

Employee Capital Plans (PPK) - analysis of 4 years of the programme functioning in Poland and the result of the first auto-enrollment conducted after 4 years since programme implementation

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Agenda



- Four years of PPK
- Auto-enrollment 2023
- PPK today
- Upcoming challenges
- Q&As



01.

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Four years of PPK

Demographic challenges of today's world vs. ageing population



Aging populations, long-term forecasts for future pensions and replacement rates are not optimistic neither for Poland nor for the other developed countries.

This necessitates the need to diversify long-term savings to ensure a decent life after retirement. In pensioner households, 78.3 per cent are chronically ill, which means a greater need for medical benefits and medicines, and thus the need for additional income from long-term savings schemes such as PPK.





3.35m

**Current participation*
in PPK (44.6%)**

PPK – the most efficient way to save in Poland

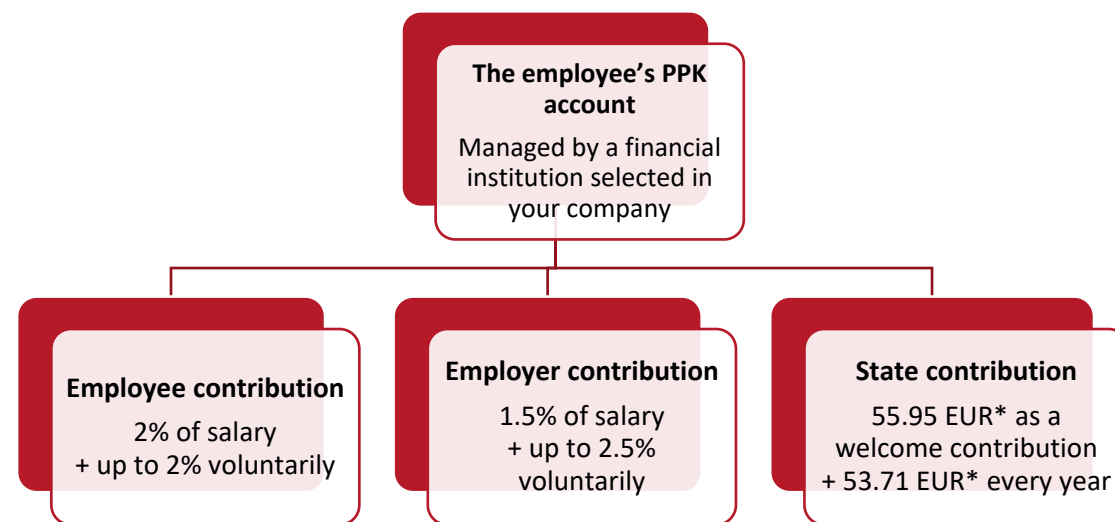
Building and implementing systems based on **the assumptions of behavioural economics**, i.e. **traits such as myopia, inertia and procrastination**, i.e. *I don't see the point, I don't want to, and I'll do it tomorrow*, is the key to building an effective retirement savings programme. If we add a contribution from the employer and the state, and a mechanism for automatic enrolment that is repeated over time, we get high participation, which will allow many people to have a peaceful old age.

Employee Capital Plans in Poland (PPK)



Employee Capital Plans (PPK) are a long-term savings scheme in which the **employee's private savings** for when they stop being professionally active, are also contributed to by **the employer** and **the state**.

Any employed person over the age of 18 and under the age of 70 can become a PPK participant. However, only employees under the age of 55 can join the scheme automatically (within **auto-enrollement repeated every four years**), and those who are 55+ must submit an application to their employer in order to save in PPK.



Employee Capital Plans in Poland (PPK) – withdrawals



After reaching 60+

Upon reaching the age of 60, the employee may withdraw the funds in equal instalments or as a single payment



Serious illness or mortgage

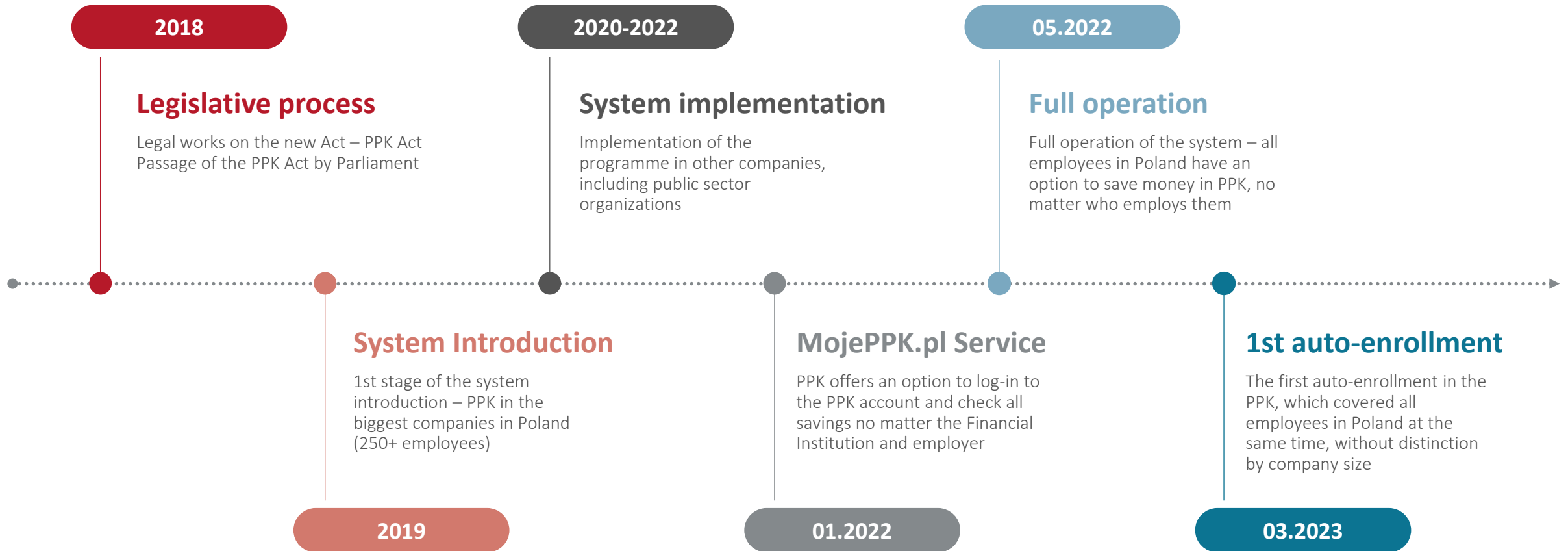
In the event of a serious illness (up to 25% of the funds) or to cover own contribution when taking a mortgage (up to 100% of the funds, up to 45 y.o.)



Upon a request

At any time without giving a reason and terminating the account (restriction: 30% of the employer's contributions to be transferred to the first pillar and participant will lose all state contributions)

Employee Capital Plans in Poland (PPK) milestones



The introduction of PPK is a revolution in savings



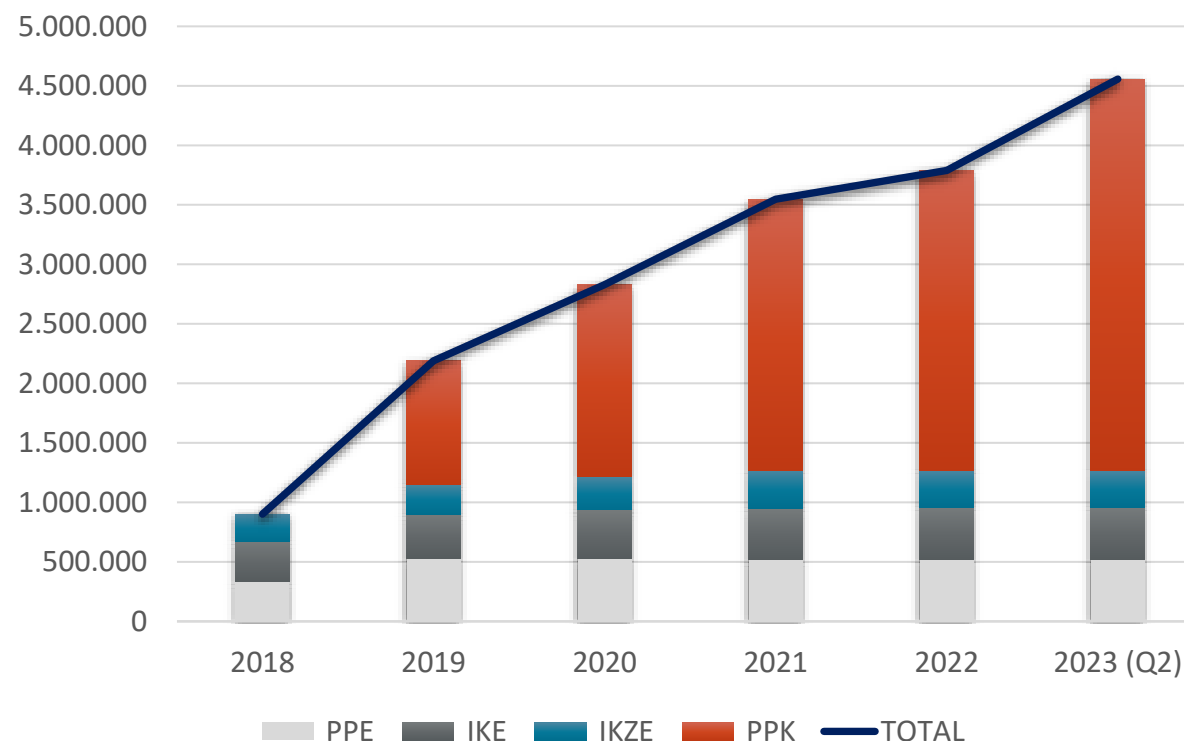
Savings in the third pillar

Since the introduction of PPK in 2018, Poles have been increasingly willing to actively save in the third pillar. This means that the introduction of the system and the associated communication campaign has led to an increased awareness of the need to accumulate savings for the time after the end of professional activity.



4.5m

people in Poland
save money
in the third pillar





02.

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Auto-enrollment 2023

Auto-enrollment results



718 k

increase in the number of
participants after auto-enrollment

➤ **2.6m**
active participants
end of February

➤ **3.3m**
active participants
end of April

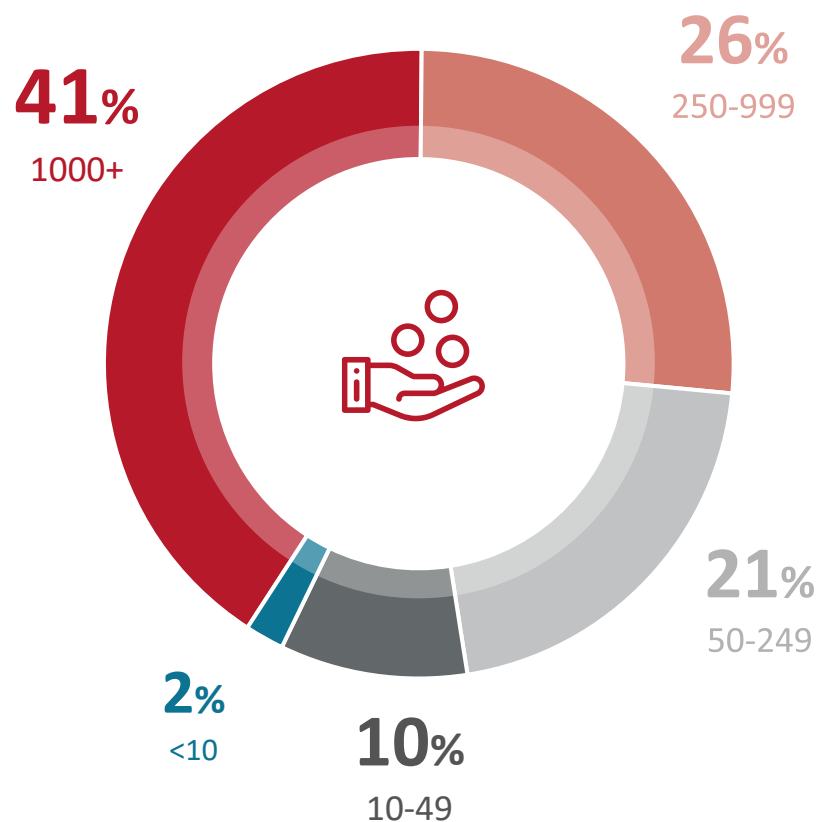
+27.9%



Demographics of PPK participants who joined in auto-enrollment



NO OF ACCOUNTS
vs. SIZE OF THE COMPANY



PARTICIPATION



43.7% of participation*

Public sector

24.9%

Private sector

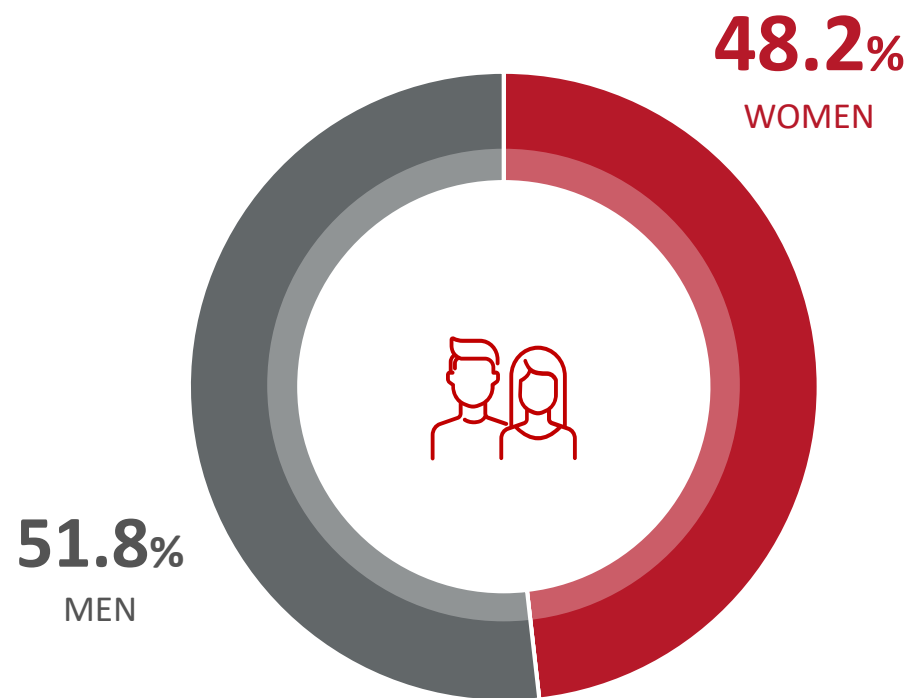
48.1%

Participation is constantly increasing. Since the end of auto-enrollment (above data as of end April 2023) up to date total participation increase by 0.6% and at the end of July amounted to 44.3%

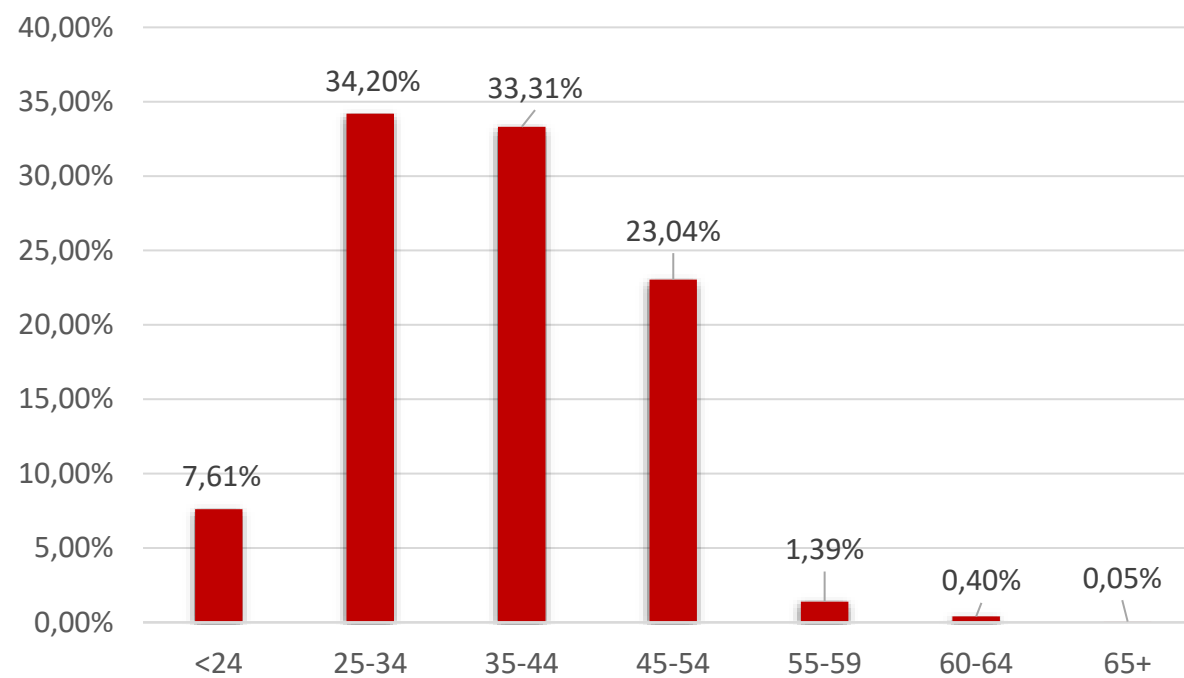
Demographics of PPK participants who joined in auto-enrollment



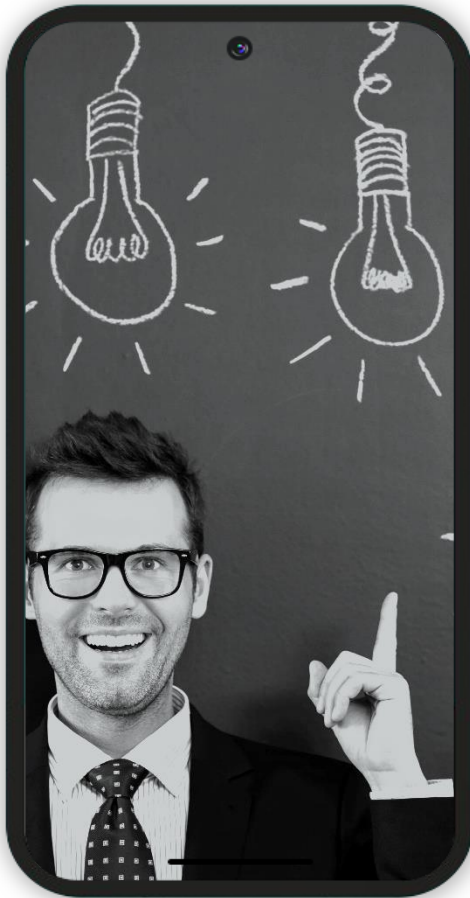
GENDER



AGE



Key learnings



01

Use **BEHAVIOURAL ECONOMY** while constructing the system

The use of behavioural economics and, above all, the fact that people are characterised by what was identified by Thaler as myopia, inertia and procrastination, i.e. I don't see the point, I don't want to and I'll do it tomorrow, is the key to success in making changes to the pension savings system and in building a savings habit.

02

COOPERATE WITH ENGAGED PARTIES, especially employers

Working with the parties involved in building retirement savings, in particular employers, is key to convincing employees to participate in the scheme.

03

Use **AUTO-ENROLLMENT TO CONVINCE UNCONVINCED**

In an era of ageing populations, long-term saving for after work will ensure a peaceful life in old age, so the use of an auto-enrollment mechanism is essential in convincing the undecided.

04

Educate **PARTICIPANTS**

Financial education is very important in building the financial success of any individual. Therefore, open, free training courses, and on-site training provided by specialised trainers, showing the benefits of joining the programme, are an important factor in convincing potential participants to join a workplace pension programme.



03.

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PPK today

PPK in numbers



4.04 bn

net asset
value of
funds of
defined date
funds in EUR

+320 m

increase from
30.06 to 31.08 in
net asset value of
funds of defined
date funds in EUR

3.86 m

active accounts

44.6 %

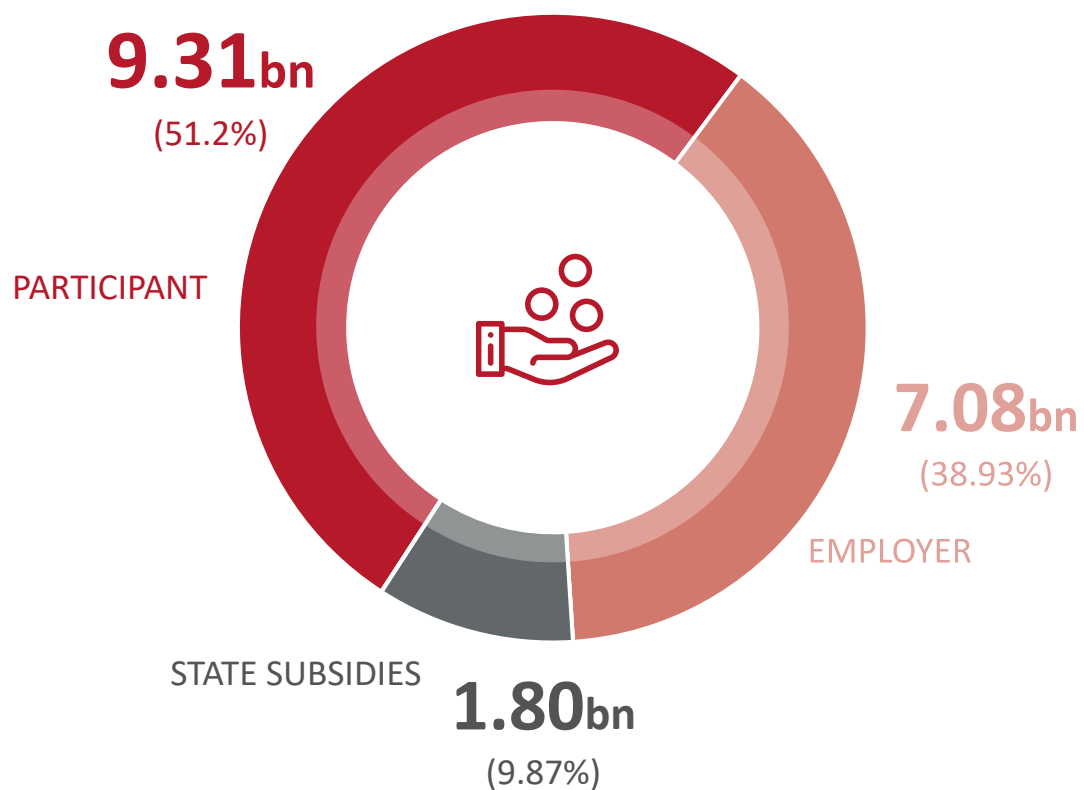
total participation
in PPK



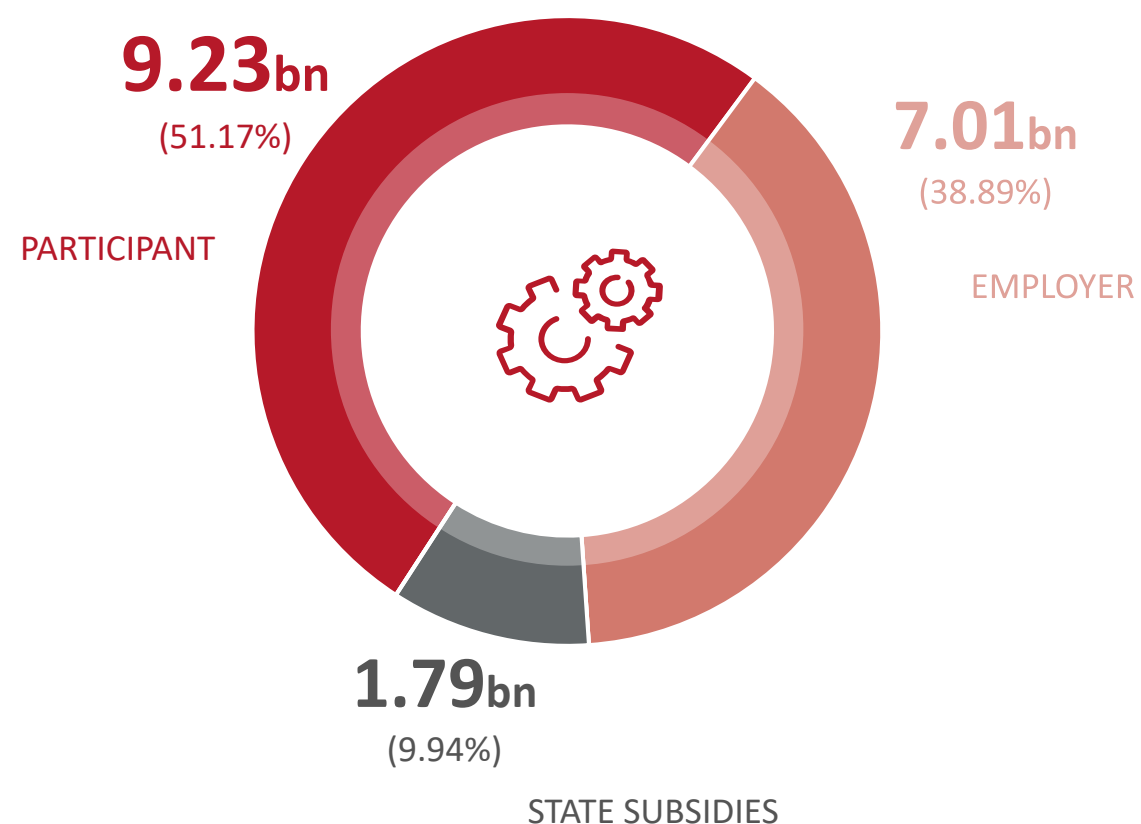
Payments and the value of assets accumulated in PPK



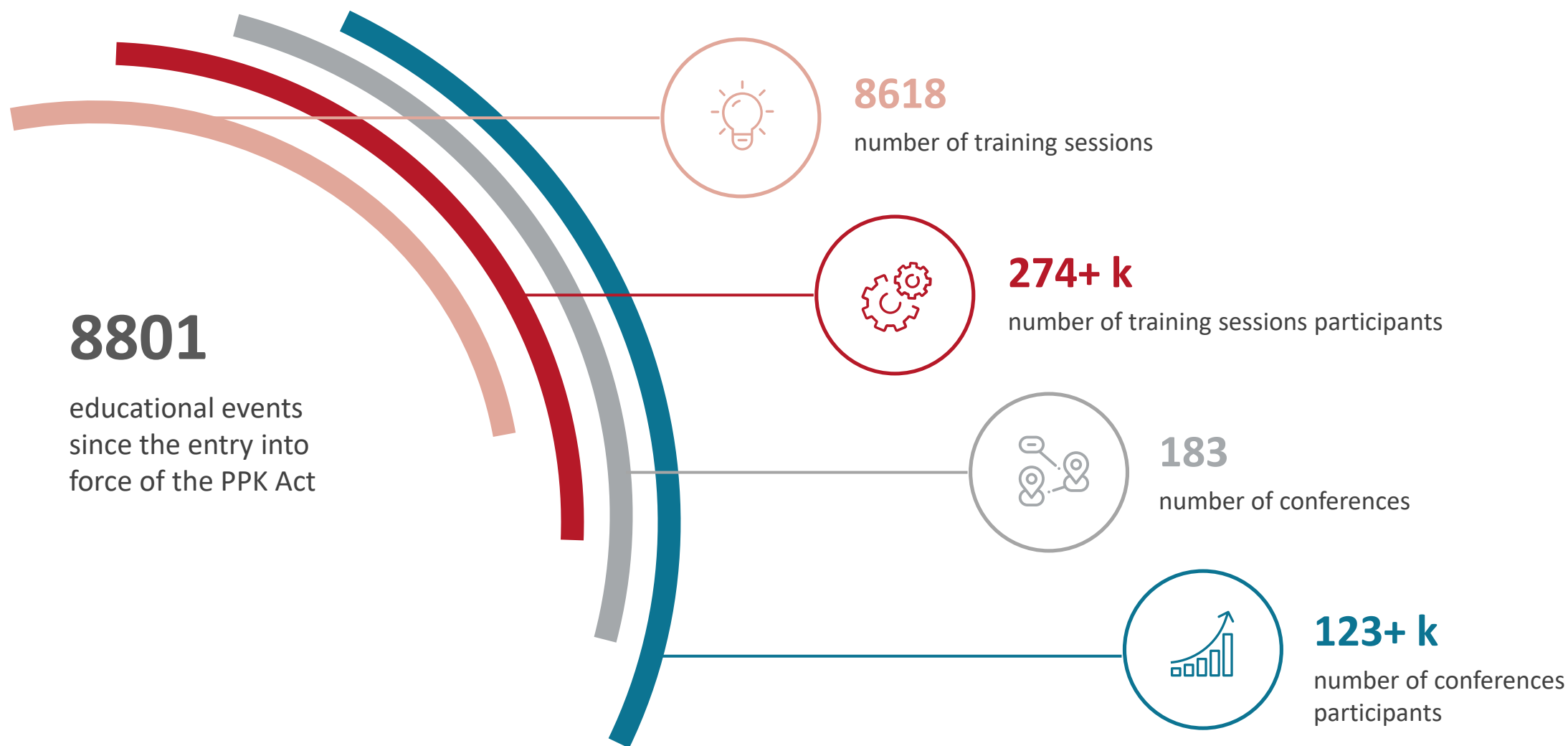
Amounts paid into PPK
by source of funds



Net asset value of funds of
defined date funds by source of funds



Education and trainings



MojePPK Service – informs PPK participants of the value of funds accumulated by them in PPK accounts



505 k

No of registrations

198 k during the auto-enrollement

1.82 m

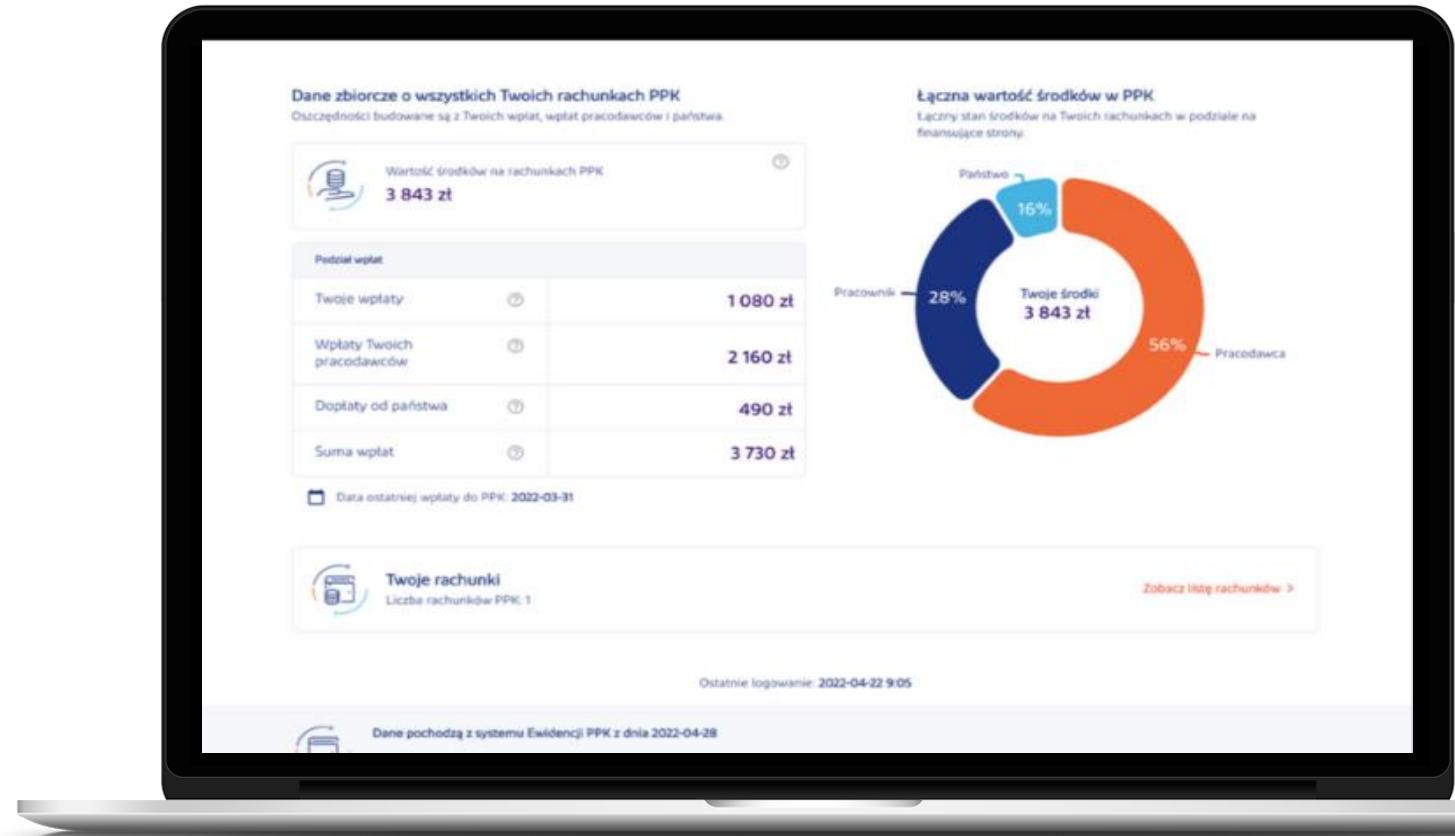
No of logins

610 k during the auto-enrollement

13.2 m

No of pageviews

Total numer of page entries



Awards for best employers

'Responsible and Friendly Employer' programme



- Purpose: to honour entrepreneurs who have shown particular commitment in implementing PPK in their companies, using PPK as an element of the employee benefit system and achieving high participation
- The "Responsible and Friendly Employer" (pol.: Odpowiedzialny i Przyjazny Pracodawca) award is given to employers for their contribution to creating a friendly working environment and building financial security for employees
- A total of **72** winners have already received the award since 2019



Winners of the 5th Gala, 20 October 2022.



04.

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Upcoming challenges

Objectives of the PPK Programme



OBJECTIVES **UP TO 2025**

1. 4.5 - 6 million participants
2. Participation of approx. 50%
3. Development of the PPK Register
4. Continuation of the PPK Benefits Academy
5. Launch of CIE - a new quality of pension information
6. PPK education and dissemination activities



LONG-TERM OBJECTIVES

1. 6 - 8 million participants
2. Increase participation in companies <10
3. Development of CIE
4. Participation of 50-75%
5. Auto-enrollment in 2027

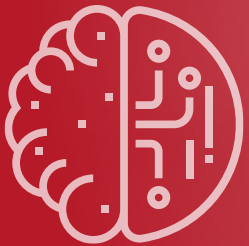
Central Pension Information (CIE)



CIE is a system that will enable the user, after logging in with, among others, a trusted profile and the mObywatel mobile application, to:

- one-stop access to information on current balances and transaction history for all your pension product accounts: ZUS, KRUS, IKE, IKZE, PPE, PPK, OFE;
- generate of notifications about the user's accumulated funds in pension products;
- perform actions on funds and accounts of pension products;
- pension education, amongst others, through a knowledge base on the pension system and available pension products.





Thank you
Any questions?

 PFR Portal PPK