

Pension increase 'not helpful' for second pillar - consultant

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AUSTRIA – Raising the state minimum pension and telling voters a raise of retirement age was 'not necessary', and is not helping to further develop second pillar retirement provision, Peter Prandstätter, managing director of Benefit Consulting, has told IPE.

The Austrian government last week agreed to raise the minimum state pension by 2.9% to €747 which is considerably above the consumer price inflation rate of 1.7%.

Pensions experts noted the increase would be unsustainable in the long run, but finance minister Wilhelm Molterer said the decision was made "with reason and sense of proportion" and was "socially fair".

"Politicians saying higher pensions are affordable or increase in the statutory retirement age is not necessary do not help to raise awareness of occupational pensions," Prandstätter explained. *(For more information, see earlier IPE article: Pension reform unnecessary, says one half of gov't)*

"If assets in Austrian pension funds were to increase 10 times, Austria would still be just below EU-average regarding second pillar pensions. We have a lot of catching up to do," the head of the consultancy noted.

It is mainly in small to medium-sized enterprises, which make up 90-95% of Austrian businesses, where second pillar pensions have yet to take root.

However, Prandstätter notes perceptions are changing and occupational pension provision is becoming a factor in a business' competitiveness.

"Pressure is coming from the employees," he added.

In order to boost the sector, Prandstätter would like to see a harmonisation of the occupational pension law, the labour law and the tax law.

"Sometimes we have to tell our clients a certain solution might be possible under one law but not under another," he explained.

A demand frequently made by his clients is to make it more attractive for senior managers to put parts of their salary into a pension fund by making contributions tax deductible.

The government recently reiterated plans to increase the number of employees who get a profit share in the company as part of their salary. (See earlier IPE coverage: Austria set to boost second pillar)

But this measure will only help in the long-term, said Prandstätter.

If you have any comments you would like to add to this or any other story, contact Julie Henderson on +44 (0)20 7261 4602 or email julie.henderson@ipe.com

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