

Insuree Update No. 29

12 October 2012

Dear insuree,

The PVS Board of Trustees met again on 24-25 September. The main agenda items at this latest Board meeting were the performance of the scheme's investments over the first eight months of 2012 and the new PVS Regulations, which will come into effect on 1 January 2013. We are pleased to provide you with details of both of these below.

2012 investment performance to date

The PVS's asset investments achieved a return of 5.84% for the first eight months of 2012. All asset categories contributed to what is an outstanding performance result, given the present unpredictability of the financial markets.

The scheme's equity investments performed best of all, registering a return of around 10%. But our bond investments also made a solid contribution, achieving a return of around 4% despite the presently low interest rates.

Our scheme's **provisional funding ratio** as of 31 August amounted to **106.9%**. This is a 4.3-percentage-point improvement on the 102.6% funding ratio which we reported at the end of 2011.

PVS investment strategy

The Board of Trustees and management of the PVS recently conducted an extensive analysis of the scheme's present investment strategy. In the light of their findings and conclusions here, they have decided to modify this strategy slightly in certain areas.

For its investments in sustainable equities, the scheme asked the corresponding fund managers to provide their own reports on their activities in the field. In doing so, they convinced the PVS that these investments are both sound and appropriate.

The Zurich Cantonal Bank also presented plans for a new index-linked sustainable-investment product consisting of equities from all over the world, into whose design the PVS was also able to feed its needs and (above all) its exclusion criteria. The Board of Trustees has resolved to invest an initial CHF 30 million into this new product, which should be available from spring 2013. The Board is convinced that this sustainable-investment approach well meets the PVS's own responsibilities in this field; and the costs of the new vehicle will be substantially below those that would be incurred with a more actively-managed sustainable-investment fund.

In the scheme's non-CHF bond investments, the Board of Trustees and management have resolved to make a slight shift by adding a product that excludes the key US dollar, euro, UK pound and yen currencies. This further diversifies the PVS's bond holdings.

The new and slightly modified PVS investment strategy came into effect on 1 October, and is shown in Appendix II.

Strategy

The Board of Trustees and management are currently working to define a new vision and strategy for the PVS together with the accredited pension actuary. These should help identify development opportunities and risks in good time and offer the Board greater scope for action. The studies are also looking at current cost issues, the present constitution of the Board of Trustees and opportunities for involving insurees more closely in the scheme's activities.

New PVS Regulations effective 1 January 2013

The Board of Trustees has revised the PVS Regulations, modifying text to take account of the new conversion factors and making further content and editorial adjustments which had been necessitated by changes to the law and the corresponding implementation provisions. The new Regulations will enter into effect on 1 January 2013.

The main changes in brief:

- *Articles 10.1 and 10.2 – Advance withdrawals and pledged amounts for “WEF” home financing:* a more comprehensive description of the terms and conditions
- *Article 13.6 – Partial retirement:* realignment to fiscal-law practice and implementation in a maximum of three steps, with no more than two lump-sum withdrawals
- *Article 13.8 – Deferred retirement:* a further specification that savings contributions must continue to be made
- *Article 14.5 – Disability pension amount:* realignment to the new conversion factors
- *Article 15.3 – Spouse’s pension amount:* realignment in connection with the new conversion factors
- *Article 15.6 – Partner’s pension:* further specification on entitlement
- *Article 16.1 – Entitlement to capital payment in the event of death:* legal order of priority adopted
- *Article 24 – Restructuring clause:* specification on pension recipients’ involvement.

Insurees’ mortgages: revised guidelines effective 1 October

The banks and insurance companies have adopted stricter provisions with regard to the amount of capital that homebuyers need to provide themselves when applying for a mortgage loan. The new provisions came into effect in mid-2012.

In view of this, the Board of Trustees resolved at its meeting on 25 September to revise the PVS’s guidelines on its fixed- and variable-interest-rate mortgages in line with the new lending provisions. The revised guidelines entered into effect on 1 October.

In concrete terms, the mortgage applicant must now provide at least 10% of the property’s purchase price or market value from their own funds deriving from sources other than an occupational pension scheme.

Advance notice of elections to the Board of Trustees to serve from 1 July 2013 to 30 June 2016

The present three-year term of office of the three employees’ representatives on our PVS Board of Trustees will expire on 30 June 2013. The elections for the next three-year term of office will be formally announced at the end of February. All three present employees’ representatives have indicated that they are willing to stand for re-election.

Please note: 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.

Sincerely,



Peter Graf
President of the Board of Trustees



Markus Staudenmaier
Managing Director

Appendix I

➔ **A reminder: new conversion factors from 1 January 2013**

Resolution

The Board of Trustees voted unanimously at its meeting of 10 May 2011 to reduce the conversion factors used to calculate **old-age pensions** and **reversionary spouses' and partners' pensions** with effect from 1 January 2013.

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. 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

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 from 1 January 2013 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.**

We reported on these modifications to the PVS Regulations at length in **Insuree Update No. 25** of 10 May 2011, where you will also find information on the reasons for these changes, along with some sample calculations.

Appendix II

Strategic asset allocation from 1 October 2012

Asset category	Strategic asset allocation (SAA)	Bandwidth	
		<i>minimum</i>	<i>maximum</i>
Liquidity and short-term investments	2%	1%	10%
CHF bonds	14%	10%	17%
EUR bonds (inflation-hedged)	5%	3%	7%
World bonds (inflation-hedged)	6%	4%	8%
World bonds rest world currencies	5%	3%	7%
Mortgage loans	5%	2%	6%
Total nominal values	37%	23%	55%
Equities Switzerland	7%	3%	9%
Equities Europe	3%	1%	6%
Equities North America	4%	2%	9%
Equities Pacific	3%	1%	6%
Equities Sustainable	10%	2%	12%
Equities Emerging Markets	5%	2%	7%
Total equities	32%	11%	49%
Hedge funds	0%	0%	4%
Private equity	0%	0%	4%
Commodities	5%	2%	7%
Total non-traditional investments	5%	2%	15%
Real estate in Switzerland	26%	22%	30%
Real estate outside Switzerland	0%	0%	3%
Total real estate	26%	22%	33%
Total investments	100%		
EUR currency hedges	3%	0%	11%
USD currency hedges	5%	1%	16%
JPY currency hedges	0%	0%	3%
GBP currency hedges	0%	0%	2%
Total currency hedges	8%	1%	32%

Approved unanimously by the Board of Trustees at its meeting of 25 September 2012.