Insuree Update No. 25

10 May 2011

Dear insuree,

The PVS Board of Trustees approved our scheme's 2010 annual accounts and financial statements when it met on 10 May. The Board of Trustees further decided on the conversion factors to be used within the PVS from 1 January 2013 onwards.

2010 accounts and financial statements

The PVS's 2010 annual accounts and financial statements were approved unanimously by the Board of Trustees at its meeting on 10 May. The accounts had been audited by independent auditors KPMG AG, Zurich. The German version of the 2010 accounts and financial statements should be available on the www.pv-swissport.ch website from mid-May, while the French and English versions thereof should be provided by the second half of May. Printed versions will be available from insurees' HR units at the end of May. For cost reasons, the 2010 annual accounts and financial statements will not be distributed to all beneficiaries.

The PVS began its seventh business year on 1 January 2010 with 3 297 working insurees, actuarial capital for working insurees of CHF 438 million and a funding ratio of 106.5%. It closed it on 31 December 2010 with 3 346 working insurees, actuarial capital for working insurees of CHF 458 million, **a funding ratio of 105.1%**, an annual interest payment of 2.0% on all old-age savings and a performance for the year of 1.5%.

Information event dates for Zurich, Geneva and Basel

Zurich	Tuesday 17 May at 14:00	Hercules Meeting Room, 1st floor, Terminal 1
Geneva	Wednesday 18 May at 15:00	Salle de Presse, AIG
Basel	Tuesday 24 May at 13:30	BS management meeting room, airport building (Swiss side), 4th floor

Amendments to the PVS Regulations effective 1 January 2011

In response to the requirements of our supervisory authority, the Zurich Cantonal Occupational Pension Fund Office, the Board of Trustees added a new Article 1.4 on the calculation and appropriation of policyholders' bonuses from reinsurance activities to the PVS Regulations and amended the existing Article 15.5 thereof at its meeting today. The new wordings of these two articles are provided as appendices to this Insuree Update.

Amendment to the PVS Regulations: new conversion factors effective 1 January 2013

Resolution

The Board of Trustees resolved unanimously at its meeting on 10 May to reduce the conversion factors for PVS old-age pensions and reversionary spouses' and partners' pensions with effect from 1 January 2013.

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Insurees retiring on or after 1 December 2012 and receiving their first PVS old-age pension on or after 1 January 2013 will be subject to the new conversion factors specified in Appendix I. These conversion factors are based on the latest BVG 2010 actuarial tables (including the corresponding static mortality table), an actuarial interest rate of 3.0% and a spouse's/partner's pension of 70%.

To benefit from the current higher conversion factors, a working insuree will need to retire by 30 November 2012 and receive their first PVS old-age pension payment by 1 December 2012.

Special provision for insurees with nightwork credits/shift-based leave

Any insuree with nightwork credits who begins to receive their PVS old-age pension after 1 December 2012 will still have their pension calculated using the present higher conversion factors provided the corresponding agreement on retirement with nightwork credits is irrevocably concluded with the employer in writing by 30 November 2012 and the nightwork credits concerned begin to be taken by 1 December 2012.

By **reducing reversionary spouses' and partners' pensions from 80% to 70%** of current old-age/disability pensions, we have been able to lessen the reduction in conversion factors for married insurees. **The reduction in these reversionary pensions will also apply to our pension recipients who are married or are living with a long-time partner and are already drawing a PVS old-age or disability pension when the reduced 70% calculation comes into effect on 1 January 2013.**

The Board of Trustees is fully aware that its decisions will have a major impact on its beneficiaries. By not making the changes applicable to new retirees until 1 December 2012 and making a special provision for insurees with nightwork credits and/or shift-based leave, the Board has however given our working insurees some **1.5 years time** to retire under the existing conditions if they wish.

Our accredited pension actuary has calculated that the above changes will roughly have the following impacts on the pensions of beneficiaries who begin to receive their pension payments in or after 2013:

<u>Insurees who are married or with a long-time partner</u>

- Example 1: An insuree currently entitled to a monthly pension of CHF 1 800 will receive CHF 1 774 (CHF 26 less) instead.

- Example 2: If every CHF 100 000 of their old-age savings currently entitles the insuree to a monthly pension of CHF 470, it will entitle them to CHF 463 (CHF 7 less) instead.

<u>Single insurees</u>

- Example 1: An insuree currently entitled to a monthly pension of CHF 2 205 will receive CHF 2 017 (CHF 188 less) instead.

- Example 2: If every CHF 100 000 of their old-age savings currently entitles the insuree to a monthly pension of CHF 576, it will entitle them to CHF 527 (CHF 49 less) instead.

The reduction is lower for married insurees (or those with a long-time partner) because we can now make more accurate assumptions about whether an insuree is likely to be married at the time of their retirement and about the impact of the age difference between the insuree and their spouse or partner. The reduction of the reversionary spouse's/partner's pension from 80% to 70% of the current old-age pension also reduces the financing required upon the insuree's retirement.

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The old-age pension paid is calculated by multiplying the insuree's old-age savings on retirement by the conversion factor. Twice the old-age savings will thus result in twice the old-age pension.

This means that, in addition to the conversion factor used, the amount of old-age savings accumulated by retirement is also a key determiner of the amount of an old-age pension. By keeping conversion factors in line with costs, a scheme will also be better placed to generate possible surpluses. These can then be used to award more interest on insurees' savings amounts; and this in turn will increase old-age savings, and thus the old-age pensions which such savings will ultimately provide.

How are lifelong old-age pensions calculated?

Old-age savings upon retirement

You will find your projected old-age savings upon retirement on your PVS statement of benefits, where it is shown under "Old-age benefits". For the example below, we are assuming that these old-age savings will amount to CHF **55**0 000.

Conversion factor from 1 January 2013 onwards

You will find your conversion factor in Appendix I to this Insuree Update. For our example's sake, we are assuming that you will have reached the ordinary retirement age of 63, and that you are married. Your conversion factor will thus be 5.56%. This means that for every CHF 100 000 of old-age savings you have accumulated, you will receive an old-age pension for the rest of your life of CHF **5 560** a year.

Your old-age pension for your assumed CHF 550 000 old-age savings will therefore be:

5.5 x CHF 5 560 = CHF 30 580 a year or CHF 2 548.40 per month if divided by 12 months

You may also recall the following information which we provided in Insuree Update No. 24 of 6 December 2010:

Planned amendments to the Regulations, envisaged for 1 January 2012

The new 2010 BVG actuarial tables should be available by the beginning of 2011. The new tables will pay due regard to the recent increases in life expectancy, and will thus increase the future costs of pension benefits payable by the PVS. In view of this, the PVS Board of Trustees will need to determine in the first half of 2011 whether and (if so) to what extent the present old-age and disability pension conversion rates will need to be reduced. Any changes resolved as a consequence will have no effect on current pensions already being paid. The Board of Trustees will provide full information on any changes here in summer 2011.

The Board of Trustees looked at this entire issue in great detail at its three meetings on 23 November 2010, 20 January 2011 and 10 May 2011, and also at two half-day workshops on 24 February and 7 March of this year. The Board of Trustees also consulted Swissport (as the employer) and the VPOD, SKV and PUSH staff associations, and has further been advised at length by the scheme's accredited pension actuary and its management team.

The foreword to the **2010 Annual Report** (Pages 3 to 15) provides further extensive information on the general situation here, as well as the whole issues of longer life expectancy and lower interest payments and their impact on our conversion factors. These issues will also be addressed in depth at our coming information events around Switzerland on 17, 18 and 24 May.

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As the latest statistics reveal, **life expectancy** has increased again for both women and men. According to the new 2010 BVG actuarial tables, which are based on data from numerous major pension funds with an aggregate total of some two million insurees, further life expectancy at age 63 now amounts to 25.62 years for women (compared to 21.95 in EVK 2000 tables) and 23.05 years for men (compared to 19.09 in EVK 2000 tables).
This means, that the actuarial capital required to pay old-age pensions for the rest of beneficiaries' lives must also be increased. If it is not, the conversion factors on which these pensions were calculated and the continuing low returns on investments will mean that the actuarial capital available will be insufficient to fund such pensions for the rest of beneficiaries' lives.

Since the PVS was not yet able to use the new 2010 BVG actuarial tables (and in particular their mortality tables) in its 2010 accounts, our accredited pension actuary was forced to build a CHF 8.8 million provision for pension losses in these accounts. This action reduced the scheme's funding ratio at the end of 2010 by some 1.6 percentage points.

It is essential that the PVS adjusts its **conversion factors** (shown in Appendix I to the Regulations) in the near future, to align these to the trends of rising life expectancy and the continuously low investment returns that have been observed for some years now. For the last seven business years, from 2004 to 2010, the scheme has been consistently unable to pay interest on the old-age savings of its working insurees at the 3.5% rate assumed in all pension projections.

According to its **generational accounting balance**, the PVS has transferred around CHF 6 million from working insurees to pension recipients since it was established. The trend is rising, too, owing to the increase in pension recipients each year; with a projected average of 58 retirements a year for 2011-2014. Our aim here is to restore the **balance in treatment between working insurees and pension recipients**.

Ever since its foundation on 1 January 2004, the PVS has based all its pension calculations on conversion factors that are derived from the EVK 2000 actuarial tables and accompanying mortality tables, on an actuarial interest rate of 3.5% and on a spouse's/partner's pension of 80%. The PVS has also been a "unisex scheme" from the start, applying the same contribution and conversion rates and offering the same reversionary benefits to both male and female insurees.

We trust we may count on your understanding for the modifications which we are being forced to make to our scheme with effect from 1 January 2013.

Sincerely,

P. Graf

Peter Graf	Markus Staudenmaier
President of the Board of Trustees	*Managing Director*

Please note: the current PVS funding ratio (which is updated every month) will be found in the "Performance" section of our www.pv-swissport.ch website.

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Appendix 1 to Insuree Update No. 25

New APPENDIX I to the PVS Regulations

(Page 22 in the existing Regulations)

Conversion factors for insurees retiring between now and 30 November 2012 and receiving their first PVS pension payment in or before December 2012 [currently valid]

Insuree's age	Married or with long-time partner	Single
58	5.16	6.13
59	5.25	6.27
60	5.34	6.42
61	5.43	6.57
62	5.54	6.74
63	**5.64**	**6.91**
64	5.76	7.10
65	5.88	7.29

The PVS old-age pension payable is the applicable conversion factor as a percentage of the insuree's savings capital. If the age difference between the spouses or long-time partners is more than ten years, the percentage will be corrected by +/- one percentage point for every year or part-year beyond ten years.

The above table is based on the official EVK 2000 actuarial tables and accompanying mortality table and an actuarial interest rate of 3.5%.

Conversion factors for insurees retiring on or after 1 December 2012 [new]

Insuree's age	Married or with long-time partner	Single
58	5.01	5.57
59	5.10	5.70
60	5.21	5.84
61	5.32	5.99
62	5.44	6.15
63	**5.56**	**6.32**
64	5.70	6.50
65	5.84	6.69

The PVS old-age pension payable is the applicable conversion factor as a percentage of the insuree's savings capital. If the age difference between the spouses or long-time partners is more than ten years, the percentage will be corrected by +/- one percentage point for every year or part-year beyond ten years.

The above table is based on the official BVG 2010 actuarial tables and accompanying mortality table and an actuarial interest rate of 3.0%.

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Appendix 2 to Insuree Update No. 25

Supplements/amendments to the PVS Regulations effective 1 January 2011

1.4 Reinsurance (new)

The PVS may wholly or partially reinsure the benefits for which it is liable with an insurance company. The premiums for any such reinsurance shall be paid by the PVS; and any corresponding benefits paid by the reinsurer shall accrue solely to the PVS. The payment of benefits to the PVS by the reinsurer shall not automatically mean that the corresponding benefits are payable under these Regulations.

Any policyholders' bonuses due under such reinsurance arrangements shall be calculated as specified in the reinsurance agreement concluded. All such bonuses will be credited to the scheme's freely-disposable funds as far as possible, and otherwise to fluctuation reserves. Should neither such action be possible, these funds will be used to offset any scheme underfunding.

15.5 Divorcees' entitlements (amended)

The divorced spouse of a deceased insuree shall have the same entitlement to PVS survivors' benefits as any current spouse, provided the divorced spouse's marriage to the insuree lasted at least ten years and provided the divorced spouse was granted a lifelong pension or a lump-sum amount intended to provide a lifelong pension in the divorce settlement.

The entitlement of the divorced spouse shall amount to no more than one-half of the spouse's pension but at least the legal minimum specified in the BVG. Any benefits paid to a divorced spouse shall be reduced by any amount by which, when combined with the benefits received from other insurance schemes (and AHV and IV in particular), they exceed the benefits granted in the divorce settlement.

The spouse's pension paid to the surviving current spouse shall be reduced by the amount(s) paid to any divorced spouse(s).

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