

## **Memorandum Regarding the Possible Consequences of Exemption from Mandatory Old-Age Pension Insurance Coverage**

### **General**

Since 1 January 2013, employees engaged in minimally paid employment (450 Euro mini-job) are in principle subject to the insurance obligation and full contribution obligation in the statutory old-age pension insurance scheme. The share to be borne by the employee for the contribution to the old-age insurance pension amounts to 3.7 percent of compensation. It results from the difference between the flat-rate contribution of the employer (15 percent) and the full contribution to the old-age pension insurance in the amount of 18.7 percent. It should be noted that the full old-age insurance pension contribution is to be paid from a wage of at least 175 Euro.

### **Advantages of Paying the Full Contribution to the Old-Age Pension Insurance**

For the employee, the advantages of the mandatory insurance coverage result from obtaining compulsory contribution periods in the old-age pension insurance scheme. That means that the amount of time employed will be considered in its full scope for the fulfilment of the various waiting periods (minimal insurance periods). Compulsory contribution periods are, for example, prerequisites for

- Opting for early retirement,
- Claims for rehabilitation benefits (in the medical area as well as occupationally),
- Claims for transition payments for rehabilitation measures of the statutory old-age pension insurance,
- Establishing or maintaining claim for payments for unemployment due to disability,
- Claim to deferred compensation for company old-age pensions and
- Fulfilment of the prerequisites for a private old-age pension with state assistance (for example, the so-called Riester pension scheme) for the employee, and, as necessary, even the spouse.

Moreover, in the pension calculation, the wages for work are not only proportionately considered, but rather in the full amount.

### **Application for Exemption from Mandatory Insurance Coverage**

If the mandatory insurance coverage is not desired, the employee can exempt himself from it. In doing so, he must inform the employer -- as far as possible, using the attached form -- that he wishes to be exempt from the mandatory insurance coverage in the state old-age pension insurance scheme. If the employee engages in several minimally paid jobs, the application for exemption can be lodged only as a single unit for all minimally paid jobs engaged in at the same time. The employee is required to further inform all -- also future -- employers for whom he is engaged in minimally paid employment, about the application for exemption. The exemption from mandatory insurance coverage is binding for the duration of the employment; it cannot be rescinded.

The exemption takes effect in principle from the beginning of the calendar month in which employment is commenced with the employer, from the start of employment at the earliest. The prerequisite is that the employer reports the exemption to the Mini-job Centre up to the next wage statement, at the latest within 6 weeks after the employer's receipt of the application for exemption. Otherwise, the exemption begins only after expiry of the calendar month following the calendar month of the receipt of the notification at the Mini-job Centre.

### **Consequences of Exemption from Mandatory Old-Age Pension Insurance Coverage**

Minimally paid employees, who apply for an exemption from mandatory insurance coverage, voluntarily renounce the benefits named above. As a result of the exemption, only the employer pays a flat rate in the amount of 15 percent of the wages paid. The employee's payment of his own share is thereby dropped. This has the consequence that the employee obtains only proportional months for the fulfilment of various waiting times, and also that the targeted wage compensation will be only proportionally considered in calculating a pension.

**Notice:** Before the employee opts for the exemption from mandatory insurance coverage, individual advising with respect to the effects of the exemption upon the statutory pension is advised, with an information and consulting centre of the German Pension Insurance Scheme. The telephone hotline of the German Pension Insurance Scheme can be reached toll-free at 0800 10004800. Where possible, when calling please have the insurance number of the pension insurance ready.

Please note that the German version of this form is the official version. The English version is merely provided by way of information to help you fill out the official form.

**Exemption from Mandatory Insurance Coverage in the Old-Age Pension Insurance for Minimally Paid Employment, in Accordance with § 6 Paragraph 1b of the German Social Insurance Code, Book Six**

Employee:

Surname: \_\_\_\_\_

First Name: \_\_\_\_\_

Pension Insurance Number: 

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I hereby apply for the exemption from mandatory insurance coverage in the old-age pension insurance in the framework of my minimally paid employment, and therewith renounce the acquisition of compulsory contribution periods. I have taken note of the "Notice of Possible Results of Exemption from Mandatory Old-Age Pension Coverage".

I understand that the application for exemption is valid for all minimally paid employment, at the same time, engaged in by me, and is binding for the duration of the employment; a revocation is not possible. I agree to inform all further employers, with whom I engage in minimally paid employment, about this application for exemption.

\_\_\_\_\_  
(Place, Date)

\_\_\_\_\_  
(Employee's Signature)

Employer:

Name: \_\_\_\_\_

Company Number: 

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The Exemption Application is Received on 

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Exemption effective from 

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\_\_\_\_\_  
(Place, Date)

\_\_\_\_\_  
(Employer's Signature)