THE INSURANCE CONTRIBUTION OF LARGE EMPLOYERS IS DETERMINED ON AN INDIVIDUAL BASIS

Large employers can affect the amount of their TyEL insurance contributions by promoting the work ability and well-being of their employees. Each disability pension granted to an employee can affect the contribution category of a large employer, thereby also affecting the amount of the disability pension contribution.

Who is considered a large employer?

A large employer is any company that had a payroll of more than €2.198 million in 2021. The disability pen-sion component of the TyEL insurance contribution is comprised of the basic contribution, which depends on the age distribution of the company's employees, and the employer's liability level in accordance with the contribution category, as follows:

- If a company's payroll in 2021 was less than €2.198 million, the disability pension contribution is determined solely in accordance with the basic contribution and is not affected by the contribution category.
- If a company's payroll in 2021 was more than €2.198 million but less than €35.2 million, the employer is subject to partial liability. In this case, the disability pension contribution will be determined partly by the company's contribution category and partly in accordance with its basic contribution.
- If a company's payroll in 2021 exceeded €35,2 million, the employer is subject to full liability and the disability pension contribution is determined in accordance with the company's contribution category.

The contribution category is based on the disability pension expenditure

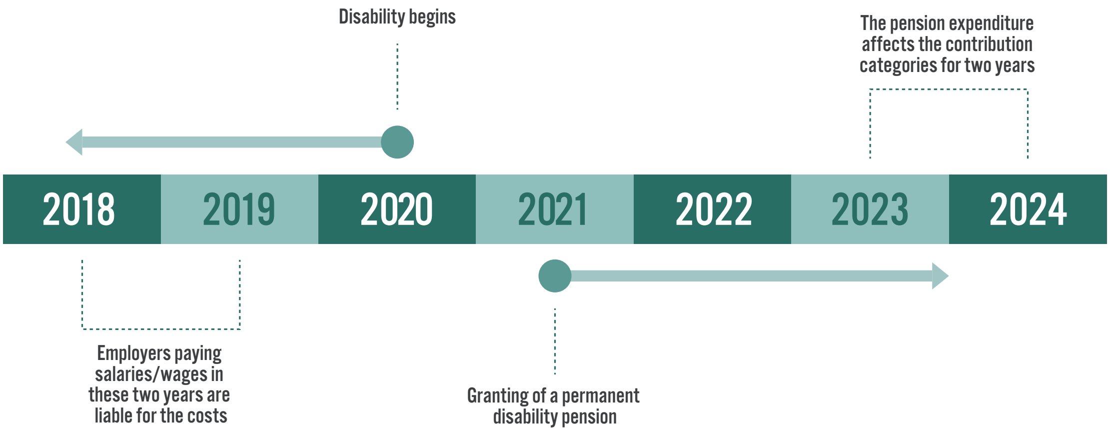
The disability pension expenditure refers to the cost accrued by the employer for all cases of disability pension granted until further notice. The disability pension expenditure does not include any granted temporary rehabilitation subsidies (= fixed-term disability pensions) or other rehabilitation expenses. The pension expenditure is affected by the employee's age (the younger one becomes unable to work, the greater the cost), employment history and amount of salary/wages.

The pension expenditure will not be charged from the employer as such, but it is taken into consideration when determining the employer's contribution category. If a company has a higher than average disability pension expenditure, the company's contribution category will also be higher.

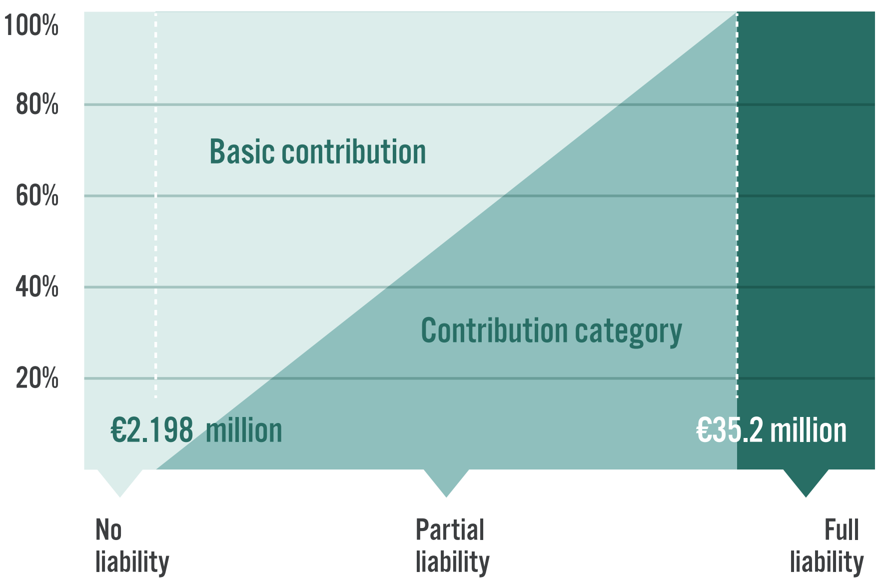
Disability pension – distribution of liability and impact on the contribution category

The lower a company's disability pension expenditure, the lower its contribution category and liability level. Both the employer and employee, thus, benefit from support for the ability to cope at work through, for example, well-being at work or rehabilitation measures.

The liability for the disability pension expenditure is divided between those employers who were paying salaries/wages to the employees in question during the two calendar years prior to the beginning of the disability. The year in which the disability pension was granted determines in which years the pension expenditure will affect the contribution category. The pension expenditure affects the contribution category for two years.



Effect of the payroll on the basic contribution and contribution category



Determination of the contribution category

For the purposes of calculating the contribution category for an employer, risk ratios are determined and the mean of those ratios dictates the contribution category. The risk ratio reflects the relation of the employer's own disability pension expenditure to the average disability pension expenditure. Risk ratios are calculated from a period of two years: 2020 and 2021 for 2023. The mean of the risk ratios for the two years determines the company's contribution category.

The contribution category model encourages companies to employ older workers and helps to extend work careers. If an employer hires a new 63-year-old employee who then becomes ill, the disability pension expenditure caused by the sickness will not affect the contribution category at all. Similarly, the pension expenditure for a new 62-year-old employee who becomes ill will be relatively low and will have a minor effect on the contribution category of the employer.

The hiring of a new employee is, in practice, risk-free in terms of the company's contribution category and disability pension contribution if the employee in question is less than two years from the personal pen-sionable age for old-age pension. Correspondingly, sustaining the employment of an older worker who was hired earlier is also relatively risk-free in terms of the contribution category.

Contribution categories, risk ratios and coefficients

Contribution category	Mean risk ratio of two years	Coefficient
11	Over 5	5.5
10	4.00 - 4.99	4.00 - 4.99
9	3.00 - 3.99	3.00 - 3.99
8	2.50 - 2.99	2.50 - 2.99
7	2.00 - 2.49	2.00 - 2.49
6	1.50 - 1.99	1.50 - 199
5	1.20 - 1.49	1.20 - 1.49
Base category 4	0.80 - 1.19	1
3	0.50 - 0.79	0.65
2	0.20 - 0.49	0.35
1	Under 0.2	0.1

Our VerNet online service (vernet.veritas.fi) includes a calculator that enables you to estimate how a new disability pension case would affect your company's contribution category and TyEL contribution.

Our experts are here to help you. For more information about the disability pension contributions and contribution categories, contact our customer services for large employers at tel. +358 (0)10 195 626 or by email to tyel@veritas.fi.