

Your partner for developing modern and inspiring  
company pension and fringe benefit systems for  
your employees in Germany



Implementation of a company  
pension plan plus fringe benefits  
for

employees

in Germany



# C R & Cie – Introduction



- Independent financial and insurance advisors since 2006.
- Independent from insurance companies, or banks.
- Specializing in advice and services for expats and foreign run companies in Germany.
- Experts in German legal frameworks for pension schemes, insurances and fringe benefits plans.
- Our goal is to:
  - Help employers comply with legal requirements
  - Design optimized pension- and fringe benefits plans
  - Enhance employer brand and strengthen employee loyalty and retention





## Pensions and fringe benefits in Germany - 101

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- Company Pension Plans
  - bAV (“Direktversicherung”)
  - U-kasse (“rückgedeckte Unterstützungskasse”)
- Common fringe benefits
  - Tax free allowances
  - Occupational Disability Insurance
  - Supplemental Health Insurance
  - Accident/dismemberment insurance
  - Insurance and claims support service
- Company car
- Support for child-daycare





## Company pensions in Germany – legal requirements and expectations

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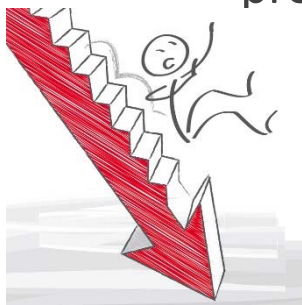
- German public pension system is under pressure in recent years due to changing demographics (people are getting older).
- Company pension plans are becoming a de facto standard for German employees – 22 mio people in Germany already covered.
- It's the law – all employees have a legal right to a company pension plan (bAV “Directversicherung” – up to EUR 404/month can be tax deferred by the employee). Company contribution is not mandatory
- Failure on the company's part to offer employees a bAV is a liability.
- Companies have the right to select the insurance provider and/or advisor for setting up the pension plans.
- To ensure legal compliance and ease administration, a “Versorgungsordnung” (VO) should be set up as legal framework governing the pension plan and other fringe benefits



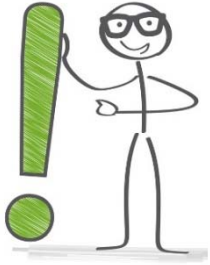
## Company pension plans – pitfalls and liabilities



- Failure to inform the employees of their legal right to join a company pension plan (bAV Directversicherung) makes the company potentially liable for any loss of tax savings and capital gains.
- Failure to establish a legally compliant set of rules makes the company potentially liable for claims alleging discrimination.
- Accepting and transferring new employees' existing company pension plans from former employments entails risk, which is difficult to assess and results in a patch-work of pension obligations that is difficult to manage. Establishing a new plan of “equivalent value” is preferable:



- Increased transparency
- Better rates with the preferred provider (volume pricing)
- Lower administration cost



## Company pension plans – Benefits for the employer

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- For employees with annual gross salary up to EUR 76,200, any employee contribution to the pension plan reduces the company's compulsory social welfare co-payments.
- These savings on social welfare co-payments can be converted to company co-payments into the pension plans in a tax-neutral (to the company) way and without influence on the company balance sheet.
- Company pension plan contributions and other fringe benefits are important tools in a competitive labor market, giving the employer a lot of leverage, since the actual monetary benefits for the employees are much higher than a simple increase in gross salary.
- Group plans provide cost savings that can benefit both employer and employees.





# Example payroll calculation bAV

Betriebliche Altersvorsorge				
	ohne BAV	mit BAV		
Betriebliche Altersvorsorge	nein	nein	ja ✓	ja
Vermögenswirksame Leistungen	nein	ja	nein	ja
Arbeitnehmer				
Brutto	5.000,00	5.000,00	5.000,00	5.000,00
- Entgeltumwandlung BAV ?	0,00	0,00	404,00 ✓	364,00
+ Arbeitgeberanteil VL ?	0,00	40,00	0,00	40,00
Gesamtbrutto ?	5.000,00	5.040,00	4.596,00	4.676,00
Steuern (inkl. Solidaritätszuschlag) ?	1.108,72	1.124,63	952,14	967,26
Sozialversicherungsabgaben ?	974,24	978,58	930,41	934,75
Netto ?	2.917,04	2.936,79	3.117,45	3.137,99
Überweisung VL ?		40,00		
Arbeitgeberanteil BAV anstelle VL				40,00
Überweisung BAV ?	0,00	0,00	404,00	364,00
Auszahlungsbetrag ?	2.917,04	2.896,79	2.713,45	2.733,99
Für eine monatliche BAV-Einzahlung von 404,00 € müssen Sie monatlich auf netto 203,59 € Gehalt verzichten.				
Arbeitgeber ?				
Gesamtbrutto	5.000,00	5.040,00	5.000,00	5.040,00
+ Arbeitgeberanteil Sozialversicherung	920,01	924,39	875,82	880,19
Arbeitgeberbelastung gesamt	5.920,01	5.964,39	5.875,82	5.920,19
Ihr Arbeitgeber spart 44,19 € - vielleicht gibt er Ihnen in dieser Höhe einen Zuschuss zu ihrer Altersversorgung.				

Setting:

Unmarried employee, Tax class I

Gross salary: 5,000 EUR p.m.

Employee gross contribution: 404 EUR

Employee net contribution: 254 EUR

Tax/Sw\* savings employee: ~ 150 EUR

Tax/Sw saving employer: 44.19 EUR

\* Tax/Sw: statutory social welfare taxes and salary taxes





## Options for company pension plans in Germany (1/2)

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- **bAV – betriebliche Altersvorsorge (“Direktversicherung”)**
  - Formally an insurance policy taken out by the company with the employee as the beneficiary.
  - Employee contributions are pre-tax, thus deferring taxation until later (when the employee may be in a lower tax bracket). Legally capped at EUR 4,848.00/year in 2017.
  - Company contributions are considered business expenses, thus avoiding payment of social welfare taxes (imposed on salaries). Legally capped at EUR 4,848.00/year in 2017.
  - Funds are safeguarded by legal guarantees (i.e. no liability to the company).
  - Funds are locked until retirement age.
  - Funds can be paid out in a lump sum or as lifelong fixed rates/annuities .



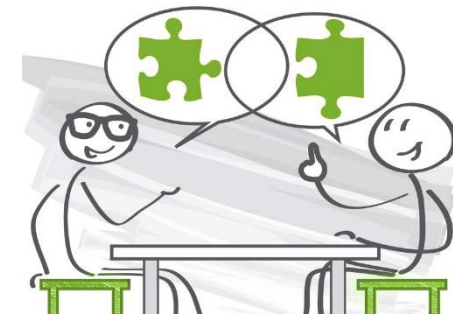




## Options for company pension plans in Germany (2/2)

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- **U-kasse – “Rückgedeckte Unterstützungskasse”**
  - Similar to bAV, with the following differences:
  - No legal safeguards of the funds, so the liability is formally on the company. However, this liability is typically signed over in full to a re-insurance company for a limited fee.
  - There are no caps on the pre-tax/deductible contributions that can be made to a U-kasse.
  - This is typically offered for higher earning employees, allowing sufficient capital savings beyond what is possible under bAV.





## Common fringe benefits in Germany

- **Tax free allowances** – the employer can pay each employee up to EUR 44/month in tax-free coupons or vouchers. This can be directed toward specific expenses if the company prefers (e.g. fuel, groceries) or the amount can automatically be transferred to a company branded “debit card” every month.
- **Occupational Disability Insurance** – favorable policies are available as company sponsored group plans, which makes this an attractive insurance option for employees, who would otherwise have difficulty getting covered due to age or preexisting conditions.
- **Supplemental Health Insurance** – improved coverage relative to standard health insurance, guaranteed single-bed room and treatment by the head-of-department in case of hospitalization. Favorable policies are available as company sponsored group plans.
- **Accident/dismemberment insurance** – coverage in case of accident or lasting injuries. Favorable policies are available as company sponsored group plans.
- **Insurance and claims support service** – offers a number of insurance related assistance and support services, e.g. claims filings and communication with the insurance companies on the employees behalf.





## Company car

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- Favorable German taxation rule for employees on the value of a company car makes this attractive to employees, especially if they drive long distances.
- A company car is leased by the company, and put at the unrestricted disposal of the employee.
- For the benefit of private use of the car, the employee is taxed a flat rate of 1% per month of the new-car-list price, independent of how much the car is used for private purposes.
- The company can cover all expenses associated with the company car without influencing the employees taxed benefit (fuel, maintenance, parking, road tolls, etc).
- This is not a service offered through C R & Cie.

# Partners for company pension & fringe benefits overview



Eine starke Gemeinschaft

Company pension



Shopping voucher/card



Versicherungsschutzbrief  
Schutz vor Versicherungen

Insurance service and  
consulting



Occupational disability insurance



Inpatient/hospital coverage



Eine starke Gemeinschaft

Accident/dismemberment coverage



# Why use C R & Cie as insurance advisor?

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## Legal security through just one service contract:

- Avoiding legal risks by using structured and means-tested processes and a legally checked paper guide
- Comprehensive documentation and a high grade of transparency .
- Pro-active approach for advice if something has to be changed (legal modification).



## Discharge of the administration:

- Personal and enduring support for your HR.
- „Filter“ between insurance providers / company / employees
- Management of the fluctuation (incoming or leaving employees)
  - e.g. checking any existing pension contracts of new employees and integrating them into the new pension scheme.

## Service:



- Support through developing a pension communication
- Regular pension days (e.g. , once a year)
- Regular update on insurance options/fringe benefits (lower costs, better coverage, new incentives available ?)
- Communication in English verbal and written (except insurance documents, which are for legal reasons in German only)

# Our guarantee

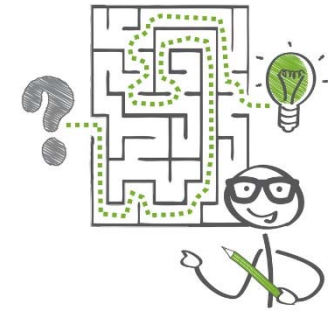


As an external service provider C R & Cie takes over administrative burden from the employer with regards to the implementation and management of a company pension/benefits system in Germany

- Communication between insurance companies, employer and employees are funneled through C R & Cie. We filter the communication and take care of all those issues that do not require input from the employer/HRM.
- Secure solutions with full transparency (including access to our Secure Content Sharing (SCS) platform, an online digital folder for each employee for all documents concerning the pension plans and fringe benefit insurance policies).
- Full support for your employee in case of claims (from the insurance benefits).
- Legal security for the employer by using only solutions that are compliant with German laws.



# Process and consulting costs



1. Decide on a package of pension plans, co-contributions and other fringe benefits to make the company attractive in a competitive labor market (Consulting ca. 0 EUR)
2. Prepare legal framework (Versorgungsordnung, VO) to ensure legal compliance and limit liabilities (Lawyers fees ca. 3000 EUR)
3. Presentation to employer of specific benefits package, including analysis of costs to implement and maintain (Consulting costs 1560 EUR)
4. Adjustment of package based on input and discussions (no extra costs)
5. Presentation to employees (Video/T-con 0 EUR, in-person 195 EUR/hour)
6. Implementation (no extra cost)
7. Reporting to employer on completed implementation (no extra cost)
8. Maintenance (195 EUR/month, retainer)



# Average costs for employer monthly for company pension and fringe benefits – overview.

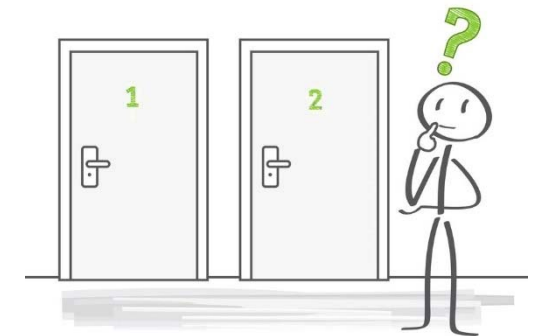
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## Cost for company pension

- Depending on co-share the employer wants to pay

## Costs of selected potential fringe benefits per employee/month:

- |   |                   |
|---|-------------------|
| A) Monthly allowance, tax free<br>(this can be used in the form of vouchers or employer-branded shopping cards to be used at gas-stations and online shopping)  | <b>44,00 EUR</b>  |
| B) Additional health insurance coverage in hospital<br>(this offers free choice of hospitals, single-bed-room and treatment by the head-of-department, i.e. highest ranking doctor at the hospital)       | <b>26,00 EUR</b>  |
| C) Accident/dismemberment insurance<br>(offering payments to the employee in the case of ongoing medical problems or loss of limbs etc by accidents both while working or in private (24 hours- coverage) | <b>18,00 EUR</b>  |
| D) Occupational disability coverage of 1.000 EUR per month<br>(pays a fixed disability pension til age 67 if employee becomes disabled by illness (including burn-out etc) or accident.                   | <b>100,00 EUR</b> |





# Scenario #1



**Scenario I - just legal compliance, no employer co-contribution, no fringe benefits, staff of total 10 employees**

**One-time costs:**

- |     |   |              |
|-----|---|--------------|
| i)  | legal advice for the creation of a VO)          | 3.000,00 EUR |
| ii) | presentation to the employees by broker/advisor | 975,00 EUR   |

**Monthly costs:**

- |      |  |          |
|------|--|----------|
| iii) | company pension co-contributions<br>(there will actually be some savings on the employer side if and when employees put gross salary into their own plans due to saved taxes and social welfare contributions) | 0,00 EUR |
| iv)  | Fringe benefits  | 0,00 EUR |

Yearly re-occurring costs for employee information, management for employees leaving or being added to the workforce: 1.950,00 EUR

<b>Total</b>		
One-time costs:		3.975,00 EUR
Yearly reoccurring:		1.950,00 EUR
Monthly costs:		0,00 EUR

# Scenario #2



## Scenario II – employer matches employee contributions with co-payments, no fringe benefits added

### One-time costs:

- |     |   |              |
|-----|---|--------------|
| i)  | legal advice for the creation of a VO)          | 3.000,00 EUR |
| ii) | presentation to the employees by broker/advisor | 975,00 EUR   |

### Monthly costs:

- |      |  |            |
|------|--|------------|
| iii) | company pension co-contributions<br>(there will actually be some savings on the employer side<br>if and when employees put gross salary into their own plans<br>due to saved taxes and social welfare contributions) | 202,00 EUR |
| iv)  | Fringe benefits  | 0,00 EUR   |

Yearly re-occurring costs for employee information, management for employees leaving or being added to the workforce:	1.950,00 EUR
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### Total

One-time costs:	3.975,00 EUR
Yearly reoccurring:	1.950,00 EUR
Monthly costs (based on 10 employees)	2.020,00 EUR

# Scenario #3



## Scenario III – employer matches employee contributions with co-payments, with additional fringe benefits

### One-time costs:

i)	legal advice for the creation of a VO)	3.000,00 EUR
ii)	presentation to the employees by broker/advisor	975,00 EUR

### Monthly costs:

iii)	company pension co-contributions (there will actually be some savings on the employer side if and when employees put gross salary into their own plans due to saved taxes and social welfare contributions)	202,00 EUR
iv)	Fringe benefits	
	• Monthly allowance	44,00 EUR
	• Accident insurance	18,00 EUR
	• Inpatient coverage/private health	23,00 EUR

Yearly re-occurring costs for employee information, management for employees leaving or being added to the workforce:	1.950,00 EUR
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### Total

One-time costs:	3.975,00 EUR
Yearly reoccurring:	1.950,00 EUR
Monthly costs (based on 10 employees)	2.870,00 EUR

# Conclusions



- Company pension plans are a legal requirement and must be offered.
- Initial company co-contributions are “free” to the company and is an expectation in the current labor market.
- Additional company co-contributions have higher monetary value for the employee than a simple pay-raise due to deferred taxes.
- Additional insurance fringe benefits are valuable to employees due to attractive policy prices only available as group plans.
- Setup and management by C R & Cie ensures legal compliance and limits the administrative burden on the employer.



# Next steps



This presentation offers a first overview about the different company pension and possible fringe benefits any employer can apply for the employees in Germany .

Obviously you will have some questions about them, will need more details. We will provide you with all details about the different fringe benefits parts (insurance solutions and others) so that you can evaluate the real value of them for your employees.



Having made a decision to move forward, you will authorize us to negotiate with insurance companies for you and organize the legal framework (Versorgungsordnung) for you with external experts.

When finally you have selected the right pension schemes and fringe benefits for your employees, we should communicate the new solution together to the employees and offer free advice from our side to each employee (especially on the company pension plans, the other benefits are just a given)



Following that, we'll take over the communication with the employees, advise them, generate and process the necessary paperwork and documentation. The employer will always be informed about the process and relevant steps to be made on his side.

Finally we'll liaise with payroll so that the entire new system is calculated properly in each individual paycheque.





Start your new company pension & fringe benefits model for your German employees now!

# Disclosure

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