

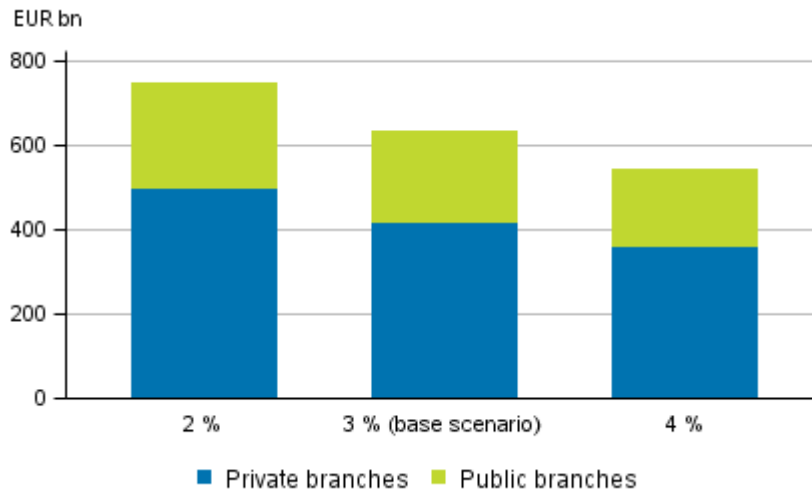
Financial accounts

2015, Complementary data to pension entitlements

Statistics on pension entitlements renewed

The accrued pension entitlements of Finland's statutory earnings-related pension scheme, with a real discount rate assumption of three per cent, stood at EUR 631.5 billion at the end of 2015, or 301 per cent relative to gross domestic product. The pension entitlements of the earnings-related pension scheme of private branches were EUR 421.6 billion and that of public branches were EUR 209.9 billion.

Accrued pension entitlements at different discount rates at the end of 2015, EUR million



Pension entitlements refer to the amount of money that would be enough to cover the accrued pensions at that moment discounted to present value. The amount of pension entitlements in the earnings-related pension scheme is critical to the discount rate used in the calculations: with a real discount rate of two per cent the pension entitlements were EUR 747.0 billion or 356 per cent relative to gross domestic product and with a four per cent real discount rate they were EUR 542.8 billion or 259 per cent relative to gross domestic product.

Finland's statutory earnings-related pension scheme is partially funded. In the financial accounts, the amount of employment pension scheme's assets were EUR 183.1 billion at the end of 2015. The funding ratio, i.e. the ratio of pension assets and pension entitlements was 29 per cent.

A new supplementary pension table complements the financial accounts

In the revision of the European System of Accounts (ESA 2010), the statistics on pension entitlements was expanded with a supplementary pension table outside the "core accounts" that contains data on all pension entitlements of social insurance. These new data are released later concerning EU countries on [Eurostat's pages](#). In Finland's case, new statistical data are the above-mentioned pension entitlements of the statutory earnings-related pension scheme that are not included in the financial accounts but that are included in the supplementary pension table. Previously data on the pension entitlements of the earnings-related pension scheme have been released in the Finnish Centre for Pensions's reports *Statutory pensions in Finland – Long-term projections*.

In addition to the statutory earnings-related pension scheme, the pension table includes data on the pension entitlements of employment-related supplementary pension schemes that are already included in the pension entitlements of insurance corporations and voluntary pension funds in the financial accounts. The amount of pension entitlements of voluntary supplementary pension schemes describes the technical provisions. At the end of 2015 it stood at EUR 10.4 billion or five per cent relative to gross domestic product.

The supplementary pension table describes the pensions classified as social insurance. The Social Insurance Institution's national and guarantee pensions are classified as social assistance and are thus not included in the supplementary pension table. The key difference between social insurance and social assistance is that in case of social assistance, pensions are paid to the pension recipients regardless of whether they participate in the system by paying pension contributions or not.

When calculating the accrued pension entitlements of the statutory earnings-related pension scheme the basis is a fictive situation where the insured are paid all the accrued pensions at that moment but no new pension is accrued. The amount of pension entitlements does not describe the sustainability of the pension system. The concept depicts future pension expenditure, i.e. pensions paid to pension recipients whose amount is affected, in addition to earned income and the rate of accrual, by, for example, life expectancies and other assumptions in the calculation model. Incomes of the earnings-related pension scheme, i.e. pension contributions and the profits from the earnings-related pension assets are not included in the calculation.

In calculations stretching long into the future, background assumptions, like the discount rate and the population and economic development are of high significance for the results. The sensitivity of the results to the discount rate assumption is emphasised by releasing the results with the three real rates mentioned above.

Private and public branches

Finland's statutory earnings-related pension scheme in practice covers all work in private and public branches. The earnings-related pension scheme is formed of several pension acts that together cover the various sectors of the economy. The pension entitlements based on the following pension acts are included in private branches: Employees Pensions Act (TyEL), Seafarer's Pensions Act (MEL), Self-employed Persons' Pensions Act (YEL), Farmers' Pensions Act (MYEL), supplementary pension provision under the Employees' Pensions Act (TEL-L, abolished at the end of 2016) and the pensions of the Evangelical-Lutheran Church.

The pension entitlements based on the following pension acts and rules are included in public branches: Public Sector Pensions Act (JuEL, excluding the pensions of the church), and the pension regulations for

the employees and officials of the Bank of Finland and the regional government of Åland. At the beginning of 2017, the following acts were combined with the act on public branches' pensions: Central Government's Pensions Act (VaEL), Local Government's Pensions Act (KuEL), Evangelical Lutheran Church's Pensions Act (KiEL) and the pension rules for the Social Insurance Institution's employees. Pension entitlements based on VEKL (act on the compensation of pensions from central government funds for periods of caring for a child aged under three and during studies) are included in both private and public branches.

In addition to the earnings-related pension scheme, the supplementary pension table covers all the supplementary pensions managed by voluntary pension funds and foundations, as well as group pension insurance offered by insurance corporations because they are considered as social insurance. The individual pension insurance taken out by enterprises or private persons are left outside of the concept of social insurance.

Accrual calculations of the pension entitlements in the earnings-related pension scheme

The amount of pension entitlements is calculated with a long-term projection model in the Finnish Centre for Pensions. Information on the calculation model and the calculations on accrued pension entitlements previously released by the Finnish Centre for Pensions can be found in the Finnish Centre for Pensions' reports *Statutory pensions in Finland - long-term projections*, especially in appendices 3 and 8. The latest report is [Statutory pensions in Finland — Long-term projections](#). The difference compared to the calculation of the Finnish Centre for Pensions' report is that the background assumptions used in this publication are those agreed on in the European Union's AWG working group (*Ageing Working Group*) and recommended by Eurostat in order to improve the international comparability of the calculations.

The long-term planning model of the Finnish Centre for Pensions describes how the pension scheme works and its current regulations in detail. Future development of pensions is in the model calculated pension act specifically using age and sex-specific data on insured persons and the population of Finland.

When calculating pension entitlements, all pension entitlements accrued by the time of examination and pensions under payment are considered. Future index increases and the effect of the life expectancy coefficient have also been considered in the amount of pension entitlements. Pension parts that are accrued based on future work or social security benefit periods are not included in accrued pension entitlements. The future part of disability pensions that will start later are not included in accrued pension entitlements.

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Contents

Tables

Appendix tables

Appendix table 1. Pension entitlements in the end of 2015.....5

Appendix tables

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Discount rate	Pension scheme	Billion euros	As percentage of GDP, %
3 % (base scenario)	Statutory earnings-related pension scheme	631.5	301.3
	- private branches 1)	421.6	201.1
	- public branches 2)	209.9	100.2
2 %	Statutory earnings-related pension scheme	747.0	356.4
	- private branches	502.0	239.5
	- public branches	245.0	116.9
4 %	Statutory earnings-related pension scheme	542.8	259.0
	- private branches	360.3	171.9
	- public branches	182.5	87.1
Undefined	Voluntary supplementary employment-related pension schemes 3)	10.4	5.0

1) the Employees Pensions Act, the Seafarer's Pensions Act, the Self-employed Persons' Pensions Act, the Farmers' Pensions Act, the Act on supplementary pension provision under the Employees Pensions Act (closed down in the end of 2016), the pensions of the evangelical-lutheran church, the Act on compensation for Pension Accrual from State Funds for Period of Childcare and Periods of Study

2) the Public Sector Pensions Act (excluding the pensions of the evangelical-lutheran church), the Pension regulations for the employees of the Bank of Finland and the Regional government of Åland, the Act on compensation for Pension Accrual from State Funds for Period of Childcare and Periods of Study

3) voluntary industry-wide and company pension funds' pension insurances and insurance corporations' group pension insurances

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Source: Financial accounts, Statistics Finland