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EMPLOYEE CAPITAL PLANS

On November 19, 2018, the Polish President signed the Act introducing Employee Capital Plans (Pracownicze Plany Kapitałowe – PPK).

The PPK is a system that supports independent saving for retirement. Every employer will be obliged to introduce the PPK. The new regulations are to enter into force as of January 1, 2019, and as of July 1, 2019, they will apply to the largest entrepreneurs employing more than 250 employees. Employers will partially finance contributions and will serve as intermediaries between investment funds and employees who pay the contributions. Those companies that have an existing PPE (Employee Pension Plan) will be exempted from introducing the PKK.

BASIC RULES

PPK are to operate on the voluntary and private basis, i.e. the funds collected under a PKK are assigned to and owned by the employee. The employee has the right to indicate another person, who will be entitled to receive the collected funds after his or her death.

The regulations on PPK do not apply to entities which prior to the Act becoming effective (before 31.12.2018) have an existing PPE with a minimum basic contribution of 3.5% of the basis of social security contributions (as a rule, it is the employee's gross pay), provided that the PPE was joined by at least 25% of the employed in the entity.

Employee Capital Plans will be subject to the Polish Financial Supervision Authority. PPK will be voluntary, meaning that every employee will be automatically enrolled in the program, but will be able to opt out. A participant in the PPK will be able to resign from contribution to the program upon a written declaration submitted with the employer. **However, an automatic renewal of the registration in the program was assumed** – every four years, the employer will inform the employee who submitted the declaration about resigning from contributions to the Employee Capital Plan about re-enrollment in the program and start of contribution payments. An employee, who does not want to participate in PPK, will have to submit an opt-out declaration every 4 years. At the same time, a PPK participant, who had opted out, will be able to renew registration at any time.

If an employer fails to set up and manage a PPK, or encourages employees to resign from participation in PPK, the employer may face criminal responsibility and severe fines.

At age 60, a participant will be able to withdraw 25% of savings from the PPK in a lump sum, while the remaining 75% will be paid out in 120 monthly instalments. The funds accumulated in the account will be inheritable by persons indicated by

	the saving employee under inheritance law. The lawmakers provided for a possibility to withdraw accumulated savings earlier in case of serious illness or to cover the costs of taking out a home loan.
DATE OF ENTRY INTO FORCE	The regulations on PPK shall become effective as of January 1, 2019, but the Act provides for a gradual introduction of Employee Capital Plans. The first to join the PPK, on June 1, 2019, will be the largest employees, with more than 250 employees. The last, in 2021, will be small enterprises and public-sector entities. The schedule for joining PPK looks as follows: ■ entities employing **at least 250** people – PPK from **01.07.2019**, ■ entities employing **at least 50** people – PPK from **01.01.2020**, ■ entities employing **at least 20** people – PPK from **01.07.2020**, ■ remaining entities – PPK from **01.01.2021**.
AGREEMENT TO SET UP AND MANAGE A PPK	The Act on PPK imposes new, previously unknown duties on employers, in particular with respect to concluding agreements to set up and manage a PPK, calculate and make due payments to a PPK, as well as information duties and duties related to administrative support of the PPK. The agreement to manage a PPK is concluded with a financial institution selected by the employer in agreement with trade unions or, in case of a lack thereof, with two representatives of the employed (minimum 2 persons). The agreement for managing a PPK is concluded with the institution responsible for managing the PPK. A list of employees, including contractors paying social contributions, comprises an annex to the agreement. The remuneration for managing a PPK shall not exceed 0.5% of the value of net assets annually. The total limit of fees charged by financial institutions was defined as 0.6% of the value of net assets (with no more than 0.1% as the performance fee).
CONTRIBUTIONS TO PPK	**Contributions to the PPK will be financed by the employer and the employee.** Contributions are expressed as a percentage of pay, and for the employer, amount to: ■ basic: 1.5% of gross pay, ■ additional (voluntary): 2.5% of gross pay (depending on job seniority or regulations). The employer's contributions are not included in the base for determining the amount of the compulsory social insurance contributions. Contributions paid by the employee amount to: ■ basic: 2% of gross pay; for those earning less than 120% of minimum wage, there would be a possibility to reduce the contribution to 0.5%, ■ additional (voluntary): up to 2% of gross pay. The participant has a possibility to modify the amount of basic, reduced and additional contribution, as well as to resign from the additional contribution.
FINANCIAL INCENTIVES	Employee Capital Plans are of voluntary nature. The lawmakers have introduced **a one-time "welcome" contribution of PLN 250 financed by the State, as well as annual premiums of PLN 240.** Additionally, the funds contributed to the PPK will be exempted from social security contributions. The capital gains tax will not apply to funds collected under the PPK.

CONTACT US

This document has been prepared for information purposes only and is of a general nature. Before taking any action pursuant to the above information, we recommend that you obtain a valid opinion of TPA experts.

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TPA HR cooperation proposal

For the majority of employers, implementing PPK will entail numerous changes in the near future, which will become a considerable administrative and HR burden. Facing the risks and concerns related to that tool, we encourage you to contact TPA HR experts, who will present an individual cooperation proposal.

HOW CAN WE HELP?

new obligations of employers resulting from the Act on PPK – and how to prepare for them in practice?

Employee Pension Plans (PPE) and Employee Capital Plans (PPK) – which to choose?

your organization to implement the selected pension saving scheme

an analysis of the situation and needs – in collaboration with the Employer and the trade union side

to efficiently introduce the selected solution

PLAN IMPLEMENTATION PROCESS

Determining scheme conditions	Choosing the managing entity of the pension scheme	Implementing the scheme	Communication
Defining Client needs A workshop devoted to designing a pension scheme Recommendation of scheme conditions	Analysis of the potential managing companies market (max. 5 companies) Preparing and sending request for quotation Comparing offers & recommendation Meetings with 2-3 selected companies (Client) Selecting the managing company (Client)	Preparing materials to consult scheme conditions with trade unions or Staff representatives Preparing complete documentation of the scheme Workshops for the management Meeting with representatives of employees	Preparing communications Process analysis and preparing personnel documentation Meeting with employees
2-3 weeks	4-6 weeks	8-12 weeks	

ADDITIONAL SERVICES	■ Additional support in the process of communicating the project and the scheme:
	  ■ a workshop for HR
	  ■ a workshop for employee representatives
	  ■ meetings with employers and their representatives
	■ Consultations on adapting IT systems to the new reporting requirements
	■ Estimating scheme costs – determining the budget to be secured
	
	Remunerations for offered additional services depends on the amount of time required for a particular project.

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