

**Policy Implications for the German Pension
System under the Consideration of Low
Interest Rates and Demographic Change**

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Abstract

Because of the progressive ageing of Germanys society, the German retirement system has already been put under significant pressure and this development is likely going to continue. Therefore, eventually the pension system reform will become inevitable. Comprehensive pension system reform has always been associated with protracted and lengthy challenges. Due to its general notion and the fact that almost the entire society is either directly or indirectly affected, many different hurdles as well as political and institutional constraints have to be overcome. Previous pension system reforms in Germany can be characterised as a rather gradual transformation without a complete overthrow of the existing status quo. Although, it is tempting to think about large-scale reform proposals, the actual feasibility of each reform proposal must be noted. Adjusting the legal retirement age towards the prospective life expectancy in combination with an expansion of child related pension benefits and improved financial literacy, hold the potential to offset the negative externalities that result from the progressive ageing of the society. However, these suggestions face extensive constraints regarding their actual viability. At present, current pension policies in Germany must be characterised as mostly adhering to the status quo, providing little room for innovation and even reversing previously enacted improvements. Furthermore, a general lack of political willingness to reform can be identified. In combination with the ever growing political influence of pensioners, comprehensive pension system reform is much needed in Germany however, not very likely at the moment.

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Introduction

The German retirement system will be facing fundamental challenges in the future. Due to its framework, with its first pillar being a classical pay-as-you-go system (PAYG) as well as a progressively ageing society, more and more pensioners are going to depend on an ever decreasing number of contributors. To prevent the retirement system from collapsing, three broad adjusting mechanisms are feasible: lowering pension benefits, increasing pension contributions or raising the legal retirement age. Neither of these policy options are politically desirable and are most likely going to face broad opposition from German society. Nevertheless, to avoid extensive old age poverty and skyrocketing contribution rates, a fundamental and comprehensive pension reform is inevitable.

This Thesis is going to contribute to the current academic discussion by providing an in depth analysis of the German retirement system and based on the findings obtained, I am going to establish targeted reform recommendations that can be applied to the current situation in Germany. Usually, academic papers tend to focus on either the analysis of the current state and lack target-oriented reform proposals or suggestions are not specifically tailored around

Germany's special circumstances. Additionally, they hardly reflect any political and institutional constraints which would come up during the implementation phase. Therefore, my Thesis is unique in the sense that it combines all of three aspects mentioned and thereby aims to deliver practical and goal-orientated policies while taking into account political and institutional constraints.

To accomplish this, I have developed the following structure. Within the first section, I am going to conduct a detailed overview regarding the challenges of the Germany retirement system, distinguished between political and technical issues. Furthermore, I have provided a theoretical approach on how to achieve welfare state retrenchment, based on the findings of Paul Pierson. The second section contains my methodology and my research design. My Thesis is based on the combination of extensive literature research, a systematic review and five expert interviews with relevant pension stakeholders. In the third section, I have provided a comprehensive overview about previous pension reforms and an in depth analysis of the three pillars the German retirement system it built upon. Section four contains all relevant reform proposals. Subsequently, I am going to assess potential improvements based on their likelihood of adoption. Finally, I will put forward my final reform recommendations and draw an overall conclusion.

Problem Definition

Political Problems

Because of the nature of the German multi-party system, implemented policies usually reflect a compromise of at least two different parties. As a result, not every possible solution is actually achievable, due to existing ideological, political and institutional constraints. Moreover, Germany is commonly considered to be a strong pluralistic society and therefore,

not only political parties have to reach a settlement. Members from the civil society such as unions, employers' associations or social organisations have a stake in the decision making procedure as well, by exercising great leverage on the general party system (Rohrschneider 1996). Naturally, the more different opinions there are during the legislative decision making procedure, the more difficult it becomes to reach a comprehensive and effective solution. Fritz W. Scharpf speaks (1988: 239) of a *joint-decision trap*, something that is especially common in highly federal organised countries such as Germany. In summary, often not the best policy is implemented, but rather the solution that is easiest to reach.

Making matters even worse is the increased polarization as well as the further fragmented political party system in Germany. After the 2017 national election, seven different parties are represented in the Bundestag, with partly different and sometimes even opposing pension concepts. Successful pension reform however requires a stable and wide ranging support base (since the overall impact of pension policies only becomes visible in the long-term), otherwise there is a risk that already implemented legislations are repossessed after change in government takes place. However, even among the current coalition partners (CDU/CSU and SPD), one can identify possible points of conflict (for instance Mothers Pensions) and therefore, there is reason to fear that the grand coalition is only going to agree on the least common denominator and further postpone important decisions. An additional indicator for such an assumption can be found within the current coalition contract. Out of 175 pages, only two are dedicated to prospective pension policies (Koalitionsvertrag 19. Legislaturperiode 2018: 92-93). Both of my methodical approaches indicate a certain degree of policy conflict among the relevant actors regarding the future course of action. Therefore, one has to assume that developing an effective solution for the manifold problems of the

German retirement system may already be difficult, however, actually implementing it into law will be even more challenging.

Additionally aggravating the situation is the fact that welfare state reforms in general and pension system retrenchment in particular are extraordinary difficult to achieve. Pierson and his in 1994 published book *Dismantling the Welfare State?* have investigated this matter further. Taking into account the welfare state reforms under the Reagan (USA) and Thatcher (U.K.) administrations, Pierson investigates potential obstacles towards the reform process (he analyses old-age pensions, housing policy and income-support policy) and how to effectively circumvent them. Generally speaking, welfare retrenchment becomes more likely if the opposition is divided and weak. Therefore, it is of tremendous necessity to anticipate and impede any possible forms of oppositional organisation or mobilization. In order to do so, relevant reform information have to be kept under discloser as long as possible. For instance, this can be done by settling the general drafting close to the administration. In the case of Germany that would be either the Bundeskanzleramt or the Ministry for Labour and Social Affairs. Under the former Schroeder administration, the decision making process was centralised to circumvent potential opposition (Busemeyer 2007). Further, it is likewise essential to establish a framework that prevents prospective administration from reversing the policy, and thereby making a comeback of a lavish pension system impossible.

However, it is of utmost importance to design policies in a way that makes blame avoidance easy by blurring the direct responsibility of the respective policy makers. The more technical or difficult to understand for the average citizen a reform proposal is, the higher the probability of implementation, since the opposition will face a hard time explaining its content to their supporters. Furthermore, the more challenging it is to establish a direct link between

the sagged generosity and the respective policy maker, the higher is the chance of adoption. Pierson assumes that voters tend to respond stronger to perceived losses than to potential gains. A policy that aims to take something away has significantly less chances of being adopted than being supposedly generous. Therefore, directly attempting to cut pension benefits has a very low chance of approval. By contrast, implementing a policy that continues to increase benefits but on a smaller scale, will have a significantly higher success rate.

Technical Problems

PAYG systems require a moderate and “healthy” dependency ratio in order to function in a financially effective and sustainable way. This is commonly associated with an old-age dependency ratio of roughly three to one, which means that one recipient of benefits is supported by three contributors (Mierzejewski 2015: 700). In case the dependency ratio in a given society is significantly higher, for instance 1.5 worker for every recipient, the respective PAYG system is unavoidably going to face funding problems, provided that the system is not cross financed via taxes.

Regarding the demographic situation in Germany, most recent data available is provided by the German Federal Statistical Office (DESTATIS 2015). The age dependency ratio is defined as the ratio between the working population (everybody between the ages of 20 to 64) and everyone who's 65 and older. In 2013, for 100 members of the working population there were 34 pensioners which translates into a fairly healthy old-age dependency ratio. This however, is going to change drastically until the year 2060. Depending on the level of migration as well as the effective retirement age, it is forecasted that the ratio of people older than 65/67 to the working population will increase to either 54 (retirement age 67, higher immigration), 57 (retirement age 67, low immigration), 61 (retirement age 65, high immigration) or 65 (retirement age 65, low immigration) (DESTATIS 2015: 13-17).

This development is not going to take place in a gradual way, but will rather take the form of a sharp increase until 2035 followed by a consistent raise until 2060. This can be explained by the fact that the so called “Baby Boomer” generation (people born between 1954 and 1969) account for the largest age cohort in Germany and this particular generation is gradually retiring within the next fifteen years (Kochskämper, Pimpertz 2017: 8).

Naturally, such a development has an impact on the German budget. Data provided by the European Commission (2015: 310-311) forecasts a considerable increase of pension related spending. An amount worth approximately 10 percent of Germanys GDP was issued for pension related expenses in 2013. This amount however, is going to increase by roughly 25 percent, the EU Commissions forecasts 12.7% of the German GDP, until the year 2060. Furthermore, the first pillar of the German pension system is-heavily underfunded. In 2016, the PAYG system accumulated 214.8 billion Euro via the labour market contribution rate, whereas the overall spending of the Deutsche Rentenversicherung accounted for 282.7 billion Euro (Deutsche Rentenversicherung 2017: 9). This difference of nearly 70 billion Euro had to be cross financed by the means of tax revenues and indicates that the first pillar of the German pension system already is under pressure.

Moreover, due to the continuing low interest rate environment, Germany is exposed to, the situation is further aggravated and could lead to additional challenges within the second and third pillar. Long term interest rates for German government bonds have significantly dropped to almost zero. A temporal interest rate decline can be compensated to a certain degree, especially when considering that most private pension provision plans still contain government bonds that guarantee a significantly higher return. However, the longer the current low interest rate environment prevails, the more difficult it will become to maintain

the promised capital guarantees. Consequently, the total number of Riester contracts (Germany's most common third pillar pension provision) has stagnated since 2012 (BMAS 2018b: 1)

The current net replacement rate and today's forecasts provide an additional cause for concern. The OECD defines net replacement rate: "(...) as the individual net pension entitlement divided by net pre-retirement earnings, taking into account personal income taxes and social security contributions. It measures how effectively a pension system provides a retirement income to replace earning, the main source of income before retirement" (OECD Data 2018a). According to the Deutsche Rentenversicherung (2018a), the net replacement rate of Germany, for the first pillar only, accounted for 47.9 percent in 2016. Compared with the average European Union net replacement rate of 70.9 percent, Germany is performing rather tenuous. Nevertheless, developing forecasts regarding the development of old-age poverty that are entirely based on the net-replacement rate have very limited explanatory power, since they only reflect one aspect of old-age insurance and do not take into account other assets as well.

Predictions regarding the future development of the German net replacement rate have to be handled cautiously, as with every forecast covering a longer period. However, it is already clear that the net replacement rate will continue to fall. For instance, the OECD (2015:264) forecasts a net replacement rate of only 37.5 percent in 2060. In case this forecast is fairly accurate, a substantial increase of comprehensive old-age poverty will be more likely. Aggravating this situation even further, is that the net replacement rate assumes consistent contribution to the pension system. Consistent means at least 45 years of full-time working. However, only a comparatively small fraction of pensioners is actually going to achieve this,

due to the growing number of inconsistent labour market careers. Inconsistency is caused by a variety of factors such as unemployment or part-time work. Therefore, it is not very likely to expect that the majority of future German pensioners are going to receive a full statutory pension, in fact, it will rather be the case that many pensioners are going to obtain an amount that is considerably below the predicted replacement rate.

Thus, a reduction in first pillar pension premiums can be compensated by either occupational or private provision. This however, requires a certain degree of financial literacy. A comprehensive examination regarding the level of financial literacy in Germany has been undertaken by Buchen-Koenen and Lusardi (2011). Both recognise that although some population groups dispose over significant financial knowledge, and because of that are capable of making effective investment decisions, other sections of the population are clearly disadvantaged. Unemployed people, minimum wage earners, citizens living in the eastern federal provinces, young persons and women have only inconsistent knowledge regarding their personal private pension and are therefore far above-average exposed to the risk of old-age poverty. Especially the fact that woman make up for a large share is particularly worrying. Woman in general receive a less generous first pillar pension than men do (monthly 703 to 1050 Euro), while at the same time having a longer life expectancy (Focus Online 2016:1).

In summary, the current German pension system is facing a variety of challenges. In order for a PAYG system to function in an effective way, an old-age dependency ratio of roughly one to three is required. Germany's ratio is already too high and a substantial rise within the next 15 years is inevitable. Moreover, the prevailing low interest rate environment makes occupational and private pension provision increasingly difficult and the wide spread financial illiteracy among several population groups exacerbates the issue. Finally, compared to other

European and OECD countries, Germany's net replacement rate is lower and a further decline is commonly expected. A predicted first pillar replacement rate of only 37 percent in 2060 contains the potential for a massive increase in old-age poverty, especially considering that this already low figure can only be achieved if a person has consistently contributed to the system, which under realistic assumption, only a minority of people are going to achieve.

Methodology & Research Design

This thesis is going to answer the overall research question by the means of combining two different qualitative research methods. First of all, I have established a systematic review, following the guidelines submitted by McCorriston et al. (2013) and Khan et al. (2003). Additionally, I have conducted five expert interviews with relevant stakeholder from the German pension system. The respective findings obtained are then going to be used in order to formulate targeted policy reform proposals for the German pension system.

In the second step, I am going to elaborate further on the feasibility and political constraints that can be associated with each reform proposal. In order to provide the reader with a better illustration of the pension reform process, I have developed a path dependency overview that displays the different relationships between all relevant actors. The complete systematic review as well as all expert interview transcripts can be found within the appendix.

Research Question

This master thesis is going to address the following research question:

In times of rising demographic issues and declining interest rates, which measures have to be undertaken in order to reform the German pension system and make it sustainable for the future?

Systematic Review

A systematic review is an effective qualitative approach to receive a more comprehensive answer regarding a predefined problem. Although, systematic reviews are especially popular in the field of medicine, the method can be expediently transferred and applied to public policy cases as well. In general, an effective systematic review consists out of five different steps. Following McCorriston et al. and Khan et al. after establishing my research question, I started to look for relevant data and studies. To determine whether or not the study is relevant, I have developed six different assessment criteria of which the studies have to fulfil at least four, otherwise the respective study cannot be considered for the final systematic review.

Preselection criteria:

1. Relevant studies must not be published before 2010 to guarantee an up-to date result.
2. Relevant studies that analyse pension reform processes must focus on Germany.
3. Relevant studies that analyse pension reform processes must focus on OECD countries.
4. Relevant studies must take into account the relationship between interest rates and pension system development.
5. Relevant studies must include demographic indicators and predictions for Germany.
6. Relevant studies must include potential obstacles regarding the pension system reform process in Germany.

In total, I have examined around 100 different studies and finally selected 24 for my systematic review.

Within the third step, I have assessed the in-depth quality of the studies in more details. Khan et al (2013:2) argue that: “Study quality assessment is relevant to every step of a review (...) Selected studies should be subjected to a more redefined quality assessment by use of general critical appraisal guides and design-based quality checklists.” In general, I have defined six different analytical criteria and assigned them a different colour.

Analysis criteria:

1. General aspects of the pension reform process/Suggestions for concrete policy reforms
2. Political and institutional constraints towards the pension reform process
3. Data projection
4. Vulnerability towards a financial crisis
5. Aspects of financial redistribution
6. Effectiveness in preventing old-age poverty

During the fourth step, I have summarized my findings in a brief but very descriptive way and subsequently imported them into the comprehensive table. Lastly, I have interpreted the results, examined them for potential biases and based on that analysis, established my pension policy reform proposals. The entire Systematic Review can be found within the appendice (page 69 following)

Expert Interviews

For my expert interviews, I adhered to the concepts provided by Keats (2000) and Bleich/Pekkanen (2013). It is of great importance to formulate the questions as neutral as possible in order to inhibit potential question bias. Overall, I sent out 20 requests to relevant pension stakeholders, from whom ten replied and out of this group, five people agreed on an

interview. My general objective was to include a preferably broad selection of different actors in order to receive a wide range of different viewpoints. Therefore, I reached out to the respective pension spokesperson from each political party that is represented in the Bundestag, members from the Bundesrat, pension experts from insurance companies and NGOs as well as pension scientists. The interviews were conducted in German and subsequently translated (only excerpts explicitly used for this Thesis)

List of interview persons and their function:

1. Markus Kurth. Pension policy spokesperson of the Green party in the Bundestag.
2. Thomas Rogowski. Advisor to the CDU/CSU committee on labour and social affairs in the Bundestag.
3. Ralf Kapschack. Pension policy spokesperson of the Social Democrats in the Bundestag
4. Dr. Jochen Pimpertz. Head of the department public finances and pension insurance at the Institut der deutschen Wirtschaft Cologne.
5. Prof. Dr. Gert Wagner. Head of the Social Committee affiliated to the German ministry for labour and social affairs.

Following an open-end structure, I prepared a short interview guideline with three main questions and a variety of different sub questions, in case the interview would divert from the subject. However, all of my interview partners were very cooperative and interference was hardly necessary. A full transcript of all interviews is attached in the appendix

The following interview questions have been asked:

1. In your opinion, what are the current strengths and weaknesses of the German pension system?

2. In your opinion, what potential changes should be implemented into the German pension system?
3. In your opinion, how satisfied are you with the current pension policies implemented by the Bundesregierung (federal government)?
4. The Bundesregierung is going to implement a pension commission that is going to develop course of action for the years after 2025. How would you assess this and what are the most important priorities for the commission?
5. In your opinion, how would you assess the future risks and chances related to the capital-based old-age pension provision, especially under the consideration of a prevailing low interest environment?
6. In your opinion, how would you assess linking the legal retirement age to the prospective life expectancy?
7. In your opinion, what are potential political and institutional obstacles that prevent a comprehensive pension reform and how can we overcome them?
8. In your opinion, how does an ever stronger fragmented party system affect future pension system reform processes?

The German Pension System

According to Esping-Andersen's (1996) definition of the welfare state, the German pension system must be characterised as conservative-corporatist e.g. Bismarckian welfare state. In regard to the pension system, this means a comparatively low emphasis on distributional aspects. Consequently, pension payments are strongly earnings related. "The maintenance of status differences results from the *equivalence* principle (linking benefits to contributions) and the occupational fragmentation into separate schemes" (Kohl 2000: 130) In the following

section, I am going to provide a brief historical overview about previous pension reforms in Germany, followed by comprehensive overview about the three different pension pillars.

Historical Overview about Previous Pension Reforms

As the oldest retirement system in the world, the German retirement system has faced significant alteration over the previous 70 years (Lewicki 2014: 3). The first major and comprehensive pension reform in Germany was undertaken under the third Adenauer (CDU) administration in 1957/1958. The implementation of a more dynamic pension formula became necessary due to shifting demographics. As a first step, prospective pension increases were adjusted to the future development of gross wages. Eleven years later, in 1968/1969, a first version of the current PAYG system was implemented and the three-month capital reserve of the GRV introduced (Lewicki 2014: 18-19).

After minor modifications in the following years and a general coverage extension of the GRV, major adjustments took place between the late 1980s and early 1990s. Demographic problems became more and more urgent and general perception was that previous pension generosity was no longer sustainable. The legal retirement age was raised to 65, early retirement became more difficult and was further linked to a pension premium deduction of 0.3 percent each month of early retirement. Simultaneously, the continuation of working above the age of 65 was incentivised by a monthly increase of 0.5 percent. Additionally, the pension formula was adjusted and the future development of pension benefits were linked to the development of net wages. Moreover, in 1997 a sustainability factor was added to the pension formula but it was immediately suspended after the 1998 election (Rüb/ Lamping 2010: 145-146).

During the course of the Agenda 2010, the Schröder administration enacted several adjustments and realignments. Due to economic difficulties present at that time, the generosity of the first pillar was further reduced by amending the pension formula again. The contribution rate was increased to 19.4 percent and a sustainability factor ~~was~~ added to the pension formula, considering the ratio between pension recipients and contributor (RV-Nachhaltigkeitsgesetz 2005). However, the government intended to balance the reduction by promoting publicly subsidised private provision, commonly referred to as Riester Rente (Altersvermögensgesetz 2001).

The last significant pension reform took place in 2007, when the Merkel administration decided to gradually increase the legal retirement age to 67 until the year 2029 (RV-Altersgrenzenanpassungsgesetz 2007). Although the policy faced heavy resistance within the population and especially among Merkel's coalition partner (SPD), it was eventually adopted.

After the previous five years, a certain comeback of a more generous pension system can be observed. Early retirement with 63 became possible again although only under the requirement of having contributed to the GRV for 45 years. Additionally, the introduction of the so called Mütterrente (Mother's pension) sparked great controversy (RV-Leistungsverbesserungsgesetz 2014). Today's administration promised not to increase the contribution rate to over 20 percent and to maintain the replacement rate around 48 percent until the year 2025 (Kochskämper 2018: 3). In addition, a recently installed pension commission should develop pension reform recommendation for the years after 2025 (BAMF 2018).

Statutory Pension Scheme

Germany's first pillar is commonly characterised as the "continental welfare model" (Alda 2016: 84) with a fairly "conservative social insurance system" (May 2013: 5).

Contributions to the first pillar are paid by both the employer and the employee. Civil servants contribute to an independent pension system. Independent workers have the possibility to voluntarily opt into the GRV. In order to receive pension benefits from the GRV, a minimum contribution period of five years is necessary. Unemployment or parental leave periods are recognised to some degree during the calculation. Moreover, for minimum wage workers or people with generally low income and inconsistent labour market history, a means tested basic pension, *Grundsicherung*, exists. Traditionally, the first pillar is the most dominating within the German pension system and is therefore responsible for 86 percent of all distributed pension income (Ebbinghaus 2011: 120)

Pension benefits are calculated on the basis of a pension formula which consists of four different factors. The formula is: $P_{t,i} = E_{Pi} \times R_{Fi} \times Z_{Fi} \times AW$ (Deutsche Rentenversicherung: 2018b: 4)

“**Earning points**” (EP) reflect the relative income position of an individual within the labor market. If, within one year, an individual earns the average earnings of all insured workers, they receive the value of 1 EP. (...) The **pension type factor (RF)** (Rentenartfaktor) denotes the mode of pensions one receives. (...) The **pensions accrual factor (ZF)** (Zugangsfaktor) is simply 1 if a person reaches the mandatory retirement age. However, it is reduced by 0.003 per month for retirement prior to the standard retirement age of 65 years and increased by 0.005 per month of deferred retirement beyond 65 years. The **current pension value (AW)** (Aktueller Rentenwert) is the most important figure determining the pension level. It links

together the workers' earnings and the pensioners' benefits and is indexed to annual changes in the wages and salaries achieved in the labour market" (Rüb, Lamping 2011: 154-155)

In addition, pension benefits are adjusted by a sustainability factor which was decided under the Schröder administration in 2005. It reflects demographic factors such as life expectancy, the fertility rate and net flows of migration. Furthermore, the sustainability factor takes into account changes within the labour force. In case the total labour force decreases, the overall pension level follows. "Thirdly, the complex adjustment formula is multiplied by a factor α which has the value of 0.25. The factor is the result of various computer simulations which were undertaken to find a value that is able to limit the contribution rate to 20 percent in the year 2020 and 22 percent in 2030" (Rüb, Lamping 2011: 157).

The current monthly average gross pension (Standardrente) accounts for 1396.35 in the western Bundesländer and 1336.05 in the eastern Bundesländer. The Bundesregierung estimates that until 2025 pensioners in both eastern and western Bundesländer are going to receive the same pension amount (Bundesregierung 2017). However, the Standardrente is only received by people who have consistently contributed for 45 years to the GRV (Deutsche Rentenversicherung 2017).

Occupational Pension Provision

According to the Bundesregierung (Rentnversicherungsbericht 2016: 24) occupational pension provision plays a rather subordinated role within the German pension system and thereby accounts for only 22 percent of all payments received by people older than 65. Furthermore, occupational pension provision is almost not existent in the eastern Bundesländer due to the different retirement system that existed in the German Democratic Republic. However, especially under the Schröder administration, companies were

encouraged to further expand internal retirement provision. Data (Rentenversicherungsbericht 2016: 20) shows that 57 percent of all married couples and 44 percent of all singles receive additional payments, supplementary to the GRV. In general, it can be said that occupational pension plans are especially present among the group of high-income earners. “Since 2001, employees have the right to convert a certain percentage of their wage into contributions, *Entgeltumwandlung*, to an occupational pension that has to be offered by their employer in line with a collective agreement” (Ebbinghaus 2011: 5)

According to the OECD (2017), occupational pension plans in Germany have a healthy funding ratio and therefore are comparatively well prepared for a potential financial crisis. However, the report also stresses the fact that due to the little enrolment rate compared with other OECD countries, this has only very little informative value. Burger (2016) points out that defective legislation is another reason why occupational provision holds only a subordinate role. Although possibilities, such as the *Entgeltumwandlung* exist, only a minority of employees know about it and mostly have almost no decision making power in what kind of pension plan their wage should be invested in.

Private Pension Provision

Private pension provision in Germany is commonly associated with the term “Riester Rente” (Ebbinghaus et al. 2011: 145). The Riester Rente was introduced in the course of the 2000er reforms enacted under former chancellor Gerhard Schröder (SPD). At that time, the Schroeder administration intended to close the inevitable occurring pension gap of the statutory pension scheme by massively expanding federally subsidised private provision plans. Based on the gradual decline of the first pillar pension payments, predications say that

an annual return rate of at least 4 percent, stretched over 25 to 30 years, would become necessary to bridge the gap (Lewicki 2014: 30).

To be considered as a Riester Product and therefore enjoy federal subsidies, the respective contract has to include a capital guarantee, which reflects the rather conservative investment behaviour of the German population. A capital guarantee is usually achieved by heavily investing into supposedly safe investment opportunities such as government bonds. When the institutional framework of the Riester-Rente was designed, the average long term interest rates for government bonds in Germany were between 4.5-5.5 percent and therefore adequate enough in order to achieve a substantial yield (OECD Data 2018b).

Around 35 million employees are technically entitled to the Riester Rente. Two years after the introduction, around 4 million Riester contracts were sold to the population which was less than the government expected. This gap between expectation and reality was commonly explained by the fact that the regulatory framework regarding potential entitlements remained fairly diffuse to the population. After implementing legislative improvements, around 16.5 million Riester contracts exist today (Rentenversicherungsbericht 2017: 8). However, the sheer number of existing plans has only very limited explanatory power. Multiple contracts can be held by a single person and many contracts are currently inactive and therefore stopped generating pension benefits (Börsch-Supan et al 2012)

Theoretical Procedure German Pension System Reform

Due to the pluralistic nature of the German political system and due to Germany being a federal state, a variety of different decision makers and veto points exist. A comprehensive overview about the entire decision making process including all relevant actors can be found within the appendix (Page 86). Most likely, a potential pension reform proposal would be

prepared by the German Federal Ministry of Labour and Social Affairs on behalf of the German government. Within the Ministry, the responsible Department would be Department IV (Social Security/Old Age Assurance) chaired by Hans-Ludwig Flecken. The technical work would then be supported by a variety of subdivisions. Unfortunately, it was not possible for me to receive and interview with a responsible person and therefore I do not want to make any further leading statements regarding the internal working procedure. Nevertheless, it is likely to assume that during the internal drafting procedure, advocacy and interest groups will seek to influence and impact the decision making process. After the bill is prepared, it is sent to the Bundestag where a debate takes place in three readings.

Following a general debate, the draft is forwarded to the respective working committees, where the actual content work takes place. Regarding pension policies, the responsible section is the Committee on Labour and Social Affairs, consisting out 46 members whom reflect the current political distribution of power. Consequently, the ruling parties have always a majority, however, the opposition has the chance to raise concerns and bring in amendments. The respective parties can freely decide about whom they delegate to the committee. The preparatory work for that takes place within subordinated internal party working groups. Under the consideration of internal and external stakeholders, the legislative template is discussed and a preliminary resolution taken. Then, the draft is returned to the Bundestag where it is extensively debated. In case no additional amendments have been put forward, the third reading follows immediately and is voted upon. If the vote proceeds successfully, the bill is transferred to the second parliamentary chamber, the Bundesrat, which represents the different federal states. Like the Bundestag, the internal work takes place within designated committees. In case a Bundesrat majority accepts the proposal, the bill becomes effective law. However, if the Bundesrat members have objections regarding the

proposal, a mediation committee is established that consists in total out of 32 members, 16 from both chambers. Once the committee has reached a preliminary agreement, the proposal is returned to both chambers and a final vote takes place. Depending on the outcome, the bill is then either adopted or finally, has failed.

Analysis & Policy Options

After describing why pension reform in Germany is going to become an urgent issue within the next 10-15 years, followed by the description of my methodology and research design as well as a detailed outline regarding the key features of the three German pension system pillars, I am going to analyse a variety of different pension reform proposals that could be applied to the German system. While doing so, I am going to take into account the information obtained from a comprehensive literature research, the established systematic review and the expert interviews that were conducted by myself.

Increasing the Legal Retirement Age

Adjusting the legal retirement age has been the most popular suggestion among all methodological approaches. Currently, Germany is gradually increasing the legal retirement age from 65 to 67 until 2029. Compared with other European and OECD countries, Germanys legal retirement age is slightly above the average. However, especially Scandinavian countries e.g. the countries that are commonly associated with the most effective retirement systems, have a substantially higher retirement age. According to the OECD (2017: 95), the prospective legal retirement age for people starting to work at the age of 20 is in Norway around 71, for the Netherlands 71, Denmark 74 and several other countries, such as Portugal, Ireland, Finland or the Slovak Republic, have increased their legal retirement age to around 68 years.

Increasing the legal retirement age would create several positive implications for the German retirement system. Rüb and Lamping (2013) point out that raising the retirement age would lead to an overall pension payment decrease and therefore to a reduction of total expenditures since the number of people who contribute to the statutory pension system would increase and thereby reducing the pressure that is induced by the demographic change.

Furthermore, working longer, results in a greater accumulation of pension benefits and can therefore be considered an effective measure to tackle old-age poverty. In return, increased pension benefits would consequently result in higher statutory pension payments and likewise increase the pressure on the statutory pension budget. Vogel et al. (2013: 2) suggest that: “(...) a parametric pension reform through increasing the retirement age, will increase the quantity of labor. This will increase per capita productivity further. In addition to this direct effect, increasing the retirement age will also extend the worklife planning horizon of households. This amplifies the incentives to accumulate human capital.”

Six out of the 27 studies listed in the systematic review propose to raise the legal retirement age (Bertelsmann Stiftung 2013; European Commission 2018; INSM 2016a; INSM 2016B; OECD 2017a; Sachverständigenrat 2017). Generally, raising the retirement age is most commonly suggested by institutes and scientists that can be considered as rather market liberal and therefore bias must be assumed. However, the European Commission (2017) also believes that another legal retirement age increase would be beneficial for the future sustainability of the German pension system.

In regard to the conducted expert interviews, the picture is slightly different. Only Dr. Jochen Pimpertz clearly insisted on further raising the legal retirement age after the year 2030. This

is going to become necessary due to two key developments: “Two effects have to be balanced, increased life expectancy and for decades continued low fertility rates (Interview Pimpertz 2018: 1).”

Ralf Kapschack argues in a different direction. He says: “I am in favour of thinking about every possible action, however, raising the retirement age would only be the last possible course of action for me. I believe, we have to ensure that if possible, all present employees reach the currently applicable legal retirement age of 67 (Interview Kapschack 2018: 3). “

This opinion receives further support from Prof Dr. Wagner, head of the social committee within the ministry for labour and social affairs and member of the current pension commission. He states: „If prevention and rehabilitation of insured persons can be further improved and work better than it is the case at the moment, then we can begin thinking, albeit very carefully, if the legal retirement age could be further raised after the year 2030. However, increasing the retirement age wouldnt be responsible if prevention and rehabilitation regarding the prohibition of reduced-earning-capacity pension is not improved (Interview Wagner 2018: 1). “

Thus, it appears that what is even more important than the legal retirement age, is the effective retirement age. German men retire on average around the age of 64, whereas women tend to effectively stop working around the age of 63 (OECD 2017: 127). Compared to the OECD average (Men 65 and women 64), Germans tend to retire earlier than other similar countries. According to Thomas Rogowski, this particular problem is on the agenda of the federal government. He states: “Our immediate goal must be to stick to the current legal retirement age and prevent people from early retirement, as it is still the case today. This already is an ambitious goal (Interview Rogowski 2018: 3). “

Incentivise People to Work Longer

Implementing incentives to work longer is strongly recommended by the OECD (2017). The German government is already rewarding employees that decide to work beyond the legal retirement age. This is described in the pension formula within the pensions accrual factor (ZF) and could be theoretically increased even further. Looking at other European countries, Sweden has made very positive experiences in raising the effective retirement age. Laun and Wallenius (2012: 135) point out: “(...) Swedish pension system creates large incentives for the continued employment of older individuals. We find that incentives for working longer following the reform are twofold. First, were one to retire at the same age in the new system as in the old system, the implied pension benefit would be considerably lower. Second, unlike in the old system, in the new system the present value of lifetime pension benefits increases significantly if one continues to work longer.” Apart from financial aspects, several other measures are a possibility to voluntarily raise the retirement age. For example, offering targeted work equipment or by creating age-specific jobs. Markus Kurth has suggested that as well. He states: “I believe; we have to think about reasonable models regarding how to prolong working life. (...) For instance, by establishing better work place conditions. (Interview Kurth 2018: 3)”

Göbel and Zwick (2013) have investigated this matter further. Overall, their study revealed that the combination of old-age workers and young professionals can trigger a significant productivity increase, because the respective competencies of either group would complement each other. Furthermore, large companies seem to have less problems in incorporating old-wage workers into their daily operations, compared with small and medium enterprises (SMEs). Additionally, the authors also identify a gap between the eastern and western federal Bundesländer. Against common assumptions, it is further argued that flexible

or even reduced working hours are not associated with an increase in the effective retirement age.

[Link Legal Retirement to Life Expectancy](#)

A reform proposal that has been mentioned by two studies, the European Commission 2018 and Sachverständigenrat (2017), is linking the future effective retirement age to the anticipated life expectancy. Another two studies forecasted the prospective German life expectancy, Bertelsmann Stiftung (2013) and DESTATIS (2015), and came to the conclusion that the general life span is going to increase by either two years per decade or 7 years for males, respectively 6 years for females until 2060. This would result in an adjusted legal retirement age between 70-74 years, similar to many Scandinavian countries. Such a measure would immediately release pressure from statutory pension system and prevent pension cutbacks or an increase in the contribution rate.

[Strengthening Second & Third Pillar](#)

Compared with other OECD countries, the second and third pillar of the German Pension systems plays only a subordinated role. Encouraging and incentivising people to pay more attention towards their own private pension provision could offer the possibility to lower the pressure in the GRV while preventing people from potential old age poverty.

[Riester Rente](#)

Despite stagnating popularity, Riester products remain the most popular private pension provision vehicle in Germany. A common point of criticism is that the people who make use of the Riester pensions differ from the initially targeted group. Despite the fact that public funding quotas are the highest for low income earners (annual earnings of <20.000 Euros), according to the SAVE Survey (2014) only 20 percent of this particular group owns a Riester

pension. In contrast to that, one can observe that within the medium income group almost 60 percent of the surveyed households hold at least one Riester pension. Especially the Sachverständigenrat (2016b) points out a variety of weaknesses such as high administrative costs, strong financial obstacles regarding the transition from one product to another and a general lack of transparency. These reasons combined allegorize why only 35 to 40 percent of all eligible persons have signed up for Riester products so far.

Prof. Dr. Wagner confirms: “Riester pensions don’t work for many people (Interview Wagner 2018: 2).” This can partly be explained by the fact that many low-wage earners are simply not aware of their entitlement. Coppola and Gasche (2011) show that especially low-wage earners consistently underestimate their rights. These obstacles could be overcome by lifting the restrictions regarding the eligibility of Riester products. Another conceivable solution could be to clearly indicate Riester entitlements on the notice of the amounts of one’s pension (Rentenbescheid) which is annually sent out to all insured persons over the age of 27.

Although the Riester-framework was designed in a way that particularly low-income groups would benefit from the federal subsidies, reality has shown that especially medium and high-income groups are surpassingly profiting due to generous tax allowances. This however, does very little to achieve the objective of preventing prospective old-age poverty among particularly vulnerable groups. Medium and high income households are facing a very limited risk of being exposed to old-age poverty, since they certainly receive above-average wages and therefore are already entitled to higher GRV pension payments. Considering the situation from a social policy perspective, it makes very little sense to subsidize these particular income groups and consequently, prospective tax allowances should phase out. In return, the saved funds could be used to overcome the second weakness of the Riester framework.

At present, if a pensioner has accumulated only very little GRV pension benefits, his or her entitlements are immediately topped up to the amount of the Grundsicherung. Simultaneously, all potential earnings from private provisions are immediately deducted from the Grundsicherung. This automatic deduction constitutes a great challenge towards the saving incentive of low-wage earners. Even if they could theoretically afford to contribute a monthly amount of 60 euros (minimum saving requirement in order to qualify for federal subsidies) to a Riester product, the willingness to do so will be limited, since all accumulated pension benefits would immediately be deducted from the GRV pension payments. Therefore, it would be reasonable to reduce tax allowances for high-wages earners and in return, introduce an allowance for Grundsicherung recipients to increase their saving- e.g. enrolment rate for private pension provision. If low- or minimum wage earners would be assured that their contributions made today would not be deducted from the Grundsicherung tomorrow which could potentially increase saving rates in general and enrolment into pension products in particular. Provided that federal subsidies for private pension provision are allocated in a more targeted way, significant benefits for the German retirement system are possible. Borsch-Supan et al. (2012: 11) have shown that for every Euro spend on Riester subsidies, 2.2 Euro are saved in return which indicates reasonably high cost effectiveness. Three studies (DG Internal Policies 2014; INSM 2016a; Verbraucherzentrale Bundesverband 2014) advocate in favour of this policy and additional three studies (Borsch-Supan et al 2012; Sachverständigenrat 2016b; ; Verbraucherzentrale Bundesverband 2014) recommend reform regarding the general framework of Riester products.

The biggest threat however, is the current legal framework that is tremendously negatively affected by the current low interest rate environment. Due the Altersvorsorgevertraege-Zertifizierungsgesetz (AltZertG) providers of Riester products have to guarantee that at least

all contributions paid during the accumulation phase are available at the beginning of the pay-out phase. This is achieved by investing into surpassingly safe investment opportunities such as US treasury bonds. However, due to the prevailing low interest rate environment, government bonds no longer provide sufficient yield and therefore Riester products might not be able to bridge the emerging first pillar pension payment gap.

Without a contribution payment guarantee, significantly higher payoffs would be possible. Stotz (2017) compared different forms of investment options for Germany and came to the conclusion that without a payment guarantee and a stronger reliance on the stock market, additional gains between 20.000 and 140.000 Euro would be possible, depending on the initial saving date. Their calculation assumes a person who invests annually 600 Euro into private pension provision, starting at the age of 25 and continuing until reaching the current legal retirement age of 67.

Although the stock market is commonly associated with higher volatility and therefore consequently with higher risks, due to the long duration of 45 years (starting with 25 ending with 67) negative fluctuations can be easily equalized and therefore the overall default credit risk accounts for less than 1 percent. Although there are certain Riester products already that put a stronger emphasis on the stock market (Riester-Fondssparpläne) this particular type of investment is comparatively unpopular and only accounts for 19 percent of all signed Riester contracts (BMAS 2018b). Nevertheless, it is of high importance to offer people different choices, which take into account the individual risk appetite. Therefore, a potential course of action could be an adjustment of federal subsidies criteria towards Riester-Fondssparpläne and thereby providing greater incentive to invest more into the stock market.

Another possible policy proposal could be the establishment of different sovereign wealth funds, distinguished by risk affinity.

Occupational Pension Provision

Improvements regarding the current status of occupational pension provision are explicitly stressed by five different studies (Blackrock 2017; OECD 2017b; Sachverständigenrat 2016b; Sachverständigenrat 2017, Werding 2016). Blackrock (2017) suggest to tackle the upcoming pension crisis by massively expanding compulsory occupational pension schemes. Admittedly, as one of the biggest asset management firms in the world, Blackrock has a clear interest in expanding occupational pension plans and therefore their suggestion must be dealt with great cautions. However, several other scientists argue in a similar direction and a variety of countries have already introduced similar policies. For instance, Swedish law requires every employer to enrol their employees in a pension fund that can be actively chosen by the respective individual (Weaver, Willen 2014: 11). Akin arrangements are in place in the Netherlands, where more than 90% of all wage earners have additional occupational pension insurance (Anderson 2011: 297).

Although a similar procedure in Germany is already possible, Entgeldumwandlung, according to the Max-Planck Institute (2014) only 50 percent of German workers are aware of their rights. Introducing mandatory occupational schemes would immediately boost coverage range and further provide the basis for improved old-age provision. On the other hand, making occupational schemes mandatory decreases the freedom of every employee since a certain percentage of the wage is “taken away”. Moreover, Germany is already considered to be country of comparatively high labour costs and a further increase could undermine prospective competitiveness (Eurostat 2017: 1) Therefore, this Thesis suggests to make auto

enrolment mandatory but at the same time provide the employee with the possibility to opt out. Experiences from other OECD countries such as Italy, New Zealand or the United Kingdom have been surpassingly positive (OECD 2016). At the same time, the employee should receive stronger codetermination regarding where their company pension should be invested.

Another conceivable solution to boost occupational pension schemes and support employees in making sustainable pension investment decisions could be the introduction of the *Save More Tomorrow schemes* as proposed by Richard Thaler and Shlomo Benartzi (2004). Save tomorrow schemes are based on insights gained from behavioural economics and suggest that employees should dedicate a certain percentage of their prospective salary increase automatically into a previously selected pension fund. The majority of people constantly postpones important investment decisions and often uses their pay raises for consumer spendings. Human deficiency in regard to proactive financial planning as well as the natural desire to use additional funds for immediate consumption could be circumvented with the broad introduction of save tomorrow schemes. In combination with public facilitation, similar to the Riester Rente, these schemes could become an effective tool in combating prospective old-age poverty as well as releasing pressure from the statutory pension system.

However, if the federal government intends to actively promote the spread of occupational pension provision, it has to create a playing field of different investment opportunities from which employers could choose from. The Sachverständigenrat (2017) points out that especially small and medium sized enterprises perceive it as tremendously difficult to make pension investment decisions for their employees due to time, personal and knowledge constraints. In order to solve this problem, the federal government could initiate a small number of pension funds, distinguished by the level of risk, from which companies and

employees could choose from. A substantial benefit of a publicly run pension fund would be that it could operate cost neutral and therefore save the insured persons a considerable amount of management fees. Again, Sweden can be considered as a role model. The Swedish government operates standard occupational funds. Every employee is automatically enrolled within the SAFA but at the same time is provided with the possibility to choose from three different publicly and over 800 privately executed pension funds (Nygqvist 2015: 267).

Targeted Migration

Attracting foreign workers and thereby strengthening the old-age dependency ratio has been explicitly mentioned by one study. According to the latest Gemeinschaftsdiagnose (2018), to continuously keep the contribution rate below or around 20%, approximately 500.000 foreign workers would be required annually. Constantly achieving such figures seems to be fairly unlikely. Dr. Pimpertz argues in a similar direction and indicates an even higher annual number: “Of course, you can hope that migration bridges the low fertility gap. However, that means that you have to become attractive enough in order to attract migrants (...) secondly, migrants have to be selected under certain requirements (...) We are still discussing the 2015 immigration of one million people and the associated challenges, however, in order to bridge the demographic gap, permanent immigration of annually one million people would become necessary (Interview Pimpertz 2018: 3).”

Adjustment of the Pension Formula

Adjusting the pension formula and thereby altering how pension benefits are calculated would have a direct effect on the sustainability of the German pension system, assuming that it would lead to a decrease or at least a stagnation of prospective benefits. Another advantage of such policy measure would be that it is a technical intervention and thus comparatively

difficult to understand. Policy makers could enact a rather unpopular action without fearing their potential re-election. As already mentioned, prospective pension benefits are currently indexed based on the development of gross wages, the contribution rate and the ratio of pension contributors and recipients. This could be altered towards an indexation which in turn is based on the development of prices e.g. a consumer basket. Usually, gross wages rise faster than it is the case for prices and thus, if indexation would be changed, pension benefits would still increase but not as fast as they currently do (Statista 2018: 1). Such a policy is suggested by the OECD (2017) or from the authors Haan et al. (2012) who demonstrated the positive impact of such a measure.

However, adjusting the pension formula towards a less generous rise of pension benefits would relieve the pressure on the GRV budget but at the same time lead to a further increase of old-age poverty. In order to circumvent this issue, both the OECD (2017a) and Sachverständigenrat (2016a) suggest to further modify the pension formula in a more progressive way, meaning that a low income worker would receive a higher and high income worker a lower replacement rate. By doing so, the overall GRV budget wouldn't necessarily increase but the potential risk of old-age poverty for low wage earners could be tremendously lowered. Nevertheless, such an adjustment could only apply to the collection of future benefits, since already accumulated entitlements cannot be lowered in a retrospective way as this would completely undermine the credibility of the entire system.

Increase Fertility Rate

The German PAYG system requires a healthy old-age dependency ratio which can be achieved externally, by attracting higher rates of labour immigration or by increasing the domestic fertility rate. According to the latest Data of the World Bank (2018), the fertility rate (which is

defined as total births per woman) in Germany accounted for 1.5 in 2016. Although one can observe a slight increase over previous years, it is still too low. The low fertility rate and the danger it imposes to the retirement system have been mentioned for more than 20 years (For instance Sinn 1997 & 2000). Implementing policies that could potentially boost the overall birth-rate seem to be logical, although such a measure would obviously only have a long-term impact.

Nonetheless, policies in that regard are proposed by three studies (Bertelsmann Stiftung 2013; Sachverständigenrat 2017, Verbraucherzentral 2014). Concrete measures include a higher tax allowance for children, increasing child benefits and increased investment into the overall infrastructure, such as free day nursey and all-day schools. However, apart from technical questions on how to actually achieve a higher fertility rate, a rather ethical question remains, whether the government has the right to actively nudge its citizen towards having more children? Although such a discussion would go way beyond the scope of this thesis and therefore cannot be answered properly, it must be considered as well.

Child Pension

Two studies by the Bertelsmann Stiftung 2013 and by the Verbraucherzentrale Bundesverband 2014, have explicitly recommended the introduction of an additional child pension for families with three or more children. According to the DESTATIS (2018: 15), the average consumer spendings for children are between 660 (couple with one child), 1165 (couple with two children), and 1693 (couple with three children) Euro. For a single parent, it is between 612 (one child) and 1013 (two children) Euro, based on 2013 prices. Zero child households therefore have a significant larger amount of disposable income which, among other things, can and is used for comprehensive old-age provision.

Furthermore, due to the elimination of parental leave periods, higher statutory pension benefits can be accumulated. Again, it is a rather ethical question whether couples, who actively decide to not have any children, violate the inter-generational contract. Especially since the inter-generational contract lacks any concrete legal basis. On the other hand, a sustainable PAYG system inevitably depends on a steady number of contributors and if this cannot be achieved through external measures, more children are the only option left.

The Bertelsmanstiftung (2013) suggests freezing the current contribution rate of the statutory system which would lead to a gradual decrease of pension benefits. In return, the government could introduce an additional PAYG system with comprehensive contributions, but pension entitlements would be linked to the number of children. Families with three or more children would then receive full pension benefits, families with two children $\frac{2}{3}$ and families with only one child would receive $\frac{1}{3}$ of potential benefits. Households with less than three children should be engaged to sign up for additional private provision, to make up for the declining benefits of the initial PAYG system.

Include Public Servants & Independent Workers

Including public servants and independent workers into the statutory pension system and thereby making it more comprehensive, is suggested in two studies by the Bertelsmann Stiftung 2013 and Sachverständigenrat 2016b. However, both studies point out that this could indeed release pressure from the first pillar but only in the short and medium-term. In the long run, it would be a zero sum game, since the pension benefits of the newly added contributors would eventually be paid later. Moreover, already accumulated benefits cannot simply be shifted from one system to another, two different systems would have to be operated during the transition phase which might even increase the total burden on the

pension budget. However, depending on the final policy design, a few advantages could be achieved. Additional contribution payments could be subjected to accumulate funds which in return would be used to finance prospective pension claims. Additionally, provided that the fertility rate can significantly be increased, the extra time gained by adding more contributors without increasing the number of recipients would help the statutory pension to recover and lead to a more sustainable basis. Simultaneously however, such a policy measure contains the risk that the medium-term increase of contributors is utilised for increasing pension benefits. In fact, without a concurrent adjustment of pension formula this would be inevitably the case.

Another advantage of such a policy relates to self-employed workers. Data (BMAS 2016: 129) shows that this group is especially subjected to potential old-age poverty, due to the lack of private pension provision. Currently, 3.7 percent of former self-employed people depend on the Grundsicherung, whereas this is the case for 2.1 percent of all employees. Due to an expected increase of self-employed workers, it is assumed that this figure is going to rise further. Theoretically, self-employed workers could take advantage of the current legislation and accumulate non-financial assets during their working period while at the same time renounce private pension provision, knowing that when they are going to retire, they will eventually fall into the Grundsicherung.

Both interview partners from two rather left leaning parties support this proposal as well. Markus Kurth states: "It would make absolute sense to include additional occupation groups and thereby transforming the Rentenversicherung into an employment insurance and perspective into a citizen insurance (Interview Kurth 2018: 3)."

Ralf Kapschack adds „We believe that similar to other countries, we should work towards an employment insurance with comprehensive mandatory contribution. This is not immediately

feasible, however, it would be reasonable because it relates to social solidarity and would add additional money into the statutory pension fund (Interview Kapschack 2018: 3). “

Improve Financial Literacy

Improving financial literacy would have a very positive and sustainable impact, thus the effects would only become visible in the long run. Hence, it is not surprising that five studies put such policies forward (Bertelsmann Stiftung 2013; Blackrock 2017; Verbraucherzentral Bundesverband 2014; Max Planck Institut 2014; World Economic Forum 2017). Particularly high schools must concentrate stronger on the financial education of pupils and therefore teachers require additional training. Due to a variety of social and cultural reasons, the German population is overwhelmingly conservative and cautious regarding their investment decisions. According to the Bundesbank (2016) and a study conducted by the Goethaer Insurance Company (2016), the majority of Germans has only invested into low yield products such as saving accounts or life insurances. Due to the low interest environment, returns are low and accumulate only insufficient funds for a carefree retirement. The general refusal for investing into the stock market symbolises the comparatively strong lack of financial education. Indeed, stock markets are volatile during certain periods and yes, companies disappear and people experience painful losses. Nonetheless, looking at the situation from a more long-term perspective almost all studies conclude that the stock market (S&P 500 or DAX 30 Index) provides constant annual returns stretching over 30 years between 5.1 and 8.1 percent, which already includes all fees and financial crisis (BVI 2017, Credit Swiss 2018 or Deutsches Aktieninstitut 2016). A comprehensive change in thinking among the German population regarding investment opportunities has to happen, as only a staggering 20 percent

of the population hold equity funds and even less have directly invested into stocks (18 percent) (Gothaer 2016: 5).

Political & Institutional Constraints

After having outlined a reform proposal related to the German pension system, it is now necessary to analyse potential political and institutional obstacles that constrain the reform process. Discussing allegedly obvious solutions even for complex issues is usually easier compared to actually implementing a suggested proposal into the realms of politics. Pension policies are an exceedingly special case since the outcome of any given reform affects almost the entire population and therefore reaching a compromise among a broad variety of stakeholders (different political parties, members from the civil society and private entities such as insurance companies or pension scientists) is particularly difficult. The situation is further aggravated by the demographic situation, since more and more people are going to reach the legal retirement age soon and therefore are going to react extraordinarily sensitive to real or even just perceived declines of pension benefits. This contains the risk that parties in general and politicians in particular, start promising an expansion and more generous statutory pension system in order to maximise short-term electoral success, not taking into account the potential successive deteriorating of the system and the thereby imposed burden on future generations.

One of my interview questions pertained to this particular assumption and the received responses varied considerably. Dr. Pimpertz assesses the situation rather similar and regarding the question whether raising the legal retirement age is feasible or not he states: “The problem is that the effect will only become visible in the distant future. In the current discussion however, this is felt as an unreasonable demand and this is particularly problematic

for politicians, since they have to maximise votes. As already mentioned, the basic problem is that pension legislation is exposed to daily politics and this leads to the temptations that pension policies are not designed on long-term goals, but only on a short-term basis (Pimpertz 2018: 4)."

In sharp contrast stands the response of Prof. Dr. Wagner regarding the political impact of the growing number of pensioners: "I can't identify a specific obstacle. Basically, most pensioners have children and grandchildren and therefore have a balanced view regarding the overall situation (Interview Wagner 2018: 2)."

Thomas Rogowski argues likewise saying: „We were always a little bit concerned that the increased legal retirement age would be subjected to new discussion within a grand coalition but now we can experience a broad consensus, including the labour unions, regarding the acceptance of the retirement age (Interview Rogowski 2018: 3-4). "

The overall problem that I have identified is that the current administration seems to be rather reluctant to enact comprehensive reforms. Important actions are postponed to the future and therefore making matters worse. Moreover, the current state of the pension system is somehow blurred by the fact that the German economy is currently doing extraordinary well and therefore ongoing reform pressure is lacking. Remaining with the status quo is simply too attractive and once the situation has shifted (either due to the massive increase of pensioners from 2025 onwards or because of a prospective financial/economic crisis), potential reforms might come too late in order to prevent great damage to the overall system. Though the administration has recently installed a designated pension reform commission, which indicates a certain degree of problem awareness, the respective outcome and impact remains questionable up to this date (July 15th 2018). Truly

new and innovative proposals cannot be expected. Political and institutional constraints further complicate the general circumstances.

Apart from sheer political constraints, additional institutional hurdles can be identified as well. As it is clear, the legislative procedure for a comprehensive pension reform contains many hurdles. First of all, at least two veto points (Bundestag & Bundesrat) have to be circumvented and generally, a variety of different actors (two working committees, one ministry and at least two parties) have to reach a mutually satisfying agreement. Additionally, the legislative work is highly influenced by external advocacy groups with often opposing interests. Furthermore, although it is not necessary to include the opposition into the final decision making procedure, majorities can change and therefore rational policy making in Germany requires the inclusion of the opposition. Otherwise chances are high that the initially implemented reforms will be reversed after a change in government. Unfortunately, the current administration has moved in a rather opposite direction. Although the introduction of a designated pension commission has been welcomed by all my interview partners, the pension policy spokesperson from the green party has clearly criticized that no opposition party has been invited, stating: “(...) I would have perceived it as a sign of greatness and political reason, if the pension commission would have also included opposition politicians or dissident experts. (Interview Kurth2018: 5)

Likelihood of Adoption

It is fairly improbable that Germany is going to experience a radical shift within its pension system. Previous reform steps have shown that change takes place in small steps and therefore a complete overthrow of the current system is presumably not going to happen. Apart from the financial aspects (running two different systems during the transition period

is going to be tremendously costly), neither of the studies considered nor any interview partner, stressed the need for far-reaching reforms. It was commonly mentioned that indeed reforms are necessary, but they should take place within the current existing system and not completely replacing it.

Increasing the legal retirement age to 70 years or more, would have a very beneficial impact on the first pension pillar. Simultaneously however, the chances of immediate adoption are fairly low. Although particularly pension scientists increasingly advocate for such a policy, other interest groups such as unions or employee representations completely oppose it and recent population surveys show that three-quarter of the German society are highly against it (Welt 2018). In such a political climate, it is unlikely to assume that any leading politicians is going to step forward and make a very unpopular decision. Especially when taking into account that the German economy is running well, unemployment is almost at an all-time low and therefore the first pillar is currently performing sufficiently. Therefore, it is not surprising that no relevant political party argues in favour of raising the legal retirement age. Furthermore, apart from Dr. Pimpertz, none of my interview partners have actively advocated in favour of this measure. Thus, it was not completely ruled out but rather seen as the last resort. Therefore, it could indeed turn into a promising proposal once the pressure on the statutory pension system has further increased.

Linking the legal retirement age to the prospective life expectancy would have the advantage that such a policy measure would be harder to grasp (due to its potential fluctuation) for the average citizen. Theoretically, the current pension formula could be extended by an “average life expectancy” factor that automatically adjusts the already accumulated first pillar pension benefits. This could be further divided into life expectancies for different age cohorts. Again,

the high technical nature of this option could prevent a public outcry and thereby make it more desirable for elected policy-makers. Blame avoidance would also be comparatively easy, since “the formula has enacted the decision” and not the political class itself. On the other hand, the constantly increasing life expectancy would soon create a legal retirement far above 70 and once the population came to realise, public indignation would become likely. Certainly, this could be mitigated by the means of a progressive implementation, however, this would in return weaken the positive impact.

The most feasible option with respect to increasing the overall retirement age is therefore to incentivise people to voluntarily work longer than legally required. Since the effective retirement age in Germany still remains clearly below the legal retirement age, the government should shift their focus on this particular issue. Here, the Swedish case could prove itself useful as a useful reference. Additionally, the government must address the issue that especially SMEs still face difficulties to incorporate old-age workers into their daily operations by providing targeted financial incentives to SMEs to increase the old-age workforce among this particular group. Moreover, a further pension point’s appreciation of voluntary work above the legal retirement age should be incorporated into the pension formula. Such measures would be most certainly supported by all political parties and interest groups, since they are grounded on a completely voluntary basis. Comments made by members of the current political opposition (Interview Kurth 2018: 4) indicate general agreement.

Strengthening the second and third pillar is commonly supported by pension scientists, the insurance industry and market liberal parties. However, parties and interest associations from the political left contemplate financial markets as abstract and sometimes even harmful.

Therefore, implementing mandatory private pension provision would certainly face tremendous opposition, especially since the current situation of Riester Products is commonly assessed as unsatisfactory. However, several minor adjustments such as a clearer indication regarding the actual Riester eligibility on the Rentenbescheid could be enacted fairly easy. Reforming tax allowances in favour of low-income households would most likely face strong opposition from the upper middle class. Due to their strong voting turnout and therefore significant political influence, a comprehensive tax allowance reform would be difficult to achieve. Other reform suggestions, such as the termination of contribution payment guarantees within Riester products, are even less likely due to the general lack of risk appetite among the German population and the insufficient willingness among the political class. Same holds true for the establishment of a government orchestrate pension investment fund.

Again, the most likely options to be implemented are measures that are built upon voluntary engagement/decision making/initiative of the citizens. Unfortunately, potential policies such as save-tomorrow schemes aren't broadly discussed but once a rethinking has taken place, it should be feasible to make it at least mandatory for companies to inform their employees about this possibility. Furthermore, increasing awareness of the possibility of Entgeldumwandlung could be achieved comparatively easy. Similar to the eligibility of the Riester Rente, this could be explicitly mentioned on the Rentenbescheid.

Policies that either increase the general fertility rate, attract more (educated) foreign workers or implement a targeted child pension are all highly unrealistic for a variety of reasons. The decision to have children is considered to be an entirely private one and therefore the government is not going to pursue such policies. Forcing adults into parenthood is highly unethical and closely linked to authoritarian regimes. Attracting more foreign workers seems

to be attractive on the first glance but Germany is currently not competitive enough (mostly due to extraordinary high social security contributions) to compete with classic immigration countries such as the USA or Australia, not to mention the general reluctance of the population towards such an endeavour. Punishing childless couples and forcing them into additional private pension provision would most likely violate constitutional laws and even if it would be legally feasible, the public outcry would be tremendous. Furthermore, the high associated costs of a transition phase would be an additional obstacle.

Improving the financial literacy of the population is largely situated outside of the scope of the central government. Educational policies in Germany are mainly designed and executed under the responsibility of the Bundesländer. It remains questionable, but not impossible, to estimate the extent of such a transnationally initiative and what it would look like. In case a comprehensive financial literacy education policy gains broad support, general organisation and agreement could take place within the respective Bundesrat working committee.

However, the central government could implement actions that concern the workplace. Establishing nationwide running workshops that would inform and educate everyone interested would be comparatively easy to achieve and if conducted effectively, highly cost efficient. Simultaneously, companies could be incentivised to increase the financial literacy of their employees by organising educational workshops. Participation would take place on a voluntary basis. Certainly, such an endeavour would only be feasible for large companies since they have the available resources compared to SMEs. Also, the actual content of such workshops would be subjected to extensive discussion. To increase the political feasibility and provide neutrality, explicit investment recommendations must be avoided by all means.

Interestingly enough, the proposal with the highest chance of (at least partially) adoption concerns the inclusion of independent workers and civil servants. Despite it's very likely zero-sum game (at least in the long run), the current administration has agreed on a gradually integration of independent workers into the GRV. Proposals regarding the inclusion of civil servants are especially prominent among left leaning parties and interest organisation. However, currently these parties hold no majority and furthermore, the likely pressure of civil servants against this measure makes an implementation highly unlikely.

Final Recommendations & Conclusion

This Thesis has provided a comprehensive overview about the current state of the German pension system, its history as well as a theoretical overview about how to achieve welfare state retrenchment. Under the consideration of a large-scale systematic review, five different expert interviews and wide-ranging academic pension literature, I have provided an extensive list of different reform proposals to achieve a more sustainable pension system in general and further prevent far reaching prospective old-age poverty. Finally, I have analysed the different reform proposals based on their respective likelihood of adoption. However, there is a clear gap between what the author of Thesis would like to happen and what is actually feasible within the current political context. Principally, this Thesis has advocated for comprehensive reforms that include measures such as linking the legal retirement age to the prospective life expectancy, the introduction of a targeted child pension, reduced private pension provision tax allowances for high-income earners, increased Riester allowance for Grundsicherungs recipients, the introduction of save tomorrow schemes and a fundamental rethink regarding the financial education of the overall German society. Measures that have the potential to increase the sinisterly low fertility rate are welcome as well, although this is linked to an

appreciation of values and therefore must be handled carefully. Consequently, these proposals are the answer to the initial research question

Unfortunately, it seems that the current political environment is not ready for a far-reaching pension system reform and there is reason to fear that unpopular but important decisions are further postponed to the future. Indicators such as the small attention pension policies receive within the current coalitions contract allegorize the lacking commitment. Although some small steps have already been undertaken, the overall future pension system sustainability remains highly unclear. During the course of this research, I came to realise that the most important thing is neither the establishment of effective reform proposals, nor the associated political and institutional constraints. Reform proposals can be developed and constraints can be overcome. What really matters is an existing political will to do so! If this is not provided, even the most effective reform proposal is useless. Therefore, the most important thing that currently must be done is to significantly increase the awareness of the problem. Policy makers must be pressured to put the topic on the immediate political agenda, otherwise a collapse of the current system with all its negative externalities becomes inevitable.

Appendices

Interview Markus Kurth

Transcript of the interview with Markus Kurth (Pension policy spokesperson of the Green party in the Bundestag) conducted on May 7th 2018

M.S: Was sind Ihrer Meinung nach die derzeitigen Stärken und Schwächen des deutschen Rentensystems?

Markus Kurth: Die eindeutige Stärke des deutschen Rentensystems ist, dass es ein umlagefinanziertes System ist und damit sehr stabil gegenüber ökonomischen Schwankungen. Dies hat sich in der letzten Finanzkrise und der derzeitigen Niedrigzinsphase bestätigt. Das was oft als Schwäche angesehen wird, nämlich die Abhängigkeit von demographischen Entwicklungen, ist eigentlich keine echte Schwäche des Systems. Die vermeintliche Schwäche lässt sich mit den Stellschrauben Beitragssätze, Lebensarbeitszeit, Steuerzuschuss und durch die Erweiterung des Versichertenkreises, lösen. Im Umlagesystem sind also politische Steuerungsinstrumente vorhanden, was bei einem Kapitalmarkt gedecktem System so nicht der Fall ist, da diese im globalen Finanzmarktkontext stattfinden. Das würde ich als Stärke des deutschen Rentensystems bezeichnen.

Bei Schwächen würde ich eher politische Schwächen anführen, die es ja auch um die Jahrtausendwende gegeben hat. Es braucht Vertrauenskapital und das fehlt eben, wenn es schlecht geregelt wird. Die Riester Rente wurde zu einem Zeitpunkt eingeführt als das Vertrauen in den Kapitalmarkt grenzenlos war und das hat einen umfassenden Prozess der Delegitimierung des Systems ausgelöst. Es ist sozusagen gewissen politischen Risiken ausgeliefert. Dennoch gibt es im Moment in Deutschland niemanden, der ernsthaft das umlagefinanzierte System als Basis der Altersversorgung anzweifeln würde.

Operative Schwäche des deutschen Rentensystems ist das nur die abhängig Beschäftigte einbezogen sind. Selbstständige sind davon ausgenommen. Es gibt ein Sondersystem für Beamte, dies ist auch unter Legitimitätsaspekten schwierig, ebenso wie das Abgeordnete nicht in dem System vertreten sind. Dadurch würde der demographische Wandel natürlich nicht aufgehoben werden, aber würde zur Verbreiterung der Grundlage, auch der legitimatorischen Grundlage, beitragen.

M.S: Welche Veränderungen des deutschen Rentensystems wären aus Ihrer Sicht sinnvoll und notwendig?

Markus Kurth: Sinnvoll wäre die Steuerfinanzierung von versicherungsfremden Leistungen. Insbesondere die Mütterrente oder auch die Erweiterung Mütterrente Zwei, sollten aus Steuern finanziert werden. Das wären 6.5 bis 7 Milliarden Euro, für die momentan beschlossene Mütterrente und dann noch einmal gut 3.5 Milliarden für die Mütterrente 2 also immerhin ein Umfang von einem Beitragssatzpunkt. Es wäre natürlich auch sinnvoll, weitere Beschäftigtengruppen einzubeziehen und die Rentenversicherung zu einer Erwerbstätigen-, beziehungsweise perspektivisch, zu einer Bürgerversicherung zu machen. Das geht natürlich nicht sofort, das ist mir natürlich auch klar. Insbesondere die Einbeziehung von Beamtinnen und Beamte dürfte ein langwieriger Prozess über mehrere Jahrzehnte werden. Was aber Nahe liegt und auch von der Bundesregierung derzeit

diskutiert wird, ist die Einbeziehung von nicht anderweitig abgesicherten Selbstständigen. All diejenigen Selbstständigen, die nicht in berufsständischen Versorgungswerken, wie Rechtsanwälte, Ärzte, Apotheker, Steuerberater, abgesichert sind, sollten in die gesetzliche Rentenversicherung einbezogen werden. Das ist auch sehr attraktiv momentan, weil die Rentenversicherung Renditen von 2 bis 3 Prozent bietet, sie bietet Rehabilitationsleistungen, sie bietet, Stichwort Mütterrente, familienpolitische Leistungen und wenn man durchgehend gesetzlich versichert ist, zahlt sie im Alter die Hälfte des Krankenversicherungsbeitrages, über die Krankenversicherung der Rentner. Alles zusammengenommen ist dies für ökonomisch sehr interessant für Selbstständige und bietet Anreize, sich bereits jetzt freiwillig zu versichern. Zusätzlich ist alles pfändungssicher und insolvenzfest, das muss man ja auch nochmal sehen. Es ist also allem weit überlegen, was man so am Kapitalmarkt findet. Das Heft Finanztest, von der Stiftung Warentest, das vergleicht ja auch immer für Selbstständige die Angebote des Kapitalmarktes mit der gesetzlichen Rentenversicherung und kommt in den ganzen letzten Jahren immer zu dem Schluss, dass die gesetzliche Rentenversicherung das bessere Produkt ist.

Dann braucht die gesetzliche Rentenversicherung aber natürlich auch eine Stabilisierung des Rentenniveaus. Denn wenn man bei einer durchschnittlichen Erwerbsbiographie keinen Unterschied mehr zur Grundsicherung im Alter hat, dann kommt das Rentensystem an seine Legitimitätsgrenzen. Dann werden sich die Leute fragen, warum soll ich überhaupt noch einzahlen, wenn ich am Ende eine Leistung bekomme, die im Grunde so hoch ist wie die Grundsicherung im Alter. Das Umlagesystem lebt davon, dass es value for money gibt.

Außerdem muss als Grundsatz gelten, dass diejenigen, welche lange eingezahlt haben, dazu noch Kinder versorgt oder Angehörige gepflegt haben, eine Rente bekommen, die oberhalb des Grundsicherungsniveaus liegt. Wir nennen das: Garantierente. In der vergangenen Wahlperiode hat das die Koalition solidarische Lebensleistungsrente genannt, da ist aber nichts daraus geworden. Jetzt steht sie im Koalitionsvertrag unter dem Stichwort Grundrente. Die Linke nennt ein ähnliches Grundmodell, nämlich die Solidarrente, aber je nachdem wie die Bezeichnung ist, stehen natürlich unterschiedliche Zugangshürden und Konzepte dahinter. Das Konzept der Grünen sagt, dass wer 30 Versicherungsjahre hat, soll mindestens 30 Rentenpunkte bekommen. Nach heutigem Stand wären das 990 Euro. Das ist natürlich nicht die Welt, aber es ist eine Honorierung jahrzehntelanger Beitragszahlungen in die gesetzliche Rentenversicherung. Neben der Armutsbekämpfung erhöht dies natürlich auch die Legitimität. Im Übrigen ist eine Basisabsicherung auch eine gute Voraussetzung für private Vorsorge. Insofern sollte dafür auch die Versicherungswirtschaft sein. Im Moment haben wir den Fall, dass diejenigen, die im Niedriglohnbereich beschäftigt sind, sich möglicherweise sagen, warum soll ich jetzt etwas sparen, am Ende ist meine Rente sowieso nur Grundsicherung im Alter und jede zusätzliche private Vorsorge wird darauf angerechnet, kommt mir also gar nicht zugute. Im Konzept der Grünen würde dies nicht angerechnet werden. Eine Mindestabsicherung würde daher die Leute dazu anreizen, noch zusätzlich ergänzend vorzusorgen, weil unabhängig wie die eigene Erwerbsbiographie verlaufen wird, sie sich sicher sein können, dass ihnen ihre private Vorsorge erhalten bleibt. Im Moment haben wir die Situation, dass gerade jüngere Leute antizipieren, dass sie später Grundsicherung beziehen und daher nicht sparen. Insofern ist eine Garantierente, wie von uns vorgeschlagen, nicht nur eine sozialpolitische Leistung, sondern eine auch eine wichtig ökonomische Anreizfunktion.

M.S: Wie zufrieden sind Sie mit der derzeitigen Rentenpolitik der Bundesregierung?

Markus Kurth: Naja, mäßig bis gar nicht zufrieden. Die derzeitige Regierung finanziert eine sehr teure sozialpolitische Leistung, wie die Mütterrente, nicht aus Steuern, sondern mit den Mitteln der Beitragszahlerinnen und Beitragszahler. Das ist einfach keine nachhaltige und auch keine systemgerechte Finanzierung. Bei der Mütterrente muss man sich natürlich auch Fragen, ob es diese überhaupt gebraucht hätte, es ist ja sozusagen eine Sozialleistung mit der Gießkanne, aber abschaffen wird die sicherlich keiner mehr, da man die politischen Kosten an dieser Stelle fürchtet.

Es sollte viel konsequenter, aus ordnungspolitischen Gründen, die Absicherung der Selbstständigen vorgenommen werden. Weil man muss ja dazu sagen, dass Selbstständige, die kleine Ankommen haben, auf die Absicherung verzichten, dass die am Ende aus Grundsicherungsmitteln finanziert werden müssen, durch alle Steuerzahlerinnen und Steuerzahler. Die sind dann die Ausfallbürgen für unterlassene Vorsorge und das spricht aus ordnungspolitischer Sicht für die Einbeziehung von Selbstständigen in die gesetzliche Rentenversicherung. In dieser Hinsicht denkt die Bundesregierung zu kurz. Es soll jetzt zwar eine obligatorische Altersvorsorge einführen, aber mit der Möglichkeit aus der Rentenversicherung heraus zu optieren, da befürchte ich, dass die zu einem bürokratischen Monster wird. Langfristig für die Zeit nach 2025 hat die Regierung auch keine Antwort auf das dann wahrscheinlich wieder sinkende Rentenniveau. Die Haltelinie bis 2025 ist ja eigentlich ein Placebo, da die Rentenfinanzen dank der guten Beschäftigung und der hohen Rücklage sowieso stabil bleiben, danach beginnen die eigentlichen Herausforderungen ja erst. Da muss man sich über den richtigen Finanzierungsmix Gedanken machen. Ich finde, man muss sich auch vernünftige Modelle überlegen, wie man die Lebensarbeitszeit verlängert. Damit sage ich jetzt nicht Rente mit 70, aber man kann sehr viel mehr tun, um Beschäftigungsfähigkeit zu erhalten und die Zahl der Erwerbsminderungsrentner herabzusetzen. Beispielsweise durch bessere Bedingungen am Arbeitsplatz. Das ist jetzt nicht originär Rentenpolitisch, das spielt mit in den Bereich der Arbeitsmarktpolitik. Aber das ist natürlich ein wahnsinniger volkswirtschaftlicher Kostenfaktor, vom menschlichen Leid einmal abgesehen, dass wir uns jedes Jahr zunehmende psychische Erkrankungen erlauben und 180.000 Leute jedes Jahr in die Erwerbsminderungsrente gehen, wo sie dann nicht nur arm und unglücklich sind, sondern auch als Beitragszahler ausfallen. Es ließe sich also innerhalb des bestehenden Systems einiges für die Stabilisierung der Rentenfinanzen tun und da sehe ich eine Blockade zwischen der Union und SPD, übrigens schon seit der letzten Koalition. Stichwort Antistressverordnung, was glaube ich notwendig wäre, um die Bedingungen am Arbeitsplatz zu verbessern.

M.S: Der aktuelle Koalitionsvertrag spricht von der Einrichtung einer Rentenkommission, die Vorschläge für die Jahre ab 2025 erarbeiten soll. Wie bewerten Sie diese Einsetzung, welche Prioritäten sollte die Kommission setzen und wer soll dort vertreten sein?

Markus Kurth: Eine Kommission für langfristige Fragen einzusetzen, ist sicherlich nicht verkehrt. Aber wenn ich mir die Besetzung dieser Kommission anschau, sind das alles ehrenwerte Leute, Sozialpartner sind dabei, das ist alles soweit vorhersehbar gewesen. Es ist aber nicht sehr wahrscheinlich, dass da weitergehende Strukturvorschläge, etwa in Richtung einer Bürgerversicherung, vorgenommen werden. Auch interdisziplinäre Fragestellungen werden wohl nicht einbezogen werden. Das erwarte ich nicht. Ich glaube auch nicht, dass diese Kommission Prokura hat, weitreichende finanzielle Entscheidungen zu erzielen. Versicherungsfremde Leistungen, wie beispielsweise die Mütterrente, wurden ja von den beiden Vorsitzenden mitgetragen und es ist daher nicht zu erwarten, dass diese Ihre eigenen Entscheidungen revidieren. Insofern hätte ich mir schon gewünscht, dass mehr kritische Leute Mitglied dieser Kommission geworden wären. Das wäre ja auch

mal innovative gewesen, Mitglieder der Opposition mitmachen zu lassen. Rentenpolitik ist ja etwas, was über Jahrzehnte wirkt und es ja dann doch anzunehmen, dass in diesen Jahrzehnten Regierungen auch mal wechseln. In der Bundesrepublik West war es daher auch immer Tradition, Rentenpolitik weitgehend gemeinsam zu machen, um sie dem politischen Tagesstreit zu entziehen. Das gelingt natürlich nicht vollständig, aber zumindest was die großen Linien anbelangt. Da diese Rentenkommission ja nur große Linien vorzeichnen soll, die können ja noch nicht mal Gesetze beschließen oder empfehlen, hätte ich es als ein Zeichen von Größe und politischer Vernunft empfunden, wenn in dieser Rentenkommission auch Oppositionspolitiker oder andersdenkende Experten vertreten wären. Das wäre politischer noch einmal ein bisschen spannender gewesen als das, was da jetzt versammelt ist.

M.S: Welche politische und institutionellen Hürden stehen einer umfassenden Rentenreform im Weg und wie könnte man diese überkommen?

Markus Kurth: Da muss man sich erstmal fragen, ob überhaupt eine umfassende Rentenreform der richtige Ansatz ist. Unser System ist auf jahrzehntelanges Wirken angelegt und speziell in der Alterssicherungspolitik haben wir eine sehr starke Pfadabhängigkeit und ein Umstürzen der bisherigen Arrangements und Regelungen ist praktisch gar nicht möglich. Um es an einem Beispiel zu verdeutlichen, es gibt ja jetzt auch eine Diskussion über eine steuerfinanzierte Grundrente, dass man doch das umlagefinanzierte System verlässt und dann bekommt jeder einen steuerfinanzierten Sockelbetrag. Das kann man machen, aber das bedeutet, dass man das umlagefinanzierte System, zumindest das was an Leistungsansprüchen da ist, trotzdem weiterführen muss. Denn die Rentenansprüche sind ja eigentumsrechtlich geschützt, da gibt es ja einschlägige Urteile des Bundesverfassungsgerichts.

Der Gesetzgeber kann natürlich die Rentenformel verändern und Rentenanpassungen dadurch geringer ausfallen lassen, er kann also politischen Einfluss nehmen über die Rentenformel. Aber er kann nicht beliebt Rentenansprüche einkassieren oder einfach eine steuerfinanzierte Grundrente einführen, unabhängig von der Beitragszeit der Versicherten. Das heißt eine umfassende Rentenreform, im Sinne eines Systemwechsels, würde bedeuten, dass man ein neues System aufbauen und finanzieren muss und das Alte ausfinanzieren müsste. Die Ansprüche müssen ja ausbezahlt werden. Im Fall einer steuerfinanzierten Grundrente würde das bedeuten, man hätte keine Beitragseinnahmen, aber gleichwohl fixe Ausgaben. Das wäre ein wahnsinniger finanzieller Aufwand für den Bundeshaushalt über mehrere 100 Milliarden, das geht praktisch gar nicht.

Ich finde, im Bereich der Rentenpolitik muss man evolutionär vorgehen. Alterssicherungssysteme sind über mehrere Jahrzehnte angelegt und darum ist in diesem Bereich eine Europäisierung gar nicht vorgesehen. Das fällt natürlich auch nicht in den Zuständigkeitsbereich der EU Kommission und des EU Parlamentes, auch wenn die da gerne mehr machen würden. Aber wenn man sich einmal überlegt, wie unterschiedlich die jeweiligen Systeme innerhalb Europas sind, sieht man, dass da Konvergenzpolitik wirklich eine sehr langwierige Sache wäre, die man nicht mit einem Haircut mal so eben hinbekommt. Darum müssen politische und institutionelle Hürden auch schrittweise abgebaut, beziehungsweise umgestellt werden. Wenn wir zum Beispiel die Rentenversicherung mit dem Umlagesystem als Basissystem, mit dem Zusatz der privaten Vorsorge, etablieren und stabilisieren

wollen, dann müssten wir noch andere Gruppen einbeziehen. Dann kann man mit den nicht anderweitig abgesicherten Selbstständigen anfangen, dann kann man die Freiberufler aus ihren Versorgungswerken schrittweise dahin überführen. Die Versorgungswerke können ja als Zusatzrente weiterhin Bestand haben. Das Beamtenrecht ist natürlich riesige Hürde, um die vier Millionen Beamte sofort mit einzubeziehen, das müssten dann auch über einen Umstellungsprozess gehen. Die erworbenen Pensionsansprüche der Beamten würde man genauso wenig antasten können, wie bereits erworbene Rentenansprüche.

Ansonsten würde ich sage, institutionell ist die Rentenversicherung mit ihrer Art der Selbstverwaltung im Prinzip als öffentlich-rechtliches Organ der Sozialpartner, gar nicht so schlecht organisiert. Auch wenn die Politik Einfluss nehmen kann, dem direkten Zugriff des Finanzministers ist sie jedenfalls entzogen. Das wäre bei einer steuerfinanzierten Grundrente nicht der Fall.

M.S: Welchen Einfluss hat ein immer stärker fragmentiertes Parteiensystem auf den Erfolg oder Misserfolg von zukünftigen Rentenreformen?

Markus Kurth: Das Parteiensystem wird jetzt vielgestaltiger, dadurch werden Regierungsbildungen schwieriger, wie wir es ja in den letzten Monaten gesehen haben, aber ansonsten wird es so oder so eine Regierungspolitik geben. Mit dem dann eben mittelbaren Einfluss auf die Entwicklung des Rentensystems. Ganz alleine kann das Parlament es ja auch nicht machen, das betrifft ja sehr viele Stakeholder und Akteure. Ich fände es sinnvoll, man würde es auf breitere Füße stellen, das wäre mein Anliegen, ich habe das ja im Zusammenhang mit der Rentenkommission bereits ausgeführt, dass ich es für sinnvoll halte, solche langfristigen Entscheidungen auch breiter zu treffen als nur durch die Regierungsparteien.

[Interview Prof. Dr. Gert G. Wagner](#)

Transcript of the interview with Prof. Dr. Gert G. Wagner (Head of the Social Committee affiliated to the German ministry for labour and social affairs) conducted on April 17th 2018

M.S: Bitte beschreiben Sie mir kurz Ihren Tätigkeitsbereich im Sozialbeirat

Prof. Dr. Wagner: Ich bin der Vorsitzende des Sozialbeirates

M.S: Was sind Ihrer Meinung nach die derzeitigen Stärken und Schwächen des deutschen Rentensystems?

Prof. Dr. Wagner: Die Stärke ist die Regelhaftigkeit und die sogenannte Beitragsäquivalenz, sprich der Gesetzgeber kann nicht beliebig die Renten kürzen. Das bedeutet nicht, dass das Rentenniveau nicht abgesenkt werden kann, aber es sind keine erratischen Reformen möglich. Für viele Rentner ist die Beitragsäquivalenz sinnvoll und stärkt die Legitimation des Rentensystems.

M.S: Welche Veränderungen des derzeitigen Rentensystems wären aus Ihrer Sicht sinnvoll und notwendig?

Prof. Dr. Wagner: Um die Legitimität zu steigern, ist eine bessere Form der Grundsicherung sinnvoll, allerdings gibt es kein theoretisch überlegenes Konzept wo man sagen würde, so muss es gemacht werden und wenn es nicht so gemacht wird, dann ist es falsch. Es sollte eine Lösung gefunden werden

für nicht altersvorsorgende Selbstständige. Es sollte zusätzlich die Rehabilitation von Krankheiten bei Versicherten verbessert werden, sodass weniger Leute zukünftig in Erwerbsminderungsrente gehen müssen.

Wenn Prävention und Rehabilitation von Versicherten besser gelöst werden und besser wirken als dies derzeit der Fall ist, dann sollte man auch anfangen darüber nachzudenken, ganz vorsichtig wohlgemerkt, ob nach dem Jahr 2030 die Altersgrenze nochmal angehoben werden sollte. Eine Anhebung der Altersgrenze ist aber nicht verantwortbar, wenn nicht Prävention und Rehabilitation im Hinblick auf Verhinderung von Erwerbsminderung verbessert wird. Die Versorgung von Erwerbsminderungsrentnern sollte auch verbessert werden, um eine höhere Altersgrenze akzeptabel zu machen. Das gilt insbesondere für sehr junge Erwerbsminderungsrentner, die eventuell sehr niedrige Ansprüche haben.

M.S: Welche Chancen und Risiken sehen Sie bei der kapitalgedeckten Altersvorsorge momentan?

Prof. Dr. Wagner: Grundsätzlich weiß man bei der kapitalgedeckten Altersvorsorge nicht was hinten bei rauskommt, da die Zinssätze volatil sind. Allerdings weiß man dies bei der umlagefinanzierten Alterssicherung auch nicht, deswegen ist eine Kombination von unterschiedlichen Finanzierungsverfahren durchaus sinnvoll. Was verbessert werden sollte, sind die Möglichkeiten kapitalgedeckt vorzusorgen. Die Riesterrente funktioniert für sehr viele nicht. Dies kann man daran erkennen, dass keine Riesterrenten Verträge abgeschlossen oder diese nicht mehr bedient werden. Hier könnten die Systeme in Schweden oder England Beispiele dafür sein, wie man eine bessere Lösung erzielen könnte.

M.S: Erwarten Sie für die Zukunft eine Zunahme der kapitalgedeckten Altersvorsorge?

Prof. Dr. Wagner: Das kommt darauf an, ob eine Verbesserung der kapitalgedeckten Altersvorsorge stattfindet oder nicht. Wenn eine Verbesserung erreicht werden kann, dann sollte dies zu einer Zunahme führen.

M.S: Welche politischen und institutionellen Hürden müssten für eine umfassende Rentenreform bewältigt werden?

Prof. Dr. Wagner: Ich sehe derzeit keine Hürden. Politik und Reformen sind natürlich nicht einfach. Welche Hürden sehen Sie den?

M.S: Beispielsweise die stetig wachsende Zahl der Rentner und der damit wachsende politische Einfluss dieser Gruppe.

Prof. Dr. Wagner: Ich sehe da keine spezifische Hürde. Dies ist nur eine Hürde, wenn Sie davon ausgehen, dass die Beitragssätze nicht erhöht werden. Grundsätzlich haben die meisten Rentner Kinder und Enkelkinder und haben alleine deswegen einen ausgewogenen Blick auf die Gesamtsituation. Kinderlose sind nach wie vor eine kleine Minderheit.

M.S: Was beurteilen Sie den Einfluss eines immer stärker fragmentierten Parteiensystems auf den zukünftigen Erfolg oder Misserfolg von möglichen Rentenreformen?

Prof. Dr. Wagner: Das kommt ganz darauf an, wie die Parteien sich entwickeln. Unter Umständen ist eine starke Fragmentierung die dazu führt, dass man Reformen in einer übergreifenden Koalition bewältigt, die viele unterschiedliche Standpunkte vereinigt, nicht die schlechteste. Wenn bei

Reformen mehr oder weniger alle Parteien zustimmen, dann dient das der Nachhaltigkeit. Wenn eine Reform nur mit einer knappen Mehrheit zustande kommt und diese Mehrheit in der nächsten Legislaturperiode verloren geht, besteht vielmehr die Gefahr, dass das Erreichte wieder geändert wird. Die fragmentierte Parteienlandschaft ist also unter Umständen sogar gut für die Altersvorsorge, wo ja die Langfristigkeit im Vordergrund steht.

Interview Dr. Jochen Pimpertz

Transcript of the interview with Dr. Jochen Pimpertz (Head of the department public finances and pension insurance at the Institut der deutschen Wirtschaft Cologne) conducted on April 26th 2018

M.S: Was sind Ihrer Meinung die derzeitigen Stärken und Schwächen des deutschen Rentensystems?

Dr. Pimpertz: Das gesetzliche Rentenversicherungssystem ist stark in seiner Anreizwirkung. Es belohnt Erwerbstätigkeit, da es eine erwerbsabhängige Rente ist. Die Beiträge werden abhängig vom Erwerbseinkommen bezahlt und die Rentenansprüche der Zukunft hängen dementsprechend von den eigenen Beiträgen ab. Im Vergleich zu einer rein kapitalgedeckten Rente ist die Langlebkeitsversicherung des deutschen Rentensystems sehr gut. Sollten Menschen ihre tatsächliche Lebenserwartung unterschätzen, so sind sie im Gegensatz zu einer kapitalgedeckten Versicherung gut abgesichert und durch das Grundprinzip der Rentendynamik auch an die allgemeine Lohnentwicklung angekoppelt. Es hat insofern auch eine Gerechtigkeitsdimension.

Das System hat meiner Meinung nach zwei Schwächen. Zum einen hinsichtlich der demographischen Entwicklung, Stichwort Umlageverfahren bei einer alternden Bevölkerung. Wenn die Zahl der älteren Menschen weiter steigt, aufgrund der Alterung der geburtenstarken Jahrgänge, steigender Lebenserwartung und sinkende Geburtenraten, dann ist die zukünftige Finanzierung der Rente stark von dieser demographischen Entwicklung betroffen. Das zweite Problem ist das typische Deutsche, dass die Regelung des Rentenversicherungsrechts immer wieder flexibel an veränderte makroökonomische Bedingungen angepasst werden kann. Gleichzeitig unterliegt das Rentensystem starker politischer Einflussnahme. Das hat natürlich Rückwirkungen auf die Berechenbarkeit zukünftiger Rentenansprüchen.

M.S: Wie zufrieden sind Sie mit derzeitigen Rentenpolitik der deutschen Bundesregierung und welche Veränderungen für das Rentensystem wären aus Ihrer Sicht sinnvoll und notwendig.

Dr. Pimpertz: Hm, wie soll ich das sagen...die Rentenpolitik hat einen Richtungswechsel hinter sich. In den 2000er Jahren haben wir in Deutschland eine grundlegende Rentenreform in die Wege geleitet, die vor allem mit dem regelgebundenen Absinken des Versorgungsniveaus und dem begrenzten Anstieg des erwarteten Beitragssatzes sowie der Anhebung der Regelaltersgrenze in Verbindung gebracht wird. Diese Regeln sind im Laufe der letzten Jahre sukzessiv abgebaut worden, beispielsweise durch neue Möglichkeiten abschlagsfrei in den Ruhestand gehen zu können, durch eine großzügige Anrechnung von Kindererziehungszeiten, beispielsweise die Mütterrente. Mit dem neuen Koalitionsvertrag wurden weitere Leistungsanhebungen vereinbart, auch wenn wir diese noch nicht genau beziffern können, da wir auf weitere Konkretisierungen noch warten müssen. Fest steht aber, dass die Mütterrente ausgebaut wird, zugunsten von Müttern von älteren Kindern. Auch wird die Idee

einer Grundrente eingeführt, bei bestehender Absicherung in die allgemeine Grundsicherung und Sozialhilfe. Das sind alles Leistungsverbesserungen zu einer Zeit, wo wir noch nicht den maximalen demographischen Druck verspüren, der wird erst in den 2020er Jahren voll einschlagen und uns dann bis weit 2040/2050 begleiten. Das ist etwas, was gegen den Anfang der 2000er Jahre neuausgehandelten Generationsvertrag verstößt, es verschärft das Problem der intergenerativen Lastenverteilung und wird uns relativ schnell vor gravierende Finanzierungsprobleme stellen. Insofern bin ich nicht zufrieden mit der Rentenpolitik der vergangenen und aktuellen Bundesregierung.

M.S: Der Koalitionsvertrag spricht von der Einrichtung einer Rentenkommission, die Vorschläge für die Jahre ab 2025 erarbeiten soll. Wie bewerten Sie das und wo sollten die Prioritäten dieser Kommission liegen?

Dr. Pimpertz: Die Kommission an sich halte ich für eine gute Idee. Irritiert bin ich aber darüber, dass die Rentenkommission erst nachdem der Gesetzgeber schon aktiv geworden ist, mit Vorschlägen herauskommen soll. Die Ausweitung der Mütterrente, eine mögliche Grundrente und die zur Diskussion stehende Fixierung der neuen Haltelinien, 48% Rentenniveau und 22% Beitragssatz bis 2025, sind Dinge, die wahrscheinlich zum Januar 2019 voraussichtlich verabschiedet werden und das schränkt den Handlungsspielraum einer solchen Kommission natürlich stark ein. Überhaupt muss man die Frage stellen, wie offen wird eine große Koalition gegenüber einer solchen Kommission sein, welches Mandat wird ihr überhaupt übertragen? Grundsätzlich ist eine solche Kommission eine vernünftige Sache. Ich erinnere an die Rürup-Kommission, die eine Diskussion im Jahr 2002/2003 geführt hat, deren Vorschläge dann tatsächlich zu der Rentenreform der 00er Jahre und zu einem neuen Austarieren des Generationenvertrages geführt hat.

Ich glaube, wir führen in Deutschland eine Diskussion die in die Irre führt, da im Bundestagswahlkampf davon gesprochen wurde, dass es ein alternatives System gäbe, die Grundsicherung für alle innerhalb der Rentenversicherung. Dies ist allerdings nur eine Kopie des bestehenden Grundsicherungssystems, allerdings unter dem Verzicht auf die Bedürftigkeitsprüfung, sprich der Anrechnung von Vermögen. Da sehe ich keinen Vorteil drin. Deswegen wäre meine Frage: Was muss man in dem bestehenden gesetzlichen System verändern? Dieses halte ich im Übrigen für sehr vernünftig, immerhin schafft die gesetzliche Rentenversicherung für die große Mehrheit seiner Mitglieder eine absolut hinreichende Versorgung. Da sehe ich das Problem, dass wir bis heute nicht darüber diskutieren, was nach 2030 passieren soll. Es stehen eben nur drei Stellschraube zur Verfügung, Beitragssatz, Rentenniveau und Regelalter. Wenn man Beitragssatz und Rentenniveau nicht weiter verändern will, da muss man die Regelaltersgrenze nach 2030 weiter erhöhen. Diese Diskussion wird aber von Politik als auch Wissenschaft derzeit gescheut. Aus meiner Sicht ist aber ein weiterer Anstieg der Altersgrenze unumgänglich. Nur so lässt sich nach unseren Simulationen die Rentenfinanzen in einer alternden Gesellschaft stabilisieren und dies wäre daher auch der zentrale Vorschlag, den eine solche Rentenkommission unterbreiten sollte. Daran würden sich dann allerdings die Folgefragen anschließen, was müssen wir tun, um die Menschen zu einer verlängerten Erwerbsbiographie zu befähigen? Und wie können wir Menschen berufsqualifiziert weiterbilden, sodass sie drohende gesundheitliche Beeinträchtigungen, vor allem in handwerklichen Berufen, überwinden und weiterhin am Arbeitsmarkt teilhaben können.

M.S: Also würden Sie sich dafür aussprechen, die Altersgrenze ab 2030 an die zukünftige Lebenserwartung zu koppeln?

Dr. Pimpertz: Ehrlich gesagt, wird das nicht ausreichen. Die muss sogar noch weiter steigen. Die Begründung dafür ist auch schnell nachvollziehbar, weil die Alterung der Bevölkerung mitsamt steigender Anzahl der Rentner ja nicht nur durch eine immer weiter steigende Lebenserwartung getrieben wird, sondern auch durch die Alterung der geburtenstarken Jahrgänge, die gleichzeitig auch die immer schwächer besetzten nachrückenden Erwerbskohorten betreffen. Es müssen also zwei Effekte ausgeglichen werden, längere Lebenserwartung und seit Jahrzehnten niedrige Geburtenraten. Da müssen wir stärkere gegensteuern als es uns nur die Lebenserwartung signalisiert.

M.S: Könnte gezielte Zuwanderung eine Lösung für das Problem sein?

Dr. Pimpertz: Das ist eine reine Rechenschieberei meines Erachtens nach. Natürlich können sie auf eine Zuwanderung hoffen, die die Lücke einer niedrigen Geburtenrate schließt. Das bedeutet aber, dass sie erstens überhaupt attraktiv genug als Standort sind, damit Menschen von außerhalb zuwandern. Das bedeutet zweites, dass die Zuwanderer nach bestimmten Merkmalen selektiert werden müssen, das wäre insbesondere Alter und Qualifikation für den deutschen Arbeitsmarkt. Gleichzeitig müssen die Zuwanderer in Deutschland dauerhaft sozialisiert werden, um zu verhindern, dass sie wieder abwandern.

Dies ist natürlich in erster Linie eine politische Abwägung das zu tun. Das kann ich als Ökonom nicht beurteilen, was ich aber sagen kann, ist das die Zuwanderungszahlen immens sein müssten. Wenn wir heute noch die Zuwanderung und die damit verbundenen Herausforderungen von einer Millionen Menschen in 2015 diskutieren, dann gehen Sie mal davon aus, dass um die demographische Lücke zu schließen, wir jährlich Zuwanderung von einer Million dauerhaft haben müssten. Und das ist natürlich eine immense Zahl, die wir so nicht akquirieren können und auch hinsichtlich der Integrationsleistung schwer zu schaffen sein würde. Das meine ich ökonomisch und nicht sozialpolitisch.

M.S: Welche Chancen und Risiken sehen Sie für die kapitaldeckte Altersvorsorge und welchen Einfluss haben die momentan sehr niedrigen Zinsraten, insbesondere auf die zweite und dritte Säule der Altersversorgung?

Dr. Pimpertz: Die private Vorsorge, sowohl die in Eigenregie als auch die betrieblich organisierte Vorsorge sind natürlich bedeutsame Säulen geworden. Wenn das gesetzliche finanzierte Rentenniveau sinken soll, oder muss, dann kann eine Versorgungslücke, ob sie nun Armutsgefährdend oder nur auf das Wohlstandsniveau bezogen ist, nur kompensiert werden, wenn eine Alternative hinzutritt. Also ist das eine bedeutsame und zunehmend bedeutsame Form. Das ist eine Anlageform die sich über einen sehr langen Horizont aufbaut, insofern impliziert die Beantwortung der zweiten Frage, welchen Einfluss hat der Zinssatz, immer auch eine Spekulation darüber, wie sich der Zinssatz künftig entwickeln wird. Ein temporär niedriger Zinssatz kann in einem solchen System, das hinterher nicht ein Kapital ausschüttet, sondern eine Rentenzahlung organisiert, durchaus ohne große Effizienzverluste überwunden werden. Das Problem wird es dann wirklich virulent, wenn die Zinssätze dauerhaft, das heißt auch in der fernen Zukunft, niedrig bleiben. Wir gehen da schon von aus, dass es da eine Trendwende geben wird. Sicherlich nicht zu exorbitant hohen Zinssätzen, aber zu durchaus wieder positiven nominal Zinssätzen.

Wir sind ja traditionell in Deutschland als Lebensversicherungsfreudig verschrien, die aber in ihrer ursprünglichen Ausstattung wenig Aktienaffin waren. Hier ist sicherlich geboten, dass wir ein wenig offener für die Anlageformen werden und damit ist auch die staatliche Förderpolitik gefordert,

darüber nachzudenken, wie weit sie ein größeres Spektrum von Vorsorgeformen in den Blick nimmt. Da ist aber auch bereits viel am Markt unterwegs.

M.S: Erwarten Sie den für Zukunft eine Zunahme der kapitalgedeckten Altersversorgung? Gerade der Abschluss von Riester Verträgen stagniert oder sie werden gar nicht mehr bedient.

Dr. Pimpertz: Ja, das ist in der Tat der Fall, wobei wir nicht genau wissen, wieso dies der Fall ist. Die einen verweisen auf mangelndes Einkommen, wir wissen aber nicht, ob das nur temporär der Fall ist. Die anderen halten dagegen, dass die Förderquote der Riester Rente gerade bei Geringverdiener sehr groß ist. Möglicherweise sind aber andere Vorsorgeformen, aufgrund veränderter Rahmenbedingungen, attraktiver geworden. Wenn sie ein bestimmtes Einkommensniveau erreichen, wird zum Beispiel der Schwenk auf eine steuerbegünstigte Rüruprente interessanter als das verbleiben innerhalb der Riester Rente.

Oder aber Menschen erwerben im Zuge der Familiengründung eine Immobilie und stecken ihre freien Mittel nicht in eine Altersvorsorge, die irgendwann zu einem monatlichen Einkommen führt, sondern sagen, wir stecken das Geld in die Tilgung unserer Hypothek, um dann hinterher mietfrei wohnen zu können oder das Haus zu veräußern, wenn der Wohnraum nicht mehr gebraucht wird. Das ist sozusagen eine implizite Altersvorsorge. Deswegen würde ich mich ungerne auf einzelne Vorsorgeformen versteifen, weil die vielleicht etwas zurückhaltende Inanspruchnahme bisheriger im Fokus stehender Formen nicht unbedingt darauf rückschließen lässt, dass die Menschen zu wenig oder ineffizient vorsorgen würden. Wir sehen keine wegbrechende Sparquote, wir sehen nach wie vor eine hohe Vermögensbildung und eine hohe Erbschaftserwartung, sodass wir im Gros sagen, ja, kapitalgedeckte Altersvorsorge hat für jeden einzelnen Haushalt eine zunehmende Bedeutung, weil die Rente abnimmt. Das ist einfach eine zwingende Folge, aber wir sehen nicht, dass zu wenig vorgesorgt wird, das können wir nicht empirisch darstellen.

M.S: Welche politischen und institutionellen Hürden stehen einer umfassenden Rentenreform im Weg und wie könnten diese aus Ihrer Sicht überwunden werden?

Dr. Pimpertz: Ich glaube, wir brauchen keine umfassende institutionelle Rentenreform, ich halte das bisher System für sehr tragfähig. Wir haben eine sehr stabile Statik auf dem Fundament einer Grundsicherung, die den Steuerzahler auch vor missbräuchlicher Inanspruchnahme von Fürsorgeleistungen schützt. Wir müssen tatsächlich, da wo der Staat auch die vorrangige Regelungskompetenz hat, im gesetzlichen System nachsteuern für die Zeit nach 2030 und da halte ich in der Tat die Regelaltersgrenze für das entscheidende Ventil. Das heißt, ich würde mich für Anpassungen in dem bestehenden System aussprechen.

Institutionell sehe ich einen überschaubaren Handlungsbedarf, politisch sehe ich aber große Widerstände, diesen Hebel auch wirklich zu benutzen. Das Problem ist, dass die Wirkung erst in ferner Zukunft für Entlastung sorgt. In der aktuellen Diskussion wird dies aber als Zumutung empfunden und das ist natürlich für einen Politiker problematisch, der ja auf Wählerstimmen Maximierung aus ist. Wie bereits am Anfang erwähnt, ist das Grundproblem, dass wir ein Rentenrecht haben, das durch reguläre Gesetzgebung in laufenden Legislaturperioden immer wieder beeinflusst werden kann und das führt natürlich zu der Versuchung, dass sich die Rentenpolitik nicht auf langfristige Ziele festlegen lässt, sondern immer nur kurzfristig aktiv wird. Das bedeutet eben, dass man eben nur wenig tun wird, um die Regelaltersgrenze nach 2030 zu erhöhen, wenn man weiß, dass man dafür bei der nächsten

Bundestagswahl 2021 abgestraft werden wird. Dies ist aber natürlich ein sehr grundlegendes Demokratieproblem.

M.S: Wie beurteilen Sie den Einfluss eines immer stärker fragmentierten Parteiensystems auf den Erfolg oder Misserfolg zukünftiger Rentenreformen?

Dr. Pimpertz: Wenn die Fragmentierung tatsächlich so aussieht, dass das Meinungsspektrum auch gespreizt wird, so wie wir es momentan auch in Deutschland beobachten, dann wird es halt immer schwieriger, einen Konsens für langfristig tragfähige Reformen herbeizuführen, weil es wesentlich leichter ist, Sperrminoritäten zu organisieren, die, statt eines konstruktiven Vorschlages, die Reformen einfach ablehnt. Insofern glaube ich, dass das eine Gefährdung für eine langfristige stabile Gestaltung unserer sozialen Sicherungssysteme ist, wenn sich das politische Meinungsspektrum immer weiter fragmentiert und vor allem ein immer extremeres Meinungsspektrum abbildet.

Interview Ralf Kapschack

Transcript of the interview with Ralf Kapschack (Pension policy spokesperson of the Social Democrats (SPD)) conducted on April 27th 2018

M.S: Was sind Ihrer Meinung nach die derzeitigen Stärken und Schwächen des deutschen Rentensystems?

Kapschack: Die Stärke ist das wir eine zentrale Säule haben, nämlich die gesetzliche Rentenversicherung, die entgegen ihres öffentlichen Images sehr viel stabiler ist als viele Menschen das glauben. Die auch durch die Milliarden Zahlungen, die jeden Monat in den Wirtschaftskreislauf einfließen, ein ökonomisch stabilisierendes Element hat. Als Sozialdemokraten halten wir die gesetzliche Rente für das zentrale Instrument der Altersvorsorge, weil sie ja nicht nur für die Altersversorgung, sondern auch für Rehabilitation zuständig ist. Sie bietet also ein Paket an und wir würden sie gerne ausbauen und stärken.

Das zweite ist, dass wir die gesetzliche Rente als Basis oder zentrale Säule ansehen und als beste Ergänzung dazu die betriebliche Altersversorgung, die über Tarifverträge geregelt ist. Wir haben im vergangenen Jahr die betriebliche Altersvorsorge gestärkt und den Tarifpartnern neue Möglichkeiten gegeben, weil wir der Meinung sind, dass die Tarifpartner die Situation, die Gegebenheiten, die Anforderungen in den Branchen und Unternehmen am besten kennen und da auch kollektive Lösungen finden, die es ja auch bereits schon gibt. Betriebliche Altersversorgung in Deutschland ist älter als die deutsche Rentenversicherung.

BASF zum Beispiel hat, glaube ich, ein Jahr vor der Einrichtung der Rentenversicherung schon eine betriebliche Altersvorsorge, das hieß natürlich anders bei denen damals, eingerichtet also dafür gesorgt, dass ehemalige Beschäftigte auch im Alter eine Zahlung des Unternehmens bekommen. Also insofern kann man sehen, dass ist ein bewährtes Instrument in Deutschland und wir würden das gerne stärken und ausbauen, weil wir da sehen, dass da auf der einen Seite zwei Dinge miteinander verbunden werden können. Das eine ist die zusätzliche Absicherung und zweitens, im Vergleich zur reinen privaten Vorsorge, ist es eine kollektive Veranstaltung, die aufgrund der hohen Zahl auch

andere Anlagemöglichkeiten bietet und gleichzeitig auch die Kosten reduziert. Das spricht für eine betriebliche Altersversorgung.

Die private Altersversorgung, in Deutschland unter dem Stichwort Riester, davon halte ich persönlich nicht viel. Das ist aber jetzt meine persönliche Meinung. Ich glaube, das war ein Versuch wert, der hat aber nicht funktioniert. Jedenfalls nicht so wie er funktionieren sollte. Das vor allem Leute die ein geringes Einkommen haben, entsprechend unserer Logik der Sozialversicherung und eine geringe Rente zu erwarten haben, dass die das vor allem in Anspruch nehmen und von staatlicher Förderung profitieren. Das ist ja nun mal nicht so. Es haben deutlich weniger Menschen als gedacht die Förderung in Anspruch genommen. Das hat vor allem mit der Komplexität der Produkte zu tun, das hat mit den Kosten und den in den letzten Jahren niedrigen Zinsen, das heißt mit geringen Renditeerwartungen, zu tun.

Ich bin der Meinung, jeder der es kann und will, sollte auch gucken ob er noch privat vorsorgen kann, aber ich finde, die Verteilungswirkungen sind so, dass sie eigentlich nicht unserem Ansatz entsprechen und deshalb bin ich persönlich dafür, die staatliche Förderung auslaufen zu lassen. Alle laufenden Verträge müssen sich natürlich darauf verlassen können, dass die staatliche Förderung kommt, aber ich würde die staatliche Förderung auslaufen lassen und das Geld lieber in eine Verbesserung der Erwerbsminderungsrente und anderes stecken. Es geht immerhin um eine Summe von drei bis vier Milliarden Euro im Jahr.

M.S: Wie zufrieden sind Sie mit der derzeitigen Rentenpolitik der deutschen Bundesregierung?

Kapschack: Ich bin erstmal zufrieden, dass wir im Koalitionsvertrag es hinbekommen haben, was in der vergangenen Legislaturperiode noch nicht möglich war, eine Stabilisierung des Rentenniveaus bei der gesetzlichen Rente zu verabreden. Das hat für mich eine ganz wichtige Bedeutung, weil es ja nicht nur um ein Spiel mit Zahlen geht also ob das Rentenniveau jetzt 47, 48, 49 ist oder so, sondern es ist ein deutliches Signal, das Niveau soll nicht weiter sinken. Wenn wir sagen, wir stabilisieren, das heißt das, wir lassen es nicht weiter sinken, was nach dem geltenden Recht ja durchaus möglich wäre. Ich finde das angesichts der gesellschaftlichen Situation die wir in unserem Land haben ganz wichtig, dass es dieses Signal gibt, weil viele Leute Abstiegsängste haben und das betrifft nicht nur Leute die in Arbeit sind, die befürchten Arbeitslos zu werden, sondern es betrifft ganz viele Leute die in Arbeit sind und an ihre Rente denken. Da finde ich es schon wichtig, dass der Staat und die Politik deutlich machen, wir haben die Botschaft verstanden. Wir stabilisieren das auf dem gegenwärtigen Niveau. Wenn es nach mir ginge, sollte es auch perspektivisch auch wieder ansteigen. Es muss klar sein, dass auch Durchschnittsverdiener und das ist ja der Punkt der hinter der Debatte um das Rentenniveau steckt, dass die Durchschnittsverdiener nicht immer länger arbeiten müssen, um ein Rentenanspruch zu erwerben, der oberhalb der Grundsicherung liegt. Wenn wir das Rentenniveau weiter sinken lassen, müssten die Leute immer mehr Jahre arbeiten, um eine Rente, die oberhalb der Grundsicherung liegt, zu erhalten.

Das versteht eigentlich jeder. Dieses Rentenniveau, Eckrentner und ich weiß nicht was, das ist ja alles sehr kompliziert und abstrakt Eckrentner, die gibt es ja eigentlich gar nicht, aber, wenn man weiß, dass man Anfang der 2000er 23 Jahre arbeiten musste, um einen Rentenanspruch oberhalb der Grundsicherung zu erwerben und jetzt mittlerweile 27 Jahre, weil das Rentenniveau gesunken ist, dann ist klar, dass wenn es weiter sinkt, dass man noch länger arbeiten müsste. Das beunruhigt auch Durchschnittsverdiener und wenn man weiß, dass viele Leute in diesem Land, so ist das halt mit

Durchschnittswerten, unterhalb dem Durchschnitt verdienen, dann trifft das mehr Leute als man sich das vorstellt. Deshalb ist es ein wichtiges politisches Signal. Deshalb bin ich auch sehr zufrieden, dass wir verabredet haben, wir lassen das Rentenniveau nicht weiter sinken und überlegen jetzt, das ist dann der nächste Schritt, wie wir, dazu soll es ja eine Regierungskommission geben, langfristige, tragfähige, zahlbare Lösung finden, für die Zeit nach 2025.

M.S: Apropos 2025. Der Koalitionsvertrag spricht von der Einrichtung einer Rentenkommission, die ja Vorschläge für die Jahre ab 2025 erarbeiten soll, wie bewerten Sie diese Einsetzung und welche Prioritäten sollte die Kommission setzen?

Kapschack: Ich finde es gut, dass es diese Kommission gibt, weil damit auch klar ist, im Gegensatz zudem was unsere Koalitionspartner und auch die Kanzlerin noch im Wahlkampf gesagt haben, dass es Handlungsbedarf vor 2030 gibt. Das geltende Recht sagt ja, dass man erst 2030 eingreifen muss, wenn das Rentenniveau unter einem bestimmten Wert gesunken ist, beziehungsweise die Beiträge über einen bestimmten Wert gestiegen sind. Bis dahin muss man, nach geltendem Recht, eigentlich nichts machen. Wir sind der Meinung, dass es angesichts der Entwicklungen, dass eben die sogenannten Babyboomer ab 25/30 in Rente gehen, es also verstärkt Zugriffe auf die Rentenkasse geben wird, dass man sich vorher noch einmal intensiv darüber unterhalten muss, was machen wir da?

Zum zweiten Teil ihrer Frage, es wird darum gehen, wie stabilisieren wir das Rentenniveau langfristig und da gibt es ja verschiedene Möglichkeiten und ich glaube, das wird nur mit einer Mischung funktionieren. Das eine ist, dass man sicherlich mit steigenden Beiträgen arbeiten muss, es wird aber sicherlich auch einen höheren Steueranteil geben müssen, weil auch bestimmte Leistungen, wie die Mütterrente, im Moment noch aus der Rentenkasse gezahlt werden, aber eigentlich keine Entscheidungen sind, die die Beitragszahler zu verantworten haben, sondern es ist eine politische Entscheidung, die ich auch persönlich für richtig halte, das Erziehungszeiten bei der Altersversorgung berücksichtigt werden. Erziehungsleistung ist aber eine gesellschaftliche Leistung, wo die Gesellschaft und der Staat sagen, das wollen wir honorieren und das kann man nicht alleine den Beitragszahlern aufbürden.

Zwei Sachen noch. Das eine ist das sogenannte versicherungsfremde Leistungen, wie und wo das eben geht, stärker steuerfinanziert werden, weil versicherungsfremd heißt ja, die haben mit der Rentenkasse relativ wenig zu tun. Da gibt es noch, ich sag mal Altlasten, in Führungsstrichen, aus den Zeiten der Wiedervereinigung, wo auch die Rentenkasse noch massiv belastet wird. Was aber systematisch nicht richtig ist, weil das keine Dinge sind, die im Rentensystem entstanden sind. Versorgungsansprüche für ehemalige DDR-Beschäftigte sind ja nichts wofür die deutsche Rentenkasse aufkommen muss, weil die ja logischerweise keine Beiträge in die Rentenkasse gezahlt haben als es die DDR noch gab, wie hätte das geschehen sollen? Trotzdem werden Zahlungen aus der Rentenkasse gezahlt. Der Bund gibt ja schon einiges an Zuschüssen, ist ja nicht so als wenn es da gar nichts geben würde, der Bund gibt ja schon 100 Milliarden. Das ist eigentlich eine unvorstellbare Summe, die deckt das aber bei weitem noch nicht ab.

Der letzte Punkt, den ich gerne noch sagen würde ist, dass wir uns darüber unterhalten müssen, wer sollte eigentlich in der gesetzlichen Rentenversicherung versichert sein. Im Moment sind es Arbeiter und Angestellte. Es wird jetzt, das ist im Koalitionsvertrag auch verabredet, eine Pflichtversicherung für Selbstständige geben, die nicht anderweitig versichert sind und wir sind der Meinung, dass ähnlich

wie in anderen Ländern, das ist jetzt gar keine originelle Argumentation, weil es das in anderen Ländern gibt, dass wir eine Erwerbstätigenversicherung anstreben sollten, in der prinzipiell erst einmal alle einzahlen sollten. Das wird nicht von heute auf morgen gehen, aber perspektivisch wäre das vernünftig, das hat auch etwas mit gesellschaftlicher Solidarität zu tun und es würde auch zusätzliches Geld in die Kasse bringen. Das sind so die Punkte, mit denen sich die Rentenkommission beschäftigen sollte, finde ich.

M.S: Was halten Sie den von der Idee, das Renteneintrittsalter ab 2030 an die Lebenserwartung zu koppeln?

Kapschack: Ich bin dafür über alles nachzudenken, aber die Erhöhung und das wäre eine faktische Erhöhung des Renteneintrittsalters, wäre für mich der letzte Schritt. Ich würde das nicht völlig ausschließen, aber es wäre für mich der letzte Schritt. Ich finde, wir müssen erstmal dafür sorgen, dass möglichst alle, auch ältere Arbeitnehmer und Arbeitnehmerinnen, das jetzt geltenden und zukünftig geltende Renteneintrittsalter von 67 erreichen können. Alles andere wäre eine faktische Rentenkürzung. Wenn man vorher in Rente geht, hat man Abschläge und zwar ein Leben lang, wenn man nicht sehr lange beschäftigt ist. Die Beschäftigungssituation für Ältere hat sich in den vergangenen Jahren deutlich verbessert. Das finde ich gut und ich glaube, dass das so bleiben wird. Es spricht ja auch einiges dafür, beispielsweise, wenn über Fachkräftemangel geredet wird, dann weiß ja jedes Unternehmen, was es an einem älteren Arbeitnehmer hat und die müssten eigentlich ein Interesse daran haben, die Leute solange wie möglich im Betrieb zu halten, wenn Fachkräftemangel wirklich da ist. Das fände ich erstmal sinnvoller als jetzt direkt darüber nachzudenken, jetzt erhöhen wir mal das Renteneintrittsalter und damit lösen wir Probleme. Ich glaube nicht, dass wir damit Probleme lösen. Wie gesagt, ich habe prinzipiell überhaupt nichts dagegen darüber nachzudenken, ich war in Dänemark, da gibt es ja solche Regelungen, dass das Renteneintrittsalter an die steigende Lebenserwartung gekoppelt ist, aber das ist für mich ganz weit hinten auf der Liste

M.S: Welchen Einfluss haben die aktuell sehr niedrigen Zinsraten auf das deutsche Rentensystem, insbesondere auf die zweite und dritte Säule?

Kapschack: Die haben natürlich einen massiven Einfluss, da die Kapitalmarkt Deckung schwierig ist, es sei denn, man geht in hochspekulative Anlagen, die aber für eine sichere Altersvorsorge natürlich auch nicht so sinnvoll sind. Insofern spricht eigentlich viel dafür, die umlagefinanzierte Rente zu stärken und zu korrigieren, was Anfang der 2000er so an Ideen durch die Welt und mit Hilfe des Zeitgeistes durch diese Republik geisterte, im wahrsten Sinne des Wortes. So nach dem Motto: Wir senken das Rentenniveau, aber das merkt ihr gar nicht Leute, weil wenn ihr privat vorsorgt, wird das mehr als überkompensiert. Jetzt merken wir, das war eine Fehlkalkulation. Das war damals so nicht vorhersehbar, weil niemand hätte damals mitgerechnet, dass wir so lange so niedrige Zinsen haben, aber ich finde das ganz lehrreich und ich finde, das ist eher ein Argument für eine umlagefinanzierte Altersversorgung als für eine Kapitalmarkt Deckung, die von vielen ja auch in den vergangenen Jahren als überlegen gegenüber der umlagefinanzierten Rente angesehen wurde. Das sehe ich völlig anders. Ich finde, das kann eine Ergänzung sein, aber es darf kein Ersatz sein.

M.S: Welche politischen und institutionellen Hürden stehen einer umfassenden Rentenreform im Weg und wie könnten diese überwunden werden?

Kapschack: Also wenn ich noch einmal zu den Punkten zurückkomme, die ich auch für die Rentenkommission für wichtig halte also Stabilisierung des Rentenniveaus, Einbeziehung neuer

Gruppe, dann wird das politisch nicht einfach, weil ich glaube, unser Koalitionspartner ist nicht begeistert von der Idee zum Beispiel auch Beamte in die Rentenversicherung mit einzubeziehen. Das wäre auch sozusagen erst der dritte oder vierte Schritt, aber perspektivisch halten wir das für sinnvoll also eine Erwerbstätigenversicherung für alle Erwerbstätigen und damit sind alle gemeint. Das ist eine Hürde, da gibt es auch rechtliche Probleme, weil Beamte in Deutschland Anspruch auf eine Pension haben. Das hat auch etwas mit dem Fürsorger Prinzip des Arbeitsgeber Staat für Beamte und sowas zu tun. Ich glaube, dass man das lösen könnte, wenn man es den will, da sehe ich aber im Moment relativ wenig Bereitschaft.

Das zweite ist das Thema Rentenniveau. Wenn man das Rentenniveau stabilisieren will heißt das, dass man sich natürlich dafür einsetzen muss, dass die wirtschaftliche Lage gut bleibt. Dass viele Menschen in Beschäftigung sind, dass viele Menschen ordentlich bezahlt werden, denn das heißt, mit hohem Beschäftigungsstand kommen auch gute Löhne und gute Einnahmen für die Rentenkasse. Wir erleben ja im Moment, dass aufgrund des hohen Beschäftigungsstandes, das Rentenniveau höher ist als ursprünglich gedacht sogar. Das heißt, wir müssen auch etwas für die Stärkung von Tarifverträgen tun, damit auch gute Löhne eine deutliche größere Rolle spielen als zurzeit. Das hat man wenn man über Rente redet vielleicht nicht sofort im Blick, aber die Rente ist ein Spiegelbild des Arbeitsmarktes. Das heißt, dass was auf dem Arbeitsmarkt schief läuft, das kann man in der Regel in der Rente nur sehr begrenzt reparieren. Deswegen ist der Arbeitsmarkt eine ganz wichtige Stellschraube, auch für eine gute Altersvorsorge. Da sehe ich auch, was die Stärkung von Tarifverträgen angeht, Notwendigkeiten, aber noch erhebliche Hürden das hinzubekommen. Beispielsweise haben nur noch die Hälfte der Unternehmen in Deutschland einen Tarifvertrag.

M.S: Welchen Einfluss hat ein immer stärker fragmentiertes Parteiensystem auf den Erfolg oder Misserfolg von zukünftigen Rentenreformen?

Kapschack: Wenn ich mir vor meinem geistigen Auge gerade einmal angucke, welche Parteien mit welchen Ideen da unterwegs sind, dann gibt es schon in nicht geringen Teilen des Bundestages deutliche Überschneidungen. Das es immer auch besondere Akzente gibt oder neue Ideen, das ist ja bei unterschiedlichen Parteien selbstverständlich und normal. Wenn ich mir aber angucke, beispielsweise die Stärkung der gesetzlichen Rente, da sind eigentlich alle der Meinung, das sollte so sein. Ich hatte neulich das Vergnügen mit einem AFD-Vertreter auf einem Podium zu sitzen und der hat dann auch gesagt, es gäbe die AFD ja erst fünf Jahre, die hätten noch gar kein Konzept. Bei ihnen würde sich noch die verschiedenen Positionen, eher umlagefinanzieren oder eher Kapitalmarkt Deckung, streiten und es sei noch nicht entschieden, wohin die Reise gehen soll.

Deshalb kann ich zu denen nicht sagen, aber die anderen demokratischen Parteien sind, was die Stärkung der gesetzlichen Rente und der Stabilisierung angeht, eigentlich im Grundsatz einig, im Detail sind sie es aber nicht, aber da geht es dann um die Frage, welche Rolle spielen zweite und dritte Säule. Da gibt es zum Beispiel bei der FDP unterschiedlichen Vorstellung zur SPD und bei der Linken anderer als bei den Grünen. Es gibt aber einen Grundkonsens, ich glaube, so kann man das ganz gut charakterisieren, bei einer überwiegenden Mehrheit, zumindest der im Bundestag vertretenen Parteien, was die Stärkung oder die Stabilisierung der gesetzlichen Rente angeht, weil alle gemerkt haben, bei allen Turbulenzen die es in den vergangenen Jahrzehnten gegeben hat, das ist auch ein stabilisierender Faktor und das hat auch etwas mit Vertrauen in Politik und Sozialstaat zu tun, wenn man die gesetzliche Rente stärkt.

Transcript of the interview with Thomas Rogowski (Referent CDU/CSU working committee labour and social affairs) conducted on April 27th 2018

M.S: Bitte beschreiben Sie mir Ihren beruflichen Hintergrund und Ihren Tätigkeitsbereich im Arbeitskreis

Rogowski: Ich bin Jurist und Referent in der Arbeitsgruppe Arbeit und Soziales für die CDU/CSU Bundestagsfraktion.

M.S: Was sind Ihrer Meinung nach die derzeitigen Stärken und Schwächen des deutschen Rentensystems?

Rogowski: Die Stärken sind, dass man unabhängig von den Finanzmärkten eine Altersvorsorge aufbauen kann. Das Umlageverfahren macht das System ausgesprochen krisenfest. Dies wird deutlich anhand der Tatsache, dass das System bereits seit 1957 besteht. Dieses System ist aus unserer Sicht dem kapitalgedeckten System überlegen. Nicht in jeder Form, aber beispielweise bezogen auf Wirtschaftskrisen. 2009 haben wir das noch einmal gesehen und auch jetzt.

Es gibt aber natürlich auch Schwächen. Die Schwächen liegen darin, dass wir ja im Moment einen Nachhaltigkeitsfaktor haben, der auch positiv wirkt, aber der wird natürlich in der Zukunft zeigen, dass auch die Zahl der Beitragszahler zurückgehen und die Anzahl der Leistungsempfänger steigen wird und deswegen erwarten wir durchaus auch eine Belastungsprobe für das System.

M.S: Welche Veränderungen des Rentensystems wären den aus Ihrer Sicht sinnvoll und notwendig?

Zunächst einmal lebt dieses System von Vertrauen und Kontinuität, deswegen bin ich mir gar nicht sicher, ob ich konkrete Maßnahmen in Aussicht stellen sollte, die das System sozusagen revolutionieren. Alles was man macht, muss eh ganz behutsam sein und mit langfristigen Übergangslösungen versehen werden. Das zeigen alle Rentenreformen die wir bisher hatten. Was diese Koalition anpacken will sind so kleinere Stellschrauben, beispielsweise die Verbesserung der Erwerbsminderungsrente und bei der Mütterrente soll nachgelegt werden. Ansonsten wäre kurzfristig nicht so viel zu veranlassen, wir müssten uns aber mittel- und langfristig nicht nur Gedanken um die demographische Entwicklung machen, es geht auch um die Selbstständigen, die abgesichert werden müssen, denn dort ist das Problem der Altersarmut am größten, neben den Alleinerziehenden und wir müssen insgesamt beim Thema Altersarmut schauen, dass das Projekt der Grundrente durchgezogen werden kann, das ist ja auch ein Anliegen des Koalitionsvertrages.

M.S: Stichwort Koalitionsvertrag. Der spricht ja von der Einrichtung einer Rentenkommission, die Vorschläge für die Jahre ab 2025 erarbeiten soll. Wie bewerten Sie diese, wer soll da drinsitzen und welche Prioritäten soll diese Kommission haben?

Rogowski: Ich gehe davon aus, dass sie noch im Mai erfahren werden, wer da drinsitzen soll. Es gab ja auch Medienberichterstattung von Anfang der Woche, wo die Namen Karl Schieblering und Gabriele Löwenkrug-Müller genannt worden sind. Das sind ja zwei sehr erfahrene Politiker, die aus dem Bundestag ausgeschieden und nicht mehr aktiv sind, die aber in der Vergangenheit schon sehr eng zusammengearbeitet haben. In der vergangen großen Koalition haben sie unter anderem das

Betriebsrentenstärkungsgesetz und die Flexirente betreut, aber eben auch sehr viele andere Gesetze, wie das neue Teilhabegesetz, deswegen kennt man sich und kann vertrauensvoll zusammenarbeiten.

Welche Mitglieder dann sonst noch in dieser Kommission sein werden, das werden wir in kürze erfahren, aber es steht ja auch im Koalitionsvertrag drin, aus welchen Bereichen die Mitglieder kommen sollen. Also die Sozialpartner werden beteiligt, es werden aktive Abgeordnete beteiligt werden und es wird auf jeden Fall die Wissenschaft vertreten sein. In welcher Konstellation wird in den nächsten Wochen bekanntgegeben. Die Inhalte werden natürlich durch den Vorsitz bestimmt, deswegen kann ich das jetzt nicht vorwegnehmen, aber natürlich werden die sich die drei Säulen der Altersvorsorge getrennt angucken und zwar die gesetzliche Rente im Hinblick auf die sogenannten doppelten Haltelinien, die bis 2025 greifen sollen, nämlich 48% Rentenniveau und ein stabiler Beitragssatz bei 20%, da wird man auch einen Ausblick wagen, wie das weitergehen kann und wie weit man dann im Prinzip noch nachsteuern muss.

Ob ein Teil der Rente stärker aus Steuermitteln finanziert werden kann oder auch das Kapitaldeckungsverfahren noch weiter implementiert wird, das wird dann die Kommission genauer erarbeiten. Sie wird sich auch sicherlich mit der Riesterrente und der betrieblichen Altersversorgung befassen und sie wird sicherlich auch in andere Staaten schauen, welche Modelle gibt es sonst noch so links und rechts des Weges, was kann man lernen von skandinavischen Staaten oder beispielsweise der Schweiz oder Österreich? Allzu viel kann die Kommission ja nicht tun, da sie nur einen relativ kurzen Zeitraum hat, wo sie Ergebnisse liefern muss und deswegen muss man sich da ja auch auf bestimmte Schwerpunkte konzentrieren.

M.S: Welche Chance und Risiken sehen Sie bei der kapitalgedeckten Altersvorsorge, erwarten Sie eine Zunahme und welchen Einfluss haben die aktuell sehr niedrigen Zinsraten?

Rogowski: Ich fange mal hinten an, da sprechen sie nämlich einen wunden Punkt an. Solange die Zinsen so niedrig sind, macht es wenig Sinn für viele Menschen stärker auf die kapitalgedeckte Säule zu setzen. Da gibt es eben die sicheren Kapitalanlagen, die zum Teil von der Inflation wieder aufgefressen werden und keine Rendite abwerfen. Das ist ein Problem und solange dies der Fall ist, ist es natürlich für die kapitalgedeckte Altersvorsorge etwas schwierig.

Wir müssen die Menschen unterscheiden zwischen denen, die sich ein bisschen was auf dem Kapitalmarkt trauen und dort auch auskennen, die werden natürlich Kapitalmärkte auch stärker nutzen und wissen oft auch auf welche Anlagen sie setzen müssen, beispielsweise Immobilien oder Immobilienfonds oder Aktien von sehr moderner Varianten, wie zum Beispiel Kryptowährungen oder ähnliches. Das ist aber meiner Einschätzung nach immer nur etwas für diejenigen, die sehr schnell sind. Jene die zu spät kommen, werden von der Entwicklung bereits abgehängt sein und dann nicht mehr so profitieren. Das ist eben eine relativ kleine Gruppe, die sich sehr gut auskennt und den richtigen Riecher haben. Das kann man von den normalen Menschen, die im Erwerbsleben stehen und sich tagtäglich mit anderen Dingen beschäftigen, eben nicht erwarten, dass sie dann auch den Zeitgeist immer richtig mitbekommen. Die sind dann eben angewiesen auf Aktienfonds und andere relativ sichere Anlageformen und da haben wir eben in der Niedrigzinsphase eben noch Schwierigkeiten. Es wird natürlich immer den harten Kern der Menschen geben, die am liebsten alles auf die kapitalgedeckte Vorsorge setzen würden und da auch erfolgreich sein werden und gleichzeitig gibt es einen großen Kreis an Menschen, die vor eben jenen Risiken zurückschrecken.

M.S: Wie beurteilen Sie die Idee, das Renteneintrittsalter nach 2030 an die Lebenserwartung zu koppeln?

Rogowski: Dies ist sicherlich eine Option die man auch erörtern wird und die auch in der Rentenkommission eine Rolle spielen wird. Wir haben jetzt die Erhöhung des Renteneintrittsalter bis 2030 festgelegt, wo die Rente mit 67 ja dann Realität sein wird. Unser Ziel muss erstmal sein dieses Renteneintrittsalter auch zu halten, sprich das Menschen nicht mehr vorgezogen in Rente gehen, wie dies ja heute noch mit der Rente mit 63 und ein paar Monaten der Fall ist. Damit hat man eigentlich schon sehr viel vor sich. Was auch immer man hinterher nach 2030 guckt, das ist jetzt noch ein bisschen früh zu entscheiden, das sind noch mehr als 10 Jahre hin und ich würde auch sagen, dass man da erst in einigen Jahren drüber nachdenken sollte, damit man den Menschen auch keine Angst macht, dass sie auch mit 70 noch irgendwo als Dachdecker arbeiten müssen. Da hat sicherlich der menschliche Körper auch Grenzen und die muss man auch irgendwo würdigen. Deswegen halte ich gar nichts davon, das Renteneintrittsalter danach zu fixieren, sondern man müsste beispielsweise zu einem System kommen, dass der der länger arbeitet, stärker belohnt wird und der der früher geht, stärkere Einschnitte hinzunehmen hat.

M.S: Welche politischen und institutionellen Hürden stehen einer umfassenden Rentenreform im Weg und wie könnten diese gelöst werden?

Rogowski: Wie meinen Sie die Frage? Meinen Sie das Gesetzgebungsverfahren?

M.S: Zum Beispiel. Mit politischen Hürden meine ich, dass die steigende Anzahl der Rentner natürlich Druck auf die Politik ausübt um beispielsweise eine Anhebung des Renteneintrittsalters zu verhindern

Rogowski: Also da muss man ja erstmal schauen. Wir haben immer ein bisschen auch die Sorge gehabt, dass ähnlich wie Hartz 4, dies neu beim Koalitionspartner erörtert wird und diese Frage gestellt wird und wir sehen jetzt eigentlich einen breiten Konsens bis hin zu den Gewerkschaften, dass das höhere Renteneintrittsalter mittlerweile akzeptiert wird also die Rente mit 67, die jetzt erstmal schrittweise eingeführt wird. Ich habe nicht das Gefühl, dass diejenigen die bereits in Rente sind ein Problem damit haben, dass diejenigen die noch in Rente kommen, dann später in Rente gehen. Natürlich wird der Konflikt zwischen Alten und Jungen möglicherweise ein bisschen intensiver zu erörtern sein und man muss dann natürlich auch zu einem Interessenausgleich kommen. Aber das haben die vergangenen Rentenreformen gezeigt, nehmen sie die Riestertreppe, die ja die Rentenanpassungen gedämpft haben, dass die auch zu einem Akzeptanzgefühl bei der älteren Bevölkerung geführt haben. Die sind also durchaus verantwortungsbewusst und haben ja selbst meistens auch Kinder und Enkel und wissen in aller Regel, dass Solidarität keine Einbahnstraße ist und man einen Ausgleich haben muss. Das wichtigste ist aber, dass man jede Diskussion nicht polemisch oder als Konfrontationsdiskussion führt, sondern ausgewogen und mit Sachargumenten. Darauf kommt es an.

M.S: Welchen Einfluss hat ein immer stärker fragmentiertes Parteiensystem auf den Erfolg oder Misserfolg von zukünftigen Rentenreformen?

Rogowski: Also das ist eine gute Frage. Es gibt kleinere Parteien jetzt im Bundestag, die sich um die Altersversorgung viele Gedanken gemacht haben, dazugehören die Grünen und die FDP. Bei den Grünen hätte man sich das in einer möglichen Jamaika-Koalition auch sicherlich vorstellen können,

dass die einiges von ihren Ideen hätten durchsetzen können, die sind auch nicht alle verwerflich oder kritisch zu beurteilen, da gibt es auch gute Ideen. Die FDP hatte auch ein sehr ausgewogenes oder sagen wir mal ausführliches Rentenprogramm, da war zum Beispiel die Vorsorgepflicht für Selbstständige verankert, damit sind sie sogar ein Schritt weiter als die Union gegangen, die das nicht im Wahlprogramm hatte. Also da hat man durchaus Ansätze.

Bei der AFD ist das gänzlich anders, bei der AFD haben wir aus meiner Sicht noch keine einheitliche Linie. Wir wissen nicht ob sie stärker Richtung Linke und Staatsrente tendieren oder in Richtung mehr Liberalismus. Ich glaube, die haben irgendwie noch keine abschließende Vorstellung darüber, wie die Altersvorsorge aussehen muss und da sind wir natürlich auch gespannt, was da in der Zukunft noch kommt. Es ist nicht auszuschließen, dass die auch revolutionäreren Ideen haben, die für uns ein No-Go wären.

Systematic Review

Name of the Study (and additional Information For Germany)	General Aspects of the Pension Reform Process/ Suggestion for Reform Proposals	Political & Institutional Constraints towards the Pension Reform Process	Data Projection	Vulnerability towards a financial crisis e.g. exceptional financial circumstances	Aspects of financial redistribution	How effective in preventing old-age poverty
1. Allianz (2016): 2016 Pension Sustainability Index	Germany only reaches a mediocre score among 54 developed countries. Though, there have been some improvements implemented recently (6) Retirement Age legal 67, effective 65 (26)		Rating in terms of demographic situation (6 e.g. 41/54) Public Finances (5.7 42/54) and Pension system (7.15 14/54) (29ff) Old-age dependency ratio 2015 vs. 2050 31 to 59% (24) Gross Replacement Rate 42% (25)		Public spending in 2015 10% of GDP, forecasted to be 12.5% in 2050 (27)	Old-age poverty (risk group) is going to increase from 16% (2015-20) to around 20% in 2035. (19) Grundsicherungsquote is going to increase from 5.5% to 7% in the same period (25)
2. BAMS 2017 Rentenversicherungsbericht 2017 It is estimated that the German workforce is going to increase until 2022, similar to the development of the average wage (11) The government has acknowledged that only additional pension insurance is going to prevent far reaching old-age poverty (12) Low pensions are usually balanced by other forms of income (23) Pension value in west and east are aligning (25) Employment has significantly increased among the 60-65 years old, it is expected to grow even further (29)		It is assumed that pension payments are going to increase by 22% until 2031 (11) Replacement rate is going to be 48.2% in 2017, below 48% until 2024, around 45% in 2030 and 44.6% in 2031 (11) On average woman received 671 and man 1065 Euro a month (23) 19.6% of the pensioners receive more than one public pension (19) 63% of all pensioner household's income results from the GRV, private pension provision accounts for 22% % (20) GRV spending has increased by 3.8 % from 2016 to 2017 (29) Total spending 288.4 billion Euro compared to an income of 286 (215.4 contribution and 70 public subsidies (29)			Nachhaltigkeitsruecklage Is estimated to be 32.9 billion Euro ~ 1.59 monthly spending of the GRV (40) Nachhaltigkeitsruecklage is going to decrease to 27.1 billion in 2021 (41)	

		Overview about the development of pension income, spending and contribution rate until 2021 (29) (40) It is expected that within the eastern provinces the GRV will make an annual surplus between 19.3 and 21.6 billion (37) Contribution rate is assumed to increase to 21.9 in 2031. (38) On average men retire with 63.9 and female with 64.2 (72)			
3. Bertelsmann Stiftung (2013) Alterssicherung, Arbeitsmarktdynamik und neue Reformen	Female labor market participation must be increased in order to stabilize the system (30ff) More investment into the education system in order to avoid inconsistent labor market history (39ff) Increased female labor participation, higher retirement age and improved education can offset the negative externalities resulting from the demographic changes. However, the replacement rate will still be significant lower (42.5% in 2060 compared to 52.9% in 2010) (37ff) Including independent workers and civil	Although problem already visible in the 1970s, politics have started to care in the 1990s only – bad sign for future reforms, pension policies are often postponed to the future (16)	Reproductive rate is assumed to stagnate around 1.4 births per woman (19) Life expectancy is going to increase by two years per decade (19) Total population going to decrease from 82 in 2013 to 69 million in 2060 (20) Old-age dependency ratio going to increase from 30 to 49 in 2030 up to 63 in 2060 (20)	Even beneficial developments on the labor market cant offset the negative externalities resulting from the demographic changes (30ff) Raising the contribution rate will have a negative impact on the labor market (35ff) No negative impact resulting from a progressive ageing society in regard to the national innovative power (36ff) Increased automatization of labor is going to affect the retirement system (39ff)	From 2030 onwards old-age poverty is going to increase massively

	servants would only dampen the negative effects for a medium period (until 2030) (51) Make private pension provision mandatory but offer exceptions (opt-out) (52ff) Implement stronger incentives for getting kids although this is long-term rather than an immediate solution (53-54) Higher penalties for early retirement around 5-7% annually instead of only 3.6 (57) Attracted higher qualified migrants compared to today (58) Introduce a children pension for parents with three or more kids, make private provision mandatory for everyone else (59)					
4. Bertelsmann Stiftung (2016) Entwicklung der Altersarmut bis 2036.	Focuses on the people who were born between 1947 and 1969 (10)				Old-age poverty (risk group) is going to increase from 16% (2015-20) to around 20% in 2035. (11) Grundsicherungsquote is going to increase from 5.5% to 7% in the same period (11)	

					Especially only basic educated people, single woman, long-term unemployed, migration background are above average affected by old-age poverty (11) Poverty risk for future pensioner from the eastern states appreciably higher (36%) compared to the western provinces It is assumed that only 30% of men and 10% of woman will receive a full pension without any cuts (Abschläge) (12)
5. Blackrock (2017) Planning for retirement: Long-term savings and investment in Germany	Expand occupational pension schemes and make them mandatory Also educate the people more efficient, so they can make better financial decisions (8) Take into account that career paths are more flexible and less consistent then they used to be (8) Make auto enrolling for occupational schemes mandatory, the UK made good experience with that so far (9) Saving rates are already fairly high, therefore better investment decisions have to be undertaken (6)	Changes within the system can be confusing for the citizen (5-6) Cross-party acceptance is needed for sustainable long-term change (11)		Public pension system depends on a functioning labor market, therefore essential to increase working age beyond 67 (3) Interest rates in Germany are very low compared to the rest of the world, therefore holding cash is unwise it should rather be invested into equities et al. (7)	

	Introduce save more tomorrow schemes. Should be targeted at especially young people (10) Without taking any risk it will be significantly harder to guarantee a decent retirement period (12)					
6. Borsch-Supan et al (2012) Riester Pensions in Germany	Since the introduction of the Riester Rente, the number of people who have at least two different types of old-age pension provision has significantly increased (9) One Euro in federal Riester subsidies accounts for 2.2 euro private savings for old-age provision (11) Targeting especially low income households has been proven to be rather difficult (12-13) Information and social acceptance must be improved (25)					Subsidies for Riester Rente are the highest for low income earner (6) However, Riester not able to fulfil the retirement gap completely (7ff) 27% of German households most likely are not going to close the pension gap and therefore will be worse off (24)
7. Centre for Strategy and Evaluation	Impact on SMEs must be considered during the pension reform	German Bundeslaender are		Pensions, especially from civil servants,	Pension funds are more affected by demographic change	

Services (2010) The regional and local impact of EU pension system reform	process. Not much has been done in that regard recently (2) Cross border pension payments must become more flexible (25)	responsible for direct pension payment (18)		require additional funding (18)	than by the overall market fluctuation (22)	
8. Citigroup (2016) The coming pension crisis	Large growth opportunities for private pension insurance (12) Public must be aware of the funding gap which should be the task of the government (38ff) Comparatively small fraction of pension fund assets can be found within German households' balance sheets. However, other financial measures might be used for retirement purpose as well (23ff)		Estimates that Germany is going to spend 12.5% of its GDP on pension 2050 compared to 10 in 2015 (22) Good overview on p25 although Germany spends comparably a high % of their GDP the replacement rate is fairly low. (27)	Germany has accumulated contingent public pension liabilities worth 300% of its GDP (26) Especially companies have accumulated large amounts of pension liabilities. DAX companies are not as strong affected as SMEs (32)		
9. DESTATIS (2015) Germany's Population by 2060.	Today's workforce consists largely out of the "Baby Boomer" who are going to retire soon (5) Birth deficit cannot be outnumbered by net immigration (5)	Number of annual births is going to decrease from around 700k 2020 to 500-550k in 2060 Number of deaths will increase from 894k to 1.1 in 2050 then fall to 1 in 2060 (13) Ageing structure going to change significantly: under 20 years (18% in 2013 to 16% in 2060) 20 to 64 (61% in 2013 to 51/52%) 65+ (21% in 2013 to 32/33% in 2060) (14) Oldest old (80+) sharply rising from 5.4% in 2013 to 13% in 2060 (17) Working age/potential labor force group is going to decrease by 30% compared to 2013 from 49.2 to 34 Mio depending on the level of immigration (38)				

	Oldest old require the most resources (6)	2013 persons older than 65 to 100 person in working age. Depending on migration flows increase to 61 or 65 to 100 working age. Biggest increase until 2030 then stable until 2040 followed but slow decrease. (38) Dependency ratio 2013 was 30 for 2060 it is projected to be between 61 to 65 in 2060 (38) Young age dependency ratio will remain stable; ratio of potential recipient groups will increase from 64 in 2013 to 93-101 (depending immigration) (38) Life expectancy is going to rise (depending on two different scenarios) either 7 (m) 6 (f) or 9 (m) 7.6 (f) more years compared to born in 2013. 65 year old men can expect to live between 22-23.7 and female from 25 to 26.5 additional years in 2060 (38)				
10. DG Internal Policies (2014) Pension Schemes. Germany pension system is considered as Bismarckian Only 35-40% of all eligible people sign up for Riester-Rente	Many German temporary workers aren't sufficiently insured compared to their European counterparts (17 percentage points difference) (42) Riester Renter shouldn't be deduced from the Grundsicherung because it creates an incentive to not save money at all (42)				Pension benefits are earnings related and therefore very little financial redistribution (15) Nevertheless, there is a means-tested system in place that guarantees a certain minimum (18)	Must be significantly improve due to the fact that especially citizens, who have only basic education in combination with interrupted careers, are more likely to expect old-age poverty due to the reduction of pension benefits (41ff)
11. European Commission (2018) The 2018 Ageing Report	Retirement age isn't linked to life expectancy yet (54ff) Automatic Balancing mechanism was introduced in 2004 (54ff) Previous reforms undertaken (2014) have even reduced the retirement age there should be a reversal (55ff)	Fertility rates projection 2016 (1.49), 2030 (1.53) 2060 (1.64) 2070 (1.68) (26) Life expectancy has drastically increased 11 years longer compared 2015 to 1960 (26) Migration towards Germany very high (27) Population is going to decrease from 82.5 million (2016) to only 79.2 in 2070 (29) Old-Age dependency ratio in 2016 (32.2.), 2060 (55.1) 2070 (55.9) (28) Very-old dependency ratio (80+/15-64): 2016 (8.9), 2060 (21.4) 2070 (24.1) (28) Total dependency ratio: 2016 (52.3), 2060 (79.9), 2070 (81.0) (28) Total labor supply is expected to decrease by 0.4% in 2070 compared to 2016 (28)				

12. Gemeinschaftsdiagnose (2018) Deutsche Wirtschaft im Boom – Luft wird dünner	In order to stabilize the contribution rate around 20%, two different policies could be enacted. Increase (young) labor migration by annually 500.000 or increase the retirement age to above 70 years (61)	Not enough attention is devoted to the problem by the current political administration (60)	Replacement rate is estimated to be around 43% in 2050 (61) Contribution rate is going to increase to 24% by 2050 and due to more generous pension benefits (Muetterrente, Grundrente) it is estimated that the contribution rate is going to further increase by 2.5 percentage points (61ff)	Increasing pension benefits contradicts the goal of financial sustainability. Especially the introduction of the reduced-earning-capacity pension as well as the foreseen harmonization of pensions in east and west is going to increase the burden on the financial budget (61ff)		
13. Initiative Neue Soziale Marktwirtschaft (2016a) Reformfelder der Alterssicherung	Without any counter measures the contribution rate is going to increase from 18.7 to 25% in the year 2060 (2) Retirement age should be increased to roughly 70 years by 2070 (3) Early retirement should only be possible if the accumulated benefits are higher than the Grundsicherung (4) Cross financing accounts 74.5 billion in 2015 (9)	Extremely difficult to reverse previous reform proposals, such as Muetterrente and early retirement, due to the masses that would be affected (9) Currently employees in the eastern provinces earn 8% more pension points compared to the west (11)			High-income households receive higher relatively higher federal Riester subsidies compared to middle/low income households. (17ff)	People who received Erwerbsminderungsrente are especially affected by old age poverty, Erwerbsm. is below of the Grundsicherung (6ff) Low-income workers barely sign up for private pension provision (Riester) (19)

	Muetterrente and early retirement account for nine billion Euro additional costs only in 2016 (9) Public subsidies towards the retirement system should be case oriented rather than a fixed percentage number (10ff) Expanding public pension insurance to independent workers is not recommended. The increased income of the GRV would most likely lead to increased benefits for current pensioners (13ff) Introduction of Riester Freibetraege within the Grundsicherung 19/20. However, only medium-long term improvement (19ff)					
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14. Initiative Neue Soziale Marktwirtschaft (2016b): Reform der Alterssicherung. Populäre Thesen, empirische Befunde und normative Ableitungen.	Increase retirement age (4) Do not increase replacement rate, if it would happen the legal limit would be violated from already 2022 onwards (5) German population isn't properly prepared in order to close the coming pension gap with private provision (18ff)		The upper limit of the contribution rate is going to break around 2024, furthermore it is expected that the contribution rate is going to increase to 25% by 2030 (19)			In 2014, only 2.5% of the pensioners received Grundsicherung. It is estimated that this figure is going to increase by 50% however it would still remain clearly below the population average (9) Increasing pension benefits cannot be a proper measure in order to prevent old-age poverty because it would attract free rider. Further, people who already receive higher benefits would profit simultaneously. (19)
15. International Monetary Fund (2011) The Challenge of Public Pension Reform in Advanced and Emerging Economies	Indexation rules were adjusted during the financial crisis in 2009 in order to prevent a decrease of pension benefits in nominal terms (17) Recommends reforms that should tackle high public spending as a percent of GDP as well as a percent of primary spending (37)		Public pension spending is going to increase by 1.2% from 2010 to 2030 (13)			

	Throughout the past 20 years, fertility rates have been overestimated by 0,3 children per woman (14)					
16. Max-Planck-Institut fuer Sozialrecht und Sozialpolitik (2014) Savings in times of demographic change	People with low education have not adjusted their retirement expectation to the newly created situation (17) Subsidies alone are not sufficient enough in order to increase participation among low-income households. Financial knowledge must be improved by providing additional information (5) Increase financial literacy among low-income workers (6) Only 50% of the workers are aware that they could have access to an occupational pension fund (22)		Number of households without additional private provision decreased from 73 to 39% within 10 years (23) Postponing retirement increase the replacement rate by 6% (12) Average effective retirement age is 64.1 for male and 63.8 for female (15) Saving rate is roughly remained the same since the first pension reform in 2002 (17) Only 16% of the population signed up for private pension provision (19)	High unemployment rates in combination with low growth are extremely dangerous for the sustainability of the pension system (9)	Only very few elements of financial redistribution → Grundsicherung (6) Low income households profit from higher Riester subsidies whereas high income workers enjoy higher tax deductions (8-9) Huge difference between the riester coverage rates of low- and high income households (9)	
17. OECD (2017a) Pension at a Glance 2017. OECD and G20 Indicators	Income test for combining work and pension has been relaxed Old-age workers now can continue contributing to their pension benefits by working after the age of 65		Employment rate of old-age workers has significantly increase since 2000 (+25%) (44)	Automatic adjustment mechanism has been implemented in order to reflect an increased pensioner/worker ratio (25)	Incentives for low-wage earners regarding occupational pension plans have been implemented (26)	Poverty rates: 9.5% of 66+, 66-75 (8.4) 76+ (10.3) 57% of working age population owns

	On average an occupational pension plan increases the replacement rate by 17 percentage points (18) Flexible retirement age has costs and benefits. Increase the incentive to work longer but also to retire early while underestimating the financial needs and therefore ending up in old-age poverty (42) Delaying retirement results in an annual bonus of 6% (55) Gross replacement rate is independent from the level in come, should be changed towards a more progressive way, low-wages higher replacement rate, high-wage earners subsequently lower (58ff) Pension indexation is linked to the development of wages and not to the development of prices, wages increase faster than prices (35) CEU eTD Collection	Effective retirement age of both man and female is below the normal retirement age Mandatory Public replacement rate is 38.2 if voluntary pension provision is added then replacement rate on average 50.2 (24/26) Fertility rates 2015 (1.47) 2030 (1.57) 2060 (1.68) slight increase but still way too low (35) Old-Age dependency ratio 2015 (34.8) 2025 (41.4) 2050 (59.2) 2075 (63.1) (35) Woman will experience 22.6 years in retirement, male 19.5 (2016) (129) Public + private pension spending 10.9% of GDP, projected to increase to 12.7% by 2060 (147)	Most of the (private) pension assets are invested into either bills or bonds (156)		occupational pension plans, 33.8% hold private pension provision plans (151)
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18. OECD (2017b) Pension Markets in Focus. Annual OECD report pension systems	Companies should be incentivized to set up occupational pension plans for their employees (8)	German private pension assets only account for 6.8% of the GDP which is fairly little compared to other OECD countries (29) Most assets within private pension arrangements are either Bills and Bonds (35%) or Mutual funds (45%) (17) Collective Investment Schemes mainly consists out of Bills & Bonds and other forms of investment (18) Germany attracts a lot foreign pension investment, investors mainly come from Poland and Romania (22) Investment behavior is rather conservative compared to other OECD nations, it is safer but therefore the investment return rates are simultaneously lower (27)				
19. Sachverstaendigenrat (2016a) Rentenfinanzierung im demographischen Wandel	Decreasing the overall level of pension would absorb the negative pressure on the budget resulting from increased longevity. However, it cannot offset it completely. (2) A higher labor market participation rate in combination with increased retirement age results in bigger pension entitlements (4) Rentenanpassungsformel should be adjusted by changing alpha to a higher number (between 0-1 currently 0.25) in order to affect current pensioners more strongly (4-5) Long-term: choose between rising contribution rate by 8.5 percentage points or lower the replacement rate to around 30%. Only alternative within the current system is raising the retirement age (6-7) Including public servants and independent workers might cause legal difficulties. Also it would only postpone the current problems into the future. Though in the medium-term it would relieve pressure on the retirement system (15ff)	Dependency ratio will reach its peak in 2060 (4) Replacement rate is going to decrease sharply after 2030. 2060 42% and 2080 41.3 by at the same time rising contribution rates 2060 24% and 2080 around 24.3 (6)	Labor market participation is going to increase but total number of participants will decrease from 41 million to 28.7 by 2080 (3)	Current generation is going to impose 4.2% of GDP debt on future generations, old age provision accounts for 2.3 percentage points (Tragfaehigkeitsluecke) (5)		

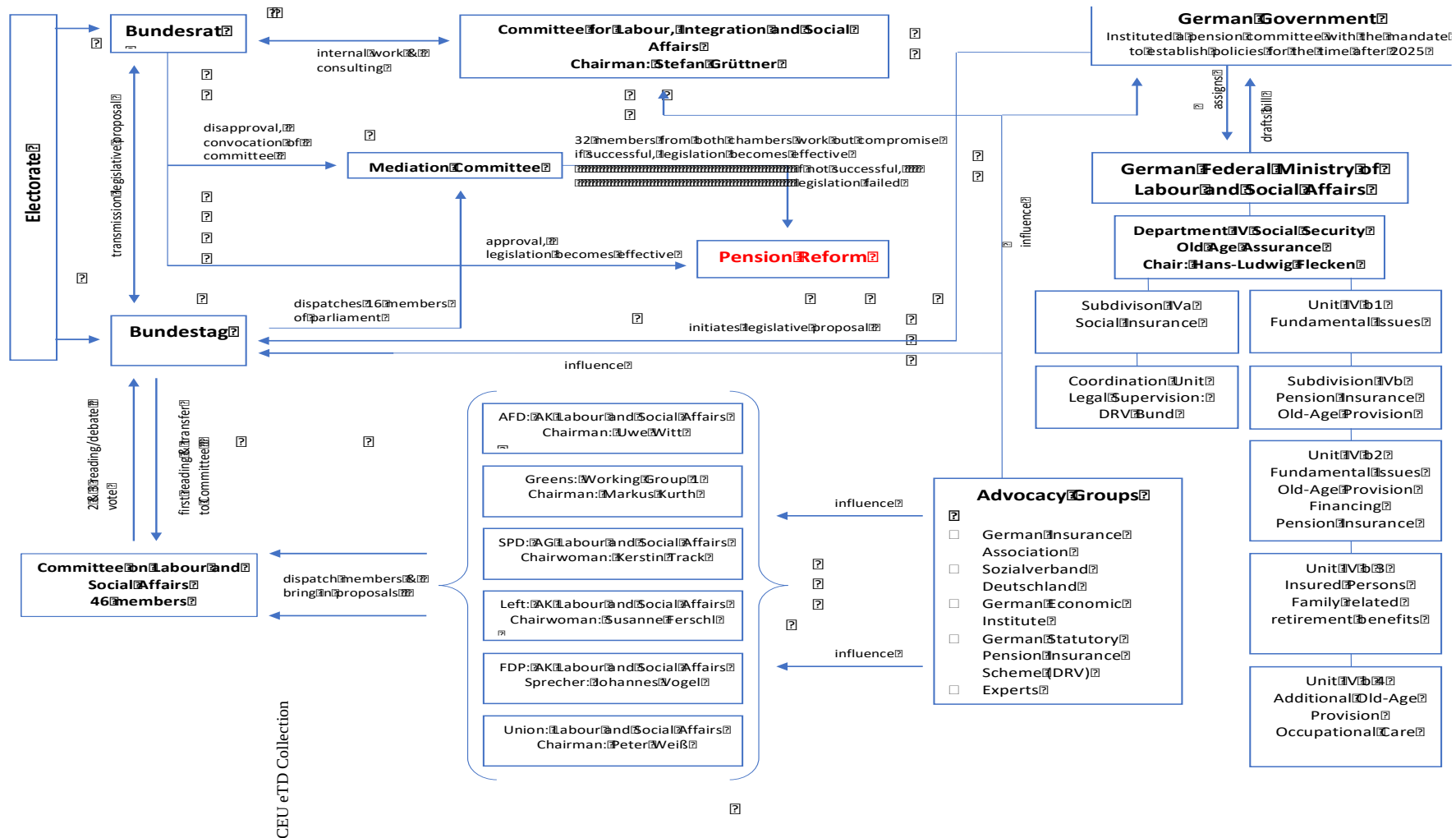
	Higher level of cross-financing would be difficult because the chosen tax needs to be very stable. VAT Tax for instance (23)					
20. Sachverstaendige nrat (2016b) 15 Jahre Riester – eine Bilanz	Since 2012, the expansion of Riester contracts has stopped (4) Also Riester is considered to be too difficult to understand (5ff) Improve cost structure of Riester products. Likewise, they are difficult to understand and not transparent (8ff) Allow anyone to Riester because questions of entitlement would disappear (12ff) Very costly to switch Riester products (6) Introduce a standard occupational pension plan that could be used especially by SME (10ff) People underestimated their Riester eligibility		16.5 million Riester contracts (2)	Riester Rente is especially affected by the ongoing low interest rate environment. Legal requirement that Riester products have fulfill include a high level of government bonds. Development leads to riskier investments since pension promises have to be fulfilled. (15) Pension gap can only be closed is the annual nominal interest rate of investment is around 4.5% (27)		Pensions will increase their purchasing power by annually 1% e.g. within one generation 30% more purchasing power (2) 78% of all German households are going to exceed the pension gap (3)
21. Sachverstaendige nrat (2017) Zeit fuer Reformen. Jahresgutachten 16/17	Increasing the retirement age could potentially start after 2030. Should be linked it to the expected longevity (289)	Including civil servants into the GRV has a positive effect, however highly unlikely. Pension formula of civil servants doesn't	Replacement rate (42.1) and contribution rate (23.9%) for 2080 (301)	If the contribution and replacement rate remains unchanged, the debt/gdp ratio will increase to 540% (302)	Zulagenfoerderung of the betriebliche Altersversorgung is especially targeted at low income workers (312ff)	It is expected that the number of Grundsicherung recipients is going to increase to 5.4% in 2029 (fairly low

	Improve private pension provision (290) Current discussions indicate a reversal of the reforms undertaken in 2000er (293) Between 2007 and 2018 the less strong age cohorts of WW2 + 10 years are going to retire and therefore there is comparatively less pressure on the budget (301ff) A realistic increase in the rate would start to relieve the pension system around the year 2045 (304ff) Including independent and civil servants would be a zero sum game in the long run but short and medium run the upcoming generation of pensioners is going to profit (307ff) Inevitable to increase occupational and private provision otherwise far reaching old-age poverty	include a sustainability factor (308) Also it is unrealistic because the whole civil servant framework would require substantial reform (308) The accumulation of pension benefits should be standardized between eastern and western provinces – eastern employees against it (304)		Riester Rente especially affected by low interest rate environment since it was originally assumed that a nominal annual return of 4.5% could be achieved (320ff)	The current Riester System is especially beneficial for high-income households (322)	compared to other projections) (291) Between 22% and 47% of all household won't be able to close the pension gap in the future with the means of private provision (291) At the moment around 50% of the work force receives only around 70% of the average wage. Therefore, their accumulated pension benefits wont be higher than the Grundsicherung (
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	becomes very likely (312ff)					
22. Verbraucherzentrale Bundesverband (2014) Positionspapier des vzbz und seiner Mitgliedsverbände zum Thema Altersarmut und Altersvorsorge	Currently, people who know that they are going to depend on Grundsicherung have no real incentive for private old age provision (4) Occupational and private provision are less important in the east than in the west (6) Increase investment into education in order to make inconsistent histories of employment less likely (10ff) Raise the pension points received for raising children and care taking of elderly dependents (8-9) Private pension provision schemes have to be more transparent in terms of costs also there should be financial products that are cost neutral (13ff)	In the year 2050, 40% of the German population is going to be older than 60 (40)			15% of the generation 65+ is subjected to old age poverty risk, especially exposed to risk are old age single woman (4) Current pension system only works if there is a consistent history of employment (6) Especially women are especially vulnerable due to their inconsistent history of employment and if employed they often have only part-time/mini jobs (8)	
23. Werding (2016) One Pillar Crumbling, The Other too short: Old-Age Provision in Germany	Recent reform steps have introduced costly measures and somehow caused a trend reversal (4ff) German corporatism should be used in order to expand occupational pension provision. This pillar provides the biggest room for maneuver (13) Public pension system is not prepared for the time after 2030 (6)	75% of all workers participate in the GRV, 90% of current pensioners receive payments out of the GRV (2) Old-age dependency ratio is going to double until 2035 (6)	Riester is highly vulnerable towards low interest rates since a return rate of around 4.5% is necessary in order to close the pension gap (8)		Low-wage earners are significantly underrepresented within the allocation of Riester contracts (9-10)	
24. World Economic Forum (2017) We'll Live to 100 – How Can We Afford It?	Main objective must be to prevent old-age poverty (70% replacement rate should be the overall goal) (5)	50% percent of the babies born in 2007 will become 102 years and older (2)		Equities are expected to perform 5% below historic average bond returns will be 3% lower (5)	Woman are especially vulnerable since they have shorter careers and lower salaries on average (12)	

	Encourage people to actively take care of their retirement, implement incentives for them (16) Increased job mobility must be reflected in the pension system (11) Work performed outside of the traditional work place must be valued and taken into account as well (12)				
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Overview Path Dependency Pension System Reform (Own Presentation)



Information Retrieved from BAMS 2018c & BAMS 2018d



Learning from our Neighbors: Policy Implications for the German Pension System under the Consideration of Low Interest Rates and Demographic Change

Research Proposal for a Systematic Review on the Pension System
Reform Process

Erasmus Mundus MAPP Thesis Report 2017

149695

Budapest, 31.08.2017

Mundus MAPP Thesis Report Author's Declaration Form

I, the undersigned Matthias Schenk hereby declare that I am the sole author of this thesis report. To the best of my knowledge this thesis report contains no material previously published by any other person except where proper acknowledgement has been made. This thesis report contains no material which has been accepted as part of the requirements of any other academic degree or non-degree program, in English or in any other language.

This is a true copy of the thesis report, including final revisions.

Name (printed): Matthias Schenk

Date: 31.08.2017

Signature: M. Schenk

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Introduction

Human life expectancy has considerably increased over the last 70 years. Due to improved sanitation, medication and nutrition, humans who are 100 years of age and older won't be the exception anymore, they will become the new normal. Individuals in western societies that were

born in 1947 could expect to live for about 85 years on average; however, 50 percent of babies born in the year 2007 will have an ordinary life expectancy of 103 years (World Economic Forum 2017: 4). In case the additional gained lifetime is used in a productive and satisfying manner, this development produces an enormous increase in quality of life for every human being. Nevertheless, this demographic trend puts tremendous pressure on the welfare state in general and the pension system in particular. Especially pension systems that were built under the principle of a Pay-As-You-Go (PAYG) system will face massive challenges in the near future. This development is further accelerated by the fact that the global investment market is at present characterized by a low interest rate environment which aggravates and restricts the investment opportunities of public and private pension funds. In addition to that, the fertility rate in most western societies has tremendously decreased as well and a trend reversal seems unlikely as yet. Rising life expectancy, a low interest rate environment and decreasing fertility rates will force many western societies to rethink the way their respective retirement system is working.

Analyzing and assessing the global pension system would neither be applicable nor feasible since it would go way beyond the scope of this Master Thesis. Therefore, I will only concentrate on policy implications for the German retirement system that derive from the trends mentioned above. I selected Germany for a variety of reasons. First of all, as a German citizen my country of origin is from special interest to me. Second, I am familiar with the language, the political culture, the existing laws and regulations as well as with the pension system in general. Because of that, it should be easier for me to gain access to potential high level interview partners, which should benefit the overall quality of my Thesis. Third, Germany heavily relies on a publicly funded PAYG system by at the same time being a rapidly ageing country with one of the lowest fertility rates worldwide. This makes the case especially interesting for research because an extensive reform of the retirement system will become inevitable. Fourth, due to Germany's economic power combined with its leading role inside the European Union, the wellbeing and functioning of an effective retirement system is not only important for the Germans themselves, it is crucial for the European continent as a whole.

The objective of my Master Thesis therefore is to identify possible strengths and weaknesses of the current German pension system and building up on that, provide the reader with concrete and practical policy reform recommendations. This shall be achieved by the following qualitative approach. First of all, I am going to compare the German with the Dutch retirement system. Germany and the Netherlands are (despite their different size of population) comparatively similar in terms of economic wealth, productivity and culture, both are members of the European Union and part of the OECD. Moreover, the Dutch pension system has been assessed multiple times as one of the most efficient and best functioning retirement system in the world. The Allianz Pension Sustainability Index 2016 ranks the country on position four (Allianz 2016: 6), which makes a comparison interesting and instructive. Furthermore, the Swedish pension reform from 1994 to 1998 (Weaver, Willen 2014: 2) and the resulting insights should be taken into account as well since Sweden also occupies a top position (3) in the Sustainability Index. Additionally, I will perform a systematic review of studies that have dealt with the reformation of the pension sector (in OECD countries/advanced economies) and finally I will conduct expert interviews with different stakeholders who are affiliated to the (German) retirement sector. On the basis of these findings I will propose substantial policy recommendations for the German retirement sector.

Problem specification & Research Gap

Although under the chancellorship of Gerhard Schröder some substantial reform steps on behalf of strengthening private old-age provision (a comprehensive overview will be provided in the Literature Review section) have been carried out, nevertheless, the dependency of the German population on the publicly run PAYG pension scheme remains high. “The German statutory pension system is a classic example of the conservative social insurance regime and mainly aims at preserving the status quo of the pensioners. The PAYGO-financed statutory pension has remained the most important pillar of the German pension system” (May 2013: 10). Currently, 85 percent of the German workforce is covered by the PAYG system and 90 percent of retirement income is provided through the statutory pension schemes (Bucher-Koenen, Lusardi 2011: 2). In contrast to other OECD countries, occupational pension plans and private provision are from minor importance. A recent comparison of different retirement systems across the globe, conducted by the ALLIANZ insurance cooperation, has assessed the German retirement system as only average and ranks it on position 25.

Problems related to the German Pension System

In order for a PAYG system to perform in an adequate way (without additional financial support), a dependency ratio of at least three to one (Three workers for one pension benefit recipient) is necessary (Mierzejewski 2015: 700). Therefore, it is important to have a closer look at the current demographic situation in Germany.

According to the White Paper (We'll Live to 100 – How Can We Afford It?) published by the World Economic Forum, it states that 50 percent of the German babies born in the year 2007 will live for an average time of 102 years. Since 2012, the German standard retirement age is gradually increasing from 65 to 67 years, which would translate into roughly 35 years of pension benefits. This simple calculation shows the enormous pressure that the German retirement system is going to face. In 2013, the 20 – 64 year old age group has been estimated by the German Federal Statistical Office (DESTATIS) to account for roughly 60 percent of the total German population (80.8 Million) (DESTATIS 2015:6). The dependency ratio (which is defined as the ratio of the dependent (0 to 15 and older than 64 years) to the 15-64 age population (working-age-group)) for Germany in 2013 has reached 51.62 percent, in 2016 it has been assessed as 52.191 percent and the rise in percentage points is going to increase even stronger in the future (World Bank 2017: 1).

Depending on the level of migration to Germany, DESTATIS forecasts two different scenarios. In case of lower immigration (net migration 100.000 persons per year), the group of 20 to 64-year olds will decrease to 34.3 million, with a total population of 67.6 million in 2060. In the event of higher immigration (net migration 200.000 persons per year), it is predicted that the amount of 20 to 64-year olds is going to decline and stabilize around 37.9 million people, whereas the total population will be around 73.1 million (DESTATIS 2015: 5-6). A [fully animated population pyramid](#) can be obtained at the DESTATIS webpage. In regard to the retirement system, the numbers become even

more challenging by closely looking at the absolute age structure. Whereas in 2013 the share of 65 years and older was already 21 percent of the total population, this figure will rise by more than 10 percentage points to roughly 32 to 33 percent in 2060. Additionally, the oldest old will significantly increase their share as well, from 5.4 percent of the total population in 2013 to over 13 percent in 2060 (DESTATIS 2015: 6). Especially the oldest old will raise the burden on the retirement budget particularly.

“Overall, the ratio of potential “recipient groups” (the under- 20s and over 65s) to the working-age population will increase from 64 in 2013 to 93 (give a moderate increase in life expectancy and higher immigration) to 101 (given a larger increase in life expectancy and lower immigration).” (DESTATIS 2015: 7)

The European Commission regularly publishes several spending forecasts for their member states. In 2013, Germany spent 10 percent of its GDP on public pensions (gross), whereas for 2060 it is estimated that the total gross amount will account for 12.7 percent (European Commission 2015: 310-311). For the year 2016, pension contributions for the statutory pension scheme were worth 214.8 billion Euro; however, the total expenses of the public retirement system were 282.7 billion euro. The funding gap of nearly 70 billion euro was filled by additional federal subsidies (Deutsche Rentenversicherung (DRV) 2017: 1). Especially against the background that the efficient functioning of a PAYG system highly depends on the labor market performance (efficient labor market → more contributions paid and vice versa) and the current labor market situation in Germany has been assessed multiple times as extraordinary positive (OECD ECOSCOPE 2016: 1), it is alarming that even under almost optimal circumstances, the currently existing German public retirement scheme is not capable of sustainable financing itself. In case of an economic recession and arising from that a rise in unemployment, the funding gap is likely to increase even further.

Of particular importance (especially for the pensioner) is the net replacement rate which is defined: “(...) as the individual net pension entitlement divided by net pre-retirement earning, taking into account personal income taxes and social security contributions. It measures how effectively a pension system provides a retirement income to replace earning, the main source of income before retirement.” (OECD Data 2017: 1) According to the OECD, the net replacement rate for Germany in 2014 has been 50 percent. However, it is predicted that the net replacement rate in 2060 will be significantly lower; with an estimated return of only 37.5 percent (OECD 2015: 264). Although this number only takes into account benefits provided by the public pension system, a replacement rate of merely 37.5 percent will most likely lead to a massive increase in old age poverty. The situation is further aggravated by the fact that a 37.5 percent replacement rate can only be achieved after having paid social security contribution for 45 years. Under realistic conditions this already very low number will only be reached by a minority of the population. In contrast to that, the net replacement rate in the Netherlands has been 95.7 and the European Union average has been 70.9 percent (OECD Data 2017:1) (Blank et al. 2016: 120).

Furthermore, not only the sheer demographic numbers and the already existing funding gaps are alarming, other negative factors have to be taken into account as well. In order to avoid old age

poverty, not only a stable employment contract is required, effective retirement arrangements calls for long-term planning and therefore, a reasonable amount of financial literacy. Buchen-Koenen and Lusardi (2011) have investigated the level of financial literacy in Germany and came to the conclusion that especially younger people, women, less educated persons, people with insufficient labor contracts, unemployed people and the inhabitants of the eastern federal provinces dispose only over unsatisfactory knowledge in terms of their own retirement planning. Especially the gender disparity is particularly worrying for two reasons. First, on average women tend to receive lower pension benefits compared to their male counterparts (the average pension benefits for a German female was 590 euro in 2013 whereas men could calculate with ordinary benefits worth 913 euros (Blank et al. 2016: 119)) and secondly, women have a higher life expectancy and therefore are even more vulnerable to old-age poverty (DESTATIS 2017:1).

In order to compensate potential insufficient public pension benefits, occupational pension plans or private provision might be an alternative to pursuit. As already mentioned, retirement provision requires long term planning and same is true for institutional investors and pension funds. Traditionally, both vehicles have a long-term orientated investment strategy and therefore are interested in investment opportunities that are surpassingly safe, by at the same time guaranteeing an adequate yield (government bonds would be the classic example). However, it is common knowledge that the financial world is currently embedded in an extremely low interest rate environment. This fact makes it increasingly difficult for pension funds and institutional investors to keep their pension promises (Citigroup 2016: 9). A recent Citigroup study (2016) came to the conclusion that underfunded public and private pension funds are becoming an elevated risk for the global financial market. Irresponsible investments in order to meet promised obligations could be further encouraged by the current availability of cheap money. It further contains the risk that today's mistakes are veiled and postponed to the future (Belke 2013:7).

In short, the German pension system is facing a variety of challenges. First, the funding gap of the publicly orchestrated PAYG system is already too high and is most likely going to increase even further. Secondly, compared to other OECD countries the present replacement rate is already low and reliable forecasts predict a further decline. Thirdly, the demographic numbers speak a clear language, Germany is rapidly ageing and therefore the already high dependency ratio is going to rise forward as well. Fourthly, financial literacy among the most vulnerable society groups (low-income, unemployed, uneducated, eastern Germans, young people and females) is not sufficient enough in order to prevent extensive old age poverty. Fifthly, the current low interest rate environment makes it increasingly difficult for institutional investors and private pension funds to find adequate investment opportunities, which enhances the risk of false investment and consequently a loss of pension benefits.

Research Gap

My thesis will contribute to the present research by providing a practical and inclusive approach to the topic. Additionally, according to my best knowledge, no systematic review in combination with expert interviews on behalf of the reformation of the German pension system has been carried out

yet. Furthermore, the current low interest environment is a comparatively new phenomena and therefore requires additional investigation. Most research papers focus either completely on analyzing a particular pension system, but then fail to include or address concrete policy recommendations or if suggestions are provided, they are not specifically tailored to the German case. Moreover, research papers that deal with the reformation of the retirement system, either focus only on political or on economic aspects. In contrast to that, my Master Thesis will have an inclusive approach that investigates potentials and threats to the reform process from both perspectives. Therefore, I would consider my project as a hybrid that takes into account theoretical and practical approaches as well political and economic concepts. It is intended to deliver practical hands on policy reform recommendations to relevant stakeholders that are involved in the reorganization of the German retirement system.

Literature Review

Extensive literature is available for all of my relevant subcategories (Demographic Change, Interest Rates and the German/Dutch/Swedish Pension System), however, literature that combines all of the listed subcategories is hardly available

Demographics

In regard to the demographic development, the respective National Statistical Offices are providing comprehensive and wide reaching data sets. Furthermore, records in regard to demographic projections are also made available through international institutions such as the [World Bank](#), the [United Nations](#) or the [European Union](#). For Germany, [DESTATIS](#) regularly publishes summaries and forecasts on the current demographic situation in Germany. The [Genesis Online Databank](#) is one of the most comprehensive data collections that is available and it is updated on an almost daily basis. With respect to the demographic development, the latest publication of the DESTATIS has been the [Germany's Population by 2060 – Results of the 13th coordinated population projection](#) from 2015. It considers the future demographic process in Germany under two different scenarios, (Low or High Migration) with a special focus on changes in the age structure, life expectancy and birthrates.

In the Netherlands, the [Centraal Bureau voor de Statistiek](#) (Central Agency for Statistics (CBS)) is the main authority in terms of providing comprehensive data to the general public. The Dutch database is called [StatLine](#) and provides data on an extensive variety of different topics. The most current forecast has been conducted in December 2014, with a special focus on migration and longevity. In short, the CBS expects a slow increase in total birth rates and a distinct rise in migration numbers. The total population is going to increase to around 18.1 Mio. by 2060, moreover, average life expectancy is going to rise significantly either, which automatically translates to a rising average population age either.

In case of Sweden, the [Statistika Centralbyrån](#) (Statistics Sweden) is responsible for providing detailed datasets to the public. Population forecasts for the general public are conducted on an annual basis; the [latest forecast](#) has been published in April 2017. It is estimated that due to increasing life expectancy in combination with higher levels of migration, the total Swedish population is going to increase from ten million in 2017 to 11 Million in 2026. Similar to Germany and the Netherlands, Sweden is going to experience a steady ageing of its society, which consequently is associated with a rising dependency ratio either.

Interest Rates

The current low interest rate environment is a comparatively new phenomenon and although major Central Banks, such as the Federal Reserve Bank, have recently started to slightly increase the key interest rate (BBC 2017: 1), the majority of financial experts expects the low interest rate environment to prevail for an indefinite time. However, due to its novelty, comparatively little research regarding its impact on pension funds performance and institutional investors behaviour is available yet. In 2016, the Citigroup published: *The Coming Pension Crisis. Recommendations for Keeping the Global Pension System Afloat*. The global operating Bank came to the conclusion that the current low interest rate environment has the potential of triggering a new global financial crisis. “The current low interest rate environment has kept the value of pension liabilities and the stated value of underfunding abnormally high.” (Citigroup 2016: 9) And further: “The long duration of pension liabilities means their valuations are highly sensitive to the assumptions used. Lower-than-anticipated future interest rates, couple with high-than-expected wage inflation and longer-than-expected life expectancy could impact pension debt to GDP ratios negatively.” (Citigroup 2016: 27)

Ansgar Belke (2013) has analyzed in his paper *Impact of a Low Interest Rate Environment* the implications for monetary policy in general and the pension system in particular. He came to the conclusion that low interest rates could lead to increased irresponsible financial behavior because in the short- and medium term borrowing money, in order to compensate losses, is comparatively cheap and easily available. Furthermore, pensioners are more negatively affected than other social groups since they frequently depend on the income generated from interest rates. Similar to the Citigroup study, Belke fears that low interest rates on investments could open the door for unsustainable and risky investments. This behavior has been examined closer by Boubaker et al (2015). They came to the conclusion that low interest rates actually seem to trigger riskier investments, however, their dataset consisted largely out of American Banks and therefore the results have to be handled with caution. Jens Carsten Jackwerth and Anna Slavutskaya (2015) have examined the consequences of low interest rates on the investment behavior of pension funds. Their results showed a shift from traditional investment opportunities towards hedge funds, by at the same time reducing the total number of investments. In contrast to that, the Bank for International Settlement (2011) came to the conclusion that there is no plausible relationship between low interest rates and increased risk-taking behavior. Moreover, Antolin et al. (2011) pointed out that pension funds which have promised high defined benefits are especially (negatively) affected by the present low interest environment.

The German Pension System

Mercedes Alda (2016) has defined the German pension system as the continental welfare model with a high degree of social support, provided by a public pension system, which guarantees a modest redistribution of income. Within the German retirement system, there is a clear relationship between previous contribution to the labor market and future pension benefits earned. Benefits are calculated on the basis of fulfilling certain requirements. Pension funds investment in Germany is worth \$236 billion, which stands roughly for 6.7 percent of Germanys total GDP. Christina May (2013) however sees in Germany the classic version of a comparatively conservative social insurance system, which is mainly designed in order to maintain the status quo among the group of pensioners. Although occupational pension funds still play only a subordinated role within the German retirement system, they have gained considerable momentum after the pension system reform in 2001. However, in case the pension system isn't subjected to substantial reforms, May predicts that the gap between recipients of high or rather low benefits is further going to incline.

The German public retirement system has been examined from a more historical perspective by Martin Werding (2013). His analysis is followed by a comprehensive assessment regarding its future developments. As a result of the retirement age reform in 2007, the required pension age will increase in small steps from 65 in 2007 until 67 in 2029, which will partially dampen the negative impacts that result from the progressive ageing of the society. Furthermore, according to Werding, the success of the German pension system highly depends on a well-functioning labor market, which creates additional obstacles to the reform process. In addition, Friedbert Rüb and Wolfram Lamping have also looked at the German reform steps that were undertaken since 1992. Both consider the current German retirement system as a hybrid, with a private pillar that highly depends on the public system. It is criticized that private retirement provision (for instance Riester-Rente) has not become compulsory and that the demographic adjustment factor, which was developed under the patronage of Helmut Kohl, has never been implemented into national law. Still, a sustainability factor was introduced in 2006, which though was suspended right before the 2009 general election, because the present government feared it would have had a negative impact on their election results.

Alfred Mierzejewski (2015) has analyzed the introduction phase of the dominating form of German private retirement provision (Riester-Rente). He identified four different aspects that played a relevant role within the decision process. First, there was a broad consensus among all important German political parties that the German retirement system required further reformation. Secondly, the retirement business sector was highly in favor of adding additional private elements to the pension system. Thirdly, shifts inside the political landscape to a more market orientated approach made it easier for the reformation to succeed and fourthly, Germany had the highest labor cost worldwide, which raised additional reform pressure on the government.

Alfred Pfaller (2010) has assessed the current demographic situation in Germany. The number of contributors to the retirement system has gradually decreased and is going to decline even further. Two courses of action stem from such a development, either pension benefits have to be lowered or the retirement age has to rise. Blank et al. (2016) have pointed out that the current development is especially harmful for the youngest generation. Germans, who presently start their first job and work continuously for 45 years, can estimate a replacement rate of only 37.5 percent. Furthermore, the present retirement system is already facing problems, preventing the population from old-age poverty. Burger (2016) has analyzed the German saving mentality and came to the conclusion, that there are substantial differences within the German society. East Germans tend to save less and additionally seem to be less aware about the necessity of private pension provision. Furthermore, it

is heavily criticized, that the German pension market is inadequately regularized and further that employers almost always have no decision making power about their respective occupational pension plans.

The Dutch Pension System

The general preforming of the Dutch retirement system has been extensively assessed by Jochem de Bresser and Marike Knoef (2015), which have identified four different pension pillars. Although the Netherlands are similarly affected by a rapidly shrinking population, the Dutch pension system is better prepared for the upcoming challenges. The first pillar is a classic PAYG scheme, which was first enacted 1957 (General Old Age Pension Act). Linked to the statutory minimum wage, the Danish PAYG provides a basic income to every person, who has either lived or worked in the Netherlands. For each insured year, two percentage points of pension benefits are earned, which allows the pensioner to claim full pension entitlements after turning 65 and having contributed to the system for 50 years. These circumstances have been further criticized by May (2013). She argues that 50 years of steady contribution are very difficult to achieve and consequently, only a small minority is able to obtain full pension rights. Occupational pension plans are the second pillar of the Dutch retirement system and cover around 90 percent of the total Dutch population. "Though occupational pension plans are mostly defined benefits, the possibilities of non-indexation and pension cuts introduce uncertainty in payments. Together, the first two pillars of the pension system aim to replace 70 percent of the final average wage." (Bresser, Knoef 2015:101) Moreover, additional private pension provision is considered to be the third pillar, whereas all other remaining assets account for the forth pillar.

The second pillar has been assessed in more details by Chen et al (2014). It can be differentiated between 80 different industry schemes, around 300 pension schemes of individual companies and twelve specialized pension funds for certain professions. The law foresees an asset buffer in order to avoid that underfunding goes below 2.5 percent. Moreover, pension schemes contain indexation which is linked to the overall wage growth, however, indexation is only provide to those funds, who's funding level is above the required ceiling. "Like its counterpart in UK, the Dutch policy also requires sponsors of the pension scheme to contribute to the recovery of funding shortfalls. How much the sponsor contributes depends on the actual funding ratio and the target funding ratio set out in the pension contracts for the sponsor to support. The sponsor pays the pension scheme such an amount that the actual funding ration can reach the target level, given the sponsor can afford this amount." (Chen et al. 2014: 90)

Alda (2016) attributes the Dutch retirement system to the Nordic model. The Nordic model is intended to guarantee two pledges. First, it aims to prevent old age poverty among the population by guaranteeing generous minimum protection by at the same time offering the possibility for additional provision through occupational and private pension schemes. Pension fund assets account for 159.32 percent of the Dutch GDP. In addition to that, Alda examined the impact of an increase in the 70-85-year-old population in regard to the performance of the stock and pension market. He came to the conclusion that an increase in the 70-85 age cohort would have a positive effect on the stock and pension market. Supplementary, pension funds had a positive effect on the efficiency of the Dutch stock market performance. In regard to the impact of protracted low interest rates,

Antolin et al (2011) came to the conclusion that the Dutch pension system is comparatively well prepared, due to its better matching maturity.

The Swedish Pension System

Kent Weaver and Alexander Willen (2014) provided an overview over the Swedish pension reform process, beginning from 1992 onwards. First reform steps were undertaken between 1994 to 1998 in order to make the pension system more sustainable, due to the rapid ageing of the Swedish society. The reform process benefited from the brought consensus that was present among almost all Swedish political parties. The Swedish pension system can be best defined as Non-Financial Defined Contribution system. Future benefits are linked to contributions made to the labor market as well as contributions to the general society, which makes it possible to earn pension points for duties such as military service or child caring. Additionally, the total amount of pension benefits and the elevation steps were linked to the economic development of the country. The adjustment procedure is designed to stay as invisible as possible, by implementing an annuity divisor and the clear linkage between pension benefits and an economic crisis. Moreover, incentives for employees to work longer were enforced, by at the same time introducing a flexible retirement age to the general public. The stabilization mechanism is particularly important for the political class since the responsibility for unpopular decisions is shifted away towards a less accountable to the public and therefore more technical vehicle. Membership in pension funds (which are supervised by the Premium Pension Authority) is mandatory, 2,5 percent of the related income is invested into these particular instruments. Switching between different pension funds and investment portfolio is possible; however, the active choosing rate has considerably dropped in recent years, which is mainly related to financial illiteracy. Companies operating in the Swedish pension market have to fulfill certain minimum entry criteria, such as meeting the [Directive \(EU\) 2016/2341](#) and allowing participants to change their chosen pension funds as often as demanded. Laun and Wallenius (2013) have assessed the Swedish pension system from a more general perspective. For them, Sweden is considered to be in a transition phase, moving away from a PAYG defined benefit (DB) program to a notional PAYG defined contribution program. Due to the reformation process, over 90 percent of the Swedish population is registered in occupational pension funds.

Methodology & Research Design

The research question could be answered both from a quantitative and qualitative perspective; however, I decided to follow a more qualitative orientated approach.

Research Question

The overall research question for my Master Thesis will be:

In times of rising demographic issues and declining interest rates, which measures have to be undertaken in order to reform the German pension system and make it sustainable for the future?

Additionally, three sub questions shall be addressed:

What are the main differences between the German and the Dutch pension system?

Taking into account expert opinion and the results from two best practice cases, which policy measures should be integrated into the German pension system

Due to the demographic challenges that will occur within the next 10 to 20 years, should Germany maintain it's mainly PAYG oriented pension system?

Methodology and Research Design

My systematic review shall be conducted as proposed by Khan et al (2003) and McCorriston et al (2013). Both recommend a five step review process for the research process. The research question in combination with my three sub questions have already been addressed. The next step is to identify relevant work for my subject. In order to do so, I am going to analyze a broad variety of studies conducted by credible and well known political actors (a preliminary list is provided in the appendix). Studies were selected on the basis of predefined eligibility criteria. If the respective study is not combining at least two of the selected criteria, the study shall be excluded from the systematic review. Furthermore, in order to guarantee an up-to-date overview, no study that has been published before 2006 shall be included either.

Selection Criteria for the Systematic Review	
1	Study has to deal either with the pension system in Germany, the Netherlands or Sweden
2	Studies, that have analyzed the related reform process, should be based on OECD related cases
3	Studies that have investigated the relationship between pension fund performance and the prevalent level of interest rates
4	Studies that include demographic predictions for either Germany, the Netherlands or Sweden, with a special focus on longevity, replacement rate, fertility rate and the Old Age dependency ratio

During the third step, the quality of the obtained studies will be assessed. This crucial in order to avoid distortions and biases in the results of the review. "Study quality assessment is relevant to every step of a review (...) Selected studies should be subjected to a more redefined quality assessment by use of general critical appraisal guides and design-based quality checklists." (Khan et al 2003: 2) The following criteria shall be applied:

Assessment criteria	
1	The respective dependency ratio
2	The respective replacement ratio
3	The demographic trends in terms of immigration, fertility, longevity and economic development
4	Vulnerability of both systems in regard to a financial crisis
5	How much of the system is cross-financed
6	How "fair" are the systems in terms of redistribution of income and preventing old-age poverty
7	How likely are structural reforms in the respective political environment

In the fourth step, I am going to summarize my findings in a comprehensive table with clear references to quality and characteristics of the respective studies. Finally, the findings shall be interpreted with a special look on potential risk of bias, heterogeneity and finally, a grade recommendation for the respective solutions will be provided.

Regarding the Expert Interviews, I will follow the guidelines proposed by Bleich and Pekkanen (2013) and Keats (2000). It is from high importance to guarantee that the sample contains a reasonable amount of representativeness. Consequently, the snowballing technique has to be treated carefully because it could potentially lead to the creation of a research bubble, where everything is seen through the same lens. Also one has to take into account that some respondents might be not willing or not capable of delivering accurate information, some might even have a personal agenda that they want to see implemented. It is rather impossible to obtain perfect results, however, it is possible to reach optimal certainty by guaranteeing that the sample frame is sufficient, the point of saturation is reached and all respondents answer in a comparatively similar style.

In regard to the interview partners, I have not contacted any specific organization, institution or person for my expert interviews yet. Since I am going to conduct the interviews most likely in the period of April to June 2018, trying to set up concrete appointments and the like would have been highly ineffective and inexpedient. However, I am already certain what kind of experts and institutions I would like to integrate into my Thesis. First of all, it is important to include at least one person from the executive level of the DRV. In addition to that, the respective pension experts from all relevant (relevant in terms of being represented in the highest chamber of German politics, *the Bundestag*) political parties should be contacted as well. Further, it is from high importance to invite the private sector into the discussion as well, such as pension insurance companies, private pension funds and occupational pension funds provider. In order to complete the picture, pension associations, both on the national as well as on the European level, should be contacted as well.

Overview over the potential list of interviewees

	Pension Expert political parties	Insurance Companies	Institutions/ Government bodies
1	CDU, Peter Weiß	Allianz Deutschland Ag	Deutsche Rentenversicherung
2	SPD, Martin Rosemann	AXA Corporate Solutions Deutschland	European Insurance and Occupational Pension Authority
3	FDP, Johannes Vogel	DEVK Allgemeine Lebensversicherungs-Aktiengesellschaft	Gesamtverband der Deutschen Versicherungswirtschaft
4	Grüne, Markus	HanseMerkur Lebensversicherungs AG	Institut der Deutschen Wirtschaft
5	Die Linke, Matthias W. Birkenwald	R+V Pensionsfonds Aktiengesellschaft	Directorate-General Financial Stability, Financial Services and Capital Markets Union Unit D4 – Insurance and pensions
6	AfD, no pension expert identified yet	Targo Lebensversicherungs AG	

When it comes to formulating interview questions, it is very important to frame them as neutral as possible. Further, they shouldn't contain any forms of idioms, joking, euphemism, colloquialism, fashionable jargon, and metaphors. I will follow the open end approach in combination with a set of predefined core questions. This gives me the possibility to react to unforeseen events/statements by at the same time having a subordinated guiding framework. In case the responded moves into unintended direction, I defined a variety of core questions in order to bring the person back on track.

Core Questions for Expert Interviews	
1	What must be done in order to improve the German pension system?
2	What are your expectations and concerns in regard to the German pension system?
3	According to your opinion, what would be an optimal retirement age for Germany, please provide a justification?
4	How would you evaluate the efficiency of the German pension system?
5	Should there be a switch towards more private, self-provision elements?

6	Would you consider the German pension as fair and balanced?
7	How satisfied are you with the current pension policies carried out by the German government?
8	Where do you see room for improvement?
9	Do you consider low interest rates a big threat for the global pension system in general and the German system in particular?

The results of the interviews will be visualized in a comprehensive table. All relevant details shall be reported such as the number of respondents, type and total length of the interview, recording method, confidence level, compensation strategy and the sample frame.

Outlook and Preliminary Conclusion

I am still in the very early stages of my Master Thesis and therefore it is impossible to already provide the reader with adequate policy solutions, however, it remains clear that the German pension system requires substantial reformation in order to maintain its stability. Possible reform steps could include for instance raising the minimum retirement age even further, stop the indexation or even lower total pension benefits, add additional private elements or even follow the Swedish approach of valuing life time contributions such a child care or military service to the calculation of pension points. Moreover, it will be very interesting to see how the respective Experts examine the current situation and what their particular suggestions of improvement would be. Nevertheless, I expect the final policy recommendations to be quite controversial. Unfortunately, the present demographic situation in combination with low interest rates requires German policy makers to carry out unpopular reform steps. Despite, the German government is currently working on a [concrete reform proposal](#) for the Betriebsrentenstärkungsgesetz which mainly governs occupational pension funds. Depending on how fast the Ministry for Labor is working, the new legislation should be included into my Master Thesis as well.

Working plan for my Master Thesis

January 2018: I will start contacting the respective interview partners

By the end of February 2018 I will have completed all relevant interviews

By April 1, 2018 I will have completed the collection of all the relevant data that will be needed in order

Literature review part should be completed by May 15

Methodology part finished by End of May

Preliminary draft until June 15

Final Master Thesis Document shall be done by June 28 the latest

Submitting of my Master Thesis on July 1

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