

Stiftung 2. Säule / Fondation 2^{ème} pilier swissstaffing

Management Report for 2021

Fondation 2^{ème} pilier swissstaffing

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Risk premiums reduced by 0.25% to 1.75%.

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Pfäffikon, June 2022

Introduction

Pfäffikon, June 2022

Dear Reader

This Management Report of Fondation 2^{ème} pilier swissstaffing (the «Foundation») contains the most significant information about the financial year from 1 January to 31 December 2021. It is an essential component of our communication policy and must 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 just how important it is that this information reach its intended recipients. We take this opportunity to thank the representatives of the affiliated companies for their support.

The Foundation will be happy to send you additional copies on request. This report is also available on the website swissstaffing-bvg.ch, and in other languages (French, German, Italian) as well.

In the wake of 2020, the pandemic continued to be omnipresent in 2021. However, contrary to what might have been expected given the starting point, there was no downturn on the investment markets. Following an already good – albeit volatile – investment year in 2020, 2021 was an outstanding one. The Foundation maintained its tried-and-tested, well-diversified investment strategy and was rewarded with an excellent performance of 9.4%. It thus outperformed the average return reported in the nationwide comparison of Swiss occupational benefits institutions. According to the report on the financial situation of Swiss occupational benefits institutions prepared by OAK BV, in 2021, Swiss pension funds realised an average return of 8.0%.

Against this backdrop, funded status on 31 December 2021 attained 151.9%, an increase of 5%. The target value of the investment fluctuation reserve remained at 25% of pension liabilities; at the end of 2021, therefore, the Foundation retains its full risk capacity. This year again, the Foundation's good results will ensure to the benefit of both its active members and its pensioners:

- As in past years, the interest credited on retirement savings capital for 2021 was 2% higher than the minimum BVG/LPP interest of 1%, meaning that members' retirement savings capital have been credited with 3% interest since 1 January 2017.
- Payment of a 13th month's pension to all recipients of retirement, survivor, disability, or child pensions in 2021. Payment was made in December.

The stock markets got off to a difficult start in 2022. The Ukraine war, rising inflation, and global supply chain problems were three major factors impacting the markets. Given the geopolitical situation, it is nearly impossible to predict how investment markets will develop. In all likelihood, they will be subject to even stronger price fluctuations.

We wish you interesting and enjoyable reading.

Yours truly,



Georg Staub
Chair



Martin Meili
Secretary

Presentation of the Foundation

The Foundation 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 with the scope of the legislation 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 BVG- und Stiftungsratsaufsicht (ZBSA), the Regulatory Authority with oversight over the Foundation; before that, it was listed with the Autorité de surveillance LPP et des fondations de Suisse occidentale (AS-SO). It is therefore licensed to provide mandatory occupational benefits.

By joining the Foundation, the affiliated companies of swissstaffing Association can comply with their statutory obligation to provide occupational benefits. Moreover, the framework conditions of the collective agreement for temporary workers (GAV/CCT) concerning occupational benefits are guaranteed by the Foundation.

The Foundation also offers recruitment agencies the possibility of generally affiliating their in-house employees, thereby providing additional opportunities in the field of extra-mandatory benefits for those who are interested.

As an occupational benefits institution, the Foundation 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 186 per year and recipient, or 0.62% of assets under management;
- General administration costs (including auditor, accredited pension actuary and regulatory authorities): CHF 112 per year and recipient;
- Total operating costs: CHF 298 per year and recipient.

The Foundation has been managed by Aon Switzerland Ltd (formerly PRASA, then Hewitt Associates SA) in Neuchâtel for many years. It currently has more than 389 affiliation agreements with over 191 companies in the industry and serves 30,282 active members and pensioners. In 2021, this represented close to 343,003 reported salaries, 41,256 new members and 36,052 departures

After the pandemic-related decrease in membership in 2020, membership picked up significantly in 2021. The headcount of active members was up 21.5%, and the number of active members and pensioners attained record heights.

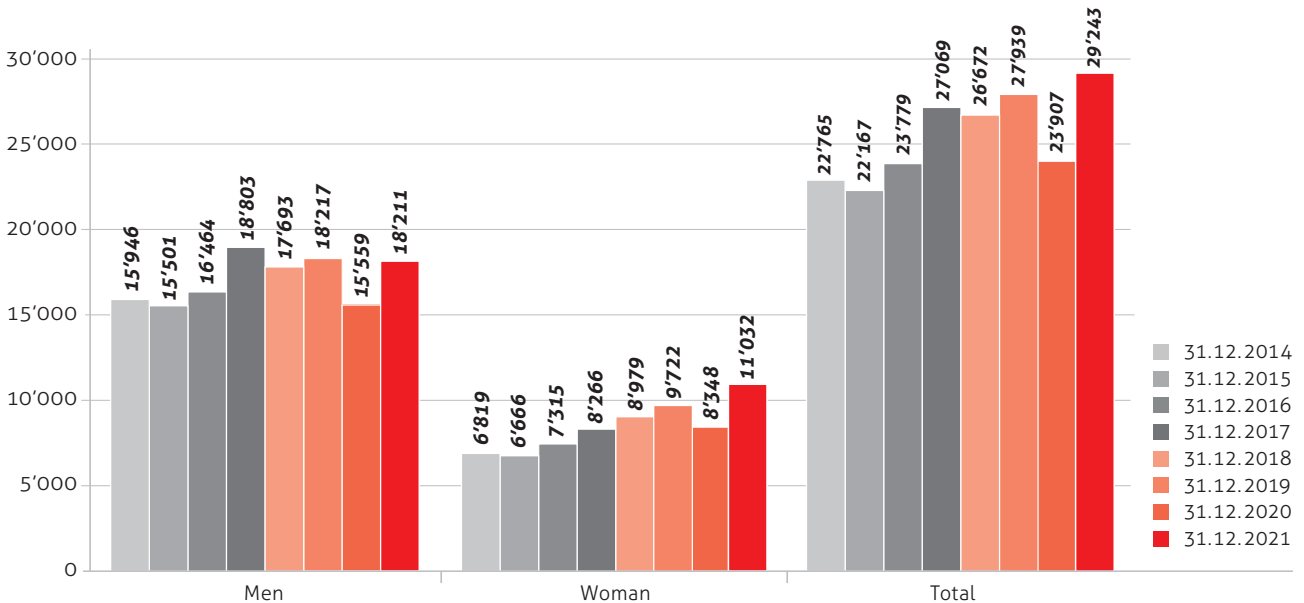
The Pension Board is the Foundation's highest governing body; it comprises six members, all of whom either work in, or have extensive knowledge of, the occupational benefits industry.

Headcount statistics

Active members

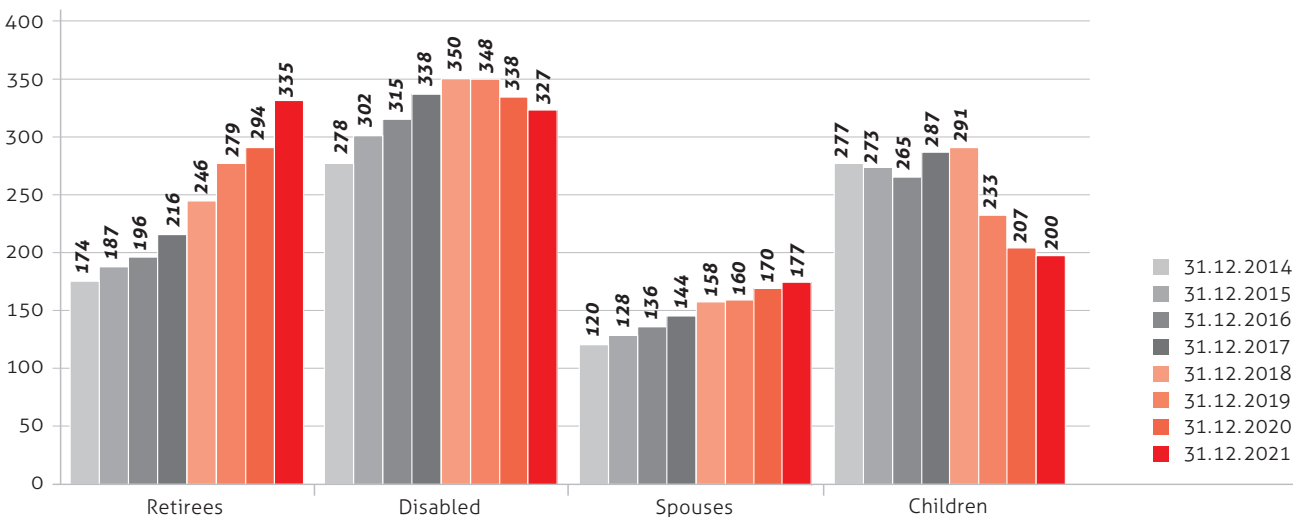
As at 31 December 2021, the Foundation managed the occupational benefits of temporary employees under 202 affiliation agreements, compared with 190 as at 31 December 2020.

Moreover, 167 businesses insured their permanent employees with the Foundation under affiliation agreements. The changes in the headcount of active members are shown below.



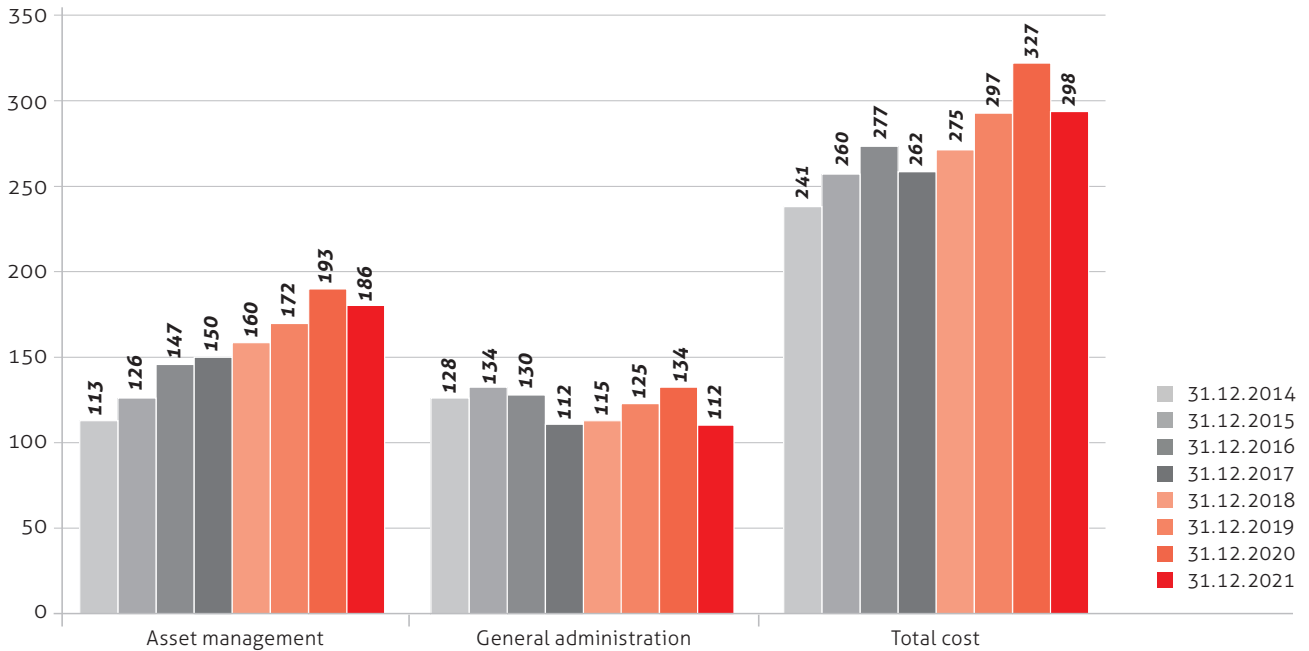
Pensioner headcount

The pensioner headcount increased slightly (1,039 pensions in payment as at 31 December 2021 compared with 1,009 as at 31 December 2020). The number of retirement pensions increases regularly while the number of disability pensions and child pensions continues to decline.



Administration costs

The following chart shows how the Foundation's administration costs have evolved. The administration and asset management costs per member declined significantly in the reporting year. This is mainly due to the increase in headcount. Certain costs are fixed and can therefore be distributed over more members.



Assets

Change in 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 2021, assets totaled CHF 795,364,940.10 (compared with CHF 685,857,351 as at 31 December 2020); this represents an increase of more than 7%.

A good investment year

2021 was an outstanding year for investors. Stock markets in particular rose steeply. The Fondation 2^{ème} pilier swissstaffing benefitted from this trend. Given the high equities content in its portfolio, the Foundation realised an excellent return.

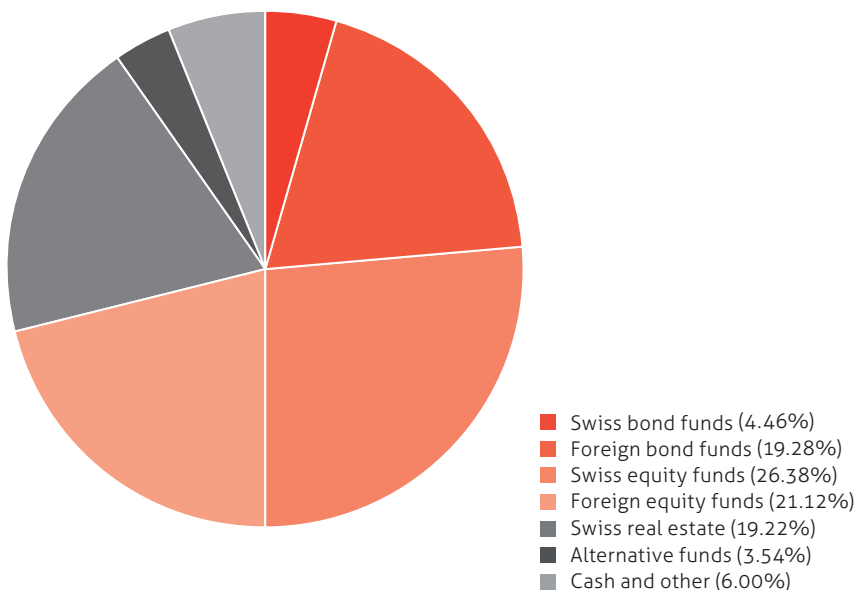
After recording a performance of 7.6% in the prior year, performance in 2021 was even higher at 9.40%. Funded status rose to 151.9% and risk capacity further improved.

Investment fluctuation reserve

As at 31 December 2021, the investment fluctuation reserve – designed to absorb fluctuations on the financial markets – once again reached its target value of 25% of the Foundation's total pension liabilities and technical provisions. As at 31 December 2021, the target value of the reserve was CHF 130,931,376.40.

Asset allocation

The chart below shows the share of collective equity funds (Switzerland 26.38% and foreign 21.12%) in the asset allocation, as well as the significant weighting of indirect Swiss real estate investments (19.22%). The share of bonds in CHF and foreign currencies was 23.74% at the end of 2021.



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 2021 with that of the prior year. Pension liabilities are currently calculated applying the BVG/LPP 2010 GT mortality tables and a 2% discount rate.

	Financial situation at 31.12.2021	Financial situation at 31.12.2020
Total assets	874'436'380.93	778'176'437.88
Debts	-77'353'311.92	-90'795'302.82
Accrued liabilities and deferred income	-1'311'338.58	-1'125'452.36
Employer contribution reserve	-406'790.30	-398'171.70
Available assets	795'364'940.13	685'857'511.00
Pension liabilities and technical provisions		
Pension liabilities active members	-277'861'216.65	-280'765'935.70
Pension liabilities pension beneficiaries	-122'856'812.00	-120'818'943.00
Liabilities under insurance contracts	-534'112.00	-625'949.00
Technical provisions	-66'159'000.00	-49'108'000.00
Total pension liabilities and technical provisions	-467'411'140.65	-451'318'827.70
Investment fluctuation reserve	-116'852'785.16	-112'829'706.93
Non-committed funds	101'593'585.19	72'615'834.66
Funded status	151.9%	146.7%

Funded status under BVV2/OPP2

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

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

As at 31 December 2021, funded status in accordance with Article 44 BVV2/OPP2 was 151.9% compared with 146.7% as at 31 December 2020. Thanks to the positive results in 2021, funded status improved again. The investment fluctuation reserve is at its target level and the Foundation reported non-committed assets as at 31 December 2021. The Foundation's financial situation is very sound thanks to the fully-constituted investment fluctuation reserve. Its healthy financial situation is also underpinned by the favourable age structure of its membership. The ratio of active members to pensioners is now 28:1.

Change in the Foundation's financial and structural situation

After a turbulent investment year in 2020, expectations for 2021 were mixed. The question was whether the positive trend experienced by investment markets after the hefty plunge in 2020 would continue. In hindsight, the answer is affirmative. The satisfying 9.4% performance produced a funded status of 151.9%. The investment fluctuation reserve was again at its target level in 2021 and the Foundation reported non-committed assets.

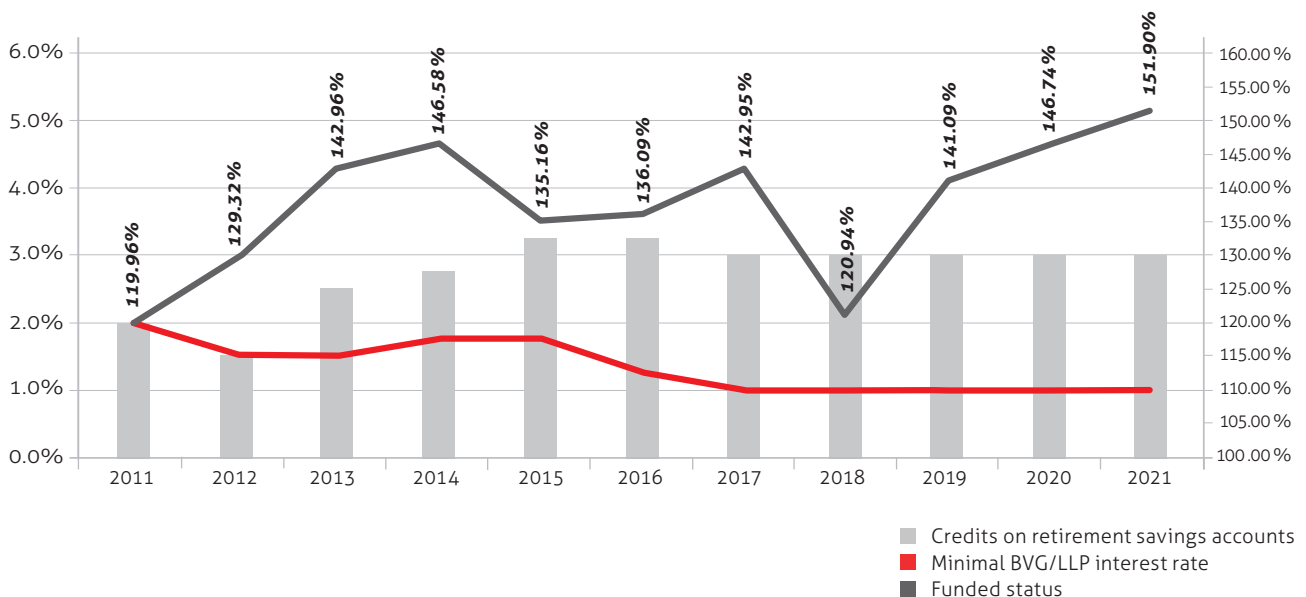
The increase in the active headcount in 2021 also served to strengthen the Foundation's structural risk capacity. The ratio between active members and pensioners is favourable for the Foundation.

In conclusion: The Foundation's solid base has been further strengthened and remains sound.

Interest on retirement savings capital

In 2021, the interest crediting rate on the retirement savings accounts of active members was 3%, i.e. 2% over the minimum BVG/LPP rate set by the Federal Council. Thanks to the positive performance in 2021, the Pension Board was able to set aside additional reserves to pay above-average interest on members' retirement savings accounts and to grant pensioners and a supplemental pension payment.

The blue bars in the chart below show the development in the Foundation's actual interest crediting rate on retirement savings accounts over the past 10 years; the red line represents the minimum BVG/LPP rate, and the yellow line, the development of funded status over the same period



Activities and news

In 2021, the Pension Board adopted a number of resolutions that were implemented in co-operation with management and the administration of the Foundation. Here the main points in a nutshell:

Higher interest on retirement savings capital

Since 2016, members' accrued retirement savings capital has earned interest at 2% over the minimum BVG/LPP rate set by the Federal Council. The higher interest crediting rate set by the Pension Board is valid until the end of 2022.

Thus in 2022, the interest rate on retirement savings capital is 3% compared with the minimum BVG/LPP rate of 1%.

Payment of a 13th month's pension

As in 2016, 2017, 2018, 2019 and 2020, a 13th month's pension was paid to all pensioners at the end of 2021.

Lower risk contributions and additional pension plans with options

Considering the positive trend in risk claims and the Foundation's healthy financial situation, the Pension Board decided to lower the risk contribution rate for temporary employees from 2.00% to 1.75% in 2021. Moreover, all temporary employees will be insured for an additional lump-sum death benefit equal to 50% of their pensionable salary.

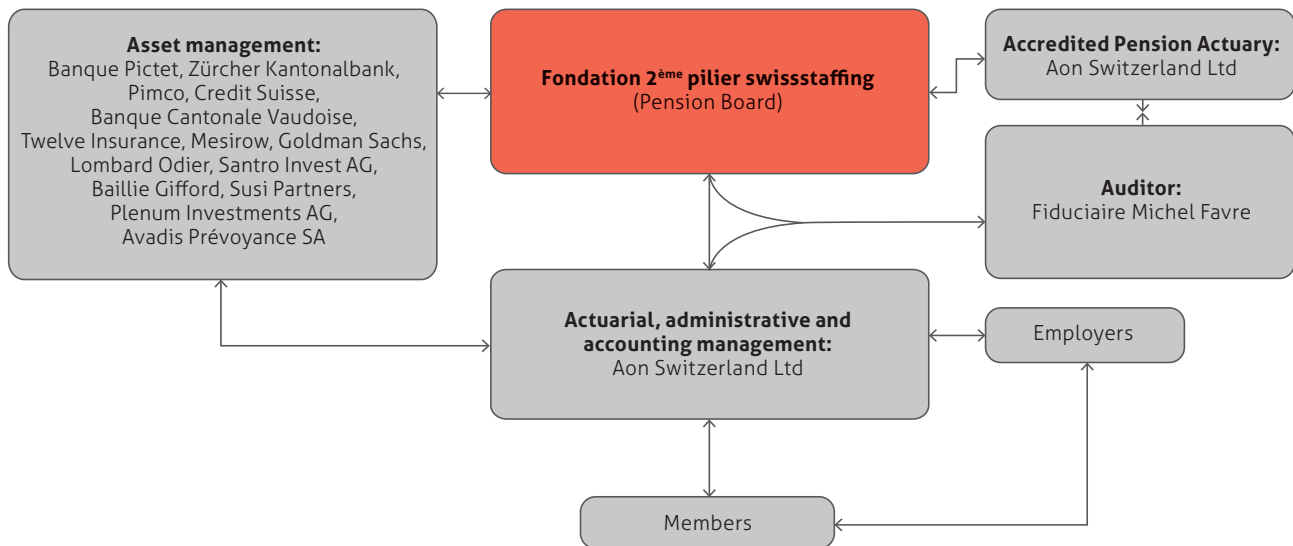
Finally, the new «Temp Premium» pension plans were introduced. These take into account the fact that a growing number of highly-qualified employees are signing up for temporary employment.

In addition to lower contribution rates and the introduction of new pension plans, affiliated companies will henceforth also have a choice of different pensionable salaries and lump-sum death benefits.



Structure of the Foundation

The Foundation's main governing bodies and entities 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 2018 and ends in 2022. The incumbent members of the Board are:

Employer Representatives

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

Employee representatives:

- Aldo Ferrari, Member
- Andrea Keller-Notter, Member
- Irène Righetti, Member

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