Warsaw, 29 January 2020

Prepared by: Employee Benefits Department

**POLAND**

**EMPLOYEE BENEFITS LEGISLATIVE UPDATE**

1. **Employee Capital Plans (so called PPK)**

**Background**

An Employee Capital Plan is a common method of group and long-term savings for a pension, designated for 12,3 mln employees. It is a new mandatory Defined Contribution plan, under third pillar. The legal basis for a PPK is the Act of 4th October 2018. The entity which employs at least one person that is obligatorily subject to retirement pension and disability pension should establish PPK for its employees. The commencement of the program for the biggest employers took place, as of July 2019. About 3,500 companies already set up the PPK within their organizations. The smaller companies will have to enroll gradually. Should there be a delay in establishing PPK, the employer may be subject to a financial penalty of up to 1,5% of the corporate salary funds for the previous financial year.

**Key Information:**

As of January 1, 2020, the employers with at least 50, but not more than 250 employees must set up PPK. The program is based on the co-operation between employers, employees and the state. Employees between 18 and 55 years old will be enrolled automatically, the employees older than 55 years old must opt in. Each employee can opt-out, which means that for the employee the PPK is voluntary even though for the employer setting up of the plan is mandatory.

|  |  |  |
| --- | --- | --- |
| **Employer’s contributions\*** | **Employee’s contributions\*** | **Surcharges from state** |
| * basis contribution: 1,5% | * basis contribution: 2% | * welcome payment: PLN 250 |
| * additional contribution: max 2,5% | * additional contribution: max 2% | * annual surcharge: PLN 240. |

\*calculation is made from gross salary

**Important dates**

To be compliant with the new law, the employers from the second phase of the PPK enrollment must:

* select the financial institution
* sign the agreement with the selected financial institution by **24th of April 2020** the latest
* sign the agreement concerning management over PPK on behalf of the employees by **11th of May 2020** the latest
* **pay first contributions** once both agreements are in place.

If you are in the second phase of the PPK enrollment please kindly notice that there are about 20,000 companies in the same position.

1. **The final abolishment of the Second Pension Pillar**

**Background**

Poland finalizes the abolition of the second pension pillar this year. Currently, the Polish pension system contains of three pillars. The first pillar is mandatory and run by the Social Security Institution (ZUS), the second pillar is mandatory and it is run by the private institutions (PTEs/ Open Pension Funds). Third pillar was voluntary till last year, but please refer to the above PPK note.

**Key Information**

In 2020, the assets accumulated in the second pillar will transfer to Individual Retirement Accounts, so called IKEs. IKE is a third pillar individual solution with no employer involvement. Each second pillar member will have to decide whether to transfer the accumulated capital to the first pillar sub-account (ZUS) or to a third pillar (IKE). The assets will be transferred automatically to IKEs with a transformation fee of 15% of the total accumulated assets. If the participant do not wish to transfer money to the third pillar, there is a need to submit a declaration. At the time of payment of the pension from ZUS, the funds will be taxed at 18% or 32%.

**Important dates:**

From June 1, 2020 to August 1, 2020, second pillar participants will have time to decide whether to transfer funds to ZUS and submit a relevant declaration. The model of the declaration will be specified by the Minister of Family, Labor and Social Policy. The IKE selection does not require any activity - the funds will be transferred automatically on November 27, 2020. According to information from the Ministry of Family, Labor and Social Policy the act regulating the above deadlines will be effective from June 1, 2020. The final wording of the act has not been disclosed and confirmed yet.