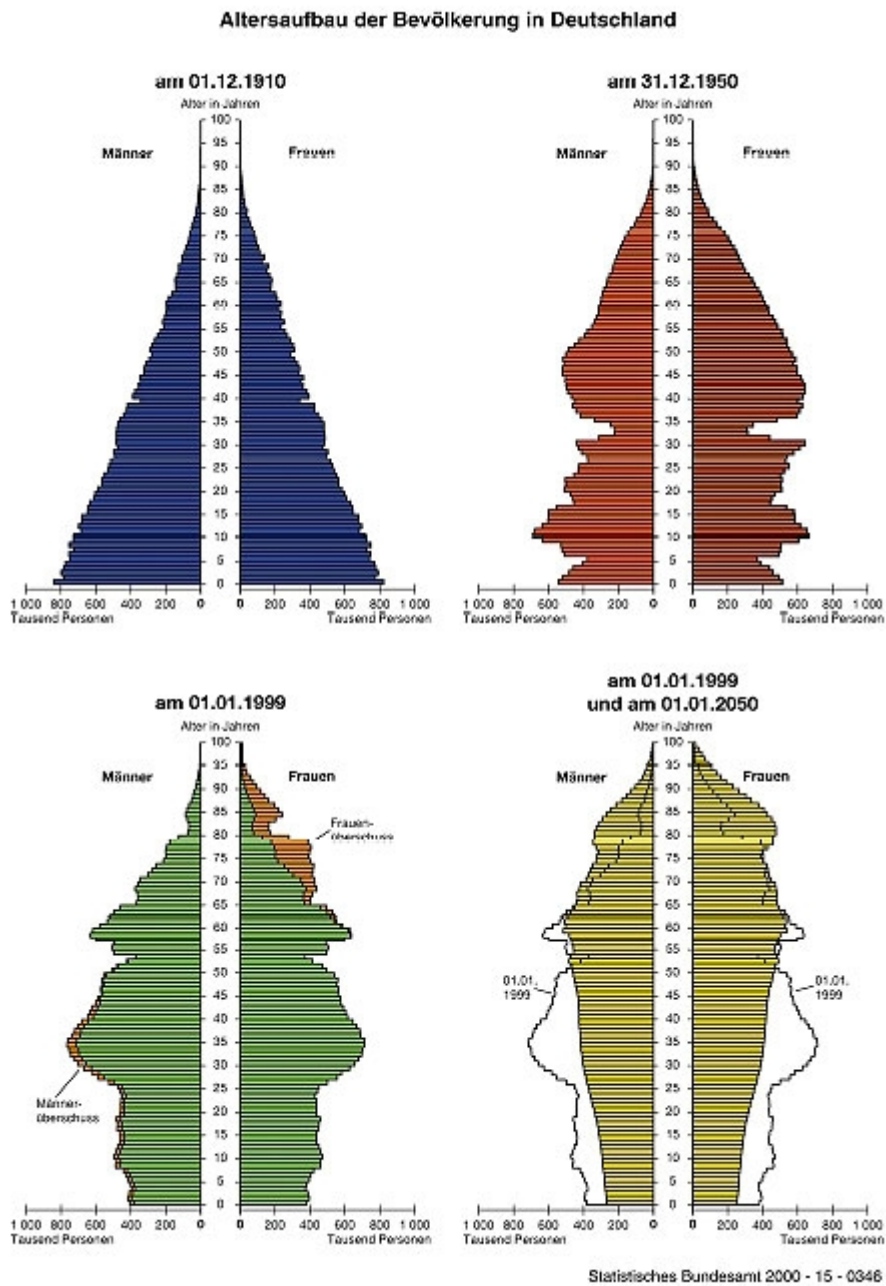
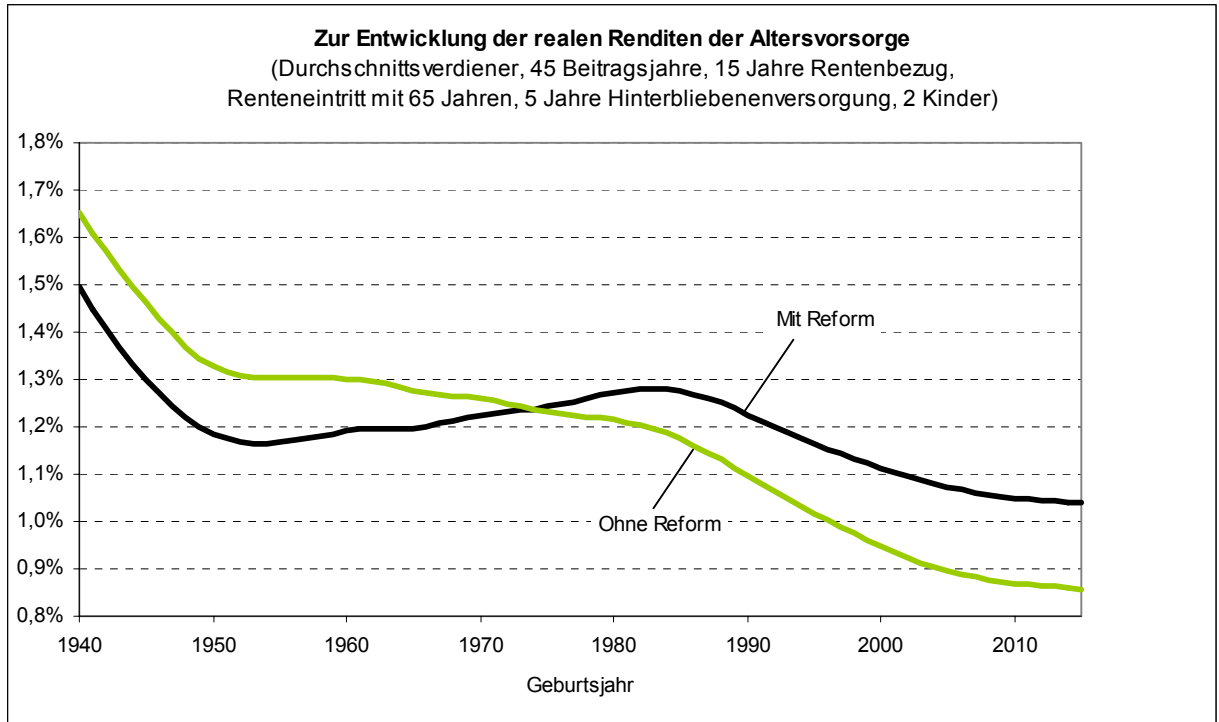


German Social Advisory Council, 2001 special report, appendix

Graph 1: Age pyramid in Germany



Graph 2: Development of the real rate of return of old-age provision
(Average earner, 45 contribution years, 15 years pension receipt, retirement at the age of 65, 5 years dependant's pension, 2 children)



Graph 3: Intergenerational distribution effects of the pension reform
 (measured in rate of return basis points; average earner, 45 contribution years,
 15 years pension receipt, retirement at the age of 65, 5 years dependant's
 pension, 2
 children)

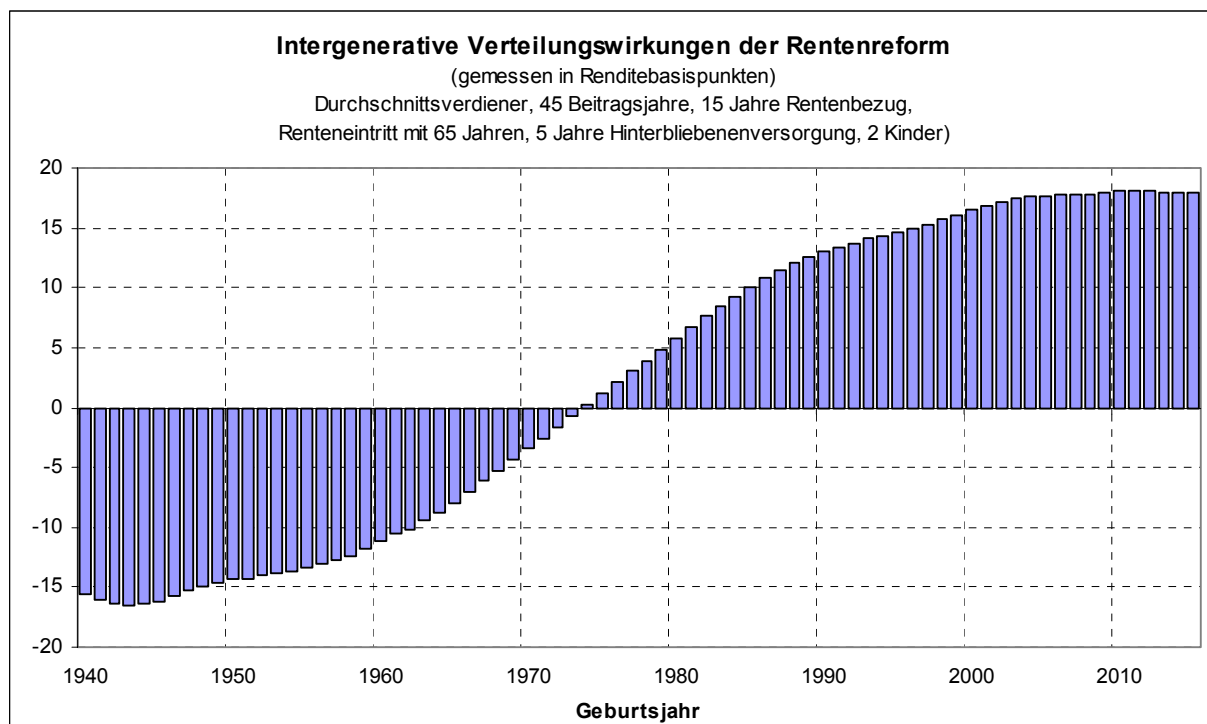


Table 1: Old-age dependency ratio (number of people aged 60 and over per a 100 people aged 20 to 59) with different net immigration

Year	100.000 persons	200.000 persons
1999	40	40
2010	46	46
2020	54	53
2030	73	70
2040	76	72
2050	80	75

Source : Federal Statistical Office

Table 2: Old-age dependency ratio (number of people aged 65 and over per a 100 people aged 20 to 64) with different net immigration

Year	100.000 persons	200.000 persons
1999	25	25
2010	33	33
2020	36	35
2030	47	45
2040	56	53
2050	56	52

Source: Federal Statistical Office

Table 3: Federal subsidies, contributions and refunds

	FiP 2004	FiP 2003	FiP 2002	Soll 2001	Soll 2000	Ist 1999	Ist 1998	Ist 1993
Sum of federal subsidies	125.4	121.5	112.4	104.6	97.3	97.5	96.3	62.4
of which								
Federal subsidy (ArV/AnV) ^a	72.9	70.5	68.4	66.2	65.3	67.6	72.7	49.5
Additional federal subsidy (ArV/AnV) ^a	37.9	36.4	29.4	23.8	17.8	15.6	9.6	0.0
Share KnRV ^a	14.6	14.6	14.6	14.6	14.2	14.3	14.0	12.9
Pension expenditure incl. KnRV	410.9	398.9	387.9	382.7	371.7	360.0	352.5	276.2
Federal subsidy's share in pension expenditure in %	30.5%	30.5%	29.0%	27.3%	26.2%	27.1%	27.3%	22.6%
Other payments to pension insurance								
a) Contribution payments	30.5	30.3	30.1	29.6	29.7	25.7	12.4	5.0
of which								
Contribution payments BMA¹	28.1	27.9	27.6	27.1	27.1	22.5	9.1	2.4
Contribution child-raising periods	23.3	23.2	23.0	22.6	22.4	13.6	0.0	0.0
Contribution disabled in workshops	1.9	1.8	1.7	1.5	1.5	1.4	1.4	0.8
Contribution to unemployment assistance	2.9	2.9	2.9	3.0	3.2	7.5	7.7	1.6
(Contribution of Federal Employment Office without unemployment benefits)	9.2	9.5	9.8	10.3	11.6	13.4	14.9	8.4
Contribution payments to other ressorts (Military and alternative civilian service)	2.4	2.4	2.5	2.5	2.6	3.2	3.3	2.6
Pension expenditure incl. KnRV	410.9	398.9	387.9	382.7	371.7	360.0	352.5	276.2
Share of federal subsidy and federal contributions in pension expenditure in %	37.9%	38.1%	36.7%	35.1%	34.2%	34.2%	30.8%	24.4%
b) Refunds	10.3	10.2	10.1	11.5	10.4	9.8	6.8	3.7
of which								
Refunds BMA¹	5.2	5.4	5.6	6.9	5.8	5.8	2.7	1.1
Benefits due to unification	1.2	1.5	1.8	2.1	2.5	2.9	0.0	0.0
Supplementary benefits (Zusatzversorgung)	3.7	3.6	3.5	4.5	3.0	2.6	2.4	0.7
"Social Bonus" (Sozialzuschlag)	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.2
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2
Refunds other ressorts	5.1	4.8	4.5	4.6	4.6	4.0	4.1	2.6
Special provision (Sonderversorgung)	4.2	3.8	3.4	3.4	3.3	2.5	2.4	1.3
Other	0.9	1.0	1.1	1.2	1.3	1.5	1.7	1.3
Pension expenditure incl. KnRV	410.9	398.9	387.9	382.7	371.7	360.0	352.5	276.2
Share of federal subsidy and federal contributions and <u>refunds</u> in pension expenditure in %	40.4%	40.6%	39.3%	38.1%	37.0%	36.9%	32.8%	25.7%
Pension expenditure incl. KnRV and refunds	421.2	409.1	398.0	394.2	382.1	369.8	359.3	279.9
Share of federal subsidy and federal contributions and <u>refunds</u> in pension expenditure in %	39.5%	39.6%	38.3%	37.0%	36.0%	36.0%	32.1%	25.4%
Sum fed. gov. payment	166.2	162.0	152.6	145.7	137.4	133.0	115.5	71.1
Volume budget	502.5	495.2	487.7	478.7	478.8	482.8	456.9	457.4
Share in budget in %	33.1%	32.7%	31.3%	30.4%	28.7%	27.5%	25.3%	15.5%

¹ BMA = Federal Ministry for Labour and Social Affairs

^a ArV = Pension Insurance for blue-collar employees, AnV = Pension Insurance for white-collar employees, KnRV = Miner's Pension Insurance

Table 4: Assumptions made by the federal government for the calculations of the 2001 pension reform's effects (September 2000)

Year	Former West Germany	Former East Germany	Year	Former West Germany	Former East Germany		
I. Economic assumptions			II. Demographic assumptions				
Changes in wages in %			Population (in million persons)				
1999	1.1	1.6	2000	66.8	15.3		
2000	1.6	1.6	2005	66.7	15.0		
2001	2.2	2.2	2010	66.5	14.9		
2002-2004	2.6 ^a	2.6 ^a	2015	66.0	14.9		
2005-2030	3.0 ^a	4.1 ^a	2020	65.3	14.7		
			2025	64.3	14.3		
			2030	63.0	13.9		
Employment development in %			Net migration				
2000	0.6	-0.2	1999	72000	24000		
2001	1.0	0.3	2000	72000	14000		
2002-2005	0.4	0.4	2001	88000	18000		
2006-2014	yearly decline by 0.04 percentage points until 0 percent.		2002	104000	22000		
2015-2022 (East)/2025 (West)	employment level constant		2003	120000	26000		
from 2023 (East)/2026 (West)	decline as labour force participation potential		2004	128000	30000		
			2005	140000	30000		
			2006	138000	32000		
			2007	146000	34000		
			2008-2009	154000	36000		
			2010-2019	144000	36000		
			2020-2029	132000	33000		
			2030	124000	31000		
Number of unemployed (in 1000)			Life expectancy at the age of 65				
1999	2 756	1 344					
2000	2 530	1 320					
2005	2 067	1 088					
2010	2 193	936					
2015	2 329	655					
2020	2 063	329					
2025	823	177					
2030	758	171					
Social Security Contributions in %							
	Unemployment insurance	Long-term care insurance	Health Insurance West	Health Insurance East			
1999	6.5	1.7	13.5	13.9			
2000	6.5	1.7	13.5	13.8			
2005	6.4	1.7	13.5	13.8			
2010	6.4	1.7	13.5	13.8			
2015	6.4	1.9	13.5	13.8			
2020	4.4	2	13.5	13.8			
2025	2.0	2.2	13.5	13.8			
2030	2.0	2.4	14.0	14			
			Former West Germany men				
			Former East Germany women				
			men				
			women				
			1999	15.1	18.9	14.1	17.9
			until 2006	16.4	20.1	16.4	20.1
			until 2030	17.0	21.6	17.0	21.6
			until 2050	17.7	22.3	17.7	22.3
			Net reproduction rate				
			Over the whole period: former West Germany 0.67 %;				
			former East Germany until 2009 70% of West level,				
			then 100% of West level				

^a increase per year

Table 5: Examples for subsidy of additional old-age provision

Single, no children

Income liable for insurance contributions in euros/per year	1.800,00	15.000,00	20.000,00
Basic subsidy (<i>Grundzulage</i>)	154,00	154,00	154,00
Required minimum savings amount (4 % of income ./. subsidy)	90,00 ¹	446,00	646,00
Ratio of minimum personal saving amount to total savings	36,89%	74,33%	80,75%
Ratio of minimum personal savings to income	5,00%	2,97%	3,23%

¹ Required minimum amount of personal savings required to receive the maximum subsidy.

Single, 1 child

Income liable for insurance contributions in euros/ per year	5.000,00	15.000,00	25.000,00
Basic subsidy plus subsidy for each child (<i>Kinderzulage</i>)	339,00	339,00	339,00
Required minimum savings amount (4 % of income ./. subsidy)	75,00 ¹¹	261,00	661,00
Ratio of minimum personal savings amount to total savings	18,12%	43,50%	66,10%
Ratio of minimum personal savings amount to income	1,50%	1,74%	2,64%

Married, 2 children

Income liable for insurance contributions in euros/ per year	15.000,00	30.000,00	45.000,00
Double basic subsidy plus double subsidy per child	678,00	678,00	678,00
Required minimum savings amount (4 % of income ./. subsidy)	60,00 ¹¹	522,00	1.122,00
Ratio of minimum personal savings amount to total savings	8,13%	43,50%	62,33%
Ratio of minimum personal savings amount to income	0,40%	1,74%	2,49%

Table 6: Tax and contribution exemption of employer's expenditure on occupational pensions following the Retirement Asset Act (AvmG)		
Funding vehicle²	Tax exemption *	Contribution exemption **
Pensionsfonds	Up to 4% of the CAL ³ of the pension insurance (ca. 4.000 DM / in 2001)	Up to 4% of the CAL of the pension insurance (ca. 4.000 DM / in 2001)
Pensionskasse	1) Up to 4% of the CAL of the pension insurance (ca. 4.000 DM / in 2001) 2) Lump-sum tax 20 %	1) Up to 4% of the CAL of the pension insurance (ca. 4.000 DM / in 2001) 2) 3.408 DM / 4.200 DM

² See glossary below.

³ CAL= Contribution Assessment Limit (*Beitragsbemessungsgrenze*)

Direktversicherung (Direct insurance)	Lump-sum tax 20%	3.408 DM / 4.200 DM
Direktzusage	Reserves unlimited, without payment to the employee.	No contributions paid by the employee.
Unterstützungskasse	Operating expenses limited to assets of the Unterstützungskasse, without payment to the employee.	No contributions paid by the employee.
Rückgedeckte Unterstützungskasse (Reinsured support fund)	Operating expenses unlimited, without payment to the employee.	No contributions paid by the employee.

*

Tax exemption also via special expenses deduction / subsidy following § 10a EStG (Income Tax Law) for employee's contribution to occupational pension schemes in the subsidy steps from 2002 to 2008 starting from 1 per cent up to 4 per cent of CAL of the pension insurance

**Tax exemption in case employer pays contribution into the pension scheme also for employee's contribution from remuneration conversion (*Entgeltumwandlung*) to occupational pension schemes, limited until 31.12.2008 up to 4 per cent of CAL of the pension insurance, with lump-sum taxation following § 40 b EStG limited to 3.408 DM and 4.200 DM respectively; after that there is contribution obligation from remuneration conversion which can be used for the government subsidy following § 10 a EStG.

Glossary:

Pensionsfonds: A new tax-qualified vehicle. Separate legal entity that provides benefits or administers a DC pension plan on behalf of the company. Employees have a direct claim against the *Pensionsfonds*.

Pensionskasse: Special insurance company established by a company or several companies to serve exclusively the employees of those companies. Beneficiaries have a claim against the *Pensionskasse*.

Direktversicherung: Insurance contract between company and private insurance company. Insured employees have a claim against the insurance company.

Direktzusage: Defined benefit pension plan/individual contract financed via book reserves. Employees have a claim against the company directly.

Rückgedeckte Unterstützungskasse: A separate legal entity that provides benefits on behalf of the employer. *Unterstützungskasse* invests solely in insurance policies. Beneficiaries have no claim against the *Unterstützungskasse*.

Source and for more information see: A. E. Gohdes and E.M. Schmandt, Germany enters a new era for occupational pension plans, in: Benefits & Compensation International July/August 2001