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Turkey: Automatic Enrolment in Private Pension Plans



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An amendment to the Law on Private Pension Savings and Investment System Act 2001 (the "Law") was recently published and introduced automatic enrolment for employees in private pension plans.

Under the amended Law employees (including public sector employees) aged under 45 shall be automatically enrolled in a private pension plan arranged by the employer.

The amended Law sets out the employer's contribution for the plan as 3% of the employee's average earnings, including basic pay and social security premiums (<http://tureng.com/en/turkish-english/the%20average%20daily%20earning%20taken%20as%20basic%20to%20premium>). The employee is free to request a higher contribution rate should they so wish.

An employee who is automatically enrolled in a private pension plan is entitled to withdraw from the plan within two months of notification of the enrolment. However, assuming the employee chooses to participate in the plan, there will be an additional one-off contribution from the state of TRY 1.000 (approx. EUR 300) at the time of enrolment.

An employee enrolled in a private pension plan will qualify for the pension at the age 56, provided that they have remained a member of the plan for at least 10 years.

In the event an employer fails to automatically enrol its employees in a private pension plan, the employer may be subject to an administrative fine of TRY 100 (approx. EUR 30) for each breach of the Law.

Comment

Although the amended Law introduces automatic enrolment in private pension plans for employees under 45 without any restriction in terms of workplaces for the time being, it authorises the Ministry of Councils to determine the scope of the applicable workplaces and employees. It is predicted that the Ministry will specify that only larger employers (i.e. those with a large number of employees) will be subject to the amended Law.

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