

Annual Report 2021



Dear members of our pension fund

After our announcement in January about the decision of the interest rate on the savings capital and the distribution of a pensioner bonus, the Board of Trustees is pleased to present the Annual Report 2021 - as usual with a few data tables and explanations of the results and activities.

This annual report refers to the date as of the end of December 2021: almost all pension funds throughout Switzerland achieved very good results and an improvement in the coverage ratio. Due to the restructuring of the investments, we are from a point of view of investment performance more in the midfield this year, with a return after withholding taxes and after costs of 6.8% (5.2% in 2020). Nevertheless, the coverage ratio (ratio of assets to obligations) has improved, which allowed us to increase our reserves (and thus the security) once again, as well as to pay an interest rate on the actives' savings capital of 6%. Pensioners received a bonus, which for most was equivalent to a 13th month pension.

At the end of the year, Entserv/DXC (the company Entserv, which was founded after the spin-off of the service division of Hewlett Packard Enterprise) left us to join its own DXC pension fund. As a result, the assets of our pension fund were reduced in the first months 2022 by CHF 360 million and we have 320 fewer active members and 97 fewer pensioners.

With the enormous financial COVID support from governments and the signs that the epidemic is weakening, at the end of 2021, many economic and financial indicators showed an optimistic outlook for 2022. A recovery and increased demand after the COVID period were predicted, with a positive impact on growth and markets.

After the first reports from Russia and Ukraine, however, the markets reacted strongly in January and continued the downward trend up to today. The positive mood has turned: war in Europe, where there is still no end in sight, supply difficulties due to very strict COVID measures in China, a sharp rise in inflation in Europe and the USA, energy shortages and other factors have led to a lot of uncertainty.

Key figures as of 31 December 2021

Balance Sheet over 5 years Millions of CHF	2021 excl. DXC	2021 incl. DXC	2020	2019 excl. HPI	2018	2017
Total Assets	1'349	1'709	1'670	1'646	1'767	1'929
Short-Term Debts and Employer Contribution Reserve	-9	-19	-18	-19	-38	-44
Total Assets – net	1'338	–	1'652	1'627	1'729	1'885
Retirement savings capital of active members	197	349	382	405	549	621
Pensioners' retirement savings capital	737	823	827	809	870	816
Actuarial provisions (technical reserves)	140	189	177	133	124	219
Liabilities	1'074	1'362	1'386	1'348	1'544	1'656
Investment fluctuation reserve (Excess of Assets)	266	328	266	280	184	229
Coverage ratio art 44 BVV2	124.8%	124.1%	119.2%	120.8%	111.9%	113.8%
Performance (net of WHTax and costs)	6.8%	6.8%	5.2%	12.7%	-5.3%	12.3%
Interest-credit to the active insured members	6.0%	6.0%	3.0%	4.0%	1.5%	4.0%

Over the last 5 years, we were able to steadily improve the coverage ratio (the ratio of assets versus obligations), even though we always paid interest on the savings capital of active insured members above the BVG legal minimum. In some of the years, we also distributed a pensioners' bonus.

Our prudent valuation principles and in particular building reserves in good times, will help us to absorb the current market distortions. Despite that we are only halfway through 2022 and further corrections may lay ahead, we are well protected with 24% fluctuations reserves at the beginning of the year.

Furthermore, in future, the pension capital will "only" have to generate 1% performance. We have increased our reserves once again, in 2021, with an additional MCHF 19.2, so that we can take less investment risk for the pensioners' capital. See also comment «Investment strategy and returns».

Interest to active insured members on their savings capital is 6% and we are pleased to distribute a substantial pensioner bonus

As every year, the Board of Trustees decides in the third week of January how high the interest on the savings capital of the previous year should be (calculated on the amount of January 1, 2021). Our goal is to pay interest on savings capital above the average of Swiss pension funds; this over a longer period. The so-called "3rd contributor" (1st contributor, the employee through salary deductions, 2nd contributor, the company) is a very important factor to build up enough savings capital by the time of retirement.

Additional purchases are also worthwhile to consider for example, someone who made a purchase (deposit) of CHF 20,000.-, 3 years ago, would have had at the end of 2021 an additional savings capital of CHF 22'709.-. Compared to the bank interest rate of 0%, the insured person would have CHF 2,709 more in the account (in addition to the saved taxes).

The following table shows how much interest was credited to your savings account year by year:

Interest on Savings Accounts - History: Hewlett-Packard Plus Pension Fund versus Legal Minimum BVG/LPP															
Year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Hewlett-Packard Plus	4.00%	4.25%	3.50%	3.50%	2.50%	4.00%	1.50%	3.50%	2.50%	2.25%	4.00%	1.50%	4.00%	3.00%	6.00%
Compound rate 2021 to	3.33%	3.28%	3.20%	3.18%	3.15%	3.22%	3.13%	3.34%	3.31%	3.45%	3.69%	3.61%	4.33%	4.49%	6.00%
Legal Min	2.50%	2.50%	2.00%	2.00%	2.00%	1.50%	1.50%	1.75%	1.75%	1.25%	1.00%	1.00%	1.00%	1.00%	1.00%
+/- versus Legal Min	1.50%	1.75%	1.50%	1.50%	0.50%	2.50%	0.00%	1.75%	0.75%	1.00%	3.00%	0.50%	3.00%	2.00%	5.00%
How to read the compound rate: e.g. for 5 years, since 2017, interest granted on average was 3.69% until and including 2021															

We were also pleased to grant this year a substantial bonus to pensioners. The good performance and healthy balance sheet per end of 2021 also allowed us to distribute a 13th pension (min. CHF 2400, max. CHF 9600).

With these measures, we trust that we achieved a good balance among the insured members.

Overview by affiliated companies per December 31, 2021

Balance Sheet per Affiliation at 31.12.2021 in Million CHF	HPE	Hemmers- bach	Entco Microfocus	Total 1.1.2022 (excl DXC)	Entserv DXC	Total 31.12.2021 (incl DXC)
Total Assets incl Company Contrib. Res	1'310.9	21.7	16.6	1'349.1	360.2	1'709.3
Shortterm Debt and Accounts Payable	-7.4	-0.3	-0.8	-8.4	-9.4	-17.8
Employer Contribution Reserve	-0.6	0.0	-0.1	-0.8	-0.9	-1.7
Total Assets - net	1'302.9	21.4	15.7	1'339.9	349.9	1'689.8
Net Assets by Affiliation as a % of Total	77%	1%	1%	79%	21%	100%
Savings capital of active members	177.8	10.3	8.8	196.9	152.6	349.5
Pensioners' retirement savings capital	728.1	5.4	3.2	736.7	86.4	823.1
Actuarial provisions	136.8	1.7	1.8	140.3	48.7	189.1
Liabilities	1'042.7	17.4	13.9	1'074.0	287.7	1'361.7
Investment Fluctuation Reserve (IFR)	260.1	4.0	1.8	265.9	62.2	328.2
Coverage ratio art 44 BVV2	124.9%	123.1%	112.9%	124.8%	121.6%	124.1%
Technical interest of pension capital	1.00%	1.20%	1.00%	1.00%	1.30%	1.13%

This table shows that at HPE, the cover capital for pensioners is four times more than the savings capital of the assets. Despite the change in strategy for investments, one of our top goals continues to be to enable the active members to participate above average in the success of the pension fund.

We are very satisfied with the results of all affiliations. With the departure of DXC, we will manage less assets, but are still a major investor with over CHF 1.3 billion. The following table provides an overview of how the HP Plus pension fund changes after the departure of DXC:

Key Data Comparison – 2021 / 2022 with and w/o Entserv/DXC and old vs new Investment Strategy									
Pension Fund Hewlett Packard Plus									
Preliminary data (unaudited)		2021	2022	Change			2021	2022	Change
Affiliations and Members					Assets				
Number of affiliations	31.12./1.1.	4	3	-1	Total investments net of debt		1'685	1'343	-342
Number of ACTIVE insured members	31.12./1.1.	688	368	-320	Assets / Investments of ACTIVES		581	316	-266
Number of PENSIONERS (excl child p.)	31.12./1.1.	921	824	-97	as a % of Total net investments		34.5%	23.5%	-11.0%
Actives' versus pensioners members					Assets / Investments of PENSIONERS		1'103	1'027	-76
					as a % of Total net investments		65.5%	76.5%	11.0%
Liabilities					Investment Strategy				
	in MCHF	1'191	955	-236			100.0%	100.0%	Chge
Amount of ACTIVES' savings capital	31.12./1.1.	363	205	-158	Cash		2.0%	2.0%	
Amount of PENSIONERS' capital	31.12./1.1.	828	749	-78	Bonds / Fixed Income		28.0%	42.0%	14.0%
Actives' capital % of Total	31.12./1.1.	30.5%	21.5%		Bonds Switzerland in CHF		8.0%	13.0%	5.0%
					Bonds Global		15.0%	25.0%	10.0%
Provisions / Technical Reserves					Bonds Emerging Markets		5.0%	4.0%	-1.0%
Amount of ACTIVES' technical provisions		98	59	-40	Equities		42.0%	30.0%	-12.0%
Amount of PENSIONERS' technical provisions		86	79	-7	Equities - Switzerland		8.0%	7.0%	-1.0%
Actives' provisions % of Actives' savings capital		27.1%	28.6%		Equities - Global		27.0%	19.0%	-8.0%
Pensioners' provisions % of pensioner capital		10.4%	10.5%		Equities - Emerging Market		7.0%	4.0%	-3.0%
Technical Discount Rate in pensioners' liabilities		2.00%	2.00%		Real Estate		18.0%	22.0%	4.0%
Incl. provisions, underlying tech discount rate		1.03%	1.00%		Real Estate - Switzerland		9.5%	14.0%	4.5%
	31.12.2021	Avg 10 years			Real Estate - Global		8.5%	8.0%	-0.5%
Interest Credit to Actives' savings account:		6.00%	3.22%		Alternatives - Insurance Linked Securities		5.0%	4.0%	-1.0%
Exceptional bonus to pensioners in 2021 a 13th month pension, with a ceiling of CHF 9'600					Alternatives - Hedge Funds		5.0%		-5.0%

Development of insured persons

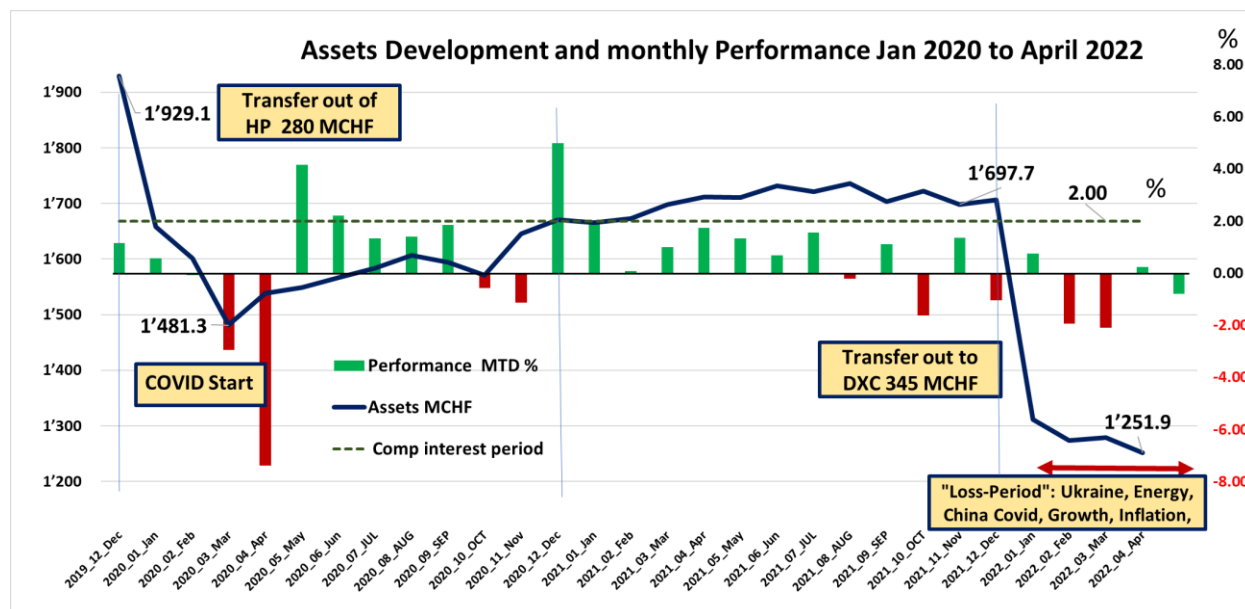
The current overall rate is approximately 31% active insured persons and 69% pensioners (excluding child pensions); this means that most of us are pensioners with sometimes high amount of savings in the pension fund. Those savings were often built-up over a full professional career. The pension fund has the fiduciary responsibility to ensure that all the portable benefit payments and the pension obligations (e.g. monthly pension payments) are guaranteed at all times.

Overview of members and affiliation membership (DXC exit 31.12.2021)						
Active Members	HPE	Hemmersbach	MicroFocus Entco	Total	DXC Entserv	Total before exit DXC/Ent
Beginning of Year 1.1.2021	370	24	25	419	345	764
End of Year 31.12.2021	328	20	22	370	313	683
Pensioners	HPE	Hemmersbach	MicroFocus Entco	Total	DXC Entserv	Total before exit DXC/Ent
Beginning of Year 1.1.2021	852	4	5	861	64	925
End of Year 31.12.2021	856	4	5	865	83	948
thereof:						
Pensioners	690	4	3	697	63	760
Disabled pensioners	16			16	5	21
Widows and widowers	112			112	4	116
Children and orphans	38		2	40	11	51
Total of insured members	1'184	24	27	1'235	396	1'631

The number of active members decreased by 51% during 2021, mainly due to the reduction of 322 DXC members (excluding DXC, the decrease is 10%). We had 82 departures, but also 33 new members and 26 who retired.

Investment strategy and return as of 31 December 2021

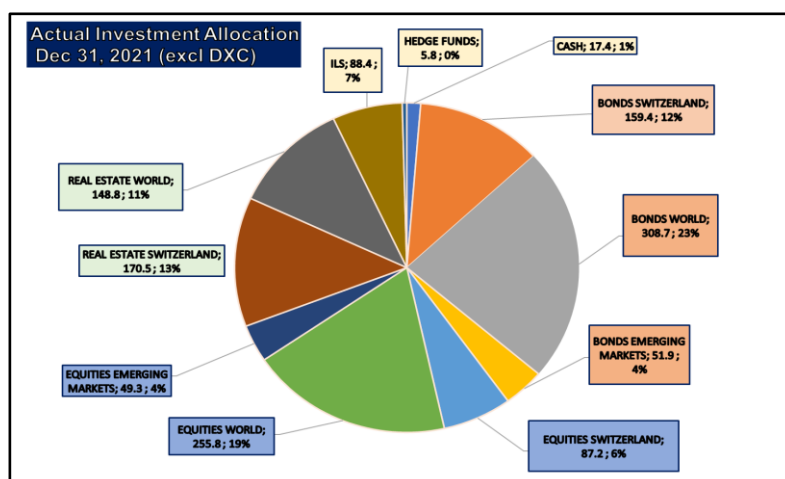
The Covid years 2020 and 2021 have closed quite well after a sharp slump in the markets in February and March 2020 – over 24 months there are 17 months in the plus and only 7 months in the minus.



At the end of December, we adjusted our investment strategy to the structure of the members and their capital by increasing the so called "protective assets" such as bonds, from 28% strategy share to 42% and by reducing the equity ratio from 42% to 30%. Although bonds have lost a lot of value in the first months of 2022, they are subject to less fluctuations and less risk than equities in the long term. We expect these strategy alignments to show the desired results over several years.

Asset allocation by asset class as of 31 December 2021

In the new investment strategy, we have no longer taken hedge fund investments into account. The only alternative investments are Insurance Linked Securities, ILS, which we will continue to keep in our portfolio, mainly for reasons of diversification, but a share reduced to 4%. Bonds are the most important asset class with 42%, followed by equities with still 30% and real estate, which we had increased to 22%.



The main criteria for the new strategy were security, volatility and liquidity tailored to our needs. We also strive to complement the strategy with additional investment opportunities if they make sense to us. We are invested in ESG mandates for over 50% of the bond ratio. ESG stands for Environment, Social and Governance. We also plan to invest some of the equity asset classes in ESG funds. For us, the focus is primarily on the consideration of environmental protection (the Paris agreement).

How did we use the return from investments 2021 and 2020?

Usage of Return on Investments Year 2021 and 2020			
		in Mio of CHF 2021	in Mio of CHF 2020
EARNINGS			
Income from the investments	gross	27.56	30.70
Value adjustments, gain Investments	gross	96.98	59.13
Costs of investment management		-9.02	-10.24
Other income, (other expense)		0.71	0.29
Total earnings (before contributions, portable benefitss, etc)		116.23	79.88
USAGE			
Interest on the actives' savingscapital (6% and 3% in 2020)		19.32	12.49
Bonus for the pensioners		4.42	0.97
(Decrease) Reserves Pensioner Capital		18.92	34.96
(Decrease) Reserves Pension II and III		-12.59	-9.75
(Decrease) Increase Resreve for conversion factor		-0.23	0.35
(Decrease) Increase Resreve for death and disability risks		-1.38	-1.14
(Decrease) Increase Resreve for technical discount rate		25.84	54.97
Transfer into the Investment Fluctuation Reserve		36.55	-12.81
Building of Free Reserves		23.72	
Other		1.67	-0.15
Total usage of earnings		116.23	79.88



The profit at the end of 2021 was substantial at over CHF 116 million. The largest part of this, CHF 97 million, was attributable to market valuations, i.e., so-called "book profit". More than 50% of the profit was retained as investment fluctuation reserve and, for the first time for many years, as free reserves – a good decision, as a significant part of this book profit had already "disappeared" by the end of May 2022.

CHF 23.74 million has been paid out or remunerated to the active members and the pensioners. A further CHF 25.84 million has been set aside for the security of the pensioners' capital (decrease of discount rate).

This overview still includes the DXC affiliation. The biggest portion of the net assets of Entserv / DXC were transferred to Entserv's new pension fund in the first week of January 2022.

Those members who started in 2021 with pension payments (i.e., new pensioners) also benefited this year from the so-called grandfathering: the conversion factor (applied % of savings capital into an annual pension), calculated against a retirement age 65, was on average 6.27% for the new pensioners, similar to 2020. The interest included therein is just over 4%.

Asset management and administrative costs 2021

Asset management costs amounted to 0.53% of total assets, compared to 0.61% in the previous year. They are still slightly higher than the Swiss average, as we had managed a very high proportion of assets with active management until shortly before the end of the year due to the “old” investment strategy.

Administrative expenses amounted to CHF 389 per capita in 2021, an increase of 4.8% compared to CHF 371 in the previous year. Many cost items do not decrease in proportion to the number of insured persons. On the one hand, we had a slightly higher cost of the expert this year, on the other hand, the number of members has decreased by 3%. As already mentioned in the last annual report, we are convinced and receive feedback that high-quality services and availability are priorities for our members, especially when planning retirement or “buy-in” scenarios. The management fee covers the costs of Avadis, our administrative service provider, the pension fund expert Mercer, the auditor Balmer Etienne as well as the costs for the supervisory authorities, the Board of Trustees, and the management team.

Update per 30. April 2022

In the previous parts of this annual report, we have already pointed out the drastic changes in the first months of 2022:

Various factors have contributed to a correction of the markets: this did not happen as expected due to a general overvaluation, because the prospects for continuous strong demand were quite optimistic after the Covid period. The invasion of Ukraine, energy dependence, the China Covid strategy, and the resulting supply difficulties, as well as the inflation- and the interest rate increases in the USA and Europe are just a few factors responsible for the depreciation in stocks and bonds markets.

We closed the end of April 2022 with a loss of -6%. Stocks have lost -10.4% and, what hurts more, bonds are also 9.7% lower than at the beginning of the year.

What we have learned from previous market distortions is that even such negative periods are coming to an end, that we have created reserves precisely for such difficult times and that the markets will “at some point” recover and cancel out the losses. Our investment strategy is designed for the long term and is reviewed periodically.



Organisation of the Foundation

Since January 2020, the Board of Trustees consists of 6 members: 4 representatives of Hewlett Packard Enterprise and 2 representatives of Entserv CH (DXC Technology Corporation). With the transfer out of Entserv / DXC, the Board consisted of 4 members since January 1, 2022. At the last Board meeting, we decided to increase in the autumn again to 6 members, i.e., an additional employee representative and an additional employer representative.

Employee representatives

Gerber Philippe	HPE CH, Bern	
Gigante Gianluca	HPE CH, Bern / Zurich	
Thakkar Tarun	Entserv / DXC, Zurich	until 31.12.2021

Employer representatives

Brütsch Kurt	HPE CH, (President)	
Greenhalgh Mark	Entserv /DXC, Zurich	until 31.12.2021
Mondon Katrin	HPE CH, Zürich	

Rentnervetreter Rychener Peter

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Anlageausschuss Ivana Reiss, Kurt Brütsch, Mark Greenhalgh (bis 31.12.2021), Philippe Gerber, Peter Rychener

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Tel: 058 585 33 99 D/E F: 058 585 34 40, e-Mail: hp@avadis.ch

Auditor Balmer Etienne AG, Ueli Christen

Expert and Actuary MERCER SA, Ileana Christodorescu

More information can be found on our website www.pensionplus.ch , in French, German and English. No password is required for access.

You are also welcomed to contact us by e-mail at info@pensionplus.ch