



Swiss Life Occupational Pension Foundation, Zurich
(foundation)

Provisions on partial liquidation

Effective date: 1 January 2010

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Art. 1 Basis

In the event of partial or total liquidation of a Vorsorgewerk (employee benefits unit), the withdrawing insured persons are entitled, individually or collectively, to the accumulated free funds of the Vorsorgewerk. The retirement savings of withdrawing insured persons are reduced in the event of a deficit.

In accordance with Art. 53b cl. 1 of the BVG, the conditions for a partial liquidation are satisfied in the following cases:

- if the staff numbers of a company insured with the foundation decrease in less than one year for reasons other than restructuring, as follows:
 - an insured staff of more than 100 insured employees decreases by at least 10%
 - an insured staff of more than 20 and up to 100 insured employees decreases by at least 20%
 - an insured staff of more than 10 and up to 20 insured employees decreases by at least 5 persons
 - an insured staff of 10 or less insured employees decreases by at least 1 person, if the vested pension capital of the active insured persons is thereby reduced by at least 40%, and in every case where it decreases by at least 3 persons,
- if at least 10% of the insured employees withdraw from the Vorsorgewerk in the event of the company being restructured
- if the contract of affiliation is terminated.

No partial liquidation is carried out if all employees and pensioners are transferred to the new employee benefits institution (total liquidation) and if there is no shortfall. There are also no grounds for partial liquidation if there are no insured persons, i.e. no active insured persons or pensioners, when the contract of affiliation is terminated.

Art. 2 Determining the level of free funds (deficit), insurance reserves and value fluctuation reserves

The free funds (or deficit within the meaning of Art. 44 BVV 2), insurance reserves and value fluctuation reserves shall be determined on the basis of the Vorsorgewerk's assets on the key date of partial liquidation, as defined in the Vorsorgewerk's actuarial and commercial balance sheet prepared in accordance with Swiss GAAP FER 26.

The key date of partial liquidation is deemed to be the last balance sheet date, i.e. 31 December of the year before the calendar year in which the conditions for a partial liquidation under cl. 1 were met. If nine or more months lie between the last balance sheet date and the key date when the conditions for partial liquidation were met, the key date is deemed to be the next balance sheet date. In the event of termination of the contract of affiliation, the key date is deemed to be the date the contract ends. In the event of a significant reduction in staff numbers or restructuring, the date of expiry of the time period following the event which precipitated the partial liquidation is deemed to be the key date.

Should the assets or liabilities between the partial liquidation key date and the transfer of funds change by at least 10%, the free funds, insurance reserves and value fluctuation reserves to be transferred shall be adjusted.

If, on the date of partial or total liquidation, the contributions have not been paid by the employer and bankruptcy or similar proceedings have been instigated, the outstanding contribution amount shall be written off at zero by appropriate value adjustments when determining the free funds. If all or part of the amount written off subsequently becomes available, the entitlements of the insured persons concerned shall be reassessed in view of the increase in accumulated

assets and a supplementary payment made which takes into account the funds already transferred.

A provision to finance the costs of the partial liquidation procedure is set up from the free foundation assets.

Art. 3 Allocation of free funds or the deficit between those insured persons remaining and those withdrawing

Free funds or the deficit are allocated on the basis of the proportion of the total mathematical reserves of all persons insured with the Vorsorgewerk to the total mathematical reserves of persons who are withdrawing or have withdrawn from the Vorsorgewerk.

In the event of a deficit, the share calculated for those insured persons who are withdrawing or have already withdrawn shall be offset initially against any technical reserves to be transferred and then individually and proportionately against the relevant mathematical reserves. The retirement savings under Art. 15 BVG shall not be reduced.

If a vested benefit has already been transferred with no deductions, the insured person must refund the excess amount to the foundation.

The share of the deficit attributable to the actively insured persons remaining in the Vorsorgewerk is not individually allocated but retained by the Vorsorgewerk.

Art. 4 Individual distribution of free funds among the insured persons

The free funds are individually distributed according to an objective distribution formula.

The distribution formula criteria for active insured persons and those who have already withdrawn are as follows:

- the full insurance years in the Vorsorgewerk
- the amount of the individual retirement savings or mathematical reserve

The two criteria are each weighted at 50%.

In the case of pensioners, the distribution formula is calculated on the basis of the mathematical reserve available on the key date.

Art. 5 Collective transfer of free funds upon termination of the contract of affiliation

If, as a result of the termination of the contract of affiliation, all the insured persons withdraw from the Vorsorgewerk and therefore from the foundation and join a new employee benefits institution, the entire free funds shall be collectively transferred to the new employee benefits institution and partial liquidation shall not be carried out. This is subject to the provisions of paragraph 3 of the present clause.

If a specific category of insured person (e.g. recipients of a retirement pension) should remain with the foundation upon termination of the contract of affiliation, partial liquidation shall be executed and the share of free funds remaining with the Vorsorgewerk shall be calculated.

If, upon termination of the contract of affiliation, it becomes apparent that a partial liquidation must first be executed owing to a significant reduction in staff numbers or restructuring of the company, a commensurate share of the free funds shall remain with the Vorsorgewerk or foundation until the procedure has been completed.

Art. 6 Transfer of free funds upon a significant reduction in staff numbers or restructuring

Individual withdrawal

If insured persons should withdraw from the Vorsorgewerk as a result of a significant reduction in the workforce or the restructuring of the company, without collectively joining a new employee benefits institution (hereinafter referred to as individually withdrawing insured persons), the share of the free funds assigned to them under the distribution plan shall be transferred in addition to the vested benefit from their retirement savings.

Collective withdrawal

In the event of a collective withdrawal from the Vorsorgewerk, the free funds calculated in accordance with cl. 2 to 4 shall be collectively transferred.

A collective withdrawal occurs when a group of at least ten insured persons jointly leave to join another employee benefits institution.

Art. 7 Collective entitlement to insurance reserves and value fluctuation reserves in the event of a collective withdrawal

An entitlement to a share of the value fluctuation reserves and to the insurance reserves arises in the event of a collective withdrawal, provided underwriting risks are transferred, in accordance with the balance sheet of the Vorsorgewerk.

The collective entitlement to insurance reserves and value fluctuation reserves is reduced in proportion to the amount by which the withdrawing insured persons contributed less to the accumulation of the corresponding insurance reserves and value fluctuation reserves than did the persons remaining.

Since, with the exception of the investment risk, the cost of living adjustment risk and the conversion rate risk under the BVG, the biometric risks (disability, death, old age) are insured with Swiss Life, the calculation of the insurance contract's actuarial refund values is based on the provisions of the insurance contract approved by FINMA.

Art. 8 Collective entitlement to the foundation's special funds for the cost of living adjustment fund

In the case of a collective withdrawal, the entitlement arises to a share of the foundation's cost of living adjustment fund in order to adjust BVG risk pensions to the cost of living on the key date for partial liquidation.

The quotient resulting from dividing the total of the BVG retirement savings of all insured persons and the mathematical reserves of all BVG risk pensions of the foundation by the total BVG retirement savings and mathematical reserves of the BVG risk pensions of the persons withdrawing from the foundation is multiplied by the cost of living adjustment fund available on the key date and then weighted with a factor to take into account the term of the contract of affiliation.

The formula for calculating the collective share of the cost of living adjustment fund is: Amount A:

$$\frac{(\text{BVG RS}^* \text{ withdrawals} + \text{MR}^{**} \text{ BVG risk pensions withdrawals})}{(\text{BVG RS of all insured persons} + \text{MR of all BVG risk pensions})} \times \text{cost of living adjustment fund available on the key date}$$

* BVG RS: BVG retirement savings according to Art. 15 BVG

** MR: Mathematical reserve

Factor to take into account the term of the contract of affiliation:

- | | | |
|--------------------------|----------------------|-----------------|
| - between 1 and 20 years | pro rata entitlement | (Factor = 1/20) |
| - over 20 years | full entitlement | (Factor = 1) |

The factor to be used is based on the actual term of affiliation in years and months.

The collective entitlement is therefore: Factor \times amount A

Art. 9 Responsibilities / Procedure

The employer or the Administrative Board is obliged to notify the foundation immediately of any reduction in staff numbers or restructuring that could lead to a partial liquidation.

The Administrative Board shall delegate the implementation of the partial liquidation to the foundation. The foundation shall assume this responsibility on behalf of the Administrative Board and for the account of the Vorsorgewerk and shall perform all responsibilities which, under the terms of these regulations, need not expressly be discharged by the Administrative Board.

The employer and/or the Administrative Board shall undertake to immediately supply the foundation with all the relevant data pertaining to a partial liquidation.

Art. 10 Informing the insured persons / Objections

1 - Informing insured persons

The foundation shall inform all the insured persons concerned, including pensioners, of the following:

- that a case of partial liquidation obtains under the present regulations
- the total amount of free funds or actuarial deficit to be distributed
- the distribution formula
- the amount they will receive as an individual or collective share of the free funds and, if applicable, of the provisions and value fluctuation reserves

2 - Possibility of making an objection or complaint

Insured persons may submit an objection in writing to the Foundation within 30 days of receipt of the information. The Foundation will then respond. Insured persons have the right to request a review of the conditions for partial liquidation and of the procedure being followed, as well as the distribution of free funds, by submitting a complaint in writing to the relevant supervisory authority within 30 days of notification.

A legal claim to individually allocated funds or to the transfer of the collective amount does not arise until the period for submitting objections has expired, with no objections having been lodged, or if a complaint has been lodged, not until the final ruling on the complaint.

Art. 11 Effective date

These provisions shall come into effect on 1 January 2010 and may be amended at any time by the Board of Trustees, subject to the approval of the supervisory authority. These provisions render all previous partial liquidation provisions null and void.