

## CONVINCING: Your Company Pension (Direct Insurance)

### Your questions - our answers

With this overview, we want to address frequently asked questions regarding your employee-financed pension scheme. Please note that these FAQs are an aid to understanding only. Legally binding are the terms of your insurance policy.

#### 1. How is this contract supported by the government?

Payment of the Direct Insurance premium is seen as lowering your gross salary, so your taxable income may be reduced by a sum of up to EUR 5,184 per annum, of which EUR 3,384 (in 2022) are not liable to social security contributions (4 % of income limit for assessment of contribution). Upon payout, taxes and social security contributions must be paid.

#### 2. Can I also receive the basic amount and subsidy if I take out a "Riester" pension?

No. These amounts are exclusively linked to the Direct Insurance. However, you can take out a state-subsidized "Riester" pension privately, in addition to the Direct Insurance.

#### 3. What is the difference between the "Riester" pension and the Direct Insurance?

The contribution for your "Riester" pension is paid out of your net income. You will receive a state subsidy and a supplementary tax return should it exceed the subsidy.

#### 4. Can I choose any insurer to take out a policy?

No. Fresenius has an agreement with Allianz Life Insurance, which offers attractive conditions to our employees. Allianz guarantees a reliable pension that lasts a lifetime.

#### 5. What happens if I change employers or am made redundant?

Once the contract takes effect, you are immediately entitled to the insurance benefit, but it will not be at your disposal until you have reached the age of 62.

Before the age of 62, you can choose to

- discontinue your payments,
- continue the payments privately,
- transfer the contract to your new employer.

After leaving Fresenius the benefit that you received as part of our group agreement can no longer be given. The contract can be continued with individually agreed conditions.

#### 6. What happens if my employer becomes insolvent?

Your contract is secured against insolvency because you are the irrevocable beneficiary.

#### 7. What happens in case of personal insolvency?

Before retirement in the event of personal insolvency the insolvency administrator has no access to the existing pension entitlement.

During pension payment phase, the pension amount above the exemption limit is included in the insolvency estate. Capital payments fall completely into the insolvency estate.

#### 8. Can the entitlements from Direct Insurance be set-off against unemployment benefit (Hartz IV)?

Legally vested pension rights in accordance with the German Occupational Pensions Act are generally not set-off against unemployment benefit II ("Hartz IV").

#### 9. What happens in case of my passing before reaching pension age?

The existing capital for your old-age pension including surpluses (pension plan "Perspektive") or the current policy value (fund-engaged pension plan "InvestFlex / Green") will be paid as a lifelong pension for your surviving dependents (time-limited for children). It is also possible for the surviving dependants to receive a one-off lump-sum payment, if this is requested before the first pension is paid out.

#### 10. What happens in case of my passing while receiving a pension?

A pension is guaranteed for 10 years. In case of your passing, a

pension will be paid to your dependents (time-limited for children), calculated as the tenfold of the annual pension less the sums already paid. It is also possible for the surviving dependants to receive a one-off lump-sum payment, if this is requested before the first pension is paid out.

#### 11. What happens if I retire early?

The payment is available as soon as you have reached the age of 62. If you retire early, however, the subsequent payment is naturally lower than the amount calculated on the basis of a retirement age of 67. Because the insurance benefits are subject to taxation, a payment during active working life can, in addition, raise the tax load.

#### 12. Is a policy loan possible?

No. All forms of avilment through employer or employee are excluded. It is required by law that the assurance benefit can only be used for your old-age pension.

#### 13. Can I cancel my policy to receive money ahead of time?

No! The contract is promoted by a tax saving to support the construction of your old-age provisions. Hence, a claim before the age of 62 is not possible. However, you can discontinue your payments.

#### 14. What can I do if I have financial difficulties?

There is the possibility of stopping contribution payments. However, this reduces the insured benefits. Any co-insured occupational disability cover is not applicable during the non-contributory period.

#### 15. Can I choose a lump sum instead of a pension on retirement?

Yes. A one-off payment is possible.

#### 16. What happens during parental leave or illness without continued payment of salary?

These times are equivalent to normal employment. Your employment contract is not terminated, but

you do not receive any wages. So no parts of your salary can be converted. You may continue the payments on your own or discontinue them until you return. Please keep in mind, however, that in the event of stopping payments, your old-age provision will be reduced and any agreed occupational disability cover will no longer apply. In addition definite respites have to be considered to continue the payments at a later point of time. Please contact us early so that we can check your alternatives.

### **17. How does the "InvestFlex / Green" pension concept work?**

Your contributions will be used to buy shares in the unit trust chosen by you. The level of your pension thus depends on the development of the capital market. The chances of a higher yield also mean a higher risk! However, 90% of the amount you pay in for the old-age part of your policy is guaranteed. At the end of your contract, the policy value derives from the guaranteed deposit plus the interest earned by the funds.

### **18. What is the difference between pension concept "Perspektive" and "InvestFlex / Green"?**

Under the pension concept "Perspektive" your contributions are invested in the security assets of Allianz Life Insurance, whereas the main focus of the unit-linked pension concept "InvestFlex" or "InvestFlex Green" is investment in stocks. This is why the latter is likely to offer a higher yield. Both concepts guarantee 90 % of the contributions you pay in for the old-age part of the policy, but they do not guarantee a fixed interest rate. The additional value depends on the investment strategy during the period of insurance.

### **19. What is the policy value?**

In addition to the fund investment your unit-linked pension insurance provides the guarantee, that at the start of the pension at least 90 % of contributions paid in for the old-age part of your policy will be available. This means that an annually increasing part of the contribution is used to build up the warranty (guaranteed capital upon survival) and does not go into the fund investment. This contribution part is invested in the security assets of Allianz Lebensversicherungs-AG. To these proceeds the total value from the fund investment is added, which is financed from the remaining part of the contribution. Both values together are the so-called 'policy value'.

### **20. Is there an active process management under the unit-linked tariffs?**

In the last three contract years the fund balance will successively reallocated to lower-risk investments to mitigate the risks arising from capital market fluctuations.

### **21. What kind of policy is the more suitable for me?**

It depends on your willingness and ability to take a risk. It is wise to consider all the provisions which you have made for your retirement when calculating the risk you are willing to take.

### **22. Is it possible to switch between the different tariffs?**

No, this is not possible. You can only stop the payments for the chosen tariff while at the same time taking out a new insurance if you wish to invest future contributions in another tariff.

### **23. Is it possible to switch between strategy funds?**

Yes, during the accumulation period you can shift (reallocation of the fund balance) as well as switch (investment of future contributions in the respective other fund).

### **24. What is included in the insurance coverage?**

The basis is a life-long pension insurance, which also gives you the possibility of a one-time capital settlement. Furthermore you can opt for additional coverage for exemption from premiums in the event of occupational incapacity.

### **25. What is meant by disability waiver?**

Provided that during the insurance period you are at least 50 % incapacitated there is no obligation to pay contributions for the duration of your occupational disability. It thus ensures, that upon expiration of the contract the retirement pension originally promised will be paid out even though no further contributions have been paid.

### **26. Can I vary the premium for the insurance?**

Unlike insurance contracts with variable premium payment, our group contract provides for a constant premium payment during the contract term. Therefore, the basic rule is that you first decide on a premium that you would like to pay in the future. It is not possible to decide every year which premium should currently be paid. Nevertheless, you have the option of reducing or increasing the premium during the insurance period in a

long-term within the framework of the specified premium levels.

If the increase is not possible within the existing contract, it can be made in a follow-up contract.

### **27. Who receives the payout?**

Only you are entitled to receive the payout during your lifetime. In case of your passing the following legally defined group of persons is considered entitled to survivor benefits (order can be changed by agreement with Fresenius):

- spouse, registered partner (as per German Life Partnership Act)
- children entitled to child allowance
- partner named in writing.

If there are no family members entitled to the benefits, your heirs receive a death benefit (currently up to a maximum of EUR 8,000).

### **28. From what time on I can apply for a Direct Insurance or the transfer of an existing Direct Insurance to Allianz?**

Both options are possible from your first day of employment. The basic amount is granted from the 7th month of employment. Insurance beginning or date of transfer is the 1<sup>st</sup> of December of the application year. Please take note, that a continuation of an existing contract is only possible within a transfer to Allianz Life Insurance. The conversion of your contribution must be defined by 30<sup>th</sup> September of the current calendar year. A deviation from this deadline is only possible with a start date at Fresenius from October on.

### **29. Why is the basic amount not stated separately in the insurance proposal, but is called "Eigenbeitrag" (own contribution)?**

The so-called basic amount has replaced the capital-forming payments since 2006. It generally starts from the seventh month of employment. For every full calendar month with at least 12 working days the basic amount is calculated at 1/12 (EUR 39,88 for full-time employees). The height of the basic amount can vary, in particular during the first year of employment, maternity leave or longer illness. By definition it is a part of your overall income and therefore considered to be your own contribution.

**30. What about the statutory employer contribution according to occupational pension law (BRSG)?**

As of 01.01.2019, the following applies to new and as of 01.01.2022 for existing direct insurance agreements: Insofar as the deferred compensation into a direct insurance policy (§ 3 No. 63 EStG, § 40b EStG a.F.) is exempt from social security contributions, the employer has to pay a subsidy in the amount of up to 15 % of deferred remuneration up to 4 % of the social security contribution ceiling. This obligation may, however, be waived and regulated differently via a collective agreement. Thus the Fresenius supplementary contribution regularly replaces the statutory employer contribution.

**31. Which pension promise does Fresenius give?**

Your direct insurance is based on a so-called defined contribution plan. The employer agrees to pay contributions to direct insurance. This includes the contributions you're your deferred compensation agreement as well as any supplementary Fresenius contributions. The benefit amount is depending on the contributions paid and is calculated according to recognized actuarial principles. The amount of future benefit and contribution is displayed in the insurance proposal and insurance certificate sent to you. The defined contribution plan applies to all direct insurance policies taken out under our group contract from 2022.