

## Introduction

This document outlines in general terms the coordination of Social Security systems between the European Union (EU) and Switzerland (CH), based on the "Agreement between the European Union and its Member States and the Swiss Confederation on the Free Movement of Persons" expected to become effective as of April 1, 2002.

Because of the complexity of the rules, this paper can only form an outline guide. Every individual situation will require specialist examination and advice.

The EU member states are:

- Austria
- Belgium
- Denmark
- Finland
- France
- Germany
- Greece
- Ireland
- Italy
- Luxembourg
- Netherlands
- Portugal
- Spain
- Sweden
- United Kingdom

## Abbreviations

### I) **Swiss Social Security System (I<sup>st</sup> Pillar)**

- AHV/AVS Retirement benefits and widow's, widower's and orphan's pensions
- IV/AI Cost of reintegration into gainful employment following disability, as well as disability pensions
- EL/PC Supplementary benefits: these cover the difference between AHV or IV pensions and the applicable subsistence level
- FZ/AF Family allowances: partial compensation for family expenses
- MV/AM Military insurance: widow's, widower's, orphan's and disability pensions as well as medical expenses
- EO/APG Salary compensation during military service
- ALV/AC Unemployment insurance
- KV/LAMal Mandatory medical insurance

### II) **Occupational Benefits Provision (II<sup>nd</sup> Pillar)**

- BV/PP Occupational pension legislation: retirement benefits. In case of death or disability due to illness: widow's, orphan's and disability pensions.
- UV/AA Mandatory accident insurance: in case of death or disability due to accident in the working place: widow's, widower's, orphan's and disability pensions, plus medical expenses.

### III) **Voluntary Benefits Provision (III<sup>rd</sup> Pillars a and b)**

- III a Tax-deductible provision for retirement, death and disability
- III b Non tax-deductible relief applied on provision for retirement, death and disability, and insurance for medical expenses

These two or three letter abbreviations relate to the German/French designations and are widely used in Switzerland.

We point interested readers to a sister document which explains the **Swiss Three Pillar System** of Social Security and Statutory Employee Benefits.

## Table of Contents

|   |           |
|---|-----------|
| <b>A) Swiss Social Security System (I<sup>st</sup> pillar)</b>  | <b>5</b>  |
| <b>1. General Questions</b>   | <b>5</b>  |
| 1.1 Who is covered?   | 5         |
| 1.2 What are the exemptions?  | 6         |
| 1.3 Are entitlements from the insured's home country's social security system carried forward to Switzerland?   | 6         |
| 1.4 Are entitlements from the Swiss social security system carried forward to the insured's home country?   | 6         |
| <b>2. Disability due to accident or illness (IV/AI)</b>   | <b>7</b>  |
| 2.1 What are the benefits in general?   | 7         |
| 2.2 Which country pays what benefits (coordination)?  | 7         |
| 2.3 What restrictions can be applied?   | 7         |
| 2.4 For how long will benefits be paid?   | 8         |
| 2.5 What are the consequences of the insured's leaving Switzerland in terms of current benefits or cover?   | 8         |
| 2.6 If benefits or cover end, what options does the insured have for replacement?   | 8         |
| 2.7 Taxation of contributions and benefits  | 8         |
| <b>3. Death due to accident or illness (AHV/AVS)</b>  | <b>9</b>  |
| 3.1 What are the benefits in general?   | 9         |
| 3.2 Which country pays what benefits (coordination)?  | 9         |
| 3.3 What restrictions can be applied?   | 9         |
| 3.4 For how long will benefits be paid?   | 10        |
| 3.5 What are the consequences of the widow/widower or children leaving Switzerland in terms of current benefits or cover?   | 10        |
| 3.6 If the insured comes from a country where widows/widowers do not receive lifelong benefits (but only "readjustment pensions"), what are the consequences of this in terms of widow's/widower's pensions from the Swiss AHV? | 10        |
| 3.7 If benefits or cover end, what options does the insured's family have for replacement?  | 10        |
| 3.8 Taxation of contributions and benefits  | 10        |
| <b>4. Retirement Benefits (AHV/AVS)</b>   | <b>11</b> |
| 4.1 What are the benefits in general?   | 11        |
| 4.2 Which country pays what benefits (coordination)?  | 11        |
| 4.3 What restrictions can be applied?   | 11        |
| 4.4 What are the consequences of the insured's leaving Switzerland in terms of current benefits or cover?   | 12        |
| 4.5 If benefits or cover end, what options does the insured have for replacement?   | 12        |
| 4.6 Taxation of contributions and benefits  | 12        |

|            |   |           |
|------------|---|-----------|
| <b>5.</b>  | <b>Unemployment Insurance (ALV/AC)</b>  | <b>13</b> |
| 5.1        | What benefits are paid by unemployment insurance?   | 13        |
| 5.2        | What conditions must the insured meet in order to receive the statutory benefits?   | 13        |
| 5.3        | What restrictions can be applied?   | 13        |
| 5.4        | What are the consequences of the insured's leaving Switzerland in terms of current benefits or cover?                     | 13        |
| 5.5        | Taxation of contributions and benefits  | 14        |
| <b>6.</b>  | <b>Mandatory Medical Insurance (KV/LAMal)</b>   | <b>15</b> |
| 6.1        | What are the consequences of the insured's leaving Switzerland?   | 15        |
| 6.2        | Will there be any restrictions imposed by the insured's home country health system when he/she and his/her family return? | 15        |
| 6.3        | What are the insured's international cover options?   | 15        |
| 6.4        | Taxation of contributions and benefits  | 16        |
| <b>B)</b>  | <b>Occupational Benefits Provision (II<sup>nd</sup> pillar)</b>   | <b>17</b> |
| <b>7.</b>  | <b>Occupational Pension Legislation (BV/PP)</b>   | <b>17</b> |
| 7.1        | What are the insured's options concerning savings under the occupational benefit plan upon returning to the home country? | 17        |
| 7.2        | What are the tax consequences of the payment of benefits while the beneficiary is resident...                             | 17        |
| 7.3        | What are the consequences of the insured's leaving Switzerland?   | 17        |
| 7.4        | Taxation of contributions and benefits  | 18        |
| <b>8.</b>  | <b>Mandatory Accident Insurance (UV/AA)</b>   | <b>19</b> |
| 8.1        | What are the benefits in general?   | 19        |
| 8.2        | Which country pays what benefits (coordination)?  | 19        |
| 8.3        | What restrictions can be applied?   | 19        |
| 8.4        | For how long will benefits be paid?   | 19        |
| 8.5        | What are the consequences of the insured's leaving Switzerland in terms of current benefits or cover?                     | 19        |
| 8.6        | If benefits or cover end, what options does the insured have for replacement?   | 19        |
| 8.7        | Taxation of contributions and benefits  | 19        |
| <b>C)</b>  | <b>Voluntary Benefits Provision (III<sup>rd</sup> pillars a and b)</b>  | <b>20</b> |
| <b>9.</b>  | <b>Pillar IIIa</b>  | <b>20</b> |
| 9.1        | What are the consequences of the insured's leaving Switzerland?   | 20        |
| 9.2        | What are the tax consequences of taking assets back to the home country?  | 20        |
| <b>10.</b> | <b>Pillar IIIb</b>  | <b>21</b> |
| 10.1       | What are the consequences of the insured's leaving Switzerland?   | 21        |
| 10.2       | What are the tax consequences of taking assets back to the home country?  | 21        |