nest

die ökologisch-ethische Pensionskasse

Information leaflet (valid as of 1 December 2021)

Promotion of home ownership in occupational pension plans (PHO)

This document summarises the most important legal principles.
In individual cases, the following legal provisions apply

- Articles 30a–30f and 83a of the Swiss Federal Law on Occupational Benefits (LOB) and Articles 331d–331f of the Swiss Code of Obligations (Swiss Federal Act on the Promotion of Home Ownership Using Occupational Pension Benefits of 17 December 1993)
- Ordinance on the Promotion of Home Ownership Using Occupational Pension Benefits of 3 December 1994

Early withdrawals for home ownership must be repaid before any buy-ins can be made.

What is "home ownership" in the sense of PHO?
Retirement assets may be exclusively used for owner-occupied homes and for one single property only.

Only flats or one-family houses qualify for advance withdrawals. A specific building project must in fact exist; the PHO does not support any projects where land is bought for future development.

Residential properties can be acquired in the form of sole ownership, co-ownership or – in the case of spouses – joint ownership. Acquiring property under a ground lease also qualifies for PHO.

On top of this, PHO supports certain ownership interests in residential property, for instance acquisitions of share certificates in housing cooperatives or purchases of shares in tenants' joint-stock companies.

What purposes can vested pension accruals be used for?
Retirement assets may not be utilised for all aspects associated with home ownership. For instance, they may not be used to pay for repairs on the property. However, refurbishments may be (co)financed via PHO.
The Ordinance specifies three admissible purposes:

- Acquisition and construction of residential property
- Investments in residential property, for instance participation in housing cooperatives; granting of loans to non-profit housing developers
- Repayment of mortgages

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Example
If you plan to buy a house, you are required to submit respective documents, for instance the purchase agreement; if you intend to join a housing cooperative, you must submit the respective articles of association/regulations, etc.

How does PHO help you finance your own home?
You can either withdraw your retirement assets (or parts thereof) from the Pension Fund (advance withdrawal) or retain the assets and pledge them instead (pledge). Withdrawals may be made exclusively by members who are fully fit for work at the time of the withdrawal/pledge.

What are the effects of the withdrawal or pledge on your benefits?
Where members withdraw their retirement assets (or parts thereof) to finance their residential property, their retirement benefits will certainly be reduced. Depending on the agreed pension plan, disability, children's or partner's pensions may also be affected. This applies as of the date of the advance withdrawal.

Where members pledge their retirement assets, there will be no effects until the realisation of the pledge.

On your written request, Nest will calculate the benefit reduction for you and arrange supplementary insurance at your request. In the case of pledging, the exact benefit reduction cannot be quantified before the pledge is realised. However, as a rule any supplementary insurance must be taken out before the date of realisation. The premiums payable under such supplementary insurance are fully paid by the member. A tax advisor or the tax office should be consulted to clarify the extent to which such premiums can be deducted from tax.

1. Advance withdrawal

1.1 Amount of advance withdrawal
Advance withdrawals may not be lower than CHF 20,000. This lower threshold does not apply if the funds are used to buy into a housing cooperative.

Members may withdraw their full assets up to the age of 50.

Members above the age of fifty may only withdraw part of their assets. Once members have passed their 50th birthday, they may draw no more than the higher of the following two amounts:
a. the vested benefit reported at the age of 50, increased by any repayments made after the age of 50 and reduced by the amount that has been withdrawn in advance, or pledged, for home ownership after the age of 50.
b. half of the difference between the vested benefit at the time of the advance withdrawal and the vested benefit already utilised for home ownership purposes at this point in time.

Your insurance certificate specifies the amount available for promotion of home ownership purposes.

1.2 Payment

We are committed to processing your application as quickly as possible. However, you should expect a minimum processing time of 2-6 weeks starting from the date on which we **have received all required documents**. The payment will be made to a payment agent recognised by law (bank or notary).

1.3 Multiple advance withdrawals

You may request several advance withdrawals; however, a minimum period of five years must elapse between the individual withdrawals. Advance withdrawals may only be requested up to three years before retirement.

2. Pledging

2.1 What is a pledge?

Instead of withdrawing their retirement assets (or parts thereof), members may also pledge the assets. This means that your assets (or the pledged benefit) merely serve as collateral security.

Example
A member applies for a bank loan to buy his/her own home. The bank will not grant the loan unless the member provides collateral security – this security may consist of the pledging of the member's retirement assets in favour of the bank.
Should the member be unable to repay the loan or the interest thereon at a later date, the bank may request the (partial) repayment of the debt through retirement assets, i.e. it may request the realisation of the pledge.

2.2 What can be pledged?

Members may pledge either their retirement assets or their (future) retirement benefits – for instance a lump-sum death benefit, disability pension or retirement pension.

2.3 Amount of the pledge

Up to the age of 50, members may pledge no more than their vested benefit accrued at the time of the realisation of the pledge.
For members above the age of 50, the rules applying to advance withdrawals also apply to pledging (cp. paragraph 1.1 above). The retirement assets may be pledged until three years before reaching the normal retirement age only.

Your insurance certificate specifies the amount of your retirement, death and disability benefits. As a rule, these figures are sufficient for an initial consultation with banks or other lenders. On your written request, Nest will notify you of the exact amount of the benefits you can pledge. To be effective, pledges must be communicated to Nest in writing.

3. Repayment

3.1 Mandatory repayment

The withdrawn amount, whether advance withdrawal or realisation of pledge, must be repaid to the Pension Fund if the property thus financed is sold or given away or owner occupancy is given up. Repayments are also mandatory where members plan to make a buy-in, or where members die and no benefits, for example orphan's pensions, are payable.

3.2 Voluntary repayment

Repayments may also be made on a voluntary basis. The following rules apply:

- Repayments can be made up until retirement.
- Once an insurance claim arises, voluntary repayments are no longer possible.
- Repayments are also no longer possible where vested benefits have already been paid in cash after an advance withdrawal.
- A minimum of CHF 10,000, or the full outstanding amount, must be repaid.

4. PHO and taxes

4.1 Advance withdrawal

PHO funds are subject to tax at the time of the advance withdrawal.

4.2 Pledging

Taxes are due once the pledge – either vested benefit or lump-sum death benefit – is realised (realisation of pledge).

4.3 Repayment of withdrawn PHO funds

When you make a repayment, we will issue a certificate of repayment. On the basis of this certificate, the tax office will refund the tax you paid at the time of the withdrawal, albeit without interest.

The competent tax authorities or a private tax consultant will advise you on the tax aspects in your specific case.

5. Home ownership abroad

In the context of the promotion of home ownership scheme, retirement assets may principally also be withdrawn for properties abroad. Before making an advance withdrawal or pledging their retirement assets, members domiciled abroad must provide evidence that that they are using their vested pension accruals for the residential property and that they occupy the property themselves. The following special rules apply:

- To ensure that the residential property can be occupied by the owner, advance withdrawals are generally only possible if the property is located close to the Swiss border.
- The payment is only made after the promotion of home ownership has been implemented, i.e. after the completed purchase, value-adding renovation or amortisation.
- Members who do not live in Switzerland are subject to withholding tax. The tax will be deducted directly from the advance withdrawal. To find out whether you can reclaim the withholding tax, please contact your tax authority abroad.

6. How to proceed

- You notify us (on 044 444 57 57; or at info@nest-info.ch) of the amount you would like to withdraw or pledge under the promotion of home ownership scheme and of the planned date of the withdrawal or pledge. The maximum amount available is specified on your insurance certificate.
- We will provide you with the necessary documents and, if required, further information specific to your situation.
- You send us the completed application and the required documents.

Brief overview of the main points

- Members wishing to make an advance withdrawal are required to complete the form entitled "Antrag für einen Vorbezug im Rahmen der Wohneigentumsförderung" (application for an advance withdrawal under the promotion of home ownership scheme) and send it to Nest together with the specified documents. The payment will be made 2-6 weeks after receipt of **all required** documents.
- Contact the lender, for example the bank, to find out about the verifications required when pledging PHO funds.
- If you are thinking about buying your own home, you should consider, among other questions, how the mortgage interest will affect your budget, and whether and how it can be deducted from taxes. For advice, contact the relevant authorities/consultants.