

Regulations on the Partial Liquidation of the Foundation and the Partial or Total Liquidation of a Pension Scheme (“Partial Liquidation Regulations”)

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Contents

Part I	1
Introduction.....	2
Article 1 General terms	2
Article 2 General overview	2
Part II	2
Partial liquidation of the Foundation.....	2
Article 3 Principles and requirements.....	2
Article 4 Time frame and balance sheet date	2
Article 5 Collective and individual departures.....	3
Article 6 Principles	3
Article 7 Distribution of the free funds and division of the shortfall.....	3
Article 8 Collective entitlement to fluctuation reserves and actuarial provisions	4
Article 9 Information and procedure	5
Part III	5
Partial and total liquidation of the pension schemes.....	5
Article 10 Principles and requirements	5
Article 11 Time frame and balance sheet date	6
Article 12 Collective and individual departures	6
Article 13 Principles.....	6
Article 14 Distribution of the free funds and division of the shortfall	7
Article 15 Information and procedure.....	7
Article 16 Transfer agreement.....	8
Part IV	8
Final provisions.....	8
Article 17 Insolvency of the employer.....	8
Article 18 Use of the employer contribution reserve	8
Article 19 Cost contribution	9
Article 20 Minimum amounts	9
Article 21 Interest	9
Article 22 Cases with no specific provision	9
Article 23 Approval and entry into force.....	9

Part I

Introduction

Article 1 General terms

Based on Article 53b to d BVG, Article 27 g to h BVV 2, Article 23 FZG and the Pension Rules of **Allianz Pension Invest – Semi-Autonomous Collective Occupational Pension Foundation** (hereinafter referred to as “the Foundation”), the Board of Trustees hereby issues the following regulations.

Article 2 General overview

Level of the Foundation

Fluctuation reserves and technical provisions are created only at the level of the Foundation.

In individual partial liquidations, the fluctuation reserves and the technical provisions are based on the Regulations on the Creation of Provisions and Reserves applicable at the time.

Level of the pension schemes

The pension capital of the active insured persons, the premium current account and any employer contribution reserves and free funds are managed at the level of the pension scheme.

Pensioners

Only the capital managed directly by the Foundation is taken into account as pension capital of the pensioners. Pension capital of the pensioners which is managed by an insurance company is not taken into account.

Part II

Partial liquidation of the Foundation

Article 3 Principles and requirements

1. Principles

In the event of the partial liquidation of the Foundation, the persons insured by the pension schemes leaving the Foundation have an individual or collective entitlement to a share of the Foundation’s free funds in accordance with Article 7. If the Foundation is underfunded, the shortfall may be deducted from the individual transfer value on a pro-rata basis. In the event of a collective departure, there is an additional, collective pro-rata entitlement to the fluctuation reserves and the actuarial provisions in accordance with Article 8.

2. Requirements for partial liquidation

1. The requirements for partial liquidation are fulfilled if the Foundation’s total portfolio of active insured persons and pensioners decreases by more than 10% during the course of a calendar year and the pension capital of the active insured persons consequently falls by at least 10% during the same period (due to a significant reduction or the annulment of enrolment contracts).
2. If the requirements for partial liquidation are fulfilled because a trigger for partial liquidation has occurred at the level of the pension scheme, the partial liquidation is first carried out at the level of the Foundation and then at the level of the pension scheme.
3. The Board of Trustees decides whether the requirements have been met in specific cases.

Article 4 Time frame and balance sheet date

1. Balance sheet date

The reference date for partial liquidations pursuant to Article 3 (2) (1) is the balance sheet date. The balance sheet date is the end of the calendar year that is closest to the date on which the trigger for partial liquidation occurred.

The reference date for partial liquidations pursuant to Article 3 (2) (2) is the reference date of the trigger for partial liquidation at the level of the pension scheme.

2. Applicable date and time frame

The Board of Trustees determines the applicable date or time frame for defining the group of those affected on the basis of the event and the departures of the insured persons.

3. Changes to assets and liabilities

If there are significant changes to the assets or liabilities of at least 10% between the applicable balance sheet date and the transfer of the funds, the technical provisions, fluctuation reserves and free funds to be transferred or the shortfall shall be adjusted accordingly.

Article 5 *Collective and individual departures*

1. If the entire departing group joins a new pension provider together, this is deemed to be a collective departure.
2. If at least 10 insured persons enter into employment relationships with the same new employer and therefore jointly transfer as a group to the pension providers of the new joint employer, this is also deemed to be a collective departure of active insured persons.
3. All insured persons who leave the pension scheme in the applicable period and do not form part of the collective departures are deemed to be active insured persons departing as individuals.

Article 6 *Principles*

1. The basis for determining the fluctuation reserves, free funds and the actuarial provisions is the actuarial and commercial balance sheet (annual financial statements with balance sheet, income statement and notes), which reflects the Foundation's actual financial situation at sales values (market values).
2. The valuation of the assets and liabilities and the creation of actuarial provisions and fluctuation reserves are carried out in accordance with professional principles. The key documents are the balance sheet audited by the auditor and drawn up as of the reference date in accordance with Swiss GAAP ARR 26 and the actuarial report drawn up by the occupational pensions actuary as of the same date.
3. Actuarial shortfalls are calculated on the basis of Article 44 BVV 2. If a shortfall arises as of the balance sheet date when the current actuarial balance sheet is taken into account, this may be deducted from the transfer value on a pro-rata basis either individually or collectively. Retirement assets pursuant to Article 15 BVG will be preserved in all cases.
4. The fluctuation reserves and the actuarial provisions are governed by the Regulations on the Creation of Provisions and Reserves.
5. The costs of the partial liquidation are deducted in full in accordance with the Cost Schedule applicable on the reference date prior to the distribution of the free funds/the division of the shortfall.

Article 7 *Distribution of the free funds and division of the shortfall*

1. Basis of assessment

Distributions of free funds or divisions of shortfalls are based on and proportionate to the pension capital accumulated in the Foundation (retirement assets of the active insured persons and actuarial reserves of the pensioners).

2. Group of persons included

1. If free funds are available, the pensioners and the active insured persons enrolled with the Foundation as of the balance sheet date and the persons who departed between the reference date of the trigger for partial liquidation and the balance sheet date are taken into account.
2. If there is a shortfall, the active insured persons and pensioners enrolled with the Foundation as of the balance sheet date and the persons who departed between the reference date of the trigger for partial liquidation and the balance sheet date are taken into account.

3. Distribution formula

1. The process for determining the entitlement to free funds comprises the following steps:
 - a) The pension schemes are divided into those that will remain and those that have left.

- b) Free funds are distributed in proportion to the pension capital managed in each pension scheme (transfer values of the active insured persons and actuarial reserves of the pensioners).
 - c) Individual distributions of free funds are carried out in proportion to the pension capital eligible for distribution (transfer values of the active insured persons/actuarial reserves of the pensioners).
2. Underfunding is divided between the departing group and those that will remain in such a way that the funding ratio calculated for the Foundation before and after the departure of the departing group remains the same. The share of the underfunding calculated for the departing group is offset against the pension capital (transfer values of the active insured persons/actuarial reserves of the pensioners) in proportion to it.
 3. There is no entitlement to free funds and the underfunding shall not be offset if the enrolment lasted fewer than two years.
 4. The entitlement to free funds will only be taken into account to the extent that the group of departing insured persons contributed to the accrual of the available free funds. The same applies to individual departures.
4. Collective entitlement
1. In the event of a collective departure, there is a collective entitlement to the free funds.
 2. With collective departures, any deductions of actuarial shortfalls are also applied to the transfer value on an individual basis. In the event of a shortfall, the transfer values of the departing persons are reduced by the amount of the shortfall on a pro-rata basis. The retirement assets pursuant to Article 15 BVG may not be reduced by the deduction of any shortfall. If the full amount or an insufficiently reduced amount of the vested benefits was transferred in the event of a shortfall, the insured person must repay the excess amount transferred.
 3. The portion of the free funds/shortfall attributable to the persons remaining in the Foundation after the conclusion of the circumstances that triggered the partial liquidation is not transferred either individually to the remaining persons or to the remaining pension schemes and remains with the Foundation without being allocated individually.
5. Individual entitlement
- In addition to being entitled to their transfer value, active insured persons departing as individuals also have an individual entitlement to a share of the free funds. There is no individual entitlement to a share of the provisions and the fluctuation reserves.

Article 8 Collective entitlement to fluctuation reserves and actuarial provisions

1. In the event of a collective departure, there is - in addition to the individual or collective entitlement to the free funds - a collective, pro-rata entitlement to the fluctuation reserves and - to the extent that corresponding risks are transferred to the pension provider of the departing group - a collective, pro-rata entitlement to the actuarial provisions.
2. The pro-rata entitlement to the fluctuation reserves and the actuarial provisions is fundamentally based on the findings of the recognised occupational pensions actuary.
3. The entitlement of those departing collectively to the fluctuation reserves is based on the values reported in the relevant commercial balance sheet and the ratio between the fluctuation reserves to be transferred and the total fluctuation reserves is the same as the ratio between the pension capital (savings capital and actuarial reserves) and technical provisions to be transferred and the total pension capital (savings capital and actuarial reserves) and technical provisions.
4. The entitlement to the fluctuation reserves and the actuarial provisions is reduced in line with any shortfall between the contributions of the group of departing insured persons to the accumulation of the corresponding provisions and fluctuation reserves and the contributions of the group of insured persons remaining with the Foundation.
5. The collective entitlement to technical provisions and fluctuation reserves must be transferred collectively to the new pension provider. The type and extent of the risks to be transferred and the reference date for the transfer (due date) and any changes pursuant to Article 4 (3) must be defined in the transfer agreement.

Article 9 *Information and procedure*

1. If the Board of Trustees determines that a trigger for partial liquidation has occurred, it shall pass a resolution to carry out the partial liquidation. In doing so, it must define in particular the event that led to the partial liquidation and its exact time of occurrence, the group of persons to be included, the free funds and the distribution plan or the shortfall and its allocation.
2. The head office informs all affected individuals via the Pension Commission of the decision to carry out a partial liquidation, indicating the amount of the free funds or the shortfall, the fluctuation reserves, the technical provisions and the distribution plan or the division of the shortfall, the right to inspect documents and the possibility of raising objections. In addition to providing this information directly, the Board of Trustees may also publish it in the Swiss Official Gazette of Commerce.
3. Affected persons have the right to raise an objection against the Board of Trustees' resolution within 30 days of receipt of the information. The documents can be inspected at the Foundation's head office.
4. If an objection cannot be settled amicably, the Board of Trustees shall issue a negative decision. The affected individual may appeal against this to the supervisory authority within 30 days.
5. If no objections have been raised, objections have been settled amicably or a legally binding decision has been made by the supervisory authority, the distribution plan shall enter into legal effect and be implemented.
6. The auditor confirms the proper implementation of the partial liquidation as part of regular annual reporting. This confirmation must be presented in the notes to the annual financial statements.

Part III

Partial and total liquidation of the pension schemes

Article 10 *Principles and requirements*

1. Basis

In the event of the partial or total liquidation of a pension scheme, the departing insured persons have an individual or collective entitlement to a share of the Foundation's free funds, in addition to their entitlement to the transfer value under the Pension Rules. If the Foundation is underfunded, the shortfall may be deducted from the individual transfer value on a pro-rata basis.

2. Requirements for partial liquidation of a pension scheme

1. The requirements for partial liquidation of a pension scheme are fulfilled if
 - a) an economically justified reduction in the enrolled employer's workforce results in the involuntary departure of a significant proportion of the active insured persons, or
 - b) the enrolled employer is restructured resulting in the outsourcing, reorganisation or closure of parts of the business and this leads to the involuntary departure of a significant proportion of the active insured persons.
2. For the purposes of paragraph 1, a "significant proportion" is defined as follows: the departure of 2 to 29 persons constituting at least 30 percent, 30 to 69 persons constituting at least 25 percent, 70 to 99 persons constituting at least 15 percent and 100 or more persons constituting at least 10 percent within one year.
3. If the personnel reduction takes place over a shorter or longer period than one year, this period shall be definitive.

3. Group of persons included

1. Departures due to the termination of an enrolment contract and involuntary departures are taken into account in the partial liquidation.
2. For the purposes of the partial liquidation of a pension scheme, departures are deemed to be involuntary if an insured person's employment relationship is terminated by the employer and he or she is not offered an equivalent, suitable position. Departures are also regarded as involuntary if the insured person gives notice him or herself in order to pre-empt an imminent termination by the employer.
3. The following are not taken into account:

- a) Voluntary departures and the expiry of temporary employment contracts
 - b) Terminations for disciplinary or other important reasons within the meaning of Article 337 OR (dismissal without notice)
 - c) Retirements, cases of disability and deaths
4. Requirements for total liquidation of a pension scheme
- The requirements for total liquidation of a pension scheme are fulfilled if the enrolment contract is terminated because
- a) the employer is being fully liquidated
 - b) the employer goes bankrupt and therefore no longer exists.
5. Employer's notification obligation
- 1. The employer is obliged to notify the Foundation if a trigger for partial liquidation at the level of its pension scheme has occurred. It must indicate in particular the context and duration of the personnel reduction, the affected employees, the end of their employment relationships and the reason for the termination.
 - 2. The employer is obliged to provide the Pension Commission and the head office with all information necessary to carry out the partial liquidation.

Article 11 Time frame and balance sheet date

1. Reference date of the trigger for partial or total liquidation
- The Board of Trustees determines the applicable date or time frame for defining the group of those affected on the basis of the event and the departures of the insured persons.
2. Balance sheet date
- The balance sheet date is the end of the calendar year that is closest to the date on which the trigger for partial liquidation occurred.
3. Changes to assets and liabilities
- If there are significant changes to the assets or liabilities of at least 10% between the applicable balance sheet date and the transfer of the funds, the technical provisions, fluctuation reserves and free funds to be transferred or the shortfall shall be adjusted accordingly.

Article 12 Collective and individual departures

- 1. If the entire departing group joins a new pension provider together, this is deemed to be a collective departure.
- 2. If at least 10 insured persons enter into employment relationships with the same new employer and therefore jointly transfer as a group to the pension providers of the new joint employer, this is also deemed to be a collective departure of active insured persons.
- 3. All insured persons who leave the pension scheme in the applicable period and do not form part of the collective departures are deemed to be active insured persons departing as individuals.

Article 13 Principles

- 1. The basis for calculating the free funds and any actuarial shortfall is:
 - a) The annual financial statements drawn up in accordance with Swiss GAAP ARR 26
 - b) The free funds reported for the pension scheme in the annual financial statements
 - c) The actuarial balance sheet with the funding ratio calculated in accordance with Article 44 BVV 2

If a shortfall arises as of the balance sheet date, this may be deducted from the transfer value on a pro-rata basis either individually or collectively. Retirement assets pursuant to Article 15 BVG will be preserved in all cases.
- 2. Any free funds or shortfalls from a partial liquidation of the Foundation attributable to the pension scheme must be taken into account.
- 3. The costs of the partial or total liquidation are deducted in full in accordance with the Cost Schedule applicable on the reference date prior to the distribution of the free funds/the division of the shortfall.

Article 14 *Distribution of the free funds and division of the shortfall*

1. Basis of assessment

Distributions of free funds or divisions of shortfalls are based on and proportionate to the pension capital accumulated in the Foundation (retirement assets of the active insured persons and actuarial reserves of the pensioners).

2. Group of persons included

1. If free funds are available, the pensioners and the active insured persons enrolled with the Foundation as of the balance sheet date and the persons who departed between the reference date of the trigger for partial liquidation and the balance sheet date are taken into account.
2. If there is a shortfall, the active insured persons and pensioners enrolled with the Foundation as of the balance sheet date and the persons who departed between the reference date of the trigger for partial liquidation and the balance sheet date are taken into account.

3. Distribution formula

1. The process for determining the entitlement to free funds comprises the following steps:
 - a) The group of active insured persons and pensioners is divided into those who are remaining and those who are departing.
 - b) The pension scheme's free funds are allocated to the group of persons who are departing and those who are remaining separately for the active insured persons and pensioners in proportion to their pension capital (transfer values of the active insured persons/actuarial reserves of the pensioners).
 - c) In the event of a collective departure, the free funds allocated to the departing group are transferred collectively.
 - d) If the free funds allocated to the departing group are to be distributed individually, the following equally weighted criteria are applied:
 - i. Age on the reference date
 - ii. Last reported annual salary
 - iii. The retirement assets of active members and annuity capital of pensioners on the reference date
 - iv. Number of full insurance years on the reference date

The greater the age, the higher the annual salary, the larger the retirement assets or annuity capital and the higher the number of insurance years, the larger the individual's share of the distribution.

2. Underfunding is divided between the departing group and those that will remain in such a way that the funding ratio calculated for the Foundation before and after the departure of the departing group and taking into account the funds allocated to the pension scheme remains the same. The share of the underfunding calculated for the departing group is added to the pension capital (transfer values of the active insured persons/actuarial reserves of the pensioners) individually and in proportion to it.

4. Collective entitlement

1. In the event of a collective departure, there is a collective entitlement to the free funds.
2. With collective departures, any deductions of actuarial shortfalls are also applied to the transfer value on an individual basis. In the event of a shortfall, the transfer values of the departing persons are reduced by the amount of the shortfall on a pro-rata basis. The retirement assets pursuant to Article 15 BVG may not be reduced by the deduction of any shortfall. If the full amount or an insufficiently reduced amount of the vested benefits was transferred in the event of a shortfall, the insured person must repay the excess amount transferred.
3. The portion of the free funds/shortfall attributable to the persons remaining in the pension scheme after the conclusion of the trigger for partial or total liquidation remains in the pension scheme without being allocated individually.

5. Individual entitlement

In addition to being entitled to their transfer value, active insured persons departing as individuals also have an individual entitlement to a share of the free funds. There is no individual entitlement to a share of the fluctuation reserves.

Article 15 Information and procedure

1. If a Pension Commission determines that a trigger for partial or total liquidation has occurred, it shall pass a resolution - in consultation with the head office - to carry out the partial or total liquidation. In doing so, it must define in particular - in consultation with the head office - the event that led to the partial or total liquidation and its exact time of occurrence, the group of persons to be included, the free funds and the distribution plan or the shortfall and its allocation. In the event of disagreement between the Pension Commission and the head office, the Board of Trustees shall make the final decision.
2. The head office informs all affected individuals via the Pension Commission of the decision to carry out a partial or total liquidation, indicating the amount of the free funds or the shortfall, the distribution plan or the division of the shortfall, the right to inspect documents and the possibility of raising objections. In addition to providing this information directly, the head office may publish it in the Swiss Official Gazette of Commerce at the employer's expense.
3. If no legally elected Pension Commission exists in the event of a total liquidation, the duties of the Pension Commission described in paragraphs 1 and 2 shall be carried out by the head office in return for a fee to cover costs.
4. Affected persons have the right to raise an objection against the Board of Trustees' resolution within 30 days of receipt of the information. The documents can be inspected at the Foundation's head office.
5. If an objection cannot be settled amicably, the Board of Trustees shall issue a negative decision. The affected individual may appeal against this to the supervisory authority within 30 days.
6. If no objections have been raised, objections have been settled amicably or a legally binding decision has been made by the supervisory authority, the distribution plan shall enter into legal effect and be implemented.
7. The auditor confirms the proper implementation of the partial or total liquidation as part of regular annual reporting. This confirmation must be presented in the notes to the annual financial statements.

Article 16 Transfer agreement

1. In the event of a collective transfer of assets to one or more pension providers, the head office shall draw up a transfer agreement.
2. If the entitlements are to be transferred individually (individual departure), the use of the additional entitlement to free funds shall be subject to the provisions of the Pension Rules on the use of the transfer value.

Part IV

Final provisions

Article 17 Insolvency of the employer

If the employer has not paid all contributions it owes by the time of the partial or total liquidation of its pension scheme and bankruptcy or similar proceedings are initiated against it, the outstanding contributions shall initially be provisionally offset against the employer contribution reserves and then against the fluctuation reserves or free funds of the pension scheme in question. If the corresponding amount is subsequently received in part or in full via a payment from the employer or the BVG Guarantee Fund, the entitlements of the affected insured persons shall be recalculated in light of the higher available assets and additionally paid out, minus the funds that have already been transferred. Subject to Article 39 (2) BVG, individual vested benefits are not reduced by outstanding contributions.

Article 18 Use of the employer contribution reserve

If an employer contribution reserve exists following the total liquidation of a pension scheme and it can no longer be used for its intended purpose because the employer no longer has any employees requiring insurance, the employer contribution reserve shall - once any outstanding contributions have been settled - be liquidated and allocated to the pension scheme's free funds.

Article 19 Cost contribution

The costs of carrying out the partial or total liquidation are deducted from the employer contribution reserves, the fluctuation reserves or the free funds of the affected pension scheme or invoiced at the employer's request. In the event of a shortfall, the costs shall be invoiced to the employer. The same procedure shall be applied to extraordinary expenses, such as those incurred through the partial or total liquidation of an underfunded pension scheme, the head office's having to perform tasks related to the liquidation and the provision of information which should have been performed by the Pension Commission, the procurement of expert opinions in connection with objections and complaints, etc.

Article 20 Minimum amounts

1. The Foundation sets minimum amounts for the total funds to be distributed or for the share to be allocated to each beneficiary.
2. If these minimum amounts are not reached, the group of persons is adjusted in order to keep the costs incurred commensurate with the funds to be distributed.
3. The Foundation periodically reviews the suitability of these measures.
4. The amount of the share to be allocated to each person is CHF 200.

Article 21 Interest

1. The Foundation pays interest on the retirement assets and actuarial reserves at the rate set by the Board of Trustees for departures during the year, beginning no earlier than the 31st day after the receipt of all information necessary for the transfer and lasting until the transfer of the assets.
2. No interest is paid on the entitlements to free funds, the share of the technical funds and the fluctuation reserves. No default interest is payable in the event of late payment.

Article 22 Cases with no specific provision

Cases not explicitly provided for in these Regulations - including both partial liquidations of the Foundation and partial or total liquidations of the pension schemes - are dealt with by the Board of Trustees, which will apply the provisions of these Regulations *mutatis mutandis*.

Article 23 Approval and entry into force

1. 1 These Partial Liquidation Regulations shall enter into force - subject to approval by the responsible supervisory authority in line with Article 53b BVG - on 1 January 2017.
2. The approval ruling from the supervisory authority shall be disclosed in a suitable form to all active insured persons and pensioners at the time of issue, along with information on the right to appeal.
3. The Board of Trustees may apply to the supervisory authority for changes to be made to these Regulations at any time.
4. If these Regulations are translated into other languages, construction shall be governed exclusively by the German text.