Cyprus

15   Pensions

15.1   Is an employee entitled to receive state pension benefits? If so, what are the basic rights of the employee under the state pension?

Every employee is entitled to receive state pension benefits under the social insurance scheme, which provides a wide range of benefits in Cyprus. The Cyprus social insurance scheme is compulsory for all those working in Cyprus and is funded by contributions from employees, employers and the state. Employers must pay contributions to the social insurance fund for each salaried employee.

The social insurance scheme provides benefits, including old-age pension, disability pension, widow's pension, social pension, labour allowance, funeral allowance, sickness benefits, unemployment benefits, maternity and paternity benefits, orphans' benefits, missing persons' benefits, work-related accident benefits, sickness benefits and other specific benefits such as housing benefits and benefits in relation to certain disabilities.

Employees are entitled to all these benefits, but self-employed persons are not entitled to unemployment benefits and benefits for employment accidents.

Old-age pension is payable at the age of 65 for both men and women and is not conditional on retirement from regular employment. Those over the age of 65 are no longer required to make contributions to the social insurance system, unless they have not fulfilled the requirements for an old-age pension. If that is the case, the person must continue to make contributions until the requirements are met or the person becomes 68 years old. There is no mandatory retirement age in the private sector and an age can be agreed by the parties, or applied based on the custom and practice of the organisation.

It should be noted that those working beyond the retirement age do not have recourse to the employment courts.

15.2   Is there a requirement for an employer to provide its employees with access to a pension scheme? If so, are there any minimum legal requirements for that pension scheme?

There is no requirement for an employer to provide its employees with access to a pension scheme. The only mandatory retirement payment is the social insurance contribution which is payable in equal amounts by the employer and employee.

However, supplementary pension schemes may be provided as benefits through either private pension schemes (usually defined contribution schemes) or insurance pension schemes. Under such schemes there is usually an agreed deduction from the employee's salary and a contribution by the employer.

15.3   Can an employer fund and operate its own pension scheme for the benefit of its employees? If so, how (in very basic terms) might that scheme operate?

An employer can establish a pension scheme for the benefit of its employees. Private pension schemes (defined contribution and defined benefit) are regulated by specific legislation under which all Funds are required to register with the

Cypriot Registrar of Provident Funds. The issue of a certificate of registration by the Registrar constitutes proof the Fund has been included in the register of funds, the date on which it was registered and is also evidence that the regulations governing the Fund comply with the law. Each Fund is managed by an Administrative Committee, made up of at least three individuals, one of whom must be a representative of the members of the Fund and one of whom must be a representative of the employer, unless otherwise provided by a collective agreement. The Administrative Committee applies the Fund's regulations. It is required to take all necessary measures (including legal measures) to collect contributions owed to the Fund and to inform the Registrar in writing of any contributions outstanding for more than two months. Annual accounts and the annual report of a Fund must be prepared and submitted to the Registrar within seven months of the end of the financial year. Benefits paid when a member withdraws are determined by the Fund's regulations. No reduction in the accumulated entitlements from a Fund is permitted, unless a member voluntarily retires before completing four years continuous employment with the sponsoring employer. It is prohibited to reduce accumulated entitlements that arise from personal contributions from a member.

15.4   Is there a requirement to consult with employees (or their representatives) where there are proposed changes to an employer's pension arrangements? If so, what are the consultation requirements?

There is an obligation to consult with employees, or their representatives, in relation to proposed changes to an employer's pension arrangements only in the event that the pension scheme benefit is provided in under a collective agreement and that agreement includes particular provisions for consultation. Otherwise, there is usually no obligation to consult employees on any pension arrangements or the management of the Fund. Any changes to the operating rules of a Fund (including pension arrangements) are governed by the rules themselves. Usually rules provide that for any amendment a General Meeting of the Members must be convened and the members have to vote for the change to take place.

15.5   What, in very broad terms, is the tax treatment of pensions in your country?

Employer's contributions to supplementary pension schemes offered to employees are deductible for corporate tax purposes up to a limit of 10% of an employee's remuneration. Employees' contributions are also exempt from income tax provided they do not exceed one-sixth of the employee's annual income. Any accrued benefits payable under the schemes are also not taxable.

15.6   What, if anything, needs to be put in the contract of employment about pension's entitlement?

Usually an employment contract only provides that a pension scheme is offered by the employer as a benefit and that the employee can participate in it. Consent to deduct an amount as an employee's contribution from his or her salary might also be seen in an employment agreement. Any other provisions relating to the scheme's operation and function are included in the rules of the scheme.