

# DEFINITION OF TERMS

## Austrian General Pension Act (APG “Allgemeines Pensionsgesetz”)

Harmonization has provided for a joint and uniform pension law for all gainfully working persons born on or after January 1, 1955.

The APG (Austrian General Pension Act) is applicable to

- persons, the gainful occupation of whom started after Dec. 31, 2004 and who acquire qualifying periods under the retirement insurance scheme for the first time (full applicability), and
- persons, who acquired qualifying periods in retirement insurance already prior to January 1, 2005 (transition regulations by way of parallel calculation).

Persons having reached the age of 50 already by January 1, 2005, are, as a rule, exempt from the APG.

## Assessment Basis

Basis for the computation of financial benefits in the Austrian social security system. There are different assessment bases.

## Assessment Value

The basis for compulsory insurance and the amount of contributions alike is the assessment value for the agricultural/forestry business. It is a value established via a ruling from the Revenue Office for tax assessment which expresses the earning capacity of the agriculture/forestry assets.

## Bilateral Agreement

To regulate social security issues, Austria has concluded relevant agreements with several countries (e.g.: EEA member states).

These social security agreements include, in particular, provisions on the consideration of insurance periods acquired abroad in the event of the determination of retirement benefit claims as well as the granting of benefits (e.g. medical aid, continued payment of retirement benefits) in the case of insured persons/benefit recipients staying abroad.

## By-laws

The by-laws are a set of separate legal norms of social security providers for the detailed elaboration of statutory contribution and benefit provisions.

## Compensatory Fund of Health Insurance Providers

The compensatory fund set up within the Main Association aims at compensating for financial disadvantages, due to e.g. disadvantageous structure of the insureds, for individual health insurance providers and, thus, to ensure sufficient liquidity of the insurers.

## Compensatory Supplement

If the income (e.g. retirement benefits, other earnings) of the retiree or the retiree and his/her spouse is so small that living on it cannot be reasonably expected, compensatory supplement is payable in addition to the retirement benefits. When establishing the amount of the supplement, also other earnings gained by the retiree are being considered, according to the principle of social welfare. These earnings will, then, reduce the claims to compensatory supplement.

## Compulsory Insurance/Compulsory Membership

Insurance established independently of the involved person's will and acknowledgement, provided that the respective statutory requirements are met. Registering with the insurance as well as paying contributions have no influence on the establishment of compulsory insurance, either. Similarly, the insured will automatically be assigned to the competent social security institution.

Thus, social protection of insured persons is definitely warranted.

## Contribution Basis

This is the basis for the computation of social security contribution payments.

## Contributory Month

Month of insurance coverage, emerging either from a remunerative activity subject to compulsory insurance or from voluntary retirement insurance. To acquire a contributory month, as a rule, contributions have to be paid.

## Corridor

Under certain conditions, the 'pension corridor', as it is called, provides for entry into retirement prior to statutory retirement age. Insured persons are entitled to retire already upon having reached age 62, if at least 480 insurance months have been acquired. For every year the insured person retires early, i.e. before having reached statutory retirement age, the rebate deducted (decrease) will be 5.1 percent.

If pension is claimed after having reached age 65 (statutory retirement age), a bonus in the amount of 4.2 percent (maximum rate: 12.6 per cent) will be payable for every year of later availability.

## Equivalence Principle

Characteristic of private insurance: There is a direct relationship between contribution and benefits. Insured persons receive only benefits matching, in both scope and quality, the contributions (premiums) paid.

## Fictitious Qualifying Month

Insurance month according to “old” law accepted for the purpose of retirement insurance without contributions paid.

## Funded Scheme

Financing method used by private insurers. Over a longer period of time, contributions are saved to be paid out as retirement benefits later in life.

## Harmonization

Harmonization means the unification of retirement systems according to the ‘equal-contribution-equal-benefit’-principle valid for all professional groups, with the benefits especially designed for farmers being considered.

## Heavy Labor

The term heavy labor covers activities carried out under physically and psychologically particularly stressful conditions. An ordinance issued by the Austrian Federal Ministry of Social Security, Generations and Consumer Protection specifies all activities classified as heavy labor.

Persons having accumulated a certain number of heavy labor months may retire before having reached statutory retirement age.

## Income Tax Assessment Notice

Notice issued by the revenue office stating the earnings effectively gained in the respective year.

## Insurance Month (Insurance Period)

Any period having a positive impact on the establishment of retirement benefit claims and their assessment.

## Insured Event

is the event for the occurrence of which the social security system provides for certain benefits.

## “Krankenordnung“ (~ Rules for the Insureds in the Case of Sickness)

Separate legal provision issued by health insurance providers determining the way in which insured persons have to act when claiming benefits in the case of sickness.

## Medical Examinations for Adolescents

Adolescents aged 15 to 18, who are compulsorily insured at SVB, can claim ‘medical examinations for adolescents’ at least once a year.

Medical examinations for adolescents are also available to students of agricultural/forestry secondary schools.

## Medical Rehabilitation

Medical rehabilitation is, according to the circumstances of the respective case, provided by the SVB from health, accident and retirement funds. Medical rehabilitation is granted after accidents at work, within the framework of post-accident remedial treatment, and also in the follow-up to standard medical treatment.

Medical measures include:

- treatment in hospitals with a special focus on rehabilitation
- remedial treatment in health resorts
- necessary prostheses, orthopedic aids and other medical aids

## Multiple Insurance

is considered established, if a person, simultaneously, pursues more than one gainful occupation subject to compulsory insurance. As a rule, contributions are payable up to the maximum contribution basis for every gainful occupation.

The General Social Security Act (ASVG) provides for the possibility of reimbursement upon application by the insured of those parts of contributions that were paid in excess of the maximum contribution basis. The Social Insurance Act for Business People (GSVG) and the Farmers' Social Security Act (BSVG) moreover provide for charging of the differential contribution amount. This allows for charging lower contributions in order to avoid contribution payments in excess of the maximum contribution basis and the cumbersome procedure of reimbursement.

As far as benefits are concerned, monetary benefits can be drawn from every competent health insurer, whereas non-cash benefits can only be drawn once, but the insured is free to choose from among his/her insurers.

In retirement insurance, multiple insurance allows for the consideration of all different types of incomes in the calculation of the retirement benefit, which will result in a bigger pension.

## Net Income

Total of all earnings of the person entitled to retirement benefits, expressed in money or value of money (benefits in kind) after compensation for losses, minus statutory deductions.

## Occupational Diseases

Considered as occupational diseases are diseases stated in Annex I to the General Social Security Act (ASVG) provided that the mandatory requirements laid down there are met. Currently, 53 diseases are listed. They are subdivided into three groups:

- diseases acquired in the course of occupational activity, irrespective of the business in which they were acquired (e.g. noise-induced hearing loss)
- diseases only entitling to compensation, if the stated medical or legal requirements are met (e.g. bronchial asthma, if and as long as it forces the insured person to give up the harmful activity)

- diseases only entitling to compensation, if they have been caused as a result of activities performed in one of the work situations stated in the list (e.g. infectious diseases acquired in hospitals, diseases transmitted from animals to humans)

## Occupational Rehabilitation

- comprises all measures allowing an insured party to practise his/her former profession primarily or perhaps a new one. Occupational rehabilitation measures are especially applicable after a work-accident or serious consequences of an illness – medical rehabilitation is a prerequisite.

Occupational rehabilitation measures encompass

- (further) training or retraining
- covering costs for temporary farm hands
- providing for grants and loans
- support in job search

## Option for Contribution Basis

Since 2001, it has been possible for the farm manager to, instead of the insurance value, have the earnings from the agricultural/forestry entity stated in the income tax assessment notice been taken as the basis for the computation of the contribution basis according to Farmers' Social Security Act (BSVG).

This option is only eligible for the entire activity, i.e. if the farm manager opts for it for his/her main farming activity, this will automatically apply to any other side activities performed on the farm, as well.

## Pay-as-you-go Scheme

Financing method employed by statutory social insurers. Contributions received are immediately used for paying out benefits. In retirement insurance, the active population segment funds, through its contributions, currently payable retirement benefits (intergenerational contract).

## Preventive Medical Check-up

All persons insured by SVB, including coinsured family members, are, from the age of 18, entitled to undergo free-of-charge preventive medical check-ups once a year.

The key purpose of the preventive check-up is the early detection of popular diseases such as cancer, diabetes and impairments of the cardiovascular system. In addition, a gynecological examination is provided for women.

Preventive medical check-ups do not entail any costs for the insured.

## Reporting Date

Is, in any case, the first day of a month. For retirement benefits related to the insured events of 'old age' and 'work incapacity' (death is, however, excluded) it depends on the date of application.

In retirement insurance, the reporting date is the day on which the following facts are established:

- Occurrence of insured event
- Is a benefit payable?
- Who is the competent retirement insurer?
- What is the amount of the benefits payable?

## Retirement Provision for the self-employed

Analogous to the new regulations on severance payments for employees ('Abfertigung neu'), people working in the agricultural or forestry sector and compulsorily retirement insured under the Farmers' Social Security Act have, since Jan. 1, 2008, been given the opportunity of a company pension similar to severance payment pursuant to the Act on Employee Pension Plans and Retirement Provision for the Self-Employed (BMSVG).

Retirement provision for the self-employed has been provided for the following category of persons:

- farm managers
- spouses/registered partners employed at the farm in their regular occupation
- children, grandchildren, adopted children, stepchildren, and spouses or registered partners of children employed at the farm in their regular occupation
- parents, grandparents, adoptive parents, stepparents, and parents-in-law employed at the farm in their regular occupation

The monthly contribution is 1.53 percent of the retirement insurance contribution basis.

If an insured farmer wants to make use of the retirement provision for the self-employed, he/she must select one of the available provision funds and sign a contract. The contributions are collected by the SVB.

## Social Rehabilitation

Supplementing medical treatment and occupational rehabilitation measures, social rehabilitation is a key factor in reaching the rehabilitation goal pursued.

Social measures include:

- grants or loans for adapting work places and/or the implements needed to the special needs of disabled people
- grants or loans for buying/adapting automobiles

## Solidarity Principle

Providing benefits for the entirety of insured persons, independent of the contribution amount. The Austrian statutory social insurance scheme creates balanced solidarity between young and old, healthy and sick, as well as between rich and poor.

## Total Assessment Basis („Gesamtbemessungsgrundlage“)

In calculating the assessment basis for retirement benefits, also periods dedicated to child-care are considered by way of a separate, fixed assessment basis. For calculating the retirement benefits according to “old” law, all assessment bases are combined and considered by way of a total assessment basis.

## Total Income

Encompasses gross retirement benefits, other relevant net income and possible maintenance claims.

## Voluntary Insurance

Aims at acquiring insurance coverage in case no compulsory insurance exists, or at further entitlement to retain such coverage after the end of compulsory insurance, or, also, at acquiring higher benefits.

In farmers’ social security, the following voluntary insurance schemes are available:

- continued health insurance
- continued retirement insurance
- additional retirement insurance

- accident self-insurance

## Waiting Period

A minimum period of insurance months, which, in certain cases, has to fall within a certain period of time (time frame), but must, in any case, be over before the reporting date.

## Work Accident

These are accidents which occur in local, temporal and causal connection with the work on which the insurance is based.

## Work Incapacity

Work incapacity is established, if, as a result of an illness, the insured is incapable of pursuing the activity forming the basis for compulsory insurance or only capable of doing so at the risk of deterioration of his/her health.

## Work Protection (“Tätigkeitsschutz“)

If an insured person is no longer able to pursue his/her occupation due to loss of capacity to work as a result of physical or mental impairment, he/she may only be transferred to professional activities related to his/her occupation i.e. not to the general labor market. Insured persons in the farming profession are not eligible for occupational protection until age 57.