

# IGP Country Profile 2022

# Sweden

Prepared by:  
SPP



## Preface

This Country Profile has been prepared by **SPP Konsult** 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 and territories 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.

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## Your Local Link to IGP in Sweden: SPP

### SPP The IGP Network Partner in Sweden

#### **Our passion. Occupational pension.**

SPP is the occupational pension provider that is always willing to go the extra mile. We are passionate about making occupational pension simple and helping you create an attractive benefit package for your employees. Whether you need smart, time-saving digital solutions, tailored advice for you and your employees or a sustainable occupational pension that can attract future talent, we are ready to help. With a comprehensive offering and deep expertise, we will take on your specific pension challenges. Read more about our sustainability work at [spp.se/hallbarhet](http://spp.se/hallbarhet) (please note that this page is in Swedish).

SPP is part of Norwegian Storebrand Group, one of the leading groups in the Nordic's for savings and insurance. Together we manage capital of circa 1060 billion SEK for our customers. We provide you, your company and your employees with the best occupational pension solutions based on your needs. With us you have a partner that is there when you need us, or even before that, so that everything can run smoothly.

SPP is one of the leading companies within the occupational pensions market in Sweden. It offers a complete range of life insurance products for occupational and private customers. SPP's products are marketed via insurance advisors, independent brokers, and direct sales and telemarketing. Currently, SPP has SEK 195 billion (USD 21 billion) in assets under management.

SPP includes SPP Pension & Försäkring AB (publ), SPP Konsult AB and SPP Fonder AB.

In 2008, SPP became part of the Storebrand Group. Together, Storebrand and SPP form the largest occupational pensions company in the Nordic region.

The Storebrand Group, with roots dating back to 1767, is one of the Nordic region's leading groups for savings and insurance solutions. The Storebrand Group focuses on sustainable investments which is of strategic importance, therefore Storebrand has long fulfilled and signed the UN's principles for responsible business, the Global Compact, and the UN's principles for sustainable investment, UNPRI, both of which the basis for how the Group conducts its work.

SPP has been an IGP Network Partner since 2000.

#### **Key Products**

##### **Life**

- Life
- Life Cover for Retirees
- Optional Supplemental Life
- Widow's and
- Orphans' Pensions

##### **Disability**

- Disability Pension
- Permanent and Total Disability
- Waiver of Premium

##### **Pensions**

- Insured Pensions
- Managed Funds
- Occupational Pensions

##### **Other**

- Expatriate Pension Plans (BenEx)
- Group Personal Accident

The Labor Court (Arbetsdomstolen):	is the final – and in most cases the only – forum for settling legal disputes on labor issues. Its members include representatives from the State, from employers and from trade unions.
The Security of Employment Act (1974):	increased the influence of trade unions. Dismissal of an employee must be based on so-called objective grounds. Such grounds do not exist if it can be reasonably demanded that the employee be transferred to a different position in the same company.
The Act on Co-determination at Work, MBL (1977):	concerns employee-participation in decision-making. It applies to all workplaces where one or more union members are employed. The law regulates numerous issues, such as the right of association and negotiation and rules concerning mediation and conciliation. According to the law, the employer has the obligation to provide the local union with information and to consult with the union before making decisions that involve a major change for employees in general, or an individual union member. Furthermore, local unions may appoint employee representatives to the Board of Directors of most companies with at least 25 employees (two regular and two deputies).
The Work Environment Act (1978):	increased the rights of unions to help improve the working environment. Safety representatives may halt dangerous work under certain circumstances.
The Vacation Act (1978):	increased the statutory minimum paid holiday from four to five weeks. There are ten paid legal days of holiday: New Year's Day, Epiphany, Good Friday, Easter Monday, Labor Day, Ascension Day, 6th June, Midsummer Day, Christmas Day and Boxing Day (26th December).
The Act on Equality between Men and Women (1980):	prohibits an employer from discriminating against an employee on account of gender. Employers with ten or more employees are obliged to devise annual plans for equality-improving measures.

There is a good balance between unions and employers in the Swedish labor market since many years, with a mutual understanding and willingness to compromise.

The trade unions in Sweden are strong. A significant number of wage earners and salaried employees belong to a union. Some of the labor laws are optional and can be substituted by equivalent collective agreements.

## Collective Agreements

### Collective Agreements:

Collective agreements play an important role in Sweden, for both salaried employees and wage earners and within all lines of business.

On top of the statutory income protection comes a supplementary cover, determined in collective agreements between the employers and the employees' trade unions. 90 percent of all employees in Sweden are automatically covered by these insurance policies through their employment contracts. The employer pays the premium.

### Trade Unions:

There are three union confederations that dominate the Swedish labor market; namely:

- The Swedish Trade Union Confederation (LO), for wage-earners/blue-collar workers. LO is the central organization for 14 affiliates that organize workers within both the private and the public sectors. The 14 affiliates together have about 1.4 million members. More info: [https://www.lo.se/english/this\\_is\\_lo](https://www.lo.se/english/this_is_lo)
- The Confederation of Professional Employees (TCO) unites 1.4 million Swedish white-collar workers from all areas of society. TCO members, for example, work as engineers, teachers, police officers, secretaries, bank clerks and nurses. They can be found in both the public and the private sector. TCO consists of 13 affiliated trade unions. TCO is an association of Sweden's white-collar trade union organizations and has the task of exercising the central leadership of the white-collar workers' movement, thereby safeguarding and promoting the joint economic and social interests of white-collar workers. More info: <https://www.tco.se/>
- The Swedish Confederation of Professional Associations (SACO) for employees with university education or similar. SACO consists of 21 associations with a total of 700,000 members, making up 10% of Sweden's total labor force. More info: <https://www.saco.se/en/english/about-saco/>

For bargaining purposes, unions within TCO and SACO have formed alliances in the private and public sectors. The alliance in the private sector is called PTK, the Federation of Salaried Employees in Industry and Services.

### Employers:

The leading employer organization is Svenskt Näringsliv, Confederation of Swedish Enterprises, which has about 60,000 member companies in the private sector employing almost 1.7 million people. At one time, Svenskt Näringsliv was primarily a negotiating body, but nowadays, it devotes more energy to influencing public opinion. Most of Svenskt Näringsliv's 50 member federations have joined forces, the largest of which is called ALMEGA. There are similar organizations like Svenskt Näringsliv representing the State, county councils and municipal governments.

### Collective Agreements on Pension and Insurance:

Many agreements have been concluded between Svenskt Näringsliv/LO and Svenskt Näringsliv/PTK. When it comes to pensions, there is the ITP plan concluded between Svenskt Näringsliv/PTK, originally dating back to 1960 when it was only a recommendation, and the Svenskt Näringsliv/LO agreement on pensions in 1996, which substituted the former STP plan as of 1973.

## Social Security Benefits and Customary Private Employee Benefits

### Introduction:

Swedish Social Security is extensive, as the amount of the contributions implies (see below).

### The Base Amounts:

For calculating pension benefits and contributions, there are three base amounts:

- Price base amount: SEK 48,600\*
- Extended price base amount: SEK 49,300\*
- Income base amount: SEK 71,000\*\*

\* These two base amounts are indexed in line with the consumer price index, which is a measure for inflation and deflation.

\*\* As from 2002, there is also an income base amount. The income base amount is related to an income-index, which shows the income increases for the population between the ages of 16 to 64. All pensionable incomes are taken into account, such as income from employment, social security disability pensions and remunerations from unemployment insurance.

### Social Security Contributions:

Social Security is mainly financed with contributions from employers. The contribution is a percentage of payrolls (gross earnings) for all employees. It is not possible to avoid the contribution by enabling an employee working in Sweden to receive his or her salary from a foreign business entity. The only way to stay outside Swedish Social Security when working in Sweden is by making reference to a Social Security agreement; i.e. the European agreement 4883/04.

#### Employer Contribution:

Health insurance	3.55%
Basic (old-age) pension	10.21%
Survivors' pension	0.60%
Parental insurance	2.60%
Occupational injury insurance	0.20%
Labor market contribution	2.64%
General payroll contribution	11.62%
<b>Total</b>	<b>31.42%</b>

#### Employee Contribution:

The employee pays a contribution of 7.0% of salary to the Social Security pension system for portions of salary not exceeding 8.07 income base amounts. This contribution is included in the income tax and is deducted monthly.

#### Contribution for Self-Employed People:

The normal total contribution for self-employed persons is 28.97%. However, there is a possibility to lower the contribution somewhat by increasing the waiting period for receiving a sickness allowance to 30 days of sickness.


DEATH BENEFITS	
Social Security Benefits	Customary Private Employee Benefits
<p><b>Survivors' Pension</b></p> <p>You can receive survivor's pension in the form of child pension, adjustment pension or widow's pension:</p> <ul style="list-style-type: none"> <li>▪ The surviving spouse is entitled to an <i>adjustment pension</i> for 12 months (but no longer than age 65). The 12-month-period can be extended by 12 months if there is a child younger than age 18. However, the adjustment pension is always paid until the youngest child is 12 years old. The adjustment pension amounts to 55% of the deceased's projected retirement pension.</li> <li>▪ <i>Widow's pension</i> was replaced on January 1, 1990, but if you are a widow and were married to your husband before this date, the "old", more generous widow's pension was maintained. For those married before the end of 1989, transitional rules apply. The requirements vary depending on whether you were born before or after 1945.</li> <li>▪ Children, who have not reached age 18, are entitled to a <i>child's pension</i> if one or both of their parents have died. The orphan's pension can be extended to age 20 for children attending a comprehensive school (or sixth-form college). <ul style="list-style-type: none"> <li>- If the surviving child is younger than 12 years, the child's pension is 35% of the deceased parent's projected retirement pension. If there is more than one surviving child younger than 12, the pension increases by another 25% of the deceased parent's projected retirement pension per child. The total amount paid out is shared equally between the children.</li> <li>- If there is one surviving child aged 12 or older, the pension amounts to 30% of the deceased parent's projected retirement pension. If there are two or more surviving children aged 12 or older, the pension increases by another 20% of the deceased parent's projected retirement pension per child.</li> <li>- The total children's pension cannot exceed 100% of the deceased parent's projected retirement pension. If the surviving spouse is entitled to a survivors' pension, the maximum child amount payable is 80% of the deceased parent's projected retirement pension. The total amount is divided among all the children.</li> </ul> </li> </ul>	<p><b>TGL (Occupational Group Life Insurance)</b></p> <p>TGL is an income tax-free lump sum payable to survivors in case of death of an employee, irrespective of death taking place during work hours or not. TGL applies from the first day of employment. Employees over age 18 who work an average of at least eight hours a week must have TGL. The full amount is payable only if the weekly working hours are at least 16. If working hours are between 8 and 16, half the amount is payable.</p> <p>Lump sums payable under TGL, are exempt from income tax. The premium for TGL is not regarded as taxable income for the employee.</p> <ul style="list-style-type: none"> <li>▪ The lump sum amount is six price base amounts (SEK 289,800 in 2022). A full amount is payable up to age 55, after which it decreases by 0.5 times the base amount for each year. However, if the insured has children under the age of 17 there is no reduction.</li> <li>▪ A supplement is payable to children under the age of 20.</li> <li>▪ A funeral grant is payable to the estate of the deceased at the sum of SEK 24,150.</li> <li>▪ In case of unemployment, the TGL cover continues to apply as long as the unemployment lasts, however, not more than 24 months.</li> </ul> <p>TGL is included in the collective agreements for both salaried employees (Svenskt Näringsliv/PTK) and wage-earners (Svenskt Näringsliv/LO). TGL is compulsory for all the companies that belong to Svenskt Näringsliv, but TGL is customary even among other companies. The TGL benefits under the two collective agreements are very similar, but there some minor differences.</p> <p>For wage earners, TGL is taken out with the insurance company AFA. For salaried employees, TGL can be taken out with the following Insurance companies: BLIWA, Länsförsäkringar, Alecta, SEB Trygg Liv, SEB Pension och Försäkring AB, Skandia Liv, Folksam, Movestic, Idun Liv Försäkring AB.</p>



DISABILITY BENEFITS	
Social Security Benefits	Customary Private Employee Benefits
<p><b>Income Replacement in case of Sickness</b></p> <ul style="list-style-type: none"> <li>▪ Day 1 of sickness is neither paid by employer nor Social Security (qualifying day).</li> <li>▪ Day 2 – 14: 80% of income is paid by the employer.</li> <li>▪ Day 15 – 360: 77.6% of income up to 8.0 price base amounts (SEK 386,400 annually) paid by the State (cash sickness benefit).</li> </ul> <p>In case the employee is fully incapable of work, a full benefit is payable. Other rates of sickness allowance are <math>\frac{3}{4}</math>, <math>\frac{1}{2}</math> and <math>\frac{1}{4}</math>, when the employee is partly disabled, the employer does not need to contribute to the cash sickness allowance.</p> <p>Sickness allowance is payable as long as the sickness lasts or until the Social Insurance Office changes the benefit to a temporary or permanent disability pension.</p> <p><b>Rehabilitation</b></p> <p>If it is difficult to resume working after illness or injury, the employee may receive help with rehabilitation. During rehabilitation, a rehabilitation allowance is payable.</p> <p><b>Disability Pension</b></p> <p>A disabled employee, who has a chronic illness that makes him/her unable to work, is eligible to receive a disability pension if older than age 30. The reduction in work capacity must be at least 25%. The disability pension is payable up to normal retirement age and is thereafter substituted by the retirement pension. The employee can draw a full, <math>\frac{3}{4}</math>, <math>\frac{1}{2}</math>, or <math>\frac{1}{4}</math> disability pension.</p> <p>If the working capacity is reduced for a limited period or the individual is younger, the employee can receive a temporary disability pension. The level of the disability pension is calculated as 64% of the average of the three best annual incomes during the last five to eight years, depending on the age of the insured. This pension is subject to a trial at least every third year by the local Social Insurance Office.</p> <p>The disability pension is calculated and paid out by the National Insurance Office.</p> <p><b>Work Injury</b></p> <p>An employee, who is injured in an accident at work or on the way to or from work, can obtain compensation from the work injury insurance scheme. The insurance also covers “occupational illness”.</p> <p>An annuity is payable as a compensation for the lost income on account of the work injury. The size of the annuity equals the amounts payable for other illnesses. In the event of death occurring as a result of an accident at work, a contribution towards funeral expenses is provided. Furthermore, a life annuity may also be payable to survivors.</p>	<p><b>AGS (Group Sickness Insurance for Wage-Earners)</b></p> <p>AGS is a collective group insurance for wage earners, which supplements the workers statutory sickness allowance or disability pension from Social Security.</p> <p>Compensation is paid with effect from the 15<sup>th</sup> day of sickness and in case the incapacity to work is at least <math>\frac{1}{4}</math>. Compensation is payable as long as the employee is sick (maximum 360 days), but at most until age 65, when it is substituted by a retirement pension. The qualifying period is 90 days of employment with the current or previous employer with AGS cover.</p> <p>When sickness allowance is payable from Social Security, the AGS compensation is a daily compensation rate. For the first 14 days, when sick pay is payable (except for the first day) no compensation is payable. From the 15<sup>th</sup> until the 90<sup>th</sup> day, the daily compensation amounts to 12.5% of the sickness allowance from Social Security. Another percentage may apply when no sick pay is payable.</p> <p>When disability pension (early retirement pension due to sickness) is being paid, the size of the compensation from AGS is calculated on the previous monthly income. The daily or monthly compensation may, depending on the extent of work incapacity, be paid at the full, <math>\frac{3}{4}</math>, <math>\frac{1}{2}</math>, or <math>\frac{1}{4}</math> rate. The AGS compensation, which is index-linked in line with inflation but at a maximum of 4% annually, is taxed as income.</p> <p><b>TFA (Work Injury Insurance)</b></p> <p>TFA covers compensation in the case of:</p> <ul style="list-style-type: none"> <li>▪ Accidents at work</li> <li>▪ Accidents on the way to or from work (causing working incapacity for more than 14 days, or resulting in a permanent incapacity)</li> <li>▪ Occupational disease (lasting at least 180 days, or other occupational illness with lasting medical incapacity of at least 5%)</li> <li>▪ Infection</li> </ul> <p>TFA, supplied solely by the insurance company AFA, is included in the collective agreements for both salaried employees (Svenskt Näringsliv/PTK) and wage earners (Svenskt Näringsliv/LO). Under the TFA, the employee can obtain compensation regardless of whether the employer or anyone else has been liable for the damages or not. On the other hand, an employee with an occupational injury may not bring a lawsuit for damages against an employer with TFA insurance.</p> <p>TFA provides compensation mainly according to regulations of the law of damages. This involves compensation for pain and suffering if the sick-listing period exceeds 31 days. The size of the compensation for pain and suffering depends on the nature and type of</p>

<b>DISABILITY BENEFITS</b>	
<b>Social Security Benefits</b>	<b>Customary Private Employee Benefits</b>
	<p>injury. Compensation is also payable to make up for the loss of income due to incapacity to work. The compensation is paid on top of a sickness allowance from Social Security and it normally amounts to 12.5% of income from the 15<sup>th</sup> day of incapacity. An expense for rehabilitation, medical expenses, travel expenses etc. could be reimbursed to the extent that the sum exceeds a certain amount. In the event of death, compensation is given for funeral costs and for the loss of child support and alimony. The compensation for loss of income is taxed as income. All other compensation is tax-free.</p>

<b>MEDICAL BENEFITS</b>	
<b>Social Security Benefits</b>	<b>Customary Private Employee Benefits</b>
<p><b>Health Insurance</b></p> <p>All Swedish citizens and all foreign national residents in Sweden, who are insured according to the National Insurance Act, are covered by health insurance.</p> <p>Swedish healthcare is decentralised – responsibility lies with the regional councils and, in some cases, local councils or municipal governments (Sweden is divided into 290 municipalities and 21 regional councils). The role of the central government is to establish principles and guidelines, and to set the political agenda for health and medical care.</p> <p><b>Medical Care</b></p> <p>When seeing a doctor, receiving treatment from other medical personnel, or receiving hospital treatment, the patient only pays a part of the cost – the patient’s fee. The fee differs for different kinds of medical services and might also differ between counties. The county council is responsible for the medical and hospital treatment.</p> <p><b>Patient fees:</b></p> <ul style="list-style-type: none"> <li>▪ Hospital stay: max SEK 100/day</li> <li>▪ Primary care: SEK 0–300, depending on the regional council</li> <li>▪ Specialist or emergency visits: max SEK 400</li> </ul> <p>A patient never has to pay more than a total of SEK 1,150 for medical consultations in the course of 12 months. Any consultations exceeding that amount are free of charge.</p> <p><b>Prescription Medication</b></p> <p>For prescription medication, nobody pays more than SEK 2,350 in a given 12-month period. When buying medicine on prescription, the patient pays a reduced price. Each purchase is recorded and when the patient has reached an amount of SEK 2,350, he/she receives free medicine on prescription during the remaining twelve-month period, counted from the first purchase.</p> <p><b>Dental Care</b></p> <p>Since 2019, regional councils cover dental care costs for local residents up to the age of 23. Dental care from the age of 24 is subsidised by the state. If you have a special need of dental care, you may be eligible for dental care subsidy from your county council or region.</p> <p>The national dental care subsidy consists of general and special dental care allowance plus high-cost protection covering 50% of costs between SEK 3,000 – 15,000. Costs exceeding SEK 15,000 are covered up to 85%.</p>	<p>A company can provide additional private healthcare in addition to Social Security (not obligatory). This applies to most top executives and key persons within the company but is becoming very common for other categories as well.</p> <p>The possible advantages for using private healthcare are reduced wait times, and the possibility to visit specific doctors, practitioners, specialists and hospitals.</p> <p><b>Statistics per 2021:</b></p> <ul style="list-style-type: none"> <li>▪ Number of insured individuals: 681,000 (2006: 218,000)</li> <li>▪ Covers approximately 15 % of all employees in Sweden (between age 16-64)</li> <li>▪ Average age of the insured: 45</li> <li>▪ Most common industries <ul style="list-style-type: none"> <li>- Manufacturing:12%</li> <li>- Retail:14%</li> <li>- Financial and Legal: 19%</li> <li>- Other industries: 35%</li> </ul> </li> </ul> <p>Since July 1, 2018, employer-paid health insurance is subject to 60% taxation - this means that 40% of the premiums will be tax exempt for employees.</p>

<b>RETIREMENT BENEFITS</b>	
 <p style="text-align: right; font-size: small;">Source: <a href="http://www.sci.se">www.sci.se</a></p>	
<b>Social Security Benefits</b>	<b>Customary Private Employee Benefits</b>
<p>The government in Sweden provides the general pension which is administered by the Swedish Pension Agency. There are two distinct elements to the General Pension: Income Pension and Premium Pension. These elements are both based on an individual's income. The employer pays a monthly contribution of 18.5% of pensionable income (maximum 7.5 income base amounts, or SEK 532,500 in 2022) to the State, of which 16% is paid to the Income Pension system and 2.5% to the Premium Pension.</p> <ul style="list-style-type: none"> <li>▪ The <b>Income-Based Pension</b> (16%) is the individual's pension entitlement registered on their own national account (Income Pension). It is financed as a pay-as-you-go scheme, meaning that the year's pension contributions paid by those who work are used to pay pensioners the same year. In return however, the actively-at-work receive something called pension entitlements. People's earned pension entitlements determine the size of the individual income pension received. This as a measure to keep people actively-at-work for as long possible and there is an incentive to work until – or past- the official retirement age.</li> <li>▪ The <b>Premium Pension</b> (2.5% of the pensionable income) is the funded part of the earnings-related old-age pension. The contribution is deposited in an individual investment account with individual choices. The Premium Pension therefore allows employees themselves to choose directly how their funds will be invested within the Premium Pension system.</li> </ul> <p>The retirement age is flexible and retirement benefits can be claimed from the age of 61 at the earliest. The capital and yield accumulated as of the individual's retirement date will be used to fund an annuity with periodic pay-outs. The size of the annuity will depend on the remaining life expectancy for the individual's age group and the assumed future growth in real wages.</p>	<p>Second pillar pension benefits are determined by nationwide collective bargaining agreements. Permanent employees automatically belong to an occupational pension scheme. These schemes are known as ITP for white-collar employees and SAF-LO for blue-collar employees.</p> <p>Some industries (e.g. banking, insurance) have other pension schemes than ITP, but the benefit provisions are more or less the same. Employers who are not part of the collective agreements may offer plans on a voluntary basis. These also often follow the range and level of benefits provided under ITP. As a result, pension plans in Sweden are extremely standardized.</p> <p><b>Pension Plans Based on Collective Agreements</b></p> <p><b>ITP Plan (White-Collar Workers)</b> Effective July 2007, the ITP was extensively upgraded after a decade of negotiations between the employers and white-collar unions. It comprises two main parts:</p> <ul style="list-style-type: none"> <li>▪ <b>ITP1, introduced in 2007, is defined contribution in nature and covers all employees born in or after 1979.</b> Employer contributions are 4.5% for earnings under 7.5 IBA (income base amount - SEK 532,500 in 2021), and 30% for earnings over 7.5 IBA. Members are eligible to contribute as of age 25. <ul style="list-style-type: none"> <li>- Contributions are also paid during periods of sickness, parental leave or leave to take care of a sick child.</li> <li>- Part of the contribution may be used for family cover.</li> <li>- Employees are entitled to transfer pension accruals to another insurance provider.</li> <li>- The pension is earned from age 25 until retirement age 65. If an employee continues to work after this time, the two parties may reach an agreement on the continued payment of pension contributions until his/her employment ceases.</li> <li>- The employee chooses one or more insurance companies. At least 50% of the pension contribution must be placed in an insurance policy with guarantee.</li> <li>- Pensions are normally paid from the age of 65, but may be taken out from the age of 55.</li> <li>- Pensions are life-long but can be paid in full or in part for a limited period of at least five years. The size of the pension</li> </ul> </li> </ul>

RETIREMENT BENEFITS	
Social Security Benefits	Customary Private Employee Benefits
<p>Next to the above pension, the Swedish security system also foresees the following:</p> <ul style="list-style-type: none"> <li>▪ The <b>Guaranteed Pension</b> provides for a minimum pension for people older than 65 who are eligible to receive only a very little or no income-based pension. The person must have at least 40 years of residency in Sweden.</li> <li>▪ The <b>Supplementary Pension</b> is payable to people born before 1954 and is based on the income earned during working years. People born before 1938 will receive a supplementary pension only.</li> </ul> <p>Today, most actively-at-work receive some form of occupational pensions via their employer, often governed by collective agreements. In addition, employees can opt individually to top it up with a private pension (Third Pillar).</p>	<p>is determined by the amount of premiums paid, the return, fees and taxes and for how long the pension is to be disbursed.</p> <ul style="list-style-type: none"> <li>▪ <b>ITP2 is the old defined benefit plan and covers all employees born before 1979.</b> It is mainly defined benefit in nature and based on final earnings, although it does contain some defined contribution components. On reaching 65, a member with 30 years of service receives benefits as a life annuity, although the option of withdrawing a pension entitlement over a period as short as five years was introduced in 2007.</li> </ul> <p>ITP2 includes a disability pension as of age 18.</p> <p>Employees in permanent employment (or temporary employees after a certain waiting period) who fulfill the age conditions are covered by the ITP2 plan. As of age 28, ITP2 covers:</p> <ul style="list-style-type: none"> <li>- Retirement pension. To qualify for a full pension, the employee must have a projected period of pensionable service, from the date of entry until retirement age, of at least 30 years. If the period is shorter, the pension will be reduced proportionately (except for disability pension). The pensionable salary is 12.2 times the current monthly salary (the 0.2 percentage covering holiday pay) plus an average of the bonus for the three preceding years. Benefits in kind, in the form of food and accommodation are also pensionable. The retirement pension is in principal based on the final salary. However, salary increases that occur less than five years before retirement age may not be calculated in full.</li> <li>- Complementary retirement pension (ITPK). This pension is not expressed in relation to salary, but is designed as a money purchase type of benefit (DC). The capital accumulated under the ITPK provisions may be used to increase the pension from age 65 for life or for a fixed number of years. The ITPK premium (or book-reserve allocation) is 2% of pensionable salary. The size of the ITPK pension in relation to final salary will, on average, equal 5% as a life-long pension. The individual has a freedom of choice of insurance carrier and insurance product (unit-linked or traditional insurance) for the ITPK premium. The premium could either be used for a pure retirement pension or with a repayment cover in case of death. Part of the premium could also be used for a family cover to be payable for five years to the spouse, cohabitant or children, regardless of age, in case of death before retirement age. The employee can choose a family cover of one up to four price base amounts. The premium depends on the number of base amounts and age. Payment period is 5, 10, 15 or 20 years.</li> <li>- Survivors' pension (on parts of salary above 7.5 base amounts). The survivors' pension is the same irrespective of death occurring before or after retirement age. In case there are one or more children under the age of 20, the pension amount is higher, depending on the number of</li> </ul>

<b>RETIREMENT BENEFITS</b>	
<b>Social Security Benefits</b>	<b>Customary Private Employee Benefits</b>
	<p>children. A cohabitant is not entitled to a survivors' pension</p> <ul style="list-style-type: none"> <li>- Waiver of premium: when disability pension is payable, normally after a waiting period of 90 days, the coverage continues to apply and pension accruals continue.</li> </ul> <p>Employees who earn more than 10 income base amounts can opt out of the traditional ITP (ITP2) for portions of salaries exceeding 7.5 income base amounts. The option only applies for the retirement and survivors' pension. The full risk coverage is maintained on the whole salary in the traditional ITP. For the same contribution that was payable for retirement and survivors' pension on salary above 7.5 base amounts, the employee can choose Alternative ITP on the employer's consent. The Alternative ITP can be taken out with any insurance company that the employer may agree to. There are a number of employers who provide alternative ITP with a step-rate plan instead of mirroring the contribution from the defined benefit plan. The advantages for the employee with Alternative ITP are:</p> <ul style="list-style-type: none"> <li>- The flexibility of coverage; e.g., the possibility for a family man (or woman) to sacrifice some retirement pension for more survivors' pension; or for a single person to include only a retirement pension.</li> <li>- The possibility to choose unit-linked instead of traditional insurance.</li> <li>- The opportunity to get a higher individual bonus than under traditional ITP, which increases the pension in line with the consumer price index.</li> <li>- It is important that the employee is aware of the consequences, advantages as well as disadvantages, of choosing Alternative ITP. If the employee selects Alternative ITP, it is not possible to return to traditional ITP (i.e. ITP2) with the same employer.</li> </ul> <p><i>For a comparison between ITP1 and ITP2, see Appendix A.</i></p> <p>Note: Employers who registered with the Confederation of Swedish Enterprise after December 31, 2006, or who entered into collective ITP agreements after April 25, 2006, are able to switch exclusively to a defined contribution ITP scheme subject to the approval of the union(s) concerned.</p> <p><b>SAF-LO (Blue-Collar Workers)</b> The SAF-LO occupational pension plan is defined contribution in nature. SAF-LO was established by a collective bargaining agreement between the Swedish Trade Union Confederation (LO) and the Swedish Employer's Confederation (SAF).</p> <p>In 2007, the terms of SAF-LO were improved, primarily in response to perceived unfairness in the terms of the pension provisions for blue-collar and white-collar workers.</p>

<b>RETIREMENT BENEFITS</b>	
<b>Social Security Benefits</b>	<b>Customary Private Employee Benefits</b>
	<p>Employer contributions are 4.5% of salary up to 7.5 IBA (income base amounts) and 30% for salary components above 7.5 IBA (income base amounts). Members are eligible to contribute as of age 25 (similar to IPT1).</p> <p>Note: Prior to 1996, blue-collar employees earned occupational pensions under the STP plan. STP was mainly a defined benefit pension plan. Employees born prior to 1967 or earlier may have pension entitlements according to the STP plan. Employees born in 1968 or later are covered by SAF-LO.</p> <p><b><i>Pension Plans Not Based on Collective Agreements</i></b></p> <p>Even if most employees are compulsorily covered by a pension plan due to a collective agreement, there are some employees who are not. Those employees are either top executives, to whom the collective agreements do not apply, or employees working for companies that do not belong to a labor market organization.</p> <p><b>Top Executives</b></p> <p>Traditionally, most top executives belong to the ITP plan. The plan is considered to suit even those with a high income. However, the ITP2 plan is often supplemented on income above the ITP ceiling. Furthermore, a lower retirement age than the normal age of 65 may be used and the cost for this is normally fully tax-deductible. A typical way to top up the ITP2 plan benefits for executives is to add a defined contribution plan.</p> <p>For portions of annual salary exceeding 10 IBA (income base amounts), the individual can opt out of the ITP2 defined benefit plan provided the employer offers alternative ITP. The individual can choose the preferred coverage within the contribution frame or according to the employer's premium framework (from DB to DC). Included in this arrangement can be old age pension and survivors' pension.</p> <p>Supplements above the ITP2 plan is normally not tax-deductible. Endowment insurance policies are often utilized. The contributions are not immediately tax deductible, but the paid-out pension is tax deductible as business expenses.</p> <p>If ITP1 applies there is no need to top up, as the ITP1 plan covers also salaries above 30 income base amounts. There is no cap.</p> <p><b>Other Employees</b></p> <p>Defined contribution plans are most common. ITP1 is currently the typical benchmark to mirror pension plans. Furthermore, almost all companies provide occupational group life insurance (TGL) and work-injury insurance (TFA).</p>

<b>OTHER BENEFITS</b>	
<b>Social Security Benefits</b>	
<b>Income Replacement in case of Maternity or Parental Leave:</b>	<p>A pregnant woman is entitled to be moved to an easier job within the company during the last 60 days before the expected date of birth, or to stay at home and receive a benefit equal to a full sickness allowance.</p> <p>A parental allowance is payable for 480 days in order to stay at home from work and look after a child. The days of parental allowance are divided equally between the parents by default. However, each parent is entitled to 90 days that cannot be transferred to the other parent. The allowance can be drawn at any time until the child has reached age 8. For children born on January 1, 2014 and onwards, the majority of parental leave days must be taken before the child turns 4. However, 96 days can be transferred and used after 4 years of age, but may not be used after the child's 12<sup>th</sup> birthday. The parents can choose to draw a full, <math>\frac{3}{4}</math>, <math>\frac{1}{2}</math>, or <math>\frac{1}{4}</math> parental allowance.</p> <p>A temporary parental allowance is payable, if the employee has to stay at home to care for a sick child who has not reached age 12. The same applies if the child has to be taken to a doctor or to a child health center. Parents are entitled to temporary parental allowance, together, for a maximum of 120 days per child and year. In addition to this, a man who has just become a father is entitled to 10 extra days' leave in connection with the child's birth.</p>
<b>Child Allowance:</b>	<p>A monthly child allowance is payable for each child residing in Sweden under the age of 16. The tax-free allowance is SEK 1,250 per month and child. A family supplement is payable to a family with two or more children.</p>
<b>Unemployment:</b>	<p>The unemployment insurance is administered by approximately 30 different unemployment insurance funds with various fields of activity (by profession or economic sector).</p> <p>Unemployment insurance contributions are voluntary for an employee and are subject to membership of a fund. Trade union members are usually collectively registered with a fund. For those employees, who do not pay any contributions to the optional income-related (loss-of-earnings) insurance, a basic amount is payable. One of the Unemployment Insurance Funds, Alfa-kassan, can insure those who do not for instance belongs to a union.</p> <p>The unemployment benefit is paid to those who meet certain conditions laid down in the Unemployment Insurance Act. The optional part is subject to at least one year's membership with an Unemployment Insurance Fund. Generally, to qualify for compensation, the applicant must:</p> <ul style="list-style-type: none"> <li>▪ be partly or fully unemployed;</li> <li>▪ be able to work and not be impeded from accepting work;</li> <li>▪ be prepared to accept a suitable work offered by the public employment service;</li> <li>▪ have worked (or studied) to a sufficient extent for the work condition to be satisfied (basic or income-related optional coverage).</li> </ul> <p>The unemployment benefit is payable after 7 days of unemployment. It is paid for 5 days a week for a maximum of 300 days. A person, satisfying the conditions all over again, can qualify for a further benefit period; however, every benefit period begins with 5 waiting days.</p> <p>The daily allowance is 80% of the former salary, some limitations apply. The maximum benefit for unemployment is SEK 33,000 per month (2022) before tax. It is possible to insure higher salaries. The unemployment allowance is taxed as income and it is pension-carrying for pensions from Social Security.</p>



Type of Insurance	Contributions	Benefits
Retirement & group benefits 1 <sup>st</sup> pillar	Employer: Fully tax-deductible	Taxable
	Employee: Fully tax-deductible for tax purposes	
Retirement & group benefits 2 <sup>nd</sup> pillar	Employer: Tax-deductible within certain limits	Taxable
	Employee: Employee contributions not allowed*	
Medical insurance and private health care	Employer: Fully tax-deductible	Taxable
	Employee: Non-tax deductible	
Other benefits - such as lump-sum payments etc. (not classified as retirement benefits)	Employer: Fully tax-deductible	Taxable
	Employee: Non-tax deductible	
<p>* Optional on a voluntary basis. An employer may provide an arrangement where the employee can switch portions of salary in order to get additional occupational pension contributions (salary exchange). Pension premiums are not taxed when paying into pension insurance, income taxation only takes place when pension is paid at retirement age.</p>		

## Benchmarking Information (based on Network Partner's portfolio)

	%
<b>Group Life Coverage</b>	
Death benefit (TGL)	N/A
AD&D	N/A
Survivor's benefits	
Employer contribution only	
<b>Disability Coverage</b>	
Long term disability	100%
Short term disability	
Waiver of Premium	100%
Employer contribution only	100%
<b>Healthcare Coverage</b>	
Hospitalisation	
Dental	
Vision	
Critical Illness	
Employee Assistance programme	
Employer contribution only	
<b>Retirement Plans</b>	
DC	0%
DC - Employer contribution only	77%
DB	0%
DB - Employer contribution only	23%
<b>Other</b>	
Wellness& Wellbeing Programmes	
Flex benefits	

## Typical LTD Benefit Levels

Most companies will mirror the collective agreement. Although the LTD benefit formula will vary by employer, the most typical benefit is calculated as follows\*:

- A. 10% on Salary up to 7.5 \* Price Base Amount (PBA) => max. SEK 483.000/year
- B. 65% on Salary between 7.5 \* PBA and 20 \* Income Base Amount (IBA) => max. SEK 1 420 000 p.a.
- C. 32.5% on Salary between 20 and 30 \* IBA => max. SEK 2 130 000 p.a.

However, the maximum benefit amount can amount to:

- A. 25% on Salary up to 7.5 \* Price Base Amount (PBA)
- B. 90% on Salary between 7.5 \* PBA and 20 \* Income Base Amount (IBA)
- C. 70% on Salary between 20 and 30 \* IBA
- D. 50% on Salary between 30 and 50 \* IBA

\* Price Base Amount for the year 2021 = SEK 48,600  
Income Base Amount for the year 2021 = SEK 71,000

## Medical Inflation Trend Projection

Year	Expected Medical Inflation %
2022	6%
2023	6%
2024	6%

### Legislative Reforms

#### Retirement Age Reforms from 2020

The minimum age for employees to be able to take out their General Pension has been increased from 61 to 62 years from 2020. It will be further increased to 63 in 2023 and to 64 in 2026. People born in 1958 or earlier will still have 61 years as the earliest age to take out their General Pension.

The highest age at which employment is covered by the Employment Protection Act (LAS), will immediately increase from 67 to 68 and then rise to 69 in 2023.

The minimum retirement age for the Guaranteed Pension will increase from age 65 to 66 in 2023 and to 67 in 2026.

After the scheduled retirement age increases are implemented by 2026, further increases will be linked to life expectancy changes through a new mechanism called the “target age” (*riktålder*).

There are also suggestions for raising the statutory age, which gives the employee the right to work from today's 67 years to 69 years old.

### Trends

#### Retirement

There is an ongoing trend from Defined Benefit plans to Defined Contribution plans in pillar 1 and 2. Based on increased awareness of the low-interest market's long-term impact on retirement, several unions have more demands for improved pension conditions. Among other things, several federations have recently negotiated Flexpension that entails additional premium costs for the employer (about 0.5 to 2 % of salary) and in total higher pension contributions for the employees.

In the future, it is expected that the working population will receive an increasing part of its total pension from the occupational pension, as the general pension scheme is expected to yield about 40% of pensionable income in the future. This is especially true for high-income earners who are expected to receive most of their pension from occupational pension.

Many employers are more and more interested to provide branded occupational concept to the employees that are transparent and cost efficient. To achieve this, many employers use independent pension administrators with digital communication platforms and procure retirement conditions. This applies especially in industries who are looking for competence to expand their business, for example IT-companies and technical consulting companies.

Promoting diversity and age distribution by retaining older talents, is an important tool to increase competence and gain broader perspectives on the business. According to a study from the American SHRM Foundation, increased dissemination of age leads to better business results, and employees from all age categories tend to remain at the company for a longer period. The increase of the age at which employment protection ends leads to a huge advantage for the employees: the pension authority reports that extending working life with one year after age 65 can provide as much as up to 11 percent extra in pension before tax. This is a strong incentive for your older employees, but means that employers have the responsibility to sign a new contract or extend the existing one.

At the same time, there is much to be gained. Since July 1, 2019, the so-called special payroll tax on the wages of older employees has been abolished - which means that you, as an employer, no longer have to pay this 6.15% tax rate for employees over the age of 65

#### Flexplan

There are unions that negotiated mandatory pension plans that will allow employees to have flexible retirement age or higher retirement at the regular retirement age. The agreed contribution from the employer varies between collective agreement areas but many of these Flexplans have a contribution of 1.5% < of salary as target.

After the state has removed the tax benefits (deduction) for individual long-term pension savings, it has become very common for employers (on a voluntary basis) to offer salary exchange on a cost-neutral basis, based on demand from the employees.

#### Voluntary group insurances

Many employers provide group insurance with complementary insurances on voluntary enrolment for the employees. Most common insurance elements are life insurance, disability, medical and coverage for the family (mainly the children).

### Healthcare

There has been a very strong trend among the employers to offer private Health care to the employees. This due to the increasing waiting period to get medical treatment in the public healthcare system. From July 1, 2018 the government changed the tax conditions for benefits of medical treatment outside the public system to become a taxed benefit. This includes the premium cost for Medical insurance.

### Pension Plan – Defined Contribution (ITP1) Scheme (20 employees)

Eligibility:	<u>Disability pension:</u> Employees as of age 18. <u>Retirement pension:</u> Employees as of age 25 up until age 65. At least three months of service within the company is required.
Retirement age:	Age 65.
Pensionable salary:	Gross monthly salary * 12.2
Pensionable service:	Years and months of service.
Waiver of premium:	Mandatory. Included after a waiting period of 90 days in the event of disability.
Survivors' pension:	Optional by the employee and financed through the contribution (i.e. involving a lower retirement pension).
Employer Contribution:	4.5% of the employee's salary up to 7.5 income base amounts (2021: SEK 532,500), 30% for salary components above 7.5 income base amounts (no limit).
Employee Contribution:	Not allowed.

### Pension Plan – Defined Contribution Scheme based on salary exchange (20 employees)

Eligibility:	Employees as of age 25 up until age 65 with an annual salary above 8.07 income base amounts (SEK 572,600 in 2022) subsequent to the salary exchange.  The salary exchange arrangement ( <i>Sw. Löneväxling</i> ) is typically in a cost-neutral basis compared to salary payments.
Retirement age:	Age 65.
Pensionable salary:	N/A (fixed monthly contribution about SEK 1,000 - 8,000).
Waiver of premium:	Depends on arrangement. The salary exchange arrangement should not have an impact on the normal occupational pension arrangement.
Survivors' pension:	Optional by the employee and financed through the contribution (i.e. involving a lower retirement pension).
Employer Contribution:	Typically equal to the salary exchange times 1.058 % (i.e. cost neutral compared to salary payments). The employer usually also compensates for any loss of ordinary occupational pension contribution.
Employee Contribution:	Not allowed (although established indirectly through the salary exchange).

## Appendix A: ITP1 - ITP2

	<b>ITP1: White-collar employees born in 1979 or later.</b>	<b>ITP2: White-collar employees born in 1978 or earlier.</b>
Starting age	Disability pension: 18 years	Disability pension: 18 years
Earnings	Retirement pension: 25 years – 65 years	Retirement and family pension: 28 years – 65 years
	If an employee continues to work after age 65, the two parties may reach agreement on the continued payment of pension fees until his/her employment ceases.	Employees are entitled to opt out of the future earnings of family cover, in which case the fees for this benefit will be used to supplement their ITPK and the family cover already earned will be converted into a paid-up policy.
Pensionable salary	Cash gross salary, including overtime compensation, bonus and gratuities. Compensation for expenses is not included.	Fixed annual salary (monthly salary x 12.2) including any average commission or bonus during the three immediately preceding years. Overtime compensation and compensation for expenses are not included.
Retirement pensions	For both ITP1 and ITP2: Pension can be paid from age 55 at the earliest and for a limited period of at least 5 years.	
	<p>The entire retirement is defined contribution. The premiums paid by the employer are decided while the size of the pension is not decided in advance. The size of the retirement pension depends instead on salary, the premiums paid, how the money is managed and the charges made by the insurance company.</p> <p>The employee chooses one or more pension managers. At least 50 % of the pension contribution must be placed in a more secure savings scheme than a pure unit-linked insurance plan. The procurement of insurance provider with authorization to manage ITP contributions is handled by the parties involved through the general ITP administrator Collectum.</p>	<p>Retirement pension contains two components:</p> <ol style="list-style-type: none"> <li>1. A defined retirement pension: The size of the pension is determined in advance as a proportion of final salary. The premiums paid by the employer should cover the promised pension.</li> <li>2. The ITPK is a defined contribution supplement and the employee chooses the insurance company in the ITP choice.</li> </ol> <p>Now, instead of being exclusively life-long, the entire pension can be disbursed for a limited period of at least five years. Employees will be entitled to transfer all or part of their accrued ITPK to another Insurance provider. Employers and associations, local unions or employees may agree to supplement ITPK contributions with additional fees. Employees will also be able to supplement their ITPK with their private contributions (i.e. salary exchange) in accordance with the regulations of the insurance company in question. Employees are entitled to opt out of the future earnings of survivor's pension and instead increase their premium to their ITPK. The family pension already earned will be converted into a paid-up policy.</p>

	<b>ITP1: White-collar employees born in 1979 or later.</b>	<b>ITP2: White-collar employees born in 1978 or earlier.</b>
Costs of retirement pension	<p>The employer's cost is known.</p> <p>Premiums correspond to 4.5% of the employee's salary up to 7.5 income base amounts (2022: SEK 532,500)</p> <p>30% for salary components above 7.5 income base amounts (no limit).</p>	<p>1. The cost to the employer is more difficult to predict. Premiums are calculated based on the employee's</p> <ul style="list-style-type: none"> <li>- salary</li> <li>- age</li> <li>- earlier accrued pension</li> </ul> <p>2. ITPK premium corresponds to 2% of the employee's salary.</p>
Alternative ITP for high earners	Alternative ITP or solutions for high earners (so called "10-taggare") are not included in ITP1.	Same rules as before but with one additional alternative: an employee who earns more than 10 income base amounts can, after agreement with the employer, transfer entirely to the defined contribution ITP1.
Waiver of premium for the employer applies	<ul style="list-style-type: none"> <li>▪ In the event of work incapacity due to illness or accident.</li> <li>▪ For periods in excess of the sick pay period in accordance with the sick pay legislation.</li> <li>▪ In the event of parental leave with parent's allowance due to the birth or adoption of a child (maximum 13 months per birth or adoption)</li> <li>▪ In the event of parental leave for care of own child.</li> </ul> <p>Waiver of premium is proportionate to the level of work incapacity.</p>	<p>In the event of work incapacity due to illness or accident.</p> <p>The employer has total waiver of premium if the employee has been on the sick list for more than 90 days. Even if the employee is working part time, he/she will have the same benefits (relatively) as a full time worker. To get benefit, your work incapacity must be at least 25%.</p>
Financing	<p>Both ITP plan cans either be financed completely through insurance premiums to Alecta, through book-reserves or secured with a pension foundation. If the company chooses to use the book-reserve method, which only applies to the retirement pension (before 1990, it also included ITPK), the disability and survivors' pensions are still insured with Alecta. ITPK and Alternative ITP could also be insured with insurance companies other than Alecta.</p> <p>Contributions to ITP2 (defined benefit plan) vary due to historical salaries and contributions.</p>	
The FPG/PRI (book reserves) system	Under ITP1, the FPG/PRI system cannot be chosen. However, an application can be made to the ITP board. There are very few companies that utilize book-reserves for the ITP1.	<p>PRI Pensionsgaranti is the insurance company from which the employer has to take out a credit insurance policy to cover the risk for insolvency.</p> <p>PRI Pensionsgaranti is the company that registers the pension rights, calculates the liabilities and pays out the pension.</p>

The table below shows the costs for employers due to collective agreements.

White-Collar Workers		Blue-Collar Workers	
ITP1	4.5% of the employees' salary up to 7.5 income base amounts, 30% for salary components above 7.5 income base amounts	Avtalspension SAF-LO	4.5% of the employees' salary up to 7.5 income base amounts, 30% for salary components above 7.5 income base amounts.
ITP2	About 13% in average (including risk coverage, such as waiver of premium)		
TGL	SEK 30/month and employee	TGL (*)	0.15%
TFA	0.01%	TFA	0.01%
Employment Security Fund	0% since 2016	AGS	0.00%
		AGB	0.15 %

(\*) SAF-LO: AFA is the sole insurer for TGL

AGB (Severance-pay grant for wage-earners): in case a company's production changes result in a lasting staff reduction, an employee at the age of 40 or older who has been an employee for at least 50 months can receive a lump sum payment from AGB.

The amount paid out is between SEK 37,885 and SEK 55,100 depending on age (2022).



### Social Security Agreements

Sweden has concluded Social Security agreements with the following countries:

- EU Countries: Austria, Belgium, Bulgaria, Czech Republic, Croatia, Cyprus, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Luxembourg, The Netherlands, Portugal, Spain, UK, Northern Ireland, Slovenia, Slovakia, Poland, Romania, Estonia, Latvia, Lithuania, Malta.
- Non-EU Countries: Bosnia Herzegovina, Canada and Quebec\*, Cap Verde, Chile, Iceland (EEA), India\*, Israel, South Korea\*, Liechtenstein (EEA), Morocco, Montenegro, Norway (EEA), Serbia, Switzerland, Turkey, USA\*
- Agreements about sickness benefits with: Algeria and Australia.

\* Contains only provisions relating to pension benefits.

### EU/EEA (Regulation No 1408/71) was replaced by regulation No 883/04 on May 1, 2010

The basic principle is that an employee shall be covered only in one Member State at a time. The Member State is defined as the State where the professional activity is exercised. This applies even in cases where the employee is resident of another Member State or where the employer is situated in another Member State. There are exceptions for temporary postings abroad. If, for example, a citizen from an EU-state, who is employed in his/her home country, comes to work in Sweden for a period that is not expected to exceed 24 months, the applicable legislation will still be the legislation of the home country. This period can eventually be extended.

Special rules apply, for example, to civil servants, persons employed by diplomatic missions or consular posts and workers in international transport. Special rules also apply to different situations, such as working in more than one Member State, or when employed by companies in different Member States.

There is a possibility to apply for an exception from the standard rules (according to article 17). If official authorities in both Member States (the leaving and the receiving) agree to an exception, the employee can stay in his/her home country Social Security system and be exempt from the Social Security in the country of service. This exception will normally be limited to five years.

### Other Social Security Agreements

The EU/EEA regulation only applies to citizens of the Member States. To other citizens coming from EU/EEA countries, bilateral Social Security agreements may apply. All the other Social Security agreements are bilateral, except those from the Nordic Social Convention. The goal of the agreements is to ensure that migrant workers receive the same benefits in the country where they work temporarily as the citizens of that country do. Some of the agreements include the possibility to remain in the home country Social Security system, while working temporarily in Sweden. An American working in Sweden for less than one year can, for example, stay in the US Social Security pension scheme, but the agreement only relates to pensions, not Medicare.

### Supplementary Pension

The ITP plan is a collective agreement. According to the agreement, a Swedish company belonging to Svenskt Näringsliv (the Swedish Employers' Confederation) has to report all its employees to ITP, even those who come from abroad and work temporarily here for at least six months. The company can apply for an exemption from ITP for those employees who intend to stay in Sweden temporarily (maybe a maximum of three years) during which time they will remain in their home country's pension plan. The application is handled by a board called "ITP-nämnden", consisting of representatives from the labor market parties.

### Tax, etc.

Those individuals, who move to Sweden and intend to stay here for at least one year, have to be registered as residents; i.e. they will be allotted a personal identification number, which is used for many purposes.

Social Security contributions are normally paid by the employer, except for the employee's own contribution of 7%, which is deducted at source, together with preliminary tax. If a foreign employer, who does not have a permanent establishment in Sweden, hires a person, the employer and the employee can execute an agreement that all Social Security contributions shall be paid by the employee. Such an agreement has to be referenced in the employee's income tax return.

Employees, who stay in Sweden for less than six months, are liable for a limited tax. They only have to pay tax on certain income derived from sources in Sweden. Furthermore, the taxable income is subject to special income tax levied on non-residents (called SINK). This is a final national withholding tax of 25%. The employer withholds tax on the gross amount of the remuneration. Expenses are not deductible. The local tax office handles a SINK application.

On January 1, 2001, the Swedish Parliament passed legislation intended to facilitate for Swedish companies the recruiting of non-Swedish nationals or non-residents. Said individuals may be executives, experts, scientists and other lead personnel, who are specialized to such an extent or in such domain that an equally qualified individual cannot be retrieved in Sweden without substantial difficulties. An individual qualifying for the program is entitled to the following benefits for the initial first three years of employment, which is not supposed to be extended for more than five years:

- Employee: 25% of the individual's income is tax-exempt.
- Employer: is granted a 25% reduction of the basis for calculating social contributions.

Additionally, an employee is reimbursed for expenses related to the employment in Sweden, such as for moving to and from a country, two trips per year per person to the country of origin and tuition for an employee's children's education. The employer must be a Swedish entity, or a foreign entity with a permanent place of business in Sweden. The employee cannot be a Swedish citizen, or have been a Swedish resident during any of the five years prior to the beginning of employment.

## Useful Links

Demographic information:	<a href="#">CIA World Factbook</a> (please select the country to review)
Macro-Economic indicators:	<a href="#">CIA World Factbook</a> (please select the country to review)
Local social insurance Office – Försäkringskassan:	<a href="http://www.forsakringskassan.se">www.forsakringskassan.se</a>
The administrator of the ITP Plan for salaried employees – Collectum:	<a href="http://www.collectum.se">www.collectum.se</a>
The administrator of the Avtalspension SAF-LO for wage earners – Fora:	<a href="http://www.fora.se">www.fora.se</a>
Other Sources:	<a href="http://www.oecd.org/daf/fin/private-pensions/42575076.pdf">http://www.oecd.org/daf/fin/private-pensions/42575076.pdf</a>
More information on the IGP Network Partner: SPP is located on the internet at:	<a href="#">IGP – Your Local Link in Sweden</a> <a href="http://www.spp.se">www.spp.se</a> <i>(Information is available in English and Swedish.)</i>



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