

# Annual Report and Financial Statements Overview

For the Year ended 31 December 2017

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Open Council – June 2018

# Executive Summary

- Net Assets as at 31 December 2017 are 4.26bnCHF
- The Funding ratio according to IAS 26 is 41.5%  
(75.9% according to “Best Estimate” assumptions)
- Increase in Net Assets during 2017 of 199mCHF

# 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		%	
	2017	2016	Change	Change
Cash and Cash Equivalents	439,738	351,160	88,578	25%
Short-Term Deposits	108,505	103,600	4,905	5%
Derivatives	41,157	28,420	12,737	45%
Bonds	958,177	938,358	19,819	2%
Equities	634,226	727,315	(93,090)	-13%
Investment Funds	1,230,061	1,177,320	52,741	4%
Other Assets	88,232	41,384	46,848	113%
Investment Property	824,478	764,399	60,079	8%
<b>Total assets</b>	<b>4,324,574</b>	<b>4,131,956</b>	<b>192,618</b>	<b>5%</b>

## Significant changes between 31 December 2016 and 31 December 2017:

- Increase in Cash and Cash Equivalents of 88mCHF (+25%) largely due to the reduction in the equity portfolio (e.g. 60mCHF MFS mandate);
- Decrease of 13% in Equities due to a reduction of 214mCHF in the portfolio partially offset by market gains of 120mCHF;
- Investment Funds increased due mark to market gains of 130mCHF offset by net redemptions of 68mCHF (103mCHF hedge funds);
- Other Assets includes 66mCHF for one Investment Fund redeemed prior to the year-end;
- Increase of 60mCHF in Investment Property, including gains of 58mCHF from the annual revaluation exercise and gains of 39mCHF as a result of foreign exchange movements. Sales of two buildings reduced the Investment Property assets by 37mCHF.

# Statement of Financial Position - Liabilities

(in kCHF)	As at 31 December		%	
	2017	2016	Change	Change
<b>Total assets</b>	<b>4,324,574</b>	<b>4,131,956</b>	<b>192,618</b>	<b>5%</b>
Derivatives	44,831	54,147	(9,316)	-17%
Other Liabilities	21,098	17,857	3,241	18%
<b>Total liabilities</b>	<b>65,929</b>	<b>72,004</b>	<b>(6,075)</b>	<b>-8%</b>
<b>Net assets available for benefits</b>	<b>4,258,645</b>	<b>4,059,952</b>	<b>198,693</b>	<b>5%</b>

## Liabilities:

- Derivatives liabilities of 45mCHF at 31 December 2017, largely as a result of the negative market value of the currency hedges in place at the year-end.

## Net Assets:

- Net Assets of 4.26bn CHF as at 31.12.17 (4.06bn CHF in 2016), an increase of 5%.

# Technical Balance Sheet

(in kCHF)	As at 31 December		Change	% Change
	2017	2016		
<b>Vested pension capital</b>				
Transfer values of active members or current value of deferred pensions	5,033,870	5,030,941	2,929	0%
Mathematical reserves of the beneficiaries	5,225,386	5,134,845	90,541	2%
<b>Vested pension capital</b>	<b>10,259,256</b>	<b>10,165,786</b>	<b>93,470</b>	<b>1%</b>
<b>Technical deficit</b>	<b>(6,000,611)</b>	<b>(6,105,834)</b>	<b>105,223</b>	<b>2%</b>
<b>Funding Ratio</b>	<b>41.5%</b>	<b>39.9%</b>	<b>1.6%</b>	

- Funding ratio is 41.5% (39.9% in 2016) according to the calculation based on the CERN Accounting Policy actuarial assumptions (IPSAS 25/IAS 26);
- Decrease of 105mCHF in the technical deficit;
- No changes to the accounting actuarial assumptions. The change in deficit and funding ratio is mainly due to the increase in Net Assets.

# “Best Estimate” Liabilities

<b>(in kCHF)</b>	<b>"Best Estimate"</b>	
	<b>2017</b>	<b>2016</b>
Net assets of the Fund	4,258,645	4,059,952
Actuarial Liabilities	(5,608,816)	(5,598,243)
<b>Surplus/(Deficit) in the Fund</b>	<b>(1,350,171)</b>	<b>(1,538,291)</b>
<b>Funding Ratio</b>	<b>75.9%</b>	<b>72.5%</b>

- Funding ratio according to the “Best Estimate” actuarial assumptions is 75.9% (72.5% in 2016);
- 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 2017” section VI.

# Statement of Financial Performance - Summary

(in kCHF)	Year ended 31 December		Change	% Change
	2017	2016		
Total Investment Income/(Loss)	329,687	96,468	233,219	242%
Total Investment Expenses	39,251	38,362	889	2%
<b>Net Investment Income/(Loss)</b>	<b>290,436</b>	<b>58,106</b>	<b>232,330</b>	<b>400%</b>
Total Other Expenses	8,407	7,345	1,062	14%
<b>Change in Net Assets before Membership Activities</b>	<b>282,029</b>	<b>50,761</b>	<b>231,268</b>	<b>456%</b>
Total Contributions	240,241	234,515	5,725	2%
Total Benefits and Payments	323,577	318,133	5,444	2%
<b>Net Membership Activities Cost</b>	<b>(83,336)</b>	<b>(83,618)</b>	<b>282</b>	<b>0%</b>
<b>Net Increase/(Decrease) in Net Assets During Year</b>	<b>198,693</b>	<b>(32,857)</b>	<b>231,550</b>	<b>705%</b>

- Significant changes between 2016 and 2017:
  - Increase in net investment income of 233mCHF compared to 2016
  - Net Membership Activities Cost in line with 2016
  - Increase in Net Assets of 199mCHF



# Statement of Financial Performance - Income

(in kCHF)	Year ended 31 December		%	
	2017	2016	Change	Change
Dividend Income	40,100	37,129	2,971	8%
Interest Income	24,962	26,150	(1,188)	-5%
Unrealised Gains/(Losses) on Financial Assets at Fair Value Through P&L	233,795	63,887	169,908	266%
Realised Gains/(Losses) on Financial Assets at Fair Value Through P&L	21,729	(74,595)	96,324	129%
Investment Property Income	140,266	28,901	111,365	385%
Foreign Exchange Gains/(Losses)	(131,165)	14,996	(146,161)	-975%
<b>Total Investment Income/(Loss)</b>	<b>329,687</b>	<b>96,468</b>	<b>233,219</b>	<b>242%</b>

## Significant changes in Investment Income:

- Unrealised and Realised gains totalling 255mCHF were largely driven by price gains of 131mCHF on Investment Funds and 102mCHF on Equities. Exchange rate gains of 40mCHF were mostly due to the stronger EUR during 2017.
- Investment Property income was 140mCHF in 2017. The increase is mostly due to valuations of 97mCHF (58mCHF on price and 39mCHF on currency), in particular in the French and Swiss real estate markets.
- Foreign Exchanges losses of 131mCHF mainly due to the currency hedges.

# Statement of Financial Performance - Expenses

(in kCHF)	Year ended 31 December		%	
	2017	2016	Change	Change
Investment Management Fees	22,170	22,269	(99)	0%
Custody Fees and Administration of Securities	1,296	1,291	5	0%
Transaction Costs	1,349	2,357	(1,008)	-43%
Taxation	165	196	(31)	-16%
Investment Property Expenditure	10,636	8,901	1,735	19%
Investment Related Expenditure	3,635	3,348	287	9%
<b>Total Investment Expenses</b>	<b>39,251</b>	<b>38,362</b>	<b>889</b>	<b>2%</b>
Bank Charges	100	55	45	82%
Other Financial Expenses	2,789	1,933	856	44%
Administration Costs	5,518	5,357	161	3%
<b>Total Other Expenses</b>	<b>8,407</b>	<b>7,345</b>	<b>1,062</b>	<b>14%</b>
<b>Total Expenses</b>	<b>47,658</b>	<b>45,707</b>	<b>1,951</b>	<b>4%</b>

## Significant changes in Investment and other Expenses:

- Investment Management Fees were largely in line with 2016. Despite continued redemptions in the hedge fund portfolio, returns improved in 2017, resulting in a similar level of management/performance fees overall.
- Transactions costs decreased during 2017 due to a lower volume of purchase transactions compared to 2016.
- Investment Property Expenditure included renovation works on the Opera building in Paris, as well as Grand Saconnex in Switzerland.
- Increase in Other Financial Expenses was largely as a result of an increase in the level of cash held during the year compared to 2016.

# Cash Flow Statement

(in kCHF)	Year ended 31 December		Change	% Change
	2017	2016		
Contributions and other receipts	239,931	234,355	5,576	2%
Benefits and other payments	(321,961)	(321,093)	(868)	0%
<b>Net cash flows from membership activities</b>	<b>(82,030)</b>	<b>(86,738)</b>	<b>4,707</b>	<b>5%</b>
Net cash flows from investing activities	165,015	(3,721)	168,735	4535%
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>82,984</b>	<b>(90,458)</b>	<b>173,443</b>	<b>192%</b>
Cash at beginning of the year	351,160	440,915	(89,756)	-20%
Exchange gains /(losses) on cash and cash equivalents	5,594	703	4,891	696%
<b>Cash at end of the year</b>	<b>439,738</b>	<b>351,160</b>	<b>88,578</b>	<b>25%</b>

## Membership activities:

- Net cash outflow of 82mCHF from membership activities in 2017.
- Includes receipt of 61.3mCHF from Employer special contributions.

## Investment activities:

- Net cash inflow of 165mCHF, largely as a result of a reduction in the equity portfolio and the sale of two buildings during the year.