

Occupational Provision Funds

Occupational provision plan as essential element for the Austrian pension model's 2nd pillar

According to the Banking Act (BWG), occupational provision funds are financial institutions. Their duty is to administer and to invest occupational provision plan contributions. In 2003 occupational provision fund replaced the former Austrian severance pay system and was thus dubbed "Abfertigung Neu" (New severance pay). Legally the occupational provision plan is based on the Corporate Staff and Self-Employment Provision Act (BMSVG). The BMSVG as part of the legal information system of the federal chancellery.

In contrast to the old system, in which companies themselves saved up for severance payments, contributions to the occupational provision scheme within the new severance pay system are invested in trust. Occupational provision funds are subjected to clearly defined investment regulations that guarantee high protection standards for the invested capital. – see Veranlagung (investment)

Part of the three-pillar-model

Beside the legal and private provisions, occupational provision plans form an important part of the Austrian pension model's 2nd pillar, which is supplementing. Just like occupational pension plans, which enterprise finance as a supplement to the state pension system in trust and by contract with a pension fund, occupational provision funds too are covered by capital and saved up for each individual pension right up to the time of retirement, when a pension claim begins.

Since 2008 this new pension provision includes the entire working population. While contributions are obligatory for self-employed persons, participation in the scheme is voluntary for freelancers, farmers and foresters.

Stricter conditions for occupational provision funds

Occupational provision funds are subjected to special equity and liability requirements (share capital of EUR 1.5 million) and are also required to accrue a reserve from administrative costs in order to fulfil the capital guarantee. The respective occupational provision fund invests paid contributions in a trust that are thus protected for the event of insolvency.

Conscientious supervision

Occupational provision funds are subjected to a close monitoring system: beside a supervisory board, which consists of four capital representatives and two labour representatives nominated by the labour union, the financial market authorities (FMA), the Austrian National Bank (OeNB) and the state commissioner audit the occupational provision funds' business activities.

The occupational provision plan is financed by contributions amounting to 1.53 % of employees' monthly wages and 1.53 % of the preliminary health insurance contribution base for self-employed persons. As soon as the beneficiary is entitled to dispose of his capital he can either leave it invested or transfer it to a pension fund or an insurance to obtain a monthly pension or require a one-off lump sum payment.

Further Information

- [Information über Betriebliche Vorsorgekassen in diversen Sprachen](#)