Additional Provisions Regulation for State-sponsored Retirement Provision

(*PZV-ZRV; Prämienbegünstigte Zukunftsvorsorge-Zusatzrückstellungs-Verordnung*)

Full title

Regulation of the Financial Market Authority (FMA) on the provision for investment risks in the case of state-sponsored retirement provision exceeding the investment risks entailed in life assurance (Additional Provisions Regulation for State-sponsored Retirement Provision – PZV-ZRV; Prämienbegünstigte Zukunftsvorsorge-Zusatzrückstellungs-Verordnung)

Original version: Federal Law Gazette II No. 297/2015.

Amendments: Federal Law Gazette II No. 207/2021.

Preamble / Promulgation Clause

Based on Article 152 para. 2 of the 2016 Insurance Supervision Act (VAG 2016; Versicherungsaufsichtsgesetz 2016), published in Federal Law Gazette I No. 34/2015, last amended by federal act in Federal Law Gazette I No. 112/2015, the following shall be determined by Regulation:

Text

Scope of application

Article 1. Contracts for state-sponsored retirement provision pursuant to Articles 108g to 108i of the 1988 Income Tax Act (EStG 1988; Einkommensteuergesetz 1988), Federal Law Gazette No. 400/1988, as amended by the federal act in Federal Law Gazette I No. 118/2015 (state-sponsored retirement provision), require the establishment of an additional provision in the minimum amount as referred to in Article 5, where the assets allocated to the state-sponsored retirement provision include a non-hedged equities portion.

Definition of Terms

Article 2. (1) t_k denotes the term of contract *k* that has elapsed by the current balance sheet date as at which the calculations laid down in this Regulation must be carried out.

(2) n_k denotes the minimum commitment period of contract *k*. After the expiry of the minimum commitment period and continuation of the contract, n_k shall be determined as follows: $n_k = t_k + 1$.

(3) *W* denotes the market value of the entire portfolio of the state-sponsored retirement provision as at the balance sheet date on which the additional provision must be established.

(4) $\widetilde{W}$ denotes the market value of any non-hedged equities portion of the entire portfolio of the state-sponsored retirement provision as at the balance sheet date on which the additional provision must be established.

(5) For the determination of the discount factor, an interest rate of no more than $i =$ 0.75% shall be permitted.

(6) $P_{j,k}$ denotes the j^{th} premium payment for contract *k*.

(7) Sigma (σ) denotes the annual volatility (in per cent) of a recognised share index of the stock exchange in which, based on the average for the year, the largest portion of the portfolio has been invested over the financial year, at the end of which the additional provision shall be established. The assets' current values at the end of each month of the financial year shall be used to determine the annual average.

Calculation of the maximum loss

Article 3. (1) The maximum loss *L* as at the balance sheet date is the minimum, i.e. the lower value of $\widetilde{W}$ and $3 \times \sigma \times \widetilde{W}$:

$$L = \min\{3 \times \sigma \times \widetilde{W}; \widetilde{W}\}\ .$$

(2) σ used for the calculation of the maximum loss L corresponds to the average of the annual values for the last five financial years.

Calculation of the guaranteed amount

Article 4. (1) The guaranteed amount *G* as at the balance sheet date on which the additional provision is to be established shall be derived in each case from the discounted total of the premium payments made so far, with J_k denoting the number of premium payments made for contract *k* so far and *K* denoting the total number of state-sponsored retirement provision contracts:

$$G = \sum_{k=1}^{K}\left(\frac{1}{(1+i)^{n_k - t_k}} \times \left(\sum_{j=1}^{J_k} P_{j,k}\right)\right).$$

(2) Additional guaranteed amounts or bonuses allocated during the term shall be added to the guaranteed amount pursuant to para. 1, taking into account the time at which the claim to the benefit arises.

Calculation of the additional provision

Article 5. The minimum amount for the additional provision V^{zus} results from the maximum loss *L* pursuant to Article 3 plus the guaranteed amount *G* pursuant to Article 4 minus the entire portfolio's market value *W* pursuant to Article 2 para. 3 and zero:

$$V^{ZUS} = \max\{L + G - W\,; 0\}.$$

Coverage of the additional provision

Article 6. The additional provision pursuant to Article 5 shall be covered by the *Deckungsstock* pursuant to Article 300 para. 1 no. 1 of the 2016 Insurance Supervision Act (VAG 2016; Versicherungsaufsichtsgesetz).

Entry into force

Article 7. (1) This Regulation shall enter into force on 1 January 2016.

(2) Article 2 para. 5 and Article 3 in the version of the Regulation amended in Federal Law Gazette II No. 407/2021 shall enter into force on 1 January 2022.