

Summary

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“Own Fund Requirements Relating to Defined Benefits Payable in the Withdrawal Phase under Investment Fund-Based Contracts to Make Provision for Old Age: A Proposal on How to Shape this Requirement”

The present study focuses on the defined financial benefits capital investors have undertaken to pay to their contracting parties during the withdrawal phase under contracts making provision for old age (also referred to as Riester contracts in Germany). The Alterszertifizierungsgesetz requires product providers to make sure that benefits, equal or even increasing in amount over time, are paid to the holders of such Riester contracts during the entire withdrawal phase. In cases of doubt, investors would be liable in respect of their total assets and therefore be required to hold own funds appropriate in amount. At present, there are not any explicit supervisory-law rules covering own fund requirements during the withdrawal phase under investment-based contracts making provision for old age. The present study is aimed at closing this gap. To this end, it begins by enlisting the special financial and economic characteristics of defined benefits during the withdrawal phase; this is followed by a discussion of a conceptual proposal as well as of specific methodological proposals pertaining to a supervisory law-based own fund system; finally it demonstrates the way such a system would work within the framework of a simulation study.