

31 December 2018

INFORMATION NOTE REGARDING THE AMENDMENTS TO THE REGULATION ON THE PERSONAL PENSION SYSTEM AND THE REGULATION ON THE PROCEDURE AND PRINCIPLES OF AUTOMATIC ENROLMENT OF THE EMPLOYEES IN THE PENSION SCHEME BY THEIR EMPLOYERS

The Regulation Amending the Regulation on the Personal Pension System (“**PPS Regulation**”) and the Regulation Amending the Regulation on the Procedure and Principles of Automatic Enrolment of the Employees in the Pension Scheme by their Employers (“**Enrolment Regulation**”) have been issued and published in the Official Gazette dated **27 December 2018**, numbered **30638** and entered in force on the same date. These regulations amended various matters including the right of withdrawal, contribution amounts and fund deductions.

You may find below a brief summary on the amendments concerning PPS Regulation and Enrolment Regulation:

1. Enrolment of Employees to the PPS who are Employed by the Newly Established Public Agencies

There are certain changes regarding the inclusion of the employees who work for public agencies (*excluding National Intelligence Organization*) in the pension scheme. According to such changes, the contribution amounts of the employees who are working in the public agencies that were established after **1 January 2018** or gained the status of public agency after such date, shall be deducted from the very first salaries which will be paid within the calendar year following the date when these agencies were established or gained the status of public agency and be transferred to the pension company.

2. Enrolment of pension fund participants to PPS

The participants of the pension funds which were established by the *banks, insurance and reinsurance companies, chambers of commerce and industry, exchanges or the unions that were constituted by these institutions* operating according to the Provisional Article 20 of the Law numbered 506, shall be automatically enrolled in the pension scheme and the pension scheme shall start by **1 January 2019**.

3. Enrolment of Employees to the PPS who are employed by the Newly Established Businesses

According to the amendment, if the number of employees of the employers, who have started their businesses within the year 2018, is **10 (ten) or more**, the contribution amounts shall be paid from the first salaries of the employees and if the number of employees is **more than 5 (five) and less than 10 (ten)**, the contribution amounts shall be paid from the first salaries of the employees that will be paid after **1 January 2019 the latest**.

In case the total number of employees that are employed by the businesses that were established after **1 January 2019** is **5 (five)** or more, the contribution amounts shall be paid from the first salaries that will be paid to the employees in the beginning of the following calendar year the latest.

Also, the employers who have notified to SSI the closing down of the business within a month following such notice and before the abovementioned dates shall not be obliged to enroll their employees to the pension scheme.

4. Age Assessment of PPS Participants

According to the amendment, the first day of the calendar year that they need to be included in the PPS shall be taken into account while determining whether they have reached the age of **45** or not. However, for the employees who will be included in the pension scheme before the date of the Enrolment Regulation, the date of **January 1, 2017** shall be taken as a basis in determining whether the employees have reached the age of **45** or not.

In addition, the employees who are under 18 shall be enrolled in the pension scheme under the Enrolment Regulation.

5. Amendments Regarding the Withdrawal Period

Pursuant to Article 22/E, the period for the exercise of the right of withdrawal of the participants was determined as **2 (two)** months. However, with the amendment made through the Decree Law No: 700 to the - Private Pension Savings and Investment System Law numbered **4632** ("Law"), it has been set forth that the President may increase the duration of **2 (two)** months by **3 times** (*i.e. 6 months*) at his sole discretion.

6. Amendments Regarding the Return of Contribution Amounts

No amendment has been made to the period of time during which the participant shall be paid back the contribution amounts following the exercise of his/her withdrawal right and **such period is still 10**

(ten) business days. However, the delay interest that would be applied to the pension company in case the payment is not made within such 10 (ten) business days, has been abolished.

7. Re-enrollment of Participants to PPS

It is **clearly** stated that the participants who have exercised their rights of withdrawal may return to PPS upon their demand.

In addition, the participants who have exercised their rights of withdrawal or separation will be **automatically re-enrolled in the pension scheme for once, within 3 years** in accordance with the procedures that will be determined by the Ministry of Treasury and Finance ("**Ministry**") in accordance with Article 8/C added to the Enrolment Regulation. The Ministry is **authorized to reduce this period to 1 year and to increase up to 5 years.**

8. Distribution of Funds and Changes in Funds

The number of changes that the participant can make within **1 year** in the investment preferences at the stage of entry into the scheme is exempted from the maximum **6** changes limit which is applicable in the case of individual pension schemes.

9. Fund Deductions

The maximum annual fund operating expense deduction rate for all funds is determined as 0.85%. In any case, the total expense deduction rate will not exceed 1.09%.

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Should you have any queries, please do not hesitate to contact us.

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