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and payroll departments

✓ Employees

Versorgungsanstalt des
Bundes und der Länder
Karlsruhe

VBL

**For employees with a short-term scientific
position in academia or research**

Contents

- 1 Exemption from compulsory insurance
- 2 Applying for voluntary insurance
- 3 Contributions for **VBLextra**
- 4 Compulsory insurance for continued
or extended short-term positions
- 5 Tax subsidies
- 6 Procedure
- 7 Supplementary retirement pension
with individual contributions
- 8 Contact

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Ladies and Gentlemen,

The Tarifvertrag Altersversorgung (Collective Labour Agreement on Pensions – ATV) takes the interests of people employed in short-term positions in science and research into account by providing a special arrangement from which both employers and employees can benefit.

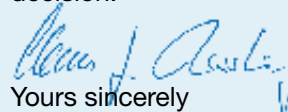
People working in scientific positions are typically employed only for short periods of time. As a result, they often find that they are unable to accumulate the 60 months of premium payments (qualifying period) which are a prerequisite for acquiring a vested entitlement to a retirement pension in the compulsory insurance scheme.

These employees can therefore be exempted from VBL compulsory insurance. In such cases, their employer has to provide supplementary pension coverage through **VBLextra**. The benefit: They acquire a pension entitlement without having to meet the qualifying period requirement.

In this **VBLspezial** you will find an overview about the special arrangement provided in Section 2 (2) of the ATV. In particular, it tells you

- about the prerequisites for obtaining exemption from VBL compulsory insurance,
- what contributions your employer will have to pay into the **VBLextra** scheme instead and
- what aspects need to be taken into account if your employment status changes later on.

Our advisers are on hand to answer any questions you may have about occupational pensions. Just give us a call – we will be happy to assist you in making your decision!



Yours sincerely

Claus-Jürgen Rissling

Head of Customer Management

1 Exemption from compulsory insurance

Employees working in short-term scientific positions in academia or research can be exempted from VBL compulsory insurance (Section 2 (2) of the ATV / Section 28 (1) of the terms and conditions for compulsory insurance with VBL (VBLS)). However, you will only be eligible for exemption if you cannot fulfil the qualifying period of 60 months of contribution/premium payments (Beitrags-/Umlagemonate) before your contract of employment terminates (Section 34 (1) of the VBLS) and if you previously had no compulsory insurance with VBL or another public-sector supplementary pension provider.

It is necessary that you apply for exemption from compulsory insurance yourself. You have to file your application via your employer **within two months** of starting your job. Your employer will check whether you meet the requirements for exemption from compulsory insurance.

2 Registration for voluntary insurance

If you are exempted from compulsory insurance, your employer has to enrol you in the voluntary **VBLextra** insurance instead. Your employer files the application to VBL scheme on your behalf and is therefore the **policyholder** for the voluntary insurance.

The voluntary insurance substitutes compulsory insurance. So **VBLextra** provides the same coverage as compulsory insurance. Therefore it is not possible to exclude incapacity coverage or surviving dependants' insurance.

Unlike with compulsory insurance, you do **not** have to have accrued 60 months of contribution/premium payments (Beitrags-/Umlagemonate) in order to be entitled to receive an occupational pension. Provided your employer has paid the necessary contributions, you will be entitled to a pension as soon as the insured event occurs. This means that **VBLextra** provides scientific employees with a retirement pension without a qualifying period.

Unlike compulsory insurance, however, voluntary insurance **does not** include social components such as additional pension points while you are on parental leave or periods during which you are incapacitated. Furthermore, the age factor table for voluntary insurance was adjusted to the maximum projected interest rate for voluntary insurance at VBL of 2.75% on 1 January 2004. The guaranteed benefits from voluntary insurance are therefore lower than from compulsory insurance, but they are available for people who do not meet the qualifying period requirement.

3 Contributions for **VBLextra**

The **employer** pays the same contributions for **VBLextra** as for compulsory insurance. However, the employer's contribution is limited to a **ceiling of 4%** of the employee's pensionable income (Section 28 (1) sentence 3 of the VBLS).

In the **Abrechnungsverband West** [Western Länder of Germany] the employer's contribution for the voluntary insurance is 4% of the employee's pensionable income, as the cost of compulsory insurance for the employer exceeds the 4% ceiling in this area. No employee's contribution needs to be paid in these cases.

As of 1 January 2010, employers in the **Abrechnungsverband Ost** (Eastern German Länder) have had to pay a standard contribution for voluntary insurance amounting to a total of 4%. Half of this amount bears the employer and the other half the employees (i.e. the employer sets off 2 % of their relevant income as a contribution for **VBLextra**).

The employer deducts the employee's share of the contribution from their income and pays it to VBL together with the employer's own share.

If a person insured with **VBLextra** changes to a job in the Abrechnungsverband Ost area for the same employer and his/her income is regulated by a collective labour agreement applicable in the Tarifgebiet West [Western Länder of Germany], the employer will continue to pay contributions of 4%. In this case, the employer will not deduct a share from the employee's income.

If an employee's income exceeds a specific ceiling, the employer will have to pay additional contributions into **VBLextra**. The contributions are calculated as a percentage of the income exceeding the above mentioned ceiling. The ceiling is provided for in the Collective Labour Agreement for the Public Sector as applicable to federal employees (TVöD/Bund). More information about this can be found in our **VBLspezial** brochure, "Sonderregelung bei Bund und TdL für Beschäftigte mit höheren Entgelten" (available in German only).

4 Compulsory insurance for continued or extended short-term positions

If the **temporary employment in a scientific position is extended or continued to more than five years altogether**, the insurance will be changed from **voluntary** to **compulsory**.

Your employer will register you with VBL for compulsory insurance on the first day of the month in which the extension or continuation of your employment contract to more than five years is agreed upon. Compulsory insurance cannot be backdated to the beginning of your employment. Pay-as-you-go premiums (Umlagen), standard contributions (Beiträge) and top-up premiums (Sanierungsgelder; paid by the employer in the Abrechnungsverband West) have to be paid for compulsory insurance. The employer will stop paying voluntary insurance contributions when the employee is registered for compulsory insurance.

The previous **VBLextra** voluntary insurance becomes non-contributory at the end of the month preceding the starting date of the compulsory insurance. The insured retains the deferred entitlement which has accrued up to the time when the voluntary insurance becomes non-contributory, guaranteeing that the insured can claim the benefits as soon as the insured event occurs. The deferred entitlement may be increased by bonus points assigned by way of profit distribution (Section 26 of the AVBextra). The periods of membership accrued under the voluntary insurance scheme cannot be included in the qualifying period of 60 months of premium payments for compulsory insurance (Section 34 (1) sentence 1 of the VBLS). As an employee you can continue the voluntary insurance taken out by your employer as individual voluntary insurance **alongside** your compulsory insurance. In this case you can take advantage of the tax subsidies (see 5).

If you continue your voluntary insurance alongside your compulsory insurance and your employment contract is terminated, please note that your voluntary insurance will become non-contributory – unless you apply otherwise: You can continue your voluntary insurance on your own and with your own contributions if you apply for a continuation with VBL within an exclusion period of three months after the end of your employment (Section 2a (1) of the AVBextra). If you continue your voluntary insurance as individual voluntary insurance, you can benefit from the tax subsidies (see 5).

5 Tax subsidies

As an employer you can claim tax exemption under Section 3 (63) of the Income Tax Act (EStG) for your voluntary insurance contributions as far as they do not exceed 4% of the contribution assessment ceiling for statutory pension insurance. Moreover, these premiums are also exempt from social insurance. Additional amounts of up to € 1800 per year can be paid tax free but not exempt from social security fees.

As an employee you can claim the 'Riester' benefits for your voluntary insurance contributions in the **Abrechnungsverband Ost**. These benefits via tax-deductible special expenses (Sonderausgabenabzug) and/or pension bonuses (Altersvorsorgezulagen) can only be claimed if the requirements of tax law are met (Section 10a (79) ff. EStG). 'Riester' benefits are not available for employers' contributions.

When your employment contract terminates, you can continue to take advantage of the tax subsidies ("Riester" benefits). All you have to do is to apply for continuing your **VBLextra** within 3 months from the termination of your employment contract and to authorize the VBL to claim the pension bonuses on your behalf. If you continue your **VBLextra** after leaving your employer you will pay the contributions on your own (but you are free to choose the amount you would like to pay). To be eligible for "Riester" benefits while continuing your **VBLextra** the aforementioned tax law prerequisites have to be met.

6 Procedure

In order to register scientific employees who are exempted from compulsory insurance for the **VBLextra** voluntary insurance scheme, the employer uses form **FV 2**. As a VBL insurance number has not yet been issued for these employees, only their date of birth needs to be provided. Apart from the details of the participating employer and the employee's personal data, the employer also needs to provide the information required in the separate field for scientific employees in accordance with Section 28 (1) of the VBLS.

Once we have received and processed the registration for voluntary insurance, the employee receives confirmation of their registration via his/her employer. If the scientific employee has already been registered for compulsory insurance, the employer has to cancel his/her registration for compulsory insurance.

VBLextra contributions are paid exclusively into the following voluntary insurance account:

Landesbank Baden-Württemberg,
sort code 600 501 01,
account no. 2228770

This is an account dedicated for receiving voluntary insurance contributions. Pay-as-you-go premiums (Umlagen) and top-up premiums (Sanierungsgelder) must **not** be paid into this account **together with voluntary insurance premiums** (Beiträge).

7 Supplementary retirement pension with individual contributions

In addition to the voluntary insurance for scientific employees provided by the employer as the policyholder, employees can also close a contract for voluntary insurance with VBL on their own. This enables them to build up an additional capital-funded retirement pension with individual contributions. For this individual insurance, employees can claim the ‘Riester’ benefits (if the requirements of tax law are met) and, – provided their allowances have

not been used up – the tax subsidies by way of “salary foregone” (Entgeltumwandlung). For more information, please see our brochures about **VBL**extra and **VBL**dynamik.

8 Contact

If you have any questions about insurance for scientific employees or any other matters concerning your occupational pension, please do not hesitate to contact the VBL Service Team.

- If you are an **employer** please dial **0180 567 7780**
E-Mail: arbeitgeberservice@vbl.de
- If you are an **insured employee** please dial **0180 567 7710**, **E-Mail: kundenservice@vbl.de**
(14 cents/minute on German landlines. Calls from mobile networks will cost no more than 42 cents/minute.)

or write to us at:

VBL, 76128 Karlsruhe

You can also find more information on our website at **www.vbl.de**.

Finanztest recommends the VBL voluntary pension scheme

Higher pensions in the public sector. The magazine Finanztest has reviewed **VBL**extra. The conclusion: it offers high guaranteed pensions and is therefore a profitable product.



Voluntary supplementary pension: The 2/2009 issue of the magazine Finanztest recommends: **VBL**extra with high guaranteed pensions

In its 2/2009 issue, Finanztest reports about voluntary supplementary pensions for the public sector (for example **VBL**extra) – and calculates the details on its own. Anyone closing a contract now, the independent financial experts advise, will not only receive profitable tax subsidies in most cases but will secure themselves the high guarantees offered by **VBL**extra permanently.

Finanztest points out: “The guaranteed pensions from pension institutions for the public sector are often much higher than those offered by private insurance companies.” The investigation confirms that the excellent rates offered by **VBL**extra compared with private life insurance companies are mainly due to their low costs and high guaranteed interest rates.

Conclusion: Compared with private pension insurance schemes, **VBL**extra is a particularly good deal. VBL is delighted to endorse Finanztest’s recommendation. Make **VBL**extra your choice and order your personal offer. Just give us a call. We will be happy to advise you.

Glossar

Abrechnungsverband Ost	Eastern Länder of Germany
Abrechnungsverband West	Western Länder of Germany
Altersvorsorge	retirement provision
Altersvorsorgeplan	retirement provision plan
Anmeldung	registration
Arbeitgeber	employer
Arbeitnehmer	employee
befristeter Arbeitsvertrag	temporary employment contract
beitragsfrei	non-contributory
Beiträge (kapitalgedeckt)	contributions
Betriebsrente	occupational pension
Betriebsrentenrechner	pension calculator
Entgeltumwandlung	salary foregone
Entgeltgruppe	pay grade
Freiwillige Versicherung	voluntary (pension) insurance scheme
Gesamtversorgungssystem	integrated pension system
gesetzliche Rentenversicherung	statutory pension insurance
kapitalgedeckt	capital-funded
kommunale Arbeitgeber	municipal employers
öffentlicher Dienst	public sector
Pflichtversicherung	compulsory insurance scheme
VBL klassik	VBL klassik
Riester-Förderung	“Riester“ benefits
Rückrufservice	call-back-service
Sanierungsgeld	top-up premiums
staatliche Förderung	state benefits
Steuerersparnis	tax subsidies
Tarifvertrag	collective labour agreement
Tarifvertragsparteien	parties to the collective labour agreement
Überschussverteilung	distribution of profits
Umlagen (im Umlagesystem)	premiums on a pay-as-you-go basis
unverfallbare Zusage	vested entitlement
Versicherungsbedingungen	terms and conditions of insurance
Versicherungsnachweis	account statement
Versorgungsausgleich	pension rights adjustment
Versorgungspunkte	pension points
Wartezeit	qualifying period
Wissenschaftliche/r Mitarbeiter/in	scientific employee
Zusatzrente	supplementary pension
Zusatzversicherungs-	
pflichtiges Entgelt	pensionable income