

Information concerning the purchase of insurance years. Provisions from the 1st of January 2006

Purpose

The purchase of insurance years is to avoid pension gaps in the future benefits of the insured member. The reasons for this gap can be for example a lack in the years of contribution, a salary increase or the announcement of an early retirement. The benefit scheme can be improved by the purchase of benefits within the limits of the regulatory benefits, that is the missing insurance years. Therefore, gaps in the insurance coverage can be avoided.

Definition

The purchase of benefits/of insurance years includes all the contributions intentionally paid by the insured member as well as buy-in covered by the employer in order to avoid gaps in the benefits of the insured.

Terms and conditions of the purchase

Here are the conditions in order to proceed to the purchase:

- Being affiliated to an occupational benefits institution within the second pillar.
- The insured must not exhaust the maximum benefits authorised.

The Patrimonia Foundation enables the insured to maintain and increase his/her benefits by permitting him to purchase all the regulatory benefits. The foundation also enables the insured to purchase the lacking benefits at any time. The maximum amount is set up by the pension fund regulation concluded with the Patrimonia Foundation.

The introduction of the 3rd package of the 1st revision of the LPP/BVG on the 1st of January 2006 has modified the legal requirement regulating the purchase. Here are the main modifications:

- The limitation according to the ancient art. 79a LPP, which was introduced by the stabilisation programme to prevent tax evasion, has been abolished.
- After having completed a purchase with his occupational benefit scheme, the insured must not receive the benefits of this purchase in form of a lump before a delay of three years (retirement, cash refund, encouragement of home ownership)
- The insured that benefited of one or several withdrawals for the encouragement of home ownership must repay the entire amount of the withdrawal before purchasing benefits.
- The eventual purchase of insurance years following a withdrawal for home ownership is not possible anymore until the entire amount of the withdrawal has been repaid.
- The purpose of these regulations is to prevent privileged insured to accumulate disproportioned tax benefits by using tax measures associated to the second pillar.

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Bibliographic references in the law:

The art. LFLP sets out the obligation for occupational benefits institutions to give the possibility to the entering insured to purchase all the regulatory benefits.

The art. 79b LPP limits the amounts that the insured can pay in order to purchase benefits within an occupational benefits institution:

1. The occupational benefits institution must not permit a purchase exceeding the regulatory benefits.
2. The Swiss Federal Council manages the cases of people who, at the time when they claim the right to purchase, have never been affiliated to any occupational benefits institution.
3. The occupational benefits institutions must not pay the benefits of a purchase must not be paid in the form of a lump before a delay of three years. When withdrawals have been allowed for the encouragement of home ownership, the entire amount of these withdrawals must be repaid before purchasing eventual benefits.
4. According to art. 22cLFLP, the purchase of benefits in the event of a divorce is not limited.

The art. 60a OPP2 provides the data that permits to fix the amount of the authorised purchase

1. The calculation of the purchase must be based on the same professionally accepted principles than the determination of the benefit scheme (art. 1g).
2. The maximum amount of the purchase is removed from the third pillar of the person who exceeds the amount, with its added interests, of the maximum contributions that can be deducted from the salary from the age of 24 (according to the art.7, al. 1, let. a, about the ordinance of the 13th of November regarding the fiscally allowed deductions on contributions paid to official forms of occupational pensions. The interests are calculated according to the minimum LPP/BVG interest rate in effect for the corresponding years.
3. If the insured possesses vested termination benefits that, according to the art. 3 and 4, al 2bis, LFLP, should not have been transferred to an occupational benefits institution, the maximum amount of the purchase is removed from the amount of vested termination benefits.

The fiscal deduction of purchase contributions is set out within the general framework of the articles 81 al. 2 LPP, 33 al. 1 lit. d LIFD and 9 al. 2 lit. d LHID

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