

Novartis Pension Funds



# Novartis Pension Fund 1

Regulations



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## Regulations

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## Summary of Benefits and Funding

<b>Insured remuneration</b>	Article 4
<b>Funding</b>	
- Contributions	Article 7
- Joining fee, voluntary extra contributions, amortization contributions	Article 8
<b>Retirement benefits</b>	
- Pension, lump-sum payout	Article 10
- Bridging pension	Article 10
- Child pensions	Article 10
<b>Benefits in the event of disability</b>	
- Disability pension	Article 11
- Child pensions	Article 11
<b>Benefits on death</b>	
- Spouse's pension	Article 12
- Domestic partner's pension	Article 13
- Orphan's pension	Article 14
- Lump sum on death	Article 15
<b>Benefits on leaving</b>	Article 19

## Abbreviations and Terms

<b>Pension Fund</b>	Novartis Pension Fund 1
<b>Company</b>	Novartis AG or, depending on the context, the affiliated companies as listed in Appendix 2, which have joined the Pension Fund
<b>Employees</b>	Persons who have a contract of employment with the Company
<b>Insured person</b>	Employee admitted to the Pension Fund
<b>Year</b>	Calendar year
<b>Retirement age</b>	Age on the first day of the month after reaching the age of 65 years
<b>Registered partnership</b>	Registered partnership of same-sex couples within the meaning of partnership the Partnership Act (PartG)
<b>AHV</b>	Federal old-age and survivors' insurance
<b>IV</b>	Federal disability insurance
<b>BVG</b>	Federal law on occupational pension schemes for retirement, survivors and disability
<b>FZG</b>	Federal law on the portability of vested benefits in occupational pension schemes
<b>Retirement plan</b>	Benefits payable after retirement
<b>Retirement account</b>	Individual account in the retirement plan
<b>Retirement assets</b>	Corresponds to the balance on the retirement account
<b>Risk plan</b>	Benefits payable on disability and death
<b>Savings plan</b>	Flexible arrangement of retirement
<b>Savings account</b>	Individual account in the savings plan
<b>Savings</b>	Corresponds to the balance on the savings account

In these Regulations any use of the masculine gender is taken to refer to both genders.

The provisions for spouses also apply by analogy to persons in registered partnerships as defined in the Partnership Act (PartG). This relates in particular also to the provisions on the spouse's pension, remarriage as a reason for forfeiture, the lump sum on death, and also to the requirements for consent in the event of cash disbursement and lump-sum payment, early withdrawal and pledging for home ownership purposes.

## Contents

<b>I.</b>	<b>General provisions</b> .....	7
	Art. 1 Purpose; structure .....	7
	Art. 2 Admission to the Pension Fund .....	7
	Art. 3 External insured persons .....	8
	Art. 4 Insured remuneration: retirement plan, savings plan, risk plan .....	8
	Art. 5 Retirement credits and retirement assets in the retirement plan .....	9
	Art. 6 Savings credits and savings assets in the savings plan .....	10
<b>II.</b>	<b>Funding</b> .....	11
	Art. 7 Contributions .....	11
	Art. 8 Joining fee, voluntary extra contributions .....	11
<b>III.</b>	<b>Insured benefits</b> .....	13
	Art. 9 Insured benefits, notification of insured persons .....	13
	Art. 10 Retirement pension, retirement lump sum, bridging and child pension .....	13
	Art. 11 Disability pension, child pensions .....	14
	Art. 12 Spouse's pension .....	15
	Art. 13 Domestic partner's pension .....	16
	Art. 14 Orphans' pensions .....	17
	Art. 15 Lump sum on death .....	17
	Art. 16 Use of free funds, adjustment of pensions to development of prices .....	18
	Art. 17 Provisions on payments .....	18
<b>IV.</b>	<b>Leaving the Pension Fund</b> .....	19
	Art. 18 Due date, additional cover, reimbursement .....	19
	Art. 19 Level of vested benefits .....	19
	Art. 20 Use of vested benefits .....	20
	Art. 21 Leave .....	20
<b>V.</b>	<b>Special provisions</b> .....	21
	Art. 22 Taking into account of third-party benefits, reduction of benefits, provisional benefits ..	21
	Art. 23 Security of benefits; charging of claims .....	22
	Art. 24 Obligation to inform and notify .....	22
	Art. 25 Home ownership: early withdrawal, pledging, obligation to inform .....	23
	Art. 26 Divorce .....	24
	Art. 27 Financial equilibrium .....	25
<b>VI.</b>	<b>Organization</b> .....	26
	Art. 28 Board of Trustees .....	26
	Art. 29 Duties of the Board of Trustees .....	27
	Art. 30 Auditors .....	27
	Art. 31 Accounting; investment assets .....	27
<b>VII.</b>	<b>Final stipulations</b> .....	28
	Art. 32 Implementation and amendment of the Regulations .....	28
	Art. 33 Benefits in cases of hardship .....	28
	Art. 34 Partial liquidation .....	28
	Art. 35 Disputes .....	28
	Art. 36 Entry into force; transitional provisions .....	28

<b>Appendix 1: Important figures</b> .....	31
1 Retirement credits (Article 5) and savings credits (Article 6) .....	31
2 Level of contributions (Article 7) .....	31
3 Voluntary extra contributions (Article 8) .....	33
4 Conversion ratio (Article 10) .....	35
5 Reduction of the retirement / savings assets as a result of taking a bridging pension (Article 10) .....	36
<b>Appendix 2: Companies affiliated to the Pension Fund</b> .....	37
<b>Appendix 3: Election of the Board of Trustees</b> .....	38
1 Electoral office .....	38
2 Entitlement to vote, eligibility to stand .....	38
3 Entitlement to nominate .....	38
4 Electoral procedure .....	38
5 Leaving of a member of the Board of Trustees .....	38
<b>Appendix 4: Transitional arrangement for insured persons as defined in Article 36 Paragraph 3 (born in 1956 or later, all insured persons of the BVG insurance) regarding compensation payments on transfer to the new pension plan (2011)</b> .....	39
<b>Appendix 5: Examples of calculations in the regulation</b> .....	41
1 Insured person A – insured remuneration (Article 4) .....	41
2 Insured person B – insured remuneration (Article 4) .....	41
3 Insured person C – insured remuneration (Article 4) .....	41
4 Insured person A – calculation of benefits purchased (Article 8) .....	42
5 Insured person B – calculation of benefits purchased (Article 8) .....	42
6 Insured person A – retirement benefits (Article 10) .....	43
7 Insured person B – retirement benefits (Article 10) .....	44



## I. General provisions

### Art. 1 Purpose; structure

- 1 The purpose of the Pension Fund is to provide both for the employees of the Company at retirement and in the event of disability and for the survivors of employees after their death. It operates the compulsory occupational benefits scheme for old age, survivors and disability as stipulated by law (BVG) and, to this end, has been entered in the register for such occupational benefits schemes.
- 2 The Pension Fund operates the benefits scheme as set forth in the provisions of these Regulations on its own account and at its own risk. It may reinsure certain risks with an insurance company subject to the statutory insurance inspectorate.
- 3 In all cases, the Pension Fund guarantees at least the benefits stipulated by law (BVG). To this end, it operates a control account (shadow accounting) for every insured person, which shows the BVG retirement assets accrued for this person and the legal minimum to which this person is entitled as set forth in the BVG.

### Art. 2 Admission to the Pension Fund

- 1 Employees who have reached the age of 17 and not yet reached the age of retirement and whose full (100%) annual base salary (Article 4 Paragraph 4) exceeds the minimum remuneration as laid down in Article 2 of the BVG are admitted to the Pension Fund, subject to Paragraph 2.

They are admitted as soon as they enter into a contract of employment, but not sooner than 1 January after reaching the age of 17.

- 2 The following employees are not admitted to the Pension Fund:
  - a) Employees who already have a compulsory insurance elsewhere in a position of primary employment or who are primarily in self-employment.
  - b) Employees who have at least a 70% disability according to the criteria of the IV.
  - c) Employees whose contract of employment was concluded for a maximum of three months. If the period of the contract is subsequently extended to a total of more than three months, the insurance obligation begins from the point at which the extension of the contract was agreed upon. If several successive appointments with the same employer last a total of more than three months and if there is no interruption for more than three months, the employee is insured from the start of the fourth month of work altogether. However, if it is agreed before the initial start of work that the period of appointment will exceed a total of three months, the employee is insured from the start of the employment contract.
  - d) Employees who are not or are not expected to be permanently employed in Switzerland and have adequate insurance abroad, if they apply for exemption from admission to the Pension Fund.

The Pension Fund does not take over any voluntary insurance of employees who work for several employers (Article 46 of the BVG).

- 3 The persons to be insured also include employees on hourly pay, part-time employees and employees hired on a temporary or provisional basis, unless their employment contract with the Company is fixed from the outset at not more than three months.
- 4 Employees with a company not listed in Appendix 2 or employees who do not fall under the requirements for admission defined in Paragraph 2 may be admitted to the Pension Fund at the request of the Company.
- 5 Previously insured persons rejoining the Company are treated in the same way as new employees.

### Art. 3 External insured persons

- 1 If the insured person leaves the compulsory insurance, the Pension Fund may, with the consent of the Company, continue the benefits scheme or simply the retirement benefits scheme on the same scale as before both for a limited or unlimited period and subject to contributions or exempted from contributions, even after the contract of employment is terminated, on the basis of a special agreement with the insured person.
- 2 For insured persons as defined in Paragraph 1 and their survivors, benefits (such as pensions, lump-sum payments, severance payments, vested benefits etc.) from foreign public or private insurers or from other pension schemes or institutions, to which the Company or a group company has paid at least half the contributions directly or indirectly, are counted towards the benefits as defined in these Regulations.

### Art. 4 Insured remuneration: retirement plan, savings plan, risk plan

- 1 The insured remuneration under the retirement plan corresponds to the annual base salary as defined in Paragraph 4 plus the incentive/bonus as defined in Paragraph 5 and the allowance defined in Paragraph 6 minus the coordinating offset defined in Paragraph 7. The upper limit of the insured remuneration under the retirement plan is shown in the Supplement. The Board of Trustees reviews the maximum insured remuneration under the retirement plan at least every five years and adjusts it where necessary.
- 2 The insured remuneration under the savings plan corresponds to the annual base salary as defined in Paragraph 4 plus the incentive/bonus as defined in Paragraph 5 and the allowance defined in Paragraph 6 minus the coordinating offset defined in Paragraph 7. The upper limit of the annual base salary for the insured remuneration under the savings plan is the maximum allowable annual base salary shown in the Supplement.
- 3 The insured remuneration under the risk plan corresponds to the annual base salary as defined in Paragraph 4 minus the coordinating offset defined in Paragraph 7. The upper limit of the annual base salary for the insured remuneration under the risk plan is the maximum allowable annual base salary shown in the Supplement.
- 4 The annual base salary comprises the components of income determined by the Company by mutual agreement with the Board of Trustees. It does not include additional emoluments, such as family, child and standby allowances, or temporary and one-off payments of other kinds such as marriage and childbirth allowances, schooling costs, allowances for stressful work conditions etc.
- 5 The incentive/bonus corresponds to the variable components of income paid out in the current year for the previous year provided these are not insured in the Novartis Management Pension Fund, regardless of the selected form of their payment.
- 6 The allowance corresponds to shift allowance applicable for the year.
- 7 The coordinating offset corresponds to 30% of the base salary, but not more than seven eighths of the maximum state (AHV) retirement pension.
- 8 For insured persons who are in part-time employment or who are partially disabled, the maximum coordinating offset is adjusted according to the category of working schedule or disability pension entitlement.
- 9 The insured remuneration as defined in Paragraphs 1 to 3 is first set on admission to the Pension Fund. Changes are taken into account from the point when they take effect.
- 10 If the annual base salary of an insured person is reduced, and if the insured remuneration as defined in Paragraphs 1 to 3 had to be reduced as a result, this action is not taken as long as the insured person and the Company are prepared to continue paying contributions at the same level as before. However, if they are not or no longer prepared to do so, the levels of insured remuneration as defined in Paragraphs 1 to 3 are adjusted to the reduced annual base salary according to the above provisions.

- 11 If the annual base salary falls temporarily, the existing levels of insured remuneration as defined in Paragraphs 1 to 3 remain effective in principle, as long as the Company is required to award sick pay. However, the insured person may ask for the insured remuneration to be reduced.
- 12 In the case of an extraordinary employment contract and when the Company designates the persons to be insured as defined under Article 2 Paragraph 4 and Article 3, the levels of insured remuneration stipulated under Paragraphs 1 to 3 are set by the Company.

## **Art. 5 Retirement credits and retirement assets in the retirement plan**

- 1 An individual retirement account that shows the retirement assets available is operated for every insured person. The retirement assets consist of
  - a) the retirement credits together with interest
  - b) the joining fee paid in together with interest
  - c) the voluntary extra contributions together with interest, as well as sums that have been transferred following the statutory pensions equalization [pension rights adjustment] in a divorce settlement.
  - d) any further deposits together with interest
  - e) minus any withdrawals for home ownership or following a divorce or dissolution of a registered partnership by the courts, together with interest.
- 2 At the end of each year, the retirement account of every insured person aged at least 25 years will be credited with a retirement credit as shown in Appendix 1.
- 3 The following provisions apply to the operation of a retirement account:
  - a) The interest rate is fixed by the Board of Trustees as shown in Paragraph 4.
  - b) The interest on the balance of the retirement account at the end of the previous year is calculated and credited to the retirement account at the end of the current year. The retirement credits of the current year are added to the retirement assets without interest.
  - c) If a joining fee or voluntary extra contributions are paid in, these bear interest in the year concerned from the date of receipt.
  - d) If an insurance claim falls due or if an insured person leaves the Pension Fund during the year, the interest for the current year will be credited to the balance of the retirement account at the end of the previous year for the time that has since elapsed. The retirement credit corresponding to the period of insurance elapsed in the current year is also added.
- 4 At the end of a year, the Board of Trustees sets the intra-year rate of interest for the following year. The retirement assets of the changes in the following year (e.g. exits, retirements) bear interest at the intrayear rate of interest. The year-end interest rate is set by the Board of Trustees towards the end of the current year. The retirement assets of insured persons who leave the active headcount at the end of the year bear interest at the year-end rate of interest. When setting the intra-year rate of interest and the year-end rate of interest, the Board of Trustees considers in particular the requirements of the law, the prospective earnings for the following year (in the case of the intra-year interest rate) and the performance achieved and the provisional annual income (in the case of the year-end interest rate) and also the level of the technical provisions and the fluctuation reserve.
- 5 In the case of full disability, the retirement assets with interest and retirement credits are continued on a calculational basis. The continuation starts at the beginning of entitlement to a disability pension from the Pension Fund. It lasts as long as the claimant remains entitled to disability benefit from the Pension Fund, but not once retirement age has been reached. The retirement credits are calculated based on the insured remuneration under the retirement plan at the start of incapacitation and on the current retirement credits as specified in the Regulations according to the "Standard" scale as defined in Appendix 1 in percent of the insured remuneration under the retirement plan.
- 6 In the case of partial disability, the retirement assets at the start of entitlement to a disability pension from the Pension Fund and insured remuneration at the start of incapacitation corresponding to the decision on a disability pension are divided up. The retirement assets corresponding to the disability part are continued according to Paragraph 5 as for a fully disabled insured person and the retirement assets corresponding to the active part are continued as for a fully active insured person.

## **Art. 6 Savings credits and savings assets in the savings plan**

- 1** In addition to the retirement plan, for every insured person aged 40 or older, an individual savings account is operated, in accordance with Article 5, which shows the savings assets. The savings assets consist of
  - a) the savings credits together with interest,
  - b) the voluntary extra contributions together with interest,
  - c) any further deposits together with interest,
  - d) minus any withdrawals for home ownership or following a divorce or dissolution of a registered partnership by the courts, together with interest.
- 2** The savings account of every insured person aged at least 40 years is credited at the end of each year with a savings amount as defined in Appendix 1.
- 3** For operating the savings account, the provisions of Article 5 Paragraph 3 and Paragraph 4 apply by analogy, although the interest rate for the savings account may differ from that for the retirement account.
- 4** In the case of full disability, the savings assets available at the start of entitlement to a disability pension from the Pension Fund are paid out to the insured person as a lump sum on disability.
- 5** In the case of partial disability, the savings assets available at the start of entitlement to a disability pension from the Pension Fund are divided into two parts according to the disability pension decision. The savings assets corresponding to the disability part are paid out to the partially disabled insured person as lump sum on disability and the savings assets corresponding to the active part are continued as for a fully active insured person.

## II. Funding

### Art. 7 Contributions

- 1 The savings and risk contributions of the Company and the insured persons are listed in Appendix 1.
- 2 The contributions of the insured persons are deducted from the salary by the Company in 12 monthly instalments and transferred to the Pension Fund monthly.

The contributions of the insured persons are likewise transferred to the Pension Fund monthly together with the contributions of the insured persons or debited to the employer contributions reserve where applicable.

- 3 The requirement to pay contributions begins with admission to the Pension Fund, in all cases only at the beginning of a month, but at the earliest on 1 January after reaching the age of 17 years, and ends, subject to Paragraph 4 and in each case only at the end of a month, when
  - a) retirement age is reached,
  - b) the employment contract is terminated or
  - c) remuneration is below the minimum salary specified in Article 2 BVG.
- 4 In the case of an accident, sickness, maternity leave or military service, the requirement to pay contributions applies as long as the salary or compensation for loss of earnings (e.g. daily allowances paid by health or accident insurance) is paid out. The contributions are either deducted from the salary that continues to be paid out or from any compensation for loss of earnings.

### Art. 8 Joining fee, voluntary extra contributions

- 1 The vested benefits from previous pension schemes must be transferred to the Pension Fund as a joining fee. The joining fee is credited to the insured person as retirement assets or savings assets. If the joining fee exceeds the maximum voluntary extra contribution paid into the retirement account and savings account as defined in Paragraph 5 and the insured person has been admitted to Pension Fund 2, the surplus part of the insured person's joining fee is credited to the retirement assets in Pension Fund 2.
- 2 The joining fee falls due on admission to the Pension Fund.
- 3 The insured person shall allow the Pension Fund to examine the statements on the vested benefits from previous pension schemes.
- 4 The insured person shall notify the Pension Fund of any previous membership of an institution for the portability of benefits and the form of benefits insurance provided therein. The institution for the portability of benefits must transfer the capital to the Pension Fund when the insured person joins this fund.
- 5 An insured person may pay voluntary extra contributions into the retirement account (Article 5) and/or into the savings account (Article 6). The maximum possible level of voluntary extra contributions is determined according to Appendix 1. The maximum sum of voluntary extra contributions is reduced by an amount corresponding to the level of pillar 3 assets that exceeds the limit mentioned in Article 60a Paragraph 2 BVV2, and to any vested benefits that the insured person was not required to pay into the Pension Fund. The voluntary extra contributions are credited to the insured person as retirement assets or savings assets.

- 6 For the funding of early retirement in the retirement plan at the age of 60, the sum of maximum possible voluntary extra contributions paid into the retirement account as defined in Paragraph 5 is increased by the amount defined in Appendix 1. The increase in the sum of the maximum possible voluntary extra contributions is applied, provided the insured person has exhausted the maximum possible voluntary extra contributions paid into the retirement account and the savings account as defined in Paragraph 5. If, on retirement after the age of 60, the voluntary extra contributions paid in as defined in this paragraph, including interest, exceed the maximum sum calculated according to Appendix 1, the existing retirement assets are reduced by a sum corresponding to the surplus amount and this falls to the Pension Fund.
- 7 In the case of early withdrawals for home ownership purposes, voluntary extra contributions may only be paid in if the early withdrawal sum has been repaid. Extra contributions paid back in following divorce are excluded from this provision (Article 26 Paragraph 1). If the age limit for repayment as defined in Article 25 Paragraph 7 has been passed, the payment of a voluntary extra contribution is permitted. In this case, the maximum possible voluntary extra contribution is reduced by an amount corresponding to the early withdrawal.
- 8 In the case of persons who have moved to Switzerland from abroad and who never before belonged to a pension scheme in Switzerland, the annual voluntary extra contribution may not exceed 20% of the insured remuneration under the retirement plan or the insured remuneration under the savings plan during the first 5 years after joining a Swiss pension scheme. Once the 5 year period has elapsed, voluntary extra contributions may be paid in as set forth under the above provisions.
- 9 If an insured person receives vested benefits of his or her divorced spouse in the course of a statutory pension rights adjustment (based on a court ruling), this is treated as a voluntary extra contribution.
- 10 It is for the insured person to check the personal tax consequences of early withdrawals or voluntary extra contributions. The Pension Fund does not assume any liability.

### III. Insured benefits

#### Art. 9 Insured benefits, notification of insured persons

- 1 The Pension Fund pays the following benefits to the insured persons or their survivors:
  - a) Retirement pension, retirement lump sum, child pensions (Art. 10)
  - b) Disability pension, supplemented by child pensions (Art. 11)
  - c) Spouse's pension or settlement / domestic partner's pension (Art. 12 / 13)
  - d) Orphan's pensions (Art. 14)
  - e) Lump sum on death (Art. 15)
- 2 Every insured person receives an annual statement showing the retirement assets, the savings assets, the insured remuneration, the contributions, the insured benefits and the vested benefits.

#### Art. 10 Retirement pension, retirement lump sum, bridging and child pension

- 1 An insured person is entitled to retirement benefits if the employment contract is terminated after reaching the age of 60 years (for members of the Executive Committee Novartis [ECN]: after reaching the age of 58) and the insured person has no entitlement to disability benefits from the Pension Fund, subject to Article 18 Paragraph 2. The entitlement to retirement benefits applies at the latest on the attainment of retirement age, subject to Paragraph 8.
- 2 The retirement pension is calculated on the basis of the retirement assets and the conversion ratio at the time of retirement, as explained in Appendix 1. The defining criterion is the level of retirement assets after deduction of any lump-sum payout and bridging pensions.
- 3 Upon retirement, the insured person may increase the reversionary spouse's pension from 60% (Article 12 Paragraph 2) to 100% of the current pension. To fund this lifelong survivor's pension, the conversion ratio (Paragraph 2) is reduced accordingly. The insured person has to notify the Pension Fund in writing of the increase in the reversionary spouse's pension at the latest three months before receiving the retirement pension, otherwise this option is forfeited.
- 4 On retirement, the insured person may take up to half the retirement assets as a lump sum. If voluntary extra contributions have been paid in during the last three years before retirement, the benefits resulting from these contributions may not be taken in the form of a lump sum. The Pension Fund must be notified in writing of the decision to take a lump sum not later than three months before, and this notification must be co-signed by the spouse, otherwise this right is forfeited. The signature of the spouse or the registered partner must be officially authenticated. If the insured person cannot obtain the signature or if it is refused, he or she may invoke the civil court. The Pension Fund shall not pay interest on the retirement lump sum as long as the insured person fails to procure the agreement of the spouse.
- 5 Any retiree who has not yet reached the statutory (AHV) retirement age may claim a bridging pension until this age is reached, which pension must not exceed the maximum AHV pension. The existing savings assets according to Article 6 and also – if the savings assets are not sufficient for the desired level of pension – the existing retirement assets according to Article 5 are reduced by the multiple of the annual bridging pension sum according to the maximum period during which this pension is to be paid out, as defined in Appendix 1.
- 6 Any part of the savings assets according to Article 6 that are not used are paid out as a retirement lump sum.



- 7 If, after reaching the age of 60 (for members of the ECN: after reaching the age of 58), an insured person reduces the work schedule defined in the employment contract by at least 20% by mutual agreement with the Company, this person may request a partial retirement. The above provisions are applied mutatis mutandis for the partial retirement pension, the partial retirement lump sum and the bridging pension. The parts of the retirement assets corresponding to partial retirement serve as the defining criterion for the partial retirement pension and the partial retirement lump sum. The maximum bridging pension sum is reduced in line with the partial retirement.

The parts of the retirement assets and savings assets corresponding to the reduced work schedule defined in the employment contract are continued according to Article 5 and Article 6 as for an insured person in full-time employment. The insured remuneration is determined according to Article 4 on the base salary that continues to be paid. The contributions and the requirement to pay contributions conform to Article 7 based on the insured remuneration determined in this way (Article 4 Paragraph 1 to 3).

A partial retirement with payment of a partial retirement lump sum may proceed in three stages at most, where the work schedule defined in the employment contract must be reduced by at least 20% for at least one year and must remain at a minimum of 20%. The Pension Fund does not guarantee that partial retirement is treated preferentially in any way for tax purposes.

- 8 If an insured person remains in employment with the Company beyond retirement age by mutual agreement with the Company, the retirement benefits as defined in Paragraph 1 may either be taken or may be used to increase the level of retirement benefits as defined in Paragraph 1 when the person eventually leaves. The retirement benefits come due at the latest when the age of 70 is reached.
- 9 The retiree is entitled to a child pension amounting to 20% of the retirement pension received for every child that would be entitled to an orphan's pension upon the death of the retiree (Article 14).
- 10 The Board of Trustees reviews the conversion ratios every five years at the latest (Appendix 1) and adjusts them to the actuarial requirements, based on the current technical reference documents and a technical interest rate which is determined according to yield trends for low-risk, long-term investments. In doing so, the decision of the Board of Trustees is based on the recommendations of the expert for occupational benefit schemes and the investment specialists of the Pension Fund.

## **Art. 11 Disability pension, child pensions**

- 1 The insured person is considered disabled when he/she becomes completely or partially unable to work due to bodily or mental injury arising from illness, affliction, or accident, and this can be expected to continue on a permanent or long-term basis; or when he/she is disabled under the terms of the disability insurance (IV). Someone is completely or partially unable to work when he/she is no longer or only partially able to carry out the professional activity he/she did before the beginning of the disability, or any other activity that may reasonably be expected of him/her, and suffers loss of income because of this. A reduction in the capacity to earn an income of less than 40% does not constitute disability and therefore furnishes no grounds to claim disability benefits from the Pension Fund. An insured person with a degree of disability of 70% or more shall be deemed to be fully disabled.
- 2 Both for the recognition of a relevant disability and the definition of its degree the decision of the disability insurance (IV) is, in principle, binding. If special circumstances prevail, the Pension Fund may have the insured person's health and capacity to work assessed by an independent examining physician of its own choice. In this case, the criterion for defining the degree of disability is the loss of income resulting from the disability, measured by the previous pay.

The Pension Fund is authorized to obtain a medical appraisal of a disabled insured person's health at any time. If the insured person resists such an examination or refuses to accept employment which he/she could reasonably be expected to do in view of his/her knowledge, abilities, and state of health, the Pension Fund is entitled to reduce, refuse, or withdraw the disability benefits.



- 3** The insured person is entitled to a disability pension and a lump sum on disability. The insured person is entitled to
- a full disability pension if he/she is at least 70% disabled;
  - three-quarters of a full disability pension if he/she is at least 60% disabled;
  - half a disability pension if he/she is at least 50% disabled;
  - a quarter of a full disability pension if he/she is at least 40% disabled.

For a partly disabled insured person the lump sum on disability is reduced in line with the disability entitlement.

- 4** The full disability pension amounts to 60% of the insured remuneration under the risk plan at the start of incapacitation until the end of the month in which the insured person reaches retirement age. After this, it is established according to the provisions of Article 10 based on the calculational-ly continued accrual of retirement assets and the conversion ratio applicable at the time of retirement.
- 5** The full lump sum on disability corresponds to the savings assets available at the start of the disability pension according to Article 6.
- 6** The disability pension is paid out until death or until the person is considered to be no longer disabled.
- 7** The entitlement to a disability pension is deferred as long the Company continues to pay the salary or as long as compensation for loss of earnings (e.g. daily allowances from the health or accident insurance) is paid out which amounts to at least 80% of the lost pay and at least half of which is co-funded by the Company. The defining criterion is the level of compensation for loss of earnings before any reduction due to coordination with the benefits of the disability insurance (IV).
- 8** The recipient of a disability pension is entitled to a child pension amounting to 20% of the retirement pension received for every child that would be entitled to an orphan's pension upon his/her death (Article 14).
- 9** If an insured person entitled to partial disability pension from the Pension Fund leaves the Pension Fund, he/she continues to receive the partial disability pension together with any pertinent child pensions. Furthermore, vested benefits are paid out for the active part according to Article 19 and 20. The survivors' benefits that remain insured are determined according to the partial disability pension.

## **Art. 12 Spouse's pension**

- 1** If a married insured person or a married recipient of a retirement or disability pension dies, the surviving spouse is entitled to the spouse's pension if, at the time of death, the surviving spouse
- has to support one or more children or
  - has reached the age of 35 and the marriage has lasted at least five years.

If the surviving spouse does not meet one of these two conditions, he/she is entitled to a one-off settlement amounting to three times the annual sum of the spouse's pension. The duration of a domestic partnership (see Article 13) is treated as the duration of a marriage.

- 2** The spouse's pension amounts to 60% of the insured or current disability pension according to Article 11 at the time of death. After the death of a retiree, the spouse's pension amounts to 60% or 100% of the current retirement pension depending on the reversionary spouse's pension selected before the start of the retirement pension (Article 10 Paragraph 3).
- 3** The divorced spouse of the deceased insured person or the deceased recipient of a retirement or disability pension is treated in the same way as the surviving spouse provided
- the divorced spouse was awarded a (subsistence or compensation) allowance in the form of a pension in the divorce decree and
  - the marriage lasted at least 10 years.

The benefits of the Pension Fund are reduced, however, by a sum corresponding to the amount by which, together with the benefits of other insurance schemes (in particular the AHV or IV), they exceed the entitlement laid down in the divorce decree.

If a court determined that part of the vested benefits was to be transferred to the pension fund of the divorced spouse, this divorced spouse is only entitled to the minimum survivor's benefits stipulated by law (BVG).

- 4 The entitlement to a spouse's pension begins with the month following death, but at the earliest after full wage continuation has ceased to be paid. It lapses if the spouse or the domestic partner marries before reaching the age of 60. In the event of a remarriage, the surviving spouse is entitled to a one-off settlement amounting to three times the annual sum of the spouse's pension.

### **Art. 13 Domestic partner's pension**

- 1 If an unmarried insured person can show that he or she lived with an unmarried unrelated lifetime partner in the same household continuously for at least the last 5 years before death with a mutual obligation of support or if the domestic partner has to support one or more children from the relationship, then this person is entitled to the same benefits as a surviving spouse, provided this partnership has been registered in writing with the Pension Fund. A written request for benefits must be submitted to the Pension Fund within six months of the death of the insured person at the latest.
- 2 The partnership must be registered in writing with the Pension Fund in the form of a support agreement. The sample agreement provided by the Pension Fund must be used and sent to the Pension Fund during the lifetime of both partners and signed by both partners. The Pension Fund must be notified immediately if the partnership is dissolved.
- 3 The domestic partner's pension ceases when the partner marries or enters into a new partnership within the meaning of Paragraph 1. The Pension Fund periodically checks the entitlement to pensions.
- 4 If the recipient of a retirement or disability pension dies, the domestic partner is entitled to a pension, provided the conditions set forth in Paragraph 1 and 2 were met at the time of the first payment of the (retirement or disability) pension.
- 5 If the recipient of a domestic partner's pension is receiving a widow(er)'s pension from the AHV or a widow(er)'s pension or domestic partner's pension from a pension scheme, no domestic partner's pension is paid out.
- 6 Maintenance payments resulting from a divorce decree are counted towards the domestic partner's pension to be paid out.
- 7 The duration of a partnership according to Paragraph 1 and 2 is counted as duration of marriage as defined in the entitlement conditions of Article 12 for the spouse's pension, provided there is a support agreement to this effect.
- 8 The provisions governing the domestic partner's pension likewise apply to same-sex partners.
- 9 If a partnership is dissolved, there is no further entitlement to a domestic partner's pension. Therefore Article 12 Paragraph 3 for the spouse's pension to the divorced spouse does not apply by analogy.
- 10 The entitlement of the domestic partner to the lump sum on death is defined in Article 15 Paragraph 5.

#### Art. 14 Orphans' pensions

- 1 If an insured person or the recipient of a retirement or disability pension dies, each of his/her children is entitled to an orphan's pension. The entitlement starts with the month following death, but at the earliest after full wage continuation has ceased to be paid. This pension is granted until the child reaches the age of 20 years. Children who are still in education or are of diminished capacity or unfit for work because of a physical or mental affliction are entitled to this pension up to the age of 25 at the most.
- 2 Foster children and step-children are only entitled to the orphan's pension if the insured person was substantially responsible for their sustenance.
- 3 The orphan's pension amounts to 20% of the insured or current disability or retirement pension for each half-orphan and to 40% for each full orphan according to Article 11 at the time of death.

#### Art. 15 Lump sum on death

- 1 If an insured person or the recipient of a retirement or disability pension dies before reaching the age of 65, a lump sum on death is paid out to the claimants.
- 2 For an insured person the lump sum on death corresponds to 200% of the disability pensions insured at the time of death plus the existing savings assets according to Article 6, while for the recipient of a retirement or disability pension it corresponds to 200% of the current retirement or disability pension.
- 3 The lump sum on death is increased by the savings assets of the incentive/bonus insurance and shift insurance on 31 December 2010 transferred to the retirement assets on 1 January 2011, excluding interest, and by the voluntary extra contributions paid into the retirement account since 1 January 2011 according to Article 8 Paragraph 5 and Paragraph 6, excluding interest. The increase is diminished by any Pension Fund benefits already paid according to Article 9 Paragraph 1, excluding interest, and any early withdrawal for home ownership purposes (Article 25) and/or any withdrawal occasioned by a divorce (Article 26).
- 4 If, in the event of early retirement, an insured person claims a bridging pension according to Article 10 Paragraph 5 and dies before reaching the age of 65, the lump sum on death according to Paragraph 2 increases by that part of the savings assets not used for the bridging pension.
- 5 Persons with entitlement, regardless of inheritance law, are:
  - a) the spouse and the children of the deceased insured person who are entitled to an orphan's pension from the Pension Fund,
  - b) in the absence of beneficiaries as defined under a) persons who were supported to a substantial degree by the deceased insured person or the person who lived without interruption in a domestic partnership with the deceased insured person for the last five years until death with a mutual obligation of support or who are required to support one or more children from the relationship,
  - c) in the absence of beneficiaries as defined under a) and b) the other children, the parents or siblings of the deceased insured person.
- 6 The insured person may change the groups of beneficiaries listed in Paragraph 5 as follows at any time in a written notification to the Pension Fund:
  - a) If persons defined under Paragraph 5 lit. b) exist, the insured person may combine the beneficiaries defined under Paragraph 5 lit. a) and b).
  - b) If no persons defined under Paragraph 5 lit. b) exist, the insured person may combine the beneficiaries defined under Paragraph 5 lit. a) and c).
  - c) If no persons defined under Paragraph 5 lit. a) exist, the insured person may combine the beneficiaries defined under Paragraph 5 lit. b) and c).

The notification must be submitted to the Pension Fund during the lifetime of the insured person.

- 7 The insured person may send a written communication to the Pension Fund defining any entitlements of the beneficiaries within a beneficiary group (Paragraph 5 and 6) as he/she wishes. If no communication is received from the insured person, the lump sum on death falls equally to all beneficiaries within a beneficiary group. The communication must be submitted to the Pension Fund during the lifetime of the insured person.
- 8 If there are no persons as defined under Paragraph 5, the lump sum on death falls to the Pension Fund.

#### **Art. 16 Use of free funds, adjustment of pensions to development of prices**

- 1 The Board of Trustees decides on the use of any free funds of the Pension Fund within the limits of what is financially possible. The free funds shall be determined in accordance with professional principles and assessed by the expert on occupational benefit schemes.
- 2 The pensions are adjusted to price developments in accordance with the financial possibilities of the Pension Fund, the Board of Trustees deciding annually whether and on what scale this is possible. The Pension Fund explains the decisions of the Board of Trustees in its annual financial statement or its annual report.

#### **Art. 17 Provisions on payments**

- 1 The pensions are calculated as annual pensions. They are paid out to those entitled to pensions in 12 instalments, rounded to whole francs, at the end of each month. The payments are made by post-office or bank transfer to the paying office in Switzerland designated by the beneficiary. At the request and risk of the beneficiary payments may also be made abroad.

For the month in which entitlement to pensions ceases, the full pension instalment is paid.

- 2 The Pension Fund pays a one-off lump-sum settlement instead of the pension, if at the start of the entitlement the retirement or disability pension is less than 10% of the minimum AHV pension, the spouse's pension is less than 6% and the orphan's pension is less than 2%. The lump-sum settlement is calculated actuarially according to the technical principles of the Pension Fund. When it is paid out, all further claims of the insured person or his/her survivors on the Pension Fund cease.

## IV. Leaving the Pension Fund

### Art. 18 Due date, additional cover, reimbursement

- 1 A person leaves the Pension Fund and the occupational benefits scheme ends when his/her employment contract comes to an end, unless there is an entitlement to retirement, survivors' or disability benefits. If the person still has an employment contract, membership of the occupational benefits scheme ends when the base salary falls below the minimum for joining the scheme as stipulated by the BVG and is expected to remain below this level in the long term, without death or disability benefits becoming payable, subject to any additional coverage period as defined in Paragraph 5.
- 2 If the employment contract is terminated after the insured person has reached the age of 60 (members of the ECN: after reaching the age of 58) and this person takes up employment or self-employment or is registered as unemployed, he/she may either request that membership of the pension scheme be terminated and the vested benefits be transferred or claim the retirement benefits in accordance with these Regulations.
- 3 If membership of the benefits scheme ends, the insured person leaves the Pension Fund and is entitled to the vested benefits according to the following rules.
- 4 The vested benefits are payable when an insured person leaves the Pension Fund. From this point on, the benefits bear interest at the minimum rate stipulated in the BVG (see Supplement). If the Pension Fund does not transfer the vested benefits within 30 days of receiving the necessary information, they then become subject to interest at the rate laid down by the Federal Council for payment of arrears.
- 5 The insured person remains covered for the risk of disability and death for one month after leaving the occupational benefits scheme but at most until he/she joins a new occupational benefits scheme.
- 6 If the Pension Fund has to pay survivors' or disability benefits after transferring the vested benefits, the vested benefits must be repaid as far as they are needed for the payment of the survivors' or disability benefits. The survivors' or disability benefits are reduced if the sum is not repaid.

### Art. 19 Level of vested benefits

- 1 The vested benefits correspond to the existing retirement assets plus the existing savings assets. Legal minimum benefits are guaranteed.
- 2 If the Company has financed the payment of joining fees as defined in Article 9 either in whole or in part, the relevant sum is deducted from the vested benefits. The deduction is reduced by one-tenth of the sum paid by the Company with every full contribution year completed. The proportion left over is credited to the employer's contributions reserve.
- 3 The vested benefits in all cases comprise at least the existing retirement savings at the time of leaving as defined by law (BVG).

## Art. 20 Use of vested benefits

- 1 If the insured person joins a new occupational benefits scheme, the Pension Fund transfers the vested benefits to the new institution.
- 2 Insured persons who do not join a new occupational benefits scheme must inform the Pension Fund whether the vested benefits are to be transferred to a vested benefits account or used to set up a vested benefits policy.

If the Pension Fund is not informed, the vested benefits are transferred to the Supplementary Institution, together with interest. The transfer must take place at the earliest 6 months and at the latest two years after the insured person has left the occupational benefits scheme.

- 3 The insured person may request a cash payment of the vested benefits if
  - a) he/she is definitively leaving Switzerland and the Principality of Liechtenstein (subject to Paragraph 4) or
  - b) he/she takes up self-employment and no longer has to be insured under a mandatory occupational benefits scheme or
  - c) vested benefits amount to less than the person's annual contribution.

Cash payment to a married insured person is only admissible if the spouse gives written consent. The signature of the spouse must be officially authenticated. If voluntary extra contributions are paid in during the last three years before leaving, the resulting benefits will not be paid out in cash, but will be transferred to a vested benefits account or used to set up a vested benefits policy.

- 4 An insured person who definitively leaves Switzerland and the Principality of Liechtenstein cannot demand payment of the BVG retirement assets if he/she remains compulsorily insured for the risks of retirement, death and disability according to the laws of a Member State of the EU or Iceland or Norway.

## Art. 21 Leave

- 1 If an insured person takes leave, his/her insurance remains in force and without change provided the contributions on the part of employee and Company continue to be paid throughout the duration of the leave.
- 2 If only the risk contributions continue to be paid during the leave, they must be paid at the start of the leave for the whole period of leave as a one-off amount.
- 3 If the contributions are no longer paid, the insurance cover remains in place for the first month of leave. If an insurance claim is filed after this first month of leave but before the insured person takes up work again, the person is entitled to the vested benefits calculated from the point at which the leave began plus the interest for the time elapsed since.
- 4 If the payment of contributions is resumed after the period of leave has elapsed, the retirement and savings assets from this point onwards continue to be accumulated with retirement and savings credits and interest.
- 5 If the period of leave is longer than three years, the insurance cover is cancelled and the vested benefits are paid out, calculated from the point when the payment of contributions ended plus the interest for the time since elapsed.

## V. Special provisions

### Art. 22 Taking into account of third-party benefits, reduction of benefits, provisional benefits

- 1 If, in the event of disability or death of an insured person or recipient of a pension, the benefits of the Pension Fund together with other countable income for the insured person and his/her children or survivors amount to more than 100% of the earnings assumed to be lost, the benefits to be paid out by the Pension Fund must be reduced until the said threshold is no longer exceeded. In the case of lump-sum benefits from the Pension Fund, the provisions apply by analogy. The income of the surviving spouse or domestic partner and the orphans are counted together.
- 2 Countable income is considered to be benefits of the same kind and for the same purpose as those that are paid out to the entitled person as a result of the insured event, such as:
  - a) Benefits from the AHV/IV (and/or Swiss and foreign social security systems), with the exception of attendance allowance (*"Hilflosenentschädigungen"*);
  - b) Benefits from military insurance or compulsory accident insurance;
  - c) Benefits from other insurance companies for whose premiums the Company contributes at least half;
  - d) Benefits from Swiss and foreign benefits plans (especially Pension Fund 2) and from vested benefits accounts / policies.

For recipients of disability benefits, the income that these persons continue to earn or could reasonably be expected to earn from gainful employment, or are eligible to receive as compensation for loss of earnings, is also taken into account. The income that could reasonably be expected to be still possible from gainful employment is basically determined on the basis of the hypothetical disability income according to the IV decision.

Once recipients of disability benefits have reached the AHV retirement age, the retirement benefits from domestic and foreign social insurance plans and occupational benefits schemes, with the exception of attendance allowances and similar benefits, are taken into account, if the benefits from the occupational benefits scheme, with due regard to these retirement benefits and other countable income, exceed 100 percent of the last earnings assumed to have been lost before the attainment of AHV retirement age. Benefit reductions of other insurances at retirement age are not compensated.

One-off lump-sum payments are converted into pensions by an actuarial process on the basis of the technical principles applied by the Pension Fund. Exempted in this case are satisfaction and similar settlements, which are not counted.

In all cases, however, at least those benefits are paid that must be provided according to the BVG and its rules of coordination.

- 3 In cases of hardship or in periods of progressive inflation, the Board of Trustees may lessen or completely waive a reduction in the pension.
- 4 The Pension Fund may also reduce its benefits accordingly if the AHV/IV reduces, with-draws or refuses benefits because the entitled person is substantially culpable for the death or disability or refuses to comply with the integration measures initiated by the disability insurance (IV). The Pension Fund is under no obligation to compensate for refusals or reductions of benefit by the accident insurance or military insurance.
- 5 The Pension Fund may demand that a candidate for a survivor's or disability benefit assigns to it any claims against liable third parties that are due to him/her for the loss, up to the value of its benefit obligations.

- 6 If the coverage by the accident or military insurance, or by the occupational retirement, survivors' and disability benefits scheme according to BVG is disputed, a provisional benefit from the Pension Fund may be requested. If, in the case of a claim for survivor's or disability benefits, it is unclear which occupational pension scheme is under obligation to pay such benefits, the entitled person may request a provisional benefit from the pension fund with which he/she was last insured. The Pension Fund pays provisional benefits only within the limits of the minimum requirements stipulated by law (BVG).
- 7 Once the obligation of another insurer or pension scheme to pay benefits is established, this insurer or institute must reimburse the Pension Fund for the provisional benefits within the limits of the established obligation.

### **Art. 23 Security of benefits; charging of claims**

- 1 The benefits of the Pension Fund are, as far as legally permitted, immune to foreclosure proceedings. The entitlement to Pension Fund benefits, subject to Article 25, may neither be pledged nor ceded before they mature. Any arrangements to the contrary are without validity.
- 2 Benefits obtained unlawfully from the Pension Fund are set off against future benefits or must be repaid.
- 3 Claims on an insured person or retiree ceded by the Company to the Pension Fund may not be charged against benefits from the Pension Fund. This does not include contributions owed by the insured person.

### **Art. 24 Obligation to inform and notify**

- 1 Insured persons must truthfully inform the Pension Fund about all circumstances of relevance to their insurance, and in particular about their state of health when joining the Pension Fund and changes in marital status and family circumstances, without any specific request for such information.
- 2 At the request of the Pension Fund, recipients of pensions must furnish proof of identity. Disabled persons must report other pension income and income from gainful employment that they receive as well as any changes in the degree of disability. Insured persons are under an obligation to allow the Pension Fund to inspect their IV file.
- 3 Insured persons and other claimants are under obligation to provide the Pension Fund with the required and requested information and documents as well as documentation of benefits, reductions or refusals on the part of other insurance institutions or third parties mentioned in Article 22.
- 4 Insured persons who are covered by several benefit schemes and for whom the sum of their pay and income that is subject to social security (AHV) contributions exceeds the limit stipulated in Article 79c of the BVG must inform the Pension Fund of all the benefit schemes and the salaries and other income insured therein.
- 5 The Pension Fund declines any liability for any negative consequences resulting from a breach of the aforementioned obligations for insured persons or their survivors. Should the Pension Fund suffer damage from such a breach of obligations, the Board of Trustees may hold the person at fault liable for this damage.



## Art. 25 Home ownership: early withdrawal, pledging, obligation to inform

- 1 Up to the age of 62, an active insured person may claim a sum (at least CHF 20,000) for the purchase of a home for his/her own use (purchase or construction of residential property, participation in residential property or repayment of mortgage loans). Own use is considered to be personal use, i.e. that the insured person uses the property as his/her domicile or his/her normal place of residence. He/she may also, for the same purpose, pledge this sum or his/her entitlement to benefits for the same purpose.
- 2 Up to the age of 50, the insured person may withdraw or pledge a sum equal to his/her vested benefits. An insured person over the age of 50 may at most withdraw the vested benefits to which he/she would have been entitled at the age of 50, or one half of the sum of these benefits at the time of withdrawal. If extra contributions have been paid in during the last three years, the resulting benefits may not be withdrawn.
- 3 The insured person may submit a written request for information concerning the amount available to him/her for home ownership and the reduction to benefits associated with such a withdrawal. The Pension Fund informs him/her of the possibilities of supplementary insurance to cover the lack of insurance coverage that will result from the withdrawal, and draws attention to the related tax issues.
- 4 If an insured person makes use of the possibility of the early withdrawal or pledging options, he/she must submit the contractual documents relating to the purchase or construction of the residential property, the amortization of mortgage loans, the rules or the tenancy or loan agreements in the case of shares purchased with the institution financing the construction and the corresponding certificates in the case of similar kinds of participation. An insured person who is either married or living in a registered partnership must provide the written consent of their spouse or registered partner for the withdrawal and any subsequent mortgage. The signature must be officially authenticated. In the case of a pledge, the Pension Fund establishes whether the spouse or registered partner has co-signed the pledge agreement with the lender.
- 5 The Pension Fund pays out the withdrawal at the latest six months after the insured person has claimed his/her entitlement. If the Pension Fund has insufficient funds, it may impose a limit regarding the timing and amount of a withdrawal that is to be used to repay a mortgage loan, or may refuse the withdrawal entirely. The Pension Fund must inform the insured person how long these measures apply.
- 6 Should the liquidity of the Pension Fund be placed at risk by such early withdrawals, the Pension Fund may defer the processing of applications. The Board of Trustees draws up a list of priorities for the handling of applications.
- 7 An early withdrawal reduces first the savings assets (Article 6) and if necessary the retirement assets (Article 5) by the amount withdrawn. The insured retirement, disability and survivors' benefits are reduced in accordance with the early withdrawal sum. Any (partial) reimbursement of the sum withdrawn is permitted until the age of 62. The amount reimbursed is handled in the same way as a voluntary extra contribution as defined in Article 8 and first credited to the retirement assets. The reimbursed sum is allocated to the BVG retirement assets and the other retirement assets in the same ratio as for the early withdrawal.

## Art. 26 Divorce

- 1 The entitlements to occupational pension benefits accrued during the marriage up to the initiation of divorce proceedings are equalized.
- 2 If an insured person divorces and if, on the basis of the divorce ruling, the Pension Fund has to transfer a portion of the vested benefits accrued during the marriage to the divorced spouse's pension scheme, the insured person's existing retirement assets and savings assets are reduced by the amount transferred. The reduction is debited in the ratio of the BVG retirement assets to the other retirement assets. The insured benefits are reduced in proportion to the amount transferred in the same way as stated in Article 25 Paragraph 7. The insured person may, at any time, pay in a sum in accordance with Article 8 corresponding to the transferred portion of the vested benefits. The sum paid in is allocated in the same ratio as with the debiting of the BVG retirement assets and the other retirement assets.
- 3 If the marriage of a disability pension recipient is dissolved (before retirement age is reached) and the court ruling stipulates that the Pension Fund has to transfer part of the vested benefits acquired during the marriage to the pension scheme of the divorced spouse, the retirement assets of the disability pension recipient (before retirement age is reached) are reduced by the sum transferred. The insured benefits are reduced according to the sum transferred pursuant to Article 25 Paragraph 7, by analogy. The disability pension and child pension already in payment at the time when divorce proceedings are initiated remain unchanged until retirement age is reached.
- 4 If the marriage of a retirement or disability pension recipient is dissolved after retirement age is reached and the court ruling stipulates that the retirement or disability pension is to be divided, then the retirement or disability pension is reduced by the assigned portion of the pension. The portion of the pension assigned to the divorced spouse is converted into a lifelong pension for the divorced spouse from the time at which the divorce takes effect. The conversion is based on the pertinent provisions of the law. In the case of a disability pension recipient, the portion of the pension assigned to the divorced spouse is still taken into account when any reduction of the pension is calculated as stipulated in Article 20 Paragraphs 1 and 2. The entitlement to a lifelong pension becomes void upon the death of the divorced spouse.
- 5 The Pension Fund transfers the lifelong pension to the pension or vested benefits institution of the divorced spouse. The transfer is carried out in the form of a one-time lump sum payment, unless the divorced spouse requests in writing the transfer in the form of a pension annuity. The conversion into a lump sum is calculated according to the actuarial basic principles and parameters of the Pension Fund valid at the time when the divorce ruling takes effect. Upon payment of the lump sum, all further entitlements of the divorced spouse become void.
- 6 If the divorced spouse is entitled to a full disability pension or has reached the minimum age for early retirement according to the law on occupational pension schemes (BVG), he/she may request direct payment of the lifelong pension. If the divorced spouse has reached statutory (AHV) retirement age, the lifelong pension is paid out to him/her directly.
- 7 If an insured person or disability pension recipient enters retirement during divorce proceedings, both the part of the vested benefits to be transferred and the pension are reduced. The reduction corresponds to the sum by which the pension would have been lower by the time the divorce ruling takes effect, if a retirement assets sum reduced by the portion of the vested benefits to be transferred had been taken as a basis for the calculation of the pension. The reduction is split equally between the pension and the part of the vested benefits to be transferred. In addition, from the time the divorce takes effect the pension is permanently adjusted on the basis of the retirement assets reduced by that part of the assets that are to be transferred.

- 8 If an insured person receives vested benefits or a lifelong pension from his/her divorced spouse (as the result of a divorce ruling), this will be handled in the same way as a voluntary extra contribution as set forth in Article 8 and allocated to the BVG retirement assets and other retirement assets according to the details provided by the transferring pension fund. The insured person informs the Pension Fund about his/her entitlement to a lifelong pension and provides the name of the divorced spouse's pension fund.
- 9 Foreign divorce decrees stipulating that pension assets with a Swiss pension fund be split, can only be enforced after having obtained the recognition and enforcement order by a competent court in Switzerland.
- 10 The provisions on divorce are applicable in the same way for a registered partnership dissolved by the courts.

## **Art. 27 Financial equilibrium**

- 1 In the event of an actuarial deficit, the Board of Trustees defines appropriate measures to eliminate this deficit in cooperation with the accredited expert for occupational benefit schemes. If necessary, the measures may in particular involve adjusting the interest on retirements assets (Article 5 Paragraph 3) and savings assets (Article 6 Paragraph 3), the funding, the benefits and – after consultation with the cantonal Inspectorate – the current pensions that exceed the benefits according to BVG, to ensure that they are in line with the funds available.

For as long as a deficit exists and the interest rate on the retirement accounts (Article 5 Paragraph 3 a) remains below the minimum interest rate defined by the BVG, the minimum amount defined in Article 17 of the FZG is calculated using the interest rate applied to the retirement accounts.

If other measures do not achieve their objective, the Pension Fund may levy contributions from the insured persons, the Company and the retirees, and for as long as the coverage remains insufficient in order to remedy the shortfall.

The Company's contribution must be at least equal to the sum of the insured persons' contributions. The retirees' contribution may only be levied on the portion of the current pensions that, during the last ten years before the introduction of this measure, resulted from increases that were not stipulated by law or the Regulations. Such a contribution may not be deducted from compulsory benefits for retirement, death or disability. The level of the pension at the time when the entitlement became effective remains guaranteed. The retirees' contribution is deducted from current pensions.

- 2 If the measures mentioned in Paragraph 1 prove inadequate, the Pension Fund may apply an interest rate lower than that defined by the BVG for as long as the deficit persists, but not for more than five years. The interest rate must not be less than 0.5% below the minimum.
- 3 In the event of insufficient funding, the Company may make payments into a special employer contributions reserve account, waiving the use of this account, and may also transfer resources from the normal employer contributions reserve to this special account. The amounts paid in must not exceed the deficit and do not bear interest.
- 4 The Pension Fund must notify the Inspectorate, the Company, the insured persons and the retirees about the shortfall in funds and the measures taken to eliminate it.
- 5 In the event of a partial liquidation of the Pension Fund, the actuarial deficit is deducted pro rata from the vested benefits to be transferred as stipulated in the Regulations, provided this does not reduce the BVG retirement assets (Article 18 FZG).

## VI. Organization

### Art. 28 Board of Trustees

- 1 The highest body of the foundation is the Board of Trustees. It consists of 14 members. Seven members, including the Chairman, are nominated by the Company and seven members are elected by the insured persons from among the employees. The Board of Trustees appoints one of the seven elected members as Deputy Chairman. Otherwise, the Board of Trustees is self-constituting.
- 2 For the seven members of the Board of Trustees elected by the insured persons, seven substitutes are elected at the same time. For the seven members of the Board of Trustees appointed by the Company, seven substitutes are appointed at the same time. The Chairman and Deputy Chairman may only be represented by substitutes in their function as members of the Board of Trustees.
- 3 Members of the Board of Trustees and substitutes may only retain their office as long as they are insured persons and work in Switzerland.
- 4 The Board of Trustees ensures that the members of the board receive initial and further training so that they are able to perform their management functions.
- 5 The period of office of the elected members of the Board of Trustees and substitutes begins on 1 January, following their election, and lasts for four years. They may be reelected after their period of office has expired. If a member of the Board of Trustees elected by the insured persons leaves during his/her period of office, he/she must be replaced by a substitute in accordance with Appendix 3 until the next election. The Company determines the period of office of the appointed members of the Board of Trustees and substitutes.
- 6 The Board of Trustees meets on the order of the Chairman as often as business requires or at the written request of at least three members of the Board of Trustees. Notice of meetings together with an agenda should be sent to the members of the Board of Trustees and substitutes as a rule at least eight days before the meeting. The Head of the Business Office attends the meetings in an advisory capacity.
- 7 The Board of Trustees is quorate when at least three appointed and three elected members of the Board of Trustees or substitutes are present. It makes its decisions on a simple majority of those members and substitutes present, and only on matters listed in the agenda. The Chairman is entitled to vote. In the event of a tie, the motion is deemed to be rejected. Decisions by means of a circular letter are allowed so long as no one demands a spoken debate.
- 8 Minutes are taken of meetings; these also contain decisions by means of a circular letter, and must be sent to members of the Board of Trustees and substitutes within two weeks of the meeting taking place.
- 9 All persons involved in the administration, control or supervision of the Pension Fund are required to maintain confidentiality on the personal circumstances of insured persons and beneficiaries, as well as the business affairs of the Pension Fund and the Company, even after they have ended their work for the Pension Fund.

**Art. 29 Duties of the Board of Trustees**

- 1 The Board of Trustees manages the business of the Foundation in accordance with the law, the stipulations of the Deed of Foundation, and the Regulations and directives of the statutory Inspectorate. The Board of Trustees makes all decisions necessary to achieve the purpose of the Foundation and issues the necessary Regulations.
- 2 The Board of Trustees may delegate individual duties and powers to particular committees or third parties.
- 3 The Board of Trustees appoints the Head of the Business Office on the proposal of the Company. The Business Office executes the decisions of the Board of Trustees and deals with current business.
- 4 The Board of Trustees designates those persons entitled to sign and determines how signing may take place.

**Art. 30 Auditors**

- 1 The Board of Trustees selects the auditors of the Foundation. The auditors examine the management, accounting and investment assets of the Foundation annually and submit a written report on their findings to the Board of Trustees. The annual statement of account must be forwarded to the cantonal Inspectorate together with the auditors' report.
- 2 The Board of Trustees appoints the accredited actuarial expert for occupational benefit schemes. The expert periodically checks whether the pension fund provides security that it can fulfill its obligations and that the actuarial provisions on benefits and financing as laid down in the Regulations comply with the regulatory requirements. He shall submit to the Board of Trustees recommendations in particular about the level of the technical interest rate and other actuarial fundamentals.

**Art. 31 Accounting; investment assets**

- 1 The business year is the calendar year. The accounts of the Pension Fund are balanced annually on 31 December. The annual statement of account and the annual report are compiled not later than six months after the close of the financial year.
- 2 The assets of the Pension Fund are managed by the Board of Trustees, in accordance with recognized principles and in particular in respect of the legal requirements concerning investment policies, wherein the aim is to achieve not only the security of the investment but also an appropriate yield, and to take account of the liquidity needs of the Pension Fund. The Board of Trustees may transfer the asset management to third parties.
- 3 The Board of Trustees issues a set of investment rules.

## VII. Final stipulations

### Art. 32 Implementation and amendment of the Regulations

- 1 Questions that are insufficiently covered or not covered at all by these Regulations are decided upon by the Board of Trustees within the meaning of the Deed of Foundation. In special cases, the Board of Trustees may deviate from the provisions of these Regulations if their implementation were to mean hardship for the person or persons concerned and the deviation is in keeping with the meaning and purpose of the Pension Fund.
- 2 In cases of doubt, the German text of the Regulations is the authoritative version.
- 3 These Regulations may be amended by the Board of Trustees at any time while safe-guarding the vested rights. Provisions that provide for additional benefits or contributions at the expense of the Company cannot be made without its prior consent.

### Art. 33 Benefits in cases of hardship

- 1 Where these Regulations do not provide for benefit for an insured person, his/her family members or close relatives although a benefit would be compatible with the providence purpose of the Pension Fund, the Board of Trustees may decide to grant benefits if there is a well-founded request for such benefit.
- 2 The Board of Trustees decides at its own discretion, in recognition of the circumstances of the individual case and in consideration of the overriding interests of the Pension Fund. If necessary, it decides on the type, scope and duration of the benefits.

### Art. 34 Partial liquidation

The conditions and procedure of a partial liquidation of the Pension Fund are laid down in a separate set of Regulations.

### Art. 35 Disputes

Disputes between an insured person or a person entitled to benefits and the Foundation that cannot be settled internally are decided by the cantonal insurance court. The legal venue is the Swiss registered office or the domicile of the defendant or the location of the Company where the insured person was employed. In the event of an appeal, the provisions of the BVG apply.

### Art. 36 Entry into force; transitional provisions

- 1 These Regulations, together with the Supplement, enter into force on 1 January 2017 and supersede the Regulations, effective from 1 January 2016. Divorced spouses who were awarded a pension or a lump-sum settlement for a lifelong pension before January 1st, 2017, are entitled to survivor's benefits according to Article 12 Paragraph 3 as set forth in the Regulations effective 1 January 2016.
- 2 Pursuant to Article 10 paragraph 10, the conversion rates (Appendix 1) are adjusted to the actuarial requirements with effect from 1 January 2016. Every active person insured in the retirement plan on 1 January 2016 who was a member of the Pension Fund on 31 December 2015 and each existing recipient of a disability pension pursuant to Article 11 on 1 January 2016, are granted a single payment staggered over a period of five years in the form of a corresponding annuity credited to the retirement account once a year, starting on 1 January 2016. In case of an insured risk (retirement, death, disability) the remaining installments are credited to the retirement account. The benefits are calculated on the basis of the so increased retirement savings. Upon leaving the Pension Fund, the not-yet credited annuities will forfeit. The single payment corresponds to the capitalized difference between the previous and the new prospective retirement pension at age 65, discounted to Janu-

- ary 1, 2016 with an interest rate of 2.5%. The basis for determining the previous retirement pension is formed by the conversion rate of 6.1% and the retirement credits in accordance with the “standard” contribution scale valid up to 31 December 2015. The new retirement pension is based on the new conversion rate of 5.35% and the retirement credits valid from 1 January 2016, according to the new “standard” contribution scale. The calculations are based on the insured salary as of 1 January 2016, a projected interest rate of 2.5% and the existing retirement savings accrued up to December 31, 2015. Voluntary extra contributions credited to the retirement account after June 30, 2015, are not taken into account.
- 3 Every active person insured in the pension insurance on 1 January 2011 and born in 1956 or later and every active person insured in the BVG insurance who was a member of the Pension Fund on 31 December 2010 has the vested benefits available on 31 December 2010 credited pro rata to the retirement account as starting retirement assets on 1 January 2011. For every insured person, the existing vested benefits comprise the vested benefits from the pension insurance and BVG insurance, plus the savings assets from the incentive/bonus insurance, plus the savings assets from the shift insurance. The vested rights are thus preserved in accordance with the previous Regulations. The existing vested benefits are divided on a pro rata basis between the Pension Fund and Pension Fund 2 at the insured level of remuneration under the retirement plan in the Pension Fund applicable on 1 January 2011 and at the insured level of remuneration in Pension Fund 2 applicable on 1 January 2011. Furthermore, the transitional provisions set forth in Appendix 4 are applicable. For the determination of the insured remuneration under the retirement plan and the savings plan in the Pension Fund on 1 January 2011 and the insured remuneration in Pension Fund 2 on 1 January 2011, the incentive/bonus to be taken into account corresponds to the variable components of income paid out in 2010 for 2009, provided this is not insured in the Management Pension Fund.
  - 4 The active persons insured in the pension insurance on 1 January 2011 and born in 1955 or before, who were members of the Pension Fund on 31 December 2010, remain covered by the previous pension insurance, incentive/bonus insurance and shift insurance. For these insured persons, the Regulations effective on 31 December 2010 with regard to the insured remuneration, contributions and benefits remain unchanged (Pension Insurance Regulations: Article 6 to 17, Article 18 Paragraph 1 and 2, Article 19 Paragraph 1, Article 21, Article 23, Article 27 Paragraph 6, Article 28, Appendices 1 to 3; Incentive/Bonus Insurance: Article 5 to 14, Article 16, Appendices 2 and 3; Shift Insurance: Article 5 to 14, Article 16, Appendix 2). If the marriage of a disability pension recipient is dissolved (before retirement age is reached) and if, on the basis of the court ruling, the Pension Fund has to transfer a part of the vested benefits acquired during the marriage to the pension fund of the divorced partner, then the disability pension is reduced with effect from when the divorce ruling takes effect. The reduction corresponds to the amount by which the disability pension is lower when a vested benefits sum reduced by the part of the vested benefits to be transferred is taken as basis for the calculation of the disability pension. However, the reduction must not be greater in relation to the previous disability pension than the transferred part of the vested benefits in relation to the total vested benefits. The insured benefits are reduced in line with the reduced disability pension. The reduction is calculated according to the provisions set forth in the regulations, which constitute the basis for the calculation of the disability pension itself. The decisive date for the calculation is the point in time when the divorce proceedings are initiated. An entitlement to a child pension already in payment at the time when the divorce proceedings are initiated remains unchanged.
  - 5 The level of pensions already current on 31 December 2010 and the coinsured survivors' pensions remain unchanged. Otherwise, the provisions of these Regulations apply, in particular any reduction of benefits as a result of overindemnisation shall be made in accordance with Article 22 of these Regulations.
  - 6 The disability pension after reaching retirement age is calculated on the basis of the retirement savings continuously accrued up to the retirement age (see Article 11 paragraph 4). The insured salary is determined in accordance with the Regulations applicable at the time when the relevant incapacity for work at the origin of the disability has begun. The retirement credits as a percentage of the insured salary correspond to the “standard” scale according to these Regulations. The conversion rate is based on the pertinent Regulations at the time of retirement.

- 7 On the death of pension recipients with pensions already in payment on 31 December 1997 the reversionary survivors' benefits correspond at least to the amounts in francs paid out on 31 December 1997 according to the Regulation effective on 31 December 1997.
- 8 A woman who was already married before 1 January 1992 and whose husband was already insured with the Ciba-Geigy Pension Fund before 1 January 1991 is entitled to a widow's pension on the death of the insured member, regardless of maintenance obligations, duration of marriage and age.

Basel, December 1st, 2016

The Board of Trustees

Appendices 1 to 5 and the Supplement in their current versions also form an integral part of these Regulations.



## Appendix 1: Important figures

### 1 Retirement credits (Article 5) and savings credits (Article 6)

The retirement credits and savings credits as a percentage of insured remuneration under the retirement plan and insured remuneration under the savings plan are as follows:

Age	Retirement credit in % of insured remuneration retirement plan			Savings credit in % of insured remuneration savings plan
	“Standard”	“Standard Plus”	“Standard Minus”	
25 – 29	12.00	14.00	10.00	–
30 – 34	13.80	15.80	11.80	–
35 – 39	15.60	17.60	13.60	–
40 – 44	17.40	19.40	15.40	3.50
45 – 49	21.00	23.00	19.00	3.50
50 – 54	22.80	24.80	20.80	3.50
55 – 59	24.60	26.60	22.60	3.50
60 – 65	26.40	28.40	24.40	3.50

The insured person’s age is the difference between the current calendar year and the year of birth.

The retirement credits correspond to the sum of the contributions to the retirement plan made by the insured person and by the Company according to Appendix 1, Paragraph 2 (below) and depend on the insured person’s chosen scale of contributions.

### 2 Level of contributions (Article 7)

The insured persons and the Company pay the following annual contributions, expressed as percentages of the insured remuneration under the retirement plan, insured remuneration under the savings plan and insured remuneration under the risk plan:

#### “Standard” contribution scale

Age	“Standard” retirement plan contrib. in % of insured remuneration retirement plan		Risk plan contributions in % insured remuneration risk plan		Savings plan contributions in % insured remuneration risk plan	
	Insured persons	Company	Insured persons	Company	Insured persons	Company
up to 24	–	–	0.50	1.00	–	–
25 – 29	4.00	8.00	0.60	1.20	–	–
30 – 34	4.60	9.20	0.60	1.20	–	–
35 – 39	5.20	10.40	0.60	1.20	–	–
40 – 44	5.80	11.60	0.60	1.20	1.75	1.75
45 – 49	7.00	14.00	0.60	1.20	1.75	1.75
50 – 54	7.60	15.20	0.60	1.20	1.75	1.75
55 – 59	8.20	16.40	0.60	1.20	1.75	1.75
60 – 65	8.80	17.60	0.60	1.20	1.75	1.75

**“Standard Plus” contribution scale**

Age	“Standard” retirement plan contrib. in % of insured remuneration retirement plan		Risk plan contributions in % insured remuneration risk plan		Savings plan contributions in % insured remuneration risk plan	
	Insured persons	Company	Insured persons	Company	Insured persons	Company
up to 24	–	–	0.50	1.00	–	–
25 – 29	6.00	8.00	0.60	1.20	–	–
30 – 34	6.60	9.20	0.60	1.20	–	–
35 – 39	7.20	10.40	0.60	1.20	–	–
40 – 44	7.80	11.60	0.60	1.20	1.75	1.75
45 – 49	9.00	14.00	0.60	1.20	1.75	1.75
50 – 54	9.60	15.20	0.60	1.20	1.75	1.75
55 – 59	10.20	16.40	0.60	1.20	1.75	1.75
60 – 65	10.80	17.60	0.60	1.20	1.75	1.75

**“Standard Minus” contribution scale**

Age	“Standard Minus” retirement plan contrib. in % of insured remuneration retirement plan		Risk plan contributions in % insured remuneration risk plan		Savings plan contributions in % insured remuneration risk plan	
	Insured persons	Company	Insured persons	Company	Insured persons	Company
up to 24	–	–	0.50	1.00	–	–
25 – 29	2.00	8.00	0.60	1.20	–	–
30 – 34	2.60	9.20	0.60	1.20	–	–
35 – 39	3.20	10.40	0.60	1.20	–	–
40 – 44	3.80	11.60	0.60	1.20	1.75	1.75
45 – 49	5.00	14.00	0.60	1.20	1.75	1.75
50 – 54	5.60	15.20	0.60	1.20	1.75	1.75
55 – 59	6.20	16.40	0.60	1.20	1.75	1.75
60 – 65	6.80	17.60	0.60	1.20	1.75	1.75

The insured person’s age is the difference between the current calendar year and the year of birth. The progression to the next level on the contributions scale always takes place on 1 January.

**Administration costs and contributions to the Swiss Federal Guarantee Fund**

The administration costs and the contributions to the Federal Guarantee Fund are paid from the Pension Fund’s assets.

### 3 Voluntary extra contributions (Article 8)

The level of voluntary extra contributions according to Article 8 Paragraph 5 corresponds at most to the maximum sum shown in the table below, minus the existing retirement assets and savings assets at the time of contribution.

#### Maximum possible sum of voluntary extra contributions in percent of insured remuneration retirement plan and insured remuneration savings plan

Age	Retirement assets (Article 5)			Savings assets (Article 6)
	“Standard”	“Standard Plus”	“Standard Minus”	
25	12.0%	14.0%	10.0%	-
26	24.2%	28.3%	20.2%	-
27	36.7%	42.8%	30.6%	-
28	49.5%	57.7%	41.2%	-
29	62.4%	72.9%	52.0%	-
30	77.5%	90.1%	64.9%	-
31	92.8%	107.7%	78.0%	-
32	108.5%	125.7%	91.3%	-
33	124.5%	144.0%	105.0%	-
34	140.8%	162.7%	118.9%	-
35	159.2%	183.5%	134.8%	-
36	178.0%	204.8%	151.1%	-
37	197.1%	226.5%	167.8%	-
38	216.7%	248.6%	184.7%	-
39	236.6%	271.2%	202.0%	-
40	258.7%	296.0%	221.5%	3.5%
41	281.3%	321.3%	241.3%	7.1%
42	304.3%	347.2%	261.5%	10.7%
43	327.8%	373.5%	282.1%	14.4%
44	351.8%	400.4%	303.2%	18.2%
45	379.8%	431.4%	328.2%	22.1%
46	408.4%	463.0%	353.8%	26.0%
47	437.6%	495.3%	379.9%	30.0%
48	467.3%	528.2%	406.5%	34.1%
49	497.7%	561.7%	433.6%	38.3%
50	530.4%	597.8%	463.1%	42.6%
51	563.8%	634.5%	493.1%	46.9%
52	597.9%	672.0%	523.8%	51.4%
53	632.7%	710.3%	555.1%	55.9%
54	668.1%	749.3%	587.0%	60.5%
55	706.1%	790.8%	621.3%	65.2%
56	744.8%	833.3%	656.4%	70.0%
57	784.3%	876.5%	692.1%	74.9%
58	824.6%	920.7%	728.5%	79.9%

**Maximum possible sum of voluntary extra contributions in percent of insured remuneration retirement plan and insured remuneration savings plan**

Age	Retirement assets (Article 5)			Savings assets (Article 6)
	“Standard”	“Standard Plus”	“Standard Minus”	
<b>59</b>	865.7%	965.7%	765.7%	85.0%
<b>60</b>	909.4%	1013.4%	805.4%	90.2%
<b>61</b>	954.0%	1062.0%	845.9%	95.5%
<b>62</b>	999.5%	1111.7%	887.2%	101.0%
<b>63</b>	1045.8%	1162.3%	929.4%	106.5%
<b>64</b>	1093.2%	1214.0%	972.4%	112.1%
<b>65</b>	1141.4%	1266.6%	1016.2%	117.8%

The insured person's age is the difference between the current calendar year and the year of birth.

Increase in maximum possible sum of voluntary extra contributions to retirement assets according to Article 8 Paragraph 5 for funding early retirement in the retirement plan according to Article 8 Paragraph 6.

Age	Increase in maximum possible sum of extra contributions to retirement assets in percent of insured remuneration retirement plan	Maximum amount at retirement after 60
	Retirement assets (Article 5)	Retirement assets (Article 5)
25	193.6%	
26	197.4%	
27	201.4%	
28	205.4%	
29	209.5%	
30	213.7%	
31	218.0%	
32	222.3%	
33	226.8%	
34	231.3%	
35	235.9%	
36	240.7%	
37	245.5%	
38	250.4%	
39	255.4%	
40	260.5%	
41	265.7%	
42	271.0%	
43	276.4%	
44	282.0%	

Age	<b>Increase in maximum possible sum of extra contributions to retirement assets in percent of insured remuneration retirement plan</b>	<b>Maximum amount at retirement after 60</b>
	Retirement assets (Article 5)	Retirement assets (Article 5)
45	287.6%	
46	293.4%	
47	299.2%	
48	305.2%	
49	311.3%	
50	317.6%	
51	323.9%	
52	330.4%	
53	337.0%	
54	343.7%	
55	350.6%	
56	357.6%	
57	364.8%	
58	372.1%	600.2%
59	379.5%	528.2%
60	387.1%	451.9%
61	310.3%	373.5%
62	234.1%	295.8%
63	158.6%	218.9%
64	78.9%	137.5%
65	0.0%	57.1%

The insured person's age is the difference between the current calendar year and the year of birth.

#### 4 Conversion ratio (Article 10)

The conversion ratio is fixed as follows, on the basis of the age at the time of retirement and the selected reversionary spouse's pension (60% or 100%):

Age at retirement	<b>Conversion ratio in % of retirement assets</b>	
	Spouse's pension 60%	Spouse's pension 100%
58	4.50%	4.15%
59	4.60%	4.24%
60	4.71%	4.32%
61	4.83%	4.41%
62	4.95%	4.51%
63	5.07%	4.61%
64	5.21%	4.72%
65	5.35%	4.83%

The age is calculated precisely, in years and months. The time from the birthday until the 1st of the following month is not taken into account. Intermediate values are interpolated in a linear manner.

## 5 Reduction of the retirement / savings assets as a result of taking a bridging pension (Article 10)

The existing retirement / savings assets are reduced depending on the maximum length of time during which the bridging pension is to be paid out, by means of the following multiplication of the annual bridging pension:

Duration	Reduction of retirement/savings assets
7 years	6.435 times the bridging pension
6 years	5.583 times the bridging pension
5 years	4.709 times the bridging pension
4 years	3.813 times the bridging pension
3 years	2.895 times the bridging pension
2 years	1.954 times the bridging pension
1 year	0.989 times the bridging pension

Intermediate values are interpolated in a linear manner.

## Appendix 2: Companies affiliated to the Pension Fund

- Alcon Pharmaceuticals Ltd., Fribourg
- Alcon Management SA, Geneva-Meyrin
- Alcon Grieshaber AG, Schaffhausen
- ESBATech, a Novartis Company GmbH, Schlieren
- Novartis International AG, Basel
- Novartis Pharma AG, Basel
- Novartis Pharma Services AG, Basel
- Novartis Pharma Stein AG, Stein
- Novartis Pharma Schweiz AG, Bern
- Novartis Pharma Schweizerhalle AG, Schweizerhalle
- Pharmanalytica SA, Locarno
- Novartis Forschungsstiftung, Zweigniederlassung Friedrich Miescher Institut, Basel
- Novartis Stiftung für nachhaltige Entwicklung, Basel
- Interpharma, Verband der forschenden pharmazeutischen Firmen der Schweiz, Basel
- Sandoz AG, Basel
- Sandoz Pharmaceuticals AG, Steinhausen

## Appendix 3: Election of the Board of Trustees

### 1 Electoral office

- 1 An electoral office is formed to prepare and conduct the elections to the Board of Trustees.
- 2 The electoral office consists of seven members. The head of the electoral office is appointed by the Board of Trustees and the other six members by the personnel organizations.
- 3 Employees who are standing for election to the Board of Trustees as representatives of insured persons may not be members of the electoral office.

### 2 Entitlement to vote, eligibility to stand

- 1 The active insured persons working in Switzerland are entitled to vote.
- 2 With the exception of those working in the Business Office, insured persons working in Switzerland are eligible to stand as members of the Board of Trustees and as substitutes.

### 3 Entitlement to nominate

Personnel organizations, interest groups, and employees nominate at least 14 candidates as members of the Board of Trustees and substitutes, respectively. Twenty signatures of persons entitled to vote are needed for each candidate.

### 4 Electoral procedure

- 1 The Board of Trustees decides on a date in the last quarter of its period of office as election day. This date is announced at least three months beforehand.
- 2 The names of those nominated for election must be submitted to the electoral office no later than 30 days after the announcement of the date of the election.
- 3 The electoral office informs the candidates of those properly nominated for election. Candidates who refuse to accept election must inform the electoral office in writing within five working days after receipt of the information.
- 4 At least 14 days before election day, lists of candidates and ballot slips are sent to those entitled to vote. These may give votes to as many candidates for the Board of Trustees and substitutes as there are members of the Board of Trustees and substitutes to elect. Cumulation is not allowed.
- 5 Voting is by secret correspondence. Those candidates receiving the most votes are elected as members of the Board of Trustees. Those candidates receiving the next highest number of votes are elected as substitutes. In the event of a tie, lots shall be drawn.
- 6 The electoral office publishes the results of the election within 30 days, at the latest before the end of the current period of office, and submits a report on the election for the attention of the newly elected Board of Trustees.

### 5 Leaving of a member of the Board of Trustees

- 1 If a member of the Board of Trustees elected by the insured persons leaves during his/her period of office, he/she shall be replaced by the substitute with the highest number of votes and the substitute shall be replaced by the non-elected candidate with the highest number of votes, as in Article 4 Paragraph 5, until a by-election is held.
- 2 If a substitute elected by the insured persons leaves during his/her period of office, he/she shall be replaced by the non-elected candidate with the highest number of votes, as in Article 4 Paragraph 5.



## **Appendix 4: Transitional arrangement for insured persons as defined in Article 36 Paragraph 3 (born in 1956 or later, all insured persons of the BVG insurance) regarding compensation payments on transfer to the new pension plan (2011)**

- 1 With a view to the change of the pension plan on 1 January 2011, the following additional transitional arrangements apply to insured persons as defined in Article 36 Paragraph 3 of the Regulations (effective as of 1 January 2016).
- 2 If the starting retirement assets on 1 January 2011 (as outlined in Article 36 Paragraph 3 of the Regulations) result in a lower retirement pension at age 62 (calculated as francs in accordance with the Regulations effective from 1 January 2011) than the early retirement pension at age 62 calculated as francs on 31 December 2010 according to the Regulations of the pension insurance plan effective from 1 January 2005 (retirement pension reduced by 6% at age 65) increased by a retirement pension from the incentive/bonus insurance and the shift insurance, a corresponding compensation payment discounted with an interest rate of 2.75% on 1 January 2011 is calculated for the retirement plan. The calculation is based moreover on the following points:
  - Retirement pension at age 62 according to Regulations: insured remuneration under the retirement plan on 1 January 2011, retirement credits on "Standard" scale, projected interest rate of 2.75% and conversion ratio of 5.65% at age 62.
  - For insured persons in Pension Fund 2, the starting retirement assets are increased by the starting retirement assets in Pension Fund 2. The insured remuneration under the retirement plan on 1 January 2011 is increased by the insured remuneration in Pension Fund 2 on 1 January 2011.
  - Retirement pension from the incentive/bonus insurance: insured remuneration savings from the incentive/bonus insurance on 31 December 2010, projected interest rate of 2.75% and conversion ratio of 5.65% at age 62.
  - Retirement pension from the shift insurance: insured shift allowance from the shift insurance on 31 December 2010, projected interest rate of 2.75% and conversion ratio of 5.65% at age 62.
- 3 If the savings assets at age 62 according to the Regulations effective on 1 January 2011 result in a lower bridging pension than the supplementary pension according to the pension insurance Regulations effective 1 January 2005, a corresponding compensation payment discounted with an interest rate of 2.75% on 1 January 2011 shall be calculated for the savings plan. The calculation is based moreover on the following points:
  - Savings assets at age 62 according to Regulations: insured remuneration under savings plan on 1 January 2011, savings credits according to Regulations, projected interest rate of 2.75% and cash value for conversion to a bridging pension of 2.875.
  - Supplementary pension according to pension insurance Regulations effective from 1 January 2005 of CHF 18,000 at average full-time employment with corresponding adjustment for a lower average level of employment.
- 4 A score ("Rule of 60") is calculated with effect from 1 January 2011 for every insured person according to Article 36 Paragraph 2. This corresponds to the age of the insured person on 31 December 2010, in years and months, plus the years of service on 31 December 2010, in years and months. If the calculated score is less than 60, the compensation payments as in Paragraphs 2 and 3 are reduced by 5% for every point short of 60 (pro rata calculation for fractional scores).
- 5 The compensation payment under the retirement plan and savings plan as in Paragraphs 2, 3 and 4 is distributed over 10 years in each case on 1 January of a calendar year, the first such sum being credited to the retirement account or savings account of the insured person on 1 January 2011. The credit is calculated as an annual advanced annuity with an interest rate of 2.75%. For insured persons born in 1956 or 1957, the compensation payment under the retirement plan and savings plan is distributed in the same manner, but over a shorter period. In this case, the duration corresponds to age 62, minus the actual age, plus one year. The actual age corresponds to the calendar year 2011 minus the year in which the insured person was born.

- 6 In the event of a claim (retirement, death, disability) any residual amount of the compensation payment under the retirement plan or savings plan is credited to the retirement plan or savings plan as a one-off payment. The benefits are calculated as stipulated in the Regulations effective from 1 January 2011 on the basis of the retirement or savings assets increased in this way. If a person leaves, there is no entitlement to any residual amount of the compensation payment under the retirement plan or savings plan.

## Appendix 5: Examples of calculations in the regulation

(For information purposes only; based on the salary parameters of 2015)

### 1 Insured person A – insured remuneration (Article 4)

Insured person A at age 43

Base salary	CHF	70,000
Incentive/bonus	CHF	7,000
Allowance	CHF	0
Annual income	CHF	77,000
Coordinating offset (30% × 70,000, maximum 24,675)	CHF	21,000
Insured remuneration retirement plan (77,000 – 21,000)	CHF	56,000
Insured remuneration savings plan (77,000 – 21,000)	CHF	56,000
Insured remuneration risk plan (70,000 – 21,000)	CHF	49,000

### 2 Insured person B – insured remuneration (Article 4)

Insured person B at age 50

Base salary	CHF	210,000
Incentive/bonus	CHF	42,000
Allowance	CHF	0
Annual income	CHF	252,000
Coordinating offset (30% × 210,000, maximum 24,675)	CHF	24,675
Joining threshold Pension Fund 2	CHF	150,000
Insured remuneration retirement plan (252,000 – 24,675, max. 125,325)	CHF	125,325
Insured remuneration savings plan (252,000 – 24,675)	CHF	227,325
Insured remuneration risk plan (210,000 – 24,675)	CHF	185,325
Insured remuneration Pension Fund 2 (252,000 – 150,000)	CHF	102,000

### 3 Insured person C – insured remuneration (Article 4)

Insured person C aged 55, member of management

Base salary	CHF	250,000
Incentive/bonus (insured in Management Pension Fund)	CHF	100,000
Allowance	CHF	0
Annual income	CHF	350,000
Coordinating offset (30% × 250,000, maximum 24,675)	CHF	24,675
Joining threshold Pension Fund 2	CHF	150,000
Maximum allowable base salary for savings and risk plan Pension Fund and for Pension Fund 2	CHF	220,000
Insured remuneration retirement plan (250,000 – 24,675, max. 125,325)	CHF	125,325
Insured remuneration savings plan (220,000 – 24,675)	CHF	195,325
Insured remuneration risk plan (220,000 – 24,675)	CHF	195,325
Insured remuneration Pension Fund 2 (220,000 – 150,000)	CHF	70,000
Insured remuneration Management Pension Fund (350,000 – 220,000)	CHF	130,000

**4 Insured person A – calculation of benefits purchased (Article 8)**

Age at date of purchase		43 years
Insured remuneration retirement plan	CHF	56,000
Insured remuneration savings plan	CHF	56,000
Retirement assets: joining fee from previous pension fund	CHF	120,000
Savings assets	CHF	0

**Voluntary extra contributions to retirement plan**

Maximum extra contributions to retirement plan “Standard” scale (327.8% × 56,000)	CHF	183,568
Minus existing retirement assets	CHF	120,000
Possible extra contributions to retirement plan “Standard” scale	CHF	63,568

**Voluntary extra contributions to savings plan**

Maximum extra contributions to savings plan (14.4% × 56,000)	CHF	8,064
Minus existing savings assets	CHF	0
Possible extra contributions to savings plan	CHF	8,064

**Voluntary extra contributions for funding early retirement**

Maximum extra contributions for funding early retirement after full payment of contributions to the retirement and savings plan (276.4% × 56,000)	CHF	154,784
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**5 Insured person B – calculation of benefits purchased (Article 8)**

Age at date of purchase		50 years
Insured remuneration retirement plan	CHF	125,325
Insured remuneration savings plan	CHF	227,325
Insured remuneration Pension Fund 2	CHF	102,000
Retirement assets: joining fee from previous pension fund	CHF	350,000
Savings assets	CHF	0
Retirement assets Pension Fund 2	CHF	0

**Voluntary extra contributions to retirement plan**

Maximum extra contributions to retirement plan “Standard” scale (530.4% × 125,325)	CHF	664,724
Minus existing retirement assets	CHF	350,000
Possible extra contributions to retirement plan “Standard” scale	CHF	314,724

**Voluntary extra contributions to savings plan**

Maximum extra contributions to savings plan (42.6% × 227,325)	CHF	96,840
Minus existing savings assets	CHF	0
Possible extra contributions to savings plan	CHF	96,840

**Voluntary extra contributions for funding early retirement**

Maximum extra contributions for funding early retirement after full payment of contributions to the retirement and savings plan (317.6% × 125,325)	CHF	398,032
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**Voluntary extra contributions to Pension Fund 2**

Maximum extra contributions to Pension Fund 2 “Standard” scale (462.0% × 102,000)	CHF	471,240
Minus existing retirement assets in Pension Fund 2	CHF	0
Possible extra contributions to Pension Fund 2	CHF	471,240

**6 Insured person A – retirement benefits (Article 10)**

Age at retirement		60 years
Retirement assets on retirement	CHF	509,264
Savings assets on retirement	CHF	50,512
Assets from extra contributions to fund early assets on retirement	CHF	0

**Insured retirement benefits (Article 9)**

Conversion ratio at age 60 (spouse's pension 60%)		4.71%
Maximum retirement pension from age 60 ( $4.71\% \times 509,264$ )	CHF	23,986
Maximum lump sum from retirement assets ( $50\% \times 509,264$ )	CHF	254,632
Maximum lump sum from savings assets ( $100\% \times 50,512$ )	CHF	50,512

**Options exercised on retirement**

Selected lump sum from retirement assets	CHF	0
Selected <b>bridging pension until age 65</b>	<b>CHF</b>	<b>18,000</b>
Selected reversionary pension for spouse		60%

**Reduction of retirement assets/savings assets**

Reduction of retirement assets/savings assets after taking a bridging pension for 5 years ( $4.709 \times 18,000$ )	CHF	84,762
Savings assets on which calculation is based	CHF	50,512
Reduction of retirement assets for bridging pension ( $84,762 - 50,512$ )	CHF	34,250

**Calculation of retirement pension**

Retirement assets at retirement on which calculation is based	CHF	509,264
Minus lump sum from retirement assets	CHF	0
Reduction of retirement assets after taking a bridging pension	CHF	34,250
Remaining retirement assets	CHF	475,014

<b>Retirement pension from age 60</b> ( $4.71\% \times 475,014$ )	<b>CHF</b>	<b>22,373</b>
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**7 Insured person B – retirement benefits (Article 10)**

Age at retirement	62 years
Retirement assets on retirement	CHF 1,252,623
Savings assets on retirement	CHF 229,598
Assets from extra contributions to fund early retirement	CHF 504,732
Retirement assets in Pension Fund 2 on retirement	CHF 889,848

**Restriction of retirement assets from contribution to fund early retirement (Article 8 Paragraph 2)**

Assets from extra contributions to fund early retirement	CHF 504,732
Minus maximum sum at 62 from extra contributions to fund early retirement (295.8% × 125,325)	CHF 370,711
Capital falling to Pension Fund	CHF 134,021
Retirement assets on retirement	CHF 1,252,623
Maximum sum at 62 from extra contributions to fund early retirement	CHF 370,711
Retirement assets on which calculation is based	CHF 1,623,334

**Insured retirement benefits (Article 9)**

Conversion ratio at age 62 (spouse's pension 60%)	4.95%
Maximum retirement pension from age 62 (4.95% × 1,623,334)	CHF 80,355
Maximum lump sum from retirement assets (50% × 1,623,334)	CHF 811,667
Maximum lump sum from savings assets (100% × 229,598)	CHF 229,598
Lump sum on retirement from Pension Fund 2	CHF 889,848

**Options exercised on retirement**

Selected lump sum	CHF 500,000
Selected <b>bridging pension until age 65</b>	<b>CHF 28,200</b>
Selected reversionary pension for spouse	100%

**Reduction of retirement assets/savings assets**

Reduction of retirement assets/savings assets after taking a bridging pension for 3 years (2.895 × 28,200)	CHF 81'639
Reduction of savings assets (existing 229,598)	CHF 81'639

**Calculation of lump sums on retirement**

Lump sum from savings assets (229,598 – 81,639)	CHF 147,959
Lump sum from retirement assets (500,000 – 147,959)	CHF 352,041
<b>Lump sum from Pension Fund</b>	<b>CHF 500,000</b>

**Lump sum from Pension Fund 2** **CHF 889,848**

**Calculation of retirement pension**

Retirement assets at retirement on which calculation is based	CHF 1,623,334
Minus lump sum from retirement assets	CHF 352,041
Remaining retirement assets	CHF 1,271,293

Conversion ratio at age 62 (spouse's pension 100%) 4.51%

**Retirement pension from age 62** (4.51% × 1,271,293) **CHF 57,335**



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