



Regulations on partial liquidation

Vita Invest

Vita Invest Joint Foundation, Zurich

Regulations on partial liquidation

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1 Object

These regulations govern the conditions and procedure to be adopted for the partial liquidation of the Vita Invest Joint Foundation of Zurich Life Insurance Company Ltd. (hereinafter referred to as “Foundation”) and of its affiliated pension funds. The conditions in Art. 53c BVG, Art. 53d BVG and Art. 23 FZG shall apply in the event of total liquidation of the Foundation.

2 Partial liquidation of the Foundation

With the exception of the foundation capital financed by the founding company, the Foundation does not have any foundation assets at its disposal. Rather, each affiliated pension fund draws up its own balance sheet and operating statement. In the event of a partial liquidation of the Foundation as a consequence of the termination of affiliation agreements, no additional claim thus exists to the Foundation’s collective assets.

3 Partial or total liquidation of a pension fund

3.1 Principle

¹In the event of a partial or total liquidation of a pension fund, the retirement savings of the departing plan participants shall be increased by an individual or collective share of the noncommitted funds of the pension fund.

²In the event of a deficiency, the retirement savings of each departing plan participant shall be reduced individually.

3.2 Collective claim to value fluctuation reserves and provisions

¹If several plan participants transfer to a different pension plan (collective departure) there is, in addition to the claim to the noncommitted funds, also a collective pro rata claim to the value fluctuation reserves.

²Reserves may only be claimed if the technical risks are transferred as well.

3.3 Condition for a partial liquidation

¹The conditions for the partial liquidation of a pension fund shall be fulfilled if

- a) the workforce of the affiliated employer is substantially reduced for economic reasons, and this measure results in the involuntary departure of a substantial number of the active plan participants or the withdrawal of a substantial share of the retirement savings of the pension fund, or
- b) the company of the affiliated employer is restructured, which results in the involuntary departure of a substantial number of the active plan participants or the withdrawal of a substantial share of the retirement savings of the pension fund
- c) the affiliation agreement is partly annulled (i. e., only active plan participants leave the pension fund).

²The workforce reduction is considered to be substantial – depending on the number of active plan participants before the workforce reduction or restructuring – if the following reductions in the number of active plan participants and termination benefits result:

- a) Contract for up to 5 insured persons: at least 2 involuntary departures;
- b) Contract with 6 to 10 insured persons: at least 3 involuntary departures;
- c) Contract with 11 to 25 insured persons: at least 4 involuntary departures;
- d) Contract with 26 to 50 insured persons: at least 5 involuntary departures;
- e) Contract with over 50 insured persons: at least 10% involuntary departures.

In addition to the reduction of the actively insured persons (a–e), at least 10% of the vested benefits of the active insured persons must leave the pension plan.

³When restructuring the affiliated employer’s company, the following involuntary reductions of the active insured persons and termination benefits apply:

- a) Contract for up to 5 insured persons: at least 2 involuntary departures;
- b) Contract with 6 to 10 insured persons: at least 3 involuntary departures;
- c) Contract with 11 to 25 insured persons: at least 4 involuntary departures;
- d) Contract with 26 to 50 insured persons: at least 5 involuntary departures;
- e) Contract with over 50 insured persons: at least 10% involuntary departures.

In addition to the reduction of the actively insured persons (a–e), at least 10% of the vested benefits of the active insured persons must leave the pension plan.

The restructuring of a company is understood to involve measures taken by the employer that are not primarily aimed at reducing the workforce and dismissing staff. It applies primarily to organizational measures which result in the discontinuation of tasks which have so far been carried out by the company or the transfer of entire parts of the company’s operations to another company.

⁴The start of a workforce reduction or restructuring is deemed to be the departure date of the plan participant who is the first to leave the company and the pension fund involuntarily as a result of the company’s decision. The end is deemed to be the departure date of the plan participant who is the last person to leave the company and the pension fund involuntarily.

⁵The departure of a plan participant is deemed to be involuntary if their working relationship is terminated by the employer. A departure is also deemed to be involuntary if the plan participant gives notice within six months of being informed of the reduction in the workforce or the restructuring in order to preempt notice being given by the employer or because they do not accept the new employment conditions offered.

⁶If the non-committed funds amount to less than 5% of the retirement savings (as of the key date of the partial liquidation) of the active plan participants remaining in the pension fund and if it amounts to less than an average of CHF 1,000 per person in this group, no non-committed funds are distributed.

3.4 Conditions for a total liquidation

The condition for a total liquidation is the complete termination of the affiliation agreement (i. e. all active plan participants and any pensioners leave the pension fund).

A total liquidation is waived, however, if:

- a) the pension fund changes the pension institution completely or
- b) the pension fund at the time of the termination of the affiliation agreement has neither active plan participants nor pensioners (liquidation of an “empty” contract).

3.5 Key date

¹In the case of partial liquidation due to headcount reduction or restructuring, the balance sheet date – i. e. the December 31 prior to commencement of the calendar year in which the headcount reduction or the company restructuring starts – is deemed the key date for determining the unrestricted assets or the deficit.

²The date of the partial or full termination of the affiliation agreement is deemed the cut-off date for the partial or full termination of the affiliation agreement.

³This key date applies for determining the amounts involved in the case of the unrestricted assets or the deficit and the fluctuation reserves and provisions.

3.6 Calculation of non-committed funds or deficiency as well as the fluctuation reserves and provisions

¹On principle, the actuarial and commercial balance sheets drawn up in accordance with Swiss GAAP ARR 26, which provide a true and fair view of the pension fund’s financial situation based on market values, form the basis for calculating the non-committed funds and any deficiency as the fluctuation reserves and provisions. The valuation of assets and liabilities shall be performed in accordance with professional and consistently applied principles.

The creation of reserves and fluctuation reserves shall be governed by the regulations issued for this purpose.

²Reserves shall only be transferred proportionally to departing plan participants if the transfer to a new pension provider is made on a group basis (as per sub-paragraph 3.7, para. 14) and if technical risks are also transferred.

³Fluctuation reserves shall only be transferred proportionally to departing insured persons if the transfer to a new pension institution is made on a group basis (as per sub-paragraph 3.7, para. 15). The claim to fluctuation reserves corresponds on a pro rata basis to the claim to the retirement capital. The claim shall also exist if the pension benefits are only transferred in cash.

⁴If the unrestricted assets or the deficit or the fluctuation reserves and provisions of the pension fund should change by in excess of 10% between the cut-off date of the partial liquidation and the transfer of the funds, the funds to be transferred shall be adjusted accordingly. The basis for such a decision shall be the amount of the non-committed funds as per sub-paragraph 3.6, para. 1, which shall be created as of December 31 of the year following the key date of the partial liquidation.

3.7 Distribution of non-committed funds or the deficiency as well as the fluctuation reserves and provisions

¹For the purpose of distributing the non-committed funds or the deficiency as well as the fluctuation reserves and provisions, a distinction is made between the remaining and departed plan participants. The group of remaining plan participants comprises those who still belonged to the pension fund as of the key date of the partial liquidation and at the end of the following calendar year. The group of departed insured persons includes those who were part of the pension fund on the date of the partial liquidation and who left involuntarily by the end of the following calendar year.

²The group of departed plan participants is also subdivided into individual and collective transfers.

³Collective transfers are those involving the collective transfer of several or all plan participants to a new pension plan.

⁴The Advisory Committee decides on a collective claim to provisions and fluctuation reserves in the event of a collective departure. When assessing the claim, it shall take the premium paid by the departing collective for creating the provisions and fluctuation reserves into consideration. If the fluctuation reserves and provisions were formed exclusively using premiums or investment income of those remaining in the collective or using contributions paid by the employer, then no claim to these funds shall exist.

⁵If the partial or total liquidation was caused by the collectively departing group, then no claim to provisions and fluctuation reserves shall exist.

⁶In the event of a collective claim to provisions and fluctuation reserves, then these funds shall be transferred on a collective basis to the new pension plan.

⁷The distributions of the non-committed funds or the deficiency as well as the provisions and fluctuation reserves to the groups of remaining and departed plan participants shall in each case take place proportional to

the total retirement savings existing on the key date of the partial liquidation.

⁸If the calculation pursuant to subparagraph 3.6, para. 1 shows a deficit, and a partial liquidation has to be carried out, the deficits (as per the cut-off date for the partial liquidation) shall be allocated individually to the departed insured persons.

⁹The non-committed funds or deficiency allocated to the remaining plan participants in the pension fund shall remain in full in the pension fund.

¹⁰The non-committed funds of the departed plan participants shall be allocated according to the distribution plan. These funds shall be distributed primarily between:

- a) the active plan participants as of the key date of the partial or total liquidation on the basis of their total retirement savings, and
- b) the affiliated pensioners as of the key date of the partial or total liquidation on the basis of ten times their annual pensions. The pensioners will not be taken into consideration if the average share per pensioner amounts to less than CHF 6,000. Pensioners are all recipients of an annuity or spouse's, registered partner's, orphan's or disability pension.

For the purpose of these regulations, disabled insured persons without a current pension entitlement are treated as actively insured persons in accordance with the Foundation's pension regulations.

The Administration Committee may, exceptionally, dispense with the consideration of pensioners when allocating the unrestricted assets if it proves that they have not made a significant contribution to the creation of the available unrestricted assets in the last five years prior to the partial or total liquidation. The expert for occupational retirement provision must confirm the circumstances.

If the pensioners are not taken into consideration, their share of the unrestricted assets of the pension fund is allocated to the active and disabled insured persons and their share of the claims of the pension

fund from a partial liquidation of the Foundation remains with the Foundation.

¹¹The non-committed funds of active plan participants shall subsequently be determined in proportion to the retirement savings.

¹²Any deficiency shall be borne exclusively by the active plan participants. Retirement capital as defined by Art. 15 BVG may not be reduced by the deduction of a deficiency.

¹³The pensioners' unrestricted assets are divided on the basis of the sum of ten times the annual pensions and paid out in cash as a one-off capital payment.

¹⁴If a group of at least 10 plan participants transfers to a new pension fund (collective departure), the transfer of their share of the unrestricted assets and claim to collective fluctuation reserves and provisions is made on a group basis.

¹⁵In other cases the non-committed funds or the deficiency shall be credited individually to the retirement savings or actuarial reserves for pensions. The allocation to the active plan participants takes place on the basis of the following criteria:

- a) the non-committed funds in proportion to the retirement capital;
- b) deficiency proportional to the retirement capital.

3.8 Procedure

¹The employer shall inform the Foundation immediately of any reduction in the workforce or restructuring of the company that may result in a partial liquidation.

²The determination of the need to carry out a partial liquidation in the event of a reduction in the workforce or a restructuring of the company rests with the Administration Committee. In the event of a partial or total termination of an affiliation agreement, the partial or total liquidation shall be triggered without any additional waiting period.

³If the conditions for a partial or total liquidation of a pension fund are fulfilled, the Foundation shall inform the Administration Committee about the situation as they have established

it and the next steps to be taken. The Administration Committee shall pass on this information to the plan participants.

⁴As soon as the distribution plan has been drawn up and the declaratory resolutions of the Administration Committee on the partial or total liquidation passed, the Foundation shall inform the Administration Committee in particular with regard to the resolution on the partial or total liquidation, the amount of the non-committed funds or deficiency, any fluctuation reserve and provisions to be distributed as well as the distribution plan. The Administration Committee shall pass on this information to the plan participants.

⁵The persons affected have the right to examine the documentation on the premises of the Foundation and, if necessary, appeal against the decision of the Administration Committee within 30 days of delivery of the information.

⁶If the existing differences cannot be resolved amicably, the Foundation shall set the persons affected a deadline of 30 days to have the supervisory authority verify and rule on the conditions, procedure and distribution plan.

⁷The distribution plan shall only apply once it becomes legally valid. It shall be deemed legally valid if:

- a) no objections have been raised, or
- b) all objections have been resolved amicably, or
- c) a legally enforceable decree is issued by the supervisory authority.

⁸If, in the event of a deficiency, the full or insufficiently reduced retirement savings were transferred, the plan participant must refund the excess amount.

3.9 Co-payment

For expenses in connection with the partial liquidation of a pension fund and for expert opinions in connection with the settlement of appeals and complaints, contributions to costs may be charged to the affected pension plan. The costs are determined on the basis of the effective time spent in accordance with the fee scale of the Swiss Chamber of Pension Actuaries.

3.10 Non-regulated cases

Any cases not expressly regulated by these regulations shall be dealt with mutatis mutandis by the Foundation in accordance with the legal provisions.

3.11 Issuance and amendments

These regulations have been issued by the Foundation Council and have been approved by the supervisory authority. The Foundation Board may amend these regulations at any time in accordance with legal requirements, subject to the approval of the supervisory authorities.

3.12 Effective date

These regulations shall enter into force following the approval of the competent supervisory authorities and replace the May 2015 edition.

The regulations valid at the time when the relevant circumstances occurred are applicable. This point in time coincides with the end of the staff reduction or restructuring, or with the dissolution date in the case of a partial or full termination of the affiliation contract.

Zurich, December 2017

Vita Invest Joint Foundation of
Zurich Life Insurance Company Ltd

The Foundation Council