

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 2020 and 2019, 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	2020	2019
Pensioners	17,011	16,959
Former Attendees Acquired Rights	3,282	3,258
Employees	7,138	7,340
	27,431	27,557

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)	
	2020	2019
Actual amount of the past services		
Pensioners	2,432,628	2,310,799
Former attendees acquired rights	246,981	224,004
Employees	977,918	955,538
	3,657,527	3,490,341
Pension fund value	(3,750,567)	(3,500,869)
Net (assets) / liabilities in balance sheet (note 31)	(93,040)	(10,528)
Accumulated actuarial losses and changing assumptions effect recognised in Other comprehensive income	3,663,509	3,574,864

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 2020 amounts to Euros 285,422,000 (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 53,705,000 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 in the meantime received, regarding the 2020 update of the Salary Tables and other clauses of pecuniary expression of the Collective Labour 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 meetings held in the meantime with the Unions, 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 Labour 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	3,490,341	3,065,723
Service cost	(15,235)	(15,372)
Interest cost / (income)	49,847	57,755
Actuarial losses / (gains)		
Not related to changes in actuarial assumptions	30,841	99,969
Related to changes in assumptions	197,943	367,125
Payments	(115,901)	(111,339)
Early retirement programmes and terminations by mutual agreement	11,799	18,375
Contributions of employees	7,892	8,105
Balance at the end of the year	3,657,527	3,490,341

As at 31 December 2020, the amount of pensions paid by the Fund, including the Additional Complement, amounts to Euros 115,901,000 (31 December 2019: Euros 111,339,000).

The liabilities with health benefits are fully covered by the Pension Fund and correspond to Euros 335,401,000 as at 31 December 2020 (31 December 2019: Euros 327,573,000).

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 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	3,500,869	3,078,430
Contributions to the Fund	173,594	290,000
Employees' contributions	7,892	8,105
Actuarial gains / (losses)	140,139	181,759
Payments	(115,901)	(111,339)
Expected return on plan assets	43,548	53,231
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	426	683
Balance at the end of the year	3,750,567	3,500,869

The elements of the Pension Fund's assets 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	420,572	105,095	525,667	303,434	111,902	415,336
Bonds and other fixed income securities	1,934,823	4,608	1,939,431	1,745,335	4,405	1,749,740
Participations units in investment funds	–	398,740	398,740	–	550,732	550,732
Participation units in real estate funds	–	261,574	261,574	–	266,222	266,222
Properties	–	239,844	239,844	–	245,392	245,392
Loans and advances to credit institutions and others	–	385,312	385,312	–	273,447	273,447
	2,355,395	1,395,173	3,750,568	2,048,769	1,452,100	3,500,869

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 103,642,000 (31 December 2019: Euros 110,459,000). 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 239,844,000 (31 December 2019: Euros 245,392,000).

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	413,238	26,534
Bonds and other fixed income securities	12,230	12,278
	425,468	38,812

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

	(Thousands of euros)	
	2020	2019
Balance as at 1 January	(10,528)	(12,707)
Recognised in the income statement:		
Service cost	(15,235)	(15,372)
Interest cost / (income) net of the balance liabilities coverage	6,299	4,524
Cost with early retirement programs	11,799	18,375
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	(426)	(683)
	2,437	6,844
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	(140,139)	(181,759)
Difference between expected and effective obligations	30,841	99,969
Arising from changes in actuarial assumptions	197,943	367,125
	88,645	285,335
Contributions to the fund	(173,594)	(290,000)
Balance at the end of the year	(93,040)	(10,528)

The estimated contributions to be made in 2021, by the employees, for the Defined Benefit Plan amount to Euros 7,557,000.

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

	(Thousands of euros)	
	2020	2019
Current service cost	(15,235)	(15,372)
Net interest cost in the liability coverage balance	6,299	4,524
Cost with early retirement programs	11,799	18,375
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	(426)	(683)
(Income) / Cost of the year	2,437	6,844

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 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 Group recognised as at 31 December 2020 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 Group considered the following actuarial assumptions for calculating the liabilities with pension obligations:

	2020	2019
Salary growth rate	0.75 %	0.75 %
Pensions growth rate	0.5 %	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 %	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 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
Deviation between expected and actual liabilities		30,841		99,969
Changes on the assumptions:				
Discount rate		197,943		367,125
Deviation between expected income and income from funds	5.77%	(140,139)	8.13%	(181,759)
		88,645		285,335

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	152,812	(143,761)	146,426	(137,734)
Pension's increase rate	(158,701)	167,405	(154,939)	164,454
Salary growth rate	(40,905)	44,341	(36,297)	45,536

(Thousands of euros)				
	Impact resulting from changes in demographic assumptions			
	2020		2019	
	- 1 year	+ 1 year	- 1 year	+ 1 year
Changes in mortality table (*)	138,611	(137,599)	125,716	(125,224)

(*) The impact of 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 2020 and 2019, 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 2020 the amount of Euros 218,000 (2019: Euros 183,000) related to this contribution.