



DEPARTMENT OF THE ARMY
UNITED STATES ARMY, EUROPE, and SEVENTH ARMY
UNIT 29351
APO AE 09014-9351

REPLY TO
ATTENTION OF:

AEAGA-CL

29 DEC 2004

CPD Policy Memorandum LN-GE-IMP 1

SUBJECT: Impact of the New Old Age Income Law on Group Life Insurance Contracts of Local National (LN) Employees in Germany.

1. References.

- a. Collective Tariff Agreement II (CTA II), Article 39
- b. Group Life Insurance Contract

2. IAW reference 1a, LN employees are entitled to an employer-funded pension scheme subject to the terms of a group life insurance contract. Employer contributions to the group life insurance are made as outlined in reference 1b. Taxes on the contributions are paid by the employer IAW Article 40b, Income Tax Law (lump-sum taxation). Therefore, premiums are not subject to social insurance contributions.

3. The Old Age Income Law (Alterseinkünftegesetz), which will enter into effect on 1 January 2005, no longer authorizes lump-sum taxation of employer contributions made for employees hired on or after 1 January 2005. Therefore, employer contributions to the group life insurance for latter employees will be individually taxed and will be subject to social insurance contributions.

4. The new law does not affect pension promises made prior to 1 January 2005, i.e. lump-sum taxation of employer contributions will be continued for employees hired prior to 1 January 2005.

5. HQ USAREUR/7A POC is Mr. Juergen Bohnenberger, 375-2516, fax 375-2511, e-mail juergen.bohnenberger@us.army.mil.

A handwritten signature in black ink that reads "Jeannie A. Davis".

JEANNIE A. DAVIS
Assistant Deputy Chief of Staff, G1
(Civilian Personnel)