

2015

ANNUAL REPORT



Public Service Pension Fund



Take good care of retirees and pay attention to the welfare of on-service participants



*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 Messages from two board chairpersons and other key executives

Expectation of Kao Yuang-kuang, Chairperson of the Public Service Pension Fund Supervisory Board

The Public Service Pension Fund was established over 20 years ago. The PSPFMB and PSPFSB have been like the two oars of a rowboat since the new retirement pension system was launched and due to the excellence and effort of the helmsmen over the years, the Fund has been undaunted by global financial crises and safely passed through the European Debt Crisis. This has been a testament to what Oaktree Capital Management Chairperson Howard Marks said: "The strength of an intelligent investor is not the ability to grasp the best opportunity but to stick through the worst moment." This remarkable achievement has driven the entire staff of the PSPFSB forward. Since taking office more than a year ago, I have been able to fulfill my responsibility because of this solid foundation.

Looking back now, the difficulties the Fund went through in the beginning were actually an epitome of the evolvement of international economy. Globalization has brought complex and extensive challenges in both management and supervision of the Pension Fund. As pointed out in the theme of the 2015 International Conference of the Institute of Internal Auditors: "Mountains of Change; Oceans of Opportunities" the aging population and declining childbirth rates in the country ought to be regarded opportunities and utilized to continue the mission of achieving sustainable management since it is the duty entrusted us by all the participants of the Fund.

Philosopher Søren Kierkegaard once said: "Life can only be understood backwards, but it must be lived forwards." Facing challenges brought by globalization, besides fulfilling the obligation of supervising the Fund, the PSPFSB will take forward-looking measures that meet the needs in Fund development. Presently, we are making efforts to carry out the project of promoting the supervision performance of the Public Service Pension Fund. As the core of our current policy, the project is meant to enable active and insightful supervision to achieve holistic governance and create new prospects.

It is our duty to perfect supervision work and make every effort to protect the economic security of the Fund participants in their old age. This was, is and will always be the mission of the PSPFSB. Facing various challenges and opportunities in the future, we will adhere to the concept of "innovative thinking, improved professionalism and effective supervision" and do everything we can to perfect our work.



Chairperson of the Public Service
Pension Fund Supervisory Board
(Kao is also vice president of the Examination Yuan)

Kao Yuang-kuang



Expectation from Chang Che-shen, Chairperson of the Public Service Pension Fund Management Board

The Public Service Pension Fund has gone through 20 years and reached maturity. Currently, same as other pension funds, it is confronted with the problem of contribution rates being too low and growth of income from the fees collected is limited. Plus, the retirement age has been lowered, the number of retirees continues to increase and pension payments are escalating year by year. As a result, the Fund suffered negative growth in 2015.

If no countermeasures are worked out in time to cope with changes in the general environment and tendencies in social development that the new pension system now encounters, soon the Fund will not be able to make ends meet. When the Civil Service Retirement Act was amended in 2011, new provisions were added to regulate retirement extension, contribution rate increase and double pay restriction. However, regulations regarding retirement of educators and military personnel have not been revised. In consequence, the retirement pension contribution rate has remained unadjusted for more than 10 years. Meanwhile, the retirement pension reform was not passed by the Legislative Yuan in the last session. Therefore, it is hoped that related reform measures can be approved in the new session so that the PSPFMB will be able to perfect the financial structure of the Pension Fund to achieve the goal of sustainable management.

Due to Taiwan's economy being of the shallow dish type, the poor general economic environment in 2015, global economic recovery not as expected, China's economic growth slowing down, oil prices continuing to decline, mediocre performance of stock markets across the globe and the return on investment in Taiwanese stock market trailing behind financial markets in other countries, the performance of the Pension Fund was unable to achieve projected targets. In the future, the staff of the PSPFMB will do their best and use their professional judgment to increase investment channels while taking both safety and profitability into consideration as well as adjust both outsourced and self-managed asset allocation portfolios in accordance with economic changes to increase profits. Risk control and auditing mechanisms have to be strengthened to assure income from investments with the Pension Fund is safeguarded. At the same time, suggestions for contribution rate adjustment have to be made at opportune moments and the pension system has to be reformed to make pension payments reasonable so that the financial burden of the Fund can be alleviated and the interests of all participants can be well protected.



Chairperson of the Public Service Pension Fund
Management Board
(Chang is also Minister of Civil Service)

Chang Che-shen



Executive Secretary of Public Service
Pension Fund Supervisory Board

Kao Shyh-nan

Remarks by Kao Shyh-nan, executive secretary of Public Service Pension Fund Supervisory Board

In 2015, all pension funds around the world faced a variety of political and economic ordeals whether in supervision or management. What the PSPFSB and PSPFMB have achieved over the years with the efforts of their staff members is a solid foundation enabling the Fund to confront current challenges. I am deeply convinced, with our unfaltering sense of mission and confidence, we will be able to bring to realization the prospect of "creating long-term value and building an excellent pension system" that was the prospect indicated in the theme of the 2015 Global Retirement Pension Fund Summit.

Han Feizai said: "When law matches the circumstances, there will be governance; when governance suits the society, it will be accomplishing." Amidst the current drastic change in the global investment environment, the PSPFSB happens to be engaging in a governance reform in the hope of adjusting with the circumstances, making transformation and launching the "Supervision Mechanism Performance Improvement Plan" to maximize supervisory functions and improve the effects of Fund operation to protect the interests of Fund participants as a response to the expectations of various sectors for the performance of the Fund.

"Enabling governance" is a core concept in contemporary government administration. It is also what I expect of the PSPFSB. In the future, the PSPFSB will stick to the concept of "supervision through cooperation and governance instead of management." It will also collaborate with the PSPFMB and concerned agencies. Resources will be appropriately integrated and related platforms will be established. The goal is to achieve mutual prosperity and win-wins. The participating agencies can become pioneers in government reforms to bring holistic governance to realization.

Message from Tsai Feng-ching, Vice Chairperson of the Public Service Pension Fund Management Board

Global financial markets were in turmoil in the second half of 2015. All kinds of unexpected variables appeared one after another. Problems related to the ultra-loose monetary policies of various countries and falling exchange rates seemed to get worse. The phenomena were given the name of black swan events that impacted the confidence of investors and quickly weakened the strength that could support recovery of the global economy. Investment guru Warren Buffett once said: "You only find out who is swimming naked when the tide goes out." After going through a number of financial crises between the time it was founded and December 2015, the Pension Fund still averaged 3.21% in realized rate of return over the year. Apparently, we have made our biggest effort.

In 2016, the global economy will continue to be affected by the slackening Chinese economic growth, US interest rate increases, European and Japanese currency policies, threats of deflation resulted from falling oil and commodity prices, etc. Organizations like Global Insight and the International Monetary Fund (IMF) have revised downward economic growth forecasts one after another. In April 2016 the IMF predicted the global economic growth in 2016 and 2017 to be 3.2% and 3.5%. The Directorate-General of Budget, Accounting and Statistics of the Executive Yuan announced in February 2016 that Taiwan's economic growth in 2015 was 0.75% and predicted the economic growth in 2016 would be 1.47%. Without doubt, the investment environment is in a difficult condition. The so-called "New Mediocre" economic situation will become more obvious. Upheavals are bound to happen and affect different investment instruments. However, a crisis can be an opportunity and there are chances when changes occur. Price fluctuations often can bring investment opportunities. The staff of the PSPFMB will apply their specialties and fulfill their duty as managers to continue to create better investment performance.



Vice Chairperson of the Public Service
Pension Fund Management Board

Tsai Feng-ching



II

Objective and statutory missions



1. Objective

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

1. To review the plans for collection/payment, management and use of the Pension Fund;
2. To finalize the yearly plans for discretionary management of the Pension Fund;
3. To review and approve the annual budget and final accounts prepared by the PSPFMB;
4. To evaluate the overall management of the Pension Fund;
5. To review the contribution rates of the Pension Fund and their adjustment plans;
6. To solve payment disputes;
7. To handle other affairs in relation to the supervision of the Pension 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 Article Three of the Organic Act of the Management Board of Public Service Pension Fund, the board is charged with:

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



III

Organization and members

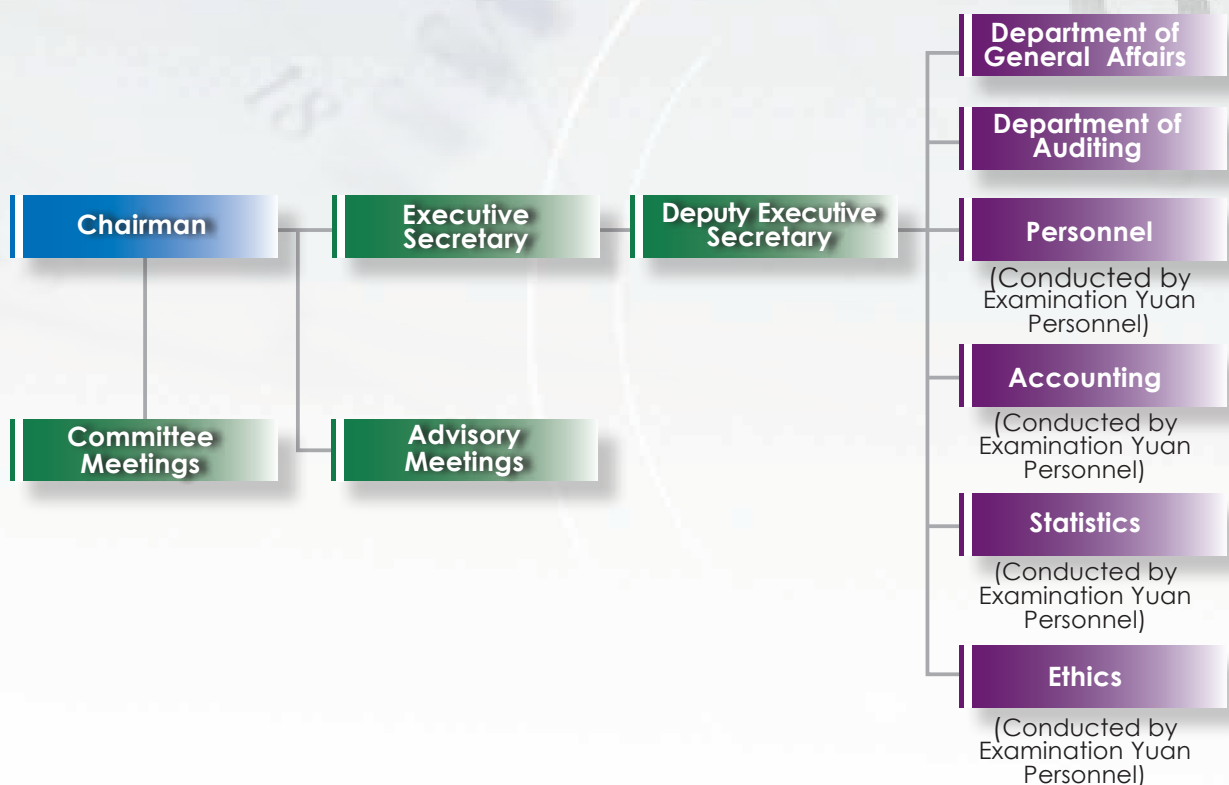
1. Organizational structure

◆ Supervisory Board ◆

The Organic Act of Public Service Pension Fund Supervisory Board stipulates that the board shall comprise a chairperson, with the Examination Yuan vice president 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 and financial experts and scholars as its advisers who shall attend advisory and committee meetings.

As of the end of 2015, the Supervisory Board has 23 members and seven advisers. The Supervisory Board appoints an executive secretary to take care of day-to-day affairs under the direction of the chairperson, 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 Statute. The board's personnel, accounting, statistic and ethics affairs are conducted by Examination Yuan staff.



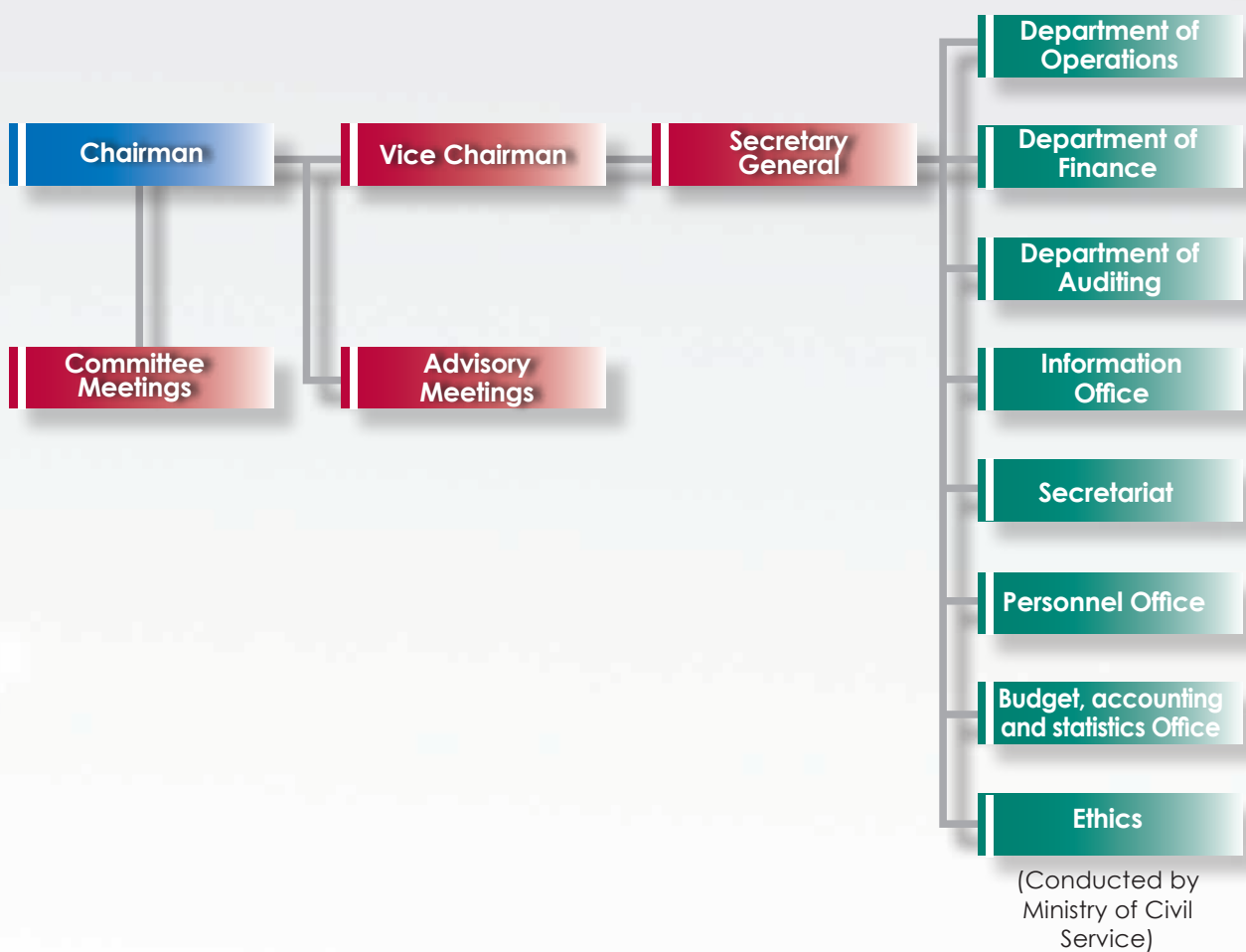




◆ Management Board ◆

Pursuant to the Organic Act of Public Service Pension Fund Management Board, the Public Service Pension Fund Management Board appoints a chairperson, 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 2015, the PSPFMB has 17 members and 16 advisers.

The PSPFMB also has a vice chairperson to assist the chairperson in dealing with day-to-day 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 Auditing, Information Office, Secretariat, Personnel Office and Budget, accounting & statistics Office. Ethics affairs are handled by the Ministry of Civil Service.



2. Composition of board meetings

◆ Supervisory Board ◆

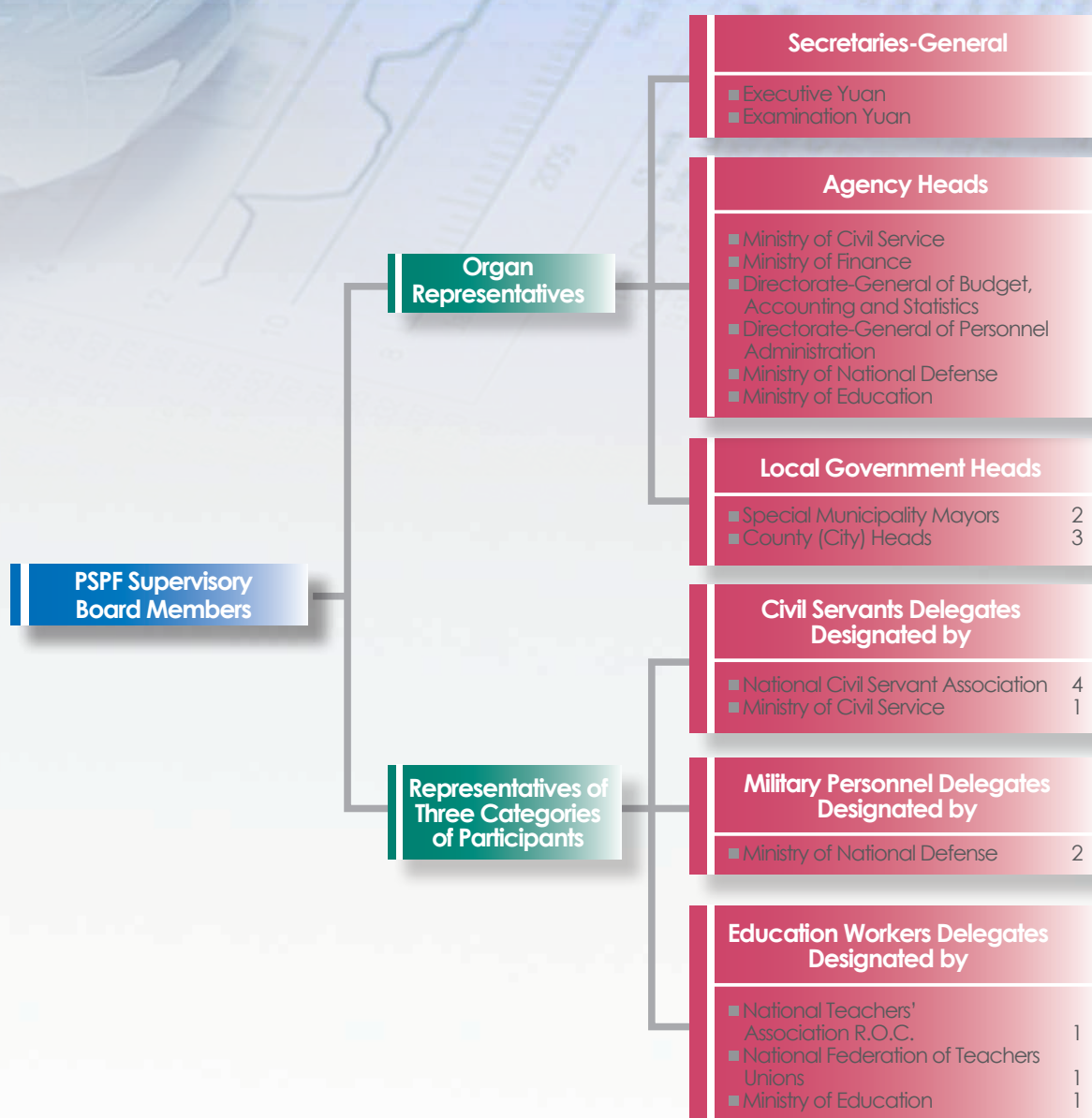
The Supervisory Board has 19-23 members, of whom 13 are secretaries-general of the Executive Yuan and the Examination Yuan, heads of the Ministry of Civil Service, the Ministry of National Defense, the Ministry of Finance, the Ministry of Education, the Directorate-General of Budget, Accounting and Statistics, and the Directorate-General of Personnel Administration as well as special municipality and county government chiefs, and ten are representatives of civil servants, education workers and military personnel.

Among the members, two are special municipality mayors and three are county magistrates.

Of the five civil servant representatives, four are designated by the National Civil Servant Association and one are recommended by the Ministry of Civil Service.

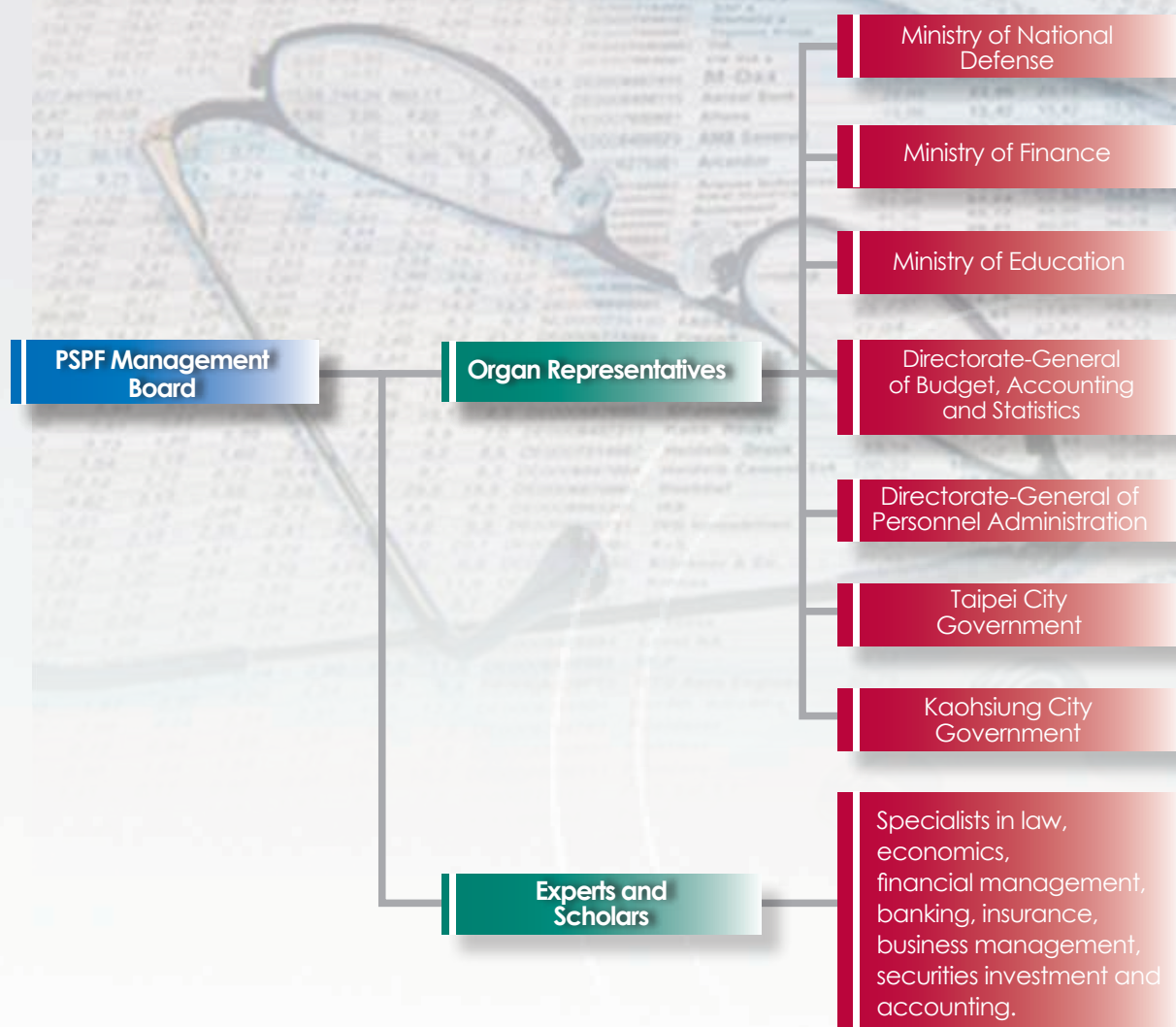
The two military personnel representatives are designated by the Ministry of National Defense, while three education workers are assigned by the Teacher's Association R.O.C., the National Federation of Teachers Unions R.O.C. and the Ministry of Education.





◆ Management Board ◆

The PSPFMB has 13-17 members who include one leading official each from the Ministry of the Civil Service, 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 government as well as scholars and experts.





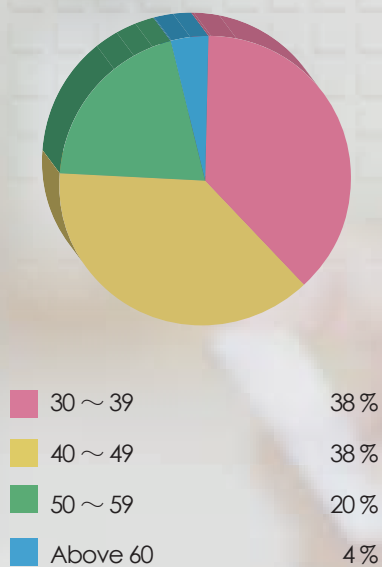
3. Management personnel overview

◆ Supervisory Board ◆

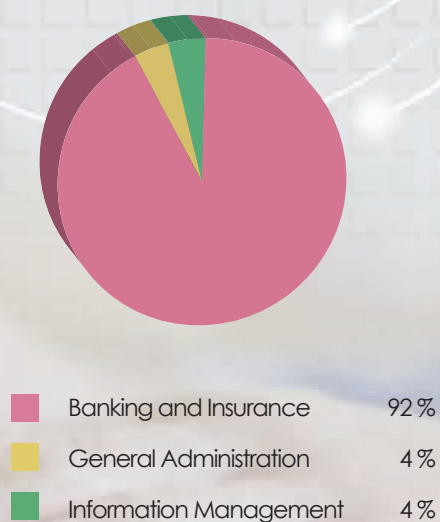
The board may hire up to 35 staff members, but only 25 can be legally supported by its budget. As of the end of 2015, the board actually had 24 staff members, of whom 12 were male and 12 female, with an average age of 44 years old. As to their educational background, 17 of them had master's degrees and seven were university graduates.



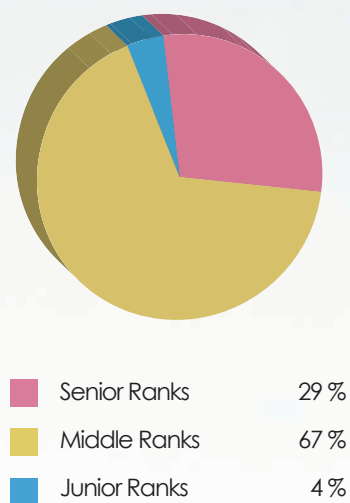
Distribution of Staff Members' Ages



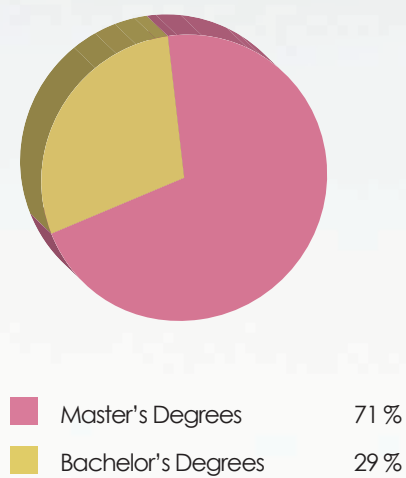
Distribution of Staff Members' Job Descriptions



Distribution of Staff Members' Rankings



Distribution of Staff Members' Academic Degrees

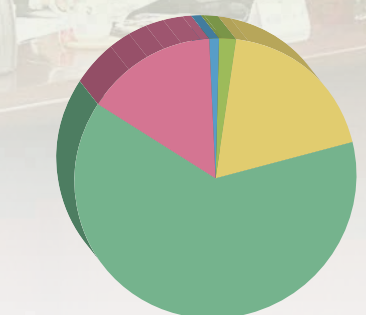


◆ Management Board ◆

The PSPFMB's staff number is capped at 88, but only 85 can be supported by its budget. The board is also allowed to hire up to five contract workers. As of the end of 2015, the board actually had 84 staff members, of whom 27 were male and 57 were female, at an average 44.3 years of age. With respect to their education background, 36 had master's degrees, 40 had bachelor's degrees and 8 were junior college graduates.

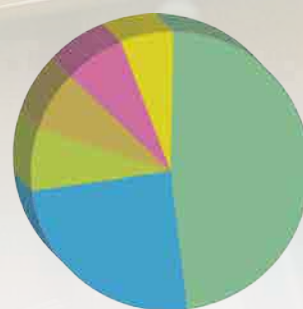
With the exception of contract staff, all other staff members have passed civil service examinations. Staff members at administrative units are recruited in accordance with personnel employment regulations, while staff recruitment at investment or business operation units tends to give priority to people 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	2 %
30 ~ 39	19 %
40 ~ 49	63 %
50 ~ 59	15 %
60 ~ 65	1 %

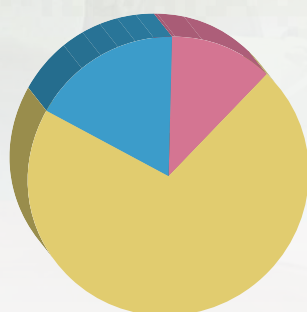
Distribution of Staff Members' Job Descriptions



Financial and Tax administration	48 %
Business Management	25 %
Information Processing	7 %
Accounting and Auditing	7 %
Personnel Administration	7 %
General Administration	6 %

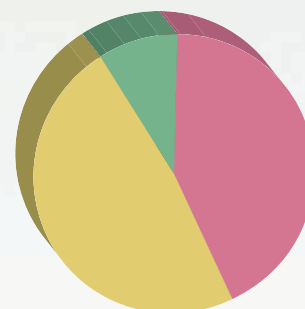


Distribution of Staff Members' Rankings



Senior Ranks	12 %
Middle Ranks	71 %
Junior Ranks	17 %

Distribution of Staff Members' Academic Accreditation



Master's Degrees	43 %
Bachelor's Degrees	48 %
Junior Ranks	9 %

IV Fund participants, contributions and payments

1. An overview of participants and their working units

Civil servants became immediate participants of the Pension Fund 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 pension 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 PSPF Management Board. The participants are defined as follows:



Pension Fund 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 Act and the Civil Service 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 Act 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

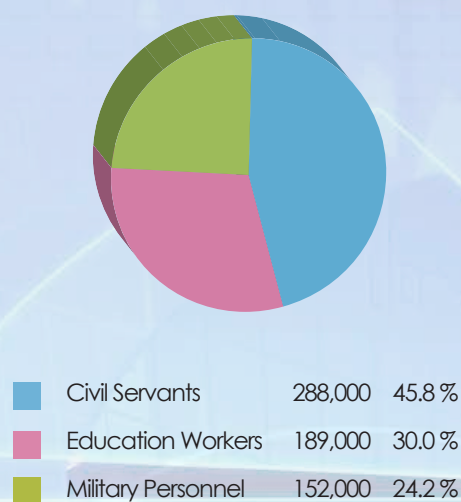
1. Principals, full-time teachers, teaching assistants and sports coaches at public schools at all levels who have been employed in accordance with the Act Governing Appointment of Educators and certified by competent authorities as well as full-time administrative staff who had been employed before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

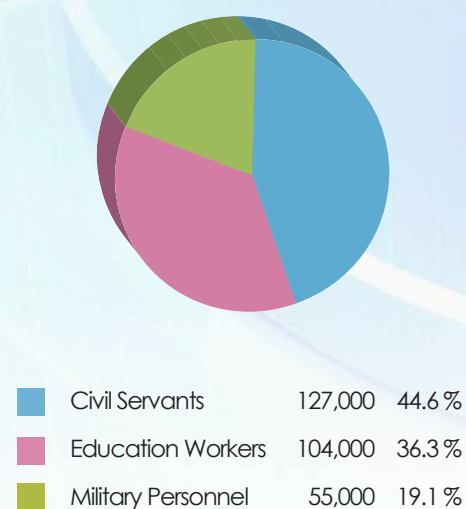
(1) PSPF on-service participants and ratios

As of the end of 2015, the Fund had 629,000 participants, of whom about 288,000 were civil servants (45.8%), 189,000 were education workers (30.0%), and 152,000 were military personnel (24.2%).



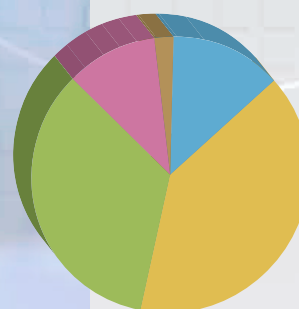
(2) Regular benefit recipients and ratios

As of the end of 2015, the Fund had 28,600 regular benefit recipients, of whom 127,000 (44.6%) were civil servants (including political appointees), 104,000 (36.3%) were education workers, and 55,000 (19.1%) were military personnel.



(3) Participating units and ratios

As of the end of 2015, the Fund had 7,260 participating units, of which 971 (13.3%) were central government agencies, 2,895 (39.8%) were provincial and municipal government agencies, 2,485 (34.2%) were county and city government agencies, 767 (10.5%) were township offices and 142 (2.2 %) were state-owned enterprises.



Central government units.	971	13.3%
Provincial/municipal government units	2,895	39.8%
County/municipal government units.	2,485	34.2%
Township offices	767	10.5%
State-owned Enterprises.	142	2.2%



2. Overview of contributions/payments by the Fund

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

The Pension Fund received NT\$59.7 billion in contributions in 2015 from three categories of participants while paying out NT\$70.0 billion in benefits, with payments accounting for 117.3 percent of total contributions. The net contribution/payment amount was down NT\$7.0 billion from the year-earlier level. Since the Fund's inception, accumulated contributions from the three categories of participants amounted to NT\$921.3 billion and accumulated payouts totaled NT\$513.8 billion or 55.8 percent of overall contributions.

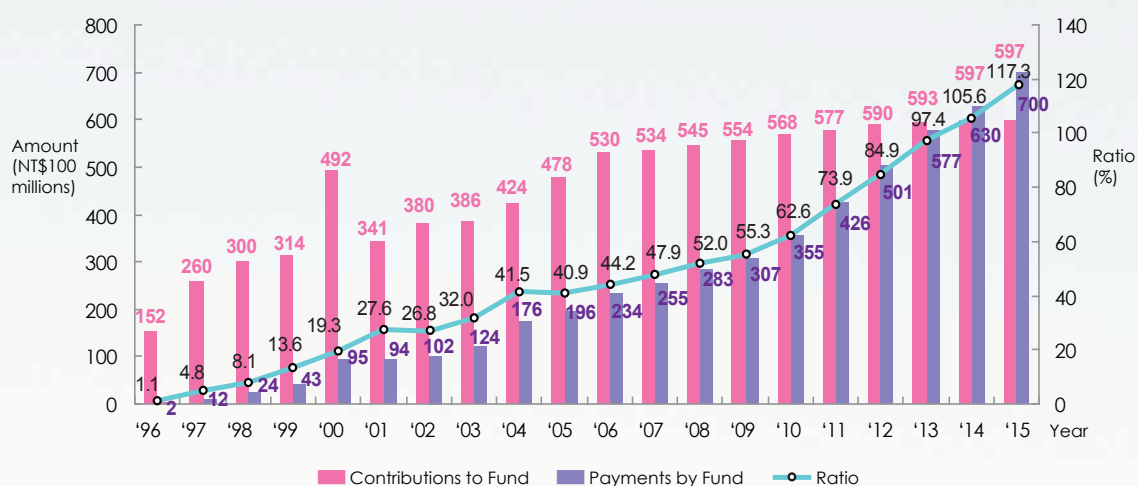


Table of Pension Fund Contributions/Payments Amounts and Ratios

Units NT\$100 Million

Period	Contributions/ Payments	Civil Servants	Education Workers	Military Personnel	Total
Fiscal 2015	Contribution Amount	279	220	98	597
	Payout Amount	306	249	145	700
	Payout/ Contribution Ratio	109.8%	113.2%	147.4%	117.3%
As of the end of 2015	Contribution Amount	4,401	3,406	1,406	9,213
	Payout Amount	1,953	1,947	1,238	5,138
	Payout/ Contribution Ratio	44.4%	57.2%	88.0%	55.8%

Chart of payment amounts and ratios over the years



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

(2) Civil Servants Contribution/Payment Amount and Ratio

The Fund collected NT\$27.9 billion in contributions from civil servants (including political appointees) in 2015 while paying out NT\$30.6 billion in benefits, for a payment-to-contribution ratio of 109.8% in the category.

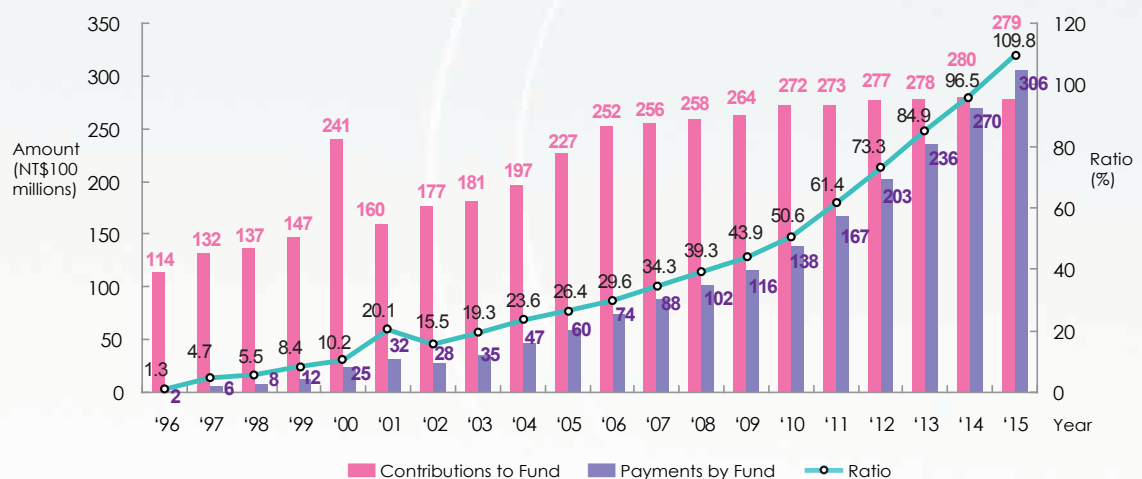
(3) Education Workers Contribution/Payment Amount and Ratio

The Pension Fund collected NT\$22.0 billion in contributions from education workers in 2015 while paying out NT\$24.9 billion in benefits, for a payment-to-contribution ratio of 113.2% in the category.

(4) Military Personnel Contribution/Payment Amount and Ratio

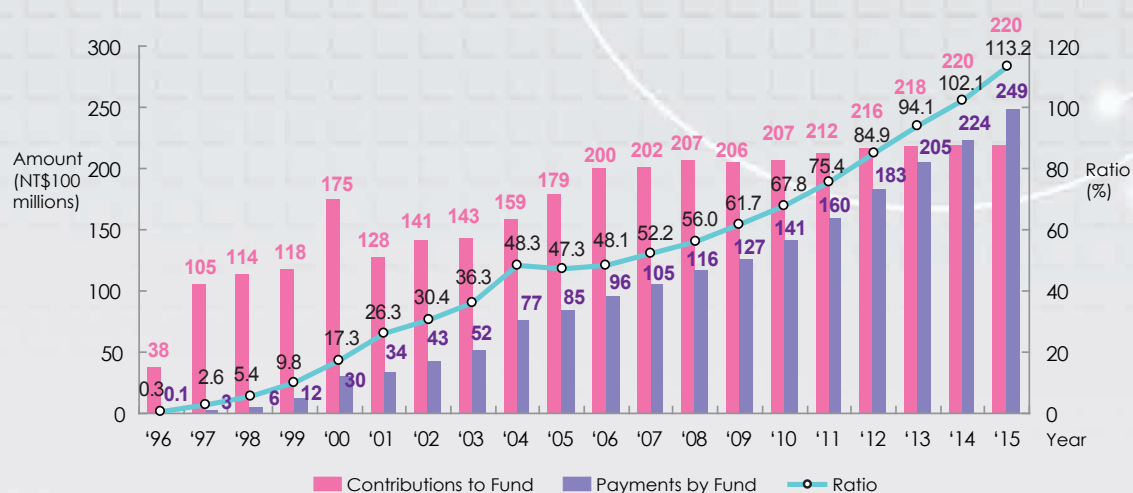
The Pension Fund collected NT\$9.8 billion in contributions from military personnel in 2015 while paying out NT\$14.5 billion in benefits, for a payment-to-contribution ratio of 147.4% in the category.

Chart of payment amounts and ratios over the years



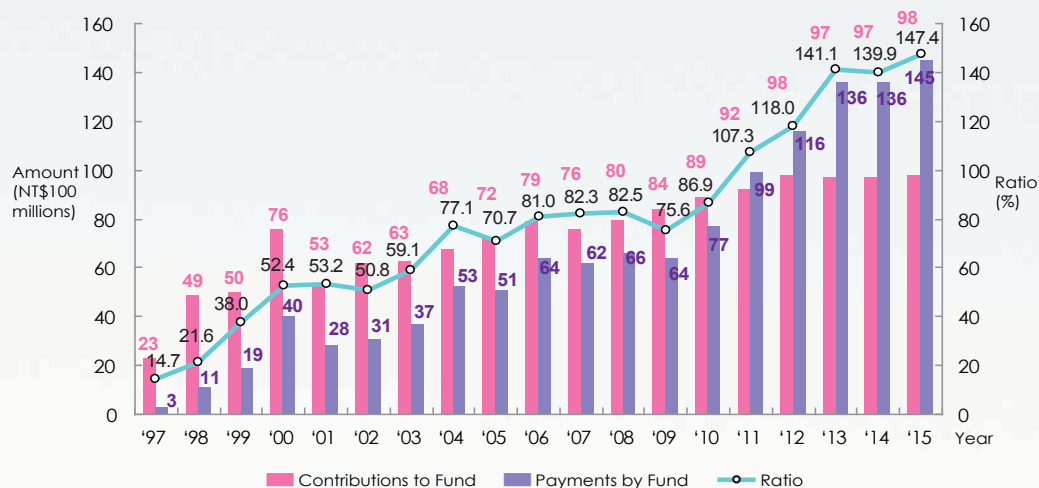
Note: Fiscal 2000 covers the period from July 1, 1999 to Dec. 31, 2000.

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 2000 covers 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 2000 covers 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 286,000 in 2015, up 18,000 from the year-earlier level, and overall annual payment amounted to NT\$61.5 billion, up NT\$6.4 billion over a year ago.

(2) Regular pension recipients and amount in civil servants category

A total of 127,000 civil servants received an aggregate NT\$27.6 billion in regular benefit payouts in 2015.

(3) Pension recipients and amount in education workers category

A total of 104,000 education workers received an aggregate NT\$23.0 billion in regular benefit payouts in 2015.

(4) Pension recipients and amount in military personnel category

A total of 55,000 military personnel received an aggregate NT\$10.9 billion in regular benefit payouts in 2015.

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

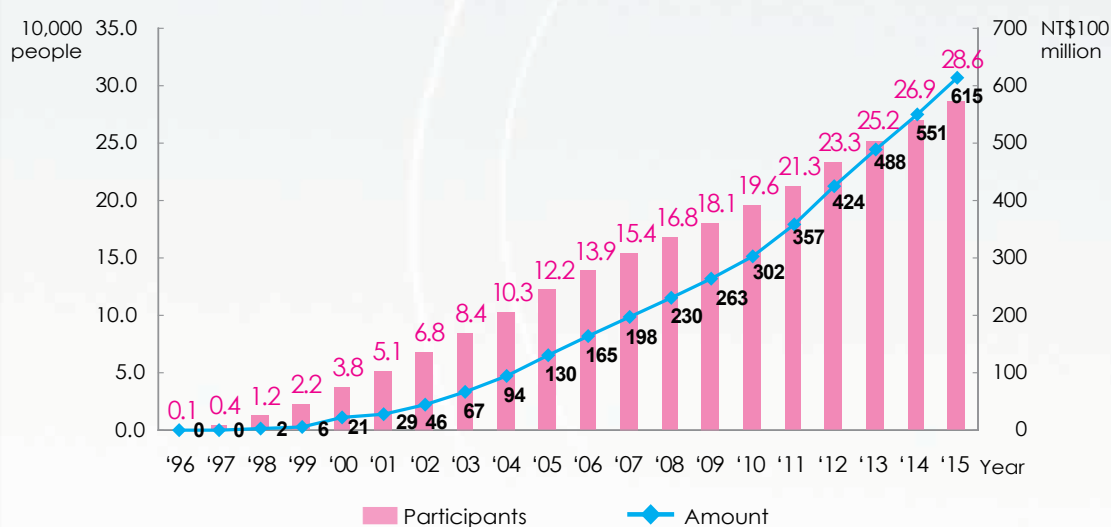


Chart of numbers and amounts of regular civil servant recipients of the Fund over the years

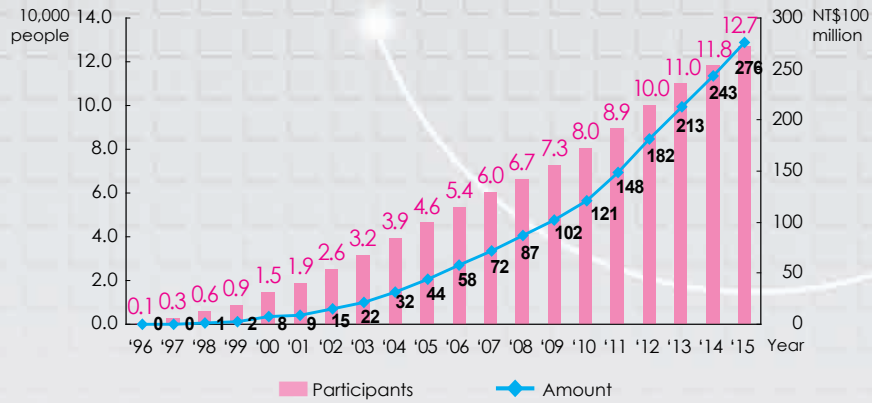


Chart of numbers and amounts of regular education worker recipients of the Fund over the years

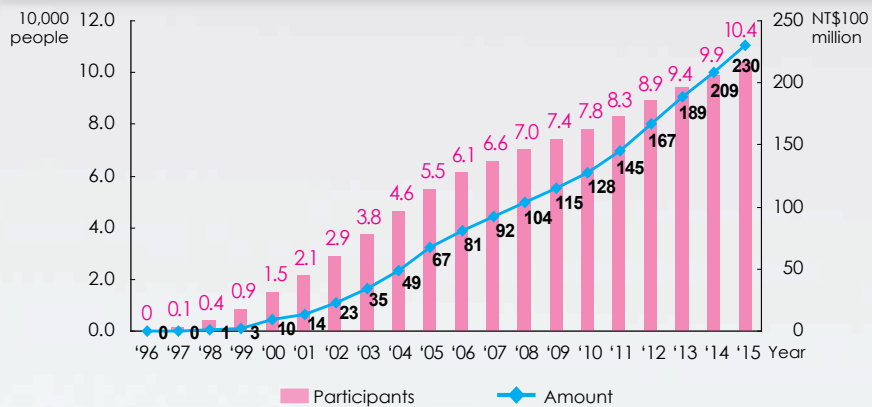
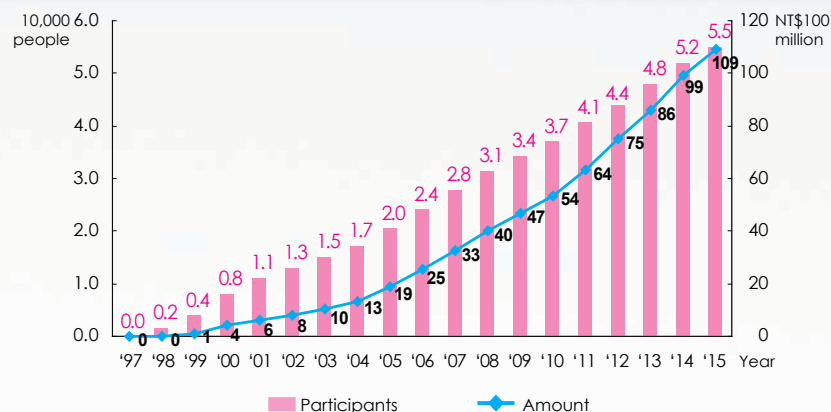


Chart of numbers and amounts of military personnel recipients of the Fund over the years



V The size and asset allocation of the Fund

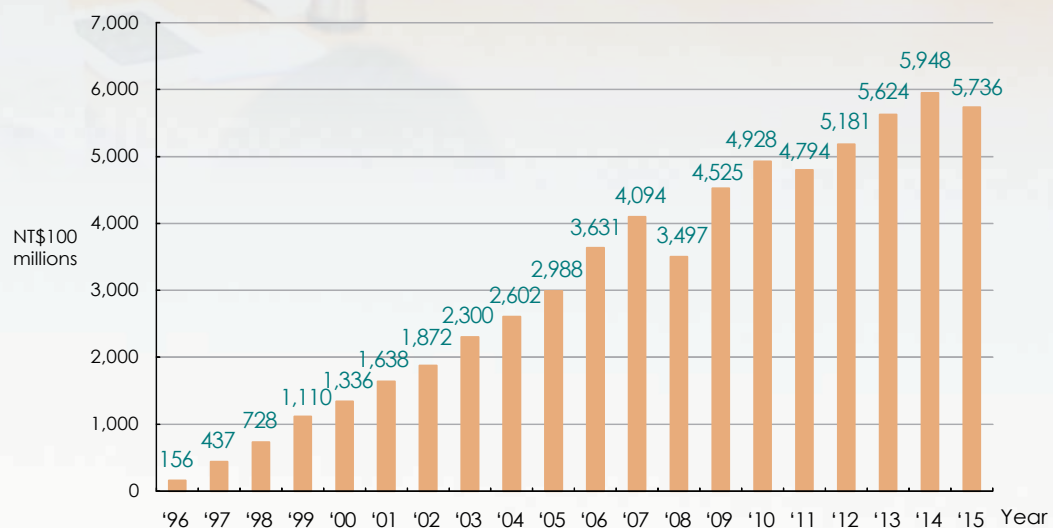
1. Size of the Fund over the years

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 . Given that the continued shortfalls between contributions and payments of the three categories of participants as well as a lower-than-expected global economy recovery, in 2015 the Fund's net asset stood at NT\$573.6 billion, down NT\$21.2 billion from the previous year.





The Fund's net asset value over the years



Notes: 1 For fiscal 2000, it started from July 1, 1999 and ends Dec. 31, 2000.

2 The net value of the Fund includes the accrued receivable/payable items and revenue/expenses.



2. 2015 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 Statutes", 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 Pension 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 2015, the investment items' investment areas, types of income and management modes are as follows:

The Fund's asset allocations as of Dec.31, 2015

Categories	Investment items		Actual amount (NT\$100 m.) (note 3)		Actual allocation % (A)		Center allocation % (B)		Difference % (A) -(B)	
Investment areas (note 1)	Domestic		3,386		59.90		54.90		5.00	
	Overseas		2,267		40.10		45.10		-5.00	
Security type (note 2)	Fixed income		2,843		50.30		40.00		10.30	
	Capital gains		2,810		49.70		60.00		-10.30	
Management methods	Discretionary management	Domestic	2,172	761	38.43	13.47	46.00	18.00	-7.57	-4.53
		Overseas		1,411		24.96		28.00		-3.04
	In-house management	Deposits, short-term bills, securities	3,481	1,507	61.57	26.65	54.00	13.10	7.57	13.55
		Others		1,974		34.92		40.90		-5.98

- Notes: 1 If the overseas investment of the Fund's in-house investment in domestic beneficiary certificates is counted as overseas investment, then the domestic investment will take a 59.6 percent of total investment and overseas investment, 40.4 percent.
- 2 Fixed income investments include deposits, bonds, short-term bills and government bonds. Capital gains investments include beneficiary certificates, stocks and ETF.
- 3 The actual investment amount does not include receivables/payables, prepaid/advance items and bond discount/premium amortization.

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

1. Balance sheet for fiscal 2015

For fiscal 2015, the value of the Fund's total assets was NT\$574.7 billion, with current assets, which amounted to NT\$464.9 billion, taking 80.9 percent and the remaining 19.1 percent being long-term investment and receivables, totaling NT\$109.8 billion.

PSPF Balance sheet - Asset Accounts

Dec.31, 2015

Items	Final account for this fiscal year			Final account	
	In-house management	Discretionary management	Total	In-house management	
	Amount	Amount	Amount	Amount	
Assets	355,834,296,014	218,836,957,163	574,671,253,177	415,398,424,322	
Current assets	246,048,154,986	218,836,957,163	464,885,112,149	308,956,072,050	
Cash	88,198,757,419	9,127,505,001	97,326,262,420	121,443,362,582	
Bank deposits	88,198,757,419	9,127,505,001	97,326,262,420	121,443,362,582	
Financial assets at fair value through income statement - current	141,647,365,695	208,543,544,018	350,190,909,713	171,601,607,316	
Stocks	79,101,387,352	172,089,566,730	251,190,954,082	86,421,945,900	
Beneficiary certificates		1,542,662,685	1,542,662,685		
Short-term bills	62,444,795,918	4,928,026,157	67,372,822,075	84,924,398,020	
Bonds	101,182,425	28,669,281,198	28,770,463,623	255,263,396	
Futures margins		1,285,813,576	1,285,813,576		
Foreign exchange forward contracts		28,193,672	28,193,672		
Held-to-maturity financial assets - current	6,783,481,257		6,783,481,257	6,155,303,384	
Bonds	6,783,481,257		6,783,481,257	6,155,303,384	
Receivables	3,208,179,889	1,165,908,144	4,374,088,033	4,140,308,842	
Accounts receivable	141,023,545	527,485,858	668,509,403	191,466,948	

Unit : NT\$

for last fiscal year		Comparison increase (+) decrease (-)					
Discretionary management	Total	In-house management		Discretionary management		Total	
Amount	Amount	Amount	%	Amount	%	Amount	%
180,127,650,746	595,526,075,068	-59,564,128,308	-14.34	38,709,306,417	21.49	-20,854,821,891	-3.50
180,127,650,746	489,083,722,796	-62,907,917,064	-20.36	38,709,306,417	21.49	-24,198,610,647	-4.95
5,775,510,743	127,218,873,325	-33,244,605,163	-27.37	3,351,994,258	58.04	-29,892,610,905	-23.50
5,775,510,743	127,218,873,325	-33,244,605,163	-27.37	3,351,994,258	58.04	-29,892,610,905	-23.50
173,579,292,132	345,180,899,448	-29,954,241,621	-17.46	34,964,251,886	20.14	5,010,010,265	1.45
135,645,327,931	222,067,273,831	-7,320,558,548	-8.47	36,444,238,799	26.87	29,123,680,251	13.11
1,708,850,386	1,708,850,386			-166,187,701	-9.73	-166,187,701	-9.73
6,129,878,271	91,054,276,291	-22,479,602,102	-26.47	-1,201,852,114	-19.61	-23,681,454,216	-26.01
29,162,667,580	29,417,930,976	-154,080,971	-60.36	-493,386,382	-1.69	-647,467,353	-2.20
861,407,557	861,407,557			424,406,019	49.27	424,406,019	49.27
71,160,407	71,160,407			-42,966,735	-60.38	-42,966,735	-60.38
	6,155,303,384	628,177,873	10.21			628,177,873	10.21
	6,155,303,384	628,177,873	10.21			628,177,873	10.21
772,847,871	4,913,156,713	-932,128,953	-22.51	393,060,273	50.86	-539,068,680	-10.97
211,967,239	403,434,187	-50,443,403	-26.35	315,518,619	148.85	265,075,216	65.70

(Continued)

PSPF Balance sheet - Asset Accounts

Dec.31, 2015

Items	Final account for this fiscal year			Final account	
	In-house management	Discretionary management	Total	In-house management	
	Amount	Amount	Amount	Amount	
Earned revenue receivable	5,406,341	188,257,563	193,663,904	6,149,720	
Interest receivable	899,369,308	412,839,030	1,312,208,338	1,034,796,638	
Allowance for bad debt - account receivables	-309,372		-309,372	-948,723	
State treasury subsidies receivable	2,160,795,338		2,160,795,338	2,900,795,338	
Other receivables	1,894,729	37,325,693	39,220,422	8,048,921	
Prepayments	6,210,370,726		6,210,370,726	5,615,489,926	
Other prepayments	6,210,370,726		6,210,370,726	5,615,489,926	
Long-term investments and receivables	109,786,139,768		109,786,139,768	106,442,352,272	
Available-for-sale financial assets - noncurrent	27,247,026,748		27,247,026,748	31,590,207,699	
Stocks	10,436,053,129		10,436,053,129	13,262,785,929	
Beneficiary certificates	16,810,973,619		16,810,973,619	18,327,421,770	
Debt investments without active market - noncurrent	13,362,647,890		13,362,647,890	6,135,009,357	
Bonds	13,362,647,890		13,362,647,890	6,135,009,357	
Held-to-maturity financial assets - noncurrent	69,176,465,130		69,176,465,130	68,717,135,216	
Bonds	69,176,465,130		69,176,465,130	68,717,135,216	
Other assets	1,260		1,260		
Miscellaneous assets	1,260		1,260		
Overdue receivables	616,031		616,031	476,929	
Allowance for bad debt - overdue receivables	-614,771		-614,771	-476,929	
Total	355,834,296,014	218,836,957,163	574,671,253,177	415,398,424,322	

Unit : NT\$

for last fiscal year		Comparison increase (+) decrease (-)					
Discretionary management	Total	In-house management		Discretionary management		Total	
Amount	Amount	Amount	%	Amount	%	Amount	%
92,505,494	98,655,214	-743,379	-12.09	95,752,069	103.51	95,008,690	96.30
450,432,311	1,485,228,949	-135,427,330	-13.09	-37,593,281	-8.35	-173,020,611	-11.65
	-948,723	639,351	-67.39			639,351	-67.39
	2,900,795,338	-740,000,000	-25.51			-740,000,000	-25.51
17,942,827	25,991,748	-6,154,192	-76.46	19,382,866	108.03	13,228,674	50.90
	5,615,489,926	594,880,800	10.59			594,880,800	10.59
	5,615,489,926	594,880,800	10.59			594,880,800	10.59
	106,442,352,272	3,343,787,496	3.14			3,343,787,496	3.14
	31,590,207,699	-4,343,180,951	-13.75			-4,343,180,951	-13.75
	13,262,785,929	-2,826,732,800	-21.31			-2,826,732,800	-21.31
	18,327,421,770	-1,516,448,151	-8.27			-1,516,448,151	-8.27
	6,135,009,357	7,227,638,533	117.81			7,227,638,533	117.81
	6,135,009,357	7,227,638,533	117.81			7,227,638,533	117.81
	68,717,135,216	459,329,914	0.67			459,329,914	0.67
	68,717,135,216	459,329,914	0.67			459,329,914	0.67
		1,260				1,260	
		1,260				1,260	
	476,929	139,102	29.17			139,102	29.17
	-476,929	-137,842	28.90			-137,842	28.90
180,127,650,746	595,526,075,068	-59,564,128,308	-14.34	38,709,306,417	21.49	-20,854,821,891	-3.50

(End)

PSPF Balance sheet - Liability Accounts

Dec.31, 2015

Items	Final account for this fiscal year			Final account	
	In-house management	Discretionary management	Total	In-house management	
	Amount	Amount	Amount	Amount	
Liabilities	5,950,758	1,056,366,682	1,062,317,440	11,395,260	
Current liabilities	5,950,678	1,056,366,682	1,062,317,360	11,395,260	
Short-term debt		40,873,718	40,873,718		
Foreign exchange forward contracts		25,488,240	25,488,240		
Interest swap		15,385,478	15,385,478		
Payables	5,731,156	1,015,492,964	1,021,224,120	11,078,361	
Accounts payable		885,126,843	885,126,843		
Receipts under custody payable	2,111,011		2,111,011	7,812,569	
Expenses payable	435,664	13,289	448,953	449,270	
Management fees payable		120,091,738	120,091,738		
Custody fees payable	2,607,815	10,261,094	12,868,909	2,670,653	
Other payables	576,666		576,666	145,869	
Advance accounts	219,522		219,522	316,899	
Other advance accounts	219,522		219,522	316,899	
Other liabilities	80		80		
Miscellaneous liabilities	80		80		
Temporary accounts	80		80		

Unit : NT\$

for last fiscal year		Comparison increase (+) decrease (-)					
Discretionary management	Total	In-house management		Discretionary management		Total	
Amount	Amount	Amount	%	Amount	%	Amount	%
745,156,964	756,552,224	-5,444,502	-47.78	311,209,718	41.76	305,765,216	40.42
745,156,964	756,552,224	-5,444,582	-47.78	311,209,718	41.76	305,765,136	40.42
50,881,222	50,881,222			-10,007,504	-19.67	-10,007,504	-19.67
34,416,280	34,416,280			-8,928,040	-25.94	-8,928,040	-25.94
16,464,942	16,464,942			-1,079,464	-6.56	-1,079,464	-6.56
694,275,742	705,354,103	-5,347,205	-48.27	321,217,222	46.27	315,870,017	44.78
576,475,267	576,475,267			308,651,576	53.54	308,651,576	53.54
127,640	7,940,209	-5,701,558	-72.98	-127,640	-100.00	-5,829,198	-73.41
3,834	453,104	-13,606	-3.03	9,455	246.61	-4,151	-0.92
107,936,809	107,936,809			12,154,929	11.26	12,154,929	11.26
9,732,192	12,402,845	-62,838	-2.35	528,902	5.43	466,064	3.76
	145,869	430,797	295.33			430,797	295.33
	316,899	-97,377	-30.73			-97,377	-30.73
	316,899	-97,377	-30.73			-97,377	-30.73
		80				80	
		80				80	
		80				80	

PSPF Balance sheet - Fund & surplus Accounts

Dec.31, 2015

Items	Final account for this fiscal year			Final account	
	In-house management	Discretionary management	Total	In-house management	
	Amount	Amount	Amount	Amount	
Fund and surplus	355,828,345,256	217,780,590,481	573,608,935,737	415,387,029,062	
Fund			573,171,465,782		
Public Service Pension Fund Capital			407,513,566,640		
Public Service Pension Fund Capital			407,513,566,640		
Public Service Pension Fund Accumulated surplus/ deficit - distributed			165,657,899,142		
Public Service Pension Fund Legally guaranteed return			21,144,429,343		
Public Service Pension Fund Return above (below) legally guaranteed amount			46,353,990,130		
Public Service Pension Fund Accumulated surplus			98,159,479,669		
Accumulated surplus/ deficit - undistributed			2,160,795,338		
Shortfall from legally guaranteed return to be reimbursed			2,160,795,338		
Equity Adjustments	-1,723,325,383		-1,723,325,383	231,132,466	
Equity adjustments	-1,723,325,383		-1,723,325,383	231,132,466	
Gains or losses on valuation of available-for-sale financial assets	-1,723,325,383		-1,723,325,383	231,132,466	
Total	355,834,296,014	218,836,957,163	574,671,253,177	415,398,424,322	

Unit : NT\$

for last fiscal year		Comparison increase (+) decrease (-)					
Discretionary management	Total	In-house management		Discretionary management		Total	
Amount	Amount	Amount	%	Amount	%	Amount	%
179,382,493,782	594,769,522,844	-59,558,683,806	-14.34	38,398,096,699	21.41	-21,160,587,107	-3.56
	591,637,595,040					-18,466,129,258	-3.12
	417,818,775,552					-10,305,208,912	-2.47
	417,818,775,552					-10,305,208,912	-2.47
	173,818,819,488					-8,160,920,346	-4.70
	21,039,905,741					104,523,602	0.50
	81,443,106,885					-35,089,116,755	-43.08
	71,335,806,862					26,823,672,807	37.60
	2,900,795,338					-740,000,000	-25.51
	2,900,795,338					-740,000,000	-25.51
	231,132,466	-1,954,457,849	-845.60			-1,954,457,849	-845.60
	231,132,466	-1,954,457,849	-845.60			-1,954,457,849	-845.60
	231,132,466	-1,954,457,849	-845.60			-1,954,457,849	-845.60
180,127,650,746	595,526,075,068	-59,564,128,308	-14.34	38,709,306,417	21.49	-20,854,821,891	-3.50

2. Income statement of the Fund for fiscal 2015

The Fund accrued a balance of NT\$-8.9 billion in fiscal 2015, NT\$31.9 billion short of the projected surplus.

Public Service Pension Fund – Income Statement

Fiscal 2015

Items	Fiscal 2015 budget		
	Amount	%	
Total revenue	23,678,985,000	100.00	
Financial revenue	23,678,985,000	100.00	
Interest revenue	3,869,909,000	16.34	
Net gain on foreign exchange			
Securities lending revenue	6,000,000	0.03	
Net gain on investment	19,803,076,000	83.63	
Other revenue			
Miscellaneous revenue			
Total expenses	670,902,000	2.83	
Financial expenses	670,902,000	2.83	
Interest expense			
Discretionary management fees	605,511,000	2.56	
Custody fees	49,884,000	0.21	
Remittance expenditure and account maintenance fees	7,587,000	0.03	
Transaction expenses	7,800,000	0.03	
Securities lending fees	120,000		
Net loss on valuation of investment			
Bad debt expense			
Other expenses			
Other expenses			
Surplus/Deficit during this period	23,008,083,000	97.17	

Unit : NT\$

Fiscal 2015 Final Account		Increase/Decrease		Fiscal 2014 Final Account	
Amount	%	Amount	%	Amount	%
18,605,333,242	100.00	-5,073,651,758	-21.43	35,959,698,897	100.00
18,569,732,839	99.81	-5,109,252,161	-21.58	35,919,825,079	99.89
4,805,682,484	25.83	935,773,484	24.18	4,934,764,577	13.72
2,359,038,185	12.68	2,359,038,185		8,971,176,022	24.95
5,750,916	0.03	-249,084	-4.15	992,817	
11,399,261,254	61.27	-8,403,814,746	-42.44	22,012,891,663	61.22
35,600,403	0.19	35,600,403		39,873,818	0.11
35,600,403	0.19	35,600,403		39,873,818	0.11
27,506,253,588	147.84	26,835,351,588	3999.89	2,376,199,188	6.61
27,481,322,450	147.71	26,810,420,450	3996.18	2,366,060,621	6.58
10,677,626	0.06	10,677,626		3,711,593	0.01
536,560,494	2.88	-68,950,506	-11.39	517,534,685	1.44
43,686,972	0.23	-6,197,028	-12.42	38,589,924	0.11
7,678,271	0.04	91,271	1.20	8,411,504	0.02
7,118,424	0.04	-681,576	-8.74	4,616,445	0.01
91,994		-28,006	-23.34	15,878	
26,875,508,669	144.45	26,875,508,669		1,792,537,708	4.98
				642,884	
24,931,138	0.13	24,931,138		10,138,567	0.03
24,931,138	0.13	24,931,138		10,138,567	0.03
-8,900,920,346	-47.84	-31,909,003,346	-138.69	33,583,499,709	93.39

3. Actuarial valuation results by various participating groups

As of December 2015, total funded assets are NT\$573.6 billion. The amount and ratio are showed as follow:

Valuation Date	Amount of Funded Asset (NT\$)	Funded Ratio
Dec. 31, 2015		
Political appointees	56,656,430	8 %
Civil servants	339,739,960,957	26 %
Education workers	204,558,719,215	18 %
Military personnel	29,253,599,135	7 %

- Notes: 1. The table is extracted from the 2015 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 payment.





VII Performance of the Fund

1. Records of overall performance over the years

The Fund has accumulated realized earning of NT\$189.7 billion as of the end of fiscal 2015. With an accumulated realized earning rate of 3.21 percent, 1.29 percentage points higher or NT\$76 billion more than an assumed earnings of NT\$137.7 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\$163.1 billion, at a return rate of 2.76 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
Total	1897.81	3.21	1,631.09	2.76	1.92	

Notes : 1. Fiscal 2000 begins July1, 1999 and ends 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.

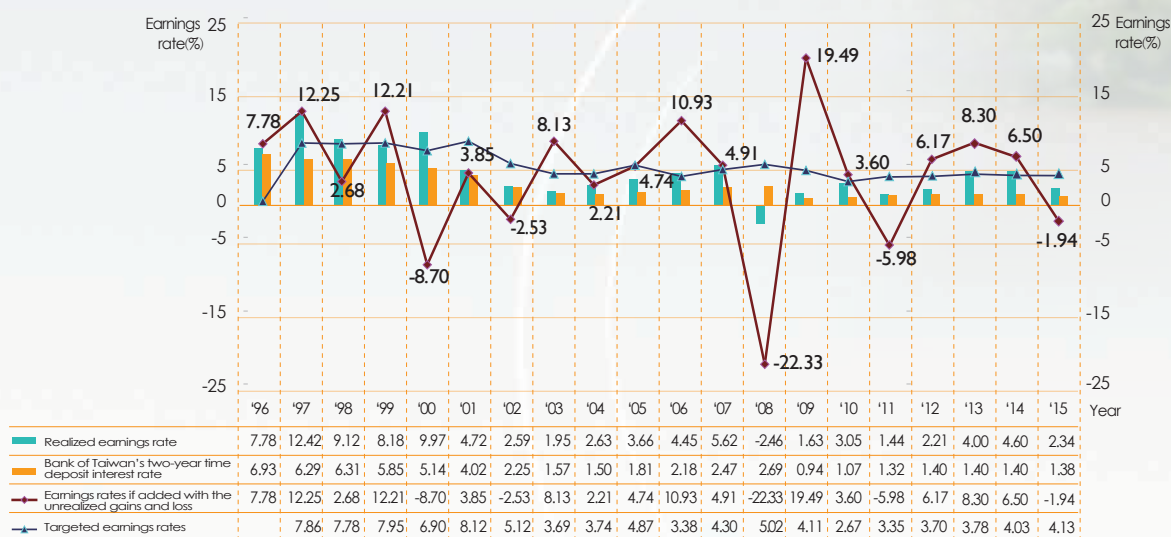
4. The national coffers shall make up for what the Fund suffers based on the realized earnings as instructed by the Directorate General of Budget, Accounting and Statistics in its official document dated April 24, 2001 (No. 03814 letter of Tai Jiu Shih Chu Xiao Yi Zi) .



(2) Trend of earnings rates over the years

The Fund's earnings rates have mostly been stable over the past years, except for periods of the dot-com bubble in 2000, the U.S. subprime mortgage crisis in 2008, the European debt crisis in 2011, and the expansion of unrealized loss caused by lower-than-expected global economy recovery in 2015.

Chart of the Fund's earnings over the years



Notes: 1. Fiscal 2000 begins July 1, 1999 and ends 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 2015

The Public Service Pension Fund recorded a realized earnings rate of 2.34 percent in fiscal 2015, which was 0.96 percentage points higher than Bank of Taiwan's two-year time deposit interest rate. It would be translated into an earnings rate of -1.94 percent if added with the unrealized gains and losses and rate of return with available-for-sale securities over the year – 6.07 percentage points lower than the year's targeted earnings rate of 4.13 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 management investments with fixed-income asset classes

Investment asset class	Actual returns for fiscal 2015 (%)	Indexes for evaluating performance	
		Benchmark (%)	Names of Index
Domestic bonds	1.75	1.41	The closing interest rate of 10-year Taiwan government bond in first transaction day of each month at the ROC GreTai Securities Market
Overseas bonds	3.89	2.28	Using the interest rate of the 5-year US treasury bond as the base day of evaluation
Short-term domestic bill	0.60	0.67	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	0.69	0.50	The average deposit interest rate of five leading banks as defined by the Central Bank (rate of one-year jumbo time deposit)
Dollar	0.74	0.46	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 at the base day of evaluation

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

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

Investment asset clas	Actual returns for fiscal 2015 (%)	Indexes for evaluating performance	
		Benchmark (%)	Names of index
Domestic stocks and ETF	-12.05	-10.41	Taiwan Weighted Stock Index-TWSI
Overseas stocks and ETF	-2.39	-2.36	MSCI World Index
Domestic beneficiary certificates	-1.64	-10.41	Taiwan Weighted Stock Index-TWSI
Overseas beneficiary certificates	-0.28	-2.67	MSCI World Index and Barclays Capital 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, foreign exchange gain/loss were disregarded due to the features of their benchmarks.

(3) Performances of discretionary management

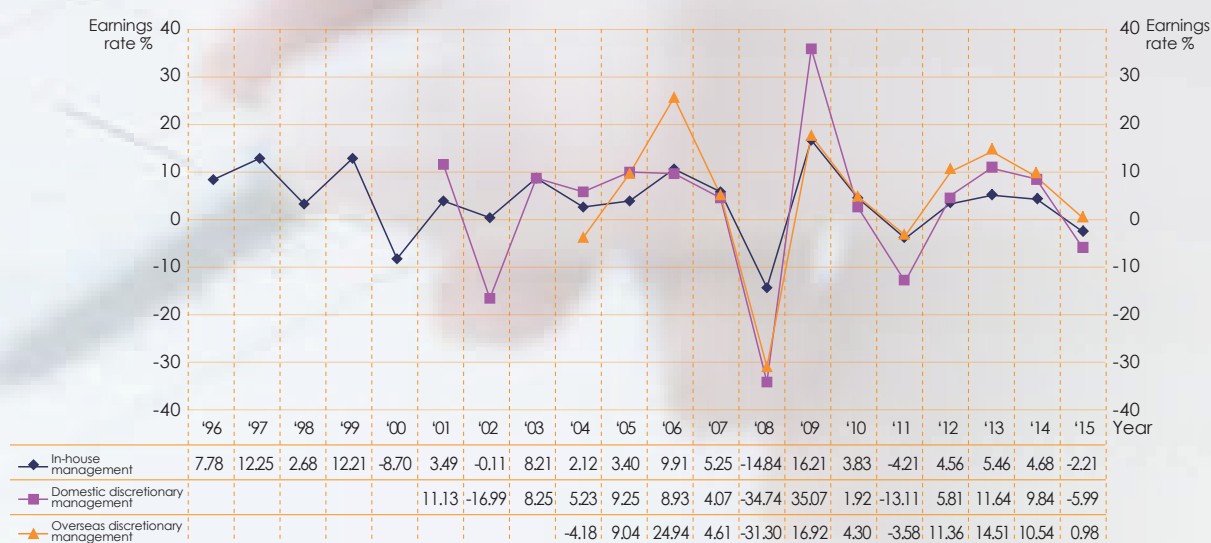
Investment asset clas	Actual returns for fiscal 2015 (%)	Indexes for evaluating performance	
		Benchmark (%)	Names of index
Domestic discretionary management	-5.99	-8.74	Using the ratios of distribution of commissioned management's capital gains and fixed income as the weight function, weighted with the earnings rate of Taiwan Weighted Stock Index-TWSI and the closing interest rate of 10-year Taiwan government bond in the first transaction day of each month at the ROC CreTai Securities Market during the same period
Overseas discretionary management	-0.81	-2.54	Using the ratios of distribution of Overseas commissioned management's capital gains and fixed income as the weight function, weighted with MSCI World Index and Barclays Capital Global Aggregate Bond Index, during the same period

Note: The actual returns of foreign discretionary management after adding foreign exchange gain/loss were 0.98% for fiscal 2015.

3. Performances of in-house and discretionary managements

Fiscal 2015 registered -2.21 percent earnings rate in the Fund's in-house management, -5.99 percent in its domestic discretionary management and 0.98 percent in overseas discretionary management, down 6.89 percentage points, 15.83 percentage points and 9.56 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 begins July1, 1999 and ends 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. Each participating government agency has its own auditing unit. For example, the PSPFMB has a Department of Auditing, which is responsible for internal auditing. The auditing unit performs daily monitoring of the Fund operations and administrations. The PSPFSB has its own internal auditing unit that is charged with reviewing significant issues and the monthly management reports. The PSPFSB performs year-end on site auditing and additional auditing in case of extraordinary situation. The Examination Yuan, the Legislature and the National Audit Office are also obliged to conduct different types of supervision of the Fund to ensure the security of fund assets.





IX Operational highlights of the year

◆ Management Board ◆

- According to statutorily established schedules, the PSPFMB not only conducted matters in relation to contributions and payments of the fund but also updated the personal information of incumbent public servants and retirees to protect the rights and interests of fund participants.
- The PSPFMB posted new and amended regulations and interpretations from different competent authorities on the Pension Fund website for personnel in charge of pension operations in government agencies, public schools and military units to understand related information and conduct their work accordingly.
- To increase flexibility in control of outsourced investment management with international practices, characteristics of the Pension Fund and the needs in actual operation taken into account, the Regulations on Outsourced Management of the Public Service Pension Fund were amended and the amendment was promulgated via a joint announcement released by the Examination Yuan and the Executive Yuan.
- To improve the efficiency and profits of mid- and long-term investments, provisions regarding limits of amounts to be invested in foreign asset securitization products, the Operational Regulations on Investment in Foreign Asset Securitization Products with the Pension Fund were reviewed and amended.



- To increase flexibility in utilization and also to accommodate the needs in future investment, new investment items, including "equity securities of listed and OTC companies in and outside the country" and "private equity securities, gold passbook and other types of alternative assets," etc., were added in accordance to the Public Service Pension Fund Management Act and the addition has been presented to and approved by the Examination Yuan and the Executive Yuan.
- To provide the legal basis for fund operation and set the annual earnings targets, domestic and overseas economic and financial situations, fund balance estimates and the market risk tolerance level were assessed and the 2016 fund operation directions and plan were established accordingly and presented to be reviewed by the PSPFMB and the PSPFSB.
- Funds to pay for outsourced management operations in and outside the country in 2013 and 2014 were appropriated separately. The outsourcing was conducted at different time points for cost and risk reduction.
- Performance evaluation on domestic discretionary management organization which had entered into the second agreements in 2010 was conducted. Discretionary management contracts will be taken back at expire date due to failed performance.
- Contracts with trustee institutions delegated in the second round in 2009 to management Asia-Pacific equity securities were renewed and the amounts entrusted were increased due to the decent performance of the trustee institutions.
- The management performance of trustee institutions delegated in the first round in 2011 was assessed before contract expiration. The contracts with trustee institutions having achieved indices of rate of return were extended for another four years and some of them also were given increased amounts to manage. The investments entrusted with those failing to achieve indices of rate of return were retrieved upon contract expiration.
- Contracts with some domestic discretionary management organizations were terminated due to failed performances.
- Contracts with custodian institutions for overseas investments were renewed.
- The 6th actuarial calculation was carried out according to regulations to understand the long-term (within the next 50 years) financial burden of the Fund under the current income and expenditure accounting system.
- All written and onsite audits were completed in accordance with the 2015 auditing plan. The 2016 auditing plan was also established and each fund operation item, the auditing points and frequencies were specified.
- Onsite audits were conducted on domestic discretionary management and custody institutions. Staff members are also assigned to receive training at foreign discretionary management institutions to understand structure, investment of entrusted funds, risk control management, internal control and auditing systems. The trainings provide the opportunities of learning from investment experience and expertise to enhance efficiency of auditing management.
- Procedures in the fund financial and accounting system regarding investment decision-making assistance, IFRS 7 financial instrument disclosure, fund auditing and domestic futures modules were systemized and officially made accessible online in accordance with the International Financial Reporting Standards (IFRS).

◆ Supervisory Board ◆

- The total contribution received was not enough to pay benefits for the first time in 2014 and in 2015 the deficit increased from NT\$3.3 billion to NT\$10.3 billion. It was an indication of serious deterioration and the problem has to be addressed. The payment-to-contribution ratio for each type of participants went up rapidly each year in recent years. Above all, the contribution-payment imbalance appeared in 2011, 2014 and 2015 for military personnel, teachers and civil servants. That was mainly because the Pension Fund had matured. Payments are increasing significantly yet the growth of contribution is very slow. All concerned authorities need to pay attention and find solutions.
- In response to changes in domestic and overseas financial and capital markets and environments, besides amending the Regulations on Discretionary Management of the Public Service Pension Fund in accordance with the measures taken by the PSPFMB to include new investment instruments, namely "equity securities of listed and OTC companies in and outside the country" and "privately offered equity securities, gold passbook and other types of assets," the PSPFSB also completed the Operational Regulations on Investment in Foreign Asset Securitization Products with the Pension Fund and the Guidelines for Delegation of Fund Collection and Payment to serve as references to facilitate utilization of the Fund for investment and improve operation performance.
- Through regular observation of the asset allocation tendencies of large pension funds in and outside the country, the PSPFSB was able to have a firm grasp of market developments and provide strategic suggestions for allocation of fund assets to improve investment results.





- The PSPFSB consolidated its data to draw up reports and statements with the PSPFMB and establish investment transaction screening checklists for stocks under self-management, stocks under discretionary management and beneficiary certificates in the country to strengthen auditing functions and promote informatization of operations.
- The PSPFSB conducted the "Research and Analysis on Indicator Characteristics of Different Types of Investment Objects" by collecting methods of discretionary management indicator establishment currently adopted overseas and indicator characteristics, including brief descriptions of companies establishing such indicators, indicator establishment frameworks, and overviews of indicator establishment approaches. The research report was completed with suggestions provided to serve as references for supervisory operations.
- In line with the IFRS dual-track operation of the Pension Fund launched in 2015, the PSPFSB reviewed the accounting work of the PSPFMB, including the 2015 Monthly Accounting Reports (the IFRS version) and reconciliation statements, current accounting system, accounts established after adoption of the IFRS system and financial statement difference contrasts, in the hope that the accounting tables of the Fund could comply with the IFRS.
- The PSPFSB daily and biweekly supervisory reports and kept track of the effects of the performance of financial markets in and outside the country and important political and economic news reports on the items of investment from the Fund. Key areas requiring supervisory efforts are analyzed and references are provided for further supervisory operations.
- The PSPFSB attended the "Government Fund Operation Performance Promotion Working Group" meeting convened by the Financial Supervisory Commission to exchange ideas with other attending units on participation of government funds in shareholder meetings as well as future work items and adjustments of the positioning of the working group, hoping to improve the operation performance of government funds.
- To improve supervisory functions and fund operation performance, the PSPFSB established and promoted the "Fund Supervision Performance Enhancement Project" aiming to "improve supervisory functions, upgrade the performance of the Fund, provide assistance in pension reform and protect the interests of retirees from the public service" while at the same time adopted "establishment of an evaluation mechanism to strengthen supervisory functions, adjustment of operation contents, increase of flexibility in use of human resources, development of research and development energy, enhancement of discourses on related issues, establishment of electronic platforms, and improvement of supervisory performance" as the targets of promotion. Three special task forces were created to perfect supervisory performance, develop strategies and simplify procedures, and promote informatization. They were to take active measures to achieve short-, mid- and long-term work targets in accordance with established schedules.

X Prospect and conclusion

The future tasks of the two Boards, which will continue to do their jobs according to law, aiming to ensure both the Fund's security and good investment returns, are as follows:

- **Cautious asset allocation planning to upgrade Fund operation performance**

To establish the most appropriate investment portfolios, economic conditions in and outside the country as well as market risk tolerance levels will be assessed to determine allocation of Fund assets each year and make suitable adjustments to the investment portfolios. Both self-management and discretionary management will be adopted to consolidate asset management resources in the private sector to assure the Pension Fund can achieve the multiple operation objectives of professional management, efficiency improvement and better investment performance.



- **Appropriate amendment of related regulations and increase of diversified investment approaches**

To execute the investment arrangements specified in the annual asset allocation plan successfully, we will continue to review and amend related regulations to make fund investment more systemic and also evaluate the feasibility of adding new investment instrument to extend the range of investment. At the same time, when outsourcing investment management, we will continue to diversify the types of discretionary management and the areas investments are made to minimize investment risk.

- **Enhancement of risk control procedures and enforcement of the reporting mechanism**

To ensure effective control of discretionary management, we will cooperate with the Financial Supervisory Commission and enhance information sharing to strengthen auditing performance to protect the safety of Fund assets and achieve sustainable operation and development.





- **Enhancement of fund control procedures and enforcement of audit and supervisory functions**

To improve overall Fund operation performance, we will continue to adopt diverse and objective rating indices and risk control standards to assess Fund operation performance as well as review the results and risks of outsourced asset management in and outside the country in accordance with the analytic data on Fund investment profits and losses on a quarterly basis in the hope that such multi-aspect performance evaluation and risk assessment can lead to establishment of performance improvement measures to perfect management capacity.

- **Continued improvement of Fund supervision performance and reinforcement of supervisory functions**

To improve supervisory functions and Fund performance, we will continue to launch special projects in accordance with established short-, mid- and long-term targets, including regular tracking and review, rolling management execution results, etc. At the same time, we will try to obtain related funds according to budgeting procedures and start to establish the “Electronic Supervisory Information Platform” step by step within the upcoming years.



- **Enhancement of discretionary management control and enforcement of information notification mechanisms**

As the scale of the Fund grows larger gradually and the diversity of investment approaches increases, internal control procedures become all the more important. To ensure fund operation safety and perfect the supervisory mechanism, besides using the information system to supervise Fund operation and related law enforcement to plan review and control procedures appropriately, we will also reexamine ongoing operating procedures and auditing plans at any time to ensure all inspection functions are in good condition so that the operation and investment of the Fund remain under strict and tight control and violations can be prevented.



- **Promotion of self-conducted and outsourced research to cultivate R&D energy**

In addition to encouraging the staff members to conduct studies on fund-related or important topics as well as integrate theories and practices to upgrade the quality of self-conducted research and cultivate R&D energy, we will also promote outsourced research to seek progressive technologies extensively from the research sectors and continue to learn from management practices and asset allocation strategies of pension funds in advanced nations. Concrete and feasible suggestions offered in such studies will be adopted as references in policy planning and decision making.

- **Establishment of cross-department communication channels to solicit opinions from diverse sources**

We will cooperate and exchange ideas with other government funds in the country and concerned administrative departments on specifically chosen topics. Efforts will also be invested to make good use of creative energy from the private sector to strengthen fund governance performance in accordance with fund management development and economic situations in and outside the country.

The pension system is an important link in the reform of the civil service system. The quality of management 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 good 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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