



GENERALI
INVESTMENTS

Employee Capital Plans (ECP) QUESTIONS AND ANSWERS



1. What is an ECP?

The ECP is the so-called Employee Capital Plan, which is a system of **long-term saving for the future** supported by the state. We use the expression “for the future” on purpose, because even though most people treat the ECP as a retirement saving system, in reality you can save money in it for **any other purpose**. The condition of taking full advantage of all benefits offered by the ECP is disbursement of the funds after you turn 60, of which you need to disburse 25% at one time and the remaining amount – in 120 monthly instalments.

2. When can you join the ECP?

At any given time. All you have to do is submit a relevant request to start saving to your employer.

3. Can you join the ECP if you are a sole trader?

No. If you are self-employed, you cannot be a participant in the ECP. However, this does not mean that the ECP Act does not concern you. If you employ **at least one person**, as part of your business activity, then as an employer you are obliged to give your employees an opportunity to use the ECP. If you are a micro-entreprise, you employ fewer than 10 employees and they all resign from the ECP, you are not obligated to launch the ECP.

4. What are the greatest benefits of joining the scheme?

The most important advantage of the ECP is that your savings are built much more quickly and effectively thanks to additional contributions made by your employer and by the state. Therefore, the contributions to the ECP come from as many as three sources: from you, from your employer and from the state. After you join the ECP, every month the sum of the contributions made with your future in mind will therefore be growing.

Money saved in this way will be then multiplied in a specially designed investment fund adjusted to your age or – if you find the default fund unsuitable – in the fund that you will select from several available options.

5. Where will the money paid to your ECP come from?

The funds in the ECP will come from three sources:

- employee’s contributions,
- employer’s contributions,
- state contributions.

You will transfer to the ECP **2%** of your gross remuneration. If you earn less than 120% of the minimum remuneration in the economy, you can select a contribution amounting to between 0.5% to 2%.

Your employer will transfer an amount equal to **1.5%** of your remuneration (these are additional funds from the employer’s pocket, and not from your salary).

The state will pay an additional **PLN 240** to your ECP every year (but only when the contribution to the ECP that you pay amounts to at least 2% of your gross remuneration).

At the start of your participation in the ECP you will also receive **PLN 250** from the state on a one-off basis as the so-called welcome payment.



6. Will your bonuses be covered by the ECP?

Contributions to the ECP are calculated based on the remuneration that constitutes the so-called base for assessment of retirement and disability pension insurance contributions. Since you pay the retirement and disability pension insurance contributions based on your bonuses, then they are also covered by the ECP.

7. On what base will contributions to your ECP be calculated?

Contributions to the Employee Capital Plans will be calculated based on the gross amount of your remuneration. The employer's contribution, amounting to 1.5%, will also be calculated on the gross amount of your remuneration. It is worth remembering that the 1.5% will come precisely from the employer and not from your remuneration.

8. Where will the money from contributions to your ECP go?

The funds paid to your ECP by yourself, your employer and the state will be multiplied in the capital market via specialist investment funds. The default fund will be adjusted to your age but you will also be able to change it to another fund that you will find more suitable. **A financial institution selected by your employer** will manage those funds. If your employer decides to entrust the funds in the ECP to be multiplied by **Generali Investments TFI**, you will gain access to several funds carefully prepared for this purpose.

9. Who will look after the safety of your funds in the ECP?

Supervision over the Employee Pension Schemes is exercised by **the Financial Supervision Authority (FSA)**, which is the same institution that oversees the safety of banks, insurance companies and investment fund companies. The FSA monitors and analyses the financial situation of entities operating the ECP – checks if they follow the law and identifies threats in their functioning. The FSA may also impose sanctions on financial institutions.

The appropriate funds safety level in terms of the investment activity results from factors such as:

- investment limits assuming the maximum contribution of assets investment in equity instruments (mainly stock) and assets invested in debt instruments (mainly bonds);

- appropriate portfolio diversification level;
- appropriate asset liquidity level etc.

In the case of **Generali Investments TFI** responsible investment of the ECP participants' funds will be in the hands of our best asset managers, who have been effectively multiplying our client's funds for several years.

10. Can you increase your contributions to the ECP?

Yes, you can increase your contribution to the ECP but not more than by an extra **2%** of your gross remuneration. All you have to do is submit a relevant declaration to your employer and a higher contribution will be transferred already in the following month. It is just as simple to resign from the additional contribution – by submitting another declaration to your employer.

You can pay the maximum of **4%** of your gross remuneration: **2%** of the basic contribution and **2%** of the voluntary additional contribution.

11. Can you reduce your contributions to the ECP?

In principle, after you join the ECP the amount of the payment that you make is **2%** of your gross remuneration. It is only possible to reduce your contribution to the ECP to below **2%** when you earn not more than 1.2 times the minimum remuneration. In such circumstances you can reduce your contribution even to 0.5% of the gross remuneration.

12. How much will your employer pay into the ECP?

Your employer is obligated to pay into your ECP an amount equivalent to **1.5%** of your gross remuneration every month. This part – called the “basic contribution” – is the obligation of every employer.

However, every employer can increase their contributions to Employee Capital Plans, raising them even by an extra 2.5% of the gross remuneration, in form of the so-called voluntary contribution. While the basic contribution (**1.5%** of the remuneration) applies to all persons employed in a particular company, the employer has a right to vary the voluntary contribution (maximally **2.5%** of the remuneration), linking it for instance to the employment period. The employer may also resign from the voluntary contribution.

Therefore, maximally the employer will pay to the ECP **4%** of the gross remuneration: **1.5%** of the basic contribution and **2.5%** of the voluntary contribution.





13. How many ECP's can you have at the same time?

In practice, most people will only have one ECP account. **If throughout the time of the ECP functioning you work for a single company – you will have a single ECP account** because your employer enters into only one ECP maintenance contract with a selected financial institution.

The situation is different **when you change jobs**. In that case, you are the one to decide whether the funds accumulated in your ECP should be transferred to the ECP of the new employer in the form of the so-called transfer withdrawal, or whether they should remain in the current account. If you do not decide to make a transfer withdrawal and you do not start saving under another ECP with a new employer, you will have two ECPs. And if the same happens again, you can have even more ECP accounts.

Generally, the assumption is that your ECP should “follow you” when you change jobs.

14. How many ECP's will you have if you are employed with several companies?

If you work for several companies at the same time, **you will have several ECP's**. This follows from the fact that every employer maintains a separate ECP.

15. Odd jobs, summer jobs, short employment period – how many ECP's will you have?

If you have an odd short-term job, you will not have an ECP.

This follows from the fact that the employer enters into an ECP maintenance contract for you after your 3rd month of employment. For this reason, only when you work for over **3 months** with the same company, the employer will open an ECP on your behalf and for your benefit.

The employment period includes the employment from the preceding **12 months** with the employer as well as employment with other companies if your current employer is their legal successor.

16. Who is covered by the ECP?

Employee Capital Plans cover persons who:

- first: have turned 18,
- second: are employed,
- and third: are subject to mandatory retirement and disability pension insurance on account of that employment.



What does it mean “are employed”? There may be different forms of employment, for instance:

- an employment contract;
- an agency contract or a contract of mandate;
- a contract for home based work (it is a special contract for the so-called home worker);
- membership in agricultural production cooperatives or agricultural circle cooperatives;
- membership in supervisory boards (provided that the member of the supervisory board is remunerated on account of those functions) etc.

If you meet the above conditions and are under 55, the employer will automatically enrol you in the ECP.

There are a few exceptions from the rules above. For instance, if your employer maintains an EPS (Employee Pension Scheme) on appropriate terms. Then they have a right to resign from maintaining an ECP and you will be able to participate in an EPS instead of an ECP.

17. What if you are over 55?

If you are over 55, joining the ECP will not be automatic. However, if you still are under 70, you have a right to join the ECP at your own request by submitting a request to your employer. Persons over 70 are not eligible for the ECP.

18. Can you disburse the funds accumulated in the ECP before you turn 60?

Yes, even though it is not really profitable as you will lose a lot of benefits related to the ECP in these circumstances.

Early disbursement of savings from the ECP is called a refund and involves deductions:

- 30% of the funds accumulated from the part funded by the employer will be transferred to the Social Insurance Institution (ZUS) and saved in your ZUS account as your retirement contribution;
- you will pay a tax on capital gains on the profits generated by the remaining 70% of the part funded by the employer;
- you will also pay a tax on capital gains on the gains generated by the funds coming from your contributions;



- you will return 100% of the funds paid in by the state, that is all annual contributions, the welcome contribution and the entire profits generated by these contributions.

19. Can you sign out of the ECP?

Participation in the ECP is **fully voluntary**. While the enrolment into the ECP is automatic, you can always leave the plan at your own request. All you need to do is submit a written declaration of resignation from participation in the ECP to your employer.

However, such resignation needs to be renewed, as in line with the requirements of the ECP Act, every 4 years the employer will automatically sign up to the ECP employees who have resigned.

20. Save or not to save in the ECP? How many times can you change your mind?

You can change your mind multiple times – there are no restrictions here. If you decide to resign from the ECP, the employer will stop to pay contributions already in the month in which you submit a request for cessation of contributions to the ECP (and if the contributions have already been collected in that month, you will receive a reimbursement).

In turn, your request to start saving in the ECP again will result in saving as of the following month.

21. Can you resign from the ECP and return to it? What do you have to do in order to return to the scheme after a break?

Naturally, you can rejoin the scheme after you have resigned from the ECP. All you have to do is submit a relevant request to start saving to your employer.

22. Can you opt out of making contributions to the ECP?

You can submit a declaration of resignation from making contributions to the ECP at any time by submitting an appropriate declaration with your employer.

23. Is there a risk that the disbursement from the ECP will be lower than the contribution?

Yes, even though owing to the structure of the ECP such risk seems insignificant. This follows mainly from the fact that every contribution you make into your ECP is immediately increased by the employer's contribution, and the state will pay an extra amount of PLN 240 into your ECP every year. Let us illustrate this:

If you earn PLN 4000 gross, 2% of that amount, that is PLN 80, will be paid to the ECP from your remuneration. Additionally, your employer will provide 1.5% of your remuneration, that is another PLN 60. Thus, your ECP will be credited with the following amount during a year: **12 x (PLN 80 + PLN 60) = PLN 1680**. You will also receive a state contribution of PLN 240. The total value of the funds from the contributions in your ECP is PLN 1920. The total of your contributions is **12 x PLN 80 = PLN 960**. Therefore, you will receive over twice as much funds into the ECP from the contributions from your employer and the state than the value of your contribution.

How much value would an investment fund have to lose to turn PLN 1930 into PLN 960? The loss would have to be over 50% and only then – with such level of earnings and contributions – the balance in your account would drop to the value of the contributions that you made.

Such extensive decreases in value seem unlikely, considering the clearly specified investment limits.

The ECP investment policy assumes investing in various products – from very safe – such as government bonds, through more risky ones – such as corporate bonds, to very risky ones – such as companies' stock. As the time of disbursement of the funds approaches, an increasingly large part of your savings will be invested in safer instruments – such as e.g. government bonds.

For this reason, the risk that you will obtain an amount lower than the contributions you made when you disburse your funds from the ECP seems very low. Especially considering that you receive contributions from your employer and the State Treasury.

24. How much will you earn in the ECP? What will the interest rate in the ECP be?

Funds paid into the ECP will be invested in capital markets, therefore it is not possible to predict how much exactly you will earn in the ECP. It will all depend on the situation in the market and the profits generated. Also, you cannot refer to a specific interest rate as this is not a bank deposit. You can check the current value of your investments by logging into the [Transactional Service](#), and the rate of return of the subfund in which your funds are invested at www.generali-investments.pl.

25. A sample ECP calculation. How much can you earn in the ECP?

Let us assume that you earn PLN 3000 gross, and the impact of the inflation is neutral, that is the salaries will increase at the same rate as the inflation so that their purchasing power is constant (in reality, the salaries have been increasing faster than the inflation for many years now).

Let us also assume that you are 30 today – so there is also 30 years left until the time when you will be able to start disbursements from the ECP. What will the value of the funds in your ECP be after that time?

The value of the monthly contributions to your ECP will be:

PLN 60 from you (2%) + PLN 45 from your employer (1.5%) + PLN 20 on average from the state (the average monthly value of the annual contribution) = PLN 120.

Let us assume that the return on investment is 3% annually.

With such assumptions, the value of the funds in your ECP when you are 60 will be approximately: PLN 70103. Of that amount you will pay in the total of: $360 \times \text{PLN } 60 = \text{PLN } 21600$.

The remaining amount is made up by the employer's contributions, the state contributions and the profits generated.

26. ECP's are privately owned. What is the risk that what happened to Open Pension Funds will happen to the ECP?

ECP's are not part of the pension system. The funds accumulated in the ECP **are your private property**. It is clearly stipulated in the ECP Act. You can disburse them at any time through a refund. The OPF Act did not contain a clear indication that the funds accumulated in the OPF's were privately owned. They could not be disbursed either. The ECP Act states that directly.

27. When and how can you disburse funds from the ECP?

You can obtain the so-called **refund from the ECP** at any time. However, you can only make a **disbursement** after you turn 60. What is the difference?

Withdrawal of savings from the ECP before you turn 60 is called a **refund** and involves deductions:

- 30% of the funds accumulated from the part funded by the employer will be transferred to the Social Insurance Institution (ZUS) and saved in your ZUS account as your retirement contribution;
- you will pay a tax on capital gains on the profits generated by the remaining 70% of the part funded by the employer;
- you will also pay a tax on capital gains on all gains generated by the funds coming from your contributions;
- you will return 100% of the funds paid in by the state, that is all annual contributions, the welcome contribution and the entire profits generated by these contributions.

After you turn 60, you may start making **disbursements from the ECP** immediately.

When you make a disbursement, you will receive 25% of all funds gathered in your ECP at one time (unless you prefer instalments), and the remaining 75% in form of at least 120 monthly instalments (for another 10 years). If you disburse 100% of the funds accumulated after you turn 60 at one time, you will pay a tax on capital gains.



28. If you disburse money from the ECP for residential purposes, you will have to return it later. What does the return look like in practice?

You can disburse funds from the ECP to finance your own contribution required by the bank when taking out a mortgage loan. In this way, **you can borrow money from the ECP for your own contribution** related to various investments that you finance with a mortgage loan, for instance: construction or reconstruction of a residential building, purchase of an ownership title to a residential building, a title to residential premises etc.

You can even disburse 100% of the funds accumulated in your ECP but not more than your own contribution required as declared in the mortgage loan agreement. Such disbursement pertains not only to the funds provided to the ECP by yourself but also to the contributions made by your employer and the state.

The condition for using this option is being under 45 (on the date of application).

You have to return the money in the following years. You start returning the money not later than 5 years after disbursing the funds from the ECP and you finish not later than 15 years after that time.

29. Are the funds accumulated in the Employee Capital Plan inherited?

Yes, the funds accumulated in the Employee Capital Plan are subject to inheritance. After a participant in the ECP dies, their spouse receives a half of the funds to their ECP, IRA or EPS account in a part that the funds were covered by joint property of the spouses.

A transfer disbursement (that is the name of a transfer from the ECP to another ECP, IRA or EPS) is made within **3 months** after the spouse delivers documents to confirm that they are entitled to the funds accumulated in the deceased person's account: a copy of the death certificate, marriage certificate and a declaration of property relationships between the spouses. An heir who holds several ECP's selects which one of them they want to credit.

The spouse may also receive a refund of the money accumulated in the ECP account of the deceased participant at their own request in cash (outside the ECP).

The funds not received by the deceased participant's spouse are transferred to eligible persons. The eligible person(s) is designated by the ECP participant. They can be: a spouse, children, siblings, parents or other persons. The ECP participant can change the eligible persons at any time: add new ones, remove the earlier entries, change the participation in the fund distribution or even not designate anyone.

30. If you increase your own contribution to the ECP (voluntary contribution), does your employer have to increase their contribution as well?

No. The employer is obligated to contribute **1.5%** of your gross remuneration. If you increase your part, the employer is not obligated to increase their part.

31. Can funds accumulated in the ECP be seized by a bailiff?

No. Funds accumulated in the ECP account are not subject to court or administrative enforcement. Maintenance is the only exception from this rule. Maintenance claims, including state budget receivables arising on account of maintenance (when the state has paid on behalf of the maintenance debtor) may also be satisfied from the ECP.

32. What happens to the money in the ECP in the event of a divorce?

In the event of a divorce or annulment of marriage the funds gathered in the ECP are subject to a division – analogically to the remaining joint property of the spouses.

After the division of the property, the share due to the ex-spouse will be transferred to their account in the ECP. If there are several ECP accounts, the ex-spouse selects the account they want to credit.

However, if the ex-husband or ex-wife does not have an ECP, they will receive a transfer to the selected term deposit account. It is important whether they will maintain the deposit until they turn 60. If so, they will make a disbursement of the funds in line with the general rules. If not, it will be treated as a refund and will involve deductions.

33. How can you check how much money is already accumulated in your ECP?

You can check the balance of your funds at any time in a special online service.

Also, by the end of February each year you will receive from the financial institution that maintains your ECP annual information concerning:

- the amount of the funds accumulated in the ECP account,
- the amounts of the contributions made to the ECP account in the previous calendar year,
- other transactions made at that time in the ECP account.

The information will be prepared in a digital format or – at your request – as a hard copy.





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