<u>Changes in the Second Pillar</u>

FAQ

PERSON WHO IS ENROLLED IN THE SECOND PILLAR

Person who is remaining in the Second Pillar

Q: I am enrolled in the Second Pillar. Do I have to withdraw my money now?

A: No. No one must withdraw their money from the Second Pillar. This is simply an opportunity for those who no longer want to collect money in the Second Pillar.

Q: I am enrolled in the Second Pillar. Do I have to confirm that I want to continue collecting money?

A: No, you don't have to. Everything will continue as is by default. Those who've enrolled in the Second Pillar will continue to collect money into their pension fund. Those who haven't enrolled in the Second Pillar, won't be participating even after the law is enacted. Applications should be submitted by those who want to make a change.

Q: If I don't immediately apply to withdraw from the Second Pillar, can I still withdraw in the future if I need to and decide to do so?

A: Yes, you can. There is no time limit on leaving the Second Pillar. If at some point you need to do so, you can apply to end your payments or withdraw your money. For more, see 'Withdrawing from the Second Pillar'.

Q: What are the risks if I stay in the Second Pillar and continue collecting money?

A: When collecting money into the Second Pillar, you face the same risks as when making any other investments. Depending on the situation in the financial markets and where you have decided to invest, the value of the money you have collected may increase or decrease.

Q: I am enrolled in the Second Pillar, but meanwhile I have been working for a European Union institution. Once I return to Estonia, can I divide the money I've collected in the EU pension scheme between the first and Second Pillar when I return?

A: It's true that until now the people who have been enrolled in the Second Pillar and accumulated money in the pension scheme of an EU institution, and want to bring it back to Estonia upon their return, have been required to divide this money between their First Pillar pension rights and their Second Pillar contribution. The reform of the Second Pillar makes collecting money into the Second Pillar voluntary and the collected money can be withdrawn before retirement age. Thus, the Second Pillar is no longer a viable pension scheme for investing the pension money collected while working for an institution of the European Union. In the future, when transferring pension money to Estonia, it will all go into First Pillar.

Q: Will the reform impact anything related to choosing a pension fund or changing existing funds?

A: It will not change anything.

Q: Does collecting money into the Second Pillar impact the amount of my First Pillar pension?

A: Yes. If you collect money into the Second Pillar, part of the social tax paid for you (4%) will go into that pillar. You will therefore earn fewer rights in First Pillar. However, you must take into account that the amount of the First Pillar pension is significantly impacted by its base amount, which is the same for everyone. Thus, in First Pillar, an individual does not receive pension rights that are equivalent to the social tax that has been paid. However, in the Second Pillar, people collect pension money only for themselves.

Q: Is it more beneficial for me to stay in the Second Pillar or to withdraw?

A: There is quite a lot of solidarity built into the First Pillar pension, and therefore, a person does not get a euro of pension back for each euro that had been contributed to First Pillar. And, on the whole, it is more beneficial to accrue a Second Pillar pension. In the Second Pillar, a person collects pension money only for him- or herself. The amount of the Second Pillar pension is also impacted by the decisions you have made while accumulating your pension, i.e. which pension funds or other financial assets you have employed, or whether you have chosen a pension investment account while collecting the pension. The amount is also impacted by whether you've made regular contributions for a sufficiently long period of time.

Naturally, various situations may occur in life, and everyone has to decide for themselves whether these can be resolved differently or whether utilising the Second Pillar money or suspending contributions are the only solutions.

Q: If I withdraw from the Second Pillar, will my First Pillar pension be higher than both pensions combined had I remained in the Second Pillar?

A: If you collect money into the Second Pillar, part of the social tax paid for you (4%) goes into your Second Pillar account. Thereby, you earn less rights in First Pillar. However, the size of the First Pillar pension is significantly impacted by the base amount, which is the same for everyone. Thus, in First Pillar, an individual pension rights he or she receives is not equivalent to the social tax he or she has paid. In the Second Pillar, however, a person collects pension money only for him- or herself. And therefore, his or her salary-based contribution is 2% higher than when paying taxes only in First Pillar. During the time a person has collected money into the Second Pillar, he or she has earned fewer pension rights in First Pillar. If he or she now withdraws the Second Pillar money, his or her pension is only comprised of First Pillar. However, during the collection period, the total amount collected by the person will be smaller than if the Second Pillar account still existed.

Q: Who can calculate how much my First Pillar and Second Pillar pension will total if I remain in the Second Pillar and how much my First Pillar pension will be if I withdraw from the Second Pillar with or without withdrawing the money?

A: The Eesti.ee website (https://www.eesti.ee/est/teenused/kodanik/toetused_ja_sotsiaalabi_1/pensionikalkulaator) provides information on everyone's First Pillar and the Second Pillar pension rights. And by using the calculator it is possible to determine how large one's pension would be if they retired now. If someone decides to leave the Second Pillar and withdraw one's money, they should take into account that they will only have the First Pillar pension indicated in the calculator. If a person simply stops making payments to the Second Pillar but does not withdraw his or her money, it can be used when retiring. However, since new contributions will not be made, the amount collected in the Second Pillar will only increase based on yield. The given calculator does not take into account the First Pillar pension rights to be calculated based on a person's salary or any future contributions to the Second Pillar. Thus, this calculator only calculates the amount of the pension based on the data that has been collected to date.

How will withdrawal from the Second Pillar impact a person's future pension, can be calculated using the Social Insurance Board calculator (https://pension.sotsiaalkindlustusamet.ee/kalkulaator). This calculator does not take into account the person's actual First Pillar and Second Pillar data. Instead it shows the average First Pillar or Second Pillar pension amount based on one's salary and birthdate. The calculator illustrates the effect various pension decisions will have on the amount of your pension, e.g. withdrawal from the Second Pillar, pension deferral, one's Second Pillar contributions, etc. Like the calculator on the eesti.ee page referred to above, the amount of the pension has been converted into its current status.

Q: How will the coronavirus crisis impact my Second Pillar retirement assets? Should I withdraw my money as soon as possible or wait for better times?

A: Gains and losses are an inevitable part of investing. Accumulating a pension is a long-term process, which lasts for decades. Every loss is expected to be followed by gains. Someone who will retire in ten years shouldn't be focused on the current situation. The best safeguards against market fluctuations are continuous investment or making contributions to the Second Pillar. Thereby, pension fund shares will be bought when the market declines and prices are low as well as when the market rises and prices are high. If you only invest when the markets are rising, you will not benefit fully from the next period of growth and your long-term returns will be below the market average.

As your retirement age approaches, it is generally prudent to reduce equity risk somewhat and to exchange the shares of your riskier pension fund for a slightly less risky one (a pension fund with a higher share of bonds). Thereby, large fluctuations in the financial markets won't impact the value of a person's assets as much, and the risk that the value of a person's assets will have fallen sharply by the time they reach retirement age will also be reduced.

If a person who is about to reach retirement age has kept his or her Second Pillar shares in a riskier fund and the value of these assets has decreased, it would be wiser, if possible, to wait a while (even up to a few years) for the value of the assets to rise again. Withdrawing one's money at the bottom of the market would not be a wise move.

Pension investment accounts

Q: What should I do if I want to start investing my Second Pillar money in a pension investment account?

A: In order to open a pension investment account, you must first open a pension investment account with a bank. An application should then be made to transfer new contributions and / or transfer the money collected from the pension fund to the pension investment account.

In order to transfer new contributions to the pension investment account, a selection application must be submitted, and a statement of fund exchange must be submitted to have the collected funds transferred.

Q: Can an application for transferring money to a pension investment account be submitted in January 2021 and when will the money be transferred?

A: No, applications to transfer your money from a pension fund to a pension investment account cannot be submitted until April 2021 and the money will not be transferred until September 2021.

Q: I already have an investment account. Can I use the same account for the Second Pillar?

A: No, you can't. A separate pension investment account must be opened for the Second Pillar funds, where only the Second Pillar money is transferred and the Second Pillar rules apply to transactions, including cash withdrawals.

Q: Can I have both the Second Pillar fund shares and a pension investment account at the same time?

A: Yes. Currently, a person can have shares in several pension funds at the same time. In the future, pension investment accounts will be added and a person can then have both fund shares and money in a pension investment account as well as the investments made from it. However, the Second Pillar payments can only be made to either a specific pension fund or pension investment account.

Q: If I've started accumulating the Second Pillar funds and would also like to use a pension investment account I've established, should I sell my pension fund shares first and then buy them back through the pension investment account or can the shares be transferred to the pension investment account in some way?

A: If a person wants to save money in a pension fund, he or she does not need to have a pension investment account. A pension investment account is necessary if a person wants to have a variety of investments. When starting to use a pension investment account, you only need to sell your pension fund shares if you want to transfer the money accumulated in the pension fund into your pension investment account. However, you can also keep the pension fund shares and transfer your new contributions to the pension investment account.

Pension fund shares cannot be acquired through a pension investment account.

Q: If I start saving money through a pension investment account, can I transfer the money to the pension fund later or do I no longer have that option?

A: If you decide to invest the Second Pillar money in a pension fund instead of using a pension investment account, you can transfer the new contributions to the pension fund of your choice as well as transfer any money you have accumulated in a pension investment account to the pension fund, i.e. use it to acquire pension fund shares. If you've made investments through a pension investment account, you'll have to divest them first because pension fund shares can only be acquired for money from the pension investment account.

Q: Does a (administrative) fee have to be paid to the bank for using the pension investment account?

A: Just like for regular investment accounts, banks can establish administration fees for pension investment accounts. Whether these fees will apply and what amounts the banks will establish will become clear after the law comes into force and the corresponding service is introduced on the market.

Q: Does moving money between a Second Pillar fund and a pension investment account cost anything?

A: If money is transferred from a pension fund to a pension investment account, the shares of the pension fund are redeemed for this purpose. When redeeming shares, a redemption fee could be charged, but in practice pension management companies don't currently do so. For more information, see your pension fund terms and conditions.

If you want to leave the pension investment account and go back to the pension fund, the financial assets (such as stocks, bonds and fund shares) acquired through the pension investment account should be divested. Fees may also apply. Therefore, when making an investment, you should definitely pay attention to any possible fees.

Q: If I want to transfer my money from my Second Pillar fund to a pension investment account, do I have to pay income tax?

A: No, you don't. When a person moves their money between the Second Pillar funds and a pension investment account, no payment is actually made and therefore it's not necessary to pay income tax.

Q: Can the funds in a pension investment account be invested anywhere – in mutual funds, bitcoins, stocks, etc.?
A: You can't actually invest your money anywhere you wish. The list of where account funds can be invested is specified in the Income Tax Act. Simply put, these include freely tradable assets intended specifically for retail investors, such as stocks, bonds, fund shares, as well as deposits and life insurance contracts with investment risk.

Q: Can securities also be kept in a pension investment account?

A: In order to deposit securities, a securities account must be opened in addition to the pension investment account. The securities account will be linked to the pension investment account of a person who has enrolled in the Second Pillar.

Q: Can I just keep my pension money in my pension investment account without investing it anywhere?
A: Yes, if you don't invest your money anywhere, it just stays there, and unless you've agreed otherwise with the bank, no one else can move that money there for you.

Q: In the meantime, can I withdraw money from the pension investment account and, if necessary, use it for current expenses?
A: No, partial withdrawals of money from pension investment accounts are not permitted. If you want to withdraw money from your pension investment account, you must withdraw the entire amount and pay income tax on it. This step is considered to be a withdrawal from the Second Pillar, which also means that you can enrol in the Second Pillar after 10 years. Also see 'Withdrawing from the Second Pillar'

PRE-RETIREMENT AGE AND RETIREES

Q: When is the earliest that I can start receiving a Second Pillar pension?
A: Currently, you can start receiving your Second Pillar pension once you have reached retirement age. As of 1 January 2021, you can retire up to five years before retirement age.

Q: Will my payments to the Second Pillar continue when I reach retirement age?
A: Yes, if you continue working, have not started collecting your Second Pillar pension and have not applied to stop your payments, they will continue. Receiving a pension from the Second Pillar will also automatically end your contributions to the Second Pillar, whether you're working or not.

Q: How do I withdraw my money from the Second Pillar once I retire?
A: Once you retire, you can choose to take out a lifetime pension or a fixed-term pension, or withdraw all your money at once. Which scheme you choose depends on how much income tax you want to pay on your pension.

Q: Is the Second Pillar funded pension a fixed-term pension or is it paid until the death of the recipient?
A: The funded pension has a fixed term. If a person lives longer, the funded pension ends and the pension payments from the Second Pillar ends. Lifetime pensions are provided by lifetime pension contracts entered into with life insurance companies.

Q: How much income tax do I have to pay on my Second Pillar pension?
A: Currently, the Second Pillar pensions are subject to income tax at the normal rate (20%). When calculating people's tax-free income, their First Pillar pension is taken into account first, and then

their Second Pillar pension. Once one’s tax-free income is exceeded, income tax is withheld from the remaining portion of the pension.

The rules for taxing the Second Pillar pension will change as of 1 January 2021. At that time, the pensions paid to people for the rest of their lives and the long-term pensions, which are based on the average number of years they have left to live, will become tax-free. Shorter term pensions and lump sums are subject to an income tax rate of 10%. And the calculation of a person's tax-free income will no longer be affected by a person's Second Pillar pension.

Q: If I am already receiving a funded pension from the Second Pillar, can I still withdraw from the Second Pillar?
A: Yes. By default, the funded pension agreement will continue to apply and you don’t have to take any action. However, if you want to end your funded pension, you can agree on a new funded pension (for example, on different terms), enter into a pension contract with an insurance company or withdraw all the money at once.

Q: If I have entered into a pension contract with an insurance company in order to receive my Second Pillar pension, can I still withdraw from the Second Pillar?
A: Yes, if you wish, you can terminate your contract and withdraw the remaining money.

Q: If I want to terminate my pension contract with an insurance company, can I do so at any time?
A: No, the application must be submitted to the insurer by 31 March 2021 at the latest. The contract will expire on 31 August of the same year and the money will be paid out no later than 30 September 2021.

Q: What is the recoverable amount of a pension contract?
A: The recoverable amount is the current value of the future cash flows of the pension contract, less any cancellation fees. Simply put, it is the current value of the expected future pension payments and the payable fees.

If you cancel your pension contract, either to replace it with another pension contract or to withdraw the money, the recoverable amount of the contract is the amount that you use to enter into a new pension contract, or which is paid out to you. When withdrawing money, income tax of 10% must also be paid on the recoverable amount.

Q: How is the recoverable amount of a pension contract calculated?
A: The Funded Pensions Act, as well as the terms and conditions of the pension contract, specify how the recoverable amount of a pension contract is calculated. The insurance company is also obligated to annually inform its customers of the amount of the recoverable amount of their contracts.

Q: Does a cancellation fee apply to a pension contract?
The cancellation fee is specified in the pension contract.ban

Q: If I’m already of retirement age, should I start withdrawing money from the Second Pillar now or should I wait for the law to be amended?

A: If the amount you have collected is less than 50 times the national pension rate, i.e. currently €11,081.50, and you need your Second Pillar money to get by, you can start withdrawing your money as a funded pension. After the amendments to the law come into force, you can also terminate your funded pension and withdraw the remaining money, if needed.

If the amount you have collected in the Second Pillar does not exceed 10 times the national pension rate, i.e. currently €2,216.30, you have the right to withdraw this amount in its entirety. This is also the case after the amendments to the law come into force. However, it is worth noting that the tax rates will be changing – if currently, the lump sum will be subject to 20% income tax, then after the amendments to the law come into force on January 1, 2021, the lump sum will be subject to a one-time 10% income tax payment.

If you've accumulated more money and should conclude a pension agreement in order to receive a pension, it is advisable to wait to retire if you don't want to receive a lifetime pension from the Second Pillar. After the amendments to the law come into force, you will be able to cancel a previously concluded pension contract and withdraw the recoverable amount of the contract, but you will have to pay fees when concluding the contract and later when cancelling it. Therefore, signing a pension contract now is not recommended, if you don't actually wish to receive a pension under this agreement.

Q: If I currently conclude an agreement for a funded pension or sign a pension contract, will I still be entitled to a lump sum payment after the amendments to the law have entered into force?
A: If you are already receiving a funded pension from the Second Pillar, this will continue even after the amendments to the law come into force. However, if you wish, you can terminate your funded pension and withdraw all the remaining money at once.

If you conclude a pension contract, then after the amendments to the law enter into force, the pension contract can be cancelled and the recoverable amount of the contract can be withdrawn. However, fees will apply when concluding a pension contract and later when cancelling it. Therefore, it is not advisable to conclude a pension agreement now if you don't actually want to receive a pension from the Second Pillar for the rest of your life. If you need to withdraw the money as a lump sum, it would be advisable to wait for the changes in the law to take effect.

It is also important to note that the taxation rate will change as of 1 January 2021. Currently, the income tax rate is 20%. As of 1 January 2021, a lifetime pension or a life pension based on life expectancy or with an even longer deadline is not taxed at all, and income based on cash withdrawals and shorter-term pension plans will be taxed at a rate of 10%.

Q: What will become of my Second Pillar money after my death?

A: Both the Second Pillar shares and assets of the pension investment account will be transferred to your heir(s). The heir(s) may transfer the shares to their pension accounts and/or the assets of a pension investment account to their pension investment accounts or convert them into cash. Income tax at a rate of 20% will have to be paid on the inherited pension assets if the heirs convert them into cash before reaching retirement age.

If you are receiving a pension from an insurance company, the next steps depend on whether your pension contract has a guarantee period and whether the guarantee period is still valid or has expired. If the policyholder of a pension contract with a guarantee period dies, the pension is paid to the beneficiary appointed by him or her (i.e. a person named by the pensioner in the pension contract). This is done until the end of the guarantee period. The length of the guarantee period is determined by the pensioner. If the policyholder dies after the end of the guarantee period or a pension contract is concluded without it, the insurance company retains the remaining money and from this amount, pensions will be paid to those who live longer.

Withdrawing from the Second Pillar

Q: Can I withdraw all my money from the Second Pillar or only the 2% withheld from my salary?
A: You can withdraw all the money collected in the Second Pillar. If you submit a withdrawal application, everything you have collected in the Second Pillar will be paid out. Income tax must be paid on the disbursement, and this will be deducted from the amount transferred to your account.

Q: If I decide to withdraw my money, can I get it in a lump sum?
A: Yes, all the money is paid out at once.

Q: How can I find out how much I will receive if I withdraw money from the Second Pillar?
A: You can view the status of your pension account on your bank's website or, for example, by logging into your account on the Pension Centre's website (www.pensionikeskus.ee).

All the money you have accumulated in the Second Pillar will be paid out. The exact amount available depends on the price at which the fund manager redeems your pension fund shares. In all likelihood, you will not receive exactly the amount (minus income tax) that you will see in your retirement account when you file your Second Pillar application, since financial markets may rise or fall in the meantime.

When making the disbursement, 20% income tax will be withheld.

Q: Can I withdraw all the money from the Second Pillar, but still continue accumulating?
A: No, once you withdraw the money, contributions to the Second Pillar will be discontinued. If you wish, you'll be able to start making payments again ten years after the withdrawal. Once you've withdrawn money from the Second Pillar or simply stopped making payments with a separate application, and after ten years, started making payments again, you'll no longer be able to make payments after the second withdrawal and the money will have been permanently withdrawn from the Second Pillar.

Q: When can I apply to withdraw money from the Second Pillar?

A: The first application period is 1 January until 31 March 2021. Thereafter, from 1 April until 31 July and from 1 August until 31 December. The time of disbursement depends on the application period.

Q: If I apply to withdraw money from the Second Pillar, when will I receive the money?

A: The money will be paid out five months after the end of the application period. For example, if you apply between January 1 and March 31, you will receive your money in September.

Q: When applying to withdraw money from the Second Pillar what will be the evaluation date? Will it be the date of the application or the date of the disbursement?

A: When making a disbursement, the evaluation date will be the same as it has been before when redeeming pension fund shares. Namely, the pension fund units will be redeemed on 1 January or 1 May, or 1 September or the first working day thereafter, depending on whether the disbursement is made in January, May or September. However, the application for withdrawal must be submitted at least five months in advance.

Q: If I've made a request to withdraw money, will I be able to change my mind and continue in the Second Pillar?

A: Yes, you can rescind your withdrawal application. In this case, it is important to pay attention to the dates prescribed by law. A withdrawal application submitted no later than 31 March can be withdrawn until 31 July; an application submitted no later than 31 July can be withdrawn until 30

November; and an application submitted no later than 30 November can be withdrawn until 31 March.

Q: What fees apply when withdrawing money from the Second Pillar?

A: If you withdraw your money before retirement age, you'll have to pay income tax of 20%. When withdrawing money once you've reached retirement age, income tax of 10% must be paid. Withdrawals under a long-term pension contract once you've reached retirement age are exempt from income tax.

Q: If I stop making the Second Pillar payments, but don't withdraw the money, can I restart the payments at any time?

A: No, payments cannot be resumed until at least 10 years have elapsed since they were stopped.

Q: Does withdrawing money from the Second Pillar impact the amount of my tax-free income?
A: No, the Second Pillar disbursement is not included in the calculation of tax-free income.

Q: If someone stops making contributions but leaves the accumulated money in the Second Pillar, do they still retain the right to withdraw this money before retirement age if they so wish?

A: Yes, applications for withdrawal can be made at any time, but payments will only be made three times a year – in January, May or September.

What's important is that you can only return to the Second Pillar once. Thus, if initially someone only terminates their contributions, but later withdraws their money, they have the right to start making contributions again if they have not been making pension payments for at least 10 years.

If someone stops making contributions, starts again after a pause of 10 years or more, and then withdraws the money, they will no longer be able to accumulate money in the Second Pillar.

Q: Can I withdraw money from the Second Pillar and transfer it to the Third Pillar?

A: You have the choice of staying in the Second Pillar or withdrawing. By remaining in the Second Pillar, you can continue to accumulate money in a pension fund or make use of a personal pension investment account and transfer your collected money there.

If you decide to leave the Second Pillar and take out your money, you can do what you want with it. In principle, you can then transfer this money to the Third Pillar. However, you should consider that when you receive your money from the Second Pillar you will pay 20% in income taxes, and if you then deposit this amount in the Third Pillar, you will only receive an income tax refund on the amount you've deposited in the Third Pillar, which does not exceed 15% of your annual income subject to income tax or €6,000.

Q: Can I have the money from the Second Pillar transferred to my bank account in another country?

A: Yes, the money from the Second Pillar can be transferred to a bank that is not in Estonia. However, when an application for disbursement is submitted, it is important that the identity of the person submitting the application can be established (by using an Estonian ID card or Mobile ID or visiting a bank branch).

Q: How can I submit an application to withdraw money from the Second Pillar if I no longer live in Estonia, don't have a bank account in Estonia, and don't have a valid Estonian ID card or mobile ID?

A: According to the law, when submitting the Second Pillar applications, it must be possible to establish the identity of the person submitting the application. If you don't have a valid Estonian ID card, passport or mobile ID, you'll need to come to a bank branch in Estonia to submit an application.

If you’re not a resident, one option is to apply for a digital ID (e-residency), which will enable you to apply online.

Q: Can a bailiff seize the Second Pillar money? If the payment is made to a foreign bank account, does this ensure that the bailiff does not have access to the money?

A: According to the law, only in the case of the bankruptcy of a Second Pillar pensioner's estate can the trustee in bankruptcy demand the revocation of the shares of former’s pension fund. In all other cases, making a claim on the pension fund shares is prohibited. This will not change after the reform of the Second Pillar.

Therefore, as long as your money is in the Second Pillar, the bailiff cannot seize it. When you take out money, it is like other money and the bailiff can seize it if necessary. Judgments are recognized throughout the European Union, so generally having the money deposited in a foreign bank account will make no difference.

Q: Can I also suspend my First Pillar contributions and/or withdraw the money that has accumulated?

A: No, you can’t. First pillar pensions are paid from social taxes collected by the state. You acquire the right to a pension based on the social taxes that have been paid for you, although the tax revenue being currently collected is being used to pay the pensions of those who have already retired.

PEOPLE WHO HAVE YET TO ENROL IN THE SECOND PILLAR

Enrolling in the Second Pillar

Q: Which is more beneficial, enrolling in the Second Pillar or not? Will enrolling in the Second Pillar impact the amount of my First Pillar pension?

A: The First Pillar and the Second Pillar supplement each other. If you accumulate money in the Second Pillar, part of the social tax paid for you (4%) will go to your Second Pillar account. You thereby earn less rights in the First Pillar. However, it should be taken into account that the amount of one’s First Pillar pension is significantly impacted by the base amount, which is the same for everyone. Thus, the First Pillar pension rights you will receive will not be equivalent to the social tax paid for you. In the Second Pillar, you collect pension money only for yourself and when it is paid out, it is paid only to you. The higher your salary, the more beneficial the Second Pillar is for you personally.

However, when you start collecting is also important. The longer the fundraising time, the more beneficial the Second Pillar is. If relatively little time is left until your retirement, the Second Pillar will not be able to earn enough money.

Q: I want to participate in the Second Pillar, what do I have to do?

A: Choose an option suitable for you among the Second Pillar pension funds and submit an application to the bank to join the selected fund, or open a pension investment account.

Q: Can I apply to enrol in the Second Pillar at any time?

A: In 2020, an application to enrol in the Second Pillar can be submitted until the end of November, but only by people born between 1970 and 1982. Anyone who submits an application by that time will be enrolled in the Second Pillar as of January 2021.

As of 1 January 2021, applications to enrol in the Second Pillar can be submitted at any time. However, you should bear in mind that the applications will be processed three times a year: on 1 January, 1 May and 1 September. The application must be submitted at least five months before the desired enrolment period.

Q: Does it make any difference whether I enrol in the Second Pillar this year or in 2021?

A: If you apply this year, you'll be able to start accumulating money in your Second Pillar pension account as early as 1 January 2021. If your application is submitted in 2021, then, depending on the date of the application, you may start making contributions to the Second Pillar as of 1 September 2021 or not until 1 January or 1 May 2022.

What's also different is that people who apply to enrol in the Second Pillar in 2020 are not required to have been enrolled in the Second Pillar for at least 10 years before suspending payments or withdrawing money. When enrolling in the Second Pillar later on, one should remember that at least 10 years must have passed before you can withdraw from the Second Pillar – regardless whether it is simply to stop making payments or to also take your money.

Q: Can I split my Second Pillar contributions between several pension funds, including a pension investment account?

A: You can have several Second Pillar funds, including a pension investment account, but you cannot split your contributions between them – you must choose either a single pension fund or a pension investment account to which contributions should be directed. However, you can transfer your contributions to a fund or a pension investment account at any time. This transaction will be completed within three working days.

YOUNG PEOPLE WHO HAVE YET TO ENROL IN THE SECOND PILLAR

Q: Do I have to enrol in the Second Pillar when I become an adult?
A: No, you don't have to enrol. If you don't wish to enrol in the Second Pillar, you need to submit an application to opt out. If you don't have done so or haven't chosen a pension fund, lots will be drawn to choose a fund for you. If you don't want to enrol in the Second Pillar fund, but still want to save for retirement, you can use a personal pension investment account. This way, you can decide for yourself where to invest your pension money.

Q: What happens if I haven't chosen a Second Pillar fund when I become an adult?
A: If you haven't submitted an application to opt out, lots will be drawn by the Pension Centre to choose a fund for you.

Q: If I don't want to enrol in the Second Pillar when I become an adult, but want to do so five years later, will it still be possible?
A: No, if you've applied not to enrol in the Second Pillar, you'll not be able to enrol in the Second Pillar until at least 10 years later.

Q: Once I've enrolled in the Second Pillar, can I withdraw at any time?

A: Yes, when you enrol in the Second Pillar after reaching adulthood you can withdraw at any time. People born before 1983 who apply to enrol in the Second Pillar in 2021 or later should understand that at least 10 years must have passed before they'll be able withdraw from the Second Pillar.

REGARDING THE SUSPENSION OF CONTRIBUTIONS TO THE SECOND PILLAR

Q: If I applied for a suspension in October 2020, but I still want to accumulate money in the Second Pillar later on, do I need to apply to have the payments resume now?

A: No. Your Second Pillar payments will be temporarily suspended until the end of August 2021 and will automatically resume as usual, i.e. 2% + 4%, in September 2021.

Q: If I applied for a suspension in October 2020, and don't want to resume accumulating money in the Second Pillar, do I need to file a new application?

A: Yes. Suspended payments will automatically resume for everyone as of September 2021. If you don't wish to make any further Second Pillar payments, you should submit a payment waiver application. This application can be submitted as of 1 January 2021. In order to stop making payments as of September 2021, a new application must be submitted by 31 March 2021 at the latest.

Q: If I didn't temporarily suspend my Second Pillar payments, but want to stop making the Second Pillar payments now, can I still do so?

Yes. The temporary suspension of payments is not related to the new options that will be added for the Second Pillar in 2021. If you want to stop accumulating money, you should submit a waiver application. You can submit this application as of 1 January 2021.

Q: If I didn't temporarily suspend my Second Pillar payments, but I now want to withdraw my Second Pillar money, can I still do so?

A: Yes. In order to withdraw money from the Second Pillar, you should submit a withdrawal application. The application can be submitted as of 1 January 2021. If you submit an application before the end of March 2021, you will receive the money in September 2021. However, applications can also be submitted later, but you'll receive the payment later – starting in January, May or September.

Q: I temporarily suspended my Second Pillar payments. Can I still withdraw my money now, if I wish?

A: Yes. In order to withdraw the Second Pillar money, you should submit a withdrawal application. Applications can be submitted as of 1 January 2021. If you submit the application before the end of March 2021, you will receive the money in September 2021. The application can also be submitted later, but the disbursements will be made later – the payments will always be made in January, May or September.