



Employers' TyEL Insurance 2010

If an entrepreneur, company or private household hires an employee, the employer has a legal obligation to arrange pension provision for the employee. The employer and entrepreneur can take care of all matters related to pension insurance at Ilmarinen.

All employees in the private sector, including workers employed by private households, are nowadays insured under TyEL irrespective of the length of employment, salary or business sector.

Self-employed persons organise their pension coverage in accordance with the Self-Employed Person's Pensions Act, YEL.

Foreign companies operating in Finland and self-employed foreigners living in Finland also have to take out earnings-related pension insurance. Similarly, the earnings of a Finnish company's employee assigned to work abroad also fall within the scope of Finland's statutory earnings-related pension insurance.

When should you insure an employee?

Usually, TyEL insurance contributions are paid on all 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 51,57 (2010) 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 deducted from pensioners' earnings even if the person is receiving unemployment, disability or partial disability pension, or an old age pension for pensioners under 68. Additional pension will thus

accrue from the employment.

Contract employers' insurance

A company's payroll determines whether the employer needs to take out an insurance contract. The employer is obliged to take out TyEL insurance if

- the company permanently employs at least one employee or
- the company's six-month payroll is EUR 7,386 at the minimum.

A pension insurance policy must be taken out for the employee during the month following the first salary payment. A delayed insurance contract causes an increase in the insurance premium for the retroactive period.

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

Taking out insurance

In order to obtain TyEL insurance, the employer must submit an insurance application and an employment notification for its employees.

Temporary employers

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 payroll of six consecutive months is less than EUR 7,386 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 employee simply by paying the insurance contribution and providing your information, the employee's personal information and income to Ilmarinen by the 20th of the month following the salary payment day. The contribution for temporary employers is 22.4 percent of the income.

You can easily take care of pension insurance matters for temporary employees, like carpenters or nannies, using the Temporary employers' insurance service (in Finnish and Swedish) at <http://www.ilmarinen.fi>. The service calculates the insurance contribution that is paid in full in one payment. You need web banking identifiers to make the web payment.

Palkka.fi is a salary management system maintained by the Tax Administration for small enterprises and private households to calculate their salaries and to submit the statutory notifications. For more information, call the Tax Administration's service line +358 (0)20697034 or go to the address www.palkka.fi (service available in Finnish and in Swedish).

Contract employers' notifications

Employers agree, for at least a calendar year at a time, whether they report employees' earnings monthly or whether they are reported as annual earnings. A change concerning the reporting period must be notified by the end of November of the preceding year. Ilmarinen recommends using annual reporting.

Annual earnings report

Employers report the starting and expiration dates of employment contracts either immediately or at least each quarter.

Annual reporters submit employees' earnings for the previous year by the end of January. This information is used to calculate the company's exact TyEL contribution for the preceding year.

Ilmarinen will send employers an annual report request in December.

The earnings are reported as the earnings of the year in which they have been paid to the employee.

For employment that began before 2005 and that still continues, the employment and earnings information as well as unpaid periods are reported to the exact dates. This is because they may have an effect on a pension commencing prior to 2012.

Those who report the earnings annually can start reporting monthly if the insurance does not include permanent employment relationships that have begun prior to 2005.

Monthly earnings reports

If the earnings information is reported monthly they must be reported by the 20th of the month following the salary payment. The starting and expiration dates of employment contracts and unpaid absences do not need to be notified. A separate annual notification is not needed.

The monthly salary notifications are sent electronically using Ilmarinen's Insurance Service or other electronic means of notification.

Employee pension record

Employees can obtain information concerning their pension accumulated through gainful employment by logging in at <http://www.ilmarinen.fi/elakepalvelu> with their personal online banking codes. Among other things, the service contains annual employment pension records, which include information on private sector employment relationships and entrepreneur activities. If an employee selects an online record extract as the form of delivery, he or she can review the pension information as soon as it is completed.

An employee's pension record can result in employment clarification requests sent to employers as well. It is therefore crucial that you provide Ilmarinen with up-to-date employment and earnings records.

TyEL earnings

TyEL income is usually the same as the income from which tax is withheld.

The TyEL earnings are reported as the defined in the contribution plan as income for the year in which the salary is paid. The share considered the employee's employment pension contribution is not to be deducted from the income reported as TyEL earnings.

- The following items are included in TyEL income
- salaries based on time and performance
 - allowances, extra pay and increases
 - salaries paid for periods of sickness
 - payments related to annual vacation, also 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 notice period, excluding salary paid for the notice period during lay-offs if it does not involve obligation to work.
- See the Employer and TyEL Insurance at www.ilmarinen.fi for more information on contract employers' notifications.

TyEL insurance contribution

The Ministry of Social Affairs and Health sets the level of earnings-related pension contributions every year.

In 2010, the basic TyEL contribution is 22.4% of the salary. Contributions are lowered by any possible client bonuses granted to companies and, in addition, by temporary discounts. In 2010, the maximum amount of a temporary discount is 0.6% of a salary.

A temporary discount is full when a company's payroll in 2008 is less than 1,686,000 euros. The discount is partial when the payroll is between 1,686,000 and 26,976,000 euros. The discount is not applicable to companies whose payrolls amount to more than 26,976,000 euros.

A company's payments are reduced by possible client bonuses. The size of the bonus is affected by the amount of contributions paid and the duration of the customer relationship. The amount which the pension company can use for bonuses depends on the solvency, investment income and operational efficiency.

The employer pays the insurance premium in full but the employees contribute to the costs of the pension coverage with the share of employees' pension contribution.

Contributions by medium-sized and large companies

For medium-sized and large companies, those with a payroll of over EUR 1,686,000, the contribution is also affected by contribution categories based on the company's disability risks and the number of unemployment pensions granted to their employees.

Contributions by temporary employers

The TyEL contribution for temporary employers is 22.4%. Client bonuses and temporary discount in the disability premium 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 deducts the employee's share from his/her salary.

In 2009, employees under 53 contribute 4.5% of their salary and the figure for those over 53 is 5.7%. Payment of the increased contribution starts at the beginning of the month after the employee reaches 53. The contribution percentage is determined based on the wage payment date and not the accrual period.

The employee's contribution is collected for all work, also for voluntarily insured employees, such as responsible positions, work abroad and monthly income that is below EUR 51,57.

If the employee contribution has not been deducted, it can be deducted in arrears in connection with the next two salary payments. If the salary in particular months consists merely of fringe benefits, the employee contribution can be deducted within the same year in connection with salary payments.

Paying the contribution of contract employers

Employers pay their TyEL contributions in advance during the year. The contributions will be payable in due months in accordance with the invoice sent by Ilmarinen. The contribution is calculated based on an estimated payroll. Alternatively, the contributions can be paid unprompted monthly based on the previous month's wages.

Advance contributions based on estimated payroll

TyEL advance contributions fall due at least quarterly on the 20th of the agreed month or on the first weekday following the 20th. Interest will be charged on overdue payments.

The employer can request earlier due dates and combine or add due dates. Common practice is to pay the contributions in four instalments. The contributions can also, for example, be paid once a year, twice a year or monthly.

Checking the payroll

The advance contributions should be made based on a payroll that is as close as possible to the actual payroll, as this means that the final contribution will be in line with the advance contributions. If necessary, the payroll estimate can be changed throughout the year if the assessment is far off.

If your company hires a new employee, an employment notification does not automatically lead to a revised advance contribution. A separate notification of the new payroll must be made.

Employers can notify Ilmarinen of such changes through Insurance service or by calling 010 284 3714 or via e-mail at vakuutuspalvelu@ilmarinen.fi.

Payment arrangements

In the event that paying a contribution in time is not possible, an employer may, prior to the due date, agree on a payment extension, either through the web service or by calling Ilmarinen's customer service.

Unprompted payment of contributions

The employer can make monthly TyEL advance contributions if he/she has notified Ilmarinen that he/she will make unprompted advance contributions. The due date for any advance contribution is always the 20th day of the month following the salary payment or the next weekday after the 20th.

For a monthly payer, the easiest way to make the contributions is using the Insurance Service. The service calculates the contributions based on the reported monthly payroll and takes into account the due date and technical rate of interest. The payment can then be made by moving to an online bank directly through the Service.

A final contribution after the annual calculation

Employee's earnings for the previous year must be reported annually by the end of January. This information is used to calculate the company's exact TyEL contribution in the annual calculation in the spring of the following year.

An annual calculation is also made when payroll has been reported monthly. The exact TyEL contribution for the previous year is calculated once the payroll for December has been reported by the 20th of January.

The TyEL technical rate of interest is used when calculating the advance contributions and the final contribution. The rate in 2009 was 3%. In early 2010 the rate is 3.5%.

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.

The Social Insurance Institution of Finland (KELA) is responsible for national old-age pensions, daily allowance for health insurance and basic unemployment allowance. For more information on the benefits provided by KELA, visit www.kela.fi.

Retirement of an employee

When an employee applies for pension, an earnings report for the year in which employment ends is needed from the employer. The employer can easily report the employment termination and earnings information through the web using the Pension information requests section in the Insurance service when an employee is retiring based on old-age pension, part-time pension or disability pension.

The employee can check his/her pension in our Pension service at www.ilmarinen.fi. You can access the service by logging in using your personal online bank codes.

Ilmarinen's services

We are happy to help you with any issues related to pension coverage

- Pension issues, telephone 010 284 2011
 - Insurance issues, telephone 010 284 3714
 - e-mail vakuutuspalvelu@ilmarinen.fi
 - www.ilmarinen.fi
- OP Pohjola Group, A-Vakuutus and offices of Pohjantähti also serve our customers.

Please see Social insurance contribution www.ilmarinen.fi/sosiaalivakuutusmaksut