

Employee's Capital Pension Scheme – draft of new regulations

December 2017

In brief

A draft of establishing of Employees' Capital Pension Scheme (hereinafter called Pracowniczy Plan Kapitałowy – PPK) is now discussed at governmental level. However, no official draft of the law is available. The regulations would need to be agreed by the Parliament to become binding.

Key assumptions of Employees' Capital Pension Scheme

Common

Employees' Capital Pension Scheme would be a new, mandatory for employers and voluntary for employees system for collecting pension savings under the third pillar of the pension system. The new scheme is intended to improve the structure of Polish pension savings.

Mandatory

PPK will be mandatory for all employers, who pay social security contributions for their employees to the Polish Social Insurance Institution. Under the planned regulations the obligation to implement PPK will initially cover all employers employing over 250 people. Employers who have already introduced the

Employees' Retirement Pension Scheme (PPE - which is a voluntary program), will not be obliged to create PPK, provided that the conditions of the functioning PPE will not be less favourable for the employees than the conditions relevant for PPK (contribution for PPE should not be lower than 3.5%).

The participants of the new system will be all employees between 19 and 55, who will automatically be registered under the PPK scheme with the right to opt out of the program. Employees over 55 will be able to join the program voluntarily.

Contributions

Employees' Capital Pension Scheme will be based on the co-operation of employers and employees in creating of employees' long-term pension savings in an investment funds

(both employers and employees will make a contributions). The employee's contribution will be 2% of the base for social security contributions (with the possibility of an additional voluntary contribution of 2%). The employer's contribution will be 1.5% of the basis for social security contributions (with the possibility of the additional voluntary contribution of 2.5%).

Employers will be able to choose a Fund manager, which will be managing of employee's pension savings. This savings will be private, assigned to a specific person and subject to inheritance.

The savings accumulated on the fund's account could be used to buy a first apartment. Also, up to 25% of the savings can be paid out in case of

severe, chronic illness of the employee, a spouse or child.

Fiscal incentives

Participation in PPK will be associated with some fiscal incentives. The employer's contributions will be exempted from social security contributions and may be treated as the employer's tax deductible costs. The employee's contributions will be settled from employee's net remuneration. There will also be a co-financing from the State of PLN 250 (i.e. a so-called welcome contribution) and the additional payment of

240 PLN (i.e. the annual premium). It will be possible to temporarily suspend payments of contributions to PPK.

Implementation schedule

- From 1 January 2019 – the obligation to create a PPK will lay on all entrepreneurs employing over 250 people
- From 1 July 2019 - the obligation to create a PPK will lay on all entrepreneurs employing between 50 to 249 people
- From 1 January 2020– the obligation to create a PPK

will lay on all entrepreneurs employing over 19 people

- From 1 July 2020 - the obligation to create a PPK will lay on remaining employers and public-sector.

Additional information

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