Pensionskasse
Ihre Vorsorge im grünen Bereich.

Pension fund in questions and answers

Your VBV company pension

Important notice:

This information is a simplified short overview of a defined-contribution pension fund model. Individual terms are stated in a company agreement. All information is given without guarantee despite thorough processing. Liability is excluded.

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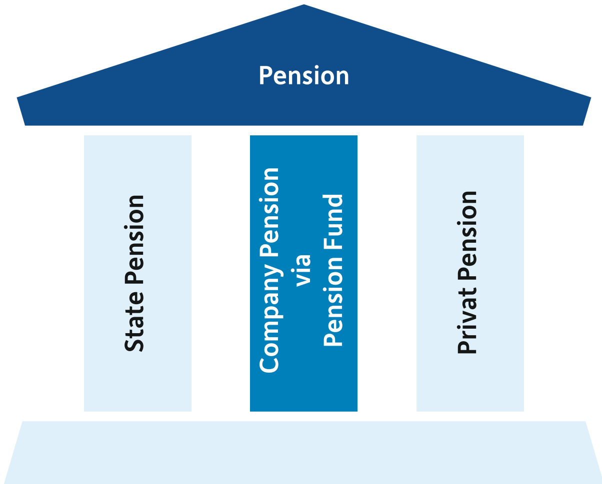
Your VBV
Pension Plan

1. Why is your company pension an important social benefit?

The Austrian state pension scheme is based on the so-called “pay-as-you-go system“.
This means that the social security contributions of the active employees are raised and immediately paid out as a pension to the pensioners.
Your social security contributions are not saved up for you! When you retire, the working population will finance your pension.
This pension system is also called the ”generation contract“, because the working population is financing the generation of retirees. It is important for such a system to ensure that there are enough (or significantly more) employed people in proportion to the number of retired people.
Due to increased life expectancy, more and more people spend longer periods of time in their pension. At the same time, the birthrate has been low for decades. This means that in the future, fewer and fewer younger working people will have to pay for more and more retirees.
The funding of the state pension scheme is facing a significant challenge.
Therefore, a company pension, which supplements the state pension, is a very important social benefit.

2. How can you maintain your standard of living when you are retired?

By focusing on the three proven ways of hedging (the so-called “three pillar model”).



The first pillar
The state pension plan is the most important one. The involvement of all gainfully employed people is obligatory. The state scheme ensures a good basic provision in old age.

The second pillar
The occupational or collective pension plan is financed by the employer and supported by the state.

The third pillar
The private or individual pension plan is adapted to specific individual requirements (such as savings, life insurance, share funds etc.).

3. Do all employers in Austria offer their employees a supplementary pension?

No, they don't. Only around 25% of employees in Austria receive a supplementary pension from their employer. Of all the retirees currently receiving an ASVG pension (Allgemeines Sozialversicherungsgesetz, General Social Security Act), only roughly 5% obtain a supplementary pension financed by their former employer.

4. What are the advantages of the company pension compared with other private retirement provisions?

- Your employer pays contributions for you in addition to your salary.
- The employer's contributions are saved for you without deduction of wage tax and social security contributions (gross for net).
- The investment of the pension fund contributions is provided by experts in a professional and profitable way.
- Assets of investment managed by the pension fund are exempt from capital gains taxes.
- Employees may also pay employee's contributions to their VBV pension account and increase their future pension.
- A lifelong old-age pension from VBV-Pensionskasse will be paid in addition to the state pension.
- Survivor's pension (widow's / widower's and orphan's pension) will be paid after the death of the (prospective) beneficiary.

5. Who is VBV-Pensionskasse?

VBV-Pensionskasse is the largest Austrian pension fund, specialising in occupational pension schemes. The company's shareholders are such as Erste Bank and Sparkasse, Wiener Städtische Versicherung, Bank Austria and many others. Several large and medium-sized companies as well as employers from the public sector (provinces, municipalities and universities) are VBV customers.

6. Which is the specific task of VBV-Pensionskasse?

The main function of the pension fund is to ensure profitable and safe administration of paid in pension fund contributions and to pay out a lifelong supplementary pension to retired employees or surviving dependants.

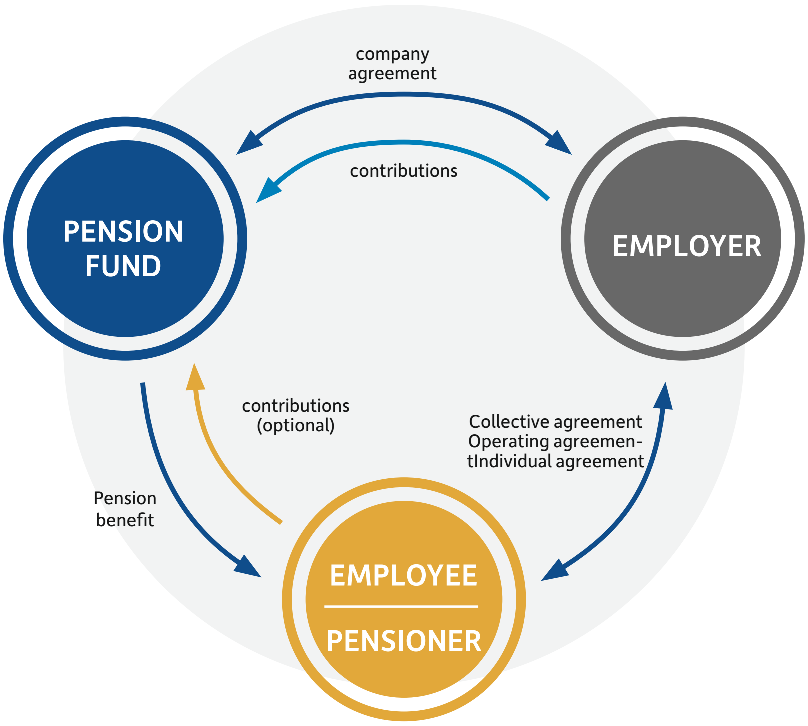
7. Which laws regulate the pension fund?

The legal basis for the activity of the pension fund is set out in the Pensionskassengesetz, PKG and in the Betriebspensionsgesetz, BPG. The pension fund has to be operated in the legal form of a stock company. The Pensionskasse is subject to supervision by the Financial Market Authority (Finanzmarktaufsichtsbehörde, FMA), which monitors legal conformity of business activity and asset management in the interests of both employer and employee.

8. How does the VBV pension scheme actually work?

Your employer has implemented a “defined-contribution pension fund model” for you. The basis for the contributions is governed in works agreements concluded by and between the works council and the employer.

Companies which have a works committee must first come to a company agreement regarding participation in a pension scheme. For companies with no works committees or in case that no collective agreement on pension fund regulations for employees exists, a so-called „standard contract“ will replace the company agreement. This „standard contract“ will be drafted by the pension fund in accordance with the employer.
The employer declares his intention to provide the employee with pension benefits, the employer will therefore undertake a pension fund contract with VBV-Pensionskasse AG. The rules of the pension fund plan are the basis for the calculation of the contributions and benefits.



9. What does a contract have to contain?

The most important parameters of the VBV pension plan scheme have been agreed upon between your employer and the works council (or have been defined by a standard contract).

The contract contains for example the following parameters:
- the terms required to become a prospect beneficiary
- amount and maturity of the contributions
- amount of the actuarial interest
- the conditions for entitlement to benefits
- if a minimum yield is included
- costs

10. How can I review my contract?

The company agreement can be requested from your employer. The most important contract conditions will also be printed on the annual statement regarding the development of contributions and capital (Information über die Beitrags- und Kapitalentwicklung, IBK).

11. What type of information does the annual statement (IBK) provide?

Once a year, VBV shall submit written information to the prospective beneficiary on the situation as of 31 December of the previous business year regarding movements in capital. You will receive this annual information in the online service **Meine VBV** upon termination of budget balancing approved by the supervisory board (by the end of the first half of the year).
The VBV-Pensionskasse will also submit information on investments and the performance of the investment and risk community approved by the Austrian Kontrollbank.

12. How secure is the VBV pension plan?

The capital, which is paid in for you, is administered in a separate legal entity where it is not accessible for creditors of the pension fund or the VBV stock company. The capital forms a special asset and neither the employer nor VBV have access to the assets. It may only be used for your service laid down by law.

13. Which services does VBV provide?

VBV provides the following services if the contractual and legal preconditions are given:

- **old age pension**
  (lifelong, in addition to the state pension)
- **widow's(er's) pension**
  (basically lifelong, in addition to the state pension)
- **special forms of occupational disability and occupational invalidity pension**
  (as long as the conditions are fulfilled)
- **orphan's pension**
  (as long as the conditions are fulfilled)

14. What happens if you do not remain employed until your retirement?

Basically the pension capital, which has been saved for you, will be immediately non-forfeitable. The pension fund contributions paid for you are preserved and "belong" to you, only the prospective beneficiary has access within its legal options and is subject to the resulting pension payments. The employer can prolong the preserved benefit claim for a maximum of five years (for employment contracts after 1 January 2013, a maximum of three years). Where a non-forfeiture period is applied, the employee has the right to claim benefits after expiry of this period. The regulations for the non-forfeiture period only apply to the employer-financed contributions. The capital of employee's contributions is always immediately non-forfeitable!
Should the employee leave the company prior to this period, his claims must be forfeited for the benefit of other recipients of the pension fund scheme within the same pension fund contract.

15. What can you do with your capital in case of termination of employment?

You have the following options:

- you may request the conversion of the capital into a non-contributory qualifying entitlement;
- you may request the transfer of the capital
  - to the pension fund, collective occupational insurance scheme, pension scheme within the meaning of § 5 (4) PKG or collective annuity insurance scheme of a new employer
  - to an annuity insurance scheme with no entitlement to surrender;
  - to a pension fund in which the prospective beneficiary already holds a vested qualifying entitlement, when the new employer does not intend to confer a pension fund entitlement upon the prospective beneficiary;
  - you may request the transfer of the capital to a foreign retirement pension scheme, if you are changing your place of employment to a place abroad on a long-term basis;
  - you may request the continuation of the scheme paying your own contributions;
  - you may request a lump sum. The accrued capital must not exceed the legal limit* according to § 1(2) and (2a) PKG, where upon the capital resulting from employer's and that of employee's contributions are put together.

*The legal limit according to § 1(2) and (2a) PKG is upgraded regularly confirmed by law and according to specifically defined policy.

16. How much supplementary pension will I get?

Your employer has implemented a "defined-contribution pension fund model" for you. This means: The employer's contributions will be constantly accumulated and transferred to the pension fund until retirement or until the end of the employment relationship.
The amount of the supplementary pension payments may only be calculated at time of retirement based on the following:

- the development of the capital accumulated by your
- employer at the time the benefit accrues [(1)]
- made employee's contributions
- age at time of retirement [(2)]
- the investment result

In accordance with actuarial principles, the amount of retirement pension will be calculated from the pensionable value of the available credit balance and will be paid out as a lifelong old-age pension (survivor's pensions are considered).

[(1)] It depends on the career plan and the income curve.
The employer's contributions are often predetermined as a percentage of the employee's earnings, this means: The higher your earnings, the higher the pension fund contributions.

[(2)] A late retirement has two positive effects on your VBV supplementary pension:
More contributions are added into the pension fund and will be credited to the account, and the capital available will be divided into a shorter pension phase by actuarial calculation.
A five year delay of your retirement may result in up to 50% higher pension.

17. How is the initial pension of the accumulated capital calculated?

When you retire, your individually accumulated pension capital is turned into a monthly pension. Since you receive a lifelong pension, the statistical life expectancy and a possible survivor's pension must be considered for retirement, so that the duration of the payment can be calculated. Furthermore, an (additional) return on your capital will be assumed as the fund's capital will decrease only gradually after retirement.

Especially in the initial retirement phase, the majority of your pension capital will be invested continuously. The calculation of your initial pension is based upon the valid interest rate which was contractually agreed upon in the pension fund's business plan.

VBV-Pensionskasse provides a pension calculator for individual projections via the online service **Meine VBV** at www.meinevbv.at.

18. How does pension adjustment work?

Your future pension is adjusted annually upon the pension fund balance sheet date (31 Dec) in accordance with the actually achieved investment return and is primarily determined by pre-defined parameters (actuarial results, the allocation to the equalisation reserve or the liquidation of the equalisation reserve etc.). The pension adjustment is considerably determined by the achieved investment result. For this reason, the pension adjustment can be an increase or decrease of the pension; sometimes there is no obligation to adjust.

19. Does VBV provide the possibility for a transfer into "a guaranteed pension"?

Yes, VBV offers a guarantee option. After having fulfilled age 55 each employee has the right to draw an option for a transfer of the accrued capital into a pension fund scheme with guaranteed benefit payments. With this option a pension is guaranteed from the very beginning of the employee's retirement. This means that the pension may never fall below the value of the first monthly pension. Every five years the guaranteed pension will increase according to legal regulations.

20. Services and information from VBV-Pensionskasse

Every year in the second quarter you will receive a statement regarding the development of contributions and capital (IBK) in the online service **Meine VBV**. This letter will show you the total of contributions paid during the last year, the level of capital as at the year-end and your projected pension.

If you are not yet registered in **Meine VBV**, you can find your registration code on your former IBKs or on your letter of welcome.

You can also register and log in into Meine VBV using ID Austria

In **Meine VBV** you will find the following information:

- a monthly investment report of your investment and risk community (Veranlagungs- und Risikogemeinschaft, VRG)
- general information on the investment focus (mission statement)
- your individual investment history
- a projection calculator comprising your personal contract parameters and your amount of capital
- a mailbox to which information on your pension benefits is sent
- an archive in which the statements regarding the development of contributions and capital is sorted by year and stored as a PDF
- only for retirees: an archive in which documents are collected that you may need during retirement

Pension calculator (Meine VBV)

VBV-Pensionskasse provides a calculator for individual projections in the online service **Meine VBV**.

21. Can you make employee‘s contributions to the pension fund?

Yes, you can increase your pension through employee’s contributions. You may contribute up to EUR 1,000 per year and benefit from a government-sponsored premium. The resulting pension is 100% tax-free.

You can stop your employee’s contributions or continue to pay employee’s contributions at any time. If your employer pays contributions more than EUR 1,000 per year, you can also contribute by paying sums which may not exceed the amount of the employer.

Further information on this can be found on our website www.vbv.at/pensionskasse.

22. The taxation of your employer’s contributions

In the accumulation phase
The employer contributions are exempt of wage tax and social security contributions. The insurance tax amounts to 2.5%.

In the retirement phase
The employer-financed part of the pension will be taxed together with the social-security pension (ASVG-Pension). The VBV supplementary pension is exempt of social security payments.

23. The taxation of your employee’s contributions

You can request a premium payment by the state in accordance with § 108a of the Austrian Einkommensteuergesetz. The maximum contribution for which a premium may be requested is EUR 1,000 per year. The resulting pension is 100% tax-free. If you pay more contributions than EUR 1,000 per year, the resulting pension is 75% tax-free.

Definitions

Actuarial interest rate (Rechnungszins)
The actuarial interest rate is the return that needs to be achieved in the respective investment and risk community to ensure that the pension benefits paid out remain the same amount.

Actuarial reserve (Deckungsrückstellung)
The actuarial reserve constitutes the majority of the „pension capital“ (see also „Equalisation reserve“) of each prospective beneficiary is recalculated annually on 31 December using the following simplified formula: Contributions (excluding administration costs and insurance tax) +/- investment results - pension payouts in a calendar year.

Actuarial result (Versicherungstechnisches Ergebnis)
Especially in the case of annuities, actuarial probabilities (e.g. for disability, life expectancy) are taken into account. Deviations from these assumptions in reality constitute the actuarial result (profit or loss).

Actuarial surplus (Rechnungsmäßiger Überschuss)
The actuarial surplus is a percentage specified in the business plan, significant for potential increases in an ongoing supplementary pension and for building an equalisation reserve.

Annuity (Verrentung)
At the time of retirement, the capital in the individual account is converted into a lifelong pension using the relevant actuarial parameters.

Beneficiary (Leistungsberechtigte:r)
A person who is already receiving a supplementary pension from a pension fund.

Business plan (Geschäftsplan)
The business plan regulates the business activities of the pension fund for an investment and risk community. It sets out the type and amount of pension benefits and the actuarial bases. The business plan and any amendments must be approved by the Financial Market Authority.

Defined benefit pension fund model (Leistungsorientiertes Pensionskassenmodell)
In the defined benefit model the amount of the future pension benefit is determined. The pension fund calculates the amount of contributions required, assuming certain parameters such as a specific investment return. If the assumed investment return is not achieved, the employer is obliged to make additional contributions.

Defined contribution pension fund model (Beitragsorientiertes Pensionskassenmodell)
In the pension fund agreement the employer agrees on the amount of the pension fund contributions to be made. The amount of the benefit that can be paid out by the pension fund is only known at the time of payout. The advantage of yield market years, but also the risk of bad yield years, is borne by the employee.

Eligibility phase (Anwartschaftsphase)
The period during which the prospective beneficiary has not yet received any benefits from the pension fund.

Employee’s contributions (Eigenbeiträge)
Contributions that employees can make in addition to the employer‘s contributions.

Equalisation reserve (Schwankungsrückstellung)
The equalisation reserve is part of the pension capital (see also „Actuarial reserve“) of each beneficiary and prospective beneficiary and serves to smooth annual yield fluctuations in the investment and risk community. In stronger yield years investment results exceeding the actuarial surplus can be used to build the reserve to offset investment losses in weaker yield years. The exact procedure for funding the equalisation reserve is set out in Sections 24 and 24a of the PKG (Pension Fund Act).

Financial Market Authority (FMA)
The overarching supervisory and regulatory body for pension funds.

Investment and risk community (IRC) (Veranlagungs- und Risikogemeinschaft) (VRG)
Investment and risk communities (IRCs) are special asset and management communities within the pension fund. The pension fund contributions are collected and invested in the contractually agreed IRC for the respective pension fund model. An IRC requires for at least 1,000 people according to the Pension Fund Act to ensure risk equalisation. The pension fund, as a joint-stock company, is strictly separated financially and in terms of assets from the investment and risk communities it manages.

Investment community (IC) (Veranlagungsgemeinschaft)(VG)
An investment community is a facility for investing pension fund contributions paid into the pension fund. Each investment community has its own investment regulations. Investment communities can also be part of investment and risk communities (IRCs), or several ICs can form an IRC.

Investment result (Veranlagungsergebnis)
The investment result includes in particular capital gains or losses, interest and dividend payments. Together with the technical result in the investment and risk community, this forms the capital allocated to the individual accounts of beneficiaries and prospective beneficiaries.

Pension fund contract (Pensionskassenvertrag)
A contract between the pension fund and the employer, regulating the rights and obligations of the employer towards the pension fund and the claims of both beneficiaries and prospective beneficiaries in accordance with the pension fund agreement.

Premium-subsidised pension scheme (Premium Model pursuant to Section 108a of the EStG (Income Tax Act)) (Staatlich gefördertes Prämienmodell)
Employees can receive a state premium of currently 4.25% of personal contributions up to EUR 1,000 annually by submitting the appropriate application. The pension from these premium-subsidised personal contributions is 100% tax-free.

Prospective beneficiary (Anwartschaftsberechtigte:r)
A person for whom the employer has made or is making contributions to a pension fund, but who has not yet started receiving a supplementary pension (see also „Beneficiary“).

Supervisory authority (Aufsichtsbehörde)
Pension funds and their business activities are subject to strict legal regulations. The responsible supervisory authority is the Financial Market Authority (FMA).

Pensionskasse

Ihre Vorsorge im grünen Bereich.

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