

51. Post-employment benefits and other long term benefits

The Group assumed the liability to pay to their employees' pensions on retirement or disability and other obligations, in accordance with the accounting policy described in note 1 S).

As at 31 December 2018 and 2017, the number of participants in the Pension Fund of Banco Comercial Português covered by this pension plan and other benefits is analysed as follows:

Number of participants	2018	2017
Pensioners	16,829	16,711
Former Attendees Acquired Rights	3,300	3,375
Employees	7,255	7,368
	27,384	27,454

In accordance with the accounting policy described in note 1 S), the Group's retirement pension liabilities and other benefits and the respective coverage as at 31 December 2018 and 2017, based on the Projected Unit Credit method are analysed as follows:

	(Thousands of euros)	
	2018	2017
Actual amount of the past services		
Pensioners	2,048,284	1,993,181
Former attendees acquired rights	193,995	206,687
Employees	823,444	849,702
	3,065,723	3,049,570
Pension fund value	(3,078,430)	(3,166,351)
Net (assets) / liabilities in balance sheet (notes 32)	(12,707)	(116,781)
Accumulated actuarial losses and changing assumptions effect recognised in Other comprehensive income	3,289,529	3,191,607

In 2017, following the authorization of the Insurance and Pension Funds Supervisory Authority, the BCP group's pension fund agreement was amended. The main purpose of this process was to incorporate into the pension fund the changes made to the Group's Collective Labour Agreement (CLA) in terms of retirement benefits and to pass on to the pension fund the responsibilities that were directly in charge by the companies (extra-fund liabilities). The pension fund has a share exclusively related to the financing of these liabilities, which under the scope of the fund is called an Additional Complement, which as at 31 December 2018 amounts to Euros 284,923,000 (31 December 2017: Euros 297,146,000). The End of Career Premium also came to be borne by the pension fund under the basic pension plan.

The change in the projected benefit obligations is analysed as follows:

(Thousands of euros)

	2018		2017	
	Pension benefit obligations	Pension benefit obligations	Extra-Fund	Total
Balance as at 1 January	3,049,570	2,768,439	324,210	3,092,649
Service cost	(15,800)	(16,391)	-	(16,391)
Interest cost / (income)	62,991	57,548	6,390	63,938
Actuarial losses / (gains)				
Not related to changes in actuarial assumptions	43,549	26,082	(2,336)	23,746
Payments	(102,024)	(79,847)	(16,759)	(96,606)
Early retirement programmes and terminations by mutual agreement	19,303	13,957	-	13,957
Contributions of employees	8,134	8,274	-	8,274
Changes occurred in the Collective Labour Agreement (CLA)	-	(39,997)	-	(39,997)
Transfer between plans	-	311,505	(311,505)	-
Balance at the end of the year	3,065,723	3,049,570	-	3,049,570

As at 31 December 2018, the amount of pensions paid by the Fund, including the Additional Complement, amounts to Euros 102,024,000. As at 31 December 2017, the amount of pensions paid by the Fund, excluding other benefits included in the Extra-Fund, amounted to Euros 79,847,000.

The liabilities with health benefits are fully covered by the Pension Fund and correspond to Euros 300,550,000 as at 31 December 2018 (31 December 2017: Euros 306,822,000).

Additionally, regarding the coverage of some benefit obligations related to pensions, the Bank contracted with Ocidental Vida the acquisition of perpetual annuities for which the total liability as at 31 December 2018 amounts to Euros 62,677,000 (31 December 2017: Euros 65,266,000), in order to pay:

- i) pensions of former Group's Board Members in accordance with the Bank's Board Members Retirement Regulation;
- ii) pensions and complementary pension to pensioners in accordance with the Pension Fund of the BCP Group employees established in 28 December 1987, as also to pensioners, in accordance with other Pension Funds, that were incorporated after on the BCP Group Pension Fund and which were planned that the retirement benefits should be paid through the acquisition of insurance policies, in accordance with the Decree - Law no. 12/2006.

Ocidental Vida is 100% owned by Ageas Group and Ageas Group is 49% owned by the BCP Group.

Changes in the Collective Labour Agreement (CLA)

At the end of December 2016, a revision of the Collective Labour Agreement (CLA) was reached between the BCP Group and the Workers' Trade Unions, "Federação dos Sindicatos Independentes da Banca" and "Federação Nacional do Sector Financeiro". "Sindicato dos Bancários do Norte" ("SBN"), which was also involved in the negotiations of the new CLA only formalized the acceptance of the amendments to the CLA in April 2017 and, as such, the Bank only recognise the impact of changes from CLA to employees associates of SBN in 2017.

The profit registered in 2017 arising from the changes amounted to Euros 44,853,000 (of which Euros 4,856,000 do not correspond to benefits post-employment). The new CLA have already been published by the Ministry of Labour in Bulletin of Labour and Employment

The most relevant changes that occurred in the CLA and can be described as follows:

- Change in the retirement age (presumed disability) from 65 years to 66 years and 2 months in 2016. This age is not fixed and increases at the beginning of each calendar year one month. So, in 2018 the retirement age is 66 years and 4 months (66 years and 3 months in 2017). It was agreed that the retirement age in each year, fixed by the application of the above mentioned rule, cannot exceed in any case the normal retirement age in force in the General Social Security Regime. For the actuarial calculation, a progressive increase in retirement age was considered up to 67 years and 2 months.

- It was introduced a change into the formula for determining the employer's contribution to the SAMS, which is no longer a percentage of the Pensions (Euros 88 per beneficiary and Euros 37.93 in the case of pensioners). This amount will be updated by the salary table update rate. This change has no impact on participants and beneficiaries, both in terms of their contributions and in their benefits.

- A new benefit and retirement was introduced called End of Career Premium. At the retirement date the participant is entitled to a capital equal to 1.5 times the amount of the monthly remuneration earned at the retirement date. This benefit replaces the Seniority premium that was awarded during active life. This benefit, to be attributed at the retirement date or in the event of death, is a post-employment benefit by which it becomes part of retirement liabilities. This benefit is not included in the pension fund agreement in force at 2016 and as such was considered as Extra-Fund. The End of Career Premium also came to be borne by the pension fund under the basic pension plan.

During 2018 and 2017, the changes in the value of plan's assets is analysed as follows:

	(Thousands of euros)	
	2018	2017
Balance as at 1 January	3,166,351	3,124,330
Employees' contributions	8,134	8,274
Actuarial gains / (losses)	(54,373)	52,740
Payments	(102,024)	(79,847)
Expected return on plan assets	59,962	59,402
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	380	1,452
Balance at the end of the year	3,078,430	3,166,351

The elements of the Pension Fund's assets are analysed as follows:

	(Thousands of euros)					
	2018			2017		
Asset class	Assets with market price in active market	Remaining	Total Portfolio	Assets with market price in active market	Remaining	Total Portfolio
Shares	280,208	102,992	383,200	278,231	95,757	373,988
Bonds and other fixed income securities	1,054,637	4,193	1,058,830	1,058,953	4,922	1,063,875
Participations units in investment funds	-	752,628	752,628	-	808,873	808,873
Participation units in real estate funds	-	276,144	276,144	-	264,025	264,025
Properties	-	245,392	245,392	-	254,317	254,317
Loans and advances to credit institutions and others	-	362,236	362,236	-	401,273	401,273
	1,334,845	1,743,585	3,078,430	1,337,184	1,829,167	3,166,351

The balance Shares includes an investment of 2.61% held in the Dutch unlisted insurance group "Achmea BV", whose valuation as at 31 December 2018 amounts to Euros 101,618,000 (31 December 2017: Euros 94,382,000). This valuation was determined by the Management Company based on the last independent valuation carried out by Achmea solicitation.

The balance Properties includes buildings owned by the Fund and used by the Group's companies which as at 31 December 2018, amounts to Euros 245,392,000 (31 December 2017: Euros 253,971,000), mostly a set of properties called "Taguspark" whose book value as at 31 December 2018 amounts to Euros 243,750,000 (31 December 2017: Euros 243,750,000). This book value was calculated based on valuations performed by independent expert evaluators performed in 2017.

The securities issued by Group's companies accounted in the portfolio of the Fund are analysed as follows:

	(Thousands of euros)	
	2018	2017
Loans and advances to credit institutions and others	275,429	326,562
Fixed income securities	12,209	41
	287,638	326,603

The evolution of net (assets) / liabilities in the balance sheet is analysed as follows:

	(Thousands of euros)	
	2018	2017
Balance as at 1 January	(116,781)	(31,681)
Recognised in the income statement:		
Changes occurred in the Collective Labour Agreement (CLA)	-	(39,997)
Service cost	(15,800)	(16,391)
Interest cost / (income) net of the balance liabilities coverage	3,030	4,536
Cost with early retirement programs	19,303	13,957
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	(380)	(1,452)
	6,153	(39,347)
Recognised in the statement of comprehensive income:		
Actuarial (gains) / losses		
Not related to changes in actuarial assumptions		
Deviation between the estimated and the actual income of the fund	54,372	(52,740)
Difference between expected and effective obligations	43,549	23,746
	97,921	(28,994)
Payments related to Extra-Fund	-	(16,759)
Balance at the end of the year	(12,707)	(116,781)

The estimated contributions to be made in 2019, by the Group and by the employees, for the Defined Benefit Plan amount to Euros 10,398,000 and Euros 7,977,000, respectively.

In accordance with IAS 19, during 2018, the Group accounted post-employment benefits as a gain in the amount of Euros 6,153,000 (2017: gain of Euros 39,347,000), which is analysed as follows:

	(Thousands of euros)	
	2018	2017
Current service cost	(15,800)	(16,391)
Net interest cost in the liability coverage balance	3,030	4,536
Cost with early retirement programs	19,303	13,957
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	(380)	(1,452)
Changes occurred in the Collective Labour Agreement	-	(39,997)
(Income) / Cost of the year	6,153	(39,347)

Within the framework of the three-party agreement between the Government, the Banking and the Trade Unions, the bank's employees in activity as at 31 December 2010 under the CAFEB / CLA regime were integrated into the General Social Security System (RGSS) with effect from 1 January 2011. The integration led to an effective decrease in the present value of the total benefits reported at the retirement age to be borne by the Pension Fund, and this effect is recorded on a straight-line basis over the average period of active life until the normal retirement age is reached. The calculation of the liability for pensions carried out periodically by the actuary considers this effect and is calculated considering the actuarial assumptions in force, ensuring that the liabilities calculated with reference to 31 December 2010, not considering the effect of the integration of bank employees into the General Social Security Scheme are fully covered and deducted from the amount of the effect recognised until the date. The component of this effect for the year is recognised under the heading "Current service costs".

Board of Directors Plan

As the Board of Directors Retirement Regulation establish that the pensions are subjected to an annual update, and as it is not common in the insurance market the acquisition of perpetual annuities including variable updates in pensions, the Bank determined, the liability to be recognised on the financial statements related to that update, taking into consideration current actuarial assumptions.

In accordance with the remuneration policy of the Board Members, the Group has the responsibility of supporting the cost with: i) the retirement pensions of former Group's Executive Board Members; and ii) the Complementary Plan for these members in accordance with the applicable rules funded through the Pension Fund, Extra-fund and perpetual annuities.

In order to cover liabilities with pensions to former members of the Executive Board of Directors, under the Bank's Board of Directors Retirement Regulation the Bank contracted with Ocidental Vida to purchase immediate life annuity insurance policies.

To cover the update of contracted responsibilities through perpetual annuities policies, based on the actuarial calculations, the Group recognised as at 31 December 2018 a provision of Euros 3,733,000 (31 December 2017: Euros 3,733,000).

The changes occurred in responsibilities with retirement pensions payable to former members of the Executive Board of Directors, included in the balance Other liabilities (note 40), are analysed as follows:

	(Thousands of euros)	
	2018	2017
Balance as at 1 January	3,733	3,837
Reversal	-	(104)
Balance at the end of the year	3,733	3,733

Considering the market indicators, particularly the inflation rate estimates and the long term interest rate for Euro Zone, as well as the demographic characteristics of its employees, the Group considered the following actuarial assumptions for calculating the liabilities with pension obligations:

	2018	2017
Salary growth rate	0,25% until 2019 0,75% after 2019	0,25% until 2019 0,75% after 2019
Pensions growth rate	0% until 2019 0,5% after 2019	0% until 2019 0,5% after 2019
Discount rate / Projected Fund's rate of return	2.1%	2.1%
Mortality tables		
Men	TV 88/90	TV 88/90
Women (a)	TV 88/90-3 years	TV 88/90-3 years
Disability rate	Non applicable	Non applicable
Turnover rate	Non applicable	Non applicable
Normal retirement age (b)	66 years and 4 months	66 years and 3 months
Total salary growth rate for Social Security purposes	1.75%	1.75%
Revaluation rate of wages / pensions of Social Security	1%	1%

a) The mortality table considered for women corresponds to TV 88/90 adjusted in less than 3 years (which implies an increase in hope life expectancy compared to that which would be considered in relation to their effective age).

b) The retirement age is variable. In 2017 it is 66 years and 4 months (2017: 66 years and 3 months) and will increase by 1 month for each calendar year. This age cannot be higher than the normal retirement age in force in the General Social Security System (RGSS). The normal retirement age in RGSS is variable and depends on the evolution of the average life expectancy at 65 years. For the purposes of the actuarial calculation, it was assumed that the increase in life expectancy in future years will be one year in every 10 years. However, as a prudential factor it was used a maximum age of 67 years and 2 months.

The assumptions used on the calculation of the actuarial value of the liabilities are in accordance with the requirements of IAS 19. No disability decreases are considered in the calculation of the liabilities.

As defined by IAS 19, the discount rate used to update the responsibilities of the Bank's pension fund was determined on 31 December 2016, based on an analysis performed over the market yield regarding a bond issues universe – with high quality (low risk), different maturities (appropriate to the period of liquidation of the fund's liabilities) and denominated in Euros - related to a diverse and representative range of issuers. As at 31 December 2018 and 2017, the Group used a discount rate of 2.1% to measure its liability for defined benefit pension plans of its employees and managers.

As at 31 December 2018, the Actuarial losses amount to Euros 97,921,000 (31 December 2017: actuarial gains amount to Euros 28,994,000) and are related to the difference between the actuarial assumptions used for the estimation of the liabilities and the values verified and the change in actuarial assumptions, are analysed as follows:

	(Thousands of euros)			
	Actuarial (gains) / losses			
	2018		2017	
	Values effectively verified in %	Amount of deviations	Values effectively verified in %	Amount of deviations
Deviation between expected and actual liabilities		43,549		23,746
Deviation between expected income and income from funds	0.18%	54,372	4.16%	(52,740)
		97,921		(28,994)

In accordance with IAS 19, the sensitivity analysis to changes in assumptions, is as follows:

(Thousands of euros)

	Impact resulting from changes in financial assumptions			
	2018		2017	
	-0.25%	0.25%	-0.25%	0.25%
Discount rate	125,693	(121,218)	132,021	(124,057)
Pension's increase rate	(132,092)	141,376	(129,840)	122,024
Salary growth rate	(26,101)	43,592	(35,094)	37,265

(Thousands of euros)

	Impact resulting from changes in demographic assumptions			
	2018		2017	
	- 1 year	+ 1 year	- 1 year	+ 1 year
Changes in mortality table (*)	97,169	(103,574)	97,661	(98,209)

(*) The impact of the 1 year reduction in the mortality table implies an increase in the average life expectancy

Defined contribution plan

According to what is described in accounting policy 1 S2), in the scope of the Defined Contribution Plan provided for the BCP Pension Fund of the BCP Group, no contributions were made in during 2018 and 2017, for employees who have been admitted until 1 July 2009, because the following requirements have not been met, cumulatively: (i) Bank's ROE equals or exceeds the rate of government bonds of 10 years plus 5 percentage points, and (ii) distributable profits or reserves exist in the accounts of Banco Comercial Português.

For employees who have been admitted after 1 July 2009, are made monthly contributions equal to 1.5% of the monthly remuneration received by employees in the current month, either by themselves or by the Group and employees. This contribution has a mandatory character and is defined in the Collective Labour Agreement of the BCP Group and does not have a performance criterion. The Group accounted as staff costs the amount of Euros 81,000 (31 December 2017: Euros 62,000) related to this contribution.