FINNISH CENTRE FOR PENSIONS

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SPECIFIC PRINCIPLES FOR EU ACT ON THE TRANSFER OF PENSION RIGHTS

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SPECIFIC PRINCIPLES UNDER EC ACT ON THE TRANSFER OF PENSION RIGHTS

1 Scope of application

These principles apply to the transfer of pension rights between the Finnish earnings-related pension scheme and the pension scheme of the European Communities under Annex VIII (as amended by regulation [EEC, Euratom; ECSC] No 723/2004) of the Staff Regulations of Officials of the European Communities (EEC, Euratom; ECSC) No 259/68. The transfer of pension rights has been stipulated in the Act on the transfer of pension rights between the Finnish earnings-related pension scheme and the pension scheme of the European Communities (165/1999) (hereinafter Act 165/1999).

These principles are applied when an official, an employee or a self-employed person transfers to the employment of the European Communities and the capital value, including interest, of the pension rights they have accrued are transferred to the pension scheme of the European Communities. The principles are also applied when the capital value transferred to the European Communities is returned after the official or employee leaves the employment in the European Communities.

2 Insurance technical quantities

The insurance technical quantities found in these specific principles comply with the general actuarial principles under the Employees Pensions Act, confirmed by the Ministry of Social Affairs and Health. The following values for the special invariables are used:

Interest rates

- technical rate of interest	b_1	=	0.031
- wage adjustment term	ρ	=	1.008
- Interest rate under Chapter 6 of Act 165/199	$r_{Act165/1999}$	=	0.031

Mortality

- The coefficients in transfers of old-age and survivors' pensions are defined in section 1 of the Appendix

Disability

$$b_3 \quad = \quad 0.4$$

$$b_4 \quad = \quad 0.4$$

$$b_5 \quad = \quad 0.4$$

$$b_6 \quad = \quad 1$$

$$b_7 \quad = \quad 1$$

$$b_8 \quad = \quad 1$$

When calculating the capital values of the future disability pension, the value for quantity e in the formula on general actuarial principles (15) in section 2.3 is 9 months.

When calculating the capital values of future survivors' pensions, quantities $\overline{Z}_x(18, N)$ and $\overline{Z}_x(18, M)$ of the general actual principles' formulas 1.4.4. (9) and 2.4.1 (23) are used as the capital value of the orphan's pension.

3   Dates relating to the calculation

For the calculation of the transfer and a possible return of pension rights, the **transfer date**, the **return date** and the **date of calculation** of the transferable amount are defined.

s   The **transfer date** is the date on which the Finnish Centre for Pensions pays the transferable amount to the account stated by the relevant EU institution.

p   The **return date** is the date on which the relevant EU institution pays the returnable amount to the account of the State Treasury.

s_0 The **date of calculation** of the transferable amount has been defined in Section 2 of Act 165/1999. It is the day for which the calculated transfer of the pension rights to the pension scheme of the Communities is carried out.

4   Calculation of age

In these principles, in a case of a transfer of pension rights according to Section 4 of Act 165/1999, x refers to the age of the insured in full years on the date of calculation of the transferrable amount. In a case of a returning of pension rights, as referred to in Section 12 of Act 165/1999, x refers to the age of the insured in full years and months on the date on which the European Communities returns the returnable amount to the State Treasury in Finland.

5   Earned pension rights

The target of the transfer for a person entitled to a transfer of pension rights is the pension rights accrued and adjusted with the wage coefficient by the date of calculation of the transferable amount according to Section 1 subsection 2 and Section 4 subsections 2-3 of Act 165/1999.

The pension rights accrued under basic pension security correspond to the pension rights of the person's age group as defined in section 2 of the Appendix. However, for the public sector, the pension rights are coordinated and converted to correspond to the pension rights at the age of 63 in accordance with what is laid down in the provisions on entry into force in the Act Amending the State Employees Pensions Act (679/2004) and in the provisions on entry into force in the Act Amending the Local Government Employees Pensions Act (713/2004) as they were in effect before 1 January 2017. The exit age of the orphan's pension is 18 years. The value of the pension rights of supplementary pension provision is converted to correspond to the pension rights at the person's retirement age as defined in section 2 of the Appendix, or the person's individual retirement age, if it is higher. The exit age of the orphan's pension is 18 years.

6 Amount transferable to the European communities

The amount transferable to the European Communities is calculated using the following formula:

(1) $P_s = \left(1+(r_{Act165/1999})\cdot(s\text{-}s_0)\right)\cdot\left(P_x(\text{basic})+P_x(\text{suppl})\right),$

in which $P_x(\text{basic})$ and $P_x(\text{suppl})$ are defined in formulas (2) and (4), $r_{Act165/1999}$ is defined in section 2 and $s\text{-}s_0$ is the time in years from the data of calculation of the transferable amount to the transfer date.

Basic provision–

The capital value corresponding to the transferable pension rights is defined by the formula for the lump-sum payment of the future pension:

(2) $P_x(\text{basic}) = \rho^{\text{Max}(w_{sv}\, -\, x,0)}\cdot\left(\overline{A}_x(E)+\overline{A}_x(S)+b\cdot\overline{A}_x(P_1)\right)\cdot EAK_{sv}\cdot E_{s_0}(\text{basic})$

in which ρ has been defined in section 2, $\overline{A}_x(E)$ and $\overline{A}_x(S)$ and $\overline{A}_x(P_1)$ are the arithmetic averages of the coefficients of the capital values of the old-age, disability and survivors' pensions calculated as determined in section 8. The values of the age group's retirement age (w_{sv}) have been defined in section 2 in the Appendix. The *sv* value coefficient of the birth year according to section 2 of the Appendix is used as the life expectancy coefficient EAK_{sv}. $E_{s_0}(\text{basic})$ is the pension right based on the **basic provision** as defined in section 5 on the date of calculation of the transferable amount, and

b = 0.36

Supplementary provision

The capital value corresponding to the transferable pension rights is defined by the formula for the lump-sum payment of the future pension:

(4)
$$P_x\left(\text{suppl}\right) = \rho^{\text{Max}(w_{sv} - x, 0)} \cdot \left[\left(\overline{A}_x\left(E\right) + \overline{A}_x\left(S\right)\right) \cdot E_{s_0}\left(\text{suppl}_{vetk}\right) + \overline{A}_x\left(P_1\right) \cdot E_{s_0}\left(\text{suppl}_{pe}\right)\right]$$

in which ρ has been defined in section 2, $\overline{A}_x\left(E\right)$ and $\overline{A}_x\left(S\right)$ and $\overline{A}_x\left(P_1\right)$ are the capital values for the old-age, the disability and the survivors' pensions calculated according to section 8. $E_{s_0}\left(\text{suppl}_{vetk}\right)$ is the accrued right to old-age and disability pensions defined in section 5. $E_{s_0}\left(\text{suppl}_{pe}\right)$ is the survivors' pension rights accrued according to the supplementary pension provision defined in section 5 that the surviving spouse as the sole beneficiary would be entitled to.

7 Converging the returnable amount paid by the European Communities to pension rights

A person is entitled to have their pension rights returned to the Finnish earnings-related pension scheme if their service in the European Communities ceases without them acquiring a right to a future pension on the basis of the said service.

The sum to be returned is equivalent to the capital value of the pension rights acquired under the entire pension scheme of the European Communities. The returnable amount is always converted to basic provision pension rights (technical vested rights), even when the transferable amount has originally included a supplementary provision.

The returnable amount is converted into technical vested rights as follows:

(6)
$$E_p = \frac{P_p}{\rho^{\text{Max}(w_{sv} - x, 0)} \cdot \left(\overline{A}_x\left(E\right) + \overline{A}_x\left(S\right) + b \cdot \overline{A}_x\left(P_1\right)\right) \cdot \text{EAK}_{sv}},$$

In which the capital value coefficients $\overline{A}_x(E)$, $\overline{A}_x(S)$ and $\overline{A}_x(P_1)$ have been defined in Section 8, the wage adjustment term ρ in section 2, EAK_{sv} and b in section 6, w_{sv} in section 2 of the Appendix and P_p is the returnable amount transferred from the European Communities on the return date defined in section 3.

8 Capital values

The capital value corresponding to the old-age pension is calculated as an arithmetic average for women and men according to the following formula:

(8)
$$\overline{A}_x(E) = \begin{cases} \dfrac{\overline{N}_w}{D_x} & , \text{ when } x < w \\[2ex] \overline{a}_x & , \text{ when } x \geq w \end{cases}$$

of the calculated capital values, in which the retirement age of the age group w is defined in section 2 of the Appendix.

The corresponding formula for the capital value of the disability pension is as follows:

(9)
$$\overline{A}_x(S) = \begin{cases} {}_{(e)}\overline{A}_{x:w} & , \text{ when } x < w \\[1.5ex] 0 & , \text{ when } x \geq w \end{cases}$$

in which the retirement age of the age group (**w**) is defined in section 2 of the Appendix. Apart from the special constants, the capital values are defined in formula 15 of the general basis of calculation of the Employees Pensions Act.

When calculating the capital values of survivors' pensions, the arithmetic average of the calculated capital values for women and men are calculated with the following formula:

(11) $$\overline{A}_x(P_1) = \frac{1}{D_x} \int_x^\infty D_t \mu_t F(t)\, dt,$$

in which, when the deceased is male,

$$F(t) = i \cdot 0.99 \cdot n_t(M) \cdot \overline{a}_{y_t(M)+(b2)} + \overline{Z}_t(18,M)$$

and when the deceased is female:

$$F(t) = i \cdot 0.99 \cdot n_t(N) \cdot \overline{a}_{y_t(N)+(b2)} + \overline{Z}_t(18,N),$$

in which

  $i = 1$ when it is an insurance for basic or registered supplementary provision, in which the beneficiaries are both the surviving spouse and the children; or

  $i = 0$ when it is an insurance for registered supplementary provision, in which the beneficiaries are the children only.

Mortality μ, marital status n, the age-difference between the married spouses y and the capital value of the orphan's unit pension $\overline{Z}$ have been defined in sections 1.2 and 1.4 of the general principles of calculation of the Employees Pensions Act.

9 The financing portion and contribution of a competent pension institution

A competent pension institution, as defined in Section 2 of Act 165/1999 and in which the transferable pension right has accrued, will pay to the Finnish Centre for Pensions the capital value of the pension rights, increased by interest $r_{Act165/1999}$ from the date of calculation of the transferable amount S_0, specified in section 4, to the transfer date s.

The Finnish Centre for Pensions sets the transfer date s and issues a decision for the competent pension institution of the transferable amount after the transfer applicant has made the decision to transfer their pension rights accrued in Finland to the European

Communities. The pension institution is entitled to request a maximum time of one month to arrange the payment.

The pension institution must pay its share of the transferable amount no later than two banking days (due date) before the transfer date *s*.

For late payment, an interest in accordance with the interest rate according to the annual interest for late payments, as stated in Section 4, subsection 1 of the Interest Act, is calculated for the delay period.

If the competent pension institution is an institution that handles private-sector earnings-related pensions, its portion of costs is divided amongst the private-sector pension institutions in a manner regulated in the basis for division of costs confirmed by the Ministry of Social Affairs and Health.

10 Implementing provision

These specific criteria will be applied on the transfer and return of pension rights when the application for such a transfer or return is submitted on 1 January 2017 or later.

1   Age transfers

Year of birth	b_2	Year of birth	b_2
1947	1.3	1973	-3.0
1948	1.1	1974	-3.2
1949	1.0	1975	-3.4
1950	0.8	1976	-3.5
1951	0.6	1977	-3.7
1952	0.5	1978	-3.9
1953	0.3	1979	-4.0
1954	0.1	1980	-4.2
1955	0.0	1981	-4.4
1956	-0.2	1982	-4.5
1957	-0.4	1983	-4.7
1958	-0.5	1984	-4.9
1959	-0.7	1985	-5.0
1960	-0.9	1986	-5.2
1961	-1.0	1987	-5.4
1962	-1.2	1988	-5.5
1963	-1.4	1989	-5.7
1964	-1.5	1990	-5.9
1965	-1.7	1991	-6.0
1966	-1.9	1992	-6.2
1967	-2.0	1993	-6.4
1968	-2.2	1994	-6.5
1969	-2.4	1995	-6.7
1970	-2.5	1996	-6.9
1971	-2.7	1997	-7.0
1972	-2.9	1998	-7.2

2 Life expectancy coefficient and retirement age per age group

Birth year	Life expectancy coefficient	Retirement age, years and months		Birth year	Life expectancy coefficient	Retirement age, years and months	
1947	1.00000	63	0	1973	0.900	66	0
1948	0.99170	63	0	1974	0.898	66	1
1949	0.98689	63	0	1975	0.896	66	2
1950	0.98351	63	0	1976	0.895	66	3
1951	0.97914	63	0	1977	0.893	66	4
1952	0.97552	63	0	1978	0.891	66	5
1953	0.97200	63	0	1979	0.889	66	6
1954	0.96800	63	0	1980	0.888	66	7
1955	0.96344	63	3	1981	0.886	66	8
1956	0.957	63	6	1982	0.884	66	9
1957	0.951	63	9	1983	0.883	66	10
1958	0.946	64	0	1984	0.881	66	11
1959	0.940	64	3	1985	0.880	67	0
1960	0.935	64	6	1986	0.879	67	1
1961	0.930	64	9	1987	0.878	67	2
1962	0.925	65	0	1988	0.876	67	3
1963	0.920	65	0	1989	0.875	67	4
1964	0.915	65	0	1990	0.874	67	5
1965	0.915	65	2	1991	0.873	67	6
1966	0.912	65	3	1992	0.872	67	7
1967	0.910	65	4	1993	0.871	67	8
1968	0.909	65	6	1994	0.870	67	9
1969	0.907	65	7	1995	0.867	67	9
1970	0.905	65	8	1996	0.866	67	10
1971	0.902	65	9	1997	0.866	67	11
1972	0.900	65	10	1998	0.865	68	0