

VBLspezial

for Employees



January 2017

For employees with a short-term scientific position in academia or research in the western Länder of Germany

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Editorial Details

VBL. Versorgungsanstalt des Bundes und der Länder
Hans-Thoma-Straße 19, 76133 Karlsruhe.
Telephone 0721 155-0, Telefax 0721 155-666
info@vbl.de, www.vbl.de

Responsible for content: Full-time Executive Board
Members of the VBL, Editors: Martin Gantner (KM10),
Claudia Wegner-Wahnschaffe (VS20),
Delicia Hofmann (VS200)

Ladies and Gentlemen,

employees in the public sector benefit from additional pension provision under the Tarifvertrag Altersversorgung (Collective Labour Agreement on Pensions – ATV). Consequently, the employer registers its employees for the compulsory insurance with the VBL (VBLklassik scheme). For salaried scientific employees with temporary employment contracts, however, the labour agreement provides an alternative arrangement. Scientific employees are typically employed for a short period of time and often unable to accumulate the 60 months of insurance (qualifying period), which is a prerequisite for acquiring a vested entitlement to pension benefits in the VBLklassik. Therefore, they are presented with a choice. They can opt for the VBLextra instead of the VBLklassik. 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 of this special arrangement provided under Section 2 (2) of the ATV. In particular, it informs you about

- the prerequisites for choosing between VBLklassik and VBLextra,
- what the differences between these two pension schemes are and
- what aspects need to be taken into account if your employment status changes later on.

Our customer service is available to answer any questions you may have regarding your occupational pension with the VBL. Just give us a call – we will gladly assist you in making your decision!

Yours sincerely

Claus-Jürgen Rissling, Head of Customer Management

1 Your choice of pension scheme within the VBL supplementary pension system.

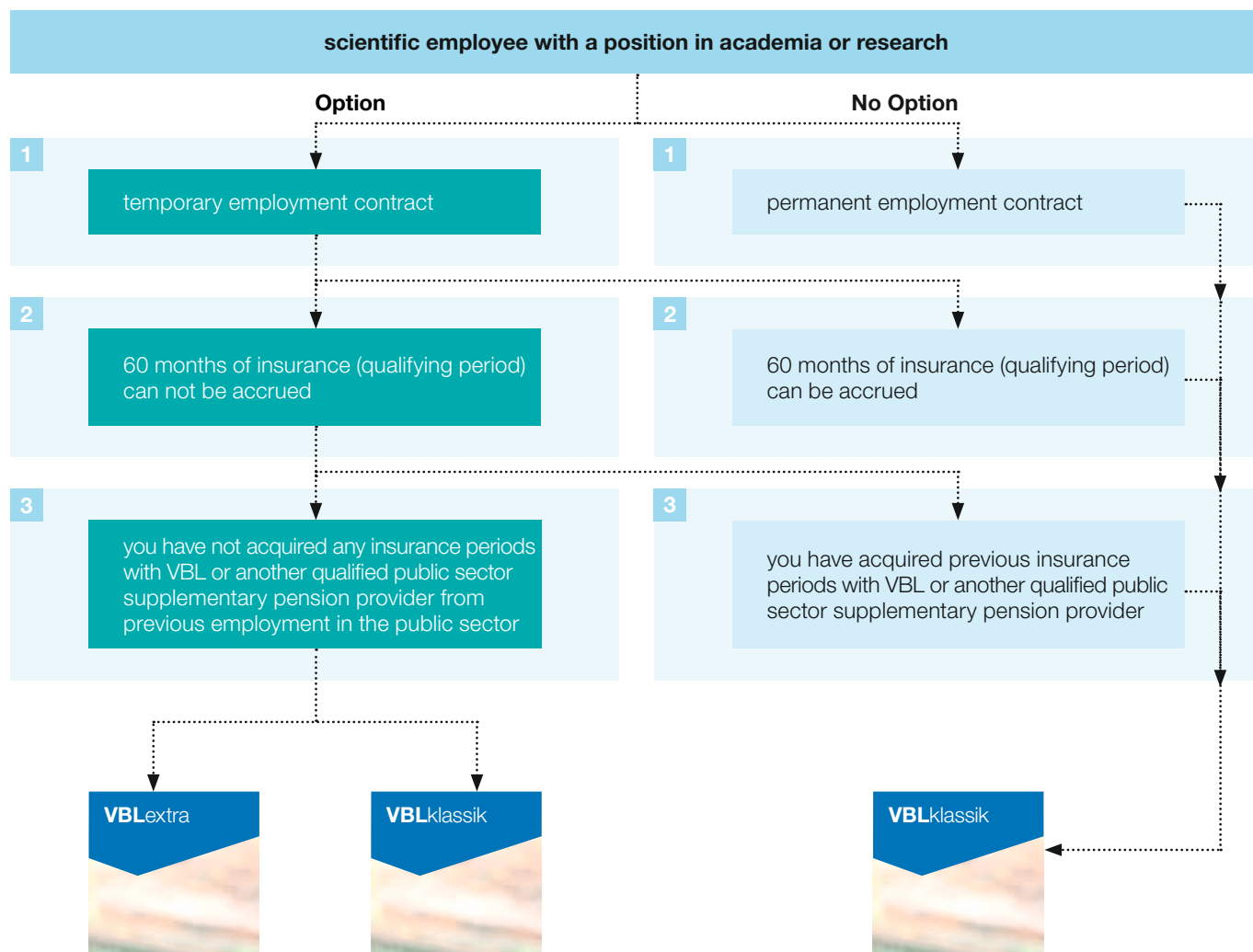
You have signed a temporary employment contract as a scientific employee with a position in academia or research. If – due to this temporary employment – you are unable to accumulate the 60 months of insurance (qualifying period) which is a prerequisite for a pension entitlement in the VBLklassik scheme (compulsary insurance), you might not be entitled to receive a pension later on. Therefore, it can be worthwhile to opt for an insurance in the VBLextra scheme instead of the VBLklassik scheme. In the VBLextra there is no qualifying period requirement for receiving a pension.

You will be registered in the VBLklassik scheme by default. Please note that once your employment has started, you have **two months** to exercise your right of choice and opt for the VBLextra. Please submit your application via your employer. If the prerequisites are met, your employer will register you for the VBLextra, and later on, you will receive pension benefits from this occupational pension scheme.

We suggest that you base your decision between the two different types of insurance schemes on the following:

- (1) Firstly, please check the prerequisites – in the chart below – to see whether you have an option or not.
- (2) If you do have an option, please resort to chapter 4 of this brochure to find more detailed information about the characteristics of each of the two pension schemes to further facilitate your decision.

1.1 You have the option to choose between VBLextra and VBLklassik if the prerequisites in the left column (highlighted turquoise) are met:



2 What your choice for VBLklassik means.

Choosing the VBLextra instead of the VBLklassik is not a must. In chapter 4 you'll find some essential arguments for remaining in the VBLklassik scheme. If you have any questions, our experts of the customer service team will gladly assist you.

As you will be insured in the VBLklassik scheme by default, you do not need to do anything if you opt for VBLklassik. Your employer will register you in this scheme after your employment has started. You will only be entitled to a pension payment later on once you have fulfilled the qualifying period of 60 months. Unlike VBLextra, the VBLklassik scheme offers social components (such as additional pension points while you are on parental leave, during periods of incapacity or in case of surviving dependants' pensions) which enhance your entitlements.



For details of the VBLklassik, please refer to our product brochure VBLklassik (available only in German) on our website www.vbl.de. Please use the search function for optimal results.

Revenues for the VBLklassik in the tariff area West.

After the introduction of the supplementary pension provision in the so-called new German Länder, the trustees of the VBL decided to open up a new financing pool in order to separate the obligations. This was due to the fact that the new Länder still had very low pension obligations. Thus two separate financing pools, namely WEST and EAST exist, and the revenues are therefore subject to different regulations.

As a public sector employee your salary is determined by the collective bargaining agreement applicable to your employment contract. Additionally, you acquire an occupational/company pension at a supplementary pension fund for the public sector, e.g. the VBL. Currently there are three so-called collective bargaining areas within the public sector. The German Federation and the Association of Local Government Employers negotiate their agreements together, as well as the German Länder – except Hessen. The State of Hessen has got its own bargaining agreement, but applies the regulation of the German Länder for the topic of occupational pension provision.

The revenues towards the occupational/supplementary pension provision are transferred by your employer, but these amounts also contain a so-called employee's share (Eigenanteil). The pension payments resulting from VBLklassik within the tariff area WEST are financed by means of a pay-as-you-go system. In other words, the paid contributions are not being saved for the individual insured person, but used to pay the current pension expenditures.

All revenues are agreed in collective bargaining agreements or stated within the VBL statutes. This means the employees' share of contributions depends on the collective bargaining affiliation of your employer, or collective bargaining law applicable to your employment contract. Until 30 June 2015 the revenues were fixed as follows:

	Total	Employer's share	Employee's share
Contributions	7,86 %	6,45 %	1,41 %

Actuarial reports had shown that the present percentage rate of revenues had to be increased on account of rising life expectancy, demographic changes and deteriorating interest rate expectations. For these reasons the different collective bargaining groups have, each in separate negotiations, decided upon an additional **employee contribution** towards the share being paid already.

Bargaining Association of the German Länder and for Employers of the State of Hessen (Tarifgemeinschaft deutscher Länder "TdL" und Arbeitgeber des Landes Hessen).

	Additional share of contributions	Total share of contributions
Since July 2015	0,2 %	1,61 %
From July 2016	0,3 %	1,71 %
From July 2017	0,4 %	1,81 %

The German Federation and Association of Local Government Employers (Bund und Vereinigung Kommunalen Arbeitgeber "VKA").

	Additional share of contributions	Total share of contributions
From July 2016	0,2 %	1,61 %
From July 2017	0,3 %	1,71 %
From July 2018	0,4 %	1,81 %



The above mentioned changes affect all insured persons of the VBL. Therefore, all employers not part of a specific collective bargaining association or area, will have the following increases:

Other Employers

	Additional share of contributions	Total share of contributions
From January 2017 at the latest	0,2 %	1,61 %
From July 2017	0,3 %	1,71 %
From July 2018	0,4 %	1,81 %

You can find the bargaining agreement applicable for your employment in your work contract. If not, please ask your employer.

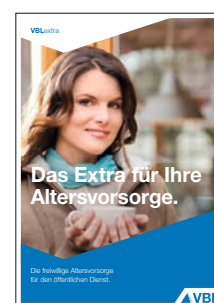
3 What your choice for VBLextra means.

If you opt for the VBLextra, your employer will register you in this scheme and the VBLextra will substitute the VBLklassik. As with the VBLklassik, the VBLextra offers benefits in case of incapacity or for surviving dependants.

The VBLextra has no qualifying period for receiving benefits. You therefore acquire a vested entitlement on payment of the very first contribution made by your employer.

	Total	Employer's share	Employee's share
Contributions	4,00 %	4,00 %	–

As from June 2016, the actuarial calculation factors for VBLextra has changed. The guaranteed benefits from VBLextra are less than those from VBLklassik. But the actual benefits may be higher than the guaranteed ones due to the assignment of possible capital earnings.



Note: You can download the new terms and conditions of the VBLextra insurance (the AVB04, applicable as of June 2016), the consumer information brochure VBLextra and our product brochure (available only in German) from our website www.vbl.de. Please use the search function for optimal results.

VBLextra is a capital-funded occupational pension scheme. The contributions amount to 4.00 percent of your pensionable salary, paid solely by your employer.

Note: The contributions for VBLextra are generally tax-free and free from social security fees.

4 Considerations regarding your decision.

If you meet the requirements listed in the chart under chapter 1 and the VBLextra is your preferred choice, please keep in mind that there's a **two month** deadline in terms of submitting your application. Please apply via your employer.

Below we have listed some criteria which might help you to make your decision between VBLextra and VBLklassik. This overview can not cover all relevant details of the customer's individual situation. Should you have any questions please do not hesitate to contact us.

4.1 Key features of VBLklassik and VBLextra:

(Reduction of the qualifying period explained in 4.2)

I opt for VBLklassik because ...

I expect my employment contract to be extended to more than five years or it is likely that I will be employed in the public sector – in Germany – later on.

Significant characteristics of the VBLklassik:

- Occupational pension (old-age, incapacity and surviving dependants' coverage) with a guaranteed interest rate of 3.25 percent during your active period as employee and 5.25 percent during retirement, plus yearly indexation of benefits by 1.0 percent.
- Qualifying period of 60 insurance months with premium/contribution payments required for full pension entitlement.
- Social components enhance your accrued entitlements in case of parental leave or incapacity.
- This is a pay-as-you-go scheme and therefore transfers are not possible. The only exception is when the new employer is an Institution of the European Union (portability).
- Deduction of benefits by 0.3 percent per month in the case of early retirement – but a maximum deduction of 10.8 percent.
- Refund of employee contributions when the qualifying period is not reached.

VBLklassik

I opt for VBLextra because ...

I do not expect my temporary employment contract to be extended beyond five years and it is unlikely that I will be employed in the public sector – in Germany – later on.

Significant characteristics of the VBLextra:

- Occupational pension (old-age, incapacity and surviving dependants' coverage) with a guaranteed interest rate of 0,25 percent (as of 1 June 2016 = AVB04 – Terms and Conditions), plus potential capital earnings.
- No qualifying period required for pension entitlement.
- No social components in case of parental leave or incapacity.
- If legal requirements are met, a transfer of the capital value to or from another occupational pension provider might be possible.
- You can choose between monthly pension payments, a lump sum payment or a combination of a partial lump sum payment and proportionately lower monthly payments.
- Step-up of benefits by 0.2 percent for each month of receiving your pension benefits later than the month following your 65th birthday. Deduction of benefits by 0.3 percent for each month which you claim your pension benefits earlier than said point of time.

VBLextra

4.2 Important information about the VBL waiting period.

According to the collective agreement on pension provision, employees acquire an entitlement for occupational pension benefits after a waiting period of 60 months of contributions. The 60 months do not have to be accumulated continuously and at one single public sector employer. All insurance times, collected while employed at different research employers of the public sector, will be added together in terms of reaching the waiting period.

4.3 Vesting period according to the Occupational Pensions Act.

When you have been employed with the **same employer for more than five years without a gap or interruption**, you may have acquired a vested entitlement according to the Occupational Pensions Act. In this case you will receive a pension payment later on, irrespective whether the waiting period of 60 months of contributions within the VBLklassik scheme is fulfilled or not. The Occupational Pensions Act has been changed for the implementation of the EU mobility directive. The abovementioned time period for vested entitlements of occupational pension benefits will be reduced from five to three years as of 1 January 2018. This change may affect your decision on your choice between insurance within the VBLklassik or VBLextra, if you eventually have the option to work for the same research employer for 3 years continuously.

The reduction of the vesting period has an impact on work contracts started before 1 January 2018:

Example: Work contract commences on the 1st of January 2017. It is a temporary contract of four years up to the 31st of December 2020.

- According to the VBL Statutes within the compulsory insurance (§ 2 paragraph 1 Sentence 1 letter B ATV/ § 26 paragraph 1 Letter B) the qualifying period will not be reached, because the employee only has 48 months of contributions.
- But: As of 1 January 2018 till 31 December 2020 the reduced vesting period of three years can however be fulfilled.

This reduction of the vesting period does not mean that from 1 January 2018 only scientists and researchers with a temporary contract of less than three years have the choice between VBLklassik and VBLextra. This choice is applicable furthermore and has to be applied for via the employer. This remains the case as long as the collective parties have not agreed on a changed set-up.

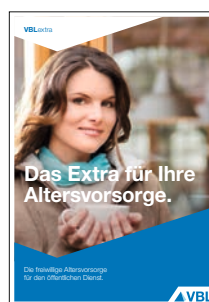
Further references can be found here:

http://www.bmi.bund.de/RundschreibenDB/DE/2016/RdSchr_20161010.pdf?__blob

5 Increasing your pension provision.

According to the Collective Labour Agreement on Pensions (ATV) your employer has to register you – as a scientific employee – in one of the occupational pension schemes of the VBL. Depending on your choice, (see chapter 4) this will ensue either in the VBLklassik or the VBLextra scheme.

Additionally, you can take out your own voluntary insurance with the VBL. You might want to take advantage of the available state benefits (tax and social security benefits of salary foregone/“Riester” tax benefits). This enables you to build up an additional pension provision even with small contributions.



Note: You can only take out an additional voluntary insurance before your employment relationship terminates. Thus, you will be able to continue your voluntary insurance by own contributions after your employment contract will have terminated.

For further information about your options with voluntary insurance, please consult our brochure about VBLextra (available only in German); which you can also receive by mail. Our customer service will gladly assist you if you have questions about our products or about state benefits. Just give us a call.

Should you have a previous occupational pension insurance with another provider, you might be able to transfer the value of this occupational pension provision into your voluntary insurance with the VBL. We will inform you about the requirements for a transfer. Just give us a call.

6 How to apply for a pension.

Upon applying for a pension after the insured event has occurred you will receive an occupational pension either as an old-age pension or an incapacity pension. Your surviving dependants will be covered as well, according to the respective provisions in the Terms and Conditions of the VBL Insurance (VBLS) or the terms and conditions of the VBLextra insurance.

Note: For more information about applying for pension benefits from VBLklassik or VBLextra, see our VBLspezial 03 “Hinweise zur Betriebsrente” (available only in German). You can download this brochure on our website www.vbl.de. Please use the search function on the website.



7 Changes in your employment contract.

VBLklassik.

If you opted for VBLklassik, please take into account the following:

Your employment contract terminates after the contracted period of time:

- As soon as your employment contract terminates, you'll be deregistered from the VBLklassik scheme. You retain the accrued entitlement.
- It is not possible to continue your VBLklassik by paying own contributions or premiums. Only if you took out an additional voluntary insurance while you were employed, you can opt to continue this voluntary insurance by paying your own contributions after your employment has terminated.
- If the qualifying period is not fulfilled at pension age, you can apply for a reimbursement of your own contributions up to the age of 69 years.

Extension or continuation of your employment contract:

- There are no specific issues which you have to consider. Your existing VBLklassik will be continued by your employer without you having to arrange for a continuation.

Tip: For a more detailed description of potential changes of the employment relationship and their consequences for the occupational pension provision see our brochure VBLspezial 02 "Änderungen im Beschäftigungsverhältnis" (available only in German) which you find on our website www.vbl.de in the section "Downloadcenter/VBLspezial".



VBLextra.

If you opted for VBLextra, please take into account the following:

Your employment contract terminates after the contracted period of time:

- Once your employment contract terminates, your VBLextra insurance is deferred. You retain the accrued entitlement and you can claim the benefits as soon as the insured event occurs. The vested entitlement may be increased by bonus points assigned due to capital earnings.
- When your employment contract terminates, a continuation of your VBLextra insurance is possible by paying your own contributions. **Important:** If you want to continue your VBLextra by own contributions, please notify us as soon as possible as the deadline for applying for continuation expires **three months** after the termination of your employment contract. We suggest that you use the form attached to this leaflet or contact our customer service.
- Reimbursement of contributions is not possible, because you are eligible for later pension benefits from the very first contribution.

Extension or continuation of your employment contract:

- If your employment contract is extended or continued to a period of five years or longer, a change in your insurance follows. Your employer has to register you in the VBLklassik scheme in accordance with the special arrangement for scientists (s. Article 28 of VBL Statute). VBLklassik cannot be backdated to the beginning of your employment. The preceding months in the VBLextra do count in terms of reaching the qualifying period, if certain requirements are met. **Requirements:** No interruption of your contract – not even one single day. The continuation/extension has to be with the same employer. Upon registering you for VBLklassik, your employer will stop paying contributions into the VBLextra and start paying premiums and your employee's share for VBLklassik (see chapter 2).
- Your VBLextra will be deferred. You retain your vested entitlement which has been accrued up to this time. Possible capital earnings increase the benefits.
- A continuation of your VBLextra insurance is possible by paying your own contributions.

Glossar	Glossary
Abmelden (von der Versicherung)	deregistration
Anmelden (zur Versicherung)	register for insurance
Abrechnungsverband West	Western Länder of Germany
Abschlag	deduction
Altersvorsorge	retirement provision
Altersvorsorgeplan	retirement provision plan
Anmeldung	registration
Arbeitgeber	employer
Arbeitnehmer	employee
ATV: Siehe Tarifvertrag Altersversorgung auswählen zwischen zwei (oder mehreren) Varianten	opt for
befristeter Arbeitsvertrag	temporary employment contract
beitragsfrei	non-contributory
Beiträge (kapitalgedeckt)	contributions
Betriebsrente	occupational pension
Betriebsrentenrechner	pension calculator
Dynamisierung (jährliche Erhöhung der Rente)	indexation
Eigenanteil des Beschäftigten	employee's share
Einmalzahlung	lump sum payment
Entgeltumwandlung	salary foregone
Entgeltgruppe	pay grade
Freiwillige Versicherung	voluntary (pension) insurance scheme (i.e. VBLextra)
gesetzliche Rentenversicherung	statutory pension insurance
kapitalgedeckt	capital-funded
kommunale Arbeitgeber	municipal employers
öffentlicher Dienst	public sector
Pflichtversicherung (VBLklassik)	compulsory insurance scheme (VBLklassik)
Produktbroschüre	product brochure
Rechnungsgrundlagen (versicherungsmathematische Formeln)	actuarial calculation factors
Riester-Förderung	“Riester” benefits
Riester-Zulagen	“Riester” pension bonuses
Rückrufservice	call-back-service

Glossar	Glossary
Sonderausgabenabzug	tax-deductible special expenses
Soziale Komponenten	social components
Sozialversicherung(-sbeiträge)	social security (fees)
staatliche Förderung	state benefits
Steuerersparnis	tax subsidies
Tarifvertrag	collective labour agreement
Tarifvertrag Altersversorgung (ATV)	Collective Labour Agreement on Pensions (ATV)
Tarifgebiet West	Western Länder of Germany
Tarifvertragsparteien	parties to the collective labour agreement
Überschussbeteiligung	assignment of capital earnings
Umlagen (im Umlagesystem)	premiums (on a pay-as-you-go basis)
Unternehmensbroschüre	corporate brochure
unverfallbarer Rentenanspruch	vested entitlement
VBLextra	VBLextra (the capital-funded pension scheme which a sci- entific employee can opt for)
VBLklassik	VBLklassik (the pension scheme with pay-as-you-go premiums and contributions, in which your employer enrolls you by default)
VBL-Satzung	(VBLs) Terms and Conditions of VBL Insurance (VBLs)
Verbraucherinformation VBLextra	consumer information bro- chure (a booklet with concise information about the product VBLextra, available only in German)
Versicherungsbedingungen	terms and conditions of insurance
Versicherungsnachweis	account statement
Versorgungsausgleich	pension rights adjustment
Versorgungspunkte	pension points
Wahlrecht ausüben zwischen zwei (oder mehreren) Varianten	opt for
Wartezeit	qualifying period
Wissenschaftliche/-r Mitarbeiter/-in	scientific employee
Zusatzrente	supplementary pension
Zusatzversorgungspflichtiges Entgelt	pensionable salary
Zuschlag	step-up of benefits