



Novartis Pension Fund 2

Regulations concerning
conditions and procedures
for a partial liquidation

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Art. 1 Introduction

Based on Article 31 of the Regulations of Novartis Pension Fund 2 (hereinafter “Pension Fund”) and the provisions of Article 23 FZG, Article 53d BVG, Article 27g and 27h BVV 2 the following conditions and procedures are applicable for a partial liquidation.

Art. 2 Circumstances of partial liquidation

The circumstances of partial liquidation are given

- a) if an affiliation agreement is terminated, provided this results in at least 2% of active insured persons leaving the Pension Fund, or
- b) if a company is restructured, provided this results in at least 5% of active insured persons leaving the Pension Fund, or
- c) in the event of the number of employees being reduced, provided this results in at least 10% of active insured persons leaving the Pension Fund during the same financial year.

Art. 3 Reference date

The Board of Trustees determines the point in time or the timeframe that serves as the criterion for defining the group of people affected depending on the event and the exits of insured persons. The reference date for partial liquidation is 31 December of the calendar year before the year of leaving the Pension Fund.

Art. 4 Framework for assessment

The framework for determining the assets and liabilities is formed by the actuarial and the commercial balance sheet (annual accounts with balance sheet, operating statement and appendix) and any additional reserves (for the sake of continuation), which show the actual financial position of the Pension Fund at realizable values (market values). The assets and liabilities are valued and provisions and reserves formed according to expert technical and continuously applied principles. The defining criterion is the annual statement of accounts, checked by the auditors, on the reference date of the partial liquidation.

Art. 5 Form of transfer

If at least ten insured persons transfer as a group to the same new occupational benefits plan, this is regarded as a group exit. All other cases are considered individual exits.

The group exit is regulated as far as possible in a takeover agreement. In the case of individual exits, the provisions set forth in Article 17 of the Regulations of the Pension Fund apply by analogy with regard to the transfer of any additional funds.

Art. 6 Release of free funds (distribution plan)

In view of the special structure of the Pension Fund, free funds may only arise in principle from gains resulting from claims where, in the absence of any beneficiaries, the benefit cannot be paid out.

In the case of an individual exit, there is an individual entitlement to a share of any free funds, and in the case of a group exit, there is a collective entitlement. The free funds are registered in percent of the total actuarial reserves. The share of the free funds to which insured members leaving the fund are entitled corresponds to this percentage applied to their vested benefits. Joining fees and voluntary extra contributions paid in after 30 June before the reference date of the partial liquidation are not taken into account when the share of free funds is calculated.

Art. 7 Release of provisions and fluctuation reserves

In the case of a group exit, there is a pro rata collective entitlement to the provisions. In view of the special characteristics of the asset investment, no fluctuation reserves are formed. The pro rata entitlement to provisions only exists if actuarial risks are also transferred with the share of provisions. Due account is also taken of the contribution paid by the group that is leaving to form such provisions. The entitlement to provisions is transferred collectively. The Board of Trustees decides on the form and nature of the funds to be transferred to the new occupational benefits plan, although the overall funds to be transferred are usually remitted in liquid form.

Art. 8 Adjustment in the event of a major change

If the assets or liabilities change by more than 10% between the reference date of the partial liquidation and the transfer of funds (during the year according to a monthly estimate of the funding ratio as defined in the requirements of the recognized expert for occupational benefit plans, at the end of the year according to the annual accounts signed off by the auditor), the funds to be transferred are adjusted accordingly.

Art. 9 Deduction of a deficit

If a deficit according to Article 44 BVV2 is found with regard to the actuarial balance on the reference date of the partial liquidation, this may be deducted from the vested benefits on a pro rata and individual basis. If the non-reduced vested benefits have already been transferred, the insured person must repay the deduction. The deficit is laid down in percent of actuarial reserves. The amount of the deficit shared by the insured members and retirees leaving the Pension Fund corresponds to this percentage applied to their vested benefits or their actuarial reserve. Joining fees and voluntary extra contributions paid in after 30 June before the reference date of the partial liquidation are not taken into account when the share of the deficit is calculated.

Art. 10 **Information**

The Pension Fund informs the insured members in good time about the partial liquidation and in particular allows them to inspect the distribution plans. They have the right to lodge an objection to the decision of the Board of Trustees within 30 days of receiving the information from the Board of Trustees. This objection has to be made in writing and must include an explanation. The Board of Trustees issues a decision regarding the objection within a reasonable period.

Insured members and retirees are entitled to have the conditions, the procedure and the distribution plan reviewed and ruled upon by the competent Inspectorate within 30 days of receiving the decision of the Board of Trustees on the objection.

An appeal against the decision of the Inspectorate only has a delaying effect when the chairman of the responsible department of the Federal Administration Court or the examining magistrate decrees this ex officio or at the request of the appellant. If no objections are lodged with the Inspectorate, the distribution plan is implemented. The auditors confirm in their report according to Article 27 Paragraph 1 of the Regulations of the Pension Fund that the partial liquidation has been properly conducted.

Art. 11 **Amendment to regulations**

These Regulations may be amended by the Board of Trustees at any time subject to approval by the Inspectorate.

Art. 12 **Entry into force**

The regulations were decided upon by the Board of Trustees of Novartis Pension Fund on 1 July 2010. They enter into force on 1 January 2011 after approval by the inspectorate and supersede the provisions on partial liquidation in Article 33 of the pension insurance Regulations of Novartis Pension Fund effective from 1 January 2005.

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