

45. Post-employment benefits and other long-term benefits

The Bank 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 2020 and 2019, the number of participants of Bank in the Pension Fund of Banco Comercial Português covered by this pension plan and other benefits is analysed as follows:

Number of participants	2020	2019
Pensioners	17,003	16,953
Former attendees acquired rights	3,161	3,139
Employees	6,923	7,129
	27,087	27,221

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

	(Thousands of euros)	
	2020	2019
Actual amount of the past services		
Pensioners	2,430,504	2,309,366
Former attendees acquired rights	242,245	220,064
Employees	955,677	935,161
	3,628,426	3,464,591
Pension Fund Value	(3,720,543)	(3,474,754)
Net (assets) in balance sheet (note 28)	(92,117)	(10,163)
Accumulated actuarial losses and changing assumptions effect recognised in Other comprehensive income	3,645,840	3,558,797

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 in the scope of the fund is called an Additional Complement, which in December 2020 amounted to Euros 285,421,000 (31 December 2019: Euros 289,733,000). 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 53,464,000 in the pension fund's liabilities.

At the end of 2019, the Bank started a negotiation process with the Unions for the full revision of the Collective Bargaining Agreements, with work continuing to take place during the first months of 2020, until they were interrupted in March, in view of the constraints imposed by the pandemic. In June, negotiations with the Unions resumed, following the proposals received in the meantime regarding the 2020 update of the Salary Tables and other clauses of pecuniary expression of the Collective Labor Agreements under negotiation, the Bank formally presented on 3 July 2020, a counter-proposal to the Unions to update them by 0.30%, in line with the variation recorded in 2019 in the Consumer Price Index, according to official information from the National Statistics Institute.

Following the negotiation process developed in 2020 with several unions subscribing to the Collective Labor Agreements in force for the Banco Comercial Português Group, the Bank agreed, on 30 July 2020, with "SNQTB - Sindicato Nacional dos Quadros e Técnicos Bancários", "SIB - Sindicato Independente da Banca" and "SBN - Sindicato Bancários do Norte", meanwhile renamed to "SBN - Sindicato dos Trabalhadores do Sector Financeiro de Portugal", the updating of the Bank's Wage Tables and Contributions for SAMS in 2020 by 0.30%, and the increase in other clauses of monetary expression, such as subsidy lunch, seniority, among others. The agreed updates will take effect on 1 January 2020, with the exception of remunerations related to subsistence allowances and travel, which will be updated after the operationalization of the agreed updates.

With regard to the remaining unions subscribing to the Group's Collective Labour Agreements, that is, SBSI - Sindicato Bancários Sul e Ilhas, meanwhile renamed to Mais Sindicato do Sector Financeiro, and SBC - Sindicato Bancários do Centro, during September, a platform of understanding was reached with them, embodied in an agreement in principle to the salary update agreed with the other unions, which allowed its application to all the Bank's employees in the salary processing of September 2020, regardless of their union affiliation. In September, negotiations were resumed with all the unions subscribing to the Group's Collective Labour Agreements, for the conclusion of the full review of their respective Clauses.

The publication of the said Agreements with the respective Unions in the Labor and Employment Bulletin is in progress.

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

	(Thousands of euros)	
	2020	2019
Balance as at 1 January	3,464,591	3,040,405
Service cost	(14,948)	(15,068)
Interest cost / (income)	49,475	57,344
Actuarial losses / (gains)		
Not related to changes in actuarial assumptions	30,980	99,611
Arising from changes in actuarial assumptions	195,438	362,836
Payments	(115,825)	(111,275)
Early retirement programmes and terminations by mutual agreement	11,708	18,537
Contributions of employees	7,714	7,926
Transfer from / (to) other plans (a)	(707)	4,275
Balance at the end of the year	3,628,426	3,464,591

(a) The amount included in the balance "Transfer from / (to) other plans" corresponds to the post-employment benefits related to the rotation of employees between the various Group companies for temporary assignment of the same.

As at 31 December 2020, the amount of pensions paid by the Fund, including the Additional Complement, amounts to Euros 115,825,000 (31 December 2019: Euros 111,275,000).

The liabilities with health benefits are fully covered by the Pension Fund and correspond to Euros 333,102,000 as at 31 December 2020 (31 December 2019: Euros 325,405,000).

Additionally, regarding the coverage of some benefit obligations related to pensions, the Bank contracted with Occidental Vida the acquisition of perpetual annuities for which the total liability as at 31 December 2020 amounts to Euros 41,018,000 (31 December 2019: Euros 58,039,000), 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.

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

During the 2020 and 2019, the changes in the value of plan's assets is analysed as follows:

	(Thousands of euros)	
	2020	2019
Balance as at 1 January	3,474,754	3,050,346
Actuarial gains / (losses)	139,375	180,687
Contributions to the Fund	171,594	289,250
Payments	(115,825)	(111,275)
Expected return on plan assets	43,212	52,829
Employees' contributions	7,714	7,926
Transfer from / (to) other plans (a)	(707)	4,307
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	426	684
Balance at the end of the year	3,720,543	3,474,754

(a) The amount included in the balance "Transfer from / (to) other plans" corresponds to the post-employment benefits related to the rotation of employees between the various Group companies for temporary assignment of the same.

The elements that make up the share value of the Bank in the assets of the Pension Fund are analysed as follows:

	2020			2019		
Asset class	Assets with market price in active market	Remaining	Total Portfolio	Assets with market price in active market	Remaining	Total Portfolio
Shares	417,205	104,254	521,459	301,171	111,067	412,238
Bonds and other fixed income securities	1,919,334	4,571	1,923,905	1,732,315	4,372	1,736,687
Participations units in investment funds	–	395,548	395,548	–	546,624	546,624
Participation units in real estate funds	–	259,480	259,480	–	264,236	264,236
Properties	–	237,924	237,924	–	243,561	243,561
Loans and advances to credit institutions and others	–	382,227	382,227	–	271,408	271,408
	2,336,539	1,384,004	3,720,543	2,033,486	1,441,268	3,474,754

The balance Shares includes an investment of 2.61% held in the Dutch unlisted insurance group "Achmea BV", whose valuation as at 31 December 2020 amounts to Euros 102,812,000 (31 December 2019: Euros 109,635,000). 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 2020, amounts to Euros 237,924,000 (31 December 2019: Euros 243,561,000).

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

	(Thousands of euros)	
	2020	2019
Loans and advances to credit institutions and others	409,930	26,336
Bonds and other fixed income securities	12,132	12,186
	422,062	38,522

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

	(Thousands of euros)	
	2020	2019
Balance as at 1 January	(10,163)	(9,941)
Recognised in the income statement:		
Service cost	(14,948)	(15,068)
Interest cost / (income) net of the balance liabilities coverage	6,263	4,515
Cost with early retirement programs	11,708	18,537
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	(426)	(684)
	2,597	7,300
Recognised in the Statement of Comprehensive Income:		
Actuarial (gains) and losses		
Not related to changes in actuarial assumptions		
Difference between the estimated and the actual income of the fund	(139,375)	(180,687)
Difference between expected and effective obligations	30,980	99,611
Arising from changes in actuarial assumptions	195,438	362,836
	87,043	281,760
Contributions to the fund	(171,594)	(289,250)
Transfer from / (to) other plans	–	(32)
Balance at the end of the year	(92,117)	(10,163)

The estimated contributions to be made in 2021, by the employees, for the Defined Benefit Plan amount to Euros 7,379,000.

In accordance with IAS 19, during 2020 and 2019, the Group accounted cost/(income) with post-employment benefits, which is analysed as follows:

	(Thousands of euros)	
	2020	2019
Current service cost	(14,948)	(15,068)
Net interest cost in the liability coverage balance	6,263	4,515
Cost with early retirement programs	11,708	18,537
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	(426)	(684)
(Income) / Cost of the year	2,597	7,300

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 taking into account 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 recognized 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 policy associated with the retirement regulations of former Board of Directors, the Bank registered 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 Occidental 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 Bank recognised a provision of Euros 3,733,000 (31 December 2019: 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 Bank considered the following actuarial assumptions for calculating the liabilities with pension obligations:

	2020	2019
Salary growth rate	0.75%	0.75%
Pensions growth rate	0.50%	0.5%
Discount rate / Projected Fund's rate of return	1.05%	1.4%
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 5 months
Total salary growth rate for Social Security purposes	1.75%	1.75%
Revaluation rate of wages / pensions of Social Security	1.00%	1.00%

- 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 2020 it is 66 years and 5 months (2019: 66 years and 5 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, regarding the defined benefit pension plans of its employees and managers, was determined based on an analysis performed over the market yield of a bond portfolio issues with high quality (low risk), different maturities (appropriate to the period of liquidation of the fund's liabilities), denominated in Euros and related to a sundry and representative range of issuers. With reference to 31 December 2020, the Group used a discount rate of 1.05% (31 December 2019: 1.4%).

As at 31 December 2020 and 2019, 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			
	2020		2019	
	Values effectively verified in %	Amount of deviations	Values effectively verified in %	Amount of deviations
Difference between expected and actual liabilities		30,980		99,610
Changes on the assumptions:				
Discount rate		195,437		362,837
Difference between expected income and income from funds	5.77%	(139,374)	8.13%	(180,687)
		87,043		281,760

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			
	2020		2019	
	-0.25%	0.25%	-0.25%	0.25%
Discount rate	150,862	(141,956)	144,668	(136,109)
Pensions increase rate	(157,490)	166,119	(153,884)	163,333
Increase in future compensation levels	(39,926)	43,280	(35,487)	44,492

(Thousands of euros)				
	Impact resulting from changes in demographic assumptions			
	2020		2019	
	- 1 year	+ 1 year	- 1 year	+ 1 year
Mortality Table (*)	137,659	(136,650)	124,900	(124,408)

(*) 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 the year of 2020 and 2019, 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. As at 31 December 2020, the Bank accounted as staff costs the amount of Euros 218,000 (31 December 2019: Euros 170,000) related to this contribution.