

Earnings-related pension

Employees and entrepreneurs working in Finland are statutorily entitled to earnings-related pension.

The pension contributions used to fund pensions are collected from entrepreneurs as well as employers and employees.

Earnings-related pension is an important part of the safety net of employees and entrepreneurs. It secures livelihood in case of disability or old age

and provides security for family members in the event of death. It is the duty of employers to arrange statutory pension cover for their employees through a TyEL insurance policy. Entrepreneurs must take out a YEL insurance policy for themselves. If the amount of earnings-related pension is low, the Social Insurance Institution of Finland may pay an additional residence-based national pension.

Pension records

Tapiola Pension sends a pension record to all employees and entrepreneurs aged 18 to 67 who live in Finland and are insured with Tapiola Pension. The record should be carefully checked as the amount of earnings-related pension depends on the information contained in it.

The pension record includes information on earnings from private employment and entrepreneurial activity, as well as social security benefits from which pension is accrued. The amount of pension accrued by the end of the preceding year is also specified. In addition, Tapiola Pension calculates

an estimate of the amount of future old-age pension for those over 50 years of age.

The record does not contain information on employment with a municipality, the state or the church or on the pension cover accrued from it. Furthermore, the record does not contain information on voluntary pensions. The record shows the insurance number for work carried out in Sweden. The number can be used to clarify the pension accrued there. No information is available for pensions earned in other countries. Pension accrued from work insured abroad can be enquired from the contact institutions of each country.

Formation of pension

Earnings-related pension is accrued from work. The amount of pension depends on annual earnings, length of employment history and age-based pension accrual rate.

The pension accrual rates for annual earnings are as follows:

- 1.5% for persons aged 18 to 52
- 1.9% for persons aged 53 to 62
- 4.5% for persons aged 63 to 67

Work carried out while receiving a pension accrues pension in the amount of 1.5% of annual earnings.

As of 2005, pension is accrued not only from earnings but also from many earnings-related social security benefits, such as sickness and unemployment allowance. For persons of at least 18 years of age, social security benefits entitling to pension accrual accrue pension at an annual rate of 1.5%.

Until the end of 2004, the accrued pension was separately calculated for each employment and entrepreneurial activity.

Pensionable employment earnings were calculated based on the earnings of the 10 years preceding the termination of each employment. These pensionable earnings accrued pension by 1.5% for persons aged 23 to 59 and by 2.5% from the beginning of the year they turn 60 until they turn 65.

Life expectancy coefficient

The life expectancy coefficient will affect old-age and disability pensions for the first time in 2010.

It pertains to persons born in 1948 and after. The life expectancy coefficient is used to prepare for a longer life span. If the average life span rises, the life expectancy coefficient will reduce monthly pension.

The reduction in the amount of pension caused by the coefficient can be compensated by working longer.

The wage coefficient keeps pension accrual up to date

The earnings-related pension scheme includes an index protection that secures the level of pension. The earnings on which earnings-related pension is based are reviewed using the wage coefficient when calculating the pension. In the wage coefficient, the weight of the change in earnings is 80 and that of the change in prices is 20.

When to retire

Old-age pension

Old-age pension is available from the age of 63–68. Employment must be terminated, i.e., the employee must resign, before old-age pension may begin. Instead, business activities may be continued and, if desired, the employee may take out a voluntary YEL insurance policy.

Early old-age pension is available from the age of 62. The pension is permanently reduced by 0.6% for each month that the pension is taken prematurely. Therefore, retiring one year before the standard retirement age will reduce the pension by 7.2%.

Part-time pension

A person working full-time has the possibility to reduce his/her workload through part-time pension. It is possible to retire on part-time pension at the age of 58 at the earliest. The age limit is 60 years for persons born in 1953 and after.

Part-time pension partly makes up for the lowered earnings. Part-time pension amounts to half the difference between stabilised earnings during full-time work and earnings during part-time work. The amount, however, must not exceed 75% of the earnings-related pension accrued by the beginning of the pension.

Rehabilitation within the earnings-related pension scheme

Rehabilitation within the earnings-related pension scheme supports the improvement of an employee's or entrepreneur's ability to work when a diagnosed illness, handicap or injury is likely to cause a risk of disability within the next few years. Rehabilitation is used to support a person's ability to continue working by improving his/her professional skills in order for him/her to be able to continue working despite illness. Vocational rehabilitation is always individual and rehabilitation is carried out in accordance with a plan based on the applicant's needs. Rehabilitation measures may include, for example, trial work or training leading to employment or an occupation.

Disability pension

A person of less than 63 years of age may obtain disability pension if his/her ability to work has decreased for at least a year due to illness, handicap or injury and he/she is unable to continue working despite rehabilitation. A disability pension can be granted for a fixed period or until further notice. If the employee retains some ability to work, he/she can be granted a partial disability pen-

sion amounting to half the full disability pension. Medical statement B must always be enclosed with the pension application.

Survivors' pension

Survivors' pension provides security to the family in the case of death. A survivors' pension can be paid to the surviving spouse, partner in a registered relationship and children under 18 years of age. Survivors' pension is calculated on the basis of the deceased person's earnings-related pension.

Applying for and paying pension

Statutory earnings-related pension must always be applied for by the applicant. There is a separate application form for each type of pension. The application forms are available in Finnish and Swedish and can be printed from Tapiola's website at www.tapiola.fi/elaketurva. Once filled in, the application shall be delivered to the pension institution that has insured the most recent entrepreneurial activity or employment.

Pension accrued from Finland may be applied for after fulfilment of the relevant terms and conditions. Those living in Switzerland, an EU/EEA country or a country with which Finland has concluded a social security agreement* shall fill in the pension application form of the country of residence. More information can be obtained from the local contact institution. On the other hand, those living in countries without a social security agreement shall personally apply for pension directly from Finland by filling in the Finnish pension application form.

Applying for pension from abroad

Those living in Finland can apply for pensions from Switzerland, the EU/EEA countries or the countries with which Finland has concluded a social security agreement on the same form as a Finnish pension. Form U, i.e., the Residence and Employment Abroad form, shall also be filled in and enclosed with the application.

For those countries with which Finland has not concluded a social security agreement, pension must be applied for by contacting the pension institution of the country in question. The contact information of foreign pension institutions can be enquired from the Finnish Centre for Pensions.

Pensions are calculated and granted according to the national legislation of each country. Therefore, it is a good idea, for example, to check the retirement age before applying for pension. Pension estimates for foreign pensions

are not available in Finland. If desired, they must be enquired from the country of destination.

Paying pension abroad

Earnings-related pension to be paid from Finland can be paid abroad to all states. Taxation of earnings-related pension can be enquired from the tax authorities at www.vero.fi.

* EU countries: Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxemburg, Malta, the Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and the UK.

EEA countries: Iceland, Liechtenstein and Norway

Countries with which Finland has concluded a social security agreement: Australia, Canada (Quebec), Chile, Israel and the USA.

Tapiola Pension serves you as follows:

Telephone Service

In earnings-related pension matters, Tapiola Pension serves you by telephone on weekdays from 8 am to 4:30 pm.

Pre-retirement guidance

+358 9 453 3680 Matters related to TyEL and YEL insurance policies.

+358 9 453 3681 Clarifying whether an employment relationship falls within the scope of pension legislation.

+358 9 453 3732 International insurance service

+358 9 453 3651 Pension guidance and preliminary estimates on the amount of earnings-related pension.

Pension applications and their handling

+358 9 453 4325 Vocational rehabilitation

+358 9 453 3652 Calculation and granting of pensions

+358 9 453 3650 Questions related to payment of pensions and taxation.

E-mail

Pension Guidance also serves you by e-mail at tyoelake@tapiola.fi. When using e-mails, it is good to keep in mind that the confidentiality of e-mails sent through unprotected connections cannot be guaranteed.

Postal address

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FI-02010 TAPIOLA, Finland