IGP Country Profile
2022

Finland

Prepared by:
Mandatum Life Insurance Company Limited

Preface

This Country Profile has been prepared by **Mandatum Life Insurance Company Limited** for the International Group Program (IGP).

The International Group Program (IGP) is a network of major life insurance companies (Network Partners) operating throughout the world, who work together to meet the group insurance and pension needs of international corporations and their affiliates, branches, and subsidiaries.

Since 1967, the International Group Program has been an industry leader in the field of international benefits management, serving more multinational companies than any other network. IGP is represented in around 80 countries throughout the world and is known for the flexibility and quality of service we provide to our clients.

Working closely with our headquarters' staff in Boston, our regional offices in Brussels and Singapore, IGP Network Partners offer corporate clients the advantages of experienced local insurance management coupled with the resources of a professionally trained staff that specializes in international employee benefits.

IGP is managed by John Hancock Life Insurance Company (U.S.A.), the U.S. operation of Manulife Financial Corporation, a leading financial services group based in Toronto, Canada. Manulife offers its clients a diverse range of financial protection products and wealth management services. Both Manulife Financial and John Hancock are internationally recognized brands that have stood for financial strength and integrity for more than a century.

The information contained in the IGP Country Profiles is considered proprietary and any material extracted from a profile must be attributed to IGP.

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Table of Contents

YOUR LOCAL LINK TO IGP IN FINLAND

Mandatum Life Insurance Company Limited 4

SOCIAL SECURITY BENEFITS & CUSTOMARY PRIVATE EMPLOYEE BENEFITS

Introduction 5

Death Benefits 6

Disability Benefits 8

Medical Benefits 9

Retirement Benefits 10

National Pension Scheme 11

Employment Pensions Scheme 11

Free-form additional employment pension plans (DB Plan) 13

Defined Contribution pension plans 13

Individual Life and Pension Insurance 13

Illness Insurance 14

Workers' Compensation 15

Family Allowances 16

Unemployment Insurance 16

TAXATION 18

TRENDS 19

SAMPLE EMPLOYEE BENEFIT PLANS

Typical supplementary benefits in Finland 20

Sample Employee Benefit Plan 1 21

Sample Employee Benefit Plan 2 22

USEFUL LINKS 23

APPENDIX: FOREIGNERS IN FINLAND 24

Your Local Link to IGP in Finland: Mandatum Life Insurance Company Limited

Mandatum Life Insurance Company Limited
The IGP Network Partner in Finland

Mandatum Life Insurance Company Limited, is one of the most respected and well-established life insurance companies in Finland. It provides private, corporate and institutional customers with a range of expertly designed life and pension insurance solutions as well as high standard wealth management services. Mandatum Life and its partner, Kaleva, serve more than 461,000 individuals and over 25,000 corporate and institutional customers.

With a market share of almost one-third, Mandatum is the leading life insurance company in Finland. It is also the leader in the corporate market based on premium volume written. Independent surveys have shown Mandatum to be the most highly regarded insurance company in Finland for the quality of its service, and its solvency capital exceeds the required minimum.

Mandatum is a member of Sampo plc., the Sampo Group's holding company, which owns Mandatum group. Mandatum group consist of Mandatum Life and Mandatum Asset Management.
The Sampo Group was originally founded in 1909 and has been listed on the Helsinki Stock Exchange since 1987. The Sampo Group's business is divided into two main areas:

- Mandatum is the leading life insurance company in Finland.

- If P&C Insurance Company, the leading property and casualty insurance company in the Nordic region. The P&C insurance group's parent company, If P&C Insurance Holding Ltd., is located in Sweden. The *If* subsidiaries provide insurance solutions and services in Finland, Denmark, Norway, Sweden and the Baltic countries.

Mandatum Life Insurance Company Limited has been an IGP Network Partner since 1988.

Key Products

Life

- Life
- Accidental Death and Disability

Disability

- Permanent and Total Disability
- Long-Term Disability
- Short-Term Disability
- Critical Illness

Medical

- Supplemental Hospital and Surgical

Pensions

- Free Form Pension Plans (Defined Benefit Plans)
- Insured Pensions (Defined Contribution/Unit Linked)

Other

- Wealth Management in connection to pension and saving policies
- Endowment Policy (Unit Linked)
- Personnel Fund

Social Security Benefits and Customary Private Employee Benefits

Introduction:

The Social Security system can be divided into two parts, namely income security and social services. Social and health services are financed jointly by the State and municipalities. The public authorities are also primarily responsible for the supply of services, such as medical treatment, which is provided for free or at very low cost at municipal health centres and is heavily subsidised in public hospitals.

Income security, on the other hand, consists of benefits granted by various social insurance schemes, as well as those benefits classified as welfare benefits. The most significant types of welfare benefits are family policy income transfers and last resort living allowances. Welfare benefits are also financed mainly by the State and municipalities.

This profile concentrates primarily on the benefits granted by various types of social insurance. Some of the social insurance schemes cover the entire population. These schemes are generally designed to provide basic security against various risks, and they are principally financed by contributions levied in the same way as taxes. On the other hand, schemes aimed at maintaining an achieved standard of living provide for earnings-related benefits. Consequently, the contributions are proportionate to the earnings of the insured.

A special feature characterising Finnish social insurance is that, although the insurance cover is obligatory and mandated by law, it is - in practice - run mostly by private insurance companies, funds, and foundations. The State is responsible for legislation and for the supervision of the system. Generally, the highest supervisory authority is the Ministry of Social Affairs and Health.

Due to the changes in the Social Security provisions (e.g., no earnings ceiling in statutory pensions) voluntary employee benefit plans for non-management personnel, as well as for executives are becoming more common in Finland. Even though it is not so common than in many other countries. In addition to supplementary pension schemes, most important types of private benefits are life and medical policies.

DEATH BENEFITS

Social Security Benefits

Employees' Group Life Insurance

Eligibility

Employees covered by statutory earnings-related employment pension (TYEL or other) legislation.

Benefits - Qualifying Conditions

A lump sum indemnity is usually paid to the spouse and children under 22 years of age, if the employee dies while employed or within three years after the termination of employment. (If the employee was receiving a disability pension, the limit is five years.)

Benefits - Amount

The lump sum indemnity consists of a basic sum, plus child and/or accident supplements. The basic sum for an employee under 50 years of age is € 16,720 and is reduced in accordance with age. When the employee reaches age 60, the sum is € 4,660. The child supplement is € 7,540 for each child. The accident supplement is 50% of both, the basic sum and the child supplement.

Index-linking

No index-linking, but the amounts are usually increased annually.

Financing

The employer pays approximately 0.066% of payroll in connection with the employment accident insurance.

Taxation

Benefits are tax-exempt. Contributions are tax-deductible.

Administration

The insurance is administered by the Employees' Group Life Assurance Pool. The insurance is written in the non-life insurance company where the employer has taken out his mandatory employment accident insurance.

National Pension Scheme

Spouse's pension Benefits

Survivor's pension is payable to a spouse (widow or widower) and requires that the deceased person was residing in Finland at the time of death. If the deceased moved to Finland only recently, it is required that he/she resided in Finland for a total of three years, after reaching the age of 16, if he/she were of Finnish, EU or EEA country nationality, or for at least five years immediately prior to death, if he/she was of another nationality.

A further requirement is that the survivor's pension is paid, provided the marriage took place before the deceased's spouse reached age 65. Additional requirements are that the spouses have or have had a child together, or the surviving spouse is over 50 years old and the marriage took place before they reached the age of 50 and lasted for at least five years. Neither a surviving spouse receiving a national pension, nor an ex-spouse is entitled to this pension.

A registered partnership between same-sex partners is on par with marriage. Consequently, a surviving partner is entitled to a survivor's pension after the death of his/her partner.

Customary Private Employee Benefits

Although a group life plan could include several components, it is typical in Finland to have a plan that includes only lump sum death and permanent total disability benefits. This lump sum can either be a fixed amount or some multiple of the insured's monthly salary, most commonly 12-24 times the monthly salary.

Generally, the employer pays the entire premium. Such premiums are fully tax-deductible for the employer.

Group life insurance is risk insurance. For one employer, the cover can include a lump sum benefit at death and other benefits as defined below:

Lump sum benefit at death

As defined by the beneficiary clause. If desired, an additional sum may be paid in case of accidental death. The sums may be fixed, linked to annual income or decrease with age.

Financing

Generally, the employer pays the premiums. The premiums depend on sex and age.

For example: for lump sum benefit at death, the premium per year for each € 10,000 is as follows:

Age	Male	Female
30	€ 21.60	€ 19.10
40	€ 32.10	€ 23.50
50	€ 69.60	€ 38.90

Taxation

Premiums paid by the employer are fully tax-deductible for the employer (and not considered as taxable income for the employee). Employee contributions are not tax-deductible.

Life insurance benefit is taxed as inheritance from beginning of 2018.

Administration

Life insurance companies.

DEATH BENEFITS	
Social Security Benefits	**Customary Private Employee Benefits**
Initial pension for six months is € 335.76. Final pension after six months: Basic amount of € 105.17 per month is paid only to a surviving spouse with children under 18 years of age. However, an income-tested additional amount and a housing allowance may be paid depending on income and property. Children's pension Benefits Children's pension is paid to a biological, adopted, or foster child up to 18 years of age, or to students up to 21 years of age. A child receiving a Disability Pension is not entitled to this pension. A children's pension is also paid after the death of his/her parent's same-sex partner, provided the child and partners lived in the same household. A basic amount of € 61.78 per month and a supplement of € 93.45 per month. The maximum is granted if other survivors' pensions do not exceed € 57.45 per month. **Employment Pensions Scheme** Spouse's pension Benefits Survivor's pension is paid to a widow/widower if the marriage took place before the deceased's spouse reached age 63. Additional requirements are that the spouses have or have had a child together, or the surviving spouse is over 50 years old or permanently disabled, and the marriage took place before the surviving spouse reached age 50 and has lasted for at least 5 years. The requirements are more lenient for women born before July 1, 1950. An ex-spouse is qualified for a spouse's pension, if the deceased's ex-spouse paid alimony to her. The ex-spouse will have to meet the same requirements for eligibility as the surviving spouse. A registered partnership between same-sex partners is on par with marriage. Consequently, a surviving partner is entitled to a survivor's pension after the death of his/her partner. Survivor's pension is equal in size to the pension of the deceased or to the size of disability pension to which the deceased would have been entitled when he/she died. The spouse's pension varies from 2/12 to 6/12 of primary beneficiary's pension. By means of a pension adjustment, the surviving spouse's pension is tailored to correspond to the economic loss arising from the death of the deceased spouse. In the pension adjustment, the surviving spouse's own employment pensions are compared to those of the deceased. As a result of this comparison, the spouse's pension is paid either in full, reduced, or is not paid at all. The pension adjustment is generally not carried out before the surviving spouse is the sole beneficiary. Children's pension Benefits Children's pension is paid to a biological or adopted child of the primary beneficiary or to the surviving spouse's child (children) until the child's 18th birthday and until age 21 in case the child is a studying. A children's pension is also paid after the death of his/her parent's same-sex partner, provided the child and partners lived in the same household. The amount of the children's pension varies from 4/12 to 10/12 of the primary beneficiary's pension; the full orphan supplement is 2/12.	

<table>
<tr><th colspan="2">DISABILITY BENEFITS</th></tr>
<tr><th>Social Security Benefits</th><th>Customary Private Employee Benefits</th></tr>
<tr><td>
For information on daily allowances, please see page 14. After a prolonged illness, the insured is normally entitled to a Disability Pension (please see below).

National Pension Scheme
Disability Pension
Disability pension is paid to persons aged 16 to 64 if they, owing to illness, disability or injury, are unable to carry out their usual or comparable work, taking into account their age, skills and other factors. Payment begins when daily illness allowances are exhausted.

Individual early retirement pension Benefits
Individual early retirement pension (in fact a disability pension) is paid to an employee, who has reached age 63 and has been working for a long period, if his/her working capacity has been permanently reduced due to illness, working conditions, or other similar reasons to such a degree that it is not reasonable to expect him/her to continue to work in his/her respective job.

Employment Pensions Scheme
Disability Pension
Disability Pension is granted to an employee who has an illness, disability, or injury which reduces his/her capacity to work for at least a year. Training, former work, age, and housing conditions are taken into consideration. The full pension is payable for at least 60% disability, and a partial pension is payable for 40% disability. Payment of the full disability pension normally begins after the beneficiary has received an illness daily allowance for one year.

Disability pension is calculated in one of two ways. For individuals who become disabled while actively employed or within one year (1) of termination of employment, the period of time between the onset of disability and pensionable age is also taken into account in determining the pension. Entitlement to future periods requires that the employee has been working for at least one year in a private or public sector employment during the last ten years. For individuals who become disabled more than one year after termination of employment, the disability pension is equal to the old-age pension accrued at the time of termination.

Rehabilitation support and allowance
Rehabilitation support and allowance are paid to persons under the rehabilitation process.

The rehabilitation support equals the normal disability pension. While receiving the support, the beneficiary is rehabilitated by the programme offered by the beneficiary’s employment pension institution or some other organisation. During active rehabilitation the support is increased by 33%. This increase is also paid to a pensioner with a permanent disability pension who is being rehabilitated.
</td><td>
Although a group life plan could include several components, it is typical in Finland to have a plan that includes only lump sum death and permanent total disability benefits and daily allowance for disability. This lump sum can either be a fixed amount or some multiple of the insured's monthly salary, most commonly 12-24 times the monthly salary. Daily allowance is normally 75 to 100 per cent of the salary together with the daily allowance from the social security.

Generally, the employer pays the entire premium. Such premiums are fully tax-deductible for the employer.

Daily allowance for disability
Paid as agreed for one or two years maximum. Qualifying period optional (minimum 21 days, maximum 3 months). Maximum age on commencement of disability cover is 60.

Lump sum benefit for permanent and total disability
Paid as agreed after one year from commencement of disability. Maximum age on commencement of disability is 65.

Financing
Generally, the employer pays the premiums. The premiums depend on sex and age.

Taxation
Premiums paid by the employer are fully tax-deductible for the employer (and not considered as taxable income for the employee). Employee contributions are not tax-deductible.

Lump sums for disability or illness are exempt from tax. Daily allowance for disability is considered as taxable income.

Administration
Life insurance companies.
</td></tr>
</table>

(1) The one-year period may be extended in case of unemployment or if the individual is receiving a sickness daily allowance or in case of mothers staying home to care for children under three years of age. (Continued employment in other EU or EEA countries is on par with employment in Finland.)

<table>
<tr><th colspan="2">MEDICAL BENEFITS</th></tr>
<tr><th>Social Security Benefits</th><th>Customary Private Employee Benefits</th></tr>
<tr><td>

Illness Insurance
Eligibility
Medical benefits: All residents of Finland.

Reimbursement for Medical Treatment
Patients are reimbursed for costs resulting from medical treatment (Treatment at municipal health centres, hospitals, and out-patient facilities are provided for free, or at very low costs to patients). Reimbursement is calculated according to an official tariff of rates.

➢ Doctors' fees: fixed amount in euro depending on treatment.
➢ Dentists' fees: dental care costs are reimbursed to all persons. The reimbursement in euro is fixed and depends on the treatment. School children under age 17 and war veterans are entitled to completely free dental care.
➢ Prescribed medicines; Medicine purchase up to € 50 is not reimbursed. After that, basic reimbursement of 40% of the billed amount. Some illnesses entitle the insured to free medicines or reimbursement of up to 100%. For these medicines, the individual is required to pay a dispensing fee of € 4.50 per purchase. The upper limit for annual costs of all prescribed medicines is € 592.16. Amounts exceeding this amount are reimbursed, except for a dispensing fee of € 2.50 per purchase/medicine.
➢ Transportation: Full reimbursement for all necessary costs in excess of € 300 in total per calendar year.

Occupational Health Services
The employer is responsible for providing occupational health services for his employees. A medical examination at the commencement of employment, as well as first aid are obligatory services. In addition to this, major employers usually provide further medical care for their employees.

The employer is reimbursed for 60% of the costs, irrespective of the extent of services. However, the employer receives no reimbursement for dental care.

For more info on Illness Insurance, please see page 14.
</td><td>
Employers are more and more covering employees for medical treatment in private hospitals and clinics. The reason for the demand for a medical benefit is an increasing need to get instant treatment in case of illness or accident.

The product range differs a bit between the insurers, but below is a description of a commonly used group medical policy:

Benefits
The insurance covers expenses caused by an illness or accident which are not compensated under any law.

➢ Medical treatment: The amount of actual costs not covered by any legislation is reimbursed. For each illness or injury, the maximum reimbursement is € 10,000.
➢ Inpatient care: Fees are paid up to the limit mentioned under medical treatment, or to a fixed maximum amount.
➢ There can be a deductible in the insurance, i.e. € 30 per treatment.

Financing
The employer normally pays all premiums. The size of the insured group has an effect on the amount of premiums.

Taxation
Premiums paid by the employer are fully tax-deductible for the employer. In case the average annual premium is above EUR 400 per member, or the whole personnel are not covered by a medical policy, the premium is considered as taxable income to the employees.

The compensation of expenses is not taxable income.

Administration
Private non-life insurance companies.
</td></tr>
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RETIREMENT BENEFITS

Social Security Benefits

The Finnish pension cover is based on the national pension scheme and the employment pension scheme.

National Pension Scheme

Old-age Pension Benefits - Qualifying Conditions

Old-age pension is payable at age 65. For those born after 1965, the pension age is the same as the one from the employment pension system. The pension can also be paid commencing at age 63 or can be deferred beyond age 65. A full pension is paid after 40 years of residence between the ages of 16 and 65. In cases where the period of residence is shorter than 40 years, the pension is related to the period of residence.

Pension Amounts

The national pension is fully offset by TYEL or other statutory earnings-related employment pension. With the introduction of the guaranteed pension, minimum pensions for pensioners living in Finland are equal to EUR 679.50
Drawing an early old-age pension reduces the above-mentioned pensions by 0.4% per month, and deferment increases them by 0.6% per month without any upper limit.

Housing allowance

For pensioners with limited means a maximum of 85% of housing expenses exceeding a limit is granted. The limit is scaled according to the amount of income and property.

Other increments

A pensioner can also receive different increments, e.g. for helplessness or childcare.

Employment Pensions Scheme

Old-age Pension Benefits - Qualifying Conditions

The pensionable age is 63 (for those born before 1955) and will be gradually raised to 65 years (for those born before 1965) by 2025. For those born 1965 and after, the pension age will be linked to life expectancy.

Old-age Pension – Amounts

The size of the pension is basically determined in the same fashion under all pension laws. Basic features are presented below:
Starting January 1, 2005, old-age pension is calculated for the whole employment career, one year at a time. There is no upper limit to earnings taken into consideration when calculating the pension.
Since January 1, 2017, the pension accrues at a rate of 1.5% of pensionable earnings each year from the age of 17 up to 52 and after the age of 63. For an interim time till 2025, the accrual rate is 1.7% for the age group 53-62.

Partial Old-age Pension Benefits - Qualifying Conditions

can be applied for after reaching 61 years. The amount is 25% or 50% of the pension accrued up until the end of the previous year. The life expectancy coefficient as well as a 0.4% reduction per month prior to the normal pension age is calculated. There is no restriction on employment nor earnings alongside this pension.

Customary Private Employee Benefits

Free-form additional employment pension plans (Defined benefit Plan)

Coverage

The group must be defined based on objective criteria, at least two members. Most of defined benefit plans are closed groups.

Benefits

The types of pensions are the same as under basic TYEL-cover, excluding part-time pensions and unemployment pensions.
A funeral grant can be included.

Qualifying Conditions

The conditions for each type of pension are in principle the same as for basic TYEL-cover. However, alterations can be made. The most important are:

- Pensionable age can be lower than 65 (however, pensionable age under 60 is exceptional).
- In general, survivor's pension can be granted more freely than under TYEL.

Due to the TYEL reform in 2017, most of the Defined Benefit plans have, as of 2017, a fixed benefit level. In other words future income will not anymore effect on the benefit levels.

Defined Contribution pension plans

Coverage

The group must be defined based on objective criteria, at least two members.

Benefits

The plan is based on defined contribution. The minimum retirement age is 55. The pension can be paid for a fixed duration or as a life-long pension. The minimum duration is 2 years.

Normally the policy includes a life insurance which covers the accrued fund in full. The policy can also include cover for permanent disability. In this case the accrued fund is paid out as a disability pension.

A range of unit-linked funds can be linked to the policy. In many cases the employees are given the possibility to choose their own funds.

Social Security Retirement Benefits – Additional Information

National Pension Scheme

Eligibility:	Eligibility applies to permanent residents. Finnish nationals and nationals of the EU or EEA countries who have lived in Finland for at least three years, after reaching age 16, are eligible for the national pension. Foreigners (other than those mentioned above) are required to have resided in Finland for at least 5 years immediately prior to applying for a pension. The amount of national pensions fully offset by the beneficiary's employment pension (TYEL or other). In order to receive a full disability, individual early retirement or unemployment pension, the beneficiary must have lived in Finland for at least 80% of the period from age 16 to the start of the pension.
Index-linking:	National pensions are linked to the cost-of-living index.
Financing:	Since 2010, employers do not pay a separate contribution for national pensions. Employees do not pay any contribution for national pensions.
Taxation:	Benefits: The national pensions are taxable income. Increments to the national pensions are tax-exempt.
Administration:	The National Pension Scheme is administered by the Social Insurance Institution (*Kela*) and its local offices.

Employment Pensions Scheme

An extensive pension reform came into effect as of the beginning of 2017.
Key issues of the reform are:

- Pension accrual at different ages will become more unified and is in general 1.5 per cent of income and the age at which pension begins to accrue was lowered to 17.
- The retirement age will be raised gradually by two years (to 65 years) by 2025. After that, the retirement age will be linked to life expectancy.
- The early old-age pension is replaced by the partial old-age pension.
- A new pension type will be introduced: the years-of-service pension. People who have worked for 40 years in strenuous and wearing work may be eligible for this pension.

In addition, the reform should stabilise the pension insurance contributions far into the future.

General Info:	All employers are required by law to enrol in an earnings-related pension "plan". There are several pension laws for the private sector. This section covers only the Employees' Pensions Act (TYEL), the "basic law" regulating private sector schemes. (The benefits under the other laws are similar to those under TYEL.) The employer can arrange TYEL-cover for his employees by taking out insurance with a private pension insurance company or by establishing a pension fund or a foundation. The first method (through insurance) is the most common. A minimum of 300 employees is required for establishing a company's individual foundation or a pension fund. The central coordinating body for all private sector pension plans is the Finnish Centre for Pensions (ETK), which - among other things - maintains a nationwide register of the insureds, employers, vested pension rights ("paid-up policies"), and pensions in payment.

The private sector employment pension scheme follows the so-called principle of last institution. Along that principle, the institution where the employee was last insured will grant and pay out all the pensions the employee has earned during his career. The Finnish Centre for Pensions informs the last institution of relevant policies.

Thus, the employment pension paid by the last institution often consists of funded pension rights under the responsibility of other institutions. Consequently, a liability distribution system is necessary. Another reason for such a system is the fact that a considerable part of the pension costs of the scheme are under the joint responsibility of pension institutions and are paid on a pay-as-you-go basis (for instance costs arising from index-linkage). Over half of the contributions are pooled to cover these costs. The Finnish Centre for Pensions takes care of the liability distribution once a year.

Eligibility: Employees who are at least 17 but less than 68 years of age and who have been in an employment and whose earnings exceed € 62.88 per month are covered. Neither the line of business, the length of the working period, nor the wages paid are of significance.

Index-linking: Pensions and pensionable wages are adjusted annually by the TYEL index, which is composed of the indices of wages and prices. The weight of the wages in the index is 80% and that of prices 20%. The adjustments take place annually on January 1.

Financing: The TYEL pensions are financed by employer and employee contributions. The contribution rate is 28.85% which includes the employee's share of 7.15% for employees under the age of 53 and over 62 years and 8.65% if aged 53 to 62. Employers may borrow part of their TYEL contributions through a premium bond lending system, or even borrow a previously funded part of their contributions. Employers, who do not borrow, are granted rebates equivalent to the interest benefit of the borrowers.

Taxation: Employment pensions are taxable income. Contributions paid by employers and employees are tax-deductible.

Administration: Private pension insurance companies, multi-employer pension funds, single-employer pension foundations. The Finnish Centre for Pensions are the coordinating bodies. Employer and employee organisations have a fairly strong foothold in the administration of pension institutions.

Customary Private Employee Retirement Benefits – Additional Information

General Info: Additional voluntary cover can be taken out with a life insurance company or by establishing a pension foundation or fund.

Voluntary pension plans can be divided in two groups; Defined Benefit Plans and Defined Contribution Plans (which are normally unit-linked).

Mainly all new schemes are set up on a defined contribution basis and the traditional defined benefit based plans are normally closed for new members.

TEL-Additional pension plans were terminated by legislation at the end of 2016. Employers were obliged to supplement the TEL-Additional plans with a pension plan administrated in a life insurance company.

Free-form additional employment pension plans (Defined Benefit Plan)

Index-linking:	Linked to the annual result of the insurance company or to the TYEL-index.
Financing:	The premium depends on the extent and nature of the benefit insured and on the age and sex of the insured. The employer can pay the entire cost, or share it with employees. Promissory notes are not allowed.
Taxation:	Pensions are taxable income. Funeral grants are tax-exempt. Premiums paid by the employer are fully tax-deductible. Employer contributions are not taxed as income to the employee if the level of pension coverage does not exceed the approved maximum level of pension cover (max 66% of pensionable earnings). If the cover exceeds this level, the part of the contributions corresponding to the excess is deemed to be taxable income to the employee. Employee contributions are tax-deductible up to the approved maximum level of pension cover.
Administration:	Life insurance company.
Factors Affecting the Amount of Benefit:	The additional pension benefit may be restricted by taking into account other pensions that the employee may possibly receive, as notified by the employer.

Defined Contribution pension plans

General Info:	Defined contribution based group pension plans are more and more a common tool to manage HR policies. Offering voluntary pension insurance is a sign that a company has a modern approach to human resources management and that it wants to retain its staff. It is also a good competitive tool in the recruitment market. Defined contribution based group pension plans suit the need of senior corporate management and key personnel as well as the company's entire personnel. The voluntary pension insurance is used to complement statutory pension cover and/or lower the retirement age.
Financing:	The defined contribution level can be maximum 30% of the annual salary. The average contribution level paid by an employer is approximately 2% - 8% for employees and for the top management approximately 10% - 30%. The employer is also entitled to collect contributions from the employees if the plan has been set up before the end of 2012 and this has been specified in the insurance contract. In this case the minimum retirement age is 60.
Vesting:	It is possible to limit the right to the vested benefit up to 3 years.
Taxation:	Pensions are taxable income. Premiums paid by the employer are fully tax-deductible. Employees can deduct their contributions in their taxation if the plan is set up before the end of 2012. Employees can deduct up to 5% of the salary paid by the employer, but the maximum is € 5,000 per annum. Total employee contribution cannot be higher than the employer's contribution.
Administration:	Life insurance company.

Individual Life and Pension Insurance

General Info:	On December 14, 2012, the Finnish Parliament adopted a bill tightening the terms of voluntary pension savings and insurance pertaining to the right to deduct contributions in taxation. The legislative amendment entered into force on January 1, 2013. Most significantly the amendment impacted individual pension insurances in which the retirement age rose for new policies. No policies made prior to January 1, 2013 are, however, affected by the amendment. Individual pension insurance premiums paid under new policies taken out after December 31, 2012 are only tax deductible for those who start drawing the pension at the earliest at the age when citizens are entitled to deferred old-age pension according to the Employees Pensions Act, which is currently 68 years. Individual life insurance, on the other hand, may consist of components mentioned earlier in connection with group life insurance arrangements, and may also include a savings component. The yield on the savings sum of an endowment insurance policy is taxed at the rate of 30% or 34% depending on the total taxable capital income.

Other Social Security Benefits
Illness Insurance

General Info:	Illness insurance includes reimbursement for treatment costs (please see section on Medical Benefits) and daily illness, maternity and paternity allowances.
Illness daily allowance:	is payable, after a waiting period of ten weekdays, to an individual between the ages of 16 and 67 who, due to illness, is incapable of doing his/her regular job. The daily allowance is usually paid for a maximum of 300 weekdays.
Maternity allowance:	All residents of Finland are eligible to receive maternity allowances. Maternity allowance is payable for 105 weekdays (including 30-50 days prior to the estimated date of birth and the rest of the days after the child's birth) to an expectant mother whose pregnancy has lasted at least 154 days. During the next 158 weekdays, a parental allowance is paid to the parent (mother or father) who stays home from work to take care of the child.
Special maternity allowance:	If the employer is unable to provide the mother with a job involving no risks during pregnancy, she can go on maternity leave earlier. In such cases, she receives a special maternity allowance in the same amount as the normal maternity allowance.
Paternity allowance:	The father is entitled to have a paternity allowance for 18 weekdays, but at a maximum of 18 weekdays, if he takes the last 12 weekdays of his family's parental allowance period.
Allowance:	The illness, maternity, parent and paternity allowances are normally 70% of the daily wage up to an annual earnings level of about € 30,000. With higher earnings, the percentage decreases to about one-half of the daily pay. No maximum limit is applied to daily allowances. Minimum amount of maternity, parent or paternity allowance is € 29.67 per day.
Rehabilitation:	During the rehabilitation process, a rehabilitation allowance is paid and equals the cash daily illness allowance. After rehabilitation, a discretionary rehabilitation grant can be paid.
Index-linking:	The Income limits applied in daily allowances are linked to the TYEL-index. (See Index-linking on page 12). The deductibles related to reimbursement are linked to the cost-of-living index.
Financing:	Private employers: 1.34% of payroll. The insured: Employees pay 1.71% of earnings above € 15,128 p.a. (through municipal taxation). They also pay € 16.00-27.00 (depending on the health centre) when visiting their health care centre for the first time in a calendar year. Other visits during the year are free of charge. The fee does not include health check-up when entering the service of an employer.
Taxation:	Benefits: Daily allowances are considered taxable income. Other benefits are tax-exempt. Contributions: Contributions are tax-deductible for employers.
Administration:	Provided by the Social Insurance Institution and its local offices. Employers may establish their own illness funds to replace the Social Insurance Institution as provider of illness insurance benefits.
Factors Affecting the amount of benefit:	Daily allowances and the reimbursement for medical expenses are not paid if the insured receives them from an employment accident insurance or a third party motor insurance. If the employer pays full salary during the illness period, daily allowances are paid to the employer.

Employment Accident Insurance - Workers' Compensation

Eligibility:	All employed persons.
Qualifying Conditions:	Accidents at work or on the way to and from work, as well as occupational diseases mentioned in the Act of Occupational Diseases are compensated.
The benefits include:	➢ Any medical treatment required; ➢ Daily expense allowance if the disability is at least 10% and lasts for at least 3 days. The maximum benefit period is one year; ➢ Employment accident pension after the daily allowance period; ➢ Handicap indemnity for a person with a permanent disability; ➢ Handicap supplement for a person requiring constant care; ➢ Clothing allowance covering the increased wear caused by using a prosthetic device; ➢ Rehabilitation for a suitable occupation; ➢ Survivor's pension for a widow or widower on equal rights, and for children under 18 years of age. A child who continues full-time studies receives the pension until age 25. A spouse's pension is also payable to a non-married partner with whom the deceased spouse has a common child or an agreement, confirmed by authorities, for a joint livelihood; ➢ Funeral grant.
Amounts:	➢ Medical costs, including medication, travel, and auxiliary facilities are compensated in full. ➢ Daily expense allowance is, for a fully disabled person, 100% of income, and for a partially disabled person, in accordance with the degree of disability. The full daily allowance is usually equal to a full day's pay for the first year. ➢ Employment accident pension for a fully disabled person is 85% of income, and for a partially disabled person, a portion of the full pension corresponding to the degree of disability. The pension is lowered at age 65 from 85% to 70% of income. ➢ Survivor's pension for a spouse is calculated from the employee's annual income. The pension is 40% of the income if there is only one beneficiary, 60% if there are a spouse and one child and 70% if there are a spouse and two or more children. A spouse's pension is coordinated with the spouse's work or pension income. This coordination is implemented only after the beneficiary has received the pension for a year. If there are also children in the family who are entitled to pensions, the coordination is implemented only when the last child stops receiving the pension. The joint amount of the orphan's pension is 25% of the employee's annual income if there is one child, 40% if there are two children, 50% if there are 3 children and 55% if there are 4 or more children. ➢ Funeral grant is € 4,872
Index-linking:	TYEL-index (see page 12 -under Employment Pensions Scheme/Index – linking).
Financing:	Employment accident benefits mandated by law have to be insured through a non-life insurance company. The employer pays an average of 0.70% of payroll. However, contributions vary according to occupation and risk classification and vary from 0.1% to 7.0%. There is no common tariff of insurance companies administering the employment accident insurance.
Taxation:	Daily expense allowances and pensions are taxable income. Other benefits are tax-exempt. Contributions are tax-deductible.
Administration:	Private non-life insurance companies.
Factors affecting the amount of benefit:	Employment accident benefits usually take priority over other social insurance benefits.

Family Allowances

Eligibility:	Family allowances are paid to all residents with children under age 17.
Benefits:	➢ The monthly benefit is € 94.88 for one child, € 199.72 for two children, € 333.51 for three children, € 496.75 for four children and € 182.69 for each additional child. ➢ Single parent families receive an increase of € 63.30 for each child under age 17. ➢ A lump-sum birth grant of € 170 (in cash or kind) is paid for each child.
Index-linking:	There is no index-linking. However, the benefits are usually increased annually.
Financing:	From State funds.
Taxation:	Benefits are tax-exempt.
Administration:	The Social Insurance Institution.

Unemployment Insurance

Eligibility to a Daily Allowance:	Unemployed job seekers residing in Finland who have not been able to find work or job training.
Qualifying Conditions:	A daily unemployment allowance is paid to employees between the ages of 17 and 64, provided that these employees are capable of working, have applied for full-time work, and have been registered as unemployed individuals actively searching for employment for seven working days during eight successive calendar weeks. Moreover, a daily allowance is paid to those employees, who worked for at least 26 weeks in a job with at least 18 working hours per week during the 28 months prior to unemployment. A basic daily allowance is paid to job seekers who are not entitled to an earnings-related daily allowance. An earnings-related daily allowance is paid to members of an unemployment fund. A labour-market support benefit is payable to those who are no longer entitled to an unemployment daily benefit and to those who have never been entitled to it. There is a waiting period of five months for those who enter the labour market for the first time. Graduation from job training eliminates the waiting period. Benefits for a person below age 25, without any training, can be denied until the respective age or graduation from employment training.
Amounts:	The basic daily allowance is paid for a maximum of 400 days. The allowance amounts to € 34.50 per weekday. Together with child supplements, this allowance can amount to € 44.75 per weekday. The earnings-related daily allowance is paid for a maximum of 400 days. The earnings-related amount is 45% of the differential between the daily wages and the basic daily allowance. For monthly salaries in excess of approx. € 2,700 this percentage drops to 20%. The labour-market support benefit is subject to a means-test and amounts to a maximum of € 34.50 per day and is payable for five days a week without any maximum period of payment. The benefit is also reduced to 60% for young people living with their parents and entering the labour market for the first time. Unemployment pension is paid to an employee who has reached age 62 and has received an unemployment allowance for the maximum period of payment.

Index-linking:	The basic daily allowance is adjusted annually by the cost-of-living index.
Financing:	Basic flat-rate daily allowances and labour-market supports are financed with State funds. Employer contributions to earnings-related unemployment benefits are differentiated according to the size of payroll. If the employer's payroll does not exceed € 2,197,500, the contribution amounts to 0.5% of payroll. For the amount of payroll exceeding this amount, the contribution is 2.05%. Contributions of employees, who are members of unemployment funds, vary depending on the unemployment fund. In addition, employees pay an extra contribution of 1.40% of their salary.
Taxation:	Daily allowances are considered taxable income. Employees' contributions are tax-deductible. Employers' contributions are also tax-deductible.
Administration:	Basic daily allowance and labour-market support: The Social Insurance Institution. Earnings-related daily allowance: Unemployment funds (run by trade unions).

Taxation

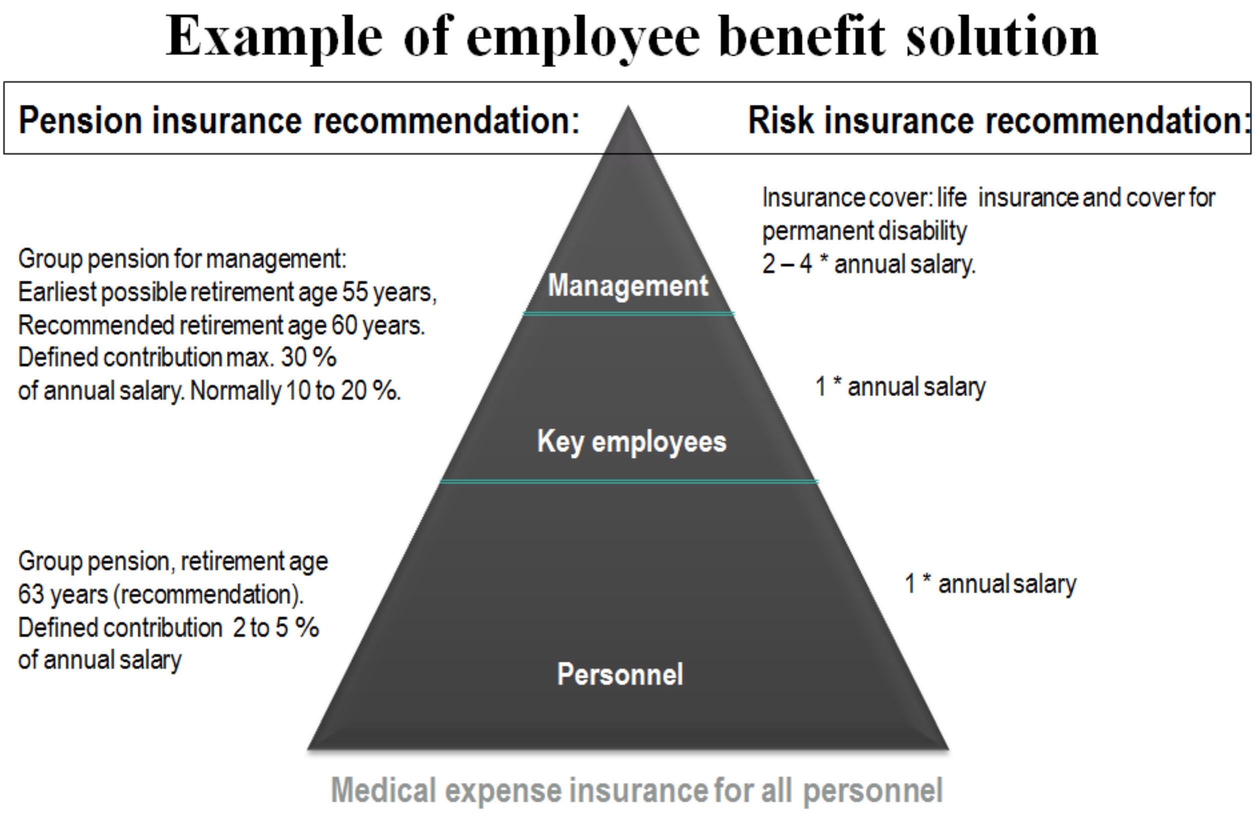
Type of Insurance	Contributions	Benefits
Mandatory TyEL pension	Employer: fully tax-deductible	taxable
	Employee: fully deductible in income taxation	
Supplementary group pension A collective group of minimum two members with collective benefits	Employer: fully tax-deductible and no social security costs paid for the contribution	taxable
	Employee: no contributions from employee are possible, for members joined after 2012. Employer contribution is not considered as taxable income.	
Life insurance	Employer: fully tax-deductible	taxed as inheritance
	Employee: no contributions from employee are possible. Employer contributions are not considered as taxable income.	
Disability benefits	Employer: fully tax-deductible	Lump sum benefit is tax exempt Daily allowance is taxed as income
	Employee: no contributions from employee. Employer contributions are not considered as taxable income.	
Medical benefits	Employer: fully tax-deductible	not taxed if paid to compensate costs
	Employee: contribution is considered as income if not all employees are covered or the premium is more than EUR 400 per member in average	

Trends

Finland is considered as a country with a high level of social security. During the past years, the financial and demographic situation has led to a necessary decrease in the statutory benefit levels. Statutory employment pensions (TyEL) do not have any salary ceilings, which is very unusual compared to other statutory pension systems in other countries. However, due to the review of this benefit, the pension level is decreasing in the future and the retirement ages are increasing according to the life expectancy coefficient. Corporations have started to top up the benefit level with supplementary benefits. It is very common to have a supplementary pension and life cover for the top managers. The increasing retirement age has also generated a need to prepare for aging employees and has led to arrangements where employers take the responsibility to give more flexibility in retiring.

Rewarding methods and tools are becoming more and more flexible to be able to keep and retain employees during the economic boom. Personnel funds are an efficient tool for flexible and tax efficient rewarding. In addition, pension and life insurance policies are an important part of the total rewarding especially for key personnel.

Typical supplementary benefits in Finland



Sample Employee Benefit Plan 1

Company type:	Multinational company listed in the stock exchange. HQ in Finland. Field of business is heavy industry. Employees in total 10,000 of which 5,000 in Finland. Management group of 7 members are covered with supplementary life and pension benefits.

Defined Contribution Pension Plan

Coverage:	Group definition: Management Group.
Benefits:	The plan is based on defined contribution. The retirement age is 63 years. The pension is paid during a fixed period of 10 years. The policy includes a life insurance which covers the accrued fund in full up to retirement and during retirement. The policy also includes cover for permanent disability and in case of disability the accrued fund is paid out as a disability pension. A range of unit-linked funds can be linked to the policy and the members are given the possibility to choose their own funds.
Financing:	The defined contribution level is 20% of the annual salary without bonus payments.
Vesting:	The vesting period is two years.
Taxation:	Pensions are taxable income. Premiums paid by the employer are fully tax-deductible.
Administration:	Life insurance company Mandatum Life.

Group Life Insurance

Coverage:	Group to be insured is the Management.
Benefits:	• Lump sum benefit at death corresponding to 2 times annual salary without bonus payments. • Lump sum benefit at permanent and total disability corresponding to 2 times annual salary without bonus payments. • Daily allowance for disability: Paid for one year maximum. Qualifying period is 30 days.
Financing:	The employer pays the premiums. The premiums depend on sex and age.
Taxation:	Premiums paid by the employer are fully tax-deductible for the employer and not considered as taxable income for the employee. Life insurance benefit is taxed as inheritance. Lump sums for disability is exempt from tax. The daily allowance for disability is considered as taxable income.
Administration:	Life insurance company Mandatum Life.

Sample Employee Benefit Plan 2

Company type:	Multinational company listed in the stock exchange. Subsidiary company in Finland. Field of business is medical. Employees in total 60,000 of which 150 in Finland. All employees in Finland are covered by supplementary life and pension benefits.

Defined Contribution Pension Plan

Coverage:	Group definition: All employees.
Benefits:	The plan is based on defined contribution. The retirement age is 63 years. The pension is paid during a fixed period of 10 years. The policy includes a life insurance which covers the accrued fund in full up to retirement and during retirement. The policy also includes cover for permanent disability and in case of disability the accrued fund is paid out as a disability pension. A range of unit-linked funds can be linked to the policy and the members are given the possibility to choose their own funds.
Financing:	The defined contribution level is 4% of the annual salary without bonus payments.
Vesting:	No vesting period.
Taxation:	Pensions are taxable income. Premiums paid by the employer are fully tax-deductible.
Administration:	Life insurance company Mandatum Life.

Group Life Insurance

Coverage:	Group to be insured are all employees.
Benefits:	• Lump sum benefit at death corresponding to 1 times annual salary without bonus payments. • Lump sum benefit at permanent and total disability corresponding to 1 times annual salary without bonus payments.
Financing:	The employer pays the premiums. The premiums depend on sex and age.
Taxation:	Premiums paid by the employer are fully tax-deductible for the employer and not considered as taxable income for the employee. Life insurance benefit is taxed as inheritance. Lump sums for disability is exempt from tax.
Administration:	Life insurance company Mandatum Life. The plan is included in the pooling arrangement of IGP.

Medical Insurance

Coverage:	All employees.
Benefits:	• The insurance covers expenses caused by an illness or accident which are not compensated under any law. • Medical treatment: The amount of actual costs not covered by any legislation is reimbursed. For each illness or injury, the maximum reimbursement is € 10,000. • Inpatient care: Fees are paid up to a fixed maximum amount. • Existing conditions are covered.
Financing:	The employer pays the premium.
Taxation:	Premiums paid by the employer are fully tax-deductible for the employer and are not considered as taxable income to the employees. The compensation of expenses is not taxable income.
Administration:	Private non-life insurance company IF property & casualty.

Useful Links

Demographic information	CIA World Factbook (please select the country to review)
Macro-Economic indicators:	CIA World Factbook (please select the country to review)
The Social Insurance Institution of Finland (Kela):	www.kela.fi *(Information available in English)*
Tax authorities:	www.vero.fi *(Information available in English)*
More information on the IGP Network Partner:	IGP – Your Local Link in Finland
Mandatum Life:	www.mandatumlife.fi *(Information available in English)*
Varma pension insurance Company:	www.varma.fi *(Information available in English)*
If P&C Insurance Ltd:	https://www.if-insurance.com/large-enterprises/insurance-solutions/employee-benefits/employee-benefits-in-finland

Foreigners in Finland

Universal social security benefits are based on residence; i.e., they will be paid to any person residing in Finland if they fulfil certain conditions. Thus, illness insurance benefits are paid without any qualifying period due to nationality. To be eligible for a national pension, the person is required to have lived in Finland for five years. Nationals of other EU and EEA countries must have lived in Finland for at least three years. Any unemployed person who is registered for employment in Finland is covered by unemployment insurance.

Persons employed and working in Finland are generally covered by the statutory earnings-related TYEL pension insurance and employment accident insurance, regardless of nationality. In order to be granted the projected disability pension from the TYEL scheme, it is required that the pension applicant has lived in Finland for at least five years before disablement. Voluntary plans have no limitations concerning nationality.

The social security benefits for those working and residing abroad are in many cases covered by social security agreements. Finland has a social security agreement through the EU Regulations 883/2004 (& 987/2009) with all EU and EEA countries and Switzerland. In addition, Finland has bilateral Social Security Agreements with Australia, Canada (&Quebec), Chile, China, India, Israel, South-Korea and the United States.

Depending on the agreement, an employee sent as posted worker (with a valid certificate) to work in Finland from any of the above-mentioned countries for a fixed period of time is covered by the social security scheme of their own country, and therefore the Finnish social security provisions do not apply.

Since 2009, an employee posted to work in Finland from a country of non-agreement is exempt from social security obligations (and benefits) if the employer resides in a country of non-agreement and the period of work in Finland is less than two years.

Since 2003, accrued pensions are paid to foreigners abroad, in any country. Thus, permission of the Finnish Centre for Pensions is not required anymore for payment of pensions to foreigners residing in countries of non-agreement.

