

# Annual Report and Financial Statements

For the Year ended 31 December 2016

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Finance Committee & Council – June 2017

# Executive Summary

- Net Assets as at 31 December 2016 are 4.06bnCHF.
- The Funding ratio according to IAS 26 is 39.9% (72.5% according to “Best Estimate” assumptions).
- Decrease in Net Assets during 2016 of 33mCHF.

# Annual Report

- Pension Fund Governing Board Report
  - Composition of bodies of Fund and Advisors – list of key third party advisors/suppliers;
  - Overview of the year - key items on PFGB agendas;
  - Members and Beneficiaries data;
  - Actuarial Status of the Fund - different funding measures;
  - Investment Report – overview of year;
- Chair's Letter, Audit Opinion, Financial Statements, Extract of Actuary's Report

# Statement of Financial Position - Assets

(in kCHF)	As at 31 December		%	
	2016	2015	Change	Change
Cash and Cash Equivalents	351,160	440,915	(89,755)	-20%
Short-Term Deposits	103,600	104,370	(770)	-1%
Derivatives	28,420	62,368	(33,948)	-54%
Bonds	938,358	978,290	(39,932)	-4%
Equities	727,315	560,733	166,582	30%
Investment Funds	1,177,320	1,177,974	(654)	0%
Other Assets	41,384	22,363	19,021	85%
Investment Property	764,399	813,843	(49,444)	-6%
<b>Total assets</b>	<b>4,131,956</b>	<b>4,160,856</b>	<b>(28,900)</b>	<b>-1%</b>

## Significant changes between 31 December 2015 and 31 December 2016:

- Decrease in Cash and Cash Equivalents of 90mCHF (-20%) largely due to the cash outflow from membership activities;
- Increase of 30% in Equities (e.g. +33% in EMEA, +5% in North America, increase in Asia and new positions on Emerging Markets);
- Continued restructuring of the hedge fund portfolio resulted in net redemptions totalling 186mCHF. These were partially offset by an increase of 66mCHF in Fixed Income Funds and 77mCHF in Private Equity/Private Debt. There was also mark to market gains of 41mCHF ;
- Other Assets includes 29mCHF due to two Investment Funds redeemed prior to the year-end;
- Decrease of 50mCHF in Investment Property following the sale of two buildings in France (37mCHF) and a building sold in the Netherlands (4mCHF). The annual revaluation exercise contributed gains of 38mCHF, whilst there were net losses of 46mCHF as a result of foreign exchange movements.

# Statement of Financial Position - Liabilities

(in kCHF)	As at 31 December		%	
	2016	2015	Change	Change
<b>Total assets</b>	<b>4,131,956</b>	<b>4,160,856</b>	<b>(28,900)</b>	<b>-1%</b>
Derivatives	54,147	44,925	9,222	21%
Other Liabilities	17,857	23,122	(5,265)	-23%
<b>Total liabilities</b>	<b>72,004</b>	<b>68,047</b>	<b>3,957</b>	<b>6%</b>
<b>Net assets available for benefits</b>	<b>4,059,952</b>	<b>4,092,809</b>	<b>(32,857)</b>	<b>-0.8%</b>

## Liabilities:

- Derivatives liabilities of 54mCHF at 31 December 2016, largely as a result of the negative market value of the currency hedges in place at the year-end;

## Net Assets:

- Net Assets of 4.06bn CHF as at 31.12.16 (4.09bn CHF in 2015), a decrease of 0.8%;

# Technical Balance Sheet

(in kCHF)	As at 31 December		Change	% Change
	2016	2015		
<b>Vested pension capital</b>				
Transfer values of active members or current value of deferred pensions	5,030,941	4,753,200	277,741	6%
Mathematical reserves of the beneficiaries	5,134,845	5,380,871	(246,026)	-5%
<b>Vested pension capital</b>	<b>10,165,786</b>	<b>10,134,071</b>	<b>31,715</b>	<b>0%</b>
<b>Technical deficit</b>	<b>(6,105,834)</b>	<b>(6,041,262)</b>	<b>(64,572)</b>	<b>-1%</b>
<b>Funding Ratio</b>	<b>39.9%</b>	<b>40.4%</b>	<b>-0.4%</b>	<b>-1%</b>

- Funding ratio is 39.9% (40.4% in 2015) according to the calculation based on the CERN Accounting Policy actuarial assumptions (IPSAS 25/IAS 26);
- Increase of 65mCHF in the technical deficit;
- No changes to the accounting actuarial assumptions - change in deficit and funding ratio is mainly due to the underlying population data and the decrease in Net Assets

# “Best Estimate” Liabilities

(in kCHF)	"Best Estimate"	
	2016	2015
Net assets of the Fund	4,059,952	4,092,809
Actuarial Liabilities	(5,598,243)	(5,604,318)
<b>Surplus/(Deficit) in the Fund</b>	<b>(1,538,291)</b>	<b>(1,511,509)</b>
<b>Funding Ratio</b>	<b>72.5%</b>	<b>73.0%</b>

- Funding ratio according to the “Best Estimate” actuarial assumptions is 72.5% (73% in 2015);
- Actuarial liabilities and funding ratio according to the “Best Estimate” assumptions are shown in the “Extract of the Actuary’s Report on the Fund as at 31 December 2016” section V.

# Statement of Financial Performance - Income

(in kCHF)	Year ended 31 December		%	
	2016	2015	Change	Change
Dividend Income	37,129	40,042	(2,913)	-7%
Interest Income	26,150	26,195	(45)	0%
Unrealised Gains/(Losses) on Financial Assets at Fair Value Through P&L	63,887	83,649	(19,762)	-24%
Realised Gains/(Losses) on Financial Assets at Fair Value Through P&L	(74,595)	(48,078)	(26,517)	-55%
Investment Property Income	28,901	54,195	(25,294)	-47%
Foreign Exchange Gains/(Losses)	14,996	12,835	2,161	17%
<b>Total Investment Income/(Loss)</b>	<b>96,468</b>	<b>168,838</b>	<b>(72,369)</b>	<b>-43%</b>

## Significant changes in Investment Income:

- Unrealised and Realised Losses totalling 11mCHF were largely driven by price losses of 57mCHF on derivatives and gains of 22mCHF on Investment Funds, 17mCHF on Bonds and 28mCHF on Equities. Exchange rate losses of 20mCHF were mostly due to the weaker GBP during 2016 (24mCHF on equities held in GBP);
- Investment Property income was 25mCHF lower in 2016. There was a net decrease in valuations of 9mCHF (increase of 18mCHF in 2015) mainly due to losses of 42mCHF due to the GBP currency's decline. This was partially offset by gains of 38mCHF generated on the French and Swiss Real Estate markets;
- Foreign Exchanges Gains of 14.9mCHF.



# Statement of Financial Performance - Expenses

(in kCHF)	Year ended 31 December		%	
	2016	2015	Change	Change
Investment Management Fees	22,269	39,327	(17,058)	-43%
Custody Fees and Administration of Securities	1,291	1,295	(4)	0%
Transaction Costs	2,357	1,516	841	55%
Taxation	196	212	(16)	-8%
Investment Property Expenditure	8,901	10,181	(1,280)	-13%
Investment Related Expenditure	3,348	3,106	242	8%
<b>Total Investment Expenses</b>	<b>38,362</b>	<b>55,637</b>	<b>(17,275)</b>	<b>-31%</b>
Bank Charges	55	62	(7)	-12%
Other Financial Expenses	1,933	1,106	827	75%
Administration Costs	5,357	5,482	(125)	-2%
<b>Total Other Expenses</b>	<b>7,345</b>	<b>6,650</b>	<b>695</b>	<b>10%</b>
<b>Total Expenses</b>	<b>45,707</b>	<b>62,287</b>	<b>(16,580)</b>	<b>-27%</b>

## Significant changes in Investment and other Expenses:

- Investment Management Fees decreased by 17mCHF, of which 10mCHF was as a result of lower performance during 2016 when compared to 2015. 7mCHF was due to the hedge fund redemptions during the year;
- Investment Property Expenditure decreased by 13% , following a decrease in works compared to 2015, particularly in France;
- Increase in other expenses mainly due to the negative interest on cash during the year. There were further falls in the EUR rate and higher average cash balances during 2016 compared to 2015;
- Minor decrease in Administration costs of 2%, largely due to a decrease in operating expenses.

# Cash Flow Statement

(in kCHF)	Year ended 31 December		% Change	
	2016	2015		
Contributions and other receipts	234,355	230,100	4,255	2%
Benefits and other payments	(321,093)	(322,633)	1,540	0%
<b>Net cash flows from membership activities</b>	<b>(86,738)</b>	<b>(92,532)</b>	<b>5,794</b>	<b>6%</b>
Net cash flows from investing activities	(46,381)	6,283	(52,664)	-838%
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(133,118)</b>	<b>(86,249)</b>	<b>(46,869)</b>	<b>-54%</b>
Cash at beginning of the year	440,915	568,692	(127,777)	-22%
Exchange gains /(losses) on cash and cash equivalents	43,363	(41,528)	84,891	204%
<b>Cash at end of the year</b>	<b>351,160</b>	<b>440,915</b>	<b>(89,755)</b>	<b>-20%</b>

## Membership activities:

- Net cash outflow of 87mCHF from membership activities in 2016;
- Includes receipt of 61.3mCHF from Employer special contributions.

## Investment activities:

- Net cash outflow of 46mCHF, principally as a result of losses during the year on the overlay portfolio and the increase in the equity portfolio.