Application of the New Labor Pension System

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Good day to everyone! I am here from the Ministry of Labor's Bureau of Labor Insurance to introduce our New Labor Pension System. Before the Act for the Recruitment and Employment of Foreign Professionals came into effect on February 8, ordinary foreign nationals to whom the Labor Standards Act applied were, as a general rule, under coverage of the old labor pension system. But the old system has a threshold that a worker must stay with the same employer until retirement in order to be able to receive a pension, whereas it is usual for workers to change employment several times during their working life. Under the old system, if you leave a job, the clocking up of your pension entitlement returns to zero. The new system does not have this drawback.

Today, I will present a general outline of the New Labor Pension System. First I will explain the range of application of the system, i.e. who comes within the scope of its coverage, and will describe the new system's characteristics. Then I will explain some of the rules under which the new system applies to foreign professionals. Lastly, I will briefly explain the requirements for claiming a pension under the new system.

First, an explanation as to who is entitled to utilize the new system. The New Labor Pension System was launched on July 1, 2005. At that time, it only applied to citizens of this country, and excluded foreign nationals. This continued until January 17, 2014, when the law was amended to bring foreign spouses and spouses from Hong Kong, Macau and Mainland China within its coverage. It was considered that, since they were likely to become ROC citizens in the future, they ought to be accorded the security of inclusion in the New Labor Pension System while working prior to obtaining citizenship. Then, upon the coming into effect of the Act on February 8 this year, we also included permanent resident foreign professionals in the system. When the employment of any of these three categories of workers – citizens, spouses, and APRC-holding foreign professionals – falls under the Labor Standards Act, their employer must each month pay a pension deposit of no less than 6% of the worker's monthly wages into an individual labor pension account.

What are the features of the New Labor Pension System? The first main feature is that the pensions are cumulative and portable. If a worker changes employment, the payments already accumulated in their pension account will not be lost, but will continue to accumulate in their new employment.

The second feature of the new system is that a worker can voluntarily contribute up to 6% of their monthly wages to their pension account, and claim a tax benefit for the contributions. This enables them to build up their individual pension account more quickly while enjoying the attendant tax benefit. If the worker voluntarily contributes NT$5,000 per month, it will amount to NT$60,000 over the course of a year. If their annual income is NT$1 million, they can deduct this NT$60,000 from their total income when they file their tax returns, reducing their taxable income to NT$940,000 and achieving a tax saving.

The third advantage of the new system is that the individual pension account has a guaranteed minimum rate of dividend. The money accumulated in the individual pension accounts is all used for investment by the Bureau of Labor Funds, and the annual profits are all distributed to the workers' accounts. But to guard workers against having their accounts depleted by losses from this investment, it was provided in the Labor Pension Act that if the dividends accrued from the fund's investment fall below the rate of interest paid by local banks on a two-year fixed-term deposit, the national treasury will make up the difference. So workers do not need to worry that their individual pension accounts will incur losses due to bad results of the fund's investment.

The system's fourth feature is that a worker can claim their pension on reaching the age of 60. If they continue to work, their employer must still continue to contribute to their pension account, and the worker can claim from their account again at the end of each full year.

Now to speak about a few provisions concerning how the labor pension system applies to foreign professionals. First, in the case of foreign professionals who were already employed and came under the Labor Standards Act before the Foreign Professionals Act came into effect: If they had already obtained permanent resident status, then they came under coverage of the New Labor Pension System from February 8 this year, as the day on which the new act took effect. If they obtain permanent residency after that date, then they come under coverage of the New Labor Pension System on the day of receiving their APRC.

In the case of foreign professionals who were employed before this Act came into effect, and hence were included in the old Labor Standards Act pension system, if they continue to work, they have a six-month period in which to choose whether it is more beneficial for them to join the new system or remain in the old one. If they decide to choose the old system, then within six months of the date on which the new act came into effect, or within six months of obtaining their APRC, they must give their employer written notification of their choice to stay in the old system. Once they have opted to stay in the old system, they will not be allowed to change their minds and opt to join the new system, unless they leave their job and take up new employment, in which case they will be included in the new system.

But if such foreign professionals choose to join the new system, their employer must within 15 days of the expiration of the six-month time limit after the date on which the new act came into effect, or within 15 days of the expiration of the 6-month time limit after the date on which the foreign professional obtained their APRC, apply to the Bureau of Labor Insurance for the foreign professional to join the new system.

In the case of foreign professionals taking up employment under the Labor Standards Act after the effective date of the Foreign Professionals Act, those already holding permanent resident status will be included in the New Labor Pension System from the date of taking up the employment, and those obtaining permanent resident status after taking the employment will be included in the new system from the date of obtaining their APRC. Workers may no longer choose to join the old system, because all foreign professionals taking up employment after the effective date of the Foreign Professionals Act on February 8 are without exception included in the coverage of the New Labor Pension System.

Finally, what are the rules for claiming a pension under the new system? A worker can claim a pension from their individual account once they turn 60 years old. If they have less than 15 years of work seniority, they can only claim a lump-sum pension payment, in the amount of the principal and accrued dividends in their individual pension account. If they have 15 or more years of work seniority, they may choose to claim either a lump-sum payment or a monthly pension. The monthly pension is paid in quarterly installments as calculated according to average life expectancy.

The rules for foreign professionals’ participation in the New Labor Pension System and related application forms can be downloaded or browsed on the Bureau of Labor Insurance Global Information Website (http://www.bli.gov.tw).

This brings me to the end of my briefing. Thank you!