Company pension scheme

Occupational Pension Support Act: Company pensions are becoming more attractive

Starting on 1st January 2018, the occupational pension will be given a significantly improved framework:

New: Higher tax incentives – 8 % of earnings ceiling[1] within the scope of Section 3 No. 63 EStG (Einkommensteuergesetz/Income Tax Act of Germany)

- 4 % of earnings ceiling[1] remains free of social insurance
- The additional ceiling of EUR 1,800 is waived

New: Subsidy amount for employers

- With an additional employer contribution of EUR 240 to 480/year
- For workers with a maximum of EUR 2,200 gross salary/month
- Subsidy amount of 30 % of the employer's contribution (max. EUR 144 per year)

Riester

- Elimination of the double contribution in the occupational pension: discontinuation of sickness and long-term care insurance in the pension phase
- Increase of the basic allowance to EUR 175/year

[1] Earnings ceiling of the west statutory pension insurance.

Transfer of social insurance savings in the case of deferred compensation

- Obligation of the employer to pass on savings in social insurance (flat rate 15 % of the deferred compensation)
- New deferred compensation starting on 1st January 2019 and existing deferred compensation starting on 1st January 2022

Basic security benefits

Tax allowances for credit to basic security benefits from additional pension scheme (2017 up to around EUR 200/month)

Other changes

- Possibility of tax-free subsequent appropriation in the case of unremunerated service times. 8 % of earnings Ceiling[1] per year of service (max. 10 years)
- More diverse: 4 % of earnings Ceiling[1] can be paid in tax-free per year of service (max. 10 years of service)

Take advantage of the new possibilities in the occupational pension.

Company pension scheme

Occupational Pension Support Act: The social partner model

As of 1st January 2018, a pure contribution commitment will be possible.

Target benefits without any guarantee

- Fundamental prerequisite for the pure contribution commitment: arrangement in the collective agreement
- Implementation as target benefits without any guarantee in the implementation routes of direct insurance, pension scheme, pension fund (no capitalisation possible)
- The employer is only obliged to pay contributions; he no longer has subsidiary liability and does not have to pay PSV (Pensionssicherungsverein/Pension Insurance Association) contributions

Employer subsidy

If the pure contribution commitment is financed by way of deferred compensation, the employer has to provide a subsidy of 15 % of the deferred compensation amount in the case of social insurance savings.

Note:

- Existing tariff agreements shall continue to apply as long as the parties to the tariff agreements do not make any changes
  - The parties to the tariff agreement decide whether and in what form they shall implement the social partner model
  - Employers and employees who are not bound by a tariff may become part of a social partner model regulated by the tariff agreement if the tariff agreement allows for such an addition