



An employee is retiring – What should the employer do?

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The pension application process begins with the employee filling in a pension application form. It is a good idea, however, to be prepared for retirement situations in advance.

In particular, switching to old-age pension should be planned well in advance between the employee and employer. The employee can calculate a pension estimate and apply for pension at varma.fi.

Flexible retirement on old-age pension

An employee can retire on old-age pension at his/her discretion upon reaching his/her retirement age for old-age pension. The employer's obligation to insure ends at the highest retirement age. The employer and the employee can agree separately as to whether the employment will continue beyond then.

Retirement ages will change gradually for those born in or after 1955

Year of birth	Lowest retirement age	Target retirement age	Highest retirement age
1954	63 y	63 y 9 m	68 y
1955	63 y 3 m	64 y 1 m	68 y
1956	63 y 6 m	64 y 5 m	68 y
1957	63 y 9 m	64 y 9 m	68 y
1958	64 y	65 y 1 m	69 y

A discussion should take place with an employee who is approaching retirement age about his/her retirement plans, because receiving old-age pension requires the termination of the employment relationship. Old-age pension begins at the start of the month after the employment relationship ends, and it can be granted retroactively for no more than three months.

The employee should submit an old-age pension application two weeks before retiring. The application can be submitted six months before retirement begins only if the employee has worked or lived abroad.

The employer reports the end date of the employment relationship to the Incomes Register

Remember to report the end date of the employment of the person who is retiring on old-age pension to the Incomes Register when reporting the salaries paid during the month that the person's employment ends and the month the person's pension begins. If you report earnings more than once during the month when the pension begins, be sure to enter the end date of the employment relationship each time.

Although the end date is voluntary information in the Incomes Register, it is essential for the granting of old-age pension. We will issue a final pension decision only after we have received confirmation from the employer about the date when the employment ended and the final payroll information from the Incomes Register.

Partial old-age pension

Partial old-age pension offers those who have turned 61 a new way to combine working and retirement. Pensioners can opt for either 25 or 50 per cent of the pension they have accrued up until the end of the previous year. The pension is reduced by 0.4 per cent for every month of early retirement if it is drawn before the person has reached the lowest retirement age for old-age pension.

While drawing a pension, it is possible to continue working as before, to switch to part-time work or to stop working entirely. If an employee wishes to switch to part-time work while drawing a pension, the employer must, per the Working Hours Act, arrange the work such that part-time work is possible.

The employee should apply for partial old-age pension two weeks before the start of retirement.

Disability pension and the employer

Disability pension can be paid to an employee who has not yet reached retirement age and whose workability has deteriorated considerably for at least one year due to an illness.

When an employee's pension application arrives at Varma, we will ask the employer for a description of the pension applicant's work tasks, if necessary. A description of the work tasks and work arrangements helps in processing the application. At the same time, the employer should indicate whether the employee is being paid wages during his/her sick leave. If, during a period of sick leave, both pension and wages are being paid, the employer is entitled to collect the pension.

Disability pension is applied for during the daily sickness allowance period

When an employee falls ill, Kela will pay daily sickness allowance for a maximum of 300 days, i.e. roughly one year. If returning to work or rehabilitation does not seem possible, the employee should apply for the pension approximately 3 months before the 300-day period of daily sickness allowance ends. A medical statement B is required as an attachment to the application.

A preliminary decision is given on entitlement to partial disability pension

The employee can request a preliminary decision on his/her right to partial disability pension while still working full time. After the preliminary decision, the employee and the employer have ten months to agree on part-time work arrangements. The pension can begin when your earnings are reduced to 60% of your previous income level. Partial disability pension is possible even if the employee's work ceases entirely.

We always examine the possibility of rehabilitation before we make a decision on disability pension. A fixed-term pension is granted as a cash rehabilitation benefit.

Rehabilitation supported by Varma

Vocational rehabilitation refers to measures through which Varma can support an employee to continue working despite an illness. The most common means of rehabilitation is a work trial, for example, after a long period of sick leave.

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Years-of-service pension for those who perform strenuous work

The years-of-service pension can be granted before reaching the retirement age for old-age pension to someone who is 63 years old and has worked in a physically or mentally strenuous job for at least 38 years and whose workability has diminished. The required extent of diminished workability is not, however, as great as it is for disability pension.

Does pension create costs for the employer?

The TyEL basic contribution includes most of the pension costs:

- old-age pension
- partial old-age pension
- cash rehabilitation benefit
- vocational rehabilitation
- years-of-service pension and
- survivors' pension

Larger employers may incur additional costs for disability pensions.

If the company's 2017 payroll exceeds the 2019 liability component limit of EUR 2,083,500, disability pensions and partial disability pensions may have an impact on the employer's contributions through the contribution category. The higher the employer's payroll is, the greater the significance of the contribution category to the employer's contribution.

The liability component payments for an unemployed person born in the 1950s are collected by the Employment Fund, www.tyollisyysrahaasto.fi.

Your pension information on Varma's website while working and during retirement

Varma is at your service in all matters related to earnings-related pension at www.varma.fi.

Our eServices for private customers consist of

- employment pension record
- pension estimates
- pension applications
- rehabilitation applications and services
- services for pensioners
- messages and attachments

When you apply for pension or rehabilitation, you can order documents containing decisions that concern you to be sent to your electronic archive.

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