

Partial Liquidation Regulations

January 2014



Contents

I.	General provisions	1
	Art. 1 Purpose	1
	Art. 2 Insured persons	1
	Art. 3 Determination of freely available resources	1
II.	Partial and full liquidation of a pension fund	2
	Art. 4 Preconditions	2
	Art. 5 Significant reduction	2
	Art. 6 Restructuring	2
	Art. 7 Termination of the affiliation contract	3
	Art. 8 Employer's notification obligation	3
	Art. 9 Effective date	3
	Art. 10 Freely available resources	4
	Art. 11 Shortfall	4
	Art. 12 Reserves and fluctuation reserves	4
	Art. 13 Form of transfer	5
	Art. 14 Employer contribution reserves	5
	Art. 15 Distribution plan	6
	Art. 16 Determination	7
	Art. 17 Information	7
	Art. 18 Execution	7
III.	Partial liquidation of a Foundation pool	9
	Art. 19 Preconditions	9
	Art. 20 Effective date	9
	Art. 21 Freely available resources	9
	Art. 22 Execution	9
IV.	Concluding provisions	10
	Art. 23 Cost sharing	10
	Art. 24 Definitive language	10
	Art. 25 Loopholes in the regulations	10
	Art. 26 Transitional provision	10
	Art. 27 Coming into force; Amendments	10



I. **General provisions**

Art. 1 Purpose

¹ These regulations regulate the preconditions and the procedure for partial and full liquidation of pension funds which are affiliated with an Integral Stiftung pool for occupational pensions, hereinafter “pool”.

² Partial liquidation of pension funds may also apply to the preconditions for partial liquidation of a pool. In such cases the provisions regarding partial and full liquidation of pension funds will apply insofar as nothing else is stipulated.

³ In the event of full liquidation of a pool, this will take place in accordance with Art. 53c BVG (Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans). These regulations serve, insofar as legally permissible, as guidelines.

Art. 2 Insured persons

The term “insured persons” includes all actively insured persons and pensioners.

Art. 3 Determination of freely available resources

¹ The basis for determination of freely available resources will be the assets of the pension fund and the pool on the effective date of partial liquidation. These assets will be determined based on the actuarial assessment and the commercial balance sheet as per Swiss GAAP FER 26.

² Where interim balance sheets are used for effective dates during an ongoing calendar year, no annex will be compiled.



II. Partial and full liquidation of a pension fund

Art. 4 Preconditions

¹ The preconditions for partial liquidation of a pension fund will be assumed to have been met if

- The affiliated company makes a significant reduction in its workforce,
- The operations of an affiliated company are restructured,
- The affiliated company's affiliation contract is partially terminated.

² The preconditions for full liquidation of a pension fund will be assumed to have been met if the affiliation contract is fully terminated.

³ A change of pool within the Foundation is deemed to be equivalent to termination of the affiliation contract and meets the preconditions for partial or full liquidation of a pension fund.

Art. 5 Significant reduction

¹ A significant reduction applies if, in the case of an affiliated pension fund with

- 1 to 5 actively insured persons,	at least	2
- 6 to 10 actively insured persons,	at least	3
- 11 to 25 actively insured persons,	at least	4
- 26 to 50 actively insured persons,	at least	5
- 51 to 149 actively insured persons,	at least	10
- 150 to 299 actively insured persons,	at least	20
- 300 and more actively insured persons,	at least	30

actively insured persons involuntary exit the pension fund due to a reduction in personnel for economic reasons.

² The exit of an insured person is deemed to be involuntary if the employment relationship is terminated by the employer for economic reasons or by the employee in order to pre-empt a termination by the employer or due to a rejection of a termination due to a change of contract.

³ The significant reduction begins with the first and ends with the last involuntary termination due to a reduction in personnel for economic reasons.

Art. 6 Restructuring

¹ Restructuring of a company applies if organizational measures are taken which result in the discontinuation of prior core activities, the spinning off of parts of the operation respectively acquisition by other companies or parts of the operation or a merger with other companies.



² Restructuring does not have to be linked to a significant reduction in the workforce.

Art. 7 Termination of the affiliation contract

¹ Full termination of the affiliation contract applies if notice is given for the contract and the entire body of insured persons in the pension fund collectively exits it.

² Partial termination of the affiliation contract applies if notice is given for the contract and the entire body of actively insured persons in the pension fund collectively exits or the entire body of pensioners in the pension fund collectively exits and, following this, pensioners respectively actively insured persons remain in the fund.

³ The affiliation contract will be deemed to have been formlessly annulled if the pension fund no longer has any insured persons as members. This circumstance will not result in partial or full liquidation unless the preconditions for a significant reduction or restructuring are met.

⁴ Carrying out of full liquidation upon full termination of the affiliation contract will be waived if the entire pension fund transfers to another pension benefits provider and there is no shortfall.

Art. 8 Employer's notification obligation

The employer is obliged to inform the Foundation without delay regarding any reduction in the workforce respectively restructuring of his company which may result in partial liquidation.

Art. 9 Effective date

¹ The effective date for (partial) liquidation respectively calculation of freely available resources will be deemed to be

- In the case of significant reduction and restructuring – the last approved annual accounts,
- In the case of termination of the affiliation contract – the last approved annual accounts.

² In the event the definitive assets and liabilities have changed by at least 10 % since the effective date and transfer of the pension capital or the freely available resources, then a corresponding adjustment will be carried out based on the last balance sheet or interim balance sheet.

³ An interim balance sheet which is definitive for partial liquidations will be compiled at the end of each 1st, 2nd and 3rd quarter of a calendar year.

⁴ The effective date for calculation of insured persons' pension capital is the date of exit.



⁵ Effective dates will be set by Foundation management.

Art. 10 Freely available resources

¹ Freely available resources will be distributed among the insured persons who are exiting and those who are remaining in the corresponding pool.

² In the event a partial liquidation due to significant reduction or restructuring should have taken place prior to termination of the contract, then the freely available resources will remain in the pension fund respectively the corresponding pool and will be used for the prior partial liquidation.

Art. 11 Shortfall

¹ In the event of a shortfall as defined by Art. 44 BW 2 on the effective date, then it may be deducted proportionally and individually from the pension capital insofar as doing so will not result in a reduction in vested old age pension benefits in accordance with the BVG.

² In the case of insured persons who exit the pool or transfer to another one, the share of the shortfall will be individually deducted from the vested pension capital.

³ In the case of the insured persons who remain in the pool, the share of the shortfall will remain in the pension fund without individual assignment.

⁴ In the event full pension capital has already been transferred, the insured person must reimburse the deduction plus interest. Interest is owed from the date of transfer and charged at the Foundation's guaranteed minimum rate of interest which applied at the time of the transfer.

Art. 12 Reserves and fluctuation reserves

¹ In the event of a collective exit from the pool respectively a collective transfer to another pool, there will be a collective proportional claim to the corresponding pool's technical reserves and fluctuation reserves and an additional possible claim to the pension fund's freely available resources.

² The claim will only exist insofar as, and to the extent that, the exiting collective has contributed to formation of the reserves.

³ Technical reserves will only be handed over insofar as corresponding risks are transferred.

⁴ The technical reserves and fluctuation reserves to be transferred will be calculated according to the same principles as for the total investment portfolio of the corresponding pool.

⁵ The share to be transferred will be, at most, equivalent to the exiting collective's proportional share in the corresponding pool's entire pension capital. It will



be reduced to the same extent as that to which the exiting collective did not fully buy into the technical reserves and fluctuation reserves.

⁶ There will be no claim to technical reserves and fluctuation reserves if the partial liquidation was caused by the exiting collective.

⁷ The Foundation board will decide whether there is a collective claim to technical reserves and fluctuation reserves.

Art. 13 Form of transfer

¹ In the event of a collective exit respectively a pool transfer, the tied pension provisions (e.g. vested pension capital) and the claims to reserves and fluctuation reserves will be transferred collectively. The freely available resources will generally be transferred individually.

² A collective exit exists if at least 6 insured persons in a pension fund enter the same new pension institution jointly as a group at the same time.

³ In all other cases any exit will be deemed to be individual. The freely available resources and tied pension provisions will be transferred individually.

⁴ Financial resources may be transferred in cash.

⁵ The freely available resources assigned to the remaining actively insured persons will be individually assigned to the vested pension capital. In the case of pensioners, this assignment will result in payment of an increased pension or a capital lump sum.

⁶ Where applicable, the Foundation and the pension institution taking over the insured persons must conclude a transfer contract in accordance with legal regulations.

⁷ As a matter of principle, no interest is payable on the resources to be transferred, such as fluctuation reserves, reserves, freely available resources, etc. The provisions regarding interest on pension benefits remain reserved.

⁸ Foundation management will decide what type of exit applies and how the financial resources will be transferred.

Art. 14 Employer contribution reserves

¹ The employer will, within the scope of the law, decide on how an employer contribution reserve without renounced use is used.

² An employer contribution reserve with renounced use will be used to finance any shortfalls. In the event there are no shortfalls or, following financing of the shortfalls, there is a surplus, the employer will, within the scope of the law, decide on its use.



³ In the event an employer contribution reserve can no longer be used for its intended purpose because the employer no longer employs workers who are subject to insurance contributions or a reduction in the number of insured persons results in the employer being above the rate permitted by tax regulations, then this sum will be liquidated either fully or to the maximum extent allowed by tax regulations and assigned to the pension fund's freely available resources.

Art. 15 Distribution plan

¹ When distributing shares in freely available resources the Foundation will take the principle of equal treatment and professionally recognized standards into consideration.

² In the case of actively insured persons, the freely available resources to be distributed will, as a matter of principle, be determined in line with the pension capital acquired during membership of the pension fund. Vested pension benefits, non-recurring single contributions, voluntary contributions, additional credits, etc. which have been paid in the last three years before the effective date of the liquidation will be deducted from the pension capital acquired. Early withdrawals for promotion of home ownership, exit benefits following divorce and capital lump sums paid on retirement which have been received in the last three years before the effective date of the liquidation will be credited to the pension capital acquired. Deposits and withdrawals which were made outside of membership of the Foundation and/or a pool will not be taken into consideration even if they took place within the three-year period. In the case of pensioners, the definitive pension capital corresponds to the pension capital acquired during their active period with the Foundation and/or with a pool.

³ Pension capital will be calculated according to the Foundation's Regulations on reserves.

⁴ The distribution plan must also include formerly insured persons who have left the pension fund in the three years prior to the effective date of partial liquidation as per Art. 3 Para. 2 above and were insured with the Foundation and/or a pool.

⁵ Distribution of a shortfall will be carried out in accordance with the sum of pension capital and according to the same criteria as for distribution of freely available resources.

⁶ In the event of special circumstances in which the distribution criteria of the regulations result in an unfair outcome, the Occupational Pension Fund Commission (BVK) may, subject to approval by the responsible supervisory authority, decide on other distribution criteria.



Art. 16 Determination

- ¹ Foundation management will decide on the existence of the preconditions for partial or full liquidation, the amount of freely available resources respectively the shortfall and the distribution plan (the so-called 'validation resolution').
- ² The affiliated company will, insofar as necessary, provide Foundation management with all the information required to carry out partial liquidation.
- ³ The Foundation will inform the insured persons affected by this and the BVK of the pension fund affected by this.

Art. 17 Information

- ¹ The Foundation must inform the insured persons of the relevant pension fund in good time and in writing regarding the validation resolution and further action.
- ² The information will include, at minimum, details regarding the reason for partial liquidation, the insured persons affected by this, the distribution criteria, the individual share of the individually insured persons and information on rights of appeal.
- ³ The insured persons of the relevant pension fund may view the files on the Foundation's premises within 30 days of receiving the information and, where applicable, lodge an appeal against the validation resolution and further action with the Foundation board.
- ⁴ In the event it is not possible to achieve an amicable resolution of the differences, the Foundation will issue the insured persons with a deadline of 30 days, during which period they can request a review of the partial liquidation by the supervisory authority.
- ⁵ In accordance with Art. 74 BVG, an objection to the supervisory authority's review decision may be lodged with the Federal Administrative Court within a period of 30 days, whereby an objection will only have a postponing effect by special order of the court.

Art. 18 Execution

- ¹ The Foundation's management will not execute the distribution plan until it becomes legally enforceable.
- ² The distribution plan will become legally enforceable when
 - No objections have been raised or
 - All objections have been amicably resolved respectively no insured person has turned to the supervisory authority within the objection period of 30 days,



- The supervisory authority has ruled that the preconditions, the procedure and the distribution plan are legally enforceable (certificate of legal enforceability),
 - The Federal Administrative Court has handed down a legally enforceable ruling.
- ³ The auditing body will confirm orderly execution of partial liquidation within the scope of orderly annual reporting.



III. Partial liquidation of a Foundation pool

Art. 19 Preconditions

The preconditions for a partial liquidation of a pool will be assumed to have been met if affiliation contracts have been terminated by giving notice and the exits of corresponding collectives have resulted in a significant reduction of at least 10 % of the number of insured persons or at least 10 % of the pension capital of the corresponding pool.

Art. 20 Effective date

The effective date for calculation of the freely available resources or shortfall is 31.12. of the corresponding calendar year.

Art. 21 Freely available resources

The corresponding pool will only have distributable resources at its disposal after the target value fluctuation reserve has been reached.

Art. 22 Execution

¹ The Foundation's management will decide on the existence of partial liquidation of a pool.

² The Foundation's board must be informed of this.



IV. Concluding provisions

Art. 23 Cost sharing

In accordance with the Foundation's Cost Regulations, expenses incurred in connection with partial and full liquidation of a pension fund will be charged as cost contributions to the company which caused them respectively will be deducted from any possible freely available resources.

Art. 24 Definitive language

These regulations will, where necessary, be translated into other languages. The German version is definitive for interpretation of the regulations.

Art. 25 Loopholes in the regulations

Circumstances which are not specifically regulated by these regulations will be resolved through their logical application and in compliance with legal regulations, in particular Art. 23 FZG (Swiss Vested Benefits Act), Art. 53b and Art. 53d BVG, Art. 27g and Art. 27h BWV 2 (Swiss Ordinance on Occupational Retirement, Survivors' and Disability Pension Plans).

Art. 26 Transitional provision

In the event a partial liquidation case as per prior law is established before these regulations come into force and should the case not yet have been concluded when these regulations come into force, then the case will be concluded as per these regulations.

Art. 27 Coming into force; Amendments

¹ Subject to approval by the supervisory authorities, these regulations will come into force on 1 January 2012 and replace the Partial liquidation regulations of 01.01.2011.

² The amended version will come into force on 1 January 2014.

³ The Foundation's board may, within the scope of legal regulations and the Foundation's purpose, amend these regulations at any time. The amendments must be presented to the relevant supervisory authority for verification.