

PARTIAL LIQUIDATION REGULATIONS - PENSION FUNDS

Valid from 1 January 2019





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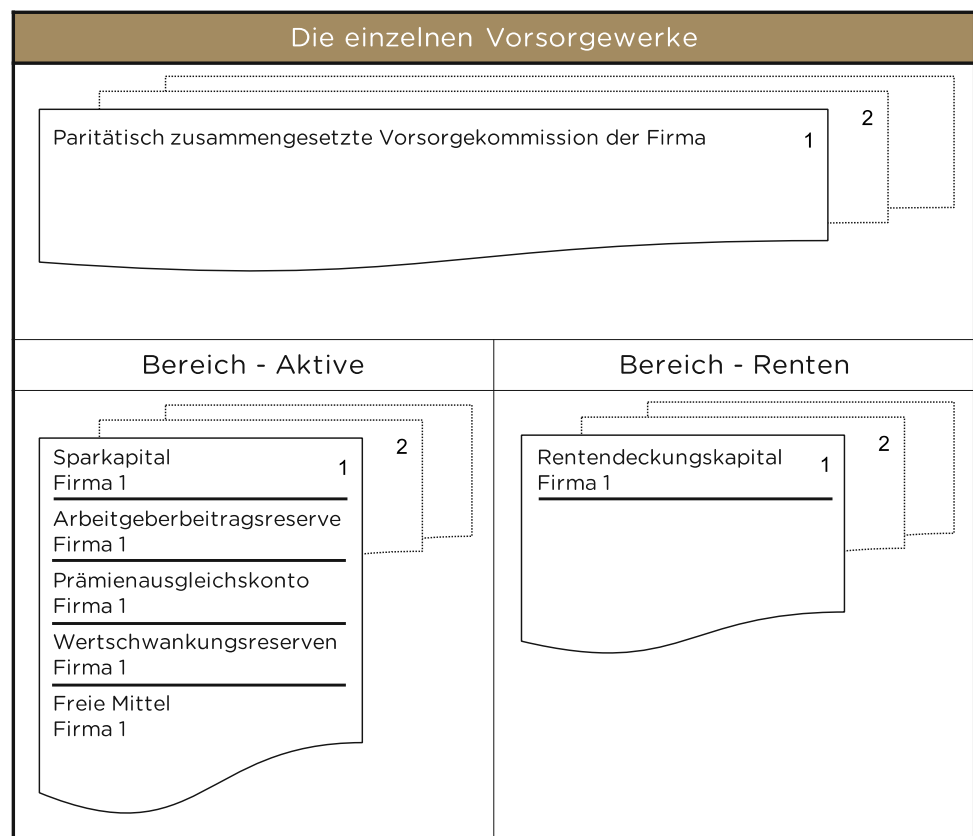
A. Purpose and Content

- Art. 1 General Provisions**
- Basic Principles ¹ Based on Art. 53b to d BVG, Art. 27 g to h BVV 2 and the Pension Regulations of Alviso Pension Fund, the Foundation Board issues these Regulations.
- Purpose ² The Regulations govern the procedure for the partial liquidation of pension funds.

Art. 2 General Overview

The pension constituents described in these Regulations can be described as follows:

Aufbau Alviso Pensionskasse	
Organ	Paritätisch zusammengesetzter Stiftungsrat
Gemeinsame Fonds	Ausgleichsfonds
	Freie Mittel
	Technische Rückstellungen <ul style="list-style-type: none"> - Umwandlungssatz - Senkung technischer Zinssatz - Versicherungsrisiken Rentner



Collective Foundation Level



An equalisation fund is managed at collective foundation level. This equalisation fund serves to balance out financial and actuarial fluctuations of individual pension schemes - in particular pension schemes with fewer than 20 beneficiaries and the pension fund for pensioners.

In addition, technical reserves are created at the level of the collective foundation. Where pension funds insure at least 50 active persons and the retirement capital of the active insured and pension recipients amounts to at least CHF 10 million, the technical reserves can also be held in the pension fund, provided it has been agreed in the affiliation contract accordingly.

Disposable assets can only be created at collective foundation level in exceptional situations, as the fluctuation reserve is managed at pension fund level. If the fluctuation reserve of a pension fund exceeds the target value defined by the Foundation Board, the excess is reported as disposable assets within the pension fund.

Pension Fund Level

At pension fund level, in addition to the pension capital of the active insured and any pension recipients, the value fluctuation reserve and the premium equalisation account, separate accounts are maintained for any disposable assets and employer contribution reserves.

If the fluctuation reserve exceeds the target value defined by the Foundation Board, the excess amount is reported as disposable assets within the pension fund. If there is no longer a value fluctuation reserve after years of lower returns in a pension fund, the disposable assets account can also be negative in the event of a shortfall in cover.

Technical provisions (conversion rate, reduction in technical interest rates and insurance risks for pensioners) can be managed at pension fund level, provided that at least 50 active persons are insured in the pension fund and the pension capital of the active insured and pension recipients amounts to at least CHF 10 million and it has been agreed accordingly in the affiliation contract.

Pension Recipients

Pension recipients who form part of the outflowing portfolio will be transferred to the new pension scheme in the same way as active insured persons. If, for some reason, it is not possible to transfer pensioners to the new pension scheme, they will be assigned to the "Pension Recipients of Previous Affiliation Contracts" pension fund, which will be part of the continuing portfolio. Only those capital amounts that are managed directly in the collective foundation are taken into account as pension capital for pension recipients. Pension capital of pensioners which is managed by an insurance company is not taken into account.

Termination of the Affiliation Contract

If, for any reason, it is not possible to provide information on all pensioners on termination of the affiliation contract, the pensioners remaining in the collective foundation will be allocated to the "Pensioners of Affiliation Contracts with No Active Insured Persons" pension fund, which forms part of the continuing portfolio. In accordance with Art. 53e para. 6 BVG, an affiliation contract continues to exist with respect to pensioners.

Beneficiaries

Active insured persons and pensioners of the collective foundation.

Pension Fund Coverage Ratio

As at the balance sheet date, the pension fund's funding ratio is calculated as the ratio of the pension fund's available assets to the pension capital. Depending on the level of the fluctuation reserves and any disposable assets, each pension fund shows an individual coverage ratio. The coverage ratio of the pension fund does not correspond to the coverage ratio of the collective foundation.



B. Implementation of a partial liquidation

	Art. 3 Principles and Requirements
Principle according to Art. 18a FZG	<p>¹ In the event of partial liquidation of a pension fund, the departing insured persons have either an individual or a collective entitlement to a share of the pension fund's disposable assets in addition to an entitlement to the leaving benefit prescribed by the Regulations. If there is a shortfall, the shortfall can be deducted proportionately from the individual leaving benefit.</p>
Requirements for partial liquidation	<p>² The requirements for partial liquidation of a pension fund are met if:</p> <ol style="list-style-type: none">there is a significant reduction in the workforce of an affiliated company, ora company is restructured. <p>It falls to the Pension Commission to decide in consultation with the Foundation Board whether the requirements have been met in a particular case. The pension fund is responsible for carrying out the partial liquidation of a pension fund.</p> <p>The partial liquidation of a pension fund can be dispensed with due to the fund's insignificant size if:</p> <ol style="list-style-type: none">the relevant funding ratio of the pension fund is above 97.5% and below 102.5%, orin the case of a collective exit, the pro rata entitlement to provisions and fluctuation reserves is less than 2.5% of the relevant leaving benefits. <p>If the partial liquidation is dispensed with due to the fund's insignificant size, any deterioration in the funding ratio of the pension fund resulting from non-implementation of the partial liquidation shall be compensated for via the equalisation fund accumulated by the Foundation.</p>
Group of persons considered	<p>³ Only involuntary exits are taken into account in the partial liquidation. An exit is considered to be involuntary if the employment contract of an active insured person is terminated by the employer and they are not offered an equivalent position. Exit is also considered to be involuntary if an insured person gives notice of termination themselves, in order to avoid imminent termination by the employer. The following are not taken into consideration:</p> <ol style="list-style-type: none">Voluntary exits and the expiry of fixed-term employment contracts,Dismissals for disciplinary reasons or for major cause pursuant to Art. 337 OR (termination without notice),Retirement, disability and death.
Significant reduction	<p>⁴ A reduction in the number of active insured persons within a pension fund due to involuntary exits shall be deemed significant as follows:</p> <ul style="list-style-type: none">- in the case of an insured workforce with ten or fewer insured employees, by at least three persons and 25% of the retirement credits;- in the case of an insured workforce with more than ten and up to 20 insured employees, by at least five persons and 20% of the retirement credits;- in the case of an insured workforce with more than 20 and up to 70 insured employees, by at least seven persons and 15% of the retirement credits;- in the case of an insured workforce with more than 70 insured employees, by at least 10% of the persons and 10% of the retirement credits. <p>These exits can also extend over a lengthy period of time. The reduction must be related directly to a financially justified reduction in staff.</p>



Restructuring of a company	<p>⁵ A restructuring of a company is presumed, for example, when there is an outsourcing or reorganisation of parts of the company or the closure of such parts and thus involuntary exits of the following magnitude are affected:</p> <ul style="list-style-type: none">- in the case of an insured workforce with ten or fewer insured employees, by at least three persons and 15% of the retirement credits;- in the case of an insured workforce with more than ten and up to 20 insured employees, by at least four persons and 12% of the retirement credits;- in the case of an insured workforce with more than 20 and up to 70 insured employees, by at least four persons and 12% of the retirement credits;- in the case of an insured workforce with more than 70 insured employees, by at least 5% of the persons and 5% of the retirement credits.
Period	<p>⁶ In the event of a restructuring or a successive reduction, the period of time relevant for determination of the group of persons shall generally be 12 months. If the reduction plan or the restructuring provides for a longer or shorter period, this period shall be decisive.</p>
Employer's obligation to report	<p>⁷ The employer is obliged to notify the pension fund immediately of any reduction in the workforce or restructuring of its company that may lead to the partial liquidation of a pension fund. In particular, the context of the reduction, the employees affected, the end of their employment contracts and the reason for the termination must all be listed.</p>
Employer assistance	<p>⁸ The employer is obliged to provide the Pension Commission and the Foundation Board with all the information needed to carry out the partial liquidation.</p>
Ordinary and extraordinary balance sheet date	<p>Art. 4 Value Date</p> <p>¹ The value date for the partial liquidation is based on the end of the staff reduction process or the restructuring. The balance sheet date closest to the partial liquidation date is chosen as the relevant date for calculating the coverage ratio and financial circumstances. This calculation is based on the financial statements of the corresponding financial year.</p>
Change in the assets and liabilities	<p>² In the event of significant changes in assets or liabilities of at least 5% between the value date of the partial liquidation and the transfer of the funds, the disposable assets in the equalisation fund to be transferred must be adjusted accordingly.</p>
Collective exit	<p>Art. 5 Collective exits and transfer type</p> <p>¹ If the outflowing portfolio is transferred jointly or at least by a majority, i.e. at least five insured persons, to a new pension arrangement of the same employer, this constitutes a collective exit. In the latter case, a distinction is made within the outflowing portfolio between collective exits and individual exits.</p>
Transfer type	<p>² In the case of a collective exit, the entitlement to disposable assets is transferred collectively. Any deductions for actuarial deficits are always made individually in the leaving benefit. The disposable assets allocated to the remaining beneficiaries of the pension fund remain in the pension fund without being allocated to it.</p>
Principle according to Art. 27h BVV2	<p>³ In the case of a collective exit, there is a collective pro rata entitlement to the technical provisions and to the value fluctuation reserve.</p>
Entitlement to technical provisions	<p>⁴ The entitlement to technical provisions corresponds to the sum of the individually calculated technical reserves of the outflowing portfolio.</p>



Entitlement to fluctuation reserves	⁵ The entitlement to fluctuation reserves corresponds proportionately to the entitlement to the savings capital of insured persons and disability pensioners.
Reduction of entitlement to fluctuation reserves and technical provisions	⁶ When calculating the share of technical provisions, the value fluctuation reserve, account must be taken of the extent to which the beneficiaries leaving the fund have contributed to their formation.
Collective or individual transfer method	⁷ The collective entitlement to technical provisions and value fluctuation reserves must be transferred collectively to the new pension arrangement. Even in the case of a collective exit, any deductions for an actuarial deficit are always made individually in the leaving benefit.
Basic Principles	Art. 6 Determination of the pension fund's disposal assets ¹ The following principles are authoritative for the determination of disposable assets as well as any shortfall in cover: <ul style="list-style-type: none">a. the annual financial statements prepared in accordance with Swiss GAAP FER 26b. the fluctuation reserves, disposable assets and any technical provisions reported in the annual financial statements for the pension fund.
Adjustment of the applicable balance sheet	² The commercial balance sheet in accordance with Art. 4 must be assessed in the light of the partial liquidation and adjusted, if necessary. If necessary, changes in valuation must be made if, for example, properties have to be sold. If, in accordance with Art. 5, for the outflowing portfolio there is no entitlement or only a partial entitlement to technical provisions and to the fluctuation reserve, the technical provisions or reserves not required for it will be dissolved in the corresponding amount. The disposable assets or underfunding resulting from this adjustment is decisive for the partial liquidation pursuant to Art. 7.
Shortfall in cover	³ Any underfunding must be divided between the outflowing portfolio and the continuing portfolio in such a way that the funding ratio of the pension fund remains the same before and after the outflowing portfolio leaves the pension fund. The share of the underfunding calculated for the outflowing portfolio is offset against the leaving benefits of active insured persons in proportion to them. The joining benefits and purchase sums contributed in the last 12 months before the date of the partial liquidation are not taken into account for the leaving benefits determinative for the offset calculation. Retirement assets under Art. 15 BVG are guaranteed in any case.
Provisional crediting	⁴ In consultation with the Foundation Board, the pension fund may provisionally reduce individual leaving benefits if a partial liquidation is imminent and the pension fund is presumed to be underfunded. This provisional reduction only applies to insured persons who are likely to be affected by the partial liquidation. It must be expressly designated as such. After completion of the partial liquidation procedure, the pension fund must prepare a definitive statement of account in consultation with the Foundation Board and must pay any difference arising plus interest. The insured person must repay any excess leaving benefits paid out, including any interest granted.
Transfer of the pensioner portfolio	⁵ Pension recipients who form part of the outflowing portfolio will be transferred to the new occupational benefits organisation in the same way as active insured persons. If for some reason it is not possible to transfer the pension recipients to the new pension fund, they will be assigned to the "Pension Recipients of Affiliation Contracts with no Active Insured Persons" pension fund, which forms part of the continuing portfolio.



	Art. 7 Distribution Key
Procedure	<p>¹ Entitlement to the pension fund's disposable assets is determined in the following steps:</p> <ol style="list-style-type: none">Both the active and the pensioner portfolio are divided into a continuing portfolio (insured persons who are remaining) and a outflowing portfolio (insured persons who are leaving).The disposable assets of the pension fund are allocated to the outflowing portfolio and continuing portfolio separately for the active portfolio and the pensioner portfolio in proportion to their respective pension capital (leaving benefits of the active insured persons or the actuarial reserves of the pension recipients). The Pension Commission decides in consultation with the Foundation Board whether the funds should be transferred collectively or individually.Individual distribution of the pension fund's disposable assets is carried out for active insured persons, half in proportion to the insurance period and half in proportion to the leaving benefits. For pension recipients, the distribution is in proportion to the actuarial reserves.
Minimum insurance duration	<p>² Only persons with a minimum insurance period of 12 months are taken into account in the distribution scheme.</p>
Recognition Deposits and withdrawals	<p>³ The distribution scheme (para. 1) does not take into account joining and purchase benefits, repayments of early exits for residential property and transferred shares of a divorced spouse's leaving benefits carried out in the 12 months prior to the date of partial liquidation. Early exits for residential property and payouts as a result of divorce carried out in the last 12 months before the date of partial liquidation must be offset against the pension capital determinative for the distribution scheme (para. 1).</p>
Deviation from the distribution key	<p>⁴ If the result of the distribution leads to manifestly unfair results or excessive consideration of a particular group of insured persons, the distribution key and thus these regulations must be adjusted accordingly and submitted to the supervisory authority for its approval.</p>
Insignificant size	<p>⁵ If the amount of disposable assets is less than an average of CHF 200 per eligible person, the disposable assets must not be distributed. In such a case, the disposable assets must remain in the pension fund.</p>
	Art. 8 Information and Procedure
Foundation Board	<p>¹ The Foundation Board determines the existence of a partial liquidation in consultation with the Foundation Board and also decides on implementation of a partial liquidation in consultation with the Foundation Board. In particular, the Foundation Board must make a determination regarding the event that led to the partial liquidation, its exact time and the relevant period within the meaning of Art. 3 and Art. 4. The pension fund is responsible for carrying out the partial liquidation.</p>
Information and correction procedures	<p>² The following information and adjustment procedure is stipulated:</p> <ol style="list-style-type: none">In consultation with the Foundation Board, the Foundation Board must notify in writing the persons affected by the partial liquidation (active insured persons who are remaining and active insured persons who have left as well as pensioners) of the decision on the partial liquidation, including the distribution plan and the reasons for the liquidation. There exists the option to inform the persons concerned about the partial liquidation through publication in the SOGC. At the same time, the Pension Commission must draw attention to the opportunity to inspect the relevant commercial balance sheet, the actuarial report and the distribution scheme at the registered office of the pension fund for a period of 30 days from the date of delivery of the information. However, the persons concerned (data subjects) do not have the right to access individual data.Any person concerned has the right to submit an appeal against the decision to the Foundation Board, the distribution scheme and the procedure within 30



days of exit benefit notification. This appeal must be made in writing and must state the reasons on which it is based.

3. The Pension Commission, in consultation with the Foundation Board, must issue an appeal decision within a reasonable period of time. This appeal decision, together with the reasons for it, shall be notified in writing to the persons affected by the partial liquidation, together with the reasons for the decision.
4. The persons affected by the partial liquidation have the option of having the decision of the Foundation Board reviewed by the Cantonal Supervisory Authority within 30 days of its notification.
5. If a person affected by the partial liquidation requests the Cantonal Supervisory Authority to review the decision of the Pension Commission's appeal decision within the required period, the cantonal supervisory authority shall issue a ruling within a reasonable period of time.
6. An appeal against the decision of the Cantonal Supervisory Authority may be lodged with the Federal Administrative Court. An appeal against the decision of the Cantonal Supervisory Authority only has suspensive effect if the President of the Federal Administrative Court orders it ex officio or at the request of the complainant. If no suspensive effect is granted, the decision of the Federal Administrative Court shall be effective only in favour of or to the detriment of the complainant. Otherwise, Art. 74 BVG applies.

Execution of transfer agreement

- ³ The partial liquidation may be carried out if
- No appeal can be submitted to the Foundation Board within the 30-day period.
 - No review by the Cantonal Supervisory Authority of the appeal decision can be sought.
 - The order of the Cantonal Supervisory Authority has become legally binding.
 - If an appeal lodged against the order is not granted suspensive effect.

⁴ In the event of a collective transfer of assets to one or more occupational benefit organisations, the transferring foundation shall draw up a transfer agreement.

Transfer type

⁵ If the entitlements are customized for individual recipients (individual exit), the regulatory provisions on use of the leaving benefit shall apply mutatis mutandis to use of the additional entitlement to disposable pension assets.

Auditors

⁶ The auditors must confirm proper execution of the partial liquidation as part of their ordinary annual reporting. This confirmation must be presented in the Financial Statements.

Legal entitlement

⁷ A legal right to collectively or individually allocated disposable assets only arises after the appeal period has expired unused or, in the case of an appeal, after the appeals or complaints have been settled with legal effect.



C. Entry into force

Art. 9 Approval and Entry into Force

Entry into force	¹ Subject to approval by the competent supervisory authority, these Regulations for the implementation of a partial liquidation of pension funds shall enter into force on 1 January 2019. It replaces the previous regulations on the implementation of a partial liquidation of of pension funds, valid from 1 January 2010.
Changes	² The Regulations may be amended or repealed at any time by decision of the Foundation Board. The Foundation Board shall submit these Regulations and any amendments to the competent supervisory authority for information and approval.
Issue	³ If these Regulations are translated into other languages, only the German text is binding for interpretation purposes.

Lachen, 30 January 2019 KUK

The Foundation Board:
Alvos Pension Fund