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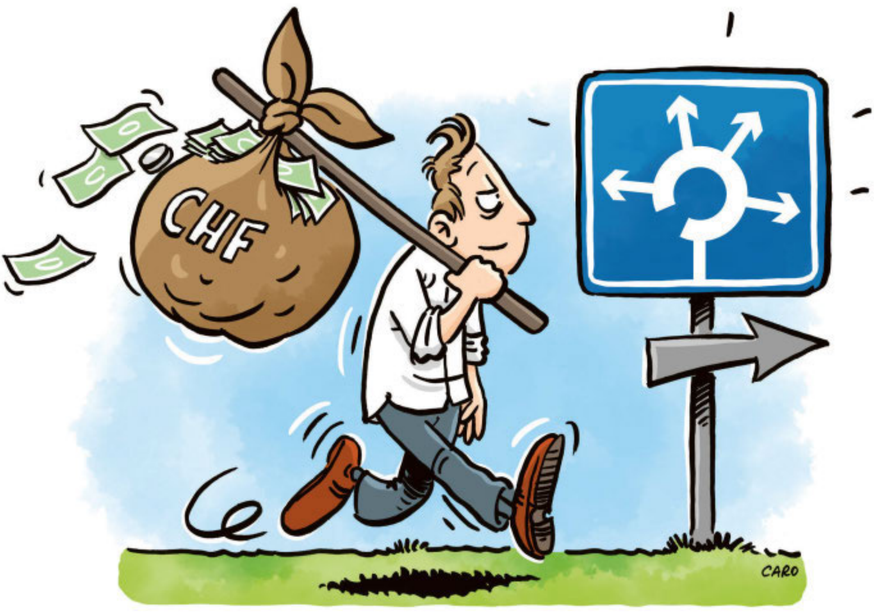
Occupational benefit plans (2nd pillar)

Vested benefits: don't forget your retirement assets!



In this brochure, I find all the important information about vested benefits.

Who is this brochure for?

I have to attend to my vested benefits when one of the following situations arises:

1. I change job.
2. I take up employment again after not working for a certain period.
3. I want to top up my retirement assets.
4. I reduce my degree of employment or stop working, but have not yet retired.
5. I become unemployed.
6. I would like to use my vested benefits before retirement.
7. I get divorced.
8. I start to receive an invalidity pension.
9. I reach retirement age.
10. What happens when I die?

The key terms are explained in the glossary at the end of this brochure.

Introduction

What are vested benefits?

If you are subject to occupational benefit plans (2nd pillar), you save up retirement assets. These consist of the contributions you and your employer pay in for your retirement plus accrued interest. This capital is entrusted to a pension fund, which invests and manages it. When you leave the pension fund before an insured event occurs, the pension fund has to provide you with a statement showing the amount it owes you; this amount is referred to as your vested benefits (or departure benefit). To insure continuation of the benefit plan, it must be transferred to the pension fund of your new employer. If that is not possible, it is transferred to a vested-benefits institution of your choice.

In the latter case, you can choose whether to have your vested benefits transferred to a blocked vested-benefits account with a bank or with an independent vested-benefits institution (not affiliated with any bank). Alternatively, you can take out a blocked vested-benefits policy with an insurance company and have your vested benefits transferred there. The assets in a vested-benefits account or policy earn interest. It is up to you to decide between the options available in the market and to inform your former pension fund of your choice as soon as possible. Your former pension fund or employer cannot prescribe any particular vested-benefits institution.

Attending to your vested benefits is important.

It is important that you attend to your vested benefits and ensure that they are properly transferred, whether to the pension fund of your new employer or to a vested-benefits institution. The new pension fund or the vested-benefits institution will provide you with confirmation that your vested benefits have been received.

This brochure outlines your rights and obligations, and whom to contact should you have any questions.

Answers to your questions

How do I know if I was or am insured under the 2nd pillar?
To be sure, you can check your payslips to see whether contributions were deducted for an occupational benefit plan. Apart from that, your pension fund should send you an insurance certificate once a year, showing the amount you have saved and the benefits you are likely to receive in the future.

Keep your insurance certificates safe.

If you would like information on vested benefits for earlier periods and can no longer contact your former employer or its pension fund, you can consult the 2nd Pillar Central Office (address at the end of this brochure). They will look into the matter on your behalf.
To avoid having to clarify your vested benefits, please retain all the insurance certificates you receive.

Do I have vested benefits and where are they?
If you think you may have vested benefits but don't know for sure where they are, please contact the 2nd Pillar Central Office (address at the end of this brochure). They will look into the matter on your behalf.
To prevent losing touch with your vested-benefits institution, make sure you notify it every time your address changes, especially if you move abroad.

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This brochure provides a general overview. Specific cases can only be assessed on the basis of the applicable legal provisions together with pension fund regulations and contractual provisions.

What happens …

1 if I change job?

If you are insured under the 2nd pillar and you change employer, you remain in principle subject to compulsory insurance and your vested benefits have to be transferred to the pension fund of your new employer. This transfer is prescribed by law. Your former pension fund is obliged to ask you for the contact details of your new pension fund. Otherwise it is up to you to ask your new employer for the address of its pension fund and to pass that on to your former pension fund so that the latter can transfer your vested benefits.

Check the statement from your new pension fund.

If your former pension fund does not receive any details of your new employer's pension fund, it must transfer your vested benefits to the Substitute Occupational Benefit Institution.

Check whether the amount of vested benefits given in the statement from your former pension fund matches the amount shown in the insurance certificate of your new pension fund.

It is possible that your new pension fund cannot accept the entire amount as the benefits it provides are lower than those offered by your old fund. In this case, the surplus vested benefits must be transferred to a vested-benefits institution.

2 if I take up employment again after not working for a certain period?

If you are unemployed between jobs, your vested benefits are deposited with a vested-benefits institution and have to be transferred to the pension fund of your new employer. Your new employer will send you a questionnaire, which you have to complete in full.

3 if I want to top up my retirement assets?

It is possible that the vested benefits transferred are not enough to claim all the regulatory benefits of the new pension fund. In that case, the new pension fund must allow you to top up your retirement assets by means of one or more transfers of funds. This is described as purchasing contributions, and such purchases enable you to fill in gaps in your occupational benefits.

Purchases are entirely voluntary and generally deductible from taxable income.

4 if I stop working or reduce my degree of employment, but am not yet retired?

If you stop working, or if your new annual income is less than the entry threshold, you must have your vested benefits transferred to a vested-benefits institution.

It is your duty to arrange for your vested benefits to be transferred to a vested-benefits institution and to notify your former pension fund of your decision. If you do not inform your pension fund, the latter will transfer your vested benefits to the Substitute Occupational Benefit Institution (address at the end of this brochure) after a period of six months, but at the latest within two years.

You are responsible for arranging the transfer.

You are free to change your vested-benefits institution, e.g. if you ascertain that another institution offers better interest rates.

If you want to continue to be insured on a voluntary basis, you can insure yourself either with the Substitute Occupational Benefit Institution or with your former pension fund, provided the latter's regulations allow you to do so and you are insured in the Swiss basic pension insurance (AVS). However, you must make this decision immediately after leaving the pension fund and this opportunity is limited in time (about 2 years).

5 if I become unemployed?

While you are unemployed, your vested benefits must be deposited with a vested-benefits institution. As long as you are drawing unemployment benefits and receiving a daily allowance of more than 82.60 francs (2021), you are compulsorily insured under the occupational benefit plan against the risks of death and invalidity with the Substitute Occupational Benefit Institution, though you no longer accumulate savings for your retirement. If you are unemployed, you will receive an invalidity and survivors' pension not an occupational pension. The invalidity and survivors' pension will no longer be paid out once you reach retirement age. Half of the contributions for this insurance is deducted from your unemployment allowance, while the other half is paid for by the unemployment insurance. If you still have vested benefits when you reach retirement age, you can ask to have them paid out. Your point of contact here is, again, your Substitute Occupational Benefit Institution. If you also want to continue saving for retirement while you are unemployed, you can be insured on a voluntary basis, either with the Substitute Occupational Benefit Institution or with your former pension fund, provided this is possible under the latter's regulations. A condition of voluntary continuation is that you are insured in the Swiss AVS. However, you must make this decision immediately after leaving the pension fund.

If you have been made redundant and you are at least 58 years old when your employment contract is terminated, you have the option of continuing to pay into your occupational benefit plan on a voluntary basis. If you are unable to find a new job and therefore do not join a new pension fund, you can remain insured with your former pension fund until you reach retirement age. This means that you can choose to continue to pay in savings contributions as you did when you were employed, and you will be entitled to an old-age pension when you retire. Your former pension fund will provide you with more detailed information about continued coverage. Please note that this option is only available to individuals whose employment contract was terminated on 1 August 2020 or later. Regardless of the decision you make with regard to continued occupational benefit plan coverage, you must continue to pay contributions to the Swiss AHV scheme.

6 if I wish to have my vested benefits paid out before reaching retirement age?

As a general rule, you cannot have your vested benefits paid out before you reach retirement age or if you are awarded a full invalidity pension. In exceptional circumstances, however, vested benefits may be withdrawn before retirement.

All withdrawals require the signature of your spouse or registered same-sex partner. You must also submit official proof (e.g. purchase contract for residential property, confirmation from the residents' registration authorities in case of departure from Switzerland, proof that you are self-employed) in order to have your retirement assets paid out. Withdrawals are subject to tax, which is why they must be mentioned in your tax return.

More detailed information can be obtained directly from your pension fund or vested-benefits institution, or from your cantonal tax authorities. Vested benefits may be paid out, in full or in part, prior to retirement in the following cases:

a) If I want to finance residential property

Up until the age of 50 you can withdraw all or part of your vested benefits to finance residential property, provided the property in question is your main place of residence and you can present a purchase contract. If you are over 50, you can withdraw only part of your vested benefits. Important note: Withdrawals diminish your 2nd-pillar assets, leading to a partial or total loss of benefits, particularly at retirement age, but generally also in cases of invalidity or death.

b) If I leave Switzerland permanently

On request, your vested benefits can be paid out if you leave Switzerland permanently and can provide proof thereof (confirmation from the residents' registration authorities, etc.).

If you emigrate to an EU or EFTA Member State and are insured in its old-age, survivors and invalidity insurance scheme, you can withdraw only the part of your vested benefits that exceeds the statutory minimum. This "LPP minimum" amount must remain in your vested-benefits account or vested-benefits policy in Switzerland until you retire or become an invalid. Your pension fund can tell you the exact amount of your LPP minimum. It is also shown on the insurance certificate you receive each year from your pension fund.

c) If I become self-employed

You can withdraw your vested benefits if you are no longer subject to compulsory occupational benefit plans and take up self-employment in Switzerland, provided you can furnish proof that you are self-employed. When you leave your former employer's pension fund, you must decide whether you want to withdraw all or part of your vested benefits. This is the only time that you can split your vested benefits between two vested-benefits institutions. When you make a withdrawal, the entire account is always closed. Important note: Withdrawals diminish your 2nd-pillar assets, leading to a partial or total loss of benefits at retirement age, but generally also in cases of invalidity or death.

d) If my vested benefits are low

If your vested benefits are lower than the annual sum of your own contributions, you can apply to have them paid out. To find out whether you meet this condition, contact your pension fund before the latter transfers your money to a vested-benefits institution.

What happens with my vested benefits:

7 if I get divorced?

If you get divorced or your registered same-sex partnership is dissolved, each spouse or partner is entitled – regardless of the marital property regime – to half of the 2nd pillar retirement assets and half of the vested benefits the other spouse or partner earned during the period of the marriage or registered same-sex partnership.

a) What happens to my vested benefits?

Regardless of the marital property regime, you owe your ex-spouse/ex-partner half of the vested benefits you earned during the period of the marriage or registered same-sex partnership. Once the divorce settlement has taken effect, your vested-benefits institution will transfer the portion owed to your ex-spouse/ex-partner to his/her pension fund or to his/her vested-benefits institution.

b) What happens to the vested benefits of my ex-spouse/ex-partner?

You are entitled to half the vested benefits your ex-spouse/ex-partner earned during the period of the marriage or registered same-sex partnership. Therefore, the pension fund/vested-benefits institution of your ex-spouse/ex-partner must also transfer half of his/her vested benefits to your pension fund. If you are not insured with a pension fund, the money must be transferred to a vested-benefits institution of your choice.

8 if I start to receive an invalidity pension?

If you are awarded a full invalidity pension by the Federal Invalidity Insurance Scheme (AI), you can apply to have your vested-benefits institution pay out your vested-benefit assets. Some vested-benefits institutions also make it possible for invalidity pensions to be provided until retirement age. If you were insured in a pension fund when you became sick or had your accident, it makes sense to wait before withdrawing your vested benefits. Perhaps, in addition to your AI pension, you are entitled to an invalidity pension under the occupational benefit plan of your former pension fund. To receive such a pension, you would first have to transfer your vested benefits back to your pension fund.

9 once I reach retirement age?

You are entitled to retirement benefits. These benefits can be paid out up to five years prior to retirement age and up to five years thereafter. The funds are usually paid as a lump-sum benefit.

10 if I die?

The beneficiaries of your assets are determined by law. As a general rule, they are your surviving spouse (or registered same-sex partner) and your children. The vested benefits are generally paid to the beneficiaries in the form of a lump-sum benefit. If it is clear in advance that you will have no surviving spouse (or registered same-sex partner) and no children who are still minors when you die, we recommend you talk to your vested-benefits institution to find out whether you can define another recipient, which recipients you can define and what you have to do.

The beneficiaries are determined by law.

Depending on your contract or on the regulations of your specific vested-benefits institution, it may be possible to have the assets paid out in the form of a pension.

Glossary

Retirement assets

An insured person's accrued assets for the purpose of financing their retirement. Retirement assets comprise:

- ▶ vested benefits, plus interest
- ▶ old-age credits, plus interest
- ▶ contributions repurchased, plus interest

LPP / LPP minimum

Federal Law on Old Age, Survivors and Disability insurance. The LPP sets out who is subject to the compulsory cover of occupational pension insurance and defines the benefits the pension funds must provide at a minimum. Pension funds are free to decide on elements that go beyond the LPP minimum that is defined by law.

Vested-benefits institution

The purpose of vested-benefit institutions is to insure continuation of the benefit plan. When an insured person leaves a pension fund and does not join another one, their departure benefit must be transferred to a vested-benefit institution in accordance with the Federal Law on Vested Benefits in Occupational Benefit Plans (LFLP).

Vested benefits (departure benefit)

The amount transferred when an insured person leaves a pension fund. Vested benefits are composed of:

- ▶ employer and employee contributions
- ▶ purchases and other investments

plus accrued interest. Vested benefits must be transferred to the new pension fund in the form of an entry benefit.

Pension fund

Every employer is obliged either to have its own pension fund or to join an existing one (collective or joint institution).

Substitute Occupational Benefit Institution (Stiftung Auffangeinrichtung BVG)

Employers are obliged to join a pension fund. If they fail to do so, they are automatically enrolled in the Substitute Occupational Benefit Institution. This enables compulsory occupational benefit plans to be enforced. In addition, the Substitute Occupational Benefit Institution insures those employees and self-employed persons that are not covered by compulsory 2nd-pillar insurance but want to insure themselves on a voluntary basis. The departure benefits of persons who leave a pension fund and do not advise the latter of a new pension fund or vested-benefits institution to which their departure benefits are to be transferred are transferred to the National Substitute Pension Plan Foundation.

Useful information

Who can I consult if I have questions?
If you have questions concerning the 2nd pillar, you should first consult your employer, your pension fund or your vested-benefit institution.

Other useful points of contact are:

2nd Pillar Central Office (Zentralstelle 2. Säule)
LOB Guarantee Fund
Eigerplatz 2, P.O Box 1023
3000 Berne 14
Phone: +41 (0)31 380 79 75
E-mail: info@zentralstelle.ch
Website: www.sfbvg.ch

Vested-benefit foundation for the whole of Switzerland (all languages)

Substitute Occupational Benefit Institution (Stiftung Auffangeinrichtung BVG)
Freizügigkeitskonten
Postfach
8050 Zürich
Phone: +41 (0)41 799 75 75
E-mail: sekretariat@aeis.ch
Website: www.aeis.ch

For German-speaking Switzerland

Stiftung Auffangeinrichtung BVG
Zweigstelle Deutschschweiz
Postfach
8050 Zürich
Phone: +41 (0)41 799 75 75

This branch office is responsible for the following cantons: AG, AI, AR, BL, BS, GL, LU, NW, OW, SG, SH, SO, SZ, TG, UR, ZG, ZH.
BE, GR, FR, VS (German-speaking parts of the cantons)

For French-speaking Switzerland

Fondation institution supplétive LPP
Agence régionale de la Suisse romande
Case postale 660
1006 Lausanne
Phone: +41 (0)21 340 63 33

This branch office is responsible for the following cantons: GE, JU, NE, VD.
BE, FR, VS (French-speaking parts of the cantons)

For Italian-speaking Switzerland

Fondazione istituto collettore LPP
Agenzia regionale della Svizzera italiana
Casella postale
6501 Bellinzona
Tel.: +41 (0)91 610 24 24

This branch office is responsible for the following cantons: TI.
GR (Italian-speaking part of the canton)

Information and advice for insured persons

Verein BVG-Auskünfte
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