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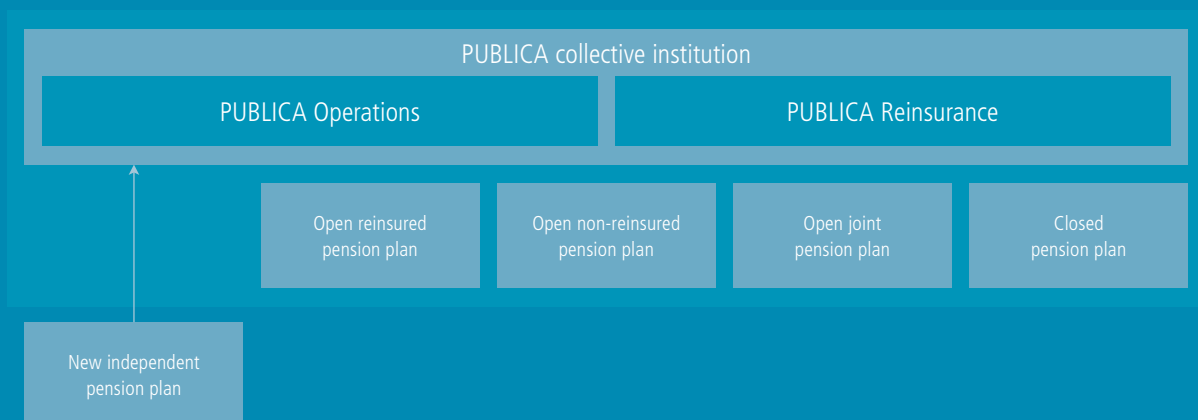
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PUBLICA is not profit-oriented.
It manages its assets solely in
the interests of its active members
and pension recipients.

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

It is an independent collective institution established under public law and comprises 14 open and 7 closed pension plans, each of which is organisationally and economically independent. Unlike the closed pension plans, open pension plans can accept new members. PUBLICA's internal reinsurance operation offers the open pension plans full or partial cover against the risks of death and disability among their insured members, depending on their size 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.

Collective institution with independent pension plans



Our mission statement:

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

CHF 36.5 billion
Total assets

0.20%
Total asset management
expenses

72.8%
Economic funded ratio

100.1%
Funded ratio

−1.93%
Net investment performance

63 463
Active members

42 894
Pension recipients

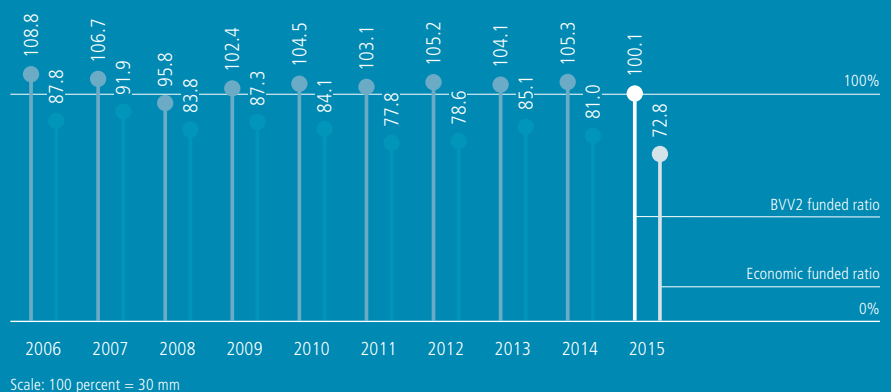
CHF 185
Administrative expenses
per active member
or pension recipient

PUBLICA's strategic asset allocation requires it to invest only in transparent products. This is reflected in a cost transparency level of 100%. The performance in 2015 was −1.93%.

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.

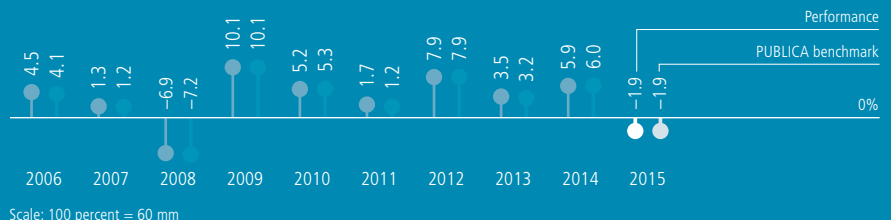
Funded ratio

2006 – 2015, in percent



Performance

2006 – 2015, in percent





Foreword

As of 31 December 2015, PUBLICA's total funded ratio stood at 100.1% (prior year: 105.3%). A difficult investment year ended with a negative investment performance for the open pension plans.



Matthias Remund

Chair of the Board of Directors, PUBLICA

Dieter Stohler

Director, PUBLICA

As a result, the consolidated funded ratio shows only a minimal surplus. Some of the open pension plans are slightly underfunded. The cause of the below-average performance in some cases compared with other pension funds is the strategic decision taken by PUBLICA to diversify the portfolio widely and invest 14% of the assets of the open pension plans in bonds and equities from emerging markets. In view of the medium to long-term outlook, PUBLICA remains invested in emerging markets and is not undertaking a cyclical reduction in the emerging markets exposure.

Reduction in the technical interest rate

By resolution of the Board of Directors, the technical interest rate was lowered by 0.75 percentage points with effect from 1 January 2015. The rate for the open pension plans is now 2.75%, and for the closed plans 2.25%. This move was combined with a reduction in the conversion rate to 5.65% (previously 6.15%) at age 65, also effective from 1 January 2015. PUBLICA used the additional technical provisions set aside between 2012 and 2014 to cushion the impact. The total cost of this change to the technical parameters was around CHF 2.5 billion, or 7.6 percentage points on the funded ratio.

Optimisation of administrative costs and increased efficiency

There were pleasing developments in the structure of the customer portfolio: the number of active members rose further (+1.5%), while the number of pension recipients declined slightly (−0.9%). The increase in active members, coupled with cost savings, has led to a further reduction in administrative costs per active member or pension recipient, to CHF 185. This will allow the cost premiums to be reduced for many pension plans in subsequent years.

Pension administration used to be carried out on two separate IT systems; these have now been combined as part of a two-year project. The operational simplification makes administration more efficient and cheaper.

Thanks

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 2015, 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.



Matthias Remund
Chair of the Board of Directors, PUBLICA



Dieter Stohler
Director, PUBLICA



Status report

15%

Reduction in administrative
expenses since 2011

10 of 21

Pension plans
underfunded

The funded ratio of PUBLICA's open pension plans deteriorated markedly as a result of the negative performance and one-off burdens resulting from the reduction in the technical interest rate. Of the 21 pension plans, 10 are underfunded. The operational side reflects the results of PUBLICA's increased attention to costs and the increase in membership numbers: administrative expenses have fallen once again to CHF 185 per active member or pension recipient.

Business activities

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

It is an independent collective institution established under public law and comprises 21 open and closed pension plans, each of which is organisationally and economically independent. Unlike the closed pension plans, open pension plans can accept new members. PUBLICA's internal reinsurance operation offers the open pension plans full or partial cover against the risks of death and disability among their insured members, depending on their size 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.

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 appendix 1.6 to the annual financial statements.

Corporate orientation

Mission statement: leading pension fund

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

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

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

Corporate strategy: maintaining a high level

PUBLICA's corporate strategy puts the needs of employers, active members and pension recipients first. The company aims to maintain and further improve on the high level of quality, transparency, professionalism and flexibility in its services attested by customer surveys. In view of the low interest-rate environment, the strategy is also focused on its long-term financial orientation. PUBLICA is committed to realistic undertakings on pension levels and, therefore, to the prudent definition of actuarial parameters that are effective over the long term. PUBLICA also strives to further enhance the efficiency and effectiveness of its operations, with a view to keeping administrative costs per active member and pension recipient low.



Corporate objectives: measurable and realistic

One important, measurable corporate objective for PUBLICA is to reduce administrative costs. Since 2011, these have fallen from CHF 217 per active member / pension recipient to CHF 185 at present. Further corporate objectives for 2015 included merging the two pension applications and migrating daily business to electronic records-keeping.

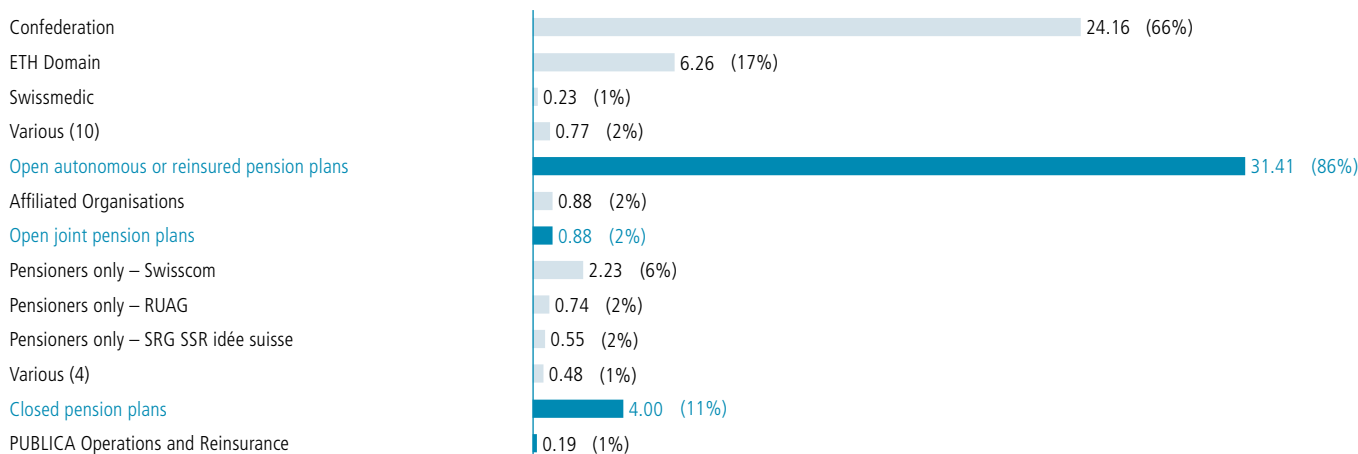
“When discussing corporate objectives, the Board of Directors and Executive Board must speak the same language.”

Helen Budliger Artieda, Member of the Board of Directors of PUBLICA

Structure of the pension plans

Pension plans by type and institution

as at 31.12.2015, in CHF bn and percentage of total assets



Scale: CHF1 bn = 3 mm

Collective institution: independent open and closed pension plans

Open pension plans

Open pension plans are made up of active members and, in some cases, pension recipients. They include the autonomous (non-reinsured) and reinsured pension plans as well as the joint pension plan. The open pension plans have funded ratios of between 97.1% and 101.7% (prior year: 102.7% and 108.5%). The funded ratios have deteriorated markedly overall, owing to the negative investment performance and the adjustment of the technical parameters. The differences in funded ratio trends between the individual pension plans are mainly due to the differing proportions of pension recipients, which vary between 0% and 39% (prior year: 0% and 39.3%) in the individual pension plans.

Closed pension plans

The closed pension plans consist entirely of pension recipients. Their funded ratio is between 102.3% and 112.8% (prior year: 101.7% and 111.0%). The liabilities of the closed pension plans are valued at a technical interest rate of 2.25%, which is 0.5 percentage points lower than that for the open pension plans.

Operations and Reinsurance

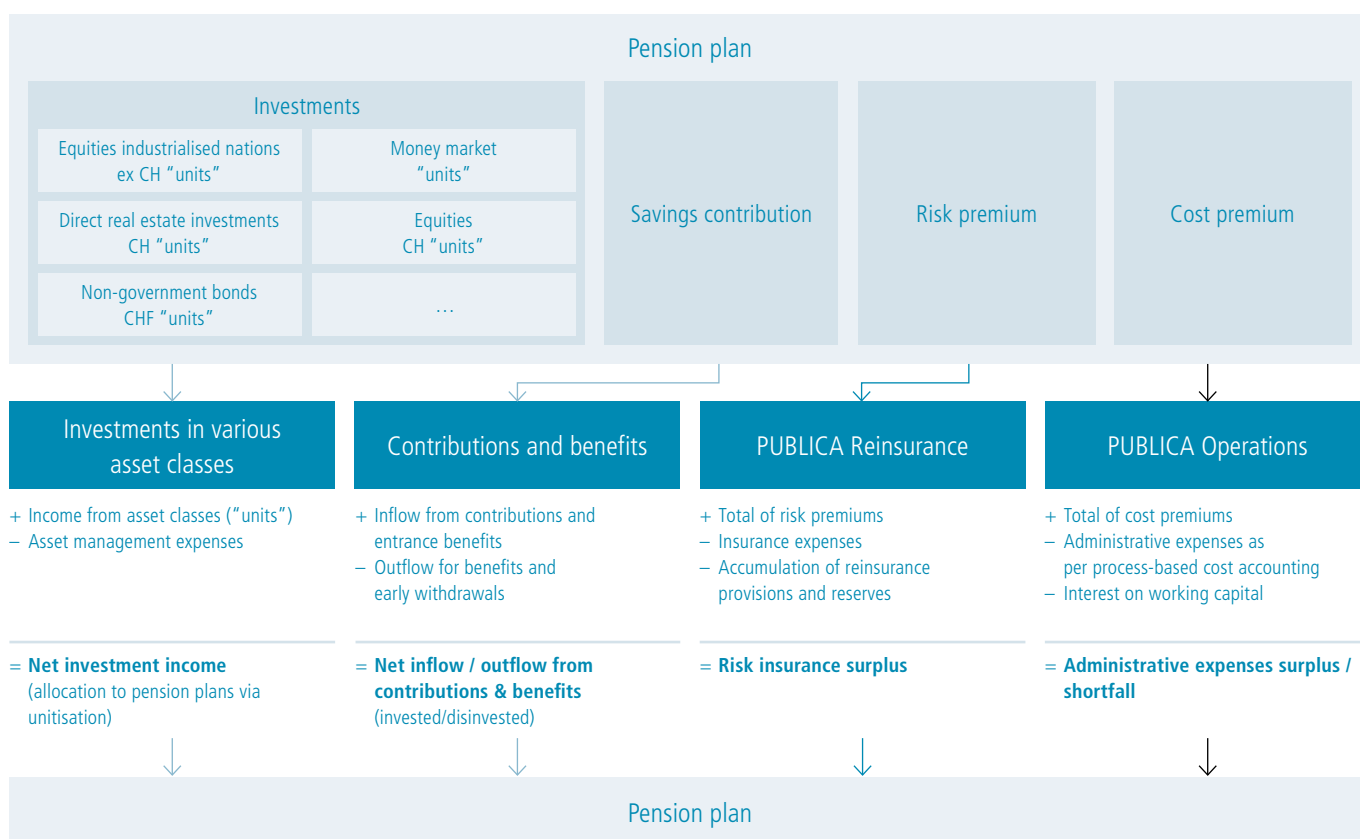
The PUBLICA collective institution has a two-part structure: administrative activities are the responsibility of Operations, while PUBLICA Reinsurance offers partial or full reinsurance to the pension plans within the collective institution.

Cash flows: no cross-subsidies

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 flows

Example of a pension plan



An average 90% of all contributions made flow into active members' pension fund capital in the form of savings contributions. Of the remainder, 8% 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.



“PUBLICA has systematically introduced electronic invoicing, reducing the burden of paperwork for affiliated employers.”

Serge Gaillard, Member of the Board of Directors of PUBLICA

Savings contributions

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.

Risk premiums

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 employers' contribution reserve or the pension fund capital of the pension plan.

Cost premiums

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's non-technical provisions.

Investments

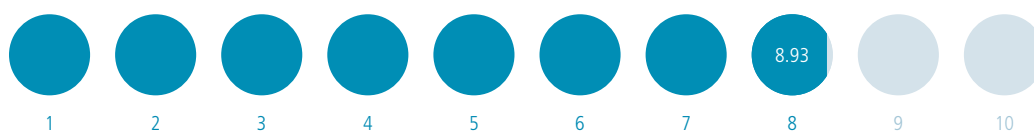
Investments are carried out collectively for all pension plans. The strategic asset allocations are implemented in accordance with the unitisation concept. A unit corresponds economically (though not legally) to an investment fund. Each pension plan receives its shares of the asset class in the form 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.

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 personal 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.

Customer satisfaction

2015 average, on a scale from 1 to 10



PUBLICA surveys customer satisfaction among active members on entry, when assets are withdrawn to finance home ownership, and on retirement. The quality of contact and the information provided by PUBLICA are rated on a scale from 0 (unsatisfactory) to 10 (excellent). In 2015, the average rating from the customer surveys was 8.93, the same figure as the previous year.

As well as measuring the satisfaction of its members, PUBLICA also carries out regular surveys among employers. The results of the most recent survey, conducted in 2014, show that PUBLICA enjoys exceptionally high customer satisfaction and loyalty. Three quarters of the employers approached were delighted with the service they receive.

“There must be a clear division of responsibilities between the Board of Directors and the parity commissions of the pension plans.”

Matthias Remund, Chair of the Board of Directors of PUBLICA

Strategic asset allocation

Investment credo: a diversified and transparent portfolio

PUBLICA's assets are managed exclusively in the interests of 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. The strategic asset allocations are reviewed periodically, but at least every two years.

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

Very few asset managers are able to select individual securities successfully over a number of years 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.

“If pension funds only invest in public debt, what they are effectively doing is operating a pay-as-you-go system.”

Cipriano Alvarez, Member of the Board of Directors of PUBLICA

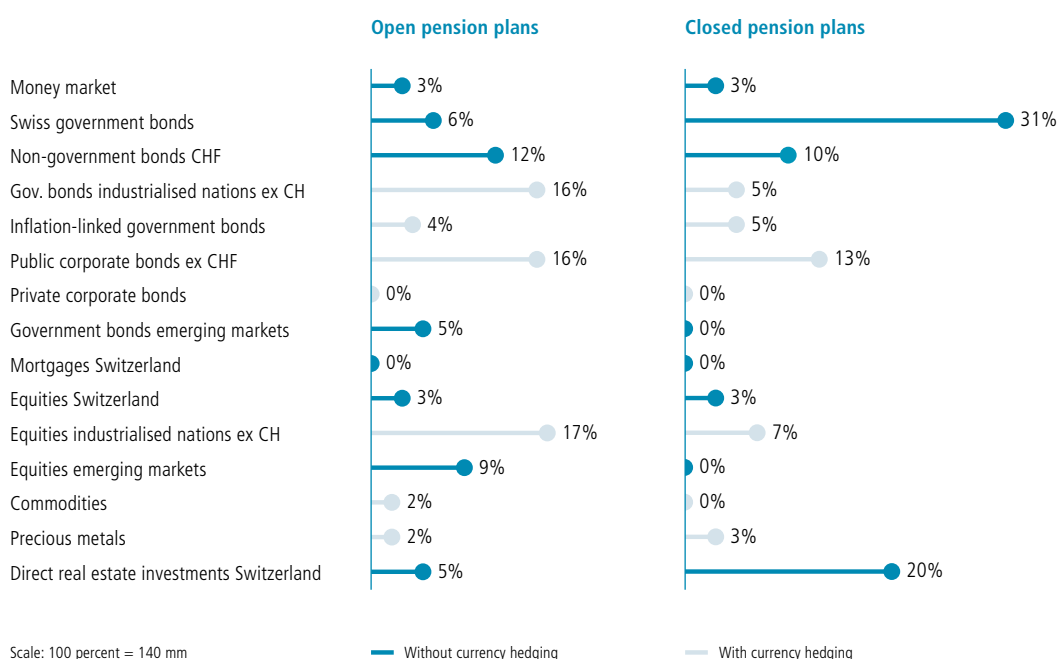


Strategic asset allocations: geared to the structure and membership trend

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 Article 50 of BVV2. Accordingly, in 2010 the Board of Directors approved for the first time the creation of one strategy for all the closed pension plans and another for all the open ones.

Strategic asset allocation (pro rata) by asset class

as at 31.12.2015, in percent, in increasing order of risk and decreasing order of liquidity



The Board of Directors approved the new strategic asset allocation for the closed pension plans in May 2015. The following three adjustments were made:

- For diversification reasons, Swiss government bonds were reduced by 3 percentage points and the corresponding amount invested in precious metals.
- Based on the view that emerging market government bonds offer a more attractive risk/return profile than Swiss government bonds over the long term, a 5% allocation to emerging market government bonds in dollars was built up and Swiss government bonds were reduced by a further 5 percentage points.
- For diversification reasons, nominal government bonds from industrialised nations were reduced by 5 percentage points and inflation-linked bonds increased by 5 percentage points.

The strategic asset allocation for the open pension plans was reviewed in a further ALM process. The Board of Directors will take a decision on any adjustments at the start of 2016.

Economic developments: turbulent environment

The year 2015 was dominated by the financial policy measures adopted by central banks, the downturn in the emerging markets and the collapse in commodity prices. The developments in the principal asset classes were as follows:

Bonds

After a very positive performance in past years, bond markets in the industrialised nations were hit by slightly rising bond yields. In local currency terms, yields remained just inside positive territory. Swiss government bonds also posted further gains, as a result of the further decline in interest rates. Among the emerging markets, Russian bonds delivered the best performance in local currency terms, at just under 32%, while Turkish government bonds recorded a negative return of –1.3%.

Equities

The equity markets were likewise unable to repeat the good performance of previous years. While the US S&P 500 Index recorded a new high on 21 May 2015, it suffered severe setbacks in August and September, though it still ended 2015 just above the end-2014 level. In Europe, the Italian stock market posted a gain of more than 14%, followed by France's CAC40 at just over 12% and the German DAX Index at just under 10%. Japan's Nikkei index also recorded a positive performance, up over 10% for the year. The markets in the UK, Spain and Canada closed the year in negative territory. The performance of equity markets in the emerging economies differed in line with the economic trends.

Swiss real estate market

Demand for listed and non-listed real estate investments rose markedly once again. There was also greater interest in foreign real estate investments than in previous years, evidenced in an increase in investment activity. Within Switzerland, demand is primarily focused on properties offering stable and secure income. Newer residential properties and those in good locations, as well as properties similar in character to residential stock, such as retirement homes and student residences, are particularly sought after. The price buyers are prepared to pay for such properties once again rose markedly compared with the previous year. Retail properties in city centres, as well as office premises on long-term lets to good tenants, are also fetching top prices. Investors' interest in out-of-town retail properties (shopping centres) as well as older office premises in less desirable locations cooled, owing to developments in the sector and surplus capacities. Despite the high prices, however, investors still seem to view the yield differential between real estate and bonds as attractive, and large amounts of new money continue to flow into this asset class.

Commodities

International commodity prices dropped sharply during the year. The price of a barrel of Brent crude fell from USD 67 to USD 37, as high inventories and a below-average demand trend combined with continuing overproduction. Demand for precious metals also weakened. Gold closed the year trading at USD 1,061 an ounce, USD 127 below the prior-year figure (–10.7%). Other commodities, such as copper and aluminium, also lost considerable value. The main reason for the negative trend on the commodity markets is falling demand from China.

Currencies

The strong appreciation of the Swiss franc following the Swiss National Bank's decision on 15 January 2015 to abandon the minimum euro exchange rate weakened as the year went on. Indeed, the CHF actually fell by 0.6% against the USD, having already shed 11% in the previous year. The euro recouped part of its depreciation, but with a decline of almost 10% it remained the weakest currency among the industrialised nations. The currencies of the emerging nations fell by an average of 11% against the CHF during the year under review.



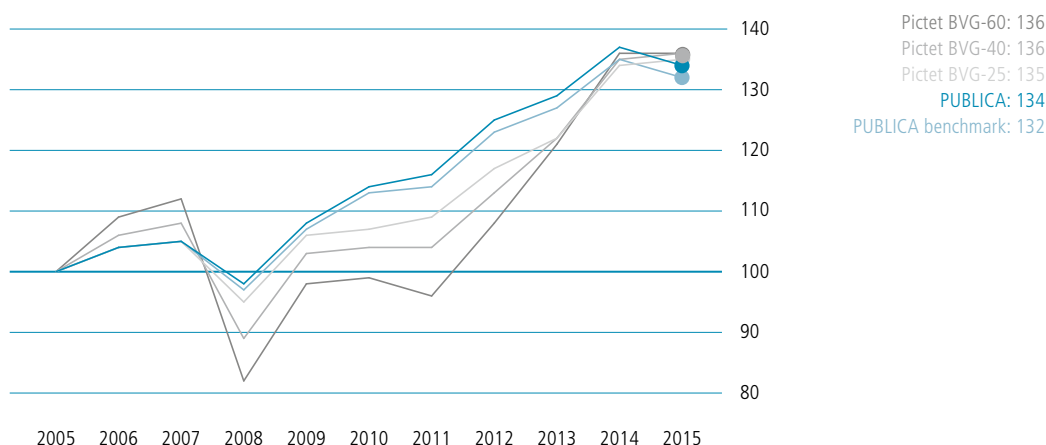
Performance: –1.93% net

On a currency-hedged basis and in terms of consolidated total assets, PUBLICA recorded a net investment performance (after all costs and taxes) of –1.93% in 2015. Without currency hedging, the net performance would have been –3.24%. The consolidated benchmark performance for 2015 was –1.88%. The main reason for this underperformance of 5 basis points was administrative costs of 0.2%.

The 2.16% performance for the closed pension plans puts PUBLICA ahead of the Pictet BVG indices, but the –2.45% result for the open pension plans is below the corresponding Pictet figure. The principal reason for this negative deviation is the strategic decision taken by PUBLICA to diversify the portfolio widely and invest 14% of the assets of the open pension plans in bonds and equities from emerging markets. The currencies of the emerging markets fell by an average of 11% against the CHF during the year under review. Because the Pictet BVG indices include only a small allocation to emerging markets, they are less affected by this depreciation. Overall, the consolidated contribution to performance by the emerging markets was –1.8 percentage points, while Swiss asset classes made a positive contribution of 0.9 percentage points.

Cumulative performance

2006 – 2015, indexed (2005 = 100) in percent



Scale: 100% = 80 mm, 1 index point = 0.8 mm

Source: Pictet BVG indices 2000

PUBLICA's strategic decision to fully hedge industrialised nations' currencies paid off. This move eliminates risks that are non-systematic and, as such, not compensated from the portfolio. On a consolidated basis across the two strategies, hedging the currencies of industrialised nations improved PUBLICA's net performance by 1.3 percentage points during 2015.

The top-performing main asset class in 2015 is "Real estate investments Switzerland". With a return of 6.3%, they made a positive contribution of 0.4 percentage points to total performance on a consolidated basis. The majority of bonds in the individual currency regions posted a negative performance, owing to slightly rising interest rates abroad. One important exception was Swiss government bonds, which closed 2015 up by 2.9%, driven by book value gains on bonds resulting from even lower interest rates. 2015 also saw substantial differences in performance between the individual equity regions: Europe and Japan were in positive territory, up 4% and just under 9% respectively (currency hedged), thanks to the central banks' expansionary policies. In Switzerland and North America, returns were close to zero, while for the emerging markets they averaged –14%.

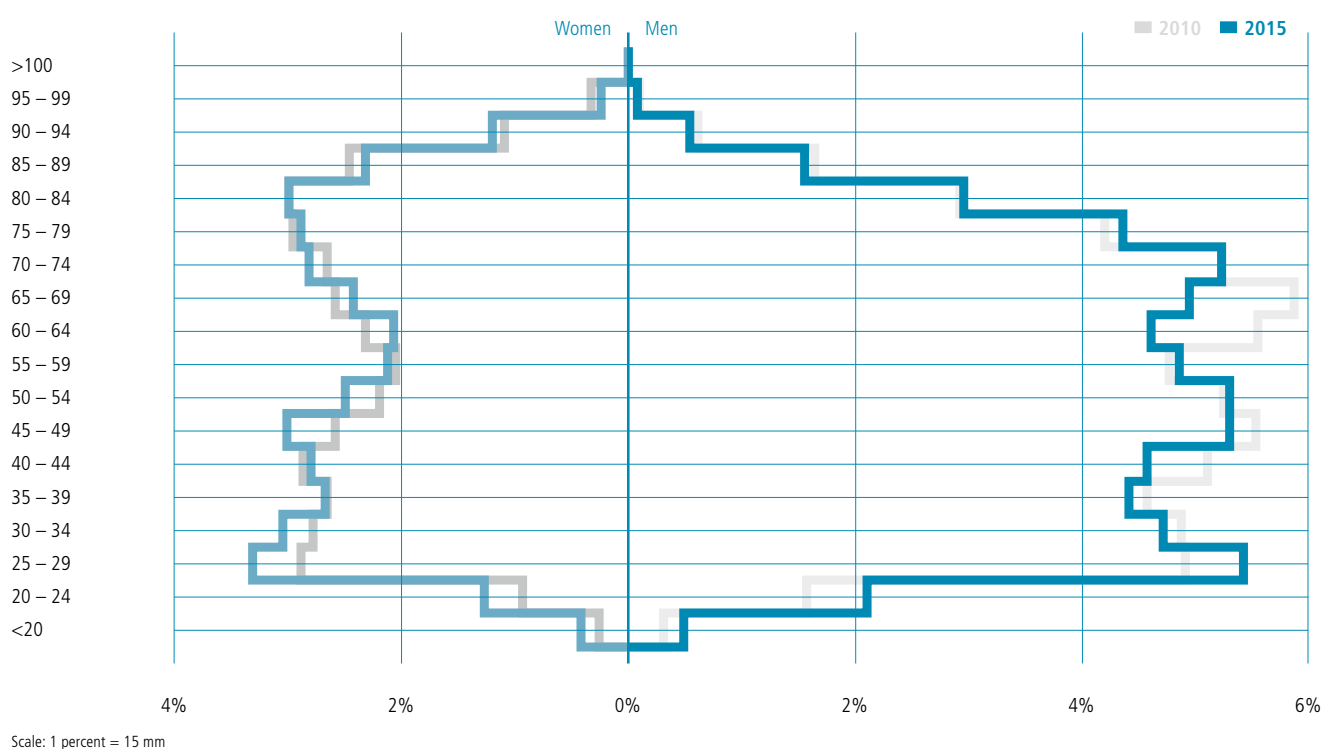
Structure and development of the pension institution

Active members and pension recipients: pensioner overhang declining

Owing to the closed pension plans, there is an overhang of pension recipients in the age structure of the pension plans as a whole. The proportion in the "men aged 65 to 69" age group has declined over the last five years. The reason for this is the retirement pension recipients of the closed pension plans, most of whom are now over 70 years of age.

Structure of active members and pension recipients

5-year age cohorts 2010 and 2015, by age and gender as % of total membership



The number of women of working age also increased slightly in 2015 compared with 2010.

Distribution of net result for open pension plans: redistribution in 2015

PUBLICA is financed under the funded system. This means that long-term, systematic redistributions of income between active members and pension recipients are not appropriate. PUBLICA refers to "redistribution" when the net return on investments is not distributed between active members and pension recipients in proportion to pension fund capital over the long term.



Redistribution – open pension plans

2013 to 2015, in CHF mn

2015	Units	Active members	Pension recipients	Total
Interest ¹	CHF mn	– 255	– 419	– 674
Change in provisions (longevity and tech. int. rate)	CHF mn	– 308	– 117	– 425
Share of active members & pension recipients in net income (effective)	CHF mn	– 563	– 536	– 1099
Third-party benefits and risk result ¹	CHF mn	–	–	27
Formation (–) / release (+) of fluctuation reserve	CHF mn	–	–	1884
Net investment income (incl. Δ deferred taxes)	CHF mn	–	–	– 812
Share of net result as per pension fund capital	CHF mn	– 528	– 571	– 1099
Redistribution to (+) / from (–)		35	– 35	
2014				
Interest ¹	CHF mn	– 226	– 496	– 722
Change in provisions (longevity and tech. int. rate)	CHF mn	– 399	– 381	– 780
Share of active members & pension recipients in net income (effective)	CHF mn	– 625	– 877	– 1502
Third-party benefits and risk result ¹	CHF mn	–	–	105
Formation (–) / release (+) of fluctuation reserve	CHF mn	–	–	– 369
Net investment income (incl. Δ deferred taxes)	CHF mn	–	–	1766
Share of net result as per pension fund capital	CHF mn	– 720	– 782	– 1502
Redistribution to (+) / from (–)		– 95	95	
Historical trend				
2015	CHF mn	35	– 35	
2014	CHF mn	– 95	95	
2013	CHF mn	– 103	103	

¹ Simplified calculation

Provisions for longevity and the technical interest rate are accumulated via the net return on investments. When a change is made to the technical parameters, these provisions flow into pension fund capital and therefore have to be taken into account when calculating the redistribution.

The cost occasioned by the change to the technical parameters in 2015 was CHF 199 million higher for the active members than for pension recipients. This more than balanced out the reduced interest rate on the pension capital of active members. In an approximate calculation, this one-off effect results in a redistribution of CHF 35 million from pension recipients to active members (prior year: CHF 95 million in favour of pension recipients).

Risk management

Risk policy: proactive and cautious

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: 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 2015 it reduced the recommended maximum technical interest rate from 3.0% to 2.75%. This corresponds to the technical interest rate applied by PUBLICA to the open pension plans. The technical interest rate for the closed pension plans is 2.25%.

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 –0.1 million) in respect of active members is balanced for 2015, while the risk result for disability (CHF 66.8 million) shows an actuarial gain. 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 has reduced the risk premiums from 2015 onwards.



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

2010 to 2015, in CHF mn, number or percent

2015	Units	Risk premiums	Claims	Total gain (+) loss (-)	Number
Disability cases (incl. increases in degree of disability)	CHF mn	100.9	- 34.3	66.6	83
Deaths	CHF mn	4.2	- 4.3	- 0.1	50
Total	CHF mn	105.1	- 38.6	66.5	133
Insured salary	CHF mn	5 053	5 053		
Statutory required risk premium	Percent	2.08%	0.76%		
2014	Units	Risk premiums	Claims	Total gain (+) loss (-)	Number
Disability cases (incl. increases in degree of disability)	CHF mn	144.7	- 30.8	113.9	73
Deaths	CHF mn	6.0	- 6.2	- 0.2	58
Total	CHF mn	150.7	- 37.0	113.7	131
Insured salary	CHF mn	4 974	4 974		
Statutory required risk premium	Percent	3.03%	0.74%		
Historical trend	Units	Risk premiums	Claims		
2015	Percent	2.08%	0.76%		
2014	Percent	3.03%	0.74%		
2013	Percent	3.04%	0.71%		
2012	Percent	3.16%	1.00%		
2011	Percent	3.35%	0.78%		
2010	Percent	3.36%	0.72%		

The risk result for pension recipients shows a gain of around CHF 22.2 million. This is made up of gains of around CHF 13.0 million and CHF 19.2 million respectively on disability and survivors' pensions, and a loss of CHF 10.0 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.

When static tables are used, the expectation is that the losses from the risk result will rise from year to year. Fewer pension recipients die than are assumed on the basis of the tables. Provisions are created to allow for this development.

Investment risk management process: a vital component of the ICS

The investment risk management process is part of PUBLICA's internal control system (ICS). This governs the controlling and management of inherent risks within asset management. The core elements of the 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.

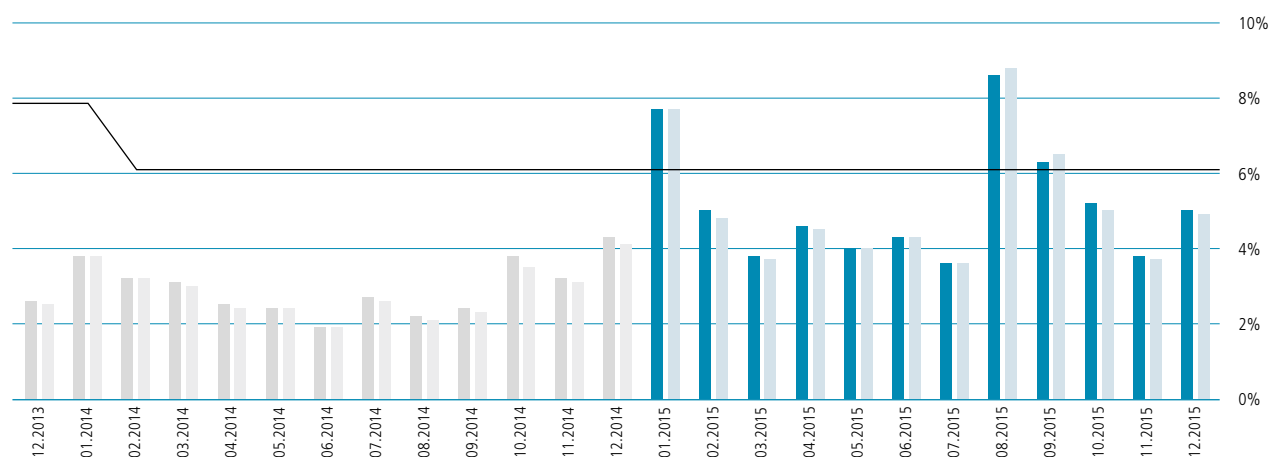
Strategic risk budget

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. The key assumptions made by the external specialist, such as volatility and expected performance, are monitored internally and the strategic asset allocations adjusted where necessary.

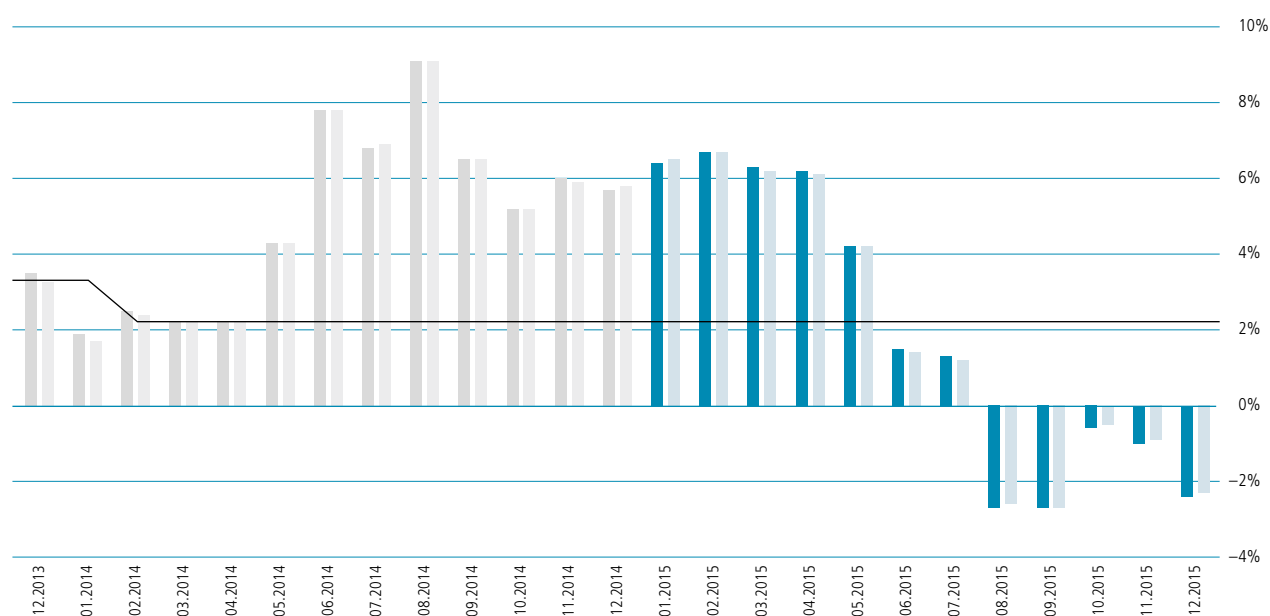
Volatility and performance compared with ALM study assumptions

Trend 2014 – 2015 on a monthly basis for the open pension plans, in percent

VOLATILITY 2015: ■ Annualised volatility PUBLICA portfolio ■ Annualised volatility benchmark
2014: ■ Annualised volatility PUBLICA portfolio ■ Annualised volatility benchmark — Upper volatility limit as per ALM study



PERFORMANCE 2015: ■ Rolling 12-month performance PUBLICA portfolio ■ Rolling 12-month performance benchmark
2014: ■ Rolling 12-month performance PUBLICA portfolio ■ Rolling 12-month performance benchmark — Lower volatility limit as per ALM study



Scale: 1 percent = 5 mm



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 risk budget is defined on the basis of the expected loss in given scenarios. 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.

"Investments in bonds require greater supervision. Currently, around 30% to 40% of total assets are yielding almost 0%. Avoiding risks can itself be a risk, and we therefore have to review the acceptance of higher risks in order to increase returns."

Alex Hinder, Member of the Board of Directors of PUBLICA

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

In principle, 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 prescribed strategic asset allocation when they have substantiated reasons to believe that they will generate sustainable added value or reduce risk 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 2015.

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.



Sustainability and commitment

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

Investments: Association for Responsible Investments

Together with other major institutional investors, PUBLICA is a member of the newly created Swiss Association for Responsible Investments (www.svk-asir.ch). Its aim is to provide services to its members that enable them to take full account of environmental, social and economic responsibilities when making their investment decisions. Beginning in 2016, PUBLICA will be drawing on the Association's services in the fiduciary management of the assets entrusted to it.

PUBLICA Operations: annual monitoring

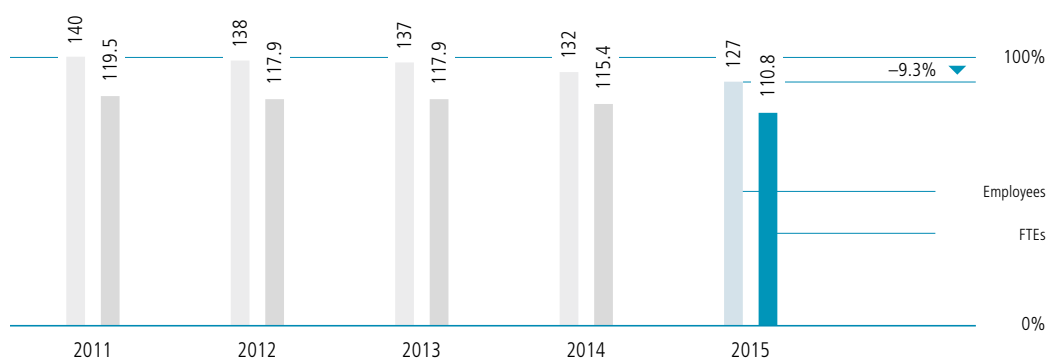
Since 2015, PUBLICA has compiled an annual sustainability report on its operations. Its principal focus is on taking stock of where the organisation stands and on defining measures, particularly in relation to the responsible management of natural resources, and employees.

PUBLICA ensures that both its electricity and its heating come primarily from sustainable production (hydroelectric power, wood-fired heating plants, refuse incineration). The printing and copying paper used by PUBLICA complies with ecological criteria and is certified accordingly. The use of public transport is actively encouraged; PUBLICA offers reduced-price season tickets to its staff.

Headcount once again fell year on year, and currently stands at 127. This corresponds to 110.8 full-time equivalents. Around 36% of staff work part-time.

Headcount

2011 – 2015, no. of employees and full-time equivalents (FTEs), 2011 = 100%



Scale: 100 percent = 35 mm

The workforce consists of 48% women and 52% men. Women make up 31% of the Board of Directors and 29% of the Extended Executive Board. PUBLICA is aware that it must intensify its efforts to increase the proportion of women with management responsibility over the longer term.

To assist employees in balancing their family and work commitments and encourage healthy nutrition, PUBLICA has its own day nursery and staff restaurant operated by contractors. As a further health promotion measure, PUBLICA offers all members of staff a modern workplace with a standing desk and an infrastructure (showers and changing rooms) that enables them to engage in sporting activities.

"I am proud that an internal auction of suppliers' Christmas gifts allowed us to raise over 2,000 francs for disadvantaged Swiss mountain farmers!"

Reto Wachter, Member of the HR Committee, PUBLICA

PUBLICA promotes ongoing education: around half our employees have attended training and further education events. Each year, PUBLICA offers two commercial apprenticeships. The six apprentices account for around 5% of the workforce. PUBLICA is working together with five other pension funds to further professionalise the training of apprentices.

A staff survey is conducted by an independent body at least once every two years. The most recent survey, in 2015, showed that 73% of employees are satisfied or very satisfied.

Corporate governance

23%

Overall remuneration
partially or
completely rejected

7 to 9 years

Maximum mandate duration
of the Pension Actuary
and audit company

24

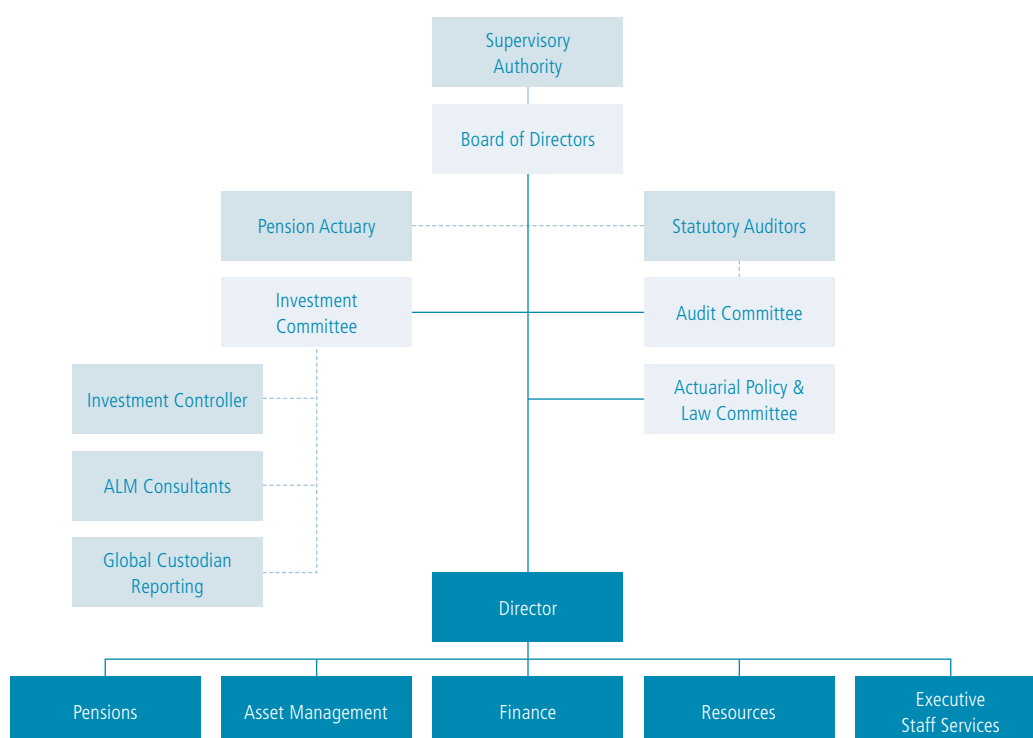
Meetings of the
Board of Directors and
committees

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

Organisational structure

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.

PUBLICA's organisational structure



Board of Directors

The term of office of PUBLICA's Board of Directors is four years. Its members appoint the Director and Deputy and select the collective institution's Statutory Auditors and Pension Actuary. The other tasks of the Board of Directors, which are not listed exhaustively in the PUBLICA Act, include deciding on the accumulation 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 for securities and real estate and approves the budget and the annual financial statements.

The Chair and Vice-Chair of the Board of Directors consist of one employer representative and one employee representative. They alternate as Chair and Vice-Chair every two years. This changeover took place on 1 July 2015: Matthias Remund, representing the employers, is Chair of the Board of Directors and Fred Scholl, representing the employees, is Vice-Chair.



“When it comes to the responsibilities of the Board of Directors and its committees, the Board places great trust in its committees, which discuss the business of the Board in advance.”

Matthias Remund, Chair of the Board of Directors of PUBLICA

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

The Board of Directors met six times in the year under review, the Investment Committee eight times. There were six meetings of the Audit Committee and four of the Actuarial Policy and Law Committee. The members of the Board of Directors and the committees attended 30 external training days, of which PUBLICA supported eighteen (prior year: seventeen). This corresponds to an average of 1.6 training days per member.

The composition of the Board of Directors as at 31 December 2015 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, Bern: member, Construction and Housing Policy Fund, Bern: member
Compensation	2014: CHF 18,500; 2015: CHF 18,000

Buntschu Kurt

Occupation	Head of HR, Swiss Red Cross
Qualifications	BA in Business Administration, federally certified pension fund manager
Representative of	Employers
Board member since	01.07.2002
Committee	Audit Committee
Committee member since	01.07.2013
External mandates	Swiss Life Saving Society (SLSS): board member
Compensation	2014: CHF 10,000; 2015: CHF 11,000

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
Compensation	2014: CHF 13,750; 2015: CHF 14,500

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
Compensation	2014: CHF 12,750; 2015: CHF 14,000

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
External mandates	Decommissioning and Waste Disposal Fund for Nuclear Power Plants: member of the Investment Committee, Sofisa SA, Fribourg: member of the Board of Directors
Compensation	2014: CHF 50,000; 2015: CHF 50,000

Irniger Chantal

Occupation	Head of Finance, FDFA, Deputy Director of the Directorate for Resources, FDFA
Qualifications	Degree in political science
Representative of	Employers
Board member since	01.10.2015
Committee	Audit Committee
Committee member since	01.10.2015
Compensation	2015: CHF 2,500

Maurer Stalder Petra

Occupation	Freelance mandates at gfs.bern ag
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
Compensation	2014: CHF 11,500; 2015: CHF 13,500



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
Compensation	2014: CHF 9,000; 2015: CHF 12,000

Remund Matthias / Chair of the Board of Directors

Occupation	Director of the Federal Office for Sport
Qualifications	Lawyer
Representative of	Employers
Board member since	01.07.2009
External mandates	Swiss Olympic Association, Ittigen: member of the Executive Council Swiss Sports Aid, Ittigen: member of the Foundation Board, International Centre for Sports Studies CIES, Neuchâtel: member of the Foundation Board, Swiss University Sports Foundation, St. Gallen: member of the Foundation Board, The Olympic Foundation for Culture and Heritage, Lausanne: member of the Foundation Board
Compensation	2014: CHF 35,000; 2015: CHF 35,500

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: Vice-Chair of the Board of Directors, Swiss Society of Administrative Sciences SSAS: board member, Swiss Associa- tion for Administrative Organisational Law SVVOR: board member, Suva, Lucerne: member of the Board of Directors
Compensation	2014: CHF 9,500; 2015: CHF 14,000

Scholl Fred / Vice-Chair of the Board of Directors

Occupation	Deputy General Secretary, Federal Staff Association until 30 April 2015; since 1 May 2015: retired
Qualifications	Precious metals expert, association secretary
Representative of	Employees
Board member since	01.07.2002
Compensation	2014: CHF 50,000; 2015: CHF 37,000

Cipriano Alvarez



Kurt Buntschu



Serge Gaillard



Prisca Grossenbacher-Frei



Alex Hinder



Chantal Imiger



Petra Maurer Stalder



Ruth Meier



Matthias Remund



Barbara Schaerer



Fred Scholl



Conrad Schranz



Jorge Serra



Martin Sommer



Philippe Thalmann



Alfred Wyler



Schranz Conrad

Occupation	Directorate General of Customs, Head of Vehicle Fees Section
Qualifications	Diploma in organisation, customs specialist with Swiss federal vocational diploma
Representative of	Employees
Board member since	01.07.2013
Committee	Audit Committee
Committee member since	01.07.2013
Compensation	2014: CHF 11,500; 2015: CHF 16,000

"Conrad Schranz died unexpectedly and much too young on 10 January 2016. A much appreciated and highly valued member of the governing bodies of the Confederation pension plan and PUBLICA, he championed the interests of employees. With his expert knowledge, deep interest in occupational pensions and invariably meticulous preparation he was always, in his unassuming way, able to see things in a positive light. We will not forget his optimism: after a heated discussion, he would always say with a smile, 'It'll turn out fine'. Conrad Schranz will be affectionately remembered as someone who built bridges."

The Executive Board and Board of Directors of PUBLICA**Serra Jorge**

Occupation	CFO of 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	Public Services International PSI: asset manager, VPOD Pension Fund: manager, St. Gallen Pension Fund: member of the Board of Trustees, City of Winterthur Pension Fund: Vice-Chair of the Board of Trustees, City of Zurich Pension Fund: Chair of the Board of Trustees
Compensation	2014: CHF 10,172; 2015: CHF 11,000

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
Compensation	2014: CHF 9,500; 2015: CHF 11,000



Thalmann Philippe / Vice-Chair of the Investment Committee

Occupation	Professor EPFL ENAC IA LEURE
Qualifications	PhD in Economics
Representative of	Employees
Board member since	01.07.2013
Committee	Investment Committee
Committee member since	01.07.2013
Compensation	2014: CHF 10,000; 2015: CHF 16,000

Wyler Alfred

Occupation	Head of Benefits, Albicovac 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: Vice-Chair of the Board of Trustees and member of the Investment Committee, comPlan Pension Fund, Bern: Vice-Chair of the Board of Trustees, Swiss Trade Union Association Pension Fund Cooperative, Bern: member of the Investment Committee, Graphic Industry Pension Foundation (pvgi), Bern: member of the Foundation Board
Compensation	2014: CHF 14,500; 2015: CHF 15,500

The following member left the Board of Directors in the year under review:

Budliger Artieda Helene

Board member from / to	01.07.2013 to 30.09.2015
Compensation	2014: CHF 10,500; 2015: CHF 7,000

Investment Committee

The Investment Committee defines the strategic asset allocations 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 members on the Investment Committee as at 31 December 2015 are as follows (names in alphabetical order):

Eggenberger Urs

Occupation	Vice-Director and Joint Head of the Federal Treasury Department, Federal Finance Administration
Qualifications	Degree in Business Administration, CFA
Committee member since	19.11.2007
External mandates	Decommissioning and Waste Disposal Fund for Nuclear Power Plants: member of the 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 commune
Compensation	2014: CHF 4,000; 2015: CHF 9,000

Loepfe Andreas

Occupation	Partner and General Manager, INREIM AG
Qualifications	Degree in Business Administration, FRICS
Committee member since	01.07.2015
External mandates	INREIM AG: Delegate of the Board of Directors IMMRA AG: member of the Board of Directors
Compensation	2015: CHF 4,500

The following member left the Investment Committee in the year under review:

Wyss Oskar

Committee member from / to	29.10.2002 to 31.08.2015
Compensation	2014: CHF 4,191; 2015: CHF 5,098

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. The committee's Chair is Prisca Grossenbacher. 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 Deputy as well as the Statutory Auditors, and the Pension Actuary's report with the Pension Actuary. The Audit Committee is chaired by Serge Gaillard. Its members are Kurt Buntschu, Chantal Irniger, 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:

Quality management

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.

Internal control system

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

Compliance

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

Finance

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

Code of conduct and exercise of voting rights

Member of ASIP

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.

Exercise of voting rights

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. Voting behaviour is disclosed on the PUBLICA website (www.publica.ch) following each general meeting. The disclosures on voting behaviour reveal that PUBLICA rejected overall remuneration either wholly or partially in 23% of cases.

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 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.

As at 31 December 2015, the Chair and Vice-Chair of the PUBLICA Assembly of Delegates are as follows:

Weber Matthias

Function

Chair

Morard-Niklaus Jacqueline

Function

Vice-Chair

Director, Deputy and Executive Board

The Director and Deputy are responsible for the operational strategy and management of PUBLICA. They strive to ensure that the strategic objectives are met and that PUBLICA is successful. Their activities are based on the Corporate and Organisational Regulations of the Federal Pension Fund PUBLICA of 24 February 2011. The current Director is Dieter Stohler, and his Deputy is Stefan Beiner (Head of Asset Management).

As at 31 December 2015, the Executive Board comprises the following members:

Stohler Dieter

Function

Director

Qualifications

LL.B.

External mandates

Swiss Pension Funds Association ASIP: board member, Innovation Zweite Säule IZS: board member, UBS Vested Benefits Foundation: member of the Foundation Board, Fisca Pension Fund Foundation of UBS: member of the Foundation Board

Beiner Stefan

Function

Head of Asset Management

Deputy to the Director

Qualifications

Doctorate in Economics, St. Gallen

External mandates

Schoeni.ch Holding AG: member of the Board of Directors



Burgunder Daniel

Function

Head of Pensions

Qualifications

Diploma in Administration Management

Sohnrey Jan

Function

Head of Finance

Qualifications

Degree in IT, certified auditor, CAIA

Zaugg Markus

Function

Head of Resources

Qualifications

Degree in Business Administration, EMBA HRM

As at 31 December 2015 the Extended Executive Board comprises the following additional members:

Barandun Ursina

Function

Head of Corporate Communications

Qualifications

Secondary school teacher and culture manager, University of Bern

Geiser Corinne

Function

Head of Strategic Legal Services

Qualifications

Attorney-at-law, Bern

Compensation

Compensation policy

The compensation awarded to the Chair and Vice-Chair of the Board of Directors was reduced from July 2015. The Chair now receives flat-rate compensation of CHF 36,000 (prior year: CHF 50,000) and the Vice-Chair flat-rate compensation of CHF 26,000 (prior year: CHF 35,000). As previously, the Chair of the Investment Committee receives flat-rate annual compensation of CHF 50,000.

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

PUBLICA does not generally pay bonuses.

Compensation-setting process

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

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

Level of compensation

The total compensation plus flat-rate travel expenses paid by PUBLICA either directly or indirectly to the 18 members of the Board of Directors and its committees was CHF 317,098 (prior year: CHF 294,363).

The average compensation (gross salary including all allowances and employer's pension contributions) paid to members of the Executive Board was CHF 279,984 per person (prior year: CHF 270,706), while the total was CHF 1,399,919 (prior year: CHF 1,353,530). The highest compensation was paid to the Director, who received an unchanged gross salary of CHF 309,000. As employer, PUBLICA contributed CHF 60,153 towards his pension (prior year: CHF 58,593).

Unlike the reporting of salaries paid to senior management, these figures relate to the individuals stipulated in Art. 663b^{bis} of the Swiss Code of Obligations.

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 2015 was CHF 230,542 (prior year: CHF 243,716). KPMG received additional fees totalling CHF 80,957 (prior year: CHF 89,092) for tax consultancy services in 2015. 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 2017.

Pension Actuary

The Pension Actuary is Aon Switzerland Ltd, with Daniel Thomann (to 30 June 2015) and Emmanuel Vauclair (from 1 July 2015) as lead auditor. Aon Switzerland Ltd is licensed as a pension actuary by the Federal Occupational Pensions Regulatory Commission. The total fee for 2015 was CHF 207,292 (prior year: CHF 207,292). The Pension Actuary attended various meetings of the Board of Directors and its committees. The mandate granted to Aon Switzerland Ltd had remained unchanged since PUBLICA was created. The Pension Actuary mandate was put out to tender for the first time in 2015. Allvisa AG has been appointed for the financial year beginning in 2016. In the interest of good corporate governance, PUBLICA will in future put the Pension Actuary mandate out to tender after a maximum of nine years.

"The evaluation of a new Pension Actuary was both fascinating and educational."

Barbara Schaerer, Member of the Board of Directors of PUBLICA

Annual financial statements

CHF +8 million

Surpluses from the risk premium returned to the reinsured pension plans

CHF +4 million

Surpluses from the cost premium returned to all pension plans

CHF –444 million

Net cash outflow from contributions and benefits

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 2015 amounted to over CHF 12 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

2015 with prior-year comparison, in CHF

Assets	Note	31.12.2014	31.12.2015
Cash and cash equivalents	6.4.1	88 199 403	103 090 357
Receivables	6.4.1	111 665 871	116 817 754
Money market	6.4.1	902 208 419	500 688 092
Swiss government bonds	6.4.2	3 388 180 570	3 165 195 844
Non-government bonds CHF	6.4.2	4 264 542 568	4 261 202 559
Government bonds industrialised nations ex Switzerland	6.4.2	5 508 242 627	5 178 926 650
Inflation-linked government bonds	6.4.2	1 279 854 337	1 594 735 207
Public corporate bonds ex CHF	6.4.2	5 807 034 405	5 781 084 549
Private corporate bonds	6.4.6	–	10 362 440
Government bonds emerging markets	6.4.2	1 795 717 194	1 607 416 694
Mortgages Switzerland	6.4.3	174 157 435	150 910 571
Equities Switzerland	6.4.4	1 222 926 830	1 179 888 745
Equities industrialised nations ex Switzerland	6.4.4	6 382 965 626	6 133 911 143
Equities emerging markets	6.4.4	3 032 771 754	2 890 205 244
Commodities*	6.4.5	1 188 474 928	538 785 433
Precious metals*	6.4.5	–	715 379 599
Real estate investments Switzerland	6.4.7	2 484 074 326	2 531 459 660
Investments	6.4	37 631 016 292	36 460 060 541
Operating assets	7.1	17 847 338	18 772 845
Prepaid expenses and accrued income		3 050 825	3 600 774
Total assets		37 651 914 455	36 482 434 160
* from June 2015 only energy commodities; precious metals now form a separate asset class			
Liabilities			
Vested pension benefits and pensions		62 088 400	69 294 201
Other liabilities		6 237 232	5 281 462
Operating liabilities	7.1	17 847 338	18 772 845
Liabilities		86 172 970	93 348 508
Accrued expenses and deferred income		489 923	342 665
Employers' contribution reserves	6.11	25 647 907	31 354 607
Non-technical provisions	7.3	68 564 740	82 460 395
Pension fund capital – active members	5.2	13 806 207 593	15 601 712 730
Pension fund capital – pension recipients	5.4	18 632 492 099	19 509 223 883
Technical provisions	5.5	3 130 654 593	1 111 629 412
Pension fund capital and technical provisions		35 569 354 285	36 222 566 025
Fluctuation reserve	6.3	1 901 684 628	259 798 210
Uncommitted funds / underfunding of pension plans		–	– 207 436 251
Opening balance sheet		– 10 055 356	–
Expenditure (–) / income (+) surplus	5.9	10 055 356	– 207 436 251
Closing balance sheet		–	– 207 436 251
Uncommitted funds / underfunding Reinsurance	5.1	–	–
Total liabilities		37 651 914 455	36 482 434 160



Income statement

Consolidated income statement

2015 with prior-year comparison, in CHF

	Note	2014	2015
Savings contributions – employees	5.2	417 203 743	459 809 679
Risk premiums – employees		14 185 945	10 065 242
Cost premiums – employees		145 091	163 614
Employee contributions		431 534 779	470 038 535
Savings contributions – employers	5.2	649 078 339	726 287 448
Risk premiums – employers		136 542 393	95 034 520
Cost premiums – employers		22 719 205	22 680 207
Employer contributions		808 339 936	844 002 175
Removal from employers' contribution reserve to finance contributions	6.11	– 637 027	– 468 402
Contributions from third parties		220 730	57 873
Lump-sum payments and buy-ins – active members	5.2	70 320 601	74 522 499
Buy-outs of pension reductions and pension buy-ins	5.4	49 987 264	39 234 557
Lump-sum payments and buy-ins		120 307 865	113 757 056
Payment of employers' contribution reserves	6.11	2 905 425	1 587 750
Contributions to the BVG Security Fund		–	5 367
Ordinary and other contributions and payments		1 362 671 708	1 428 980 355
Vested pension benefits received		331 879 823	327 411 335
Home ownership and divorce payments received		14 558 498	16 278 911
Payments on takeover of member portfolios	1.6	3 811 742	10 078
Entrance benefits	5.2	350 250 063	343 700 324
Inflow from contributions and entrance benefits		1 712 921 771	1 772 680 679
Retirement pensions		– 1 271 857 364	– 1 268 690 485
Survivors' pensions		– 304 449 007	– 305 744 425
Disability pensions		– 31 188 679	– 29 465 202
Other statutory benefits		– 53 704 714	– 53 038 808
Lump-sum benefits upon retirement		– 115 593 805	– 126 792 802
Lump-sum benefits in case of death/disability		– 7 089 763	– 3 797 116
Statutory benefits	5.4	– 1 783 883 332	– 1 787 528 837
Vested benefits paid on departure		– 297 915 031	– 361 719 398
Early withdrawals for home ownership / divorce		– 53 494 571	– 67 634 957
Transfer of additional funds on collective departure	1.6	– 4 228 906	–
Vested termination benefits	5.2	– 355 638 507	– 429 354 355
Outflow for benefits and early withdrawals		– 2 139 521 839	– 2 216 883 192
Formation (–) / release (+) of pension fund capital – active members	5.2	– 188 144 330	– 1 540 514 296
Formation (–) / release (+) of pension fund capital – pension recipients	5.4	100 693 832	– 876 731 784
Formation (–) / release (+) of technical provisions	5.5	– 810 574 862	2 019 025 181
Interest on savings capital	5.2	– 225 986 049	– 254 990 841
Formation/ (–) / release (+) of employers' contribution reserves	6.11	– 5 675 653	– 5 706 700
Formation (–) / release (+) of pension fund capital, technical provisions and contribution reserves		– 1 129 687 062	– 658 918 440
Shares in surpluses for pension plans from internal Reinsurance	5.1	4 241 304	8 503 593
Shares in surpluses for pension plans from PUBLICA internal Operations		3 050 825	3 600 774
Pension plans		7 292 129	12 104 367
Risk premium received – internal Reinsurance, gross	5.1	6 920 868	6 129 506
Cost premium received – PUBLICA internal Operations, gross		22 864 296	22 843 821
PUBLICA Operations and PUBLICA Reinsurance		29 785 164	28 973 327
Income from insurance benefits		37 077 293	41 077 694
Risk premiums paid by pension plans for internal Reinsurance	5.1	– 6 920 868	– 6 129 506
Cost premiums paid by pension plans for PUBLICA internal Operations		– 22 864 296	– 22 843 821
Additional payment of cost premiums from non-technical provisions		– 11 133	– 676
Contributions to Security Fund		– 3 525 943	– 3 801 982
Pension plans		– 33 322 240	– 32 775 985
Repayment of shares in surplus from PUBLICA Reinsurance	5.1	– 4 241 304	– 8 503 593
Repayment of shares in surplus from PUBLICA Operations		– 3 039 692	– 3 600 098
PUBLICA Operations and PUBLICA Reinsurance		– 7 280 997	– 12 103 691
Insurance expenses		– 40 603 236	– 44 879 676
Net insurance income		– 1 559 813 072	– 1 106 922 935

Consolidated income statement

2015 with prior-year comparison, in CHF

	Note	2014	2015
Net income from cash & cash equivalents	6.8	– 49 702	12 720
Net income from receivables	6.8	–	–
Net income from liabilities	6.8	– 1 447 030	– 1 233 248
Net income from money market	6.8	1 677 816	– 1 516 847
Net income from Swiss government bonds	6.8	296 694 321	99 548 476
Net income from non-government bonds CHF	6.8	316 439 541	70 463 925
Net income from government bonds industrialised nations ex Switzerland	6.8	404 502 889	– 5 923 159
Net income from inflation-linked government bonds	6.8	– 17 783 639	– 35 750 082
Net income from public corporate bonds ex CHF	6.8	357 614 706	– 43 785 816
Net income from private corporate bonds	6.8	–	– 345 563
Net income from government bonds emerging markets	6.8	91 538 685	– 256 687 633
Net income from mortgages Switzerland	6.8	3 473 420	2 781 479
Net income from equities Switzerland	6.8	162 693 603	17 546 205
Net income from equities industrialised nations ex Switzerland	6.8	580 176 102	76 717 038
Net income from equities emerging markets	6.8	281 757 413	– 420 835 477
Net income from commodities *	6.8	– 419 105 329	– 251 711 197
Net income from precious metals *	6.8	–	– 55 338 866
Net income from real estate investments Switzerland	6.8	137 225 685	170 589 057
Asset management expenses	6.10	– 83 225 974	– 74 318 897
Net investment income	6.8	2 112 182 508	– 709 787 886
Formation (–) / release (+) of non-technical provisions	7.3	– 40 424 164	– 13 895 656
Other expenses		– 916 274	– 1 374 265
Other income		1 378 305	2 383 766
General administration		– 19 712 170	– 19 195 072
Marketing and advertising		– 36 919	– 8 297
Brokerage		–	–
Statutory Auditors		– 243 716	– 230 542
Pension Actuary		– 207 292	– 207 892
Supervisory authorities		– 109 300	– 83 890
Administrative expenses	7.2	– 20 309 397	– 19 725 693
Expenditure (–) / income (+) surplus before formation / release of fluctuation reserve		492 097 903	– 1 849 322 669
Formation (–) / release (+) of fluctuation reserve	6.3	– 482 042 547	1 641 886 418
Expenditure (–) / income (+) surplus – pension plans		10 055 356	– 207 436 251
Expenditure (–) / income (+) surplus – Reinsurance		0	0

* from June 2015 only energy commodities; precious metals now form a separate asset class



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 commune (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 and Security Fund

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

PUBLICA is subject to the Federal Act of 17 December 1993 on the Vesting of Occupational Old Age, Survivors' and Disability Pensions (Vested Benefits Act, VBA, SR 831.42), and is thus affiliated with the Security Fund as per Art. 57 BVG, to which it contributes in accordance with the provisions of the Ordinance of 22 June 1998 on the BVG Security Fund (SFO, SR 831.432.1).

1.3 Legal basis

- PUBLICA Act, status as at 1 January 2012
- Regulations of the Board of Directors of PUBLICA governing the Staff of the Federal Pension Fund PUBLICA dated 6 November 2009 (status as at 1 October 2013)
- 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
- Corporate and Organisational Regulations of the Federal Pension Fund PUBLICA of 24 February 2011
- Investment Guidelines of the Federal Pension Fund PUBLICA (PUBLICA Investment Guidelines) of 15 April 2010 (status as at 18 October 2013)
- Regulations governing the Provisions and Reserves of the Federal Pension Fund PUBLICA, the Pension Plans and PUBLICA Reinsurance of 25 November 2010 (status as at 20 June 2013)
- Compliance Regulations of 23 August 2012 (status as at 10 April 2014)
- Regulations governing the Risk Policy and Internal Control System of 11 April 2013
- PUBLICA policy document on hardship cases of 25 November 2010 (status as at 21 November 2013)
- Expenses policy for the active members and pension recipients of the Federal Pension Fund PUBLICA of 21 February 2008 (status as at 1 November 2012)
- Regulations governing the Board of Directors of the Federal Pension Fund PUBLICA of 21 May 2008 (status as at 1 January 2010)
- Regulations governing the Remuneration of Members of the Board of Directors of the Federal Pension Fund PUBLICA of 26 November 2009 (status as at 1 July 2015)

- Regulations governing the Audit Committee of the Federal Pension Fund PUBLICA of 13 October 2011 (status as at 21 November 2013)
- Regulations governing the Actuarial Policy and Law Committee of the Federal Pension Fund PUBLICA of 22 November 2012 (status as at 21 November 2013)
- Regulations governing the Election of the Assembly of Delegates of the Federal Pension Fund PUBLICA of 17 November 2015
- The Federal Personnel Act contains individual provisions concerning pension law.

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. The Director, Deputy and the Executive Board are responsible for the ongoing business of PUBLICA subject to the provisions of the law and the requirements laid down by the Board of Directors. The names of the members of these bodies, the Director and Deputy, and the Executive Board are listed in the Annual Report.

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

1.5 Pension Actuary, Statutory Auditors, supervisory authority, consultants

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

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 2015, the PUBLICA collective institution included 21 mutually independent pension plans (prior year: 21), 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

Open pension plans

2015 with prior-year comparison in CHF, no. or percent

Pension plans with one employer		Units	31.12.2014	31.12.2015
Confederation	Active members	Number	39 687	40 107
	Pension recipients	Number	25 668	25 622
	Total active members and pension recipients	Number	65 355	65 729
	Available assets	CHF	24 859 997 629	24 084 698 737
	Pension fund capital & technical provisions	CHF	23 597 511 270	24 283 584 089
	Funded ratio as per BVV2	Percent	105.4%	99.2%
	Economic funded ratio	Percent	79.8%	71.2%
ETH Domain	Active members	Number	18 441	18 830
	Pension recipients	Number	5 236	5 301
	Total active members and pension recipients	Number	23 677	24 131
	Available assets	CHF	6 363 018 708	6 227 916 809
	Pension fund capital & technical provisions	CHF	6 017 379 225	6 195 833 316
	Funded ratio as per BVV2	Percent	105.7%	100.5%
	Economic funded ratio	Percent	81.3%	72.8%
Swiss Federal Institute of Intellectual Property	Active members	Number	262	282
	Pension recipients	Number	58	62
	Total active members and pension recipients	Number	320	344
	Available assets	CHF	105 325 398	106 346 925
	Pension fund capital & technical provisions	CHF	99 712 735	107 808 148
	Funded ratio as per BVV2	Percent	105.6%	98.6%
	Economic funded ratio	Percent	78.5%	69.7%
Swissmedic	Active members	Number	431	427
	Pension recipients	Number	109	117
	Total active members and pension recipients	Number	540	544
	Available assets	CHF	215 421 483	217 797 550
	Pension fund capital & technical provisions	CHF	204 339 930	217 658 410
	Funded ratio as per BVV2	Percent	105.4%	100.1%
	Economic funded ratio	Percent	79.0%	71.5%
Swiss Federal Institute for Vocational Education and Training	Active members	Number	235	244
	Pension recipients	Number	30	35
	Total active members and pension recipients	Number	265	279
	Available assets	CHF	72 644 847	76 181 333
	Pension fund capital & technical provisions	CHF	68 237 756	76 932 508
	Funded ratio as per BVV2	Percent	106.5%	99.0%
	Economic funded ratio	Percent	79.0%	70.1%
Federal Audit Oversight Authority	Active members	Number	32	30
	Pension recipients	Number	1	1
	Total active members and pension recipients	Number	33	31
	Available assets	CHF	6 275 440	7 671 077
	Pension fund capital & technical provisions	CHF	6 052 209	7 901 385
	Funded ratio as per BVV2	Percent	103.7%	97.1%
	Economic funded ratio	Percent	77.4%	69.6%

Open pension plans

2015 with prior-year comparison in CHF, no. or percent

Pension plans with one employer		Units	31.12.2014	31.12.2015
Historical Dictionary of Switzerland	Active members	Number	26	24
	Pension recipients	Number	11	12
	Total active members and pension recipients	Number	37	36
	Available assets	CHF	11 559 919	11 005 302
	Pension fund capital & technical provisions	CHF	10 659 106	10 823 845
	Funded ratio as per BVV2	Percent	108.5%	101.7%
	Economic funded ratio	Percent	81.4%	71.7%
Swiss Financial Market Supervisory Authority	Active members	Number	519	518
	Pension recipients	Number	51	56
	Total active members and pension recipients	Number	570	574
	Available assets	CHF	201 569 456	199 529 034
	Pension fund capital & technical provisions	CHF	191 786 331	201 783 725
	Funded ratio as per BVV2	Percent	105.1%	98.9%
	Economic funded ratio	Percent	78.4%	70.5%
Federal Nuclear Safety Inspectorate	Active members	Number	149	153
	Pension recipients	Number	46	46
	Total active members and pension recipients	Number	195	199
	Available assets	CHF	99 306 883	100 699 639
	Pension fund capital & technical provisions	CHF	93 674 468	101 833 966
	Funded ratio as per BVV2	Percent	106.0%	98.9%
	Economic funded ratio	Percent	78.9%	70.2%
PUBLICA	Active members	Number	128	124
	Pension recipients	Number	47	51
	Total active members and pension recipients	Number	175	175
	Available assets	CHF	64 290 211	62 843 500
	Pension fund capital & technical provisions	CHF	60 730 061	63 545 292
	Funded ratio as per BVV2	Percent	105.9%	98.9%
	Economic funded ratio	Percent	78.6%	69.9%
Trasse Schweiz AG	Active members	Number	10	10
	Pension recipients	Number	0	0
	Total active members and pension recipients	Number	10	10
	Available assets	CHF	6 140 745	6 061 559
	Pension fund capital & technical provisions	CHF	5 806 599	6 118 629
	Funded ratio as per BVV2	Percent	105.8%	99.1%
	Economic funded ratio	Percent	78.9%	71.1%
Swiss National Museum	Active members	Number	212	228
	Pension recipients	Number	80	75
	Total active members and pension recipients	Number	292	303
	Available assets	CHF	60 120 525	59 252 496
	Pension fund capital & technical provisions	CHF	58 567 885	60 081 036
	Funded ratio as per BVV2	Percent	102.7%	98.6%
	Economic funded ratio	Percent	79.2%	72.0%
METAS	Active members	Number	175	191
	Pension recipients	Number	85	85
	Total active members and pension recipients	Number	260	276
	Available assets	CHF	115 824 273	113 470 035
	Pension fund capital & technical provisions	CHF	110 288 763	114 601 807
	Funded ratio as per BVV2	Percent	105.0%	99.0%
	Economic funded ratio	Percent	79.3%	70.9%



Open pension plans

2015 with prior-year comparison in CHF, no. or percent

Joint pension plans		Units	31.12.2014	31.12.2015
Affiliated Organisations	Active members	Number	2 240	2 295
	Pension recipients	Number	852	863
	Total active members and pension recipients	Number	3 092	3 158
	Available assets	CHF	890 632 947	867 972 995
	Pension fund capital & technical provisions	CHF	828 402 067	858 236 800
	Funded ratio as per BVV2	Percent	107.5%	101.1%
	Economic funded ratio	Percent	81.6%	73.1%
Total open pension plans				
	Active members	Number	62 547	63 463
	Pension recipients	Number	32 274	32 326
	Total active members and pension recipients	Number	94 821	95 789
	Available assets	CHF	33 072 128 464	32 141 446 991
	Pension fund capital & technical provisions	CHF	31 353 148 405	32 306 742 958
	Funded ratio as per BVV2	Percent	105.5%	99.5%
	Economic funded ratio	Percent	80.1%	71.5%

New affiliations

The Board of Directors approved the following new employer affiliation in 2015:

Affiliated Organisations pension plan

- Schneesportinitiative Schweiz

1.6.2 Closed pension plans

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

Closed pension plans

2015 with prior-year comparison in CHF, number or percent

Pension plans with one employer		Units	31.12.2014	31.12.2015
Pensioners only – voluntarily insured Pension entitlement from 01.06.2003	Pension recipients	Number	300	298
	Available assets	CHF	123 883 747	119 403 922
	Pension fund capital & technical provisions	CHF	113 263 852	111 222 259
	Funded ratio as per BVV2	Percent	109.4%	107.4%
	Economic funded ratio	Percent	86.0%	79.8%
Pensioners only – Affiliated Organisations	Pension recipients	Number	769	745
	Available assets	CHF	168 223 099	157 855 977
	Pension fund capital & technical provisions	CHF	158 896 426	147 456 994
	Funded ratio as per BVV2	Percent	105.9%	107.1%
	Economic funded ratio	Percent	89.4%	85.3%
Pensioners only – Swisscom Pension entitlement before 01.01.1999	Pension recipients	Number	6 296	6 028
	Available assets	CHF	2 369 278 484	2 212 036 324
	Pension fund capital & technical provisions	CHF	2 314 578 597	2 134 938 464
	Funded ratio as per BVV2	Percent	102.4%	103.6%
	Economic funded ratio	Percent	86.8%	82.9%
Pensioners only – RUAG Pension entitlement before 01.07.2001	Pension recipients	Number	2 195	2 080
	Available assets	CHF	781 786 676	734 425 806
	Pension fund capital & technical provisions	CHF	747 907 402	693 730 594
	Funded ratio as per BVV2	Percent	104.5%	105.9%
	Economic funded ratio	Percent	87.6%	83.7%
Pensioners only – SRG SSR idée suisse Pension entitlement before 01.01.2003	Pension recipients	Number	1 037	998
	Available assets	CHF	584 720 429	551 054 836
	Pension fund capital & technical provisions	CHF	541 587 878	501 551 584
	Funded ratio as per BVV2	Percent	108.0%	109.9%
	Economic funded ratio	Percent	90.7%	87.1%
Pensioners only – PUBLICA Administration	Pension recipients	Number	91	86
	Available assets	CHF	85 471 477	82 809 617
	Pension fund capital & technical provisions	CHF	77 030 880	73 442 959
	Funded ratio as per BVV2	Percent	111.0%	112.8%
	Economic funded ratio	Percent	98.5%	96.5%
Joint pension plans				
Pensioners only – Affiliated Organisations	Pension recipients	Number	343	333
	Available assets	CHF	129 316 819	120 524 156
	Pension fund capital & technical provisions	CHF	127 105 854	117 786 289
	Funded ratio as per BVV2	Percent	101.7%	102.3%
	Economic funded ratio	Percent	85.7%	81.1%
Total closed pension plans				
	Pension recipients	Number	11 031	10 568
	Available assets	CHF	4 242 680 731	3 978 110 638
	Pension fund capital & technical provisions	CHF	4 080 370 889	3 780 129 143
	Funded ratio as per BVV2	Percent	104.0%	105.2%
	Economic funded ratio	Percent	87.7%	83.8%



2 Active members and pension recipients

2.1 Active members

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

Active members

2015 with prior-year comparison, in number of insurance situations

	Active members
31.12.2013	60 944
Admissions	10 063
Departures	– 8 460
31.12.2014	62 547
Admissions	10 212
Departures	– 9 296
31.12.2015	63 463

2.2 Pension recipients

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

Pension recipients

2015 with prior-year comparison, in number of pension situations

	Retirement pensions	Retired person's child's pensions	Disability pensions	Disabled person's child's pensions	Surviving spouse/ life-partner's pensions	Orphan's pensions	Total pension recipients
31.12.2013	31 206	582	1 387	328	10 963	330	44 796
Admissions	1 424	205	72	45	680	83	2 509
Departures	– 2 455	– 262	– 249	– 101	– 830	– 103	– 4 000
31.12.2014	30 175	525	1 210	272	10 813	310	43 305
Admissions	1 361	202	94	110	743	116	2 626
Departures	– 1 547	– 230	– 177	– 149	– 817	– 117	– 3 037
31.12.2015	29 989	497	1 127	233	10 739	309	42 894

Additionally, a total of 2,136 retirement bridging pensions (prior year: 2,389) and 152 IV/AI replacement pensions (prior year: 173) were paid.

3 Implementation of the purpose

3.1 Note on the pension schemes

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

As an all-encompassing pension fund, PUBLICA undertakes to provide the statutory pension benefits as a minimum and at the same time makes provision for benefits significantly in excess of the BVG minimum. The insured salary comprises the annual salary less the coordination offset of 30% of the annual salary, but no more than CHF 24,675 (status as at 31 December 2015).

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 fund capital as a lifetime annuity or wholly or in part as a lump sum. Persons living in a registered partnership are treated in the same way as spouses.

The level of the pension is determined on the basis of the savings available at the time of retirement. At the reference age of 65 for men and 64 for women, the conversion rate is 5.65%. 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. The risk premiums are based on a percentage of the insured salary.

3.2 Financing, method of financing

The actuarial financing of the individual pension plans is based on what is known as the funded or capital cover system. The revenues are formed by contributions, inflows of vested benefits from previous pension plans and buy-ins, as well as income earned on pension plan assets. The level of employee contributions and the maximum buy-ins are set out in the individual pension plan regulations.

The majority of PUBLICA's operations are funded by contributions to administrative expenses (cost premiums) invoiced to the employers. These are set out in service level agreements on services (SLA D). 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 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 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. Allowances are created 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 items 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 nominal discount interest rate is between 4.0% and 5.6% (prior year: 4.1% and 5.5%) and includes a long-term inflation assumption of 0.5%. The average capital-weighted discount interest rate across the valued portfolio is 4.56% (prior year: 4.72% on a like-for-like basis). 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 Deferred taxes

For the purposes of deferred taxes, property gains taxes on the property portfolio are calculated using the current local tax multipliers, on the basis of the effective holding duration plus 15 years. Deferred taxes are reported under non-technical provisions without discounting and without loss offsetting within cantons or communes. Only future capital gains taxes are taken into account; future transaction costs such as property transfer taxes, land register fees, notary's fees, broker's commissions and other costs are disregarded.

4.2.9 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

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



5 Actuarial risks, risk coverage, funded ratio

5.1 Form of risk coverage, reinsurance

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

The internal relationship between the pension plans and PUBLICA Reinsurance is reported gross in the income statement. The key figures for internal reinsurance are as follows:

PUBLICA Reinsurance

2015 with prior-year comparison, in CHF or percent

	Units	31.12.2014	31.12.2015
Available assets	CHF	156 229 719	155 370 355
Liabilities & provisions	CHF	135 834 992	135 693 924
Funded ratio as per BVV2	Percent	115.0%	114.5%
Economic funded ratio	Percent	115.0%	114.5%
Risk premium received – employers and pension plans	CHF	6 514 599	5 752 302
Risk premium received – employees	CHF	406 269	377 204
Total risk premium received	CHF	6 920 868	6 129 506
Reimbursement of shares in surplus – employers	CHF	4 010 710	8 015 762
Reimbursement of shares in surplus – employees	CHF	230 594	487 831
Total reimbursement of shares in surplus	CHF	4 241 304	8 503 593

With effect from 1 January 2015, Reinsurance reduced the risk premium for the pension plans with matching reinsurance from 3.5% to 3.0%, resulting in a partial release of the provision for outstanding claims. The portion no longer required is reimbursed to the reinsured pension plans. As a result, the reimbursement of shares in surplus exceptionally exceeds the risk premium received.

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 15.6 billion (prior year: CHF 13.8 billion). The interest rate on retirement assets fixed by the parity commissions for the current business year is between 1.5% and 2.25% (prior year: 1.5% and 2.25%). The following table shows the development in pension fund capital during the period under review.

Pension fund capital – active members

31.12.2013 to 31.12.2015, in CHF mn and percent

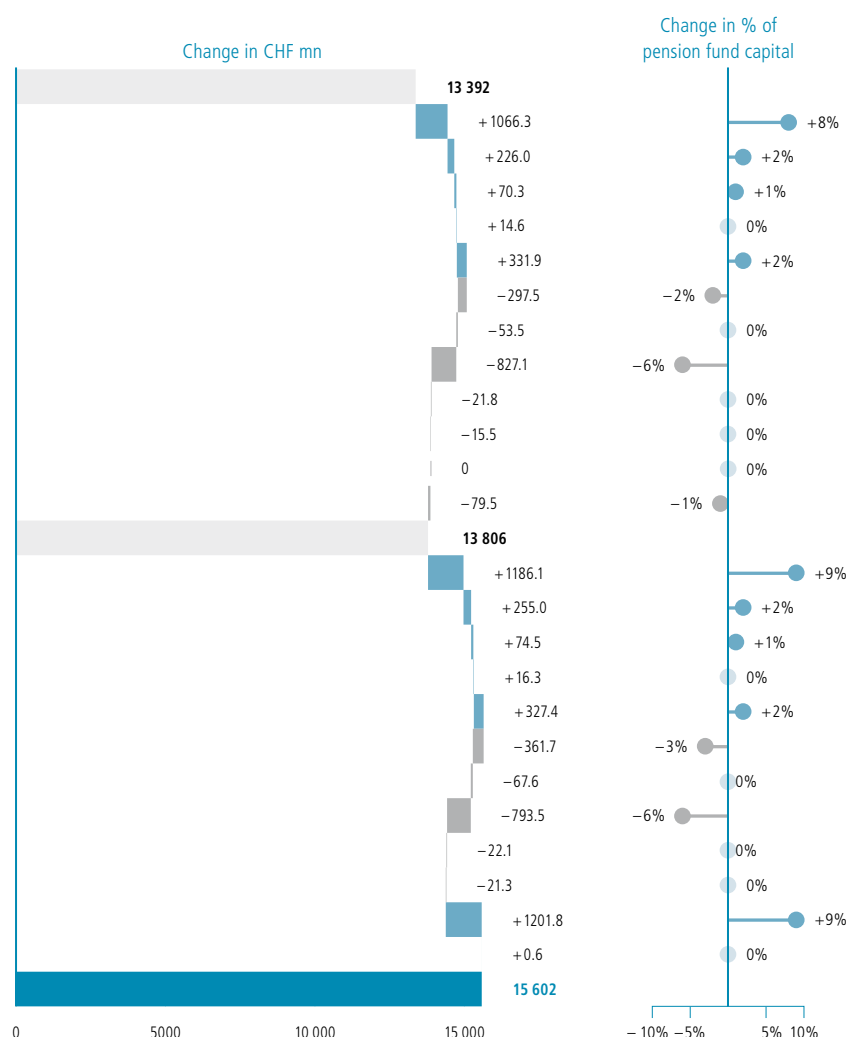
Pension fund capital – active members 31.12.2013

Savings contributions – employees and employers	+1066.3
Interest (incl. interest from other periods)	+226.0
Lump-sum payments and buy-ins – active members	+70.3
Home ownership and divorce payments received	+14.6
Vested pension benefits received	+331.9
Vested benefits paid on departure	–297.5
Early withdrawals for home ownership / divorce	–53.5
Retirement pensions	–827.1
Release on death	–21.8
Release on disability leading to pension	–15.5
Change to technical parameters	0
Other changes	–79.5

Pension fund capital – active members 31.12.2014

Savings contributions – employees and employers	+1186.1
Interest (incl. interest from other periods)	+255.0
Lump-sum payments and buy-ins – active members	+74.5
Home ownership and divorce payments received	+16.3
Vested pension benefits received	+327.4
Vested benefits paid on departure	–361.7
Early withdrawals for home ownership / divorce	–67.6
Retirement pensions	–793.5
Release on death	–22.1
Release on disability leading to pension	–21.3
Change to technical parameters	+1201.8
Other changes	+0.6

Pension fund capital – active members 31.12.2015



Scale: 1 bn = 4 mm, 1 percent = 1 mm

The other changes include corrections, bookings relating to other periods and exceptional bookings. This item is higher in 2014 than in previous years, owing to a change in the booking system.

5.3 Total BVG retirement assets

BVG retirement assets

2015 with prior-year comparison, in CHF and percent

	Units	31.12.2014	31.12.2015
Total BVG retirement assets	CHF	4 796 932 905	5 036 823 663
BVG minimum interest rate, set by Federal Council	Percent	1.75%	1.75%

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



5.4 Development of pension fund capital for pension recipients

The pension fund capital for pension recipients corresponds to the net present value of current pensions including associated deferred annuities and increased by CHF 877 million from the previous year's figure.

Pension fund capital – pension recipients

31.12.2013 to 31.12.2015, in CHF mn and percent

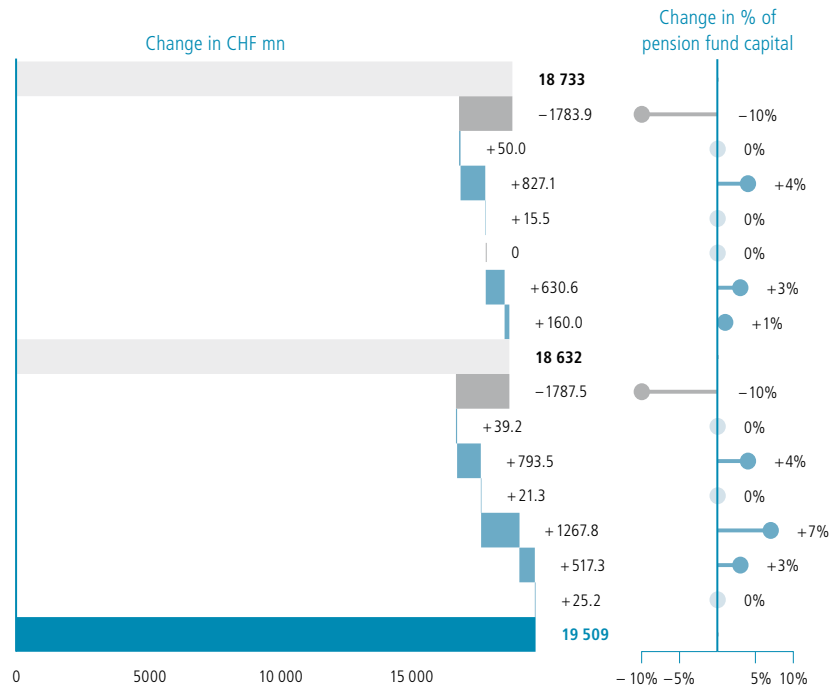
Pension fund capital – pension recipients 31.12.2013

Statutory benefits
Lump-sum payments and buy-ins **
Retirements
Disability cases leading to pension
Change to technical parameters
Technical interest rate *
Deaths and other changes

Pension fund capital – pension recipients 31.12.2014

Statutory benefits
Lump-sum payments and buy-ins **
Retirements
Disability cases leading to pension
Change to technical parameters
Technical interest rate *
Deaths and other changes

Pension fund capital – pension recipients 31.12.2015



* Approximate calculation

** Buy-outs of pension reductions and pension buy-ins
Scale: 1 bn = 3.5 mn, 1 percent = 1 mn

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

5.5 Composition, development and explanation of technical provisions

The technical provisions decreased by a total of CHF 2,019 million compared with the previous year, largely due to the release of provisions to cushion the impact of the reduction in the technical interest rate.

Technical provisions

2015 with prior-year comparison, in CHF

	31.12.2014	31.12.2015
Pension plans		
Provision for active members – longevity	189 890 353	260 058 037
Provision for active members – technical interest rate	965 079 700	0
Provision for pension recipients – longevity	167 692 429	234 110 684
Provision for pension recipients – technical interest rate	1 229 744 479	0
Provision for fluctuations in the membership of closed pension plans	51 271 104	53 884 062
Provision for outstanding claims (IBNR)	179 496 859	185 473 959
Provision for death and disability	69 435 000	108 795 000
Provision for guarantees (change of system)	116 122 790	107 386 861
Provision for cost-of-living adjustment and administrative expenses	26 086 887	26 226 885
Total technical provisions – pension plans	2 994 819 601	975 935 488
Reinsurance		
Provision for outstanding claims (IBNR)	20 762 605	18 388 518
Provision for death and disability	18 582 000	20 892 000
Provision for pricing	70 817 000	70 817 000
Provision for hardship cases – active members / pensioners	14 130 591	14 053 610
Provision for hardship cases – pension plans	11 542 796	11 542 796
Total technical provisions – Reinsurance	135 834 992	135 693 924
Total technical provisions	3 130 654 593	1 111 629 412

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, makes 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, certain precautions have to be taken to ensure that the promised benefits can always be provided. For this reason, a longevity provision amounting to 0.3% annually is set aside for the 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 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 created 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 created 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 reserves 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 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 funded by the risk premium for the reinsured pension plans.

Provision for death and disability

As with the provision for outstanding claims, Reinsurance is also obliged to set aside a provision for death and disability because it has to bear the risk of fluctuations in the volume of claims of the reinsured pension plans.

Provision for 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 2015 (point 12).

5.7 Actuarial tables and other actuarial assumptions

The calculations are based on the BVG 2010 actuarial tables (loaded) and static tables. The technical interest rate is 2.75% for the open pension plans and 2.25% 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, mortality rate predictions extrapolated to 2018 are used.

5.8 Changes to actuarial tables and assumptions

In view of persistently low return expectations, the PUBLICA Board of Directors decided on 18 December 2012 to reduce the technical interest rate with effect from 1 January 2015. It was therefore reduced on that date by 0.75 percentage points, to 2.75% for open pension plans and 2.25% for closed pension plans. This decision resulted in a reduction of the conversion rate to 5.65%. In the years 2012 to 2014, PUBLICA set aside annual provisions for the reduction in the technical interest rate as a measure to safeguard the existing levels of pension benefits.

As a further measure to safeguard future benefit levels, the pension plans increased the savings contribution rates in cooperation with the employers.

Change to technical parameters

2015 in CHF

	Active members	Pension recipients	Total
Release of provision for technical interest rate	965 079 700	1 229 744 479	2 194 824 179
Increase in pension fund capital	– 1 202 782 068	– 1 267 801 650	– 2 470 583 718
Increase in provisions for longevity	– 10 825 040	– 11 410 216	– 22 235 256
Expense (–) / income (+)	– 248 527 408	– 49 467 387	– 297 994 795

The difference between the target figure needed to maintain the existing benefit level and the provisions set aside in the years 2012 to 2014 as well as the resulting increase in the provisions for longevity resulted in a charge of CHF 298 million to the income statement in 2015.

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

2015 with prior-year comparison, in CHF

	31.12.2014	31.12.2015
Actuarially required pension fund capital	35 569 354 285	36 222 566 025
Fluctuation reserve	1 901 684 628	259 798 210
Uncommitted funds (+) / underfunding (–)	0	– 207 436 251
Available assets	37 471 038 915	36 274 927 984
Funded ratio as per Article 44 BVV2	105.3%	100.1%

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 risk-free interest rate with matching maturities. This risk-free interest rate is based on 20-year Swiss government bonds for active members and 10-year Swiss government bonds for pension recipients.

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

The corresponding calculations made by the Pension Actuary produced an economic funded ratio of 72.8% (prior year: 81.0%).



6 Notes on investments and the net return on investment

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

The Board of Directors bears overall responsibility for asset management. It is responsible for issuing and amending the Investment Guidelines and determines the strategic asset allocation. The Investment Committee advises the Board of Directors on investment-related issues and monitors compliance with the Investment Guidelines and strategic asset allocation.

Equity investments are made in line with an index and replicate market trends. All equity portfolios are managed by external specialists. The bond portfolios are managed by PUBLICA Asset Management and external specialists, 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 are made 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. Pictet Asset Management will then manage them on a fiduciary basis until PUBLICA is able to resume doing so itself or a definitive solution has been found.

The following institutions were entrusted with the management of PUBLICA's assets as at the balance sheet date of 31 December 2015:

Asset management

2015

Mandate	Asset manager	Licensing authority	Benchmark	Investment style	Retrocessions	
					Date of regulation	Received
Swiss government bonds	Swiss Federal Pension Fund PUBLICA	Bernische BVG- und Stiftungsaufsicht (CH) ¹	Government bonds SBI	Index-tracking	–	prohibited
Non-government bonds CHF	Swiss Federal Pension Fund PUBLICA	Bernische BVG- und Stiftungsaufsicht (CH) ¹	SBI AAA-A foreign borrowers (40%) and domestic borrowers (60%)	Index-tracking	–	prohibited
Non-government bonds CHF	Pictet et Cie	Swiss Financial Market Supervisory Authority FINMA ²	SBI AAA-A foreign borrowers (40%) and domestic borrowers (60%)	Index-tracking	08.12.2011	prohibited
Government bonds EUR	Swiss Federal Pension Fund PUBLICA	Bernische BVG- und Stiftungsaufsicht (CH) ¹	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) ¹	JPM GBI USA	Index-tracking	–	prohibited
Government bonds GBP	Swiss Federal Pension Fund PUBLICA	Bernische BVG- und Stiftungsaufsicht (CH) ¹	JPM GBI UK	Index-tracking	–	prohibited
Government bonds CAD	Swiss Federal Pension Fund PUBLICA	Bernische BVG- und Stiftungsaufsicht (CH) ¹	JPM GBI Canada	Index-tracking	–	prohibited
Inflation-linked government bonds	Swiss Federal Pension Fund PUBLICA	Bernische BVG- und Stiftungsaufsicht (CH) ¹	80% Barclays Euro Government EMU HICP-Linked Bond Index 1–10 Years 20% Barclays Euro Government EMU HICP-Linked Bond Index > 10 Years	Index-tracking	–	prohibited
Inflation-linked government bonds	Swiss Federal Pension Fund PUBLICA	Bernische BVG- und Stiftungsaufsicht (CH) ¹	80% Barclays US Government Inflation-Linked Bond Index 1–10 Years 20% Barclays US Government Inflation-Linked Bond Index > 10 Years	Index-tracking	–	prohibited
Currency hedging Inflation-linked government bonds	Russell Implementation Services Ltd	Financial Conduct Authority (UK) ⁴	Difference in relevant portfolio benchmark hedged vs. unhedged	Indexed	22.05.2014	prohibited
Public corporate bonds EUR	Union Investment Institutional GmbH	Federal Financial Supervisory Authority (DE) ⁴	Barclays EUR Corporate	Index-tracking	20.06.2011	prohibited
Public corporate bonds EUR	Standard Life Investments Limited	Financial Conduct Authority (UK) ⁴	Barclays EUR Corporate ex Financials	Index-tracking	25.08.2011	prohibited
Public corporate bonds USD	PIMCO Europe Ltd	Financial Conduct Authority (UK) ⁴	Barclays USD Corporate Intermediate	Index-tracking	04.05.2011	prohibited
Public corporate bonds USD	BlackRock Institutional Trust Company	Office of the Comptroller of the Currency (US) ⁴	Barclays USD Corporate Intermediate ex Financials	Index-tracking	04.05.2011	prohibited
Private corporate bonds	MetLife Investment Management Limited	Financial Conduct Authority (UK) ⁴	Barclays Global Agg Corp Composite Custom	Direct investments	29.09.2015	prohibited
Currency hedging Corporate bonds foreign currency	Record Currency Management Limited	Financial Conduct Authority (UK) ⁴	Difference in relevant portfolio benchmark hedged vs. unhedged	Indexed	22.10.2008	prohibited
Government bonds emerging markets	Ashmore Investment Management Limited	Financial Conduct Authority (UK) ⁴	JPM GBI-EM Global Diversified	Index-tracking enhanced	21.02.2013	prohibited
Government bonds emerging markets	Investec Asset Management	Financial Conduct Authority (UK) ⁴	JPM GBI-EM Global Diversified	Index-tracking enhanced	21.02.2013	prohibited
Mortgages Switzerland	Swiss Federal Pension Fund PUBLICA	Bernische BVG- und Stiftungsaufsicht (CH) ¹	Based on lower interest-rate band BEKB variable mortgages	Direct investments	–	prohibited
Equities Switzerland	Credit Suisse AG	Swiss Financial Market Supervisory Authority FINMA ²	SMI	Indexed	01.12.2008	prohibited
Equities Switzerland	Pictet Asset Management SA	Swiss Financial Market Supervisory Authority FINMA ²	SMI	Indexed	02.12.2008	prohibited
Equities industrialised nations ex Switzerland ⁶	Credit Suisse Funds AG	Swiss Financial Market Supervisory Authority FINMA ³	MSCI (gross) Europe ex Switzerland (25%) ⁵ , North America (50%) ⁵ , Japan (10%) and Pacific ex Japan (15%)	Indexed	09.11.2005	prohibited
Equities industrialised nations ex Switzerland	BlackRock Advisors (UK) Limited	Financial Conduct Authority (UK) ⁴	MSCI (gross) Europe ex Switzerland (25%), North America (50%), Japan (10%) and Pacific ex Japan (15%)	Indexed	27.06.2005	prohibited
Currency hedging Equities industrialised nations ex Switzerland	Russell Implementation Services Ltd	Financial Conduct Authority (UK) ⁴	Difference in relevant portfolio benchmark hedged vs. unhedged	Indexed	28.10.2008	prohibited
Equities emerging markets ⁶	Pictet Asset Management SA	Swiss Financial Market Supervisory Authority FINMA ²	MSCI (net) Emerging Markets ⁵	Indexed	19.08.2010	prohibited
Equities emerging markets ⁶	Vanguard Asset Management, Ltd	Financial Conduct Authority (UK) ⁴	MSCI (net) Emerging Markets	Indexed	19.08.2010	prohibited
Commodities	Morgan Stanley & Co. International Plc	Financial Conduct Authority (UK) ⁴	S&P GSCI TR Petroleum (50%) and Precious Metals (50%)	Index-tracking (swaps)	02.11.2009	prohibited
Commodities	BlackRock Advisors (UK) Limited	Financial Conduct Authority (UK) ⁴	S&P GSCI TR Petroleum (50%) and Precious Metals (50%)	Indexed (futures)	02.11.2009	prohibited



Asset management

2015

Mandate	Asset manager	Licensing authority	Benchmark	Investment style	Retrocessions	
					Date of regulation	Received
Precious metals	JPMorgan Chase Bank, N.A.	Financial Conduct Authority (UK) ¹	London Gold Price PM Auction USD	Indexed	20.05.2015	prohibited
Real estate Switzerland	Swiss Federal Pension Fund PUBLICA	Bernische BVG- und Stiftungsaufsicht (CH) ¹	KGAST Immo Index	Direct investments	—	prohibited
Real estate investments Switzerland	LIVIT AG	n/a	n/a	Direct investments	23.11.2011	prohibited
Real estate investments Switzerland	Von Graffenried AG Liegenschaften	n/a	n/a	Direct investments	02.07.2012	prohibited
Real estate investments Switzerland	Privera AG	n/a	n/a	Direct investments	16.05.2012	prohibited
Real estate investments Switzerland	psm Center Management AG	n/a	n/a	Direct investments	02.07.2012	prohibited
Real estate investments Switzerland	Mata Treuhand- und Revisions AG	n/a	n/a	Direct investments	02.07.2012	prohibited
Real estate investments Switzerland	Immosupport by Fritz und Caspar Jenny AG	n/a	n/a	Direct investments	14.05.2012	prohibited
Real estate investments Switzerland	Bilfinger Real Estate AG	n/a	n/a	Direct investments	01.07.2014	prohibited

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

² Art. 48f para. 4 let. d. BVV2 banks under the Banking Act

³ Art. 48f para. 4 let. f. BVV2 fund management companies

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

⁵ Each 50% MSCI capital-weighted, 25% MSCI minimum volatility and 25% MSCI fundamental weighted indices

⁶ Mandate in single-investor fund

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

PUBLICA's securities are held with the following custodian banks.

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

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, fluctuation reserves were released.

Target size and calculation of fluctuation reserve

2015 with prior-year comparison, in CHF

	2014	2015
Fluctuation reserve 01.01	1 419 642 081	1 901 684 628
Change in fluctuation reserve debited (+) / credited (-) to income statement	482 042 547	- 1 641 886 418
Total fluctuation reserve 31.12	1 901 684 628	259 798 210
Fluctuation reserve deficit 31.12	8 963 432 190	12 389 906 611
Target fluctuation reserve	10 865 116 818	12 649 704 821
Fluctuation reserve as % of target	17.5%	2.1%
Target size of fluctuation reserve in % of pension fund capital and technical provisions	30.5%	34.9%

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 16.4% (prior year: 15.7%) 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

2015, in percent

Asset class	Allocation at 31.12.2015	Pro rata strategy	Long-term strategy	Tactical bandwidths as a % of strategy weighting	
				Minimum	Maximum
Money market	1.4%	3.0%	3.0%	0%	200%
Swiss government bonds	6.0%	6.0%	6.0%	80%	120%
Non-government bonds CHF	11.7%	12.0%	10.0%	80%	120%
Government bonds EUR currency hedged	5.9%	6.0%	6.0%	50%	150%
Government bonds USD currency hedged	5.6%	6.0%	6.0%	50%	150%
Government bonds GBP currency hedged	2.0%	2.0%	2.0%	0%	200%
Government bonds CAD currency hedged	2.0%	2.0%	2.0%	0%	200%
Government bonds industrialised nations ex Switzerland	15.5%	16.0%	16.0%	80%	120%
Inflation-linked government bonds EUR currency hedged	1.1%	1.0%	1.0%	0%	200%
Inflation-linked government bonds USD currency hedged	3.2%	3.0%	3.0%	50%	150%
Inflation-linked government bonds	4.3%	4.0%	4.0%	80%	120%
Public corporate bonds EUR currency hedged	7.8%	8.0%	8.0%	50%	150%
Public corporate bonds USD currency hedged	8.5%	8.0%	8.0%	50%	150%
Public corporate bonds ex CHF	16.3%	16.0%	16.0%	80%	120%
Private corporate bonds	0.0%	0.0%	0.0%	0%	100%
Government bonds emerging markets	5.0%	5.0%	5.0%	80%	120%
Mortgages Switzerland	0.5%	0.0%	0.0%		
Equities Switzerland	3.3%	3.0%	3.0%	50%	150%
Equities Europe currency hedged	4.6%	4.3%	4.3%	50%	150%
Equities North America currency hedged	9.2%	8.5%	8.5%	50%	150%
Equities Pacific currency hedged	4.4%	4.2%	4.2%	50%	150%
Equities industrialised nations ex Switzerland	18.2%	17.0%	17.0%	80%	120%
Equities emerging markets	9.0%	9.0%	9.0%	50%	150%
Commodities *	1.7%	2.0%	2.0%	80%	120%
Precious metals * partially currency hedged	1.9%	2.0%	2.0%	80%	120%
Real estate investments Switzerland	5.2%	5.0%	7.0%	80%	120%
Total	100.0%	100.0%	100.0%		
Total not currency hedged	15.3%	15.3%	15.3%		
Total currency hedged	84.7%	84.7%	84.7%		

* from June 2015 only energy commodities; precious metals now form a separate asset class

Strategic asset allocation – closed pension plans

2015, in percent

Asset class	Allocation at 31.12.2015	Pro rata strategy	Long-term strategy	Tactical bandwidths as a % of strategy weighting	
				Minimum	Maximum
Money market	1.1%	3.0%	3.0%	0%	200%
Swiss government bonds	31.1%	31.0%	26.0%	80%	120%
Non-government bonds CHF	9.8%	10.0%	10.0%	80%	120%
Government bonds EUR currency hedged	1.9%	1.9%	1.9%	50%	150%
Government bonds USD currency hedged	1.8%	1.9%	1.9%	50%	150%
Government bonds GBP currency hedged	0.6%	0.6%	0.6%	0%	200%
Government bonds CAD currency hedged	0.6%	0.6%	0.6%	0%	200%
Government bonds industrialised nations ex Switzerland	4.9%	5.0%	5.0%	80%	120%
Inflation-linked government bonds EUR currency hedged	1.4%	1.3%	1.3%	0%	200%
Inflation-linked government bonds USD currency hedged	4.1%	3.8%	3.8%	50%	150%
Inflation-linked government bonds	5.4%	5.0%	5.0%	80%	120%
Corporate bonds EUR currency hedged	6.4%	6.5%	6.5%	50%	150%
Corporate bonds USD currency hedged	7.0%	6.5%	6.5%	50%	150%
Public corporate bonds ex CHF	13.4%	13.0%	13.0%	80%	120%
Government bonds emerging markets	0.0%	0.0%	5.0%	80%	120%
Equities Switzerland	3.3%	3.0%	3.0%	50%	150%
Equities Europe currency hedged	1.8%	1.8%	1.8%	50%	150%
Equities North America currency hedged	3.7%	3.5%	3.5%	50%	150%
Equities Pacific currency hedged	1.8%	1.7%	1.7%	50%	150%
Equities industrialised nations ex Switzerland	7.3%	7.0%	7.0%	80%	120%
Precious metals partially currency hedged	3.0%	3.0%	3.0%	80%	120%
Real estate investments Switzerland	20.7%	20.0%	20.0%	80%	120%
Total	100.0%	100.0%	100.0%		
Total not currency hedged	2%	2%	2%		
Total currency hedged	98%	98%	98%		

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. Derivative financial instruments are reported under the associated asset classes. Investments are divided into the following classes:



Investments by asset class

2015 with prior-year comparison, in CHF

	Note	31.12.2014	31.12.2015
Cash and cash equivalents	6.4.1	88 199 403	103 090 357
Receivables	6.4.1	111 665 871	116 817 754
Money market	6.4.1	902 208 419	500 688 093
Swiss government bonds	6.4.2	3 388 180 570	3 165 195 844
Non-government bonds CHF	6.4.2	4 264 542 568	4 261 202 559
Government bonds EUR		2 055 047 470	1 970 125 812
Government bonds USD		2 079 126 706	1 863 694 478
Government bonds GBP		691 350 134	684 166 731
Government bonds CAD		682 718 318	660 939 629
Government bonds industrialised nations ex Switzerland	6.4.2	5 508 242 627	5 178 926 650
Inflation-linked government bonds	6.4.2	1 279 854 337	1 594 735 207
Public corporate bonds EUR		2 861 230 502	2 761 950 617
Public corporate bonds USD		2 945 803 903	3 019 133 932
Public corporate bonds ex CHF	6.4.2	5 807 034 405	5 781 084 549
Private corporate bonds	6.4.6	–	10 362 440
Government bonds emerging markets	6.4.2	1 795 717 194	1 607 416 694
Mortgages Switzerland	6.4.3	174 157 435	150 910 571
Equities Switzerland	6.4.4	1 222 926 830	1 179 888 745
Equities Europe		1 538 794 300	1 549 680 671
Equities North America		3 297 613 338	3 093 204 700
Equities Pacific		1 546 557 987	1 491 025 772
Equities industrialised nations ex Switzerland	6.4.4	6 382 965 626	6 133 911 143
Equities emerging markets	6.4.4	3 032 771 754	2 890 205 244
Commodities *	6.4.5	1 188 474 928	538 785 433
Precious metals *	6.4.5	–	715 379 599
Real estate investments Switzerland	6.4.7	2 484 074 326	2 531 459 660
Total investments		37 631 016 292	36 460 060 541
Operating assets – PUBLICA Operations		17 847 338	18 772 845
Prepaid expenses and accrued income		3 050 825	3 600 774
Balance sheet total		37 651 914 455	36 482 434 160

* from June 2015 only energy commodities; precious metals now form a separate asset class

6.4.1 Cash and cash equivalents, receivables

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

At CHF 117.1 million, 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 2015.

6.4.2 Bonds

Owing to the adjustment in the strategic asset allocation for the closed pension plans, the weighting of nominal government bonds from industrialised nations was halved, from 10% to 5%, and a 5% allocation to inflation-linked government bonds was built up. Thanks to its low correlation with nominal bonds and equities, an investment of this type adds extra diversification to the portfolio and also provides a degree of inflation protection.

In the “Public corporate bonds” asset class, the strategic allocations to USD and EUR are 8% each in the open pension plans and 6.5% each in the closed pension plans. The four mandates are implemented in line with an index, with two partners each replicating a benchmark without taking account of the financial sector.

No adjustment was made to the allocation to “Government bonds emerging markets” in local currency terms for the open pension plans in 2015. The portfolio management guidelines permit active elements to steer the country and currency allocations and avoid the disadvantages of classic replication of bond benchmarks.

6.4.3 Mortgages

Mortgage loans amounting to CHF 150.9m (prior year: CHF 174.2m) were granted to housing cooperatives.

6.4.4 Equities

The equity portfolios are managed fully in line with an index by a total of four external partners. The benchmark for each portfolio is the relevant regional MSCI index (reinvested), with the exception of Switzerland, where the Swiss Market Index (SMI reinvested) is used. The benchmarks and the weightings within the extended benchmarks are unchanged from the previous year. As in the previous years, no investment was made in shares of Transocean in either of the SMI mandates in 2015. This decision increased the return on Swiss equity investments last year by a total of 0.15 percentage points.

A project to optimise the tax situation of the equity investments was completed according to plan in the year under review. As well as an additional claim for tax reimbursements relating to previous tax years amounting to over CHF 4 million, the procedures for reclaiming tax were improved.

Chiefly as a result of increasing regulatory requirements in emerging markets, the existing “Equities emerging markets” mandates were each transferred to a new PUBLICA “subfund”. The existing investment managers, Pictet and Vanguard, continue to act as asset managers for these “subfunds”. The transfer of the investments to the new structure was mainly conducted as a contribution in kind, in order to keep the costs of the transfer as low as possible.

6.4.5 Commodities and precious metals

The commodity portfolios underwent a substantial restructuring in the year under review. As of June 2015, the commodity portfolio was divided up into an energy (petroleum) portfolio and a precious metals portfolio. This enabled the decision taken by the Board of Directors in May 2015 to include precious metals (but not energy) in the strategic asset allocation for the closed pension plans to be implemented efficiently. The build-up was financed by a corresponding reduction in the “Swiss government bonds” asset class.

Approximately half the investment volume in the energy commodity portfolio is invested in 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.

As at the end of 2015, one third of the precious metals commodity portfolio consisted of an excess return swap, with the remaining two thirds in a physical gold holding. As with the energy commodity portfolio, PUBLICA manages funding internally. Collateral is also exchanged daily.



6.4.6 Private corporate bonds

A new "Private corporate bonds" asset class was introduced in the strategic asset allocation for the open pension plans. A strategic weighting of 0% and a tactical bandwidth of 3 percentage points take account of the complexity of this asset class during the build-up of the allocation.

In accordance with the decision of the Investment Committee, a search was made for suitable external partners to manage the "Private corporate bonds" sub-asset class (see section 6.1). Following completion of due diligence and implementation of the operational processes and structures, the first investments were made in December 2015.

6.4.7 Real estate

At the end of 2015, PUBLICA's real estate portfolio comprised a total of 68 properties at average to very good locations in three principal segments – residential, office and retail – as well as one unbuilt plot of land. With a net asset value (NAV) of CHF 2.5 billion, the overall performance for 2015 was 6.4%. High demand for real estate is also being reflected in revaluation gains, which contributed a total of 1.8 percentage points (including change in deferred taxes). The largest revaluation gains are on residential properties.

Although PUBLICA reviewed around 280 offer dossiers in 2015 and in some cases submitted offers, no purchases were made. The management information system (MIS) for real estate was successfully implemented.

6.5 Current (open) derivative financial instruments

As at 31 December 2015, the following derivative positions were open:

Current (open) derivative financial instruments and collateral

2015 with prior-year comparison, in CHF

31.12.2015	Net replacement value	Net total exposure in mn	Collateral received	Collateral pledged
Interest-rate swaps	29 399 750	175	30 105 263	0
Commodity swaps	- 48 033 214	537	0	44 704 092
Currency forwards	- 213 567 680	19 004	0	127 612 590
Equity futures	256 480	77	0	0
Commodity futures	- 22 576 106	230	0	0
Bond futures	- 75 674	18	0	0
31.12.2014	Net replacement value	Net total exposure in mn	Collateral received	Collateral pledged
Interest-rate swaps	29 581 334	175	29 358 859	0
Commodity swaps	- 71 910 891	785	0	56 155 000
Currency forwards	- 458 973 415	18 881	0	376 447 802
Equity futures	824 127	71	0	0
Commodity futures	- 32 275 108	514	0	0
Bond futures	- 651 448	19	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 efficiently reinvest dividends already contained in the equity indices but not yet paid out.

PUBLICA employs a prime brokerage set-up to ensure the efficient management of counterparty risks in its currency hedging programmes. As at end-2015, HSBC and Deutsche Bank are the two FX prime brokers. The currency managers act on a competitive basis with a wide range of banks. They pass the transactions to one of PUBLICA's two FX prime brokers, which then settles all currency forward transactions as central counterparty on payment of a fee. The only counterparty risk is in respect of the two FX prime brokers. This is covered by collateral in the form of government bonds that are exchanged daily in order to keep the counterparty risk low.

Interest-rate and commodity swaps are also covered by collateral to hedge the counterparty risks involved.

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 2015.

6.7 Securities lending

PUBLICA has concluded a securities lending agreement for foreign securities with J.P. Morgan, under which the latter acts as agent. The borrowers are first-class counterparties that are carefully selected and constantly monitored. PUBLICA accepts only government bonds with a high credit rating as collateral. As of 31 December 2015 securities valued at CHF 1,213.5 million were on loan (compared with CHF 863.3 million as at 31 December 2014).

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

6.8 Net investment income

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



Net investment income

2015 with prior-year comparison, in CHF

	2014	2015
Net income from cash & cash equivalents	- 49 702	12 720
Net income from receivables	0	0
Net income from liabilities	- 1 447 030	- 1 233 248
Net income from money market	1 677 816	- 1 516 847
Net income from Swiss government bonds	296 694 321	99 548 476
Net income from Swiss non-government bonds	316 439 541	70 463 925
Net income from government bonds EUR	203 954 142	- 2 906 312
Net income from government bonds USD	95 800 732	- 8 021 142
Net income from government bonds GBP	73 285 590	- 5 296 992
Net income from government bonds CAD	31 462 425	10 301 286
Net income from gov. bonds industrialised nations ex Switzerland	404 502 889	- 5 923 159
Net income from inflation-linked government bonds	- 17 783 639	- 35 750 082
Net income from public corporate bonds EUR	231 184 023	- 34 828 404
Net income from public corporate bonds USD	126 430 684	- 8 957 412
Net income from public corporate bonds ex CHF	357 614 706	- 43 785 816
Net income from private corporate bonds	-	- 345 563
Net income from government bonds emerging markets	91 538 685	- 256 687 633
Net income from mortgages Switzerland	3 473 420	2 781 479
Net income from equities Switzerland	162 693 603	17 546 205
Net income from equities Europe	77 538 239	73 739 207
Net income from equities North America	409 837 199	- 22 685 098
Net income from equities Pacific	92 800 664	25 662 929
Net income from equities industrialised nations ex Switzerland	580 176 102	76 717 038
Net income from equities emerging markets	281 757 413	- 420 835 477
Net income from commodities *	- 419 105 329	- 251 711 197
Net income from precious metals *	-	- 55 338 866
Net income from real estate investments Switzerland	137 225 685	170 589 057
Asset management expenses	- 83 225 974	- 74 318 897
Net investment income	2 112 182 508	- 709 787 886

* from June 2015 only energy commodities; precious metals now form a separate asset class

6.9 Net performance

Performance measurement seeks to report, as factually and in as much detail as possible, the influence of market trends and investment decisions on investments. The performance is calculated as the ratio of income to average invested capital. Current income such as coupons and dividend payments as well as capital gains and losses and total asset management expenses are taken into account (total return). Inflows and outflows of funds 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.

Net performance

2015, in CHF and percent, after deduction of all asset management expenses

	Portfolio performance	Benchmark performance	Difference	Investments CHF mn
Money market	– 0.19%	– 0.91%	0.72%	501
Swiss government bonds	2.93%	2.84%	0.09%	3 165
Non-government bonds CHF	1.63%	1.65%	– 0.02%	4 261
Government bonds EUR	– 0.55%	– 0.82%	0.27%	1 970
Government bonds USD	– 0.64%	– 0.77%	0.13%	1 864
Government bonds GBP	– 0.88%	– 1.31%	0.43%	684
Government bonds CAD	1.42%	1.24%	0.18%	661
Government bonds industrialised nations ex Switzerland	– 0.35%	– 0.57%	0.22%	5 179
Inflation-linked government bonds	– 2.24%	– 2.42%	0.18%	1 595
Public corporate bonds EUR	– 1.68%	– 1.96%	0.28%	2 762
Public corporate bonds USD	– 0.48%	– 0.78%	0.30%	3 019
Public corporate bonds ex CHF	– 1.03%	– 1.36%	0.33%	5 781
Private corporate bonds	– 4.62%	– 0.62%	– 4.00%	10
Government bonds emerging markets	– 14.71%	– 14.29%	– 0.42%	1 607
Mortgages Switzerland	1.71%	2.25%	– 0.54%	151
Equities Switzerland	1.28%	1.15%	0.13%	1 180
Equities industrialised nations ex Switzerland	0.78%	1.39%	– 0.61%	6 134
Equities emerging markets	– 14.55%	– 14.47%	– 0.08%	2 890
Commodities *	– 36.61%	– 37.41%	0.80%	539
Precious metals *	– 7.82%	– 8.42%	0.60%	715
Real estate investments Switzerland	6.38%	5.30%	1.08%	2 483
Total	– 1.93%	– 1.88%	– 0.05%	36 192
* from June 2015 only energy commodities; precious metals now form a separate asset class				
Total without currency hedging	– 3.24%	– 3.20%	– 0.04%	36 414
Open pension plans	– 2.45%	– 2.36%	– 0.09%	32 107
Closed pension plans	2.16%	1.90%	0.26%	3 984
Reinsurance	1.61%	1.65%	– 0.04%	101

6.10 Asset management expenses

With a cost transparency level of 100%, total asset management expenses stand at 20.1 basis points (prior year: 22.6 basis points). Asset management expenses are made up of the main items listed in the following table:



Asset management expenses

2015 with prior-year comparison, in CHF

	2014	2015
External asset managers – securities	– 24 509 537	– 23 302 085
External asset managers – real estate	– 7 507 700	– 6 333 570
External asset managers – mortgages	– 219 744	– 188 228
Internal asset managers – securities	– 4 811 734	– 5 219 880
Internal asset managers – real estate	– 2 334 551	– 2 545 661
Asset manager expenses	– 39 383 266	– 37 589 424
Custody fees and management	– 9 687 688	– 6 552 963
Custodian expenses	– 9 687 688	– 6 552 963
TER costs	– 49 070 954	– 44 142 386
Stamp duty	– 14 572 805	– 9 965 308
Withholding tax (not reclaimable)	– 14 595 936	– 11 927 996
Other taxes	0	0
Taxes	– 29 168 741	– 21 893 304
Trading fees, commissions, other costs	– 4 469 974	– 7 614 481
Transaction expenses	– 4 469 974	– 7 614 481
Transaction expenses and taxes (TTC costs)	– 33 638 715	– 29 507 785
Investment Controller	– 179 280	– 179 280
Other consultancy (legal, tax, ALM, etc.)	– 337 025	– 489 446
Other expenses (SC costs)	– 516 305	– 668 726
Total asset management expenses	– 83 225 974	– 74 318 897
Average cost-transparent capital investments	36 812 851 531	37 045 538 416
TER expenses (costs) in basis points	13.3	11.9
Transaction expenses and taxes in basis points	9.1	8.0
Other expenses in basis points	0.1	0.2
Asset management expenses in basis points	22.6	20.1
Total of all key cost figures reported in the income statement in CHF for collective investment schemes	0	0
Cost transparency level	100%	100%

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

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

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

PUBLICA books collective investment schemes such as single-investor funds in a fully cost-transparent manner, and takes full account of the associated transaction and tax expenses. When comparing with pension funds that have invested in collective investment schemes and calculate asset management expenses solely on the basis of the TER in their income statements, reduced asset management expenses on a TER basis of 11.9 basis points (prior year: 13.3 basis points) should be applied.

Asset management expenses do not include the custodian fees in connection with securities lending amounting to CHF 1 million, which are offset directly against income. Transaction expenses in relation to foreign currency transactions, chiefly in currencies that are not freely tradable, are likewise not included. They are included by the custodian in the spread and amount to CHF 0.6 million (prior year: CHF 0.7 million).

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

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

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

Allocations to 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 matching reinsurance for their risks. The employers' contribution reserve was used in particular for voluntary deposits into the fluctuation reserve, employers' contributions and to provide additional interest on insured members' pension fund capital. There are no waivers of use in respect of the employers' contribution reserves.

The interest rate on the employers' contribution reserve depends on the funded ratio and the BVG minimum interest rate, but cannot be negative.

Employers' contribution reserves

2015 with prior-year comparison, in CHF

	2014	2015
Employers' contribution reserves 01.01	19 972 254	25 647 907
Allocations	6 916 135	9 603 512
Utilisation	-1 397 907	-3 981 826
Interest	157 425	85 015
Total employers' contribution reserves 31.12	25 647 907	31 354 607

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

2015 with prior-year comparison, in CHF

	31.12.2014	31.12.2015
Current assets	14 149 555	16 041 226
Investment assets	3 697 783	2 731 619
Operating assets – PUBLICA Operations	17 847 338	18 772 845
Debt	4 989 698	5 665 886
Working capital	12 857 639	13 106 959
Liabilities – PUBLICA Operations	17 847 338	18 772 845



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. 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

2015 with prior-year comparison, in CHF

	2014	2015
Personnel expenses	– 18 707 703	– 18 841 928
General administrative expenses	– 10 447 359	– 10 251 635
Financial expenses	– 221 782	– 225 783
Apportionments to Asset Management	9 664 674	10 124 275
General administration	– 19 712 170	– 19 195 072
Marketing and advertising	– 36 919	– 8 297
Statutory Auditors	– 243 716	– 230 542
Pension Actuary	– 207 292	– 207 892
Supervisory authority	– 109 300	– 83 890
Administrative expenses	– 20 309 397	– 19 725 693
No. of active members	62 547	63 463
No. of pension recipients	43 305	42 894
Total active members and pension recipients	105 852	106 357
Administrative expenses per active member / pension recipient	192	185

General administrative expenses are charged to asset management and administrative management transparently and in line with their contribution to those expenses. PUBLICA obtains services from affiliated employers at market conditions and does not receive any hidden contributions. Administrative costs are then attributed to the individual pension plans. While the allocation of costs to the two administrative areas is largely carried out via apportionments, the allocation to the individual pension plans is largely guided by processes. These are derived directly from the services provided in the administration of active members and pension recipients (e.g. entrance, departure and pension calculations, 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 of CHF 3.6 million flow into the non-technical provisions of the pension plans. They are used to fund uncovered administrative costs.

Non-technical provisions

2015 with prior-year comparison, in CHF

	31.12.2014	31.12.2015
Provision for cost fluctuations	31 180 268	34 780 365
Deferred taxes	37 384 472	47 680 030
Non-technical provisions	68 564 740	82 460 395

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.

Deferred taxes on the real estate portfolio were increased by CHF 10.3 million in the year under review. Changes are booked and released via the corresponding account in the income statement.

8 Requirements of the supervisory authorities

No special requirements are currently imposed by the supervisory authorities. In a letter dated 29 December 2015 PUBLICA was asked by the regulatory authority for occupational pension schemes of the Canton of Bern (Bernische BVG- und Stiftungsaufsicht (BBSA)) to comment on Art. 50 (2) BVG. This article stipulates that, from 1 January 2015 onwards, institutions under public law may issue either the financing or benefit provisions of their pension scheme, but not both. The interpretation of this provision and possible conflicts with the provisions of federal personnel law are the subject of ongoing discussions with the Federal Department of Finance.

9 Further information concerning the financial situation

9.1 Underfunded pension plans

As at 31 December 2015, 10 open pension plans are slightly underfunded, the funded ratios ranging between 97.1% and 99.2%. The cause of this underfunding is the negative performance in 2015. The parity commissions of the underfunded pension funds have been instructed to draft recovery plans, if they have not already done so, and implement any measures necessary.

PUBLICA monitors the situation of the closed pension plans closely, as the options for closed, pensioner-only memberships to remedy underfunding are limited and additional financial support may be required. The Board of Directors of PUBLICA has therefore initiated discussions with the Confederation with the aim of drawing up a proposal for securing the financial stability of the closed pension plans over the long term.



9.2 Pledging of assets

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

9.3 Ongoing legal proceedings

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

9.4 Collective departures

Collective departures are mentioned in section 1.6.1.

10 Post-balance sheet events

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

11 Report by the Statutory Auditors



KPMG AG
Audit

Hofgut
CH-3073 Gümligen-Bern

P.O. Box
CH-3000 Bern 15

Telephone +41 58 249 76 00
Fax +41 58 249 76 17
Internet www.kpmg.ch

Report of the Statutory Auditor to the Fund Commission of the

Swiss federal pension fund PUBLICA, Bern

Report of the Statutory Auditor on the Financial Statements

As statutory auditor, we have audited the financial statements of Swiss federal pension fund PUBLICA, which comprise the balance sheet, operating accounts and notes (pages 39 to 74) for the year ended 31 December 2015.

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 2015 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;
- in the event of a funding gap, the pension fund has taken the necessary measures to restore full coverage;
- the legally required information and reports have been given to the supervisory authority;
- the pension fund's interests are safeguarded in disclosed transactions with related entities.

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

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

KPMG AG

Kurt Gysin
*Licensed Audit Expert
Auditor in charge*

Erich Meier
Licensed Audit Expert

Bern, April 5, 2016

12 Confirmation from the Accredited Pension Actuary



PUBLICA Confirmation from the Accredited Pension Actuary as of 31.12.2015

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 accordance 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 on its active members and pensioners for our actuarial appraisal. In its letter of 11.02.2016, 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) 2.75% actuarial tables, while the liabilities for closed-scheme pensioners were calculated using BVG/LPP 2010 (P2018) 2.25% 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 35,110,936,613.-**.

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 1,111,629,412.-**. In the case of ten open pension plans, the reserves available one year ago have been fully exhausted and were at nil on the balance sheet date. The reserves of the four other open pension plans and all the closed plans were only at a fraction of their 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 36,274,927,984.-**.

Financial situation

The actuarial balance sheets show that ten of the open pension plans are underfunded. The other four open pension plans and all the closed plans have neither a surplus nor an underfunding: until the reserves have reached their target value, the pension plans will not be able to report an actuarial surplus (or free assets). Since, depending on the individual pension plan, PUBLICA has no or only very limited reserves, it has limited capacity 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 2.75% (respectively 2.25%) plus the actuarial provisions. As of 31.12.2015, PUBLICA's funded status under BVV2/OPP2 was 100.1% compared with 105.3% on 31.12.2014.

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 31.12.2015, PUBLICA's economic funded status was 72.8% compared with 81.0% on 31.12.2014.

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 significantly mainly as a result of the negative investment performance. With funded status of 100.1% as at 31.12.2015, PUBLICA is just overfunded in consolidated terms.

The funded statuses of the individual plans, however, range from 97.1% to 112.8%. In appraising the financial situation of the individual plans, membership age structure and their recovery capacity must be taken into account in addition to funded status. Pensioner-only plans, in particular, have very limited capacity to counter adverse financial developments. Since these plans can hardly be restructured without outside help, a separate differentiated investment strategy has been applied in their case in recent years.

Open pension plans

PUBLICA's open pension plans are adequately funded and have no structural deficits. The change in actuarial tables made several years ago and the reduction in discount rate to 2.75% implemented effective 01.01.2015 will further support the funding of these pension plans in the long term. By 31.12.2014, the cost of this reduction had been largely pre-funded through reserves. The balance was charged to the 2015 financial year.

The negative investment performance in 2015 resulted in an immediate and significant deterioration in funded status. As at 31.12.2015, ten pension plans were underfunded (funded status between 97.1% and 99.2%) and the four others were just overfunded (between 100.1% and 101.7%). The joint administration bodies of the underfunded pension plans must now prepare recovery plans and implement recovery measures.

Closed-scheme pension plans

Given expected rates of return, PUBLICA's closed-scheme pension plans are inadequately funded. With funded status ranging between 102.3% and 112.8%, and despite the increased cost of the discount rate reduction to 2.25%, these pension plans have still temporarily averted underfunding. Nevertheless, low expected returns in the coming years will most probably drive them into underfunding.

When that happens, these pension plans will be reliant upon external support since they cannot take any recovery measures themselves. Attention was drawn to this development some time ago and the Fund Commission submitted proposals to the Finance Department at the end of 2013. A solution must be devised for securing the healthy financial development of all affiliated pension plans; this solution must be supported by the Fund Commission, in its capacity as the highest joint administration body of all the affiliated pension plans, and the Finance Department. Work is in progress and the Regulatory Authority has been 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 31.12.2015, PUBLICA cannot fully cover for all its pension plans its actuarial liabilities or actuarial capital, calculated on the basis of the BVG/LPP 2010 (P2018) actuarial tables with a discount rate of 2.75%, respectively 2.25%, together with their provisions.
- The BVG/LPP 2010 (P2018) actuarial tables currently applied are appropriate for the Pension Fund at the balance sheet date. The discount rate of 2.75%, respectively 2.25%, is 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 had to be written back entirely for ten open pension plans. The investment fluctuation reserves are still well short of their target values in the other four open pension plans and in the closed plans.
- Funded status, within the meaning of Article 44 OPP2/BVV2, was in total 100.1% as of 31.12.2015 based on actuarial discount rates of 2.75%, respectively 2.25%.
- The economic funded status calculated with a risk-free actuarial discount rate was in total 72.8% as of 31.12.2015.
- As a result of negative returns, ten open pension plans are underfunded. The joint administration bodies must consider and possibly implement recovery measures. Given their modest reserves, the other pension plans cannot be considered to have sustainably recovered, nor do they have full capacity for risk.
- The **open pension plans** are currently adequately funded and can meet their benefits obligations. Taking into account the applicable actuarial tables, their 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 long-term return on investment, which is unlikely to be sufficient given the conservative investment strategy adopted. 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. A solution which is both financially expedient and politically viable is being sought.
- The Fund's actuarial regulations on benefits and funding are in compliance with the applicable statutory requirements on 31.12.2015.

Aon Switzerland Ltd.



Emmanuel Vaclair
Swiss Accredited Pension Actuary

Neuchâtel, 5 April 2016



Patrick Streit
Swiss Accredited Pension Actuary

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Swiss Federal Pension Fund PUBLICA
Eigerstrasse 57
P.O. Box
3000 Bern 23

Tel 031 378 81 81
Fax 031 378 81 13
info@publica.ch
www.publica.ch

