

Vested benefits and the mobility of pension capital

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The original BVG did not ensure that an employee who changed jobs could take the full value of his or her pension savings to the new employer. Funds frequently retained part of the employer contributions, which created what critics called "golden handcuffs". The Federal Act on Vested Benefits in Occupational Retirement, Survivors' and Disability Pension Plans (FZG) of 17 December 1993 remedied this problem. It entered into force on 1 January 1995 and guarantees full portability of the vested benefit, calculated according to rules that protect the employee's savings and a minimum share of employer contributions.¹

When an employee leaves a pension fund without joining a new one, the vested benefit is transferred to a vested benefits institution. Such capital is held either in a vested benefits account with a bank foundation or in a vested benefits policy with an insurer. These vested benefits foundations, many of them sponsored by banks, today hold considerable sums, partly invested in securities chosen by the account holder. Their existence has created a market in which the cantonal banks, among them the Basler Kantonalbank, compete with the large banks and with specialised providers.² A significant part of the capital in these institutions belongs to persons who have left Switzerland, a subject to which this chapter returns in its discussion of cross-border workers.

The same year saw a second reform that made pension capital usable during working life. Since 1995, insured persons may withdraw or pledge part of their vested benefits to acquire owner-occupied residential property. This encouragement of home ownership responded to the low rate of owner-occupation in Switzerland, which is particularly pronounced in urban cantons such as Basel-Stadt. Withdrawals reduce the eventual pension and must be repaid if the property is sold.³ The rules on cash withdrawals at retirement, on leaving the country and on taking up self-employment complete a system in which pension capital remains, in principle, tied to

its purpose while allowing the insured person a degree of freedom unknown in many neighbouring countries.

1 Notes

1. Federal Act on Vested Benefits in Occupational Retirement, Survivors' and Disability Pension Plans of 17 December 1993 (FZG, SR 831.42), in force 1 January 1995, in particular Arts. 15 to 18 on the calculation of the vested benefit. To be verified. ↩
2. On vested benefits institutions (Freizügigkeitseinrichtungen), vested benefits accounts and policies under Art. 4 FZG and Art. 10 of the Vested Benefits Ordinance (FZV, SR 831.425), see the federal legislation and the statistics of the FSO. Market figures to be verified. ↩
3. On the encouragement of home ownership through occupational pension funds (Wohneigentumsförderung, WEF), introduced by the amendment of 17 December 1993 and in force 1 January 1995 (Art. 30a–30g BVG and the WEF Ordinance, SR 831.411), see the federal legislation. To be verified. ↩

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