



How to close gaps in
your retirement cover

The Voluntary Purchase in the Occupational Benefit Scheme



Swisscanto

Stiftungen/Fondations/Fondazioni

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How to close gaps in your retirement cover

When does the voluntary purchase of pension fund benefits make sense?

By making a voluntary purchase you can bridge the gap in your retirement cover and – depending on your benefit plan – even in your risk benefits. For example, gaps occur through salary increases or missing contribution years (e.g. in the case of stays abroad, an interruption in gainful employment, pregnancy or joining the employee benefits institution after the age of 25). The pension fund regulations of the Swisscanto collective foundation provide as a standard feature the ability to close pension gaps. The way in which curtailments to retirement pensions can be reduced in the event of early retirement is described in the information sheet «Early Retirement».

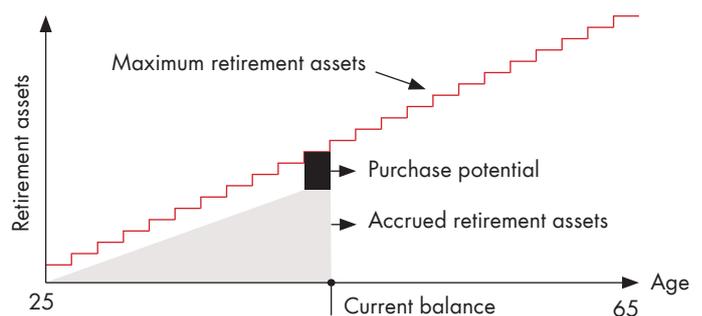
What makes the purchase of pension fund benefits worthwhile?

- With a purchase you can improve your retirement benefits and – depending on your benefit plan – also your risk benefits, and your benefit coverage in general will improve. Your risk premium might also change as a result of the benefit changes.
- A purchase can have very positive tax implications. In principle, if it is made using personal assets, it can be deducted from your taxable income. This means that your taxable income is reduced.

The insured person is responsible for requesting tax relief for any purchases of additional benefits. The decision regarding allowable tax deductions rests with the relevant tax authority. The employee benefits institution cannot assume any responsibility in this regard.

How is the amount of the purchase sum determined?

The accrued retirement assets can be supplemented by voluntary purchases up to the maximum retirement cover possible, subject to statutory and regulatory provisions. You will find a table with the maximum possible retirement cover and the corresponding purchase provisions in the pension fund regulations.



The regulations of Swisscanto Collective Foundation also make provision for additional contributions to bridge the gap in retirement cover caused by early retirement fully or partially.

What legal restrictions must be taken into consideration?

Additional purchases are possible until you have accrued the normal benefits in conformance with the regulations, insofar as an option for this is provided in the pension fund regulations. In addition, the following limitations apply:

- Voluntary purchases may be made only if advance withdrawals for residential property have been repaid in full. This restriction applies only if three or more years remain until ordinary retirement. Controlling are all advance withdrawals under the 2nd pillar that have not yet been repaid, irrespective of whether these were obtained from one or more employee benefit institutions. This does not relate to advance withdrawals from pillar 3a (private pension plans).

- Balances with institutions in the 2nd pillar (vested benefit policies and accounts) need to be deducted from the purchase sum and thus reported. Each vesting institution provides information about the precise amount.
- Persons that are or were self-employed must in addition report balances under pillar 3a. Each institution provides information about the precise amounts. These are deducted if they exceed the exempt amount stipulated by the legislature.
- For individuals who moved from abroad after 1 January 2006 and are insured for the first time by a Swiss employee benefit institution (2nd pillar), the annual purchase sum during the first five years after joining a Swiss employee benefit institution is limited to 20% of the insured annual salary.
- Retirement benefits that are currently being drawn or were drawn earlier must be taken into account in determining the purchase sum. The certification about termination benefits helps to correctly ascertain the purchase sum at the time of early retirement/partial retirement.
- In the case of tax-privileged purchases, a three-year capital payment prohibition applies. After a purchase, benefits may not be drawn in capital form for the next three years. This relates to retirement benefits, advance withdrawals for residential property, and cash disbursements upon termination of employment.

These limitations do not apply if the purchase is actually a repurchase following the transfer of assets to a spouse due to divorce.

If purchases were made to compensate for the reduction in benefits in the event of early retirement (purchases according to Section 1b BVV2), the following additional restriction must be observed:

- The potential for the purchase of full regulatory benefits (purchases according to Section 79b LOB/BVG) must be exhausted.
- If early retirement does not take place at the anticipated date, Swisscanto is obligated to reduce benefits, should the benefit target pursuant to the regulations be exceeded by more than 5 %.

Before making a purchase you must send us an application to buy into the pension fund. You will find the applicable form on the internet at:

www.swisscanto-foundations.ch ▶ Downloads ▶ Forms ▶ Application to buy into pension fund.

For purchases to compensate the reduction of benefits in the event of early retirement we require an additional form. You will find it on the internet at:

www.swisscanto-foundations.ch ▶ Downloads ▶ Forms ▶ Purchase for early retirement.

For more information please refer to your Cantonal Bank or Swisscanto Collective Foundation.

Swisscanto Collective Foundation of the Cantonal Banks
St. Alban-Anlage 26, P.O. Box 3855, 4002 Basle
Telephone 058 280 26 66
Fax 058 280 29 77

More information at

www.swisscanto-foundations.ch

