

**SPECIFICITY AND EFFECTIVENESS OF EMPLOYEE
PENSION PROGRAMS IN THE FORM
OF THE CONTRACT FOR THE EMPLOYER
CONTRIBUTING THE EMPLOYEE CONTRIBUTIONS
TO THE INVESTMENT FUND**

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Key words: employee pension program, investment fund, participation unit, rate of return.

Abstract

The market of employee pension programs (EPP) has functioned since 1999. The programs are established by the employers to secure higher pension benefits for the employees. They may assume the form of insurance or insurance-capital program. As a consequence of the fact that investing employee pension funds contributions in investment funds involves high investment risk the study aims at presenting the operational specificity of such programs and assessment of the results that investment funds' companies managing the largest numbers of programs of that type in Poland achieve. The study covered the years 2006–2009.

The studies indicate that during the analyzed period positive rates of return were generated only by the investments in debt securities funds, both Polish and foreign. Investments in aggressive funds generated losses at ca. 22–35% over the analyzed period. Additionally, attention should be drawn to the fact that the effects related to the crisis in the financial markets had no significant influence on the development of the employee pension programs in the form of a contract with an investment funds, which from the very beginning of operation, as in case of the other forms of EPP, enjoyed low level of interest among employees.

**SPECYFIKA I EFEKTYWNOŚĆ PRACOWNICZYCH PROGRAMÓW EMERYTALNYCH
W FORMIE UMOWY O WNOŠZENIE PRZEZ PRACODAWCĘ SKŁADEK PRACOWNIKÓW
DO FUNDUSZU INWESTYCYJNEGO**

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Słowa kluczowe: pracowniczy program emerytalny, fundusz inwestycyjny, jednostka uczestnictwa, stopa zwrotu.

Abstrakt

Rynek pracowniczych programów emerytalnych (PPE) funkcjonuje od 1999 r. Programy są tworzone przez pracodawców w celu zapewnienia wyższych świadczeń emerytalnych pracowników. Mogą one przyjmować postać ubezpieczeniową lub ubezpieczeniowo-kapitałową. W związku z tym, że lokowanie środków uczestników pracowniczych programów emerytalnych w funduszach inwestycyjnych jest obciążone dużym ryzykiem inwestycyjnym, celem pracy jest przedstawienie specyfiki działania tychże programów oraz ocena wyników, jakie osiągają towarzystwa funduszy inwestycyjnych zarządzające największą liczbą tego typu programów w Polsce. Badaniem objęto lata 2006–2009.

Z badań wynika, że w analizowanym okresie dodatnie stopy zwrotu przyniosły jedynie inwestycje w fundusze papierów dłużnych, zarówno polskich, jak i zagranicznych. Inwestycje w fundusze agresywne w analizowanym okresie przyniosły straty na poziomie 22–35%. Należy ponadto zwrócić uwagę, że efekty związane z kryzysem na rynkach finansowych nie miały znaczącego wpływu na rozwój rynku pracowniczych programów emerytalnych w postaci umowy z funduszem inwestycyjnym, który od początku funkcjonowania, tak jak w przypadku pozostałych form PPE, cieszy się wciąż niewielkim zainteresowaniem wśród pracodawców.

Introduction and objective of the studies

According to the Ustawa o pracowniczych programach emerytalnych of the 20th of April 2004 (DzU nr 116, poz. 1207 ze zm.), the employer may establish for his employees a program allowing accumulation of funds for the future pension, within the frameworks of which funds of the employer financed basic contribution (up to 7% of the employee gross remuneration) and of the auxiliary contribution paid voluntarily by the employees (up to four and a half times the average monthly remuneration projected for the economy for a given year) would be transferred to a selected institution (*Jak utworzyć...* 2007). Employee pension programs (EPP), next to the individual pension accounts (IPA), operate within the frameworks of the voluntary third pillar of the pension system, in which the first two pillars are of the compulsory character. This is the basic part of the system that on one hand, in case of the first pillar, is operated by the Social Insurance Institution and on the other, within the frameworks of the second pillar, by the General Pension Funds (SZUMLICZ 2009, p. 3).

Employee pension programs are established by employers to secure additional pension coverage for their employees, who may participate in the program if they are younger than 70 years and have been employed with the given employer on the base of the employment contract, appointment, election, nomination, cooperative employment contract, contract made as a consequence of appointment or election to a body representing a legal entity as well as members of the agricultural production cooperatives and cooperatives of framers' circles for at least 3 months, although the company contract may make that period shorter. The disbursement of funds from the program takes

place on application by the program participant after him reaching 60 years of age or after award of the rights to pension and completing 55 years of age. In the situation that the program participant does not apply for disbursement, it is done automatically after he is 70 years of age or after termination of the employment relation, if he continues to be an employee of the employer maintaining the program.

Depending on the decision by the employer and representatives of the employees, the employee pension program can be run in the form of the employee pension fund, contract for payment of employee contributions by the employer to an investment fund, contract of group life insurance of employees with the insurance capital fund and foreign management. The program can be established by the employer on its own, as the company program or jointly with other employers as the inter-company program.

Employee pension programs are established for the purpose of increasing the funds available during retirement. That goal can be achieved the most efficiently when the entire contribution is allocated for investments. That situation occurs in case of the EPP of purely capital character where the accumulated savings depend on stock exchange indexes and results obtained by the institutions managing the entrusted funds. Functioning of the employee pension programs in the capital form, however, involves high level of investment risk as a consequence of which the study aims at presenting the specificity of employee pension programs operation in the form of a contract concerning employee contributions payment to the investment fund and assessment of the results obtained by the investment funds companies managing the largest numbers of programs of that type in Poland.

General assumptions and situation in the market of employee pension programs in the form of a contract with the investment fund

The employee pension program in the form of a contract on payment of employee contributions by the employer to the investment fund is a purely investment program that aims at generating revenue from investments of different capital market instruments, and actually accumulation and multiplying the savings allocated for disbursement of pension benefits.

An investment fund, according to art. 33 of the kodeks cywilny of the 23rd of April 1964 (DzU nr 16, poz. 93 ze zm.) is an organizational unit which, according to the special regulations (Ustawa o funduszach inwestycyjnych z 27 maja 2004 r. DzU nr 146, poz. 1546 ze zm.), as of the moment of registration with the register of investment funds, give the status of a legal

entity. An investment funds company, which is a body of the fund, manages it and represents it in relations with third parties, can establish more than one fund in the form of an open fund, specialist open fund or a closed fund. As a consequence of the fact that within the frameworks of the employee pension programs (art. 2 pkt 4 ustawy o pracowniczych programach emerytalnych) only the purchase of participation units in an open investment fund or a specialist investment fund is possible, purchase of investment certificates issued by a closed investment fund for the contributions paid to the program is not possible.

Also the Act on employee pension programs offered the employers the possibility of making contracts with various investment funds managed by the same investment funds company. In such cases, the employee, according to the individual preferences, has the right to change the investment fund or to split the funds paid to such investment funds on conditions specified in the company pension agreement. Transfer of funds between investment funds in this case is not treated as a transfer disbursement. In the situation when within the frameworks of the employee pension program there is more than one fund, the employer, in agreement with the representation of employees and on conditions specified in the company pension agreement, signs a separate contract with each investment fund managed by the same company.

Establishment of the employee pension program in the form of the contract for payment of employee contributions to an investment fund requires making a company agreement with the representation of employees, making a contract with the investment funds company and registration of the program with the register of the employee pension programs maintained by the Financial Supervision Authority.

The market of employee pension programs started functioning in 1999¹ and programs in the form of the contract for payment of employee contributions to the investment fund were registered first (Tab. 1).

According to the status as at the end of 2008, the register of the EPP maintained by the Financial Supervision Authority contained only 1078 programs provided by 1112 employers, i.e. 5.47% more than in 2007. The majority of those programs were the EPPs in the form of group life insurance (34 programs) and contracts with investment funds (24 programs). In 2008, the number of participants in the EPP increased by 4.1% to reach 325,000 people as at the end of that year. In 2008, the amount of contributions paid to their accounts amounted PLN 832 million while in 2007 that amount was PLN 747 million. Considering the accumulated amount of contributions paid to the investment funds, as at the end of 2008 it amounted PLN 1,525.07 million

¹ Subject to the already repealed Ustawa o pracowniczych programach emerytalnych of the 22nd of August 1997 (uniform text in DzU nr 60, poz. 623).

Table 1

Basic data characterizing the market of employee pension programs during the years 1999–2008

Item	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Number of existing EPP including, in the form of:	3	29	150	182	207	342	906	974	1019	1078
– insurance	–	3	17	33	82	202	707	754	766	800
– contract with an investment fund	3	25	56	70	74	94	174	194	226	250
– employee pension fund	–	1	77	79	51	46	25	26	27	28
Number of EPP participants ('000) including, in the form of:	0.03	5.39	55.27	81.22	96.48	129.09	260.25	281.53	312.13	325.01
– insurance	–	0,41	6.07	8.22	13.63	26.06	109.82	119.2	133.9	130.22
– contract with an investment fund	0.03	4.05	19.3	23.7	29.46	51.49	88.77	101.6	118.17	135.57
– employee pension fund	–	0.93	29.9	49.3	53.58	51.53	61.66	60.73	60.06	59.22
Value of assets accrued as at the end of the year (in PLN M)	0.03	4.73	71.23	279.83	526.97	919.45	1695.47	2793.15	3806.44	3607.74

Source: own work based on: *Rocznik Ubezpieczeń i Funduszy...* (2006), *Rocznik Rynku.* (2007), *Rynek pracowniczych programów emerytalnych.* (2007), *Rynek PPE – aktualne zmiany.* (2009), *Biuletyn Roczny. Rynek PPE...* (2009).

representing 44.14% of the total amount accumulated in the EPPs (25.96% was paid as contributions to programs with insurance capital fund).

It should be noted, however, that in 2008 the value of assets accumulated with the EPPs decreased by 5.2%, from PLN 3.8 billion in 2007 to PLN 3.6 billion in 2008, which resulted in decreasing the average value of funds accumulated on the EPP member's account by PLN 1,500 (to PLN 11,325 in 2008 from PLN 12,825 in 2007). Additionally, in 2008, 75 applications for registration of a program were lodged as compared to 82 in 2007 of which 77 programs were registered in the EPP register (15 programs more than in 2007), including 49 in the form of group life insurance with insurance capital fund, 27 in the form of the contract for payment of employee contributions to the investment fund by the employer and 1 in the form of the employee pension fund. So far not even one program in the form of foreign management has been registered (*Pracownicze programy.* 2009).

In 2008, the market of employee pension programs in the form of the contract for payment of employee contributions to the investment fund by the employer was serviced by 15 investment fund companies (Tab. 2).

Table 2
Number of employee pension programs managed by investment fund companies (TFI)
during the years 2003–2008

TFI name	Year					
	2003	2004	2005	2006	2007	2008
BPH TFI S.A.	14	14	12	15	15	16
BZ WBK AIB TFI S.A.	1	2	2	2	2	2
Commercial Union Polska TFI S.A.	1	2	7	7	8	9
DWS Polska TFI S.A.	5	4	4	6	7	9
ING TFI S.A.	12	18	54	60	64	65
KBC TFI S.A.	2	2	2	2	2	2
Legg Mason TFI S.A.	18	19	22	25	29	33
Pioneer Polska TFI S.A.	13	14	13	10	10	9
PKO TFI S.A.	–	–	2	2	5	5
SEB TFI S.A.	1	1	1	1	1	1
SKARBIEC TFI S.A.	6	5	5	5	5	5
TFI Allianz Polska S.A.	–	–	–	1	1	1
TFI PZU S.A.	–	12	49	55	73	84
TFI Spółdzielczych Kas Oszczędnościowo- -Kredytowych S.A.	–	–	–	2	3	8
Union Investment TFI S.A.	1	1	1	1	1	1
Total	74	94	174	194	226	250

Source: own work based on sources as in table 1.

As at the end of 2008, four companies (TFI PZU S.A., ING TFI S.A., Legg Mason TFI S.A., BPH TFI S.A.) managed 198 programs representing 79.20% of the market of the employee pension funds in the form the contract for payment of employee contributions to the investment fund by the employer. As a consequence, the analysis of the conditions of programs and investment profits generated in that form of the employee pension funds were presented on the base of funds offered by those companies.

Offer of the investment fund companies for employee pension programs

The differences in the offers of the investment fund companies as concerns the employee pension funds concern mainly the range of funds offered providing the opportunity for flexible choices depending on the level of acceptable risk, type and level of costs related to the investment and in particular the strategies and investment results of the funds in which the

contributions to the program were invested. Increasing competition noticeable in the contemporary financial market causes that the offer of entities involved in the process of investing the capital entrusted to them by the clients is expanding and improving.

The choice of funds in which the funds of employee pension programs; participants are invested is agreed individually between the employer and the investment fund company. The companies offer from a few to several funds differing in the risk level.

Investing the funds of employee pension program participants in an open of specialist open investment fund involves the necessity of paying the servicing (distribution) fee, which means that from every contribution paid to the fund a set percentage is deducted that increases with the increase of the risk level of the fund to which the contributions paid to the program are allocated. Comparison of the levels of the maximum servicing fees for purchase of participation units in the investment funds of companies dominating in the market as concerns the number of programs maintained for the employee pension programs is presented in Table 3.

Table 3
Maximum levels of service fees in the investment funds for the employee pension funds

TFI PZU S.A.		ING TFI S.A.		Legg Mason TFI S.A.		BPH TFI S.A.	
Fund name	fee [%]	fund name	fee [%]	fund name	fee [%]	fund name	fee [%]
FIO Dept Securities Polonez – JU typ D – JU typ E	0.50 0.25	FIO Bonds – JU typ E – JU typ F	2.00 2.00	Stocks FIO – JU typ E	0.00	BPH Bonds 1, Bonds 2, Emerging Europe Bonds, Stabile Growth, Active Management, Stocks, Stocks of Dynamic Companies, Emerging Europe Stocks, Emerging Europe Real Property, Global of Food and Raw Materials	1.00
FIO Stabile Growth Mazurek – JU typ D – JU typ E	4.50 2.25	FIO Stabile Growth – JU typ E – JU typ F	4.00 4.00	Bonds FIO – JU typ E	0.00		
FIO Balanced – JU typ D – JU typ E	4.50 2.25	FIO Balanced – JU typ E – JU typ F	4.50 4.50	Balanced Central Europe FIO – JU typ E	0,00		
FIO Stocks Krakowiak – JU typ D – JU typ E	4.50 2.25	FIO Stocks – JU typ E – JU typ F	5.00 5.00	Senior SFIO – JU typ E	0.00		
FIO Stocks New Europa – JU typ D – JU typ E	4.50 2.25						

Source: own work based on the charters of funds and information bulletins.

Investing in employee pension programs involves much lower costs than individual saving in such funds as special units are dedicated to the employee pension funds (e.g. in Legg Mason TFI S.A. E type units, or D and E type units in TFI PZU S.A.), which require lower distribution fee or sometimes are even exempt from it (Legg Mason TFI S.A., TFI SKOK S.A.) as well as lower management fee. If, on the other hand, the fund does not offer separate participation units for the EPPs, then the standard units are sold, as, e.g. in case of the BPH TFI S.A. (A type participation units).

Usually, the highest service fees are charged for purchase of participation units in the aggressive funds and the lowest in the least risky ones. In case of sub-funds of the Umbrella Investment Fund of the BPH the level of service fee cannot exceed 1% of the payment value and similarly to the other funds it is subject to individual negotiations with the individual employer. During the time of poor economic situation and unfavorable situation in the financial markets the investment fund companies also apply promotional service fees decreasing them for a certain period of time, even to 0 percent.

The participant in the employee pension program determines the method of investing the funds in specific investment funds. The funds also offer model

Table 4

Maximum fund management fees

TFI PZU S.A.		ING TFI S.A.		Legg Mason TFI S.A.		BPH TFI S.A.	
Fund name	fee [%]	fund name	fee [%]	fund name	fee [%]	fund name	fee [%]
FIO Debt Securites Polonez, FIO Stabile Growth Mazurek		FIO Bonds		Stocks FIO, Balanced Central Europe FIO		Bonds 1, Bonds 2	
- JU typ D	2.35	- JU typ E	1.00	- JU typ E	2.50	- JU typ A	2.00
JU typ E	2.35	- JU typ F	1.50				
FIO Balanced, FIO Stocks Krakowiak, FIO Stocks New Europe		FIO Stabile Growth		Bonds FIO		Emerging Europe Bonds	
- JU typ D	3.80	- JU typ E	1.50	- JU typ E	1.00	- JU typ A	2.50
- JU typ E	3.80	- JU typ F	2.50				
		FIO Balanced, FIO Stocks		Senior SFIO		Stabile Growth, Stocks, Active Management, Stocks of Dynamic Companies, Emerging Europe Stocks, Emerging Europe Real Property, Global of Food and Raw Materials	
		- JU typ E	2.00	- JU typ E	1.30	- JU typ A	4.00
		- JU typ F	4.00				

Source: own work based on the charters of funds and information bulletins.

investment strategies in which the funds are selected automatically according to the participant's age, which allows full use of the potential of profits resulting from investing in the stock market during the initial years of saving increasing the security of funds with approaching the retirement age. The individual investment strategy can be changed at any time; also the funds accrued in the program can be freely moved between funds. For exchange of participation units in one funds for participation units in another fund the so-called conversion fee determined as percentage (e.g. 1% in case of the ING TFI S.A.) relative to the amount allocated for purchase of participation units in the target fund is charged. The amount of the service fee for purchase of participation units in the target fund is decreased by the amount of the service fee paid earlier on purchasing the participation units in the source fund that are being converted. The participant is exempt from the service fee in case it is higher in the source fund than in the target fund.

In case of the employee pension program in the form of a contract with the insurance company the so-called management fee is also charged, which is defined as a percentage of the net value of fund assets per year. The examples of maximum management fees are presented in Table 4.

The management fee increases with the increasing aggressiveness of the investment policy of the given fund.

Investment results of employee pension programs

In the market of employee pension programs, companies present a diversified offer of investment funds characterized by safe, balanced as well as aggressive profile of investing of the contributions paid to the program. Additionally, the companies allow investing the funds in the international markets, both European and global, although such funds are relatively few.

The effectiveness of funds offered by investment fund companies most frequently selected by the employers during the years 2006–2009 is presented in Table 5.

Investment funds effectiveness analysis concerning employee pension programs indicates that during the period of the past 12 months almost all funds, with the exception of certain foreign funds, generated positive rates of return. This situation indicates an increase in value of participation units during the recent months. However, for the past three and two year investment periods, during which the financial crisis started² positive growth rates were achieved

² The term "crisis" generally means "turning point, decisive moment, period of breakthrough, collapse in the current line of development". F.S. Mishkin defines the financial crisis as the situation in which serious disturbances appear in the financial market, which result in a significant

Table 5
Investment results of funds managing the highest numbers of employee pension programs during the period of 31.12.2006–31.12.2009

Fund name	Rates of return (%) for periods ending on 31.12.2009					
	1 month	3 months	6 months	12 months	24 months	36 months
1	2	3	4	5	6	7
DEBT SECURITIES FUNDS						
BPH Treasury	0.21	1.25	2.69	7.47	12.12	15.80
BPH Bonds 1	0.01	1.09	6.25	15.04	25.88	27.49
BPH Bonds 2	-0.10	0.87	7.43	16.39	33.57	33.86
ING FIO Bonds						
– E type PU	0.15	1.18	2.93	3.96	12.94	14.87
– F type PU	0.10	1.03	2.62	3.34	11.60	12.82
Legg Mason Bonds FIO	0.06	0.98	2.41	2.49	–	–
PZU FIO Debt Securities Polonez						
– D type PU	-0.06	0.57	2.17	2.39	11.22	12.92
– E type PU	-0.06	0.55	2.12	2.29	11.01	12.59
STABLE GROWTH FUNDS						
BPH Stable Growth	0.21	2.32	13.57	26.27	4.07	9.12
ING FIO Stable Growth						
– E type PU	0.47	2.48	10.47	14.80	-2.83	0.89
– F type PU	0.36	2.13	9.72	13.26	-5.42	-3.09
Legg Mason Senior SFIO	0.26	1.52	7.78	13.72	6.08	14.92
PZU FIO Stabile Growth Mazurek						
– D type PU	0.38	2.41	8.60	11.80	-4.20	-1.07
– E type PU	0.37	2.39	8.54	11.65	-4.48	-1.53
BALANCED FUNDS						
BPH Active Management	0.50	2.05	15.70	27.39	-9.13	-3.86
ING FIO Balanced						
– E type PU	0.72	3.42	15.76	22.48	-11.62	-7.29
– F type PU	0.49	2.75	14.26	19.34	-16.10	-14.25
PZU FIO Balanced						
– D type PU	0.35	3.71	17.16	20.75	-15.59	-7.51
– E type PU	0.22	3.26	16.16	18.71	-18.39	-12.08

decrease in the prices of assets and collapse of many institutions, both financial and non-financial (MISHKIN 1995, p. 223), after: (IWANICZ-DROZDOWSKA 2002, p. 30). The global financial crisis that started in 2007 and emerged with full power at the turn of July and August 2009, had its source in the United States in the collapse in the high risk mortgage loans originated by the banks at high payoff risk frequently to people with the so-called marginal financial capacity (*subprime mortgage*) (NOSEK, PIETRZAK 2009, p. 85). High, unsatisfied demand for real property among less affluent citizens of the United States, high level of competition at the mortgage lending market translating into low margins for standard products and introduction of unjustified variable interest rates for loan caused rapid development of the subprime market leading to the crisis the consequences of which moved quickly to the European market (MONKIEWICZ 2008, pp. 121–122).

cont. Table 5

1	2	3	4	5	6	7
AGGRESIVE FUNDS						
BPH Stocks	0.99	3.80	24.72	34.20	-31.01	-22.59
BPH of Dynamic Companies	1.48	0.23	27.19	42.48	-44.13	-34.94
ING FIO Stocks						
– E type PU	1.25	4.02	22.02	37.39	-29.41	-24.50
–F type PU	1.04	3.37	20.49	34.00	-32.86	-29.95
Legg Mason Stocks FIO	0.66	3.16	21.40	32.36	–	–
PZU FIO Stocks Krakowiak						
– D type PU	1.01	5.82	24.92	33.13	-30.27	-25.68
– E type PU	1.00	5.77	24.80	32.88	-30.54	-26.12
FOREIGN FUNDS						
BPH Emerging Europe Bonds	1.06	0.62	3.16	14.87	31.07	28.00
BPH Emerging Europe Stocks	-0.90	0.43	17.57	38.49	-21.54	-11.16
BPH Emerging Europe Real Property	-1.46	-2.88	12.36	56.59	-46.38	-53.92
Legg Mason Balanced Central Europe FIO	-0.24	-1.43	8.92	15.32	–	–
PZU FIO Stocks New Europe						
– D type PU	6.02	4.84	24.16	51.86	-19.81	-13.26
– E type PU	5.79	4.20	22.66	48.16	-23.61	-19.32

Source: own computations based on participation units value listings for individual funds.

only by debt securities funds and some stable growth funds. Among the funds with the lowest risk level the best results were achieved by the BPH Bonds 2 fund (rate of return at 33.86%), while the weakest growth rate of the participation units value was recorded in one of the youngest funds by Legg Mason, that is Bonds FIO the first valuation of which took place in January 2008.

On the other hand another specialist fund, Legg Mason Senior, which during the period of the last three years generated the rate of return at the level of 14.92% was the best stable growth fund. During that time the funds of PZU TFI S.A. and ING TFI S.A. incurred losses.

The remaining types of Polish funds generated negative rates of return during both two and three year periods. The larger decreases were recorded in case of the funds of Polish stocks than on the balanced funds among which the BPH Active Management Fund recorded the lowest losses.

Considering foreign funds, the same as in case of Polish funds, profits were generated only by the funds investing at the lowest risk levels that is the funds of BPH Emerging Markets Bonds. The other stocks-based funds generated negative rates of return and among them the BPH Emerging Europe Real

Property fund investing in the stocks of companies from the countries of Central and Eastern Europe from the sectors of construction, development and hotel business recorded the highest losses (-53.92%).

It should also be noticed that analysis of the investment profits of investment funds offered by investment fund companies shows that the leader of the employee pension programs market, i.e. PZU TFI S.A., that services the largest number of such programs generated poorer results in each group than the remaining funds.

Some employee pension programs offer raw materials based funds. For example the BPH TFI S.A. has in its offer the Global Foods and Raw Materials fund that invests mainly in stocks of companies from the food and raw materials sectors and other financial instruments representing similar levels of risk reflecting exchange prices of goods and raw material indexes. From the beginning of its operation, i.e. as of the 15th of December 2008, that fund generated profit at the level of 30.96%.

Conclusion

The financial standing of the employer, which may translate directly into the potential of the employer to operate the program and its propensity for liquidation of the program influences the functioning of the employee pension programs. The conclusions in that field that can be drawn from the above paper are as follows:

1. Analyzing the market of employee pension programs in 2008 as compared to the earlier years it can be noticed that since the beginning of the pension reform that market has not developed at the expected rate and at the same time that during the analyzed period neither lower interest in establishing such programs in enterprises nor major resignations from the EPPs have been observed.

2. Observing the situation in the EPPs market, in 2008 15 EPPs more were registered than in 2007 while 18 programs were removed from the register (1 less than in 2007); the supplementary pension insurance covered 12,700 people and the accounts of the participants in the employee pension programs were supplied with a higher amount of contributions than during the preceding years. On the other hand, a decrease in the value of assets accumulated on individual accounts of participants in those programs (by 5.2%) was recorded, although it was not as big as in case of the individual pension accounts (decrease by 13.4%).

3. In 2008, similar to the preceding years, the program in the form of the group life insurance with the insurance capital fund was the most frequently

applied form of employee pension programs although the share of that form decreased by ca. 1% to the benefit of the increase in the share of the EPPs in the form of a contract with the investment fund, which form recorded the largest number of participants, i.e. around 135,000 people representing 41.54% of the market.

4. The market of employee pension programs in the form of a contract of payment of employee contributions to the investment fund by the employer is serviced currently by fifteen companies, although four companies, i.e. TFI PZU S.A., ING TFI S.A., Legg Mason TFI S.A. and BPH TFI S.A. have the dominating market share (79.20%) as concerns the number of programs managed. Those companies, within the frameworks of the employee pension programs offer from four to eleven funds differing in the scope of investment policies and level of fees related to participation in the funds such as the service fee and management fee that increase with increasing aggressiveness of the investment strategy of the given fund.

5. Analysis of profitability of the investment funds offered by the investment fund companies most frequently chosen by the employers showed that during the period of 36 months (during the years 2006–2009) positive rates of return were obtained by all funds only in the group of debt securities based funds among which the BPH Bonds 2 fund proved the most profitable (33.86%), while the weakest results were generated by the aggressive funds where the value of the participation unit lost from 22.59% for the BPH Stocks fund to 34.94% for the BPH Dynamic Companies fund. It should be noticed, however, that the last 12 months brought an improvement in the situation in the capital markets and almost all the funds recorded positive rates of return during quarterly accounting periods, particularly the funds with aggressive investment policy.

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