

Proposed amendments to automatic enrolment in private pension plan system

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The Amendment Act of August 25 2016 introduced into Turkish law the automatic enrolment of employees in private pension plans. As a result, employees under the age of 45 must be enrolled in a private pension plan as part of a pension agreement between their employer and a pension company. These provisions entered into force on January 1 2017, but the regulation is being applied gradually depending on how many employees a company has. To date, employees of companies with at least 50 employees have been automatically enrolled in the system. As of July 1 2018 employees of companies that have between 10 and 49 employees will be automatically enrolled in the system and employees of companies that have between five and nine employees will be automatically enrolled as of January 1 2019.

An employee who has been automatically enrolled in a private pension plan is entitled to withdraw from the system within two months of the enrolment date. According to recent surveys:

- 9.6 million employees had been enrolled in the system and 6.1 million employees had withdrawn as of February 27 2018; and
- almost 61% of employees had exercised their right to withdraw from the system within two months.

As the majority of employees have withdrawn from the system, the legislative authorities are trying to improve it.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

- The Council of Ministers will be entitled to increase the withdrawal period to six months.
- The minister will be entitled to appreciate the value of the additional TL1,000 one-off state contribution.
- The minister will be entitled to invest the additional TL1,000 one-off state contribution in related funds.

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

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