



66 329

Active members

42 066

Pension recipients

106.6%

Funded ratio

87.7%

Economic funded ratio

CHF 42.5 bn

Total assets

0.20%

Total asset management expenses

4.2%

Net investment performance

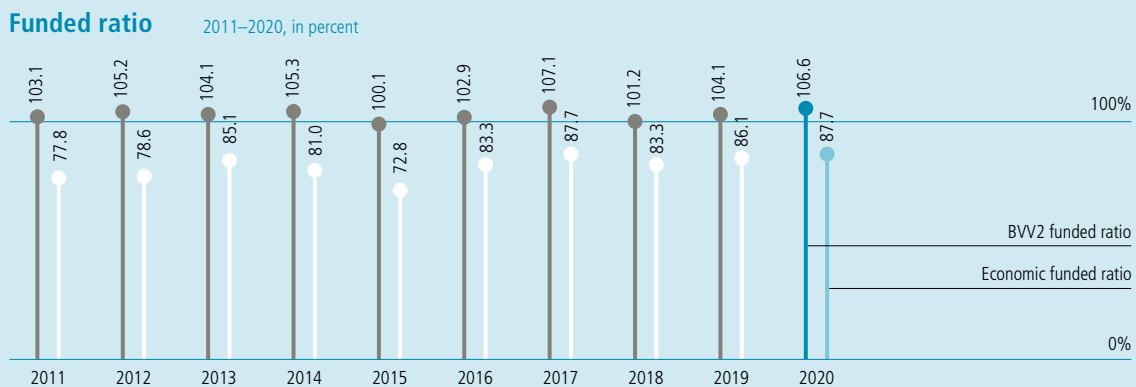
CHF 152

Administrative expenses per active member or pension recipient

Facts and figures

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

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

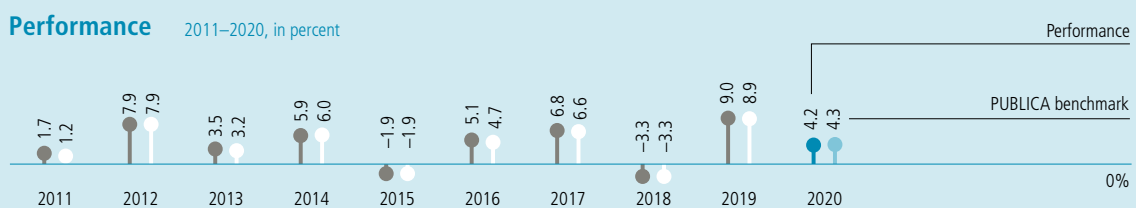


Scale: 100% = 30 mm

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

The performance in 2020 was 4.2%.

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



Scale: 100% = 60 mm

Table of contents

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

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





Foreword

2020 was the year of the COVID-19 pandemic. The global lockdown triggered the severest economic downturn in recent history. Around the world, people faced huge challenges in their personal and professional lives.

Against this backdrop, and given the ensuing upheavals on the markets coupled with massive interventions by central banks and governments, we are relieved to be able to present an unexpectedly positive annual result.

4.2% overall performance

On a currency-hedged basis and in terms of consolidated total assets of over CHF 42.5 billion, PUBLICA recorded an annual performance of 4.2% (prior year: 9.0%). The strategic asset allocation for the open pension plans generated a return of 4.2% (prior year: 9.2%), that for the closed pension plans 3.9% (prior year: 6.8%).

All the main asset classes made a positive contribution to PUBLICA's overall performance in 2020. The biggest share came from bonds, with a return of 3.0%, resulting in a positive contribution of 1.8 percentage points. Inflation-linked government bonds from the US and Europe fared best, returning 7.4%, followed by private debt with 7.3%, UK government bonds with 7.1%, and government bonds from emerging markets in US dollars, also with 7.1%.

Real estate turned in a positive performance overall, with directly held Swiss real estate (including revaluation) returning 5.3% and thus contributing 0.3 percentage points to the overall result.

Fall in administrative expenses

Administrative expenses per active member / pension recipient declined further year on year, thanks to investments in IT and improvements in process efficiency, to an average of CHF 152 (prior year: CHF 160). At 0.20%, asset management expenses remained at the low level of the previous year.

One closed pension plan underfunded

Despite the reduction in the technical interest rate to 0.5% in 2019, the funded ratios of the closed pension plans improved. Thanks to the positive performance of the financial markets, only one pension plan is still underfunded according to its regulations at the end of 2020. At 31 December 2020 the consolidated funded ratio of all the closed pension plans stands at 103.1%.

Enhancing sustainability in investment activities

PUBLICA made further refinements to its "responsible investment" approach, which explicitly incorporates social, ethical, environmental and corporate governance risks into the traditional financial analysis. For the first time, PUBLICA published a report on its management of climate-related opportunities and risks. The reporting is based on the framework set out by the Task Force on Climate-related Financial Disclosures (TCFD).

Complementing its membership of the Swiss Association for Responsible Investments (SVVK-ASIR), at the start of December 2020 PUBLICA affiliated to another four international networks working towards sustainable investments. These memberships give PUBLICA access to international best practices.

Portal solutions for online communication

PUBLICA is stepping up work to improve electronic communication. By the second half of 2021, insured members should be able to access information and services via an online portal.

PUBLICA's offices operating as normal despite the pandemic

PUBLICA already had a pandemic strategy in place, and was therefore able to implement the required protective measures swiftly. The pace of events accelerated the process of digital transformation, and working from home together with online meetings quickly became routine.

New Director

In 2020, the Board of Directors of PUBLICA appointed Dr. Doris Bianchi as the new Director. She succeeded Dieter Stohler, who left PUBLICA in September 2020. We should like to thank him for his dedication and prudent management of PUBLICA over a period of eight years.

The uncertainties and insecurities prompted by the COVID-19 pandemic dominated 2020. The members of the Board of Directors and Executive Board are therefore especially grateful that we can count on dedicated staff and a relationship with the authorities and other bodies based on trust and partnership.



Matthias Remund
Chair of the Board of Directors, PUBLICA



Doris Bianchi
Director, PUBLICA

Status report

The funded ratio of all the pension plans improved thanks to the positive performance. Of the 20 pension plans, one is underfunded. PUBLICA's high level of cost consciousness and the increased numbers of members continue to show positive results on the operational side: administrative expenses fell once again, to CHF 152 per active member / pension recipient.

PUBLICA – the pension provider

1 of 20

Pension plans underfunded

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

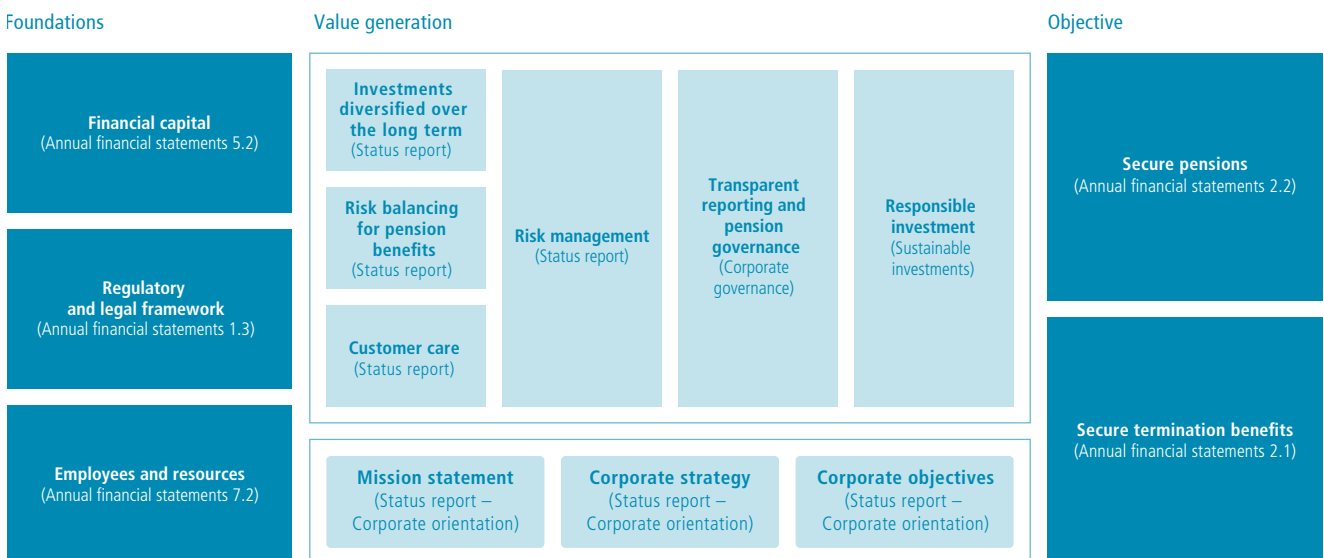
A number of factors ensure that PUBLICA can generate the highest possible long-term return: total assets of CHF 42.5 billion; strategic asset allocations that are geared to the long term and take account of risks; and very low asset management expenses. Every active member and pension recipient, however modest their means, receives access to professional asset management and broadly diversified investments.

Thanks to the large number of active members and pension recipients, the collective assumption of risks within pillar 2 allows pension risks (longevity, disability and death) to be hedged simply and cost-effectively, and provides security for the survivors in the event of an active member or pension recipient’s death.

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

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

PUBLICA’s business model





Corporate orientation

PUBLICA's corporate orientation guides its business activities.

Mission statement: leading pension fund

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

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

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

Corporate strategy: maintaining a high level

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

–17.8%

Reduction in
administrative
expenses since
2015

Corporate objectives: measurable and realistic

PUBLICA's overriding objective is to meet its financial obligations to its active members and pension recipients over the long term. By lowering the technical interest rate in the previous year, the Board of Directors reduced the interest differential between the pension fund capitals of active members and pension recipients over the long term. Nevertheless, only one closed pension plan (out of a total of 20 pension plans) has a BVV2 funded ratio of less than 100% in 2020.

PUBLICA is stepping up work to improve electronic communication. By the second half of 2021, insured members should be able to access information and services via an online portal. Administrative expenses were reduced once again during the year, and now stand at CHF 152 per active member / pension recipient.

Investments diversified over the long term

Investment beliefs: a diversified and transparent portfolio

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

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

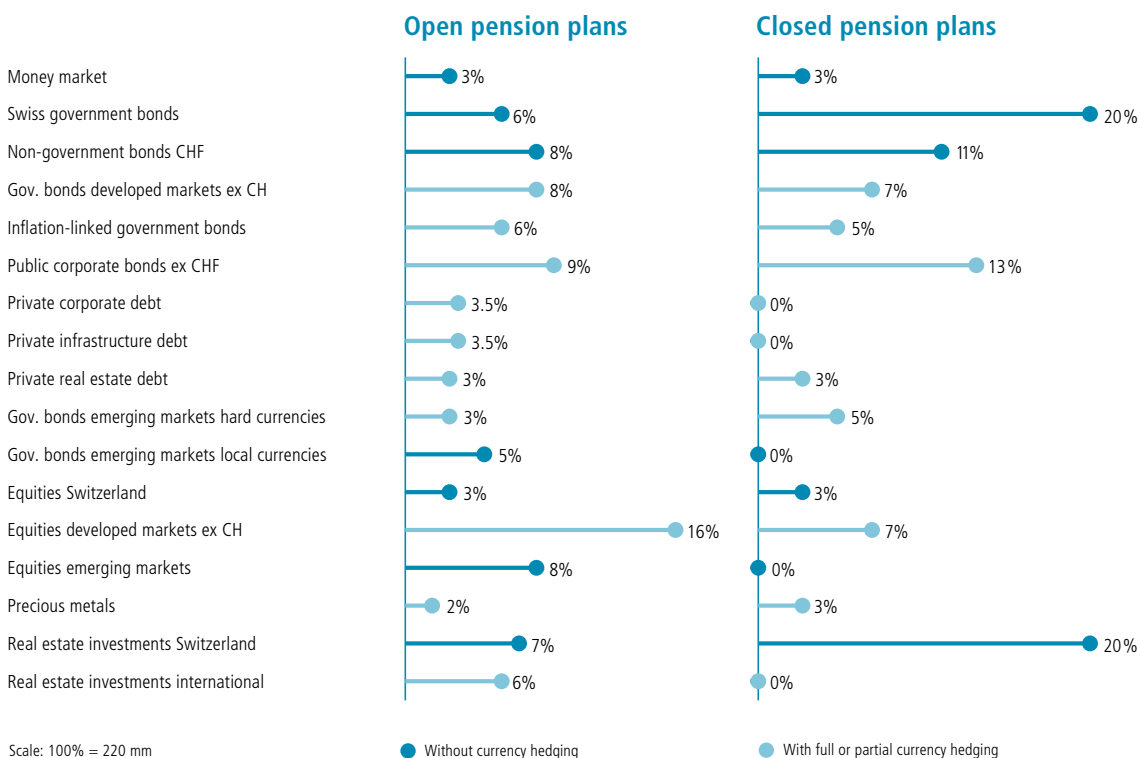
All assets are invested in portfolios consisting of only one asset class. The same stringent requirements apply to both internal and external asset managers. PUBLICA seeks out the most capable partners for each asset class. Two mandates are granted within a given asset class, ensuring that a backup solution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

Strategic asset allocations: geared to structure and trend

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

Long-term strategic asset allocation by asset class

As at 31.12.2020, in percent



Economic and financial market performance

At first glance, 2020 was a good year on the financial markets. The US S&P 500 stock market index rose 18% in local currency terms, while at -0.5% at the end of 2020, the yield on 10-year Swiss bonds was virtually unchanged from the previous year. The euro was down only slightly year on year against the Swiss franc, at CHF 1.08.

However, these seemingly modest movements conceal what was in fact a roller-coaster ride on the markets, along with colossal interventions by central banks and governments, all triggered by the rapid spread of the novel coronavirus SARS-CoV-2. When the World Health Organization officially declared the outbreak to be a pandemic on 11 March 2020, the world threatened to come to a standstill. From a high in February, the MSCI World equity index dropped more than 30% by mid-March, while the VIX volatility indicator hit 85%, the highest figure for 12 years. Central banks acted swiftly. In the US, the Federal Reserve announced a 0.5 basis point cut in its benchmark interest rate at the start of March, followed on 16 March by a further 1 percentage point cut to 0%. At the same time, an emergency programme to purchase USD 700 billion in assets was put in place. The European Central Bank also announced large-scale measures to secure liquidity in the financial system. This led to a broad-based recovery on the equity markets beginning in April, and much of the losses had been recouped by the end of the year.

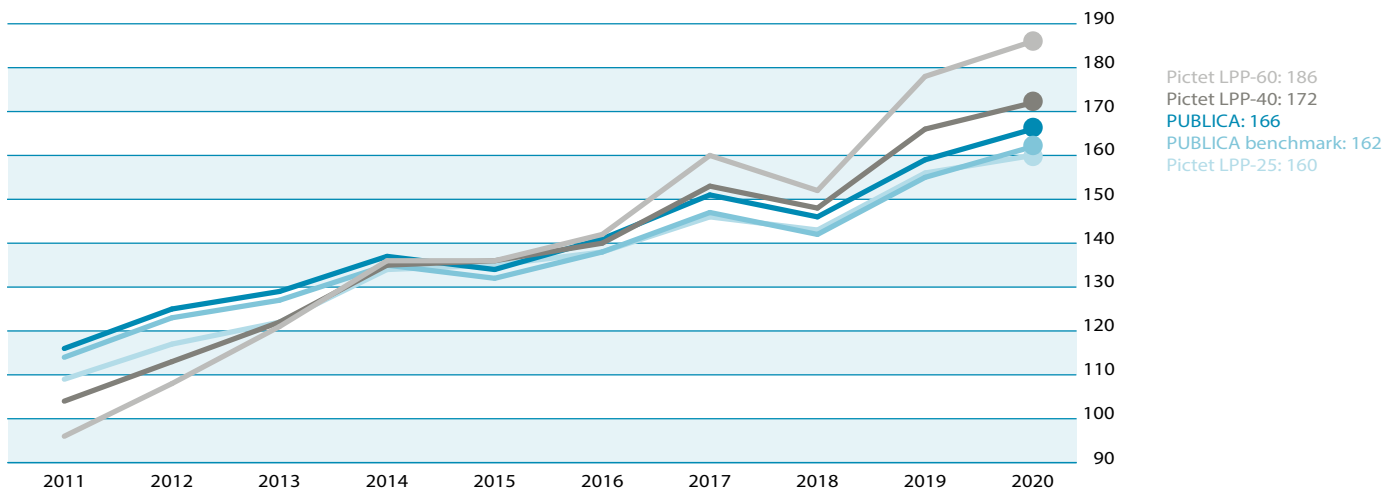
Around the world, fiscal policy measures were implemented to mitigate the losses of income and insolvencies resulting from government-mandated closures of non-essential activities. The US government enacted one of the largest aid programmes in its history, amounting to USD 2,300 billion, or 11% of GDP. In Switzerland, the federal government agreed a record-breaking support package, and the EU and China both set up large fiscal programmes (source: IMF, Policy Responses to COVID-19). Despite these measures, all the OECD countries slid into a deep recession in the first half of 2020. China's GDP shrank by 10% in the first quarter, while in the second, GDP declined by 9% in the US and 12% in the eurozone. Switzerland saw a cumulative drop of 9% in the first two quarters. Despite a strong recovery from the third quarter onwards, global economic output in 2020 is likely to have been markedly below the 2019 level. For detailed information on economic developments see the Quarterly Bulletins issued by the Swiss National Bank (www.snb.ch).

Performance

On a currency-hedged basis and in terms of total assets consolidated over all pension plans, PUBLICA recorded a net investment performance (after all costs and taxes) of 4.2% in 2020. Without currency hedging, the consolidated net performance of the two strategic asset allocations would have been 2.1%. At the end of 2020, the consolidated net performance was just 4 basis points below the performance of PUBLICA's benchmark. The main reasons for this minor deviation are tactical and selection decisions. Overall, these made a positive contribution (+0.16 percentage points), and were only slightly negative following the deduction of administrative costs of 0.20%.

Cumulative performance

2011–2020, indexed (2005 = 100) in percent



Scale: 100% = 50 mm, 1 index point = 0.5 mm

Source: Pictet LPP indices 2000

The two strategic asset allocations generated similar returns during the year. At 4.2%, the return of the open pension plans was above the 2.6% figure for the Pictet LPP-25 index, which has a comparable equity weighting of 25%. The closed pension plans, which have a 10% equity allocation, posted a performance of 3.9%. The two main reasons for PUBLICA's outperformance in 2020 compared with the Pictet LPP-25 indices are the different weightings of the various bond categories and the investment in precious metals: PUBLICA had a higher allocation to inflation-linked government bonds and private debt investments as well as gold and silver, all of which delivered superior returns over the year.

All the main asset classes made a positive contribution to PUBLICA's overall performance in 2020. The biggest share came from bonds, with a return of 3.0%, resulting in a positive contribution of 1.8 percentage points. Inflation-linked government bonds from the US and Europe fared best, returning 7.4%, followed by private debt with 7.3%, UK government bonds with 7.1%, and government bonds from emerging markets in US dollars, also with 7.1%. Government bonds from emerging markets in local currencies performed worst, returning -3.2%.

Equities contributed 1.5 percentage points to PUBLICA's consolidated overall return of 4.2%. The six main regions closed the year with varying performances: equities in North America delivered the best returns, followed by emerging markets and Switzerland. Japan and Pacific ex Japan were marginally in positive territory, while Europe was slightly negative.

Real estate turned in a positive performance overall, with directly held Swiss real estate (including revaluation) gaining 5.3%, while foreign real estate funds (on a currency-hedged basis) were down 0.7%. This corresponds to a 0.3 percentage point contribution to the overall return.

For diversification reasons, PUBLICA invests a portion of its assets in precious metals such as gold and silver. This asset class posted a return of over 15% in 2020, and contributed 0.4 percentage points to the overall return.

PUBLICA's average annual return over the investment horizon from 2000 to 2020 is 3.2%. This is 20 basis points above the 3.0% average annual return of PUBLICA's benchmark.

Risk balancing for pension benefits

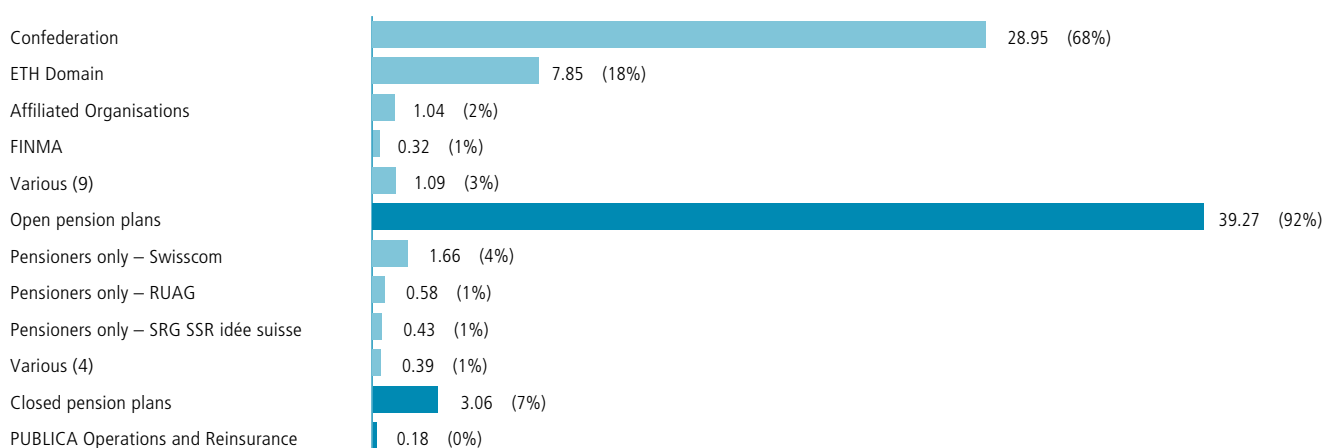
Collective institution: independent open and closed pension plans

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

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

Pension plans by type and institution

As at 31.12.2020, in CHF bn and percentage of total assets



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

Open pension plans

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

The open pension plans are valued at an unchanged technical interest rate of 2.0% and have funded ratios of between 105.9% and 112.8% (prior year: 103.6% and 109.1%). Thanks to the positive investment performance, funded ratios improved overall in 2020. The difference in funded ratio trends between the individual pension plans is largely due to their differing risk trends, interest and actuarial policies.

The economic funded ratios range between 86.5% and 111.2% (prior year: 84.9% and 107.0%). Liabilities are valued in a market-consistent manner when calculating the economic funded ratio.

Closed pension plans

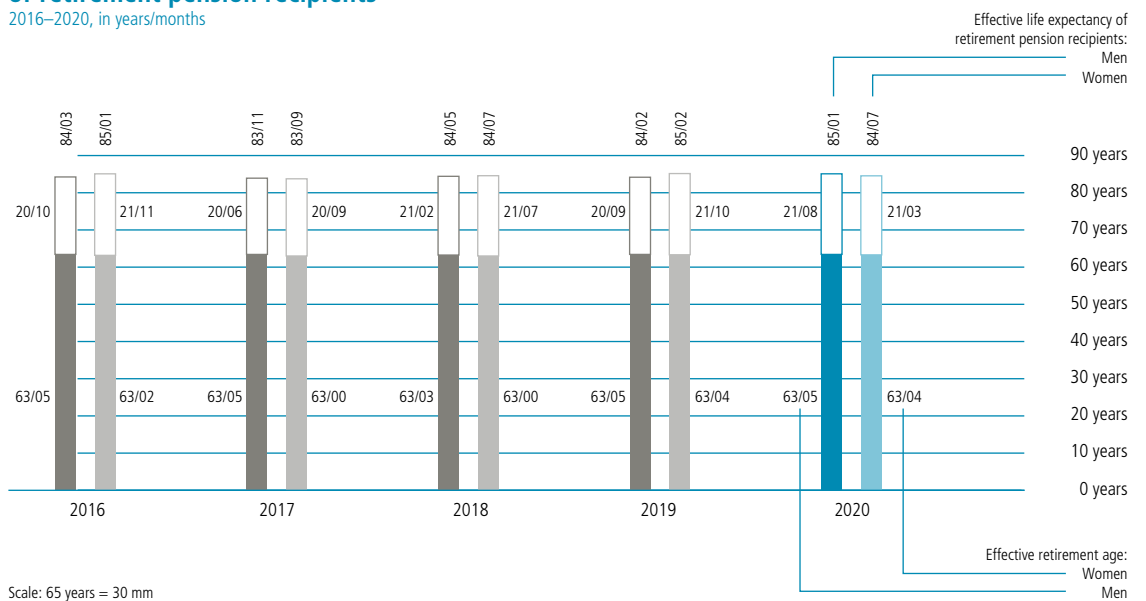
The closed pension plans consist entirely of pension recipients, both those of the federal entities (including Swisscom and RUAG) that became independent at around the turn of the millennium, and those of former affiliated organisations. Their funded ratios are between 97.1% and 115.4% (prior year: 95.6% and 111.1%). The closed pension plans are valued at an unchanged technical interest rate of 0.5%. Owing to the low level of interest rates and the resulting lower income, there is a considerable risk that they will be unable to fully cover their liabilities without financial support. This funding risk is replicated by the economic funded ratio, which stands at between 82.9% and 105.8% (prior year: 82.3% and 102.2%). The situation is subject to ongoing review by PUBLICA and the Federal Department of Finance (see section 9.1).

Effective retirement age and effective average age at death of retirement pension recipients

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

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

2016–2020, in years/months



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

Open pension plans: how the redistribution is calculated

PUBLICA is financed under the funded system. This means that long-term, systematic redistributions of income between active members and pension recipients are not appropriate. Redistribution means that the return on investments is not divided up proportionately between active members (interest on retirement assets) and pension recipients (financing for pension benefits).

Redistribution – open pension plans

2020, in CHF mn

	Active members	Pension recipients	Total
Interest	-171	-335	-506
Accumulation of provision for change to technical parameters 0.6%	-114	-104	-217
Costs of adjustments to technical parameters (atp)	0	0	0
Share of costs borne by active members / pension recipients (effective)	-285	-439	-724
Share of costs as per pension fund capital	-371	-353	-724
Redistribution to (+) / from (-)	-86	86	

Historical trend in CHF mn	Active members	Pension recipients
2020	-86	86
2019	-608	608
2018	-86	86
2017	-6	6
2016	-93	93

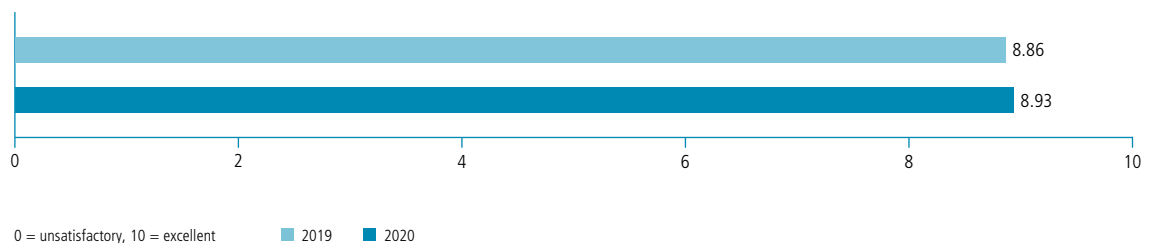
The sharp rise in the redistribution in 2019 was due to the change to the technical parameters that came into effect on 1 January 2019 (changeover to BVG 2015, technical interest rate of 2.0%), which led to an increase in the policy reserves for pensions.

Customer care

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

Customer satisfaction

2020 average with prior-year comparison, on a scale from 1 to 10



Customer satisfaction among insured members is surveyed systematically when assets are withdrawn to finance home ownership, and on retirement. The quality of contact and the information provided by PUBLICA are rated on a scale from 0 (unsatisfactory) to 10 (excellent). In 2020, the average rating from the customer surveys was 8.93, slightly higher than the prior-year figure of 8.86.

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

PUBLICA's employees

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

33%

Employees attending training or further education

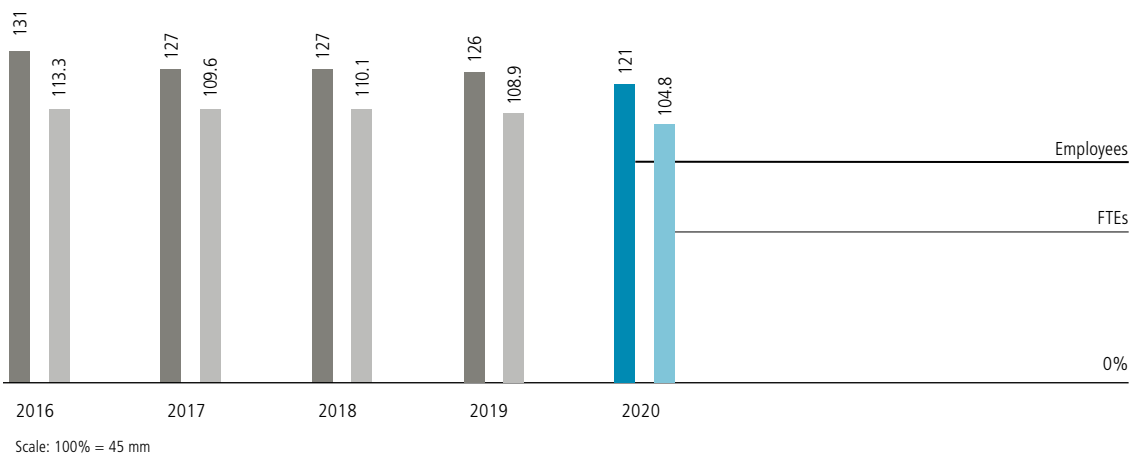
Since 2015, PUBLICA has compiled an annual sustainability report on its operations, focusing mainly on two areas: responsible management of natural resources, and employees. Measures are defined as necessary in response to the report's findings.

Headcount fell year on year, and currently stands at 121. Of these, 50 work part-time, with substantially more women than men in this category. The full-time equivalent figure also declined, to 104.8.

Headcount

2016–2020

Average number of employees and full-time equivalents (FTEs) at year end



Some 45% of PUBLICA's staff are women, and 55% men. The proportion of women on the Board of Directors is unchanged, at 25%. In the Extended Executive Board, it has risen from 29% to 43%. PUBLICA is aware that it must continue its efforts to increase the proportion of women with management responsibility.

PUBLICA promotes ongoing education: 33% of our employees attended training and further education events. Each year, PUBLICA offers two commercial apprenticeships. Apprentices make up 5% of the workforce. PUBLICA is working together with eight other pension funds to further professionalise the training of apprentices and exploit synergies.

Risk management

Risk policy: proactive and cautious

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

Investment risk management process: a key component of the ICS

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

It aims to actively manage risks that could impair PUBLICA's ability to fulfil its mandate over the long term. Strategic risks have the biggest influence on the achievement of PUBLICA's mandate; implementation and tactical risks have a lesser (potential) impact, but one that cannot be disregarded.

Strategic risks

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

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

To control qualitative risks (environmental, technological and social aspects) that could have negative financial consequences for the invested assets over the medium to long term, PUBLICA pursues a holistic sustainability approach which it refers to as "responsible investment" (see <https://publica.ch/en/investments/responsible-investment>).

Tactical risks

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

Implementation risks

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

Actuarial risk: risk result

Actuarial risk comprises the risks resulting from old age, death and disability. It arises when the basis for actuarial calculations, such as the technical interest rate or mortality tables, no longer corresponds to the real risk events of the active members and pension recipients and the real development in interest rates.

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

Risk result – active members

The risk result for active members shows an overall gain of CHF 29.7 million.

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

2016 to 2020, in CHF mn, number or percent

2020	Units	Risk premiums	Claims	Total gain (+) loss (-)	Number
Disability cases (incl. increases in degree of disability)	CHF mn	79.9	-45.2	34.7	92
Deaths	CHF mn	3.4	-8.4	-5.0	42
Total	CHF mn	83.3	-53.6	29.7	134
Insured salary	CHF mn	5 409	5 409		
Statutory required risk premium	Percent	1.54%	0.99%		

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

Historical trend	Units	Risk premiums	Claims
2020	Percent	1.54%	0.99%
2019	Percent	1.54%	0.70%
2018	Percent	2.07%	1.20%
2017	Percent	2.07%	1.50%
2016	Percent	2.07%	0.86%

Risk result – pension recipients

The risk result for pension recipients shows an overall gain of around CHF 13.2 million. This is made up of gains of CHF 8.2 million for survivors' pensions and CHF 8.3 million for disability pensions, and a loss of CHF 3.3 million for retirement pensions.

Operational risk: annual internal ICS audit

Operational risk comprises the risk of losses due to inappropriate operation or failure of internal processes, people or systems or the impact of negative external events. PUBLICA employs internal controls to minimise operational risks in all key areas. Quality management, working with the managers responsible, conducts an annual review to establish whether the internal controls are still appropriate to current circumstances and requirements, or whether they need to be updated. The 2020 ICS audit did not identify any material weaknesses, despite the COVID-19 pandemic and the increased incidence of staff working from home that resulted.

Legal and regulatory risk

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



Sustainable investments

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



Sustainable investments

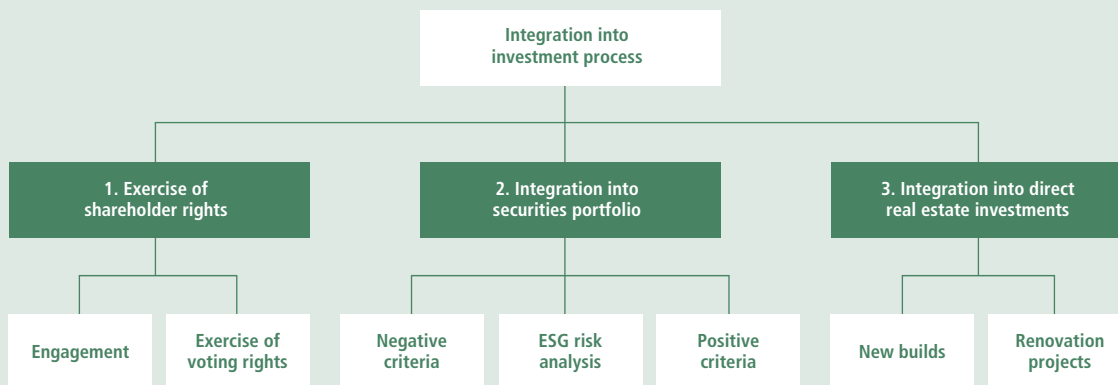
PUBLICA's commitment to sustainability is reflected in the inclusion of both financial and non-financial factors (environmental, social and governance criteria) in its decision-making processes. The distinguishing features of PUBLICA's sustainability approach are as follows:

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

56%

Overall remuneration partially or completely rejected

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



Complementing its membership of the Swiss Association for Responsible Investments (SVVK-ASIR), in December 2020 PUBLICA affiliated to another four networks working towards sustainable investments: Principles for Responsible Investment (probably the most broadly based sustainability initiative), the Institutional Investor Group on Climate Change (one of the best European networks for climate investors), Climate Action 100+, and Montréal Carbon Pledge. These memberships give PUBLICA access to international best practices.



Responsible investment

Responsible investment comprises the following areas:

Exercise of shareholder rights

For the first time, voting rights were exercised outside Switzerland in some 170 companies that are viewed as critical by SVVK-ASIR. These are firms whose activities potentially breach Swiss laws and ordinances or international conventions ratified by Switzerland. Following an expansion of the equity universe (switch from the SMI to the MSCI Switzerland index), voting rights were exercised at 120 annual general meetings in Switzerland. After each meeting, the voting behaviour is fully disclosed on PUBLICA's website.

The biggest rejections were due to excessive remuneration granted to members of executive boards and boards of directors, or remuneration systems that were not transparent. In all, 50% of remuneration reports in Switzerland were rejected on those grounds, along with 59% outside Switzerland.

In addition to the exercise of voting rights, dialogue is a key instrument by means of which PUBLICA exercises its ownership rights. ESG issues that are viewed as economically relevant are addressed with the big Swiss companies. In 2020 the issues focused on were as follows:

- Social: human rights and treatment of psychosocial risks
- Environmental: measurement of CO₂ emissions (Scope 3) and green products
- Governance: powers in the board of directors and ESG criteria in the remuneration system

In addition, PUBLICA seeks dialogue with companies in Switzerland and abroad that are identified as "problematic investments" in an analysis. In 2020, a dialogue on handling climate-related opportunities and risks was conducted with companies in the steel and cement sectors. This task is entrusted to specialist external providers that have the necessary networks and expertise.

Integration into the securities portfolio

Integration into the securities portfolio is effected partly by regularly reviewing the investments on the basis of objective criteria and excluding companies that do not meet the normative requirements (negative criteria), and partly by annually prioritising risks that are difficult to quantify in the context of ESG criteria and subjecting them to an in-depth analysis. This ESG risk analysis was revised in 2020 to take account of additional sources and topics. Now referred to as a "strategic risk analysis", it continues to examine risks that could have a significant financial impact on individual companies or sectors. In August, the Investment Committee prioritised climate change and the US-China conflict.

The climate-efficient equity index approved by the Investment Committee in December 2019 was progressively implemented in the Europe, North America and Pacific ex Japan equity portfolios during 2020. Implementation in the remaining regions will take place in 2021. In December 2020, the Investment Committee also decided to take account of climate-related opportunities and risks in the corporate bond portfolios. It is targeting a 40% reduction in the CO₂ intensities of those portfolios compared with the benchmark over the course of 2021.

Integration into direct real estate investments

PUBLICA also applies an integrated sustainability strategy for its direct real estate investments in Switzerland. This strategy was further implemented in 2020, with the environmental focus being on the development of energy monitoring, defining a CO₂ reduction path, and analysing the potential of photovoltaic technologies. With a portfolio average of 8.4 kg/m² of CO₂ emissions (in 2019), PUBLICA already scores very well in this area, thanks to the low age of its property portfolio. In view of the political, economic and technological uncertainties, PUBLICA aims to implement a reduction path that is ambitious but at the same time realistic and sensible. In December 2020 the Investment Committee approved a CO₂ reduction target entailing a 50% cut in the current CO₂ values of the portfolio to 4.2 kg/m² by 2035.

Code of conduct

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

In its asset management activities, PUBLICA works with external business partners that undertake to comply with the principles laid down in the ASIP charter (or an equivalent set of regulations, provided they are subject to recognised supervision).



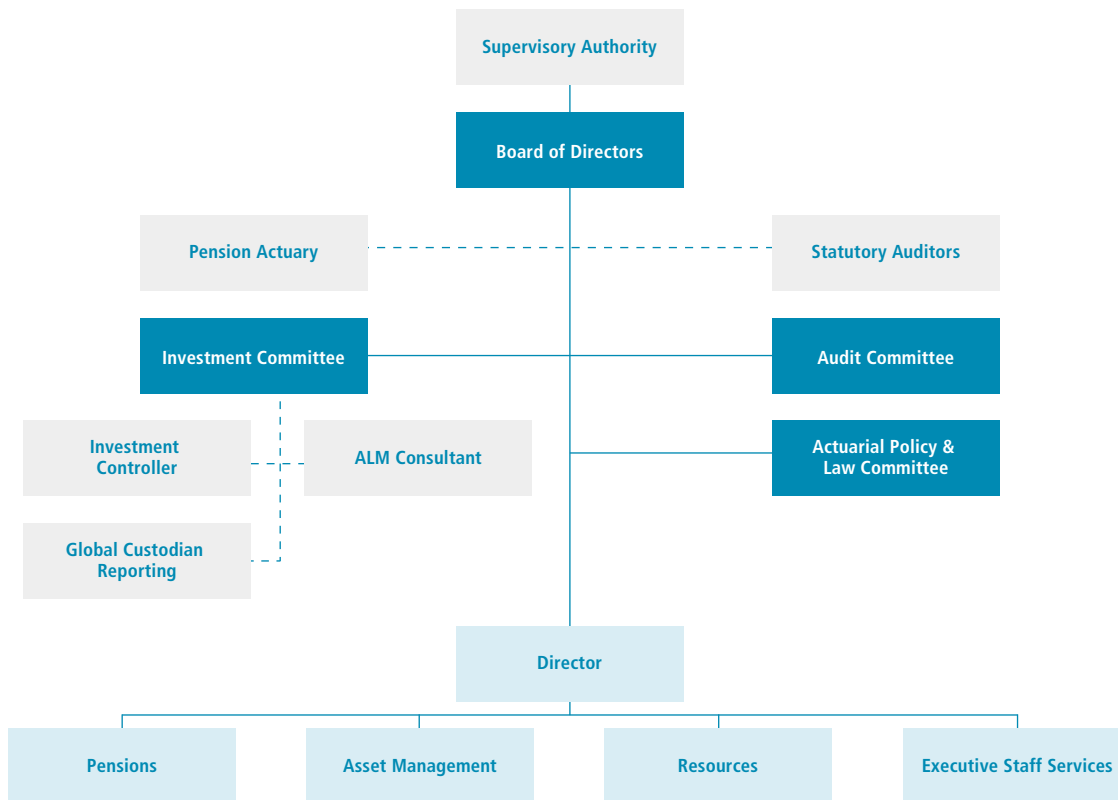
Corporate governance

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





Organisational structure



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

**7 to 9
years**

Maximum
mandate duration
of the Pension
Actuary and audit
company



Board of Directors

23

Meetings of the Board of Directors and its committees

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

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

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

The Board of Directors met five times in the year under review, the Investment Committee ten times. There were four meetings of the Audit Committee and four of the Actuarial Policy and Law Committee. The members of the Board of Directors and the committees attended 25.5 external training days (prior year: 36.5), of which PUBLICA financially supported 11.5 (prior year: 19). This corresponds to an average of 0.6 training days per member.

The composition of the Board of Directors as at 31 December 2020 is as follows (names in alphabetical order):



Alvarez Cipriano

Occupation

Federal Office for Housing, Head of Legal Department

Qualifications

Lawyer

Representative of

Employees

Board member since

01.07.2013

Committee

Investment Committee

Committee member since

01.07.2013

External mandates

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



Buntschu Kurt

Occupation

Head of HR, Swiss Red Cross

Qualifications

BA in Business Administration, federally certified pension fund manager

Representative of

Employers

Board member since

01.07.2002

Committee

Audit Committee

Committee member since

01.07.2013

External mandates

Swiss Life Saving Society (SLSS): board member



Gaillard Serge Chair of the Audit Committee

Occupation

Director, Federal Finance Administration

Qualifications

Doctorate in Business Administration

Representative of

Employers

Board member since

01.10.2012

Committee

Audit Committee

Committee member since

18.10.2012



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

Occupation

Vice-Director of the Federal Food Safety and Veterinary Office until 30 June 2020

Qualifications

Lawyer

Representative of

Employees

Board member since

01.07.2009



Grunder Jürg

Occupation

Secretary, Federal Staff Association PVB

Qualifications

Degree in Business Administration

Representative of

Employees

Board member since

01.07.2017

Committee

Audit Committee

Committee member since

01.07.2017



Künzli Dieter

Occupation

Head of Finance and HR, ETH Board

Qualifications

Doctorate in Technology

Representative of

Employers

Board member since

01.07.2017

Committee

Actuarial Policy and Law Committee

Committee member since

01.07.2017

External mandates

Zentrum Passwang, Breitenbach: Chair of the Board

Mayor of Breitenbach, Solothurn

VEBO Genossenschaft: member of management



Maurer Stalder Petra

Occupation

Diploma in Business Administration, MAS Corporate Communication Management

Representative of

Employees

Board member since

01.07.2009

Committee

Actuarial Policy and Law Committee

Committee member since

01.07.2017



Müller Kaspar

Occupation

Deputy General Secretary, DETEC

Qualifications

Degree in Business Administration

Representative of

Employers

Board member since

01.03.2016

Committee

Audit Committee

Committee member since

05.04.2016



Parnisari Bruno

Occupation

Deputy Director, Federal Social Insurance Office FSIO

Qualifications

Doctorate in Economics

Representative of

Employers

Board member since

01.07.2017

Committee

Investment Committee

Committee member since

01.07.2017

External mandates

AHV/IV/EO Compensation Fund Compenswiss: representative of the FSIO on the Board of Directors
VEBO Genossenschaft: member of management



Remund Matthias

Chair of the Board of Directors

Occupation

Director of the Federal Office for Sport

Qualifications

Lawyer

Representative of

Employers

Board member since

01.07.2009

External mandates

Swiss Olympic Association, Ittigen: member of the Executive Council

International Centre for Sports Studies CIES, Neuchâtel: member of the Foundation Board

Swiss University Sports Foundation, St. Gallen: member of the Foundation Board

The Olympic Foundation for Culture and Heritage, Lausanne: member of the Foundation Board

Swiss Institute for Empirical Economic Research, University of St. Gallen: member of the Executive Committee



Schaerer Barbara Chair of the Actuarial Policy and Law Committee

Occupation

Director of the Federal Personnel Office

Qualifications

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

Representative of

Employers

Board member since

01.05.2008

Committee

Actuarial Policy and Law Committee

Committee member since

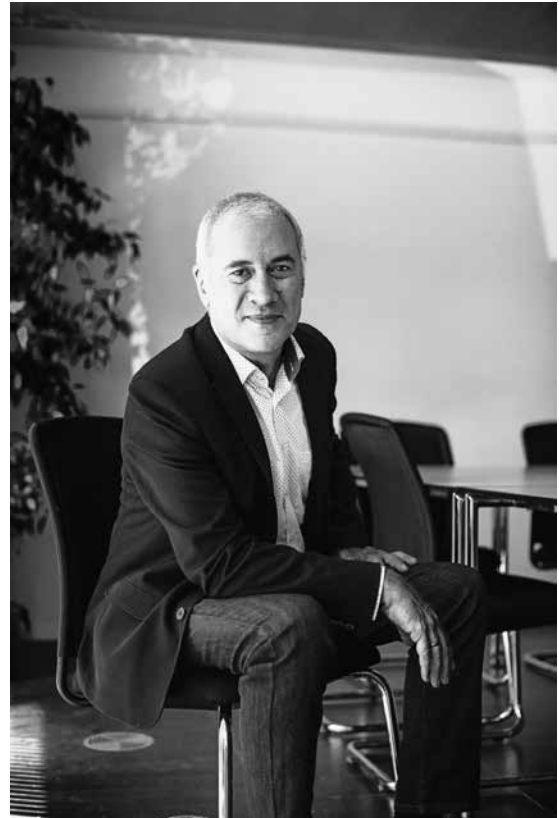
01.01.2009

External mandates

BERNMOBIL AG, Bern: Vice-Chair of the Board of Directors

Swiss Society of Administrative Sciences SSAS: board member

Suva, Lucerne: member of the Board of Directors



Serra Jorge

Occupation

CFO, Head of Pillar 2 and Legal Protection, VPOD

Qualifications

PhD, federally certified staff pensions expert

Representative of

Employees

Board member since

01.07.2013

Committee

Audit Committee

Committee member since

01.07.2017

External mandates

Federal Occupational Pensions Commission: member
VPOD Pension Fund: general manager; City of Zurich Pension Fund: Vice-Chair of the Board of Trustees; PK-Netz, Bern: Vice-Chair; Substitute Occupational Benefit Institution, Zurich: Vice-Chair of the Board of Trustees; VPOD holiday association foundation: manager; VPOD interpreters' assistance fund: manager; VPOD death benefit fund foundation: manager



Thalmann Philippe Vice-Chair of the Investment Committee

Occupation

Professor EPFL ENAC IA LEURE

Qualifications

PhD in Economics

Representative of

Employees

Board member since

01.07.2013

Committee

Investment Committee

Committee member since

01.07.2013

External mandates

kiiz SA, Lausanne: member of the Board of Directors



Weber Matthias Chair of the Investment Committee

Occupation

alpha-optimum GmbH, Hedingen: owner

Qualifications

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

Representative of

Employers

Board member since

01.07.2018

Committee

Investment Committee

Committee member since

01.07.2018



Wicki Janine

Occupation

General Secretary, Federal Staff Association PVB

Qualifications

LL.B.

Representative of

Employees

Board member since

16.03.2016

Committee

Actuarial Policy and Law Committee

Committee member since

01.07.2017

External mandates

Suva Council: employee representative



Wyler Alfred

Occupation

Head of Benefits, Albicolac compensation office

Head of ICOLAC family compensation office

Qualifications

MAS in Social Insurance Management

Representative of

Employees

Board member since

01.07.2009

Committee

Audit Committee

Committee member since

01.07.2013

External mandates

comPlan Pension Fund, Bern: member of the Foundation Board

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



Investment Committee

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

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

In addition to Cipriano Alvarez, Bruno Parnisari and Philippe Thalman, the external members on the Investment Committee as at 31 December 2020 are as follows (names in alphabetical order):

Eggenberger Urs

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

Loepfe Andreas

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

Actuarial Policy & Law Committee

The Actuarial Policy and Law Committee deals with issues concerning the actuarial policy in general and its implementation, the implementation of the employers' actuarial policies and the submission of suggestions to the employers with regard to the structuring of actuarial policy options. The committee's Chair is Barbara Schaerer. Its members are Dieter Künzli, Petra Maurer Stalder and Janine Wicki. The operational management of PUBLICA attends in an advisory capacity.

Audit Committee

The Audit Committee is principally concerned with financial and accounting matters. It discusses the annual financial statements and the reports of the Statutory Auditors and Pension Actuary. The Audit Committee is chaired by Serge Gaillard. Its members are Kurt Buntschu, Jürg Grunder, Kaspar Müller, Jorge Serra and Alfred Wyler.



Information and control instruments

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

Quality management

PUBLICA has a well-developed quality management system designed to ensure delivery of high-quality operational services to customers. The system was successfully recertified in 2020 by PUBLICA's independent quality assessor in accordance with the latest ISO 9001:2015 standard.

Internal control system

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

Compliance

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

Finance and management information system

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

Assembly of Delegates

The Assembly of Delegates (AD) consists of 80 employees of the employers affiliated to PUBLICA. The AD elects eight individuals to represent the employees on the Board of Directors during a four-year term of office. It also has the right to submit proposals to the Board of Directors. The AD is also newly elected every four years; the most recent election was conducted in November 2020 exclusively by means of e-voting. The names of all the delegates and the pension plans they represent are published on publica.ch.

As at 31 December 2020, the Chair and Vice-Chair of the PUBLICA Assembly of Delegates are as follows:

Lagger Valentin

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

Morard-Niklaus Jacqueline

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





Director, Deputy and Executive Board

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

As at 31 December 2020, the Executive Board comprises the following members:

Bianchi Doris

Function	Director
Qualifications	LL.D.

Beiner Stefan

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

Sägesser Jürg

Function	Head of Pensions a.i.
Qualifications	Federally certified staff pensions expert, certified financial planning expert

Zaugg Markus

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

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

Stohler Dieter

Function	Director
----------	----------

Lanz Iwan

Function	Head of Pensions
----------	------------------

As at 31 December 2020 the Extended Executive Board comprises the following additional members:

Barandun Ursina

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

Geiser Corinne

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

Kobel Roger

Function	Head of IT
Qualifications	FTS technician

Compensation

Compensation policy

The Chair of the Board of Directors receives flat-rate compensation of CHF 36,000 and the Vice-Chair flat-rate compensation of CHF 24,000. The Chair of the Investment Committee receives flat-rate annual compensation of CHF 50,000. There were no changes compared with the prior year.

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

Compensation-setting process

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

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

Level of compensation paid to the Board of Directors

The total compensation plus flat-rate travel expenses paid by PUBLICA either directly or indirectly to the members of the Board of Directors and its committees was CHF 265,500 (prior year: CHF 289,500).



Compensation of members of the Board of Directors and committees

2020 with prior-year comparison, in CHF, excluding departures

		31.12.19	31.12.20
Alvarez Cipriano		19 000	14 000
Buntschu Kurt		10 000	9 500
Eggenberger Urs		8 500	7 500
Gaillard Serge	Chair of the Audit Committee	13 500	11 500
Grossenbacher-Frei Prisca	Vice-Chair of the Board of Directors *	30 000	25 000
Grunder Jürg		11 500	5 000
Künzli Dieter		9 000	9 500
Loepfe Andreas		9 000	7 500
Maurer Stalder Petra		10 500	11 500
Müller Kaspar		13 000	11 500
Parnisari Bruno		11 000	10 000
Remund Matthias	Chair of the Board of Directors **	30 000	36 000
Schaerer Barbara	Chair of the Actuarial Policy and Law Committee	14 000	14 000
Serra Jorge		10 500	8 500
Thalmann Philippe		15 000	10 000
Weber Matthias	Chair of the Investment Committee	50 000	50 000
Wicki Janine		11 000	12 000
Wylter Alfred		14 000	12 500

* until 30.06.2019 Chair of the Board of Directors ** until 30.06.2019 Vice-Chair of the Board of Directors

Level of compensation paid to the Executive Board

The average compensation (gross salary including all allowances and employer's pension contributions) paid to members of the Executive Board (including the Director and Deputy) was CHF 305,674 per person (prior year: CHF 294,378). Owing to the appointment of a new Director and changes to the membership of the Executive Board during the year, the total fell to CHF 1,146,277 (prior year: CHF 1,348,254). The highest compensation was paid to the Director who stood down at the end of September 2020, and who received a gross salary, extrapolated to the full year, of CHF 314,281 (prior year: CHF 312,096). As his employer, PUBLICA paid CHF 62,799, extrapolated to the full year (prior year: CHF 62,325), in contributions towards his pension.

PUBLICA does not generally pay bonuses.

In the second half of 2020, PUBLICA used a standard federal government analysis model to review the status of pay equality between men and women. The result, which states that there is no statistically confirmed, unexplained difference in salaries between the sexes at PUBLICA, was formally reviewed and confirmed by the auditors KPMG.

Statutory Auditors

The Statutory Auditors KPMG AG are licensed as a state-supervised audit firm by the Swiss Federal Audit Oversight Authority FAOA. Erich Meier is the lead auditor. The total audit fee for 2020 was CHF 231,017 (prior year: CHF 218,093). KPMG received additional fees totalling CHF 13,004 (prior year: CHF 100,949) for tax consultancy services. The Statutory Auditors reported to the Audit Committee on the planning and results of their audits at two meetings. The Audit Committee has the power to grant additional audit mandates to the Statutory Auditors. In the interests of good corporate governance, PUBLICA invites tenders for the audit mandate at least every seven years.

Pension Actuary

The Pension Actuary since 1 January 2016 is Allvisa AG, with Christoph Plüss as lead actuary. Allvisa AG is licensed as a pension actuary by the Federal Occupational Pensions Regulatory Commission. The total fee paid to Allvisa AG in 2020 was CHF 162,350 (prior year: CHF 170,441). The Pension Actuary attended a number of meetings of the Board of Directors and its committees. In the interest of good corporate governance, PUBLICA puts the Pension Actuary mandate out to tender after a maximum of nine years.



Annual financial statements

The annual financial statements (balance sheet, income statement, notes) comply with the formal and material requirements of Swiss GAAP ARR 26. As a non-profit-oriented undertaking, PUBLICA returns surpluses on the cost and risk premiums to the pension plans. The surpluses returned in 2020 amounted to CHF 6.1 million.



Balance sheet and income statement

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

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

CHF +4.1 million

Surpluses from the risk premium returned to the reinsured pension plans

Consolidated balance sheet

2020 with prior-year comparison, in CHF

Assets	Note	31.12.2019	31.12.2020
Cash & cash equivalents		81 786 481	68 970 788
Receivables		128 978 413	129 732 960
Money market		1 085 609 841	1 106 929 946
Swiss government bonds		2 781 143 208	2 727 076 007
Non-government bonds CHF		4 316 942 802	4 193 457 250
Government bonds developed markets ex Switzerland		4 400 821 542	4 011 544 820
Inflation-linked government bonds		2 459 720 355	2 425 758 906
Public corporate bonds ex CHF		4 393 414 483	4 243 937 168
Private corporate debt		1 127 074 213	1 395 177 456
Private infrastructure debt		961 490 436	1 227 504 269
Private real estate debt		121 956 315	410 628 379
Government bonds emerging markets hard currencies		1 367 306 436	1 297 375 787
Government bonds emerging markets local currencies		2 052 659 999	2 014 985 541
Equities Switzerland		1 262 492 958	1 251 169 506
Equities developed markets ex Switzerland		6 411 321 954	6 846 666 820
Equities emerging markets		3 081 266 017	3 411 634 944
Precious metals		883 539 248	971 404 617
Real estate investments Switzerland		3 018 617 025	3 102 618 398
Real estate investments international		1 057 550 052	1 646 921 314
Investments	6.4	40 993 691 776	42 483 494 876
Operating assets	7.1	18 214 237	18 403 107
Prepaid expenses and accrued income		2 033 036	1 970 710
Total assets		41 013 939 050	42 503 868 693



Consolidated balance sheet

2020 with prior-year comparison, in CHF

Liabilities	Note	31.12.2019	31.12.2020
Vested benefits and pensions		72 190 534	80 508 643
Other liabilities		11 355 990	10 164 289
Operating liabilities	7.1	4 397 460	4 411 616
Liabilities		87 943 984	95 084 547
Accrued expenses and deferred income		285 843	388 582
Employers' contribution reserve	6.11	31 295 268	36 210 897
Non-technical provisions	7.3	186 392 971	195 370 271
Pension fund capital – active members	5.2	17 602 409 957	18 264 585 114
Pension fund capital – pension recipients	5.4	20 558 186 613	20 195 534 906
Technical provisions	5.5	935 160 473	1 106 356 224
Pension fund capital and technical provisions		39 095 757 042	39 566 476 244
Fluctuation reserve	6.3	1 564 178 062	2 513 562 866
Uncommitted funds / underfunding of pension plans		–49 984 232	–3 055 986
Uncommitted funds / underfunding Reinsurance	5.1	13 436 333	15 022 780
Working capital – PUBLICA Operations and Reinsurance	5.1/7.1	84 633 778	84 808 491
Uncommitted funds / underfunding / working capital		48 085 879	96 775 285
Total liabilities		41 013 939 050	42 503 868 693

Change in uncommitted funds / underfunding / working capital

2020 with initial status

	Uncommitted funds (+) / underfunding (–)		Working capital – PUBLICA Operations and Reinsurance
	Pension plans	Reinsurance	
Opening balance sheet	–49 984 232	13 436 333	84 633 778
Expenditure (–) / income (+) surplus	46 928 246	1 586 446	174 713
Closing balance sheet	–3 055 986	15 022 780	84 808 491



Consolidated income statement

2020 with prior-year comparison, in CHF

	Note	31.12.2019	31.12.2020
Savings contributions – employees	5.2	512 060 088	531 074 786
Risk premiums – employees		8 063 628	8 384 734
Cost premiums – employees		175 450	188 007
Employee contributions		520 299 166	539 647 526
Savings contributions – employers	5.2	828 294 226	854 071 130
Risk premiums – employers		72 487 872	74 887 714
Cost premiums – employers		18 192 904	17 837 539
Employer contributions		918 975 001	946 796 383
Removal from employers' contribution reserve to finance contributions		-118 451	-984 247
Contributions from third parties		3 550 716	3 347 291
Lump-sum payments and buy-ins – active members	5.2	108 933 921	218 448 168
Buy-outs of pension reductions and pension buy-ins	5.4	45 795 296	31 878 263
Lump-sum payments and buy-ins		154 729 217	250 326 432
Payments to employers' contribution reserve		1 843 962	2 668 052
Contributions to the BVG Security Fund		36 158	41 961
Ordinary and other contributions and payments		1 599 315 770	1 741 843 398
Vested benefits received		366 933 428	374 909 485
Home ownership and divorce payments received		25 370 411	24 483 435
Payments on takeover of member portfolios	1.6	100 000	0
Entrance benefits	5.2	392 403 840	399 392 920
Inflow from contributions and entrance benefits		1 991 719 609	2 141 236 318
Retirement pensions		-1 264 672 399	-1 254 345 321
Survivors' pensions		-304 685 511	-303 310 805
Disability pensions		-27 213 114	-27 443 964
Other statutory benefits		-48 749 933	-43 576 852
Lump-sum benefits upon retirement		-160 677 188	-206 607 183
Lump-sum benefits in case of death/disability		-998 691	-11 507 993
Benefits from divorce		-1 899 683	-1 383 385
Statutory benefits	5.4	-1 808 896 520	-1 848 175 502
Vested benefits paid on departure		-445 001 663	-418 219 922
Early withdrawals for home ownership / divorce		-69 385 407	-69 232 203
Transfer of additional funds on collective departure		0	0
Vested termination benefits	5.2	-514 387 070	-487 452 125
Outflow for benefits and early withdrawals		-2 323 283 590	-2 335 627 627
Formation (-) / release (+) of pension fund capital – active members	5.2	-1 044 026 832	-490 732 486
Formation (-) / release (+) of pension fund capital – pension recipients	5.4	-1 597 049 787	362 651 706
Formation (-) / release (+) of technical provisions	5.5	969 856 721	-171 195 751
Interest on savings capital	5.2	-193 606 734	-171 442 670
Formation (-) / release (+) of employers' contribution reserve	6.11	15 056 673	-4 915 629
Formation (-) / release (+) of pension fund capital, technical provisions and contribution reserves		-1 849 769 959	-475 634 830
Shares in surpluses for pension plans from internal Reinsurance	5.1	4 742 157	4 093 532
Shares in surpluses for pension plans from PUBLICA internal Operations		1 533 036	1 970 710
Pension plans		6 275 193	6 064 241
Risk premium received – internal Reinsurance, gross	5.1	4 295 502	4 455 097
Cost premium received – PUBLICA internal Operations, gross		18 368 354	18 025 545
PUBLICA Operations and PUBLICA Reinsurance		22 663 856	22 480 642
Income from insurance benefits		28 939 050	28 544 884
Risk premiums paid by pension plans for internal Reinsurance	5.1	-4 295 502	-4 455 097
Cost premiums paid by pension plans for PUBLICA internal Operations		-18 368 354	-18 025 545
Additional payment of cost premiums from non-technical provisions		-24 345	-15 265
Contributions to Security Fund		-5 009 513	-4 973 406
Pension plans		-27 697 714	-27 469 313
Repayment of shares in surplus from PUBLICA Reinsurance	5.1	-4 742 157	-4 093 532
Repayment of shares in surplus from PUBLICA Operations		-1 508 691	-1 955 444
PUBLICA Operations and PUBLICA Reinsurance		-6 250 849	-6 048 976
Insurance expenses		-33 948 563	-33 518 290
Net insurance income		-2 186 343 452	-674 999 545

CHF +2.0 million

Surpluses from the cost premium returned to all pension plans



Consolidated income statement

2020 with prior-year comparison, in CHF

	Note	31.12.2019	31.12.2020
Net income from cash & cash equivalents	6.8	4 265	-27 530
Net income from receivables	6.8	0	0
Net income from liabilities	6.8	-870 951	-730 630
Net income from money market	6.8	-5 949 793	-8 352 198
Net income from Swiss government bonds	6.8	59 990 854	949 095
Net income from non-government bonds CHF	6.8	104 908 978	33 756 642
Net income from government bonds developed markets ex Switzerland	6.8	119 424 623	151 968 350
Net income from inflation-linked government bonds	6.8	105 953 783	170 468 264
Net income from public corporate bonds ex CHF	6.8	310 571 731	191 214 340
Net income from private corporate debt	6.8	83 898 503	110 209 823
Net income from private infrastructure debt	6.8	58 770 774	68 785 718
Net income from private real estate debt	6.8	2 029 629	6 468 297
Net income from government bonds emerging markets hard currencies	6.8	163 108 807	88 369 922
Net income from government bonds emerging markets local currencies	6.8	139 305 338	-56 590 195
Net income from equities Switzerland	6.8	335 480 652	49 655 142
Net income from equities developed markets ex Switzerland	6.8	1 229 365 440	430 308 142
Net income from equities emerging markets	6.8	391 984 403	241 978 115
Net income from precious metals	6.8	135 608 434	134 668 157
Net income from real estate investments Switzerland	6.8	206 604 740	165 551 005
Net income from real estate investments international	6.8	16 343 601	3 673 190
Asset management expenses	6.10	-79 656 526	-83 993 884
Net investment income	6.8	3 376 877 285	1 698 329 764
Formation (-) / release (+) of non-technical provisions	7.3	-22 362 885	-8 977 299
Other expenses		- 803 314	- 450 459
Other income		1 000 607	470 194
General administration	7.2	-16 480 281	-15 799 230
Marketing and advertising	7.2	0	0
Brokerage	7.2	0	0
Statutory Auditors	7.2	- 218 093	- 231 017
Pension Actuary	7.2	- 176 903	- 168 812
Supervisory authorities	7.2	- 91 601	- 99 385
Administrative expenses	7.2	-16 966 877	-16 298 444
Expenditure (-) / income (+) surplus before formation / release of fluctuation reserve		1 151 401 364	998 074 210
Formation (-) / release (+) of fluctuation reserve	6.3	-1 166 383 374	-949 384 804
Expenditure (-) / income (+) surplus		-14 982 010	48 689 406
Expenditure (-) / income (+) surplus – pension plans		-17 778 899	46 928 246
Expenditure (-) / income (+) surplus – Reinsurance	5.1	2 620 129	1 586 446
Expenditure (-) / income (+) surplus working capital – PUBLICA Operations and Reinsurance	5.1/7.2	176 759	174 713
Expenditure (-) / income (+) surplus		-14 982 010	48 689 406

CHF
-194
million

Net cash outflow
from contributions
and benefits



Notes

1 Fundamentals and organisation

1.1 Legal form and purpose

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

As an autonomous collective institution, PUBLICA insures the employees of the centralised and decentralised Federal Administration and of affiliated organisations. Employers of the centralised and decentralised Federal Administration affiliate to PUBLICA on the basis set out in the relevant specific legislation. Affiliation to PUBLICA is also open to employers that are closely associated with the Confederation or fulfil a public task on behalf of the Confederation, a canton or a commune (Art. 4 para. 2 of the Federal Act of 20 December 2006 on the Federal Pension Fund [PUBLICA Act, SR 172.222.1]).

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

1.2 BVG registration and Security Fund

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

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

1.3 Legal basis

- PUBLICA Act of 20 December 2006 (status as at 1 January 2012)
- Framework pension plan regulations of the Swiss Federal Pension Fund PUBLICA of 26 March 2015 (status as at 1 January 2020)
- Contracts of affiliation of the employers affiliated to PUBLICA, consisting of the following components:
 - pension plan regulations or framework pension plan regulations with the pension plan
 - the Service Level Agreement on Services
 - the partial liquidation regulations
- Corporate and Organisational Regulations of the Federal Pension Fund PUBLICA of 25 August 2015 (status as at 20 June 2019)
- Investment Guidelines of the Federal Pension Fund PUBLICA (PUBLICA Investment Guidelines) of 15 April 2010 (status as at 8 May 2019 and 12 June 2020)
- Regulations governing the Provisions and Reserves of the Federal Pension Fund PUBLICA, the Pension Plans and PUBLICA Reinsurance of 22 November 2016 (status as at 31 December 2019)
- Compliance Regulations of 23 August 2012 (status as at 10 April 2014)
- Regulations governing the Risk Policy and Internal Control System of 11 April 2013 (status as at 28 March 2019)
- PUBLICA policy document on hardship cases of 25 November 2010 (status as at 23 June 2016)
- Regulations governing the handling of personal data at the Federal Pension Fund PUBLICA of 22 November 2016
- Expenses policy for the active members and pension recipients of the Federal Pension Fund PUBLICA of 21 February 2008 (status as at 1 November 2012)
- Regulations governing the Remuneration of Members of the Board of Directors of the Federal Pension Fund PUBLICA of 26 November 2009 (status as at 1 July 2015)



1.4 Supreme governing body, management and signing powers

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

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

1.5 Pension Actuary, Statutory Auditors, supervisory authority, consultants

Pension Actuary	Contracting partner: Allvisa AG Thurgauerstrasse 54 8050 Zurich Lead actuary: Christoph Plüss	allvisa.ch
Statutory Auditors	KPMG AG Bahnhofplatz 10a 3011 Bern	kpmg.com
Supervisory authority	Bernische BVG- und Stiftungsaufsicht (BBSA) Belpstrasse 48, P.O. Box 3000 Bern 14	aufsichtbern.ch
Property Valuer	Jones Lang LaSalle Ltd Prime Tower, Hardstrasse 201 8005 Zurich	joneslanglasalle.ch
Investment Controller	PPCmetrics AG Badenerstrasse 6, P.O. Box 8021 Zurich	ppcmetrics.ch
ALM Consultants	ORTEC Finance (Switzerland) AG Poststrasse 4 8808 Pfäffikon	ortecfinance.com
	c-alm AG Vadianstrasse 25a 9000 St. Gallen	c-alm.ch

1.6 Affiliated employers

As of 31 December 2020, the PUBLICA collective institution once again comprised 20 mutually independent pension plans, of which 7 were closed, pensioner-only plans without any active members. The pension plans have their own accounts and are managed by their own parity commissions.

New affiliations

The Board of Directors approved the following affiliation in 2020: Affiliated Organisations pension plan – ETH Store AG

Departures/liquidations

There were no departures or liquidations in 2020.

1.6.1 Open pension plans

Open pension plans

2020 with prior-year comparison, in CHF, number or percent

Pension plans with one employer		Units	31.12.2019	31.12.2020
ETH Domain	Active members	Number	20 194	20 863
	Pension recipients	Number	5 707	5 811
	Total active members and pension recipients	Number	25 901	26 674
	Available assets	CHF	7 445 974 783	7 795 847 286
	Pension fund capital & technical provisions	CHF	7 048 487 635	7 226 848 688
	Funded ratio as per BVV2	Percent	105.6%	107.9%
	Economic funded ratio	Percent	87.3%	88.9%
IGE	Active members	Number	311	322
	Pension recipients	Number	69	74
	Total active members and pension recipients	Number	380	396
	Available assets	CHF	146 613 659	157 425 613
	Pension fund capital & technical provisions	CHF	136 277 008	143 627 388
	Funded ratio as per BVV2	Percent	107.6%	109.6%
	Economic funded ratio	Percent	93.7%	95.4%
Swissmedic	Active members	Number	438	464
	Pension recipients	Number	149	160
	Total active members and pension recipients	Number	587	624
	Available assets	CHF	283 508 756	302 863 139
	Pension fund capital & technical provisions	CHF	259 790 180	271 228 094
	Funded ratio as per BVV2	Percent	109.1%	111.7%
	Economic funded ratio	Percent	92.6%	93.3%
Swiss Federal Institute for Vocational Education and Training	Active members	Number	261	279
	Pension recipients	Number	57	62
	Total active members and pension recipients	Number	318	341
	Available assets	CHF	107 283 900	115 516 077
	Pension fund capital & technical provisions	CHF	101 642 032	106 965 249
	Funded ratio as per BVV2	Percent	105.6%	108.0%
	Economic funded ratio	Percent	89.3%	90.8%
Federal Audit Oversight Authority	Active members	Number	32	29
	Pension recipients	Number	2	2
	Total active members and pension recipients	Number	34	31
	Available assets	CHF	13 310 360	13 351 730
	Pension fund capital & technical provisions	CHF	12 219 058	11 839 042
	Funded ratio as per BVV2	Percent	108.9%	112.8%
	Economic funded ratio	Percent	107.0%	111.2%
FINMA	Active members	Number	540	555
	Pension recipients	Number	71	75
	Total active members and pension recipients	Number	611	630
	Available assets	CHF	285 027 330	310 395 338
	Pension fund capital & technical provisions	CHF	263 653 353	282 979 388
	Funded ratio as per BVV2	Percent	108.1%	109.7%
	Economic funded ratio	Percent	95.7%	97.0%
Federal Nuclear Safety Inspectorate	Active members	Number	151	159
	Pension recipients	Number	57	59
	Total active members and pension recipients	Number	208	218
	Available assets	CHF	136 041 973	145 610 535
	Pension fund capital & technical provisions	CHF	128 407 625	134 793 156
	Funded ratio as per BVV2	Percent	105.9%	108.0%
	Economic funded ratio	Percent	88.2%	88.0%



Open pension plans

2020 with prior-year comparison, in CHF, number or percent

Pension plans with one employer		Units	31.12.2019	31.12.2020
PUBLICA	Active members	Number	123	118
	Pension recipients	Number	60	62
	Total active members and pension recipients	Number	183	180
	Available assets	CHF	81 014 355	84 519 745
	Pension fund capital & technical provisions	CHF	75 499 647	76 706 697
	Funded ratio as per BVV2	Percent	107.3%	110.2%
	Economic funded ratio	Percent	90.3%	90.9%
Trasse Schweiz AG	Active members	Number	10	10
	Pension recipients	Number	2	2
	Total active members and pension recipients	Number	12	12
	Available assets	CHF	8 673 820	9 369 150
	Pension fund capital & technical provisions	CHF	8 160 613	8 629 020
	Funded ratio as per BVV2	Percent	106.3%	108.6%
	Economic funded ratio	Percent	87.9%	90.1%
Swiss National Museum SNM	Active members	Number	292	308
	Pension recipients	Number	83	86
	Total active members and pension recipients	Number	375	394
	Available assets	CHF	76 131 544	82 581 215
	Pension fund capital & technical provisions	CHF	70 877 197	75 792 752
	Funded ratio as per BVV2	Percent	107.4%	109.0%
	Economic funded ratio	Percent	90.6%	90.8%
METAS	Active members	Number	232	237
	Pension recipients	Number	93	99
	Total active members and pension recipients	Number	325	336
	Available assets	CHF	151 560 465	157 300 218
	Pension fund capital & technical provisions	CHF	144 144 693	146 311 370
	Funded ratio as per BVV2	Percent	105.1%	107.5%
	Economic funded ratio	Percent	87.6%	88.7%
Joint pension plans				
Confederation	Active members	Number	40 215	40 584
	Pension recipients	Number	26 145	26 238
	Total active members and pension recipients	Number	66 360	66 822
	Available assets	CHF	27 632 911 973	28 790 400 483
	Pension fund capital & technical provisions	CHF	26 677 397 733	27 176 975 440
	Funded ratio as per BVV2	Percent	103.6%	105.9%
	Economic funded ratio	Percent	84.9%	86.5%
Affiliated Organisations	Active members	Number	2 364	2 401
	Pension recipients	Number	949	962
	Total active members and pension recipients	Number	3 313	3 363
	Available assets	CHF	982 828 505	1 025 179 887
	Pension fund capital & technical provisions	CHF	902 521 323	918 395 486
	Funded ratio as per BVV2	Percent	108.9%	111.6%
	Economic funded ratio	Percent	88.4%	89.8%
Total open pension plans	Active members	Number	65 163	66 329
	Pension recipients	Number	33 444	33 692
	Total active members and pension recipients	Number	98 607	100 021
	Available assets	CHF	37 350 881 423	38 990 360 417
	Pension fund capital & technical provisions	CHF	35 829 078 097	36 581 091 772
	Funded ratio as per BVV2	Percent	104.2%	106.6%
	Economic funded ratio	Percent	85.7%	87.3%

1.6.2 Closed pension plans

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

Closed pension plans

2020 with prior-year comparison, in CHF, number or percent

Pension plans with one employer		Units	31.12.2019	31.12.2020
Pensioners only – voluntarily insured Pension entitlement from 01.06.2003	Pension recipients	Number	292	291
	Available assets	CHF	107 101 228	104 112 165
	Pension fund capital & technical provisions	CHF	112 031 874	107 168 151
	Funded ratio as per BVV2	Percent	95.6%	97.1%
	Economic funded ratio	Percent	82.3%	82.9%
Pensioners only – Confederation	Pension recipients	Number	615	584
	Available assets	CHF	126 936 265	120 251 330
	Pension fund capital & technical provisions	CHF	128 031 011	118 132 420
	Funded ratio as per BVV2	Percent	99.1%	101.8%
	Economic funded ratio	Percent	87.1%	88.7%
Pensioners only – Swisscom Pension entitlement before 01.01.1999	Pension recipients	Number	5 069	4 771
	Available assets	CHF	1 737 990 100	1 636 031 227
	Pension fund capital & technical provisions	CHF	1 778 738 735	1 615 316 871
	Funded ratio as per BVV2	Percent	97.7%	101.3%
	Economic funded ratio	Percent	86.1%	88.5%
Pensioners only – RUAG Switzerland Ltd Pension entitlement before 01.07.2001	Pension recipients	Number	1 656	1 569
	Available assets	CHF	597 996 162	569 674 958
	Pension fund capital & technical provisions	CHF	583 099 667	533 879 645
	Funded ratio as per BVV2	Percent	102.6%	106.7%
	Economic funded ratio	Percent	89.9%	92.8%
Pensioners only – SRG SSR idée suisse Pension entitlement before 01.01.2003	Pension recipients	Number	873	828
	Available assets	CHF	449 336 219	426 995 169
	Pension fund capital & technical provisions	CHF	439 594 985	401 831 048
	Funded ratio as per BVV2	Percent	102.2%	106.3%
	Economic funded ratio	Percent	89.6%	92.3%
Pensioners only – PUBLICA Administration	Pension recipients	Number	81	76
	Available assets	CHF	76 796 751	75 707 195
	Pension fund capital & technical provisions	CHF	69 132 190	65 630 258
	Funded ratio as per BVV2	Percent	111.1%	115.4%
	Economic funded ratio	Percent	102.2%	105.8%
Joint pension plan				
Pensioners only – Affiliated Organisations	Pension recipients	Number	271	255
	Available assets	CHF	94 618 043	89 240 650
	Pension fund capital & technical provisions	CHF	97 828 248	88 203 846
	Funded ratio as per BVV2	Percent	96.7%	101.2%
	Economic funded ratio	Percent	85.0%	88.2%
Total closed pension plans				
	Pension recipients	Number	8 857	8 374
	Available assets	CHF	3 190 774 768	3 022 012 693
	Pension fund capital & technical provisions	CHF	3 208 456 710	2 930 162 238
	Funded ratio as per BVV2	Percent	99.4%	103.1%
	Economic funded ratio	Percent	87.5%	90.0%



2 Active members and pension recipients

2.1 Active members

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

Active members

2020 with prior-year comparison, in number of insurance situations

	Active members
31.12.18	63 833
Admissions	10 208
Departures	-8 878
31.12.19	65 163
Admissions	9 718
Departures	-8 552
31.12.20	66 329

2.2 Pension recipients

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

Pension recipients

2020 with prior-year comparison, in number of insurance situations

	Retirement pensions	Retired person's child's pensions	Divorce pensions	Disability pensions	Disabled person's child's pensions	Surviving spouse/life partner's pensions	Orphan's pensions	Total pension recipients
31.12.18	30 176	489	40	998	211	10 493	261	42 668
Admissions	2 029	139	11	65	21	777	46	3 088
Departures	-2 208	-167	0	-95	-39	-891	-55	-3 455
31.12.19	29 997	461	51	968	193	10 379	252	42 301
Admissions	1 593	160	16	63	42	634	49	2 557
Departures	-1 760	-140	-2	-117	-40	-678	-55	-2 792
31.12.20	29 830	481	65	914	195	10 335	246	42 066

A total of 1,415 retirement bridging pensions (prior year: 1,752) and 61 IV/AI replacement pensions (prior year: 77) were paid. In 2019, 225 additional pensions under prior law were included among the retirement bridging pensions; these are now no longer recognised as individual pensions but instead as a component of the retirement pensions.



3 Implementation of the purpose

3.1 Note on the pension schemes

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

As an all-encompassing pension fund, PUBLICA undertakes to provide the statutory pension benefits as a minimum and at the same time makes provision for benefits significantly in excess of the BVG minimum. The insured salary comprises the annual salary less the coordination offset of 30% of the annual salary, but no more than CHF 24,885 (status as at 31 December 2020).

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

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

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

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

3.2 Financing, method of financing

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

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

3.3 Further information on pension provision

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

For the purposes of Art. 36 para. 2 BVG, the parity commissions and the Board of Directors have decided not to adjust pensions in line with the cost of living. Individual employers fund pension increases for their former employees.



4 Valuation and accounting principles, consistency

4.1 Confirmation of financial reporting as per Swiss GAAP ARR 26

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

4.2 Accounting and valuation principles

4.2.1 General principles

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

4.2.2 Recording point of transactions

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

4.2.3 Foreign currency translation

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

4.2.4 Offsetting of assets and liabilities

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

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

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

4.2.6 Securities and derivative financial instruments

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

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

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



4.2.7 Private corporate, infrastructure and real estate debt ex Switzerland

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

4.2.8 Private real estate debt Switzerland

Private real estate debt in Switzerland is recognised at its nominal value. Impairments are assessed if a default is probable or the value of the underlying collateral has fallen significantly.

4.2.9 Real estate investments Switzerland

Directly held real estate is revalued annually and recognised at the market value. The market value is calculated by Jones Lang LaSalle Ltd using the discounted cash flow (DCF) method. The discounting is based on the interest on long-term, risk-free investments together with a specific risk premium. The bandwidth for the nominal discount interest rate is between 2.70% and 5.10% (prior year: 2.80% and 5.10%). The average capital-weighted nominal discount interest rate across the valued portfolio is 3.51% (prior year: 3.65% on a like-for-like basis).

4.2.10 Real estate investments international

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

4.2.11 Deferred taxes

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

4.2.12 Pension fund capital and technical provisions

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

4.3 Changes to principles concerning valuation, accounting and reporting

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



5 Actuarial risks, risk coverage, funded ratio

5.1 Form of risk coverage, reinsurance

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

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

Balance sheet – PUBLICA Reinsurance

2020 with prior-year comparison, in CHF

	31.12.2019	31.12.2020
Operating assets – PUBLICA Reinsurance	163 508 373	156 737 762
Liabilities and deferrals	10 960 358	6 287 968
Technical provisions	58 222 235	55 222 235
Fluctuation reserve	10 072 447	9 387 780
Working capital – Reinsurance	70 817 000	70 817 000
Uncommitted funds	13 436 333	15 022 780
Liabilities and available risk capital – PUBLICA Reinsurance	163 508 373	156 737 762

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

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

5.2 Development of pension fund capital for active members

The balance sheet item "Pension fund capital – active members" corresponds to the total statutory vested termination benefits for active members of CHF 18.3 billion (prior year: CHF 17.6 billion). The interest rate on retirement assets was between 1.0% and 1.5% (prior year: 1.0% and 2.0%) during the year in review. The following table shows the development in pension fund capital during the period under review.



Pension fund capital – active members

2020 with prior-year comparison, in CHF mn

	2019	2020
Pension fund capital 1 January	16 365	17 602
Savings contributions – employees and employers	1 341	1 386
Lump-sum payments and buy-ins – active members	109	218
Vested benefits received	365	375
Vested benefits on collective entrance	0	0
Home ownership and divorce payments received	25	24
Deposits from distributions	560	-7
Interest on savings capital	194	171
Vested benefits paid on departure	-394	-418
Vested benefits on pending departures	45	12
Early withdrawals for home ownership / divorce	-69	-69
Retirement pensions	-926	-1 011
Release on death	-20	-21
Release on disability leading to pension	-15	-25
Creation as a result of disability with reintegration	18	28
Other changes	3	-2
Total pension fund capital 31 December	17 602	18 265

The lump-sum payments and buy-ins for active members include the one-time costs to the employer of adjustments to the plan for the relatives of military professionals and the Border Guard amounting to CHF 106 million.

The deposits from distributions (adjustment to the technical interest rate in 2019) and other changes include corrections, bookings relating to other periods and exceptional bookings from the prior year.

5.3 Total BVG retirement assets

Total BVG retirement assets

2020 with prior-year comparison, in CHF mn and percent

	Units	31.12.2019	31.12.2020
Total BVG retirement assets	CHF mn	5 466	5 614
BVG minimum interest rate, set by Federal Council	Percent	1.00%	1.00%

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



5.4 Development of pension fund capital for pension recipients

The pension fund capital for pension recipients corresponds to the net present value of current pensions including associated deferred annuities and decreased by CHF 363 million from the previous year's figure.

Pension fund capital – pension recipients

2020 with prior-year comparison, in CHF mn

	2019	2020
Pension fund capital 1 January	18 961	20 558
Statutory benefits	–1 809	–1 848
Lump-sum payments and buy-ins (buy-outs of pension reductions and pension buy-ins)	46	32
Retirements	926	1 011
Disability cases leading to pension	15	25
Change to technical parameters	2 056	0
Technical interest rate*	374	349
Deaths and other changes	–10	69
Total pension fund capital 31 December	20 558	20 196

*Approximate calculation

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



5.5 Composition, development and explanation of technical provisions

The technical provisions increased by CHF 171.2 million compared with the previous year.

Technical provisions

2020 with prior-year comparison, in CHF

Pension plans	31.12.2019	Formation	Release	31.12.2020
Provision for change to technical parameters – active members	156 213 821	130 569 894	–9 333	286 774 383
Provision for change to technical parameters – pension recipients	123 349 120	118 997 299	0	242 346 419
Provision for transitional arrangements on change to technical parameters	235 133 601	4 184 331	–76 773 532	162 544 400
Provision for fluctuations in the membership of closed pension plans	60 135 936	1 404 564	0	61 540 500
Provision for outstanding claims (IBNR)	200 000 000	1 000 000	–1 000 000	200 000 000
Provision for death and disability	76 000 000	0	–4 000 000	72 000 000
Provision for administrative expenses and cost-of-living adjustment	25 843 247	593	–164 542	25 679 298
Provision for administrative expenses and risk premium	262 514	343	–13 866	248 990
Total technical provisions – pension plans	876 938 238	256 157 024	–81 961 273	1 051 133 989
Reinsurance				
Provision for outstanding claims (IBNR)	18 000 000	8 548 647	–8 548 647	18 000 000
Provision for death and disability	15 000 000	0	–3 000 000	12 000 000
Provision for hardship cases – active members / pensioners	14 096 845	0	0	14 096 845
Provision for hardship cases – pension plans	11 125 390	0	0	11 125 390
Total technical provisions – Reinsurance	58 222 235	8 548 647	–11 548 647	55 222 235
Total technical provisions	935 160 473	264 705 671	–93 509 920	1 106 356 224

5.5.1 Technical provisions – pension plans

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

Provision for changes to technical parameters

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

Provision for transitional arrangements on change to technical parameters

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

Provision for fluctuations in the membership of closed pension plans

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



Provision for outstanding claims (IBNR)

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

Provision for death and disability

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

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

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

5.5.2 Technical provisions – Reinsurance

Provision for outstanding claims (IBNR)

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

Provision for death and disability

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

Provision for hardship cases

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

5.6 Results of the latest actuarial assessment

See the confirmation from the Pension Actuary as at 31 December 2020 (section 12).

5.7 Actuarial tables and other actuarial assumptions

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



5.8 Funded ratio as per Art. 44 BVV2

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

Funded ratio as per Art. 44 BVV2

2020 with prior-year comparison, in CHF

	31.12.2019	31.12.2020
Actuarially required pension fund capital	39 095 757 042	39 566 476 244
Fluctuation reserve	1 564 178 062	2 513 562 866
Uncommitted funds (+) / underfunding (-) / working capital (+)	48 085 879	96 775 285
Available assets	40 708 020 983	42 176 814 377
Funded ratio as per Article 44 BVV2	104.1%	106.6%

5.9 Economic funded ratio

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

The corresponding calculations produced an economic funded ratio of 87.7% (prior year: 86.1%).

6 Notes on investments and the net return on investment

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

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

Equity investments are made in line with an index and replicate market trends. All equity portfolios are managed by external specialists. The bond portfolios are managed by PUBLICA Asset Management and external specialists on an "enhanced passive" or semi-active basis, allowing for active elements subject to relatively tight tracking error requirements in order to avoid the disadvantages of fully replicating capitalisation-weighted bond indices. Illiquid asset classes such as Swiss and international real estate or private corporate, infrastructure and real estate debt are actively managed, endeavouring to replicate comparable indices as far as possible.

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

The following institutions were entrusted with the management of PUBLICA's assets as at the balance sheet date of 31 December 2020:



Asset management

2020

Mandate	Asset manager	Licensing authority	Benchmark	Investment style	Retrocessions	
					Date of regulation	Received
Swiss government bonds	Swiss Federal Pension Fund PUBLICA	Bernische BVG- und Stiftungsaufsicht (CH) ¹	SBI Domestic Swiss Government	Semi-active	–	prohibited
Non-government bonds CHF	Swiss Federal Pension Fund PUBLICA	Bernische BVG- und Stiftungsaufsicht (CH) ¹	SBI AAA-A foreign borrowers (40%) and domestic borrowers (60%)	Semi-active	–	prohibited
Non-government bonds CHF	Pictet et Cie	Swiss Financial Market Supervisory Authority FINMA ²	SBI AAA-A foreign borrowers (40%) and domestic borrowers (60%)	Semi-active	08.12.11	prohibited
Government bonds EUR	Swiss Federal Pension Fund PUBLICA	Bernische BVG- und Stiftungsaufsicht (CH) ¹	JPM GBI Germany (50%), France (33%) and Netherlands (17%)	Enhanced passive	–	prohibited
Government bonds USD	Swiss Federal Pension Fund PUBLICA	Bernische BVG- und Stiftungsaufsicht (CH) ¹	JPM GBI USA	Enhanced passive	–	prohibited
Government bonds GBP	Swiss Federal Pension Fund PUBLICA	Bernische BVG- und Stiftungsaufsicht (CH) ¹	JPM GBI UK	Enhanced passive	–	prohibited
Government bonds CAD	Swiss Federal Pension Fund PUBLICA	Bernische BVG- und Stiftungsaufsicht (CH) ¹	JPM GBI Canada	Enhanced passive	–	prohibited
Government bonds AUD	Swiss Federal Pension Fund PUBLICA	Bernische BVG- und Stiftungsaufsicht (CH) ¹	JPM GBI Australia	Enhanced passive	–	prohibited
Government bonds SEK	Swiss Federal Pension Fund PUBLICA	Bernische BVG- und Stiftungsaufsicht (CH) ¹	JPM GBI Sweden	Enhanced passive	–	prohibited
Inflation-linked government bonds EUR	Swiss Federal Pension Fund PUBLICA	Bernische BVG- und Stiftungsaufsicht (CH) ¹	80% Barclays Euro Government EMU HICP-Linked Bond Index 1–10 Years 20% Barclays Euro Government EMU HICP-Linked Bond Index > 10 Years	Enhanced passive	–	prohibited
Inflation-linked government bonds USD	Swiss Federal Pension Fund PUBLICA	Bernische BVG- und Stiftungsaufsicht (CH) ¹	80% Barclays US Government Inflation-Linked Bond Index 1–10 Years 20% Barclays US Government Inflation-Linked Bond Index > 10 Years	Enhanced passive	–	prohibited
Currency hedging inflation-linked government bonds	Russell Implementation Services Ltd	Financial Conduct Authority (UK) ⁴	Difference in relevant portfolio benchmark hedged vs. unhedged	Enhanced passive	30.06.20	prohibited
Public corporate bonds EUR ⁷	Union Investment Institutional GmbH	Federal Financial Supervisory Authority (DE) ⁴	Barclays EUR Corporate	Enhanced passive	20.06.11	prohibited
Public corporate bonds EUR ⁷	Aberdeen Standard Investments Limited	Financial Conduct Authority (UK) ⁴	Barclays EUR Corporate ex Financials	Enhanced passive	25.08.11	prohibited
Public corporate bonds USD ⁷	PIMCO Europe Ltd	Financial Conduct Authority (UK) ⁴	Barclays USD Corporate Intermediate	Enhanced passive	04.05.11	prohibited
Public corporate bonds USD ⁷	BlackRock Institutional Trust Company	Office of the Comptroller of the Currency (US) ³	Barclays USD Corporate Intermediate ex Financials	Enhanced passive	04.05.11	prohibited
Government bonds emerging markets hard currencies ⁷	UBS AG	Swiss Financial Market Supervisory Authority FINMA ³	JPM EMBIG Diversified Investment Grade (USD)	Enhanced passive	26.02.16	prohibited
Private corporate debt	MetLife Investment Management Limited	Financial Conduct Authority (UK) ⁴	Barclays Global Agg Corp Composite Custom	Direct investments	29.09.15	prohibited
Private corporate debt	Pricoa Capital Group Limited	Financial Conduct Authority (UK) ⁴	Barclays Global Agg Corp Composite Custom	Direct investments	29.09.15	prohibited
Private infrastructure debt	MetLife Investment Management Limited	Financial Conduct Authority (UK) ⁴	Barclays Global Agg Corp Composite Custom	Direct investments	29.09.15	prohibited
Private infrastructure debt	Vantage Asset Management (UK) Limited	Financial Conduct Authority (UK) ⁴	Barclays Global Agg Corp Composite Custom	Direct investments	02.09.15	prohibited
Private real estate debt	Swiss Federal Pension Fund PUBLICA	Bernische BVG- und Stiftungsaufsicht (CH) ¹	Based on lower interest-rate band BEKB variable mortgages	Direct investments	–	prohibited
Currency hedging corporate bonds foreign currency	Record Currency Management Limited	Financial Conduct Authority (UK) ⁴	Difference in relevant portfolio benchmark hedged vs. unhedged	Enhanced passive	30.06.20	prohibited
Government bonds emerging markets local currencies	Ashmore Investment Management Limited	Financial Conduct Authority (UK) ⁴	JPM GBI-EM Global Diversified	Active	21.02.13	prohibited
Government bonds emerging markets local currencies	Ninety One Asset Management	Financial Conduct Authority (UK) ⁴	JPM GBI-EM Global Diversified	Active	21.02.13	prohibited
Government bonds emerging markets China	Manulife Investment Management	Financial Conduct Authority (UK) ⁴	JPM GBI-EM China Unhedged LOC	Enhanced passive	18.03.19	prohibited
Government bonds emerging markets China	UBS Asset Management	Swiss Financial Market Supervisory Authority FINMA ²	JPM GBI-EM China Unhedged LOC	Enhanced passive	18.03.19	prohibited
Equities Switzerland	Credit Suisse AG	Swiss Financial Market Supervisory Authority FINMA ²	MSCI (gross) Switzerland ⁵	Indexed	01.12.08	prohibited
Equities Switzerland	Pictet Asset Management SA	Swiss Financial Market Supervisory Authority FINMA ²	MSCI (gross) Switzerland ⁵	Indexed	02.12.08	prohibited

Asset management

2020

Mandate	Asset manager	Licensing authority	Benchmark	Investment style	Retrocessions	
					Date of regulation	Received
Equities developed markets ex Switzerland ⁷	Credit Suisse Funds AG	Swiss Financial Market Supervisory Authority FINMA ³	MSCI (gross) Europe ex Switzerland (25%) ⁴ , North America (50%) ⁴ , Japan (10%) ⁴ and Pacific ex Japan (15%) ⁵	Indexed	09.11.05	prohibited
Equities developed markets ex Switzerland ⁷	BlackRock Advisors (UK) Limited	Financial Conduct Authority (UK) ⁴	MSCI (gross) Europe ex Switzerland (25%) ⁴ , North America (50%) ⁴ , Japan (10%) ⁴ and Pacific ex Japan (15%) ⁵	Indexed	27.06.05	prohibited
Currency hedging equities developed markets ex Switzerland	Russell Implementation Services Ltd	Financial Conduct Authority (UK) ⁴	Difference in relevant portfolio benchmark hedged vs. unhedged	Enhanced passive	30.06.20	prohibited
Equities emerging markets ⁷	Pictet Asset Management SA	Swiss Financial Market Supervisory Authority FINMA ³	MSCI (net) Emerging Markets ⁶	Indexed	19.08.10	prohibited
Equities emerging markets ⁷	Vanguard Asset Management Ltd	Financial Conduct Authority (UK) ⁴	MSCI (net) Emerging Markets ⁶	Indexed	19.08.10	prohibited
Precious metals	Swiss Federal Pension Fund PUBLICA	Bernische BVG- und Stiftungsaufsicht (CH) ¹	S&P GSCI TR Precious Metals	Enhanced passive	02.11.09	prohibited
Precious metals	Swiss Federal Pension Fund PUBLICA	Bernische BVG- und Stiftungsaufsicht (CH) ¹	London Gold Price PM Auction USD	Direct investments	20.05.15	prohibited
Real estate investments Switzerland	Swiss Federal Pension Fund PUBLICA	Bernische BVG- und Stiftungsaufsicht (CH) ¹	KGAST Immo Index	Direct investments	–	prohibited
Real estate investments Switzerland	LIVIT AG	n/a	n/a	Direct investments	23.11.11	prohibited
Real estate investments Switzerland	Von Graffenried AG Liegenschaften	n/a	n/a	Direct investments	27.06.16	prohibited
Real estate investments Switzerland	Privera AG	n/a	n/a	Direct investments	27.06.16	prohibited
Real estate investments Switzerland	Apleona GVA AG	n/a	n/a	Direct investments	01.07.14	prohibited
Real estate investments international APAC	M&G Real Estate Asia Pte. Ltd.	Commission de Surveillance du Secteur Financier (CSSF)	ANREV Pan Asia Open End Diversified Core Fund Index (ODCI)	Real estate funds	10.05.16	prohibited
Real estate investments international APAC	Nuveen Management AIFM Limited	Commission de Surveillance du Secteur Financier (CSSF)	ANREV Pan Asia Open End Diversified Core Fund Index (ODCI)	Real estate funds	01.10.18	prohibited
Real estate investments international Australia	AMP Capital Funds Management Limited	Australian Securities and Investments Commission (ASIC)	ANREV Australia Core Open End Fund Monthly Index	Real estate funds	01.11.15	prohibited
Real estate investments international Australia	Dexus Wholesale Property Limited	Australian Securities and Investments Commission (ASIC)	ANREV Australia Core Open End Fund Monthly Index	Real estate funds	07.06.18	prohibited
Real estate investments international Australia	GPT Management Holdings Limited	Australian Securities and Investments Commission (ASIC)	ANREV Australia Core Open End Fund Monthly Index	Real estate funds	29.11.17	prohibited
Real estate investments international Europe	AEW S.à.r.l.	Commission de Surveillance du Secteur Financier (CSSF)	INREV Open End Diversified Core Equity Fund Index	Real estate funds	13.12.19	prohibited
Real estate investments international Europe	AXA Real Estate Investment Managers SGP	Commission de Surveillance du Secteur Financier (CSSF)	INREV Open End Diversified Core Equity Fund Index	Real estate funds	01.01.18	prohibited
Real estate investments international Europe	Hines Luxembourg Investment Management Sàrl	Commission de Surveillance du Secteur Financier (CSSF)	INREV Open End Diversified Core Equity Fund Index	Real estate funds	07.02.20	prohibited
Real estate investments international Europe	PGIM Real Estate Luxembourg S.A.	Commission de Surveillance du Secteur Financier (CSSF)	INREV Open End Diversified Core Equity Fund Index	Real estate funds	01.07.19	prohibited
Real estate investments international USA	LaSalle Investment Management, Inc.	U.S. Securities and Exchange Commission (SEC)	NCREIF NFI-ODCE	Real estate funds	01.03.16	prohibited
Real estate investments international USA	PGIM Inc.	U.S. Securities and Exchange Commission (SEC)	NCREIF NFI-ODCE	Real estate funds	19.09.17	prohibited
Real estate investments international USA	RREEF America L.L.C.	U.S. Securities and Exchange Commission (SEC)	NCREIF NFI-ODCE	Real estate funds	19.06.17	prohibited

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

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

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

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

⁵ 100% MSCI Switzerland IMI capital-weighted index

⁶ Each 50% MSCI CEC capital-weighted, 16.6% MSCI CEC Minimum Volatility, 16.6% MSCI CEC Small Caps and 16.6% MSCI CEC Enhanced Value Indices

⁷ Mandate in single-investor fund

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



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

Global Custodian (custodian bank for securities and consolidation of all assets)	J.P. Morgan (Switzerland) Ltd Dreikönigstrasse 21 8002 Zurich	jpmorgan.com
--	---	--------------

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

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

6.3 Target size and calculation of the fluctuation reserve

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

Target size and calculation of the fluctuation reserve

2020 with prior-year comparison, in CHF

	2019	2020
Fluctuation reserve 01.01	397 794 692	1 564 178 062
Change in fluctuation reserve debited (+) / credited (-) to income statement	1 166 383 370	949 384 804
Total fluctuation reserve 31.12	1 564 178 062	2 513 562 866
Fluctuation reserve deficit 31.12	9 374 030 395	8 551 624 245
Target fluctuation reserve	10 938 208 457	11 065 187 112
Fluctuation reserve in % of target size	14.3%	22.7%
Target size of fluctuation reserve in % of pension fund capital and technical provisions	28.0%	28.0%

In accordance with the Regulations governing the Provisions and Reserves of the Federal Pension Fund PUBLICA, the Pension Plans and PUBLICA Reinsurance, the fluctuation reserve takes account of two different elements: the fluctuation risk on investments and the fluctuation risk on pension liabilities. PUBLICA also takes account of the working capital when calculating the fluctuation reserve in % of the target size.

The component of the target fluctuation reserve set aside for investments ensures that investment risks can be borne. It is necessary to take on investment risks in order to achieve the target returns. The percentage specified depends on the risk/return characteristics of the strategic asset allocation, the safety level sought and the investment horizon. The target size has been fixed, on the basis of a safety level of 97.5% and an investment horizon of one year, at 17.0% (prior year: 17.3%) of the sum of the pension fund capital and the technical provisions.

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

6.4 Assets by asset class

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

Of the total CHF 42.1 billion of investments (excluding cash and cash equivalents and receivables and taking account of deferred taxes), CHF 39.0 billion are invested in the strategic asset allocation for the open pension plans and CHF 3.0 billion in the allocation for the closed pension plans. The remaining investments of CHF 0.1 billion have been invested in accordance with the lower-risk strategic asset allocation of PUBLICA Reinsurance. The composition of the investments in the individual asset classes is set out in detail in the balance sheet.

Strategic asset allocation – open pension plans

2020, in percent

Asset class	Allocation at 31.12.2020	Pro-rata strategy	Long-term strategy	Tactical bandwidths as a % of strategy weighting	
				Minimum	Maximum
Money market	3.1%	3.0%	3.0%	0%	200%
Swiss government bonds	5.4%	6.0%	6.0%	80%	120%
Non-government bonds CHF	9.6%	9.8%	8.0%	80%	120%
Government bonds EUR currency hedged	3.0%	3.4%	2.5%	50%	150%
Government bonds USD currency hedged	1.8%	2.1%	1.5%	50%	150%
Government bonds GBP currency hedged	1.4%	1.6%	1.0%	0%	200%
Government bonds CAD currency hedged	1.3%	1.5%	1.0%	0%	200%
Government bonds AUD currency hedged	1.3%	1.5%	1.0%	0%	200%
Government bonds SEK currency hedged	1.0%	1.3%	1.0%	0%	200%
Government bonds developed markets ex Switzerland	9.8%	11.4%	8.0%	80%	120%
Inflation-linked government bonds EUR currency hedged	1.5%	1.5%	1.5%	50%	150%
Inflation-linked government bonds USD currency hedged	4.4%	4.5%	4.5%	50%	150%
Inflation-linked government bonds	5.8%	6.0%	6.0%	80%	120%
Public corporate bonds EUR currency hedged	5.0%	4.7%	4.5%	50%	150%
Public corporate bonds USD currency hedged	4.8%	4.7%	4.5%	50%	150%
Public corporate bonds ex CHF	9.8%	9.4%	9.0%	80%	120%
Private corporate debt	3.6%	3.5%	3.5%	50%	150%
Private infrastructure debt	3.1%	3.1%	3.5%	50%	150%
Private real estate debt	1.0%	1.0%	3.0%	50%	150%
Government bonds emerging markets hard currencies	3.0%	3.0%	3.0%	80%	120%
Government bonds emerging markets local currencies	5.2%	5.0%	5.0%	80%	120%
Equities Switzerland	3.0%	3.0%	3.0%	50%	150%
Equities Europe partially currency hedged	4.2%	4.0%	4.0%	50%	150%
Equities North America partially currency hedged	8.6%	8.0%	8.0%	50%	150%
Equities Pacific partially currency hedged	4.2%	4.0%	4.0%	50%	150%
Equities developed markets ex Switzerland partially currency hedged	17.0%	16.0%	16.0%	50%	150%
Equities emerging markets	8.7%	8.0%	8.0%	50%	150%
Precious metals partially currency hedged	2.2%	2.0%	2.0%	80%	120%
Real estate investments Switzerland direct	6.0%	6.0%	7.0%	80%	120%
Real estate investments international indirect	3.7%	3.8%	6.0%	80%	120%
Total	100.0%	100.0%	100.0%		
Total not currency hedged	18.8%	17.5%	17.5%		
Total currency hedged	81.2%	82.5%	82.5%		
Total in CHF mn	38 996				

The build-up of private corporate debt was completed according to plan during the year under review. In the case of private infrastructure debt, there was a slight delay due to the pandemic. Initial investments in private real estate debt were made. Indirect international real estate investments were further increased, while listed government and corporate bonds were reduced.



In the case of equity investments from developed markets other than Switzerland, currency risks were hedged between 60% and 80%, depending on the currency pair, using a rules-based, dynamic process. The currency risks on bonds were once again 100% hedged using currency forwards. For economic reasons, currencies of emerging nations are not hedged. Derivative financial instruments are reported under the associated asset classes.

Strategic asset allocation – closed pension plans

2020, in percent

Asset class	Allocation at 31.12.2020	Pro-rata strategy	Long-term strategy	Tactical bandwidths as a % of strategy weighting	
				Minimum	Maximum
Money market	3.7%	3.0%	3.0%	0%	200%
Swiss government bonds	20.3%	22.0%	20.0%	80%	120%
Non-government bonds CHF	10.9%	11.0%	11.0%	80%	120%
Government bonds EUR currency hedged	1.9%	2.1%	2.2%	50%	150%
Government bonds USD currency hedged	1.1%	1.3%	1.3%	50%	150%
Government bonds GBP currency hedged	0.9%	1.0%	0.9%	0%	200%
Government bonds CAD currency hedged	0.8%	0.9%	0.9%	0%	200%
Government bonds AUD currency hedged	0.8%	0.9%	0.9%	0%	200%
Government bonds SEK currency hedged	0.6%	0.8%	0.8%	0%	200%
Government bonds developed markets ex Switzerland	6.3%	7.0%	7.0%	80%	120%
Inflation-linked government bonds EUR currency hedged	1.3%	1.3%	1.3%	50%	150%
Inflation-linked government bonds USD currency hedged	3.7%	3.8%	3.8%	50%	150%
Inflation-linked government bonds	5.0%	5.0%	5.0%	80%	120%
Public corporate bonds EUR currency hedged	7.0%	6.5%	6.5%	50%	150%
Public corporate bonds USD currency hedged	6.8%	6.5%	6.5%	50%	150%
Public corporate bonds ex CHF	13.7%	13.0%	13.0%	80%	120%
Private real estate debt	1.0%	1.0%	3.0%	80%	120%
Government bonds emerging markets hard currencies	4.9%	5.0%	5.0%	80%	120%
Equities Switzerland	3.0%	3.0%	3.0%	50%	150%
Equities Europe partially currency hedged	1.9%	1.8%	1.8%	50%	150%
Equities North America partially currency hedged	3.9%	3.5%	3.5%	50%	150%
Equities Pacific partially currency hedged	1.9%	1.8%	1.8%	50%	150%
Equities developed markets ex Switzerland partially currency hedged	7.7%	7.0%	7.0%	50%	150%
Precious metals partially currency hedged	3.3%	3.0%	3.0%	80%	120%
Real estate investments Switzerland direct	20.2%	20.0%	20.0%	80%	120%
Total	100.0%	100.0%	100.0%		
Total not currency hedged	3.7%	3.4%	3.4%		
Total currency hedged	96.3%	96.6%	96.6%		
Total in CHF mn	3 031				

The investments are broadly diversified within the individual asset classes. For example, the private corporate debt held directly by the open pension plans contains over 250 investments, and private infrastructure debt more than 70. These are distributed across various countries, currencies, sectors and terms to maturity.

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

The Swiss real estate portfolio held directly by PUBLICA comprises 75 properties (prior year: 73) and one property under construction. The portfolio is made up of 62% residential properties, 22% commercial properties and 16% mixed residential and commercial properties (based on the market value as at 31 December 2020).

6.5 Current (open) derivative financial instruments

As at 31 December 2020, the following derivative positions are open:

Current (open) derivative financial instruments and collateral

2020 with prior-year comparison, in CHF

31.12.2020	Net replacement value	Underlying equivalent exposure-increasing derivatives in mn	Underlying equivalent exposure-reducing derivatives in mn	Collateral received	Collateral pledged
Interest-rate swaps	13 356 892	75	0	13 262 919	0
Precious metal swaps	17 611 649	236	0	16 090 000	0
Currency forwards	97 186 490	278	-20 916	167 845 414	0
Equity futures	1 882 490	99	0	0	0
Bond futures	-200 632	186	-34	0	0

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

Interest-rate swaps are used to control interest-rate risks. Around one third of the investments in precious metals are replicated via a corresponding swap transaction.

Currency forwards are used for strategic hedging of currency risks and thus reduce the currency risk to which the portfolio as a whole is exposed. Portfolio dividends that have been approved but not yet paid out are reinvested via equity index futures to minimise the portfolio's deviation from the benchmark.

PUBLICA employs a prime brokerage set-up to ensure the efficient management of counterparty risks in its currency hedging programmes. As at end-2020, HSBC and Deutsche Bank are the two FX prime brokers. The currency managers act on a competitive basis with a wide range of banks. They pass the transactions to one of PUBLICA's two FX prime brokers, which then settles all currency forward transactions as central counterparty in return for a fee. The only counterparty risk is therefore in respect of the two FX prime brokers. This is covered by collateral in the form of government bonds that are exchanged daily in order to keep the counterparty risk low.

The interest-rate and precious metal swaps are also covered by collateral to hedge the counterparty risks involved.

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



6.6 Open capital commitments

The following capital commitments are open as at 31 December 2020:

Open capital commitments by asset class

2020 with prior-year comparison, in CHF

Asset class	2019	2020
Private corporate debt	69 627 902	17 111 470
Private infrastructure debt	74 788 500	59 923 790
Private real estate debt	0	110 632 505
Real estate investments international	253 547 154	625 591 633
Total open capital commitments	397 963 556	813 259 397

The open capital commitments result from time delays between the approval of the investment and the capital draw-down in the case of unlisted foreign investments.

6.7 Securities lending

PUBLICA has concluded a securities lending agreement for foreign securities with J.P. Morgan, under which J.P. Morgan acts as an agent. The borrowers are first-class counterparties that are carefully selected and constantly monitored. PUBLICA accepts only government bonds with a high credit rating as collateral. As at 31 December 2020, securities valued at CHF 1,574.2 million were on loan (compared with CHF 1,419.2 million as at 31 December 2019).

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

6.8 Net investment income

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

6.9 Performance

Performance measurement seeks to report, as factually and in as much detail as possible, the influence of market trends and investment decisions on investments. The performance is calculated as the ratio of income to average invested capital. Current income such as coupons and dividend payments as well as capital gains and losses and total asset management expenses are taken into account (total return). Inflows and outflows of funds similarly influence the average invested capital, with the timing of these flows also playing a role. PUBLICA's performance calculation is drawn up by the Global Custodian, reconciled with the asset managers and reviewed by the Investment Controller. It is adjusted for the flows of funds and is based on a daily valuation of securities.

Net performance

2020 in CHF and percent, after deduction of all asset management expenses

	Portfolio performance	Benchmark performance	Difference	Investments ¹ CHF mn
Money market	-0.66%	-0.77%	0.11%	1 107
Swiss government bonds	0.03%	0.10%	-0.07%	2 727
Non-government bonds CHF	0.91%	0.62%	0.29%	4 193
Government bonds EUR	0.67%	0.59%	0.08%	1 229
Government bonds USD	6.12%	6.75%	-0.63%	734
Government bonds GBP	7.13%	7.77%	-0.64%	582
Government bonds CAD	5.22%	5.84%	-0.62%	512
Government bonds AUD	2.87%	2.88%	-0.01%	540
Government bonds SEK	0.00%	-0.05%	0.05%	415
Government bonds developed markets ex Switzerland	3.46%	3.57%	-0.11%	4 012
Inflation-linked government bonds	7.34%	7.55%	-0.21%	2 426
Public corporate bonds EUR	3.01%	2.57%	0.44%	2 157
Public corporate bonds USD	5.68%	5.51%	0.17%	2 087
Public corporate bonds ex CHF	4.36%	4.04%	0.32%	4 244
Private corporate debt	8.81%	6.24%	2.57%	1 395
Private infrastructure debt	5.92%	6.53%	-0.61%	1 228
Private real estate debt	2.52%	1.51%	1.01%	411
Government bonds emerging markets hard currencies	6.95%	7.01%	-0.06%	1 297
Government bonds emerging markets local currencies	-3.44%	-3.96%	0.52%	2 015
Equities Switzerland	3.83%	3.79%	0.04%	1 251
Equities developed markets ex CH	5.26%	5.30%	-0.04%	6 847
Equities emerging markets	5.72%	5.62%	0.10%	3 412
Precious metals	15.44%	15.94%	-0.50%	971
Real estate investments Switzerland²	5.26%	5.21%	0.05%	2 951
Real estate investments international	-0.75%	-2.01%	1.26%	1 647
Total	4.22%	4.26%	-0.04%	42 133
Total without currency hedging	2.10%	2.10%	0.00%	42 042
Open pension plans	4.25%	4.29%	-0.04%	38 996
Closed pension plans	3.86%	3.83%	0.03%	3 031
Reinsurance	0.90%	0.62%	0.28%	106

¹ Excluding cash & cash equivalents and receivables

² Including deferred taxes



6.10 Asset management expenses

With a cost transparency level of 100%, asset management expenses stand at 20.1 basis points (prior year: 20.2 basis points). Asset management expenses are made up of the main items listed in the following table:

Asset management expenses

2020 with prior-year comparison, in CHF

	2019	2020
External asset managers – securities	-31 934 634	-35 265 891
External asset managers – real estate	-5 825 826	-6 332 973
External asset managers – mortgages	-152 321	-404 686
Internal asset managers – securities	-6 435 709	-6 330 990
Internal asset managers – real estate	-2 492 645	-2 715 086
Asset manager expenses	-46 841 135	-51 049 626
Custody fees and management	-4 424 359	-6 095 337
Custodian expenses	-4 424 359	-6 095 337
TER expenses (TER costs)	-51 265 493	-57 144 963
Stamp tax	-7 533 416	-5 669 035
Withholding tax (not reclaimable)	-13 989 266	-11 518 455
Taxes	-21 522 682	-17 187 490
Trading fees, commissions, other costs	-6 169 223	-9 115 663
Transaction expenses	-6 169 223	-9 115 663
Transaction expenses and taxes (TTC costs)	-27 691 904	-26 303 153
Investment Controller	-178 782	-178 782
Other consultancy (legal, tax, ALM, etc.)	-520 346	-366 986
Other expenses (SC costs)	-699 128	-545 768
Total asset management expenses	-79 656 526	-83 993 884
Average cost-transparent capital investments	39 489 997 580	41 738 593 317
TER expenses (TER costs) in basis points	13.0	13.7
Transaction expenses and taxes in basis points	7.0	6.3
Other expenses in basis points	0.2	0.1
Asset management expenses in basis points	20.2	20.1
Total of all key cost figures reported in the income statement in CHF for collective investment schemes	0	0
Cost transparency level	100%	100%

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

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

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

PUBLICA books collective investment schemes such as single-investor funds in a fully cost-transparent manner, and takes full account of the associated transaction and tax expenses. When comparing with pension funds that have invested in collective investment schemes and calculate asset management expenses solely on the basis of the TER in their income statements, reduced asset management expenses on a TER basis of 13.7 basis points (prior year: 13.0 basis points) should be applied.

Asset management expenses do not include the custodian fees in connection with securities lending amounting to CHF 1.2 million (prior year: CHF 1.1 million), which are offset directly against income. Transaction expenses in relation to foreign currency transactions, chiefly in currencies that are not freely tradable, are likewise not included. They are included by the custodian in the spread and amount to CHF 0.3 million (prior year: CHF 0.3 million).

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

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

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

Allocations to the employers' contribution reserve take account of the surpluses resulting from the good risk results of PUBLICA Reinsurance, among other factors. This relates to the pension plans that have matching reinsurance for their risks. The increase in withdrawals to finance contributions is partly due to the COVID-19 Occupational Pensions Ordinance, which permits employers to withdraw the amount required for the contributions from the ordinary employers' contribution reserve. In total, CHF 189,222 were withdrawn for employees' contributions.

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

Employers' contribution reserve

2020 with prior-year comparison, in CHF

	2019	2020
Employers' contribution reserve 01.01.	46 351 942	31 295 268
Payments	1 843 962	2 668 052
Payment – Reinsurance surplus concept	3 699 116	3 231 823
Allocations	5 543 078	5 899 876
Withdrawals to finance contributions	–118 451	–984 247
Financing for changes to technical parameters	–20 481 301	0
Utilisation	–20 599 751	–984 247
Interest	0	0
Total employers' contribution reserve 31.12	31 295 268	36 210 897



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

7.1 Operating assets, working capital and liabilities – Operations

The operating assets of PUBLICA Operations comprise the following:

Operating assets, working capital and liabilities – PUBLICA Operations

2020 with prior-year comparison, in CHF

	31.12.2019	31.12.2020
Current assets	14 927 703	15 028 688
Investment assets	3 286 534	3 374 419
Operating assets – PUBLICA Operations	18 214 237	18 403 107
Liabilities	4 397 460	4 411 616
Working capital	13 816 778	13 991 491
Working capital and liabilities – PUBLICA Operations	18 214 237	18 403 107

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

7.2 Administrative expenses – Operations

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

Administrative expenses

2020 with prior-year comparison, in CHF

	2019	2020
Personnel expenses	-18 985 693	-18 218 408
General administrative expenses	-7 879 996	-7 933 718
Financial expenses	-599	-927
Apportionments to Asset Management	10 386 008	10 353 823
General administration	-16 480 281	-15 799 230
Marketing and advertising	0	0
Statutory Auditors	-218 093	-231 017
Pension Actuary	-176 903	-168 812
Supervisory authority	-91 601	-99 385
Expenditure (-) / income (+) surplus working capital – PUBLICA Operations	-176 759	-174 713
Administrative expenses	-17 143 636	-16 473 157
No. of active members	65 163	66 329
No. of pension recipients	42 301	42 066
Total active members and pension recipients	107 464	108 395
Administrative expenses per active member / pension recipient	160	152

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

7.3 Non-technical provisions

Non-technical provisions

2020 with prior-year comparison, in CHF

	31.12.2019	31.12.2020
Provision for cost fluctuations	41 785 163	43 740 608
Deferred taxes	144 607 808	151 629 663
Non-technical provisions	186 392 971	195 370 271

The cost premiums paid by employers are compared with the administrative costs actually caused. Surpluses of CHF 2.0 million (prior year: CHF 1.5 million) flow into the non-technical provisions of the pension plans. They are used to fund uncovered administrative costs.

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

Deferred taxes on the directly held real estate portfolio increased by CHF 7.0 million (prior year: CHF 20.9 million) in the year under review. Changes are made via the corresponding account in the income statement.



8 Requirements of the supervisory authority

In a ruling dated 24 August 2020, PUBLICA's supervisory authority, the Bernische BVG- und Stiftungsaufsicht (BBSA), instructed PUBLICA "not to submit to the Federal Council for approval any parts of the regulations concerned that contain provisions on benefits". This instruction from the BBSA removes a long-standing legal uncertainty: under Article 50 para. 2 BVG, in the case of public-law pension institutions, the entity concerned can "issue either the provisions on benefits or those on financing". The Board of Directors has accepted this ruling and is now implementing it.

9 Further information concerning the financial situation

9.1 Underfunded pension plans

As at 31 December 2020, only one closed pension plan, "Pensioners only – Voluntarily Insured", is underfunded according to its regulations (compared with four pension plans in 2019); it has a funded ratio of 97.1%. In the Board of Directors' assessment, the pension plan's asset situation complies with the legal requirements and takes account of its risk capacity. The strategic asset allocation is explained in section 6.4. With the assistance of the Pension Actuary, the Board of Directors evaluated possible corrective measures and concluded that, within the framework of the law and having regard to the equal treatment of different closed pension plans and groups of beneficiaries, no measures to remedy the underfunding could be adopted.

However, on 23 January 2020 the Chair and Vice-Chair of the Board of Directors instructed the administration to draw up a strategy paper on restructuring the closed pension plans, as the options for closed, pensioner-only memberships to remedy underfunding themselves are limited and additional financial support will be required. The Board of Directors wrote to the Federal Department of Finance on 9 April 2020 setting out the actions required and possible ways of resolving the funding situation of the closed pension plans.

9.2 Pledging of assets

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

9.3 Ongoing legal proceedings

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

10 Post-balance sheet events

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





11 Report by the Statutory Auditors



KPMG AG
 Bahnhofplatz 10a
 PO Box
 CH-3001 Bern

 +41 58 249 76 00
 kpmg.ch

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

Report of the Statutory Auditor on the Financial Statements

As statutory auditor, we have audited the financial statements of Swiss federal pension fund PUBLICA, which comprise the balance sheet, operating accounts and notes (page 36 to page 68), for the year ended 31 December 2020.

Board of Directors' Responsibility

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

Responsibility of the expert in occupational benefits

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

Auditor's Responsibility

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

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

Opinion

In our opinion, the financial statements for the year ended 31 December 2020 comply with Swiss law and the regulations.

**Swiss federal pension fund PUBLICA,
Bern**

Report of the Statutory Auditor
to the Board of Directors

Report on additional legal and other requirements

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

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

We have assessed whether

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

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

As at 31 December 2020, the overall funded status of the pension fund of the Swiss federal pension fund PUBLICA amounted to 106.6%. The Swiss federal pension fund PUBLICA includes 20 different pension plans, of which one show an underfunding. Please refer to the notes to the annual financial statements for an overview of the funded status of the pension plans.

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

- the Board of Directors fulfils its management role in a clear and comprehensible manner in its choice of an investment strategy appropriate to the given risk capacity, as described in the notes to the financial statements under 9.1;
- the Board of Directors complies with the legal requirements and in particular has determined the risk capacity having assessed all assets and liabilities in accordance with the actual financial situation, as well as the fund's structure and expected developments in the number of insured persons;
- the investments with employers are legally compliant;
- taking the above into consideration, the investment is in compliance with the provisions of Article 49a and 50 OPO 2.



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

We draw your attention to the fact that the Board of Directors has assessed potential restructuring measures together with the expert in occupational benefits. In this respect, it has come to the conclusion that no measures aiming to remedy the underfunding can be decided by the Board of Directors in accordance with the legal provisions and the principle of equal treatment between the various affiliated pension plans and groups of beneficiaries. In this respect, we refer to the explanations provided in the notes (note 9.1). We note that the possibility of remedying the underfunding and the risk capacity regarding investments may also be subject to unpredictable events, e.g. developments in the investment markets.

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

KPMG AG

*This is the English translation of the
German Report of the Statutory Auditor*

Erich Meier
Licensed Audit Expert
Auditor in Charge

Andreas Schneider
Licensed Audit Expert

Bern, 25 March 2021





12 Confirmation from the Accredited Pension Actuary

ALLVISA | VORSORGE

Mandate

Allvisa AG was mandated by the Board of Directors of the PUBLICA Collective Institution (hereinafter referred to as the "Pension Fund") to prepare an actuarial report as at 31 December 2020 as defined by art. 52e of the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans (BVG).

Confirmation of independence

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

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

Available documents and reference date

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

Calculation of required actuarial pension capital

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

– Total pension capital of insured	CHF	18,264,585,114
– Total pension capital of pensioners	CHF	20,195,534,906
– Total technical provisions	CHF	1,106,356,224

ALLVISA | VORSORGE**Confirmation by pension actuary**

In compliance with our duties as pension actuary, we confirm

as at **31 December 2020** that we are of the opinion

- that the BVG 2015 (PT 2022) actuarial tables applied to the Pension Fund are appropriate;
- the consolidated funding ratio pursuant to art. 44 BVV 2 is 106.6 %;
- the consolidated economic funding ratio is 87.7 %;
- on a consolidated basis as at the reference date, the Pension Fund can guarantee that it can fulfil its obligations (art. 52e para. 1(a) BVG);
- the funding ratio pursuant to art. 44 BVV 2 of the open pension plans is 106.6 %, while the funding ratios of the individual open pension plans range from 105.9 % to 112.8 %;
- the risk capacity of the open pension plans is limited;
- the funding ratio pursuant to art. 44 BVV 2 of the closed pension plans is 103.1 %, while the funding ratios of the individual closed pension plans range from 97.1 % to 115.4 %;
- the risk capacity of the closed pension plans is limited;
- one closed pension plan is underfunded;
- the consolidated value fluctuation reserve equals 23.6 % of its target value;
- the technical provisions comply with the reserve regulations pursuant to art. 48e BVV 2 and the Pension Fund has sufficient reinsurance measures in place as defined in art. 43 BVV 2;
- the regulatory insurance provisions regarding the benefits and financing comply with the statutory rules (art. 52e para. 1 (a) BVG);
- the measures implemented to cover the actuarial risks (old age, death and disability) are sufficient.

As at 31 December 2020, the Pension Fund applies a technical interest rate of 2.00 % for the open pension plans and 0.50% for the closed pension plans. In consideration of the new Standard (FRP) 4 of the Swiss Chamber of Pension Actuaries, the interest rates that are currently applied are not appropriate.

Recommendations

As the current technical interest rates were found to be inappropriate under the new FRP 4 for the open as well as the closed pension plans at the end of 2020 as well as the end of 2019, management has defined a plan of action and time schedule for deciding and implementing any reduction in the technical interest rate and/or a switch to the generation tables. We are involved in and support this decision-making process.

**ALLVISA** | VORSORGE

One closed pension plan is underfunded as at 31 December 2020. As the closed pension plans do not have any insured members, their rehabilitation potential is very limited. The only possible rehabilitation measures are to reduce the prospective benefits (to the BVG minimum) of the pensioners and/or to receive contributions from the employer or guarantees from the Federal government. The Board of Directors sent a framework paper called "Action needed for closed pension plans" to the Federal Department of Finance FDF in April 2020. The FDF is currently investigating the matter. The rehabilitation process for the underfunded closed pension plan has therefore been initiated.

The BVG 2020 actuarial tables were published in December 2020. A total of 15 large autonomous pension funds, including PUBLICA, made their data for 2015 to 2019 available for the preparation of these actuarial tables. Although the assessment of the data showed that the persons insured with Swiss occupational benefit funds are growing ever older, the increase was slightly less than expected. The probability of becoming disabled has declined further, which matches the observations made by the Pension Fund. The probability that a death will trigger a partner's pension has also declined substantially.

We recommend comparing the new figures for expected mortality to the actual cases of death and those for expected marriages to the actual number of marriages recorded by the Pension Fund and to use the updated tables to measure the obligations. Once the impact of the updated actuarial tables on the funding ratio and conversion rate is known, the Board of Directors can take a decision about which actuarial tables should be used in future to prepare the balance sheet and to what extent the new actuarial tables should be taken into account when defining the benefits and contributions.

Zurich, 25 March 2021

Christoph Plüss
Dr. phil. II
SKPE Pension Actuary

Brigitte Terim
Dr. sc. math. ETH
SKPE Pension Actuary



Publication data

Publisher

Swiss Federal Pension Fund PUBLICA
Eigerstrasse 57
3007 Bern

Concept and editing

Swiss Federal Pension Fund PUBLICA
pomona., Visp

Design

pomona., Visp

Bern, April 2021



Thank you for your interest.

Swiss Federal Pension Fund PUBLICA
Eigerstrasse 57
3007 Bern

Tel. 058 485 21 11
Fax 058 485 21 13
info@publica.ch
publica.ch

