

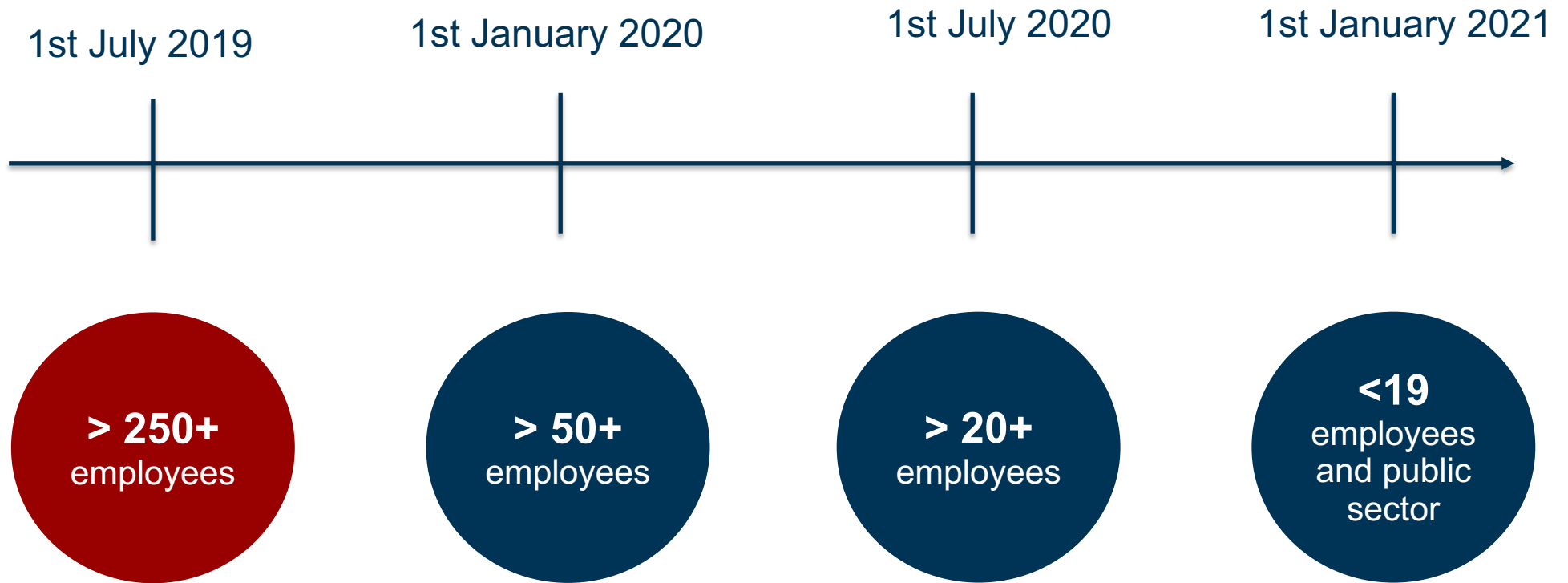
Employee Capital Plans Polish pension legislative update

February 2019

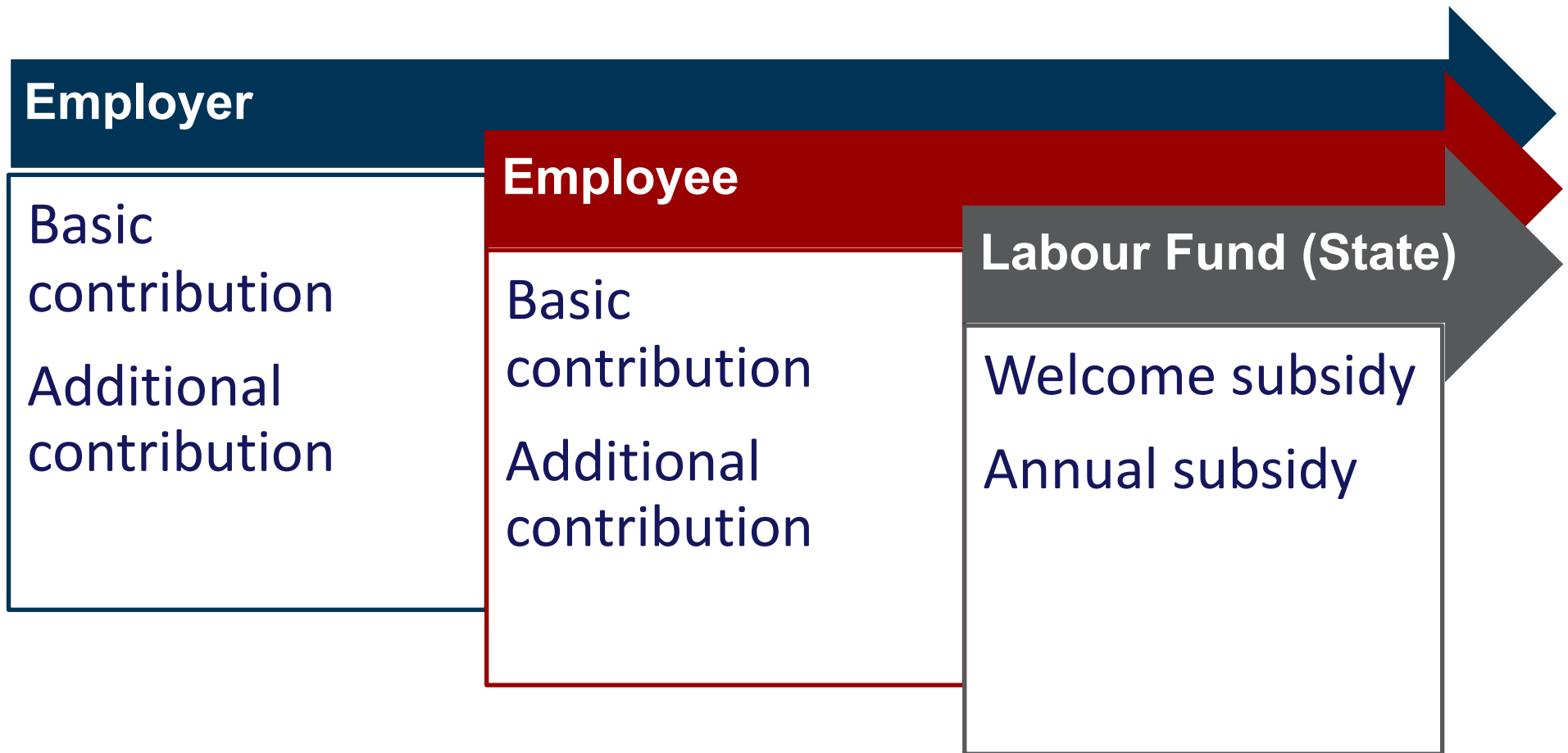
What is ECP?

- ✓ An Employee Capital Plan is a method of group saving for a pension
- ✓ It is a new and mandatory DC plan. The legal basis for an ECP is the Act of 4 October 2018
- ✓ The employer is obliged to set up an ECP in its company. Should there be a delay in establishing an ECP, the employer may be subject to a financial penalty of up to 1,5% of the corporate salary funds for the previous financial year
- ✓ The ECP is organized by the employer on behalf of the employees with a financial institution

Schedule of implementation of ECP depending on the size of company



Who finances the contributions?



Employer's contributions

**BASIC
CONTRIBUTION**

**ADDITIONAL
CONTRIBUTION**



Important note: 2,5% is max limit of additional contribution of an employer

Employee's contributions

**BASIC
CONTRIBUTION**

**ADDITIONAL
CONTRIBUTION**



Important note:

* the possibility of the basic contribution/ rate being reduced to 0,5% for income not exceeding 120% of the minimum wage, or PLN 2,700 in 2019

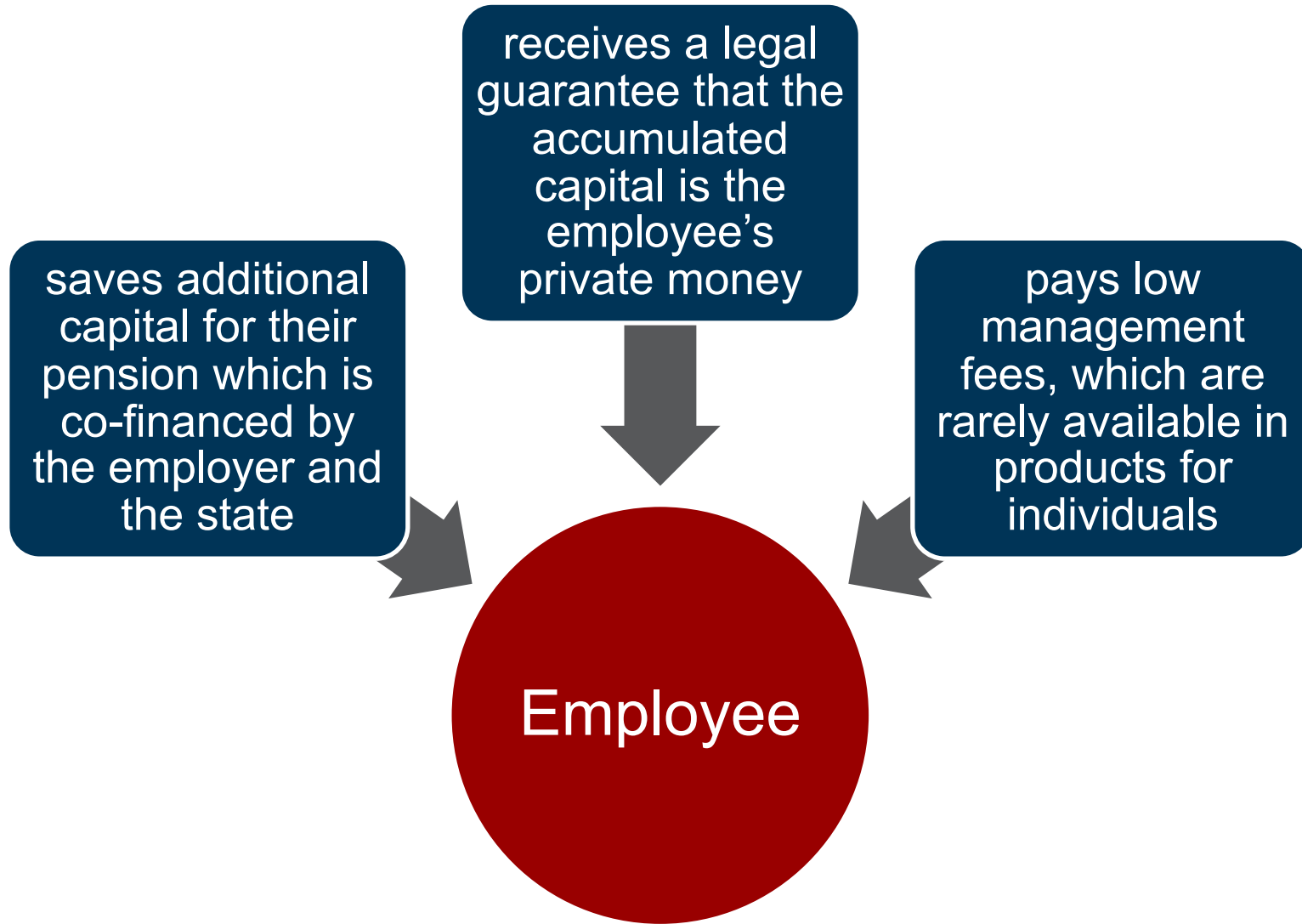
2% is max limit of additional contribution of an employee

Subsidies from the Labour Fund

Single welcome subsidy
in amount of
250 PLN

Annual subsidy
in amount of
240 PLN

What are the benefits for the employee?



What are the important timelines for companies with 250+ employees?

1 January 2019

- Entry into force of the Act

From April 2019

- Availability of ECP proposals at PFR's portal

From July 2019

- The beginning of the ECP duty for the companies with 250+

Until 25th October 2019

- Execution of an agreement with a selected financial institution

Until 12th November 2019

- Execution of an agreement on behalf of employees
- Payment of first contributions from the first remuneration after the above date

What is the definition of an Employee?

- ✓ An employee is defined in Article 2 of the Labour Code, with the exception of workers on mining leave and holidays for workers in mechanical coal processing
- ✓ An individual who is 18 or over, who performs work on the basis of:
 - an agency agreement,
 - an order agreement or
 - any other agreement to which the Civil Code regulation of order agreement applies
- ✓ a Member of a Board of Directors who receives a salary due to their position
- ✓ a Member of an agricultural-production cooperative or cooperative of agricultural groups
- ✓ a person 18 or over, who performs work in a cottage industry

Who should be enrolled in the ECP?

- ✓ **Auto-enrollment** for all employees **between 18 and 55** for whom the employer pays a compulsory premium towards old age pension and disability benefit insurance
- ✓ An employee must have been employed for at least 3 months in the period of the most recent 12 months
- ✓ **An employee can opt out any time** as the choice to join the plan is voluntary
- ✓ An employee older than 55 can join on a voluntary basis, by completing a declaration form
- ✓ An employee older than 70 cannot join the scheme

When the payout from ECP can be made?

The employee has several opportunities to payout:

- ✓ **After turning 60** years of age:
 - 25% of the cash as single payment and 75% in at least 120 monthly installments
 - 100% as a single disbursement having paid the tax on capital gains
- ✓ 25 % in the event of the employee's, their spouse's or child's **disease**
- ✓ 100% in the form of a **loan for housing purposes**

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