

CONVINCING: Your Company Pension (Direct Insurance)

Frequently Asked Questions about your deferred-compensation pension plan

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 5,112 per annum, of which EUR 3,312 (in 2020) 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 my passing before reaching pension age?

The sum of contributions for your old-age pension including surpluses (pension plan "Perspektive") or the current policy value (fund-engaged pension plan "InvestFlex") will be paid as a lifelong pension for your surviving dependents (time-limited for children).

8. 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.

9. 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.

10. 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.

11. 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.

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

Yes. A one-off payment is possible.

13. What happens during maternity 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. In this case, please contact us early so that we can check your alternatives. Please note that definite respites have to be considered to continue the payments at a later point of time.

14. How does the fund-engaged pension work?

Your payments will be used to buy shares in the unit trust chosen by you ("Wachstum" strategy or "Wachstum Plus" strategy). 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, 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 this guaranteed deposit plus the interest earned by the funds.

15. What is the difference between the fund-engaged pension plan "InvestFlex" and the pension plan "Perspektive"?

In the pension plan "Perspektive", your contributions are invested in the protection capital of Allianz Life Insurance, whereas the main focus of a fund-engaged pension plan is investment in stocks. This is why the latter makes a higher yield possible, but includes a higher risk. Both pension plans guarantee full repayment of contributions you pay

in for the old-age part of the policy, but they do not guarantee a fixed interest rate. The height of the additional value depends on the investment strategy during the period of insurance.

16. 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.

17. Which types of coverage are offered?

Coverage is chosen individually. The basic package is a pension that lasts a lifetime, with the opportunity to choose a lump sum on retirement as an alternative. You can also select an additional disability waiver for disability benefits.

18. What is meant by disability waiver?

In case you should become incapable of working during the term of insurance, the assurer provides the agreed benefit. The coverage is given as long as your grade of disability is 50% or more. Although you do not pay any further contributions, the assurer guarantees that the contracted

pension will be paid when you reach retirement age.

19. Is the contribution variable?

You determine the amount you would like to pay in. Long-term planning is necessary, as the sum is not generally reset each year. However, you may choose to reduce or increase your contribution in the long run. If the adjustment is not possible within the existing policy, it can be settled in a further contract.

20. 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:

- 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).

22. From what time on I can apply for a Direct Insurance or the continuation of an existing Direct Insurance through Fresenius?

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 takeover is the 1st of December of the application year. Please take note, that we can't guarantee the continuation of an existing contract in any case. We will gladly check, whether and how a transfer is possible.

23. Why is the basic amount not stated separately in the insurance proposal, but 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.