

IOPS COUNTRY PROFILE: AUSTRIA



DEMOGRAPHICS AND MACROECONOMICS

GDP per capita (USD)	49,953.9
Population (000s)	8,468.6
Labour force (000s)	4,508.3
Employment rate ¹	71.5
Population over 65 (%)	- No data available
Dependency ratio ²	27.2

OECD Data from 2013 or latest available year.

1. Share of persons in working age in employment,

OECD 2015

2. Demographic dependency ratio ($65+/(15-64)$), OECD

2013

AUSTRIA: COUNTRY PENSION DESIGN

STRUCTURE OF THE PENSION SYSTEM

Public pensions

- Defined benefit public scheme with an income-tested top up for low income pensioners

Private pensions: occupational (voluntary)

- Pensionskassen
- Direct commitments (Direktzusagen)
- Direct insurance (Direktversicherung)
- Occupational group insurance
- Support Funds (Unterstützungskasse)

Private pensions: personal (voluntary)

- Pensionsversicherung gem. 108b EStG, (PSV)

Source: OECD Global Pension Statistic

AUSTRIA: THE PENSION SYSTEM'S KEY CHARACTERISTICS

PUBLIC PENSION

The public pension system covers private sector employees earning € 438.05 (in 2018) a month or more, the self-employed, peasants and public sector employees (but not civil servants). The new pension account system guarantees pension benefits according to the 45-65-80 formula, meaning that after 45 years of contributions and retirement at age 65, the old-age pension will amount to 80% of lifetime earnings. Those who were over 50 on 1 January 2005 are exempt from the reformed system, those who were younger than 50 are entitled to benefits calculated by a combination of old and new provisions.

Pension insurance contributions amount to 10.25% of earnings for employees. Employer contributions are 12.55%. Maximum monthly earnings for contribution purposes (employee and employer) amount to € 5.130 (in 2018). The Austrian state steps in to guarantee minimum pensions and cover any deficits.

The normal retirement age is 65 for men (and all civil servants; also females) and 60 for women (gradually rising to 65 by 2033). Entitlements for a regular old-age pension arise with a minimum of 15 insurance years (thereof at least 7 contribution years) and when the statutory retirement age has been reached.

The assessment base for benefits is currently equal to the (adjusted) average best 30 years up to a maximum of € 4,252.67 per month (in 2018). The average earnings period will increase to full career. The accrual rate is 1.78%. Maximum benefits amount to 80% of the maximum assessment base, which will be attained after 30 years of contributions (in 2018). For those whose coverage started after 1 January 2005, monthly benefits are calculated on the basis of 1.78% of the annual contribution base plus the sum of the adjusted annual contributions of all years of contributions divided by 14.

Maximum monthly pension benefits amounted to € 3,402 in 2018. If individual pension claims are lower than legally defined thresholds the gap will be closed by federal budget contributions (equilising allowance) to guarantee a minimum income for pensioners. Benefit payments are taxed when they are paid out. Pension benefits are indexed in line with the CPI (benchmark).

The Austrian public pension system comprises a few remaining possibilities for early retirement incl. discounts (corridor pension, early old-age pension for long-term contributors, heavy worker regulation), invalidity and occupational disability pensions as well survivors' pensions.

OCCUPATIONAL MANDATORY

Coverage

The Austrian mandatory severance payment scheme covers the acceptance and investment of severance payment contributions from salaried employees and self-employed persons. The contributions are owned by the severance payment fund, which holds and manages them on a trust basis for the beneficiaries. The current severance payment scheme has been in place in this form in Austria since 1 July 2002, replacing the previous model.

Contributions

Employers enter into a membership contract with a severance payment fund covering all employees and make a regular contribution of 1.53% of their monthly salary plus any special payments. The payment is made to the health insurance institution responsible for the employer, which then forwards the contribution to the severance payment fund. Self-employed persons must conclude their own contract with a severance payment fund.

Benefits

Provided that the conditions of entitlement are met, beneficiaries may, for example, claim payment of the entire severance amount as a lump sum or give instructions for its continued investment or a transfer of the entire amount to the severance payment fund of the new employer. When employees reach the normal retirement age for public pension benefits, they may choose to receive the benefit of their individual defined contribution accounts as a lump sum or as an annuity.

Taxation

The mandatory portion of employer contributions (1.53% of the salary) is not taxable. Employee benefits are tax-free if paid out as annuities, but lump sums are liable to a 6% income tax.

OCCUPATIONAL VOLUNTARY

Coverage

Collective bargaining agreements can require employers to enter into a pension contract with a *Pensionskasse*. *Pensionskassen* manage plans for groups of at least 1,000 beneficiaries and in 2017 they covered around 22% of the labour force.

Contributions

Plans are funded by employer contributions. Employees may make additional contributions on a voluntary basis. They must not, however, exceed the sum of annual employer contributions, the level of which is set in the pension contract between the employer and *Pensionskasse*. The average annual contribution per active member was EUR 1 360 in 2017.

Benefits

Benefit levels are laid down in the pension contract signed by employer and *Pensionskasse*. Benefits are generally paid out as life-long pensions or as lump sums if total benefits are below EUR 12 600 (since 1.1.2019). The *Pensionskassen* themselves pay out benefits.

Taxation

For pension-saving purposes, employer and employee contributions are held in separate funds and governed by different taxation rules. Employer contributions are income-tax deductible up to a ceiling of 10% of the payroll.

As regards defined benefit plans, however, the only tax-deductible contributions are those that go towards pensions that yield benefits of 80% of an employee's income. Employee contributions are tax-deductible as special expenses. Investment income, too, is tax-exempt. Benefit payments financed by employee contributions are taxed at a quarter of the ordinary income tax rate, while the portion of benefit payments financed by employer contributions is also liable to taxation.

PERSONAL VOLUNTARY

Coverage

Any taxpayer under the age of 62 may join the state-sponsored retirement provision arrangement.

Contributions

Contribution levels are set forth in the contract between contributor and provider. The state tops up contributions by a percentage which varies each year until the contributor reaches 62. The 2017 percentage was 4.25%, or a maximum state top-up of EUR 120.09. Participants must make payments for at least 10 years, during which time their savings are locked in.

Benefits

Benefits can be paid out from the age of 40 in the form of a taxable lump sum or tax-exempt annuity. In the latter case, the accrued benefits must first be transferred to a *Pensionskasse*. Benefits can also be reinvested on a tax-exempt basis.

Taxation

Contributions and investment income are tax-exempt, while benefit payments are not taxed if they are paid out as a monthly annuity after retirement age. Benefits and capital gains are taxed if paid out before retirement.

MARKET INFORMATION

Occupational mandatory

As of 31 December 2017, there are eight severance payment funds authorised in Austria: APK Vorsorgekasse AG, Allianz Vorsorgekasse AG, BONUS Vorsorgekasse AG, BUAK Betriebliche Vorsorgekasse GesmbH, fair finance Vorsorgekasse AG, Niederösterreichische Vorsorgekasse AG, VBV - Vorsorgekasse AG and Valida Plus AG. There are approximately 1.35 million membership contracts. Total assets in the severance payment system amount to approximately EUR 10.6 billion. Severance payment funds guarantee a mandatory minimum severance payment – a so-called “capital guarantee” – and are free to promise higher guarantees.

Occupational voluntary

In December 2017 the total number of participants was 924 107. There were 10 *Pensionskassen*, 4 of which served only one employer, managing assets worth EUR 22.3 billion. The market is dominated by the three largest market participants, namely APK-Pensionskasse AG, Valida Pension AG, and VBV Pensionskasse AG, which account for approximately two-thirds of the market.

Personal voluntary

At the end 2017, the total number of contracts was 1 289 833. PZV contracts are offered by over 20 different insurance companies and 2 pension investment funds (*Kapitalanlagegesellschaften*). Though legislation requires contracts to have a duration of at least ten years, they run for 20, 30, or even 45 years, in practice. Total contributions amounted to EUR 862 million in 2017. Providers must appoint a guarantor (except where they have established an internal risk model) and may be required to hold additional reserves.

POTENTIAL REFORM

Due to demographic developments and its generous public pension benefits, the Austrian budget faces challenges.

REFERENCE INFORMATION

KEY LEGISLATION

- 2018: Pension Companies Act; Transposition of IORP II Directive.
- 2005: Pension Companies Act; Transposition of IORP I Directive.
- 2006: Regulations relaxing investment limits for *Pensionskassen* passed.
- 2004: The Harmonisation of Austrian Pension Systems Act reforms the state pension system.
- 2002: The Act on Corporate Staff Provision (amended in 2006) introduces the new severance pay system. It regulates the setting-up and management of staff provision funds (investment limits, capital requirements).
- 1990: The Pensionskassen Act regulates the *Pensionskassen* system.

KEY REGULATORY AND SUPERVISORY AUTHORITIES

- The Ministry of Social Affairs and Consumer Protection: chiefly responsible for supervising the Austrian public pension system: www.bmsk.gv.at/cms/siteEN/.
- The Ministry of Finance: regulates private pensions: <http://english.bmf.gv.at/>.
- The Financial Market Authority (FMA): Austria's chief financial supervisory body. It carries out risk-based supervision of pension entities.

KEY OFFICIAL STATISTICAL REFERENCE AND SOURCES ON PRIVATE PENSIONS

- FMA (2007), "Supervision of Staff Provision Funds", *Annual Report of the Financial Market Authority*, OECD, Paris, www.fma.gv.at/JBIInteraktiv/2007/EN/index_frame.htm.
- FMA (2007), "Pension Company Supervision", *Annual Report of the Financial Market Authority*, OECD, Paris, www.fma.gv.at/JBIInteraktiv/2007/EN/index_frame.htm.
- OECD, Global Pension Statistics project, www.oecd.org/daf/pensions/gps.