

Understanding occupational benefits

In Switzerland, the retirement benefits system is made up of 3 parts: **pillar 1**, **pillar 2** and **pillar 3**. Pillar 2 is occupational benefits (benefits from working). People also call it a “pension fund” or “BVG” (**B**erufliches **V**orsorge-**G**esetz, or the Swiss Occupational Pensions Act). We explain how pillar 2 works.

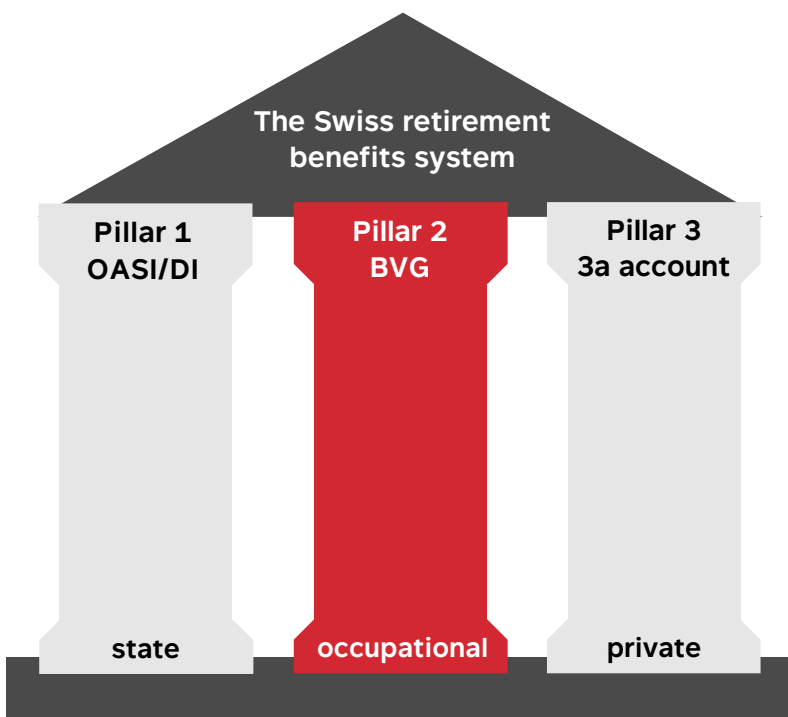
The Swiss retirement benefits system

You need to pay into your pension – in other words, save money for later – so you have enough money to live on in retirement. In Switzerland, the retirement benefits system is made up of 3 parts. They are also called the 3 pillars.

You save money for each pillar. After you retire, you get money from each pillar. This money covers your living costs.

We will start with a short explanation of the 3 pillars. Then we will explore pillar 2 in detail. Because that is what we focus on.

The 3 pillars



Pillar 1

- Pillar 1 is **state benefits**. It is called **OASI/DI**.
- OASI/DI is mandatory for all employees in Switzerland.
- The employer deducts money for OASI/DI from your wages.
- OASI/DI collects the money and pays a pension after you retire.

Pillar 2

- Pillar 2 is **occupational benefits**. It is also called a **pension fund** or **BVG**.
- All employees earning more than 22'680 francs per year must pay into a pension fund.
- **How does pillar 2 work? You will find more information on the next few pages.**

Pillar 3

- Pillar 3 is **private benefits**. It is also called **3a**.
- Private benefits are voluntary. You handle these benefits yourself.
- You can pay in a set amount each year.
- Then you get the money back after you retire.

Pillars 1 and 2 ensure you have enough money to live on.

With pillar 3, you ensure you have a bit more money available.

Over the next few pages we explain pillar 2 – occupational benefits.

Pillar 2 – occupational benefits

What are occupational benefits?

- Occupational benefits are pillar 2 of retirement benefits.
- Occupational benefits are also called a “pension fund” or “BVG”. BVG is the abbreviation of “Berufliches Vorsorge-Gesetz”, the Swiss Occupational Pensions Act.
- The pension funds manage the money.
- The pension fund pays money after you have retired. Or if you become disabled and cannot work. The pension fund also pays money when you die. For this, certain conditions need to be met.

How does the pension fund work?

- Employees and employers (companies) each pay into the pension fund.
- The employer takes your contribution from your salary.
- The employer pays the contribution from your salary and its own contribution to the pension fund.
- The pension fund manages this money and invests it sensibly, so it earns interest.
- When you change employer, you transfer the money to your new employer’s pension fund.

Who needs to have a pension fund?

- Every employer (company) has to have a pension fund.
- The employer (company) chooses the pension fund.
- Employees are insured with the pension fund if certain conditions are met.

Who is insured?

- You are insured if you earn at least 22’680 francs per year.
- Do you have several small jobs with different employers? And earn less than 22’680 francs in each job? Then you are **not** insured.
- Are you self-employed? Then insurance is voluntary.

How much do you pay into a pension fund?

- The contributions depend on your **age** and **wages**.
- If you are younger, you and your employer make smaller contributions. If you are older, you and your employer make bigger contributions.
- If you earn a lot, you and your employer make bigger contributions. If you earn less, you and your employer make smaller contributions.
- A minimum contribution is required by law.
- You and your employer can voluntarily pay in more.

What happens if you become disabled (unable to work)?

An accident or illness could leave you disabled and unable to work. Then, the pension fund will pay you a pension. Certain conditions need to be met for the pension fund to pay a pension.

What happens when you die?

When you die, the pension fund may pay money to your family. For this, certain conditions need to be met. And it makes a difference whether you were still working before your death or if you had already retired.

Who can receive money?

- Your wife or husband.
- Your registered civil partner.
- Your unregistered life partner – but only if you reported your life partnership to the pension fund before your death. If you do **not** live together, your life partnership must have been reported at least 5 years ago.
- Children under 18 and children in education/training (under 25)

What benefits are provided?

- Lifelong monthly pension for your spouse.
- Lifelong monthly pension for your reported life partner.
- Monthly orphan's pension for children under 18 and children in education/training (under 25)
- Lump-sum death benefits: one-off payment.

What happens when you get older?

By law, you can retire at 65. If you like, you can take early retirement from the age of 58. Or you can work for longer, until the age of 70.

You need to decide how you want your money **before** you retire:

- Do you want to take the money you have saved as **capital**? (all the money at once)
- Do you want a **pension**? (some money every month)
- Or do you want part of it as **capital** and part of it as a **pension**?

It is important to remember that you cannot change this decision later.

What else should you know?

- **Residential property**

Do you want to buy a house or apartment in Switzerland and live there yourself? Then you can use the money from your pension fund for this.

Warning: Are you aged 50 or above? Then you can only use some of the money from your pension fund for this.

- **Emigration**

If you leave Switzerland permanently, you can receive the money you have saved. You may also only be given some of the money you have saved. You will then get the rest when you retire.

- **Self-employment**

If you become self-employed, you can receive all the money you have saved. For this, certain conditions need to be met.

It is **important** to review your pension situation regularly.