



# 2018

Annual Report

Perfect the financial structure and ensure sustainable operation; Ensure pension income and take care of the aged and their dependents.



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# I Address by Chairmen of the Supervisory Board and the Management Board of PSPF



Chairman of the Public Service Pension Fund Supervisory Board  
(also the Vice President of the Examination Yuan)

## *Lee, Yi-yang*

### Expectations of Lee, Yi-yang Chairman of the Public Service Pension Fund Supervisory Board

The market volatility of 2018 was a reflection of many factors that have dominated the global financial market, including, but not limited to: the trade disputes between the United States (U.S.) and the People's Republic of China (China), rate increases by the U.S. Federal Reserve, weak demand in the technology sector, and the potential withdrawal of the United Kingdom from the European Union. In August, the return rate for the Public Service Pension Fund (PSPF, or the Fund) was an optimistic 4.04%. In October and December, however, the stock market took a drastic downturn, with the fund concluding

at a less than ideal 1.14% loss for 2018. Although this percentage loss is lower than that of other Taiwan pension funds, as well as the greater financial environments (-1.2% for the global bond market; -9.42% for the global stock market; -8.60% for the Taiwan stock market), this negative deviation from our budget goal is still disappointing and concerning.

The sustainability of the Fund has been under close public scrutiny since the pension reform of 2017, particularly its investment performance. Diligent and extensive dialogues between the Fund's Supervisory Board and Management Board that seek to monitor its asset allocation, as well as ensure flexible, dynamic and disciplined investments have been the Fund's long-established strategies for optimal performance. Both Boards will continue this tradition to pursue a healthy balance between market risk and asset return.

To enhance the supervisory mechanisms of the Fund, regulatory amendments for the organizational structures of both boards, and the fund's management protocol, have been submitted for legislative approval. In order to broaden the Supervisory Board's perspective, the proposed amendments increase its membership from 23 seats to 31. In addition to reiterating the government guaranty, the amendments also propose adding language to emphasize the continued good stewardship of all personnel affected by the Fund's operation and supervision. Upon the approval of these amendments, we hope to reconfirm our commitment to those who rely upon the Fund, and those who will rely on it in the future.

For 2019, global financial institutions predict a potential increase of market risk, and further development challenges that will lead to weak global expansion and slow economic growth. Amid these constant market fluctuations, and a trending low rate, achieving the Fund's performance target has been challenging. With this in mind, the Supervisory Board and Management Board have formulated several objectives for 2019 to optimize asset allocation by strengthening the portfolio's protections, timely shifting of assets to high yield equities, prioritizing investment targets which can handle prolonged weakness in the market, and increased diversity in investments. The Boards will continue to encourage all colleagues to uphold our tradition of prudent stewardship, fiduciary responsibility, and accountability, with a strong commitment to the Fund's mission of long term sustainability.



Chairman of the Public Service Pension Fund Management Board  
(also the Minister of the Ministry of Civil Service)

*Chou, Hung-hsien*

## Expectations of Chou, Hung-hsien Chairman of the Public Service Pension Fund Management Board

The new pension systems for retired public servants, teachers, and veterans, which came into force on July 1, 2018, are gradually having an effect: in 2018 the number of retirees in these professions who claim monthly pensions declined significantly, falling by more than 3,000 from 2017 levels, and thus relieving pressure on the deficit-ridden pension systems. Owing to shifts in the domestic socio-economic landscape and the impact of population aging and the falling birth rate, these pension systems had to be revised in order to keep up with the changing environment.

I would like to thank pension participants for their understanding and all the staff who worked so hard to make it possible to push through this daunting reform.

In 2018, global stock markets suffered from several uncertainties in international finance, including the ongoing US–China trade conflict and Brexit, which led the MSCI World Index to tumble by 9.42%, while the Emerging Markets Index fell 15.73%, and the TAIEX fell 8.60%. Struck by the storm of worldwide decline following previous growth, and then October's global stock market crash, the PSPF did not perform as well as expected. Although capital gains from investments outperformed the market, performance was still negatively affected, and we did not manage to meet our annual profit objectives. However, as of the end of 2018, the PSPF's cumulated average realized yield still reached 3.17%, and the long-term investment performance is still better than the statutorily guaranteed rate of return. Moreover, I believe that since pension reform, government policies of expanding resources and reducing expenses, together with our staff's effort in their work, mean that the Fund's financial situation will become more and more stable.

At present, the global economy is faced with four major worrying signs: difficulties arising from the US–China trade war, excessive global debt, stock markets trending rather high in many countries, and upheavals in major world economies such as the US, China, Italy, and Germany. All of these problems will continue to affect the global economy and will increase both market risk and investment difficulty. The PSPF Management Board will closely monitor international economic developments, adopt a more stable investment strategy, carefully assess financial market trends, and make timely adjustments to the investment portfolio. We will also look for investment targets that offer higher yields and relatively low volatility so as to strengthen the defensive profile of the portfolio. We hope in this way to achieve somewhat higher return.



Executive Secretary of the Public Service Pension Fund Supervisory Board

*Kao, Shyh-nan*

## Message from Kao, Shyh-nan Executive Secretary of the Public Service Pension Fund Supervisory Board

Since the beginning of 2018, non-economic events such as the US–China trade war and Brexit have continued to impact the global political and economic environment, the global finance market has been in turmoil, and the expected growth of major economies has slowed. This has posed considerable challenges to pension fund investment management, such as how to maintain acceptable levels of risk and stable long-term profits so as to meet pension payment needs. It is, therefore, important for the PSPF Supervisory Board and the PSPF Management Board to work together on these issues.

According to research from both Taiwan and abroad, asset allocation is the principal factor in investment performance. In 2018, conditions such as geopolitical instability led financial markets around the world to tumble, and it is expected that market fluctuations will worsen going forward. Making appropriate adjustments to asset allocation and implementing asset allocation rebalancing seems more important than ever, as it can reduce losses in bear markets and sufficiently control downside risks to increase investment earnings. The Supervisory Board will continue to oversee the Management Board's implementation of the relevant measures.

According to the Willis Towers Watson 2018 Global Pension Assets Study, a survey on pension funds of the seven world's most important countries, over the last 20 years the proportion of pension funds investing in traditional stocks and bonds has gradually decreased, whereas investment in alternative assets has on average increased from 4% to 25%, principally in real estate, private equity funds, hedge funds, and infrastructure. In 2015, collaboration between the Supervisory Board and the Management Board enabled us to add private investment funds as targets to the PSPF investment portfolio. In 2019, central allocation to alternative assets was 6%. We hope that the Management Board will continue to increase the proportion of alternative investment in order to comprehensively strengthen the Fund's protections against bear market conditions. Also in 2019, the Supervisory Board's administrative plan includes research into the investment supervision of private investment funds and alternative index (smart beta) investment strategy, in the hope to activate the Board's supervisory role and so facilitating the Fund's operations.

The prospect for 2019 is a strongly fluctuating financial environment both in Taiwan and overseas, with many sources of uncertainty including trade friction between the US and China, US Fed rate hikes, headway on a Brexit deal, and China's transition to a domestic demand-led economic model. Investment uncertainty is still high, so we hope that continuing collaboration between the two Boards will help the Fund operate more efficiently and so protect the rights and interests of fund participants.





Vice Chairman of the Public Service Pension Fund Management Board

*Wei, Ting-shi*

## Message from Wei, Ting-shi Vice Chairman of the Public Service Pension Fund Management Board

Apart from the US, which maintained some momentum, in 2018 the majority of developed, emerging, and developing economies suffered the negative effects of the US–China trade war and US rate hikes, with growth momentum starting to mitigate in the year's second half. Although Taiwan's economy has been relatively stable, there have been a number of steadily mounting challenges; thus, PSPF's performance has not met expectations. As investment guru George Soros said, "It's not whether you're right or wrong, but how much money you make when you're right and how much you lose when you're wrong." Fortunately, because PSPF asset allocation is based on the twin principles of security and profitability, even though the expected performance was not achieved in Taiwan or overseas, we were still able to limit our losses.

Prospects for 2019 include continuing uncertainty in international markets. In January, the World Bank released its biannual report on the global economic outlook, revising global economic growth forecast downwards by 0.1 percentage point to 2.9%, lower than the 3% in 2018. Meanwhile, the IMF estimate for global growth is 3.5%, a three-year low. Taiwan's Directorate General of Budget, Accounting and Statistics estimates Taiwan's economic growth rate at 2.27%, lower than last year's 2.63%. Countries whose economies have been weakened because of the continuing diplomatic and national defense crises resulting from the US–China trade war have one by one started to erect trade barriers, which somewhat increases the likelihood of economic slowdown. However, history tells us that neither good nor bad economic conditions last forever. Bull markets are born on pessimism and grown on skepticism. The PSPF still has confidence in our future ability to make profits. In addition to seeking greater stability in asset positioning, we shall continue to closely monitor factors in changing, including the global economic situation and trending currency policies among the main central banks, while also regularly rebalance asset allocation on the basis of a comprehensive evaluation of strengths and weaknesses. In this way, we shall achieve our long-term stable profitability objectives.



### III Objective and statutory missions



#### 1. Objective

The country's public service pension system was changed on July 1, 1995. Before that day, it was the government which was solely responsible for paying pensions to its retirees. From that time on, the government and its employees make joint contributions to a newly established Public Service Pension Fund, the scope of whose participants was gradually expanded to include public school teachers and staff workers, as well as military personnel. Under the direction of the Examination Yuan, the Public Service Pension Fund Supervisory Board and the Public Service Pension Fund Management Board were set up to oversee the supervision and management, respectively, of the Fund.



## 2. Statutory missions

### ◆ Public Service Pension Fund Supervisory Board (PSPFSB)

According to the Public Service Pension Fund Management Act, the Fund's Supervisory Board is responsible for the review, supervision and evaluation of the Fund. In addition, based on the Article Three of the Organic Act of Public Service Pension Fund Supervisory Board, the board is in charge of following duties:

1. To review the plans for collection/payment, management and use of the Fund;
2. To finalize the yearly plans for discretionary management of the Fund;
3. To review and approve the annual budget and final accounts prepared by the PSPFMB;
4. To evaluate the overall management of the Fund;
5. To review the contribution rates of the Fund and their adjustment plans;
6. To solve payment disputes;
7. To handle other affairs in relation to the supervision of the Fund.



#### ◆ Public Service Pension Fund Management Board (PSPFMB)

According to the Public Service Pension Fund Management Act, the Fund's Management Board is responsible for collecting contributions. The board is also responsible for the payment, management and investment of the Fund. Also, based on the Article Three of the Organic Act of Public Service Pension Fund Management Board, the board is charged with:

1. To conduct the collection/payment, custody, investment and planning for the Fund;
2. To determine on the proposals made by organizations in charge of the collection/payment, custody and investment of the Fund;
3. To review the investment proposals submitted by discretionary agencies;
4. To prepare the annual budget and final financial reports for the Fund;
5. To evaluate the results of performance with regard to the collection/payment, custody and investment of the Fund;
6. To recommend on the adjustment of the contribution rates of the Fund and its scale;
7. To conduct the computerization, system analysis, programming, data processing and other related affairs for the Fund;
8. To handle other affairs in relation to the management of the Fund.



# III Organization and members



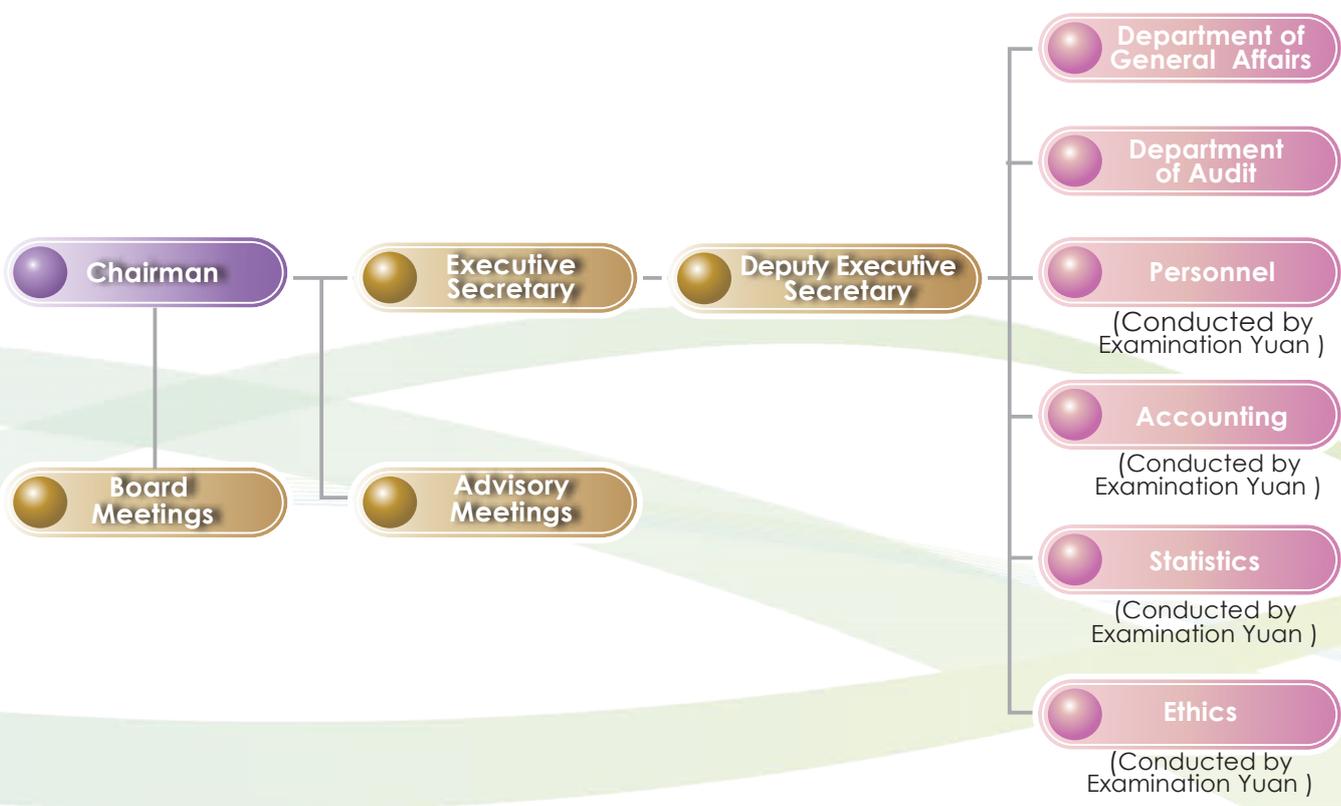
## 1. Organizational structure

### ◆ Supervisory Board

The Organic Act of Public Service Pension Fund Supervisory Board stipulates that the board shall comprise a chairman, with the Vice President of the Examination Yuan concurrently taking the post, to be in charge of overall administration, and 19 to 23 members who represent relevant central and local government agencies as well as civil servants, education workers and military personnel.

In accordance with the statute, the board should also recruit five to seven legal or financial experts/scholars as its advisers who shall attend advisory and board meetings.

As of the end of 2018, the Supervisory Board has 23 members and 7 advisers. The Supervisory Board appoints an Executive Secretary to take care of daily affairs under the direction of the Chairman, and a Deputy Executive Secretary to help with daily administration. In addition, the board has a Department of General Affairs and a Department of Audit to be in charge of matters stipulated by the Organic Act. The board's personnel, accounting, statistic and ethics affairs are conducted by Examination Yuan staff.

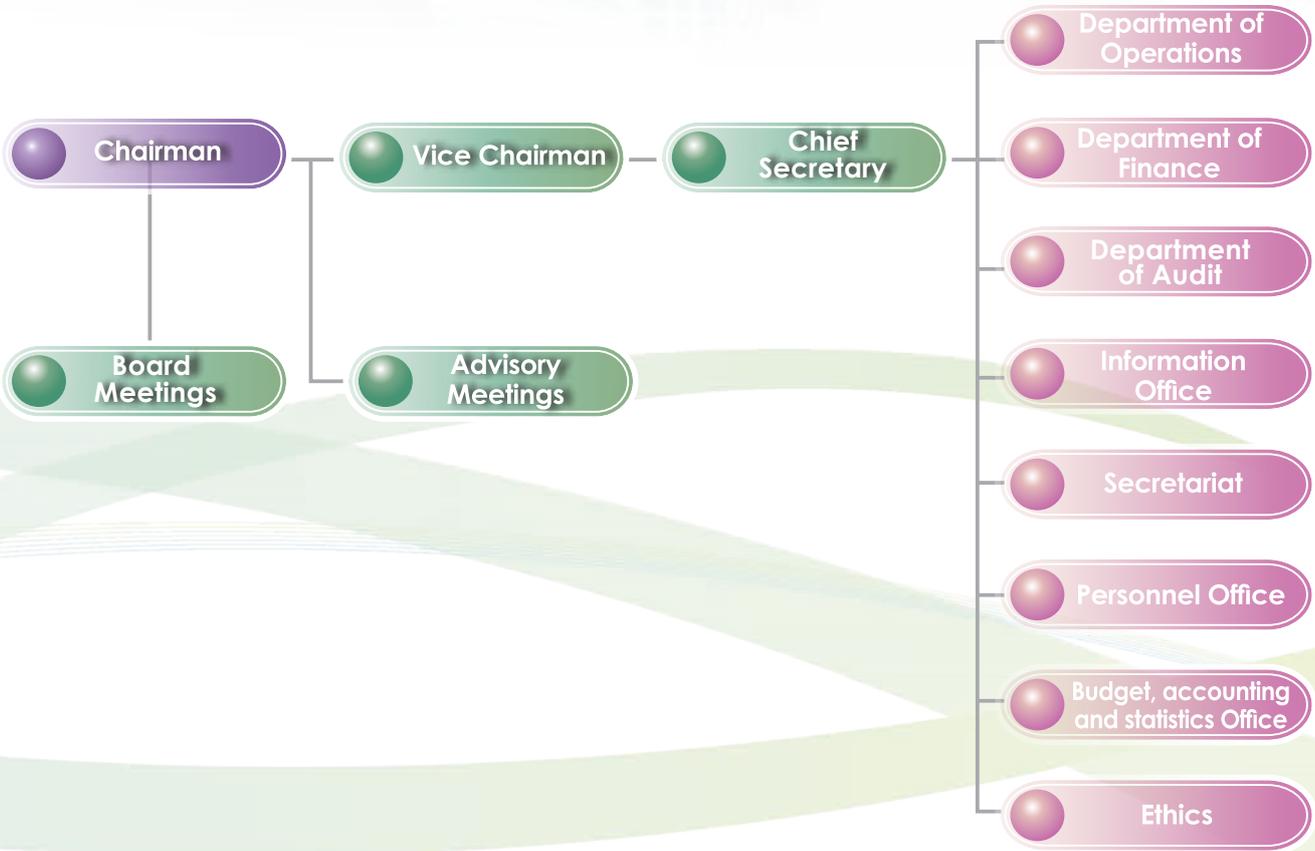




#### ◆ Management Board

Pursuant to the Organic Act of Public Service Pension Fund Management Board, the Management Board of PSPF appoints a chairman, with the Minister of Civil Service concurrently taking the post, to be in charge of overall administration; the PSPFMB also has 13 to 17 members who comprise government department chiefs in relevant fields, scholars and experts. In addition, the PSPFMB may retain academics and experts in law, economics, finance, banking, insurance, business management, securities investment and accounting as its advisers. As of the end of 2018, the PSPFMB has 17 members and 11 advisers.

The PSPFMB also has a Vice Chairman to assist the Chairman in dealing with daily operations, as well as a Chief Secretary. Under them, there are units in charge of affairs prescribed in the Organic Act and Operational Rules such as Department of Operations, Department of Finance, Department of Audit, Information Office, Secretariat, Personnel Office and Budget, accounting & statistics Office. Ethics affairs are conducted by the Ministry of Civil Service.



(Conducted by  
Ministry of Civil  
Service)



## 2. Composition of board meetings

### ◆ Supervisory Board

The Supervisory Board has 23 members, of whom 13 are Secretaries-General of the Executive Yuan and the Examination Yuan, heads of the Ministry of Civil Service, the Ministry of National Defense, the Ministry of Finance, the Ministry of Education, the Directorate-General of Budget, Accounting and Statistics, and the Directorate-General of Personnel Administration as well as chiefs of special municipality and county governments, and 10 are representatives of civil servants, education workers and military personnel.

Among the members, 2 are special municipality mayors and 3 are county magistrates.

Of the 5 civil servant representatives, 4 are designated by the National Civil Servant Association and 1 are recommended by the Ministry of Civil Service.

The 2 military personnel representatives are designated by the Ministry of National Defense, while 3 education workers are assigned by the Teacher's Association R.O.C., the National Federation of Teachers Unions R.O.C. and the Ministry of Education.

**PSPF Supervisory Board Members**

**Organ Representatives**

- Secretaries-General**
- Executive Yuan
  - Examination Yuan

- Agency Heads**
- Ministry of Civil Service
  - Ministry of Finance
  - Directorate-General of Budget, Accounting and Statistics
  - Directorate-General of Personnel Administration
  - Ministry of National Defense
  - Ministry of Education

- Local Government Heads**
- Special Municipality Mayors 2
  - County (City) Heads 3

- Civil Servants Delegates Designated by**
- National Civil Servant Association 4
  - Ministry of Civil Service 1

**Representatives of Three Categories of Participants**

- Military Personnel Delegates Designated by**
- Ministry of National Defense 2

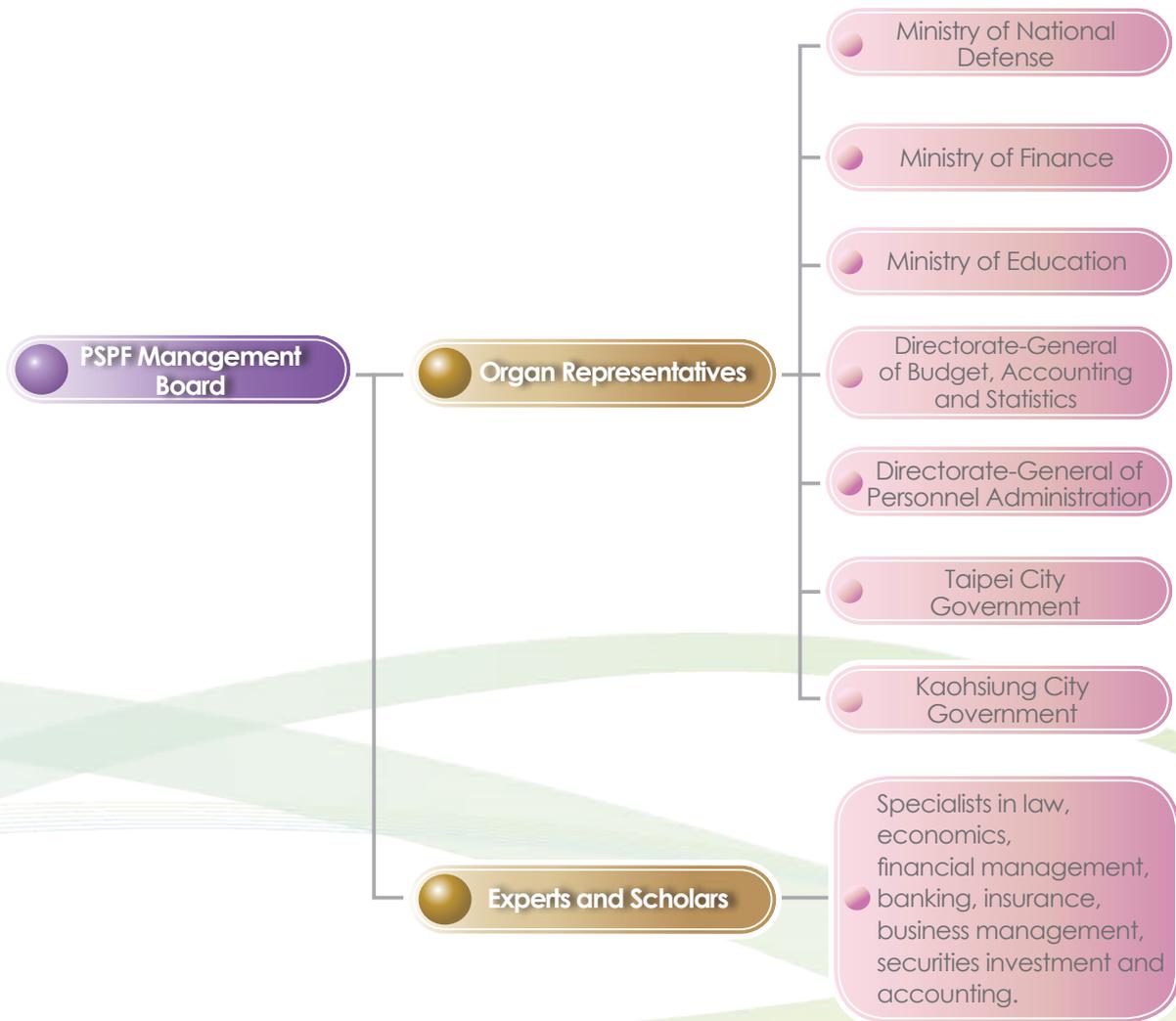
- Education Workers Delegates Designated by**
- National Teachers' Association R.O.C. 1
  - National Federation of Teachers Unions 1
  - Ministry of Education 1





### ◆ Management Board

The PSPFMB has 13-17 members who include one leading official each from the Ministry of National Defense, the Ministry of Finance, the Ministry of Education, the Directorate-General of Budget, Accounting and Statistics, the Directorate-General of Personnel Administration, Taipei and Kaohsiung city governments as well as scholars and experts.



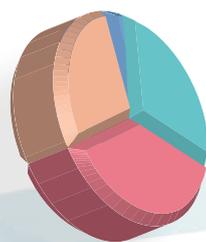


### 3. Management personnel overview

#### ◆ Supervisory Board

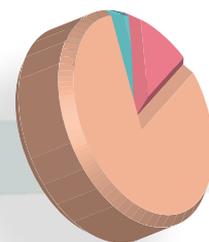
As of the end of 2018, the board actually had 24 staff members, of whom 12 were male and 12 were female, with an average age of 45 years old. As to their educational background, 2 had Ph.D., 15 had master's degrees and 7 were university graduates.

**Distribution of Staff Members' Ages**



30 ~ 39	29 %
40 ~ 49	38 %
50 ~ 59	29 %
Above 60	4 %

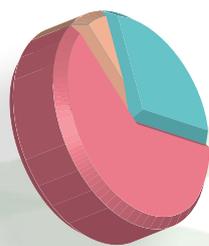
**Distribution of Staff Members' Job Descriptions**



Banking and Insurance	83 %
General Administration	13 %
Information Management	4 %

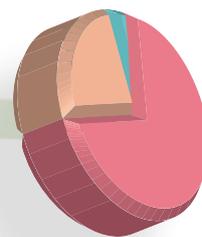


**Distribution of Staff Members' Rankings**



Senior Ranks	25 %
Middle Ranks	71 %
Junior Ranks	4 %

**Distribution of Staff Members' Academic Degrees**



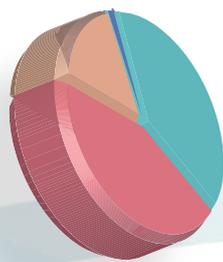
Doctor of Philosophy	8 %
Master's Degrees	63 %
Bachelor's Degrees	29 %

### ◆ Management Board

As of the end of 2018, the board actually had 83 staff members, of whom 29 were male and 54 were female, at an average 46.5 years of age. With respect to their education background, 1 had Ph.D., 36 had master's degrees, 41 had bachelor's degrees and 5 were junior college graduates.

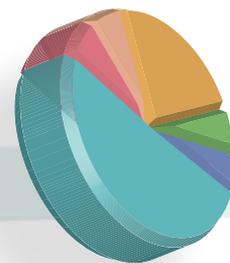
With the exception of contract staff, all other staff members have passed civil service examinations. Staff members at administrative units are recruited in accordance with personnel employment regulations, while staff recruitment at investment or business operation units tends to give priority to people with economics or finance backgrounds. A total of 30 staff members possess professional licenses in finance or banking. An illustration of staff members' ages, education backgrounds and rankings is as follows:

#### Distribution of Staff Members' Ages



Under 29 years old	1 %
30 ~ 39	17 %
40 ~ 49	43 %
50 ~ 59	39 %

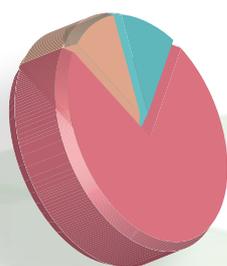
#### Distribution of Staff Members' Job Descriptions



Information Processing	7 %
Accounting	7 %
Financial and Tax administration	51 %
Business Management	6 %
Personnel Administration	6 %
General Administration	23 %

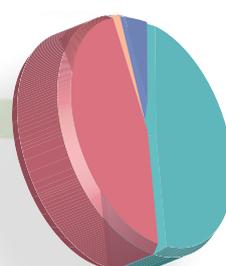


### Distribution of Staff Members' Rankings



Senior Ranks	12 %
Middle Ranks	76 %
Junior Ranks	12 %

### Distribution of Staff Members' Academic Degrees



Doctor of Philosophy	1 %
Master's Degrees	45 %
Bachelor's Degrees	48 %
Junior Ranks	6 %

## IV Fund participants, contributions and payments



### 1. An overview of participants and their working units

Civil servants became immediate participants of the PSPF since the adoption of the new system on July 1, 1995, requiring joint contributions by the governments and participants. Soon afterwards, education workers and military personnel began taking part in the Fund in February 1996 and January 1997, respectively. Political appointees joined the Fund in May 1996 but no longer participated after the Statute Governing Political Appointees Pension Fund came into effect January 1, 2004. As a result, contribution from political appointees has ended, but payments to them remain ongoing. All relevant matters are handled by the Management Board of PSPF. The participants are defined as follows:

## PSPF Participants

### Political Appointees

1. Personnel who are nominated by the president and approved by the National Assembly or the Legislative Yuan in accordance with the Constitution.
2. Personnel who are nominated by the premier and appointed by the president in accordance with the Constitution, including political deputy ministers, ambassadors extraordinary and plenipotentiary and minister plenipotentiary and other specially appointed or assigned personnel.
3. Other central or provincial (municipal) government personnel who are appointed as 13th or higher grade civil servants, vice president, Taiwan provincial governor and mayors of special municipalities.
4. Deputy magistrates and deputy mayors who are appointed as political appointees in accordance with the Local Government Act.

Note: Pursuant to the Statute on Political Appointees Pension Fund, all the above-mentioned personnel no longer partake in the Public Servants Pension Fund starting on January 1, 2004.

### Civil Servants

1. Incumbent staff who are employed in accordance with civil service laws (including school administrative staff who are qualified for civil service and have had their qualifications accredited by the Ministry of Civil Service).
2. Incumbent staff who are recruited in accordance with the Temporary Assigned Worker Assignment Act.
3. Contract staff who are allowed to be subject to the Civil Service Retirement, Severance and Survivor Relief Act.
4. Staff members at public transportation agencies except Chunghwa Telecom Co. and Chunghwa Post Co..
5. Professional personnel in business, technology and medicine who are hired as specialists with the approval of the Ministry of Civil Service.
6. Other personnel who can be subject to the Civil Service Retirement, Severance and Survivor Relief Act in accordance with provisions of other laws or regulations.
7. Personnel who are allowed to join the Fund in accordance with collateral issued by competent authorities.

### Education Workers

1. Principals, full-time teachers, teaching assistants and sports coaches at public schools at all levels who have been employed in accordance with the Act Governing Appointment of Educators and certified by competent authorities as well as full-time administrative staff who had been employed before the implementation of the act and has been formally listed by the schools or its affiliate organs as their salaried personnel.
2. Personnel at public social education institutions and academic research institutes as well as substitute teachers at elementary and junior high schools who have been allowed to be subject to the Act Governing Retirement, Severance, and Bereavement Compensation for the Teaching and Other Staff Members of Public Schools, and nursing teachers who have been assigned by the Ministry of Education to teach relevant courses at public and private schools.

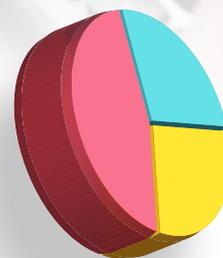
### Military Personnel

Volunteer military officers, non-commissioned officers and career soldiers in active service as well as military instructors at schools at all levels are covered in the Fund, but conscripts are not.



**(1) PSPF on-service participants and ratios**

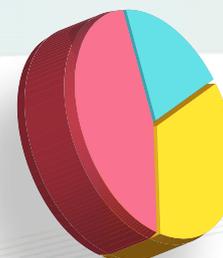
As of the end of 2018, the Fund had 651,000 participants, of whom about 298,000 were civil servants (45.7%), 182,000 were education workers (28.0%), and 171,000 were military personnel (26.3%).



Civil Servants	298,000	45.7 %
Education Workers	182,000	28.0 %
Military Personnel	171,000	26.3 %

**(2) Regular benefit recipients and ratios**

As of the end of 2018, the Fund had 342,000 regular benefit recipients, of whom about 153,000 (44.7%) were civil servants (including political appointees), 124,000 (36.3%) were education workers, and 65,000 (19.0%) were military personnel.

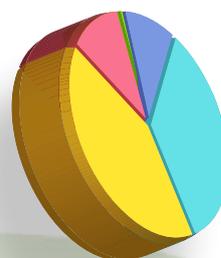


Civil Servants	153,000	44.7 %
Education Workers	124,000	36.3 %
Military Personnel	65,000	19.0 %



### (3) Participating units and ratios

As of the end of 2018, the Fund had 7,157 participating units, of which 915 (12.8%) were central government agencies, 2,898 (40.5%) were provincial and municipal government agencies, 2,453 (34.3%) were county and city government agencies, 750 (10.5%) were township offices and 141 (1.9 %) were state-owned enterprises.



<span style="color: #e91e63;">■</span> Central government units	915	12.8 %
<span style="color: #ffeb3b;">■</span> Provincial/municipal government units	2,898	40.5 %
<span style="color: #00bcd4;">■</span> County/city government units	2,453	34.3 %
<span style="color: #3f51b5;">■</span> Township offices	750	10.5 %
<span style="color: #4caf50;">■</span> State-owned Enterprises	141	1.9 %



## 2. Overview of contributions/payments by the Fund

### (1) Overall contributions/ payments and proportions by the Fund

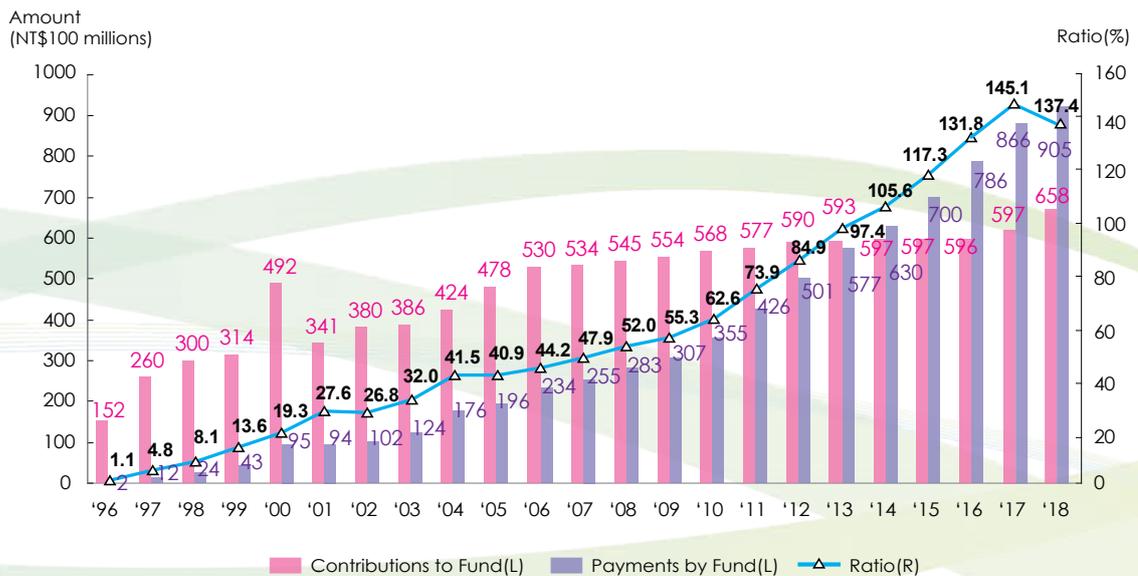
The Pension Fund received NT\$65.8 billion in contributions in 2018 from three categories of participants while paying out NT\$90.5 billion in benefits, with payments accounting for 137.4 percent of total contributions. The net contribution/payment amount was up NT\$2.2 billion from the year-earlier level. Since the Fund's inception, accumulated contributions from the three categories of participants amounted to NT\$1,106.4 billion and accumulated payouts totaled NT\$769.4 billion or 69.5 percent of overall contributions.

## Table of Pension Fund Contributions / Payments Amounts and Ratios

Units NT\$100 Million

Period	Contributions/ Payments	Civil Servants	Education Workers	Military Personnel	Total
Fiscal 2018	Contribution Amount	293	228	137	658
	Payout Amount	421	343	141	905
	Payout/ Contribution Ratio	143.5%	150.4%	102.9%	137.4%
As of the end of 2018	Contribution Amount	5,252	4,071	1,741	11,064
	Payout Amount	3,102	2,879	1,713	7,694
	Payout/ Contribution Ratio	59.1%	70.7%	98.4%	69.5%

## Chart of payment amounts and ratios over the years



Note: Fiscal year 2000 covered the period from July 1, 1999 to Dec. 31, 2000.

## (2) Civil Servants Contribution/Payment Amount and Ratio

The Pension Fund collected NT\$29.3 billion in contributions from civil servants (including political appointees) in 2018 while paying out NT\$42.1 billion in benefits, for a payment-to-contribution ratio of 143.5% in the category.

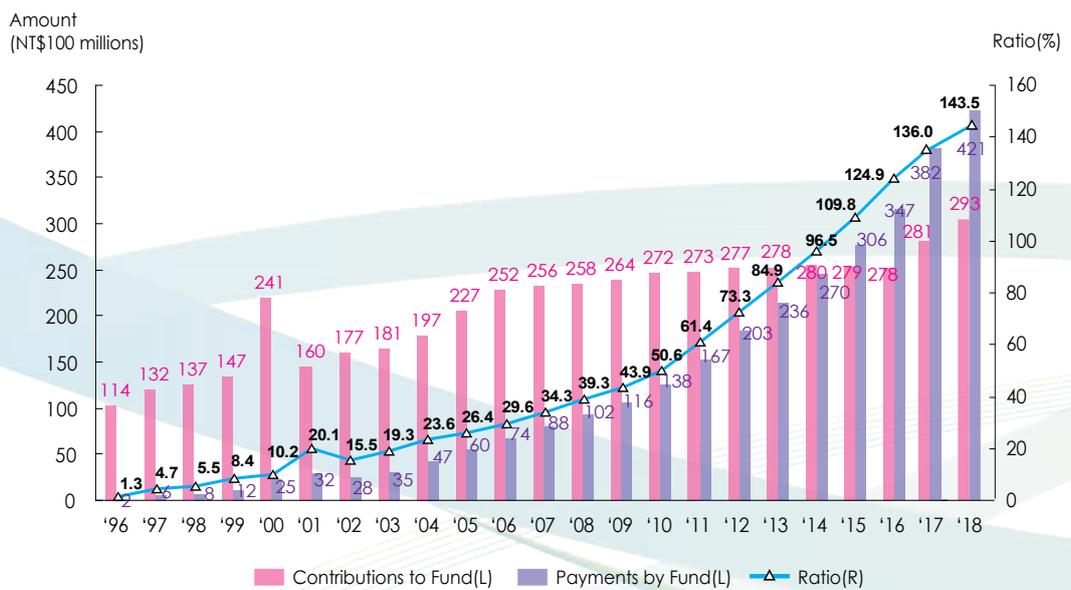
## (3) Education Workers Contribution/Payment Amount and Ratio

The Pension Fund collected NT\$22.8 billion in contributions from education workers in 2018 while paying out NT\$34.3 billion in benefits, for a payment-to-contribution ratio of 150.4% in the category.

## (4) Military Personnel Contribution/Payment Amount and Ratio

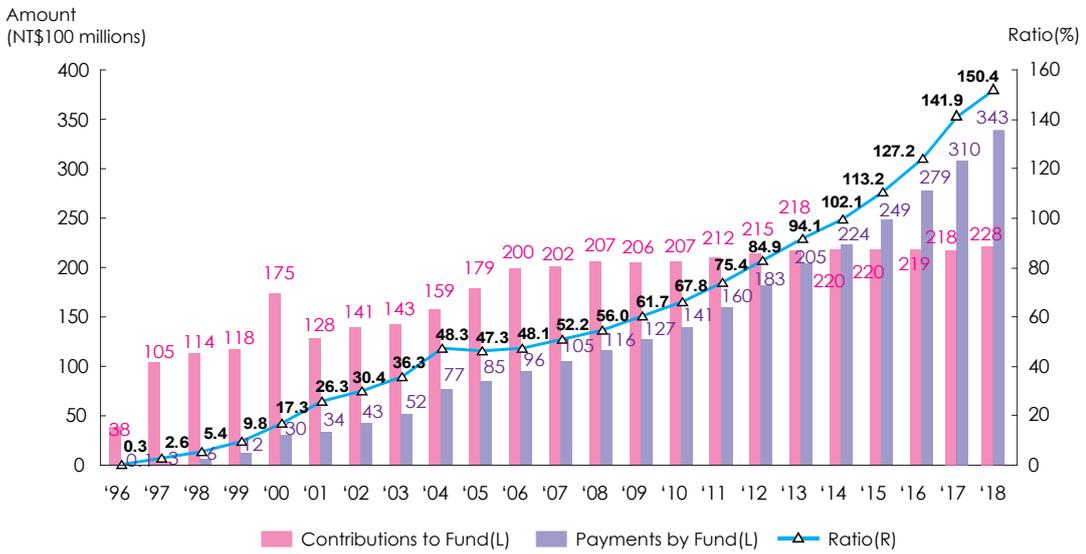
The Pension Fund collected NT\$13.7 billion in contributions from military personnel in 2018 while paying out NT\$14.1 billion in benefits, for a payment-to-contribution ratio of 102.9% in the category.

**Chart of payments to civil servants and ratios over the years**



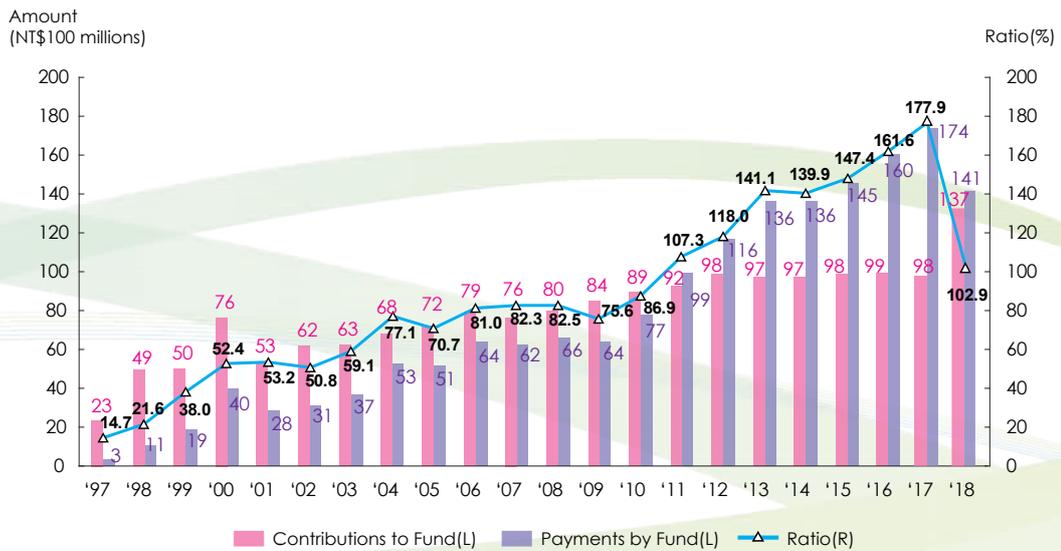
Note: Fiscal year 2000 covered the period from July 1, 1999 to Dec. 31, 2000.

### Chart of payments to education workers and ratios over the years



- Notes: 1. Education workers started to join in the new pension system in February 1996.  
 2. Fiscal year 2000 covered the period from July 1, 1999 to Dec. 31, 2000.

### Chart of payments to military personnel and ratios over the years



- Notes: 1. Military personnel began joining the new pension system in January 1997.  
 2. Fiscal year 2000 covered the period from July 1, 1999 to Dec. 31, 2000.



### 3. Regular pension recipients and amount

#### (1) Total number of regular recipients and amount

The total number of regular pension recipients in three categories (including political appointees) reached 342,000 in 2018, up 18,000 from the year-earlier period, and overall annual payment amounted to NT\$84.7 billion, up NT\$7.5 billion over a year ago.

#### (2) Pension recipients and amount in civil servants category

A total of 153,000 civil servants received an aggregate NT\$38.7 billion in regular benefit payouts in 2018.

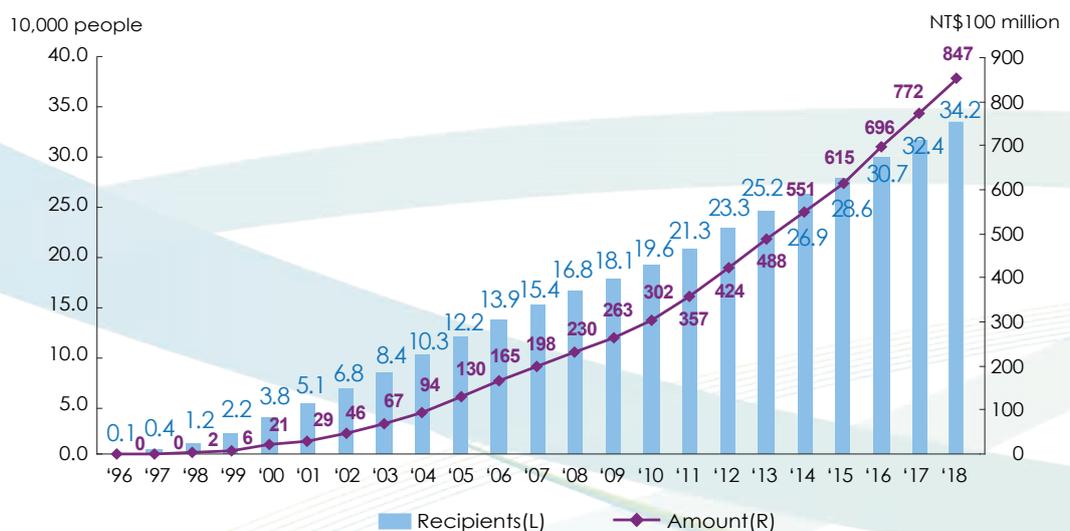
#### (3) Pension recipients and amount in education workers category

A total of 124,000 education workers received an aggregate NT\$33.3 billion in regular benefit payouts in 2018.

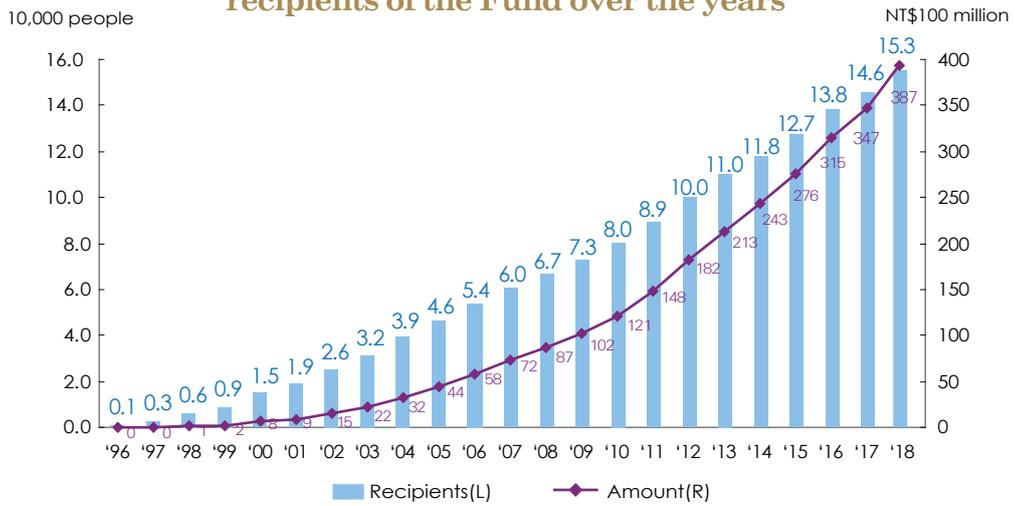
#### (4) Pension recipients and amount in military personnel category

A total of 65,000 military personnel received an aggregate NT\$12.7 billion in regular benefit payouts in 2018.

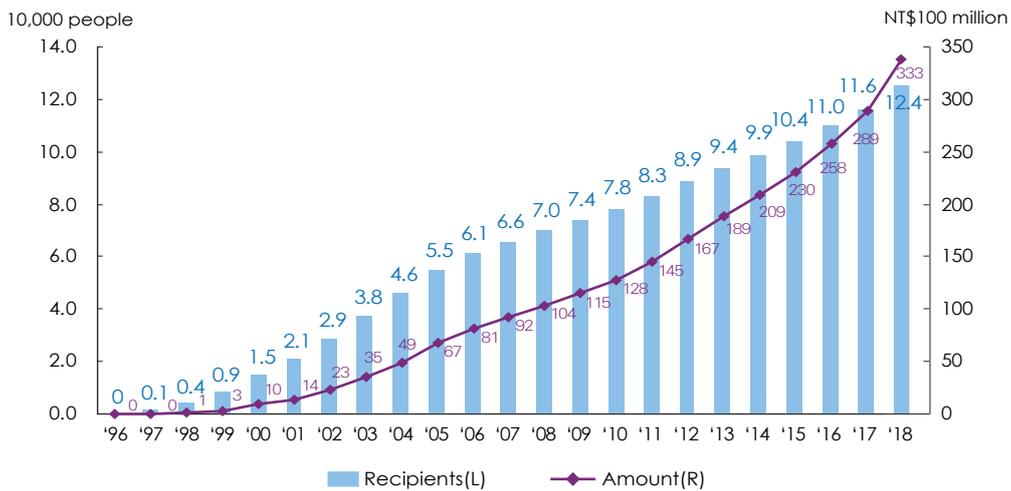
**Chart of numbers of payment recipients and amounts over the years**



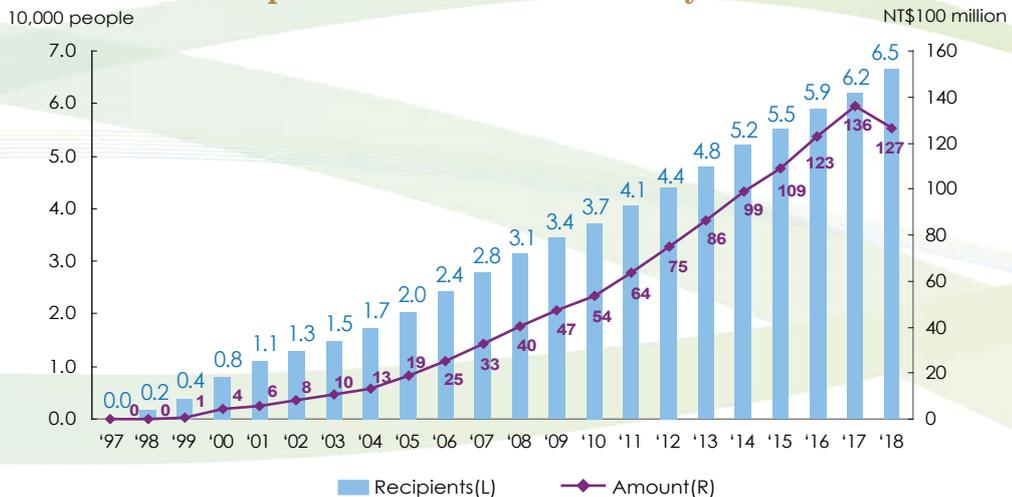
**Chart of numbers and amounts of regular civil servant recipients of the Fund over the years**



**Chart of numbers and amounts of regular education worker recipients of the Fund over the years**



**Chart of numbers and amounts of military personnel recipients of the Fund over the years**





## The size and asset allocation of the Fund

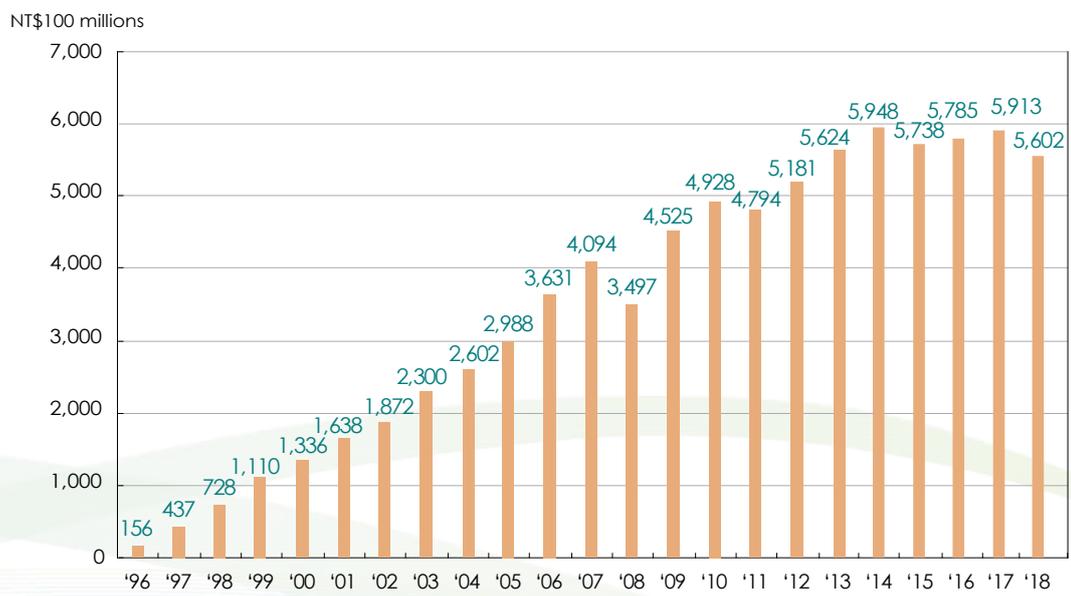


### 1. Size of the Fund over the years

The Fund has entered its maturity period, therefore the Fund's net asset would be subject to the shortfall between contributions and payments as well as the volatility of operational earnings. As of the end of 2018, the Fund's net asset stood at NT\$560.2 billion, down NT\$31.1 billion from the previous year.



### The Fund's net asset value over the years



- Notes: 1 For Fiscal Year 2000, it began on July 1, 1999 and ended on Dec. 31, 2000.  
 2 The net value of the Fund includes the accrued receivable/payable items and revenue/expenses.  
 3 The net value of the fund was originally reported as NT\$573.6 billion, after the adoption of IFRS in 2015, the figure was adjusted to NT\$573.8 billion because of retrospective changes in accounting principle.



## 2. 2018 Asset allocation

The investments of the Pension Fund range from bank deposits, listed (including OTC) stocks, short-term bills, treasury bills, beneficiary certificates, bonds, corporate bonds, and overseas investment in the foregoing items, as well as the economic developmental investments, and loans relating to the welfare of civil servants. Under the provision of Subparagraph 5, Paragraph 1, Article 5 of Public Service Pension Fund Management Statute, any proposal of investment in a new item out of the foregoing categories may be carried out only after passing the review of the PSPFSB and approved by the Examination Yuan and the Executive Yuan.

The PSPFMB, by taking overseas/domestic economic situations and the budget of the Fund into account, shall set a yearly target for income, draw up its operation principles and plans for a new year, and determine on the investment proportions and the range for asset allocation, which, after submitted to and approved by the PSPFSB, shall be carried out accordingly.

By the end of 2018, the investment items' investment areas, types of income and management modes are as follows:



### The Fund's asset allocations as of Dec. 31, 2018

Categories	Investment items	Actual amount (NT\$100 m.) (note 3)		Actual allocation % (A)	Center allocation % (B)	Difference % (A) - (B)				
Investment areas (note 1)	Domestic	2,933		53.11	50.90	2.21				
	Overseas	2,591		46.89	49.10	-2.21				
Income source (note 2)	Fixed income	2,953		53.45	41.00	12.45				
	Capital gains	2,293		41.52	54.00	-12.48				
	Alternative assets	278		5.03	5.00	0.03				
Management methods	Discretionary management	Domestic	2,184	527	39.53	9.55	48.00	17.00	-8.47	-7.45
		Overseas		1,657		29.98				
	In-house management	Deposits, short- term bills, securities	3,340	1,447	60.47	26.20	52.00	12.10	8.47	14.10
		Others								

- Notes: 1. If the Fund's in-house investment in domestic beneficiary certificates is separated its overseas amount into the overseas investment category, then the domestic investment will take a 52.99 percent of total asset and overseas investment 47.01 percent.
2. Fixed income investments include deposits, bonds, short-term bills and government bonds. Capital gains investments include beneficiary certificates, stocks and ETFs. Alternative investments include foreign mandate investments in real estate securities, infrastructure securities and multi asset.
3. The actual investment amount does not include receivables/payables, prepaid/advance items and bonds discount/premium amortization.

# VI

## Balance sheet, income statement, and contribution status of the Fund

### 1. Balance sheet for fiscal year 2018

For fiscal 2018, the value of the Fund's total assets was NT\$567.4 billion, with current assets, which amounted to NT\$428.1 billion, taking 75.45 percent and the remaining 24.55 percent being long-term investment and receivables, totaling NT\$139.3 billion.

#### PSPF Balance sheet - Asset Accounts

Dec.31, 2018

Items	Final account for this fiscal year			In-house management Amount
	In-house management	Discretionary management	Total	
	Amount	Amount	Amount	
Assets	341,325,113,944	226,090,623,496	567,415,737,440	372,394,468,043
Current assets	228,083,670,988	200,040,285,154	428,123,956,142	262,358,466,784
Cash	44,589,203,772	13,717,423,892	58,306,627,664	65,763,557,455
Bank deposits	44,589,203,772	13,717,423,892	58,306,627,664	65,763,557,455
Current financial assets	174,942,505,439	185,250,207,566	360,192,713,005	188,428,880,691
Financial assets held for trading - current	63,682,135,124	171,081,927,238	234,764,062,362	71,781,022,963
Stocks	63,682,135,124	157,538,358,065	221,220,493,189	71,781,022,963
Beneficiary certificates		11,503,307,932	11,503,307,932	
Short-term bills		194,610,045	194,610,045	
Bonds		932,065,312	932,065,312	
Futures margins		913,585,884	913,585,884	
Adjustment for Financial assets held for trading evaluation - current	-5,387,237,050	9,232,589,274	3,845,352,224	-4,294,929,072
Stocks	-5,387,237,050	3,143,701,435	-2,243,535,615	-4,294,929,072
Beneficiary certificates		-130,473,024	-130,473,024	
Short-term bills		839,718	839,718	
Bonds		742,008	742,008	
Futures margins		108,461,122	108,461,122	

Unit : NT\$

Final account for last fiscal year			Comparison increase (+) decrease (-)					
	Discretionary management	Total	In-house management		Discretionary management		Total	
	Amount	Amount	Amount	%	Amount	%	Amount	%
	221,823,849,104	594,218,317,147	-31,069,354,099	-8.34	4,266,774,392	1.92	-26,802,579,707	-4.51
	208,135,793,595	470,494,260,379	-34,274,795,796	-13.06	-8,095,508,441	-3.89	-42,370,304,237	-9.01
	7,528,474,941	73,292,032,396	-21,174,353,683	-32.20	6,188,948,951	82.21	-14,985,404,732	-20.45
	7,528,474,941	73,292,032,396	-21,174,353,683	-32.20	6,188,948,951	82.21	-14,985,404,732	-20.45
	199,395,417,686	387,824,298,377	-13,486,375,252	-7.16	-14,145,210,120	-7.09	-27,631,585,372	-7.12
	162,176,174,943	233,957,197,906	-8,098,887,839	-11.28	8,905,752,295	5.49	806,864,456	0.34
	156,035,198,902	227,816,221,865	-8,098,887,839	-11.28	1,503,159,163	0.96	-6,595,728,676	-2.90
	5,167,470,408	5,167,470,408			6,335,837,524	122.61	6,335,837,524	122.61
	343,138,874	343,138,874			-148,528,829	-43.29	-148,528,829	-43.29
					932,065,312		932,065,312	
	630,366,759	630,366,759			283,219,125	44.93	283,219,125	44.93
	32,823,108,123	28,528,179,051	-1,092,307,978		-23,590,518,849	-71.87	-24,682,826,827	-86.52
	30,389,771,746	26,094,842,674	-1,092,307,978		-27,246,070,311	-89.66	-28,338,378,289	-108.60
	791,246,455	791,246,455			-921,719,479	-116.49	-921,719,479	-116.49
	651,725	651,725			187,993	28.85	187,993	28.85
					742,008		742,008	
	14,461,382	14,461,382			93,999,740	650.01	93,999,740	650.01

(Continued)

## PSPF Balance sheet - Asset Accounts

Dec.31, 2018

Items	Final account for this fiscal year			In-house management	Amount
	In-house management	Discretionary management	Total		
	Amount	Amount	Amount		
Foreign exchange forward contracts		6,106,752,416	6,106,752,416		
Interest swap		2,565,599	2,565,599		
Bills and bonds purchased under resell agreements	18,081,955,349	4,935,691,054	23,017,646,403	15,387,489,344	
Short-term bills	18,081,955,349	2,983,856,087	21,065,811,436	15,387,489,344	
Bonds		1,951,834,967	1,951,834,967		
Held-to-maturity financial assets - current	67,015,652,016		67,015,652,016	73,105,297,456	
Short-term bills	50,555,436,101		50,555,436,101	65,179,691,799	
Bonds	16,460,215,915		16,460,215,915	7,925,605,657	
Other financial assets - current	31,550,000,000		31,550,000,000	32,450,000,000	
Time Deposit	31,550,000,000		31,550,000,000	32,450,000,000	
Receivables	1,362,636,643	1,072,653,696	2,435,290,339	1,207,615,919	
Accounts receivable	137,113,497	414,020,696	551,134,193	241,025,961	
Allowance for bad debt - account receivable	-5,723,772		-5,723,772	-5,065,672	
Earned revenue receivable	64,824	255,789,365	255,854,189	538,562	
Interest receivable	1,231,182,094	220,640,506	1,451,822,600	971,117,068	
Other receivables		182,203,129	182,203,129		
Prepayments	7,189,325,134		7,189,325,134	6,958,412,719	
Other prepayments	7,189,325,134		7,189,325,134	6,958,412,719	
Long-term investments and receivables	113,241,442,956	26,050,338,342	139,291,781,298	110,036,001,259	
Noncurrent financial assets	113,241,442,956	26,050,338,342	139,291,781,298	110,036,001,259	

Unit : NT\$

Final account for last fiscal year		Comparison increase (+) decrease (-)					
Discretionary management	Total	In-house management		Discretionary management		Total	
Amount	Amount	Amount	%	Amount	%	Amount	%
1,626,976,815	1,626,976,815			4,479,775,601	275.34	4,479,775,601	275.34
				2,565,599		2,565,599	
4,206,134,620	19,593,623,964	2,694,466,005	17.51	729,556,434	17.35	3,424,022,439	17.48
2,945,572,444	18,333,061,788	2,694,466,005	17.51	38,283,643	1.30	2,732,749,648	14.91
1,260,562,176	1,260,562,176			691,272,791	54.84	691,272,791	54.84
	73,105,297,456	-6,089,645,440	-8.33			-6,089,645,440	-8.33
	65,179,691,799	-14,624,255,698	-22.44			-14,624,255,698	-22.44
	7,925,605,657	8,534,610,258	107.68			8,534,610,258	107.68
190,000,000	32,640,000,000	-900,000,000	-2.77	-190,000,000	-100.00	-1,090,000,000	-3.34
190,000,000	32,640,000,000	-900,000,000	-2.77	-190,000,000	-100.00	-1,090,000,000	-3.34
1,211,900,968	2,419,516,887	155,020,724	12.84	-139,247,272	-11.49	15,773,452	0.65
789,210,962	1,030,236,923	-103,912,464	-43.11	-375,190,266	-47.54	-479,102,730	-46.50
	-5,065,672	-658,100				-658,100	
199,914,482	200,453,044	-473,738	-87.96	55,874,883	27.95	55,401,145	27.64
120,955,304	1,092,072,372	260,065,026	26.78	99,685,202	82.41	359,750,228	32.94
101,820,220	101,820,220			80,382,909	78.95	80,382,909	78.95
	6,958,412,719	230,912,415	3.32			230,912,415	3.32
	6,958,412,719	230,912,415	3.32			230,912,415	3.32
13,688,055,509	123,724,056,768	3,205,441,697	2.91	12,362,282,833	90.31	15,567,724,530	12.58
13,688,055,509	123,724,056,768	3,205,441,697	2.91	12,362,282,833	90.31	15,567,724,530	12.58

(Continued)

## PSPF Balance sheet - Asset Accounts

Dec.31, 2018

Items	Final account for this fiscal year			In-house management	
	In-house management	Discretionary management	Total		
	Amount	Amount	Amount		
Financial assets held for trading - noncurrent		26,713,092,235	26,713,092,235		
Bonds		26,713,092,235	26,713,092,235		
Adjustment for financial assets held for trading evaluation - noncurrent		-662,753,893	-662,753,893		
Bonds		-662,753,893	-662,753,893		
Available-for-sale financial assets - noncurrent	19,146,511,113		19,146,511,113	21,087,577,885	
Stocks	10,493,617,171		10,493,617,171	9,954,576,878	
Beneficiary certificates	8,652,893,942		8,652,893,942	11,133,001,007	
Adjustment for Available-for-sale financial assets evaluation - noncurrent	1,272,849,835		1,272,849,835	2,123,428,867	
Stocks	1,403,738,850		1,403,738,850	1,904,194,676	
Beneficiary certificates	-130,889,015		-130,889,015	219,234,191	
Held-to-maturity financial assets - noncurrent	74,115,530,135		74,115,530,135	70,192,845,150	
Bonds	74,115,530,135		74,115,530,135	70,192,845,150	
Debt investments without active market - noncurrent	18,706,551,873		18,706,551,873	16,632,149,357	
Bonds	18,706,551,873		18,706,551,873	16,632,149,357	
Other assets					
Miscellaneous assets					
Overdue receivables	21,723,701		21,723,701	5,038,821	
Allowance for bad debt - overdue receivables	-21,723,701		-21,723,701	-5,038,821	
<b>Total</b>	<b>341,325,113,944</b>	<b>226,090,623,496</b>	<b>567,415,737,440</b>	<b>372,394,468,043</b>	

Unit : NT\$

Final account for last fiscal year		Comparison increase (+) decrease (-)					
Discretionary management	Total	In-house management		Discretionary management		Total	
Amount	Amount	Amount	%	Amount	%	Amount	%
13,288,757,133	13,288,757,133			13,424,335,102	101.02	13,424,335,102	101.02
13,288,757,133	13,288,757,133			13,424,335,102	101.02	13,424,335,102	101.02
399,298,376	399,298,376			-1,062,052,269	-265.98	-1,062,052,269	-265.98
399,298,376	399,298,376			-1,062,052,269	-265.98	-1,062,052,269	-265.98
	21,087,577,885	-1,941,066,772	-9.20			-1,941,066,772	-9.20
	9,954,576,878	539,040,293	5.41			539,040,293	5.41
	11,133,001,007	-2,480,107,065	-22.28			-2,480,107,065	-22.28
	2,123,428,867	-850,579,032	-40.06			-850,579,032	-40.06
	1,904,194,676	-500,455,826	-26.28			-500,455,826	-26.28
	219,234,191	-350,123,206	-159.70			-350,123,206	-159.70
	70,192,845,150	3,922,684,985	5.59			3,922,684,985	5.59
	70,192,845,150	3,922,684,985	5.59			3,922,684,985	5.59
	16,632,149,357	2,074,402,516	12.47			2,074,402,516	12.47
	16,632,149,357	2,074,402,516	12.47			2,074,402,516	12.47
	5,038,821	16,684,880	331.13			16,684,880	331.13
	-5,038,821	-16,684,880				-16,684,880	
221,823,849,104	594,218,317,147	-31,069,354,099	-8.34	4,266,774,392	1.92	-26,802,579,707	-4.51

(End)

## PSPF Balance sheet - Liability Accounts and Fund & surplus Accounts

Dec.31, 2018

Items	Final account for this fiscal year			In-house management	
	In-house management	Discretionary management	Total		
	Amount	Amount	Amount		
Liabilities	43,942,102	7,197,885,165	7,241,827,267	58,471,359	
Current liabilities	43,942,102	7,197,885,165	7,241,827,267	58,471,359	
Current Financial liabilities		6,137,936,165	6,137,936,165		
Adjustment for Financial liabilities held for trading evaluation-current		6,137,936,165	6,137,936,165		
Foreign exchange forward contracts		6,098,063,133	6,098,063,133		
Futures margins		39,873,032	39,873,032		
Interest swap					
Payables	43,456,374	1,059,949,000	1,103,405,374	58,180,054	
Accounts payable		913,194,094	913,194,094		
Receipts under custody payable	678,710		678,710	59,243	
Expenses payable	41,026,785	146,754,906	187,781,691	57,635,143	
Other payable	1,750,879		1,750,879	485,668	
Advance accounts	485,728		485,728	291,305	
Other advance accounts	485,728		485,728	291,305	
Fund and surplus	341,281,171,842	218,892,738,331	560,173,910,173	372,335,996,684	
Fund			558,901,060,338		
Public Service Pension Fund			337,012,826,503		
Public Service Pension Fund			337,012,826,503		
Public Service Pension Fund Accumulated surplus/deficit-distributed			221,888,233,835		
Public Service Pension Fund Legally guaranteed return			15,430,516,834		
Public Service Pension Fund return above(below) legally guaranteed amount			38,456,786,106		
Accumulated surplus			168,000,930,895		
Accumulated other comprehensive income	1,272,849,835		1,272,849,835	2,123,428,867	
Gains or losses on valuation of available-for-sale financial assets	1,272,849,835		1,272,849,835	2,123,428,867	
<b>Total</b>	<b>341,325,113,944</b>	<b>226,090,623,496</b>	<b>567,415,737,440</b>	<b>372,394,468,043</b>	

Unit : NT\$

Final account for last fiscal year		Comparison increase (+) decrease (-)					
Discretionary management	Total	In-house management		Discretionary management		Total	
Amount	Amount	Amount	%	Amount	%	Amount	%
2,826,585,539	2,885,056,898	-14,529,257	-24.85	4,371,299,626	154.65	4,356,770,369	151.01
2,826,585,539	2,885,056,898	-14,529,257	-24.85	4,371,299,626	154.65	4,356,770,369	151.01
1,655,896,096	1,655,896,096			4,482,040,069	270.67	4,482,040,069	270.67
1,655,896,096	1,655,896,096			4,482,040,069	270.67	4,482,040,069	270.67
1,647,775,161	1,647,775,161			4,450,287,972	270.08	4,450,287,972	270.08
5,182,167	5,182,167			34,690,865	669.43	34,690,865	669.43
2,938,768	2,938,768			-2,938,768	-100.00	-2,938,768	-100.00
1,170,689,443	1,228,869,497	-14,723,680	-25.31	-110,740,443	-9.46	-125,464,123	-10.21
926,390,521	926,390,521			-13,196,427	-1.42	-13,196,427	-1.42
	59,243	619,467	1,045.64			619,467	1,045.64
244,298,922	301,934,065	-16,608,358	-28.82	-97,544,016	-39.93	-114,152,374	-37.81
	485,668	1,265,211	260.51			1,265,211	260.51
	291,305	194,423	66.74			194,423	66.74
	291,305	194,423	66.74			194,423	66.74
218,997,263,565	591,333,260,249	-31,054,824,842	-8.34	-104,525,234	-0.05	-31,159,350,076	-5.27
	589,209,831,382					-30,308,771,044	-5.14
	361,635,094,788					-24,622,268,285	-6.81
	361,635,094,788					-24,622,268,285	-6.81
	227,574,736,594					-5,686,502,759	-2.50
	17,524,717,087					-2,094,200,253	-11.95
	33,877,897,134					4,578,888,972	13.52
	176,172,122,373					-8,171,191,478	-4.64
	2,123,428,867	-850,579,032	-40.06			-850,579,032	-40.06
	2,123,428,867	-850,579,032	-40.06			-850,579,032	-40.06
221,823,849,104	594,218,317,147	-31,069,354,099	-8.34	4,266,774,392	1.92	-26,802,579,707	-4.51

## 2. Income statement of the Fund for fiscal 2018

The Fund accrued a balance of NT\$-5.7 billion in fiscal 2018, other comprehensive loss NT\$0.8 billion added, the figure stood at NT\$-6.5 billion.

### Public Service Pension Fund – Income Statement

Fiscal 2018

Items	Fiscal 2018 budget		
	Amount	%	
Total revenues	22,202,859,000	100.00	
Financial revenues	22,202,859,000	100.00	
Interest revenue	3,272,325,000	14.74	
Net gain of financial assets at fair value through profit or loss	18,930,534,000	85.26	
Net gain of financial liabilities at fair value through profit or loss			
Net gain of available-for-sale financial assets			
Net gain on foreign exchange			
Other operating revenues			
Miscellaneous revenue			
Total expenses	1,394,349,000	6.28	
Financial expenses	596,950,000	2.69	
Service fee expense	596,950,000	2.69	
Net loss of financial asset at fair value through profit or loss			
Net loss of financial liabilities at fair value through profit or loss			
Net loss on foreign exchange			
Other Financial expenses	797,270,000	3.59	
Agency fee	797,270,000	3.59	
Other operating expenses	129,000		
Remittance fee paid	129,000		
Provision for doubtful debts			
Other expenses			
Surplus/deficit for the period	20,808,510,000	93.72	
Other comprehensive income			
Gains or losses on valuation of available-for-sale financial assets			
Total comprehensive gain or loss for the period	20,808,510,000	93.72	

Unit : NT\$

Fiscal 2018 Final Account		Increase(+) /Decrease(-)		Fiscal 2017 Final Account	
Amount	%	Amount	%	Amount	%
11,067,490,838	100.00	-11,135,368,162	-50.15	55,516,086,757	100.00
11,052,612,693	99.87	-11,150,246,307	-50.22	55,495,962,165	99.96
4,114,979,667	37.18	842,654,667	25.75	3,791,910,268	6.83
		-18,930,534,000	-100.00	50,984,749,854	91.84
				76,305,258	0.14
713,994,573	6.45	713,994,573		642,996,785	1.16
6,223,638,453	56.23	6,223,638,453			
14,878,145	0.13	14,878,145		20,124,592	0.04
14,878,145	0.13	14,878,145		20,124,592	0.04
16,753,993,597	151.38	15,359,644,597	1,101.56	18,335,269,281	33.03
16,055,236,911	145.07	15,458,286,911	2,589.54	17,694,871,049	31.87
453,587,109	4.10	-143,362,891	-24.02	370,550,983	0.67
15,577,392,969	140.75	15,577,392,969			
24,256,833	0.22	24,256,833			
				17,324,320,066	31.21
650,884,093	5.88	-146,385,907	-18.36	550,273,669	0.99
650,884,093	5.88	-146,385,907	-18.36	550,273,669	0.99
47,872,593	0.43	47,743,593	37,010.54	90,124,563	0.16
79,137		-49,863	-38.65	84,696	
17,420,258	0.16	17,420,258		7,285,308	0.01
30,373,198	0.27	30,373,198		82,754,559	0.15
-5,686,502,759	-51.38	-26,495,012,759	-127.33	37,180,817,476	66.97
-850,579,032		-850,579,032		2,533,175,612	
-850,579,032		-850,579,032		2,533,175,612	
-6,537,081,791	-59.07	-27,345,591,791	-131.42	39,713,993,088	71.54

### 3. Actuarial valuation results by various participating groups

As of December 2018, total funded assets are NT\$560.2 billion. The amount and ratio are showed as follows:

Valuation Date	Amount of Funded Asset (NT\$)	Funded Ratio
Dec. 31, 2018		
Political appointees	64,808,578	11 %
Civil servants	344,543,804,418	25 %
Education workers	198,343,448,088	15 %
Military personnel	17,221,849,089	5 %

Notes:

1. The table is extracted from the 2018 fiscal year Actuarial Valuation Results which are compiled by the commissioned actuarial firm.
2. The funded ratios refer to funded assets as percentage of accrued liability.
3. Political appointees have stopped contributing to the Fund since Jan. 1, 2004, according to Political Appointees' Pension Statute, but have continued to receive pension payments.





# VII Performance of the Fund



## 1. Records of overall performance over the years

The Fund has accumulated realized earning of NT\$240.1 billion as of the end of fiscal 2018. With an accumulated realized earning rate of 3.17 percent, 1.44 percentage points higher or NT\$110.9 billion more than an assumed earnings of NT\$129.2 billion based on the two-year time deposit interest rate of the Bank of Taiwan. If the unrealized earnings and the unrealized gain or loss for available-for-sale financial assets are added, the overall earnings will be NT\$219.9 billion, at a return rate of 2.90 percent.

(1) The amounts of earnings over the years and earnings rates

Fiscal Year	Realized earnings (100 million)	Realized earnings rate (%)	Earnings if added with the unrealized earnings and the unrealized gain or loss for available-for-sale financial assets (100 m.)	Earnings rate if the unrealized earnings and the unrealized gain or loss for available-for-sale financial assets are included (%)	Interest rate of two-year time deposit at Bank of Taiwan (%)	Targeted annual earnings rates (%)
1996	4.83	7.78	4.83	7.78	6.93	-
1997	34.66	12.42	34.19	12.25	6.29	7.86
1998	52.86	9.12	15.51	2.68	6.31	7.78
1999	73.97	8.18	110.40	12.21	5.85	7.95
2000	196.92	9.97	-171.83	-8.70	5.14	6.90
2001	67.13	4.72	54.71	3.85	4.02	8.12
2002	45.43	2.59	-44.26	-2.53	2.25	5.12
2003	39.50	1.95	164.98	8.13	1.57	3.69
2004	63.32	2.63	53.14	2.21	1.50	3.74
2005	99.14	3.66	128.30	4.74	1.81	4.87
2006	140.96	4.45	346.63	10.93	2.18	3.38
2007	210.88	5.62	184.28	4.91	2.47	4.30
2008	-94.97	-2.46	-860.87	-22.33	2.69	5.02
2009	63.59	1.63	762.63	19.49	0.94	4.11
2010	134.89	3.05	159.47	3.60	1.07	2.67
2011	68.73	1.44	-284.51	-5.98	1.32	3.35
2012	106.63	2.21	298.11	6.17	1.40	3.70
2013	205.92	4.00	427.68	8.30	1.40	3.78
2014	252.11	4.60	356.46	6.50	1.40	4.03
2015	131.29	2.34	-108.77	-1.94	1.38	4.13
2016	110.75	2.01	236.93	4.29	1.12	4.25
2017	212.02	3.82	397.08	7.15	1.04	4.02
2018	181.33	3.16	-65.32	-1.14	1.04	4.04
Total	2,401.90	3.17	2,199.78	2.90	1.73	

Notes :

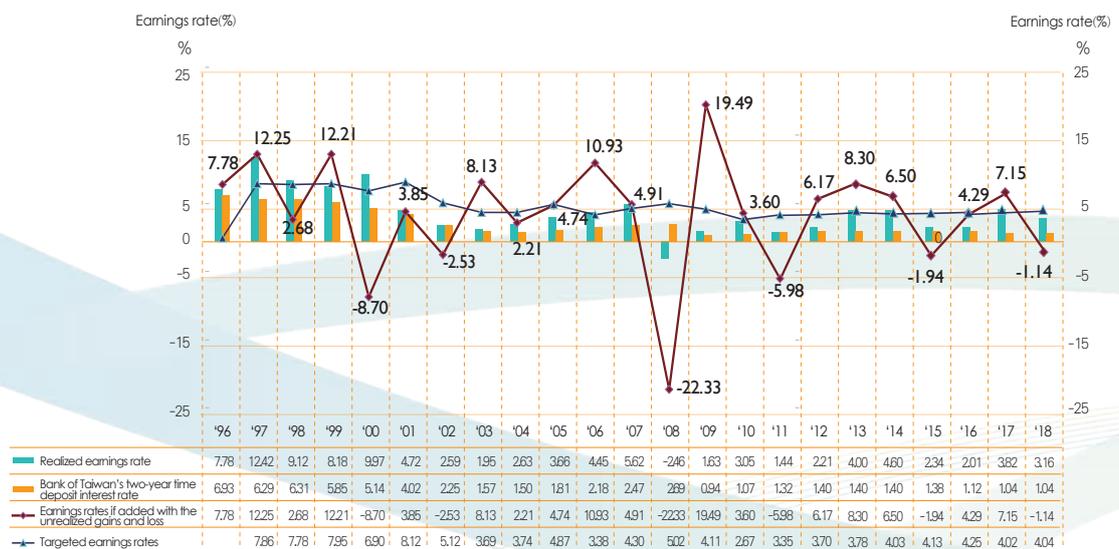
1. Fiscal 2000 began on July1, 1999 and ended on December 31, 2000.
2. The Lower of Cost or Market Value Method as applied from fiscal 1996 to fiscal 2005, and after that the Market Value Method has been adopted.
3. The realized earnings rates, Bank of Taiwan's two-year time deposit interest rate, earnings rate if added with the unrealized earnings and the unrealized gain or loss for available-for-sale financial assets over the years as listed in the table are all calculated based on the Weighted-average System.
4. The national coffers shall make up for what the Fund suffers based on the realized earnings as instructed by the Directorate General of Budget, Accounting and Statistics in its official document dated April 24, 2001 (No. 03814 letter) .



## (2) Trend of earnings rates over the years

The Fund's earnings rates have mostly been stable over the past years except for the periods of the dot-com bubble in 2000, the U.S. subprime mortgage crisis in 2008, the European debt crisis in 2011, the global economic recovery is slower than expected in 2015 and the global trade disputes in 2018.

### Chart of the Fund's earnings over the years



- Notes: 1. Fiscal 2000 began on July 1, 1999 and ended on December 31, 2000.  
 2. The Lower of Cost or Market Value Method as applied from fiscal 1996 to fiscal 2005, and after that the Market Value Method has been adopted.



## 2. Fund's performance in fiscal 2018

The Public Service Pension Fund recorded a realized earnings rate of 3.16 percent in fiscal 2018, which was 2.12 percentage points higher than Bank of Taiwan's two-year time deposit interest rate. It would be translated into an earnings rate of -1.14 percent if added with the unrealized gains and losses and rate of return with available-for-sale securities over the year 5.18 percentage points lower than the year's targeted earnings rate of 4.04 percent.

The followings are the earnings rates of the Fund's various investments and their corresponding market performances (Benchmark earnings rate)

### (1) Performances of in-house investments with fixed-income asset classes

Investment asset class	Actual return for fiscal 2018 (%)	Indexes for evaluating performance	
		Benchmark return (%)	Index
Domestic bonds	1.65	0.94	The closing interest rate of 10-year Taiwan government bond in first transaction day of each month at the Taipei Exchange (OTC securities market)
Overseas bonds	3.83	2.68	Using the interest rate of the 10-year US treasury bond on the base day of evaluation
Short-term domestic bills	0.41	0.57	The interest rate of 30-day commercial paper sold at the secondary bond market as published by the Economic Daily News in the first trading day of each month
Bank deposits in New Taiwan Dollar	0.53	0.23	The average deposit interest rate of five leading banks as defined by the Central Bank (rate of one-year jumbo time deposit)
Bank deposits in foreign currencies	2.10	1.04	According to the one-month time deposit interest rates set by the Bank of Taiwan, weighted according to the ratios of major foreign currencies held by the Fund on the base day of evaluation

Note: In calculating the actual returns of overseas bonds and bank deposits in foreign currencies, foreign exchange gain/loss was disregarded due to the features of their benchmarks.

## (2) Performances of in-house investments with capital gains asset classes

Investment asset class	Actual return for fiscal 2018 (%)	Indexes for evaluating performance	
		Benchmark return (%)	Index
Domestic stocks and ETFs	-1.06	-8.60	TWSE Capitalization Weighted Stock Price Index
Overseas stocks and ETFs	-3.17	-9.42	MSCI World Index
Domestic beneficiary certificates	-11.05	-8.60	TWSE Capitalization Weighted Stock Price Index
Overseas beneficiary certificates	-1.27	-4.16	MSCI World Index and Bloomberg Barclays Global Aggregate Bond Index, weighted on the ratios of distribution of bonds and stocks

Note: In calculating the actual returns of overseas stocks and ETF as well as overseas beneficiary certificates, they all include currency gain/loss against NT dollars. But the actual returns of their benchmark indexes are denominated in US dollars and do not include currency gain/loss against NT dollars.

## (3) Performances of discretionary management

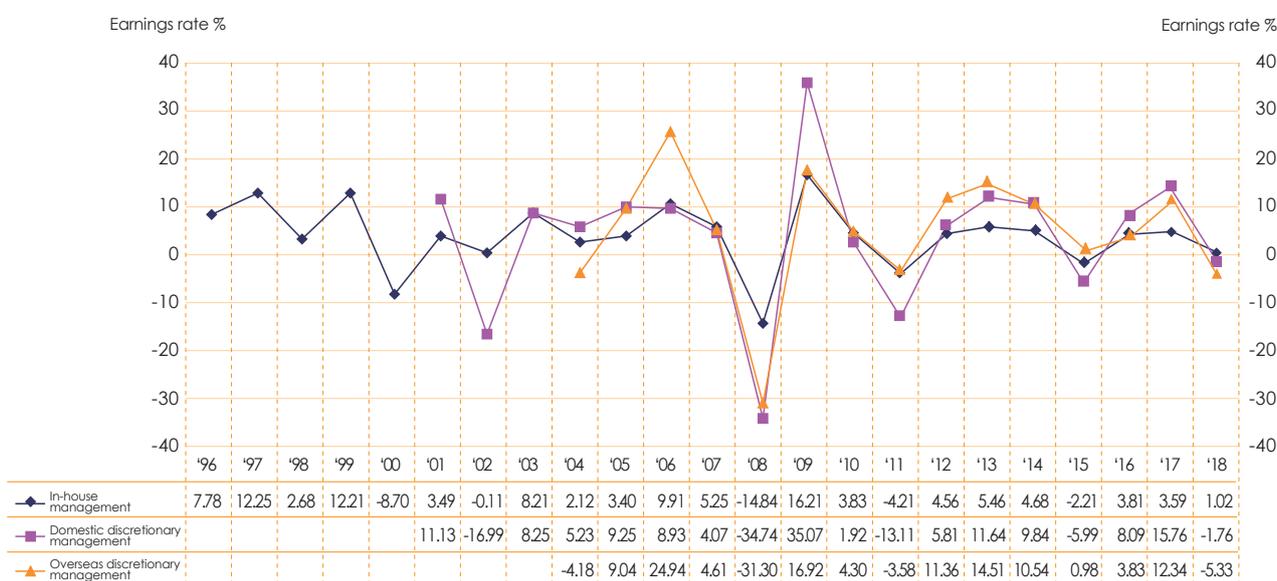
Investment item	Actual return for fiscal 2018 (%)	Indexes for evaluating performance	
		Benchmark return (%)	Index
Domestic discretionary management	-1.76	-6.00	Using the ratios distribution of commissioned management's positions in capital gains and fixed income as the weight function, weighted with the return of TWSE Capitalization Weighted Stock Price Index and the closing interest rate of 10-year Taiwan government bond in the first transaction day of each month at the Taipei Exchange during the same period
Overseas discretionary management	-8.45	-6.07	Using the ratios distribution of overseas commissioned management's positions in capital gains, fixed income and alternative assets as the weight function, weighted with the return of MSCI All Country World Index, Bloomberg Barclays Global Aggregate Bond Index, the related index of alternative investment such as infrastructure and real estate during the same period

Note: The actual returns of foreign discretionary management after adding foreign exchange gain/loss were -5.33% for fiscal 2018.

### 3. Performances of in-house and discretionary managements

Fiscal 2018 registered 1.02 percent earnings rate in the Fund's in-house management, -1.76 percent in its domestic discretionary management and -5.33 percent in overseas discretionary management, down 2.57 percentage points, 17.52 percentage points and 17.67 percentage points year-on-year, respectively.

**Trend chart of the earning rates of the Fund's in-house and discretionary managements**



**Notes:**

1. Fiscal year 2000 began on July 1, 1999 and ended on December 31, 2000.
2. The Lower of Cost or Market Value Method as applied from fiscal 1996 to fiscal 2005, and after that the Market Value Method has been adopted.
3. Earnings rates refer to the realized rates of return, added with the unrealized gains and losses and earnings rate with available-for-sale securities over the years.
4. The Fund started domestic discretionary management on July 16, 2001. Therefore, the 2001's earnings rate 11.13% was calculated on the basis of annualizing the earnings rate of 5.10% over the period from July 16 to December 31.
5. Because there was only 10 days before that Year ended, the 2003's earnings rate of overseas discretionary management was not herein provided.

## VIII Supervising and governance mechanism



To ensure that the Fund's management conforms to its mission, various supervising mechanisms have been set up since the Fund's establishment. Either the Management Board or the Supervisory Board of PSPF has its own audit unit. For example, the Management Board has a Department of Audit, which is responsible for internal auditing. The audit unit performs daily monitoring of the Fund's operations and administrations. The Supervisory Board has its own internal audit unit which is charged with reviewing significant issues and monthly management reports from the Management Board. The Supervisory Board also performs annual on-site auditing at year end and additional auditing in case of extraordinary situation. The Examination Yuan, the Legislature Yuan and the National Audit Office are also obliged to conduct different types of supervision for the Fund to ensure the security of fund assets.



# IX Operational highlights of the year

## ◆ Management Board

- Payment figures were reviewed and redefined in accordance with the reformed pension regulations, and adjusted pension payments were made on schedule on July 1, 2018.
- Owing to practical needs and regulatory considerations, the draft amendment to the Public Service Pension Fund Management Act was submitted to and approved by the Examination Yuan and the Executive Yuan. On January 9, 2019, the approved draft amendment was then sent to the Legislative Yuan for deliberation.
- In an effort to address staff shortage and ensure specialization, the draft amendment to the Organic Act of the Public Service Pension Fund Management Board was submitted to the Examination Yuan for approval. On January 9, 2019, the approved draft amendment was then sent to the Legislative Yuan for deliberation.
- The Management Board conducted the seventh round of actuarial valuation in line with regulation in order to gauge the Fund's long-term financial liabilities (over the next 50 years) in the context of the current regime of contributions and payments.
- In response to amendments to public service pension regulations, revisions were also made to the Regulations Governing Contributions and Supplementary Payments to the Public Service Pension Fund and the Directions for Payments Under the New Pension Scheme by the Public Service Pension Fund Management Board. The amendments were promulgated on June 29, 2018, and took effect on July 1, 2018.
- In an effort to enhance investment efficiency and flexibility by allowing securities lending and more diverse outsourcing investments, after deliberation, the Regulation for Discretionary Management of Public Service Pension Fund were amended and approved by the Management Board. The approved draft amendment was submitted to the Ministry of Civil Service on April 2, 2018, and referred to the 212th meeting of the 12th Administration of Examination Yuan on November 8, 2018. The meeting passed a resolution to submit the draft amendment to a task force review meeting.



- Following a 2018 raise in salary for public sector employees (military personnel, civil servants and education workers), additional pension payments were made to the accounts of eligible beneficiaries. In addition, revised contribution matrices were sent to government agencies and schools, and the fund contribution system was updated to facilitate new contributions.
- The process of checking new pension system payments and beneficiary eligibility had been streamlined by centralizing data on a public service pension platform, with the information being recorded by pension payment issuing agencies. Using this streamlined process enabled all checks to be carried out more quickly.
- The Fund's contribution and payment information system was outsourced. A series of system updates were also made, including monthly payment and revised contribution calculations in the current pension payment system, and parental leave pension contribution calculations in the fund contribution system.
- The 2018 public selection process for managers for domestic mandate accounts was carried out.
- After assessment of domestic and overseas economic and financial situations, market appetite for risk, and estimation of the Fund's incomes and payments, the 2019 Annual Fund Investment Guidelines and Asset Allocation Plan were devised to provide a legal basis for fund investment and set annual performance targets. The proposals of the above Guidelines and Plan were presented to both the Management Board and the Supervisory Board and approved after deliberation.
- All paper and onsite audits were completed in accordance with the 2018 auditing plan. The 2019 auditing plan was also drafted, with specification of each fund operation item, auditing points, and frequencies.
- Fund staff members underwent training at mandated institutions of overseas discretionary management accounts where they learned about the investment strategies and global custodial practices of those institutions and so benefitted from their experience and professional knowledge.
- Fund staff members performed audits at the domestic institutions trusted for discretionary management accounts, custodian banks and the external asset managers abroad, to learn about the institutions' structures, investment of entrusted funds, risk management policies, internal control and auditing systems. By learning from these institutions' investment experience and professional knowledge, the staffers could improve the Fund's auditing and management performance.



- The Regulations Governing Investment in Overseas Private Investment Funds by the Public Service Pension Fund was devised with the objective of diversifying asset allocation and investment risks and enhancing fund return. The regulations were approved by the Management Board after deliberation.
- In an effort to enhance investment flexibility, the selection criteria and purchase caps of overseas and domestic bonds were reviewed, and the Regulations Governing Investment in Overseas and Domestic Bonds by the Public Service Pension Fund were revised. The regulations were further revised and approved by the Management Board.
- The Guidelines Governing Time Deposits by the Public Service Pension Fund were amended in order to enhance the security of time deposits in banks. The guidelines were further revised and approved by the Management Board.
- In accordance with statutorily established schedules, the Management Board carried out matters relating to contributions and payments by the Fund and updated the personal information of current and retired public servants to protect the rights and interests of fund participants.
- The Management Board posted new and amended regulations and interpretations from different competent authorities on the Fund website to enable personnel in charge of pension operations in government agencies, public schools, and military units to be better informed and carry out their work more efficiently.
- The performance evaluation of the renewed 2009 2nd batch overseas mandate accounts was conducted upon expiry of the contracts. All contracts were extended by four years.
- The performance evaluation of the 2013 domestic mandate accounts was conducted upon expiry of the contracts. Two contracts were extended by four years.
- The performance evaluation of the 2013 overseas mandate accounts was conducted upon expiry of the contracts. All contracts were extended by four years.
- Funding to domestic discretionary management accounts contracted in 2014 and 2016 was completed.
- Funding to overseas discretionary management accounts contracted in 2016 and 2017 was completed.



### ◆ Supervisory Board

- To safeguard the financial soundness of the fund, following pension reforms and subsequent regulatory amendments, the Supervisory Board will continue to monitor the Management Board in terms of budget planning and management of fund contributions and payments.
- In response to changes in both domestic and overseas financial markets, the Supervisory Board worked with the Management Board to review draft amendments to the Public Service Pension Fund Management Act and the Regulation for Discretionary Management of Public Service Pension Fund and revised guidelines for investment in time deposits, overseas and domestic bonds, domestic listed / OTC stocks, domestic ETFs, and foreign private investment funds. In addition, the Supervisory Board completed the review of the Management Board's guidelines for pension payments by the new system. All these tasks are aimed at enhancing the effectiveness of fund investment and operations.
- The Supervisory Board issued Supervisory Weekly Reports to keep track of the impact on the value of the overall portfolios caused by domestic and overseas financial market developments and major political and economic events. In addition, we analyze issues in major international financial topics, such as the US-China trade war, to provide points of reference during supervisory operations.
- In addition to conducting monthly and quarterly performance reviews, the Supervisory Board urged the Management Board to present review reports on poor investments or areas that needed to make improvements whatever necessary in an effort to further improve the Fund performance evaluation system.
- In light of the expansion of its overseas investment, and more involvement with alternative investment, the Fund's accounting tasks have become increasingly complex. To ensure the fair presentation of Fund financial statuses and management results, the Supervisory Board continues to review monthly financial reports, conduct year-end audits, and so monitor all measures in compliance with accounting system. In addition, it has continued to follow up on the Management Board's adoption of the IFRS in order to make sure its accounting system is in line with international practices.
- The Supervisory Board attended the Fund's seventh actuarial task force meetings and progress report review meetings and presented its view points on actuarial assumptions including discount rate and participant lapse rate, as well as cashflow forecasts.
- The Supervisory Board conducted research into the setting up and use of an e-supervision platform for the Fund and the adoption of ESG investing by pension funds. While the former was aimed at enhancing operational efficiency and information transparency, the latter examined ESG investing practices by international pension funds, which served as a valuable source of reference.

## X Prospect and conclusion



The future work of the Fund has to keep the situation of safety and profitability and continue to handle all the work according to the legal limitation of liability, there are two boards of focus on future work as follows:

- **Effective use of different investment vehicles in various market environments to enhance performance**

As global financial markets are fluctuating more than ever before and thus make it more difficult to invest, the Supervisory Board has continued to urge the Management Board to rebalance its asset allocation in response to market changes and to use the various investment vehicles in a flexible way so as to enhance the efficiency of fund utilization.

- **Effectiveness of the Fund 's internal control process and improvement of the auditing**

Ensuring that the Management Board carries out effective internal controls is a priority for safeguarding the Fund's operational security. Make sure its compliance with regulations and operating procedures by way of on-site or paper audits so as to step up control and prevent Fund mismanagement.



- **Prudent assessment of investment risks and flexible adjustment to asset allocation**

The Management Board will closely watch changes in international and domestic financial markets and assess market risk appetites so as to construct optimal portfolios. In addition, the Board will continue to strengthen risk management mechanism to rigorously evaluate the risks and returns of each investment target and so enhance long-term steady income.

- **Timely revision of relevant regulations in response to practical needs**

Given the fast-changing financial landscape, regulations should be regularly reviewed and revised in order to better respond to practical needs. This will also contribute to the sound management of the Fund and a smooth annual planning of asset allocation.



- Addition of new investment instruments to take advantage of market opportunities

With the introduction of new financial products, the Management Board will continue to assess the feasibility of adding new tools and discretionary management accounts. It is hoped that by diversifying mandate types and investment areas, both the depth and breadth of investments can be enhanced and that effective diversification of the Fund's overall risks will contribute to higher performance.

- Enhancement of audit efficiency to ensure the proper functioning of the internal audit

Current audit procedures will be reviewed and amended as necessary with the addition of new investment instruments and the revision of investment restrictions, and job training will also be upgraded to ensure comprehensive regulatory compliance and asset security. In addition, communication with the Financial Supervisory Commission's information reporting system will continue to be strengthened so as to reinforce the control measures and functions of discretionary management.



The pension system is an important link in the reform of the civil service system. The management quality of the Fund is closely associated with the rights and interests of retirees from the military, civil service and public schools. The staff members of the PSPFMB and the PSPFSB have the obligation to make active efforts and devote themselves to maximize their functions as prudent managers. Apart from responding to global economic developments and making timely adjustments to investment strategies, they must also enhance the performance of discretionary management to pursue long-term stable investment performance to achieve the goal of sustainable management.







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