



An asset for business people



INTERNATIONAL SEMINAR ON PRIORITY CHALLENGES IN PENSION ADMINISTRATION TOKYO, JAPAN

JANUARY 20 – 22, 2010

Session 4:

Ensuring Appropriate Information Management and Data Quality

The Electronical Pension Account – A Part of the Electronical Social Insurance (eSV)

Dr. Thomas Neumann
Executive Director for Customer Relations
Social Insurance Authority for Business
AUSTRIA
thomas.neumann@svagw.at

Content

1	Introduction	3
2	The Organisation of the Austrian Social Insurance	5
2.1	Subdivided System	5
2.2	Main Association of Austrian Social Insurance Institutions	5
2.3	Pension Insurance	5
2.4	Health Insurance	5
2.5	Accident Insurance	5
2.6	Independent Administration	5
2.7	Financing of the Social Insurance	6
2.8	Assessment of Contributions	6
2.9	Civil Servants	6
2.10	Pensioners	6
2.11	Voluntary insurances	7
2.12	Premiums	7
2.13	Premiums and benefits receive preferential tax treatment	7
2.14	Privately managed pension provision	8
3	The Principles of the Austrian Pension System	9
3.1	Facts	9
3.2	The Pension Harmonisation	10
3.3	Introduction of a pension account system	10
3.4	Periods on an equal footing become contribution periods	11
3.5	Calculation of the level of pension	11
3.6	Corridor pension	12
3.7	Pension for heavy labour	12
3.8	Transfer of credits for bringing up children	12
3.9	Alterations to contribution rights	12
3.10	Minimum income provision for older people	12
4	The Main issues of the IT-Systems in the Austrian Social Insurance	14
4.1	The central storage of insurance data at the Main Association of Austrian Social Insurance Institutions	14
4.2	The Social Insurance Number	14
4.3	Registry directory	14
4.4	Employer file	14
4.5	Insurance file	15
4.6	“REV”-File	15
5	Application VVP-Client associated with the pension account	16
5.1	The principles of VVP	16
5.2	Checking of pension entitlements	18
5.3	Computation of benefits	18
5.4	Application SiP (“Service for Clients of the Social Insurance”)	18
6	The functionality of the Electronical Pension Account (ePA)	20
6.1	The Reporting Process	20

1 Introduction

Pensions in Austria are based on a statutory pension system with defined benefits, which is organised on a pay-as-you-go basis. In 2007, older people (60+) enjoyed a living standard very close to that of the general population (93% relative median income ratio and aggregate replacement ratio of 0.61%, both well above the EU25 average). However, the poverty risk among older people (14%) is slightly higher than for the population below the age of 65, and most importantly, it shows significant gender differences (10% for men, 18% for women).

The pension system underwent important structural reforms in the years 2000, 2003 and 2004. These reforms have helped to improve long-term financial sustainability, although they have long transition periods. They foresee that the retirement age for women will gradually be increased to equal the retirement age for men, i.e. from the current 60 years to 65 years between 2024 and 2033, the annual accrual rate will be reduced stepwise from 2% in 2003 to 1.78% by 2009, and the assessment period will be increased to life-time earnings (from the best 15 years) by 2028. At the same time, a loss limit of 10% for pension entitlements gained from the unreformed system was introduced. The pension system was harmonised through the introduction of a uniform pension law for all professions, pension benefits were indexed to consumer prices and the link between contributions and benefits was strengthened. Early retirements due to reduced capacity to work and due to unemployment were abolished. A "bonus-malus" system for deferred and early retirement was introduced, which was however weakened by the reduction of the discount rate for early retirement from 4.2% to 2.1% in 2007, a very low rate by international comparison. For persons whose first pension contributions start after 1st January 2005, and for invalidity pensioners, the discount rate for each year of early retirement remains at 4.2%. Early retirement is still possible on the grounds of disability, of long-term insurance contributions (45 years for men, 40 years for women), and of physically hard work. Furthermore, a sustainability factor was in discussion, which was intended to function as a mechanism for adjustment of the system to longer life expectancy.

While Austria's spending on public pensions is currently among the highest in the EU, it is projected to decrease from 13.4% in 2004 to 12.2% in 2050. However, forecasts on pension expenditure are based on relatively optimistic assumptions and do not include expenditures for the so-called "equalisation supplement", a top-up payment for pensions below the minimum income level, nor expenditures on public subsidies to the voluntary, private funded pillar. This might entail unforeseen increases in future pension expenditure. The level of pensions is projected to remain on a relatively high level over the medium term, but will have to be closely monitored.

The main challenge for Austria, as identified in the 2007 Joint Report on Social Protection and Inclusion, is to ensure both the adequacy and sustainability of future pensions by significantly increasing the employment of older workers. While the employment of older workers has been a focus of active labour market policies, there has been limited progress in further strengthening incentives to work longer in the pension system. Recent measures, such as the reduction of discount rates for early retirement and the prolongation of early retirement due to long insurance contributions give the wrong signals. The mechanism for adjustment of the system to longer life expectancy has been subject to revision and it is not yet clear if and how it will be implemented.

The employment rate of older workers aged 55-64 years stands at 38.6% in 2007, well below the EU average of 44.7%, although it has been on a steep increase over the last years. Unemployment among older people is relatively low (3% for 50+ years in 2007). The effective retirement age has hardly increased since the start of the pension reforms in 2000. It was 59 years for men and 56.9 years for women in 2006, remaining well below the statutory retirement age (currently 65 years for men and 60 years for women). There has been a decrease in early exits from the labour market as consequence of the pension reforms, but 72% of all new pensions were still below the statutory retirement age in 2007. The abolition of early retirement due to reduced capacity to work in the year 2000 was to some degree de facto substituted by the instrument of invalidity pensions. These accounted for approximately 35% of yearly access to pensions in 2007. Invalidity pensions can not generally be considered an "easy going" early exit from the labour market, as life expectancy at the age of 60 of persons in invalidity pension is lower than life expectancy of people in normal direct old-age pension (4 years for men and 3 years for women). There is, however, scope for reforming the disability pension scheme, notably by enhancing health prevention at the work place. A working group has already developed proposals for a reform, and the Strategy Report announces plans to develop prevention and health care at all levels.

The Austrian Pension Insurance has been the key innovator of IT-technologies in the Austrian Social Insurance. In 1968 the central storage of insurance data was established by the Main Association of Austrian Social Insurance Institutions. In 1972 all relevant tasks for the entitlement of pensions was electronically established. Since this time many tasks, especially for the users, were developed to support a better information. In 2005 the establishment of the electronic Pension account was so far the latest step to create a broad e-government-system.

2 The Organisation of the Austrian Social Insurance

2.1 Subdivided System

The Austrian Social Insurance contains the Health- the Accident- and the Pension Insurances. The enforcement of the Social Insurance has been given to individual corporate bodies – the Insurance Companies. There are 25 Insurance Companies – 17 Health Insurance Funds and 8 Insurance Institutions – some of which carry out two or more branches of Social Insurance. Due to historical reasons, the subdivisions are not only territorial but also occupational.

2.2 Main Association of Austrian Social Insurance Institutions

All Insurance Companies are combined in the Main Association of Austrian Social Insurance Institutions. This umbrella organization is responsible for the preservation of general interests of the Social Insurance and for the representation of the Insurance Companies regarding common affairs (eg conclusions of treaties with hospitals and doctors). It further represents the Austrian System of Social Insurance at meetings with similar institutions abroad and functions as a contact for the Health- Accident- and Pension Insurances in interstate and international areas.

The system of the Austrian Social Insurance benefits from being close to the insured. The disadvantages of this form of organization are being evened out by the obligations of cooperation and coordination.

2.3 Pension Insurance

- Pension Insurance Institution
- Insurance Institution of the Austrian Railways and the Austrian Mining Industry
- Social Security Institution for Trade and Industry
- Social Security Institution for Farmers
- Insurance Institution for Austrian Notaries

2.4 Health Insurance

- 9 District Health Insurance Funds (one for each province)
- 8 Occupational Health Insurance Funds
- Insurance Institution of the Austrian Railways and the Austrian Mining Industry
- Insurance Institution for Civil Servants
- Social Security Institution for Trade and Industry
- Social Security Institution for Farmers

2.5 Accident Insurance

- Austrian Workers' Compensation Board
- Insurance Institution of the Austrian Railways and Austrian Mining Industry
- Insurance Institution for Civil Servants
- Social Security Institution for Farmers

2.6 Independent Administration

Independent administration means that the State transfers certain of its administrative responsibilities to those groups of people who have a direct interest in these tasks. Representatives of these groups of people are to form administrative bodies

which are responsible for the accomplishment of these administrative tasks – they are not subject to directives of the State. With the exception of the time between 1939 – 1947, the Austrian Social Insurance has been enforced according to the principle of independent administration ever since its inception. The insured of the Social Insurance of Employees as benefit-receivers and contribution-payers as well as their employers (as contribution-payers) have a direct interest in the Social Insurance. Regarding the Social Insurance of Professionals, the insured are the sole benefit receivers and contribution payers and are therefore highly interested in their Social Insurance. The legal associations of these groups of insured have to nominate representatives (insurance representatives) to the administrative bodies of the Social Insurance.

2.7 Financing of the Social Insurance

The financial means of the Social Insurance are raised by collecting contributions that have to be paid by the insured – and in the case of employees by their employers as well. For the payment of the (old-age) pensions of farmers and self-employed professionals and small traders, certain tax-contributions are also used. If the income of the Pension Insurance does not suffice for the total coverage of the insurance benefit, the State makes contributory payments from general taxes in the form of a secondary liability. Furthermore, the State separately contributes to the Accident Insurance of the farmers. The amount of the contribution of the insured and their employers depends on the assessment of contributions and the respective contribution rate.

2.8 Assessment of Contributions

The basis for the calculation of contributions is the income earned by the insured; for the farmers, the contributions are being calculated on the basis of the revenue value (assessed value) which has been ascertained by the tax office for purposes of property tax.

For the calculation of the social insurance contributions, however, only the income up to a certain income threshold (maximum contribution basis) is being used. According to the ASVG, very small income entails no obligation to have health and pension insurances. Low income threshold (insignificant part-timers):

Monthly EUR 316,19

Daily EUR 24,28

The GSVG (self-employed small traders) states a minimum contribution basis for Health- and Pension Insurances. The minimum tax limit is EUR 563,90 for the Health Insurance and EUR 1.096,42 for the Pension Insurance for small traders and EUR 537,78 for full-time “new” self-employed people. The BSVG (farmers) states an overall insurance duty for Health and Pension Insurances only if the assessable value exceeds EUR 1.500,--. The BSVG also has a minimum contribution basis of EUR 583,48 per month.

2.9 Civil Servants

Civil Servants are health- and accident insured, but have no Pension Insurance. They receive a retirement benefit from the State and pay between 11,05% and 12,55% of their salary (no upper limit) as an pension contribution.

2.10 Pensioners

For the Health Insurance of pensioners, contributions have to be taken from the means of the Pension Insurance. The pensioners themselves have a contribution of

4,25% of their pension payment deducted (except the orphans' allowance: no deductions). In addition, 0,1% supplementary tax is deducted for the financing of insurance payments reasoned by accidents.

2.11 Voluntary insurances

- **Extended insurance:** in general, the Pension Insurance allows for a voluntary extended insurance. An applicant for such an extended insurance needs to prove to have obtained a certain amount of contribution years.
- **Self-insurance:** if no or insufficient contribution years have been obtained, the entitlement to continued insurance may be attained via self-insurance provided the applicant lives in Austria. This form of a voluntary insurance enables those persons who did not pursue an occupation with obligatory insurance (f.ex. housewives) to obtain their own entitlement to an old-age pension.
- **Self-insurance for insignificant part-timers:** see explanations within the chapter Health Insurance.
- **Self-insurance while nursing a handicapped child:** persons who are resident in Austria and who dedicate all their time and energy to the care of a handicapped child living in the same household are given the possibility to insure themselves at the Pension Insurance until the 31st birthday of their child. The premium is being paid by the Equalisation Fund for Family Allowances (Ausgleichsfond für Familienbeihilfen).
- **Higher insurance:** an additional form of voluntary insurance is the higher insurance. Contributions for the Pension Insurance are to be paid to the maximum contribution basis (in 2004: EUR 3.450,-- per month). Thus it follows that the pension payment cannot exceed a certain amount. In order to gain entitlement to an additional pension above this amount, the voluntary higher insurance is being offered. This is of special interest for those insured whose income significantly exceeds the maximum contribution basis.

2.12 Premiums

The insured can freely choose time and amount of the increased insurance. However, the annual maximum contribution (for 2004: EUR 6.900,--) may not be exceeded. Benefits from a higher insurance: a certain "bonus amount" (additional pension) will be granted which will be paid out in addition to the regular pension; the increase amount will be paid out 14 times per year and will be increased by the same percentage as the normal pension each time there is an adjustment. Effects on surviving dependents' pensions: surviving dependents will also profit from the benefits of the higher insurance. Widows and widowers receive 60%, orphaned children receive 24% (loss of one parent) or 36% (loss of both parents) of the additional pension.

2.13 Premiums and benefits receive preferential tax treatment

As a result of the tax reform 2000, higher insurance contributions are subject to a bonus payment by the State; this bonus payment is – technically speaking – similar to the model of a building society savings contract (Bausparvertrag). The maximum amount for which the bonus is payable is identical to the maximum amount under the "Bausparen" system (EUR 1.000,--). Premiums exceeding this amount are tax-deductible as special expenditure.

Benefits from higher insurances are tax-free provided they are based on contributions subject to bonus payments. Benefits based on higher contributions are 75% tax-free.

Example:

An insured male, born on October 11, 1936; aged 65 on October 11, 2004; oldage pension granted on November 1, 2004.

Year of contribution payments	Age of insured	Paid contributions (in EUR)	Indexation factor	Actuarial factor	Additional monthly pension
1994	55	1.500,--	1,115	0,00846	14,15
1995	56	1.500,--	1,084	0,00825	13,41
1996	57	1.500,--	1,058	0,00803	12,74
1997	58	1.500,--	1,058	0,00778	12,35
1998	59	1.500,--	1,045	0,00751	11,77

The total amount of paid contributions of EUR 7.500,-- (between 1994 – 1998) results in an increase of the pension payment of EUR 64,42 per month. The additional pension resulting from contributions to higher insurance is calculated by multiplying the annually indexed contributions to higher insurance by certain factors set according to the actuarial principles. The given factor depends on the age of the insured at the time of contribution payment, on the age at the deadline and on the sex of the insured person.

2.14 Privately managed pension provision

Private pensions are still much less important in quantitative terms in Austria than the public pay-as-you-go system, although their volumes have increased rapidly in recent years. The coverage of all dependent employees by occupational schemes has reached 15% in 2008, while the importance of the staff provision scheme introduced in 2003 (new severance pay scheme) seems to remain limited with view to old-age provision. This scheme is based on the legal obligation for employers to pay monthly contributions for each employee to a staff provision fund set up especially for this purpose. Employees have the option to withdraw their savings in case of termination of a work contract (if specific preconditions are fulfilled) or keep them until retirement age. The latter option, however, does not seem to be widely used at the moment. The number of individuals acquiring rights to draw pensions from private funds is increasing, however, mainly among those with higher incomes and education levels. An important incentive is the public subsidy available since early 2003 for the premium-aided pension savings scheme. In 2006, 15.3% of the population under 60 had a contract in the framework of this scheme.

3 The Principles of the Austrian Pension System

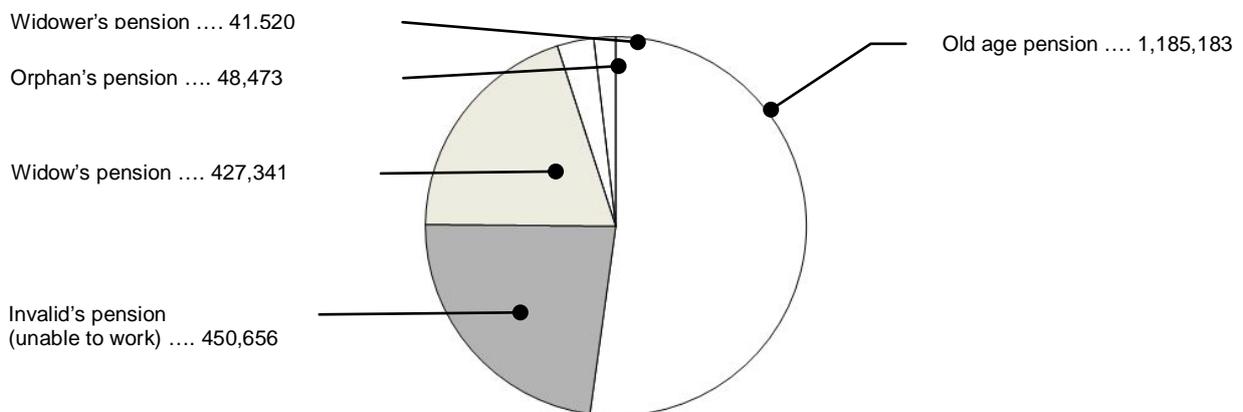
3.1 Facts

Approximately 3.4 million employed persons are insured in the pension insurance system. Every month roughly 2.2 million pensions are paid out. The social pension insurance system is by far the most important form of provision for old age in Austria. It ensures a fairly comprehensive protection of one's standard of living in old age.

- **Social pension** insurance benefits:
 - **Retirement Pension**
 - **Early Retirement Pension** after an extended period of insurance (with transitional arrangement)
 - **Reduced Capacity to Work Pension** (incapacity to work)
 - **Surviving Dependants Pension**
 - **Rehabilitation Measures**
 - **Health Care**

The entitlement to a pension depends on how long a person has been insured, on the assessment basis and (in the case of retirement pensions) on the person's age.

Pensions by type, December 2008
(All pensions as of December 2008: 2,153,173)



3.2 The Pension Harmonisation

The harmonisation of all pension systems came into force on 1.1.2005. The „**Pension Harmonisation Law**“ was agreed on 18th November 2004. The aim of this law is to harmonise the benefit and contribution rights of all the pension systems in Austria from the point of view of fairness and justice. Previous pension reforms have shown that this harmonisation represents a basic requirement for the acceptance of the necessary reforms to safeguard protection systems in old age in the long-term.

3.3 Introduction of a pension account system

The new „**General Pension Law**“ (GPL) stands at the heart of the reform, which to a large extent incorporates everyone in gainful employment (i.e. also civil servants) into a new system of protection in old age. A pension account will be established for everyone born since 1.1.1955. This account will show amongst other things the basic contributions made towards old-age insurance, the account percentage, by which the basic contributions will be multiplied (1.78%), and the entitlement to benefits resulting from the multiplication of the basic contributions and the account percentage. It will indicate the level of the pension earned so far in accordance with the GPL at the end of every calendar year. The revaluation of the entitlements earned in the pension account will be carried out in line with the development of the average annual increase in the basic contribution.

The existing pension laws for employees (ASVG), tradesmen (GSVG), farmers (BSVG) and civil servants (Pension Law) will remain in force in an amended form, i.e. the new GPL is to a certain extent the common roof over these laws.

Under this system, 22.8% of pensionable earnings are to be paid as a contribution to pension insurance. 1.78% of this income is credited to the pension account. The sum of all the credits in the calendar year constitutes the partial credit for this calendar year and the sum of the credits for all calendar years is the total credit, which, to put it simply, represents the annual pension entitlement which has been earned so far. The monthly pension is then simply calculated by dividing the total credit by 14 (in the Austrian system, pensions are paid 14 times a year). This system is, as before, a pay-as-you-go system which, for reasons of transparency and confidence, simulates a funded system.

The *Pensionsharmonisierungsgesetz* (Pension Harmonisation Law) and the *Allgemeines Pensionsgesetz* (APG) provide that:

- for persons who are 50 on 1.1.2005, the law prior to the *Allgemeines Pensionsgesetz* still applies, not the *Allgemeines Pensionsgesetz*;
- for persons who are not 50 on 1.1.2005 and have not completed any insurance months in the statutory pension scheme on 1.1.2005, it is exclusively the provisions of the *Allgemeines Pensionsgesetz* that apply;
- for persons who are not 50 on 1.1.2005 and have completed insurance months in the statutory pension scheme on 1.1.2005, the provisions of both the *Allgemeines Pensionsgesetz* and the law preceding it apply and when the pension is being computed, a "parallel" calculation is to be made, using the *pro rata temporis* method (initially calculating the benefits for all Austrian periods of insurance under both previous law and the new APG, then determining what proportions of all Austrian periods of insurance are accounted for by the pre-APG and APG periods).

The pension entitlement is then made up of two parts, one under the old and another under the new legislation.

Further to the above, it should be noted that there are also special fixed-term models for early retirement pensions under the old legislation for persons of certain age groups who had been insured for at least 40/45 years (women/men). The number of insurance months completed in these types of pension schemes is relevant not only for the entitlement but also for the calculation, which means even more favourable calculation provisions come into play if more than 45 insurance years have been completed (in particular there is no ceiling of 80% of the assessment basis). In these cases therefore, a comparative calculation is to be made if an entitlement already exists under Austrian legislation alone, since the more favourable calculation rules can come into play only when the insurance periods have been added up.

3.4 Periods on an equal footing become contribution periods

There are no longer any periods on an equal footing in the harmonised pension law, only contribution periods. An institution is therefore designated each time, which must pay pension contributions for any periods of this type earned since 1.1.2005, e.g. the Federal Government for sick pay and periods of military service or the employment market service for periods when a financial benefit is being paid by unemployment insurance. This means that entitlements are also being earned for these periods. It should also be mentioned that the assessment basis for the time spent bringing up children (value 2004: € 653.19) is converted into a basic contribution and is more than doubled (value 2005: € 1,381.05).

3.5 Calculation of the level of pension

For everyone who enters working life after 1.1.2005, the pension calculation will be much simpler as a result of the pension account – however, it will still take a few decades for this to happen. For everyone else, there are two different scenarios:

- For everyone born prior to 1.1.1955, the current pension calculation (without pension account) will continue to be valid.
- For everyone born after 1.1.1955 and who has already earned insurance months under the old system, the so-called „parallel calculation“ will be applied. This first requires the calculation of the (fictitious) pension on the basis of the total insurance periods in accordance with the previous law and in accordance with the new law. The exact amount is then worked out using the Pro-Rata-Temporis-Method (similar to the calculation method in accordance with Article 46 of Decree (EEC) No. 1408/71).

Example: 40 insurance years, of which 15 are prior to 1.1.2005 in accordance with the old law and 25 after 1.1.2005 in accordance with the new law. The pension comes to 15/40 of the pension calculated under the old law and 25/40 of the pension calculated under the new law (pension account system).

The pension reform of 2003 had already brought much-needed restrictions on the right of entitlement, which is why the legislators determined at that time that the pension loss should be limited to 10% compared with the legal position on 31.12.2003. This loss cover has now been improved for everyone who is insured (!) and has provisionally been reduced to 5%, whereby it will however be increased in stages of 0.25% per annum until 2024 to reach 10% again.

3.6 Corridor pension

A corridor pension will be introduced, which is comparable with the previous early retirement pension as a result of long periods of insurance. „Corridor“ means that the pension can be claimed in a corridor between the age of 62 and 65 with a deduction and between 65 and 68 with a supplement. The deductions and supplements each amount to 0.35% per calendar month of the earlier or later drawing of the pension. A condition for drawing a corridor pension prior to the age of 65 is that at least 450 insurance months have been earned. The earliest possible age of 62 provided for in the legislation was determined by taking account of EU statutory provisions for men and women at the same level. As a result of the different standard pension ages of men and women, which still exist, the corridor pension is of significance only for men during the next few years. The regulation regarding the corridor pension also applies to people who were born prior to 1.1.1955.

3.7 Pension for heavy labour

The new pension for heavy labour will enter into force only on 1.1.2007. A condition is the existence of 540 insurance months, of which at least 180 must be months of heavy labour. Depending on the number of months of heavy labour, the earliest age it is possible to draw a retirement pension is 60. The deduction for this type of pension is only 0.175% for each calendar month of the previous retirement date and declines further depending on the number of months of heavy labour.

The provision regarding the pension for heavy labour also applies to those born prior to 1.1.1955. In addition, there are still three options for taking early retirement limited in time for people with a particularly long period of insurance.

3.8 Transfer of credits for bringing up children

One of the parents can transfer to the other parent, who is chiefly involved in bringing up children, up to 50% of his/her account credit, which was earned on the basis of gainful employment. The transfer is made on a voluntary basis, but is irrevocable. It is possible for the first four years after the birth of a child.

3.9 Alterations to contribution rights

The harmonisation covers not only benefit law, but also contribution law. In principle, for every group of people with pension insurance a uniform contribution rate of 22.8% applies. However, compensatory payments („partner payments“) by the Federal Government are envisaged for tradesmen and farmers. For tradesmen the contribution rate will be increased in stages up to 2015 from 15% to 17.5% (partner payment by the Federal Government as of 2015: 5.3%), for farmers the contribution rate will be increased in stages up to 2007 from 14.5% to 15% (partner payment by the Federal Government as of 2007: 7.8%).

Low or minimum contribution levels as well as maximum contribution levels are also being standardised.

3.10 Minimum income provision for older people

A means-tested minimum pension is available in Austria for individuals who are entitled to old-age pension. Although minimum pensions have been increased over-proportionally in the last years, they still remain below the poverty threshold. Persons without individual or derived pension entitlements can claim means-tested social as-

sistance benefits administered by the federal states, which are also below the at-risk-of poverty threshold in most cases. The poverty risk of older people (65+) is higher than for the overall population, affecting women in particular (18% vs. 12% overall), although the gap between available income and the poverty threshold is relatively low (13% vs. 15% overall). Pensions for the disabled are also very low on average. The means-tested minimum income – if implemented as planned- will create a universal means-tested minimum pension, which would be an important improvement for older people without any pension entitlements. If raised slightly to the poverty threshold, it could substantially reduce the at-risk-of poverty rate for older people.

4 The Main issues of the IT-Systems in the Austrian Social Insurance

The Austrian Pension Insurance has been the key innovator of IT-technologies in the Austrian Social Insurance. In 1968 the central storage of insurance data was established by the Main Association of Austrian Social Insurance Institutions. In 1972 all relevant tasks for the entitlement of pensions were electronically established. Since this time many tasks, especially for the users, were developed to support better information. In 2005 the establishment of the electronic Pension account was so far the latest step to create a broad e-government-system.

4.1 The central storage of insurance data at the Main Association of Austrian Social Insurance Institutions

The central storage of insurance data at the Main Association of Austrian Social Insurance Institutions consists of the following sections:

- Registry directory: Record of personal data of persons, who are provided with social insurance numbers.
- Employer file: Record of employer informations
- Insurance file: Data of insurance and benefits starting from 01.01.1972
- "REV"-File (REV = retroactive registration of insurance periods): Insurance periods before 01.01.1972 which are significant for pension insurance

4.2 The Social Insurance Number

The basic requirement for an efficient data exchange of personal information and a centralized storing of these data information is a consistent key which can be used from the whole social insurance institutions. For these purposes a social insurance number was introduced.

The insurance number is like an account number of the personal insurance account for the people.

It is the base for a logical storage of insurance data among the social insurance companies and the Main Association of Austrian Social Insurance Institutions. The personal insurance number is created computerized and logical on order of an Austrian insurance institution. The procedure runs fully computerized and without using of paper forms.

4.3 Registry directory

The basic foundation is the central registry directory of all insurance numbers and personal information.

All social insurance numbers are allocated from the Main Association of Austrian Social Insurance Institutions.

4.4 Employer file

For a clear relationship of earned insurance periods to an employer the competent institutions of health insurance for employed persons allocate also account numbers for employers. The employer number is necessary for clearing the contributions be-

tween employers and health insurance institutions. Information about each employer account number are also stored in a central directory (similar to the registry directory).

4.5 Insurance file

The insurance file is for storing insurance data of the insured person in the form of separated insurance periods starting from 01.01.1972.

4.6 "REV"-File

The storing of insurance data began in the year 1972. But there are of course many insurance periods before 1972 which are important for the computation of a pension. Such periods were collected in the form of a separate procedure. The German abbreviation "REV" means "retroactive registration of insurance periods". This procedure helps the insurant to collect his periods of insurance before 1972 (no disadvantages if insurance or employment certifications are lost).

5 Application VVP-Client associated with the pension account

5.1 The principles of VVP

The computerized standard application VVP (Compression of insurance periods and computation of pension entitlements) provides the computation of gross pension amounts based on the stored insurance data in the central database of the Main Association of Austrian Social Insurance Institutions. The change in pension law especially the turn away from the former assessment law and the coming into force of the Pension Harmonisation Law had a profound effect on the application VVP. Since 01.01.2005 the responsibility of managing VVP has changed from the Main Association of Austrian Social Insurance Institutions to the Pension Insurance Institution.

Basically the current system is divided in two parts: On the one hand the central storage of data of the Main Association of Austrian Social Insurance Institutions and on the other hand the computation of pension entitlements and amounts via VVP by the Pension Insurance Institution. Due to the Pension Harmonisation Law respectively the pension account the application VVP will never gone out of use. For one thing there is a legal obligation to make a parallel calculation with respect to the old assessment law which comes along with a servicing and adapting of the old system and for another thing the regulations of the General Pension Law must be implemented in the system.

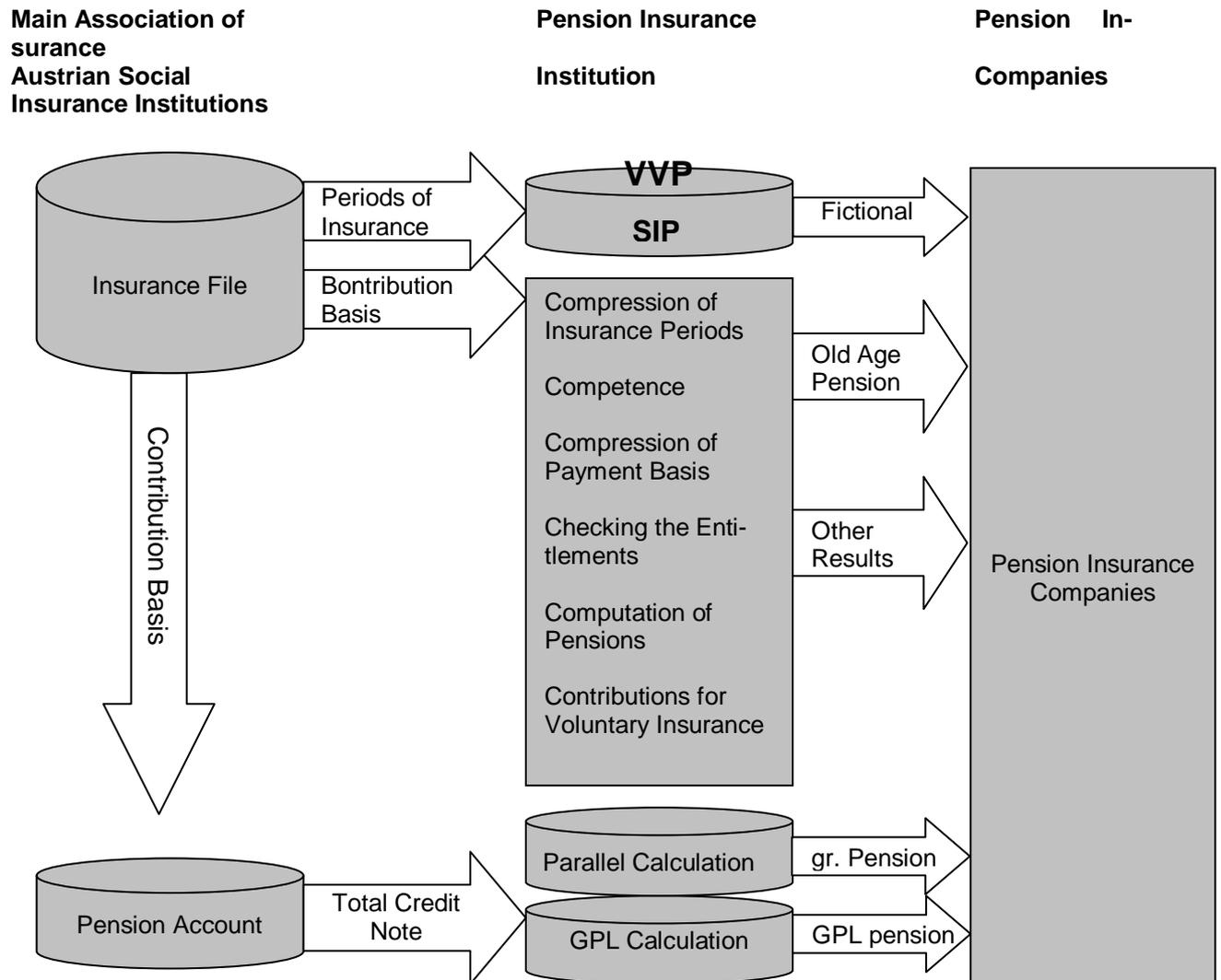
Furthermore it is always necessary to determine the pension entitlements - no matter whether the new or old right is applicable and only VVP has this feature. In the new system the pension amount is calculated according to the General Pension Law on basis of the total credit note of the pension account. Based on the total credit note the pension amount is determined from VVP after checking the general entitlement on pension and potential deductions or surcharges.

As long as there is a need of calculating a pension based on the old right (probably this will be required for certain decades from now) the old calculation procedure has to be maintained and further developed. Even if in future the pension amount is only computed in using the pension account the current legal situation enjoins to form months of insurance and check the pension entitlement and these tasks are going to be executed furthermore by VVP without a date of termination.

Due to the fact that there are no changes in contribution regulations in the different Austrian social insurance laws because of the coming into force of the Pension Harmonisation Law and many regulations are further assimilated on the basis of payment no one can expect when there will be no more use for the appropriate features of VVP. In multi insurance cases (e.g. employed and self-employed) the calculated results of VVP will be furthermore required by the Social Insurance Institution for Trade and Industry to determine the prescribed contribution basis for self-employed persons.

The following chart shows the extensive cross connections between the application VVP of the Pension Insurance institution, the insurance database of the Main Association of Austrian Social Insurance Institutions, the pension account of the Main Association of Austrian Social Insurance Institutions and the other Pension insurance companies.

Scheme of the application processes



The Pension Harmonisation Law is a great challenge: depending on the date of birth (for persons born from 01.01.1955) the insurance career of a person has to be imaged on the one hand based on the applicable right before 01.01.2005 and on the other hand on the applicable right starting from 01.01.2005. Depending on the quantity of the insurance months before 01.01.2005 it is necessary to make a decision whether the calculation has to be made with respect to the applicable right before 2005 or the right starting from 2005 or both mixed in the form of a parallel computation. To hold the effort for administration on a minimum level the insurance companies can report data of a partly insurance in the pension insurance since 01.01.2005 like before with the same qualification. For the implanting of the new system requirements in the application VVP it is a great challenge because the processing of an insurance period with the same qualification is to be made different - once as time periods of insurance on equal footing and as time periods based on contributions. This duality of insurance months starting from 01.01.2005 (once as contribution months of obligatory insurance and once as periods of insurance on equal footing) requires totally new processing routines in the application VVP.

In the current system it is required to categorize the periods of insurance per year of contribution corresponding to the available insurance conditions as days of obligatory or voluntary insurance respectively as days of insurance on equal footing. If there are some overlapping periods you have to mind a certain hierarchy. From these days of insurance will be built months of insurance on the one hand and on the other hand the days of insurance also have an effect on the yearly contribution basis.

5.2 Checking of pension entitlements

To calculate a benefit solely on basis of the General Pension Law the application VVP does not have to edit the basis of contribution or compute the basis of assessment because the gross pension will be determined just by the total credit note from the pension account. The regulations to build months of insurance are required furthermore from the application VVP. For checking whether a benefit is entitled respectively a parallel calculation is necessary it is required to reach certain age and having a minimum amount of months of insurance in addition. For insured persons who are born before the year 1955 are no changes in the compression method. For insured persons born starting from the year 1955 the type and quantity of insurance months have to be stated both based on the General Pension Law and on the "old right" (valid until 31.12.2004).

5.3 Computation of benefits

The current computation mode of VVP delivers, depending on different cases and with respect to possibly cross-national regulations in computing pensions, already more than a dozen of results. As compared with the above described mode the pure calculation mode of the general pension law will be much more clear and easier to handle. As long as a parallel calculation with regard to cross-national regulations is required (nearly 30 percent of pension cases are involved with cross-national regulations) you have just an extra computation result, which makes the operation system more complex than before.

5.4 Application SiP ("Service for Clients of the Social Insurance")

The application SiP is based on the results of VVP and delivers a well constructed overview of the different pension entitlements (e.g. the earliest pensionable age) and pension amounts to the insurant. The particular advantage of SiP in comparison with

VVP is the possibility to record fictional periods of insurance which are not yet or not automatically stored in the central database (e.g. periods for child raising, military service) to make a nearly exact projection of the expected pension amount. The feasibility of storing periods for the future is also a main benefit of SiP.

The following summary shows the main functions of SiP:

- Determination of the earliest pensionable age for all kinds of old age pensions and computation of the expected pension amount
- Determination of the earliest date to claim a pension in case of a reduced capacity to work (incapacity to work) and computation of the expected pension amount
- Computation of all kinds of pensions at earliest possible moment and/or at a moment which can be chosen free
- Complement of periods of child raising, military service, school attendance and study
- The possibility to extend the insurance period and store a fictional basis of payment for periods in the future
- Computation of the expected gross and net pension amount
- Calculation of the currently amount for purchasing periods of school attendance and study years
- Creation of a clear report for the insured person (as short-summary and long-summary)

6 The functionality of the Electronical Pension Account (ePA)

In general the Electronical Pension Account computes a pension based on the General Pension Law. The Electronical Pension Account is in use since 01.01.2005. For the next few decades it will be necessary to use a mixed process to calculate the appropriate pension amount. As already mentioned the application ePA computes the pension based on the new legislation of the General Pension Law and the application VVP is the pension-computing-system provided by Pension Insurance Institution to calculate pension based on the old right. To take account of this issue the following technical process is necessary. ePA doesn't get data from the central insurance database but gets the access of data from the application VVP. The application VVP obtains the required insurance information from the central database. This means specifically that VVP reads data, contribution basis and insurance qualifications of the citizen from the central insurance database and executes certain calculations. After this process VVP transmits a basic insurance report to ePA and ePA processes the data of this insurance report to a pension account.

Depending on the partner which is prompting ePK (Social Insurance Institutions, Ministry, insurant, civil servant) and according to the competence a pension account report is shown. For example: If the citizen gets access via "citizencard" and can have a total overview of all Pension account data. If case officers from a federal office prompt ePK they only can overlook the data which are reported by them.

The datacommunication runs daily and the pension accounts of all citizens are always up-to-date. For these complex computation processes there is special computer (IBM multi-processing-system) required, which runs daily for 20 hour, seven days a week.

6.1 The Reporting Process

The Reporting Process is basically divided in two parts. The first Part is the public sector and the second part is the private sector.

But in general it is no matter whether it is a case of the public or of the private sector.

The employer first reports data to a database called PIS-system. Afterwards the information is transmitted from PIS to the competent insurance company. From the insurance companies the rehashed data is forwarded to a database called ZV-Plus (VD-Batch). The database ZV-Plus delivers the information to the various applications (pension calculating programm, VVP, SiP, ePK) if they are requested.

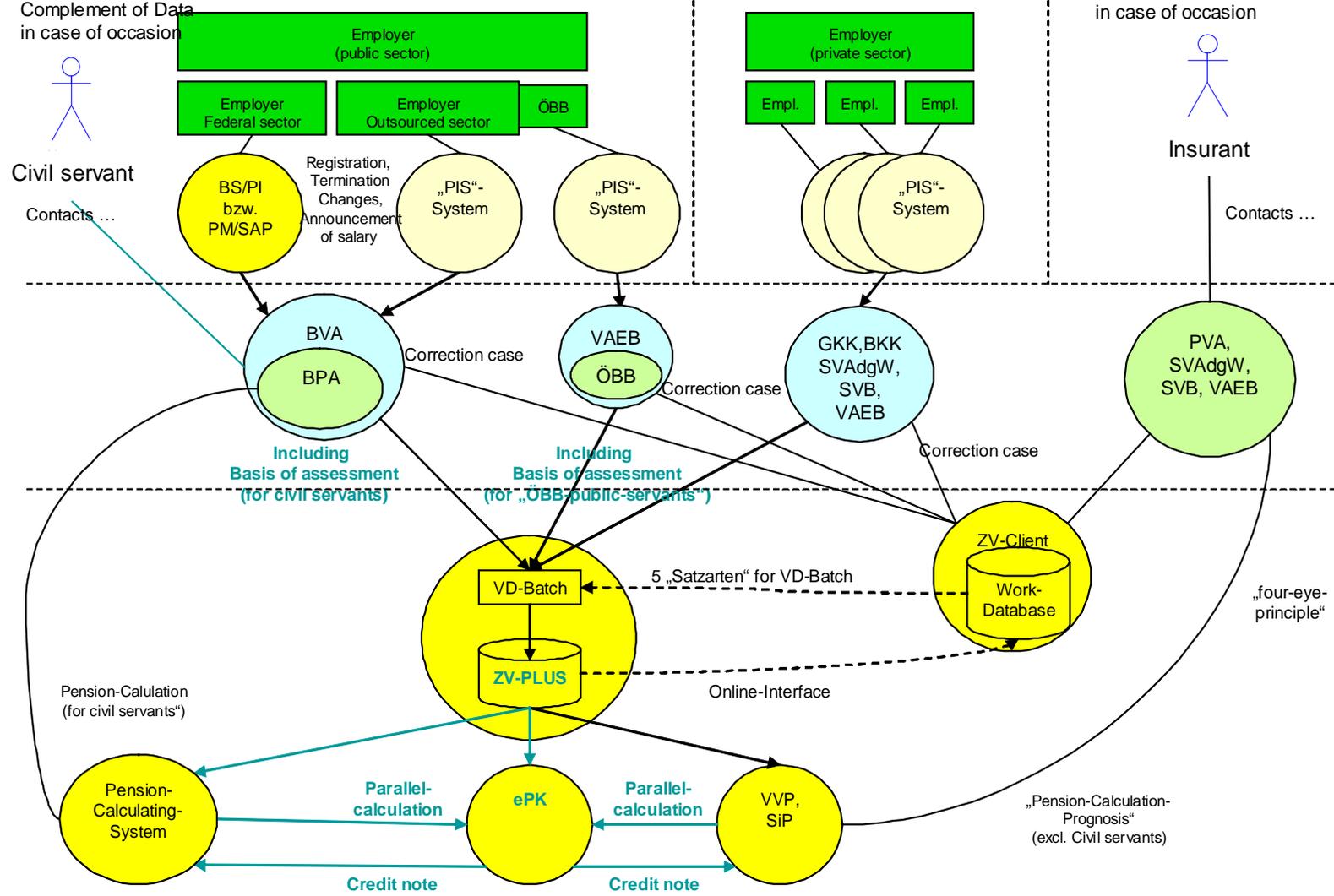
In cases of manual complement of Data (this is important for periods of insurance, eg. child raising, military service, periods of school attendance and study, which are not reported automatically from the employer or someone else to the central database) the client has to go directly to the competent insurance company. The competent insurance company adds the insurance information via ZV-Client - Work Database or directly (in cases of the public sector) to the central Database (ZV-Plus).

The exact processes are shown in the following charts:

Reporting Process

Operating procedure from 1.1.2007
Complement of Data in case of occasion

Complement of Data in case of occasion



Pension Account – Functionality

