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09 Jan 2017  
Ref. 17/13

## CIRCULAR 17/13

### **Subject: Regulation on the Procedures and Principles for the Auto-Enrollment of Employees in the Pension Scheme by their Employers**

“The Regulation on the Procedures and Principles for the Auto-Enrollment of Employees in the Pension Scheme by their Employers” was published in the Official Gazette No.2017/9721 and dated 02 January 2017. This regulation establishes the procedures and principles for the participation of employees in the private pension scheme by their employers, within the framework of auto-enrollment.

### **Pursuant to this Regulation, the followings are subject to the automatic participation system:**

- Turkish citizens under the age of 45, who are employed by the employer as of the involvement date of the employer into the auto-enrollment system are covered. The foreign nationals working in Turkey are not covered by the same law, whereas those who were Turkish citizens by birth, but lost their citizenship by obtaining permission to renounce nationality, and their children who were processed together with them are covered by the law.
- Turkish citizens under the age of 45 on the day when they started working, who are employed by the employer after the involvement date of the employer into the system, will also be enrolled in the pension scheme.
- Those employed by one or more employers under the employment contract, pursuant to article 4/a of the Social Insurances Law (private sector workers) and the employees under article 4/c of the same Law (civil servants) are covered by the system. The self-employed, like doctors and attorneys, or the tradesmen and merchants, who work independently of any employer, are excluded from the automatic participation practice.
- Auto-enrollment in the private pension system shall apply only to paid employees.
- Private sector employees shall participate in the pension scheme on the dates listed in the following table, under the contract signed by the employer with one or more pension company (companies). The employees who start working for the employers to be included in the scope of the system on the following dates or after those dates shall be automatically enrolled in pension schemes once their employment contracts enter into force. When determining the number of employees working for the employers, the total number of employees at all workplaces must be taken into account.

<u>Number of Private Sector Employees</u>	<u>Automatic PES enrollment date</u>
1.000 employees and more	1 January 2017
250 to 999 employees	1 April 2017
100 to 249 employees	1 July 2017
50 to 99 employees	1 January 2018
10 to 49 employees	1 July 2018
5 to 9 employees	1 January 2019

### **Contributions of Employees**

The amount corresponding to 3% of the income based on premium, determined in accordance with Article 80 of the Law No.5510, is the contribution rate of the employee. **(For 2017, an employee contribution of TRY 53.00 monthly for minimum wage earners and TRY 399.00 monthly for maximum SSI earners amount and more.)** This amount of contribution must be transferred to the private pension company that has signed a contract with the employer, no later than on the first business day following the date of payment of the employee's wage. The employer must sign a contract with one or more of the companies deemed suitable by the Undersecretariat, with respect to the regulation of pension scheme for auto-enrollment, and enroll its employees into the pension scheme. If the employer fails to transfer or delays transferring the mentioned contribution to the company in due time, the employer shall be responsible for the loss of money to occur in the accumulated savings of the employee.

No deductions shall be made from those participated in the private pension scheme within the framework of the auto-enrollment system, except for the fund management fee.

### **State Contribution to the Contributions Paid to the Private Pension System**

The government will provide a contribution of 25 percent of the contributions paid to the private pension account. This state contribution shall also apply for the contributions deducted from the employee by the employer and transferred to the PPS, as part of the auto-enrollment system.

### **Additional State Contribution for the Contributions Paid to the Private Pension System**

In the event of retirement, the employee who prefers receiving the savings in his/her account for at least ten years under the annuity contract shall be paid an additional state contribution corresponding to five percent of his/her accumulated savings.

### **In case of Change of Workplace of the Employee**

If the employee changes his/her workplace, and the new workplace has a qualifying pension scheme as defined under the auto-enrollment system, the employee's existing incurred pension amount and the retirement time gained in the system will be transferred to the pension scheme of his/her new workplace.

If the new workplace does not have a pension scheme, the employee can either continue the pension scheme provided by his/her previous employer, or terminate his/her pension scheme. The employee is required to notify the pension company regarding his/her decision by the end of the month in which he/she changed his/her workplace.

No contribution deductions shall be made from the amounts paid on the involvement date of the employer into the system and afterwards, in return for the employee's work pertaining to a period prior to the date of involvement into the system. No contribution deductions shall be applied to the prepaid employees, for the amounts paid to the employee in the period prior to the involvement date into the system.

### **Employee's Right of Withdrawal from the Contract**

The Employer has a right of withdrawal from the scheme within two months upon receiving a notification on his/her participation in the pension scheme. If the employee decides to withdraw from the pension scheme, the paid contributions shall be returned to the employee within ten business days, together with the invested income available in his/her account, if any. A state contribution of 25% is provided over the contributions paid into the private pension account on behalf of the employee. In addition, if the employee decides to continue with the system, an additional state contribution of TRY 1.000 shall be paid into the employee's pension scheme, for one time only at the entry into the system (to be subject to the conditions of earning State contribution and payment). The employee who refuses to use his/her right of withdrawal can demand suspension of the contribution payment in cases determined by the Undersecretariat.

We hereby recommend the employers who intend to enroll his/her employees into the private pension system under the conditions and at the time set forth in the Regulation that they sign a contract with the private pension company at least one month earlier.

Best Regards,

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