



POZNAŃ UNIVERSITY  
OF ECONOMICS  
AND BUSINESS



# **Occupational pensions. Experience from Poland**

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# Agenda

1. A brief look at the pension system in Poland
2. Reasons for development of occupational pensions
3. PPE versus PPK
4. Coverage - discussion
5. Conclusions

# Pension scheme in Poland

3rd tier	Individual pension	
	Individual retirement protection accounts – IKZE, 2012	
	Individual retirement accounts – IKE, 2004	
2nd tier	Occupational pension	
	employee pension plans – PPE, 1999	

1st tier	Statutory public pension				
	solo self-employed	employees and other self-employed	judges, prosecutors	farmes	uniform forces
	NDC, 1999 old-age social insurance fund		separatate DB pension systems		
	DC, 1999 open pension funds - OFE				

# Pension scheme in Poland – changes to OFE

2014

- became voluntary
- „security” slide of 10 years
- remission of T-bills and state bonds
- change of investment strategy
- reduction of fees;
- erasing minimum return rate

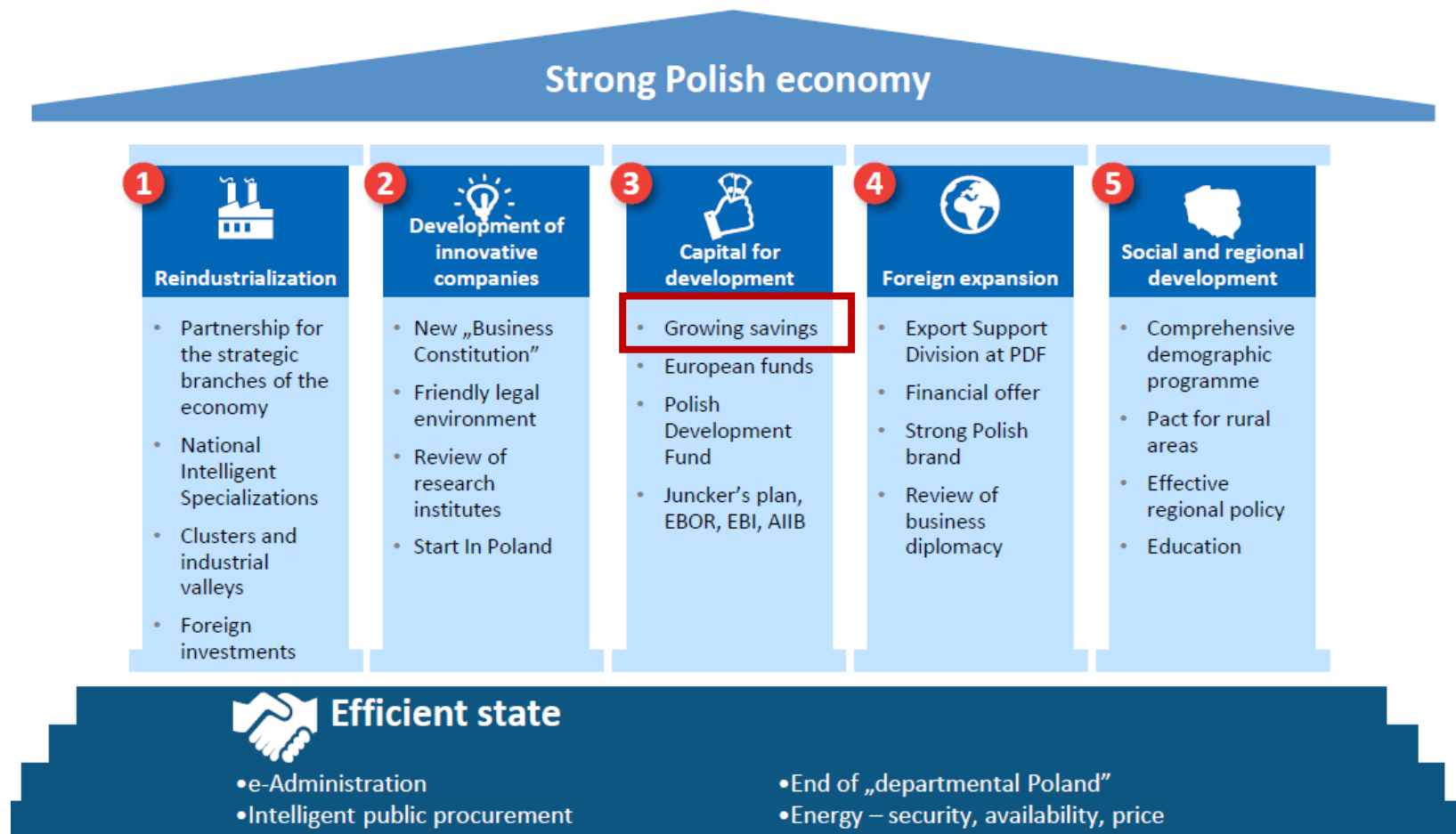
2011

reduction of the obligatory contribution from 7.3% to 2.3%  
General Pension Society (PTE) is allowed to run IKE and IKZE

1999

Introduction of the open pension funds (OFE)

# Plan of responsible development of Poland, 2016



# Data – 2. and 3. tiers

	Occupational pension	Individual private pension	
<i>as of 31.12.2018</i>	Employee Pension Plans ( <i>PPE</i> )	Individual Retirement Accounts ( <i>IKE</i> )	Individual Retirement Protection Accounts ( <i>IKZE</i> )
	1999	2004	2012
members (in k)	426	995,7	730,4
assets (in m Euro)	2 977	2 021	538
assets (in % of GDP)	0,6%	0,4%	0,1%

# Employee capital plans (PPK)

- The law of October 4, 2018 on Employee Capital Plans (PPK)
- Four implementation stages:
  1. since 1. July 2019: employers with at least 250 employees
  2. since 1. January 2020: employers with at least 50 employees
  3. since 1 July 2020: employers with at least 20 employees
  4. since 1 January 2021: employers with less than 20 employees and entities in the public sector

# Pension scheme in Poland

3rd tier	Individual pension				
	Individual retirement protection accounts – IKZE, 2012				
	Individual retirement accounts – IKE, 2004				
2nd tier	Occupational pension				
	employee pension plans – PPE, 1999				
	employee capital plans - PPK, 2019-21				
1st tier	Statutory public pension				
	solo self-employed	employees and other self-employed	judges, prosecutors	farmes	uniform forces
	NDC, 1999 old-age social insurance fund		separatate DB pension systems		
	DC, 1999 open pension funds - OFE				



# PPE versus PPK

	PPE	PPK
date of implementation	1999	2019-2021
financial resources	private	private
obligation for the employer	no	yes
obligation for the employee	no	yes, for workers up to 55 auto-enrollment
coverage	workers having a employment contract and a given seniority and below 70 y/o; employer	workers receiving remuneration subject to the social contribution and below 70 y/o
providers	<ul style="list-style-type: none"> <li>• employee pension society,</li> <li>• investment fund society,</li> <li>• insurance company,</li> <li>• foreign management</li> </ul>	<ul style="list-style-type: none"> <li>• general pension society</li> <li>• employee pension society</li> <li>• investment fund society</li> <li>• insurance company</li> </ul>

# PPE versus PPK

	PPE	PPK
role of employee representation	constitutive in creation of ppe	advisory
termination of the programme	possible	not possible unless all employees resign from the participation
registration	yes, by the Polish Financial Supervision Authority	no, but PPK provider is listed in the PPK record run by the PPK portal
supervision	The Polish Financial Supervision Authority	The Polish Financial Supervision Authority The Polish Development Fund Group The State Labour Inspection

# PPE versus PPK

	PPE	PPK
employer		
contribution	voluntary, as a given amount or by percentage up to 7%	obligatory (basic) – 1.5% voluntary (additional) – up to 2.5%
possibility of suspension	yes	no
employee	voluntary, up to a given amount (6 784 Euro)	obligatory (basic) – 2%* voluntary (additional) – up to 2%
state	no	welcome payment – ca. 54 Euro yearly subsidy/surcharge – ca. 52 Euro

\*possibility of reduction for low-wage workers down to 0.5%

# PPE versus PPK

	PPE	PPK
investment policy	no special regulation	age-based model
costs	max. 0.6% net assets	max. 0.5% net assets max. 0.1% fund's performance
withdrawal of funds during accumulation phase (hardship clauses)		<ul style="list-style-type: none"> <li>• 25% in the case of serious illness</li> <li>• up to 100% of the funds to cover the own contribution required by the loan for the purchase/renovation of a house, apartment or land</li> </ul>
transfer of funds	transfer payment to another PPE or IKE	transfer to another PPK
return of funds	the amount reduced by the capital gains tax and 30% of contributions paid by the employer	the amount reduced by the the capital gains tax, 30% of contributions paid by the employer and state subsidies

# PPE versus PPK

	PPE	PPK
payout - requirements	<ul style="list-style-type: none"><li>• since 60 but obligatorily at 70</li><li>• 55 and and entitlement to public pension</li></ul>	since 60
forms of payout		<ul style="list-style-type: none"><li>• 25% as a lump-sum payment and 75% as periodical payments for at least 10 years (120 payments)/ 100% as a lump-sum or periodical payments</li><li>• 100% as spousal payment for at least 10 years (120 payments)</li><li>• transfer payment to a term deposit</li><li>• transfer payment to an insurance company</li></ul>

# PPE versus PPK

	PPE	PPK
tax regime	TEE contributions made by the employer are also exempted from the social contribution base	T/E E E contributions made by the employer are also exempted from the social contribution base
divorce	no regulation	transfer to the former spouse according to the division of the couple's property
participant's death	designated beneficiaries	50% to the spouse, the rest to the designated beneficiaries

# PPE versus PPK - summary

	PPE	PPK
participation	voluntary	obligatory for employer quasi-obligatory for employee
contribution	paid by the employer	paid by the employer, the employee and the state
investment regulations	no	yes (age-based model)
hardship clauses	no	yes
payout	no regulations	four forms
role of employee representation	constitutive	advisory

# Data – 2. and 3. tiers

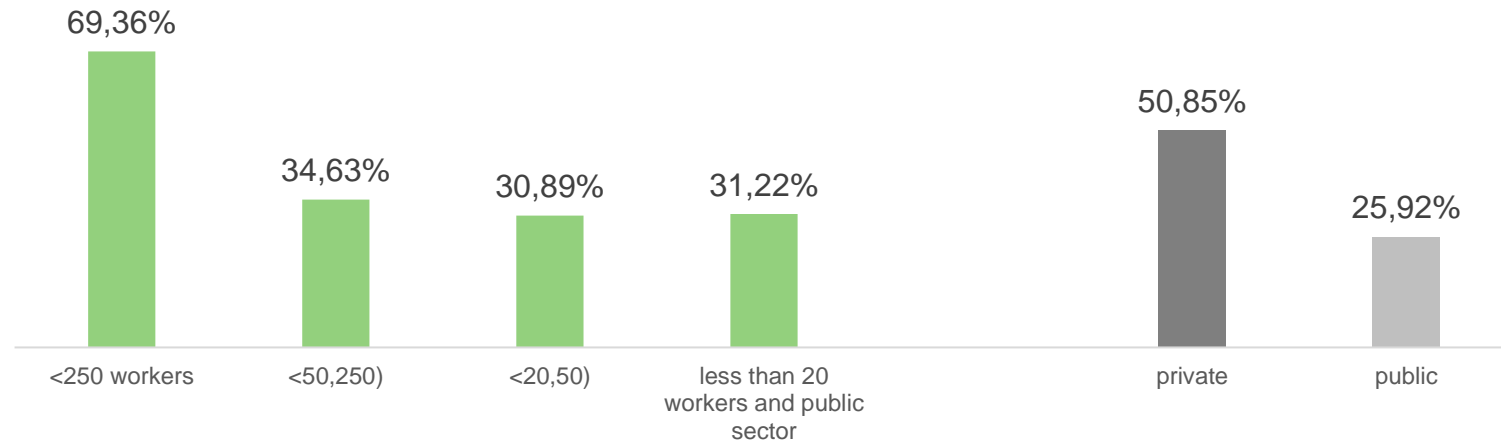
as of 31.12.2022	Occupational pension		Individual private pension	
	Employee Pension Plans (PPE)	Employee Capital Plans (PPK)	Individual Retirement Accounts (IKE)	Individual Retirement Protection Accounts (IKZE)
	1999	2019-2021	2004	2012
members (in k)	652,2	2 999,7	800,1	475,5
% of active members	75,6%	74,6%	54,2%	65,4%
an average pension capital (in Euro)	6377	869	3836	3028
an average pension capital (in % of the average wage)	462%	63%	278%	219%
assets in m Euro	4 159	2 607	3 069	1 440
assets in % of GDP	0,6%	0,4%	0,5%	0,2%



# Closer look at the PPKs (31.08.2023)

- Participation rate: 44,6%

*originally assumed  
at the level of 75%*



- Number of providers: 17
- Average costs: 0.333%
- Profit rate: 116%-137%

# Closer look at the PPKs – factors of coverage

political and social partners consensus	-
trust in pension products	-
pension education	-
clear investment policy objectives,	+
auto-enrolment	+
supervision of investment risk	+
transparent presentation of costs and fees	+/-
employer's contribution and state subsidies	+

# Conclusions

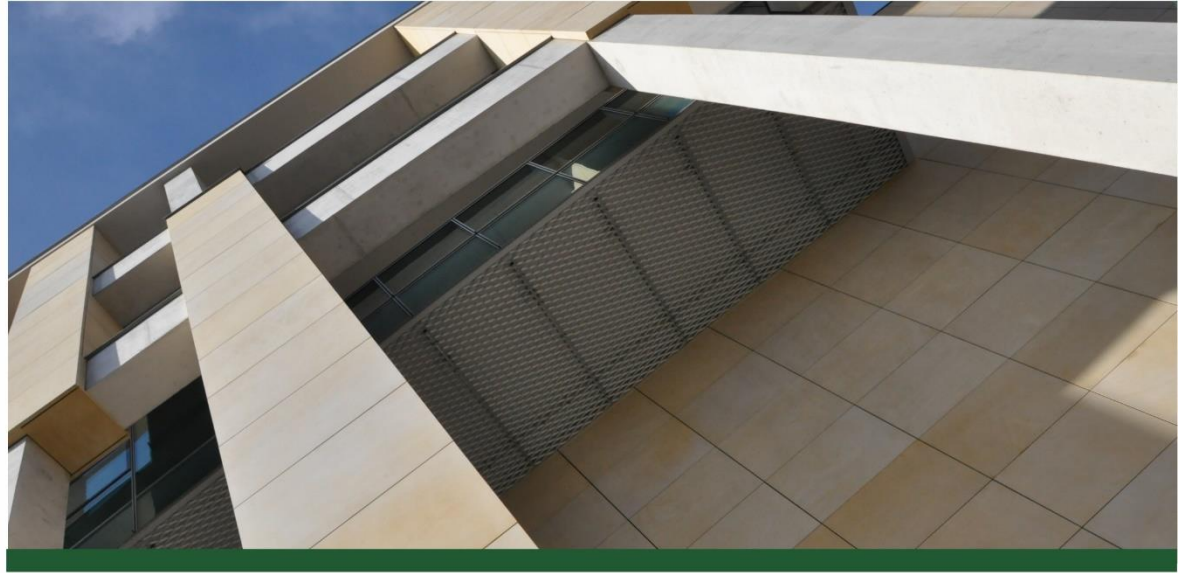
- The design of a financial product itself is not sufficient for the 'success' of the pension program
- Information campaign as well as educational campaign concerning non-public pension is very important
- Trust in the state seems to be crucial for the employees to join the program
- Employers perceive PPK as an additional obligation and cost (a problem of micro-employers especially); they do not want to take responsibility for the future employee's pension

# Conclusions

- Occupational pension in Poland, also quasi-obligatory PPKs, are declared a universal long-term savings system for employees:
  - pension is assumed as a form of property and not life-long annuity
  - occupational pension is assumed as a substitute for the public pension



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# Thank you!

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