



65 163

Active members

42 301

Pension recipients

104.1%

Funded ratio

86.1%

Economic funded ratio

CHF 41.0 bn

Total assets

0.20%

Total asset management expenses

8.98%

Net investment performance

CHF 160

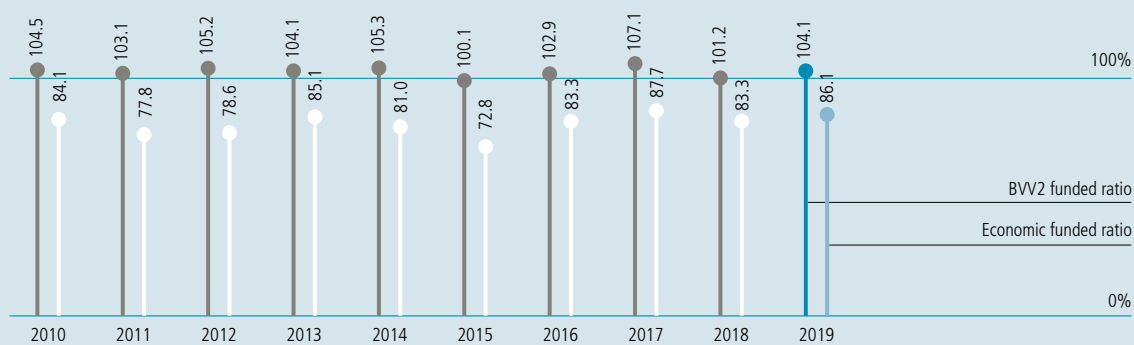
Administrative expenses per active member or pension recipient

## Facts and figures

PUBLICA is the pension fund of the Swiss Confederation, the ETH Domain and other independent decentralised administrative units, as well as organisations that are closely associated with the Confederation or fulfil a public task on behalf of the Confederation, a canton or a commune.

It is an independent collective institution established under public law and comprises 13 open and 7 closed pension plans, each of which is organisationally and economically independent. Unlike the closed pension plans, open pension plans can accept new members. PUBLICA's internal Reinsurance operation offers the open pension plans full or partial cover against the risks of death and disability among their insured members, depending on their size. In addition to pension plans with a single employer, PUBLICA also operates joint plans for more than one employer. PUBLICA currently includes two open plans of this type.

### Funded ratio 2010–2019, in percent

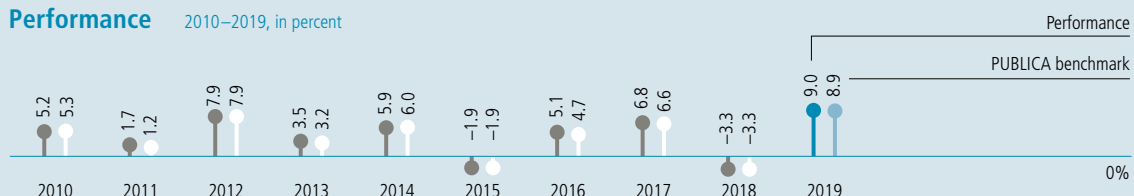


Scale: 100% = 30 mm

PUBLICA's strategic asset allocation requires it to invest only in transparent products. It therefore has a cost transparency level of 100%. The performance in 2019 was 8.98%.


The Annual Report covers the collective institution and all 20 pension plans. The figures presented are aggregated. The relevant figures for the individual active members and pension recipients are those of their respective pension plans. PUBLICA maintains separate accounts for each pension plan. Each plan reports its own funded ratio, which is not influenced by the other plans.

### Performance 2010–2019, in percent



Scale: 100% = 60 mm

# Table of contents

	<b>Foreword</b>	<b>2</b>
	<b>Status report</b>	<b>4</b>
	PUBLICA – the pension provider	5
	Corporate orientation	6
	Investments diversified over the long term	7
	Risk balancing for pension benefits	11
	Customer care	14
	PUBLICA's employees	15
	Risk management	16
	<b>Sustainability and engagement</b>	<b>20</b>
	Sustainability and engagement	21
	Responsible investment	22
	<b>Corporate governance</b>	<b>24</b>
	Organisational structure	25
	Board of Directors	26
	Information and control instruments	36
	Assembly of Delegates	37
	Director, Deputy and Executive Board	38
	Compensation	39
	Statutory Auditors	41
	Pension Actuary	41
	<b>Annual financial statements</b>	<b>42</b>
	Balance sheet and income statement	43
	Notes	47
	1 Fundamentals and organisation	47
	2 Active members and pension recipients	52
	3 Implementation of the purpose	53
	4 Valuation and accounting principles, consistency	54
	5 Actuarial risks, risk coverage, funded ratio	56
	6 Notes on investments and the net return on investment	61
	7 Note on other items in the balance sheet and income statement	72
	8 Requirements of the supervisory authority	74
	9 Further information concerning the financial situation	74
	10 Post-balance sheet events	75
	11 Report by the Statutory Auditors	76
	12 Confirmation from the Accredited Pension Actuary	80
	Publication data	84

PUBLICA is not profit-oriented.  
It manages its assets solely in the  
interests of its active members  
and pension recipients.





## Foreword

After a difficult year in 2018, PUBLICA achieved a pleasing overall performance of 8.98% during 2019, with all the main asset classes delivering positive returns.

The reduction in the technical interest rate and the changeover to the new BVG 2015 actuarial tables – the most important and pressing issues for PUBLICA's future direction – were completed at the start of the year. These corrective measures resulted in an underfunding at the start of the year, with the total funded ratio standing at 97.9%. Thanks to the positive performance of the financial markets, however, this situation was short-lived. Equities became even more attractive, while demand for safe bonds was weaker. One notable feature of 2019 was the almost historic lows recorded by government bonds. In mid-August, the yield on 10-year Swiss government bonds stood at  $-1.1\%$ , and there are still few signs of a major recovery in sovereign paper.

### 8.98% overall performance

On a currency-hedged basis and in terms of consolidated total assets, PUBLICA recorded a net investment performance (after all costs and taxes) of 8.98% in 2019 (prior year:  $-3.26\%$ ). The two strategic asset allocations generated differing returns: 9.2% for the open pension plans, and 6.8% for the closed pension plans with an equity allocation of 10%. All the main asset classes made a positive contribution to PUBLICA's consolidated overall performance in 2019. The most successful was equities, which contributed 5.0 percentage points to the total. Bonds accounted for 2.9 percentage points and real estate 0.5 percentage points. At 31 December 2019, PUBLICA's total funded ratio stood at 104.1% (prior year: 101.2%).

### Fall in administrative expenses

Administrative expenses per active member and pension recipient declined year on year, thanks to investments in technology and more efficient processes, to an average of CHF 160 for 2019 (prior year: CHF 171). Asset management expenses rose slightly to 0.20%, compared with 0.19% in 2018, but remain low overall.

### Four closed pension plans underfunded

Based on the expected return and on the recommendation of the Pension Actuary, the Board of Directors decided to reduce the technical interest rate for the closed pension plans to 0.5% as of 31 December 2019. For this reason, four of the seven closed pension plans are underfunded at the end of the year according to the regulations. At 31 December 2019 the consolidated funded ratio of all the closed pension plans stands at 99.4%.

### Sustainability

In the area of responsible investment, an in-depth analysis of climate change risks was carried out, leading to the development of a climate-efficient equity index. This is designed to offer an improvement of up to 50% in climate efficiency over the equity portfolio as a whole compared with the original index, but without any deterioration in the risk/return ratio.

**Matthias Remund**

Chair of the Board of Directors, PUBLICA

**Dieter Stohler**

Director, PUBLICA

**Portal solutions for online communication**

Electronic communication with dialogue groups was further expanded during the year under review. In addition to employers, members of the parity commissions and Board of Directors and their committees now have electronic access to the information they need via a new, dedicated portal. Further measures to extend online communication with active members and pension recipients have been initiated, and the relevant projects are currently in the concept phase.

**Thanks**

The Board of Directors and Executive Board wish to thank all our customers and business partners, all members of the governing bodies and authorities and all our staff for their dedication, partnership and loyalty.



Matthias Remund

Chair of the Board of Directors, PUBLICA



Dieter Stohler

Director, PUBLICA



## Status report

The funded ratio of most of the pension plans improved due to the positive performance. Of the 20 pension plans, four are underfunded. PUBLICA's high level of cost consciousness and the increased numbers of members continue to show positive results on the operational side: administrative expenses fell once again to CHF 160 per active member or pension recipient.



## PUBLICA – the pension provider

Over the long term, PUBLICA must use the capital entrusted to it to pay pensions or termination benefits that, to a reasonable agree, allow beneficiaries to continue living their lives in the way to which they have become accustomed. The funded system of pillar 2 makes pensions less dependent on the ratio of contribution payers to pension recipients.

A number of factors enable PUBLICA to generate the highest possible long-term return: total assets of CHF 41.0 billion; strategic asset allocations that are geared to the long term and take account of risks; and very low asset management expenses. Every active member and pension recipient, however modest their means, receives access to professional asset management and broadly diversified investments.

Thanks to the large number of active members and pension recipients, the central elements of solidarity contained in pillar 2 allow pension risks (longevity, disability and death) to be hedged simply and cost-effectively, and provide security for the survivors in the event of an active member or pensioner's death.

A major advantage of pillar 2 is the legal and regulatory framework, which allows for flexibility in the structuring of individual pension requirements. Customer advisors provide members with relevant information and tools for calculating the impact of possible individual pension decisions. PUBLICA offers employers a range of options for structuring their pension policy.

Risk management makes a central contribution to maintaining the agile balance of investments and obligations, as well as contributions and benefits, over the long term. PUBLICA attaches great importance to state-of-the-art pension fund governance, transparent reporting and sustainability.

## 4 of 20

Pension plans  
underfunded

### PUBLICA's business model

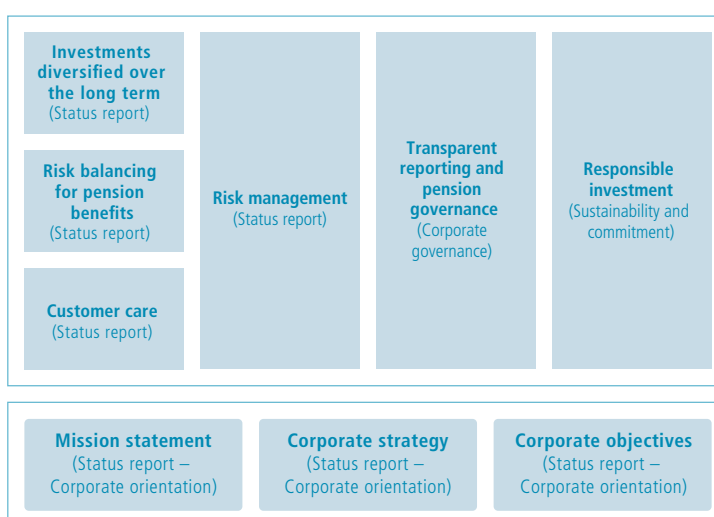
#### Foundations

**Financial capital**  
(Annual financial statements 5.2)

**Regulatory and legal framework**  
(Annual financial statements 1.3)

**Employees and IT**  
(Annual financial statements 7.2)

#### Value generation





## Corporate orientation

PUBLICA's corporate orientation guides its business activities.

### **Mission statement: leading pension fund**

PUBLICA's mission statement serves to lead the organisation towards a successful future for all concerned. In its day-to-day activities, PUBLICA does its utmost to deliver the best possible pension benefits to its customers. Our ambition:

- We are the leading pillar 2 collective institution.
- We are dedicated to the interests of our active members and pension recipients.
- We are committed to service and performance.
- We act as partners.

PUBLICA attaches great importance to corporate communications. It therefore uses the various channels of communication best suited to the message and the customer. PUBLICA's communication, both internal and external, is consistently transparent, understandable, credible and timely. PUBLICA's ethos is reflected in a clear and contemporary corporate identity.

### **Corporate strategy: maintaining a high level**

The corporate strategy for the years 2019 to 2022 comprises six key themes. In addition to strengthening pension fund governance, the focus is on the needs of employers, active members and pension recipients as customers. PUBLICA aims to maintain and further improve on the high level of quality, transparency and professionalism in its services attested by customer surveys. In view of the low interest-rate environment, the strategy is focused on PUBLICA's long-term financial orientation and a corresponding investment policy. PUBLICA is committed to realistic undertakings on pension levels. It seeks to avoid systematic redistributions at the expense of active members by the forward-looking definition of actuarial parameters that are effective over the long term. In the closed pension plans, the risk-bearing components are limited, and securing those pensions over the long term is therefore an important strategic objective. PUBLICA also aims to further enhance the efficiency and effectiveness of its operations, with a view to keeping administrative expenses per active member and pension recipient low.

**–17%**

Reduction in  
administrative  
expenses since  
2014

### **Corporate objectives: measurable and realistic**

PUBLICA's overriding objective is to meet its financial obligations to its active members and pension recipients over the long term. For this reason, the Board of Directors implemented a further reduction in the technical interest rate for the closed pension plans to 0.5% as of 31 December 2019, in accordance with the recommendations of the Pension Actuary. The result of this is that the BVV2 funded ratio of four of the closed pension plans has fallen below 100%, necessitating corrective measures. By taking these actions, the Board of Directors is responding to the persistently low interest rates and the expected returns on invested assets that – even given brief recoveries – are likely to remain low over the longer term.

The successful implementation of the new pension application, which was launched on 1 January 2019, was a key measurable corporate objective. Another is reducing administrative expenses in PUBLICA Operations to CHF 180. This has been achieved, with the current figure standing at CHF 160 per active member / pension recipient.

## Investments diversified over the long term

### Investment beliefs: a diversified and transparent portfolio

PUBLICA's assets are managed exclusively in the interests of active members and pension recipients.

PUBLICA aims to broadly diversify its investments – for example in equity, interest-rate, credit and liquidity risks – in order to capture different risk premiums. The strategic asset allocation, which is reviewed periodically, is the key to the distribution of assets across the various asset classes, such as equities, government bonds, corporate bonds, precious metals and real estate. That distribution accounts for at least 90% of PUBLICA's investment performance. Each asset class is therefore assessed not just in isolation, but also with regard to its risk and return contribution to overall assets.

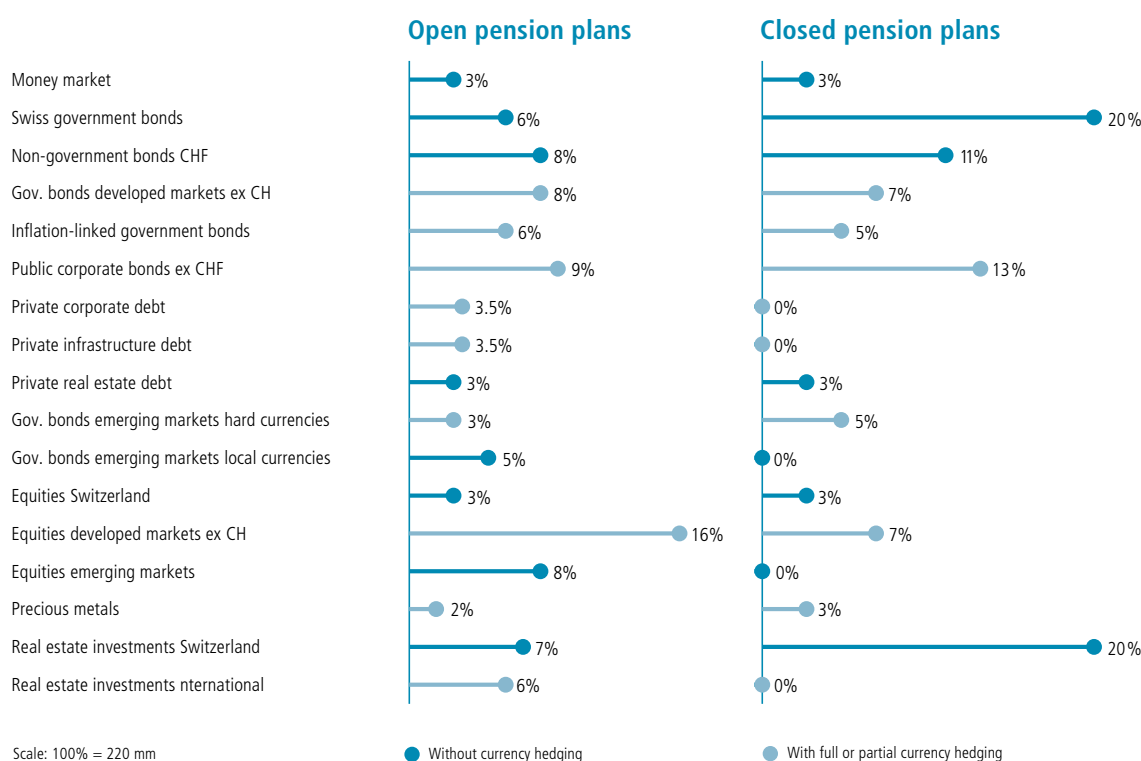
All assets are invested in portfolios consisting of only one asset class. The same stringent requirements apply to both internal and external asset managers. PUBLICA seeks out the most capable partners for each asset class. Two mandates are granted within a given asset class, ensuring that a back-up solution is in place for each mandate. This redundant approach means that the second asset manager can step in promptly if required.

### Strategic asset allocations: geared to structure and trend

The closed and open pension plans differ substantially in terms of their structure and expected development. For this reason, a single strategic asset allocation for all the pension plans would be at odds with Article 50 of BVV2. Accordingly, in 2010 the Board of Directors approved for the first time the creation one strategic asset allocation for all the closed pension plans and another for all the open ones. The two current strategic asset allocations are set out in the following table.

### Long-term strategic asset allocation by asset class

As at 31.12.2019, in percent





The strategic risk monitoring process was carried out systematically for the first time in the first quarter of 2019. An essential element of this sub-process is that the key assumptions of the last ALM (asset and liability management) process are reviewed, notably the risk/return assumptions for each asset class. If a substantial change in those assumptions is identified, the ALM process (review of the strategic asset allocations) must be started afresh.

At its meeting on 14 March 2019, the Investment Committee decided that the risk/return assumptions for each asset class had not changed enough to necessitate a new ALM process.

#### Economic and financial market performance

After a year in which the majority of equities and bonds had posted negative returns, 2019 saw a dazzling turnaround, with the financial markets delivering above-average positive returns. In the US, the S&P 500 index rose almost 30%, reaching a new historic high in December. In Switzerland, the SPI equity index outdid even that figure, gaining 31%.

Despite the negative impact of the trade war with China and the lack of positive momentum from the previous year's tax reform (baseline effect), the US economy remained on a growth path. By July the expansion phase had lasted 121 months, making it the longest since records began in 1854. Unlike previous such phases, it has been marked by lower growth rates and very moderate inflation. GDP and consumer prices in the US both rose by more than 2% in 2019. Unemployment stood at 3.5%, the lowest level since 1969.

Europe's economy presented a mixed picture. Germany and Italy recorded only minimal GDP growth, while Spain and the Netherlands grew by roughly 2%. Overall, eurozone GDP and consumer prices both rose by over 1%. In the emerging markets, GDP growth ranged between 6% in China and India, and –3% in Argentina.

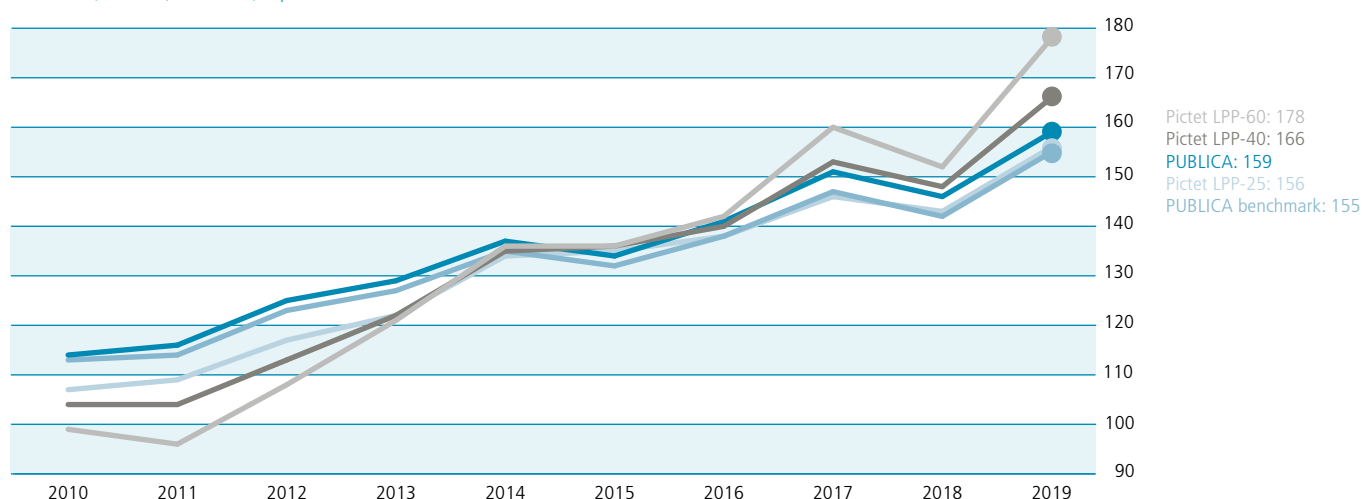
For detailed information on economic developments see the Quarterly Bulletins issued by the **Swiss National Bank**.

## Performance

On a currency-hedged basis and in terms of total assets consolidated over all 20 pension plans, PUBLICA recorded a net performance (after all costs and taxes) of 8.98% in 2019. Without currency hedging, the consolidated net performance would have been 9.18%. The net overall performance for 2019 was 6 basis points above the PUBLICA benchmark performance of 8.92%, mainly due to positive tactical and selection decisions (approx. 0.26 percentage points) and relatively low asset management expenses (0.20 percentage points).

## Cumulative performance

2010–2019, indexed (2005 = 100) in percent



Scale: 100% = 60 mm, 1 index point = 0.6 mm

Source: Pictet LPP indices 2000

The two strategic asset allocations generated different returns during the year. At 9.21%, the return for the open pension plans was slightly above the performance of the Pictet LPP-25 index (8.84%), which has a comparable equity weighting of 25%. The closed pension plans, which have a 10% equity allocation, posted a performance of 6.84%. A comparison with the Pictet LPP-25, LPP-40 and LPP-60 indices clearly shows that the equity weighting was the key driver of performance in 2019: the higher the equity allocation, the higher the return achieved.

All the main asset classes made a positive contribution to PUBLICA's overall performance, most notably equities, which contributed 5.0 percentage points to the consolidated total. The biggest gainers among the equities were the main regions Switzerland (up over 30%), North America (+26%) and Europe (+22%). The figures for the main regions Japan, Pacific ex Japan and emerging markets were between 13% and 16%.



Bonds in the individual currency regions posted positive returns during 2019 thanks to the renewed decline in interest rates and a tightening of credit spreads. The best performers were government bonds from emerging markets in USD, which were up 12.8%, while the worst were Canadian government bonds, at 1.1%. Bonds contributed 2.9 percentage points to PUBLICA's consolidated overall return.

Real estate once again turned in a positive performance, with directly held Swiss real estate (including revaluation) gaining 6.6%, while foreign real estate funds (on a currency-hedged basis) were up 1.8%. In total, this asset class contributed 0.5 percentage points to the consolidated overall performance in 2019.

For diversification reasons, PUBLICA invests a portion of its assets in precious metals such as gold and silver. This asset class posted a return of over 15%, and contributed 0.3 percentage points to the overall performance.

PUBLICA's average annual return over the investment horizon from 2000 to 2019 is 3.2%. This is 20 basis points above the 3.0% average annual return of PUBLICA's benchmark.

## Risk balancing for pension benefits

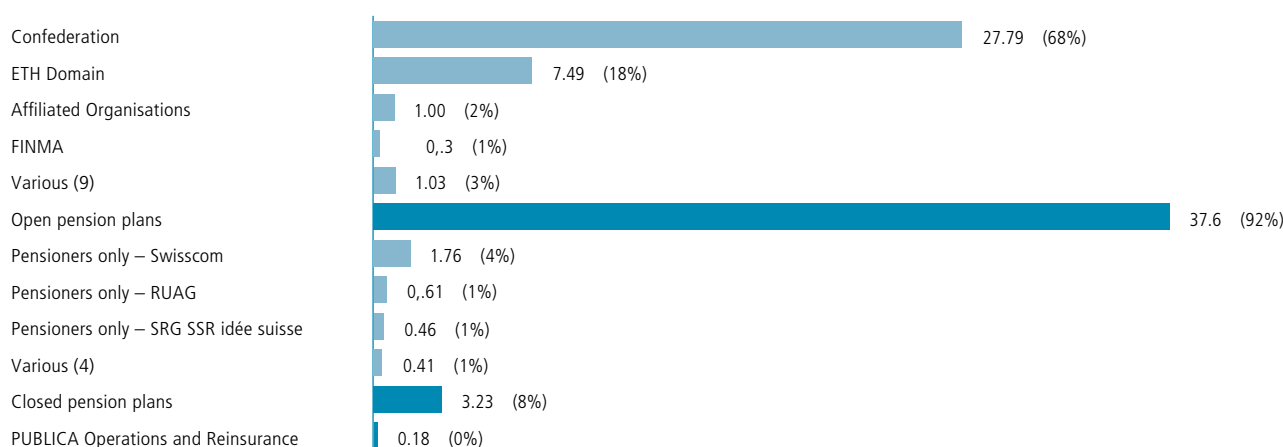
### Collective institution: independent open and closed pension plans

Risk transfers of pension benefits for longevity, disability and death only take place within PUBLICA's individual open and closed pension plans, each of which is organisationally and economically independent.

PUBLICA's internal Reinsurance operation offers the open pension plans full or partial cover against the risks of death and disability among their insured members, depending on their size. These risk transfers to Reinsurance allow risks to be spread across a larger number of insured members and therefore prevent major fluctuations in the financial burdens on individual pension plans.

### Pension plans by type and institution

As at 31.12.2019, in CHF bn and percentage of total assets



Scale: CHF 1 bn = 3 mm Light blue = individual pension plans, dark blue = total

### Open pension plans

Open pension plans are made up of active members and pension recipients. They include the autonomous (non-reinsured) and reinsured pension plans.

The open pension plans are valued at a technical interest rate of 2.0% and have funded ratios of between 103.6% and 109.1% (prior year: 99.9% and 104.4%). Thanks to the positive investment performance, funded ratios improved overall in 2019. The difference in funded ratio trends between the individual pension plans is largely due to their differing risk trends, interest and actuarial policies.

The economic funded ratios range between 84.9% and 107.0% (prior year: 82.2% and 103.1%). Liabilities are valued in a market-consistent manner when calculating the economic funded ratio.



### Closed pension plans

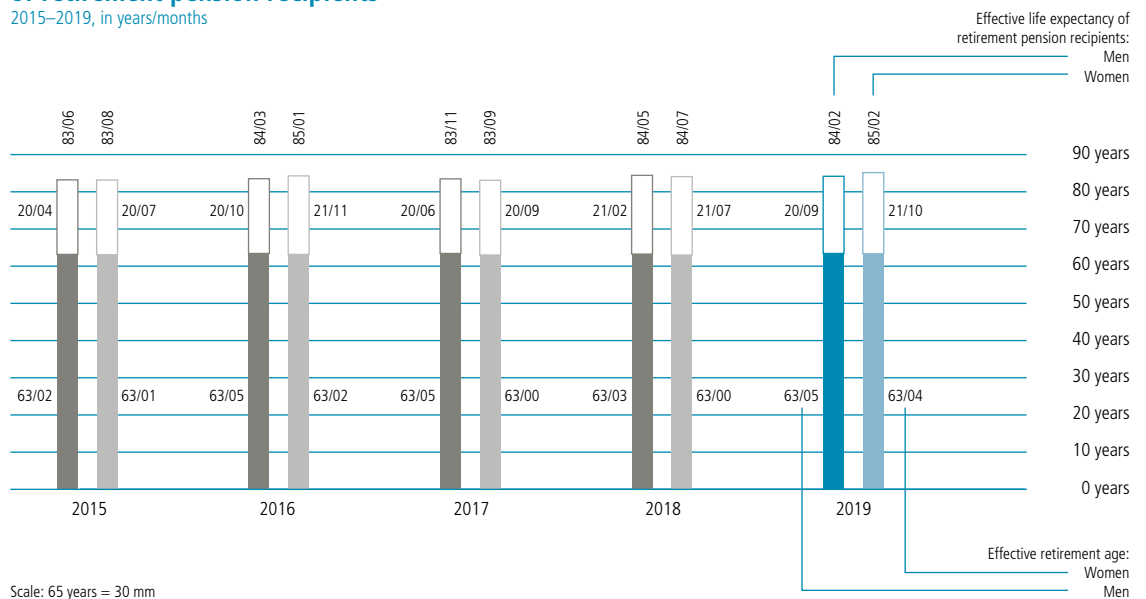
The closed pension plans consist entirely of pension recipients, both those of the federal entities (including Swisscom and RUAG) that became independent at around the turn of the millennium, and those of affiliated organisations. Their funded ratios are between 95.6% and 111.1% in 2019 (prior year: 105.1% and 114.1%). The closed pension plans are valued at a technical interest rate of 0.5%. Owing to the low level of interest rates and the resulting lower income, there is a considerable risk that they will be unable to fully cover their liabilities without financial support. This funding risk is replicated by the economic funded ratio, which stands at between 82.3% and 102.2% (prior year: 81.9% and 98.3%). The situation is subject to ongoing review by PUBLICA and the Federal Department of Finance (see section 9.1).

### Development of effective retirement age and effective life expectancy

The effective retirement age is stable at around 63 but is not keeping pace with the rise in the effective average life expectancy of pension recipients.

### Effective retirement age and effective average life expectancy of retirement pension recipients

2015–2019, in years/months



There are no material differences in the pension behaviour of men and women at PUBLICA.



### Open pension plans: how the redistribution is calculated

PUBLICA is financed under the funded system. This means that long-term, systematic redistributions of income between active members and pension recipients are not appropriate. PUBLICA adopted a new method of measurement during 2019, so that "redistribution" now means that the proportion of costs attributable to active members / pension recipients is not distributed in proportion to pension fund capital over the long term.

### Redistribution – open pension plans

2019, in CHF mn

	Active members	Pension recipients	Total
Interest	–194	–320	–514
Accumulation of provision for change to technical parameters 0.6%	–130	–123	–254
Costs of adjustments to technical parameters (atp)	13	–1 076	–1 063
<b>Share of costs borne by active members / pension recipients (effective)</b>	<b>–311</b>	<b>–1 520</b>	<b>–1 831</b>
<b>Share of costs as per pension fund capital</b>	<b>–919</b>	<b>–912</b>	<b>–1 831</b>
<b>Redistribution to (+) / from (–)</b>	<b>–608</b>	<b>608</b>	

Historical trend	Units	Active members	Pension recipients
2019	CHF mn	–608.0	608.0
2018	CHF mn	–86.0	86.0
2017	CHF mn	–6.0	6.0
2016	CHF mn	–93.0	93.0

A positive figure for "Costs of adjustments to technical parameters" means that more reserves were released than the actual costs of assets.

The sharp rise in the redistribution in 2019 is due to the change to the technical parameters that came into effect on 1 January 2019 (changeover to BVG 2015, technical interest rate of 2.0%), which led to an increase in the policy reserves for pensions.

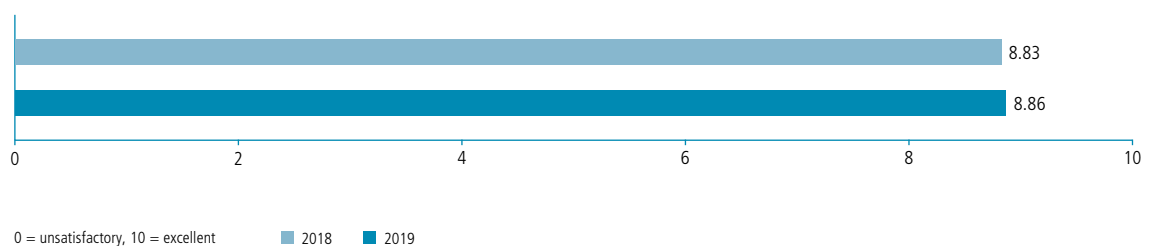


## Customer care

Satisfied customers are a key corporate objective for PUBLICA. Accordingly, PUBLICA provides comprehensive customer service. Employers, active members and pension recipients each have a personal contact. The customer service organisation, the website with simulation tools, and regular information in various languages provide an appropriate, customer-oriented response to questions on occupational pensions. PUBLICA also offers seminars on pensions and retirement, and carries out regular surveys to gauge customer satisfaction.

### Customer satisfaction

2019 average with prior-year comparison, on a scale from 1 to 10



Customer satisfaction among insured members is surveyed systematically when assets are withdrawn to finance home ownership, and on retirement. The quality of contact and the information provided by PUBLICA are rated on a scale from 0 (unsatisfactory) to 10 (excellent). In 2019, the average rating from the customer surveys was 8.9, slightly higher than the prior-year figure of 8.8.

PUBLICA also carries out regular employer surveys. The results of the 2019 survey show that PUBLICA enjoys exceptionally high customer satisfaction and loyalty. In total, 80% of the employers approached were very satisfied with the service they receive.

## PUBLICA's employees

PUBLICA's employees are its most important resource in the task of managing the pension fund capital entrusted to it and delivering high-quality pillar 2 services. A staff survey is conducted by an independent body at least once every two years. The 2019 survey showed that around 90% of employees are very satisfied, satisfied or quite satisfied overall.

### 36%

Employees attending training or further education

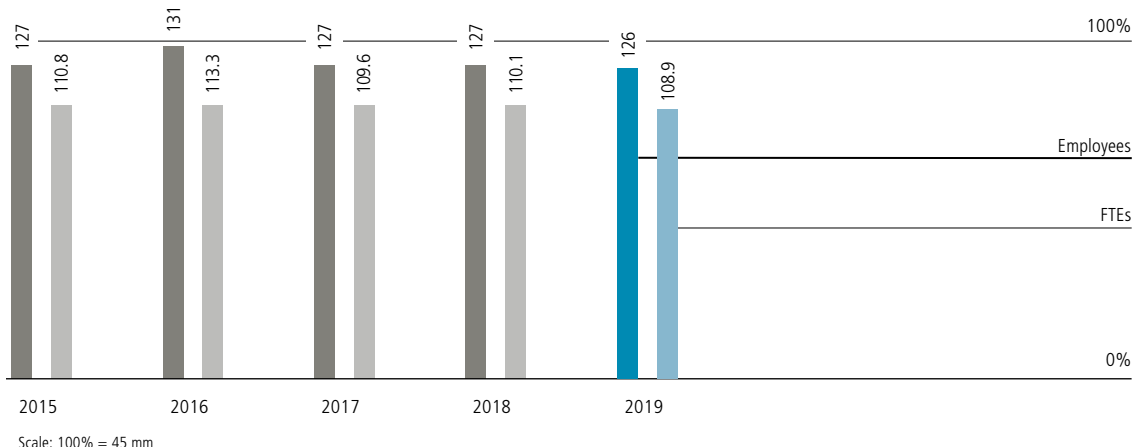
Since 2015, PUBLICA has compiled an annual sustainability report on its operations, focusing mainly on two areas: responsible management of natural resources, and employees. Measures are defined as necessary in response to the report's findings.

Headcount fell slightly year on year, and currently stands at 126. Of these, 53 work part-time, with substantially more women than men in this category. The full-time equivalent figure also declined slightly, to 108.9.

### Headcount

2015–2019

Average number of employees and full-time equivalents (FTEs) at year end, 2015 = 100%



The workforce consists of 44% women and 56% men. Women continue to make up 25% of the Board of Directors and 29% of the Extended Executive Board. PUBLICA is aware that it must intensify its efforts to increase the proportion of women with management responsibility.

PUBLICA promotes ongoing education: 36% of our employees have attended training and further education events. Each year, PUBLICA offers two commercial apprenticeships. Apprentices make up 5% of the workforce. PUBLICA is working together with eight other pension funds to further professionalise the training of apprentices and exploit synergies.



## Risk management

### Risk policy: proactive and cautious

PUBLICA regards efficient quality management and an effective internal control system (ICS) as key parts of its corporate policy. For reasons of risk policy, PUBLICA enters into transactions only when it can gauge their risks with a high level of probability. PUBLICA adopts a cautious and conservative approach to risks where compensation is likely to be absent or inadequate. Members of staff who are responsible for the operational accumulation of risk positions are not simultaneously entrusted with monitoring or controlling them.

### Investment risk management process: a key component of the ICS

The investment risk management process is an integral part of PUBLICA's investment process. It governs the identification, measurement, steering and monitoring of risks within asset management and creates an acceptance of risk so that residual risks are known and justifiable. The investment risk management process is based on three levels of risk: strategic, tactical and implementation.

It aims to actively manage risks that could impair PUBLICA's ability to fulfil its mandate over the long term. They include strategic risks that have the greatest influence on achievement of the mandate, while implementation risks and tactical risks may have an impact that is less severe but still cannot be ignored.

### Strategic risks

The overriding objective of the long-term investment policy is to ensure achievement of PUBLICA's mandate. It defines the key parameters for PUBLICA's asset management and is therefore a sub-process in terms of strategic risks. This sub-process involves reviewing the investment beliefs, analysing the long-term trends, defining the permitted asset classes and setting the strategic risk budget. "Long-term" is defined as a horizon of more than ten years, which also corresponds to PUBLICA's liabilities.

A review of the strategic asset allocation is a further sub-process at the strategic risks level. It is conducted within the boundaries set by the long-term investment policy and corresponds to the classic asset and liability management (ALM) process. ALM involves coordinating and controlling the interdependencies between the asset and liability sides of the balance sheet, and the structure and expected trend in membership. The goal of an ALM study is to determine a strategic asset allocation that falls within the prescribed risk budget and is therefore tailored to the risk capacity and risk tolerance of the pension fund. An important aspect of this sub-process is that PUBLICA reviews the risk capacity as well as the key assumptions, in particular the risk/return assumptions for each asset class, on an annual basis.

To control qualitative risks (ecological, technological and social aspects) that could have negative financial consequences for the invested assets over the medium to long term, PUBLICA pursues a holistic sustainability approach referred to as **"responsible investment"**. Its three main areas are the exercise of shareholder rights, integration of ESG (environmental, social and governance) criteria into the securities portfolio, and real estate investments.

### Tactical risks

In principle, deviations from the strategic asset allocation within the tactical bandwidths should be set against the expected return. This means that PUBLICA's investment specialists deviate from the prescribed strategic asset allocation when they have substantiated reasons to believe that they will generate sustainable added value or reduce risk by doing so. The maximum permitted tactical exposures are decided upon by the Board of Directors, along with the strategic asset allocations.

### Implementation risks

The aim of this risk process is to prevent expansion or distortion of the strategic risk budget resulting from incorrect implementation of the strategic asset allocation within the individual asset classes, and ensure that all current benefits can be paid out when they are due. It enables significant individual risks to be identified and appropriately reduced at all levels.

### Actuarial risk: risk result

Actuarial risk comprises the risks resulting from old age, death and disability. It arises when the basis for actuarial calculations, such as the technical interest rate or mortality tables, no longer corresponds to reality.

PUBLICA reviews the risk results for active members and pension recipients on an annual basis. The capital of pension recipients that is expected to be freed up is compared with the capital of pension recipients that is actually released as a result of deaths. This provides a measure of the deviation between the actuarial assumptions and the events that actually occurred in the year concerned. Similarly, for active members, the expected costs resulting from death or disability are compared with the cases that actually occurred. The difference between the risk premium and the actual claims corresponds to the annual actuarial gain or loss for each pension plan.



### Risk result – active members

The risk result for active members shows an overall gain of CHF 44.2 million.

### Risk result death and disability – active members, total for all pension plans

2011 to 2019, in CHF mn, number or percent

2019	Units	Risk premiums	Claims	Total gain (+) loss (-)	Number
Disability cases (incl. increases in degree of disability)	CHF mn	77.3	-32.4	44.9	81
Deaths	CHF mn	3.3	-4.0	-0.7	40
<b>Total</b>	CHF mn	<b>80.6</b>	<b>-36.4</b>	<b>44.2</b>	<b>121</b>
Insured salary	CHF mn	5 234	5 234		
Statutory required risk premium	Percent	1.54%	0.70%		

2018	Units	Risk premiums	Claims	Total gain (+) loss (-)	Number
Disability cases (incl. increases in degree of disability)	CHF mn	102.0	-55.1	46.9	120
Deaths	CHF mn	4.3	-6.6	-2.3	38
<b>Total</b>	CHF mn	<b>106.3</b>	<b>-61.7</b>	<b>44.6</b>	<b>158</b>
Insured salary	CHF mn	5 135	5 135		
Statutory required risk premium	Percent	2.07%	1.20%		

Historical trend	Units	Risk premiums	Claims
2019	Percent	1.54%	0.70%
2018	Percent	2.07%	1.20%
2017	Percent	2.07%	1.50%
2016	Percent	2.07%	0.86%
2015	Percent	2.07%	1.20%
2014	Percent	3.03%	0.74%
2013	Percent	3.04%	0.71%
2012	Percent	3.16%	1.00%
2011	Percent	3.35%	

### Risk result – pension recipients

The risk result for pension recipients shows an overall gain of around CHF 27.7 million. This is made up of gains of CHF 11.1 million for survivors' pensions, CHF 7.9 million for disability pensions, and CHF 8.7 million for retirement pensions.

### Operational risk: annual internal ICS audit

Operational risk comprises the risk of losses due to inappropriate operation or failure of internal processes, people or systems or the impact of negative external events. PUBLICA employs internal controls to minimise operational risks in all key areas. Quality Management assesses on an annual basis whether the internal controls are appropriate to the current circumstances and requirements. The 2019 ICS audit did not reveal any material weaknesses.

### Legal and regulatory risk

Legal or regulatory risks arise from failure to comply with legal or regulatory requirements leading to adverse consequences such as liability or reputational risks for PUBLICA. They may also occur if such requirements are omitted from or inadequately set out in internal regulations or if legal or regulatory requirements place PUBLICA's business activities in doubt. PUBLICA attaches great importance to its fiduciary duty of due diligence. Regulations are drawn up that clearly define responsibilities, powers and compliance requirements both internally and for external partners.



## Sustainability and engagement

PUBLICA's commitment to sustainability is reflected in the inclusion of both financial and non-financial factors (environmental, social and governance criteria) in its decision-making processes.

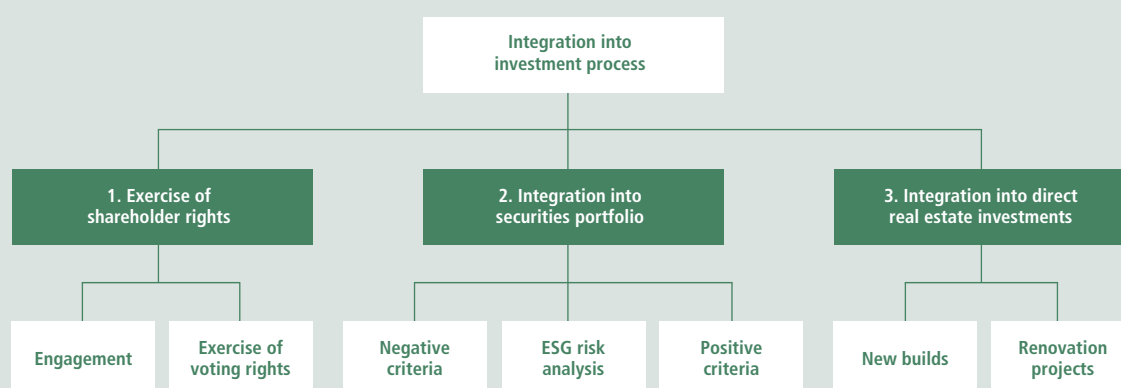


## Sustainability and engagement

PUBLICA's commitment to sustainability is reflected in the inclusion of both financial and non-financial factors (environmental, social and governance criteria) in its decision-making processes. The sustainability policy, which was revised in May 2019, has the following features:

- It is formulated in a holistic fashion, so that as far as possible all asset classes are taken into account.
- It is integrated into and thus forms part of the investment process.
- It is based on objective criteria.
- It is transparent and comprehensible.

PUBLICA's sustainability approach takes account of the sustainability strategies set out in the following diagram:

**39%**

Overall remuneration partially or completely rejected



## Responsible investment

### Responsible investment comprises the following areas:

#### Exercising shareholder rights

PUBLICA assumes its responsibilities as an owner on two different levels. Voting rights in companies listed in Switzerland are exercised, while PUBLICA seeks dialogue (engagement) with selected firms in Switzerland and abroad.

In 2019 PUBLICA exercised its voting rights in line with the long-term interests of the shareholders at 42 annual general meetings. The transparent communication of voting behaviour on the website [publica.ch](https://publica.ch) shows that PUBLICA rejected the remuneration report in 39% of cases. Inrate AG conducted dialogues with various Swiss firms on PUBLICA's behalf. The main topics discussed included green products and services, presenteeism, human rights, ESG criteria in the remuneration system, and the competencies of the board of directors. The Swiss Association for Responsible Investments, SVVK-ASIR ([svvk-asir.ch](https://svvk-asir.ch)), conducts climate-specific dialogues with foreign steel and construction materials companies on behalf of its members.

#### Integration into the securities portfolio

Integration into the securities portfolio involves regularly reviewing investments on the basis of objective criteria and excluding firms that do not comply with PUBLICA's normative requirements on the basis of "negative criteria".

Each year, difficult-to-quantify ESG risks are prioritised and subjected to an in-depth analysis, which examines risks that could have a significant financial impact on individual companies or sectors.

Positive criteria are mainly used in the infrastructure bond portfolio. Here, investments with a better ESG profile are given preference over alternatives that have the same risk/return ratio. For example, financing for renewable energy projects such as wind farms or photovoltaic installations is favoured over financing for gas power stations.

On the basis of an in-depth analysis of climate change risks, PUBLICA has excluded all coal producers from its global equity and corporate portfolios since 2016. The in-depth analysis in 2017 focused on cyber risks while in 2018 the theme was once again climate change. The latter led to the development of a climate-efficient equity index, which was approved at the end of 2019. It is designed to offer an improvement of up to 50% in climate efficiency over the equity portfolio as a whole, compared with the original index, but without any deterioration in the risk/return ratio. Detailed information is available at [publica.ch](https://publica.ch), where the first report on climate risks has also been published.



### Integration into direct real estate investments

Real estate is responsible for around 33% of all CO<sub>2</sub> emissions and around 40% of energy consumption worldwide. PUBLICA's Swiss real estate portfolio is made up of high-quality, mostly recently built properties (three-quarters were constructed after 2000). As part of institutionalised risk management, environmental considerations are factored into both strategic and operational decision-making in every phase of the properties' life cycle. Where economically viable and technically feasible, measures are taken to reduce CO<sub>2</sub> emissions by using energy-efficient heating systems, insulating the building shell or installing alternative energy supply systems. Other aspects, such as power-efficient lighting systems, the use of native flora and raising tenants' awareness of resource conservation, are also taken into account.

### Code of conduct

Because PUBLICA acts in a fiduciary capacity, it is required to meet high standards of ethical conduct. As a member of the Swiss Pension Funds Association ASIP, PUBLICA is committed to the code of conduct set out in ASIP's charter, which is binding on pension funds. PUBLICA's Compliance Regulations ensure that the stipulations concerning loyalty and integrity are complied with.

In its asset management activities, PUBLICA works only with external business partners that undertake to comply with the principles laid down in the ASIP charter. Where external parties are subject to supervision by a recognised supervisory body or to regulations equivalent to the integrity and loyalty requirements of the ASIP charter, PUBLICA is also prepared to enter into a business relationship with them.



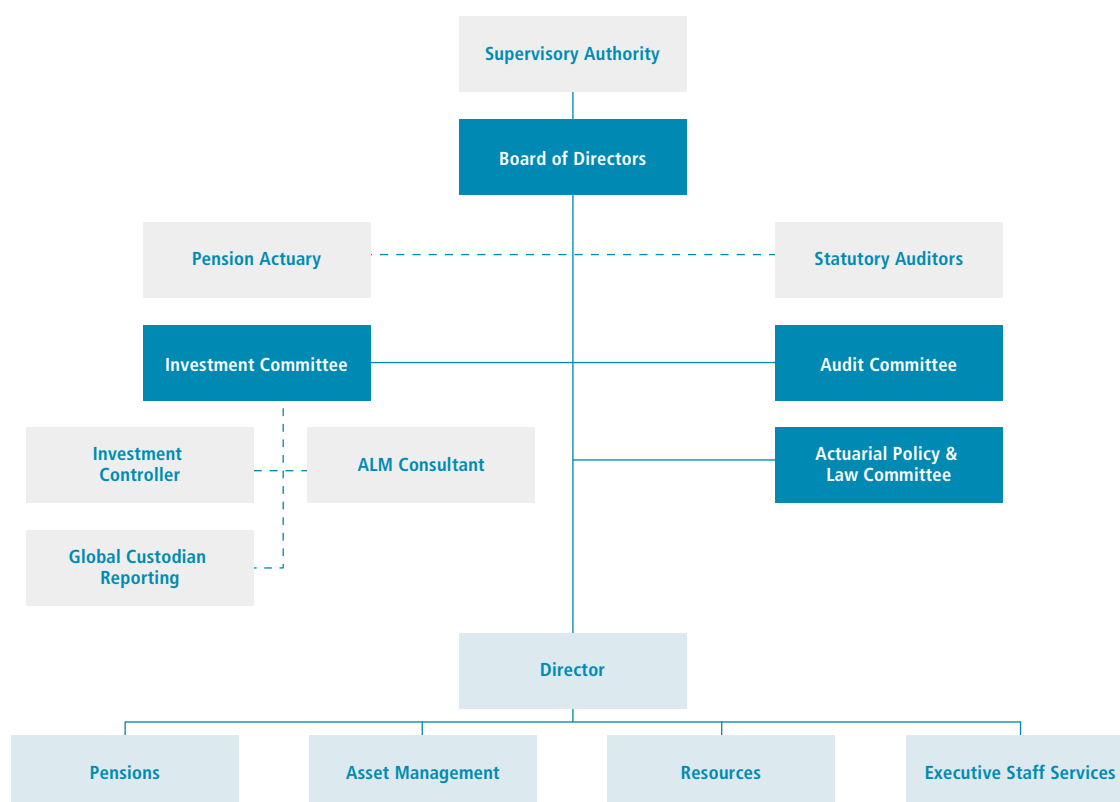
## Corporate governance

PUBLICA's clearly defined and transparent corporate governance fosters trust, both within the organisation and beyond. In the interest of transparent reporting, PUBLICA adheres to the guidelines for listed Swiss companies.





## Organisational structure



On 1 August 2019 a reorganisation was carried out, as a result of which the Finance division was integrated into the Resources division.

The Board of Directors, a central body independent of operations, exercises supervision and control of the management of PUBLICA. It defines PUBLICA's strategic orientation and management. The committees deal in depth with the tasks entrusted to them. The supervisory authority, as the supreme independent body, oversees the activities of PUBLICA.

**7 to 9  
years**

Maximum  
mandate duration  
of the Pension  
Actuary and audit  
company



## Board of Directors

### 29

#### Meetings of the Board of Directors and its committees

The term of office of PUBLICA's Board of Directors is four years. Its members appoint the Director and Deputy and select the collective institution's Statutory Auditors and Pension Actuary. The other tasks of the Board of Directors, which are listed non-exhaustively in Article 51a BVG and the PUBLICA Act, include issuing regulations as well as a series of authorities governing financial matters, such as defining the investment guidelines for securities and real estate and approving the budget and annual financial statements.

The Chair and Vice-Chair of the Board of Directors consist of one employer representative and one employee representative. They alternate as Chair and Vice-Chair every two years. At the start of the new term of office on 1 July 2019 Matthias Remund, representing the employers, was appointed Chair and Prisca Grossenbacher-Frei, representing the employees, was appointed Vice-Chair.

The Board of Directors has appointed the following permanent committees: the Investment Committee, the Audit Committee and the Actuarial Policy and Law Committee.

The Board of Directors met six times in the year under review, the Investment Committee thirteen times (including telephone conferences). There were six meetings of the Audit Committee and four meetings of the Actuarial Policy and Law Committee. The members of the Board of Directors and the committees attended 36.5 external training days (prior year: 34.5), of which PUBLICA supported 19 (prior year: 20). This corresponds to an average of 1.1 training days per member.

The composition of the Board of Directors as at 31 December 2019 is as follows (names in alphabetical order):



## Alvarez Cipriano

### Occupation

Federal Office for Housing, Head of Legal Department

### Qualifications

Lawyer

### Representative of

Employees

### Board member since

01.07.2013

### Committee

Investment Committee

### Committee member since

01.07.2013

### External mandates

Operating Committee of the Construction and Housing Policy Fund, Bern: member



## Buntschu Kurt

### Occupation

Head of HR, Swiss Red Cross

### Qualifications

BA in Business Administration, federally certified pension fund manager

### Representative of

Employers

### Board member since

01.07.2002

### Committee

Audit Committee

### Committee member since

01.07.2013

### Membership of parity commissions

Representative of the employers in the Affiliated Organisations pension plan

### External mandates

Swiss Life Saving Society (SLSS): board member



## Gaillard Serge Chair of the Audit Committee

### Occupation

Director, Federal Finance Administration

### Qualifications

Doctorate in Business Administration

### Representative of

Employers

### Board member since

01.10.2012

### Committee

Audit Committee

### Committee member since

18.10.2012



## Grossenbacher-Frei Prisca Vice-Chair of the Board of Directors

### Occupation

Vice-Director of the Federal Food Safety and Veterinary Office

### Qualifications

Lawyer

### Representative of

Employees

### Board member since

01.07.2009





## Grunder Jürg

### Occupation

Secretary, Federal Staff Association PVB

### Qualifications

Degree in Business Administration

### Representative of

Employees

### Board member since

01.07.2017

### Committee

Audit Committee

### Committee member since

01.07.2017



## Künzli Dieter

### Occupation

Head of Finance and HR, ETH Board

### Qualifications

Doctorate in Technology

### Representative of

Employers

### Board member since

01.07.2017

### Committee

Actuarial Policy and Law Committee

### Committee member since

01.07.2017

### External mandates

Zentrum Passwang, Breitenbach: Chair of the Board

Mayor of Breitenbach, Solothurn

VEBO Genossenschaft: member of management



## Maurer Stalder Petra

### Qualifications

Diploma in Business Administration, MAS Corporate Communication Management

### Representative of

Employees

### Board member since

01.07.2009

### Committee

Actuarial Policy and Law Committee

### Committee member since

01.07.2017



## Müller Kaspar

### Occupation

Deputy General Secretary, DETEC

### Qualifications

Degree in Business Administration

### Representative of

Employers

### Board member since

01.03.2016

### Committee

Audit Committee

### Committee member since

05.04.2016



## Parnisari Bruno

### Occupation

Deputy Director, Federal Social Insurance Office FSIO

### Qualifications

Doctorate in Economics

### Representative of

Employers

### Board member since

01.07.2017

### Committee

Investment Committee

### Committee member since

01.07.2017

### External mandates

AHV/IV/EO Compensation Fund Compenswiss: representative of the FSIO on the Board of Directors



## Remund Matthias

### Chair of the Board of Directors

### Occupation

Director of the Federal Office for Sport

### Qualifications

Lawyer

### Representative of

Employers

### Board member since

01.07.2009

### External mandates

Swiss Olympic Association, Ittigen: member of the Executive Council; International Centre for Sports Studies CIES, Neuchâtel: member of the Foundation Board; Swiss University Sports Foundation, St. Gallen: member of the Foundation Board; The Olympic Foundation for Culture and Heritage, Lausanne: member of the Foundation Board; Swiss Institute for Empirical Economic Research, University of St. Gallen: member of the Executive Committee



## Schaerer Barbara Chair of the Actuarial Policy and Law Committee

### Occupation

Director of the Federal Personnel Office

### Qualifications

LL.D., attorney-at-law, LL.M., EMBA

### Representative of

Employers

### Board member since

01.05.2008

### Committee

Actuarial Policy and Law Committee

### Committee member since

01.01.2009

### External mandates

BERNMOBIL AG, Bern: Vice-Chair of the Board of Directors; Swiss Society of Administrative Sciences SSAS: board member; Suva, Lucerne: member of the Board of Directors



## Serra Jorge

### Occupation

CFO, Head of Pillar 2 and Legal Protection, VPOD

### Qualifications

PhD, federally certified staff pensions expert

### Representative of

Employees

### Board member since

01.07.2013

### Committee

Audit Committee

### Committee member since

01.07.2017

### External mandates

VPOD Pension Fund: general manager; St. Gallen Pension Fund: member of the Board of Trustees; City of Zurich Pension Fund: Vice-Chair of the Board of Trustees; Substitute Occupational Benefit Institution, Zurich: Chair of the Board of Trustees; VPOD holiday association foundation: manager; VPOD interpreters' assistance fund: manager; VPOD death benefit fund foundation: manager



## Thalmann Philippe Vice-Chair of the Investment Committee

### Occupation

Professor EPFL ENAC IA LEURE

### Qualifications

PhD in Economics

### Representative of

Employees

### Board member since

01.07.2013

### Committee

Investment Committee

### Committee member since

01.07.2013

### External mandates

kiiz SA, Lausanne: member of the Board of Directors



## Weber Matthias Chair of the Investment Committee

### Occupation

Chief Investment Officer, Executive Partner and Board member at 47 Heritage AG

### Qualifications

Masters in Economics, St. Gallen, EMBA International Wealth Management

### Representative of

Employers

### Board member since

01.07.2018

### Committee

Investment Committee

### Committee member since

01.07.2018

### External mandates

fundinfo AG: partner; Investment Navigator AG: partner; 47 Heritage AG: partner



## Wicki Janine

### Occupation

General Secretary, Federal Staff Association PVB

### Qualifications

LL.B.

### Representative of

Employees

### Board member since

16.03.2016

### Committee

Actuarial Policy and Law Committee

### Committee member since

01.07.2017



## Wyler Alfred

### Occupation

Head of Benefits, Albicolac compensation office;  
Head of ICOLAC family compensation office

### Qualifications

MAS in Social Insurance Management

### Representative of

Employees

### Board member since

01.07.2009

### Committee

Audit Committee

### Committee member since

01.07.2013

### External mandates

comPlan Pension Fund, Bern: member of the Foundation Board; Graphic Industry Pension Foundation (pvgi), Bern: member of the Foundation Board





### Investment Committee

The remit of the Investment Committee includes defining the strategic asset allocations on behalf of the Board of Directors, approving contracts with external asset managers and instructions to internal portfolio managers, approving direct real estate transactions in Switzerland (purchases, sales, projects) up to an investment value of CHF 100 million and land purchases without a project ready for approval up to a value of CHF 25 million.

In accordance with the Investment Guidelines, the Investment Committee consists of the Chair as well as a minimum of three and a maximum of five members appointed by the Board of Directors from its own members. The Board of Directors may also appoint between one and three external investment experts. The Federal Finance Administration may propose candidates to the Board of Directors. The Director and the Head of Asset Management of PUBLICA are consultative members of the committee. Matthias Weber has chaired the Investment Committee since 1 July 2018.

In addition to Cipriano Alvarez, Bruno Parnisari and Philippe Thalmann, the external members on the Investment Committee as at 31 December 2019 are as follows (names in alphabetical order):

#### Eggenberger Urs

Occupation	Vice-Director and Joint Head of the Federal Treasury Department, Federal Finance Administration
Qualifications	Degree in Business Administration, CFA
Committee member since	19.11.2007
External mandates	Decommissioning and Waste Disposal Fund for Nuclear Power Plants: member of the Administrative Committee and Investment Committee; AHV/IV/EO Compensation Fund Compenswiss: representative of the FFA on the Board of Directors and Board of Directors Committee; Mathys AG, Bettlach: member of the Board of Directors; home commune: member of the audit committee

#### Loepfe Andreas

Occupation	Partner and General Manager, INREIM AG
Qualifications	Degree in Business Administration, FRICS
Committee member since	01.07.2015
External mandates	INREIM AG: Delegate of the Board of Directors; IMMRA AG: member of the Board of Directors; SOFISA SA: member of the Board of Directors

### Actuarial Policy & Law Committee

The Actuarial Policy and Law Committee deals 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. The committee's Chair is Barbara Schaerer. Its members are Dieter Künzli, Petra Maurer Stalder and Janine Wicki.

### Audit Committee

The Audit Committee is principally concerned with financial and accounting matters. It discusses the financial statements with the Director of PUBLICA and Deputy as well as the Statutory Auditors, and the Pension Actuary's report with the Pension Actuary. The Audit Committee is chaired by Serge Gaillard. Its members are Kurt Buntschu, Jürg Grunder, Kaspar Müller, Jorge Serra and Alfred Wyler.



## Information and control instruments

The key instruments for controlling the activities of PUBLICA are the regulations and contracts of affiliation, which are approved by the Board of Directors. The following is a selection of the main information and control instruments employed by the Executive Board on behalf of the Board of Directors and its committees:

### Quality management

PUBLICA has a well-developed quality management system designed to ensure delivery of high-quality operational services to customers. The system was successfully recertified in 2018 by PUBLICA's independent quality assessor in accordance with the latest ISO 9001:2015 standard.

### Internal control system

PUBLICA's internal control system is process-based and embedded in the certified processes. PUBLICA reviews the status of the internal controls annually and draws up an annual risk management report.

### Compliance

At least once a year, the Executive Board reports on PUBLICA's compliance policy and its implementation.

### Finance and Asset Management

The committee members have timely access to details on the monthly performance of the pension plans (funded ratio according to BVV2, economic funded ratio, etc.), as well as an annual report on the pension plans and the reports of the external investment controller. The Board of Directors also approves the Annual Report.





## Assembly of Delegates

The Assembly of Delegates (AD) consists of 80 employees of the employers affiliated to PUBLICA. The AD elects eight individuals to represent the employees on the Board of Directors during a four-year term of office. It also has the right to submit proposals to the Board of Directors. The AD is also newly elected every four years. The names of all the delegates and the pension plans they represent are published on publica.ch.

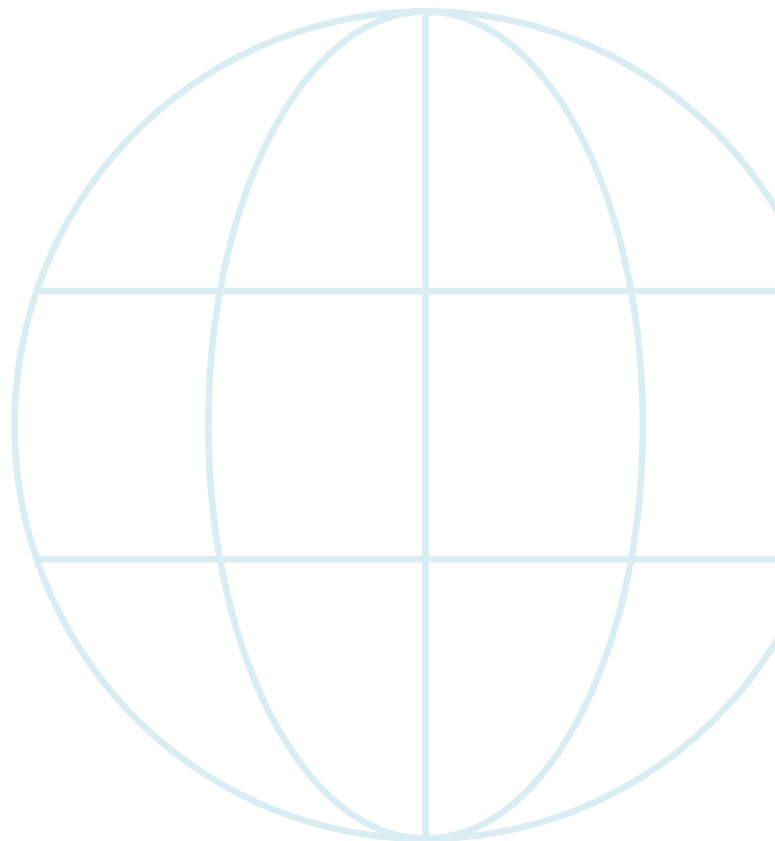
As at 31 December 2019, the Chair and Vice-Chair of the PUBLICA Assembly of Delegates are as follows:

### **Lagger Valentin**

Function	Chair
Occupation	Head of Federal Labour Inspectorate, State Secretariat for Economic Affairs SECO

### **Morard-Niklaus Jacqueline**

Function	Vice-Chair
Occupation	Chair of the EPFL section of the Federal Staff Association





## Director, Deputy and Executive Board

The Director and Deputy are responsible for the operational strategy and management of PUBLICA. They strive to ensure that the strategic objectives are met and that PUBLICA is successful. Their activities are based on the Corporate and Organisational Regulations of the Federal Pension Fund PUBLICA. The current Director is Dieter Stohler, and his Deputy is Stefan Beiner (Head of Asset Management).

As at 31 December 2019, the Executive Board comprises the following members:

### Stohler Dieter

Function	Director
Qualifications	LL.B.
External mandates	Innovation Zweite Säule IZS: board member UBS Vested Benefits Foundation: member of the Foundation Board Fisca Pension Fund Foundation of UBS: member of the Foundation Board

### Beiner Stefan

Function	Head of Asset Management, Deputy to the Director
Qualifications	Doctorate in Economics, University of St. Gallen
External mandates	Schoeni.ch Holding AG: member of the Board of Directors

### Lanz Iwan

Function	Head of Pensions
Qualifications	Certified pension insurance expert

### Zaugg Markus

Function	Head of Resources
Qualifications	Degree in Business Administration, EMBA HRM

The following member left the Executive Board and PUBLICA in the year under review:

### Sohnrey Jan

Function	Head of Finance
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As at 31 December 2019 the Extended Executive Board comprises the following additional members:

### Barandun Ursina

Function	Head of Corporate Communications
Qualifications	Secondary school teacher and culture manager, University of Bern

### Geiser Corinne

Function	Head of Strategic Legal Services
Qualifications	Attorney-at-law, Bern

### Kobel Roger

Function	Head of IT
Qualifications	FTS technician



## Compensation

### Compensation policy

The Chair of the Board of Directors receives flat-rate compensation of CHF 36,000 (prior year: CHF 36,000) and the Vice-Chair flat-rate compensation of CHF 24,000 (prior year: CHF 24,000). The Chair of the Investment Committee receives flat-rate annual compensation of CHF 50,000.

The other members of the Board of Directors and the external members of the Investment Committee receive flat-rate compensation of CHF 4,000 as well as an attendance fee. Overall, only one flat-rate compensation may be claimed per person and year. The fee for each half-day meeting is CHF 500 and CHF 1,000 each for the Chair of the Audit Committee and the Chair of the Actuarial Policy and Law Committee.

PUBLICA does not generally pay bonuses.

### Compensation-setting process

The Audit Committee reviews the appropriateness of the compensation paid to members of the Board of Directors annually.

The Chair and Vice-Chair of the Board of Directors set the salary of the Director. The Director and Deputy are responsible for the salaries of employees of PUBLICA.

### Level of compensation paid to the Board of Directors

The total compensation plus flat-rate travel expenses paid by PUBLICA either directly or indirectly to the members of the Board of Directors and its committees was CHF 289,500 (prior year: CHF 297,516).



## Compensation of members of the Board of Directors and committees

2019 with prior-year comparison, in CHF, excluding departures

		31.12.18	31.12.19
Alvarez Cipriano		18 500	19 000
Buntschu Kurt		11 000	10 000
Eggenberger Urs		8 000	8 500
Gaillard Serge	Chair of the Audit Committee	14 500	13 500
Grossenbacher-Frei Prisca	Vice-Chair of the Board of Directors *	36 000	30 000
Grunder Jürg		15 000	11 500
Künzli Dieter		9 500	9 000
Loepfe Andreas		12 080	9 000
Maurer Stalder Petra		12 000	10 500
Müller Kaspar		13 000	13 000
Parnisari Bruno		11 000	11 000
Remund Matthias	Chair of the Board of Directors **	24 000	30 000
Schaerer Barbara	Chair of the Actuarial Policy and Law Committee	13 000	14 000
Serra Jorge		11 436	10 500
Thalmann Philippe		14 000	15 000
Weber Matthias	Chair of the Investment Committee ***	25 000	50 000
Wicki Janine		9 500	11 000
Wyller Alfred		15 000	14 000

\* until 30.06.2019 Chair of the Board of Directors \*\* until 30.06.2019 Vice-Chair of the Board of Directors \*\*\* from 08.06.2018

### Level of compensation paid to the Executive Board

The average compensation (gross salary including all allowances and employer's pension contributions) paid to members of the Executive Board was CHF 294,378 per person (prior year: CHF 283,254). Owing to the departure of a member of the Executive Board during the year, the total fell to CHF 1,348,254 (prior year: CHF 1,416,269). The highest compensation was paid to the Director, who received a gross salary of CHF 312,096 (prior year: CHF 309,619). As his employer, PUBLICA paid CHF 62,325 (prior year: CHF 60,265) in contributions towards his pension.



## Statutory Auditors

The Statutory Auditors KPMG AG are licensed as a state-supervised audit firm by the Swiss Federal Audit Oversight Authority FAOA. Erich Meier is the lead auditor. The total audit fee for 2019 was CHF 218,093 (prior year: CHF 261,173). KPMG received additional fees totalling CHF 100,949 (prior year: CHF 1,611) for tax consultancy services. The Statutory Auditors reported to the Audit Committee on the planning and results of their audits at two meetings. The Audit Committee has the power to grant additional audit mandates to the Statutory Auditors. In the interest of good corporate governance, PUBLICA invites tenders for the audit mandate at least every seven years.

## Pension Actuary

The Pension Actuary since 1 January 2016 is Allvisa AG, with Christoph Plüss as lead actuary. Allvisa AG is licensed as a pension actuary by the Federal Occupational Pensions Regulatory Commission. The total fee paid to Allvisa AG in 2019 was CHF 170,441 (prior year: CHF 149,822). The Pension Actuary attended a number of meetings of the Board of Directors and its committees. In the interest of good corporate governance, PUBLICA puts the Pension Actuary mandate out to tender after a maximum of nine years.



## Annual financial statements

The annual financial statements (balance sheet, income statement, notes) comply with the formal and material requirements of Swiss GAAP ARR 26. As a non-profit-oriented undertaking, PUBLICA returns surpluses on the cost and risk premiums to the pension plans. The surpluses returned in 2019 amounted to CHF 6.2 million.



## Balance sheet and income statement

The balance sheet, income statement and notes deal with the collective institution and all the affiliated pension plans, PUBLICA Reinsurance and PUBLICA Operations. The figures are therefore aggregated. The relevant figures for the individual active members and pension recipients are those of their respective pension plans. PUBLICA maintains separate accounts for each pension plan. Each plan reports its own funded ratio, which is not influenced by the other plans.

The amounts reported in the balance sheet, income statement and notes are rounded to the nearest franc. For this reason, total amounts may in some cases deviate slightly from the sum of the individual values.

**CHF +4.7  
million**

Surpluses from  
the risk premium  
returned to the  
reinsured pension  
plans

### Consolidated balance sheet

2019 with prior-year comparison, in CHF

Assets	Note	31.12.2018	31.12.2019
Cash & cash equivalents		69 662 277	81 786 481
Receivables		114 309 358	128 978 413
Money market		978 340 874	1 085 609 841
Swiss government bonds		2 952 568 917	2 781 143 208
Non-government bonds CHF		4 372 724 263	4 316 942 802
Government bonds developed markets ex Switzerland		4 375 413 867	4 400 821 542
Inflation-linked government bonds		2 324 987 636	2 459 720 355
Public corporate bonds ex CHF		4 944 888 750	4 393 414 483
Private corporate debt		717 447 810	1 127 074 213
Private infrastructure debt		491 702 562	961 490 436
Government bonds emerging markets hard currencies		1 226 792 808	1 367 306 436
Government bonds emerging markets local currencies		1 429 364 696	2 052 659 999
Private real estate debt		125 620 769	121 956 315
Equities Switzerland		1 168 094 246	1 262 492 958
Equities developed markets ex Switzerland		5 619 767 904	6 411 321 954
Equities emerging markets		2 961 421 397	3 081 266 017
Precious metals		880 049 597	883 539 248
Real estate investments Switzerland		2 792 630 086	3 018 617 025
Real estate investments international		440 515 565	1 057 550 052
<b>Investments</b>	6.4	<b>37 986 303 383</b>	<b>40 993 691 776</b>
<b>Operating assets</b>	7.1	<b>17 437 205</b>	<b>18 214 237</b>
<b>Prepaid expenses and accrued income</b>		<b>837 721</b>	<b>2 033 036</b>
<b>Total assets</b>		<b>38 004 578 309</b>	<b>41 013 939 050</b>



## Consolidated balance sheet

2019 with prior-year comparison, in CHF

Liabilities	Note	31.12.2018	31.12.2019
Vested pension benefits and pensions		88 791 657	72 190 534
Other liabilities		8 942 735	11 355 990
Operating liabilities	7.1	3 797 187	4 397 460
<b>Liabilities</b>		<b>101 531 579</b>	<b>87 943 984</b>
<b>Accrued expenses and deferred income</b>		<b>871 711</b>	<b>285 843</b>
<b>Employers' contribution reserve</b>	<b>6.11</b>	<b>46 351 942</b>	<b>31 295 268</b>
<b>Non-technical provisions</b>	<b>7.3</b>	<b>164 030 086</b>	<b>186 392 971</b>
Pension fund capital – active members	5.2	16 364 776 391	17 602 409 957
Pension fund capital – pension recipients	5.4	18 961 136 826	20 558 186 613
Technical provisions	5.5	1 905 017 194	935 160 473
<b>Pension fund capital and technical provisions</b>		<b>37 230 930 410</b>	<b>39 095 757 042</b>
<b>Fluctuation reserve</b>	<b>6.3</b>	<b>397 794 692</b>	<b>1 564 178 062</b>
Uncommitted funds / underfunding of pension plans		–32 205 333	–49 984 232
Uncommitted funds / underfunding Reinsurance	5.1	10 816 204	13 436 333
Working capital – PUBLICA Operations and Reinsurance	5.1/7.1	84 457 018	84 633 778
<b>Uncommitted funds / underfunding / working capital</b>		<b>63 067 889</b>	<b>48 085 879</b>
<b>Total liabilities</b>		<b>38 004 578 309</b>	<b>41 013 939 050</b>

## Change in uncommitted funds / underfunding / working capital

2019 with initial status

	Uncommitted funds (+) / underfunding (–)		Working capital – PUBLICA Operations and Reinsurance
	Pension plans	Reinsurance	
<b>Opening balance sheet</b>	<b>–32 205 333</b>	<b>10 816 204</b>	<b>84 457 018</b>
Expenditure (–) / income (+) surplus	–17 778 899	2 620 130	176 759
<b>Closing balance sheet</b>	<b>–49 984 232</b>	<b>13 436 333</b>	<b>84 633 778</b>





## Consolidated income statement

2019 with prior-year comparison, in CHF

	Note	31.12.2018	31.12.2019
Savings contributions – employees	5.2	483 613 976	512 060 088
Risk premiums – employees		10 558 980	8 063 628
Cost premiums – employees		165 900	175 450
Employee contributions		494 338 856	520 299 166
Savings contributions – employers	5.2	736 518 012	828 294 226
Risk premiums – employers		95 696 824	72 487 872
Cost premiums – employers		18 007 508	18 192 904
Employer contributions		850 222 344	918 975 001
Removal from employers' contribution reserve to finance contributions		–124 544	–118 451
Contributions from third parties		289 514	3 550 716
Lump-sum payments and buy-ins – active members	5.2	87 998 595	108 933 921
Buy-outs of pension reductions and pension buy-ins	5.4	47 115 033	45 795 296
Lump-sum payments and buy-ins		135 113 628	154 729 217
Payments to employers' contribution reserve		2 508 000	1 843 962
Contributions to the BVG Security Fund		32 699	36 158
<b>Ordinary and other contributions and payments</b>		<b>1 482 380 498</b>	<b>1 599 315 770</b>
Vested pension benefits received		346 630 969	366 933 428
Home ownership and divorce payments received		17 313 731	25 370 411
Payments on takeover of member portfolios	1.6	10 240	100 000
<b>Entrance benefits</b>	<b>5.2</b>	<b>363 954 940</b>	<b>392 403 840</b>
<b>Inflow from contributions and entrance benefits</b>		<b>1 846 335 438</b>	<b>1 991 719 609</b>
Retirement pensions		–1 258 571 244	–1 264 672 399
Survivors' pensions		–305 655 461	–304 685 511
Disability pensions		–27 760 129	–27 213 114
Other statutory benefits		–44 635 818	–48 749 933
Lump-sum benefits upon retirement		–215 256 409	–160 677 188
Lump-sum benefits in case of death/disability		–3 229 380	–998 691
Benefits from divorce		–1 045 599	–1 899 683
<b>Statutory benefits</b>	<b>5.4</b>	<b>–1 856 154 039</b>	<b>–1 808 896 520</b>
Vested benefits paid on departure		–453 295 774	–445 001 663
Early withdrawals for home ownership / divorce		–55 609 806	–69 385 407
Transfer of additional funds on collective departure		0	0
<b>Vested termination benefits</b>	<b>5.2</b>	<b>–508 905 580</b>	<b>–514 387 070</b>
<b>Outflow for benefits and early withdrawals</b>		<b>–2 365 059 619</b>	<b>–2 323 283 590</b>
Formation (–) / release (+) of pension fund capital – active members	5.2	129 765 898	–1 044 026 832
Formation (–) / release (+) of pension fund capital – pension recipients	5.4	–81 651 072	–1 597 049 787
Formation (–) / release (+) of technical provisions	5.5	–226 798 272	969 856 721
Interest on savings capital	5.2	–156 635 006	–193 606 734
Formation (–) / release (+) of employers' contribution reserve	6.11	–3 305 273	15 056 673
<b>Formation (–) / release (+) of pension fund capital, technical provisions and contribution reserves</b>		<b>–338 623 725</b>	<b>–1 849 769 959</b>
Shares in surpluses for pension plans from internal Reinsurance	5.1	3 800 387	4 742 157
Shares in surpluses for pension plans from PUBLICA internal Operations		837 721	1 533 036
<b>Pension plans</b>		<b>4 638 108</b>	<b>6 275 193</b>
Risk premium received – internal Reinsurance, gross	5.1	6 370 331	4 295 502
Cost premium received – PUBLICA internal Operations, gross		18 173 408	18 368 354
<b>PUBLICA Operations and PUBLICA Reinsurance</b>		<b>24 543 740</b>	<b>22 663 856</b>
<b>Income from insurance benefits</b>		<b>29 181 848</b>	<b>28 939 050</b>
Risk premiums paid by pension plans for internal Reinsurance	5.1	–6 370 331	–4 295 502
Cost premiums paid by pension plans for PUBLICA internal Operations		–18 173 408	–18 368 354
Additional payment of cost premiums from non-technical provisions		–613 856	–24 345
Contributions to Security Fund		–4 268 352	–5 009 513
<b>Pension plans</b>		<b>–29 425 948</b>	<b>–27 697 714</b>
Repayment of shares in surplus from PUBLICA Reinsurance	5.1	–3 800 387	–4 742 157
Repayment of shares in surplus from PUBLICA Operations		–223 865	–1 508 691
<b>PUBLICA Operations and PUBLICA Reinsurance</b>		<b>–4 024 252</b>	<b>–6 250 849</b>
<b>Insurance expenses</b>		<b>–33 450 200</b>	<b>–33 948 563</b>
<b>Net insurance income</b>		<b>–861 616 257</b>	<b>–2 186 343 452</b>

**CHF +1.5 million**

Surpluses from the cost premium returned to all pension plans



**CHF**  
**–331**  
**million**

Net cash outflow  
from contributions  
and benefits

## Consolidated income statement

2019 with prior-year comparison, in CHF

	Note	31.12.2018	31.12.2019
Net income from cash & cash equivalents	6.8	–111 814	4 265
Net income from receivables	6.8	0	0
Net income from liabilities	6.8	–752 388	–870 951
Net income from money market	6.8	–3 660 879	–5 949 793
Net income from Swiss government bonds	6.8	9 983 008	59 990 854
Net income from non-government bonds CHF	6.8	5 300 084	104 908 978
Net income from government bonds developed markets ex Switzerland	6.8	15 293 746	119 424 623
Net income from inflation-linked government bonds	6.8	–81 078 912	105 953 783
Net income from public corporate bonds ex CHF	6.8	–130 747 827	310 571 731
Net income from private corporate debt	6.8	–17 332 740	83 898 503
Net income from private infrastructure debt	6.8	7 190 477	58 770 774
Net income from government bonds emerging markets hard currencies	6.8	–65 680 239	163 108 807
Net income from government bonds emerging markets local currencies	6.8	–79 220 432	139 305 338
Net income from private real estate debt	6.8	2 201 436	2 029 629
Net income from equities Switzerland	6.8	–76 734 471	335 480 652
Net income from equities developed markets ex Switzerland	6.8	–564 797 769	1 229 365 440
Net income from equities emerging markets	6.8	–397 180 394	391 984 403
Net income from precious metals	6.8	–12 477 435	135 608 434
Net income from real estate investments Switzerland	6.8	195 594 138	206 604 740
Net income from real estate investments international	6.8	6 417 355	16 343 601
Asset management expenses	6.10	–74 333 201	–79 656 526
<b>Net investment income</b>	<b>6.8</b>	<b>–1 262 128 259</b>	<b>3 376 877 285</b>
<b>Formation (–) / release (+) of non-technical provisions</b>	<b>7.3</b>	<b>–18 390 448</b>	<b>–22 362 885</b>
<b>Other expenses</b>		<b>–534 670</b>	<b>–803 314</b>
<b>Other income</b>		<b>351 213</b>	<b>1 000 607</b>
General administration	7.2	–17 554 964	–16 480 281
Marketing and advertising	7.2	–19	0
Brokerage	7.2	0	0
Statutory Auditors	7.2	–261 173	–218 093
Pension Actuary	7.2	–149 822	–176 903
Supervisory authorities	7.2	–86 754	–91 601
<b>Administrative expenses</b>	<b>7.2</b>	<b>–18 052 732</b>	<b>–16 966 877</b>
<b>Expenditure (–) / income (+) surplus before formation / release of fluctuation reserve</b>		<b>–2 160 371 154</b>	<b>1 151 401 364</b>
<b>Formation (–) / release (+) of fluctuation reserve</b>	<b>6.3</b>	<b>2 128 760 646</b>	<b>–1 166 383 374</b>
<b>Expenditure (–) / income (+) surplus</b>		<b>–31 610 508</b>	<b>–14 982 010</b>
Expenditure (–) / income (+) surplus – pension plans		–32 205 333	–17 778 899
Expenditure (–) / income (+) surplus – Reinsurance	5.1	418 262	2 620 129
Expenditure (–) / income (+) surplus working capital – PUBLICA Operations and Reinsurance	5.1/7.2	176 562	176 759
<b>Expenditure (–) / income (+) surplus</b>		<b>–31 610 508</b>	<b>–14 982 010</b>



# Notes

## 1 Fundamentals and organisation

### 1.1 Legal form and purpose

PUBLICA is an undertaking of the Swiss Confederation established under public law. Its head office is in Bern, and it is entered in the commercial register.

As an autonomous collective institution, PUBLICA insures the employees of the centralised and decentralised Federal Administration and of affiliated organisations. Employers of the centralised and decentralised Federal Administration affiliate to PUBLICA on the basis set out in the relevant specific legislation. Affiliation to PUBLICA is also open to employers that are closely associated with the Confederation or fulfil a public task on behalf of the Confederation, a canton or a commune (Art. 4 para. 2 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).

### 1.2 BVG registration and Security Fund

Pursuant to the provisions of the BVG, PUBLICA is entered in the register of occupational pension plans and is subject to supervision by the regulatory authority for occupational pension schemes of the Canton of Bern (Bernische BVG- und Stiftungsaufsicht (BBSA)), with order number BE.0835.

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 Art. 57 BVG, to which it contributes in accordance with the provisions of the Ordinance of 22 June 1998 on the BVG Security Fund (SFO, SR 831.432.1).

### 1.3 Legal basis

- PUBLICA Act of 20 December 2006 (status as at 1 January 2012)
- Framework pension plan regulations of the Swiss Federal Pension Fund PUBLICA of 26 March 2015 (status as at 1 January 2019)
- Contracts of affiliation of the employers affiliated to PUBLICA, consisting of the following components:
  - pension plan regulations or framework pension plan regulations with the pension plan
  - the Service Level Agreement on Services
  - the Service Level Agreement on Medical Examinations (not obligatory; as required)
  - the partial liquidation regulations
- Corporate and Organisational Regulations of the Federal Pension Fund PUBLICA of 25 August 2015 (status as at 20 June 2019)
- Investment Guidelines of the Federal Pension Fund PUBLICA (PUBLICA Investment Guidelines) of 15 April 2010 (status as at 8 May 2019)
- Regulations governing the Provisions and Reserves of the Federal Pension Fund PUBLICA, the Pension Plans and PUBLICA Reinsurance of 22 November 2016 (status as at 31 December 2019)
- Compliance Regulations of 23 August 2012 (status as at 10 April 2014)
- Regulations governing the Risk Policy and Internal Control System of 11 April 2013 (status as at 28 March 2019)
- PUBLICA policy document on hardship cases of 25 November 2010 (status as at 23 June 2016)
- Regulations governing the handling of personal data at the Federal Pension Fund PUBLICA of 22 November 2016



- Expenses policy for the active members and pension recipients of the Federal Pension Fund PUBLICA of 21 February 2008 (status as at 1 November 2012)
- Regulations governing the Remuneration of Members of the Board of Directors of the Federal Pension Fund PUBLICA of 26 November 2009 (status as at 1 July 2015)

#### 1.4 Supreme governing body, management and signing powers

The joint Board of Directors comprises 16 members (8 representing the employees and 8 representing the employers) and forms the strategic management body of PUBLICA. As the highest governing body, it supervises and oversees PUBLICA's operations. The Director, Deputy and the Executive Board are responsible for the ongoing business of PUBLICA subject to the provisions of the law and the requirements laid down by the Board of Directors. The names of the members of the Board of Directors, the Director and Deputy, and the Executive Board are listed in the Annual Report.

The Chair and Vice-Chair of the Board of Directors as well as the Director and Deputy, the Extended Executive Board and the Head of Real Estate are entered in the commercial register as joint signatories, with two signatures being required.

#### 1.5 Pension Actuary, Statutory Auditors, supervisory authority, consultants

<b>Pension Actuary</b>	Contracting partner: Allvisa AG Thurgauerstrasse 54 8050 Zurich Lead actuary: Christoph Plüss	allvisa.ch
<b>Statutory Auditors</b>	KPMG AG Hofgut 3073 Gümligen-Bern	kpmg.com
<b>Supervisory authority</b>	Bernische BVG- und Stiftungsaufsicht (BBSA) Belpstrasse 48, P.O. Box 3000 Bern 14	aufsichtbern.ch
<b>Property Valuer</b>	Jones Lang LaSalle Ltd Prime Tower, Hardstrasse 201 8005 Zurich	joneslanglasalle.ch
<b>Investment Controller</b>	PPCmetrics AG Badenerstrasse 6, P.O. Box 8021 Zurich	ppcmetrics.ch
<b>ALM Consultant</b>	ORTEC Finance (Switzerland) AG Poststrasse 4 8808 Pfäffikon	ortecfinance.com
	c-alm AG Vadianstrasse 25a 9000 St. Gallen	c-alm.ch

#### 1.6 Affiliated employers

As of 31 December 2019, the PUBLICA collective institution once again comprised 20 mutually independent pension plans, of which 7 were closed, pensioner-only plans without any active members. The pension plans have their own accounts and are managed by their own parity commissions.

#### New affiliations

There were no new affiliations in 2019.

## Departures/liquidations

The Schweizerische Gesellschaft für Ernährung SGE left the Affiliated Organisations pension plan on 31 December 2019. This did not lead to a partial liquidation.

### 1.6.1 Open pension plans

#### Open pension plans

2019 with prior-year comparison, in CHF, number or percent

Pension plans with one employer		Units	31.12.2018	31.12.2019
ETH Domain	Active members	Number	19 741	20 194
	Pension recipients	Number	5 623	5 707
	<b>Total active members and pension recipients</b>	Number	<b>25 364</b>	<b>25 901</b>
	Available assets	CHF	6 803 490 335	7 445 974 783
	Pension fund capital & technical provisions	CHF	6 684 825 398	7 048 487 635
	<b>Funded ratio as per BVV2</b>	Percent	<b>101.8%</b>	<b>105.6%</b>
	Economic funded ratio	Percent	84.7%	87.3%
IGE	Active members	Number	291	311
	Pension recipients	Number	70	69
	<b>Total active members and pension recipients</b>	Number	<b>361</b>	<b>380</b>
	Available assets	CHF	125 544 393	146 613 659
	Pension fund capital & technical provisions	CHF	124 009 672	136 277 008
	<b>Funded ratio as per BVV2</b>	Percent	<b>101.2%</b>	<b>107.6%</b>
Swissmedic	Economic funded ratio	Percent	87.2%	93.7%
	Active members	Number	431	438
	Pension recipients	Number	146	149
	<b>Total active members and pension recipients</b>	Number	<b>577</b>	<b>587</b>
	Available assets	CHF	244 097 554	283 508 756
	Pension fund capital & technical provisions	CHF	240 387 399	259 790 180
Swiss Federal Institute for Vocational Education and Training	<b>Funded ratio as per BVV2</b>	Percent	<b>101.5%</b>	<b>109.1%</b>
	Economic funded ratio	Percent	85.5%	92.6%
	Active members	Number	244	261
	Pension recipients	Number	52	57
	<b>Total active members and pension recipients</b>	Number	<b>296</b>	<b>318</b>
	Available assets	CHF	93 949 845	107 283 900
Federal Audit Oversight Authority	Pension fund capital & technical provisions	CHF	93 876 274	101 642 032
	<b>Funded ratio as per BVV2</b>	Percent	<b>100.1%</b>	<b>105.6%</b>
	Economic funded ratio	Percent	84.3%	89.3%
	Active members	Number	32	32
	Pension recipients	Number	3	2
	<b>Total active members and pension recipients</b>	Number	<b>35</b>	<b>34</b>
FINMA	Available assets	CHF	11 602 293	13 310 360
	Pension fund capital & technical provisions	CHF	11 385 246	12 219 058
	<b>Funded ratio as per BVV2</b>	Percent	<b>101.9%</b>	<b>108.9%</b>
	Economic funded ratio	Percent	103.1%	107.0%
	Active members	Number	537	540
	Pension recipients	Number	62	71
Federal Nuclear Safety Inspectorate	<b>Total active members and pension recipients</b>	Number	<b>599</b>	<b>611</b>
	Available assets	CHF	247 360 298	285 027 330
	Pension fund capital & technical provisions	CHF	244 723 235	263 653 353
	<b>Funded ratio as per BVV2</b>	Percent	<b>101.1%</b>	<b>108.1%</b>
	Economic funded ratio	Percent	91.4%	95.7%
	Active members	Number	152	151
Federal Nuclear Safety Inspectorate	Pension recipients	Number	55	57
	<b>Total active members and pension recipients</b>	Number	<b>207</b>	<b>208</b>
	Available assets	CHF	118 051 605	136 041 973
	Pension fund capital & technical provisions	CHF	116 870 140	128 407 625
	<b>Funded ratio as per BVV2</b>	Percent	<b>101.0%</b>	<b>105.9%</b>
	Economic funded ratio	Percent	84.7%	88.2%



## Open pension plans

2019 with prior-year comparison, in CHF, number or percent

Pension plans with one employer		Units	31.12.2018	31.12.2019
PUBLICA	Active members	Number	124	123
	Pension recipients	Number	56	60
	<b>Total active members and pension recipients</b>	Number	<b>180</b>	<b>183</b>
	Available assets	CHF	71 889 960	81 014 355
	Pension fund capital & technical provisions	CHF	70 649 695	75 499 647
	<b>Funded ratio as per BVV2</b>	Percent	<b>101.8%</b>	<b>107.3%</b>
	Economic funded ratio	Percent	85.6%	90.3%
Trasse Schweiz AG	Active members	Number	10	10
	Pension recipients	Number	1	2
	<b>Total active members and pension recipients</b>	Number	<b>11</b>	<b>12</b>
	Available assets	CHF	7 228 541	8 673 820
	Pension fund capital & technical provisions	CHF	7 206 544	8 160 613
	<b>Funded ratio as per BVV2</b>	Percent	<b>100.3%</b>	<b>106.3%</b>
	Economic funded ratio	Percent	82.7%	87.9%
Swiss National Museum SNM	Active members	Number	277	292
	Pension recipients	Number	81	83
	<b>Total active members and pension recipients</b>	Number	<b>358</b>	<b>375</b>
	Available assets	CHF	68 947 210	76 131 544
	Pension fund capital & technical provisions	CHF	66 501 794	70 877 197
	<b>Funded ratio as per BVV2</b>	Percent	<b>103.7%</b>	<b>107.4%</b>
	Economic funded ratio	Percent	89.0%	90.6%
METAS	Active members	Number	222	232
	Pension recipients	Number	90	93
	<b>Total active members and pension recipients</b>	Number	<b>312</b>	<b>325</b>
	Available assets	CHF	131 993 020	151 560 465
	Pension fund capital & technical provisions	CHF	132 185 503	144 144 693
	<b>Funded ratio as per BVV2</b>	Percent	<b>99.9%</b>	<b>105.1%</b>
	Economic funded ratio	Percent	82.4%	87.6%
<b>Joint pension plans</b>				
Confederation	Active members	Number	39 434	40 215
	Pension recipients	Number	26 191	26 145
	<b>Total active members and pension recipients</b>	Number	<b>65 625</b>	<b>66 360</b>
	Available assets	CHF	25 428 080 765	27 632 911 973
	Pension fund capital & technical provisions	CHF	25 460 093 615	26 677 397 733
	<b>Funded ratio as per BVV2</b>	Percent	<b>99.9%</b>	<b>103.6%</b>
	Economic funded ratio	Percent	82.2%	84.9%
Affiliated Organisations	Active members	Number	2 338	2 364
	Pension recipients	Number	937	949
	<b>Total active members and pension recipients</b>	Number	<b>3 275</b>	<b>3 313</b>
	Available assets	CHF	897 532 208	982 828 505
	Pension fund capital & technical provisions	CHF	859 974 881	902 521 323
	<b>Funded ratio as per BVV2</b>	Percent	<b>104.4%</b>	<b>108.9%</b>
	Economic funded ratio	Percent	84.3%	88.4%
<b>Total open pension plans</b>	Active members	Number	63 833	65 163
	Pension recipients	Number	33 367	33 444
	<b>Total active members and pension recipients</b>	Number	<b>97 200</b>	<b>98 607</b>
	Available assets	CHF	34 249 768 025	37 350 881 423
	Pension fund capital & technical provisions	CHF	34 112 689 395	35 829 078 097
	<b>Funded ratio as per BVV2</b>	Percent	<b>100.4%</b>	<b>104.2%</b>
	Economic funded ratio	Percent	82.9%	85.7%



## 1.6.2 Closed pension plans

When they set up their own pension plans, Swisscom, RUAG and SRG SSR idée suisse left their respective pension recipients in FPF, the former Federal Pension Fund. The closed plans include pension recipients who remained with FPF or PUBLICA following the departure of their employer, as well as the former voluntarily insured members.

### Closed pension plans

2019 with prior-year comparison, in CHF, number or percent

Pension plans with one employer		Units	31.12.2018	31.12.2019
Pensioners only – voluntarily insured Pension entitlement from 01.06.2003	<b>Pension recipients</b>	Number	<b>293</b>	<b>292</b>
	Available assets	CHF	106 927 959	107 101 228
	Pension fund capital & technical provisions	CHF	99 320 416	112 031 874
	<b>Funded ratio as per BVV2</b>	Percent	<b>107.7%</b>	<b>95.6%</b>
	Economic funded ratio	Percent	81.9%	82.3%
Pensioners only – Confederation	<b>Pension recipients</b>	Number	<b>649</b>	<b>615</b>
	Available assets	CHF	130 212 836	126 936 265
	Pension fund capital & technical provisions	CHF	121 745 898	128 031 011
	<b>Funded ratio as per BVV 2</b>	Percent	<b>107.0%</b>	<b>99.1%</b>
	Economic funded ratio	Percent	84.8%	87.1%
Pensioners only – Swisscom Pension entitlement before 01.01.1999	<b>Pension recipients</b>	Number	<b>5 320</b>	<b>5 069</b>
	Available assets	CHF	1 794 095 565	1 737 990 100
	Pension fund capital & technical provisions	CHF	1 706 334 852	1 778 738 735
	<b>Funded ratio as per BVV2</b>	Percent	<b>105.1%</b>	97.7%
	Economic funded ratio	Percent	83.8%	<b>86.1%</b>
Pensioners only – RUAG Pension entitlement before 01.07.2001	<b>Pension recipients</b>	Number	1 763	1 656
	Available assets	CHF	610 158 543	597 996 162
	Pension fund capital & technical provisions	CHF	555 506 965	583 099 667
	<b>Funded ratio as per BVV2</b>	Percent	<b>109.8%</b>	<b>102.6%</b>
	Economic funded ratio	Percent	86.9%	89.9%
Pensioners only – SRG SSR idée suisse Pension entitlement before 01.01.2003	<b>Pension recipients</b>	Number	<b>907</b>	<b>873</b>
	Available assets	CHF	459 391 125	449 336 219
	Pension fund capital & technical provisions	CHF	413 916 072	439 594 985
	<b>Funded ratio as per BVV2</b>	Percent	<b>111.0%</b>	<b>102.2%</b>
	Economic funded ratio	Percent	87.9%	89.6%
Pensioners only – PUBLICA Administration	<b>Pension recipients</b>	Number	<b>83</b>	<b>81</b>
	Available assets	CHF	75 855 795	76 796 751
	Pension fund capital & technical provisions	CHF	66 459 881	69 132 190
	<b>Funded ratio as per BVV2</b>	Percent	<b>114.1%</b>	<b>111.1%</b>
	Economic funded ratio	Percent	98.3%	102.2%
<b>Joint pension plan</b>				
Pensioners only – Affiliated Organisations	<b>Pension recipients</b>	Number	<b>286</b>	<b>271</b>
	Available assets	CHF	97 621 015	94 618 043
	Pension fund capital & technical provisions	CHF	92 734 696	97 828 248
	<b>Funded ratio as per BVV2</b>	Percent	<b>105.3%</b>	<b>96.7%</b>
	Economic funded ratio	Percent	83.5%	85.0%
<b>Total closed pension plans</b>				
	<b>Pension recipients</b>	Number	<b>9 301</b>	<b>8 857</b>
	Available assets	CHF	3 274 262 840	3 190 774 768
	Pension fund capital & technical provisions	CHF	3 056 018 780	3 208 456 710
	<b>Funded ratio as per BVV2</b>	Percent	<b>107.1%</b>	<b>99.4%</b>
	Economic funded ratio	Percent	85.2%	87.5%



## 2 Active members and pension recipients

### 2.1 Active members

Individuals who are only insured for the risks of death and disability are included among active members. More than one insurance situation may apply to each person.

#### Active members

2019 with prior-year comparison, in number of insurance situations

	Active members
<b>31.12.17</b>	<b>63 632</b>
Admissions	10 255
Departures	–10 054
<b>31.12.18</b>	<b>63 833</b>
Admissions	10 208
Departures	–8 878
<b>31.12.19</b>	<b>65 163</b>

### 2.2 Pension recipients

The figure for pension recipients does not include retirement bridging pensions or IV/Al replacement pensions. A pension recipient is listed as a member more than once if they are insured with a number of employers and/or appear in different pension categories.

#### Pension recipients

2019 with prior-year comparison, in number of insurance situations

	Retirement pensions	Retired person's child's pensions	Divorce pensions	Disability pensions	Disabled person's child's pensions	Surviving spouse/life partner's pensions	Orphan's pensions	Total pension recipients
<b>31.12.17</b>	<b>29 739</b>	<b>449</b>	<b>21</b>	<b>1 050</b>	<b>218</b>	<b>10 523</b>	<b>282</b>	<b>42 282</b>
Admissions	1 652	250	19	85	52	756	68	2 882
Departures	–1 215	–210	0	–137	–59	–786	–89	–2 496
<b>31.12.18</b>	<b>30 176</b>	<b>489</b>	<b>40</b>	<b>998</b>	<b>211</b>	<b>10 493</b>	<b>261</b>	<b>42 668</b>
Admissions	2 029	139	11	65	21	777	46	3 088
Departures	–2 208	–167	0	–95	–39	–891	–55	–3 455
<b>31.12.19</b>	<b>29 997</b>	<b>461</b>	<b>51</b>	<b>968</b>	<b>193</b>	<b>10 379</b>	<b>252</b>	<b>42 301</b>

A total of 1,752 retirement bridging pensions (prior year: 1,987) and 77 IV/Al replacement pensions (prior year: 86) were paid.





### 3 Implementation of the purpose

#### 3.1 Note on the pension schemes

PUBLICA operates separate pension schemes for each pension plan. The employer allocates the insured members to the relevant pension schemes on the basis of objective criteria set out in the pension plan regulations.

As an all-encompassing pension fund, PUBLICA undertakes to provide the statutory pension benefits as a minimum and at the same time makes provision for benefits significantly in excess of the BVG minimum. The insured salary comprises the annual salary less the coordination offset of 30% of the annual salary, but no more than CHF 24,885 (status as at 31 December 2019).

The benefits depend on the vested benefits paid in, deposits, savings and interest credits, less any early withdrawals for home ownership or divorce settlements. On taking retirement, members can choose to draw their pension fund capital as a lifetime annuity or wholly or in part as a lump sum. Persons living in a registered partnership are treated in the same way as spouses.

The level of the retirement pension is determined on the basis of the savings available at the time of retirement. At the reference age of 65 for men and 64 for women, the conversion rate is 5.09%.

For the disability pension, the current assets are projected to age 65 and converted into a pension using the conversion rate. The spouse's and partner's prospective pensions amount to 2/3 of the disability benefits or current retirement benefits; for orphan's pensions the figure is 1/6. If there is no entitlement to survivors' benefits, a lump-sum death benefit is paid. By way of alternative, some pension plans provide for the disability pension to be set as a percentage of the insured salary.

Active members have the option to top up their personal retirement assets by making voluntary savings contributions, thereby increasing their retirement pension or vested termination benefits. The risk premiums are based on a percentage of the insured salary.

#### 3.2 Financing, method of financing

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 contributions, inflows of vested benefits from previous pension plans and deposits, as well as income earned on pension plan assets. The level of employee and employer contributions and the maximum buy-ins are set out in the individual pension plan regulations.

The vast majority of PUBLICA's operations are funded by contributions to administrative expenses (cost premiums) invoiced to the employers. These are set out in service level agreements on services (SLA D).

#### 3.3 Further information on pension provision

Pursuant to Art. 3 para. 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 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.

For the purposes of Art. 36 BVG, the parity commissions and the Board of Directors have decided not to adjust pensions in line with the cost of living. Individual employers fund pension increases for their former employees.



## 4 Valuation and accounting principles, consistency

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

The financial statements are compiled in accordance with the Swiss GAAP ARR 26 accounting standards.

### 4.2 Accounting and valuation principles

#### 4.2.1 General principles

Accounts are kept in accordance with the commercial principles of the Swiss Code of Obligations. The annual financial statements include the entire collective institution consisting of the pension plans, PUBLICA Reinsurance as a separate pension plan, and PUBLICA Operations. Assets, liabilities and transactions between the individual pension plans, PUBLICA Operations and PUBLICA Reinsurance are not cancelled out but are booked as if between third parties.

#### 4.2.2 Recording point of transactions

All concluded transactions are recorded on a daily basis. Transactions are normally booked on the trade date.

#### 4.2.3 Foreign currency translation

Transactions involving foreign currencies are translated into Swiss francs and recorded using the exchange rate applying on the transaction date. Assets and liabilities held on the balance sheet date are translated at the exchange rate applying on that date. Price differences arising out of the settlement or revaluation of the foreign currency position on the balance sheet date are recorded through income.

#### 4.2.4 Offsetting of assets and liabilities

Receivables and liabilities are offset in the balance sheet to the extent that such offsetting is legally enforceable.

#### 4.2.5 Cash and cash equivalents, receivables, mortgages and liabilities, employers' contribution reserve

Cash and cash equivalents, receivables, mortgages and liabilities as well as the employers' contribution reserve are recorded at their nominal value. Allowances are created as necessary to cover expected defaults on receivables and mortgages.

#### 4.2.6 Securities and derivative financial instruments

Securities (bonds, equities, etc.) and derivative financial instruments are normally valued at market value. The market value corresponds to the price offered on a market. In exceptional cases where no market value is available, a value arrived at using a valuation model is used. If it is impossible to calculate such a value, the assets are valued and recorded in the balance sheet at cost less any necessary value adjustments. The profits and losses arising out of the valuation are recorded through income.

The replacement values of derivative financial instruments are recorded in the balance sheet item corresponding to the assets from which they are derived. Likewise, transactions used to hedge foreign currency risks are recognised in the balance sheet item affected.

Cash and cash equivalents, receivables or liabilities in connection with the administration of asset management mandates or collective investment schemes are recorded in the corresponding balance sheet item under "Investments". Within asset management mandates and collective investment schemes, cash and cash equivalents are used in particular to provide full and permanent cover for derivatives that increase the exposure, thus ensuring that there is no leverage effect on the overall portfolio. For this reason, the balance sheet items under "Investments" normally show the actual investment strategy (economic exposure).



#### 4.2.7 Private corporate and infrastructure debt

Private corporate and infrastructure debt is revalued at least quarterly and recognised at the current value. The valuation is carried out using the discounted cash flow (DCF) method, or market prices where available. Discounting is conducted using interest rates derived from comparable market data that take account of the term, liquidity, credit risk and industry sector of the borrower. If a debtor falls behind with their payments or the asset manager responsible anticipates impairments, the valuation is reviewed by PUBLICA. The impairment is based on the lower of a valuation using historical default rates for comparable borrowers and the valuation proposed by the asset manager for debtors in financial difficulties.

#### 4.2.8 Real estate investments Switzerland

Directly held real estate is revalued annually and recognised at the market value. The market value is calculated by Jones Lang LaSalle Ltd using the discounted cash flow (DCF) method. The discounting is based on the interest on long-term, risk-free investments together with a specific risk premium. The bandwidth for the nominal discount interest rate is between 2.80% and 5.10% (prior year: 3.30% and 5.10%). The average capital-weighted nominal discount interest rate across the valued portfolio is 3.65% (prior year: 3.87% on a like-for-like basis).

#### 4.2.9 Real estate investments international

Unlisted foreign real estate funds are revalued at least quarterly and recognised at market value in accordance with the most recent quarterly or monthly valuation. The valuation is carried out using the discounted cash flow (DCF) method. If market indicators indicate a material impairment since the most recent quarterly or monthly valuation, the valuation is reviewed by PUBLICA. The level of the impairment is calculated in collaboration with the fund managers.

#### 4.2.10 Deferred taxes

For the purposes of deferred taxes, property gains taxes on the directly held property portfolio are calculated using the current local tax multipliers, on the basis of the effective holding duration. Deferred taxes are reported under non-technical provisions without discounting and without loss offsetting within cantons or communes. Future capital gains taxes are taken into account; however, future transaction costs such as property transfer taxes, land register fees, notary's fees, broker's commissions and other costs are disregarded.

#### 4.2.11 Pension fund capital and technical provisions

PUBLICA's internal actuarial service calculates the pension fund capital and technical provisions using the actuarial tables and supplies the data to the Pension Actuary. The basis for the calculation of the technical provisions is the current version of the Regulations governing the Provisions and Reserves of the Federal Pension Fund PUBLICA, the Pension Plans and PUBLICA Reinsurance. The Pension Actuary reviews the pension fund capital and technical provisions annually in accordance with recognised principles.

#### 4.3 Changes to principles concerning valuation, accounting and reporting

No changes were made to the principles concerning valuation, accounting and reporting.



## 5 Actuarial risks, risk coverage, funded ratio

### 5.1 Form of risk coverage, reinsurance

PUBLICA has not taken out any external reinsurance cover for its actuarial risks. With respect to actuarial risks, the individual pension plans are either autonomously reinsured or fully reinsured with PUBLICA Reinsurance. The pension plans concerned pay a risk premium for this reinsurance and also participate in any surpluses. Both the autonomous pension plans and PUBLICA Reinsurance have created adequate provisions to cover foreseeable liabilities and counteract any actuarial fluctuations.

The internal relationship between the pension plans and PUBLICA Reinsurance is reported gross in the income statement. The balance sheet for PUBLICA Reinsurance is as follows:

#### Balance sheet – PUBLICA Reinsurance

2019 with prior-year comparison, in CHF

	31.12.2018	31.12.2019
<b>Operating assets – PUBLICA Reinsurance</b>	<b>181 181 402</b>	<b>163 508 373</b>
Liabilities and deferrals	27 059 295	10 960 358
Technical provisions	62 222 235	58 222 235
Fluctuation reserve	10 266 669	10 072 447
Working capital – Reinsurance	70 817 000	70 817 000
Uncommitted funds	10 816 204	13 436 333
<b>Liabilities and available risk capital – PUBLICA Reinsurance</b>	<b>181 181 402</b>	<b>163 508 373</b>

The operating assets comprise cash and cash equivalents from cash pooling, bond investments and any accruals/deferrals. PUBLICA Reinsurance has its own, separate, low-risk strategic asset allocation to keep its investment risks as low as possible.

To guarantee its ability to act and as risk capital for exceptional liabilities, PUBLICA Reinsurance has its own working capital. This is reported in the same way as foundation capital.

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

The balance sheet item "Pension fund capital – active members" corresponds to the total statutory vested termination benefits for active members of CHF 17.6 billion (prior year: CHF 16.4 billion). The interest rate on retirement assets was between 1.0% and 2.0% (prior year: 1.0% and 1.5%) during the year in review. The following table shows the development in pension fund capital during the period under review.



## Pension fund capital – active members

2019 with prior-year comparison, in CHF mn

	2018	2019
<b>Pension fund capital 1 January</b>	<b>16 338</b>	<b>16 365</b>
Savings contributions – employees and employers	1 220	1 341
Lump-sum payments and buy-ins – active members	88	109
Vested pension benefits received	347	365
Collective entry	0	0
Home ownership and divorce payments received	17	25
Deposits from distributions	0	560
Interest (incl. interest from other periods)	157	194
Vested benefits paid on departure	–453	–394
Early withdrawals for home ownership / divorce	–56	–69
Collective departure	0	0
Retirement pensions	–1 250	–926
Release on death	–17	–20
Release on disability leading to pension	–26	–15
Creation as a result of disability with reintegration	0	18
Accruals and deferrals (pending departures and retirement credits)	0	45
Other changes	–2	3
<b>Total pension fund capital 31 December</b>	<b>16 365</b>	<b>17 602</b>

The other changes include corrections, bookings relating to other periods and exceptional bookings.

## 5.3 Total BVG retirement assets

### Total BVG retirement assets

2019 with prior-year comparison, in CHF and percent

	Units	31.12.2018	31.12.2019
Total BVG retirement assets	CHF	5 288 635 376	5 465 677 019
BVG minimum interest rate, set by Federal Council	Percent	1.00%	1.00%

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



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

The pension fund capital for pension recipients corresponds to the net present value of current pensions including associated deferred annuities and increased by CHF 1.6 billion from the previous year's figure.

#### Pension fund capital – pension recipients

2019 with prior-year comparison, in CHF mn

	2018	2019
<b>Pension fund capital 1 January</b>	<b>18 879</b>	<b>18 961</b>
Statutory benefits	–1 856	–1 809
Lump-sum payments and buy-ins (buy-outs of pension reductions and pension buy-ins)	47	46
Retirements	1 250	926
Disability cases leading to pension	26	15
Change to technical parameters	0	2 056
Technical interest rate*	484	374
Deaths and other changes	132	–10
<b>Total pension fund capital 31 December</b>	<b>18 961</b>	<b>20 558</b>

\*Approximate calculation

Employers and employees partially finance the buy-out of pension reductions, bridging pensions and further statutory benefits under the regulations. Such lump-sum payments and buy-ins flow directly into the pension fund capital for pension recipients.



## 5.5 Composition, development and explanation of technical provisions

The technical provisions decreased by CHF 969.9 million compared with the previous year.

### Technical provisions

2019 with prior-year comparison, in CHF

Pension plans	31.12.2018	Formation	Release	31.12.2019
Provision for change to technical parameters – active members	915 139 863	130 414 643	–889 340 684	156 213 821
Provision for change to technical parameters – pension recipients	568 834 106	123 349 120	–568 834 106	123 349 120
Provision for transitional arrangements on change to technical parameters	0	321 168 726	–86 035 125	235 133 601
Provision for fluctuations in the membership of closed pension plans	58 584 066	1 551 870	0	60 135 936
Provision for outstanding claims (IBNR)	197 000 000	3 000 000	0	200 000 000
Provision for death and disability	77 000 000	0	–1 000 000	76 000 000
Provision for administrative expenses and cost-of-living adjustment	26 061 636	292	–218 682	25 843 247
Provision for administrative expenses and risk premium	175 287	100 349	–13 123	262 514
<b>Total technical provisions – pension plans</b>	<b>1 842 794 959</b>	<b>579 584 999</b>	<b>–1 545 441 720</b>	<b>876 938 238</b>
<b>Reinsurance</b>				
Provision for outstanding claims (IBNR)	20 000 000	6 295 502	–8 295 502	18 000 000
Provision for death and disability	17 000 000	0	–2 000 000	15 000 000
Provision for hardship cases – active members / pensioners	14 096 845	0	0	14 096 845
Provision for hardship cases – pension plans	11 125 390	0	0	11 125 390
<b>Total technical provisions – Reinsurance</b>	<b>62 222 235</b>	<b>6 295 502</b>	<b>–10 295 502</b>	<b>58 222 235</b>
<b>Total technical provisions</b>	<b>1 905 017 194</b>	<b>585 880 501</b>	<b>–1 555 737 222</b>	<b>935 160 473</b>

### 5.5.1 Technical provisions – pension plans

Technical provisions are capital that, together with the retirement assets of active members and the policy reserves of pension recipients, make up the liabilities on the balance sheet. They serve to meet a future benefit obligation that is not taken into account in the pension fund capital. They are measured using recognised procedures and transparent assumptions.

#### Provision for changes to technical parameters

This provision wholly or partly funds the additional capital requirement resulting from an adjustment to the technical parameters (static tables). The initial level of the provision is set as of the reference date of introduction of updated mortality tables, and it is increased by at least 0.6% annually thereafter. This covers the future trend in life expectancy that is not reflected in the technical parameters (static tables) applied. The provision can be additionally increased to wholly or partially cushion the impact on the benefits of active members and pension recipients resulting from a reduction in the conversion rate due to a change to the technical parameters.

#### Provision for transitional arrangements on change to technical parameters

This provision finances the measures taken in respect of active members who had in principle reached age 60 on 1 January 2019 when the technical parameters were adjusted. They receive a credit for the portion they draw as a pension when they take retirement.

#### Provision for fluctuations in the membership of closed pension plans

Pension plans with closed memberships are subject to fluctuation risk over the medium or long term as a result of having too few members. To cushion the impact of this risk, the provision for fluctuations in the membership of closed pension plans is increased annually until it reaches the level of the statutory benefits for one year.



#### Provision for outstanding claims (IBNR)

The risk premiums are calculated on an actuarial basis so that they finance the death and disability cases arising in the current year. In the case of disability, however, several years may pass between the occurrence of the insured event and the definitive settlement. A corresponding provision is created to enable a correct result for the period to be reported.

#### Provision for death and disability

The provision for death and disability cushions the financial impact of a one-off extraordinary claims year that is not covered by the risk premium. The calculation is based on a safety level of 99%. This provision only exists in the pension plans that cover the risks of death and disability themselves and are thus exposed to the risk of fluctuation.

#### Provision for administrative expenses and cost-of-living adjustment, administrative expenses and risk premium

Certain groups of pensioners no longer have an employer to assume their future administrative expenses.

The provision for administrative expenses and cost-of-living adjustment thus serves to fund future administrative expenses and any cost-of-living adjustments. It is allocated to specific groups of pensioners in the Pensioners only – PUBLICA Administration pension plan and used in accordance with the purpose.

The provision for administrative expenses and the risk premium serves to fund future administrative expenses and includes an allowance for the takeover of pension recipients in respect of the increasing life expectancy risk, and costs for a potential reduction in the technical interest rate.

### 5.5.2 Technical provisions – Reinsurance

#### Provision for outstanding claims (IBNR)

Like the pension plans, PUBLICA Reinsurance maintains a provision for outstanding claims. This is funded by the risk premium for the reinsured pension plans.

#### Provision for death and disability

As with the provision for outstanding claims, Reinsurance 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 of the reinsured pension plans.

#### Provision for hardship cases

The prerequisites for granting voluntary benefits from Reinsurance are set out in the PUBLICA policy document on hardship cases.

### 5.6 Results of the latest actuarial assessment

See the confirmation from the Pension Actuary as at 31 December 2019 (section 12).

### 5.7 Actuarial tables and other actuarial assumptions

The calculations are based on the BVG 2015 actuarial tables (loaded). The loading relates to the death probabilities used in the tables. The results of past profit and loss analyses have shown that, where the risk results are concerned, the mortality of pension recipients among PUBLICA members is lower than the average of BVG 2015. For this reason, death probabilities extrapolated to the year 2022 are used. PUBLICA uses static tables. The technical interest rate is 2.0% for the open pension plans and 0.5% for the closed pension plans.

### 5.8 Changes to technical parameters and assumptions

The impact of the change to the technical parameters of all pension plans as at 1 January 2019 and the additional reduction in the technical interest rate for the closed pension plans on 31 December 2019 is set out in section 9.5.





## 5.9 Funded ratio as per Art. 44 BVV2

The consolidated funded ratio as per Art. 44 BVV2 is the ratio of the assets available to cover actuarial liabilities to the required actuarial pension fund capital (pension fund capital and technical provisions).

### Funded ratio as per Art. 44 BVV2

2019 with prior-year comparison, in CHF

	31.12.2018	31.12.2019
Actuarially required pension fund capital	37 230 930 410	39 095 757 042
Fluctuation reserve	397 794 692	1 564 178 062
Uncommitted funds (+) / underfunding (-) / working capital (+)	63 067 889	48 085 879
<b>Available assets</b>	<b>37 691 792 983</b>	<b>40 708 020 983</b>
<b>Funded ratio as per Article 44 BVV2</b>	<b>101.2%</b>	<b>104.1%</b>

## 5.10 Economic funded ratio

In order to permit an effective assessment of the Fund's situation, it is sensible to value the pension liabilities in a market-consistent manner and to calculate an economic funded ratio in addition to the actuarial funded ratio. When calculating the economic funded ratio, liabilities are valued using the current BVG actuarial tables, taking account of the yield curve of Confederation bonds and generational tables. In addition to the obligations to pension recipients, the potential obligations to active members who have already reached the earliest possible statutory retirement age are also taken into account. This potential obligation arises out of the current regulatory provisions on drawing a retirement pension before reaching the ordinary AHV age limit of 64 for women and 65 for men.

The corresponding calculations produced an economic funded ratio of 86.1% (prior year: 83.3%).

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

### 6.1 Organisation of investment activity, investment advisors and managers, Investment Guidelines, custodians

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.

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 on an "enhanced passive" or semi-active basis, allowing for active elements subject to relatively tight tracking error requirements in order to avoid the disadvantages of fully replicating capitalisation-weighted bond indices. Illiquid asset classes such as Swiss and international real estate or private corporate, infrastructure and real estate debt are actively managed, endeavouring to replicate comparable indices as far as possible.

In the interest of business continuity planning, an optional mandate agreement was concluded with Pictet Asset Management in 2011. If PUBLICA Asset Management suddenly finds itself unable to manage the internally managed mandates itself, Pictet has undertaken to take over those mandates within 48 hours. Pictet Asset Management will then 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 2019:



## Asset management

2019

Mandate	Asset manager	Licensing authority	Benchmark	Investment style	Retrocessions	
					Date of regulation	Received
Swiss government bonds	Swiss Federal Pension Fund PUBLICA	Bernische BVG- und Stiftungsaufsicht (CH) <sup>1</sup>	SBI Domestic Swiss Government	Semi-active	–	prohibited
Non-government bonds CHF	Swiss Federal Pension Fund PUBLICA	Bernische BVG- und Stiftungsaufsicht (CH) <sup>1</sup>	SBI AAA-A foreign borrowers (40%) and domestic borrowers (60%)	Semi-active	–	prohibited
Non-government bonds CHF	Pictet et Cie	Swiss Financial Market Supervisory Authority FINMA <sup>2</sup>	SBI AAA-A foreign borrowers (40%) and domestic borrowers (60%)	Semi-active	08.12.11	prohibited
Government bonds EUR	Swiss Federal Pension Fund PUBLICA	Bernische BVG- und Stiftungsaufsicht (CH) <sup>1</sup>	JPM GBI Germany (50%), France (33%) and Netherlands (17%)	Enhanced passive	–	prohibited
Government bonds USD	Swiss Federal Pension Fund PUBLICA	Bernische BVG- und Stiftungsaufsicht (CH) <sup>1</sup>	JPM GBI USA	Enhanced passive	–	prohibited
Government bonds GBP	Swiss Federal Pension Fund PUBLICA	Bernische BVG- und Stiftungsaufsicht (CH) <sup>1</sup>	JPM GBI UK	Enhanced passive	–	prohibited
Government bonds CAD	Swiss Federal Pension Fund PUBLICA	Bernische BVG- und Stiftungsaufsicht (CH) <sup>1</sup>	JPM GBI Canada	Enhanced passive	–	prohibited
Government bonds AUD	Swiss Federal Pension Fund PUBLICA	Bernische BVG- und Stiftungsaufsicht (CH) <sup>1</sup>	JPM GBI Australia	Enhanced passive	–	prohibited
Government bonds SEK	Swiss Federal Pension Fund PUBLICA	Bernische BVG- und Stiftungsaufsicht (CH) <sup>1</sup>	JPM GBI Sweden	Enhanced passive	–	prohibited
Inflation-linked government bonds EUR	Swiss Federal Pension Fund PUBLICA	Bernische BVG- und Stiftungsaufsicht (CH) <sup>1</sup>	80% Barclays Euro Government EMU HICP-Linked Bond Index 1–10 Years 20% Barclays Euro Government EMU HICP-Linked Bond Index > 10 Years	Enhanced passive	–	prohibited
Inflation-linked government bonds USD	Swiss Federal Pension Fund PUBLICA	Bernische BVG- und Stiftungsaufsicht (CH) <sup>1</sup>	80% Barclays US Government Inflation-Linked Bond Index 1–10 Years 20% Barclays US Government Inflation-Linked Bond Index > 10 Years	Enhanced passive	–	prohibited
Currency hedging Inflation-linked government bonds	Russell Implementation Services Ltd	Financial Conduct Authority (UK) <sup>4</sup>	Difference in relevant portfolio benchmark hedged vs. unhedged	Enhanced passive	22.05.14	prohibited
Public corporate bonds EUR <sup>7</sup>	Union Investment Institutional GmbH	Federal Financial Supervisory Authority (DE) <sup>4</sup>	Barclays EUR Corporate	Enhanced passive	20.06.11	prohibited
Public corporate bonds EUR <sup>7</sup>	Aberdeen Standard Investments Limited	Financial Conduct Authority (UK) <sup>4</sup>	Barclays EUR Corporate ex Financials	Enhanced passive	25.08.11	prohibited
Public corporate bonds USD <sup>7</sup>	PIMCO Europe Ltd	Financial Conduct Authority (UK) <sup>4</sup>	Barclays USD Corporate Intermediate	Enhanced passive	04.05.11	prohibited
Public corporate bonds USD <sup>7</sup>	BlackRock Institutional Trust Company	Office of the Comptroller of the Currency (US) <sup>4</sup>	Barclays USD Corporate Intermediate ex Financials	Enhanced passive	04.05.11	prohibited
Government bonds emerging markets hard currencies <sup>7</sup>	UBS AG	Swiss Financial Market Supervisory Authority FINMA <sup>3</sup>	JPM EMBIG Diversified Investment Grade (USD)	Enhanced passive	26.02.16	prohibited
Private corporate debt	MetLife Investment Management Limited	Financial Conduct Authority (UK) <sup>4</sup>	Barclays Global Agg Corp Composite Custom	Direct investments	29.09.15	prohibited
Private corporate debt	Pricoa Capital Group Limited	Financial Conduct Authority (UK) <sup>4</sup>	Barclays Global Agg Corp Composite Custom	Direct investments	29.09.15	prohibited
Private infrastructure debt	MetLife Investment Management Limited	Financial Conduct Authority (UK) <sup>4</sup>	Barclays Global Agg Corp Composite Custom	Direct investments	29.09.15	prohibited
Private infrastructure debt	Hastings Funds Management (UK) Limited	Financial Conduct Authority (UK) <sup>4</sup>	Barclays Global Agg Corp Composite Custom	Direct investments	02.09.15	prohibited
Currency hedging corporate bonds foreign currency	Record Currency Management Limited	Financial Conduct Authority (UK) <sup>4</sup>	Difference in relevant portfolio benchmark hedged vs. unhedged	Enhanced passive	22.10.08	prohibited
Government bonds emerging markets local currencies	Ashmore Investment Management Limited	Financial Conduct Authority (UK) <sup>4</sup>	JPM GBI-EM Global Diversified	Active	21.02.13	prohibited
Government bonds emerging markets local currencies	Investec Asset Management	Financial Conduct Authority (UK) <sup>4</sup>	JPM GBI-EM Global Diversified	Active	21.02.13	prohibited
Government bonds emerging markets China	Manulife Investment Management	Financial Conduct Authority (UK) <sup>4</sup>	JPM GBI-EM China Unhedged LOC	Enhanced passive	18.03.19	prohibited
Government bonds emerging markets China	UBS Asset Management	Swiss Financial Market Supervisory Authority FINMA <sup>2</sup>	JPM GBI-EM China Unhedged LOC	Enhanced passive	18.03.19	prohibited
Mortgages Switzerland	Swiss Federal Pension Fund PUBLICA	Bernische BVG- und Stiftungsaufsicht (CH) <sup>1</sup>	Based on lower interest-rate band BEKB variable mortgages	Direct investments	–	prohibited
Equities Switzerland	Credit Suisse AG	Swiss Financial Market Supervisory Authority FINMA <sup>2</sup>	MSCI (gross) Switzerland <sup>5</sup>	Indexed	01.12.08	prohibited
Equities Switzerland	Pictet Asset Management SA	Swiss Financial Market Supervisory Authority FINMA <sup>2</sup>	MSCI (gross) Switzerland <sup>5</sup>	Indexed	02.12.08	prohibited

## Asset management

2019

Mandate	Asset manager	Licensing authority	Benchmark	Investment style	Retrocessions	
					Date of regulation	Received
Equities developed markets ex Switzerland <sup>7</sup>	Credit Suisse Funds AG	Swiss Financial Market Supervisory Authority FINMA <sup>3</sup>	MSCI (gross) Europe ex Switzerland (25%) <sup>4</sup> , North America (50%) <sup>4</sup> , Japan (10%) <sup>4</sup> and Pacific ex Japan (15%) <sup>5</sup>	Indexed	09.11.05	prohibited
Equities developed markets ex Switzerland <sup>7</sup>	BlackRock Advisors (UK) Limited	Financial Conduct Authority (UK) <sup>4</sup>	MSCI (gross) Europe ex Switzerland (25%) <sup>4</sup> , North America (50%) <sup>4</sup> , Japan (10%) <sup>4</sup> and Pacific ex Japan (15%) <sup>5</sup>	Indexed	27.06.05	prohibited
Currency hedging equities developed markets ex Switzerland	Russell Implementation Services Ltd	Financial Conduct Authority (UK) <sup>4</sup>	Difference in relevant portfolio benchmark hedged vs. unhedged	Enhanced passive	28.10.08	prohibited
Equities emerging markets <sup>7</sup>	Pictet Asset Management SA	Swiss Financial Market Supervisory Authority FINMA <sup>3</sup>	MSCI (net) Emerging Markets <sup>4</sup>	Indexed	19.08.10	prohibited
Equities emerging markets <sup>7</sup>	Vanguard Asset Management Ltd	Financial Conduct Authority (UK) <sup>4</sup>	MSCI (net) Emerging Markets <sup>4</sup>	Indexed	19.08.10	prohibited
Precious metals	Swiss Federal Pension Fund PUBLICA	Bernische BVG- und Stiftungsaufsicht (CH) <sup>1</sup>	S&P GSCI TR Precious Metals	Enhanced passive	02.11.09	prohibited
Precious metals	Swiss Federal Pension Fund PUBLICA	Bernische BVG- und Stiftungsaufsicht (CH) <sup>1</sup>	London Gold Price PM Auction USD	Direct investments	20.05.15	prohibited
Real estate investments Switzerland	Swiss Federal Pension Fund PUBLICA	Bernische BVG- und Stiftungsaufsicht (CH) <sup>1</sup>	KGAST Immo Index	Direct investments	—	prohibited
Real estate investments Switzerland	LIVIT AG	n/a	n/a	Direct investments	23.11.11	prohibited
Real estate investments Switzerland	Von Graffenried AG Liegenschaften	n/a	n/a	Direct investments	27.06.16	prohibited
Real estate investments Switzerland	Privera AG	n/a	n/a	Direct investments	27.06.16	prohibited
Real estate investments Switzerland	Apleona GVA AG	n/a	n/a	Direct investments	01.07.14	prohibited
Real estate investments international Pan-Asia	M&G Real Estate Asia Pte. Ltd.	Commission de Surveillance du Secteur Financier (CSSF)	ANREV Pan Asia Open End Diversified Core Fund Index (ODCI)	Real estate funds	10.05.16	prohibited
Real estate investments international Australia	Dexus Wholesale Property Limited	Australian Securities and Investments Commission (ASIC)	ANREV Australia Core Open End Fund Monthly Index	Real estate funds	07.06.18	prohibited
Real estate investments international Australia	AMP Capital Funds Management Limited	Australian Securities and Investments Commission (ASIC)	ANREV Australia Core Open End Fund Monthly Index	Real estate funds	01.11.15	prohibited
Real estate investments international Australia	GPT Management Holdings Limited	Australian Securities and Investments Commission (ASIC)	ANREV Australia Core Open End Fund Monthly Index	Real estate funds	29.11.17	prohibited
Real estate investments international USA	LaSalle Investment Management, Inc.	U.S. Securities and Exchange Commission (SEC)	NCREIF NFI-ODCE	Real estate funds	01.03.16	prohibited
Real estate investments international USA	PGIM Inc.	U.S. Securities and Exchange Commission (SEC)	NCREIF NFI-ODCE	Real estate funds	19.09.17	prohibited
Real estate investments international USA	RREEF America L.L.C.	U.S. Securities and Exchange Commission (SEC)	NCREIF NFI-ODCE	Real estate funds	19.06.17	prohibited

<sup>1</sup> Art. 48f para. 4 let. a. BVV2 registered pension plans under Article 48 BVG

<sup>2</sup> Art. 48f para. 4 let. d. BVV2 banks under the Banking Act

<sup>3</sup> Art. 48f para. 4 let. f. BVV2 fund management companies

<sup>4</sup> Art. 48f para. 4 let. h. BVV2 financial intermediaries operating outside Switzerland that are subject to supervision by a foreign supervisory authority

<sup>5</sup> 100% MSCI Switzerland IMI capital-weighted index

<sup>6</sup> Each 50% MSCI capital-weighted, 16.6% MSCI Minimum Volatility, 16.6% MSCI Small Caps and 16.6% MSCI fundamental-weighted indices

<sup>7</sup> Mandate in single-investor fund

PUBLICA strives to achieve low costs and fair, transparent agreements in the individual asset classes at all times. In connection with securities and real estate, the arrangements entered into with PUBLICA's partners prohibit the acceptance or retention of compensation in excess of the contractually agreed mandate fee, in particular retrocessions or similar pecuniary advantages.

PUBLICA's securities are held with the following custodian bank:

**Global Custodian**  
(custodian bank for  
securities and consolidation  
of all assets)

J.P. Morgan (Switzerland) Ltd  
Dreikönigstrasse 21  
8002 Zurich

jpmorgan.com



## 6.2 Extensions to the range of permitted investments (Art. 50 BVV2)

The private corporate debt, private infrastructure debt and private real estate debt alternative asset classes are implemented via diversified mandates and do not constitute collective investments within the meaning of Art. 53 para. 4 BVV2, so that the extension provided for in Art. 50 para. 4 BVV2 is utilised. A specialised investment team is responsible for the diligent selection, management and monitoring of these alternative asset classes. Reliable achievement of the pension objectives is ensured by regularly conducted asset and liability studies. Direct investments are permitted as set out in Art. 25 of the PUBLICA Investment Guidelines and appropriate risk diversification within the asset classes is ensured.

## 6.3 Target size and calculation of the fluctuation reserve

Owing to the positive operating result, fluctuation reserves were created.

### Target size and calculation of the fluctuation reserve

2019 with prior-year comparison, in CHF

	2018	2019
<b>Fluctuation reserve 01.01</b>	<b>2 526 555 338</b>	<b>397 794 692</b>
Change in fluctuation reserve debited (+) / credited (–) to income statement	–2 128 760 646	1 166 383 370
<b>Total fluctuation reserve 31.12</b>	<b>397 794 692</b>	<b>1 564 178 062</b>
Fluctuation reserve deficit 31.12	9 795 583 695	9 374 030 395
<b>Target fluctuation reserve</b>	<b>10 193 378 387</b>	<b>10 938 208 457</b>
Fluctuation reserve in % of target size	3.9%	14.3%
Target size of fluctuation reserve in % of pension fund capital and technical provisions	27.4%	28.0%

In accordance with the Regulations governing the Provisions and Reserves of the Federal Pension Fund PUBLICA, the Pension Plans and PUBLICA Reinsurance, the fluctuation reserve takes account of two different elements: the fluctuation risk on investments and the fluctuation risk on pension liabilities.

The component of the target fluctuation reserve set aside for investments ensures that investment risks can be borne. It is necessary to take on investment risks in order to achieve the target returns. The percentage specified depends on the risk/return characteristics of the strategic asset allocation, the safety level sought and the investment horizon. The target size has been fixed, on the basis of a safety level of 97.5% and an investment horizon of one year, at 17.3% (prior year: 16.4%) of the sum of the pension fund capital and the technical provisions.

The component of the target fluctuation reserve set aside to cover pension liabilities serves to absorb potentially higher liabilities. The target size of this reserve is 50% of the difference between the pension fund capital calculated using the technical interest rate and that calculated using the risk-free interest rate. Of the target size of 28.0% (prior year: 27.4%), 10.7% (prior year: 11.0%) is attributable to this component.

## 6.4 Assets by asset class

Responsibility for implementing the strategic asset allocation lies with PUBLICA Asset Management. Asset Management also takes tactical decisions to deviate temporarily from the weightings set out in the strategic asset allocation in order to generate added value relative to the defined allocation. Where individual asset classes are increased or reduced over a number of years, a pro rata allocation is calculated to ensure that transactions are diversified as well as possible over time with regard to opportunity and transaction costs.

Of the total CHF 40.6 billion of investments (excluding cash and cash equivalents and receivables and taking account of deferred taxes), CHF 37.3 billion are invested in the strategic asset allocation for the open pension plans and CHF 3.2 billion in the allocation for the closed pension plans. The remaining investments of CHF 0.1 billion have been invested in accordance with the lower-risk strategic asset allocation of PUBLICA Reinsurance. The composition of the investments in the individual asset classes is set out in detail in the balance sheet.



## Strategic asset allocation – open pension plans

2019, in percent

Asset class	Allocation at 31.12.2019	Pro-rata strategy	Long-term strategy	Tactical bandwidths as a % of strategy weighting	
				Minimum	Maximum
<b>Money market</b>	<b>2.7%</b>	<b>3.0%</b>	<b>3.0%</b>	<b>0%</b>	<b>200%</b>
<b>Swiss government bonds</b>	<b>5.6%</b>	<b>6.0%</b>	<b>6.0%</b>	<b>80%</b>	<b>120%</b>
<b>Non-government bonds CHF</b>	<b>10.3%</b>	<b>10.3%</b>	<b>8.0%</b>	<b>80%</b>	<b>120%</b>
Government bonds EUR currency hedged	3.3%	4.0%	2.5%	50%	150%
Government bonds USD currency hedged	2.3%	2.4%	1.5%	50%	150%
Government bonds GBP currency hedged	1.5%	1.6%	1.0%	0%	200%
Government bonds CAD currency hedged	1.5%	1.6%	1.0%	0%	200%
Government bonds AUD currency hedged	1.5%	1.6%	1.0%	0%	200%
Government bonds SEK currency hedged	1.2%	1.4%	1.0%	0%	200%
<b>Government bonds developed markets ex Switzerland</b>	<b>11.2%</b>	<b>12.6%</b>	<b>8.0%</b>	<b>80%</b>	<b>120%</b>
Inflation-linked government bonds EUR currency hedged	1.4%	1.5%	1.5%	50%	150%
Inflation-linked government bonds USD currency hedged	4.7%	4.5%	4.5%	50%	150%
<b>Inflation-linked government bonds</b>	<b>6.2%</b>	<b>6.0%</b>	<b>6.0%</b>	<b>80%</b>	<b>120%</b>
Public corporate bonds EUR currency hedged	5.3%	5.5%	4.5%	50%	150%
Public corporate bonds USD currency hedged	5.3%	5.5%	4.5%	50%	150%
<b>Public corporate bonds ex CHF</b>	<b>10.6%</b>	<b>11.1%</b>	<b>9.0%</b>	<b>80%</b>	<b>120%</b>
<b>Private corporate debt</b>	<b>3.0%</b>	<b>3.0%</b>	<b>3.5%</b>	<b>50%</b>	<b>150%</b>
<b>Private infrastructure debt</b>	<b>2.6%</b>	<b>2.5%</b>	<b>3.5%</b>	<b>50%</b>	<b>150%</b>
<b>Private real estate debt</b>	<b>0.3%</b>	<b>0.3%</b>	<b>3.0%</b>	<b>50%</b>	<b>150%</b>
<b>Government bonds emerging markets hard currencies</b>	<b>3.2%</b>	<b>3.0%</b>	<b>3.0%</b>	<b>80%</b>	<b>120%</b>
<b>Government bonds emerging markets local currencies</b>	<b>5.5%</b>	<b>5.0%</b>	<b>5.0%</b>	<b>80%</b>	<b>120%</b>
<b>Equities Switzerland</b>	<b>3.1%</b>	<b>3.0%</b>	<b>3.0%</b>	<b>50%</b>	<b>150%</b>
Equities Europe partially currency hedged	4.1%	4.0%	4.0%	50%	150%
Equities North America partially currency hedged	8.4%	8.0%	8.0%	50%	150%
Equities Pacific partially currency hedged	4.0%	4.0%	4.0%	50%	150%
<b>Equities developed markets ex Switzerland</b>	<b>16.6%</b>	<b>16.0%</b>	<b>16.0%</b>	<b>50%</b>	<b>150%</b>
<b>Equities emerging markets</b>	<b>8.3%</b>	<b>8.0%</b>	<b>8.0%</b>	<b>50%</b>	<b>150%</b>
<b>Precious metals partially currency hedged</b>	<b>2.1%</b>	<b>2.0%</b>	<b>2.0%</b>	<b>80%</b>	<b>120%</b>
<b>Real estate investments Switzerland direct</b>	<b>5.9%</b>	<b>5.8%</b>	<b>7.0%</b>	<b>80%</b>	<b>120%</b>
<b>Real estate investments international indirect</b>	<b>2.8%</b>	<b>2.5%</b>	<b>6.0%</b>	<b>80%</b>	<b>120%</b>
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>		
Total not currency hedged	18.5%	17.5%	17.5%		
Total currency hedged	81.5%	82.5%	82.5%		
<b>Total in CHF mn</b>	<b>37 333</b>				

In the strategic asset allocation for the open pension plans, the proportion of international real estate investments and private corporate and infrastructure debt was further increased over the year. The proportion of government and corporate bonds from developed markets was reduced in 2019.

In the case of equity and bond investments from developed markets other than Switzerland, currency risks are 80% hedged (equities) and 100% hedged (bonds) respectively, using currency forwards. For economic reasons, currencies of emerging nations are not hedged. Derivative financial instruments are reported under the associated asset classes.



## Strategic asset allocation – closed pension plans

2019, in percent

Asset class	Allocation at 31.12.2019	Pro-rata strategy	Long-term strategy	Tactical bandwidths as a % of strategy weighting	
				Minimum	Maximum
<b>Money market</b>	<b>3.4%</b>	<b>3.0%</b>	<b>3.0%</b>	<b>0%</b>	<b>200%</b>
<b>Swiss government bonds</b>	<b>21.4%</b>	<b>22.7%</b>	<b>20.0%</b>	<b>80%</b>	<b>120%</b>
<b>Non-government bonds CHF</b>	<b>11.2%</b>	<b>11.0%</b>	<b>11.0%</b>	<b>80%</b>	<b>120%</b>
Government bonds EUR currency hedged	1.9%	2.2%	2.2%	50%	150%
Government bonds USD currency hedged	1.3%	1.3%	1.3%	50%	150%
Government bonds GBP currency hedged	0.8%	0.9%	0.9%	0%	200%
Government bonds CAD currency hedged	0.9%	0.9%	0.9%	0%	200%
Government bonds AUD currency hedged	0.8%	0.9%	0.9%	0%	200%
Government bonds SEK currency hedged	0.7%	0.8%	0.8%	0%	200%
<b>Government bonds developed markets ex Switzerland</b>	<b>6.4%</b>	<b>7.0%</b>	<b>7.0%</b>	<b>80%</b>	<b>120%</b>
Inflation-linked government bonds EUR currency hedged	1.2%	1.3%	1.3%	50%	150%
Inflation-linked government bonds USD currency hedged	3.8%	3.8%	3.8%	50%	150%
<b>Inflation-linked government bonds</b>	<b>5.0%</b>	<b>5.0%</b>	<b>5.0%</b>	<b>80%</b>	<b>120%</b>
Public corporate bonds EUR currency hedged	6.6%	6.5%	6.5%	50%	150%
Public corporate bonds USD currency hedged	6.5%	6.5%	6.5%	50%	150%
<b>Public corporate bonds ex CHF</b>	<b>13.1%</b>	<b>13.0%</b>	<b>13.0%</b>	<b>80%</b>	<b>120%</b>
<b>Private real estate debt</b>	<b>0.3%</b>	<b>0.3%</b>	<b>3.0%</b>	<b>80%</b>	<b>120%</b>
<b>Government bonds emerging markets hard currencies</b>	<b>5.2%</b>	<b>5.0%</b>	<b>5.0%</b>	<b>80%</b>	<b>120%</b>
<b>Equities Switzerland</b>	<b>3.1%</b>	<b>3.0%</b>	<b>3.0%</b>	<b>50%</b>	<b>150%</b>
Equities Europe partially currency hedged	1.8%	1.8%	1.8%	50%	150%
Equities North America partially currency hedged	3.6%	3.5%	3.5%	50%	150%
Equities Pacific partially currency hedged	1.7%	1.8%	1.8%	50%	150%
<b>Equities developed markets ex Switzerland</b>	<b>7.1%</b>	<b>7.0%</b>	<b>7.0%</b>	<b>50%</b>	<b>150%</b>
<b>Precious metals partially currency hedged</b>	<b>3.1%</b>	<b>3.0%</b>	<b>3.0%</b>	<b>80%</b>	<b>120%</b>
<b>Real estate investments Switzerland direct</b>	<b>20.8%</b>	<b>20.0%</b>	<b>20.0%</b>	<b>80%</b>	<b>120%</b>
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>		
Total not currency hedged	3.5%	3.4%	3.4%		
Total currency hedged	96.5%	96.6%	96.6%		
<b>Total in CHF mn</b>	<b>3 200</b>				

The investments are broadly diversified within the individual asset classes. For example, the private corporate debt held directly by the open pension plans contains over 200 investments, and private infrastructure debt over 50. These are distributed across various countries, currencies, sectors and terms to maturity.

The international real estate investments held by the open pension plans are invested in a number of diversified, unlisted real estate funds in the US, Australia and Asia-Pacific.

The Swiss real estate portfolio held directly by PUBLICA comprises 73 properties (prior year: 68) and one property under construction. The portfolio is made up of 62% residential properties, 22% commercial properties and 16% mixed residential and commercial properties (based on the market value as at 31 December 2019).



## 6.5 Current (open) derivative financial instruments

As at 31 December 2019, the following derivative positions are open:

### Current (open) derivative financial instruments and collateral

2019 with prior-year comparison, in CHF

31.12.2019	Net replacement value	Underlying equivalent exposure-increasing derivatives in mn	Underlying equivalent exposure-reducing derivatives in mn	Collateral received	Collateral pledged
Interest-rate swaps	14 604 921	75	0	14 912 919	0
Precious metal swaps	5 465 757	154	0	0	0
Currency forwards	155 267 786	210	-20 587	57 020 833	0
Equity futures	514 832	91	0	0	0
Bond futures	-812 590	196	-68	0	0

31.12.2018	Net replacement value	Underlying equivalent exposure-increasing derivatives in mn	Underlying equivalent exposure-reducing derivatives in mn	Collateral received	Collateral pledged
Interest-rate swaps	14 517 786	75	0	14 492 919	0
Precious metal swaps	12 208 634	246	0	0	0
Currency forwards	38 393 180	304	-18 941	57 264 718	50 985 274
Equity futures	-2 422 869	127	0	0	0
Bond futures	2 949 226	244	-11	0	0

Interest-rate swaps are used to control interest-rate risks. Around one third of the investments in precious metals are replicated via a corresponding swap transaction. Currency forwards are used for strategic hedging of currency risks and thus reduce the currency risk to which the portfolio as a whole is exposed. Portfolio dividends that have been approved but not yet paid out are reinvested via equity index futures to minimise the portfolio's deviation from the benchmark.

PUBLICA employs a prime brokerage set-up to ensure the efficient management of counterparty risks in its currency hedging programmes. As at end-2019, HSBC and Deutsche Bank are the two FX prime brokers. The currency managers act on a competitive basis with a wide range of banks. They pass the transactions to one of PUBLICA's two FX prime brokers, which then settles all currency forward transactions as central counterparty in return for a fee. The only counterparty risk is therefore in respect of the two FX prime brokers. This is covered by collateral in the form of government bonds that are exchanged daily in order to keep the counterparty risk low.

To hedge the counterparty risks involved in interest-rate swaps, these too are covered by collateral.

The legally required collateral for all exposure-increasing derivatives in the form of cash and cash equivalents is continually monitored to ensure there is no leverage effect on the overall portfolio. Exposure-reducing derivatives are hedged with the corresponding underlyings.



## 6.6 Open capital commitments

The following capital commitments are open as at 31 December 2019:

### Open capital commitments by asset class

2019 with prior-year comparison, in CHF

Asset class	2018	2019
Private corporate debt	103 351 694	69 627 902
Private infrastructure debt	20 653 377	74 788 500
Real estate investments international	239 090 570	253 547 154
<b>Total open capital commitments</b>	<b>363 095 641</b>	<b>397 963 556</b>

The open capital commitments result from time delays between the approval of the investment and the capital draw-down in the case of unlisted foreign real estate funds and private corporate and infrastructure debt.

## 6.7 Securities lending

PUBLICA has concluded a securities lending agreement for foreign securities with J.P. Morgan, under which J.P. Morgan acts as an agent. The borrowers are first-class counterparties that are carefully selected and constantly monitored. PUBLICA accepts only government bonds with a high credit rating as collateral. As at 31 December 2019 securities valued at CHF 1,419.2 million were on loan (compared with CHF 1,414.1 million as at 31 December 2018).

The securities lending transactions are in accordance with the investment regulations applicable to pension funds, which refer to the corresponding rules for Swiss collective investment schemes (Art. 55 CISA, Art. 76 CISO, CISO-FINMA).

## 6.8 Net investment income

The composition of the net income from the individual asset classes is set out in detail in the income statement.





## 6.9 Performance

Performance measurement seeks to report, as factually and in as much detail as possible, the influence of market trends and 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 and total asset management expenses are taken into account (total return). Inflows and outflows of funds similarly influence the 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.

### Net performance

2019 in CHF and percent, after deduction of all asset management expenses

	Portfolio performance	Benchmark performance	Difference	Investments <sup>1</sup> CHF mn
<b>Money market</b>	<b>-0.56%</b>	<b>-0.86%</b>	<b>0.30%</b>	<b>1 085</b>
<b>Swiss government bonds</b>	<b>2.03%</b>	<b>2.21%</b>	<b>-0.18%</b>	<b>2 781</b>
<b>Non-government bonds CHF</b>	<b>2.36%</b>	<b>2.46%</b>	<b>-0.10%</b>	<b>4 317</b>
Government bonds EUR	1.32%	1.27%	0.05%	1 310
Government bonds USD	3.34%	3.58%	-0.24%	881
Government bonds GBP	4.79%	5.23%	-0.44%	595
Government bonds CAD	1.03%	1.11%	-0.08%	578
Government bonds AUD	4.96%	5.47%	-0.51%	584
Government bonds SEK	1.60%	1.79%	-0.19%	453
<b>Government bonds developed markets ex Switzerland</b>	<b>2.65%</b>	<b>2.80%</b>	<b>-0.15%</b>	<b>4 401</b>
<b>Inflation-linked government bonds</b>	<b>4.40%</b>	<b>4.49%</b>	<b>-0.09%</b>	<b>2 460</b>
Public corporate bonds EUR	6.21%	5.83%	0.38%	2 201
Public corporate bonds USD	6.20%	6.42%	-0.22%	2 192
<b>Public corporate bonds ex CHF</b>	<b>6.21%</b>	<b>6.12%</b>	<b>0.09%</b>	<b>4 393</b>
<b>Private corporate debt</b>	<b>9.52%</b>	<b>8.68%</b>	<b>0.84%</b>	<b>1 127</b>
<b>Private infrastructure debt</b>	<b>9.86%</b>	<b>10.53%</b>	<b>-0.67%</b>	<b>961</b>
<b>Private real estate debt</b>	<b>1.55%</b>	<b>-0.25%</b>	<b>1.80%</b>	<b>122</b>
<b>Government bonds emerging markets hard currencies</b>	<b>12.68%</b>	<b>12.74%</b>	<b>-0.06%</b>	<b>1 367</b>
<b>Government bonds emerging markets local currencies</b>	<b>8.43%</b>	<b>9.38%</b>	<b>-0.95%</b>	<b>2 053</b>
<b>Equities Switzerland</b>	<b>31.49%</b>	<b>31.43%</b>	<b>0.06%</b>	<b>1 262</b>
<b>Equities developed markets ex CH</b>	<b>22.15%</b>	<b>22.36%</b>	<b>-0.21%</b>	<b>6 411</b>
<b>Equities emerging markets</b>	<b>13.30%</b>	<b>13.14%</b>	<b>0.16%</b>	<b>3 081</b>
<b>Precious metals</b>	<b>15.70%</b>	<b>15.35%</b>	<b>0.35%</b>	<b>884</b>
<b>Real estate investments Switzerland<sup>2</sup></b>	<b>6.61%</b>	<b>5.04%</b>	<b>1.57%</b>	<b>2 874</b>
<b>Real estate investments international</b>	<b>1.75%</b>	<b>1.70%</b>	<b>0.05%</b>	<b>1 058</b>
<b>Total</b>	<b>8.98%</b>	<b>8.92%</b>	<b>0.06%</b>	<b>40 638</b>
Total without currency hedging	9.18%	9.02%	0.16%	40 484
Open pension plans	9.21%	9.17%	0.04%	37 333
Closed pension plans	6.84%	6.46%	0.38%	3 200
Reinsurance	2.35%	2.46%	-0.11%	105

<sup>1</sup> Excluding cash & cash equivalents and receivables

<sup>2</sup> Including deferred taxes



### 6.10 Asset management expenses

With a cost transparency level of 100%, total asset management expenses stand at 20.2 basis points (prior year: 19.1 basis points). Asset management expenses are made up of the main items listed in the following table:

#### Asset management expenses

2019 with prior-year comparison, in CHF

	2018	2019
External asset managers – securities	–24 296 157	–31 934 634
External asset managers – real estate	–6 025 964	–5 825 826
External asset managers – mortgages	–157 128	–152 321
Internal asset managers – securities	–5 991 013	–6 435 709
Internal asset managers – real estate	–2 246 167	–2 492 645
<b>Asset manager expenses</b>	<b>–38 716 429</b>	<b>–46 841 135</b>
Custody fees and management	–6 545 593	–4 424 359
<b>Custodian expenses</b>	<b>–6 545 593</b>	<b>–4 424 359</b>
<b>TER expenses (TER costs)</b>	<b>–45 262 022</b>	<b>–51 265 493</b>
Stamp tax	–4 130 579	–7 533 416
Withholding tax (not reclaimable)	–17 642 859	–13 989 266
<b>Taxes</b>	<b>–21 773 439</b>	<b>–21 522 682</b>
Trading fees, commissions, other costs	–6 750 672	–6 169 223
<b>Transaction expenses</b>	<b>–6 750 672</b>	<b>–6 169 223</b>
<b>Transaction expenses and taxes (TTC costs)</b>	<b>–28 524 110</b>	<b>–27 691 904</b>
Investment Controller	–178 680	–178 782
Other consultancy (legal, tax, ALM, etc.)	–368 388	–520 346
<b>Other expenses (SC costs)</b>	<b>–547 068</b>	<b>–699 128</b>
<b>Total asset management expenses</b>	<b>–74 333 201</b>	<b>–79 656 526</b>
Average cost-transparent capital investments	38 881 432 100	39 489 997 580
TER expenses (TER costs) in basis points	11.6	13.0
Transaction expenses and taxes in basis points	7.3	7.0
Other expenses in basis points	0.1	0.2
<b>Asset management expenses in basis points</b>	<b>19.1</b>	<b>20.2</b>
Total of all key cost figures reported in the income statement in CHF for collective investment schemes	0	0
<b>Cost transparency level</b>	<b>100%</b>	<b>100%</b>

External asset manager expenses for real estate include the cost of property valuation and management. Internal asset manager expenses comprise both personnel expenses (including social benefits) and, in particular, all expenses related to securities accounting and a portion of the infrastructure costs of PUBLICA Operations.

In addition to custodian fees and administrative costs, custodian expenses include expenditure on collateralisation processes, in particular collateral management and periodic reporting.

Asset management expenses include professional advice from the Investment Controller, ALM studies and further consultancy services in connection with asset management.



PUBLICA books collective investment schemes such as single-investor funds in a fully cost-transparent manner, and takes full account of the associated transaction and tax expenses. When comparing with pension funds that have invested in collective investment schemes and calculate asset management expenses solely on the basis of the TER in their income statements, reduced asset management expenses on a TER basis of 13.0 basis points (prior year: 11.6 basis points) should be applied.

Asset management expenses do not include the custodian fees in connection with securities lending amounting to CHF 1.1 million (prior year: CHF 1.1 million), which are offset directly against income. Transaction expenses in relation to foreign currency transactions, chiefly in currencies that are not freely tradable, are likewise not included. They are included by the custodian in the spread and amount to CHF 0.3 million (prior year: CHF 0.4 million).

Total asset management expenses are taken into account when calculating the performance

#### 6.11 Note on investments with the employer and the employers' contribution reserve

Owing to the special legal requirements governing PUBLICA, the restrictions set out in Art. 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.

Allocations to the employers' contribution reserve take account of the surpluses resulting from the good risk results of PUBLICA Reinsurance, among other factors. This relates to the pension plans that have matching reinsurance for their risks. The employers' contribution reserve was used in particular to partially finance the costs related to the adjustment to the technical parameters from 1 January 2019.

The employers' contribution reserve did not accrue interest, since in line with PUBLICA's current practice interest is accrued at the BVG interest rate (currently 1%) less 1%.

#### Employers' contribution reserve

2019 with prior-year comparison, in CHF

	2018	2019
<b>Employers' contribution reserve 01.01.</b>	<b>43 046 669</b>	<b>46 351 942</b>
Payments	2 508 000	1 843 962
Payment – Reinsurance surplus concept	2 862 213	3 699 116
<b>Allocations</b>	<b>5 370 213</b>	<b>5 543 078</b>
Withdrawals to finance contributions	–124 544	–118 451
Financing for changes to technical parameters	0	–20 481 301
Other releases (due to decisions of parity commissions)	–1 940 396	0
<b>Utilisation</b>	<b>–2 064 940</b>	<b>–20 599 751</b>
<b>Interest</b>	<b>0</b>	<b>0</b>
<b>Total employers' contribution reserve 31.12</b>	<b>46 351 942</b>	<b>31 295 268</b>



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

### 7.1 Operating assets, working capital and liabilities – Operations

The operating assets of PUBLICA Operations comprise the following:

#### Operating assets, working capital and liabilities – PUBLICA Operations

2019 with prior-year comparison, in CHF

	31.12.2018	31.12.2019
Current assets	14 529 526	14 927 703
Investment assets	2 907 679	3 286 534
<b>Operating assets – PUBLICA Operations</b>	<b>17 437 205</b>	<b>18 214 237</b>
Liabilities	3 797 187	4 397 460
Working capital	13 640 018	13 816 778
<b>Working capital and liabilities – PUBLICA Operations</b>	<b>17 437 205</b>	<b>18 214 237</b>

To guarantee its ability to act and as risk capital for exceptional operational liabilities, PUBLICA Operations has its own working capital. This is reported in the same way as foundation capital.

### 7.2 Administrative expenses – Operations

The resources of PUBLICA Operations are used for the administration of active members and pension recipients as well as components of asset management. The items for general administration consist of expenses for both areas of administration. Administrative expenses are reported net of apportionments to asset management. The corresponding expenses are reported under section 6.10 in asset management expenses under the items “Internal asset managers” and “Other expenses”, and as a component of custodian expenses.

#### Administrative expenses

2019 with prior-year comparison, in CHF

	2018	2019
Personnel expenses	–18 796 200	–18 985 693
General administrative expenses	–8 476 848	–7 879 996
Financial expenses	–640	–599
Apportionments to Asset Management	9 718 723	10 386 008
<b>General administration</b>	<b>–17 554 964</b>	<b>–16 480 281</b>
<b>Marketing and advertising</b>	<b>–19</b>	<b>0</b>
<b>Statutory Auditors</b>	<b>–261 173</b>	<b>–218 093</b>
<b>Pension Actuary</b>	<b>–149 822</b>	<b>–176 903</b>
<b>Supervisory authority</b>	<b>–86 754</b>	<b>–91 601</b>
<b>Expenditure (–) / income (+) surplus working capital – PUBLICA Operations</b>	<b>–176 562</b>	<b>–176 759</b>
<b>Administrative expenses</b>	<b>–18 229 295</b>	<b>–17 143 636</b>
No. of active members	63 833	65 163
No. of pension recipients	42 668	42 301
<b>Total active members and pension recipients</b>	<b>106 501</b>	<b>107 464</b>
<b>Administrative expenses per active member / pension recipient</b>	<b>171</b>	<b>160</b>



General administrative expenses are charged to asset management and administrative management transparently and in line with their contribution to those expenses. PUBLICA obtains services from affiliated employers at market conditions and does not receive any hidden contributions. Administrative costs are then attributed to the individual pension plans. While the allocation of costs to the two administrative areas is largely carried out via apportionments, the allocation to the individual pension plans is largely guided by processes. These are derived directly from the services provided in the administration of active members and pension recipients (e.g. entrance, departure and pension calculations, and changes). They are charged according to the quantity used

### 7.3 Non-technical provisions

#### Non-technical provisions

2019 with prior-year comparison, in CHF

	31.12.2018	31.12.2019
Provision for cost fluctuations	40 276 472	41 785 163
Deferred taxes	123 753 614	144 607 808
<b>Non-technical provisions</b>	<b>164 030 086</b>	<b>186 392 971</b>

The cost premiums paid by employers are compared with the administrative costs actually caused. Surpluses of CHF 1.5 million (prior year: CHF 0.2 million) flow into the non-technical provisions of the pension plans. They are used to fund uncovered administrative costs.

Under Art. 27 and 43 of the Regulations governing the Provisions and Reserves of the Federal Pension Fund PUBLICA, the Pension Plans and PUBLICA Reinsurance, the upper limit for this provision is two thirds of the annual cost premium for the concluded accounting year, while the lower limit is one third. Where the figure falls outside these limits, negotiations are conducted with the employers concerned with a view to setting new cost scales, unless otherwise agreed.

Deferred taxes on the directly held real estate portfolio increased by CHF 20.9 million (prior year: increase of CHF 18.1 million) in the year under review. Changes are made via the corresponding account in the income statement.



## 8 Requirements of the supervisory authority

No special requirements are currently imposed by the supervisory authority. The regulatory authority for occupational pension schemes of the Canton of Bern (Bernische BVG- und Stiftungsaufsicht (BBSA)) has given PUBLICA a deadline of 30 June 2020 by which to comply with the requirement for Federal Council approval (Art. 32c FPA) restrictively within the meaning of Art. 50 para. 2 BVG. This article states that from 1 January 2015, in the case of public law institutions, either the provisions on benefits or those on funding may be issued by the public-law entity concerned. PUBLICA is still considering its response.

## 9 Further information concerning the financial situation

### 9.1 Underfunded pension plans

As at 31 December 2018 two open pension plans – Confederation and METAS – were underfunded. Thanks to the above-average performance, none of the open pension plans is underfunded as at 31 December 2019. To ensure that the investments are compatible with the pension plans' risk capacity, the Board of Directors carried out a comprehensive ALM study for the open pension plans in 2018. The study's central assumptions are reviewed by PUBLICA annually.

As at the end of 2019, four of the seven closed pension plans are underfunded according to their regulations. On 23 January 2020 the Chair and Vice-Chair of the Board of Directors instructed the administration to draw up a strategy paper on restructuring the closed pension plans, as the options for closed, pensioner-only memberships to remedy underfunding themselves are limited and additional financial support will be required. The Board of Directors will be writing to the Federal Department of Finance in spring 2020 setting out the actions required and possible ways of resolving the funding situation of the closed pension plans.

### 9.2 Pledging of assets

PUBLICA has concluded framework agreements customary in the sector in respect of derivative financial instruments not transacted on an exchange. In the case of material contract partners, these provide for liabilities to be hedged using securities or cash. The level of the pledged assets for current (open) derivative financial instruments is disclosed in section 6.5.

### 9.3 Ongoing legal proceedings

The legal proceedings currently ongoing relate to individual cases and are not an indicator of systematic problems.

### 9.4 Collective departures

Collective departures are mentioned in section 1.6.

### 9.5 Reduction in the technical interest rate effective 1 January and 31 December 2019

With effect from 1 January 2019 PUBLICA changed its technical parameters and reduced the technical interest rate for the open pension plans to 2% (previously 2.75%) and for the closed pension plans to 1.25% (previously 2.25%). A further reduction in the technical interest rate for the closed pension plans, to 0.5%, was implemented on 31 December 2019 on the basis of the new technical guideline FRP 4 issued by the Swiss Chamber of Pension Actuaries. This measure reduced the funded ratio of the closed pension plans by 5.6 percentage points overall.

As far as financially possible, the Board of Directors and the parity commissions of the pension plans have enacted measures to cushion the impact.



One consequence of the change to the technical parameters is that the pension fund capital and technical provisions are adjusted from that date. The funded ratios show the impact of the adjustments as at 1 January and the changes to the individual pension plans up to the balance sheet date of 31 December 2019:

### Funded ratio after adjustment to technical parameters

Funded ratio as per Art. 44 BVV2 in %

Open pension plans with one employer	31.12.2018	01.01.2019	31.12.2019
ETH Domain	101.8%	98.8%	105.6%
IGE	101.2%	101.3%	107.6%
Swissmedic	101.5%	101.5%	109.1%
Swiss Federal Institute for Vocational Education and Training	100.1%	97.9%	105.6%
Swiss Federal Audit Oversight Authority	101.9%	101.9%	108.9%
FINMA	101.1%	101.1%	108.1%
Swiss Federal Nuclear Safety Inspectorate	101.0%	98.7%	105.9%
PUBLICA	101.8%	99.2%	107.3%
Trasse Schweiz AG	100.3%	99.6%	106.3%
Swiss National Museum	103.7%	101.0%	107.4%
METAS	99.9%	98.6%	105.1%
<b>Open joint pension plans</b>			
Confederation	99.9%	96.8%	103.6%
Affiliated Organisations	104.4%	101.4%	108.9%
<b>Total open pension plans</b>	<b>100.4%</b>	<b>97.4%</b>	<b>104.2%</b>
<b>Closed pension plans with one employer</b>			
Pensioners only – Voluntarily Insured	107.7%	98.5%	95.6%
Pensioners only – Confederation	107.0%	99.4%	99.1%
Pensioners only – Swisscom	105.1%	97.9%	97.7%
Pensioners only – RUAG	109.8%	102.0%	102.6%
Pensioners only – SRG SSR idée suisse	111.0%	103.2%	102.2%
Pensioners only – PUBLICA Administration	114.1%	109.3%	111.1%
<b>Closed joint pension plans</b>			
Pensioners only – Affiliated Organisations	105.3%	97.9%	96.7%
<b>Total closed pension plans</b>	<b>107.1%</b>	<b>99.7%</b>	<b>99.4%</b>
<b>Consolidated funded ratio</b>	<b>101.2%</b>	<b>97.9%</b>	<b>104.1%</b>

## 10 Post-balance sheet events

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



## 11 Report by the Statutory Auditors



### KPMG AG Audit

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### Report of the Statutory Auditor to the Board of Directors of the Swiss federal pension fund PUBLICA, Bern

#### Report of the Statutory Auditor on the Financial Statements

As statutory auditor, we have audited the financial statements of Swiss federal pension fund PUBLICA, which comprise the balance sheet, operating accounts and notes for the year ended 31 December 2019.

#### *Board of Directors' Responsibility*

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the regulations. This responsibility includes designing, implementing and maintaining an internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

#### *Responsibility of the expert in occupational benefits*

In addition to the auditor, the Board of Directors appoints an expert in occupational benefits to conduct the audit. The expert regularly checks whether the occupational benefit scheme can provide assurance that it can fulfil its obligations and that all statutory insurance-related provisions regarding benefits and funding comply with the legal requirements. The reserves necessary for underwriting insurance-related risks should be based on the latest report provided by the expert in occupational benefits in accordance with Article 52e paragraph 1 of the Occupational Pensions Act (OPA) and Article 48 of the Occupational Pensions Ordinance 2 (OPO 2).

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.





**Swiss federal pension fund PUBLICA, Bern**  
*Report of the Statutory Auditor  
to the Board of Directors*

*Opinion*

In our opinion, the financial statements for the year ended 31 December 2019 comply with Swiss law and the regulations.

**Report on additional legal and other requirements**

We confirm that we meet the legal requirements on licensing (Article 52b OPA) and independence (Article 34 OPO 2) and that there are no circumstances incompatible with our independence.

Furthermore, we have carried out the audits required by Article 52c paragraph 1 OPA and Article 35 OPO 2. The Board of Directors is responsible for ensuring that the legal requirements are met and that the regulatory provisions on organization, management and investments are applied.

We have assessed whether

- organization and management comply with the legal and regulatory requirements and whether an internal control exists that is appropriate to the size and complexity of the foundation;
- funds are invested in accordance with legal and regulatory requirements;
- the occupational pension accounts comply with legal requirements;
- measures have been taken to ensure loyalty in fund management and whether the Governing Body has ensured to a sufficient degree that fund managers fulfil their duties of loyalty and disclosure of interests;
- the available funds or discretionary dividends from insurance contracts have been used in compliance with the legal and regulatory provisions;
- in the event of an underfunding, the pension fund has taken the necessary measures to restore full coverage;
- the legally required information and reports have been given to the supervisory authority;
- the pension fund's interests are safeguarded in disclosed transactions with related entities.

We confirm that the applicable legal requirements of Swiss law and the regulations have been met.

As at 31 December 2019, the overall funded status of the pension fund of the Swiss federal pension fund PUBLICA amounted to 104.1%. The Swiss federal pension fund PUBLICA includes 20 different pension plans, of which four show an underfunding. Please refer to the notes to the annual financial statements for an overview of the funded status of the pension plans.

In the case of pension plans where the funded status is below 100%, we are obliged according to Article 35a paragraph 2 OPO 2 to state in our report whether the investments are in line with the risk capacity of the pension fund having the underfunding. In our opinion,

- the Board of Directors fulfils its management role in a clear and comprehensible manner in its choice of an investment strategy appropriate to the given risk capacity, as described in the notes to the financial statements under 9.1;
- the Board of Directors complies with the legal requirements and in particular has determined the risk capacity having assessed all assets and liabilities in accordance with the actual financial situation, as well as the fund's structure and expected developments in the number of insured persons;



*Swiss federal pension fund PUBLICA, Bern  
Report of the Statutory Auditor  
to the Board of Directors*

- the investments with employers are legally compliant;
- taking the above into consideration, the investment is in compliance with the provisions of Article 49a and 50 OPO 2;
- The Board of Directors has assured us that it will monitor the effectiveness of the measures taken to remedy the underfunding and adapt the measures as required.

We note that the possibility of remedying the underfunding and the risk capacity regarding investments may also be subject to unpredictable events, e.g. developments in the investment markets and with employers.

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

**Other matters**

Furthermore, we draw your attention to the fact that at the date of our report the Board of Directors has established the necessary measures to restore full coverage, however these have not yet been decided and implemented. In this respect, we refer to the explanations provided in the notes (note 9.1).

KPMG AG

Erich Meier  
*Licensed Audit Expert  
Auditor in charge*

Andreas Schneider  
*Licensed Audit Expert*

Bern, April 1, 2020





## 12 Confirmation from the Accredited Pension Actuary

### ALLVISA | VORSORGE

#### Mandate

Allvisa AG was mandated by the Board of Directors of the PUBLICA Collective Institution (hereinafter referred to as the "Pension Fund") to prepare an actuarial report as at 31 December 2019 as defined by art. 52e of the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans (BVG).

#### Confirmation of independence

As pension actuary as defined in art. 52a para. 1 BVG, we confirm that

- we are licensed by the Occupational Pension Supervisory Committee as defined in art. 52d BVG;
- we are independent as defined in art. 40 of the Ordinance on Occupational Retirement, Survivors' and Disability Pension Plans (BVV 2) as well as Directive BV W-03/2013 of the Occupational Pension Supervisory Committee;
- this actuarial report was prepared in accordance with the principles and guidelines of the Swiss Association of Actuaries and the Swiss Chamber of Pension Actuaries. It is in particular confirmed that Standard 5 "Minimum requirements for audits of pension funds pursuant to art. 52e para. 1 BVG" of the Swiss Chamber of Pension Actuaries is being implemented, which was declared binding and expanded for all accredited pension actuaries by Directive BV W-03/2014 of the Occupational Pension Supervisory Committee. We also confirm compliance with Standard 7 "Audits of occupational benefits institutions with several pension plans pursuant to art. 52e BVG" of the Swiss Chamber of Pension Actuaries.

#### Available documents and reference date

We received the data for the active insured and pensioners that are relevant to the calculations from the Pension Fund's management.

#### Calculation of required actuarial pension capital

We have checked the Pension Fund's calculations for determining the required actuarial pension capital. We can confirm that the following figures are correct:

– Total pension capital of insured	CHF	17,602,409,957
– Total pension capital of pensioners	CHF	20,558,186,613
– Total technical provisions	CHF	935,160,473



**ALLVISA | VORSORGE****Confirmation by pension actuary**

In compliance with our duties as pension actuary, we confirm

as at **31 December 2019** that we are of the opinion

- that the BVG 2015 (PT 2022) actuarial tables applied to the Pension Fund are appropriate;
- the consolidated funding ratio pursuant to art. 44 BVV 2 is 104.1 %;
- the consolidated economic funding ratio is 86.1 %;
- on a consolidated basis as at the reference date, the Pension Fund can guarantee that it can fulfil its obligations (art. 52e para. 1(a) BVG);
- the funding ratio pursuant to art. 44 BVV 2 of the open pension plans is 104.2 %, while the funding ratios of the individual open pension plans range from 103.6 % to 109.1 %;
- the risk capacity of the open pension plans is limited;
- the funding ratio pursuant to art. 44 BVV 2 of the closed pension plans is 99.4 %, while the funding ratios of the individual closed pension plans range from 95.6 % to 111.1 %;
- the risk capacity of the closed pension plans is limited;
- four closed pension plans are underfunded;
- the consolidated value fluctuation reserve equals 14.0 % of its target value;
- the technical provisions comply with the reserve regulations pursuant to art. 48e BVV 2 and the Pension Fund has sufficient reinsurance measures in place as defined in art. 43 BVV 2;
- the regulatory insurance provisions regarding the benefits and financing comply with the statutory rules (art. 52e para. 1 (a) BVG);
- the measures implemented to cover the actuarial risks (old age, death and disability) are sufficient.

As at 31 December 2019, the Pension Fund applies a technical interest rate of 2.00 % for the open pension plans and 0.50% for the closed pension plans. In consideration of the new Standard (FRP) 4 of the Swiss Chamber of Pension Actuaries, the interest rates that are currently applied are not appropriate.

**Recommendations**

As the current technical interest rates are inappropriate under the new FRP 4 for the open as well as the closed pension plans and the funding ratios of the open and closed plans are expected to decline, we advise the Board of Directors to define a plan of action and a time schedule. These should document the date by which any reduction in the technical interest rates and/or switch to the generation tables should be decided and implemented. As the new BVG 2020 actuarial tables should be available by the end of 2020 or the beginning of 2021, we advise the Board of Directors to apply the new BVG 2020 actuarial tables to the implementation.

**ALLVISA** | VORSORGE

Four closed pension plans are underfunded as at 31 December 2019. As the closed pension plans do not have any insured members, their rehabilitation potential is very limited. The only possible rehabilitation measures are to reduce the prospective benefits (to the BVG minimum) of the pensioners and/or to receive contributions from the employer or guarantees from the Federal government. For this reason, we advise the Board of Directors to discuss the matter with the Federal government.

As regards the stability of the Pension Fund, we advise the Board of Directors to find out when any measures to improve financial stability will be required for open or closed pension plans with a small portfolio of pensioners (such as a merger of pension plans or the formation of a risk pool). The Board of Directors has already discussed this topic at its seminar meeting in January 2020.

Zurich, 1 April 2020

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Thank you for your interest.

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