

# 2010

# Information on earnings-related pension insurance in the private sector

GUIDELINES FOR EMPLOYERS AND THE SELF-EMPLOYED



Finnish Centre for Pensions

ELÄKETURVAKESKUS



## The Finnish Centre for Pensions

Information centre for the Finnish statutory earnings-related pension scheme

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## Booklets published by the Finnish Centre for Pensions

- Information on earnings-related pension insurance in the private sector, guidelines for employers and the self-employed (Finnish, Swedish, English)
- Information on earnings-related pension provision in the private sector, guidelines for employees and the self-employed (Finnish, Swedish, English)
- Eläketurvakeskuksen ohjeet yrittäjän työtulon määrittämiseksi (instructions of the Finnish Centre for Pensions for determining the income of a self-employed person) (Finnish, Swedish)

## Other booklets (Finnish, Swedish)

- Työeläkevakuutukset ja ennakkoperintärekisteri (earnings-related pension insurance and the prepayment register)
- Työkomennus ulkomaille (posting abroad – earnings-related pensions and other social security)
- Yksityisen perhepäivähoitajan eläkevakuutus (pension insurance for private child day-care professionals)

*The booklets are free of charge and available from the Finnish Centre for Pensions, the Social Insurance Institution, employment offices and the Employment and Economic Development Centres (TE-keskus).*

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## Introduction

If you want to know more about pension insurance for persons working for a private employer or as self-employed, this booklet is for you. The booklet also contains instructions on the obligation of the employer to provide pension insurance, and on how to arrange pension insurance if you are self-employed.

The booklet follows currently valid TyEL (Employees Pensions Act) and YEL (Self-Employed Persons' Pensions Act) legislation, but shall not be regarded as a text of law. More detailed information on pension insurance is available from the Finnish Centre for Pensions or the pension providers, as well as online at [www.tyoelake.fi](http://www.tyoelake.fi).

Different pension acts apply to employees of the state, the municipalities and the church, and more information about these is provided by the State Treasury and the Local Government Pensions Institution which, in addition to municipal pension provision, also provides pensions advice for church employees.

The supplement at the end of the booklet contains information on insurance contributions in 2010, indices, taxation and tables on national pension, reduced surviving spouse's pension as well as social benefits on which pension accrues.

Earnings-related pension insurance must be taken out for everyone working in Finland, including foreign citizens.

## Earnings-related pension insurance covers all wage work

Persons who work for a private-sector employer are insured under the Employees Pensions Act, TyEL.

Employees carrying out work based on the Merchant Shipping Act are insured with the Seafarer's Pension Fund according to the Seafarer's Pensions Act (MEL).

Work taking place through self-employment is insured according to the Self-Employed Persons' Pension Act (YEL).

The work of farmers, fishermen, reindeer herders and grant recipients is insured based on the Farmers' Pensions Act (MYEL) by the Farmers' Social Insurance Institution (Mela).

In addition to earnings-related pension insurance, the employer is also liable to pay the workers' compensation contribution, the unemployment and group life insurance contributions as well as the social security contribution for the employees.

## Employees Pensions Act (TyEL)

As a private employer, you insure your employees according to TyEL.

The liability to take out insurance starts from the beginning of the month following the month of the employee's 18th birthday, and ends at the end of the month during which the employee turns 68.

Earnings-related pension contributions must also be paid for retired employees

under the age of 68, because new pension rights will also accrue for work performed during retirement.

TyEL covers work carried out under an employment contract, for which the employer pays earnings of at least EUR 51.57 during the calendar month. Earnings mean wages or other remuneration for work.

As an employer, you can take out voluntary insurance under TyEL for employees working abroad and for persons in a position of trust. However, a position of trust should always be insured if you pay compensation to your own employee for holding a position of trust.

### How should insurance be arranged?

As an employer, you may choose the pension provider with whom you arrange pension insurance for your employees. Pension providers insure all kinds of work, regardless of field.

When arranging pension provision, you can be either an employer with an insurance contract or an occasional employer.

#### *Employer with an insurance contract*

You are an employer with an insurance contract if you employ people continually. You have to arrange pension insurance within the month following the payment of the wage. You may insure all your employees by means of a single insurance. You may also have parallel insurance policies for different groups of employees, as determined by insurance terms and conditions.

The employer with an insurance contract reports the employees' employment contracts to the pension provider either through annual or monthly notifications. If you choose the annual notification, you will still report all starting and ending employment contracts to your pension provider at least on a quarterly basis. In addition, once a year you will report the annual earnings for continuing employment contracts on a so-called annual notification. The bases for the contribution are affected by the size of the employer, which is evaluated on the basis of the total wage bill paid by the employer.

If you use monthly notifications, you will report the employees and earnings to the pension provider on a monthly basis.

#### *Occasional employer*

You are an occasional employer if you do not continually employ people, and the wages paid over a period of six months do not exceed EUR 7,386. You do not have to sign a separate insurance contract with the pension provider; it is enough that you pay the insurance contributions on a monthly basis to the pension provider. The contributions are to be paid by the 20th of the next month following payment of the salary.

### *Pension contributions paid for employees*

The basis for the pension contribution of the employer with an insurance contract and the occasional employer is the wage that the employer pays the employee. For the employer with an insurance contract, the total wage bill affects the bases for the contribution.

The earnings-related pension contribution under TyEL is determined on the same grounds in all pension insurance companies.

Employers and employees both pay statutory earnings-related pension contributions. The employer pays the entire insurance contribution to the pension provider and is responsible for the payment being made. The employer has the right to deduct the employee's share of the insurance contribution from the employee's salary.

The employer collects the employee's pension contribution from the gross salary, from which taxes are also withheld. The gross salary is the employee's salary to which any possible benefits in kind by taxable value have been added. The contribution reduces the net salary payable to the employee. The right to deduct the earnings-related pension contribution in the taxation has already been taken into account in the withholding rate.

In the case of a posting abroad, the salary for insurance purposes is the basis for the employee's contributions.

The insurance contributions are listed in the supplement.

## **Earnings-related pension insurance for self-employed persons**

A person who is self-employed needs to arrange pension provision in accordance with the Self-Employed Persons' Pensions Act (YEL).

Farmers, fishermen, reindeer herders and grant recipients insure their work based on the Farmers' Pensions Act (MYEL).

Self-employment as a side business must also be insured. A foreign citizen living in Finland is also obligated to insure any self-employment taking place in Finland. At the end of this booklet, you will find information on insurance for foreign citizens and those going abroad.

### **Self-Employed Persons' Pensions Act (YEL)**

According to YEL, a self-employed person is a person who carries out work generating an income here in Finland and who is not employed in the private or public sectors when carrying out said work. Simply owning an enterprise is not in itself a basis for insurance, as actual work is required.

Insurance under YEL has to be taken out, if

- the self-employed person is between 18 and 67 years of age

- the self-employment continues for an uninterrupted period of at least four months
- the earnings of the self-employed is at least the size stipulated by law.

### **The self-employed person takes out YEL insurance**

The self-employed person may freely choose the pension provider with whom to take out YEL insurance. The insurance can also be taken out with a pension fund with YEL operations.

The YEL insurance is a personal insurance that covers all self-employment of the insured person. Even if you have several different businesses, you need only one YEL insurance. The scope of your entire business activity is taken into account in the insured YEL income.

The YEL insurance must be taken out within six months of the self-employment having begun. It is possible to retroactively insure only the current year and the three preceding calendar years. For earlier time periods, the pension provision has been lost.

### ***Earnings-related pension insurance contributions for self-employed persons***

The self-employed person is responsible for pension insurance contributions based on YEL. Insurance contributions are of different sizes for self-employed persons under the age of 53 and self-employed persons who are older. For the first four years of self-employment, you can receive a discount on the YEL contribution.

The payable contribution is determined based on the confirmed YEL income of the self-employed. Earnings are adjusted annually by a wage coefficient.

YEL insurance contributions are completely deductible in the taxation of either the self-employed person or his/her spouse. If the company has paid the insurance contributions, it may also deduct them in taxation.

Insurance contributions are found in the supplement at the end of this booklet.

### ***Earnings form the basis of the pension***

The pension provider confirms the YEL income based on the self-employed person's insurance application. The confirmed income is the basis for both the accrued pension and the insurance contribution. If the self-employed person gets sick, the sickness allowance is also determined based on the YEL income. Parenthood allowance, special care allowance and rehabilitation allowance based on the Rehabilitation Allowance Act are also defined based on the confirmed YEL income.

The YEL income should correspond to a salary or reimbursement that would be paid to an outsider if another, equally qualified person were to carry out the work covered by YEL instead of the self-employed. The income should correspond to the work effort of the self-employed. The income is not defined based on company profit or on the reimbursement for capital investment withdrawn from the company by the self-employed person.

You may use the instructions published by the Finnish Centre for Pensions as a tool when evaluating your income.

Income should be evaluated from the beginning as corresponding to the self-employed person's real work input, since income from work during the entire career of the self-employed person affects the amount of the pension. If the work input of the self-employed person changes significantly, the income should and will be changed. However, it is not possible to change the confirmed income retroactively.

## How is insurance based on YEL carried out in different company forms?

In addition to entrepreneurs and persons practising a profession, YEL also applies to self-employed persons owning the company through which entrepreneurial activity is carried out. Simply owning a company is not a basis for YEL insurance, since the self-employed person also has to work in the company in order for YEL insurance to apply.

### The following are insured under YEL:

- persons holding a private business name and their spouses, if they are also working for the business
- partners to a partnership
- active partners to a limited partnership
- a partner to a limited company who holds a leading position in the company and who, alone or together with other family members residing in the same household, owns more than 50% of the company's shares or voting rights.

YEL does not apply to

- a spouse or family member working in a partnership without being a partner
- a silent partner of a limited partnership
- a minority shareholder of a limited company who does not, together with family members, own a majority of the company's shares or voting rights.

### Who is a family member?

A family member is a person who is directly descended from the self-employed person or his/her spouse, or who is the parent of the same, and who permanently resides in the household of the self-employed person.

Adopted children and adoptive parents are also considered family members, as are their spouses. A common-law spouse is also considered a family member.

Married spouses are considered family members even if they do not live in the same household. The parties to a registered relationship are comparable to married spouses.

Siblings are not considered family members as defined by YEL.

## Flexibility in the pension contribution of the self-employed

If you are self-employed, you may raise your pension provision during prosperous years by paying additional insurance contributions, without any increase to your stabilised YEL income. In bad times, the contribution can correspondingly be made smaller. This can be arranged simply by sending a written notification to your own pension provider. You may raise or lower your income by flexible payment once a year, by giving a notification to the pension provider and paying the contribution during the year on which you would like it focused.

Flexible payment of the contribution does not alter the income established by the self-employed person and the pension provider. The income may still only be changed through a separate application. The self-employed person's overall income for each year is determined based on the stabilised income and the raised or lowered contribution.

The raised contribution may be anywhere between 10-100 per cent of the annual contribution calculated based on the stabilised income. The reduction may amount to 10-20 per cent of the regular contribution. Lowering the YEL contribution also lowers your pension.

The flexibility option may not be used if you have unpaid or unclarified YEL contributions from previous years. It cannot be used e.g. during the discount period for beginning self-employment or following the year during which you turn 62. Any additional contributions or reduced contributions targeted at the calendar year preceding the start of a possible disability pension are not taken into account in the calculation of such a pension.

Temporary changes to the insurance contribution are not taken into account when calculating the halved income for a possible part-time pension, but is noted in the calculation of stabilised earnings.

The raised or lowered insurance contribution does not affect the amount of sickness allowance that you receive based on health insurance. It is calculated based on the stabilised earnings.

## Discount on insurance contribution for the newly self-employed

If you become self-employed for the first time, you are eligible for a 25 per cent discount on the YEL contribution for four years. If the period of self-employment ends before the four years are up, you may use the remaining discount time during a later period of self-employment. There is no time limit on the interval between the periods.

## Unpaid insurance contributions

Unpaid contributions under YEL decrease the pension. The amount of the pension is reduced in proportion to the paid and confirmed contributions under YEL, separately for each period of income. If the self-employed person has neglected to pay pension contributions for a period of time, the income from that period will amount to EUR 0 and no pension will accrue.

## Pension provision of the grant recipient

Researchers and artists receiving a grant have been insured under the Farmers' Pensions Act (MYEL) starting 1 January 2009. The Farmers' Social Insurance Institution (Mela) provides pension and accident insurance for grant recipients.

If you have received a grant from Finland for the purpose of artistic or scientific work lasting at least four months, you need to take out pension insurance with Mela. Under certain conditions, work taking place abroad based on a grant also needs to be insured based on MYEL. The size of the grant should amount to at least EUR 3,387.80 when converted to an annual MYEL income, in order for insurance to become necessary.

The insurance obligation concerns both individual grant recipients and persons working in a collective receiving a grant.

Pension provision for grant recipients is determined based on the confirmed MYEL income in the same way as for a farming entrepreneur. The confirmed MYEL income of the grant recipients also forms the basis of their earnings-related workers' compensation insurance, as well as of the sickness allowance under the Sickness Insurance Act and the rehabilitation allowance of the Social Insurance Institution of Finland (Kela).

Additional information is provided by Mela's customer service for grant recipients, tel. +358 (0)20 630 0695 or e-mail at [vakuutus@mela.fi](mailto:vakuutus@mela.fi).

## Earnings-related pension insurance for a person coming from abroad to work in Finland

The basic principle is that all work carried out in Finland should be insured for earnings-related pension benefits. The Finnish employer thus has to insure his foreign employees who work in Finland under TyEL in the same way as the Finnish employees. A foreign employer is also liable to arrange pension provision for employees working in Finland.

## Employee from an EU/EEA country or a social security agreement country

The employee is insured in Finland unless he/she can present a certificate stating that the legislation of some other EU/EEA country or agreement country should be applied to him/her during the employment in Finland. Such an employee, who is posted to Finland from another country, is insured in the country where the certificate was issued.

## Insurance for an employee going abroad to work

As regards insurance for employment abroad, important factors are

- whether the country of employment is an EU/EEA country or Switzerland
- whether there is a social security agreement between Finland and the country of employment
- whether work is performed outside the agreement countries.

The EU/EEA countries and Switzerland nowadays adhere to the EU's common rules on social security, and they determine which country's social security legislation is applied to a person who moves from one country to another. In addition to Finland, the EU countries are: Austria, Belgium, Bulgaria, Cyprus, the Czech Republic, Denmark, Estonia, France, Germany, Great Britain, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxemburg, Malta, the Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain and Sweden.

The EEA countries, i.e. countries that are not EU Member States, are Iceland, Liechtenstein and Norway.

In addition, Finland has concluded bilateral social security agreements with Australia, Canada, Chile, Israel, Québec and the United States. All agreements also contain rules regarding pension insurance.

## Working in an EU/EEA country, Switzerland or a social security agreement country

EU regulations and social security agreements ensure that migrant workers

- are entitled to social security benefits on the same conditions as the country's own citizens
- get their pensions paid from one country to another
- are insured in only one country, i.e. contributions are paid to only one country at a time
- may take into account periods from other agreement countries for the requirements regarding insurance periods (e.g. five years required in Germany). This makes receiving entitlement to a pension easier, but the pension is still determined on the basis of work carried out in each country.

The basis for the EU rules and the social security agreements is that the employee is insured in the country where the work is performed.

An employee who is posted to a foreign country on a temporary basis (for 1–5 years depending on the country concerned, starting 1 May 2010 for 2–5 years) may continue to be covered by Finnish social security on certain conditions, which means that the earnings-related pension insurance also continues in force in Finland. Both in the EU provisions and the social security agreements, there are other special regulations according to which Finnish legislation is applied to an employee while employed abroad. Such special groups include persons who work in two or more countries, and the travelling personnel of transport companies. For these groups of employees, as well as for employees posted from Finland, a certificate of coverage under Finnish social security shall be applied for from the Finnish Centre for Pensions. More detailed information on the preconditions for posting, special groups and how to apply for the certificate are provided at the website of the Finnish Centre for Pensions ([www.etk.fi](http://www.etk.fi)).

### **Working in a country where EU regulations and social security agreements are not applied**

When a Finnish employer sends an employee from Finland to work in a non-agreement country, the employee has to be insured in Finland under the Employees Pensions Act (TyEL). This obligation stands even if contributions may also have to be paid to the country of employment.

The Finnish employer may also voluntarily arrange pension provision under the Employees Pensions Act (TyEL) for an employee posted abroad who is not covered by mandatory insurance. Employees hired from abroad can also be insured voluntarily, if the employee is covered by Finnish social security (earnings-related pension insurance or residence-based social security) at the start of the employment contract.

Voluntary insurance is possible if, during the posting abroad, the employer is either a Finnish company, a foreign company which belongs to the same group as the Finnish company, or a company in which the Finnish company exercises authority.

The policyholder of the voluntary earnings-related pension insurance policy always has to be a Finnish company.

### **Salary for insurance purposes regarding work abroad**

As the basis for the earnings-related pension contributions of both employer and employee during a posting abroad, a so-called salary for insurance purposes is used. The salary which would be payable for corresponding work in Finland, or the salary which may otherwise be considered to correspond to the work in question, is considered the salary for insurance purposes. If the assignment lasts for more than six months, the employer and the employee together should determine the salary for insurance purposes.

The rule on the salary for insurance purposes concerns all work performed abroad which is insured according to Finnish legislation on earnings-related pensions, regardless of where the work is performed.

The salary for insurance purposes is also used as the basis for the unemployment and workers' compensation insurance contributions for the work abroad, as well as for the employer's social security contribution and the insured person's sickness insurance contribution in general.

## **Employee from a non-agreement country – possibility of exemption**

A foreign employer who posts an employee to Finland to work for two years at the most, does not have to insure the employee based on the Employees Pensions Act (TyEL).

By application, the Finnish Centre for Pensions may release the foreign employer from the insurance obligation for a maximum of five years from the beginning of the work in Finland, in cases where the employer posts the employee to Finland for more than two years or when the work in Finland continues for more than two years for reasons that are impossible to predict. The prerequisite for exemption is that the employer presents a clarification showing that the pension provision of the posted employee has been arranged elsewhere.

The exemption does not apply to a posted employee who, immediately prior to the work starting, has been covered by Finnish social security legislation, the EC Regulation on social security or an act applicable according to the social security agreement.

Inquiries about certificates and insurance of employment abroad can be directed to the Finnish Centre for Pensions/Insurance matters during employment abroad, Tel +358 (0)10 751 4216, fax +358 (0)10 751 2616 or e-mail at [ulkomaanasiat@etk.fi](mailto:ulkomaanasiat@etk.fi).

## **Shortcut to pension information**

The website of the Finnish Centre for Pensions provides information about earnings-related pensions for employers ([www.etk.fi](http://www.etk.fi)).

The web service [www.tyoelake.fi](http://www.tyoelake.fi) is also an easy shortcut to pension information. You can also access the pages of authorised pension providers through the web service.

## Addresses of earnings-related insurance providers:

### **Mutual Insurance Company Pension Fennia**

FI-00041 ELÄKE-FENNIA, Finland  
Annankatu 34, Helsinki  
Tel. +358 (0)10 5031  
Fax +358 (0)10 503 7680  
[www.elake-fennia.fi](http://www.elake-fennia.fi)

### **Tapiola Mutual Pension Insurance Company**

P.O. Box 9, FI-02010 TAPIOLA,  
Finland  
Tuulikuja 2, Espoo  
Tel. +358 (0)9 4531  
Fax +358 (0)9 453 3166  
[www.tapiola.fi](http://www.tapiola.fi)

### **Etera Mutual Pension Insurance Company**

P.O. Box 20, FI- 00241 HELSINKI,  
Finland  
Palkkatilanportti 1, Helsinki  
Tel. +358 (0)10 553 300  
Fax +358 (0)10 553 3242  
[www.etera.fi](http://www.etera.fi)

### **Ilmarinen Mutual Pension Insurance Company**

FI-00018 ILMARINEN, Finland  
Porkkalankatu 1, Helsinki  
Tel. +358 (0)10 195 000  
Fax +358 (0)10 284 3445  
[www.ilmarinen.fi](http://www.ilmarinen.fi)

### **The Insurance Company Pensions-Alandia**

P.O. Box 121, AX-22101 MARIEHAMN,  
Åland Islands, Finland  
Ålandsvägen 31,  
Mariehamn  
Tel.+358 (0)18 29 000  
Fax +358 (0)18 29 661  
[www.alandiabolagen.com](http://www.alandiabolagen.com)

### **Varma Mutual Pension Insurance Company**

P.O. Box 1, FI-00098 VARMA, Finland  
Salmisaarenranta 11, Helsinki  
Tel. +358 (0)10 2440  
Fax +358 (0)10 244 5037  
[www.varma.fi](http://www.varma.fi)

### **Veritas Pension Insurance Company Ltd**

P.O. Box 133, FI-20101 TURKU, Finland  
Olavintie 2, Turku  
Tel. +358 (0)10 55 010  
Fax +358 (0)10 550 1690  
[www.veritas.fi](http://www.veritas.fi)

### **The Farmers' Social Insurance Institution**

P.O. Box 16, FI-02101 ESPOO, Finland  
Revontulentie 6, Espoo  
Tel. +358 (0)20 630 0500  
Fax +358 (0)20 630 0426  
[www.mela.fi](http://www.mela.fi)

### **The Seafarer's Pension Fund**

P.O. Box 327, FI- 00121 HELSINKI, Finland  
Uudenmaankatu 16 A, Helsinki  
Tel. +358 (0)10 633 990  
Fax +358 (0)10 633 9938  
[www.merimieselakekassa.fi](http://www.merimieselakekassa.fi)

## Company pension funds and industry-wide pension funds

If your company employs at least 300 employees, it is possible to set up a company pension fund to handle the employees' pension provision. Correspondingly, companies in the same field may establish a joint pension fund when the number of employees exceeds 300. Additional information from the address:

### **The Association of Pension Foundations (Eläkesäätiöyhdistys - ESY)**

Kalevankatu 13, 00100 Helsinki

Tel. +358 (0)9 687 7440

Fax +358 (0)9 687 4440

[www.elakesaatioyhdistys.fi](http://www.elakesaatioyhdistys.fi)

### Other important addresses:

#### **The Finnish Centre for Pensions**

Customer Service and visiting address:

Kirjurinkatu 3

Itä-Pasila, Helsinki

Postal address:

FI-00065 ELÄKETURVAKESKUS, Finland

Tel. +358 (0)10 7511

Fax +358 (0)9 148 1172

[www.etk.fi](http://www.etk.fi)

#### **The Central Church Fund/ Church Council**

P.O. Box 185, FI- 00161 HELSINKI, Finland

Satamakatu 11 A, Helsinki

Tel. +358 (0)9 18 021

Pensions advice at the address

Unioninkatu 43, Helsinki

Tel. +358 (0)20 614 2849

Fax +358 (0)9 180 2463

[www.evl.fi/kiela](http://www.evl.fi/kiela)

#### **The Local Government Pensions Institution**

P.O. Box 425, FI- 00101 HELSINKI, Finland

Unioninkatu 43, Helsinki

Tel. +358 (0)20 614 2837

Fax +358 (0)20 614 2011

[www.keva.fi](http://www.keva.fi)

#### **The State Treasury/Insurance/ Pension Services**

P.O. Box 30, FI-00054

VALTIOKONTTORI, Finland

Sörnäisten rantatie 13, Helsinki

Tel. +358 (0)9 772 5284

Fax +358 (0)9 7725 208

[www.valtiokonttori.fi](http://www.valtiokonttori.fi)

#### **Education Fund (Koulutusrahasto)**

P.O. Box 191, FI- 00121 HELSINKI,  
Finland

Kalevankatu 12, Helsinki

Tel. +358 (0)9 680 3730

Fax +358 (0)9 6803 7730

[www.koulutusrahasto.fi](http://www.koulutusrahasto.fi)

#### **Employees' Group Life Insurance Pool Retro Life Assurance Company Ltd.**

Mikonkatu 15 A

00100 Helsinki

Tel. +358 (0)20 763 1690

Fax +358 (0)20 763 1689

[www.retro.fi](http://www.retro.fi)

# **SUPPLEMENT 2010**

## Index figures

Three different indices are applied to the earnings-related pensions. The wage coefficient concerns all persons who are in gainful employment. In the wage coefficient, the weighting of changes in salaries is 80 per cent and that of changes in prices 20 per cent. The coefficient is used to revalue pensionable earnings and the money amounts in the acts on the earnings-related pension.

The earnings-related pension index is used to revalue all pensions in payment regardless of the pension recipient's age. In the index, the weighting of changes in salaries is 20 per cent and that of changes in prices 80 per cent.

The index figure for the fifty-fifty index is 2538 in 2010 (+1.76%). This index is used to adjust earnings from work for which the pension is calculated according to the rules which were in force in 2004.

Year	Wage Coefficient	Earnings-related pension index
2010	1.231 (+ 3.27%)	2292 (+ 0.26%)

## Euro limits in the acts on the earnings-related pension

**Lower limit per month for coverage by TyEL: EUR 51.57 per month**

**YEL lower limit: EUR 6,775.60 per year.**

**YEL upper limit: EUR 153,875.00 per year.**

**Lower limit of the insurance obligation for MYEL income and grant recipients: EUR 3,387.80 per year.**

## Employees' earnings-related pension contributions

The Employees Pensions Act (TyEL) came into force on 1 January 2007. In 2010 the average pension insurance contribution under TyEL is 22.0% of the wages. A temporary reduction of 0.6% percentage point is granted to this contribution to dissolve the surplus accumulated from the disability pension contributions of previous years. The employee contribution is 4.5% for those under 53 and 5.7% for those over 53. When taking the temporary reduction into account, the employer contribution is on average 16.9%. The contribution for the occasional employer under TyEL is 22.4%, from which the employer's pension contribution is obtained by deducting the employee's share of the contribution.

**MEL**

The contribution rate under the Seafarer's Pensions Act is 22% of the wage. Both the employer and the employee pay 11% each.

**Self-employed persons' earnings-related pension contributions**

The self-employed are themselves responsible for the payment of contributions under YEL or MYEL. The contributions are payable on the basis of the confirmed income in the insurance contract.

**YEL**

The YEL contribution is 21.2% for persons aged under 53 and 22.4% for persons who have turned 53. A self-employed person who sets up business for the first time is entitled to a discount of 25% on the insurance contribution for the first 48 months.

**MYEL**

For reported incomes of less than EUR 23,736.44 the contribution is 10.388% for persons under 53 and 10.976% for persons who are 53 and over. For reported incomes ranging from EUR 23,736.44–37,300.17, the contribution rate is scaled. For reported incomes exceeding EUR 37,300.17, the insurance contribution is 21.2% for persons under 53 and 22.4% for persons 53 and over. The average contribution rate for persons insured under MYEL is 11%.

Until 30 June 2010 a penalty interest rate of 8% is levied on overdue payments of contributions and pensions.

**Unemployment security for self-employed persons**

In order to be entitled to income security for the unemployed, a self-employed person should have a confirmed income of at least EUR 8,520 per year.

**Employers' social insurance contributions**

In 2010 only the employer's sickness insurance contribution will be paid as a social security contribution. It is 2.23% of the wage for all employers in 2010.

**Workers' compensation insurance**

The rate of contribution varies between 0.3% and 8% according to the accident risk involved. The average contribution is about 1 per cent of the wages and salaries.

Farmers pay a basic contribution of EUR 30 as well as 1.5% of their confirmed income under MYEL. Farmers are allowed reductions in their contributions for years without accidents and for participating in occupational health care. The workers' compensation insurance contributions of grant recipients constitute half of the farmers' contributions.

### Unemployment insurance

The employer pays a contribution of 0.75% for the first EUR 1. 846, 500 of the total payroll, and for the part of the total payroll exceeding this amount a contribution of 2.95%. The unemployment insurance contribution is paid in connection with the workers' compensation contribution.

### Employees' group life insurance

The labour market organisations have agreed on group life insurance, and the premium for this is paid in connection with the workers' compensation contribution. The premium is on average 0.071% of the company's total payroll. The farmers' group life insurance contribution is EUR 18.59 per year and the insurance contribution of grant recipients is EUR 12.39 per year.

### Employees' social security contributions

- health insurance: medical care contribution 1.47%, contribution for earned income insurance 0.93%.
- unemployment insurance contribution 0.4%
- pension insurance contribution 4.5% for persons aged under 53 and 5.7% for persons aged 53 and older.

### Protected amounts at distraint

A certain amount is protected for the maintenance of the pensioner and his or her family at distraint of the pension, and this amount is not distrainable. The protected amount is EUR 624.60 per month and the increase for each dependent is EUR 224.40 per month.

### Impact of the earnings-related pension on the residence-based national pension

#### Amount of the earnings-related pension which no longer entitles to a national pension in 2010:

Single pensioner	EUR 1,207.38
Married pensioner	EUR 1,075.30

#### Full amount of the residence-based national pension:

Single pensioner	EUR 584.13
Married pensioner	EUR 518.12

### Pensions and taxation

Taxation of pension income differs from that of income from work due to the pension income deduction. Only pension income entitles to the pension income deduction. Other taxable income, with the exception of capital income, affects the amount of the deduction. When the income exceeds the limits in the table below,

the pension income deduction is reduced. The income exceeding the limits reduces the full deduction by 56 per cent in the municipal taxation and by 46 per cent in the national taxation. Persons who draw a residence-based national pension only do not have to pay tax on this income.

### **Pension income deduction and income limits in 2010, estimate in euros per year**

	Full deduction	Pension, tax becomes payable	Pension, no deduction
Municipal taxation	8,130	9,540	22,648
National taxation	11,300	21,711	35,865

### **Municipal and church tax rates and pensioner's contribution for medical care insurance in 2010**

Average municipal tax rate on income	18.98%
Average church tax rate	1.33%
Pensioner's contribution for medical care insurance	1.64%
Total	21.95%

If the municipal or church tax rate of the pensioner differs from the above, the total sum of contributions will of course also vary.

In the tables that follow, the earnings-related pension corresponds to the level at the start of the national pension and it includes the pension components that are taken into account when determining the national pension. The table describes the situation of a person who reaches the age of 65 in 2010 and who has not worked after reaching the age of 63. The earnings-related pension is thus the earnings-related pension accrued by the age of 63 and the national pension is the pension without any reduction for early retirement at the age of 65. If the person would have worked after having reached the age of 63, the earnings-related pension accrued at the higher rate of 4.5% would have been added to the total pension without any reduction to the national pension. If the person takes the national pension early before reaching the age of 65, the pension is reduced by a reduction for early retirement of 0.4% for each month that the pension is taken early. The total pension is the total sum per month of the earnings-related pension and the possible national pension. The taxes are calculated assuming that the same monthly income has been paid the whole year. The municipal tax rate is assumed to be 18.98 per cent and the church tax rate 1.33 per cent. The contribution for medical care insurance is 1.64 per cent.

Single pensioner					
Earnings-related pension/ e month	Residence-based national pension/ e month	Total pension/ e month	Taxes and contributions/ e month	Taxes and contributions in % of gross pension	Net pension/ e month
0	584	584	0	0	584
50	584	634	0	0	634
100	560	660	0	0	660
150	535	685	0	0	685
200	510	710	0	0	710
250	485	735	0	0	735
300	460	760	0	0	760
350	435	785	0	0	785
400	410	810	6	1	804
450	385	835	16	2	819
500	360	860	27	3	833
550	335	885	37	4	848
600	310	910	47	5	863
650	285	935	57	6	877
700	260	960	68	7	892
750	235	985	78	8	907
800	210	1010	88	9	922
900	160	1060	109	10	951
1000	110	1110	129	12	981
1100	60	1160	150	13	1010
1200	10	1210	170	14	1039
1300	0	1300	207	16	1093
1400	0	1400	247	18	1153
1500	0	1500	282	19	1218
1600	0	1600	316	20	1284
1700	0	1700	350	21	1350
1800	0	1800	384	21	1416
1900	0	1900	426	22	1474
2000	0	2000	458	23	1542
2200	0	2200	521	24	1679
2400	0	2400	611	25	1789
2600	0	2600	706	27	1894
2800	0	2800	801	29	1999
3000	0	3000	895	30	2105
3200	0	3200	979	31	2221
3400	0	3400	1066	31	2334
3600	0	3600	1153	32	2447
3800	0	3800	1240	33	2560
4000	0	4000	1327	33	2674
4200	0	4200	1413	34	2787
4400	0	4400	1500	34	2900
4600	0	4600	1587	35	3013
4800	0	4800	1674	35	3126
5000	0	5000	1761	35	3239

Married or co-habiting pensioner					
Earnings-related pension/ e month	Residence-based national pension/ e month	Total pension/ e month	Taxes and contributions/ e month	Taxes and contributions in % of gross pension	Net pension/ e month
0	518	518	0	0	518
50	518	568	0	0	568
100	494	594	0	0	594
150	469	619	0	0	619
200	444	644	0	0	644
250	419	669	0	0	669
300	394	694	0	0	694
350	369	719	0	0	719
400	344	744	0	0	744
450	319	769	0	0	769
500	294	794	0	0	794
550	269	819	10	1	809
600	244	844	20	2	824
650	219	869	30	3	839
700	194	894	41	5	853
750	169	919	51	6	868
800	144	944	61	6	883
900	94	994	82	8	912
1000	44	1044	102	10	942
1100	0	1100	125	11	975
1200	0	1200	166	14	1034
1300	0	1300	207	16	1093
1400	0	1400	247	18	1153
1500	0	1500	282	19	1218
1600	0	1600	316	20	1284
1700	0	1700	350	21	1350
1800	0	1800	384	21	1416
1900	0	1900	426	22	1474
2000	0	2000	458	23	1542
2200	0	2200	521	24	1679
2400	0	2400	611	25	1789
2600	0	2600	706	27	1894
2800	0	2800	801	29	1999
3000	0	3000	895	30	2105
3200	0	3200	979	31	2221
3400	0	3400	1066	31	2334
3600	0	3600	1153	32	2447
3800	0	3800	1240	33	2560
4000	0	4000	1327	33	2674
4200	0	4200	1413	34	2787
4400	0	4400	1500	34	2900
4600	0	4600	1587	35	3013
4800	0	4800	1674	35	3126
5000	0	5000	1761	35	3239

Reduced surviving spouse's pension 2010

The deceased person's pension e/month

200	400	600	800	1000	1200	1400	1600	1800	2000	2200	2400	2600	2800	3000	3200	3400	3600	3800	4000	
0	100	200	300	400	500	600	700	800	900	1000	1100	1200	1300	1400	1500	1600	1700	1800	2000	
200	100	200	300	400	500	600	700	800	900	1000	1100	1200	1300	1400	1500	1600	1700	1800	2000	
400	100	200	300	400	500	600	700	800	900	1000	1100	1200	1300	1400	1500	1600	1700	1800	2000	
600	100	200	300	400	500	600	700	800	900	1000	1100	1200	1300	1400	1500	1600	1700	1800	2000	
800	8	108	208	308	408	508	608	708	808	908	1008	1108	1208	1308	1408	1508	1608	1708	1808	1908
1000	0	8	108	208	308	408	508	608	708	808	908	1008	1108	1208	1308	1408	1508	1608	1708	1808
1200	0	0	8	108	208	308	408	508	608	708	808	908	1008	1108	1208	1308	1408	1508	1608	1708
1400	0	0	0	8	108	208	308	408	508	608	708	808	908	1008	1108	1208	1308	1408	1508	1608
1600	0	0	0	0	8	108	208	308	408	508	608	708	808	908	1008	1108	1208	1308	1408	1508
1800	0	0	0	0	0	8	108	208	308	408	508	608	708	808	908	1008	1108	1208	1308	1408
2000	0	0	0	0	0	0	8	108	208	308	408	508	608	708	808	908	1008	1108	1208	1308
2200	0	0	0	0	0	0	0	8	108	208	308	408	508	608	708	808	908	1008	1108	1208
2400	0	0	0	0	0	0	0	0	8	108	208	308	408	508	608	708	808	908	1008	1108
2600	0	0	0	0	0	0	0	0	0	8	108	208	308	408	508	608	708	808	908	1008
2800	0	0	0	0	0	0	0	0	0	0	8	108	208	308	408	508	608	708	808	908
3000	0	0	0	0	0	0	0	0	0	0	0	8	108	208	308	408	508	608	708	808
3200	0	0	0	0	0	0	0	0	0	0	0	0	8	108	208	308	408	508	608	708
3400	0	0	0	0	0	0	0	0	0	0	0	0	0	8	108	208	308	408	508	608
3600	0	0	0	0	0	0	0	0	0	0	0	0	0	0	8	108	208	308	408	508
3800	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	8	108	208	308	408
4000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	8	108	208	308

Surviving spouse's own pension e/month

The figures assume that the surviving spouse is the sole beneficiary.

## Pension accrual for social security benefits

Social security benefits accrue pension rights only when earnings from work during the working career amount to at least EUR 15,469.61. With the exception of parental allowances, social security benefits accrue pension rights only for the period when the benefit has been paid to the person him/herself.

Parental benefits	Awarded by	Basis for the benefit	Earnings which the benefit is based on for the accrued pension, %
Maternity allowance, special maternity allowance, paternity allowance, parent's allowance, partial parent's allowance Sickness Insurance Act (1224/2004)	Kela	Earnings which the benefit is based on, always at least EUR 644.56/month. For the period of the mother's employment, the amount of the minimum allowance.	117%
-	-	For the period paid to the employer	17%
Child home care allowance VEKL* (644/2003)	Kela	EUR 644.56/ month for each month of child home care allowance	100%

Training benefits	Awarded by	Basis for the benefit	Earnings which the benefit is based on for the accrued pension, %
Adult training allowance under the Act on Adult Training Allowance (1276/2000)	Education Fund	Earnings which the adult training allowance is based on, for the self-employed EUR 644.56/month	65%

Degree	Awarded by	Basis for the benefit	Earnings which the benefit is based on for the accrued pension, %
Basic vocational qualification VEKL* (644/2003)	Kela	EUR 644.56 /month for a period determined based on the level of the degree	100%

\* Act on the Compensation from State Finances of Pension Accrual for Periods of Caring for a Child Aged under 3 and for Periods of Study

Sickness and rehabilitation benefits	Awarded by	Basis for the benefit	Earnings which the benefit is based on for the accrued pension, %
Rehabilitation allowance under the earnings-related pension acts	Authorised pension providers	Earnings for projected pensionable service	65%
Rehabilitation allowance under the Act on Rehabilitation Allowance Paid by the Social Insurance Institution	Kela	Earnings which the rehabilitation allowance is based on	65%
Daily allowance awarded on the basis of the provisions regarding workers' compensation insurance	Accident insurers	Earnings which the compensation is based on (=benefit), not however if the compensation for loss of income has been paid in addition to a pension	65%
Compensation for loss of income awarded on the basis of the provisions regarding motor liability insurance	Motor liability insurers	See workers' compensation	65%
Daily allowance on the basis of the provisions regarding military accident insurance	The State Treasury	See workers' compensation	65%
Sickness allowance, partial sickness allowance Sickness Insurance Act (1224/2004)	Kela	Earnings as referred to in the Sickness Insurance Act which the sickness allowance is based on, partial sickness allowance half of this amount	65%
Sickness allowance to minimum level following basic allowance under the Unemployment Security Act	Kela	EUR 1,289.13 /month	0%
Compensation for job alternation leave (Act on Job Alternation Leave 1305/2002)	Unemployment funds	Earnings which the earnings-related compensation for job alternation leave is based on	55%
Earnings-related unemployment allowance under the Unemployment Security Act (1290/2002)	Unemployment funds	Earnings which the earnings-related unemployment allowance is based on	75%
Basic unemployment allowance and labour market support under the Unemployment Security Act	Kela	EUR 1,289.13 /month	0%

## Addresses

### **The Finnish Centre for Pensions**

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### **The Insurance Company Pensions-Alandia**

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### **Varma Mutual Pension Insurance Company**

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**The Farmers' Social Insurance Institution**

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**The Seafarer's Pension Fund**

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[www.merimieselakekassa.fi](http://www.merimieselakekassa.fi)

**The Central Church Fund/  
Church Council**

P.O. Box 185, FI- 00161 HELSINKI,  
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Satamakatu 11 A, Helsinki  
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Pensions advice at the address  
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[www.evl.fi/kiela](http://www.evl.fi/kiela)

**The Local Government Pensions Institution**

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**The State Treasury/Insurance/  
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Finnish Centre for Pensions   
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