

# 2019

## ANNUAL REPORT



Public Service Pension Fund



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 Addresses 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

Under the important reform on public pension system in Taiwan in 2017, high expectations from public service retirees and its current participants turned their eager focus on improvement of investment performance of the Public Service Pension Fund (PSPF, or the Fund). Although PSPF demonstrated a 10.62% rate of return in 2019, the Fund's performance was considered not good enough as US and Taiwan stock markets were up by 22% and 23%, respectively. Therefore, progress for the Fund's performance remains to be made.

Over the years, the allocation of the Fund has consisted of a large percentage of conservative fixed income investments, which are less risky in general but accrue lower yield (1.68% in 2019). Consequently, the Fund is less likely to take considerable advantage of a bull market, such as the market of 2019. This allocation tilted to fixed income has been the leading factor of the Fund's less satisfactory overall performance. Based on data from in-depth study, members of the Supervisory Board have determined that the answer for improvement lies in asset allocation strategy and have demanded gradual reductions in cash equivalent investments allocated to bank deposits and short-term bills. Therefore, the ratio for cash equivalent in the annual asset allocation plans by the Management Board, was reduced from 40% to 23% in the past three years. Further reduction will be implemented when deemed necessary.

Corresponding to the new strategy, the Management Board has increased the ratio for equity investment from 46.55% to 51.34% by the end of 2019 to attain an optimal portfolio aiming for the greatest potential return with an acceptable degree of risk. This has made a significant positive contribution to the Fund's overall performance.

Furthermore, in responding to concerns from PSPF participant representatives and legislators, in 2019, I increased the meeting frequency to every two months, and added investment performance related issues to meeting agendas to gather broader perspectives and strengthen the Fund's operation. To enhance meeting efficiency and supervisory mechanism, various stakeholders, such as agency leaders across different levels of government, have been invited to participate in the meetings, either present personally or represented by their designates of supervisor with profession.

With the ongoing trade dispute between the United States and China, conflict between the United States and Iran since early 2020, and the sudden drastic downturn by the coronavirus pandemic, the tasks ahead of the Fund will be challenging, especially when navigating through increased market volatility and uncertainty that impacts the economy directly or indirectly. To meet the expectations of all stakeholders, the Supervisory and Management Boards must actively engage in defining a well-diversified portfolio to enhance return and protect risky assets in downtrend in order to pursue sustainable and balanced long-term investment performance.





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 Management Board is responsible for the collection, payment, management, and investment of the Public Service Pension Fund. As Taiwan's population ages and life expectancy lengthens, the Fund faces a growing pressure of pension payment, and all parties of the society pay much attention to the investment performance of the Fund. A two-pronged approach was implemented to improve Fund management, ensure the financial security of the Fund, and safeguard the interest of Fund participants. Firstly, the

Management Board endeavors to strengthen the asset management of the Fund; secondly, the Ministry of Civil Service imposes reforms for the entire public pension system. All such measures aim to ensure the sustainability of the public pension system in Taiwan.

Global trade and investment decelerated due to the impact of the US-China trade war. According to the latest World Economic Outlook by the International Monetary Fund (IMF), released on January 20th, 2020, IMF lowered 2020's global economic growth forecast from 3.4 percent (released in October 2019) to 3.3 percent, which is still higher than that of 2019, 2.9 percent. Similarly, according to OECD Composite Leading Indicators released in November 2019, the economic activities in developed countries continued to slow down while the rate of economic growth dropped lower than the long-term average. In 2019, the Fund achieved excellence returning NT\$ 61.254 billion at a return rate of 10.62 percent. Nevertheless, uncertainties still loom above Fund performance. For examples, the second phase of the trade deal between the United States and China remains unknown to the market. The COVID-19 pandemic from China spread across the globe since the end of 2019, disrupting supply chains and manufacturing productions, and may lead to a global economic downturn. The others of uncertainty, including Brexit and the confrontation in the Middle East, also hinder economic growth.

In the future, all colleagues of the Management Board will spare no effort in achieving our goals. By utilizing professional knowledge, the Management Board will properly add investment instruments which take both security and profitability into account, adjust asset allocation according to developments in the economic cycle, and diversify investments with mandate and in-house investment. The Management Board strives for robust long-term investment returns coupling with reforms to ensure adequate pension payment, both together will effectively reduce the financial burden of the Fund and safeguard the interest of all Fund participants.



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

In recent years, global politics and economy experienced multiple ups and downs. The global stock market plunged in 2018 and then surge to record highs in 2019, benefited from the easing tension in the US-China trade war, preemptive rate cuts of the Fed, and accommodative policies of central banks. Consequently, the Public Service Pension Fund performed well and returned at a rate of 10.62 percent in 2019, much higher than the annual target of 4.05 percent. However, the Fund's performance still lagged behind market performance and other government funds. The drag not only resulted from relatively conservative asset allocation and management, but also a deviation from the center allocation assigned in the annual asset allocation plan. The Supervisory Board of the Fund supervises the Fund meticulously with monthly review of financial statements compiled by the Management Board, quarterly evaluation of overall Fund performance, and annual review of the Fund's investment plan in next year. The Supervisory Board urges the Management Board to comply with investment disciplines in asset allocation, hold adequate risk exposure depending on market conditions, and improve investment performance by increasing the efficiency of Fund management.

Since the financial market changes rapidly, the Supervisory Board continually monitors the latest developments of it. In 2019, the Supervisory Board submitted promptly recommendations on corporate operations for key holdings of the Fund, companies with a lowered financial forecast, and how the volatility of US Dollar affects the Fund's P&L. Such insights are immediate reminders to the Management Board on investment operations and serve the purpose of timely supervision.

Due to advances in the US-China trade talks, accommodative monetary policies, and the US presidential election at the end of this year, we expect that the global economic growth in 2020 will deviate from the downward trajectory of 2019 and set out for a mild rebound. However, uncertainty still looms the investment market as the COVID-19 pandemic spreads across the globe, phase two of US-China trade negotiations remains unresolved, geopolitical risks and possible Black Swan Events still linger. We hope that the Supervisory Board and the Management Board work together on critical investment topics, improving Fund performance and sustaining a stable long-term return, to meet pension payment needs and safeguard the interest of all 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

In 2019, the US-China trade negotiations experienced ups and downs, multiple geopolitical incidents spurred tension, and uncertainty loomed over Brexit. Under such complicated circumstances, the market volatility in 2019 surged higher. Nevertheless, volatility is not uncompensated risk, but rather a source of future returns. Thanks to all dutiful colleagues at the Public Service Pension Fund Management Board, the overall earnings of 2019, with realized earnings and unrealized earnings combined, is NT\$ 61.25 billion, at a return rate of 10.62 percent, which is the best performer for the past decade.

According to the United Nation's latest World Economic Situation and Prospects 2020, which was published in January 2020, the global economic growth in 2019 decelerated to 2.3 percent, the lowest in a decade. The UN also expected the economic growth of 2020 to climb to 2.5 percent. However, momentum for the global economy and trade may still be weighed down by uncertainty over the US-China trade negotiations, global debt increasing, complications of Brexit, escalation of geopolitical risks, volatility in global oil prices, deterioration of the COVID-19 outbreak, and trade conflicts among major countries in the world. The IMF advised that, as the global economy faces a downturn, governments must formulate clear policies to ease trade tension, enhance multi-lateral cooperation, and provide adequate support for economic activities to strengthen our resilience against risks. Many reports stated that the prospect of economic growth depends on whether trade conflicts and uncertainty would recede.

As we look forward to 2020, the coming year will be full of challenges and opportunities. The colleagues at the Management Board will keep close tabs on the ever-changing financial market and global economy, capture appropriate timing for implementing investment strategies and diversify asset allocations. By achieving the goals in the investment plan, strengthening asset allocation, and the rebalancing mechanism of the portfolio, as well as enhancing risk control, the Management Board seeks to generate a robust long-term investment return for all Fund participants.

## II 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



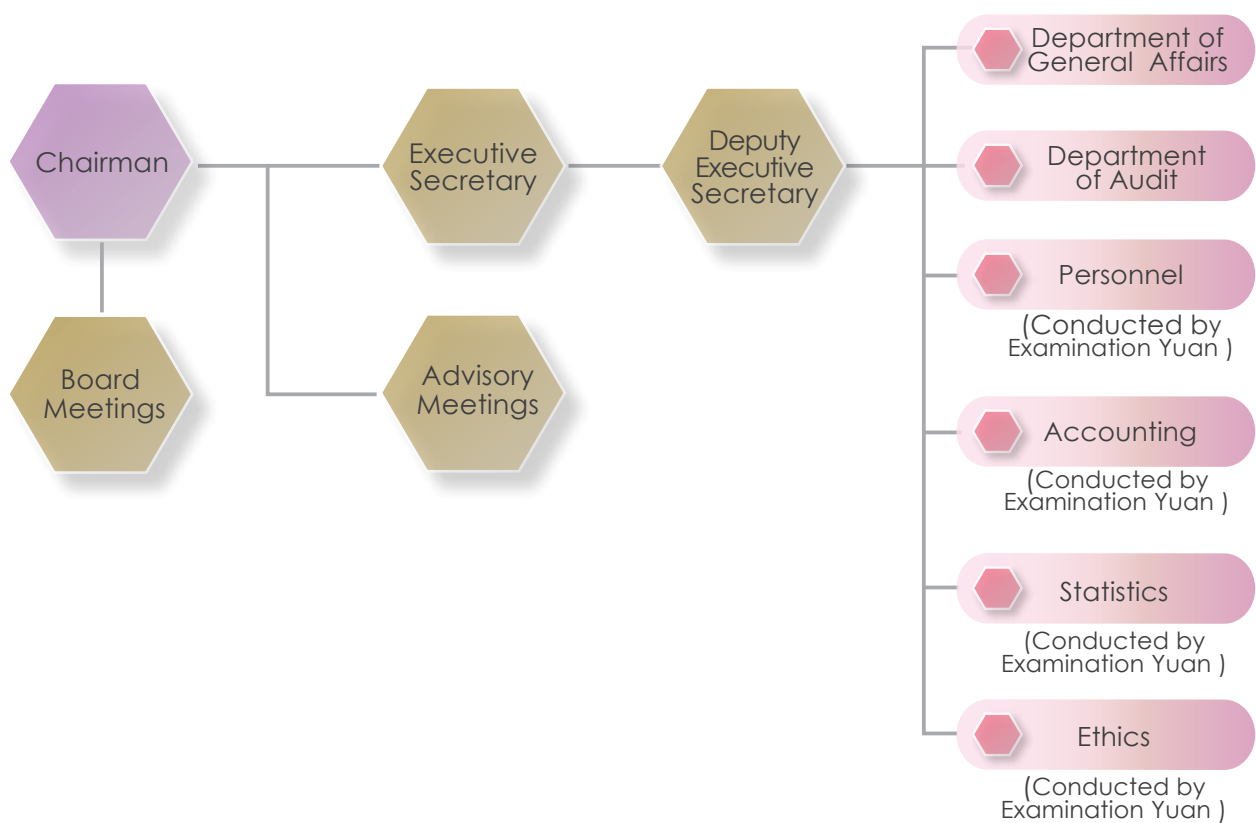
#### 1. Organizational structure

##### 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 2019, 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.



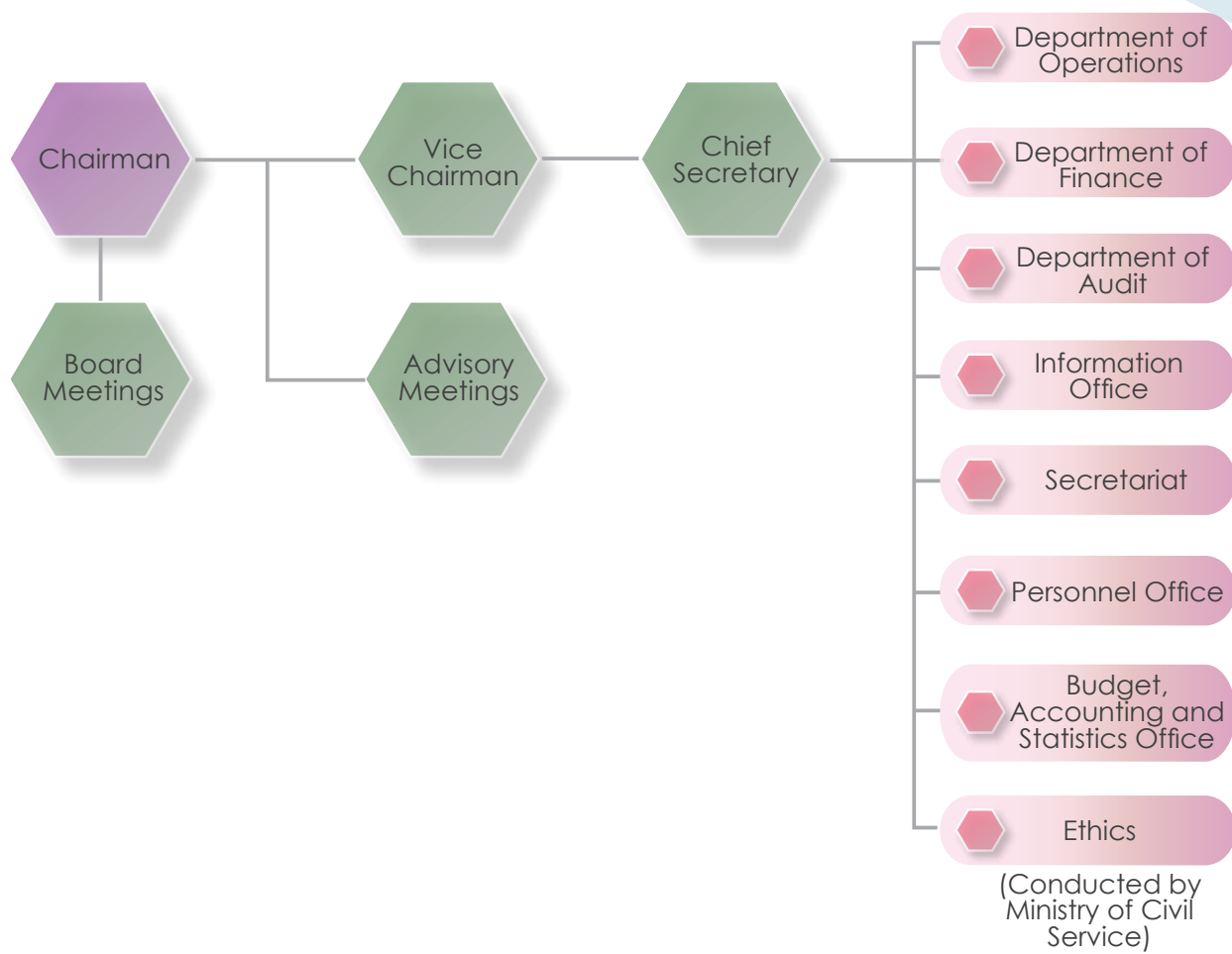




### Management Board

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 2019, 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.





## 2. Composition of board meetings

### Supervisory Board

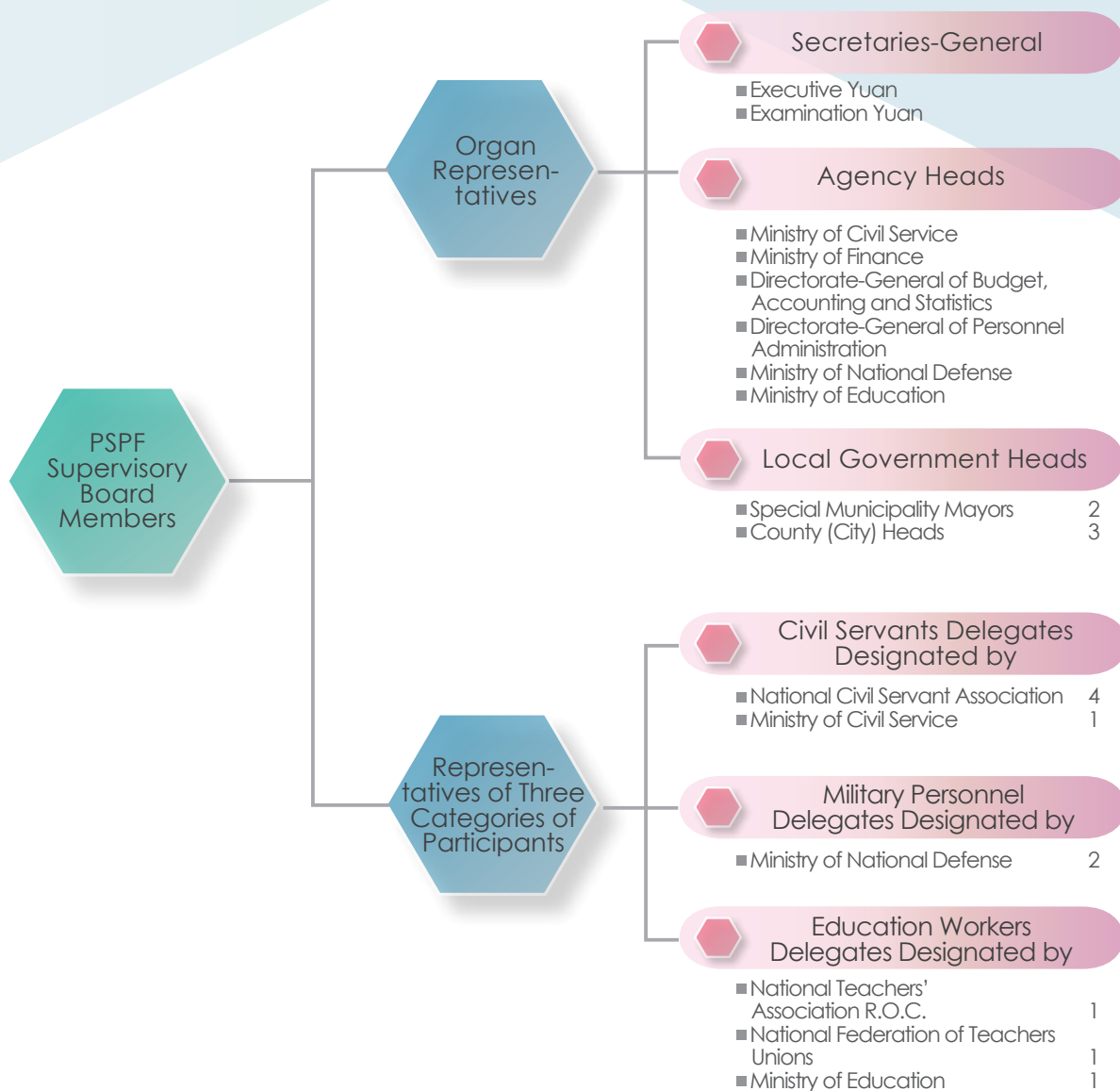
The Supervisory Board has 23 members, of whom 13 are Secretaries-General of the Executive Yuan and the Examination Yuan, heads of the Ministry of Civil Service, the Ministry of National Defense, the Ministry of Finance, the Ministry of Education, the Directorate-General of Budget, Accounting and Statistics, 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.

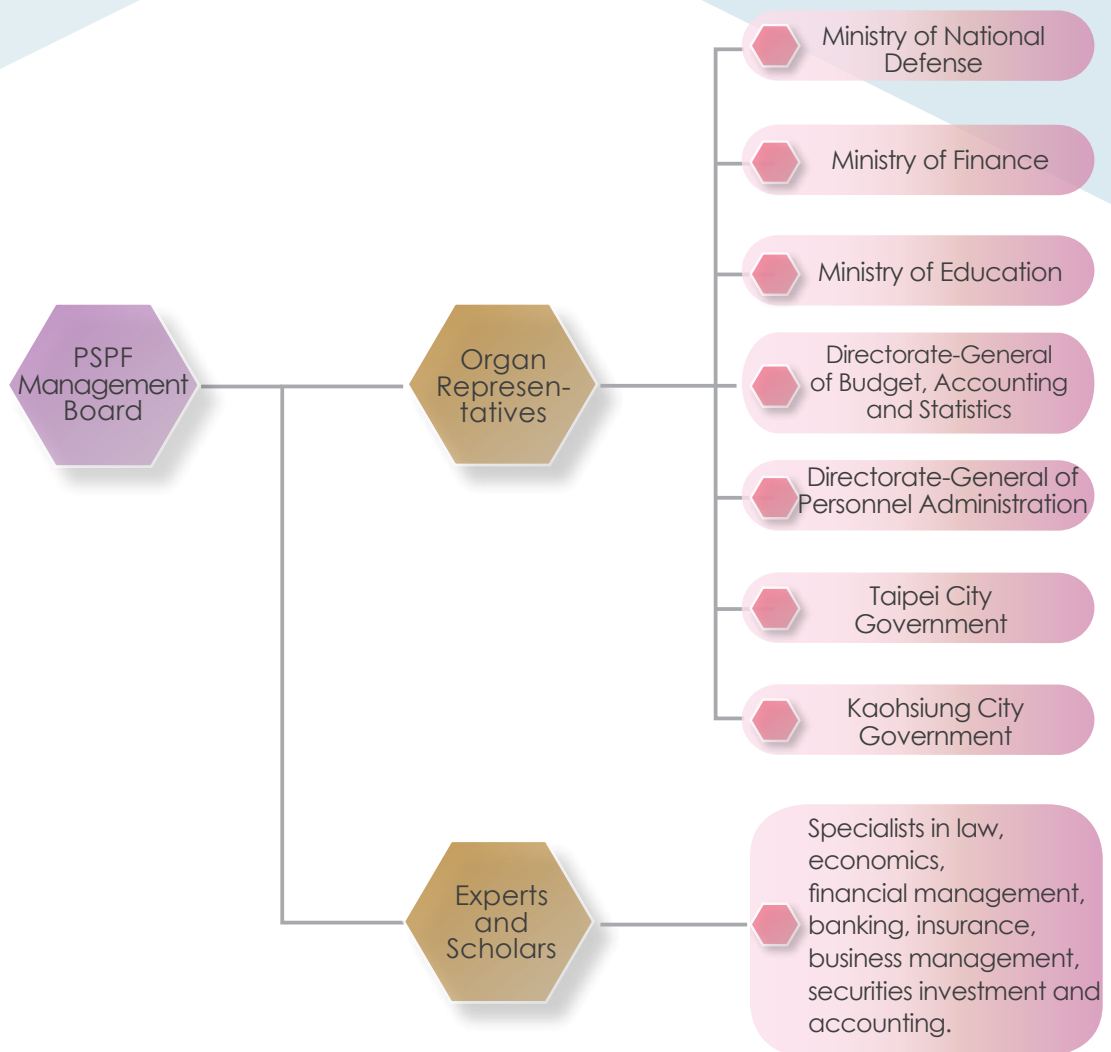






## Management Board

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.

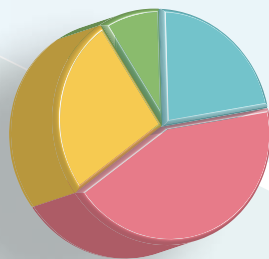


### 3. Management personnel overview

#### Supervisory Board

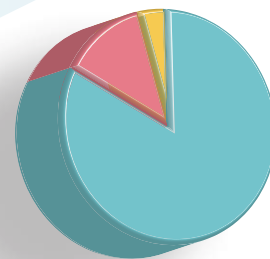
As of the end of 2019 the board actually had 23 staff members, of whom 12 were male and 11 were female, with an average age of 46 years old. As to their educational background, 2 had Ph.D., 15 had master's degrees and 6 were university graduates.

#### Distribution of Staff Members' Ages



30 ~ 39	22 %
40 ~ 49	43 %
50 ~ 59	26 %
Above 60	9 %

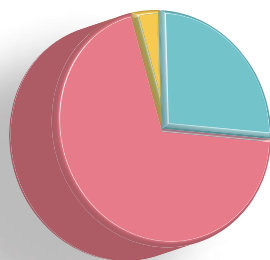
#### Distribution of Staff Members' Job Descriptions



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

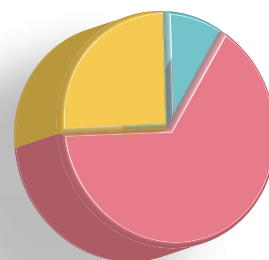


**Distribution of Staff Members' Rankings**



Senior Ranks	26 %
Middle Ranks	70 %
Junior Ranks	4 %

**Distribution of Staff Members' Academic Degrees**



Doctor of Philosophy	9 %
Master's Degrees	65 %
Bachelor's Degrees	26 %

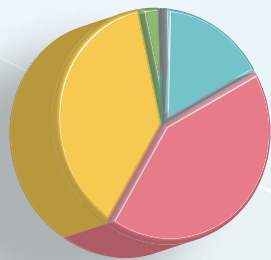


## Management Board

As of the end of 2019, the board actually had 82 staff members, of whom 28 were male and 54 were female, at an average 47 years of age. With respect to their education background, 1 had Ph.D., 34 had master's degrees, 42 had bachelor's degrees and 5 were junior college graduates.

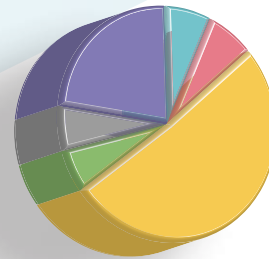
With the exception of contract staff, all other staff members have passed civil service examinations. Staff members at administrative units are recruited in accordance with personnel employment regulations, while staff recruitment at investment or business operation units tends to give priority to people with economics or finance backgrounds. A total of 35 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**



<span style="color: #00A0C0;">■</span>	Under 29 years old	1 %
<span style="color: #E67E22;">■</span>	30 ~ 39	16 %
<span style="color: #F1C40F;">■</span>	40 ~ 49	42 %
<span style="color: #2ECC71;">■</span>	50 ~ 59	38 %
<span style="color: #34495E;">■</span>	Above 60	3 %

**Distribution of Staff Members' Job Descriptions**

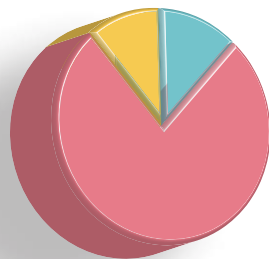


<span style="color: #00A0C0;">■</span>	Information Processing	7 %
<span style="color: #E67E22;">■</span>	Accounting	7 %
<span style="color: #F1C40F;">■</span>	Financial and Tax administration	51 %
<span style="color: #2ECC71;">■</span>	Business Management	6 %
<span style="color: #34495E;">■</span>	Personnel Administration	6 %
<span style="color: #8E44AD;">■</span>	General Administration	23 %



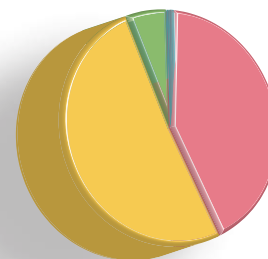


**Distribution of Staff Members' Rankings**



<span style="color: teal;">■</span>	Senior Ranks	12 %
<span style="color: pink;">■</span>	Middle Ranks	77 %
<span style="color: yellow;">■</span>	Junior Ranks	11 %

**Distribution of Staff Members' Academic Degrees**



<span style="color: teal;">■</span>	Doctor of Philosophy	1 %
<span style="color: pink;">■</span>	Master's Degrees	42 %
<span style="color: yellow;">■</span>	Bachelor's Degrees	51 %
<span style="color: green;">■</span>	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

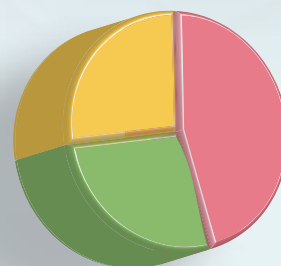
1. Principals, full-time teachers, teaching assistants and sports coaches at public schools at all levels who have been employed in accordance with the Act Governing Appointment of Educators and certified by competent authorities as well as full-time administrative staff who had been employed before 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

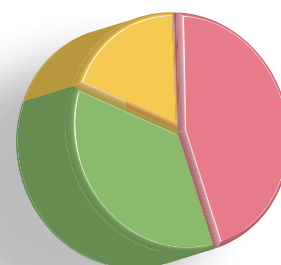
As of the end of 2019, the Fund had 664,000 participants, of whom about 303,000 were civil servants (45.6%), 182,000 were education workers (27.4%), and 179,000 were military personnel (27.0%).



Civil Servants	303,000	45.6 %
Education Workers	182,000	27.4 %
Military Personnel	179,000	27.0 %

### (2) Regular benefit recipients and ratios

As of the end of 2019, the Fund had 355,000 regular benefit recipients, of whom 160,000 (45.1%) were civil servants (including political appointees), 128,000 (36.0%) were education workers, and 67,000 (18.9%) were military personnel.



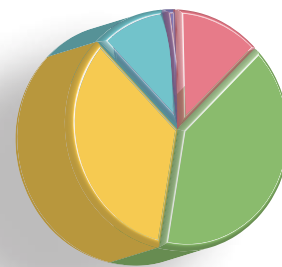
Civil Servants	160,000	45.1 %
Education Workers	128,000	36.0 %
Military Personnel	67,000	18.9 %





### (3) Participating units and ratios

As of the end of 2019, the Fund had 7,164 participating units, of which 916 (12.8%) were central government agencies, 2,897 (40.4%) were provincial and municipal government agencies, 2,454 (34.3%) were county and city government agencies, 760 (10.6%) were township offices and 137 (1.9 %) were state-owned enterprises.



Central government units	916	12.8 %
Provincial/municipal government units	2,897	40.4 %
County/city government units	2,454	34.3 %
Township offices	760	10.6 %
State-owned Enterprises	137	1.9 %



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

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

The Pension Fund received NT\$73.8 billion in contributions in 2019 from three categories of participants while paying out NT\$90.3 billion in benefits, with payments accounting for 122.3 percent of total contributions. The net contribution/payment amount was up NT\$8.2 billion from the year-earlier level. Since the Fund's inception, accumulated contributions from the three categories of participants amounted to NT\$1,180.2 billion and accumulated payouts totaled NT\$859.7 billion or 72.8 percent of overall contributions.

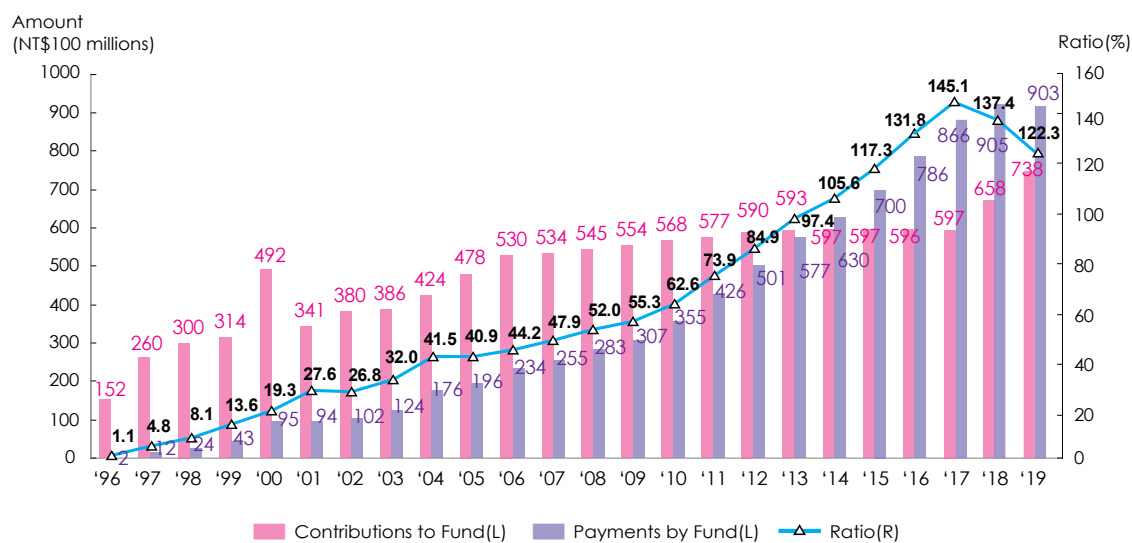


## Table of Pension Fund Contributions / Payments Amounts and Ratios

Amount: NT\$100 Million

Period	Contributions/ Payments	Civil Servants	Education Workers	Military Personnel	Total
Fiscal 2019	Contribution Amount	298	229	211	738
	Payout Amount	434	361	108	903
	Payout/ Contribution Ratio	145.3%	158.0%	51.1%	122.3%
As of the end of 2019	Contribution Amount	5,551	4,300	1,951	11,802
	Payout Amount	3,536	3,240	1,821	8,597
	Payout/ Contribution Ratio	63.7%	75.4%	93.3%	72.8%

## 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 Fund collected NT\$29.8 billion in contributions from civil servants (including political appointees) in 2019 while paying out NT\$43.4 billion in benefits, for a payment-to-contribution ratio of 145.3% in the category.

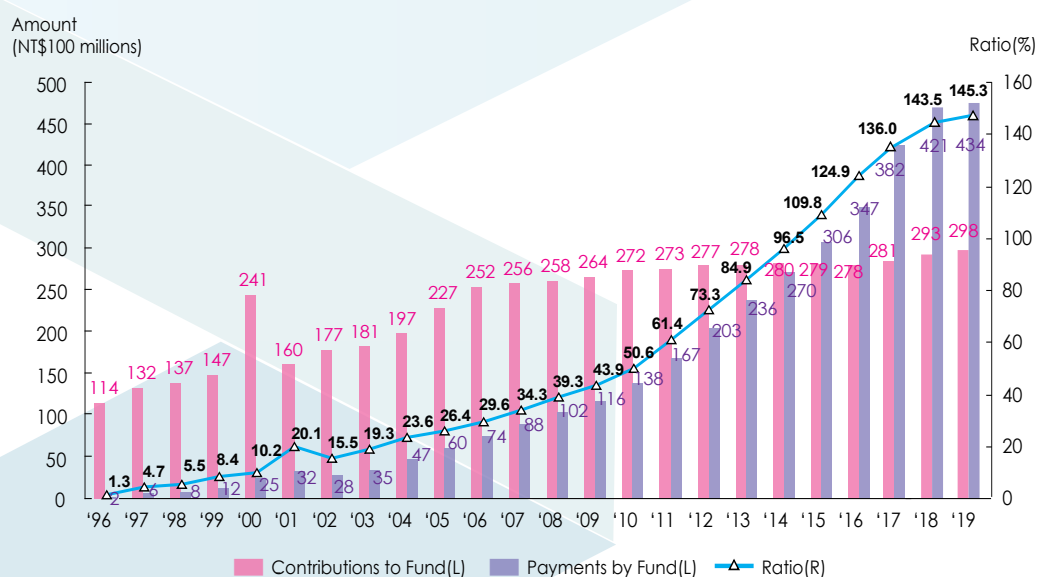
## (3) Education Workers Contribution/Payment Amount and Ratio

The Pension Fund collected NT\$22.9 billion in contributions from education workers in 2019 while paying out NT\$36.1 billion in benefits, for a payment-to-contribution ratio of 158.0% in the category.

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

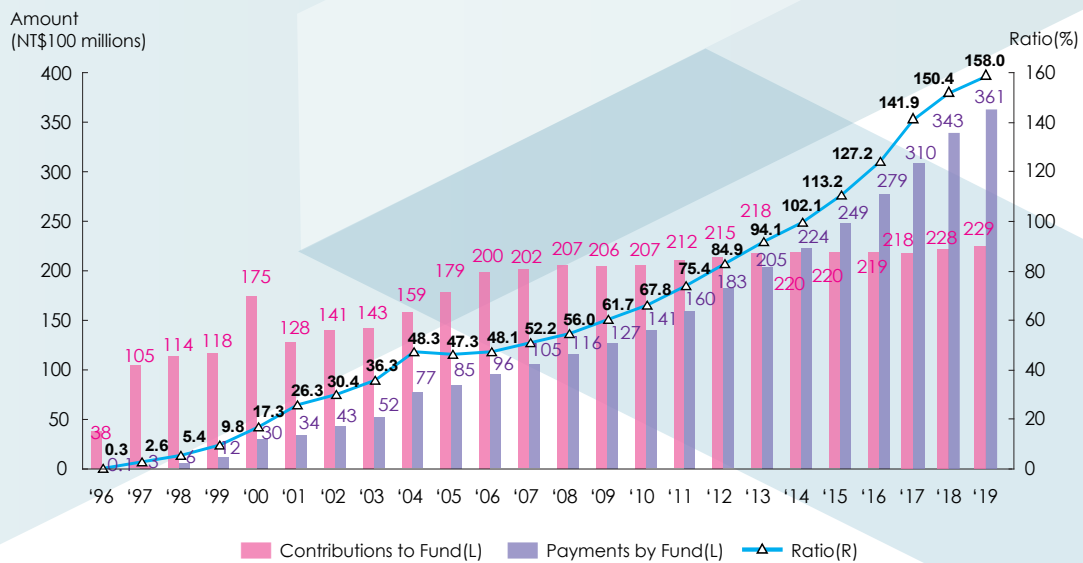
The Pension Fund collected NT\$21.1 billion in contributions from military personnel in 2019 while paying out NT\$10.8 billion in benefits, for a payment-to-contribution ratio of 51.1% in the category.

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



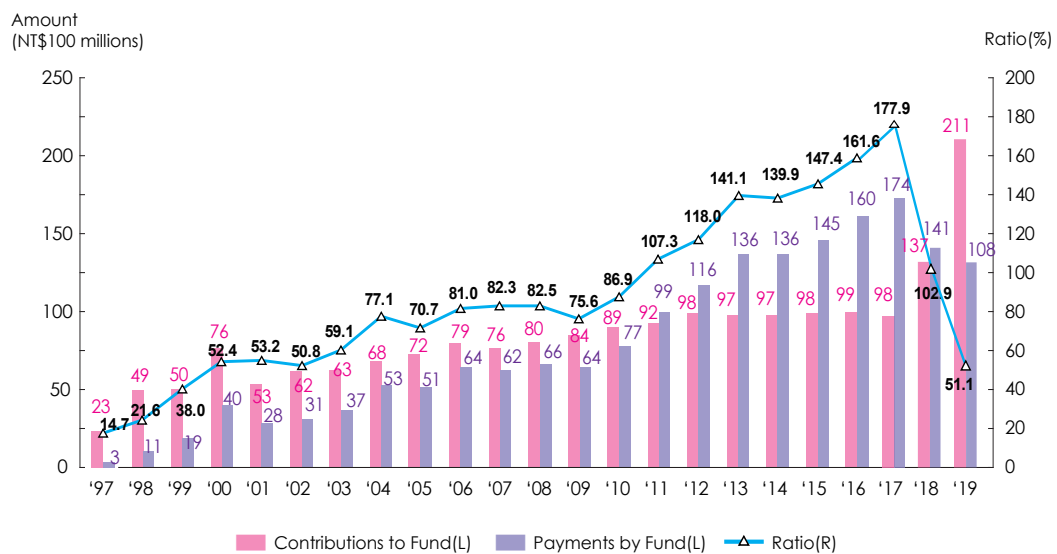
Note: Fiscal year 2000 covered the period from July 1, 1999 to Dec. 31, 2000.

### 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 355,000 in 2019, up 13,000 from the year-earlier period, and overall annual payment amounted to NT\$87.1 billion, up NT\$2.4 billion over a year ago.

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

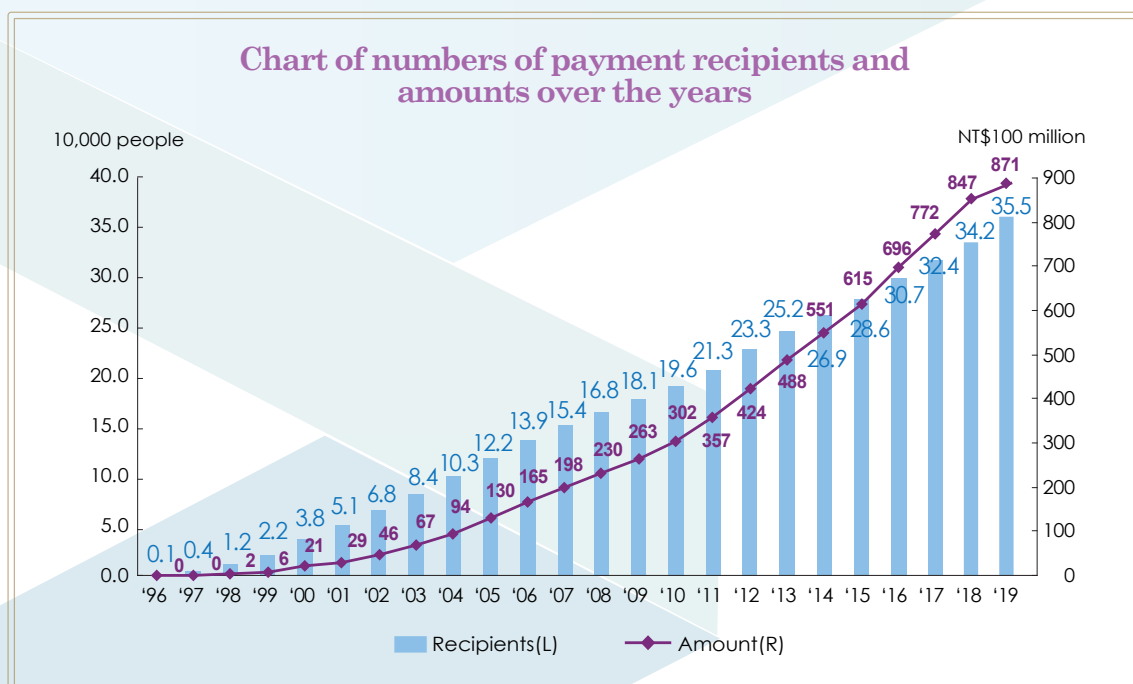
A total of 160,000 civil servants received an aggregate NT\$41.3 billion in regular benefit payouts in 2019.

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

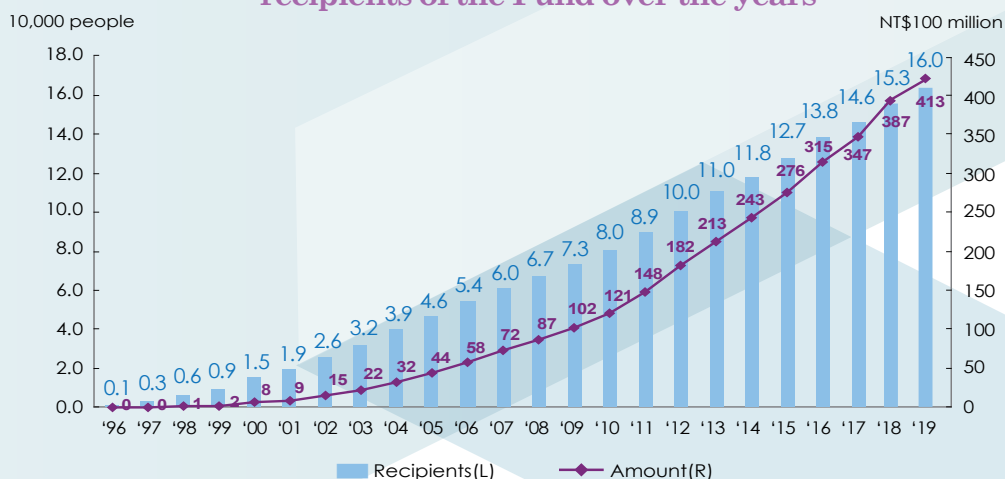
A total of 128,000 education workers received an aggregate NT\$35.2 billion in regular benefit payouts in 2019.

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

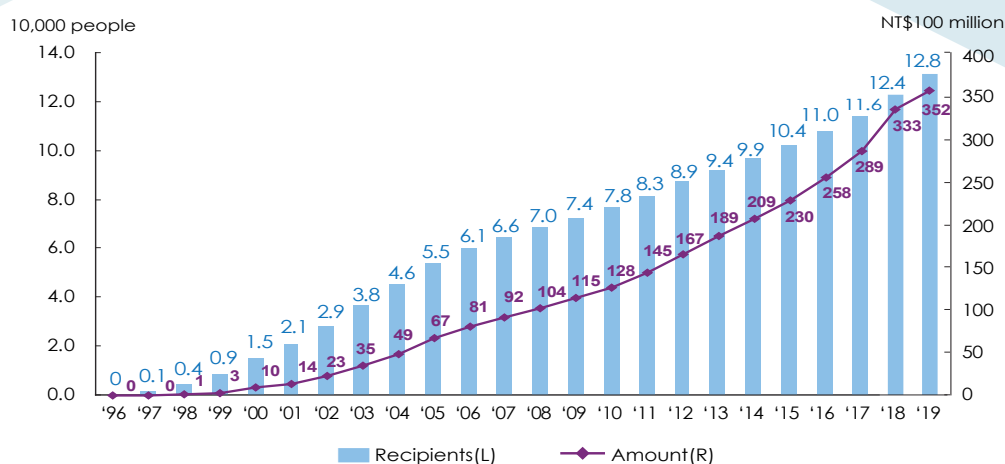
A total of 67,000 military personnel received an aggregate NT\$10.6 billion in regular benefit payouts in 2019.



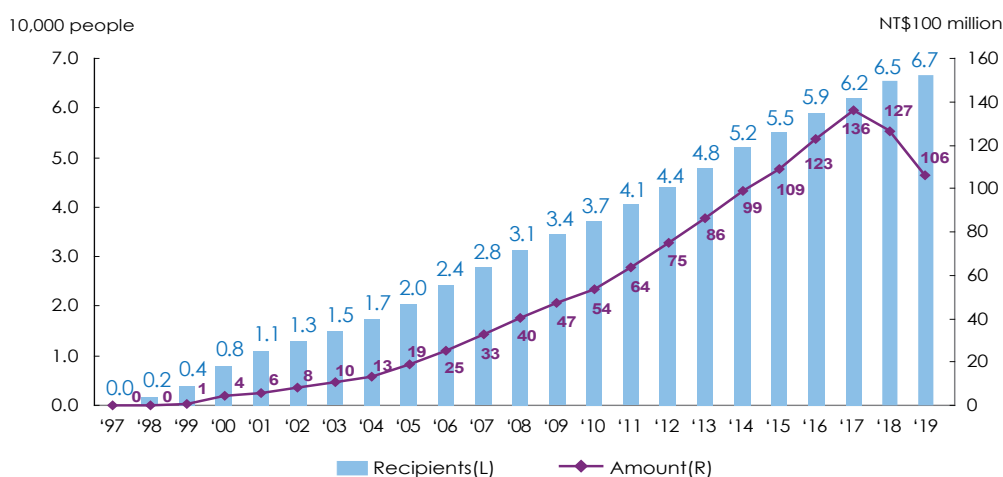
**Chart of numbers and amounts of regular civil servant recipients of the Fund over the years**



**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**





## V The size and asset allocation of the Fund

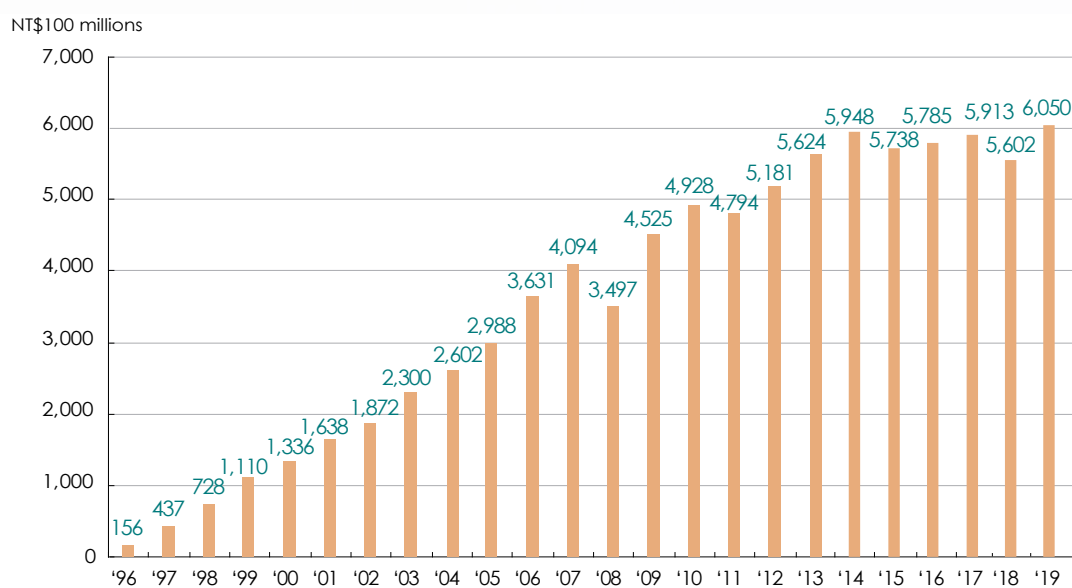


### 1. Size of the Fund over the years

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 2019, the Fund's net asset stood at NT\$605.0 billion, up NT\$44.8 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. 2019 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 2019, the investment items' investment areas, types of income and management modes are as follows:



### The Fund's asset allocations as of Dec. 31, 2019

Categories	Investment items		Actual amount (NT\$100 m.) (note 3)		Actual allocation % (A)		Center allocation % (B)		Difference % (A) -(B)	
Investment areas (note 1)	Domestic		2,948		49.49		50.90		-1.41	
	Overseas		3,010		50.51		49.10		1.41	
Income source (note 2)	Fixed income		2,899		48.66		40.90		7.76	
	Capital gains		2,741		46.00		53.10		-7.10	
	Alternative assets		318		5.34		6.00		-0.66	
Management methods	Discretionary management	Domestic	2,542	561	42.67	9.42	48.00	15.00	-5.33	-5.58
		Overseas		1,981		33.26		33.00		0.26
	In-house management	Deposits, short- term bills, securities	3,416	1,270	57.33	21.31	52.00	12.00	5.33	9.31
		Others		2,146		36.02		40.00		-3.98

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 49.40 percent of total asset and overseas investment 50.60 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 2019

For fiscal 2019, the value of the Fund's total assets was NT\$613.0 billion, with current assets, which amounted to NT\$438.5 billion, taking 71.52 percent and the remaining 28.48 percent being long-term investment and receivables, totaling NT\$174.6 billion.

#### PSPF Balance sheet - Asset Accounts

Dec.31, 2019

Items	Final account for this fiscal year				
	In-house management	Discretionary management	Total	In-house management	
	Amount	Amount	Amount	Amount	
Assets	350,112,042,923	262,937,526,303	613,049,569,226	341,325,113,944	
Current assets	214,781,949,289	223,682,144,275	438,464,093,564	228,083,670,988	
Cash	34,658,478,250	4,693,231,793	39,351,710,043	44,589,203,772	
Bank deposits	34,658,478,250	4,693,231,793	39,351,710,043	44,589,203,772	
Current financial assets	170,948,743,211	217,421,485,686	388,370,228,897	174,942,505,439	
Financial assets held for trading - current	63,982,697,484	177,000,918,782	240,983,616,266	63,682,135,124	
Stocks	63,982,697,484	158,104,908,404	222,087,605,888	63,682,135,124	
Beneficiary certificates		15,087,461,682	15,087,461,682		
Short-term bills		1,076,839,702	1,076,839,702		
Bonds		2,139,680,518	2,139,680,518		
Futures margins		592,028,476	592,028,476		
Adjustment for Financial assets held for trading evaluation - current	7,939,395,724	40,420,566,904	48,359,962,628	-5,387,237,050	
Stocks	7,939,395,724	32,026,953,653	39,966,349,377	-5,387,237,050	
Beneficiary certificates		1,503,448,247	1,503,448,247		
Short-term bills		629,794	629,794		
Bonds		10,369,654	10,369,654		
Futures margins		54,733,501	54,733,501		

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	%
226,090,623,496	567,415,737,440	8,786,928,979	2.57	36,846,902,807	16.30	45,633,831,786	8.04
200,040,285,154	428,123,956,142	-13,301,721,699	-5.83	23,641,859,121	11.82	10,340,137,422	2.42
13,717,423,892	58,306,627,664	-9,930,725,522	-22.27	-9,024,192,099	-65.79	-18,954,917,621	-32.51
13,717,423,892	58,306,627,664	-9,930,725,522	-22.27	-9,024,192,099	-65.79	-18,954,917,621	-32.51
185,250,207,566	360,192,713,005	-3,993,762,228	-2.28	32,171,278,120	17.37	28,177,515,892	7.82
171,081,927,238	234,764,062,362	300,562,360	0.47	5,918,991,544	3.46	6,219,553,904	2.65
157,538,358,065	221,220,493,189	300,562,360	0.47	566,550,339	0.36	867,112,699	0.39
11,503,307,932	11,503,307,932			3,584,153,750	31.16	3,584,153,750	31.16
194,610,045	194,610,045			882,229,657	453.33	882,229,657	453.33
932,065,312	932,065,312			1,207,615,206	129.56	1,207,615,206	129.56
913,585,884	913,585,884			-321,557,408	-35.20	-321,557,408	-35.20
9,232,589,274	3,845,352,224	13,326,632,774		31,187,977,630	337.80	44,514,610,404	1,157.62
3,143,701,435	-2,243,535,615	13,326,632,774		28,883,252,218	918.77	42,209,884,992	
-130,473,024	-130,473,024			1,633,921,271		1,633,921,271	
839,718	839,718			-209,924	-25.00	-209,924	-25.00
742,008	742,008			9,627,646	1,297.51	9,627,646	1,297.51
108,461,122	108,461,122			-53,727,621	-49.54	-53,727,621	-49.54

(Continued)

## PSPF Balance sheet - Asset Accounts

Dec.31, 2019

Items	Final account for this fiscal year				
	In-house management	Discretionary management	Total	In-house management	
	Amount	Amount	Amount	Amount	
Foreign exchange forward contracts		6,824,432,055	6,824,432,055		
Interest swap					
Bills and bonds purchased under resell agreements	14,415,967,404		14,415,967,404	18,081,955,349	
Short-term bills	14,415,967,404		14,415,967,404	18,081,955,349	
Bonds					
Held-to-maturity financial assets - current	43,595,918,664		43,595,918,664	67,015,652,016	
Short-term bills	36,889,953,051		36,889,953,051	50,555,436,101	
Bonds	6,705,965,613		6,705,965,613	16,460,215,915	
Other financial assets - current	41,014,763,935		41,014,763,935	31,550,000,000	
Time Deposit	41,014,763,935		41,014,763,935	31,550,000,000	
Receivables	1,563,316,036	1,567,426,796	3,130,742,832	1,362,636,643	
Accounts receivable	33,872,745	740,665,996	774,538,741	137,113,497	
Allowance for bad debt - account receivable	-3,801,258		-3,801,258	-5,723,772	
Earned revenue receivable	145,547,793	317,332,476	462,880,269	64,824	
Interest receivable	1,365,532,860	302,705,178	1,668,238,038	1,231,182,094	
Other receivables	22,163,896	206,723,146	228,887,042		
Prepayments	7,611,411,792		7,611,411,792	7,189,325,134	
Other prepayments	7,611,411,792		7,611,411,792	7,189,325,134	
Long-term investments and receivables	135,330,093,634	39,255,382,028	174,585,475,662	113,241,442,956	
Noncurrent financial assets	135,330,093,634	39,255,382,028	174,585,475,662	113,241,442,956	

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	%
6,106,752,416	6,106,752,416			717,679,639	11.75	717,679,639	11.75
2,565,599	2,565,599			-2,565,599	-100.00	-2,565,599	-100.00
4,935,691,054	23,017,646,403	-3,665,987,945	-20.27	-4,935,691,054	-100.00	-8,601,678,999	-37.37
2,983,856,087	21,065,811,436	-3,665,987,945	-20.27	-2,983,856,087	-100.00	-6,649,844,032	-31.57
1,951,834,967	1,951,834,967			-1,951,834,967	-100.00	-1,951,834,967	-100.00
	67,015,652,016	-23,419,733,352	-34.95			-23,419,733,352	-34.95
	50,555,436,101	-13,665,483,050	-27.03			-13,665,483,050	-27.03
	16,460,215,915	-9,754,250,302	-59.26			-9,754,250,302	-59.26
	31,550,000,000	9,464,763,935	30.00			9,464,763,935	30.00
	31,550,000,000	9,464,763,935	30.00			9,464,763,935	30.00
1,072,653,696	2,435,290,339	200,679,393	14.73	494,773,100	46.13	695,452,493	28.56
414,020,696	551,134,193	-103,240,752	-75.30	326,645,300	78.90	223,404,548	40.54
	-5,723,772	1,922,514				1,922,514	
255,789,365	255,854,189	145,482,969	224,427.63	61,543,111	24.06	207,026,080	80.92
220,640,506	1,451,822,600	134,350,766	10.91	82,064,672	37.19	216,415,438	14.91
182,203,129	182,203,129	22,163,896		24,520,017	13.46	46,683,913	25.62
	7,189,325,134	422,086,658	5.87			422,086,658	5.87
	7,189,325,134	422,086,658	5.87			422,086,658	5.87
26,050,338,342	139,291,781,298	22,088,650,678	19.51	13,205,043,686	50.69	35,293,694,364	25.34
26,050,338,342	139,291,781,298	22,088,650,678	19.51	13,205,043,686	50.69	35,293,694,364	25.34

(Continued)



## PSPF Balance sheet - Asset Accounts

Dec.31, 2019

Items	Final account for this fiscal year				
	In-house management	Discretionary management	Total	In-house management	
	Amount	Amount	Amount	Amount	
Financial assets held for trading - noncurrent		38,389,039,857	38,389,039,857		
Bonds		38,389,039,857	38,389,039,857		
Adjustment for financial assets held for trading evaluation - noncurrent		866,342,171	866,342,171		
Bonds		866,342,171	866,342,171		
Available-for-sale financial assets - noncurrent	21,072,570,005		21,072,570,005	19,146,511,113	
Stocks	10,434,560,476		10,434,560,476	10,493,617,171	
Beneficiary certificates	10,638,009,529		10,638,009,529	8,652,893,942	
Adjustment for Available-for-sale financial assets evaluation - noncurrent	4,067,560,828		4,067,560,828	1,272,849,835	
Stocks	2,880,778,879		2,880,778,879	1,403,738,850	
Beneficiary certificates	1,186,781,949		1,186,781,949	-130,889,015	
Held-to-maturity financial assets - noncurrent	85,316,840,983		85,316,840,983	74,115,530,135	
Bonds	85,316,840,983		85,316,840,983	74,115,530,135	
Debt investments without active market - noncurrent	24,873,121,818		24,873,121,818	18,706,551,873	
Bonds	24,873,121,818		24,873,121,818	18,706,551,873	
Other assets					
Miscellaneous assets					
Overdue receivables	27,155,229		27,155,229	21,723,701	
Allowance for bad debt - overdue receivables	-27,155,229		-27,155,229	-21,723,701	
Total	350,112,042,923	262,937,526,303	613,049,569,226	341,325,113,944	

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	%
26,713,092,235	26,713,092,235			11,675,947,622	43.71	11,675,947,622	43.71
26,713,092,235	26,713,092,235			11,675,947,622	43.71	11,675,947,622	43.71
-662,753,893	-662,753,893			1,529,096,064		1,529,096,064	
-662,753,893	-662,753,893			1,529,096,064		1,529,096,064	
	19,146,511,113	1,926,058,892	10.06			1,926,058,892	10.06
	10,493,617,171	-59,056,695	-0.56			-59,056,695	-0.56
	8,652,893,942	1,985,115,587	22.94			1,985,115,587	22.94
	1,272,849,835	2,794,710,993	219.56			2,794,710,993	219.56
	1,403,738,850	1,477,040,029	105.22			1,477,040,029	105.22
	-130,889,015	1,317,670,964				1,317,670,964	
	74,115,530,135	11,201,310,848	15.11			11,201,310,848	15.11
	74,115,530,135	11,201,310,848	15.11			11,201,310,848	15.11
	18,706,551,873	6,166,569,945	32.96			6,166,569,945	32.96
	18,706,551,873	6,166,569,945	32.96			6,166,569,945	32.96
	21,723,701	5,431,528	25.00			5,431,528	25.00
	-21,723,701	-5,431,528				-5,431,528	
226,090,623,496	567,415,737,440	8,786,928,979	2.57	36,846,902,807	16.30	45,633,831,786	8.04

(End)

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

Dec.31, 2019

Items	Final account for this fiscal year			In-house management	
	In-house management	Discretionary management	Total		
	Amount	Amount	Amount	Amount	
Liabilities	41,403,090	8,034,290,953	8,075,694,043	43,942,102	
Current liabilities	41,403,090	8,034,290,953	8,075,694,043	43,942,102	
Current Financial liabilities		6,990,954,742	6,990,954,742		
Adjustment for Financial liabilities held for trading evaluation-current		6,990,954,742	6,990,954,742		
Foreign exchange forward contracts		6,927,061,112	6,927,061,112		
Futures margins		57,337,897	57,337,897		
Interest swap		6,555,733	6,555,733		
Payables	40,581,761	1,043,336,211	1,083,917,972	43,456,374	
Accounts payable	5,228,090	884,902,152	890,130,242		
Receipts under custody payable	294,425		294,425	678,710	
Expenses payable	34,492,637	158,434,059	192,926,696	41,026,785	
Other payable	566,609		566,609	1,750,879	
Advance accounts	821,329		821,329	485,728	
Other advance accounts	821,329		821,329	485,728	
Fund and surplus	350,070,639,833	254,903,235,350	604,973,875,183	341,281,171,842	
Fund			600,906,314,355		
Public Service Pension Fund			320,551,628,622		
Public Service Pension Fund			320,551,628,622		
Public Service Pension Fund Accumulated surplus/deficit-distributed			280,354,685,733		
Public Service Pension Fund Legally guaranteed return			14,675,654,708		
Public Service Pension Fund return above(below) legally guaranteed amount			75,285,111,907		
Accumulated surplus			190,393,919,118		
Accumulated other comprehensive Surplus of deficit	4,067,560,828		4,067,560,828	1,272,849,835	
Gains or losses on valuation of available-for-sale financial assets	4,067,560,828		4,067,560,828	1,272,849,835	
Total	350,112,042,923	262,937,526,303	613,049,569,226	341,325,113,944	

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	%
7,197,885,165	7,241,827,267	-2,539,012	-5.78	836,405,788	11.62	833,866,776	11.51
7,197,885,165	7,241,827,267	-2,539,012	-5.78	836,405,788	11.62	833,866,776	11.51
6,137,936,165	6,137,936,165			853,018,577	13.90	853,018,577	13.90
6,137,936,165	6,137,936,165			853,018,577	13.90	853,018,577	13.90
6,098,063,133	6,098,063,133			828,997,979	13.59	828,997,979	13.59
39,873,032	39,873,032			17,464,865	43.80	17,464,865	43.80
				6,555,733		6,555,733	
1,059,949,000	1,103,405,374	-2,874,613	-6.61	-16,612,789	-1.57	-19,487,402	-1.77
913,194,094	913,194,094	5,228,090		-28,291,942	-3.10	-23,063,852	-2.53
	678,710	-384,285	-56.62			-384,285	-56.62
146,754,906	187,781,691	-6,534,148	-15.93	11,679,153	7.96	5,145,005	2.74
	1,750,879	-1,184,270	-67.64			-1,184,270	-67.64
	485,728	335,601	69.09			335,601	69.09
	485,728	335,601	69.09			335,601	69.09
218,892,738,331	560,173,910,173	8,789,467,991	2.58	36,010,497,019	16.45	44,799,965,010	8.00
	558,901,060,338					42,005,254,017	7.52
	337,012,826,503					-16,461,197,881	-4.88
	337,012,826,503					-16,461,197,881	-4.88
	221,888,233,835					58,466,451,898	26.35
	15,430,516,834					-754,862,126	-4.89
	38,456,786,106					36,828,325,801	95.77
	168,000,930,895					22,392,988,223	13.33
	1,272,849,835	2,794,710,993	219.56			2,794,710,993	219.56
	1,272,849,835	2,794,710,993	219.56			2,794,710,993	219.56
226,090,623,496	567,415,737,440	8,786,928,979	2.57	36,846,902,807	16.30	45,633,831,786	8.04



## 2. Income statement of the Fund for fiscal year 2019

The Fund accrued a balance of NT\$58.5 billion in fiscal 2019, other comprehensive income NT\$2.8 billion added, the figure stood at NT\$61.3 billion.

### Public Service Pension Fund – Income Statement

Fiscal 2019

Items	Fiscal 2019 budget		
	Amount	%	
Total revenues	22,884,120,000	100.00	
Financial revenues	22,884,120,000	100.00	
Interest revenue	3,583,265,000	15.66	
Net gain of financial assets at fair value through profit or loss	19,300,855,000	84.34	
Net gain of available-for-sale financial			
Net gain on foreign exchange			
Other operating revenues			
Miscellaneous revenue			
Total expenses	1,350,891,000	5.90	
Financial expenses	533,269,000	2.33	
Service fee expense	533,269,000	2.33	
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	817,447,000	3.57	
Agency fee	817,447,000	3.57	
Other operating expenses	175,000		
Remittance fee paid	175,000		
Provision for doubtful debts			
Other expenses			
Surplus/deficit for the period	21,533,229,000	94.10	
Other comprehensive Surplus or deficit			
Gains or losses on valuation of available-for-sale financial assets			
Total comprehensive Surplus or deficit	21,533,229,000	94.10	

Unit : NT\$

Fiscal 2019 Final Account		Increase/Decrease(-)		Fiscal 2018 Final Account	
Amount	%	Amount	%	Amount	%
67,607,017,104	100.00	44,722,897,104	195.43	11,067,490,838	100.00
67,593,193,932	99.98	44,709,073,932	195.37	11,052,612,693	99.87
4,508,359,907	6.67	925,094,907	25.82	4,114,979,667	37.18
61,998,928,616	91.70	42,698,073,616	221.22		
1,085,905,409	1.61	1,085,905,409		713,994,573	6.45
				6,223,638,453	56.23
13,823,172	0.02	13,823,172		14,878,145	0.13
13,823,172	0.02	13,823,172		14,878,145	0.13
9,140,565,206	13.52	7,789,674,206	576.63	16,753,993,597	151.38
8,425,583,529	12.46	7,892,314,529	1,479.99	16,055,236,911	145.07
382,501,830	0.57	-150,767,170	-28.27	453,587,109	4.10
				15,577,392,969	140.75
114,604,972	0.17	114,604,972		24,256,833	0.22
7,928,476,727	11.73	7,928,476,727			
682,494,381	1.01	-134,952,619	-16.51	650,884,093	5.88
682,494,381	1.01	-134,952,619	-16.51	650,884,093	5.88
32,487,296	0.05	32,312,296	18,464.17	47,872,593	0.43
125,522		-49,478	-28.27	79,137	
3,509,014	0.01	3,509,014		17,420,258	0.16
28,852,760	0.04	28,852,760		30,373,198	0.27
58,466,451,898	86.48	36,933,222,898	171.52	-5,686,502,759	-51.38
2,794,710,993		2,794,710,993		-850,579,032	
2,794,710,993		2,794,710,993		-850,579,032	
61,261,162,891	90.61	39,727,933,891	184.50	-6,537,081,791	-59.07

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

As of December 2019, total funded assets are NT\$605.0 billion.  
The amount and ratio are showed as follows:

Valuation Date	Amount of Funded Asset (NT\$)	Funded Ratio
Dec. 31, 2019		
Political appointees	73,589,586	14%
Civil servants	368,275,292,521	25%
Education workers	206,232,080,351	15%
Military personnel	30,392,912,725	8%

Notes:

1. The table is extracted from the 2019 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\$260.9 billion as of the end of fiscal 2019. With an accumulated realized earning rate of 3.20 percent, 1.52 percentage points higher or NT\$126.9 billion more than an assumed earnings of NT\$134.0 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\$281.2 billion, at a return rate of 3.44 percent.

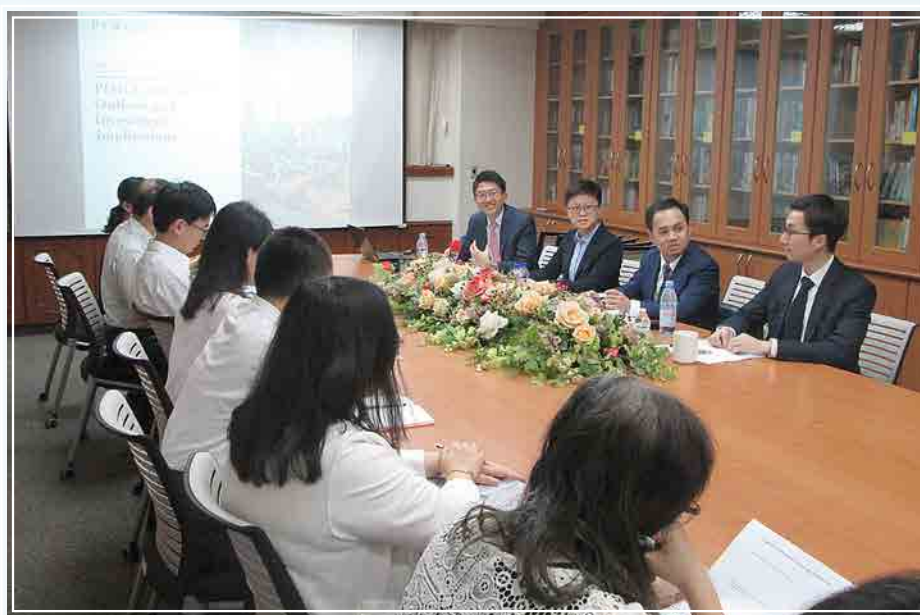


(1) The amounts of earnings over the years and earnings rates

Fiscal Year	Realized earnings (NT\$100 million)	Realized earnings rate (%)	Earnings if added with the unrealized earnings and the unrealized gain or loss for available-for-sale financial assets (NT\$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
2019	207.40	3.60	612.54	10.62	1.04	4.05
Total	2,609.30	3.20	2,812.32	3.44	1.68	

Notes :

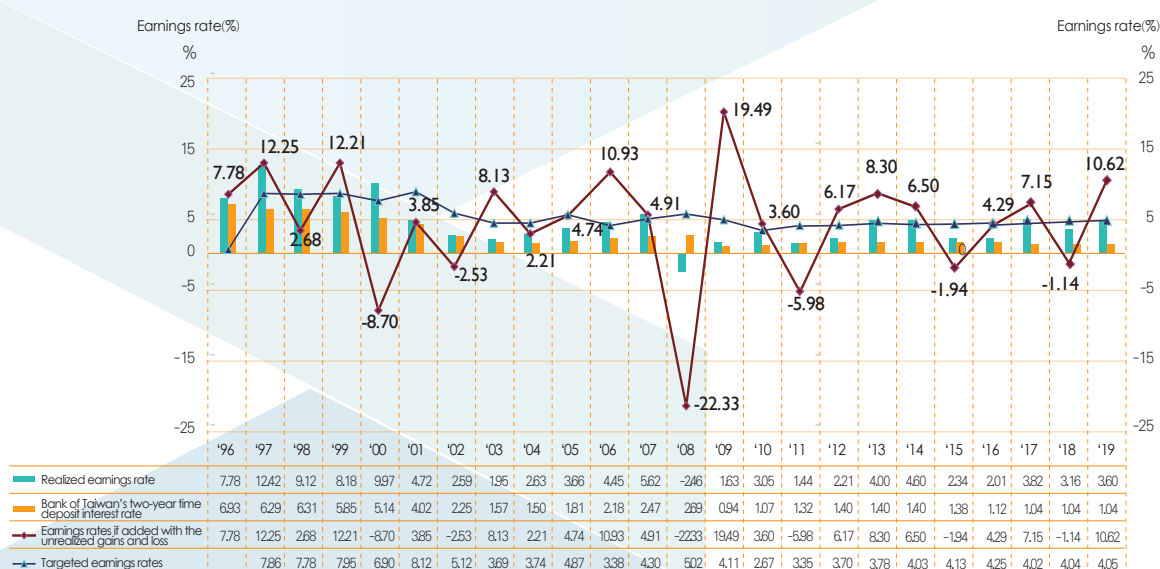
1. Fiscal 2000 began on July1, 1999 and ended on December 31, 2000.
2. The Lower of Cost or Market Value Method as applied from fiscal 1996 to fiscal 2005, and after that the Market Value Method has been adopted.
3. The realized earnings rates, Bank of Taiwan's two-year time deposit interest rate, earnings 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 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.

## 2. Fund's performance in fiscal year 2019

The Public Service Pension Fund recorded a realized earnings rate of 3.60 percent in fiscal 2019, which was 2.56 percentage points higher than Bank of Taiwan's two-year time deposit interest rate. It would be translated into an earnings rate of 10.62 percent if added with the unrealized gains and losses and rate of return with available-for-sale securities over the year 6.57 percentage points higher than the year's targeted earnings rate of 4.05 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 2019 (%)	Indexes for evaluating performance	
		Benchmark return(%)	Index
Domestic bonds	1.72	0.74	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	1.92	Using the interest rate of the 10-year US treasury bond on the base day of evaluation
Short-term domestic bills	0.47	0.63	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	0.55	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	2.05	0.79	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 2019 (%)	Indexes for evaluating performance	
		Benchmark return (%)	Index
Domestic stocks and ETFs	21.80	23.33	TWSE Capitalization Weighted Stock Price Index
Overseas stocks and ETFs	21.68	26.60	MSCI World Index
Domestic beneficiary certificates	42.31	23.33	TWSE Capitalization Weighted Stock Price Index
Overseas beneficiary certificates	12.48	14.69	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

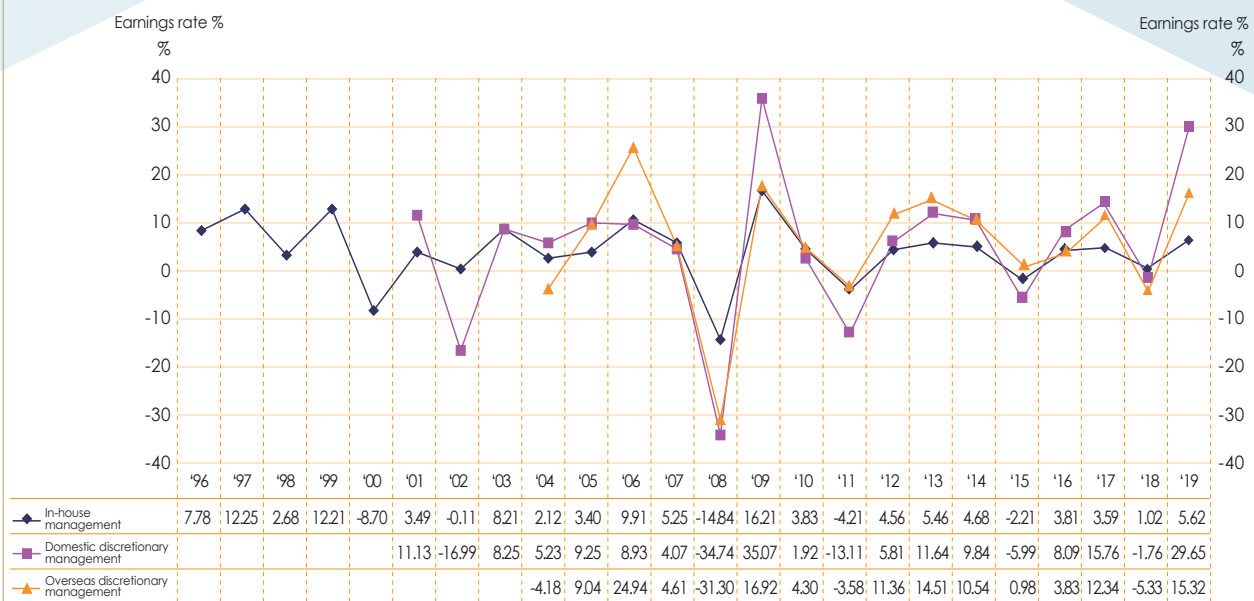
Investment item	Actual return for fiscal 2019 (%)	Indexes for evaluating performance	
		Benchmark return (%)	Index
Domestic discretionary management	29.65	22.75	Using the ratios distribution of commissioned management's positions in capital gains and fixed income as the weight function, weighted with the return of TWSE Capitalization Weighted Stock Price Index and the secondary market rate on commercial paper with maturities of 30 days
Overseas discretionary management	18.18	19.55	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 15.32% for fiscal 2019.

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

Fiscal 2019 registered 5.62 percent earnings rate in the Fund's in-house management, 29.65 percent in its domestic discretionary management and 15.32 percent in overseas discretionary management, up 4.60 percentage points, 31.41 percentage points and 20.65 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

- Following 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 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.
- To establish diversified mandates, such as alternative asset investments, and to enhance the efficiency and flexibility of Fund investments, the Management Board drafted amendments to partial articles of the Regulations for Discretionary Management of Public Service Pension Fund, which was amended and promulgated jointly by the Examination Yuan and the Executive Yuan on August 29th, 2019.





- To increase investment flexibility of in-house stock and ETF investments, the Management Board referenced investment guidelines for discretionary mandates and drafted the amendment of Regulations for TWSE-listed (and TPEX-listed) Stocks, and Exchange Traded Funds Investments of Public Service Pension Fund, which was approved after deliberation on July 5th, 2019, on the 244th committee meeting of the Management Board.
- Funding to domestic discretionary management accounts contracted in 2016 was completed.
- Funding to overseas discretionary management accounts contracted in 2013, 2014, and 2017 was completed.
- Some of the overseas mandate accounts contracted in 2011 and 2014 were terminated before the expiry of the contracts. Reduction to the entrusted amount of overseas discretionary management accounts contracted in 2009 was completed.
- Additional entrusted amounts and funding to overseas discretionary management accounts contracted in 2017 were completed.
- The 2019 public selection process for managers for domestic mandate accounts was carried out.
- The performance evaluation of the 2014 domestic mandate accounts was conducted upon the expiry of the contracts. The entrusted assets were retrieved in cash.
- The performance evaluation of the 2011 overseas mandate accounts was conducted upon the expiry of the contracts. Three contracts were extended by four years, while the entrusted assets of one contract were retrieved in cash.
- The performance evaluation of the 2013 overseas mandate accounts was conducted upon the expiry of the contracts. The contracts were extended by four years.
- Fund staff members underwent training at mandated institutions of overseas discretionary management accounts where they learned about the investment strategies, benefited from the experience and professional knowledge of these institutions.
- After the assessment of domestic and overseas economic and financial situations, market appetite for risks, and estimation of the Fund's incomes and payments, the 2020 Annual Fund Investment Guidelines and Asset Allocation Plan were devised to provide a legal basis for fund investment and set annual performance targets. The proposed Guidelines were presented to the Management Board and were approved after deliberation; the proposed Plan was presented to the Supervisory Board and was approved after deliberation and amendment.



- All paper and on-site audits were completed in accordance with the 2019 auditing plan. The 2020 auditing plan was also drafted and approved, specifying Fund's operation items, focuses, and auditing frequency.
- Fund staff members performed audits at the mandated institutions for domestic discretionary management accounts and custodian banks. The staff members also visited mandated institutions overseas to learn about their organizational structures, utilization of the entrusted funds, risk management policies, internal control, and auditing systems. By learning from the investment experience and professional knowledge of these institutions, the staffers could improve the Fund's auditing and management performance.
- The development of the Fund's information system was outsourced. A series of function and system updates of the current payment and contribution operation system were also made, including contribution repayment calculation and conversion mechanisms for the academy and mandatory service experiences of military personnel, and the calculation mechanism for full self-contribution of parental leave for military personnel.



## Supervisory Board

- To safeguard the financial soundness of the Fund, following pension reforms, regulatory amendment, and subsequent implementation, the Supervisory Board will continue to monitor the injected funds to the Public Service Pension Fund, and follow up on the review progress for contribution rate with competent authorities.
- In response to changes in both domestic and overseas financial markets, the Supervisory Board examined the drafting, by the Management Board, of Regulations for TWSE-listed (and TPEx-listed) Stocks and Exchange Traded Funds Investments of Public Service Pension Fund. All related tasks aimed to enhance the effectiveness of fund investment and operations.
- The Supervisory Board issued Weekly Supervisory Reports to keep track of domestic and overseas financial market developments and major political and economic events to analyze changes in the market promptly and monitor the impact of such market developments on the Fund portfolios.
- In addition to conducting monthly performance reviews, the Supervisory Board conducts quarterly reviews on overall Fund performance and urged the Management Board to submit review reports in an effort to fortify the Fund performance evaluation system further.
- The Supervisory Board changed the schedule of board meetings to once in every two months. It required the Management Board to submit topic-specific reports for reviewing Fund performance in depth, e.g., reviews on fixed income, beneficiary certificate investment, and performance comparison to the pension fund for private schools faculties in Taiwan. The Supervisory Board also required the Management Board to adjust the investment position of fixed income and capital gains to their respective center allocations and thus increased the weighting of the latter generating more profits, from 46.55 percent to 51.34 percent at the end of 2018 and 2019, respectively. Such adjustment contributed meaningfully to Fund performance.
- In light of the growing involvement with alternative investment, to ensure the fair presentation of Fund financial statuses and management results, the Supervisory Board continues to review monthly financial statements, conduct year-end audits, and monitor all accounting measures and the adequacy of the accounting system.
- The Supervisory Board researched the supervision of alternative investment focusing on private equity funds, and the current status and investment strategies for alternative indexes. For better Fund supervision in the future, The Supervisory Board will refer to the insights gained from the studies each in private equity investment and their supervision models worldwide, and the development and investment approaches of various alternative indexes.

## 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:

- A thorough review of Fund asset allocation and overall performance to improve the effectiveness of Fund investment

The Management Board is motivated to continue adjusting asset allocation and diversifying investments in accordance with economic developments. The Supervisory Board will deploy objective performance indicators and risk control standards to evaluate the management of the Fund and improve overall operation and performance.

- Enhancement of control processes of the Fund to ensure comprehensive auditing and monitoring functions

Urging the Management Board to implement comprehensive internal control is a priority for ensuring the security of Fund operation. The Supervisory Board will continue to monitor the Fund's compliance with relevant regulations and protocols and conduct paper and on-site reviews to prevent any violation or error in Fund operation, ensuring comprehensive internal control.



- Cautious evaluation of investment risks and flexible adjustment to asset allocation

The Management Board will monitor economic and financial developments worldwide closely while adjusting investment strategies and portfolios with flexibility. Also, the Management Board will further promote risk management mechanisms to cautiously evaluate the risks and returns of each position to pursue stable long-term returns.

- Adequate research and amendment to relevant regulations to respond to pragmatic needs

The Management Board will continue to review, research, and amend relevant regulations to establish operation standards that better fulfill pragmatic needs to improve Fund utilization.



- **Research and deliberation on additional investment positions to capture market opportunities**

In light of the ever-changing economic environment, the Management Board will continue to research and deliberate on adding possible investment positions, establishing diversified mandates, and venturing into multiple regions and areas to expand the depth and width of the investment universe, diversify investment risks more effectively, and improve Fund performance.

- **Improvement of auditing efficiency and full implementation of internal auditing**

The Management Board will continuously review and amend current auditing standards and protocols for adjusting asset allocation, adding investment positions, and amending investment limitations. The Management Board will also enhance professional training and communication with the Financial Supervisory Commission to improve compliance with relevant regulations and ensure the security of Fund assets.





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.









**Public Service Pension Fund Supervisory Board**

4F, 1-3, Shih Yuan Rd. Wenshan, Taipei, 116

Tel: 886-2-82367200

Fax: 886-2-82367268

<http://www.pension.gov.tw>

**Public Service Pension Fund Management Board**

3F, 1, Shih Yuan Rd. Wenshan, Taipei, 116

Tel: 886-2-82367300

Fax: 886-2-82367467

<http://www.fund.gov.tw>