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## Proposed amendments to automatic enrolment in private pension plans system

Automatic enrolment in private pension plans system for employees was introduced to Turkish law with the Amendment Act published on 25 August 2016. Accordingly, the employees under the age of 45 should be enrolled in a private pension plan with a pension agreement between the employer and a pension company. The provisions entered into force on 1 January 2017 but the regulation is applied gradually depending on the number of employees working at an employer. So far, the employees of an employer with at least 50 employees were enrolled to system. On 1 July 2018, employees of an employer with 10-49 employees will be joining the system and for employees of an employer with 5 - 9 employees, this date will be 1 January 2019.

The employee who has been automatically enrolled in a private pension plan is entitled to withdraw from the system within 2 (two) months as of the notification of the enrolment. According to recent surveys:

- 9,6 million employees were enrolled in the system and 6,1 million employees withdrew from the system as of 27 February 2018.
- Almost 61 % of the employees exercised their right to withdraw from the system within two months.

As most of the employees withdrew from the system, the legislative authorities are trying to improve the system. In this regard, the Ministry of Finance recently prepared a draft omnibus law which introduced new provisions regarding the automatic enrolment in private pension plans system. As per the draft omnibus law the following changes will be made;

- The Council of Ministers will be entitled to increase the period of withdrawal from the system to 6(six) months.
- The Minister will be entitled to appreciate the value of the additional one-off state contribution of TL1.000.
- The Minister will be entitled to invest additional one-off state contribution of TL1.000 in related funds.

These proposed amendments may slightly improve the popularity of the automatic enrolment system. However, negative trend is believed to derive from the fact that no employer contribution has been outlined in the system and there is no development in the proposed legislation in this regard.

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