

Insuree Update No. 37

1st December 2015

Dear insuree,

The PVS Board of Trustees met again on 13 November. The items on the agenda included in particular the returns on the Scheme's investments for the first ten months of this year, the decisions on the final interest rates to be awarded for 2015, the Scheme's investment strategy and changes to the Scheme Regulations.

The key points in brief:

- 113.8% funding ratio as of 31 October 2015
- 2015 return on investments: highly negative up to the end of September, recovery in October; year-to-date performance of +0.16%
- investment strategy: Swiss real-estate investments increased; commodity investments disposed of
- interest to be paid for 2015
- additional personal deposits for 2015 by 18 December → deadline
- choice of 2016 pension plan savings option by 23 December → deadline
- insuree mortgages

Return on investments in 2015

October's substantial recovery on the equity markets offset the 2.95% negative return that the Scheme had suffered on its investments up until the end of September, so that by the end of October the PVS could post a very modest 0.16% return on its investments for the year to date.

Our Scheme's **provisional funding ratio** stood at 113.8% at the end of October, down 1.6 percentage points from the beginning of the year. The decline is due directly to the returns on the Scheme's investments falling short of the levels required.

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

Investment Regulations and investment strategy

In this year's September Workshop our Board of Trustees discussed the adjustments required following the Scheme's withdrawal from the natural resources markets, and decided to increase its investments in Swiss real-estate vehicles.

The Board of Trustees formally approved the detailed modifications to the Scheme's investment strategy when it met on 13 November. The new revised strategy will be found on the PVS website under "Publications" > "Regulations".

Annex I: Strategic asset allocation overview

Asset category	Strategy (SAA)	Bandwidth	
		<i>minimum</i>	<i>maximum</i>
Liquidity and short-term investments	2%	1%	10%
CHF bonds	14%	10%	17%
Global IFL hedged bonds	6%	4%	8%
Rest of the world non-CHF bonds	5%	3%	7%
Emerging markets bonds	4%	2%	6%
Mortgages	3%	1%	5%
Total nominal-value investments	34%	21%	53%
Equities Switzerland	9%	6%	11%
Equities rest of Europe	3%	1%	5%
Equities North America	4%	2%	6%
Equities Pacific	3%	1%	5%
Equities sustainable investments	10%	7%	12%
Equities emerging markets	5%	2%	7%
Total equity investments	34%	19%	46%
Real estate Switzerland	32%	27%	38%
Total real-estate investments	32%	27%	38%
Total	100%		
EUR currency hedges	2%	1%	3%
USD currency hedges	7%	4%	9%
JPY currency hedges	2%	1%	3%
GBP currency hedges	0%	0%	0%
Total currency hedges	11%	6%	15%
Proportion of non-CHF investments	24%		

Interest

Regrettably, in view of the inadequate returns on its investments in 2015, the PVS is unable to maintain the interest paid on insurees' savings at its prior-year levels. It is important to the Board of Trustees that the Scheme's insurees should participate appropriately in its overall performance. And to this end, the Board resolved at its meeting of 13 November to award interest of **2.0%** on insurees' retirement savings for 2015, on the grounds that such a rate was warranted by the current economic situation. On the basis of the extremely modest returns on the Scheme's investments for the first ten months of the current year and the relevant legal provisions (the minimum BVG interest rate stipulated by the Federal Council does not apply to non-compulsory retirement savings), the Board could have justified applying a lower interest rate for the year.

The Swiss Federal Council resolved on 28 October 2015 to lower the minimum annual interest to be awarded on compulsory BVG occupational pension savings from the present 1.75% to 1.25% with effect from 1 January 2016.

The Board of Trustees has also taken further decisions on the interest rate for intrayear events and the projected interest rate. Here is an overview of the interest rates set:

Type of interest	Interest rate	Remarks
Interest payable on individual savings capital for 2015	2.0%	As it did for 2014, the PVS will pay this interest on all your individual savings as of 31 December 2014. For former insurees who left or retired in the course of 2015, this interest will be awarded in the form of a follow-up payment. Any amounts below CHF 50 here will be retained by the Scheme.
Interest rate for intrayear events in 2016	0%	This is the interest rate that will be applied at the time to any amounts taken out of the Scheme by insurees leaving or retiring in the course of 2016. If interest is subsequently awarded on individual savings capital for 2016 as a whole, the amounts concerned will be subject to a follow-up interest payment once the final interest rate here has been fixed at the end of the year.
Projected interest rate from 2017 onwards	1.5%	This is the interest rate used to project the value of the future benefits which are shown on your statement of benefits under "Projected benefits" (i.e. for old age, disability or death). The rate is unchanged from last year.

Pension adjustments

The Board of Trustees also resolved at its meeting of 13 November that current pensions should not be increased from 1 January 2016. This decision was taken in the light of the Scheme's present funding ratio, the fact that our fluctuation reserves are still below the full levels required, and the fact that interest of 3% will be paid on the actuarial capital used to fund current pensions.

Pension plan parameters

The Scheme's pension plan parameters remain unchanged for 2016:

Basic membership threshold	CHF 21,150
Maximum coordination amount	CHF 14,100
Supplementary Insurance Scheme threshold	CHF 105,750

For full details please see the Pension Plan, which you will find on our PVS website under "Publications" > "Regulations".

Choice of pension plan savings option

→ **deadline**

Once again, you may choose whether to be under the “Standard” or the “Standard Plus” pension plan savings option for the coming year. If you wish to change from your current savings option, please **complete the enclosed form in full** and **send it directly to your Human Resources unit by 23 December at the latest**.

Additional personal deposits

→ **deadline**

If you plan to make an additional personal deposit into the PVS for 2015, we will be pleased to send you **in advance** the documentation you will need in order to do so. Please note that to enable us to process your deposit by the end of 2015, you will need to instruct your bank to make the corresponding transfer **with a value date of Friday 18 December at the latest**.

We would also like to remind you that if you make such an additional personal deposit, you may not take any of your savings out of the Scheme in capital-payment form within the following three years. If you have any questions or uncertainties here, please consult your tax authorities.

Mortgages

The Board of Trustees has further confirmed its strategy of offering PVS insurees variable-interest-rate and fixed-interest-rate mortgages on very attractive preferential terms. Our mortgage adviser, Ms. Sophie Bovier, will be pleased to assist and advise, and to provide details of the current interest rates. She can be contacted on 043 210 1838 or at sophie.bovier@pfs.ch.

Change on the Board of Trustees

Sonja Eckerlin, the employees’ representative for our Basel constituency, took well-earned retirement at the end of October. To ensure that our Basel-based insurees remain represented on the Board of Trustees until the next elections of employees’ representatives (for a three-year term beginning on 1 July 2016), Ms. Eckerlin has agreed to remain a trustee until the end of the present period of office at the latest, i.e. summer 2016. The Board of Trustees offers her its sincere thanks for this, and for her constant commitment to the Scheme and its insurees and beneficiaries. The Board also wishes her health and happiness throughout her retirement.

Projects for the first half of 2016

In addition to its usual work of overseeing the 2015 accounts and financial statements and continuing to manage and monitor the Scheme’s investments, the Board of Trustees is to conduct the Scheme’s first asset & liability management study (ALM). The study will ask and answer a number of questions, such as: What is the Scheme’s current financial situation? How much do the benefits that have to be financed cost? How would the Scheme’s fundability be affected by external shocks?

The study will use a range of simulations to give us a clearer idea of how we need to set the Scheme’s sails in terms of our risk profile, performance targets, benefit objectives and actuarial interest rates. It will further give us valuable insights and guidance for our investments, and for the two current topical issues of reinsuring death and disability risks and the new conversion factors from 1 January 2018.

Sincerely,

Peter Graf
President of the Board of Trustees

Elisabeth Müller
Managing Director

Enclosure: “Choice of pension plan savings option” form