

# Employment pension 2011

**Employment pension secures an employee's livelihood once gainful employment decreases or ends due to disability, unemployment or ageing. An employee can also receive vocational rehabilitation to maintain working ability. The next of kin will receive a dependant's pension in the event of the employee's death.**

The Employees' Pensions Act (TyEL) applies to employees aged 18 to 68, who work for a private employer. The employer is obliged to arrange pension provision for the employee when the employment earnings are a minimum of EUR 52,49 per month.

## Retirement on the basis of age

After you have turned 62, you can retire on an old-age pension: the choice of retirement age is flexible. The longer you stay employed full-time, the larger will your pension be. Retirement to an old-age pension requires that the employee's employment contract has ended.

### Early old-age pension at the age of 62

You can receive an early old-age pension at the age of 62 at the earliest. Early old-age pension is calculated from the pension that has accumulated until the retirement, and a permanent early retirement deduction will be made to the accumulated pension. The reduction for early retirement is 0.6 per cent for each month that the pensioner's age is under 63.

### Old-age pension at the age of 63-68

You can retire on an old-age pension at the age of 63 to 68 according to your choice. The old-age pension is the amount of pension accumulated before retirement.

Retirement can also be deferred beyond the age of 68. In that case, a permanent increment of 0.4 per cent for deferred retirement is added to the pension for each month after 68.

## Part-time pension on the basis of part-time employment

A part-time pension can be obtained by an employee who transfers to part-time employment. It is also required that she/he

- has reached the age of 58 at minimum. For those born in 1953 and later, the age limit is 60.
- has earned an employment pension during the last 15 years for a minimum of 5 years
- has, during the last 18 months, been in full-time employment for at least 12 months. Some benefits paid on the basis of illness will continue for a period of six months at maximum.

If the employee already receives a personal employment pension or the equivalent from abroad, she/he cannot obtain a part-time pension.

Part-time earnings should be 35-70 per cent of full-time earnings. Work time and earnings should be deducted by the same proportion. In calculating the part-time pension, full-time employment earnings are regarded as the average earnings during the five previous years, rather than the earnings of the last month.

A part-time pension is 50 per cent of the difference between full-time employment earnings and part-time employment earnings; at maximum, however, 75 per cent of the pension accumulated by the time of starting a part-time pension.

Those born in 1947 and later can always switch to a part-time pension until the age of 68. For those born before this, the upper age limit is 65.

For those born in 1953 and later, the age limit for a part-time pension is 60-68.

## Disability pension on the basis of illness

Disability pension is paid to employees under the age of 63 whose working ability has deteriorated because of an illness for at least a year. Persons whose working ability has been reduced by at least three-fifths are granted a full disability pension. If the reduction is less, but at least two-fifths, the pension is granted as a partial pension. If return to work is no longer likely, the pension is granted as a disability pension until further notice. If the working ability can recover, the pension is granted for a fixed period as rehabilitation assistance. Before the start of full disability pension, you usually receive daily health insurance allowance from the Social Insurance Institution (Kela).

### Vocational rehabilitation to maintain working ability

An employee can receive vocational rehabilitation if an illness threatens to cause disability in the near future. Rehabilitation supported by Ilmarinen can entail rehabilitation guidance, work experiments and work training, and further education resulting in professional degrees.

Ilmarinen also compensates for costs arising from

the rehabilitation. Ilmarinen pays rehabilitation allowance for the rehabilitation period. The allowance corresponds with the full disability pension with a 33 per cent increase.

### Retirement due to unemployment

Only unemployed persons born in 1949 or earlier who have received daily unemployment allowance for at least 500 days have a right to an unemployment pension. In addition, it is required that the person has earned employment income for at least five (5) years during the last fifteen (15) years.

If the person is not entitled to an unemployment pension, he or she can receive daily unemployment allowance instead. Unemployment funds pay their members an earnings-related daily allowance and Kela pays a basic daily allowance.

### Survivor's pension on the basis of the death of the employee

After the death of the employee, a survivor's pension is paid to the widow and children under 18, as well as the former spouse if the deceased person was liable to pay continued maintenance allowance to the former spouse after divorce. Also, the party of a registered relationship of the same sex can be entitled to a survivor's pension.

The precondition for the surviving spouse's pension is that the marriage was concluded before the deceased spouse had turned 65. If a married couple has no children together there are some additional conditions concerning the age of the widow/ widower and the duration of the marriage.

### National pension

The preconditions for receiving national pension are basically the same as for earnings-related pensions. More information on national pension and other Kela benefits are available from Kela, [www.kela.fi](http://www.kela.fi).

### How to apply for pension

Applications for all earnings-related pensions are sent to the pension insurance company, which has arranged the pension coverage for the employee's last employment contract. The application form can be filled out and printed out on the Ilmarinen website at [www.ilmarinen.fi](http://www.ilmarinen.fi). In addition, the forms can be obtained from all pension institutions, insurance company offices and the Finnish Centre for Pensions.

There are separate forms for each type of pension. Earnings-related and national pension is applied for with the same form.

### How is earnings-related pension calculated?

Employee pension accrues from gainful employment from the ages of 18 to 68. The pension is calculated based on the income for each year using the percentage that corresponds to the employee's age as follows:

- 1.5% at the age of 18–52
- 1.9% at the age of 53–62
- 4.5% at the age of 63–67

Since 2005, pension is also accumulated during the periods of certain social benefits at 1.5 per cent per year. Pension is accumulated by, e.g., daily sickness allowance, maternity, paternity and parental allowance, daily allowance paid by an unemployment fund, periods of child care at home when the child is under the age of three and periods of study in vocational schools and universities, once the degree is completed. The pension is accumulated based on either a fixed euro amount or the income the benefit is calculated on.

In addition to the pension, you can also stay employed. If you receive disability or unemployment pension, you should contact the pension institution paying the pension, as earnings may have an impact on the continuance of the pension. As regards work carried out when receiving a pension, the work accrues in a new pension, totalling 1.5 per cent of the annual income.

### Calculating disability pension

In addition to the work years completed, the 'future pension share' is calculated into disability pensions. By this is meant the period remaining until the age of 63 during which the employee has not been able to work due to transition to retirement.

Pension payments are accumulated from the future period for those aged 18–62 at 1.5 per cent annually if the point in time when a disability pension is activated is the year 2010 or later.

When a disability pension has been paid to those under the age of 56 for a period of five years, a one-time increase is added to the pension. This will be remitted for the first time in 2010. The increase is made only once and its size is determined by the age of the pension recipient. The younger the disability has begun, the larger the increase received.

### Calculating unemployment pension

The pension that has accrued for the working years is granted as unemployment pension. If the employee is entitled, upon the start of the unemployment pension, to receive pension accumulation on future income, the accumulation will be added to the old-age pension or survivor's pension (calculated from the unemployment pension) that starts after the unemployment pension.

### **Calculating survivor's pension**

Specified shares of the deceased person's pension are paid as survivor's pension to the widow/widower and children. The overall amount of the survivor's pension cannot be higher than the pension of the deceased person. The surviving spouse's pension is also affected by the income of the widow/widower when he/she has no dependants under the age of 18. Pension accumulated only from the widow/widower's work is considered as his/her income.

### **Life expectancy coefficient**

The number of old-age pensioners will rapidly grow during the years to come and, at the same time, the life expectancy of the populace is expected to lengthen. The rise in employment pension costs incurred by this is being prepared for by taking the life expectancy coefficient into use.

Calculation of the coefficient is based on mortality statistics and the general expectation of population longevity. The coefficient is specified separately for each age group at the age of 62.

The life expectancy coefficient is also applied to the disability pension if the point in time when disability is activated is 2010 or later.

During the starting years, the effect of the life expectancy coefficient is minimal. With pensions beginning in about the year 2025, the life expectancy coefficient is reduced according to assessment to approximately 10 per cent.

### **Personal pension information in the earnings-related pension statement**

Ilmarinen annually sends an earnings-related pension statement to its clients aged 18 to 67. Excluding those receiving part-time pension, the statement is not sent to people who have already retired. It is important that you check your own work information in the statement. By doing this, you will ensure that your pension will be calculated according to the correct details.

The new earnings-related pension statement will be completed in late spring in 2011. As our client, you can already now choose to view the earnings-related pension statement on our website. When you start using the SMS or email reminder service, we will notify you when your new earnings-related pension statement is online.

### **Pension amount is checked annually**

All earnings-related pensions to be paid are checked annually at the beginning of January using the earnings-related pension index, where the proportion of salary change is 20 per cent, and that of the prices' change is 80 per cent.

### **Pension for work abroad**

When a person has worked abroad, pension may have accumulated for him or her there. The pensions are calculated and paid to the applicable legislation of the countries in question. Pension received from another EU/ETA country may impact the amount of earnings-related pension granted in Finland.

When the employee applies for a pension on the basis of working abroad, the U form is required as an appendix to the pension application. The forms can be obtained from Ilmarinen and the Finnish Centre for Pensions, and they also provide assistance for applying for pension abroad.

### **Ilmarinen at your service**

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

### **Ilmarinen's advice services**

- Online services [www.ilmarinen.fi](http://www.ilmarinen.fi)
- Telephone service: +358 (0)10 284 2011, available weekdays 8 am–5 pm.
- Mailing address: Ilmarinen, Porkkalankatu 1, 00018 Ilmarinen, Finland

### **Our online service is an easy way to take care of pension matters**

By using our online services, it is easy to do business with Ilmarinen, regardless of whether you are still working or retired. Our website contains useful information about pension coverage, and how to apply for a pension. There you can also find Ilmarinen's publications and pension application forms.

### **Access your pension information using your online bank codes**

You obtain information about your pension accumulating from gainful employment when you register in our Pension Service. Via this free-of-charge service, you can see your employment pension record sent to you on an annual basis, for instance. When you select Internet record as your mode of delivery, we continue to deliver your employment pension record electronically as well. On request, we will remind you by email or text message when your newest record is available for reading.

Pension Service is available only in Finnish or Swedish.

*Easy on the Internet*

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

- Ilmarinen's publications and pension application forms
- clear instructions to apply for pension benefits
- more information on the most suitable pension-related alternatives for you personally

**Choose an electronic employment pension record!**

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- on request, we'll remind you when your newest record is available for reading.
- if there's something to correct, you can handle the request for clarification quickly on the Internet



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