



German gov't plans threaten pension savings – industry - 8 May 2008 15:15

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GERMANY – The German government wants to make it more attractive for companies to offer their employees shareholdings – but both employer and pension industry representatives fear this might have a negative effect on supplementary pension provision.



Tax incentives and new employee participation models for non-listed companies are to be introduced by 2009 under these proposals, which means draft legislation would have to be presented in parliament before summer.

The government coalition - made up of social democratic SPD and conservative CDU - noted this step would improve companies' net asset values and increase their liquidity.

However, Boy-Jürgen Andresen, chairman of the board at German's pension association aba, noted at the institution's annual conference this week "every euro can be spent only once and it will go where the highest net profit can be made".

According to aba, participating in a company will be over one-third more attractive to the average employee than contributing to a pension fund offered by the employer.

The current plan is to exempt employee participation from social contributions both in the accumulation as well as the pay-out phases, Klaus Stiefermann, managing director of aba, explained to IPE.

Occupational pension provision, on the other hand, is exempt only in the contribution phase – with this exemption only having been guaranteed for the next few years very recently. (*See earlier IPE story: [Müntefering to extend fiscal exemption](#)*)

"Many employees will choose this over contributing to a pension fund and that would make retirement provision less attractive for employers who use such offers to recruit and bind staff to the company," said Stiefermann.

The federal employer association also agrees.

"Every euro which is used for this form of formation of wealth is lost to retirement provision," the association said in a statement.

"We are alarmed about this suggestion and we do not understand it," Stiefermann added. "So far, the government has said it wanted to boost retirement provision but this employee participation does not fulfil any of the criteria of retirement provision, such as helping to fight demographic risks or offer portability".

He noted government representatives taking part in the aba-conference "vowed to do everything to

avoid retirement provision being affected negatively by the new plans”.

However, the government is convinced it has already done so by amending the initial draft which would also have allowed parts of the salary – which are so far used as pension contributions – to go into shareholdings in the company.

“We are urging politicians and social insurance agencies to fight this new proposal,” Andresen said.

He noted the social insurances had fought for increases to social contributions on various occasions in recent years and “would lose their credibility” if they now did not fight suggestions of a vehicle exempt from social contributions.

If you have any comments you would like to add to this or any other story, contact Julie Henderson on + 44 (0)20 7261 4602 or email julie.henderson@ipe.com

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