



# Summary sheet

## Purchase of early retirement benefits

(Art. 1b Para. 2 BVV 2)

### General

Someone who takes early retirement pays into their occupational benefits insurance for a shorter period than someone who retires at the ordinary retirement age. In principle, this results in a reduction of the retirement benefits. However, this reduction can be avoided or reduced: Insured persons can make additional contributions to their occupational pension if they know they are going to take early retirement. This is known as “purchase of early retirement benefits.”

If an insured person makes such a purchase, but then fails to take early retirement as originally planned, he may have more retirement assets in his occupational benefits insurance than is permitted by law. Why? **Because the benefits target prescribed in the regulations of the occupational benefits institution (pension fund) may not be exceeded by more than 5%.** Accrued retirement assets above this limit remain with the occupational benefits fund when the pension begins. You cannot avoid this by retiring early and being reemployed by the same employer at a later time. You will find the legal basis for this on the back of this summary sheet.

### Taxes

Additional benefits that were purchased may not be withdrawn as a lump sum during the next three years pursuant to Art. 79b Para. 3 BVG. In its decision of March 12, 2010, the Federal Supreme Court held that, **for reasons relating to tax law**, not only additional benefits that are purchased, but all retirement assets are blocked from lump sum withdrawal for three years.

### Procedure

If you do purchase early retirement benefits, we will remind you in the spring before your planned early retirement of the retirement date you have chosen. **You can draw your retirement assets as of this date with no loss in retirement benefits.** If you fail to take early retirement as planned, the 105% limit pursuant to Art. 1b Para. 2 BVV2 will then be applied. This is determined as follows:

1. We calculate the maximum possible retirement assets you would accumulate until your ordinary retirement age according to the pension fund regulations – including interest and the purchase of contribution years, but excluding the purchase of early retirement benefits. Based on these retirement assets and the conversion rate, we can calculate the 100% pension at ordinary retirement age.
2. A maximum of 105% of this ordinary pension is permitted. This 105% pension is capitalized as of the planned early retirement date using the conversion rate, thereby generating the maximum retirement assets that you may accumulate according to the law.
3. The difference between the maximum permitted retirement assets and the calculation of retirement assets as of the ordinary retirement date amounts to the permitted purchase of early retirement benefits.
4. If your purchase of early retirement benefits was higher than the amount permitted, the difference is transferred to the unallocated assets of the occupational benefits fund.

The definitive values are those applicable on your chosen retirement date. These calculation principles also apply if the values (salary, employment level, etc.) change at a later date.

### Example calculation with only extra-mandatory retirement assets:

The insured – a man – wishes to retire at 62.

Maximum possible regulatory retirement assets including interest at ordinary retirement age of 65	CHF 500,000
100% pension: CHF 500,000 × 5.0% conversion rate (CR) at age 65	CHF 25,000
105% of this pension	CHF 26,250
Projected capital for a 105% pension; 4.647% CR at age 62	CHF 564,880

The maximum retirement assets that the insured may therefore accumulate amounts to CHF 564,880.

However, the following is actually available:

Regular saved retirement assets at age 62	CHF 400,000
Purchase of early retirement benefits at age 62	CHF 200,000
Total	CHF 600,000

The insured's retirement assets actually available are CHF 35,120 above the permitted amount. The difference is transferred to the unallocated assets of the occupational benefits fund.

#### Legal basis

##### Art. 1b BVV 2, "Early Retirement"

- <sup>1</sup> In its regulations, the occupational benefits institution can provide for the insured person, in addition to purchasing full regulatory benefits, to make additional purchases pursuant to Art. 9 Para. 2 of the Federal Law on Vesting in Pension Plans dated December 17, 1993<sup>3</sup> (FZG), in order to partially or fully eliminate reductions that arise in connection with advance withdrawal of retirement benefits.
- <sup>2</sup> Occupational benefits institutions that allow purchases for the purpose of early retirement under para. 1 must construct their pension plans such that, if the insured person waives the right to retire early, the regulatory benefits target is not exceeded by more than 5%.

#### Regulatory basis

Occupational benefits fund regulations for BVG Basic Pension "Contributions/Purchase of additional benefits"

- <sup>2</sup> In addition to purchasing full regulatory benefits, the insured person can also make purchases to partially or fully eliminate reductions that arise in connection with the advance withdrawal of retirement benefits. If the insured person waives the right to retire early, the maximum benefits permitted under the regulations may not be exceeded by more than 5%. Accrued retirement assets above this limit remain with the occupational benefits fund when the pension begins.