

50. 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 2019 and 2018, 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	2019	2018
Pensioners	16,959	16,829
Former Attendees Acquired Rights	3,258	3,300
Employees	7,340	7,255
	27,557	27,384

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

	(Thousands of euros)	
	2019	2018
Actual amount of the past services		
Pensioners	2,310,799	2,048,284
Former attendees acquired rights	224,004	193,995
Employees	955,538	823,444
	3,490,341	3,065,723
Pension fund value	(3,500,869)	(3,078,430)
Net (assets) / liabilities in balance sheet (note 31)	(10,528)	(12,707)
Accumulated actuarial losses and changing assumptions effect recognised in Other comprehensive income	3,574,864	3,289,529

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 2019 amounts to Euros 289,733,000 (31 December 2018: Euros 284,923,000). The End of Career Premium also came to be borne by the pension fund under the basic pension plan.

The Bank established, in September 2019, an agreement with the trade unions regarding the review of salary tables and other pecuniary clauses for 2018 and 2019, with reference to 1 January 2018 and 1 January 2019, respectively. The agreement establishes the increase for 2018 by 0.75% to level 6 and 0.50% for levels 7 to 20 (similar increase for 2019) and the increase of other pecuniary clauses, such as the lunch allowance, diuturnities, among others.

Regarding from the update of salary tables, with reference to 2019 and 2018, the Group recorded an actuarial loss in the amount of Euros 53,705,000 in the pension fund's liabilities.

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

	(Thousands of euros)	
	2019	2018
Balance as at 1 January	3,065,723	3,049,570
Service cost	(15,372)	(15,800)
Interest cost / (income)	57,755	62,991
Actuarial losses / (gains)		
Not related to changes in actuarial assumptions	99,969	43,549
Related to changes in assumptions	367,125	-
Payments	(111,339)	(102,024)
Early retirement programmes and terminations by mutual agreement	18,375	19,303
Contributions of employees	8,105	8,134
Balance at the end of the year	3,490,341	3,065,723

As at 31 December 2019, the amount of pensions paid by the Fund, including the Additional Complement, amounts to Euros 111,339,000 (31 December 2018: Euros 102,024,000).

The liabilities with health benefits are fully covered by the Pension Fund and correspond to Euros 327,573,000 as at 31 December 2019 (31 December 2018: Euros 300,550,000).

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 2019 amounts to Euros 58,039,000 (31 December 2018: Euros 62,677,000), 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 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 2019 the retirement age is 66 years and 5 months (66 years and 4 months in 2018). 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 2019 and 2018 the changes in the value of plan's assets is analysed as follows:

	(Thousands of euros)	
	2019	2018
Balance as at 1 January	3,078,430	3,166,351
Contributions to the Fund	290,000	-
Employees' contributions	8,105	8,134
Actuarial gains / (losses)	181,759	(54,373)
Payments	(111,339)	(102,024)
Expected return on plan assets	53,231	59,962
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	683	380
Balance at the end of the year	3,500,869	3,078,430

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

	(Thousands of euros)					
	2019			2018		
Asset class	Assets with market price in active market	Remaining	Total Portfolio	Assets with market price in active market	Remaining	Total Portfolio
Shares	303,434	111,902	415,336	280,208	102,992	383,200
Bonds and other fixed income securities	1,745,335	4,405	1,749,740	1,054,637	4,193	1,058,830
Participations units in investment funds	-	550,732	550,732	-	752,628	752,628
Participation units in real estate funds	-	266,222	266,222	-	276,144	276,144
Properties	-	245,392	245,392	-	245,392	245,392
Loans and advances to credit institutions and others	-	273,447	273,447	-	362,236	362,236
	2,048,769	1,452,100	3,500,869	1,334,845	1,743,585	3,078,430

The balance Shares includes an investment of 2.73% held in the Dutch unlisted insurance group "Achmea BV", whose valuation as at 31 December 2019 amounts to Euros 110,459,000 (31 December 2018: Euros 101,618,000). 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 2019, amounts to Euros 245,392,000 (31 December 2018: Euros 245,392,000), mostly a set of properties called "Taguspark" whose book amounts to Euros 243,750,000 (31 December 2018: 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)	
	2019	2018
Loans and advances to credit institutions and others	26,534	275,429
Bonds and other fixed income securities	12,278	12,209
	38,812	287,638

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

	(Thousands of euros)	
	2019	2018
Balance as at 1 January	(12,707)	(116,781)
Recognised in the income statement:		
Service cost	(15,372)	(15,800)
Interest cost / (income) net of the balance liabilities coverage	4,524	3,029
Cost with early retirement programs	18,375	19,303
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	(683)	(380)
	6,844	6,152
Recognised in the statement of comprehensive income:		
Actuarial (gains) / losses		
Not related to changes in actuarial assumptions		
Difference between the estimated and the actual income of the fund	(181,759)	54,373
Difference between expected and effective obligations	99,969	43,549
Arising from changes in actuarial assumptions	367,125	-
	285,335	97,922
Contributions to the fund	(290,000)	-
Balance at the end of the year	(10,528)	(12,707)

The estimated contributions to be made in 2020, by the Group and by the employees, for the Defined Benefit Plan amount to Euros 12,128,000 and Euros 7,925,000, respectively.

In accordance with IAS 19, during 2019 and 2018, the Group accounted cost/(income) with post-employment benefits, which is analysed as follows:

	(Thousands of euros)	
	2019	2018
Current service cost	(15,372)	(15,800)
Net interest cost in the liability coverage balance	4,524	3,030
Cost with early retirement programs	18,375	19,303
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	(683)	(380)
(Income) / Cost of the year	6,844	6,153

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 2019 a provision of Euros 3,733,000 (31 December 2018: Euros 3,733,000).

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:

	2019	2018
Salary growth rate	0.75%	0,25% until 2019 0,75% after 2019
Pensions growth rate	0.50%	0% until 2019 0,5% after 2019
Discount rate / Projected Fund's rate of return	1.4%	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 5 months	66 years and 4 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 2019 it is 66 years and 5 months (2018: 66 years and 4 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 2019, the Group used a discount rate of 1.4% (31 December 2018: 2.1%) to measure its liability for defined benefit pension plans of its employees and managers.

As at 31 December 2019 and 2018, the Actuarial losses 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			
	2019		2018	
	Values effectively verified in %	Amount of deviations	Values effectively verified in %	Amount of deviations
Deviation between expected and actual liabilities		99,969		43,549
Changes on the assumptions:				
Discount rate		367,125		-
Deviation between expected income and income from funds	8.13%	(181,759)	0.18%	54,372
		285,335		97,921

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			
	2019		2018	
	-0.25%	0.25%	-0.25%	0.25%
Discount rate	146,426	(137,734)	125,693	(121,218)
Pension's increase rate	(154,939)	164,454	(132,092)	141,376
Salary growth rate	(36,297)	45,536	(26,101)	43,592

(Thousands of euros)

	Impact resulting from changes in demographic assumptions			
	2019		2018	
	- 1 year	+ 1 year	- 1 year	+ 1 year
Changes in mortality table (*)	125,716	(125,224)	97,169	(103,574)

(*) 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 S3), in the scope of the Defined Contribution Plan provided for the BCP Pension Fund of the BCP Group, no contributions were made in during 2019 and 2018, for employees who have been admitted until 1 July 2009, because the following requirements have not been met, cumulatively: (i) the previous year BCP'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 in 2019, the amount of Euros 183,000 (2018: Euros 81,000) related to this contribution.