

# **Cash Payment of Pension Fund Benefits on Leaving Switzerland Permanently from June 1, 2007**

Source: Swiss Insurance Association SIA

**As part of the agreement on the freedom of movement of persons between the countries of the European Union and Switzerland, Switzerland has assumed EU law. The mandatory component of the occupational benefits insurance has thus been defined as part of the Swiss social insurance system. The most important effect of EU law on the occupational benefits insurance concerns the transfer of vested benefits when an insured leaves Switzerland permanently and moves to an EU or EFTA country.**

**From June 1, 2007, the mandatory vested benefits can no longer be paid out in cash when an insured leaves Switzerland permanently and moves to an EU or EFTA country where he/she continues to be subject to compulsory insurance coverage. The insured's obligation to join a compulsory insurance scheme for retirement, disability and survivors' benefits is governed by the law of the country in question.**

## **1. Circumstances**

Persons leaving Switzerland before June 1, 2007 are entitled to the cash payment of all their vested benefits in accordance with the old rules. The new rules are applied on the basis of the date on which the insured finally leaves Switzerland.

## **2. Persons**

The new rules apply to all persons who permanently move to an EU or EFTA country, except for Bulgaria and Romania until further notice (cf. par. 8 below). The insured's nationality is not relevant.

## **3. Benefits**

The new rules apply to that part of the vested benefits that derives from the mandatory occupational benefits insurance.

They do not affect the vested benefits that exceed the statutory minimum (extra-mandatory vested benefits). They also do not apply to retirement benefits on reaching regular retirement age or early retirement age (provided that early retirement is possible under the regulations) or to disability and death benefits.

As a specific feature of Swiss pension fund law, it remains possible to withdraw mandatory pension fund benefits in advance in order to finance owner-occupied residential property, even if the residential property should be located in the new EU or EFTA country of residence.

Also, if the vested benefits amount to less than the employee's annual contribution, the vested benefits can still be paid out in cash.

The new rules do not apply to tied personal retirement assets (Pillar 3a).

## **4. Obligation of Pension Funds to Check the Circumstances**

If a person insured with an occupational benefits institution (pension fund) leaves Switzerland permanently after May 31, 2007 and requests the cash payment of his/her vested benefits, the pension fund in question must, in addition to the other requirements for a cash payment (permanent departure from Switzerland, written consent of spouse, etc.), check whether the insured is moving to an EU or EFTA country and, if yes, if he/she will continue to be subject to mandatory insurance of retirement, disability and survivors' benefits (this refers to state insurance schemes) in the new country. The decision of the foreign country's insurance authorities on whether or not the insured is subject to mandatory insurance coverage is binding on the pension fund.

## **5. Checking the Social Insurance Obligation**

The insured is responsible for proving that he/she fulfills the requirements for a cash payment. Insured persons can contact the BVG/LPP Security Fund (P.O. Box 1023,

3000 Berne 4) to find out if they will be subject to any mandatory social insurance coverage in an EU or EFTA country.

The BVG/LPP Security Fund has concluded collaboration agreements regarding the investigation of the foreign social insurance obligation with several EU countries. If someone leaves Switzerland permanently, he/she can obtain an application form for checking the social insurance obligation from the BVG/LPP Security Fund. This form must be completed and returned to the BVG/LPP Security Fund. The personal data that is provided is then forwarded to the foreign social insurance scheme in question, which checks whether, depending on the reference date (90 days after the permanent departure from Switzerland), the person in question will be subject to mandatory social insurance coverage. At the same time the BVG/LPP Security Fund checks whether any other occupational benefits in favor of the person submitting the application have been reported to the Second Pillar Central Unit. The foreign social insurance scheme informs the BVG/LPP Security Fund of the results of its investigation, and the latter then informs the applicant as well as his/her pension fund.

If the insured will not be subject to mandatory insurance coverage by a state insurance scheme, the pension fund may pay out all vested benefits in cash. The administrative rules of the pension fund must be followed in this regard.

If the insured moves permanently to a country that has not yet concluded any collaboration agreement, he/she can request a general form for investigating the social insurance obligation in an EU or EFTA country from the BVG/LPP Security Fund. The BVG/LPP Security Fund sends the completed form to the foreign authorities in charge, which will confirm whether the insured must join a mandatory foreign pension scheme or not.

## **6. No Cash Payment**

If the insured will continue to be subject to mandatory social insurance coverage in an EU or EFTA country, the mandatory vested benefits will remain blocked in Switzerland. The insured can open a vested benefits account with the bank or take out a vested benefits policy with an insurance company. If he/she fails to inform the pension fund where to transfer the money, the vested benefits will be transferred to the BVG/LPP National Substitute Pension Plan, Vested Benefits Account Administration department. As a rule, these funds can be withdrawn in cash at the earliest five years before the insured reaches the regular retirement age (women 59, men 60).

The vested benefits cannot under any circumstances be transferred to a pension fund in an EU or EFTA country (exception: Principality of Liechtenstein, cf. par. 7 below).

## **7. Moving Permanently to the Principality of Liechtenstein**

Under the supplementary agreement between Switzerland and the Principality of Liechtenstein, vested benefits cannot be paid out in cash to insured moving to Liechtenstein. If the insured takes up employment in Liechtenstein, the vested benefits must be transferred to the new Liechtenstein pension fund. As far as the transfer of vested benefits is concerned, Switzerland and the Principality of Liechtenstein form a single economic unit.

## 8. EU and EFTA Countries

EU countries: Belgium, Denmark, Germany, Finland, France, Greece, United Kingdom, Ireland, Italy, Luxembourg, the Netherlands, Austria, Portugal, Sweden, Spain, Estonia, Latvia, Lithuania, Malta, Poland, Slovakia, Slovenia, the Czech Republic, Hungary, Cyprus (although Bulgaria and Romania joined the EU on 1.1.2007, the agreement on the freedom of movement of persons has not yet been extended to these countries, so that they are currently deemed to be third-party countries in this regard).

EFTA countries: Principality of Liechtenstein, Iceland, Norway, Switzerland

## 9. Links and Addresses

[www.verbindungsstelle.ch](http://www.verbindungsstelle.ch)

[www.soziale-sicherheit-ch-eu.ch](http://www.soziale-sicherheit-ch-eu.ch)

[www.sozialversicherungen.admin.ch](http://www.sozialversicherungen.admin.ch)

[www.europa.eu.int](http://www.europa.eu.int) (EU general)

[www.europa.eu.int/comm/employment\\_social/missoc2001/index\\_en.htm](http://www.europa.eu.int/comm/employment_social/missoc2001/index_en.htm)

BVG/LPP Security Fund  
Branch  
P.O. Box 1023  
3000 Berne 14  
Tel. +41 (0)31 380 79 71  
Fax +41 (0)31 380 79 76  
[info@verbindungsstelle.ch](mailto:info@verbindungsstelle.ch)

## **Case Studies**

### **Case Study 1**

A Spanish citizen left Switzerland permanently at the end of 2006 and moved to Madrid. All his vested benefits accrued in Switzerland (mandatory and extra-mandatory benefits) can be paid out in cash, as the new rules were not yet in force and applicable when he left Switzerland.

### **Case Study 2**

A Portuguese citizen leaves Switzerland permanently at the end of June 2007 and moves to Lisbon. He is subject to mandatory retirement, disability and survivors' insurance in Portugal. Only the extra-mandatory vested benefits accrued in Switzerland can be paid out in cash. The mandatory vested benefits must be transferred to a vested benefits account or invested in a vested benefits policy. A cash payment is only possible when he is no longer subject to mandatory state insurance coverage or has reached retirement age.

### **Case Study 3**

An Italian citizen leaves Switzerland permanently at the end of April 2007 and moves to Rome. He submits his application for cash payment of the vested benefits to the pension fund on August 15, 2007. As he left Switzerland before the new rules entered into force, all his vested benefits can be paid out in cash.

### **Case Study 4**

A Swiss citizen leaves Switzerland permanently at the end of 2007 and moves to Paris. The rules on cash payment also apply to Swiss citizens. For as long as he is subject to mandatory state insurance coverage in France, only the accrued extra-mandatory vested benefits can be paid out in cash. The mandatory BVG/LPP vested benefits must be transferred to a vested benefits account or invested in a vested benefits policy.

### **Case Study 5**

A German citizen leaves Switzerland permanently at the end of August 2007 and moves to Munich. His new employer also has a pension fund (occupational benefits). His vested benefits accrued in Switzerland cannot be transferred to the pension fund in Germany. The mandatory vested benefits must be transferred to a vested benefits account or invested in a vested benefits policy, while the extra-mandatory vested benefits can be paid out in cash.

### **Case Study 6**

An Austrian citizen permanently leaves Switzerland at the end of August 2007 and moves to Vaduz. His new employer also has a pension fund. The vested benefits from the Swiss pension fund must be transferred to the pension fund of the new employer. There is an agreement regarding the transfer of occupational benefits assets with the Principality of Liechtenstein.

### **Case Study 7**

Someone leaves Switzerland in September 2007 and moves to the EFTA country Norway where he becomes self-employed. He is not entitled to the cash payment of the vested benefits as he is obliged to join a state pension scheme in Norway. The main criterion is therefore not the fact that he is self-employed, but that he is obliged to join the foreign country's state pension scheme.

### **Case Study 8**

A person who moved to an EU/EFTA country wants to withdraw pension benefits in advance to finance the purchase of private residential property. This is still possible, as the promotion of home ownership scheme is not affected by the agreement on the free movement of persons.

### **Case Study 9**

A Canadian citizen leaves Switzerland permanently at the end of 2007 and moves to Rome. He is subject to mandatory retirement, disability and survivors' insurance in Italy. Only the extra-mandatory vested benefits accrued in Switzerland can be paid out in cash. The mandatory vested benefits must be transferred to a vested benefits account or invested in a vested benefits policy. The new rules on the cash payment of vested benefits apply regardless of the nationality of the person in question.

### **Case Study 10**

A French citizen permanently leaves Switzerland at the end of 2007 and moves to Montreal. He is subject to mandatory retirement, disability and survivors' insurance in Canada. However, as he moves to a third-party country, the total vested benefits accrued in Switzerland can be paid out in cash. The restrictions on the cash payment of vested benefits only apply if the insured moves to an EU or EFTA country.