

PRESS RELEASE

Companies and employees confide in MetallRente

Berlin, February 12th, 2009. Despite the financial crisis, in 2008 MetallRente – the occupational pension scheme in the German metal and electrical industry – has reached its second best result since its foundation. Heribert Karch, managing director at MetallRente, comments the 2008 result as follows: “Especially in these times, the ongoing dynamic development of MetallRente is a positive signal for the retirement provision system.”

In 2008, more than 50,000 occupational pension plans were concluded with MetallRente. Today, total scheme membership amounts to 300,000, which is an increase of 20 % compared to the previous year. This figure corresponds to an accumulated premium income of € 1.4 billion. Approximately € 48 million in assets is thought to have accumulated from new clients in 2008. The booked gross contributions increased by 15 % to € 325 million (previous year: € 284 million). By the end of the year, total assets amounted to € 6.9 billion, which is an increase of about 14 % compared to the year before.

Last year, more than 2,000 new companies joined MetallRente. This is the strongest annual increase MetallRente has achieved so far. With approx. 15,000 company-clients, MetallRente has continued to strengthen its status as leading standard within the range of the associated branches. This facilitates portability when workers change their employer. “A big advantage of MetallRente is the possibility to transfer acquired rights”, Mr. Karch says. “In most cases, this transfer can be done without any difficulty as the new employer often is a customer of MetallRente, too.”

On average, annual contributions currently amount to € 1,200 per employee, which is slightly less than during the past years. This is due to the fact that more average and low-income employees are now participating in the pension scheme, and due to the fact that collectively agreed employer contributions to pension formation are increasingly incorporated into the payment of the annual contributions.

“Supplementary pension provision has finally reached those who need it to fill pension gaps but sometimes the pension problem is underestimated and contribution rates are set too low”, Heribert Karch says.

MetallRente is well prepared for times of crisis. As a joint scheme created by two very powerful institutions – the Employers’ Association for the Metalworking and Electrical Industry (Gesamtmetall) and the German Metalworkers’ Union (IG Metall) – MetallRente attaches great importance to risk diversification. The pension scheme cooperates with seven leading life insurers. Even before the crisis, equities played a minor role in capital investment.

For this reason, MetallRente continues to offer plan participants an attractive return on pension contributions. Compared to the previous year, interest rate guarantees and the share in current surplus of the Metall Direct Insurance and the Metall Pensionskasse added up to 4.4 %, and 4.0 %, respectively, and are thus unaltered and stable. The all-in interest rate including final surplus of the Metall Direct Insurance and the Metall Pensionskasse will amount to approx. 5.1 % and 4.5 %, respectively.

“Our plan participants perceive us as an anchor of stability”, Heribert Karch says, pleased. “And this is what we are”.

Given the decline in the real economy, MetallRente will also offer unbureaucratic solutions in case of employees not being able to pay their contributions due to short-time working.

With respect to the newly discussed issue of pension plan acquisition costs, MetallRente is extraordinarily well-positioned. From the very beginning, MetallRente has been standing for low acquisition costs of all collectively agreed pension vehicles. These acquisition costs have always been distributed over a minimum of 5 years. Contrary to many other offers, MetallRente has never used the Zillmer method, that is, the allocation of acquisition costs at the beginning. In addition to that, the widespread proliferation of MetallRente enables a great number of employees to transfer their occupational pension plans to a new employer and continue to pay the contributions there. Furthermore, the cancellation rate is significantly below the market level and considerably reduces the employers' risk of early drop-outs. “In fact,” says Mr. Karch, “these are the factors that limit the employers' risk of liability. In practice, this means for our company-clients that the risk of liability is negligibly small.”

The managing director expects that pension schemes such as MetallRente will continue to grow strongly and will gain more and more importance in our society: “In the light of the encouraging growth that can be observed not only at MetallRente but also at many other pension schemes, to me many a negative discussion about occupational pension provisions seems to be inappropriate. Pension schemes increasingly enjoy confidence as strong institutions and are well able to manage any crisis”.

In 2001, MetallRente was jointly founded by the two powerful social partners Gesamtmetall and IG Metall. Today, it is Germany's largest pension scheme and offers occupational and private pension vehicles as well as disability and surviving dependants insurance schemes. Apart from the metal and electrical industry, other sectors have joined MetallRente, e.g. steel, textiles, woodworking and plastics.

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