



IGP Country Profile 2020

Korea

Prepared by:
Samsung Life Insurance Company, Ltd.



Preface

This Country Profile has been prepared by **Samsung Life Insurance Company, Ltd.** for the International Group Program (IGP).

The International Group Program (IGP) is a network of major life insurance companies (Network Partners) operating throughout the world, who work together to meet the group insurance and pension needs of international corporations and their affiliates, branches, and subsidiaries.

Since 1967, the International Group Program has been an industry leader in the field of international benefits management, serving more multinational companies than any other network. IGP is represented in approximately 80 countries and territories throughout the world and is known for the flexibility and quality of service we provide to our clients.

Working closely with our headquarters' staff in Boston and our regional offices in Brussels, Singapore, Tokyo, and Waterloo, ON, IGP Network Partners offer corporate clients the advantages of experienced local insurance management coupled with the resources of a professionally trained staff that specializes in international employee benefits.

IGP is part of John Hancock Life Insurance Company (U.S.A.), the U.S. operation of Manulife Financial Corporation, a leading financial services group based in Toronto, Canada. Manulife offers its clients a diverse range of financial protection products and wealth management services. Both Manulife Financial and John Hancock are internationally recognized brands that have stood for financial strength and integrity for more than a century.

The information contained in the IGP Country Profiles is considered proprietary and any material extracted from a profile must be attributed to IGP.

John Hancock Financial

P.O. Box 111, Boston, Massachusetts 02117

United States

T + 1 617-572-8677

E igpinfo@jhancock.com

W www.igpinfo.com



Table of Contents

YOUR LOCAL LINK TO IGP IN KOREA	
Samsung Life Insurance Company, Ltd.	1
CUSTOMARY PRIVATE EMPLOYEE BENEFITS & SOCIAL SECURITY BENEFITS	
Introduction	2
Social Security Contribution Rates	3
Life Benefits	4
Disability Benefits	6
Survivor's Benefits	7
Medical Benefits	8
Retirement Benefits	11
Worker's Compensation	16
Employment Insurance	18
TAXATION	19
SAMPLE EMPLOYEE BENEFIT PLANS	20
USEFUL LINKS	21

Your Local Link to IGP in Korea: Samsung Life Insurance Company, Ltd.

Samsung Life Insurance Company, Ltd. was established in Korea in 1957 and, since that time, has grown to become the largest and most successful life insurance company in the country. As a market leader, Samsung has played a significant role in the growth and development of the Korean economy and improved the financial welfare of millions of Koreans.

In 2018, Samsung Life achieved KRW 1.79 trillion (USD 1.5 billion) in net income and KRW 262 trillion (USD 230 billion) in total assets. The Samsung Life brand, which is synonymous with trust, reliability, and stability, has been ranked 1st for 15 consecutive years according to the National Customer Satisfaction Index and ranked 1st for 14 consecutive years according to the Korean Customer Satisfaction Index.

Samsung Life has been ranked among the *Fortune Global 500* in 2018. Samsung's ultimate goal is to rank among the world's most prominent providers of financial services. At the same time, Samsung Life remains committed to sharing its success by continuing to support community services, the arts and cultural activities, sports and social welfare programs.

Samsung was the first insurance company in Korea to receive ISO 9001 and 9002 certification based on the quality and reliability of its services. Samsung Life was also the first company in Korea to establish an internet site for providing customers with information about its products and services and is a leader in the use of e-Business infrastructure to enhance customer service. In addition, Samsung received the BS7799 certification, an international information security certificate awarded by the British Standards Institution.

Samsung offers both individual and group life products and insures approximately one-third of the population of Korea through a network of over 20,000 sales agents and over 5,000 employees. Samsung is also the leading underwriter of group life insurance and severance benefits plans in Korea.

Samsung has been a member of the International Group Program since 1982.

Key Products

Life

- Life
- Dependent Life
- Optional Supplemental Life

Disability

- Accidental Dismemberment (PTD)
- Accident-Related Hospital Benefits
- Traffic Accident-Related Benefits
- Waiver of Premium

Medical

- Cancer-Related Benefits
- Hospital Expense Benefits
- In-Patient Benefits
- Nursing Care Benefits
- Out-Patient Benefits

For more information, please visit: <http://www.samsunglife.com>.
(Information available in English.)

Social Security Benefits and Customary Private Employee Benefits

Introduction:

Social Security in the Republic of Korea includes the following programs, which are administered by government institutions:

- National Pension Scheme – *effective January 1, 1988*
- Government Employee Pension Plan (GEPP) – *effective 1960*
- Servicemen's Pension Plan (SPP) – *effective 1966*
- Industrial Accident Pension Plan (IAPP) – *effective 1964*
- Teacher's Pension for Private Schools (TPPS) – *effective 1975*
- National Health Insurance (NHI) – *effective 1977*

All of these programs are compulsory for those who meet the eligibility requirements.

Since Social Security provides only a moderate level of benefits, private benefit plans are adopted to supplement Social Security benefits. Employers also recognize the fact that private benefits may help to decrease high turnover and raise employee morale. With support and encouragement from the Government, private benefit plans are being accepted gradually. As a result of the application of "Second Experience Life Table 90", group life premium rates were decreased effective August 1, 1991. This decrease in premium has led to an increase in the use of private benefit plans.

Group Term Life and Retirement Insurance are basic and standard employee benefits in Korea. The majority of Korean companies stipulate the provisions concerning the Retirement Allowance System in the bylaws of the organization.

Labor Law Highlights

- Companies can buy insurance for funding retirement benefits.
- Flexible work hours are available.
- The layoff of workers is legally possible at work sites, effective in 1999.
- Multiple Trade Unions were allowed in 2011.
- Employers are not obligated to pay workers on strike, and unions calling for wages during strikes may be punished.
- Employers are allowed to fill job slots vacated due to strikes. The legalization of using substitute workers during strikes has significantly weakened the unions' bargaining power and allows employers to run their business as usual.
- Companies will not be able to pay wages to full-time union leaders starting in 2002.

Social Security Benefits and Customary Private Employee Benefits

Social Security Contributions:

Benefit	Employer	Employee
National Pension	4.5% of monthly wage	4.5% of monthly wage
National Health Insurance	3.06% of monthly wage	3.06% of monthly wage
National Health Insurance – Long-Term Care	7.38% of monthly contribution to National Health Insurance	7.38% of monthly contribution to National Health Insurance
Worker's Compensation	0.7% to 34.0% of total annual wage based on industry classification table	None
Employment Insurance	0.25% to 0.85% of monthly base wage depending on size of workplace	0.65% of monthly base wage

LIFE BENEFITS	
Social Security Benefits	Customary Private Employee Benefits
<p><i>Please see Survivors' Benefits.</i></p>	<p>Group Life Insurance</p> <p>This is provided in the form of one-year, automatically renewable term insurance with optional riders such as accidental death, accidental injury, or accidental hospitalization. The rates for such riders may be a flat amount for all employees or determined by salary, age, and gender. The minimum number of participants is thirty. For groups with less than thirty lives, Samsung can, on an exceptional basis, write a group contract for renewals and/or subsidiary spin-offs.</p> <p>The employer generally pays all the premiums, which are tax deductible. Company contributions in excess of KRW 700,000 per insured per year are considered taxable income to the employee.</p> <p>Samsung Life offers a group insurance product that is designed to supplement the Government's mandatory plan. The Government plan covers 80% of statutory medical expenses, and Samsung's product will cover 90% of the employee's cost (remaining 20% of statutory costs and 100% of non-statutory costs).</p> <p>Accidental death is the main coverage and other life riders and medical riders can be added to the plan. (<i>Riders are listed below.</i>)</p> <p><i>Eligibility</i></p> <p>Samsung Life's group insurance policy requires a minimum of 30 employee lives covered for a group policy to be issued.</p> <p>All employees may be insured provided they are between the ages of 15 and 82. If new business is an affiliate/related business with an existing policy with Samsung, a minimum of 5 employees lives is required.</p> <p><i>Contributions</i></p> <p>Generally, the employer pays the entire premium. It is possible, however, for the employer and employee to share the premium.</p> <p>Premiums may be paid monthly, quarterly, semi-annually or annually, with annually paid premiums being the most common.</p> <p><i>Riders</i></p> <p>In addition to the main coverage, accidental death, life and medical riders can be added to the plan based on the need.</p> <p>The benefit may be a flat amount for all employees, or it may be determined by salary, age, and gender.</p>

	<p>The list of riders includes, but is not limited to:</p> <ul style="list-style-type: none">• Accidental Injury – benefit paid based on the degree by grades (3%-100% disability)• Industrial Accidental Death and Disability• Death and Disability by Disease – over 80% of total disability by any cause except for accident• Nursing Care• Specific Illness Diagnosis (Critical Illness)• Cancer Diagnosis and Treatment• Inpatient/Outpatient Benefits• Hospitalization – KRW 10,000 for each day of hospitalization after first three days
--	---

DISABILITY BENEFITS							
Social Security Benefits	Customary Private Employee Benefits						
<p>Disability Pension</p> <p>The degree of disability is assessed by the National Pension Service.</p> <p><u>First Degree</u></p> <ul style="list-style-type: none"> Total loss of ability to work and constant attendance is needed <p><u>Second Degree</u></p> <ul style="list-style-type: none"> Severe loss of ability to work <p><u>Third Degree</u></p> <ul style="list-style-type: none"> Less severe loss of ability to work Disability is caused by disease or injury <p>The pension benefit is calculated based on the degree of disability and the amount of the person's monthly basic pension.</p> <table style="margin-left: 20px;"> <tr> <td>First Degree:</td> <td>100%</td> </tr> <tr> <td>Second Degree:</td> <td>80%</td> </tr> <tr> <td>Third Degree:</td> <td>60%</td> </tr> </table> <p>Disability Benefit</p> <p><u>Fourth Degree</u></p> <ul style="list-style-type: none"> Partial loss of ability to work Certain other conditions must be met A lump sum is paid <p>Dependents' Supplement</p> <p>Benefit for the following Dependents</p> <ul style="list-style-type: none"> Spouse Children up to age 19 or any age if assessed with a first-degree or second-degree disability. Insured or spouse's parents aged 60 and older or any age if assessed with a first-degree or Second-degree disability. 	First Degree:	100%	Second Degree:	80%	Third Degree:	60%	<p>Employer-provided life insurance can provide optional riders such as accidental death, accidental injury, or accidental hospitalization.</p> <p>The benefit may be a flat amount for all employees, or it may be determined by salary, age, and gender.</p> <p>The list of riders can include, but is not limited to:</p> <ul style="list-style-type: none"> Accidental Injury – benefit paid based on the degree by grades (3%-100% disability) Industrial Accidental Death and Disability Death and Disability by Disease – over 80% of total disability by any cause except for accident Nursing Care Specific Illness Diagnosis (Critical Illness) Cancer Diagnosis and Treatment Inpatient/Outpatient Benefits Hospitalization – KRW 10,000 for each day of hospitalization after first three days <p><i>Please see Group Life Benefit Plans.</i></p>
First Degree:	100%						
Second Degree:	80%						
Third Degree:	60%						

SURVIVORS' BENEFITS	
Social Security Benefits	Customary Private Employee Benefits
<p>Survivors' Pension</p> <p>Benefit paid on the death of a pensioner with at least 10 years of coverage or who has a first or second degree disability.</p> <p>60% of the deceased's Monthly Basic Pension Amount (BPA) is paid if the deceased had at least 20 years of contributions. 50% is paid with 10-19 years of contributions and 40% if less than 10 years of contributions. An incremental amount is paid for more than 20 years of contributions.</p> <p>The Monthly Basic Pension Amount is equal to 1.35 times the sum of the average indexed national monthly wage in the three years immediately prior to first payment of the pension – and the person's average monthly wage over the entire contribution period.</p> <p><i>Eligible Survivors (in priority order)</i></p> <ul style="list-style-type: none"> • Spouse • Children up to age 25 (any age if disabled) • Parents • Grandchildren up to age 19 (any age if disabled) • Grandparents aged 60 or older (any age if disabled) • Spouse's Parents aged 60 or older (any age if disabled) <p><i>Survivor Settlement (Lump Sum)</i></p> <p>If the deceased person did not meet the criteria for a survivor pension, a lump-sum refund is paid. The lump sum is equal to the total of the insured's and their employer's contributions plus interest.</p> <p>The maximum death benefit is either four times the deceased's last covered monthly wage or the average covered monthly wage for the entire insured period, whichever is greater.</p>	<p><i>Please see Group Life Benefit Plans.</i></p>

MEDICAL BENEFITS	
Social Security Benefits	Customary Private Employee Benefits
<p>National Health Insurance</p> <p>The Ministry of Health and Welfare manages and supervises the operation of the National Health Insurance plan. As a non-profit organization, the National Health Insurance Corporation is a single insurer that provides health insurance to the entire population of the country.</p> <p>As a compulsory social insurance, the purpose of the plan is to resolve the medical expense problem and redistribute income and disperse risk. Major sources of financing are contributions from the insured and a government subsidy.</p> <p><i>Eligibility</i></p> <p>Since July 1, 1989, the National Health Insurance covers the whole population living in the country. The insured are divided into two groups: those insured via an employer and the self-employed.</p> <p><i>Contribution</i></p> <p><u>Employee Insured:</u></p> <ul style="list-style-type: none"> • Employees and employers in all workplaces, public officials, and private school employees. • Contribution is shared equally between the employer and the employee. • Contribution = Employee's Monthly Wage x Insurance Rate (Current Insurance Rate is 6.46%) <p><u>Self-Employed Insured:</u></p> <ul style="list-style-type: none"> • An insured other than an employee-insured and his or her dependents (e.g., self-employed, farmers, etc.) • Contribution = Contribution Score x Unit Price by Score (Current Unit Price by Score is KRW 189.7) • Contribution score is calculated based on a householder's income (interest, dividend, business, annuity, etc.), wealth (property, land, rental income, etc.), automobile(s), and economic activity rate. <p><i>Co-Payment of Expenses:</i></p> <p>The National Health Insurance Service bears a portion of the costs of health care for the insured and his or her dependents.</p> <p>Covered services include the following for the treatment of disease or injury: examinations, check-ups and diagnostic tests; medicine and treatment supplies; hospitalization and surgery; preventive care and rehabilitation; nursing; and transportation.</p> <p>There are also benefits for medical expenses related to pregnancy and childbirth and appliances for the disabled.</p>	<p>The National Health Insurance Corporation is a single insurer that provides health insurance to the entire population effective July 1, 1989.</p> <p>Employer-provided life insurance can provide optional riders for medical care.</p> <p>The list of riders can include, but is not limited to:</p> <ul style="list-style-type: none"> • Accidental Injury – benefit paid based on the degree by grades (3%-100% disability) • Industrial Accidental Death and Disability • Death and Disability by Disease – over 80% of total disability by any cause except for accident • Nursing Care • Specific Illness Diagnosis (Critical Illness) • Cancer Diagnosis and Treatment • Inpatient/Outpatient Benefits • Hospitalization – KRW 10,000 for each day of hospitalization after first three days <p><i>Please see Group Life Benefit Plans.</i></p> <p>Group Medical Plans that include coverage for family members may be offered. <i>Please see Sample Employee Benefit Plans.</i></p>

Insureds who receive health care treatments pay a certain portion of the health care cost as co-payments. For insured coverage, the insured pays a 20% co-payment on inpatient medical expenses and 30% - 60% co-payment on outpatient medical expenses. *(Please see table below.)*

<u>Type of Treatment</u>	<u>Employee</u>	<u>NHIC</u>
<u>Inpatient:</u>	20%	80%
<u>Outpatient:</u>		
a) Higher Level General Hospital	60%	40%
b) General Hospitals	45-50%	50-55%
c) Small and Medium Hospitals (20-80 beds)	35-40%	60-65%
d) Clinic:	30%	70%

Note: The reimbursement levels covered by the NHIC are lower for children under 6 years of age.

Long-Term Care Insurance

A long-term care benefit provided to elderly persons who are having difficulty taking care of themselves for a period of at least six months due to old age or geriatric disease.

It provides various types of long-term care benefits to support the insured, including: home care, institutional care and day/evening care.

Contribution = National Health Insurance Contribution x Insurance Rate (Current Insurance Rate is 7.38%)

Eligibility

Step 1:

Senior citizens of at least 65 years of age or under 65 years who have geriatric diseases may apply for the long-term care benefit.

Step 2:

Senior citizens who receive "Long-Term Care" ratings qualify for the benefit if they have been evaluated as having difficulty taking care of themselves for at least six months.

Co-Payment of Expenses

Qualified beneficiary makes a 15% co-payment on in-home service benefits and 20% co-payment on long-term care facility benefits.

Insurance Payment

In-Home Service Benefit:

A care-taker or a medical doctor/nurse visits the homes of beneficiaries and provides services, or beneficiaries visit facilities that offer the services, e.g., day care.



Social Security Benefits and Customary Private Employee Benefits

Care Facility Benefit:

Care and services are provided by a Long-Term Care facility.

Special Cash Benefit:

Cash benefits can be provided in exceptional circumstances, e.g., if the insured lives in a specific district or remote area with limited services available or if the insured is mentally ill.

Three Pillars of Retirement Savings

While employed, employees participate in their company’s retirement pension plan for retirement savings.

Outline of the three pillars of retirement savings:

National Pension (first pillar)

- Established 1988
- To provide basic living needs
- Mandatory participation (by all non-government income earners)
- Managed by government

Employer-Sponsored Retirement (Corporate) Pension (2nd pillar)

- Established 2005
- To provide income security
- Mandatory participation
- Managed by corporations

Individual Pension (3rd pillar)

- Established 1994
- To provide lifestyle options
- Voluntary participation
- Managed by individuals

RETIREMENT BENEFITS	
Social Security Benefits	Customary Private Employee Benefits
<p>National Pension Plan</p> <p>The National Pension is a social welfare system designed to protect income against a wide range of social risks such as longevity, disability, and death. The plan is administered by the National Pension Service (NPS).</p> <p><i>Eligibility</i></p> <p>All residents in Korea, both workplace-based and individually insured persons, from 18 to less than 60 years of age, regardless of their income, are subject to mandatory participation in the plan.</p> <p>The following individuals may participate on a voluntary basis:</p> <ul style="list-style-type: none"> • Residents who are non-income-earning spouses of those covered under public pension schemes • Non-income earners less than 27 years of age who have not made any pension contributions • Anyone protected under the National Basic Living Security Act • Retired government employees who have received a retirement pension 	<p>Group Term Life and Retirement Insurance are basic and standard employee benefits in Korea.</p> <p>The vast majority of Korean companies stipulate the provisions concerning the Retirement Allowance System in the bylaws of the organization.</p> <p>Retirement Insurance</p> <p><i>Eligibility</i></p> <p>Generally, a company must have a minimum of five employees. Samsung can offer a plan for companies with fewer than five employees.</p> <p><i>Benefits</i></p> <p>Approximately 70% of companies provide the minimum required (30 days per year of service) under the Labor Standard Law. Others provide gradually increasing rates.</p> <p><i>Funding & Taxation</i></p> <p>Employers are allowed to set up a "qualified reserve retained" and deduct from their taxes the lesser of:</p> <ol style="list-style-type: none"> 1. One-tenth of total salaries, wages, etc. paid in each fiscal

Retirement Age

Age 60 is when participants can start receiving pension benefits. However, starting in 2013, the retirement age will increase by one year every five years until the retirement age of 65 is reached in 2033.

Year of Birth	Retirement Age
1953 - 1956	61
1957 - 1960	62
1961 - 1964	63
1965 - 1968	64
1969	65

Reduced benefits are available starting at age 56 for participants born between 1953 and 1956 who have participated in the plan for at least 10 years and have no income or monthly income less than approximately KRW 1.9 million.

The qualifying age for the reduced benefit increases for participants born later than 1956.

Contributions

As of April 1, 1999, the contribution rate is 9.0% of the employee's monthly salary split equally between employer and employee. Self-employed individuals are required to pay both the employer and employee contributions.

Benefits

The benefit is based on the level of contributions and the number of years of contributions. At least 20 years of contributions are required to receive the full benefit. For a period of less than 20 years, the benefit amount will be calculated using the payment rate based on the period of contributions.

To receive the benefit as a lifetime annuity, a minimum 10 years of participation is required. If the participation period is less than 10 years, the benefit will be paid as a lump-sum.

After 20 years of contributions, the benefit is expected to average 40% of the average salary of the participant for his or her total participation period.

Administration

The Government bears the total cost of the administrative expenses incurred.

The National Pension Council deals with pension-related activities. Workers, employees, and representatives from public institutions serve on this council.

A second committee, called the National Pension Fund Board, deals with issues related to revenue and expenditures. A Reserve Fund has been created, and the

year to employees, or

2. An aggregate maximum of 40% of the total estimated amount of severance pay payable to all employees as of the end of each fiscal year.

In order to receive a tax deduction for retirement allowance liabilities not recognized in the "qualified reserve retained", many companies fund the remainder of these liabilities through an insured plan.

Corporate Pension Plan

Background

A corporate, or occupational, pension system was introduced in the Republic of Korea on December 1, 2005 under the Employee Retirement Benefit Security Act (ERBSA).

This law allowed defined benefit (DB) and defined contribution (DC) corporate pension plans for the first time in Korea, as replacements for mandatory severance pay plans, which date from the 1950s. The goals of ERBSA are to assure the development of a true second pillar occupational pension system to meet the needs of a changing culture, growing financial markets and an aging society.

Highlights

The severance pay system is not effective as a retirement income source

Before the Employee Retirement Benefit Security Act (ERBSA) was adopted, there were only severance pay (SP), also called "retirement allowance" or "termination indemnity" plans, which were intended to meet retirement income needs.

The benefit from a severance pay plan was almost always paid in a lump sum at termination, and financial vehicles to roll-over the lump sum benefits did not exist. Moreover, advanced payments were often made upon an employee's request and employer's acceptance, which enabled employees to withdraw severance pay benefits during service.

As a result, employees have tended to spend severance pay benefits before retirement and were left with insufficient income upon retirement. Another concern is the retirement age for the national pension is gradually increasing, and it will reach age 65 by the year 2033.

The average corporate retirement age is 55 according to the National Statistical Office. Severance pay plans did not have to be externally funded, further limiting their effectiveness as a source of retirement income.

ERBSA allowed severance pay plans to continue to be externally funded through existing retirement insurance or retirement trust contracts only through 2010. Since funding retirement insurance or retirement trust contracts are no longer allowed, employers would have to implement corporate pension plans for tax benefits on retirement assets.

Minister of Finance and Economic Planning has responsibility for operation of this Fund.

The Board consists of nine or ten people representing the Government, the employees, and the employer.

As of 2011, the only funding vehicles for retirement plans are external funds for DB and DC corporate pension plans

Corporate pension was introduced to protect employees' retirement income

Employees participating in the corporate pension scheme (Defined Benefit or Defined Contribution plans) can receive their retirement benefit as a lump-sum or as an annuity.

The retirement benefit first has to be rolled over into an Individual Retirement Pension (IRP) upon employment termination. Corporate pensions, unlike severance pay, must be externally funded as described in the next section. With more companies implementing corporate pension schemes, the severance pay system will slowly phase out.

Plans for mandatory implementation of corporate pension beginning in 2016

The government has announced plans to require companies to implement corporate pension plans beginning in 2016. This will be a gradual implementation starting with companies with 300 or more employees.

The implementation starts with companies with 300 or more employees in 2016, companies with 100~299 employees in 2017, companies with 30~99 employees in 2018, companies with 10~29 employees in 2019, and all companies with less than 10 employees have to implement by 2021.

In addition, newly established companies have to adopt a corporate pension within one year of the company establishment date to avoid penalties that may include fines. However, this is still pending approval by the National Assembly, so the schedule may change.

Current status of multinational companies with Korean subsidiaries and the corporate pensions market

DC plans are generally favored by company headquarters of multinational companies, while Korean management of multinational companies and Korean unions tend to favor DB plans.

Korean-based companies may very well follow the lead of foreign-based multinational companies, although it would not be surprising if they adopted both DB and DC plans and have employees choose the plan that fits their objectives.

The trend towards DC appears to be taking place in many countries. This is true in some Asian countries such as Hong Kong and Singapore, but there are other Asian countries where DB plans are more prevalent, such as Japan.

While DC plans are often implemented at subsidiaries of multinational companies where there is a strong drive towards DC plans from the corporate headquarters, some employers favor DB plans because the statutory minimum benefit level for both SP and DB are the same (number of years of service multiplied by final 3 months' average wage), thus easier to obtain the majority employee consent for plan implementation.

Foreign-based multinational companies are most likely to make the transition from the current severance pay system to a corporate pension plan: defined contribution (DC) or defined benefit (DB) plan. This is because regional offices and headquarters are already familiar with corporate pensions and often have global pension policies in place.

Many employers, whether foreign multinationals or Korean-based, have transitioned to either a DB or DC plan because of the loss of tax deductions and inability to externally fund SP plans. It is anticipated that more employers will transition in the foreseeable future for the same reasons mentioned previously.

Employees are gaining more and more knowledge about corporate pension

As time passes, employees will be more and more knowledgeable about corporate pension schemes. They will also have more information on retirement benefits offered by other companies.

An employer who waits to establish a corporate pension plan can provide the same or higher retirement benefits compared to its competitors who may have been among the first to adopt a corporate pension plan.

Employee communication will be the key during implementation

During the plan implementation process, employees will always ask "Which plan would be a better choice?" Since majority employee consent is required for the implementation of a corporate pension plan, assuring employees that the new pension plan is better — or at least the same as the current SP plan — is the key for successful implementation of the plan.

Internal funding is discouraged through gradual tax increases

According to the Corporate Tax Law (Enforcement Ordinance Article 60), starting in 2009, the maximum tax deduction for internally funded, or book reserved, retirement liability has been decreasing gradually in 5% increments of the unfunded termination liability expense, whether a severance pay plan or defined benefit corporate pension plan.

The termination liability is the total amount that would be paid out at the liability measurement date if all employees were terminated or retired.

Tax deduction schedule for internally funded retirement liability is as follows:

10% in 2014
5% in 2015
0% in 2016

Therefore, to get the maximum tax benefits, 95% of the plan's retirement liability by the Korean GAAP method should be externally funded in 2015 and 100% in 2016.

	<p><i>From 2011, the only funding vehicles for retirement plans are external funds for DB and DC corporate pension plans</i></p> <p>ERBSA allows severance pay plans to continue to be externally funded through existing retirement insurance or retirement trust contracts only through 2010. Since funding retirement insurance or retirement trust contracts are no longer allowed, employers would have to implement corporate pension plans for tax benefits on retirement assets.</p> <p>The termination liability is the total amount that would be paid out at the liability measurement date if all employees were terminated or retired.</p>
--	---



Social Security Benefits and Customary Private Employee Benefits

Worker's Compensation (Industrial Accident Pension Plan)

Eligibility: All employers with at least one full-time worker shall be subject to mandatory coverage.

Contributions: Premium rates are determined based on the occupational accident risks of each business during the past three years. Rates range from 0.7% to 34% of total annual wages with 1.65% being the average. Contributions are paid by the employer.

Benefits: Benefits provided by the Worker's Compensation program are as follows:

- **Temporary Disability**

If the worker is unable to work, 70% of his or her average daily wage, after a three-day waiting period, will be granted per day. (The average daily wage is the average amount of his or her daily wages paid during the last three months.)

- **Permanent Disability**

The permanent disability benefit is designed to compensate for the loss of the ability to work. It is provided to workers with work-related injuries or illnesses who have had permanent physical and/or mental impairments. The benefit is paid in an annuity or lump sum based on the disability grade.

(Benefit amount = 3 months' average wage x benefit payment days by disability grade). (Please see table below.)

Table of Disability Benefit Payments
(Based on average wage)

<u>Disability Grade</u>	<u>Annuity Payment</u> (days)	<u>Lump-Sum Payment</u> (days)
1st	329	1,474
2nd	291	1,309
3rd	257	1,155
4th	224	1,012
5th	193	869
6th	164	737
7th	138	616
8th		495
9th		385
10th		297
11th		220
12th		154
13th		99
14th		55

Disability Grade 1-3: Annuity payment only

Disability Grade 4-7: Annuity payment or lump-sum payment may be selected

Disability Grade 8-14: Lump-sum payment only

Social Security Benefits and Customary Private Employee Benefits

- Nursing Benefit

Nursing benefits are paid to an eligible worker in need of full-time or occasional nursing services even after his or her medical treatments. The amount varies depending on the degree of his or her disability.

- Compensation for Survivors

This benefit is granted to the dependent survivors, as a result of a worker's death due to occupational causes.

The benefit will be in the form of an annuity or lump sum. The amount of the survivor's annuity is equal to an amount between 52% and 67% of the worker's average annual wage paid monthly.

- Funeral Expenses Benefit

Funeral expenses are equivalent to the average wages for 120 days. However, there is a maximum and minimum expense scheme to compensate workers with low average wage.

Maximum expense: KRW 15,554,290

Minimum expense: KRW 11,097,760

Social Security Benefits and Customary Private Employee Benefits

Employment Insurance:

As of July 1, 1995, unemployment benefits took effect under the Labor Law and as part of the Social Security System.

Eligibility:

As of October 1, 1998, every company or organization with one or more employees must be insured. Any company or organization with less than four regular employees in agriculture, forestry, and fishery can be insured with the consent of more than 50% of the employees.

Note: Salaried and daily-paid employees are included in the total number of employees. The percentage is based on monthly base salary.

Contributions:

<u>Number of Employees</u>	<u>Employer Contribution</u>	<u>Employee Contribution</u>
1 - 149	0.25%	0.65%
Over 150*	0.45%	—
150 - 999	0.65%	—
Over 1,000	0.85%	—

* The company designated for taking prior economic support.

Benefits:

After a waiting period of two weeks, employees receive 50% of the normal monthly base salary. The time period for the allowance to be payable is 90 days to 240 days. The benefit amount ranges from 90% of the minimum wage multiplied by 8 (daily working hours) required by law, up to a maximum of KRW 66,000 per day.

Note: To qualify, the employee must have completed at least 180 days' work during the 18 months prior to the claim.

Type of Insurance	Contributions	Benefits
Group Life Insurance	<i>Employer:</i>	<p>The employer generally pays all the premiums, which are tax deductible.</p> <p>Company contributions in excess of KRW 700,000 per insured per year are considered taxable income to the employee.</p>
Corporate Retirement Pension	<i>Employer:</i>	<p>100% tax deduction on employer contribution on external funding portion (Defined Contribution plan requires 100% external funding).</p> <p>For Defined Benefit plans, 100% of contributions are tax deductible up to the plan's termination liability.</p> <p>External funding method: Company makes contribution to financial institution to fund termination liability.</p> <p>Employer contributions and investment earnings grow tax deferred. Benefits will be taxed at the time of distribution. Retirement income tax will apply on the retirement benefit when withdrawal is made.</p>
	<i>Employee</i>	<p>Upon employment termination, employees are required to rollover their retirement benefit to an Individual Retirement Pension (IRP) for tax deferral.</p> <p>From an IRP, individuals can make a lump-sum distribution at any time or take income as an annuity once they reach age 55.</p> <p>To promote annuity payments, the Government is increasing the income tax on lump sum distributions and decreasing the tax on annuity payments.</p> <p>Beginning in 2015, voluntary employee contributions up to KRW 7 million per year to DC, IRP, and individual annuity combined are tax-deductible.</p> <p>100% of the individual annuity premium can be tax deductible from personal income up to KRW 4 million.</p>

Sample Employee Benefit Plans

IT Company:

1. Group Term Life

Ordinary Death:	2 x Annual Salary
AD&D Rider:	3 x Annual Salary
Accidental Injury Rider:	3 x Annual Salary

2. Group Medical Plan (including coverage for family)

Inpatient Benefit:	KRW 10,000,000
Nursing Care Benefit:	KRW 20,000 per day within 365 days

Manufacturing Company

1. Group Term Life

Ordinary Death:	1 x Annual Salary
AD&D Rider:	1 x Annual Salary
Accidental Injury Rider:	1 x Annual Salary

2. Group Medical Plan (including coverage for family)

Inpatient Benefit:	KRW 10,000,000
Nursing Care Benefit:	KRW 30,000 per day within 365 days
Cancer Diagnosis:	KRW 20,000,000

Trading Company

1. Group Term Life

Ordinary Death:	1 x Annual Salary
AD&D Rider:	1 x Annual Salary
Accidental Injury Rider:	1 x Annual Salary

2. Group Medical Plan

Inpatient Benefit:	KRW 10,000,000
Nursing Care Benefit:	KRW 30,000 per day within 365 days
Cancer Diagnosis:	KRW 20,000,000

Financial Services

1. Group Term Life

Ordinary Death:	3 x Annual Salary
AD&D Rider:	3 x Annual Salary
Accidental Injury Rider:	2 x Annual Salary

2. Group Medical Plan (including coverage for family)

Inpatient Benefit:	KRW 10,000,000
Nursing Care Benefit:	KRW 20,000 per day within 365 days
Cancer Diagnosis:	KRW 30,000,000

Useful Links

Demographic information	CIA World Factbook https://www.cia.gov/library/publications/the-world-factbook/
Macro-Economic indicators	CIA World Factbook https://www.cia.gov/library/publications/the-world-factbook/
Ministry of Health and Welfare	http://www.mohw.go.kr/
National Pension Service	http://www.nps.or.kr/
National Health Insurance Service	http://www.nhis.or.kr/
For more information on the Samsung, please visit:	http://www.samsunglife.com . <i>Information available in English.</i>



The information in this document is subject to change. Please contact your IGP Account Executive or IGPinfo@jhancock.com for more details.

The International Group Program (IGP) is a registered brand name under John Hancock. IGP operates in the State of New York under Signator Insurance Agency, Inc., a NY licensed broker.

IGP has provided the website address of our Network Partners for your convenience. John Hancock is not responsible for the content or accuracy of our Network Partners' web-site(s).

IGP Network Partners operating outside of the United States are not necessarily licensed in or authorized to conduct insurance business in any state in the United States including, the State of New York. The policies and/or contracts issued by a Network Partner to contract holders outside of the United States have not been approved by the NY superintendent of Financial Services, are not protected by the NY State guaranty fund and are not subject to the laws of NY or the laws and/or protections of any other state where the Network Partner is not licensed to do business.

© International Group Program - www.igpinfo.com