Pension Insurance

NOVARTIS

Pension Insurance Regulations

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If any questions of interpretation arise, the German original is to be regarded as the authoritative text.

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A Introduction

Article 1 Terms

1. The following terms apply in these regulations:

Pension Fund	For the “Novartis Pension Fund”
Pension insurance	For the pension insurance furnished by the Pension Fund in accordance with the present regulations
Company	For Novartis AG or, depending on the context, companies close to it as in Appendix 4 which are affiliated to the Pension Fund
Employees	For those in a work relationship with the Company
Insured persons	For those employees accepted into the pension insurance scheme
Coordinating offset	For the part of the total remuneration covered by the state pension and not insured by the pension insurance scheme (as in Article 6 Paragraph 3)
Retirement age	The age of 65 for insured males and females; this is attained on the first of the month following completion of the 65^{th} year of age
AHV	For the Federal Occupational Old Age and Survivors’ Insurance and equivalent state insurance schemes in other countries
IV	For the Federal Disability Insurance and equivalent state insurance schemes in other countries
BVG	For the Federal Law on the Occupational Old Age Survivors’ and Disability Benefit Plan
BVV2	For the Ordinance to the BVG

In these regulations, use of the male form should be understood to mean both males and females.

2. Contribution years are those years and months covered in the pension insurance beginning from 1 January of the year after completion of the 24^{th} year of age. Contribution years may be increased through supplementary purchases as in Article 10.

Article 2 Purpose; structure

1. The purpose of the Pension Fund is to provide for employees in retirement and if disabled, and for the surviving dependents of these employees after their deaths. It conducts the obligatory Occupational Old Age Survivors’ and Disability Benefit Plan in accordance with the BVG and has been entered in the Register for Occupational Benefit Plans for this purpose.

2. The Pension Fund conducts a pension insurance scheme, a BVG insurance, a shift insurance, and an incentive/bonus insurance scheme in accordance with the stipulations of the appropriate regulations, on its own account and at its own risk. It may reinsure individual risks with an insurance company subject to the statutory Insurance Inspectorate.

3. In every case, the Pension Fund furnishes at least the benefits provided for in the BVG. To this end, it keeps an additional control account for each insured person, from which the individual BVG funding accumulated and the minimum benefits legally due can be ascertained at any time.

Article 3 Joining the pension insurance scheme

1. Employees who have completed their 17^{th} year of age, have not yet reached retirement age, and whose total (100%) annual remuneration (Article 6 Paragraph 2) exceeds the minimum salary as defined in Article 2 of the BVG, Paragraphs 2 and 3 notwithstanding, are accepted into the pension insurance scheme.

Employees join at the time when their work relationship begins, but at the earliest on 1 January after completion of their 17^{th} year of age.

2. The following are not accepted into the pension insurance scheme:

a) employees who are already mandatorily insured elsewhere for their main occupation or are self-employed in their main occupation;

b) employees who are at least 70% disabled according to the statutory regulations relating to disability (IV);

c) employees whose work contract is limited to three months at the most. If the length of the contract is subsequently extended to a total of more than three months, obligation to join the scheme will begin at the time when the extension was agreed;

d) employees who are not working or who are not expected to work in Switzerland for any appreciable length of time and who are adequately insured abroad, so long as they apply for exemption from joining the Pension Fund.

3. Hourly paid employees and temporary employees working for longer than three months are insured in accordance with special BVG regulations.

The Pension Fund will not undertake voluntary insurance of employees who work for several employers (Article 46 of the BVG).

4. Employees of an organisation not appearing in Appendix 4, or employees who are not accepted as in Paragraphs 2 and 3, may join the pension insurance scheme at the request of the Company.

5. Persons formerly insured who rejoin the Company shall be treated as newly insured persons.

Article 4 External persons insured

1. At the request of the Company, the Pension Fund may continue to insure someone who is no longer subject to the BVG after termination of the work relationship; this is on the basis of a special agreement with that insured person and may be limited or unlimited in time and with or without contributions.

2. For those employees and their survivors insured as in Paragraph 1, benefits (such as pensions, lump sum payments, severance payments, sums transferable, etc.) from state or private insurance organisations abroad or from other providence schemes or institutions to which the Company or a Group Company has paid, either directly or indirectly, at least half of the contributions will be offset against the benefits provided for in the present regulations.

Article 5 Disability

1. The insured person is considered disabled when he becomes completely or partially unfit for 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 is disabled under the terms of the IV. Someone is completely or partially unfit for work when he is no longer or only partially able to carry out the occupational activity he did before the beginning of the disability, or any other activity that may reasonably be expected of him, and suffers loss of income because of that.

2. Reduction in fitness for work of less than 25% 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.

3. The disability, its degree, and the time when it begins is determined by the Pension Fund at the request of the insured person or the Company on the basis of a medical report, and reviewed periodically. The degree of disability corresponds at least to the degree of disability determined by the IV.

4. The Pension Fund is entitled to order a medical report on an insured disabled person's state of health at any time. If the insured person refuses to undergo such an examination or refuses to accept employment which he could reasonably be expected to do taking into account his knowledge, abilities, and state of health, the Pension Fund is entitled to reduce, refuse, or withdraw the disability benefits.

Article 6 Insured remuneration

1. Notwithstanding Paragraph 6, the insured remuneration is equivalent to total annual remuneration minus the coordinating offset. It has an upper limit of the maximum insured remuneration as in Appendix 2.

2. Total annual remuneration consists of those parts of remuneration determined by the Company in agreement with the Board of Trustees. Additional income such as child allowances and temporary allowances of other kinds are disregarded. Loss of remuneration due to illness, short-time working, accident, or military service is not deducted.

3. The coordinating offset amounts to 30% of total annual remuneration and is limited to the maximum as in Appendix 2.

4. In agreement with the Company, the Board of Trustees determines the maximum insured remuneration and the maximum coordinating offset.

5. The insured remuneration is set initially on joining, and subsequently at the time when general adjustments are made in the total income of each calendar year. Adjustments in remuneration occurring during a calendar year will not be taken into account for pension insurance purposes until the next calendar year, except for special cases.

6. If, as a consequence of an increase in total annual remuneration, the Company is required to pay an extra contribution, then – taking into account its economic situation – the Company decides whether and to what degree the insured remuneration shall be increased.

7. If the total annual remuneration of an insured person is reduced but the hours of employment remain the same, and if his insured remuneration should be reduced as a consequence, no action shall be taken so long as the Company and the insured person are prepared to continue paying the same contributions as before. If, however, either party is not or is no longer prepared to do this, the insured remuneration shall be adjusted to the reduced total annual remuneration, and the capital that thereby becomes available used in connection with the costs of joining (Article 10).

8. If the coordinating offset is increased, the remuneration insured up to that point will not be reduced as a result. It remains at the level attained until the increase in the coordinating offset has been fully made up through increases in total annual remuneration.

9. For insured persons who are partially disabled, the insured remuneration is first determined on the basis of the total annual remuneration as would apply in the case of full fitness for work, and then reduced in accordance with the degree of disability.

10. In the case of a special work contract or the Company treating the person to be insured as in Article 3 Paragraph 3 or Article 4, the insured remuneration is determined by the Company.

Article 7 Part-time employees; average hours of employment

1. For part-time employees, the insured remuneration will be calculated on the basis of the full (100%) total annual remuneration.

2. Contributions are determined as in Articles 8 and 9 on the basis of the insured remuneration as in Paragraph 1 and then reduced in accordance with the hours of employment pertaining.

3. The insured benefits are determined as in Article 11 ff on the basis of the insured remuneration as in Paragraph 1 and then reduced in accordance with the average hours of employment.

4. The average hours of employment are determined by assessing the period of validity of the hours of employment pertaining in relation to the number of contribution years possible up to retirement age. The period of validity of the hours of employment pertaining thus includes the contribution years still missing up to retirement age.

5. Changes in hours of employment are taken into account immediately.

Article 8 Contributions from insured persons

1. Up to the end of the year when he completes his 24th year of age, the insured person pays a risk contribution of 1% of his insured remuneration.

2. From 1 January after completion of his 24th year of age, the insured person pays an ordinary contribution of 4.6% of his insured remuneration.

3. If the insured remuneration is increased from 1 January after completion of his 25th year of age, the insured person pays an extra contribution of 20% of the increase in insured remuneration.

4. From 1 January after completion of his 24th year of age, the insured person pays a special contribution as in Appendix 2, which is paid into the Fund for Additional Benefits. The amount of the special contribution is set by the Board of Trustees.

5. The Company deducts the contributions from the insured persons' remuneration each month and transfers them to the Pension Fund.

6. Obligation to contribute begins on joining the pension insurance scheme and – notwithstanding Paragraph 7 – lasts as long as remuneration is paid, at the most, however, up to when retirement age is reached. In the case of accident, illness, short-time working, or military service, contributions will continue to be levied, through deduction either from continuing remuneration or from benefits replacing remuneration (daily allowances).

7. A completely disabled insured person is not obliged to contribute while his disability lasts. For a partially disabled insured person who continues to work for the Company, the contributions to be paid are reduced in accordance with the degree of disability. Exemption from or reduction in contributions begins as soon as the disability pension of the pension insurance scheme is paid.

Article 9 Contributions from the Company

1. The Company pays a risk contribution of 1.5% of the sum of the insured remuneration for all insured persons up to the end of the year when they complete their 24th year of age.

2. The Company pays an ordinary contribution of 9.2% of the sum of the insured remuneration for all insured persons from 1 January after completion of their 24th year of age. This is divided up individually according to age, as follows:

Age	Individual contribution in % of insured remuneration
25–34	4.6
35–44	5.6
45–54	9.1
55–65	13.6

The insured person's age is the difference between the current calendar year and the year of birth. The change to the next age group becomes effective on 1 January.

If the sum of the individual contributions is higher than the ordinary contribution, the Company will pay the difference if the actuarial balance-sheet shows a deficit.

3. If the insured remuneration is increased, the Company will pay an extra contribution equivalent to the difference between the amount needed to replenish the funding and the extra contributions of the insured person as in Article 8 Paragraph 3, so long as the Fund for Purchase of Benefits is insufficient to cover this.

4. The Company pays a special contribution in accordance with Appendix 2 as a percentage of the sum of the insured remuneration for all insured persons from 1 January after completion of their 24th year of age. This is paid into the Fund for Additional Benefits. The amount of the special contribution is set by the Board of Trustees.

5. The Company pays its contributions to the Pension Fund each month.

6. Article 8 Paragraphs 6 and 7 apply *mutatis mutandis*.

Article 10 Joining fee; purchases

1. The sum transferable from the previous occupational benefit plan and any capital held in vested benefit schemes for the preservation of occupational benefits protection must be transferred to the Pension Fund to finance the cost of joining. Insured persons may make voluntary payments to purchase contribution years at any time.

2. The joining fee must be paid on joining the Pension Fund.

Insured persons must allow the Pension Fund to inspect the statements on the sum transferable from the previous occupational benefit plan. The Pension Fund must also be notified about previous membership of a vested benefit scheme and the form of occupational benefits protection.

3. The joining fee and voluntary purchase payments are used to purchase additional contribution years. Calculations may be made with the aid of Appendix 1. However, no more additional contribution years may be purchased than are needed to attain 40 contribution years upon retirement age.

4. If there is any excess from the joining fee after the insured person has purchased the maximum number of contribution years, additional insurance benefits may be purchased in fixed franc sums or providence cover maintained in some other approved form (vested benefits account or insurance policy).

5. If agreed, the insured person may effect additional voluntary purchases as in Paragraph 1 through instalments.

Article 11 Insured benefits

1. The pension insurance provides the following benefits for insured persons and their survivors:

- Retirement pension; lump sum on retirement; childrens' pension (Article 12)
- Disability pension; childrens' pension (Article 13)
- Widow(er)'s pension (Article 14)
- Lifetime partner's pension (Article 15)
- Supplementary pension; bridging pension (Article 16)
- Orphans' pension (Article 17)
- Lump sum on death (Article 18)

2. All insured persons receive a certificate each year detailing the insured remuneration, the contributions and the portable sum (the sum transferable on leaving).

3. The above-mentioned insured benefits are furnished with the express provisos of Articles 20 (Paragraph 5), 24, and 25. They also apply to the payment conditions of Article 19.
In every case, the minimum benefits as in the BVG are guaranteed (*cf.* Article 2 Paragraph 3). For part-time employees, Article 7 also applies.

4. In the case of divorce, the court may order the payment of part of the sum transferable to the providence scheme of the divorced spouse. This leads to a reduction in the insured benefits: the number of contribution years is decreased such that the present value of acquired benefits is reduced by the amount transferred. The insured person may repurchase contribution years as in Article 10 at any time, up to the amount transferred.

Article 12 Retirement pension; lump sum on retirement; childrens' pension

1. Retirement benefits accrue when the insured person reaches retirement age, or the employment contract is terminated after completion of the 60th year of age. Retirement benefits are paid in the form of a pension. Part of the retirement pension may be taken as a lump sum.

2. The insured retirement pension amounts to 1.5% of the insured remuneration for each contribution year paid and to come up to retirement age, increased by any additional pension elements insured.

3. If the retirement pension begins at retirement age, it amounts to the insured retirement pension as in Paragraph 2.

4. If the retirement pension is taken early, the insured retirement pension will be reduced in percentage terms. The reduction depends on the number of years before regular retirement age that the pension is taken, and amounts to:

Complete years before retirement age	Percentage reduction in the insured retirement pension
1	2
2	4
3	6
4	8
5	10

The reduction factors are interpolated for parts of years.

5. If the retirement pension is taken early at the request of the Company, the amount shall be as in the regulations binding on the Company. The retirement pension shall be equivalent at least to the amount as in Paragraph 4.

6. The insured person may take up to 25% of his retirement pension as in Paragraphs 3 or 4 in the form of a lump sum payment. The lump sum is calculated actuarially and all the other benefits are reduced accordingly.

The insured person must inform the Pension Fund in writing at least one month beforehand that he wishes to take part of his retirement pension as a lump sum payment, otherwise the right is forfeit. For married insured persons, the signature of the spouse is also required.

7. If the recipient of a retirement pension has children who would have a claim to an orphans' pension (Article 17) in the event of his death, the insured person is entitled for each such child to a childrens' pension equivalent to 20% of the retirement pension received.

8. If, in agreement with the Company, the insured person remains in Company employment beyond retirement age, he may either take the pension payments due or defer them at interest to the Pension Fund. The deferred pension payments plus interest will be paid when the insured person leaves the employment, either as one sum or to increase the pension which will then begin.

9. The entitlement to and the amount of the pensions supplementary to the retirement and bridging pensions are specified in Article 16.

10. Option on lifelong association pension

The insured person may increase the expected widow(er)'s pension of 60% (Article 14 Paragraph 2, 1st sentence) to 100% of the current pension with effect from the time when he or she draws the retirement pension. This has the effect of reducing the retirement pension by 10% of the envisaged amount as defined in Paragraphs 3, 4, 5 and 6 with effect from the time when the pension is drawn.

The insured person has to notify the Pension Fund of the wish to increase the expected widow(er)'s pension in writing not later than one month before receipt of the retirement pension, otherwise the option lapses.

Article 13 Disability pension; childrens' pension

1. If an insured person becomes disabled before reaching retirement age, he is entitled to a disability pension. The insured person is entitled to a full disability pension if the degree of disability amounts to at least 70%, and a partial disability pension if the degree of disability is under 70%. There is no entitlement to a disability pension in the case of less than 25% disability.

2. The full disability pension is equivalent to the insured retirement pension.

The partial disability pension is equivalent to that part of the full disability pension corresponding to the degree of disability pertaining.

3. If the recipient of a pension has children who would have a claim to an orphans' pension (Article 17) in the event of his death, the insured person is entitled for each such child to a children's pension equivalent to 20% of the disability pension received.

4. If a partially disabled insured person leaves the Pension Fund, he will continue to receive the partial disability pension and any associated childrens' pensions. The insured retirement pension will be reduced to the amount of the partial disability pension. Furthermore, for the degree to which he is able to work, a sum transferable as in Article 21 is paid. The survivors' benefits still insured are measured by the partial disability pension.

5. The entitlement to and the amount of the pensions supplementary to the disability pension are specified in Article 16.

Article 14 Widow(er)'s pension

1. If an insured person dies before or after his retirement, the surviving spouse is entitled to a widow(er)'s pension, so long as he

a) is responsible for supporting one or more children, or

b) has completed his 35th year of age and the marriage has lasted for more than 5 years at the time of the other spouse's death.

If the surviving spouse fails to meet either of these conditions, he is entitled to one lump sum payment equivalent to three yearly widow(er)'s pensions.

2. The widow(er)'s pension amounts to 60% of the insured retirement pension at the time of death, or 60% of the current disability or retirement pension.

After the death of a person who has been receiving a retirement pension, the widow(er)'s pension amounts to 60% or 100% of the current retirement pension depending on the expected widow(er)'s pension for which the person opted. If the 100% option was chosen, then the current retirement pension is already reduced by 10% from the first time it is drawn onwards (Article 12 Paragraph 10).

3. The entitlement to a widow(er)'s pension terminates on remarriage before completion of the 60th year of age.

If the pension is terminated due to remarriage, the surviving spouse is entitled to one lump sum payment equivalent to 3 yearly widow(er)'s pensions including any supplementary pension (Article 16 Paragraph 3).

4. The divorced spouse of a deceased insured person is entitled to the same as a widow(er), provided that the marriage had lasted at least 10 years and a pension or lump sum payment for a lifelong pension was ordered by the divorce court. The benefits of the Pension Fund may, however, be reduced by the amount that they, together with the benefits from other insurance schemes (AHV/IV in particular), exceed the entitlement specified by the divorce court.

If a court has ordered that a part of the sum transferable be paid into the providence scheme of the divorced spouse, he is then only entitled to those survivors' benefits stipulated in the BVG.

5. The entitlement to and the amount of the pensions supplementary to the widow(er)'s pension are specified in Article 16.

Article 15 Lifetime partner's pension

1. If an unmarried insured person can show that he or she lived with an unmarried unrelated lifetime partner continuously in a domestic relationship bound by a mutual obligation of support for at least the last 5 years before death or if the domestic partner has to support one or more children from this relationship, then the lifetime partner is entitled to the same benefits as a surviving spouse, with the exception of the supplementary benefit, provided this partnership has been registered in writing with the Pension Fund in the form of a support agreement.

2. A written application for benefits must be submitted to the Pension Fund not later than 3 months after the death of the insured person. The provisions pursuant to Article 14 Paragraphs 1, 2 and 3 apply by analogy, whereby the settlement according to Article 14 Paragraph 3 only applies in the case of marriage and does not include supplementary benefits. Lifetime partners of married insured persons are not entitled to a lifetime partner's pension.

3. The partnership must be registered with the Pension Fund in the form of a written support agreement. The model agreement drawn up by the Pension Fund is to be used, which is to be signed by both partners and submitted to the Pension Fund during their lifetime. The Pension Fund is to be informed immediately if the partnership is terminated.

4. The pension for lifetime partners ceases if the partner marries or enters into a new partnership within the meaning of Paragraph 1. The Pension Fund conducts periodic checks on the pension entitlement.

5. If the recipient of an old-age or disability pension dies, the partner is entitled to a lifetime partner's pension provided the conditions as laid down in Paragraphs 1 to 3 are met at the time of the first (retirement or disability) pension payment.

6. If the recipient of a lifetime partner's pension is receiving

- a widow/widower's pension from the AHV
- a widow/widower's pension from a pension scheme
- a lifetime partner's pension from a pension scheme

these benefits are deducted from the lifetime partner's pension to be disbursed. Likewise deducted are alimony payments arising out of divorce proceedings.

7. The duration of a partnership according to Paragraphs 1 and 2 is taken into account in the duration of a marriage according to the conditions of entitlement in Article 14 for the widow(er)'s pension, provided there is an appropriate support agreement.

8. The provisions on the lifetime partner's pension apply likewise for lifetime partners of the same sex.

9. If a partnership is terminated, no further entitlement exists to a future lifetime partner's pension. Article 14 Paragraph 4 in respect of the widow(er)'s pension to the divorced spouse thus does not apply by analogy.

10. The entitlement of the lifetime partner to the lump sum on death is subject to Article 18 Paragraph 3. The insured person may change the rights of those with entitlement to the benefit of his or her lifetime partner by notifying the Pension Fund in writing.

Article 16 Supplementary pension; bridging pension

1. After his 60th birthday at the earliest, the recipient of a retirement pension is entitled to a supplementary pension (Appendix 2). The pension supplementary to the retirement pension terminates

- as soon as the recipient of a retirement pension reaches his regular AHV retirement age.
- wholly or partially, as soon as a full or partial IV disability pension is paid.
- on the death of the recipient of a retirement pension.

2. The recipient of a disability pension is entitled to a supplementary pension corresponding to his degree of disability (Appendix 2), so long as the IV is not paying a pension or a pension appropriate to his degree of disability. The supplementary pension is increased for each child for whom a childrens' pension is paid as in Article 13 Paragraph 3. If the IV pays its pensions retroactively, the excess supplementary pensions paid must be returned to the Pension Fund.

The entitlement to a supplementary pension applies until the recipient reaches his regular AHV retirement age. The supplementary pension terminates if the disabled person fails to lodge a claim with the IV.

3. The recipient of a widow(er)'s pension is entitled to a supplementary pension (Appendix 2), provided and as long as he or she is not in receipt of a retirement or disability pension from the AHV/IV, but not later than attainment of statutory retirement age, regardless of whether or not an AHV pension is paid out. On remarriage before the age of 60, the entitlement to a supplementary pension terminates. The divorced spouse has no entitlement to a supplementary pension.

4. In the case of a part-time employee, the supplementary pension is reduced in accordance with the average hours of employment.

5. If he has yet to reach his regular AHV retirement age, the recipient of a retirement pension may, instead of the supplementary pension, claim a bridging pension, which must not exceed the maximum AHV retirement pension. In this case, the retirement pension and associated insured benefits are reduced lifelong in accordance with actuarial calculations. The bridging pension is paid at the most until the recipient reaches his regular AHV retirement age.

Article 17 Orphans' pension

1. If an insured male or female dies before or after retirement, each of his children is entitled to an orphans' pension. This is paid until completion of the child's 20th year of age. The claim to a pension is extended to the completion of the 25th year of age for children who are still in full-time education or who are wholly or partially unable to work as a result of physical or mental affliction.

Foster children and stepchildren are only entitled to an orphan's pension if the insured person was substantially responsible for supporting them.

2. For each half-orphan, the orphans' pension amounts to 20% of the insured retirement pension or 20% of the current retirement or disability pension at the time of the death.

3. For full orphans, this is increased to 40%.

Article 18 Lump sum on death

1. If an insured person dies before reaching retirement age, a lump sum will be paid to those with entitlement.

2. The lump sum on death amounts to 200% of the insured retirement pension or 200% of the current retirement or disability pension at the time of the death.

3. Independently of inheritance law, those with entitlement are:

a) the surviving spouse of the deceased insured person, or if there is no spouse

b) the children of the deceased insured person, or if there are no children

c) those persons substantially supported by the deceased insured member, or the person who lived continuously with the deceased in a domestic relationship bound by a mutual obligation of support during the last 5 years before death or who has to support one or more children from this relationship, or if there are no such persons

d) the parents of the deceased insured person, or if there are no parents

e) the siblings of the deceased insured person.

The insured person may choose a different sequence, by notifying the Pension Fund in writing, and indicate the rights of those with entitlement more precisely, with the proviso that the spouse or, if there is no spouse, the children receive at least half of the lump sum on death. The written notification must be submitted to the Pension Fund during the lifetime of the insured person. If there are special circumstances or cases of hardship, the Pension Fund can deviate from the above sequence or the wishes of the insured person, and distribute the lump sum among the survivors as it deems fit.

If no one is entitled to the lump sum on death, it is forfeited to the Pension Fund.

Article 19 Payment conditions

1. For the beginning and the end of pensions, Paragraph 2 notwithstanding, the following stipulations apply:

a) A disability pension is paid as long as the insured person is disabled. When retirement age is reached, it is superseded by a retirement pension of the same amount.

b) The first retirement pension is paid for the month following retirement. It is paid until the death of the recipient.

c) The first widow(er)'s pension is paid for the month following the death of the insured person; it is paid lifelong, unless the spouse remarries before completion of his 60th year of age.

d) The pensions supplementary to the retirement, disability, and widow(er)'s pensions are paid at the most until the person with entitlement reaches his regular AHV retirement age.

e) The first orphans' pension is paid for the month following the death of the insured person; it is paid until the orphan concerned completes his 20th or 25th year of age or his entitlement to pension terminates.

A prerequisite for payment is the submission in good time of the evidence of entitlement needed and demanded by the Pension Fund.

2. In the event of disability or death of an insured person, no pension will be paid as long as the Company continues to pay remuneration or retroactive remuneration, or a daily allowance for illness is paid to which the Company contributed at least half. As long as the obligatory accident insurance, military insurance, or any other insurance to which the Company has paid contributions continues to pay a daily allowance, the Pension Fund will reduce its benefits in accordance with Article 24.

3. Pensions are paid to those entitled at the end of each month in sums rounded to the nearest franc. Payments are effected through bank or post office transfer to a place of payment in Switzerland designated by the person entitled. Payment may also be made to places outside Switzerland at the person's request and risk.

For the month in which the entitlement to pension terminates, the full pension will still be paid.

4. If the retirement or disability pension is less than 5%, the widow(er)'s pension less than 3%, or the orphans' pension less than 1% of the maximum AHV retirement pension, a lump sum may be paid instead of the pension.

The lump sum is calculated actuarially. As soon as it is paid, all other claims of the insured person or his survivors on the Pension Fund are null and void.

Article 20 Settlement, subsequent cover, refund

1. If the employment contract is terminated by the insured person or the Company and if there is no entitlement to a Pension Fund benefit under the foregoing provisions, then the insured person leaves the Pension Fund and is entitled to the sum transferable in accordance with the following stipulations.

2. The sum transferable becomes due on leaving the Pension Fund. From this point on, interest is payable at the minimum rate of interest defined in the BVG. If the Pension Fund has not transferred this portable sum within 30 days of receiving the necessary instructions, interest is payable from this point onwards at the interest rate on arrears determined by the Federal Council.

3. If the providence contract is terminated less than five years before retirement age is reached, the insured person has no claim to the sum transferable. In this case, the provisions for the retirement pension (Article 12) apply.

4. The insured person continues to be insured against disability and death for a further month after termination of the providence contract, but at the most until new employment is taken up.

5. If the Pension Fund has to furnish survivors' or disability benefits after having paid out the sum transferable, as much of the sum transferable as is necessary to cover the survivors' or disability benefits must be repaid to it. The survivors' or disability benefits will be reduced if or to the extent such repayment does not take place.

Article 21 Amount of the sum transferable (vested benefits)

1. The sum transferable is equivalent to the present value of acquired benefits using the factor of present value from Appendix 1 (defined benefit).

Unless the above calculation produces a higher sum, the sum transferable includes at least

a) the joining fee paid and purchases made by the insured person, plus interest, together with

b) the ordinary, extra, and special contributions made by the insured person himself during the contribution period, increased by 4% per year of age from age 20, at the most however 100%. Age is the difference between the current calendar year and the year of birth.

The above amount will be reduced by any sum transferred as a result of divorce (Article 11) or any sum taken in advance (Article 27) with interest (minimum BVG interest rate).

The risk contributions (Article 8 Paragraph 1) are considered expended and are disregarded when determining the sum transferable.

Interest on the joining fee and benefit purchases made is at the minimum BVG rate.

2. If the insured person has not yet paid any part of the additional benefit purchases, the present value of the outstanding instalments will be deducted from the sum transferable as in Paragraph 1.

3. If the Company has paid for any purchases, either in whole or in part, the sum paid will be deducted from the sum transferable as in Paragraph 1. For each fully completed contribution year, this deduction is reduced by one tenth of the sum paid by the Company. The unused part is forfeited to the Fund for the Purchase of Benefits.

4. In every case, the sum transferable includes at least the retirement assets as in the BVG at the time of leaving the Pension Fund.

Article 22 Use of the sum transferable

1. If the insured person joins a new providence scheme, the Pension Fund will transfer the sum to that new providence scheme.

2. Insured persons who do not join a new occupational benefits plan must inform the Pension Fund whether the portable sum should be used for opening a vested benefits account with a bank fund or to establish a vested benefits policy with an insurance company that is accountable to the insurance supervisory authority.

If the Pension Fund is not duly informed, the portable sum will be transferred to the suppletory institution, together with the interest, between 6 months at the earliest and 2 years at the latest after the person leaves the Pension Fund.

3. The insured person may demand cash payment of the sum transferable if

a) he is leaving Switzerland permanently

b) he becomes self-employed and is no longer subject to the obligatory occupational benefit plan, or

c) the sum transferable amounts to less than his yearly contribution.

Cash payment to insured persons who are married is only allowed if the spouse gives written agreement.

Article 23 Leave of absence

1. In the case of leave of absence of up to 2 months, the insurance will remain in effect unchanged; the contributions of the insured person and the Company are paid on the basis of the insured remuneration at the time when the leave of absence begins. In the case of leave of absence of more than 2 months, but 3 years at the most, the Company and the insured person may agree to apply the same regulation as for when the leave of absence amounts to 2 months or less.

2. If there is no such agreement in the case of leave of absence of more than 2 months, the obligation to contribute will be suspended. In the event of a claim, the outstanding contributions will be demanded in addition or offset against the benefits due.

If no event resulting in a claim for benefit has occurred in the meantime and contribution payments are resumed after the leave of absence is over, the contribution years will be reduced corresponding to the period in which no contributions were paid.

3. If the leave of absence exceeds 3 years, the insurance will be terminated and the sum transferable, calculated from the time when contributions ceased to be paid and increased by the interest for the elapsed period, will be paid.

Article 24 Deduction of benefits from third parties, reduction of benefits

1. If in the case of an insured person's disability the benefits of the Pension Fund together with other deductible income for the insured person and his children exceeds 100% of the earnings presumably lost, the pensions to be paid by the Pension Fund will be reduced to the extent that the above-mentioned limit is no longer exceeded.

2. Deductible income is to be understood as

a) benefits from the AHV/IV (and/or social insurance in Switzerland and abroad), with the exception of hardship payments;

b) benefits from the obligatory accident insurance or military insurance;

c) the income which the recipient of a disability benefit continues to earn or could be expected to earn or be eligible to receive as compensation for loss of earnings;

d) benefits from (domestic and foreign) occupational benefits schemes and vested benefits schemes, as well as benefits from shift insurance.

One-off lump sums are offset corresponding to their equivalent value as pensions. Payments for satisfaction and similar payments that may not be deducted are excepted.

This applies only to benefits of the same nature and purpose that are paid to the person entitled as a result of the event leading to the claim.

3. In cases of hardship or advancing inflation, the Board of Trustees may moderate or completely rescind such a reduction in pension.

4. If the AHV/IV, the military insurance, or the obligatory accident insurance reduce, refuse, or withdraw a benefit because the person entitled to claim has culpably caused the disability or death of the insured person or because the insured person has resisted a rehabilitation measure by the IV, the Pension Fund may also reduce, refuse, or withdraw its benefits accordingly.

5. If a person has a claim for a survivors' or disability benefit pending, the Pension Fund may demand that he cede to it anything due to him from third parties liable, up to the level of its benefits.

6. If acceptance by the compulsory accident insurance or the military insurance or a funder of the occupational old-age, survivors' and disability benefits scheme according to the BVG is disputed, a provisional benefit may be requested from the Pension Fund. If, when an entitlement to survivors' or disability benefits arises, it is unclear which benefits scheme is under obligation to pay the benefits, the person entitled to the benefit may request a provisional benefit from the occupational benefits scheme to which the insured person last belonged. The Pension Fund pays provisional benefits only within the limits and in accordance with the stipulations of the pertinent minimum legal provisions set forth in the BVG.

If the obligation of another insurance provider or another occupational benefits scheme to pay benefits is clear, then this insurance provider or benefits scheme shall repay the provisional benefits to the Pension Fund within the limits of its established payment obligations.

Article 25 Safeguarding of benefits; offsetting

1. To the extent allowed by law, the benefits of the Pension Fund are exempt from execution. Notwithstanding Article 27, the entitlement to benefits may be neither pledged nor ceded before they are due. Agreements contravening this are invalid.

2. Claims assigned by the Company to the Pension Fund concerning an insured person or recipient of a pension may not be charged against benefits of the Pension Fund, with the exception of sums owed by the insured person.

3. Pension Fund benefits received wrongfully or without cause will be offset against the future claims to the Pension Fund.

Article 26 Obligation to inform and declare

1. Insured persons must inform the Pension Fund truthfully and of their own accord about all matters relevant to their insurance, in particular changes in marital status and familial relationships.

2. Persons entitled to pension must provide a certificate of existence to the Pension Fund on demand. Disabled persons must declare any other pension or earned income and any changes in the degree of disability.

3. Insured persons and those entitled to pension are obliged to provide the Pension Fund with any information and documents it may need and demand as well as documents relating to benefits, reductions, or refusals from those insurance organisations mentioned in Article 24 or from third parties. If this is refused, the Pension Fund may reduce its benefits as it sees fit after due assessment of the circumstances.

4. The Pension Fund declines all liability for any disadvantages arising from failure to comply with the above-mentioned duties and obligations on the part of insured persons or their survivors. If the Pension Fund should suffer disadvantage as a result of such failure, the Board of Trustees may hold the person responsible liable.

Article 27 Home ownership: advances, pledges, duty to notify

1. Up to 3 years before entitlement to claim retirement benefits, the active insured person may obtain a sum for the purposes of home ownership for his own use (acquisition and construction of a home, participation in home ownership, or repayment of mortgages). Home ownership for one's own use is defined as use by the insured person at his *Wohnsitz* (place of residence) or where he normally resides. He may also, however, pledge this sum or his claim to providence benefits for this same purpose.

2. Up to his 50^{th} year of age, the insured person may obtain or pledge a sum up to the amount of the sum transferable on leaving. An insured person who has passed the age of 50 may obtain at most the sum transferable he could have obtained at age 50, or half the sum transferable at the time of obtaining the advance sum.

3. The insured person may submit a written demand for information as to the amount available to him for home ownership and the reduction in benefits associated with taking it. The Pension Fund negotiates supplementary insurance to cover the gaps in insurance that arise, and draws the insured person's attention to the consequences for tax.

4. If an insured person takes an advance sum or pledges it, he must submit the contract documents concerning the acquisition or construction of the home or repayment of mortgages, the regulations or the lease or loan contract with the building contractor if acquiring a share in a building, and the appropriate documents in the case of similar participatory arrangements. Insured persons who are married must also provide the written agreement of the spouse.

5. If advance payments place the liquidity of the Pension Fund in jeopardy, the Pension Fund may postpone attending to such requests. The Board of Trustees sets priorities for dealing with requests.

6. In the case of advance payments, the contribution years are reduced such that the present value of acquired benefits is decreased in accordance with the sum advanced. Any (part) repayment of the sum advanced is treated as purchase of benefits as in Article 10. In this case, payment by instalments (Article 10 Paragraph 5) is excluded.

7. The Pension Fund pays out the advance at the latest 6 months after the insured person claims entitlement to this early withdrawal. If there are insufficient funds available, the Pension Fund may extend this period to 12 months. If the deficit is considerable, the Pension Fund may delay the payment of an advance which is intended for a mortgage repayment beyond 12 months since the withdrawal was claimed.

Article 28 Finance

1. The benefits furnished by the Pension Fund are financed through its assets and returns therefrom, through the stipulated contributions from insured persons and the Company, and through subsidies from the Company and others.

2. In the event of early retirement, the Company makes good the actuarial deficit in the financing of the retirement pension, unless this can be covered by the Fund for the Purchase of Benefits.

3. In the case of early retirement at the Company's wish, the Company finances any benefits not covered by the regulations.

4. The Board of Trustees decides on the financing of pensions in the case of early retirement at the Company's wish as part of comprehensive restructuring and measures of a similar scope. It takes into account the agreements made between the social partners in each particular case.

Article 29 The Fund for the Purchase of Benefits

1. The Fund for the Purchase of Benefits exists as part of the total assets and the overall account.

2. The actuarial surplus shown, divided between active insured persons and recipients of pensions, is paid into the Fund for the Purchase of Benefits. This reserve is primarily to be used as follows:

a) active persons insured by the pension insurance scheme
- to supplement the funding needed in the case of increases in insured remuneration in accordance with the stipulations on extra contributions (Article 9 Paragraph 3).
- to finance the difference between the actuarially calculated and the regular retirement pension in the case of early retirement.

b) active persons insured by the BVG insurance scheme
- to finance the difference between the actuarially calculated and the regular retirement pension in the case of early retirement.
- to ensure the minimum benefits for the entry generation (Article 33 of the BVG).

c) those in receipt of a pension
- to allow supplementary pension payments.

d) to cover any actuarial deficit.

3. The Board of Trustees may with due regard to Paragraph 2 decide on further uses, such as improvement of benefits or a temporary reduction in the contributions both for insured members and the company.

Article 30 The Fund for Additional Benefits

1. The Fund for Additional Benefits exists as part of the total assets and the overall account.

2. The special contributions from insured persons and the Company are paid into the Fund for Additional Benefits; the contribution to the Security Fund (BVG) is financed from these resources, as are the pensions supplementary to the retirement pension and discretionary benefits in the case of particular hardship.

Article 31 Accounts; investment of assets

1. The Pension Fund's financial year is the calendar year. The accounts are closed each year on 31 December.

2. The yearly accounts and the annual report must be prepared no later than 6 months after the end of the financial year.

3. The assets of the Pension Fund must be managed according to recognised principles, whereby – in addition to the security of the investment – an appropriate return must be sought and attention paid to the liquidity needs of the Pension Fund.

Article 32 Financial equilibrium

1. An actuarial statement must be prepared by a recognised expert for occupational benefit plans at least every 3 years and the statutory Inspectorate notified accordingly.

2. If the statement shows an actuarial deficit, the Board of Trustees lays down appropriate measures to eliminate the deficit together with the recognised expert for occupational benefit plans. If necessary, the contributions from insured persons (with the agreement of the Board of Trustees) and the Company (with its agreement) may be increased, or the insurance benefits including current pensions adapted to the funds available, this after prior discussion with the statutory Inspectorate. These measures may be linked together.

3. In particular, to eliminate the deficit the Pension Fund may increase the contributions of insured persons and the company and also of retirees for the duration of the deficit. The contribution of the company must be at least as high as the sum of contributions of insured persons. The level of contributions of insured persons is defined in Appendix 2. The contribution of retirees is set off against the current pensions.

4. The company may contribute to an elimination of the shortfall by paying voluntary sums into a separate employer's contribution reserve account and waiving the use of this account. The payments into this account must not exceed the actuarial deficit and do not bear interest.

5. The Pension Fund informs the statutory Inspectorate, the company, the insured persons and the retirees about the shortfall and the measures to eliminate it.

6. In the event of a partial liquidation, the actuarial deficit is deducted on a pro rata basis from the vested benefits to be transferred as defined in the regulations, provided the BVG retirement assets (Article 18 of the law on portability of pensions [FZG]) are not reduced as a result.

Article 33 Partial liquidation

1. In the event of a partial liquidation, the insured persons leaving the Pension Fund are entitled not only to the portable sum laid down in the regulations but also have an individual or collective entitlement to free funds. The critical date for partial liquidation is deemed to be 31 December of the calendar year prior to the year of withdrawal from the Pension Fund.

2. A case of partial liquidation obtains

a) when a follow-on contract is terminated,

b) when part of the company is spun off or in the event of redundancies as a result of restructuring measures, provided not less than 5% of the actuarial reserve of the insured persons in active employment is affected or

c) when an organizational unit is spun off to form an independent company, provided not less than 1% of the insured persons in active employment are affected or

d) when smaller groups are spun off and redundancies are announced as a consequence of a) to c) which, when considered per se, do not lead to partial liquidation according to a) to c), provided not less than 10% of the actuarial reserve of the insured persons in active employment are affected within the same financial year.

3. The free funds shall be determined on the basis of the actuarial valuation and the financial statement (annual account with balance, operating statement, and balance sheet schedule) showing the actual financial situation of the Pension Fund in terms of values on realization (market values). The valuation of net assets and obligations and the establishment of reserves are carried out in accordance with professional standards that are continuously observed. The annual account examined by the board of control as per the appointed day for the partial liquidation is the governing criterion.

If the assets of the Pension Fund should be substantially reduced owing to developments on the capital markets, the Board of Trustees reserves the right to redefine the principles in consultation with the statutory Inspectorate.

4. The following reserves in particular are not deemed to be free funds:

a) superannuation reserves;

b) fluctuation reserves;

c) reserves for insurance claims in progress, for inflation-indexed increases to recipients of pensions and for performance guarantees that have been issued, as well as further reserves established for technical reasons to safeguard the existence of the Pension Fund according to the actuarial valuation of the Pension Fund.

5. The free funds as defined in Paragraph 3 are held as a percentage of the entire actuarial reserve needed by the Pension Fund. The share of free funds to which insured persons are entitled corresponds to this percentage applied to the sum transferable on leaving the Pension Fund. Joining fees and purchase sums paid in after 30 June prior to the appointed date of the partial liquidation are not included in the calculation of the level of entitlement to free funds.

6. In the case of a group withdrawal from the Pension Fund, a share of the superannuation reserve as per Paragraph 4 a) proportional to the ratio of the transferred portable sum to the total actuarial reserve shall be transferred collectively to the new providence scheme, in addition to the share of free funds, provided the shares were acquired during affiliation to the Pension Fund. The total funds to be transferred are normally made over in the form of liquid assets. This requires a transfer agreement with the new occupational benefits institution, which contract has to be entered in the commercial register.

A group withdrawal is deemed to apply if several insured persons funds change as a group to the same, new providence scheme and all funds to be made over are transferred collectively.

7. In the case of individual withdrawals (dismissals) from the Pension Fund as a consequence of one of the cases of partial liquidation defined in Paragraph 2, the share of free funds is transferred individually.

8. The Pension Fund informs the insured persons and retirees about the partial liquidation. They have the right to have the conditions, the procedure and the distribution plan reviewed and decided upon by the statutory Inspectorate, if a prior attempt to reach agreement involving the Board of Trustees has proved unsuccessful. If no objections are raised, the distribution plan becomes legally valid and is implemented. Any submission to the statutory inspectorate must be lodged within 30 days of receipt of the information. An objection to the decision of the statutory inspectorate does not generally delay the procedure.

The auditors confirm in their report, as defined in Article 37, that the partial liquidation has been properly conducted.

Article 34 Controlling bodies of the Pension Fund

1. The controlling bodies of the Pension Fund are the Board of Trustees and the auditors.

2. All persons concerned with the administration, auditing, or supervision of the Pension Fund must not disclose what they learn of the personal circumstances of insured persons and beneficiaries, and business matters of the Pension Fund and the Company, even after they have ceased acting for the Pension Fund.

Article 35 The Board of Trustees

1. The Board of Trustees consists of 14 members. 7 members including the Chairman are appointed by the Company, and 7 members are elected by the insured persons from their number. The Board of Trustees appoints one of the 7 elected members as Deputy Chairman. Otherwise, the Board of Trustees is self-constituting.

2. 7 substitutes for the 7 elected members of the Board of Trustees are elected at the same time. 7 substitutes for the 7 members appointed by the Company 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 period of office of the elected members of the Board of Trustees and substitutes begins on 1 July, following their election, and lasts for 3 years. They may be re-elected after their period of office has expired. If a member of the Board of Trustees elected by the insured persons leaves during his period of office, he must be replaced by a substitute in accordance with Article 42 Paragraph 2 by the time of the next election. The Company determines the period of office of the appointed members of the Board of Trustees and substitutes.

5. The Board of Trustees meets on the order of the Chairman as often as business requires or at the written request of at least 3 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 8 days before the meeting. The Head of the Business Office attends the meetings in an advisory capacity.

6. The Board of Trustees is quorate when at least 3 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 have fallen. Decisions by means of a circular letter are allowed so long as no one demands a spoken debate.

7. 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 2 weeks of the meeting taking place.

Article 36 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 outside.

3. The Board of Trustees appoints an independent trust company as auditors and a recognised expert for occupational benefit plans to inspect financial equilibrium (Article 53 of the BVG).

4. 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.

5. The Board of Trustees designates those persons entitled to sign and determines how signing may take place.

Article 37 Auditors

The auditors check the business management, accounting, and assets of the Pension Fund each year, and produce a written report on this for the Board of Trustees and the Company.

H Election of the Board of Trustees

Article 38 Electoral college

1. An electoral college is formed to prepare and conduct the elections to the Board of Trustees.

2. The electoral college consists of 7 members. The head of the electoral college is appointed by the Board of Trustees and the other 6 members by the personnel organisations.

3. Employees who are standing for election to the Board of Trustees as representatives of insured persons may not be members of the electoral college.

Article 39 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.

Article 40 Entitlement to nominate

Personnel organisations, interest groups, and employees nominate at least 14 candidates as members of the Board of Trustees and substitutes, respectively. 20 signatures of persons entitled to vote are needed for each candidate.

Article 41 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 3 months beforehand.

2. The names of those nominated for election must be submitted to the electoral college no later than 30 days after the announcement of the date of the election.

3. The electoral college informs the candidates of those properly nominated for election. Candidates who refuse to accept election must inform the electoral college in writing within 5 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 college 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.

Article 42 Period of office, leaving of a member of the Board of Trustees

1. The first election day was 1 October 1998. The period of office of the first Board of Trustees elected began on 1 October 1998 and ended on 30 June 2001.

2. If a member of the Board of Trustees elected by the insured persons leaves during his period of office, he 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 41 Paragraph 5, until a by-election is held.

3. If a substitute elected by the insured persons leaves during his period of office, he shall be replaced by the non-elected candidate with the highest number of votes, as in Article 41 Paragraph 5.

Article 43 Benefits in cases of special hardship

1. In cases of incidents where these regulations do not provide for benefits to an insured person, the members of his family, or other persons close to him, but where benefits would be compatible with the providence purpose of the Pension Fund, the Board of Trustees may decide to grant discretionary benefits after receipt of a justified request.

2. Taking into account the circumstances of the individual case and the higher interests of the Pension Fund, the decision of the Board of Trustees is at its complete discretion. If necessary, it decides on the type, scope, and duration of the benefit which is paid for from the Fund for Additional Benefits.

Article 44 Implementing provisions, enforcement of the regulations, and filling of gaps

1. Any implementing provisions necessary for the regulations are issued by the Board of Trustees.

2. The Board of Trustees may, in special cases, choose to ignore the stipulations of these regulations if enforcing them would mean hardship for those concerned and the action taken is in line with the purpose and spirit of the Pension Fund.

3. The Board of Trustees decides in line with the purpose and spirit of the Pension Fund on matters which are not or are insufficiently covered by these regulations.

Article 45 Revision of the regulations

1. Revision of the regulations is effected through the Board of Trustees. Changes to the regulations must be reported to the authorities responsible.

2. Decisions which require additional benefits from the Company or have that as a consequence are not valid without the Company's agreement.

Article 46 Disputes

1. Disputes between the Foundation and the employer or those entitled to claim will be settled by the cantonal court responsible according to the BVG in compliance with the due process of law.

2. The legal venue is the place of residence in Switzerland of the defendant or the place where the insured person was employed.

Article 47 Coming into force; transitional provisions

1. These regulations come into force on 1 January 2005 and supersede the regulations dated 1 January 2001.

2. The pensions being paid on 31 December 2004 remain unchanged. Entitlement to pensions being paid and benefits to survivors of recipients of such pensions are governed by the present stipulations.

3. In the case of the death of a retiree receiving the pensions being paid on 31 December 1997, the expected benefits to survivors are at least equivalent to the Swiss franc sums that would be paid on 31 December 1997 according to the regulations in force on 31 December 1997.

Article 48 Transitional provisions for those insured by the Ciba-Geigy Pension Fund

1. These transitional provisions apply to active persons insured by the Ciba-Geigy Pension Fund on 31 December 1997.

2. Those persons accepted into the Savings Capital Insurance for age and health reasons by 31 December 1995 may take the entire retirement pension as a lump sum when they obtain retirement benefits (Article 12 Paragraph 6).

3. Declarations concerning beneficiaries of lump sums on death sent in before 31 December 1995 under the regulations in force from 1 January 1987 retain their validity.

4. For every insured male active on 1 January 1998 who already belonged to the Pension Fund on 31 December 1997, the previous pension rate and the previous fixed reduction or fixed supplement to the insured retirement pension remain unchanged, so long as the providence situation has not changed (e.g. because of a change in the hours of work, advance payments due to purchase of a home, transfer of sums as a result of divorce, etc.).

5. For every insured female active on 1 January 1998 who already belonged to the Pension Fund on 31 December 1997, the new insured retirement pension and pension rate is calculated from the present regulations as if joining anew, using the table of present values in Appendix 1. The age and the insured remuneration on 31 December 1997 form the basis for the calculation. The present value of acquired benefits as in Article 21 of the regulations in force from 1 January 1996 is used to finance the cost of joining.

If the newly insured retirement pension is less than 106.4% of the retirement pension insured on 31 December 1997, the newly insured retirement pension will be increased accordingly.

Until 1 January 2006, an insured female may take the retirement pension and the supplementary pension five years before her regular AHV retirement age. If the providence contract is terminated within this period, there is no claim to the sum transferable on leaving.

6. Paragraph 5 and retirement age 65 also apply to females who were insured by the Ciba-Geigy Pension Fund before 1 January 1985 and had a retirement age of 60 according to the regulations in force from 1 January 1987. Until 1 January 2006, these insured females may take the retirement pension (but not the pensions supplementary to the retirement pension) after completion of their 55th year of age. If the providence contract is terminated after the 55th year of age, there is no claim to the sum transferable on leaving.

7. If an insured female takes the retirement pension early as in Paragraphs 5 and 6, the insured retirement pension will be reduced in percentage terms. The reduction depends on the number of years before regular retirement age that the pension is taken, and amounts to:

Years before retirement age	Percentage reduction in the insured retirement pension
1	2
2	4
3	6
4	8
5	10
6	12
7	14
8	20
9	20
10	20

The reduction factors are interpolated for parts of years.

8. If, before 1 January 2006, the retirement pension is taken early at the wish of insured persons belonging to the Ciba-Geigy Pension Fund on 31 December 1995, the insured person may have recourse to the reduction factors according to the regulations in force from 1 January 1987, using the concept of contribution years contained therein. This does not apply to insured females as in Paragraph 6.

9. In the case of death, the widow(er)'s pension and any lump sum will be at least equivalent to the Swiss franc sum calculated as of 31 December 1995 (the Pension and Supplementary Funds taken together) in accordance with the regulations in force from 1 January 1987, so long as the hours of employment have not changed. The lump sum on death as in the regulations in force from 1 January 1987 will not be taken into account.

This stipulation does not apply to those insured persons accepted into the Savings Capital Insurance as of 31 December 1995 for age and health reasons.

10. A woman who was already married before 1 January 1991 and whose husband was insured by the Ciba-Geigy Pension Fund before 1 January 1991 is entitled to the widow's pension irrespective of obligation to support dependents, duration of marriage, and age.

Article 49 Transitional provisions for those insured by the Sandoz Pension Foundations

1. These transitional provisions apply to active persons insured by the Pension Funds I and II of the Sandoz Pension Foundations I and II on 31 December 1997.

2. For every insured person active on 1 January 1998 who already belonged to the Pension Fund I or II on 31 December 1997, the new insured retirement pension and pension rate is calculated from the present regulations as if joining anew, using the table of present values in Appendix 1.

The age and the insured remuneration on 31 December 1997 form the basis for the calculation which is made in accordance with the present regulations. The sum transferable as in Article 36 of the regulations of the Pension Funds I and II of the Sandoz Pension Foundations I and II in force from 1 January 1990 is used to finance the cost of joining. In addition, the regular sum transferable from the pension insurance scheme (present value of acquired benefits) is converted to the technical basis of the Novartis Pension Fund, and the difference resulting used to help finance the cost of joining, too.

If the new insured retirement pension comes to more than 60% of the insured remuneration, the new pension rate will be limited to 60% and the surplus part of the new insured retirement pension treated as an additionally insured part of the pension.

3. If the new insured retirement pension as in Paragraph 2 comes to less than the retirement pension insured as of 31 December 1997 after taking into account the lump sum insurance (funding available as of 31 December 1997 plus the missing savings contributions of the insured person and the employer until regular retirement age without interest, at least, however, the guaranteed minimum funding), the new insured retirement pension will be increased to the previous retirement pension thus calculated.

If the new pension rate is less than the previous pension rate of the pension insurance scheme multiplied by 60/100, the new pension rate will be increased accordingly.

4. For insured females, the calculation as in Paragraphs 2 and 3 is made assuming a retirement age of 62 and in accordance with the principles of the previous regulations of the Ciba-Geigy Pension Fund in force from 1 January 1996. Then the calculation is made assuming a retirement age of 65 and in accordance with the provisions of Article 48 Paragraph 5.

Until 1 January 2006, an insured female may take the retirement pension and the supplementary pension 5 years before her regular AHV retirement age. If the providence contract is terminated within this period, there is no claim to the sum transferable on leaving.

5. Paragraph 4 and a retirement age of 65 also apply to insured females who completed or had passed their 45th year of age during the calendar year of 1990 and had a retirement age of 60 under the regulations in force from 1 January 1990. Before 1 January 2006, these insured females may take the retirement pension (but not the pensions supplementary to the retirement pension) after completion of their 55th year of age. If the providence contract is terminated after the 55th year of age, there is no claim to the sum transferable on leaving.

6. If the retirement pension is taken early at the wish of the insured female as in Paragraphs 4 and 5, the insured retirement pension will be reduced in percentage terms. The reduction depends on the number of years before regular retirement age that the pension is taken, and amounts to:

Years before retirement age	Percentage reduction in the insured retirement pension
1	2
2	4
3	6
4	8
5	10
6	12
7	14
8	20
9	20
10	20

The reduction factors are interpolated for parts of years.

7. If, before 1 January 2006, the retirement pension is taken early at the wish of the insured person, he may have recourse to the reduction factors according to the regulations in force from 1 January 1990, using the concept of contribution years contained therein. For insured females according to Paragraph 5, these provisions do not apply.

Article 50 Transitional provisions for those insured by the Caisse de Retraite de Zyma SA

For insured persons in active employment who were admitted to the Caisse de Retraite de Zyma on 31 December 1998, the transitional provisions of Article 48 apply by analogy, with the exception of Article 48 Paragraphs 2, 6 and 10.

Article 51 Transitional provisions for those insured by the Pension Fund of Wander AG

For insured persons in active employment who were admitted to the Pension Fund of Wander on 31 December 1997, the transitional provisions of Article 49 apply by analogy, with the exception of Article 49 Paragraph 5.

Table of present values

for the calculation of

- **the joining fee as in Article 10**
- **the sum transferable as in Article 21**
- **the reduction in contribution years after divorce as in Article 11 Paragraph 4 and after advance payments as in Article 27**

Age	Factor of present value
20	4.8649
21	4.9686
22	5.0754
23	5.1855
24	5.2992
25	5.4164
26	5.5371
27	5.6616
28	5.7896
29	5.9214
30	6.0568
31	6.1959
32	6.3390
33	6.4862
34	6.6377
35	6.7941
36	6.9552
37	7.1214
38	7.2931
39	7.4707
40	7.6540
41	7.8433
42	8.0389
43	8.2405
44	8.4487

Age	Factor of present value
45	8.6634
46	8.8844
47	9.1125
48	9.3481
49	9.5916
50	9.8429
51	10.1028
52	10.3712
53	10.6478
54	10.9334
55	11.2272
56	11.5293
57	11.8404
58	12.1603
59	12.4900
60	12.8309
61	13.1854
62	13.5553
63	13.9479
64	14.3707
65	14.8436

These factors of present value refer to whole years. Months completed are taken into account proportionately using linear interpolation.

Maximum coordinating offset and insured remuneration as in Article 6

The maximum coordinating offset is	CHF 24,120.–
The maximum insured remuneration is	CHF 195,880.–

Special contribution as in Articles 8 and 9

The special contribution from the insured person is 0.3% of the insured remuneration.

The special contribution from the Company is 0.3% of the sum of the insured remunerations.

Contribution to eliminate underfunding as defined in Article 32

The contribution of the insured person amounts to not more than 2% of the insured remuneration. The contribution of the company must be at least as high as the sum of contributions paid by insured persons.

Supplementary pensions as in Article 16

1. The pension supplementary to the retirement pension is	CHF 18,000.– per year
2. The pension supplementary to the disability pension is	CHF 16,800.– per year
3. The pension supplementary to the childrens' pension is	CHF 4,800.– per child and year
4. The pension supplementary to the widow(er)'s pension is	CHF 3,600.– per year

1. Joining

Male	
Date of birth	20 September 1967
Date of joining	1 January 1998
Age on joining	30 years 3 months
Contribution years possible to age 65	34 years 9 months

Insured remuneration (Article 6)

Annual remuneration as of 1 January 1998	CHF 75,000.00
Coordinating offset (30% x 75,000)	CHF 22,500.00
Insured remuneration	CHF 52,500.00

Pension rate

1.5% x contribution years possible (1.5% x 34 years 9 months)	52.125%

Insured retirement pension (Article 12)

Pension rate x insured remuneration (52.125% x 52,500)	CHF 27,365.60

2. Calculation of joining fee (Article 10)

Factor of present value, Appendix 1, at the age of 30 years 3 months	6.09158

The purchase of one contribution year increases

the pension rate by	1.5%
the retirement pension by (1.5% x 52,500)	CHF 787.50

Cost of the purchase of

one contribution year (787.50 x 6.09158)	CHF 4,797.10

Purchase of contribution years on joining

Sum transferable from previous pension fund	CHF 25,184.90
Sum transferable/cost of purchasing one contribution year CHF 25,184.90/4,797.10	5 years 3 months

Contribution years possible after purchase

Contribution years possible before purchase + contribution years purchased 34 years 9 months + 5 years 3 months	40 years

Pension rate

1.5% x contribution years possible (1.5% x 40)	60%

Insured retirement pension (Article 12)

Pension rate x insured remuneration (60% x 52,500)	CHF 31,500.00

3. Calculation of sum transferable (Article 20)

Date of leaving	31 December 2007
Age on date of leaving	40 years 3 months
BVG age on date of leaving	40 years
Factor of present value, Appendix 1, at the age of 40 years 3 months	
(9 x 7.6540 + 3 x 7.8433)/12	7.7013
Insured remuneration on date of leaving	CHF 68,500.00
Insured retirement pension on date of leaving	CHF 41,100.00

Allowable contribution years

Age on entry to age on leaving	10 years
Contribution years purchased	5 years 3 months
	15 years 3 months

Acquired benefits

1.5% x allowable contribution years x insured remuneration	
1.5% x 15 years 3 months x 68,500	CHF 15,669.40

Sum transferable on leaving

A) Present value of acquired benefits

Acquired benefits x factor of present value	
15,669.40 x 7.7013	CHF 120,675.00

B) Minimum sum transferable on leaving

Ordinary contributions from the insured person	CHF 27,685.25
Extra contributions from the insured person	CHF 3,200.10
Special contributions from the insured person	CHF 1,203.70
■ Total contributions from the insured person	CHF 32,089.05
■ Supplement to the contributions from the insured person	
(40–20) x 4% x 32,089.05	CHF 25,671.25
■ Joining fee	CHF 25,184.90
■ Interest on joining fee from 1 January 1998 to 31 December 2007	CHF 12,094.90
	CHF 95,040.10

Maximum from A) and B)	**CHF 120,675.00**

4. Advance payment (Article 27)

Payment advanced on	31 December 2007
Age when payment advanced	40 years 3 months
Contribution years possible (including years purchased)	40 years
Factor of present value, Appendix 1, at the age of 40 years 3 months	7.7013
Insured remuneration when payment advanced	CHF 68,500.00
Insured retirement pension when payment advanced	CHF 41,100.00
Maximum advance payment (as in 3. Sum transferable on leaving)	CHF 120,675.00
Amount advanced	CHF 100,000.00

If CHF 100,000.– is taken in advance, the retirement pension is reduced by

Amount advanced / factor of present value	
100,000 / 7.7013	CHF 12,984.80

This corresponds to a reduction in contribution years and months of

Reduction in retirement pension / retirement pension for one contribution year	
12,984.80 / (1.5% x 68,500)	12 years 8 months

Contribution years possible after advance payment

Contribution years possible before advance payment	40 years
Reduction in contribution years and months	– 12 years 8 months
Contribution years possible after advance payment	27 years 4 months

Pension rate after advance payment

1.5% x contribution years possible (1.5% x 27 years 4 months)	41%

Retirement pension after advance payment

Pension rate x insured remuneration	
41% x 68,500	CHF 28,085.00

Companies affiliated to the Pension Fund

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
Ciba Vision AG, Embrach
Novartis Consumer Health SA, Nyon
Novartis Consumer Health Schweiz AG, Bern
Novartis Tiergesundheit AG, Basel
Novartis Centre de Recherche Santé Animale SA, St-Aubin
Novartis Forschungsstiftung, Zweigniederlassung Friedrich Miescher Institut, Basel
Novartis Stiftung für nachhaltige Entwicklung, Basel
Interpharma, Verband der forschenden pharmazeutischen Firmen der Schweiz, Basel

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