



Background information on
the Federal Vesting Law

Vested benefits in occupational benefit schemes



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Background information on the Federal Law on Vesting in Occupational Old-Age, Survivors' and Disability Benefit Plans

The law

Enacted on 1 January 1995, the Federal Law on Vesting in Occupational Old-Age, Survivors' and Disability Benefit Plans (vesting law) introduced significant improvements compared to previous regulations governing vesting.

While the full vesting option always applied in the area of mandatory occupational benefit schemes (LOB), this has also been enshrined for the extra-mandatory area by the vesting law.

Defined contribution plan and defined benefit plan funds

Pension funds in Switzerland work according to two different systems, which have evolved over time. The method for calculating vested benefits depends on whether a person is insured in a defined contribution plan or defined benefit plan fund.

- Defined contribution plan fund: In this case, the defined and paid contributions form the basis for calculating the benefits. As a customer of the Swisscanto Collective Foundation, you are insured in a defined contribution plan.
- Defined benefit plan fund: In this case, the retirement benefits are defined at a certain level (for example, as a percentage of the insured salary). The contributions necessary to finance these benefits are then determined on this basis.

Calculation of vested benefits

- Defined contribution plans: The vested benefits correspond to the savings capital. In this way, the insured persons receive their own contributions, those of the employer as well as the accrued interest in the event of a change of employment.
- Defined benefit plans: The calculation of the vested benefits in the case of defined benefit plans is more difficult; it is merely mentioned here for the sake of completeness: According to the vesting law, the vested benefits correspond to the cash value of the accumulated benefits. The entitlements are acquired on a pro rata temporis basis; i.e. ratio between the creditable and the maximum possible duration of the insurance.

Transfer in the event of a change of employment

In the event of a change of employment and a corresponding change in the employee benefit institution, the entire vested benefits must be transferred to the new employee benefit institution.

If the insured person does not join a new employee benefit institution, the benefit coverage must be maintained in the form of a vested benefits policy or in a vested benefits account. If the employee benefit institution is not notified accordingly, it must transfer the vested benefits including interest – at the earliest six months, at the latest two years after the change in employment – to the substitute scheme, which opens a vested benefits account for the insured person.

The insured person remains covered by the existing employee benefit institution for death and disability risks for one month after termination of benefit arrangement. If a new benefit arrangement is established in advance, the new employee benefit institution is responsible.

Right to inspection

The new employee benefit institution has the right to inspect the termination statement and to demand the outstanding vested benefits of an insured person from the former employee benefit institution.

Cash payment

The possibilities for the cash payment of the vested benefits have been limited in the vesting law: Cash payment is no longer possible for married women who leave employment. However, final departure from Switzerland or the commencement of self-employment still constitute grounds for cash payment, as is also the case when insignificant amounts are concerned: A vested benefit of less than an annual contribution of the insured person is regarded as insignificant. The husband/wife must in any case agree to a cash payment in writing.

The Agreement on the Free Movement of Persons (APF) between Switzerland and the EU entered into force on 1 June 2002. The agreement prohibits any refund of contributions to insured persons who leave the mandatory insurance of a member state and are subject to the mandatory insurance of another member state.

Divorce

In the case of divorce, the termination benefits to be determined for the duration of the marriage are shared. If the spouses are entitled to reciprocal claims, only the difference is shared. The spouse whose benefit coverage is reduced by the transfer has the possibility to retroactively restore the benefit coverage to the original level.

Health proviso

As before, no health proviso can be applied in the mandatory insurance area. In the extra-mandatory area, however, health restrictions are still permissible, but must be limited to a maximum of five years. The contributed vested benefits must be credited unconditionally, whereby existing health provisos may be transferred.

Right to information

The right of the insured persons to information includes the following points:

- In the event of termination of employment, the employee benefit institution must prepare a termination statement. It must provide information about the calculation of the termination benefit, the statutory minimum amount (if necessary) and the amount of the LOB retirement savings.
- The employee benefit institution must inform the departing person about all statutory and regulatory possibilities for preserving benefit coverage.
- The insured person must be informed at least every three years, on request at any time, of the amount of the regulatory vested benefits and the LOB retirement savings.
- If the insured person marries, the employee benefit institution must notify them of their termination benefits at this point in time.

This summary only addresses the most important issues arising in connection with the vesting law. Please do not hesitate to contact your local cantonal bank or the Swisscanto Collective Foundation for further information.

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