

# **Pension Fund Financial Statements Overview**

For the Year Ended 31 December 2014





# Executive Summary

- Net Assets as at 31 December 2014 are 4.08bnCHF.
- The Funding ratio according to IAS 26 is 38.8% (73.2% according to “Revised WG2” assumptions).
- Increase in Net Assets during 2014 is 9mCHF.



# Statement of Financial Position - Assets

| (in kCHF)                 | As at 31 December |                  | Change        | %<br>Change |
|---------------------------|-------------------|------------------|---------------|-------------|
|                           | 2014              | 2013             |               |             |
| Cash and Cash Equivalents | 568,692           | 521,173          | 47,519        | 9%          |
| Short-Term Deposits       | 188,276           | 129,656          | 58,620        | 45%         |
| Derivatives               | 20,637            | 50,681           | (30,044)      | -59%        |
| Bonds                     | 957,879           | 706,132          | 251,747       | 36%         |
| Equities                  | 461,030           | 513,595          | (52,565)      | -10%        |
| Investment Funds          | 1,194,024         | 1,529,729        | (335,705)     | -22%        |
| Other Assets              | 168,397           | 60,474           | 107,923       | 178%        |
| Investment Property       | 622,915           | 580,598          | 42,317        | 7%          |
| <b>Total assets</b>       | <b>4,181,850</b>  | <b>4,092,038</b> | <b>89,812</b> | <b>2%</b>   |

## Significant changes between 31 December 2013 and 31 December 2014:

- Increase in Cash of 47mCHF (9%) and short term deposits (45%) is a largely due to the risk reduction measures taken in October 2014, partially offset by investments in bonds and equities;
- Increase of 36% in Bonds is mostly due to move from cash into Bonds during the year;
- Reduction of 22% in Investment Funds resulted from the de-risking in October 2014 when the positions in the S&P 500 and Japanese ETFs were sold (400mCHF). The sale of the Asian Funds (Income Partners) in March 2014 (170mCHF) was mostly re-invested in Alternative Funds (120mCHF);
- Increase in Investment Property includes 41mCHF following a building purchase in London. There was a modest increase of 7mCHF in the portfolio as a result of the annual revaluation exercise.

**Total Assets as at 31 December 2014 of 4.2bn CHF**



# Statement of Financial Position - Liabilities

| (in kCHF)                                | As at 31 December |                  | Change        | %<br>Change |
|--|-------------------|------------------|---------------|-------------|
|  | 2014              | 2013             |               |             |
| <b>Total assets</b>                      | <b>4,181,850</b>  | <b>4,092,038</b> | <b>89,812</b> | <b>2%</b>   |
| Derivatives                              | 80,693            | 3,759            | 76,934        | 2047%       |
| Other Liabilities                        | 22,695            | 18,385           | 4,310         | 23%         |
| <b>Total liabilities</b>                 | <b>103,388</b>    | <b>22,144</b>    | <b>81,244</b> | <b>367%</b> |
| <b>Net assets available for benefits</b> | <b>4,078,462</b>  | <b>4,069,894</b> | <b>8,568</b>  | <b>0.2%</b> |

## Liabilities:

- Derivatives liabilities of 80.7mCHF at 31 December 2014

## Net Assets:

- Net Assets of 4.08bn CHF as at 31.12.14 (4.07bn CHF in 2013), an increase of 0.2%.

***Net Assets as at 31 December of 4.08bn CHF***



# Balance Sheet

| (in kCHF)   | As at 31 December  |                    | %                  |             |
|---|--------------------|--------------------|--------------------|-------------|
|   | 2014               | 2013               | Change             | Change      |
| <b>Vested pension capital</b>   |                    |                    |                    |             |
| Transfer values of active members or current value of deferred pensions | 4,973,350          | 3,529,772          | 1,443,578          | 41%         |
| Mathematical reserves of the beneficiaries                              | 5,539,693          | 4,926,638          | 613,055            | 12%         |
| <b>Vested pension capital</b>   | <b>10,513,043</b>  | <b>8,456,410</b>   | <b>2,056,633</b>   | <b>24%</b>  |
| <b>Technical deficit</b>  | <b>(6,434,581)</b> | <b>(4,386,516)</b> | <b>(2,048,065)</b> | <b>-47%</b> |
| <b>Funding Ratio</b>  | <b>38.8%</b>       | <b>48.1%</b>       | <b>-9.3%</b>       | <b>-19%</b> |

- Funding ratio is 38.8% (48.1% in 2013) according to the calculation based on the CERN Accounting Policy actuarial assumptions (IPSAS 25/IAS 26);
- Increase of 2 bnCHF in the technical deficit:
  - Increase of 2 bnCHF due to change in discount rate from 1.97% as at 31 December 2013 to 0.81% as at 31 December 2014;
- This highlights the sensitivity of the Fund's liabilities to movements in the discount rate. A 0.5% decrease in the discount rate results in an increase of 1.2bnCHF (see Actuary's Report).

***Funding Ratio according to IAS 26 is 38.8%***



# “Revised WG2” Liabilities

| (in kCHF)                            | As at 31 December  |                    |                    |
|--------------------------------------|--------------------|--------------------|--------------------|
|                                      | 2014               | 2013               | 2012               |
| Net assets of the Fund               | 4,078,462          | 4,069,894          | 3,846,573          |
| Actuarial Liabilities                | (5,571,419)        | (5,599,213)        | (5,479,386)        |
| <b>Surplus/(Deficit) in the Fund</b> | <b>(1,492,957)</b> | <b>(1,529,319)</b> | <b>(1,632,813)</b> |
| <b>Funding Ratio</b>                 | <b>73.2%</b>       | <b>72.7%</b>       | <b>70.2%</b>       |

- Funding ratio is 73.2% (72.7% in 2013) according to the calculation based on the “Revised WG2” actuarial assumptions (including LPP);
- The “Revised WG2” assumptions show a funding ratio that is not impacted by the volatility of the changes in the interest rate of long-term Swiss Confederation Bonds;

***Funding Ratio according to “Revised WG2” is 73.2%***



# Statement of Financial Performance - Summary

| (in kCHF)  | Year ended 31 December |                 | %                |             |
|--|------------------------|-----------------|------------------|-------------|
|  | 2014                   | 2013            | Change           | Change      |
| Total Investment Income/(Loss)                           | 166,962                | 362,895         | (195,933)        | -54%        |
| Total Investment Expenses                                | (59,436)               | (44,271)        | (15,165)         | -34%        |
| <b>Net Investment Income/(Loss)</b>                      | <b>107,526</b>         | <b>318,624</b>  | <b>(211,098)</b> | <b>-66%</b> |
| Other Income   | -                      | 14              | (14)             | -100%       |
| Total Other Expenses                                     | (5,579)                | (6,316)         | 737              | 12%         |
| <b>Change in Net Assets before Membership Activities</b> | <b>101,947</b>         | <b>312,322</b>  | <b>(210,375)</b> | <b>-67%</b> |
| Total Contributions                                      | 227,755                | 229,665         | (1,910)          | -1%         |
| Total Benefits and Payments                              | (321,134)              | (318,666)       | (2,468)          | -1%         |
| <b>Net Membership Activities Cost</b>                    | <b>(93,379)</b>        | <b>(89,001)</b> | <b>(4,378)</b>   | <b>-5%</b>  |
| <b>Net Increase/(Decrease) in Net Assets During Year</b> | <b>8,568</b>           | <b>223,321</b>  | <b>(214,753)</b> | <b>-96%</b> |

## Significant changes between 2013 and 2014:

- Decrease of 211mCHF in net investment income compared to 2013 largely as a result of the European and US equity markets performing less well during 2014, compared to 2013;

***Increase in Net Assets of 9mCHF***

# Statement of Financial Performance - Expense



| (in kCHF)                                     | Year ended 31 December |               | % Change      |             |
|---|------------------------|---------------|---------------|-------------|
|   | 2014                   | 2013          | Change        | Change      |
| Investment Management Fees                    | 43,372                 | 31,326        | 12,046        | 38%         |
| Custody Fees and Administration of Securities | 1,317                  | 1,258         | 59            | 5%          |
| Transaction Costs                             | 1,831                  | 1,940         | (109)         | -6%         |
| Taxation                                      | 305                    | 256           | 49            | 19%         |
| Investment Property Expenditure               | 11,045                 | 8,355         | 2,690         | 32%         |
| Investment Related Expenditure                | 1,566                  | 1,136         | 430           | 38%         |
| <b>Total Investment Expenses</b>              | <b>59,436</b>          | <b>44,271</b> | <b>15,165</b> | <b>34%</b>  |
| Bank Charges                                  | 37                     | 57            | (20)          | -35%        |
| Other Financial Expenses                      | 305                    | 544           | (239)         | -44%        |
| Administration Costs                          | 5,237                  | 5,715         | (478)         | -8%         |
| <b>Total Other Expenses</b>                   | <b>5,579</b>           | <b>6,316</b>  | <b>(737)</b>  | <b>-12%</b> |
| <b>Total Expenses</b>                         | <b>65,015</b>          | <b>50,587</b> | <b>14,428</b> | <b>29%</b>  |

## Significant changes in Investment and other Expenses:

- Investment Management Fees increased by 38 % in 2014 due to increased positions in certain hedge funds and improved performance and hence higher incentive fees;
- Investment Property Expenditure increased by 2.7mCHF (32%) as a result of significant works on two buildings in Paris;
- Other Financial Expenses reduced as the Fund was holding lower CHF balances with the Custodian during 2014 and hence paid less negative interest on cash;
- Administration costs reduced largely due to a reduction in personnel costs and lower Actuary costs.

**Total Expenses of 65mCHF in 2014**





# Cash Flow Statement

| (in kCHF)   | Year ended 31 December |                  | %              |             |
|---|------------------------|------------------|----------------|-------------|
|   | 2014                   | 2013             | Change         | Change      |
| Contributions and other receipts                            | 227,744                | 230,222          | (2,478)        | -1%         |
| Benefits and other payments                                 | (318,536)              | (316,263)        | (2,273)        | -1%         |
| <b>Net cash flows from membership activities</b>            | <b>(90,792)</b>        | <b>(86,041)</b>  | <b>(4,751)</b> | <b>-6%</b>  |
| Net cash flows from investing activities                    | 214,975                | (400,160)        | 615,135        | 154%        |
| <b>Net (decrease) increase in cash and cash equivalents</b> | <b>124,183</b>         | <b>(486,201)</b> | <b>610,384</b> | <b>126%</b> |
| Cash at beginning of the year                               | 521,173                | 1,007,597        | (486,424)      | -48%        |
| Exchange gains /(losses) on cash and cash equivalents       | (76,664)               | (223)            | (76,441)       | -34278%     |
| <b>Cash at end of the year</b>                              | <b>568,692</b>         | <b>521,173</b>   | <b>47,519</b>  | <b>9%</b>   |

## Membership activities:

- Net cash outflow of 91mCHF from membership activities in 2014;
- Includes receipt of 61.3mCHF from Employer special contributions.

## Investment activities:

- Net cash inflow of 215mCHF, principally as a result of the sale of the Japanese and S&P 500 ETFs due to the reduction in equity risk during October, partially offset by a net 204mCHF investment in bonds, the purchase of a building in London and an increase in short-term deposits.

***Net Increase in cash of 48mCHF***