio.

In calculating the economic funded ratio, the pension fund's liabilities are calculated using a maturity-congruent, risk-free interest rate. Obviously, a pension fund should not make all of its investments on a risk-free basis, but a certain degree of caution does seem to be required. Consequently, PUBLICA has decided, in accordance with its Regulations for Provisions and Reserves, to build up (and, if need be, release) a "technical interest rate" reserve progressively and independently of its return on investment, with a target value corresponding to half of the difference between the liabilities calculated on an actuarial and economic basis. Such calculations made by the fund's Accredited Pension Actuary produced an economic fund ratio of 87.3% for PUBLICA (prior year: 83.8%). By way of comparison – in 2007 the economic funded ratio still exceeded 90%.

The economic funded ratio raises the question in occupational pension planning as to whether, in addition to the assets side of the balance sheet, the liabilities side should also be stated at market value. To address this situation adequately, PUBLICA has been building up a reserve for fluctuations in the technical interest rate since 31 December 2004.

### **9.2 Pending legal proceedings**

In December 2008, an official complaint was lodged with the Federal Social Insurance Office directed against the financial consequences of the change of system for PUBLICA/the Confederation pension plan. The complainant is demanding a total of CHF 232m. The absence of favourable transitional provisions for older insured members is also at issue and the assertion is being made that numerous legal provisions issued in connection with the change of system are arbitrary and in breach of the principles of good faith. The case is currently pending before the Swiss Federal Administrative Court.

### **9.3 Partial liquidations**

Since 1 January 2009 PUBLICA has been managing two new company pension plans whose memberships (active members and pension recipients) still remained in the Confederation pension plan as at 31 December 2008.

In a ruling dated 17 October 2008, the Swiss Federal Council fully enacted the Federal Nuclear Safety Inspectorate (ENSI) Act of 22 June 2007 effective from 1 January 2009. As of this date, the Swiss Nuclear Safety Inspectorate (HSK) was replaced by the ENSI.

In a ruling dated 15 October 2008, the Swiss Federal Council fully enacted the Federal Financial Market Supervisory Authority (FINMA) Act of 22 June 2007 effective from 1 January 2009. As of this date, FINMA replaced the Federal Banking Commission (FBC), the Federal Office of Private Insurance (FOPI) and the Anti-Money Laundering Control Authority (AMLCA).

The Swiss National Science Foundation was affiliated to PUBLICA from 1 June 2003. On 1 July 2008 it formed its own company pension plan within the PUBLICA collective institution and terminated the contract of affiliation with effect from 31 December 2008.

## **10 Post-balance sheet events**

There have been no extraordinary events since the balance sheet date.

## **11 Company pension plans of the PUBLICA collective institution**

The collective institution comprises 17 company pension plans. These have their own accounts and are managed by their own joint bodies. The Management Summary lists the balance sheet totals, the available assets, the liabilities (pension fund capital and technical provisions), and the funded ratio in comparison with the previous year's figures. Separate, detailed annual reports are produced for the company pension plans and submitted to the joint bodies.

## Management Summary – company pension plans

## Management Summary - Balance sheet total / Assets / Liabilities / Funded ratio

	Balance sheet total □□ in CHF	Available assets in CHF	Liabilities, pension fund capital and provisions in CHF	Funded ratio 2009 in %	Funded ratio 2008 in %
<b>Federal Pension Fund PUBLICA - Consolidated</b>	<b>32'459'718'878</b>	<b>32'324'545'693</b>	<b>31'551'689'197</b>	<b>102.4</b>	<b>95.8</b>
Collective institution PUBLICA	151'374'047	121'408'151	116'844'024	103.9	94.5
Confederation	21'037'723'486	20'980'265'469	20'457'942'865	102.6	95.8
Pensioners only - Voluntarily insured	127'990'227	127'777'929	125'374'645	101.9	94.9
Affiliated organizations	743'690'888	737'326'913	718'247'285	102.7	95.2
Pensioners only - Affiliated organizations	138'498'463	138'273'764	137'785'154	100.4	96.9
Pensioners only - Confederation	197'871'361	197'541'601	195'314'047	101.1	95.7
ETH Domain	5'064'845'699	5'035'734'175	4'868'204'096	103.4	96.1
Pensioners only – Swisscom	2'852'254'933	2'847'367'686	2'827'075'852	100.7	95.5
Pensioners only – RUAG	927'287'539	925'674'640	915'260'348	101.1	95.5
Pensioners only - SRG SSR idée suisse	674'777'103	673'655'895	664'121'998	101.4	95.7
Pensioners only – Administration PUBLICA	79'454'675	79'332'083	76'984'726	103.0	95.6
Swiss Federal Institute of Intellectual Property	77'133'023	76'791'013	75'220'531	102.1	95.2
Swissmedic	147'307'184	144'982'426	141'841'211	102.2	95.6
Swiss Federal Institute for Vocational Education and Training	40'628'589	40'545'020	38'419'526	105.5	95.5
Swiss Federal Audit Oversight Authority	3'089'132	3'031'290	2'953'170	102.6	95.2
Historical Dictionary of Switzerland	9'451'318	9'370'937	9'173'352	102.2	95.5
Swiss Federal Financial Market Supervisory Authority	123'243'650	122'798'888	120'038'406	102.3	
Swiss Federal Nuclear Safety Inspectorate	63'097'560	62'667'812	60'887'964	102.9	

## 12 Report of the Statutory Auditors



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To the Fund Commission of  
Swiss federal pension fund PUBLICA, Bern

Berne, 15 April 2010

### Report of the statutory auditors

As statutory auditors, we have audited the financial statements (balance sheet, income statement and notes), the administrative management and the asset management as well as the retirement accounts of Swiss federal pension fund PUBLICA for the year ended 31 December 2009.

The financial statements, the administrative management and the assets management as well as the retirement accounts are the responsibility of the fund commission. Our responsibility is to express an opinion on these matters based on our audit. We confirm that we meet the licensing and independence requirements as stipulated by Swiss law.

Our audit was conducted in accordance with Swiss Auditing Standards, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, the accounting and the assets management, as well as significant estimates made and the overall financial statement presentation. For the audit of the administrative management, we assess whether the legal requirements on organisation, administration, collection of contributions and payments of benefits, as well the requirements regarding loyalty in the assets management were complied with. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements, the administrative management and the assets management as well as the retirement accounts comply with Swiss law (especially with PUBLICA-Law) as well as with the deed of foundation and the regulations.

We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd

Handwritten signature of Bruno Christen in blue ink.

Bruno Christen  
Licensed audit expert  
(Auditor in charge)

Handwritten signature of Patrik Schaller in blue ink.

Patrik Schaller  
Licensed audit expert

Member of the Swiss Institute of Certified Accountants and Tax Consultants

## 13 Confirmation from the Accredited Pension Actuary as of 31 December 2009

### PUBLICA Confirmation from the Accredited Pension Actuary as of 31.12.2009

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#### Membership data

We received from PUBLICA all relevant data in respect of its active members and pensioners for our actuarial assessment. In its letter of 02.03.2010, PUBLICA confirmed that the membership data communicated to us were definitive and that it had relied upon the same data in establishing its balance sheet.

#### Calculation of the actuarial capital

The actuarial liabilities for PUBLICA's active members and pensioners were calculated based on the EVK 2000 3.5% actuarial tables while the liabilities for closed-scheme pensioners were calculated using EVK 2000 3.0%. The actuarial liabilities, or actuarial capital, are equal to the sum of the active members' individual vested termination benefits and the present value of pensions in payment including the corresponding prospective survivor benefits. They total **CHF 29,478,781,394**.

#### Provisions and Reserves

The Fund Commission has adopted regulations on provisions and reserves which apply in preparing the actuarial balance sheet. In accordance with those regulations, the actuarial balance sheet shows total provisions of **CHF 2,072,907,804**. Moreover, PUBLICA set aside additional reserves within the limits allowed by its financial situation; as of 31.12.2009, reserves for all pension plans averaged 10.5% of the relevant target values.

#### Assets

The assets available for covering actuarial liabilities and calculating the funded status correspond to the total assets at market value minus short-term liabilities, deferred income, employer contribution reserves and non-actuarial reserves. Thus calculated, the available assets total **CHF 32,324,545,693**.

#### Financial Situation

The actuarial balance sheet is well-balanced and shows neither a surplus nor a deficit. PUBLICA will not be able to report an actuarial surplus (or free assets) until reserves have reached their target value. Given the low level of its reserves, PUBLICA has limited tolerance for investment risks. At the same time, PUBLICA cannot hope to attain its financial objectives unless it continues to pursue a risky investment strategy.

#### Funded Status

##### Funded status under Article 44 OPP2/BVV2

Funded status, within the meaning of Article 44 OPP2/BVV2, is the ratio between the assets available for covering the Fund's actuarial liabilities and the aggregate actuarial capital calculated with a discount rate of 3.5% (respectively 3%) plus the actuarial provisions. As of 31.12.2009, PUBLICA's funded status under OPP2/BVV2 was 102.4% compared with 95.8% as of 31.12.2008.

##### Economic funded status

The economic funded status is the ratio between the assets available for covering the Fund's actuarial liabilities and the aggregate actuarial capital calculated with a risk-free discount rate (20-year Federal Bonds for active members and 10-year Federal Bonds for pensioners) plus the actuarial provisions. As of 31.12.2009, PUBLICA's economic funded status was 87.3% compared with 83.8% as of 31.12.2008.



## Appraisal of financial situation

Thanks mainly to a good investment performance in 2009, the financial situation of PUBLICA and its individual pension plans has improved significantly. With a funded status of 102.4% as of 31.12.2009, PUBLICA has remedied last year's underfunding and also set aside modest reserves. Although PUBLICA has managed to eliminate underfunding within the meaning of Article 44 OPP2/BVV2, its recovery cannot be considered sustainable until its reserves have been well funded.

The individual plans each have a funded status of between 100.4% and 103.4%, with one exception at 105.5%. In appraising the financial situation of the individual plans, membership age structure must be taken into account in addition to funded status. The financial situation of pensioner-only pension plans in particular could quickly deteriorate to a point where remedy would be impossible without external intervention.

The good investment climate allowed PUBLICA to eliminate last year's underfunding sooner than had generally been expected. With the exception of its closed-scheme plans, PUBLICA is well-funded and has no structural deficits. If the investment strategy actually meets its performance targets in the medium term, funded status will improve constantly over time. However, the probability that funded status may again fall below 100% or even 95% in the next five years is not entirely negligible.

## Confirmation from the Accredited Pension Actuary

Based on the foregoing, we hereby confirm that:

- As of 31.12.2009, PUBLICA is in a position to fully cover its actuarial liabilities or actuarial capital, calculated on the basis of the EVK 2000 actuarial tables with a discount rate of 3.5% (respectively 3.0%) and provisions.
- The remedial measures examined last year can now be dispensed with. However, given the modest level of its reserves, PUBLICA's recovery cannot yet be regarded as sustainable. In the case of pensioner-only pension plans, the possibility of implementing a different, lower-risk investment strategy should be considered.
- All security measures were taken within the Fund's financial limits in accordance with the regulations on actuarial provisions and reserves. Provisions were taken at their target value. However, the reserves for actuarial interest and for fluctuations in asset values could only be modestly increased and still fall short of their target value.
- Funded status, within the meaning of Article 44 OPP2/BVV2, was 102.4% as of 31.12.2009 based on actuarial discount rates of 3.5%, respectively 3.0%.
- The economic funded status calculated with a risk-free actuarial discount rate was 87.3% as of 31.12.2009.
- The Fund's actuarial regulations on benefits and financing are in compliance with the applicable statutory requirements on 31.12.2009.

Hewitt Associates SA



Daniel Thomann  
Swiss Accredited Pension Actuary  
Neuchâtel, 31.03.2010