

“Auto-enrollment” in PPS

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The law arranging regulations on automatic-enrollment to private pension system (PPS) had been enacted as of the start of 2017. Through the adoption of this new implementation aimed at increasing domestic saving rates, a gradual system, based on employee numbers was embraced.

First of all, private sector employers with a thousand and more employees had been included into the scope of implementation in the beginning of the year. That followed the enrollment of civil servants and private sector employers with 250 and over employees into the auto-PPS on 1 April. Now it's the time for employers with employees between 100 and 249 and as of 1 July they will be integrated into the system, too.

No access to foreigners

The implementation of auto-enrollment to PPS is only valid for Turkish citizens. Foreigners, working in Turkey, are out of the scope of this law. However, holders of blue card, in other words, Turkish citizens at birth and losing it with exit permit and their children subject to the same procedure should also be included into the private pension plan automatically, within the scope of this law.

Employees only

Only employees, rather wage earners are within the scope of the implementation. Namely, auto-enrollment into the PPS is applicable for private sector employees and civil servants.

Age limit of 45

The law also contains an age limit. Pertaining to that, the ones that are still working and aged under 45 as of the date their employer was integrated into the scope of auto-enrollment to PPS should be included in the system.

Besides, employees starting to work following the employer's involvement, if aged under 45 as of the date of starting to work, are also included in the scope of auto-PPS.

Gradual transition

Employers in private sector will be included into the system gradually in line with their number of employees. A certain part of employees have already been included into the system. Dates for participation in PPS following 1 July and later are provided in the table below:

Number of employees	Auto-enrollment date for PPS
100-249 people	1 July 2017
50-99 people	1 Jan 2018
10-49 people	1 July 2018
5-9 people	1 Jan 2019

The number of employees are determined as of the date of being included into the scope, based on the data from Social Security Institute. The number of total employees working at all work places is taken into account for employers with more than one premises. On the other side, once being included into the scope, decreases in the employer's number of employees following the date of integration into the system is not taken into account.

Deduction rate of 3 %

Employees' share of contribution is calculated as 3 % of the earning taken as basis to premium that is set pursuant to the Social Security Law. For 2017, the threshold of earning taken as basis to premium is applied at TL 1,777.50 (minimum wage) while the upper limit is applied at TL 13,331.40 level.

Remainders in kuruş (the Turkish currency's monetary unit with value under 1 TL) are not taken into account during the calculation of participation share amounts. Employees may demand for higher cuts than the amount calculated above.

Employer's responsibility

First of all, the employer is obliged to include the employees within the scope of the pension plan regarding the contract that will be concluded with the pension company. Also, the employer has to transfer the participation amount, calculated and cut from salaries, to the pensions company within the workday following the date that the salaries are paid.

If not transferred

In the circumstance that any financial loss occurs on the savings of employee resulting from the contribution amount's not being transferred or transferred late, the employer is liable to compensate for it.

In addition, it shouldn't be ignored that the employer will be subject to an administrative fine of a hundred liras for each violation in case the liabilities within the scope of the implementation are not met.

Withdrawal is possible

The employee retains the right of withdrawing (retraction) from the contract. However, this right should be exercised within two months following the date that they received the notification for being included in the pension plan.

In the circumstance of withdrawal, contribution shares paid and investment yields, if exist, in his/her account, are returned to the employee within ten workdays. The pensions company is liable for fund management to ensure preventing any losses on contribution shares paid during the withdrawal period.

Additional contribution of a thousand liras

There is a state contribution equivalent to the 25 % of shares paid by the participators to the private pensions system. This implementation is also valid for contribution shares cut from the employees by the employers and transferred to PPS within the scope of auto-enrollment.

Moreover, an additional one-off state contribution of a thousand liras at entry, is provided to the employees preferring to remain in the system. However, an immediate realization of that contribution is not possible. Conditions implemented for receiving the state contribution in general are valid for this, too.

State contribution amounts according to the period of staying within the system are provided in the table below:

Period of staying within the system	Portion of state contribution (including yields) to be paid to the participator
Less than 3 years	% 0
At least 3 years	% 15
At least 6 years	% 35
At least 10 years	% 60
Gaining retirement right on PPS	% 100

Employees remaining within the system for at least 10 years as of the date of participation in PPS, will be gaining the right for retirement provided that they have turned 56. The ones withdrawing from the system due to death or disablement are also able to receive the whole state contribution and its yields.

Another advantage is provided to the employees preferring to receive the savings under an annual income insurance contract of at least ten years following the retirement right is obtained. An additional state contribution corresponding to 5 % of savings amount will be given to those.

Fund management fee only

Any cuts other than a fund management fee cannot be applied to the ones included in the private pension plan within the scope of auto-enrollment.

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