

FINLAND'S RESPONSE TO QUESTIONNAIRE ON SOCIAL PROTECTION OF OLDER PERSONS

(i) *The legal and institutional framework*

1. *Provide details of the legal framework by which the programme(s) is established:*
 - (a) *Please indicate the retirement age/ eligibility age for the pension and if it takes into account the nature of the occupation of the potential beneficiaries.*
 - (b) *Are there any restrictions, including a qualification period for receiving the pensions?*
 - (c) *Please indicate whether it is a contributory or a non-contributory programme.*

The main objective of the Finnish pension system is to ensure that the population is covered against the economic risks caused by old age, disability or death of a family provider. The Finnish pension system is made up of two statutory pension schemes: one is the national pension scheme based on residence that provides a guaranteed minimum pension whereas the other is the employment-based, earnings-related pension scheme (TyEL). The retirement age is flexible between 62-68 years.

The earnings-related pension scheme provides insurance-based pensions, which ensure to a reasonable degree that all wage and salary earners and self-employed persons retain their level of consumption after retirement. The national pension scheme provides the whole population with a residence-based minimum pension which complements the earnings-related pension. The statutory schemes are linked together, with the amount of national pension depending on the size of the earnings-related pension benefits. These two pensions together form the total statutory pension for a pensioner. The statutory pension provision can be supplemented with voluntary supplementary pension arrangements. Voluntary pension schemes play a minor role in Finland due to the lack of pension ceilings and the extensive coverage of the systems.

The retirement age of the statutory pension schemes does not depend on the occupation of the beneficiary.

There is no minimum qualification period required in the earnings-related pension scheme. Entitlement to national (minimum) pension requires a minimum residence period of three years after the age of 16.

The earnings-related pension scheme is a contributory scheme with premiums paid by employers and employees and self-employed. The national pension scheme is non-contributory and tax-financed.

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3. *Please describe the institutional framework used to implement the programmes:*
 - a) *Please indicate which governmental authorities, structures and mechanisms, including those at the federal, state/provincial, municipal and local level were involved in the design, implementation and monitoring of the programme(s).*

National pensions are administered by the Social Insurance Institution supervised by Parliament.

The *earnings-related pension scheme* covers all gainfully employed people, including the self-employed. The pension coverage of the private sector is handled by authorized pension institutions. The Finnish Centre for Pensions is the central body for the earnings-related pension schemes. Its tasks include e.g. maintaining the nationwide pensions register, statistics and research. The Ministry of Social Affairs and Health is in charge of the general supervision of the earnings-related schemes. Employees in central and local government have their own earnings-related schemes. In principle, the pension benefits are similar for all sectors.

- b) *Were civil society organisations involved in the elaboration of the legal framework, the implementation and monitoring of the programme(s)? If yes, please describe their role.*

Since earnings-related pension provision in Finland is based on work and pay, issues regarding earnings-related pensions are prepared together with the key labour market organisations. The role of labour market organisations is central in the preparations owing to, among others, the high degree of organisation and the fact that the negotiations are conducted at the central organisation level.

From the very beginning, decisions on the earnings-related pension scheme for the private sector have been made at negotiations between the labour market central organisations and the Government. Parliament adopts pension acts based on the Government proposal.

Studies have shown that the agreements on pensions have achieved a broad consensus in society. Tripartite agreements between labour market organisations and the Government on pension policy reforms bring stability and predictability to the system. The tripartite decision-making model has also contributed to the implementation of reforms of the pensions system.

(ii) *Programme costs and coverage*

4. *Please indicate the number of beneficiaries of the programme (annually)? If available, please provide details of their profile (eg. sex, age, ethnicity, origin...)*

In 2008 there were 1.36 million pension recipients altogether in Finland.

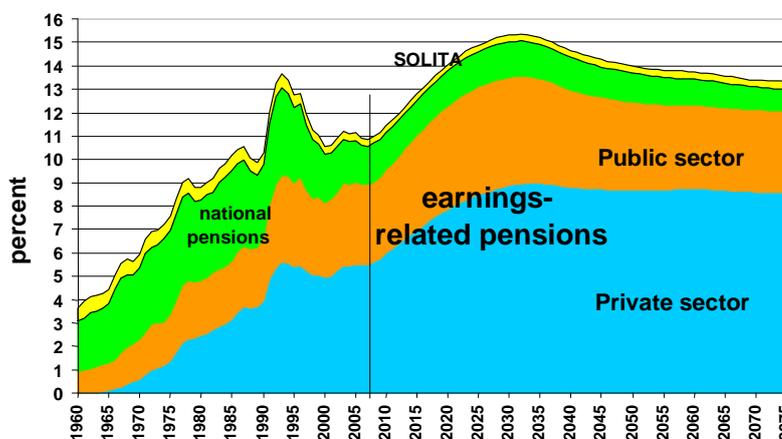
(For more details please see the publication *STATISTICAL YEARBOOK OF PENSIONERS IN FINLAND 2007*; <http://www.etk.fi/Binary.aspx?Section=41214&Item=63446>)

5. *Which geographical areas are covered by the programme in the country?*

The Finnish pension system covers the entire country, all residents and all workers.

6. *What is the annual budget of the programme(s)? What is the percentage of the GDP does this constitute?*

The statutory pension expenditure in ratio to GDP was about 11 per cent in 2008. In 2007 the total pension expenditure was EUR 19.6 billion.



Statutory Pension expenses in percent of GDP in 1960-2075 (Source: Finnish Centre for Pensions ETK)

7. *Please give details and indicate the sources of funding utilised for the programme(s) and the main costs involved at the various stages of implementation. In particular, is the programme*

operated with national, regional, local, public resources? Are external resources used for this programme?

The private and public sector earnings-related pensions are financed by contributions collected from the employers and the insured employees. The state contributes to financing the pensions of seamen, farmers and self-employed persons. In Finland the earnings-related pension scheme is based on partial funding. This system is complemented by the pay-as-you-go system.

The national pension is funded out of the State budget.

8. Please indicate approximately how many potential beneficiaries were not reached by the programme.

All residents in Finland are covered by the statutory pension provision, which consists of an earnings-related pension scheme and a national pension scheme.

Under the statutory earnings-related pension scheme, pension accrues, as a rule, from all wages and salaries and from all earnings from self-employment starting from the age of 18 years. Pension also accrues from certain unpaid periods that are comparable to working life (e.g. periods of child care).

9. What is the average amount of the pensions in relation with the national average income or minimum salary? How is the pension calculated?

In 2006 the average total pension of the pensioners (earnings-related and national pensions, including survivors' pensions) was EUR 1,194 a month (gross). This was about 48 per cent of the average earned income of wage and salary earners and of the self-employed in 2006. In 2006 the average pension (earnings-related and national pensions) of those who had retired in that year on an old-age pension was EUR 1,558, about 63 per cent of the average income for people in employment.

The statutory pension schemes are linked together, with the amount of national pension depending on the size of the earnings-related pension benefits. If the amount of the earnings-related pension is above a defined level, no national pension is payable.

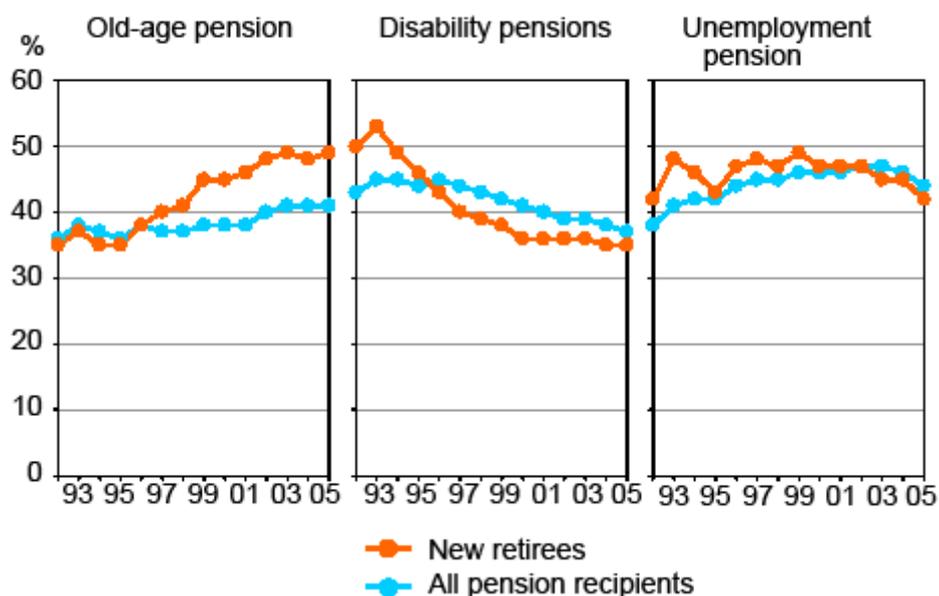
Pension in one's own right (earnings-related and national pension) of pension recipients resident in Finland in 2006. (Source: Finnish Centre for Pensions ETK)

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	Gross pension €/month	Net pension €/month	Pension % of earnings of economically active	
			Gross	Net
Pension recipients				
Old age pension	1 145	929	46	54
Disability pension	1 014	866	41	50
Unemployment pension	1 136	924	46	54
Special pension for farmers	822	748	33	43
Total	1 113	911	45	53
New retirees				
Old age pension	1 558	1 171	63	68
Disability pension	946	828	38	48
Unemployment pension	1 150	931	46	54
Special pension for farmers	790	730	32	42
Total	1 225	972	49	56

Earnings of economically active in 2006: Gross 2 483 €/month; Net 1 720€/month.

Average pension of recipients of earnings-related pension in 1992 -2005, % of average earnings (Source: Finnish Centre for Pensions ETK)



The earnings-related pension accrues annually by 1.5 % of the annual earnings. A full career of 40 years thus gives a pension of 60 % of average career earnings. From the age of 53 the annual accrual rate is increased to 1,9 % to promote longer working careers and after the age of 64 to 4,5 %.

(iii) Implementation procedures

10. What procedures are utilised in order to pay the beneficiaries?

Employers must arrange statutory earnings-related pension provision for all their employees irrespective of the length of the employment. Short-term or other atypical employment contracts are also covered by pension provision.

For self-employed persons, pension provision is governed by specific pensions acts that guarantee them, as a rule, the same pension benefits as wage and salary earners. Self-employed persons shall insure their gainful activity in accordance with the Self-Employed Persons Pensions Act, while the pensions of farmers, fishermen and people engaged in reindeer husbandry are governed by the Farmers Pensions Act.

The preservation of pension rights is ensured in Finland appropriately. The earned pension rights are maintained by means of the so called paid-up policy technique: if a person's employment relationship or self-employment in accordance with earnings-related pension acts ceases before a contingency entitling to pension, the person retains the right he or she has earned to earnings-related pension provision. Since the earned pension rights are retained the pension system does not hinder flexible movement of labour force from a branch/employer to another. This also applies to the pension provision of self-employed persons, also when a wage or salary earner becomes self-employed or the other way round.

11. What procedures are utilised in order to inform beneficiaries about the programme? Is information made available in more than one language?

A person can get information on matters related to his or her earnings-related pension for instance through the Internet. There is a joint Internet site for the entire earnings-related pension sector providing a service for everyone insured under the pension scheme. The service provides information in three languages on the grounds and benefits related to the earnings-related pension scheme and up-to-date information on pensions, and include a pension application form and a pension calculator, for instance. There are also secured pages that include personal information of the person's employment.

Pension companies and institutions send annually a pension data record to all private sector employees aged 18 to 67 years who are resident in Finland. The pension data record contains information on the person's employment relationships and on the earnings on which the future pension is based, as well as information on the pension accrued so far. It is also possible to order the record by phone and through the Internet.

In addition, specific theme days are organised to present pension schemes and they are also presented at various fairs. Furthermore, the insured are served by, for instance, the offices of the Social Insurance Institution and pension companies.

The Social Insurance Institution investigates annually on the basis of its registers which persons might be entitled to a national pension although they have not yet applied for it.

According to studies people have a fairly realistic view of their future pension level.

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13. Do beneficiaries of the programme access other public services at special conditions, in particular for health services?

Everyone residing in Finland, including pensioners, is entitled to receive health care in public health services.

(iv) Monitoring mechanisms and complaints procedures

14. Please describe the monitoring procedures utilised in order to oversee the implementation of the programme(s) and the entities responsible for monitoring.

National pensions are administered by the Social Insurance Institution supervised by Parliament. The Finnish Centre for Pensions is the central body for the *earnings-related pension* schemes. Its tasks include e.g. maintaining the nationwide pensions register, statistics and research. The Ministry of Social Affairs and Health is in charge of the general supervision of the earnings-related schemes.

15. Are there any complaints mechanisms or procedures attached to the programme, which are available to beneficiaries?

A pension decision by the Social Insurance Institution, the pension provider or the Finnish Centre for Pensions can be appealed in writing within the time limit specified. The pension decision includes instructions for appeal for the beneficiary.

16. Have there been instances when any legal action was taken against the programme or those responsible for its implementation?

- (no)

(v) Existing studies and evaluations of old age pensions

17. Please provide any studies, in particular needs assessments, utilised in order to develop the programme(s).

18. Please provide any studies, in particular impact assessments, developed to assess the implementation of the programme(s).

Please see publications of
the Ministry of Social Affairs and Health: www.stm.fi
the Finnish Centre for Pensions: www.etk.fi
the Social Insurance institution: www.kela.fi

(vi) *Other available social protection schemes that benefit older persons*

Besides national pensions, a pensioner can also be entitled to pensioner's housing allowance, care allowance, national pension child increase and/or front-veterans' supplement.