



ZURICH[®]

Encouragement of home ownership using funds from occupational pension plans

This document outlines the main points associated with the encouragement of home ownership using funds from occupational pension plans.

In all cases, the regulation provisions and the provisions of the BVG on the encouragement of home ownership, as well as the associated ordinance, shall apply.

Which funds can be used to acquire residential property?

Up to three years before regulation retirement age, an insured person can use funds

- from the obligatory occupational pension plan
- from the non-obligatory and voluntary occupational pension plan
- from vested benefits policies and vested benefits accounts

to purchase residential property, provided that no insured event (disability, retirement) has already occurred.

In what form can these funds be used?

The funds can be used in the form of

- an advance on termination benefits, or
- a pledge of the termination benefits and/or pension benefits.

What can funds from the occupational pension plan be used for?

Funds from the occupational pension plan can be used to purchase residential property for the insured person's own use as follows:

- The acquisition and construction of residential property (sole ownership, co-ownership such as condominiums, joint ownership with a spouse, independent and permanent ground lease).
- Amortization of mortgages on a contractual and voluntary basis. Payment of mortgage loan interest is not permitted.
- The acquisition of shares in a cooperative housing association or shares in a tenants' joint stock company. The regulations of the cooperative housing association must provide that the pension funds paid to acquire the shares will be transferred when withdrawing from the cooperative either to another house building cooperative or to another organization responsible for housing construction, where a residence is used by the insured person himself/herself, or to an occupational pension institution. Shares and similar documents are to be deposited with the pension plan until repayment or until occurrence of the insured event or cash payment of the termination benefits.

Permitted properties are apartments and single-family homes.

Occupational pension benefits may not be used to acquire vacant plots of land or to finance the ordinary upkeep of residential property.

What does 'for your own use' mean?

'For your own use' means that the residential property must be used by the insured person himself/herself as his/her domicile or regular place of residence (within and outside Switzerland).

If the insured person proves that this use is temporarily impossible, due to a temporary move away with the family for occupational or health reasons, for example, it is permissible to rent out the residence during this time.

Occupational pension benefits may only be used for one property at a time. They may not be used to finance vacation homes or second homes.

What conditions apply to drawing an advance?

What is the minimum or maximum amount that can be drawn as an advance?

The minimum amount of an advance is CHF 20,000. An advance may be made every five years.

If shares in cooperative housing associations or similar holdings are acquired, or if vested benefit policies and savings in a vested benefits account are used, this minimum amount does not apply.

Until the age of 50, the insured person may draw an advance in the maximum amount of his/her current termination benefits.

If the insured person is over the age of 50, the maximum amount which may be drawn as an advance is the amount of his/her termination benefits at the age of 50 or half the termination benefits at the time of the advance. The higher of these two amounts may be drawn; advances and repayments after the age of 50 are taken into account in this calculation.

If an insured person makes an early withdrawal, this amount will first be taken from the non-obligatory retirement savings – and, if available, initially from the additional savings plan.

When and to whom does the Foundation have to pay the advance?

The Foundation pays the advance at the latest six months after the insured person has submitted all documents to assert his/her claim and has paid the costs. During the time the plan is underfunded, the Foundation may reduce the amount of or restrict the duration of or even completely refuse to accept pledges and early withdrawals for the repayment of mortgage loans.

Payment is made directly to the seller, builder, lender, house building cooperative, etc., with the agreement of the insured person. The advance cannot be paid to the insured person.

How do you ensure that the advance is used in accordance with the purposes of the pension plan?

To ensure that the purposes of the pension plan are met, a restriction on the sale of the property is noted in the land register. This stipulates that the insured person must repay the advance to the Foundation if the residential property is

sold. The Foundation notifies the Land Registry when the advance is paid out.

What consequences does an advance have for pension benefits?

The pension benefits on retirement are reduced in accordance with the technical principles of the pension plan. Death and disability benefits are reduced if these are dependent on projected retirement savings.

The insured person can take out supplementary insurance to compensate for any gaps in disability and death coverage.

The costs of any such insurance are borne by the insured person.

When can and when must the advance be repaid to the pension plan?

The insured person may voluntarily repay the advance at any time, however at the latest three years before regulation retirement age, until the occurrence of an insured event or until cash payment of the termination benefits.

The minimum amount of a repayment is CHF 20,000. If the outstanding advance is less than this, repayment is to be made in one amount.

For legal reasons, the advance must be repaid by the insured person or his/her heirs if

- the residential property is sold;
- rights to this residential property are conceded which are equivalent to a sale from an economic perspective;
- no pension benefits are due upon the death of the insured person.

On the sale of the residential property, the repayment obligation is restricted to the proceeds. The proceeds are the sale price less the debts safeguarded by

mortgage and the charges imposed by law on the seller.

If an insured person repays an early withdrawal, this amount will be allocated to the mandatory retirement savings if the insured person proves that the funds came from the mandatory retirement savings. The remaining amount will be allocated to the non-obligatory retirement savings.

How are taxes paid on the advance?

The amount drawn as an advance must be taxed as a capital benefit from the pension plan at the time when the amount is drawn. As a rule, this amount is taxed separately from other income in accordance with the applicable legal regulations.

How much tax will be reimbursed when repaying the advance?

In the event of partial or complete repayment of the advance, the insured person may request in writing from the relevant cantonal authorities that the tax paid at the time when the advance was drawn, excluding interest, should be reimbursed. The right to reimbursement of tax paid lapses after the expiry of three years after repayment of the advance.

The Foundation provides a certificate of repayment of the advance on the Federal Tax Administration forms.

What conditions apply to early withdrawals in the context of additional purchases?

Benefits which become due as a result of additional purchases may not be withdrawn as early withdrawals within the next three years.

If the insured person made early withdrawals for the purpose of financing his/her own home, he/she may make

purchases only after repaying the withdrawals. These restrictions do not apply to purchases made within the last three years prior to regulatory retirement.

What conditions apply to pledging?

What are the consequences of pledging?

The insured person may pledge his/her entitlements to pension benefits on retirement, disability or death or an amount up to his/her total termination benefits, for the purposes of acquiring residential property. Pension coverage is not reduced as a result of pledging, but only when a pledge is realized.

What is the maximum amount that can be pledged?

Until the age of 50, the insured person may pledge an amount up to the total of his/her current termination benefits. If the person is over the age of 50, the same rule applies as for an advance.

Entitlements to pension benefits or termination benefits can be pledged for the acquisition of residential property up to three years before regulation retirement age.

What should be observed by the pledgee?

Agreement is required from the insured person's pledgee

- for cash payment of termination benefits
- for payment of pension benefits

insofar as the pledged sum is affected.

The Foundation will notify the insured person's pledgee if the insured person changes pension plans.

What are the consequences of realizing a pledge?

There is a difference between realization of a pledge of termination benefits and realization of a pledge of pension benefits.

If a pledge of termination benefits is realized, the insured person loses the pledged termination benefits. This has the same effect as with an advance. In particular, the insured person's pension benefits on retirement are reduced.

If a pledge of pension benefits is realized, the insured person loses the pledged pensions or lump-sum benefit. However, realization of this pledge is only possible once a pension benefit becomes due.

What information has to be given?

If requested in writing, the Foundation provides information to the insured person about

- the pension capital at his/her disposal for the acquisition of residential property
- the reduction in benefits associated with an advance or realization of a pledge.

How is the advance or pledge established?

The insured person submits a written request to the Foundation, giving evidence of the purpose for which the money is required and that it is for his or her own personal use. Should he or she reside outside Switzerland, the same evidence must be submitted.

The following documents may be admitted as evidence that the legal prerequisites are met:

- the relevant contractual documents when acquiring or constructing residential property or amortizing mortgage loans;
- the regulations and the rental or loan contract with the relevant house building institution when acquiring shares.

If necessary, the Foundation may request additional documents for further clarification.

If the insured person is married, written approval from the person's spouse is required for the early withdrawal or pledge.

The Foundation is entitled to request attestation of the signatures. The insured person shall bear the costs for the attestation.

What costs arise?

The Foundation provides free information to the insured person about facilitating the acquisition of residential property with funds from the occupational pension plan; it also provides information about the amount of funds at the person's disposal and about any resultant reductions in the insured person's pension benefits.

For administrative work in connection with an advance or a pledge, the following costs are currently charged to the insured person:

- for an advance: CHF 400 plus costs for annotation of the land register;
- for a pledge: CHF 200.

Requests will be carried out after receipt of the appropriate payment.

The German original of this translation is binding.