

Explanation for Form: LBesA 4650 – VBL

This form is for the *Landesamt für Finanzen* (State Finances Office) – as a state employee of Mecklenburg-Vorpommern, you will be paid by a central institution called the *Landesamt für Finanzen*. This form concerns the additional pension scheme that most state-employed employees must pay into, known in German as the *Versorgungsanstalt des Bundes und der Länder (VBL)*.

The first page of this form explains why you might want to fill out the form LBesA 4650.

Employment as a Teaching and/or Research Assistant

In accordance with § 2(1) of the *Tarifvertrag Altersversorgung (ATV)* (collective pension agreement), you will be insured at the public sector additional pension scheme from the start of your employment relationship onwards. The employer must set up this pension account as a compulsory pension.

You are only entitled to pension payments from this compulsory pension after a waiting period of 60 calendar months. As you have concluded a fixed-term contract of less than 60 months and are not able to provide proof of previous compulsory payments into the additional pension scheme, you will not receive any pension payments from the compulsory pension from this employment relationship. In accordance with § 2(2) and § 26 ATV, employees with a fixed-term contract as a teaching and/or research assistant can free themselves from having to pay into the pension, if this is requested in writing.

When making your decision, please also consider that the new law to implement the EU Mobility Directive has shortened the statutory contribution period for company pension schemes from five to three years as of 01/01/2018. Therefore, those that have paid into the VBLklassik for three years are entitled to pension payments and thus if the insured event occurs, they will be entitled to payment, even if the waiting period of 60 contribution months has not been fulfilled.

The request has to be submitted within 2 months of commencing employment.

The compulsory additional pension scheme is then changed into a voluntary pension. This voluntary pension, funded by the employer's payment of the amount now not paid into the compulsory pension scheme and by the employee's premiums, entitles the employee to the necessary pension payments.

If you decide not to pay into the compulsory additional pension scheme, please fill out the attached request form.

The attached leaflet (LBesA 4652) delivers information on the risks of freeing yourself from having to pay into the pension.

Form LBesA 4650

- Please fill in the following boxes at the top of the page:
 - *"Name, Vorname"*: surname and first name(s)
 - *"Anschrift"*: residential address
 - *"Geburtsdatum"*: date of birth
 - *"Telefonnr"*: telephone number
- The text explains that you would like to free yourself from paying into the compulsory additional pension scheme and asks the employer to set up a voluntary pension scheme according to § 26 ATV. You have been informed about the possible risks of freeing yourself from payment (Leaflet LBesA 4652)
- You are then asked to cross off whether you would like your employee premiums for funded pensions for the VBL to be treated tax-free (*"Meine Arbeitnehmerbeiträge..."*) and to indicate at *"ab ___"* on which date this should start.
- If you would like to fully renounce the tax-free treatment of your premiums, cross off *"Ich verzichte auf (...) ab**"* and enter the date from which this should apply.
- If you would like to renounce the tax-free treatment of an exact amount of your premiums, cross off *"Ich verzichte auf (...) in Höhe von _____ €"* and indicate the date from which this should apply at *"ab**"* and the amount in euros.
- If you would like to renounce the tax-free treatment of a certain percentage of your premiums, cross off *"Ich verzichte auf (...) in Höhe von _____ %"* and indicate the date from which this should apply at *"ab**"* and the proportion in %.

*The asterisk states that this decision can only be effective as of a date in the future
- The last sentence states that you confirm you have not previously had to pay into a compulsory pension scheme at an additional pension scheme company.
- Please write the place name of where you have filled the form in and date the form at *"Ort, Datum"*; and sign the form above *"Unterschrift"*

Attachment to the forms 4450 and 4650

Explanatory Information on the Treatment of Employee Premiums for Defined Contribution Pensions

The employer pays a redistributive levy of 1 percent and an individual premium of 2 percent of the income relevant for the compulsory additional pension plans to all employees' compulsory defined contribution plans (VBL-Klassik).

Since 01/07/2017 all employees in former East Germany who contribute towards the compulsory defined contribution plans must pay individual premiums of 4.25 % into their VBL schemes.

For those employees who pay in voluntarily (teaching and/or research staff) and the employer has noted as being voluntarily insured (VBLextra), the employer also pays a redistributive levy of 1 percent and an individual premium of 2 percent.

Since 01/01/2010, the employees contributing voluntarily must pay individual premiums of 2 percent of relevant income into their VBL schemes.

The employees' premiums, as part of a primary employment relationship, and the employer's premium are to be treated as free of tax and social insurance payments, as long as these are within the legal limits. The legal limits are defined in § 3 No. 63 EStG (*Einkommenssteuergesetz*). The defining regulations were declared by the *Bundesfinanzhof* on 09/12/2010 (BFH Urteil-VI R 57/08).

Differing to the general treatment of not having to pay income tax and social insurance payments on the employees' premiums for the compulsory VBL pension (or voluntary pension for teaching and/or research staff), employees can choose to renounce the tax-free treatment of their **employee premiums**.

They then have the possibility of using *Riester* funding for their employee premiums via supplementary pension allowances (*Altersvorsorgezulagen*) and the additional deduction of special expenses (*Sonderausgabenabzug*).

Please contact an accountant or tax advisor for more information on this topic.

Please note that if you change your mind on this topic in the future, you are allowed to change the details you have provided.