

DO YOU KNOW HOW THE EARNINGS-RELATED PENSIONS WILL BE REFORMED IN 2017?



NO CHANGES TO THE BASICS

Earnings-related pensions will continue to accrue from work. Each euro you earn will therefore contribute to your future pension.

You and your employer automatically contribute to your pension. When you retire, your pension provider will pay out your pension. If your working life has been short or your earnings low, you may also receive a national pension or a guarantee pension paid by the Social Insurance Institution of Finland (Kela).



WILL I BE AFFECTED BY THE REFORM?

The pension reform will be implemented gradually as of the year 2017. It will apply to you if you were born in 1955 or later and have not yet retired.

STANDARDISED PENSION ACCRUAL

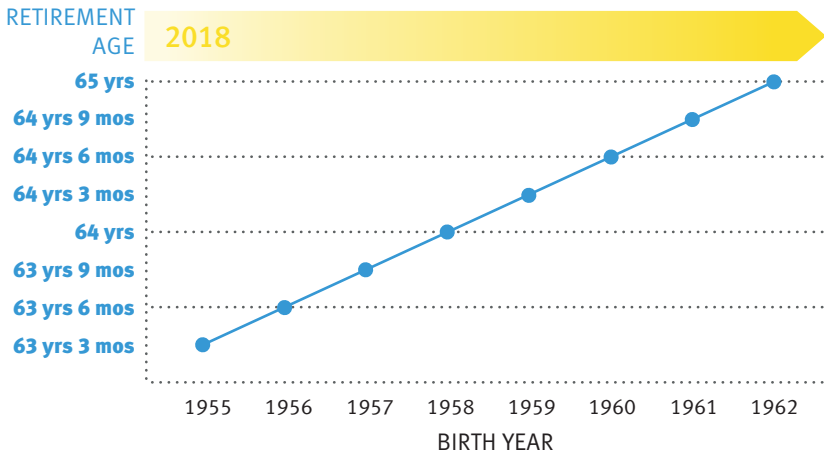
Under the new pension legislation, you will accrue pension as of age 17 at a rate of 1.5 per cent of your annual earnings. If you are self-employed, you will accrue pension as of age 18. The pension contribution will no longer be deducted from your pensionable wage. During the transition period from 2017 to 2025, you will accrue pension at a rate of 1.7 per cent if you are between the ages of 53 and 62.

WORK LONGER AND RECEIVE A HIGHER PENSION

If you continue working past your retirement age, you will be rewarded with an increment for deferred retirement. For each month that you defer your retirement, your pension will rise by 0.4 per cent. This means an increase of 4.8 per cent per year. On top of that, you will earn pension for your earnings from work at a rate of 1.5 per cent.

GRADUALLY RISING RETIREMENT AGE

As of 2017, the general retirement age will rise by three months per year until it is 65 years. The new retirement ages apply to persons born in 1955 or later. For example, if you were born in 1956, your earliest retirement age will be 63 years and 6 months. If you were born between 1962 and 1964, your earliest retirement age will be 65 years.



RETIREMENT AGE LINKED TO LIFE EXPECTANCY AS OF 2030

People live longer and longer. That is why the retirement age will be linked to life expectancy as of the year 2030. After that, each age group born in 1965 or later will have its own retirement age. If life expectancy increases, the retirement age will rise by a maximum of two months per year.

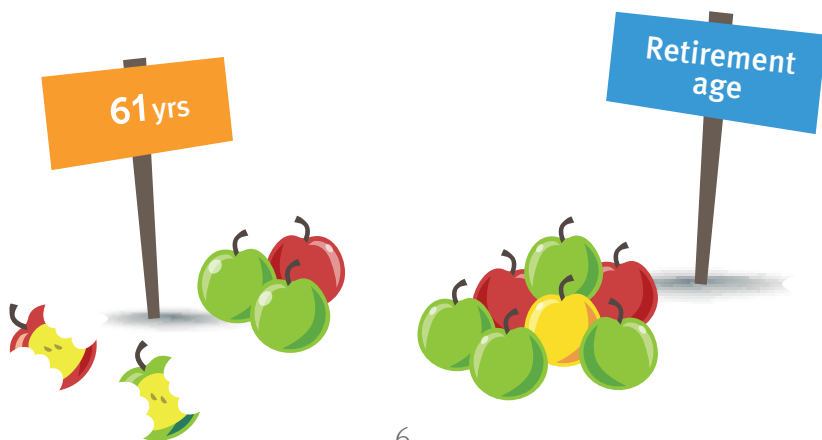
TARGET RETIREMENT AGE

For each age group, an earliest possible retirement age and a somewhat higher target retirement age will be set. If you retire at your target age, you will receive your pension “in full”, that is, to the same amount that you would have received without the reducing effect of the life expectancy coefficient. The life expectancy coefficient is a mechanism which reduces the pension amount as life expectancy increases. It makes sure that your pension capital will last throughout your retirement.

DRAW YOUR PENSION IN BITS

The part-time pension will be replaced by a partial old-age pension. You can draw your old-age pension in bits before reaching your retirement age, regardless of whether you continue working or not. As of 2017, you can draw a partial old-age pension as of age 61.

If you retire before your retirement age, your pension will be reduced by 0.4 per cent per month left until your retirement age. You can select to draw a quarter (25%) or half (50%) of your accrued pension. For example, if your accrued pension amounts to 1,000 euros and you select to draw 50 per cent of it (EUR 500) exactly one year before your retirement age, your monthly pension will be permanently reduced by 4.8 per cent (12×0.4). That equals 24 euros. In three years, your pension would be reduced by 72 euros per month.



YEARS-OF-SERVICE PENSION AFTER LONG AND STRENUOUS WORKING LIFE

If you have had a strenuous and long working life, you may be able to retire already at age 63. If your working capacity has diminished, you can apply for a years-of-service pension after a working life of 38 years. Receiving a years-of-service pension further requires that you can prove that your work has been strenuous and wearing.



WHY THE NEED FOR A REFORM?

The aim of the pension reform is to make sure that pensions can be paid also in the future despite the fact that people live longer.

The main objective of the reform is to encourage people to work longer. Extended working lives ensure adequate pensions and pension financing and intergenerational fairness. Although working lives are extended, the time spent in retirement will also grow as people live longer.

More questions? Go to **[Eläkeuudistus.fi](https://eläkeuudistus.fi)**/**Briefly in English** for answers and more information on the pension reform.

