



Fonds de Pensions Nestlé

Encouragement of home ownership
Implementing regulations 2021



Good Food, Good Life **Nestlé**

The implementing regulations applicable to residential property ownership supplement the regulations of the Nestlé Pension Fund as well as the quick reference guide “Fonds de Pensions Nestlé”.

These implementing regulations are available in French, German and English.

In case of discrepancy or differences in interpretation, the French version takes precedence over the English and German versions.

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1 General information

1.1 Introduction

The Swiss Federal Law on Occupational Benefit Plans (LOB) authorises members to use their pension fund assets to acquire a main residence either with an early withdrawal or a pledge. The current applicable regulations describe the terms defined by the LOB regarding the encouragement of home ownership and stipulate the conditions.

The financing of a main residence can be made in several ways. Different options should be considered such as:

- Early withdrawal from Pillar 2
- Early withdrawal from Pillar 3a
- Pledging
- Mortgage.

The Fund Administration is available to advise members but assumes no responsibility for any decisions they may take.

1.2 Principle

In accordance with legal provisions, the assets accumulated in the Fund may be used to:

- acquire a family home or apartment for individual ownership, co-ownership or joint ownership between spouses. The acquisition of land for the purpose of building may be financed only if the construction project has already been confirmed
- acquire shares in a residential housing cooperative, or similar shares
- pay off mortgage loans, but not to pay mortgage interest.

However, the assets accumulated in the Fund cannot be used to:

- build a garage / garage box
- build a swimming pool
- build a pergola / garden shed
- lay out a garden / terrace
- buy a camper / car

1.3 Conditions

The following conditions must be met in order to benefit from the encouragement of home ownership incentives as defined by the LOB:

Requirements

Members may benefit from the encouragement of home ownership incentives provided that they use the residential property as their main residence (personal use).

Financing of a secondary residence or a holiday home is not permitted.

When members can prove that they are unable to use the property for a certain period of time (for example, during a transfer abroad), they are authorised to let the property during this period.

Time limits

Early withdrawal or pledging is possible:

- not later than three years before the entitlement to old-age benefits
- until another pension becomes payable (death, disability)
- until departure from the Fund

Written agreement

If members are married or bound by a registered partnership, the written approval of their spouse is mandatory. A copy of the passport or identity card of each authorised signatory will also be requested by the Fund. In all cases, the Fund may request an authenticated signature.

1.4 Limits

The maximum amount authorised for the encouragement of home ownership corresponds:

- up to the age of 50, to the entire vested benefits
- for members aged over 50, either to the amount of vested benefits accrued at the age of 50, or to half of the amount of the vested benefits accrued at the time of payment, whichever is higher.

Additional voluntary contributions to the Fund cannot be withdrawn as a lump sum three years following the payment.



2 Pledging

2.1 Principle

Pledging refers to using part or all of a member's accrued retirement savings capital or the corresponding pension benefit as a collateral guarantee for a loan granted by a pledge creditor to finance the acquisition of property as the member's main residence.

The pledge may involve:

- **vested benefits**
The insured person pledges his current or, if necessary, future vested benefits.
As a rule, a fixed amount is pledged.
- **the entitlement to pension benefits** (old-age, disability and survivor's pensions).
In this case, no amount is pledged, but only the entitlement to pension benefits.

A pledging contract may include the two aforementioned points.

In return, the pledgee offers certain advantages to the member. Generally, a supplementary loan capital, a reduction in the mortgage interest rate or a temporary suspension of the payments to the pledgee.

2.2 Application

The member should contact his pledgee (in general his bank), which will then set up a pledge contract defining the rights of the Occupational Benefits Plan as a guarantee and send a copy to the Fund. Once the verification process has been finalised, the Fund confirms the validity of the contract to the pledgee as well as to the member. At that moment the pledge takes effect for the Fund.

2.3 Consequences

As long as the pledge has not been realised, the act of pledging will have no effect on pension benefits or taxes.

In the event of the member leaving the Fund, it will notify the pledgee where the vested benefits are transferred and the amount. Furthermore, the new pension fund will be informed of the pledge.

The cash payment of vested benefits (in cases authorised by the law), the transfer of part of these to the spouse's pension fund following divorce, or the payment of pension benefits may only take place with the consent of the pledgee.

2.4 Realisation of the pledge

The pledgee may request the realisation of the pledge at any time. When the pledge concerns vested benefits, the consequences, as with early withdrawals, are a reduction in benefits and immediate taxation. When the pledge concerns old-age, survivor's or disability benefits, part or all of these benefits will be seized and paid directly to the pledgee.



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SÉPAREMENT SUD-

FENÊTRE PVC 20x25
VITRAGE TEINTE BLEU-GRIS

1800

700

400

700

185

300

CUISINE

SALLE A MANGER

3 Early withdrawal

3.1 Principle

Early withdrawal consists of making a sum available to members from their vested benefits, mainly against a reduction in retirement benefits from the Fund.

The minimum amount for early withdrawal is CHF 20 000. No minimum amount is required for the acquisition of shares in a residential housing cooperative.

Early withdrawal may only be requested every five years.

3.2 Application

Before completing the request form for the encouragement of home ownership, the member must be notified of the reduction in benefits due to this type of payment. This request should be submitted to the Fund Administration. After having been informed of the reduction in benefits, the member must complete the request form and provide all listed documents.

After checking the file, the Fund Administration will inform the member whether his request has been approved or rejected.

3.3 Consequences

Reduction in benefits

An early withdrawal results in an immediate reduction in vested benefits as well as in retirement benefits from the Fund. These reductions will be communicated to the member by the Fund.

In principle, the early withdrawal does not result in a reduction in benefits in the event of disability or death. However, the death capital is reduced.

With regard to the reduction in retirement benefits, the amount communicated is an estimate. The actual reduction will depend on interest and participation in surplus credited to the retirement savings accounts up to the time of retirement.

If the member leaves the Fund, it will inform the new pension fund of the early withdrawal and send documents confirming the withdrawal.

Tax treatment

As with capital benefits paid out by a pension scheme, the early withdrawal is subject to immediate taxation by the commune, the canton and the Confederation. The Fund must inform the Swiss Federal Tax Administration of the early payment with an official form.

The tax is then levied by the relevant tax administration. Furthermore, the early withdrawal may not be used to pay this tax.

The member must keep the documents relating to the amount of tax paid following the early withdrawal, in case of any subsequent refund.

If the member requests a withdrawal for a property abroad, the Fund will deduct the tax on the amount of the early withdrawal directly at source.

If the member pays additional voluntary contributions during the three years prior to the early withdrawal, the competent tax authority will, in principle, review the fiscal taxation of the previous three years and not take into account the tax deduction linked to the payment of the additional contributions.

Note in the land register

To guarantee the LOB terms, early withdrawals are communicated to the land register that must carry in the note "restriction on the right of disposal". This note restricts the rights of members or their heirs to sell or transfer the residential property. The registration fees for the note are borne by the member.

This restriction can be removed if the member repays the full amount or a pension benefit is put into payment (retirement, disability, death).

A home transfer to a pension beneficiary, such as the member's spouse, is not equivalent to a sale. However, this person is subject to the same restrictions on the right of disposal as the member.

For main residences abroad, no note is carried in, but the member must undertake to repay the early withdrawal in the event of the sale or transfer of the property.





Removal of the note

The note carried in the land register is removed in the following cases:

- retirement
- another pension benefit becomes payable (death, disability)
- cash payment of vested benefits
- total repayment of the early withdrawal.

The fees for the removal of the note are borne by the member.

Shares in residential housing cooperatives

If the early withdrawal is used to acquire shares in residential housing cooperatives or similar shares, these must be deposited with the Fund on behalf of the member.

If the member leaves the Fund, the shares will be handed over to the new pension fund. They will be returned to the member if his vested benefits are paid out in cash or if the member retires.

3.4 Payment

Principle

The Fund will transfer the amount of the early withdrawal to the notary in the case of an acquisition, or to the mortgage-holding establishment in the case of repayment of a debt. Direct payment to the member is not permitted.

Due date

If the request form, with all the required documents, reaches the Fund before the 15th of the month, the payment is made on the last working day of the current month. The payment may also be made at a later date on request, but always on the last working day of a month.

However, the Fund may extend this deadline up to six months, in line with legal provisions.

3.5 Repayment

Voluntary repayment

Voluntary repayment is permitted at the latest:

- until the normal retirement age
- before another pension becomes payable (death, disability or retirement)
- before cash payment of vested benefits.

The repayment must be of at least CHF 10 000, except for the last instalment.

The member must repay the early withdrawal in full before making additional voluntary contributions.

Mandatory repayment

The amount paid early must be repaid to the Fund by the member or his heirs in the following cases:

- if the residential property is sold before a pension is payable
- if rights, which are economically equivalent to a sale, are granted on the residential property

In the case of a sale, the repayment obligation is limited to the profit made. Profit is defined as the sale price after deduction of mortgage debts and legal fees paid by the seller.

If the member plans to reinvest the profit from the sale in another property within two years, he may transfer this amount to a vested benefits foundation.

Consequences of a repayment

In the event of repayment, the retirement benefits and death capital insured will increase. The Fund will confirm receipt of the repayment to the member, as well as his new pension situation.

After repaying the early withdrawal, the member can claim, within the three years, the tax payed at the time of the early withdrawal without the interest. Hence, it is not deductible from the member's taxable income.

The note made in the land register is removed after the total early withdrawal is repaid or when the repayment obligation becomes null or void.



***“The Fund
administration
is at your
disposal for
further
information”.***



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