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Germany: Pensionkassen pension benefits protected from insolvency

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German pension benefits funded by “Pensionkassen” will be protected if an employer becomes insolvent, under revisions to Germany’s Company Pensions Act (“Betriebsrentengesetz”). The act’s revision follows a 2019 ruling of the Court of Justice of the European Union that requires the protection of defined benefit pension rights in the event of employer insolvency.

From 2022, the mutual insurance association for German occupational pension schemes — “Pensions-Sicherungs-Verein auf Gegenseitigkeit” (PSVaG) — will cover certain pension benefits funded by “Pensionskassen” in the event of the employer’s insolvency. Currently, the PSVaG doesn’t protect this type of company pension scheme. However, public sector schemes and Pensionskassen already are protected by the “Protector Lebensversicherung” (the guarantee scheme for German life insurers) and won’t be covered by the PSVaG.

Under the new law, pension payments will be protected if the Pensionskasse reduces benefits and if an insolvent employer is unable to compensate members. Due to current economic conditions, some “Pensionskassen” have reduced member benefits. Employers that have a Pensionskasse will have to pay regular contributions to the PSVaG from 2022, and must also pay an additional contribution of 9‰ (per-mille) to the equalisation fund set up under the PSVaG — comprising a 3‰ (per-mille) contribution in 2021 and a 1.5‰ (per-mille) contribution for each year from 2022 to 2025. The annual contribution rate will be revised in 2026.

The PSVaG is handling claims submitted before 2022 where the reduction in pension benefits exceeds 50%, or situations in which an individual pensioner’s income falls below the “at risk of poverty threshold”; in these situations, the state will bear the cost.

Related resources

- [Case C-168/18](#) (Court of Justice of the European Union, 19 Dec 2019)
- [Revised company pension act \(German\)](#) (German parliament, 12 Jun 2020)

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