

Insuree Update No. 34

28 November 2014

Dear insuree,

The PVS Board of Trustees met again on 18 November. Among the items on the agenda were the return on the Scheme's investments for the first ten months of the year and the decisions on the final interest rates to be awarded for 2014.

The key points in brief:

- 117.5% funding ratio as of 31 October 2014
- 2014 return on investments very favourable to date
- investment strategy: long-term adjustments within bonds and shares
- interest to be paid for 2014
- no retirees' share in additional income for now
- new pension plan parameters from 2015
- additional personal deposits for 2014 by 19 December → **deadline**
- choice of 2015 pension plan savings option by 29 December → **deadline**
- insuree mortgages: one-to-ten-year fixed-interest-rate mortgages;
1.90% interest rate for variable-interest-rate mortgages from 1 January 2015

Return on investments in 2014

The assets held by the PVS generated a return of **5.69%** for the first ten months of 2014. Once again, our share investments made the biggest contribution here, with a yield of 11.19%. In a financial environment as uncertain as today's, this is a very good investment performance.

Our Scheme's **provisional funding ratio** stood at **117.5%** at the end of October – an improvement of 4.5 percentage points since the beginning of the year. Our fluctuation reserves, too, are now almost at the levels desired.

Investment Regulations and investment strategy

Our Board of Trustees devoted its September Workshop to making some slight modifications to our Scheme's investment strategy (see Annex I of the Investment Regulations, which are available [in German] under "Publications > Regulations" on our PVS website). Under these changes, our EUR bond holdings will now be replaced by bonds from emerging markets; and on the equities front our holdings in the Oekosar Fund have been sold and the cash generated reinvested in the ZKB Responsible Fund.

The Board of Trustees and PVS Management have also been considering the repercussions of the approval by the Swiss electorate in 2013 of the "Minder Initiative" against excessive executive pay, along with how its provisions regarding the voting rights for shares held by occupational pension schemes should be incorporated into the PVS Investment Regulations. As the PVS does not invest directly in shares but only in indexed equity funds, the Initiative's acceptance will not have any concrete impact on the Scheme's day-to-day activities.

The Board of Trustees has further resolved to modify its provisions regarding the passing-on of interest amounts to ensure that working insurees in future receive a greater proportion of any additional Scheme income earned, in the form of higher interest rates on their individual savings. This new provision is reflected in Annex III to the Investment Regulations, which will be found (in German) under "Publications" on the PVS website.

Interest

The Board of Trustees is keen to ensure that the PVS's working insurees benefit appropriately from its investment success. To this end, the Board of Trustees resolved on 18 November that interest of 3.75% should be paid on insurees' individual savings capital for 2014. This is 2 percentage points above the 1.75% BVG interest rate specified by the Swiss Federal Council.

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 2014	3.75%	As it did for 2013, the PVS will pay this interest on all your individual savings as of 31 December 2013. For former insurees who left or retired in the course of 2014, 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 2015	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 2015. If interest is subsequently awarded on individual savings capital for 2015 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 2016 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 18 November that current pensions should not be increased from 1 January 2015, and that no other additional benefits should be awarded to current pension recipients. This decision was taken in the light of the Scheme's present funding ratio, the fact that our fluctuation reserves are still below the levels required and the fact that interest of 3% will be paid on the actuarial capital used to fund current pensions.

Why don't pension recipients share in the Scheme's investment success?

The above decision is also based on the PVS's **generational balance sheet**, which, as of 31 December 2013, showed a transfer balance of around CHF 13.6 million in favour of pension recipients.

This "generational balance sheet", which has been maintained in the PVS's annual financial statements since the Scheme commenced operations in 2004 (2013 Annual Report: top of Page 26), shows to what extent the Scheme's pension recipients have received more of the Scheme's income than its working insurees. The corresponding calculation balances the interest paid on actuarial capital for pensions plus increased longevity provisions against the interest awarded on working insurees' individual savings amounts. It does not include retirement-related losses or payments into the actuarial capital for pensions following changes to the actuarial foundations (e.g. reduction in the actuarial interest rate = increase in actuarial capital).

It should also be remembered that working insurees have received average annual interest on their Scheme savings of **2.23%** over the past ten years, while the annual interest awarded on the actuarial capital for pensions amounted to 3.5% until the end of 2012 and has been 3.0% since 2013, giving an annual average of **3.45%**.

Equal treatment for all beneficiaries is both a legal requirement and a firm principle of the Board of Trustees. And the best way to ensure this is by maintaining a broadly level generational balance sheet. The Board of Trustees also took the opportunity offered by its meeting of 15 September to reaffirm its commitment to the presently-valid rule for enabling retirees to participate in any additional income of the

PVS, under which **pension recipients will only be entitled to share in such additional income when the generational balance sheet is level**. The Board of Trustees does not wish to see the Scheme's working insurees subsidize its pension recipients.

It should also be borne in mind here that the PVS's pension recipients enjoy a guaranteed pension for the rest of their life. And this can only be assured by providing a clearly-defined annual interest payment on the actuarial capital used to fund the pensions concerned. Working insurees, by contrast, have their individual savings subject to an interest rate that can vary every year – and an interest rate which has been lower for every year since 2004 than that awarded on the Scheme's actuarial capital for pension payments.

Principles for determining pension recipients' share in any additional income

All BVG occupational retirement pensions are funded using the capital coverage method (unlike AHV Swiss state pensions, which are cross-funded from other sources). This is why such BVG pensions cannot be automatically adjusted, since any such adjustments would have to be funded for the rest of the pension's duration.

A BVG pension is calculated to ensure that, in theory, the capital accumulated by retirement to fund it will be gradually used up during the pension's duration. This means that this capital – plus the interest awarded thereon – must be sufficient to fund the pension throughout its duration.

It is possible for PVS pension recipients to benefit from the Scheme's favourable investment performance in a particular year (and the additional income generated in the process) in the form of a one-off payment, provided the generational balance sheet is level and provided that working insurees are awarded annual interest on their savings that is higher than the minimum specified by the BVG.

You will find further general information (in German) about occupational pension schemes in Switzerland at www.mit-uns-fuer-uns.ch. This site also explains terms such as "Deckungsgrad" (funding ratio) and "Umwandlungssatz" (conversion rate) in an easy-to-understand way.

New pension plan parameters from 2015

The Swiss Federal Council has increased the maximum AHV Swiss state pension to CHF 28,200 a year. This affects our pension plan parameters that are linked to the maximum AHV pension as follows:

Basic membership threshold	CHF 21,150	(previously CHF 21,060)
Maximum coordination amount	CHF 14,100	(previously CHF 14,040)
Supplementary Ins Scheme threshold	CHF 105,750	(previously CHF 105,300)

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 29 December at the latest**.

Additional personal deposits

→ **deadline**

If you plan to make an additional personal deposit into the PVS for 2014, we will be pleased to send you **the documentation you will need in order to do so**. Please note that to enable us to process your deposit by the end of 2014, you will need to instruct your bank to make the corresponding transfer **with a value date of Friday 19 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: a wider choice of durations and a lower variable interest rate from 1 January 2015

The Board of Trustees resolved at its meeting on 18 November

- to offer **fixed-interest-rate mortgages** of **between one and ten years'** duration and
- to lower the interest rate for **variable-interest-rate mortgages** to **1.90%**.

These adjustments are being made in line with current market conditions. The new interest rate for variable-interest-rate mortgages in particular is a highly attractive one.

You will find our full mortgage guidelines on our PVS website under "Mortgages & WEF". Our mortgage adviser, Ms. Sophie Bovier, will also be pleased to assist and advise. She can be contacted on 043 210 1838 or at sophie.bovier@pfs.ch.

Geneva trustee Philippe Crippa to step down at year-end

Philippe Crippa, our long-serving member of the Board of Trustees for our Geneva-based insurees, is to relinquish his seat at the end of this year.

Philippe Crippa was originally elected to serve as the representative of Geneva-based employees on the Board of Trustees of the SAirGroup General Pension Scheme in 1999. Following the sale of SAirGroup member company Swissport and the foundation of the PVS in 2004 as the occupational pension scheme for Swissport employees, Mr. Crippa was elected to the PVS Board of Trustees.

Mr. Crippa retained his former role, serving as a representative of Swissport's employees and its staff associations on the new PVS Board of Trustees. But in addition to being a member of the PVS's supreme body, he also performed further functions from the start, acting as a source of information and advice on all pension scheme matters for our Geneva-based insurees, and offering his translation services, too.

Mr. Crippa is also the CEO of GVAssistance, which looks after travellers with restricted mobility at Geneva Airport. And he has been finding it increasingly difficult to perform both his duties here and his mandate as a member (and Deputy President) of the PVS Board of Trustees. In view of this, he informed us in May that he wished to relinquish his seat on our Board of Trustees at the end of this year.

The PVS owes Philippe Crippa a great deal. For more than a decade he has been "Mr. Pension Scheme" for our Geneva-based insurees; and over that time he has done a truly excellent job for us, not only with his assistance and advice but also through the preparatory work he has done to implement difficult decisions. We offer him our deepest thanks for all his many years of work, service and commitment, and for the fruitful collaboration that we have always enjoyed. We wish him and his family all the very best throughout the years ahead.

What next?

Ms. Margrit Coimbra, who has also been serving on our PVS Board of Trustees for many years as an employees' representative for our Zurich-based insurees, will take over as Deputy President of the Board of Trustees on 1 January.

Swissport Geneva Human Resources is currently in discussions with a number of individuals and the local staff associations with a view to proposing a suitable candidate to succeed Philippe Crippa as the employees' representative on our Board of Trustees for our Geneva-based insurees. The corresponding by-election will be held in accordance with our Election Regulations, which are available under "Publikationen" on our (German) PVS website.

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

Enclosure ✓ "Choice of pension plan savings option" form