



TYEL CONTRIBUTION GUIDE FOR LARGE-SCALE EMPLOYERS 2023



The different components of the TYEL insurance contribution and their use are explained below.

The old-age pension component is used for financing the funded share of old-age pension, which is transferred to the fund and invested in a profitable manner to await the payment of future pensions. In the age group of 17–68 years, an amount corresponding to 0.4% of the pension accrual is funded. By doing so, approx. 20% of the future old-age pension is funded during one's work career. The amount of the old-age pension component is dependent on one's age and gender. Read more on page 3.

The disability pension component is used to finance the share of disability pension that will be transferred to the fund at the start of retirement. Moreover, the disability pension component is used to cover the costs resulting from the granting of pensions, vocational rehabilitation and well-being at work services. Read more on page 3.

The pooled component is used for the payment of the index increments of pensions, the non-funded shares of the old-age and disability pensions, part-time pensions, partial early old-age pension, years-of-service pensions, survivors' pensions, as well as the rehabilitation increments related to cash rehabilitation benefits and rehabilitation allowances. Read more on page 5.

The premium loss component is used to cover unpaid premiums due to, for example, company bankruptcies. The amount of this component depends on the size of the policyholder. Read more on page 6.

The expense loading component is an operating expense share that is reserved for the use of the pension provider for the management of employment relationships and policies, pension calculations and pension decisions, and the payment of pensions. Read more on page 6.

The statutory charges component is used to cover statutory charges, including the expenses of the Finnish Centre for Pensions, the judicial administration fee of the Pension Appeal Court, and the supervision fee of the Financial Supervisory Authority. The component is of equal size for all employers.

The client bonuses are determined on the basis of the pension provider's solvency. The expense loading surplus will be distributed as client bonuses for the last time in 2023. The pension provider's solvency is accumulated from the profits of investment activities. The bonuses are distributed on the basis of the funds accrued for the policies and the paid contributions. Read more on page 7.

We'll help you navigate the ins and outs of pension insurance.

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TyEL contribution components on average in 2023, %

Old-age pension component	3.60%
Disability pension component	0.90%
Pooled component	20.57%
Premium loss component	0.08%
Expense loading component	0.25%
Statutory charges component	0.04%
Client bonus/TyEL discount	-0.60%
Total	24.84%
Employer share on average	17.39%
17–52 yrs	7.15%
53–62 yrs	8.65%
63–68 yrs	7.15%

This TyEL Contribution Guide for Large-Scale Employers contains information about the structure of insurance premiums. The guide explains the different components of the TyEL contribution and their determination grounds.

1. Large-scale employer and TyEL contribution

The TyEL contribution, or the insurance premium payable by virtue of the Employees Pensions Act (TyEL), is determined on the basis of the calculation grounds ratified by the Ministry of Social Affairs and Health. This guide presents the different components of the TyEL contribution payable by large-scale employers in 2023 and the principles for their calculation. A large-scale employer refers to a contract employer whose total payroll exceeded 2,197,500 € in 2021. The exact mathematical principles for calculating the TyEL contributions are published by the Finnish Centre for Pensions and are accessible at their website www.etk.fi. More information about taking and managing TyEL insurance is available at [our website \(elo.fi/en/employer\)](http://elo.fi/en/employer).

2. TyEL contribution components

With the exception of client bonuses and expense loading component, the TyEL insurance contribution bases are the same for all pension insurance companies. Salaries are reported to the Incomes Register. The theoretical due date for the TyEL contributions of a contract employer is the last day of the month following the salary payment month and the contribution does not include insurance contribution interest. In 2023, the average TyEL contribution is 24.84% of the TyEL payroll. The pension company invoices the insurance premium in its entirety from the employer. The employer, in turn, will deduct the employee share of the contribution from each employee's wages or salary. In 2023, the employee's share of the contribution is 7.15% for those under 53 years of age, 8.65% for those aged 53–62 years and 7.15% from the beginning of the month following the month in which the employee turns 63.

2.1. Old-age pension component

The old-age pension component included in the TyEL contribution is calculated in the same manner for all employers. It is calculated separately for each employment relationship. It is an age and gender-dependent percentage share of the individual employee's wages or salary. The size of the old-age pension component varies from 1.66–6.89% of the wages or salary for employees aged 17–68.

Old-age and disability pension components in 2023, %

Age	Old Male	Old Female	Dis	Age	Old Male	Old Female	Dis
17	1.66	1.90	0.08	43	3.34	3.87	0.79
18	1.71	1.96	0.13	44	3.25	3.81	0.82
19	1.77	2.02	0.18	45	3.35	3.92	0.86
20	1.82	2.08	0.23	46	3.46	4.04	0.90
21	1.87	2.14	0.28	47	3.56	4.17	0.93
22	1.93	2.20	0.33	48	3.68	4.30	0.96
23	1.99	2.27	0.37	49	3.80	4.43	1.02
24	2.00	2.29	0.39	50	3.92	4.57	1.08
25	2.06	2.36	0.43	51	4.04	4.71	1.14
26	2.12	2.43	0.46	52	4.17	4.86	1.23
27	2.18	2.51	0.50	53	4.31	5.01	1.33
28	2.25	2.58	0.53	54	4.32	5.05	1.42
29	2.32	2.66	0.56	55	4.47	5.21	1.54
30	2.39	2.74	0.58	56	4.62	5.37	1.71
31	2.46	2.82	0.61	57	4.78	5.55	1.89
32	2.53	2.91	0.63	58	4.94	5.73	2.16
33	2.61	2.99	0.64	59	5.12	5.91	2.15
34	2.55	2.96	0.65	60	5.30	6.11	1.86
35	2.62	3.04	0.66	61	5.49	6.31	1.36
36	2.70	3.14	0.67	62	5.69	6.52	0.68
37	2.79	3.23	0.68	63	5.90	6.74	0.16
38	2.87	3.33	0.69	64	5.81	6.66	0.01
39	2.96	3.43	0.71	65	6.04	6.89	0.00
40	3.05	3.53	0.72	66	5.88	6.73	0.00
41	3.14	3.64	0.74	67	5.72	6.57	0.00
42	3.24	3.75	0.77	68	5.56	6.41	0.00

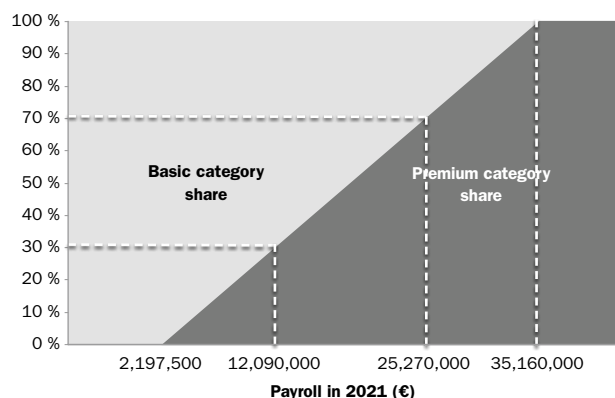
Old = old-age pension component,
Dis = disability pension component

2.2. Disability pension component

For large-scale employers, the amount of the disability pension component depends on both the basic TyEL premium category based on employment relationships and the specific premium category based on disability risk. The latter portion is calculated by multiplying the basic contribution with the relevant premium category coefficient.

No premium category is applied to employers with a payroll under 2,197,500 € in 2021. When the total payroll is a minimum of 35,160,000 €, the disability pension component is determined entirely on the basis of the premium category. As the payroll increases, the proportion of the basic contribution decreases correspondingly.

The impact of payroll on the basic and premium category shares in 2023



Premium category

There are a total of 11 premium categories. Premium category 4 is the base category. The premium category of a particular employer in 2023 is determined on the basis of the employer's disability risk ratios in 2020 and 2021. The risk ratio is calculated for each year by comparing the pension expenditure accrued from the disability and partial disability pensions granted within the relevant employer's policy with the average expenditure calculated for the year in question. For example, if the actual pension expenditure is smaller than the average expenditure, the risk ratio is less than 1. A small risk ratio results in a lower premium category and a smaller than average disability pension component.

Premium categories and coefficients

Premium category	Risk ratio average	Premium category coefficient
11	5 -	5.5
10	4 - 4.99	4.5
9	3 - 3.99	3.5
8	2.5 - 2.99	2.75
7	2 - 2.49	2.25
6	1.5 - 1.99	1.75
5	1.2 - 1.49	1.35
4	0.8 - 1.19	1
3	0.5 - 0.79	0.65
2	0.2 - 0.49	0.35
1	- 0.19	0.1

Employer's liability for the disability pension expenditure

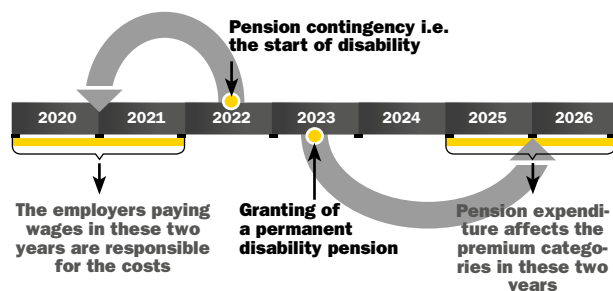
For each case of granted disability pension, the year of pension contingency and the pension expenditure are determined. The pension contingency year is primarily the year in which the pension recipient has fallen ill. The pension expenditure refers to the money that is reserved for the payment of disability pension up until the recipient reaches the age entitling to old-age pension. The amount of the expenditure depends on the pension recipient's age and earnings.

The employer's liability for pension expenditure is determined on the basis of the wages or salary paid to the pension recipient during the two calendar years preceding the pension contingency year, if it is 2007 or later. The pension expenditure is the liability of those employers that have paid wages or salaries to the pension recipient

during this period of time, provided that the wages or salaries exceed the limits stipulated by law. The pension expenditure will be divided between the employers in proportion to the wages and salaries they have paid to the pension recipient during the relevant period of time. The pension expenditure will not be charged to the employer as such, but instead, it will be taken into account when determining the premium category for the employer.

The pension contingency year is decisive for the purposes of distributing liability for the pension expenditure to various employers. The year in which the pension is granted will, in turn, determine which years will be affected by the cost effect of the disability pension, that is, the impact on the premium category.

Liability distribution for disability pensions and the impact on premium categories



Example of the determination of premium category

Pension expenditure for granted pensions in 2020	€300,000
Average pension expenditure in 2020	€400,000
Risk ratio in 2020	$\frac{€300,000}{€400,000} = 0.750$
Pension expenditure for granted pensions in 2021	€250,000
Average pension expenditure in 2021	€400,000
Risk ratio in 2021	$\frac{€250,000}{€400,000} = 0.625$
Average risk ratio	$\frac{(0.750 + 0.625)}{2} = 0.68$
Premium category in 2023	3

Examples of disability pension expenditure

The amount of the pension expenditure depends on the pension recipient's age, monthly pension and the time that has passed between the pension contingency and the start of the disability pension. Among young people, the duration of the disability has a larger impact on the pension expenditure.

Age	Pension/month		
	€500	€1,000	€1,500
30	€57,600	€115,100	€172,700
40	€67,800	€135,600	€203,300
50	€58,500	€116,900	€175,400
60	€23,100	€46,200	€69,300

Based on the assumption that the pension contingency year is 2022 and the granting year is 2023.

Age	Pension/month		
	€500	€1,000	€1,500
30	€110,800	€221,600	€332,400
40	€98,200	€196,300	€294,500
50	€70,200	€140,500	€210,700
60	€24,800	€49,600	€74,300

Based on the assumption that the pension contingency year is 2019 and the granting year is 2023.

Average disability pension component (% of payroll) in different premium categories in 2023

Premium category	Employer's total payroll in 2021 (€ million)				
	2.5	5	10	15	35
11	0.9%	1.2%	1.9%	2.5%	4.9%
10	0.9%	1.2%	1.6%	2.1%	4.0%
9	0.9%	1.1%	1.4%	1.8%	3.1%
8	0.9%	1.0%	1.3%	1.5%	2.5%
7	0.9%	1.0%	1.2%	1.3%	2.0%
6	0.9%	1.0%	1.1%	1.2%	1.6%
5	0.9%	0.9%	1.0%	1.0%	1.2%
4	0.9%	0.9%	0.9%	0.9%	0.9%
3	0.9%	0.9%	0.8%	0.8%	0.6%
2	0.9%	0.9%	0.8%	0.7%	0.3%
1	0.9%	0.8%	0.7%	0.6%	0.1%

Disability pensions not included in the premium category calculation

Disability pensions granted until further notice with a pension contingency date on 1 January 2017 or later, will not be taken into account in the premium category calculation in the following situations:

- If the person has been granted an accident pension on the basis of a voluntary leisure accident insurance, as referred to in the Occupational Accidents, Injuries and Diseases Act (459/2015), or other insurance taken by the employer and providing corresponding security and if the accident pension is continuing on 1 November of the year following the year of granting, or would have continued were the person not deceased. The accident must have taken place at the time of the pension contingency for the disability pension or no more than 2 years prior to that date. The accident pension recipient's working capacity must be impaired by a minimum of 80% for full disability pension and 50% for partial disability pension. The employer shall inform about any person falling within the scope of the accident insurance policy.
- If the disability is caused by an accident that is compensable by virtue of the Rail Traffic Liability Act (113/1999) and, as compensation based on the right of recourse, a reimbursement comparable to disability pension is being paid by the legally liable party to the pension company for the disability pension paid by it.
- If the disability is caused by an injury that is compensable by virtue of the Patient Insurance Act (948/2019) and, as compensation based on the right of recourse, a reimbursement comparable to disability pension is being paid by the Patient Insurance Centre to the pension company for the disability pension paid by it.
- If the person has, at the start of the employment relationship, been registered by the TE Office (Employment

and Economic Development Office) as a jobseeker whose possibilities to find suitable work, retain one's work or advance at work are considerably restricted due to a disability, injury or disease. There must be no more than 5 years between the issuance of a certificate regarding the above explained registration and the pension contingency date of the disability pension. The employer shall supply a certificate of such registration in connection with the application for disability pension. This change will replace the earlier procedure whereby this group of employees would fall within the scope of a separate insurance policy.

The premium category calculation does not take into account any disability pensions that are, in 2023, granted until further notice

- if the disability pension in question has been granted on previously applied grounds and the preceding permanent disability was granted prior to the year 2023
- if the commencement of the pension payment by the end of the year 2024 is not known prior to 15 November 2024. In case the payment of pension starts in any later year or if the information about the commencement of the payment is available on 15 November 2024 or later, the pension in question will be taken into account in the calculation of the risk ratio for the year when the payment starts.

2.3. Pooled component

The calculation method of the pooled component of the TyEL contribution for large-scale employers is described below.

The following components are deducted from the basic contribution 25.30%:

- Old-age pension component
- Statutory charges component
- Disability pension component, as if it were in premium category 4
- Premium loss component, at the rate applicable to occasional employers

2.4. Premium loss component

The size of the premium loss component depends on the employer's total payroll in 2021. For contract employers, the premium loss component percentage is the highest for the smallest employers and, correspondingly, the lowest for the largest employers.

Premium loss component categories

Employer type	Total payroll in 2021	Premium loss component
Occasional employer		0.19%
Contract employer	€0 - €219,750	0.32%
	€219,751 - €879,000	0.19%
	€879,001 - €2,197,500	0.10%
	€2,197,501 - €35,160,000	0.028%
	€35,160,001 -	0.002%

2.5. Expense loading component

Starting on 1 January 2023, the pension insurance industry will be making a shift to a company-specific TyEL expense loading component. This will leave more of a competitive margin in TyEL contributions, since the expense loading component will be determined individually for each company. The legislative change concerning the matter entered into force on 1 June 2022. The Ministry of Social Affairs and Health confirms the expense loading calculation grounds for each company in advance and these grounds will remain unchanged throughout the year in question.

The level of the expense loading component must correspond as closely as possible to the administrative fees accrued by the pension company, which means that the level will be even lower than previously (2022: average of 0.51% of the payroll). This will have a direct reducing effect on the insurance contributions to be paid by the customer. From the start of 2024, client bonuses that are paid afterwards will be lower, since the expense loading surplus will no longer be returned as part of the bonus.

Elo's expense loading fee

The level of the expense loading component is determined by customer group on the basis of the level of expenses accrued from the handling of the insurances for each customer group. The amount of the insurance-specific fee is affected by the payroll of the employer and possible Group for the previous year and the length of the customer relationship.

Basic expense loading fee

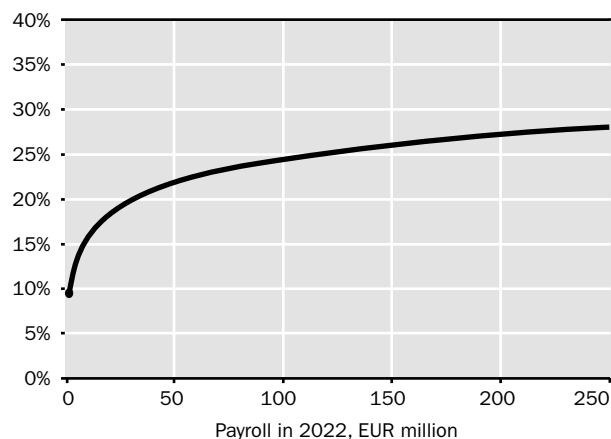
Elo's basic expense loading fee is determined on the basis of the employer's payroll for the previous year. The basic expense loading fee is collected from all TyEL insurance policies in Elo. The basic expense loading fee is an average of 0.30% of the payroll.

Large-scale company discount

If the 2022 payroll of an employer or Group insured by Elo is a minimum of two million euro, that customer is entitled to Elo's large-scale company discount. The discount is at least 9.5% of the basic expense loading fee and the larger the payroll was in 2022, the larger the discount.

The guideline for Groups is the Accounting Act, which defines those companies that must be included in the consolidated financial statements. For the purposes of calculating the large-scale company discount, participating interest undertakings and associates included in the consolidated financial statements are considered to be part of the group of companies.

Elo's large-scale company discount for 2023, % of basic expense loading fee



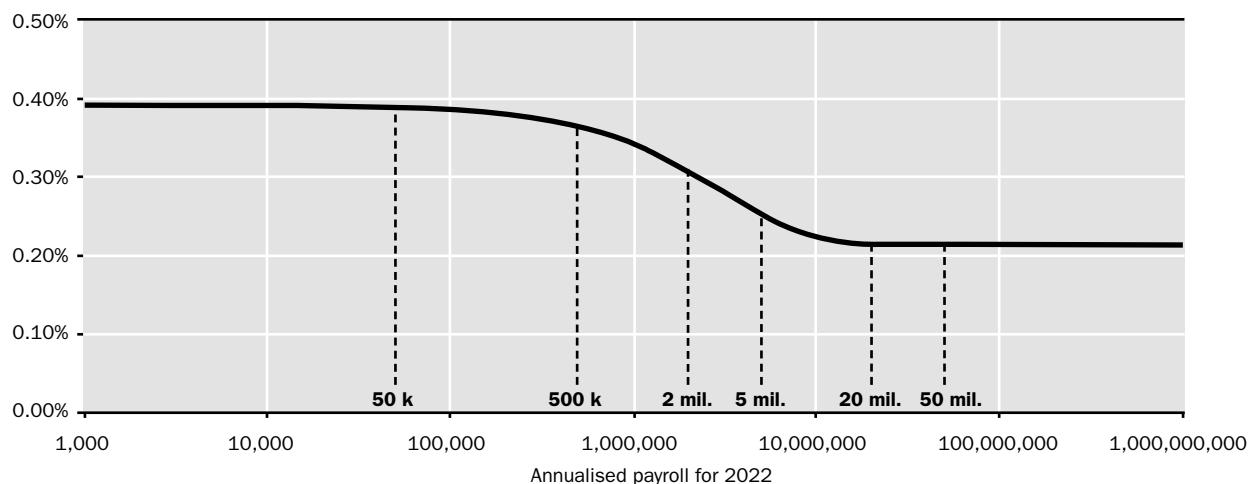
Constancy discount

If an employer's insurance policy has been valid uninterrupted during the period of 1 January 2020–31 December 2022, and earnings have been reported to the Incomes Register for each year, the employer is entitled to Elo's constancy discount for long-term customers. After the possible large-scale company discount, the constancy discount reduces the basic expense loading fee by 10%.

Elo's expense loading fee refund

The expense loading fee collected from TyEL customers should cover the business expenses of the pension company and so must, therefore, be sufficient enough. Elo will refund the entire expense loading surplus during 2023 to those insurance customers who have paid TyEL contributions and whose policies will continue. The first refund will take place in 2024.

Elo's basic expense loading fee for 2023, % of payroll



Examples of expense loading fees for employers of different sizes

Payroll	Basic expense loading fee	Large-scale company discount	Constancy discount	Charged expense loading fee	% of payroll
€2,000,000	€6,150	–€580	–€560	€5,010	0.25%
€5,000,000	€12,640	–€1,640	–€1,100	€9,900	0.20%
€10,000,000	€22,380	–€3,510	–€1,890	€16,980	0.17%
€25,000,000	€53,410	–€10,250	–€4,320	€38,840	0.16%
€100,000,000	€213,440	–€52,360	–€16,110	€144,970	0.14%

2.6. Statutory charges component

The statutory charges component covers the costs of the Finnish Centre for Pensions, the Pension Appeal Court and the Financial Supervisory Authority. This component is the same for all employers, at 0.043% of the payroll for 2023.

2.7. Client bonus

The client bonus is a share of the profit of the employment pension company that is transferred to the customer. The amount of the share is affected by the solvency of the employment pension company and its operational efficiency. The solvency is increased by the long-term return on investment activities. The operational efficiency is indicated by the company's expense loading surplus, which is achieved if the operations of the employment pension company require less funds than have been gathered through expense loading component payments.

The client bonuses are divided in accordance with the bonus bases of each individual pension provider. The Ministry of Social Affairs and Health has issued boundary conditions for the bases and confirmed the company-specific calculation principles. In 2023, client bonuses will be granted to all policyholders with a policy valid on 31 December 2022, and to policyholders whose policy has terminated by transfer to another company on 31 December 2019 or later, provided that at least €50,000 had accrued in their pension fund by the end of the year preceding the transfer.

Client bonuses are allocated to policyholders on the basis of the accumulated funds and the amount of paid contributions.

3. Generation of the insurance contribution

The TyEL insurance contribution is calculated and paid monthly. Employers must report the payroll information for their employees to the Incomes Register, generally within five days from the salary payment date. Elo will retrieve the relevant earnings information from the Incomes Register and utilise this information to calculate the TyEL contribution. Every payroll-based contribution is final, so there will no longer be any need for a separate annual calculation.

Elo's expense loading fee, the possible impact of the premium category and the premium loss discount will be taken into account in the calculation of the TyEL contribution. The client bonus will be taken into account as a one-off adjustment to the TyEL contribution in the spring after the final amount has been calculated.

The employer can choose to receive separate invoices for each reported payment date, to have them compiled into a single invoice once per month or to make advance payments for the TyEL insurance contributions. Any TyEL contri-

bution paid in advance (e.g., annually or biannually) will be applied to invoices that fall due later on. Contributions paid in advance do not provide any interest benefits, but the total amount payable is the same as on the theoretical due date.

4. Contribution interest rate

The contribution interest rate will be based on TyEL's 12-month reference rate, with a consistent minimum of 2 per cent. The Ministry of Social Affairs and Health confirms the interest rate every six months. As of 1 January 2023, the contribution interest rate is 2.45%.

The basic TyEL contributions will not include any insurance contribution interest, since the due date for the TyEL contributions is the last day of the month following the salary payment month, which is also the theoretical due date. TyEL contributions that are paid in advance are also not credited in accordance with the insurance contribution interest rate.

Upon a separate request, it is possible to get a one-month payment extension, which is subject to the insurance contribution interest rate, for a specific TyEL contribution.

5. Company restructuring

Company restructuring may have an impact on TyEL insurance policies and contributions. Merger, demerger or transfer of business may change the grounds for determining the premium category or its proportion of contribution. These aspects are critical in terms of the disability pension component of the TyEL contribution. Moreover, the restructuring may affect the premium loss component or expense loading component of the TyEL contribution, client bonuses or the amount of the right to a TyEL premium loan.

The premium category and corporate restructuring

Corporate restructuring may have an effect on the employer's premium category. The effect may lower or raise the premium category.

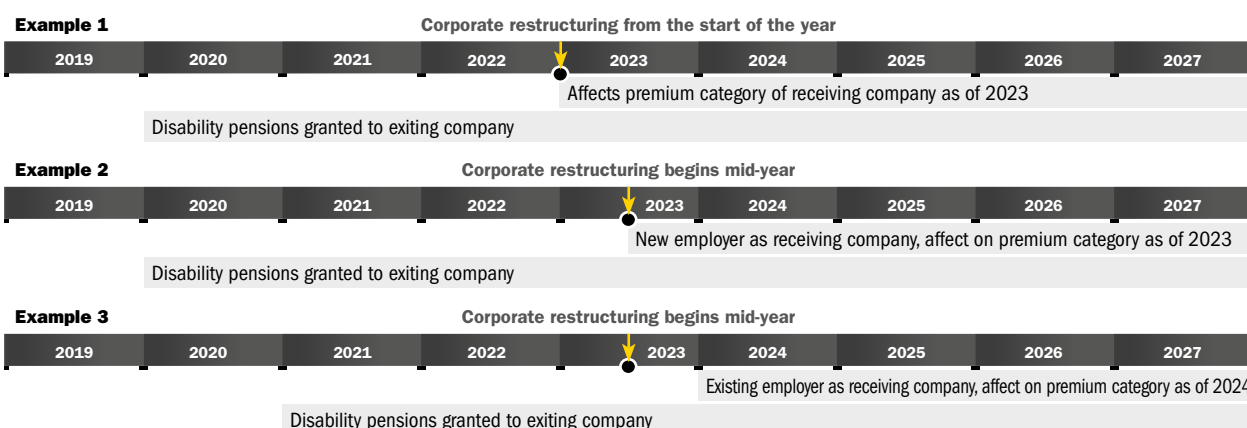
The table on the following page shows the effect of different corporate restructuring situations on the premium category of the receiving employer.

- If the activities of the exiting employer will end, that employer's history can be transferred to the employer on the receiving end of the corporate restructuring process. If the activities of the exiting employer will continue, the history cannot be transferred, but rather, calculated information will be used instead of the actual information of the exiting employer, as explained below.
- If the activities of the exiting employer will continue, the premium category will remain the same for the restructuring year as it was prior to the restructuring.

EFFECT OF INFORMATION OF THE EXITING EMPLOYER ON THE PREMIUM CATEGORY OF THE RECEIVING EMPLOYER IN A CORPORATE RESTRUCTURING SITUATION

EXITING EMPLOYER	HISTORY TRANSFERRED Corporate restructuring, e.g., merger, division, assignment of business activities (the activities of the exiting employer will end)	HISTORY NOT TRANSFERRED Corporate restructuring, e.g., division, partial assignment of business activities (the activities of the exiting employer will continue)	
• LARGE-SCALE EMPLOYER	Affects the premium category Based on the actual pension expenditure * (see examples below)	Payroll of transferred employees is less than 1.5 MEUR with index adjustment	No effect on the premium category
		Payroll of transferred employees totals a minimum of 1.5 MEUR with index adjustment	Affects the premium category Based on calculated pension expenditure ***
• SMALL COMPANY	Affects the premium category Based on the actual pension expenditure **	No effect on the premium category	

* The corporate restructuring affects the premium category of the receiving employer from the date that the corporate restructuring process takes effect. The actual pension expenditure of the exiting employer is taken into consideration already from the year preceding the corporate restructuring, since the determination of the premium category is affected by the disability pensions granted two to three years earlier. The actual date of the corporate restructuring determines in which year the information of the exiting employer will be taken into consideration for the first time in the premium category of the receiving employer.



**The corporate restructuring will only affect the premium category of the receiving employer in the coming years, since the actual pension expenditure of the exiting employer will be taken into consideration from the actual date of the corporate restructuring (premium categories are not applicable to small companies).

*** The corporate restructuring affects the premium category of the receiving employer from the actual date on which the company restructuring takes effect. Since the history of the exiting employer cannot be transferred, the calculated pension expenditure will be used in place of the actual pension expenditure.

- The calculated pension expenditure is based on the premium category of the exiting company for the year following the corporate restructuring year and the payroll of the employees to be transferred.
- If the employees involved in the corporate restructuring transfer to an already existing employer, both the actual pension expenditure and calculated pension expenditure of the receiving employer are taken into consideration.
- If a new employer is created out of the corporate restructuring process, the premium category is, to begin with, the same as that of the exiting employer. The calculated pension expenditure is determined only once in connection with the corporate restructuring and its significance decreases as the years pass.

In addition to the possible actual or calculated pension expenditure, the effect of the company restructuring may also impact on the average pension expenditure.

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