

## HUNGARY - AN OVERVIEW OF EMPLOYEE BENEFITS

State and Mandatory Benefits	The normal retirement age is 62 for men and women, progressively increasing to 65 for individuals born between 1953 and 1957. Early retirement is available, with a reduction in benefits. From 1998, new employees were covered by a state pension (the First Pillar) and mandatory pension funds, as selected by the employee (the Second Pillar). The First Pillar pension is typically around 60% of covered earnings after a full career. The Second Pillar operated on a defined contribution basis until January 2011, when the government introduced measures to transfer members back into the state system. Second Pillar funds were transferred by law to the state. Employees were able to make a declaration to keep their existing fund but would not then receive any further First Pillar pension, even though they were required to continue contributions. The revised Second Pillar operates on a notional deferred contribution basis. Both systems provide survivors' and disability benefits. Medical care is provided from a health insurance fund.																				
Typical New Pension Plan	The typical new plan is based on defined contributions to voluntary mutual pension funds (the Third Pillar), with employer contributions of between 4% and 8%. Employees can also contribute to individual accounts (the Fourth Pillar). Multinational employers typically provide a lump sum benefit of one or two times pay in the event of death, disability or accident, and medical insurance.																				
Typical Costs	Employers contribute 24% of earnings to the First Pillar for pensions and 3% for medical care and other benefits. Employees contribute 10.0% of covered earnings for pensions and 7.5% of all earnings for medical care and other benefits. Covered earnings for pensions are earnings up to HUF 21,000 a day (2011).																				
Tax Implications	Employer contributions to the Third Pillar are tax deductible as a business expense and not taxable to employees on an amount up to 50% of the minimum salary. 30% of employee contributions to the Third Pillar are tax deductible up to HUF 100,000 a year and benefits are tax free.																				
Labour Law Issues	Contributions to pension funds are fully vested. The Labour Code provides for severance benefits to be paid to employees in the event of involuntary termination of employment.																				
Pooling Potential	Insured benefits can be included in multinational pooling arrangements.																				
International Financial Reporting	EU/EEA rules apply. For listed companies, International Financial Reporting Standards apply in both consolidated and separate company statements. For unlisted companies, IFRSs are permitted in both consolidated and separate statements; accounts that conform to national GAAP are also required.																				
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