Etera

Country	**Finland**
Name of Organization	**Etera**
Main activity	**Pensions**

General Information

Presentation

Etera's primary mission is to provide pension cover and secure well-being at work. We offer companies, societies, self-employed persons and households efficient earnings-related pension insurance and related services. Etera is a mutual employment pension insurance company, jointly owned by the policyholders, the insured and the guarantee capital owners.

The earnings-related pension scheme is part of the Finnish social security system. All employees and self-employed persons are covered under the statutory earnings-related pension provision.

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Organigram

Board composition

The Board of Directors consists of 12 regular members and 4 deputy members. As required by law, three regular members and one deputy member are elected from among persons nominated by the central organizations representing employers, and three regular members and one deputy member from among the persons nominated by the central organizations representing employees.

Regulatory framework

The Employee's Pensions Act (TyEL) and the Self-employed Person's Pensions Act (YEL) regulate the earnings-related statutory pension insurance provided by Etera.

Employee Group Covered

The pension scheme is mandatory and covers all workers and self-employed persons in the private sector. Part-timers are included and coverage is provided to spouse and children under 18 years old.

Eligibility

Immediate eligibility upon 1st day at work above age 18.

Definition of Pensionable Pay

- **Pensionable earnings:**

When determining the pensionable earnings, the salary, performance-based bonus or other remuneration that has been paid or has been agreed, to be paid as compensation for work are taken into account. Such remuneration is considered as earnings from work that accrues pension also when the employee receives the payment not from the employer but from an estate in bankruptcy, an authority ensuring wage security as referred to in the Wage Security Act (866/1998) or another payer (substitute payer).

Pensionable earnings also include remuneration to be paid for work that has been agreed to be either wholly or partly compensated:

1) from service charges or donation funds available from the public, which are taken into account at the same amount as in the last completed tax assessment, if no other reliable clarification of the amounts is presented;

2) from the allowance paid by the contributory sickness fund, as referred to in the Insurance Funds Act, which the employee receives in place of salary as provided by law or agreed upon in the collective agreement or another agreement; or

3) From support for private care pursuant to the Act on Support for Home Care for Children and Private Care (1128/1996), or from other similar support paid by the State or the municipality.

- **Unpaid periods giving entitlement to pension:**

Unpaid periods give entitlement to a pension if the employee has had insured earnings of at least EUR 12,566.70 under the earnings-related pension acts prior to the start of the pension contingency year.

Pension entitlement is calculated from the income constituting a benefit from an unpaid period, calculated from the beginning of the calendar month following the employee's 18th birthday until the end of the year immediately prior to the pension contingency. When calculating the old-age pension, however, the income forming the basis of the employee's benefit is taken into account until the end of the old-age pension's contingency month.

Income forming the basis of benefits during an unpaid period is considered earnings from the year for which the benefit period is paid. Income forming the basis of benefits giving entitlement to pension are as follows:

1) 117 per cent of the earnings pursuant to the Health Insurance Act that form the basis of maternity, special maternity, paternity or parental allowance for the period during which the benefit has been paid to the employee, and 17 per cent for the period during which the benefit has been paid to the employer;

2) 75 per cent of the earnings forming the basis of compensation for job alternation leave pursuant to the Act on Job Alternation Leave;

3) 75 per cent of the earnings forming the basis of earnings-related allowance relative to earnings pursuant to the Unemployment Security Act, insofar as the allowance has been received by the end of the month during which the 63rd birthday occurred;

4) 65 per cent of the earnings forming the basis of earnings-related allowance pursuant to the Act on the Public Employment Service;

5) 65 per cent of the earnings forming the basis of the training allowance referred to in Chapter 10

of the Unemployment Security Act;

6) 65 per cent of the earnings forming the basis of adult training allowance pursuant to the Act on Adult Training Allowance;

7) 65 per cent of the earnings forming the basis of rehabilitation allowance under the earnings-related pension acts or the Act on the Social Insurance Institution's Rehabilitation Benefits and Rehabilitation Allowance Benefits, or compensation for loss of income granted on the basis of the provisions on rehabilitation under workers' compensation insurance or motor liability insurance, for the time period during which the benefit has been paid to the employee, however not if the rehabilitation allowance has been paid in addition to the pension;

8) 65 per cent of the earnings, as referred to in the Health Insurance Act, that form the basis of sickness allowance, partial sickness allowance and special care allowance for the period during which the benefit has been paid to the employee, however such that the income forming the basis of the partial sickness allowance is half of the earnings on which sickness allowance is based; (1274/2006)

9) 65 per cent of the earnings forming the basis of loss of earnings compensation pursuant to the rules governing accident, traffic or military injury insurance for the period during which the allowance has been paid to the employee, however not insofar as pension accrues for the same reason as provided in section 8.

If the benefit referred to in subsection 3, point 1 has been paid as a minimum allowance due to a lack of or small amount of earnings, the income forming the basis of the benefit is considered to be EUR 532.61 per month. If the benefit is the amount of the minimum allowance as a result of a return to work, the income forming the basis of the benefit is considered to be the amount of the minimum allowance paid to the employee.

Pension does not accrue on the income forming the basis of the benefit for periods during which the employee has received pension in accordance with the earnings-related pension acts, a comparable benefit from abroad or benefit on the basis of service in an international organization or an institution of the European Community. However, pension also accrues from periods of part-time and survivors' pension on the basis of the income forming the basis of the benefit.

- **Adjusting earnings limits, money amounts and annual earnings by the wage coefficient**

The earnings limits, money amounts and lower and upper limits are adjusted annually in the beginning of January by a coefficient (wage coefficient) where the weighting coefficient of changes in the wage level is 0.8 and the weighting coefficient of changes in the price level is 0.2.

When calculating the pension, annual earnings are adjusted by the wage coefficient to the level of the year when the pension starts.

The earnings limits, money amounts and upper and lower limits correspond to the value of the wage coefficient of one (1.000) in 2004.

Cost Sharing

The pension contribution levied in order to finance pension provision consists of the employer's contribution and the employee's contribution.

The employer withholds the employee's pension contribution from the wage paid to the employee (earnings from work) in connection with the payment of the wages and pays the pension contribution in its entirety to the pension provider with whom the employer has arranged pension provision for its employees. The employer's obligations towards the pension provider also include the employee's share of the pension contribution.

Total pension contribution 21,8- 22,4 % (year 2010)

Employee contributions

The employee's pension contribution is up to three per cent, increased by half of the percentage by which the average pension contribution for insurance, as a percentage of the wage, exceeds the figure 18.2. The average pension contribution is calculated by taking into account the reductions in the contribution but without the increase to the contribution for persons who have reached the age of 53. The employee's pension contribution from the start of the month after the employee reaches the age of 53 amounts to the employee's pension contribution referred to above, increased by the factor 19/15.

The employee's pension contribution is also withheld from the supplementary daily allowance awarded by a contributory sickness fund, as referred to in the Insurance Funds Act, and from the wage paid by some other substitute payer.

Persons under 53 years 4,5 % (min/max)
Persons aged 53 and over 5,7 % (min/max)

Employer contributions

16,1 % minimum
17,9 % maximum

Vesting and Withdrawal

Period of time required for vesting or withdrawing

1 month (min)- 600 months (max), because:

- **Pension accrual from earnings from work:**

Pension accrues from earnings on which the annual pension is based (annual earnings:

1) at 1.5 per cent until the end of the calendar month during which the employee has turned 53 years of age;

2) at 1.9 per cent from the beginning of the calendar month following the 53rd birthday of the

employee until the end of the calendar month during which the employee turns 63;

3) At 4.5 per cent from the beginning of the calendar month following the 63rd birthday of the employee until the end of the calendar month during which the employee turns 68.

- **Right to an old-age pension**

Employees are entitled to retire on an old-age pension between the ages of 63 and the beginning of the month following the 68th birthday, on an old-age pension taken early at the age of 62, or a postponed oldage pension at the beginning of the month following the 68th birthday. The prerequisite for granting an old-age pension and an old-age pension taken early is that the employee is no longer in the employment relationship from which he or she is retiring.

- **Right to rehabilitation within the earnings-related pension scheme**

An employee under the age of 63 is entitled to receive appropriate vocational rehabilitation for preventing disability or improving working or earning capacity, if:

1) An appropriately diagnosed illness, handicap or injury is likely to lead to the threat of disability;

2) The employee has insured earnings from working to a minimum amount of EUR 25,133.40, and

3) The employee is not entitled to rehabilitation according to rules on rehabilitation pursuant to accident insurance or motor liability insurance.

- **The right to a disability pension**

An employee is entitled to a disability pension if his or her working capacity is estimated to have decreased by at least two-fifths as a result of an illness, handicap or injury, during an uninterrupted period of at least one year. The disability pension is granted as a full pension if the working capacity of the employee has been weakened by at least three-fifths. In other cases, the disability pension is granted as a partial disability pension.

When evaluating the decrease in working capacity, the employee's remaining ability to acquire earnings by means of available work that the employee can reasonably be expected to do is taken into account. Other factors considered include the employee's formal training, previous activities, age, residence and other comparable issues. If the working capacity varies, the employee's annual earnings are taken into account.

The amount of disability pension: The amount of a full disability pension is the total amount of the pension accrued by the end of the year preceding the pension contingency and the projected pension.

Number of year of service required

1/12 year- 50

Financing

Pensions are funded by pension insurance contributions paid by both employers and employees. The contribution is a certain percentage of wages. In connection with salary payment the employer pays the entire insurance contribution, both the employer and employee's share.

Hybrid fund. About 25 per cent is funded. Etera invests the collected insurance premiums as the law prescribes.

Cost-of-living adjustment

The pension being received is adjusted annually at the beginning of January using an index (the earnings-related pension index), in the calculation of which the weighting coefficient for changes in the wage level is 0.2 and the coefficient of changes in the price level is 0.8.

Money amounts are adjusted annually from the beginning of January by a coefficient (wage coefficient) where the weighting coefficient of changes in the wage level is 0.8 and the weighting coefficient of changes in the price level is 0.2. When calculating the pension, annual earnings are adjusted by the wage coefficient to the level of the year when the pension starts.

Preservation, portability, transferability

It is possible to accrue pension under several different pension acts during work life. If the last employment before retirement was insured in Etera, the pension application will be processed in Etera.

Information to Employees

Etera provides information to the employees about the amount of acquired benefits each year.