INTERVIEW

A new chapter for German pensions

German Association of Actuaries chair, Susanna Adelhardt, **speaks to Pete Carvill about the country's Company Pension Strengthening Act II (BRSG II), which has recently come into force in Germany**

How would you describe the German pensions landscape?

Right now, the social pension is financed through a model where the workforce in Germany pays for their retirees – there's no reserve. It's a one-in, one-out system, and a direct transfer from working people to the retired.

And how does the BRSG II fit into this?

BRSG I was a big change here to the occupational pension system. Before BRSG I, we only had DB commitments. That has all changed. BRSG II has some improvements and developments on the BRSG I, but there are compromises between what's possible and what could be done. It's certainly not going to change things as quickly as it could.

How much of an improvement is BRSG II to BRSG I?

It's an improvement, but it doesn't go far enough. We would've liked to see more flexible improvements, and more flexibility for people. We'd also like to see more participation in the capital markets. There's a lot of room for improvement, but postponing it would have been bad for the whole landscape and the conversation around pensions in Germany.

This isn't the only reform that the Merz administration is bringing in. There's also the Rentenpakete. How does that work?

We have a lot of legislation in Germany that deals with the pension systems. The real 'hot potato', though, is when it comes to the state pension. In regards to that, there's a political discussion about keeping it at a certain level. If you have a longer-living population, how are we going to stay at the level while keeping contributions where they are?

Now that we're moving away from a first-pillar-centric model to one that relies more on second-pillar provision, what issues would you like to see tackled?

Participating in the capital markets is very important. If you only focus on one system when considering the demographic factors, you are going to lose out. It's increasingly easier to have both systems in place. We want to secure another pillar of the pension system so that the social system sees some of the pressure taken off. But we don't want to just look at focusing on a capital-based system. We want more organisation around collective systems, so you're not putting all your hopes into one place.

What impacts are we likely to see from BRSG II?

There won't be too much impact from BRSG II. It's necessary, particularly in around improving participation and opening the various systems. There are the new DC systems, and there's some liberation in them when it comes to participation. Most employers want to participate and there's a commitment from employees towards the DC system. The new legislation has widened the ground, but it's not a huge step. We see around 50 per cent of people here have an occupational pension, and the government's goal is to get this to 80 per cent. The BRSG II doesn't go far enough yet for this.

What would you like to see from further reforms?

We'd like to have a focus not just on one pillar of the pension scheme. We also want to take a big view with a social commitment, but that's something that takes a long time. Most importantly, we'd like to encourage the government to have the right questions and not to shy away from the right answers.