

# 10 YEARS

Annual  
Report

2013

Facts & Figures

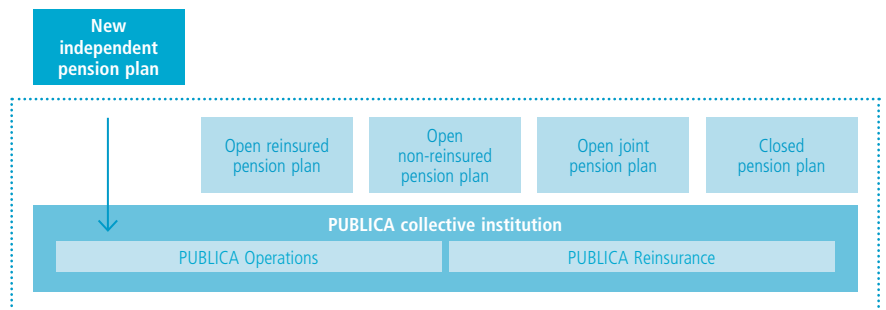
## PUBLICA is not profit-oriented. It manages its assets solely in the interests of its active members and pension recipients.

PUBLICA is the pension fund of the Swiss Confederation, the independent decentralised administrative units, the ETH Domain and organisations that are closely associated with the Confederation or fulfil a public task on behalf of the Confederation, a canton or a municipality. It is an independent collective institution established under public law and comprises 21 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 and risk capacity. In addition to pension plans with a single employer, PUBLICA can also create joint plans to which a number of employers affiliate. PUBLICA currently includes one open plan of this type.

PUBLICA's strategic asset allocation requires it to invest only in simple, transparent products. This is reflected in a cost transparency level of 100%. The performance in 2013 was 3.47%.

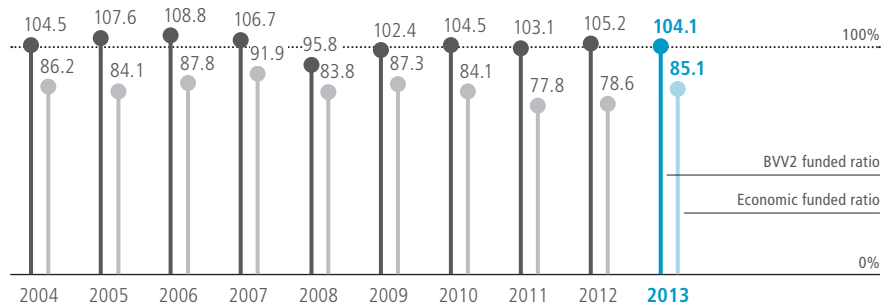
The Annual Report deals with the collective institution and all the affiliated pension plans. The figures presented are aggregated. The relevant figures for the individual active members and pension recipients are those of their respective pension plans. PUBLICA maintains separate accounts for each pension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

### COLLECTIVE INSTITUTION WITH INDEPENDENT PENSION PLANS



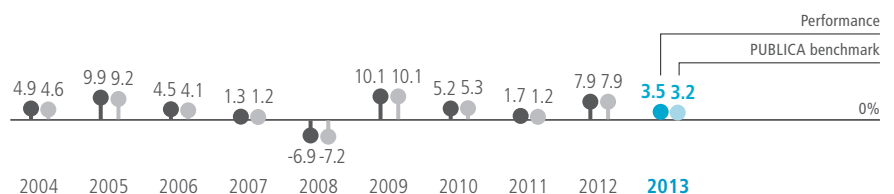
### FUNDED RATIO

2004 - 2013, in percent



### PERFORMANCE

2004 - 2013, in percent



Scale: 100 percent = 30 mm

# Facts and figures

CHF  
36 billion

Total assets

104.1%

Funded ratio

85.2%

Economic  
funded ratio

+3.47%

Net return  
on invested assets

0.22%

Total asset  
management expenses

CHF 199

Administrative expenses  
per active member  
or pension recipient

60,944

Active members

44,796

Pension recipients

6.15%

Conversion rate

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## Foreword

PUBLICA celebrated its 10th birthday in 2013, and once again achieved pleasing operational and financial results. Despite the considerable burden imposed by the provisions for the reduction in the technical interest rate, the consolidated funded ratio fell by only 1.1 percentage points. The investment performance was 3.47% (prior year: 7.94%), slightly above the strategy benchmark. As of 31 December 2013, PUBLICA's total funded ratio stood at 104.1% (prior year: 105.2%).

In 2013 we overhauled our Annual Report to bring it into line with our new branding. Its content has been comprehensively revised and expanded. The changes concern the figures in the annual financial statements, the corporate governance section and the status report. These now present a transparent picture of PUBLICA, one of the leading pillar 2 collective institutions.

### Reduction in the technical interest rate

After intense preparation, the Board of Directors decided on 18 December 2012 to reduce the technical interest rate by 0.75 percentage points with effect from 1 January 2015. The rate for the open pension plans is now 2.75% (previously 3.5%), and for the closed plans 2.25% (previously 3%). This move is designed to take account of the decrease in expected income resulting from the low level of interest rates. It is combined with a reduction in the conversion rate to 5.65% at age 65, also effective from 1 January 2015. To cushion the impact of these changes, PUBLICA is forming additional technical provisions of 2.2% per year from 2012 to 2014. The remaining amount will be charged to the income statement in 2015. Subsequently the parity commissions of the individual pension plans and the social partners agreed adjustments to the savings contributions and one-off increases in retirement capital for 2015. We are very pleased that the decisions of the parity commissions will enable the existing level of benefits to be largely maintained.

Additionally, thanks to the good risk results and on the recommendation of the Pension Actuary, the Board of Directors decided to reduce the risk premiums with effect from 1 January 2015.

### Structural reform and revised ARR accounting standard

PUBLICA already implemented the requirements of the structural reform of occupational pensions in its 2012 Annual Report. The revised Swiss GAAP ARR 26 accounting standard came into force on 1 January 2014. The vast majority of the changes it introduces have been implemented in this Annual Report.

### Our thanks

PUBLICA is pleased to welcome the new members of the Board of Directors who were elected at the start of the new term of office (1 July 2013 to 30 June 2017). The Board of Directors and Executive Board wish to express their thanks to all members of the governing bodies and all staff of PUBLICA. Once again in 2013, they worked meticulously and successfully to provide occupational pension services in the interests of the employers, active members and pension recipients. We should also like to thank the affiliated employers and our business partners and suppliers who have worked alongside us with professionalism and dedication.



**Fred Scholl**

Chair of the Board of Directors, PUBLICA



**Dieter Stohler**

Director, PUBLICA



**Fred Scholl**, Chair of the Board of Directors, PUBLICA and **Dieter Stohler**, Director, PUBLICA

**SAFE**

WE KNOW WHAT WE ARE DOING AND LEAVE NOTHING TO CHANCE.

**EFFECTIVE**

WE AIM FOR OUTSTANDING PERFORMANCE IN ALL AREAS, NOW AND IN THE FUTURE.

**FLEXIBLE**

WE WORK WITH YOU TO DESIGN THE PENSION PLAN THAT SUITS YOUR NEEDS.

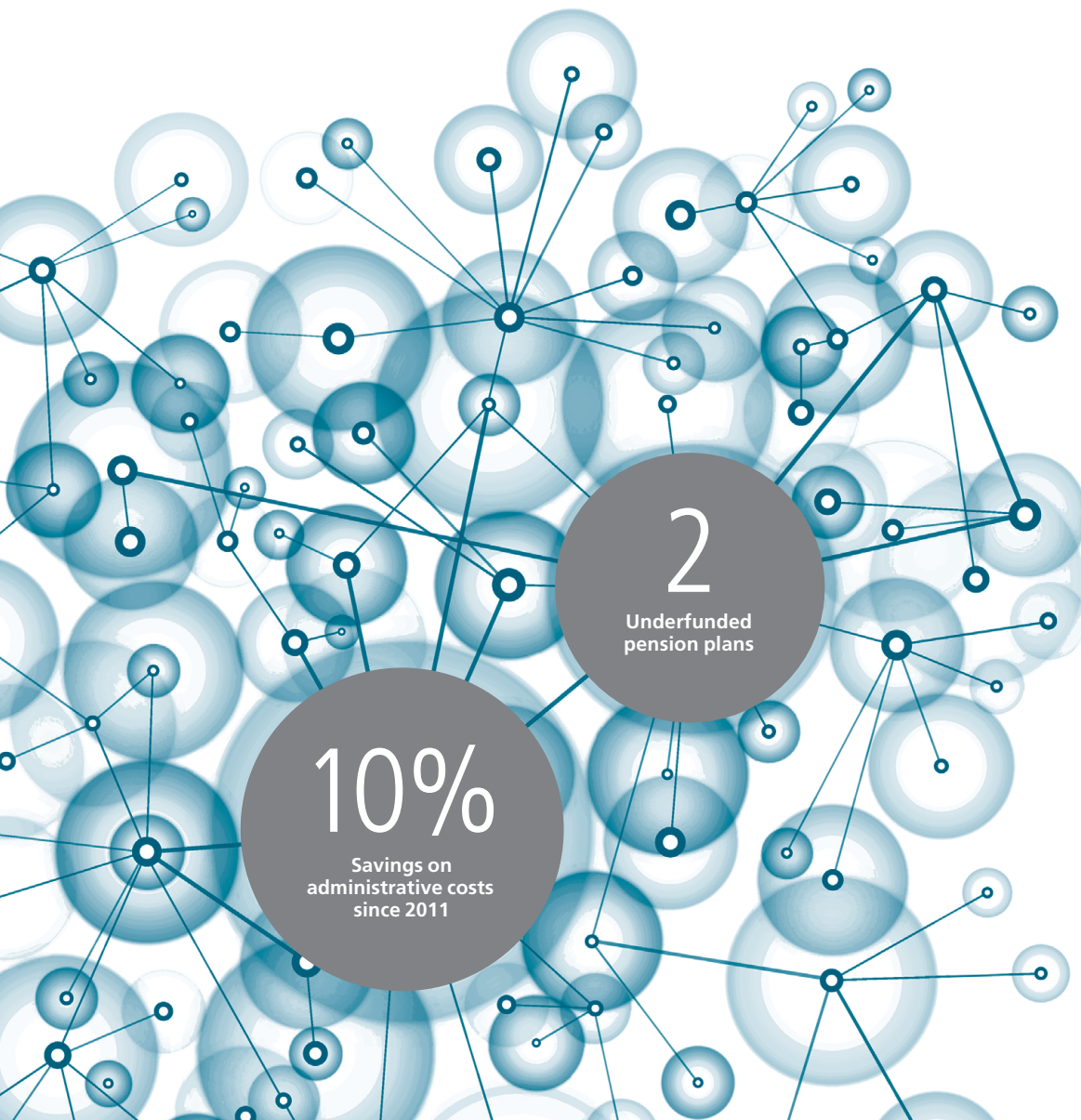
**SERVICE-ORIENTED**

WE ARE RECEPTIVE TO THE CONCERNS OF EMPLOYERS AND INSURED MEMBERS.

# Status report

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The funded ratio of PUBLICA's open pension plans declined slightly owing to the exceptional costs related to the reduction in the technical interest rate. Out of a total of 21 pension plans, two of the closed plans are slightly underfunded. The operational side reflects the results of PUBLICA's increased attention to costs: administrative expenses have fallen to CHF 199 per active member or pension recipient, and are therefore below the strategic target of CHF 200.





## Business activities

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

It is an independent collective institution established under public law and comprises 21 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 and risk capacity. In addition to pension plans with a single employer, PUBLICA can also create joint plans to which a number of employers affiliate. PUBLICA currently includes one open plan of this type. The new independent METAS pension plan was created on 1 January 2013.

This Annual Report deals with the collective institution and all the affiliated pension plans. The figures presented 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 key figures for the individual pension plans can be found in section 1.6.

## Corporate orientation

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### CORPORATE ORIENTATION



**Mission statement and values:** .....  
**leading pension fund**

PUBLICA's vision is to be one of the leading pension funds in Switzerland. A high degree of financial, organisational and technical security is fundamental to this aim. PUBLICA aims to provide benefits at attractive conditions over the long term.

The mission statement is guided by the core elements of entrepreneurialism, quality, communication, staff and management:

- For PUBLICA, entrepreneurialism means systematically exploiting the entrepreneurial freedom granted to it by law for the benefit of its affiliated employers, active members and pension recipients.
- PUBLICA strives to achieve a high level of customer satisfaction by continually improving the quality of its services. PUBLICA has clearly defined business processes supported by state-of-the-art technology that are professionally executed and constantly refined.
- PUBLICA communicates internally and externally in an open, timely, transparent and comprehensible manner.
- Working conditions promote individual development and the acquisition of additional specialist skills by employees. In return, PUBLICA expects its staff to show dedication and a high degree of personal integrity.
- Human resources are managed by means of objectives that are realistic but challenging. On this basis, PUBLICA offers its employees opportunities to help shape the company at all levels.

**Corporate strategy:** .....  
**market orientation**

PUBLICA sets out its strategic goals every four years as part of its corporate strategy. The current strategy remains in force until the end of 2014 and envisages moderate growth. It is in tune with the longer-term trend towards market consolidation, which is leading to a decline in the number of pension schemes. One of PUBLICA's strategic goals is to reduce administrative costs per active member or pension recipient while continually improving its services.

**Corporate objectives:** .....  
**measurable and realistic**

The Board of Directors sets measurable and realistic corporate objectives for the management of PUBLICA every year. Each area draws up individual agreements on objectives that govern their detailed implementation down to employee level. Reports on the achievement of the corporate objectives are submitted to the Audit Committee periodically.

One important strategic objective for PUBLICA is to reduce administrative costs. Since 2011, these have fallen from CHF 217 per active member / pension recipient to CHF 199 at present.



It is my hope that  
 PUBLICA will still be the  
 benchmark for pension  
 funds ten years from now.

**Fred Scholl,**  
 Chair of the Board of Directors,  
 PUBLICA

.....



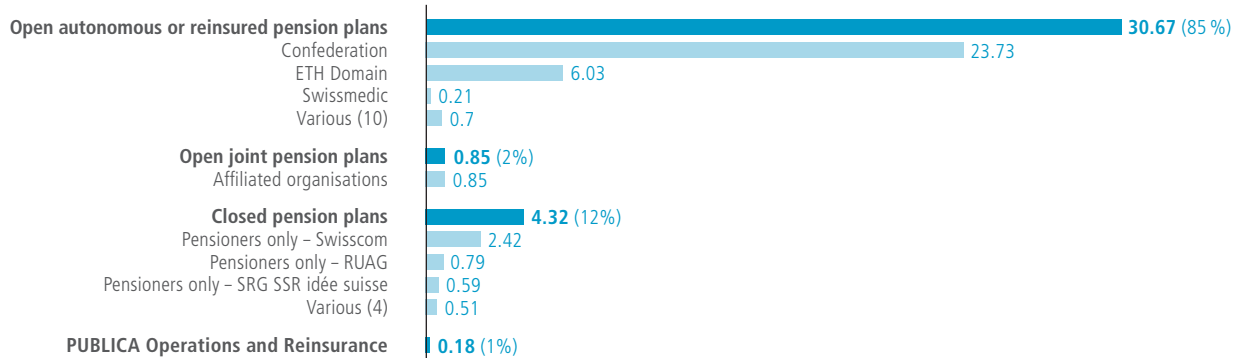


## Pension plans

### PENSION PLANS BY TYPE AND INSTITUTION

as at 31.12.2013

in CHF bn and percentage of total assets



Scale: CHF 1 bn = 3 mm

**Open pension plans:** .....  
**funded ratio between**  
**102.2% and 108.1%**

Open pension plans are made up of active members and, in some cases, pension recipients. They include the autonomous (non-reinsured) and partially or wholly reinsured pension plans as well as the joint pension plan. The open pension plans have funded ratios of between 102.2% and 108.1% (prior year: 102.9% and 108.3%). Funded ratios have deteriorated slightly overall. The actual return on investment is below the target required to maintain the funded ratio.

The largest declines in funded ratios were in the pension plans whose memberships increased in 2013. The reason for this is the additional provisions on pension capital required for new members, which cushion the impact of the reduction in the technical interest rate. A further reason is the proportion of pension recipients, which varies between 0% and 40.4% across the various pension plans (prior year: 0% and 41.2%).

**Closed pension plans:** .....  
**funded ratio between**  
**99.2% and 106.8%**

The closed pension plans consist entirely of pension recipients. Their funded ratio is between 99.2% and 106.8% (prior year: 99.6% and 107.9%). Two pension plans are underfunded at the end of the year. The liabilities of the closed pension plans are valued at a technical interest rate of 3%, which is 0.5 percentage points lower than that for the open pension plans.

**Operations and Reinsurance:** .....  
**structure of the collective**  
**institution**

The collective institution has a two-part structure: administrative activities are the responsibility of Operations, while PUBLICA Reinsurance offers partial or full reinsurance to the pension plans within the collective institution.

## Active members and pension recipients

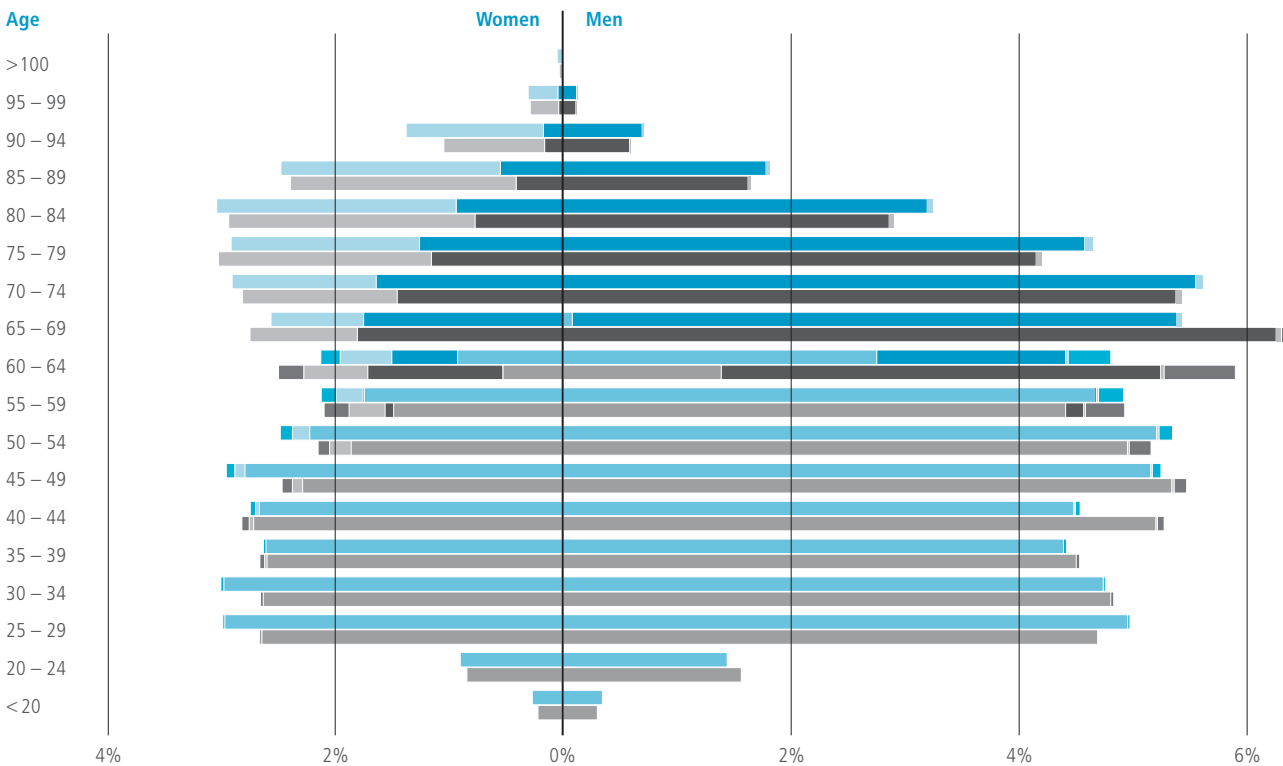
### Structure and trend: pensioner overhang declining

Owing to the closed pension plans, there is an overhang of pension recipients in the age structure of all the pension plans. The proportion in the "men aged 65 to 69" age group has fallen from 6.2% to 5.3% in relation to retirement pensions over the last five years. The reason for this is the retirement pension recipients of the closed pension plans, the majority of whom are now over 70 years of age.

### STRUCTURE OF ACTIVE MEMBERS AND PENSION RECIPIENTS

5-year age cohorts 2008 and 2013  
by age, gender and type of pension as % of total membership

2013: ■ Act. members ■ Retirement pensions ■ Spouse's pensions ■ Disability pensions  
2008: ■ Act. members ■ Retirement pensions ■ Spouse's pensions ■ Disability pensions



Scale: 1 percent = 15 mm

Additionally, a large majority of the active members in the "60 to 64" age group of the 2008 membership took early retirement. This was probably a result of the changeover from a defined-benefit to a defined-contribution plan on 1 July 2008. Since then the number of early retirees has declined sharply, and the majority in this age group were still in work in 2013.



**Customer satisfaction: regular measurement**

Satisfied customers are one of PUBLICA’s corporate objectives. Accordingly, PUBLICA provides comprehensive customer service. Employers, active members and pension recipients each have a dedicated contact. A multilingual customer service organisation, the website with simulation tools, and regular information in three languages supply answers to all questions relating to occupational pensions. PUBLICA offers seminars on pensions and retirement, and carries out regular surveys to gauge customer satisfaction.

PUBLICA surveys customer satisfaction on retirement and when assets are withdrawn to finance home ownership. The quality of contact and the information provided by PUBLICA are rated on a scale from 0 (unsatisfactory) to 10 (excellent). In 2013, the average rating from the customer surveys was 8.95.

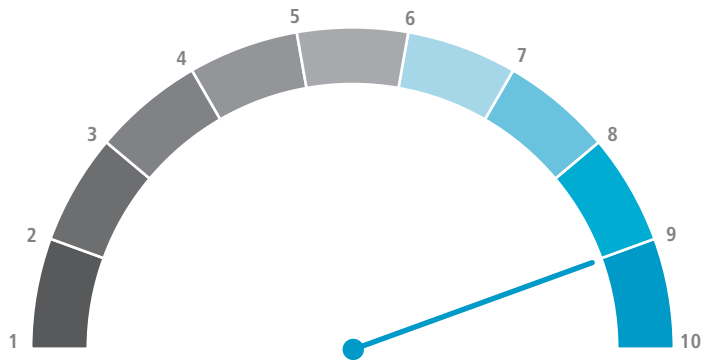


I expect PUBLICA to analyse its performance – whether good or bad – all the time, just like successful sportspeople do. That is the only way for PUBLICA to continually improve.

**Matthias Remund,**  
Vice-Chair of the Board of Directors,  
PUBLICA

**CUSTOMER SATISFACTION**

2013 average,  
on a scale from 1 to 10



## Strategic asset allocation

**Investment credo:** .....  
**a diversified and  
 transparent portfolio**

PUBLICA is not profit-oriented: its supreme objective is to invest its assets in the interests of its active members and pension recipients.

PUBLICA's investment credo aims to capture premiums on various risks – such as equity risk, interest-rate risk, credit risk and liquidity risk – by means of broad diversification.

The strategic asset allocation is the key to the distribution of assets across the various asset classes, such as equities, government bonds, corporate bonds, commodities and real estate. It accounts for around 90% of PUBLICA's investment performance. Each asset class is therefore assessed not just in isolation, but also with regard to its risk and earnings contribution to total assets.

“

I am committed to ensuring that the interests of active members and pension recipients are taken fully into account, even in a difficult investment environment.

**Cipriano Alvarez,**  
 Member of the Board of Directors,  
 PUBLICA

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 always granted within a given asset class. This redundancy means that one asset manager can take over if the other suddenly drops out.

Very few asset managers are able to select individual securities successfully and put together a portfolio that consistently outperforms the market. Identifying these managers and investing the appropriate amounts in their products is a difficult task. For this reason, PUBLICA's internal and external asset managers replicate broad indices. PUBLICA analyses and selects these indices with meticulous care. Investments in non-transparent products are systematically avoided.



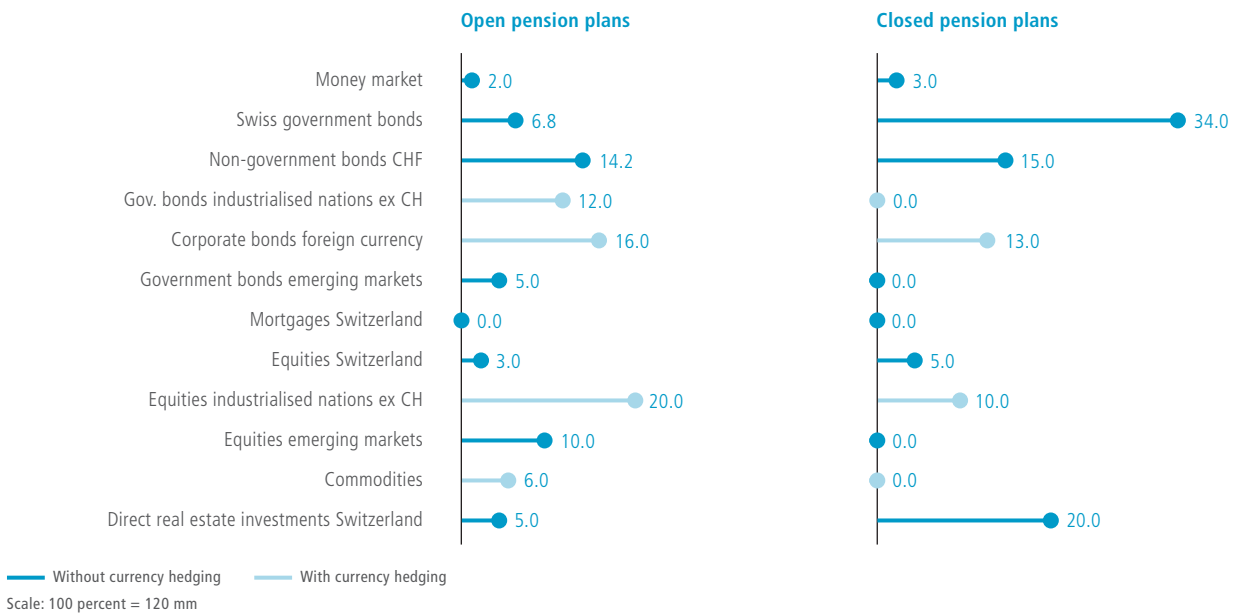
**Strategic asset allocations: geared to the structure and membership trend**

The structure and expected trend in the membership of the closed pension plans differ substantially from those of the open pension plans. For this reason, a single strategic asset allocation for all the pension plans would be at odds with BVV2. Accordingly, in 2010 the Board of Directors approved the creation of one strategy for all the closed pension plans and another for all the open ones.

**STRATEGIC ASSET ALLOCATION BY ASSET CLASS**

as at 31.12.2013

in percent, in increasing order of risk and decreasing order of liquidity



The continuing low interest rate environment necessitated a further review of the strategic asset allocations in 2013. Low interest rates impact the financial situation of all the pension plans and the expected replacement rates in a number of ways:

- 1 Lower interest rates result in low current yields on the bond portfolios.
- 2 Empirically and according to economic theory, the income on all other asset classes consists of a risk-free interest rate and a risk premium specific to each asset class. If interest rates fall, the income on all other asset classes also falls, assuming constant risk premiums.
- 3 The Swiss Chamber of Pension Actuaries issued a technical directive (FRP4) containing recommendations on valuing the liabilities of a pension fund. Under FRP4, falling interest rates lead to a lower technical interest rate and therefore increased liabilities.
- 4 Declining expected investment income and rising liabilities increase risks, since the funded ratios deteriorate.
- 5 Low interest rates result in low BVG minimum interest rates and low rates of interest on the assets of active members.

Investments alone cannot solve these problems, but they can and must make a contribution to doing so. For this reason, the strategic asset allocations are reviewed regularly. PUBLICA’s investment experts carefully weigh the prospect of higher returns against the risks involved.

PUBLICA reviewed the strategic asset allocation for the closed pension plans in April 2013, and on this basis, the Board of Directors decided not to make any changes. The asset and liability management (ALM) process, which reviews the strategic asset allocation for the open pension plans, began in August 2013. The Investment Committee discussed the underlying assumptions and (interim) results on a number of occasions. Then in January 2014, PUBLICA’s Board of Directors decided to adjust the strategic asset allocation.

**Economic developments:** .....  
**flood of liquidity continues**  
Real economy

2013 began with a last-minute agreement on tax measures for companies and households between US President Barack Obama and Congress. This averted the threat of the US becoming technically insolvent, and was warmly welcomed by the markets. However, important decisions on the deficit and federal budget restructuring were not taken. October saw a temporary closure of public offices, as Democrats and Republicans failed to agree the budget for the new financial year on time. It is estimated that this depressed US GDP growth by 0.6 percentage points in the fourth quarter. Despite the political turbulence, the US economy continued its recovery. Unemployment fell from 7.8% at the start of the year to around 7% in December. GDP growth accelerated from 0.1% in the fourth quarter of 2012 to 4.1% in the third quarter of 2013. The index of industrial production rose from 98 points in January to over 101 in November.

Europe’s economic recovery presented a mixed picture. The UK economy recorded a similarly positive performance to that of the US, albeit at a rather lower level. GDP growth accelerated from 0.2% in the fourth quarter of 2012 to just under 2% in the third quarter of 2013. The eurozone did not emerge from recession until the second half of the year. Unemployment remained stubbornly high, with around a quarter of Spain’s working population out of work. In Germany, by contrast, joblessness stood at less than 7% in December 2013. Overall, eurozone unemployment actually rose slightly, from 11.9% in December 2012 to 12.1% in November 2013. Politically, the announcement of a 10 billion euro rescue package for Cyprus had a negative impact on the equity markets. The government crisis in Italy also prompted temporary jitters in the financial markets. After two months of negotiations, the country finally elected a new government led by Prime Minister Enrico Letta.

Financial markets .....

The announcement of a possible reduction in the extraordinary monetary policy support measures by the US central bank prompted a strong reaction from the bond markets. Yields on 10-year Treasury notes rose from a low of 1.6% at the start of May to 3% at the end of December. At its final meeting of the year in December 2013, the Federal Reserve did indeed announce a reduction in its bond purchases from USD 85 billion a month to USD 75 billion. However, this prompted little reaction from investors. Similarly, the appointment of Janet Yellen as successor to Ben Bernanke at the helm of the Fed passed without significant impact on the financial markets.

In response to the euro’s appreciation against the US dollar and weak economic growth, the European Central Bank (ECB) cut its key interest rate from 0.75% to 0.5% in May, the lowest level since the creation of the currency union. At the same time it signalled its willingness to take further measures to support the economy, as bank lending in the eurozone remained weak compared with the US.



The emerging markets were hardest hit by the Fed’s change of course. Their currencies came under pressure and international investors pulled back. Monetary policy in most of the emerging economies became more restrictive, which in turn had a negative impact on growth. The change of political leadership in China also slowed economic growth and prompted greater caution from investors.

Swiss real estate market .....

Demand for real estate investments remained high in the last financial year. According to market experts from the real estate information and training centre IAZI, Switzerland’s property markets were “headed for a soft landing”. The trend differs, however, from segment to segment. With interest rates still low, immigration remaining high and uncertainty regarding other investment opportunities, there was particularly strong demand among private and institutional investors for residential properties that generate stable income. Despite brisk new construction activity, prices in this segment rose once again. In the office segment, by contrast, there were signs of a trend reversal. Oversupply of office space, particularly in major centres such as Geneva and Zurich, created a demand-led market. Although transaction prices remain high, investors have become more cautious. While prestige properties are still popular, those that are outdated, no longer up to market standards or in less advantageous locations have lost some of their appeal. Pressure on margins and predatory competition remain high in the retail segment. In smaller shopping centres and those close to frontiers especially, finding tenants is proving difficult, which is tending to make investors wary of such properties.

Bonds .....

In contrast to previous years, bond market yields were negative in the majority of cases in 2013, despite the fact that inflation rates in the industrialised nations remained low. Nevertheless, investors began to reconsider their position following the Fed’s announcement of an end to the ultra-expansionary monetary policy in the US. They reduced their investment-grade bond holdings in favour of high-yield bonds and equities. Yield curves tended to steepen, as interest rates on short-term bonds stuck at around 0% while those on longer-dated paper rose. A rise in interest rates leads to a fall in the price of bonds.

Equities .....

The economic recovery in the industrialised nations and the weakening of the emerging markets were reflected in the performance of the international equity markets. The active policy of many central banks, an increased risk appetite among investors, historically low valuations of equities compared with bonds and rising corporate earnings supported a strong uptrend in the industrialised nations. Attempts at reflation in Japan sent the country’s equity index soaring by more than 50%. The Swiss equity market profited from above-average price rises on cyclical stocks. Emerging market equities were hit by deteriorating fundamentals in the countries concerned and by global investors’ increased caution towards these regions.

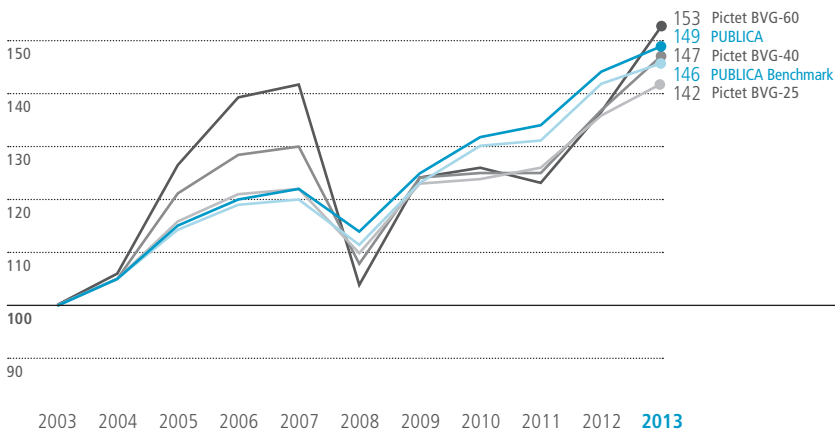
Commodities .....

Commodities performed very disappointingly overall. Gold, the alternative safe currency, came under particularly severe pressure. The market was less concerned about the risk of the currency union breaking apart or of hyperinflation, and consequently many financial investors liquidated their gold positions. The economic slowdown in the emerging economies had a negative impact on demand for industrial metals. China, the most important purchaser of copper and other industrial metals, showed no sign of a turnaround until towards the end of the year. The energy sector held up best, profiting from relatively stable prices for crude oil.

**Performance:** .....  
**+ 3.47%**

**CUMULATIVE PERFORMANCE**

2004 – 2013  
 Indexed (2003=100)



Scale: 100% = 70 mm, 1 index point = 0.7 mm

Source: Bloomberg for Pictet BVG indices

PUBLICA generated a performance of 3.47% on its invested capital of around CHF 35.8 billion in the 2013 financial year. Although this was lower than the good overall performance of the previous year, it nevertheless beat the benchmark by 24 basis points or around CHF 85 million after deduction of all costs and taxes.

The key factor in this annual result, which puts PUBLICA below the Pictet BVG indices, is the composition of the equity portfolio. In addition to Swiss equities and those of industrialised nations, PUBLICA holds around 10% of its total assets in emerging market equities. Swiss equities generated a return of 24% in 2013, while the return on emerging market equities stood at -5% in Swiss franc terms.

The more conservative structure of the bond portfolio also had a negative impact on performance. PUBLICA invests exclusively in core eurozone countries with above-average debtor quality. Unlike in previous years, yields on the bond markets in 2013 were negative in the majority of cases. The performance of government bonds from emerging markets – an asset class where PUBLICA is enlarging its exposure – was also negative, at -15%.

Finally there was a negative impact from commodities, specifically gold. For PUBLICA this translates into a return of -12% on this asset class and a reduction of 0.6 percentage points in the overall performance. PUBLICA invests just under 2% of its total assets in gold for diversification reasons.

Hedging of industrialised nation currencies proved to be a correct move, strengthening the performance by just under a percentage point.

Developments in the real estate market made a positive contribution to performance last year. This asset class added 0.4 percentage points to the overall performance, with a return of 5.8%, comprising a cash flow return of 4.45% and a net capital gain of 1.38%.





PUBLICA's real estate portfolio comprises plots of land, project developments, new build projects and investment properties at average to very good locations in three principal segments: residential, office and retail. With an investment volume of CHF 2.5 billion, the average value per object is CHF 35 million.

PUBLICA assessed a number of potential acquisitions but did not purchase any additional properties in the year under review, owing to the high asking prices and therefore lower expected returns. PUBLICA sold the Westcenter shopping mall in St. Gallen in mid-2013. The following new construction projects went into service in 2013:

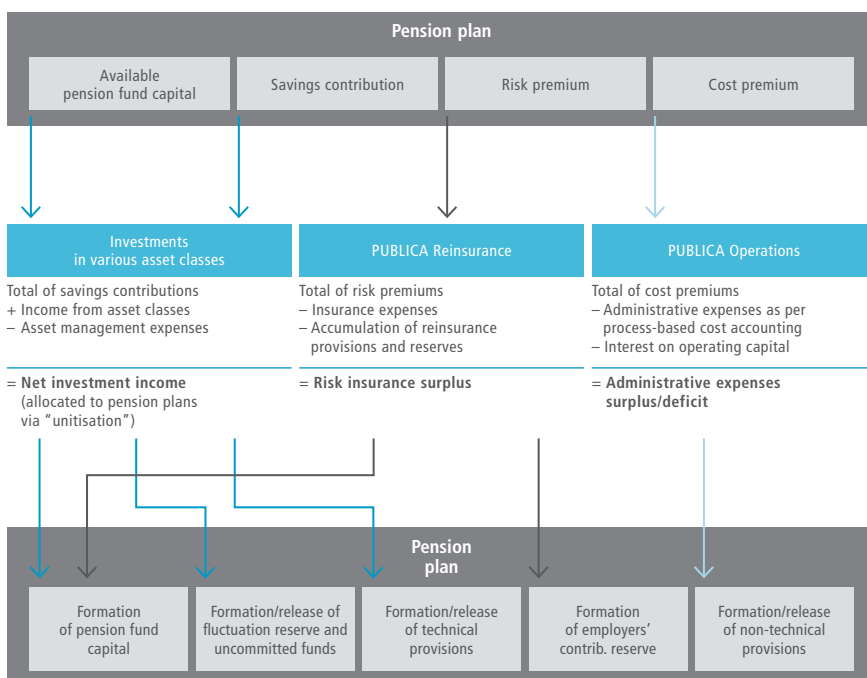
- residential and commercial property in Biel (Brüggstrasse, Friedweg);
- residential and commercial property in Montreux (La Paix).

## Cash flows

Active members and employers in the individual pension plans pay ongoing savings contributions, risk and cost premiums and make further deposits. The affiliated pension plans profit from any surpluses on the risk and cost premiums. PUBLICA also discloses internal transactions between the pension plans and Operations / Reinsurance in its income statement.

### CASH FLOW OF SAVINGS CONTRIBUTIONS, RISK AND COST PREMIUMS

Example of a pension plan



An average 86% of all contributions made flow into active members' pension capital in the form of savings contributions. Of the remainder, 12% are made up of risk premiums and 2% of cost premiums. These figures do not include the surpluses on the risk and cost premiums for the pension plans.

**Savings contributions:** .....  
**86% of all contributions made**

The savings contribution is paid by employers and active members, with the former at least matching the latter. PUBLICA credits the savings contributions direct to the pension fund capital of the active members in the pension plan concerned.

The income on the accumulated savings contributions funds the payment of interest on active members' pension fund capital, technical interest on the pension fund capital of pension recipients, and the accumulation of provisions. Any surpluses are transferred to the fluctuation reserve or the uncommitted funds of the pension plans.



**Risk premiums: autonomous or reinsured**

The allocation of the risk premium to active members and employers differs from one pension plan to another. In the case of the autonomous pension plans, the premium remains in the plan; in the reinsured plans, it flows to PUBLICA Reinsurance. Depending on the risk result of PUBLICA Reinsurance, the surpluses flow back to the pension plans.

**Cost premiums: participation in surpluses**

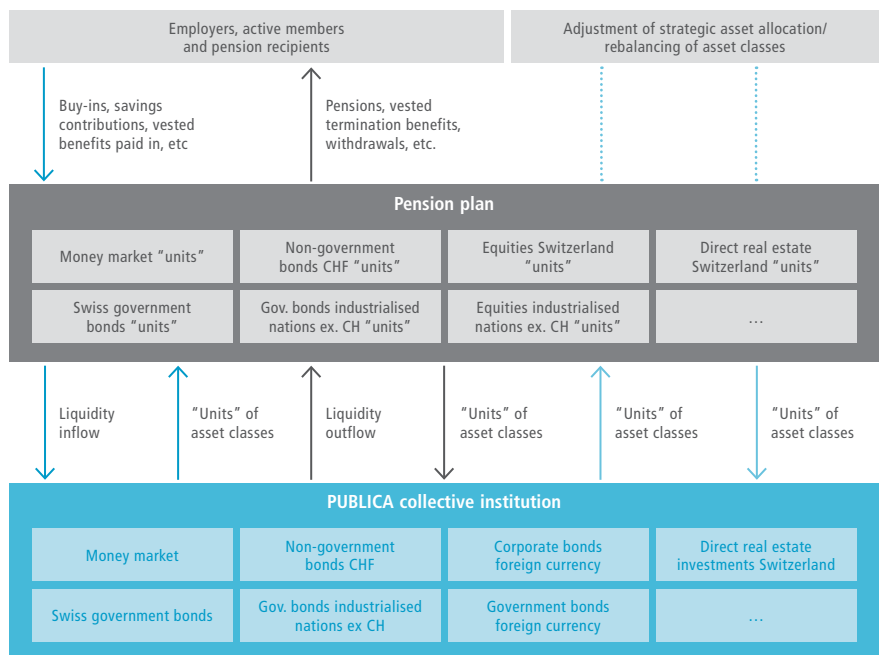
In the open pension plans affiliated to PUBLICA, the vast majority of the cost premium is financed by the employer. The cost premium covers the administrative expenses of PUBLICA Operations. If the actual administrative expenses for a pension plan are lower than the cost premium, PUBLICA credits the difference to the pension plan.

**Investments: "unitisation" concept**

Investments are carried out collectively for all pension plans. The strategic asset allocations are implemented in accordance with the unitisation concept. A unit corresponds economically (though not legally) to an investment fund. Each pension plan receives its share of the asset class in the form of "units", which correspond to participation certificates from an economic perspective. The units are valued daily at the net asset value. This means that the investments and the net income on them are allocated to the individual pension plans on a daily basis.

**CASH FLOWS IN THE INVESTMENT PROCESS**

Example of a pension plan



← Cash inflow  
 → Cash outflow  
 ..... Adjustment to strategic asset allocation

## Risk management

### **Risk policy:** ..... **cautious and conservative**

PUBLICA regards forward-looking risk management, efficient quality management and an effective internal control system (ICS) as a key part 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 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.

### **Organisation:** ..... **internal and external monitoring**

The key risks to which PUBLICA is exposed are monitored by internal and external specialists. Their activities are coordinated by internal Quality Management, which is also responsible for reporting and monitoring any measures taken.

### **Actuarial risk:** ..... **positive 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. It also includes ongoing or prospective benefits that have not been adequately accounted for.

The Swiss Chamber of Pension Actuaries has issued a technical directive (FRP4) containing recommendations on the technical interest rate. On 1 October 2013 it reduced the recommended maximum technical interest rate from 3.5% to 3%. This is lower than the technical interest rate of 3.5% used by PUBLICA for the open pension plans. On the basis of its longer-term income expectations, PUBLICA decided to reduce the technical interest rate as of 1 January 2015, to 2.75% for the open pension plans and 2.25% for the closed pension plans.

The reduction in the technical interest rate entails a reduction in the conversion rate. Provisions are being created in order to maintain the level of benefits despite a reduction in the conversion rate. As of 31 December 2013 PUBLICA had already set aside half of the provisions necessary to cushion this impact.

PUBLICA reviews the risk results for pension recipients and active members on an annual basis. In the case of pension recipients, the expected capital freed up is compared with the capital actually freed up as a result of death. The resulting difference 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 calculated on the basis of assumptions, and compared with the cases that actually occurred. If this difference is not covered by the risk premium, annual actuarial losses occur.

The risk result for death (CHF 1 million) and for disability (CHF 111.1 million) show an actuarial gain for the active members in 2013. This indicates that the claims that actually occurred were lower than was to be expected according to the actuarial tables. On the basis of claims experience from previous years, PUBLICA will once again reduce the risk premiums from 2015 onwards. The lower premiums are expected to ensure gain- and loss-free claims processing over the long term.



**RISK RESULT DEATH AND DISABILITY – ACTIVE MEMBERS**

2009 to 2013, in CHF mn, number or percent

Total all pension plans

		Risk premiums	Claims	Total gain (+) loss (-)	Number
<b>2013</b>					
Disability cases (incl. increases in degree of disability)	CHF mn	138.8	-27.7	111.1	80
Deaths	CHF mn	7.3	-6.3	1.0	55
<b>Total</b>	<b>CHF mn</b>	<b>146.1</b>	<b>-34.0</b>	<b>112.1</b>	<b>135</b>
Insured salary	CHF mn	4 805	4 805		
Statutory and required risk premium	Percent	3.04%	0.71%		
<b>2012</b>					
Disability cases (incl. increases in degree of disability)	CHF mn	139.5	-39.9	99.6	114
Deaths	CHF mn	8.7	-7.2	1.5	68
<b>Total</b>	<b>CHF mn</b>	<b>148.2</b>	<b>-47.1</b>	<b>101.1</b>	<b>182</b>
Insured salary	CHF mn	4 690	4 690		
Statutory and required risk premium	Percent	3.16%	1.00%		
<b>Historical trend</b>					
		Risk premiums	Claims		
2013	Percent	3.04%	0.71%		
2012	Percent	3.16%	1.00%		
2011	Percent	3.35%	0.78%		
2010	Percent	3.36%	0.72%		
2009	Percent	3.92%	0.50%		

The risk result for death for pension recipients shows an overall gain of CHF 4.3 million. This is made up of a gain of around CHF 6 million and CHF 3.7 million respectively for survivors' and disability pensions, and a loss of CHF 5.4 million on retirement pensions. An actuarial gain for pension recipients indicates that overall more pensioners died or more capital was freed up than was calculated and assumed on the basis of the actuarial tables.

The total gain of just CHF 4.3 million on pension recipients reveals that the mortality rates predicted according to the actuarial tables currently reflect the reality at PUBLICA. Before the change of actuarial tables in mid-2012, the figure was a loss of over CHF 100 million. When static tables are used, the parameters remain unchanged until the tables are switched or adjusted. This means that the difference in the risk result rises each year owing to greater life expectancy. Provisions are set aside to take account of increasing longevity.

**Investment risk management process: a vital component of the ICS**

The investment risk management process is part of PUBLICA's internal control system (ICS) and governs the controlling and management of inherent risks within Asset Management. The core elements of this process are identifying key risks, minimising them and creating an acceptance of risk so that residual risks are known and justifiable. The investment risk management process is based on the strategic risk budget, operational and tactical risks, and implementation risks.

Strategic risk budget

PUBLICA's strategic asset allocations are drawn up by Asset Management in collaboration with the Investment Committee, and approved by the Board of Directors. They are also reviewed by an external specialist periodically, but at least every two years, and adjusted where necessary.

Asset and liability management (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 is tailored to the benefit objectives, risk capacity and risk tolerance of the pension fund. Risk is thus observed from a holistic perspective. Corresponding parameters are used to measure risk, including the average probability of the future funded ratio or path probability of the funded ratio falling below a specified value.

Important steps in the ALM process include defining the strategic risk budget and strategic asset allocation, both of which are set by the Board of Directors. The goal of the strategic asset allocation is to achieve or exceed the fund's financial objectives (liquidity, profitability and security) over the long term, within the prescribed risk limits. Asset Management is permitted to undertake deviations from the allocation within prescribed tactical bandwidths in order to generate added value. The corresponding maximum permitted tactical positions are taken into account in the strategic risk budget.

Operational and 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. It enables significant individual risks to be identified and appropriately reduced at all levels. Cash management ensures the timely payment of all benefits on an ongoing basis.

Tactical risks .....

As a rule, deviations from the strategic asset allocation within the tactical bandwidths are always set against the expected return. This means that PUBLICA's investment specialists only deviate from the strategic asset allocation when they have substantiated reasons to believe that they will generate sustainable added value by doing so.

**Operational risk: annual internal ICS audit** .....

Operational risk consists of the risk of losses that arise as a result of the inadequacy or failure of internal processes, persons or systems, or due to 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. This ICS audit did not reveal any material weaknesses in 2013.

**Legal and regulatory risk: increasing regulatory density** .....

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. This 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. In general, PUBLICA has noted an increase in the density of regulation over recent years.

“  
 Uncertainty related to regulatory requirements in asset management has increased over the last year.

**Alex Hinder,**  
 Member of the Board of Directors,  
 PUBLICA

.....

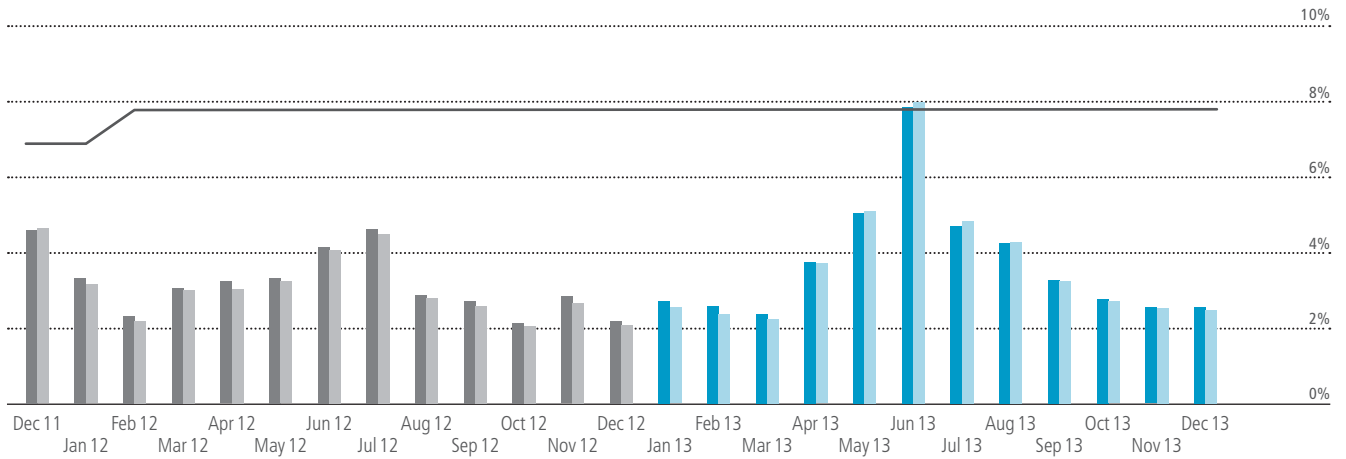


### VOLATILITY AND PERFORMANCE COMPARED WITH ALM STUDY ASSUMPTIONS

Trend 2012 - 2013 on a monthly basis  
in percent

#### VOLATILITY

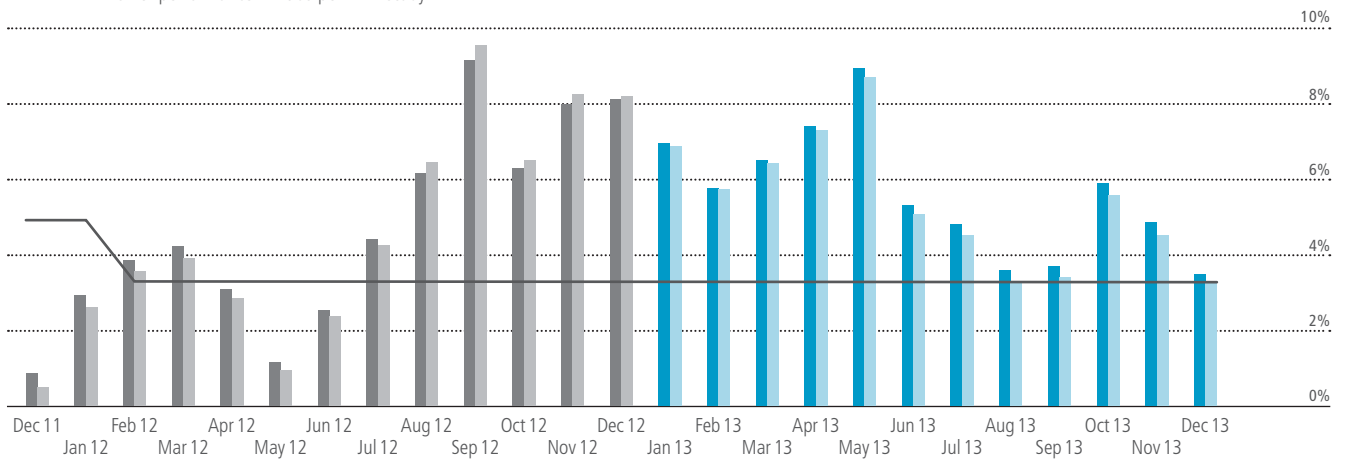
2013: ■ Annualised volatility PUBLICA portfolio    ■ Annualised volatility benchmark  
 2012: ■ Annualised volatility PUBLICA portfolio    ■ Annualised volatility benchmark  
 — Upper volatility limit as per ALM study



Scale: 1 percent = 5 mm

#### PERFORMANCE

2013: ■ Rolling 12-month performance PUBLICA portfolio    ■ Rolling 12-month performance benchmark  
 2012: ■ Rolling 12-month performance PUBLICA portfolio    ■ Rolling 12-month performance benchmark  
 — Lower performance limit as per ALM study



Scale: 1 percent = 5 mm

# Corporate governance

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PUBLICA's clearly defined and transparent corporate governance fosters trust, both within the organisation and beyond. In the interests of transparent reporting, PUBLICA has adopted the guidelines for listed Swiss companies, a pioneering approach in the pensions industry.



100%

Of possible SMI  
share voting rights  
exercised



137

Employees



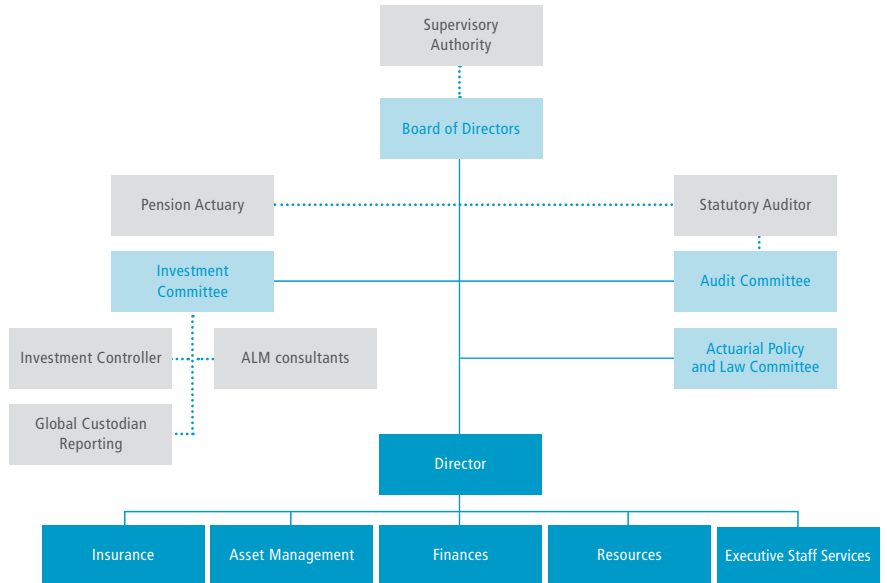
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Meetings of the  
Board of Directors  
and committees



# Organisational structure

## PUBLICA'S ORGANISATIONAL STRUCTURE



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.

## Board of Directors

The members of the PUBLICA Board of Directors appoint the Director and his deputy and select the collective institution's Statutory Auditor and Pension Actuary. The other tasks of the Board of Directors, which are not listed exhaustively in the PUBLICA Act, include deciding on the formation of provisions and issuing regulations.

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

The term of office of the Board's Chair is set at two years. Fred Scholl, representing the employees, has been Chair of the Board of Directors since 1 July 2013. Representing the employers, Matthias Remund has been Vice-Chair since the same date. The term of office of the members of the Board of Directors and the committees is four years. The current term of office ends on 30 June 2017.

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

The Board of Directors met seven times in the year under review, as did the Investment Committee. There were six meetings of the Audit Committee and five of the Actuarial Policy and Law Committee. PUBLICA organised a total of ten training days for members of the Board of Directors and committees (prior year: thirteen days), an average of 0.6 days per member.

The composition of the Board of Directors as at 31 December 2013 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	Länggasse-Felsenau school committee: chair Operating Committee of the Construction and Housing Policy Fund, Bern: member
Remuneration	2013: CHF 6,000

## Buntschu Kurt

Occupation	Head of HR, Swiss Red Cross
Qualifications	BA in Business Administration, St. Gallen, federally certified pension fund manager
Representative of	Employers
Board member since	01.07.2002
Committee	Audit Committee
Committee member since	01.07.2013
External mandates	Swiss Life Saving Society (SLSS): member of the Committee
Remuneration	2013: CHF 8,500; 2012: CHF 8,000

## Budliger Artieda Helene

Occupation	Director of the Directorate for Resources, FDFA
Qualifications	MBA
Representative of	Employers
Board member since	01.07.2013
Committee	Audit Committee
Committee member since	01.07.2013
External mandates	Hotel Bellevue-Palace Immobilien AG, Bern: Vice-Chair of the Board of Directors (official representative of the FDFA) Private family foundation: advisor
Remuneration	2013: CHF 5,500

## 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
Remuneration	2013: CHF 9,750; 2012: CHF 4,500

## Grossenbacher-Frei Prisca

Chair of the Actuarial Policy and Law Committee

Occupation	Vice-Director of the Federal Food Safety and Veterinary Office
Qualifications	Lawyer
Representative of	Employees
Board member since	01.07.2009
Committee	Actuarial Policy and Law Committee
Committee member since	01.07.2009
Remuneration	2013: CHF 13,250; 2012: CHF 13,500

## Hinder Alex

Chair of the Investment Committee

Occupation	CEO, Hinder Asset Management AG
Qualifications	Doctorate in Economics
Representative of	Employers
Board member since	01.07.2009
Committee	Investment Committee
Committee member since	01.07.2009
Remuneration	2013: CHF 50,000; 2012: CHF 50,000

## Maurer Stalder Petra

Occupation	AGILE Disabled Self-Help Switzerland
Qualifications	Diploma in Business Administration, MAS Corporate Communication Management
Representative of	Employees
Board member since	01.07.2009
Committee	Audit Committee
Committee member since	01.07.2009
Remuneration	2013: CHF 11,500; 2012: CHF 12,500

## Meier Ruth

Occupation	Vice-Director of the Swiss Federal Statistical Office
Qualifications	Masters in Economics, St. Gallen, Executive MBA, St. Gallen
Representative of	Employers
Board member since	01.07.2006
Committee	Investment Committee
Committee member since	01.07.2009
Remuneration	2013: CHF 10,500; 2012: CHF 13,000

## Remund Matthias

Vice-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 Swiss Sports Aid, Ittigen: member of the Foundation Board Olympic Museum, Lausanne: member of the Foundation Board International Centre for Sports Studies, Neuchâtel: member of the Foundation Board Swiss University Sports Foundation: member of the Foundation Board
Remuneration	2013: CHF 24,500; 2012: CHF 15,000

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## Schaerer Barbara

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: member of the Board of Directors Suva, Lucerne: member of the Board of Directors
Remuneration	2013: CHF 11,500; 2012: CHF 14,000

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## Scholl Fred

Chair of the Board of Directors

Occupation	Deputy General Secretary, Federal Staff Association
Qualifications	Precious metals expert, association secretary
Representative of	Employees
Board member since	01.07.2002
Remuneration	2013: CHF 33,000; 2012: CHF 11,000

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## Schranz Conrad

Occupation	Directorate General of Customs, Head of HVF Section
Qualifications	Diploma in Business Organisation, customs expert
Representative of	Employees
Board member since	01.07.2013
Committee	Audit Committee
Committee member since	01.07.2013
External mandates	Municipality of Rubigen: member of the municipal council
Remuneration	2013: CHF 5,500

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## Serra Jorge

Occupation	Secretary, Swiss Public Service Employees' Association VPOD
Qualifications	PhD, federally certified staff pensions expert
Representative of	Employees
Board member since	01.07.2013
Committee	Actuarial Policy and Law Committee
Committee member since	01.07.2013
External mandates	Swiss Public Service Employees' Association VPOD VPOD death benefit fund, interpreters' aid fund, holiday association VPOD pension fund St. Gallen pension fund City of Winterthur pension fund City of Zurich pension fund
Remuneration	2013: CHF 4,500

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## Sommer Martin

Occupation	Head of HR, ETH Board
Qualifications	Degree in Geography
Representative of	Employers
Board member since	01.07.2002
Committee	Actuarial Policy and Law Committee
Committee member since	20.03.2003
Remuneration	2013: CHF 12,000; 2012: CHF 10,250

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## Thalmann Philippe

Vice-Chair of the Investment Committee

Occupation	Professor EPFL ENAC INTER REME
Qualifications	PhD in Economics
Representative of	Employees
Board member since	01.07.2013
Committee	Investment Committee
Committee member since	01.07.2013
Remuneration	2013: CHF 5,000

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## Wyler Alfred

Occupation	Head of Benefits, Albicolac 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	Swiss Post Pension Fund, Bern: Chair of the Board of Trustees and member of the Investment Committee comPlan Pension Fund, Bern: Chair of the Board of Trustees Swiss Trade Union Association Pension Fund Cooperative, Bern: member of the Investment Committee
Remuneration	2013: CHF 10,500; 2012: CHF 8,000



The following members left the Board of Directors in the year under review (names in alphabetical order):

Bock Christian	Board member from / to	01.01.2009 – 30.06.2013
	Remuneration	2013: CHF 25,000; 2012: CHF 50,000
Cereghetti Piero	Board member from / to	01.07.2002 – 30.06.2013
	Remuneration	2013: CHF 4,000; 2012: CHF 10,500
Gerber Hugo	Board member from / to	01.01.2005 – 30.06.2013
	Remuneration	2013: CHF 12,000; 2012: CHF 30,000
Lienhart Hanspeter	Board member from / to	01.07.2002 – 30.06.2013
	Remuneration	2013: CHF 20,000; 2012: CHF 35,000
Müller Hans	Board member from / to	01.02.2004 – 30.06.2013
	Remuneration	2013: CHF 7,500; 2012: CHF 17,000

**Investment Committee** ..... The Investment Committee defines the strategic asset allocation on behalf of the Board of Directors, appoints the internal and external portfolio managers, and approves real-estate transactions up to a maximum value of CHF 50 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 has the power to propose an expert to the Board of Directors. The Director and the Head of Asset Management of PUBLICA are consultative members of the committee. The Chair of the Investment Committee is Alex Hinder.

In addition to Cipriano Alvarez, Ruth Meier and Philippe Thalmann, the external representatives on the Investment Committee as at 31 December 2013 are as follows (names in alphabetical order):

## Eggenberger Urs

Occupation	Vice-Director and Head of the Federal Treasury Department, Federal Finance Administration
Qualifications	Degree in Business Administration, CFA
Committee member since	19.11.2007
External mandates	Decommissioning Fund and Waste Disposal Fund: member of the Commission and Investment Committee AHV/IV/EO Compensation Fund: representative of the FFA on the Board of Directors and Board of Directors Committee BVG Security Fund, Bern: member of the Board of Trustees Member of the audit committee in his home municipality
Remuneration	2013: CHF 1,500; 2012: CHF 4,000

## Wyss Oskar

Occupation	Professor of Architecture, Management and Real Estate at the Bern University of Applied Sciences
Qualifications	Diplomas in Engineering and Real-Estate Economics (postgraduate)
Committee member since	29.10.2002
Remuneration	2013: CHF 5,000; 2012: CHF 4,000

## Actuarial Policy and 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. Prisca Grossenbacher has chaired the committee since 1 July 2013. Its members are Barbara Schaerer, Jorge Serra and Martin Sommer.

## Audit Committee

The Audit Committee's tasks include in particular reviewing PUBLICA's annual financial statements. It discusses the financial statements with the Director of PUBLICA and his deputy as well as the external Statutory Auditor, and the Pension Actuary's report with the Pension Actuary. Serge Gaillard has chaired the Audit Committee since 1 July 2013. Its members are Kurt Buntschu, Helene Budliger Artieda, Petra Maurer, Conrad Schranz 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:

<b>Quality management</b> .....	PUBLICA has a well-developed quality management system, and its processes are certified in accordance with ISO 9001. The aim is to provide high-quality operational services to customers. The processes were successfully recertified in 2013.
<b>Internal control system</b> .....	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.
<b>Compliance</b> .....	At least once a year, the Executive Board reports on PUBLICA's compliance policy and its implementation.
<b>Finances</b> .....	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.). The Board of Directors also approves the Annual Report.

## Code of conduct and exercise of voting rights

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 bound by the code of conduct set out in ASIP's charter. PUBLICA undertakes to comply with the principles and to take appropriate measures to ensure that it does so. Implementation of the ASIP charter by means of regularly updated compliance regulations ensures 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. Alternatively, they may be subject to supervision by a recognised supervisory body or to regulations that meet the integrity and loyalty requirements of the ASIP charter.

The Investment Committee exercises voting rights on behalf of PUBLICA at the general meetings of listed joint-stock corporations in Switzerland. The rights are exercised in accordance with the long-term interests of the shareholders. Voting rights are generally not exercised abroad.

## Assembly of Delegates

The Assembly of Delegates consists of 80 employees of the affiliated employers. It elects the employee representatives on the Board of Directors and has the power to submit proposals to the Board of Directors. The Board of Directors, the Director and his deputy report on PUBLICA's operations annually to the members of the Assembly of Delegates.

The active members of PUBLICA elected the 80 current members of the Assembly of Delegates on 26 October 2012. The four-year term of office began on 1 January 2013. The seats were distributed between the four constituencies according to the policy reserves of the individual pension plans as at 31 December 2011. The elected delegates and their distribution among the pension plans are published at [www.publica.ch](http://www.publica.ch).

As at 31 December 2013, the Chair and Vice-Chair of the PUBLICA Assembly of Delegates are as follows:

<b>Weber Matthias</b>	Chair
<b>Morard-Niklaus Jacqueline</b>	Vice-Chair

## Director, deputy and Executive Board

The Director and his 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 of 24 February 2011. The current Director is Dieter Stohler, and his deputy ad interim is Markus Zaugg (Head of Resources).

As at 31 December 2013, the Executive Board comprises the following members:

<b>Stohler Dieter</b>	Function	Director
	Qualifications	LL.B.
	External mandates	Swiss Pension Funds Association ASIP: board member Innovation Zweite Säule IZS: board member
<b>Beiner Stefan</b>	Function	Head of Asset Management
	Qualifications	Doctorate in Economics, St. Gallen
	External mandates	Schoeni.ch Holding AG: member of the Board of Directors University of St. Gallen: lecturer in finance

Burgunder Daniel	Function	Head of Insurance
	Qualifications	Diploma in Administration Management

Sohnrey Jan	Function	Head of Financial Administration and Accounting / Controlling
	Qualifications	Dipl. Inform., certified auditor, CAIA

Zaugg Markus	Function	Head of Resources Deputy ad interim to the Director
	Qualifications	Degree in Business Administration, EMBA HRM

As at 31 December 2013 the Extended Executive Board consisted of:

<b>Barandun Ursina</b>	Head of Communications
<b>Gautschi Jürg</b>	Head of Quality Management
<b>Geiser Corinne</b>	Head of Strategic Legal Services

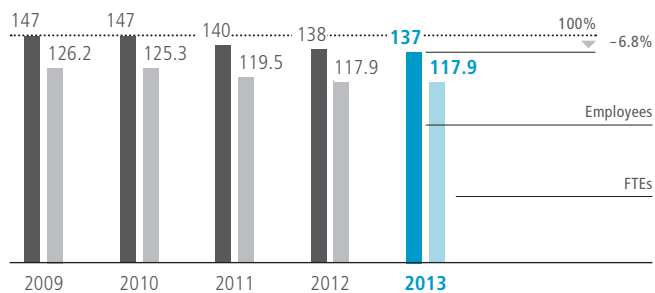
**Headcount** .....

Headcount once again fell year on year, and now stands at 137. The full-time equivalent figure, however, remained constant at 117.9.

**HEADCOUNT**

2009 – 2013

Average no. of employees and full-time equivalents (FTEs), 2009=100%



Scale: 100 percent = 30 mm

## Compensation

<b>Compensation policy</b> .....	<p>In mid-2013, the Board of Directors of PUBLICA approved some changes to compensation arrangements. Currently, the Chair of the Board of Directors and the Chair of the Investment Committee each receive flat-rate annual compensation of CHF 50,000. The Vice-Chair of the Board of Directors receives flat-rate compensation of CHF 35,000. The remaining members of the Board of Directors each receive flat-rate compensation of CHF 4,000 as well as an attendance fee. The fee for each half-day meeting is CHF 500 for members of the committees and CHF 750 each for the Chair of the Audit Committee and the Chair of the Actuarial Policy and Law Committee.</p> <p>PUBLICA does not generally pay bonuses.</p>
<b>Compensation-setting process</b> .....	<p>The Audit Committee reviews the appropriateness of the compensation paid to members of the Board of Directors annually.</p> <p>The Chair of the Board of Directors sets the salary of the Director. The Director and his deputy are responsible for the salaries of employees of PUBLICA.</p>
<b>Level of compensation</b> .....	<p>The total remuneration paid by PUBLICA either directly or indirectly to the 18 members of the Board of Directors and its committees was CHF 296,500 (prior year: CHF 316,250).</p> <p>The average remuneration paid to members of the Executive Board was CHF 264,724, while the total was CHF 1,455,982 (gross salary including all allowances and employer's pension contributions). The highest remuneration was paid to the Director, who received a gross salary of CHF 297,000. A total of CHF 56,122 were paid in employer's pension contributions.</p> <p>Unlike the reporting of salaries paid to senior management, these figures relate to the individuals stipulated in Art. 663b of the Swiss Code of Obligations.</p>

## Statutory Auditors

The Statutory Auditors KPMG AG are licensed as a state-supervised audit firm by the Swiss Federal Audit Oversight Authority FAOA. Kurt Gysin is the lead auditor. The total audit fee for 2013 was CHF 265,590 (prior year: CHF 267,255). KPMG received additional fees totalling CHF 89,381 (prior year: CHF 30,188) for tax consultancy services. The Statutory Auditors reported to the Audit Committee on the planning and results of its audits at two meetings. The Audit Committee has the power to grant additional audit mandates to the Statutory Auditors. In the interests of good corporate governance, PUBLICA invites tenders for the audit mandate at least every seven years. The next tender is scheduled for 2019.

## Pension Actuary

The Pension Actuary is Aon Hewitt (Switzerland) AG, with Daniel Thomann as its lead auditor. Aon Hewitt (Switzerland) AG is licensed as a pension actuary by the Federal Occupational Pensions Regulatory Commission. The total audit fee for 2013 was CHF 191,842 (prior year: CHF 295,318). The Pension Actuary attended various meetings of the Board of Directors and its committees. The mandate granted to Aon Hewitt (Switzerland) AG has remained unchanged since PUBLICA was created.

# Annual financial statements

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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 2013 amounted to over CHF 5 million.



## Balance sheet

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.

### CONSOLIDATED BALANCE SHEET

2013 with prior-year comparison, in CHF

	Notes	31.12.2012	31.12.2013
<b>Assets</b>			
Cash and cash equivalents	6.4.1	100 148 851	95 496 710
Receivables	6.4.1	105 306 944	112 957 535
Money market	6.4.1	692 743 091	921 274 624
Swiss government bonds	6.4.2	3 354 835 440	3 311 852 153
Non-government bonds CHF	6.4.2	5 633 519 980	4 896 565 712
Government bonds industrialised nations ex Switzerland	6.4.2	4 158 950 900	3 630 404 753
Corporate bonds foreign currency	6.4.2	5 100 936 238	5 532 395 653
Government bonds emerging markets	6.4.2	0	1 469 941 708
Mortgages Switzerland	6.4.3	181 914 564	177 593 503
Equities Switzerland	6.4.4	1 184 537 954	1 228 404 017
Equities industrialised nations ex Switzerland	6.4.4	7 009 875 234	7 238 977 923
Equities emerging markets	6.4.4	3 320 160 067	3 134 254 827
Commodities	6.4.5	1 754 193 221	1 788 097 956
Direct real estate investments Switzerland	6.4.6	2 448 228 962	2 456 429 696
<b>Investments</b>	6.4	<b>35 045 351 447</b>	<b>35 994 646 770</b>
<b>Operating assets</b>	7.1	<b>19 629 401</b>	<b>17 450 907</b>
<b>Prepaid expenses and accrued income</b>		<b>4 221 086</b>	<b>2 254 526</b>
<b>Total assets</b>		<b>35 069 201 935</b>	<b>36 014 352 203</b>
<b>Liabilities</b>			
Vested pension benefits and pensions		88 142 007	86 313 003
Other liabilities		5 720 541	6 586 889
Operating liabilities	7.1	19 629 401	17 450 907
<b>Liabilities</b>		<b>113 491 949</b>	<b>110 350 800</b>
<b>Accrued expenses and deferred income</b>		<b>930 712</b>	<b>938 869</b>
<b>Employers' contribution reserves</b>	6.11	<b>16 558 794</b>	<b>19 972 254</b>
<b>Non-technical provisions</b>	7.3	<b>26 252 846</b>	<b>28 140 575</b>
Pension fund capital – active members	5.2	12 596 432 921	13 392 097 320
Pension fund capital – pensioners	5.4	19 093 246 293	18 733 185 931
Technical provisions	5.5	1 487 904 642	2 320 079 731
<b>Pension fund capital and technical provisions</b>		<b>33 177 583 856</b>	<b>34 445 362 981</b>
<b>Fluctuation reserve</b>	6.3	<b>1 734 982 931</b>	<b>1 419 642 081</b>
<b>Uncommitted funds / underfunding of pension plans</b>		<b>-599 148</b>	<b>-10 055 356</b>
Opening balance sheet		0	-599 148
Expenditure (-) / income (+) surplus	5.9	-599 148	-9 456 208
Closing balance sheet		-599 148	-10 055 356
<b>Uncommitted funds / underfunding Reinsurance</b>	5.1	<b>0</b>	<b>0</b>
<b>Total liabilities</b>		<b>35 069 201 935</b>	<b>36 014 352 203</b>

## Income statement

### INCOME STATEMENT

2013 with prior-year comparison, in CHF

	Notes	2012	2013
Savings contributions – employees	5.2	387 942 752	401 542 178
Risk premiums – employees		16 138 954	13 741 685
Cost premiums – employees		194 668	138 232
Employee contributions		404 276 374	415 422 094
Savings contributions – employers	5.2	561 058 926	618 142 988
Risk premiums – employers		132 007 423	132 340 233
Cost premiums – employers		24 335 674	22 387 080
Employer contributions		717 402 023	772 870 301
Removal from employers' contribution reserve to finance contributions	6.11	-70 718	-383 088
Contributions from third parties		3 903 898	1 310 890
Lump-sum payments and buy-ins – active members	5.2	49 252 860	308 695 787
Buy-outs of pension reductions and pension buy-ins	5.4	54 948 290	39 203 100
Lump-sum payments and buy-ins		104 201 150	347 898 887
Payment of employers' contribution reserves	6.11	743 000	494 949
Contributions to the BVG Security Fund		0	200
<b>Ordinary and other contributions and payments</b>		<b>1 230 455 726</b>	<b>1 537 614 234</b>
Vested pension benefits received		278 472 440	389 232 295
Home ownership and divorce payments received		12 086 225	14 268 586
Payments on takeover of member portfolios	1.6	339 649	59 762 123
<b>Entrance benefits</b>	5.2	<b>290 898 314</b>	<b>463 263 003</b>
<b>Inflow from contributions and entrance benefits</b>		<b>1 521 354 040</b>	<b>2 000 877 237</b>
Retirement pensions		-1 271 598 059	-1 268 817 761
Survivors' pensions		-298 995 821	-300 537 984
Disability pensions		-37 287 871	-34 126 424
Other statutory benefits		-68 434 416	-59 684 139
Lump-sum benefits upon retirement		-99 241 236	-81 744 292
Lump-sum benefits in case of death/disability		-5 991 190	-1 975 168
<b>Statutory benefits</b>	5.4	<b>-1 781 548 592</b>	<b>-1 746 885 767</b>
Vested benefits paid on departure		-310 379 383	-364 697 441
Early withdrawals for home ownership / divorce		-67 391 606	-52 691 661
Transfer of additional funds on collective departure	1.6	-339 649	-60 828 721
<b>Vested termination benefits</b>	5.2	<b>-378 110 638</b>	<b>-478 217 823</b>
<b>Outflow for benefits and early withdrawals</b>		<b>-2 159 659 230</b>	<b>-2 225 103 590</b>
Formation (-) / release (+) of pension fund capital – active members	5.2	-771 509 524	-609 539 136
Formation (-) / release (+) of pension fund capital – pension recipients	5.4	-1 150 586 626	360 060 362
Formation (-) / release (+) of technical provisions	5.5	917 468 839	-832 175 089
Interest on savings capital	5.2	-212 404 856	-186 125 263
Formation/ (-) / release (+) of employers' contribution reserves	6.11	-247 846	-3 413 460
<b>Formation (-) / release (+) of pension fund capital, technical provisions and contribution reserves</b>		<b>-1 217 280 013</b>	<b>-1 271 192 586</b>
Shares in surpluses for pension plans from internal reinsurance	5.1	1 469 297	3 415 831
Shares in surpluses for pension plans from PUBLICA internal operations		4 221 086	2 224 927
<b>Pension plans</b>		<b>5 690 383</b>	<b>5 640 758</b>
Risk premium received – internal reinsurance, gross	5.1	7 386 377	7 909 257
Cost premium received – PUBLICA internal operations, gross		24 530 342	22 525 312
<b>PUBLICA Operations and PUBLICA Reinsurance</b>		<b>31 916 719</b>	<b>30 434 570</b>
<b>Income from insurance benefits</b>		<b>37 607 102</b>	<b>-36 075 329</b>
Risk premiums paid by pension plans for internal reinsurance	5.1	-7 386 377	-7 909 257
Cost premiums paid by pension plans for PUBLICA internal operations		-24 530 342	-22 525 312
Additional payment of cost premiums from non-technical provisions		-301 453	-337 198
Contributions to Security Fund		-1 732 442	-4 933 772
<b>Pension plans</b>		<b>-33 950 614</b>	<b>-35 705 540</b>
Repayment of shares in surplus from PUBLICA Reinsurance	5.1	-1 348 566	-3 415 831
Repayment of shares in surplus from PUBLICA Operations		-3 919 633	-1 887 729
<b>PUBLICA Operations and PUBLICA Reinsurance</b>		<b>-5 268 199</b>	<b>-5 303 560</b>
<b>Insurance expenses</b>		<b>-39 218 813</b>	<b>-41 009 100</b>
<b>Net insurance income</b>		<b>-1 857 196 914</b>	<b>-1 500 352 709</b>



**INCOME STATEMENT**

2013 with prior-year comparison, in CHF

	Notes	2012	2013
(continued)			
Net income from cash & cash equivalents	6.8	178 608	269 656
Net income from receivables	6.8	57 264	476
Net income from liabilities	6.8	-656 266	-749 213
Net income from money market	6.8	58 308 918	-258 878
Net income from Swiss government bonds	6.8	72 814 125	-147 627 772
Net income from Swiss non-government bonds	6.8	317 695 634	-53 355 286
Net income from government bonds industrialised nations ex Switzerland	6.8	194 800 712	-113 469 527
Net income from corporate bonds foreign currency	6.8	311 012 295	6 386 948
Net income from government bonds emerging markets	6.8	0	-158 594 566
Net income from mortgages Switzerland	6.8	3 857 158	3 517 772
Net income from equities Switzerland	6.8	248 464 171	269 764 830
Net income from equities industrialised nations ex Switzerland	6.8	911 995 158	1 692 516 294
Net income from equities emerging markets	6.8	314 490 728	-139 642 405
Net income from commodities	6.8	68 836 203	-228 603 687
Net income from direct real estate investments Switzerland	6.8	180 582 842	145 829 044
Asset management expenses	6.10	-66 721 646	-77 272 950
<b>Net investment income</b>	<b>6.8</b>	<b>2 615 715 903</b>	<b>1 198 710 735</b>
<b>Formation of non-technical provisions</b>	<b>7.3</b>	<b>-3 919 634</b>	<b>-1 887 729</b>
<b>Other expenses</b>		<b>-1 995 652</b>	<b>-1 405 510</b>
<b>Other income</b>		<b>2 297 424</b>	<b>1 209 466</b>
General administration		-20 284 539	-20 416 698
Marketing and advertising		-320 683	-68 493
Brokerage		0	0
Statutory Auditors		-267 255	-265 590
Pension Actuary		-295 318	-191 842
Supervisory authorities		-253 374	-128 688
<b>Administrative expenses</b>	<b>7.2</b>	<b>-21 421 169</b>	<b>-21 071 312</b>
<b>Expenditure (-) / income (+) surplus before formation / release of fluctuation reserve</b>		<b>733 479 958</b>	<b>-324 797 059</b>
<b>Formation (-) / release (+) of fluctuation reserve</b>	<b>6.3</b>	<b>-734 079 111</b>	<b>315 340 850</b>
<b>Expenditure (-) / income (+) surplus – pension plans</b>		<b>-599 148</b>	<b>-9 456 208</b>
<b>Expenditure (-) / income (+) surplus – Reinsurance</b>		<b>0</b>	<b>0</b>

## Notes

### 1 Fundamentals and organisation

1.1 Legal form and purpose ..... PUBLICA is an undertaking of the Swiss Confederation established under public law with a separate legal personality. Its head office is in Bern, and it is entered in the commercial register.

PUBLICA insures the employees of the centralised and decentralised federal administration and of affiliated organisations. Affiliation to PUBLICA is open to employers that are closely associated with the Confederation or fulfil a public task on behalf of the Confederation, a canton or a municipality (Art. 4 of the Federal Act of 20 December 2006 on the Federal Pension Fund [PUBLICA Act, SR 172.222.1]).

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

1.2 BVG registration ..... 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 (SFV, SR 831.432.1).

1.3 Legal basis ..... PUBLICA Act, status as at 1 January 2012

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Regulations of the Board of Directors of PUBLICA governing the Staff of the Federal Pension Fund PUBLICA dated 6 November 2009, as amended on 11 April 2013

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Contracts of affiliation of the employers affiliated to PUBLICA, consisting of the following components:

- the Pension Plan Regulations
  - the Service Level Agreement on Services
  - the Service Level Agreement on Medical Examinations (not obligatory; as required)
  - the Winding-Up Regulations
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Corporate and Organisational Regulations of the Federal Pension Fund PUBLICA of 24 February 2011

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Investment Guidelines of the Federal Pension Fund PUBLICA (PUBLICA Investment Guidelines) of 15 April 2010, as amended on 18 October 2013

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Regulations governing the Provisions and Reserves of the Federal Pension Fund PUBLICA, the Pension Plans and PUBLICA Reinsurance of 25 November 2010, as amended on 20 June 2013

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Compliance Regulations of 23 August 2012

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Regulations governing the Risk Policy and Internal Control System of 11 April 2013

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PUBLICA policy document on hardship cases of 25 November 2010, as amended on 18 October 2013

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

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

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Regulations governing the Remuneration of Members of the Board of Directors of the Federal Pension Fund PUBLICA of 26 November 2009, as amended on 20 June 2013

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Regulations governing the Audit Committee of the Federal Pension Fund PUBLICA of 13 October 2011, as amended on 21 November 2013

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Regulations governing the Actuarial Policy and Law Committee of the Federal Pension Fund PUBLICA of 22 November 2012, as amended on 21 November 2013

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Regulations governing the Election of the Assembly of Delegates of the Federal Pension Fund PUBLICA of 21 May 2008

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

The joint Board of Directors comprises 16 members (eight representing the insured members and eight representing the employers) and forms the strategic management body of PUBLICA. As the highest governing body, it supervises and oversees PUBLICA's operations. Management is 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 these bodies and of management are listed in the status report.

The Chair and Vice-Chair of the Board of Directors and the Executive Board are entered in the commercial register as joint signatories, with two signatures being required.

1.5 Pension Actuary, .....  
Statutory Auditors,  
supervisory body, consultants

Pension Actuary	Aon Hewitt (Switzerland) AG Avenue Edouard-Dubois 20 2000 Neuchâtel	<a href="http://www.aonhewitt.ch">www.aonhewitt.ch</a>
Statutory Auditors	KPMG AG Hofgut 3073 Gümligen-Bern	<a href="http://www.kpmg.com">www.kpmg.com</a>
Supervisory Body	Bernische BVG- und Stiftungsaufsicht (BBSA) Belpstrasse 48 3007 Bern	<a href="http://www.aufsichtbern.ch">www.aufsichtbern.ch</a>
Property Valuer	Jones Lang LaSalle Ltd Prime Tower, Hardstrasse 201 8005 Zurich	<a href="http://www.joneslanglasalle.ch">www.joneslanglasalle.ch</a>
Investment Controller	PPCmetrics AG Badenerstrasse 6, P.O. Box 8021 Zurich	<a href="http://www.ppcmetrics.ch">www.ppcmetrics.ch</a>

Global Custodian (custodian bank for foreign securities and consolidation of all assets)	J.P. Morgan (Switzerland) Ltd Dreikönigstrasse 21 8022 Zurich	www.jpmorgan.com
CH Custodian (custodian bank for CH securities)	Credit Suisse Custody & Transaction Services Uetlibergstrasse 231 8070 Zurich	www.credit-suisse.com

- 1.6 Affiliated employers ..... The range of employers that have either the option or the obligation to insure their employees' occupational pensions with PUBLICA is defined in the PUBLICA Act (Art. 4). As of 31 December 2013, the PUBLICA collective institution included 21 mutually independent pension plans (prior year: 20), of which seven were closed, pensioner-only plans without any active members. The pension plans have their own accounts and are managed by their own parity commissions.
- 1.6.1 Open pension plans ..... PUBLICA draws up separate, detailed annual financial statements for each pension plan, which are submitted to the parity commissions.

#### OPEN PENSION PLANS

2013 with prior-year comparison

	Units	31.12.2012	31.12.2013
<b>Pension plans with one employer</b>			
<b>Confederation</b>			
Active members	Number	37 555	38 658
Pension recipients	Number	26 290	26 233
<b>Total active members and pensioners</b>	Number	<b>63 845</b>	<b>64 891</b>
Available assets	in CHF	22 897 748 503	23 668 948 982
Pension fund capital & technical provisions	in CHF	21 731 625 218	22 704 905 928
<b>Funded ratio as per BVV2</b>	in percent	<b>105.4%</b>	<b>104.2%</b>
Economic funded ratio	in percent	77.6%	84.3%
<b>ETH Domain</b>			
Active members	Number	17 411	17 996
Pension recipients	Number	5 346	5 480
<b>Total active members and pensioners</b>	Number	<b>22 757</b>	<b>23 476</b>
Available assets	in CHF	5 788 053 265	6 008 216 634
Pension fund capital & technical provisions	in CHF	5 430 251 910	5 711 556 572
<b>Funded ratio as per BVV2</b>	in percent	<b>106.6%</b>	<b>105.2%</b>
Economic funded ratio	in percent	79.3%	86.2%
<b>Swiss Federal Institute of Intellectual Property</b>			
Active members	Number	252	257
Pension recipients	Number	58	60
<b>Total active members and pensioners</b>	Number	<b>310</b>	<b>317</b>
Available assets	in CHF	93 621 790	97 755 866
Pension fund capital & technical provisions	in CHF	88 755 156	93 829 305
<b>Funded ratio as per BVV2</b>	in percent	<b>105.5%</b>	<b>104.2%</b>
Economic funded ratio	in percent	76.2%	83.4%

**OPEN PENSION PLANS**

2013 with prior-year comparison

	Units	31.12.2012	31.12.2013
<b>(continued)</b>			
<b>Swissmedic</b>			
Active members	Number	422	431
Pension recipients	Number	100	111
<b>Total active members and pensioners</b>	Number	<b>522</b>	<b>542</b>
Available assets	in CHF	184 630 337	198 063 825
Pension fund capital & technical provisions	in CHF	174 634 017	190 064 531
<b>Funded ratio as per BVV2</b>	in percent	<b>105.7%</b>	<b>104.2%</b>
Economic funded ratio	in percent	77.3%	84.0%
<b>Swiss Federal Institute for Vocational Education and Training</b>			
Active members	Number	223	227
Pension recipients	Number	19	24
<b>Total active members and pensioners</b>	Number	<b>242</b>	<b>251</b>
Available assets	in CHF	61 300 466	66 235 428
Pension fund capital & technical provisions	in CHF	56 989 045	62 427 185
<b>Funded ratio as per BVV2</b>	in percent	<b>107.6%</b>	<b>106.1%</b>
Economic funded ratio	in percent	78.0%	85.2%
<b>Federal Audit Oversight Authority</b>			
Active members	Number	25	32
Pension recipients	Number	0	0
<b>Total active members and pensioners</b>	Number	<b>25</b>	<b>32</b>
Available assets	in CHF	3 861 441	5 468 663
Pension fund capital & technical provisions	in CHF	3 563 990	5 274 240
<b>Funded ratio as per BVV2</b>	in percent	<b>108.3%</b>	<b>103.7%</b>
Economic funded ratio	in percent	78.9%	84.0%
<b>Historical Dictionary of Switzerland</b>			
Active members	Number	33	28
Pension recipients	Number	13	12
<b>Total active members and pensioners</b>	Number	<b>46</b>	<b>40</b>
Available assets	in CHF	10 733 764	11 056 251
Pension fund capital & technical provisions	in CHF	10 089 285	10 226 159
<b>Funded ratio as per BVV2</b>	in percent	<b>106.4%</b>	<b>108.1%</b>
Economic funded ratio	in percent	77.2%	87.0%
<b>Swiss Financial Market Supervisory Authority</b>			
Active members	Number	482	504
Pension recipients	Number	49	46
<b>Total active members and pensioners</b>	Number	<b>531</b>	<b>550</b>
Available assets	in CHF	169 391 595	182 490 064
Pension fund capital & technical provisions	in CHF	160 300 086	174 151 161
<b>Funded ratio as per BVV2</b>	in percent	<b>105.7%</b>	<b>104.8%</b>
Economic funded ratio	in percent	76.9%	84.5%

**OPEN PENSION PLANS**

2013 with prior-year comparison

	Units	31.12.2012	31.12.2013
<b>(continued)</b>			
<b>Federal Nuclear Safety Inspectorate</b>			
Active members	Number	150	149
Pension recipients	Number	35	39
<b>Total active members and pensioners</b>	Number	<b>185</b>	<b>188</b>
Available assets	in CHF	84 552 818	89 794 573
Pension fund capital & technical provisions	in CHF	78 824 803	84 872 383
<b>Funded ratio as per BVV2</b>	in percent	<b>107.3%</b>	<b>105.8%</b>
Economic funded ratio	in percent	77.6%	84.7%
<b>PUBLICA</b>			
Active members	Number	131	133
Pension recipients	Number	49	55
<b>Total active members and pensioners</b>	Number	<b>180</b>	<b>188</b>
Available assets	in CHF	56 475 895	59 822 905
Pension fund capital & technical provisions	in CHF	53 647 703	57 606 276
<b>Funded ratio as per BVV2</b>	in percent	<b>105.3%</b>	<b>103.8%</b>
Economic funded ratio	in percent	76.1%	83.0%
<b>Trasse Schweiz AG</b>			
Active members	Number	10	10
Pension recipients	Number	0	0
<b>Total active members and pensioners</b>	Number	<b>10</b>	<b>10</b>
Available assets	in CHF	5 059 659	5 506 898
Pension fund capital & technical provisions	in CHF	4 714 844	5 220 545
<b>Funded ratio as per BVV2</b>	in percent	<b>107.3%</b>	<b>105.5%</b>
Economic funded ratio	in percent	78.2%	85.4%
<b>Swiss National Museum</b>			
Active members	Number	202	197
Pension recipients	Number	77	78
<b>Total active members and pensioners</b>	Number	<b>279</b>	<b>275</b>
Available assets	in CHF	52 850 677	56 690 203
Pension fund capital & technical provisions	in CHF	51 377 847	55 445 849
<b>Funded ratio as per BVV2</b>	in percent	<b>102.9%</b>	<b>102.2%</b>
Economic funded ratio	in percent	78.1%	84.3%
<b>METAS</b>			
Active members	Number	n/a	174
Pension recipients	Number	n/a	88
<b>Total active members and pensioners</b>	Number	<b>n/a</b>	<b>262</b>
Available assets	in CHF	n/a	109 869 200
Pension fund capital & technical provisions	in CHF	n/a	103 575 796
<b>Funded ratio as per BVV2</b>	in percent	<b>n/a</b>	<b>106.1%</b>
Economic funded ratio	in percent	n/a	85.6%
<b>Joint pension plans</b>			
<b>Affiliated Organisations</b>			
Active members	Number	2 123	2 148
Pension recipients	Number	856	872
<b>Total active members and pensioners</b>	Number	<b>2 979</b>	<b>3 020</b>
Available assets	in CHF	811 016 886	834 841 248

## OPEN PENSION PLANS

2013 with prior-year comparison

	Units	31.12.2012	31.12.2013
(continued)			
Pension fund capital & technical provisions	in CHF	757 833 462	786 071 400
<b>Funded ratio as per BVV2</b>	in percent	<b>107.0%</b>	<b>106.2%</b>
Economic funded ratio	in percent	79.0%	86.1%
<b>Total open pension plans</b>			
Active members	Number	59 019	60 944
Pension recipients	Number	32 892	33 098
<b>Total active members and pensioners</b>	Number	<b>91 911</b>	<b>94 042</b>
Available assets	in CHF	30 219 297 096	31 394 760 740
Pension fund capital & technical provisions	in CHF	28 602 607 366	30 045 227 331
<b>Funded ratio as per BVV2</b>	in percent	<b>105.7%</b>	<b>104.5%</b>
Economic funded ratio	in percent	77.9%	84.7%

## New affiliations

The Board of Directors approved the following new employer affiliations in 2013:

### Independent pension plan

The Federal Act on the Federal Institute of Metrology METAS came into force on 1 January 2013. This outsourced the Federal Institute of Metrology (METAS) from the central federal administration and established it as an independent institution under public law. Since 1 January 2013 the Federal Office of Metrology has had its own METAS pension plan, which was created by partial liquidation from the Confederation pension plan.

### Joint pension plan

- Albicolac compensation office
- L'Autorité de surveillance LPP et des fondations de Suisse occidentale

## Departures

No pension plans left PUBLICA in 2013.

### 1.6.2 Closed pension plans .....

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

## CLOSED PENSION PLANS

2013 with prior-year comparison

	Units	31.12.2012	31.12.2013
<b>Pensioners only – voluntarily insured</b> (Start of pension from 01.06.2003)			
<b>Pension recipients</b>	Number	<b>311</b>	<b>304</b>
Available assets	in CHF	125 294 260	122 288 550
Pension fund capital & technical provisions	in CHF	116 167 334	114 522 745
<b>Funded ratio as per BVV2</b>	in percent	<b>107.9%</b>	<b>106.8%</b>
Economic funded ratio	in percent	80.8%	88.1%

**CLOSED PENSION PLANS**

2013 with prior-year comparison

	Units	31.12.2012	31.12.2013
<b>(continued)</b>			
<b>Pensioners only – Affiliated organisations</b>			
<b>Pension recipients</b>	Number	<b>392</b>	<b>375</b>
Available assets	in CHF	141 303 786	133 079 819
Pension fund capital & technical provisions	in CHF	141 902 934	134 202 636
<b>Funded ratio as per BVV2</b>	in percent	<b>99.6%</b>	<b>99.2%</b>
Economic funded ratio	in percent	80.4%	86.4%
<b>Pensioners only – Confederation</b>			
<b>Pension recipients</b>	Number	<b>841</b>	<b>810</b>
Available assets	in CHF	179 915 774	170 742 491
Pension fund capital & technical provisions	in CHF	172 337 358	165 878 250
<b>Funded ratio as per BVV2</b>	in percent	<b>104.4%</b>	<b>102.9%</b>
Economic funded ratio	in percent	84.4%	89.9%
<b>Pensioners only – Swisscom</b> (Pension entitlement before 01.01.1999)			
<b>Pension recipients</b>	Number	<b>6 895</b>	<b>6 674</b>
Available assets	in CHF	2 558 280 099	2 417 033 641
Pension fund capital & technical provisions	in CHF	2 530 609 025	2 425 966 180
<b>Funded ratio as per BVV2</b>	in percent	<b>101.1%</b>	<b>99.6%</b>
Economic funded ratio	in percent	81.9%	87.2%
<b>Pensioners only – RUAG</b> (Pension entitlement before 01.07.2001)			
<b>Pension recipients</b>	Number	<b>2 463</b>	<b>2 357</b>
Available assets	in CHF	836 436 666	793 454 701
Pension fund capital & technical provisions	in CHF	814 323 591	780 969 498
<b>Funded ratio as per BVV2</b>	in percent	<b>102.7%</b>	<b>101.6%</b>
Economic funded ratio	in percent	82.4%	88.2%
<b>Pensioners only – SRG SSR idée suisse</b> (Pension entitlement before 01.01.2003)			
<b>Pension recipients</b>	Number	<b>1 120</b>	<b>1 086</b>
Available assets	in CHF	620 001 933	590 927 891
Pension fund capital & technical provisions	in CHF	584 624 794	563 959 251
<b>Funded ratio as per BVV2</b>	in percent	<b>106.1%</b>	<b>104.8%</b>
Economic funded ratio	in percent	85.1%	91.0%
<b>Pensioners only – PUBLICA Administration</b>			
<b>Pension recipients</b>	Number	<b>96</b>	<b>92</b>
Available assets	in CHF	85 119 393	83 160 615
Pension fund capital & technical provisions	in CHF	79 929 662	78 259 186
<b>Funded ratio as per BVV2</b>	in percent	<b>106.5%</b>	<b>106.3%</b>
Economic funded ratio	in percent	91.3%	96.5%
<b>Total closed pension plans</b>			
<b>Pension recipients</b>	Number	<b>12 118</b>	<b>11 698</b>
Available assets	in CHF	4 546 351 911	4 310 687 708
Pension fund capital & technical provisions	in CHF	4 439 894 698	4 263 757 746
<b>Funded ratio as per BVV2</b>	in percent	<b>102.4%</b>	<b>101.1%</b>
Economic funded ratio	in percent	82.6%	88.2%



## 2 Active members and pension recipients

### 2.1 Active members .....

Active members include those who are insured only against the risks of death and/or disability. More than one insurance situation may apply to each person.

#### ACTIVE MEMBERS

2013 with prior-year comparison, in number of insurance situations

	31.12.2012	31.12.2013
Men	38 989	40 013
Women	20 030	20 931
<b>Total active members</b>	<b>59 019</b>	<b>60 944</b>

### 2.2 Pension recipients .....

The figure for pension recipients does not include retirement bridging pensions or IV/AI replacement pensions. Multiple pensions are counted separately.

#### PENSION RECIPIENTS

2013 with prior-year comparison, in number of pension situations

	31.12.2012	31.12.2013
Retirement pensions	31 200	31 206
Retired person's child's pensions	600	582
Disability pensions	1 529	1 387
Disabled person's child's pensions	347	328
Surviving spouse/life-partner's pensions	10 987	10 963
Orphan's pensions	347	330
<b>Total pension recipients</b>	<b>45 010</b>	<b>44 796</b>

In 2013 there were a total of 1,096 new retirement pensions and retired person's child's pensions, 114 new disability pensions and disabled person's child's pensions (including occupational disability), and 733 new surviving spouse pensions and orphan's pensions.

Additionally, a total of 2,472 new retirement bridging pensions (prior year: 2,799) and 210 new IV/AI replacement pensions (prior year: 241) were paid.

## 3 Implementation of the purpose

### 3.1 Note to the pension plans .....

PUBLICA operates separate pension schemes for each pension plan. The employer allocates the insured members to the various pension plans on the basis of the 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 24,570 (status as at 31 December 2013).

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, insured members can choose to draw their pension 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 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 6.15%. 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 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.

Active members have the option to top up their personal retirement assets by making voluntary savings contributions. This increases the retirement pension or vested termination benefits paid out on departure from the pension plan. 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 pension benefits from previous pension plans and buy-ins, as well as income earned on pension plan assets. The level of employee contributions is set out in the individual pension plan regulations.

PUBLICA's operations are funded by contributions to administrative expenses (cost premiums) invoiced to the employers. These are set out in various service level agreements on services (SLA D) with the pension plans. Any additional services are invoiced separately using agreed fee schedules.

### 3.3 Further information ..... on pension provision

Pursuant to Art. 3 (2) of the PUBLICA Act, the Federal Council may delegate other tasks to PUBLICA provided that these are relevant to its area of responsibility under the PUBLICA Act; the costs incurred are borne by the Confederation. On this basis, PUBLICA takes charge of 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 (3) BVG, neither the parity commissions nor the Board of Directors have decided to adjust pensions generally in line with the cost of living. Individual employers among the closed pension plans fund pension increases.

## 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 and liabilities, employers' contribution reserves .....	Cash and cash equivalents, receivables, loans and liabilities as well as employers' contribution reserves are recorded at their nominal value. Provisions are formed as necessary to cover expected defaults on receivables and loans.
4.2.6 Securities and derivative financial instruments .....	Securities (bonds, equities, alternative investments and collective investments) 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 positions under "Investments" normally show the actual investment strategy (economic exposure).
4.2.7 Real estate .....	Directly held real estate is recognised in the balance sheet at the net present value (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 discount rate and capitalisation interest rate is between 4.1% and 5.5% (the same as in the previous year). The average capital-weighted discount rate and capitalisation interest rate across the valued portfolio is 4.61% (prior year: 4.72%). Properties under construction are recognised at the proportionate accrued cost according to their stage of completion less any necessary value adjustments. After entering service and once the approved statement of construction costs is available, new builds are revalued for the first time at year-end using the DCF method.

- 4.2.8 Pension fund capital and technical provisions ..... The internal actuarial service prepares the basis for calculating the pension fund capital and technical provisions and supplies the data to the Pension Actuary. The Pension Actuary calculates the pension fund capital and technical provisions annually in accordance with recognised principles and on the basis of generally accessible actuarial tables. The basis for the calculation of 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.
- 4.3 Changes to principles concerning valuation, accounting and reporting ..... The reporting was adjusted in advance to take account of the changes under Swiss GAAP ARR 26 which came into force on 1 January 2014. These adjustments take account of the enhanced transparency requirements of the law and regulations. The figures for the previous year correspond to the new breakdown.

## 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 autonomous or are fully or partially reinsured with PUBLICA Reinsurance. The pension plans pay a risk premium for this reinsurance and also participate in any surpluses. Both the individual pension plans and PUBLICA Reinsurance have formed 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 key figures for internal reinsurance are as follows:

<b>PUBLICA REINSURANCE</b>			
2013 with prior-year comparison			
	Units	31.12.2012	31.12.2013
Available assets	in CHF	146 318 632	149 501 255
Liabilities & provisions	in CHF	135 081 793	136 377 904
<b>Funded ratio as per BVV2</b>	in percent	<b>108.3%</b>	<b>109.6%</b>
Economic funded ratio	in percent	108.3%	109.6%
Risk premium received – employers and pension plans	in CHF	7 072 548	7 501 458
Risk premium received – employees	in CHF	313 828	407 799
<b>Total risk premium received</b>	in CHF	<b>7 386 377</b>	<b>7 909 257</b>
Reimbursement of share in surplus – employers	in CHF	1 283 817	3 217 606
Reimbursement of share in surplus – employees	in CHF	64 749	198 225
<b>Total reimbursement of shares in surplus</b>	in CHF	<b>1 348 566</b>	<b>3 415 831</b>

PUBLICA Reinsurance has its own, separate, low-risk strategic asset allocation to keep its investment risks as low as possible.

- 5.2 Development of pension fund capital for active members ..... The balance sheet item "Pension fund capital – active members" contains the total statutory vested termination benefits for active members of CHF 13.4bn (prior year: CHF 12.6bn). The interest rate on retirement assets fixed by the parity commissions for the current business year is between 1.5% and 2% (prior year: 1.5% and 2.5%). The following table shows the development in pension fund capital during the period under review.

**PENSION FUND CAPITAL – ACTIVE MEMBERS**

2013 with prior-year comparison, in CHF

	2012	2013
<b>Pension fund capital 01.01.</b>	<b>11 612 518 541</b>	<b>12 596 432 921</b>
Savings contributions – employees and employers	949 001 678	1 019 685 166
Lump-sum payments and buy-ins – active members	49 252 860	308 695 787
Vested pension benefits received	278 472 440	389 232 295
Home ownership and divorce payments received	12 086 225	14 268 586
Interest (including interest relating to other periods)	212 404 856	186 125 263
Vested benefits paid on departure	-310 379 383	-364 697 441
Early withdrawals for home ownership / divorce	-67 391 606	-52 691 661
Retirement pensions	-753 080 621	-656 445 636
Release on death	-20 300 588	-22 582 889
Release on disability leading to pension	-16 699 607	-15 499 521
Change of actuarial tables	675 397 711	0
Other changes	-24 849 585	-10 425 550
<b>Total pension fund capital – active members 31.12.</b>	<b>12 596 432 921</b>	<b>13 392 097 320</b>

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

5.3 Total retirement assets .....  
under BVG

**BVG RETIREMENT ASSETS**

2013 with prior-year comparison

	Units	31.12.2012	31.12.2013
Total BVG retirement assets	CHF	4 425 763 280	4 637 443 469
BVG minimum interest rate, set by Federal Council	Percent	1.5%	1.5%

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

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

The pension fund capital for pension recipients corresponds to the net present value of current pensions including associated deferred annuities and decreased by CHF 360m from the previous year's figure.

**PENSION FUND CAPITAL – PENSION RECIPIENTS**

2013 with prior-year comparison, in CHF

	2012	2013
<b>Pension fund capital 01.01.</b>	<b>17 942 659 667</b>	<b>19 093 246 293</b>
Statutory benefits	-1 781 414 468	-1 746 885 767
Lump-sum payments and buy-ins (buy-outs of pension reductions and pension buy-ins)	54 948 290	39 203 100
Retirements	753 080 621	656 445 636
Disability cases leading to pension	16 699 607	15 499 521
Change of actuarial tables	1 388 174 372	0
Technical interest rate, deaths and other changes	719 098 204	675 677 148
<b>Total pension fund capital – pension recipients 31.12.</b>	<b>19 093 246 293</b>	<b>18 733 185 931</b>

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

In response to continuing low interest rates, the Board of Directors of PUBLICA decided to reduce the technical interest rate to 2.75% (2.25% for the closed pension plans) with effect from 1 January 2015. This decision also resulted in an adjustment to the conversion rate. The Board of Directors took steps, including setting aside provisions and other accompanying measures, to maintain the current level of pensions. The technical provisions increased by a total of CHF 832m compared with the previous year, largely due to the setting aside of provisions to cushion the impact of the reduction in the technical interest rate.

### TECHNICAL PROVISIONS

2013 with prior-year comparison, in CHF

	31.12.2012	31.12.2013
<b>Pension plans</b>		
Provision for active members – longevity	73 823 785	116 387 070
Provision for active members – technical interest rate	302 541 526	639 572 282
Provision for pension recipients – longevity	106 749 731	112 399 114
Provision for pension recipients – technical interest rate	420 051 418	824 260 183
Provision for fluctuations in the membership of closed pension plans	–	49 679 141
Provision for outstanding claims (IBNR)	171 178 538	177 216 196
Provision for death and disability	67 404 000	67 404 000
Provision for guarantees (change of system)	185 278 332	170 885 574
Provision for cost-of-living adjustment and administrative expenses	25 795 519	25 898 266
<b>Total technical provisions – pension plans</b>	<b>1 352 822 849</b>	<b>2 183 701 826</b>
<b>Reinsurance</b>		
Provision for outstanding claims (IBNR)	21 015 180	20 382 291
Provision for death and disability	24 567 000	26 496 000
Provision for pricing	63 617 000	63 617 000
Provision for hardship cases – active members / pensioners	14 130 591	14 130 591
Provision for hardship cases – pension plans	11 752 022	11 752 022
<b>Total technical provisions – Reinsurance</b>	<b>135 081 793</b>	<b>136 377 904</b>
<b>Total technical provisions</b>	<b>1 487 904 642</b>	<b>2 320 079 731</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 essentially serve to meet a benefit obligation that is not taken into account in the pension fund capital and (unlike reserves) are to be allocated to specific causes. They are measured using recognised procedures and transparent assumptions.

#### Provisions for active members and pension recipients (longevity, technical interest rate)

Where the life expectancy trend over time is not reflected in the actuarial tables used (life table), certain precautions have to be taken to ensure that the promised benefits can always be provided. For this reason a provision for longevity is formed for active members and pension recipients.

A reduction in the technical interest rate normally results in a reduction in the conversion rate. The provision is set aside to help maintain continuity when the rate is lowered and to counteract – in whole or in part – any adverse impact on the future benefits of active members and pension recipients.

### 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. There comes a point when they are no longer able to meet their liabilities themselves, and have no option but to assign them to another insurer. The provision for fluctuations in the membership of closed pension plans is formed to mitigate these risks.

### 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 set aside for the subsequent processing of such cases.

### Provision for death and disability

The cases of death and disability to be expected in one year and the policy reserve required for paying the statutory benefits are calculated using the BVG 2010 (loaded) actuarial tables. The provision for death and disability cushions the adverse financial impact of unexpected deviations in the volume of claims. This provision only exists in those pension plans that cover the risks of death and disability themselves, in whole or in part, and are thus exposed to the risk of fluctuation.

### Provision for guarantees (change of system)

The provision for guarantees (change of system) is used to finance those pension components arising on the basis of Art. 25 of the PUBLICA Act (static guarantee of vested benefits).

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

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

## 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 accumulated using the risk premium of the fully or partially reinsured pension plans. Depending on the percentage of the target value achieved, any surplus is reimbursed to the pension plans concerned on the basis of a surplus concept.

### Provision for death and disability

As with the provision for outstanding claims, 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 pricing

The provision for pricing provides Reinsurance with time to adjust premiums in the event of an error in the actuarial basis.

### Provision for hardship cases

The prerequisites for guaranteeing voluntary benefits from reinsurance are set out in the PUBLICA policy document on hardship cases. The Regulations governing the Provisions and Reserves of the Federal Pension Fund PUBLICA divide the provision into one for hardship cases related to active members and pension recipients and one for hardship cases related to the pension plans.

- 5.6 Results of the latest actuarial assessment ..... See the confirmation from the Pension Actuary as at 31 December 2013 (point 12).
- 5.7 Actuarial tables and other actuarial assumptions ..... The calculations are based on the BVG 2010 (loaded) actuarial tables with a technical interest rate of 3.5% for the open pension plans and 3% for the closed pension plans. 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 2010. For this reason, loaded (or extrapolated) mortality rate predictions for 2018 are used.
- 5.8 Changes to actuarial tables and assumptions ..... No changes were made to the actuarial tables and assumptions in 2013.
- 5.9 Funded ratio as per Art. 44 BVV2 ..... The funded ratio as per Art. 44 BVV2 results from the ratio of the assets available to cover actuarial liabilities to the required actuarial pension fund capital (pension fund capital and technical provisions).

#### FUNDED RATIO AS PER ART. 44 BVV2

2013 with prior-year comparison, in CHF

	31.12.2012	31.12.2013
Actuarially required pension fund capital	33 177 583 856	34 445 362 981
Fluctuation reserve	1 734 982 931	1 419 642 081
Uncommitted funds (+) / underfunding (-)	-599 148	-10 055 356
<b>Available assets</b>	<b>34 911 967 639</b>	<b>35 854 949 705</b>
<b>Funded ratio as per Article 44 BVV2</b>	<b>105.2%</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 on the basis of current interest rates and to calculate an economic funded ratio in addition to the actuarial funded ratio. In calculating the economic funded ratio, the liabilities are calculated using a maturity-congruent, risk-free interest rate. This risk-free interest rate is based on 20-year Confederation bonds for active members and 10-year Confederation bonds for pension recipients.

The calculation of the economic liability on the active members assumes that the pension conversion rates are only reduced by setting aside additional provisions to maintain the existing level of benefits.

The corresponding calculations made by the Pension Actuary produced an economic funded ratio of 85.2% (prior year: 78.6%). By way of comparison, in 2007 the economic funded ratio was 91.9%. To adequately reflect the situation, PUBLICA has since 31 December 2004 taken account of the economic funded ratio when calculating the target value of the fluctuation reserve.



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

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

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, sticking close to a benchmark but allowing for active elements subject to relatively tight tracking error requirements in order to avoid the disadvantages of fully replicating capitalisation-weighted bond indices. Real-estate investments take the form of direct investments within Switzerland. Commodities investments are managed by two external specialists. The benchmarks are customised, and minor deviations from the indices are permitted in order to counteract market inefficiencies.

In the interest of business continuity planning, an optional mandate agreement was concluded with Pictet & Cie. in 2011. If PUBLICA Asset Management suddenly finds itself unable to manage the internally managed mandates itself, Pictet Asset Management has undertaken to take over those mandates within 48 hours and to manage them on a fiduciary basis until PUBLICA is able to resume doing so itself or a definitive solution has been found.

The following institutions were entrusted with the management of PUBLICA's assets as at the balance sheet date of 31 December 2013:

### ASSET MANAGEMENT

2013

Mandate	Asset manager	Licensing authority	Benchmark	Investment style	Date of regulation	Retrocessions
						Received
Government bonds CHF	Swiss Federal Pension Fund PUBLICA	Bernische BVG- und Stiftungsaufsicht (CH) <sup>1</sup>	Government bonds SBI	Index-tracking	–	prohibited
Non-government bonds CHF	Swiss Federal Pension Fund PUBLICA	Bernische BVG- und Stiftungsaufsicht (CH) <sup>1</sup>	SBI AAA-A foreign borrowers (48%) and domestic borrowers (52%)	Index-tracking	–	prohibited
Non-government bonds CHF	Pictet et Cie	Swiss Financial Market Supervisory Authority FINMA <sup>2</sup>	SBI AAA-A foreign borrowers (48%) and domestic borrowers (52%)	Index-tracking	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%)	Index-tracking	–	prohibited
Government bonds USD	Swiss Federal Pension Fund PUBLICA	Bernische BVG- und Stiftungsaufsicht (CH) <sup>1</sup>	JPM GBI USA	Index-tracking	–	prohibited
Government bonds GBP	Swiss Federal Pension Fund PUBLICA	Bernische BVG- und Stiftungsaufsicht (CH) <sup>1</sup>	JPM GBI UK	Index-tracking	–	prohibited
Government bonds CAD	Swiss Federal Pension Fund PUBLICA	Bernische BVG- und Stiftungsaufsicht (CH) <sup>1</sup>	JPM GBI Canada	Index-tracking	–	prohibited
Government bonds emerging markets	Ashmore Investment Management Limited	Financial Conduct Authority (UK) <sup>4</sup>	JPM GBI-EM Global Diversified	Index-tracking enhanced	21.02.13	prohibited
Government bonds emerging markets	Investec Asset Management	Financial Conduct Authority (UK) <sup>4</sup>	JPM GBI-EM Global Diversified	Index-tracking enhanced	21.02.13	prohibited
Corporate bonds EUR	Union Investment Institutional GmbH	Federal Financial Supervisory Authority (DE) <sup>4</sup>	Barclays EUR Corporate	Index-tracking	20.06.11	prohibited
Corporate bonds EUR	Standard Life Investments Limited	Financial Conduct Authority (UK) <sup>4</sup>	Barclays EUR Corporate ex Financials	Index-tracking	25.08.11	prohibited
Corporate bonds USD	PIMCO Europe Ltd	Financial Conduct Authority (UK) <sup>4</sup>	Barclays USD Corporate Intermediate	Index-tracking	04.05.11	prohibited

## ASSET MANAGEMENT 2013

Mandate	Asset manager	Licensing authority	Benchmark	Investment style	Retrocessions	
					Date of regulation	Received
Corporate bonds USD	BlackRock Institutional Trust Company	Office of the Comptroller of the Currency (US) <sup>4</sup>	Barclays USD Corporate Intermediate ex Financials	Index-tracking	04.05.11	prohibited
Currency hedging foreign currency bonds	Record Currency Management Limited	Financial Conduct Authority (UK) <sup>4</sup>	Difference in relevant portfolio benchmark hedged vs. unhedged	Indexed	22.10.08	prohibited
Equities Switzerland	Credit Suisse AG	Swiss Financial Market Supervisory Authority FINMA <sup>2</sup>	SMI	Indexed	01.12.08	prohibited
Equities Switzerland	Pictet et Cie	Swiss Financial Market Supervisory Authority FINMA <sup>2</sup>	SMI	Indexed	02.12.08	prohibited
Equities industrialised nations ex Switzerland	Credit Suisse Funds AG	Swiss Financial Market Supervisory Authority FINMA <sup>3</sup>	MSCI (gross) Europe ex Switzerland (25%), North America (50%), Japan (10%) and Pacific ex Japan (15%)	Indexed	09.11.05	prohibited
Equities industrialised nations ex Switzerland	BlackRock Advisors (UK) Limited	Financial Conduct Authority (UK) <sup>4</sup>	MSCI (gross) Europe ex Switzerland (25%), North America (50%), Japan (10%) and Pacific ex Japan (15%)	Indexed	27.06.05	prohibited
Currency hedging Equities industrialised nations ex Switzerland	Russell Implementation Services Ltd	Financial Conduct Authority (UK) <sup>4</sup>	Difference in relevant portfolio benchmark hedged vs. unhedged	Indexed	28.10.08	prohibited
Equities emerging markets	Pictet et Cie	Swiss Financial Market Supervisory Authority FINMA <sup>2</sup>	MSCI (net) Emerging Markets	Indexed	19.08.10	prohibited
Equities emerging markets	Vanguard Asset Management, Ltd	Financial Conduct Authority (UK) <sup>4</sup>	MSCI (net) Emerging Markets	Indexed	19.08.10	prohibited
Commodities	Morgan Stanley & Co. International Plc	Financial Conduct Authority (UK) <sup>4</sup>	S&P GSCI TR industrial metals (35%), petroleum (35%) and precious metals (30%)	Index-tracking (swaps)	02.11.09	prohibited
Commodities	BlackRock Advisors (UK) Limited	Financial Conduct Authority (UK) <sup>4</sup>	S&P GSCI TR industrial metals (35%), petroleum (35%) and precious metals (30%)	Indexed (futures)	02.11.09	prohibited
Real estate Switzerland	Swiss Federal Pension Fund PUBLICA	Bernische BVG- und Stiftungsaufsicht (CH) <sup>1</sup>	KGAST Immo Index	Direct investments	–	prohibited
Direct real estate investments Switzerland	LIVIT AG	n/a	n/a	Direct investments	23.11.11	prohibited
Direct real estate investments Switzerland	Comptoir Immobilier SA	n/a	n/a	Direct investments	20.11.12	prohibited
Direct real estate investments Switzerland	Cogestim SA	n/a	n/a	Direct investments	21.05.12	prohibited
Direct real estate investments Switzerland	Weck, Aeby & Cie. SA	n/a	n/a	Direct investments	06.06.12	prohibited
Direct real estate investments Switzerland	Von Graffenried AG Liegenschaften	n/a	n/a	Direct investments	02.07.12	prohibited
Direct real estate investments Switzerland	Privera AG	n/a	n/a	Direct investments	16.05.12	prohibited
Direct real estate investments Switzerland	psm Center Management AG	n/a	n/a	Direct investments	02.07.12	prohibited
Direct real estate investments Switzerland	Mata Treuhand- und Revisions AG	n/a	n/a	Direct investments	02.07.12	prohibited
Direct real estate investments Switzerland	Immosupport by Fritz und Caspar Jenny AG	n/a	n/a	Direct investments	14.05.12	prohibited

1 Art. 48f para. 4 let. a. registered pension plans under Article 48 BVG

2 Art. 48f para. 4 let. d. banks under the Banking Act

3 Art. 48f para. 4 let. f. fund management companies

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

PUBLICA strives to achieve low costs and fair, transparent agreements 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.

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

PUBLICA does not take advantage of the extensions to the range of permitted investments provided for under Art. 50 BVV2.

6.3 Target size and calculation of the fluctuation reserve

Owing to the negative operating result, there was a net reduction in fluctuation reserves.

#### TARGET VALUE AND CALCULATION OF FLUCTUATION RESERVE

2013 with prior-year comparison, in CHF

	2012	2013
<b>Fluctuation reserve 01.01</b>	<b>1 000 903 820</b>	<b>1 734 982 931</b>
Change in fluctuation reserve debited (+) / credited (-) to income statement	734 079 111	-315 340 850
<b>Total fluctuation reserve 31.12</b>	<b>1 734 982 931</b>	<b>1 419 642 081</b>
Fluctuation reserve deficit 31.12	9 211 204 789	8 371 836 370
<b>Target fluctuation reserve</b>	<b>10 946 187 719</b>	<b>9 791 478 451</b>
Fluctuation reserve as % of target	15.9%	14.5%
Target value of fluctuation reserve in % of pension fund capital and technical provisions	33.0%	28.4%

Under the Regulations governing the Provisions and Reserves of PUBLICA, the fluctuation reserve takes account of two separate elements: the risk of fluctuation on investments, and the risk of fluctuation on pension liabilities.

The component of the 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 minimum target value has been fixed, on the basis of a safety level of 97.5% and an investment horizon of one year, at 17.4% of the sum of the pension fund capital and the technical provisions.

The component of the 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.

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 over time.

## STRATEGIC ASSET ALLOCATION – OPEN PENSION PLANS

2013, in percent

Asset class	Allocation at 31.12.2013	Pro rata strategy	Long-term strategy	Tactical bandwidths in % of strategy weighting	
				Minimum	Maximum
<b>Money market</b>	<b>2.5%</b>	<b>2.0%</b>	<b>2.0%</b>	<b>0%</b>	<b>200%</b>
<b>Swiss government bonds</b>	<b>6.2%</b>	<b>6.8%</b>	<b>6.8%</b>	<b>80%</b>	<b>120%</b>
<b>Non-government bonds CHF</b>	<b>13.3%</b>	<b>14.2%</b>	<b>14.2%</b>	<b>80%</b>	<b>120%</b>
Government bonds EUR currency hedged	6.1%	6.0%	6.0%	50%	150%
Government bonds USD currency hedged	3.7%	4.0%	4.0%	50%	150%
Government bonds GBP currency hedged	0.8%	1.0%	1.0%	0%	200%
Government bonds CAD currency hedged	0.9%	1.0%	1.0%	0%	200%
<b>Government bonds industrialised nations ex Switzerland</b>	<b>11.6%</b>	<b>12.0%</b>	<b>12.0%</b>	<b>80%</b>	<b>120%</b>
Corporate bonds EUR currency hedged	7.1%	7.0%	7.0%	50%	150%
Corporate bonds USD currency hedged	8.7%	9.0%	9.0%	50%	150%
<b>Corporate bonds foreign currency</b>	<b>15.8%</b>	<b>16.0%</b>	<b>16.0%</b>	<b>80%</b>	<b>120%</b>
<b>Government bonds emerging markets</b>	<b>4.7%</b>	<b>5.0%</b>	<b>5.0%</b>	<b>80%</b>	<b>120%</b>
<b>Mortgages Switzerland</b>	<b>0.6%</b>	<b>0.0%</b>	<b>0.0%</b>		
<b>Equities Switzerland</b>	<b>3.2%</b>	<b>3.0%</b>	<b>3.0%</b>	<b>50%</b>	<b>150%</b>
Equities Europe currency hedged	5.7%	5.0%	5.0%	50%	150%
Equities North America currency hedged	10.9%	10.0%	10.0%	50%	150%
Equities Pacific currency hedged	5.1%	5.0%	5.0%	50%	150%
<b>Equities industrialised nations ex Switzerland</b>	<b>21.6%</b>	<b>20.0%</b>	<b>20.0%</b>	<b>50%</b>	<b>150%</b>
<b>Equities emerging markets</b>	<b>10.0%</b>	<b>10.0%</b>	<b>10.0%</b>	<b>50%</b>	<b>150%</b>
<b>Commodities</b>	<b>5.7%</b>	<b>6.0%</b>	<b>6.0%</b>	<b>80%</b>	<b>120%</b>
<b>Direct real estate investments Switzerland</b>	<b>5.0%</b>	<b>5.0%</b>	<b>5.0%</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	14.7%	15.0%	15.0%		
Total currency hedged	85.3%	85.0%	85.0%		

## STRATEGIC ASSET ALLOCATION – CLOSED PENSION PLANS

2013, in percent

Asset class	Allocation at 31.12.2013	Pro rata strategy	Long-term strategy	Tactical bandwidths in % 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>31.5%</b>	<b>34.0%</b>	<b>34.0%</b>	<b>80%</b>	<b>120%</b>
<b>Non-government bonds CHF</b>	<b>14.4%</b>	<b>15.0%</b>	<b>15.0%</b>	<b>80%</b>	<b>120%</b>
Corporate bonds EUR currency hedged	6.1%	5.7%	5.7%	50%	150%
Corporate bonds USD currency hedged	7.4%	7.3%	7.3%	50%	150%
<b>Corporate bonds foreign currency</b>	<b>13.5%</b>	<b>13.0%</b>	<b>13.0%</b>	<b>80%</b>	<b>120%</b>
<b>Equities Switzerland</b>	<b>5.4%</b>	<b>5.0%</b>	<b>5.0%</b>	<b>50%</b>	<b>150%</b>
Equities Europe currency hedged	2.8%	2.5%	2.5%	50%	150%
Equities North America currency hedged	5.4%	5.0%	5.0%	50%	150%
Equities Pacific currency hedged	2.5%	2.5%	2.5%	50%	150%
<b>Equities industrialised nations ex Switzerland</b>	<b>10.8%</b>	<b>10.0%</b>	<b>10.0%</b>	<b>80%</b>	<b>120%</b>
<b>Direct real estate investments Switzerland</b>	<b>20.9%</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	0%	0%	0%		
Total currency hedged	100%	100%	100%		

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

### INVESTMENTS BY ASSET CLASS

2013 with prior-year comparison, in CHF

	Notes	31.12.2012	31.12.2013
<b>Cash and cash equivalents</b>	6.4.1	<b>100 148 851</b>	<b>95 496 710</b>
<b>Receivables</b>	6.4.1	<b>105 306 944</b>	<b>112 957 535</b>
<b>Money market</b>	6.4.1	<b>692 743 091</b>	<b>921 274 624</b>
<b>Swiss government bonds</b>	6.4.2	<b>3 354 835 440</b>	<b>3 311 852 153</b>
<b>Non-government bonds CHF</b>	6.4.2	<b>5 633 519 980</b>	<b>4 896 565 712</b>
Government bonds EUR		2 493 629 680	1 925 854 258
Government bonds USD		1 232 139 852	1 155 481 072
Government bonds GBP		286 407 880	264 704 857
Government bonds CAD		146 773 488	284 364 566
<b>Government bonds industrialised nations ex Switzerland</b>	6.4.2	<b>4 158 950 900</b>	<b>3 630 404 753</b>
Corporate bonds EUR		2 255 647 256	2 486 797 890
Corporate bonds USD		2 845 288 982	3 045 597 764
<b>Corporate bonds foreign currency</b>	6.4.2	<b>5 100 936 238</b>	<b>5 532 395 653</b>
<b>Government bonds emerging markets</b>	6.4.2	<b>0</b>	<b>1 469 941 708</b>
<b>Mortgages Switzerland</b>	6.4.3	<b>181 914 564</b>	<b>177 593 503</b>
<b>Equities Switzerland</b>	6.4.4	<b>1 184 537 954</b>	<b>1 228 404 017</b>
Equities Europe		1 749 777 893	1 905 593 587
Equities North America		3 465 608 835	3 638 828 880
Equities Pacific		1 794 488 506	1 694 555 457
<b>Equities industrialised nations ex Switzerland</b>	6.4.4	<b>7 009 875 234</b>	<b>7 238 977 923</b>
<b>Equities emerging markets</b>	6.4.4	<b>3 320 160 067</b>	<b>3 134 254 827</b>
<b>Commodities</b>	6.4.5	<b>1 754 193 221</b>	<b>1 788 097 956</b>
<b>Direct real estate investments Switzerland</b>	6.4.6	<b>2 448 228 962</b>	<b>2 456 429 696</b>
<b>Total investments</b>		<b>35 045 351 447</b>	<b>35 994 646 770</b>
Operating assets – PUBLICA Operations		19 629 401	17 450 907
Prepaid expenses and accrued income		4 221 086	2 254 526
<b>Balance sheet total</b>		<b>35 069 201 935</b>	<b>36 014 352 203</b>

6.4.1 Cash and cash equivalents, .....  
receivables

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

At CHF 112.2m, the current accounts of employers with contributing receivables are the largest single items under the item "Receivables". The employees' and employers' contributions are billed at the end of each month. The contributions for the month of December were due and payable on 31 December 2013.

6.4.2 Bonds .....

In the open pension plans, the reduction in non-government bonds CHF continued. The allocation fell from 18.5% to 14.2%. Thanks to the market situation, these bonds were sold without difficulty. The allocation to Swiss government bonds was increased marginally in January 2013, to 6.8%, and remained unchanged for the rest of the year. The reduction in the allocation to government bonds EUR was also continued, reaching the target weighting of 6% in November 2013. The benchmark for this asset class is made up of 50% German government bonds, 33.3% French government bonds

and 16.7% Dutch government bonds. The government bonds CAD portfolio was further increased in the year under review, with the process being completed in March 2013.

The increase in the allocation to corporate bonds USD and EUR in the open pension plans was already at an advanced stage at the start of 2013, and was also completed in March. To avoid distorting the market, the investments were made at intervals over a period of time. The strategic allocations for the open pension plans are 9% (USD) and 7% (EUR). For the closed pension plans, the allocation already corresponded to the targets of 7.3% (USD) and 5.7% (EUR) at the start of the year under review.

As part of the 2012 strategic asset allocation, an allocation of 5% to emerging market government bonds was decided upon for the open pension plans. Implementation of this asset class began following approval by the Investment Committee of the investment management agreements with Ashmore and Investec in February 2013. With the exception of May, the allocation was increased by 0.5 percentage point increments in monthly tranches alternating between the two managers. The target allocation of 5% was reached in November 2013.

6.4.3 Mortgages .....	Mortgage loans amounting to CHF 177.6m (prior year: CHF 181.9m) were granted to housing cooperatives.
6.4.4 Equities .....	<p>In 2013, the equity component of the allocation stood at 33% for the open pension plans and 15% for the closed pension plans. The weightings of the individual regions – Europe, North America, Pacific and emerging markets – correspond approximately to their contribution to global economic output. The decision taken in June 2010 to forgo investments in Transocean in both the SMI mandates was reviewed and maintained.</p> <p>The benchmarks for equities North America, Europe ex Switzerland and emerging markets were adjusted at the start of the year. As an alternative to the traditional market-capitalised indices, investments were made in indices that use other weighting methods within the existing mandates. These included value weighted indices, which stipulate a weighting based on fundamental figures such as revenues, book value or dividend yield, and minimum volatility indices, which prescribe a universe of securities subject to the smallest price fluctuations. The various types of indices were weighted as follows: 75% market weighted, and 12.5% each for value weighted and minimum volatility. The change was implemented between February and April 2013.</p>
6.4.5 Commodities .....	Approximately half the investment volume in commodities is invested via exchange-traded futures contracts, with the remainder being implemented using an excess return swap. In both the managed futures mandate and the excess return swap, PUBLICA manages the funding internally. In the case of the swap solution, collateral is exchanged on a daily basis by an independent partner (J.P. Morgan) in order to keep the counterparty risk low.
6.4.6 Real estate .....	No acquisitions were made in 2013. The current value (including properties under construction and projects) came to CHF 2.456bn as at 31 December 2013, compared with CHF 2.448bn at the end of 2012.

6.5 Current (open) derivative financial instruments

As at 31 December 2013, the following derivative positions were open:

**CURRENT (OPEN) DERIVATIVE FINANCIAL INSTRUMENTS AND COLLATERAL**  
2013, in CHF

	Net replacement value	Net contract volume (in mn)	Collateral received	Collateral pledged
Interest-rate swaps	19 875 062	175	5 648 736	0
Commodity swaps	13 479 070	1 024	25 865 000	0
Currency forwards	247 020 917	16 454	326 833 053	0
Equity futures	2 733 489	82	0	0
Commodity futures	-6 023 275	724	0	0
Bond futures	-752 684	5	0	0

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

In order to enable efficient management of counterparty risks in the currency hedging programmes, PUBLICA has concluded a prime brokerage agreement with UBS AG. The currency managers act on a competitive basis with a wide range of banks. These pass the transactions to UBS AG, which settles all currency forward transactions as a central counterparty in return for a fee. The only counterparty risk is in relation to UBS AG. This is backed by collateral in the form of Confederation bonds which are exchanged daily in order to keep the counterparty risk low.

To hedge the counterparty risks of the interest-rate swaps, a framework agreement on the exchange of collateral was concluded in 2013 for a portion of the contracts.

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

6.6 Open capital commitments

There are no open capital commitments as at 31 December 2013.

6.7 Securities lending

PUBLICA has concluded a securities lending agreement with J.P. Morgan, under which the latter acts as agent. The lenders are first-class counterparties that are carefully selected and constantly monitored. PUBLICA accepts only government bonds with a high credit rating as collateral. The securities lending programme with Credit Suisse for Swiss securities has been suspended since 2011. As of 31 December 2013 securities valued at CHF 774.2m were on loan (compared with CHF 826.3m as at 31 December 2012).

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

## 6.8 Net investment income .....

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

**NET INVESTMENT INCOME**

2013 with prior-year comparison, in CHF

	2012	2013
<b>Net income from cash &amp; cash equivalents</b>	<b>178 608</b>	<b>269 656</b>
<b>Net income from receivables</b>	<b>57 264</b>	<b>476</b>
<b>Net income from liabilities</b>	<b>-656 266</b>	<b>-749 213</b>
<b>Net income from money market</b>	<b>58 308 918</b>	<b>-258 878</b>
<b>Net income from Swiss government bonds</b>	<b>72 814 125</b>	<b>-147 627 772</b>
<b>Net income from Swiss non-government bonds</b>	<b>317 695 634</b>	<b>-53 355 286</b>
Net income from government bonds EUR	165 107 060	-42 449 427
Net income from government bonds USD	24 032 301	-46 407 877
Net income from government bonds GBP	6 133 919	-13 895 463
Net income from government bonds CAD	-472 568	-10 716 760
<b>Net income from government bonds industrialised nations ex Switzerland</b>	<b>194 800 712</b>	<b>-113 469 527</b>
Net income from corporate bonds EUR	192 728 852	45 544 914
Net income from corporate bonds USD	118 283 443	-39 157 966
<b>Net income from corporate bonds foreign currency</b>	<b>311 012 295</b>	<b>6 386 948</b>
<b>Net income from government bonds emerging markets</b>	<b>0</b>	<b>-158 594 566</b>
<b>Net income from mortgages Switzerland</b>	<b>3 857 158</b>	<b>3 517 772</b>
<b>Net income from equities Switzerland</b>	<b>248 464 171</b>	<b>269 764 830</b>
Net income from equities Europe	275 012 450	343 902 924
Net income from equities North America	368 893 842	894 736 164
Net income from equities Pacific	268 088 867	453 877 206
<b>Net income from equities industrialised nations ex Switzerland</b>	<b>911 995 158</b>	<b>1 692 516 294</b>
<b>Net income from equities emerging markets</b>	<b>314 490 728</b>	<b>-139 642 405</b>
<b>Net income from commodities</b>	<b>68 836 203</b>	<b>-228 603 687</b>
<b>Net income from direct real estate investments Switzerland</b>	<b>180 582 842</b>	<b>145 829 044</b>
<b>Asset management expenses</b>	<b>-66 721 646</b>	<b>-77 272 950</b>
<b>Net investment income</b>	<b>2 615 715 903</b>	<b>1 198 710 735</b>



## 6.9 Net performance .....

On a currency-hedged basis and at the level of consolidated overall assets, PUBLICA achieved a net performance of 3.47% on its investments in 2013, exceeding the benchmark performance of 3.23% after costs and taxes by 24 basis points. Excluding currency hedging, the net performance would have been 2.45% (portfolio) and 2.13% (benchmark). The investment performance was 3.49% (benchmark: 3.25%) for the open pension plans and 3.41% (benchmark: 3.12%) for the closed ones. The prior-year performance was 8.21% for the open pension plans and 5.95% for the closed pension plans.

**NET PERFORMANCE**

2013, in CHF and percent, after deduction of all asset management expenses

	Portfolio performance	Benchmark performance	Difference	Investments (CHF mn)
<b>Money market</b>	<b>0.09%</b>	<b>-0.15%</b>	<b>0.24%</b>	<b>921</b>
<b>Swiss government bonds</b>	<b>-4.28%</b>	<b>-4.28%</b>	<b>0.00%</b>	<b>3 312</b>
<b>Non-government bonds CHF</b>	<b>-1.06%</b>	<b>-1.26%</b>	<b>0.20%</b>	<b>4 897</b>
Government bonds EUR	-2.00%	-1.93%	-0.07%	1 926
Government bonds USD	-3.83%	-3.74%	-0.09%	1 155
Government bonds GBP	-5.05%	-4.68%	-0.37%	265
Government bonds CAD	-4.12%	-3.73%	-0.39%	284
<b>Government bonds industrialised nations ex Switzerland</b>	<b>-2.97%</b>	<b>-2.88%</b>	<b>-0.09%</b>	<b>3 630</b>
Corporate bonds EUR	1.60%	1.81%	-0.21%	2 487
Corporate bonds USD	-1.46%	-0.74%	-0.72%	3 046
<b>Corporate bonds foreign currency</b>	<b>-0.12%</b>	<b>0.37%</b>	<b>-0.49%</b>	<b>5 532</b>
<b>Government bonds emerging markets</b>	<b>-15.57%</b>	<b>-13.59%</b>	<b>-1.98%</b>	<b>1 470</b>
<b>Mortgages Switzerland</b>	<b>1.88%</b>	<b>2.50%</b>	<b>-0.62%</b>	<b>178</b>
<b>Equities Switzerland</b>	<b>24.02%</b>	<b>23.90%</b>	<b>0.12%</b>	<b>1 228</b>
<b>Equities industrialised nations ex Switzerland</b>	<b>26.44%</b>	<b>26.85%</b>	<b>-0.41%</b>	<b>7 239</b>
<b>Equities emerging markets</b>	<b>-5.32%</b>	<b>-5.27%</b>	<b>-0.05%</b>	<b>3 134</b>
<b>Commodities</b>	<b>-12.51%</b>	<b>-12.66%</b>	<b>0.15%</b>	<b>1 788</b>
<b>Direct real estate investments Switzerland</b>	<b>5.83%</b>	<b>6.01%</b>	<b>-0.18%</b>	<b>2 456</b>
<b>Total</b>	<b>3.47%</b>	<b>3.23%</b>	<b>0.24%</b>	<b>35 786</b>
Total without currency hedging	2.45%	2.13%	0.32%	35 541
Open pension plans	3.49%	3.25%	0.24%	31 378
Closed pension plans	3.41%	3.12%	0.29%	4 315
Reinsurance	-1.07%	-1.26%	0.19%	93

The performance calculation 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 influence average invested capital, with the timing of these flows also playing a role. PUBLICA's performance calculation is drawn up by the Global Custodian, reconciled with the asset managers and reviewed by the Investment Controller. It is adjusted for the flows of funds and is based on a daily valuation of securities.

## 6.10 Asset management expenses .....

With a cost transparency level of 100%, asset management expenses stand at 21.8 basis points (prior year: 19.6 basis points). Asset management expenses are made up of the main items listed in the following table:

<b>ASSET MANAGEMENT EXPENSES</b>		
2013 with prior-year comparison, in CHF		
	2012	2013
External asset managers – securities	16 350 430	23 555 629
External asset managers – real estate	7 652 260	5 388 446
External asset managers – mortgages	228 467	222 707
Internal asset managers – securities	4 651 347	4 790 867
Internal asset managers – real estate	1 747 445	2 136 168
<b>Asset manager expenses</b>	<b>30 629 949</b>	<b>36 093 817</b>
Custody fees and management	8 506 087	7 738 538
<b>Custodian expenses</b>	<b>8 506 087</b>	<b>7 738 538</b>
<b>TER costs</b>	<b>39 136 036</b>	<b>43 832 355</b>
Stamp duty	12 902 233	11 434 628
Withholding tax (not reclaimable)	9 122 873	12 701 313
Other taxes	0	2 810 138
<b>Taxes</b>	<b>22 025 106</b>	<b>26 946 079</b>
Trading fees, commissions, other costs	5 145 785	5 810 148
<b>Transaction expenses</b>	<b>5 145 785</b>	<b>5 810 148</b>
<b>Transaction expenses and taxes (TTC costs)</b>	<b>27 170 891</b>	<b>32 756 227</b>
Investment Controller	179 280	179 280
Other consultancy (legal, tax, ALM, etc.)	235 439	505 088
<b>Other expenses (SC costs)</b>	<b>414 719</b>	<b>684 368</b>
<b>Total asset management expenses</b>	<b>66 721 646</b>	<b>77 272 950</b>
Average cost-transparent capital investments	34 068 312 053	35 519 999 109
Total of all key cost figures reported in the income statement in CHF for collective investment schemes	0	0
<b>Asset management expenses in basis points</b>	<b>19.6</b>	<b>21.8</b>
<b>Cost transparency level</b>	<b>100%</b>	<b>100%</b>

Asset management expenses rose year on year, owing in particular to the new and more expensive asset classes from emerging markets.

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.

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 investments 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 12.5 basis points should be applied.

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 employers' contribution reserves 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 reinsured their risks in a fully matching manner. The employers' contribution reserve was used to provide additional interest on active members' pension fund capital. There are no waivers of use in respect of the employers' contribution reserves.

#### EMPLOYERS' CONTRIBUTION RESERVES

2013 with prior-year comparison, in CHF

	2012	2013
<b>Employers' contribution reserves 01.01</b>	<b>16 310 948</b>	<b>16 558 794</b>
Allocations	2 026 817	3 712 555
Utilisation	- 1 856 835	-383 088
Interest (0.5%)	77 865	83 993
<b>Total employers' contribution reserves 31.12</b>	<b>16 558 794</b>	<b>19 972 254</b>

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

### 7.1 Operating assets / liabilities

The operating assets / liabilities comprise the following:

#### OPERATING ASSETS AND LIABILITIES – PUBLICA

2013 with prior-year comparison, in CHF

	31.12.2012	31.12.2013
Current assets	14 507 621	11 858 610
Investment assets	5 121 781	5 592 297
<b>Operating assets – PUBLICA Operations</b>	<b>19 629 401</b>	<b>17 450 907</b>
Debt	3 308 060	4 833 102
Working capital	16 321 342	12 617 806
<b>Operating liabilities – PUBLICA Operations</b>	<b>19 629 401</b>	<b>17 450 907</b>

### 7.2 Administrative account – Operations

The resources of PUBLICA Operations are used for the administration of active members and pension recipients as well as components of asset management. Accordingly, 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 point 6.10 in asset management expenses under the items "Internal asset managers", "Other expenses", and as a component of custodian expenses. The item "Marketing and advertising" includes the general administrative expenses in connection with client acquisition.

#### ADMINISTRATIVE EXPENSES

2013 with prior-year comparison, in CHF

	2012	2013
Personnel expenses	18 380 021	18 667 558
General administrative expenses	10 838 553	11 534 813
Financial expenses	183 456	186 644
Apportionments to Asset Management	-9 117 491	-9 972 317
<b>General administration</b>	<b>20 284 539</b>	<b>20 416 698</b>
<b>Marketing and advertising</b>	<b>320 683</b>	<b>68 493</b>
<b>Statutory Auditors</b>	<b>267 255</b>	<b>265 590</b>
<b>Pension Actuary</b>	<b>295 318</b>	<b>191 842</b>
<b>Supervisory authority</b>	<b>253 374</b>	<b>128 688</b>
<b>Administrative expenses</b>	<b>21 421 169</b>	<b>21 071 312</b>
No. of active members	59 019	60 944
No. of pension recipients	45 010	44 796
<b>Total active members and pension recipients</b>	<b>104 029</b>	<b>105 740</b>
<b>Administrative expenses per active member / pension recipient</b>	<b>206</b>	<b>199</b>

General administrative expenses are charged to Asset Management and administrative management transparently and in line with their contribution to those expenses. 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 administra-



tion of active members and pension recipients (e.g. entrance, departure and pension calculations, changes). They are charged according to the quantity used.

7.3 Non-technical provisions ..... The cost premiums paid by employers are compared with the administrative costs actually caused. Surpluses are transferred to the non-technical provisions of the pension plans and are used to fund uncovered administrative costs.

Under Art. 27 and 43 of the Regulations governing the Provisions and Reserves of PUBLICA, 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 target values, negotiations are conducted with the employers concerned with a view to setting new cost scales, unless otherwise agreed.

8 **Requirements of the supervisory authorities** ..... No special requirements have been imposed by the supervisory authorities. The requirements mentioned in the previous year were complied with in 2013.

9 **Further information concerning the financial situation**

9.1 Underfunded pension plans ..... As of 31 December 2013 two of the closed pension plans were underfunded: the Pensioners only – Affiliated Organisations pension plan, with a funded ratio of 99.2%, and the Pensioners only – Swisscom pension plan at 99.6%.

In addition to the persistently low level of interest rates, the underfunding is attributable to the burden of the provisions for the reduction in the technical interest rate. It is not possible to remedy the underfunding through short-term measures. PUBLICA therefore conducted a situation analysis and compiled a strategy paper setting out a range of possible solutions designed to ensure that the approximately 12,000 pensions of former federal government employees are safeguarded for the long term. The options for closed, pensioner-only memberships to remedy underfunding on their own are limited, and in such a situation additional financial support is inevitably required. The Board of Directors of PUBLICA has therefore initiated discussions with the Confederation with a view to developing a plan for addressing the need for action in the closed pension plans.

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

Pension recipients from METAS have lodged an objection to the partial liquidation of the Confederation pension fund following the outsourcing of METAS. The decision taken by the parity commission of the Confederation pension fund has been appealed to the supervisory authority.

9.3 Collective departures ..... Collective departures are mentioned in section 1.6.1.

10 **Post-balance sheet events** ..... There have been no extraordinary events since the balance sheet date.

## 11 Report by the Statutory Auditors



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Report of the Statutory Auditor to the Fund Commission of the

**Swiss federal pension fund PUBLICA, Bern**

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### 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 (pages 34 to 65) for the year ended 31 December 2013.

#### *Fund Commission's Responsibility*

The Fund Commission 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 Fund Commission 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 Fund Commission 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 Fund Commission

#### *Opinion*

In our opinion, the financial statements for the year ended 31 December 2013 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 Fund Commission is responsible for ensuring that the legal requirements are met and that the regulatory provisions on organisation, management and investments are applied.

We have assessed whether

- organisation 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;
- 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.

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

KPMG AG

Kurt Gysin  
*Licensed Audit Expert*

Erich Meier  
*Licensed Audit Expert*

Bern, April 10, 2014

## 12 Confirmation from the Accredited Pension Actuary

### PUBLICA Confirmation from the Accredited Pension Actuary as of 31.12.2013

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#### Terms of Reference

We have been instructed by the responsible representatives of PUBLICA (hereafter: "the Fund") to prepare an actuarial report in accordance with Article 52e(1)(a) BVG/LPP.

#### Confirmation of Independence

As Accredited Pension Actuary within the meaning of Article 52a(1) BVG/LPP, we hereby confirm that, in compliance with Article 40 BVV2/OPP2 and Directive OAK BV W-03/2013, we are independent and objective in our judgment and recommendations.

We further confirm that we satisfy the certification criteria of appropriate professional training and experience and knowledge of the relevant legal prescriptions stipulated in Article 52d(2)(a) and (b) BVG/LPP, and that we are authorised by the Oberaufsichtskommission OAK BV, the Independent Regulatory Authority, based on the personal requirements of good repute and trustworthiness in accordance with Article 52d(2)(c) BVG/LPP.

#### Membership data

PUBLICA provided us with all relevant data relating to its active members and pensioners for our actuarial appraisal. In its letter of 13.03.2014, PUBLICA confirmed that the membership numbers communicated to us were definitive and that it had relied upon the same data in establishing its balance sheet.

#### Actuarial capital

The actuarial liabilities for PUBLICA's active members and pensioners were calculated based on the BVG/LPP 2010 (P2018) 3.5% actuarial tables, while the liabilities for closed-scheme pensioners were calculated using BVG/LPP 2010 (P2018) 3.0% tables. The actuarial liability, or actuarial capital, is equal to the sum of the active members' individual vested termination benefits and the present value of pensions in payment plus the corresponding prospective survivor benefits. They total **CHF 32,125,283,251.-**.

#### Provisions and Reserves

The Fund Commission has adopted regulations on provisions and reserves which apply in preparing the actuarial balance sheet. In accordance with those regulations, the actuarial balance sheet shows total provisions of **CHF 2,320,079,730.-**. Moreover, PUBLICA set aside investment fluctuation reserves within the limits allowed by its financial situation; as of 31.12.2013, the investment fluctuation reserves for all pension plans averaged 14.5% of the relevant target values.

#### Assets

The assets available for covering actuarial liabilities and calculating the funded status correspond to the total assets at market value minus short-term liabilities, deferred income, employer contribution reserves and non-actuarial reserves. Thus calculated, the available assets total **CHF 35,854,949,705.-**

#### Financial Situation

The actuarial balance sheets of the affiliated pension plans are generally well-balanced and show neither a surplus nor a deficit. The exceptions are 2 closed-scheme plans which were slightly underfunded in 2013. PUBLICA and its pension plans will not be able to report an actuarial surplus (or free assets) before reserves have reached their target value. Given the low level of its reserves, PUBLICA has limited tolerance for investment risks. At the same time, PUBLICA cannot hope to attain its financial objectives unless it continues to pursue a risky investment strategy.



## Funded Status

### Funded status under Article 44 BVV2/OPP2

Funded status, within the meaning of Article 44 OPP2/BVV2, is the ratio between the assets available for covering the Fund's actuarial liabilities and the aggregate actuarial capital calculated with a discount rate of 3.5% (respectively 3%) plus the actuarial provisions. As of 31.12.2013, PUBLICA's funded status under BVV2/OPP2 was 104.1% compared with 105.2% on 31.12.2012.

### Economic funded status

The economic funded status is the ratio between the assets available for covering the Fund's actuarial liabilities and the aggregate actuarial capital calculated with a risk-free discount rate (20-year Federal Bonds for active members and 10-year Federal Bonds for pensioners) plus the actuarial provisions. As of 31.12.2013, PUBLICA's economic funded status was 85.2% compared with 78.6% on 31.12.2012.

## Appraisal of financial situation

### Consolidated perspective

The figures submitted are the aggregate figures for all affiliated pension plans. The consolidated financial situation of PUBLICA, calculated in accordance with Article 44 BVV2/OPP2, has deteriorated slightly mainly because more significant provisions were set aside. With a funded status of 104.1% as of 31.12.2013, PUBLICA had to decrease its reserves slightly. Although PUBLICA managed to eliminate the underfunding within the meaning of Article 44 OPP2/BVV2 several years ago, its recovery cannot be considered sustainable until its reserves have been fully replenished.

The individual plans have a funded status ranging from 99.2% to 108.1%. In appraising the financial situation of the individual plans, membership age structure must be taken into account in addition to funded status. The financial situation of pensioner-only pension plans, in particular, could quickly deteriorate to a point where improvement would be impossible without external intervention: accordingly, from 1 January 2011, a separate investment strategy with differentiated risks was implemented for those pension plans.

### Open pension plans

PUBLICA's open pension plans are well-funded and have no structural deficits. Their funding was consolidated by the change in actuarial tables on 1 July 2012. The scheduled reduction in discount rate to 2.75% on 01.01.2015 is expected to further strengthen the funding of these pension plans in the long term, although the related costs may have a strong but temporary negative impact in 2014 and 2015.

### Closed-scheme pension plans

Given expected rates of return, PUBLICA's closed-scheme pension plans are inadequately funded. Two affiliated pension plans were already slightly underfunded on 31.12.2013. The financial cost of the scheduled reduction in discount rate to 2.25% will very likely drive the other closed-scheme plans into increasing underfunding.

At the same time, these pension plans cannot take any recovery measures themselves and are reliant on external support. Attention was drawn to this development some time ago and the Fund Commission submitted proposals to the Finance Department at the end of 2013. The aim is to prepare a solution for securing the healthy financial development of all affiliated pension plans by the end of 2014 which is liable to win the approval of the Fund Commission, in its capacity as the highest joint administration body of all the affiliated pension plans, and of the Finance Department. The Regulatory Authority shall be informed accordingly.

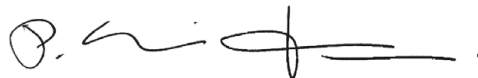
### Confirmation from the Accredited Pension Actuary

The actuarial appraisal for PUBLICA was prepared in accordance with the guidelines and principles for pension actuaries and guidelines of the Swiss Chamber of Pension Actuaries.

Based on the foregoing, we hereby confirm that:

- As of 31.12.2013, PUBLICA is in a position to fully cover its actuarial liabilities or actuarial capital, calculated on the basis of the BVG/LPP 2010 (P2018) actuarial tables with a discount rate of 3.5% (respectively 3.0%), as well as its provisions, Reserved are two affiliated closed-scheme pension plans which are slightly underfunded.
- The BVG/LPP 2010 (P2018) actuarial tables now applied are appropriate for the Pension Fund. The discount rate of 3.5%, respectively 3.0%, and the decision to reduce the rate to 2.75% and 2.25% respectively on 01.01.2015, are consistent with guideline FRP 4 of the Swiss Chamber of Pension Actuaries. The continuous increase in life expectancy will be duly taken into account by appropriate increases in the relevant provisions.
- All security measures were taken within the Fund's financial limits in accordance with the regulations on actuarial provisions and reserves. Provisions are stated at their target value. However, the investment fluctuation reserves covering fluctuation risks in asset values and pension liabilities still fall short of their target value.
- Funded status, within the meaning of Article 44 OPP2/BVV2, was 104.1% as of 31.12.2013 based on actuarial discount rates of 3.5%, respectively 3.0%.
- The economic funded status calculated with a risk-free actuarial discount rate was 85.2% as of 31.12.2013.
- Although, with two exceptions, the pension plans are not underfunded, in view of their still modest reserves, their recovery cannot be considered sustainable and they still have not achieved full risk capacity.
- The **open pension funds** are currently adequately funded and can meet their benefit obligations. Taking into account the applicable actuarial tables, the benefits obligations are duly secured by the actuarial capital, actuarial provisions, contributions and expected return on investment.
- The funding of the **closed-scheme pension plans** depends primarily on the return on investment, which is unlikely to be sufficient given the conservative investment strategy adopted. Two pension plans are now already slightly underfunded. The Fund Commission, which is also the joint administration body for all closed-scheme pension plans, has prepared proposals for the Finance Department with a view to securing the financial development of the closed-scheme pension plans. An expedient solution is expected to be agreed in 2014.
- The Fund's actuarial regulations on benefits and financing are in compliance with the applicable statutory requirements on 31.12.2013.

Aon Hewitt (Switzerland) AG



Daniel Thomann  
Swiss Accredited Pension Actuary  
Neuchâtel, 10 April 2014



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