

**DRV-Booklet**

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**Who Provides (How) for Old-age? Approach and Results of the Personal Interviews regarding the “Distribution of Pension Provision 2011”**

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Location: Berlin

As part of the pension reforms implemented at the turn of the century – especially with the Retirement Assets Act ("Altersvermögensgesetz", AVmG), the Retirement Assets Extension Act („Altersvermögensergänzungsgesetz“, AVmEG) and the Retirement Income Act („Alterseinkünftegesetz“, AltEinkG) – the legislator decided to encourage more additional contributions to private and occupational retirement provision. By the further expansion of supplementary pension provision, i. e. by a higher request of individual initiative, it is intended to compensate for the reduction of pension levels in the statutory system. Associated therewith, the federal government is obliged to draw up an annual Old-Age Security Report (“Alterssicherungsbericht”) which describes how the spread and level of government-subsidised pension provision, i. e. occupational pension provision and Riester-pension plans, develops.

Analysis regarding the spread of Riester-pension plans can be performed on the basis of administrative data stored for statistical purposes, such as contract data of the providers of retirement provision products and data collected by the Central Benefits Agency for Old-Age Affairs (“Zentrale Zulagenstelle für Altersvermögen”, ZfA); cf. Stolz / Rieckhoff 2012, Ministry of Labour

and Social Affairs (“Bundesministerium für Arbeit und Soziales”, BMAS) 2012, p. 88 et seq. On the other hand, the spread of occupational pension provision and of supplementary pension provision in the second and third tier must be recorded by surveys, because process produced data is not available, cf. Kröger et al. 2001. As already done in the run up to the 2005 and 2008 Old-Age Security Reports, the Ministry of Labour and Social Affairs (“Bundesministerium für Arbeit und Soziales”, BMAS) engaged TNS Infratest Sozialforschung to carry out a survey among employers and providers of occupational pension schemes in the run up to the 2012 Old-Age Security Report (TNS Infratest Sozialforschung 2012b). However, on the basis of this survey and of the data stored by the Central Benefits Agency for Old-Age Affairs (“Zentrale Zulagenstelle für Altersvermögen”, ZfA), the spread of occupational pension provision and Riester-pension plans can only be analysed separately. Therefore, the Ministry of Labour and Social Affairs (“Bundesministerium für Arbeit und Soziales”, BMAS) engaged TNS Infratest Sozialforschung in summer 2011, for the first time, to conduct personal interviews regarding state-subsidized, additional old-age provision as a whole.

The analysis („Verbreitung der Altersvorsorge 2011“ – TNS Infratest Sozialforschung 2012a“), consisting of a written survey based on more than 10,800 persons, disclosed a differentiated picture of compulsory and supplementary pension provision of people aged 25 to 64 in Germany, who are subject to social security contributions. The survey focused on the scope of participation in supplementary pension provision, i. e. the number of (currently operated) occupational pension plans and Riester-pension plans, the current level of the contributions, and the actual level of accrued rights.

The article begins with some remarks regarding the method of personal interviews in the field of old-age provision in general and

the presented survey in particular (part 1). Subsequently, the authors outline the basic descriptive results from the survey (part 2) and refer to the information letters sent by the pension insurance institutions and the providers of pension plans, which played an important role in the investigation (part 3). Part 4 contains a more detailed overall picture of the scope of pension provision. Finally, the authors discuss the results of the survey and draw first conclusions (part 5).

### **The Modification of the Contribution Rate Applying to the Statutory Pension Scheme by the Law Determining the Contribution Rate of 2013 (“Beitragssatzgesetz 2013”) – An “Undeserving Legal Trickery”?**

Author: Thorsten Koop

Location: Berlin

The contribution rate applying to the statutory pension scheme was lowered from 19.6 percent to 18.9 percent by the law determining the contribution rate of 2013 (“Beitragssatzgesetz 2013”) of December 5, 2012. The law marked the end of the controversial discussion about the usage of the comparatively high sustainability reserve (“Nachhaltigkeitsrücklage”) in the statutory pension scheme. The article describes the legal basis of the determination of the contribution rate in sections 158, 160 of the Social Code VI (part 1), the legislative procedure (part 2), and the contents of the law determining the contribution rate of 2013 (“Beitragssatzgesetz 2013” – part 3), and comments on the legal admissibility of a modification of the contribution rate by law instead of an ordinance according to section 160 No. 1 of the Social Code VI (part 4). Finally, the author illustrates the legal consequences that would apply if neither a law nor an ordinance would have been passed to modify the contribution rate for 2013 (part 5).

## **The Increasing Relevance of Transnational Employment Biographies and their Effects on the German Statutory Pension Scheme**

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On January 30, 2013, the Federal Office for Migration and Refugees (“Bundesamt für Migration und Flüchtlinge”, BAMF) issued the 2011 Migration Report („Migrationsbericht 2011). According to the report, the number of immigrants increased by 20 percent to 958,000 from 2010 to 2011 and, thus, reached the highest level since 2000. The complete implementation of the freedom of movement of workers on May 1<sup>st</sup>, 2011, the European Directive on the Promotion of Migration, and the difficult economic situation in some member states of the European Union (EU) are the key reasons for the high immigration rate. Due to the demographic development, and provided that the economic situation will remain stable, Germany will probably be dependent on the influx of skilled workers over the next years. At the same time, more and more Germans leave the country permanently or for a certain period. A lot of people live and work temporarily or permanently outside their countries of birth. This process is also referred to as transnationalization of (employment) biographies.

The German pension law takes foreign periods of insurance completed in an increasing number of countries into consideration when calculating statutory pensions, and vice versa. At the end of 2012, this applied to 50 countries. Since 1998, 18 countries have been added due to new social security agreements or inclusion in

the scope of European regulations. Transnational migration movements and the consideration of insurance periods completed in other countries lead to the fact that the number of insured and pensioners of the statutory pension scheme having foreign periods of insurance in their insurance records increases.

On the basis of empirical data stored by the German statutory pension scheme, the article describes the development of transnational employment biographies since 1999 and estimates the number of pensioners with foreign periods of insurance that can be expected in the future (parts 3 and 4). The authors conclude that, already today, a substantial and increasing number of pensioners have completed periods in other countries and that the number of pensions containing foreign elements will probably continue to rise in the short and medium term. Finally, the authors discuss, against the background of the empirical analyses, the consequences of the development on the assessment and for the political configuration of an adequate system of old-age provision. A short description of immigration and emigration in the last 60 years serves as a starting point for the analyses. Former migratory movements are the major factor in determining the current number of older insured and pensioners with foreign elements in their pension entitlements. They are relevant for the understanding of the recent developments affecting the retiring cohorts. In part 2 of the article, the authors describe the data basis for the empirical analyses.

## **Financial Crisis and Old-Age Provision in the Netherlands**

Author: Ulrich Bieber

A look beyond the country's borders shows that our neighbours – just as we – cannot manage without far-reaching reforms to ensure

sustainability of their public pension systems, even though they are regarded as exemplary. This does not only apply to the statutory minimum pension financed via a pay-as-you-go system. The capital market crisis, the consequential decline in interest rates, and the reduced contribution potential lead to decisive deterioration in the cover ratio of many pension funds. In order to meet the legal requirements, they have to devalue pension entitlements, increase contributions, waive adjustments of current pension payments, or even reduce pensions. This provokes strong reactions and triggers a heated public debate. The economic crisis and an increasing unemployment rate have their own distinct effect. The Dutch Government considers it necessary to carry out considerable cost reductions by cutback of the basic pension and by restrictions of the tax incentives for private pension plans.

The article describes the Dutch pension system in its basic guidelines, the current public debate, and the latest reform measures.