

63 833

Active members

42 668

Pension recipients

101.2%

Funded ratio

83.3%

Economic funded ratio

CHF 38.0 bn

Total assets

0.19%

Total asset management expenses

-3.26%

Net investment performance

CHF 171

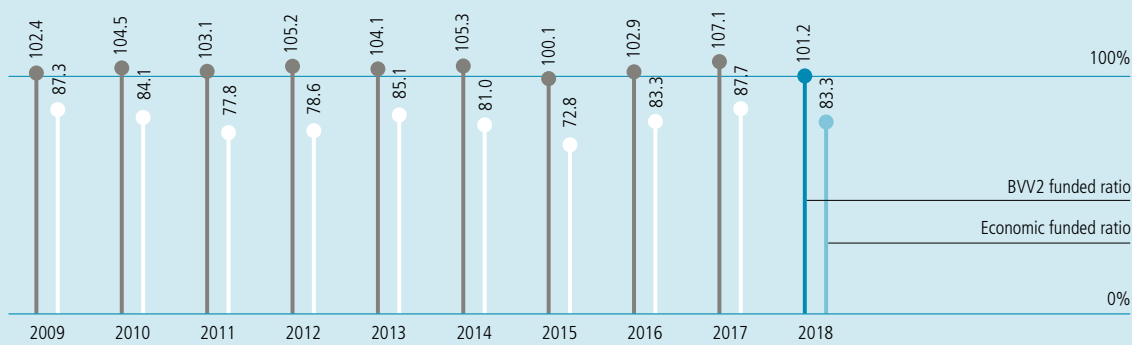
Administrative expenses per active member or pension recipient

Facts and figures

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

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

Funded ratio 2009–2018, in percent

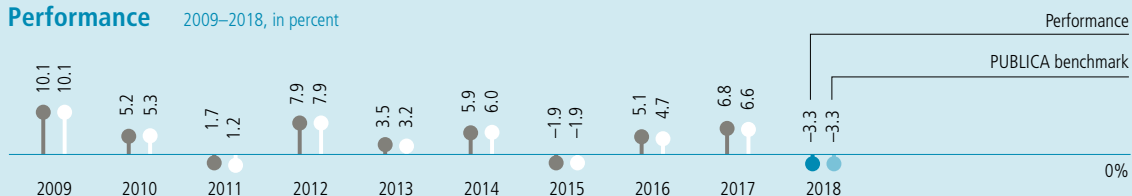


Scale: 100% = 30 mm

PUBLICA's strategic asset allocation requires it to invest only in transparent products. This is reflected in a cost transparency level of 100%. The performance in 2018 was -3.26%.

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

Performance 2009–2018, in percent



Scale: 100% = 60 mm

Table of contents

 Foreword	2
 Status report	4
PUBLICA – the pension provider	5
Corporate orientation	6
Investments diversified over the long term	7
Risk balancing for pension benefits	11
Customer care	15
PUBLICA's employees	16
Risk management	17
 Sustainability and commitment	20
Responsible investment	21
 Corporate governance	24
Organisational structure	25
Board of Directors	26
Information and control instruments	36
Assembly of Delegates	37
Director, Deputy and Executive Board	38
Compensation	39
Statutory Auditors	41
Pension Actuary	41
 Annual financial statements	42
Balance sheet and income statement	43
Notes	47
1 Fundamentals and organisation	47
2 Active members and pension recipients	52
3 Implementation of the purpose	53
4 Valuation and accounting principles, consistency	54
5 Actuarial risks, risk coverage, funded ratio	56
6 Notes on investments and the net return on investment	61
7 Note on other items in the balance sheet and income statement	72
8 Requirements of the supervisory authority	74
9 Further information concerning the financial situation	74
10 Post-balance sheet events	75
11 Report by the Statutory Auditors	76
12 Confirmation from the Accredited Pension Actuary	80
Publication data	84

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





Foreword

A calm and exceptionally successful investment year in 2017 was followed by financial market turbulence in 2018. Few asset classes generated positive returns.

Following a negative overall performance of -3.26% as at 31 December 2018 (prior year: $+6.75\%$) PUBLICA's total funded ratio at the end of December 2018 stands at 101.2% (prior year: 107.1%). PUBLICA's strategic decision to diversify the portfolio widely and invest 16% of the assets of the open pension plans in emerging market bonds and equities had helped to drive performance in 2017; in 2018 the opposite was true. With the other equity investments and precious metals experiencing significant losses of value, it was impossible to achieve a better result. With a performance of -0.24% for the closed pension plans (benchmark: -0.65%) PUBLICA outperformed the Pictet indices, though the -3.55% figure for the open pension plans (benchmark: -3.60%) represented a slight underperformance against the Pictet indices with comparable equity allocations. Two of the open pension plans are slightly underfunded.

Administrative expenses remain low

Administrative expenses per active member and pension recipient were practically unchanged in 2018, at an average of CHF 171 compared with CHF 170 in the previous year. Asset management expenses also remained low, at 0.19% of assets.

Adjustment to the technical parameters from 1 January 2019

PUBLICA's overriding objective is to meet its financial obligations to its active members and pension recipients over the long term. To achieve this against a backdrop of persistently low interest rates, insufficient expected returns and increasing life expectancy, PUBLICA relies on realistic technical parameters. For that reason, it lowered the technical interest rate and, with it, the conversion rate on 1 January 2019. The conversion rate now stands at 5.09% at age 65 for men and 64 for women. In order to mitigate the reduction in pensions, the Board of Directors and pension plans decided to put in place extensive measures to cushion its impact. Unlike with previous reductions in the conversion rate, this time it was not possible for PUBLICA to fund the change entirely from its own reserves. As a result, the revaluation of the pension fund capital of pension recipients as at 1 January 2019 reduces the total funded ratio to 97.9% . However, the pension plans (and hence insured members) benefit over the long term from a lower target return from 2019 onwards.

New administrative software in operation from 1 January 2019

PUBLICA switched to a new software to administer members and pensions on 1 January 2019. It is expected to deliver technological progress, increased efficiency and lower costs. A new employer portal was launched at the same time. Further steps to expand online access for active members and pension recipients are in preparation.



Dieter Stohler
Director, PUBLICA

Prisca Grossenbacher-Frei
Chair of the Board of Directors, PUBLICA

Thanks

On 30 June 2018 Alex Hinder, a long-serving member of the Board of Directors and Chair of the Investment Committee, stepped down from his posts. We should like to thank him for his great and successful dedication to PUBLICA, its active members and pension recipients. The Board of Directors was pleased to welcome Matthias Weber as his successor with effect from 1 July 2018.

The Board of Directors and Executive Board wish to express their thanks to all members of the governing bodies and all staff of PUBLICA. Once again in 2018, they worked diligently and with great commitment to provide occupational pension services. We should also like to thank the affiliated employers and our business partners for their constructive cooperation and confidence in us.



Prisca Grossenbacher-Frei
Chair of the Board of Directors, PUBLICA



Dieter Stohler
Director, PUBLICA

Status report

The funded ratio of the pension plans deteriorated due to the negative performance. Of the 20 pension plans, two are therefore now underfunded. The operational side reflects the results of PUBLICA's continued attention to costs and the stable numbers of members: administrative expenses have remained constant, at CHF 171 per active member and pension recipient.

PUBLICA – the pension provider

2 of 20

Pension plans underfunded

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

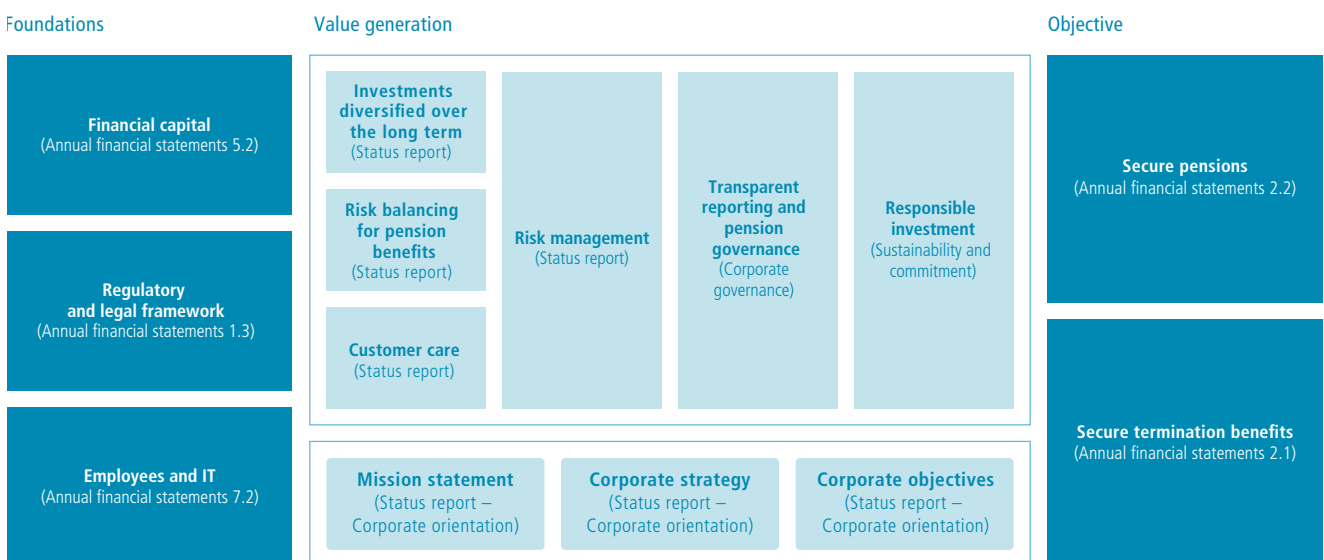
Total assets of CHF 38 billion, combined with strategic asset allocations geared to the long term and attuned to the risks involved, enable PUBLICA to generate the highest possible return with minimum asset management expenses. Every active member and pension recipient, however modest their means, receives access to professional asset management and broadly diversified investments.

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

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

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

PUBLICA's business model





Corporate orientation

PUBLICA's corporate orientation guides its business activities.

Mission statement: leading pension fund

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

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

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

Corporate strategy: maintaining a high level

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

–14%

Reduction in
administrative
expenses since
2013

Corporate objectives: measurable and realistic

PUBLICA's overriding objective is to meet its financial obligations to its active members and pension recipients over the long term. For this reason, the Board of Directors has implemented a further reduction in the technical interest rate (and therefore the conversion rate) in accordance with the recommendations of the Pension Actuary. The technical interest rate, which had stood at 2.75% (open pension plans) and 2.25% (closed pension plans) since 1 January 2015, has been reduced to 2.00% and 1.25%, respectively, from 1 January 2019. The new conversion rate at age 65 for men and 64 for women is 5.09% (previously 5.65%). With these measures, the Board of Directors is reacting to the persistently low interest rates and the expected returns on invested assets that – even given brief recoveries – are likely to remain low over the longer term. The reduction in the technical interest rate will reduce the interest differential between the pension fund capitals of active members and pension recipients over the long term.

One key measurable corporate objective for PUBLICA is to overhaul the pension application, with introduction of a new version scheduled for 1 January 2019. Another is reducing administrative expenses in PUBLICA Operations to CHF 185. This has been achieved, with administrative expenses standing at CHF 171 per active member / pension recipient.

Investments diversified over the long term

Investment beliefs: a diversified and transparent portfolio

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

PUBLICA's investment beliefs aim to capture premiums on various risks – such as equity risk, interest-rate risk, credit risk and liquidity risk – by means of broad diversification. The strategic asset allocation, which is reviewed periodically, is the key to the distribution of assets across the various asset classes, such as equities, government bonds, corporate bonds, precious metals and real estate. It accounts for at least 90% of PUBLICA's investment performance. Each asset class is therefore assessed not just in isolation, but also with regard to its risk and earnings contribution to total assets.

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

Strategic asset allocations: geared to structure and trend

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

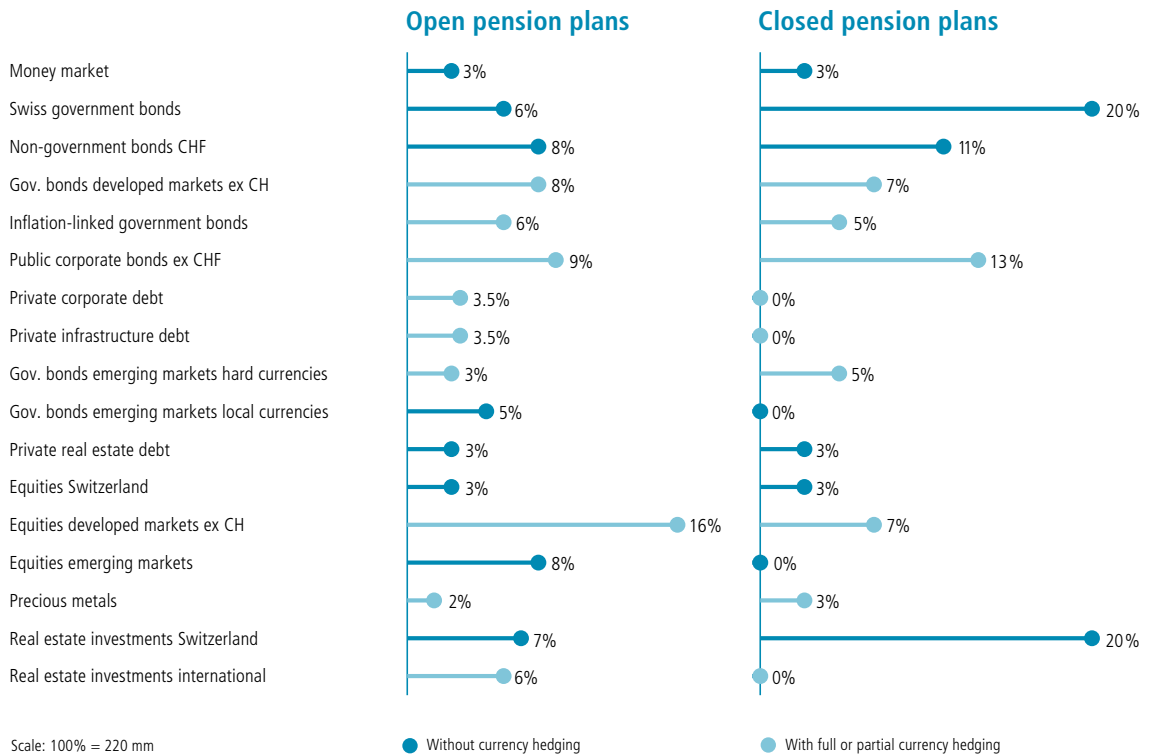
The strategic asset allocation for the open pension plans was reviewed in June 2018. The Board of Directors decided to adjust the strategic asset allocation for the open pension plans as follows:

- To reduce risk, the equity allocation is being lowered and the investments in international real estate are being increased by two percentage points.
- Owing to their higher expected returns, private real estate debt and emerging market government bonds are each being increased by one percentage point at the expense of CHF bonds.
- For reasons of diversification and owing to the slightly higher expected returns, private debt (infrastructure, corporate and real estate debt) is being increased by five percentage points at the expense of public corporate bonds.
- Based on the assumption that CHF and EUR interest rates will rise slowly but faster than is reflected in the market prices, the decision was taken to reduce the durations of CHF and EUR government bonds.

These adjustments to the strategic asset allocation for the open pension plans have slightly increased the expected return over the medium term (the next four years) and long term (the next ten years), while also reducing the expected risk.

Long-term strategic asset allocation by asset class

As at 31.12.2018, in percent



The Board of Directors also decided in June 2018 to adjust the strategic asset allocation for the closed pension plans as follows:

- For reasons of diversification and owing to the higher expected returns, private real estate debt is being increased by three percentage points at the expense of Swiss government bonds.
- Based on the assumption that CHF and EUR interest rates will rise slowly but faster than is reflected in the market prices, the decision was taken to reduce the durations of CHF and EUR government bonds.
- For reasons of diversification and owing to the slightly higher expected returns, non-government bonds in CHF are being increased by one percentage point and government bonds from developed markets by two percentage points at the expense of Swiss government bonds.

These adjustments to the strategic asset allocation for the closed pension plans have increased the expected return over the medium and long term. The expected risk was increased only marginally, and is clearly within the prescribed risk budget.

Economic developments

Economic growth remained high in most regions, although momentum slowed in many places, especially in the second half of the year. The US economy expanded by 3% thanks to the impact of the tax reforms. The Chinese economy weakened less than expected and, with GDP growth of around 6.5%, remained on a solid growth path. In Switzerland, GDP growth accelerated to more than 3% year on year in the first half of 2018 before flattening off in the second half. The eurozone and UK economies weakened slightly.

Overall, continued growth led to falling unemployment rates. In the US, unemployment stood at 3.7% in the third quarter of 2018, the lowest figure since the late 1960s, while the 4% figure for the UK was the lowest since 1975. The labour market trend was also positive in the eurozone and Switzerland.

Inflation rose slightly over the year in the key regions. For detailed information see the Quarterly Bulletins issued by the Swiss National Bank (www.snb.ch).

Performance

After nine positive years, the majority of global investors suffered losses in 2018. According to a Credit Suisse study, the US S&P 500 equity index dropped 9% in December – the sharpest monthly fall since 1946. Volatility, as measured by the VIX index, rose from 11% at the start of the year to over 25% at the close, bringing an end to a period of exceptionally low volatility on the financial markets.

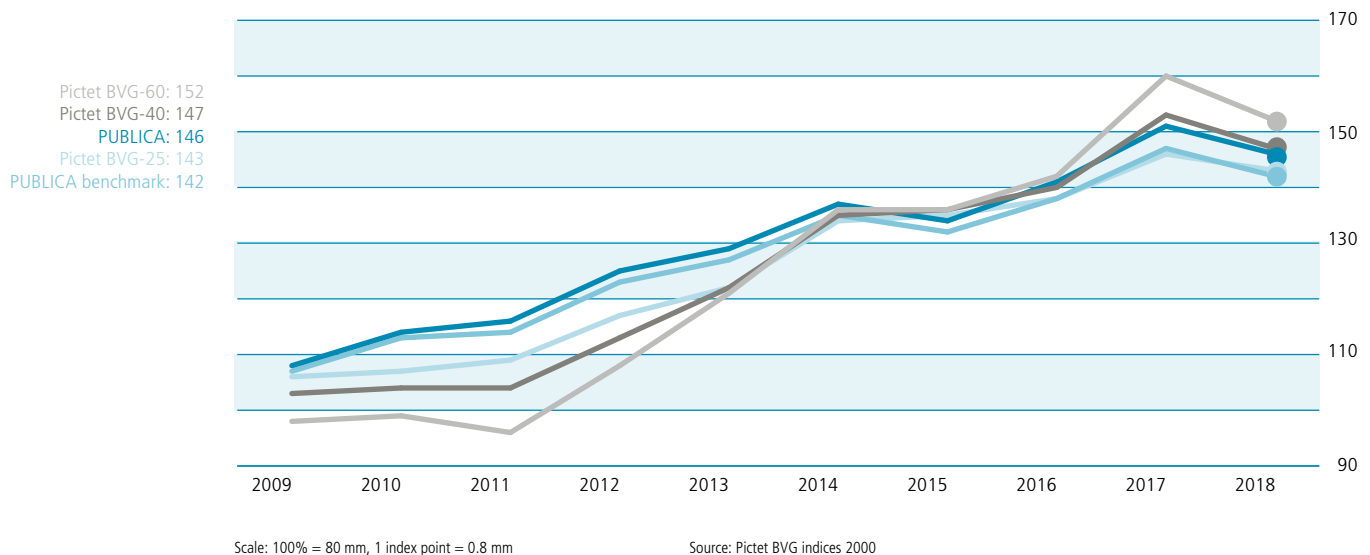
On a currency-hedged basis and in terms of total assets consolidated over all 20 pension plans, PUBLICA recorded a net performance (after all costs and taxes) of –3.26% in 2018. Without currency hedging, the consolidated net performance of the two strategic asset allocations would have been –3.1%. The net total performance for 2018 was 7 basis points above the PUBLICA benchmark performance of –3.33%, mainly due to positive tactical and selection decisions (approx. 26 basis points) and relatively low asset management expenses (19 basis points).

PUBLICA implements different strategic asset allocations for the open and closed pension plans because the two types differ substantially in terms of structure and the expected membership trend. The –0.24% performance for the closed pension plans (benchmark: –0.65%) put PUBLICA ahead of the Pictet indices, while the –3.55% performance for the open pension plans (benchmark: –3.60%) was slightly below the Pictet indices with a comparable equity allocation.



Cumulative performance

2009–2018, indexed (2005 = 100) in percent



The main reason for the positive deviation in performance compared with the Pictet indices in the closed pension plans is the low equity allocation of 10%. Because of the closed pension plans' low risk capacity, the Board of Directors had already reduced the equity weighting by 5 percentage points back in 2014.

The principal reason for the slightly negative performance deviation from the comparable Pictet indices in the open pension plans is the strategic decision taken by PUBLICA to diversify the portfolio more widely, for example by investing 16% of the assets of the open pension plans in equities and bonds from emerging markets. These asset classes generated returns of -12.7% (equities) and below -5% (government bonds in hard and local currencies) in 2018. Because the Pictet BVG indices contain a lower weighting of emerging market equities and bonds, they were less affected by this depreciation.

The best-performing asset classes in 2018 were real estate Switzerland (6.7%) and real estate international (4.0%). Together, they contributed just under 0.5 percentage points to overall performance. Most of the other main asset classes, however, made negative contributions during the year, most notably equities with -2.8 percentage points. Equities in all main regions closed 2018 in negative territory (Japan: -15% ; emerging markets: -13% ; Europe: -12% ; North America: -8% ; Switzerland: -6%). PUBLICA's strategic decision to invest in private infrastructure debt paid off, with this category delivering a net return of 1.2% in 2018.

PUBLICA's average annual return over the investment horizon from 2000 to 2018 is 2.9%. This is 20 basis points per year above the 2.7% average annual return of PUBLICA's benchmark.

Risk balancing for pension benefits

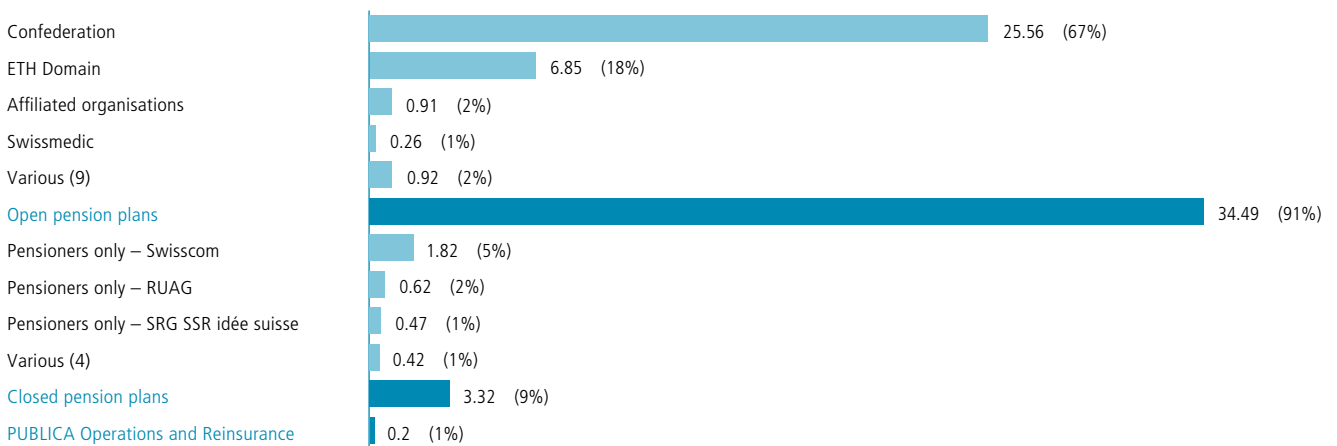
Collective institution: independent open and closed pension plans

Risk transfers of pension benefits for longevity, disability and death only take place within the individual open and closed pension plans of the public-law collective institution PUBLICA, each of which is organisationally and economically independent.

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

Pension plans by type and institution

As at 31.12.2018, in CHF bn and percentage of total assets



Scale: CHF 1 bn = 3 mm

Open pension plans

Open pension plans are made up of active members and pension recipients. They include the autonomous (non-reinsured) and reinsured pension plans. The joint pension plans are open to affiliation by more than one employer.

The open pension plans have funded ratios of between 99.9% and 104.4% (prior year: 105.9% and 110.5%). The funded ratios have deteriorated overall, due to the negative investment performance. The difference in funded ratio trends between the individual pension plans is largely due to their differing risk trends, interest and actuarial policies.

The economic funded ratios range between 82.2% and 103.1% (prior year: 86.8% and 108.6%). Since liabilities are valued in a market-consistent manner when calculating the economic funded ratio and there was little change to the level of interest rates, this deterioration in the funded ratios is largely due to the negative performance.

Closed pension plans

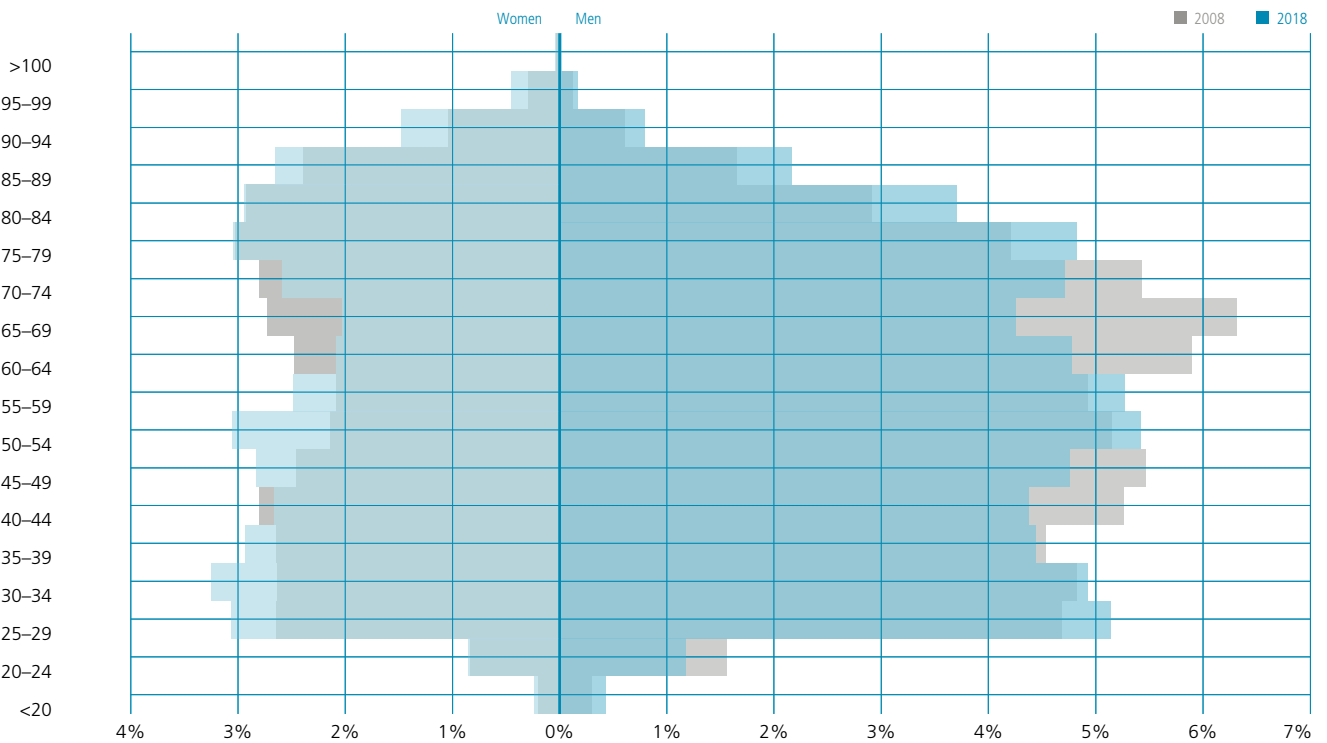
The closed pension plans consist entirely of pension recipients from the federal entities (including Swisscom and RUAG) that became independent at around the turn of the millennium, as well as affiliated organisations. Their funded ratios are between 105.1% and 114.1% (prior year: 105.7% and 116.1%). The liabilities of the closed pension plans are valued at a technical interest rate of 2.25%, which is 0.5 percentage points lower than that for the open pension plans. Owing to the low level of interest rates and the resulting lower income, there is a considerable risk that they will be unable to fully cover their liabilities without financial support. This funding risk is replicated by the economic funded ratio, which stands at between 81.9 % and 98.3% (prior year: 83.6% and 99.6%). The situation is subject to ongoing review by PUBLICA and the Federal Department of Finance.

Development of age structure

The majority of retirement pension recipients in the closed pension plans are now over 80 years of age. The proportion of women insured increased slightly in 2018, and now stands at 36.0% compared with 32.2% in 2008.

Structure of active members and pension recipients

5-year age cohorts 2008, 2018, by age and gender as % of total membership



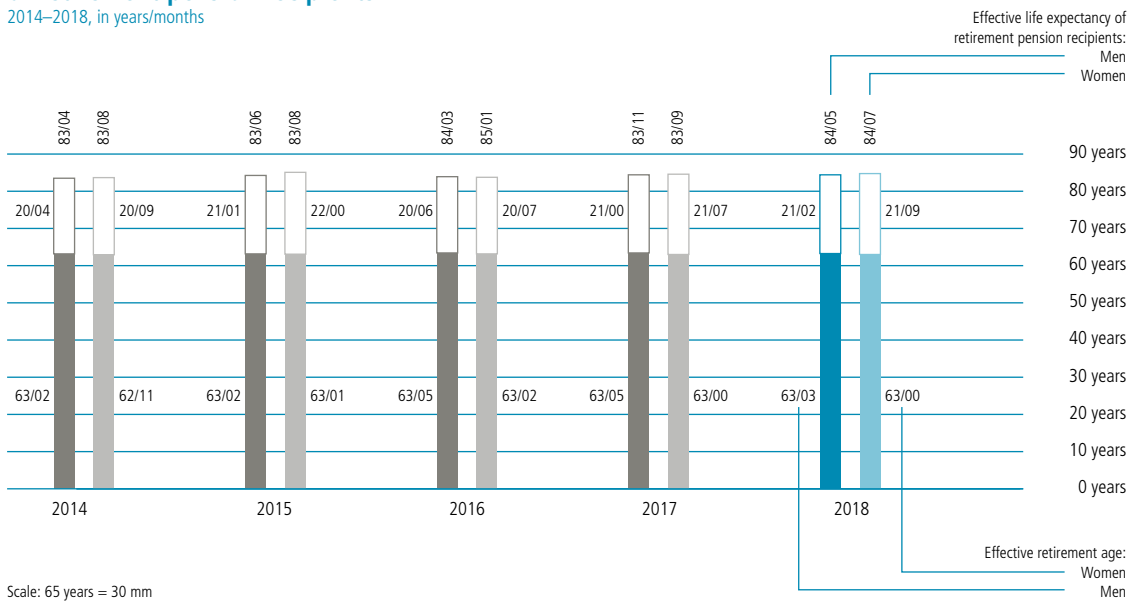
Scale: 1% = 15 mm

Development of effective retirement age and effective mortality

The effective retirement age is stable at around 63 but is not keeping pace with the rise in the effective average life expectancy of retirement pension recipients. For this reason, the expected pension entitlement period is steadily lengthening and needs to be funded via lower conversion rates.

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

2014–2018, in years/months



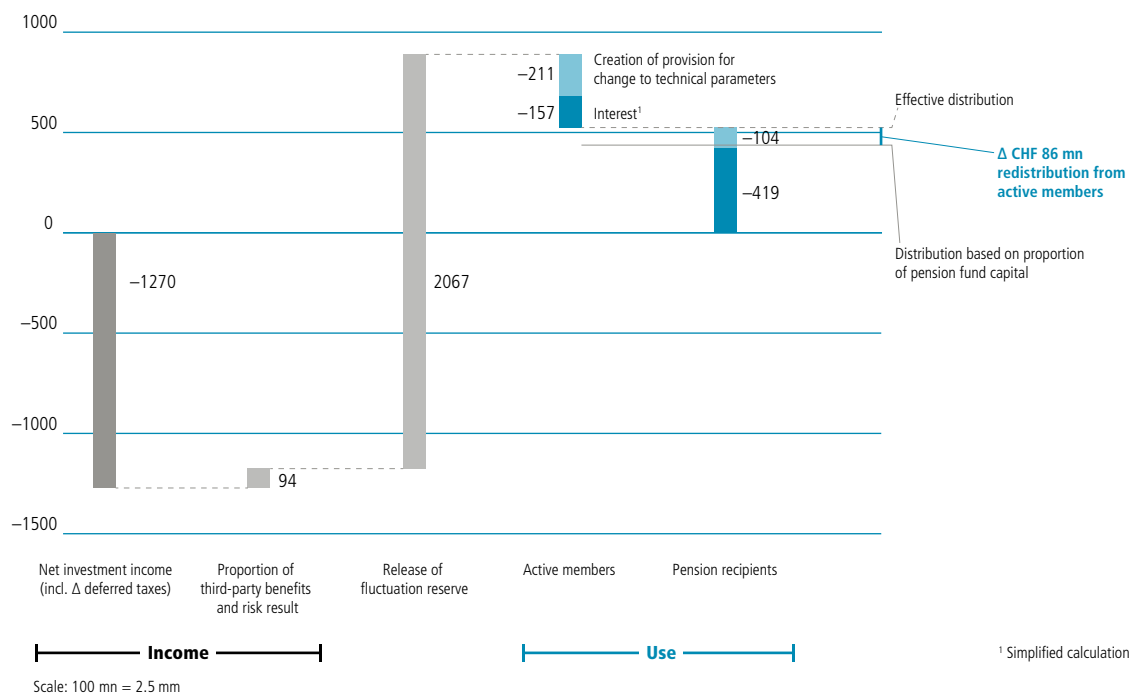
There are no material differences in the pension behaviour of men and women at PUBLICA.

Distribution of net result for open pension plans: redistribution continues

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

Redistribution – open pension plans

2018, in CHF mn



Historical trend	Units	Active members	Pension recipients
2018	CHF mn	-86.0	86.0
2017	CHF mn	-6.0	6.0
2016	CHF mn	-93.0	93.0
2015	CHF mn	35.0	-35.0
2014	CHF mn	-95.0	95.0
2013	CHF mn	-103.0	103.0

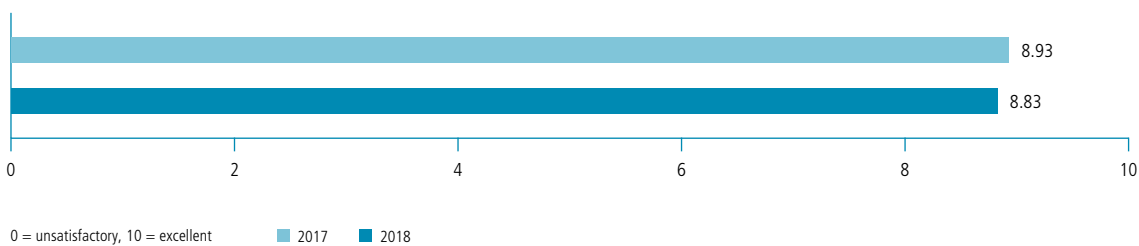
Provisions for changes to the technical parameters are accumulated via the net return on investments. When a change is made to the technical parameters, these provisions flow into pension fund capital and therefore have to be taken into account when calculating the redistribution.

Customer care

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

Customer satisfaction

2018 average with prior-year comparison, on a scale from 1 to 10



Customer satisfaction among insured members is surveyed on entry, when assets are withdrawn to finance home ownership, and on retirement. The quality of contact and the information provided by PUBLICA are rated on a scale from 0 (unsatisfactory) to 10 (excellent). In 2018, the average rating from the customer surveys was 8.8, slightly lower than the prior-year figure of 8.9.

As well as measuring the satisfaction of its members, PUBLICA also carries out regular surveys among employers. The results of the 2016 survey show that PUBLICA enjoys exceptionally high customer satisfaction and loyalty. In total, 80% of the employers approached were very satisfied with the service they receive. As part of measures to expand online communication with our dialogue groups, the employer portal was implemented during the year in review and is available for use from 1 January 2019.

PUBLICA's employees

PUBLICA's employees are its most important resource for managing the pension fund capital entrusted to it and delivering high-quality pillar 2 services. A staff survey is conducted by an independent body at least once every two years. The 2017 survey showed that 79% of employees are satisfied or very satisfied overall.

31%

Employees attending training or further education

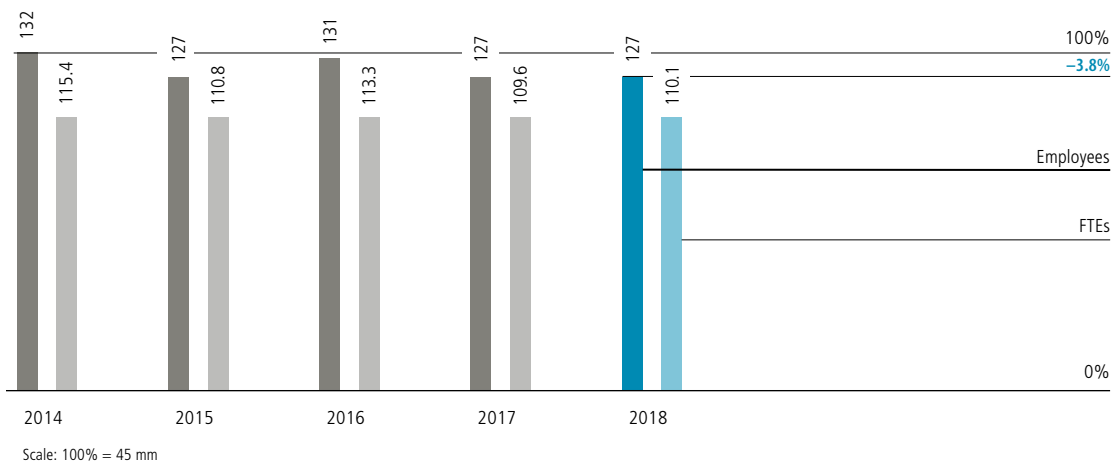
Since 2015, PUBLICA has compiled an annual sustainability report on its operations. Its principal focus is on taking stock of where the organisation stands and on defining measures, particularly in relation to the responsible management of natural resources, and employees.

Headcount remained unchanged year on year and currently stands at 127 people, of whom 51 (40%) work part-time. Significantly more women than men work part-time. The full-time equivalent figure rose slightly, to 110.1.

Headcount

2014–2018

Average number of employees and full-time equivalents (FTEs) at year end, 2014 = 100%



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

PUBLICA promotes ongoing education: 31% of our employees have attended training and further education events. Each year, PUBLICA offers two commercial apprenticeships. The six apprentices account for around 5% of the workforce. PUBLICA is working together with seven other pension funds to further professionalise the training of apprentices.

Risk management

Risk policy: proactive and cautious

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

Investment risk management process: a key component of the ICS

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

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

Strategic risks

The long-term investment policy aims first and foremost to ensure achievement of PUBLICA's mandate. It defines the key parameters for PUBLICA's asset management and is therefore an integral and essential component in terms of strategic risks. This subprocess involves reviewing the investment beliefs, analysing the long-term trends, defining the permitted asset classes, and setting the strategic risk budget. "Long-term" is defined as a horizon of more than ten years, which also corresponds to PUBLICA's liabilities.

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

To control qualitative risks (ecological, technological and social aspects) that could have negative financial consequences for the invested assets over the medium to long term, PUBLICA pursues a two-part sustainability approach referred to as "responsible investment". This includes a recurring environmental, social and governance (ESG) analysis and the exercise of shareholder rights.

Tactical risks

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

Implementation risks

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

Actuarial risk: risk result

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

The Swiss Chamber of Pension Actuaries has issued a technical directive (FRP4) containing recommendations on the technical interest rate. Since 3 October 2017 its recommended maximum technical interest rate has been 2.0%. This is significantly lower than the technical interest rate of 2.75% used by PUBLICA for the open pension plans. The technical interest rate for the closed pension plans is 2.25%. From 1 January 2019 PUBLICA's technical interest rate corresponds to the technical directive (see section 9.5).

PUBLICA reviews the risk results for active members and pension recipients on an annual basis. In the case of pension recipients, the expected capital freed up is compared with the capital actually freed up as a result of death. The resulting difference provides a measure of the deviation between the actuarial assumptions and the events that actually occurred in the year concerned. Similarly, for active members, the expected costs resulting from death or disability are calculated on the basis of assumptions, and compared with the cases that actually occurred. Each year, the difference between the risk premium and actual claims gives rise to actuarial gains or losses.

Risk result – active members

The risk result for active members shows an overall gain of CHF 44.6 million. This indicates that the death and disability claims that actually occurred were lower than was to be expected according to the actuarial tables. PUBLICA will reduce the risk premium further from 1 January 2019.

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

2011 to 2018, in CHF mn, number or percent

2018	Units	Risk premiums	Claims	Total gain (+) loss (-)	Number
Disability cases (incl. increases in degree of disability)	CHF mn	102.0	-55.1	46.9	120
Deaths	CHF mn	4.3	-6.6	-2.3	38
Total	CHF mn	106.3	-61.7	44.6	158
Insured salary	CHF mn	5 135	5 135		
Statutory required risk premium	Percent	2.07%	1.20%		

2017	Units	Risk premiums	Claims	Total gain (+) loss (-)	Number
Disability cases (incl. increases in degree of disability)	CHF mn	101.3	-74.5	26.8	106
Deaths	CHF mn	4.2	-1.7	2.5	54
Total	CHF mn	105.5	-76.2	29.3	160
Insured salary	CHF mn	5 097	5 097		
Statutory required risk premium	Percent	2.07%	1.50%		

Historical trend	Units	Risk premiums	Claims
2018	Percent	2.07%	1.20%
2017	Percent	2.07%	1.50%
2016	Percent	2.07%	0.86%
2015	Percent	2.07%	1.50%
2014	Percent	3.03%	0.74%
2013	Percent	3.04%	0.71%
2012	Percent	3.16%	1.00%
2011	Percent	3.35%	0.78%

Risk result – pension recipients

The risk result for pension recipients shows an overall loss of around CHF 20.4 million. This is made up of gains of around CHF 2.4 million for survivors' pensions and CHF 8.6 million for disability pensions, and a loss of CHF 31.4 million for retirement pensions. An actuarial loss for pension recipients indicates that overall fewer pensioners died or less capital was freed up than was calculated and assumed on the basis of the actuarial tables.

Operational risk: annual internal ICS audit

Operational risk consists of the risk of losses that arise as a result of the inadequacy or failure of internal processes, persons or systems, or due to external events. PUBLICA employs internal controls to minimise operational risks in all key areas. Quality Management assesses on an annual basis whether the internal controls are appropriate to the current circumstances. This ICS audit did not reveal any material weaknesses in 2018.

Legal and regulatory risk

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



Sustainability and commitment

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



Responsible investment

Responsible investment includes the following areas:

Exercising shareholder rights

This involves PUBLICA regularly reviewing its investments on the basis of objective criteria and engaging in dialogue with critical companies, as well as exercising voting rights at listed companies in Switzerland. For the first of these, PUBLICA is assisted by the Swiss Association for Responsible Investments, SVVK-ASIR (www.svvk-asir.ch), of which it was a co-founder. With regard to the exercise of voting rights, PUBLICA works with the external specialist Inrate AG. In 2018 PUBLICA exercised its voting rights at 27 annual general meetings. The Investment Committee acts in the long-term interests of the shareholders. The disclosures on voting behaviour on PUBLICA's website reveal that PUBLICA rejected overall remuneration either wholly or partially in 35% of cases. Inrate AG conducted various dialogue processes with Swiss companies on PUBLICA's behalf which addressed the issues of energy efficiency and waste management, presenteeism, and the competencies of the board of directors and their meetings.

35%

Overall remuneration partially or completely rejected

ESG risk analysis

As part of extended risk management, PUBLICA conducts an annual risk analysis according to environmental, social and governance (ESG) criteria to prioritise and then analyse risks that are difficult to quantify and could result in tangible financial losses to the assets managed by PUBLICA. Following in-depth analyses of the prioritised risk, risk-reduction measures are assessed and implemented.

On the basis of a climate change analysis, PUBLICA has excluded coal producers from its global equity and corporate portfolios since 2016. The priority in 2017 was cyber risks. Many of the measures adopted were implemented in 2018. The Investment Committee has decided to examine the risks of climate change in depth in 2019 and identify their importance to PUBLICA's portfolio. The analysis follows on from previous investigations into coal producers and suppliers and will be extended to cover the oil/gas, cement and transport sectors.

PUBLICA took part in the initiative supported by the Federal Office for the Environment to measure its CO₂ footprint and in the climate compatibility test conducted by the 2° Investing Initiative. The results and measures were discussed in the Investment Committee and published in summary form on the PUBLICA website. PUBLICA also participated in the WWF pension fund rating, which was published in February 2019.

During 2018 PUBLICA moved to integrate ESG into its traditional financial analysis by

- further expanding its investments in renewable energies in the form of private infrastructure debt;
- continuing to invest in green bonds within the corporate bond portfolios;
- sticking to its 2016 decision not to invest in commodity derivatives in the energy sector, owing to risk/return considerations;
- continuing with the defined measures, such as energy-efficient heating systems, insulating the building shell and installing alternative energy supply systems in properties, as far as these are economically viable and technically feasible.



Code of conduct

Because PUBLICA acts in a fiduciary capacity, it is required to meet high standards of ethical conduct. As a member of the Swiss Pension Funds Association ASIP, PUBLICA is bound by the code of conduct set out in ASIP's charter. PUBLICA undertakes to comply with the principles and to take appropriate measures to ensure that it does so. Implementation of the ASIP charter by means of regularly updated compliance regulations ensures that the stipulations concerning loyalty and integrity are complied with.

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





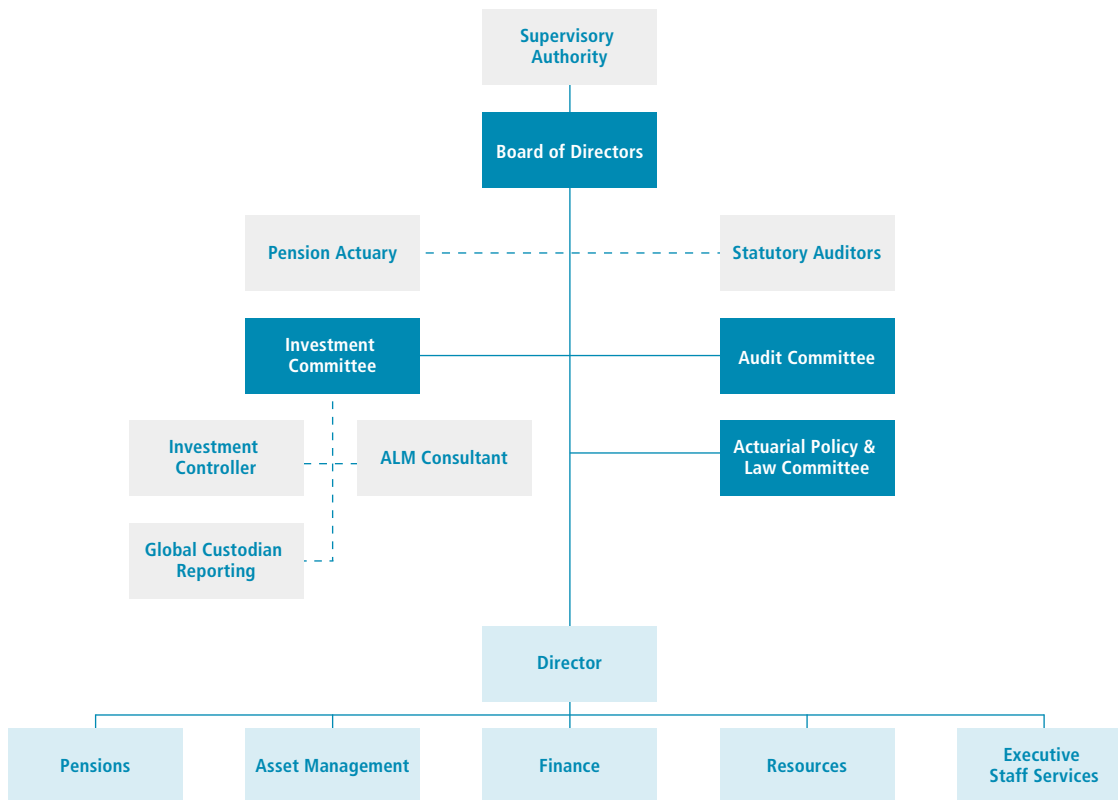
Corporate governance

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





Organisational structure



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

**7 to 9
years**

Maximum
mandate duration
of the Pension
Actuary and audit
company



Board of Directors

30

Meetings of the Board of Directors and its committees

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

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

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

The Board of Directors met six times in the year under review, the Investment Committee fourteen times. There were six meetings of the Audit Committee and four meetings and telephone conferences of the Actuarial Policy and Law Committee. The members of the Board of Directors and the committees attended 34.5 external training days (prior year: 28.5), of which PUBLICA supported 20 (prior year: 19). This corresponds to an average of 1.1 training days per member.

The composition of the Board of Directors as at 31 December 2018 is as follows (names in alphabetical order):



Alvarez Cipriano

Occupation

Federal Office for Housing, Head of Legal Department

Qualifications

Lawyer

Representative of

Employees

Board member since

01.07.2013

Committee

Investment Committee

Committee member since

01.07.2013

External mandates

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



Buntschu Kurt

Occupation

Head of HR, Swiss Red Cross

Qualifications

BA in Business Administration,
federally certified pension fund manager

Representative of

Employers

Board member since

01.07.2002

Committee

Audit Committee

Committee member since

01.07.2013

Membership of parity commissions

Chair of the Affiliated Organisations pension plan

External mandates

Swiss Life Saving Society (SLSS): board member



Gaillard Serge Chair of the Audit Committee

Occupation

Director, Federal Finance Administration

Qualifications

Doctorate in Business Administration

Representative of

Employers

Board member since

01.10.2012

Committee

Audit Committee

Committee member since

18.10.2012



Grossenbacher-Frei Prisca Chair of the Board of Directors

Occupation

Vice-Director of the Federal Food Safety
and Veterinary Office

Qualifications

Lawyer

Representative of

Employees

Board member since

01.07.2009



Grunder Jürg

Occupation

Secretary, Federal Staff Association PVB

Qualifications

Degree in Business Administration

Representative of

Employees

Board member since

01.07.2017

Committee

Audit Committee

Committee member since

01.07.2017



Künzli Dieter

Occupation

Head of Finance and HR, ETH Board

Qualifications

Doctorate in Technology

Representative of

Employers

Board member since

01.07.2017

Committee

Actuarial Policy and Law Committee

Committee member since

01.07.2017

External mandates

Zentrum Passwang, Breitenbach: Chair of the Board;
Mayor of Breitenbach, Solothurn



Maurer Stalder Petra

Occupation

Municipal council member, Oberhofen

Qualifications

Diploma in Business Administration, MAS Corporate Communication Management

Representative of

Employees

Board member since

01.07.2009

Committee

Actuarial Policy and Law Committee

Committee member since

01.07.2017

External mandates

Energie Oberhofen AG, Oberhofen: Director; Stiftung Seniorama Oberhofen am Thunersee: board member; Wohnbaugenossenschaft Aebnit, Oberhofen: board member; Wohnbaugenossenschaft Oberhofen (WBGÖ), Oberhofen: board member



Müller Kaspar

Occupation

Head of Finance and Controlling, DETEC

Qualifications

Degree in Business Administration

Representative of

Employers

Board member since

01.03.2016

Committee

Audit Committee

Committee member since

05.04.2016



Parnisari Bruno

Occupation

Deputy Director, Federal Social Insurance Office FSIO

Qualifications

Doctorate in Economics

Representative of

Employers

Board member since

01.07.2017

Committee

Investment Committee

Committee member since

01.07.2017

External mandates

AHV/IV/EO Compensation Fund Compenswiss: representative of the FSIO on the Board of Directors



Remund Matthias Vice-Chair of the Board of Directors

Occupation

Director of the Federal Office for Sport

Qualifications

Lawyer

Representative of

Employers

Board member since

01.07.2009

External mandates

Swiss Olympic Association, Ittigen: member of the Executive Council; International Centre for Sports Studies CIES, Neuchâtel: member of the Foundation Board; Swiss University Sports Foundation, St. Gallen: member of the Foundation Board; The Olympic Foundation for Culture and Heritage, Lausanne: member of the Foundation Board; Swiss Institute for Empirical Economic Research, University of St. Gallen: member of the Executive Committee



Schaerer Barbara

Chair of the Actuarial Policy and Law Committee

Occupation

Director of the Federal Personnel Office

Qualifications

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

Representative of

Employers

Board member since

01.05.2008

Committee

Actuarial Policy and Law Committee

Committee member since

01.01.2009

External mandates

BERNMOBIL AG, Bern: Vice-Chair of the Board of Directors; Swiss Society of Administrative Sciences SSAS: board member; Swiss Association for Administrative Organisational Law SVVOR: board member; Suva, Lucerne: member of the Board of Directors



Serra Jorge

Occupation

CFO, Head of Pillar 2 and Legal Protection, VPOD

Qualifications

PhD, federally certified staff pensions expert

Representative of

Employees

Board member since

01.07.2013

Committee

Audit Committee

Committee member since

01.07.2017

External mandates

VPOD Pension Fund: general manager; St. Gallen Pension Fund: member of the Board of Trustees; City of Winterthur Pension Fund: Chair of the Board of Trustees; City of Zurich Pension Fund: Chair of the Board of Trustees; Substitute Occupational Benefit Institution, Zurich: Chair of the Board of Trustees; VPOD holiday association foundation: manager; VPOD interpreters' assistance fund: manager; VPOD death benefit fund foundation: manager



Thalmann Philippe Vice-Chair of the Investment Committee

Occupation

Professor EPFL ENAC IA LEURE

Qualifications

PhD in Economics

Representative of

Employees

Board member since

01.07.2013

Committee

Investment Committee

Committee member since

01.07.2013

External mandates

kiiz SA, Lausanne: member of the Board of Directors



Weber Matthias Chair of the Investment Committee

Occupation

Product specialist for research services at fundinfo AG

Qualifications

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

Representative of

Employers

Board member since

01.07.2018

Committee

Investment Committee

Committee member since

01.07.2018

External mandates

fundinfo AG: partner; Investment Navigator AG: partner



Wicki Janine

Occupation

General Secretary, Federal Staff Association PVB

Qualifications

LL.B.

Representative of

Employees

Board member since

16.03.2016

Committee

Actuarial Policy and Law Committee

Committee member since

01.07.2017



Wyler Alfred

Occupation

Head of Benefits, Albicolac compensation office;
Head of ICOLAC family compensation office

Qualifications

MAS in Social Insurance Management

Representative of

Employees

Board member since

01.07.2009

Committee

Audit Committee

Committee member since

01.07.2013

External mandates

comPlan Pension Fund, Bern: member of the Foundation Board; Swiss Trade Union Association Pension Fund Cooperative, Bern: member of the Investment Committee; Graphic Industry Pension Foundation (pvgi), Bern: member of the Foundation Board



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

Hinder Alex

Board member from 01.07.2009 to 30.06.2018

Investment Committee

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

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

In addition to Cipriano Alvarez, Bruno Parnisari and Philippe Thalmann, the external members on the Investment Committee as at 31 December 2018 are as follows (names in alphabetical order):

Eggenberger Urs

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

Loepfe Andreas

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

Actuarial Policy & Law Committee

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

Audit Committee

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



Information and control instruments

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

Quality management

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

Internal control system

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

Compliance

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

Finance and Asset Management

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

Assembly of Delegates

The Assembly of Delegates (AD) consists of 80 employees of the employers affiliated to PUBLICA. The AD elects eight individuals to represent the employees on the Board of Directors during a four-year term of office. It also has the right to submit proposals to the Board of Directors. The AD is also newly elected every four years. The names of all the delegates and the pension plans they represent are published on publica.ch.

As at 31 December 2018, the Chair and Vice-Chair of the PUBLICA Assembly of Delegates are as follows:

Lagger Valentin

Function Chair

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

Morard-Niklaus Jacqueline

Function Vice-Chair

Occupation Chair of the EPFL section of the Federal Staff Association





Director, Deputy and Executive Board

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

As at 31 December 2018, the Executive Board comprises the following members:

Stohler Dieter

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

Beiner Stefan

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

Lanz Iwan

Function	Head of Pensions
Qualifications	Certified pension insurance expert

Sohnrey Jan

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

Zaugg Markus

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

As at 31 December 2018 the Extended Executive Board comprises the following additional members:

Barandun Ursina

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

Geiser Corinne

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

Compensation

Compensation policy

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

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

PUBLICA does not generally pay bonuses.

Compensation-setting process

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

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

Level of compensation paid to the Board of Directors

The total compensation plus flat-rate travel expenses paid by PUBLICA either directly or indirectly to the members of the Board of Directors and its committees was CHF 297,516 (prior year: CHF 315,630).



Compensation of members of the Board of Directors and Committees

2018 with prior-year comparison, in CHF, excluding departures

		31.12.2017	31.12.2018
Alvarez Cipriano		17 000	18 500
Buntschu Kurt		16 000	11 000
Eggenberger Urs		9 000	8 000
Gaillard Serge	Chair of the Audit Committee	16 500	14 500
Grossenbacher-Frei Prisca	Chair of the Board of Directors	24 500	36 000
Grunder Jürg		8 000	15 000
Künzli Dieter		5 500	9 500
Loepfe Andreas		13 130	12 080
Maurer Stalder Petra		12 500	12 000
Müller Kaspar		13 500	13 000
Parnisari Bruno		7 000	11 000
Remund Matthias	Vice-Chair of the Board of Directors	30 000	24 000
Schaerer Barbara	Chair of the Actuarial Policy and Law Committee	14 000	13 000
Serra Jorge		10 500	11 436
Thalmann Philippe		15 500	14 000
Weber Matthias*	Chair of the Investment Committee	–	25 000
Wicki Janine		13 500	9 500
Wylter Alfred		18 000	15 000

*joined during year under review

The members of the Board of Directors who stood down in 2018 received total compensation of CHF 25,000.

Level of compensation paid to the Executive Board

The average compensation (gross salary including all allowances and employer's pension contributions) paid to members of the Executive Board was CHF 283,524 per person (prior year: CHF 267,495), while the total was CHF 1,416,269 (prior year: CHF 1,337,473). The highest compensation was paid to the Director, who received a gross salary of CHF 309,619 (prior year: CHF 309,000). As his employer, PUBLICA paid CHF 60,265 (prior year: CHF 60,153) in contributions towards his pension.

Statutory Auditors

The Statutory Auditors KPMG AG are licensed as a state-supervised audit firm by the Swiss Federal Audit Oversight Authority FAOA. Erich Meier is the lead auditor. The total audit fee for 2018 was CHF 261,173 (prior year CHF 232,018). KPMG received additional fees totalling CHF 1,611 (prior year: CHF 58,268) for tax consultancy services. The Statutory Auditors reported to the Audit Committee on the planning and results of their audits at two meetings. The Audit Committee has the power to grant additional audit mandates to the Statutory Auditors. In the interest of good corporate governance, PUBLICA invites tenders for the audit mandate at least every seven years.

Pension Actuary

The Pension Actuary since 1 January 2016 is Allvisa AG, with Christoph Plüss as lead actuary. Allvisa AG is licensed as a pension actuary by the Federal Occupational Pensions Regulatory Commission. The total fee paid to Allvisa AG in 2018 was CHF 149,822 (prior year: CHF 180,778). The Pension Actuary attended a number of meetings of the Board of Directors and its committees. In the interest of good corporate governance, PUBLICA puts the Pension Actuary mandate out to tender after a maximum of nine years.



Annual financial statements

The annual financial statements (balance sheet, income statement, notes) comply with the formal and material requirements of Swiss GAAP ARR 26. As a non-profit-oriented undertaking, PUBLICA returns surpluses on the cost and risk premiums to the pension plans. The surpluses returned in 2018 amounted to over CHF 5 million.



Balance sheet and income statement

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

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

CHF +4 million

Surpluses from the risk premium returned to the reinsured pension plans

Consolidated balance sheet

2018 with prior-year comparison, in CHF

Assets	Note	31.12.2017	31.12.2018
Cash & cash equivalents		116 248 301	69 662 277
Receivables		126 259 105	114 309 358
Money market		550 202 027	978 340 874
Swiss government bonds		2 953 014 130	2 952 568 917
Non-government bonds CHF		4 441 643 831	4 372 724 263
Government bonds developed markets ex Switzerland		4 859 164 420	4 375 413 867
Inflation-linked government bonds		2 388 708 547	2 324 987 636
Public corporate bonds ex CHF		5 583 342 826	4 944 888 750
Private corporate debt		507 393 572	717 447 810
Private infrastructure debt		361 730 477	491 702 562
Government bonds emerging markets hard currencies		1 270 034 332	1 226 792 808
Government bonds emerging markets local currencies		1 518 252 135	1 429 364 696
Private real estate debt		128 924 638	125 620 769
Equities Switzerland		1 210 334 338	1 168 094 246
Equities developed markets ex Switzerland		6 717 456 595	5 619 767 904
Equities emerging markets		3 444 115 390	2 961 421 397
Precious metals		881 806 384	880 049 597
Real estate investments Switzerland		2 664 423 021	2 792 630 086
Real estate investments international		53 488 754	440 515 565
Investments	6.4	39 776 542 825	37 986 303 383
Operating assets	7.1	17 181 842	17 437 205
Prepaid expenses and accrued income		2 344 048	837 721
Total assets		39 796 068 716	38 004 578 309



Consolidated balance sheet

2018 with prior-year comparison, in CHF

	Note	31.12.2017	31.12.2018
Liabilities			
Vested pension benefits and pensions		72 482 372	88 791 657
Other liabilities		13 154 939	8 942 735
Operating liabilities	7.1	3 718 386	3 797 187
Liabilities		89 355 698	101 531 579
Accrued expenses and deferred income		1 181 019	871 711
Employers' contribution reserve	6.11	43 046 669	46 351 942
Non-technical provisions	7.3	145 639 638	164 030 086
Pension fund capital – active members	5.2	16 337 907 283	16 364 776 391
Pension fund capital – pension recipients	5.4	18 879 485 754	18 961 136 826
Technical provisions	5.5	1 678 218 921	1 905 017 194
Pension fund capital and technical provisions		36 895 611 959	37 230 930 410
Fluctuation reserve	6.3	2 526 555 338	397 794 692
Uncommitted funds / underfunding of pension plans		0	-32 205 333
Uncommitted funds / underfunding Reinsurance	5.1	10 397 941	10 816 204
Working capital – PUBLICA Operations and Reinsurance	5.1/7.1	84 280 456	84 457 018
Uncommitted funds / underfunding / working capital		94 678 397	63 067 889
Total liabilities		39 796 068 716	38 004 578 309

Change in uncommitted funds / underfunding / working capital

2018 with initial status

	Uncommitted funds (+) / underfunding (-)		Working capital – PUBLICA Operations and Reinsurance
	Pension plans	Reinsurance	
Opening balance sheet	0	10 397 941	84 280 456
Expenditure (-) / income (+) surplus	-32 205 333	418 262	176 562
Closing balance sheet	-32 205 333	10 816 204	84 457 018



Consolidated income statement

2018 with prior-year comparison, in CHF

	Note	31.12.2017	31.12.2018
Savings contributions – employees	5.2	477 296 668	483 613 976
Risk premiums – employees		10 330 119	10 558 980
Cost premiums – employees		178 692	165 900
Employee contributions		487 805 478	494 338 856
Savings contributions – employers	5.2	727 648 353	736 518 012
Risk premiums – employers		95 154 831	95 696 824
Cost premiums – employers		18 874 395	18 007 508
Employer contributions		841 677 580	850 222 344
Removal from employers' contribution reserve to finance contributions		- 167 678	- 124 544
Contributions from third parties		1 640 491	289 514
Lump-sum payments and buy-ins – active members	5.2	79 553 484	87 998 595
Buy-outs of pension reductions and pension buy-ins	5.4	53 001 239	47 115 033
Lump-sum payments and buy-ins		132 554 723	135 113 628
Payment of employers' contribution reserve		2 353 000	2 508 000
Contributions to the BVG Security Fund		11 509	32 699
Ordinary and other contributions and payments		1 465 875 103	1 482 380 498
Vested pension benefits received		308 883 590	346 630 969
Home ownership and divorce payments received		20 143 938	17 313 731
Payments on takeover of member portfolios	1.6	348 322	10 240
Entrance benefits	5.2	329 375 850	363 954 940
Inflow from contributions and entrance benefits		1 795 250 953	1 846 335 438
Retirement pensions		-1 254 464 837	-1 258 571 244
Survivors' pensions		- 304 719 884	- 305 655 461
Disability pensions		- 28 806 608	- 27 760 129
Other statutory benefits		- 46 354 495	- 44 635 818
Lump-sum benefits upon retirement		- 155 838 631	- 215 256 409
Lump-sum benefits in case of death/disability		- 8 393 835	- 3 229 380
Benefits from divorce		- 374 016	- 1 045 599
Statutory benefits	5.4	-1 798 952 306	-1 856 154 039
Vested benefits paid on departure		- 415 024 133	- 453 295 774
Early withdrawals for home ownership / divorce		- 62 623 552	- 55 609 806
Transfer of additional funds on collective departure	1.6	- 60 442 344	0
Vested termination benefits	5.2	- 538 090 029	- 508 905 580
Outflow for benefits and early withdrawals		-2 337 042 334	-2 365 059 619
Formation (-) / release (+) of pension fund capital – active members	5.2	- 107 802 284	129 765 898
Formation (-) / release (+) of pension fund capital – pension recipients	5.4	303 461 162	- 81 651 072
Formation (-) / release (+) of technical provisions	5.5	- 421 498 916	- 226 798 272
Interest on savings capital	5.2	- 209 657 860	- 156 635 006
Formation (-) / release (+) of employers' contribution reserve	6.11	- 4 956 655	- 3 305 273
Formation (-) / release (+) of pension fund capital, technical provisions and contribution reserve		- 440 454 552	- 338 623 725
Shares in surpluses for pension plans from internal Reinsurance	5.1	3 732 062	3 800 387
Shares in surpluses for pension plans from PUBLICA internal Operations		2 344 048	837 721
Pension plans		6 076 111	4 638 108
Risk premium received – internal Reinsurance, gross	5.1	6 229 071	6 370 331
Cost premium received – PUBLICA internal Operations, gross		19 053 087	18 173 408
PUBLICA Operations and PUBLICA Reinsurance		25 282 158	24 543 740
Income from insurance benefits		31 358 269	29 181 848
Risk premiums paid by pension plans for internal Reinsurance	5.1	- 6 229 071	- 6 370 331
Cost premiums paid by pension plans for PUBLICA internal Operations		- 19 053 087	- 18 173 408
Additional payment of cost premiums from non-technical provisions		- 862 145	- 613 856
Contributions to Security Fund		- 3 457 718	- 4 268 352
Pension plans		- 29 602 021	- 29 425 948
Repayment of shares in surplus from PUBLICA Reinsurance	5.1	- 3 732 062	- 3 800 387
Repayment of shares in surplus from PUBLICA Operations		- 1 481 903	- 223 865
PUBLICA Operations and PUBLICA Reinsurance		- 5 213 966	- 4 024 252
Insurance expenses		- 34 815 987	- 33 450 200
Net insurance income		- 985 703 652	- 861 616 257

CHF +1 million

Surpluses from the cost premium returned to all pension plans



Consolidated income statement

2018 with prior-year comparison, in CHF

	Note	31.12.2017	31.12.2018
Net income from cash & cash equivalents	6.8	- 12 414	- 111 814
Net income from receivables	6.8	0	0
Net income from liabilities	6.8	- 665 435	- 752 388
Net income from money market	6.8	- 6 450 511	- 3 660 879
Net income from Swiss government bonds	6.8	- 9 965 552	9 983 008
Net income from non-government bonds CHF	6.8	4 675 947	5 300 084
Net income from government bonds developed markets ex Switzerland	6.8	- 25 338 711	15 293 746
Net income from inflation-linked government bonds	6.8	15 129 521	- 81 078 912
Net income from public corporate bonds ex CHF	6.8	91 750 469	- 130 747 827
Net income from private corporate debt	6.8	9 405 408	- 17 332 740
Net income from private infrastructure debt	6.8	8 253 850	7 190 477
Net income from government bonds emerging markets hard currencies	6.8	80 024 917	- 65 680 239
Net income from government bonds emerging markets local currencies	6.8	162 711 624	- 79 220 432
Net income from private real estate debt	6.8	2 249 556	2 201 436
Net income from equities Switzerland	6.8	196 951 932	- 76 734 471
Net income from equities developed markets ex Switzerland	6.8	989 842 524	- 564 797 769
Net income from equities emerging markets	6.8	870 000 924	- 397 180 394
Net income from precious metals	6.8	65 953 833	- 12 477 435
Net income from real estate investments Switzerland	6.8	120 515 745	195 594 138
Net income from real estate investments international	6.8	- 320 798	6 417 355
Asset management expenses	6.10	- 79 139 691	- 74 333 201
Net investment income	6.8	2 495 573 138	-1 262 128 259
Formation (-) / release (+) of non-technical provisions	7.3	70 146 874	- 18 390 448
Other expenses		- 1 547 639	- 534 670
Other income		3 296 663	351 213
General administration	7.2	- 17 201 592	- 17 554 964
Marketing and advertising	7.2	0	- 19
Brokerage	7.2	0	0
Statutory Auditors	7.2	- 232 018	- 261 173
Pension Actuary	7.2	- 251 519	- 149 822
Supervisory authority	7.2	- 102 019	- 86 754
Administrative expenses	7.2	- 17 787 147	- 18 052 732
Expenditure (-) / income (+) surplus before formation / release of fluctuation reserve		1 563 978 237	-2 160 371 154
Formation (-) / release (+) of fluctuation reserve	6.3	-1 494 328 591	2 128 760 646
Expenditure (-) / income (+) surplus		69 649 646	- 31 610 508
Expenditure (-) / income (+) surplus – pension plans		0	- 32 205 333
Expenditure (-) / income (+) surplus – Reinsurance	5.1	- 1 338 021	418 262
Expenditure (-) / income (+) surplus working capital – PUBLICA Operations and Reinsurance	5.1/7.2	70 987 667	176 562
Expenditure (-) / income (+) surplus		69 649 646	- 31 610 508

CHF
- 519
million

Net cash outflow
from contributions
and benefits

Notes

1 Fundamentals and organisation

1.1 Legal form and purpose

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

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

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

1.2 BVG registration and Security Fund

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

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

1.3 Legal basis

- PUBLICA Act of 20 December 2006 (status as at 1 January 2012)
- Framework pension plan regulations of the Swiss Federal Pension Fund PUBLICA of 26 March 2015 (status as at 1 May 2018)
- Contracts of affiliation of the employers affiliated to PUBLICA, consisting of the following components:
 - pension plan regulations or framework pension plan regulations with the pension plan
 - the Service Level Agreement on Services
 - the Service Level Agreement on Medical Examinations (not obligatory; as required)
 - the Winding-Up Regulations
- Corporate and Organisational Regulations of the Federal Pension Fund PUBLICA of 25 August 2015 (status as at 28 November 2017)
- Investment Guidelines of the Federal Pension Fund PUBLICA (PUBLICA Investment Guidelines) of 15 April 2010 (status as at 23 June 2017)
- Regulations governing the Provisions and Reserves of the Federal Pension Fund PUBLICA, the Pension Plans and PUBLICA Reinsurance of 22 November 2016
- Compliance Regulations of 23 August 2012 (status as at 10 April 2014)
- Regulations governing the Risk Policy and Internal Control System of 11 April 2013
- PUBLICA policy document on hardship cases of 25 November 2010 (status as at 23 June 2016)
- Regulations governing the handling of personal data at the Federal Pension Fund PUBLICA of 22 November 2016



- Expenses policy for the active members and pension recipients of the Federal Pension Fund PUBLICA of 21 February 2008 (status as at 1 November 2012)
- Regulations governing the Remuneration of Members of the Board of Directors of the Federal Pension Fund PUBLICA of 26 November 2009 (status as at 1 July 2015)

1.4 Supreme governing body, management and signing powers

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

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

1.5 Pension Actuary, Statutory Auditors, supervisory authority, consultants

Pension Actuary	Allvisa AG Thurgauerstrasse 54 8050 Zurich	www.allvisa.ch
Statutory Auditors	KPMG AG Hofgut 3073 Gümligen-Bern	www.kpmg.com
Supervisory authority	Bernische BVG- und Stiftungsaufsicht (BBSA) Belpstrasse 48, P.O. Box 3000 Bern 14	www.aufsichtbern.ch
Property Valuer	Jones Lang LaSalle AG Prime Tower, Hardstrasse 201 8005 Zurich	www.joneslanglasalle.ch
Investment Controller	PPCmetrics AG Badenerstrasse 6, P.O. Box 8021 Zurich	www.ppcmetrics.ch

1.6 Affiliated employers

As of 31 December 2018, the PUBLICA collective institution once again comprised 20 mutually independent pension plans, of which seven were closed, pensioner-only plans without any active members. The pension plans have their own accounts and are managed by their own parity commissions.

New affiliations

There were no new affiliations in 2018.

Departures/liquidations

There were no departures or liquidations in 2018.

1.6.1 Open pension plans

Open pension plans

2018 with prior-year comparison, in CHF, number or percent

Pension plans with one employer		Units	31.12.2017	31.12.2018
ETH Domain	Active members	Number	19 352	19 741
	Pension recipients	Number	5 453	5 623
	Total active members and pension recipients	Number	24 805	25 364
	Available assets	CHF	7 038 662 247	6 803 490 335
	Pension fund capital & technical provisions	CHF	6 519 423 071	6 684 825 398
	Funded ratio as per BVV2	Percent	108.0%	101.8%
	Economic funded ratio	Percent	89.5%	84.7%
IGE	Active members	Number	291	291
	Pension recipients	Number	67	70
	Total active members and pension recipients	Number	358	361
	Available assets	CHF	127 859 915	125 544 393
	Pension fund capital & technical provisions	CHF	118 982 390	124 009 672
	Funded ratio as per BVV2	Percent	107.5%	101.2%
	Economic funded ratio	Percent	92.7%	87.2%
Swissmedic	Active members	Number	427	431
	Pension recipients	Number	129	146
	Total active members and pension recipients	Number	556	577
	Available assets	CHF	249 902 303	244 097 554
	Pension fund capital & technical provisions	CHF	230 378 127	240 387 399
	Funded ratio as per BVV2	Percent	108.5%	101.5%
	Economic funded ratio	Percent	91.0%	85.5%
Swiss Federal Institute for Vocational Education and Training	Active members	Number	239	244
	Pension recipients	Number	47	52
	Total active members and pension recipients	Number	286	296
	Available assets	CHF	93 403 059	93 949 845
	Pension fund capital & technical provisions	CHF	87 708 430	93 876 274
	Funded ratio as per BVV2	Percent	106.5%	100.1%
	Economic funded ratio	Percent	88.9%	84.3%
Federal Audit Oversight Authority	Active members	Number	30	32
	Pension recipients	Number	3	3
	Total active members and pension recipients	Number	33	35
	Available assets	CHF	11 143 765	11 602 293
	Pension fund capital & technical provisions	CHF	10 296 412	11 385 246
	Funded ratio as per BVV2	Percent	108.2%	101.9%
	Economic funded ratio	Percent	108.6%	103.1%
FINMA	Active members	Number	540	537
	Pension recipients	Number	61	62
	Total active members and pension recipients	Number	601	599
	Available assets	CHF	251 302 724	247 360 298
	Pension fund capital & technical provisions	CHF	234 049 204	244 723 235
	Funded ratio as per BVV2	Percent	107.4%	101.1%
	Economic funded ratio	Percent	97.8%	91.4%
Federal Nuclear Safety Inspectorate	Active members	Number	148	152
	Pension recipients	Number	52	55
	Total active members and pension recipients	Number	200	207
	Available assets	CHF	118 385 158	118 051 605
	Pension fund capital & technical provisions	CHF	109 764 664	116 870 140
	Funded ratio as per BVV2	Percent	107.9%	101.0%
	Economic funded ratio	Percent	89.5%	84.7%



Open pension plans

2018 with prior-year comparison, in CHF, number or percent

Pension plans with one employer		Units	31.12.2017	31.12.2018
PUBLICA	Active members	Number	123	124
	Pension recipients	Number	53	56
	Total active members and pension recipients	Number	176	180
	Available assets	CHF	74 964 568	71 889 960
	Pension fund capital & technical provisions	CHF	69 428 917	70 649 695
	Funded ratio as per BVV2	Percent	108.0%	101.8%
	Economic funded ratio	Percent	90.6%	85.6%
Trasse Schweiz AG	Active members	Number	10	10
	Pension recipients	Number	1	1
	Total active members and pension recipients	Number	11	11
	Available assets	CHF	7 379 669	7 228 541
	Pension fund capital & technical provisions	CHF	6 969 585	7 206 544
	Funded ratio as per BVV2	Percent	105.9%	100.3%
	Economic funded ratio	Percent	95.4%	82.7%
Swiss National Museum SNM	Active members	Number	274	277
	Pension recipients	Number	77	81
	Total active members and pension recipients	Number	351	358
	Available assets	CHF	68 228 894	68 947 210
	Pension fund capital & technical provisions	CHF	63 714 418	66 501 794
	Funded ratio as per BVV2	Percent	107.1%	103.7%
	Economic funded ratio	Percent	90.9%	89.0%
METAS	Active members	Number	204	222
	Pension recipients	Number	85	90
	Total active members and pension recipients	Number	289	312
	Available assets	CHF	129 699 753	131 993 020
	Pension fund capital & technical provisions	CHF	121 212 065	132 185 503
	Funded ratio as per BVV2	Percent	107.0%	99.9%
	Economic funded ratio	Percent	88.1%	82.4%
Joint pension plans				
Confederation	Active members	Number	39 692	39 434
	Pension recipients	Number	25 658	26 191
	Total active members and pension recipients	Number	65 350	65 625
	Available assets	CHF	26 643 709 357	25 428 080 765
	Pension fund capital & technical provisions	CHF	25 128 221 046	25 460 093 615
	Funded ratio as per BVV2	Percent	106.0%	99.9%
	Economic funded ratio	Percent	86.8%	82.2%
Affiliated Organisations	Active members	Number	2 302	2 338
	Pension recipients	Number	893	937
	Total active members and pension recipients	Number	3 195	3 275
	Available assets	CHF	938 957 731	897 532 208
	Pension fund capital & technical provisions	CHF	849 762 292	859 974 881
	Funded ratio as per BVV2	Percent	110.5%	104.4%
	Economic funded ratio	Percent	89.2%	84.3%
Total open pension plans	Active members	Number	63 632	63 833
	Pension recipients	Number	32 579	33 367
	Total active members and pension recipients	Number	96 211	97 200
	Available assets	CHF	35 753 599 143	34 249 768 025
	Pension fund capital & technical provisions	CHF	33 549 910 621	34 112 689 395
	Funded ratio as per BVV2	Percent	106.6%	100.4%
	Economic funded ratio	Percent	87.6%	82.9%

1.6.2 Closed pension plans

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

Closed pension plans

2018 with prior-year comparison, in CHF, number or percent

Pension plans with one employer		Units	31.12.2017	31.12.2018
Pensioners only – voluntarily insured Pension entitlement from 01.06.2003	Pension recipients	Number	293	293
	Available assets	CHF	114 196 069	106 927 959
	Pension fund capital & technical provisions	CHF	102 902 352	99 320 416
	Funded ratio as per BVV2	Percent	111.0%	107.7%
	Economic funded ratio	Percent	84.0%	81.9%
Pensioners only – Confederation	Pension recipients	Number	683	649
	Available assets	CHF	143 052 226	130 212 836
	Pension fund capital & technical provisions	CHF	130 052 234	121 745 898
	Funded ratio as per BVV2	Percent	110.0%	107.0%
	Economic funded ratio	Percent	87.1%	84.8%
Pensioners only – Swisscom Pension entitlement before 01.01.1999	Pension recipients	Number	5 523	5 320
	Available assets	CHF	1 982 013 361	1 794 095 565
	Pension fund capital & technical provisions	CHF	1 836 537 473	1 706 334 852
	Funded ratio as per BVV2	Percent	107.9%	105.1%
	Economic funded ratio	Percent	85.9%	83.8%
Pensioners only – RUAG Pension entitlement before 01.07.2001	Pension recipients	Number	1 875	1 763
	Available assets	CHF	667 775 103	610 158 543
	Pension fund capital & technical provisions	CHF	601 717 999	555 506 965
	Funded ratio as per BVV2	Percent	111.0%	109.8%
	Economic funded ratio	Percent	87.5%	86.9%
Pensioners only – SRG SSR idée suisse Pension entitlement before 01.01.2003	Pension recipients	Number	942	907
	Available assets	CHF	502 726 129	459 391 125
	Pension fund capital & technical provisions	CHF	443 043 633	413 916 072
	Funded ratio as per BVV2	Percent	113.5%	111.0%
	Economic funded ratio	Percent	89.6%	87.9%
Pensioners only – PUBLICA Administration	Pension recipients	Number	83	83
	Available assets	CHF	80 293 324	75 855 795
	Pension fund capital & technical provisions	CHF	69 161 305	66 459 881
	Funded ratio as per BVV2	Percent	116.1%	114.1%
	Economic funded ratio	Percent	99.6%	98.3%
Joint pension plan				
Pensioners only – Affiliated Organisations	Pension recipients	Number	303	286
	Available assets	CHF	107 846 724	97 621 015
	Pension fund capital & technical provisions	CHF	102 043 188	92 734 696
	Funded ratio as per BVV2	Percent	105.7%	105.3%
	Economic funded ratio	Percent	83.6%	83.5%
Total closed pension plans				
	Pension recipients	Number	9 703	9 301
	Available assets	CHF	3 597 902 936	3 274 262 840
	Pension fund capital & technical provisions	CHF	3 285 458 185	3 056 018 780
	Funded ratio as per BVV2	Percent	109.5%	107.1%
	Economic funded ratio	Percent	86.9%	85.2%



2 Active members and pension recipients

2.1 Active members

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

Active members

2018 with prior year comparison, in number of insurance situations

	Active members
31.12.2016	63 863
Admissions	9 805
Departures	– 10 036
31.12.2017	63 632
Admissions	10 255
Departures	– 10 054
31.12.2018	63 833

2.2 Pension recipients

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

Pension recipients

2018 with prior year comparison, in number of insurance situations

	Retirement pensions	Retired person's child's pensions	Divorce pensions	Disability pensions	Disabled person's child's pensions	Surviving spouse/life partner's pensions	Orphan's pensions	Total pension recipients
31.12.2016	29 792	452	0	1 086	212	10 691	300	42 533
Admissions	1 160	219	21	98	59	571	81	2 209
Departures	–1 213	–222	0	–134	–53	–739	–99	–2 460
31.12.2017	29 739	449	21	1 050	218	10 523	282	42 282
Admissions	1 652	250	19	85	52	756	68	2 882
Departures	–1 215	–210	0	–137	–59	–786	–89	–2 496
31.12.2018	30 176	489	40	998	211	10 493	261	42 668

A total of 1,987 retirement bridging pensions (prior year: 1,860) and 86 IV/AI replacement pensions (prior year: 102) were paid.



3 Implementation of the purpose

3.1 Note on the pension schemes

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

As an all-encompassing pension fund, PUBLICA undertakes to provide the statutory pension benefits as a minimum and at the same time makes provision for benefits significantly in excess of the BVG minimum. The insured salary comprises the annual salary less the coordination offset of 30% of the annual salary, but no more than CHF 24,675 (status as at 31 December 2018).

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

The level of the retirement pension is determined on the basis of the savings available at the time of retirement. At the reference age of 65 for men and 64 for women, the conversion rate was 5.65% until 31 December 2018.

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

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

3.2 Financing, method of financing

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

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

3.3 Further information on pension provision

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

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



4 Valuation and accounting principles, consistency

4.1 Confirmation of financial reporting as per Swiss GAAP ARR 26

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

4.2 Accounting and valuation principles

4.2.1 General principles

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

4.2.2 Recording point of transactions

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

4.2.3 Foreign currency translation

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

4.2.4 Offsetting of assets and liabilities

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

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

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

4.2.6 Securities and derivative financial instruments

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

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

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



4.2.7 Private corporate and infrastructure debt

Private corporate and infrastructure debt is revalued at least quarterly and recognised at the current value. The valuation is carried out using the discounted cash flow (DCF) method, or market prices where available. Discounting is conducted using interest rates derived from comparable market data that take account of the term, liquidity, credit risk and industry sector of the borrower. If a debtor falls behind with their payments or the asset manager responsible expects the debt to become impaired, the valuation is reviewed by PUBLICA. The impairment is based on the lower of a valuation using historical default rates for comparable borrowers and the valuation proposed by the asset manager for debtors in financial difficulties.

4.2.8 Real estate investments Switzerland

All directly held real estate is revalued annually and recognised at the market value. The market value is calculated by Jones Lang LaSalle Ltd using the discounted cash flow (DCF) method. The discounting is based on the interest on long-term, risk-free investments together with a specific risk premium. The bandwidth for the nominal discount interest rate is between 3.30% and 5.10% (prior year: 3.60% and 5.20%). The average capital-weighted nominal discount interest rate across the valued portfolio is 3.87% (prior year: 4.11% on a like-for-like basis).

4.2.9 Real estate investments international

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

4.2.10 Deferred taxes

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

4.2.11 Pension fund capital and technical provisions

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

4.3 Changes to principles concerning valuation, accounting and reporting

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



5 Actuarial risks, risk coverage, funded ratio

5.1 Form of risk coverage, reinsurance

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

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

Balance sheet – PUBLICA Reinsurance

2018 with prior-year comparison, in CHF

	31.12.2017	31.12.2018
Operating assets – PUBLICA Reinsurance	172 959 526	181 181 402
Liabilities and deferrals	21 079 368	27 059 295
Technical provisions	60 243 152	62 222 235
Fluctuation reserve	10 422 065	10 266 669
Working capital – Reinsurance	70 817 000	70 817 000
Uncommitted funds	10 397 941	10 816 204
Liabilities and available risk capital – PUBLICA Reinsurance	172 959 526	181 181 402

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

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

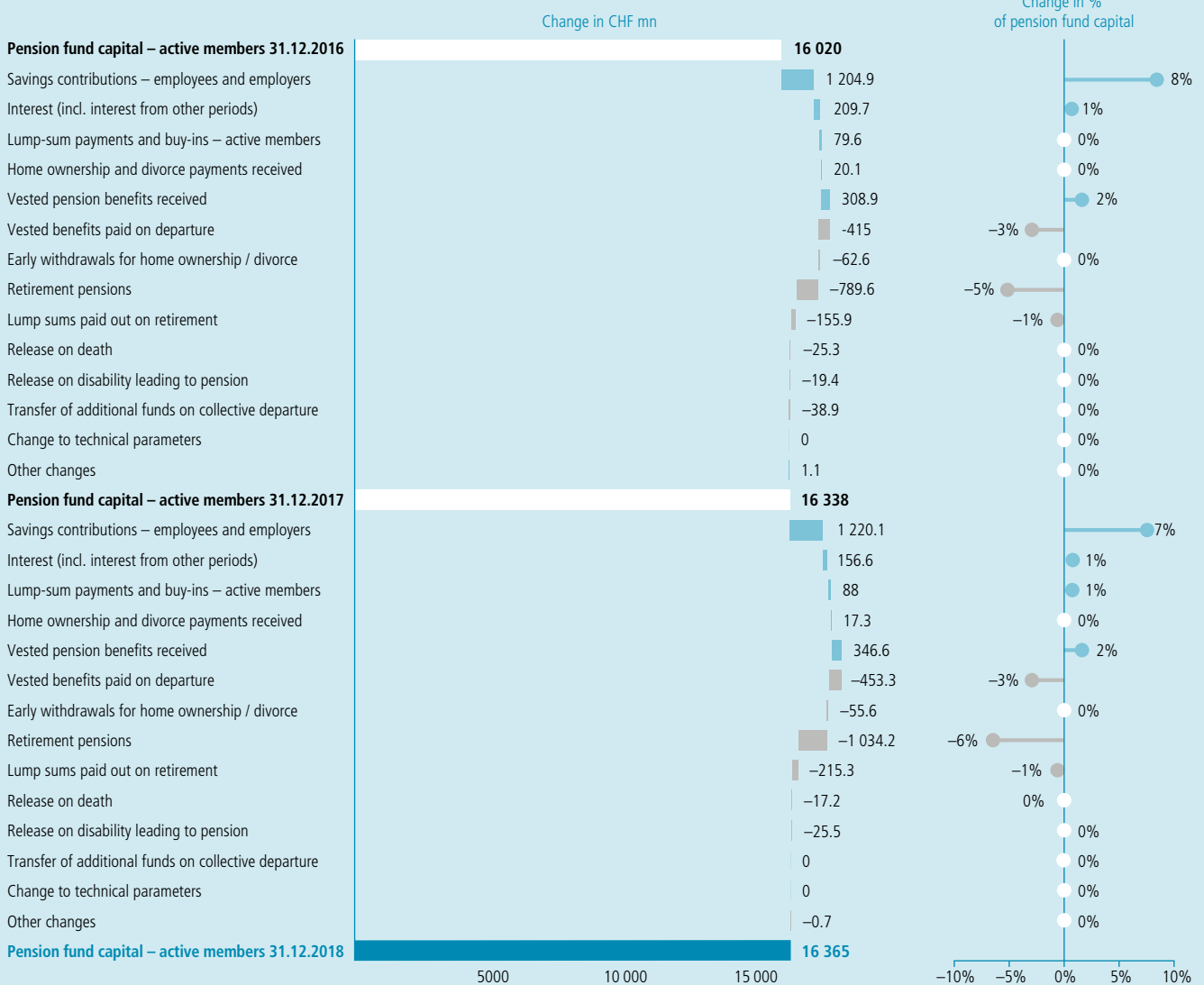
5.2 Development of pension fund capital for active members

The balance sheet item “Pension fund capital – active members” corresponds to the total statutory vested termination benefits for active members of CHF 16.4 billion (prior year: CHF 16.3 billion). The interest rate on retirement assets remained unchanged at between 1.0% and 1.5% during the year in review. The following table shows the development in pension fund capital during the period under review.



Pension fund capital – active members

31.12.2016 to 31.12.2018, in CHF mn and percent



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

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

5.3 Total BVG retirement assets

BVG retirement assets

2018 with prior-year comparison, in CHF and percent

	Units	31.12.2017	31.12.2018
Total BVG retirement assets	CHF	5 266 268 415	5 288 635 376
BVG minimum interest rate, set by Federal Council	Percent	1.00%	1.00%

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

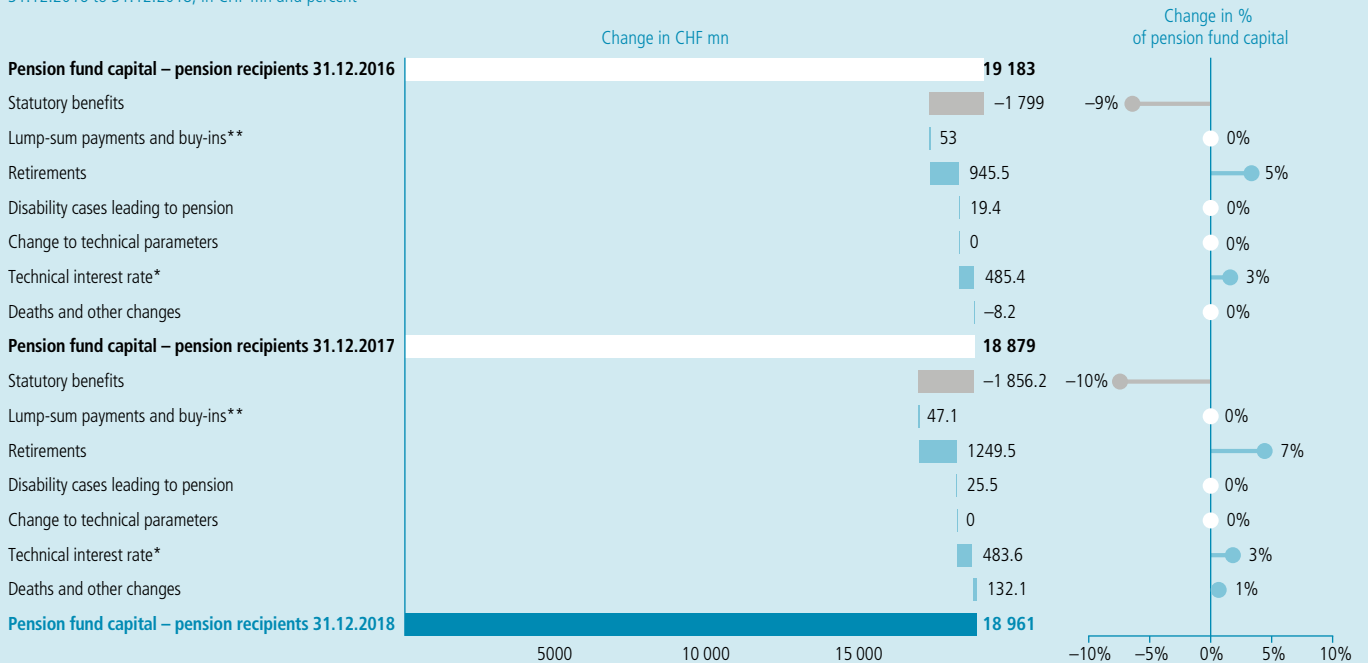


5.4 Development of pension fund capital for pension recipients

The pension fund capital for pension recipients corresponds to the net present value of current pensions including associated deferred annuities and increased by CHF 82 million from the previous year's figure.

Pension fund capital – pension recipients

31.12.2016 to 31.12.2018, in CHF mn and percent



* Approximate calculation

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

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

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



5.5 Composition, development and explanation of technical provisions

The technical provisions increased by CHF 226.8 million compared with the previous year.

Technical provisions

2018 with prior-year comparison, in CHF

Pension plans	31.12.2017	Formation	Release	31.12.2018
Provision for change to technical parameters – active members	704 320 845	215 409 932	– 4 590 914	915 139 863
Provision for change to technical parameters – pension recipients	453 107 658	115 741 938	– 15 490	568 834 106
Provision for fluctuations in the membership of closed pension plans	57 141 712	2 876 485	– 1 434 131	58 584 066
Provision for outstanding claims (IBNR)	195 000 000	2 000 000	0	197 000 000
Provision for death and disability	75 000 000	3 000 000	– 1 000 000	77 000 000
Provision for guarantees (change of system)	106 985 501	0	– 106 985 501	0
Provision for administrative expenses and cost-of-living adjustment	26 244 015	0	– 182 378	26 061 636
Provision for administrative expenses and risk premium	176 039	11 272	– 12 024	175 287
Total technical provisions – pension plans	1 617 975 770	339 039 627	– 114 220 438	1 842 794 959
Reinsurance				
Provision for outstanding claims (IBNR)	19 000 000	1 000 000	0	20 000 000
Provision for death and disability	16 000 000	1 000 000	0	17 000 000
Provision for hardship cases – active members / pensioners	14 096 845	0	0	14 096 845
Provision for hardship cases – pension plans	11 146 307	0	– 20 917	11 125 390
Total technical provisions – Reinsurance	60 243 152	2 000 000	– 20 917	62 222 235
Total technical provisions	1 678 218 921	341 039 627	– 114 241 355	1 905 017 194

5.5.1 Technical provisions – pension plans

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

Provision for changes to technical parameters

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

Provision for fluctuations in the membership of closed pension plans

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

Provision for outstanding claims (IBNR)

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



Provision for death and disability

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

Provision for guarantees (change of system)

The deadline for funding the transitional provisions (guarantees for change of system) under Art. 25 of the PUBLICA Act (static guarantee of vested benefits) has passed. These provisions have therefore been released.

Provision for administrative expenses and cost-of-living adjustments, administrative expenses and risk premium

Certain groups of pensioners no longer have an employer to assume their future administrative expenses.

The provision for administrative expenses and cost-of-living adjustments thus serves to fund future administrative expenses and any cost-of-living adjustments. It is allocated to specific groups of pensioners in the Pensioners only – PUBLICA Administration pension plan and used in accordance with the purpose.

The provision for administrative expenses and the risk premium serves to fund future administrative expenses.

5.5.2 Technical provisions – Reinsurance

Provision for outstanding claims (IBNR)

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

Provision for death and disability

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

Provision for hardship cases

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

5.6 Results of the latest actuarial assessment

See the confirmation from the Pension Actuary as at 31 December 2018 (section 12).

5.7 Actuarial tables and other actuarial assumptions

The calculations are based on the BVG 2010 actuarial tables (loaded). The loading relates to the death probabilities used in the tables. The results of past profit and loss analyses have shown that, where the risk results are concerned, the mortality of pension recipients among PUBLICA members is lower than the average of BVG 2010. For this reason, death probabilities extrapolated to the year 2018 are used. PUBLICA uses static tables. The technical interest rate is 2.75% for the open pension plans and 2.25% for the closed pension plans.

5.8 Changes to technical parameters and assumptions

No changes were made to the technical parameters and assumptions in 2018. Some pension plans created additional reserves to fund measures to cushion the change to the technical parameters; these are one off and for the benefit of insured members only, and amount to 0.7% of total pension capital.

The impact of the change to the technical parameters on 1 January 2019 is described in section 9.5.



5.9 Funded ratio as per Art. 44 BVV2

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

Funded ratio as per Art. 44 BVV2

2018 with prior-year comparison, in CHF

	31.12.2017	31.12.2018
Actuarially required pension fund capital	36 895 611 959	37 230 930 410
Fluctuation reserve	2 526 555 338	397 794 692
Uncommitted funds (+) / underfunding (-) / working capital (+)	94 678 397	63 067 889
Available assets	39 516 845 693	37 691 792 983
Funded ratio as per Article 44 BVV2	107.1%	101.2%

5.10 Economic funded ratio

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

The corresponding calculations produced an economic funded ratio of 83.3% (prior year: 87.7%).

6 Notes on investments and the net return on investment

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

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

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

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

The following institutions were entrusted with the management of PUBLICA's assets as at the balance sheet date of 31 December 2018:



Asset management

2018

Mandate	Asset manager	Licensing authority	Benchmark	Investment style	Retrocessions	
					Date of regulation	Received
Swiss government bonds	Swiss Federal Pension Fund PUBLICA	Bernische BVG- und Stiftungsaufsicht (CH) ¹	SBI Domestic Swiss Government	Semi-active	–	prohibited
Non-government bonds CHF	Swiss Federal Pension Fund PUBLICA	Bernische BVG- und Stiftungsaufsicht (CH) ¹	SBI AAA-A foreign borrowers (40%) and domestic borrowers (60%)	Semi-active	–	prohibited
Non-government bonds CHF	Pictet et Cie	Swiss Financial Market Supervisory Authority FINMA ²	SBI AAA-A foreign borrowers (40%) and domestic borrowers (60%)	Semi-active	08.12.11	prohibited
Government bonds EUR	Swiss Federal Pension Fund PUBLICA	Bernische BVG- und Stiftungsaufsicht (CH) ¹	JPM GBI Germany (50%), France (33%) and Netherlands (17%)	Enhanced passive	–	prohibited
Government bonds USD	Swiss Federal Pension Fund PUBLICA	Bernische BVG- und Stiftungsaufsicht (CH) ¹	JPM GBI USA	Enhanced passive	–	prohibited
Government bonds GBP	Swiss Federal Pension Fund PUBLICA	Bernische BVG- und Stiftungsaufsicht (CH) ¹	JPM GBI UK	Enhanced passive	–	prohibited
Government bonds CAD	Swiss Federal Pension Fund PUBLICA	Bernische BVG- und Stiftungsaufsicht (CH) ¹	JPM GBI Canada	Enhanced passive	–	prohibited
Government bonds AUD	Swiss Federal Pension Fund PUBLICA	Bernische BVG- und Stiftungsaufsicht (CH) ¹	JPM GBI Australia	Enhanced passive	–	prohibited
Government bonds SEK	Swiss Federal Pension Fund PUBLICA	Bernische BVG- und Stiftungsaufsicht (CH) ¹	JPM GBI Sweden	Enhanced passive	–	prohibited
Inflation-linked government bonds EUR	Swiss Federal Pension Fund PUBLICA	Bernische BVG- und Stiftungsaufsicht (CH) ¹	80% Barclays Euro Government EMU HICP-Linked Bond Index 1–10 Years 20% Barclays Euro Government EMU HICP-Linked Bond Index > 10 Years	Enhanced passive	–	prohibited
Inflation-linked government bonds USD	Swiss Federal Pension Fund PUBLICA	Bernische BVG- und Stiftungsaufsicht (CH) ¹	80% Barclays US Government Inflation-Linked Bond Index 1–10 Years 20% Barclays US Government Inflation-Linked Bond Index > 10 Years	Enhanced passive	–	prohibited
Currency hedging Inflation-linked government bonds	Russell Implementation Services Ltd	Financial Conduct Authority (UK) ⁴	Difference in relevant portfolio benchmark hedged vs. unhedged	Enhanced passive	22.05.14	prohibited
Public corporate bonds EUR ⁶	Union Investment Institutional GmbH	Federal Financial Supervisory Authority (DE) ⁴	Barclays EUR Corporate	Enhanced passive	20.06.11	prohibited
Public corporate bonds EUR ⁶	Standard Life Investments Limited	Financial Conduct Authority (UK) ⁴	Barclays EUR Corporate ex Financials	Enhanced passive	25.08.11	prohibited
Public corporate bonds USD ⁶	PIMCO Europe Ltd	Financial Conduct Authority (UK) ⁴	Barclays USD Corporate Intermediate	Enhanced passive	04.05.11	prohibited
Public corporate bonds USD ⁶	BlackRock Institutional Trust Company	Office of the Comptroller of the Currency (US) ³	Barclays USD Corporate Intermediate ex Financials	Enhanced passive	04.05.11	prohibited
Government bonds emerging markets hard currencies ⁵	UBS AG	Swiss Financial Market Supervisory Authority FINMA ³	JPM EMBIG Diversified Investment Grade (USD)	Enhanced passive	26.02.16	prohibited
Private corporate debt	MetLife Investment Management Limited	Financial Conduct Authority (UK) ⁴	Barclays Global Agg Corp Composite Custom	Direct investments	29.09.15	prohibited
Private corporate debt	Pricoa Capital Group Limited	Financial Conduct Authority (UK) ⁴	Barclays Global Agg Corp Composite Custom	Direct investments	29.09.15	prohibited
Private infrastructure debt	MetLife Investment Management Limited	Financial Conduct Authority (UK) ⁴	Barclays Global Agg Corp Composite Custom	Direct investments	29.09.15	prohibited
Private infrastructure debt	Vantage Infrastructure (UK) Limited	Financial Conduct Authority (UK) ⁴	Barclays Global Agg Corp Composite Custom	Direct investments	02.09.15	prohibited
Currency hedging corporate bonds foreign currency	Record Currency Management Limited	Financial Conduct Authority (UK) ⁴	Difference in relevant portfolio benchmark hedged vs. unhedged	Enhanced passive	22.10.08	prohibited
Government bonds emerging markets local currencies	Ashmore Investment Management Limited	Financial Conduct Authority (UK) ⁴	JPM GBI-EM Global Diversified	Active	21.02.13	prohibited
Government bonds emerging markets local currencies	Investec Asset Management	Financial Conduct Authority (UK) ⁴	JPM GBI-EM Global Diversified	Active	21.02.13	prohibited
Private real estate debt	Swiss Federal Pension Fund PUBLICA ¹	Bernische BVG- und Stiftungsaufsicht (CH) ¹	Based on lower interest-rate band BEKB variable mortgages	Direct investments	–	prohibited
Equities Switzerland	Credit Suisse AG	Swiss Financial Market Supervisory Authority FINMA ²	SMI	Indexed	01.12.08	prohibited
Equities Switzerland	Pictet Asset Management SA	Swiss Financial Market Supervisory Authority FINMA ²	SMI	Indexed	02.12.08	prohibited
Equities developed markets ex Switzerland ⁶	Credit Suisse Funds AG	Swiss Financial Market Supervisory Authority FINMA ³	MSCI (gross) Europe ex Switzerland (25%) ⁵ , North America (50%) ⁵ , Japan (10%) and Pacific ex Japan (15%)	Indexed	09.11.05	prohibited

Asset management

2018

Mandate	Asset manager	Licensing authority	Benchmark	Investment style	Retrocessions	
					Date of regulation	Received
Equities developed markets ex Switzerland ⁶	BlackRock Advisors (UK) Limited	Financial Conduct Authority (UK) ⁴	MSCI (gross) Europe ex Switzerland (25%), North America (50%), Japan (10%) and Pacific ex Japan (15%)	Indexed	27.06.05	prohibited
Currency hedging equities developed markets ex Switzerland	Russell Implementation Services Ltd	Financial Conduct Authority (UK) ⁴	Difference in relevant portfolio benchmark hedged vs. unhedged	Enhanced passive	28.10.08	prohibited
Equities emerging markets ⁵	Pictet Asset Management SA	Swiss Financial Market Supervisory Authority FINMA ²	MSCI (net) Emerging Markets ⁵	Indexed	19.08.10	prohibited
Equities emerging markets ⁶	Vanguard Asset Management Ltd	Financial Conduct Authority (UK) ⁴	MSCI (net) Emerging Markets	Indexed	19.08.10	prohibited
Precious metals	Goldman Sachs International Plc	Financial Conduct Authority (UK) ⁴	S&P GSCI TR Precious Metals	Indexed	02.11.09	prohibited
Precious metals	JPMorgan Chase Bank, N.A.	Financial Conduct Authority (UK) ⁴	London Gold Price PM Auction USD	Direct investments	20.05.15	prohibited
Real estate investments Switzerland	Swiss Federal Pension Fund PUBLICA	Bernische BVG- und Stiftungsaufsicht (CH) ¹	KGAST Immo Index	Direct investments	–	prohibited
Real estate investments Switzerland	LIVIT AG	n/a	n/a	Direct investments	23.11.11	prohibited
Real estate investments Switzerland	Von Graffenried AG Liegenschaften	n/a	n/a	Direct investments	27.06.16	prohibited
Real estate investments Switzerland	Privera AG	n/a	n/a	Direct investments	27.06.16	prohibited
Real estate investments Switzerland	Apleona GVA AG	n/a	n/a	Direct investments	01.07.14	prohibited
Real estate investments international Australia	AMP Capital Funds Management Limited	Australian Securities and Investments Commission (ASIC)	ANREX Australia Core Open End Fund Monthly Index	Real estate funds	01.11.15	prohibited
Real estate investments international Australia	GPT Management Holdings Limited	Australian Securities and Investments Commission (ASIC)	ANREX Australia Core Open End Fund Monthly Index	Real estate funds	29.11.17	prohibited
Real estate investments international USA	LaSalle Investment Management, Inc.	U.S. Securities and Exchange Commission (SEC)	NCREIF NFI-ODCE	Real estate funds	01.03.16	prohibited
Real estate investments international USA	PGIM Inc.	U.S. Securities and Exchange Commission (SEC)	NCREIF NFI-ODCE	Real estate funds	19.09.17	prohibited
Real estate investments international USA	RREEF America L.L.C.	U.S. Securities and Exchange Commission (SEC)	NCREIF NFI-ODCE	Real estate funds	19.06.17	prohibited

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

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

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

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

⁵ 50% MSCI capital-weighted, 16.67% MSCI Minimum Volatility, 16.67% MSCI Enhanced Value and 16.67% MSCI Small Caps

⁶ Mandate in single-investor fund

⁷ In association with the Federal Office for Housing

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

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

Global Custodian (custodian bank for foreign securities and consolidation of all assets)

J.P. Morgan (Switzerland) Ltd
Dreikönigstrasse 21
8002 Zurich
www.jpmorgan.com

Swiss Custodian (custodian bank for CH securities)

Credit Suisse
Custody & Transaction Services
Uetlibergstrasse 231
8070 Zurich
www.credit-suisse.com



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

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

6.3 Target size and calculation of the fluctuation reserve

Owing to the negative operating result, fluctuation reserves were released.

Target size and calculation of the fluctuation reserve

2018 with prior-year comparison, in CHF

	2017	2018
Fluctuation reserve 01.01	1 032 226 746	2 526 555 338
Change in fluctuation reserve debited (+) / credited (-) to income statement	1 494 328 591	-2 128 760 646
Total fluctuation reserve 31.12	2 526 555 338	397 794 692
Fluctuation reserve deficit 31.12	7 925 748 825	9 795 583 695
Target fluctuation reserve	10 452 304 162	10 193 378 387
Fluctuation reserve in % of target size	24.2%	3.9%
Target size of fluctuation reserve in % of pension fund capital and technical provisions	28.3%	27.4%

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

The component of the target fluctuation reserve set aside for investments ensures that investment risks can be borne. It is necessary to take on investment risks in order to achieve the target returns. The percentage specified depends on the risk/return characteristics of the strategic asset allocation, the safety level sought and the investment horizon. The target size has been fixed, on the basis of a safety level of 97.5% and an investment horizon of one year, at 16.4% (prior year: 17.3%) of the sum of the pension fund capital and the technical provisions.

The component of the target fluctuation reserve set aside to cover pension liabilities serves to absorb potentially higher liabilities. The target size of this reserve is 50% of the difference between the pension fund capital calculated using the technical interest rate and that calculated using the risk-free interest rate. Of the target size of 27.4% (prior year: 28.3%), 11.0% (prior year: 11.0%) is attributable to this component.

6.4 Assets by asset class

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

Of the total CHF 37.7 billion investments (excluding cash and cash equivalents and receivables and taking account of deferred taxes), CHF 34.3 billion are invested in the strategic asset allocation for the open pension plans and CHF 3.3 billion in the allocation for the closed pension plans. The remaining investments of CHF 0.1 billion have been invested in accordance with the lower-risk strategic asset allocation of PUBLICA Reinsurance. The composition of the investments in the individual asset classes is set out in detail in the balance sheet.

Strategic asset allocation – open pension plans

2018, in percent

Asset class	Allocation at 31.12.2018	Pro rata strategy	Long-term strategy	Tactical bandwidths as a % of strategy weighting	
				Minimum	Maximum
Money market	2.8%	3.0%	3.0%	0%	200%
Swiss government bonds	6.2%	6.0%	6.0%	80%	120%
Non-government bonds CHF	11.5%	11.8%	8.0%	80%	120%
Government bonds EUR currency hedged	3.8%	4.0%	2.5%	50%	150%
Government bonds USD currency hedged	2.3%	2.4%	1.5%	50%	150%
Government bonds GBP currency hedged	1.6%	1.6%	1.0%	0%	200%
Government bonds CAD currency hedged	1.6%	1.6%	1.0%	0%	200%
Government bonds AUD currency hedged	1.6%	1.6%	1.0%	0%	200%
Government bonds SEK currency hedged	1.3%	1.4%	1.0%	0%	200%
Government bonds developed markets ex Switzerland	12.3%	12.6%	8.0%	80%	120%
Inflation-linked government bonds EUR currency hedged	1.6%	1.5%	1.5%	50%	150%
Inflation-linked government bonds USD currency hedged	4.7%	4.5%	4.5%	50%	150%
Inflation-linked government bonds	6.3%	6.0%	6.0%	80%	120%
Public corporate bonds EUR currency hedged	6.6%	6.8%	4.5%	50%	150%
Public corporate bonds USD currency hedged	6.6%	6.8%	4.5%	50%	150%
Public corporate bonds ex CHF	13.2%	13.6%	9.0%	80%	120%
Private corporate debt currency hedged	2.1%	2.0%	3.5%	50%	150%
Private infrastructure debt currency hedged	1.4%	1.4%	3.5%	50%	150%
Government bonds emerging markets hard currencies currency hedged	3.1%	3.0%	3.0%	80%	120%
Government bonds emerging markets local currencies	4.2%	4.0%	5.0%	80%	120%
Private real estate debt	0.3%	0.3%	3.0%	50%	150%
Equities Switzerland	3.1%	3.0%	3.0%	50%	150%
Equities Europe partially currency hedged	4.0%	4.1%	4.0%	50%	150%
Equities North America partially currency hedged	7.5%	8.2%	8.0%	50%	150%
Equities Pacific partially currency hedged	4.1%	4.1%	4.0%	50%	150%
Equities developed markets ex Switzerland partially currency hedged	15.7%	16.4%	16.0%	50%	150%
Equities emerging markets	8.6%	8.5%	8.0%	50%	150%
Precious metals partially currency hedged	2.3%	2.0%	2.0%	80%	120%
Real estate investments Switzerland	5.7%	5.3%	7.0%	80%	120%
Real estate investments international currency hedged	1.3%	1.1%	6.0%	80%	120%
Total	100.0%	100.0%	100.0%		
Total not currency hedged	17.4%	17.1%	17.5%		
Total currency hedged	82.6%	82.9%	82.5%		
Total in CHF mn	34 293				

In the strategic asset allocation for the open pension plans, the proportion of international real estate investments and private corporate and infrastructure debt was further increased over the year. The proportion of government and corporate bonds from developed markets ex Switzerland was reduced in 2018.

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



Strategic asset allocation – closed pension plans

2018, in percent

Asset class	Allocation at 31.12.2018	Pro rata strategy	Long-term strategy	Tactical bandwidths as a % of strategy weighting	
				Minimum	Maximum
Money market	1.1%	3.0%	3.0%	0%	200%
Swiss government bonds	25.1%	24.4%	20.0%	80%	120%
Non-government bonds CHF	10.1%	10.5%	11.0%	80%	120%
Government bonds EUR currency hedged	1.7%	1.8%	2.2%	50%	150%
Government bonds USD currency hedged	1.0%	1.1%	1.3%	50%	150%
Government bonds GBP currency hedged	0.7%	0.7%	0.9%	0%	200%
Government bonds CAD currency hedged	0.7%	0.7%	0.9%	0%	200%
Government bonds AUD currency hedged	0.7%	0.7%	0.9%	0%	200%
Government bonds SEK currency hedged	0.6%	0.6%	0.9%	0%	200%
Government bonds developed markets ex Switzerland	5.5%	5.8%	7.0%	80%	120%
Inflation-linked government bonds EUR currency hedged	1.3%	1.3%	1.3%	50%	150%
Inflation-linked government bonds USD currency hedged	3.9%	3.8%	3.8%	50%	150%
Inflation-linked government bonds	5.2%	5.0%	5.0%	80%	120%
Public corporate bonds EUR currency hedged	6.3%	6.5%	6.5%	50%	150%
Public corporate bonds USD currency hedged	6.3%	6.5%	6.5%	50%	150%
Public corporate bonds ex CHF	12.6%	13.0%	13.0%	80%	120%
Government bonds emerging markets hard currencies currency hedged	5.1%	5.0%	5.0%	80%	120%
Private real estate debt	0.3%	0.3%	3.0%	80%	120%
Equities Switzerland	3.1%	3.0%	3.0%	50%	150%
Equities Europe partially currency hedged	1.7%	1.8%	1.8%	50%	150%
Equities North America partially currency hedged	3.2%	3.5%	3.5%	50%	150%
Equities Pacific partially currency hedged	1.8%	1.8%	1.8%	50%	150%
Equities developed markets ex Switzerland partially currency hedged	6.7%	7.0%	7.0%	50%	150%
Precious metals partially currency hedged	3.4%	3.0%	3.0%	80%	120%
Real estate investments Switzerland	21.6%	20.0%	20.0%	80%	120%
Total	100.0%	100.0%	100.0%		
Total not currency hedged	3.6%	3.4%	3.4%		
Total currency hedged	96.4%	96.6%	96.6%		
Total in CHF mn	3 283				

The investments are broadly diversified within the individual asset classes. For example, the private corporate debt held directly by the open pension plans contains 153 investments (prior year: 105) and private infrastructure debt 34 (prior year: 25). These are distributed across various countries, currencies, sectors and terms to maturity.

The international real estate investments held by the open pension plans are invested in a number of diversified, unlisted real estate funds in the US and Australia. The Swiss real estate portfolio held directly by PUBLICA comprises 68 properties (prior year: 67) and one property under construction. The portfolio is made up of 62% residential properties, 23% commercial properties and 15% mixed residential and commercial properties.

6.5 Current (open) derivative financial instruments

As at 31 December 2018, the following derivative positions are open:

Current (open) derivative financial instruments and collateral

2018 with prior-year comparison, in CHF

31.12.2018	Net replacement value	Underlying equivalent exposure-increasing derivatives in mn	Underlying equivalent exposure-reducing derivatives in mn	Collateral received	Collateral pledged
Interest-rate swaps	14 517 786	75	0	14 492 919	0
Precious metal swaps	12 208 634	246	0	0	0
Currency forwards	38 393 180	304	- 18 941	57 264 718	50 985 274
Equity futures	- 2 422 869	127	0	0	0
Bond futures	2 949 226	244	- 11	0	0

31.12.2017	Net replacement value	Underlying equivalent exposure-increasing derivatives in mn	Underlying equivalent exposure-reducing derivatives in mn	Collateral received	Collateral pledged
Interest-rate swaps	19 174 857	175	0	19 176 037	0
Precious metal swaps	7 002 471	258	0	4 563 000	0
Currency forwards	- 71 260 766	311	- 20 812	0	258 053 404
Equity futures	2 361 258	126	0	0	0
Bond futures	288 597	75	- 94	0	0

Interest-rate swaps are used to control interest-rate risks. Around one third of the investments in precious metals are replicated via a corresponding swap transaction. Currency forwards are used for strategic hedging of currency risks and thus reduce the currency risk to which the portfolio as a whole is exposed. Equity index futures are used to efficiently reinvest dividends already contained in the equity indices but not yet paid out.

PUBLICA employs a prime brokerage set-up to ensure the efficient management of counter-party risks in its currency hedging programmes. As at end-2018, HSBC and Deutsche Bank are the two FX prime brokers. The currency managers act on a competitive basis with a wide range of banks. They pass the transactions to one of PUBLICA's two FX prime brokers, which then settles all currency forward transactions as central counterparty in return for a fee. The only counterparty risk is therefore in respect of the two FX prime brokers. This is covered by collateral in the form of government bonds that are exchanged daily in order to keep the counterparty risk low.

To hedge the counterparty risks involved in interest-rate swaps, these too are covered by collateral.

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



6.6 Open capital commitments

The following capital commitments are open as at 31 December 2018:

Open capital commitments by asset class

2018 with prior-year comparison, in CHF

Asset class	2017	2018
Private corporate debt	38 536 217	103 351 694
Private infrastructure debt	19 773 823	20 653 377
Real estate investments international	181 059 200	239 090 570
Total open capital commitments	239 369 240	363 095 641

The open capital commitments result from time delays between the approval of the investment and the capital draw-down in the case of unlisted foreign real estate funds and private corporate and Infrastructure debt.

6.7 Securities lending

PUBLICA has concluded a securities lending agreement for foreign securities with J.P. Morgan, under which J.P. Morgan acts as an agent. The borrowers are first-class counterparties that are carefully selected and constantly monitored. PUBLICA accepts only government bonds with a high credit rating as collateral. As at 31 December 2018 securities valued at CHF 1,414.1 million were on loan (compared with CHF 814.1 million as at 31 December 2017).

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

6.8 Net investment income

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

6.9 Performance

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

Net performance

2018 in CHF and percent, after deduction of all asset management expenses

	Portfolio performance	Benchmark performance	Difference	Investments ¹ CHF mn
Money market	-0.47%	-0.87%	0.40%	978
Swiss government bonds	0.33%	0.28%	0.05%	2 953
Non-government bonds CHF	0.10%	0.01%	0.09%	4 373
Government bonds EUR	1.64%	1.61%	0.03%	1 365
Government bonds USD	-2.10%	-2.37%	0.27%	833
Government bonds GBP	-0.89%	-1.00%	0.11%	570
Government bonds CAD	-0.25%	-0.13%	-0.12%	562
Government bonds AUD	1.98%	2.09%	-0.11%	572
Government bonds SEK	1.23%	1.25%	-0.02%	473
Government bonds developed markets ex Switzerland	0.36%	0.32%	0.04%	4 375
Inflation-linked government bonds	-3.40%	-3.62%	0.22%	2 325
Public corporate bonds EUR	-1.59%	-1.60%	0.01%	2 479
Public corporate bonds USD	-3.44%	-3.43%	-0.01%	2 466
Public corporate bonds ex CHF	-2.48%	-2.51%	0.03%	4 945
Private corporate debt	-3.47%	-3.50%	0.03%	717
Private infrastructure debt	1.25%	-3.52%	4.77%	492
Government bonds emerging markets hard currencies	-5.36%	-5.58%	0.22%	1 227
Government bonds emerging markets local currencies	-5.74%	-5.12%	-0.62%	1 429
Private real estate debt	1.63%	1.38%	0.25%	126
Equities Switzerland	-6.33%	-6.29%	-0.04%	1 168
Equities developed markets ex Switzerland	-9.55%	-9.62%	0.07%	5 620
Equities emerging markets	-12.72%	-12.80%	0.08%	2 961
Precious metals	-1.68%	-2.12%	0.44%	880
Real estate investments Switzerland²	6.68%	4.94%	1.74%	2 669
Real estate investments international	4.03%	4.23%	-0.20%	440
Total	-3.26%	-3.33%	0.07%	37 678
Total without currency hedging	-3.09%	-3.09%	0.00%	37 638
Open pension plans	-3.55%	-3.60%	0.05%	34 293
Closed pension plans	-0.24%	-0.65%	0.41%	3 283
Reinsurance	0.09%	0.01%	0.08%	102

¹ Excluding cash & cash equivalents and receivables

² Including deferred taxes



6.10 Asset management expenses

With a cost transparency level of 100%, asset management expenses stand at 19.1 basis points (prior year: 20.4 basis points). Asset management expenses are made up of the main items listed in the following table:

Asset management expenses

2018 with prior-year comparison, in CHF

	2017	2018
External asset managers – securities	– 23 649 717	– 24 296 157
External asset managers – real estate	– 6 197 292	– 6 025 964
External asset managers – mortgages	– 161 020	– 157 128
Internal asset managers – securities	– 6 283 128	– 5 991 013
Internal asset managers – real estate	– 2 412 997	– 2 246 167
Asset manager expenses	– 38 704 154	– 38 716 429
Custody fees and management	– 4 908 502	– 6 545 593
Custodian expenses	– 4 908 502	– 6 545 593
TER expenses (TER costs)	– 43 612 654	– 45 262 022
Stamp tax	– 10 589 894	– 4 130 579
Withholding tax (not reclaimable)	– 16 999 225	– 17 642 859
Other taxes	0	0
Taxes	– 27 589 119	– 21 773 439
Trading fees, commissions, other costs	– 7 302 575	– 6 750 672
Transaction expenses	– 7 302 575	– 6 750 672
Transaction expenses and taxes (TTC costs)	– 34 891 694	– 28 524 110
Investment Controller	– 179 280	– 178 680
Other consultancy (legal, tax, ALM, etc.)	– 456 063	– 368 388
Other expenses (SC costs)	– 635 343	– 547 068
Total asset management expenses	– 79 139 691	– 74 333 201
Average cost-transparent capital investments	38 802 493 817	38 881 432 100
TER expenses (TER costs) in basis points	11.2	11.6
Transaction expenses and taxes in basis points	9.0	7.3
Other expenses in basis points	0.2	0.1
Asset management expenses in basis points	20.4	19.1
Total of all key cost figures reported in the income statement in CHF for collective investment schemes	0	0
Cost transparency level	100%	100%

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

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

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

PUBLICA books collective investment schemes such as single-investor funds in a fully cost-transparent manner, and takes full account of the associated transaction and tax expenses. When comparing with pension funds that have invested in collective investment schemes and calculate asset management expenses solely on the basis of the TER in their income statements, reduced asset management expenses on a TER basis of 11.6 basis points (prior year: 11.2 basis points) should be applied.

Asset management expenses do not include the custodian fees in connection with securities lending amounting to CHF 1.1 million (prior year: CHF 0.9 million), which are offset directly against income. Transaction expenses in relation to foreign currency transactions, chiefly in currencies that are not freely tradable, are likewise not included. They are included by the custodian in the spread and amount to CHF 0.4 million (prior year: CHF 0.5 million).

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

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

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

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

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

Employers' contribution reserve

2018 with prior-year comparison, in CHF

	2017	2018
Employers' contribution reserve 01.01	38 090 013	43 046 669
Allocations	5 435 013	5 370 213
Utilisation	- 478 358	-2 064 940
Interest	0	0
Total employers' contribution reserve 31.12	43 046 669	46 351 942



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

7.1 Operating assets, working capital and liabilities – Operations

The operating assets of PUBLICA Operations comprise the following:

Operating assets, working capital and liabilities – PUBLICA Operations

2018 with prior-year comparison, in CHF

	31.12.2017	31.12.2018
Current assets	15 328 896	14 529 526
Investment assets	1 852 947	2 907 679
Operating assets – PUBLICA Operations	17 181 842	17 437 205
Liabilities	3 718 386	3 797 187
Working capital	13 463 456	13 640 018
Working capital and liabilities – PUBLICA Operations	17 181 842	17 437 205

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

7.2 Administrative account – Operations

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

Administrative expenses

2018 with prior-year comparison, in CHF

	2017	2018
Personnel expenses	–19 087 953	–18 796 200
General administrative expenses	–8 943 182	–8 476 848
Financial expenses	– 971	– 640
Apportionments to Asset Management	10 830 514	9 718 723
General administration	–17 201 592	–17 554 964
Marketing and advertising	0	– 19
Statutory Auditors	– 232 018	– 261 173
Pension Actuary	– 251 519	– 149 822
Supervisory authority	– 102 019	– 86 754
Expenditure (–) / income (+) surplus working capital – PUBLICA Operations	– 170 667	– 176 562
Administrative expenses	– 17 957 814	– 18 229 295
No. of active members	63 632	63 833
No. of pension recipients	42 282	42 668
Total active members and pension recipients	105 913	106 501
Administrative expenses per active member / pension recipient	170	171

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

7.3 Non-technical provisions

Non-technical provisions

2018 with prior-year comparison, in CHF

	31.12.2017	31.12.2018
Provision for cost fluctuations	40 052 607	40 276 472
Deferred taxes	105 587 031	123 753 614
Non-technical provisions	145 639 638	164 030 086

The cost premiums paid by employers are compared with the administrative costs actually caused. Surpluses of CHF 0.2 million flow into the non-technical provisions of the pension plans. They are used to fund uncovered administrative costs.

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

Deferred taxes on the directly held real estate portfolio increased by CHF 18.1 million (prior year: reduction of CHF 0.8 million) in the year under review. Changes are booked and released via the corresponding account in the income statement.



8 Requirements of the supervisory authority

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

9 Further information concerning the financial situation

9.1 Underfunded pension plans

As at 31 December 2018 two open pension plans are underfunded: the Confederation pension plan and the METAS pension plan, both of which have funded ratios of 99.9%. To ensure that the investments are compatible with the pension plans' risk capacity, the Board of Directors carried out a comprehensive ALM study for the open pension plans in 2018. The study's central assumptions are reviewed annually. The two pension plans have been instructed to compile and validate their action plans and information strategies. As part of its monitoring of the pension plans, the Board of Directors, in conjunction with the Pension Actuary, reviews whether the individual parity commissions of the pension plans have taken sufficient decisions or whether additional measures are needed.

The closed pension plans are not underfunded. Nevertheless, PUBLICA monitors the situation of the closed pension plans closely, as the options for closed, pensioner-only memberships to remedy underfunding are limited and additional financial support may be required. The Board of Directors is therefore in close contact with the Confederation with the aim of drawing up a proposal for securing the financial stability of the closed pension plans over the long term.

9.2 Pledging of assets

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

9.3 Ongoing legal proceedings

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

9.4 Collective departures

Collective departures are mentioned in section 1.6.

9.5 Reduction in the technical interest rate effective 1 January 2019

With effect from 1 January 2019 PUBLICA reduced the technical interest rate for the open pension plans to 2% (previously 2.75%) and for the closed pension plans to 1.25% (previously 2.25%). Following the reduction in the technical parameters, the conversion rate at age 65 will be 5.09% (previously 5.65%). Simultaneously, i.e. also with effect from 1 January 2019, PUBLICA is changing over to a new set of actuarial tables (BVG 2015, static tables).

The Board of Directors has decided to take appropriate steps to cushion the impact of the reductions in benefits resulting from the new technical parameters for the transition generation aged 60 and over; these include the nominal guarantee of vested benefits and partial compensation for the pension reduction. The extent to which individual members benefit from these two measures will depend on their pension plan and also on whether they opt for a retirement pension or a (partial) lump-sum withdrawal.



One consequence of the change to the technical parameters is that the pension fund capital and technical provisions are adjusted from that date. The funded ratios of the individual pension plans as at 1 January 2019 are:

Change to technical parameters as at 1 January 2019

Funded ratio as per Art. 44 BVV2, number of pension plans

	31.12.2018	01.01.2019
Open pension plans		
Funded ratio 102.5% or higher	2	0
Funded ratio between 100% and 102.4%	9	6
Funded ratio between 97.5% and 99.9%	2	6
Funded ratio below 97.5%	0	1
Total open pension plans	13	13
Closed pension plans		
Funded ratio 102.5% or higher	7	2
Funded ratio between 100% and 102.4%	0	1
Funded ratio between 97.5% and 99.9%	0	4
Funded ratio below 97.5%	0	0
Total closed pension plans	7	7

The revaluation of pension fund capital for pension recipients as at 1 January 2019 results in a reduction of PUBLICA's consolidated funded ratio as per Art. 44 BVV2 to 97.9%. The funded ratio of the open pension plans falls to 97.4% and that of the closed pension plans to 99.7%. Measures to remedy underfunding are dictated by the funded ratios of the individual pension plans at the balance sheet date.

10 Post-balance sheet events

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



11 Report by the Statutory Auditors



KPMG AG
Audit

Hofgut
CH-3073 Gümliigen-Bern

P.O. Box
CH-3000 Bern 15

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

Report of the Statutory Auditor to the Board of Directors of the

Swiss federal pension fund PUBLICA, Bern

Report of the Statutory Auditor on the Financial Statements

As statutory auditor, we have audited the financial statements of Swiss federal pension fund PUBLICA, which comprise the balance sheet, operating accounts and notes for the year ended 31 December 2018.

Board of Directors' Responsibility

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

Responsibility of the expert in occupational benefits

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

Auditor's Responsibility

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

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



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

Opinion

In our opinion, the financial statements for the year ended 31 December 2018 comply with Swiss law and the regulations.

Report on additional legal and other requirements

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

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

We have assessed whether

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

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

As at 31 December 2018, the overall funded status of the pension fund of the Swiss federal pension fund PUBLICA amounted to 101.2%. The Swiss federal pension fund PUBLICA includes 20 different pension plans, of which two show an underfunding. Please refer to the notes to the annual financial statements for an overview of the funded status of the pension plans.

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

- the Board of Directors, with the involvement of the pension plans' parity commissions, fulfils its management role in a clear and comprehensible manner in its choice of an investment strategy appropriate to the given risk capacity, as described in the notes to the financial statements under 9.1;



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

- the Board of Directors, with the involvement of the pension plans' parity commission, complies with the legal requirements and in particular has determined the risk capacity having assessed all assets and liabilities in accordance with the actual financial situation, as well as the fund's structure and expected developments in the number of insured persons;
- the investments with employers are legally compliant;
- taking the above into consideration, the investment is in compliance with the provisions of Article 49a and 50 OPO 2;
- The Board of Directors has assured us that it will monitor the effectiveness of the measures taken to remedy the underfunding and adapt the measures as required.

We note that the possibility of remedying the underfunding and the risk capacity regarding investments may also be subject to unpredictable events, e.g. developments in the investment markets and with employers.

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

Other matters

Furthermore, we draw your attention to the fact that at the date of our report the Board of Directors has established the necessary measures to restore full coverage, however these have not yet been decided and implemented. In this respect, we refer to the explanations provided in the notes (note 9.1).

KPMG AG

Erich Meier
*Licensed Audit Expert
Auditor in charge*

Andreas Schneider
Licensed Audit Expert

Bern, March 28, 2019



publica

57



STOP



12 Confirmation from the Accredited Pension Actuary

ALLVISA | VORSORGE

Mandate

Allvisa AG was mandated by the Board of Directors of the PUBLICA Collective Institution to prepare an actuarial report as at 31 December 2018 as defined by art. 52e of the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans (BVG).

Confirmation of independence

As Pension Actuary as defined in art. 52a para. 1 BVG, we confirm that

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

Available documents

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

Calculation of required actuarial pension capital

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

– Total pension capital of insured	CHF	16'364'776'391
– Total pension capital of pensioners	CHF	18'961'136'826
– Total technical provisions	CHF	1'905'017'194

Confirmation by pension actuary

In compliance with our duties as pension actuary, we confirm

as at **31 December 2018** that

- we are of the opinion that the technical interest rates of 2.75 % and 2.25 % that are applied are not appropriate;
- we are of the opinion that the BVG 2010 (PY 2018) actuarial tables applied to the Pension Fund are appropriate;
- the consolidated funding ratio pursuant to art. 44 BVV 2 is 101.2 %;
- the consolidated economic funding ratio is 83.3 %;

ALLVISA | VORSORGE

- the consolidated Pension Fund offers sufficient guarantee that it can fulfil its obligations (art. 52e para. 1 (a) BVG);
- the funding ratio pursuant to art. 44 BVV 2 of the open pension plans is 100.4 %, while the funding ratios of the individual open pension plans range from 99.9 % to 104.4 %;
- the risk capacity of the open pension plans is limited;
- two open pension plans are underfunded;
- the funding ratio pursuant to art. 44 BVV 2 of the closed pension plans is 107.1 %, while the funding ratios of the individual closed pension plans range from 105.1 % to 114.1 %;
- the risk capacity of the closed pension plans is limited;
- the consolidated value fluctuation reserve equals 3.6 % of its target value;
- the technical provisions comply with the reserve regulations pursuant to art. 48e BVV 2 and the Pension Fund has sufficient reinsurance measures in place as defined in art. 43 BVV 2;
- the regulatory insurance provisions regarding the benefits and financing comply with the statutory rules (art. 52e para. 1 (a) BVG).

as at **1 January 2019** that

- we are of the opinion that the technical interest rate of 2.0 % that is to come into effect in the open pension plans is barely appropriate, and that the technical interest rate of 1.25 % in the closed pension plans is **not appropriate**;
- we are of the opinion that the BVG 2015 (PY 2022) actuarial tables that are to be applied to the Pension Fund are appropriate;
- the technical provisions comply with the reserve regulations pursuant to art. 48e BVV 2 and the Pension Fund has sufficient reinsurance measures in place as defined in art. 43 BVV 2;
- the consolidated funding ratio pursuant to art. 44 BVV2 is 97.9 %;
- the funding ratio pursuant to art. 44 BVV2 of the open pension plans is 97.4 %, while the funding ratios of the individual open pension plans range from 96.8 % to 101.9 %;
- seven open pension plans are underfunded and the risk capacity of six open pension plans is severely limited;
- the funding ratio pursuant to art. 44 BVV2 of the closed pension plans is 99.7 %, while the funding ratios of the individual closed pension plans range from 97.9 % to 109.3 %;
- four closed pension plans are underfunded and the risk capacity of three open pension plans is limited;
- the consolidated value fluctuation reserve is nonexistent and there is a shortfall of 9.8 MCHF;
- currently the Pension Fund does not offer enough guarantee that it can fulfil its obligations (art. 52e para. 1 (a) BVG);
- the regulatory insurance provisions regarding the benefits and financing comply with the statutory rules (art. 52e para. 1 (a) BVG).

Recommendations

As of 1 January 2019 the technical interest rate in the open pension plans was reduced from 2.75 % to 2.00 % and in the closed pension plans was reduced from 2.25 % to 1.25 %. Furthermore, the switch from the BVG 2010 (PY 2018) actuarial tables to the BVG 2015 (PY 2022) actuarial tables was implemented. We welcome these measures, as they have improved the stability of the pension plans, even though the funding ratio as per 1 January 2019 has decreased.



ALLVISA | VORSORGE

According to the Pension Fund, the long-term yield that is expected from the investment strategy of the open pension plans is around 2.30 %. After the reduction of the technical interest rate to 2.00 %, the target return is 2.11 %, if the pension assets of the insured should only earn 1.0% interest, hence slightly under the expected return. This means that the reduction of the technical interest rate to 2.00 % from 1 January 2019 is just barely enough. It should also be assumed that it will not be possible to reach interest rate equality of the insured and pensioners within the next few years and that the transfer from the active insured to the pensioners will continue.

We therefore advise the Board of Directors to again review the technical interest rate for the open pension plans after the publication of the new actuarial tables (scheduled for 2020 or 2021). We also recommend investigating the option of switching from periodic to generation tables at the same time, as this measure can also help to reduce the target return. We also advise the Board of Directors to investigate whether and in which cases any further measures to improve financial stability are required for open and/or closed pension funds with a small portfolio of pensioners.

As the **closed pension plans** no longer have any insured members, there is no rehabilitation potential. This fact should be taken into consideration when measuring the obligations and determining the investment strategy. According to the Pension Fund, the long-term yield that is expected from the investment strategy of the closed pension plans, which should take account of the fact that there is no rehabilitation potential, is around 1.2 %. To ensure the financial equilibrium of the closed pension funds, the technical interest rate should be between 0.0 % and 0.5 % if the actuarial tables continue to apply as periodic tables. With this approach, the expected return on investment would also finance the increase in life expectancy [0.6 percentage points of the pension liabilities per year]. This means that the reduction of the technical interest rate to 1.25 % from 1 January 2019 is not enough.

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

As of 31 December 2018 two open pension plans are underfunded. According to art. 65c BVG an underfunding for a limited period is allowed as long as it is guaranteed that both the benefits are rendered when due, and remedial measures are taken to eliminate the underfunding within a reasonable period.

According to Standard (FRP) 6 "Underfunding / Remedial measures" of the Swiss Chamber of Pension Actuaries an underfunding is considered substantial, if the Pension Fund is not able to eliminate the underfunding within a period of five years without remedial measures according to art. 65d para. 3 BVG. In case of a substantial underfunding the pension actuary must present the supreme body with remedial measures within four months following the approval of the annual financial statement.

Based on the already known technical parameters and assuming a zero rate of interest for five years a funding ratio of **about 99.8 %** as of 31.12.2023 is to be expected for the **pension fund Bund**, due to the following reasons:

- Funding ratio as of 31.12.2018 = 99.9 % and as of 1.1.2019 = 96.8 %
- Static target return with a zero rate of interest from 1.1.2019 = 1.66 %
- Expected return = 2.3 %
- Cashflow = -0.93 % of the pension capital (corresponds to the average of the last three years)

The underfunding of the pension fund Bund must therefore be referred to as **substantial**.

The underfunding of the pension fund METAS needs not to be referred to as substantial as defined in FRP 6.



ALLVISA | VORSORGE

At this point we would like to point out to the Board of Directors and the joint bodies their obligation to provide information according to art. 65c para. 2 BVG. They are obliged to inform the active insured, the pensioners, the employers as well as the supervisory authority of the extent and the cause of the underfunding, as well as the actions taken. We will gladly support the Board of Directors and the joint bodies in this process.

In addition, the Board of Directors and the joint bodies should discuss and agree on measures to eliminate the underfunding as soon as possible. The consequences of the different possibilities and their advantages and disadvantages must be taken into consideration. In particular, it is necessary to consider who will bear the costs of these measures.

As of 1 January 2019 seven open and four closed pension funds are underfunded. The underfunding of the pension fund Bund is substantial as defined in FRP 6, the underfunding of the pension funds METAS, ETH, EHB, ENSI, Publica and Trasse are not substantial. The underfunding of the closed pension funds SWISSCOM, NR AO, NR Bund and NR voluntary insured are substantial. We recommend that the Board of Directors and the joint bodies also take these pension funds, which are not underfunded as of 31 December 2018 but are substantially underfunded as defined in FRP 6 as of 1 January 2019, into consideration and discuss and agree on measures to eliminate the underfunding as soon as possible.

Zurich, 28 March 2019

Christoph Plüss
Dr. phil. II
SKPE Pension Actuary

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

Publication data

Publisher

Swiss Federal Pension Fund PUBLICA
Eigerstrasse 57
3007 Bern

Concept and editing

Swiss Federal Pension Fund PUBLICA
mengis media, Visp

Design

mengis media, Visp

Printing

Mastra Druck AG
Moosstrasse 14
3322 Urtenen-Schönbühl

Print run

The Annual Report can be accessed online at publica.ch.
A limited number of printed copies are also available
(900 German / 200 French / 100 Italian).

Bern, May 2019



Thank you for your interest.

Swiss Federal Pension Fund PUBLICA
Eigerstrasse 57
3007 Bern

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

