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IBM to transfer German staff to DC plan

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IPE.com 1/Feb/06: GERMANY – IBM's campaign to slash worldwide pension costs has spread to Germany, with the computer giant aiming to save several hundred million euros by transferring 11,000 employees there from a defined benefit schemes to a defined contribution one.

IBM currently employs 22,000 people in Germany. Roughly half of them are on DB schemes. The other half is on a DC scheme that was introduced in mid-2000.

"Developments on financial markets along with a higher life expectancy have meant that costs related to retirement provision keep going up," IBM Deutschland said. "As a result, the company's management has decided to amend pension plans for a multitude of workers and is ready to negotiate the changes."

If the worker representatives at the firm agree to the changes, which involve switching the workers from DB to DC, IBM Deutschland said its anticipated German pension costs for 2006 could be cut "several hundred million euros".

A spokesman for the Stuttgart-based firm added that the employees would keep their accrued benefits from the DB schemes.

However, the representatives told a German computer magazine that "management can expect plenty of resistance, because the workers are in a good legal position and cherish their retirement provision".

According to 'International Pension Funds and their Advisors', IBM Deutschland's corporate pensions are administrated by a German Pensionskasse, a vehicle that invests heavily in fixed income. The vehicle, according to the book, has €5.9bn in assets and is headed by Peter Thonet.

News of what IBM wants to do with its German pension plans comes just two days after the firm proposed a wide-ranging set of changes to its UK pension arrangements.

Key among those changes are a €730m cash injection, reductions in future benefits for DB-covered employees in the UK and an offer that those

employees switch to DC.

As the year began, IBM launched its campaign to slash pension costs by announcing a freeze of its DB plan for US employees. That plan has an estimated \$50bn (€41.4bn) in assets.

By [Jan Wagner](#)