



# 2015 Annual Report





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## FOREWORD

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

### **Interest rates at all-time lows – the years of plenty are over**

The 2015 investment year was characterised by geopolitical tension and economic uncertainty. As a result, the financial markets were very negatively impacted throughout the year by the conflict in Syria, the possibility of Greece's exit from the EU, China's growth concerns, refugee policy and the terror attacks in Paris.

The financial markets were also strongly influenced by the central banks. This factor was particularly evident as the Swiss National Bank surprisingly scrapped the Swiss franc's floor against the euro in January and reduced the target rate for the three-month CHF LIBOR by 0.5%, sending it into negative territory. This resulted in a sharp appreciation of the Swiss franc and a collapse of the Swiss exchange.

In a highly volatile environment with extremely low interest rates, the overall performance in 2015 as an average of all Swiss pension funds was 0.7%, which is significantly below the budgeted return required to meet pension obligations.

The last financial year was also unfavourable for the PVS. The return on investments was 0.49% (previous year: 6.37%).

The Swiss Market Index (SMI), which comprises the 20 largest stocks on the Swiss exchange, lost 1.84% in 2015. On 5 August 2015, it reached a high of 9,527 points, having experienced its low point on 16 January 2015 at 7,900 points. The SMI reached its historical all-time high of 9,531 points in the early summer of 2007. By way of a reminder, the SMI figures do not include dividends paid. If these are taken into account, the return for 2015 is 1.15%.

Turning to our funding ratio: after crediting interest of 2% to all retirement savings, our funding ratio stood at 113.3% at 31 December 2015 (previous year: 115.4%). The target value for the fluctuation reserve is 17.4% of pension assets and technical provisions. At the end of 2015, the available fluctuation reserve was around CHF 90 million, which corresponds to 76% of the target value.

### **Board of Trustees**

Ralf Müller was automatically elected as the successor to Philippe Crippa, employee representative for the Geneva operations, 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.

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

Sonja Eckerlin retired at the end of October. In order to ensure that the Basel operations would be represented on the Board of Trustees until the election, Sonja Eckerlin agreed to continue serving as a member of the Board of Trustees until the end of her term of office on 30 June 2016.

## **Management of the PVS**

Markus Staudenmaier, managing director of the PVS since January 2009, retired on 31 May 2015. He was succeeded by Elisabeth Müller. Urs Ackermann continues to serve as deputy managing director. Christoph Bohren joined the management team in December 2015. We can continue to count on the active commitment of 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 (PFS).

We had 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 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, (91 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 (31 active beneficiaries)
- Swissport International AG, Zurich operations (1,782 active beneficiaries)
- Swissport Baggage Sorting AG, Kloten ZH (205 active beneficiaries)
- Careport AG, Opfikon ZH (87 active beneficiaries)
- Swissport International AG, Basel operations (476 active beneficiaries)
- Swissport International AG, Geneva operations (1,074 active beneficiaries)
- GVAssistance S.A., Le Grand-Saconnex GE (64 active beneficiaries)
- PrivatPort S.A., Meyrin GE (9 active beneficiaries)

(= a total of 3,819 active beneficiaries at 31 December 2015)

## **Swissport Group**

In February 2016 HNA Group Co. Ltd. ("HNA Group") has closed its acquisition of Swissport Group ("Swissport") from PAI Partners SAS ("PAI Partners"). With the closing, Swissport became a stand-alone business within HNA Group. Swissport continues to deliver the highest quality ground handling and cargo services to its airline customers across the globe. HNA will support the Swissport management in the execution of the business plan and continue to expand its global footprint.

HNA Group, a Fortune Global 500 Company and a leader in aviation and tourism, was founded in 1993. In the past two decades, it grew from a local aviation transportation operator to a multinational conglomerate encompassing aviation, airport management, financial services, real estate, retail, tourism, and logistics. In 2014, HNA Group had revenues in excess of US \$25 billion, US \$72 billion in assets, 11 listed companies, and more than 110,000 employees worldwide.

In 2015, excluding the negative impact of foreign exchange, revenues continued to grow on the back of stronger traffic in the ground handling business and commercial successes in ground handling and cargo, partially offset by lower de-icing activity in Q4 and by a deceleration of the cargo volumes. In addition, important contracts were renewed during the year and Swissport successfully acquired a ground handling business in Mexico and an into-plane fuelling business in Germany in the third quarter, besides winning the ground handling license for Berlin. Swissport also successfully entered the Kazakhstan market with a start-up and is about to start new operations in Saudi Arabia and Ghana to continue its growth strategy in emerging markets. This was complemented by the exit from London Gatwick to terminate the losses at that station.

Swissport is the world's largest provider of ground and cargo handling services to the aviation industry. Each year, the company provides services for around 230 million passengers and handles 4.1 million tonnes of cargo a year on behalf of some 835 client-companies in the aviation sector. With a workforce of more than 61,000 personnel, Swissport is active at more than 290 stations in 48 countries across five continents, and generates consolidated operating revenue of CHF 3.0 billion.

### **Actuarial appraisal**

The following is a summary of the actuarial appraisal at 31 December 2015, 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 2015.

The number of active insured and the number of pension recipients increased by 10% compared to the previous year. The share of pension obligations in the total pension assets and provisions increased further. The calculations were based on BVG 2010 actuarial data and the standard cross-sectional mortality table, and were projected to 2016.

The average age of the insurees is 39.9 years, which is relatively low compared with that of an average pension scheme (approx. 44.5).

The pension recipients are relatively young with an average age of 66.6 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 and provisions for future conversions to new actuarial bases and retirement losses. As was the case in the previous year, the PVS risk process was positive in 2015 while the pension process was negative.

### **2015 annual result**

The vested benefits paid in by joining insurees amounted to CHF 11.3 million (rounded) in 2015 (CHF 9.2 million). At CHF 20.0 million, vested termination benefits paid out on leaving were above the previous year's level (CHF 16.4 million).

The PVS paid CHF 13.5 million in retirement pensions in 2015 (CHF 12.1 million). Lump-sum payments on retirement increased to CHF 8.8 million in 2015 (CHF 7.0 million). The increase in retirement benefits is a result of the increased number of pension recipients.

Interest on pension assets stood at CHF 8.0 million in 2015 (CHF 15.2 million).

The number of insurees increased by 367 (-57). The number of retirement pension recipients rose to 483 (428), while the number of disability pension recipients rose to 44 (42) and spouse's pension recipients to 21 (17).

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. Unlike in the previous year, the PVS had a net capital outflow. Pension liabilities also increased slightly.

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

In accordance with the contract with PFS, the PVS's administrative expenses are based on a sliding scale. They amount to CHF 237 per capita (CHF 247), and include the costs of the accredited pension actuary, audit, translations and printed matter.

## **Investments**

### ***“The financial markets”***

2015 was characterised by striking global events. The international equity markets reacted with sharp fluctuations and varying results. Nevertheless, Swiss equities closed 2015 nearly unchanged. The key events were:

- The scrapping of the minimum exchange rate between the Swiss franc and the euro on 15 January 2015, causing turbulence on the capital and currency markets. Although the euro briefly fell below parity, it partially recovered in the course of the year. At the same time, the SNB introduced negative interest rates on current account balances. The yields on government bonds with maturities of up to 10 years are negative.
- The ECB initiated a government bond buyback programme in March, which increased the liquidity of the markets by around EUR 60 billion per month. This prevented deflation and supported the equity markets. In December, the minimum term of the programme was prematurely extended by six months to March 2017.
- After the spring, there was a period of increased anxiety with correspondingly high fluctuations in prices. The escalating crisis in Greece and the protracted turnaround in US interest rates were also a source of irritation. However, most concerns were focused on China. GDP growth in that country slowed and the summertime crash of the overheated equity market (- 43%) along with the unexpected devaluation of the Chinese yuan underscored the gravity of the situation. Disappointing economic data subsequently prompted the Chinese central bank to devalue the currency and bolster trust in the Chinese economy by implementing an economic stimulus package.
- The US economy continued its strong recovery in 2015. This was also reflected in the unemployment rate, which is at its lowest level in seven years. The timing of the Federal Reserve's rate turnaround occupied the markets for most of the year and was a source of uncertainty until Janet Yellen raised reference rates on 16 December for the first time since 2006. This represented a monetary policy break from the other major economies.
- Commodity investments lost 25-35% of their value in 2015.
- Real estate continued to post consistent gains in 2015.
- Market development in 2015: Swiss equities (SPI) 2.7%, European equities (MSCI Europe ex CH) -2.7%, US equities (MSCI USA) 1.4%, Japanese equities (MSCI Japan) 9.0%, Swiss bonds (SBI Domestic AAA-BBB TR) 2.2%, US dollar in CHF 0.7%, euro in CHF -9.6%, oil (Brent, in USD) -35.9%, gold (in USD) -10.4%.

### ***“The financial markets/impact on the PVS”***

The Board of Trustees once again focussed much of its attention on investments in 2015, continually monitoring the events on the financial markets, analysing their impact on the PVS and implementing measures.

- Impact of scrapping the minimum exchange rate between the Swiss franc and the euro: In Information Update No. 35 of 18 February 2015, we advised our insurees of what preliminary effects this decision had on the PVS. As at the end of January 2015, the fluctuation reserves fell to CHF 82 million, which corresponded to 12.3% of liabilities. This was the result of substantial losses in the value of equities and investments in foreign currencies. The book loss as at the end of January was 2.54% or CHF 19.5 million. The asset classes of equities and investments in foreign currencies in particular suffered substantial losses. The fact that the losses weren't greater can be attributed to the currency hedging of the US dollar and the yen, which resulted in fluctuation reserves at the end of January 2015 of CHF 82 million (as at the end of 2014: CHF 103 million) or 12.3% (as at the end of 2014: 15.4%) of liabilities.
- The investment performance of -2.5% was 8% below the previous year's figure of 5.5%, mainly as a result of negative returns from all equity investments except for Asia Pacific with returns of 2.4% and

foreign bonds. A barely positive return was generated thanks to Swiss bonds (2.1%), real estate (7.5%) and mortgages (1.5%).

- Despite the skilful “distribution” of our liquidity, we were only partially able to avoid the National Bank’s negative interest rate of -0.75%. The Syz Money Market Fund (CH) also generated a negative performance of -0.12% as at the end of the year
- We were also forced to deal with a high level of exchange losses on commodity investments. Complete withdrawal from the two Pictet fund investments was implemented on 17 July 2015. The Investment Committee decided not to reinvest the resulting liquidity in US dollars until a decision had been reached on the fate of this asset class in the investment strategy in September.
- The PVS offers beneficiaries fixed-rate mortgages with terms of three and 10 years at extremely attractive conditions. The Board of Trustees is maintaining its strategy of offering insureds of the PVS variable and fixed-rate mortgages at preferential terms. Nevertheless, it was still not possible to generate the 5% performance in the investment strategy in 2015. The Board of Trustees therefore addressed the weighting of this asset class at its meeting in September.
- The Board considers real estate as strong future performer with a stabilising effect. It therefore decided to invest in the Swiss Prime “SPA Real Estate Switzerland” real estate investment trust of Bank Notenstein and subscribed 10,000 shares at CHF 1,000 each for a total amount of CHF 10.0 million. The subscription period ended on 17 September 2015. As was to be expected, the issue was oversubscribed by 2.7 times. The PVS was allocated entitlements worth a total of CHF 3.7 million. The Board of Trustees also approved an increase in investments in the amount of the available 1,440 entitlements from the Adimora investment trust of CHF 1.548 million and the 1,185 Turidomus entitlements in the amount of CHF 1,556 million. Swiss real estate amounted to 30% of investments as at the end of 2015.

#### ***“Strategic asset allocation (SAA), foreign currency risk and fluctuation reserve”***

- On 22 September 2015, the Board of Trustees agreed a new investment strategy (SAA), valid from 1 December 2015. After a discussion, the Board of Trustees unanimously decided to reduce the weighting of mortgages from 5% to 3%. The Board of Trustees used the freed up 2% to increase the share of Swiss equities to 9%. The Board of Trustees takes a critical stance towards commodities. In particular, the expectation that commodities are countercyclical to equities due to their low correlation with equities did not prove true in the financial crisis. Commodities do not function as a lifeline. The Board of Trustees decided to completely eliminate the 5% in commodities in the SAA and to increase Swiss real estate to 32% instead. Aside from equities, Swiss real estate is the only asset class in which distinctly positive returns are to be expected. This is why the Board of Trustees unanimously decided, for good reason, to exceed the threshold of 30% in the BVV2 guidelines.
- The Board of Trustees decided on 22 September 2015 to increase the hedging ratio for the main currencies of the US dollar, euro and yen for equities to 75%. The unhedged foreign currency risk was reduced to 20-25%.
- In addition, the ranges in the investment strategy were defined in an asymmetrical manner (more scope towards the bottom than towards the top). In a crisis, the institutions of the PVS should have the ability to buy some time with rebalancing.
- The level of the fluctuation reserve was also reviewed as part of the SAA adjustments. It is calculated based on what is referred to as the financial-economic method for a time frame of two years with a 98% security level and amounts to 17.4% of the liabilities of the PVS.

#### ***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](http://www.pv-swissport.ch) under “Performance”. The reports are updated on the 20th of each month. As at 31 December 2015 the funding ratio was 113.3% (previous year: 115.4%).



## **Cash flow**

In 2015, the inflow from vested benefits transferred into the scheme by joining insurees was for the first time lower than the outflow for benefits paid and withdrawals. The total cash flows stipulated in the plan regulations were negative for the first time ever due to the fact that the number of pension recipients is continually rising. As at 31 December 2015, there were 548 pension recipients (not including recipients of child's pensions) compared to 3,819 active insurees, which continues to equate to a ratio of nearly 1:7.

## **Determination of interest rates**

### ***Interest paid on retirement savings in 2015***

Unfortunately, due to this year's yield on assets it was not possible to maintain the previous year's interest rate of 3.75%. It is very important to the Board of Trustees that active insurees receive a reasonable share of the revenue. It therefore decided on 13 November 2015 to pay interest of 2.0% on all retirement savings, as it considered that the Foundation's economic situation permitted this. A lower interest rate would have been justifiable based on the very modest income generated from January to October 2015 and due to legal provisions.

### ***Determination of the interest rate payable in 2016***

The Board of Trustees will decide what interest rate to pay in 2016 towards the end of the year. It has once again 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 28 October 2015, the Federal Council decided to set a new BVG minimum interest rate for 2016 of 1.25% (previous year: 1.75%). This minimum rate is not binding on non-mandatory retirement savings.

### ***2016 interest rate for intra-year events***

As in 2004–2007 and in 2009–2015, 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 2016.

### ***Projected interest rate from 2016***

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 13 November 2015, the Board of Trustees also resolved that it would not increase pensions from their present levels with effect from 1 January 2016 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 the actuarial reserve of our pension recipients (prior to 1 January 2013: 3.5%).

The decision was also based on the unequal 12-year generational balance sheet, which at 31 December 2015 showed a net balance (transfer amount) of around CHF 14.0 million in favour of pension recipients and at the expense of active insurees. The transfer amount calculation took only the last 10 years into account. The generational balance sheet shown in the annual financial statements since the PVS began operations in 2004 (2015 financial statements: top of page 25) 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 12 years (2004–2015) was 2.46%, 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, equating to an average of 3.33%.

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, with the exception of 2014.

#### ***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. At its meeting in September 2015, the Board of Trustees therefore decided to continue paying its current benefit payment to Swissport International AG in the amount of CHF 275,000 for 2016 through 2018.

For the first time since 2011, there was a decrease in the number of employees under the collective labour agreement who were supported by Case Management in 2015. However, the number of employees in the "Illness/occupational accident/non-occupational accident" case figures increased to 182 in the Zurich operations and in Switzerland overall. Despite this increase, the number of disablements remained largely stable thanks to the high number of reintegrations.

### **Reinsurance of risks at PKRück for six years**

At its meeting on 23 November 2010, the Board of Trustees decided to insure the risks of disability and death with PKRück from 2011 through 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 is on processing the first claims. The Board of Trustees will address the question of policy renewal in 2016.

With regard to the insurance premium, it should be noted that PKRück has factored in around CHF 250,000 in administrative expenses or about CHF 65 per active insuree. In the past, these costs were reported in the Annual Report under Insurance premiums instead of Administrative expenses.

### **Evidence of survival of our pension recipients**

The last time retirees were required to provide evidence of survival was in 2011. Retirees living in Switzerland can furnish this evidence via the AHV. However, retirees living abroad will need to provide evidence of survival in writing in the course of 2016.

### **PVS asset management costs are below average**

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 were around CHF 1.5 million in 2015 – somewhat below the previous year's level – and amounted to 0.20% (previous year approx. 0.22%) of total fund assets. If reimbursed fees are deducted, the figure stands at 0.19% (previous year 0.20%) of total fund assets. These relatively low costs were generated as a result of favourable conditions from the fund asset purchasing collective of the PFS.

### **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.

The 15th Swisscanto survey of Swiss pension funds, which was conducted in 2015 for the year 2014, revealed average administration costs of CHF 345 among private-law autonomous pension funds.

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, CHF 247 in 2014 and CHF 237 in 2015.

### **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, 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.

The administrative office provides the Board of Trustees with a report at least once a year on the further deve-

lopment and implementation of internal controls. It did this most recently on 4 May 2015, at our 67th Board of Trustees meeting in Winterthur.

#### **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 2015, at our 63rd Board of Trustees meeting in Winterthur.

#### **Strategy and objectives of the Swissport occupational pension scheme**

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.

In this context, the Board of Trustees decided to carry out an **Asset and Liability Management study (ALM)** in 2015, which was to answer the following questions:

- What is the Foundation's current financial situation?
- What is the cost of the liabilities that need to be financed?
- How is our financing ability impacted by external shocks?

The study will also help obtain greater clarity with the help of simulations with regard to the risk profile, target returns, performance objectives and the technical interest rate.

The study will help to define the investment strategy and the new conversion factors and answer the question of whether or not reinsuring the risks of death and disability continues to make sense.

#### **Additional review of 2015 by the Chairman**

- The 2015 Complementa Risk Check-Up has confirmed that the PVS is in the "green" zone.
- We have revised our Investment Regulations, Pension Scheme Regulations and the Guidelines for Beneficiary Mortgages – Fixed-rate Mortgages.
- The media reports on our homepage were read many times.
- Day-to-day operations proceeded smoothly – as confirmed to us by KPMG in their report on the spot audit at the end of October 2015 – and we have accurate and detailed minutes at all times.

## **Outlook for financial year 2016**

### ***Another slight increase in the popularity of “Standard Plus”***

On 1 January 2016, a total of 621 beneficiaries (= 16.47% of all those entitled) had opted for the “Standard Plus” pension plan, which features an employee contribution of 9% (instead of 6% under the “Standard” plan). On 1 January 2015 there were 569 beneficiaries, i.e. 16.45%. For the ninth consecutive year, more insureds opted for the “Standard Plus” plan than in the previous year.

### ***Projects***

At the last (70th) meeting of the Board of Trustees on 12 February 2016, we launched the ALM study and looked at the development of the new BVG 2015 technical principles. The ALM has found that life expectancy is once again increasing, in particular among men, and the likelihood of disability is decreasing.

The study will offer additional valuable results in several stages.

- Is the expected return on investment assets sufficient for the budgeted return required to finance the Foundation?
- Does the investment strategy’s risk level correlate with the current and future risk appetite of the PVS?
- How will the stability of the Foundation be affected by its changing structure due to the increase in pension recipients?
- To what degree is stability impacted by the cash flow?
- What is the right technical interest rate, 2.5% or 2.0%?
- What cushioning (damping) measures can the PVS afford to implement?

### ***Adjustments to the 2016 Pension Scheme Regulations***

At its meeting on 13 November 2015, the Board of Trustees made several adjustments to the Pension Scheme Regulations and implemented these with effect from 1 January 2016. The new regulations applicable as from 1 January 2016 can be found on our website ([www.pv-swissport.ch](http://www.pv-swissport.ch)).

### ***PKS-Life***

PKS-Life is an online PFS platform on which insureds with the corresponding security level can obtain information about their PVS pension plan and carry out simulations. The access code can be found on the insurance certificate. It should be possible to access PKS-Life in the second quarter of 2016, and insureds will be notified once it is up and running.

### ***Current performance***

Investors remain confronted by a challenging market environment. Risk-free investments generate zero or even negative returns. This is also affecting the PVS, whose assets generated a performance of 0.62% by the end of April 2016.

### ***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 the PFS for their consistently committed, thorough and professional work on behalf of the PVS.

Sincerely

Peter Graf

Chairman of the Board of Trustees

## 2015 FINANCIAL STATEMENTS

Balance sheet	Index Note	31.12.2015 CHF	31.12.2014 CHF
<b>ASSETS</b>			
<b>Investments</b>	6.4	<b>765,972,414</b>	<b>764,334,424</b>
Liquidity and money market investments		24,808,768	34,640,239
Receivables from employer	6.9	2,431,614	4,417,625
Receivables from third parties	7.1.1	3,241,585	1,152,699
CHF bonds		108,174,062	99,114,468
Global IFL bonds hedged		40,056,643	41,424,785
Foreign currency bonds, rest of world		29,089,007	32,540,769
Emerging market bonds		29,597,619	29,452,526
Mortgage loans	6.4.1	23,782,500	23,794,500
Equities Switzerland		70,675,138	59,660,340
Equities Europe (incl. currency hedges)		23,371,860	24,294,851
Equities North America (incl. currency hedges)		37,552,283	37,837,550
Equities Pacific (incl. currency hedges)		24,255,586	23,803,802
Equities (sustainable) (incl. currency hedges)		82,197,798	84,392,622
Equities emerging markets		36,652,292	35,205,659
Commodities (incl. currency hedges)		0	24,855,994
Swiss real estate	6.7.1	230,085,659	207,745,995
<b>Prepaid expenses and accrued income</b>	7.1.2	<b>7,540,482</b>	<b>7,808,063</b>
<b>TOTAL ASSETS</b>		<b>773,512,896</b>	<b>772,142,487</b>
<b>LIABILITIES</b>			
<b>Liabilities</b>		<b>5,762,101</b>	<b>2,542,184</b>
Termination benefits		4,309,554	1,954,932
Capital payments		1,411,720	565,903
Other liabilities	7.1.3	40,827	21,349
<b>Accrued expenses and deferred income</b>	7.1.4	<b>238,568</b>	<b>174,927</b>
<b>Pension liabilities and actuarial reserves</b>		<b>677,565,364</b>	<b>666,764,813</b>
Active participants' liabilities	5.2	408,544,218	423,632,581
Pensioners' liabilities	5.4	255,652,708	230,115,290
Actuarial reserves	5.5	13,368,438	13,016,942
<b>Fluctuation reserve</b>	6.3	<b>89,946,863</b>	<b>102,660,563</b>
<b>Dotation capital, non-committed funds, underfunding</b>		<b>0</b>	<b>0</b>
<b>TOTAL LIABILITIES</b>		<b>773,512,896</b>	<b>772,142,487</b>

	Index Note	2015 CHF	2014 CHF
<b>Ordinary and other contributions and transfers-in</b>		<b>29,811,817</b>	<b>29,466,755</b>
Employees' savings contributions		10,305,605	10,135,887
Employer's savings contributions		14,297,035	14,072,173
Employee risk insurance premiums		2,175,418	2,143,003
Employer risk insurance premiums		2,195,239	2,161,003
One-time payments and purchase amounts	7.2.1	838,520	954,689
<b>Entry lump sum transfers</b>		<b>11,324,516</b>	<b>9,239,168</b>
Termination benefit transfers		8,446,198	7,738,324
Reimbursement of withdrawals for home ownership/divorce	7.2.2	2,878,318	1,500,844
<b>INFLOW FROM CONTRIBUTIONS AND ENTRY LUMP SUM TRANSFERS</b>		<b>41,136,333</b>	<b>38,705,923</b>
<b>Regulatory benefits</b>		<b>-23,977,887</b>	<b>-20,968,486</b>
Retirement pensions		-13,460,229	-12,030,331
Survivor pensions		-462,400	-400,415
Disability pensions		-655,141	-581,935
Pensions for dependent children	7.2.3	-224,542	-219,730
Lump-sum payments on retirement		-8,779,424	-7,023,501
Lump-sum payments on death/disability		-396,151	-712,574
<b>Termination benefits</b>		<b>-19,988,833</b>	<b>-16,362,975</b>
Termination benefits for leavers		-18,254,954	-13,477,649
Withdrawals for encouragement of home ownership/divorce	7.2.4	-1,733,879	-2,885,326
<b>OUTFLOW FOR BENEFITS AND WITHDRAWALS</b>		<b>-43,966,720</b>	<b>-37,331,461</b>
<b>Changes in pension liability, actuarial reserves and contribution reserves</b>		<b>-10,800,551</b>	<b>-24,798,080</b>
Decrease in active participants' liabilities	5.2	23,084,324	17,368,433
Increase in pensioners' liabilities	5.4	-25,537,419	-24,616,876
Increase in actuarial reserves	5.5	-351,496	-2,396,644
Interest on retirement savings capital	5.2	-7,995,960	-15,152,993
<b>Income from insurance benefits</b>		<b>978,448</b>	<b>315,561</b>
<b>Insurance expenses</b>		<b>-2,023,168</b>	<b>-2,005,996</b>
Risk premiums		-1,660,246	-1,645,435
Cost premiums		-245,215	-243,027
Contributions to Security Fund BVG / LPP		-117,707	-117,534
<b>NET RESULT OF INSURANCE ACTIVITIES</b>		<b>-14,675,658</b>	<b>-25,114,053</b>



## Operative account

	Index Note	2015 CHF	2014 CHF
<b>Net return on investments</b>	6.7	<b>3,183,798</b>	<b>45,551,075</b>
Income from liquid funds and money market investments		-11,788	204,191
Income from CHF bonds		2,228,690	6,975,994
Income from EUR bonds (including currency hedges)		0	966,552
Income from global IFL bonds hedged		-1,199,084	3,340,909
Income from foreign currency bonds, rest of world		-3,003,633	3,009,008
Income from emerging market bonds		-4,391,063	-914,936
Income from mortgage loans		359,306	427,203
Income from Equities Switzerland		3,701,217	7,012,300
Income from Equities Europe (incl. currency hedges)		-737,288	814,448
Income from Equities North America (incl. currency hedges)		-283,961	6,886,383
Income from Equities Pacific (incl. currency hedges)		565,976	1,912,349
Income from Equities (sustainable) (incl. currency hedges)		-1,721,031	12,658,955
Income from Equities emerging markets		-4,964,619	2,967,594
Income from commodities (incl. currency hedges)		-2,648,485	-10,186,341
Income from real estate Switzerland	6.7.1	16,808,490	11,113,548
Investment management costs	6.8	-1,463,963	-1,599,098
Interest on termination benefits		-54,966	-37,984
<b>Other income</b>		<b>10,100</b>	<b>13,155</b>
<b>Other expenses</b>	7.2.5	<b>-297,000</b>	<b>-297,000</b>
<b>Administrative expenses</b>	7.2.6	<b>-934,940</b>	<b>-978,113</b>
General administration		-838,652	-903,954
Auditor and actuary		-77,394	-72,819
Supervisory authorities		-18,894	-1,340
<b>INCOME SURPLUS / EXPENSE SURPLUS BEFORE ADDING TO OR RELEASING FROM RESERVES FOR FLUCTUATIONS IN ASSET VALUE</b>		<b>-12,713,700</b>	<b>19,175,064</b>
<b>Decrease / increase in reserves for fluctuations in asset value</b>	6.3	<b>12,713,700</b>	<b>-19,175,064</b>
<b>INCOME SURPLUS / EXPENSE SURPLUS</b>		<b>0</b>	<b>0</b>



## 1 General information 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 BVG / LPP registration and registration with the Security 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 pension fund is subject to the Swiss Vesting in Pension Plans Act (FZG) and is thus affiliated with the Security Fund.

### 1.3 Plan statutes 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	Adopted on	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	1 December 2015	13 November 2015
Partial Liquidation Regulations	24 November 2009	25 February 2010

### 1.4 Supreme body, management and authorised signatories

At 31 December 2015, 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*	Margrit Coimbra	Deputy Chairman*
Cordula Hofmann	Member*	Sonja Eckerlin <sup>1)</sup>	Member*
Eva-Maria Kerner <sup>1)</sup>	Member*	Ralf Müller	Member*

<sup>1)</sup> Member of the Investments Committee

**Operational management**

Elisabeth Müller	Managing Director*	Claudia Sommer	Customer Advisor
Reymond Früh	Head of Accounting*	Markus Bleisch	Customer Advisor
Urs Ackermann	Deputy Managing Director*	Christoph Bohren	Management Support

\*Collective signatory authority (two signatures required)

The former managing director, Markus Staudenmaier, retired 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 Actuaries, auditors, management and authorised signatories**

**Accredited pension actuary**

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

**Auditor**

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

No new employers joined the PVS in 2015; nor did any existing employers leave the scheme.

## 2 Active participants and pensioners

### 2.1 Active participants

	Swissport International		Swissport Zurich		Swissport Basel	
	2015	2014	2015	2014	2015	2014
<b>At 1 January</b>	<b>84</b>	<b>92</b>	<b>1,678</b>	<b>1,731</b>	<b>422</b>	<b>404</b>
Joined	24	10	454	222	107	43
Left	14	17	310	250	45	19
Retired	3	1	38	24	8	6
Newly disabled	0	0	0	0	0	0
Deaths	0	0	2	1	0	0
<b>At 31 December</b>	<b>91</b>	<b>84</b>	<b>1,782</b>	<b>1,678</b>	<b>476</b>	<b>422</b>
of whom risk insurance only	2	1	185	130	38	26
<b>Retirement savings at 31 December</b>	<b>24,783,519</b>	<b>28,505,248</b>	<b>203,846,053</b>	<b>209,069,536</b>	<b>41,632,145</b>	<b>43,192,752</b>
of which BVG retirement savings at 31 December	6,414,013	6,351,157	84,134,369	84,166,178	15,003,108	15,284,416

	Swissport Geneva		Swissport Baggage Sorting		PrivatPort	
	2015	2014	2015	2014	2015	2014
<b>At 1 January</b>	<b>931</b>	<b>945</b>	<b>176</b>	<b>177</b>	<b>9</b>	<b>10</b>
Joined	278	111	66	26	0	0
Left	113	93	30	22	0	1
Retired	22	30	7	3	0	0
Newly disabled	0	0	0	0	0	0
Died	0	2	0	2	0	0
<b>At 31 December</b>	<b>1,074</b>	<b>931</b>	<b>205</b>	<b>176</b>	<b>9</b>	<b>9</b>
of whom risk insurance only	128	68	28	5	0	0
<b>Retirement savings at 31 December</b>	<b>101,054,913</b>	<b>104,747,852</b>	<b>18,528,929</b>	<b>20,286,099</b>	<b>1,118,398</b>	<b>1,013,626</b>
of which BVG retirement savings at 31 December	40,982,537	41,641,802	8,940,301	9,099,313	456,530	408,827

	Swissport Group Services GmbH		Careport AG		GVAssistance S.A.	
	2015	2014	2015	2014	2015	2014
<b>At 1 January</b>	<b>20</b>	<b>24</b>	<b>79</b>	<b>77</b>	<b>53</b>	<b>49</b>
Joined	17	3	19	15	14	6
Left	6	5	9	9	3	1
Retired	0	2	2	4	0	1
Newly disabled	0	0	0	0	0	0
Died	0	0	0	0	0	0
<b>As at 31 December</b>	<b>31</b>	<b>20</b>	<b>87</b>	<b>79</b>	<b>64</b>	<b>53</b>
of whom risk insurance only	1	0	7	5	5	1
<b>Retirement savings at 31 December</b>	<b>3,567,842</b>	<b>3,504,153</b>	<b>7,453,003</b>	<b>7,075,610</b>	<b>6,559,416</b>	<b>6,237,705</b>
of which BVG retirement savings at 31 December	1,064,322	981,631	3,279,450	2,863,886	2,972,275	2,752,887

	Total PVS		Change over previous year
	2015	2014	
<b>At 1 January</b>	<b>3,452</b>	<b>3,509</b>	<b>-57</b>
Joined	979	436	543
Left	530	417	113
Retired	80	71	9
Newly disabled	0	0	0
Deaths	2	5	-3
<b>At 31 December</b>	<b>3,819</b>	<b>3,452</b>	<b>367</b>
of whom risk insurance only	394	236	158
<b>Retirement savings at 31 December</b>	<b>408,544,218</b>	<b>423,632,581</b>	<b>-15,088,363</b>
of which BVG retirement savings at 31 December	163,246,905	163,550,097	-303,192

Active insurees by BVG age at 31 December	Women		Men		Total	
	2015	2014	2015	2014	2015	2014
18–24	173	109	221	127	394	236
25–34	364	335	704	599	1,068	934
35–44	361	338	608	563	969	901
45–54	386	390	561	551	947	941
55–65	194	183	247	257	441	440
<b>Total</b>	<b>1,478</b>	<b>1,355</b>	<b>2,341</b>	<b>2,097</b>	<b>3,819</b>	<b>3,452</b>

The average age of all active insurees is 39.4 years (previous year: 41.1).

## 2.2 Pensioners

Pension type – portfolio	Women		Men		Total	
	2015	2014	2015	2014	2015	2014
Retirement pensions	173	160	310	268	483	428
Disability pensions	21	19	23	23	44	42
Spouse's pensions	19	15	2	2	21	17
Pensions for dependent children	20	17	27	32	47	49
<b>Total</b>	<b>233</b>	<b>211</b>	<b>362</b>	<b>325</b>	<b>595</b>	<b>536</b>

Pension type – development	Total 31.12.2015	Change		Total 31.12.2014
		New	Left	
Retirement pensions	483	59	4	428
Disability pensions	44	4	2	42
Spouse's pensions	21	4	0	17
Pensions for dependent children	47	4	6	49
<b>Total</b>	<b>595</b>	<b>71</b>	<b>12</b>	<b>536</b>

### **3 Implementation of objectives**

#### **3.1 Characteristics of the pension plan**

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 old-age pension 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 63<sup>rd</sup> 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 partner, a lump-sum 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 the coordination amount of 7.5 times the minimum AHV Swiss state retirement pension. For part-time 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 Security Fund are met by the PVS.

### **3.3 Further information on pension plan activities**

The PVS has signed a service agreement with PFS Pension Fund Services AG for the administration and management of the scheme. The agreement was extended for a further five years on 10 February 2015 retroactively to 1 January 2015.

In accordance with a resolution of the Board of Trustees on 13 November 2015, pensions in payment have not been adjusted. This is due to the generational balance sheet, which shows a considerable bias towards pension recipients. At the Board of Trustees meeting on 15 and 16 September 2014, the fundamental decision was made to refrain from adjusting pensions in accordance with inflation until there is a generational balance.

#### 4 Significant accounting policies and valuation methods, consistency

##### 4.1 Statement of compliance with Swiss GAAP FER 26

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

##### 4.2 Significant accounting policies and valuation methods

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 operative account 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. The assets are valued in the financial statements as follows:

<b>Investment category</b>	<b>Valuation method</b>
<b>Nominal values</b>	
Liquidity and money market investments	Nominal value/market value
Receivables	Nominal value
CHF bonds	Market value
Global IFL bonds	Market value
Foreign currency bonds, rest of world	Market value
Emerging market bonds	Market value
Mortgage loans	Nominal value
<b>Equities</b>	
Equities Switzerland	Market value
Equities Europe	Market value
Equities North America	Market value
Equities Pacific	Market value
Equities foreign (sustainable)	Market value
Equities emerging markets	Market value
<b>Swiss real estate</b>	<b>Market value</b>

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 in accounting policy and in bookkeeping

There were no changes in the valuation principles used.

## 5 Actuarial risks / risk benefit coverage / coverage rate

### 5.1 Type of risk benefit 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 2015 amounted to CHF 1,905,461.

The reinsurance agreement features a profit-sharing arrangement for surplus funds, which will be credited to the operating result.

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 2015, the sum of CHF 743,439 was charged by PKRück for benefits in respect of the **2011–2013 accounting period** and provisions amounting to CHF 528,220 were created for claims not yet processed. In addition, there was a credit of CHF 1,271,659 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	2015 CHF	2014 CHF	2013 CHF
<b>Surplus funds at 1 January</b>	<b>0</b>	<b>38,620</b>	<b>1,077,606</b>
Allocation to provision for the distribution of surplus funds	0	0	533,290
Withdrawal from provision for the distribution of surplus funds	-743,439	-454,070	-434,029
Provision for claims not yet processed	-528,220	397,862	-1,138,247
Credit from stop-loss cover	1,271,659	17,588	0
<b>Surplus funds at 31 December</b>	<b>0</b>	<b>0</b>	<b>38,620</b>

On 31 December 2015, CHF 525,145 was set aside 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 525,145 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	2015 CHF	2014 CHF
<b>Surplus funds at 1 January</b>	<b>0</b>	<b>0</b>
Allocation to provision for the distribution of surplus funds	525,145	520,460
Withdrawal from provision for the distribution of surplus funds	0	0
Provision for claims not yet processed	-525,145	-520,460
Credit from stop-loss cover	0	0
<b>Surplus funds at 31 December</b>	<b>0</b>	<b>0</b>



## 5.2 Development and return on savings capital in defined contribution plans

	2015 CHF	2014 CHF
<b>Total savings of insurees at 1 January</b>	<b>423,632,581</b>	<b>425,848,021</b>
<b>Release of active insurees' actuarial capital</b>	<b>-23,084,324</b>	<b>-17,368,433</b>
Employees' savings contributions	10,305,605	10,135,887
Employer's savings contributions	14,297,035	14,072,173
One-time payments and purchase amounts	838,520	954,689
Entry lump sum transfers	8,446,198	7,530,165
Reimbursement of withdrawals for home ownership/divorce	2,878,318	1,500,844
Transfer of retirement savings of IV pension recipients	104,527	418,447
Capital formation for payments pursuant to Art. 17 FZG	0	0
Termination benefits for leavers	-18,254,954	-13,477,649
Withdrawals for encouragement of home ownership/divorce	-1,733,879	-2,885,326
Capital released through lump-sum payments on retirement	-8,779,424	-7,023,501
Capital released through lump-sum payments on death/disability	-396,151	-712,574
Release due to retirement, death or disability	-30,790,120	-27,484,252
Capital released in favour of the PVS	0	-397,336
<b>Interest on retirement savings capital</b>	<b>7,995,960</b>	<b>15,152,993</b>
<b>Total active participants' liabilities at 31 December</b>	<b>408,544,218</b>	<b>423,632,581</b>
Interest rate on retirement savings pursuant to BVG	1.75%	1.75%
Interest rate on all retirement savings	2.00%	3.75%

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 2015, 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 13 November 2015, when a rate of 2.00% was set for all retirement savings.

## 5.3 Total retirement savings capital in accordance with the BVG

	31.12.2015 CHF	31.12.2014 CHF
Total retirement savings	408,544,218	423,632,581
of which BVG retirement savings	163,246,905	163,550,097

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

## 5.4 Development of actuarial reserves for pensioners

	2015 CHF	2014 CHF
<b>Actuarial reserves at 1 January</b>	<b>230,115,290</b>	<b>205,498,414</b>
<b>Increase in pensioners' liabilities</b>	<b>25,537,419</b>	<b>24,616,876</b>
Creation through retirement, death and disability	30,790,120	27,484,252
Deposit of IV disability capital	0	208,159
Release through pension payments	-14,802,312	-13,232,411
Transfer to savings capital of active insurees	-104,527	-418,447
Technical interest paid	6,903,459	6,164,952
Pension losses	2,030,069	2,404,920
Reversal of actuarial capital for deaths	-349	-26,107
Creation of actuarial capital for disability/child's pensions	1,034,245	482,883
Actuarial profit/loss	-313,287	1,548,675
<b>Total pensioners' liabilities at 31 December</b>	<b>255,652,708</b>	<b>230,115,290</b>

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.

The following form of benefit was chosen for retirement, death and invalidity:

Retirement, death and invalidity and form of benefit	2015		2014	
	CHF	%	CHF	%
Savings capital upon retirement, death and disability	39,965,695		35,220,327	
of which pension	30,790,120	77%	27,484,252	78%
of which withdrawn as a lump-sum payment	9,175,575	23%	7,736,075	22%

The pensioners' liabilities were distributed as follows among the various types of pensions at year-end:

Pensioners' liabilities	31.12.2015	31.12.2014	Change over
	CHF	CHF	previous year
Actuarial reserves for retirement pensions	232,301,819	209,132,332	23,169,487
Actuarial reserves for disability pensions	12,742,426	11,649,713	1,092,713
Actuarial reserves for spouse's/partner's pensions	9,224,398	7,770,134	1,454,264
Actuarial reserves for pensions for dependent children	1,384,065	1,563,111	-179,046
<b>Total pensioners' liabilities</b>	<b>255,652,708</b>	<b>230,115,290</b>	<b>25,537,418</b>

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' liabilities and the technical interest rate paid on pension recipients' liabilities (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 2015 was as follows:

Year	Pension recipients' liabilities at 31 December in CHF	Active insurees' liabilities 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
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%
2015	255,652,708	408,544,218	-2,506,664	2.00%	3.00%
<b>Total</b>			<b>-14,043,557</b>		

#### 5.5 Composition of, development of and explanation regarding actuarial reserves

Composition	31.12.2015 CHF	31.12.2014 CHF	Change over previous year
<b>Actuarial reserves</b>			
Fluctuation reserves (death and disability)	478,591	1,222,504	-743,913
Provision for special events	4,483,824	3,205,560	1,278,264
Provision for conversion rate	8,406,023	8,588,878	-182,855
<b>Total actuarial reserves</b>	<b>13,368,438</b>	<b>13,016,942</b>	<b>351,496</b>

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 congruent reinsurance with PKRück, and is calculated based on the number of cases of illness lasting longer than 60 days at the balance sheet date.

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 Conclusions of the last actuarial report

The latest actuarial appraisal of the PVS was conducted as at 31 December 2015. The accredited pension actuary confirmed therein that

- the Foundation is in a position to meet all its financial obligations
- the pension scheme uses the current technical principles with period tables
- a technical interest rate of 3% is applied and thus deviates from the reference interest rate recommended by the Swiss Chamber of Pension Actuaries and that this rate is currently being reviewed by the Board of Trustees
- the provisions of the regulations applicable to the scheme's benefits and financing comply with the relevant legal requirements
- the Foundation has limited risk capacity because the fluctuation reserve is not fully covered.

## 5.7 Actuarial principles and other significant actuarial assumptions

The accounting principles are based on BVG 2010 actuarial data and the standard cross-sectional mortality table projected to 2016 (previous year: BVG 2010 actuarial data and the standard cross-sectional mortality table projected to 2015) 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 Funded status under Art. 44 BVV2

	31.12.2015 CHF	31.12.2014 CHF	Change over previous year
Total assets at market value	773,512,896	772,142,487	
Less liabilities	-5,762,101	-2,542,184	
Less accrued expenses and deferred income	-238,568	-174,927	
<b>Non-committed assets (NCA)</b>	<b>767,512,227</b>	<b>769,425,376</b>	<b>-1,913,149</b>
Pension assets for active insured employees	408,544,218	423,632,581	
Pension assets for retirees	255,652,708	230,115,290	
Technical provisions	13,368,438	13,016,942	
<b>Pension assets required (PA)</b>	<b>677,565,364</b>	<b>666,764,813</b>	<b>10,800,551</b>
<b>Funding surplus as per Art. 44 para. 1 BVV2</b> (assets available less actuarial capital required)	<b>89,946,863</b>	<b>102,660,563</b>	<b>-12,713,700</b>
<b>Funding ratio as per Art. 44 para. 1 BVV2</b> (assets available x 100 divided by actuarial capital required)	<b>113.3%</b>	<b>115.4%</b>	

The PVS's funding ratio as defined in Art. 44 para. 1 BVV2 stood at 113.3% at 31 December 2014.

## 6 Explanatory notes on investments and net return on investments

### 6.1 Organisation of investment activities, investment advisor, investment manager and investment rules and 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 (CH) Liquidity Mgmt – CHF	GAM Investment Management
CHF bonds	Syz AM (CH) Track – CHF Bonds	GAM Investment Management
	Syz AM (CH) Track Government Bonds	
	CIF Swiss Bond Tot. Market Ind. Domestic	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	Credit Suisse
	CIF Swiss Small & Mid Cap Index	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 AG, Global Asset Mgmt
	UBS (CH) IF Equities Canada Passive II I-X	
Equities Pacific	UBS (CH) IF Equities Pacific (ex Japan) Passive II I-X	UBS AG, Global Asset Mgmt
	UBS (CH) IF Equities Japan Passive II I-X	
Equities emerging markets	CIF Emerging Market Index	ZKB
Equities (sustainable)	Henderson Global Care Growth Fund	Henderson Global Investors
	IPF World ex CH Index Responsible N	ZKB
Swiss real estate	Turidomus investment trust	Pensimo Management AG
	Adimora investment trust	Pensimo Management AG
	CS 1A Immo PK	Credit Suisse
	SPA Real Estate Switzerland	Swiss Prime Site Group AG

New investments were made in “SPA Real Estate Switzerland” during the year under review. The investments in “Pictet Solution-Global Commodities” 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. All asset management companies are authorised by FINMA.

## 6.2 Expansion of investment possibilities (Art. 50 para. 4 BVV 2) with coherent explanation of the of compliance with certainty and risk allocation (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 31.12.2015	BVV2 limit	BVV2 Art.
Foreign currencies (without hedging)	24%	20.9%	30%	55e

## 6.3 Target reserve for fluctuations in asset value and calculation of the reserve

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.

The required target for the fluctuation reserve is calculated based on what is referred to as the financial-economic method. The financial-economic process calculates the fluctuation reserve based on the return and risk characteristics of the asset classes in the investment strategy, which - with sufficient certainty - results in a required minimum interest rate in the amount of the technical interest rate and coverage of investment costs. The target for the fluctuation reserve is expressed as a percentage of obligations.

It is based on a horizon of two years, a security level at 0 stability of 98%, an expected return from the investment strategy of 3.6% and a risk level of 5.8% on the investment strategy. It is 17.4% of pension assets and technical provisions.

<b>Fluctuation reserve required</b>	<b>2015 CHF</b>	<b>2014 CHF</b>	<b>Change over previous year</b>
Fluctuation reserve at 1 January	102,660,563	83,485,499	19,175,064
Withdrawal for / transfer from operative account	-12,713,700	19,175,064	-31,888,764
<b>Fluctuation reserve according to the balance sheet at 31 December</b>	<b>89,946,863</b>	<b>102,660,563</b>	<b>-12,713,700</b>
<b>Fluctuation reserve required</b>	<b>117,896,373</b>	<b>122,017,961</b>	<b>-4,121,588</b>
Deficit in the fluctuation reserve	-27,949,510	-19,357,398	8,592,112

## 6.4 Breakdown of investments into investment categories

Investment category	31.12.2015 CHF	% of total assets	SAA	Target range	Art. 55 BVV2	31.12.2014 CHF	% of total assets
<b>Nominal values</b>	<b>261,181,798</b>	<b>34.1%</b>	<b>34%</b>	<b>21-53%</b>	<b>100%</b>	<b>266,537,611</b>	<b>34.9%</b>
Liquidity and money market investments	24,808,768	3.2%	2%	1-10%		34,640,239	4.5%
Receivables	5,673,199	0.7%	n/a			5,570,324	0.7%
CHF bonds	108,174,062	14.1%	14%	10-17%		99,114,468	13.0%
Global IFL bonds hedged	40,056,643	5.2%	6%	4-8%		41,424,785	5.4%
Foreign currency bonds, rest of world	29,089,007	3.8%	5%	3-7%		32,540,769	4.3%
Emerging market bonds	29,597,619	3.9%	4%	2-6%		29,452,526	3.9%
Mortgage loans	23,782,500	3.1%	3%	1-5%		23,794,500	3.1%
<b>Equities</b>	<b>274,704,957</b>	<b>35.9%</b>	<b>34%</b>	<b>19-46%</b>	<b>50%</b>	<b>265,194,824</b>	<b>34.7%</b>
Equities Switzerland	70,675,138	9.2%	9%	6-11%		59,660,340	7.8%
Equities Europe (incl. currency hedges)	23,371,860	3.1%	3%	1-5%		24,294,851	3.2%
Equities North America (incl. currency hedges)	37,552,283	4.9%	4%	2-6%		37,837,550	5.0%
Equities Pacific (incl. currency hedges)	24,255,586	3.2%	3%	1-5%		23,803,802	3.1%
Equities (sustainable) (incl. currency hedges)	82,197,798	10.7%	10%	7-12%		84,392,622	11.0%
Equities emerging markets	36,652,292	4.8%	5%	2-7%		35,205,659	4.6%
<b>Non-traditional investments</b>	<b>0</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>15%</b>	<b>24,855,994</b>	<b>3.3%</b>
Commodities (incl. currency hedges)	0	0%	0%	0%		24,855,994	3.3%
<b>Real estate</b>	<b>230,085,659</b>	<b>30%</b>	<b>32%</b>	<b>27-38%</b>	<b>30%</b>	<b>207,745,995</b>	<b>27.2%</b>
Swiss real estate	230,085,659	30%	32%	27-38%		207,745,995	27.2%
<b>Total investments</b>	<b>765,972,414</b>	<b>100.0%</b>	<b>100.0%</b>			<b>764,334,424</b>	<b>100.0%</b>

SAA = strategic asset allocation (investment strategy)

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

Currency hedges	31.12.2015 CHF	% of total assets	SAA	Target range	31.12.2014 CHF	% of total assets
<b>Total</b>	<b>99,818,740</b>	<b>13.0%</b>	<b>11%</b>	<b>6-15%</b>	<b>71,561,588</b>	<b>9.4%</b>
EUR	17,613,499	2.3%	2%	1-3%	0	0%
USD	63,980,645	8.4%	7%	4-9%	64,375,648	8.4%
JPY	18,224,596	2.4%	2%	1-3%	7,185,940	0.9%
GBP	0	0.0%	0%	0%	0	0.0%

As at 31 December 2015 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 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 1 to 10-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 1.9% in 2014. The interest rates for 1 to 10-year fixed-rate mortgages are determined daily by the PVS on the basis of the mid-rate of the ZKB swap rates plus 1.0% (1.1% for 9 and 10-year terms).

The mortgage loan portfolio in 2014 was as follows:

<b>Mortgage loan statistics</b>	<b>2015</b>	<b>2014</b>
	<b>CHF</b>	<b>CHF</b>
<b>At 1 January</b>	<b>23,794,500</b>	<b>25,113,937</b>
New mortgages	390,000	
Mortgages terminated	-326,000	-1,354,000
Increases	240,000	60,563
Amortisations	-316,000	-26,000
<b>At 31 December</b>	<b>23,782,500</b>	<b>23,794,500</b>
Of which fixed-rate mortgages	21,614,000	20,940,000

<b>Borrowers by type</b>	<b>2015</b>	<b>2014</b>
Active insurees	26	29
Pension recipients	35	30
Others	9	10
<b>At 31 December</b>	<b>70</b>	<b>69</b>

<b>Average loan amount</b>	<b>47.2%</b>	<b>48.1%</b>
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"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	Currency	Amount in local currency	Contractual forward rate/value in CHF	Current forward rate/value in CHF	Gain/loss at 31 December 2015 CHF
Sale on 15 December 2016	EUR	6,000,000	1.0667	1.0806	
			6,399,900	6,483,496	-83,596
Sale on 15 December 2016	EUR	3,100,000	1.0745	1.0806	
			3,330,950	3,349,807	-18,857
Sale on 15 December 2015	EUR	2,500,000	1.0745	1.0806	
			2,686,250	2,701,457	-15,207
Sale on 15 December 2015	EUR	4,700,000	1.0667	1.0806	
			5,013,255	5,078,739	-65,484
Sale on 15 December 2015	USD	27,400,000	0.9676	0.9828	
			26,512,240	26,928,874	-416,634
Sale on 15 December 2015	USD	37,700,000	0.9676	0.9828	
			36,478,520	37,051,771	-573,251
Sale on 15 December 2015	JPY	1,508,700,000	0.0080	0.0083	
			12,128,816	12,481,478	-352,662
Sale on 15 December 2015	JPY	694,200,000	0.0080	0.0083	
			5,580,847	5,743,118	-162,271
<b>Total open forward foreign exchange contracts at 31.12.2015</b>			<b>98,130,778</b>	<b>99,818,740</b>	<b>-1,687,962</b>

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

### 6.6 Market value and counterparties in 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 "Swisscanto (CH) Index Bond Fund Total Market AAA-BBB Domestic CHF Class N", Swiss security no. 11704507, 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 11,432,838 were on loan as at 31 December 2015, corresponding to a lending ratio of 31.87%.

### 6.7 Comments on net return on investments

The income from investments is itemised in detail in the operative account. Further details are provided below.

## 6.7.1 Details of income from real estate

	Income in CHF 2015	Assets in CHF as at 31.12.2015	Income in CHF 2014	Assets in CHF as at 31.12.2014
<b>Turidomus investment trust</b>	<b>12,872,624</b>	<b>188,695,824</b>	<b>9,065,297</b>	<b>181,174,940</b>
<b>Casareal investment group</b>	<b>9,183,622</b>	<b>112,974,486</b>	<b>6,452,633</b>	<b>105,854,724</b>
of which purchased		1,826,912		3,460,185
Distribution	3,890,772		4,159,550	
Change in net asset value	5,292,850		2,293,083	
<b>Proreal investment group</b>	<b>3,689,002</b>	<b>75,721,338</b>	<b>2,612,664</b>	<b>75,320,216</b>
of which purchased				2,310,212
Distribution	3,287,880		3,287,880	
Change in net asset value	401,122		-675,216	
<b>Adimora investment trust</b>	<b>684,403</b>	<b>9,987,813</b>	<b>515,544</b>	<b>8,075,055</b>
<b>Omega investment group</b>				
of which purchased		1,548,360		1,287,023
Distribution	320,005		269,605	
Change in net asset value	364,398		245,939	
<b>CS 1A Immo PK</b>	<b>2,534,840</b>	<b>27,669,300</b>	<b>880,600</b>	<b>18,496,000</b>
of which purchased		7,604,100		0
Sale of subscription rights			105,400	
Distribution	965,640		707,200	
Change in net asset value	1,569,200		68,000	
<b>Swiss Prime real estate invest- ment trust SPA investment group</b>	<b>16,722</b>	<b>3,732,722</b>	<b>0</b>	<b>0</b>
of which purchased		3,716,000		0
Distribution				
Change in net asset value	16,722			
<b>Total real estate</b>	<b>16,108,589</b>	<b>230,085,659</b>	<b>10,461,441</b>	<b>207,745,995</b>
TER costs recognised under income	699,901		652,107	
Total net income from real estate in Switzerland as per operative account	16,808,490		11,113,548	

Real estate assets are indirect investments via the Turidomus, Adimora and Swiss Prime investment trusts as well as the Credit Suisse CS 1A Immo PK investment fund for institutional investors. 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:

<b>Net income from investment activities</b>	<b>2015</b>	<b>Perform.</b>	<b>2014</b>	<b>Perform.</b>
	<b>CHF</b>	<b>in %</b>	<b>CHF</b>	<b>in %</b>
<b>Nominal values</b>	<b>-6,017,572</b>	<b>-2.5%</b>	<b>14,008,921</b>	<b>5.5%</b>
Liquidity and money market investments	-11,788	-0.8%	204,191	0.4%
CHF bonds	2,228,690	2.1%	6,975,994	7.7%
EUR bonds(incl. currency hedges)	0		966,552	3.3%
Global IFL bonds hedged	-1,199,084	-2.9%	3,340,909	8.8%
Foreign currency bonds, rest of world	-3,003,633	-9.3%	3,009,008	10.2%
Emerging market bonds	-4,391,063	-14.6%	-914,936	-2.7%
Mortgage loans	359,306	1.5%	427,203	1.8%
<b>Equities</b>	<b>-3,439,706</b>	<b>-1.3%</b>	<b>32,252,029</b>	<b>13.6%</b>
Equities Switzerland	3,701,217	6.0%	7,012,300	12.5%
Equities Europe (incl. currency hedges)	-737,288	-3.0%	814,448	3.5%
Equities North America (incl. currency hedges)	-283,961	-0.7%	6,886,383	22.7%
Equities Pacific (incl. currency hedges)	565,976	2.4%	1,912,349	8.7%
Equities (sustainable) (incl. currency hedges)	-1,721,031	-2.3%	12,658,955	17.4%
Equities emerging markets	-4,964,619	-13.8%	2,967,594	9.2%
<b>Non-traditional investments</b>	<b>-2,648,485</b>	<b>-12.2%</b>	<b>-10,186,341</b>	<b>-31.3%</b>
Commodities (incl. currency hedges)	-2,648,485	-12.2%	-10,186,341	-31.3%
<b>Real estate</b>	<b>16,808,490</b>	<b>7.5%</b>	<b>11,113,548</b>	<b>5.2%</b>
Swiss real estate	16,808,490	7.5%	11,113,548	5.2%
<b>Total net income from investments</b>	<b>4,702,727</b>	<b>0.5%</b>	<b>47,188,157</b>	<b>6.4%</b>

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 Comments to the asset management costs

<b>Investment management costs</b>	<b>2015</b>	<b>2014</b>	<b>Change over</b>
	<b>CHF</b>	<b>CHF</b>	<b>previous year</b>
Securities accounting costs	19,872	19,872	0
Investment advisory fees	48,636	60,302	-11,666
Management fees for mortgages to beneficiaries	25,711	26,506	-795
Bank charges for collective investments	12,140	15,018	-2,878
Bank charges for direct investments	1,085	2,242	-1,157
Stamp duty on collective investments	12,507	45,551	-33,044
Transaction costs for collective investments	14,864	4,608	10,256
Custodian fees/management fees for collective investments	300,592	275,021	25,571
Key cost figures for collective investments	1,028,556	1,149,978	-121,422
<b>Total investment management costs</b>	<b>1,463,963</b>	<b>1,599,098</b>	<b>-135,135</b>

<b>Reported investment management costs</b>	<b>2015 CHF</b>	<b>2014 CHF</b>
Asset management costs recorded directly in the operative account	435,407	449,120
Total of all key cost figures entered in the operative account for collective investments, in CHF	1,028,556	1,149,978
<b>Total asset management costs recognised in the operative account</b>	<b>1,463,963</b>	<b>1,599,098</b>
Total asset management costs recognised in the operative account as a percentage of cost-transparent investments	0.20%	0.22%

#### Transparent collective investments

<b>Provider and product name</b>	<b>Market value 31.12.2015 CHF</b>	<b>TER in %</b>	<b>TER in CHF</b>
Swiss & Global; Syz AM (CH) Liquidity Mgmt CHF I2	13,632,933	0.10%	13,633
Swiss & Global; Syz AM (CH) Track – CHF Bonds I3	51,927,875	0.18%	93,470
Swiss & Global; Syz AM (CH) Track – Swiss GVT Bonds I3	20,372,834	0.20%	40,746
UBS (CH) IF – Equities Canada Passive II	1,836,348	0.01%	184
UBS (CH) IF – Equities Pacific (ex Japan) Passive II	8,034,065	0.01%	803
UBS (CH) IF – Equities Japan Passive II	16,574,184	0.01%	1,657
Henderson Global Care Growth Fund	20,960,191	0.85%	178,162
Pensimo; Adimora investment trust – Omega	9,987,813	0.41%	40,950
Pensimo; Turidomus investment trust – Casareal	112,974,486	0.28%	316,329
Pensimo; Turidomus investment trust – Proreal	75,721,338	0.20%	151,443
Credit Suisse 1a Immo PK	27,669,300	0.61%	168,783
Swiss Prime Site Group; SPA Real Estate Switzerland	3,732,722	0.60%	22,396
<b>Total cost of transparent collective investments</b>			<b>1,028,556</b>

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

<b>Provider and product name</b>	<b>Reimbursement</b>	
	<b>2015 CHF</b>	<b>2014 CHF</b>
Swiss & Global; Syz AM (CH) Track – CHF Bonds I3	75,058	83,795
Swiss & Global; Syz AM (CH) Track – Swiss GVT Bonds I3	26,714	30,636
Henderson Global Care Growth Fund	60,986	57,849
Pictet CH Solutions – Global Commodities Diversified -J	6,569	15,824
Pictet CH Solutions – Global Commodities -J	14,262	40,273
<b>Total</b>	<b>183,589</b>	<b>228,377</b>

Allowing for these reimbursements, **asset management costs** fall to CHF 1,280,374 (previous year: 1,370,721) and **amount to 0.17% (previous year: 0.19%) of cost-transparent investments.**

**Non-transparent collective investments**

<b>Provider</b> <b>Product name</b>	<b>ISIN</b>	<b>Units held</b>	<b>Market value</b> <b>31.12.2015</b> <b>CHF</b>	<b>in % of invest-</b> <b>ments</b>
Lazard Global Investment Funds plc. Ireland Lazard Emerging Markets Local Debt Fund	IE00B3WFFX14	368,967	29,597,619	3.86%
<b>Total non-transparent collective investments</b>			<b>29,597,619</b>	<b>3.86%</b>
<b>Total transparent investments</b>			<b>736,374,795</b>	<b>96.14%</b>
<b>“Cost transparency ratio”</b>				

The cost transparency ratio is 96.14% (previous year: 96.15%)

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 Comments on investments in an employer’s enterprise**

<b>Receivables from employer</b>	<b>31.12.2015</b> <b>CHF</b>	<b>31.12.2014</b> <b>CHF</b>	<b>Change over</b> <b>previous year</b>
Swissport International AG	223,280	206,388	16,892
Swissport International AG, Zurich operations	1,040,776	2,026,336	-985,560
Swissport International AG, Basel operations	250,775	465,443	-214,668
Swissport International AG, Geneva operations	663,452	1,280,787	-617,335
Swissport Baggage Sorting AG	107,346	222,545	-115,199
PrivatPort S.A.	8,053	17,159	-9,106
Swissport Group Services GmbH	53,829	34,896	18,933
Careport AG	45,807	89,319	-43,512
GVAssistance S.A.	38,296	74,752	-36,456
<b>Total receivables from employer</b>	<b>2,431,614</b>	<b>4,417,625</b>	<b>-1,986,011</b>

The item “Receivables from employer” includes the contributions calculated for the affiliated employers for the month of December 2015. The contributions were paid in full in January and February 2016.

## 7 Comments on other balance sheet and operative account positions

### 7.1 Balance sheet

#### Assets

#### 7.1.1 Other receivables

	<b>31.12.2015</b>	<b>31.12.2014</b>
	<b>CHF</b>	<b>CHF</b>
Refundable withholding tax*	3,239,387	1,152,699
Outstanding interest on mortgage loans	2,198	0
<b>Total receivables</b>	<b>3,241,585</b>	<b>1,152,699</b>

\*Unlike in 2014, there were no withholding tax down-payments in 2015. As at 31 December 2015, all 2015 withholding tax was open. The request for reimbursement was made on 17 February 2016 and the payment was received on 15 March 2016.

#### 7.1.2 Prepayments and accrued income

Prepayments and accrued income mainly comprise real estate income consisting of outstanding dividends from the Turidomus and Adimora investment trust (real estate assets) for the year under review.

#### Liabilities

#### 7.1.3 Other liabilities

This item includes various invoices for the financial year which were paid in 2016.

#### 7.1.4 Accrued liabilities and deferred income

Accrued liabilities and deferred income mainly consist of the contribution paid to the Security Fund, the remaining reinsurance premium, outstanding management fees, provisions for the fees of the supervisory authority (OPSC), and expenses for auditing and accredited pension actuary's reports for the reporting year.

### 7.2 Operative account

#### 7.2.1 One-time payments and purchase amounts

	<b>2015</b>	<b>2014</b>	<b>Change over</b>
	<b>CHF</b>	<b>CHF</b>	<b>previous year</b>
Employees, voluntary deposits	838,520	854,689	-16,169
Employer's deposits	0	100,000	-100,000
<b>Total one-time payments and purchase amounts</b>	<b>838,520</b>	<b>954,689</b>	<b>-116,169</b>

**7.2.2 Reimbursements of withdrawals for home ownership/divorce**

	2015 CHF	2014 CHF	Change over previous year
Voluntary repayments of home ownership withdrawals	497,594	990,261	-492,667
Amounts received through divorce settlements	2,325,724	480,583	1,845,141
Voluntary repayments of assignments on divorce	55,000	30,000	25,000
<b>Total reimbursements of withdrawals for home ownership/divorce</b>	<b>2,878,318</b>	<b>1,500,844</b>	<b>1,377,474</b>

Voluntary repayments of home financing withdrawals were made by 9 (previous year: 12) insurees. A total of 15 insurees (previous year: 5) 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**

	2015 CHF	2014 CHF	Change over previous year
Pensions for dependent children of retirees	131,415	114,290	17,125
Orphan's pensions	43,174	59,056	-15,882
Pensions for dependent children of disabled persons	49,953	46,384	3,569
<b>Total pensions for dependent children</b>	<b>224,542</b>	<b>219,730</b>	<b>4,812</b>

**7.2.4 Withdrawals for encouragement of home ownership/divorce**

	2015 CHF	2014 CHF	Change over previous year
Withdrawals for home ownership	896,100	2,019,490	-1,123,390
Retirement savings transferred out as part of divorce settlements	837,779	865,836	-28,057
<b>Total withdrawals for encouragement of home ownership/divorce</b>	<b>1,733,879</b>	<b>2,885,326</b>	<b>-1,151,447</b>

A total of 12 insurees (previous year: 30) made use of the option allowing the use of PVS retirement savings for home financing purposes. The average advance withdrawal for home ownership was CHF 74,675 (previous year: CHF 67,316).

A total of 9 insurees (previous year: 12) 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 PVS's contribution.

The contribution commitment was increased as at 1 January 2013 to CHF 275,000 excluding VAT and at the same time scheduled until 31 December 2015. In September 2015 it was extended for an additional three years from 1 January 2016.

### 7.2.6 Administrative expenses

	2015 CHF	2014 CHF	Change over previous year
Auditors' fees	41,753	41,413	340
Actuary fees	35,641	31,406	4,235
Compensation, expenses and training of the Board of Trustees	65,691	71,155	-5,464
PFS AG administrative expenses	723,222	779,258	-56,036
Translation and printing expenses	36,416	37,341	-925
Pensioners' seminar expenses	9,300	12,500	-3,200
Supervisory authority fees*	18,894	1,340	17,554
Other administrative expenses	4,023	3,700	323
<b>Total administrative expenses</b>	<b>934,940</b>	<b>978,113</b>	<b>-43,173</b>

\* 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. The costs corresponding to the year under review were accrued in 2015.

Based on the 3,949 (previous year: 3,955) active insurees and pension recipients (not including child's pensions) as at 1 January 2015, administrative expenses amounted to CHF 237 per beneficiary (previous year: CHF 247).

### 8 Supervisory authority requirements

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 regarding the financial situation

### 9.1 Retrocessions

In the year under review, PVS requested that its external asset managers provide 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 internal 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 limited 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 be kept informed of 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 subsequent to 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 for the year ended December 31, 2015.

#### ***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 2015 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 available funds or discretionary dividends from insurance contracts have been used in compliance with the legal and regulatory provisions;
- 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  
Auditor in charge

Poul Erik Clausen

Zurich, 11 May 2016

