





Pensions in Austria, the Czech Republic, Germany and Poland

Agenda

I	Austria	
II	Czech Republic	
III	Germany	
IV	Poland	



Austria



Austria

Introduction

Austria

Selected Statistics

- 1

Inhabitants: **appr. 9m**
- 2

4.4m people are **employed** – of which 3,8 m are employed within the scope of the national insurance
- 3

Unemployment rate: **6.6 %**
- 4

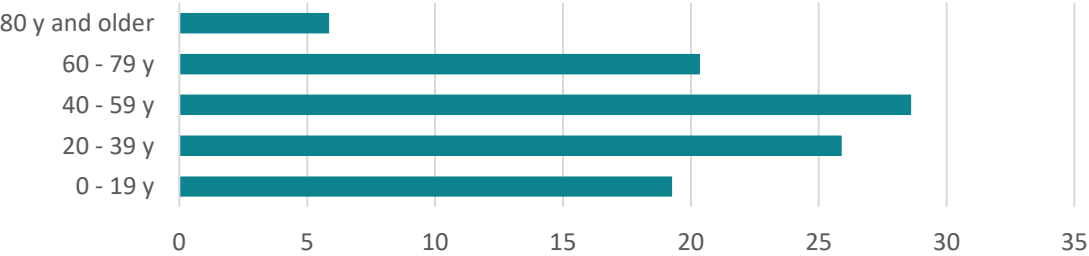
People age 60/65 (F/M) and older:

–2022: **2.06m** ii. 2035: **2.71m** expected

www.statistik.at 20220217

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Distribution of ages as of 20220101



www.statistik.at, own diagram

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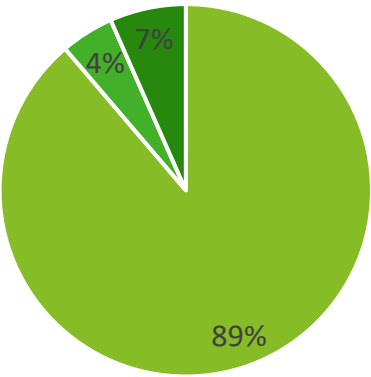
Replacement rate (average pension/average salary)*

	2018	2019	2020
Average Pension	1.510,48 EUR	1.556,23 EUR	1.622,24 EUR
Average Salary	2.372,93 EUR	2.440,5 EUR	2.505,14 EUR
Replacement Rate	63,65 %	63,77 %	64,76 %

*gross values

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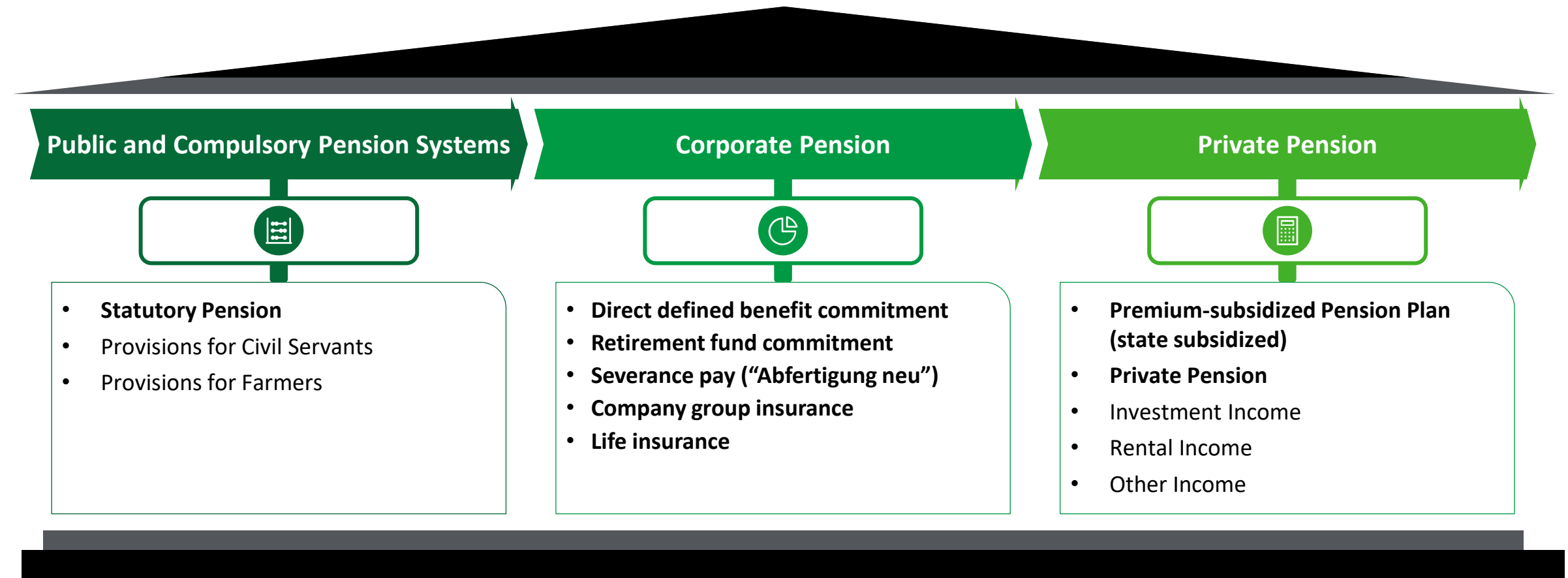
Distribution of the total pension services between the 3 pillars (2019)



■ Public & Compulsory Pension Systems ■ Corporate Pension ■ Private Pension

Austria – The 3 Pillar System

Public and Compulsory Pension – Corporate Pension – Private Pension



Austria

Public and Compulsory System

Austria – Public and Compulsory System

Statutory Pension – Overview I



Statutory Pension

- Pay as you go system



Beneficiaries

- Employees are compulsorily insured members once they earn more than 485.85 EUR per month (marginal earnings threshold)
 - There are voluntarily insured members too
- Hereafter we will consider the compulsory insured people only!



Benefits of the Statutory Pension

- Old age pension: starts at the age of 60/65 (f/m) for people born before 1.December 1963 (for women who were born after 1.December 1963 the minimum age will be extended (starting in year 2024) by 6 months annually until 2033 so the minimum age is equal to 65)
- Early retirement provision possible (minimum age 62 for men, this option will be available for women after the beginning of the year 2028)
- Disability pension
- Spousal benefits, also for orphans up to a certain age



Contributions to the Statutory Pension

- In total 22.8% of the contribution base (gross wage)
- 10.25% are paid by the employer and 12.55% are paid by the employee (ASVG)
- Contribution ceiling: the maximum contribution bases changes year by year – in the year of 2021 it was 5,550 EUR and 6,475 EUR for self-employed people and farmers



Taxation of contributions


- Contributions are tax deductible

Austria – Public and Compulsory System

Statutory Pension – Overview II

Taxation of benefits:

- Both pensions from statutory social insurance and pensions from the federal government or the federal states are income from employment and are subject to income tax.
- Gross pension of up to approx. 1,230 EUR per month excluding health insurance contributions (2022: 5,1 %) exempt from income taxation.
- The maximum statutory pension is 4,536 EUR.
- The annual gross income is the sum of the monthly gross pension benefits.
- The chart below lists the income taxation levels dependent on annual gross income.



Annual gross income	Calculation of the income tax	Taxes in EUR
Up to 11,000 EUR	0 %	0
11,000 EUR – 18,000 EUR	$(\text{Income} - 11,000) * 20 \%$	0 – 1,400
18,000 EUR – 31,000 EUR	$(\text{Income} - 18,000) * 35 \% + 1,400$	1,400 – 5,950
31,000 EUR – 60,000 EUR	$(\text{Income} - 31,000) * 42 \% + 5,950$	5,950 – 18,130

Source: “Versteuerung der Pension” Official page of the Austrian Government

Austria – Public and Compulsory System

Statutory Pension – Level of Benefits

Current level of old age income for new retirees:

- In general, the 45/65/80 formula estimates the level of the pension income: A beneficiary who was insured for 45 years and starts receiving pension benefits at 65 receives 80% of their upscaled average monthly income (averaged over their entire employment)
- For everyone born as of 1955, a pension account (“Pensionskonto”) is created
- For everyone who worked at least 1 month prior to the end of 2004, a starting amount (“Startkapital”) was determined and booked in the pension account
- From the beginning of year 2005, for each year, a partial amount (“Teilgutschrift”) is added to the pension account. The yearly added partial amount is 1.78 % of the beneficiary’s gross annual income.
- The monthly pension income is determined at the start of the pension by dividing the amount in the pension account by 14
- If a pension is taken before the statutory retirement age, deductions are calculated. In the event of a later retirement, surcharges are due.



- The poverty threshold amounts to (2020):
 - 1,328 EUR for singles
 - 2,788 EUR for a couple with 2 children below 14 years
- The following table is valid for the year 2020:

	Women	Men
Average Entry Age	59.5	61.6
New Entries	58,211	54,379
Average Monthly Pension	1,080 EUR	1,777 EUR

Source: “Das Pensionssystem in Österreich” Ministry of Social Affairs

Austria – Public and Compulsory System

Statutory Pension – Outlook



Outlook:

- The baby boomers of the 1950s and 1960s are on the threshold of retirement age. The 65+ age bracket will grow strongly in terms of numbers and proportion of overall population. In 2060, the number of people over 65 will rise by one million to 2.7 million. On the other side of the age scale, however, the proportion of those aged 20 to 65 who are able to work is declining.
 - The ratio of contributors to pension recipients has deteriorated dramatically. Whereas in 1950 there were six people of working age for every person of retirement age, today there are only three. By 2040, there will be only two.
 - Rising employment is a necessary but not sufficient condition for financing the pension system. It is also important that incomes rise. It is true that gross wages have risen over the past 20 years. But the rise in part-time employment has meant that real per capita wages have increased by only six percent over the past 15 years.
-
- Politics is searching for a solution
 - One approach has already been practiced for years: The state injects tax money. After all, only two-thirds of pension expenses are financed by pension contributions. One third is covered by the state. 20 billion euros from the budget are spent each year on pension subsidies and care. However, this does not solve the problem, but only postpones it.

Austria

Corporate Pension

Austria – Corporate Pension

Overview



General information

- The corporate pension is a supplementary benefit to the statutory pension.



Benefits

- old age retirement benefits
 - survivor's benefits
 - disability benefits
- promised by the employer based on the terms of employment



Pension vehicles/implementation paths

- Direct defined benefit commitment
- Retirement fund commitment
- Severance pay (“Abfertigung neu”)
- Company group insurance
- Life insurance



Requirement and legal regulation

- Employees are not automatically entitled to a corporate pension. This means that the employees need a commitment from the employer. Depending on the type of commitment, the entitlement may be made dependent on the duration of employment.
- The legal framework for company pensions is provided by the Corporate Pension Act (“Betriebspensionsgesetz”) which has been in force since July 1, 1990. It governs the claims arising from pension commitments already made by the employer.

Source: “Arbeiterkammer” Chamber of Labor

Austria – Corporate Pension

Pension vehicles - Direct defined benefit commitment



General Information

With a direct benefit commitment, the employer agrees to pay the employee or the survivors of the employee a pension directly and immediately upon a certain event (e.g. pension or death). There are 2 options for this:

1. Total pension commitment
 - This is an amount that is guaranteed after taking into account the statutory pension of the employee - for example, 80 percent of the last statutory pension payment of the employee.
2. Pension supplement
 - In contrast to the total pension commitment, the pension supplement is independent of the amount of the statutory pension.



Entitlement to benefits

- In this case, an employer may require a waiting period before making the commitment to the employee only after a certain period of time has elapsed – starting from the time the employee joined the company.
- A certain waiting period can also be agreed for the fulfillment of the commitment. However, according to the law, this period may not exceed 10 years.
- If the employment relationship ends before the end of the waiting period, the employee is not entitled to a company pension.



Vested entitlement

The amount of the vested entitlement is calculated on an actuarial basis. The result of this calculation is the so-called vested amount (“Unverfallbarkeitsbetrag” “UVB”).

For the direct defined benefit commitment the employee has various disposal options if the declaration of the “UVB” is submitted in advance:

1. Transfer of the UVB to the retirement fund, to a company group pension plan, to a group pension plan of a new or former employer, or to a pension plan without a surrender right
2. Transfer of the UVB into a direct benefit commitment of a new employer
3. Transfer of the UVB to a foreign pension institution if the employee permanently relocates his or her place of work abroad

Austria – Corporate Pension

Retirement Fund (“Pensionskassen”) - Overview



General information

- Retirement funds were first introduced in the year of 1990 in Austria
 - There are in total 8 retirement funds in Austria (5 of them are intercompany and 3 of them are company retirement funds)
 - As of the end of 2019, the 8 retirement funds in Austria managed approximately:
 - 980,000 beneficiaries
 - 24.6 bn. EUR of capital
-
- Legal form: stock corporation („Aktiengesellschaft“)
 - Concession requirement (supervision by Finanzmarktaufsicht FMA)

Retirement fund corporation



Inter-Company retirement funds:

- Minimum 5 MEUR share capital
- Beneficiaries are employees of different companies

Company retirement funds:

- Beneficiaries are employees of one company

Austria – Corporate Pension

Pension vehicles – Retirement fund commitment



General Information

- Here, the employer-pays contributions into a retirement fund on behalf of the employee during the term of employment. The employee or their surviving dependents receive a pension supplement from the retirement fund from the capital saved.
- There are 3 different forms of retirement fund commitments:
 1. Contribution-oriented retirement fund commitment:
 - In this case, the amount of the pension depends exclusively on the investment result of the contributions paid by the employer into the retirement fund.
 2. Benefit-oriented retirement fund commitment:
 - In this model, the employer guarantees a pension in a certain amount - regardless of the investment result.
 3. Mixed/hybrid model:
 - The employer guarantees the employee the amount of the "starting pension". The further development of the pension amount then depends on the capital market, similar to the defined contribution model.



Entitlement to benefits

If the employer pays contributions into a retirement fund, a maximum of 3 years may pass before the entitlement arises. The waiting period starts with the first payment of contributions.



Vested entitlement

For the retirement fund commitment the employee has various disposal options if the declaration of the "UVB" is submitted in advance:

1. Conversion of the vesting amount (UVB) into a non-contributory entitlement. This means that no more contributions are paid in.
2. Transfer of the UVB to the retirement fund, to an occupational group insurance scheme, to a group pension insurance scheme of a new or former employer or to a pension insurance scheme without surrender right.
3. Transfer of the UVB to the institution of a company pension scheme or to a company group insurance scheme in which a vested entitlement or premium-free insurance already exists. This option only exists if the new employer does not or will not offer a pension plan.

Austria – Corporate Pension

Severance Pay (“Abfertigung Neu”) - Overview



General Information

- “Abfertigung neu” has been mandatory since the beginning of 2003 (“BMSVG”)
- It applies to all employed and self employed (ASVG¹ & GSVG²)
- The employer has to pay 1,53 % of the monthly gross wage of his/her employees to a corporate pension fund.
- The corporate pension fund administers the contributions and invests them in trust under precisely defined investment rules.
- The employee’s claim is not against his/her employer, but against the corporate pension fund. It should be noted that an employer has to choose a corporate pension fund for all employees.
- The employer also has to inform its employees on reporting dates about their total claim and about the investment policies.

¹ Allgemeines Sozialversicherungsgesetz

² Gewerbliches Sozialversicherungsgesetz



Claims

- In general the employee has the right to claim their severance pay after every termination of employment. The decision about the claim is to be made within 6 months after the termination.
- The different claim options are listed below:
 - Payout of the amount in the corporate pension fund
 - Continuation of the investments in the corporate pension fund
 - Transport of the amount to a new corporate pension fund



General Information

- After 3 years of payment into the corporate pension fund there is an entitlement to payout if one of the following termination reasons exist:
 - Employer dismissal
 - Dismissal without fault
 - Justified resignation
 - Amicable dissolution of the employment relationship
 - Maternity exit

Austria – Corporate Pension

Company group insurance & life insurance



General Information

1. Company group insurance:
 - This model is a group pension insurance. It offers a corporate pension scheme like retirement funds in the form of life insurance. The employer agrees to pay premiums on behalf of the employee. When an insured event occurs, the employee then has a lifelong entitlement to a benefit.
 - In contrast to the retirement fund, the company group insurance guarantees the interest rate applicable at the time the contract is concluded.
2. Life insurance:
 - The employer pays premiums for a life insurance policy taken out for the employee or his survivor.



Entitlement to benefits

After the commitment, the employee remains entitled to the insurance benefit in any case - regardless of the duration of the employment relationship.



Vested entitlement – Company group insurance

For the company group insurance the employee has various disposal options if the declaration of the “UVB” is submitted in advance. Some of them are:

1. Conversion of the insurance into a premium-free insurance. Upon retirement, the employee receives a pension from the insurance company. The amount of the pension depends on the premiums paid, interest credited and profit shares.
2. Transfer of the UVB to the retirement fund, to an company group insurance scheme, to a group pension insurance scheme of a new or former employer, or to a pension insurance scheme without surrender right
3. Transfer of the UVB to the institution of a company pension scheme in which a vested entitlement or premium-free insurance already exists. This option only exists if the new employer does not or will not offer a corporate pension plan.

Austria – Corporate Pension

Company group insurance & life insurance



Vested entitlement – Life insurance

If the employment relationship ends before the occurrence of the benefit case, the employee's entitlement to the insurance benefit remains intact.

In contrast to the company group insurance, in this case no UVB is paid out at the end of the employment relationship, but rather the surrender value will be available. Some of the disposal options are:

1. Conversion of the insurance into a premium-free insurance. Upon retirement, the employee receives a pension from the insurance company. The amount of the pension depends on the premiums paid, interest credited and profit shares.
2. Transfer of the surrender value at the end of the employment relationship to a retirement fund, a company group insurance scheme or the group pension insurance scheme of a new employer
3. Transfer of the surrender value to a foreign pension institution if the employee permanently relocates his place of work abroad
4. Continuation of the insurance with premiums paid by the employee

Austria

Private Pension

Austria – Private Pension

Overview



General information

- As addition to the first two pillars
- Employees can choose between savings and insurance products



Pension vehicles/implementation paths

- Life insurance contract
- Premium-subsidized pension plan
- Savings
- Investment income
- Other income

Austria – Private Pension

“Prämienbegünstigte Zukunftsvorsorge”



General information

- State subsidized
- Open to all persons subject to unlimited tax liability, regardless of how old they are and whether they earn income. I.e. all employees, self-employed persons, farmers, students etc. have the right to obtain it.



Regulations

- The applicant may not already be receiving an old-age pension.
- They must also irrevocably commit to a 10-year capital commitment starting from the first deposit.
- Special regulations apply for persons older than 50 at the time of application.



Subsidization from the state

- The state subsidizes payments into a so-called "future pension plan" with a premium.
- Deposits are subsidized with a variable premium. The amount of the premium subsidization is 2,75% plus the interest rate for the building savings subsidy (“Bausparförderung”), which must be between 1,5% and 4%.



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