**Mandatory Pension [Consolidated Version] Extension Order 2011**

Mandatory Pension [Consolidated Version] Extension Order[[1]](#footnote-1)

Under the Collective Agreements Act 1957-5717

By virtue of my authority under section 25 of the Collective Agreements Act 1957-5717 (hereafter - the Act), I order that the provisions of the general (framework) collective agreement for comprehensive pension insurance in the marketplace between the Coordinating Bureau of Economic Organisations on behalf of the organisations listed below[[2]](#footnote-2) and the General Federation of Labour (Hebrew – *Histadrut*), the Professional Union Division and the Pension, Insurance and Capital Markets Department, from 30th *Adar* *Alef* 5771 (6 Mar 2011), numbered 7021/2011 on the register of collective agreements, as detailed in the Schedule, be extended, and that the extended provisions will apply to all employees and employers in Israel.

I further notify in accordance with Section 31 of the Act that as of the date of publication of this Order – the Extension Order for Comprehensive Pension Insurance in the Marketplace is revoked.

**Schedule**

The Extended Provisions

Number of Clause

In Agreement

**Definitions**

2. A. **The Effective Date**

The Effective Date is January 1, 2008, or the date on which the employee began working for the employer, whichever is later.

B. **Average Salary in the Marketplace**

The Average Salary in Marketplace, in accordance with the manner of calculation outlined in Section 2 of the National Insurance [Consolidated Version] Act 1995-5755, as updated from time to time.

C. **Severance Pay Act and/or the Act**

The Severance Pay Act 1963-5723

D. **New Comprehensive Pension Fund**

A New Comprehensive Pension Fund is a pension fund that has obtained the approval of the Commissioner for Capital Markets, Insurance and Savings in the Ministry of Finance, and certification as a stipend provident fund under the Income Tax (Rules for Approving and Managing Provident Funds) Regulations 1964-5724, after the 29th of *Tevet* 5755 (1st January 1995), and which gives a planholder, under its regulations, a right to an old age pension, a dependant’s pension or a disability stipend.

E. **Old Pension Fund**

An Old Pension Fund is a stipend provident fund that is not an insurance fund, initially approved before the 29th of *Tevet* 5755 (1st January 1995).

F. **Pension Fund**

A New Pension Fund, an Old Pension Fund, all as applicable.

G. **Provident Fund**

As defined in the Supervision of Financial Services (Provident Funds) Act 2005-5765.

H. **An Insurance Fund**

As defined in the Supervision of Financial Services (Provident Funds) Act 2005-5765.

I. **Stipend Provident Fund**

As defined in the Supervision of Financial Services (Provident Funds) Act 2005-5765, including an insurance plan approved as a Stipend Provident Fund by the Commissioner.

J. **Income Tax Regulations**

The Income Tax (Rules for Approving and Managing Provident Funds) Regulations 1964-5724, as in effect from time to time, including any regulations replacing them.

K. **The Commissioner**

The Commissioner for Capital Markets, Insurance and Savings in the Ministry of Finance

**The Duty of Comprehensive Pension Insurance**

3. A. Every employee, as defined below, who does not have a beneficial pension arrangement, as defined below, who is employed or will be employed in any place of work, will be entitled to be insured under this Order, and to choose, by written notice to his employer within the time period noted hereinafter, a comprehensive pension, including a stipend provident fund, approved by the Commissioner, with which he will be insured from the date on which his entitlement is established, as stipulated in Section 6(e) to (g) of this Order, provided that it also includes coverage in the event of death and disability, under that fund or by another fund, and all subject to the provisions of Section 6(e) to (g) hereinafter:

1. Whoever begins to work after the date this Order enters into force – 60 days from the date of commencement of his employment;

2. A person employed nine months or more before the date this Order enters into force – by February 1, 2008 at the latest, or alternatively at the end of the month in which this Order shall enter into force;

3. A person employed less than 9 months before the date this Order enters into force – 60 days prior to the date of his entitlement.

B. If the employee does not notify his employer, by the aforesaid time period, in writing, of his choice of fund which he chooses to be insured with, as stated above, the employer will insure him from the date on which his entitlement is established, as set out in Section 6(e) to (g) of this Order, with a New Comprehensive Pension Fund.

It is hereby clarified, that the determination of the date of the employee’s notification of his election, as stated in beginning of subparagraph (a) above, does not postpone the date of his entitlement as stipulated in Section 6(e) to (g) hereinafter.

C. The aforesaid does not derogate from the employee’s right to choose or to transfer to another provident fund under any law.

**Applicability**

4.A. This Order shall apply to any employee employed, or to be employed, in any place of work, subject to that the provisions of this Order will not be applicable to anyone with respect to whom any of the conditions specified in the following paragraphs are satisfied, and subject to the prescribed limitations, to the extent stipulated therein (hereinafter in this Order - Employee and/or Employees) :

(1) A person who on the Effective Date or thereafter is insured, or his employer is obligated to insure him, under a collective agreement and/or collective arrangement and/or personal agreement and/or custom and/or practice and/or extension order, existing or future and/or law (hereinafter – “Pension Insurance Agreement”), so that the rate of contributions in respect thereof to a provident fund, including a pension fund, is at least 17.5% of the Employee’s salary; It is hereby clarified, that for an Employee whose employer is obligated to insure him in a beneficial pension arrangement, as defined in this Section, for which the commencement of the contributions under said arrangement applies at a date later than the starting date of the provisions set out in Section 6 hereinafter, the provisions of this Order will apply until such a time as the beneficial pension arrangement begins to apply.

(2) A person who on the Effective Date or thereafter is insured, or whose employer is obligated to insure him, by virtue of a Pension Insurance Agreement, with an insurance arrangement that includes, incidentally or as a schedule, also insurance in the event of death and insurance for loss of earning capacity with an insurance fund, based on payment of insurance benefits and severance pay, provided that the employer’s share of the contributions towards pension does not fall below 5% of the Employee’s salary, and the employer’s share of contributions towards severance pay does not fall below 5% of the Employee’s salary, and the Employee’s share of the contributions towards pension does not fall below 5% of the Employee’s salary;

(3) A person who on the Effective Date or thereafter is insured, or whose employer is obligated to insure him, by virtue of a Pension Insurance Agreement so that the rate of contributions on his account is no less than 11.5% of his salary (5.5% Employee contribution and 6% employer contribution), or in a basic pension arrangement in an Old Pension Fund, but the employer of the Employee as provided for herein this subsection, will be subject to a duty to transfer the “severance pay” component, in accordance with the rates, dates, and salary set forth in Section 6 hereinafter, and the provisions of Section 5 of this Order will also apply. For the avoidance of doubt, it is clarified, that for an Employee who, on January 1, 2008, is employed for 9 months or more as stated in section 6(e) to (g), the transfer of the “severance pay” component will commence on January 1, 2008 or on the date this Order enters into force – whichever is later;

(4) A person who on the Effective Date or thereafter is insured, or whose employer is obligated to insure him, by virtue of a Pension Insurance Agreement, including contributions to a provident fund (stipend or capital arrangement and/or any combination thereof) so that the rate of contributions on his account is no less than 10% of his salary (5% Employee contribution and 5% employer contribution), but the employer of an Employee as stated in this subsection shall be under a duty to transfer the “severance pay” component, in accordance with the rates, dates, and salary set forth in Section 6 hereinafter, and the provisions of Section 5 of this Order will also apply. For the avoidance of doubt, it is clarified, that for an Employee who, on January 1, 2008, has been employed for 9 months or more as stated in Section 6(e) to (g), the transfer of the “severance pay” component will commence on January 1, 2008 or on the date this Order enters into force – whichever is later;

Commencing January 1, 2014, Subsections 1, 2, 3 and 4 above shall be deleted, and a new subsection (1) shall replace them as follows:

A rate of contributions to a provident fund which is less than 17.5% of the Employee’s salary, will not be considered a beneficial pension arrangement. It is hereby clarified, that an Employee whose employer is obligated to insure him with a beneficial pension arrangement, as defined in this section, where the date of commencement of the contributions under said arrangement is later than the starting date of the contributions prescribed by Section 6 hereinafter, the provisions of this Order will apply until such a time as the beneficial pension arrangement begins to apply.

(5) A person who on the Effective Date or thereafter is insured, or whose employer is obligated to insure him under a Pension Insurance Agreement in an unfunded pension, in a plan that grants the Employee the right to an old age pension, and coverage in the event of death and disability, paid for by the employer (directly or through a provident fund as a whole) provided that the arrangements are more favourable that those prescribed in this Order.

The provisions of Section 5(a) hereinafter shall also apply to the provisions of subsections (1) through (5) (jointly hereinafter – the Beneficial Pension Arrangement)

As of January 1, 2014, the words “The provisions of Section 5(a) hereinafter shall also apply to the provisions of subsections (1) through (5) (jointly hereinafter – the Beneficial Pension Arrangement),” will be deleted, and the words “The provisions of Section 5(a) hereinafter shall also apply to the provisions of subsections (1) through (5)”;

(6) A person who retired at the age of compulsory retirement and receives a stipend; A “Stipend” in this Section – Excluding stipends and benefits from the National Insurance Institute;

(7) A person who has not yet reached the age of 20 years for a woman, and 21 years for a man. For the avoidance of doubt, it is hereby clarified, that once the Employee reaches said age, the provisions of this Order shall apply to him / her, taking into account, for the purposes of calculating the waiting period as defined hereinafter, the period of his / her employment prior to his / her attaining said age.

**The Following is Emphasised and Clarified:**

5.A. This Order does not prejudice and/or derogate from and/or diminish Employees’ rights with respect to whom a Beneficial Pension Arrangement applies, including an agreement and/or other arrangement, including a general collective agreement, a special collective agreement, collective agreement and/or personal agreement and/or extension order and/or any law, provided that a pension arrangement that is a more favourable pension arrangement than the one established in this Order, is anchored therein.

For the avoidance of doubt, it is clarified, that in the event that the rates of contributions towards pension benefits (the Employee’s share and the employer’s share) are lower than the rates set out in the table in section 6D of this Order, the increase of said rates shall be done according to the rates and dates specified in the table. The aforesaid will apply also in the event that the rate of contributions towards severance pay is lower than as set forth in the table.

For the avoidance of doubt, and the forgoing notwithstanding, in the event that the employment agreements that apply to the employer contain a duty to deposit for pension benefits, and there is no obligation to deposit towards the severance pay component, the employer will be subject to a duty to transfer the “severance pay” component, in accordance with the rates, dates, and salary set forth in Section 6 hereinafter, from the Effective Date or thereafter.

B. This Order does not prejudice and/or derogate from and/or diminish from the right of anyone, on account of whose salary non-pension contributions are made to a provident fund at the rate of 5% as the Employee’s share and 5% as the employer’s share and/or any other rate and/or contributions on account of his salary are made to a study fund and/or provident fund for the self-employed and/or to any other insurance that is not pension insurance.

C. An employer who is obligated to insure his Employees in another Beneficial Pension Arrangement, and who has not insured his Employees as required of him, the provisions of this Order shall not detract from and/or prejudice his obligation to implement the Beneficial Pension Arrangement and in accordance therewith.

**Pension Insurance Duty**

6. Subject to the provisions of this Order, and in particular the provisions of Section 4A above (with all its sub-sections), the pension insurance duty will apply only to an Employee, as defined in this Order and to his employer, at this stage, on the following terms and conditions:

A. The Employee will be insured with pension insurance, as stated in Section 3 of this Order;

B. The Employee’s insured salary for the purpose of making the contributions is the Employee’s salary and its components, as defined in the Act and in the Severance Pay Regulations, up to the ceiling specified in subsection (c);

C. The pension insurance duty will apply to the salary paid to the Employee, or the Average Salary in the Marketplace, as updated from time to time, whichever is lower;

D. The rates of the contributions from salary, as defined in this Section above, shall be in accordance with the following, subject to the Commissioner’s instructions, the Income Tax Regulations and the fund’s regulations, and will be paid monthly in accordance with the following table:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Commencing On | Employer Contributions | Employee Contributions | Employer Contributions towards Severance Pay | Total |
| January 1, 2008 | 0.833% | 0.833% | 0.834% | 2.5% |
| January 1, 2009 | 1.66% | 1.66% | 1.68% | 5% |
| January 1, 2010 | 2.5% | 2.5% | 2.5% | 7.5% |
| January 1, 2011 | 3.33% | 3.33% | 3.34% | 10% |
| January 1, 2012 | 4.16% | 4.16% | 4.18% | 12.5% |
| January 1, 2013 | 5% | 5% | 5% | 15% |
| January 1, 2014 | 6% | 5.5% | 6% | 17.5% |

E. Subject to the provisions of sub-paragraph (f) hereinafter, the Employee will be entitled to pension insurance and to the execution of the contributions under this Order, as detailed in Section D above, immediately following 6 months from the date of commencement of employment (hereinafter – the “Waiting Period”). An Employee who is accepted to work while insured in any pension insurance plan, will be entitled to execution of the contributions commencing on the first day of his employment, at the rates prescribed in paragraph (D) above; The contributions will be made after the passage of 3 months of employment, or at the end of the tax year – the earlier of the two, retroactively to the date of commencement of employment with the employer, and said Waiting Period shall not apply to him;

F. Commencing on the date this Order enters into force and through December 31, 2008 and for said period only, the Waiting Period as defined in Section (e) above shall be nine months, and as of January 1, 2009 the waiting period will be 6 months as specified in subsection (e) above;

G. The provisions of Sub-sections (e) and (f) above notwithstanding, and for the avoidance of doubt, it is hereby clarified, that an Employee who, on January 1, 2008, is employed for a period of nine (9) months or more, execution of contributions on his account as provided for by Section 6(d) above, will begin on January 1, 2008; any Employee who completes 6 (six) months of work or more by January 1, 2009, execution of contributions on his account as provided for by Section 6(d) above will commence on January 1, 2009.

For example: An Employee who, on February 1, 2008, is employed for nine (9) months, will be entitled to have contributions with respect to him as stated in Section 6(d) above, commence as of February 1, 2008, and so on; an Employee who, on February 1, 2009 and thereafter, is employed for 6 months, will be entitled to have contributions with respect to him as stated in Section 6(d) above, commence as of February 1, 2009 and thereafter.

H. The provisions of sections (f) and (g) shall not impair and/or derogate from the latter part of the provisions of Sub-section (e) above, concerning the date of entitlement of an Employee who was accepted for employment while insured by any pension insurance plan, as detailed there.

**Payment to a Fund and/or Insurance Fund In Lieu of Severance Pay**

7. Subject to the provisions of Section 8 hereinafter, the employer’s payments under this Order towards Severance Pay, at the rates set out in the table in Section 6(d) above (in the column “Severance Pay”) will replace severance pay under Section 14 of the Severance Pay Act exclusively in respect of the salary, the components, the periods, and rates for which the contributions were made; The provisions of this Section shall not impair and/or detract from the right of an Employee to receive payment of severance pay in respect of salary and/or components and/or periods and/or rates for which no contributions towards severance pay have been made.

8. The deposits and the employer’s payments towards the severance pay component in accordance with Section 7 above cannot be refunded to the employer, except in the event that the Employee withdrew money from the provident fund before he, or his heirs, were entitled to receive money from the provident fund according to its regulations, exclusively due to an entitling event. An “Entitling Event” – death, disability, or retirement at the age of 60 or above, and except if the Employee’s right to severance pay was revoked by judgment under Sections 16 and 17 of the Severance Pay Act.

**Severance Pay Supplement**

9.A. An employer who contributes towards severance pay as provided for in the table in Section 6(D) of this Order, or at higher rates, will be entitled to pay the severance pay supplement up to 8.33% of the salary components on account of which the employer contributes to the provident fund (hereinafter – Severance Pay Supplement) into a personal provident fund for severance pay in the Employee’s name or into a stipend provident fund. If the employer agrees or chooses to pay the Severance Pay Supplement to the fund as stated, he will be entitled to give notice in writing to the fund with a copy to the Employee, so that the Severance Pay Supplement monies will “replace severance pay” under Section 14 of the Severance Pay Act, on the terms and conditions listed in Section 7 above, respectively, then the Severance Pay Supplement monies will not be subject to restitution to the employer as set out in Section 8.

B. An employer who did not transfer Severance Pay Supplement payments on an ongoing basis as provided for by sub-section (a) above, shall pay the Employee entitled to them, a Severance Pay Supplement in accordance with the provisions of the Severance Pay Act, in respect of the period, the salary, and the components for which no payments were transferred as provided for by sub-section (a) above.

C. Subject to the provisions of subsection (a), if the employer has chosen to apply Section 14 of the Act to the payment of the Severance Pay Supplement, he will release for the Employee’s benefit all monies accrued in any personal provident fund for severance pay, or in a stipend provident fund, to the extent that they were contributed in accordance with subsection (a) above, including upon termination of employment in circumstances giving rise to an entitlement to a payment of a stipend from the stipend provident fund.

D. Subject to the provisions of subsection (a), if the employer has chosen to pay the Severance Pay Supplement as stated in subsection (a), but has not chosen to apply Section 14 of the Act to the payment of the Severance Pay Supplement, he shall release for the Employee’s benefit all the monies accrued to him, on the date of the Event Entitling him to severance pay, and in addition, he will pay the entitled Employee the balance of the severance pay debt in accordance with the provisions of the Severance Pay Act, both for the period in which he transferred the Severance Pay Supplement (on account of severance pay) and for the period, salary, and components for which the payments to Supplement Severance Pay were not transferred.

E. If the employer does not transfer Severance Pay Supplement payments, the employer will pay the employee the Severance Pay Supplement as stated in subsection (b) above, on the date of an Event Entitling him to severance pay.

An Employee who is not entitled to payment of a stipend from a stipend provident fund, because the minimum entitling him to a stipend has not been accrued, will also be entitled to payment as stated in this Section.

**The Rights of Employees to an Old-Age Pension, Disability Stipend and Survivors Stipend**

10. An Employee’s rights to an old-age pension, disability and survivors’ stipend from the pension fund, will be in accordance with the regulations of the pension fund with which the Employee is insured, and accordingly in the insurance contract, according to the Commissioner’s directives and pursuant to the provisions of this Order.

3 *Av* 5771 (August 3, 2011)

Shalom Simhon

Minster for Industry, Commerce and Employment

1. Published in the Official Gazette (year) 5771 No. 6302 dated 27th September 2011, page 6938. [↑](#footnote-ref-1)
2. The Manufacturers Association of Israel, the Tel Aviv Chamber of Commerce, in their name and on behalf of the chambers of commerce in Jerusalem, Haifa and Beer Sheva, the Association of Contractors and Builders in Israel, The Israel Farmers Association, the Israeli Diamond Industry Association, the Israeli Hotel Association, the Israel Security Association, the National Association of Maintenance and Cleaning Companies in Israel, the Association of Industry and Craftsmanship in Israel, the National Union of Commerce in Israel, the Israeli Film Industry Association, the Israeli Traders Association, the Bureau of Organisations of Self Employed Persons in Israel, the Association of Human Resources Companies. [↑](#footnote-ref-2)