



TyEL Insurance Contribution

The Ministry of Social Affairs and Health annually confirms the level of the TyEL contribution on authorised pension companies' applications. In 2009, the average contribution is 22% of employees' earnings.

The employer pays the insurance premium in full but the employees contribute to the cost of pensions.

The TyEL contribution is paid on the earnings of employees between the ages 18 and 67. Pension is also accumulated from these earnings. The earnings received during the pension also fall under TyEL.

The contributions of different employers may vary because there might be different kinds of reductions in the basic contribution. In addition, the contribution of the biggest companies is affected by their own disability pensions and unemployment pensions.

Average TyEL insurance contribution

The TyEL basic contribution is a tariff, which is independent of the insured employee's age or gender. In 2009, this is 22.4% of the payroll, which is the same as in the previous year.

The average TyEL contribution is 22.0% of the payroll when client bonuses and other smaller reductions have been taken into consideration. It is assumed that client bonuses reduce the contribution by 0.3% of the payroll on average. In addition, a temporary discount in disability pensions may reduce the payment by 1.0% of the payroll at the most.

During the year, the contract employer can pay the TyEL advance contributions either in the months due according to the invoice sent by Ilma-

rinen or as unprompted monthly payments. The final contribution will be calculated in the spring's annual calculation after the employer has reported the earnings of its employees to Ilmarinen.

The accumulated bonus and the temporary discount in disability pensions will automatically be taken into account.

In 2009, the employee contributions are 4.3% of the salary for those under the age of 53 and 5.4% of salary for those aged 53 or over.

The TyEL contribution of a temporary employer is equivalent to the basic contribution. In 2009, this is 22.4% of the payroll. The contribution is immediately final.

TyEL basic contribution

In 2009, the TyEL basic contribution is 22.4% of the salary. It consists of a retirement pension component, a disability pension component, an unemployment pension component, a pooled component, and other components. The basic contribution is a tariff, which is independent of the employee's age or gender.

TYEL BASIC CONTRIBUTION % OF SALARY

	2008	2009
Old-age pension	2.9	2.9
Disability pension	1.8	1.6
Unemployment pension	0	0
Pooled component	16.6	16.8
Other components	1.1	1.1
Total	22.4	22.4

THE EMPLOYEE'S PENSION CONTRIBUTION % OF SALARY

	2008	2009
Under the age of 53	4.1	4.3
From the beginning of the month following the employee's 53rd birthday	5.2	5.4

The effect of company size on TyEL contributions

When calculating the TyEL contribution in 2009, the size of a company is determined according to the payroll of 2007. It will take into consideration all earnings of employees regardless of whether the employees have been insured in one or more insurances or by different pension insurance companies.

When the company's payroll of 2007 is less than 1,650,000 euro, its own pension cases do not affect the company's disability or unemployment contribution and the company will receive a full temporary discount in the disability pension premium.

The TyEL contribution of the largest companies is also affected by their own disability pensions and unemployment pensions. The disability contribution is determined based on the company's disability risk. When the company's payroll of 2007 was

- 1,650,000–26,400,000 euro, the disability contribution will partly be calculated by the contribution percentage of the tariff category based on the disability risk and partly by the base category, which is equivalent to the average contribution level. The company will receive a partial temporary discount in the disability contribution.
- at least 26,400,000 euro, the disability contribution is determined based only on the company's own tariff category. The company will not receive a temporary discount in the disability contribution.

Contributions by small contract employers

The TyEL contribution for a company whose total payroll in 2007 was less than 1,650,000 euro will be 21.4% of the 2009 payroll. This contribution has taken into consideration the full discount in the disability contribution, which is 1.0% of salary in 2009.

In addition, a client bonus may reduce the payment.

Contributions by large businesses

The TyEL contribution for a company whose total payroll in 2007 was between 1,650,000 and 26,400,000 euro varies between 21.4% and 22.4% of the total payroll and falls into the base category, i.e., contribution category 4, representing the aver-

age contribution for disability pensions. Large businesses will receive part of the 1.0 percentage point temporary reduction in disability pension contributions. The reduction does not apply to very large companies (total payroll over 26,400 euro).

The contribution is reduced by a client bonus.

The disability contribution of a large business is also affected by the tariff category, which is determined according to the company's disability risk. The contribution may be larger or smaller than the average contribution, depending on the tariff category to which the business belongs. In addition, the contribution will be affected by unemployment pensions in the near future.

Contributions by temporary employers

The employer is considered temporary if the company's six-month payroll is less than 7,152 euro (in 2009) and if the employer has no permanent employees.

The TyEL contribution for temporary employers is in accordance with the basic percentage. In 2009, this is 22.4% of payroll. Contributions will not be subject to the temporary reduction in disability pension contributions or client bonuses. A temporary employer pays the unprompted TyEL contribution during the month following the salary payment, and the contribution is immediately final, and it is the same for all pension insurance companies.

Client bonus reduces the TyEL contribution

Every year, a certain amount, which has been transferred into bonuses in the financial statement of the previous year, will be returned as customer bonuses, which will be distributed among the TyEL customers.

The pension fund accumulated from paid contributions and contributions paid during the year in question affect the client bonuses. One half of the sum will be distributed for the insurance in proportion to their funds, and the other half in proportion to the advance contributions made during the year in question. About one-quarter of the pension insurance contributions paid by the company will be funded for future pensions. Reborrowing of the fund prior to 1 March 2002 will decrease the bonus fund, but any borrowing that takes place after that will not.

In 2009, the average bonus is estimated to

be 0.3% of salary. The level of customer bonuses varies among the pension insurance companies; it depends on the company's amount of solvency capital, solvency, and loading profit.

The bonuses will be returned annually to all insurances as reductions in TyEL contributions. Until the annual calculation, an estimated bonus is used, and the final bonus amount will be calculated as the financial statement is completed. The final bonus amount is used when the advance contributions of the current year are again calculated in connection with the annual calculation.

Bonuses of new and transferring customers

If a new company takes out insurance or a company transfers its insurance from another pension insurance company, the client bonus will start to accumulate from the beginning of the insurance. The contribution will be reduced for the first time during the second insurance year, when the bonus accumulated during the first year will be returned.

When insurance is transferred to another pension insurance company, the client bonus will be paid for three years. The precondition for this is that the pension fund has accumulated at least 50,000 euro.

Employee's pension contribution

The employee's pension contribution is included in the total payment. The employer pays the whole pension contribution and deducts the employee's share from his/her salary.

The employee's pension contribution is:

- 4.3% of the earnings of an employee between the ages of 18 and 52
- 5.4% of the earnings of an employee between the ages of 53 and 67.

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 pension contribution of older employees is higher because the pension accumulation increases from 1.5% to 1.9% at the beginning of the month following the employee's 53rd birthday and to 4.5% when the employee turns 63.

Employee's pension contribution for all work

The employee's pension contribution will be deducted from all work, including voluntarily insured work. The contribution will also be deducted

from those voluntarily insured on account of a position of trust and from the insurance income of voluntarily insured employees abroad.

If the employer provides voluntary insurance for employees whose monthly earnings are less than 49.93 euro, the employee's pension contribution will be deducted from the salary. If the earnings are not insured, the employee's contribution is not deducted either.

The employee's pension contribution will also be deducted from the earnings of a person receiving disability pension, partial disability pension, unemployment pension, and the old-age pension that has been started before the insured has turned 68.

Retroactive deduction of pension contribution

If the employee contribution has not been deducted, it can be deducted in connection with the next two salary payments in the case of an obvious error.

If the salary consists of only fringe benefits during certain months, the employer may deduct the contribution within a year in connection with the following salary payments.

If the employer deducts the contribution without cause, for example from a subsistence allowance, or deducts too large of a payment, the unnecessary payment must be returned at the employee's demand.

Advance contribution and final contribution

A contract employer's advance payment for 2009 is determined on the basis of the TyEL basic contribution percentage, taking into consideration the company's contribution category, the temporary discount in disability pensions, and the client bonus.

The contribution category is determined on the basis of the company's disability risk. Companies with a payroll of at least 1,650,000 euro in 2007 fall under the contribution categories. When the payroll is smaller, the company's own disability pensions do not affect its contributions. The temporary discount in disability pensions will be received by the companies with a payroll less than 26,400,000 euro in 2007.

The large business discount for large businesses will be taken into consideration in the advance payments during the rest of the year after the annual calculation.

The final TyEL contribution can be calculated after the employer has reported the precise employment details and salary information to Ilmarinen.

In comparison to the advance payment, the final payment includes, among other things, the unemployment contribution.

The disability contribution of large businesses according to the contribution category

Since 2006, the disability contribution of large businesses has been determined based on the contribution categories. Each year and in advance, a company's contribution category is determined based on the number of disability pensions granted to the company's employees in previous years.

In 2009, the contribution is affected by the disability pensions, partial disability pensions, and individual early retirement pensions granted to the company's employees in 2006 and 2007. Rehabilitation benefits, i.e., temporary disability pensions, do not affect the contribution category. If the person receiving a rehabilitation benefit is granted a disability pension at a later stage, it will then be taken into consideration when determining the contribution category.

There are 11 contribution categories for disability risks of different sizes, and their contributions have been proportioned to the contribution of the base category 4. The base category contribution is equivalent to the average disability expenditure. The company's contribution category and contri-

bution are lower when fewer of its employees have retired due to disability.

The larger the company is, the more important its contribution category is. When the company's payroll in 2007 is between 1,650,000 and 26,400,000 euro its own contribution category affects the payment only partly. The disability contribution for larger companies will be paid only according to the contribution category.

Determining the contribution category

A risk ratio representing the company's disability risk in relation to the average risk is calculated for the company each year based on pensions granted. A two-year risk ratio average is used to determine the contribution category of a company. Using a two-year average smoothes out fluctuations in the contributions.

The risk ratio equals one if there is more than the average amount of disability pension cases in the company. If the pension expenditure is less than the average, the risk ratio is less than one.

Disabled employees do not increase the contribution category

As of 2009, the disability pensions granted for disabled employees do not affect the disability expenditure, which determines the contribution category. The precondition for this is that the employment

CONTRIBUTION CATEGORIES AND DISABILITY CONTRIBUTION PERCENTAGES IN 2009

Contribution Category	Category coefficient (Average of two-year risk ratio)	Contribution category coefficient	Disability contribution in 2009, Average, % of Salary
11	at least 5	5.5	8.8
10	4.00-4.99	4.5	7.2
9	3.00-3.99	3.5	5.6
8	2.50-2.99	2.75	4.4
7	2.00-2.49	2.25	3.6
6	1.50-1.99	1.75	2.8
5	1.20-1.49	1.35	2.16
4 Base Category	0.80-1.19	1	1.6
3	0.50-0.79	0.65	1.04
2	0.20-0.49	0.35	0.56
1	less than 0.2	0.1	0.16

relationship begins after 1 January 2009 and that the disability begins during the first four calendar months of the employment relationship.

The company must report the disability to Ilmarinen by the end of January during the year following the beginning of the employment relationship. An employee who is registered as a disabled applicant in the Employment Services register in the beginning of the employment is considered to be disabled.

An estimate of the contribution category can be received in good time

Ilmarinen has created a service for estimating the contribution category with which the forthcoming contribution categories may be estimated in good time prior to their final calculation. The estimates are cost-free.

The contribution category of 2010 will be calculated after the annual calculation of 2008 in summer 2009. At this time, the contribution category is affected by the pensions of 2007 and 2008. The contribution category can vary every year. Ilmarinen will notify the customers of the new contribution category as soon as it is calculated. The contribution category of 2010 forms the basis for calculating the advance contribution of 2010.

Allocation of pension expenditure

Since 2006, the pension expenditure arising from pension is no longer allocated only to the last employer. When the disability contribution begins after 2005, the liability resulting from disability pension will be distributed in proportion to the paid salary among the employers who have paid a salary to the

AN ESTIMATE ON THE DISABILITY CONTRIBUTION IN COMPANIES OF DIFFERENT SIZES IN 2009

Contribution Category	Payroll, million €				
	3	6	12	25	50
	Disability contribution, euro per year				
11	59,782	171,927	553,309	2,098,182	4,400,000
10	57,164	155,055	473,018	1,720,808	3,600,000
9	54,545	138,182	392,727	1,343,434	2,800,000
8	52,582	125,527	332,509	1,060,404	2,200,000
7	51,273	117,091	292,364	871,717	1,800,000
6	49,964	108,655	252,218	683,030	1,400,000
5	48,916	101,905	220,102	532,081	1,080,000
4 Base Category	48,000	96,000	192,000	400,000	800,000
3	47,084	90,095	163,898	267,919	520,000
2	46,298	85,033	139,811	154,707	280,000
1	45,644	80,815	119,738	60,364	80,000

The effect of the payment category is quite small for smaller companies because most of the contribution is determined on the basis of the base category.

person receiving the disability pension during the two calendar months before the retirement.

The proportion of the pension that corresponds to the social benefits will be funded from a pooled component. If the employee has received social benefits during the two-year review period, the portion of the total pension expenditure targeted at the employee will decrease.

If the employee's salaries, during a two-year period, are less than 14,979.51 euro in 2009, there will be no employer liability.

Contribution categories depend on the pension insurance company

If the company's different employee groups are insured by separate pension insurance companies, each pension insurance company will determine the contribution category according to their insurance. Thus, the company may have different contribution categories in different pension insurance companies. However, the pension insurance companies use the same total payroll when they calculate the effect of the company's own contribution category.

If the company transfers its insurances to another pension insurance company, the contribution category and the information affecting it will be transferred as well.

Large businesses' liability component in the unemployment pension

Unemployment pension pursuant to statutory earnings-related pension insurance only concerns individuals born in the 1940s. Those born in 1950 and after cannot be granted unemployment pension. Instead of the pension, the long-term unemployed persons are provided with a continued unemployment allowance. The Unemployment Insurance Fund will start as of 2009 to collect fees comparable to unemployment pension contributions from employers.

A company might be liable to pay a compensation fee for the unemployment pensions of its own employees if the payroll of 2007 is more than 1,650,000 euro. The amount of the compensation fee will steadily increase as the payroll increases from 1,650,000 euro to the maximum limit, which is 26,400,000 euro. The company's own pension cases have a full effect when the payroll is at least 26,400,000 euro.

Unemployment pension serving as the basis of the contribution

During the pension reform in 2005, it was

decided that an unemployment pension may only be received by those between 60 and 61 years of age and born before 1950. Unemployed persons who have reached the age of 62 cannot receive an unemployment pension but they are entitled to receive a full old-age pension. Thus, the last unemployment pensions may begin in 2011 when those born in 1949 reach the age of 62.

To be able to receive an unemployment pension, it is required that the person is 60 years of age and has received the full amount of daily allowances. If the person receiving daily allowances has reached the age of 57 before he/she has received daily allowances for 500 days, the person is entitled to daily allowances until the end of the calendar month during which he/she will reach the age of 60. This means that at the end of the employment, the employee must be aged 55 years and 1 month to be able to receive daily allowances until the beginning of the unemployment pension.

Paying for a new unemployment pension

Starting in 2007, the liability component in unemployment pensions will be gradually removed. If the person has been working after 1 January 2007, the amount of his/her earnings will determine whether or not the company has to pay the liability component in the unemployment pensions. If the person's earnings in 2007 were more than 22,000 euro, there will be no liability component for the employer. If the employment continued in 2008, the earnings after 1 January 2007 must be more than 22,480 euro in order to leave the company without any expenses. In 2009, the limit is 23,840 euro.

Unemployment pensions are pre-funded during the year when the pension benefits are granted. Thus, a significant one-time expense is directed at that year. In the following years, the pension will cause small expenses until the old-age pension begins. If the unemployment pension ends before the retirement age, due to death, for example, the remaining fund will be returned to the company.

As the expense is directed at the year when the unemployment pension was granted, it has been designed so that it sufficiently covers the pension until the retirement age. The size of the expense is primarily affected by the amount of pension, age of the retiree, and the size of the company.

In certain situations the pension expense is pooled and is transferred to be paid together by the liable employers in the pension insurance companies. The company's share of the pool is determined

by using, as a basis for division, the payroll of the employees who have reached the age of 53.

For example, a monthly pension of 1,000 euro will cost a company with a full liability 34,200 euro if the person retires at the age of 60. For an employee aged 61 years, the expense is 23,300 euro. The expenses for smaller companies are lower.

COST OF UNEMPLOYMENT PENSION

The unemployment pension expenses for the employer during the year the pension is granted can be calculated by multiplying the amount of the annual pension by the coefficient in the following table. Expense resulted to the employer = annual pension x coefficient

Employee's age	Company's total payroll in 2007 million €					
	4	8	12	16	20	26,4
60	0.3	0.7	1.2	1.6	2,1	2,8
61	0.2	0.5	0.8	1.1	1.5	1.9

Liability component will be transferred to be paid by the Unemployment Insurance Fund

Those born in 1950 and after cannot be granted unemployment pension anymore. Their livelihood will be secured with a continued unemployment benefit that can be received until the age of 65. The right to receive the continued unemployment benefit begins after 500 days of unemployment allowance provided that the person receiving the unemployment allowance has turned 59 prior to this. Thus at the end of the employment, the employee must be at least 57 years and 1 month to be entitled to continued unemployment benefits.

Large businesses are liable for a compensation fee if an employee born in 1950 or after is entitled to receive the continued unemployment benefit according to Unemployment Security Act due to his/her dismissal. The Unemployment Insurance Fund is liable for the implementation of compensation fees. Its level is equivalent to the former deductible of unemployment pensions.

The Unemployment Insurance Fund will collect the compensation fee after the continued unemployment benefit has begun. In practice, this takes place two years from the beginning of the employment, at the earliest.

The compensation fee is valid only until the person reaches the age of 63, even though the continued unemployment benefit may continue until the age of 65. Compensation fees arise also when a person's right for unemployment allowances begins after turning 60 and continues until the person reaches the age of 63 or until he/she retires at the age of 62.

The first compensation fees collected by the Unemployment Insurance Fund fall due in 2009, when the unemployed persons born in 1950 reach the age of 59.

For more information on the liability component in the unemployment insurance contribution, please visit www.tvr.fi - 'The employer's liability component'. The employer can estimate the amount of the possible compensation fee by using a calculator on the Internet pages. The address of the Unemployment Insurance Fund is Kalevankatu 12, PL 191, 00121 Helsinki, tel. +358-9-68 03 7380.

