IGP
international group program

IGP Country Profile 2022

Austria

Prepared by:
ERGO Versicherung AG
(in ass. with BONUS Pensionskassen AG)

Preface

This Country Profile has been prepared by **ERGO Versicherung AG** for the International Group Program (IGP).

The International Group Program (IGP) is a network of major life insurance companies (Network Partners) operating throughout the world, who work together to meet the group insurance and pension needs of international corporations and their affiliates, branches, and subsidiaries.

Since 1967, the International Group Program has been an industry leader in the field of international benefits management, serving more multinational companies than any other network. IGP is represented in around 70 countries throughout the world and is known for the flexibility and quality of service we provide to our clients.

Working closely with our headquarters' staff in Boston, our regional offices in Brussels and Singapore, IGP Network Partners offer corporate clients the advantages of experienced local insurance management coupled with the resources of a professionally trained staff that specializes in international employee benefits.

IGP is managed by John Hancock Life Insurance Company (U.S.A.), the U.S. operation of Manulife Financial Corporation, a leading financial services group based in Toronto, Canada. Manulife offers its clients a diverse range of financial protection products and wealth management services. Both Manulife Financial and John Hancock are internationally recognized brands that have stood for financial strength and integrity for more than a century.

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Your Local Link to IGP in Austria: ERGO Versicherung AG

ERGO Versicherung AG
The IGP Network Partner in Austria

ERGO Versicherung Aktiengesellschaft (herein after “ERGO”) in cooperation with the BONUS companies offers pension plans that are tailor-made and regularly updated to meet the changing needs of clients with emphasis on flexibility and reliable service. A professional team of experts provides the high standards of service and responsiveness that are required by the clients.

In 1998, VICTORIA, Hamburg Mannheimer, DKV, and D.A.S. merged to form the ERGO-Group in Germany. The ERGO-Group has about EUR 18.5 billion (USD 21 billion) in premium income and is one of the large primary insurers in Germany. The two leading rating agencies, Standard & Poor’s and Fitch have assessed ERGO Group AG financial strength as A and AA-, respectively. In April 2012 VICTORIA-VOLKSBANKEN Versicherungsaktiengesellschaft in Austria rebranded into ERGO Versicherung Aktiengesellschaft.

ERGO (former VICTORIA) has been an IGP Network Partner since 1967.

Key Products

Life
- Life
- Accidental Death and Disability
- Widow’s and Orphans’ Pensions

Disability
- Long-Term Disability
- Waiver of Premium

Pensions
- Insured Pensions

Other
- Group Personal Accident
- Travel Accident

Introduction:

In Austria, Social Security started in 1889 with the Health Insurance Act for Workers. In 1956, the Austrian Social Security Act was introduced. It now exists in the version of the 90th Amendment; new amendments change the Social Security Contribution Ceiling, the increase of pensions, and regular legal changes within the Social Security System.

A Social Security Contribution Ceiling (SSCC)[1] for Social Security benefits is set by the Federal Government and is adjusted each year. For 2022 the SSCC is € 79,380 (i.e., 14 times the monthly ceiling of € 5,670).

The SSCC applies to contributions for old age, survivors', and disability pensions, as well as for accident and sickness insurance.

Social Security Contributions:

Retirement Benefits:

Contributions up to the SSCC for retirement, death, and disability benefits are as follows:

Employer	12.55 %
Employee	10.25 %
Total	22.80 %

Medical Benefits:

For 2022, the monthly contribution ceiling for sickness and medical benefits is € 5,670. (Annual ceiling is equal to € 79,380 or 14 times the monthly ceiling). Contributions up to this ceiling are as follows:

	Employer	Employee
Hourly paid workers	3.78%	3.87%
Salaried employees	3.78%	3.87%

Occupational Accident Insurance:

Employer pays 1.20% of total payroll up to the Death and Disability SSCC (equal to € 79,380 for 2022).

[1] SSCC = set up by the Ministry of Labor, Social Affairs, Health and Consumer Protection and applies to the active period. ("Höchstbeitragsgrundlage")

DEATH BENEFITS	
Social Security Benefits	**Customary Private Employee Benefits**
Waiting period: • 180 months of contribution payments or • 300 months of insurance or • 60 months of contribution payments within the last 120 calendar months (number of required months is increased in case of disability after age 50) or • 6 months of insurance in case of death before age 27 or immediately in case of death due to an occupational accident or occupational illness **a) Spouse's Pension:** The spouse's pension shall amount up to 60% of the deceased spouse's direct pension. Spouse's pension = (70 - 30 x PPCB[2] widow(er) PPCB deceased) $\leq$ 60. **b) Remarriage:** In the case of remarriage, the spouse's pension terminates with a lump sum payment equal to 35 times the monthly spouse's pension, if the pension payment initially has not been limited. **c) Orphans' Pension:** 40% (60% for full orphan) of the pension of the widow/ widower (calculation basis is a widow's/widower's pension of 60% of the deceased' pension), payable if younger than age 18 or in exceptional cases until age 27 if the person is a student enrolled for university studies "in a serious and purposeful way" (application needed).	Please see info under Retirement Benefits.

[2] Personal Pension Computation Basis

DISABILITY BENEFITS	
Social Security Benefits	**Customary Private Employee Benefits**
The rules governing the new scheme entered into force on January 1, 2014. An invalidity or occupational disability pension is awarded only when the claimants' disability or incapacity to work is permanent and not when it is temporary. The term **'invalidity'** (Invalidität) is used for blue-collar workers and the term **'occupational disability'** (Berufsunfähigkeit) for white-collar workers. The temporary invalidity pension has been abolished for all workers born after December 31, 1963. The previously applicable scheme has remained unchanged for all workers born before that date. The new invalidity pension scheme is intended to reduce the number of invalidity pensions and increase the labour market integration of people with health issues. For this purpose, medical and occupational rehabilitation measures are provided, their advantage being that the workers affected can be reintegrated into the labour market, which in turn means that they enter retirement later and consequently receive higher pension benefits. If someone is temporarily seriously ill and cannot work, i.e. is incapacitated, she/he will obtain medical treatment and rehabilitation benefits from the health insurance fund (Österreichische Gesundheitskasse) and – where appropriate – medical rehabilitation under the social pension insurance scheme. Who is no longer able to perform her/his job due to illness will be retrained by the public employment service in a comparable job, i.e. she/he will enter occupational rehabilitation programmes and receive retraining benefits. Basically, these measures are only available to insured who have learned and performed a skilled trade or profession, i.e. who are entitled to placement in their former occupation (Berufsschutz). Unskilled workers do not enjoy Berufsschutz and may thus be placed in any job available in the labour market. Retraining ought to make sense in view of a person's health situation and open up employment opportunities.	Please see info under Retirement Benefits.

Social Security Disability Benefits – Additional Information

Assessment procedure for the new invalidity pension scheme

In order to determine whether a worker suffers from invalidity or occupational disability, a medical examination is required.

Options for occupational rehabilitation are considered first, and only afterwards a decision will be taken on whether to award pension benefits.

If the medical examination finds that invalidity or occupational disability is of a temporary nature, but will last at least six months, insured born on or after January 1, 1964 will be paid rehabilitation benefits by the health insurance fund or retraining benefits by the public employment service in lieu of fixed-term invalidity pension benefits. No later than one year after being awarded rehabilitation benefits or after having been last examined by a doctor, insured will undergo further examination to ascertain whether they still suffer from temporary disability.

Insured are legally entitled to rehabilitation if they 'probably' meet the criteria for invalidity or occupational disability pension in the foreseeable future; in all other cases, rehabilitation is one of the tasks within the mandate of the pension insurance, i.e. a voluntary benefit awarded on a case-by-case basis without any underlying legal entitlement.

A special center has been established to ensure harmonized standards for the required medical reports: the 'assessment competence center' (Kompetenzzentrum Begutachtung). The related official decisions are issued by the competent social pension insurers.

Health insurance funds have case managers to support and assist benefit claimants during convalescence. Following needs assessment, a case manager draws up an individual healthcare provision plan (Versorgungsplan) for the benefit claimant in question. Insured are required to undergo regular assessments at the assessment competence center. No later than one year after being awarded rehabilitation benefits or after having been last examined by a doctor, insured will undergo further examination to ascertain whether they still suffer from temporary disability.

MEDICAL BENEFITS	
Social Security Benefits	**Customary Private Employee Benefits**
Membership in one of the sickness funds is compulsory for all hourly paid workers and salaried employees. a) Sickness compensation for salaried employees and wage earners. The sickness benefits are normally payable for 26 weeks; an extension to 78 weeks is possible under special conditions. State sickness funds pay cash benefit after a 3-day waiting period for hourly paid employees and a 42-day waiting period for salaried employees. Hourly paid workers receive 50% of earnings up to the 42nd day, after which all employees receive 60% of normal pay for up to an additional 78 days. However, the payment of sickness compensation is suspended, if the employee is legally entitled to more than 50% of his or her wages/salary. <u>i. Salaried employees:</u> The employer is required by law to pay 100% of salary for 6 to 12 weeks depending on the employee's length of service with the company, then the employer and the sickness fund each pay 50% of salary for an additional 4 weeks. Thereafter, the sickness fund continues to pay sickness benefits equal to 50% of covered earnings. <u>ii. Hourly paid workers:</u> If the worker has been employed for at least two weeks, the company is required by law to pay 100% of salary for four to ten weeks, depending on the worker's length of service with the company. The sickness fund then pays sickness benefits equal to 50% of covered earnings. b) Medical <u>i. Employees:</u> Covers treatments ordinarily provided by doctors, hospitals, and chemists under contract to the sickness funds (and reimbursed directly by the funds), with unlimited duration. Depending on the tariffs of the locally responsible Social Security Carrier, every hospitalized patient is obliged to pay a deductible between € 12 and € 20 (2022) per day for the first 28 days of hospitalization. After that, hospitalization is cost-free. ii. <u>Dependents:</u> Same benefits as for insured, but obligation to pay a deductible of about € 20 (2022) per day for the first 28 days of hospitalization. After that, hospitalization is cost-free. iii. <u>Maternity:</u> The average earnings during the last three months, payable for eight weeks prior to and eight weeks after confinement. Transport to and from the hospital shall be paid; hospitalization shall also be covered.	N/A

RETIREMENT BENEFITS	
Social Security Benefits	**Customary Private Employee Benefits**
Types of Retirement Benefits: a) Retirement pension (old age pension) b) Early retirement with long-term service (discontinued as from July 1, 2004) Amount of Benefits: **Regulations for men and women born before 1955** a) The following components provide the basis for pension calculation: i. The number of insurance months: insurance months include both contribution months and substitution months. ii. The percentage assessment as a result of the number of contribution months. iii. The basis of assessment, the so-called Personal Pension Computation Basis (PPCB)[3]. b) For men and women, who fulfil the social requirements in the year 2016, the PPCB is equal to the average of the revalued monthly earnings up to the SSCC of the best 336 calendar months, depending on the contributory period. This number of calendar months is increased annually by twelve-month increments (for example 2022: 408) up to 480 months in 2028. Periods of child education cause a reduction of 36 months per child. c) Based on the components described above, the pension is calculated as follows: i. For every 12 insurance months, 1.78% of the PPCB shall be granted, regardless of the timely positioning of the insurance periods. For early retirement, a deduction of 4.2% of the PPCB for each year of earlier retirement up to a maximum of 15% of the PPCB is calculated. ii. For disability benefits, a projection period up to age 60 (of the insured) is granted (maximum 60% of PPCB). d) Insurance periods resulting from foreign service: Based on international social insurance agreements, the acquired insurance periods resulting from foreign service shall also be recognized in the computation of pensions. A fictional pension is calculated, based on all acquired insurance periods; the retiree is entitled to a partial pension the amount of which corresponds to the relation between the national and the sum of all insurance periods. Employees of companies headquartered in Austria are considered as being insured in Austria if their foreign service does not exceed two years; exceptions are France and Portugal (one year) and the USA (five years).	Defined Contribution Scheme Contributions are defined as a percentage of a defined salary basis and are paid to an external provider such as a Pensionskasse or an insurance company (direct insurance, Occupational Collective Insurance). See page 14. The defined contribution scheme is independent from the granting company, thus no book reserves required. Examples of defined contributions schemes: Contributions: 300 EUR per person and year (direct insurance) 10 % of creditable salary (tax maximum for Pensionskasse and Occupational Collective Insurance) Benefits: Retirement pension and dependents´ pensions must be provided, disability pensions are an option. With regard to Pensionskasse and Occupational Collective Insurance lump sum payments are only allowed if the accrued amount is lower than EUR 13,200 (2022). Defined Benefit Scheme Defined benefit pension plans promise pension benefits in a pre-defined amount. However, those solutions are highly uncommon and have recently only been implemented in case of a transfer of an existing benefit promise to the Pensionskasse. Examples of defined benefit schemes: Retirement Age Pension (Old Age Pension) 0.0% - 0.3% of salary up to the SSCC, plus 1.00% - 1.75% of salary above the SSCC for each year creditable under the pension plan, calculated on the basis of final salary or final average salary of the last three, five, or ten years. Widow's/Widower's Pension 60% of projected old age pension. The pension ceases upon remarriage. Orphans' Pension For orphans under age 18 (age 27 if student), - Half Orphans: 10% - 20% of the projected old age pension - Full Orphans: 20% - 40% of the projected old age pension Total dependents' pensions limited to 100% of the projected old age pension. Disability Pension In most cases, 100% of the projected old age pension.

[3] PPCB = serves as a basis for the computation of pensions and is therefore calculated individually.
("Höchstbemessungsgrundlage"); the maximum PPCB in 2022 for 336 calendar months is € 4,658.77 per month.

RETIREMENT BENEFITS	
Social Security Benefits	**Customary Private Employee Benefits**
International agreements regarding the recognition of insurance periods during foreign service exist with Australia, Belgium, Bulgaria, Canada, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Great Britain, Greece, Hungary, Iceland, Ireland, Israel, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, the Netherlands, Norway, the Philippines, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, Switzerland, Tunisia, Turkey, and the United States. **New Regulations for men and women born after January 1, 1995** For each insured born after January 1, 1955, a personal pension account was created. Since 2005 the contribution bases of all insurance periods have already been covered under this account. As per January 1, 2014, also insurance periods before 2005 have been retroactively considered for this account by converting previous contribution payments and insurance months to a so called first account credit ("Kontoerstgutschrift"). Therefore, the pension account now covers all insurance periods by summing up the amount of the acquired contributions since 2005 and the first account credit for periods before 2005. The total amount shall be multiplied with 1.78 % to calculate the amount of the future old age pension. Every year new contribution payments shall be added and – again multiplied with 1.78 % - be credited to the pension account (additional part credit). The total credit results from the amount of all part credits. This total credit represents the gross pension.	

Social Security Retirement Benefits – Additional Information

General Qualifying Criteria:

A general requirement for retirement benefits is the fulfillment of the waiting period.

Retirement Pension:

Age 65 for males and age 60 for females, with:
180 months of contribution payments or

- 180 insurance months within the last 360 calendar months; or
- 300 insurance months; or
- Only for men and women born after January 1, 1955 (effective since January 1, 2005): 180 Insurance months since 2005 (because of at least 84 months of employment) before retirement.
- The age limit for normal retirement of female employees will be increased annually by six months from the beginning of 2024 until the year 2033.

Insurance months are contribution months or substitution months.

Contribution months are months during which a contribution payment was actually made; substitution months are contribution-free periods which, under certain circumstances, can also count as creditable basis.

Substitution months are periods of school attendance or university studies, war service (World War I and II), periods of child education and protection of motherhood, unemployment periods, military service, periods during which medical compensation of any kind had been received, and periods of employment as an expatriate.

The 1992 Federal Constitutional Act governs the gradual alignment of the different age limits required for female and male insured to qualify for old-age pensions. The current retirement age for women that qualifies them for old-age pension – 60 years – will be aligned with that of men – 65 years – beginning on January 1, 2024 (till 2033 it will be raised by 6 months a year). This means that all women born on or after December 2, 1963 will be subject to higher qualifying ages for old-age pension benefits.

Increased retirement age in calendar year	Retirement age	Female insured born on or before DD.MM.YYYY are subject to an increase in retirement age
2024	60 years + 6 months	01.06.1964
2025	61 years	01.12.1964
2026	61 years + 6 months	01.06.1965
2027	62 years	01.12.1965
2028	62 years + 6 months	01.06.1966
2029	63 years	01.12.1966
2030	63 years + 6 months	01.06.1967
2031	64 years	01.12.1967
2032	64 years + 6 months	01.06.1968
2033	65 years	For all women born on or after June 2, 1968 retirement age will be reached on their 65th birthday.

Early Retirement Schemes:

Early retirement on grounds of long-term insurance periods

This early retirement scheme (Vorzeitige Alterspension bei langer Versicherungsdauer) has been phased out and was only accessible to certain age groups, i.e. to women born before 1 Oct 1957 and to men born before October 1, 1952. Beneficiaries of this pension scheme had to reckon with deductions.

Depending on the cut-off date for retirement, a minimum number of contribution months had to be accrued under a compulsory social insurance scheme or a minimum number of insurance months that were creditable towards pension amounts. The number of required contribution or insurance months was gradually increased till 2017. For cut-off dates in 2017, 450 contribution months under compulsory insurance schemes (i.e. 37.5 years) or 480 insurance months (i.e. 40 years) were required.

The so-called 'pension on grounds of long-term insurance contributions' (Langzeitversicherungspension or 'Hacklerregelung') is another form of early retirement scheme.

Early retirement subject to long-term insurance contributions ('Hacklerregelung')
To qualify for this pension, different conditions must be met by different age cohorts of 'Hackler' (i.e. workers with long-term insurance contributions):

- Men born before January 1, 1954 must have completed their 60th year and have a history of 540 contribution months, i.e. 45 years.
- Women born before January 1, 1959 must have completed their 55th year and have a history of 480 contribution months, i.e. 40 years.
- Men born on or after January 1, 1954 must have completed their 62nd year and have a history of 540 contribution months.
- For women born on or after January 1, 1959, eligibility criteria will be gradually tightened.
- Information on what is considered to be a contribution month, as well as more detailed information, can be obtained from the Federation of Austrian Social Insurance Institutions (Hauptverband der Sozialversicherung), the individual insurance institutions and the Social Affairs Ministry.

Manual labour pensions (Schwerarbeitspension)
This pension scheme enables those performing physically hard work to enter retirement under the General Pensions Act before reaching statutory retirement age.

This pension benefit is also available to insured born before January 1, 1955.

The contingency for both men and women occurs when they complete their 60th year, thus being insignificant for female workers at present.

The minimum insurance period is 540 insurance months as defined by the General Pensions Act and related social insurance legislation. Of these, at least 120 months within the past 240 calendar months prior to the cut-off date must have been spent in physically hard work.

The Social Affairs Ministry has issued an ordinance defining the working conditions recognized as physically hard work in a calendar month.

Corridor pensions (Korridorpension)
Under this scheme, old-age pension benefits can be claimed with corresponding deductions before reaching statutory retirement age provided that insured have a long insurance record.

Eligibility criteria for men and women under this scheme are the same. They may only retire after having completed their 62nd year.

Therefore, this type of pension will be of relevance to women only in 2028 and later. Before that year, women may claim old-age pension or early retirement pension on grounds of long-term insurance periods before completing their 62nd year.

To qualify for corridor pension benefits, claimants are required as of 2017 to have a history of 480 insurance months or 40 insurance years when they turn 62.

Payment and Adjustment of Pensions:

Pensions are payable 14 times per year and are adjusted annually by a factor reflecting the consumer price index and the wage index. Pensions shall be paid subsequently for every month, on the first day of the following month.

The exact increase percentage is determined by the Federal Ministry of Labour, Social Affairs, Health and Consumer Protection.

Monthly pension bracket in EURO	Increase as per January 2022
< 1,000.00	3.00 %
1,000.01 – 1,300.00	3.00 % -1.80 %
>1,300.01	1.80 %

Private Retirement Benefits – Additional Information

Funding of schemes:

a) Direct Insurance ("Direktversicherung"):

The employer, as the policyholder, insures the benefits through a life insurance company. The employee has a direct legal entitlement to the benefits from the insurer. Systematic financing is made by the employer's (or possibly the employee's) insurance premiums. § 3 (1) 15 Income Tax Act stipulates a maximum tax free contribution of € 300 p.a. and per person. Direct insurance has become a very common vehicle for deferred compensation solutions. Direct insurance is only used for simple defined contribution schemes.

b) Pensionskasse:

The employer provides benefits by contributing to a Pensionskasse. Contributions must not exceed 10 % of the participating employees' salary sum. In addition to the employer's contributions the employee may voluntarily pay own contributions. An increasing number of pension plans foresee "matching contributions". This feature encourages employees to pay own contributions by increasing the employer's contributions by the same amount as the employees' contributions.

The Pensionskasse is a legally autonomous institute, comparable to a life insurance company that insures occupational benefits. A Pensionskasse can be operated for employees of one sponsor-company only, or as an open entity that may be used by several interested companies. The basic requirement for both is that a minimum number of 1,000 employees must be covered in the Pensionskasse. Multi-employer Pensionskassen must have a minimum of € 5 million in corporate assets; for single employer Pensionskassen the normal requirement for stock companies is at least € 70,000.

Pensionskassen and their investment practices are closely regulated by the Financial Market Authority. Employees have a direct legal entitlement to the benefits within the Pensionskasse. Pension assets are separated from the company's balance sheet and are secured against the insolvency of the sponsor company.

The benefit promise must include:
- Old Age Pension;
- Widow's/Widower's Pension;
- Orphans' Pension;

Disability benefits may be added but are not compulsory.

Administration:
- A contract between the employee representative (workers council) and the employer. If a worker's council does not exist, the employer closes single contracts with the employees, based on a draft contract that must be approved by the employees.
- Contract between the employer and the Pensionskasse.

Taxation:
See page 19.

Non-discrimination :
The general principle of non-discrimination within the Austrian Labor Law has been intensified and specified for Pensionskassen in § 18 of the Company Pension Act. This

means that basically all employees of an employer must be given access to the Pensionskasse. Differentiation must not be made in a non-factual and arbitrary way.

Life Cycle Model:
On one hand, the underlying assumption of the Pensionkasse Act is that all employees and pensioners grouped in one investment and risk group share a common investment strategy. On the other hand, the attitude towards risk differs among active employees and pensioners as well as among employees of different age. In order to meet the need for differentiated investment strategies, BONUS Pensionskassen Aktiengesellschaft implemented the Life Cycle Model as of January 1, 2006.

Each employee may choose the appropriate investment and risk group according to his individual risk tolerance. Consequently, each employee of a company will be administered in one of the three investment and risk groups depending on his individual choice. Each investment and risk group differs in the portfolio's amount of stock. The following three investment and risk groups (VRG) can be distinguished:

- a dynamic VRG with equity share between 34% and 59%,
- a balanced VRG with equity share between 20% and 36% and,
- a defensive VRG with 10% to 18% shares.

The employee has the possibility to switch from one VRG to another. Legal restrictions limit the number of possible switches. Currently, (2022) in total 3 changes before retirement are possible.

c) Occupational Collective Insurance – OCI („Betriebliche Kollektivversicherung“- BKV):

This insurance product is a direct insurance whose features are closely related to the regulations for Pensionskassen. Furthermore, the tax treatment of contributions and benefits are similar to the Pensionskasse. The Occupational Collective Insurance as a defined contribution scheme is based on defined regular employer's contributions. The Occupational Collective Insurance is also possible within a defined benefit scheme. The employee may contribute as well.

The financed future benefits are old age pension (payable for lifetime); dependents' pensions and disability pension (optional). For insurance contracts in 2022, a technical interest rate of 0.0% is guaranteed (plus profit sharing). All employee benefits are vested immediately.

The investment practices are regulated by the Insurance Supervisory Act (VAG). It stipulates a maximum ceiling for the assets invested in common stock of 30%. In addition, an advisory committee consisting of 4 members must be established. This committee consists of 2 representatives of the insured employees and 2 representatives of the insurance company.

The regulations on benefits, administration, taxation, and non-discrimination correspond to those of the "Pensionskasse".

Due to legal amendments in 2013 a combination of the Occupational Collective Insurance (OCI) and the "Pensionskasse" is possible.

- employees already participating in Pensionskasse may vote for a voluntary individual switch from the "Pensionskasse" to the OCI when reaching age 55 or later, at retirement date at the latest.
- new hires and all newly eligible pension plan participants can decide the preferred pension provider ("Pensionskasse" or OCI) right from the beginning.

In this case any employee can choose his preferred solution:

- the "Pensionskasse" with all risks and chances of a diversified investment on international capital markets and no guarantees or
- the OCI with guaranteed interest rates and mortality tables and limited profit sharing.

Comparison « Pensionskasse » vs. Occupational Collective Insurance (BKV)

	Occupational Collective Insurance	« Pensionskasse »
	Insurance product acc. VAG[4] and BPG[5]; group insurance	Pension Fund solution acc. to PKG[6] and BPG
Benefits	Life-long (early) retirement benefits and dependants' benefits Optional: disability benefits	
Information	Account statement (yearly), performance reports (quarterly)	
Asset Management	According to VAG: Valuation of the assets with their acquisition value.	According to PKG: valuation of the assets with their adjusted historical costs.
Taxation	See page 19.	See page 19.
Labour Law regulations	Equality of treatment acc. to BPG required. Conclusion by means of collective contract, company agreement or individual contract acc. to draft contract.	
Vesting	Immediate vesting	Vesting period of max. 3 years
Guarantee	No changes of mortality tables. Guaranteed interest rate of 0.0 % (2022). Limited profit share.	Mortality tables change every 8-10 years (new mortality tables as per 2020). No investment guarantee. Profit and losses are fully credited to pension accounts.

d) Direct benefit promise:

The direct benefit promise constitutes a commitment of the employer to pay pension benefits to certain employees. Additionally, a lump sum payment, amounting to one to three annual salaries, is often granted.

If the employer has made a benefit promise to his employees, he must build up book reserves corresponding to the incurred liabilities. The value of future benefits is accumulated on the liability side of the balance sheet during the time prior to retirement. It must be emphasized that this financing method does not represent actual funding for the simple reason that no money is set aside. The book reserves only reflect the employer's future liability, while any pensions falling due are paid out of the employer's current portfolio.

If an employee dies or becomes disabled, the book reserves accumulated for him or her until that time must be completed to the full value of either the disability pension or the widow's/widower's pension.

The date at which such pre-retirement benefits fall due is uncertain. Therefore, many companies take out partial or full reinsurance to avoid the risk of premature benefit payments. This funding method is called "Indirect Insurance" ("Rückdeckungsversicherung").

Group Life Insurance:
Partial reinsurance of book reserved pension plans is common. Companies take out indirect insurance to cover the risk of premature death, or disability, whereby the present value of dependents' pensions is usually insured by annual renewable term life insurance. Full reinsurance is becoming more and more common, especially for smaller companies.

[4] **V**ersicherungs**a**ufsichts**g**esetz = Insurance Supervisory Act
[5] **B**etriebs**p**ensions**g**esetz = Company Pension Act
[6] **P**ensions**k**assen**g**esetz = Pension Fund Act

Other Social Security Benefits

Occupational Accident Insurance

Coverage:

All employed and self-employed persons are covered for accidents at work, in transit, and for occupational diseases.

Benefits:

a) Disability (Incapacity to work)

i. A permanent disability benefit is equal to 2/3 of total earnings during the final year of employment prior to the disability. A partial disability benefit is equal to a proportionate percentage corresponding to the loss of earning capacity. A child's supplement is equal to 10% of the benefit for each child under age 18 (age 27 if a student, no age limit if an invalid) up to a maximum of € 76.31. A supplementary benefit is equal to 1/3 of earnings as an allowance in case the disablement leads to total indigence.

ii. Temporary Disability - Sickness Compensation: If a claim to sickness compensation does exist because of occupational accident or occupational disease, the disability benefit shall be paid after the payment of sickness compensation has ended, but not later than the 27th week after the occurrence of the event insured.

iii. Medical Benefits: Comprehensive care (first 28 days are provided under sickness insurance).

b) Death

i. Funeral Grant - 1/15 of the last annual earnings up to the SSCC.

ii. Widow's Pension - 40% of insured's earnings if above age 60 or invalid, 20% otherwise. Also payable to dependent widower.

iii. Orphans' Pension - 20% of earnings for each orphan (30% for full orphan). A maximum survivors' pension of 80% of earnings will be paid for 14 months per year (annual adjustment).

Legally Required Termination Benefits

Regulation for employees hired until December 31, 2002:

Every employee is legally entitled to severance payments after uninterrupted employment of at least three years with one employer.

The entitlement occurs, for example, if:
- The employer dismisses the employee after three years of employment.
- The employee retires after ten years of employment.
- The employee dies; in which case, the heirs receive 50% of the respective entitlement.
- An employee gives (after an uninterrupted five years' period of service) her resignation three months before the end of maternity leave at the latest. The employee is then entitled to half her original severance payment claim, but three-monthly salaries as a maximum.

The amount of severance payment is calculated based on two components:
a) The uninterrupted period of employment, and
b) a multiple of the monthly salary (i.e., 1/12 of the last annual gross salary including special payments).

Number of Years of Service	Number of Monthly Salaries
3	2
5	3
10	4
15	6
20	9
25	12

Termination benefits must be paid by the employer. The employer had to build up book reserves amounting to 50% of the existing termination benefit liabilities. These book reserves are now reduced to 40%. Half the book reserve value must be covered by Austrian bonds/securities — as per the tax law requirement. This coverage can now be resolved in five 10% steps. In some cases, companies still prefer to reinsure their termination benefit liabilities.

Regulation for all hires as from January 1, 2003:

As of July 1, 2002, the BMSVG[7] introduces a defined contribution scheme for all employees as of that date. From the first day of employment, the employer must pay a fixed contribution of 1.53% of the employee's gross salary. The regulation features the following cornerstones:

a) Valid for all employment relationships.

b) 1.53% of the gross salary shall be paid to a Betriebliche Vorsorgekasse (BVK); company expense for employer, tax-free contribution for employee.

c) The accrued capital shall be guaranteed.

d) The payments shall be accrued until retirement and be available as a pension (tax-free) or as a lump sum payment (taxed at 6%).

e) No book reserves, no company internal coverage (re-insurance, etc.)

f) Involvement of works councils and unions in choice of BVK.

g) Transfers from the old to the new system are permitted, and there are many options to do this. The employer can do a "complete" transfer or "freeze" the old entitlement and make all future contributions to the new fund. However, mutual agreement is required between both the employer and the employees before any existing plans can be transferred. Whether such a transfer makes sense should be determined on a case-by-case basis.

The employer contributions are not taxed as income to the employee. The investment earnings are also not taxed while in the employee's account.

New regulation for all self-employed as from January 1, 2008:

As of January 1, 2008, the BMSVG also introduces a defined contribution scheme for all self-employed persons in Austria as of that date. Similar to the regulation for Austrians, employees are now obliged to pay themselves a fixed contribution of 1.53% of their Social Security Contribution Basis to the Betriebliche Vorsorgekasse (BVK). Professionals and countrymen can do so on a voluntary basis.

This new regulation shows the increasing importance of the Betriebliche Vorsorgekasse (BVK) in Austria.

[7] **B**etriebliches **M**itarbeiter- und Selbständigen**v**orsorge**g**esetz = Employee and Self-employed Welfare Fund Act

Taxation

Type of Insurance	Contributions	Benefits
Direct Insurance *	Employer: fully tax-deductible, 4.0% insurance tax	tax free
	Employee: Employer contributions are not considered as additional employee income.	
Pensionskasse	I. Employer contribution Employer: fully tax-deductible, 2.5% insurance tax	taxable
	Employee: Employer contributions are not considered as additional employee income.	
	II. Employee contribution Employee: paid from net income. 2.5% insurance tax	
	Premium advantaged employee's contribution according to § 108a Income Tax Act	tax free
	Other employee's contributions	partially taxable
Occupational Collective Insurance	I. Employer contribution Employer: fully tax-deductible, 2.5% insurance tax	taxable
	Employee: Employer contributions are not considered as additional employee income.	
	II. Employee contribution Employee: paid from net income. 2.5% insurance tax	
	Premium advantaged employee's contribution according to § 108a Income Tax Act	tax free
	Other employee's contributions	partially taxable
Direct benefit promise **	Employer: fully tax-deductible, 4.0% insurance tax.	taxable
	Employee: Employer contributions are not considered as additional employee income.	

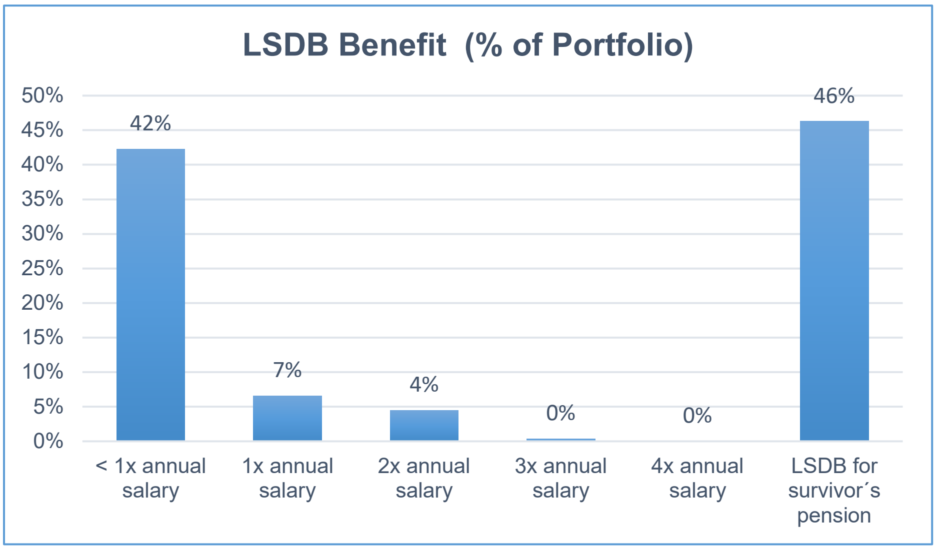
* if premium exceeds € 300,- → taxable income

**Book reserves corresponding to the incurred liabilities are necessary.

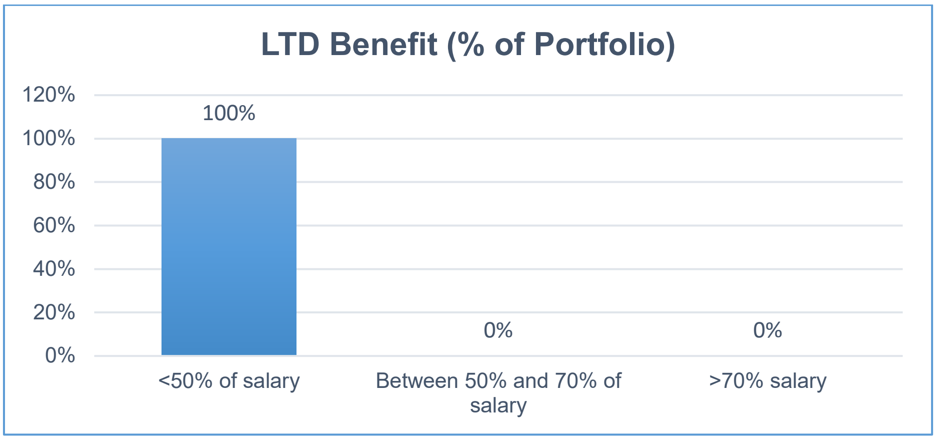
Benchmarking Information (based on Network Partner's portfolio)

	%
Group Life Coverage	
Death benefit	100%
AD&D	0%
Survivor's benefits	69%
Employer contribution only	100%
Disability Coverage	
Long term disability	58%
Short term disability	0%
Employer contribution only	100%
Healthcare Coverage	
Hospitalisation	0%
Dental	0%
Vision	0%
Critical Illness	0%
Employee Assistance Programme	0%
Employer contribution only	0%
Retirement Plans	
DC	41%
DC - Employer contribution only	65%
DB	45%
DB - Employer contribution only	98%
Other	
Wellness& Wellbeing Programmes	0%
Flex benefits	0%

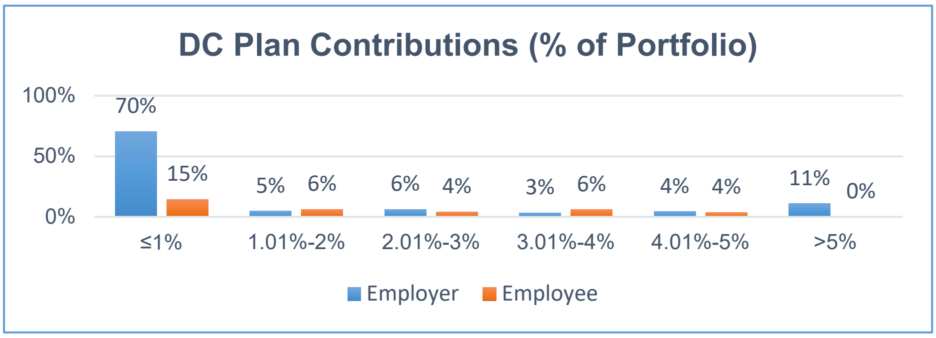
Group Term Life Benefits

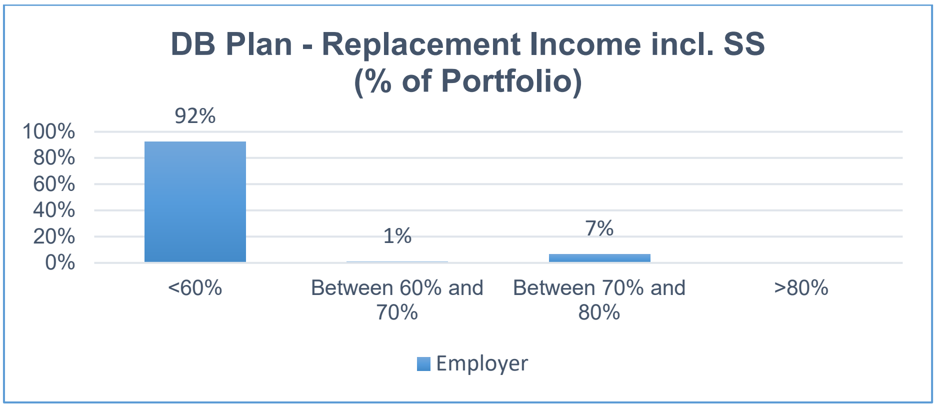


Disability Benefits



Retirement Benefits





Medical Inflation Trend Projection

Year	Expected Medical Inflation %
2019	0%
2020	0%
2021	0%

Trends

Due to the shortage on the labour market, there is a greater need for company pension schemes.
Book Reserves (Abfertigung Alt) in the balance sheet can be outsourced to the insurance company.
The introduced pension account information (see page 11) makes people more aware of their lack of old age pensions.

Defined Benefit/Defined Contribution Schemes

IT Industry

Plan Design:	Generally, plans are defined contribution schemes, but there are still defined benefit schemes in force.
Risk Coverage:	In most plans, supplemental risk coverage is chosen over savings plans.
Waiting period:	The waiting period ranges from 1 month up to the legal maximum of 5 years.
Contributions (DC plans):	Contributions range between 1% and 2% of the creditable salary below the SSCC and 5% to 10% of the creditable salary above the SSCC.

Pharmaceutical Industry

Plan Design:	In some cases there are still defined benefit plans due to historical reasons.
Risk Coverage:	Most plans are risk coverage plans.
Waiting period:	Usually the waiting period is one year.
Contributions (DC plans):	Contribution payments range from 1.5% to 2.5% of the creditable salary below the SSCC; from 7.5% to 15% above the SSCC.

Steel and Metal Manufacturer

Plan Design:	Usually plans are designed as defined contribution schemes.
Risk Coverage:	Savings plans and risk coverage plans are equally represented.
Waiting period:	There is usually no waiting period.
Contributions (DC plans):	Contributions range from 1% to 1.5% of the creditable salary below the SSCC to 5% to 16% above the SSCC.

Medical Benefits

The State sponsors a health program that is generally sufficient for employees. Since the State program only covers third-class hospital ward care, many employees find supplemental health insurance coverage for a higher class of hospital treatment desirable. However, the steeply rising premium rates for supplemental health insurance, which are linked to the sharp increase in medical costs, probably have some impact on the fact that only a few companies are providing supplemental health benefits for their employees at their own expense.

Useful Links

Demographic information	CIA World Factbook (please select the country to review)
Macro-Economic indicators	CIA World Factbook (please select the country to review)

More information on the IGP Network Partner: IGP – Your Local Link in Austria

ERGO Versicherung Aktiengesellschaft	www.ergo-versicherung.at
ERGO Online Client Service	https://oks.ergo-versicherung.at
BONUS Pensionskassen Aktiengesellschaft	www.bonusvorsorge.at
BONUS Vorsorgekasse AG	www.bonusvorsorge.at
BONUS Online Portal	www.bonusvorsorge.at/portal
Austrian Social Security Authority	www.sozialversicherung.at
Statistik Austria	www.statistik.at
Austrian National Bank	www.oenb.at
Republic of Austria – Legal Information System	www.ris.bka.gv.at
European Central Bank	www.ecb.int
Austrian Chamber of Commerce	www.wko.at
Austrian Financial Market Authority	www.fma.gv.at
Austrian Federal Ministry of Finance	english.bmf.gv.at
Federation of Austrian Social Insurance Institutions	https://www.sozialversicherung.at

