

# EMPLOYER'S TYEL INSURANCE 2012



If an entrepreneur, company or private household hires an employee, they must arrange the employee statutory pension provision pursuant to the Employees' Pensions Act (TyEL).

**T**he basic TyEL pension insurance contribution is 23.3 per cent of the salary in 2012. The contribution is reduced by the bonus granted by Ilmarinen to its customers. In the past few years, we have paid the best customer bonuses, and we will do our best to ensure that they remain competitive in the future as well.

## When should you insure an employee?

Usually all employees hired by private sectors, including private households, are insured under TyEL. Foreign companies operating in Finland and all self-employed foreigners living in Finland also have to take out earnings-related pension insurance. The earnings of a posted employee working for a Finnish employer abroad also fall within the scope of Finland's pension insurance.

You can easily take care of all TyEL and YEL insurance matters in our web service

- [www.ilmarinen.fi/insuranceservice](http://www.ilmarinen.fi/insuranceservice). In the web service, you can, among other things, deal with changes to contributions and conclude an agreement to extend the payment period. You can obtain web service access codes by calling our customer service on +358 (0)10 284 3714.

TyEL insurance contributions are paid on employee income and pension is accumulated based on the income. Income is insured if:

- The employee is between 18 and 67 years of age. The legal obligation to insure an employee starts from the beginning of the month following the employee's 18th birthday and ends at the end of the month the employee turns 68.
- The employee's income is at least EUR 54.08 (in 2012) per month. The income can consist of

several employment relationships with the same employer within the same month. Lower income can be voluntarily insured by the employer.

## Insurance is also paid on pensioners' earnings

Insurance premiums are paid and pension contributions are deducted from pensioners' earnings even if the person is receiving unemployment, part-time, disability or partial disability pension, or an old age pension for pensioners under 68. New pension is accrued from working.

Entrepreneurs organise their own pension coverage in accordance with the Self-Employed Persons' Pensions Act (YEL).

## Do you own more than 30 per cent of a limited liability company?

Starting from 2011, a shareholder working in a leading position in a limited liability company must be insured according to the Self-Employed Persons' Pensions Act, provided that the individual in question alone owns more than 30 per cent or, together with family members, owns more than 50 per cent of the company's stocks or votes.

Prior to this, shareholders of limited liability companies have been insured under TyEL, provided that the share of sole ownership, or ownership with family members, has been at most 50 per cent.

In practice, the amendment means that a limited liability company shareholder working in a leading position in that company – previously insured under TyEL – must now take out a YEL policy if their share of ownership is more than 30 per cent or, with family members, more than 50 per cent. The change must be made by June 2014 at the latest. Entrepreneurs switching from TyEL insurance to YEL insurance are also entitled to a 25 per cent discount of their YEL

contributions for the first 48 months.

Previously, shareholders who have fallen under the scope of TyEL have been left without pension insurance coverage because they draw dividends or profit shares instead of being paid a salary. Such shareholders had to take out a YEL policy no later than by 30 June 2011.

### When must you take out an insurance policy?

An employer must take out an insurance contract if:

- the company permanently employs at least one employee or
- the company's six-month payroll (in 2012) is at least EUR 7,746.

The employer must take out a pension insurance policy for the employee at the latest during the month following the first salary payment. A delayed insurance contract causes an increase in the insurance contribution.

If the employer has TyEL insurance, temporary employees and short-term employment contracts are also insured under the policy.

### How do you take out insurance?

In order to obtain TyEL insurance, the employer must submit an insurance application and an employment notification for its employees. Fill in and send the insurance application easily on Ilmarinen's website. You can also take out the insurance policy at one of the branch offices of Ilmarinen's partners, Pohjola, A-Vakuutus or Pohjantähti.

### How do you pay the employer's contributions?

There are two alternatives for paying the contributions. The most common payment method is advance payment, which we also recommend for our customers. Advance payment is suitable for most companies. The other alternative is to pay the contributions each month unprompted. This method is suitable for companies whose payroll varies on a monthly basis.

### Advance payment

We calculate the insurance contribution on the basis of the estimated annual payroll and charge the contributions as advance payments. The contributions fall due at least quarterly on the 20th of the agreed month or on the first weekday following the 20th. We will charge interest on overdue payments.

You can also advance the contributions' maturity. The most common practice is to pay the contributions in four instalments.

The salaries of all employees affect the annual payroll. Check that the payroll is up to date; this way, the final contribution will be as close to the advance contributions as possible. As necessary, you can change the payroll estimate throughout the year.

## Update the commenced and terminated employment relationships in our web service. Also check the advance payroll!

### Unprompted payment of contributions

You can make monthly TyEL advance contributions, in which case you calculate and pay the insurance contribution on the basis of the realised payroll of the previous month. The due date for the advance contribution is always the 20th of the month following the salary payment or the next business day after the 20th. If you want to change the payment method from advance payer to monthly payer, notify our customer service of this.

As a monthly payer, it is easiest to take care of the insurance contributions using our web service. The service calculates the contributions based on the given monthly payroll and takes into account the due date and technical rate of interest. The service also allows the contribution to be paid directly via online banking.

You can also calculate the insurance contribution by using the insurance contribution percentages sent by Ilmarinen to monthly payers.

### The final contribution will be clear after the annual calculation

We calculate the exact insurance contribution for your insurance policy and the amount of pension accrued to your employees on an annual basis. For this, we need the information on your employees' earnings for the previous year by the end of January. TyEL's technical rate of interest is used in the calculation of the advance contribution and the final TyEL insurance contribution.

### Contract employer's earnings notifications

Contract employers may choose to report employees' earnings either by a monthly or an

annual notification. You may change the reporting method by notifying of it by the month of November of the previous year, whereby the reporting method will change from the beginning of the following year.

### Annual notifications of earnings

As an annual reporter, you must report the earnings of employees for the previous year by the end of January. The earnings are reported as earnings of the year in which they have been paid to the employee. This information is used to calculate the insurance's exact TyEL contribution for the previous year and the pension accruals of employees.

We send annual report requests to all employers using the annual report method in December.

For employment that began before 2005 and that still continues in 2011, the employment and earnings information, as well as unpaid periods, are reported to the exact date. They may have an effect on pensions commencing prior to 2012 (protective provision).

The protective provision will be removed from the beginning of 2012. The change requires no action from you. We still recommend the annual report method.

### Monthly notifications of earnings

If you have chosen to report earnings information monthly, the information must be reported by the 20th day of the month following the salary payment. Employment contracts' commencement and termination dates and unpaid periods are not reported. Nor is there any need for a separate annual notification.

The monthly notifications are sent to Ilmarinen by using the Insurance Service online or some other electronic means of reporting.

### When are you a temporary employer and how do insure your employees?

Those that temporarily act as employers do not necessarily have to take out an insurance contract. A temporary employer is usually a small company or a private household.

- The employer is considered temporary if
- the six-month payroll (in 2012) is less than EUR 7,746 and
  - there are no continuous employees.

### Provide information and make payments on the web

As a temporary employer, you can arrange insurance coverage for your employees simply by paying the insurance contribution and providing Ilmarinen with your information, the employee's personal information and the employee's income information by the 20th of the month following the salary payment day. You also pay the insurance contribution at the same time.

You can easily take care of the pension insurance matters of temporary employees, such as renovation workers or nannies, using Ilmarinen's Temporary employer's insurance service. The service calculates the insurance contribution, which is paid in full in one instalment. You need online banking codes to make the web payment. The service is available in Finnish and Swedish.

### TyEL insurance contribution in 2012

The basic TyEL insurance contribution is 23.3 per cent of the salary in 2012. The premium is reduced by the customer bonus granted by Ilmarinen to its customers. The size of the bonus is affected by, e.g., the amount of the contribution paid and the duration of the customer relationship.

### Contributions by small employers

The basic TyEL insurance contribution is 23.3 per cent of the salary in 2012. The Ministry of Social Affairs and Health sets the level of the TyEL insurance contribution on the basis of pension companies' application.

### Contributions by medium-sized and large companies

For medium-sized and large companies whose payroll exceeds EUR 1,846,500, the contribution is also affected by contribution categories based on the company's disability risks.

### Contributions by temporary employers

The TyEL contribution of temporary employers is 23.3 per cent in 2012. Customer bonuses do not apply to temporary employers. The paid contribution is final and no annual calculation is made.

### Employee's pension contribution

The employee's contribution is included in the TyEL contribution. The employer pays the insurance premium in full but the employees contribute to the costs of the pensions coverage with the share

of employees' pension contribution. The employer deducts the employee's share from their salary.

In 2012, the contribution for an employee less than 53 years old is 5.15 per cent and for an employee 53 years of age or older is 6.50 per cent of the salary. Payment of the increased contribution starts at the beginning of the month after the employee turns 53. The contribution percentage is determined based on the wage payment date, rather than the accrual period. The employee's contribution is collected for all work, including the work of voluntarily insured employees such as persons holding a position of trust, work abroad and for monthly income that remains below EUR 54.08.

If the employee contribution has not been deducted, it can be deducted in arrears in connection with the next two salary payments.

### For which earnings do you pay the TyEL contribution?

TyEL earnings usually equal the income from which tax is withheld. The earnings are reported as income for the year during which the salary is paid. The share considered as the employee's employment pension contribution is not deducted from the income reported as TyEL earnings.

TyEL earnings include the following items:

- basic salary
- allowances, extra pay and increases
- sick pay
- payments related to annual vacations, including any holiday compensation paid when employment ends
- fringe benefits and compensations and fees paid for activities closely linked to the employment
- gratuities
- income from work abroad in accordance with the insurance income
- salary paid for the period of notice, excluding salary paid for the period of notice during lay-offs, unless it involves an obligation to work.

For more information on which earnings to report for TyEL insurance, see our web pages.

### Other social insurance

In addition to providing pension coverage for employees, the employer is also obliged to take out statutory workers' compensation insurance against occupational accidents with a non-life insurance company. The unemployment insurance contribution and the contributions to group life insurance are paid in connection with the accident insurance contribution.

An employer is also obligated to pay withholding tax from the employee's salary and to pay the employee's social security contributions. For more information, contact the tax office or visit [www.vero.fi](http://www.vero.fi).

The Social Insurance Institution of Finland (KELA), [www.kela.fi](http://www.kela.fi), is responsible for national old-age pensions, daily allowance for health insurance and basic unemployment allowance.

### The employee sees the pension accruals in the employee pension record

Employees can obtain information on their own pension accumulation through gainful employment by logging in with their personal online banking codes at [www.ilmarinen.fi/elakepalvelu](http://www.ilmarinen.fi/elakepalvelu). The service is available in Finnish and Swedish. Among other features, the service includes annual pension records, which contain details of employment relationships and any entrepreneurial activity. If employees choose a web record as the delivery method, they can check their pension information immediately once it is completed.

### Our Customer Service will help you

- Online services and additional information about pension coverage: [www.ilmarinen.fi](http://www.ilmarinen.fi)
- Customer service +358 (0)10 284 3714, weekdays between 8 a.m. and 5 p.m.
- E-mail for insurance matters: [vakuutuspalvelu@ilmarinen.fi](mailto:vakuutuspalvelu@ilmarinen.fi)

Offices of OP Pohjola Group, A-Vakuutus and Pohjantähti also serve our customers.