

# EMPLOYEE CAPITAL PLANS (PRACOWNICZE PLANY KAPITAŁOWE – PPK)



## CHANGES IN THE PENSION SYSTEM

The year 2019 saw the entry into force of new legal regulations related to the pension system. The law requires each employer to maintain an Employee Capital Plan (PPK) for their employees.



## WHAT IS A PPK?

Employee Capital Plans (PPK) represent a form of additional, voluntary retirement saving on favourable financial terms under the pension system.

Funds collected in the PPK are fully private and inheritable.

## WHO FINANCES CONTRIBUTIONS TO THE PPK?

### Contributions financed by the employer

- basic – 1.5% of the employee's remuneration\*
- additional (voluntary) – up to 2.5% of the employee's remuneration

### Contributions financed by the employee

- basic – 2.0% of the employee's remuneration\*\*
- additional (voluntary) – up to 2.0% of the employee's remuneration

### Subsidies from the Labour Fund

- welcome payment (one-off) – PLN 250
- annual surcharge on account of active saving – PLN 240

## BENEFITS STEMMING FROM PARTICIPATION IN THE PPK

- contributions financed by the employer are exempt from social security contributions (benefit for the employer and the employee)
- profits earned on investments are exempt from capital gains tax (benefit for the employee)
- welcome payment and subsidies from the Labour Fund (benefit for the employee)

WHAT COSTS ARE INCURRED BY THE EMPLOYEE?			Employee remuneration*	
Contributions to the PPK financed by the employer for constitute additional taxable income of the PPK participant			Example I	Example II
			PLN 2,600	PLN 5,000
Employee	Basic contribution of the employee	2.0%**	PLN 52.00	PLN 100.00
Employer	Basic contribution financed by the employer	1.5%	PLN 39.00	PLN 75.00
Labour Fund	Annual subsidy from the Labour Fund of PLN 240 (PLN 20 per month)***		PLN 20.00	PLN 20.00
	<b>Total contribution transferred to the PPK</b>	<b>3.5%</b>	<b>PLN 111.00</b>	<b>PLN 195.00</b>
	Income tax on employer's contribution****	17.0%	PLN 6.63	PLN 12.75

## CRITERIA OF PARTICIPATION IN THE PPK

Employers employing at least one person for whom they pay a pension insurance contribution to ZUS are obligated to establish a PPK.

- This applies to employees working e.g. under, employment contracts, contracts of mandate, agency contracts, other contracts for the provision of services
- All employees who are over 18 years of age and have not reached 55 years of age; persons who are over 55 years of age and have not reached 70 years of age can join the PPK on a voluntary basis
- An employee shall have the right to suspend his/her participation in the PPK temporarily by submitting a written declaration (the suspension will be effective for up to 4 years)

## WHY CHOOSE PKO TFI?

- The largest TFI in Poland, managing assets for more than 1 million clients (as at 31.03.2020)
- Over 22 years' experience in asset management, including pension assets and life cycle funds
- Support for employers and employees in the implementation and servicing of PPK and a dedicated iPPK on-line platform
- Numerous distinctions of PKO TFI funds related to the achieved results; since 2012, always at the forefront of pension product rankings (IKZE/IKE)
- In 2020, PKO TFI's PPKs received the Consumer's Laurel in the PPK category and the Bull and Bear
- Extensive system of investment risk control, compliance and internal audit
- Over 2,000 companies have already chosen PKO TFI as an institution managing employee capital plans; these are Polish and foreign entities from such industries as food, arms, automobile and IT, and many others
- Nearly 1,100 branches of PKO Bank Polski dedicated to the service of employee capital plans all over Poland as well as a dedicated website

\* Remuneration – the basis for the assessment of the participant's pension and disability insurance contributions, in accordance with of the Social Security System Act of 13 October 1998, excluding the basis for the assessment of pension and disability insurance contributions of persons on parental leave and persons receiving a maternity allowance or an allowance in the amount of maternity allowance.

\*\* Employees may reduce the basic payment to 0.5%, provided that their income from all sources does not exceed 120% of the minimum remuneration in a given month.

\*\*\* The additional payment from the Labour Fund is made once a year, provided that the conditions set forth in Article 32 of the Act on Employee Capital Plans are met. For presentation purposes, it has been divided into 12 months. The additional payment is not taxable.

\*\*\*\* If the employee's income exceeds PLN 85,528 in the tax year, then the tax rate will amount to 32%. Persons under the age of 26 whose income in a given tax year does not exceed PLN 85,528 are exempted from this tax.

## WHEN CAN A PARTICIPANT WITHDRAW FUNDS FROM THE PPK?

Funds deposited in the PPK can be withdrawn when the participant reaches the age of 60 and can take the form of:

- a one-off payment of 25% of the deposited funds
- withdrawal of 75% of the deposited funds in at least 120 instalments

Early payment will be possible in case of an emergency:

- purchase of an apartment / construction of a house for a loan (up to 100% of the value of funds), with the obligation to return the funds (applies to persons up to 45 years of age)
- serious illness of the participant, his or her spouse or child (up to 25% of the value of funds) with no need to return the funds
- at any time, but subject to reimbursement of additional payments from the State, submitting 30% of insurance contributions financed by the employer to the Social Insurance Institution, and payment of capital gains tax.

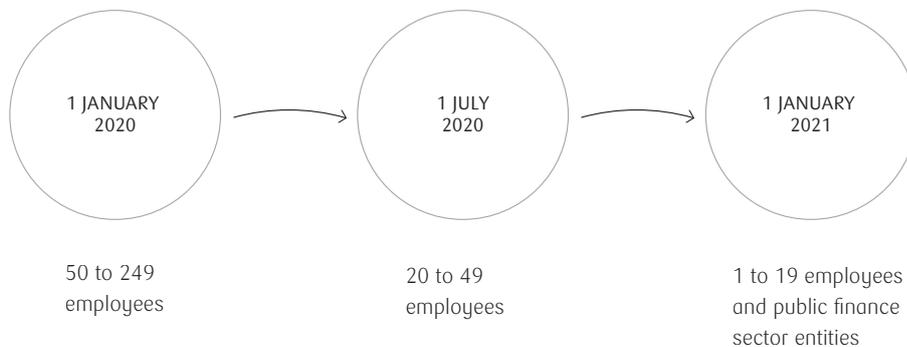
## NEW CHALLENGES FOR EMPLOYERS

In connection with operating the PPK, the employer has to:

- sign PPK management agreement with a financial institution
- sign, in the name and on behalf of the employees, agreements on maintaining the PPK
- timely calculate basic and additional contributions and pay them into the fund
- archive documentation related to the PPK

## THE SCHEDULE FOR CREATION OF THE PPK

- The effective dates of the regulations will vary depending on the number of persons employed as at the date of establishing by an employer the obligation to create the PPK defined in the Act.



## HOW WILL FUNDS BE INVESTED IN THE PPK?

Contributions paid to the PPK will be invested in subfunds of PKO Pension soif (PKO Emerytura soif) based on a life cycle model which automatically adjusts the structure of the invested capital to the age of the PPK participant. When the employee reaches the threshold age of 60, the fund, automatically changes its investment policy to ensure proper security of the entrusted funds.

## WANT TO KNOW MORE ABOUT PPK?

You are welcome to contact our experts:

tel: +48 22 539 23 57

from Monday to Friday between 8:00 a.m. and 5:00 p.m.

fee as specified in the operator's tariff

This material is for information purposes only. PPK in PKO TFI is based on subfunds under the PKO Pension soif. Investing in investment funds involves a risk. A detailed description of the risks related to investing can be found in the prospectus and key investor information (KIID) available on [www.pkotfi.pl](http://www.pkotfi.pl). PKO TFI S.A. operates on the basis of an authorisation of the Polish Financial Supervision Authority.

<sup>1</sup>Remuneration – the basis for the assessment of pension and retirement insurance contributions of a participant, in accordance with the Act of 13 October 1998 on the social insurance system.

<sup>2</sup>The basic contribution financed by the PPK participant may be less than 2%, but not less than 0.5% of the remuneration, provided that their income from all sources does not exceed 120% of the minimum wage in a given month.