

What's good to know about the Employee Capital Plans (PPK)



**Information
for employees**

Employee Capital Plans

Long-term retirement saving programme for employees designed and co-funded by employees, employers and the state.

Every employer automatically subscribes to the programme all employees between 18 and 55 years old who are obligatorily covered by the retirement and disability insurance, provided that those persons did not resign from contributions to the Employee Capital Plans.

The gathered funds are only yours and they are inheritable. The gathered capital is managed by financial institutions that fulfil stringent criteria.

SAVING SYSTEM

common
voluntary
profitable

YOUR MONEY

for the future
private
inheritable

Where do the savings come from in the Employee Capital Plans?

The structure of funds in your account is as follows:



YOU – THE EMPLOYEE | from **2%** up to **4%** of your gross remuneration (if your remuneration does not exceed 120% of the minimum remuneration, the payment will be decreased even to **0.5%**)



YOUR EMPLOYER | from **1,5%** up to **4%** of your gross remuneration



STATE | **PLN 250** one-off welcome payment
+ PLN 240 annual surcharge

You will withdraw your savings when you are 60.



The funds can be withdrawn in full, but the most profitable solution is to withdraw **75%** of the gathered savings in at least 120 monthly instalments (10 years). You will not pay the tax on capital gains.

You can use the gathered savings earlier if:



you, your spouse or your child are seriously ill
– up to 25% of funds with no return obligation



you want to cover the cost of your contribution when taking a loan for a flat or house construction - up to 100% of funds with return obligation within 15 years (for persons below 45 years of age).

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The most important notions associated with the Employee Capital Plans programme



Employer, company, hirer, employing entity, enterprise – all those notions refer to the employing entity pursuant to the Act on Employee Capital Plans.

Pursuant to the Act on Employee Capital Plans, an **employing entity** is a:

- employer;
- outwork employer;
- farming cooperative or farmer cooperative association;
- contractor;
- entity in which a supervisory board functions.

Employee, worker, employed person – all those notions refer to the person employed pursuant to the Act on Employee Capital Plans.

Pursuant to the Act on Employee Capital Plans, **employed persons** are:

- employees employed under an employment agreement, nomination, selection, appointment or cooperative employment agreement (except for employees on mining leave as well as leaves for the employees of coal mechanical processing facilities and adolescent workers);
- natural persons over the age of 18 who perform the outwork;
- the members of farming cooperatives or farmer cooperative associations;
- natural persons over the age of 18 who perform the work under an agency agreement, contract of commission or the other agreement for the provision of services;
- members of supervisory boards who receive remunerations due to the performance of those functions

– persons obligatorily subject to retirement pension and disability pension in relation to the aforementioned within the territory of the Republic of Poland pursuant to the Act of 13 October 1998 on social security system (Journal of laws of 2017 item 1778 as amended).

Act, Act on Employee Capital Plans – those notions refer to the Act of 4 October 2018 on employee capital plans (Journal of laws of 2018 item 2215).

The most important notions associated with Employee Capital Plans programme



Employee Capital Plans management agreement – the agreement that is concluded between an employer and the selected financial institution that manages the Employee Capital Plan. Decision on the choice of institution with which the agreement will be concluded and in which the Employee Capital Plans will be established in the company should be taken in agreement with the representatives of employees (trade unions or, if there no such, with the representatives of employees selected in the manner relevant for a given employer). The Agreement will include the most important principles associated with gathering and management of funds on the accounts of Employee Capital Plans.

Agreement for operating Employee Capital Plans – agreement which is concluded by the employer on behalf and for the benefit of the employees, with the financial institution with which the employer had concluded the management agreement. Employees become the participants of Employee Capital Plans upon signing this agreement.

The agreement for operating will determine, inter alia, the specific conditions of gathering and managing the funds. The manner in which the participant of the Employee Capital Plans can declare additional payments or make transfer orders concerning the gathered funds will be specified there.

Defined date fund, financial institution – investment funds, open pension funds or insurance capital funds which can limit the risk associated with the age of the Employee Capital Plans participant by means of special investment policy. The participant invests with one fund during the whole period of gathering his or her savings. This fund, along with exceeding the border of the age of 60, automatically changes investment policy in a manner which enables to assure the relevant security of the entrusted funds. The act on Employee Capital Plans refers to those funds as financial institutions.

Managing institutions – entities that manage the defined date funds, which are: Investment Fund Company (TFI), General Pension Society (PTE), Labour Pension Society (PrTE) or an insurance company. The Employer launching the Employee Capital Plans in the company will choose one of these institutions.

Payments into Employee Capital Plans – payments performed to the Employee Capital Plans account of the employer that come from three sources: the employer, the employee itself and the state. In case of payments made by the employee and employer, the amount of payments will be charged in percentage terms from the amount of gross remuneration. The payments from state are defined sums, regardless the amount of incomes (single welcome payment and annual surcharge).

Employee Capital Plans Account – individual, private account to which the Employee Capital Plans savings of the employee will be transferred and gathered.

The most important notions associated with Employee Capital Plans programme



Withdrawal – withdrawal of funds gathered in Employee Capital Plans that can be performed by the participant who is above the age of 60 or earlier, when:

- covering the own contribution by taking credit for financing the house building or buying a flat (only for participants before the age of 45);
- the participant, its spouse or child becomes seriously ill.

The withdrawal of funds after exceeding the age of 60 performed in compliance with the default form of withdrawal specified in the Act (25% in full and rest of funds in at least 120 instalments) will not be burdened by the necessity to pay the capital gains tax.

Repayment – the withdrawal of funds from the Employee Capital Plans Account before exceeding the age of 60 by the participant.

The repayment of funds can be performed at any moment by the participant. The participant would receive the funds that he paid itself but it would also have to return 30% of employer payments as well as all the funds that come from the welcome surcharge and annual surcharges from state. The repayment of funds from the Employee Capital Plans account can be performed after the application of the former spouse of the Employee Capital Plans participant (in case of divorce or the annulment), the surviving spouse of the Employee Capital Plans participant or the other person authorised in case of death of the participant.

Authorised person – a person that would receive the funds gathered on the Employee Capital Plans account in case of death of the participant. The participant can specify the person or persons authorised to its savings as well as the their contribution to its funds. If the participant will not specify the authorised persons, the funds after its death will be subject to inheritance pursuant to the Act of Employee Capital Plans and law of succession.

Introduction



Employee Capital Plans – what was the idea for their establishment?

Polish society is getting older and older. This process as well as the lack of initial capital on ZUS [Social Insurance Institution] accounts, in case of persons below the age of 40, can cause a significant decrease in the amount of retirement benefits of Poles in the subsequent years.

According to the forecasts concerning the amount of pensions of the persons ending a professional career in 20-30 years, this sum will reach barely 30-40% of the last gross remuneration. Without additional savings the beneficiaries of retirement benefits will be subject to family support, state social assistance or forced to further work after reaching the retirement age.

The additional forms of long-term saving are the solutions that help the societies to cope with this challenge. Such systems function successfully in different countries in the world. In many of them, inter alia in Germany, Great Britain, the USA or Scandinavia (!!), they are based on the contribution of employers. Their key assumption is the establishment of the generally available, easy and financially attractive system of saving additional money for future.

During the work on a new retirement saving system in Poland, the experts analysed long-term saving systems operating in other countries. They chose solutions with the best practice, the most effective mechanisms and adjusted them to the Polish reality. In such a manner the Employee Capital Plans, the systemic solution which aims to assist you and other employees in gathering additional savings that are subject to long-term investments giving a chance to obtain the higher rates of return than in terms of deposits or bank investments, occurred.



What are Employee Capital Plans?

Employee Capital Plans are the voluntary long-term saving programme. Why are they associated with an employee? Because the programme is addressed to approx. 11.5 million of Poles working professionally, who are obligatorily subject to retirement pension and disability pension, i.e. either for those who work under employment agreement or for those who work under the contract of commission.

In order to provide a simple solution (?) the participation in Employee Capital Plans would not require any formalities, the employer of the enterprise you work in will be liable for its establishment. Payments for Employee Capital Plans account will come from three sources: from employer, employee and state. The paid funds will be multiplied by the financial institutions fulfilling the stringent criteria. The control over ECP in the scope of the functioning of institutions that would manage the programme will be performed by the Polish Financial Supervision Authority.

The main aim of Employee Capital Plans is the provision of the additional money that can be used after exceeding the age of 60 and earlier in exceptional situations. The funds gathered on your account will be private and will be subject to inheritance. It will be possible to withdraw them at any moment.

Procedure



1. COMMENCEMENT OF THE PROGRAMME

The entity which employs at least one person that is obligatorily subject to retirement pension and disability pension (not only employed under employment agreement but also under the contract of commission or the agency agreement) should establish Employee Capital Plans for its employees.

The commencement of the programme for the biggest companies will be on **1 July 2019**. Since that moment, the gradual inclusion of the subsequent groups of employers to the programme in the period of two years, starting from the biggest enterprises to the smallest companies, is planned (see the key dates for your employer).

2. PARTICIPATION IN EMPLOYEE CAPITAL PLANS

Your employer chooses and signs the agreement with financial institution by means of which the individual Employee Capital Plans accounts will be established for the employees. Subsequently it **automatically** subscribes the **employees** to this programme **that are above the age of 18 but below 55** who are obligatorily subject to the retirement pension and disability pension (unless they did resign from making payments to Employee Capital Plans). If you are a person that is **above the age of 55 but below 70 years old**, you can submit the application on joining the programme to you Employer.

The next companies are planned to join the Employee Capital Plans gradually. The employer programme joining dates are spread over 2 years and will depend on the number of persons employed in a given company. The dates in which the first payments will be transferred to the individual Employee Capital Plans account of the employee are described in the next section on page 17.

Key dates for your Employer:



companies employing at least **250 persons** according to the situation as at 31 December 2018
– **The commencement of the programme starting from 1 July 2019**



companies employing at least **20 persons** according to the situation as at 31 December 2019
– **The commencement of the programme starting from 1 July 2020**



companies employing at least **50 persons** according to the situation as at 30 June 2019
– **The commencement of the programme starting from 1 January 2020**



other companies and entities of the public financial sector
– **The commencement of the programme starting from 1 January 2021**

Procedure



3. FORMALITIES ARE MANAGED BY MY EMPLOYER

If you decide to be a part of the programme, your employer will manage all your formalities. He is liable for:

- The choice of the financial institution by means of which the Employee Capital Plans accounts will be established for you and other employees. The decision will be made in agreement with the companies trade union organizations, and if there is no such in your company, with the representatives of the employed persons that were selected in the manner relevant for your employer.
- Signing of the Employee Capital Plans management agreement with the chosen financial institution as well as the agreements for operating Employee Capital Plans for your benefit.
- Transfer of payments to Employee Capital Plans.
- Gathering and archiving of Employee Capital Plans documentation.
- Provision of information associated with the established Employee Capital Plans to you, other employees and the chosen financial institutions.



If you are not a participant of Employee Capital Plans from the beginning, you can request your employer to start making payments. The payments will be made starting from the next month. Moreover, every 4 years, starting from 1 April 2023, the employer will be again liable for transferring the payments for all qualified employees. It will inform you on the upcoming date of payment transfer recommencement. If you do not decide to save within ECP, you can submit a resignation from making payments.

Procedure



4. PAYMENT AND SAVING SYSTEM

Payments to Employee Capital Plans account will come from three sources: from **you - employee, your employer, and state.**

	Basic payment	Additional payment (voluntary)	Maximum payment
PAYMENTS FINANCED BY THE EMPLOYEE	2,0% of gross remuneration for employees whose total remuneration obtained from various sources in a given month does not exceed the amount referring to the 1.2 the amount of the minimum remuneration. The basic payment can be decreased to 0.5% of gross remuneration	up to 2,0% of gross remuneration	4,0% of gross remuneration
PAYMENTS FINANCED BY THE EMPLOYER*	1,5% of gross remuneration	up to 2,5% of gross remuneration	4,0% of gross remuneration
Total maximum payment			8,0% of gross remuneration
SURCHARGES FROM STATE	Welcome payment – PLN 250 annual surcharge – PLN 240		

* Payments financed by the employer are not subject to the contributions for retirement and disability insurances.

Procedure



5. RULES OF USING SAVINGS

The savings gathered in Employee Capital Plans are your own funds that serve the retirement objectives. Due to this fact the specific rules of using these savings were established.

Withdrawal of funds before the age of 60:

YOU CAN WITHDRAW THE FUNDS AT ANY MOMENT BUT THEY WILL BE DECREASED BY:

- capital gains tax;
- 30% of the value of your employer payments - those payments were exempted from contributions for retirement and disability insurances. Due to this fact the collected 30% is considered as your own contribution for retirement insurance in ZUS;
- surcharges from state

YOU CAN WITHDRAW THE FUNDS IN EXCEPTIONAL SITUATIONS:

- you, your co-spouse or child **serious disease** - up to 25% of funds with no return obligation;
- if you want to cover the own contribution by taking **credit for a flat or house building** - up to 100% of funds with a return obligation. There is a possibility to return it in the non-interest-bearing instalments that can be paid for 15 years - it involves the persons who are **below the age of 45**.



Procedure



AFTER EXCEEDING THE AGE OF 60 you can start the process of withdrawing your gathered savings no matter if you work or not. The easiest and the most profitable is to withdraw the funds in the form that is not associated with the necessity to pay the capital gains tax:

- 75% of funds in at least 120 instalments (for 10 years or more) and the remaining part at one time;
- in the form of financial products:
 - a policy in insurance institution with the right to periodical or lifelong provision,
 - an account of fixed-term deposit on the terms and conditions specified in the Act;
- withdraw the funds in the form of matrimonial benefit.

ALTERNATIVELY:

- you can withdraw the whole sum of the gathered funds in any period of time. One of the options is to make a single withdrawal of 100% of funds (in one instalment). The withdrawal of funds in less than 120 instalments is associated with the necessity to pay the capital gains tax;
- you can continue saving with the Employee Capital Plans.



Procedure



6. ALLOCATION AND INHERITANCE OF FUNDS

The savings gathered on your account are your own private funds. In case of divorce (and in case of joint marital property ownership) **they are divided. In case of your death they are inherited.**

Divisions of funds in case of divorce or annulment:

- the funds gathered within Employee Capital Plans that are entitled to your co-spouse as a result of common property division will be provided in the form of transfer to its ECP account;
- if your former co-spouse would not have Employee Capital Plans account, the funds that are entitled to it as a result of property division would be provided in cash or by means of transfer to the account of the fixed-term deposit pursuant to the terms and conditions specified in the Act;
- if your former co-spouse will have more than one ECP account, the payment will be transferred to the account specified by it in the application.

Divisions of funds in case of participant's death:

- in case of death, if you were married, half of the gathered funds by you (in the scope in which those funds constituted the subject of joint marital property ownership), will be transferred by the financial institution to the account of Employee Capital Plans, IKE (Individual Retirement Account) or PPE (Employee Pension Plan) of your co-spouse. At its application the financial institution will make a return in cash;
- The funds gathered by you that will not be provided to your co-spouse will be provided to the authorised persons specified by you (depending on their application, in the form of transfer to ECP, IKE, PEE of those persons or in cash).

7. RESIGNATION FROM SAVING WITHIN EMPLOYEE CAPITAL PLANS

You have a possibility to resign from saving with Employee Capital Plans by signing the special declaration on resignation from making payments to Employee Capital Plans as well as the benefits associated with it, such as payments of the employer or surcharges from state. You can also resign from the participation in ECP at the stage of establishing the programme of a given employer as well as at any moment in future.

Procedure



8. CHANGE OF JOB VERSUS EMPLOYEE CAPITAL PLANS

When you change your job you will save the money in the financial institution chosen by your new employer. There will be yet another ECP account established for you. Please remember to inform the new employer on all current agreements for operating Employee Capital Plans concluded on your behalf. The funds that were gathered can stay with the old institution (after several changes of employer you can have several ECP accounts) or transfer them to the new so as to have all funds in one account.

9. COSTS

Due to the fact that payments that are financed by the employer are your revenue that is subject to taxation, the employer will be obliged to deduct the tax from those payments from your remuneration.

The total costs of managing Employee Capital Plans collected by financial institution cannot exceed 0.6% net value of the fund assets per year.

10. ROLE OF FINANCIAL INSTITUTIONS

The financial institution chosen in your company will invest your savings in investment funds that differentiate the level of risk according to the age of the participant - these are the so called funds of the defined date.

Every participant will be automatically subscribed to the particular defined date fund depending on its date of birth.

With this fund it invests for the whole period of gathering funds. Along with exceeding the border age of 60, the fund will automatically change the investment policy in a manner which enables to assure the relevant security level of the entrusted funds.

In order to allow a given institution to participate in the system, i.e. to manage the funds transferred to the Employee Capital Plans account, it has to fulfil the array of stringent statutory conditions.

Benefits for Employees



1. The gathered funds are only yours (private) and they are inherited

In contrast to the public retirement system saving, your funds remain your private property.

2. Payments for Employee Capital Plans account will come from three sources

Apart from your payments, every month you receive the payment from the employer and the surcharges from etate (welcome payment and annual surcharge).

3. In order to start saving you do not have to do anything. The whole process functions independently.

Your employer will fulfil all formalities. You have to choose the sum that you want to save monthly only - it can be from 2 to 4% of gross remuneration. In case of persons who have lower incomes, the basic payment can be lower than 2% but cannot be lower than 0.5% of gross remuneration. The amount of employer payments remains at the same level of at least 1.5%. It does not change the amount of surcharges on the part of state.

4. The gathered capital is managed by financial institutions that fulfil stringent criteria

Employee Capital Plans can be offered by financial institutions that fulfil stringent requirements associated with experience, reliability and equity. The supervision over them will be performed by Polish Financial Supervision Authority.

5. You can resign from saving at any moment

If you do not want to save money within Employee Capital Plans, you can submit a resignation from making payments to your employer.

6. You can start saving again within Employee Capital Plans at any time.

At any time you can provide your employer with the application on joining Employee Capital Plans and making payments to the programme. The subsequent payments will be made starting from the next month.

7. You can use the savings before exceeding the age of 60 – you receive a protection in case of:

- your, your co-spouse or child serious disease;
- necessity to cover the own contribution for the credit for a flat or house.

8. You can decide on the model of receiving the payments after exceeding the age of 60.

The most profitable form of payment with no capital gains tax is 25% of a single withdrawal and the remaining 75% in 120 instalments for 10 years.

Questions and answers



1. What are the basis of Employee Capital Plans?

Employee Capital Plans are a **voluntary** long-term saving system for employees designed and co-financed by employers and the state. Employee Capital Plans are the capital system that is not a part of the public retirement system. Due to this fact the savings on your account are private, can be withdrawn at any time and are subject to inheritance.

2. Why were Employee Capital Plans introduced?

The fundamental aim of Employee Capital Plans is the assurance of the additional financial protection after you exceed the age of 60, regardless the fact whether you still work or not..

3. Who will take care of the security of my funds in Employee Capital Plans?

The supervision over ECP in the scope of compliance with law, your interest and the interest of the other participants of the system should be performed by Polish Financial Supervision Authority.

Financial institutions are to fulfil the array of statutory requirements to become involved in the management of funds gathered in Employee Capital Plans. Only a institution that has a proper statutory experience will be manage your savings in Employee Capital Plans.

The gathered funds will be invested in the defined date funds. The investment policy of those will change in a manner that would allow to limit the investment risk level along with approaching the age of 60. It is crucial to remember, however, that investment is associated with risk and the funds gathered in Employee Capital Plans are not guaranteed.

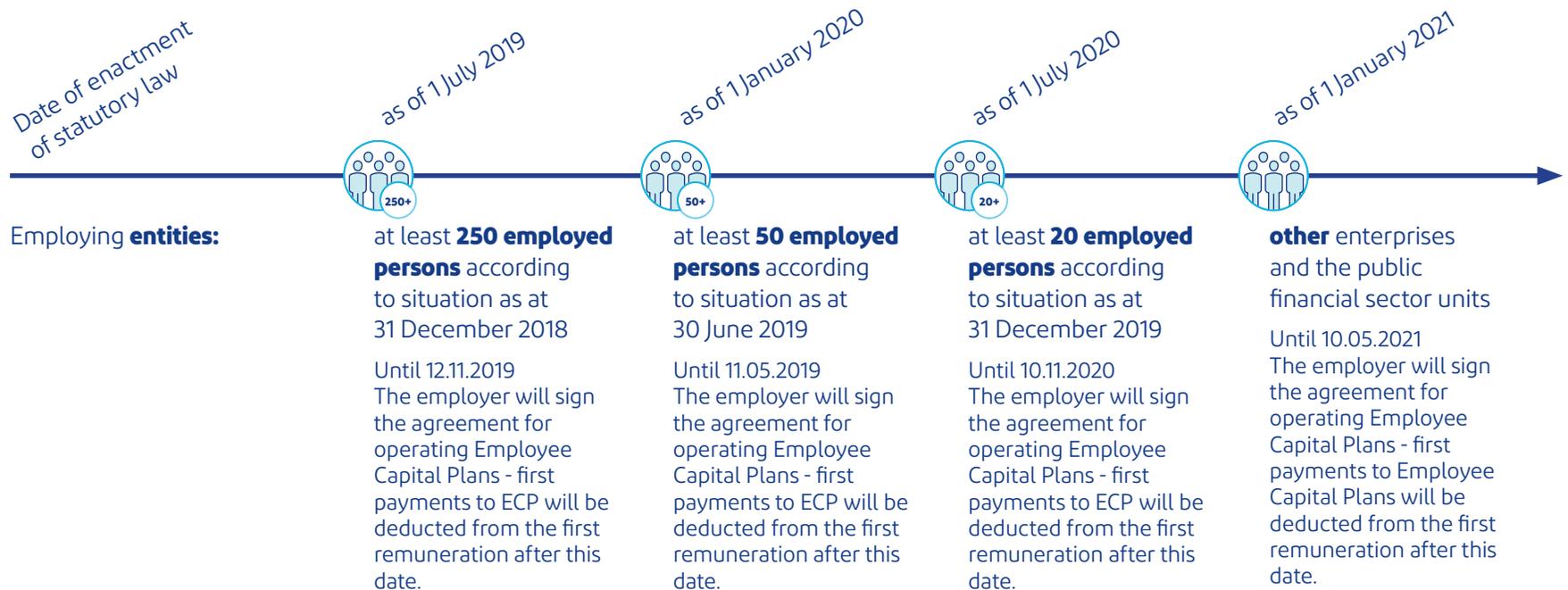
Questions and answers



4. When will I join Employee Capital Plans?

The program will start on **1 July 2019**. Since that time the big companies that employ at least **250** persons will be obliged to establish Employee Capital Plans for their employees. It means that at least on 12 November they will sign the agreement with financial institution on behalf of and for the benefit of the employees (agreement for operating Employee Capital Plans). Since the first remuneration payment after the date of conclusion of this agreement, the new employee payment will be collected.

Due to the scale of the program, the gradual (**every 6 months**) inclusion of the subsequent groups of employers to the programme in the period of **2 years**, starting from the biggest enterprises to the smallest companies is planned.



Exception: The entities that belong to the one capital group can join Employee Capital Plans within the date in which the biggest entity of the group joins the programme (with the biggest number of the employed persons).

In case of the entities being the public financial sector units, the agreement for operating should be concluded until 10.04.2021.

Questions and answers



5. Who will make contributions to my savings within Employee Capital Plans?

Payments for Employee Capital Plans account will come from **three sources**: from **employer, employee (i.e. you)** and **state**.

- **Employer surcharge:**
 - **basic payment - 1.5%** of **your** gross remuneration
 - **voluntary additional payment** - maximum **2.5%** of **your** gross remuneration
- **Employee - You:**
 - **basic payment - 2%** of **your** gross remuneration;
Basic payment can be reduced to **0.5%** of **gross remuneration**, if your total remuneration obtained from various sources in a given month does not exceed **the amount referring to the 1.2 the amount of the minimum remuneration** be deducted.
 - **voluntary additional payment** – maximum **2%** of **your** gross remuneration.
- **State:** single welcome payment of **PLN 250** and annual surcharge of **PLN 240**.

6. Which factor influences the amount of payments to my account in Employee Capital Plans?

The amount of your and your employer payments will be charged in percentage terms **from the amount of gross remuneration**. The payments from the state are defined sums, regardless the amount of incomes. In order to obtain them it is crucial to fulfil the statutory requirements.

- you will obtain a **welcome payment** after three full months of saving money in Employee Capital Plans and for those months you will **perform basic payments** (welcome payment is transferred within the term of 30 days after the end of a quarter);
- you will obtain an **annual surcharge** when the basic and additional payments in a given year amount to at least **3.5% counting from the 6 times the amount of the minimum remuneration** in a year for which the surcharge is due.

Example: In 2019 the amount of payments qualifying to the annual surcharge is **PLN 472.50**.

For the persons of lower incomes whose basic payments do not exceed 2% it would amount to **PLN 118.13**

Questions and answers



7. What will be the costs of my participation in Employee Capital Plans programme?

The total costs of managing Employee Capital Plans cannot exceed 0.6% net value of the fund assets per year. Including:

- **Managing cost** cannot be higher than **0.5%** net value of the fund assets per year.
- **the remuneration for the achieved result in the amount of** maximum **0.1%** of the net value of the fund assets per year.

It must be remembered that the employer payments to Employee Capital Plans will represent your income. Personal income tax from those payments will be deducted from your remuneration. Due to this fact your net remuneration after the deduction of your payments to Employee Capital Plans as well as the tax on employer payments will be practically decreased by a little bit more than 2%.

Surcharge from the state to your account in Employee Capital Plans (welcome payment in the first year - PLN 250 and the annual surcharge of PLN 240 in the next) will not represent your income and will not be burdened by income tax.

8. Do I have any additional benefits due to the fact that I participate in Employee Capital Plans?

Apart from the benefit in the form of payments from the employer, welcome and annual payment on your part, due to Employee Capital Plans you gather private and inherited financial funds. You can additionally use the savings before exceeding the age of 60 in the situation of:

- **serious disease:** Of you, your co-spouse or child (payment up to 25% of funds with no return obligation);
- **covering the own contribution by taking credit for apartment building or buying a flat.**
 - only for persons who are below the age of 45 (in the amount of 100% of funds with a return obligation. There is a possibility to return it in the non-interest-bearing instalments that can be paid for 15 years).

Questions and answers



9. What if my incomes are very low?

If your incomes are low you can make a decision to decrease your payments to Employee Capital Plans. The payments can be lower than 2% but not lower than 0.5% of your gross remuneration. The amount of Employer surcharges remains at the same level of 1.5%. The amount of surcharges on the part of State does not change.

10. Will all professional groups be involved in Employee Capital Plans?

Employee Capital Plans will cover **all employees**. **Despite the profession performed, only the members of the armed forces cannot be the participants of Employee Capital Plans** that are embraced by the distinct retirement system and do not paid contributions regarding the retirement and disability insurances to ZUS.

11. Can my employer cease to make payments for Employee Capital Plans?

If you do not resign from the participation in the programme, your employer will not be able to resign from making basic payments to your account in Employee Capital Plans. It will be its statutory duty.

12. I am the owner of sole proprietorship, will I take part in Employee Capital Plans?

No. The self-employed, i.e. the persons who run sole proprietorship are exempted from the Act. If they employ employees, or act as employing entities, to be more precise, pursuant to Art. 2 section 1 point 21 of the Act, they will be obliged to establish Employee Capital Plans for their employees.

On **1 January 2021 the payment limit on Individual Retirement Protection Account (IKZE)** for persons running sole proprietorship **will be increased**. If you run a sole proprietorship, it will help you to save. The limit referring to the 1.2 the amount of the average remuneration (in 2019 it is PLN 5718) will be increased to 1.8 of the amount of the average remuneration (in 2019 it would amount to PLN 8577). It should be remembered that persons who chose to save with IKZE, i.e. the self-employed, can deduct the sum of payments made on IKZE in a given year from the tax base.

Questions and answers



13. Which companies/employers will take part in the programme?

Employers who employ at least one person that is obligatorily subject to retirement and disability insurance.

There are exceptions from the duty of keeping Employee Capital Plans which include:

- **Employers who in the first day of application of the Act** keep Employee Pension Plan (PPE) and pays basic contributions in the amount of at least 3.5% of remuneration, if PPE was joined by 25% of the employed persons.

If your employer establishes ECP and launches PEE with the basic contribution of at least **3.5% of remuneration** later, with agreement with your facility organisation, it does not finance the payments to Employee Capital Plans for the persons who join PEE. Those persons will not obtain the annual surcharge from the state;

- **micro-entrepreneurs** if all persons employed submit declarations of resignation from making payments to ECP;
- **natural person** who employs, in the scope unrelated with its activity, the natural person in the scope unrelated with business activity of that person.

Example: Employer does not have to establish Employee Capital Plans for the carer for elderly people employed by the persons running business activity which differs from employing the carers.

14. Am I individually responsible for opening the bank account in Employee Capital Plans?

In order to open the Employee Capital Plans account you do not have to do anything. Your employer will choose the financial institution that manages Employee Capital Plans as well as open the personal account for you through the intermediary of it to which your savings will be transferred and gathered. A private Employee Capital Plans account due to which you will have a constant access to your funds.

15. Who chooses the financial institution?

The decision concerning the choice of financial institution is made by the employer in the agreement with the company trade union organizations, and if there are no trade unions in the company you work in, with the representatives of the employed persons that were selected in the manner relevant for you employer.

The employee has no possibility to join the other financial institution than the one chosen by the employer.

Questions and answers



16. What will happen if my employer will not choose a financial institution?

If a month before the expiration of the period in which the employer should establish Employee Capital Plans (sing the Employee Capital Plans Management Agreement) the agreement concerning the choice of institution with the company trade union organisation (or if there is no such organisation, with the representatives composed of employees) would not be achieved, your employer will individually choose the institution which offers the most profitable terms and conditions of managing the Employee Capital Plans funds.

If your employer did not establish Employee Capital Plans within the planned term, PFR [Polish Development Fund] will submit a written call to conclude the ECP management agreement with the specified financial institution (PFR TFI S.A.) or to provide to PFR S.A. the information on concluding Employee Capital Plans Management Agreement with other institution.

17. Can I change financial institution without changing Employer?

You cannot. Only the employer can change the institution.

18. What if there is a change of employer?

Will I save my money in my current financial institution in case of changing my employer?

No, unless your new employer chooses the same institution. The funds that were gathered can be left in the old institution or transferred to the new one. In the first case, after several changes of employers, you will have many ECP accounts. In the second case, all funds will be gathered in the one place.

19. When can I or my employer increase or decrease the amount of payments to Employee Capital Plans?

You as well as your employer can take a decision to **increase or decrease the amount of additional payments to Employee Capital Plans** at any time (the amount of basic payments cannot be changed in case of employer, the employee can do it only when its incomes are lower - see page 10).

In practice, the changes of the amounts of payments will be applicable starting from the next month.

Additional payments can be differentiated by the employer due to the length of seniority or on the basis of the adopted remuneration regulations/collective labour agreement. Thus, your employer can use Employee Capital Funds as the additional form of awarding the employees.

Questions and answers



20. Are Employee Capital Plans obligatory for me?

If you are at least 18 years old and did not exceed the age of 55, your employer will automatically subscribe you to the Employee Capital Plans, unless you submit the resignation from making payments earlier. If you are 56 or older but did not exceed the age of 70, you can join the program at your own application. The employer is obliged to inform you about such a possibility earlier.

In order to resign from saving in Employee Capital Plans you have to sign the special declaration on resignation from making payments to ECP as well as the benefits associated with it, such as payments of the employer or surcharges from the state.

You can also resign from the participation in Employee Capital Plans at the stage of establishing the programme (but not earlier than the day of the commencement of application of the act provisions for your Employer) as well as at any moment in future – **the employee account in Employee Capital Plans is entirely private and the funds gathered are subject to inheritance.**

21. Which institutions will be able to manage the funds in Employee Capital Plans?

Your employer would be able to choose among the following financial institutions:

- Investment funds managed by the investment fund companies,
- Pension funds managed by the general pension societies or labour pension societies,
- insurance institutions.

Questions and answers



22. What will happen to the savings paid to Employee Capital Plans?

The funds gathered in the Employee Capital Plans accounts will be invested in the investment funds that differentiate the level of risk depending on your age. Due to this fact the saving investment rules are described in detail in the act.

INVESTMENT LIMITS IN EMPLOYEE CAPITAL PLANS

The rules of funds investment in relation to the age of Employee Capital Plans participant	shares (e.g. shares, investment certificates and the units in investment funds)	debt (e.g. bonds, treasury bills, covered bonds, certificates of deposit or other transferable securities)
since the establishment of the fund for 20 years before the age of 60	60–80%	20–40%
20 years before the age of 60	40–70%	30–60%
10 years before the age of 60	25–50%	50–75%
5 years before the age of 60	10–30%	70–90%
turning the age of 60	max. 15%	min. 85%

The total amount of investment in denominated assets in foreign currencies would not be able to exceed the 30% of the fund asset value.

Questions and answers



23. Will I be able to withdraw that money earlier, i.e. before turning 60?

Yes, you can submit an application for the return of costs. You will obtain the gathered savings decreased by:

- 30% of the value of your employer payments - those payments were not subject to the contributions for retirement and disability insurances. The collected 30% is recognised as the contribution of the employee for the retirement insurance in ZUS;
- surcharges from the state;
- capital gains tax;

In exceptional life situations the gathered funds can be withdrawn earlier without the loss of benefits (see question 8). The participation in ECP system is voluntary. Due to this fact you can resign from making payments to Employee Capital Plans at any moment by signing the resignation declaration.

24. Can my employer subscribe me automatically once again to the programme despite my earlier resignation?

Yes. Even if you resign from making payments, they will be automatically renewed once in 4 years, starting from 1 April 2023. Your employer will have the statutory duty to inform you on the approaching date of the subsequent commencement of making payments.

25. Is it possible and if so, when can I subscribe myself to Employee Capital Plans after the previous resignation from the programme?

You can provide your employer with the application on making payments to the programme at any time. Your employer will start to make the payments starting from the next month.

26. When can I use that money?

You can use the gathered funds freely and on the most favourable terms when you turn the age of 60, regardless your ability to work or not.

Questions and answers



The withdrawal in the most profitable form can be made in the following manner:

- 25% of the gathered funds should be withdrawn at once,
- the remaining 75% of funds should be withdrawn in at least 120 instalments (10 years) or more.

Moreover you can decide if you want to:

- continue the saving within Employee Capital Plans;
- make a single withdrawal of 100% of funds (1 instalment) or decrease the number of instalments (less than 120) but it is associated with the necessity to pay capital gains tax;
- make transfer withdrawal:
 - a policy in insurance institution with the right to periodical or lifelong provision,
 - to the account of the account of fixed-term deposit, provided that the withdrawal of funds can be made pursuant to the rules described in the act;
- withdraw the funds in the form of matrimonial benefit.

After taking a decision on commencing the withdrawals, your employer will not make any payments to your account and you will not achieve the surcharges from the state.

Questions and answers



27. Why Employee Capital Plans differ significantly from Open Pension Fund [OFE]?

Employee Capital Plans are entirely different from OFE system. Their comparison looks as follows:

COMPARISON	EMPLOYEE CAPITAL PLANS	OFE
Privacy	Private	Private funds
Necessity	Voluntary, with the possibility to resign at any time	Previously obligatory, now voluntary
Financing method	From real savings Co-financed by - three parties: the employee, the employer and the state	Not from savings but by the division of ZUS retirement contribution - deficit covered by the increase of public debt
Inheritance	Full ability to inherit real financial funds	In fact the inheritance of ZUS entry
Possibility to withdraw the funds	At any time. Additionally, during the process of saving it is possible to withdraw the money in specific life situations - serious disease of the participant and its closest relatives or taking the credit for buying a flat or building a house	No possibility to withdrawn the funds
Investment policy	Differentiated in terms of the age of the participant as well as competitive	The same regardless the age of the participant as well as lack of competitiveness between the institutions
Fees	Only for asset management. Cost attractive. Up to 0.6% of the net asset value per year in total	Contribution fee (in first years of OFE the amount of that fee amounted even to 10%), asset management fee and the transfer withdrawal fee.

Pursuant to the Art. 3 section 2 of the Act on Employee Capital Plans, the funds gathered within Employee Capital Plans are your private property.

Questions and answers



28. How can I resign from the programme?

You can also resign from the participation in Employee Capital Plans at the stage of establishing the programme (but not earlier than on the day of the commencement of application of the act provisions for your employer) as well as at any moment in future. In order to resign from saving it is crucial to submit your employer with the written resignation declaration in which you declare to resign from the right to employer payments and surcharges from State.

29. How will the situation look after 10 years of withdrawals from Employee Capital Plans? Is it possible to arrange the withdrawals in a different manner?

In term of withdrawals, Employee Capital Plans leaves a large space of liberty. Due to the fact that these are your private savings, you can decide whether to withdraw 100% of funds at once - it is associated with the necessity to pay capital gains tax - or to use tax exempted withdrawal (25% at once, 75% in instalments for at least 10 years - 120 instalments). Minimum 120 instalments in the default and the most profitable option is a statutory offer that allows to have a constant inflow of funds as an addition to your retirement pension. You can obviously decide to, for example, divide the 100% of the amount into 360 instalments (in such a option the exemption from capital gains tax will apply) or to continue the payments into Employee Capital Plans in case of continuing the work. The withdrawal of funds from Employee Capital Plans can be commenced even after exceeding the age of 70. After exceeding the age of 60 you can, but you are not obliged, to make a withdrawal.

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