
Two providers enter Germany's new market for hybrid DB/DC plans

By Editorial Staff Thu, Mar 8, 2018

Starting in January, Germany has entered into a new workplace retirement plan era, with greater opportunity for hybrid DB/DC plans that feature defined contributions and variable payouts in retirement. Plans are approved by management and unions.

Two teams of pension providers entered products this week in the brand new market for workplace defined contribution plans that was created in Germany by pension laws that took effect in January, *IPE.com* reported. The hybrid plan designs are known as “defined ambition” or “target pension” plans.

Insurer R+V and Union Investment announced that they would use their [Pensionsfonds](#) design as a vehicle to offer defined contribution pension (DC) plans under the new law, called the Betriebsrentenstärkungsgesetz, or BRSG).

Separately, a consortium of five insurers known as Das Rentenwerk (“Pension Factory”) has opted for a unit-linked insurance product known as Direktversicherung (“Direct Insurance”).

“We are ready to go with our product, which can be individualized for different industries,” said Rüdiger Bach, board member at R+V, whose Pensionsfond is a type of defined contribution plan allowed since 2001. “The Tarifparteien need to understand the new pension model, the framework and which adjustment options are available to them.”

The Rentenwerk consortium said its insurance-based product “offers more transparency” on costs and investments than a pensionsfond. But the insurers added they were “open to other product solutions” if the employer/employee panels demand it.

Employer and employee representatives (Tarifparteien) in various German industries are still discussing when to start negotiations on the new plans, which don't offer the types of guarantees that defined benefit plans do.

Unionized workers typically have a strong voice in pension discussions in Europe, even as defined contribution plans replace defined benefit plans. In Germany, any new industry-based pension plan under the BRSG has to be jointly designed by the employer and employee industry representatives, who also have to have seats on the board of the entity implementing the plan.

Daniel Günnewig, board member on the R+V Pensionsfonds AG, a joint venture between R+V and Union Investment, said: “We will create investment committees in which employer and employee representatives will have a say in the strategic asset allocation, target pension levels and investments in general. The tactical asset allocation and everyday investment decisions will be in the hands of the fund manager.”

Both sets of providers said they are talking with some industries about how to implement the new products. The metal industry was one of the first to confirm negotiations on the new DC plans under the BRSG.

German insurers Talanx and Zurich have also said they would offer implementation of the new target pension plans via the Pensionsfonds vehicle. A consortium being formed by the two insurers, Die Betriebsrente, is due to go live by the end of June.

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