

POLAND - AN OVERVIEW OF EMPLOYEE BENEFITS

State and Mandatory Benefits	Retirement age is 65 for men and 60 for women, with early retirement options. Mandatory retirement benefits are provided from the state insurance system (ZUS) and open pension funds (OFE), managed by private sector financial institutions. The OFE system is mandatory for employees born after 1968. Older employees could choose to remain in the old system. The social insurance system provides retirement benefits from notional defined contribution accounts, with pensions based on average life expectancy at retirement. From 1 May 2011, benefits are also provided from individual pension insurance accounts (IKZE). The individual accounts also operate on a notional defined contribution basis, with a return indexed to average nominal GDP growth in the previous five years. The open pension funds operate on a defined contribution basis, with a minimum rate of return, and provide an annuity at retirement. The state also provides disability and survivors' pensions. Medical benefits are provided by private health care companies under contract to the National Health Fund.
Typical New Pension Plan	Additional retirement benefits can be provided from company pension plans (PPE) and individual retirement accounts (IKE), although company pension plans are not common. Benefits can be paid as lump sums, programmed withdrawals and annuities. Individual pension insurance accounts (IKZE) will be introduced in 2012 and will allow employees to contribute 4% of earnings tax free. The funds can be invested in an OFE account or be managed by a bank. Most employers provide life assurance benefits.
Typical Costs	Employers and employees both contribute 9.76% of earnings for retirement benefits, up to a ceiling of 30 times average national monthly earnings (PLN 3,366.11). Employers also contribute 6.5% for disability and survivors' pensions. Employees contribute 1.5% for disability and survivors' pensions and 11.45% for cash sickness and medical benefits. Part of the total contribution for retirement benefits is transferred to individual accounts with an open pension fund (OFE). From 1 May 2011, the transfer to OFE accounts was reduced from 7.3% to 2.3% with the difference paid into the individual accounts managed by the state insurance system (ZUS). The amount transferred to the ZUS accounts will increase progressively to 3.5% by 2017.
Tax Implications	Employer and employee contributions for mandatory benefits are tax deductible. Employer contributions to private plans are tax deductible up to 7% earnings but employee contributions are not tax deductible. Employee contributions to IKZE accounts are tax deductible. Benefits are subject to income tax.
Labour Law Issues	Company pension plans (PPE) can be set up with investment funds, life insurance companies or as pension funds (PFE) run by a licenced pensions society (PTE). Pension funds must have a management board, a supervisory board and a general meeting.
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 to both consolidated and separate company statements. For unlisted companies, IFRSs apply to the consolidated financial statements of banks and are permitted in consolidated and separate statements of companies that have applied for stock exchange listing or whose parent company uses IFRSs. They are prohibited in the separate statements of other companies.
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