



Switzerland's bilateral agreements with the EU. Impact on occupational benefit schemes.

Background

The bilateral agreements concluded with the EU also include provisions on occupational benefit schemes. Different regulations apply for the mandatory and extra-mandatory occupational benefits insurance. The relevant provisions and their consequences are discussed below.

Mandatory occupational benefits insurance (LOB)

Relevant provisions

The Agreement on the Free Movement of Persons between Switzerland and the EU, amended by Regulations 1408/71 and 574/72, governs the mandatory occupational benefits insurance (LOB).

Objective and content of the agreement

The objective of the agreement is to maintain benefit coverage. It contains regulations that coordinate the individual social security systems, but every state will retain its current social security system. Regulation 1408/71 prohibits the refund of contributions to insured persons who leave the mandatory insurance of one member state and become subject to the mandatory insurance of another member state.

Scope of application of the agreement

The agreement applies if an insured person leaves Switzerland and moves to an EU member state. If the insured person is not a citizen of Switzerland or an EU country, exceptions may arise under international agreements.

Impact

- The options of paying out the termination benefits in cash are limited in the field of mandatory insurance. The regulations are described below.
- The other benefits are not affected. As before, a retirement pension that falls due can be withdrawn in the form of a lump sum (capital option). Advance withdrawals to finance residential property are also still possible.

Cash payment

If an insured person will again be subject to mandatory insurance in the corresponding EU member state, the LOB termination benefits may no longer be paid out in cash. Benefit coverage must be maintained with a vested benefits policy or a vested benefits account.

The vested benefits cannot be transferred to an employee benefit institution in an EU country.

If someone is no longer subject to mandatory insurance, a cash payment is possible as before. The insured person must prove that he/she is no longer subject to mandatory insurance. This proof can be obtained from the LOB Security Fund (Liaison Office) in Berne (see reverse for the internet link and address).

If an insured person leaves Switzerland for a non-EU country, the LOB vested benefits can be paid out in cash as before.

Extra-mandatory occupational benefits insurance

Relevant provisions

Directive 98/49/EC applies to the extra-mandatory occupational benefits insurance.

Impact

The requirements of the equal treatment of all insured persons, regardless of their nationality, and the guarantee of payment are fulfilled.

In practice, this Directive does not affect the extra-mandatory occupational benefits insurance. The extra-mandatory vested benefits may be paid out in cash.

Private pension provision

Neither the Agreement on the Free Movement of Persons nor Directive 98/49/EC has any impact on the third pillar. Pillar 3a benefits (tied pension provision) can be paid out in cash.

Additional information

EU countries today

a) EU-15 states:

Austria, Belgium, Denmark, Finland, France, Germany, Great Britain, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain and Sweden.

b) EU states after EU enlargement:

Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia.

c) New EU states from 01.01.2007:

Bulgaria and Romania.

Agreement with EFTA countries

The limited cash payment options also apply to the EFTA countries Norway and Iceland. A separate agreement has been reached with the Principality of Liechtenstein which restricts the cash payment options for mandatory as well as extra-mandatory vested benefits, but allows the transfer of the vested benefits.

Web links

- The text of the Agreement on the Free Movement of Persons is available in German at:
www.admin.ch/ch/d/as/2002/1529.
- Information on the LOB Security Fund can be accessed at: www.sfbvg.ch (Path: Liaison Office/Cash payment). Address: LOB Security Fund, Eigerplatz 2, P.O. Box 1023, 3000 Berne 14, Tel. 031 380 79 71, E-mail: info@verbindungsstelle.ch

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