

IOPS COUNTRY PROFILE: FINLAND



DEMOGRAPHICS AND MACROECONOMICS

GDP per capita (USD)	42 077
Population (000s)	5 518
Labour force (000s)	2 628
Employment rate	74.5
Population over 65 (%)	19.2
Dependency ratio ¹	60.1

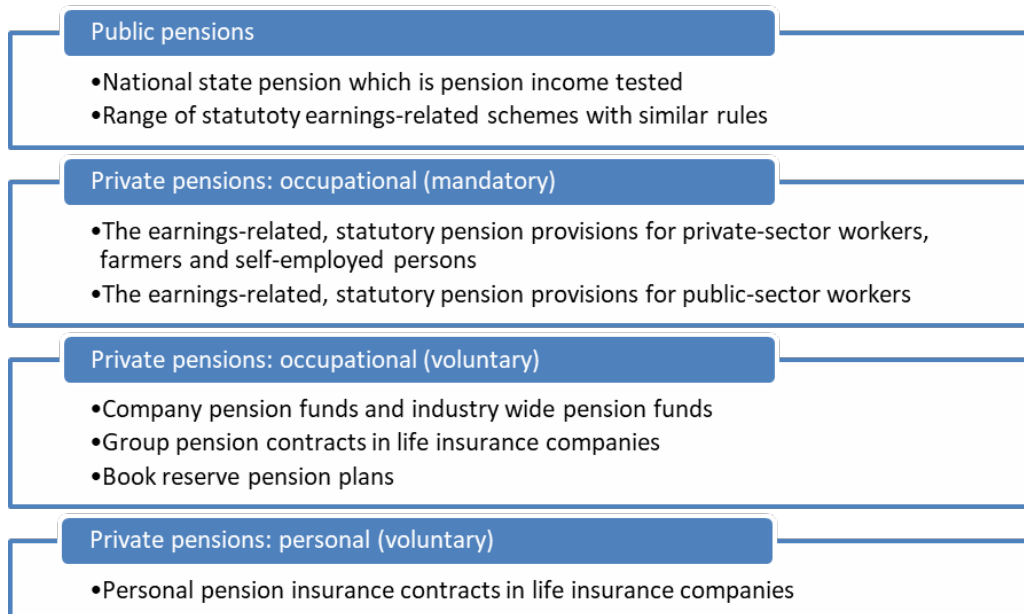
Data from 2017 or latest available year.

1. Ratio of over 65-year-olds / labour force.

Source: OECD, various sources.

FINLAND: COUNTRY PENSION DESIGN

STRUCTURE OF THE PENSION SYSTEM



Source: OECD Global Pension Statistic

FINLAND: THE PENSION SYSTEM'S KEY CHARACTERISTICS

PUBLIC PENSION

The universal national pension covers all citizens if they reside in Finland after age 16 for at least three years. For foreigners if they reside in Finland for five years or longer immediately before reaching the pensionable age or before the pension states, they are also eligible. There is no contribution requirement for employee, while employer (the private sector) contributes between 0.801% and 3.901% of payroll and government (local and central government) contributes 1.851%. The benefit is tested against the earnings-related pension. The maximum benefit is Euro 628.85 (single) or Euro 557.79 (married) a month. Time of residence abroad may reduce the national pension, if you have lived in Finland less than 80 % of the time between the age of 16 years and the start of the pension. The pensionable age is 65, but early and deferred pension is possible, albeit the benefit is adjusted accordingly.

OCCUPATIONAL MANDATORY

Coverage

Statutory earnings-related pension plans (TyEL and other schemes) cover employees aged 17 or older. In addition to paid work, pension also accrues under certain conditions (so-called unpaid periods) such as periods of maternity, paternity and parental allowance, child home care allowance for a child under three years of age, periods old earnings-related unemployment benefits and studying towards a qualification or a degree.

Contributions

The TyEL plan is funded by contributions from employees at rates (in 2019) of 6.75% of earnings for those under 53 and for those who have turned 63. The share is 8.25 % for 53 - 62-year-olds. Employer's average contribution is 17.75 %

For both employees and employers, the minimum earnings requirement for contribution purposes is EUR 59.36 (2019) a month, while there is no upper limit. The state covers the cost of contributions for students and people with children under three for those periods when they do not earn.

Benefits

The TyEL plan is of the career average type. It is usually funded through insurance schemes, although some large employers sponsor company-specific pension funds. The birth year determines retirement age and it rises gradually, ranging in the TyEL plan from 63 to 69.

Benefit accrues at the rate of 1.5% of annual earnings between age the ages of 18 and 52, at 1.7% between 53 and 62. Pensionable earnings are adjusted for inflation with a 20% weighting and changes in earnings with an 80% weighting. Early and deferred pensions are allowed, but also adjusted accordingly. Benefits, too, are indexed to earnings and inflation – changes in earnings are weighted at 20% and inflation at 80%. TyEL pension benefits are paid out in the form of a life annuity, but may be adjusted to increases in longevity.

OCCUPATIONAL VOLUNTARY

Coverage

At the moment, nearly every fourth person who gets a private sector earnings-related pension gets an occupational pension. The occupational pensions are very small, though. Group pensions make up less than 4 % of pensions paid.

Contributions

Group pension insurance contributions in their entirety are deductible expenses for the company. In contrast to private pension insurance, the annual pension contributions have no maximum amount, as long as the purchased occupation pension provision is at a reasonable level according to the tax authorities.

Group pension insurance contributions are not considered as income for the employee, and thus the employer does not have to withhold preliminary taxes on them, nor pay social insurance contributions for them. The occupational pension paid in due course to the pension recipient is taxed as earnings.

The employee may pay part of the pension contributions. At the most, the contribution may amount to half of the annual contribution. If the insured pays part of the contribution, they may deduct the contributions they have paid in their income taxation to a maximum of five per cent of the wage that the employer in question has paid to him. In Euros, the deduction may amount to 5,000 euros per year at the most.

MARKET INFORMATION

In 2018, the aggregate assets in all mandatory and voluntary occupational pension plans were worth approximately EUR 132 billion (USD 152 billion), of which TyEL plans alone accounted for EUR 111 billion (USD 283 billion). Pension plans had a total number of 4.0 million members (2.5 million active participants and 1.5 million retired beneficiaries). The number of registered pension funds was 70.

POTENTIAL REFORM

1. Less tax paid on small pensions: the tax rate on pension benefits from Euro 83 to Euro 1000 is 0%.
2. The latest pension reform was in 2017.

REFERENCE INFORMATION

KEY LEGISLATION

2007

- The Employees Pensions Act (TyEL): the principal pension act covering employees in

the private sector

- The Self-Employed Persons' Pensions Act (YEL)
-
- The Farmers' Pensions Act (MYEL) covers farmers, fishermen and reindeer herders
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- The Seamen's Pensions Act (MEL)
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- The Local Government Pensions Act (KuEL), the State Employees' Act (VaEL) and the
- Evangelical-Luther Church Pensions Act (KiEL) are combined into one act, the Public
- Sector Pensions Act (JuEL)

KEY REGULATORY AND SUPERVISORY AUTHORITIES

Ministry of Social Affairs and Health: www.stm.fi/en/

Finnish Center for Pensions: www.tyoelake.fi/en/

The Social Insurance Institution of Finland: <https://www.kela.fi/web/en>

KEY OFFICIAL STATISTICAL REFERENCE AND SOURCES ON PRIVATE PENSIONS

Financial Supervisory Authority (Pension insurance statistics):
www.finanssivalvonta.fi/en/statistics/insurance/pension-insurance/

OECD, Global Pension Statistics project: www.oecd.org/finance/financial-markets/globalpensionstatistics.htm