

Arbeitsgemeinschaft für
betriebliche Altersversorgung e. V.

2023 Update on Occupational Pensions in Germany

Last update: September 26th, 2023

Content

- Pension Reforms
 - ◆ First pillar: Rentenpaket II (Pension Package II)
 - ◆ Second pillar: Fachdialog „Stärkung der Betriebsrente“ (Expert Dialogue on Occupational Pension)
 - ◆ Third pillar: Fokusgruppe private Altersvorsorge (Focus Group Personal Pension Products)

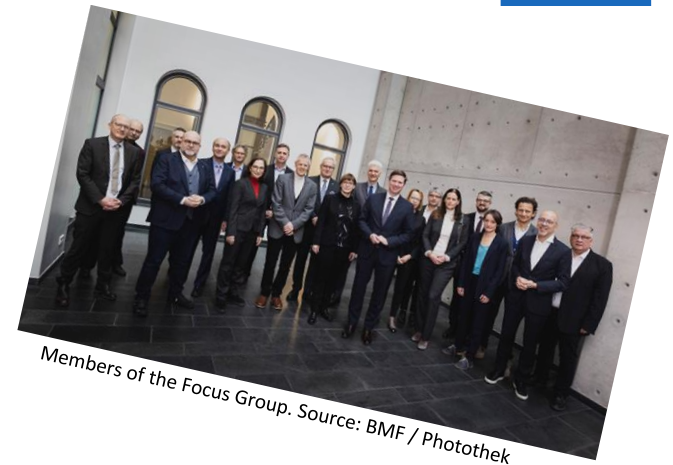
- Current challenges (selection)
 - ◆ Tax treatment: Many IORPs are unable to install solar panels on their real estate assets
 - ◆ Sustainable Finance: SFDR / Zuordnungsansatz

First pillar: Rentenpaket II

- Second mayor first pillar reform project of the current government – no corresponding bill has been presented yet (as of September 2023)
- Two main components
 - Pay-as-you-go first pillar will receive a capital stock of Euro 12bn per year from the state budget.
Goal: prevent an excessive rise of the contribution rate in the future
 - Guarantee of a minimum pension level of 48% to be extended beyond the year 2025



Second & third pillar: Expert Dialogue and Focus Group: Who?



Members of the Focus Group. Source: BMF / Photothek

	Expert Dialogue	Focus Group
Ministries	BMAS (lead), BMF	BMF (lead), BMAS, BMWK
Social Partners	DGB, BDA	DGB, BDA
Academia	2 individual scientists	6 individual scientists
Occupational Pensions	aba, AKA, VBL, VFPK, PSV	aba
Providers of Pension Products	GDV, BVI	GDV, BVI
Consumer Protection	vzbv	vzbv, Stiftung Warentest
Actuaries	IVS	
Guests (observer status)		BaFin, Chancellor's Office, DRV Bund, Bundesbank

Expert Dialogue on Occupational Pensions: What?

- Focus on **4 main areas**:

- **Improvements in labor law**

- e. g. extent of employer liability / contribution guarantee

- **Improvements in supervisory law**

- e. g. exploring investment options with the potential for higher yields

- **Improvements in tax law**

- e. g. optimization of subsidies for low-wage earners

- **Promotion of the social partner model**

- e. g. accessibility for workers not covered by a collective agreement



Expert Dialogue on Occupational Pensions: How?

- November 2022: Approx. 30 position papers (300 pages in total) were submitted and evaluated
 - [aba's position paper](#) (German, see next slide)
- Starting Dec. 2022: Ministries held separate bi- / trilateral talks with the participants to discuss specific topics
 - **aba was invited to participate in each of these sessions, aba board held a separate session with BMAS on May 2nd**
- A final round with all participants took place on May 11th
- Goal: Drafting a corresponding legislative bill



Expert Dialogue: aba's main positions (selection)

- Institutionalization of a high-level discussion group on occupational pensions including relevant ministries, social partners and experts
- Some flexibility concerning the „funding of technical provisions all times sufficient“
- Reduce complexity and increase transparency in the realm of labour law
- Improve subsidization of employers who pay contribution on behalf of their low-income employees



Focus Group Personal Pension Products: What & How?

- Task: Examining
 - Whether a publicly administered fund can/should be established
 - How
 - A) a cost-efficient and effective product with the possibility to opt out can be offered to savers
 - B) how products with a possibility of higher yields than *Riester* framework (EET + subsidies) can qualify for subsidization
- Schedule
 - Position papers were due on January 15th
 - 6 meeting were scheduled (first: January 24th, last: June 27th)
 - [Final Report](#) (German) was published on July 18, 2023



Focus Group: aba's main positions (selection)

- A third-pillar publicly administered fund with automatic enrollment for employees would cannibalize the second pillar and is consequently rejected
- Subsidization of old-age provision for low-income earners can be organized more efficiently in the second pillar
- Government should define and communicate the overall goals of its pension policy and the specific role of each pillar



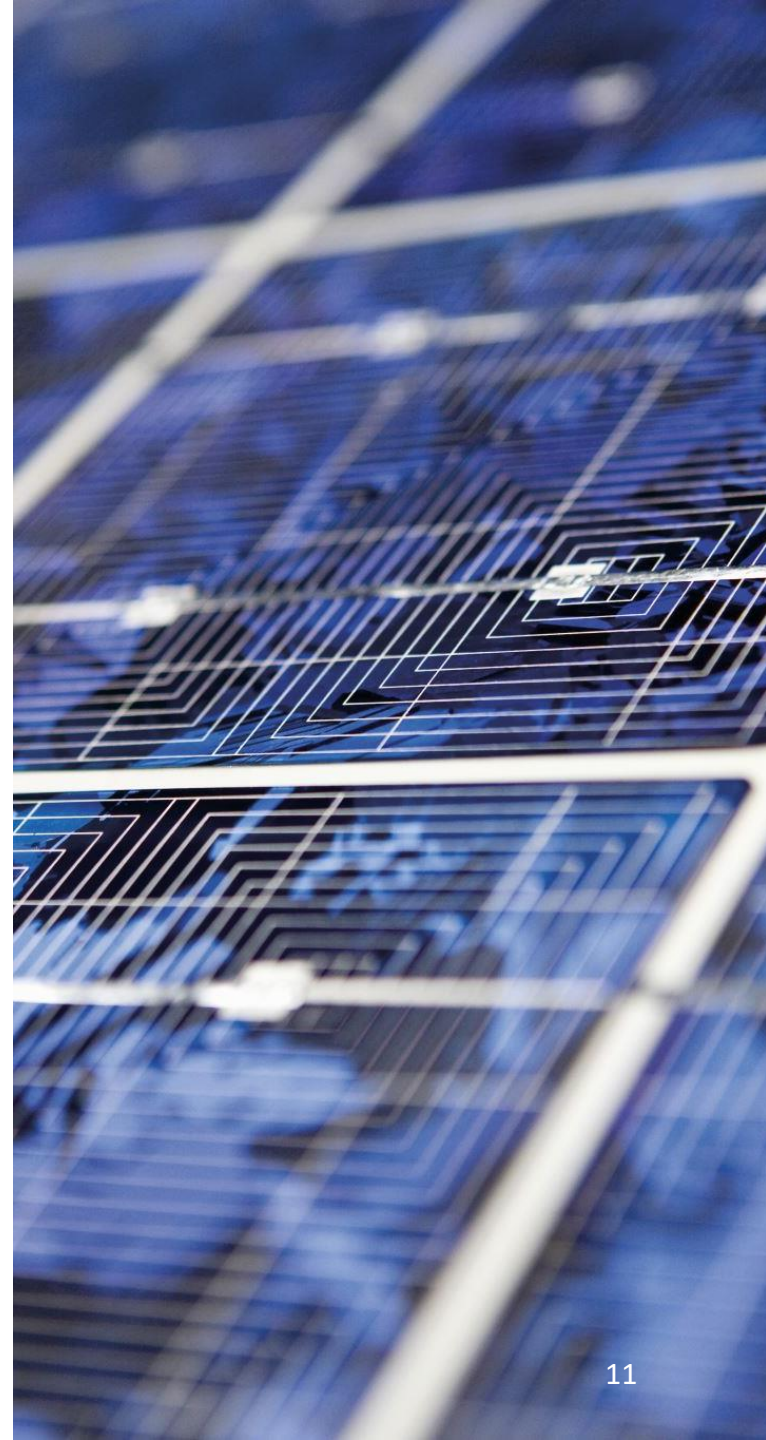
Focus Group: Final Report's Recommendations (selection)

- **Subsidization** should continue to primarily target lower income groups, young adults in vocational training and parents
- In order to be able to achieve **higher yields**, unit-linked products and pure unit-linked insurance products should no longer have a guarantee requirement (capital preservation)
- More **flexibility** in the decumulation phase: no longer a requirement for lifelong annuity or payout plan with annuity from age 85
- A **publicly administered** fund with automatic enrollment for employees is **not desirable**



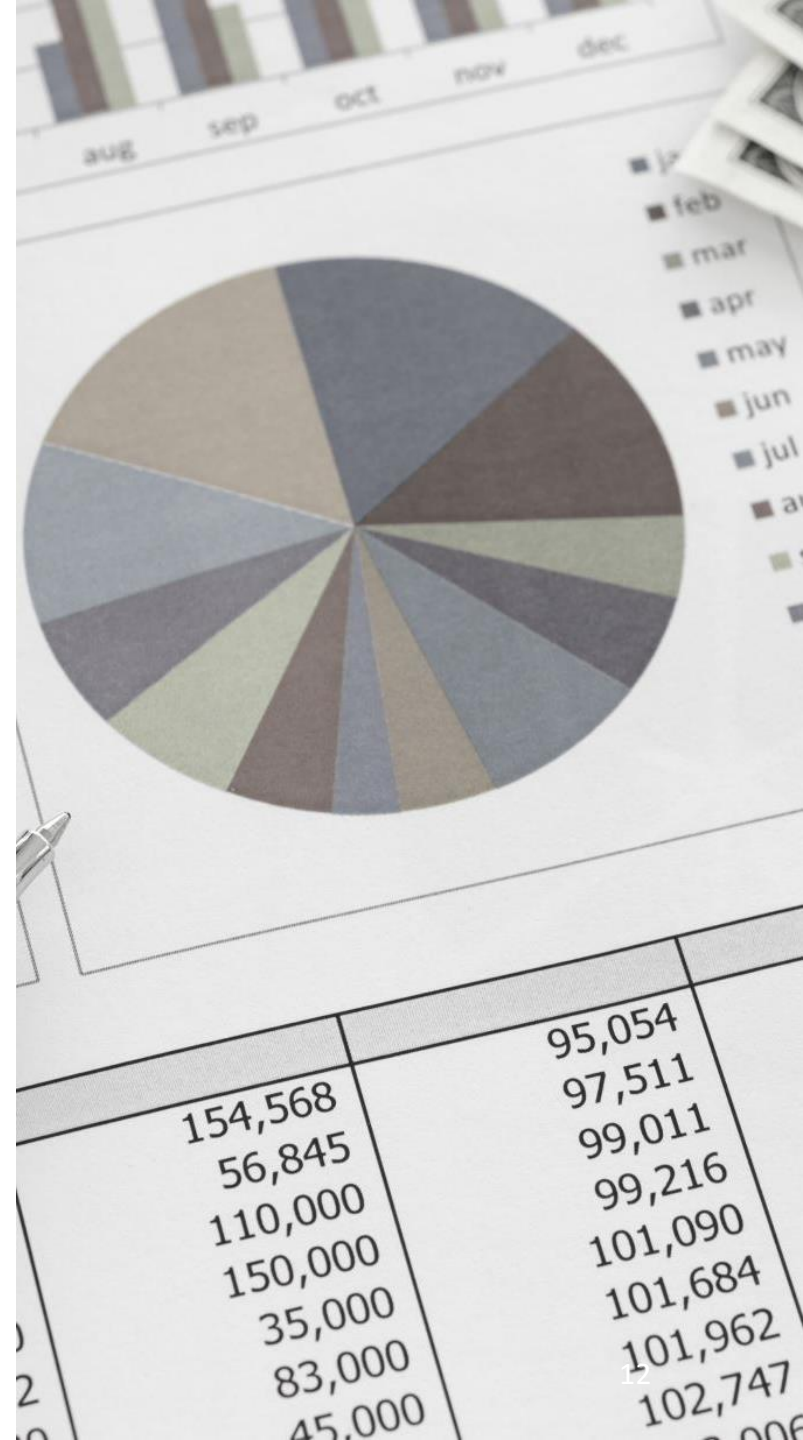
Tax treatment: Solar panels

- Many German IORPs (specifically: tax-exempt *Pensionskassen*) want to install solar panels on their real estate assets but are in practice unable to do so
 - According to German law, they lose their tax privilege if they engage in activities beyond their statutory purposes (in this case: the generation of electricity and its feeding into the grid)
- This limits the investment opportunities of IORPs, threatens to devalue their real estate assets (in some federal states, the installation of solar panels is mandatory) is also detrimental to the green transition
- aba has (so far unsuccessfully) proposed a corresponding legislative solution



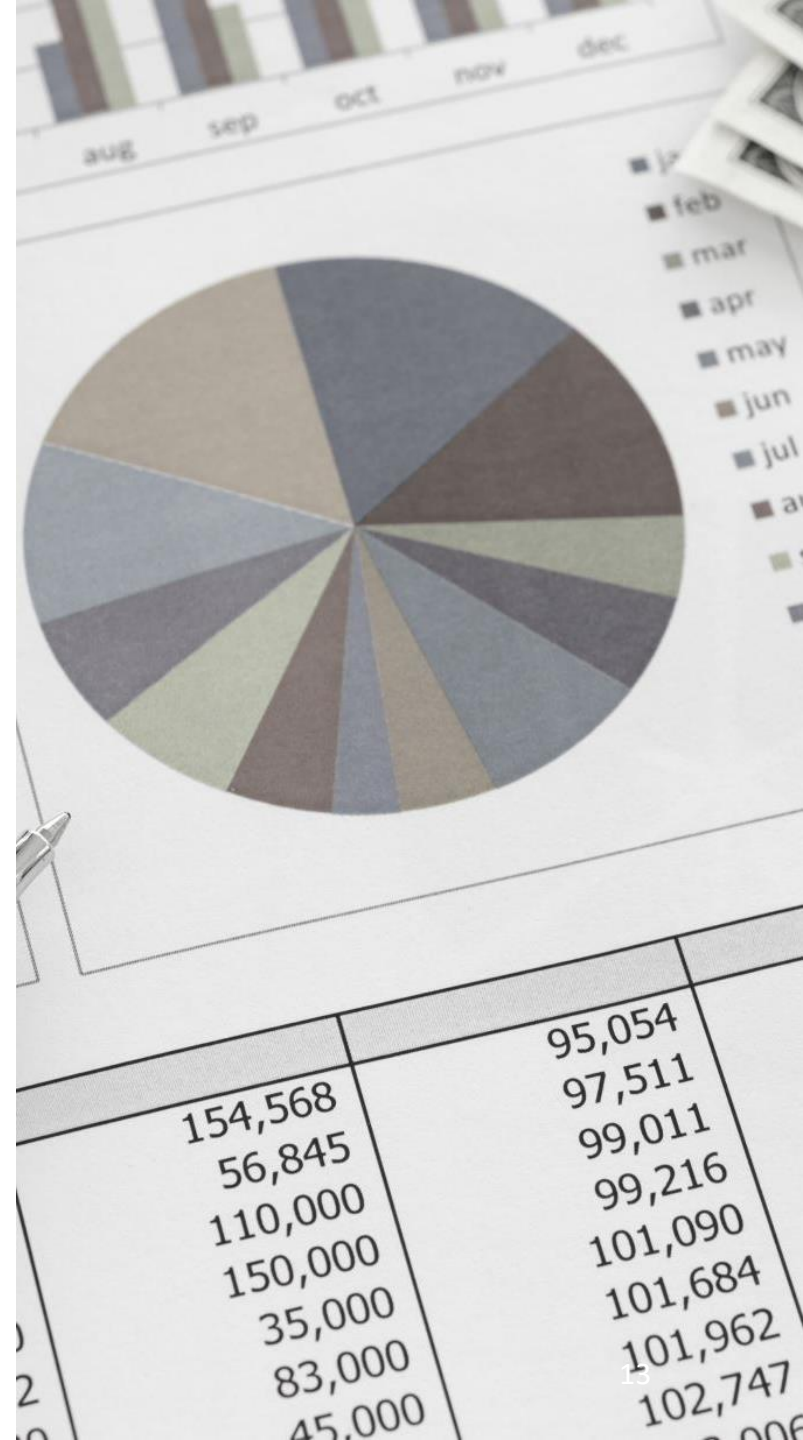
SFDR: Zuordnungsansatz I

- Problem: German *Pensionskassen* (to some extent also *Pensionsfonds*) entail a collective approach to risk sharing of their members via their security assets (*Sicherungsvermögen*)
 - As there is no one-to-one allocation of a *Pensionskasse's* non-unit-linked assets to the corresponding „financial products“, the disclosures in the Sustainable Finance Disclosure Regulation (SFDR) templates usually relate to all non-unit-linked assets
 - This renders it basically impossible to report high sustainability quotas in the SFDR's sense (short and medium term)



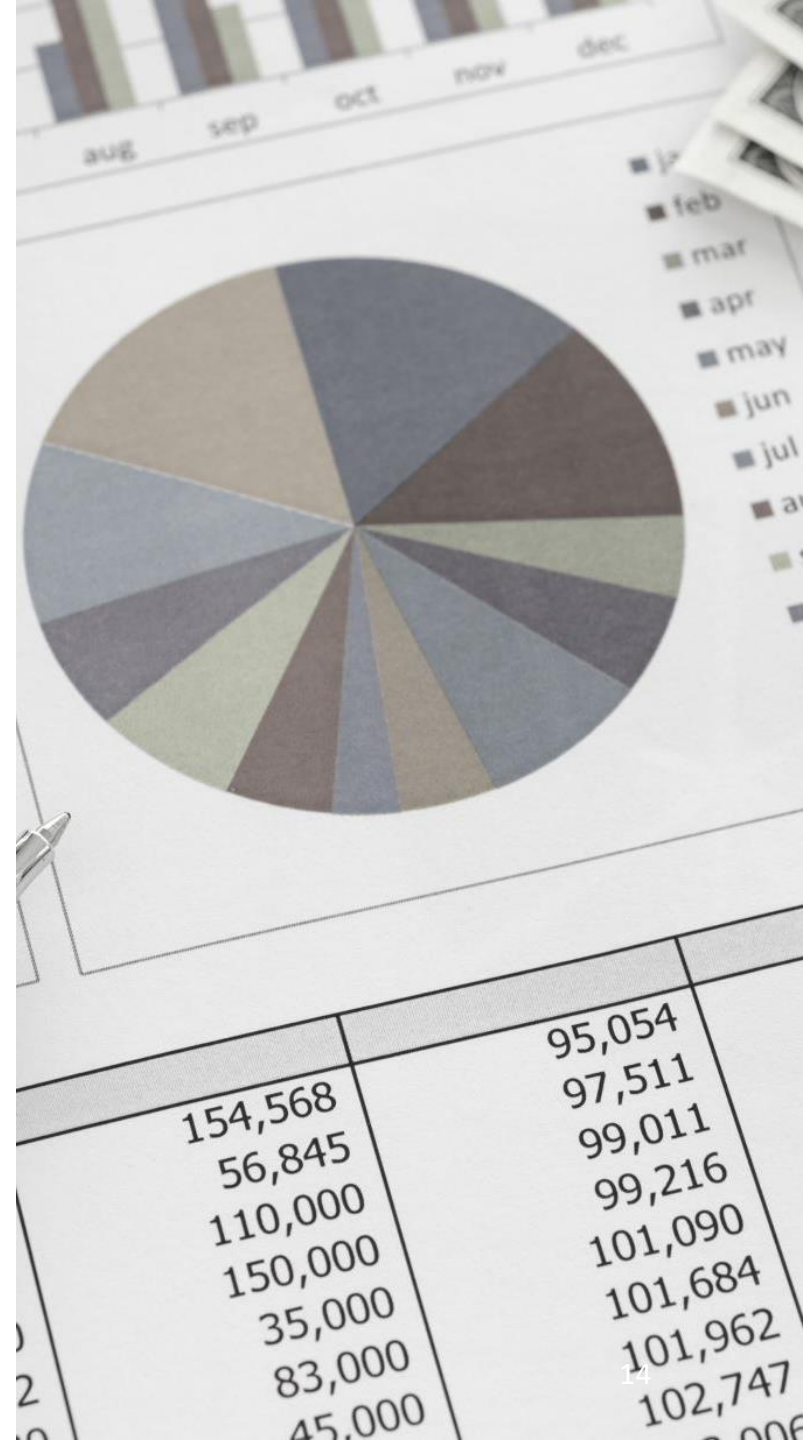
SFDR: Zuordnungsansatz II

- Solution(?): German NCA BaFin has developed an [alternative approach \(Zuordnungsansatz\)](#) that aims at enabling i.
 - a. Pensionskassen to effectively disclose their ambitions with regard to sustainability
 - Meant to be a procedure with which assets can be allocated specifically for disclosures according to Articles 8-11 SFDR
 - Applicable only to new products (on a voluntary basis – otherwise, the standard procedure applies)



SFDR: Zuordnungsansatz III

- However: the Zuordnungsansatz is being developed because of an initiative of the German insurance industry (classical German life insurance policies also have a Sicherungsvermögen)
 - Specific situation of IORPs is not always taken into account (e. g. unlike insurance companies, IORPs usually offer a single “product”)
 - It is not expected that a significant number of IORPs will use the Zuordnungsansatz for their SFDR disclosures



Thank you very much for your interest in German occupational pensions

aba Arbeitsgemeinschaft für
betriebliche Altersversorgung e.V.

Wilhelmstraße 138
10963 Berlin

Telefon 030.338 58 11-0
E-Mail info@aba-online.de

www.aba-online.de