



Key figures

	2020	2019
Number of active participants and pensioners	25 724	25 339
Affiliated employers	215	211
Balance sheet total (in CHF million)	11 027	10 668
Collective pension fund coverage ratio	112.5%	109.2%
Overall foundation coverage ratio	112.2%	109.0%
Performance	4.9%	12.3%

An eventful year

2020 was an eventful year. The coronavirus crisis saw the collective pension fund's coverage ratio fall to a low of 94% just before the end of March, before picking back up by the end of the year, reaching 112.5%, which is even higher than it was at the end of 2019.

With returns of 4.9%, we narrowly missed our own benchmark. Nonetheless, enough was gained to cover interest on our active participants' and pensioners' assets and further strengthen the coverage ratio.

Thanks to the Foundation Board's far-sighted and steadfast interest rate policy, an interest rate of 2.0% will once again be applied to retirement savings in the collective pension fund in 2021. In the current market environment, this is a very attractive rate.


However, the draft legislation presented by the Federal Council for the reform of the Swiss federal law on occupational retirement, survivors' and disability pension plans (BVG) is not good news. The reform proposal does not solve the problems, but instead burdens the young generation with costs in the billions. The planned "pension top-up" is contrary to the system and further increases redistribution from young to old. PKE is decidedly opposed to the proposal.

Thanks to its healthy finances, PKE is optimally prepared for the future. It remains a reliable partner, and its insured members continue to benefit from good, sustainable pension provision.

PKE Energy Pension Foundation



Peter Oser
President of the Foundation Board



Ronald Schnurrenberger
Chief Executive Officer



Peter Oser
President of the Foundation Board



Ronald Schnurrenberger
Chief Executive Officer

Pension coverage

Stable and reliable

PKE offers defined contribution plans tailored to its members that far exceed the BVG minimum. As an independent pension fund, PKE carries all of its own insurance-related risks.

Alongside the collective pension fund, PKE encompasses 5 individual pension funds (7 last year), each catering to one or more employers. The collective pension fund accounts for approximately 94.5% of PKE's obligations with a coverage ratio of 112.5% as of 31 December 2020. The other pension funds report coverage ratios between 109.3% and 117.4%.

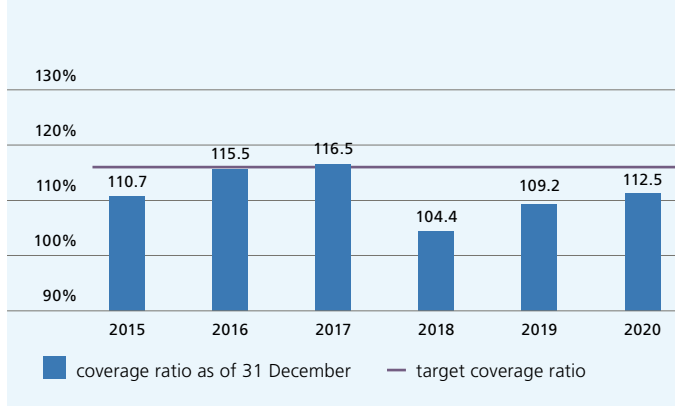
In the insurance-related report dated 31 December 2020, our external occupational pension expert confirms that PKE provides sufficient security to cover its obligations.

Interest of 2% for 2021

The Foundation Board has decided to continue to apply an interest rate of 2.0% to the retirement savings capital of those insured by the collective pension fund. This sees PKE continuing to pursue its policy of consistent interest rates. With this in mind, an interest rate of 2.0% was also awarded to retirement savings capital in 2019, despite 2018 yielding negative returns of -3.5%.

This is a very attractive rate in the current market environment. Real interest rates remain significantly higher than in the early 1990s. Although an interest rate of 4% was then applied to pension assets, inflation of up to 6% was recorded.

Collective pension fund coverage ratio



The minimum pension interest rate stipulated by the government is 1.0%.

The Pension Committees representing the companies in the individual pension funds are responsible for setting interest rates.

Number of beneficiaries

As of 31 December 2020, 16 847 active participants and 8 877 pensioners were registered with PKE (16 404 and 8 935 respectively the previous year). Pensioners therefore account for 34.5% (35.3% the previous year).

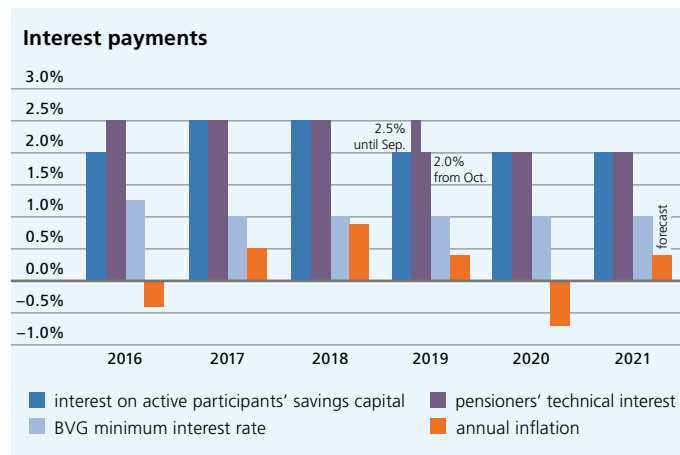
The impact of the coronavirus

For the first time in ten years, last year saw significantly more old-age pensioners pass away than was to be expected according to life tables. Whether this was solely due to the pandemic or there were other contributing factors is unclear. It remains to be seen whether mortality will also be higher than expected in 2021.

Reforming pension provision

Pension reform is urgent. However, the occupational pension provision reform proposal presented by the Federal Council in November 2020 is neither sustainable nor responsible. The reform proposal seeks to solidify the disparities between the generations: for decades to come, younger insured members would continue to subsidise new pensioners, who remain largely unaffected by the reform.

It is for this reason that PKE decidedly rejects the Federal Council's proposal.

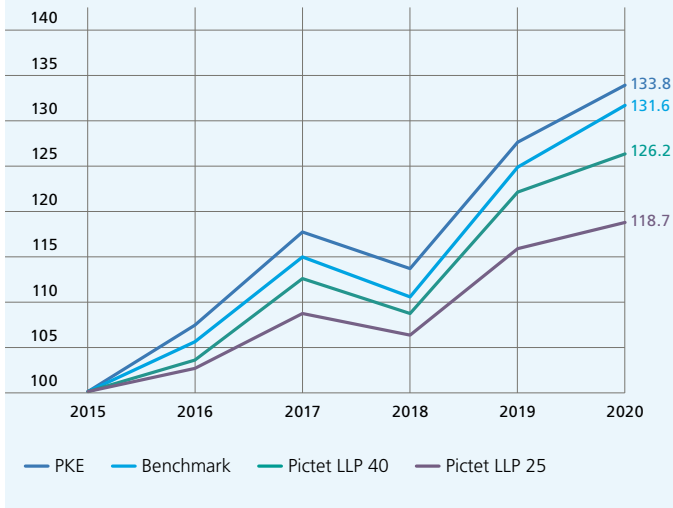


Instead, the Foundation Board supports the "sensible compromise" put forward by the Swiss pension fund association (ASIP), employers' associations from various branches, the interest group for autonomous collective and joint pension foundations (inter-pension), the Swiss employees' association (Angestellte Schweiz) and the Swiss commercial employees' association (Kaufmännischer Verband). This proposal is a first step towards resuming sustainable pension provision in Switzerland.

Asset investments

Cumulative performance

2016–2020 development
Indexed (31 December 2015 = 100)



A successful investment year

The coronavirus pandemic has major consequences for the economy and the financial markets. Switzerland's pension funds have been unable to escape this development.

The first quarter of 2020 got off to a pleasant, optimistic start. The rapid spread of the virus was a shock to the system, taking both the financial markets and the real economy by surprise in March. Reactions from policymakers, scientists and the authorities were panic-stricken. This uncertainty was immediately reflected in share prices and bonds.

While the substantial declines were surprising, they by no means caught PKE unprepared. Thanks to the reserves formed by the Foundation Board during strong stock market years, the losses were manageable. PKE did not have to sell any securities.

Although the situation has since calmed down, the stock markets remain volatile and developments going forward are uncertain. With net returns on its total assets of 4.9%, PKE achieved a good investment result once again in 2020, though this falls 0.5 percentage points short of our own calculated benchmark.

Success was very unevenly distributed across the different asset classes. The best results were recorded for emerging market shares and Swiss real estate. International real estate brought up the rear.

PKE's financial situation

The good returns of 4.9% further strengthened PKE's finances. From the end of 2019 to 31 December 2020, the collective pension fund's coverage rate rose from 109.2% to 112.5%. An additional CHF 532.3 million is available to bolster active participants' and pensioners' capital. This provision is necessary, because interest rates remain very low.

PKE's existing provisions ensure it is well equipped for the next few years. Pensions are secure and active participants' assets continue to be subject to attractive interest rates.

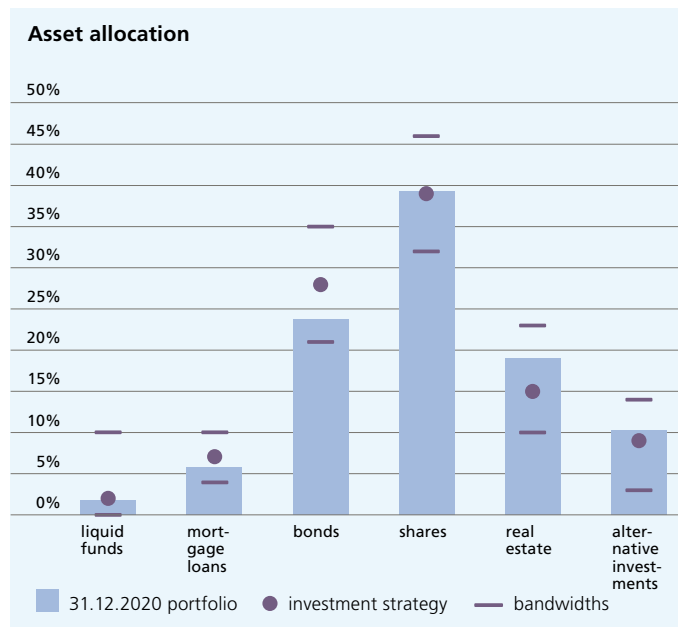
Outlook

The positive stock market trend recorded in the fourth quarter of 2020 continued into the new year. Hope for successful vaccination of the population and a return to normal in passenger and freight transport is supporting the markets.

Any long-term damage to the economy at large and the upcoming scaling back of financial support from the government have not yet hit home. Savers and institutional investors such as pension funds must be patient for a little while longer. If interest rates were to spike, global debt would become untenable. PKE's investment experts are prepared for challenging situations and keeping a close eye on developments.

Investment strategy and portfolio

PKE pursues a reliable, long-term investment strategy oriented towards returns. All assets held by PKE's pension funds are invested as a whole in



line with a uniform investment strategy. The Foundation Board is responsible for the setting of and adherence to this investment strategy, while the Investment Committee is responsible for its implementation.





SECURE PENSIONS FOR ALL GENERATIONS

Pension provision is not the only burden being transferred to the young generation. This is what makes BVG reform so important. The Federal Council's reform proposal would only increase the weight being shouldered by young people. This would not be fair – the proposal must be revised.

To avoid inequality across generations, PKE took action early on and ensured fair pension provision for everyone. Pensioners have the peace of mind of secure pensions, and active participants receive fair interest on their assets.

Balance sheet

as per 31 December in CHF million

Assets	2020	2019
Liquid funds	201.3	198.5
Bonds	2 619.9	2 423.6
Mortgage loans	650.6	587.7
Shares	4 296.7	4 191.6
Real estate	2 077.7	2 019.0
Alternative investments	1 127.3	1 145.2
Investments	10 973.5	10 565.6
Accrued income and accounts receivable	53.8	102.7
Total assets	11 027.3	10 668.3
Liabilities	2020	2019
Liabilities, employer-paid contribution reserve	101.2	123.5
Active participants' liabilities	4 269.7	4 025.8
Pensioners' liabilities	4 524.0	4 584.2
Actuarial reserves	945.0	1 064.0
Pension liabilities and actuarial reserves	9 738.7	9 674.0
Reserve for fluctuations in asset value	1 186.3	870.8
Pension funds' non-committed funds	1.1	–
Total liabilities	11 027.3	10 668.3

Operating account

from 1 January to 31 December in CHF million

	2020	2019
Ordinary and other contributions and transfers-in	319.2	359.5
Entry lump-sum transfers	189.1	181.0
Inflow from contributions and entry lump-sum transfers	508.3	540.5
Regulatory benefits	-410.5	-412.7
Termination benefits	-232.1	-207.8
Outflow for benefits and withdrawals	-642.6	-620.5
Increases in pension liability, actuarial reserves and contribution reserves; interest; security fund	-41.7	-560.8
Net result of insurance activities	-176.0	-640.8
Investment income	559.7	1 221.1
Asset management costs	-60.8	-64.4
Net return on investments	498.9	1 156.7
Administrative expenses	-6.3	-6.7
Income/expense surplus (-) before adding to or releasing from reserves for fluctuations in asset value	316.6	509.2
Pension funds' decrease/increase (-) in reserves for fluctuations in asset value	-315.5	-509.2
Pension funds' income/expense surplus (-)	1.1	-
Pension funds' decrease/increase (-) in non-committed funds	-1.1	-

Basic principles and organisation

PKE is a foundation in accordance with the Swiss Civil Code (ZGB) and the Swiss federal law on occupational retirement, survivors' and disability pension plans (BVG). It insures both mandatory and non-mandatory occupational pension benefits. Various pension plans are offered, tailored to meet the diverse needs of the affiliated companies. All pension plans work on the basis of defined contributions for pension payments and of defined benefits for risk benefits.

PKE is structured as a collective foundation. It features on the canton of Zurich's register of occupational pension providers and is affiliated to the BVG security fund.

Foundation Board

The twelve members of the Foundation Board have been elected for the period ending in 2022. It is self-constituting. Its members are:

Employee representatives

Peter Oser, President	Elektrizitätswerke des Kantons Zürich, Zurich
Marco Balerna	Azienda Elettrica Ticinese, Monte Carasso
Christophe Grandjean	Groupe E SA, Granges-Paccot
Monika Lettenbauer	Axpo Services AG, Baden
Adrian Schwammberger	AEW Energie AG, Aarau
Patrick Winterberg	Axpo Services AG, Baden

Employer representatives

Martin Schwab, Vice President	Centralschweizerische Kraftwerke AG, Lucerne
Alain Brodard	Groupe E Connect SA, Granges-Paccot
Peter Eugster	Elektrizitätswerke des Kantons Zürich, Zurich
Gian Domenico Giacchetto	Ofima e Ofible, Locarno
Christoph Huber	Axpo Services AG, Baden
Lukas Oetiker	Alpiq Holding AG, Lausanne

Committees

PKE has formed committees comprised of equal numbers of Foundation Board employer and employee representatives. These are:

- the Investment Committee
- the Human Resources Committee

In addition, an external member is represented in the Investment Committee.

Executive Board

Ronald Schnurrenberger, Chief Executive Officer and Insurance Team Leader

Rolf Ehrensberger, Chief Investment Officer

Stephan Voehringer, Chief Operating Officer

Auditors, experts, supervisory authority

Auditors

KPMG AG, Zurich

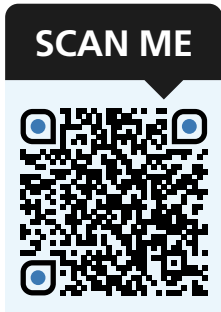
Occupational pension experts

Libera AG, Zurich

Supervisory authority

BVG- und Stiftungsaufsicht des Kantons Zürich (BVS), Zurich

Further information



You can find the detailed 2020 Annual Report on our website, available in German, French and Italian under www.pke.ch → "Über uns" → "PKE auf einen Blick" → "Geschäftsberichte" or the equivalent tabs.

The PKE website now has a fresher look and an even clearer structure. Please feel free to visit our website, the current and contemporary information platform for employees, pensioners and employers.

For more information on current retirement planning topics, be sure to take a look at our quick and simple explanatory videos, e.g. www.pke.ch/videos-de, also available on the "PKE CPE" YouTube channel.

Have your benefits and contributions calculated any time at www.pke.ch/online.

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