

Fondation 2^{ème} pilier swissstaffing

Management Report for 2018

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A pioneer and expert

The swissstaffing Pension Fund has been the insurance solution for temporary and permanent staff since 1985. Secure, CBA (collective bargaining agreement) compliant and flexible for both employers and employees.

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Pfäffikon, June 2019

Introduction

Pfäffikon, June 2019

Dear Reader

This Management Report of Stiftung 2. Säule swissstaffing/Fondation 2^{ème} pilier swissstaffing (the «Foundation») contains the most significant information about the financial year from 1 January to 31 December 2018. It is an essential component of our communication policy, and is to be distributed to all members of the Foundation by their employers. The Foundation is committed to good governance and transparency. This is why, at the beginning of this Report, we wish to underscore how important it is that this information reach its intended recipients. We thank the representatives of the affiliated companies for their support in this endeavour.

Extra copies of the Report may be obtained from the Foundation on request; the Report is also published on the website of the Swissstaffing association.

The difficulties experienced on the capital markets in 2018 led to a negative performance of -5.40% for the Foundation. According to the OAK survey, the average performance of Swiss pension funds in 2018 was -2.80%.

As at 31 December 2018, the Foundation reported funded status of 120.94%, compared with 142.95% at the end of 2017. The deterioration is attributable to weak capital markets and higher provisions. The target investment fluctuation reserve set by the Pension Board remains at 25%, which means that the Foundation has a slightly limited capacity for risk. Despite the lower funded status and lesser capacity for risk, the Foundation is still in good shape. This benefits both its active members and its pensioners, and in 2018 the Foundation:

- maintained an interest crediting rate 2% higher than the BVG/LPP minimum interest rate (i.e. 3% since 1 January 2017);
- granted a 13th month's pension to all recipients of retirement, disability, survivor and child pensions. Payment was made in December.

We wish you interesting and enjoyable reading.

Yours truly,



Georg Staub
Chair



Martin Meili
Secretary

Presentation of the Foundation

Stiftung 2. Säule swissstaffing/Fondation 2^{ème} pilier swissstaffing was founded on 1 January 1985 to meet the requirements of the Federal Act on Occupational Retirement, Survivors', and Disability Pension Plans (BVG/LPP). At the time, it was expressly designed to fulfil the specific needs of temporary employment agencies and their employees; it now guarantees all benefits within the scope of the legislation and implementing ordinances on mandatory occupational benefits.

Since the middle of 2017, in accordance with Article 48 BVG/LPP, the Foundation has been listed in the register of occupational benefit institutions of the Zentralschweizer Aufsichtsbehörde (ZBSA), the Regulatory Authority with oversight over the Foundation; previously, it was listed with the Autorité de surveillance LPP et des fondations de Suisse occidentale (AS-SO). Accordingly, it is licensed to provide mandatory occupational benefits.

Therefore, the member companies of Swissstaffing Association can comply with their statutory duty to provide occupational benefits by joining the Foundation. Moreover, the framework conditions of the collective agreement for temporary workers (GAV/CCT) regarding occupational benefits are guaranteed through the Foundation.

The Foundation also offers recruitment companies the possibility of affiliating their in-house employees. It also offers additional opportunities in the field of extra-mandatory benefits for interested companies.

The Foundation is an occupational benefits institution which prides itself on its efficient cost and risk management. The Foundation's operating costs are transparent, and very low by comparison with other occupational benefits institutions in the sector:

- Asset management costs: CHF 160 per year and recipient, or 0.761% of assets under management;
- General administration costs (including auditor, accredited pension actuary and regulatory authorities): CHF 115 per year and recipient;
- Total operating costs: CHF 275 per year and recipient.

The Foundation has been managed for many years by Aon Switzerland Ltd (formerly PRASA, then Hewitt Associates SA) in Neuchâtel. It currently has more than 293 affiliation agreements representing over 163 companies in the industry serving 27'717 active members and pensioners. In 2018, the Foundation processed about 315,000 reported salaries, 40,717 new members and 40,690 departures.

The Pension Board is the Foundation's highest governing body and is currently composed of five members, all of whom either work in, or have extensive knowledge of, the occupational benefits industry (see composition of the Pension Board on page 10). The sixth seat on the Pension Board will be filled again as rapidly as possible.

Our members benefit from our good performance.

Our members benefit from our good performance: all retirement assets have attracted interest at a rate of 2% above the mandatory level for years.



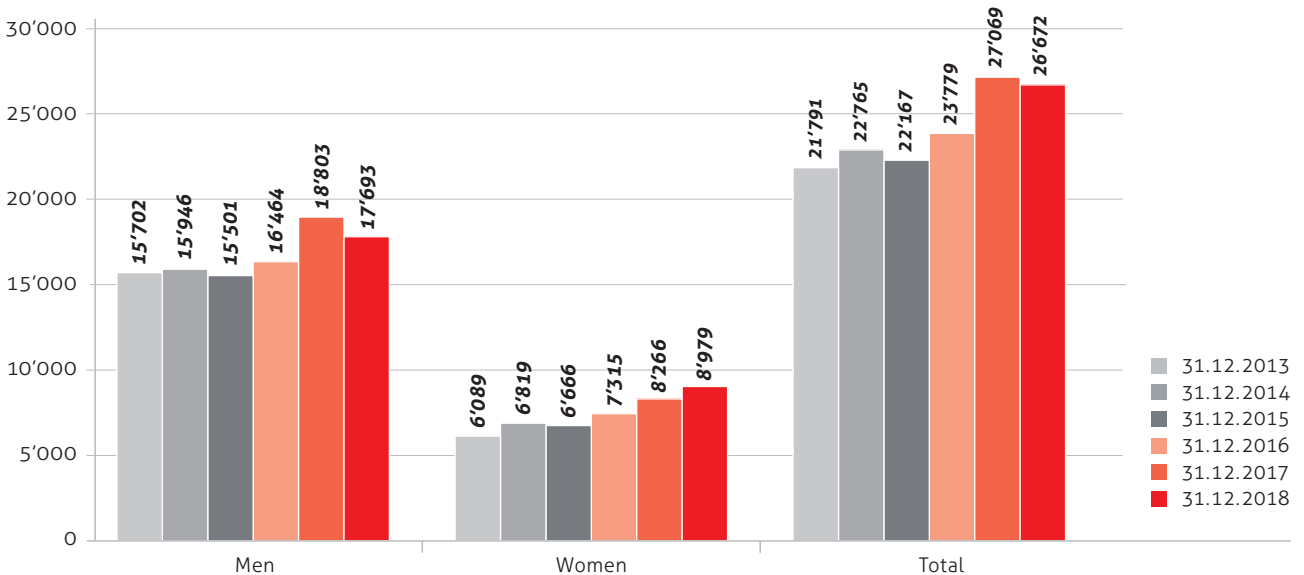
Headcount statistics

Active members

As at 31 December 2018, the Foundation managed the occupational benefits of temporary employees under 188 affiliation agreements, compared with 176 as at 31 December 2017.

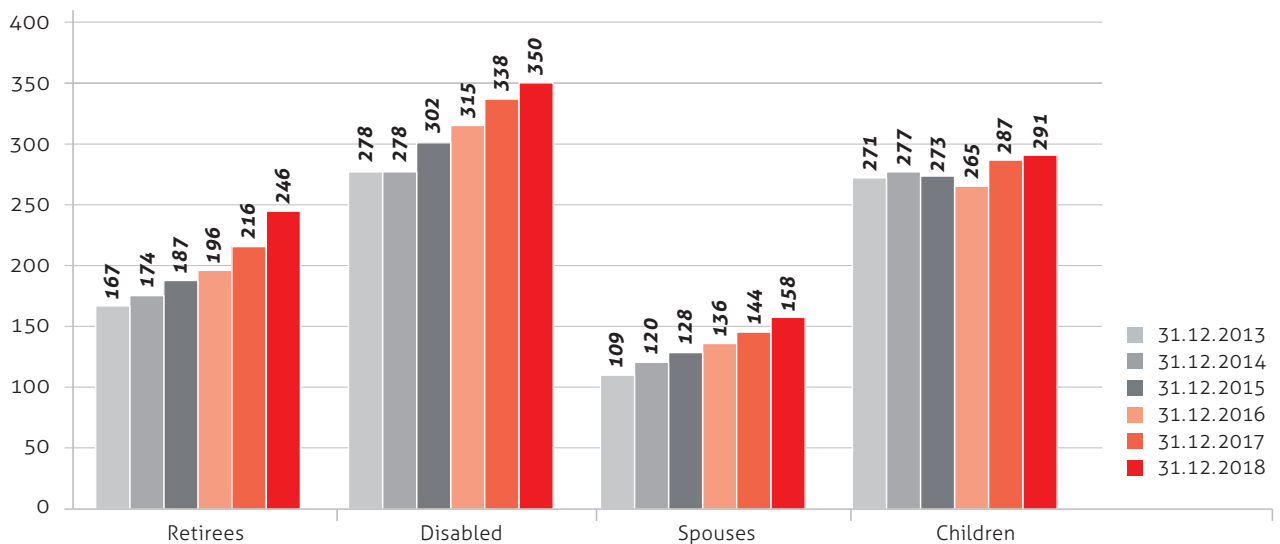
Moreover, 82 employers have insured their permanent employees with the Foundation under an affiliation agreement.

The changes in the headcount of active members are shown below. The fall in headcount is attributable to the termination of a sizable affiliation contract at the end of the year.



Pensioners

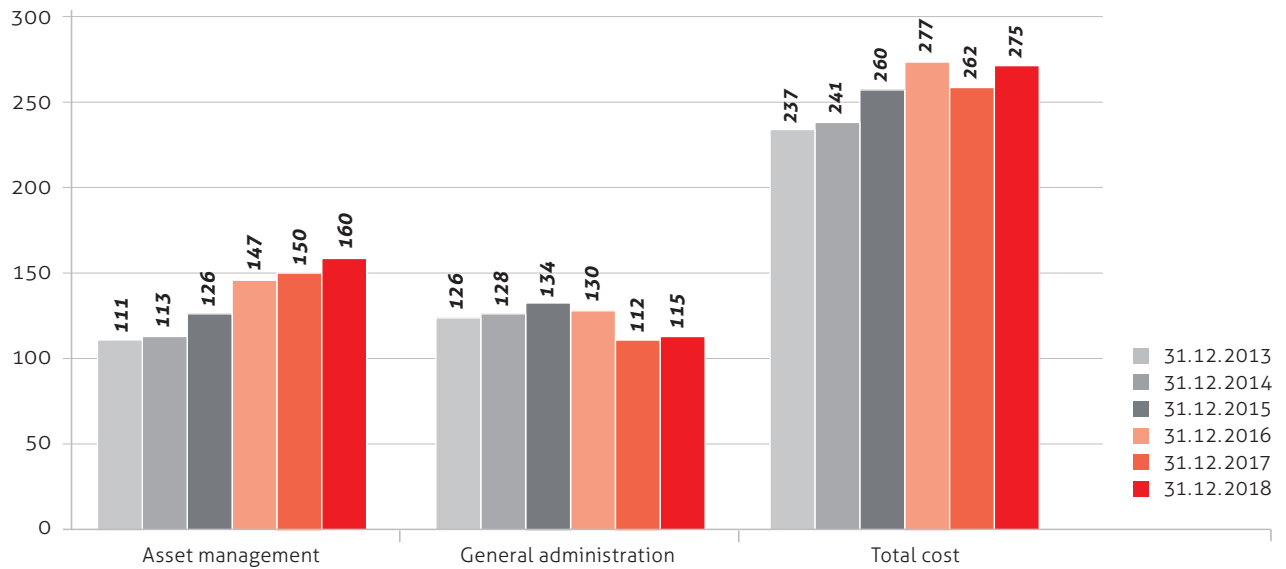
The pensioner headcount increased again (1,045 pensions in payment as at 31 December 2018 compared with 985 as at 31 December 2017). A constant increase has been recorded in the number of retirement, spouse, and disability pensions in payment.



Headcount statistics

Management and administration costs

Changes in the Foundation's management and administration costs are shown below. The increase in management and administration costs was due both to slightly higher asset management costs and an increase in general administration costs. The increase in general administration costs followed the slight decline in headcount, from 27,069 in 2017 to an average of 26,672 in 2018.



Assets

Assets

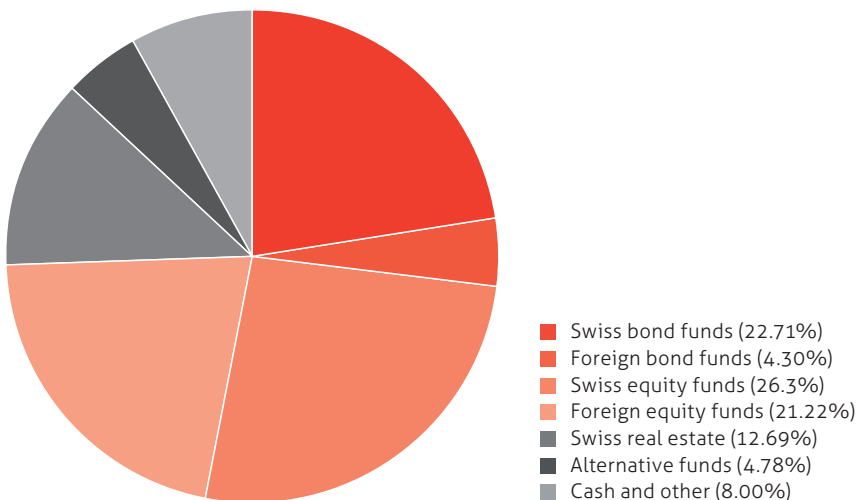
The assets available to the Foundation for covering its pension liabilities are the balance sheet assets stated at market values, less the liabilities, including accruals and deferrals and employer contribution reserves. As at 31 December 2018, assets totaled CHF 497,376,203 (compared with CHF 503,568,120 as at 31 December 2017); this corresponds to a decrease of slightly more than 1%.

Investment fluctuation reserve

On 31 December 2018, the investment fluctuation reserve, which is designed to absorb fluctuations in the financial markets, did not attain its target value of 25% of the Foundation's total insurance liabilities and technical provisions. On 31 December 2017, it stood at CHF 86,122,051. The decrease in the investment fluctuation reserve was mainly attributable to the weak capital markets.

Asset allocation

The chart below shows the predominant share of collective equity funds (Switzerland and foreign, both ranging between 20% and 30%) in the asset allocation, as well as the significant weighting of Swiss real estate investments (12.7%). The bond allocation in CHF and FC totaled 27% at the end of 2018. Investments continue to satisfy the prudent objectives set by the Pension Board.



A healthy pension fund

We are in a strong financial position. For many years, our coverage ratio has far exceeded 100%. At the end of 2018, it had reached 121%.

Financial situation

Balance Sheet

The balance sheet shows whether the Foundation's available assets are sufficient to cover its liabilities and technical provisions.

In the following table, we compare the financial situation as at 31 December 2018 with that of the prior year; pension liabilities are calculated applying the BVG/LPP 2010 GT mortality tables and a 3% discount rate.

	31.12.2018	Financial situation at: 31.12.2017
Total assets	587'652'929.57	561'997'385.87
Debts	-87'563'020.78	-57'145'226.76
Accrued liabilities and deferred income	-847'825.41	-457'893.15
Employer contribution reserve	-1'865'880.60	-781'897.50
Available assets	497'376'202.78	503'612'368.46
Pension liabilities and technical provisions		
Pension liabilities active members	-239'236'407.05	-215'051'152.75
Pension liabilities pension beneficiaries	-103'854'974.00	-93'424'247.00
Liabilities under insurance contracts	-631'771.00	-702'659.00
Technical provisions	-67'530'000.00	-43'120'000.00
Total pension liabilities and technical provisions	-411'253'152.05	-352'298'058.75
Investment fluctuation reserve	-86'123'050.73	-88'074'514.69
Non-committed funds	0.00	63'239'795.02
Funded status	120.94%	142.95%

Funded status under BVV2/OPP2

Funded status under Article 44 BVV2/OPP2 corresponds to the ratio between available assets and pension liabilities, where:

- available assets correspond to total balance sheet assets minus liabilities, accruals and deferrals, and any non-technical provisions, and
- liabilities consist of the pension liabilities of all members, liabilities under insurance contracts and technical provisions.

As at 31 December 2018, funded status in accordance with Article 44 BVV2/OPP2 was 120.94% compared with 142.95% as at 31 December 2017. Owing to the weak capital markets and higher provisions, funded status declined by 20% in 2018. Notwithstanding, the financial situation of the Foundation remains sound. The Fund's favourable age structure is another important factor in the Foundation's stable financial and structural situation.

Financial situation

Financial situation

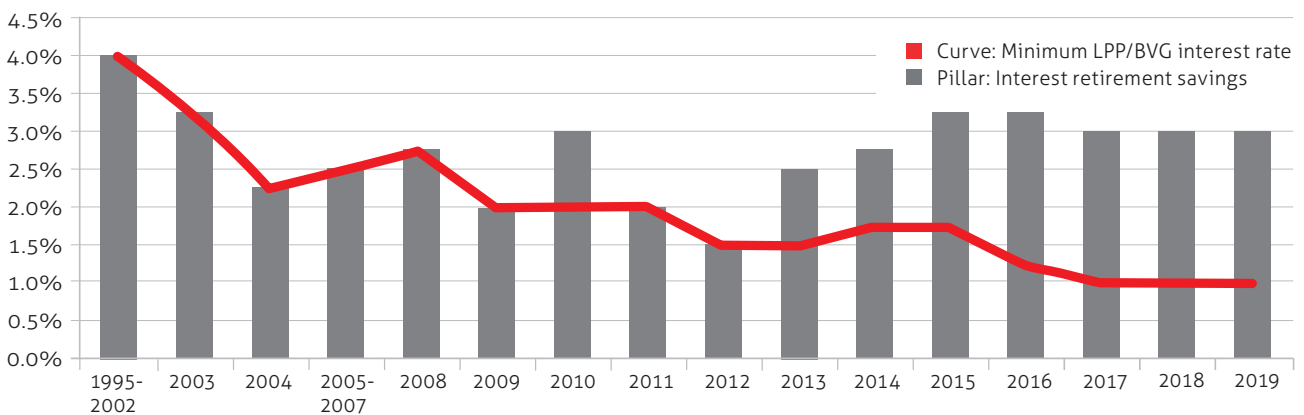
As we previously mentioned, 2018 was a challenging investment year. All stock markets experienced negative performance; logically, this had adverse effects for the Foundation. The Foundation's overall performance for the year was -5.40%. Higher provisions combined with weaker performance drove down funded status from 142.9% to 120.94%. The target value of the investment fluctuation reserve is 25%. Given the lower funded status, the Foundation's financial risk capacity is slightly limited. On 31.12.2018, conversely to prior years, the Foundation had no non-committed assets.

Conclusion: The Foundation rests on a sound foundation.

Interest on retirement savings capital

In 2018, the retirement savings accounts of active members earned 3% interest, i.e. 2% over the minimum BVG/LPP rate set by the Federal Council. Despite the disappointing investment year, the Pension Board set aside provisions for 2019 in order to continue crediting above-average interest on members' retirement savings capital.

The chart below shows how the Foundation's crediting interest rate on retirement savings accounts developed over the past 25 years (the red curve represents the minimum BVG/LPP rate by comparison):



A safe pension fund

We do not pursue commercial goals. We value transparency.
The interests of our members and customers always come first.

Activities and news

As mentioned in the introduction, the Pension Board took a number of decisions in the reporting year which were implemented in cooperation with the pension fund administration.

In a nutshell:

Higher crediting interest on retirement savings capital

Since July 2015, members' retirement savings capital has earned interest at 2% over the minimum BVG/LPP rate set by the Federal Council. The higher crediting interest rate set by the Pension Board is valid until the end of 2018.

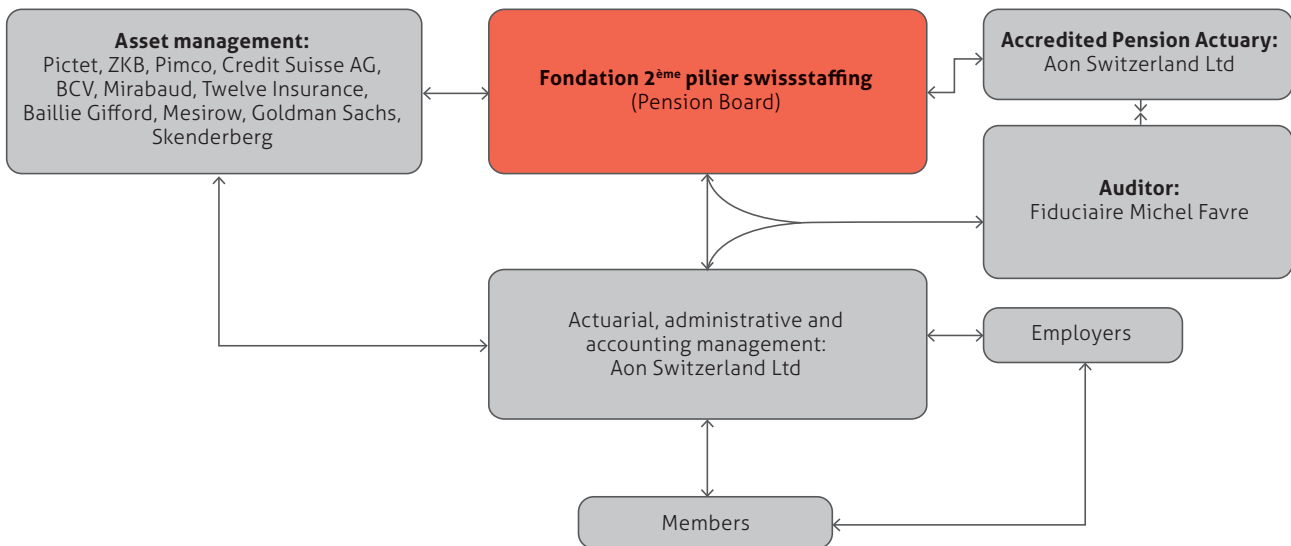
In 2018, therefore, crediting interest on retirement savings capital was 3% compared with the minimum BVG/LPP rate of 1%.

Payment of a 13th pension

As in 2016 and 2017, a 13th month's pension was paid to all pensioners at the end of 2018.

Structure of the Foundation

The main bodies and entities involved in the organisation of the Foundation are



Pension Board

The Pension Board is the Foundation's highest governing body. It manages the Foundation and represents it in dealings with third parties. The current term of office began in 2015 and ends in 2018. The members of the incumbent Board are:

Employer representatives:

- Georg Staub, Chair
- Myra Fischer-Rosinger, Member
- Roger Guthauser, Member

Employee representatives:

- Aldo Ferrari, Member
- Irène Righetti, Member

Copy to:

- Affiliated employers
- Swissstaffing Association
- Management Company
- Regulatory Authority
- Auditor



A straightforward pension fund

Our administration is efficient and oriented towards our customers' needs. We have our own call center and provide simple, efficient administration.



Supported by industry experts

All members of the Foundation Council offer in-depth industry knowledge or work in the industry. Our administrative team is also characterized by impressive expertise: its members solely support swissstaffing customers and are specialists in insurance for temporary staff.

Visit us at
[swissstaffing-bvg.ch](https://www.swissstaffing-bvg.ch)

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