
Finns will link retirement age to longevity in 2028

By Editorial Staff Thu, Oct 2, 2014

The pension reform, which will come into force at the beginning of 2017, aims to extend working life and narrow the sustainability gap of the whole public economy by 1% of GDP.

The details of Finland's pension reform, which will raise the retirement age to age 65 in fixed three-month increments and link it to longevity after 2027, have been agreed to by the nation's leading unions, IPE.com reported this week.

The Ministry of Social Affairs and Health will now start the process of amending legislation according to the proposal agreed by the social partners.

Under the agreed proposal, starting in 2018 the earliest age of eligibility for an old-age pension, now 63, will rise by three months per birth-year cohort until it reaches 65. The upper age limit for accruing old-age pensions will be five years higher than the earliest retirement age.

Between 2016 and 2019, the combined pension contribution for workers and employers will be 24.4% (with a temporary reduction by 0.4% in 2016). Those who have had a strenuous and extensive working life can retire at age 65, according the Finnish Centre for Pensions.

Pension accrual rates will be standardized to make the annual rate for individuals of all ages 1.5% of wages, and working after the earliest pensionable age will be rewarded with a monthly increment of 0.4% for deferred retirement.

The pension reform, which will come into force at the beginning of 2017, aims to extend working life and narrow the sustainability gap of the whole public economy by 1% of GDP, according to the Finnish Centre for Pensions, and TELA, which represents insurance companies that offer earnings-related pensions.

Starting in 2028, the eligibility age for old-age retirement will be linked to life expectancy to ensure the time spent working in relation to time in retirement remains at the 2025 level, according to the Finnish Centre for Pensions.

The Central Organization of Finnish Trade Unions (SAK), the Confederation of Finnish Industries (EK), the Local Government Employees (KT), and the Finnish Confederation of Salaried Employees (STTK) signed an agreement on Friday on the content of the pension

reform that will change to the earnings-related pension scheme.

TELA, which represents insurers providing earnings-related pensions, said the fact the agreement had been reached meant there would be no strikes or employer resistance to the reform.

But not all parties are pleased with the agreement. "The trade unions of people with academic education could not accept the agreement. Their argument was that people with long education do not have enough time to accrue a proper pension," said Reijo Vanne, director at TELA. The academics wanted higher accrual rates at older ages.

The current part-time pension is to be abolished and replaced with a partial early old-age retirement, with certain new conditions.

After 2017, pension contributions will accrue from the full wage, according to the reform, since the earnings-related pension contribution will no longer be deducted from the pensionable wage.

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