



2011 Annual Report of the Swiss Federal Pension Fund PUBLICA

1 January to 31 December 2011

Summary of the financial year

PUBLICA remained on track during the 2011 financial year, despite the difficult market environment. The performance of +1.71% on overall assets represents a good return on investment, given the turbulence on the financial markets. While equity prices fell, gains were made on bonds. The strategy benchmark was exceeded by 0.5%. This is a comparatively good outcome for PUBLICA. However, the performance came in below target, so that the average funded status for all PUBLICA pension plans declined by 1.4% to 103.1% (compared with 104.5% in 2010). All pension plans are still in surplus, and the funded status is roughly in line with the average for private-law pension funds.¹ The further decline in interest rates has lowered the expected return for the coming years. During 2011, preparations were made for the adjustments that will be made to the actuarial tables on 1 July 2012 to bring them back into line with the current statistical parameters (in particular, increased life expectancy). Overall, this change will lead to a reduction in conversion rates.

The membership trend is fairly constant, with no significant changes. As in previous years, the ratio of active members to pension recipients improved slightly in favour of the former. This is a welcome development inasmuch as it increases our structural risk capacity. The insurance profit and loss source analysis also confirms the trend of previous years. Owing to the use of outdated actuarial tables, the pension plans suffered an actuarial loss of around CHF 121 million in 2011 (previous year: CHF 110 million) on the longevity risk; this corresponds to around 0.3% of total assets. The loss was largely compensated by settlement gains on the disability risk. Both items will be rebalanced as part of the planned change in actuarial tables effective from 1 July 2012.

Separate strategic asset allocations

As of 1 January 2011, separate strategic asset allocations for the open and closed pension plans were introduced, to take account of the differing risk capacities of the two types and thus optimise the investment strategy over the long term. This challenging project has been successfully completed, and the individual results for 2011 reflect the two different strategies: the allocation for the open pension plans (with a higher equity component and lower real-estate component) achieved a performance of 1.00%; that for the closed pension plans 5.67%. (Because the risk capacity of the closed pension plans is lower this allocation contains a very small equity component; the main gainers in 2011 were the bond and real-estate investments.)

Change in actuarial tables

In order to bring the actuarial tables into line with current parameters (in particular, increased life expectancy and a lower probability of disability), the Board of Directors decided in January 2011 to adjust the conversion rates with effect from 1 July 2012 to take account of the changed circumstances. It also decided that active members would receive a credit from the existing technical provisions to cushion the impact of the reduction in conversion rates. The details of how the funds available for this are to be distributed are decided by the individual pension plans and their parity commissions. Active members of PUBLICA were notified in good time of these changes, the background to them and their implications.

¹ Swisscanto Pension Fund Monitor as at 31.12.2011, January 2012

The pension plans

The 2011 financial year saw the creation of a new pension plan for the staff of the Swiss National Museum, which resulted from a partial liquidation (exit from the Confederation pension plan). As a consequence, the collective institution contained thirteen open and seven closed pension plans at the end of 2011.

Cost-income ratio

PUBLICA recorded a further income surplus of CHF 3.3m overall on its operations in the 2011 financial year (2010: CHF 3.8m). This will be returned to the pension plans in line with their contribution to top up the cost provision. We undertake detailed cost and benefit accounting each year, in which we review cost schedules and adjust them where necessary. Our asset management costs – which remain very low by market standards – are reported in the appendix to the financial statements; net investment income is shown in the income statement.

Changes in the Board of Directors and Executive Board

The Chairmanship of the Board of Directors rotated as is customary on 1 July 2011, and the Chair for the next two years comes from the employers' side. The serving Vice-Chair Christian Bock, Director of the Federal Office of Metrology, was appointed as the new Chair, swapping places with Hanspeter Lienhart, who held the position until 30 June 2011.

The former Director of PUBLICA, Werner Hertzog, left in the middle of the financial year to take up a new position in the private sector. The Board of Directors would like to thank him for his highly successful work on behalf of our organisation; under his leadership PUBLICA developed into one of Switzerland's leading pension funds. The Board of Directors appointed Dieter Stohler (former Director of the Pension Fund of the Canton of Basel-Stadt) to replace him. A lawyer by training, Dieter Stohler took up his new position on 1 January 2012.

Our thanks

The Board of Directors and Executive Board would like to thank the staff of PUBLICA, whose meticulous work has once again enabled us to achieve success in a difficult business and investment year. We would also like to express our gratitude to all partners and others who have worked side by side with us, with professionalism and dedication, to provide an occupational pension for the benefit of personnel at federal level, at the decentralised administrative units and at the affiliated organisations.

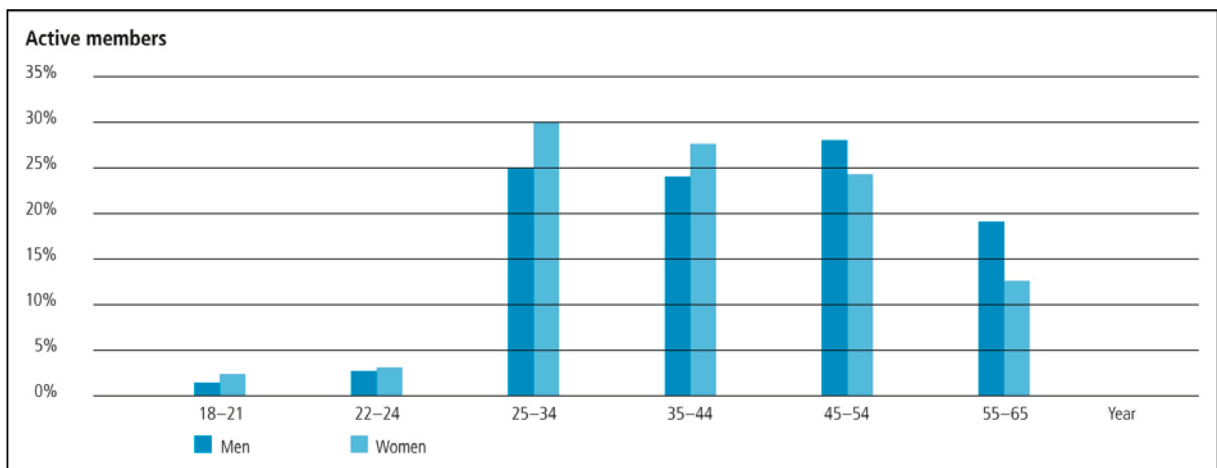
Christian Bock
Chairman of the Board of Directors, PUBLICA

Dieter Stohler
Director, PUBLICA

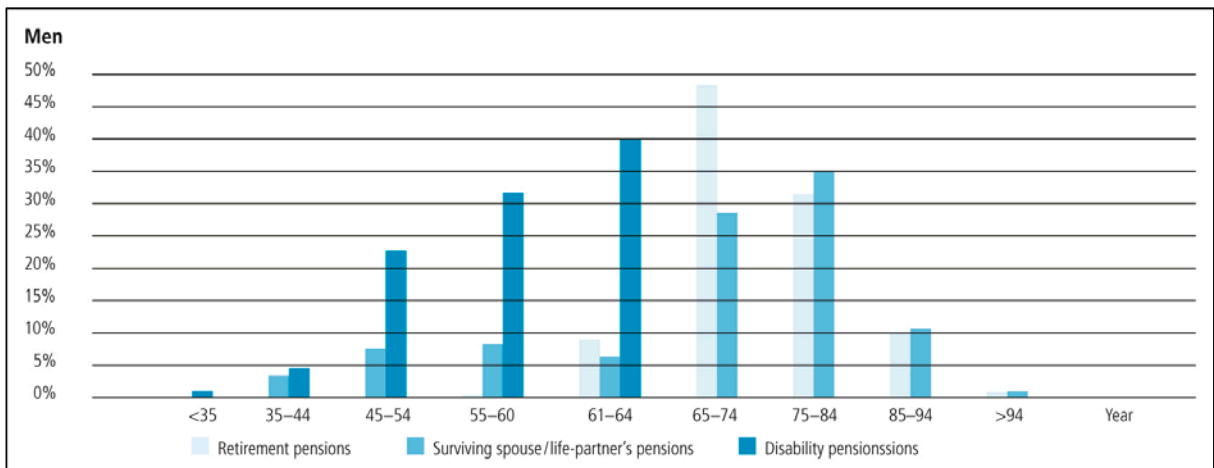
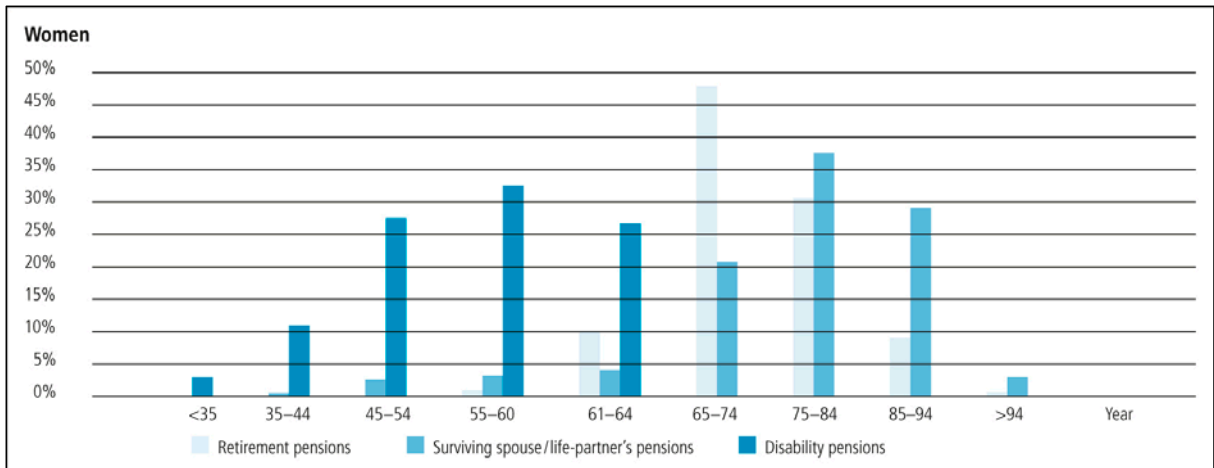
Key figures

	2011	2010
Balance sheet total in CHF	33'114'447'243	33'328'763'940
Pension fund capital in CHF	29'555'178'208	29'454'954'087
Funded status as per Art. 44 BVV 2	103.1%	104.5%
Economic funded status	77.8%	84.1%
Return on investments	1.71%	5.16%
Net investment income in CHF	537'341'213	1'617'167'994
Statutory contributions in CHF	1'099'883'509	1'074'525'214
Statutory benefits in CHF	-1'732'591'815	-1'719'136'971
Number of active members (Including risk insured)	57'577	56'437
Number of pensions	48'204	48'950
Retirement pensions	31'029	31'020
Pensioners' child pensions	605	643
Disability pensions	1'642	1'739
Disabled persons' child pensions	379	401
Surviving spouses' / life partners' pensions	10'943	10'962
Orphans' pensions	357	370
Retirement bridging pensions	2'972	3'505
IV/AI replacement pensions	277	310
Number of new pensions (including child's pensions)	2'117	1'695
Retirement pensions	1'223	885
Disability pensions	196	121
Survivors' pensions (pensions payable following a death)	698	689

Age structure of active members



Age structure of pension recipients



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.

Assets	31.12.2011	31.12.2010
	CHF	CHF
Investments	33'091'272'658	33'297'826'359
Cash and cash equivalents	437'824'963	717'522'314
Receivables	107'324'502	143'584'119
Bonds	18'945'724'255	18'940'299'300
Equities	8'601'764'765	8'296'250'690
Mortgages	1'329'487'036	1'292'993'508
Real estate	2'297'163'897	2'173'228'627
Alternative investments	1'371'983'242	1'733'947'802
Operating assets	19'222'790	20'586'941
Prepaid expenses and accrued income	3'951'795	10'350'640
Total assets	33'114'447'243	33'328'763'940

Liabilities		
Vested pension benefits and liabilities	113'486'236	153'010'029
Vested pension benefits and pensions	85'962'644	102'638'354
Other liabilities	8'300'802	29'784'734
Operational liabilities	19'222'790	20'586'941
Accrued expenses and deferred income	796'590	7'479'672
Employers' contribution reserves	16'310'948	10'275'013
Non-technical provisions	22'333'212	20'954'924
Pension fund capital and technical provisions	31'960'616'438	31'697'023'444
Pension fund capital – active members	11'612'518'541	11'193'154'881
Pension fund capital – pensioners	17'942'659'667	18'261'799'206
Technical provisions	2'405'438'230	2'242'069'357
Technical provisions – pension plans	2'271'584'836	2'115'043'880
Technical provisions – collective institution	133'853'395	127'025'477
Fluctuation reserve	1'000'903'820	1'440'020'858
Uncommitted funds / underfunding		
Opening balance sheet	0	0
From partial liquidation	0	0
Surplus expenditure	0	0
Closing balance sheet	0	0
Total liabilities	33'114'447'243	33'328'763'940

Income statement

	2011 CHF	2010 CHF
Standard contributions and payments	1'149'671'943	1'104'787'913
Employee contributions	394'342'743	382'739'300
Employer contributions	705'540'766	691'785'914
Lump-sum payments and buy-ins	46'424'566	30'917'775
Payment of employers' contribution reserves	5'920'523	-620'000
Appropriation of provision	-2'556'655	-35'076
Entrance benefits	440'716'821	1'223'734'171
Vested pension benefits received	431'328'559	1'217'564'686
Home ownership and divorce payments received	9'388'262	6'169'485
Inflow from contributions and payments	1'590'388'764	2'328'522'084
Statutory benefits	-1'732'591'815	-1'719'136'971
Retirement pensions	-1'271'106'816	-1'279'403'379
Survivors' pensions	-296'824'904	-294'023'717
Disability pensions	-39'845'073	-43'468'258
Other statutory benefits	-67'340'689	-72'221'538
Lump-sum benefits upon retirement	-55'836'247	-29'725'015
Lump-sum benefits in case of death/disability	-1'638'085	-295'064
Vested termination benefits	-555'192'039	-1'396'268'167
Vested benefits paid on departure	-492'143'495	-1'318'406'993
Early withdrawals for home ownership / divorce	-63'048'545	-77'861'174
Outflow for benefits and early withdrawals	-2'287'783'854	-3'115'405'138
Formation of pension fund capital, technical provisions and contribution reserves	-269'513'516	-148'550'130
Formation of pension fund capital – active members	-202'137'011	-383'743'361
Release of pension fund capital – pensioners	319'139'539	611'481'766
Formation of technical provisions – pension plans	-156'540'956	-158'724'701
Formation of technical provisions – collective institution	-6'827'918	-10'181'454
Interest on savings capital	-217'226'648	-208'002'380
Formation/release of employers' contribution reserves	-5'920'523	620'000
Insurance expenses	-6'977'129	-8'851'267
Contributions to Security Fund	-6'977'129	-8'851'267
Net insurance income	-973'885'735	-944'284'450
Net investment income	537'341'213	1'617'167'994
Net income from cash and cash equivalents	-1'211'394	-588'312
Net income from receivables	69'289	70'264
Net income from bonds	1'050'672'485	791'360'299
Net income from equities	-625'061'292	440'128'851
Net income from mortgages	29'705'776	35'479'361
Net income from real estate	151'393'303	95'509'527
Net income from alternative investments	-67'114'558	283'958'562
Net income from liabilities	-1'112'395	-893'547
Administrative expenses – investments	n/a	-27'857'010
Formation of non-technical provisions	-1'378'288	-3'856'882
Other expenses	-2'700'106	-3'921'117
Other income	1'505'870	2'058'817
Administrative account – operations	0	0
Total operating expenses	-31'905'616	-30'303'538
Total operating income	35'202'082	34'095'632
Operating income surplus	-3'296'465	-3'792'095
Expense / income surplus before release of fluctuation reserve	-439'117'039	667'164'362
Release of fluctuation reserve	439'117'039	-667'164'362
Expense / income surplus	0	0

See 6.7 for details of administrative expenses related to investments.

Notes

1 Fundamentals and organisation

1.1 Legal form and purpose

The Swiss 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 Bern and it is entered in the commercial register.

PUBLICA insures the employees of the centralised and decentralised Federal Administration (Article 32a of the Federal Personnel Act of 24 March 2000 [SR 172.220.1]) and of affiliated organisations (Article 4 of the Federal Act of 20 December 2006 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 of 25 June 1982 on Occupational Old Age, Survivors' and Disability Pension Provision (BVG, SR 831.40). PUBLICA is an autonomous collective institution.

1.2 BVG registration and Security 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 of 17 December 1993 on the Vesting of Occupational Old Age, Survivors' and Disability Pensions (Vested Benefits Act, VBA, SR 831.42), and is thus affiliated with the Security 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 Security Fund (SFV, SR 831.432.1).

1.3 Legal basis

Establishment of PUBLICA

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

The entry into force of the PUBLICA Act (SR 172.222.1) on 1 July 2008 did not result in any change to the status of PUBLICA as an undertaking under public law.

Operations

Corporate and Organisational Regulations of the Federal Pension Fund PUBLICA of 29 April 2003 / 1 August 2008 and 24 February 2011

Compliance policy of 24 February 2005

Regulations governing the Provisions and Reserves of the Federal Pension Fund PUBLICA and the Pension Plans of 25 November 2010

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

Regulations governing the Remuneration of Members of the Board of Directors of the Federal Pension Fund PUBLICA of 26 November 2009

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 15 April 2010

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 25 November 2010 / 1 May 2011

Expenses policy for the active members and pension recipients of the Federal Pension Fund PUBLICA of 21 February 2008 / 1 January 2011

Regulations governing the remuneration of members of the parity commissions of the pension plans 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. A separate pension plan is generally created for each affiliated employer; a common pension plan may be created for more than one affiliated employer (Article 7 PUBLICA Act).

The following form integral components of a contract of affiliation:

the pension plan's Pension Plan Regulations

the Service Level Agreement on Services

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

the Winding-Up Regulations.

The pension plans of the centralised and decentralised federal administration are also governed by the Federal Personnel Act of 24 March 2000 (FPA, SR 172.220.1).

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 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 Directors' remit also covers a range of authorities governing financial matters. For instance, it issues the Investment Guidelines and approves the budget and the annual financial statements.

The term of office of the Chair of the Board of Directors is set at two years. Christian Bock, employer representative, has been Chair of the Board since 1 July 2011. Hanspeter Lienhart, employee representative, became Vice-Chair on 1 July 2011.

Members of the Board of Directors

Last and first names	Function	In office since
Bock Christian, Chair	Employer representative	01.01.2009
Buntschu Kurt	Employer representative	01.07.2002
Cereghetti Piero	Employee representative	01.07.2002
Gerber Hugo	Employee representative	01.01.2005
Grossenbacher-Frei Prisca	Employee representative	01.07.2009
Hinder Alex	Employer representative	01.07.2009
Lienhart Hanspeter, Vice-Chair	Employee representative	01.07.2002
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
Schaerer Barbara	Employer representative	01.05.2008
Scholl Fred	Employee representative	01.07.2002
Sommer Martin	Employer representative	01.07.2002
Wyler Alfred	Employee representative	01.07.2009
Zurbrügg Fritz	Employer representative	01.07.2010

External mandates

Last and first names

Mandates

Bock Christian	Chairman of the Board of Directors, Come-2-IT AG, Bern Vice-Chairman of the Board of Directors, Planag Planungsbüro für Industrie und Gerüstbau AG, Laufenburg Member of the Childcare Service, Bern (until 31.03.2011) Full member of the Reserve Funds for Pensions and Social Security of the European Patent Organisation
Buntschu Kurt	Member of the Central Committee of the Swiss Life Saving Society (SLSS)
Gerber Hugo	Member of the Board of Directors, Swisscom Member of the Board of Directors, Suva Member of the Board of Directors, Worklink Member of the Board of Trustees, VORSORGE RUAG Member of the Managing Committee, Swiss Travel Fund (Reka) Member of the Board of Directors, KPT Group (from 19.12.2011)
Hinder Alex	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, Swissbroke pension foundation, Chur (until 31.03.2011)
Lienhart Hanspeter	Member of Bülach Town Council
Remund Matthias	Member of the Executive Council, Swiss Olympic Association Member of the Foundation Board, Schweizer Sporthilfe Member of the Foundation Board, Olympic Museum
Schaerer Barbara	Member of the Board of Directors, Bernmobil Member of the Council of the Swiss Federal Institute of Intellectual Property (IGE)
Wyler Alfred	Vice-Chair of the Board of Trustees, comPlan pension fund Vice-Chair of the Board of Trustees, Swiss Post Pension Fund
Zurbrügg Fritz	Chair of the Board of Directors, Hotel Bellevue-Palace Immobilien AG, Bern

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 30m.

According to the Investment Guidelines, the Investment Committee comprises three to five persons appointed by the Board of Directors, one representative of the Federal Finance Administration and, as consultative members, the Director, Head of Financial Administration and Accounting/Controlling and the Head of Asset Management of PUBLICA. The chair of the Investment Committee is Alex Hinder.

Last and first names	Function	In office since
Cereghetti Piero, Vice-Chair	Employee representative	29.10.2002
Eggenberger Urs	Vice-Chairman, Federal Finance Administration	19.11.2007
Hinder Alex, Chair	Employer representative	01.07.2009
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 FFA: Member of the Board of Directors and Board of Directors Committee, AHV Compensation Fund Representative of the FFA: Member of the Commission, Member of the Investment Committee for the Decommissioning Fund and Waste Disposal Fund Representative of the FFA: Member of the Board of Trustees of the BVG Security Fund Member of the audit committee in his municipality of residence
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 comprises the following persons:

Last and first names	Function	In office since
Grossenbacher-Frei Prisca	Employee representative	01.07.2009
Schaerer Barbara	Employer representative	01.01.2009
Scholl Fred	Employee representative	10.12.2002
Sommer Martin, Chair	Employer representative	20.03.2003

Audit Committee

The Audit Committee reviews PUBLICA's annual financial statements and the report by the Pension Actuary, among other things; it discusses the financial statements with the management of PUBLICA, the head of the external Statutory Auditor and the 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
Gerber Hugo, Chair	Employee representative	01.01.2005
Maurer Petra	Employee representative	01.07.2009
Remund Matthias	Employer representative	01.07.2009
Zurbrügg Fritz	Employer representative	01.07.2010

Assembly of Delegates

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 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 insured members of the Swiss 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 began on 1 January 2009. The seats were distributed between the four constituencies according to the policy reserves of the pension plans as at 30 June 2008. The elected delegates and the distribution among the company pension plans are listed at www.publica.ch.

The Chair and Vice-Chair of the PUBLICA Assembly of Delegates are as follows:

Last and first names	Function
Alvarez Cipriano	Chair
Grunder Jürg (until 18.05.2011)	Vice-Chair
Weber Matthias (from 19.05.2011)	Vice-Chair

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 Organisational Regulations of the Federal Pension Fund PUBLICA of 24 February 2011. The management consisted/consists of the Director, Werner Hertzog (who stepped down at the end of June 2011) and his deputy, Susanne Haury von Siebenthal (Head of Asset Management), who took over as Director on an interim basis until the end of 2011 following Werner Hertzog's departure.

Executive Board

As at 31 December 2011, the Executive Board comprised the following members:

Last and first names	Function
Burgunder Daniel	Head of Insurance, PUBLICA
Gisiger Hanspeter	Head of Financial Administration and Accounting / Controlling, PUBLICA
Haury von Siebenthal Susanne	Head of Asset Management, PUBLICA Director ad interim of PUBLICA
Zaugg Markus	Head of Resources, PUBLICA

External mandates

Last and first names	Mandates
Haury von Siebenthal Susanne	Member of the Swiss Takeover Board Member of the Investment Committee, CERN Pension Fund

Extended Executive Board

As at 31 December 2011 the Extended Executive Board consisted of:

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

1.5 Human resources at PUBLICA

Legal basis, employment relationships

On 19 August 2009, by means of the supplement to the Framework Ordinance of the Federal Personnel Act (FPA)² the Federal Council conferred on PUBLICA the status of an employer subject to employment law with effect from 1 January 2010. The staff of PUBLICA are subject to the FPA³. The Board of Directors of PUBLICA issues the implementing provisions⁴.

Human resources policy and developments

The content, standards and methods of PUBLICA's human resources policy support the organisation's corporate objectives. The policy regulates employment relationships and collaboration within PUBLICA. Further strategic human resources principles were drawn up in 2011, which reinforce PUBLICA's independence as an employer both internally and externally. These objectives, described in Articles 2 and 3 of the PUBLICA staff regulations, had a major impact on the following two employee-related processes:

Acquiring and retaining suitable personnel

PUBLICA was established as an undertaking under public law with its own legal personality and legal capacity because it requires functional independence in order to fulfil its statutory mandate effectively. Particularly with regard to changes in occupational pensions and the labour market, it must have the freedom to formulate its own response to changes, including in its human resources policy.

PUBLICA aims to make targeted use of incentive schemes and thereby motivate its employees to commit to its corporate objectives. The services it provides depend on the dedication and skills of its staff. Greater weight is attached to individual performance, while the new salary system rewards dedicated commitment that leads to successful results.

However, the labour market is also constantly changing. Demographic developments, for example, are leading to increased scarcity of resources. As regards specialised staff, PUBLICA is in direct competition with the insurance and financial sectors.

As an employer, PUBLICA is committed to securing and maintaining the loyalty of the people it needs by offering a tailored package of benefits. Besides the interesting and responsible jobs that PUBLICA already offers, potential employees also base their decision on the financial components of the package on offer.

Staff promotion and development

Under PUBLICA's HR strategy, the focus is on employees as a source of added value. PUBLICA's policy of continued improvement of specialist and management skills at all functional levels is specifically designed to enhance the core competencies that are manifested in the actions and expertise of the company's staff and are key to its success. Implementation of the human resources and organisational development concept drawn up this year is intended to support this aim. An assessment of potential will enable PUBLICA to develop its staff in a more targeted manner. Planning of a further project, devoted to health management, will begin in the year ahead. The teaching concept for trainees, which has

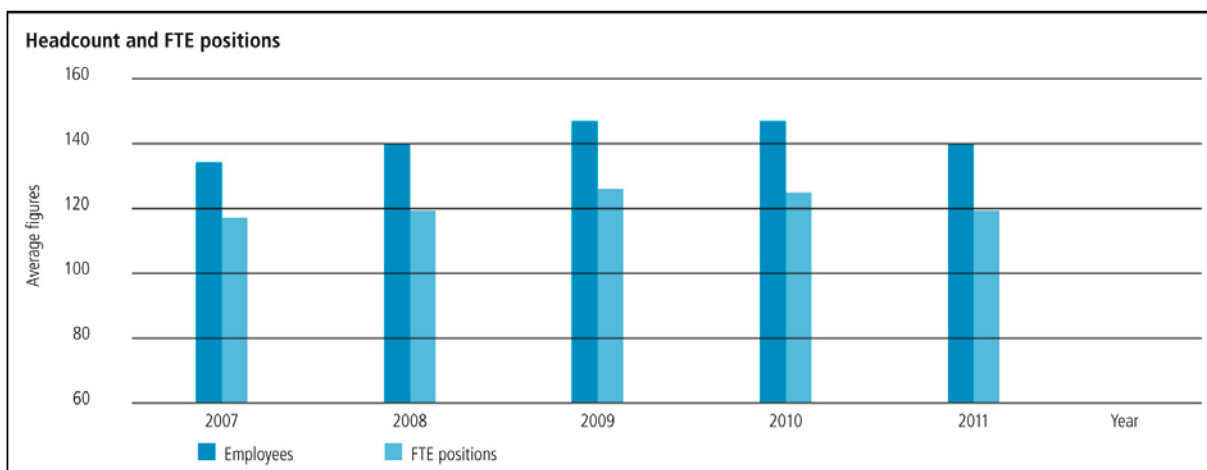
² New Article 2a Framework Ordinance to the FPA (SR 172.220.11)

³ Article 2 (1) (e) BPG and Article 14 (2) PUBLICA Act (SR 172.222.1)

⁴ Article 2a (2) Framework Ordinance to the FPA

been in place since 2007, will also be revised to provide high-quality support that reflects the increased expectations in terms of both college and on-the-job training. PUBLICA is currently training nine people towards commercial qualifications, and one in facility management. Trainees of previous generations have all achieved good or very good results in their final examinations.

Headcount and FTE positions



The new HR regulations have been implemented and are now well established. Headcount fell from 147 in 2010 to 140 in 2011. On a full-time equivalent basis, there was a drop of 5.8 units to 119.5 FTE positions.

1.6 Actuary, auditor, supervisory body, consultants

Pension Actuary	Aon Hewitt (Switzerland) AG Avenue Edouard-Dubois 20 2000 Neuchâtel	www.aonhewitt.ch
Statutory Auditors	Ernst & Young AG Belpstrasse 23 3001 Bern	www.ch.ey.com
Supervisory Body	Federal Social Insurance Office FSIO Effingerstrasse 20 3003 Bern	www.bsv.admin.ch
Investment Controller	PPCmetrics AG Badenerstrasse 6, P.O. Box 8021 Zurich	www.ppcmetrics.ch
Global Custodian (custodian bank for foreign securities and consolidation of all assets)	J.P. Morgan (Switzerland) Ltd Dreikönigstrasse 21 8022 Zurich	www.jpmorgan.com
CH Custodian (custodian bank for CH securities)	Credit Suisse Custody & Transaction Services Uetlibergstrasse 231 8070 Zurich	www.credit-suisse.com

1.7 Affiliated employers

The range of employers that have either the option or the obligation to insure their employees' occupational pensions with PUBLICA is defined in the PUBLICA Act (Art. 4). As of 31 December 2011, the PUBLICA collective institution encompassed 20 mutually independent pension plans, of which seven were closed pension plans without any active members.

Active members

	31.12.2011	31.12.2010
Confederation	36,698	36,698
Affiliated organisations	2,100	2,038
ETH Domain	16,927	16,098
Swiss Federal Institute of Intellectual Property	243	251
Swissmedic	401	389
Swiss Federal Institute for Vocational Education and Training	217	212
Swiss Federal Audit Oversight Authority FAOA	23	24
Historical Dictionary of Switzerland	38	36
Swiss Financial Market Supervisory Authority (FINMA)	439	407
Swiss Federal Nuclear Safety Inspectorate (ENSI)	144	133
PUBLICA	133	140
Trasse Schweiz AG	9	11
Swiss National Museum	205	n/a
Total	57,577	56,437

The Swiss National Museum pension plan came into being on 1 January 2011 as the result of a partial liquidation from the Confederation pension plan.

Pensioners

	31.12.2011	31.12.2010
Confederation	26,048	26,132
Voluntarily insured (retirement started on or after 01.06.2003)	315	321
Affiliated organisations	832	805
Pensioners only – affiliated organisations	396	408
Pensioners only – Confederation	862	882
ETH Domain	5,212	5,045
Pensioners only – Swisscom Pension entitlement before 01.01.1999	7,108	7,305
Pensioners only – RUAG Pension entitlement before 01.07.2001	2,569	2,692
Pensioners only – SRG SSR idée suisse Pension entitlement before 01.01.2003	1,160	1,184
Pensioners only – PUBLICA administration	88	89
Swiss Federal Institute of Intellectual Property	54	49
Swissmedic	97	93
Swiss Federal Institute for Vocational Education and Training	15	12
Swiss Federal Audit Oversight Authority FAOA	0	0
Historical Dictionary of Switzerland	12	10
Swiss Financial Market Supervisory Authority (FINMA)	45	42
Swiss Federal Nuclear Safety Inspectorate (ENSI)	29	27
PUBLICA	41	39
Trasse Schweiz AG	0	0
Swiss National Museum	72	0
Total	44,955	45,135

When they set up their own pension plans, Swisscom, SRG SSR idée suisse and RUAG decided to leave their allocated pensioners in FPF, the former Federal Pension Fund. The other closed plans include pensioners who remained with FPF or PUBLICA following the departure of their employer, as well as the former voluntarily insured persons. These are the main reasons 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.

	31.12.2011	31.12.2010
Men	38,306	37,875
Women	19,271	18,562
Total active members	57,577	56,437

2.2 Pensions

	31.12.2011	31.12.2010
Retirement pensions	31,029	31,020
Retired person's child's pensions	605	643
Disability pensions	1,642	1,739
Disabled person's child's pensions	379	401
Surviving spouse/life-partner's pensions	10,943	10,962
Orphan's pensions	357	370
Retirement bridging pensions	2,972	3,505
IV/AI replacement pensions	277	310
Total	48,204	48,950

In 2011 there were a total of 1,223 new retirement pensions and retired person's child's pensions, 196 new disability pensions and disabled person's child's pensions (including occupational disability), and 698 new surviving spouse pensions and orphan's pensions.

3 Implementation of the purpose

3.1 Note to the pension plans

PUBLICA runs separate pension schemes for each 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 pension plan.

3.2 Financing, method of financing

PUBLICA is an autonomous collective institution running 20 mutually independent pension plans, each with its own balance sheet. The actuarial financing of the individual pension plans is based on what is known as the funded or capital cover system. The revenues are formed by savings contributions, risk premiums, inflows of vested pension benefits from previous pension plans and 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 on services (SLA D) with the 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. On this basis, PUBLICA takes charge of, for example, paying pensions on behalf of the Federal Council in accordance with the Federal Act of 6 October 1989 on the Remuneration and Occupational Pensions of Federal Council Members and other Federal Officials. These payments are not financed under the funded 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 Swiss Federal Pension Fund PUBLICA meet the formal requirements in terms of the breakdown of the balance sheet, income statement 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

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

Securities, foreign currencies, direct investments in real estate, mortgages and loans to public law bodies are recognised 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 accrued cost 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. Cash and cash equivalents are entered in the balance sheet at nominal value.

Since the closure of the annual accounts as at 31 December 2010, 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 reserve, which are included in the legal basis and are audited by the Pension Actuary.

5 Actuarial risks / risk coverage / funded status

5.1 Form of risk coverage, reinsurance

PUBLICA is an autonomous collective institution divided into mutually independent pension plans, each having its own balance sheet. It has not taken out any reinsurance cover for its actuarial risks. With respect to actuarial risks, the individual 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 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 11.6bn (prior year: CHF 11.2bn). The following table shows the development during the period under review.

	2011	2010
Pension fund capital – active members 01.01	11,193,154,881	10,605,904,422
Savings contributions – employees and employers	891,762,496	867,241,735
Lump-sum transfers, buy-ins and entrance benefits	486,039,461	1,263,278,982
Interest (including interest relating to other periods)	217,226,648	208,002,380
Vested termination benefits	-492,035,045	-1,318,406,992
Early withdrawals for home ownership / divorce payments	-63,048,545	-77,861,174
Retirement pensions	-590,544,111	-335,004,305
Release due to death / disability	-20,214,712	-14,732,625
Other changes	-9,822,533	-5,267,542
Inflow	419,363,659	587,250,459
Pension fund capital – active members 31.12	11,612,518,541	11,193,154,881

The exceptional changes in “Lump-sum transfers, buy-ins and entrance benefits” and “Vested termination benefits” compared with the previous year are attributable to a reorganisation within the Federal Department of Defence, Civil Protection and Sport. The internal movement of staff had to be booked once as departures and once as new entrants (approx. CHF 950m).

“Other changes” contains corrections to disability cases and inter-year rectifying entries.

5.3 Total retirement assets under BVG

	31.12.2011	31.12.2010
Total retirement assets under BVG in CHF	4,283,594,925	4,093,281,420
BVG minimum interest rate, fixed by the Federal Council	2.0%	2.0%

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 assets under the BVG are contained in the pension fund capital of active members.

5.4 Development of pension fund capital for pensioners

	in CHF 2011	in CHF 2010
Pension fund capital as at 01.01	18'261'799'206	18'872'876'972
Change in pension fund capital as at 31.12	-319'139'539	-611'077'766
Total pension fund capital – pensioners	17'942'659'667	18'261'799'206

Number of pensions (for details see 2.2)	48,204	48,950
---	--------	--------

The pension fund capital for pensioners corresponds to the present value of current pensions including associated deferred annuities and decreased by CHF 319.1m from the previous year's figure.

5.5 Results of the latest actuarial assessment

Please see the confirmation from the Pension Actuary as at 31 December 2011 (point 13).

5.6 Actuarial tables 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 actuarial tables of the Federal Insurance Fund's EVK 2000, 3.5% for open pension plans (with active members) and EVK 2000, 3.0% for closed plans.

Technical provisions – consolidated

Pension plans	in CHF 31.12.2011	in CHF 31.12.2010
Provision for conversion rate – active members	673'535'125	576'657'769
Provision for longevity – pensioners	1'028'860'671	941'847'977
Provision for outstanding claims (IBNR)	170'351'205	177'969'147
Provision for death and disability	61'995'000	62'514'000
Provision for guarantees (change of system)	311'099'106	330'291'927
Provision for cost-of-living adjustment and administrative expenses	25'743'729	25'763'060
Total technical provisions – pension plans	2'271'584'836	2'115'043'880

Collective institution	in CHF 31.12.2011	in CHF 31.12.2010
Provision for outstanding claims	20'323'761	14'960'253
Provision for death and disability	24'834'000	22'605'000
Provision for pricing	62'448'000	61'194'000
Provision for hardship cases	0	28'266'224
Provision for hardship cases insured members / pension reci	14'130'591	0
Provision for hardship cases pension plans	12'117'043	0
Total technical provisions – collective institution	133'853'395	127'025'477

Total technical provisions	2'405'438'230	2'242'069'357
-----------------------------------	----------------------	----------------------

The provisions and reserves stated in the balance sheet are based on PUBLICA's Regulations governing the Provisions and Reserves of 25 November 2010, drawn up by the Board of Directors in conjunction with the Pension Actuary (Aon Hewitt) and the external Statutory Auditors (Ernst & Young), which came into force on 1 January 2011.

The technical provisions increased by CHF 163.4m compared with the previous year.

5.6.1 Technical provisions – pension plans

Provision for conversion rate – active members

The conversion rate 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 rate is set aside to help maintain continuity when the rate is lowered 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 actuarial tables used (life table), certain precautions have to be taken to ensure that the promised benefits can always be provided. For this reason 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 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 guarantee of vested benefits).

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 pension plan Pensioners only – PUBLICA administration.

5.6.2 Technical provisions – collective institution

Provision for outstanding claims

Like the pension plans, the collective institution, in its function as reinsurer, also has to maintain a provision for outstanding claims. This is accumulated using the risk premium of the fully or partially reinsured pension plans. Depending on the percentage of the target value achieved, any surplus is reimbursed to the pension plans concerned on the basis of a surplus concept.

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 it has to bear the risk of fluctuations in the volume of claims.

Provision for pricing

The provision for pricing provides the collective institution with time to adjust 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. The Regulations governing the Provisions and Reserves of the Federal Pension Fund PUBLICA divide the provision into one for hardship cases related to active members / pensioners and one for hardship cases related to the pension plans.

5.7 Funded status as per Article 44 BVV 2

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

	in CHF 31.12.2011	in CHF 31.12.2010
Required actuarial pension fund capital	31,960,616,438	31,697,023,445
Fluctuation reserve	1,000,903,820	1,440,020,859
Uncommitted funds	0	0
Available funds	32,961,520,257	33,137,044,303
Funded status as per Article 44 BVV 2	103.1%	104.5%

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

5.8 Death and disability risk result of the PUBLICA collective institution as reinsurer

The pension plans with a relatively low number of active members are fully or partially reinsured with the collective institution. In 2011, the PUBLICA collective institution as reinsurer paid CHF 0.7m in policy reserves for disability cases of the individual pension plans. Of the CHF 6.3m in risk premiums collected, a total of CHF 2.4m was for the first time reimbursed to the fully reinsured pension plans, after offsetting of claims pursuant to the surplus concept.

5.9 Death and disability risk result for active members, total for all pension plans

The risk results for death (CHF 7.1m) and for disability (CHF 106.9m) both show an actuarial profit for the year 2011. This indicates that the claims that actually occurred were lower than was expected according to the actuarial tables. The downward revision of certain risk premiums with effect from 1 January 2010 led to a reduction in profit compared with the years 2009 and 2008. This is the desired effect, inasmuch as the purpose of the risk premiums is to ensure not only profit-free but also loss-free claims processing over the long term.

	2011	2010	2009	2008
Risk premium received (disability and death) in CHF million	149.3	147.8	168.5	159.7
No. of disability cases (including increases in level of disability)	108	101	88	84
Cost of disability cases in CHF million	32.5	26.6	21.0	23.0
Funding via risk premium (disability) in CHF million	139.4	137.6	156.4	148.2
Profit on disability cases in CHF million	106.9	111.0	135.4	125.2
Number of deaths	45	50	52	29
Cost of death cases in CHF million	2.8	5.3	0.9	1.1
Funding via risk premium (death) in CHF million	9.9	10.2	12.1	11.5
Profit on death cases in CHF million	7.1	4.9	11.2	10.4
Required risk premium	0.78%	0.72%	0.50%	0.59%
Required risk premium (average)	0.65%	0.60%	0.55%	0.59%
Statutory risk premium	3.35%	3.36%	3.92%	3.92%

5.10 Death risk result for pension recipients, total for all pension plans

The death risk result for pension recipients – a loss of approximately CHF 121m (of which retirement pension recipients account for around CHF 108m) – is a stark reminder of the necessity of maintaining longevity provisions for pension recipients. It also confirms the wisdom of the Board of Directors' decision to reduce the conversion rate at age 65 from 6.53% to 6.15% ahead of the change in actuarial tables, since otherwise future losses would be knowingly assumed, which subsequent generations would then have to bear.

6 Strategic asset allocation

The total revision of the PUBLICA Act did not just result in a changeover from a defined-benefit to a defined-contribution scheme on 1 July 2008; it also transformed PUBLICA from a joint institution into a collective institution. When PUBLICA was a joint institution, a single balance sheet was drawn up for all the affiliated pension plans, and all the pension plans bore the risks together. Following the move to a collective institution, the assets and liabilities of each pension plan are recorded in a separate balance sheet, and the pension plans bear their risks wholly or at least partially themselves.

Since the structure and expected membership trend of the closed pension plans differ substantially from those of the open pension plans, a common strategic asset allocation for all pension plans is at odds with the requirements of BVV 2. Accordingly, at its meeting on 26 August 2010 the Board of Directors approved the creation of two strategic asset allocations: one for all the closed pension plans and one for all the open ones. The allocations are implemented without a special legal form as part of a "unitisation" concept that corresponds economically, though not legally, to that of an investment fund.

The strategic asset allocation for the closed pension plans was fully implemented on 1 January 2011. All the bandwidths have been adhered to. The strategic asset allocation for the open pension plans is more complex and contains more asset classes, some of which are new. It is being progressively implemented as part of a pro rata strategy. Priorities are established using the criterion of practicality (valuation and liquidity of the real-estate market, expertise with regard to new asset classes, etc.), and set on the basis of the influence an investment has on the overall risk/return profile of the strategy. New asset classes are also

being introduced progressively at a range of different times. The pro rata strategy serves as a benchmark for measuring relative performance. All the bandwidths of the pro rata strategy have been complied with. However, the progressive approach means that not all of the bandwidths of the long-term strategy for the open pension plans are yet being adhered to. The allocations for domestic non-government bonds CHF and government bonds in foreign currencies are being exceeded, while those for indirect real-estate investments abroad are being undershot. The Investment Committee has now decided to forgo indirect real-estate investments abroad for the time being. The Investment Committee and Board of Directors are aware of the deviations from the bandwidths of the long-term strategy, and have approved them during the build-up phase.

Strategic asset allocation – open pension plans

Asset class	Allocation at 31.12.2011	Pro rata strategy	Long-term strategy	Tactical bandwidths in % of strategy weighting	
				Minimum	Maximum
Nominal values	61.5%	61.0%	58.0%	80%	120%
Money market	1.0%	2.0%	2.0%	0%	200%
Mortgages	4.7%	4.8%	4.8%	0%	150%
Bonds CHF	33.8%	33.5%	27.2%	80%	120%
Swiss government bonds	6.9%	6.5%	6.8%	80%	120%
Non-government bonds CHF	26.9%	27.0%	20.4%	80%	120%
Government bonds	14.9%	13.7%	12.0%	80%	120%
Government bonds EUR currency hedged	9.7%	8.2%	7.0%	50%	150%
Government bonds USD currency hedged	4.3%	4.5%	4.0%	50%	150%
Government bonds GBP currency hedged	0.9%	1.0%	1.0%	0%	200%
Corporate bonds (investment grade)	7.1%	7.0%	12.0%	80%	120%
Corporate bonds EUR currency hedged	3.5%	3.5%	6.0%	50%	150%
Corporate bonds USD currency hedged	3.6%	3.5%	6.0%	50%	150%
Equities	28.8%	29.0%	29.0%	80%	120%
Equities Switzerland	4.2%	4.0%	4.0%	50%	150%
Equities Europe currency hedged	7.2%	8.0%	8.0%	50%	150%
Equities North America currency hedged	8.5%	8.0%	8.0%	50%	150%
Equities Pacific currency hedged	4.1%	4.0%	4.0%	50%	150%
Equities emerging markets	4.9%	5.0%	5.0%	50%	150%
Real estate	4.7%	5.0%	8.0%	80%	120%
Direct investments Switzerland	4.7%	5.0%	5.0%	80%	120%
Europe	0.0%	0.0%	1.5%	50%	150%
USA	0.0%	0.0%	1.5%	50%	150%
Alternative investments	4.9%	5.0%	5.0%	80%	120%
Commodities currency hedged	4.9%	5.0%	5.0%	80%	120%
Total	100%	100%	100%		

Strategic asset allocation – closed pension plans

Asset class	Allocation at 31.12.2011	Long-term strategy	Tactical bandwidths in % of strategy weighting	
			Minimum	Maximum
Nominal values	69.1%	70.0%	80%	120%
Money market	1.3%	2.0%	0%	200%
Bonds CHF	67.7%	68.0%	80%	120%
Swiss government bonds	40.5%	40.0%	80%	120%
Non-government bonds CHF	27.3%	28.0%	80%	120%
Equities	10.2%	10.0%	80%	120%
Equities Switzerland	5.2%	5.0%	50%	150%
Equities Europe currency hedged	1.8%	2.0%	50%	150%
Equities North America currency hedged	2.2%	2.0%	50%	150%
Equities Pacific currency hedged	1.0%	1.0%	50%	150%
Real estate	20.7%	20.0%	80%	120%
Direct investments Switzerland	20.7%	20.0%	80%	120%
Total	100%	100%		

6.1 Notes on investments and the net return on investment

Crises of all kinds dominated the 2011 investment year. In North Africa, the “Arab Spring” saw isolated pockets of unrest develop into a full-scale uprising. Political power struggles drove the US to the brink of technical insolvency, and this was one of the reasons why, on 5 August 2011, Standard & Poor’s downgraded the rating of US government bonds from AAA to AA+. Contrary to everyone’s expectations, however, demand for these securities remained high. Following the downgrade, yields on 10-year US Treasuries fell from 3.3% to 1.9% at the end of 2011.

The decline in yields on supposedly “safe” government bonds was due partly to the continuation of an expansive monetary policy in the industrialised nations and partly to the dramatic escalation of Europe’s debt crisis. Fears that the currency union might break up placed enormous pressure on the euro. European banks were forced to take substantial write-downs on debt from peripheral countries, and sharply curtailed their lending activities. Dexia Bank had to be bailed out for a second time by France and the Benelux countries.

These problems inevitably had an impact on global economic growth. Economic forecasts were revised markedly downwards from the second half of the year. The economy of China – the main growth engine – began to cool and the slowdown in Europe affected not only the peripheral countries but also Italy and the Netherlands. The likelihood of a recession in the eurozone grew significantly. Towards the end of the year, however, there were increasing signs of a recovery in the US, while fears of an economic downturn in China dissipated. The gold price hit new record highs, and the Swiss franc came under upward pressure. Risky investments such as equities and commodities experienced substantial setbacks.

6.2 Organisation of investment activity, Investment Guidelines

PUBLICA’s investment philosophy seeks to systematically exploit incompletely correlated risk premiums from different sources – equity risks, interest rate risks, credit risks, liquidity risks – by means of the broad diversification of its assets. We therefore invest mainly close to or in line with an index, selecting individual products with risk/return profiles that are as clear as their impact on the risk/return profile of the overall portfolio.

The Board of Directors bears overall responsibility for asset management. 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 strategic asset allocation. 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 and outperforming the allocation itself.

Equity investments are made in line with an index and replicate market trends. All equity portfolios are managed by external specialists. The bond portfolios are managed by PUBLICA Asset Management and external specialists, sticking close to a benchmark but allowing for active elements subject to tight tracking error requirements in order to avoid the disadvantages of capitalisation-weighted bond indices. Real-estate investments take the form of direct investments within Switzerland. Commodities investments are managed by two external specialists. The benchmarks are customised and minor deviations from the indices are permitted in order to counteract market inefficiencies.

In the interest of business continuity planning, an optional mandate agreement was concluded with Pictet & Cie. in 2011. If PUBLICA Asset Management suddenly finds itself unable to manage the internally managed mandates itself, Pictet Asset Management has

undertaken to take over those mandates within 48 hours and to manage them on a fiduciary basis until PUBLICA is able to resume doing so itself or a definitive solution has been found.

The following institutions were entrusted with the management of PUBLICA's assets as at the balance sheet date of 31 December 2011:

Asset managers & retrocessions

Mandate	Asset manager	Investment style	Retrocessions	
			Date of regulation	Receipt
Bonds CHF	PUBLICA Asset Management	Index-tracking	-	prohibited
Government bonds EUR	PUBLICA Asset Management	Index-tracking	-	prohibited
Corporate bonds EUR	Union Investement Institutional	Index-tracking	20.06.2011	prohibited
Corporate bonds EUR	Standard Life Investments Limited	Index-tracking	25.08.2011	prohibited
Government bonds USD	PUBLICA Asset Management	Index-tracking	-	prohibited
Corporate bonds USD	PIMCO	Index-tracking	04.05.2011	prohibited
Corporate bonds USD	BlackRock Institutional Trust Company	Index-tracking	04.05.2011	prohibited
Government bonds GBP	PUBLICA Asset Management	Index-tracking	-	prohibited
Currency hedging foreign currency bonds	Record Currency Management	Passive	22.10.2008	prohibited
Mortgages	Hypotheken PUBLICA	Direct investments	-	prohibited
Equities Switzerland	Credit Suisse Asset Management	Passive	01.12.2008	prohibited
Equities Switzerland	Pictet Asset Management	Passive	02.12.2008	prohibited
Equities world industrialised nations	Credit Suisse Asset Management	Passive	09.11.2005	prohibited
Equities world industrialised nations	BlackRock	Indexed	27.06.2005	prohibited
Currency hedging equities world industrialised nations	Russell Investment	Passive	28.10.2008	prohibited
Equities emerging markets	Pictet Asset Management	Passive	19.08.2010	prohibited
Equities emerging markets	Vanguard	Passive	19.08.2010	prohibited
Commodities	Morgan Stanley	Index-tracking (swaps)	02.11.2009	prohibited
Commodities	BlackRock	Indexed (futures)	02.11.2009	prohibited
Real estate Switzerland	PUBLICA Asset Management	Direct investments	-	prohibited
Real estate Switzerland	Comptoir Immobilier SA	Direct investments	01.04.2010	prohibited
Real estate Switzerland	Bernard Nicod SA	Direct investments	01.08.2007	prohibited
Real estate Switzerland	Régie Nafilyan - Regisa SA / Membre du groupe Cogestim	Direct investments	01.07.2007	prohibited
Real estate Switzerland	Weck, Aeby & Cie. SA	Direct investments	01.08.2007	prohibited
Real estate Switzerland	Von Graffenried AG Liegenschaften	Direct investments	01.08.2007	prohibited
Real estate Switzerland	Privera AG	Direct investments	01.08.2007	prohibited
Real estate Switzerland	psm Center Management AG	Direct investments	01.07.2009	prohibited
Real estate Switzerland	Mata Treuhand- und Revisions AG	Direct investments	01.08.2007	prohibited
Real estate Switzerland	Immosupport by Fritz und Caspar Jenny AG	Direct investments	01.01.2011	prohibited

PUBLICA strives to achieve low costs and fair, transparent agreements. The regulations agreed with our partners forbid the acceptance of retrocessions in connection with contractual relationships with PUBLICA involving securities and real estate.

PUBLICA exercises its voting rights at the annual general meetings of listed public 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.

6.3 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.

	in CHF 2011	in CHF 2010
Technical interest rate reserve 01.01	633'354'716	279'212'631
Fluctuation reserve 01.01	806'666'142	493'643'865
Total fluctuation reserve 01.01	1'440'020'858	772'856'496

Change in technical interest rate reserve debited to income statement	-135'577'702	354'142'085
Change in fluctuation reserve debited to income statement	-303'539'337	313'022'277
Technical interest rate reserve 31.12	497'777'014	633'354'716
Fluctuation reserve 31.12	503'126'805	806'666'142
Total fluctuation reserve 31.12	1'000'903'820	1'440'020'858

Target technical interest rate reserve	4'945'009'944	3'671'227'763
Target fluctuation reserve	4'794'092'465	4'754'553'515
Overall total of targets	9'739'102'409	8'425'781'278

Technical interest rate reserve deficit	4'447'232'930	3'037'873'047
Fluctuation reserve deficit	4'290'965'660	3'947'887'373

Fluctuation reserve as % of target	10.3%	17.1%
---	--------------	--------------

The creation or release of the technical interest rate reserve and the fluctuation reserve are always synchronous, i.e. both reserves are always at a matching percentage of their target value. It has been necessary to reduce the fluctuation reserves overall.

6.3.1 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 governing the 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 open pension plans and 3.0% for closed plans and the liabilities calculated using a risk-free interest rate.

6.3.2 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 safety level sought and the investment horizon. The minimum target value is set at 15% of the sum of pension fund capital and technical provisions.

6.4 Assets by asset class

All currency risks arising out of equity and bond investments from industrialised countries other than Switzerland are hedged using currency forwards. For operational and economic reasons, currency risks on equity investments of emerging nations are not hedged. Investments are divided into the following classes:

	in CHF 31.12.2011	in CHF 31.12.2010
Cash & cash equivalents and receivables	545'149'465	861'106'433
Cash and cash equivalents	90'355'904	717'522'314
Money market investments	347'469'059	n/a
Receivables	107'324'502	143'584'119
Bonds	18'945'724'254	18'940'299'300
Bonds CHF	12'761'287'286	13'214'557'612
Swiss government bonds	3'841'696'060	n/a
Non-government bonds CHF	8'919'591'226	n/a
Foreign currency government bonds hedged	4'180'636'518	n/a
Government bonds EUR	2'713'002'135	n/a
Bonds Europe	n/a	3'260'924'882
Government bonds USD	1'213'298'709	n/a
Bonds USD	n/a	2'217'624'397
Government bonds GBP	254'335'674	n/a
Bonds GBP	n/a	247'192'409
Foreign currency corporate bonds hedged	2'003'800'451	n/a
Corporate bonds EUR	989'403'555	n/a
Corporate bonds USD	1'014'396'896	n/a
Equities	8'601'764'763	8'296'250'690
Equities Switzerland	1'416'615'592	1'938'862'895
Equities Europe	2'118'046'078	2'388'006'449
Equities North America	2'528'576'155	2'469'201'814
Equities Pacific	1'156'437'252	849'851'894
Equities emerging markets	1'382'089'688	650'327'640
Mortgages	1'329'487'036	1'292'993'508
Real estate	2'297'163'897	2'173'228'627
Alternative investments	1'371'983'242	1'733'947'802
Commodities	1'371'983'242	1'733'947'802
Investments	33'091'272'658	33'297'826'359

n/a not applicable

6.4.1 Cash & cash equivalents and receivables

Cash and cash equivalents include operating cash from insurance business, which is credited to strategic cash (money market) after each monthly closing.

At CHF 104.4m, 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 due and payable on 31 December 2011.

6.4.2 Bonds

In 2011, the modular approach was also implemented for the foreign currency bond portfolios. Government and corporate bonds are now managed in separate portfolios. This enables the performance of the portfolio manager concerned to be measured properly and allows PUBLICA Asset Management to monitor and control the credit exposure of the portfolio as a whole as part of the tactical asset allocation.

6.4.3 Equities

The build-up of positions in emerging market equities was completed in early 2011. The decision taken in June 2010 to forgo investments in Transocean in both the SMI mandates was maintained.

6.4.4 Mortgages

Following the introduction of the new strategic asset allocations from January 2011, mortgages as an asset class are now recorded with the nominal value of the portfolio. As of 31 December 2011 the value of mortgages as an asset class amounts to CHF 1.330bn. The value of individual mortgage loans as at 31 December 2011 is made up of CHF 1.116bn nominal value and CHF 27.2m cash. Mortgage loans amounting to CHF 186.8m were granted to housing cooperatives. On 1 January 2012 the portfolio of individual loans was sold to Berner Kantonalbank AG.

6.4.5 Real estate

PUBLICA has a real-estate portfolio of residential and commercial properties throughout Switzerland. This portfolio is still being built up, though the difficult market situation meant that no acquisitions were made during 2011. The current value (including properties under construction and projects) came to CHF 2.297bn as at 31 December 2011, compared with CHF 2.173bn at the end of 2010.

6.4.6 Commodities

Approximately half the investment volume is invested via exchange-traded futures contracts, with the remainder being implemented using an excess return swap. In both the managed futures mandate and the excess return swap, PUBLICA manages the funding internally. In the case of the swap solution, collateral is exchanged on a daily basis by an independent partner (JP Morgan) in order to keep the counterparty risk low.

6.5 Current (open) derivative financial instruments

As at 31 December 2011, the following derivative positions were open:

	Net replacement value CHF	Net contract volume CHF
Interest-rate swaps	28'409'816	175.0m
Commodity swaps	-40'556'970	750.8m
Currency forwards	-351'836'848	11,840m
Equity futures	926'204	67.5m
Commodity futures	-39'048'817	702.4m
Bond futures	-113'112	12.0m

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 industrialised nations other than Switzerland and reduce the currency risk to which the portfolio as a whole is exposed. Equity futures are used to hedge dividends already contained in the equity indices but not yet paid out.

The necessary collateral for all positions in derivatives is available in the form of cash and cash equivalents. This means there is no leverage effect on the overall portfolio.

6.6 Securities lending

PUBLICA has signed securities lending agreements with JP Morgan. The securities used for lending are drawn from a list of carefully selected and monitored, first-class counterparties, with JP Morgan acting as agent. PUBLICA accepts only government bonds as collateral. The securities lending programme with Credit Suisse for Swiss securities was suspended in 2011. As of 31 December 2011 securities valued at CHF 914.2m were on loan (compared with CHF 524.2m as at 31 December 2010).

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

6.7 Note on net investment income

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

	in CHF 2011	in CHF 2010
Net income from cash & cash equivalents	159'802	-588'313
Net income from money market investments	-1'371'196	n/a
Net income from receivables	69'289	70'264
Net income from bonds	1'050'672'485	791'360'299
Net income from equities	-625'061'292	440'128'851
Net income from mortgages	29'705'776	35'479'361
Net income from real estate	151'393'303	95'509'527
Net income from alternative investments	-67'114'558	283'958'562
Net income from liabilities	-1'112'395	-893'547
Administrative expenses – investments	n/a	-27'857'010
Net investment income	537'341'213	1'617'167'994

The item “Net income from liabilities”, which carries the interest on beneficiaries’ assets and employer contribution reserves, is strictly speaking not an asset class. Net income from receivables consists of, among other things, interest on the deficit coverage liabilities of affiliated organisations.

Following the introduction of the new strategic asset allocations, as from January 2011 administrative expenses on investments have already been deducted from the net income of the individual asset classes. These total CHF 36.6m for the 2011 financial year. The detailed breakdown of costs is presented in the table below.

Administrative expenses – investments

The expenses incurred for the administration of investments comprise the main items listed in the table below.

	in CHF 2011	in CHF 2010
Bank and post office interest, net and fees	26'636	13'958
Transaction fees and duties	8'757'876	5'575'716
Management fees and charges – asset classes	17'770'244	15'815'654
Management fees and charges – mortgages and real estate	10'080'685	8'830'214
Administrative expenses – asset management	36'635'441	30'235'542
Accruals for change to defined contribution scheme	0	-2'378'532
Total administrative expenses – asset management	36'635'441	27'857'010

Administrative expenses for the 2011 accounting period are CHF 6.4m higher than in the previous year. This is partly due to the introduction and costs of the separate strategic asset allocations for all the open pension plans and all the closed ones. The figure of CHF 8.8m for transaction fees and duties includes the costs of stock-exchange fees, commissions, settlement fees and stamp duty. The figure of CHF 17.8m for management fees and charges

includes portfolio fees, the costs of global custody, advisors and investment controllers, as well as custody fees, performance measurement and compliance monitoring. Also included are the internal costs of management: infrastructure costs (IT) and staff costs including social benefits.

Adjustments forming part of the structural reform relating to the more detailed presentation of administrative expenses for asset management will be implemented in the 2012 annual financial statements.

Breakdown of net income from bonds

	in CHF 2011	in CHF 2010
Net income from bonds CHF	716'538'289	425'927'521
Net income from Swiss government bonds	318'996'893	425'927'521
Net income from non-government bonds CHF	397'541'396	n/a
Net income from foreign currency government bonds hedged	314'566'164	365'432'778
Net income from government bonds EUR	153'531'282	n/a
Net income from bonds Europe	n/a	204'555'842
Net income from government bonds USD	128'272'110	n/a
Net income from bonds USD	n/a	142'021'442
Net income from government bonds GBP	32'762'772	n/a
Net income from bonds GBP	n/a	18'855'494
Net income from foreign currency corporate bonds hedged	19'568'032	n/a
Net income from corporate bonds EUR	4'265'606	n/a
Net income from corporate bonds USD	15'302'426	n/a
Net income from bonds	1'050'672'485	791'360'299

Breakdown of net income from equities

	in CHF 2011	in CHF 2010
Net income from equities Switzerland	-33'687'545	23'826'430
Net income from equities Europe	-171'521'862	143'450'257
Net income from equities North America	32'083'552	257'429'082
Net income from equities Pacific	-203'630'398	5'343'361
Net income from equities emerging markets	-248'305'039	10'079'721
Net income from equities	-625'061'292	440'128'851

Net income from mortgages

The net income comprises the income from interest, fees and early repayments, less the expense for management fees and charges.

Net income from real estate

The net income takes due account of the year-end valuations and the reclassification of the management fee under this item.

6.8 Performance

On a currency-hedged basis, PUBLICA achieved a performance of 1.71% on overall assets in 2011, exceeding the benchmark performance of 1.19% by 52 basis points. This corresponds to a value added of CHF 170m. The currency hedging made a significant contribution to improving performance in 2010, but this was not the case in 2011: without it, the overall portfolio would have achieved a performance of 2.06%, compared with 1.52% for the benchmark. In line with the thinking behind the strategic decision, however, the currency hedging did make a substantial contribution to reducing risks. Thanks to the very good performance of real estate and capital gains due to falling interest rates, the closed pension plans recorded an excellent performance of 5.67%, beating the benchmark performance of 5.29% by 38 basis points. The performance of the open pension plans was hit by developments in equity and commodity prices; at 1.00%, it nevertheless beat the benchmark performance of 0.52% by 48 basis points.

	Portfolio performance	Benchmark performance	Difference	CHF million
Closed pension plans	5.67%	5.29%	0.38%	4,674
Open pension plans	1.00%	0.52%	0.48%	28,129
PUBLICA collective institution	4.25%	4.08%	0.17%	91
Overall assets	1.71%	1.19%	0.52%	32,894
Overall assets without currency hedge	2.06%	1.52%	0.54%	33,247
Securities investments	1.29%	0.75%	0.54%	29,267
Bonds and money market	5.48%	5.66%	-0.18%	19,293
Money market	1.14%	0.20%	0.94%	347
Swiss government bonds	8.80%	8.91%	-0.11%	3,842
Non-government bonds CHF	4.26%	4.08%	0.18%	8,920
Government bonds EUR	5.97%	6.28%	-0.31%	2,713
Government bonds GBP	14.66%	15.79%	-1.13%	254
Government bonds USD	8.33%	9.47%	-1.14%	1,213
Corporate bonds EUR (since June 2011)	0.87%	-0.03%	0.90%	989
Corporate bonds USD (since May 2011)	1.51%	1.89%	-0.38%	1,014
Equities	-8.11%	-8.98%	0.87%	8,602
Switzerland	-3.66%	-4.63%	0.97%	1,417
Industrialised countries ex Switzerland	-7.07%	-8.10%	1.03%	5,803
Emerging markets	-18.52%	-18.16%	-0.36%	1,382
Commodities	-7.51%	-6.98%	-0.53%	1,372
Mortgages	2.28%	2.50%	-0.22%	1,329
Real estate	7.01%	5.96%	1.05%	2,297

Annual financial statements and performance calculation

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

The performance is calculated as the ratio of income to average invested capital. Current income such as coupons and dividend payments as well as capital gains and losses are taken into account (total return). Inflows and outflows of funds influence average invested capital, with the timing of these flows also playing a role. PUBLICA's performance calculation is drawn up by the Global Custodian, reconciled with the asset managers and reviewed by the Investment Controller. It is adjusted for the flows of funds and is based on a daily valuation of securities.

6.9 Note on investments with the employers and the employers' contribution reserve

Owing to the special legal requirements governing PUBLICA, the restrictions set out in Articles 57 and 58 BVV2 on investments in the employer (in this case the Confederation) do not apply. The banks entrusted with the respective asset management mandates are authorised to acquire debt claims against the Confederation, e.g. in the form of bonds.

At the end of 2011, deficit coverage liabilities of affiliated organisations still totalled CHF 2.0m. This figure remains in the balance sheet as a deficit coverage liability. Interest will be charged until it is fully repaid by the organisations concerned.

As of 31 December 2011, allocations to employers' contribution reserves take account for the first time of the surpluses resulting from the good risk results of PUBLICA reinsurance that are reimbursed to the employers' contribution reserves (pension plans that have reinsured their risks in a fully matching manner).

	in CHF 2011	in CHF 2010
Employers' contribution reserves 01.01	10'275'013	10'809'052
Allocations	6'136'193	4'680'000
Utilisation	-215'670	-5'300'000
Interest (1%)	115'412	85'961
Total employers' contribution reserves 31.12	16'310'948	10'275'013

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

7.1 PUBLICA operations

PUBLICA's operating accounts are reviewed by the Audit Committee and presented to the Board of Directors. The budget and a gap analysis are used for this purpose.

7.1.1 Operating assets / liabilities

The operating assets / liabilities comprised the following:

	in CHF 31.12.2011	in CHF 31.12.2010
Current assets	14'235'595	16'086'248
Investment assets	4'987'194	4'500'693
Operating assets – PUBLICA	19'222'790	20'586'941
Debt	3'756'240	4'863'390
Short-term debt	2'638'946	2'806'071
Long-term debt	1'117'294	2'057'319
Equity capital	15'466'550	15'723'551
Working capital	12'170'085	11'931'456
Profit	3'296'465	3'792'095
Operating liabilities – PUBLICA	19'222'790	20'586'941

7.1.2 Administrative account – operations

Administrative expenses for PUBLICA operations came to CHF 31.9m in the period under review, while administrative income amounted to CHF 35.2m. The administrative expenses reported include 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. Adjusted for asset management, the administrative account showed a profit of CHF 3.3m, which is a reflection of the fact that membership administration was financed with the cost premiums of employers (administrative costs).

PUBLICA cost and benefit accounting

The aim of the PUBLICA cost and benefit accounting is to allocate to the individual pension plans the administrative costs for which they are actually responsible, and then debit/credit any expenditure surplus or shortfall to the pension plans.

The PUBLICA cost and benefit accounting shows which services (e.g. processes such as entries, buy-ins, terminations and withdrawals) each pension plan uses as well as how often, and also detail any special services provided to the plan. There are also certain fixed costs (e.g. IT systems), which are allocated to the pension plans based on their total membership. The total of all expenses is then compared with the administrative costs invoiced to produce a result for the pension plan which may be either positive or negative. The balance is then offset against the existing account for the non-technical provision. Where this balance is more than 1/3 above or 2/3 below the annual costs invoiced for membership administration,

the pension plan is normally contacted to negotiate an increase or reduction in administration costs.

Appropriation of profit to the individual pension plans

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

The effective proceeds are then allocated to the pension plans on a pro-rata basis, according to the services actually used. Project costs are allocated to the pension plans in proportion to their membership (active members and pension recipients). The result calculated in this way for each pension plan takes account of the different fee schedules and the varying amounts of administration required.

Appropriation of profit in 2011

As in 2010, the appropriation of profit in 2011 was made in accordance with the PUBLICA cost and benefit accounting, and the effective result (profit or loss) calculated for each pension plan was then allocated to that plan. When a new pension plan joins PUBLICA, the PUBLICA collective institution finances any administrative shortfall that cannot be offset against an existing non-technical provision for a transitional period of three years.

7.2 Overall presentation of PUBLICA administration costs

Administrative expenses per active member / pension recipient

	in CHF 2011	in CHF 2010
Operating expenses – PUBLICA	31'905'616	30'303'537
Asset management component	-9'293'124	-8'221'828
Net expenses	22'612'492	22'081'709
No. of active members	57'577	56'437
No. of pension recipients	44'955	45'135
Total	102'532	101'572
Admin. expenses per active member / pensioner	221	217

PUBLICA's operating expenses, adjusted for the components of asset management reported under administrative expenses for investments, rose 2.4% year on year. The total number of insured persons increased slightly during this period, and membership administration costs per active member / pension recipient rose year on year from CHF 217 to CHF 221. However, on the basis of the Federal Social Insurance Office (FSIO) study on Pillar 2 administration costs published at the end of 2011, PUBLICA's figure of CHF 221 is still much lower than the Swiss average of CHF 391.

Administrative expenses – investments

	in CHF 2011	in CHF 2010
Investments	33'091'272'658	33'297'826'359
Administrative expenses – investments	36'635'441	30'235'542
No. of basis points in relation to assets	11.1	9.1
Asset management costs per million capital	1'107	908
No. of active members	57'577	56'437
No. of pension recipients	44'955	45'135
Total	102'532	101'572
Asset management costs per active member / pensioner	357	298

Administrative expenses related to investments rose by 21.2% year on year, while investments fell by 0.6% during this period. Administrative costs in relation to assets rose from 9.1 to 11.1 basis points. In comparison with the FSIO study of asset management costs published in early 2011 which quoted a figure of 56 basis points, PUBLICA's 11.1 basis points is still a very good result. The marked increase in administrative expenses related to investments is attributable to a number of factors, including the introduction of additional asset classes in 2011 ("Swiss government bonds" and "Non-government bonds CHF"); the huge increase in the allocation to the relatively expensive asset class of emerging market equities during the year; and the sale of mortgages and tendering of the real-estate management mandate, with the associated consultancy expenses.

The costs per active member / pension recipient increased from CHF 298 to CHF 357. The explanations of these cost increases can be found in point 6.7.

Total administrative expenses per active member / pension recipient

	in CHF 2011	in CHF 2010
Membership administration costs per active member / pensioner	221	217
Asset management costs per active member / pensioner	357	298
Total administrative costs per active member / pension	578	515

Overall, administrative costs per active member and pension recipient rose from CHF 515 to CHF 578 year on year, an increase of 12.2%.

8 Requirements of the supervisory authorities

There are no such requirements to report.

9 Further information concerning the financial situation

9.1 Note on the economic funded status

Because the actuarial funded status had reached 103.1% as at 31 December 2011 (see point 5.7), all of the fund's liabilities are fully covered by the available assets. The general interest-rate situation has not improved significantly, however, meaning that the technical interest rate (3.5% for the open pension plans and 3% 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 status should be considered in addition to the actuarial funded status.

In calculating the economic funded status, the pension fund's liabilities are calculated using a maturity-congruent, risk-free interest rate. Although it is not the aim of a pension fund to make all of its investments on a risk-free basis, a certain degree of caution is nevertheless appropriate. The economic funded status raises a specific 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. In accordance with the Regulations governing the Provisions and Reserves, it is progressively accumulated (and, if need be, released) depending on the return on investment. The target value of the reserve corresponds to half of the difference between the liabilities calculated on an actuarial basis on the one hand and an economic basis on the other. The corresponding calculations made by the Pension Actuary once again produced a lower economic funded status of 77.8% (prior year: 84.1%). By way of comparison, in 2007 the economic funded status still exceeded 90%.

9.2 Ongoing legal proceedings

In December 2008, an official complaint was lodged with the Federal Social Insurance Office setting out numerous objections related to the switch from a defined-benefit to a defined-contribution plan on 1 July 2008. The claims, essentially concerning the Confederation pension plan, run into millions of francs. The complainant also cited infringements of constitutional principles and the absence of favourable transitional provisions for older members. Following the rejection of the complaint by the supervisory authority, the complainant has now taken the case to the Federal Administrative Court, which has yet to reach a decision.

9.3 Partial liquidations

The Federal Council approved the contract of affiliation for the Swiss National Museum pension plan on 24 November 2010. Since 1 January 2011 PUBLICA has been administering the new pension plan, whose members (active and pension recipients) were still in the Confederation pension plan on 31 December 2010.

Based on the agreement between the Swiss National Museum pension plan and the Aargauische Pensionskasse relating to the "Schloss Wildegg" takeover transaction, this foundation was separated off with effect from 1 January 2011, in accordance with the partial liquidation regulations of the Swiss National Museum pension plan.

9.4 New affiliations

The Board of Directors approved the following new affiliations in 2011:

Joint pension plans

Stiftung SchweizMobil

Arbeitsgemeinschaft Schweizerischer Sportämter (ASSA)

Obviam AG

Schweizerische Gesellschaft für Nephrologie

Independent pension plan

Swiss National Museum

10 Post-balance sheet events

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

11 Pension plans of the PUBLICA collective institution

As at 31 December 2011, the collective institution comprised 20 pension plans. These have their own accounts and are managed by their own parity commissions. The Management Summary lists the balance sheet totals, the available assets, the liabilities (pension fund capital and technical provisions), and the funded status in comparison with the previous year's figures. The open and closed pension plans are now reported separately in line with the separate strategic asset allocations for all open and all closed plans. The strategic asset allocation for the open pension plans recorded a performance of 1.0% and that for the closed pension plans 5.67%. Separate, detailed annual reports are produced for the pension plans and submitted to the parity commissions.

Management Summary – pension plans as at 31.12.11

	Balance sheet total in CHF	Available assets in CHF	Liabilities, pension fund capital and provisions in CHF	Funded status 2011 in %	Funded status 2010 in %
Federal Pension Fund PUBLICA – consolidated	33'114'447'243	32'961'520'249	31'960'616'438	103.1	104.5
PUBLICA collective institution	172'333'830	140'460'772	133'853'395	104.9	104.0
Confederation	21'470'569'793	21'407'160'250	20'842'588'147	102.7	104.7
Affiliated organisations	771'251'308	762'178'570	737'498'036	103.3	105.5
ETH Domain	5'366'716'530	5'344'233'318	5'156'812'714	103.6	105.7
Swiss Federal Institute of Intellectual Property	84'509'916	83'599'377	82'227'599	101.7	104.1
Swissmedic	172'586'386	162'586'087	159'523'428	101.9	104.2
al Institute for Vocational Education and Training	51'828'028	50'980'522	49'515'770	103.0	105.8
Swiss Federal Audit Oversight Authority	3'614'617	3'374'093	3'265'385	103.3	105.7
Historical Dictionary of Switzerland	10'185'878	9'941'323	9'710'390	102.4	102.4
Swiss Financial Market Supervisory Authority	152'622'812	146'585'915	143'814'632	101.9	103.8
Swiss Federal Nuclear Safety Inspectorate	74'468'041	73'114'277	71'622'673	102.1	104.6
PUBLICA	52'738'493	51'132'138	49'629'632	103.0	105.4
Trasse Schweiz AG	4'280'962	4'271'603	4'075'978	104.8	105.0
Swiss National Museum	50'254'966	49'984'651	49'013'311	102.0	n/a
Total open pension plans	28'265'627'729	28'149'142'126	27'359'297'694	102.9	104.9
Pensioners only – voluntarily insured	125'408'100	125'349'463	117'890'133	106.3	103.7
Pensioners only – affiliated organisations	146'490'605	146'384'359	141'170'063	103.7	100.4
Pensioners only – Confederation	185'245'778	184'955'684	176'180'982	105.0	102.8
Pensioners only – Swisscom	2'643'732'071	2'641'136'115	2'536'287'623	104.1	102.0
Pensioners only – RUAG	861'448'654	860'615'556	819'094'947	105.1	102.7
Pensioners only – SRG SSR idée suisse	635'517'385	634'895'425	603'701'172	105.2	102.9
PUBLICA administration	78'643'104	78'580'761	73'140'429	107.4	105.3
Total closed pension plans	4'676'485'697	4'671'917'364	4'467'465'349	104.6	102.4

12 Report of the Statutory Auditors



Ernst & Young Ltd
Belpstrasse 23
P.O. Box
CH-3001 Berne

Phone +41 58 286 61 11
Fax +41 58 286 68 18
www.ey.com/ch

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

Berne, 12 April 2012

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 2011.

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) and the regulations.

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

Ernst & Young Ltd

Handwritten signature of Patrik Schaller in purple ink.

Patrik Schaller
Licensed audit expert
(Auditor in charge)

Handwritten signature of Marco Schmid in purple ink.

Marco Schmid
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 2011

PUBLICA Confirmation from the Accredited Pension Actuary as of 31.12.2011



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 07.03.2012, 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 29,555,178,208**.

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 2,405,438,231**. Moreover, PUBLICA set aside additional reserves within the limits allowed by its financial situation; as of 31.12.2011, reserves for all pension plans averaged 10.3% 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 32,961,520,259**.

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 31.12.2011, PUBLICA's funded status under OPP2/BVV2 was 103.1% compared with 104.5% as of 31.12.2010.

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 31.12.2011, PUBLICA's economic funded status was 77.8 % compared with 84.1% as of 31.12.2010.

Appraisal of financial situation

The consolidated financial situation of PUBLICA, measured in accordance with Article 44 BVV2/OPP2, has worsened slightly, mainly as a result of last summer's financial turmoil. Thanks mainly to an above-average investment performance in 2011, none of the pension plans became underfunded. With a funded status of 103.1% as of 31.12.2011, PUBLICA was obliged to decrease its reserves slightly. Although PUBLICA managed to eliminate its underfunding within the meaning of Article 44 OPP2/BVV2 two years ago, its recovery cannot be considered sustainable until its reserves have been fully replenished.

The individual plans each have a funded status of between 101.7% and 107.4%. 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: accordingly, from 1 January 2011, a separate, lower-risk investment strategy was implemented for these pension plans. In the difficult environment of the last year, the returns from this investment strategy enabled the pensioner-only pension funds to slightly improve their funded status.

With the exception of its closed-scheme plans, PUBLICA is well-funded and has no structural deficits. The forthcoming change in actuarial tables will further improve PUBLICA's funding. If the investment strategy actually meets its performance targets in the medium term, funded status will improve constantly over time.

Confirmation from the Accredited Pension Actuary

Based on the foregoing, we hereby confirm that:

- As of 31.12.2011, 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 its provisions.
- Although none of the pension plans was underfunded as a result of the financial crisis, PUBLICA's recovery cannot yet be regarded as sustainable given the still modest level of its reserves. In the case of pensioner-only pension plans, a separate, lower-risk investment strategy was implemented from 1 January 2011.
- All security measures were taken within the Fund's financial limits in accordance with the regulations on actuarial provisions and reserves. Provisions are stated 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 103.1% as of 31.12.2011 based on actuarial discount rates of 3.5%, respectively 3.0%.
- The economic funded status calculated with a risk-free actuarial discount rate was 77.8% as of 31.12.2011.
- The Fund's actuarial regulations on benefits and financing are in compliance with the applicable statutory requirements on 31.12.2011.

Aon Hewitt (Switzerland) Inc.



Daniel Thomann
Swiss Accredited Pension Actuary
Neuchâtel, 16.03.2012