

Foreign nationals working in Finland

In Finland the administration of the earnings-related pension scheme is decentralized. Pension insurance in the private sector is handled by pension insurance companies, and company or industry wide-pension funds. Ilmarinen is a Mutual Pension Insurance Company managing statutory earnings-related pension insurance under the Employees Pensions Act and the Self-Employed Persons pension Act.

Employment of foreign nationals in Finland is insured in accordance with the Employees Pensions Act (TyEL) whether the employer is Finnish or foreign.

Exceptions to take out insurance under TyEL

TyEL does not concern employees who a foreign employer sends to Finland on a short assignment. The exceptions are

- an employee posted to Finland from another social security agreement country (EU/EEA countries, Switzerland, Australia, Canada, Chile, Quebec, Israel or USA = later Member State) who is employed by a local employer and has a posted employee's certificate (for instance E101 within the EU) or
- a posted worker from a non-agreement country who a foreign employer sends to Finland for a maximum of two years.

If the assignment exceeds two years a foreign employer may also be exempted from the obligation to arrange TyEL-insurance. Exemption is granted for a maximum of five years. Exemption is applied for with the Finnish Centre for Pensions with a free-form application. The employer must provide documentation stating that the employer has arranged pension provision for the employee in some other way.

The Employees insured under TyEL

The employer has to take out insurance for all employees who are between 18 and 67 years of age

and whose earnings exceed the lower limit for the obligation to take out insurance. In 2010 the lower limit is 51.57 euros per month.

Insurance contribution

The earnings-related pensions are financed jointly by employers and the employees. The TyEL contribution for all employers is on average 22% of salaries in 2010 of which the employee's share is

- 4.5% of salary (as of 1 January 2010)
- 5.7% of salary for employees aged 53 or more

The employer withholds the increased employee contribution 5.7% from the beginning of the month following the employee's 53rd birthday.

The basis for the pension contribution is the wage (=TyEL earnings) the employer has paid to the employee. Usually it is the same as the income from which tax is withheld for instance

- salary
- fringe benefits such as a company car or phone benefit
- payments related to annual vacation
- bonuses
- salary paid for the notice period. The notice period can be a maximum of six months if the employment relationship has continued for more than 12 years. Any salary paid in addition to the salaries for the period of notice (golden handshake) is not classified as TyEL earnings.

Note! The pension contributions which have been

When are you entitled to a pension?

Pension based on age

- from the age of 58
 - will be raised to 60 years 1 January 2011 concerning persons born in 1953 and later
- from the age of 62
- between the ages 63 and 68

Pensions granted on account of illness

- a threat of disability
- disability

Unemployment

Death of breadwinner

- part-time pension
- early old-age pension
- old-age pension
- cash rehabilitation benefit
- vocational rehabilitation
- partial disability pension
- disability pension
- unemployment pension may be awarded to persons born before 1950
- survivors' pension to a spouse and to children under 18

held from the employee's salary are not returned to the employee before reaching the retirement age or the onset of disability, even if the employee leaves Finland.

Amount of the pension

Old-age pension

The pension is calculated on the basis of the earnings and accrual rate for each year. The annual accrual rates are as follows:

- 1.5% of annual earnings for age 18–52
- 1.9% of annual earnings for age 53–62
- 4.5% of annual earnings for age 63–67

When calculating the pension, earnings from previous years will be converted to the level in effect at retirement, using a special 'wage coefficient'. In the wage coefficient, the rise of the earning level is weighted at 80% and price increases at 20%. However, the employee contribution is deducted from earnings.

Old-age pension €/month =
accrual percentage x earnings from which the employee pension contribution is deducted
x life expectancy coefficient

Life expectancy coefficient

The life expectancy coefficient will adjust pensions to increasing life expectancy and was calculated for the first time in 2009. The coefficient will for the first time come into effect 2010 and will concern persons born in 1948 and later. The coefficient will be determined separately for each age group at the age of 62, using mortality statistics for the five previous years.

		est.	est.	est.	
Year of birth	1947	1948	1949	1950	1951
Calendar year	2009	2010	2011	2012	2013
coefficient	1	0,9917	0,984	0,978	0,971

Early old-age pension

An employee can take 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% for each month that the pensioner's age is under 63.

Part-time pension

Persons born in 1947 or later are entitled to a part-time pension between the ages of 58 and 67. For those born in 1953 and later, the age limit is 60–67. Conditions for the part-time pension are that the applicant



- has been in full-time employment for 12 months during the past 18 months
- has accrued earnings-related pension for at least 5 years during the past 15 years
- does not receive any other earnings-related pension

The part-time pension is 50 per cent of the difference between full-time and part-time earnings. Part-time income must be 35 to 70 per cent of the stabilised earnings from full-time employment.

Disability pension

An employee is entitled to a disability pension if the person is not expected to be able to perform the present work for at least one year, or any other work which may be deemed suitable. A disability pension is granted either as a full disability pension or as a partial disability pension. An employee whose working capacity is estimated to have been reduced by at least 60% is entitled to the full disability pension. A reduction in working capacity of between 40% and 60% entitles the employee to a partial disability pension.

In accordance with the Sickness Insurance Act, a disabled person receives a daily allowance during the first year of disability. Disability pension commences after this daily allowance has been paid for a maximum period of 300 days. A sickness allowance is paid by Kela (The Social Insurance Institution of Finland).

A disability pension is calculated in the same manner as an old age pension, where the rate of accrual for the projected pensionable service (= time left until the person reaches retirement age) is 1.5% of annual earnings up to age 50 and 1.3% between ages 50 and 63. Starting in 2010, the accrual rate for new disability pensions is 1.5% for the whole period of projected pensionable service. Earnings for projected pensionable service are determined on basis of the earnings from the five calendar years preceding the year of pension contingency.

Surviving spouse's and orphan's pensions

Spouse's pension is available to widows/widowers if they have or had:

- At least 1 child, or an adopted child from the deceased partner.
- and the spouses had married before the deceased reached the age of 65
- No children: To widows/widowers under age 50, if the widow or widower was disabled for at least 3 years before the spouse's death.
- From age 50 onwards, if the widow or widower

married before age 50 and the marriage lasted at least 5 years. A further requirement is that the spouses had married before the deceased reached the age of 65

Maximum surviving spouse's pension amounts to

- 6/12 of the deceased person's pension or the calculated pension based on his or her earnings if one child or no children
- 5/12 if two children
- 3/12 if three children
- 2/12 if four or more children.

The widow's/widower's pension is means tested if there are no children under age 18.

An orphan's pension is paid to orphans until age 18. The maximum orphan's pension amounts to

- 4/12 of the deceased person's pension or the calculated pension based on his or her earnings if one child
- 7/12 if two children
- 9/12 if three children
- 10/12 if four or more children.

Full orphans receive an additional 2/12 of the old age pension.

Unsalariated periods

From 2005, employment pension accrues at 1.5% on unsalariated periods. The basis for the accrual rate will be 117% of the income used to calculate the maternity, paternity and parental allowances, 75% for unemployment periods and 55% for job alternation leave and 65% for sickness leave. The income for child home care up to three years of age and for study leave is taken as EUR 644.56/month.

The 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%, and that of the change in prices is 80%.

Applying for a pension

The earnings-related pension always has to be applied for. In Member States one application is enough even if a person has worked in many Member States. If a person is not living in Finland a pension applicant can submit the application to the institution of the Member State where he resides. The institution of the State of residence will for-

ward the application to the competent institution in Finland (Kela).

Persons living in Finland can apply for a pension accrued abroad at the same time as they apply for a pension from Finland. In addition to the application form itself the applicant fills in appendix U. If a person has been insured in Finland and returns to a non-agreement country, he has to apply separately for a pension from his country of residence as well as from Finland.

In each country the pension is awarded according to the country's own legislation. Even if a disability pension is granted in Finland, it might not be granted in some other EU/EEA country on the same grounds or vice versa. Retirement age also varies in different Member States.

Payment of pensions abroad

An earnings-related pension is paid abroad to all countries (except unemployment and part-time pension, which are paid only to EU/EEA countries) and regardless of the person's nationality. The pension is paid by the pension provider with which the person was insured during the last employment. The earnings-related pension can be paid to an account in a Finnish or foreign financial institution.

Some other good things to know

Joint liability of the pension providers

- guarantees that pension accrued are always paid out
- even the bankruptcy of the pension provider does not remove the right to earnings-related pension
- or if the employer neglects the obligation to take out insurance.

In Finland there is no upper limit set for pension amount or earnings taken into account when calculating the pension. However, compensation under the Motor Liability Insurance Act and the Workers' Compensation Insurance Act are integrated with the earnings-related pensions. If any compensation payable under these Acts is larger than the pension, then the earnings-related pension does not become payable at all.

For more information

www.ilmarinen.fi

Insurance matters:

- tel. 010 284 3714
- e-mail: vakuutuspalvelu@ilmarinen.fi

Pension matters:

- tel. 010 284 2011



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