



2014 Annual Report



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FOREWORD

Report by the Chairman of the Board of Trustees on the eleventh business year of the Swissport Company Pension Fund Foundation (Personalvorsorge Swissport /PVS).

The “third contributor” returned – retirement savings earn interest of 3.75%

The last financial year was another encouraging one for the PVS in overall terms. The return on investments was 6.37% (previous year: 6.31%). This solid performance is similar to the 5.87% return achieved by Publica, the Swiss federal government's pension fund. In comparison with the UBS Barometer (7.19% performance for medium-sized pension funds in 2014), we were slightly behind.

The PVS's indexed vehicles, which for the most part operate very successfully and efficiently, allowed us to “pick up” the returns achieved on the capital markets at minimal cost. Commodities posted an enormous correction of -31.3% in 2014, having suffered in particular from a dramatic fall in oil prices. They caused a loss of 1.46% at the level of the overall performance; without this, the return would have been 7.7%. The at times slightly high liquidity ratio and corresponding underweight in bonds impacted negatively in 2014 in combination with a backdrop of further reductions in interest rates. The Russian rouble's free fall resulted in heightened volatility on financial markets and in particular also to pressure on the Swiss franc. In December, the Swiss National Bank (SNB) felt compelled to intervene heavily on the currency market and bring in negative interest rates.

The Swiss Market Index (SMI), which comprises the 20 largest stocks on the Swiss exchange, advanced by 9.51%. On 5 December 2014, it reached a high of 9,218 points, having experienced its low point on 16 October 2014 at 7,870 points. The SMI's alltime high of 9,531 points was reached in the early summer of 2007. By way of a reminder, the SMI does not include dividends paid. If these are also included, the return on Swiss equities in 2014 rises to 12.9%.

Turning to our funding ratio: after crediting interest of 3.75% to all retirement savings, our funding ratio stood at 115.4% at 31 December 2014 (previous year: 113.0%). The fluctuation reserve stood at around CHF 103 million at the end of 2014, corresponding to 84% of our (new) target funding ratio of 118.3% based on a two-year fluctuation reserve.

Board of Trustees

The Board of Trustees remained unchanged. In the spring of 2013, the three employee representatives on the Board of Trustees were automatically reelected for a further term of office from 1 July 2013 to 30 June 2016.

Philippe Crippa was elected to the Board of Trustees of the SAirGroup Pension Fund (APK) in 1999 as employee representative for the Geneva operations. With the spin-off of Swissport and the creation of the PVS as company pension fund for Swissport employees with effect from 1 January 2004, he was elected to the Board of Trustees of the PVS. Within the PVS, he retained his role as representative for the employees and the unions. GVAssistance, which cares for mobility-impaired travellers at Geneva Airport, began operations in 2009 under Mr Crippa's leadership. Mr Crippa thus took on a new role. At a personal level, it became increasingly difficult for him to do justice to both roles. He therefore decided to step down from the Board of Trustees of the PVS with effect from 31 December 2014.

The PVS wishes to express its deep gratitude to Mr Crippa. For more than a decade he was the Geneva site's “Mr Pension Fund” and did excellent work for the PVS through the advice that he gave, his translation work, and his preliminary work when it came to implementing difficult decisions.

Margrit Coimbra, who is also a long-standing member of the Board of Trustees and employee representative for the Zurich operations, takes over the office of vice chairman from Mr Crippa with effect from 1 January 2015.

Employee election to Board of Trustees for Geneva operations

The search for an eligible successor to Mr Crippa as employee representative for the Geneva operations proved difficult. In mid-November we received a positive response from Ralf Müller. He meets the requirements of this role and is willing to take up the position. Mr Müller has spent his entire professional life in the aviation industry, has been on the board of trustees of a different aviation company for three years, and currently works as Operations Manager at Swissport Geneva

After notice of the elections was issued at the end of November 2014, no other candidates came forward. Ralf Müller was therefore automatically elected following expiry of the four-week voting period at the end of December 2014. He took office on 1 January 2015, for the same term of office as the other employee representatives, i.e. until 30 June 2016.

Management of the PVS

We can continue to count on the energetic leadership and commitment of Markus Staudenmaier, Managing Director since January 2009, Markus Bleisch, customer advisor since November 2009, Claudia Sommer, customer advisor since May 2009 and Reymond Früh, Head of Accounting since May 2010, all of whom work for PFS Pension Fund Services AG.

Markus Staudenmaier is due to retire on 31 May 2015 and will be succeeded by Elisabeth Müller. Urs Ackermann will continue in the role of Deputy Managing Director.

We have a three-and-a-half year contract with PFS AG running from 1 July 2012 to 31 December 2015. Following a broad selection process, the Board of Trustees on 10 February 2015 decided to sign a new, retroactive five-year agreement with PFS AG covering the period from 1 January 2015 to 31 December 2019.

Contracts of affiliation

The founder-employer of the PVS is Swissport International AG, Opfikon ZH, (76 active beneficiaries), which founded the scheme in its Deed of Trust of 15 September 2003. The PVS also held affiliation agreements with the following eight companies and operations at the end of 2014:

- Swissport Group Services GmbH, Baar ZG (28 active beneficiaries)
- Swissport International AG, Zurich operations (1,678)
- Swissport Baggage Sorting AG, Kloten ZH (176)
- Careport AG, Opfikon ZH (79)
- Swissport International AG, Basel operations (422)
- Swissport International AG, Geneva operations (931)
- GVAssistance S.A., Le Grand-Saconnex GE (53)
- PrivatPort S.A., Meyrin GE (9)

(= a total of 3,452 active beneficiaries at 31 December 2014)

PAI Europe V (www.paipartners.com) purchased Swissport Group (www.swissport.com) from Ferrovial (www.ferrovial.com) in February 2011.

Swissport is owned by PAI Partners. PAI is one of the leading private equity companies in Europe, managing and advising specialised buyout funds with a total invested capital of EUR 7.9 billion. Since 1994, the company has completed 54 leveraged buyout transactions across 10 European countries, with a transaction volume of EUR 38 billion. PAI is notable for its industrial approach to investments and strong sector expertise. PAI provides portfolio companies with the financial and strategic support required to pursue their development and enhance strategic value creation. PAI is a long-term investor – it tends to hold its investments for between four and six years.

2014 saw continuous growth in passenger numbers, although capacity managed to keep pace with the trend. Business in the air freight market recovered steadily and actually made gains in some regions. Swissport was consequently able to record strong consolidated growth of 38% versus the previous year. By far the most important factor for the good result was the successful integration of Servisair following its acquisition on 23 December 2013. As a result, Swissport was able to further expand its leading market position. Alongside the integration of Servisair, the strategic focus continued to be directed to profitable growth together with processes in operations that are as cost-efficient as possible. Growth in the year under review was also again driven by new contracts as well as the renewal and extension of existing cooperation arrangements.

Swissport is the world's largest provider of ground and freight handling services in the aviation industry. The company handles around 229 million passengers and 3.9 million flights on behalf of around 700 client companies each year. Swissport Cargo, the company's freight handling business, operates more than 120 warehouses and transports more than 4.1 million tonnes of freight each year. Swissport employs around 58,000 people and is present at more than 265 locations in 45 countries across five continents. In 2014, Swissport generated consolidated revenue of CHF 2.9 billion.

2014, the eleventh business year

The PVS began on 1 January 2014 with 3,518 active beneficiaries and 433 pension recipients (not including recipients of child's pensions), actuarial capital for active beneficiaries of CHF 426 million, provision for annuities of CHF 205 million and a funding ratio of 113%. It closed its 11th financial year on 31 December 2014 with 3,452 active beneficiaries and 487 pension recipients (not including recipients of child's pensions), actuarial capital for active beneficiaries of CHF 424 million and provision for annuities of CHF 230 million, a funding ratio of 115.4%, annual interest on retirement capital of 3.75% (previous year: 2.75%) applied to all pension capital and a performance for the year of 6.37%.

The PVS website at www.pv-swissport.ch provides all the latest news from the Board of Trustees, the scheme's regulations, forms, presentations, annual reports, media reports and an overview of the PVS organisation in German, French and English. Please visit our website regularly in order to keep yourself fully abreast of all developments.

In addition, information events on the 2013 Annual Report, as well as a seminar entitled "Introduction to AHV" and another on "How to read and understand my insurance certificate" were held at all three working locations – Basel, Geneva and Zurich. Recipients also received an explanation of the reduction in savings contribution rates for the 25–34 age group in the Basic insurance plan.

An information event was held in English for the first time for employees at the head office (Swissport International and Swissport Group Services) at Flughafenstrasse 55 in Glattbrugg.

An article about the PVS was published in the three company magazines of Swissport Geneva, Zurich and Basel, informing employees about the services and various bodies of the PVS.

In the operation Geneva an early retirement programme was offered which was entirely financed by the employer. As a consequence 26 employees opted for early retirement in 2014.

The PVS had no collective admissions or departures in 2014.

Actuarial appraisal

The following is a summary of the actuarial appraisal at 31 December 2014, as presented by the accredited pensions actuary:

The PVS is a semi-autonomous occupational pension scheme. It has reinsured its risks for death and disability since 1 January 2011. The risk insurance premium of 2.5% remained unchanged in 2014.

The number of active insurees has decreased slightly, while the number of pension recipients increased. The calculations were based on BVG 2010 actuarial data and the standard cross-sectional mortality table, projected to 2015.

The insuree structure paints a healthy picture. The number of persons who are nearing retirement age (over 58) is fairly high. The average age of the insurees is 41.1 years, which is relatively low compared with that of an average pension scheme (approx. 44.5).

The pension recipients are relatively young because the scheme was only founded on 1 January 2004. Persons who retired earlier remained in the General Pension Scheme of the SAirGroup.

The technical provisions have been accrued. These are primarily provisions for pending claims, provisions for future conversions to new actuarial bases and for pension losses. The PVS risk process was slightly positive in 2014.

2014 annual result

The vested benefits paid in by joining insurees amounted to CHF 9.2 million (rounded) in 2014 (previous year: CHF 7.1 million). At CHF 16.4 million, vested termination benefits paid out on leaving were above the previous year's level of CHF 14.1 million.

The PVS paid CHF 12.1 million (previous year: CHF 10.4 million) in retirement pensions in 2014. Lump-sum payments on retirement fell to CHF 7.0 million in 2013 (previous year: CHF 11.2 million). The increase in retirement benefits is a result of the increased number of pension recipients.

Interest payments stood at CHF 16.2 million in 2014 (previous year: CHF 8.3 million).

The number of insurees decreased by 57 (previous year: -9). The number of retirement pension recipients rose to 428 (previous year: 376), while the number of disability pension recipients rose to 42 (previous year: 41) and spouse,s pension recipients to 17 (previous year: 16).

The savings contributions received exceeded the statutory benefits paid out, but the vested benefits paid in by those joining came to less than the vested termination benefits paid out to those leaving. Overall, the PBS reported a net capital inflow. Pension liabilities also increased slightly.

Asset management costs in the year under review were lower than in the previous year.

In accordance with the contract with PFS AG, the PVS's administrative expenses are based on a sliding scale. They amount to CHF 247 per capita (previous year: CHF 255), and include the costs for the accredited pension fund actuary, audit, translations and printed matter.

Investments

The Board of Trustees continued to focus intensively on investments in 2014.

Strategy

2014 saw a slight revision of our Strategic Asset Allocation (SAA). Euro-denominated bonds were replaced by higher-yielding bonds from emerging markets, a move that further extended the diversification of our investment strategy.

Equities

The PVS targets a long-term return on investment of between 4% and 5% to meet the requirements for a pension scheme. This means holding as many investments in equities and similar instruments as the PVS's risk capacity will permit, but not more; otherwise the losses from a future market downturn could potentially be so severe as to make it impossible to continue the strategy. As so often in life, it is a matter of balancing risks and opportunities and keeping a close eye on that balance at all times.

„Sustainable investments“

In 2014, we were able to increase our equity-based sustainable investments to CHF 84 million. The existing ZKB index product "IPF World ex CH Index Responsible Class N" was accumulated at the expense of the previous product from Safra Sarasin. In 2014, the return was therefore increased and costs reduced.

„Indexed investments“

The bulk of our bond and equity holdings remained invested in attractively priced, well-run funds that track popular indices.

Currency hedges

The PVS continued to hedge some of its US dollar and Japanese yen currency risks. The scope of this operation was adjusted in December to reflect the actual investment volume.

Mortgage loans

The PVS offers beneficiaries fixed-rate mortgages with a term of three and five years; longer terms do not make sense for pension schemes. In the current climate this has led to some individual loan terminations. The investment assets total around CHF 23.8 million, representing 3.1% of our pension scheme's assets. At 31 December 2014, the PVS carried 12 variable-rate mortgages at an aggregate loan value of CHF 2.9 million and 64 fixed-rate mortgages totalling CHF 20.9 million.

Funding ratio

Details of the overall allocation of the PVS assets and the current funding ratio are provided monthly on our website www.pv-swissport.ch under "Performance". The reports are updated on the 20th of each month.

Investment regulations

The investment regulations were adjusted in September to reflect the new statutory requirements; the current version is valid with effect from 1 October 2014.

Cashflow

Despite the continuing annual rise in pension payments, the PVS's cash flow from regular contributions and benefits is set to remain positive in the years to come. This is helped by the fact that the PVS has relatively few pension recipients. At 31 December 2013, the fund comprised 487 pension recipients (not including recipients of child,s pensions) and 3,452 active insurees, a ratio of almost 1:7.

Determination of interest rates

At the September workshop, the Board of Trustees decided to adjust the rule on passing on interest rates such that active insurees in future receive a greater share of surplus income in the form of a higher interest rate. The rule is illustrated in Appendix III of the Investment Regulations; the Investment Regulations can be found on our website under "Publications".

At its meeting on 18 November 2014, the Board of Trustees discussed the investment results achieved in the first 10 months as well as with the setting of interest rates. In the first 10 months of the year, the PVS's investments generated a return of 5.69%. The provisional coverage ratio as at 31 October was 117.5%. This means it has risen by 4.5% since the start of the year, and we were almost completely able to accrue our fluctuation reserve.

Interest paid on retirement savings in 2014

Due to the good investment results so far achieved, the Board of Trustees in its resolution of 18 November 2014 decided to pay interest of 3.75% on all insurees, retirement savings for 2014, not just the minimum BVG interest rate of 1.75%. Those insurees who retired or left the PVS in the course of 2014 received this interest retrospectively at the end of 2014. Amounts below CHF 50 remain in the PVS.

Determination of the interest rate payable in 2015

The Board of Trustees will decide what interest rate to pay in 2015 towards the end of the year. It has chosen to proceed in this way as it is impossible to make reliable predictions of developments relating to the "third contributor", i.e. the financial markets.

On 22 October 2014, the Federal Council decided to set the BVG minimum interest rate for 2015 at 1.75% again. This minimum rate is not binding on non-mandatory retirement savings.

2015 interest rate for intra-year events

As in 2004-2007 and in 2009-2014, the PVS will not add any interest to any amounts withdrawn from the scheme by insurees leaving or retiring in the course of 2015. Any interest paid on such amounts at a later date will be based on the interest rate on retirement savings for 2015.

Projected interest rate from 2015

The projected interest rate, which remains unchanged at 1.5%, is used for the projection of future benefits found on your statement of benefits under "projected benefits" (for retirement, disability and death).

Pension adjustments for 2015

At its meeting on 18 November 2014, the Board of Trustees also resolved that it would not increase pensions from their present levels with effect from 1 January 2015 nor pay additional benefits. This decision was based on the current funding ratio and the fact that the fluctuation reserves are below the levels required as well as the 3% interest rate credited to our pension recipients on the actuarial reserve (prior to 1 January 2013: 3.5%).

The decision was also based on the unequal 10-year generational balance sheet, which at 31 December 2014 showed a net balance (transfer amount) of around CHF 11.7 million in favour of pension recipients and at the expense of active insurees.

The generational balance sheet shown in the annual financial statements since the PVS began operations in 2004 (2014 financial statements: top of page 30) shows the extent to which pension recipients have received more of the revenue generated than active insurees. This calculation shows the technical interest rate on the actuarial reserves for pensions plus the provision for longevity in relation to the interest rate on the savings of active insurees. This does not take into account the pension losses or deposits in the actuarial reserves for pensions in the event of changes in the actuarial basis (e.g. reduction in technical interest rate = increase in actuarial reserves for pensions).

By way of a reminder, the average return on the insurees' available savings in the last 10 years (2004-2013) was 2.23%, and the technical interest rate given to pension recipients on their actuarial reserve amounted to 3.5% until the end of 2012 and 3% from 2013; this gives an average of 3.45%.

The equal treatment of all beneficiaries is a legal requirement and also reflects the will of the Board of Trustees. This will be achieved if we work towards a balance between the generations. At its meeting on 15 September 2014, the Board of Trustees confirmed the applicable rule for the participation of pension recipients in surplus income of the PVS whereby the pension recipients only participate in the surplus income if there is a balance between the generations. There must be no long-term, unbalanced cross-subsidisation of pension recipients by active insurees.

By way of a reminder, pension recipients enjoy a life-long, guaranteed pension that can only be assured via a prescribed interest rate on their actuarial reserve. This is set against an interest rate on the savings of active insurees that is variable and changes annually. This variable interest rate has been lower in every year since 2004.

Participation of pension recipients in any surplus income

As pensions are fully funded under the BVG capitalisation system, in contrast to the AHV system, which operates on a pay-as-you-go basis, there are no automatic pension increases during the term of the pensions. The accumulated capital is consumed during the period of payment of the pensions. Together with the returns generated on investments (prescribed interest rate), this capital must be sufficient to fund the pensions during their entire term.

The only possibility is that in years with strong investment performance, pension recipients could be allowed to participate in the surplus income in the form of one-off payments provided there is a generational balance and a higher interest rate than the BVG minimum rate is credited to the assets.

Risk insurance premium unchanged

At its meeting on 23 November 2010, the Board of Trustees opted to reduce the risk insurance premium from 3.5% to 2.5%. This premium for the benefits payable by the PVS in the event of disability and death is split equally between the insurees and the employer. For insurees this means that since January 2011 a risk insurance premium of only 1.25% (previously: 1.75%) of the insured salary has been deducted from their monthly salary.

Swissport Health Management

The Board of Trustees is agreed that the activities of Health Management are extremely valuable for the insurees as well as the PVS and the employer. In May 2013, it therefore decided to provide funds of CHF 275,000 net on an annual basis for the next three years (2013-2015) for health management services. Our reinsurer assumes a share of these costs in the form of a premium reduction of CHF 34,000.

In 2014 around 300 people received advice and assistance. The majority of insurees with long-term illnesses and accident victims were able to return to work at Swissport; in cases where Swissport is unable to offer continued employment, the Health Management team endeavours to find solutions with third parties. The number of insurees with long-term illnesses remained stable in the year under review.

Reinsurance of risks at PKRück for six years

At its meeting of 23 November 2010, the Board of Trustees decided to reinsure the risks of disability and death with PKRück for six years from 2011 to 2016. PKRück is a sound, reliable partner and shares our objective of reducing claims and costs.

Cooperation between the PVS and PKRück is very good. The focus of the work was on processing the first claims.

Evidence of survival of our pension recipients

At the beginning of 2011 all pension recipients were requested to provide evidence of survival, a request that was met in full by all recipients. The PVS has thus ensured that benefits are not being paid out unjustly. Since mid-2014, evidence of survival has been obtained electronically via a reconciliation with the AHV Compensation Fund. The PVS data are therefore updated monthly.

Asset management costs relatively low at the PVS

A study published by the Federal Social Insurance Office in the early summer of 2011 concluded that asset management fees cost Swiss occupational pension funds around CHF 3.9 billion a year, which corresponds to 0.56% of total pension fund assets. These costs fluctuate between 0.15% and 1.86% of assets, depending on the fund in question.

Total asset management costs at the PVS amounted to around CHF 1.6 million in 2014 (previous year approx. CHF 1.75 million), i.e. 0.22% (previous year approx. 0.24%) of total fund assets. If reimbursed fees are deducted, the figure stands at 0.19% (previous year 0.20%) of total fund assets. Assets are invested exclusively in cost-effective collective investment schemes and in investment foundations; a conscious decision has been made not to invest in individual securities. In this way we are at the same time able to widely distribute our investment risks.

This means that asset management costs are relatively low at the PVS, and the retirement savings are managed cost-effectively.

Administration costs also low at the PVS

Pillar 2 administration costs amounted to around CHF 391 per insuree and year in 2009, not including the above-mentioned asset management outlay. According to a study, it would be possible to reduce this expenditure only by simplifying processes significantly.

At the PVS, the figures are as follows; CHF 306 in 2009, CHF 294 in 2010, CHF 286 in 2011, CHF 275 in 2012, CHF 255 in 2013 and CHF 247 in 2014.

New pension plans for 2014 – for operations in Zurich and across Switzerland for members of management with individual employment contracts

The PVS has adjusted its pension plans for operations in Zurich due to the new collective labour agreement, with effect from 1 January 2014. Information on the new pension plans was published on 2 December 2013 in "Information Update No. 32". They apply as of 1 January 2014 for insurees of Swissport International Station Zurich, Swissport Baggage Sorting and Careport, as well as all insurees across Switzerland who have an individual employment contract.

The only change relates to the savings contribution for the youngest group of insurees, aged between 25 and 34. The savings contribution is now 2.8% (previously 6%) for employees and 4.2% (previously 9%) for the employer. This means that retirement savings contributions are now 7% (previously 15%) of the insured salary.

For 25-34 year olds working for Swissport Baggage Sorting, the savings contribution is 3.25% (formerly 7%) for employees and 3.75% (formerly 8%) for the employer.

This change will result in slightly lower final retirement savings and pensions at current values. The change will be shown for the first time on statements of benefits for 2014.

Since 2014, the PVS has offered “Savings Plan Plus” for employees of Swissport Baggage Sorting. Under this savings plan, contribution rates are the same as for all other Swissport employees, i.e. 7.5% for 25-34 year olds and 9% for 35-63 year olds.

Tasks of the principal governing body of the PVS – internal control

The Board of Trustees must ensure that an internal control system is in place that is suited to the size and complexity of the PVS.

PFS Pension Fund Services AG, as the company responsible for the administration of the PVS, has been carrying out internal controls since its foundation in 2001 and has continually expanded these in recent years in collaboration with the statutory auditors. The statutory auditors must check that an internal control system is in place and confirm its adequacy to the PVS on an annual basis.

In the spring, the Board of Trustees again discussed the internal control system and is of the view that the statutory requirements and purpose are fulfilled. In future, the administrative office will draw up a report at least once a year on the further development and implementation of internal controls. It did this on 12 May 2014, at our 63rd Board of Trustees meeting in Winterthur.

Strategy and objectives of the Swissport occupational pension scheme

In adopting the “Vision and Guiding Principles”, the PVS has completed the “Strategy and Objectives of the PVS” project. We published the Vision and Guiding Principles in Insuree Update No. 32 on 2 December 2013.

In conducting the “Strategy and Objectives of the PVS” project, the Board of Trustees was reviewing the PVS’s current situation. The aim was to gain an understanding of what the biggest challenges are likely to be over the next 5 to 10 years, and what options are available to tackle these in the interests of insurees and the PVS.

The greatest challenges ahead for the scheme are the need to invest its assets safely and profitably, and the demographic changes within society (in particular ever-increasing life expectancy). As regards investment, the Board of Trustees places great value on diversification across geographical regions and asset classes, while avoiding more complex and less transparent asset classes.

Amendments to the regulations are in response to the recalculations made for Swiss pension funds every five years to account for demographic changes. The new 2015 BVG actuarial bases will become available at the end of 2015. Until then, the PVS will work with the standard cross-sectional mortality table. The generation table is preferable to the standard cross-sectional mortality table because future increases in life expectancy are already factored into the calculations. The use of the generation table will obviate the need for annual provisions to cater for the longevity of pension recipients. Meanwhile, our pension actuary is building corresponding provisions in case of a further reduction in the technical interest rate at a later date.

Additional review of 2014 by the Chairman

- We missed out on the “Communication with Insurees” award, but achieved a good result in the 2014 Complementary Risk Check-Up.
- We made slight revisions to our Election Regulations, the Compensation for the Board of Trustees information sheet and the Requirements Profile for Members of the PVS Board of Trustees.
- The Board of Trustees reviewed its organisational structure and cooperation based on the two articles 10 Important Requirements for the Board of Trustees and Five Success Factors in Swiss pension provision.
- We added a Contributions Calculator and a Glossary to our website.
- At our September workshop, we learned about the insurance-linked securities/ILS and Clean Energy Infrastructure Switzerland investment vehicles, and also about start-up financing at the PFS Training Day.
- The project on the subject of “flexible retirement” was begun.
- Day-to-day operations proceeded smoothly – as confirmed to us by KPMG in their report on the spot audit at end-October 2014 – and we have accurate and detailed minutes at all times.

Outlook for financial year 2015

Another slight increase in the popularity of “Standard Plus”

On 1 January 2015, a total of 569 beneficiaries (= 16.4% of all those entitled) had opted for the “Standard Plus” pension plan; this features an employee,s contribution of 9% (instead of the 6% under the “Standard” plan). On 1 January 2014 there were 555 beneficiaries, i.e. 15.8%. This was the eighth consecutive year with an increase on the previous year in the number of insurees opting for the “Standard Plus” plan.

Impact of the new AHV pension on the PVS from 2015

With effect from 1 January 2015, the Federal Council brought AHV and IV pensions as well as the amount for living expenses in supplementary benefits into line with current prices and salaries (composite index). The minimum AHV/IV pension rises from CHF 1,170 to CHF 1,175 per month, and the maximum pension from CHF 2,340 to CHF 2,350. Thus the maximum annual AHV retirement pension increases to CHF 28,200 (CHF 2,350 x 12 months).

This has the following implications for the PVS:

Category	Amount in CHF	Explanation
Entry threshold for the “Basic” pension plan	21,150	Minimum annual salary for joining the PVS; it represents 3/4 of the “maximum annual AHV retirement pension”
Maximum coordination deduction	14,100	Until this ceiling is reached, the coordination deduction in the PVS amounts to 20% of the annual salary
Admission threshold for the “Supplementary” pension plan	105,750	Minimum annual salary for admission to the “Supplementary” pension plan; corresponds to 7.5 times the coordination deduction

On 15 January 2015, the Swiss National Bank (SNB) in a surprise move abandoned the Swiss franc’s floor against the euro

The decisions of the SNB will continue to impact on employee benefit institutions and their founding companies for some time to come. In *Information Update No. 35* of 18 February 2015, we advised our insurees of what preliminary effects this decision has on the PVS.

Fluctuation reserve

The appreciation of the Swiss franc brought about by the SNB's decision resulted in a fall in the value of investments denominated in foreign currencies. In the short term, only Swiss bonds and real estate remained immune. After an initially pronounced correction, markets have since been recovering again.

Precisely in order to cushion against such events, pension funds are required to form a fluctuation reserve in the good times in such a way that the retirement savings and pension benefits are secured.

The fluctuation reserve amounted to around 15.4% of our liabilities, or CHF 103 million, as at 31 December 2014. At the end of January 2015, this reserve had fallen to 12.3%, or CHF 82 million. Thus the fluctuation reserve of the PVS continues to be well endowed. We nevertheless need to continue funding it until it reaches the target figure of 18.3%.

What asset classes are affected?

The PVS, like all investors, suffered a fall in the value of its investments in mid-January. For the time being, however, these constitute book losses on paper only. An actual loss would only be incurred if we sell investments and they are still worth less at the time of sale than prior to the abandonment of the currency peg. Since the PVS invests for the long term and has no need for liquidity in the foreseeable future, we will be able to benefit from the expected normalisation of exchange rates and the prices of securities.

Of our investments, equities and investments denominated in foreign currencies suffered from falling prices. By the end of January, the paper loss incurred amounted to 2.54% or around CHF 19.5 million.

Our currency hedging of the US dollar and yen helped us to cushion these losses.

A word of thanks

I wish to thank our founder-employer, my fellow trustees, our Managing Director, customer advisors, accountant, accredited pension actuary, statutory auditors, investment controller and PFS AG for their consistently committed, thorough and professional work on behalf of the PVS.

Sincerely

Peter Graf

Chairman of the Board of Trustees

2014 FINANCIAL STATEMENTS

Balance sheet	Index Note	31.12.2014 CHF	31.12.2013 CHF
AKTIVEN			
Investments	6.4	764,334,424	720,658,849
Liquidity and money market investments		34,640,239	33,468,274
Receivables from employer	6.9	4,417,625	5,131,611
Other receivables	7.1.1	1,152,699	1,046,724
CHF bonds		99,114,468	84,920,501
EUR IFL bonds (including currency hedges)		0	33,037,134
Global IFL bonds hedged		41,424,785	38,255,820
Foreign currency bonds, rest of world		32,540,769	29,985,123
Emerging market bonds		29,452,526	0
Mortgage loans	6.4.1	23,794,500	25,113,937
Equities Switzerland		59,660,340	57,994,941
Equities Europe		24,294,851	23,726,945
Equities North America (incl. currency hedges)		37,837,550	30,561,554
Equities Pacific (incl. currency hedges)		23,803,802	21,786,698
Equities foreign sustainable (incl. currency hedges)		84,392,622	72,008,486
Equities emerging markets		35,205,659	32,529,188
Commodities (incl. currency hedges)		24,855,994	32,335,144
Real estate in Switzerland	6.7.1	207,745,995	198,756,769
Prepaid expenses and accrued income	7.1.2	7,808,063	7,810,231
TOTAL ASSETS		772,142,487	728,469,080
LIABILITIES			
Liabilities		2,542,184	2,786,797
Vested benefits and pensions		1,954,932	2,735,867
Capital payments		565,903	0
Other liabilities	7.1.3	21,349	50,930
Accrued expenses and deferred income	7.1.4	174,927	230,051
Actuarial capital and technical provisions		666,764,813	641,966,733
Actuarial capital for active insurees	5.2	423,632,581	425,848,021
Actuarial capital for pension recipients	5.4	230,115,290	205,498,414
Technical provisions	5.5	13,016,942	10,620,298
Fluctuation reserve	6.3	102,660,563	83,485,499
Foundation's equity, freely disposable funds, underfunding		0	0
TOTAL LIABILITIES		772,142,487	728,469,080

	Index Note	2014 CHF	2013 CHF
Regular and other contributions and deposits		29,466,755	31,985,956
Employees' savings contributions		10,135,887	11,072,237
Employer's savings contributions		14,072,173	15,757,732
Employees' risk insurance premiums		2,143,003	2,197,296
Employer's risk insurance premiums		2,161,003	2,233,669
One-off deposits and buy-in amounts	7.2.1	954,689	725,022
Vested benefits paid in by joining insurees		9,239,168	7,074,940
Vested benefits deposits		7,738,324	5,679,001
Payments received in respect of early withdrawals for home ownership and divorce-related deposits	7.2.2	1,500,844	1,395,939
INFLOW FROM CONTRIBUTIONS AND VESTED BENEFITS TRANSFERRED INTO THE SCHEME BY JOINING INSUREES		38,705,923	39,060,896
Statutory benefits paid		-20,968,486	-23,589,750
Old-age pensions		-12,030,331	-10,429,643
Survivors' pensions		-400,415	-378,458
Disability pensions		-581,935	-666,379
Child's pension payments	7.2.3	-219,730	-196,229
Lump-sum payments on retirement		-7,023,501	-11,179,241
Lump-sum payments on death/disability		-712,574	-739,800
Termination benefits		-16,362,975	-14,138,441
Vested benefits on leaving		-13,477,649	-12,294,601
Early withdrawals for home ownership/divorce	7.2.4	-2,885,326	-1,843,840
OUTFLOW FOR BENEFITS PAID AND WITHDRAWALS		-37,331,461	-37,728,191
Changes in actuarial capital, technical provisions and contribution reserves		-24,798,080	-13,989,989
Release of actuarial capital of active insurees	5.2	17,368,433	19,462,889
Creation of actuarial capital for pension recipients	5.4	-24,616,876	-24,647,662
Creation of technical provisions	5.5	-2,396,644	-526,357
Interest paid on savings capital	5.2	-15,152,993	-8,278,859
Income from insurance benefits		315,561	1,070,518
Insurance expenses		-2,005,996	-2,081,544
Risk premiums		-1,645,435	-1,685,997
Cost premiums		-243,027	-249,018
Contributions to Guarantee Fund		-117,534	-146,529
NET INCOME FROM INSURANCE ACTIVITIES		-25,114,053	-13,668,310

Operating income statement

	Index Note	2014 CHF	2013 CHF
Net income from investment activities	6.7	45,551,075	42,596,015
Income from liquid funds and money market investments		204,191	74,782
Income from CHF bonds		6,975,994	-1,807,319
Income from EUR bonds (including currency hedges)		966,552	-1,540,772
Income from global IFL bonds hedged		3,340,909	-2,515,715
Income from foreign currency bonds, rest of world		3,009,008	-2,657,553
Income from emerging market bonds		-914,936	0
Income from mortgage loans		427,203	510,081
Income from Equities Switzerland		7,012,300	13,055,384
Income from Equities Europe		814,448	5,661,650
Income from Equities North America (incl. currency hedges)		6,886,383	9,866,301
Income from Equities Pacific (incl. currency hedges)		1,912,349	4,074,626
Income from Equities foreign (sustainable) (incl. currency hedges)		12,658,955	8,813,861
Income from Equities emerging markets		2,967,594	-1,822,485
Income from commodities (incl. currency hedges)		-10,186,341	-184,243
Income from real estate Switzerland	6.7.1	11,113,548	12,835,157
Asset administration costs	6.8	-1,599,098	-1,752,091
Interest on vested benefits		-37,984	-15,649
Other income		13,155	13,275
Other expenses	7.2.5	-297,000	-297,000
Administrative expenses	7.2.6	-978,113	-1,000,157
General administration		-903,954	-903,213
Statutory auditors and accredited pension actuary		-72,819	-75,760
Supervisory authorities		-1,340	-21,184
INCOME SURPLUS BEFORE CREATION OF FLUCTUATION RESERVE		19,175,064	27,643,823
Creation of fluctuation reserve	6.3	-19,175,064	-27,643,823
INCOME / EXPENSE SURPLUS		0	0

NOTES

1 Principles and organisation

1.1 Legal form and objective

The Swissport Employee Pension Scheme ("Personalvorsorge Swissport" or PVS) is a trust established by Swissport International AG in accordance with Article 80ff. of the Swiss Civil Code (ZGB), Article 331 of the Swiss Code of Obligations (OR) and Article 48, para. 2 of the Swiss Federal Law on Occupational Retirement, Survivors, and Disability Benefit Plans (BVG). The Foundation has its legal domicile at the head office of Swissport International AG in Opfikon, Switzerland, and is subject to legal supervision.

The objective of the PVS is to provide an occupational pension scheme within the framework of the BVG and its implementation provisions to insure the personnel of Swissport International AG and further companies closely linked thereto in business or financial terms, their next of kin and their survivors against the economic consequences of old age, disability and death.

1.2 Registration under the BVG and with the LOB Guarantee Fund

The PVS was entered in the Register of Occupational Pension Schemes of the Canton of Zurich (under register number ZH 1377) on 1 January 2004, as attested by the corresponding official confirmation thereof dated 24 February 2004. The PVS is subject to the Swiss Federal Law on Vested Benefits in Occupational Retirement, Survivors, and Disability Benefit Plans (FZG) and is thus affiliated to the Guarantee Fund.

1.3 Deed of trust and regulations

The PVS was established through a public deed of trust dated 15 September 2003 and was entered in the Commercial Register of the Canton of Zurich on 14 November 2003.

Details of the scheme,s regulations

Regulations	Approved	Effective
Pension Scheme Regulations	25 September 2012	1 January 2013
Regulations on Provisions and Reserves	29 February 2012	31 December 2011
Organisational Regulations	10 May 2012	1 January 2012
Election Regulations	27 June 2014	1 July 2014
Investment Regulations	15 September 2014	1 October 2014
- Strategic Asset Allocation	15 September 2014	1 October 2014
Partial Liquidation Regulations	24 November 2009	25 February 2010

1.4 Principal governing body, management and signatory authority

At 31 December 2014, the Board of Trustees comprised the following members:

Employer's representatives		Employees' representatives/ Term of office 1 July 2013 – 30 June 2016	
Peter Graf	Chairman*	Philippe Crippa ²⁾	Deputy Chairman*
Cordula Hofmann	Member*	Margrit Coimbra	Member*
Eva-Maria Kerner ¹⁾	Member*	Sonja Eckerlin ¹⁾	Member*

¹⁾ Member of the Investments Committee

²⁾ Philippe Crippa stepped down from the Board of Trustees on 31 December 2014. Ralf Müller succeeded him as employees, representative on 1 January 2015; Margrit Coimbra succeeded him as deputy chairman of the Board of Trustees.

Operational management and accounting

Markus Staudenmaier	Managing Director*	Claudia Sommer	Customer Advisor
Reymond Früh	Head of Accounting*	Markus Bleisch	Customer Advisor
Urs Ackermann	Deputy Managing Director*		

*Collective signatory authority (two signatures required)

The current managing director, Markus Staudenmaier, is to retire at the end of May 2015. At its meeting on 10 February 2015, the Board of Trustees appointed Elisabeth Müller as his successor.

1.5 Accredited pension actuary, statutory auditors, investment advisor and supervisory authority

Accredited pension actuary

Roland Guggenheim, Mercer (Switzerland) SA, Tessinerplatz 5, 8027 Zurich

Statutory auditors

KPMG AG, Badenerstrasse 172, 8004 Zurich

Investment advisor

Markus Schneider, PensionTools GmbH, Galtbergstrasse 1A, 8625 Gossau

Supervisory authority

The Supervisory Authority for Pensions and Trusts of the Canton of Zurich (BVS), Neumühlequai 10, 8090 Zurich

1.6 Affiliated employers

The following companies with close business and financial links to founder-employer Swissport International AG are also affiliated to the PVS:

Swissport International AG, Zurich operations, Zurich Airport, Canton Zurich
Swissport International AG, Basel operations, Basel Airport, Canton Basel-Stadt
Swissport International AG, Geneva operations, Geneva Airport, Canton Geneva
Swissport Baggage Sorting AG, Kloten, Canton Zurich
PrivatPort S.A., Meyrin, Canton Geneva
Swissport Group Services GmbH, Baar, Canton Zug
Careport AG, Opfikon, Canton Zurich
GVAssistance S.A., Le Grand-Saconnex, Canton Geneva

No new employers joined the PVS in 2014; nor did any existing employers leave the scheme.

2 Active insurees and pension recipients

2.1 Active insurees

	Swissport International		Swissport Zurich		Swissport Basel	
	2014	2013	2014	2013	2014	2013
At 1 January	92	84	1,731	1,691	404	414
Joined	10	21	222	316	43	21
Left	17	12	250	233	19	26
Retired	1	1	24	37	6	5
Newly disabled	0	0	0	2	0	0
Died	0	0	1	4	0	0
At 31 December	84	92	1,678	1,731	422	404
of whom risk insurance only	1	1	130	152	26	25
retirement savings at 31 December	28,505,248	26,661,996	209,069,536	202,876,285	43,192,752	43,560,904
of which BVG retirement savings at 31 December	6,351,157	5,810,243	84,166,178	81,735,882	15,284,416	15,446,275

	Swissport Geneva		Swissport Baggage Sorting		PrivatPort	
	2014	2013	2014	2013	2014	2013
At 1 January	945	988	177	171	10	9
Joined	111	71	26	24	0	1
Left	93	87	22	14	1	0
Retired	30	27	3	4	0	0
Newly disabled	0	0	0	0	0	0
Died	2	0	2	0	0	0
At 31 December	931	945	176	177	9	10
of whom risk insurance only	68	62	5	13	0	0
Retirement savings at 31 December	104,747,852	111,744,268	20,286,099	20,393,878	1,013,626	828,769
of which BVG retirement savings at 31 December	41,641,802	44,192,501	9,099,313	9,165,012	408,827	374,329

	Swissport Group Services GmbH		Careport AG		GVAssistance S.A.	
	2014	2013	2014	2013	2014	2013
At 1 January	24	33	77	82	49	46
Joined	3	0	15	9	6	9
Left	5	8	9	12	1	5
Retired	2	1	4	2	1	1
Newly disabled	0	0	0	0	0	0
Died	0	0	0	0	0	0
As at 31 December	20	24	79	77	53	49
of whom risk insurance only	0	0	5	1	1	1
Retirement savings at 31 December	3,504,153	7,479,994	7,075,610	6,360,415	6,237,705	5,941,511
of which BVG retirement savings at 31 December	981,631	1,821,123	2,863,886	2,663,856	2,752,887	2,608,734

	Total PVS		Change over previous year
	2014	2013	
At 1 January	3,509	3,518	-9
Joined	436	472	-36
Left	417	397	20
Retired	71	78	-7
Newly disabled	0	2	-2
Died	5	4	1
At 31 December	3,452	3,509	-57
of whom risk insurance only	236	255	-19
Retirement savings at 31 December	423,632,581	425,848,021	-2,215,440
of which BVG retirement savings at 31 December	163,550,097	163,817,952	-267,855

Active insurees by BVG age at 31 December	Women		Men		Total	
	2014	2013	2014	2013	2014	2013
18–24	109	110	127	145	236	255
25–34	335	381	599	605	934	986
35–44	338	353	563	544	901	897
45–54	390	394	551	538	941	932
55–65	183	173	257	266	440	439
Total	1,355	1,411	2,097	2,098	3,452	3,509

The average age of a PVS active insuree is 41.1 years (previous year: 40.9) years.

2.2 Pension recipients

Pension type	Women		Men		Total	
	2014	2013	2014	2013	2014	2013
Old-age pensions	160	141	268	235	428	376
Disability pensions	19	18	23	23	42	41
Spouse's pensions	15	14	2	2	17	16
Child's pensions	17	14	32	29	49	43
Total	211	187	325	289	536	476

Pension type	Total	Change		Total
	31.12.2014	New	Left	31.12.2013
Retirement pensions	428	52	0	376
Disability pensions	42	2	1	41
Spouse's pensions	17	1	0	16
Child's pensions	49	6	0	43
Total	536	61	1	476

3 Fulfilment of objectives

3.1 Details of the pension plans

The PVS Pension Scheme Regulations consist of two elements: the Benefit Regulations and the Pension Plans. The Benefit Regulations are applicable to all PVS beneficiaries. These regulations lay down the general terms and conditions under which benefits are granted, the scheme's funding principles, the type and amount of benefits awarded and further general provisions.

Benefit Regulations

All employees who fall under the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Benefit Plans (BVG) are admitted to the PVS. Employees are also permitted to remain within the PVS as external insurees after they have left a PVS-affiliated company under certain conditions specified in an appendix to the Benefit Regulations.

The benefits awarded under the PVS are based on defined contributions.

A PVS insuree becomes entitled to regular PVS retirement benefits upon reaching the age of 63. PVS retirement benefits may also be drawn before such time, up to five years at the earliest before the regular retirement age. Retirement benefits may be drawn in the form of a lump sum capital payment, a life-long retirement pension or a combination of the two. The conversion rates used to convert savings into retirement pensions vary according to the beneficiary's age and marital status.

The annual PVS disability pension amounts to 6.1% of the insuree's projected retirement savings on their 63rd birthday; the projection is based on the BVG minimum interest rate.

The annual PVS spouse's pension amounts to 70% of the insuree's retirement or full disability pension. Insurees who have entered into a registered partnership enjoy the same benefits and entitlements as married insurees. The PVS will, upon written request, pay benefits equivalent to a spouse's pension to the surviving long-time partner of a deceased employee, provided that the conditions laid down in the regulations are met. Should an unmarried active insuree die without designating a registered partner, a lumpsum payment will be made amounting to the insuree's total retirement savings at the time of death.

The orphan's and child's pension for children of disability pension recipients is 10% of the insuree's last insured salary, or 15% in the case of orphans where both parents are deceased. The child's pension for children of retirement pension recipients amounts to 10% of the insuree's last insured salary, up to a maximum of CHF 5,400 a year.

Pension plans

The PVS's pension plans specify the salary insured under the PVS and the distribution of contributions and premiums between the employer and the employee for basic and supplementary occupational pension provision.

All employees who fall under the BVG are admitted to the PVS's Basic Pension Plan.

The Supplementary Pension Plan is provided for all management personnel with individual contracts of employment whose annual salary (including year-end bonuses) exceeds 7.5 times the minimum AHV state retirement pension. For part-time employees, this threshold is reduced in proportion to their degree of employment.

With each pension plan, insurees can opt for a higher employee contribution.

The following pension plans exist (each in Basic and Supplementary versions):

- The Standard and Standard Plus pension plans for all Swissport companies in Switzerland (excluding Swissport Baggage Sorting AG)
- The Standard and Standard Plus pension plans for Swissport Baggage Sorting AG

Insurees under the Standard Pension Plan pay a savings contribution of 6% (7% in the case of Swissport Baggage Sorting AG) of their insured salary; those under the Standard Plus pension plan pay a corresponding contribution of 9%. Under both plans, the employer pays a saving contribution of 9% (8% in the case of Swissport Baggage Sorting AG) of the insured salary.

As of 1 January 2014, the savings contribution for insurees aged 25–34 whose place of work is Zurich, as well as for all Basic Plan insurees with an individual employment contract, is 2.8% for employees and 4.2% for the employer. For insurees working for Swissport Baggage Sorting AG, the rates are 3.25% and 3.75% respectively.

The insured salary for Basic Pension Plan purposes is the employee's salary including any year-end bonuses less the coordination amount. This coordination amount is 20% of the employee's salary, up to a maximum of 50% of the maximum AHV Swiss state retirement pension.

The insured salary for Supplementary Pension Plan purposes is the employee's salary including any year-end bonuses less a coordination amount of 7.5 times the minimum AHV Swiss state retirement pension. For parttime employees, this coordination amount is reduced in proportion to their degree of employment. Any salary components covered by the Supplementary Pension Plan are not covered by the Basic Pension Plan.

3.2 Funding and funding method

The retirement savings contributions under the Standard Plan correspond to 15% of the insured salary in the Basic Plan and 21% in the Supplementary Plan. Under the Standard Plus Plan, they amount to 18% (17% in the case of Swissport Baggage Sorting AG) in the Basic Plan and 24% in the Supplementary Plan.

For insurees aged 25–34 whose place of work is Zurich, as well as for all Basic Plan insurees with an individual employment contract, the retirement savings contributions for the Basic Plan in the Standard Plan are 7%; in the Standard Plus Plan they are 11.7% (11.25% in the case of Swissport Baggage Sorting AG).

The distribution of these contributions between employer and employee varies from plan to plan.

The risk insurance premium is 2.5% of the insured salary and is shared equally between employer and employee.

The cost of administering the scheme's assets and investments and the contributions to the LOB Guarantee Fund are met by the PVS.

3.3 Further information on pension plan administration

The PVS has signed a service agreement with PFS Pension Fund Services AG for the administration and management of the scheme. This Agreement was renewed for another three-and-a-half years with effect from 1 July 2012.

In accordance with a resolution of the Board of Trustees on 18 November 2014, current pensions have not been adjusted. This is due to the subsequent generational balance sheet, which shows a considerable bias in favour of pension recipients.

4 Accounting and valuation principles and consistency

4.1 Confirmation of accounting in accordance with Swiss GAAP ARR 26

The accounts of the PVS are prepared in accordance with the guidelines specified in Swiss GAAP ARR 26, as amended on 1 January 2014.

4.2 Accounting and valuation principles

All accounting, reporting and valuation practices are in accordance with the relevant provisions of the Swiss Code of Obligations (OR) and the BVG. The annual financial statements consist of the balance sheet, the operating income statement and the notes thereto and provide a true and fair view of the scheme's actual financial situation as required by the legislation on occupational pension provision. Asset values are determined for the annual financial statements as follows:

Asset category	Valuation method
Nominal values	
Liquidity and money market investments	Nominal value/fair value
Receivables	Nominal value
CHF bonds	Fair value
Global IFL bonds	Fair value
Foreign currency bonds, rest of world	Fair value
Emerging market bonds	Fair value
Mortgage loans	Nominal value
Equities	
Equities Switzerland	Fair value
Equities Europe	Fair value
Equities North America	Fair value
Equities Pacific	Fair value
Equities foreign (sustainable)	Fair value
Equities emerging markets	Fair value
Non-traditional investment	
Commodities	Fair value
Real estate in Switzerland	
	Fair value

Assets held in foreign currencies are translated at year-end exchange rates, while foreign-currency income and expenditure are translated at the exchange rate prevailing on the date of the transaction.

4.3 Changes to accounting and valuation principles

There were no changes in the valuation principles used. The financial statements have been prepared in accordance with the revised Swiss GAAP ARR 26. In accordance with the instructions issued by the Occupational Pension Supervisory Commission (OPSC) on the disclosure of asset management costs, the costs associated with transparent collective investments were recorded gross in the operating income statement and the net income for the relevant asset class adjusted accordingly to reflect these costs.

5 Actuarial risks, risk coverage and funding ratio

5.1 Form of risk coverage, reinsurance

On 12 January 2011, the PVS, a semi-autonomous pension fund, entered into a reinsurance agreement with "PKRück Lebensversicherung für die betriebliche Vorsorge AG", Vaduz, for the period 1 January 2011 to 31 December 2016. The PVS has thereby reinsured its risks for benefits on death and disability on a back-to-back basis. The annual premium for 2014 amounted to CHF 1,888,462.

The reinsurance agreement features a profit-sharing arrangement for surplus funds. Where available, any surplus funds are allocated to the freely disposable funds. If this is not possible, they are allocated to the fluctuation reserve. If this is also not possible, the surplus funds will be used to compensate for any underfunding.

The reinsured benefits for death and disability are transferred to the PVS in the form of cash payments and PKRück does not hold any actuarial reserves for pensions in payment on behalf of the PVS.

On 31 December 2014, the sum of CHF 454,070 was charged by PKRück for benefits in respect of the **2011–2013 accounting period** and provisions amounting to CHF 397,862 for claims not yet processed were reversed. In addition, there was a credit of CHF 17,588 from stop-loss cover. The final account will be drawn up after a term of three years and following the settlement of any claims which occur during this period. Any surplus funds will be subsequently distributed in accordance with the above paragraph.

Accounting period 2011–2013	2014 CHF	2013 CHF
Surplus funds at 1 January	38,620	1,077,606
Allocation to provision for the distribution of surplus funds	0	533,290
Withdrawal from provision for the distribution of surplus funds	-454,070	-434,029
Provision for claims not yet processed	397,862	-1,138,247
Credit from stop-loss cover	17,588	0
Surplus funds at 31 December	0	38,620

On 31 December 2014, CHF 520,460 was provided for in respect of the **2014–2016 accounting period** in favour of any distribution of surplus funds. Provisions of PKRück for claims not yet processed totalling CHF 520,460 were charged to this provision. The final account will be drawn up after a term of three years and following the settlement of any claims which occur during this period. Any surplus funds will be subsequently distributed in accordance with the above paragraph.

Accounting period 2014–2016	2014 CHF
Surplus funds at 1 January	0
Allocation to provision for the distribution of surplus funds	520,460
Withdrawal from provision for the distribution of surplus funds	0
Provision for claims not yet processed	-520,460
Credit from stop-loss cover	0
Surplus funds at 31 December	0

5.2 Performance of defined-contribution savings capital and interest earned thereon

	2014 CHF	2013 CHF
Total savings of insurees at 1 January	425,848,021	437,032,050
Release of active insurees' actuarial capital	-17,368,433	-19,462,889
Employees' savings contributions	10,135,887	11,072,237
Employer's savings contributions	14,072,173	15,757,732
One-off deposits and buy-in amounts	954,689	725,022
Vested benefits deposits	7,530,165	5,611,321
Home financing repayments and divorce-related deposits	1,500,844	1,395,939
Transfer of retirement savings of IV pension recipients	418,447	0
Capital formation for payments pursuant to Art. 17 FZG	0	17
Vested benefits paid on leaving	-13,477,649	-12,294,601
Home financing withdrawals and payments on divorce	-2,885,326	-1,843,840
Capital released through lump-sum payments on retirement	-7,023,501	-11,179,241
Capital released through lump-sum payments on death/disability	-712,574	-739,800
Capital released through retirement, death and disability	-27,484,252	-27,967,675
Capital released in favour of the PVS	-397,336	0
Interest paid on savings capital	15,152,993	8,278,859
Total actuarial capital of active insurees at 31 December	423,632,581	425,848,021
Interest rate on retirement savings pursuant to BVG	1.75%	1.50%
Interest rate on all retirement savings	3.75%	2.00%

Under Article 7 of the PVS Benefit Regulations, the Board of Trustees may wait until the annual results for a particular year are available before setting the interest rate to be used for the payment of interest on active insurees retirement savings for the year under review. For 2014, any payments or benefit calculations made in the course of the year were subject to interest at a rate of 0%. The final decision on the interest rate to be applied to retirement savings was taken at the Board of Trustees meeting on 18 November 2014, when a rate of 3.75% was set for all retirement savings.

5.3 Total retirement savings under the BVG

	31.12.2014 CHF	31.12.2013 CHF
Total retirement savings	423,632,581	425,848,021
of which BVG retirement savings	163,550,097	163,817,956

The above amounts include the retirement savings of pending disability cases.

5.4 Performance of actuarial reserves for pension recipients

	2014 CHF	2013 CHF
Actuarial reserves at 1 January	205,498,414	180,850,752
Creation of actuarial capital for pension recipients	24,616,876	24,647,662
Creation through retirement, death and disability	27,484,252	27,967,675
Deposit of IV disability capital	208,159	67,681
Release through pension payments	-13,232,411	-11,670,709
Transfer to savings capital of active insurees	-418,447	0
Technical interest paid	6,164,952	5,425,523
Pension losses	2,404,920	3,220,357
Reversal/creation of actuarial capital for deaths	-26,107	116,429
Creation of actuarial capital for disability/child's pensions	482,883	917,851
Actuarial profit/loss	1,548,675	-1,397,145
Total actuarial capital for pension recipients at 31 December	230,115,290	205,498,414

The amount shown under "Creation through retirement, death and disability" corresponds to the savings capital of new pension recipients at the time the event occurs.

Details in which form pension recipients chose to draw their PVS retirement benefits are as follows:

Retirements and form of benefits chosen	2014		2013	
	CHF	%	CHF	%
Retirement savings on retirement	33,380,891		38,229,101	
of which converted into pension	26,357,390	79%	27,049,860	71%
of which withdrawn as a lump-sum payment	7,023,501	21%	11,179,241	29%

Pension recipients' actuarial capital was distributed as follows among the various types of pensions at year-end:

Actuarial capital for pension recipients	31.12.2014 CHF	31.12.2013 CHF	Change over previous year
Actuarial reserves for retirement pension recipients	209,132,332	186,085,150	23,047,182
Actuarial capital for disability pensions	11,649,713	10,851,606	798,107
Actuarial capital for spouse's/partner's pensions	7,770,134	7,398,472	371,662
Actuarial reserves for child's pensions	1,563,111	1,163,186	399,925
Total actuarial capital for pension recipients	230,115,290	205,498,414	24,616,876

To ensure that annual decisions on adjustments to current pensions can be taken on a sound basis, the Board of Trustees has resolved to keep a 10-year generational balance sheet to quantify the accrued funds being transferred from active insurees to pension recipients at any given time. This will be done by taking the difference between the interest rate paid on active insurees, actuarial capital and the technical interest rate paid on pension recipients, actuarial capital (including a strengthening of longevity risk) and adding it to/subtracting it from the previous year's balance. Any further potential transfers between active insurees and pension recipients will not be recognised in the balance sheet.

A negative generational accounting balance will indicate that the transfer of accumulated funds is in favour of pension recipients and will mean that current pensions cannot be increased until this transfer amount has been offset. According to the calculations of the PVS's accredited pension actuary, the generational accounting balance at 31 December 2014 was as follows:

Year	Pension recipients' actuarial capital at 31 December in CHF	Active insurees' actuarial capital at 31 December in CHF	Generational accounting balance in CHF	Interest rate for active insurees	Technical interest rate for pension recipients plus additional 0.5% until 2011
2005	12,309,234	476,536,449	-192'233	2.50%	4.00%
2006	29,207,142	480,907,213	-226,743	3.25%	4.00%
2007	49,260,686	469,478,994	-378,525	3.25%	4.00%
2008	70,396,137	444,490,046	-895,093	2.75%	4.00%
2009	92,571,371	437,657,336	-1,887,231	2.00%	4.00%
2010	110,524,307	457,528,902	-2,285,975	2.00%	4.00%
2011	147,823,293	453,223,258	-3,047,905	2.00%	4.00%
2012	180,850,752	437,032,050	-2,351,976	1.75%	3.00%
2013	205,498,414	425,848,021	-2,125,543	2.00%	3.00%
2014	230,115,290	423,632,581	1,662,098	3.75%	3.00%
Total			-11,729,126		

5.5 Composition, changes to and details of the technical provisions

Composition	31.12.2014 CHF	31.12.2013 CHF	Change over previous year
Technical provisions			
Fluctuation reserves for death and disability	1,222,504	1,625,148	-402,644
Provision for special events	3,205,560	2,054,984	1,150,576
Provision for conversion rate	8,588,878	6,940,166	1,648,712
Total technical provisions	13,016,942	10,620,298	2,396,644

The "fluctuation reserves for death and disability" is a provision for pending disability cases and a provision for death and disability risks. This provision has been reduced due to full reinsurance with PKRück, and is calculated based on the number of cases of illness lasting longer than 60 days at the balance sheet date. At 31 December 2014, a total of 7 insurees (previous year: 46) were awaiting a decision on the possible provision of disability benefits.

The "provision for special events" serves to cushion future conversions to new technical bases and is increased each year by 0.5% of the actuarial reserves for pensions.

The "provision for conversion rate" has been created to compensate for pension losses created by the conversion rates being too high compared with the technical interest rates. The provision is created for persons who have reached the age of 55.

5.6 Result of the latest actuarial appraisal

The latest actuarial appraisal of the PVS was conducted as at 31 December 2014. The accredited pension actuary confirmed therein that

- the scheme is in a position to meet all its obligations; and
- the provisions of the regulations applicable to the scheme's benefits and financing comply with the relevant legal requirements.

5.7 Actuarial principles and other actuarial assumptions

The accounting principles are based on BVG 2010 actuarial data and the standard cross-sectional mortality table projected to 2015 (previous year: BVG 2010 actuarial data and the standard cross-sectional mortality table projected to 2014) at a technical interest rate of 3.0% (previous year: 3.0%). The calculations have been made in accordance with the Principles and Guidelines for Accredited Pension Actuaries of the SAA and the Swiss Chamber of Pension Actuaries according to the “closed-fund” principle.

5.8 Funding ratio as defined in Art. 44 BVV2

	31.12.2014 CHF	31.12.2013 CHF	Change over previous year
Total assets at fair value	772,142,487	728,469,080	43,673,407
less liabilities	-2,542,184	-2,786,797	244,613
less accrued expenses and deferred income	-174,927	-230,051	55,124
Assets available	769,425,376	725,452,232	43,973,144
Actuarial capital for active insurees	423,632,581	425,848,021	-2,215,440
Actuarial capital for pension recipients	230,115,290	205,498,414	24,616,876
Technical provisions	13,016,942	10,620,298	2,396,644
Actuarial capital required	666,764,813	641,966,733	24,798,080
Funding surplus as per Art. 44 para. 1 BVV2 (assets available less actuarial capital required)	102,660,563	83,485,499	19,175,064
Funding ratio as per Art. 44 para. 1 BVV2 (assets available x 100 divided by actuarial capital required)	115.4%	113.0%	

The PVS's funding ratio as defined in Art. 44 para. 1 BVV2 stood at 115.4% at 31 December 2014.

6 Notes on investments and on the net return on investments

6.1 Organisation of investment activities, investment advisors and managers, and investment regulations

The PVS's Investment Regulations specify the assignment of responsibilities, authorities and control functions between the Board of Trustees and the Investments Committee.

Board of Trustees

The Board of Trustees is responsible for determining the PVS's investment strategy and the asset management institutions charged with its implementation. To ensure the constant supervision of these activities, the Board of Trustees appoints a two-member Investments Committee consisting of one employer's and one employees' representative.

Investments Committee

The Investments Committee is responsible for implementing and monitoring the PVS's investment strategy, ensuring that the weightings of the asset categories remain within the specified ranges and monitoring the activities of the portfolio managers and the administrative office. The Investments Committee generally meets every two to three months.

Category	Asset management mandated to	Portfolio manager
Money market investments	Syz AM Liquidity Money Market CHF	Swiss & Global Asset Mgt AG
CHF bonds	Syz AM Swiss Bond Index Fund Syz AM Swiss Government Bond Index Fund CIF Swiss Bond Tot. Market Ind. Domestic	Swiss & Global Asset Mgt AG ZKB
Global IFL bonds hedged	CSIF Infl. Linked Bond World Index	Credit Suisse
Foreign currency bonds, rest of world	CSIF Bond Aggr. Rest World Currency Index	Credit Suisse
Emerging market bonds	Lazard Emerging Markets Local Debt Fund	Lazard Asset Management
Mortgage loans	Mortgages to beneficiaries	PFS Pension Fund Services
Equities Switzerland	CSIF Switzerland Total Market Index Blue CIF Swiss Small & Mid Cap Index	Credit Suisse ZKB
Equities Europe	UBS (CH) IF Equities Europe Passive II I-X	UBS AG, Global Asset Mgmt
Equities North America	UBS (CH) IF 2 Equities USA Passive II I-X UBS (CH) IF Equities Canada Passive II I-X	UBS AG, Global Asset Mgmt
Equities Pacific	UBS (CH) IF Equities Pacific (ex Japan) Passive II I-X UBS (CH) IF Equities Japan Passive II I-X	UBS AG, Global Asset Mgmt
Equities emerging markets	CIF Emerging Market Index	ZKB
Equities foreign (sustainable)	Henderson Global Care Growth Fund IPF World ex CH Index Responsible N	Henderson Global Investors ZKB
Commodities	Pictet Solutions-Global Commodities Pictet Solutions-Global Commodities Diversified	Pictet Asset Mgt. S.A. Pictet Asset Mgt. S.A.
Real estate in Switzerland	Turidomus investment trust Adimora investment trust CS 1A Immo PK	Pensimo Management AG Pensimo Management AG Credit Suisse

In the year under review, new investments were made in bonds in the „Lazard Emerging Markets Local Debt Fund,, and further investments in equities through ZKB's „IPF World ex CH Index Responsible Class N,,. The bond investments „CSIF Inflation linked Bond EUR ex Italy,, and equity investments „OekoSar Equity - Global F,, were sold.

The institutions mandated with management of the assets meet the requirements and procedure for admission stipulated by OPSC directive D-01/2014. Compliance with Art. 48f para. 2-5 BVV2 is assured.

6.2 Use of supplementary vehicles (Art. 50 para. 4 BVV 2) with conclusive evidence of compliance with security and risk diversification requirements (Art. 50 para. 1-3 BVV 2)

In the year under review, the PVS did not make use of any supplementary investment vehicles as provided for by BVV2.

BVV2 restriction	SAA weighting	Net share at 31.12.2014	BVV2 limit	BVV2 article
Foreign currencies (without hedging)	28%	27.3%	30%	55e

6.3 Target size and calculation of the fluctuation reserves

Fluctuation reserves are intended to cushion a scheme against fluctuations in the value of its investments, and to prevent it from becoming underfunded as a result of volatility.

As part of its current investment strategy, the PVS defines expected returns and risks on its investments annually based on historical benchmark data and current return projections for each asset category. The required fluctuation reserves are calculated accordingly as 2% of the “value at risk” for a two-year period. In setting the level of its fluctuation reserves, the PVS also pays due regard to the structure and performance of the scheme’s savings and actuarial capital and to the technical provisions required. These reserves are calculated using the consistency principle, and are revised annually.

The PVS’s investment strategy has the following characteristics:

Characteristics of the investment strategy	2014	2013
Expected return	4.2%	4.2%
Historical risk	6.2%	6.2%
Two-year (previous year: two-year) fluctuation reserves required as a percentage of total actuarial capital and technical provisions	18.3%	19.5%

The calculation of the required fluctuation reserve includes a 3.0% interest on the retirement savings of active insurees (previous year: 3.0%) and 3.0% interest on pension capital (previous year: 3.0%), and is based on the expected return after deduction of assumed asset management costs of 0.3%.

Fluctuation reserve required	2014 CHF	2013 CHF	Change over previous year
Fluctuation reserve at 1 January	83,485,499	55,841,676	27,643,823
Transfer from operating income statement	19,175,064	27,643,823	-8,468,759
Fluctuation reserve according to the balance sheet at 31 December	102,660,563	83,485,499	19,175,064
Fluctuation reserve required	122,017,961	125,183,513	-3,165,552
Shortfall in fluctuation reserve	-19,357,398	-41,698,014	-22,340,616

6.4 Presentation of investments by asset category

Asset category	31.12.2014 CHF	% of total assets	SAA	Target range	Art. 55 BVV2	31.12.2013 CHF	% of total assets
Nominal values	266,537,611	34.9%	36%	22-54%	100%	250,959,124	34.8%
Liquidity and money market investments	34,640,239	4.5%	2%	1-10%		33,468,274	4.6%
Receivables	5,570,324	0.7%	n/a			6,178,335	0.9%
CHF bonds	99,114,468	13.0%	14%	10-17%		84,920,501	11.8%
EUR IFL bonds (including currency hedges)	0	0.0%	0%	0%		33,037,134	4.6%
Global IFL bonds hedged	41,424,785	5.4%	6%	4-8%		38,255,820	5.3%
Foreign currency bonds, rest of world	32,540,769	4.3%	5%	3-7%		29,985,123	4.2%
Emerging market bonds	29,452,526	3.9%	4%	2-6%		0	0%
Mortgage loans	23,794,500	3.1%	5%	2-6%		25,113,937	3.5%
Equities	265,194,824	34.7%	32%	11-49%	50%	238,607,812	33.1%
Equities Switzerland	59,660,340	7.8%	7%	3-9%		57,994,941	8.0%
Equities Europe	24,294,851	3.2%	3%	1-6%		23,726,945	3.3%
Equities North America (incl. currency hedging)	37,837,550	5.0%	4%	2-9%		30,561,554	4.2%
Equities Pacific (incl. currency hedges)	23,803,802	3.1%	3%	1-6%		21,786,698	3.0%
Equities foreign sustainable (incl. currency hedges)	84,392,622	11.0%	10%	2-12%		72,008,486	10.0%
Equities emerging markets	35,205,659	4.6%	5%	2-7%		32,529,188	4.5%
Non-traditional investments	24,855,994	3.3%	5%	2-7%	15%	32,335,144	4.5%
Commodities (incl. currency hedges)	24,855,994	3.3%	5%	2-7%		32,335,144	4.5%
Real estate	207,745,995	27.2%	27%	22-33%	30%	198,756,769	27.6%
Real estate in Switzerland	207,745,995	27.2%	27%	22-30%		198,756,769	27.6%
Real estate outside Switzerland	0	0.0%	0%	0-3%		0	0.0%
Total investments	764,334,424	100.0%	100.0%			720,658,849	100.0%

SAA = strategic asset allocation (investment strategy)

The investment restrictions laid down in Arts. 54, 54a and 54b BVV2 were observed.

Currency hedges	31.12.2014 CHF	% of total assets	SAA	Target range	31.12.2013 CHF	% of total assets
Total	71,561,588	9.4%	11%	1-34%	60,729,376	8.4%
EUR	0	0.0%	0%	0-4%	16,619,157	2.3%
USD	64,375,648	8.4%	11%	1-25%	41,387,912	5.7%
JPY	7,185,940	0.9%	0%	0-3%	2,722,307	0.4%
GBP	0	0.0%	0%	0-2%	0	0.0%

As at 31 December 2014 there were no breaches of the target ranges.

6.4.1 Mortgages

The mortgages are mortgage loans granted by the PVS to beneficiaries. The PVS grants beneficiaries first mortgages on residential houses and apartments in Switzerland which are occupied by the borrower either all year or for their own vacation purposes. Mortgages can be obtained for up to 80% of the property's declared market value (or 65% for vacation homes), up to a maximum of CHF 750,000.

65% of the market value of the mortgage loan must be amortised upon retirement.

Should an insuree leave the PVS or elect to receive all their retirement benefits in the form of a lump-sum payment, they may continue to maintain any PVS mortgage they hold according to the same terms and conditions. Should the property concerned be sold, the mortgage loan must be repaid on the date of the sale transaction.

At its meeting on 25 September 2012, the Board of Trustees resolved to apply to PVS mortgages the same stricter regulations relating to a buyer's equity capital as applied by banks and insurance companies. This means that an applicant must contribute at least 10% of the purchase price or market value from their own funds, which may not be drawn from their occupational pension entitlements.

The PVS offers variable-rate mortgages and three or five-year fixed-rate mortgages. The interest rate on variable-rate PVS mortgages is set by the Board of Trustees on the basis of current market conditions, and amounted to 2.5% in 2014. The interest rates for three and five-year fixed-rate mortgages are determined daily on the basis of the mid-rate of the ZKB swap rates plus 1%. The minimum interest rate for three and five-year fixed-rate mortgages is 1%.

From 1 January 2015, the PVS is granting one to 10-year fixed-rate mortgages and the interest rate for variable mortgages is now 1.9%.

The mortgage loan portfolio in 2014 was as follows:

Mortgage loan statistics	2014	2013
	CHF	CHF
At 1 January	25,113,937	26,454,937
New mortgages		
Mortgages terminated	-1,354,000	-1,010,000
Increases	60,563	
Amortisations	-26,000	-331,000
At 31 December	23,794,500	25,113,937
Of which fixed-rate mortgages	20,940,000	17,908,937

Borrowers by type	2014	2013
Active insurees	29	34
Pension recipients	30	31
Others	10	8
At 31 December	**76	*73

Average loan amount	48.1%	49.6%
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** 2014/five borrowers had two mortgage tranches, and two borrowers had two mortgages (on two separate properties).

* 2013/six borrowers had two mortgage tranches, and two borrowers had two mortgages (on two separate properties)

“Others” are former beneficiaries who, as permitted by the scheme’s mortgage guidelines, continued to maintain their PVS mortgages after leaving the scheme or having elected to receive all their retirement benefits in the form of a lump-sum payment.

6.5 Current (open) derivative financial instruments

In accordance with the current Investment Regulations, hedges are effected on assets held in foreign currencies. The following forward foreign exchange contracts were open on the balance sheet date:

Forward foreign exchange contracts for investments in	Currency	Amount in local currency	Contractual forward rate/value in CHF	Current forward rate/value in CHF	Gain/loss at 31 December 2014 CHF
Sale on 15 December 2015	USD	16,100,000	0.9726	0.9843	
			15,658,055	15,847,828	-189,773
Sale on 15 December 2015	USD	17,800,000	0.9726	0.9843	
			17,311,390	17,521,201	-209,811
Sale on 15 December 2015	USD	31,500,000	0.9726	0.9843	
			30,635,325	31,006,619	-371,294
Sale on 15 December 2015	JPY	643,700,000	0.0081	0.0083	
			5,193,951	5,313,716	-119,765
Sale on 15 December 2015	JPY	226,800,000	0.0081	0.0083	
			1,830,027	1,872,224	-42,197
Total open forward foreign exchange contracts at 31.12.2014			70,628,748	71,561,588	-932,840

The above forward foreign exchange contracts are covered by investments in USD equities, JPY equities, foreign (sustainable) equities and USD commodities and were concluded via Credit Suisse (as the counterparty).

6.6 Market values and contracting partners under securities lending agreements (securities lending)

In accordance with the resolution of the Board of Trustees in 2009, the PVS transferred all investments into investments without securities lending during the course of 2010.

The only exception is the investment in „ZKB-CIF Swiss Bond Total Market Index AAA-BBB Domestic,, Class N, Swiss Security No. 11704.507, which permits securities lending within the fund. The fund statements are closed at the end of February. The fund manager informs us that bonds with a total value of CHF 11,402,074 were on loan as at 31 December 2014, corresponding to a lending ratio of 41.02%.

6.7 Explanation of net income from investment activities

The income from the PVS’s various investments is shown in detail in the operating income statement. Further details are provided below.

6.7.1 Details of income from real estate

	Income in CHF 2014	Assets in CHF as at 31.12.2014	Income in CHF 2013	Assets in CHF as at 31.12.2013
Turidomus investment trust	9,065,297	181,174,940	11,315,129	173,786,676
Casareal investment group	6,452,633	105,854,724	7,437,685	100,101,456
of which purchased		3,460,185		2,447,351
Distribution	4,159,550		3,944,647	
Change in net asset value	2,293,083		3,493,038	
Proreal investment group	2,612,664	75,320,216	3,877,444	73,685,220
of which purchased		2,310,212		3,108,524
Distribution	3,287,880		3,297,687	
Change in net asset value	-675,216		579,757	
Adimora investment trust	515,544	8,075,055	74,802	6,542,093
Omega investment group				
of which purchased		1,287,023		2,517,623
Distribution	269,605		193,410	
Change in net asset value	245,939		-118,608	
CS 1A Immo PK	880,600	18,496,000	777,200	18,428,000
of which sold				-2,710,000
Gain realised upon sale			70,000	
Sale of subscription rights	105,400			
Distribution	707,200		707,200	
Change in net asset value	68,000		0	
Total real estate	10,461,441	207,745,995	12,167,131	198,756,769
TER costs recognised under income	652,107		668,026	
Total net income from real estate in Switzerland as per operating income statement	11,113,548		12,835,157	

The scheme's real estate assets are indirect investments via the Turidomus and Adimora investment trusts. The investments with Turidomus are divided into claims in the Casareal investment group (residential property) and claims in the Proreal investment group (commercial property). The income consists of the distributions paid for the year under review plus/minus the changes in the assessment of the net asset value of the claims.

6.7.2 Overall investment performance

According to our calculations, the overall investment performance by asset category was as follows:

Net income from investments	2014 CHF	Perform. in %	2013 CHF	Perform. in %
Nominal values	14,008,921	5.5%	-7,936,496	-3.3%
Liquidity and money market investments	204,191	0.4%	74,782	0.2%
CHF bonds	6,975,994	7.7%	-1,807,319	-2.2%
EUR bonds(incl. currency hedges)	966,552	3.3%	-1,540,772	-4.5%
Global IFL bonds hedged	3,340,909	8.8%	-2,515,715	-6.2%
Foreign currency bonds, rest of world	3,009,008	10.2%	-2,657,553	-8.2%
Emerging market bonds	-914,936	-2.7%	0	0.0%
Mortgage loans	427,203	1.8%	510,081	2.0%
Equities	32,252,029	13.6%	39,649,337	19.3%
Equities Switzerland	7,012,300	12.5%	13,055,384	26.1%
Equities Europe	814,448	3.5%	5,661,650	21.7%
Equities North America (incl. currency hedges)	6,886,383	22.7%	9,866,301	27.5%
Equities Pacific (incl. currency hedges)	1,912,349	8.7%	4,074,626	14.7%
Equities foreign sustainable (incl. currency hedges)	12,658,955	17.4%	8,813,861	25.3%
Equities emerging markets	2,967,594	9.2%	-1,822,485	-5.3%
Non-traditional investments	-10,186,341	-31.3%	-184,243	-1.1%
Commodities (incl. currency hedges)	-10,186,341	-31.3%	-184,243	-1.1%
Real estate	11,113,548	5.2%	12,835,157	6.4%
Real estate in Switzerland	11,113,548	5.2%	12,835,157	6.4%
Total net income from investments	47,188,157	6.4%	44,363,755	6.3%

The performance was calculated using the time-weighted return (TWR) method and is reported net (i.e. after deduction of the costs of indirect investments).

6.8 Explanation of asset administration costs

Asset administration costs	2014 CHF	2013 CHF	Change over previous year
Securities accounting costs	19,872	19,872	0
Investment advisory costs	60,302	58,874	1,428
Management fees for mortgages to beneficiaries	26,506	28,054	-1,548
Bank charges for collective investments	15,018	0	15,018
Bank charges for direct investments	2,242	1,327	915
Stamp duty on collective investments	45,551	7,189	38,362
Transaction costs for collective investments	4,608	51,668	-47,060
Custodian fees/management fees for collective investments	275,021	191,226	83,795
Key cost figures for collective investments	1,149,978	1,393,881	-243,903
Total asset administration costs	1,599,098	1,752,091	-152,993

Reported asset management costs	2014	2013
	CHF	CHF
Asset management costs recorded directly in the operating income statement	449,120	358,210
Total of all key cost figures entered in the operating income statement for collective investments, in CHF	1,149,978	1,393,881
Total asset management costs recognised in the operating income statement	1,599,098	1,752,091
Total asset management costs recognised in the operating income statement as a percentage of cost-transparent investments	0.22%	0.24%

Transparent collective investments

Provider and product name	Fair value	TER	TER
	31.12.2014	in %	in CHF
	CHF		
Swiss & Global; Syz AM (CH) Liquidity Mgmt CHF I2	29,107,034	0.10%	29,107
Swiss & Global; Syz AM (CH) Track – CHF Bonds I3	51,339,448	0.18%	92,411
Swiss & Global; Syz AM (CH) Track – Swiss GVT Bonds I3	19,977,966	0.20%	39,956
UBS (CH) IF – Equities Canada Passive II	2,411,002	0.01%	241
Henderson Global Care Growth Fund	21,269,032	0.85%	180,787
Pensimo; Adimora investment trust – Omega	8,075,055	0.53%	42,798
Pensimo; Turidomus investment trust – Casareal	105,854,724	0.30%	317,564
Pensimo; Turidomus investment trust – Proreal	75,320,216	0.24%	180,769
Credit Suisse 1a Immo PK	18,496,000	0.60%	110,976
Pictet CH Solutions – Global Commodities Diversified -J	8,010,349	0.65%	52,067
Pictet CH Solutions – Global Commodities -J	17,216,939	0.60%	103,302
Total cost of transparent collective investments			1,149,978

The TER costs are gross, i.e. no allowance is made for reimbursements. The following reimbursements accrued in 2014:

Provider and product name	Reimbursement	
	2014	2013
	CHF	CHF
Swiss & Global; Syz AM (CH) Track – CHF Bonds I3	83,795	69,672
Swiss & Global; Syz AM (CH) Track – Swiss GVT Bonds I3	30,636	25,250
Henderson Global Care Growth Fund	57,849	48,930
Sarasin OekoSar Equity Global -I- Cap.	0	78,698
Pictet CH Solutions – Global Commodities Diversified -J	15,824	16,634
Pictet CH Solutions – Global Commodities -J	40,273	41,452
Total	228,377	280,636

Allowing for these reimbursements, **asset management costs** fall to CHF 1,370,721 (previous year: 1,471,455) and **amount to 0.19% (previous year: 0.20%) of cost-transparent investments.**

Non-transparent collective investments

Provider Product name	ISIN	Units held	Market value 31.12.2014 CHF	in % of invest- ments
Lazard Global Investment Funds plc. Ireland Lazard Emerging Markets Local Debt Fund	IE00B3WFFX14	311,453	29,452,526	3.85%
Total non-transparent collective investments			29,452,526	3.85%
Total transparent investments “Cost transparency ratio”			734,881,898	96.15%

The cost transparency ratio is 96.15% (previous year: 100%)

On the balance sheet cut-off date, Lazard was not in a position to provide the TER information stipulated in the OPSC directive.

Additional collective investments with CS, UBS and ZKB are made in the Z, I-X and N Class funds without any inherent costs (fees charged separately).

6.9 Explanation of investments with the employer

Receivables from employer	31.12.2014 CHF	31.12.2013 CHF	Change over previous year
Swissport International AG	206,388	223,290	-16,902
Swissport International AG, Zurich operations	2,026,336	2,304,759	-278,423
Swissport International AG, Basel operations	465,443	702,894	-237,451
Swissport International AG, Geneva operations	1,280,787	1,354,472	-73,685
Swissport Baggage Sorting AG	222,545	241,340	-18,795
PrivatPort S.A.	17,159	17,147	12
Swissport Group Services GmbH	34,896	58,831	-23,935
Careport AG	89,319	157,735	-68,416
GVAssistance S.A.	74,752	71,143	3,609
Total receivables from employer	4,417,625	5,131,611	-713,986

The item “Receivables from employer” includes the contributions calculated for the affiliated employers for November and December 2014. The contributions were paid in full in January and February 2015.

7 Notes on further balance sheet and operating income statement items

7.1 Balance sheet

Assets

7.1.1 Other receivables

This solely comprises refundable withholding tax amounts in 2014. The repayment was made in March 2015.

7.1.2 Prepaid expenses and accrued income

	31.12.2014	31.12.2013
	CHF	CHF
PKRück remaining premium balance	28,868	52,555
PKRück total claims balance	0	267,761
Accrued adjustments to contributions	12,160	3,671
Accrued income from investments	0	50,500
Accrued income from real estate	7,767,035	7,435,744
Total prepaid expenses and accrued income	7,808,063	7,810,231

The item "accrued income from real estate" includes the outstanding dividend from the Turidomus and Adimora investment trusts (real estate investments) for the year under review.

Liabilities

7.1.3 Other liabilities

This item includes various invoices for the financial year which were paid in January 2015.

7.1.4 Accrued expenses and deferred income

The "accrued expenses and deferred income" consist mainly of the contribution still owed to the LOB Guarantee Fund, outstanding management fees, provisions for supervisory authority fees, and expenses for auditing and accredited pension actuary's reports for the reporting year.

7.2 Operating income statement

7.2.1 One-off deposits and buy-in amounts

	2014	2013	Change over
	CHF	CHF	previous year
Employees' voluntary deposits	854,689	642,318	212,371
Employer's deposits	100,000	82,704	17,296
Total one-off deposits and buy-in amounts	954,689	725,022	229,667

7.2.2 Payments received in respect of early withdrawals for home ownership/divorce

	2014	2013	Change over
	CHF	CHF	previous year
Voluntary repayments of home financing withdrawals	990,261	318,643	671,618
Amounts received through divorce settlements	480,583	1,035,000	-554,417
Voluntary repayments of assignments on divorce	30,000	42,296	-12,296
Total payments received in respect of early withdrawals for home ownership/divorce	1,500,844	1,395,939	104,905

Voluntary repayments of home financing withdrawals were made by twelve (previous year: six) insurees. Five insurees (previous year: eight) received amounts from the occupational retirement savings of their former spouses which were paid into their retirement savings accounts as part of divorce settlements. In addition, one (previous year: one) insuree made voluntary repayments of assignments on divorce.

7.2.3 Child's pensions

	2014	2013	Change over
	CHF	CHF	previous year
Child's pensions for children of old-age pension recipients	114,290	87,154	27,136
Orphan's pensions	59,056	43,410	15,646
Child's pensions for children of disabled pension recipients	46,384	65,665	-19,281
Total child's pensions	219,730	196,229	23,501

7.2.4 Early withdrawals for home ownership/divorce

	2014	2013	Change over
	CHF	CHF	previous year
Early withdrawals for home ownership	2,019,490	842,233	1,177,257
Retirement savings transferred out as part of divorce settlements	865,836	1,001,607	-135,771
Total early withdrawals for home ownership/divorce	2,885,326	1,843,840	1,041,486

A total of 30 insurees (previous year: 18) made use of the option allowing the use of PVS retirement savings for home financing purposes. The average advance withdrawal for home financing was CHF 67,316 (previous year: CHF 46,791).

A total of 12 insurees (previous year: 13) transferred part of their occupational retirement savings to the occupational pension schemes of their former spouses as part of divorce settlements.

7.2.5 Other expenses

The contribution to Swissport Health Management item includes the PVS's share of the expenditure incurred in the health management activities of affiliated employers. In accordance with a resolution by the Board of Trustees of 12 July 2007, the PVS contributes CHF 225,000 a year towards the employers, health management expenses, subject to the following conditions:

- The employers affiliated to the PVS commit themselves to at least equivalent expenditure.
- The employers' health management units draw up an implementation plan for the use of the contribution of the PVS.
- The PVS's contribution commitment is for three years; it was renewed with effect from 1 January 2013 and increased to CHF 275,000 excl. VAT.

The details of the health management services to be provided were specified in a service agreement dated 20 November 2007 (renewed with effect from 1 January 2013). The PVS's contribution is financed from risk insurance premiums as well as by a lower reinsurance premium. The PVS's beneficiaries were informed of this decision.

7.2.6 Administrative expenses

	2014 CHF	2013 CHF	Change over previous year
Auditors' fees	41,413	38,753	2,660
Accredited pension actuary's fees	31,406	37,007	-5,601
Board of Trustees, compensation, expenses and training costs	71,155	73,659	-2,504
PFS AG administrative expenses	779,258	776,093	3,165
Translation and printing expenses	37,341	36,481	860
Retirees' seminar expenses	12,500	13,280	-780
Supervisory authority fees*	1,340	21,184	-19,844
Other administrative expenses	3,700	3,700	0
Total administrative expenses	978,113	1,000,157	-22,044

* The annual supervisory fee of the BVS in the Canton of Zurich is now invoiced separately in the fourth quarter of each year. This was hitherto levied as part of the audit of the financial statements. For that reason, no accruals were made for 2014.

Based on the 3,955 (previous year: 3,927) active insureds and pension recipients (not including child's pensions) as at 1 January 2014, the PVS's administrative expenses amounted to CHF 247 per beneficiary in 2014 (previous year: CHF 255).

8 Stipulations of the supervisory authority

The PVS is not currently subject to any specific stipulations of the supervisory authority. Comments and remarks made by the supervisory authority were taken into account in this year's financial statements.

9 Further information concerning the financial situation

9.1 Retrocessions

In the year under review, PVS requested that its external asset managers furnish information on retrocessions received or paid as part of its duty of accountability and the duty of delivery in accordance with Art. 400, para. 1 of the Swiss Code of Obligations, the provisions concerning the handover of pecuniary gains under Art. 48k of BVV2 (Swiss Federal Ordinance on Occupational Retirement, Survivors, and Disability Pension Plans), as well as the respective rulings of the Swiss Federal Supreme Court (most recent Swiss Federal Supreme Court rulings BGE 4A_127/2012 and 4A_141/2012 dated 29 October 2012).

In the year under review, the external asset managers did not declare any retrocessions.

9.2 Pledged assets

The PVS maintains a CHF 20,000,000 credit facility agreement to cover the margins on forward foreign exchange contracts concluded via Credit Suisse. All the PVS's assets deposited with Credit Suisse are pledged in order to secure the credit limit.

9.3 Audit by the Swiss Federal Tax Administration – Demand for repayment of withholding tax on SSgA's MSCI Switzerland Equities CTF.

The PVS received a letter from the Swiss Federal Tax Administration dated 25 November 2010. This demanded the repayment of withholding tax for the years 2007 and 2008 which PVS had reclaimed on Swiss equities within the MSCI Switzerland Equities CTF.

The PVS repaid withholding tax of CHF 42,276.84 for 2007 and 2008. In a letter dated 22 December 2010 to the Swiss Federal Tax Administration (SFTA), the PVS stated that it had repaid the reclaimed withholding tax for 2007 and 2008 in order to avoid any interest penalties and benefit from the payment of interest. It also wrote that the payment did not represent recognition of the demand made by the SFTA and that the PVS reserves the right to reclaim this withholding tax again within the three-year deadline using Form 25.

The PVS also requested that the SFTA issue a formal order as provided for by Art. 42 of the Swiss Federal Law on Withholding Tax for the repayment of withholding tax for 2007 and 2008.

In a letter dated 26 January 2011, the SFTA advised us that a number of pension funds were in the same position and a test case was being taken against one particular scheme. The PVS would receive further information depending on the outcome of this legal action. The courts have yet to reach a final decision and no formal demand has yet been received from the SFTA.

What is more, the PVS has asserted its right to demand reimbursement of withholding tax in the amount of CHF 70,831.26 for 2009, CHF 179,554.30 for 2010, CHF 23,366.00 for 2011 and CHF 20,533.33 for 2012, but has agreed for reimbursement to be suspended until the matter has been clarified.

10 Events after the balance sheet date

None.

REPORT OF THE STATUTORY AUDITOR TO THE BOARD OF FOUNDATION OF THE

Personalvorsorge Swissport, Opfikon

Report of the Statutory Auditor on the Financial Statements

As statutory auditor, we have audited the accompanying financial statements of Personalvorsorge Swissport, which comprise the balance sheet, operating account and notes on pages 16 to 45 for the year ended 31 December 2014.

Foundation Board's Responsibility

The Foundation Board is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and with the foundation's deed of formation 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 Foundation Board 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 Foundation Board 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.

Opinion

In our opinion, the financial statements for the year ended 31 December 2014 comply with Swiss law and with the foundation's deed of formation and the regulations.

Reporting on the basis of 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 Foundation Board is responsible for ensuring that the legal requirements are met and that the statutory and regulatory provisions on organisation, management and investments are applied.

We have assessed whether

- organisation 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 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 and statutory requirements have been met.

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

KPMG AG

Kurt Gysin
Licensed Audit Expert

Corinne Buri

Zurich, 4 May 2015

