

"THE SITUATION OF THE PAY-AS-YOU-GO-BASED PENSION SYSTEM IN GERMANY"



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Zukunftsfeste Rente

Neue Impulse für
die Alterssicherung

HERDER



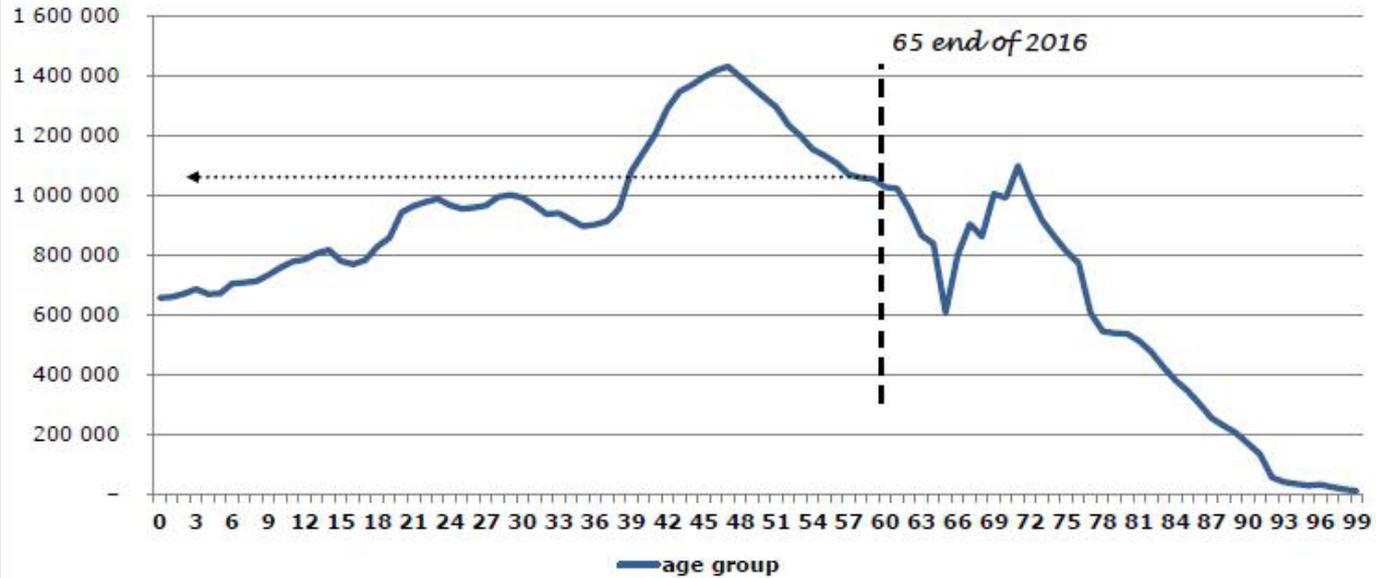
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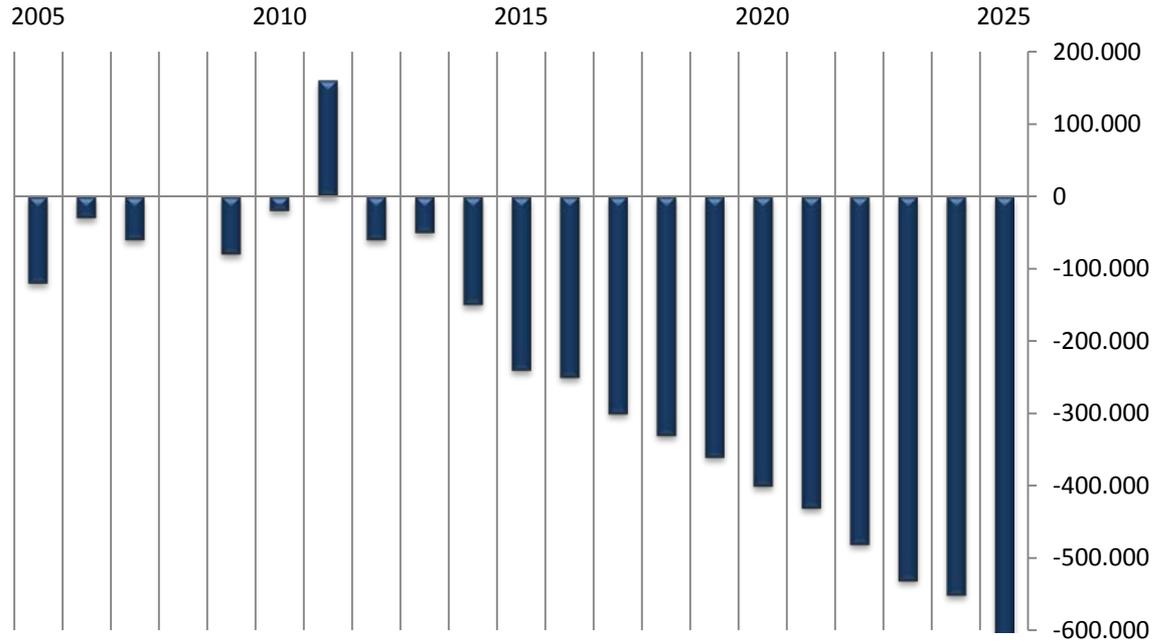


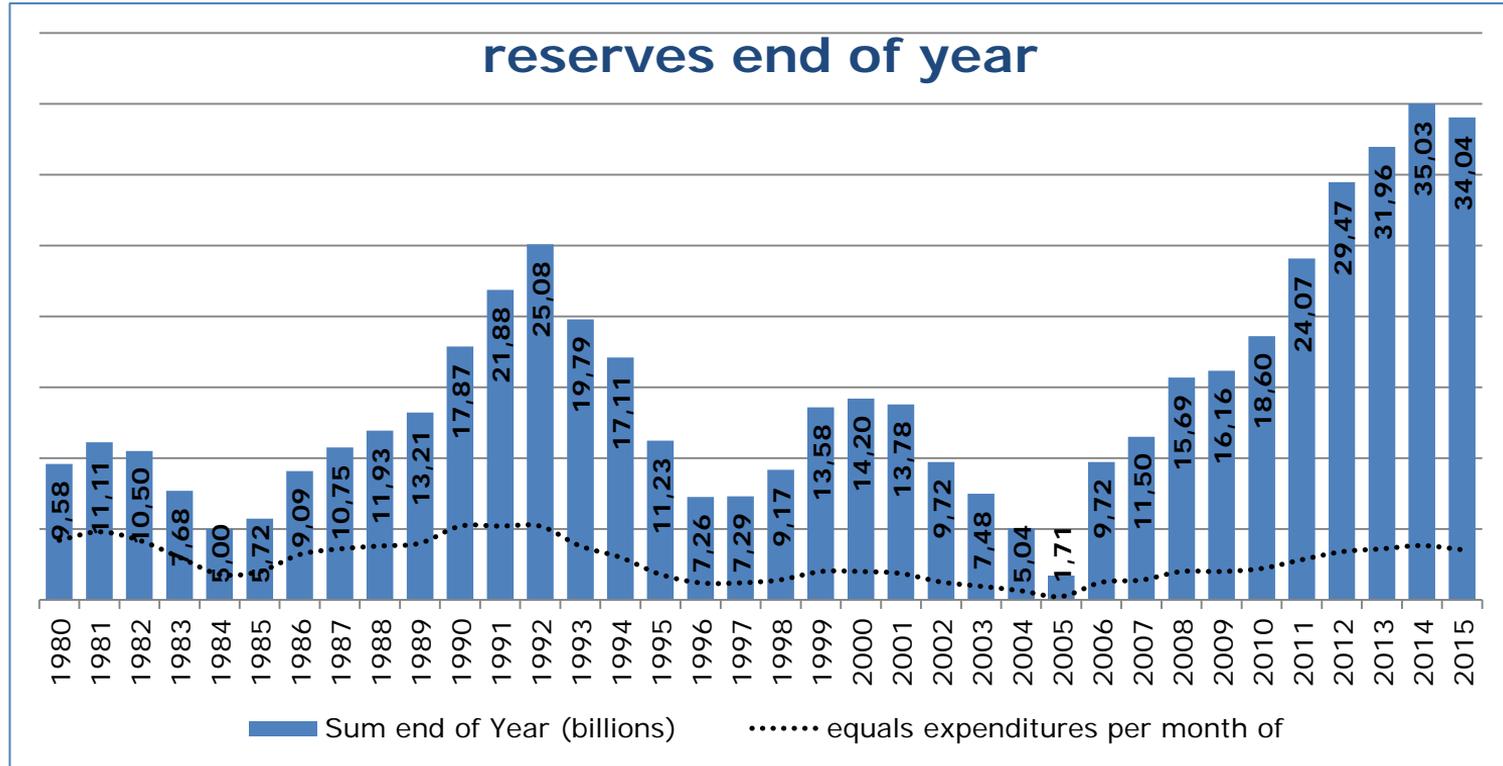
POPULATION BY AGE AND YEARS

(basis 2011)



LABORMARKET GAP entry (16Y) - exit (65Y)







official projection

pensioners at average income

year of retirement	gross pension to income rate	origin			net pension to income rate
		paygo	promoted private provision	Other private provision	
2012	47,3 %	45,4 %	1,6 %	0,2 %	70,6 %
2016	47,3 %	44,3 %	2,5 %	0,5 %	69,8 %
2020	48,7 %	44,3 %	3,6 %	0,9 %	70,7 %
2025	48,7 %	42,3 %	4,9 %	1,6 %	71,7 %
2030	49,0 %	40,4 %	6,1 %	2,5 %	72,7 %

FLEXI RENTE („Flexi“-Pension Scheme))



The reform was concipated to abolish restraints of silver work, wich is the employment of elderly people. In Germany these could be found in three key policy areas:

Labor regulation: The rigid protection against dismissal in Germany has made it difficult to terminate long-term employees. Nevertheless most contracts in Germany are limited to the retirement age. This interaction has implicated, that continuing of employment after retirement age was blocked in fact. Since July 2014 limited contracts of elderly employees can be completely flexible and repeatedly extended by mutual agreement. From a labor legislation (dismissal protection) view therefore today speaks nothing against "silver work".

Welfare system: Until the end of 2016 the social security system was disadvantageously for older workers. They had to contribute to unemployment and pension insurance, without the benefits. From 2017 this "penalties" for work will be modified.

Pensioners can continue to improve their pension by working and premiums of unemployment insurance will be abolished completely at the age of 65.

The transparency of the system has been massively improved:

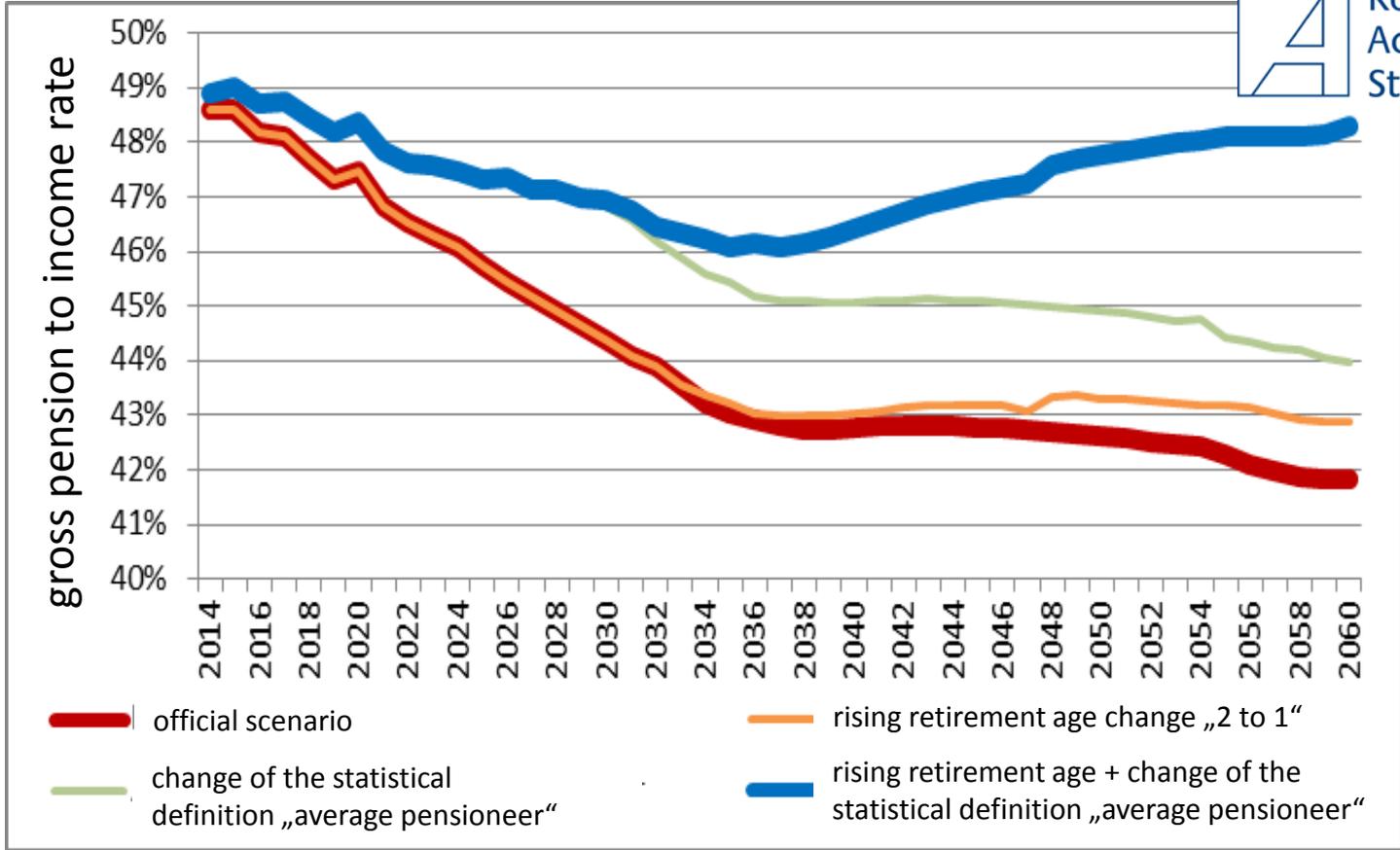
The pension agency, which has previously advised the people to retire, now informs extensively about the options for further employment.

In addition, the system of combining work and pension has been radically simplified. In the transition from 63 to just under 66 the complicated, custom accounting rules of pension and earnings were replaced in favor of a simple, unified for all income and pension style global rule. In addition, the qualifying free limit of 450 euros was raised to 525 euros.

The employment rates of older workers in Germany were substance below average in comparison to other european countries. The reform (Flexi-Rente) was a concept to close that gap. First successes are measurable.



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economic risk

- pensions should to some extent rise and fall due to the economic change
- reserves should close gaps within a year and over a few years

structural risk

- pensions should differentiate between families with kids and other
- pensions should change due to life expectancy
- Pension accounts should be separated between married couples

political risk

- Reserves should be invested and "protected" against political wishes
- pension entitlement must be accurately protected (constitutional status)
- entitlements (people) and liabilities (government) should be transparent in the statistics