

Encouragement of Home Ownership

Explanatory Guide on Pledges

Purpose

This document, which supplements the “Pledge” form in connection with the law on the encouragement of home ownership, has been prepared to help you file your application and inform you of the conditions and consequences of a pledge.

It is your responsibility to provide the Fund with all documents needed to prove that your application falls within the scope of the law on the encouragement of home ownership. These documents must be sufficiently detailed to enable the Fund to establish that the pledge meets all legal requirements.

This Guide lists the main documents to be provided for different cases. You must assemble these documents and submit them to the Fund. An extract from the Land Register and a copy of the pledge agreement or security agreement are required in all cases. If you are married or registered in a civil partnership, an officially certified signature of your spouse or partner is necessary.

The procedural rules applicable to the encouragement of home ownership are established by the Fund regulations, which may provide that you have to contribute to costs.

Maximum amount

Subject to any purchases you may have made within the past three years, the maximum amount you can pledge is equal to:

- if you are under 50 years old at the time of the pledge, the full regulatory vested termination benefit accrued at that date;
- if you are 50 or over at the time of the pledge, the vested termination benefit which you would have received at age 50 or 50% of the vested termination benefit accrued on the date of payment, whichever is higher, less any amounts already used for home ownership.

Benefits deriving from a purchase cannot be paid out in the form of capital for a period of three years after the purchase. This rule applies to all forms of capital payments, including payments made in connection with the encouragement of home ownership. Consequently, in the event of the satisfaction or enforcement of the pledge before the end of the three-year period, only pension assets accrued prior to the purchase may be used for payment. In order to ensure compliance with this rule, please inform us if you have made one or more purchases with the above-mentioned pension plan within the past three years. Purchases made in the context of a divorce or the dissolution by a court of a registered civil partnership, are not concerned by this restriction and therefore do not need to be notified.

Designation of residential property and form of home ownership

Residential property is understood exclusively to mean an apartment or single-family home. You can only pledge your pension assets for one property at a time, which you must own. The residence must be used for your own needs, i.e. you must live in it. Using your 2nd pillar pension assets to acquire a secondary residence is not permitted.

The permitted forms of home ownership are:

Ownership

You are the sole owner of your home.

Co-ownership

The property is owned by several people, each one owning a share.

Joint ownership with spouse / partner within the meaning of the LPart/PartG

You and your spouse/partner are owners of the property as persons who form a community by virtue of your marriage or registered civil partnership.

An independent and long-standing right to build a residence on leasehold property

This right allows you to build a residence on someone else's land and to live in that residence.

Interests

The pledge may be used to acquire shares or interests in a residential property.

Partial interest in a co-operative residential association

The shareholder may live in a residential property of the co-operative whose purpose is to enable its members to build and occupy a home.

If this applies to you, you must provide the Fund with a copy of the latest version of the co-operative residential association's regulations or statutes. One or the other of these documents must provide that if you leave the co-operative, the pension assets which the Fund paid for you to acquire the partial interest will be transferred to another co-operative, or to another residential or construction organisation in which you have your personal residence.

The co-operative must notify the Fund of any relevant changes to that document, no later than on the occurrence of an insured event that affects you.

Shares of a publicly-owned, residential rental property

Share ownership in the capital of a joint stock company whose purpose is to rent the buildings it holds to its own shareholders.

If this applies to you, you must provide the Fund with a copy of the joint stock company's articles of association. These must provide that if you dispose of your shares, the pension assets paid by the Fund to enable their purchase may only be used to purchase shares in another joint stock company with a similar purpose, or for the transfer to another residential or construction organisation in which you have your personal residence. If this is not the case, this amount of money must be returned to a pension plan.

The joint stock company must notify the Fund of any relevant changes to its articles of association, but no later than on the occurrence of an insured event that affects you.

Profit-participation loans to a residential organisation

A financial interest in a non-profit residential organisation, obtained through the contribution of funds, in order to receive a share of the profits (in the form of housing) instead of interest, but without becoming a shareholder.

If this applies to you, please provide the Fund with documents concerning the organisation in question and a copy of the latest version of its governing regulations. These regulations must provide that if the member terminates the loan, the pension assets obtained from the Fund in order to pay the non-profit residential organisation will automatically be transferred either to another similar construction organisation, or to a pension plan.

The organisation must notify the Fund of any relevant changes to its regulations, no later than on the occurrence of an insured event that affects you.

Use of residential property

The property for your own use, acquired as a result of the pledge, must be located:

- at your place of domicile, in which case please provide a proof of domicile;
- at your usual place of residence, in which case please provide a proof of residence.

Designation of mortgagee

The pledge will be accepted by the Fund if it fulfils the statutory conditions. It will only become effective when the mortgagee receives confirmation on this point from the Fund.

Consent of the mortgagee

The following are subject to the mortgagee's written consent:

- cash payment of the termination benefit;
- payment of a pension benefit;
- the transfer of part of the vested termination benefit to the ex-spouse's or the ex-partner's pension plan, following a divorce or the dissolution of a registered civil partnership by a court.

If the mortgagee refuses such consent, the Fund must deposit the amount in safe custody.

If you change from one pension plan to another, the Fund will notify the mortgagee of where the vested termination benefit has been transferred as well as the amount transferred.

Consequences of satisfying or enforcing the pledge

The Fund, upon request, will inform you about:

- the reduction in benefits following the satisfaction or enforcement of the pledge;
- the possibilities for compensating the shortfall in disability and survivor insurance cover resulting from the satisfaction or enforcement of the pledge;
- the taxes payable in the event of the satisfaction or enforcement of the pledge;
- entitlement to a tax refund in case of repayment of the amount corresponding to the proceeds from the satisfaction or enforcement of a pledge.

Documents to be provided by the employee

You must enclose all the documents listed on the form.

The Fund reserves the right to ask you for any other documents it considers necessary.

Notarised original signatures

You must sign and date the "Pledge" form. In addition, your signature (and if married or in a registered partnership also of the spouse or registered partner) has to be authenticated by a notary.

Consent

If you are married or registered in a civil partnership, the payment can only be authorised with the consent of your spouse or partner, within the meaning of the LPart/PartG. If such consent is withheld or is refused, you can apply to the courts.

Fees

An administrative expense fee of CHF 150.00 is due when the application is submitted. This fee must be transferred to the following account at the same time as the application is submitted:

Account details PKL

Account holder

Pensionskasse der Lonza
Münchensteinerstrasse 38
4002 Basel

IBAN number UBS:

CH66 0023 0230 4809 7401 J

If the application is not granted, the fee shall be refunded to the insured person.