Pensionskasse des Bundes
Caisse fédérale de pensions
Cassa pensioni della Confederazione
Cassa federala da pensiun

2012 Annual Report of the Swiss Federal Pension Fund PUBLICA

1 January to 31 December 2012

Summary of the financial year

2012 was a successful year for PUBLICA, both operationally and financially. Largely thanks to the positive mood on the equity markets, investments recorded an above-average performance of 7.94% (compared with 1.71% in the previous year). This was slightly above the strategy benchmark, allowing the average funded status to be raised by around 2% despite the formation of additional technical provisions. As of 31 December 2012, PUBLICA's total funded status stands at 105.2% (prior year: 103.1%). In mid-year, PUBLICA switched over to new actuarial tables, which are now once again completely up to date in terms of statistical parameters (in particular life expectancy). The resulting reduction in the conversion rate was accompanied by a series of supporting measures which ensured that the level of benefits remained largely unchanged overall.

The membership trend is fairly constant, with no significant changes. As in previous years, the ratio of active members to pension recipients improved slightly further in favour of the former. This led to a slight improvement in structural risk capacity. The change to new actuarial tables also led to a decline in actuarial losses; it should be borne in mind, however, that the new tables will not be fully effective (over a 12-month period) until the 2013 financial year. In 2012, the actuarial loss on longevity risk amounted to approximately CHF 29 million (prior year: CHF 121 million). This was set against a positive trend in disability claims, with an actuarial profit of CHF 100 million recorded. That in turn had a positive impact on the funded status, leading to surplus payments to the pension plans.

Changes to the strategic asset allocation

Minor adjustments were made to the separate strategic asset allocations for the open and closed pension plans during the financial year. For the open pension plans, the long-term strategic target for equities was raised to 33% from 29%, while that for fixed income was lowered from 58% to 56%. As regards fixed income, CHF bonds were reduced while corporate bonds were increased. Investments are now also being made in emerging market government bonds. On 1 January 2012, PUBLICA sold its mortgage portfolio to Berner Kantonalbank. The effect of this was to reduce the target for mortgages from 4.8% to zero. For the closed pension plans, the strategic target allocation to equities was raised (from 10% to 15%), with a corresponding reduction in fixed income. The open pension plans recorded a performance of 8.21% in 2012 (prior year: 1.0%); for the closed pension plans the figure was 5.95% (prior year: 5.67%).

Change of actuarial tables on 1 July 2012

The change of actuarial tables agreed in January 2011 (BVG 2010 loaded) was implemented according to plan. Since mid-2012, the actuarial tables have therefore once again been up to date in terms of biometric parameters (life expectancy, probability of disability, etc.). Accordingly, the conversion rates were adjusted with effect from 1 July 2012; the rate at age 65 now stands at 6.15%. Active members received a credit from existing technical provisions to cushion the impact of this reduction. Additionally, most of the pension plans adjusted the retirement credits (savings contributions) provided for in their regulations, thus enabling most to maintain the existing level of benefits. Active members received individual pension statements setting out in a transparent manner the effects of these changes.

Pension plans

The number of pension plans remained unchanged in 2012. As of 1 January 2013 the Confederation pension plan is being partially liquidated, with the Federal Office of Metrology becoming independent as the Federal Institute of Metrology METAS. It will constitute a new and separate pension plan within PUBLICA. As a result, the collective institution will consist of fourteen open and seven closed pension plans with effect from 1 January 2013. The Affiliated Organisations plan acquired a new member in the year under review, in the form of the Autorité cantonale de surveillance des fondations et des institutions de prévoyance Genève.

The funded status of the individual pension plans ranges between 99.6% and 108.3%. While the open plans are well funded and have no structural deficits, funding for the closed plans is inadequate. With one exception they are all in surplus, but the financial burden resulting from the reduction of the technical interest rate to 2.25% (see below) is highly likely to cause a deficit among the closed pension plans in the next few years.

Annual financial statements / cost-income ratio

As of the 2012 accounting year, asset management expenses will be reported in full in the income statement. To ensure complete transparency they will contain all components, in particular transaction costs and taxes. In this respect, PUBLICA exceeds the requirements arising out of the structural reform of the Occupational Pensions Act (BVG). PUBLICA has not invested in products where the costs are not transparent. The change to the strategic asset allocation has led to an increase in asset management expenses; however, at 0.196% (19.6 basis points) these still remain relatively low. Administrative expenses fell slightly in the year under review, to an average of CHF 206 per active member and pension recipient.

Reduction in the technical interest rate

Following extensive preparatory work, the Board of Directors decided on 18 December 2012 to reduce the technical interest rate by 75 basis points with effect from 1 January 2015, to 2.75% (currently 3.5%) for the open pension plans and 2.25% (currently 3.0%) for the closed ones. This move takes account of the reduced income expectations resulting from the low level of interest rates, mirroring the trend in the technical reference interest rate forecast by the Swiss Chamber of Pension Actuaries. In parallel with this is a further reduction in the conversion rate (to 5.65% at age 65 with effect from 1 January 2015). Additional technical provisions of 2.2% annually from 2012 to 2014 are being formed to cushion the impact of this move; the remaining amount will be debited to the income statement in 2015. The Board of Directors has also instructed the employees' and employers' representatives in the parity commissions as well as the social partners to commence negotiations with the aim of maintaining the level of benefits. Simultaneously, thanks to the good risk results and on the recommendation of the Pension Actuary, the Board of Directors decided to reduce the risk premiums with effect from 1 January 2015.

Change of supervision

By virtue of a decision dated 4 June 2012, supervision of PUBLICA was transferred from the previous regulatory authority, the Federal Social Insurance Office, Switzerland, to the regulatory authority for occupational pension schemes of the Canton of Bern (Bernische BVG- und Stiftungsaufsicht (BBSA)). This change was made in implementation of the structural reform of the BVG which came into force on 1 January 2012.

Changes to the Board of Directors and management

Fritz Zurbrügg was appointed to the Governing Board of the Swiss National Bank and, as a result, stepped down as Director of the Federal Finance Administration and member of the PUBLICA Board of Directors with effect from 31 July 2012. Serge Gaillard, Director of the Federal Finance Administration since 1 October 2012, was appointed by the Federal Council to succeed Fritz Zurbrügg on the Board of Directors. The Board of Directors appointed Serge Gaillard to the Audit Committee, again to succeed Fritz Zurbrügg.

Dieter Stohler took over from Werner Hertzog as Director of PUBLICA with effect from 1 January 2012.

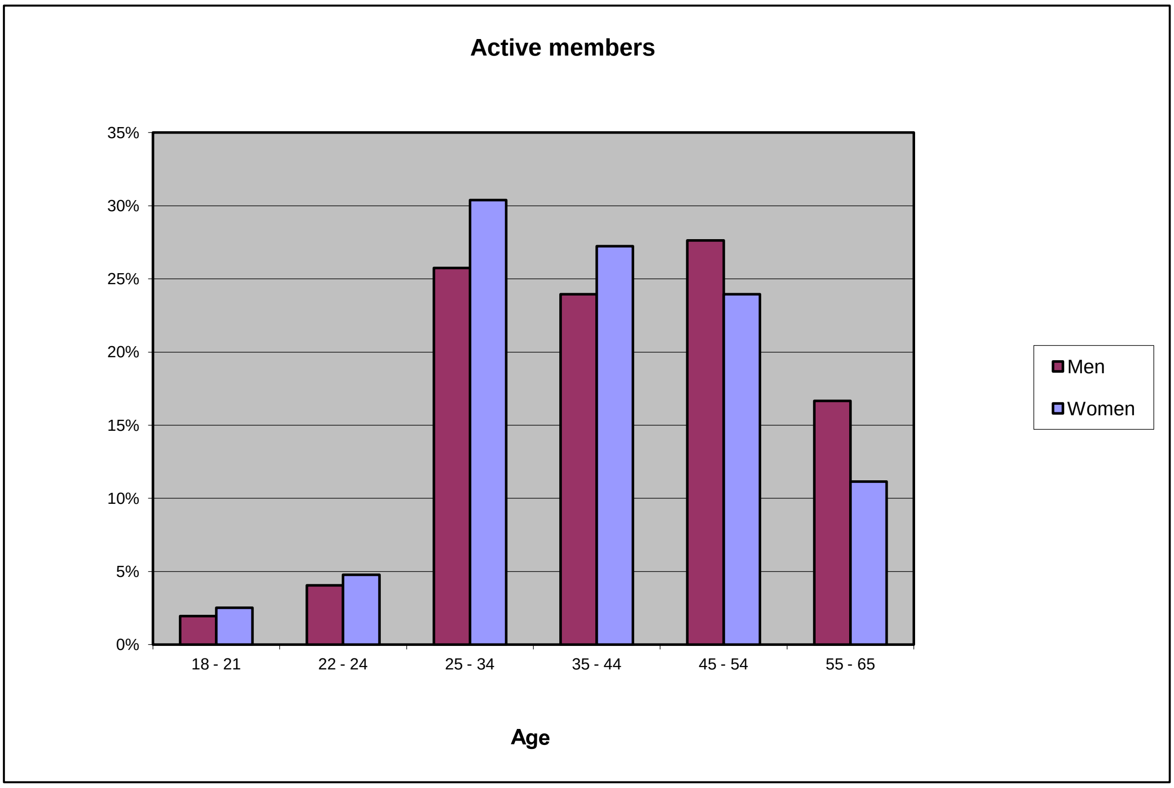
Our thanks

PUBLICA enjoyed a successful business year in 2012. The Board of Directors and Executive Board would like to thank all members of PUBLICA staff who, throughout 2012, once again worked meticulously to provide occupational pension services to PUBLICA's customers. We should also like to thank the affiliated employers and our business partners and suppliers who have worked alongside us with professionalism and dedication.

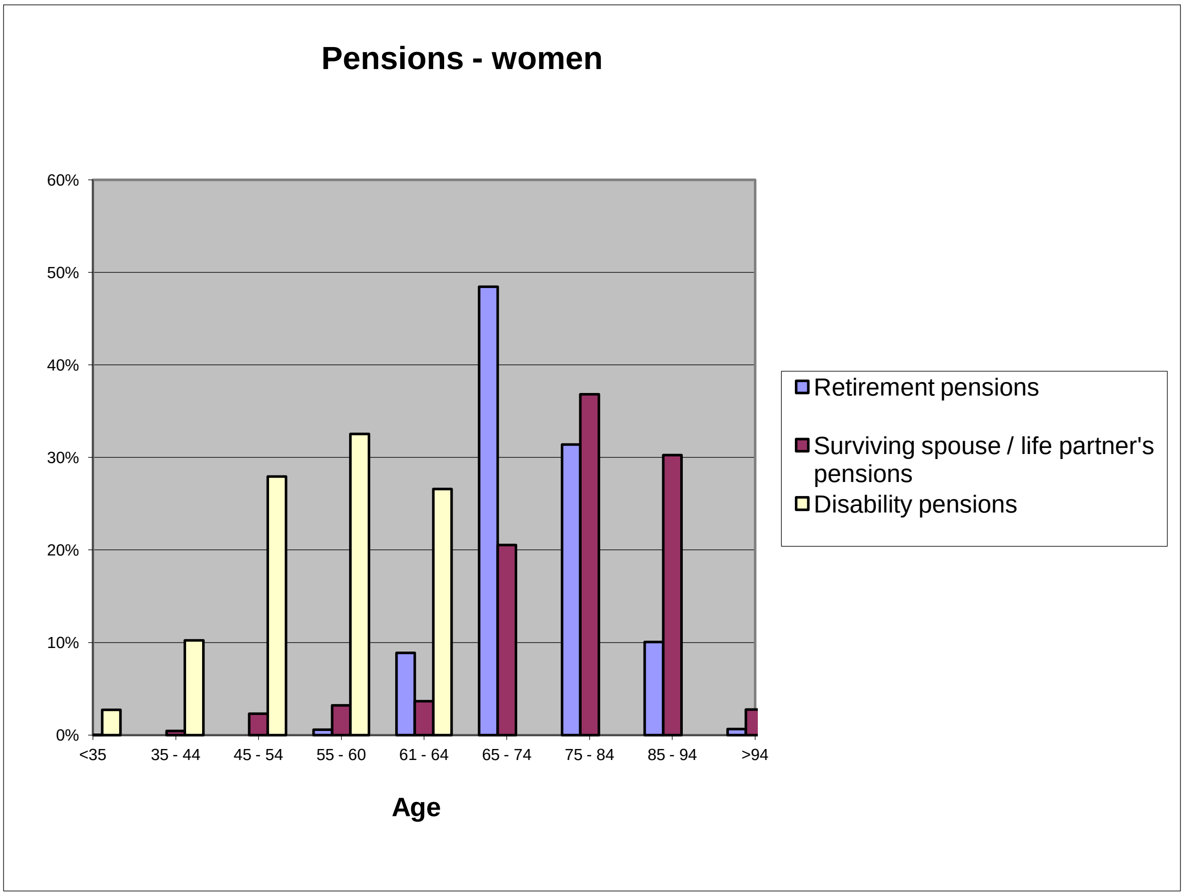
Christian Bock
Chairman of the Board of Directors, PUBLICA

Dieter Stohler
Director, PUBLICA

Age structure of active members



Age structure of pension recipients



Balance sheet

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

Assets	Notes	31.12.2012 CHF	31.12.2011 CHF
Investments	6.4	**35'045'351'447**	**33'091'272'658**
Cash and cash equivalents	6.4.1	792'891'942	437'824'963
Receivables	6.4.1	105'306'944	107'324'502
Bonds	6.4.2	18'248'242'559	18'945'724'255
Equities	6.4.3	11'514'573'255	8'601'764'765
Mortgages	6.4.4	181'914'564	1'329'487'036
Real estate	6.4.5	2'448'228'962	2'297'163'897
Alternative investments	6.4.6	1'754'193'221	1'371'983'242
Operating assets	**7.1**	**19'629'401**	**19'222'790**
Prepaid expenses and accrued income		**4'221'086**	**3'951'795**
Total assets		**35'069'201'935**	**33'114'447'243**

Liabilities	Notes	31.12.2012 CHF	31.12.2011 CHF
Liabilities		**113'491'949**	**113'486'236**
Vested pension benefits and pensions		88'142'007	85'962'644
Other liabilities		5'720'541	8'300'802
Operational liabilities	7.1	19'629'401	19'222'790
Accrued expenses and deferred income		**930'712**	**796'590**
Employers' contribution reserves	**6.10**	**16'558'794**	**16'310'948**
Non-technical provisions	**7.3**	**26'252'846**	**22'333'212**
Pension fund capital and technical provisions		**33'177'583'856**	**31'960'616'438**
Pension fund capital – active members	5.2	12'596'432'921	11'612'518'541
Pension fund capital – pensioners	5.4	19'093'246'293	17'942'659'667
Technical provisions	5.6	1'487'904'642	2'405'438'230
Fluctuation reserve	**6.3**	**1'734'982'931**	**1'000'903'820**
Uncommitted funds / underfunding			
Opening balance sheet		**0**	**0**
From partial liquidation		**0**	**0**
Expenditure (-) / income (+) surplus	5.7	**-599'148**	**0**
Closing balance sheet		**-599'148**	**0**
Total liabilities		**35'069'201'935**	**33'114'447'243**

Income statement

	Notes	2012 CHF	2011 CHF
Ordinary and other contributions and payments		**1'230'455'726**	**1'168'058'247**
Employee contributions		404'276'374	394'224'771
Employer contributions		772'350'313	721'234'957
Removal from employers' contribution reserve to finance contributions	6.10	-70'718	-215'670
Contributions from third parties		3'903'898	2'689'354
Lump-sum payments and buy-ins	5.2	49'252'860	46'303'835
Payment of employers' contribution reserves	6.10	743'000	3'821'000
Entrance benefits	5.2	**290'898'314**	**306'678'613**
Vested pension benefits received		278'472'440	269'146'862
Home ownership and divorce payments received		12'086'225	9'388'262
Payments on takeover of member portfolios	9.3	339'649	28'143'489
Inflow from contributions and entrance benefits		**1'521'354'040**	**1'474'736'860**
Statutory benefits		**-1'781'548'592**	**-1'737'341'068**
Retirement pensions		-1'271'598'059	-1'271'099'895
Survivors' pensions		-298'995'821	-296'824'904
Disability pensions		-37'287'871	-39'845'073
Other statutory benefits		-68'434'416	-72'371'633
Lump-sum benefits upon retirement		-99'241'236	-55'561'477
Lump-sum benefits in case of death/disability		-5'991'190	-1'638'085
Vested termination benefits	5.2	**-378'110'638**	**-421'153'831**
Vested benefits paid on departure		-310'379'383	-329'838'711
Early withdrawals for home ownership / divorce		-67'391'606	-63'048'545
Transfer of additional funds on collective departure	9.3	-339'649	-28'266'576
Outflow for benefits and early withdrawals		**-2'159'659'230**	**-2'158'494'899**
Formation (-) / release (+) of pension fund capital, technical provisions and contribution reserves		**-1'217'280'013**	**-269'903'698**
Formation (-) / release (+) of pension fund capital – active members	5.2	-771'509'524	-202'137'011
Formation (-) / release (+) of pension fund capital – pension recipients	5.4	-1'150'586'626	319'139'539
Formation (-) / release (+) of technical provisions	5.6	917'468'839	-163'643'644
Formation/ (-) / release (+) of employers' contribution reserves	6.10	-247'846	-6'035'935
Interest on savings capital	5.2	-212'404'856	-217'226'648
Income from insurance benefits	5.8	**8'855'673**	**9'739'978**
Insurance benefits		7'386'377	7'304'054
Surplus components from insurance		1'469'297	2'435'924
Insurance expenses	5.8	**-10'467'384**	**-9'533'784**
Insurance premiums		-8'734'942	-2'556'655
Contributions to Security Fund		-1'732'442	-6'977'129
Net insurance income		**-1'857'196'914**	**-953'455'543**
Net investment income	6.7	**2'615'715'903**	**537'439'429**
Net income from cash and cash equivalents		58'487'526	-1'228'590
Net income from receivables		57'264	69'289
Net income from bonds		896'322'766	1'050'672'485
Net income from equities		1'474'950'057	-625'061'292
Net income from mortgages		3'857'158	29'705'776
Net income from real estate		180'582'842	151'393'303
Net income from alternative investments		68'836'203	-67'114'558
Net income from liabilities		-656'266	-996'983
Asset management expenses	6.9	-66'721'646	n/a

Formation of non-technical provisions	7.3	**-3'919'634**	**-1'378'288**
Other expenses		**-1'995'652**	**-2'682'911**
Other income		**2'297'424**	**3'245'722**
Administrative expenses	07.01.1900	**-21'421'169**	**-22'285'456**
General administration		-20'284'539	-21'702'537
Marketing and advertising		-320'683	0
Brokerage		0	0
Statutory Auditors		-267'255	-264'515
Pension Actuary		-295'318	-218'403
Supervisory authorities		-253'374	-100'000
Expenditure (-) / income (+) surplus before formation / release of fluctuation reserve		**733'479'958**	**-439'117'040**
Formation (-) / release (+) of fluctuation reserve	6.3	**-734'079'111**	**439'117'040**
Expenditure (-) / income (+) surplus		**-599'148**	**0**

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 (Article 32a of the Federal Personnel Act of 24 March 2000 [FPA, SR 172.220.1]) and of affiliated organisations (Article 4 of the Federal Act of 20 December 2006 on the Federal Pension Fund [PUBLICA Act, SR 172.222.1]). Employers that are closely associated with the Swiss Confederation or exercise public responsibilities on behalf of the Confederation, a canton or a municipality may affiliate to PUBLICA.

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. Until 4 June 2012, PUBLICA was supervised by the Federal Social Insurance Office under order number C1.0100. On that date, supervision of PUBLICA was transferred to 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 Article 57 BVG, to which it contributes in accordance with the provisions of the Ordinance of 22 June 1998 on the BVG Security Fund (SFV, SR 831.432.1).

1.3 Legal basis

PUBLICA Act, status as at 1 January 2012
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
Compliance Regulations dated 24 February 2005 and 23 August 2012
Corporate and Organisational Regulations of the Federal Pension Fund PUBLICA of 24 February 2011

- Regulations governing the Provisions and Reserves of the Federal Pension Fund PUBLICA, the Pension Plans and PUBLICA Reinsurance of 25 November 2010
- 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 May 2011
- Investment Guidelines of the Federal Pension Fund PUBLICA (PUBLICA Investment Guidelines) of 15 April 2010 with amendments dated 19 January and 22 November 2012
- Regulations governing the Audit Committee of the Federal Pension Fund PUBLICA of 13 October 2011
- Regulations governing the Actuarial Policy and Law Committee of the Federal Pension Fund PUBLICA of 29 April 2003 and 22 November 2012
- PUBLICA policy document on hardship cases of 25 November 2010, status as at 1 May 2011
- Expenses policy for the active members and pension recipients of the Federal Pension Fund PUBLICA of 21 February 2008 with amendments dated 25 November 2010 and 18 October 2012
- Regulations governing the Election of the Assembly of Delegates of the Federal Pension Fund PUBLICA of 21 May 2008
- Regulations governing the remuneration of members of the parity commissions of the pension plans of the ETH Domain, the Swiss Federal Institute of Intellectual Property, the Swiss Agency for Therapeutic Products Swissmedic, and the Swiss Federal Institute for Vocational Education and Training of 3 July 2007
- Regulations governing the remuneration of members of the parity commission of the Confederation pension plan of 23 February 2012

1.4 Management bodies and signing powers

Board of Directors

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

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

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

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

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

The composition of the Board of Directors as at 31 December 2012 is as follows:

Last and first names	Function	In office since/until
Bock Christian, Chair	Employer representative	01.01.2009
Buntschu Kurt	Employer representative	01.07.2002
Cereghetti Piero	Employee representative	01.07.2002
Gaillard Serge	Employer representative	01.10.2012
Gerber Hugo	Employee representative	01.01.2005
Grossenbacher-Frei Prisca	Employee representative	01.07.2009
Hinder Alex	Employer representative	01.07.2009
Lienhart Hanspeter, Vice-Chair	Employee representative	01.07.2002
Maurer Petra	Employee representative	01.07.2009
Meier Ruth	Employer representative	01.07.2006
Müller Hans	Employee representative	01.02.2004
Remund Matthias	Employer representative	01.07.2009
Schaerer Barbara	Employer representative	01.05.2008
Scholl Fred	Employee representative	01.07.2002
Sommer Martin	Employer representative	01.07.2002
Wyler Alfred	Employee representative	01.07.2009
Zurbrügg Fritz	Employer representative	01.07.2010 – 31.07.2012

External mandates

Last and first names	Mandates
Bock Christian	Vice-Chairman of the Board of Directors, Come-2-IT AG, Bern Vice-Chairman of the Board of Directors, Planag Planungsbüro für Industrie und Gerüstbau AG, Laufenburg (until 28 February 2013) Full member of the Reserve Funds for Pensions and Social Security of the European Patent Organisation
Buntschu Kurt	Member of the Committee of the Swiss Life Saving Society (SLSS)
Gerber Hugo	Member of the Board of Directors, Swisscom

Last and first names	Mandates
	Member of the Board of Directors, Suva Member of the Board of Directors, Worklink Member of the Board of Trustees, VORSORGE RUAG Member of the Managing Committee, Swiss Travel Fund (Reka) Member of the Board of Directors, KPT Versicherungen
Lienhart Hanspeter	Member of Bülach Town Council Chair of the Zürcher Unterland Regional Planning Group (PZU) Managing Director, Lienhart GmbH
Remund Matthias	Member of the Executive Council, Swiss Olympic Association Member of the Foundation Board, Schweizer Sporthilfe Member of the Foundation Board, Olympic Museum Member of the Foundation Board, International Centre for Sports Studies
Schaerer Barbara	Member of the Board of Directors, Bernmobil
Wyler Alfred	Member of the Board of Trustees, Swiss Post Pension Fund Member of the Investment Committee, Swiss Post Pension Fund Member of the Board of Trustees, comPlan Pension Fund Member of the Investment Committee, SGB Pension Fund
Zurbrügg Fritz	Chair of the Board of Directors, Hotel Bellevue-Palace Immobilien AG (until 19 June 2012)

Investment Committee

The main tasks of the Investment Committee are to define the Strategic Asset Allocation on behalf of the Board of Directors, appoint the internal and external portfolio managers and approve real-estate transactions up to CHF 50m.

In accordance with the Investment Guidelines as amended on 22 November 2012, the Investment Committee consists of the Chair as well as a minimum of three and a maximum of five members appointed by the Board of Directors from its own members. The Board of Directors may also appoint between one and three external investment experts. The Federal Finance Administration may propose 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.

Last and first names	Function	In office since
Cereghetti Piero, Vice-Chair	Employee representative	29.10.2002
Eggenberger Urs	Vice-Chairman, Federal Finance Administration	19.11.2007
Hinder Alex, Chair	Employer representative	01.07.2009
Meier Ruth	Employer representative	01.07.2009

Last and first names	Function	In office since
Müller Hans	Employee representative	01.01.2005
Wyss Oskar	External	29.10.2002

External mandates

Last and first names	Mandates
Eggenberger Urs	Member of the Commission, Member of the Investment Committee for the Decommissioning Fund and Waste Disposal Fund Representative of the FFA Board of Directors and Board of Directors Committee of the AHV/IV/EO Compensation Fund Member of the Board of Trustees of the BVG Security Fund Member of the audit committee in his home municipality

Actuarial Policy and Law Committee

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

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

Audit Committee

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

The members of the Audit Committee are:

Last and first names	Function	In office since/until
Gaillard Serge	Employer representative	18.10.2012
Gerber Hugo, Chair	Employee representative	01.01.2005
Maurer Petra	Employee representative	01.07.2009
Remund Matthias	Employer representative	01.07.2009

Last and first names	Function	In office since/until
Zurbrügg Fritz	Employer representative	01.07.2010 – 31.07.2012

Assembly of Delegates

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

The active members of the Swiss Federal Pension Fund PUBLICA elected the 80 members of the Assembly of Delegates on 26 October 2012. The four-year term of office began on 1 January 2013. The 80 seats were distributed between the four constituencies according to the policy reserves of the pension plans as at 31 December 2011. The elected delegates and the distribution among the pension plans are listed at www.publica.ch.

As at 31 December 2012, the Chair and Vice-Chair of the PUBLICA Assembly of Delegates are as follows:

Last and first names	Function
Alvarez Cipriano	Chair
Weber Matthias	Vice-Chair

Management

Management is responsible for PUBLICA's operational strategy and management and for attaining its strategic goals and safeguarding its long-term success. Its activities are based on the Corporate and Organisational Regulations of the Federal Pension Fund PUBLICA of 24 February 2011. The management consists of the Director, Dieter Stohler, and his deputy, Susanne Haury von Siebenthal (Head of Asset Management).

Executive Board

As at 31 December 2012, the Executive Board comprises the following members:

Last and first names	Function
Stohler Dieter	Director
Haury von Siebenthal Susanne	Head of Asset Management, Deputy to the Director
Burgunder Daniel	Head of Insurance
Gisiger Hanspeter	Head of Financial Administration and Ac- counting / Controlling
Zaugg Markus	Head of Resources

External mandates

Last and first names	Mandates
Haury von Siebenthal Susanne	Member of the Investment Committee, ABB Switzerland Pension Fund Member of the Swiss Takeover Board
Stohler Dieter	Member of the Board, Swiss Pension Funds Association ASIP

Extended Executive Board

As at 31 December 2012 the Extended Executive Board consists of:

Last and first names	Function
Bosshardt Stefan	Head of Communications
Gautschi Jürg	Head of Quality Management
Geiser Corinne	Head of Strategic Legal Services

1.5 Human resources at PUBLICA

Legal basis, employment relationships

On 19 August 2009, by means of the supplement to the Framework Ordinance of the Federal Personnel Act (FPA)[1] the Federal Council conferred on PUBLICA the status of an employer subject to employment law with effect from 1 January 2010. The staff of PUBLICA are subject to the FPA[2]. The Board of Directors of PUBLICA issues the implementing provisions[3].

Human resources policy and developments

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

Acquiring and retaining suitable personnel

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

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[1] New Article 2*a* Framework Ordinance to the FPA (SR **172.220.11**)

[2] Article 2 (1) (e) FPA and Article 14 (2) PUBLICA Act (SR **172.222.1**)

[3] Article 2*a* (2) Framework Ordinance to the FPA

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

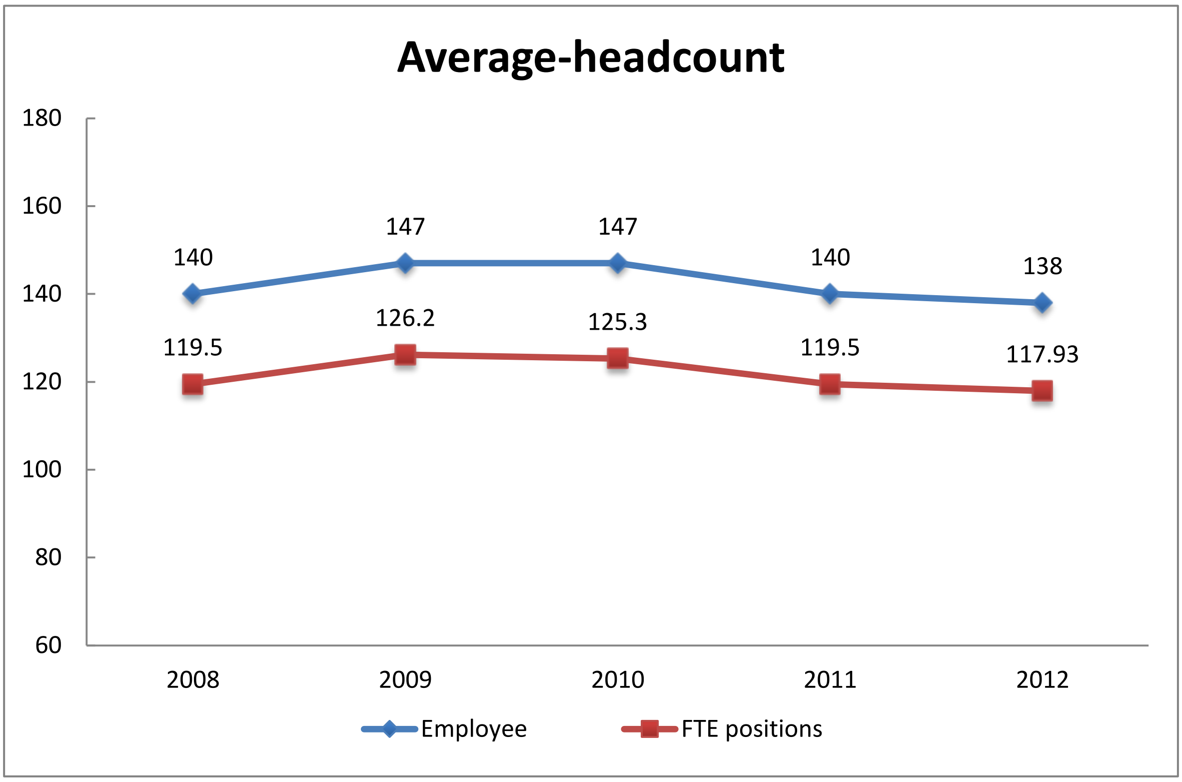
However, the labour market is also constantly changing. Demographic developments, for example, are leading to increased scarcity of resources. As regards specialised staff, PUBLICA is in direct competition with the insurance and financial sectors.

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

Staff promotion and development

Under PUBLICA's HR strategy, the focus is on employees as a source of added value. PUBLICA's policy of continued improvement of specialist and management skills at all functional levels is specifically designed to enhance the core competencies that are manifested in the actions and expertise of the company's staff and are key to its success.

Average headcount and FTE



The major challenge in the year under review was the changeover to new actuarial tables on 1 July 2012. Numerous pension plan regulations had to be amended, changes to some of the contribution scales made and data transfer to salary systems adjusted to a strict deadline. Thanks to the wealth of experience gained in actuarial matters, the changeover proceeded without a hitch. Despite the operational challenges headcount again fell slightly compared with the previous year, to 138. On a full-time equivalent basis, there was a reduction of 1.6 units to 117.9 full-time positions.

1.6 Actuary, auditor, supervisory body, consultants

Pension Actuary	Aon Hewitt (Switzerland) AG Avenue Edouard-Dubois 20 2000 Neuchâtel	www.aonhewitt.ch
Statutory Auditors	KPMG AG Hofgut 3073 Gümligen-Bern	www.kpmg.com
Supervisory Body	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
Global Custodian (custodian bank for foreign securities and consolidation of all assets) CH Custodian (custodian bank for CH securities)	J.P. Morgan (Switzerland) Ltd Dreikönigstrasse 21 8022 Zurich Credit Suisse Custody & Transaction Services Uetlibergstrasse 231 8070 Zurich	www.jpmorgan.com www.credit-suisse.com

1.7 Affiliated employers

The range of employers that have either the option or the obligation to insure their employees' occupational pensions with PUBLICA is defined in the PUBLICA Act (Article 4). As of 31 December 2012, the PUBLICA collective institution encompassed 20 mutually independent pension plans, of which seven were closed pension plans without any active members.

Active members

	31.12.2012	31.12.2011
Confederation	37,555	36,698
Affiliated Organisations	2,123	2,100
ETH Domain	17,411	16,927
Swiss Federal Institute of Intellectual Property	252	243
Swissmedic	422	401
Swiss Federal Institute for Vocational Education and Training	223	217

	31.12.2012	31.12.2011
Swiss Federal Audit Oversight Authority FAOA	25	23
Historical Dictionary of Switzerland	33	38
Swiss Financial Market Supervisory Authority (FINMA)	482	439
Swiss Federal Nuclear Safety Inspectorate (ENSI)	150	144
PUBLICA	131	133
Trasse Schweiz AG	10	9
Swiss National Museum	202	205
Total	**59,019**	**57,577**

Pensioners

	31.12.2012	31.12.2011
Confederation	26,290	26,048
Voluntarily insured (retirement started on or after 01.06.2003)	311	315
Affiliated Organisations	856	832
Pensioners only – Affiliated Organisations	392	396
Pensioners only – Confederation	841	862
ETH Domain	5,346	5,212
Pensioners only – Swisscom Pension entitlement before 01.01.1999	6,895	7,108
Pensioners only – RUAG Pension entitlement before 01.07.2001	2,463	2,569
Pensioners only – SRG SSR idée suisse Pension entitlement before 01.01.2003	1,120	1,160
Pensioners only – PUBLICA Administration	96	88
Swiss Federal Institute of Intellectual Property	58	54
Swissmedic	100	97
Swiss Federal Institute for Vocational Education and Training	19	15
Swiss Federal Audit Oversight Authority FAOA	0	0
Historical Dictionary of Switzerland	13	12
Swiss Financial Market Supervisory Authority (FINMA)	49	45
Swiss Federal Nuclear Safety Inspectorate (ENSI)	35	29
PUBLICA	49	41
Trasse Schweiz AG	0	0

	31.12.2012	31.12.2011
Swiss National Museum	77	72
Total	**45,010**	**44,955**

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

2 Active members and pensions

2.1 Active members

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

	31.12.2012	31.12.2011
Men	38,989	38,306
Women	20,030	19,271
Total active members	**59,019**	**57,577**

2.2 Pensions

	31.12.2012	31.12.2011
Retirement pensions	31,200	31,029
Retired person's child's pensions	600	605
Disability pensions	1,529	1,642
Disabled person's child's pensions	347	379
Surviving spouse/life-partner's pensions	10,987	10,943
Orphan's pensions	347	357
Retirement bridging pensions	2,799	2,972
IV/AI replacement pensions	241	277
Total	**48,050**	**48,204**

In 2012 there were a total of 1,324 new retirement pensions and retired person's child's pensions, 148 new disability pensions and disabled person's child's pensions (including occupational disability), and 723 new surviving spouse pensions and orphan's pensions.

3 Implementation of the purpose

3.1 Note to the pension plans

PUBLICA runs separate pension schemes for each pension plan. The employer allocates the insured persons to the various pension plans on the basis of 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 24,360 (status as at 31 December 2012).

The benefits provided are based on the vested benefits, payments (deposits), savings and interest credits. On taking retirement, insured members can choose to draw their pension capital as a lifetime annuity or wholly or in part as a lump sum. Persons living in a registered partnership are treated in the same way as spouses.

The level of the pension is determined on the basis of the savings available at the time of retirement with a conversion rate of 6.15% (until 30 June 2012: 6.53%) at age 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.

Active members may top up their personal retirement assets with voluntary savings contributions so as to increase their retirement pension or vested termination benefits upon leaving the pension plan. The risk premiums are based on a percentage of the insured salary.

3.2 Financing, method of financing

PUBLICA is an autonomous collective institution running 20 mutually independent pension plans, each with its own balance sheet. The actuarial financing of the individual pension plans is based on what is known as the funded or capital cover system. The revenues are formed by savings contributions, risk premiums, inflows of vested pension benefits from previous pension plans and buy-ins, as well as income earned on pension plan assets. The amount of the savings contributions and any risk contribution from employees are set out in the individual pension plan regulations.

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

3.3 Further information on pension provision

Pursuant to Article 3 (2) of the PUBLICA Act, the Federal Council may delegate other tasks to PUBLICA provided that these are relevant to its area of responsibility under the PUBLICA Act; the costs incurred are borne by the Confederation. On this basis, PUBLICA takes charge of, for example, paying pensions on behalf of the Federal Council in accordance with the Federal Act of 6 October 1989 on the Remuneration and Occupational Pensions of Federal Council Members and other Federal Officials. These payments are not financed under the funded system; they are billed to the Confederation on an ongoing basis and are not charged to PUBLICA's annual financial statements.

4 Valuation and accounting principles, consistency

4.1 Confirmation of financial reporting as per Swiss GAAP ARR 26

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

4.2 Accounting and valuation principles

General principles

Accounts have been 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, Reinsurance as a separate pension plan, and PUBLICA operations. Assets, liabilities and transactions between the individual pension plans and PUBLICA operations are not cancelled out but are booked as if between third parties.

Recording point of transactions

All concluded transactions are recorded on a daily basis. Securities and derivatives transactions and the associated spot transactions are booked on the trade date. Other transactions are recognised on the settlement date (value date).

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.

Offsetting of assets and liabilities

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

Cash and cash equivalents, receivables and liabilities, employers' contribution reserves

Cash and cash equivalents, receivables, loans and liabilities as well as employers' contribution reserves are recorded at their nominal value. Provisions are formed as necessary to cover expected defaults on receivables and loans.

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).

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 using the discounted cash flow (DCF) method. The discounting is based on a risk-adjusted real interest rate comprising a risk-free interest rate and risk premiums. The bandwidth for the discount rate is between 4.1% and 5.5% (prior year: 4.6% and 5.5%). Properties under construction are recognised at the proportionate accrued cost according to their stage of completion less any necessary value adjustments. Once completed and transferred to the property portfolio, they are revalued for the first time at year-end using the DCF method.

Pension fund capital and technical provisions

The principles relevant to the calculation of pension fund capital and technical provisions are prepared by the internal actuarial service and the data are supplied to the Pension Actuary. Pension fund capital and technical provisions are calculated by the Pension Actuary annually using recognised principles and generally accessible actuarial tables. The basis for the calculation of technical provisions is the Regulations governing the Provisions and Reserves of the Federal Pension Fund PUBLICA, the Pension Plans and PUBLICA Reinsurance of 25 November 2010.

4.3 Changes to principles concerning valuation, accounting and reporting

The accounts have been adjusted on the basis of the provisions on occupational pensions contained in the structural reform. With the exception of asset management expenses, the prior year figures have been restated to reflect the new breakdown. In the prior year, asset management expenses were reported net in the net return on investment. For reasons of practicability, it has not been possible to implement the required gross reporting of prior year figures.

5 Actuarial risks / risk coverage / funded status

5.1 Form of risk coverage, reinsurance

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

5.2 Development of pension fund capital for active members

The balance sheet item “Pension fund capital – active members” contains the total statutory vested termination benefits for active members of CHF 12.6bn (prior year: CHF 11.6bn). The interest rate on retirement assets fixed by the parity commissions for the current business year is between 1.5% and 2.5% (prior year: 2% and 3.5%). The following table shows the development in pension fund capital during the period under review.

Pension fund capital – active members

	2012 CHF	2011 CHF
Pension fund capital as at 01.01	**11'612'518'541**	**11'193'154'881**
Savings contributions – employees and employers	949'001'678	891'762'496
Lump-sum transfers and buy-ins	49'252'860	46'303'835
Vested pension benefits received	278'472'440	269'146'862
Home ownership and divorce payments received	12'086'225	9'388'262
Interest (including interest relating to other periods)	212'404'856	217'226'648
Vested benefits paid on departure	-310'379'383	-329'838'711
Early withdrawals for home ownership / divorce payments	-67'391'606	-63'048'545
Retirement pensions	-753'080'621	-590'544'111
Release due to death / disability	-37'000'195	-20'214'712
Change of actuarial tables	675'397'711	n/a
Other changes	-24'849'585	-10'818'365
Pension fund capital 31.12.	**12'596'432'921**	**11'612'518'541**

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

5.3 Total retirement assets under BVG

in CHF	31.12.2012	31.12.2011
Total retirement assets under BVG	**4,425,763,280**	**4,283,594,925**
BVG minimum interest rate, fixed by the Federal Council	1.5%	2.0%

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

5.4 Development of pension fund capital for pensioners

Pension fund capital – pensioners	2012 CHF	2011 CHF
Pension fund capital as at 01.01	17'942'659'667	18'261'799'206
Change in pension fund capital as at 31.12	1'150'586'626	-319'139'539
Total pension fund capital – pensioners	**19'093'246'293**	**17'942'659'667**

Number of pensions (for details see 2.2)	48,050	48,204

The pension fund capital for pensioners corresponds to the net present value of current pensions including associated deferred annuities; it increased by CHF 1,151m from the previous year's figure. The main reason for the increase is the changeover to new actuarial tables. Until 30 June 2012 the policy reserves were calculated using the EVK 2000 tables; since 1 July 2012 BVG 2010 has been used (loaded, see point 5.6.1).

5.5 Results of the latest actuarial assessment

Please see the confirmation from the Pension Actuary as at 31 December 2012 (point 13).

5.6 Actuarial tables and technical provisions

The calculations use the BVG 2010 actuarial tables (prior year: the Federal Insurance Fund's EVK 2000) with a technical interest rate of 3.5% for the open pension plans (with active members) and BVG 2010 actuarial tables (prior year: EVK 2000) with a technical interest rate of 3% for the closed (pensioner only) plans.

5.6.1 Changes to actuarial tables and assumptions

As of 1 July 2012, PUBLICA switched over to the latest available actuarial tables (BVG 2010 including loading). The average of the BVG 2010 tables was extrapolated to the year 2018. Individual pension plans used part of the employers' contribution reserve (CHF 1,786m) to cushion the cost of the changeover.

Change of actuarial tables	Active members	Pensioners	Total
Provisions (increased life expectancy) released	-676'922'511	-1'030'708'984	**-1'707'631'495**
Increase in pension fund capital	675'397'711	1'388'174'372	**2'063'572'083**
Expenditure (+) / income (-)	**-1'524'800**	**357'465'388**	**355'940'588**

Technical provisions – consolidated

Pension plans	31.12.2012 CHF	31.12.2011 CHF
Provision for conversion rate – longevity	73'823'785	673'535'125
Provision for conversion rate – technical interest rate	302'541'526	0
Provision for pension recipients – longevity	106'749'731	1'028'860'671
Provision for pension recipients – technical interest rate	420'051'418	0
Provision for outstanding claims (IBNR)	171'178'538	170'351'205
Provision for death and disability	67'404'000	61'995'000
Provision for guarantees (change of system)	185'278'332	311'099'106
Provision for cost-of-living adjustment and administrative expenses	25'795'519	25'743'729
Total technical provisions – pension plans	**1'352'822'849**	**2'271'584'836**

Reinsurance	31.12.2012 CHF	31.12.2011 CHF
Provision for outstanding claims (IBNR)	21'015'180	20'323'761
Provision for death and disability	24'567'000	24'834'000
Provision for pricing	63'617'000	62'448'000
Provision for hardship cases – active members / pensioners	14'130'591	14'130'591
Provision for hardship cases – pension plans	11'752'022	12'117'043
Total technical provisions – Reinsurance	**135'081'793**	**133'853'395**
Total technical provisions	**1'487'904'642**	**2'405'438'230**

Despite the formation of new provisions for the reduction in the technical interest rate, the technical provisions fell by CHF 918m compared with the previous year as a result of the release for the change of actuarial tables.

5.6.2 Technical provisions – pension plans

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

Provisions for conversion rate

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

Provisions – pensioners

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

Provision for outstanding claims (IBNR)

The risk premiums are calculated on an actuarial basis so that they can 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. Sufficient provisions must be set aside for the subsequent processing of such cases.

Provision for death and disability

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

Provision for guarantees (change of system)

The provision for guarantees (change of system) is used to finance those pension components arising on the basis of Article 25 of the PUBLICA Act (static guarantee of vested benefits). The provision was recalculated and adjusted at the end of the year to take account of the current membership and the adjusted parameters/assumptions.

Provision for cost-of-living adjustment and administrative expenses

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

5.6.3 Technical provisions – Reinsurance

Provision for outstanding claims (IBNR)

Like the pension plans, PUBLICA Reinsurance is obliged to maintain a provision for outstanding claims. This is accumulated using the risk premium of the fully or partially reinsured pension plans. Depending on the percentage of the target value achieved, any surplus is reimbursed to the pension plans concerned on the basis of a surplus concept.

Provision for death and disability

As with the provision for outstanding claims, 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.

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 / pensioners and one for hardship cases related to the pension plans.

5.7 Funded status as per Article 44 BVV 2

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

in CHF	31.12.2012	31.12.2011
Required actuarial pension fund capital	33,177,583,856	31,960,616,438
Fluctuation reserve	1,734,982,931	1,000,903,820
Uncommitted funds (+) / underfunding (-)	-599,148	0
Available funds	34,911,967,639	32,961,520,257
Funded status as per Article 44 BVV 2	105.2%	103.1%

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

5.8 Death and disability risk result – PUBLICA Reinsurance

The pension plans with a relatively low number of active members are fully or partially reinsured with the collective institution. In 2012, PUBLICA Reinsurance paid CHF 3.5m in policy reserves for disability cases of the individual pension plans. Of the CHF 6.3m in risk premiums collected, a total of CHF 1.3m was reimbursed to the fully reinsured pension plans, after offsetting of claims pursuant to the surplus concept.

The income from insurance benefits reported in the income statement comprises the reinsurance income from risk premiums of the fully reinsured and partially autonomous pension plans. The insurance premiums reported under “Insurance expenses” consist of the insurance premiums paid by the pension plans to Reinsurance and Reinsurance’s expenses for the participation in surpluses.

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

The risk results for death (CHF 1.5m) and for disability (CHF 99.6m) both show an actuarial profit for the year 2012. This indicates that the claims that actually occurred were lower than was expected according to the actuarial tables. The downward revision of certain risk premiums with effect from 1 July 2012 led to a reduction in profit compared with previous years. This is the desired effect, inasmuch as the purpose of the risk premiums is to ensure not only profit-free but also loss-free claims processing over the long term.

	2012	2011	2010	2009	2008
Risk premium received (disability and death) in CHF million	148.2	149.3	147.8	168.5	159.7
No. of disability cases (including increases in degree of disability)	114	108	101	88	84
Cost of disability cases in CHF million	39.9	32.5	26.6	21.0	23.0
Funding via risk premium (disability) in CHF million	139.5	139.4	137.6	156.4	148.2
Profit (+) / loss (-) on disability cases in CHF million	99.6	106.9	111.0	135.4	125.2
Number of deaths	68	45	50	52	29
Cost of death cases in CHF million	7.2	2.8	5.3	0.9	1.1
Funding via risk premium (death) in CHF million	8.7	9.9	10.2	12.1	11.5
Profit (+) / loss (-) on death cases in CHF million	1.5	7.1	4.9	11.2	10.4
Required risk premium	1.04%	0.78%	0.72%	0.50%	0.59%
Statutory risk premium	3.16%	3.35%	3.36%	3.92%	3.92%

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

The death risk result for pension recipients shows a loss of approximately CHF 29m. The main reason for this actuarial loss is that the calculation for the first half of the year was made using the old EVK 2000 actuarial tables. The loss for the first half-year is approximately CHF 36m. The second half of the year, for which the new BVG 2010 (loaded) actuarial tables were used, shows an actuarial profit of around CHF 7m.

6 Strategic asset allocation

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

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

The drastic fall in interest rates in 2012 necessitated a review of the strategic asset allocations for the open and closed pension plans, as low interest rates influence the financial situation of all pension plans and the expected replacement rates (pension as a percentage of the last insured salary) in a number of ways:
1. Lower interest rates result in low current yields on the bond portfolios.

2. Empirically and according to economic theory, the expected return on all other asset classes consists of a risk-free interest rate and a risk premium specific to each asset class. If interest rates fall, the expected return on all other asset classes also falls, assuming constant risk premiums.
3. The Swiss Chamber of Pension Actuaries issued a technical directive (FRP4) containing recommendations on valuing the liabilities of a pension fund. Under FRP4, falling interest rates lead to lower technical interest rates (as had already been decided upon by PUBLICA) and therefore increased liabilities.
4. Declining expected investment income and rising liabilities increase risks, since the funded status trend deteriorates.
5. Low interest rates result in low BVG minimum interest rates and low rates of interest on the assets of active members.

Investments alone cannot solve these problems, but they can and must make a contribution to doing so. The new strategic asset allocations strike a careful balance between the search for higher returns and the risks incurred.

Strategic asset allocation – open pension plans					
Asset class	Allocation at 31.12.12	Pro rata strategy	Long-term strategy	Tactical bandwidths in % of strategy weighting	
				Minimum	Maximum
Fixed income	**53.5%**	**56.0%**	**56.0%**	**80%**	**120%**
Money market	**1.8%**	**2.8%**	**2.0%**	**0%**	**200%**
Mortgages	**0.6%**	**0.0%**	**0.0%**		
Bonds CHF	**22.6%**	**25.1%**	**21.0%**	**80%**	**120%**
Government bonds CHF	6.2%	6.7%	6.8%	80%	120%
Non-government bonds CHF	16.3%	18.5%	14.2%	80%	120%
Government bonds	**13.8%**	**13.7%**	**12.0%**	**80%**	**120%**
Government bonds EUR currency hedged	8.3%	8.0%	6.0%	50%	150%
Government bonds USD currency hedged	4.1%	4.3%	4.0%	50%	150%
Government bonds GBP currency hedged	0.9%	1.0%	1.0%	0%	200%
Government bonds CAD currency hedged	0.5%	0.5%	1.0%	0%	200%
Corporate bonds (investment grade)	**14.8%**	**14.4%**	**16.0%**	**80%**	**120%**
Corporate bonds EUR currency hedged	6.6%	6.3%	7.0%	50%	150%
Corporate bonds USD currency hedged	8.3%	8.1%	9.0%	50%	150%
Government bonds emerging markets	**0.0%**	**0.0%**	**5.0%**	**80%**	**120%**
Equities	**35.7%**	**33.0%**	**33.0%**	**80%**	**120%**
Equities Switzerland	3.1%	3.0%	3.0%	50%	150%
Equities Europe currency hedged	5.4%	5.0%	5.0%	50%	150%
Equities North America currency hedged	10.7%	10.0%	10.0%	50%	150%
Equities Pacific currency hedged	5.5%	5.0%	5.0%	50%	150%
Equities emerging markets	11.0%	10.0%	10.0%	50%	150%
Real estate	**5.0%**	**5.0%**	**5.0%**	**80%**	**120%**
Direct investments Switzerland	5.0%	5.0%	5.0%	80%	120%
Europe	0.0%	0.0%	0.0%	50%	150%
USA	0.0%	0.0%	0.0%	50%	150%
Alternative investments	**5.8%**	**6.0%**	**6.0%**	**80%**	**120%**
Commodities currency hedged	5.8%	6.0%	6.0%	80%	120%
Total	**100%**	**100%**	**100%**		
Total not currency hedged	11%	10%	15%		
Total currency hedged	89%	90%	85%		

Strategic asset allocation – closed pension plans					
Asset class	Allocation at 31.12.12	Pro rata strategy	Long-term strategy	Tactical bandwidths in % of strategy weighting	
				Minimum	Maximum
Fixed income	**63.1%**	**65.0%**	**65.0%**	**80%**	**120%**
Money market	**3.6%**	**2.5%**	**3.0%**	**0%**	**200%**
Bonds CHF	**45.9%**	**49.5%**	**49.0%**	**80%**	**120%**
Government bonds CHF	32.3%	34.5%	34.0%	80%	120%
Non-government bonds CHF	13.5%	15.0%	15.0%	80%	120%
Corporate bonds (investment grade)	**13.7%**	**13.0%**	**13.0%**	**80%**	**120%**
Corporate bonds EUR currency hedged	6.0%	5.7%	5.7%	50%	150%
Corporate bonds USD currency hedged	7.6%	7.3%	7.3%	50%	150%
Equities	**16.3%**	**15.0%**	**15.0%**	**80%**	**120%**
Equities Switzerland	5.3%	5.0%	5.0%	50%	150%
Equities Europe currency hedged	2.7%	2.5%	2.5%	50%	150%
Equities North America currency hedged	5.4%	5.0%	5.0%	50%	150%
Equities Pacific currency hedged	2.8%	2.5%	2.5%	50%	150%
Real estate	**20.6%**	**20.0%**	**20.0%**	**80%**	**120%**
Direct investments Switzerland	20.6%	20.0%	20.0%	80%	120%
Total	**100%**	**100%**	**100%**		
Total not currency hedged	0%	0%	0%		
Total currency hedged	100%	100%	100%		

6.1 Notes on investments and the net return on investment

Around the world, the economy weakened in 2012. According to information from Bloomberg, real global economic growth fell from 2.8% in the fourth quarter of 2011 to 1.3% in the fourth quarter of 2012. The economic slowdown was most pronounced in the emerging markets of China and Russia. In the US, meanwhile, growth accelerated. As expected, the restrictive fiscal policy in the EU countries had a negative impact on growth, pushing Europe into recession. The only eurozone countries to record positive growth were Germany, Austria and Ireland. As the economy cooled, inflation rates also declined.

The central banks of the industrialised nations maintained their unorthodox monetary policy measures to support the financial system. In the US, the Fed stated at the start of 2012 that it intended to maintain the exceptionally low level of key interest rates until at least 2015. This was followed at the end of the year by an announcement that interest rates would remain close to zero for as long as unemployment stayed above 6.5% and inflation below 2.5%. From mid-year onwards, there were signs of a further worsening of the financial problems faced by Spain and Greece. However, the European Central Bank's decision to act as a buyer of government bonds under certain conditions assuaged fears that the currency union could break up. The Swiss National Bank successfully defended the lower limit for the franc against the euro. As a result of strong demand for low-risk investments, the yield on 10-year Confederation bonds fell to just 0.33% in December.

6.2 Organisation of investment activity, Investment Guidelines

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

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

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

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

The following institutions were entrusted with the management of PUBLICA's assets as at the balance sheet date of 31 December 2012:

Asset managers					
Mandate	Asset manager	Benchmark	style	Retrocessions Date of regulation	Received
Government bonds CHF	PUBLICA Asset Management	Government bonds SBI	Index-tracking	-	prohibited
Non-government bonds CHF	PUBLICA Asset Management	SBI AAA-A foreign borrowers (48%) and domestic borrowers (52%)	Index-tracking	-	prohibited
Non-government bonds CHF	Pictet Asset Management	SBI AAA-A foreign borrowers (48%) and domestic borrowers (52%)	Index-tracking	08.12.2011	prohibited
Government bonds EUR	PUBLICA Asset Management	JPM GBI Germany (50%), France (33%) and Netherlands (17%)	Index-tracking	-	prohibited
Government bonds USD	PUBLICA Asset Management	JPM GBI USA	Index-tracking	-	prohibited
Government bonds GBP	PUBLICA Asset Management	JPM GBI UK	Index-tracking	-	prohibited
Government bonds CAD	PUBLICA Asset Management	JPM GBI Canada	Index-tracking	-	prohibited
Corporate bonds EUR	Union Investment Institutional	Barclays EUR Corporate	Index-tracking	20.06.2011	prohibited
Corporate bonds EUR	Standard Life Investments Limited	Barclays EUR Corporate ex Financials	Index-tracking	25.08.2011	prohibited
Corporate bonds USD	PIMCO	Barclays USD Corporate Intermediate	Index-tracking	04.05.2011	prohibited
Corporate bonds USD	BlackRock Institutional Trust Company	Barclays USD Corporate Intermediate ex Financials	Index-tracking	04.05.2011	prohibited
Currency hedging foreign currency bonds	Record Currency Management	Difference in relevant portfolio benchmark hedged vs. unhedged	Indexed	22.10.2008	prohibited
Equities Switzerland	Credit Suisse Asset Management	SMI	Indexed	01.12.2008	prohibited
Equities Switzerland	Pictet Asset Management	SMI	Indexed	02.12.2008	prohibited
Equities world industrialised nations	Credit Suisse Asset Management	MSCI (gross) Europe ex Switzerland (25%), North America (50%), Japan (10%) and Pacific ex Japan (15%)	Indexed	09.11.2005	prohibited
Equities world industrialised nations	BlackRock	MSCI (gross) Europe ex Switzerland (25%), North America (50%), Japan (10%) and Pacific ex Japan (15%)	Indexed	27.06.2005	prohibited
Currency hedging equities world industrialised nations	Russell Investment	Difference in relevant portfolio benchmark hedged vs. unhedged	Indexed	28.10.2008	prohibited
Equities emerging markets	Pictet Asset Management	MSCI (net) Emerging Markets	Indexed	19.08.2010	prohibited
Equities emerging markets	Vanguard	MSCI (net) Emerging Markets	Indexed	19.08.2010	prohibited
Commodities	Morgan Stanley	S&P GSCI TR industrial metals (35%), petroleum (35%) and precious metals	Index-tracking (swaps)	02.11.2009	prohibited
Commodities	BlackRock	S&P GSCI TR industrial metals (35%), petroleum (35%) and precious metals	Indexed (futures)	02.11.2009	prohibited
Real estate Switzerland	PUBLICA Asset Management	KGAST Immo Index	Direct investments	-	prohibited
Real estate Switzerland	LIVIT AG		Direct investments	23.11.2011	prohibited
Real estate Switzerland	Comptoir Immobilier SA		Direct investments	20.11.2012	prohibited
Real estate Switzerland	Bernard Nicod SA		Direct investments	02.07.2012	prohibited
Real estate Switzerland	Cogestim SA		Direct investments	21.05.2012	prohibited
Real estate Switzerland	Weck, Aeby & Cie. SA		Direct investments	06.06.2012	prohibited
Real estate Switzerland	Von Graffenried AG Liegenschaften		Direct investments	02.07.2012	prohibited
Real estate Switzerland	Privera AG		Direct investments	16.05.2012	prohibited
Real estate Switzerland	psm Center Management AG		Direct investments	02.07.2012	prohibited
Real estate Switzerland	Mata Treuhand- und Revisions AG		Direct investments	02.07.2012	prohibited
Real estate Switzerland	Immosupport by Fritz und Caspar Jenny AG		Direct investments	14.05.2012	prohibited

PUBLICA strives to achieve low costs and fair, transparent agreements. In connection with contractual relationships with PUBLICA under mandate law involving securities and real estate, the arrangements entered into with our partners prohibit the acceptance of compensation in excess of the contractually agreed mandate fee, in particular retrocessions or similar pecuniary advantages.

Corporate governance

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 ensure compliance with the charter's principles and to take the measures necessary to achieve this. 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 operations, PUBLICA works only with external business partners that undertake to comply with the principles of the ASIP charter, are supervised by a recognised regulatory authority or are subject to regulations that meet the integrity and loyalty requirements of the ASIP charter.

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

6.3 Target size and calculation of the fluctuation reserve

The positive operating result enabled the fluctuation reserves to be increased overall.

Target size and calculation of the fluctuation reserve

	2012 CHF	2011 CHF
Fluctuation reserve 01.01	**1'000'903'820**	**1'440'020'858**
Change in fluctuation reserve debited (+) / credited (-) to income statement	734'079'111	-439'117'039
Fluctuation reserve 31.12	**1'734'982'931**	**1'000'903'820**
Target fluctuation reserve	**10'946'187'719**	**9'739'102'409**
Fluctuation reserve deficit	9'211'204'789	8'738'198'590
Fluctuation reserve as % of target	**15.9%**	**10.3%**

6.3.1 Fluctuation reserve

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 pension liabilities. Changes in the two elements are invariably synchronous, i.e. both are always at a matching percentage of their respective target values.

The component of the fluctuation reserve related to investments is designed to ensure that the investment risks that have to be taken in order to attain the target returns can actually be borne. 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 observation horizon of one year, at 16.1% of the sum of the pension fund capital and the technical provisions.

The other component of the fluctuation reserve for the economic funded status is intended to ensure that potentially higher economic liabilities can be compensated, at least in part. Under the Regulations governing the Provisions and Reserves of PUBLICA, the target value of this reserve corresponds to 50% of the difference between the technical pension fund capital and the pension fund capital calculated using a risk-free interest rate.

6.4 Assets by asset class

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

Assets by asset class

	31.12.2012 CHF	31.12.2011 CHF
Cash & cash equivalents and receivables	**898'198'886**	**545'149'465**
Cash and cash equivalents	100'148'851	90'355'904
Money market investments	692'743'091	347'469'059
Receivables	105'306'944	107'324'502
Bonds	**18'248'242'558**	**18'945'724'254**
Bonds CHF	**8'988'355'420**	**12'761'287'286**
Swiss government bonds	3'354'835'440	3'841'696'060
Swiss non-government bonds	5'633'519'980	8'919'591'226
Foreign currency government bonds hedged	**4'158'950'900**	**4'180'636'518**
Government bonds EUR	2'493'629'680	2'713'002'135
Government bonds USD	1'232'139'852	1'213'298'709
Government bonds GBP	286'407'880	254'335'674
Government bonds CAD	146'773'488	n/a
Foreign currency corporate bonds hedged	**5'100'936'238**	**2'003'800'451**
Corporate bonds EUR	2'255'647'256	989'403'555
Corporate bonds USD	2'845'288'982	1'014'396'896
Equities	**11'514'573'253**	**8'601'764'763**
Equities Switzerland	1'184'537'954	1'416'615'592
Equities Europe	1'749'777'893	2'118'046'078
Equities North America	3'465'608'835	2'528'576'155
Equities Pacific	1'794'488'506	1'156'437'252
Equities emerging markets	3'320'160'067	1'382'089'688
Mortgages	**181'914'564**	**1'329'487'036**
Real estate	**2'448'228'962**	**2'297'163'897**
Alternative investments	**1'754'193'221**	**1'371'983'242**
Commodities	1'754'193'221	1'371'983'242
Investments	**35'045'351'447**	**33'091'272'658**
Operating assets – PUBLICA operations	19'629'401	19'222'790
Prepaid expenses and accrued income	4'221'086	3'951'795
Balance sheet total	**35'069'201'935**	**33'114'447'243**

6.4.1 Cash & cash equivalents and receivables

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

At CHF 104.2m, the current accounts of employers with contributing receivables are the largest single items under the item “Receivables”. The employees’ and employers’ contributions are billed to the employers at the end of each month. The contributions for the month of December were due and payable on 31 December 2012.

6.4.2 Bonds

The strategic asset allocations were revised to take account of low interest rates. The corporate bond allocation was raised from 12% to 16% for the open pension plans, and from 0% to 13% for the closed ones. A decision was also taken to build up an allocation of 5% of the assets of the open pension plans to government bonds from emerging markets in the local currency; this investment is being implemented in 2013. These adjustments are being funded by reducing the investments in Swiss franc bonds.

6.4.3 Equities

The equity component of the strategic asset allocation was raised in 2012 from 29% to 33% for the open pension plans and from 10% to 15% for the closed ones. These adjustments were also made in response to low interest rates. The weightings of the individual regions – Europe, North America, Pacific and emerging markets – correspond to their contribution to global economic output. The decision taken in June 2010 to forgo investments in Transocean in both the SMI mandates was reviewed and maintained.

6.4.4 Mortgages

Mortgage loans amounting to CHF 180.4m (prior year: CHF 186.8m) were granted to housing cooperatives. On 1 January 2012, individual mortgages totalling CHF 1.116bn (nominal value) were sold to Berner Kantonalbank AG.

6.4.5 Real estate

PUBLICA has a real-estate portfolio of residential and commercial properties throughout Switzerland. This portfolio is still being developed. The real-estate team assessed a number of offers and conducted price negotiations. The cautious approach to acquisitions adopted by the Investment Committee in 2010 was continued in 2012. No investments were made in 2012, owing to the low yields, but development of a project was launched. The current value (including properties under construction and projects) came to CHF 2.448bn as at 31 December 2012, compared with CHF 2.297bn at the end of 2011.

6.4.6 Alternative investments – commodities

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

6.5 Current (open) derivative financial instruments

As at 31 December 2012, the following derivative positions were open:

Current (open) derivative financial instruments	Net replacement value CHF	Net contract volume CHF
Interest-rate swaps	30'568'714	175.0m
Commodity swaps	-8'879'517	897.0m
Currency forwards	196'529'282	16'184m
Equity futures	579'152	76.4m
Commodity futures	18'898'684	847.7m
Bond futures	302'426	37.7m

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

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

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

6.6 Securities lending

PUBLICA has signed securities lending agreements with JP Morgan. The securities used for lending are drawn from a list of carefully selected and monitored, first-class counterparties, with JP Morgan acting as agent. PUBLICA accepts only government bonds as collateral. The securities lending programme with Credit Suisse for Swiss securities was suspended in 2011. As at 31 December 2012 securities valued at CHF 826.3m were on loan (compared with CHF 914.2m as at 31 December 2011).

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

6.7 Net investment income

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

Net investment income

	2012 CHF	2011 CHF
Net income from cash & cash equivalents	178'608	159'802
Net income from money market investments	58'308'918	-1'371'196
Net income from receivables	57'264	69'289
Net income from bonds	896'322'766	1'050'672'485
Net income from equities	1'474'950'057	-625'061'292
Net income from mortgages	3'857'158	29'705'776
Net income from real estate	180'582'842	151'393'303
Net income from alternative investments	68'836'203	-67'114'558
Net income from liabilities	-656'266	-1'112'395
Administrative expenses – investments	-66'721'646	n/a
Net investment income	**2'615'715'903**	**537'341'213**

Breakdown of net income from bonds

Net income from bonds

	2012 CHF	2011 CHF
Net income from bonds CHF	**390'509'759**	**716'538'289**
Net income from Swiss government bonds	72'814'125	318'996'893
Net income from Swiss non-government bonds	317'695'634	397'541'396
Net income from foreign currency government bonds hedged	**194'800'712**	**314'566'164**
Net income from government bonds EUR	165'107'060	153'531'282
Net income from government bonds USD	24'032'301	128'272'110
Net income from government bonds GBP	6'133'919	32'762'772
Net income from government bonds CAD	-472'568	n/a
Net income from foreign currency corporate bonds hedged	**311'012'295**	**19'568'032**
Net income from corporate bonds EUR	192'728'852	4'265'606
Net income from corporate bonds USD	118'283'443	15'302'426
Net income from bonds	**896'322'766**	**1'050'672'485**

Breakdown of net income from equities

Net income from equities	2012 CHF	2011 CHF
Net income from equities Switzerland	248'464'171	-33'687'545
Net income from equities Europe	275'012'450	-171'521'862
Net income from equities North America	368'893'842	32'083'552
Net income from equities Pacific	268'088'867	-203'630'398
Net income from equities emerging markets	314'490'728	-248'305'039
Net income from equities	**1'474'950'057**	**-625'061'292**

6.8 Performance

On a currency-hedged basis, PUBLICA achieved a performance of 7.94% (prior year: 1.71%) on overall assets in 2012, exceeding the benchmark performance of 7.92% by 2 basis points. Excluding currency hedging, the performance would have been 7.57% (portfolio) and 7.60% (benchmark). The investment performance was 8.21% (benchmark 8.29%) for the open pension plans and 5.95% (benchmark 5.76%) for the closed ones. This compares with a prior-year performance of 1% for the open plans and 5.67% for the closed ones.

	Portfolio performance	Benchmark performance	Difference	CHF million
Closed pension plans	**5.95%**	**5.77%**	**0.18%**	**4'548**
Open pension plans	**8.21%**	**8.29%**	**-0.08%**	**30'198**
Reinsurance	**4.18%**	**4.36%**	**-0.17%**	**94**
Overall assets	**7.94%**	**7.92%**	**0.02%**	**34'840**
Overall assets without currency hedge	**7.57%**	**7.59%**	**-0.02%**	**34'645**
Securities investments	**8.01%**	**8.00%**	**0.01%**	**32'210**
Bonds and money market	**4.64%**	**4.57%**	**0.07%**	**18'941**
Money market	0.13%	-0.05%	0.18%	693
Government bonds CHF	2.06%	1.94%	0.12%	3'355
Non-government bonds CHF	4.20%	4.36%	-0.16%	5'634
Government bonds EUR	6.38%	6.49%	-0.11%	2'494
Government bonds GBP	2.23%	1.95%	0.28%	286
Government bonds USD	1.74%	1.79%	-0.05%	1'232
Government bonds CAD	-0.10%	-0.02%	-0.08%	146
Corporate bonds EUR	11.16%	11.20%	-0.04%	2'256
Corporate bonds USD	6.31%	6.83%	-0.52%	2'845
Equities	**15.81%**	**15.97%**	**-0.16%**	**11'515**
Switzerland	19.15%	19.06%	0.09%	1'185
Industrialised nations ex Switzerland	15.27%	15.28%	-0.01%	7'010
Emerging markets	15.36%	15.73%	-0.37%	3'320
Commodities	**2.28%**	**0.97%**	**1.31%**	**1'754**
Mortgages	**2.02%**	**2.51%**	**-0.49%**	**182**
Real estate	**7.50%**	**6.74%**	**0.76%**	**2'448**

Annual financial statements and performance calculation

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

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

6.9 Asset management expenses

With a cost transparency level of 100%, asset management expenses stand at 19.6 basis points (prior year: 16.2 basis points). Asset management expenses are made up of the main items listed in the following table:

Asset management expenses

	2012 CHF	2011 CHF
External asset managers – securities	16'350'430	
External asset managers – real estate	7'652'260	
External asset managers – mortgages	228'467	
Internal asset managers – securities	4'651'347	
Internal asset managers – real estate	1'747'445	
Asset manager expenses	**30'629'949**	**24'480'781**
Custody fees and management	8'506'087	
Custodian expenses	**8'506'087**	**6'430'935**
TER in CHF (TER costs)	**39'136'036**	**30'911'716**
Stamp duty	12'902'233	
Withholding tax (not reclaimable)	9'122'873	
Taxes	**22'025'106**	**19'242'925**
Trading fees, commissions, other costs	5'145'785	
Transaction expenses	**5'145'785**	**2'948'338**
Transaction expenses and taxes (TTC costs)	**27'170'891**	**22'191'263**
Investment Controller	179'280	179'280
Other consultancy (legal, tax, ALM, etc.)	235'439	441'510
Other expenses (SC costs)	**414'719**	**620'790**
Total asset management expenses	**66'721'646**	**53'723'769**
Average cost-transparent capital investments	34'068'312'053	n.a.
Asset management expenses in basis points	**19.6**	**16.2**
Cost transparency rate	**100%**	**n.a.**

Owing to the adjustments made as part of the structural reform, the figures for the prior year are not fully comparable. Asset management expenses for the 2012 accounting period are CHF 13m higher than in the previous year. This is partially due to the introduction and costs of the new strategic asset allocations, with a higher weighting of equities and corporate bonds.

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

Custodian expenses include expenditure on collateralisation processes, in particular collateral management and periodic reporting.

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

TTC costs are taken into account when calculating the performance. In order to ensure comparability with the benchmarks, TER costs and SC costs are not taken into account.

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

Owing to the special legal requirements governing PUBLICA, the restrictions set out in Articles 57 and 58 BVV 2 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 (pension plans that have reinsured their risks in a fully matching manner), together with other factors. CHF 1.8m from the employers' contribution reserve was used to provide additional funding for the conversion rate provision in connection with the changeover to new actuarial tables. There are no waivers of use in respect of the employers' contribution reserves.

Employers' contribution reserves

	2012 CHF	2011 CHF
Employers' contribution reserves 01.01	**16'310'948**	**10'275'013**
Allocations	2'026'817	6'136'193
Utilisation	-1'856'835	-215'670
Interest (0.5%)	77'865	115'412
Total employers' contribution reserves 31.12	**16'558'794**	**16'310'948**

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

	31.12.2012 CHF	31.12.2011 CHF
Current assets	14'507'621	14'235'595
Investment assets	5'121'781	4'987'194
Operating assets – PUBLICA operations	**19'629'401**	**19'222'790**
Debt	3'308'060	3'756'240
Working capital	16'321'342	15'466'550
Operating liabilities – PUBLICA operations	**19'629'401**	**19'222'790**

7.2 Administrative account – operations

The resources of PUBLICA operations are used for the administration of active members and pension recipients as well as components of asset management. Accordingly, the totals 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 6.9 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 direct expenses for client acquisition and the associated consultancy expenses.

Administrative expenses	2012 CHF	2011 CHF
General administration	**20'284'539**	**21'702'537**
Personnel expenses	18'380'021	19'339'031
General administrative expenses	10'838'553	11'417'005
Financial expenses	183'456	239'625
Apportionments to Asset Management	-9'117'491	-9'293'124
Marketing and advertising	**320'683**	**0**
Statutory Auditors	**267'255**	**264'515**
Pension Actuary	**295'318**	**218'403**
Supervisory Body	**253'374**	**100'000**
Administrative expenses	**21'421'169**	**22'285'456**
No. of active members	59'019	57'577
No. of pension recipients	45'010	44'955
Total	**104'029**	**102'532**
Administrative expenses per active member / pension recipient	**206**	**217**

Cost and benefit accounting

General administrative expenses are charged to asset management and administrative management transparently and in line with their contribution to those expenses. Administrative costs are then attributed to the individual pension plans. While the allocation of costs to the two administrative areas is largely carried out via apportionments, the allocation to the individual pension plans is largely guided by processes. These are derived directly from the services provided in the 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 are credited to the non-technical provisions maintained in the pension plans and are used to fund uncovered administrative costs.

Under Art. 27 and 43 of the Regulations governing the Provisions and Reserves of PUBLICA, the upper limit for this provision is two thirds of the annual cost premium for the most recently 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 adjusting the cost premiums.

8 Requirements of the supervisory authorities

In a letter dated 1 March 2013 the Bernische BVG- und Stiftungsaufsicht die Pensionskasse instructs PUBLICA to request reimbursement by employers of cost contributions amounting to CHF 2m repaid in 2011 from the non-technical provisions, and to avoid future repayments. The situation is currently being clarified with the regulatory authority.

9 Further information concerning the financial situation

9.1 Note on the economic funded status

Because the actuarial funded status had reached 105.2% as at 31 December 2012 (see point 5.7), all of the Fund's liabilities are fully covered by the available assets. In response to persistently low interest rates, the Board of Directors of PUBLICA has decided to reduce the technical interest rate with effect from 1 January 2015, to 2.25% for the closed pension plans and 2.75% for the open ones. This decision results in an adjustment to the conversion rate.

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 status in addition to the actuarial funded status. In calculating the economic funded status, the Fund's liabilities are calculated using a maturity-congruent, risk-free interest rate. This risk-free interest rate is based on 20-year Confederation bonds for active members and 10-year Confederation bonds for pension recipients.

The corresponding calculations made by the Pension Actuary produced a higher economic funded status of 78.6% (prior year: 77.8%). By way of comparison, in 2007 the economic funded status still exceeded 90%. To adequately reflect the situation, PUBLICA has since 31 December 2004 taken account of the economic funded status when calculating the target value of the fluctuation reserve.

9.2 Ongoing legal proceedings

In December 2008, an official complaint was lodged with the Federal Social Insurance Office setting out numerous objections related to the switch from a defined-benefit to a defined-contribution plan on 1 July 2008. The claims, essentially concerning the Confederation pension plan, run into millions of francs. The complainant also cited infringements of constitutional principles and the absence of favourable transitional provisions for older members. In a judgment dated 4 December 2012 (delivered on 17 December), the Federal Administrative Court rejected the complaint. That decision now has the force of law.

9.3 Collective departures

No partial liquidations took place during the 2012 financial year. It was agreed that pensioners from the Affiliated Organisations pension plan who no longer have an employer should be transferred to the Pensioners only PUBLICA Administration pension plan.

9.4 New affiliations

The Board of Directors approved the following new affiliations in 2012:

Joint pension plan

Autorité cantonale de surveillance des fondations et des institutions de prévoyance Genève

Independent pension plan

No new independent pension plans

9.5 Underfunded pension plans

As of 31 December 2012, the Pensioners only Affiliated Organisations pension plan has a funded status of 99.6%, meaning that the assets no longer fully cover the liabilities. In addition to the burden imposed by the change of actuarial tables and the provisions for the reduction in the technical interest rate, this underfunding is due to an unfavourable trend in longevity claims. The underfunding was remedied on 1 January 2013 by debiting the longevity provision for pension recipients, which also includes the provision to cover fluctuations in the membership of closed pension plans.

10 Post-balance sheet events

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

11 Pension plans of the PUBLICA collective institution

As at 31 December 2012, the collective institution comprised 20 pension plans. These have their own accounts and are managed by their own parity commissions. The Management Summary lists the balance sheet totals, the available assets, the liabilities (pension fund capital and technical provisions), and the funded status in comparison with the previous year's figures. It also now includes the economic funded status.

The strategic asset allocation for the open pension plans recorded a performance of 8.21% (prior year: 1.0%) and that for the closed pension plans 5.95% (prior year: 5.67%). Separate, detailed annual financial statements are produced for the pension plans and submitted to the parity commissions.

Management Summary – pension plans as at 31.12.12

	Balance sheet total in CHF	Available assets in CHF	Liabilities, pension fund capital and provisions in CHF	Funded status 2012 in %	Funded status 2011 in %	Econ. funded status 2012 in %
Swiss Federal Pension Fund PUBLICA	35'069'201'935	34'911'967'639	33'177'583'856	105.2	103.1	78.6
PUBLICA Reinsurance	178'938'203	146'318'632	135'081'793	108.3	104.9	108.3
Confederation	22'960'217'916	22'897'748'503	21'731'625'218	105.4	102.7	77.6
Affiliated Organisations	826'697'054	811'016'886	757'833'462	107.0	103.3	79.0
ETH Domain	5'812'607'943	5'788'053'265	5'430'251'910	106.6	103.6	79.3
Swiss Federal Institute of Intellectual Property	94'698'874	93'621'790	88'755'156	105.5	101.7	76.2
Swissmedic	193'805'792	184'630'337	174'634'017	105.7	101.9	77.3
Swiss Federal Institute for Vocational Education and Training	61'779'070	61'300'466	56'989'045	107.6	103.0	78.0
Swiss Federal Audit Oversight Authority	4'066'139	3'861'441	3'563'990	108.3	103.3	78.9
Historical Dictionary of Switzerland	10'769'226	10'733'764	10'089'285	106.4	102.4	77.2
Swiss Financial Market Supervisory Authority	171'317'370	169'391'595	160'300'086	105.7	101.9	76.9
Swiss Federal Nuclear Safety Inspectorate	86'298'469	84'552'818	78'824'803	107.3	102.1	77.6
PUBLICA	58'089'869	56'475'895	53'647'703	105.3	103.0	76.1
Trasse Schweiz AG	5'085'588	5'059'659	4'714'844	107.3	104.8	78.2
Swiss National Museum	53'290'218	52'850'677	51'377'847	102.9	102.0	78.1
Total open pension plans	**30'338'723'526**	**30'219'297'096**	**28'602'607'366**	**105.7**	**102.9**	**77.9**
Pensioners only – Voluntarily Insured	125'357'162	125'294'260	116'167'334	107.9	106.3	80.8
Pensioners only – Affiliated Organisations	141'423'300	141'303'786	141'902'934	99.6	103.7	80.4
Pensioners only – Confederation	180'247'621	179'915'774	172'337'358	104.4	105.0	84.4
Pensioners only – Swisscom	2'561'225'457	2'558'280'099	2'530'609'025	101.1	104.1	81.9
Pensioners only – RUAG	837'381'743	836'436'666	814'323'591	102.7	105.1	82.4
Pensioners only - SRG SSR idée suisse	620'707'988	620'001'933	584'624'794	106.1	105.2	85.1
Pensioners only – PUBLICA Administration	85'196'939	85'119'393	79'929'662	106.5	107.4	91.3
Total closed pension plans	**4'551'540'209**	**4'546'351'911**	**4'439'894'698**	**102.4**	**104.6**	**82.6**

12 Report by the Statutory Auditors

KPMG

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Report of the Statutory Auditor on the financial statements to the Fund Commission of the

Swiss federal pension fund PUBLICA, Bern

As statutory auditor, we have audited the financial statements of Swiss federal pension fund PUBLICA, which comprise the balance sheet, operating account and notes for the year ended 31 December 2012. Last year's financial statements were audited by another auditor. On 12 April 2012 this auditor provided an unqualified report.

Fund Commission's Responsibility
The Fund Commission is responsible for preparing the financial statements in accordance with the requirements of Swiss law (especially Federal Act on the Federal Pension Fund) 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.

KPMG

Opinion

In our opinion, the financial statements for the year ended 31 December 2012 comply with Swiss law (especially Federal Act on the Federal Pension Fund) and the regulations.

Reporting on the basis of 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 pension fund;
- funds are invested in accordance with legal and regulatory requirements;
- the occupational pension accounts comply with legal requirements;
- measures have been taken to ensure loyalty in fund management and whether the Governing Body has ensured to a sufficient degree that fund managers fulfil their duties of loyalty and disclosure of interests;
- the available funds or discretionary dividends from insurance contracts have been used in compliance with the legal and regulatory provisions;
- the legally required information and reports have been given to the supervisory authority;
- the pension fund's interests are safeguarded in disclosed transactions with related entities.

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

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

KPMG AG

Kurt Gysin	Erich Meier
Licensed Audit Expert	*Licensed Audit Expert*

Bern, 11 April 2013

13 Confirmation from the Accredited Pension Actuary as at 31.12.12

PUBLICA
Confirmation from the Accredited Pension Actuary as of 31.12.2012

Membership data

PUBLICA provided us with all relevant data relating to its active members and pensioners for our actuarial appraisal. In its letter of 13.02.2013, PUBLICA confirmed that the membership numbers communicated to us were definitive and that it had relied upon the membership data in establishing its balance sheet.

Actuarial capital

The actuarial liabilities for PUBLICA's active members and pensioners were calculated based on the BVG/LPP 2010 (P2018) 3.5% actuarial tables, while the liabilities for closed-scheme pensioners were calculated using BVG/LPP 2010 (P2018) 3.0% tables. The actuarial liability, or actuarial capital, is equal to the sum of the active members' individual vested termination benefits and the present value of pensions in payment plus the corresponding prospective survivor benefits.
They total **CHF 31,689,679,214.–.**

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 1,487,904,642.–**. Moreover, PUBLICA set aside reserves within the limits allowed by its financial situation; as of 31.12.2012, reserves for all pension plans averaged 15.9% of the relevant target values.

Assets

The assets available for covering actuarial liabilities and calculating the funded status correspond to the total assets at market value minus short-term liabilities, deferred income, employer contribution reserves and non-actuarial reserves. Thus calculated, the available assets total **CHF 34,911,967,639.–.**

Financial Situation

The actuarial balance sheets of the affiliated pension plans are well-balanced and show neither a surplus nor a deficit. The exception is a closed-scheme plan which was slightly underfunded at the end of the year owing to its adverse claims experience in 2012. PUBLICA will not be able to report an actuarial surplus (or free assets) before reserves have reached their target value. Given the low level of its reserves, PUBLICA has limited tolerance for investment risks. At the same time, PUBLICA cannot hope to attain its financial objectives unless it continues to pursue a risky investment strategy.

Funded Status

Funded status under Article 44 BVV2/OPP2

Funded status, within the meaning of Article 44 OPP2/BVV2, is the ratio between the assets available for covering the Fund's actuarial liabilities and the aggregate actuarial capital calculated with a discount rate of 3.5% (respectively 3%) plus the actuarial provisions. As of 31.12.2012, PUBLICA's funded status under BVV2/OPP2 was 105.2% compared with 103.1% on 31.12.2011.

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 31.12.2012, PUBLICA's economic funded status was 78.6% compared with 77.8% on 31.12.2011.

Appraisal of financial situation

The consolidated financial situation of PUBLICA, calculated in accordance with Article 44 BVV2/OPP2, has improved, thanks mainly to the very good investment performance. With a funded status of 105.2% as of 31.12.2012, PUBLICA was able to increase its reserves slightly. Although PUBLICA managed to eliminate the underfunding within the meaning of Article 44 OPP2/BVV2 three years ago, its recovery cannot be considered sustainable until its reserves have been fully replenished.

The individual plans have a funded status ranging from 99.6% to 108.3%. In appraising the financial situation of the individual plans, membership age structure must be taken into account in addition to funded status. The financial situation of pensioner-only pension plans, in particular, could quickly deteriorate to a point where remedy would be impossible without external intervention: accordingly, from 1 January 2011, a separate investment strategy with differentiated risks was implemented for those pension plans. A smaller pension plan with closed-scheme pensioners became underfunded in 2012 as a result of an adverse claims experience. In 2013, the underfunding will be charged to the provision for increased life expectancy and eliminated. No other measures need to be taken for the time being.

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

Given expected rates of return, PUBLICA's **closed-scheme pension plans** are inadequately funded. It is true that, with a single exception and despite the change in actuarial tables on 1 July 2012, they were not underfunded on 31.12.2012. However, the financial cost of the scheduled reduction in discount rate to 2.25% will inevitably drive the closed-scheme plans into underfunding. The joint administration board of these pension plans will have to deal with the issue very soon.

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 FRP 1, 2, 4 and 5 of the Swiss Chamber of Pension Actuaries.

Based on the foregoing, we hereby confirm that:

- As of 31.12.2012, PUBLICA is in a position to fully cover its actuarial liabilities or actuarial capital, calculated on the basis of the BVG/LPP 2010 (P2018) actuarial tables with a discount rate of 3.5% (respectively 3.0%), and its provisions.

- The BVG/LPP 2010 (P2018) actuarial tables now applied are appropriate for the Pension Fund. The discount rate of 3.5%, respectively 3.0%, and the forthcoming reduction to 2.75% and 2.25% respectively, are consistent with guideline FRP 4 of the Swiss Chamber of Pension Actuaries. The continuous increase in life expectancy will be duly taken into account by appropriate increases in the relevant provisions.

- All security measures were taken within the Fund's financial limits in accordance with the regulations on actuarial provisions and reserves. Provisions are stated at their target value. However, the reserves for actuarial interest and for fluctuations in asset values could only be modestly increased and still fall short of their target value.

- Funded status, within the meaning of Article 44 OPP2/BVV2, was 105.2% as of 31.12.2012 based on actuarial discount rates of 3.5%, respectively 3.0%.

- The economic funded status calculated with a risk-free actuarial discount rate was 78.6% as of 31.12.2012.

- Although, with a single exception, the pension plans are not underfunded, their recovery cannot be considered sustainable in view of their still modest reserves.

- The **open pension funds** are currently adequately funded and can meet their benefit obligations. Taking into account the applicable actuarial tables, the benefits obligations are duly secured by the actuarial capital, actuarial provisions, contributions and expected return on investment.

- The funding of the **closed-scheme pension plans** depends entirely on the return on investment, which is unlikely to be sufficient given the conservative investment strategy adopted. The joint administration board of these pension plans will soon have to deal with the issue and try to find additional funding sources.

- The Fund's actuarial regulations on benefits and financing are in compliance with the applicable statutory requirements on 31.12.2012.

Aon Hewitt (Switzerland) AG

Daniel Thomann
Swiss Accredited Pension Actuary
Neuchâtel, 11 April 2013