Employee Capital Plans: Frequently Asked Questions

We answer the most frequently asked questions about the Employee Capital Plans (PPK). Information is grouped into six thematic blocks: Basic Information, Participation in PPK, Contributions, Withdrawal of Savings, Growth of Capital, Financial Institution.

1 Basic Information

How does PPK work?

PPK is a long-term saving system. The aim of PPK is to encourage Poles to accumulate capital that can be used once professional career is over. Contributions to employees' PPK individual accounts will come from three sources: employee contributions, employer contributions and state contributions.
The accumulated capital is private, which means it can be accessed and paid out at any time; however, the best option, that gives maximum of benefits, is to keep the funds in the account until the employee reaches 60.

Why have PPK been introduced?

The idea behind PPK is to encourage Poles to save money that will make an extra source of financial support after professional activity is over. Due to the ageing of the population, the amount of future pensions in relation to earnings may gradually decline before the retirement period. According to Eurostat, today's retirees receive approximately 60% of their pre-retirement earnings. Putting extra funds aside is necessary to maintain a similar standard of living in the old age.

What is the difference between PPK and the existing pension schemes?

PPK completes the national pension system. The new scheme is another step to increase the amount of future pensions. PPK is available to all employees. Participation is voluntary: employees up to 55 years of age are enrolled automatically, but they can opt out and opt in again at any time.

The capital accumulated in PPK is private and may be inherited. It may also be withdrawn at any time, but the most recommendable option is to take it out it after 60.

Who is eligible?

All employees who make pension contributions are eligible to join PPK. Among them are, persons employed under a contract of employment or a contract of mandate, persons performing outwork, members of agricultural production cooperatives or machinery ring cooperatives and members of supervisory boards. Persons aged 18-54 will join PPK automatically. Persons aged 55-70 can be enrolled after submitting PPK opt-in form.

PPK contributions are made only if pension contributions are paid by the Employer.

Maternity leave (paid and unpaid) and parental leave – Employees are automatically enrolled for PPK, but PPK contributions are not made (there is no base for pension contributions made by the Employer)

Sick leave (so-called L4) – Employees are automatically enrolled for PPK, but after 30 days on a sick leave (within calendar year) PPK contributions are not made (there is no base for pension contributions made by the Employer)

Rehabilitation allowance and unpaid leave – Employer is not obliged to automatically enroll Employees for PPK (they are not treated as "employed" according to the PPK Law), PPK contributions are not made (there is no base for pension contributions made by the Employer)

2 Participation in PPK

How to join the Employee Capital Plans?

Persons aged 18 to 54 join the plans automatically. Persons aged 55 to 69 can join the plans voluntarily after submitting the relevant form to the employer. Employees eligible to join the plan need to be employed with the current employer for at least 3 months over the last year. Persons that make pension contributions, including those employed under a contract of employment or a contract of mandate are eligible to join the scheme.

I do not want to joint PPK now. Can I join the plans in the future?

Yes, you can. Every employee can re-join at any time if they have decided to opt-out from the scheme. Every four years, every employee is enrolled for PPK automatically. The employer is obliged to notify the employee of automatic enrolment, and the employee may submit PPK opt-out form.

What happens when I change jobs?

The employee has two options. They can make a transfer payment of the accumulated capital to PPK run by the new employer or keep the capital in PPK operated by the previous one.
In the first case, money can be transferred upon request submitted either to employer or directly to Nationale-Nederlanden PTE.

Can I opt-out from PPK?

Yes, you can. At any time, each PPK participant may stop contributing to PPK operated by their employer. PPK aims to encourage as many employees as possible to save to save for the future. That is why every four years an employee that opted out will be automatically re-enrolled for the scheme (if they are below 55). If they do not want participate in PPK, they must re-submit PPK opt-out form.

How to opt out from PPK?

Each employee can opt out from PPK by submitting a special form and lose all benefits, e.g. employer contributions or state contributions. You can opt out from PPK both at the stage of implementing the scheme by your employer and at any time in the future.

Persons over 55 can join PPK if they declare so in writing.

3 Contributions

Who is going to make contributions to PPK?
PPK contributions will come from the employee, employer and the Labour Fund.

What is a monthly contribution?
The participant makes the standard contribution - 2% of their gross salary. If their salary is lower than 120% of the minimum wage, the standard contribution may be reduced to 0.5%. The employer standard contribution is 1.5% of the value of employee's salary. The Labour Fund will provide a one-off welcome contribution of PLN 250 and a fixed annual contribution of PLN 240 in the following years. In addition, the employee can increase the amount of their contribution up to 4% (extra contribution).

Do people with lower earnings save less?
Yes, they do. For people with the lowest salary (not exceeding 120% of the minimum gross wage), the standard contribution may be lower than 2% but not less than 0.5% of their gross remuneration. At the same time, the level of contributions from the employer (1.5%) and contributions from the Labour Fund is maintained. It is worth noting, however, that the right to reduce their off-salary contribution is vested with only those employees who receive no more than 120% of the minimum wage in a given month taking all sources of income altogether (also from other employers and including bonuses and extras).

4 Taking Out Savings

When can I take out my capital of PPK?
You can withdraw your savings accumulated in PPK at any time. Accumulated capital can be withdrawn after the participant has reached 60 or in two special cases. Early withdrawal, except in certain cases, entails a reduction of some portion of your funds paid by the employer and a loss of all funds contributed by the state. Also, capital gains tax must be paid on the reminder of the funds.

Capital paid out at the age of 60 or later will be divided into two parts: one-off payment of 25% of the accumulated capital and monthly instalments of 75% remaining amount (instalments distributed over 10 years). The participant may also receive all their funds in instalments; however, they must be paid out for at least 10 years. Otherwise, the savings will be subject to the capital gains tax.

Can I take out my capital of PPK before I turn 60?
Yes, your capital belongs to you, so you can withdraw it at any time. However, the idea behind PPK is to encourage long-term savings, which is why earlier withdrawals are reduced by all contributions from the Labour Fund, 30% of employer contributions and capital gains tax on the remaining funds. The 30% chipped off employer contributions will be transferred to the employee's sub-account in the National Insurance Institution and added to the future pension. In two special cases, PPK scheme also allows to withdraw capital without any deductions.

In what situations can I take out my capital of PPK without deductions before the age of 60?
Participants up to 45 years of age can use 100% of the accumulated capital to secure their own contribution to a mortgage loan taken out to finance the purchase/construction of a house or an apartment. This amount must be repaid to PPK within a maximum of 15 years. However, in the event of a serious illness of the participant or their relatives, they can withdraw of 25% of the savings and are not obliged to repay it.

Can my savings be inherited?

In the event of death of a PPK participant, the accumulated capital is inherited as provided in the PPK Law. It will be passed on to the heirs in accordance with statutory intestate succession rules or based on the last will and testament. The participant may also make a written statement in which they can name other persons entitled to inherit the capital after their death.

How can I check the status of capital accumulated in my account?

You view your savings at any time via the n-serwis PPK.

How can I make changes to my PPK?

Any changes to PPK, such as: joining PPK by persons over 55 or suspending or resuming contributions need to be reported to the HR and Payroll Department. On the other hand, requests such as: changing the investment fund, nominating beneficiaries or changing contact details, should be reported directly to Nationale-Nederlanden PTE via n-serwis PPK.

5 Growth of Capital

What happens to savings accumulated in PPK?

The capital accumulated in PPK is kept on the employee's individual account.

The funds will be managed by a specialised financial institution and will be invested in the so-called Target-Date Funds. Each scheme participant will be able to view their savings in the n-serwis PPK portal at any time.

How will the capital accumulated in PPK be managed?

The accumulated capital will be invested by the institution managing PPK. Each institution operating PPK is required to offer at least eight funds/sub-funds in which the participant can invest their money. These are the so-called Target-Date Funds. The participant may change the allocation of funds during the term of PPK agreement by transferring them to a higher/lower-risk fund.

What are Target-Date Funds?

Your funds accumulated in PPK will be invested in the so-called Target-Date Funds that, in a sense, "age" with the investor. In other words, the level of risk is gradually reduced: participation in equity securities gives way to investment in debt assets. Equity instruments, e.g. shares, have a higher expected rate of return but are more volatile (investment risk) than debt instruments.

Is this kind of investment safe?

Pursuant to the PPK Law accumulated funds will be invested by professional institutions that offer so-called target date funds which are not allowed to take excessive risk. As the retirement is getting nearer, the investment risk decreases. Furthermore, a significant part of accumulated funds must be invested in high liquidity assets with a relatively lower level of risk.

The PPK Law sets out some limits and requirements in the field of investment policy of target date funds. A share of debt securities with the lowest level of risk (e.g. securities issued by the State Treasury, the National Bank of Poland or, alternatively, by the government or central bank of an EU member state) and bank deposits should be no lower than 70% of debt portfolio.

Share of equity stocks listed in WIG20 index, i.e. 20 largest WSE-listed enterprises should be no lower than 40% of equity portfolio.. The shares in the mWIG40 index may not constitute more than 20% of such net assets and the reminder of Polish shares no more than 10%*.

* Investing in funds is exposed to risks, which means that part of the accumulated capital can be lost: all depends on the market conditions and the results of investment decisions.

6 Financial Institution

What institutions can manage PPK?
PPK can be managed by: pension fund companies (Powszechne Towarzystwa Emerytalne, PTE), employee pension fund companies, life insurance companies and investment fund companies (TFI).
Such entities must be listed in the so-called PPK records kept by the Polish Development Fund (PFR).
They must meet specific requirements, e.g. have experience in managing funds and own a specific amount of equity.

Which financial institution is going to manage our funds for the employer?
The entity that is going to operate PPK in our company will be Nationale-Nederlanden Dobrowolny Fundusz Emerytalny Nasze Jutro managed by Nationale-Nederlanden PTE S.A. Pursuant to the Act on Employee Capital Plans, the employer is responsible for the selection of the managing institution.

Why Nationale-Nederlanden PTE?
Nationale-Nederlanden PTE is a leader of the Polish pension funds market. The company has 20 years of experience in this field and manages the largest portfolio of pension savings in Poland.
Nationale-Nederlanden PTE is very effective in managing the accumulated capital. According to a ranking by the Rzeczpospolita of March 2018, Nationale-Nederlanden PTE manages the top-rated Voluntary Pension Fund (Dobrowolny Fundusz Emerytalny, DFE) on the market. In addition, they have delivered the highest long-term rate of return in Open Pension Funds (Otwarty Fundusz Emerytalny, OFE) since the fund's inception, i.e. from May 1999 to the end of 2019. Nationale-Nederlanden is also among the largest institutional investors on the Warsaw Stock Exchange.