

## A Good Year in a Challenging Environment

Ladies and Gentlemen

### 1. Investment Climate and Performance in 2020

#### Investment Climate

Record indices at the beginning of 2020 were soon followed by the fastest-ever collapse – owing to the COVID-19 pandemic – and then the fastest-ever recovery in stock market history as the major exchanges surged to new highs. It was a year of extremes. The oil price turned negative for a time, and the market capitalisation of electric car company Tesla is now higher than Nissan/Renault/Mitsubishi, General Motors, Toyota and Volkswagen combined. It was a lively year for investments!

Equities were driven on the one hand by the prospect of several more years of the low interest phase, with negative rates for a range of currencies. At the same time, investors were almost giddy at the results of the US elections, a Brexit deal, the positive outlook for COVID-19 vaccines and the expectation of billions in infrastructure investments.

Interest rates remain stubbornly low around the world. In Switzerland, the yield on 10-year Confederation bonds remained at a steady -0.5%. Short-term yields are around -1.0%.

The USD weakened markedly from 0.97 to 0.88 against the Swiss franc in the course of the year. By contrast, at 1.08 the EUR/CHF exchange rate remained stable year on year.

#### Performance

The Pension Fund recorded a good result of +4.3% for the year, outperforming the UBS pension fund barometer figure of +3.8%. The Fund has beaten this index nine times in the past ten years.

#### Details of Investment Performance

The market collapse in March 2020 resulted in a markedly negative performance for a time, coupled with a decline in the cover ratio to around 107%. Despite this turbulence, the Board of Trustees remained true to the long-term investment strategy, even increasing some equity holdings for tactical reasons. In hindsight, it was a good decision.

The most heavily weighted asset class, Swiss real estate, also turned in the best performance, at +7.7%. This gratifying result was the product of several factors: rental income and upward revaluations owing to a lower discount rate, but also the sale of a property in Schlieren, and the first-time appraisal of the Moosaic construction project in Emmen. Foreign and Swiss equities were also well into positive territory, at +7.2% and +5.1% respectively. At -5.4%, international real estate was the back marker. Around 15% of total assets is invested in USD, the weakness of which trimmed approximately one percentage point off performance overall.

### 2. Real Estate Projects

#### Moosaic Construction Project, Emmen / [www.moosaic-emmen.ch](http://www.moosaic-emmen.ch)

The second building, Mooshüslistrasse 14, was completed in the spring of 2020. At the time of writing, 73 of the 75 apartments are rented out. Of the commercial space, just over 50% is occupied by the central Switzerland branch of the *Lungenliga* respiratory diseases charity on a long-term lease. It completed interior work in November 2020 and has since moved in.

### **Schlieren Construction Project**

The private development plan for this site became legally effective in the autumn of 2020. The project has since undergone a further round of enhancements, and we expect to be able to submit the building application in the second half of this year.

In view of the scale of the project, the Board of Trustees examined a range of financing and partnering options. It ultimately concluded that it would pursue the project independently, but with the support of external specialists. The Pension Fund will invest around CHF 100 million in this project over the next few years.

### **Impact of COVID-19 on Rental Income**

Around 90% of the income from the Pension Fund's own real estate is generated from housing, which has been impacted only marginally by measures to contain COVID-19. In the commercial sector, the Libelle property – with its ground-floor restaurant – has been affected by the lockdown. The Pension Fund was quickly able to reach an agreement with the restaurant's management on a solution for their rent during the lockdown phase.

## **3. Actuarial Interest Rate and Conversion Rate**

The actuarial interest rate was reduced from 2.5% to 1.5% in 2019, while an actuarial provision of CHF 44 million was created in anticipation of a further reduction to 1.0%.

The current conversion rate of 5.17% (at age 65) factors in 2.5% interest on retirement capital. In view of persistently low interest rates, the Board of Trustees will decide in 2021 on the next steps for a range of actuarial parameters, such as the conversion rate, retirement age, and options for greater flexibility.

## **4. Cover Ratio**

The cover ratio rose from 115.2% to approx. 118% over the year. It is thus within its target bandwidth of 116–124%.

## **5. Investment Strategy**

The Board of Trustees has made minor adjustments to the investment strategy for 2021. With interest rates remaining low, CHF-denominated bonds were reduced by one percentage point, and the Swiss equity allocation increased correspondingly.

Among alternative investments, insurance-linked securities were scaled back, and international real estate boosted, by one percentage point each.

The Pension Fund expects this investment strategy to generate an annual performance of approximately 2.4% in the medium term.

In percent	As at 31.12.2020	Inv. Strategy 2020	Inv. Strategy 2021	Bandwidths
Cash and other	0.9	1.0	1.0	0 - 15%
CHF bonds	15.9	16.5	15.5	+/-10%
For. curr. bonds (hedged)	3.8	4.0	4.0	+/-3.0%
For. curr. bonds	0.6	0.0	0.0	0 - 5%
Swiss equities	12.1	10.0	11.0	+/-3.0%
Foreign equities	18.4	16.5	16.5	+/-3.0%
Swiss real estate	31.4	33.0	33.0	+/-5.0%
Alternat. int. real estate	2.5	2.0	3.0	+/-2.0%
Private equity	5.1	6.0	6.0	+/-2.0%
Hedge funds	1.2	2.0	2.0	+/-2.0%
Ins.-linked securities	3.1	4.0	3.0	+/-2.0%
Alternative bonds	2.4	2.0	2.0	+/-2.0%
Commodities	0.0	0.0	0.0	0 - 2%
Infrastructure	2.6	3.0	3.0	+/-2.0%
	100.0	100.0	100.0	

The investment strategy results in the following distribution across the four basic segments:

Par-value securities/bonds	21.2	21.5	20.5
Equities	30.5	26.5	27.5
Swiss real estate	31.4	33.0	33.0
Alternative investments	16.9	19.0	19.0
	100.0	100.0	100.0

## 6. Miscellaneous Actuarial Information

### a) Interest on Retirement Assets in 2020

In view of the Pension Fund's pleasing performance, the Board of Trustees has decided to pay interest on retirement assets at the rate of 1.5% for 2020.

### b) Interest on Retirement Assets for Withdrawals up to November 30, 2021

In 2021, interest on retirement assets belonging to persons withdrawing from the Fund or drawing benefits as the result of a claim before November 30, 2021, **will be paid at the minimum BVG interest rate of 1.0%**.

### c) Pension Payments in 2021

With the actuarial interest rates used to calculate coverage capital for pensions and interest on retirement assets both standing at 1.5%, active members and pensioners were treated equally in 2020 in terms of the interest paid on their capital. The Board of Trustees has therefore decided not to increase pensions for 2021, or to pay any additional one-off bonus.

### Thresholds in 2021

The thresholds applied by the Schindler Pension Fund have been adjusted owing to the increase of AHV pensions effective January 1, 2021, and are now as follows:

	2020	2021
Minimum annual salary	21,330	21,510
Coordination deduction	14,220	14,340
Maximum annual salary	156,420	157,740

## 7. Exercise of Shareholder Rights

The Pension Fund exercised its shareholder voting rights at more than 30 annual general meetings of companies in which shares are held directly, in accordance with ERCO (the Ordinance Against Excessive Remuneration in Listed Companies Limited by Shares). Details of the way in which these rights were exercised can be found on the Pension Fund website ([www.schindler-pk.ch](http://www.schindler-pk.ch)).

## 8. Revision of Schindler Pension Rules Effective January 1, 2021

### Continued insurance from age 55 (Art. 3.5 Pension Fund Rules and Art. 47a BVG)

If the employment relationship of an insured person is terminated by the employer on or after the employee's 55th birthday, they may now opt to maintain their insurance if they are not able to find any successor pension solution. The Board of Trustees has issued a Regulation on Continued Insurance to cover such cases. Art. 47a BVG would allow the Board of Trustees to introduce continued insurance only from the age of 58, but by opting to begin at 55 it has chosen an employee-friendly solution.

### Beneficiary arrangements for the lump-sum death benefit (Art. 13.10)

Whether or not they are entitled to a pension, children's claims to the lump-sum death benefit are now treated equally. However, this applies only if the insured person is unmarried and has not nominated a beneficiary in accordance with Art. 13.10 a).

## 9. Launch of the Portal for Insureds

The world is becoming increasingly digitalized, and pension funds are no exception. The Board of Trustees has therefore decided to launch a portal for our insureds. It will allow them to view insurance certificates and conduct a range of calculations online. More details will follow in the summer.

## 10. Information from the Board of Trustees

The Investment Committee and Board of Trustees met eight times in total in 2020. With one exception, all of these meetings were held virtually. One training course was held on the subject of real estate. In 2021, the work of the Board of Trustees will focus primarily on sustainable investment.

Should you require any further information, please do not hesitate to contact members of the Board of Trustees or the Management.

Yours sincerely

Schindler Pension Fund



Adrian Boutellier  
Chairman of the Board of Trustees



Mario Passerini  
Managing Director