

IGP Country Profile **Portugal**





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Customary employee benefits

Death benefits

Typically, group life insurance schemes include lump sum benefits in case of death, accidental death and disability and usually amount to a multiple of each employee's monthly salary.

Disability benefits

Typically, group life insurance schemes include lump sum benefits in case of death, accidental death and disability and usually amount to a multiple of each employee's monthly salary.

Medical benefits

Health Insurance Plans

Though coverage is available through the National Health Services, there is a demand by employers for private health plans.

Future National Health Insurance:

The Decree-Law of January 1993 introduced structural changes in the organisation of the "National Health Service", namely through the introduction of a new concept: "Alternative Health Insurance":

- Introduced the concept of separation between responsibility by the administration for services and responsibility for the provision of health care services.
- Introduced the possibility of having private management (private organisation or groups of doctors) in public hospitals or health centres.
- Created health units formed by hospitals and groups of health centers to harmonize the provision of health care.

Retirement benefits

Pension funds

Ever since the establishment of the legal framework for the constitution of Pension Funds in Portugal (1985), several Decree-Laws have since been passed by the Government (1991, 1999, 2001 and 2006), introducing some important changes that have

contributed to their greater elasticity as instruments that allow for the financing of pension plans. This market has however not developed significantly over the past years, as companies prefer to finance their pension plans through insurance products since these can be far more flexible.

This tendency could, nevertheless, be inverted in the future, depending on the extent of the expected reform of the Social Security System; namely, with regard to employers' contributions.

Currently pension funds in Portugal:

- Can be closed or open (in this case with the possibility of individual or collective enrolment);
- Can finance different types of pension plans, with the possibility of lump sum payments (maximum of 1/3 of the present value of the retirement pension, under certain conditions);
- Have some restrictions in terms of investment policy;
- Have very strict minimum funding requirements, but also contemplate (under certain conditions) the possibility of surrender in case of excess funding.

Financial insurance schemes

In Portugal, employers tend to prefer insurance products to fund their pension plans, due to their flexibility compared to Pension Funds (*). Typically, these products in Portugal:

- Have a minimum guaranteed rate of return on investment;
- Can finance different types of pension plans with the possibility of lump sum payments;¹
- Show very little restrictions when tax benefits are not considered by the employer;
- Have very strict minimum funding requirements, but also contemplate (under certain conditions) the possibility of surrender in case of excess funding.

Another investment possibility is the PPR (Plano Poupança Reforma), which is an individual retirement plan that has special legislation regarding conditions of reimbursement. For example, it can only be paid at retirement, in case of long-term unemployment or dread diseases. There are PPRs with a guaranteed rate of return on investment and others that are indexed to the stock market. PPRs are also tax deductible.

¹ Tax constraints must however be taken into consideration.

Legislative news

May 2023

Changes to Portugal's labor laws were proposed as part of the government's Agenda for Decent Work initiative and are aimed at promoting a stronger work/life balance and creating transparent and predictable working conditions.

Additional changes were also proposed as part of the initiative, including increasing statutory severance benefits, compensation for teleworking, increases to termination of employment benefits, and overtime pay, as well as extension of parental and bereavement leave.

Trends

Portugal used to have one of the world's most generous social security systems. However, the political reforms since 2007 and the increasing strains on the National Health Service, have raised awareness and placed responsibility for retirement provisions and health insurances onto individuals and employers.

Health Insurance is the most valued and popular employee benefit in Portugal, and it seems that it will continue to be, along with life insurance solutions.

On the other hand, pension schemes are increasingly being offered by companies and valued by employees from higher age groups.

There is a continued interest in defined contribution plans. Most of the new schemes implemented by employers are defined contribution plans with the possibility of voluntary individual contributions made by employees.

Despite that, other social benefits, such as company cars or co-payments of schools and/or education costs of employees' children, are also being valued more and more.

With so many solutions, how to please all employees?

The most recent trend in Portugal are "flexible social benefits Plans" – that allow employees to choose the benefits they want or need from a package of programs offered by an employer. A solution that adapts and retains competitive benefits packages for employees, based on the premise: "one size doesn't fit all anymore"!

Typical employee benefits plans and benchmarking

Benchmarking information (based on the IGP Network Partner's portfolio)

Coverage	% in portfolio
Group Life Coverage	
Death benefit	100%
AD&D	81%
Survivor's benefits	
Employer contribution only	
Disability Coverage	
Long term disability	92%
Short term disability	
Employer contribution only	
Healthcare Coverage	
Hospitalization	100%
Dental	45%
Vision	40%
Critical Illness	
Employee Assistance program	
Employer contribution only	
Retirement Plans	
DC	
DC - Employer contribution only	
DB	
DB - Employer contribution only	
Other	
Wellness& Wellbeing Programs	
Flex benefits	

Sample employee benefits plans

Typical medical plan design: Traditional plan – free choice / reimbursement

Type of benefits	Co-insurance factor ¹	Overall annual maximum
In-patient expenses	20% - 10%	€ 10,000 - 50,000
Out-patient expenses ²	30% - 10%	€ 1,500 - 3,500
Vision care and other		
Prosthetic devices ³	20%	€ 1,000 - 3,000
Prescription drugs	30% - 20%	€ 250 - 600
Dental care ²	30% - 20%	€ 200 - 1,000
Maternity care	20% - 10%	€ 1,000 - 3,500

Most medical plans are offered to employees on a non-contributory basis, although in some cases, premiums for the dependents are fully or partially supported by employees.

¹ With managed care, the co-insurance factor is lower when insured persons have treatments outside the provider's network. Please see an example on the following page.

² Deductibles (applied per person per calendar year): Consultations: € 35 - € 70 - Dental Care: € 40 - € 70

³ Specific maximum allowance for eyeglasses and contact lenses: € 175 - € 350

Mixed (managed care & reimbursement) plan

Type of benefits	% reimbursement by insurer	Reimbursement limit pp /annuity
In-Patient: Hospitalization		€ 10,000
Reimbursement	80%	
Lithotripsy limit		€ 1,300
"K" Limit	€6.00	
Out-Patient: Consultations, Treatments & Labs, Screenings		€ 1,200
Reimbursement	80%	
Maximum reimbursement per consultation	€ 60.00	
NHS co-payments "Taxes" (minimum value)	€ 2.50	
Pharmacy Drugs		€ 350
Reimbursement	80%	
Deductible per prescription	€ 2.50	
Vision Care & Prostheses (Frames & Other Devices)		€ 1,020
Glasses and Contact Lenses		€ 350
Reimbursement	60%	
Dental Care		€ 450
Reimbursement	65%	
Natural Childbirth – Delivery		€ 1,000
Caesarean Section		€ 2,000
Involuntary Pregnancy Interruption		€ 255
Reimbursement	80%	

Pension plan - Defined Benefit and Defined Contribution schemes

Description ¹	Plan 1 (Ml)	Plan 2 (Mm)	Plan 3 (Ll)	Plan 4 (Ll)	Plan 5 (Lm)
Activity	Electronics	Pharmaceutical	Pharmaceutical	Tourism	Oven Manufacturer
Type of Plan	Defined Benefit	Defined Contribution	Defined Contribution	Defined Contribution	Defined Contribution
Funding Vehicle	Insurance	Insurance	Insurance	Insurance	Insurance
Integration with Social Security	No	No	No	No	No
Eligibility	10 years of service	Active workers who contribute with 1%	5 years of service	Active workers	Active workers
Employer Cost	Yes	Equal to employee's contribution + 1% (maximum of 4%)	Yes (2%)	Yes (1.5%)	Yes (1%)
Employee Contributions	No	Yes – 1% minimum	Optional	Optional	No
Vesting Rights	No	After 10 years of service, 5% for each year (maximum of 100%)	No	After 10 years of service	No
Payout	Annuity	Annuity	Annuity	Annuity	Annuity
Retirement benefits:					
– Old-Age	Internal plan	Accrued Benefit	Accrued Benefit	Accrued Benefit	Accrued Benefit
– Early	No	No	No	No	No
– Delayed	No	No	No	No	No
– Death	Internal plan	Accrued Benefit	Accrued Benefit	No	No
– Disability	Internal plan	Accrued Benefit	Accrued Benefit	No	No

¹ Key for Sample Plans:

- (L) Local company
- (M) Multinational company
- (m) Medium size
- (l) Large size

Useful links

Demographic information and macro-economic indicators

[CIA World Factbook](#) (please select the country to review)

[World Bank Group](#) (please select the country to review)

Social security

www.seg-social.pt (not available in English)

employment-social-affairs.ec.europa.eu (available in English)

More information on VICTORIA-Seguros, S.A.

Your Local Link to IGP in Portugal

[Go to partner page on www.igpinfo.com](http://www.igpinfo.com)





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