

MEMO# 13364

April 6, 2001

GERMAN GOVERNMENT INTRODUCES PENSION REFORM LEGISLATION

[13364] April 6, 2001 TO: INTERNATIONAL COMMITTEE No. 25-01 RE: GERMAN GOVERNMENT INTRODUCES PENSION REFORM LEGISLATION The German government has introduced pension legislation that would create a new type of occupational pension scheme in Germany.¹ The pension legislation is currently being debated in the lower house of the German Parliament (Bundestag). We briefly describe below what we understand to be the proposed legislation. The proposed pension legislation would create a new type of occupational pension scheme – pensionsfonds – in which employees may contribute up to four percent of their salary (in 2008) exempt from tax. We understand that three products would be eligible for the system: mutual funds, bank products, and insurance products. Retail mutual funds could not be used for the pension scheme, and special funds must be created. The funds also must be managed by a German management company. We understand that the proposed legislation would impose more flexible investment rules on pensionsfonds by moving away from restrictive quantitative investment rules to qualitative investment rules. At this time, the proposed legislation does not provide details of the investment rules. As a result, the specific investment requirements and restrictions remain to be seen. The proposed legislation would require pensionsfonds to guarantee capital upon retirement and to insure against longevity risk. To provide for longevity, pensionsfonds must pay either an annuity upon retirement or a lump sum that must be used to purchase an annuity. There also may be discussion of coverage of other biometric risks (disability and premature death), and coverage of these biometric risks may be incorporated into the legislation. We are planning to form a working group to share information and identify member concerns through scheduled conference calls when there are particular pension developments in the member states of the European Union. We are scheduling a conference call for Thursday April 12, 2001 at 12 p.m. EST to discuss the German legislation. If you would like to join the working group and plan to participate in the conference call, please complete the attached 1 The pension legislation also would amend the current occupational pension schemes. This part of the legislation was passed by the lower house but was rejected by the upper house of Parliament and is now in the conciliatory committee. 2sign-up form and fax it to Laura Whitehead at (202) 325-5841 by COB Wednesday, April 11, 2001. If you have any questions about the conference call or the proposed legislation, please contact me at (202) 326-5810 or at jchoi@ici.org. Jennifer S. Choi Assistant Counsel

should not be considered a substitute for, legal advice.