

Partial Liquidation Regulations

Telco pk

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I. General provisions

1. Purpose and structure of the Foundation

These regulations set out the requirements and procedure for the partial liquidation of Tellco pk (hereinafter referred to as the "Foundation") and the partial and full liquidation of its compartments and pension funds.

The Foundation itself constitutes the highest level. At the Foundation level, there is/are in principle no actuarially required pension capital, fluctuation reserves and/or non-committed funds. If, despite this principle, there were funds available at the Foundation level, these regulations would also govern partial liquidation at the Foundation level.

The compartments constitute the second level. The compartments vary as follows:

PRO and PULSE

- Actuarially required pension capital, fluctuation reserves and/or non-committed funds are formed at the compartment level. The coverage ratio is generally the same for all pension funds of a compartment. However, pension funds may have pension-fund-specific fluctuation reserves or pension-fund-specific non-committed funds.

FLEX and INDIVIDUA

- At the compartment level, there is/are in principle no actuarially required pension capital, fluctuation reserves and/or non-committed funds. If, despite this principle, there were funds at the compartment level, these regulations would also govern partial liquidation at the compartment level.
- Actuarially required pension capital, fluctuation reserves and/or non-committed funds are formed at the pension fund level. The coverage ratio is calculated individually for each affiliated pension fund.

The pension funds constitute the third level. The compartments vary as follows:

Each pension fund has either its own coverage ratio (e.g. pension funds in the INDIVIDUA or FLEX compartments) or an identical coverage ratio to other pension funds with which it is managed jointly (e.g. pension funds in the PRO or PULSE compartments).

2. Principles on the requirements and implementation

The requirements for partial liquidation are generally defined at the pension fund level. At the levels of the compartments and the Foundation, the requirement for partial liquidation is met if the requirements at the pension fund level are met.

Once the requirements for partial liquidation are met at the pension fund level and thus at the level of its compartment and the Foundation, it is checked at each level, irrespective of the other levels, whether the respective partial liquidation shall be implemented.

3. Definitions

- **Employers:** employers affiliated with the Foundation.
- **Pension fund:** organisational unit managed by the Foundation for the affiliated employer.
- **Policyholders:** all employees who are subject to mandatory insurance in accordance with the Pension Fund Regulations and the pension plans and for whom which no insured event has occurred.
- **Pension recipients:** recipients of old age, disability and survivors' pensions and divorce pensions.
- **Beneficiaries of the pension fund:** total population of policyholders and pension recipients of the relevant pension fund.
- **Effective date:** the day on which the matter determining the partial liquidation was resolved by the responsible bodies of the employer, such as the date of the relevant Board of Directors' meeting. In the event of the full or partial termination of the affiliation agreement, the effective date is the date of the full or partial termination of the affiliation agreement.

- **Decisive coverage ratio:** the decisive coverage ratio is determined on the basis of the commercial balance sheet prepared annually in accordance with Swiss GAAP FER 26 as at 31 December and the actuarial opinion prepared at the same time.
- **Deficit:** the amount by which underfunding exists within the meaning of Article 44 of the Ordinance on Occupational Old Age, Survivors' and Invalidity Pension Provision (OPO 2). The deficit is calculated either at the level of the compartments (PRO and PULSE) or at the level of the pension funds (pension funds in the FLEX and INDIVIDUA compartments).

Involuntary departure:

- Departure that occurs due to the termination of the employment relationship by the employer; or
- Departure that occurs due to the termination of the employment relationship by the employee, provided this is induced by imminent job cuts or restructuring of the employer and the employee wishes to pre-empt the termination of their employment contract by the employer.

II. Partial liquidation of the Foundation

4. Determination of the partial liquidation matter

If the requirements for the partial liquidation of a pension fund are met, the requirements for the partial liquidation of the Foundation are also met.

5. Implementation

The Board of Trustees is responsible for implementing partial liquidations at the level of the Foundation.

The same partial liquidation criteria (effective date, reference date, group of beneficiaries, etc.) apply to the partial liquidation of the Foundation as to the partial liquidation of a pension fund, or they apply mutatis mutandis.

In principle, partial liquidation shall not be carried out if the funds available for partial liquidation at the level of the Foundation on the reference date of the partial liquidation amount on average to less than CHF 1,000.00 for each policyholder to be considered.

III. Partial liquidation of a compartment

6. Determination of the partial liquidation matter

If the requirements for the partial liquidation of a pension fund are met, the requirements for the partial liquidation of the compartment are also met.

7. Implementation

The Board of Trustees is responsible for implementing partial liquidations at the level of a compartment.

The same partial liquidation criteria (effective date, reference date, group of beneficiaries, etc.) apply to the partial liquidation of the compartment as to the partial liquidation of a pension fund, or they apply mutatis mutandis.

Depending on the compartment, partial liquidation shall not be carried out under the following conditions:

PRO and PULSE

The partial liquidation shall not be carried out if:

- the consolidated, involuntary departures of all partial liquidations of pension funds in a calendar year cause the loss of less than 0.25% of policyholders in the relevant compartment;
- the consolidated, involuntary departures of all partial liquidations of pension funds in a calendar year cause the outflow of less than 0.25% of the retirement savings of the relevant compartment.
- as a result of the termination of affiliation agreements, less than 3% of affiliation agreements, less than 3% of the policyholders and less than 3% of the retirement savings are lost, with all terminated affiliation agreements counted together as of the date of termination. Only affiliation agreements whose term has amounted to more than two full years are taken into account.

If only individual departures occur as part of a partial liquidation, the partial liquidation will not be carried out even if the non-committed funds on the reference date of the partial liquidation amount on average to less than CHF 1,000.00 per policyholder to be considered.

FLEX and INDIVIDUA

In principle, partial liquidation shall not be carried out if the funds available for partial liquidation at the level of the compartment on the reference date of the partial liquidation amount on average to less than CHF 1,000.00 for each policyholder to be considered.

IV. Full and partial liquidation of a pension fund

8. Determination of the partial liquidation matter

The requirements for partial liquidation are presumably met if:

- a significant reduction of the workforce occurs;
- or a company is restructured;
- or an affiliation agreement is terminated.

The pension fund commission decides on a case-by-case basis whether the requirements for partial liquidation are met (Section 8).

The losses and outflows are taken into account cumulatively if there is a correlation between multiple reductions in the workforce or several restructuring rounds at a company, or there is an overriding reason.

The employer and the pension fund commission are obliged to immediately report to the Executive Board any matters that could trigger the partial liquidation of a pension fund. In particular, the contexts of a reduction in the workforce, the effective date, the employees concerned, the end of their employment relationship and the reason for dismissal must be disclosed.

During the preparation of the distribution plan, the employer and the pension fund commission of the respective pension fund must cooperate and provide the Executive Board with the necessary information and documents.

As soon as the Executive Board becomes aware that the requirements for the partial liquidation of a pension fund may be met in accordance with these regulations, it shall check the following, taking into account the reference date:

- whether the substantive requirements for a partial liquidation procedure are met; and
- whether there is an impediment to the implementation of the procedure.

If the conditions for implementing the procedure are met, the Executive Board shall initiate the partial liquidation procedure. The pension fund commission makes the decision to carry out the partial liquidation procedure.

The Executive Board must inform the Board of Trustees, the auditor and the pension actuary.

9. Prerequisites

a) Significant reduction in the workforce

A significant reduction in the workforce is deemed to exist if one of the companies affiliated with the Foundation reduces its workforce once or continuously. In the event of such a reduction in the workforce, based on the number of staff on the reference date, the following losses (as a minimum) must occur:

- | | |
|---|---|
| • for a workforce of up to 5 employees | at least 2 involuntary departures and 30% of the retirement savings |
| • for a workforce of 6 to 10 employees | at least 3 involuntary departures and 25% of the retirement savings |
| • for a workforce of 11 to 25 employees | at least 4 involuntary departures and 20% of the retirement savings |
| • for a workforce of 26 to 50 employees | at least 5 involuntary departures and 15% of the retirement savings |
| • for a workforce of more than 50 employees | at least 10% involuntary departures and 10% of the retirement savings |

Departures due to terminated fixed-term employment relationships are deemed to be voluntary departures if these do not result in the one-time or continuous reduction of the workforce.

b) Restructuring of the company

Restructuring includes, in particular:

- the sale or merger of business units;
- the discontinuation of business activities;
- the closure of production sites;
- and the outsourcing of production sites,

if these measures lead to the departure of a significant proportion of the company's workforce. The reduction in the workforce is deemed to be significant if, based on the number of staff on the reference date, at least the following losses occur:

- for a workforce of up to 5 employees at least 1 involuntary departure and 25% of the retirement savings
- for a workforce of 6 to 10 employees at least 2 involuntary departures and 20% of the retirement savings
- for a workforce of 11 to 25 employees at least 3 involuntary departures and 15% of the retirement savings
- for a workforce of 26 to 50 employees at least 4 involuntary departures and 10% of the retirement savings
- for a workforce of more than 50 employees at least 5% involuntary departures and 5% of the retirement savings

Departures due to terminated fixed-term employment relationships are deemed to be voluntary departures if these do not take place as a result of the restructuring of the company.

c) Full or partial termination of the affiliation agreement

The full or partial termination of the affiliation agreement refers to the full termination (for policyholders and pension recipients) or partial termination (for all policyholders) of the affiliation agreement between the employer and the Foundation if the Foundation continues to exist following such termination.

10. Implementation

The Board of Trustees is responsible for implementing full and partial liquidations at the level of the pension fund. The pension fund commission provides the Board of Trustees with all necessary information to this end.

Partial liquidation shall not be carried out under the following conditions:

Pension funds in the PRO and PULSE compartments

The partial liquidation shall not be carried out if:

- a pension fund does not have any pension-fund-specific fluctuation reserves and/or non-committed funds that were not taken into account in the calculation of the relevant coverage ratio for the pension provider;
- or if non-committed funds on the reference date for partial liquidation amount on average to less than CHF 1,000.00 per policyholder to be considered.

Pension funds in the FLEX and INDIVIDUA compartments

Partial liquidation shall not be carried out if individual departures exclusively occur in connection with a partial liquidation and the non-committed funds on the reference date for partial liquidation amount on average to less than CHF 1,000.00 per policyholder to be considered.

11. Determination of a partial liquidation matter

The pension fund commission determines the partial liquidation matter and decides on the implementation of a partial liquidation. In accordance with the statutory provisions and these regulations, it determines:

- the effective date;
- the non-committed funds and the share to be distributed;
- the actuarial and investment reserves;
- the deficit and its allocation;
- and the distribution plan

for the partial liquidation.

12. Effective date for the partial liquidation matter

The effective date for the partial liquidation matter is:

The day on which the matter determining the partial liquidation was resolved by the responsible bodies of the employer, such as the date of the relevant Board of Directors' meeting.

The reduction in the workforce that occurs within a period of 12 months following a corresponding resolution passed by the employer's responsible bodies is decisive. If the reduction occurs over a longer or shorter period, this period shall be decisive.

In the event of the full or partial termination of the affiliation agreement, the effective date is the date of the full or partial termination of the affiliation agreement.

13. Reference date for partial liquidation

The reference date for partial liquidation or for the determination of the assets, reserves and non-committed funds or underfunding relevant to liquidation is the last reporting date prior to the period of the reduction of the workforce and/or restructuring.

If the affiliation agreement is terminated, the reference date is the reporting date that coincides with or precedes the full or partial termination of the affiliation agreement.

14. Group of beneficiaries

In principle, in addition to the remaining beneficiaries, the beneficiaries affected by the partial liquidation matter shall also be taken into account in the distribution of non-committed funds or a deficit.

This means that the following are included:

- the pension recipients existing on the reference date;
- the policyholders existing on the reference date.

If the departures of policyholders that took place prior to the reference date have a close objective and temporal connection to the partial liquidation matter, such that they must be considered a coherent occurrence, these policyholders shall also be taken into account and included as beneficiaries affected by the partial liquidation matter.

V. Common provisions**15. Basis and documents**

The following serve as the basis for the processing of partial liquidation:

- the commercial balance sheet on the reference date for the partial liquidation;
- the auditor's report on the reference date for the partial liquidation;
- the actuarial opinion on the reference date for the partial liquidation;
- the regulatory basis that applies on the reference date for the partial liquidation;
- the investment strategy that applies on the reference date for the partial liquidation.

16. Determination of the non-committed funds and the deficit

The basis for determining the non-committed funds and the deficit amount is the commercial balance sheet reviewed by the auditors and a technical balance sheet showing the actual financial situation of the Foundation and the pension funds. The amount of non-committed funds and the deficit is determined on the basis of the partial liquidation status. The procedure is defined in Annex A.

17. Allocation of the non-committed funds and the deficit

If, pursuant to the partial liquidation status on the reporting date, a deficit exists for the partial liquidation, any pension-fund-specific fluctuation reserves and pension-fund-specific non-committed funds must be used to reduce or eliminate the deficit to be borne by the pension fund.

A collective allocation of the non-committed funds available on the reference date for the partial liquidation or the deficit between the departing individuals and the remaining beneficiaries is carried out first. Subsequently, an allocation is carried out between the departing pension recipients and the departing policyholders. Allocations are made in proportion to the pension capital (pension coverage capital and retirement savings) attributable to the two groups.

Finally, the share of non-committed funds or the deficit attributable to the departing policyholders is allocated individually.

The Executive Board follows the distribution plan defined by the Board of Trustees in these regulations (Annex B) for the individual allocations.

18. Individual or collective entitlement

a) Remaining policyholders and remaining pension recipients

The entitlement of the remaining policyholders and the remaining pension recipients is always collective.

b) Departing pension recipients

The entitlement of pension recipients to the non-committed funds or the deficit is in any case collective. No individual allocation is required, even if the pension recipients leave the Foundation.

c) Individual departing policyholders

In principle, the entitlement of individual departing policyholders to the non-committed funds and the deficit is provided individually.

The individually determined share of the deficit is deducted from the vested benefits. However, the minimum retirement savings according to Article 15 of the OPA are transferred to the policyholders in any case. If the termination benefit has already been paid out, the Foundation may request the employee to reimburse the excess vested benefits paid.

An individual departure is deemed to be any departure that is not considered a collective departure within the meaning of these regulations.

d) Collective departing policyholders

Collective departures occur:

- if an affiliation agreement is terminated and all policyholders of an affiliated company switch to another pension institution;
- if at least 10 employees have the same new employer due to a restructuring caused by the employer or a significant reduction in the workforce and subsequently transfer to the same new pension institution as a group.

In the case of a collective entitlement, non-committed funds and a deficit are provided collectively. There is no collective entitlement to provisions and fluctuation reserves if the partial or full liquidation was caused by the group departing collectively.

19. Collective entitlement to provisions and reserves

In the event of a collective departure, there is a collective proportionate entitlement to the provisions and fluctuation reserves in addition to the entitlement to the non-committed funds and the deficit.

When calculating this entitlement, the contribution made by the departing collective to the formation of provisions and fluctuation reserves must be given appropriate consideration.

However, an entitlement to provisions exists only insofar as actuarial risks are also transferred.

20. Payment formalities

In the event of changes to assets and liabilities of more than 5% between the reference date for partial liquidation and the transfer of the funds, the non-committed funds to be transferred or the deficit, provisions and fluctuation reserves must be adjusted accordingly.

The payment of the individual entitlements is governed by Articles 3 to 5 or 25f of the Swiss Vested Benefits Act.

21. Costs

The costs are based on the Fees and Charges Policy valid as of the effective date.

22. Provision of information to beneficiaries

The pension fund commission informs the beneficiaries of the partial liquidation at the level of the pension fund, compartment and Foundation in a timely and comprehensive manner. It shall allow the beneficiaries to inspect the distribution plan.

Beneficiaries shall be notified in writing about the distribution plans. Following the announcement of the distribution plan, the Board of Trustees shall grant the beneficiaries a deadline of 30 days to object. The objection period begins once the beneficiary has received the information directly. In addition to direct information, the Board of Trustees may publish the information publicly in the Official Cantonal Gazette or in the Swiss Official Gazette of Commerce.

Beneficiaries may object to the requirements, the procedure, the collective allocation of funds, the effective date of partial liquidation, the reference date for partial liquidation and the distribution plan within a 30-day period.

If objections are made, the Board of Trustees must deal with these and respond in writing after hearing the objections. Should the objections be approved, the procedure or distribution plan shall be adjusted accordingly.

If no objection is received or if the objection(s) can be resolved by mutual agreement, the Board of Trustees shall execute the distribution plan on the condition that it has received written confirmation from the supervisory authority that it has received no complaints within the 30-day period.

If no agreement can be reached between those objecting and the Board of Trustees as a result of an objection, the objecting parties may lodge a complaint against the decision of the Board of Trustees with the supervisory authority. The supervisory authority shall review and subsequently decide on the condition, the procedure, the distribution plan and the complaint.

An appeal may be filed against the decision of the supervisory authority within a period of 30 days in accordance with Article 74 of the OPA.

23. Interest rate

The funds to be paid to the departing employees shall be subject to the OPA interest rate after the expiry of the unused objection period, upon resolution of the objections or from the legal effect of the decision of the supervisory authority or from the legal effect of a court decision up until the payment date. However, such interest shall be applied no earlier than the 31st day after all of the information required for the transfer was made available (or the amounts have been known and communicated respectively).

The interest rate corresponds to the interest rate for "non-committed funds" accounts.

VI. Concluding provisions**24. Omissions in the regulations**

The cases not explicitly covered by these regulations shall be resolved mutatis mutandis in accordance with the provisions of these regulations and Article 53d (1) of the OPA.

25. Amendments to these regulations

The Board of Trustees is permitted to amend these Partial Liquidation Regulations at any time. Amendments must be approved by the supervisory authority.

26. Entry into force

These regulations on partial liquidation were approved by the Board of Trustees on 13 May 2024; they enter into force retroactively on 1 January 2024 with the approval of the supervisory authority and replace the regulations effective from 15 November 2018.

Tellico pk
Board of Trustees

In case of differing interpretations, the German text is authoritative.

A. Annex A “Partial liquidation status”

On the basis of the commercial and technical balance sheet, the auditor’s report on the applicable regulatory basis and the investment strategy, the partial liquidation status (non-committed funds or deficit) on the reference date for partial liquidation is determined as follows:

Assets valued in accordance with Swiss GAAP FER 26

- reduced by the pension capital of policyholders and pension recipients
- reduced by the actuarial provisions
- reduced by further provisions due to the partial liquidation ¹
- reduced by the non-technical provisions
- reduced by the fluctuation reserve
- reduced by the reserves of employer’s contributions without renunciation of use
- reduced by transitory liabilities (creditors and debt)

results in the non-committed funds/deficit applicable to the partial liquidation.

B. Annex B “Distribution plan”

The following distribution plan applies to the individual allocation of the non-committed funds or the deficit.

The allocation of the non-committed funds or the deficit is proportional to the adjusted termination benefits.

The termination benefits are adjusted such that they are reduced by

- the deposited vested benefits from previous employment relationships;
- buy-ins;
- contributions from the division of pension rights;
- buy-ins following a divorce;
- repayments of funds withdrawn for the promotion of home ownership,

if the corresponding credits have been made in the last 24 months prior to the reference date for partial liquidation.

The termination benefits shall also be adjusted such that they are increased by

- funds paid out for the promotion of home ownership;
- vested benefits paid out pursuant to a decree of divorce,

if the corresponding charges have been made in the last 24 months prior to the reference date for partial liquidation.

If the individual share calculated under a distribution plan is less than CHF 200, it will be reduced to CHF 0.

If the distribution plan leads to an unequal distribution under the law, the Board of Trustees shall determine, in agreement with the pension fund commission and within the framework of the statutory and supervisory provisions, an additional distribution criterion and a corresponding weighting of the criteria in order to achieve an equal distribution under the law.

¹ Further reserves are only permitted if they are mandatory due to the partial liquidation and their necessity and scope are conclusively justified by the pension actuary.