



2010 Annual Report of the Swiss Federal Pension Fund PUBLICA

1 January to 31 December 2010

Summary of the financial year

The 2010 financial year was a period of uncertainty. From the very start, financial experts struggled to establish whether the upturn was on its way or already at an end. This uncertainty was accompanied by an unprecedented slump in the value of the US dollar and euro – the two currencies most important to us. The further decline in interest rates also came as an unwelcome surprise for many market participants. Investing under such conditions is an art in itself. In fact, it is almost impossible to avoid getting it wrong. Our investment team responded by doing what it does best: sticking to its strategy. This approach paid handsome dividends. At 5.16%, the performance recorded was around two percentage points above the target. In other words, all the pension plans increased their funded status and shored up their risk capacity. The average funded status of all the pension plans within PUBLICA now stands at 104.5%, on a par with the average for private pension funds. This is the result of unspectacular but all the more meticulous development work over many years. Against the backdrop of these events, the first steps were taken towards preparing for the upcoming change in actuarial tables. This topic will dominate the 2011 financial year.

There have been few significant developments in terms of membership. However, we note that the ratio of active members to pension recipients has shifted in favour of the former once again, as it did in the previous year. This is a welcome development inasmuch as it increases our structural risk capacity. A further indicator of structural improvement is the rise in the average age at the time of retirement. For this reason too, only modest use is made of the provision covering the static vested benefits guarantee. This enhances the creditworthiness of the pension plans. Whether the change in actuarial tables will lead to increased use of this provision remains to be seen; it will depend on the way the transition is actually handled.

The latest insurance profit and loss source analysis confirmed the results for the previous year. Owing to the use of outdated actuarial tables, the pension plans suffered an actuarial loss of around CHF 110 million in 2010 (previous year: CHF 90 million) on the longevity risk; this corresponds to around 0.3% of total assets. As before, this loss was compensated by settlement gains on the disability risk. Both items will be rebalanced as part of the planned change in actuarial tables effective from 1 July 2012.

In the investment area, one notable event is the introduction of separate strategic asset allocations for open and closed pension plans with effect from 1 January 2011. This will optimise the investment strategy of the pension plans over the long term. While on the surface it may sound simple, in fact this was a complex and multi-layered project, which began with the creation of the legal basis and ended with representation of the accounts in the corresponding software environment.

Almost unnoticed by the public at large, on 30 March 2010 PUBLICA received unreserved ISO certification – a prestigious acknowledgement of the quality of the work performed on a daily basis by the staff of PUBLICA. The distinction is also much appreciated by the affiliated employers, active members and pensioners, as our most recent customer survey confirms.

The parity commissions of the affiliated pension plans

Collaboration between the parity commissions of the pension plans and the staff of PUBLICA is now well established and running smoothly. A range of innovations were implemented in the pension plans and brought into force on 1 January 2011. The parity commissions of the centralised and decentralised federal administration are making increasingly bold (but equally responsible) use of the freedom accorded to them by the legislature. The cost advantages of more precisely tailored pension solutions have been recognised, and systematic efforts are being made to exploit them.

The pension plans

The 2010 financial year saw the creation of the new PUBLICA pension plan for the organisation's staff, which resulted from a partial liquidation (exit from the Confederation pension plan). A further pension plan was affiliated, in the form of Trasse Schweiz AG. As a result, the collective institution contained twelve open and seven closed pension plans at the end of 2010. Preparations are being made for a further partial liquidation in the next financial year: as of 1 January 2011, the Swiss National Museum has its own pension plan.

Cost-income ratio

PUBLICA recorded a further income surplus of CHF 3.8m overall on its operations in the 2010 financial year (2009: CHF 6.3m). This will be returned to the pension plans in line with their contribution to top up the cost provision. We undertake detailed cost and benefit accounting each year, in which we review cost schedules and adjust them where necessary. In response to widespread public interest in cost transparency, this year's annual report contains for the first time detailed information on the costs of insurance administration and asset management. Our aim is to make a more nuanced contribution to a debate that is most often conducted in very generalised terms.

Our thanks

The Board of Directors would like to thank the staff of PUBLICA, whose meticulous work has enabled us to achieve success in a difficult business and investment year. We would also like to express our gratitude to all partners and others who have worked with professionalism and dedication to provide an occupational pension for the benefit of personnel at federal level, at the decentralised administrative units and at the affiliated organisations.

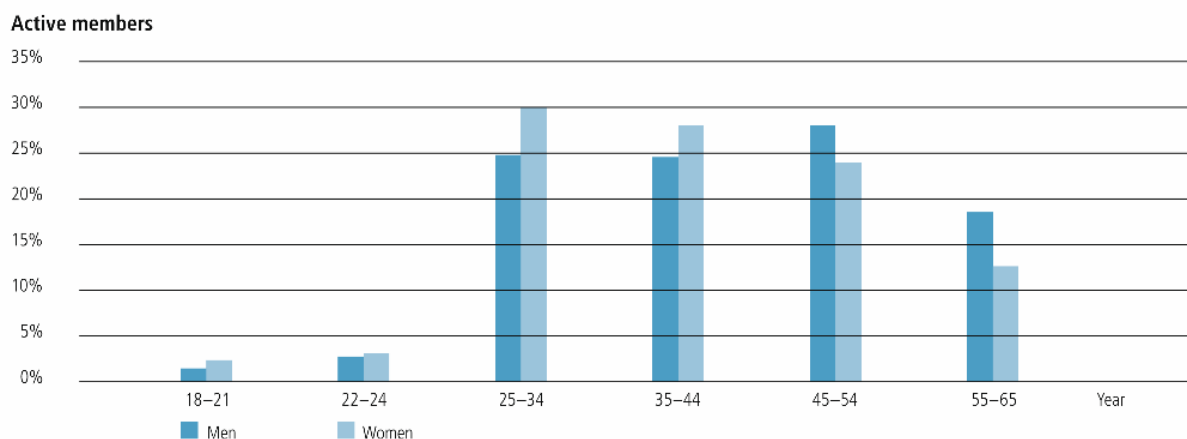
Hanspeter Lienhart
Chairman of the Board of Directors, PUBLICA

Werner Hertzog
Director, PUBLICA

Key figures	2010	2009
Balance sheet total in CHF	33'328'763'940	32'459'718'878
Pension fund capital in CHF	29'454'954'087	29'478'781'394
Funded status as per Art. 44 BVV 2	104.5%	102.4%
Economic funded status	84.1%	87.3%
Return on investments	5.16%	10.13%
Net investment income in CHF	1'617'167'994	2'962'135'171
Statutory contributions in CHF	1'074'525'214	1'035'224'338
Statutory benefits in CHF	-1'719'136'971	-1'758'094'130

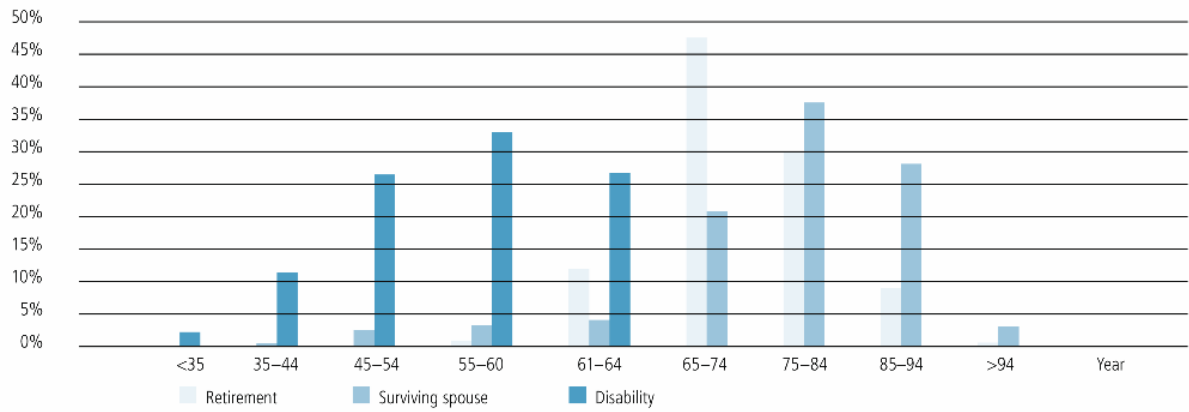
Number of active members (Including risk insured)	56'437	56'870
Number of pensions	48'950	50'502
Retirement pensions	31'020	31'364
Pensioners' child pensions	643	720
Disability pensions	1'739	1'873
Disabled persons' child pensions	401	403
Surviving spouses' / life partners' pensions	10'962	10'912
Orphans' pensions	370	388
Retirement bridging pensions	3'505	4'474
IV/AI replacement pensions	310	368
Number of new pensions (including child's pensions)	1'695	1'102
Retirement pensions	885	471
Disability pensions	121	93
Survivors' pensions (pensions payable following a death)	689	538

Age structure of active members

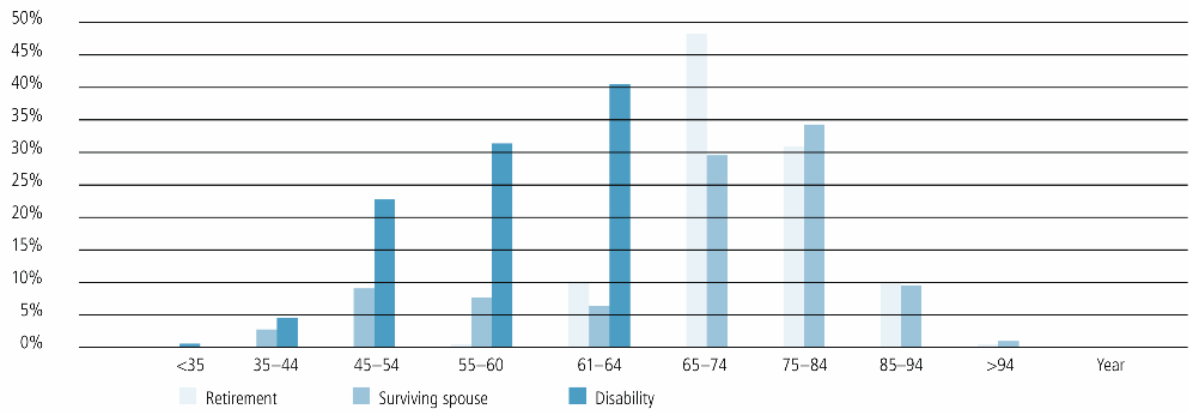


Age structure of pension recipients

Women



Men



Balance sheet

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

Federal Pension Fund PUBLICA – consolidated

Assets	31.12.2010	31.12.2009
	CHF	CHF
Investments	33'297'826'359	32'424'096'386
Cash and cash equivalents	717'522'314	1'485'193'428
Receivables	143'584'119	140'562'494
Bonds	18'940'299'300	19'148'776'262
Equities	8'296'250'690	8'044'680'049
Mortgages	1'292'993'508	1'302'633'150
Real estate	2'173'228'627	2'053'432'385
Alternative investments	1'733'947'802	248'818'619
Operating assets	20'586'941	21'189'560
Prepaid expenses and accrued income	10'350'640	14'432'931
Total assets	33'328'763'940	32'459'718'878

Liabilities		
Vested pension benefits and liabilities	153'010'029	85'468'882
Vested pension benefits and pensions	102'638'354	41'696'014
Other liabilities	29'784'734	22'583'308
Operational liabilities	20'586'941	21'189'560
Accrued expenses and deferred income	7'479'672	21'797'209
Employers' contribution reserves	10'275'013	10'809'052
Non-technical provisions	20'954'924	17'098'042
Pension fund capital and technical provisions	31'697'023'444	31'551'689'197
Pension fund capital – active members	11'193'154'881	10'605'904'422
Pension fund capital – pensioners	18'261'799'206	18'872'876'972
Technical provisions	2'242'069'357	2'072'907'804
Technical provisions – pension plans	2'115'043'880	1'956'063'780
Technical provisions – collective institution	127'025'477	116'844'024
Fluctuation reserve	1'440'020'858	772'856'496
Uncommitted funds / underfunding		
Opening balance sheet	0	-1'316'562'835
Cash inflow from partial liquidation	0	1'799'299
Surplus income	0	1'314'763'536
Closing balance sheet	0	0
Total liabilities	33'328'763'940	32'459'718'878

Internal information (not AR)

Available assets	33'137'044'302.00
Liabilities (pension fund capital + technical provisions)	31'697'023'444.00
Funded ratio	104.54

Income statement

Federal Pension Fund PUBLICA – consolidated		
	2010	2009
	CHF	CHF
Standard contributions and payments	1'104'787'913	1'070'124'105
Employee contributions	382'739'300	395'602'998
Employer contributions	691'785'914	639'621'340
Lump-sum payments and buy-ins	30'917'775	26'912'381
Payment of employers' contribution reserves	-620'000	7'987'385
Appropriation of provision	-35'076	0
Entrance benefits	1'223'734'171	287'311'151
Vested pension benefits received	1'217'564'686	281'528'370
Home ownership and divorce payments received	6'169'485	5'782'781
Inflow from contributions and payments	2'328'522'084	1'357'435'255
Statutory benefits	-1'719'136'971	-1'758'094'130
Retirement pensions	-1'279'403'379	-1'299'235'075
Survivors' pensions	-294'023'717	-291'639'692
Disability pensions	-43'468'258	-46'274'792
Other statutory benefits	-72'221'538	-97'816'908
Lump-sum benefits upon retirement	-29'725'015	-22'409'919
Lump-sum benefits in case of death/disability	-295'064	-717'744
Vested termination benefits	-1'396'268'167	-354'949'357
Vested benefits paid on departure	-1'318'406'993	-281'890'176
Early withdrawals for home ownership / divorce	-77'861'174	-73'059'181
Outflow for benefits and early withdrawals	-3'115'405'138	-2'113'043'487
Formation of pension fund capital, technical provisions and contribution reserves	-148'550'130	-113'360'392
Formation of pension fund capital – active members	-383'743'361	-533'836'544
Release of pension fund capital – pensioners	611'481'766	775'048'688
Formation of technical provisions – pension plans	-158'724'701	-148'994'363
Formation of technical provisions – collective institution	-10'181'454	-3'068'282
Interest on savings capital	-208'002'380	-194'522'505
Formation/release of employers' contribution reserves	620'000	-7'987'385
Insurance expenses	-8'851'267	-5'839'141
Contributions to guarantee fund	-8'851'267	-5'839'141
Net insurance income	-944'284'450	-874'807'765
Net investment income	1'617'167'994	2'962'135'171
Net income from cash and cash equivalents	-588'312	74'692
Net income from receivables	70'264	599'597
Net income from bonds	791'360'299	859'499'128
Net income from equities	440'128'851	1'976'301'495
Net income from mortgages	35'479'361	39'490'219
Net income from real estate	95'509'527	115'560'617
Net income from alternative investments	283'958'562	1'282'570
Net income from liabilities	-893'547	-937'819
Administrative expenses – investments	-27'857'010	-29'735'330
Formation of non-technical provisions	-3'856'882	-6'323'984
Other expenses	-3'921'117	-3'653'359
Other income	2'058'817	10'269'969
Administrative account – operations	0	0
Total operating expenses	-30'303'538	-29'976'202
Total operating income	34'095'632	36'300'186
Operating income surplus	-3'792'095	-6'323'984
Income surplus before formation of fluctuation reserve	667'164'362	2'087'620'032
Formation of fluctuation reserve	-667'164'362	-772'856'496
Income surplus	0	1'314'763'536

Notes

1 Fundamentals and organisation

1.1 Legal form and purpose

The Swiss Federal Pension Fund PUBLICA is an undertaking of the Swiss Confederation established under public law with a separate legal personality. Its head office is in Bern and it is entered in the commercial register.

PUBLICA insures the employees of the centralised and decentralised Federal Administration (Article 32a of the Federal Personnel Act of 24 March 2000 [SR 172.220.1]) and of affiliated organisations (Article 4 of the Federal Act of 20 December 2006 on the Federal Pension Fund [PUBLICA Act, SR 172.222.1]).

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

1.2 BVG registration and Security Fund

Pursuant to the provisions of the BVG, PUBLICA is entered under order number C1.0100 in the register of occupational pension plans of the Federal Social Insurance Office (FSIO).

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

1.3 Legislation and regulations

PUBLICA was established as an undertaking under public law on 1 March 2001 following the entry into force of the Federal Act of 23 June 2000 on the Federal Pension Fund (FPF Act, AS **2001**, 707). There are no deeds of establishment.

When the PUBLICA Act came into effect on 1 July 2008, there was no change to the status of PUBLICA as an undertaking under public law.

The following laws and regulations govern the activities of PUBLICA:

Federal legislation

Federal Act of 25 June 1982 on Occupational Old Age, Survivors' and Disability Pension Provision (BVG, SR 831.40)

Federal Act of 20 December 2006 on the Federal Pension Fund (PUBLICA Act, SR 172.222.1)

Federal Personnel Act of 24 March 2000 (SR 172.220.1)

Regulations and policy documents

Corporate and Organisational Regulations of the Federal Pension Fund PUBLICA of 29 April 2003 / 1 August 2008

Compliance policy of 24 February 2005

Regulations governing the Provisions and Reserves of the Federal Pension Fund PUBLICA and the Pension Plans of 1 July 2008

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

Regulations governing the Election of the Assembly of Delegates of the Federal Pension Fund PUBLICA of 1 July 2008

Investment Guidelines of the Federal Pension Fund PUBLICA (PUBLICA Investment Guidelines) of 25 October 2007 / 21 February 2008 and 15 April 2010

Regulations governing the Audit Committee of the Federal Pension Fund PUBLICA of 29 April 2003

Regulations governing the Actuarial Policy and Law Committee of the Federal Pension Fund PUBLICA of 29 April 2003

PUBLICA policy document on hardship cases of 13 October 2005

Expenses policy for the beneficiaries of the Federal Pension Fund PUBLICA of 21 February 2008

Regulations governing the remuneration of members of the parity commissions of the pension plans of the Confederation, the ETH Domain, the Swiss Federal Institute of Intellectual Property, the Swiss Agency for Therapeutic Products Swissmedic, and the Swiss Federal Institute for Vocational Education and Training of 3 July 2007

Contracts of affiliation

Employers become affiliated with PUBLICA by entering into a contract of affiliation with PUBLICA; however, this contract may only be signed with the participation and approval of the parity commission. A separate pension plan is generally created for each affiliated employer, its employees and its allocated pensioners; a common pension plan may be created for more than one affiliated employer (Article 7 PUBLICA

Act). The plans affiliated with PUBLICA also include pensioner-only plans (Article 23 (2) PUBLICA Act, closed pension plans).

The following form integral components of the contract of affiliation:

the pension plan's Pension Plan Regulations

the Service Level Agreement on Services

the Service Level Agreement on Medical Examinations (not obligatory; as required)

the Winding-Up Regulations.

1.4 Management bodies and signing powers

Board of Directors

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

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

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

The term of office of the Chair of the Board of Directors is set at two years. Hanspeter Lienhart, employee representative, has been Chair of the Board since 1 July 2009. Christian Bock, employer representative, became Vice-Chair on 1 July 2009. On 30 June 2010 Peter Siegenthaler stepped down from his post as Director of the Federal Finance Administration and was replaced by his successor Fritz Zurbrügg.

Members of the Board of Directors

Last and first names	Function	In office since/until
Bock Christian, Vice-Chair	Employer representative	01.07.2009
Buntschu Kurt	Employer representative	01.07.2002
Cereghetti Piero	Employee representative	01.07.2002
Gerber Hugo	Employee representative	01.01.2005
Grossenbacher-Frei Prisca	Employee representative	01.07.2009
Hinder Alex	Employer representative	01.07.2009

Last and first names	Function	In office since/until
Lienhart Hanspeter, Chair	Employee representative	01.07.2002
Maurer Petra	Employee representative	01.07.2009
Meier Ruth	Employer representative	01.07.2006
Müller Hans	Employee representative	01.02.2004
Remund Matthias	Employer representative	01.07.2009
Schaerer Barbara	Employer representative	01.05.2008
Scholl Fred	Employee representative	01.07.2002
Siegenthaler Peter	Employer representative	01.07.2009 - 30.06.2010
Sommer Martin	Employer representative	01.07.2002
Wyler Alfred	Employee representative	01.07.2009
Zurbrügg Fritz	Employer representative	01.07.2010

External mandates

Last and first names	Mandates
Bock Christian	Chairman of the Board of Directors, Come-2-IT AG, Bern Vice-Chairman of the Board of Directors, Planag Planungsbüro für Industrie und Gerüstbau AG, Laufenburg Member of the Childcare Service, Bern Full member of the Reserve Funds for Pensions and Social Security of the European Patent Organisation
Buntschu Kurt	Member of the Central Committee of the Swiss Life Saving Society
Gerber Hugo	Member of the Board of Directors, Swisscom Member of the Board of Directors, Suva Member of the Board of Directors, Worklink Member of the Board of Trustees, VORSORGE RUAG Member of the Managing Committee, Swiss Travel Fund (Reka)
Hinder Alex	External finance expert, investment committee, BVK Personalvorsorge for Canton Zurich, Zurich Member of the investment commission, DKSH Pension Fund (Diethelm Keller Siber Hegner), Zurich Member of the investment commission, Swissbroke pension foundation, Chur
Lienhart Hanspeter	Member of Bülach Town Council
Remund Matthias	Member of the Executive Council, Swiss Olympic Association Member of the Foundation Board, Schweizer Sporthilfe Member of the Foundation Board, International Center for Sports Studies Member of the Foundation Board, Olympic Museum
Schaerer Barbara	Member of the Board of Directors, Bernmobil, Bern Member of the Council of the Swiss Federal Institute of Intellectual Property (IGE), Bern
Siegenthaler Peter	Chairman of the Board of Directors, Hotel Bellevue-Palace Immobilien AG

Last and first names	Mandates
(until 30.06.2010)	Member of the Board of Directors, SBB AG (from 03.05.2010)
Wylser Alfred	Member of the Board of Trustees, comPlan pension fund Member of the Board of Trustees, Swiss Post Pension Fund
Zurbrügg Fritz	Member of the Board of Directors, Hotel Bellevue-Palace Immobilien AG

The Board of Directors has appointed the following committees:

Investment Committee

The main tasks of the Investment Committee are to define the Strategic Asset Allocation on behalf of the Board of Directors, appoint the internal and external portfolio managers and approve real estate transactions up to CHF 30m.

According to the Investment Guidelines, the Investment Committee comprises three to five persons appointed by the Board of Directors, one representative of the Federal Finance Administration and, as consultative members, the Director, Head of Financial Administration and Accounting/Controlling and the Head of Asset Management of PUBLICA. The chair of the Investment Committee is Alex Hinder.

Last and first names	Function	In office since/until
Cereghetti Piero	Employee representative	29.10.2002
Eggenberger Urs	Vice-Chairman, Federal Finance Administration	19.11.2007
Gisiger Hanspeter	Head of Financial Administration and Accounting / Controlling, PUBLICA	01.09.2008
Haurly von Siebenthal Susanne	Head of Asset Management	01.01.2006
Hertzog Werner	Director, PUBLICA	01.07.2004
Hinder Alex, Chair	Employer representative	01.07.2009
Meier Ruth	Employer representative	01.07.2009
Müller Hans	Employee representative	01.01.2005
Wyss Oskar	External	29.10.2002

External mandates

Last and first names	Mandates
Eggenberger Urs	Representative of the FFA: Member of the Board of Directors and Board of Directors Committee, AHV Compensation Fund Representative of the FFA: Member of the Commission, Member of the Investment Committee for the Decommissioning Fund and Waste Disposal Fund

Last and first names	Mandates
	Representative of the FFA: Member of the Board of Trustees of the BVG Security Fund
Haury von Siebenthal Susanne	Member of the Swiss Takeover Board Member of the Investment Committee, CERN Pension Fund
Wyss Oskar	Member of the Board of Directors, Vigierhof AG, Solothurn

Actuarial Policy and Law Committee

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

Last and first names	Function	In office since/until
Burgunder Daniel	Head of Insurance, PUBLICA	10.12.2002
Geiser Corinne	Head of Strategic Legal Services, PUBLICA	01.11.2006
Grossenbacher-Frei Prisca	Employee representative	01.07.2009
Schaerer Barbara	Employer representative	01.01.2009
Scholl Fred	Employee representative	10.12.2002
Sommer Martin, Chair	Employer representative	20.03.2003

Audit Committee

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

The members of the Audit Committee are:

Last and first names	Function	In office since/until
Gerber Hugo, Chair	Employee representative	01.01.2005
Maurer Petra	Employee representative	01.07.2009
Remund Matthias	Employer representative	01.07.2009
Siegenthaler Peter	Employer representative	01.07.2009 - 30.06.2010
Zurbrugg Fritz	Employer representative	01.07.2010

Assembly of Delegates

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

The insured members of the Swiss Federal Pension Fund PUBLICA cast postal votes to elect the 80 members of the Assembly of Delegates for the first time on 28 November 2008. The four-year term of office began on 1 January 2009. The 80 seats were distributed between the four constituencies according to the policy reserves of the pension plans as at 30 June 2008. The elected delegates and the distribution among the pension plans are listed at www.publica.ch.

At its constitutive meeting of 21 January 2009, the PUBLICA Assembly of Delegates elected its Chair and Vice-Chair:

Last and first names	Function
Alvarez Cipriano	Chair
Grunder Jürg	Vice-Chair

Management

Management is responsible for PUBLICA's operational strategy and management and for attaining its strategic goals and safeguarding its long-term success. Its activities are based on the Corporate and Organisational Regulations of the Federal Pension Fund PUBLICA of 1 August 2008. The management consists of the Director, Werner Hertzog, and his deputy, Susanne Haury von Siebenthal (Head of Asset Management).

Executive Board

As at 31 December 2010, the Executive Board comprised the following members:

Last and first names	Function
Burgunder Daniel	Head of Insurance, PUBLICA
Gisiger Hanspeter	Head of Financial Administration and Accounting / Controlling, PUBLICA
Haury von Siebenthal Susanne	Head of Asset Management, PUBLICA Deputy to the Director of PUBLICA
Hertzog Werner	Director, PUBLICA
Zaugg Markus	Head of Resources, PUBLICA

Extended Executive Board

As at 31 December 2010 the Extended Executive Board consisted of:

Last and first names	Function
Gautschi Jürg	Head of Quality Management / Training Coordination, PUBLICA
Geiser Corinne	Head of Strategic Legal Services, PUBLICA

1.5 Human Resources at PUBLICA

Legal basis, employment relationships

Since the FPF Act came into force on 1 June 2003 PUBLICA has been an undertaking of the Swiss Confederation established under public law with a separate legal personality. On 19 August 2009, by means of the supplement to the Framework Ordinance of the Federal Personnel Act (FPA)¹ the Federal Council conferred on PUBLICA the status of an employer subject to employment law with effect from 1 January 2010. The staff of PUBLICA are subject to the FPA². The Board of Directors of PUBLICA issues the implementing provisions³.

Human resources policy and developments

The content, standards and methods of PUBLICA's human resources policy support the organisation's corporate objectives. The policy regulates employment relationships and collaboration within PUBLICA. In 2010, the focus was on the operational products and services created in response to PUBLICA's newly acquired status as an employer in its own right. These objectives, described in Articles 2 and 3 of the PUBLICA staff regulations, had a major impact on the following two employee-related processes:

Acquiring and retaining suitable personnel

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

PUBLICA aims to make targeted use of incentive schemes and thereby motivate its employees to commit to its corporate objectives. The services it provides depend on the dedication and skills of its staff. It is therefore necessary to attach greater weight to individual performance and to create incentives that reward dedicated, results-oriented working practices.

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

² Article 2 (1) (e) BPG and Article 14 (2) PUBLICA Act (SR 172.222.1)

³ Article 2a (2) Framework Ordinance to the FPA

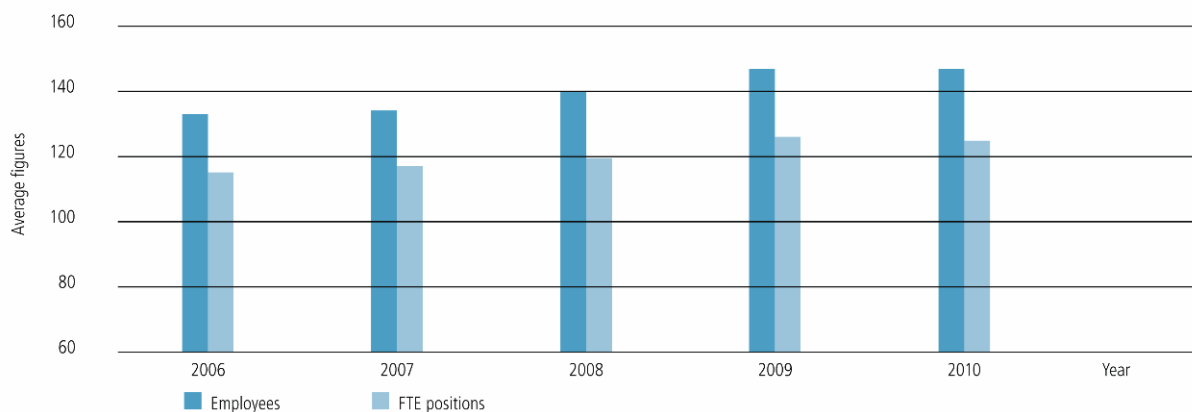
However, the labour market is also constantly changing. Demographic developments, for example, are leading to increased scarcity of resources. As regards the specialised staff needed to implement the differentiation strategy, PUBLICA is in direct competition with the insurance and financial sectors.

If it is to retain the loyalty of the staff it needs, PUBLICA must structure its employee benefit offering accordingly. Besides the interesting and responsible jobs that PUBLICA already offers, potential employees also base their decision on the financial components of the package on offer.

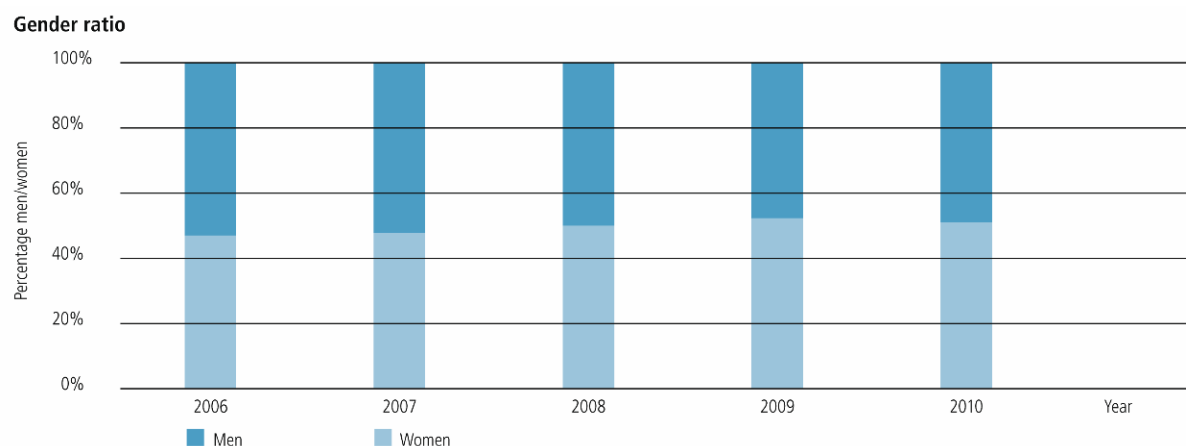
Staff promotion and development

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

Headcount and FTE positions



At PUBLICA, the reporting year was dominated by the operational implementation of the new regulations imposed by employer status. Headcount remained unchanged year on year, at 147. On a full-time equivalent basis, there was a small drop of 0.9 units to 125.3 FTE positions.



There are more women than men in the lower functional levels (29 women and 12 men), while in management positions (8 women and 14 men) and at Executive Board level (1 woman and 4 men) the situation is reversed. At administrative employee level the balance is more or less equal, with 40 women and 39 men. The differences are mainly attributable to part-time working. At PUBLICA as elsewhere, the higher the function, the smaller the number of part-time workers.

1.6 Actuary, auditor, supervisory authority, consultants

Accredited Pension Actuary	Aon Hewitt SA Avenue Edouard-Dubois 20 2000 Neuchâtel	www.aonhewitt.ch
Statutory Auditors	Ernst & Young AG Belpstrasse 23 3001 Bern	www.ch.ey.com
Supervisory Authority	Federal Social Insurance Office FSIO Effingerstrasse 20 3003 Bern	www.bsv.admin.ch
Investment Controller	PPCmetrics AG Badenerstrasse 6, P.O. Box 8021 Zurich	www.ppcmetrics.ch
Global Custodian (custodian bank for foreign securities and consolidation of all assets)	J.P. Morgan (Switzerland) Ltd Dreikönigstrasse 21 8022 Zurich	www.jpmorgan.com
CH Custodian (custodian bank for CH securities)	Credit Suisse Custody & Transaction Services Uetlibergstrasse 231 8070 Zurich	www.credit-suisse.com

1.7 Affiliated employers

The range of employers that have either the option or the obligation to insure their employees' occupational pensions with PUBLICA is defined in the PUBLICA Act (Article 4). As of 31 December 2010, the PUBLICA collective institution encompassed 19 mutually independent pension plans, of which seven were closed pension plans without any active members.

Active members

	31.12.2010	31.12.2009
Confederation	36,698	37,390
Affiliated organisations	2,038	1,998
ETH Domain	16,098	16,074
Swiss Federal Institute of Intellectual Property	251	259
Swissmedic	389	379
Swiss Federal Institute for Vocational Education and Training	212	206
Swiss Federal Audit Oversight Authority FAOA	24	29
Historical Dictionary of Switzerland	36	38
Swiss Financial Market Supervisory Authority (FINMA)	407	382
Swiss Federal Nuclear Safety Inspectorate (ENSI)	133	115
PUBLICA	140	-
Trasse Schweiz AG	11	-
Total	56,437	56,870

The PUBLICA pension plan came into being on 1 January 2010 as the result of a partial liquidation from the Confederation pension plan. The Trasse Schweiz AG pension plan is a new group of insured persons that has joined PUBLICA.

Pensioners

	31.12.2010	31.12.2009
Confederation	26,132	26,387
Voluntarily insured (retirement started on or after 01.06.2003)	321	324
Affiliated organisations	805	860
Pensioners only – affiliated organisations	408	373
Pensioners only – Confederation	882	911
ETH Domain	5,045	4,944
Pensioners only – Swisscom Pension entitlement before 01.01.1999	7,305	7,509
Pensioners only – RUAG Pension entitlement before 01.07.2001	2,692	2,836
Pensioners only – SRG SSR idée suisse Pension entitlement before 01.01.2003	1,184	1,209
Pensioners only – PUBLICA administration	89	91
Swiss Federal Institute of Intellectual Property	49	48
Swissmedic	93	83
Swiss Federal Institute for Vocational Education and Training	12	9
Swiss Federal Audit Oversight Authority FAOA	0	0
Historical Dictionary of Switzerland	10	10
Swiss Financial Market Supervisory Authority (FINMA)	42	40
Swiss Federal Nuclear Safety Inspectorate (ENSI)	27	26
PUBLICA	39	-
Trasse Schweiz AG	0	-
Total	45,135	45,660

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

2 Active members and pensioners

2.1 Active members

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

	31.12.2010	31.12.2009
Men	37,875	38,319
Women	18,562	18,551
Total active members	56,437	56,870

2.2 Pensions

	31.12.2010	31.12.2009
Retirement pensions	31,020	31,364
Retired person's child's pensions	643	720
Disability pensions	1,739	1,873
Disabled person's child's pensions	401	403
Surviving spouse/life-partner's pensions	10,962	10,912
Orphan's pensions	370	388
Retirement bridging pensions	3,505	4,474
IV/AI replacement pensions	310	368
Total	48,950	50,502

In 2010 there were a total of 885 new retirement pensions and retired person's child's pensions, 121 new disability pensions and disabled person's child's pensions, and 689 new surviving spouse pensions and orphan's pensions.

3 Implementation of the purpose

3.1 Note to the pension plans

PUBLICA runs separate pension schemes for each pension plan. The employer allocates the insured persons to the various pension plans on the basis of the objective criteria set out in the Pension Plan Regulations. The insured members may top up their personal retirement assets with voluntary savings contributions so as to increase their retirement pension or vested termination benefits upon leaving the pension plan.

3.2 Financing, method of financing

PUBLICA is an autonomous collective institution running 19 mutually independent pension plans, each with its own balance sheet. The actuarial financing of the individual pension plans is based on what is known as the funded or capital cover system. The revenues are formed by savings contributions, risk premiums, inflows of vested pension benefits from previous pension plans and buy-ins, as well as income earned on pension plan assets. The amount of the savings contributions and any risk contribution from employees are set out in the individual Pension Plan Regulations.

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

3.3 Further information on pension provision

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

4 Valuation and accounting principles, consistency

4.1 Confirmation of financial reporting as per Swiss GAAP ARR 26

The annual financial statements of the Swiss Federal Pension Fund PUBLICA meet the formal requirements in terms of the breakdown of the balance sheet, income statement and notes and also the material requirements of the BVG (Swiss GAAP ARR 26). The accounts convey the actual financial situation and contain all the information required for their appraisal.

4.2 Accounting and valuation principles

Accounting, recognition and valuation are conducted as prescribed in the Swiss Code of Obligations (CO) and the Federal Act of 25 June 1982 on Occupational Old Age, Survivors' and Disability Pension Provision (BVG and Swiss GAAP ARR 26).

Securities, foreign currencies, direct investments in real estate and loans to public law bodies are recognised at market value. The value of all real estate is reappraised each year using the discounted cash flow (DCF) method. Properties under construction are recognised at the proportionate accrued cost according to their stage of

completion and corrected by means of a value adjustment where necessary. Once these buildings have been completed and added to the real estate portfolio, they are assessed as part of the annual valuation.

Mortgages and cash and cash equivalents are entered in the balance sheet at nominal value.

Since the closure of the annual accounts as at 31 December 2009, there have been no changes in the valuation, accounting or financial reporting principles. They have not been changed since the introduction of the Swiss GAAP ARR 26 regulations. This applies in particular to the technical provisions, the non-technical provisions and the fluctuation reserve, which are included in the legal basis and are audited in an expert actuarial assessment.

5 Actuarial risks / risk coverage / funded status

5.1 Form of risk coverage, reinsurance

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

5.2 Development of pension fund capital for active members

The balance sheet item “Pension fund capital – active members” contains the total statutory vested termination benefits for active members of CHF 11.2bn (prior year: CHF 10.6bn). The following table shows the development during the period under review.

	31.12.2010	31.12.2009
Pension fund capital (end of prior year)	10'605'904'422	9'856'891'021
Savings contributions – employees and employers	867'241'735	828'246'212
Lump-sum transfers, buy-ins and entrance benefits	1'263'278'982	409'737'407
Interest (including interest relating to other periods)	208'002'380	194'522'505
Vested termination benefits	-1'318'406'992	-404'607'348
Early withdrawals for home ownership / divorce payments	-77'861'174	-73'059'180
Retirement pensions	-335'004'305	-182'138'545
Release due to death / disability	-14'732'625	-19'880'804
Other changes	-5'267'542	-3'806'844
Inflow	587'250'459	749'013'403
Pension fund capital (end of year)	11'193'154'881	10'605'904'422

The exceptionally high level of “Lump-sum transfers, buy-ins and entrance benefits” and “Vested termination benefits” (approx. CHF 950m) is attributable to a reorganisation within the federal administration (internal changes).

“Other changes” contains corrections to disability cases and inter-year rectifying entries.

“Pension fund capital – active members” increased by CHF 587.3m year on year. This was less than the increase in the prior year, due to a gradual normalisation of retirement behaviour after the temporary divergences brought about by the change of system.

The minimum amount as per Article 17 VBA is taken into account when calculating the pension fund capital.

5.3 Total retirement assets under BVG

in CHF				31.12.2010	31.12.2009
Total retirement assets under BVG				4,093,281,420	3,878,963,137
BVG	minimum	interest	rate,		
fixed by the Federal Council				2.0%	2.0%

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

5.4 Development of pension fund capital for pensioners

Pension fund capital – pensioners		
	2010	2009
	CHF	CHF
Pension fund capital as at 01.01	18'872'876'972	19'703'221'007
Change in pension fund capital as at 31.12	-611'077'766	-830'344'035
Total pension fund capital – pensioners	18'261'799'206	18'872'876'972

Number of pensions (for details see 2.2)		
	48,950	50,502

The pension fund capital for pensioners corresponds to the present value of current pensions including associated deferred annuities and decreased by CHF 611.1m from the previous year's figure.

5.5 Results of the latest actuarial assessment

Please see the confirmation from the Accredited Pension Actuary as at 31 December 2010 (point 13).

5.6 Actuarial tables and technical provisions

The collective institution's liabilities are calculated according to the principles and guidelines issued by the Swiss Association of Actuaries and the Swiss Chamber of Pension Actuaries. The calculations use the actuarial tables of the Federal Insurance Fund's EVK 2000, 3.5% for open pension plans (with active members) or EVK 2000 3.0% for closed plans. In addition, the probability of disability has been weighted at 80% (for the Confederation pension plan 60%) of its value, on the basis of PUBLICA's claims experience.

Technical provisions – consolidated

	31.12.2010	31.12.2009
	CHF	CHF
Pension plans		
Provision for conversion rate – active members	576'657'769	477'265'699
Provision for longevity – pensioners	941'847'977	865'810'967
Provision for outstanding claims	177'969'147	187'220'065
Provision for death and disability	62'514'000	58'462'000
Provision for guarantees (change of system)	330'291'927	341'548'219
Provision for cost-of-living adjustment and administrative expenses	25'763'060	25'756'830
Total technical provisions – pension plans	2'115'043'880	1'956'063'780
	31.12.2010	31.12.2009
	CHF	CHF
Collective institution		
Provision for outstanding claims	14'960'253	8'308'724
Provision for death and disability	22'605'000	20'460'000
Provision for pricing	61'194'000	59'774'000
Provision for hardship cases	28'266'224	28'301'300
Total technical provisions – collective institution	127'025'477	116'844'024
Total technical provisions	2'242'069'357	2'072'907'804

The provisions and reserves stated in the balance sheet are based on PUBLICA's Regulations governing the Provisions and Reserves of 1 July 2008, drawn up by the Board of Directors in conjunction with the Accredited Pension Actuary (Aon Hewitt), the Investment Controller (PPCmetrics) and the external Statutory Auditors (Ernst & Young).

The technical provisions increased by CHF 169.2m over the previous year.

5.6.1 Technical provisions – pension plans

The Regulations governing the Provisions and Reserves of the Federal Pension Fund PUBLICA and the Pension Plans dated 1 July 2008 have been revised. The revised version came into effect on 1 January 2011.

Provision for conversion rate – active members

The conversion rate has to be lowered at regular intervals so as to take account of the increase in life expectancy for future benefits promised.

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

Provision for longevity – pensioners

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

Provision for outstanding claims

The risk premiums are calculated on an actuarial basis so that they can finance the death and disability cases arising in the current income statement. In the case of disability, however, several years may pass between the occurrence of the insured event and the definitive settlement. Sufficient provisions must be set aside for the subsequent processing of such cases.

Provision for death and disability

The cases of death and disability to be expected in one year and the policy reserve required for paying the statutory benefits are calculated using the EVK 2000 actuarial tables. The purpose of the provision for death and disability is to cushion the adverse financial impact of unexpected deviations in the volume of claims. This provision only exists in those pension plans that cover the risks of death and disability themselves, in whole or in part, and are thus exposed to the risk of fluctuation.

Provision for guarantees (change of system)

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

Provision for cost-of-living adjustments and administrative expenses

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

5.6.2 Technical provisions – collective institution

Provision for outstanding claims

Like the pension plans, the collective institution, in its function as reinsurer, also has to maintain a provision for outstanding claims. This is accumulated using the risk premium of the fully or partially reinsured pension plans. When the target value has been reached, any surplus is reimbursed to the pension plans concerned on the basis of a surplus concept.

Provision for death and disability

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

Provision for pricing

The provision for pricing provides the collective institution with time to adjust premiums in the case of an error in the actuarial basis.

Provision for hardship cases

The prerequisites for guaranteeing voluntary benefits from the collective institution are set out in the PUBLICA policy document on hardship cases. Two applications for benefits were approved in 2010.

5.7 Funded status as per Article 44 BVV 2

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

in CHF	31.12.2010	31.12.2009
Required actuarial pension fund capital	31,697,023,445	31,551,689,197
Fluctuation reserve	1,440,020,859	772,856,496
Uncommitted funds	0	0
Available funds	33,137,044,303	32,324,545,693
Funded status as per Article 44 BVV 2	104.5%	102.4%

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

5.8 Death and disability risk result of the PUBLICA collective institution as reinsurer

The pension plans with a relatively low number of active members are fully or partially reinsured with the collective institution. Cases of disability which originated before the transfer to the collective institution are borne by the respective pension plans (provision for outstanding claims). As in the previous year, only cases of this type occurred in 2010, with the result that the entire risk premium of the reinsured pension plans of CHF 6.7m went directly into the collective institution's provision for outstanding claims. Unless an exceptionally large number of claims occur during the next financial year, it is expected that a surplus (as described under 5.6.2 Technical provisions – collective institution) will be reimbursed for the first time on the next account closing date.

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

The risk results for death (CHF 4.9m) and for disability (CHF 111m) both show an actuarial profit for the year 2010. This indicates that the claims that actually occurred were lower than was expected according to the actuarial tables. The downward revision of certain risk premiums with effect from 1 January 2010 led to a reduction in profit compared with the prior year. This is the desired effect, inasmuch as the purpose of the risk premiums is to ensure not only profit-free but also loss-free claims processing over the long term.

	2010	2009	2008
Risk premium received (disability and death) in CHF million	147.8	168.5	159.7
No. of disability cases (including increases in level of disability)	101	88	84
Cost of disability cases in CHF million	26.6	21.0	23.0
Funding via risk premium (disability) in CHF million	137.6	156.4	148.2
Profit on disability cases in CHF million	111.0	135.4	125.2
Number of deaths	50	52	29
Cost of death cases in CHF million	5.3	0.9	1.1
Funding via risk premium (death) in CHF million	10.2	12.1	11.5
Profit on death cases in CHF million	4.9	11.2	10.4
Required risk premium	0.72%	0.50%	0.59%
Required risk premium (average)	0.60%	0.55%	0.59%
Statutory risk premium	3.36%	3.92%	3.92%

The change in actuarial tables may give rise to further reductions in risk premiums. However, given the slight increase in claims in 2010 compared with previous years, the trend will still have to be carefully monitored.

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

The risk result for death for pension recipients – a loss of approximately CHF 110m (of which retirement pension recipients account for around CHF 100m) – is a stark reminder of the necessity of maintaining longevity provisions for pension recipients. It also confirms the wisdom of the Board of Directors' decision to reduce the conversion rate at age 65 from 6.53% to 6.15% ahead of the change in actuarial tables, since otherwise future losses would be knowingly assumed, which subsequent generations would then have to bear.

6 Notes on investments and the net return on investment

The global economy continued to stabilise in 2010, but regional differences widened markedly. Unlike Europe, the US government opted for an expansive fiscal policy, while the US central bank approved an additional stimulus package of USD 600 billion. Heavily indebted nations such as the UK, Ireland, Greece, Portugal and Spain announced austerity measures, some of them drastic. However, these restrictive fiscal programmes will not come into effect until 2011. Led by China, the emerging markets posted strong growth rates, though they lost momentum towards the end of the year. The economies of these regions continued to detach themselves from those of the industrialised nations.

The financial markets experienced dramatic changes of mood. The debt crisis in Greece resulted in a temporary loss of investor confidence. Money market investments and gold were much in demand. From July onwards, however, investors' willingness to take risks began to return. Commodities were the chief beneficiaries, followed by equities from the emerging markets, Pacific and North American regions. On the fixed income market, government bonds from Europe's core countries and emerging markets as well as high-quality corporate bonds proved most popular.

The problems in Europe and the strongly expansive monetary policy of the US led to a significant appreciation of the Swiss franc against the US dollar and the euro.

6.1 Organisation of investment activity, Investment Guidelines

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

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

Equity investments are made passively and replicate market trends. All equity portfolios are managed by external specialists. The bond portfolios are managed by PUBLICA Asset Management and external specialists actively, albeit close to the respective benchmark. Real estate investments take the form of direct investments within Switzerland. Commodities investments are managed by two external specialists. One of the mandates is completely passive, while the other allows minor, rule-based deviations from the benchmark. The currency hedging programmes are managed completely passively by external specialists.

The following institutions were entrusted with the management of PUBLICA's assets as at the balance sheet date of 31 December 2010:

Asset managers & retrocessions

Mandate	Asset manager	Investment style	Retrocessions 1)	
			Date of regulation	Received
Bonds CHF	PUBLICA Asset Management	Index-tracking	-	no
Bonds EUR	PUBLICA Asset Management	Index-tracking	-	no
Bonds EUR	Swisscanto	Index-tracking	20.07.1999	no
Bonds USD	PUBLICA Asset Management	Index-tracking	-	no
Bonds USD	Swisscanto	Index-tracking	20.07.1999	no
Government bonds GBP hedged	PUBLICA Asset Management	Index-tracking	-	no
Currency hedging foreign currency bonds	Record Currency Management	Passive	22.10.2008	no
Mortgages	Hypotheken PUBLICA	Direct investments	-	no
Equities Switzerland	Credit Suisse Asset Management	Passive	01.12.2008	no
Equities Switzerland	Pictet Asset Management	Passive	02.12.2008	no
Equities world industrialised nations	Credit Suisse Asset Management	Passive	09.11.2005	no
Equities world industrialised nations	Blackrock	Passive	27.06.2005	no
Currency hedging equities world industrialised nations	Russell Investment	Passive	28.10.2008	no
Equities emerging markets	Pictet Asset Management	Passive	19.08.2010	no
Equities emerging markets	Vanguard	Passive	19.08.2010	no
Commodities	Morgan Stanley	Index-tracking (swaps)	02.11.2009	no
Commodities	Blackrock	Passive (futures)	02.11.2009	no
Real estate Switzerland	PUBLICA Asset Management	Direct investments	-	no
Real estate Switzerland	Comptoir Immobilier SA	Direct investments	01.04.2010	no
Real estate Switzerland	Bernard Nicod SA	Direct investments	01.08.2007	no
Real estate Switzerland	Régie Nafilyan - Regisa SA / Membre du groupe Cogestim	Direct investments	01.07.2007	no
Real estate Switzerland	Weck, Aeby & Cie. SA	Direct investments	01.08.2007	no
Real estate Switzerland	Von Graffenried AG Liegenschaften	Direct investments	01.08.2007	no
Real estate Switzerland	Privera AG	Direct investments	01.08.2007	no
Real estate Switzerland	psm Center Management AG	Direct investments	01.07.2009	no
Real estate Switzerland	Mata Treuhand- und Revisions AG	Direct investments	01.08.2007	no

¹⁾ Legend: (date of regulation on retrocessions / retrocessions received 2010)

PUBLICA strives to achieve low costs and fair, transparent agreements. The regulations agreed with our partners forbid the acceptance of retrocessions in connection with contractual relationships with PUBLICA involving securities and real estate.

PUBLICA exercises its voting rights at the annual general meetings of listed public companies in Switzerland with a view to protecting its long-term shareholder interests. Voting rights are generally not exercised abroad. PUBLICA does not make the details of its voting behaviour publicly known.

6.2 Target size and calculation of the fluctuation reserve

The fluctuation reserve comprises two separate reserves: the technical interest rate reserve and the fluctuation reserve for investments.

Target size and calculation of the fluctuation reserve		
	2010	2009
	CHF	CHF
Technical interest rate reserve 01.01	279'212'631	0
Fluctuation reserve 01.01	493'643'865	0
Total fluctuation reserve 01.01	772'856'496	0
Change in technical interest rate reserve credited to income statement	354'142'085	279'212'631
Change in fluctuation reserve credited to income statement	313'022'277	493'643'865
Technical interest rate reserve 31.12	633'354'716	279'212'631
Fluctuation reserve 31.12	806'666'142	493'643'865
Total fluctuation reserve 31.12	1'440'020'858	772'856'496
Target technical interest rate reserve	3'671'227'763	2'624'906'019
Target fluctuation reserve	4'754'553'515	4'732'753'382
Overall total of targets	8'425'781'278	7'357'659'401
Technical interest rate reserve deficit	3'037'873'047	2'345'693'388
Fluctuation reserve deficit	3'947'887'373	4'239'109'517
Fluctuation reserve as % of target	17.1%	10.5%

The creation or release of the technical interest rate reserve and the fluctuation reserve are always synchronous, i.e. both reserves are always at a matching percentage of their target value. Thanks to the positive result in 2010, it was possible to add further to the fluctuation reserve.

6.2.1 Technical interest rate reserve

Risk-free market interest rates for certain or all maturities may differ from the standard technical interest rate defined for long-term use. If all or some of the risk-free market rates for the various maturities are lower than the technical interest rate defined, this results in potentially higher economic liabilities for the fund. The technical interest rate reserve is created to absorb at least some of the economic fluctuation risk and, if necessary, to finance a necessary reduction in the technical interest rate.

According to PUBLICA's Regulations governing the Provisions and Reserves, the target size of this reserve corresponds to 50% of the difference between the liabilities calculated using the current technical interest rate of 3.5% for open pension plans and 3.0% for closed plans and the liabilities calculated using a risk-free interest rate.

6.2.2 Fluctuation reserve

The fluctuation reserve is used to ensure that the investment risks that have to be taken in order to attain the long-term target returns can actually be borne. The target size of the fluctuation reserve depends on the risk/return characteristics of the strategic asset allocation, the safety level sought and the investment horizon. The minimum target value is set at 15% of the sum of pension fund capital and technical provisions.

6.3 Assets by asset class

The investments are divided into the following categories, with currency forwards used to hedge all currency risks arising out of equity and bond investments from industrialised nations other than Switzerland. For operational and economic reasons, currency risks on equity investments of emerging nations are not hedged.

Investments by asset class		
	31.12.2010	31.12.2009
	CHF	CHF
Cash & cash equivalents and receivables	861'106'433	1'625'755'921
Cash and cash equivalents	717'522'314	1'485'193'428
Receivables	143'584'119	140'562'494
Bonds	18'940'299'300	19'148'776'262
Bonds CHF	13'214'557'612	13'539'459'710
Bonds Europe	3'260'924'882	3'506'050'667
Bonds USD	2'217'624'397	1'862'389'148
Bonds GBP	247'192'409	240'876'737
Equities	8'296'250'690	8'044'680'049
Equities Switzerland	1'938'862'895	2'859'211'755
Equities Europe	2'388'006'449	2'573'382'542
Equities North America	2'469'201'814	2'058'563'317
Equities Pacific	849'851'894	553'522'435
Equities emerging markets	650'327'640	0
Mortgages	1'292'993'508	1'302'633'150
Real estate	2'173'228'627	2'053'432'385
Alternative investments	1'733'947'802	248'818'619
Commodities	1'733'947'802	248'818'619
Investments	33'297'826'359	32'424'096'386

6.3.1 Cash and cash equivalents

The amount of cash and cash equivalents decreased sharply in comparison with the previous year. This chiefly reflects a more positive assessment of the financial markets.

6.3.2 Other receivables

At CHF 103.6m, the current accounts of employers with contributing receivables form one of the single largest items under the item "Receivables". The employee and employer contributions are billed to the employers at the end of each month. Such contributions for the month of December were due and payable on 31 December 2010.

6.3.3 Bonds

There was little change in the weighting of bond investments in the portfolio in comparison with the previous year.

6.3.4 Equities

A new item since the last financial statements is "Equities emerging markets". This forms part of the long-term strategic asset allocation. The gradual build-up of this position began in August 2010.

6.3.5 Mortgages

The portfolio of individual mortgage loans totalled CHF 1.103bn as at 31 December 2010. Mortgage loans amounting to CHF 190.2m were granted to housing cooperatives.

6.3.6 Real estate

PUBLICA has a real estate portfolio of residential and commercial properties throughout Switzerland. This portfolio is still being built up, though a defensive approach was adopted in 2010 due to the difficult market situation. The current value (including properties under construction and projects) came to CHF 2.173bn as at 31 December 2010, up from CHF 2.053bn a year earlier.

6.3.7 Commodities

PUBLICA began building up a portfolio of commodities investments in 2009. This has been continued progressively, and was completed in 2010 when the long-term strategic weighting was reached.

6.3.8 Strategic asset allocation

With the PUBLICA Act, the new strategic asset allocation came into force on 1 July 2008. The transition from the previous strategy to the new one is being carried out gradually, by asset class, with priority being based on the impact of an asset class on the risk/return profile of the overall portfolio. A pro-rata strategy is being defined for the individual steps, against which the portfolio is measured. All the BVV 2 limits are being complied with. With the exception of the lower end of the bandwidth for real estate, all the bandwidths of the pro rata strategy are being complied with. The figure for real estate is below the minimum threshold because the build-up of the real estate portfolio is proceeding more slowly than planned due to the difficult market situation. This deviation from the target bandwidth has been approved by the Board of Directors.

The limits of the long-term strategy for Swiss bonds, emerging market equities and real estate in Switzerland and abroad are not being complied with. The figure for Swiss bonds is above the upper limit, the others are beneath the lower limits. These breaches of the target bandwidths are due to the progressive implementation of the long-term strategy. Investments in emerging market equities are still being built up, as are direct investments in Swiss real estate and indirect investments in real estate abroad. This is being financed by the progressive reduction of bond investments in Swiss francs. The deviations from the target bandwidths have been approved by the Board of Directors.

Asset class	31.12.2010	Strategic asset allocation	Target structure pro rata	Minimum pro rata	Maximum pro rata
Nominal values	63.08%	56.00%	62.00%	56.00%	71.00%
Money market	1.92%	0.00%	1.00%	0.00%	8.00%
Bonds CHF	39.95%	31.00%	41.50%	38.50%	44.50%
Government bonds EUR	17.30%	7.00%	15.00%	5.00%	25.00%
Government bonds GBP		1.00%			
Government bonds USD		3.00%			
Government bonds JPY		1.00%			
Investment grade credit		8.50%			
USA		4.50%			
Europe		3.00%			
Asia		1.00%			
Sub-investment grade credit	0.00%	0.00%	0.00%	0.00%	2.00%
Mortgages	3.91%	4.50%	4.50%	0.00%	6.00%
Government bonds emerging markets	0.00%	0.00%	0.00%		
Equities	25.12%	24.00%	23.00%	19.00%	27.00%
Switzerland	5.89%	5.00%	6.00%	4.00%	8.00%
Europe	7.22%	7.00%	7.00%	5.00%	9.00%
North America	7.47%	6.00%	6.00%	4.00%	8.00%
Pacific	2.57%	2.00%	2.00%	1.00%	3.00%
Emerging markets	1.97%	4.00%	2.00%	0.00%	4.00%
Alternative investments	5.24%	5.00%	5.00%	4.00%	6.00%
Commodities	5.24%	5.00%	5.00%	4.00%	6.00%
Infrastructure	0.00%	0.00%	0.00%	0.00%	3.00%
Private equity	0.00%	0.00%	0.00%	0.00%	3.00%
Hedge funds	0.00%	0.00%	0.00%	0.00%	0.00%
Real estate	6.57%	15.00%	10.00%	8.00%	12.00%
Switzerland	6.57%	10.00%	10.00%	8.00%	12.00%
Europe	0.00%	3.00%	0.00%	0.00%	4.00%
Asia	0.00%	0.00%	0.00%	0.00%	2.00%
USA (REITS)	0.00%	2.00%	0.00%	0.00%	3.00%

The values as at 31 December 2010 in the second column are based on the assets of the Global Custodian and Investment Controller, which do not take account of the items "Receivables" and "Prepaid expenses and accrued income" amounting to a total of CHF 206.0m.

All temporary deviations from the target percentages for the asset classes that continued to exist as at the balance sheet date were analysed and approved by the Investment Controller, the Investment Committee and the Board of Directors.

6.4 Current (open) derivative financial instruments

As at 31 December 2010, the following derivative positions were open:

Current (open) derivative financial instruments		
	Net replacement value CHF	Net contract volume CHF (sales)
Interest-rate swaps	12'913'160	100.0m
Commodity swaps	70'043'480	836.3m
Currency forwards	586'460'215	10.9bn
Equity futures	149'697	50.9m
Commodity futures	24'013'682	723.5m

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

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

6.5 Securities lending

PUBLICA has signed securities lending agreements with custodians JP Morgan and Credit Suisse whereby PUBLICA exercises its voting rights at the AGMs of Swiss public companies and the shares in question are excluded from securities lending immediately before and during the AGMs. As at 31 December 2010, securities valued at CHF 524,237,450 were on loan (compared with CHF 273,364,505 as at 31 December 2009), backed up by a pledged securities account.

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

6.6 Note on net investment income

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

Net investment income		
	2010	2009
	CHF	CHF
Net income from cash & cash equivalents	-588'313	74'692
Net income from receivables	70'264	599'597
Net income from bonds	791'360'299	859'499'128
Net income from equities	440'128'851	1'976'301'495
Net income from mortgages	35'479'361	39'490'219
Net income from real estate	95'509'527	115'560'617
Net income from alternative investments	283'958'562	1'282'570
Net income from liabilities	-893'547	-937'819
Administrative expenses – investments	-27'857'010	-29'735'330
Net investment income	1'617'167'994	2'962'135'171

The item “Net income from liabilities”, which carries the interest on beneficiaries’ assets, is strictly speaking not an asset class. Net income from receivables consists of, among other things, interest on the deficit coverage liabilities of affiliated organisations.

Breakdown of net income from bonds

Net income from bonds		
	2010	2009
	CHF	CHF
Net income from bonds CHF	425'927'521	745'073'770
Net income from bonds Europe	204'555'842	175'735'474
Net income from bonds GBP	18'855'494	-33'884'838
Net income from bonds USD	142'021'442	-27'949'326
Net income from bonds JPY	0	388'285
Net income from bonds	791'360'299	859'363'366

Breakdown of net income from equities

Net income from equities		
	2010	2009
	CHF	CHF
Net income from equities Switzerland	23'826'430	576'053'127
Net income from equities Europe	143'450'257	707'624'505
Net income from equities North America	257'429'082	571'779'402
Net income from equities Pacific	5'343'361	120'843'374
Net income from equities emerging markets	10'079'721	1'087
Net income from equities	440'128'851	1'976'301'495

Net income from mortgages

The net income comprises the income from interest, fees and early repayments.

Net income from real estate

The net income takes due account of the year-end valuations and the reclassification of the management fee under the item "Management fees".

Administrative expenses – investments

The expenses incurred for the administration of investments comprise the main items listed in the table below.

Administrative expenses – investments		
	2010	2009
	CHF	CHF
Bank and post office interest, net	13'958	15'689
Transaction fees and duties	5'575'716	5'955'562
Management fees and charges – asset classes	15'815'654	13'701'240
Management fees and charges – mortgages and real estate	8'830'214	9'991'724
Other investment administrative expenses	0	71'116
Administrative expenses – asset management	30'235'542	29'735'330
Accruals for change to defined contribution scheme	-2'378'532	0
Total administrative expenses – asset management	27'857'010	29'735'330

Effective administrative expenses for the 2010 accounting period increased by CHF 0.5m. This corresponds to the increase in management and other fees associated with the new asset classes. In a change from the 2009 annual report, expenses related to mortgages and real estate are shown separately. Owing to a change in the invoicing practice employed by the Global Custodian, taxes have been manually extracted and extrapolated. Stamp duty alone accounts for almost CHF 5.8m. Work is currently ongoing to provide for more direct, automated recording of taxes and duties in future annual reports, in order to highlight the amount of the administrative expenses that is not attributable to asset managers.

The accrual for fees created on 1 July 2008 as part of the change to a defined contribution system was released in the 2010 accounting year.

6.7 Overall investment performance

PUBLICA recorded a pleasing investment result, with an absolute performance of 5.16%, nine basis points below the benchmark of 5.25%. Had we dispensed with currency hedging, the performance would have been only 1.15%. The fact that PUBLICA's portfolio was unaffected by the weakness of the US dollar, euro and pound sterling boosted performance by four percentage points. PUBLICA took a strategic decision to completely hedge the currency risks related to industrialised nations in order to remove risks from the portfolio that are not compensated by a premium. Over the long term, we do not expect currency hedging to make a direct contribution to performance. Indirectly, however, it contributes to higher expected returns. The reduction of risks frees up the risk budget, which can be used to invest in asset classes such as equities, where systematic risks are balanced out by higher expected returns. In the short term, currency hedging can have a significant impact on performance; the factors that benefited PUBLICA in 2010 may also work against us in future – if and when, for example, the euro overcomes its current crisis.

The outstanding absolute and relative performance of EUR bonds is due to the fact that PUBLICA holds no government bonds from PIIGS nations in its portfolio. Should the euro recover, however, such bonds may in future represent attractive investment opportunities once again.

The decision not to invest in Transocean had a negative impact on the performance of the portfolio's Swiss equities holdings. The underperformance of the emerging markets equities is attributable to the high transaction costs associated with the initial investment. PUBLICA uses the currency-hedged MSCI indices as the benchmark for its investments in equities of industrialised nations other than Switzerland. These indices have two components: the performance of the equity markets in local currency terms and the currency hedge. Both components are adjusted in the index every month. PUBLICA only adjusts its currency hedging every three months because the market for CHF forwards is relatively illiquid. If we were to roll over open currency forwards with a nominal value of CHF 12bn every month, this would have a tangible impact on prices. We would also generate transaction costs on every occasion due to the bid/ask spread. Additionally, the gains and losses on currency transactions would have to be realised and reinvested (gains) or financed (losses) monthly, leading to large and undesirable cash flows every month. For operational reasons, therefore, minor deviations from the benchmark mechanisms were accepted when designing the currency hedging programmes. The expected value of the gains and losses on currency forwards over the long term is zero; however, because of the strong CHF in the second half of the year, the actual market value stood at an average of several hundred million francs – significantly more than the theoretical monthly gains in the benchmark that are rebalanced every month. The accrued gains on currency transactions did not participate in the positive performance of the equity markets.

	Portfolio performance 2010	Benchmark performance 2010	Difference
Overall assets (with currency hedge)	5.16%	5.25%	-0.09%
Overall assets (without currency hedge)	1.15%	1.78%	-0.63%
Securities investments	5.32%	5.39%	-0.07%
Bonds and money market	3.95%	3.36%	0.59%
CHF	3.59%	3.53%	0.06%
EUR	4.53%	0.78%	3.75%
GBP	6.99%	6.59%	0.40%
USD	6.24%	5.73%	0.51%
Equities	5.86%	6.60%	-0.74%
Switzerland	0.94%	1.21%	-0.27%
Industrialised nations ex Switzerland	8.28%	9.27%	-0.99%
Emerging markets (since August 2010)	7.49%	8.47%	-0.98%
Commodities	16.02%	15.30%	0.72%
Mortgages	2.75%	2.50%	0.25%
Real estate	4.52%	5.26%	-0.74%

Annual financial statements and performance calculation

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

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

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

Owing to the special legal requirements governing PUBLICA, the restrictions set out in Articles 57 and 58 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.

At the end of 2010, deficit coverage liabilities of affiliated organisations still totalled CHF 2.5m. This figure remains in the balance sheet as a deficit coverage liability. Interest will be charged until it is fully repaid by the organisations concerned.

Employers' contribution reserves – consolidated		
	2010	2009
	CHF	CHF
Employers' contribution reserves 01.01	10'809'052	2'777'678
Allocations	4'680'000	8'085'269
Utilisation	-5'300'000	-97'883
Interest (1%)	85'961	43'988
Total employers' contribution reserves 31.12	10'275'013	10'809'052

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

7.1 PUBLICA operations

PUBLICA's operating accounts are reviewed by the Audit Committee and presented to the Board of Directors. The budget and a gap analysis are used for this purpose.

7.1.1 Operating assets / liabilities

The operating assets / liabilities comprised the following:

Operating assets and liabilities – PUBLICA		
	31.12.2010	31.12.2009
	CHF	CHF
Current assets	16'086'248	17'640'149
Investment assets	4'500'693	3'549'411
Operating assets – PUBLICA	20'586'941	21'189'560
Debt	4'863'390	3'168'050
Short-term debt	2'806'071	2'422'909
Long-term debt	2'057'319	745'141
Equity capital	15'723'551	18'021'510
Working capital	11'931'456	11'697'526
Profit	3'792'095	6'323'984
Operating liabilities – PUBLICA	20'586'941	21'189'560

7.1.2 Administrative account – operations

Administrative expenses for PUBLICA operations came to CHF 30.3m in the period under review, while administrative income amounted to CHF 34.1m. The administrative expenses reported include the costs of administration for the active members and the pension recipients, and also the costs of asset management incurred during operations. However, the latter are financed via the return on investments and thus also generate corresponding income in the administrative account. Adjusted for asset management, the administrative account showed a profit of CHF 3.8m, which is a reflection of the fact that membership administration was financed with the cost premiums of employers (administrative costs).

Appropriation of profit to the individual pension plans

As mentioned in the previous section, PUBLICA's operating expenses are allocated to two core areas of business: asset management and membership administration.

The effective proceeds are then allocated to the pension plans on a pro-rata basis, according to the services actually used. Project costs are allocated to the pension plans in proportion to the administrative costs paid. The result calculated in this way for each pension plan takes account of the different fee schedules and the varying amounts of administration required.

Appropriation of profit in 2010

In 2009, the administrative profit for each pension plan was calculated using a hybrid accounting system. The transitional method used was as follows: first, the average result from the previous and the future methods was calculated for each pension plan; then, negative pension plan results were offset against the results of the other pension plans; finally, the results of these calculations were allocated to the pension plans' non-technical provisions.

For the 2010 accounts the appropriation of profit was made only in accordance with the PUBLICA cost accounts, and the effective result (profit or loss) calculated for

each pension plan was then allocated to that plan. When a new pension plan joins PUBLICA, the PUBLICA collective institution finances any administrative shortfall that cannot be offset against an existing non-technical provision for a transitional period of three years.

PUBLICA cost and benefit accounting

The aim of the PUBLICA cost and benefit accounting is to allocate to the individual pension plans the administrative costs for which they are actually responsible, and then debit/credit any expenditure surplus or shortfall to the pension plans.

The PUBLICA cost accounting shows which services (e.g. processes such as entries, buy-ins, terminations and withdrawals) each pension plan uses as well as how often, and also detail any special services provided to the plan. There are also certain fixed costs (e.g. IT systems), which are allocated to the pension plans based on their total membership. The total of all expenses is then compared with the administrative costs invoiced to produce a result for the pension plan which may be either positive or negative. The balance is then offset against the existing account for the non-technical provision. Where this balance is more than 1/3 above or 2/3 below the annual costs invoiced for membership administration, the pension plan is normally contacted to negotiate an increase or reduction in administration costs.

7.2 Overall presentation of PUBLICA administration costs

Administrative expenses per active member / pension recipient		
	2010	2009
	CHF	CHF
Operating expenses – PUBLICA	30'303'537	29'976'202
Asset management component	-8'221'828	-8'251'710
Net expenses	22'081'709	21'724'492
No. of active members	56'437	56'870
No. of pension recipients	45'135	45'660
Total	101'572	102'530
Admin. expenses per active member / pensioner	217	212

PUBLICA's operating expenses, adjusted for the components of asset management reported under "Asset management costs", rose 1.6% year on year. Since the total number of insured persons decreased slightly during this period, membership administration costs per active member / pension recipient rose year on year from CHF 212 to CHF 217.

Administrative expenses – investments

	2010 CHF	2009 CHF
Investments	33'297'826'359	32'424'096'386
Administrative expenses – investments	30'235'542	29'735'330
No. of basis points in relation to assets	9.1	9.2
Asset management costs per million capital	908	917
No. of active members	56'437	56'870
No. of pension recipients	45'135	45'660
Total	101'572	102'530
Asset management costs per active member / pensioner	298	290

Administrative expenses related to investments rose by 1.7% year on year. However, since total investments rose 2.7% during this period, administrative costs as a proportion of investments declined from 9.2 basis points to 9.1. The cost per active member / pension recipient increased from CHF 290 to CHF 298.

Total administrative expenses per active member / pension recipient

	2010 CHF	2009 CHF
membership administration expenses per active member / pensioner	217	212
asset management expenses per active member / pensioner	298	290
Total administrative expenses per active member / pensioner	515	502

Overall, administrative costs per active member and pension recipient rose from CHF 502 to CHF 515 year on year, an increase of 2.6%.

8 Requirements of the supervisory authorities

In a letter dated 23 December 2010, the FSIO laid down special requirements for the 2010 reporting. These consist firstly in a list of any retrocessions for each contracting partner (covered in the table and text under point 6.1 – does not apply to PUBLICA, and the requirement is therefore complied with in the form of a negative report). The general contractor and total contractor agreements for construction in the real estate sector are primarily contracts for work and services and are thus not affected by BGE 132 III 460. The agreed services are paid by way of a flat-rate fee that already includes a volume discount appropriate to the sector.

The second requirement is for a statement of participations in surpluses from insurance contracts; again, this does not apply to PUBLICA, as explained under points 5.1 and 5.6.

9 Further information concerning the financial situation

9.1 Note on the economic funded status

Because the actuarial funded status had reached 104.5% as at 31 December 2010 (see point 5.7), all of the fund's liabilities are fully covered by the available assets. The general interest-rate situation has not improved significantly, however, meaning that the technical interest rate (3.5% for the open pension plans and 3.0% for the pensioner-only plans) is still relatively high. This situation should be taken into account when assessing the fund's actual situation, and an economic funded status should be considered in addition to the actuarial funded status.

In calculating the economic funded status, the pension fund's liabilities are calculated using a maturity-congruent, risk-free interest rate. Although it is not the aim of a pension fund to make all of its investments on a risk-free basis, a certain degree of caution is nevertheless appropriate. Consequently, PUBLICA has decided, in accordance with its Regulations governing Provisions and Reserves, to build up (and, if need be, release) a "technical interest rate" reserve progressively depending on its return on investment, with a target value corresponding to half of the difference between the liabilities calculated on an actuarial basis on the one hand and an economic basis on the other. Such calculations made by the fund's Accredited Pension Actuary produced an economic funded status of 84.1% for PUBLICA (prior year: 87.3%). By way of comparison, in 2007 the economic funded status still exceeded 90%.

The economic funded status raises a specific question in occupational pension planning as to whether, in addition to the assets side of the balance sheet, the liabilities side should also be stated at market value. To address this situation adequately, PUBLICA has been building up a reserve for fluctuations in the technical interest rate since 31 December 2004.

9.2 Ongoing legal proceedings

In December 2008, an official complaint was lodged with the Federal Social Insurance Office setting out numerous objections related to the switch from a defined-benefit to a defined-contribution plan on 1 July 2008. The claims, essentially concerning the Confederation pension plan, run into millions of francs. The complainant also cited infringements of constitutional principles and the absence of favourable transitional provisions for older members. Following the rejection of the complaint by the supervisory authority, the complainant has now taken the case to the Federal Administrative Court, which has yet to reach a decision.

9.3 Partial liquidations

The Federal Council approved the contract of affiliation for the PUBLICA pension plan on 16 December 2009.

Since 1 January 2010 PUBLICA has been administering a new pension plan, whose members (active and pension recipients) were still in the Confederation pension plan on 31 December 2009.

9.4 New affiliations

The Board of Directors approved the following new affiliations in 2010:

Joint pension plan

CIT International Rail Transport Committee

GLOBE Switzerland

Prosaj, Schweizerische Vereinigung Bewährungshilfe und Soziale Arbeit in der Justiz

Stiftung Wissenschaftliche Politikstipendien

Independent pension plans

PUBLICA

Trasse Schweiz AG

10 Post-balance sheet events

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

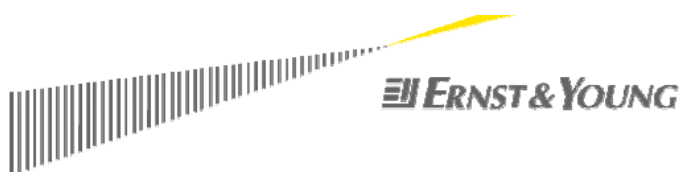
11 Pension plans of the PUBLICA collective institution

As at 31 December 2010, the collective institution comprised 19 pension plans. These have their own accounts and are managed by their own parity commissions. The Management Summary lists the balance sheet totals, the available assets, the liabilities (pension fund capital and technical provisions), and the funded status in comparison with the previous year's figures. For the 2010 annual report, the pension plans are now divided into open and closed plans for the first time. Separate, detailed annual reports are produced for the pension plans and submitted to the parity commissions.

Management Summary – pension plans as at 31.12.2010

	Balance sheet total in CHF	Available assets in CHF	Liabilities, pension fund capital and provisions in CHF	Funded status 2010 in %	Funded status 2009 in %
Federal Pension Fund PUBLICA – consolidated	33'328'763'940	33'137'044'303	31'697'023'445	104.5	102.4
PUBLICA collective institution	164'350'897	132'069'256	127'025'477	104.0	103.9
Confederation	21'676'147'465	21'583'144'314	20'608'380'493	104.7	102.6
Affiliated organisations	761'240'301	750'987'742	712'015'907	105.5	102.7
ETH Domain	5'319'909'742	5'281'117'998	4'994'600'742	105.7	103.4
Swiss Federal Institute of Intellectual Property	83'411'561	83'105'060	79'849'787	104.1	102.1
Swissmedic	164'581'774	158'251'547	151'848'176	104.2	102.2
Swiss Federal Institute for Vocational Education and Training	47'672'608	47'501'815	44'904'936	105.8	105.5
Swiss Federal Audit Oversight Authority	3'177'232	3'080'925	2'914'942	105.7	102.6
Historical Dictionary of Switzerland	9'793'040	9'764'729	9'532'859	102.4	102.2
Swiss Financial Market Supervisory Authority	140'617'858	139'457'380	134'320'462	103.8	102.3
Swiss Federal Nuclear Safety Inspectorate	69'733'016	68'943'123	65'883'274	104.6	102.9
PUBLICA	52'760'878	52'016'003	49'346'692	105.4	
Trasse Schweiz AG	4'888'692	4'869'162	4'639'235	105.0	
Total open pension plans	28'333'934'166	28'182'239'800	26'858'237'504	104.9	102.7
Pensioners only – voluntarily insured	126'161'962	125'994'391	121'444'782	103.7	101.9
Pensioners only – affiliated organisations	150'615'193	150'403'916	149'736'803	100.4	100.4
Pensioners only – Confederation	191'046'941	190'671'301	185'482'098	102.8	101.1
Pensioners only – Swisscom	2'739'532'725	2'735'158'771	2'680'634'150	102.0	100.7
Pensioners only – RUAG	891'062'074	889'620'509	866'163'455	102.7	101.1
Pensioners only - SRG SSR idée suisse	653'089'911	652'065'125	633'453'200	102.9	101.4
PUBLICA administration	78'970'072	78'821'235	74'845'975	105.3	103.0
Total closed pension plans	4'830'478'878	4'822'735'249	4'711'760'463	102.4	101.0

12 Report of the statutory auditors



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To the Fund Commission of
Swiss federal pension fund PUBLICA, Bern

Berne, 14 April 2011

Report of the statutory auditors

As statutory auditors, we have audited the financial statements (balance sheet, income statement and notes), the administrative management and the asset management as well as the retirement accounts of Swiss federal pension fund PUBLICA for the year ended 31 December 2010.

The financial statements, the administrative management and the assets management as well as the retirement accounts are the responsibility of the fund commission. Our responsibility is to express an opinion on these matters based on our audit. We confirm that we meet the licensing and independence requirements as stipulated by Swiss law.

Our audit was conducted in accordance with Swiss Auditing Standards, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, the accounting and the assets management, as well as significant estimates made and the overall financial statement presentation. For the audit of the administrative management, we assess whether the legal requirements on organisation, administration, collection of contributions and payments of benefits, as well the requirements regarding loyalty in the assets management were complied with. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements, the administrative management and the assets management as well as the retirement accounts comply with Swiss law (especially with PUBLICA-Law) and the regulations.

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

Ernst & Young Ltd

A handwritten signature in blue ink, appearing to read 'B. Christen'.

Bruno Christen
Licensed audit expert
(Auditor in charge)

A handwritten signature in blue ink, appearing to read 'P. Schaller'.

Patrik Schaller
Licensed audit expert

Member of the Swiss Institute of Certified Accountants and Tax Consultants

13 Confirmation from the Accredited Pension Actuary as of 31 December 2010



PUBLICA Confirmation from the Accredited Pension Actuary as of 31.12.2010

Membership data

We received from PUBLICA all relevant data in respect of its active members and pensioners for our actuarial assessment. In its letter of 02.03.2011, PUBLICA confirmed that the membership data communicated to us were definitive and that it had relied upon the same data in establishing its balance sheet.

Calculation of the actuarial capital

The actuarial liabilities for PUBLICA's active members and pensioners were calculated based on the EVK 2000 3.5% actuarial tables while the liabilities for closed-scheme pensioners were calculated using EVK 2000 3.0%. The actuarial liabilities, or actuarial capital, are equal to the sum of the active members' individual vested termination benefits and the present value of pensions in payment including the corresponding prospective survivor benefits. They total **CHF 29,454,954,087**.

Provisions and Reserves

The Fund Commission has adopted regulations on provisions and reserves which apply in preparing the actuarial balance sheet. In accordance with those regulations, the actuarial balance sheet shows total provisions of **CHF 2,242,069,357**. Moreover, PUBLICA set aside additional reserves within the limits allowed by its financial situation; as of 31.12.2010, reserves for all pension plans averaged 17.1% of the relevant target values.

Assets

The assets available for covering actuarial liabilities and calculating the funded status correspond to the total assets at market value minus short-term liabilities, deferred income, employer contribution reserves and non-actuarial reserves. Thus calculated, the available assets total **CHF 33,137,044,303**.

Financial Situation

The actuarial balance sheet is well-balanced and shows neither a surplus nor a deficit. PUBLICA will not be able to report an actuarial surplus (or free assets) until reserves have reached their target value. Given the low level of its reserves, PUBLICA has limited tolerance for investment risks. At the same time, PUBLICA cannot hope to attain its financial objectives unless it continues to pursue a risky investment strategy.

Funded Status

Funded status under Article 44 OPP2/BVV2

Funded status, within the meaning of Article 44 OPP2/BVV2, is the ratio between the assets available for covering the Fund's actuarial liabilities and the aggregate actuarial capital calculated with a discount rate of 3.5% (respectively 3%) plus the actuarial provisions. As of 31.12.2010, PUBLICA's funded status under OPP2/BVV2 was 104.5% compared with 102.4% as of 31.12.2009.

Economic funded status

The economic funded status is the ratio between the assets available for covering the Fund's actuarial liabilities and the aggregate actuarial capital calculated with a risk-free discount rate (20-year Federal Bonds for active members and 10-year Federal Bonds for pensioners) plus the actuarial provisions. As of 31.12.2010, PUBLICA's economic funded status was 84.1% compared with 87.3% as of 31.12.2009.

Appraisal of financial situation

Thanks mainly to an above-average investment performance in 2010, the financial situation of PUBLICA and its individual pension plans measured in accordance with Article 44 OPP2/BVV2, has improved significantly. With a funded status of 104.5% as of 31.12.2010, PUBLICA was again able to slightly increment its reserves. Although PUBLICA already managed to eliminate its underfunding within the meaning of Article 44 OPP2/BVV2 one year ago, its recovery cannot be considered sustainable until its reserves have been well funded.

The individual plans each have a funded status of between 102.0% and 105.8%, with one exception at 100.4%. In appraising the financial situation of the individual plans, membership age structure must be taken into account in addition to funded status. The financial situation of pensioner-only pension plans in particular could quickly deteriorate to a point where remedy would be impossible without external intervention.

Above-average returns on investments allowed PUBLICA to further moderately consolidate its financial position. With the exception of its closed-scheme plans, PUBLICA is well-funded and has no structural deficits. The forthcoming change in actuarial tables will further improve PUBLICA's funding. If the investment strategy actually meets its performance targets in the medium term, funded status will improve constantly over time.

Confirmation from the Accredited Pension Actuary

Based on the foregoing, we hereby confirm that:

- As of 31.12.2010, PUBLICA is in a position to fully cover its actuarial liabilities or actuarial capital, calculated on the basis of the EVK 2000 actuarial tables with a discount rate of 3.5% (respectively 3.0%) and provisions.
- The remedial measures examined two years ago can be dispensed with like last year. However, given the still modest level of its reserves, PUBLICA's recovery cannot yet be regarded as sustainable. In the case of pensioner-only pension plans, a separate, lower-risk investment strategy will be implemented from 1 January 2011.
- All security measures were taken within the Fund's financial limits in accordance with the regulations on actuarial provisions and reserves. Provisions are stated at their target value. However, the reserves for actuarial interest and for fluctuations in asset values could only be modestly increased and still fall short of their target value.
- Funded status, within the meaning of Article 44 OPP2/BVV2, was 104.5% as of 31.12.2010 based on actuarial discount rates of 3.5%, respectively 3.0%.
- The economic funded status calculated with a risk-free actuarial discount rate was 84.1% as of 31.12.2010.
- The Fund's actuarial regulations on benefits and financing are in compliance with the applicable statutory requirements on 31.12.2010.

Hewitt Associates SA



Daniel Thomann
Swiss Accredited Pension Actuary
Neuchâtel, 29.03.2011