# IGP Country Profile
## Finland

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# Customary emplyee benefits

Although a group life plan could include several components, it is typical in Finland to have a plan that includes lump sum death, permanent disability benefits, and daily allowance for disability.

## Death benefits

The lump sum due to death can either be a fixed amount or some multiple of the insured's monthly salary, most commonly 12-24 times the monthly salary.

### Death benefits

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

The employer pays the premiums. Such premiums are fully tax-deductible for the employer.

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 possible.

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

### Administration

Life insurance companies.

## Disability Benefits

Disability benefits can include permanent total disability benefits and daily allowance for disability. The 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.

### 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.

### 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.

### Financing

The employer pays the entire premium. Such premiums are fully tax-deductible for the employer. 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 possible.

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

### Administration

Life insurance companies.

# Medical benefits

Employers are increasingly 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 between the insurers; 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, e.g., € 30 per treatment.

## Financing

The employer normally pays all premiums. The size of the insured group influences the premium rate.

## Taxation

Premiums paid by the employer are fully tax-deductible for the employer. Where the average annual premium is above EUR 400 per member, or all employees 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.

# Retirement benefits

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.

## Defined Contribution pension plans.

### General Info

Defined contribution-based group pension plans are increasingly 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 staff as well as the company's entire staff. 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 approximately 10% - 30% for the top management.

It is also possible to set up a group pension scheme as part of the rewarding system. An agreed part of the annual bonus is paid to the pension scheme. The rules of a group pension policy need to be collectively defined.

The employees can make their own contributions provided the plan was set up before the end of 2012 and this was 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:**

Premiums paid by the employer are fully tax-deductible and is not considered as taxable income for the employee. Employees can deduct their own contributions in their taxation if the plan was set up before the end of 2012. Employees can deduct up to 5% of the salary paid by the employer, to a maximum of € 5,000 per annum. Total employee contribution cannot be higher than the employer's contribution. Pensions at withdrawal are taxable income.

**Administration:**

Life insurance company.

# Trends

Although historically, prevalence of voluntary occupational schemes and private pension savings was low due to the dominance of the existing compulsory pension scheme in the country, voluntary employee benefits are becoming more common in Finland due to the recent changes in the Social Security provisions. During the past years, the financial and demographic situation has led to a necessary decrease in the statutory benefit levels. Statutory employment pensions 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 at least 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 secure more flexibility in retiring.

Rewarding methods and tools are becoming increasingly important to attract and retain employees. In addition to insured benefits, the Personnel Funds are much used as a tool for managing, paying and investing the bonuses that are paid to employees. A Personnel Fund is cost neutral to the company if it is established based on a so-called 'voluntary model', in which the employees may choose to pay their performance bonuses into the fund or to take them out in cash. From the employees' perspective, a personnel fund makes rewarding more flexible, as each employee can decide for themselves if they want to take out their performance bonus in cash or to pay the bonus into the fund. Employees may also choose to withdraw some of their share of the fund annually or to let the fund accumulate over a longer period, thus increasing the share they can withdraw. 15 % of the total funded amount is each year transferred to the part that the employer can withdraw from the fund.

When the employee decides to withdraw shares from the personnel fund, 20% of the withdrawn sum is always tax free, while the rest is subject to personal income tax.

At the start of 2022, Mandatum commissioned a reward survey aimed at identifying both what kinds of reward models companies use and how motivating and effective the personnel and management consider these models to be - refer to the IGP Network News links.

Please refer to the following articles that appeared in IGP Network News:

**Mandatum's survey on reward models (2023)**

**More companies providing supplemental insurance to employees (2024)**

# Typical employee benefits plans and benchmarking

## Example of an employee benefits solution

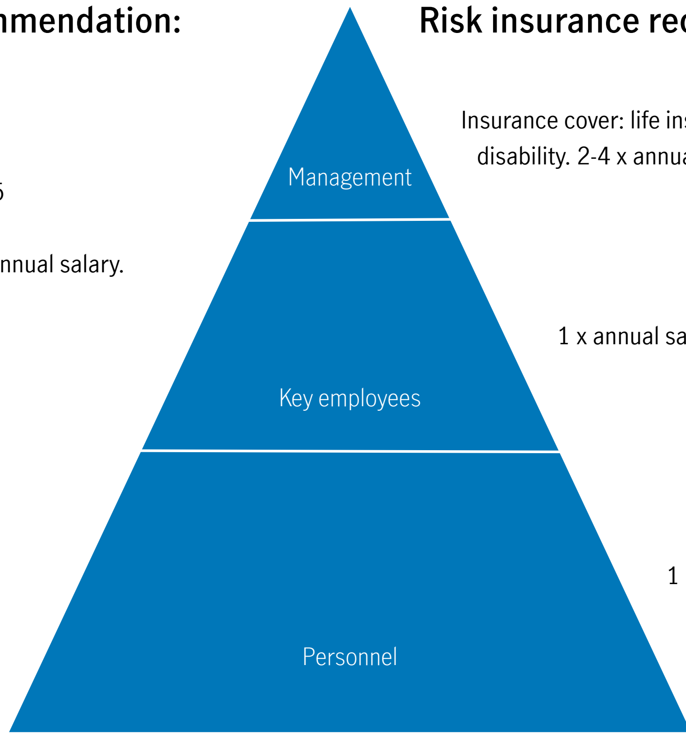
### Pension insurance recommendation:

Group pension for management:

- Earliest possible retirement age: 55
- Recommended retirement age: 60
- Defined contribution: max 30% of annual salary. Normally 10% to 20%.

Group pension:

- Recommended retirement age: 63
- Defined contribution: 2% to 5% of annual salary



Medical expense insurance for all employees

### Risk insurance recommendation:

Insurance cover: life insurance and cover for mermanent disability. 2-4 x annual salary

1 x annual salary

1 x annual salary

Market benchmark data is not available in Finland.

# Useful links

**Demographic information and macro-economic indicators**
CIA World Factbook (please select the country to review)
World Bank Group (please select the country to review)

**Social security**
www.kela.fi (available in English)

**Taxation**
www.vero.fi (available in English)

## More information on Mandatum Life Insurance Company Limited

**Your Local Link to IGP in Finland**
Go to partner page on www.igpinfo.com

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