

## Pension Funds in Austria

### General Information

In Austria, as in most other European Countries, the "Three Pillar Model" is the recognised model for securing retirement provision:

- The first (public) pillar is financed by tax (20 %) and social insurance contributions (80 %).
- The second – occupational – pillar is financed by contributions of the employer and the employee and is based on collective bargaining agreements. This second pillar as well as the third pillar is funded.
- Third pillar: individual retirement provision

In Austria occupational retirement provision (second pillar) is possible via pension funds, balance sheet reserve of the employer, life insurance and voluntary higher contributions to the public pension system. Before the establishment of pension funds in Austria, occupational retirement benefits were almost exclusively financed by balance sheet reserves. Almost all larger companies have now transferred their occupational pension schemes to pension funds. These days SME's are more and more interested in pension funds.

Pension funds have to be established in the legal form of a joint-stock company. It can be distinguished between multi employer pension fund and single employer pension fund. Multi employer pension funds are those which are not limited to a certain company, but which can offer occupational retirement provision to every firm interested. Pension funds are mainly subsidiaries of insurances and banks. Today we have 5 multi employer pension funds and 3 single employer pension funds. The single employer pension funds developed slowly, but steadily. Single employer pension funds are limited to a certain company with regard to offering the occupational retirement provision.

The pension fund model is the international recognised model for securing retirement provision, as it yields a good return in the long run, offers high safety, transparency and the right for co-determination for the company and for the beneficiary. The comparison with countries with a long pension fund tradition shows a high potential for the future development.

### Legislation in Austria

The problems in financing the first pillar out of the employees' contributions and the increasing need of the public pension insurance for additional resource mainly provided by tax to pay the pension, called for modern occupational retirement legislation in Austria. After protracted political discussions with an active participation of the Social Partners, the Pensionskassengesetz (Pensionskassen Act) and the Betriebspensionsgesetz (Betriebspensions Act) became effective on July 1st, 1990.

The Pensionskassen Act is the legal framework for establishing and operating a pension fund, whereas the Betriebspensions Act is the social and labour law framework of the occupational retirement provisions.

### Contracting

Before a pension fund contract can be signed, the employer and the employees have to decide via „Betriebsvereinbarung“ (a contract signed by the representatives of the employees of a certain firm and the firm) or via model contract on the specific contributions and the fulfillment of obligations.

This consensus is the basis for the contract which has to be signed between the employer and a pension fund. Employers with more than 1000 employees in their firm can establish their own pension fund (=single employer pension fund).

The pension fund contract deals with contribution payments, fulfillments, investment regulations, administrative costs and transformations of candidatures. Each pension fund contract has to offer a retirement provision for the employee and also a social security scheme for the dependents of the employee. In principle the contributions are primarily made by the employer, but the employee can also contribute to his future pension by paying sums which must not exceed the amount of the employer. Contributions paid by the employer are not accessible for the employer or his creditors at any

later stage. The contributions are administered in a separate legal entity (investment and risk sharing group). Each beneficiary gets a retirement account which is divided into the employer's contributions and the employee's contributions (the distinction is necessary for tax reasons). Once a year the beneficiary gets a written information about the account.

Lump sum payments are just allowed in two cases:

- When the amount of money contributed is not more than EUR 12.600.
- When a person with an entitlement to a widow pension remarries.

## Possible pension promises

- Defined contributions: The size of the pension is not specifiable in advance. The amount of contributions paid into the system, the value increase and the interest rate are relevant for the amount of the pension at the end of the day.
- Defined benefits: The amount of money the beneficiary will receive is fixed. From this amount one has to calculate the monthly contribution payments. If there is a lack of financing, the employer has to pay additional sums.

The investment regulations of the Pensionskassen Act foresee a deviation in risk. The valuation regulations are oriented on the daily value principle, a guarantee for the true value.

## Control

The pension fund supervisor is an outsourced body financed by the supervised institutions themselves, named Financial Market Authority.

The business plan of the pension fund has to be written by an expert in the field of mathematics and has to be approved by the supervision. The fulfillment of the business plan is supervised by an additional mathematics expert (actuar) and an independent controller. Apart from that each pension fund has an internal revision. The beneficiaries are entitled to send a representative into the board of trustees. And finally pension funds are legally organized as stock corporations.

These regulations show very well that control and supervision in this field of financial services is the best within the field of occupational retirement provisions. Supervision is not reduced to the public supervisor, but includes the beneficiaries themselves.

## Statistics

The main figures for the year 2020:

- Administered assets: EUR 25,17 billion
- Beneficiaries: 875.728
- Pensioners: 119.024
- Pension payments: EUR 746 Million – The pension funds are the biggest payer of private pensions in Austria.

## Taxing

The main taxation regulations are in the Einkommenssteuergesetz (Income Tax Act) in Austria.

The international common EET - principle is just realised for the employers' contributions to the pension funds, not for the contributions of the employees.

- Employer contributions: Pension fund contributions of up to 10% of the whole wage are deductible from the income tax. When it is a defined benefits construction, only contributions are deductible which finance a pension of a maximum of up to 80% of the income. Deductible contributions are seen as expenses of the firm. Furthermore no additional wage costs, such as social insurance contributions, have to be paid. Only pension payments are taxed by income tax, not the contributions.
- Employees contributions: These contributions paid by the employee are taxable, they are deductible as special expenses. The pension payments financed by employees' contributions are taxable as income tax just up to ¼., because these payments result from contributions already taxed once.

Furthermore § 108 a,b Income Tax Act states a premium for contributions paid to a pension fund, an additional pension insurance, voluntary higher payments to the public pension insurance or a pension investment fund made by an employee of up to EUR 1.000. Up to now the employee was not allowed to pay higher contributions to the pension fund for his/her own provision than the employer pays for him, even if these contribution payments were below EUR 1.000. In order to take full advantage of the premium regulation of § 108 a Income Tax Act contribution payments of up to at least EUR 1.000 will be possible for employees, even if the contributions of the employer are below that.

An additional benefit in this respect is that pension payments resulting from employee's contribution payments, for which the premium of § 108 a Income Tax was received, are tax free. All contributions are invested by the pension fund exempt from taxes.

# PensionsEurope

The Association of Austrian Occupational Pensionfunds is member of [PensionsEurope](#). PensionsEurope represents the various associations of pension funds and similar institutions for pension provision. PensionsEurope has members in most EU Member States. Most members are non-profit making associations. About 70 million EU citizens are covered for their occupational pension plan by Member Associations.

PensionsEurope's aim is to provide Europe with a financing vehicle (pension fund or similar) – not precluding any others catered for by commercial undertakings – that is affordable for large sections of the populations and that provides a degree of intra- und inter-generational solidarity. This is feasible if the conditions for investment and the proper prudential framework facilitate this type of collectively organised occupational pension provision.

## Association of Austrian Occupational Pensionfunds

The Association of Austrian Occupational Pensionfunds was established in the year 1992. It is not a voluntary and loose association but an organisation under public law. So all single employer and multi employer pension funds are members of this association. In total 8 pension funds are existing today in Austria.

Its task is to promote and to support the common interests of the members of our association, nationally and internationally, especially with regard to the ongoing process in the EU. This includes giving expert opinion on bills of law and advice to Parliament and governmental authorities on all matters touching interests of the pension fund community.


The professional association is a democratic institution resting on the free will expressed by its members. Each member is entitled to vote and to be elected without any discrimination as regards the size of the enterprise or its contributions. Each member has one vote, the polls are secret. They vote a Council of nine members. These general and direct elections take place every five years. The members elect the chairman, currently Mr. Andreas Zakostelsky, and his three deputies. Furthermore there are several standing committees reporting to the Council such as law, international affairs, marketing, economics, and so on.

The professional association is serviced by a Secretariat actually headed by Mr. Stefan Pichler, Mr. Karl-Heinz Wanker and Mrs. Marina Kargl (assistant). Two people of staff are working in the secretariat, Mrs. Gabriele Rotter and Mrs. Monika Domonkos (secretary). The staff will be happy to answer your questions.


→ [List of Pension Funds](#)

## Contact

 A- 1040 Vienna, Wiedner Hauptstraße 57

 +43 590 900-4108

 [fvpk@wko.at](mailto:fvpk@wko.at)

 <https://www.pensionskassen.at>