

63 632 | 42 282

Active members

Pension recipients

0.20% | 6.75% | CHF 170

Total asset  
management  
expenses

Net  
investment  
performance

Administrative expenses  
per active member  
or pension recipient

CHF 39.8 bn

Total assets

87.7% | 107.1%

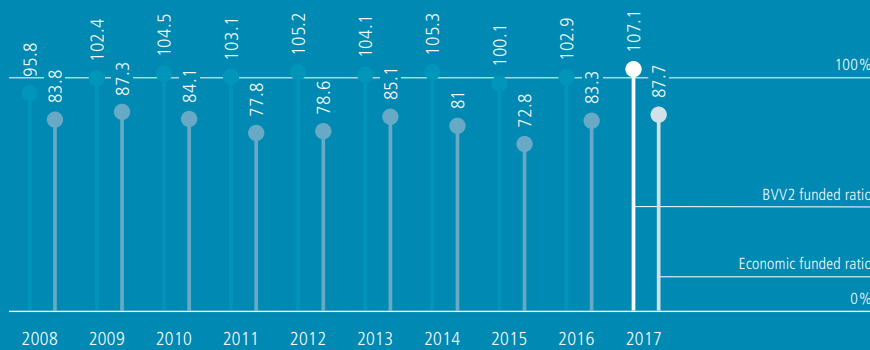
Economic funded ratio

Funded ratio

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 to which a number of employers affiliate. PUBLICA currently includes two open plans of this type.

**Funded ratio** 2008–2017, in percent

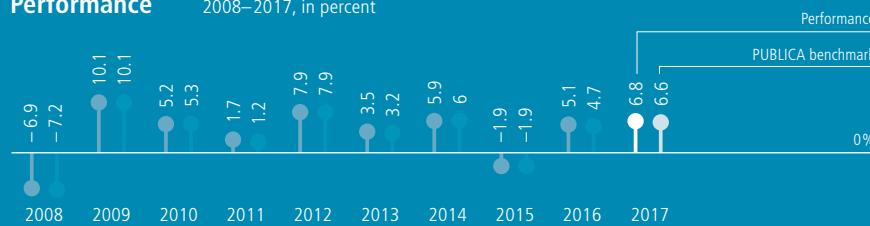


Scale: 100 percent = 30 mm

PUBLICA's strategic asset allocation requires it to invest only in transparent products. This is reflected in a cost transparency level of 100 %. The performance in 2017 was 6.75 %.

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

**Performance** 2008–2017, in percent



Scale: 100 percent = 60 mm

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



## Foreword

Thanks to the pleasing overall performance of 6.75 % as of 31 December 2017, PUBLICA's total funded ratio stands at 107.1 % (prior year: 102.9 %).



**Prisca Grossebacher-Frei**  
Chair of the Board of Directors, PUBLICA

**Dieter Stohler**  
Director, PUBLICA

PUBLICA's strategic decision to diversify the portfolio widely and invest 16 % of the assets of the open pension plans in emerging market bonds and equities once again drove performance. However, the remaining equity investments and precious metals also made a key contribution to the welcome overall result.

### [Optimisation of administrative expenses and increased efficiency](#)

Administrative expenses per active member and pension recipient were reduced further, and now stand at an average of CHF 170. This will enable a further reduction in cost premiums. Asset management expenses remained low, at 0.20 % of assets.

### Adjustment to the technical parameters from 1 January 2019

PUBLICA's overriding objective is to meet its financial obligations to its active members and pension recipients over the long term. To achieve this against a backdrop of persistently low interest rates, increasing life expectancy and insufficient expected returns, PUBLICA relies on realistic technical parameters. It is therefore planning a further reduction in the technical interest rate and, consequently, the conversion rate. Since the reduction of the conversion rate at age 65 from 5.65 % to 5.09 % is a drastic step, cushioning measures are of central importance.

The Board of Directors has therefore laid down minimum requirements for the measures to be taken by the pension plans to cushion the impact on insured members of retirement age (60 and over). As a result, the 10 % lower conversion rate will not come into full effect until 2024.

The individual pension plans have also agreed on further cushioning measures for active members depending on factors such as the financial resources of the employers. PUBLICA will publish information on its website in good time and contact members in the transition generation (aged 60 and over) directly to inform them of their individual pension situation.

### Thanks

The Board of Directors and Executive Board wish to express their thanks to all members of the governing bodies and all staff of PUBLICA. Once again in 2017, they worked meticulously and successfully to provide occupational pension services. We should also like to thank the affiliated employers and our business partners for their constructive cooperation and dedication.



**Prisca Grossenbacher-Frei**

Chair of the Board of Directors, PUBLICA



**Dieter Stohler**

Director, PUBLICA



## Status report

The funded ratio of the open pension plans improved thanks to the pleasing performance. None of the 20 pension plans is underfunded. The operational side reflects the results of PUBLICA's continued attention to costs and the stable numbers of members: administrative expenses have fallen once again to CHF 170 per active member or pension recipient.



## PUBLICA – the pension provider

PUBLICA aims to pay secure pensions and termination benefits using the capital entrusted to it, thereby substantially assisting its members in maintaining their accustomed lifestyle. Thanks to the funded system, pillar 2 pensions can be paid irrespective of the ratio between contribution payers and pension recipients.

0 of 20  
Pension plans underfunded

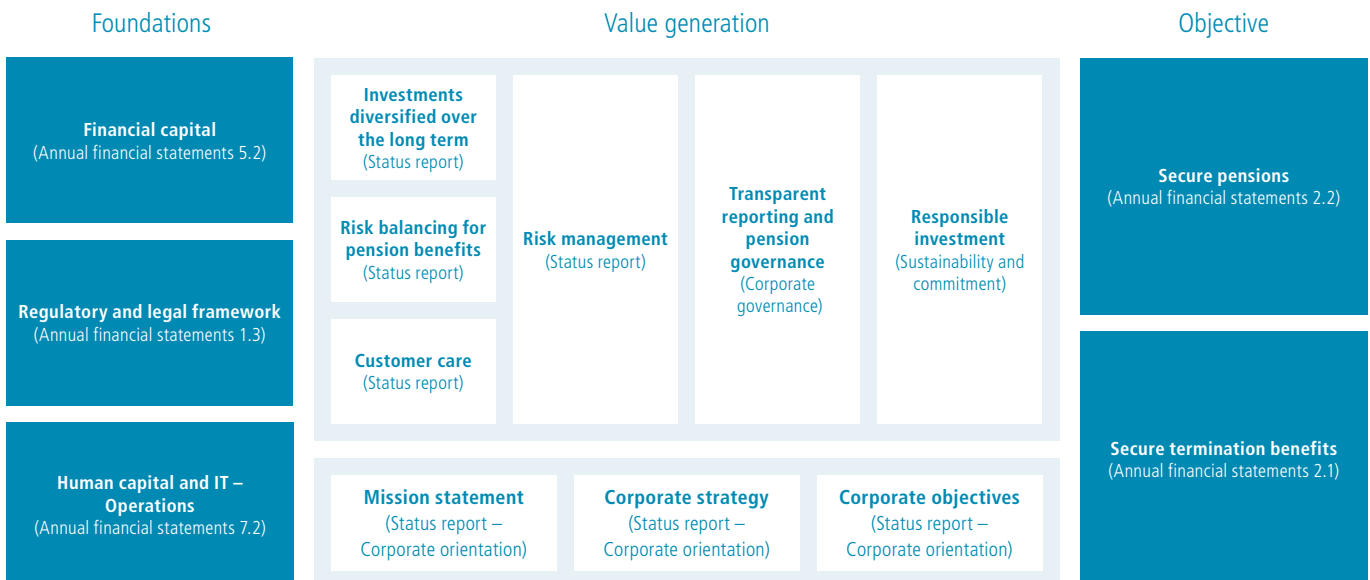
Total assets of almost CHF 40 billion enable PUBLICA to generate the highest possible return with minimal asset management expenses, based on long-term strategic asset allocations attuned to the risks involved. Every active member and pension recipient, however modest their means, receives access to professional asset management and broadly diversified investments.

Thanks to the large number of active members and pension recipients, the central elements of solidarity contained in pillar 2 in respect of longevity, disability and death allow these pension risks to be hedged simply and cost-effectively, and provide security for the survivors in the event of death.

A major advantage of pillar 2 is the regulatory and legal framework, which allows for flexibility in the structuring of individual pension requirements. Our customer care service provides reliable information and tools for calculating the impact of those individual pension decisions. PUBLICA also gives employers a range of options for structuring their actuarial policy.

Above and beyond these central pillars, risk management makes a fundamental contribution to maintaining a responsive equilibrium between investments and liabilities, contributions and benefits over the long term. PUBLICA attaches great importance to state-of-the-art pension fund governance and transparent reporting. In view of its long-term orientation, PUBLICA also takes account of sustainability issues.

### 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 guide the company towards a successful future for all concerned. In its day-to-day activities, PUBLICA does its utmost to deliver the best possible pension benefits to its customers.

Our ambition:

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

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

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

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

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

PUBLICA's overriding objective is to meet its financial obligations to its active members and pension recipients over the long term. For this reason, the Board of Directors is implementing a further reduction in the technical interest rate (and therefore the conversion rate) in accordance with the recommendations of the Pension Actuary. The technical interest rate, which has stood at 2.75 % (open pension plans) and 2.25 % (closed pension plans) since 1 January 2015, is being reduced to 2.0 % and 1.25 %, respectively. The new conversion rate at age 65 is to be 5.09 % (previously 5.65 %). With these measures, the Board of Directors is reacting to the persistently low interest rates and the expected returns on invested assets that – even given brief recoveries – are likely to remain low over the longer term. The reduction in the technical interest rate will reduce the interest differential between the pension fund capitals of active members and pension recipients.

One key measurable corporate objective for PUBLICA is to overhaul the pension application, with introduction scheduled for 1 January 2019. Another is reducing administrative expenses in PUBLICA Operations to CHF 190. This has been achieved, with the current figure standing at CHF 170 per active member / pension recipient.

# – 17 %

Reduction in administrative expenses since 2012

## Investments diversified over the long term

### **Investment beliefs:** a diversified and transparent portfolio

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

PUBLICA's investment beliefs aim to capture premiums on various risks – such as equity risk, interest-rate risk, credit risk and liquidity risk – by means of broad diversification. The strategic asset allocation, 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. It 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 earnings contribution to total assets.

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

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

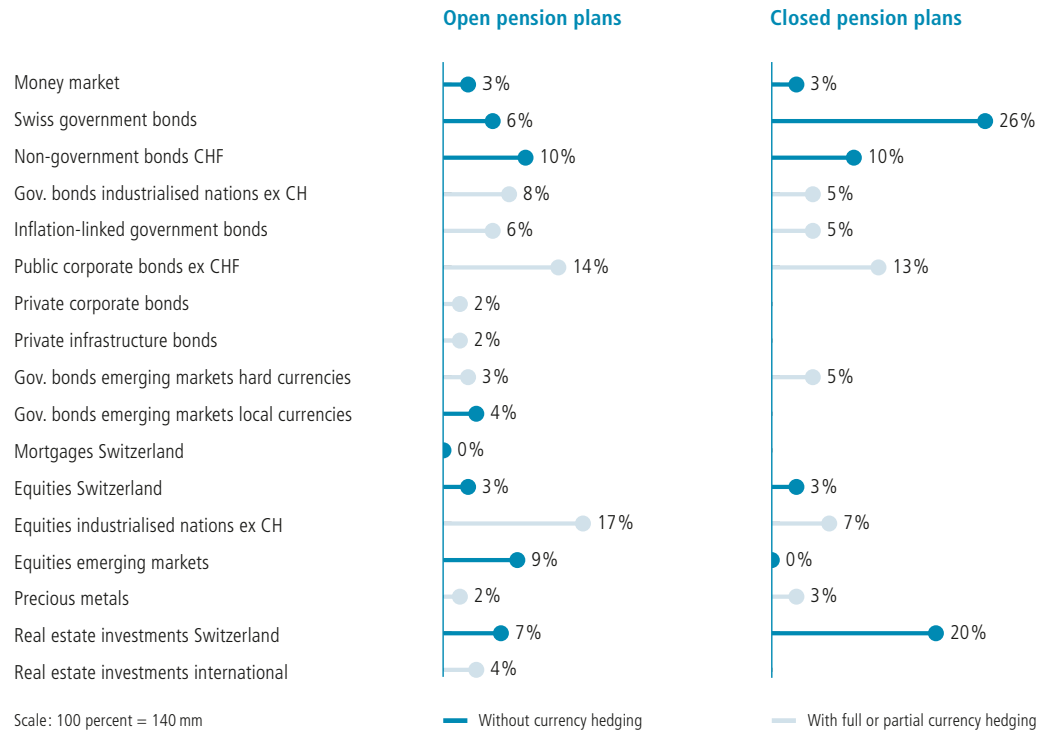
The structure and expected trend of the closed pension plans differ substantially from those of the open pension plans. For this reason, a single strategic asset allocation for all the pension plans would be at odds with Article 50 of BVV2. Accordingly, in 2010 the Board of Directors approved for the first time the creation of one strategic asset allocation for all the closed pension plans and another for all the open ones.

The existing strategic asset allocations were maintained in 2017. They are next due for review in 2018. The new asset classes added during the strategy reviews of recent years have been implemented. Private corporate and infrastructure bonds have been further expanded and the first international real estate investments in the US made.



## Long-term strategic asset allocation by asset class

As at 31.12.2017, in percent, in increasing order of risk and decreasing order of liquidity



PUBLICA launched the review of its long-term investment policy in 2017. The Investment Committee dealt with the four stages of this sub-process at a number of meetings and a one-day workshop:

- **Review of the investment beliefs:** A shared understanding of asset management helps the Board of Directors, Investment Committee and offices of PUBLICA to optimise their response to periods of difficulty without reacting procyclically.
- **Analysis of long-term trends:** This step involves analysing the influence of long-term macroeconomic, social and regulatory trends on PUBLICA.
- **Permitted asset classes:** A structured selection process is used to determine the asset classes that PUBLICA should additionally invest in (or disinvest from) over the long term.
- **Setting the risk budget:** The risk budget is set on the basis of the steps set out above and the risk capacity of the pension plans. Currently, the Conditional Value at Risk (average of the 5% worst funded ratios at the end of the observation period) and the path probability are used as the measure for defining the risk budget.

### Economic developments

In the eighth year of the global upturn, the world economy gained further momentum in both the industrialised nations and the emerging markets. Global trade expanded by over 4.5% year on year in the third quarter. At 54 points in November, the global purchasing manager's index reached its highest level since 2015. Companies became increasingly willing to invest, and the industrialised nations saw the first signs of stronger productivity growth. Meanwhile inflation rates remained low around the world. For detailed information see the Quarterly Bulletins issued by the Swiss National Bank ([www.snb.ch](http://www.snb.ch)).

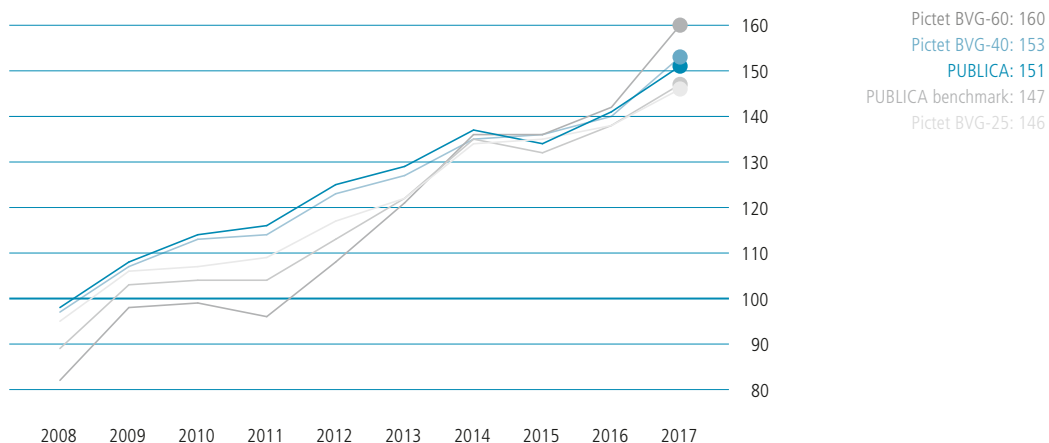
### Performance

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 6.75 % in 2017. Without currency hedging, the figure would have been even higher, at 8.27 %. Currency hedging aims to reduce risks that are non-systematic and, as such, not compensated within the overall portfolio, thereby freeing up a risk budget to capture other risk premiums.

With a performance of 7.14 % for the open pension plans (benchmark: 6.98 %) and 3.31 % for the closed pension plans (benchmark: 3.36 %), both strategic asset allocations came in above target in 2017, thereby increasing the funded ratio of all the pension plans.

### Cumulative performance

2008–2017, indexed (2005 = 100) in percent



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

Source: Pictet BVG indices 2000

**Emerging markets and industrialised nations:** The positive deviation from the Pictet BVG-25 index in 2017 arises out of PUBLICA's investment beliefs, which are based on broad diversification of the overall portfolio, and the resulting strategic asset allocation which, for example, provides for 16 % of the assets of the open pension plans to be invested in bonds and equities from emerging markets. These asset classes generated exceptionally good returns in 2017: almost 30 % for equities and around 9 % for government bonds in USD and local currencies. The weighted contribution of emerging markets to PUBLICA's overall performance in 2017 was just under 3 percentage points. Of the three main regions (Switzerland, industrialised nations and emerging markets), investments in industrialised nations made the second-largest contribution to performance (just under 2.9 percentage points).

**Equities:** All main asset classes made a positive contribution to overall performance in 2017, the biggest coming from equities (5.5 percentage points on a consolidated basis). The highest returns came in the emerging markets (almost 30 %) and the lowest in Europe (14 %, currency hedged).

**Bonds:** Owing to slightly higher interest rates, the majority of government bonds from industrialised nations posted a negative return. However, with government bonds from emerging markets, public corporate bonds and private corporate and infrastructure bonds generating positive returns, this asset class nevertheless made a positive contribution of 0.8 percentage points to the consolidated overall return.



## Risk balancing for pension benefits

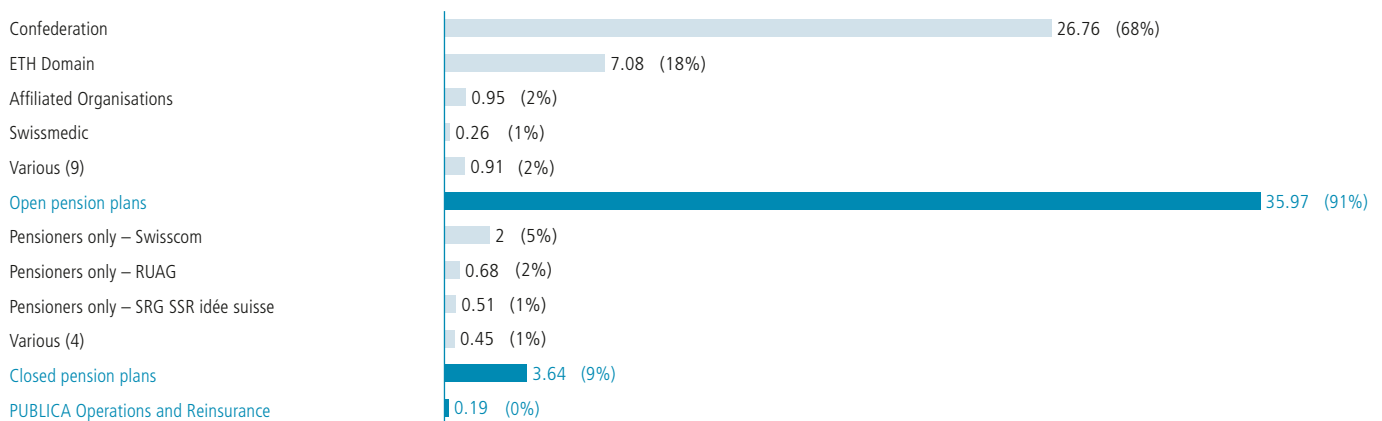
### Collective institution: independent open and closed pension plans

Risk transfers of pension benefits for longevity, disability and death only take place within the individual open and closed pension plans of the public-law collective institution PUBLICA, 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 31.12.2017, in CHF bn and percentage of total assets



Scale: CHF 1 bn = 3 mm

### 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 as well as the joint pension plans. The latter are open to affiliation by more than one employer.

The open pension plans have funded ratios of between 105.9% and 110.5% (prior year: 101.3% and 104.9%). The funded ratios have improved overall, thanks to the positive investment performance. 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 86.8% and 108.6% (prior year: 82.5% and 106.4%). Since liabilities are valued in a market-consistent manner when calculating the economic funded ratio, this improvement is partly due to the slight rise in interest rates.

### Closed pension plans

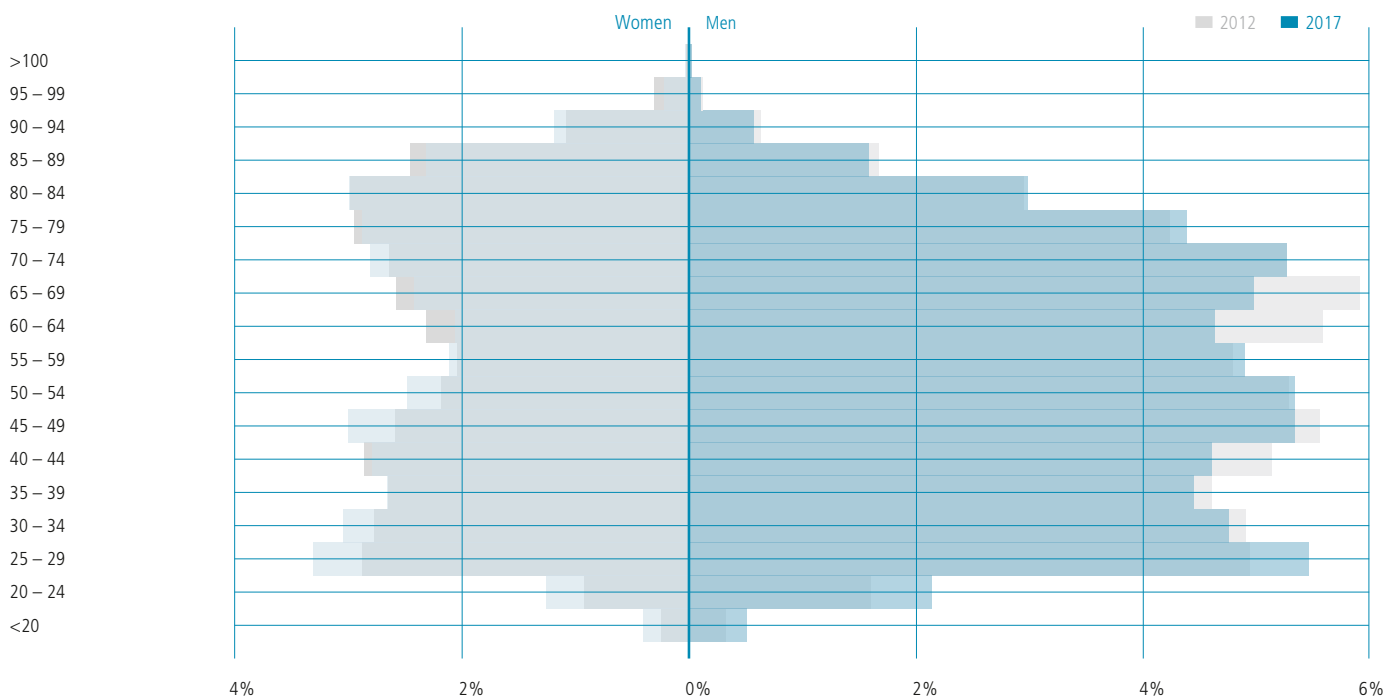
The closed pension plans consist entirely of pension recipients from the federal entities (including Swisscom and RUAG) that became independent at around the turn of the millennium, as well as affiliated organisations. Their funded ratios are between 105.7% and 116.1% (prior year: 104.5% and 115.0%). The liabilities of the closed pension plans are valued at a technical interest rate of 2.25%, which is 0.5 percentage points lower than that for the open pension plans. 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 83.6% and 99.6% (prior year: 82.6% and 98.3%). The situation is subject to ongoing review by PUBLICA and the Federal Department of Finance.

### Development of age structure

The majority of retirement pension recipients in the closed pension plans are now over 80 years of age. The number of women of working age also increased slightly in 2017 compared with 2012.

### Structure of active members and pension recipients

5-year age cohorts 2012 and 2017, by age and gender as % of total membership



Scale: 1 percent = 15 mm

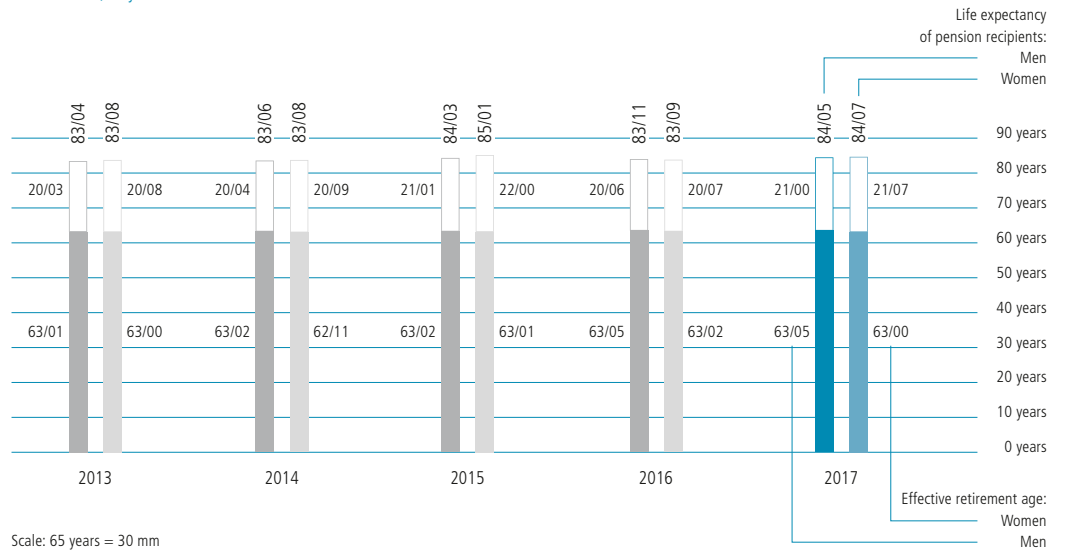


### Development of effective retirement age and effective mortality

The effective retirement age is increasing slightly but is not keeping pace with the rise in the effective life expectancy of retirement pension recipients. For this reason, the expected pension entitlement period is steadily lengthening and needs to be funded via lower conversion rates.

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

2013–2017, in years/months



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



### Distribution of net result for open pension plans: redistribution continues

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

### Redistribution – open pension plans

2013 to 2017, in CHF mn

2017	Active members	Pension recipients	Total
Interest <sup>1</sup>	- 210.0	- 416.0	- 626.0
Change to provisions for changes to technical parameters	- 306.0	- 94.0	- 400.0
<b>Share of active members &amp; pension recipients in net income (effective)</b>	<b>- 516.0</b>	<b>- 510.0</b>	<b>- 1 026.0</b>
Net investment income (incl. $\Delta$ deferred taxes)	-	-	2 376.0
Third-party benefits and risk result <sup>1</sup>	-	-	104.0
Formation (-)/release (+) of fluctuation reserve	-	-	- 1 455.0
<b>Share of net result as per pension fund capital</b>	<b>- 522.0</b>	<b>- 504.0</b>	<b>- 1 026.0</b>
<b>Redistribution to (+)/from (-)</b>	<b>- 6.0</b>	<b>6.0</b>	

Historical trend	Active members	Pension recipients
2017	- 6.0	6.0
2016	- 93.0	93.0
2015	35.0	- 35.0
2014	- 95.0	95.0
2013	- 103.0	103.0

<sup>1</sup> Simplified calculation

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

Owing to one-off additional provisions for the change of technical parameters amounting to 0.7 % of total pension fund capital formed exclusively for the active members, the redistribution has fallen to around CHF 6 million.

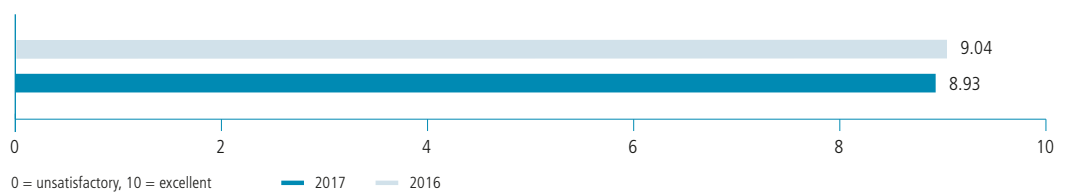


## Customer care

Customer satisfaction resulting from expert care is a corporate objective for PUBLICA. Accordingly, PUBLICA provides comprehensive customer service. Employers, active members and pension recipients each have a personal contact. A multilingual customer service organisation, the website with simulation tools, and regular information in three languages provide a comprehensive, customer-oriented response to questions on occupational pensions. PUBLICA offers seminars on pensions and retirement, and carries out regular surveys to gauge customer satisfaction.

### Customer satisfaction

2017 average with prior-year comparison, on a scale from 1 to 10



Customer satisfaction among insured members is surveyed on entry, when assets are withdrawn to finance home ownership, and on retirement. The quality of contact and the information provided by PUBLICA are rated on a scale from 0 (unsatisfactory) to 10 (excellent). In 2017, the average rating from the customer surveys was 8.93, slightly lower than the prior-year figure of 9.04.

As well as measuring the satisfaction of its members, PUBLICA also carries out regular surveys among employers. The results of the 2016 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.

## Risk management

### Risk policy: proactive and cautious

PUBLICA regards forward-looking risk management, 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 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 based on PUBLICA's investment process and governs the controlling and management of inherent risks within Asset Management. The core elements of the process are identifying key risks, minimising them, and creating an acceptance of risk so that residual risks are known and justifiable. The investment risk management process is based on three levels of risk: strategic, tactical and implementation.

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

### Strategic risks

The long-term investment policy aims first and foremost to ensure achievement of PUBLICA's mandate. It defines the key parameters for PUBLICA's asset management and is therefore an integral and essential component 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 regularly reviews the risk capacity as well as the key assumptions, in particular the risk/return assumptions for each asset class.

### Tactical risks

In principle, deviations from the strategic asset allocation within the tactical bandwidths are always set against the expected return. This means that PUBLICA's investment specialists only deviate from the prescribed strategic asset allocation when they have substantiated reasons to believe that they will generate sustainable added value or reduce risk by doing so. The corresponding maximum permitted tactical positions are taken into account in the strategic risk budget.

### Implementation risks

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

### Actuarial risk: risk result

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

The Swiss Chamber of Pension Actuaries has issued a technical directive (FRP4) containing recommendations on the technical interest rate. On 3 October 2017 it reduced the recommended maximum technical interest rate from 2.25 % to 2.0 %. This is significantly lower than the technical interest rate of 2.75 % used by PUBLICA for the open pension plans. The technical interest rate for the closed pension plans is 2.25 %.

PUBLICA reviews the risk results for active members and pension recipients on an annual basis. In the case of pension recipients, the expected capital freed up is compared with the capital actually freed up as a result of death. The resulting difference provides a measure of the deviation between the actuarial assumptions and the events that actually occurred in the year concerned. Similarly, for active members, the expected costs resulting from death or disability are calculated on the basis of assumptions, and compared with the cases that actually occurred. If this difference is not covered by the risk premium, annual actuarial losses occur.



### Risk result – active members

The risk result for active members shows an overall gain of CHF 29.3 million. This indicates that the death and disability claims that actually occurred were lower than was to be expected according to the actuarial tables. PUBLICA plans to reduce the risk premium further from 1 January 2019.

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

2011 to 2017, in CHF mn, number or percent

2017	Units	Risk premiums	Claims	Total gain (+) loss (-)	Number
Disability cases (incl. increases in degree of disability)	CHF mn	101.3	- 74.5	26.8	106
Deaths	CHF mn	4.2	- 1.7	2.5	54
<b>Total</b>	CHF mn	<b>105.5</b>	<b>- 76.2</b>	<b>29.3</b>	<b>160</b>
Insured salary	CHF mn	5 097	5 097		
Statutory required risk premium	Percent	2.07 %	1.50 %		
<b>2016</b>	<b>Units</b>	<b>Risk premiums</b>	<b>Claims</b>	<b>Total gain (+) loss (-)</b>	<b>Number</b>
Disability cases (incl. increases in degree of disability)	CHF mn	101.5	- 43.5	58.0	99
Deaths	CHF mn	4.2	- 0.6	3.6	62
<b>Total</b>	CHF mn	<b>105.7</b>	<b>- 44.1</b>	<b>61.6</b>	<b>161</b>
Insured salary	CHF mn	5 106	5 106		
Statutory required risk premium	Percent	2.07 %	0.86 %		
<b>Historical trend</b>	<b>Units</b>	<b>Risk premiums</b>	<b>Claims</b>		
2017	Percent	2.07 %	1.50 %		
2016	Percent	2.07 %	0.86 %		
2015	Percent	2.07 %	0.86 %		
2014	Percent	3.03 %	0.74 %		
2013	Percent	3.04 %	0.71 %		
2012	Percent	3.16 %	1.00 %		
2011	Percent	3.35 %	0.78 %		

### Risk result – pension recipients

The risk result for pension recipients shows an overall gain of around CHF 15.3 million. This is made up of gains of around CHF 7.3 million for survivors' pensions, CHF 5.9 million for disability pensions, and CHF 2.1 million for retirement pensions. An actuarial gain for pension recipients indicates that overall more pensioners died or more capital was freed up than was calculated and assumed on the basis of the actuarial tables.

### Operational risk: annual internal ICS audit

Operational risk consists of the risk of losses that arise as a result of the inadequacy or failure of internal processes, persons or systems, or due to external events. PUBLICA employs internal controls to minimise operational risks in all key areas. Quality Management assesses on an annual basis whether the internal controls are appropriate to the current circumstances. This ICS audit did not reveal any material weaknesses in 2017.

### Legal and regulatory risk: increasing regulatory density

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







## Sustainability and commitment

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

## Responsible investment

### Responsible investment includes the following areas:

#### Exercising shareholder rights

This involves PUBLICA regularly reviewing its investments on the basis of objective criteria and engaging in dialogue with critical companies, as well as exercising voting rights at listed companies in Switzerland. For the first of these, PUBLICA is assisted by the Swiss Association for Responsible Investments, SVVK-ASIR ([www.svkk-asir.ch](http://www.svkk-asir.ch)), of which it was a co-founder. With regard to the exercise of voting rights, PUBLICA works with the external specialist Corporate Governance Agency Switzerland, CGAS, which is being taken over by Inrate AG. The rights are exercised in accordance with the long-term interests of the shareholders. Voting rights are not systematically exercised abroad. Voting behaviour is disclosed on the PUBLICA website ([www.publica.ch](http://www.publica.ch)) following each general meeting. The disclosures on voting behaviour reveal that PUBLICA rejected overall remuneration either wholly or partially in 27 % of cases.

# 27 %

Overall remuneration  
partially or completely  
rejected

#### Risk analysis

As part of extended risk management, PUBLICA conducts an annual risk analysis according to environmental, social and governance criteria to assess risks that are difficult to quantify and could result in tangible financial losses to the assets managed by PUBLICA. On the basis of a climate change analysis, PUBLICA has excluded coal producers from its global equity portfolios since 2016. In 2017 the focus was on cyber risks.

#### 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 bound by the code of conduct set out in ASIP's charter. PUBLICA undertakes to comply with the principles and to take appropriate measures to ensure that it does so. Implementation of the ASIP charter by means of regularly updated compliance regulations ensures that the stipulations concerning loyalty and integrity are complied with.

In its asset management activities, PUBLICA works only with external business partners that undertake to comply with the principles laid down in the ASIP charter. Alternatively, they may be subject to supervision by a recognised supervisory body or to regulations that meet the integrity and loyalty requirements of the ASIP charter.

## Operational measures on sustainability

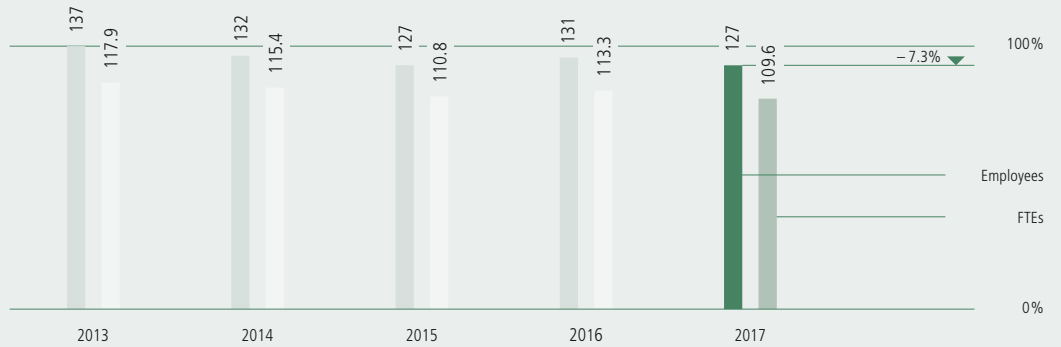
Since 2015, PUBLICA has compiled an annual sustainability report on its operations. Its principal focus is on taking stock of where the organisation stands and on defining measures, particularly in relation to the responsible management of natural resources, and employees.

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



### Headcount

2013–2017, average number of employees and full-time equivalents (FTEs) at year end, 2013 = 100%



Scale: 100 percent = 35 mm

Headcount fell year on year, and currently stands at 127, while full-time equivalents also declined, to 109.6.

The workforce consists of 48 % women and 52 % men. Women make up 25 % of the Board of Directors and 29 % of the Extended Executive Board. PUBLICA is aware that it must intensify its efforts to increase the proportion of women with management responsibility over the longer term.

To assist employees in balancing their family and work commitments, PUBLICA has its own day nursery, while around 40 % of staff work part-time. As a further health promotion measure, PUBLICA offers all members of staff a modern workplace with a standing desk, a staff restaurant and an infrastructure (showers and changing rooms) that enables them to engage in sporting activities.

PUBLICA promotes ongoing education: around 38 % of our employees have attended training and further education events. Each year, PUBLICA offers two commercial apprenticeships. The six apprentices account for around 5 % of the workforce. PUBLICA is now working together with six other pension funds to further professionalise the training of apprentices.

A staff survey is normally conducted by an independent body once every two years. The 2017 survey showed that 79 % of employees are satisfied or very satisfied.

**38 %**  
Employees attending training or further education



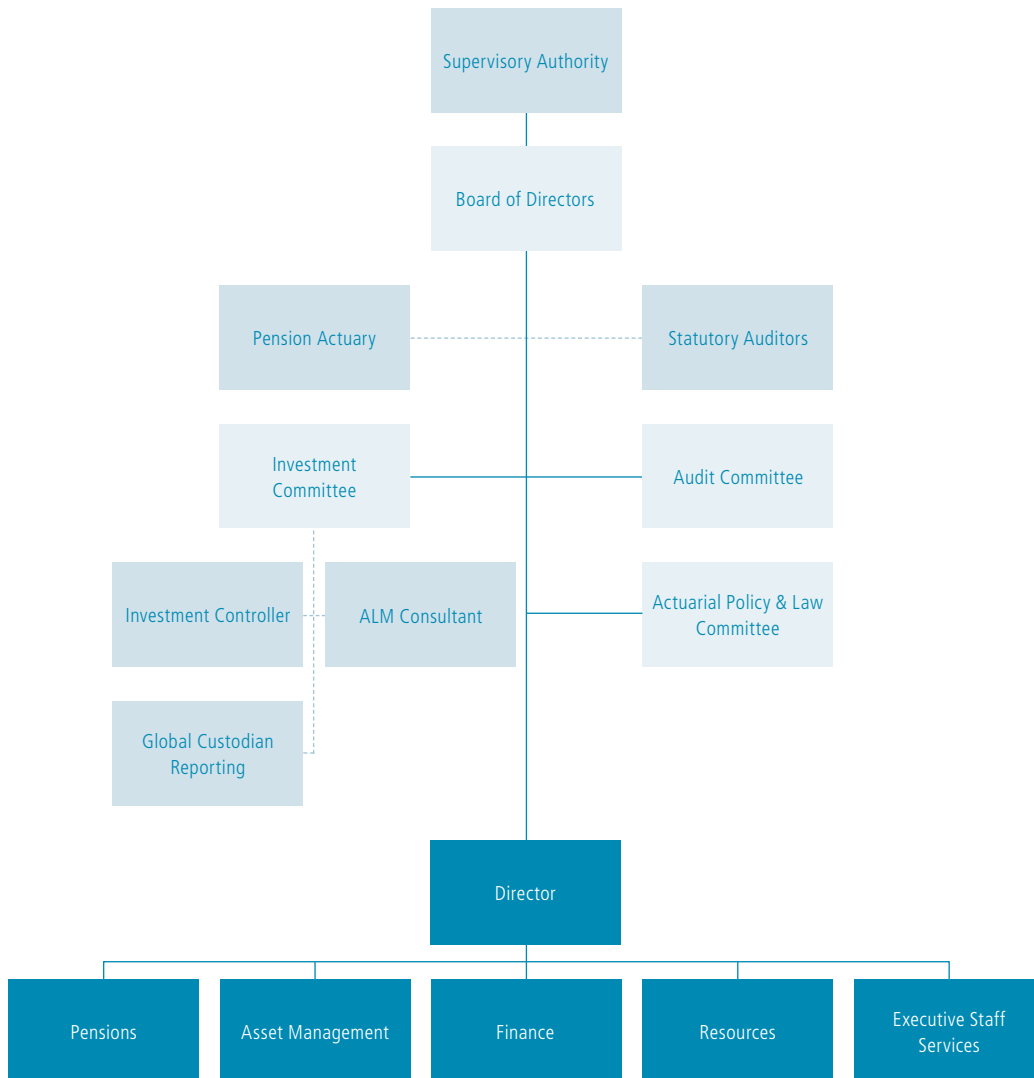




## Corporate governance

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 committees deal in depth with the tasks entrusted to them. The supervisory authority, as the supreme independent body, oversees the activities of PUBLICA.



## Board of Directors

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

The Chair and Vice-Chair of the Board of Directors consist of one employer representative and one employee representative. They alternate as Chair and Vice-Chair every two years. At the start of the new term of office on 1 July 2017 Prisca Grossenbacher-Frei, representing the employees, was appointed Chair and Matthias Remund, representing the employers, was appointed Vice-Chair.

The Board of Directors has appointed the following permanent committees: the Investment Committee, the Audit Committee and the Actuarial Policy and Law Committee. An extraordinary committee dealing with the adjustment to the technical parameters also met four times in 2017.

The Board of Directors met six times in the year under review, the Investment Committee ten times. There were six meetings of the Audit Committee and three of the Actuarial Policy and Law Committee. The members of the Board of Directors and the committees attended 28.5 external training days (prior year: 31.5), of which PUBLICA supported 19 (prior year: 21). This corresponds to an average of 1.8 training days per member.

The composition of the Board of Directors as at 31 December 2017 is as follows (names in alphabetical order):

# 26

Meetings of the Board of Directors and its committees



### Alvarez Cipriano

Occupation	Federal Office for Housing, Head of Legal Department
Qualifications	Lawyer
Representative of	Employees
Board member since	01.07.2013
Committee	Investment Committee
Committee member since	01.07.2013
External mandates	Länggasse-Felsenau school committee, Bern: member; Operating Committee of the Construction and Housing Policy Fund, Bern: member

### Buntschu Kurt

Occupation	Head of HR, Swiss Red Cross
Qualifications	BA in Business Administration, federally certified pension fund manager
Representative of	Employers
Board member since	01.07.2002
Committee	Audit Committee
Committee member since	01.07.2013
Membership of parity commissions	Chair of the Affiliated Organisations pension plan
External mandates	Swiss Life Saving Society (SLSS): board member



### Gaillard Serge

Chair of the Audit Committee

Occupation	Director, Federal Finance Administration
Qualifications	Doctorate in Business Administration
Representative of	Employers
Board member since	01.10.2012
Committee	Audit Committee
Committee member since	18.10.2012







### Grossenbacher-Frei Prisca

Chair of the Board of Directors

Occupation	Vice-Director of the Federal Food Safety and Veterinary Office
Qualifications	Lawyer
Representative of	Employees
Board member since	01.07.2009

### Grunder Jürg

Occupation	Secretary, Federal Staff Association PVB
Qualifications	Degree in Business Administration
Representative of	Employees
Board member since	01.07.2017
Committee	Audit Committee
Committee member since	01.07.2017



### Hinder Alex

Chair of the Investment Committee

Occupation	CEO, Hinder Asset Management AG
Qualifications	Doctorate in Economics
Representative of	Employers
Board member since	01.07.2009
Committee	Investment Committee
Committee member since	01.07.2009
External mandates	Decommissioning and Waste Disposal Fund for Nuclear Power Plants: member of the Investment Committee; Sofisa SA, Fribourg: member of the Board of Directors



### 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

### Maurer Stalder Petra

Occupation	Municipal council member, Oberhofen
Qualifications	Diploma in Business Administration, MAS Corporate Communication Management
Representative of	Employees
Board member since	01.07.2009
Committee	Actuarial Policy and Law Committee
Committee member since	01.07.2017
External mandates	Energie Oberhofen AG, Oberhofen: Director; Stiftung Seniorama Oberhofen am Thunersee: Board Member; Wohnbaugenossenschaft Aebnit, Oberhofen: Board Member; Wohnbaugenossenschaft Oberhofen (WBGO), Oberhofen: Board Member



### Müller Kaspar

Occupation	Head of Finance and Controlling, 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

### Remund Matthias

Vice-Chair of the Board of Directors

Occupation	Director of the Federal Office for Sport
Qualifications	Lawyer
Representative of	Employers
Board member since	01.07.2009
External mandates	Swiss Olympic Association, Ittigen: member of the Executive Council; 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; Swiss Association for Administrative Organisational Law SVVOR: 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	Public Services International PSI: asset manager; VPOD Pension Fund: general manager; St. Gallen Pension Fund: member of the Board of Trustees; City of Winterthur Pension Fund: Chair of the Board of Trustees; City of Zurich Pension Fund: Chair of the Board of Trustees; Substitute Occupational Benefit Institution, Zurich: member of the Board of Trustees

### 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



### Wicki Janine

Occupation	General Secretary, Federal Staff Association PVB
Qualifications	LL.B.
Representative of	Employees
Board member since	16.03.2016
Committee	Actuarial Policy and Law Committee
Committee member since	01.07.2017





### Wyler Alfred

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

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

#### Meier Ruth

Board member from 01.07.2009 to 30.06.2017

#### Scholl Fred

Board member from 01.07.2002 to 30.06.2017

#### Sommer Martin

Board member from 20.03.2003 to 30.06.2017

#### 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 portfolio managers and instructions to internal portfolio managers, approving direct real estate transactions in Switzerland (purchases, sales, projects) up to an investment value of CHF 100 million and land purchases without a project ready for approval up to a value of CHF 25 million.

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

In addition to Cipriano Alvarez, Bruno Parnisari and Philippe Thalmann, the external members on the Investment Committee as at 31 December 2017 are as follows (names in alphabetical order):

### **Eggenberger Urs**

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

### **Loepfe Andreas**

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

### **Actuarial Policy & Law Committee**

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

### **Audit Committee**

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

## **Information and control instruments**

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

### **Quality management**

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



### Internal control system

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

### Compliance

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

### Finance and Asset Management

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

## Assembly of Delegates

The Assembly of Delegates (AD) consists of 80 employees of the employers affiliated to PUBLICA. The AD elects eight individuals to represent the employees on the Board of Directors during a four-year term of office. It also has the right to submit proposals to the Board of Directors. The AD is also newly elected every four years.

The new AD was elected electronically for the first time in November 2016. It took office on 1 January 2017 and held its first meeting on 24 January 2017. The delegates appointed Valentin Lagger as their new Chair and confirmed Jacqueline Morard-Niklaus as Vice-Chair. The names of all the delegates and the pension plans they represent are published on [www.publica.ch](http://www.publica.ch).

As at 31 December 2017, 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

The employee representatives on the Board of Directors for the new term of office (1 July 2017 to 30 June 2021) were elected on 9 May 2017.

## Director, Deputy and Executive Board

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

As at 31 December 2017, the Executive Board comprises the following members:

### Stohler Dieter

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

### Beiner Stefan

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

### Lanz Iwan

Function	Head of Pensions
Qualifications	Certified pension insurance expert

### Sohnrey Jan

Function	Head of Finance
Qualifications	Degree in IT, certified auditor, CAIA

### Zaugg Markus

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

As at 31 December 2017 the Extended Executive Board comprises the following additional members:

### Barandun Ursina

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

### Geiser Corinne

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



## Compensation

### Compensation policy

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

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

PUBLICA does not generally pay bonuses.

### Compensation-setting process

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

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

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

The total compensation plus flat-rate travel expenses paid by PUBLICA either directly or indirectly to the members of the Board of Directors and its committees was CHF 315,630 (prior year: CHF 330,667).

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

2017 with prior-year comparison, in CHF, excluding departures

		31.12.2016	31.12.2017
Alvarez Cipriano		20 000	17 000
Buntschu Kurt		19 000	16 000
Eggenberger Urs		10 500	9 000
Gaillard Serge	Chair of the Audit Committee	17 500	16 500
Grossenbacher-Frei Prisca	Chair of the Board of Directors	19 000	24 500
Grunder Jürg*		–	8 000
Hinder Alex	Chair of the Investment Committee	50 000	50 000
Künzli Dieter*		–	5 500
Loepfe Andreas		18 290	13 130
Maurer Stalder Petra		13 500	12 500
Müller Kaspar		9 333	13 500
Parnisari Bruno*		–	7 000
Remund Matthias	Vice-Chair of the Board of Directors	36 000	30 000
Schaerer Barbara	Chair of the Actuarial Policy and Law Committee	17 500	14 000
Serra Jorge		10 000	10 500
Thalmann Philippe		15 500	15 500
Wicki Janine		10 167	13 500
Wyler Alfred		20 500	18 000

\* joined during year under review

The members of the Board of Directors who stood down in 2017 received total compensation of CHF 21,500.

### Level of compensation paid to the Executive Board

The average compensation (gross salary including all allowances and employer's pension contributions) paid to members of the Executive Board was CHF 267,495 per person (prior year: CHF 276,688), while the total was CHF 1,337,473 (prior year: CHF 1,383,441). The highest compensation was paid to the Director, who received an unchanged gross salary of CHF 309,000. As his employer, PUBLICA paid CHF 60,153 (unchanged from the prior year) in contributions towards his pension.

## Statutory Auditors

The Statutory Auditors KPMG AG are licensed as a state-supervised audit firm by the Swiss Federal Audit Oversight Authority FAOA. Erich Meier is the lead auditor. The total audit fee for 2017 was CHF 232,018 (prior year: CHF 230,542). KPMG received additional fees totalling CHF 58,268 (prior year: CHF 90,683) 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. PUBLICA put the audit mandate out to tender again in 2017. The mandate was awarded to KPMG.

**7 to 9** years  
Maximum mandate duration  
of the Pension Actuary  
and audit company

## 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. It received a fee of CHF 180,778 in 2017. 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 2017 amounted to over CHF 6 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.

### Consolidated balance sheet

2017 with prior-year comparison, in CHF

Assets	Note	31.12.2016	31.12.2017
Cash & cash equivalents		51 846 701	116 248 301
Receivables		185 359 417	126 259 105
Money market		672 699 396	550 202 027
Swiss government bonds		2 839 309 506	2 953 014 130
Non-government bonds CHF		4 158 318 589	4 441 643 831
Government bonds industrialised nations ex Switzerland		5 000 768 075	4 859 164 420
Inflation-linked government bonds		2 302 367 415	2 388 708 547
Public corporate bonds ex CHF		5 295 981 219	5 583 342 826
Private corporate bonds		184 473 685	507 393 572
Private infrastructure bonds		220 209 720	361 730 477
Government bonds emerging markets hard currencies		1 243 212 428	1 270 034 332
Government bonds emerging markets local currencies		1 439 986 630	1 518 252 135
Mortgages Switzerland		133 081 321	128 924 638
Equities Switzerland		1 149 050 320	1 210 334 338
Equities industrialised nations ex Switzerland		6 360 670 877	6 717 456 595
Equities emerging markets		3 213 307 161	3 444 115 390
Precious metals		733 238 779	881 806 384
Real estate investments Switzerland		2 644 545 570	2 664 423 021
Real estate investments international		–	53 488 754
<b>Investments</b>	6.4	<b>37 828 426 808</b>	<b>39 776 542 825</b>
<b>Operating assets</b>	7.1	<b>19 735 672</b>	<b>17 181 842</b>
<b>Prepaid expenses and accrued income</b>		<b>3 790 338</b>	<b>2 344 048</b>
<b>Total assets</b>		<b>37 851 952 817</b>	<b>39 796 068 716</b>



## Consolidated balance sheet

2017 with prior-year comparison, in CHF

Assets	Note	31.12.2016	31.12.2017
Vested pension benefits and pensions		67 462 088	72 482 372
Other liabilities		6 160 167	13 154 939
Operating liabilities	7.1	19 735 672	3 718 386
<b>Liabilities</b>		<b>93 357 927</b>	<b>89 355 698</b>
<b>Accrued expenses and deferred income</b>		<b>641 595</b>	<b>1 181 019</b>
<b>Employers' contribution reserves</b>	6.11	<b>38 090 013</b>	<b>43 046 669</b>
<b>Non-technical provisions</b>	7.3	<b>215 786 512</b>	<b>145 639 638</b>
Pension fund capital – active members	5.2	16 020 447 140	16 337 907 283
Pension fund capital – pension recipients	5.4	19 182 946 916	18 879 485 754
Technical provisions	5.5	1 256 720 006	1 678 218 921
<b>Pension fund capital and technical provisions</b>		<b>36 460 114 062</b>	<b>36 895 611 959</b>
<b>Fluctuation reserve</b>		<b>1 032 226 746</b>	<b>2 526 555 338</b>
Working capital – PUBLICA Operations and Reinsurance	5.1/7.1	–	84 280 456
Opening balance sheet		– 207 436 251	–
Expenditure (–)/income (+) surplus		207 436 251	–
Closing balance sheet		–	–
Uncommitted funds/underfunding of pension plans		–	–
Uncommitted funds/underfunding Reinsurance	5.1	11 735 962	10 397 941
<b>Working capital/uncommitted funds/underfunding</b>		<b>11 735 962</b>	<b>94 678 397</b>
<b>Total liabilities</b>		<b>37 851 952 817</b>	<b>39 796 068 716</b>

## Consolidated income statement

2017 with prior-year comparison, in CHF

	Note	31.12.2016	31.12.2017
Savings contributions – employees	5.2	474 712 319	477 296 668
Risk premiums – employees		10 218 668	10 330 119
Cost premiums – employees		188 383	178 692
Employee contributions		485 119 370	487 805 478
Savings contributions – employers	5.2	727 229 226	727 648 353
Risk premiums – employers		95 515 456	95 154 831
Cost premiums – employers		22 013 344	18 874 395
Employer contributions		844 758 026	841 677 580
Removal from employers' contribution reserve to finance contributions		- 283 028	- 167 678
Contributions from third parties		358 697	1 640 491
Lump-sum payments and buy-ins – active members	5.2	77 397 763	79 553 484
Buy-outs of pension reductions and pension buy-ins	5.4	39 587 820	53 001 239
Lump-sum payments and buy-ins		116 985 583	132 554 723
Payment of employers' contribution reserves		3 699 000	2 353 000
Contributions to the BVG Security Fund		24 362	11 509
<b>Ordinary and other contributions and payments</b>		<b>1 450 662 011</b>	<b>1 465 875 103</b>
Vested pension benefits received		327 343 868	308 883 590
Home ownership and divorce payments received		13 836 223	20 143 938
Payments on takeover of member portfolios	1.6	16 090 934	348 322
<b>Entrance benefits</b>	5.2	<b>357 271 025</b>	<b>329 375 850</b>
<b>Inflow from contributions and entrance benefits</b>		<b>1 807 933 036</b>	<b>1 795 250 953</b>
Retirement pensions		- 1 261 020 034	- 1 254 464 837
Survivors' pensions		- 305 966 058	- 304 719 884
Disability pensions		- 29 142 918	- 28 806 608
Other statutory benefits		- 47 186 179	- 46 354 495
Lump-sum benefits upon retirement		- 125 277 448	- 155 838 631
Lump-sum benefits in case of death/disability		- 8 809 853	- 8 393 835
Benefits from divorce		-	- 374 016
<b>Statutory benefits</b>	5.4	<b>- 1 777 402 491</b>	<b>- 1 798 952 306</b>
Vested benefits paid on departure		- 419 674 465	- 415 024 133
Early withdrawals for home ownership / divorce		- 69 420 759	- 62 623 552
Transfer of additional funds on collective departure	1.6	- 16 052 247	- 60 442 344
<b>Vested termination benefits</b>	5.2	<b>- 505 147 470</b>	<b>- 538 090 029</b>
<b>Outflow for benefits and early withdrawals</b>		<b>- 2 282 549 961</b>	<b>- 2 337 042 334</b>
Formation (-)/release (+) of pension fund capital – active members	5.2	- 230 630 285	- 107 802 284
Formation (-)/release (+) of pension fund capital – pension recipients	5.4	326 276 967	303 461 162
Formation (-)/release (+) of technical provisions	5.5	- 145 090 593	- 421 498 916
Interest on savings capital	5.2	- 188 104 125	- 209 657 860
Formation (-)/release (+) of employers' contribution reserves	6.11	- 6 735 406	- 4 956 655
<b>Formation (-)/release (+) of pension fund capital, technical provisions and contribution reserves</b>		<b>- 244 283 443</b>	<b>- 440 454 552</b>
Shares in surpluses for pension plans from internal Reinsurance	5.1	11 038 325	3 732 062
Shares in surpluses for pension plans from PUBLICA internal Operations		3 790 338	2 344 048
<b>Pension plans</b>		<b>14 828 663</b>	<b>6 076 111</b>
Risk premium received – internal Reinsurance, gross	5.1	6 126 601	6 229 071
Cost premium received – PUBLICA internal Operations, gross		22 201 727	19 053 087
<b>PUBLICA Operations and PUBLICA Reinsurance</b>		<b>28 328 329</b>	<b>25 282 158</b>
<b>Income from insurance benefits</b>		<b>43 156 992</b>	<b>31 358 269</b>
Risk premiums paid by pension plans for internal Reinsurance	5.1	- 6 126 601	- 6 229 071
Cost premiums paid by pension plans for PUBLICA internal Operations		- 22 201 727	- 19 053 087
Additional payment of cost premiums from non-technical provisions		-	- 862 145
Contributions to Security Fund		- 4 746 332	- 3 457 718
<b>Pension plans</b>		<b>- 33 074 661</b>	<b>- 29 602 021</b>
Repayment of shares in surplus from PUBLICA Reinsurance	5.1	- 11 038 325	- 3 732 062
Repayment of shares in surplus from PUBLICA Operations		- 3 790 338	- 1 481 903
<b>PUBLICA Operations and PUBLICA Reinsurance</b>		<b>- 14 828 663</b>	<b>- 5 213 966</b>
<b>Insurance expenses</b>		<b>- 47 903 324</b>	<b>- 34 815 987</b>
<b>Net insurance income</b>		<b>- 723 646 700</b>	<b>- 985 703 652</b>

CHF  
– 542  
million

Net cash outflow from  
contributions and benefits

CHF  
+ 2  
million

Surpluses from the cost  
premium returned to all  
pension plans

CHF  
+ 4  
million

Surpluses from the risk  
premium returned to the  
reinsured pension plans



## Consolidated income statement

2017 with prior-year comparison, in CHF

	Note	31.12.2016	31.12.2017
Net income from cash & cash equivalents	6.8	40 901	- 12 414
Net income from receivables	6.8	-	-
Net income from liabilities	6.8	- 846 911	- 665 435
Net income from money market	6.8	- 3 270 946	- 6 450 511
Net income from Swiss government bonds	6.8	71 614 520	- 9 965 552
Net income from non-government bonds CHF	6.8	49 971 659	4 675 947
Net income from government bonds industrialised nations ex Switzerland	6.8	95 692 312	- 25 338 711
Net income from inflation-linked government bonds	6.8	44 479 360	15 129 521
Net income from public corporate bonds ex CHF	6.8	199 203 549	91 750 469
Net income from private corporate bonds	6.8	- 667 758	9 405 408
Net income from private infrastructure bonds	6.8	4 836 452	8 253 850
Net income from government bonds emerging markets hard currencies	6.8	- 19 132 648	80 024 917
Net income from government bonds emerging markets local currencies	6.8	175 267 637	162 711 624
Net income from mortgages Switzerland	6.8	2 275 569	2 249 556
Net income from equities Switzerland	6.8	- 38 808 017	196 951 932
Net income from equities industrialised nations ex Switzerland	6.8	501 151 758	989 842 524
Net income from equities emerging markets	6.8	422 469 797	870 000 924
Net income from commodities	6.8	69 753 956	-
Net income from precious metals	6.8	73 614 248	65 953 833
Net income from real estate investments Switzerland	6.8	298 639 385	120 515 745
Net income from real estate investments international	6.8	-	- 320 798
Asset management expenses	6.10	- 79 496 557	- 79 139 691
<b>Net investment income</b>	6.8	<b>1 866 788 266</b>	<b>2 495 573 138</b>
<b>Formation (-)/release (+) of non-technical provisions</b>	7.3	<b>- 133 326 116</b>	<b>70 146 874</b>
<b>Other expenses</b>		<b>- 1 406 917</b>	<b>- 1 547 639</b>
<b>Other income</b>		<b>2 432 450</b>	<b>3 296 663</b>
General administration	7.2	- 18 724 327	- 17 201 592
Marketing and advertising	7.2	- 19 579	-
Brokerage	7.2	-	-
Statutory Auditors	7.2	- 230 542	- 232 018
Pension Actuary	7.2	- 245 738	- 251 519
Supervisory authorities	7.2	- 20 047	- 102 019
<b>Administrative expenses</b>	7.2	<b>- 19 240 233</b>	<b>- 17 787 147</b>
<b>Expenditure (-)/income (+) surplus before formation/release of fluctuation reserve</b>		<b>991 600 750</b>	<b>1 563 978 237</b>
<b>Formation (-)/release (+) of fluctuation reserve</b>	6.3	<b>- 772 428 536</b>	<b>- 1 494 328 591</b>
<b>Expenditure (-)/income (+) surplus</b>		<b>219 172 213</b>	<b>69 649 646</b>
Expenditure (-)/income (+) surplus working capital – PUBLICA Operations and Reinsurance	5.1/7.2	-	70 987 667
Expenditure (-)/income (+) surplus – pension plans		207 436 251	-
Expenditure (-)/income (+) surplus – Reinsurance	5.1	11 735 962	- 1 338 021
<b>Expenditure (-)/income (+) surplus</b>		<b>219 172 213</b>	<b>69 649 646</b>

# Notes

## 1 Fundamentals and organisation

### 1.1 Legal form and purpose

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

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

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

### 1.2 BVG registration and Security Fund

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

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

### 1.3 Legal basis

- PUBLICA Act of 20 December 2006 (status as at 1 January 2012)
- Regulations of the Board of Directors of PUBLICA governing the Staff of the Federal Pension Fund PUBLICA dated 6 November 2009 (status as at 1 October 2016)
- Framework pension plan regulations of the Swiss Federal Pension Fund PUBLICA of 26 March 2015 (status as at 1 January 2017)
- Contracts of affiliation of the employers affiliated to PUBLICA, consisting of the following components:
  - pension plan regulations or framework pension plan regulations with the pension plan
  - the Service Level Agreement on Services
  - the Service Level Agreement on Medical Examinations (not obligatory; as required)
  - the Winding-Up Regulations
- Corporate and Organisational Regulations of the Federal Pension Fund PUBLICA of 25 August 2015 (status as at 13 October 2016)
- Investment Guidelines of the Federal Pension Fund PUBLICA (PUBLICA Investment Guidelines) of 15 April 2010 (status as at 23 June 2017)
- Regulations governing the Provisions and Reserves of the Federal Pension Fund PUBLICA, the Pension Plans and PUBLICA Reinsurance of 22 November 2016
- Compliance Regulations of 23 August 2012 (status as at 10 April 2014)
- Regulations governing the Risk Policy and Internal Control System of 11 April 2013
- PUBLICA policy document on hardship cases of 25 November 2010 (status as at 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)
- Regulations governing the Audit Committee of the Federal Pension Fund PUBLICA of 13 October 2011 (status as at 21 November 2013)
- Regulations governing the Actuarial Policy and Law Committee of the Federal Pension Fund PUBLICA of 22 November 2012 (status as at 21 November 2013)
- Regulations governing the Election of the Assembly of Delegates of the Federal Pension Fund PUBLICA of 17 November 2015 (status as at 28 November 2017)
- The Federal Personnel Act (FPA) of 24 March 2000 (status as at 1 January 2017) contains individual provisions concerning pension financing and pension benefits for the employers affiliated to PUBLICA that are subject to the FPA.

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

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

The Chair and Vice-Chair of the Board of Directors as well as the Director and Deputy, the 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	Allvisa AG Seestrasse 6, P.O. Box 1544 8027 Zurich	<a href="http://www.allvisa.ch">www.allvisa.ch</a>
Statutory Auditors	KPMG AG Hofgut 3073 Gümligen-Bern	<a href="http://www.kpmg.com">www.kpmg.com</a>
Supervisory authority	Bernische BVG- und Stiftungsaufsicht (BBSA) Belpstrasse 48, P.O. Box 3000 Bern 14	<a href="http://www.aufsichtbern.ch">www.aufsichtbern.ch</a>
Property Valuer	Jones Lang LaSalle Ltd Prime Tower, Hardstrasse 201 8005 Zurich	<a href="http://www.joneslanglasalle.ch">www.joneslanglasalle.ch</a>
Investment Controller	PPCmetrics AG Badenerstrasse 6, P.O. Box 8021 Zurich	<a href="http://www.ppcmetrics.ch">www.ppcmetrics.ch</a>

## 1.6 Affiliated employers

As of 31 December 2017, the PUBLICA collective institution once again comprised 20 mutually independent pension plans, of which seven were closed, pensioner-only plans without any active members. The pension plans have their own accounts and are managed by their own parity commissions.

### New affiliations

The Board of Directors approved the following affiliations in 2017:

#### Affiliated Organisations pension plan

- Coordination Centre for the Long-Term Archiving of Electronic Documents (KOST)
- Foundation for Technology Assessment (TA-SWISS)

#### Departures/liquidations

Confederation pension plan

- Swiss Alcohol Board (SAB) – departure linked to partial liquidation
- Swiss National Library

Affiliated Organisations pension plan

- Bern University of Applied Sciences, School of Agricultural, Forest and Food Sciences (HAFL)
- Swiss Red Cross Neuchâtel Section (CRSN)

Pensioners only – Affiliated Organisations

- Federal Staff Holiday Cooperative (BFG)
- Swiss Refugee Council

### 1.6.1 Open pension plans

#### Open pension plans

2017 with prior-year comparison, in CHF, number or percent

Pension plans with one employer		Units	31.12.2016	31.12.2017
ETH Domain	Active members	Number	19 031	19 352
	Pension recipients	Number	5 387	5 453
	<b>Total active members &amp; pension recipients</b>	Number	<b>24 418</b>	<b>24 805</b>
	Available assets	CHF	6 558 398 239	7 038 662 247
	Pension fund capital & technical provisions	CHF	6 357 407 547	6 519 423 071
	<b>Funded ratio as per BVV2</b>	Percent	<b>103.2%</b>	<b>108.0%</b>
	Economic funded ratio	Percent	84.9 %	89.5 %
IGE	Active members	Number	283	291
	Pension recipients	Anzahl	64	67
	<b>Total active members &amp; pension recipients</b>	Number	<b>347</b>	<b>358</b>
	Available assets	CHF	114 591 875	127 859 915
	Pension fund capital & technical provisions	CHF	112 627 222	118 982 390
	<b>Funded ratio as per BVV2</b>	Percent	<b>101.7%</b>	<b>107.5%</b>
	Economic funded ratio	Percent	86.7 %	92.7 %
Swissmedic	Active members	Number	422	427
	Pension recipients	Number	130	129
	<b>Total active members &amp; pension recipients</b>	Number	<b>552</b>	<b>556</b>
	Available assets	CHF	228 362 304	249 902 303
	Pension fund capital & technical provisions	CHF	220 875 924	230 378 127
	<b>Funded ratio as per BVV2</b>	Percent	<b>103.4%</b>	<b>108.5%</b>
	Economic funded ratio	Percent	86.3 %	91.0 %



## Open pension plans

2017 with prior-year comparison, in CHF, number or percent

Pension plans with one employer		Units	31.12.2016	31.12.2017
Swiss Federal Institute for Vocational Education and Training	Active members	Number	250	239
	Pension recipients	Number	41	47
	<b>Total active members &amp; pension recipients</b>	Number	<b>291</b>	<b>286</b>
	Available assets	CHF	86 066 362	93 403 059
	Pension fund capital & technical provisions	CHF	84 072 536	87 708 430
	<b>Funded ratio as per BVV2</b>	Percent	<b>102.4%</b>	<b>106.5%</b>
	Economic funded ratio	Percent	84.8 %	88.9 %
Federal Audit Oversight Authority	Active members	Number	30	30
	Pension recipients	Number	1	3
	<b>Total active members &amp; pension recipients</b>	Number	<b>31</b>	<b>33</b>
	Available assets	CHF	9 136 807	11 143 765
	Pension fund capital & technical provisions	CHF	8 715 364	10 296 412
	<b>Funded ratio as per BVV2</b>	Percent	<b>104.8%</b>	<b>108.2%</b>
	Economic funded ratio	Percent	106.4 %	108.6 %
FINMA	Active members	Number	520	540
	Pension recipients	Number	57	61
	<b>Total active members &amp; pension recipients</b>	Number	<b>577</b>	<b>601</b>
	Available assets	CHF	222 210 626	251 302 724
	Pension fund capital & technical provisions	CHF	216 128 197	234 049 204
	<b>Funded ratio as per BVV2</b>	Percent	<b>102.8%</b>	<b>107.4%</b>
	Economic funded ratio	Percent	93.2 %	97.8 %
Federal Nuclear Safety Inspectorate	Active members	Number	148	148
	Pension recipients	Number	49	52
	<b>Total active members &amp; pension recipients</b>	Number	<b>197</b>	<b>200</b>
	Available assets	CHF	108 839 221	118 385 158
	Pension fund capital & technical provisions	CHF	105 923 033	109 764 664
	<b>Funded ratio as per BVV2</b>	Percent	<b>102.8%</b>	<b>107.9%</b>
	Economic funded ratio	Percent	84.6 %	89.5 %
PUBLICA	Active members	Number	127	123
	Pension recipients	Number	49	53
	<b>Total active members &amp; pension recipients</b>	Number	<b>176</b>	<b>176</b>
	Available assets	CHF	68 758 875	74 964 568
	Pension fund capital & technical provisions	CHF	66 351 366	69 428 917
	<b>Funded ratio as per BVV2</b>	Percent	<b>103.6%</b>	<b>108.0%</b>
	Economic funded ratio	Percent	86.9 %	90.6 %
Trasse Schweiz AG	Active members	Number	10	10
	Pension recipients	Number	1	1
	<b>Total active members &amp; pension recipients</b>	Number	<b>11</b>	<b>11</b>
	Available assets	CHF	6 528 232	7 379 669
	Pension fund capital & technical provisions	CHF	6 445 163	6 969 585
	<b>Funded ratio as per BVV2</b>	Percent	<b>101.3%</b>	<b>105.9%</b>
	Economic funded ratio	Percent	90.2 %	95.4 %
Swiss National Museum SNM	Active members	Number	256	274
	Pension recipients	Number	75	77
	<b>Total active members &amp; pension recipients</b>	Number	<b>331</b>	<b>351</b>
	Available assets	CHF	62 233 243	68 228 894
	Pension fund capital & technical provisions	CHF	60 743 808	63 714 418
	<b>Funded ratio as per BVV2</b>	Percent	<b>102.5%</b>	<b>107.1%</b>
	Economic funded ratio	Percent	85.6 %	90.9 %



## Open pension plans

2017 with prior-year comparison, in CHF, number or percent

Pension plans with one employer		Units	31.12.2016	31.12.2017
METAS	Active members	Number	194	204
	Pension recipients	Number	81	85
	<b>Total active members &amp; pension recipients</b>	Number	<b>275</b>	<b>289</b>
	Available assets	CHF	119 085 900	129 699 753
	Pension fund capital & technical provisions	CHF	115 529 504	121 212 065
	<b>Funded ratio as per BVV2</b>	Percent	<b>103.1%</b>	<b>107.0%</b>
	Economic funded ratio	Percent	82.9 %	88.1 %
<b>Joint pension plans</b>				
Confederation		Units	31.12.2016	31.12.2017
	Active members	Number	40 226	39 692
	Pension recipients	Number	25 559	25 658
	<b>Total active members &amp; pension recipients</b>	Number	<b>65 785</b>	<b>65 350</b>
	Available assets	CHF	25 098 577 439	26 643 709 357
	Pension fund capital & technical provisions	CHF	24 622 647 049	25 128 221 046
	<b>Funded ratio as per BVV2</b>	Percent	<b>101.9%</b>	<b>106.0%</b>
	Economic funded ratio	Prozent	82.5 %	86.8 %
Affiliated Organisations		Units	31.12.2016	31.12.2017
	Active members	Number	2 366	2 302
	Pension recipients	Number	900	893
	<b>Total active members &amp; pension recipients</b>	Number	<b>3 266</b>	<b>3 195</b>
	Available assets	CHF	936 608 849	938 957 731
	Pension fund capital & technical provisions	CHF	892 925 911	849 762 292
	<b>Funded ratio as per BVV2</b>	Percent	<b>104.9%</b>	<b>110.5%</b>
	Economic funded ratio	Percent	83.7 %	89.2 %
<b>Total open pension plans</b>				
	Active members	Number	63 863	63 632
	Pension recipients	Number	32 394	32 579
	<b>Total active members &amp; pension recipients</b>	Number	<b>96 257</b>	<b>96 211</b>
	Available assets	CHF	33 619 397 973	35 753 599 143
	Pension fund capital & technical provisions	CHF	32 870 392 624	33 549 910 621
	<b>Funded ratio as per BVV2</b>	Percent	<b>102.3%</b>	<b>106.6%</b>
	Economic funded ratio	Percent	83.1 %	87.6 %



## 1.6.2 Closed pension plans

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

### Closed pension plans

2017 with prior-year comparison, in CHF, number or percent

Pension plans with one employer		Units	31.12.2016	31.12.2017
Pensioners only – voluntarily insured Pension entitlement from 01.06.2003	<b>Pension recipients</b>	Number	<b>295</b>	<b>293</b>
	Available assets	CHF	117 400 623	114 196 069
	Pension fund capital & technical provisions	CHF	106 721 451	102 902 352
	<b>Funded ratio as per BVV2</b>	Percent	<b>110.0%</b>	<b>111.0%</b>
	Economic funded ratio	Percent	82.6 %	84.0 %
Pensioners only – Confederation	<b>Pension recipients</b>	Number	<b>711</b>	<b>683</b>
	Available assets	CHF	151 121 333	143 052 226
	Pension fund capital & technical provisions	CHF	138 656 604	130 052 234
	<b>Funded ratio as per BVV2</b>	Percent	<b>109.0%</b>	<b>110.0%</b>
	Economic funded ratio	Percent	86.1 %	87.1 %
Pensioners only – Swisscom Pension entitlement before 01.01.1999	<b>Pension recipients</b>	Number	<b>5 780</b>	<b>5 523</b>
	Available assets	CHF	2 105 709 990	1 982 013 361
	Pension fund capital & technical provisions	CHF	1 984 599 166	1 836 537 473
	<b>Funded ratio as per BVV2</b>	Percent	<b>106.1%</b>	<b>107.9%</b>
	Economic funded ratio	Percent	84.2 %	85.9 %
Pensioners only – RUAG Pension entitlement before 01.07.2001	<b>Pension recipients</b>	Number	<b>1 974</b>	<b>1 875</b>
	Available assets	CHF	703 984 719	667 775 103
	Pension fund capital & technical provisions	CHF	645 982 346	601 717 999
	<b>Funded ratio as per BVV2</b>	Percent	<b>109.0%</b>	<b>111.0%</b>
	Economic funded ratio	Percent	85.7 %	87.5 %
Pensioners only – SRG SSR idée suisse Pension entitlement before 01.01.2003	<b>Pension recipients</b>	Number	<b>974</b>	<b>942</b>
	Available assets	CHF	529 693 825	502 726 129
	Pension fund capital & technical provisions	CHF	474 333 000	443 043 633
	<b>Funded ratio as per BVV2</b>	Percent	<b>111.7%</b>	<b>113.5%</b>
	Economic funded ratio	Percent	88.0 %	89.6 %
Pensioners only – PUBLICA Administration	<b>Pension recipients</b>	Number	<b>85</b>	<b>84</b>
	Available assets	CHF	81 956 650	80 293 324
	Pension fund capital & technical provisions	CHF	71 249 432	69 161 305
	<b>Funded ratio as per BVV2</b>	Percent	<b>115.0%</b>	<b>116.1%</b>
	Economic funded ratio	Percent	98.3 %	99.6 %
<b>Joint pension plan</b>				
Pensioners only – Affiliated Organisations	<b>Pension recipients</b>	Number	<b>320</b>	<b>303</b>
	Available assets	CHF	114 643 297	107 846 724
	Pension fund capital & technical provisions	CHF	109 690 210	102 043 188
	<b>Funded ratio as per BVV2</b>	Percent	<b>104.5%</b>	<b>105.7%</b>
	Economic funded ratio	Percent	82.5 %	83.6 %
<b>Total closed pension plans</b>				
	<b>Pension recipients</b>	Number	<b>10 139</b>	<b>9 703</b>
	Available assets	CHF	3 804 510 438	3 597 902 936
	Pension fund capital & technical provisions	CHF	3 531 232 209	3 285 458 185
	<b>Funded ratio as per BVV2</b>	Percent	<b>107.7%</b>	<b>109.5%</b>
	Economic funded ratio	Percent	85.2 %	86.9 %

## 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

2017 with prior-year comparison, in number of insurance situations

	Active members
<b>01.01.16</b>	<b>63 463</b>
Admissions	11 942
Departures	– 11 542
<b>31.12.16</b>	<b>63 863</b>
Admissions	9 805
Departures	– 10 036
<b>31.12.17</b>	<b>63 632</b>

### 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

2017 with prior-year comparison, in number of pension situation

	Retirement pensions	Retired person's child's pensions	Divorce pensions	Disability pensions	Disabled person's child's pensions	Surviving spouse/ life partner's pensions	Orphan's pensions	Total pension recipients
<b>01.01.16</b>	<b>29 989</b>	<b>497</b>		<b>1 127</b>	<b>233</b>	<b>10 739</b>	<b>309</b>	<b>42 894</b>
Admissions	1 316	175		126	54	781	90	2 542
Departures	– 1 513	– 220		– 167	– 75	– 829	– 99	– 2 903
<b>31.12.16</b>	<b>29 792</b>	<b>452</b>	–	<b>1 086</b>	<b>212</b>	<b>10 691</b>	<b>300</b>	<b>42 533</b>
Admissions	1 160	219	21	98	59	571	81	2 209
Departures	– 1 213	– 222	–	– 134	– 53	– 739	– 99	– 2 460
<b>31.12.17</b>	<b>29 739</b>	<b>449</b>	<b>21</b>	<b>1 050</b>	<b>218</b>	<b>10 523</b>	<b>282</b>	<b>42 282</b>

A total of 1,860 retirement bridging pensions (prior year: 1,916) and 102 IV/AI replacement pensions (prior year: 130) were paid.



### 3 Implementation of the purpose

#### 3.1 Note on the pension schemes

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

As an all-encompassing pension fund, PUBLICA undertakes to provide the statutory pension benefits as a minimum and at the same time makes provision for benefits significantly in excess of the BVG minimum. The insured salary comprises the annual salary less the coordination offset of 30 % of the annual salary, but no more than CHF 24,675 (status as at 31 December 2017).

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

The level of the 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 5.65 %.

For the disability pension, the current assets are projected to age 65 and converted into a pension using the conversion rate. The spouse's and partner's pensions amount to 2/3 of the disability benefits or current retirement benefits; for orphan's pensions the figure is 1/6. If there is no entitlement to survivors' benefits, a lump-sum death benefit is paid. 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 buy-ins, 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). Individual services are invoiced separately using agreed fee schedules.

### 3.3 Further information on pension provision

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

For the purposes of Art. 36 BVG, neither the parity commissions nor the Board of Directors have decided to adjust pensions generally in line with the cost of living. Individual employers fund pension increases.

## 4 Valuation and accounting principles, consistency

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

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

### 4.2 Accounting and valuation principles

#### 4.2.1 General principles

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

#### 4.2.2 Recording point of transactions

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

#### 4.2.3 Foreign currency translation

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

#### 4.2.4 Offsetting of assets and liabilities

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

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

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



#### 4.2.6 Securities and derivative financial instruments

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

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

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

#### 4.2.7 Private corporate and infrastructure bonds

Unlisted private corporate and infrastructure bonds are valued 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 expects the corporate bond to become impaired, the valuation is reviewed by PUBLICA. The impairment is based on the lower of a valuation using historical default rates for comparable borrowers and the valuation proposed by the asset manager for debtors in financial difficulties.

#### 4.2.8 Real estate investments Switzerland

All directly held real estate is revalued annually and recognised at the current 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 3.6 % and 5.2 % (prior year: 3.7 % and 5.3 %). The average capital-weighted discount interest rate across the valued portfolio is 4.11 % (prior year: 4.17 % on a like-for-like basis).

#### 4.2.9 Real estate investments international

Unlisted foreign real estate funds are revalued at least quarterly and recognised at the most recent quarterly valuation. The valuation is carried out using the discounted cash flow (DCF) method. New subscriptions of fund units between the last valuation date and the balance sheet date are recorded at the nominal value and therefore do not influence the performance or asset management expenses. If market indicators indicate a material impairment since the most recent quarterly valuation, the valuation is reviewed by PUBLICA. The level of the impairment is calculated in collaboration with the fund managers.

#### 4.2.10 Deferred taxes

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

#### 4.2.11 Pension fund capital and technical provisions

The 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

The valuation principles were extended to take account of the new asset class of international real estate investments. In the prior year, the Reinsurance working capital was recognised as a non-technical provision. This provision was released to the income statement via the item "Formation/release of non-technical provisions" (CHF 70.8 million) and reconstituted as Reinsurance working capital via an income surplus. The working capital of PUBLICA Operations was reported as a liability in previous years (CHF 13.3 million) and has now been reallocated with no impact on income. The reason for these adjustments is a reassessment of the reporting of working capital in the balance sheet. Owing to its risk capital character, it is reported for the first time in the same way as foundation capital, meaning that it is reflected in the consolidated funded ratio.



## 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 individual pension plans and PUBLICA Reinsurance have created adequate provisions to cover foreseeable liabilities and counteract any actuarial fluctuations.

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

#### Balance sheet – PUBLICA Reinsurance

2017 with prior-year comparison, in CHF

	31.12.2016	31.12.2017
<b>Operating assets – PUBLICA Reinsurance</b>	<b>165 126 613</b>	<b>172 959 526</b>
Liabilities and deferrals	14 141 255	21 079 368
Technical provisions	58 489 228	60 243 152
Provision for working capital – Reinsurance	70 817 000	–
Fluctuation reserve	9 943 168	10 422 065
Working capital – Reinsurance	–	70 817 000
Uncommitted funds	11 735 962	10 397 941
<b>Liabilities and available risk capital – PUBLICA Reinsurance</b>	<b>165 126 613</b>	<b>172 959 526</b>

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

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

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

The balance sheet item “Pension fund capital – active members” contains the total statutory vested termination benefits for active members of CHF 16.3 billion (prior year: CHF 16.0 billion). The interest rate on retirement assets fixed by the parity commissions for the year under review is between 1.0 % and 1.5 % (prior year: 1.25 % and 1.75 %). The following table shows the development in pension fund capital during the period under review.



## Pension fund capital – active members

31.12.2015 to 31.12.2017, in CHF mn and percent

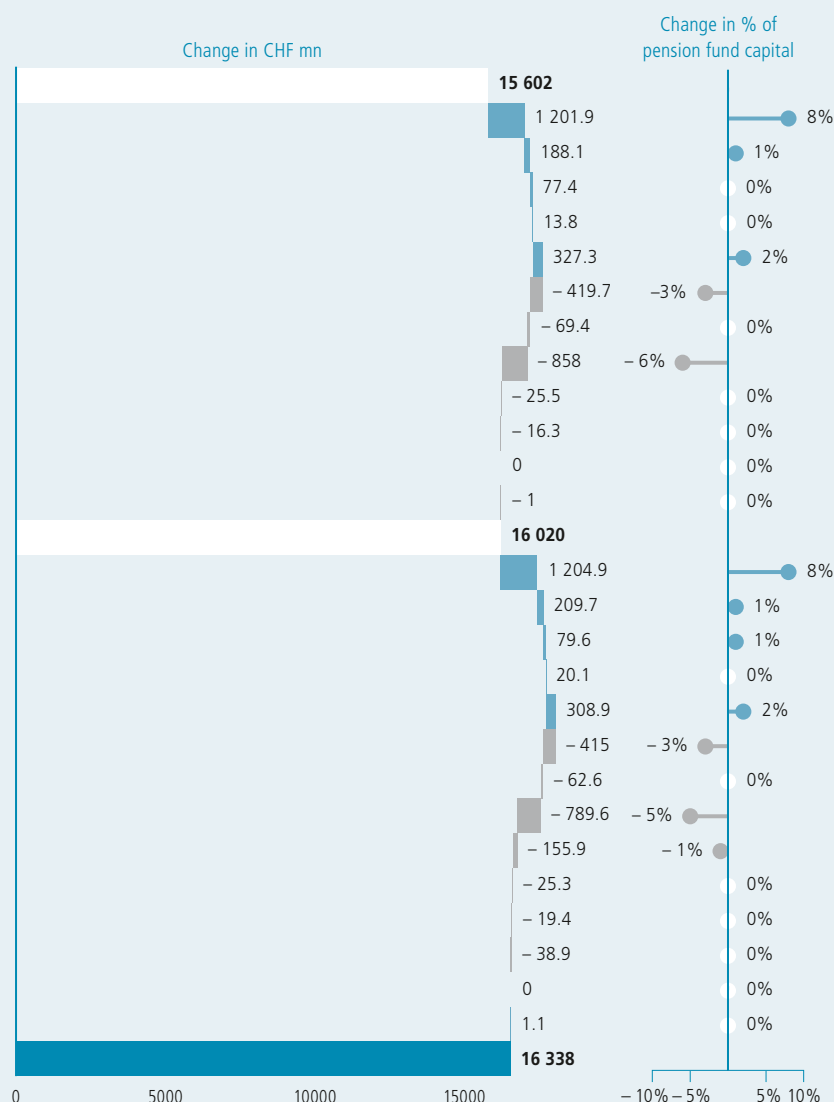
### Pension fund capital – active members 31.12.2015

Savings contributions – employees and employers
Interest (incl. interest from other periods)
Lump-sum payments and buy-ins – active members
Home ownership and divorce payments received
Vested pension benefits received
Vested benefits paid on departure
Early withdrawals for home ownership / divorce
Retirement pensions
Release on death
Release on disability leading to pension
Change to technical parameters
Other changes

### Pension fund capital – active members 31.12.2016

Savings contributions – employees and employers
Interest (incl. interest from other periods)
Lump-sum payments and buy-ins – active members
Home ownership and divorce payments received
Vested pension benefits received
Vested benefits paid on departure
Early withdrawals for home ownership / divorce
Retirement with annuity
Retirement with lump-sum payout
Release on death
Release on disability leading to pension
Transfer of additional funds on coll. departure
Change to technical parameters
Other changes

### Pension fund capital – active members 31.12.2017



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

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

## 5.3 Total BVG retirement assets

### BVG retirement assets

2017 with prior-year comparison, in CHF and percent

	Units	30.12.2016	31.12.2017
Total BVG retirement assets	CHF	5 183 895 081	5 266 268 415
BVG minimum interest rate, set by Federal Council	Percent	1.25 %	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.

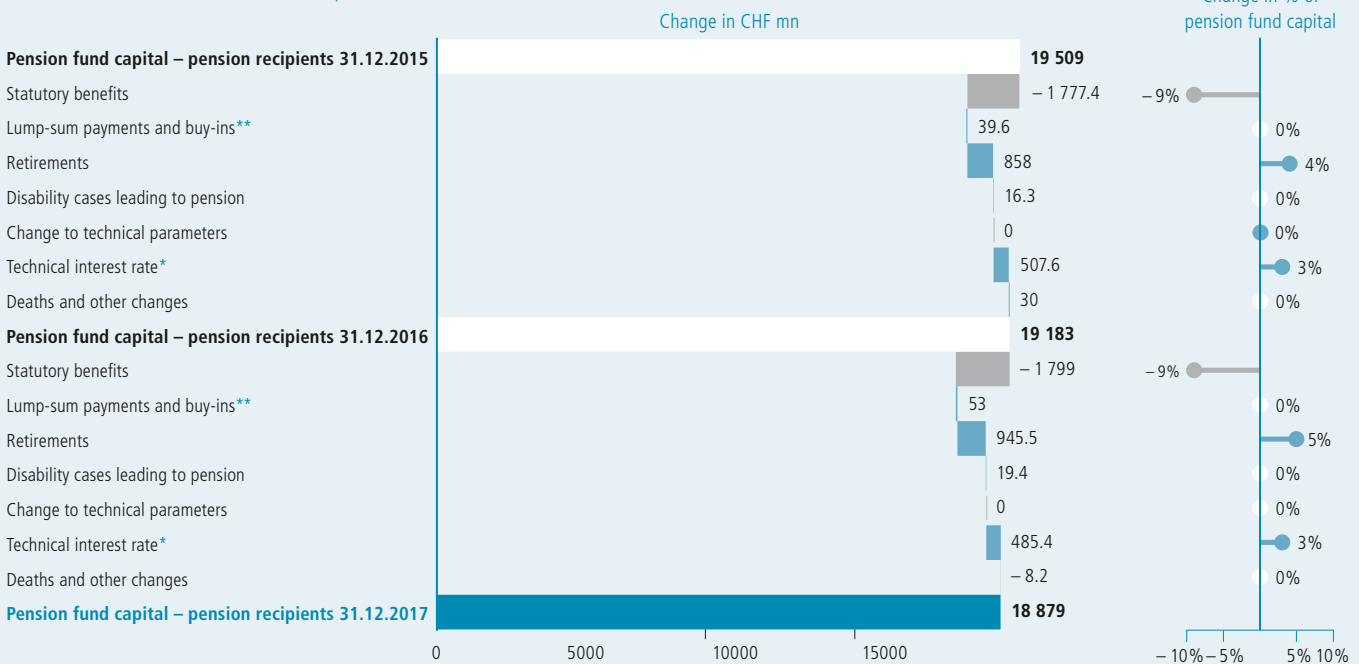


#### 5.4 Development of pension fund capital for pension recipients

The pension fund capital for pension recipients corresponds to the net present value of current pensions including associated deferred annuities and decreased by CHF 303 million from the previous year's figure.

#### Pension fund capital – pension recipients

31.12.2015 to 31.12.2017, in CHF mn and percent



\* Approximate calculation

\*\* Buy-outs of pension reductions and pension buy-ins

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

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 421.5 million compared with the previous year.

##### 5.5.1 Technical provisions – pension plans

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

## Technical provisions

2017 with prior-year comparison, in CHF

Pension plans	31.12.2016	Formation	Release	31.12.17
Provision for change to technical parameters – active members	398 105 535	306 828 114	– 612 804	704 320 845
Provision for change to technical parameters – pension recipients	345 293 043	107 977 424	– 162 809	453 107 658
Provision for fluctuations in the membership of closed pension plans	55 578 259	1 563 453	–	57 141 712
Provision for outstanding claims (IBNR)	190 000 000	6 000 000	– 1 000 000	195 000 000
Provision for death and disability	76 000 000	48 830	– 1 048 830	75 000 000
Provision for guarantees (change of system)	106 985 501	–	–	106 985 501
Provision for administrative expenses and cost-of-living adjustment	26 268 439	299	– 24 723	26 244 015
Provision for administrative expenses and risk premium	–	187 345	– 11 306	176 039
<b>Total technical provisions – pension plans</b>	<b>1 198 230 777</b>	<b>422 605 464</b>	<b>– 2 860 472</b>	<b>1 617 975 770</b>
<b>Reinsurance</b>				
Provision for outstanding claims (IBNR)	18 000 000	1 000 000	–	19 000 000
Provision for death and disability	15 000 000	1 000 000	–	16 000 000
Provision for hardship cases – active members/pensioners	14 118 949	–	– 22 104	14 096 845
Provision for hardship cases – pension plans	11 370 279	–	– 223 972	11 146 307
<b>Total technical provisions – Reinsurance</b>	<b>58 489 228</b>	<b>2 000 000</b>	<b>– 246 076</b>	<b>60 243 152</b>
<b>Total technical provisions</b>	<b>1 256 720 006</b>	<b>424 605 464</b>	<b>– 3 106 548</b>	<b>1 678 218 921</b>

### Provision for changes to technical parameters

This provision wholly or partly funds the additional capital requirement resulting from an adjustment to the technical parameters. 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 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 in the technical parameters.

### 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 guarantees (change of system)

The provision for guarantees (change of system) helps to fund the additional capital requirement in the event of an adjustment to the technical parameters in the pension plans in which the transitional provisions under Art. 25 of the PUBLICA Act (static guarantee of vested benefits) were applied. Until the end of 2016 the provision was used to fund the additional capital requirement due to these transitional provisions.

#### Provision for administrative expenses and cost-of-living adjustments, 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 adjustments 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.

#### 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 2017 (point 12).

#### 5.7 Actuarial tables and other actuarial assumptions

The calculations are based on the BVG 2010 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 2010. For this reason, death probabilities extrapolated to the year 2018 are used. PUBLICA uses static tables. The technical interest rate is 2.75 % for the open pension plans and 2.25 % for the closed pension plans.

#### 5.8 Changes to technical parameters and assumptions

No changes were made to the technical parameters and assumptions in 2017. In order to fund cushioning measures, some pension plans created one-off additional provisions for changes to technical parameters amounting to 0.7 % of the total pension fund capital, to be used only for the active members.

#### 5.9 Funded ratio as per Art. 44 BVV2

The 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

2017 with prior-year comparison, in CHF

	31.12.2016	31.12.2017
Actuarially required pension fund capital	36 460 114 062	36 895 611 959
Fluctuation reserve	1 032 226 746	2 526 555 338
Uncommitted funds (+)/ underfunding (-)	11 735 962	94 678 397
<b>Available assets</b>	<b>37 504 076 770</b>	<b>39 516 845 693</b>
<b>Funded ratio as per Article 44 BVV2</b>	<b>102.9%</b>	<b>107.1%</b>

### 5.10 Economic funded ratio

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

The corresponding calculations produced an economic funded ratio of 87.7 % (prior year: 83.4 %).

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

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

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

Equity investments are made in line with an index and replicate market trends. All equity portfolios are managed by external specialists. The bond portfolios are managed by PUBLICA Asset Management and external specialists, sticking close to a benchmark but allowing for active elements subject to relatively tight tracking error requirements in order to avoid the disadvantages of fully replicating capitalisation-weighted bond indices. Illiquid asset classes such as Swiss and international real estate or private corporate or infrastructure bonds 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 2017:



## Asset management

2017

Mandate	Asset manager	Licensing authority	Benchmark	Retrocessions		
				Date of regulation	Received	
Swiss government bonds	Swiss Federal Pension Fund PUBLICA	Bernische BVG- und Stiftungsaufsicht (CH) <sup>1</sup>	SBI Domestic Swiss Government	Index-tracking	–	prohibited
Non-government bonds CHF	Swiss Federal Pension Fund PUBLICA	Bernische BVG- und Stiftungsaufsicht (CH) <sup>1</sup>	SBI AAA-A foreign borrowers (40%) and domestic borrowers (60%)	Index-tracking	–	prohibited
Non-government bonds CHF	Pictet et Cie	Swiss Financial Market Supervisory Authority FINMA (CH) <sup>2</sup>	SBI AAA-A foreign borrowers (40%) and domestic borrowers (60%)	Index-tracking	08.12.2011	prohibited
Government bonds EUR	Swiss Federal Pension Fund PUBLICA	Bernische BVG- und Stiftungsaufsicht (CH) <sup>1</sup>	JPM GBI Germany (50%), France (33%) and Netherlands (17%)	Index-tracking	–	prohibited
Government bonds USD	Swiss Federal Pension Fund PUBLICA	Bernische BVG- und Stiftungsaufsicht (CH) <sup>1</sup>	JPM GBI USA	Index-tracking	–	prohibited
Government bonds GBP	Swiss Federal Pension Fund PUBLICA	Bernische BVG- und Stiftungsaufsicht (CH) <sup>1</sup>	JPM GBI UK	Index-tracking	–	prohibited
Government bonds CAD	Swiss Federal Pension Fund PUBLICA	Bernische BVG- und Stiftungsaufsicht (CH) <sup>1</sup>	JPM GBI Kanada	Index-tracking	–	prohibited
Government bonds AUD	Swiss Federal Pension Fund PUBLICA	Bernische BVG- und Stiftungsaufsicht (CH) <sup>1</sup>	JPM GBI Australia	Index-tracking	–	prohibited
Government bonds SEK	Swiss Federal Pension Fund PUBLICA	Bernische BVG- und Stiftungsaufsicht (CH) <sup>1</sup>	JPM GBI Sweden	Index-tracking	–	prohibited
Inflation-linked government bonds EUR	Swiss Federal Pension Fund PUBLICA	Bernische BVG- und Stiftungsaufsicht (CH) <sup>1</sup>	80% Barclays Euro Government EMU HICP-Linked Bond Index 1–10 Years 20% Barclays Euro Government EMU HICP-Linked Bond Index > 10 Years	Index-tracking	–	prohibited
Inflation-linked government bonds USD	Swiss Federal Pension Fund PUBLICA	Bernische BVG- und Stiftungsaufsicht (CH) <sup>1</sup>	80% Barclays US Government Inflation-Linked Bond Index 1–10 Years 20% Barclays US Government Inflation-Linked Bond Index > 10 Years	Index-tracking	–	prohibited
Currency hedging Inflation-linked government bonds	Russell Implementation Services Ltd	Financial Conduct Authority (UK) <sup>4</sup>	Difference in relevant portfolio benchmark hedged vs. unhedged	Indexed	22.05.2014	prohibited
Public corporate bonds EUR <sup>6</sup>	Union Investment Institutional GmbH	Federal Financial Supervisory Authority (DE) <sup>4</sup>	Barclays EUR Corporate	Index-tracking	20.06.2011	prohibited
Public corporate bonds EUR <sup>6</sup>	Standard Life Investments Limited	Financial Conduct Authority (UK) <sup>4</sup>	Barclays EUR Corporate ex Financials	Index-tracking	25.08.2011	prohibited
Public corporate bonds USD <sup>6</sup>	PIMCO Europe Ltd	Financial Conduct Authority (UK) <sup>4</sup>	Barclays USD Corporate Intermediate	Index-tracking	04.05.2011	prohibited
Public corporate bonds USD <sup>6</sup>	BlackRock Institutional Trust Company	Office of the Comptroller of the Currency (US) <sup>4</sup>	Barclays USD Corporate Intermediate ex Financials	Index-tracking	04.05.2011	prohibited
Government bonds emerging markets hard currencies <sup>6</sup>	UBS AG	Swiss Financial Market Supervisory Authority FINMA (CH) <sup>3</sup>	JPM EMBIG Diversified Investment Grade (USD)	Index-tracking enhanced	26.02.2016	prohibited
Private corporate bonds	MetLife Investment Management Limited	Financial Conduct Authority (UK) <sup>4</sup>	Barclays Global Agg Corp Composite Custom	Direct investments	29.09.2015	prohibited
Private corporate bonds	Pricoa Capital Group Limited	Financial Conduct Authority (UK) <sup>4</sup>	Barclays Global Agg Corp Composite Custom	Direct investments	29.09.2015	prohibited
Private infrastructure bonds	MetLife Investment Management Limited	Financial Conduct Authority (UK) <sup>4</sup>	Barclays Global Agg Corp Composite Custom	Direct investments	29.09.2015	prohibited
Private infrastructure bonds	Hastings Funds Management (UK) Limited	Financial Conduct Authority (UK) <sup>4</sup>	Barclays Global Agg Corp Composite Custom	Direct investments	02.09.2015	prohibited
Currency hedging corporate bonds foreign currency	Record Currency Management Limited	Financial Conduct Authority (UK) <sup>4</sup>	Difference in relevant portfolio benchmark hedged vs. unhedged	Indexed	22.10.2008	prohibited
Government bonds emerging markets local currencies	Ashmore Investment Management Limited	Financial Conduct Authority (UK) <sup>4</sup>	JPM GBI-EM Global Diversified	Index-tracking enhanced	21.02.2013	prohibited
Government bonds emerging markets local currencies	Investec Asset Management	Financial Conduct Authority (UK) <sup>4</sup>	JPM GBI-EM Global Diversified	Index-tracking enhanced	21.02.2013	prohibited
Mortgages Switzerland	Swiss Federal Pension Fund PUBLICA	Bernische BVG- und Stiftungsaufsicht (CH) <sup>1</sup>	Based on lower interest-rate band BEKB variable mortgages	Direct investments	–	prohibited
Equities Switzerland	Credit Suisse AG	Swiss Financial Market Supervisory Authority FINMA (CH) <sup>2</sup>	SMI	Indexed	01.12.2008	prohibited
Equities Switzerland	Pictet Asset Management SA	Swiss Financial Market Supervisory Authority FINMA (CH) <sup>2</sup>	SMI	Indexed	02.12.2008	prohibited
Equities industrialised nations ex Switzerland <sup>6</sup>	Credit Suisse Funds AG	Swiss Financial Market Supervisory Authority FINMA (CH) <sup>3</sup>	MSCI (gross) Europe ex Schweiz (25%) <sup>5</sup> , Nordamerika (50%) <sup>5</sup> , Japan (10%) und Pazifik ex Japan (15%)	Indexed	09.11.2005	prohibited
Equities industrialised nations ex Switzerland <sup>6</sup>	BlackRock Advisors (UK) Limited	Financial Conduct Authority (UK) <sup>4</sup>	MSCI (gross) Europe ex Schweiz (25%), Nordamerika (50%), Japan (10%) und Pazifik ex Japan (15%)	Indexed	27.06.2005	prohibited
Currency hedging equities industrialised nations ex Switzerland	Russell Implementation Services Ltd	Financial Conduct Authority (UK) <sup>4</sup>	Difference in relevant portfolio benchmark hedged vs. unhedged	Indexed	28.10.2008	prohibited

## Asset management

2017

Mandate	Asset manager	Licensing authority	Benchmark	Retrocessions		
				Date of regulation	Received	
Equities emerging markets <sup>6</sup>	Pictet Asset Management SA	Swiss Financial Market Supervisory Authority FINMA (CH) <sup>2</sup>	MSCI (net) Emerging Markets <sup>5</sup>	Indexed	19.08.2010	prohibited
Equities emerging markets <sup>6</sup>	Vanguard Asset Management Ltd	Financial Conduct Authority (UK) <sup>4</sup>	MSCI (net) Emerging Markets	Indexed	19.08.2010	prohibited
Precious metals	Morgan Stanley & Co. International Plc	Financial Conduct Authority (UK) <sup>4</sup>	S&P GSCI TR Precious Metals	Index-tracking (swaps)	02.11.2009	prohibited
Precious metals	JPMorgan Chase Bank, N.A.	Financial Conduct Authority (UK) <sup>4</sup>	London Gold Price PM Auction USD	Indexed	20.05.2015	prohibited
Real estate Switzerland	Swiss Federal Pension Fund PUBLICA	Bernische BVG- und Stiftungsaufsicht (CH) <sup>1</sup>	KGAST Immo Index	Direct investments	–	prohibited
Real estate investments Switzerland	LIVIT AG	n/a	n/a	Direct investments	23.11.2011	prohibited
Real estate investments Switzerland	Von Graffenried AG Liegenschaften	n/a	n/a	Direct investments	27.06.2016	prohibited
Real estate investments Switzerland	Privera AG	n/a	n/a	Direct investments	27.06.2016	prohibited
Real estate investments Switzerland	psm Center Management AG	n/a	n/a	Direct investments	02.07.2012	prohibited
Real estate investments Switzerland	Apleona GVA AG	n/a	n/a	Direct investments	01.07.2014	prohibited
Real estate investments international USA	PGIM Inc.	U.S. Securities and Exchange Commission (SEC)	NCREIF NFI-ODCE	Real estate funds	19.09.2017	prohibited
Real estate investments international USA	RREEF America L.L.C.	U.S. Securities and Exchange Commission (SEC)	NCREIF NFI-ODCE	Real estate funds	19.06.2017	prohibited

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

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

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

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

<sup>5</sup> Each 50 % MSCI capital-weighted, 25 % MSCI minimum volatility and 25 % MSCI fundamental weighted indices

<sup>6</sup> Mandate in single-investor fund

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

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

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

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

The private corporate bonds and private infrastructure bonds 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

2017 with prior-year comparison, in CHF

	2016	2017
<b>Fluctuation reserve 01.01</b>	<b>259 798 210</b>	<b>1 032 226 746</b>
Change in fluctuation reserve debited (+)/credited (-) to income statement	772 428 536	1 494 328 591
<b>Total fluctuation reserve 31.12</b>	<b>1 032 226 746</b>	<b>2 526 555 338</b>
Fluctuation reserve deficit 31.12	9 418 274 476	7 925 748 825
<b>Target fluctuation reserve</b>	<b>10 450 501 222</b>	<b>10 452 304 162</b>
Fluctuation reserve as % of target	9.9 %	24.2 %
Target size of fluctuation reserve in % of pension fund capital and technical provisions	28.7 %	28.3 %

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

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

The component of the fluctuation reserve set aside to cover pension liabilities serves to absorb potentially higher liabilities. The target size of this reserve is 50 % of the difference between the pension fund capital calculated using the technical interest rate and that calculated using the risk-free interest rate.

### 6.4 Assets by asset class

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

Of the total CHF 39.4 billion investments (excluding cash and cash equivalents and receivables), CHF 35.7 billion are invested in the strategic asset allocation for the open pension plans and CHF 3.6 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

2017, in percent

Asset class	Allocation at 31.12.2017	Pro rata strategy	Long-term strategy	Tactical bandwidths as a % of strategy weighting	
				Minimum	Maximum
<b>Money market</b>	<b>1.3%</b>	<b>3.0%</b>	<b>3.0%</b>	<b>0%</b>	<b>200%</b>
<b>Swiss government bonds</b>	<b>5.7%</b>	<b>6.0%</b>	<b>6.0%</b>	<b>80%</b>	<b>120%</b>
<b>Non-government bonds CHF</b>	<b>11.2%</b>	<b>12.0%</b>	<b>10.0%</b>	<b>80%</b>	<b>120%</b>
Government bonds EUR currency hedged	4.1%	4.2%	2.5%	50%	150%
Government bonds USD currency hedged	2.5%	2.6%	1.5%	50%	150%
Government bonds GBP currency hedged	1.8%	1.8%	1.0%	0%	200%
Government bonds CAD currency hedged	1.7%	1.8%	1.0%	0%	200%
Government bonds AUD currency hedged	1.7%	1.8%	1.0%	0%	200%
Government bonds SEK currency hedged	1.3%	1.3%	1.0%	0%	200%
<b>Government bonds industrialised nations ex Switzerland</b>	<b>13.1%</b>	<b>13.5%</b>	<b>8.0%</b>	<b>80%</b>	<b>120%</b>
Inflation-linked government bonds EUR currency hedged	1.6%	1.5%	1.5%	50%	150%
Inflation-linked government bonds USD currency hedged	4.6%	4.5%	4.5%	50%	150%
<b>Inflation-linked government bonds</b>	<b>6.2%</b>	<b>6.0%</b>	<b>6.0%</b>	<b>80%</b>	<b>120%</b>
Public corporate bonds EUR currency hedged	7.3%	7.0%	7.0%	50%	150%
Public corporate bonds USD currency hedged	7.0%	7.0%	7.0%	50%	150%
<b>Public corporate bonds ex CHF</b>	<b>14.3%</b>	<b>14.0%</b>	<b>14.0%</b>	<b>80%</b>	<b>120%</b>
<b>Private corporate bonds currency hedged</b>	<b>1.4%</b>	<b>1.4%</b>	<b>2.0%</b>	<b>50%</b>	<b>150%</b>
<b>Private infrastructure bonds currency hedged</b>	<b>1.0%</b>	<b>1.0%</b>	<b>2.0%</b>	<b>50%</b>	<b>150%</b>
<b>Government bonds emerging markets hard currencies currency hedged</b>	<b>3.0%</b>	<b>3.0%</b>	<b>3.0%</b>	<b>80%</b>	<b>120%</b>
<b>Government bonds emerging markets local currencies</b>	<b>4.2%</b>	<b>4.0%</b>	<b>4.0%</b>	<b>80%</b>	<b>120%</b>
<b>Mortgages Switzerland</b>	<b>0.4%</b>	<b>0.0%</b>	<b>0.0%</b>		
<b>Equities Switzerland</b>	<b>3.1%</b>	<b>3.0%</b>	<b>3.0%</b>	<b>50%</b>	<b>150%</b>
Equities Europe partially currency hedged	4.6%	4.3%	4.3%	50%	150%
Equities North America partially currency hedged	8.9%	8.5%	8.5%	50%	150%
Equities Pacific partially currency hedged	4.6%	4.2%	4.2%	50%	150%
<b>Equities industrialised nations ex Switzerland partially currency hedged</b>	<b>18.1%</b>	<b>17.0%</b>	<b>17.0%</b>	<b>50%</b>	<b>150%</b>
<b>Equities emerging markets</b>	<b>9.6%</b>	<b>9.0%</b>	<b>9.0%</b>	<b>50%</b>	<b>150%</b>
<b>Precious metals partially currency hedged</b>	<b>2.1%</b>	<b>2.0%</b>	<b>2.0%</b>	<b>80%</b>	<b>120%</b>
<b>Real estate investments Switzerland</b>	<b>5.1%</b>	<b>5.0%</b>	<b>7.0%</b>	<b>80%</b>	<b>120%</b>
<b>Real estate investments international currency hedged</b>	<b>0.2%</b>	<b>0.1%</b>	<b>4.0%</b>	<b>80%</b>	<b>120%</b>
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>		
Total not currency hedged	18.8%	17.7%	17.7%		
Total currency hedged	81.2%	82.3%	82.3%		
<b>Total in CHF mn</b>	<b>35 720</b>				

In the strategic asset allocation for the open pension plans, the proportion of international real estate investments and private corporate and infrastructure bonds was increased in line with the long-term allocation over the year. The allocation to bonds from industrialised nations ex Switzerland was reduced to the same extent. Within these government bonds, the US was reduced in favour of portfolios containing government bonds from Australia and Sweden.

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



## Strategic asset allocation – closed pension plans

2017, in percent

Asset class	Allocation at 31.12.2017	Pro rata strategy	Long-term strategy	Tactical bandwidths as a % of strategy weighting	
				Minimum	Maximum
<b>Money market</b>	<b>2.4%</b>	<b>3.0%</b>	<b>3.0%</b>	<b>0%</b>	<b>200%</b>
<b>Swiss government bonds</b>	<b>25.2%</b>	<b>26.0%</b>	<b>26.0%</b>	<b>80%</b>	<b>120%</b>
<b>Non-government bonds CHF</b>	<b>9.3%</b>	<b>10.0%</b>	<b>10.0%</b>	<b>80%</b>	<b>120%</b>
Government bonds EUR currency hedged	1.5%	1.5%	1.6%	50%	150%
Government bonds USD currency hedged	0.9%	0.9%	1.0%	50%	150%
Government bonds GBP currency hedged	0.7%	0.7%	0.6%	0%	200%
Government bonds CAD currency hedged	0.6%	0.7%	0.6%	0%	200%
Government bonds AUD currency hedged	0.6%	0.7%	0.6%	0%	200%
Government bonds SEK currency hedged	0.5%	0.5%	0.6%	0%	200%
<b>Government bonds industrialised nations ex Switzerland</b>	<b>4.8%</b>	<b>5.0%</b>	<b>5.0%</b>	<b>80%</b>	<b>120%</b>
Inflation-linked government bonds EUR currency hedged	1.3%	1.2%	1.2%	50%	150%
Inflation-linked government bonds USD currency hedged	3.9%	3.8%	3.8%	50%	150%
<b>Inflation-linked government bonds</b>	<b>5.2%</b>	<b>5.0%</b>	<b>5.0%</b>	<b>80%</b>	<b>120%</b>
Public corporate bonds EUR currency hedged	6.9%	6.5%	6.5%	50%	150%
Public corporate bonds USD currency hedged	6.5%	6.5%	6.5%	50%	150%
<b>Public corporate bonds ex CHF</b>	<b>13.4%</b>	<b>13.0%</b>	<b>13.0%</b>	<b>80%</b>	<b>120%</b>
<b>Government bonds emerging markets hard currencies currency hedged</b>	<b>5.4%</b>	<b>5.0%</b>	<b>5.0%</b>	<b>80%</b>	<b>120%</b>
<b>Equities Switzerland</b>	<b>3.1%</b>	<b>3.0%</b>	<b>3.0%</b>	<b>50%</b>	<b>150%</b>
Equities Europe partially currency hedged	1.9%	1.7%	1.7%	50%	150%
Equities North America partially currency hedged	3.7%	3.5%	3.5%	50%	150%
Equities Pacific partially currency hedged	1.9%	1.8%	1.8%	50%	150%
<b>Equities industrialised nations ex Switzerland partially currency hedged</b>	<b>7.5%</b>	<b>7.0%</b>	<b>7.0%</b>	<b>50%</b>	<b>150%</b>
<b>Precious metals partially currency hedged</b>	<b>3.2%</b>	<b>3.0%</b>	<b>3.0%</b>	<b>80%</b>	<b>120%</b>
<b>Real estate investments Switzerland</b>	<b>20.5%</b>	<b>20.0%</b>	<b>20.0%</b>	<b>80%</b>	<b>120%</b>
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>		
Total not currency hedged	3.6%	3.4%	3.4%		
Total currency hedged	96.4%	96.6%	96.6%		
<b>Total in CHF mn</b>	<b>3 606</b>				

The pro rata allocation for the closed pension plans corresponds to the long-term allocation at the end of the year.

The investments are broadly diversified within the individual asset classes. For example, the directly held private corporate bonds contain 115 investments (prior year: 43) and private infrastructure bonds 29 (prior year: 15). These are distributed across various countries, currencies, sectors and terms to maturity.

International real estate investments are invested in a number of diversified, unlisted real estate funds in the US. The Swiss real estate portfolio held directly by PUBLICA comprises 67 properties and one project development, unchanged compared with the prior year. The portfolio is made up of 61% residential properties, 24% commercial properties and 15% mixed residential and commercial properties.

## 6.5 Current (open) derivative financial instruments

As at 31 December 2017, the following derivative positions are open:

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

2017 with prior-year comparison, in CHF

	Net replacement value	Underlying equivalent exposure-increasing derivatives in mn	Underlying equivalent exposure-reducing derivatives in mn	Collateral received	Collateral pledged
<b>31.12.2017</b>					
Interest-rate swaps	19 174 857	175	–	19 176 037	–
Precious metal swaps	7 002 471	258	–	4 563 000	–
Currency forwards	– 71 260 766	311	– 20 812	–	258 053 404
Equity futures	2 361 258	126	–	–	–
Bond futures	288 597	75	– 94	–	–
	Net replacement value	Underlying equivalent exposure-increasing derivatives in mn	Underlying equivalent exposure-reducing derivatives in mn	Collateral received	Collateral pledged
<b>31.12.2016</b>					
Interest-rate swaps	25 279 637	175	–	25 085 572	–
Precious metal swaps	– 3 350 895	166	–	–	5 744 089
Currency forwards	– 155 112 541	263	– 19 628	–	364 903 871
Equity futures	622 618	95	–	–	–
Bond futures	418 680	117	– 42	–	–

Interest-rate swaps are used to control interest-rate risks. One third of the investment in precious metals is 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. Equity index futures are used to efficiently reinvest dividends already contained in the equity indices but not yet paid out.

PUBLICA employs a prime brokerage set-up to ensure the efficient management of counterparty risks in its currency hedging programmes. As at end-2017, 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 necessary collateral for all exposure-increasing derivatives is available in the form of cash and cash equivalents. This means there is no leverage effect on the overall portfolio.



## 6.6 Open capital commitments

The following capital commitments are open as at 31 December 2017:

### Open capital commitments by asset class

2017 with prior-year comparison, in CHF

Asset class	2016	2017
Private corporate bonds	16 266 453	38 536 217
Private infrastructure bonds	13 186 455	19 773 823
Real estate investments international	–	181 059 200
<b>Total open capital commitments</b>	<b>29 452 908</b>	<b>239 369 240</b>

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

## 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 2017 securities valued at CHF 814.1 million were on loan (compared with CHF 1,172.7 million as at 31 December 2016).

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

### Net performance

2017 in CHF and percent, after deduction of all asset management expenses

	Portfolio performance	Benchmark performance	Difference portfolio – benchmark	Investments CHF mn
<b>Money market</b>	– 0.63%	– 0.88%	0.25%	550
<b>Swiss government bonds</b>	– 0.35%	– 0.42%	0.07%	2 953
<b>Non-government bonds CHF</b>	0.08%	0.09%	– 0.01%	4 442
Government bonds EUR	– 1.94%	– 2.00%	0.06%	1 532
Government bonds USD	– 0.01%	0.09%	– 0.10%	926
Government bonds GBP	0.57%	0.45%	0.12%	654
Government bonds CAD	– 1.70%	– 1.95%	0.25%	625
Government bonds AUD	0.30%	0.57%	– 0.27%	620
Government bonds SEK	– 0.39%	– 0.22%	– 0.17%	501
<b>Government bonds industrialised nations ex Switzerland</b>	– 0.59%	– 0.59%	0.00%	4 859
<b>Inflation-linked government bonds</b>	0.61%	0.52%	0.09%	2 389
Public corporate bonds EUR	1.85%	1.65%	0.20%	2 870
Public corporate bonds USD	1.19%	1.33%	– 0.14%	2 714
<b>Public corporate bonds ex CHF</b>	1.53%	1.49%	0.04%	5 583
<b>Private corporate bonds</b>	3.20%	2.45%	0.75%	507
<b>Private infrastructure bonds</b>	2.43%	2.57%	– 0.14%	362
<b>Government bonds emerging markets hard currencies</b>	6.47%	6.40%	0.07%	1 270
<b>Government bonds emerging markets local currencies</b>	10.92%	10.47%	0.45%	1 518
<b>Mortgages Switzerland</b>	1.63%	2.25%	– 0.62%	129
<b>Equities Switzerland</b>	17.81%	17.73%	0.08%	1 210
<b>Equities industrialised nations ex Switzerland</b>	16.68%	16.87%	– 0.19%	6 717
<b>Equities emerging markets</b>	29.35%	29.91%	– 0.56%	3 444
<b>Precious metals</b>	8.51%	8.45%	0.06%	882
<b>Real estate investments Switzerland</b>	4.53%	5.51%	– 0.98%	2 558
<b>Real estate investments international</b>	0.01%	0.36%	– 0.35%	53
<b>Total</b>	<b>6.75%</b>	<b>6.61%</b>	<b>0.14%</b>	<b>39 428</b>
Total without currency hedging	8.27%	8.16%	0.11%	39 502
Open pension plans	7.14%	6.98%	0.16%	35 720
Closed pension plans	3.31%	3.36%	– 0.05%	3 606
Reinsurance	0.07%	0.09%	– 0.02%	102



## 6.10 Asset management expenses

With a cost transparency level of 100 %, asset management expenses stand at 20.4 basis points (prior year: 21.4 basis points). Asset management expenses are made up of the main items listed in the following table:

### Asset management expenses

2017 with prior-year comparison, in CHF

	2016	2017
External asset managers – securities	– 22 788 052	– 23 649 717
External asset managers – real estate	– 6 177 816	– 6 197 292
External asset managers – mortgages	– 168 356	– 161 020
Internal asset managers – securities	– 5 212 010	– 6 283 128
Internal asset managers – real estate	– 2 755 139	– 2 412 997
<b>Asset manager expenses</b>	<b>– 37 101 373</b>	<b>– 38 704 154</b>
Custody fees and management	– 7 549 357	– 4 908 502
<b>Custodian expenses</b>	<b>– 7 549 357</b>	<b>– 4 908 502</b>
<b>TER expenses (TER costs)</b>	<b>– 44 650 728</b>	<b>– 43 612 654</b>
Stamp tax	– 12 084 058	– 10 589 894
Withholding tax (not reclaimable)	– 16 724 644	– 16 999 225
Other taxes	–	–
<b>Taxes</b>	<b>– 28 808 702</b>	<b>– 27 589 119</b>
Trading fees, commissions, other costs	– 5 568 847	– 7 302 575
<b>Transaction expenses</b>	<b>– 5 568 847</b>	<b>– 7 302 575</b>
<b>Transaction expenses and taxes (TTC costs)</b>	<b>– 34 377 549</b>	<b>– 34 891 694</b>
Investment Controller	– 179 280	– 179 280
Other consultancy (legal, tax, ALM, etc.)	– 289 000	– 456 063
<b>Other expenses (SC costs)</b>	<b>– 468 280</b>	<b>– 635 343</b>
<b>Total asset management expenses</b>	<b>– 79 496 557</b>	<b>– 79 139 691</b>
Average cost-transparent capital investments	37 144 243 674	38 802 493 817
TER expenses (TER costs) in basis points	12.0	11.2
Transaction expenses and taxes in basis points	9.3	9.0
Other expenses in basis points	0.1	0.2
<b>Asset management expenses in basis points</b>	<b>21.4</b>	<b>20.4</b>
Total of all key cost figures reported in the income statement in CHF for collective investment schemes	–	–
<b>Cost transparency level</b>	<b>100%</b>	<b>100%</b>

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

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

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

PUBLICA books collective investment schemes such as single-investor funds in a fully cost-transparent manner, and takes full account of the associated transaction and tax expenses. When comparing with pension funds that have invested in collective investment schemes and calculate asset management expenses solely on the basis of the TER in their income statements, reduced asset management expenses on a TER basis of 11.2 basis points (prior year: 12.0 basis points) should be applied.

Asset management expenses do not include the custodian fees in connection with securities lending amounting to CHF 0.9 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 0.5 million (prior year: CHF 0.4 million).

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

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

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

Allocations to employers' contribution reserves take account of the surpluses resulting from the good risk results of PUBLICA Reinsurance, among other factors. This relates to the pension plans that have matching reinsurance for their risks. The employer's contribution reserve was used primarily for employers' contributions.

No interest accrued on the employer's contribution reserve, as the level of interest depends on the funded ratio and the BVG minimum interest rate.

#### Employers' contribution reserves

2017 with prior-year comparison, in CHF

	2016	2017
<b>Employers' contribution reserves 01.01</b>	<b>31 354 607</b>	<b>38 090 013</b>
Allocations	7 716 802	5 435 013
Utilisation	- 1 061 726	- 478 358
Interest	80 329	-
<b>Total employers' contribution reserves 31.12</b>	<b>38 090 013</b>	<b>43 046 669</b>



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

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

The operating assets of Operations comprise the following:

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

2017 with prior-year comparison, in CHF

	31.12.2016	31.12.2017
Current assets	17 855 603	15 328 896
Investment assets	1 880 069	1 852 947
<b>Operating assets – PUBLICA Operations</b>	<b>19 735 672</b>	<b>17 181 842</b>
Liabilities	6 442 882	3 718 386
Working capital	13 292 789	13 463 456
<b>Working capital and liabilities – PUBLICA Operations</b>	<b>19 735 672</b>	<b>17 181 842</b>

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

### 7.2 Administrative account – Operations

The resources of PUBLICA Operations are used for the administration of active members and pension recipients as well as components of asset management. The items for general administration consist of expenses for both areas of administration. Administrative expenses are reported net of apportionments to asset management. The corresponding expenses are reported under point 6.10 in asset management expenses under the items "Internal asset managers", "Other expenses", and as a component of custodian expenses. The item "Marketing and advertising" includes the general administrative expenses in connection with customer acquisition.

#### Administrative expenses

2017 with prior-year comparison, in CHF

	2016	2017
Personnel expenses	- 18 716 410	- 19 087 953
General administrative expenses	- 9 771 207	- 8 943 182
Financial expenses	- 164 784	- 971
Apportionments to Asset Management	9 928 074	10 830 514
<b>General administration</b>	<b>- 18 724 327</b>	<b>- 17 201 592</b>
<b>Marketing and advertising</b>	<b>- 19 579</b>	<b>-</b>
<b>Statutory Auditors</b>	<b>- 230 542</b>	<b>- 232 018</b>
<b>Pension Actuary</b>	<b>- 245 738</b>	<b>- 251 519</b>
<b>Supervisory authority</b>	<b>- 20 047</b>	<b>- 102 019</b>
<b>Expenditure (-)/income (+) surplus working capital – PUBLICA Operations</b>	<b>-</b>	<b>- 170 667</b>
<b>Administrative expenses</b>	<b>- 19 240 232</b>	<b>- 17 957 814</b>
No. of active members	63 863	63 632
No. of pension recipients	42 533	42 282
<b>Total active members and pension recipients</b>	<b>106 396</b>	<b>105 914</b>
<b>Administrative expenses per active member/pension recipient</b>	<b>181</b>	<b>170</b>



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

### 7.3 Non-technical provisions

#### Non-technical provisions

2017 with prior-year comparison, in CHF

	31.12.2016	31.12.2017
Provision for cost fluctuations	38 570 704	40 052 607
Deferred taxes	106 398 808	105 587 031
Provision for working capital – Reinsurance	70 817 000	–
<b>Non-technical provisions</b>	<b>215 786 512</b>	<b>145 639 638</b>

The cost premiums paid by employers are compared with the administrative costs actually caused. Surpluses of 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, the upper limit for this provision is two thirds of the annual cost premium for the concluded accounting year, while the lower limit is one third. Where the figure falls outside these target values, negotiations are conducted with the employers concerned with a view to setting new cost scales, unless otherwise agreed.

Deferred taxes on the real estate portfolio were reduced by CHF 0.8 million (prior year with one-off valuation adjustment: CHF 58.73 million) in the year under review. Changes are booked and released via the corresponding account in the income statement.

The provision for Reinsurance working capital of CHF 70.8 million was released and is no longer reported as part of the provisions.



## 8 Requirements of the supervisory authorities

No special requirements are currently imposed by the supervisory authorities. PUBLICA has been asked by the regulatory authority for occupational pension schemes of the Canton of Bern (Bernische BVG- und Stiftungsaufsicht (BBSA)) to provide information on the status of implementation of Art. 50 para. 2 BVG. This article states that from 1 January 2015, in the case of public law institutions, either the provisions on benefits or those on funding may be issued by the public-law entity concerned. The interpretation of this provision and possible conflicts with the provisions of federal personnel law and the PUBLICA Act are currently being further clarified.

## 9 Further information concerning the financial situation

### 9.1 Underfunded pension plans

As of 31 December 2017 none of the pension plans was underfunded.

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

### 9.2 Pledging of assets

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

### 9.3 Ongoing legal proceedings

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

### 9.4 Collective departures

Collective departures are mentioned in section 1.6.

## 10 Post-balance sheet events

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

## 11 Report by the Statutory Auditors



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Report of the Statutory Auditor to the Fund Commission of the

**Swiss federal pension fund PUBLICA, Bern**

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

As statutory auditor, we have audited the financial statements of Swiss federal pension fund PUBLICA, which comprise the balance sheet, operating accounts and notes (pages 37 to 69) for the year ended 31 December 2017.

#### *Fund Commission's Responsibility*

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

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

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

#### *Auditor's Responsibility*

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

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



*Swiss federal pension fund PUBLICA, Bern  
Report of the Statutory Auditor  
to the Fund Commission*

*Opinion*

In our opinion, the financial statements for the year ended 31 December 2017 comply with Swiss law and the regulations.

**Report on additional legal and other requirements**

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

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

We have assessed whether

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

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

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

KPMG AG

Erich Meier  
*Licensed Audit Expert  
Auditor in charge*

Andreas Schneider  
*Licensed Audit Expert*

Bern, March 27, 2018

## 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 2017 as defined by Art. 52e of the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans (BVG).

#### Confirmation of independence

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

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

#### Available documents

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	16,337,907,283
– Total pension capital of pensioners	CHF	18,879,485,754
– Total technical provisions	CHF	1,678,218,921

#### Confirmation by pension actuary

In compliance with our duties as pension actuary, we confirm as at 31 December 2017 that

- we are of the opinion that the technical interest rates of 2.75 % and 2.25 % that are applied are not appropriate (but the Board of Directors decided at its seminar meeting of 25/26 January 2018 to reduce the technical interest rates from 1 January 2019; see comments under "Recommendations");
- we are of the opinion that the BVG 2010 (PY 2018) actuarial tables applied to the Pension Fund are appropriate (here too, the Board of Directors decided at its seminar meeting of 25/26 January 2018 to switch to the BVG 2015 actuarial tables);



## ALLVISA | VORSORGE

- the consolidated funding ratio pursuant to Art. 44 BVV 2 is 107.1 %;
- the consolidated economic funding ratio is 87.7 %;
- the Pension Fund offers sufficient 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 110.5 %;
- 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 109.5 %, while the funding ratios of the individual closed pension plans range from 105.7 % to 116.1 %;
- the risk capacity of the closed pension plans is limited;
- the consolidated value fluctuation reserve equals 24.2 % 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 Board of Directors decided at its meeting of 25 January 2018 to reduce the technical interest rate for the open pension plans from 2.75 % to 2.00 % and for the closed pension plans from 2.25 % to 1.25 % from 1 January 2019. The switch from the BVG 2010 (PY 2018) actuarial tables to the BVG 2015 (PY 2022) actuarial tables will also be implemented. We welcome these measures, as they will improve the stability of the pension plans.

### Recommendations

As the **closed pension plans** no longer have any insured members, there is no rehabilitation potential. This fact should be taken into consideration when measuring the obligations and determining the investment strategy. According to the Pension Fund, the long-term yield that is expected from the investment strategy of the closed pension plans, which should take account of the fact that there is no rehabilitation potential, is around 1%. To ensure the financial equilibrium of the closed pension funds, the technical interest rate should be between 0.0 % and 0.5 % if the actuarial tables continue to apply as demographic tables. With this approach, the expected return on investment would also finance the increase in life expectancy (0.6 percentage points of the pension liabilities per year). This means that the reduction of the technical interest rate to 1.25 % from 1 January 2019 is not enough.

We therefore recommend that the Board of Directors adopts an even more conservative valuation of the liabilities of the closed pension plans. As an alternative it should be considered whether the rehabilitation potential can be reinstated, for example by way of a guarantee issued by the Federal government.

According to the Pension Fund, the long-term yield that is expected from the investment strategy of the **open pension plans** is around 2 %. After the intended reduction of the technical interest rate to 2.00 %, the target return is still more than 2 %, even if the pension assets of the insured should only earn 1.0% interest. This means that the intended reduction of the technical interest rate to 2.00 % from 1 January 2019 is not enough. This does not ensure financial equilibrium. It should also be assumed that it will not be possible to reach interest rate equality of the insured and pensioners within the next few years and that the transfer from the active insured to the pensioners will continue.

We therefore advise the Board of Directors to again review the technical interest rate for the open pension plans after the publication of the new actuarial tables (scheduled for 2020 or 2021). We also recommend

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investigating the option of switching from demographic to generation tables at the same time, as this measure can also help to reduce the target return. We also advise the Board of Directors to investigate whether and in which cases any further measures to improve financial stability are required for open and/or closed pension funds with a small portfolio of pensioners.

Zurich, 27 March 2018



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The cover illustration is a visualisation of the interaction between relevant parameters: men, women, active members, pension recipients, those who have made early withdrawals to fund home ownership.

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