



The Unemployment Insurance Fund  
**ANNUAL REPORT**

**2014**

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# The Unemployment Insurance Fund in brief

The Unemployment Insurance Fund (TVR) launched its operations in 1999. It is an independent institution governed by labour market parties and is supervised by the Ministry of Social Affairs and Health and the Financial Supervisory Authority (FIN-FSA). The main task of the Unemployment Insurance Fund is to finance unemployment benefits. The Fund also steers, develops and monitors the implementation of the collection procedure of unemployment insurance contributions, and determines and collects the employer's liability component within the unemployment insurance contribution. In addition, the Fund is processing employers' training compensations. Training compensation is based on the Act on Compensations for Training (1140/2013).

The operations of the Fund are financed by investment returns and unemployment insurance contributions collected from employers and employees. Until the end of 2012, accident insurance

institutions were tasked with the collection of unemployment insurance contributions. The Unemployment Insurance Fund took over this collection from unemployment insurance contributions from the beginning of 2013.

The Unemployment Insurance Fund carries out the prepayment of financing contributions to the single unemployment funds in monthly intervals on the basis of the applications submitted to the Fund. In addition, the Unemployment Insurance Fund processes and carries out the prepayment of government contributions on behalf of the single unemployment funds.

The operations of the Unemployment Insurance Fund are based on the Act on the Financing of Unemployment Benefits (555/1998), the Decree on the Financing of Unemployment Benefits (1176/1998) and the Decree on the Regulations of the Unemployment Insurance Fund (862/1998), as amended.

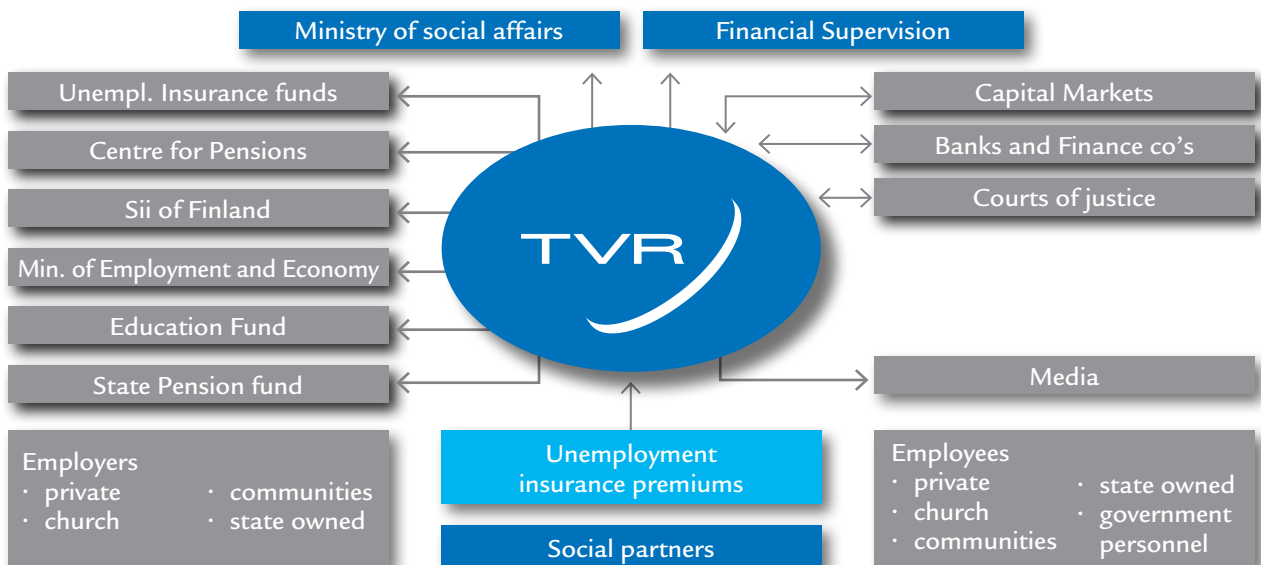
## Mission

The Unemployment Insurance Fund handles the financing processes of the unemployment insurance system and all its other duties in a reliable and correct manner, benefiting from internal expertise and the Fund's central market position. The Fund also promotes collaboration amongst unemployment insurance system actors for the purpose of improving the system's performance.

## Vision

The Unemployment Insurance Fund is a specialist in earnings-related unemployment security, and is a reliable and respected partner. The Fund strives to promote positive development trends for employment through supporting the functionality of the labour market.

## Business environment



# Managing Director's review



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Prolonged  
expenditure  
growth forces  
UIF to resort to  
debt financing

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**F**or the Unemployment Insurance Fund (UIF), year 2014 was financially weaker than expected, but operationally good. Performance of the economy was weaker than anticipated and actual deficit amounted to EUR 673 million which was significantly more than budgeted. Expenditures which the Fund is responsible for increased by 24 per cent compared to the previous year, while receipts decreased by 11 per cent. Reasons behind the figures are prolonged economic downturn and increased unemployment. Year 2014 was third year in a row when gross domestic product decreased. Although a small rise in GDP is anticipated for 2015, increase of UIF's expenditure has continued also in early 2015.

The amount of the business cycle buffer of the Unemployment Insurance Fund turned to negative at the turn of

the year and the liability in the buffer amounted to EUR 11 million. Fund's liquidity had to be strengthened at the end of the year with short-term commercial paper programs. In its budget for 2015, UIF has prepared for significant debt financing. In the beginning of year 2015, UIF's personnel and Board of Directors have prepared for the implementation of a debt program so that the Fund would have the capability to draw down loans latest in May or June. Preparations for the debt program include several different steps, tendering procedure of financial and legal services and converting the financial statements to be prepared according to IFRS standards, among other things. For bank loans, the Finnish parliament has approved the mandate to state guarantee. The Fund is looking for possibilities to cover its debt financing needs from capital mar-

kets. On the whole, due to the implementation of the debt program, the year will be busy for the Fund's personnel.

The level of unemployment insurance contributions was raised for 2015 but it is likely that the deficit for year 2015 will be higher than forecasted in the budget. Rapid rise in the indebtedness of the Fund in the current year means that there is a need to raise the level of unemployment insurance contributions considerably for 2016. Without a clear change to better in the economy and employment, there is an upward pressure to raise both employer's and employee's unemployment insurance contributions by even 0.5 percentage points. The Board of Directors of UIF prepares, and the Supervisory Board approves the proposal for contribution rates for 2016 in August. At the time, the programme of the Finnish Government

starting its work after the parliamentary elections will be available, as well as the decisions by social partners regarding the salaries for the third year in the Pact for Employment and Growth.

The determination and collection of the unemployment insurance contributions that started last year stabilised during 2014 and the Fund performed also this statutory task carefully and efficiently. Annual targeted cost savings of EUR 10 million through the transfer of the determination and collection of the contributions to UIF were achieved also in 2014 with cost savings of EUR 9.9 million.

Large employers' liability component for the termination of elderly employees' employment continued to employ the personnel of the Fund. The amount of the liability component matters increased slightly but there were somewhat fewer liability component matters stipulated to employers compared to previous year. The income accrued from the liability component contributions remained also smaller than previous year. The referral procedure of disputes of employment termination according to the Employment Contracts Act continued in the Fund at the same level as in preceding year.

In spring 2014, the Unemployment Insurance Fund moved to new premises at Kansakoulukuja. All departments of the Fund are now located in the same premises which improves the opportunities to develop the operations. The Education Fund's office is also located in the same building. This enables increasing and developing co-operation between the funds despite that both funds have their own managing director from the beginning of 2015.

At the end of 2014, the Fund's number of personnel was 98, which was 82 measured in full-time equivalent. There



was still some growth last year. After a few years' considerable growth period, the Fund's activities have to be developed so that the number or responsibilities of personnel will not significantly increase during the next few years. The personnel of the Fund deserve a great praise for last year's work and results.

The Board of Directors of the Unemployment Insurance Fund continued developing the strategy during the financial year. The Board of Directors has held several strategy meetings, met with consultants and considered widely the impacts of changes in the operating environment and increased duties on the operations of the Fund. Strategy work is expected to be finalised during spring 2015. Many thanks to the Board of Directors for the active strategy development work.

The Fund's long-standing Managing Director Heikki Pohja retired in the beginning of March 2015. During Pohja's time the Fund has evolved from a small office to an important central body of unemployment insurance that performs its responsibilities carefully and efficiently. Pohja's contribution to building the Fund's well-being at work and a good working community is very important as well, and deserves to be recognized. I would like to thank Heikki Pohja on behalf of the whole personnel of the Fund and wish him a happy retirement.

**Janne Metsämäki**  
Managing Director

# Basis of operations for the Unemployment Insurance Fund

- Deficit for the financial year amounted to EUR 673 (surplus 78) m
- Return on investments was 0.6% (0.2%)
- Liability in the business cycle buffer amounted to EUR 11 m (assets of EUR 662 m) at the end of 2014.
- EUR 3,704 (3,186) million of financed benefits were paid
- Unemployment insurance contribution income was EUR 1,976 (2,221) m

Financial information for 2013 is presented in parentheses.

The Unemployment Insurance Fund is an independent institution that is funded by employers and employees and supervised by Finnish Financial Supervisory Authority. Its objective is to finance unemployment benefits.

Operations are based on the Act on Financing of the Unemployment Benefits (555/1998) that came in to force on 1 September 1998, the Decree of the Financing of the Unemployment Benefits (1176/98) that came in to force on 1 January 1999 and on the Decree on Rules of Procedure of the Unemployment Insurance Fund (862/1998) that came in to force on 1 December

1998. All of these regulations are since amended.

## The Unemployment Insurance Fund's operating environment

### The Fund's result of operations in 2014 was much weaker than anticipated

The Unemployment Insurance Fund's Supervisory Board approved the budget for 2014 on 29 August 2013. It was decided that the Fund proposes to decrease the unemployment insurance contributions. Decision making took place at the same time that the national labour and employer confederations reached a settlement on the Pact for Employment and Growth. Reduction of unemployment insurance contributions for year 2014 was also discussed in the labour and employer confederations negotiations for the Pact for Employment and Growth for years 2013 to 2016.

Performance of the Unemployment Insurance Fund's finances during year 2014 was weaker than expected. Actual deficit amounted to EUR 673 million exceeding the budgeted deficit by more than EUR 400 million. Actual expenditure was EUR 371 million higher than estimated in the budget. Expenditures which the Fund is responsible for increased by 24 per cent compared to the previous year, while receipts decreased by 11 per cent. The unemployment rate increased slightly and income from the unemployment insurance contributions decreased based on the level of contributions, even though they corresponded to the estimated amount.

The Unemployment Insurance Fund's business cycle buffer turned to negative,

the liability in the buffer amounted to EUR 11 million (assets of EUR 662 million) at the end of year 2014. Liquidity was good at the beginning of the year when the business cycle buffer and a positive cash flow covered expenses. At the end of the year liquidity had to be improved by a short-term commercial paper program.

The uncertainty on the financial markets was reflected in the Fund's investing activities, with a considerable amount of funds being directed into high-liquidity, low-yield investments.

Since 2011, the amount of unemployment contributions have been ratified through a procedure, by which the Unemployment Insurance Fund makes a proposal for the amounts of the following year's contributions to the Ministry of Social Affairs and Health by the end of August (Act on Financing of the Unemployment Benefits, section 18 (6)). This accelerated timetable increases the uncertainty of the following year's economic and unemployment forecast. The unemployment insurance contribution rates are ratified by Parliament on the basis of the government proposal. The proposal for contributions can be amended during the parliamentary proceedings.

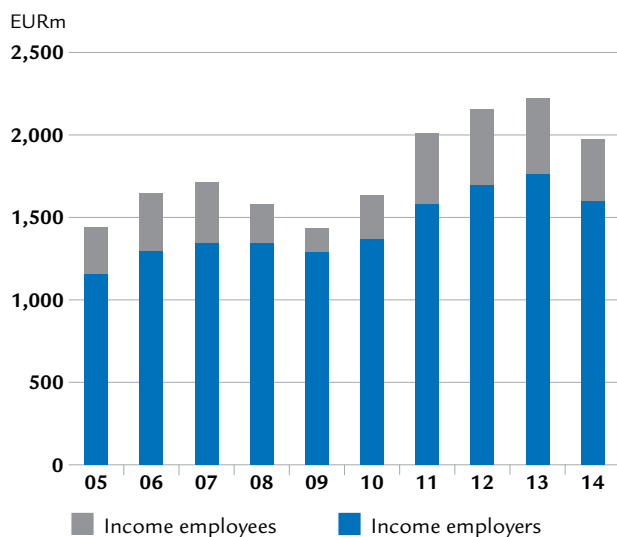
### The Unemployment Insurance Fund determined and collected unemployment insurance contribution for 2014

The determination and collection of unemployment insurance contribution was transferred from accident insurance institutions to the Unemployment Insurance Fund at the beginning of 2013. The first year 2013 went operationally well and the targets were achieved. At the beginning of 2014, the workload

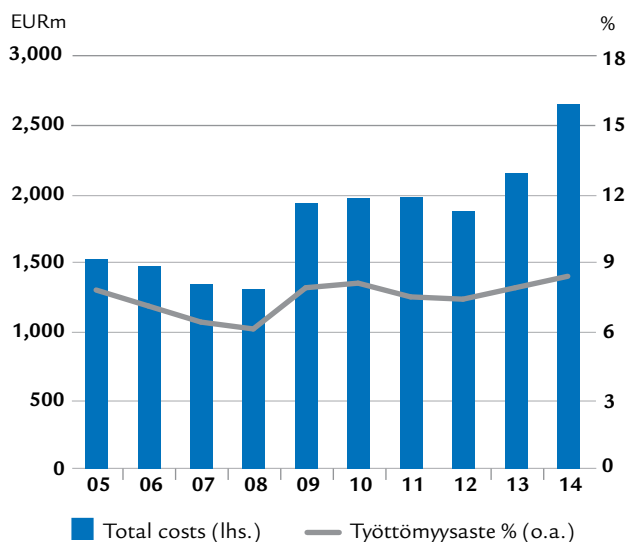
## Key figures (EURm)

	2014	Change-%	2013	2012	2011	2010
Unemployment contribution income	1,976	-11	2,221	2,156	1,985	1,622
Other income (MSAH)*	1,054	1	1,039	891	740	943
Contribution rates						
- employee contribution %	0.50	-17	0.60	0.60	0.60	0.40
- employe, base %	0.75	-6	0.80	0.80	0.80	0.75
- employer, large firms	2.95	-8	3.20	3.20	3.20	2.95
Total benefits paid	3,705	16	3,156	2,741	2,696	2,914
- Unemployment funds	1,651	25	1,326	1,140	1,210	1 253
- Unemployment funds (MSAH)*	1,054	1	1,039	891	740	943
- Centre for pensions	818	28	640	556	597	594
- Education fund	84	17	72	61	52	32
- SII of Finland	52	-16	62	57	64	41
- Ministry of Employment and the Economy	27	-18	33	29	27	28
- Administration expenses	10.7	51	7.1	6.1	3.8	3.7
Surplus / deficit	-673	-963	78	291	41	-338
Investment return %	0.6	200	0.2	0.9	1.4	1.4
Business cycle buffer	-11		662	585	293	251
- Investment portfolio	382	-51	775	713	374	308
- Money market	206	-51	422	339	210	173
- Fixed income	166	-51	337	302	150	121
- Shares and equity	1	-75	4	1	5	5
- Other investments	9	-25	12	5	9	9
- Short term borrowing	-256		0	0	0	0

## Unemployment contribution income



## Benefits financed by TVR







PEKKA SIPOLA

from determination and collection of unemployment insurance contributions increased, when the determination of final payments for 2013 started in addition to the collection of prepayments. Increase of the workload exceeded estimates and therefore until fall 2014, the service level did not meet the target level.

During 2014, the procedures to determine and collect unemployment insurance contributions were established and the know-how related to the determination and collection of unemployment insurance contributions was spread out in the organisation as targeted.

The operational and financial targets for the determination and collection of unemployment insurance contributions were achieved in 2014 as well as

in 2013. Annual targeted cost savings of EUR 10 million through the transfer of the collection of the contributions were achieved also in 2014 with cost savings of EUR 9.9 million.

### Unemployment insurance contribution rates for 2015 were proposed to be increased

On 27 August 2014, the Unemployment Insurance Fund proposed to the Ministry for Social Affairs and Health an increase to both employers' average and employees' unemployment insurance contributions of 0.15 percentage points for 2015. Parliament ratified the government

proposal for the above at the end of November 2014. However, the higher contribution rate for universities was not increased for 2015 and it remained at 2.35 per cent.

### The Unemployment Insurance Fund starts to process employer's professional education allowance for year 2014 for the first time

On December 2013, Parliament ratified the law proposals that were prepared based on the model agreed by the labour market confederations during spring 2013. Based on these law proposals, an employer may receive tax deductions from its training expenses based on the Business Tax Act. Employers who are not in the scope of the Business Tax Act or the Agricultural Income Tax Act may have a corresponding deduction from the unemployment insurance contribution. Such employers are for example municipalities, churches and associations. Right to receive a professional education allowance came into effect at the beginning of 2014 and a deduction is granted based on an application of an employer for the first time in spring 2015, when the Unemployment Insurance Fund confirms the final unemployment insurance contribution amounts for 2014. During 2014, the Unemployment Insurance Fund advised employers in professional education allowance matters and developed a process for processing professional education allowance applications.



# Responsibilities of the Unemployment Insurance Fund

## Unemployment benefits financed by UIF

Based on the Act on the Financing of Unemployment Benefits (555/1998) and with regard to the financing of earnings-related unemployment allowances, the Unemployment Insurance Fund is responsible for expenses from basic unemployment allowances, employment promotion measures and from job alternation compensations insofar as the state or individual unemployment funds are not liable for these. The above-mentioned benefits are paid from the unemployment funds. Adult education allowance is paid from the Education Fund. In addition, the Unemployment Insurance Fund is responsible for the unemployment insurance contributions for unemployed persons and recipients of the adult education allowance that are paid through the Finnish

Centre for Pensions to the employment pension institutions.

According to the Decree on the Implementation of the Act on Unemployment Funds (272/2001), the processing of prepayment applications and payment decisions together with monitoring the sufficiency of the prepayments are at the responsibility of the Unemployment Insurance Fund. The Fund makes prepayments to the unemployment funds twice a month, on the first banking day and the banking day that is closest to the 15th day of the month.

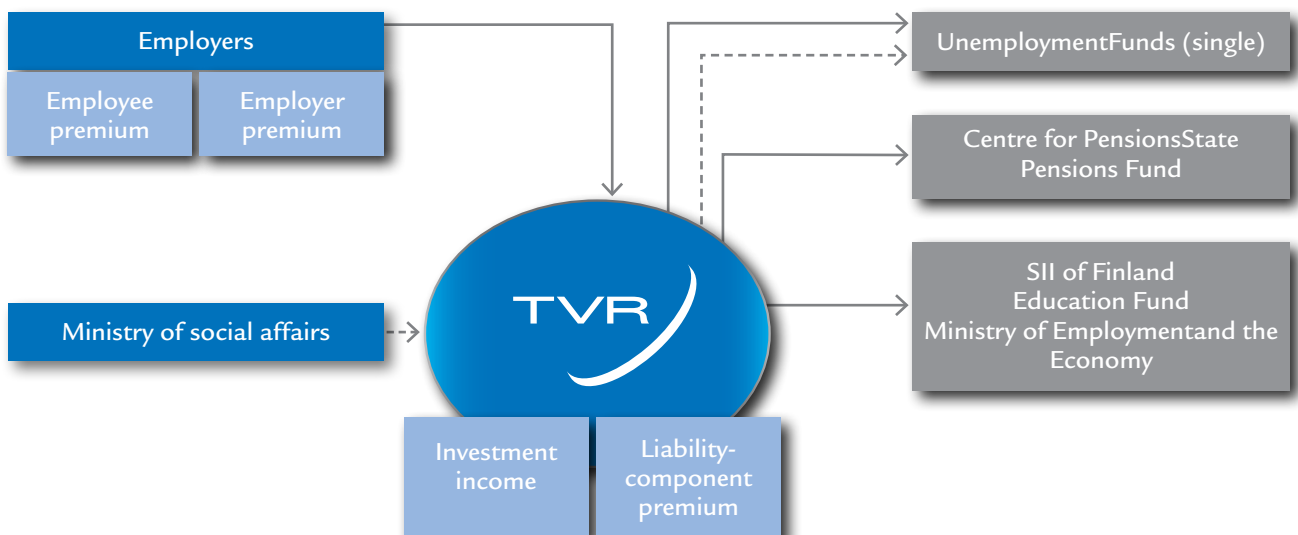
The Fund also transfers the prepayments of government contributions to the unemployment funds on the first banking day of each month. In 2014, the Ministry of Social Affairs and Health paid the government contributions to the Fund as fixed monthly payments, unless otherwise proposed by the Unemployment Insurance Fund. The govern-

ment contribution is recognised as the Fund's income and expenses.

In 2014, there were 30 (32) unemployment funds operating in Finland, of which two served entrepreneurs. The earnings-related unemployment allowance paid by the unemployment funds was on average EUR 67.58 (66.97) per day.

In 2014, a total of EUR 1,651 (1,326) million was paid to the unemployment funds for financing the unemployment benefits. In addition, the Fund transferred EUR 1,054 (1,039) million to the unemployment funds as the contribution of the Ministry of Social Affairs and Health. The state did not continue to fund the basic unemployment allowance portion of the lay-off allowance. This increased the Fund's expenses compared to the previous year and correspondingly decreased the state's expenses.

## Cashflows in TVR



## Responsibilities of the Unemployment Insurance Fund

In accordance with the Act on the Financing of Unemployment Benefits, the Unemployment Insurance Fund is responsible for expenses related to additional days to the unemployment benefits. The unemployment funds pay additional daily unemployment benefits, which are not financed by the state, to their members. An unemployed person is eligible for additional unemployment benefit days if he or she turns 59 before having reached 500 earnings-related unemployment allowance days. For those born in 1955 or after, the age limit will rise to 60 years, and to 61 years for those born in 1957 or after.

The Unemployment Insurance Fund has the sole responsibility for financing of the supplementary allowance and change

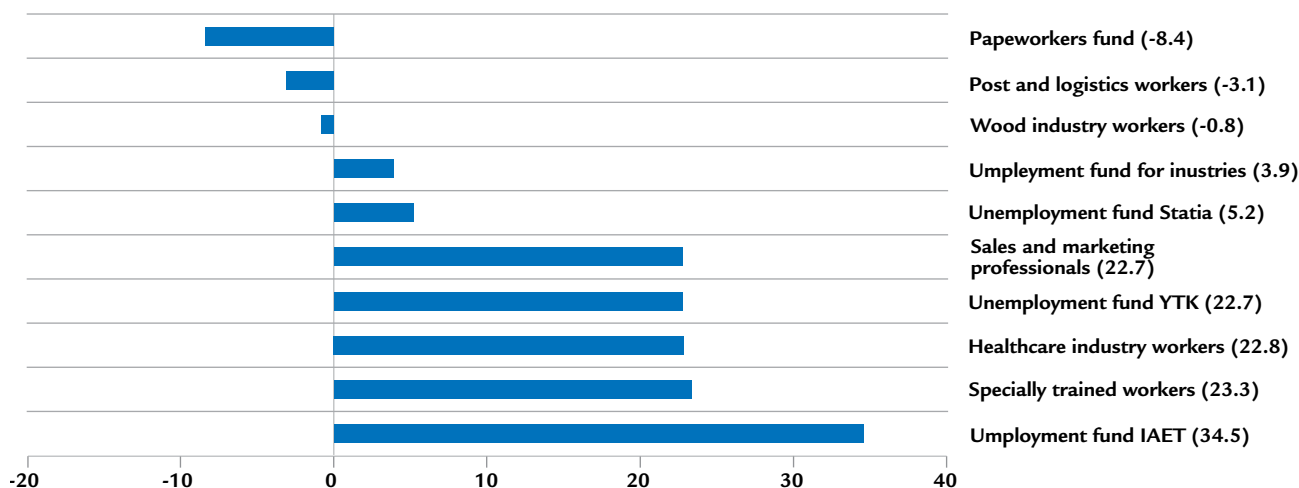
security supplement of the basic unemployment allowance. These benefits are paid both by the unemployment funds and Kela. Approximately EUR 0 (17) million was paid related to the change security supplement. Kela paid corresponding supplementary allowances of EUR 0.5 (1.6) million. From the beginning of 2015, the way the higher income earnings-related unemployment allowances are calculated was changed so that the level of allowances decreases slightly. The same change was carried out regarding the supplementary earnings-related allowances. These changes were executed to implement the decision on reduction of basic unemployment allowances, which was part of the framework decision of the Government. The change decreases

expenses related to earnings-related unemployment allowance. To implement government savings, the Fund pays the amount of savings (approximately EUR 50 million) yearly to Kela to be used to finance the basic social security.

Based on the Section 19a of the Act on Unemployment Funds (556/1998), the Fund pays a membership fee equalisation payment to those employee's funds that have paid significantly more unemployment benefit days in the previous year than the average per member for all unemployment funds, in order to even out the unemployment burden prevailing in different industries, within the limits of an appropriation decided by the Supervisory Board each year. The balance of the unemployment fund's

## Benefits paid by single funds

Biggest % changes from 2013 to 2014



equalisation fund may also be taken into account in determining the membership fee equalisation payment. The Board of Directors of the Fund has also paid attention to the level of membership fees in relation to other unemployment funds and to changes in membership fees in the two preceding years.

In 2014, a total of EUR 10 (10) million was used on equalisation payments. The amount used for equalisation was 0.40 (0.47) % of the unemployment funds' benefit payments, the prescribed maximum being 0.75 %. The membership fee equalisation payments were made to eight employee's funds, compared to six in the previous year. Changes in the Fund's membership fees in 2014 and 2013 were also taken into account in the equalisation decisions.

### **Financing of pension accrual of unemployed persons and recipients of job alternation compensation and adult education allowance**

The second largest expense of the Unemployment Insurance Fund has been the contribution paid to the Finnish Centre for Pensions to cover the liabilities and expenses arising from taking into account the time of unemployment, education and job alternation leave (Employees Pension Act (395/2006), Sections 74 and 182). The amount of this contribution is determined by estimating the average amount of pension contributions that would be paid for the unpaid periods that constitute the basis of the accrued pension security.

Based on the estimate of the Finnish Centre for Pensions, the recognised



expense in 2014 was EUR 818 (640) million. The contribution was paid as a prepayment during 2014. The final contribution for 2014 will be confirmed afterwards by the Ministry of Social Affairs and Health during 2015.

As stated above, the Unemployment Insurance Fund is responsible for the contribution provided for in Sections 62 and 133 of the State Employee's Pension Act (1295/2006) to the State Pension Fund. In 2014, contributions paid by the Unemployment Insurance Fund amounted to EUR 6.1 (6.7) million. The final contribution for 2014 will be confirmed afterwards by the Ministry of Social Affairs and Health during 2015.

### **Settlement to Kela of income from the unemployment insurance contributions of employees who are not members of an unemployment fund**

Based on Sections 8 and 23 of the Act on the Financing of Unemployment Benefits (555/1998), the Fund pays to Kela an annual amount from employee's unemployment insurance contribution income, corresponding to the percentage of employees who are not members of an unemployment fund. The amount of the settlement is estimated from data collect-

## Responsibilities of the Unemployment Insurance Fund

ed by Statistic Finland, and the estimate is confirmed by the Ministry of Social Affairs and Health. In 2014, the settlement percentage was 14.2 (13.2). Prepayments amounted to EUR 52 (62) million.

### Financing of the Education Fund's benefits and operations

Based on Section 13 of the Act on Education Fund (1306/2002) and Section 30 of the Act on Adult Education Allowance (1276/2000), the Unemployment Insurance Fund is responsible for the financing of the earnings-related part of the adult education allowance and the scholarships, together with the related administrative expenses. The benefits are paid from the Education Fund. In 2014, the Unemployment Insurance Fund paid

to the Education Fund a total of EUR 84 (72) million. The increase in expenses is due to a sharp increase of adult education allowance expenses. This is a result of a significant increase in the amount of the allowance during 2010, followed by an ongoing growth in the number of applicants and beneficiaries.

The cooperation with the Education Fund was developed further during 2014. Human resources, information systems and premises are shared systematically, which has improved the cost-effectiveness of the operations of both funds.

### Financing of pay security

Based on the Section 31 of the Pay Security Act (866/98), the Unemployment Insurance Fund is responsible for the state's pay security expenses. Pay security expenses are paid once a year, normal-

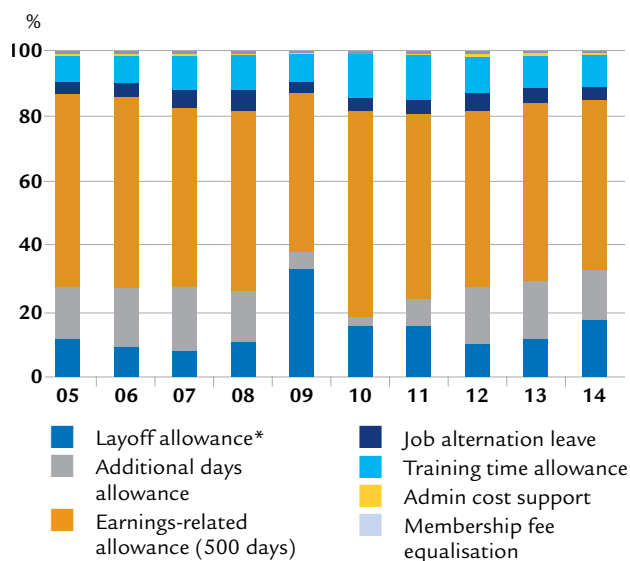
ly in March of the following year, to the Ministry of Employment and the Economy, based on the invoice sent by the Ministry. In 2014, pay security expenses amounted to EUR 27 (33) million.

### Determination and collection of the unemployment insurance contribution

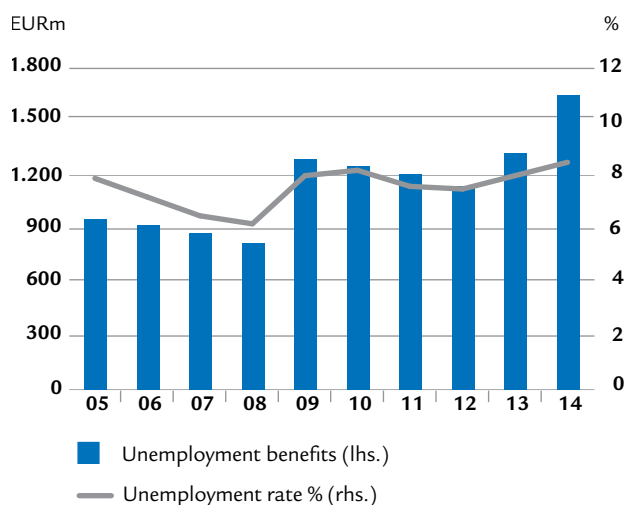
The Unemployment Insurance Fund determines and collects the unemployment insurance contributions based on the Chapter 7 of the Act on Financing of the Unemployment Benefits. The determination and collection of unemployment insurance contribution was transferred from accident insurance institutions to the Unemployment Insurance Fund at the beginning of 2013.

## Unemployment benefits paid by single funds

% share of different support classes



## Financing paid to single funds



During 2014, the unemployment insurance contributions determined by the Unemployment Insurance Fund amounted to EUR 2 (2.1) billion. A total of EUR 100 million of the unemployment insurance contributions were refunded. Assigned payments were collected comprehensively, 0.2 per cent of the invoices due in 2014 remained unpaid, as was the case also in the previous year.

## Supervision of collection of unemployment insurance contributions

The Unemployment Insurance Fund supervises together with accident insurance institutions the implementation of the collection procedure of unemployment insurance contributions carried by insurance institutions for 2012 and

for the prior years. Since 2013, supervising the fulfilment of the responsibilities related to the unemployment insurance contributions provided by law has been a task of the Unemployment Insurance Fund.

By this supervision, it is ensured that the reported amounts of salary that determines the amount of employer's unemployment insurance contributions are accurate and the collected amounts are correct. In addition, this supervision addresses the failures of payment obligation for both unemployment insurance contributions and accident insurance contributions. All employers are under this supervision and the supervision is carried out in cooperation with the Federation of Accident Insurance Institutions (FAII) and accident insurance institutions.

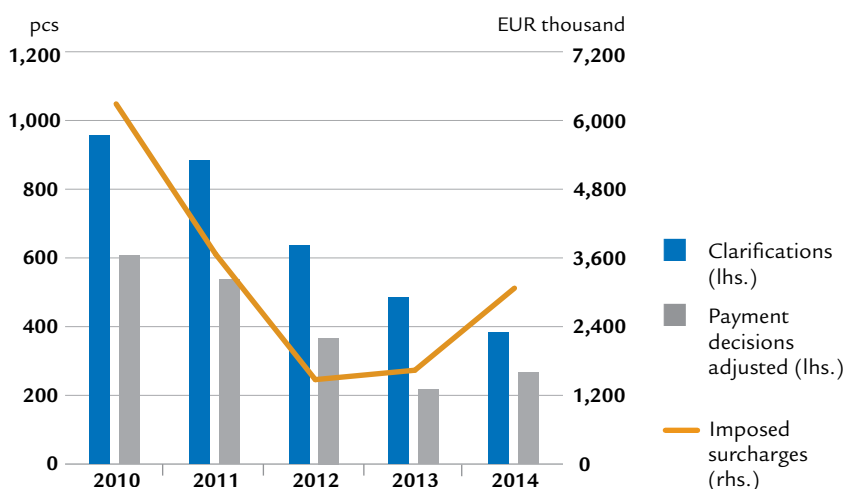
In 2014, there were 383 (487) cases taken under the supervision. Of these, investigations concluded 111 (108) to be unfounded. In 2014, the supervision confirmed a total of EUR 3.2 (2.5) million missing from the unemployment insurance contribution income, and repayments have been assigned by the amount of EUR 900,000 (250,000). The supervision for 2012 that was carried out during 2014 was the last supervision round carried out jointly with the accident insurance institutions. In 2015, the Unemployment Insurance Fund supervises directly the fulfilment of employer's responsibilities for 2013 and 2014.

## Employers' liability component in unemployment allowances

Based on the Chapter 8a of the Act on Financing of the Unemployment Benefits, the Unemployment Insurance Fund determines and collects the liability component of unemployment allowances from employers.

In 2014, a total of 11,757 (10,975) new cases related to the liability component in unemployment allowance were initiated in the Unemployment Insurance Fund based on the notifications of unemployment funds and Kela. The number of assigned liability component compensations for employers by the Fund was 2,849 (3,200), of which the realised amount of payments was EUR 55.2 (79.9) million. In 2014, EUR 73.9 (68.9) million was recognised as income and EUR 89.0 (111.1) million was accrued and recognised as income in the following years. In 2014, the average amount of liability component compensations was EUR 18,986 (24,325). The

## Unemployment contribution surveillance



## Responsibilities of the Unemployment Insurance Fund

criteria to assign a liability component compensation were not fulfilled in 9,566 (8,084) cases. In 2014, the employer appealed in 65 (49) payment decisions.

### Responsibilities of the Unemployment Insurance Fund based on the Employment Contracts Act

According to the Employment Contracts Act, the courts have to hear the Unemployment Insurance Fund in disputes that relate to the termination of employment and when the claimant has received earnings-related unemployment allowance after the termination of employment. As a rule, 75 % of the earnings-related daily unemployment allowance received by the employee during the indemnity period is deducted from the indemnity imposed to the employer for an unfounded termination of employment. The court shall assign the employer to make the deduction payment to the Fund. If the employer and the employee agree on the indemnity, this agreement should take into account the share received by the Fund.

In 2014, the Unemployment Insurance Fund gave a total of 1,020 (972) statements, of which 633 (589) were to the District Courts, 11 (14) to the Labour Court, 112 (120) to the Courts of Appeal and 264 (249) to other parties.

In 2014, the Unemployment Insurance Fund received payments of EUR 1.4 million based on Chapter 12 and Section 3 of the Employment Contracts Act. EUR 0.7 (0.4) million will be settled to the Ministry of Social Affairs and Health that corresponded on average a 49 (49) per cent financing share to the

unemployment funds and EUR 0.7 (0.4) million was recognised as income of the Unemployment Insurance Fund.

### Employers' professional education allowance

Professional education allowance is a form of financial support for the development of competence for employers who are not eligible for training-fee-related tax deductions based on the Business Tax Act

or the Agricultural Income Tax Act. Professional education allowance is based on the Act on Compensating Professional Education (1140/2013). The purpose of the professional education allowance is to improve the employer's opportunities to organise education for its employees to develop their professional competence. Professional education allowance is received for a maximum of three training days per employee per year.

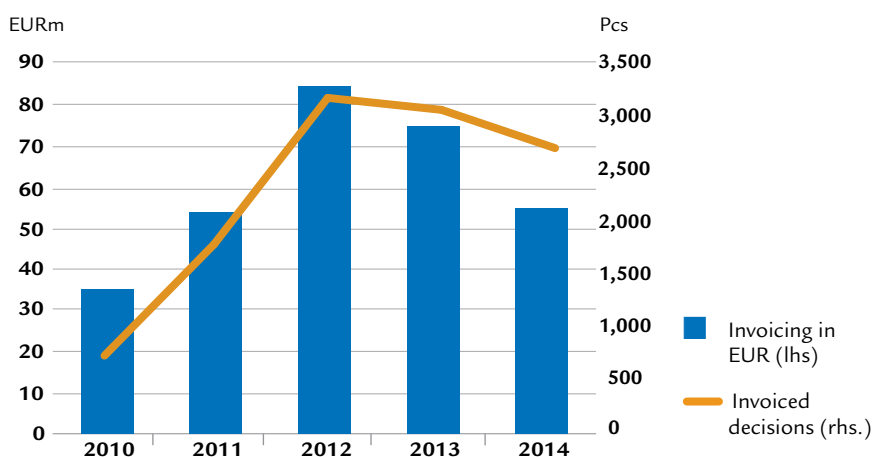
Professional education allowance

### Liability component invoicing

Liability components per main sector in 2014



### Liability information: payment decisions and invoicing





can be applied by those employers who are not eligible for training-fee related tax deductions based on section 56, paragraph 6 of the Business Income Tax Act (360/1968), or on Section 10f, paragraph 6 of the Agricultural Income Tax Act. Therefore, for example municipalities, churches, associations and foundations may apply for this allowance. Professional education allowance does not apply to household employers.

Professional education allowance is applied for from the Unemployment Insurance Fund, excluding government agencies that apply for the compensation from the Ministry of Finance.

The Unemployment Insurance Fund advises employers in matters related to professional education allowance and implements the deduction based on the professional education allowance from the unemployment insurance contributions. Professional education allowance can be applied in 2015 for the first time based on education arranged during 2014.

## The Unemployment Insurance Fund's role in EU coordination

Article 65 of Regulation (EC) No 883/2004 of the European Parliament and of the Council on the coordination of social security systems (basic regulation) provides for situations in which a person becomes unemployed after working in a Member State other than his or her country of residence.

In Finland, the Unemployment Insurance Fund has been designated as the competent body when implementing this basic regulation with regard to earnings-related unemployment insurance. The Fund's responsibilities include the pay-



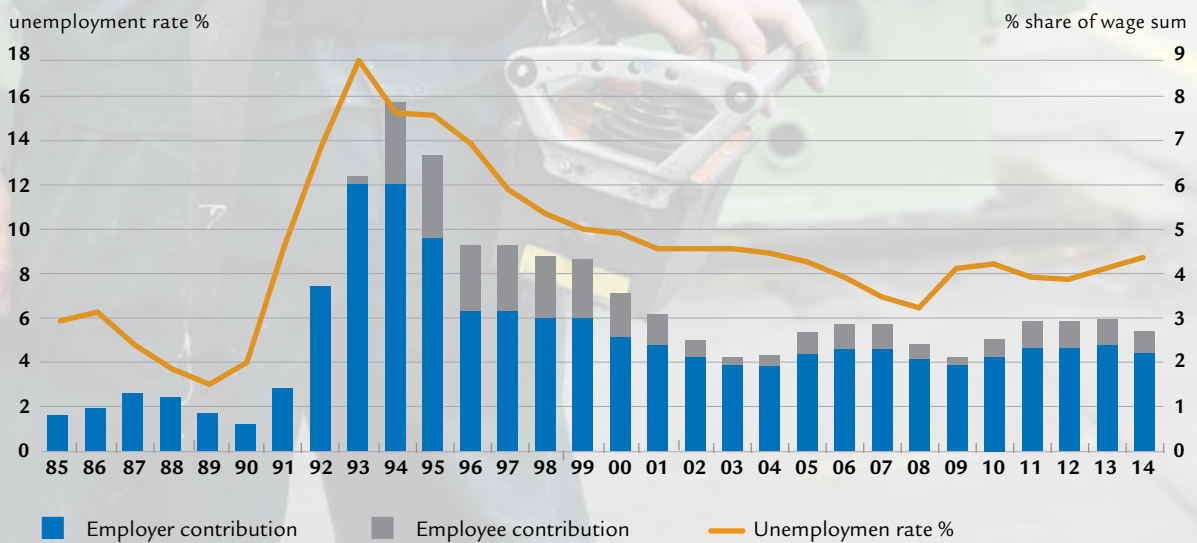
ment and collection of the compensations provided for in paragraphs 6 and 7 of Article 65, incurred from basic unemployment allowance paid to the members of unemployment funds. In 2014,

the Fund paid EUR 57,319 (49,916) in such compensations and received a total of EUR 88,491 (119,027).





## Unemployment rate and unemployment contribution rates



# The Fund's finances in 2014

In 2014, the Fund's financial performance was much weaker than anticipated. The Supervisory Board of UIF confirmed the budget in August 2013 and it estimated a deficit amounting to EUR 252 million in 2014. The actual deficit in the financial year was EUR 673 million which is the greatest annual deficit in the history of the Unemployment Insurance Fund. There are two reasons for the significant deficit and deviation from the estimate. The increase in the number of unemployed persons exceeded significantly the estimate in an already cautiously prepared budget. In addition, the Fund decided to propose moderate decreases to unemployment insurance contributions which was in compliance with the Pact for Employment and Growth. Thirdly, the expenditure the Fund is responsible for increased significantly more than what could have been observed from the official unemployment rate reported by Statistics Finland. Based on the official statistics, the unemployment rate in Finland increased by 0.5 percentage points (8.2 to 8.7 %). The Fund's expenses increased by 24 %, respectively. However, it should be noted that in 2014, UIF financed 94.5 % share of lay-off allowances when during 2013 this responsibility was divided between the Fund and the state.

The state of economy in Finland remained weak during 2014. The gross production continued to decrease for third year in a row. The number of hours worked decreased to some extent and the development of total payroll amount was significantly weaker than in average.

Total additions from ordinary activities of the Fund were EUR 3,031 (3,261) million and deductions EUR 3,705 (3,186) million. The financial year's deficit amounted to EUR 673 (surplus 78) million. The estimated deficit in the budget was EUR 252 million.

The planning and managing of the Unemployment Insurance Fund's finances is largely based on forecasts on the unemployment rate, unemployment expenses and the development of employment rate and wages. In normal conditions, the Fund must set the insurance contributions at a level sufficient to cover all projected expenses. The unemployment insurance contributions are set for one year at a time. When the contribution levels are adjusted, the employers' and employees' contributions are adjusted by the same percentage. The forecast deviation between the budget prepared in August in the preceding year and the financial statements that are prepared more than a year later, has been EUR 150 million per year on average (6 – 10 % of expenses) over the last five years. In 2014, the forecast deviation exceeded the average amount.

## Unemployment insurance contributions

On 29 August 2013, the Supervisory Board of the Unemployment Insurance Fund made a proposal to the Ministry of Social Affairs and Health for the amount of unemployment insurance contributions for 2014.

Employers' contribution percentages decreased for 2014, and were 0.75 (0.80) % of the wages up to EUR 1,990,500 (1,990,550) and 2.95 (3.20) % of the wages for the part exceeding this. The average contribution percentage was 2.20 (2.38) %.

Unemployment insurance contribution for government enterprises was 0.75 (0.80) % of the wages up to EUR 1,990,500 (1,990,550) and 1.95 (2.05) % of the wages for the part exceeding this.

Universities' unemployment insurance contribution was 0.75 (0.80) % of the wages up to EUR 1,990,500 (1,990,550) and 2.35 (2.35) % of the wages for the part exceeding this.

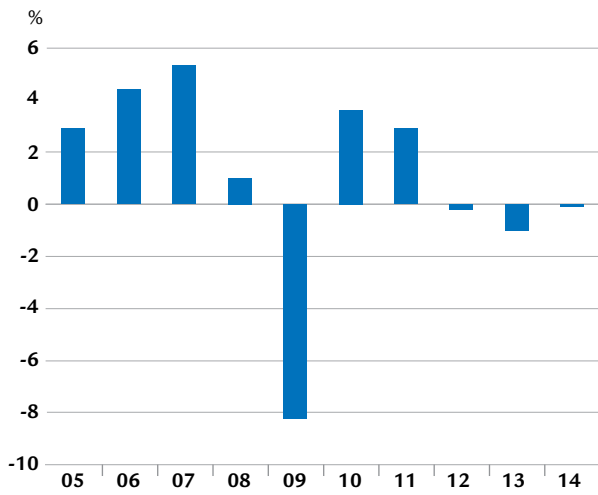
Unemployment insurance contribution for part-owners as defined in the Unemployment Allowance Act was 0.75 (0.80) % of the wages.

Employees' unemployment insurance contribution was 0.50 (0.60) % of the wages, based on the Fund's proposal. The employee unemployment insurance contribution of a part-owner was 0.19 (0.20) % of the wages.

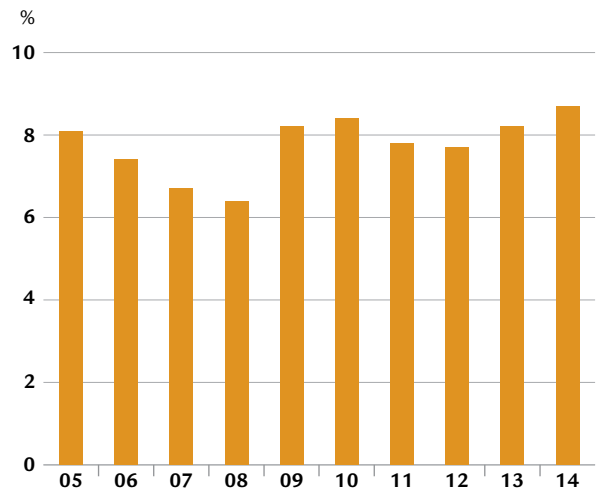
Employers' unemployment insurance contributions amounted to EUR 1,524 (1,695) million, of which municipalities and municipal federations paid EUR 471 (508) million. Employees' unemployment insurance contributions amounted to EUR 378 (457) million, of which municipalities and municipal federations paid EUR 83 (99) million.

The Fund's finances in 2014

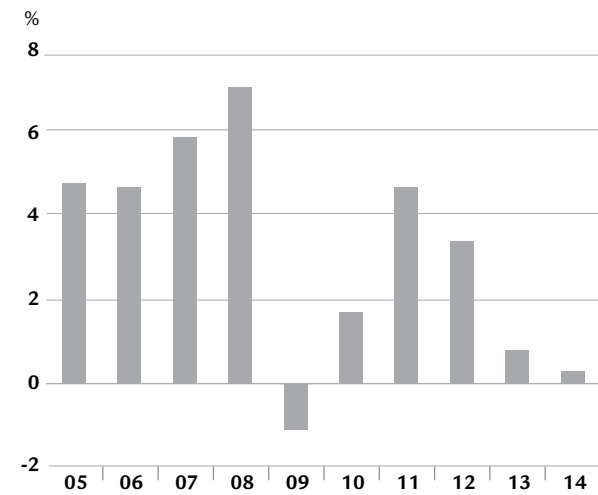
GDP growth % p.a.



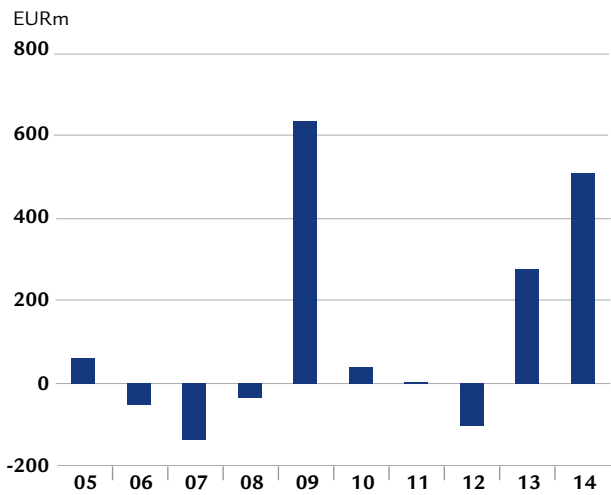
Unemployment rate



Wage sum change % p.a.



Change in expenditure



## Investing activities

Investment markets performed more positively than expected in 2014. In most markets, stock prices increased. Most surprising were the sharp decrease of long-term interest rates and the decrease of interest rate differential between the interest from high-risk and low-risk loans. Central banks continued their expansive monetary policy, which contributed the funds to flow to higher risk investments. The economy in the Euro-zone performed weaker than on average, but despite that, the companies' profitability remained at a good level.

The investment plan of the Unemployment Insurance Fund was prepared in November 2013 on the basis that during 2014 the economic environment would be more challenging than on average. In preparing these plans, it was known that the amount of funds to be invested would decrease quite substantially. The aim was to retain the risk level of the investment portfolio low, and

## Investment returns

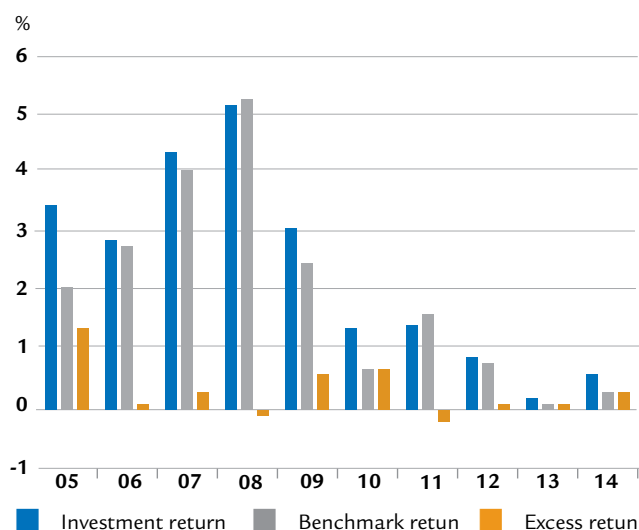
### Index return, asset classes

	2014	2013	2012	2011	2010
	%	%	%	%	%
Finnish equity	10.6	31.6	15.5	-24.7	29.8
Euro equity	6.0	16.4	17.6	-7.8	12.7
Asian equity	9.8	-3.7	20.0	-11.7	29.2
Money market	0.3	0.3	1.1	1.3	0.6
Fixed income (euro short duration)	0.6	-0.1	0.5	2.7	2.2
Fixed income (euro long duration)	13.2	2.1	10.6	1.2	1.2
<b>UIF total portfolio</b>	<b>0.6</b>	<b>0.2</b>	<b>0.9</b>	<b>1.4</b>	<b>1.4</b>

the emphasis on the protective purpose of the investments continued in the allocation of investments. However, the ratio of investments with higher yield potential was slightly increased by setting up new limits for corporate bond investments.

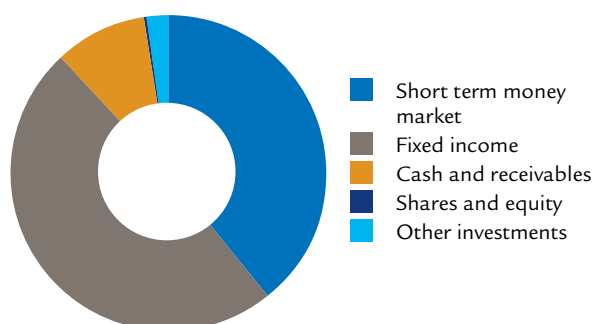
The investment plan was once revised during the year, and the Fund invested actively in money market instruments, bonds and, to a lesser degree, shares. At the end of the year, EUR 166 (422) million of the Fund's assets were invested

## Investment return



## Investments, asset allocation Dec. 31, 2014

Total portfolio value EURm 422



## The Fund's finances in 2014

in money market instruments, EUR 206 (337) million in bonds, EUR 1 (1) million in shares and equity funds and EUR 9 (15) million in other investments. Net investment income amounted to EUR 4 (3) million. Other finance income and costs amounted to EUR -3.3 (+0.2) million, because of the interest costs for the payment to Finnish Centre for Pensions and increased interest costs for debt financing.

In 2014, the Fund achieved a return of 0.6 percent on invested capital. This was significantly lower than the long-term average, but exceeded the benchmark return by 0.3 percentage points.

The portfolio management of the Unemployment Insurance Fund was organised in the usual manner, with the Fund managing liquid money market funds and the management of long-term

securities spread between external asset managers and the Fund.

### The Unemployment Insurance Fund's business cycle buffer and financial position

In accordance with the Section 3 of the Act on the Financing of Unemployment Benefits, the Unemployment Insurance Fund maintains a business cycle buffer generated from the difference between the Fund's income and expenses, in order to safeguard the Fund's solvency and even out changes in unemployment insurance contributions caused by predictable trend cycles in the national economy. The maximum size of this buffer is the amount of annual expenses

corresponding to an unemployment rate of five per cent. During times of severe economic downturn, the Fund may maintain a deficit equal to the amount of expenditure corresponding to this unemployment rate.

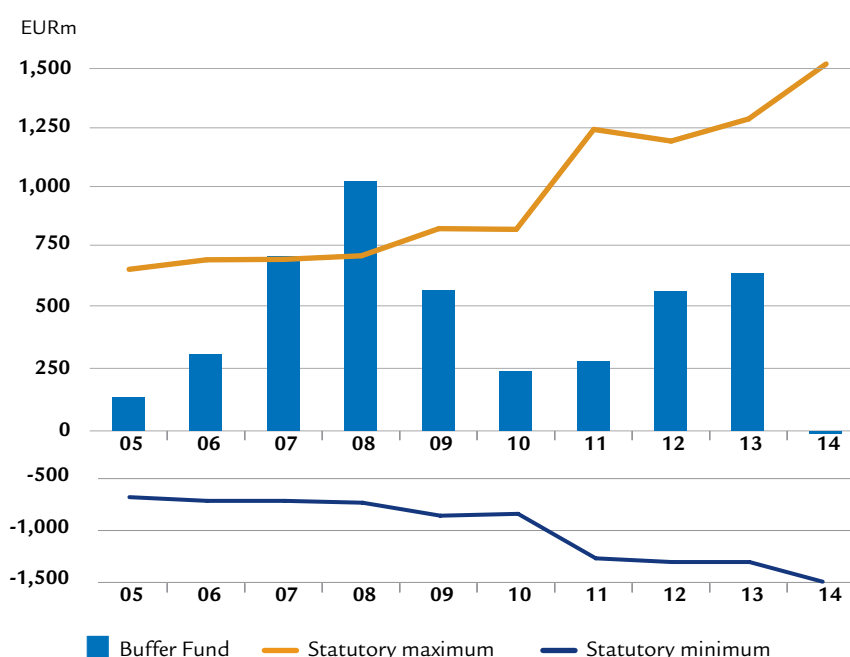
According to the investment principles accepted by the Supervisory Board, the Fund is required to have investments in liquid money market instruments with less than a year's maturity the amount that equals the Fund's one month's expenses. This amount is approximately EUR 300 million. Such a liquidity buffer had to be financed by short-term debt financing at the end of 2014.

The maximum amount of the buffer is calculated by dividing the Unemployment Insurance Fund's annual expenditures, EUR 2,651 million in 2014, by the average unemployment rate for the year (8.7) and multiplying the result by 5. In 2014, the maximum amount of the buffer, provided for in legislation, was EUR 1,524 million.

At the end of 2014, the Unemployment Insurance Fund's investments and other financial assets amounted to EUR 496 (868) million. In addition, the Fund had short-term borrowings amounting to EUR 256 million to secure liquidity. The accumulated deficit, i.e. the business cycle buffer, was EUR 11 million (surplus EUR 662 million).

According to the budget for 2015, approved by the Unemployment Insurance Fund's Supervisory Board on 28 August 2014 and delivered to the Ministry of Social Affairs and Health, the liability in the Fund's business cycle buffer would amount to EUR 546 million on 31 December 2015. In preparing the financial statements, it is estimated that the liability in the Fund's business cycle buffer at the end of 2015 will exceed EUR 700 million.

### Business cycle buffer





## Debt financing

The Unemployment Insurance Fund aims to have adequate level of liquidity under all conditions. Therefore, since 2010, the Unemployment Insurance Fund has had a commercial paper program in place, under which it can issue notes that have a maturity of less than one year. This program was extended to EUR 300 million in 2014 (prior program amounted to EUR 200 million). Since 2010, the Fund has had in place so called revolving credit facilities (RCF) amounting to EUR 200 million. In 2014 financial statements, of the total borrowings (EUR 256 million) EUR 166 million was covered by the issue of commercial papers and EUR 90 million by the use of revolving credit facilities.

The Unemployment Insurance Fund has the Finnish Financial Supervisory Authority's permission to draw down loan to secure the liquidity of the Fund.

The Supervisory Board of the Unemployment Insurance Fund approved on 16 December 2014 the debt serving plan for 2015.

## Risk management

The purpose of risk management is to identify and manage risks that could endanger the solvency of the Unemployment Insurance Fund or the continuity of its operations, or that could have an adverse effect on the Fund's operational capabilities or the implementation of its strategy.

Another objective of risk management is to support the achievement of strategic goals by monitoring the risks faced by the Fund, in order to ensure that they remain in proportion to the Fund's objectives and risk-bearing capacity. The Fund seeks to identify key

risks in the risk management plan and limit them to a level where their realisation will not jeopardise the Fund's financial position, continuity of operations or trust in its operations.

The Unemployment Insurance Fund is integrally linked to the Finnish national economy. For this reason, smooth operation of the Fund's key objectives must be safeguarded in all circumstances. The Fund's finances are mainly managed by adjusting the unemployment insurance contribution amounts, determined on an annual basis. Maintaining unemployment insurance contributions at an appropriate, steady level is one of the Fund's core strategic goals.

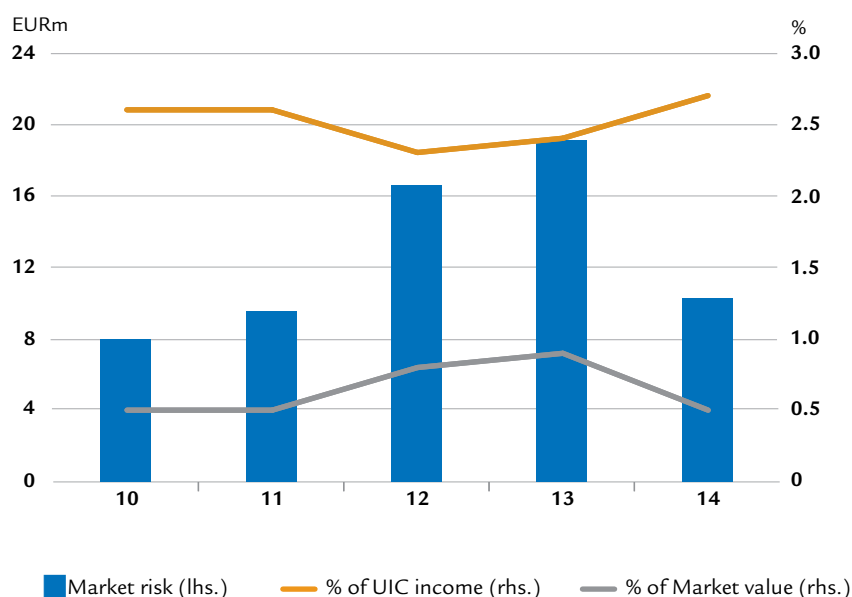
The Fund employs a business cycle buffer to avoid fluctuations in the amounts of the unemployment insurance contribution, and the size of this buffer has a material impact on the

Fund's risk-bearing capacity. The business cycle buffer decreased significantly during 2014 and all the funds in it were used to finance unemployment benefits. The Unemployment Insurance Fund's net assets at the end of 2014 were negative EUR 11 million.

The Fund seeks to limit investment risks to a level where their realisation will not result in significant such losses for the Fund, which would create pressure to increase the level of contributions or endanger the liquidity of the Fund. The investment activities and risk limits of the Unemployment Insurance Fund are provided for in more detail in the investment principles approved by the Supervisory Board and the investment plan approved by the Board of Directors.

As a rule, the market risk of investments is measured by using stress test method, in which a risk indicator

## Investment risk



## Investment risk

	2010	2011	2012	2013	2014
Investment funds (EUR in million)	308	372	714	800	382
Contribution income (EUR in million)	1,622	1,979	2,155	2,242	1,976
<b>Investment risk (EUR in million)</b>	<b>8.6</b>	<b>9.6</b>	<b>16.7</b>	<b>19.2</b>	<b>10.3</b>
% of investments	2.6 %	2.6 %	2.3 %	2.4 %	2.7 %
% of contribution income	0.5 %	0.5 %	0.8 %	0.9 %	0.5 %

expressed as annual volatility is assigned to each investment class on the basis of historical fluctuations in value. In 2014, the risk indicator was 25% (25%) for equity investments, 4% (4%) for bonds, and 1% (1%) for money market investments. The table above describes market risks for investments as absolute amounts and as percentages during years 2010–2014.

Main risks faced by the Unemployment Insurance Fund relate to the sufficiency of the business cycle buffer, the ability to react to changes in the operating environment, and the availability and retention of human capital. The Fund seeks to ensure the sufficiency of the business cycle buffer by setting unemployment insurance contribution rates to a level sufficient to provide security, using diverse forecasting methods. During periods of downturn, the buffer may become negative, in which case liquidity must be ensured, at least in part, by debt financing. The amount in the business cycle buffer is evaluated both in absolute figures and in relation to the Fund's expenses. At the end of 2014, the business cycle fund did not contain any own assets. The liquidity of the Unemployment Insurance Fund was ensured by marginal lending facilities,

which amounted to EUR 256 million in the balance sheet.

The Fund seeks to manage the liquidity risk through competent anticipation of the known changes in the operating environment. This requires active communication with stakeholders and, in particular, decision-makers.

The risk related to human capital is managed, for example, through deputy arrangements and up-to date recovery and readiness plans.

## Information management and information systems

In recent years, the significance of information management and information systems has increased in the Fund's operations. The Fund manages its information internally and maintains the information systems used for critical functions, with the exception of a few outsourced functions and off-the-shelf software suites.

This enables the efficiency of the services required by the Fund to meet its objectives and ensures the continuity. The continuity of the Fund's operations has been ensured by locating the Fund's backup system in a separate, secure hardware room away from the Fund's main premises. A copy of the Fund's

information systems is updated in the backup system in nearly real time.

In 2014, the Fund continued to develop the information system for the collection of unemployment insurance contributions, deployed in 2012. The Fund has also further improved the reliability and efficiency of all the information systems.

Information management and information systems have been separated into their own units: Data Administration, responsible for the information management infrastructure, and Information Systems and Research, responsible for the development and maintenance of the information systems.

## The Fund's administrative expenses

The Fund's administrative expenses amounted to EUR 10.7 (7.1) million. The significant increase in expenses was due to a number of factors. The Fund's office was moved to new premises and this resulted in significant non-recurring expenses. In addition, the expansion of operations increased the amount of work, especially for the determination and collection of the unemployment insurance contributions.

# Personnel 2014

**H**eikki Pohja (LLM, Master of Laws) acts as the Managing Director of the Fund. In addition, he also acted as the Managing Director of the Education Fund. On 27 October 2014, the board of the Unemployment Insurance Fund elected Janne Metsämäki (LLM, Master of Laws) as a new Managing Director from the beginning of 2015 when Heikki Pohja retired. The contract of a joint Managing Director of the funds expired when the board of directors of the Education Fund elected on 13 November 2014 Kati Korhonen-Yrjänheikki, Doctor of Science (Technology), as a new Managing Director of the fund starting from 19 January 2015.

The number of personnel was 98 (82) at the end of 2014, which was 82.3 (71.0) persons in full-time equivalent. 8 persons (3) were employed on fixed-term full time contracts, 16 (10) on fixed-term part time contracts and two (one) persons had a permanent part-time contract. Three (two) employees were on parental leave.

During the year, 27 (19) new persons were employed by the Fund of which 8 (8) persons were hired for permanent positions, 9 (3) persons for part-time positions and 10 (8) persons for fixed-term/part-time positions. Fixed-term/part-time employees have been recruited to customer service of insurance department due to seasonality of the invoicing of unemployment insurance contributions. 19 (15) persons including seasonal workers were hired to the insurance department, 4 (2) persons to finance department, two

(one) persons to legal department and two persons to management.

11 (15) persons left the Fund, one (two) person from permanent employment, 5 persons from fixed-term employments and 5 (13) persons from fixed-term/part-time employments due to the seasonality.

38 (34) employees were men and 60 (48) women. Personnel's average age was 37 (38) years and the average period of service was 3.5 (3.4) years. The Fund follows the equality plan in its recruitments.

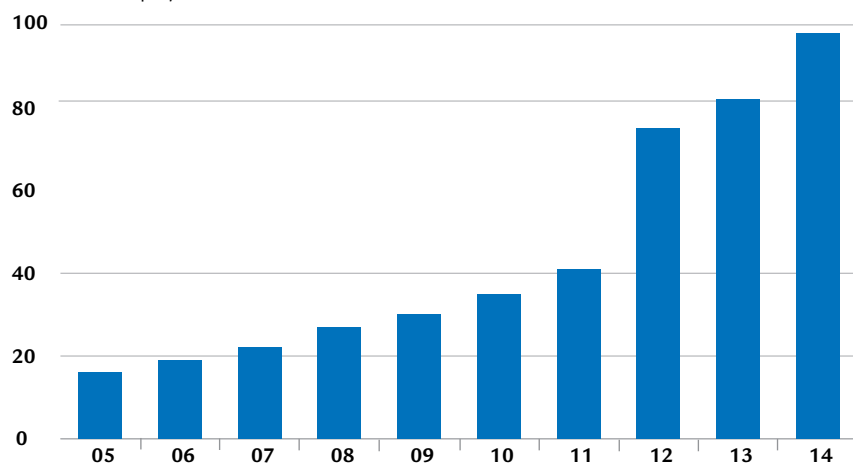
Cooperation advisory board met 7 (9) times during the year. The cooperation body dealt with current issues and issues laid down by law: for example issues related to the moving project, work time instructions, employ-

ment memos, personnel and education plan for 2015, internal communication, system development of the insurance department and collection of information during employees' recruitment process and employment. The Fund had established cooperation with the Financial and Insurance Institute (FINVA) on training of personnel. Training days per an employee were on average 4 (4). The Fund applies for an education allowance for 2014 based on the training statistics.

The Fund has a contract of occupational health care with Medical Centre Aava Oy where the Fund has two designated Occupational health physicians. Early intervention model required by Kela has been implemented in the Fund. Sick leaves were on average 8 (8) days per person year.

## Personnel

Number of employees



# Management 2014

## Supervisory Board

On 27 November 2013, based on the proposal of the labour market parties, the members of the Supervisory Board for the period from 1 January 2014 to 31 December 2016 were appointed by the Government. In 2014, the members of the Supervisory Board were

Chairman Riku Aalto, Finnish Metalworkers' Union(SAK)  
Vice President Teija Asara-Laaksonen, The Trade Union for the Public and Welfare Sectors JHL(SAK)  
Board Member George Berner, Berner Oy(EK)  
Development Director Minna Karhunen, City of Järvenpää(KT)  
CEO Lauri Kivekäs, Rudus Oy(EK)  
Managing Director Ritva Laakso-Manninen, Haaga-Helia Oy(EK)  
Director Salla Luomanmäki, Akava Special Branches(Akava)  
Chairman Jorma Malinen, Trade Union Pro, from 18 August 2014(STTK)  
Chairman of the Board Mikko Merivirta, Cafetering Oy (passed away on 24 September 2014)(EK)  
CEO Ilkka Mäkelä, Saarioinen Oy(EK)  
CEO Marjatta Nummela, Harviala Oy(MTA)  
Chairman Antti Palola, Finnish Confederation of Salaried Employees STTK (STTK)  
Chairmen Antti Rinne, Trade Union Pro, until 4 June 2014(STTK)  
Chairman Ann Selin, Service Union United PAM(SAK)  
SVP, Human Resources Ari Svensk, Kesko Oyj(EK)  
Chief Justice of the Administrative Court Liisa Talvitie, Administrative Court of Vaasa(KiT)  
Deputy Mayor Ritva Viljanen, City of Helsinki(KT)  
Head of Social and Health Services Jaana Ylä-Mononen, City of Virrat(KT)  
CEO Antti Zitting, Sacotec Components(EK)

George Berner served as Chairman of the Supervisory Board with Antti Palola as Vice Chairman. The Supervisory Board met three times in 2014.

## Board of Directors

On 27 August 2013, the members of the Board of Directors for 2014 were appointed by the Supervisory Board, based on the proposal of the labour market parties. On 9 June, the Supervisory Board granted the resignation request of SAK's (The Central Organisation of Finnish Trade Unions) representative Joonas Rahkola, and appointed Janne Metsämäki in his place on 28 August 2014. After being elected as UIF's Managing Director from 28 October 2014 onwards, Metsämäki left his resignation to the Supervisory Board which accepted it on 18 December 2014.

President Sture Fjäder Akava  
Director, Negotiations and Social Policy Minna HelleSTTK  
Deputy Director General Pekka HottiEK  
Director Eeva-Liisa InkeroinenEK  
Labour Market Director Markku JalonenKT  
President Lauri LylySAK  
Director, Negotiations and Social Policy  
Janne Metsämäki  
(28 August – 28 October 2014)SAK  
Chief Negotiator Jorma PalolaKT  
Labour Market Director Vuokko PiekkalaKiT  
Economist Joonas Rahkola (until 8 June 2014)SAK  
Senior Expert Vesa RantahalvariEK  
President Veli-Matti RekolaMTA  
Expert Seppo SaukkonenEK

Lauli Lyly was nominated as the Chairman of the Board of Directors with Vesa Rantahalvari as Vice Chairman. The Board of Directors met 11 times in 2014.

On 27 August 2013, the Board of Directors decided to begin updating the Fund's strategy, and the work will continue in 2015.



## Auditors

Authorised Public Accountants PricewaterhouseCoopers Oy served as the Fund's auditor. Authorised Public Accountant Juha Wahlroos was in charge of the audit.

The internal audit of the Fund was carried out by Authorised Public Accountants BDO, with Chartered Public Finance Auditor Helge Vuoti in charge of the audit.

## Office

In spring 2014, the office of the Unemployment Insurance Fund was located in its own premises in Kalevankatu 12, Helsinki. The Fund rented more office space in the beginning of the year, total of about 750 square meters, in property located at Kalevankatu 9. The Unemployment Insurance Fund sold the shares of Kalevankatu properties to Palkki Oy.

By the end of May 2014, the office of Unemployment Insurance Fund moved to new premises at Kansakoulukuja 1, Helsinki. The office has been rented from Elo Mutual Pension Insurance Company (Eläke-Fennia).

## Representations

Heikki Pohja was a member of Advisory Board for employment allowance issues of Social Insurance Institution of Finland and Tapio Oksanen a deputy member.

## Memberships

The Unemployment Insurance Fund is the member of International Common Organisation of Unemployment, International Social Security Association (ISSA), and corresponding organization of EU member states, European Social Insurance Platform (ESIP), and Nordic Nordiskt Socialförsäkringsmöte (NSF). The Fund is an observer member in the European Association of Social Protection Institutions managed by labour market confederations (AEIP).

# Events after the balance sheet date

## Economy and financing activities

There has not been a material change in the state of economy in Finland in the early months of 2015. According to the information of the Ministry of Employment and the Economy, the amount of unemployed people at the end of January 2015 was 32 thousand more than year before. The Fund's expenditures have continued to grow in the beginning of 2015. UIF has received additional prepayment requests from many funds. Based on information from the beginning of the year, UIF's expenses will grow faster than estimated in the budget. This means that the deficit for 2015 is likely to be significantly higher than budgeted.

The Fund has continued to prepare for a debt financing program. The Parliament has approved a supplementary budget, which includes a total of up to EUR 770 million state guarantee for

UIF loan. UIF has prepared the implementation of a syndicated loan program, and after the tendering procedure, chosen a co-ordinator bank for planning and implementation. Also the preparation of the financial statements in accordance with IFRS standards has been started. The Fund is looking for possibilities to cover its debt financing needs from capital markets. The aim is that the decisions related to the debt financing program and the necessary documents are prepared in such way that the Fund has readiness to draw down the necessary loans in May-June 2015.

nificantly better than year before. Customer service availability and response rates have been good during this year's peak season. The level of the quality of service has maintained good also in the collection during the peak season which started after the middle of January.

The Fund started the digitisation of paper wage sum reports in the beginning of January. Digitisation has been carried out internally and has gone as planned and it has sped up the handling of the wage sum reports.

## Chief Information Officer to UIF

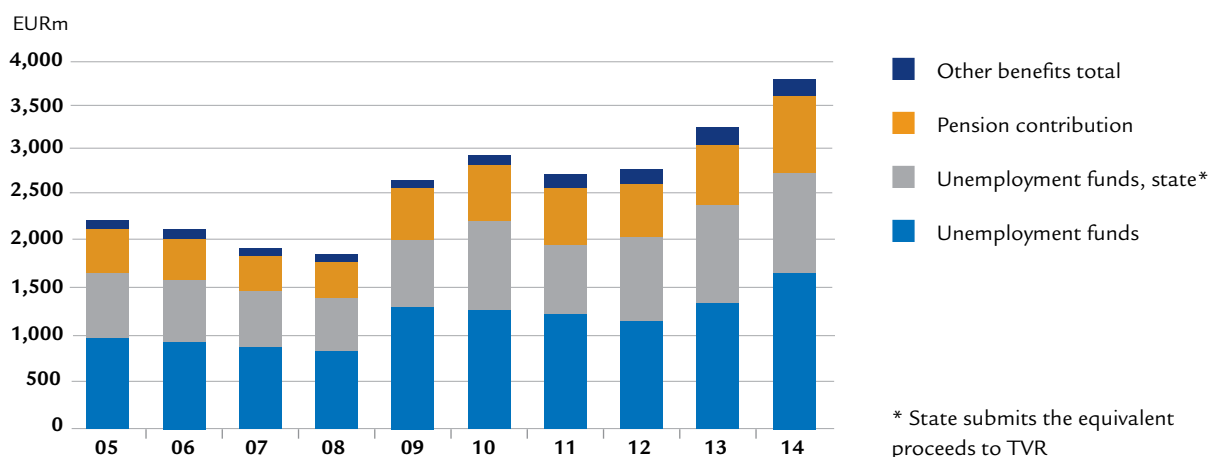
The Board of Directors of the Unemployment Insurance Fund elected Heikki Ellonen as a new Chief Information Officer, who joined the Fund on 2 February 2015.

## Determination and collection of unemployment insurance contributions

The determination and collection of unemployment insurance contributions at the end of the year was carried out sig-

## Benefits financed

Increase in financing 100% from 2008 to 2014





A close-up photograph of a person's hands using a silver calculator and a silver pen over a laptop and financial documents. The laptop is open, and the calculator is in the foreground. The background is a soft-focus office setting with a laptop and some papers. The overall scene suggests a professional or financial context.

## Financial statement 2014

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# Income statement

	Note	1 Jan-31 Dec 2014	1 Jan-31 Dec 2013
		€	€
<b>ADDITIONS</b>			
Employer´s unemployment insurance contributions			
Unemployment insurance contributions	1	1,522,619,421.61	1,693,929,513.89
Interest on overdue contributions	2	1,228,834.09	830,516.77
<b>Total contributions from employers</b>		<b>1,523,848,255.70</b>	<b>1,694,760,030.66</b>
Employee´s unemployment insurance contributions			
Unemployment insurance contributions	3	377,704,126.88	457,023,105.48
Interest on overdue contributions	4	403,347.92	245,503.37
<b>Total contributions from employees</b>		<b>378,107,474.80</b>	<b>457,268,608.85</b>
<b>Collection fee income</b>	5	427,486.84	343,363.16
<b>Contributions from MSAH</b>	6	1,053,914,389.30	1,039,061,705.96
<b>Compensations in accordance with the Employment Contracts Act</b>	7	669,866.27	348,900.06
<b>Employer´s liability component compensations</b>	8	73,849,911.74	68,858,072.31
<b>Total additions from ordinary activities of the Fund</b>		<b>3,030,817,384.65</b>	<b>3,260,640,681.00</b>
<b>DEDUCTIONS</b>			
Finnish Centre for Pensions	9	-818,123,875.00	-639,507,030.09
State Pension Fund	10	-6,117,071.58	-6,675,879.54
Social Insurance Institution of Finland (Kela)	11	-52,411,242.30	-61,965,785.55
Education Fund	12	-84,400,000.00	-71,900,499.03
Ministry of Employment and the Economy	13	-27,453,489.75	-32,540,887.89
Unemployment funds (UIF)	14	-1,651,446,139.62	-1,326,441,045.80
Unemployment funds (MSAH)	15	-1,053,914,389.30	-1,039,061,703.89
Member State invoicing for unemployment allowances	16	31,171.75	69,110.95
Insurance companies, administrative compensations	17	-43,436.00	-641,117.59
Administrative expenses of the Fund	18	-10,720,933.23	-7,058,044.96
<b>Total deductions from ordinary activities of the Fund</b>		<b>-3,704,599,405.03</b>	<b>-3,185,722,883.39</b>
<b>CHANGE IN SURPLUS/DEFICIT BEFORE INTEREST</b>		<b>-673,782,020.38</b>	<b>74,917,797.61</b>
<b>INVESTING AND FINANCING ACTIVITIES</b>			
Investment income	19	12,102,967.78	17,991,677.45
Investment costs	20	-8,141,257.63	-15,517,182.32
<b>Net investment income</b>		<b>3,961,710.15</b>	<b>2,474,495.13</b>
Interest assigned by the Finnish Centre for Pensions and State Pension Fund	21	-2,607,844.27	521,553.80
Finance costs from borrowings	22	-693,910.81	-309,501.08
<b>Other finance income and costs</b>		<b>-3,301,755.08</b>	<b>212,052.72</b>
<b>CHANGE IN SURPLUS DEFICIT FOR THE FINANCIAL YEAR</b>		<b>-673,122,065.31</b>	<b>77,604,345.46</b>

# Balance sheet

	Note	1 Jan-31 Dec 2014	1 Jan-31 Dec 2013
		€	€
<b>ASSETS</b>			
NON-CURRENT ASSETS			
<b>Intangible assets</b>	23	<b>117,058.90</b>	<b>134,190.12</b>
<b>Tangible assets</b>	24	<b>314,438.79</b>	<b>603,625.70</b>
Investments			
Real estate shares	25	0.00	3,054,584.30
Quoted shares	26	266,231.40	4,749.48
Equity funds	27	738,774.35	672,227.72
Bonds	28	205,636,249.59	337,179,919.70
Money market investments	29	166,243,228.35	421,808,717.44
Fixed income funds	30	8,712,874.62	12,130,090.29
<b>Total investments</b>		<b>381,597,358.31</b>	<b>774,850,288.93</b>
CURRENT ASSETS			
Financial assets			
Cash in hand and at banks	31	39,766,539.13	24,880,268.46
Prepayments and accrued income	32	64,285,548.65	57,892,119.31
Insurance contribution receivables	33	6,186,960.25	3,498,128.78
Trade receivables	34	3,837,030.08	7,251,869.64
<b>Total financial assets</b>		<b>114,076,078.11</b>	<b>93,522,386.19</b>
<b>TOTAL ASSETS</b>		<b>496,104,934.11</b>	<b>869,110,490.94</b>
ACCUMULATED SURPLUS/DEFICIT AND LIABILITIES			
SURPLUS/DEFICIT			
For previous years		662,262,495.63	584,658,150.17
For financial year		-673,122,065.31	77,604,345.46
<b>Accumulated surplus/deficit</b>		<b>-10,859,569.68</b>	<b>662,262,495.63</b>
LIABILITIES			
Current			
Borrowings	35	255,897,750.50	0.00
Accruals and deferred income	36	208,726,734.55	185,542,065.80
Insurance contribution liabilities	37	42,340,018.74	21,305,929.51
<b>Total liabilities</b>		<b>506,964,503.79</b>	<b>206,847,995.31</b>
<b>TOTAL ACCUMULATED SURPLUS/DEFICIT AND LIABILITIES</b>		<b>496,104,934.11</b>	<b>869,110,490.94</b>

# Notes to the financial statements 31 December 2014

## Accounting policies of the financial statements

### 1. General information

The Unemployment Insurance Fund (business ID 1098099-7) is domiciled in Helsinki, address Kansakoulukuja 1, 00100 Helsinki, Finland. The Board of Directors has approved the financial statements for 1 January–31 December 2014 in its meeting on 20 March 2015.

### 2. Accounting policies

#### Income statement and balance sheet

The income statement of the Unemployment Insurance Fund is a settlement of accounts that describes from where and on what basis the Fund has obtained funds, and for which purposes prescribed by legislation and regulations the funds have been used.

#### Business cycle buffer

The Unemployment Insurance Fund's business cycle buffer consists of the surplus/deficit accumulated into the Fund at the balance sheet date.

#### Principles for recognising income

Unemployment insurance contribution prepayments are determined in the year preceding the insurance year, and recognised as income according to their due dates. Payments determined during the insurance year are recognised directly as income.

Insurance contributions paid by the Fund in accordance with the unemployment insurance contribution invoicing for 2015 have been recognised as prepayments and accrued income and accruals and deferred income and offset insofar as the payments were not made in 2014.

Insurance contributions collected by the insurance companies for 2012 are recognised on the basis of the companies' monthly reports. In their monthly reports, the insurance companies report the calculated interest and interest on overdue contributions on the unemployment insurance contributions accumulated during the month. The insurance companies then pay these interests to the Fund as agreed. Thus, in

the monthly report for December, the insurance companies report the amounts and agreed interest on insurance accrued to the Fund by the end of December.

The income statement includes the insurance contributions accumulated to insurance companies in December, which will be paid to the Fund in the following year.

Income from employer's liability components are evenly accrued over four years. 25% of the income accumulated during 2011–2014 has been recognised as income for 2014.

#### Receivables subject to debt-collection

The Unemployment Insurance Fund collects and enforces neglected unemployment insurance contributions, those subject to enforcement, and contributions due by companies in bankruptcy or debt restructuring proceedings. The collection and enforcement of contributions due in 2012 and before is managed by the insurance companies as authorised by the agreement between the Fund and the Federation of Accident Insurance Institutions. The insurance companies settle the accumulated insurance contributions in their monthly reports.

Thus, the insurance contributions subject to debt-collection or enforced collection at the end of the reporting period are not included in the Fund's contribution income or insurance contribution receivables for 2014.

#### Principles for recognising expenses

##### Subsidies to the unemployment funds

Prepayments of contributions to the unemployment funds are paid to the funds on a monthly basis, in accordance with the budget approved at the end of the preceding financial year. The Fund receives monthly statistics from the Financial Supervisory Authority on the accumulated allowances paid by the funds to their customers, based on which the Fund has accrued the prepayments and actual payments to each fund either as receivable or liability in its accounts. This accrual is recognised by benefit type.

The funds for the government contribution paid to unemployment funds are received from the Ministry of Social Affairs and Health and The Ministry of Employment and the Economy. The income received from the ministries and the expenditures paid to the unemployment funds have been recognised

#### Employer's unemployment insurance contributions subject to debt-collection, 1000 €

	2014	2013
Overdue	957	951
In voluntary debt-collection	1,031	3,928
In enforcement	1,988	2,450
<b>Total</b>	<b>3,976</b>	<b>7,328</b>

#### Employees unemployment insurance contributions subject to debt-collection, 1000 €

	2014	2013
Overdue	708	837
In voluntary debt-collection	813	2,563
In enforcement	1,373	1,747
<b>Total</b>	<b>2,894</b>	<b>5,147</b>

to the extent to how much of each benefit the unemployment funds have paid to their customers.

The Ministry of Social Affairs and Health will confirm the financial statements of the unemployment funds on the basis of final information in summer 2015, when the Fund will make the equalisations in account balances between the unemployment funds and the state.

### **Invoicing of unemployment allowances between Member States**

Income and expenses from unemployment allowance invoicing between Member States are recognised on a cash basis.

### **Payments to the Finnish Centre for Pensions and State Pension Fund and their accrued interest**

Payments made to the Finnish Centre for Pensions for the financial year in accordance with the Section 12c of the Employees Pensions Act (561/1998) are based on an estimate provided by the Finnish Centre for Pensions, specified when preparing the financial statements. The difference between the payments made and the adjusted estimate is recognised as prepayments and accrued income or accruals and deferred income. The payments are presented without accrued interest in the income statement. The final payment amount is received from the Finnish Centre for Pensions in the spring of the year following the financial year, and the difference between the final payment and the payment estimate used in the financial statements is presented as an adjustment, an equalisation payment for the previous year, in the following year's financial statements. The revised payment of the year and the equalisation payment of the previous year have been specified in the notes to the financial statements.

The Finnish Centre for Pensions assigns interest on the charges ordered for UIF according to the TyEL interest rate. The revised payment included in the financial statements accrues interest until the end of the financial year (debiting interest). The Finnish Centre for Pensions refunds the interest to UIF according to the actual payments and their dates (compensatory interest). The final payment amount determined in the following year accrues interest until the clearance date agreed between the Finnish Centre for Pensions and UIF (previous year's debiting interest). Compensatory interest is correspondingly calculated for all payments made by UIF in the previous year (compensatory interest for the previous year's payments). The debiting and compensatory interests for payments to the State Pension Fund are calculated in a manner identical to the above.

The debiting and compensatory interests for the financial year and the preceding year are presented in the notes and the net sum of such interests is presented in the income statement under item "Interest assigned by the Finnish Centre for Pensions and the State Pension Fund".

### **Intangible and tangible assets**

In its financial statements, the Unemployment Insurance Fund applies depreciation according to plan. Depreciations are calculated according to the useful life of the fixed asset in question. The Fund's ICT equipment and software have a useful life of 3 year, as well as the office furniture, and they have been depreciated accordingly.

### **Measurement of investments**

#### **Shares and investment funds**

Shares are recognised at cost. Measurement is performed by portfolio and share, according to the lowest-value principle. If a security's market value at the balance sheet date is less than its book value, the book value will be written down to the market value. The impairment loss is recognised as investment cost. Reversal of the impairment loss is calculated from value changes of same type of shares and recognised as investment income.

#### **Bonds**

Bonds are recognised at cost. If the acquisition cost is higher than the nominal value, premium is accrued as reduction of investment income over the term to maturity. Since bonds are intended to be held until maturity, no impairment is recognised if their market value falls below the book value.

#### **Index-linked bonds**

Bonds whose return is linked to an underlying index asset (in addition to interest) are measured according to the lowest-value principle, on the basis of the quotation provided by the issuer. Such bond's fair value at year end is based on the market value of the bond adjusted with the impact of market value of the underlying.

#### **Money market investments**

Money market investments are recognised and presented at cost. Fair value of certificates of deposit and commercial papers is considered equal to their market value calculated with Euribor. Fair value of other money market investments is considered to be equal to their acquisition cost.

#### **Foreign currency deposits**

At the balance sheet date, the Fund has deposits in Danish kroner (DKK), whose foreign exchange risk regarding capital and interest has been hedged through forward exchange contracts.

#### **Borrowings**

Borrowings are debt instruments issued by the Fund and bank loans. At the balance sheet date the Fund has short-term interest-bearing commercial papers and loans from financial institutions. All borrowings are interest-bearing.

# Notes to the income statement

	1 Jan-31 Dec 2014	1 Jan-31 Dec 2013
	€	€
<b>1 Employer's unemployment insurance contributions</b>		
Employer's insurance contributions, private	1,517,011,885.51	1,686,313,641.55
Employer's insurance contributions, private co-owners	6,654,005.57	8,667,444.70
Credit losses	-1,046,469.47	-1,051,572.36
<b>Total insurance contributions</b>	<b>1,522,619,421.61</b>	<b>1,693,929,513.89</b>
<b>2 Interest on employer's overdue insurance contributions</b>		
Interest on overdue contributions	732,136.88	892,389.39
Interest on overdue contributions, co-owners	23,309.57	21,461.30
Interest on equalisation payment	589,460.79	0.00
Enforcement fees	-3,830.00	-3,687.20
Credit losses	-112,243.15	-79,646.72
<b>Total interest on overdue contributions</b>	<b>1,228,834.09</b>	<b>830,516.77</b>
<b>3 Employee's unemployment insurance contributions</b>		
Employee's insurance contributions	376,846,477.57	455,891,865.27
Employee's insurance contributions, co-owners	1,697,175.68	2,176,810.34
Credit losses	-839,526.37	-1,045,570.13
<b>Total insurance contributions</b>	<b>377,704,126.88</b>	<b>457,023,105.48</b>
<b>4 Interest on employee's overdue insurance contributions</b>		
Interest on overdue contributions	326,750.81	297,833.46
Interest on overdue contributions, co-owners	5,562.61	4,201.81
Interest on equalisation payment	159,737.37	0.00
Enforcement fees	-3,755.00	-3,943.70
Credit losses	-84,947.87	-52,588.20
<b>Total interest on overdue contributions</b>	<b>403,347.92</b>	<b>245,503.37</b>
<b>5 Collection fee income</b>		
Collection fee income	558,333.95	427,876.55
Collection fees	-51,834.35	-24,384.61
Credit losses	-78,992.76	-60,128.78
Other extraordinary payments	-20.00	0.00
<b>Total collection fee income</b>	<b>427,486.84</b>	<b>343,363.16</b>
<b>6 Contributions from MSAH</b>		
MSAH basic unemployment allowance	1,003,930,768.69	990,650,572.41
MSAH job alternation compensation	49,914,769.73	49,038,867.60
MSAH previous year	68,850.88	-627,734.05
<b>MSAH total income</b>	<b>1,053,914,389.30</b>	<b>1,039,061,705.96</b>
<b>7 Compensations in accordance with the Employment Contracts Act</b>		
Income according to the ECA	1,415,236.02	835,070.69
Credit losses	-83,828.82	-86,858.62
Lay-off income	17,879.80	0.00
	<b>1,349,287.00</b>	<b>748,212.07</b>
Realised ECA income	-548.50	15.49
Calculated share of MSAH	1,348,738.50	748,227.56
Settlement to MSAH (49.25%)	-678,872.23	-399,327.50
<b>Total ECA compensations</b>	<b>669,866.27</b>	<b>348,900.06</b>



	1 Jan-31 Dec 2014	1 Jan-31 Dec 2013
	€	€
<b>8 Employer's liability component compensations</b>		
Liability component income	40,369,925.52	70,297,576.84
Change in liability component accrual	22,145,732.22	-7,954,155.55
63+ / pension cases	11,334,254.00	6,514,651.02
<b>Total liability component compensations</b>	<b>73,849,911.74</b>	<b>68,858,072.31</b>
<b>9 Finnish Centre for Pensions</b>		
Previous year's equalisation payment	-22,123,875.00	19,492,969.91
Payment for the current financial year	-761,400,000.00	-661,500,000.00
FCP capital accrual	-34,600,000.00	2,500,000.00
<b>Finnish Centre for Pensions in total</b>	<b>-818,123,875.00</b>	<b>-639,507,030.09</b>
<b>10 State Pension Fund</b>		
Previous year's equalisation payment	-3,785.38	-522,588.54
Payment for the current financial year	-6,840,000.00	-5,880,000.00
SPF capital accrual	726,713.80	-273,291.00
<b>State Pension Fund in total</b>	<b>-6,117,071.58</b>	<b>-6,675,879.54</b>
<b>11 Social Insurance Institution of Finland (Kela)</b>		
Kela/basic allowance for MSAH	-52,000,000.00	-60,158,289.00
Kela/employment programme additional benefit	-100,000.00	-270,000.00
Kela/additional part	-450,000.00	-1,600,000.00
Adjustment items, previous year	138,757.70	62,503.45
<b>Social Insurance Institution of Finland (Kela) in total</b>	<b>-52,411,242.30</b>	<b>-61,965,785.55</b>
<b>12 Education Fund</b>		
Previous year's equalisation payment	0.00	75,263.51
Payment for the current financial year	-85,500,000.00	-75,000,000.00
EF capital accrual	1,100,000.00	3,024,237.46
<b>Education Fund in total</b>	<b>-84,400,000.00</b>	<b>-71,900,499.03</b>
<b>13 Ministry of Employment and the Economy</b>		
Contribution for the current financial year, pay security	-27,457,045.93	-32,526,983.44
Adjustment items, previous year	3,556.18	-13,904.45
<b>Ministry of Employment and the Economy in total</b>	<b>-27,453,489.75</b>	<b>-32,540,887.89</b>
<b>14 Subsidies paid to unemployment funds (UIF)</b>		
Other earnings-related allowance	-865,999,966.85	-728,359,448.08
Additional day's allowance	-248,950,658.09	-233,697,923.27
Lay-off allowance	-289,442,531.44	-153,907,592.16
Unemployment allowance, professional education allowance	-160,201,999.13	-131,070,386.78
Job alternation compensation	-63,814,596.18	-59,691,964.56
Administrative expense compensation	-11,830,200.00	-10,199,327.00
Membership fee equalisation	-9,999,999.00	-10,000,000.00
Adjustment items, previous year	-1,206,188.93	485,596.05
<b>Total subsidies (UIF)</b>	<b>-1,651,446,139.62</b>	<b>-1,326,441,045.80</b>



Notes to the income statement

	1 Jan-31 Dec 2014	1 Jan-31 Dec 2013
	€	€
<b>15 Subsidies paid to unemployment funds (MSAH)</b>		
Other earnings-related allowance	-840,376,118.79	-720,242,858.69
Lay-off allowance	0.00	-119,411,957.40
Unemployment allowance, professional education allowance	-142,390,516.28	-133,916,027.98
Job alternation compensation	-52,220,844.56	-49,038,867.60
Unemployment allowance/entrepreneurs	-9,196,358.79	-7,864,273.34
Administrative expense compensation	-9,661,700.00	-9,215,455.00
Adjustment items, previous year	-68,850.88	627,736.12
<b>Total subsidies (MSAH)</b>	<b>-1,053,914,389.30</b>	<b>-1,039,061,703.89</b>
<b>16 Member State invoicing for unemployment allowances (EESSI)</b>		
Invoiced by Member State	-57,319.29	-49,915.84
Invoiced by Finland	88,491.04	119,026.79
<b>Total Member State invoicing</b>	<b>31,171.75</b>	<b>69,110.95</b>
<b>17 Administrative compensations paid to insurance companies</b>		
Employer's unemployment insurance contributions	-9,971.00	-440,525.59
Employee's unemployment insurance contributions	-3,463.00	-162,563.00
Employer's unemployment insurance contributions/co-owner	-434.00	-12,802.00
Employee's unemployment insurance contributions/co-owner	-268.00	-4,977.00
Supervisory compensations	-29,300.00	-20,250.00
<b>Total administrative compensations</b>	<b>-43,436.00</b>	<b>-641,117.59</b>
<b>18 Administrative expenses of the Fund</b>		
Salaries and remuneration	-3,731,309.74	-2,966,675.31
Pension costs	-743,587.54	-614,207.31
Other indirect personnel costs	-242,224.13	-169,718.18
<b>Total administrative expenses of the Fund</b>	<b>-4,717,121.41</b>	<b>-3,750,600.80</b>
Management salaries and remuneration		
The Managing Director and his deputy	-275,298.12	-267,547.56
Members of the Board of Directors	-75,030.00	-70,245.00
Members of the Supervisory Board	-4,980.00	-3,860.00
<b>Total management salaries and remuneration</b>	<b>-355,308.12</b>	<b>-341,652.56</b>
<b>Other administrative expenses</b>		
IT expenses	-672,731.34	-612,821.87
Depreciation and amortisation on tangible and intangible assets	-784,190.00	-405,922.55
Other personnel expenses	-532,861.72	-435,455.35
Expenses for premises	-1,746,017.16	-463,476.61
Consulting fees	-251,049.66	-91,080.79
Office expenses	-1,489,224.49	-631,608.89
Phone expenses	-192,164.18	-164,810.83
Non-life insurance expenses	-46,891.81	-41,585.77
Annual and membership fees	-34,438.48	-46,366.78
Leasing expenses	-71,529.78	-19,324.93
Expenses for cars	-21,183.61	-14,496.57
Bank service fees	-81,841.44	-54,132.27

	1 Jan-31 Dec 2014	1 Jan-31 Dec 2013
	€	€
Internal audit fees	-65,212.94	-12,592.20
Audit fees	-18,600.00	-7,440.00
Financial Supervisory Authority	-24,566.91	-20,406.14
Rental income	310,176.00	0.00
Other income	178,408.12	55,729.95
Loss on sale of real estate shares	-104,584.30	0.00
<b>Total administrative expenses of the Fund</b>	<b>-10,720,933.23</b>	<b>-7,058,044.96</b>
<b>Personnel on average</b>	<b>98</b>	<b>82</b>
<b>INCOME AND COSTS FROM INVESTING ACTIVITIES</b>		
<b>19 Income</b>		
Interest income	9,476,010.90	17,038,287.52
Gains on sales	1,501,344.04	675,764.87
Other income	48,788.15	36,528.59
Foreign exchange gains	347,413.12	27,953.03
Dividend income	9,789.20	9,676.97
Reversal of impairment charges on sold investments	108,542.73	71,199.55
Reversal of impairment charges for the financial year	611,079.64	132,266.92
<b>Total income</b>	<b>12,102,967.78</b>	<b>17,991,677.45</b>
<b>20 Costs</b>		
Losses on sales	-12,674,340.02	-11,974,133.07
Interest costs	4,962,733.53	-2,657,167.95
Other costs	-114,079.20	-135,959.93
Foreign exchange losses	-135,916.67	-30,299.00
Impairment charges for the financial year	-179,655.27	-719,622.37
<b>Total costs</b>	<b>-8,141,257.63</b>	<b>-15,517,182.32</b>
<b>Net investment income</b>	<b>3,961,710.15</b>	<b>2,474,495.13</b>
<b>21 Finnish Centre for Pensions and State Pension Fund, assigned interest</b>		
Finnish Centre for Pensions, compensatory interest	47,550,388.96	38,928,209.21
Finnish Centre for Pensions, debiting interest	-50,324,459.26	-38,716,378.21
State Pension Fund, compensatory interest	387,001.44	337,334.26
State Pension Fund, debiting interest	-220,775.41	-27,611.46
	-2,607,844.27	521,553.80
<b>22 Finance costs from borrowings</b>		
Credit facility commitment fee	-631,092.01	-309,501.08
Interest cost on UIF's commercial papers	-999.07	0.00
	-693,910.81	-309,501.08
<b>Total other finance income and costs</b>	<b>-3,301,755.08</b>	<b>212,052.72</b>

# Notes to the balance sheet

	1 Jan-31 Dec 2014	1 Jan-31 Dec 2013
	€	€
<b>23 Intangible assets 1 Jan</b>		
Computer software	134,190.12	131,219.53
Additions	104,985.64	141,205.41
Amortisation	-122,116.86	-138,234.82
<b>Intangible assets 31 Dec</b>	<b>117,058.90</b>	<b>134,190.12</b>
<b>24 Tangible assets 1 Jan</b>		
Opening balance 1 Jan	248,640.57	262,337.36
Additions	372,886.23	197,543.95
Depreciation	-307,088.01	-211,240.74
<b>Closing balance 31 Dec</b>	<b>314,438.79</b>	<b>248,640.57</b>
<b>Office renovation 1 Jan</b>		
Renovation	354,985.13	411,432.12
Depreciation	-354,985.13	-56,446.99
<b>Office renovation 31 Dec</b>	<b>0.00</b>	<b>354,985.13</b>
<b>Tangible assets 31 Dec</b>	<b>314,438.79</b>	<b>603,625.70</b>
<b>25 Real estate shares</b>		
Market value	0.00	3,089,901.00
Book value	0.00	3,054,584.30
<b>Difference</b>	<b>0.00</b>	<b>35,316.70</b>
<b>MARKET VALUE AND BOOK VALUE OF INVESTMENTS</b>		
<b>26 Quoted shares</b>		
Market value	274,996.00	5,100.00
Book value	266,231.40	4,749.48
<b>Difference</b>	<b>8,764.60</b>	<b>350.52</b>
<b>27 Equity funds</b>		
Market value	739,178.73	679,524.88
Book value	738,774.35	672,227.72
<b>Difference</b>	<b>404.38</b>	<b>7,297.16</b>
<b>28 Bonds</b>		
Market value	208,430,957.91	344,366,970.42
Book value	205,636,249.59	337,179,919.70
<b>Difference</b>	<b>2,794,708.32</b>	<b>7,187,050.72</b>
<b>29 Money market investments</b>		
Market value	166,575,944.73	422,458,228.06
Book value	166,243,228.35	421,808,717.44
<b>Difference</b>	<b>332,716.38</b>	<b>649,510.62</b>
<b>30 Fixed income funds</b>		
Market value	8,845,932.68	12,220,964.00
Book value	8,712,874.62	12,130,090.29
<b>Difference</b>	<b>133,058.06</b>	<b>90,873.71</b>

	1 Jan-31 Dec 2014	1 Jan-31 Dec 2013
	€	€
<b>Total investments</b>		
Market value	384,867,010.05	779,730,787.36
Book value	381,597,358.31	771,795,704.63
<b>Difference</b>	<b>3,269,651.74</b>	<b>7,935,082.73</b>
<b>31 Cash in hand and at banks</b>	<b>39,766,539.13</b>	<b>24,880,268.46</b>
<b>32 Prepayments and accrued income</b>		
Prepayments and accrued income	1,611,331.38	715,815.81
Finnish Centre for Pensions. capital accrual	0.00	2,500,000.00
Finnish Centre for Pensions. compensatory interest	18,292,645.44	15,031,240.48
Education Fund	1,100,000.00	3,024,237.46
Interest receivables	2,288,829.84	6,926,073.20
Unemployment funds UIF	13,983,321.24	9,483,077.13
Unemployment funds MSAH	3,917,001.48	9,068,762.63
Ministry of Social Affairs and Health. accrual	22,930,768.69	10,983,096.93
Entrepreneur funds	161,650.58	159,815.67
	<b>64,285,548.65</b>	<b>57,892,119.31</b>
<b>33 Insurance contribution receivables</b>		
Insurance receivables from employer´s contributions	-1,588,408,283.28	3,004,776.02
Insurance receivables from employee´s contributions	-450,530,194.78	1,100,938.23
UIF. payment collection clearance account. reclassified to Accruals and deferred income	13,440,363.16	-710,953.11
Interest on overdue contributions and collection fee receivables	227,556.97	103,367.64
	<b>-2,025,270,557.93</b>	<b>3,498,128.78</b>
<b>34 Trade receivables</b>		
Liability component receivables	3,538,921.18	7,039,386.48
ECA receivables	156,150.42	166,593.21
Trade receivables	141,958.48	45,889.95
	<b>3,837,030.08</b>	<b>7,251,869.64</b>
<b>TOTAL RECEIVABLES</b>	<b>-1,917,381,440.07</b>	<b>93,522,386.19</b>
<b>35 Borrowings</b>		
Commercial papers	165,897,750.50	0.00
Revolving credit facility (RCF)	90,000,000.00	0.00
	<b>255,897,750.50</b>	<b>0.00</b>
<b>36 Accruals and deferred income</b>		
Liability component income, accrual	88,951,030.73	111,096,762.95
Finnish Centre for Pensions, interest accrual	34,600,000.00	0.00
Ministry of Employment and the Economy, pay security accrual	27,457,045.93	32,526,983.44
Finnish Centre for Pensions, interest accrual	19,657,280.97	15,469,678.71
Unemployment funds UIF	12,246,510.33	9,606,692.09
Unemployment funds MSAH	11,027,189.41	9,510,781.78
Investments	12,099,992.63	5,996,503.83
Other accruals and deferred income	1,401,296.81	423,877.48
MSAH´s share of income pursuant to the Employment Contracts Act	678,872.23	399,327.50
Holiday pay accrual	607,515.51	511,458.02
	<b>208,726,734.55</b>	<b>185,542,065.80</b>

Notes to the balance sheet

	1 Jan-31 Dec 2014	1 Jan-31 Dec 2013
	€	€
<b>37 Insurance contribution liabilities</b>		
UIF, payment collection, employer's prepayments	19,066,587.16	19,066,587.16
UIF, payment collection, employee's prepayments	5,842,785.55	5,842,785.55
UIF, payment collection, clearance account	13,440,363.16	0.00
UIF, payment collection, employer's contribution debt	1,416,656.53	1,416,656.53
UIF, payment collection, refunds in [2013]	892,071.49	702,227.69
UIF, payment collection, employee's contribution debt	1,677,106.99	318,941.16
UIF, payment collection, interest liability of equalisation payment	2,989.94	0.00
Liabilities to insurance companies for collection fees and equalisation payments	1,457.92	2,055.00
	<b>42,340,018.74</b>	<b>21,305,929.51</b>
<b>TOTAL CURRENT LIABILITIES</b>	<b>506,964,503.79</b>	<b>206,847,995.31</b>
<b>OTHER FINANCIAL COMMITMENTS</b>		
<b>Capital commitments</b>		
<b>Equity funds</b>		
Committed capital	5,250,473.19	5,250,473.19
Utilised	-4,481,525.94	-4,041,374.24
<b>Remaining commitment</b>	<b>768,947.25</b>	<b>1,209,098.95</b>

FOREIGN CURRENCY DEPOSITS, 31 DECEMBER 2014

Amount	Value date	Due date	Nominal value, DKK	Acquisition value, EUR	Return, EUR
EURO 20 000 000	11.03.2014	11.03.2015	149,260,000.00	20,141,068.47	141,068.47
				20,141,068.47	141,068.47
<b>Forward exchange transactions on due date</b>					
Sold currency amount	Due date	Acquisition value, EUR	Forward exchange rate	Forward rate 31 December 2014	Market value 31 December 2014
DKK 150 046 932	11.03.2015	20,141,068.47	7,4498	7,44687	20,148,996.31
					20,148,996.31
			DKK	EUR	
<b>Foreign currency deposits, nominal value</b>		<b>149,260,000.00</b>	<b>20,000,000.00</b>		

# Signatures

Helsinki 20. March 2015

## UNEMPLOYMENT INSURANCE FUND Board



Vesa Rantahalvari  
Chairman of the Board



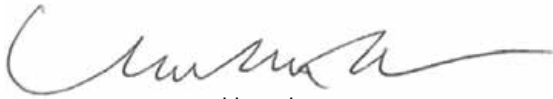
Sture Fjäder  
Vice-Chairman



Pekka Hotti



Eeva-Liisa Inkeroinen



Markku Jalonen



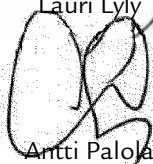
Miia Kannisto



Lauri Lylly



Markus Mankin



Antti Palola



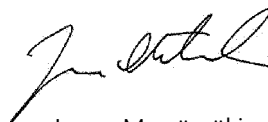
Vuokko Piekkala



Veli-Matti Rekola



Saana Siekkinen

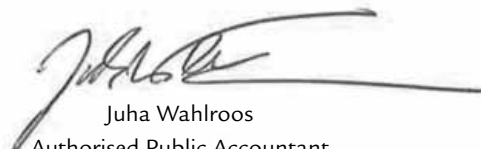


Janne Metsämäki  
Managing Director

### Auditors' note

Our Auditors' Report has been issued today  
Helsinki 20. March 2015

PricewaterhouseCoopers Oy



Juha Wahlroos  
Authorised Public Accountant



# Auditors' Report

## To the Supervisory Board of the Unemployment Insurance Fund

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of the Unemployment Insurance Fund for the year ended 31 December, 2014. The financial statements comprise the balance sheet, income statement, cash flow statement and notes to the financial statements.

### Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of financial statements and report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

### Auditor's Responsibility

**Our responsibility is to express an opinion on the financial statements and on the report of the Board of Directors based on our audit.** The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the Fund or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the Fund or whether they have violated the Act on the Financing of Unemployment Benefits or the Degree on the Rules of the Unemployment Insurance Fund.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of the Unemployment Insurance Fund's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Helsinki, 24 March, 2015

PricewaterhouseCoopers Oy Authorised Public Accountants

Juha Wahlroos  
Authorised Public Accountant

# Legislation

## ACT ON FINANCING OF UNEMPLOYMENT BENEFITS 24.7.1998/555

### CHAPTER 1 GENERAL PROVISIONS

#### Section 1 (22.12.2009/1189)

##### Purpose of the act

The daily unemployment allowances provided for in the Unemployment Benefits Act (1290/2002) and the job alternation compensation provided for in the Act on Job Alternation Leave (1305/2002) are financed through government contributions corresponding to basic security, unemployment insurance contributions and employer's liability components in unemployment insurance contributions (employer deductible) under this act as well as through membership fees in accordance with the Unemployment Benefit Society Act (603/1984) as provided for in this act. The pension insurance supplements and contributions referred to in employment pension legislation, the earnings portion and administrative costs of adult education allowances referred to in the Adult Education Benefit Act (1276/2000), the administrative costs and the vocational degree scholarships for persons other than government civil servants and employees as referred to in the Adult Education Benefit Fund Act (1306/2002) as well as the pay security pursuant to the Seamen's Pay Security Act (1108/2000) are financed by payment provided for in this act as provided for in this act.

The financing of unemployment funds is provided for in the Unemployment Benefit Society Act

#### Section 2

##### Unemployment insurance contributions

Employers must pay the employer's unemployment insurance contribution and the employee's unemployment insurance contribution as provided for below.

Unemployment insurance contributions must be set so that the Unemployment Insurance Fund referred to herein can perform the financing of the unemployment benefits and adult education allowances it is responsible for as well as the transfers of contributions referred to in sections 23 and 24. (28.12.2000/1280)

#### Section 3 (26.11.2010/1026)

##### Business cycle buffer

The Unemployment Insurance Fund has a business cycle buffer to secure its liquidity and to balance the changes in the unemployment insurance contributions due to economic cycles. The buffer constitutes the difference between the Unemployment Insurance Fund's assets and liabilities. The estimate regarding assets and liabilities of the buffer when setting unemployment insurance contributions may correspond to the expenses that would be incurred by the Unemployment Insurance Fund if the level of unemployment increased by a maximum of 5.0 percentage points.

Notwithstanding what is provided for in subsection 1 with respect to the maximum amount of the business cycle buffer, in order to secure the steady development of payments, the unemployment insurance contributions may, once every three years, be set so that the maximum amount of the buffer is exceeded in the estimate. In such cases, the unemployment insurance contributions cannot be set at a level exceeding the contributions collected in the previous year.

When determining the size of the business cycle buffer, the funds accrued from employer deductibles are taken into account by allocating them evenly to the four calendar years following the year they were paid.

### CHAPTER 2 PORTION TO BE FINANCED OF UNEMPLOYMENT BENEFITS

#### Section 4 (30.12.2010/1301)

##### Financing of earnings-related unemployment allowances

As the government contribution, the unemployment benefit society will be paid an amount corresponding to the basic allowance provided for in Chapter 1, section 1 of the Unemployment Benefits Act for each earnings-related unemployment allowance. If the earnings-related unemployment allowance is paid after adjustment or deduction in accordance with Chapter 4 of the Unemployment Benefits Act, the government contribution will be paid in the amount that corresponds to the proportional amount of the basic allowance of each full earnings-related unemployment allowance determined in accordance with Chapter 6, section 2(1) of the Unemployment Benefits Act.

No government contributions will be paid for earnings-related unemployment allowances paid for periods of lay-offs, for weather impediments in accordance with Chapter 1, section 5(1)(12) of the Unemployment Benefits Act and for the earnings-related unemployment allowances paid for the period of the reason comparable to a lay-off as referred to in section 5(1)(14) of said Chapter or for additional days referred to in Chapter 6, section 9 of said act. Of these allowances, 94.5 per cent of the expenses will be paid to the unemployment benefit society as the Unemployment Insurance Fund's share. (29.5.2009/345)

The unemployment benefit society's share of each earnings-related unemployment allowance is 5.5 per cent, unless otherwise provided for in subsections 1 or 2. If the earnings-related unemployment allowance is paid with an increase in accordance with Chapter 6, section 2(2) of the Unemployment Benefits Act, the share of the unemployment benefit society will be calculated on the basis of the earnings-related allowance determined in accordance with section 2(1) (12.12.2014/1049).

*Subsection 3, which has been amended by Act 1049/2014, will enter into force on 01/01/2015. The earlier wording is:*

## Legislation

The unemployment benefit society's share of each earnings-related unemployment allowance is 5.5 per cent, unless otherwise provided for in subsections 1 or 2. If the earnings-related unemployment allowance is paid with an increase in accordance with Chapter 6, section 2(2) or (3) of the Unemployment Benefits Act, the share of the unemployment benefit society will be calculated on the basis of the earnings-related allowance determined in accordance with Chapter 6, section 2(1). (23.6.2005/460) [HE 48/2005]

For earnings-related unemployment allowances other than those referred to in subsection 2, the Unemployment Insurance Fund's share paid to the unemployment benefit society will be the difference between each paid earnings-related unemployment allowance and the amounts provided for in subsections 1 and 3.

The financing of benefits paid by entrepreneur funds, the financing of entrepreneur benefits paid by employee funds, the government contribution and the contribution of the Unemployment Insurance Fund for administrative costs of unemployment funds as well as the payment of the government contribution and the contribution of the Unemployment Insurance Fund are provided for in the Unemployment Benefit Society Act. (3.12.2004/1049)

### **Section 4 a (26.11.2010/1026)**

#### **Financing of additional days**

If the portion of the benefit expenses incurred by unemployment funds from additional days increases as of 2015 from the average of 2002–2006, the unemployment funds' share of the financing of the additional days will be decreased by a corresponding amount.

The percentage shares of the unemployment benefit society and the Unemployment Insurance Fund will be provided for in a decree of the Ministry of Social Affairs and Health on the grounds referred to in subsection 1.

### **Section 5 (11.11.2011/1136)**

#### **Financing of compensation of earnings-related unemployment allowance paid by the country of residence**

Daily unemployment allowances paid to members of an employee unemployment benefit society that have been reimbursed in accordance with Article 65, paragraphs 6 and 7 of Regulation (EC) No 883/2004 of the European Parliament and of the Council on the coordination of social security systems (Base Regulation) will be financed by a government contribution in the amount corresponding to the basic allowance provided for in Chapter 6, section 1 of the Unemployment Benefits Act being paid for each allowance. The Unemployment Insurance Fund will finance the amount of the unemployment allowance exceeding the basic allowance.

### **Section 6 (30.12.2002/1301)**

#### **Financing of other benefits**

With respect to the financing of job alternation compensation as provided for in the Act on Job Alternation Leave, what has been provided for with respect to unemployment allowances in section 4 and 8 will be applied as far as applicable.

### **Section 7 (21.12.2002/1352)**

#### **Benefits financed by the Unemployment Insurance Fund**

The Unemployment Insurance Fund is responsible for the payment of the insurance contribution referred to in section 182 of the

Employees Pensions Act (395/2006), the contribution referred to in section 133(2) of the State Pension Act (1295/2006), the amount provided for in section 31 of the Pay Security Act and section 29 of the Seamen's Pay Security Act as well as the amount provided for in section 13 of the Adult Education Benefit Fund Act.

### **Section 8 (12.12.2014/1049)**

#### **Financing of basic allowance**

The Unemployment Insurance Fund pays the Social Insurance Institution of Finland, via the Ministry of Social Affairs and Health, the share of the basic allowances provided for in the Unemployment Benefits Act referred to in section 23 and the child increments related thereto as well as the financing of increment portions. In other respects, the expenses are covered by the government contribution paid to the Social Insurance Institution of Finland.

The payment of the government contribution, the use of prepayments on the government contribution and the Social Insurance Institution of Finland's administrative costs of unemployment benefits are provided for in the Unemployment Benefits Act.

## **CHAPTER 3 UNEMPLOYMENT INSURANCE FUND**

### **Section 9**

#### **Unemployment Insurance Fund**

The Unemployment Insurance Fund exists in order to arrange the employers' and employees' financing contributions and support unemployment funds.

The rules of the Unemployment Insurance Fund shall be enacted by a decree. The supervisory board of the fund is appointed by the Finnish Government based on proposals from the most representative employee and employer central labour market organisations, the Commission for Local Government Employers and the Evangelical Lutheran Church of Finland Negotiating Commission. The supervisory board is composed of at least nine and at most eighteen members. Two-thirds of the members must represent employers and one-third employees. The supervisory board will appoint from amongst its members a chairman and a vice-chairman, one of whom must represent the employer members and the other the employee members with the chairmanship alternating between the employer and employee representatives each year.

### **Section 10 (11.11.2011/1136)**

#### **Duties of the Unemployment Insurance Fund**

The duties of the Unemployment Insurance Fund are:

- 1) to finance the benefits provided for in section 1 to the extent that the state and individual unemployment funds are not responsible for them;
- 2) to impose and collect the unemployment insurance contributions referred to in section 2 and to monitor that any obligations relating the unemployment insurance contributions provided for in this law are fulfilled; (5.10.2012/542)
- 3) to impose and collect the employer's deductible provided for in Chapter 8 a;
- 4) to manage the Unemployment Insurance Fund's assets in a profitable and prudential manner;

- 5) to pay and collect the reimbursement of daily unemployment allowances paid to members of an unemployment benefit society pursuant to Section 6 and 7 of Article 65 of the Base Regulation; (20.12.2013/1141)
- 6) paying training compensation to employers in accordance with the Act on Compensations for Training (1140/2013). (20.12.2013/1141)

The Unemployment Insurance Fund is entitled to incur debt in order to fulfil its obligations. If the Unemployment Insurance Fund's liabilities exceed its assets, the Finnish Government may provide governmental guarantees to secure debt incurred by the Fund and the terms and conditions thereof as for its own debt without requiring any counter-guarantees. The Finnish Government may impose conditions in respect of its guarantees. The Unemployment Insurance Fund may also incur debt in order to secure its liquidity subject to the approval of the Financial Supervisory Authority.

#### **Section 11 (5.10.2012/542)**

##### **Supervision of the Unemployment Insurance Fund**

The Unemployment Insurance Fund is supervised by the Financial Supervisory Authority.

#### **Section 11 a (5.10.2012/542)**

##### **Right of the Ministry of Social Affairs and Health to receive information and review operations**

Confidentiality provisions and other restrictions on access to information notwithstanding, the Ministry of Social Affairs and Health is entitled to receive a written report on the operation of the Unemployment Insurance Fund within a reasonable time and without charge. The Unemployment Insurance Fund is required to annually within two months of the adoption of its financial statements deliver a report on its operations and situation to the Ministry of Social Affairs and Health as well as a review regarding any issues arising in relation to imposing and collecting of unemployment insurance contributions together with any actions taken in respect thereof.

## **CHAPTER 4 EMPLOYER'S UNEMPLOYMENT INSURANCE CONTRIBUTION**

#### **Section 12 (5.10.2012/542)**

##### **Employer's obligation to pay insurance contributions**

An employer who is obligated to insure its employees in accordance with the Employment Accidents Act (608/1948) is obligated to pay the employer's unemployment insurance contribution.

The obligation to pay the unemployment insurance contribution also applies to unincorporated state enterprises, which are subject to the Act on Unincorporated State Enterprises (1062/2010).

Notwithstanding what has been provided for in subsections 1 and 2, the employer is not obligated to pay the unemployment insurance contribution for the following persons:

- 1) an employee not resident in Finland and serving on a Finnish vessel registered in the Register of Merchant Vessels provided for in the Act on Enhancing the Competitiveness of Ships engaged in Sea Transport (1277/2007);

- 2) an employee who is not entitled to unemployment benefits under Chapter 3, section 1(1) of the Unemployment Benefits Act or who, having turned 65 years of age, is entitled to unemployment benefits under Chapter 3, section 1(2) of the Unemployment Benefits Act;
- 3) an active partner in a limited partnership;
- 4) a partner in a general partnership;
- 5) an employee who is obligated to take out an insurance policy provided for in the Entrepreneur's Pension Act (1272/2006) or the Agricultural Entrepreneur's Pension Act (1280/2006) for his or her primary occupation;
- 6) a family carer as referred to in the Family Carer Act (312/1992).

*Section 13 (21.12.2002/1352)*

*Section 13 has been repealed by Act 21.12.2007/1352.*

#### **Section 14**

##### **The employer's unemployment insurance contribution is staggered based on the pay sum paid by a company.**

The employer's unemployment insurance contribution for a part owner of a company as referred to in section 1 a(1) of the Unemployment Benefits Act shall be determined so that it corresponds to the financing of the benefits that the part owners are entitled to.

## **CHAPTER 5 EMPLOYEE'S UNEMPLOYMENT INSURANCE CONTRIBUTION**

#### **Section 15 (5.10.2012/542)**

##### **Employee's obligation to pay insurance contributions**

Persons who are in an employment or public-service relationship or other service relationship and who are subject to mandatory accident protection provided by the employer or accident protection determined in accordance with the Employment Accidents Insurance Act as referred to in the Act on Accident Compensation for State Civil Servants(449/1990)are obligated to pay the employee's unemployment insurance contribution.

Notwithstanding what has been provided in subsection 1, the following persons are not obligated to pay contributions:

- 1) an employee not resident in Finland and serving on a Finnish vessel registered in the Register of Merchant Vessels provided for in the Act on Enhancing the Competitiveness of Ships engaged in Sea Transport;
- 2) a person who is not entitled to unemployment benefits under Chapter 3, section 1(1) of the Unemployment Benefits Act or who, having turned 65 years of age, is entitled to unemployment benefits under Chapter 3, section 1(2) of the Unemployment Benefits Act;
- 3) an active partner in a limited partnership;
- 4) a partner in a general partnership;
- 5) an employee who is obligated to take out an insurance policy provided for in the Entrepreneur's Pension Act or the Agricultural Entrepreneur's Pension Act for his or her primary occupation;
- 6) a family carer as referred to in the Family Carer Act.

## Legislation

### Section 16 (30.12.2002/1301)

Employee unemployment insurance contribution of a part owner of a company

The unemployment insurance contribution for a part owner of a company as referred to in Chapter 1, section 6(2) of the Unemployment Benefits Act shall be determined so that it corresponds to the financing of the benefits that the part owners are entitled to.

### Section 17

#### Tax deductibility of the employee's unemployment insurance contribution

The employee's unemployment insurance contribution is deductible in taxation as provided for in the Income Tax Act (1535/1992).

## CHAPTER 6 SIZE OF UNEMPLOYMENT INSURANCE CONTRIBUTIONS

### Section 18 (16.11.2012/626)

#### Amount of unemployment insurance contributions

The employee's unemployment insurance contribution is 0.65 per cent of pay in 2015. The employer's unemployment insurance contribution is staggered based on the pay sum paid by the employer as follows: in 2015 it is 0.80 per cent of pay up to a pay amount of 2,025,000 and 3.15 per cent for the amount exceeding said amount. (12.12.2014/1047)

The employee's unemployment insurance contribution of a part owner of a company in 2015 is 0.24 per cent of pay and the employer's unemployment insurance contribution for a part owner of the company is 0.80 per cent of pay. (12.12.2014/1047)

The unemployment insurance contribution of an unincorporated state enterprise in 2015 is 0.80 per cent of the total amount of pay paid out of the enterprise's business operations up to the amount of EUR 2,025,000 and 2.10 per cent for the amount exceeding said amount.

The unemployment insurance contribution of a university referred to in the Universities Act (558/2009) is 0.80 per cent of pay up to a pay amount of 2,025,000 and 2.35 per cent for the amount exceeding said amount. (12.12.2014/1047)

Changes to the employee's and employer's unemployment insurance contributions must be distributed evenly between the average employer's unemployment insurance contribution and the employee's unemployment insurance contribution. The employer's deductible will also be taken into consideration in the employer's average contribution. The employer's unemployment insurance contribution is staggered as follows: the contribution for the portion of the pay amount that does not exceed EUR 2,025,000 is one-fourth of the contribution for the portion of the pay amount exceeding EUR 2,025,000. The aforementioned one-fourth is expressed as full hundredths of a percentage point rounded to the nearest five hundredths. However, the employee's unemployment insurance contribution is always a minimum of 0.10 per cent of pay. (12.12.2014/1047)

The contribution percentages for the employer's and employee's unemployment insurance contributions are adjusted for one calendar year at a time. The Unemployment Insurance Fund shall give its proposal for the following year's contributions to the Ministry of Social Affairs and Health by the end of August.

The Unemployment Insurance Fund shall give an estimate of the income security expenses, the amount of the government financing contribution and the following year's contribution percentages to the Ministry of Social Affairs and Health by the 15th day of August of each year.

### Section 19 (22.12.2005/1181)

#### Grounds of the employee's unemployment insurance contribution

The pay that constitutes the grounds for the employee's unemployment insurance contribution is deemed to be the pay, results-based reward or other remuneration that is obtained from an employment or public-service relationship and that has been paid or agreed to be paid as compensation for work. Such remuneration is also deemed to be pay when it is paid to the employee by a bankruptcy estate, authority responsible for pay security in accordance with the Pay Security Act (866/1998) or other payer (substitute payer) instead of by an employer. Pay is also deemed to include remuneration for work that has been agreed to be partially or fully reimbursed through:

- 1) gratuities or gifts from the public;
- 2) daily allowance paid by a contributory sickness fund as referred to in the Insurance Fund Act (1164/1992) that an employee receives instead of the pay provided for in law or agreed in a collective agreement or other agreement; or
- 3) private care benefits in accordance with the Act on Home Care and Private Care of Children (1128/1996) or through corresponding state or municipal benefits.

The following will not be deemed pay constituting grounds for the employer's unemployment insurance contribution:

- 1) employee benefits received from the employer;
- 2) interest benefits for a loan received on the basis of an employment relationship;
- 3) benefits from the right arising from an employment relationship to subscribe for shares or equity interest in a corporation at less than fair price if the benefit is available to the majority of the personnel;
- 4) benefits arising from the use of an employment relationship option as referred to in section 66 of the Income Tax Act or a payment based on an employment relationship that is determined based on changes in the value of the company's shares;
- 5) remuneration paid as shares listed on a securities market supervised by the authorities, investment deposits or other corresponding instruments in the employer company or a company in the same group or corresponding financing amalgamation or, in place of shares, paid partially or fully in cash provided that the value of the benefit received as such remuneration depends on the development of the value of the shares in question during a period of at least one year following the remuneration being promised;
- 6) daily allowance or other compensation for expenses for work trips;



- 7) pay for waiting days as referred to in Chapter 2, section 14(1) of the Employment Contracts Act (55/2001);
- 8) compensation for or other damages payable for the termination of an employment or public-service relationship;
- 9) personnel fund contributions and supplements thereto as referred to in the Act on Personnel Funds (934/2010) that have been transferred into the personnel fund or fund units withdrawn from the personnel fund;
- 10) personnel fund contributions and supplements thereto as referred to in the Act on Personnel Funds that have been withdrawn in cash as a bonus determined in accordance with the rules of the fund in accordance with section 37 of the Act on Personnel Funds provided that the contribution has been determined on the basis of the company's profitability and other measures of the efficiency of operations or on the basis of a performance bonus system adopted by a government agency or municipality;
- 11) contributions payable to an employee on the basis of a decision of a general meeting as profit distribution or cash profit-sharing compensation, provided that the cash profit-sharing compensation is paid to all the personnel and is not intended to replace a pay system required by a collective agreement or employment agreement and that the grounds for determining the cash compensation are in compliance with paragraph 10 as well as with section 2, paragraphs 2 and 3 of the Act on Personnel Funds and that the amount of the company's unrestricted equity is greater than the aggregate amount of the cash profit-sharing compensation and dividends payable to shareholders decided in the general meeting;
- 12) 1a share of profits or dividends withdrawn by a company shareholder.

(5.11.2010/943)

The situation referred to above in subsection 11(2) also requires that no agreement binding on the employer has been made concerning the payment of profit-sharing compensation and that the owners make a binding decision to pay profit-sharing compensation in cash in the general meeting following the end of the financial period and that the profit-sharing compensation is subsequently paid. In addition, it is required that the matter be handled in the manner provided for in the Act on Co-operation within Undertakings (334/2007) or in a corresponding manner. (5.11.2010/943)

In deviation from sections 1 and 2, pay for work abroad that would have to be paid for corresponding work in Finland must be deemed earnings. If there is no corresponding work in Finland, the earnings will be deemed to include pay that could otherwise be deemed to correspond to said work.

More specific provisions on what is considered pay under this section can be enacted by a Government decree.

**Section 19 a (22.12.2005/1181)**  
**Grounds for the employer's unemployment insurance contribution**

The employer's unemployment insurance contribution is based on the total pay amount of the income items constituting grounds for the employee's unemployment insurance contribution referred to in

section 19 and paid by the employer or a substitute payer, unless provided otherwise in section 12. (19.5.2006/363)

The unemployment insurance contribution of an unincorporated state enterprise is determined based on the amount of pay paid by the enterprise as referred to in section 13 of the Preliminary Tax Withholding Act (1118/1996).

## CHAPTER 7 PAYMENT AND COLLECTION PROCEDURE

### Section 20 (22.12.2005/1181)

#### Payment procedure for the employee's unemployment insurance contribution

The employer will withhold the employee's unemployment insurance contribution from employees who are obligated to pay insurance contributions under section 15 in connection with each remittance of pay.

If the employee's unemployment insurance contribution has not been withheld in connection with the remittance of pay due to a clear error, the employer can withhold said missed contribution in connection with the following two payments at most. (5.10.2012/542)

If the employee has not been paid sufficient cash pay to withhold the employee's unemployment insurance contribution in connection with a remittance of pay, the employer can withhold the employee's unemployment insurance contribution in connection with subsequent remittances of pay within two years. (5.10.2012/542)

The employer must upon the demand of the employee refund an employee unemployment insurance contribution unjustifiably withheld from the employee or the amount withheld exceeding the statutory amount of the unemployment insurance contribution. The demand for refunding an unemployment insurance contribution must be made within two years of the employer having unjustifiably withheld the contribution. (5.10.2012/542)

### Section 21 (5.10.2012/542)

#### Collection of contributions

The Unemployment Insurance Fund will impose and collect from the employer the employer's unemployment insurance contribution and the employee's unemployment insurance contribution on the basis of the pay amount pursuant to section 19 a. The employer is also responsible for paying the employee's unemployment insurance contribution to the Unemployment Insurance Fund.

### Section 21 a (5.10.2012/542)

#### Imposing and adjusting the prepayment

The Unemployment Insurance Fund is entitled to impose a prepayment on the unemployment insurance contribution without hearing the employer provided that the prepayment is based on the pay amounts forming the grounds for the employer's unemployment insurance contributions during the current and previous years, on the pay information received based on sections 22 and 22 a and on the information provided by the employer. The prepayment must correspond as closely as possible to the final amount of the payment obligation of the employer and employee obligated to pay provided for in section 18. (13.12.2013/970)



## Legislation

The Unemployment Insurance Fund can adjust the imposed prepayment on its own initiative without hearing the employer or upon the demand of the employer. The employer must apply for a reduction of the prepayment before the end of the insurance year. Excess prepayment amounts must be returned without delay.

The Unemployment Insurance Fund will remove an unjustified prepayment either on its own initiative without hearing the employer or upon the demand of the employer no later than before the final unemployment insurance contribution is imposed.

A decision will be given on the prepayment detailing the prepayment to be collected and the grounds thereof. The decision on the prepayment cannot be appealed. To the extent that the employer's demand for the prepayment to be amended or removed has not been accepted, the employer will be given a reasoned decision that is open to appeal in the manner provided for in the Administrative Procedure Act (434/2003).

The due date for payment of the prepayment shall be provided for by a Government decree.

### **Section 21 b (5.10.2012/542)**

#### **Employer's obligation to disclose pay sums**

The employer must notify the Unemployment Insurance Fund of the salaries and wages paid by the employer during an insurance year no later than by the end of January of the following calendar year. No notification need be made if the employer has not paid salaries or wages during the insurance year and no prepayment has been imposed.

The employer must also give the notification referred to in subsection 1 upon the demand of the Unemployment Insurance Fund.

The Unemployment Insurance Fund can, for a justified reason upon the request of the employer, extend the deadline for giving the notification. The decision is not open to appeal.

### **Section 21 c (5.10.2012/542)**

#### **Imposing the unemployment insurance contribution**

The Unemployment Insurance Fund shall impose the unemployment insurance contribution each calendar year by the end of the October following the insurance year. If the unemployment insurance contribution to be imposed for an insurance year is greater than the imposed prepayment, the Unemployment Insurance Fund will collect the difference between the unemployment insurance contribution and the collected prepayment from the employer. If the unemployment insurance contribution is less than the imposed prepayment, the Unemployment Insurance Fund will pay the difference between the unemployment insurance contribution and the collected prepayment from the employer.

The Unemployment Insurance Fund will issue an appealable decision on the unemployment insurance contribution detailing the pay sum for the insurance year and the unemployment insurance contribution imposed on the basis thereof, the prepayment paid for the insurance period and the balancing payment imposed on or prepayment refund payable to the employer as referred to in subsection 1. The decision does not have to be reasoned in the manner provided for in the Administrative Procedure Act if it does not deviate from the pay sum notified by the employer.

If the unemployment insurance contribution has not been imposed, the Unemployment Insurance Fund will impose the missing contribution for payment. The decision must be made within three years of the beginning of the year following the end of the insurance year in question.

The Unemployment Insurance Fund can impose the unemployment insurance contribution based on the circumstances prevailing before the occurrence of an arrangement in corporate operations if the clear purpose of the arrangement is to circumvent the provisions concerning the unemployment insurance contribution. An employer that has carried out an arrangement in corporate operations must present a report showing that the arrangement was not undertaken for the purpose of releasing the company from the unemployment insurance contribution. When requesting a report on an arrangement in the company, the Unemployment Insurance Fund must inform the employer that the failure to submit the report will not prevent the contribution from being imposed.

### **Section 21 d (5.10.2012/542)**

#### **Imposing the unemployment insurance contribution by estimation**

The Unemployment Insurance Fund can impose the employer's and employee's unemployment insurance contributions provided for in section 18 by estimation if the employer has not disclosed the pay sum in accordance with section 21 b or if the pay sum disclosed by the employer is too small when using as grounds the other information on the employers payment of salaries and wages and other operations obtained by and available to the Unemployment Insurance Fund on the basis of sections 22 or 22 a. (13.12.2013/970)

The Unemployment Insurance Fund must notify the employer of the amount and grounds for the estimated contribution. The employer must be given the opportunity to submit a report before the estimated contribution is imposed. Failing to submit the report will not prevent the estimated contribution from being imposed.

The Unemployment Insurance Fund will give an appealable decision on the estimated contribution detailing the amount and grounds for imposing the estimated contribution. To the extent that the decision deviates from the employer's report referred to in subsection 2, the decision must be reasoned in the manner provided for in the Administrative Procedure Act.

### **Section 21 e (5.10.2012/542)**

#### **Interest on the balancing payment and refund of prepayment**

The Unemployment Insurance Fund will collect interest on the balancing payment referred to in section 21 c and pay interest on the refund of a prepayment referred to in said section. The amount of interest is the reference rate for the half-year period preceding each calendar year referred to in section 12 of the Interest Act (633/1982) less two percentage points, however, no less than 0.5 per cent. However, to the extent that the balancing payment exceeds EUR 1,000, the interest on the balancing payment will be the reference rate plus two percentage points.

The interest is calculated from the 1st day of January of the year following the insurance year up to the due date of the balancing payment or up to the end of the month preceding the month during which the refund of the prepayment is paid.

No interest shall be collected on interest for late payment collected on unpaid prepayments. (13.12.2013/970)

#### **Section 21 f (5.10.2012/542)**

##### **Minimum collectable and refundable amount**

If the total amount of the employee's and employer's unemployment insurance contributions to be collected from the employer is no more than EUR 10, they will not be collected.

If the unemployment insurance contribution is erroneously collected or refunded in an amount that is less or more than it should have been and the difference is less than the amount provided for in subsection 1, it will not be collected. However, collection can be undertaken if there are several erroneous payments by the same party with an obligation to pay contributions or there are other special grounds for collection.

The minimum amount that shall be refunded is EUR 10.

#### **Section 21 g (5.10.2012/542)**

##### **Right of review relating to the collection of unemployment insurance contributions**

The Unemployment Insurance Fund is entitled to access the employer's documents in order to review the correctness of the information falling within the scope of the disclosure obligation provided for in sections 21 b, 21 c(4), 22(1)(3), 24(3) and 24 c.

The Unemployment Insurance Fund is entitled to receive judicial assistance from the police and other authorities in order to obtain the aforementioned information.

#### **Section 21 h (5.10.2012/542)**

##### **Accountable person**

The following persons are responsible for the unemployment insurance contributions of an obligated employer as for their own:

- 1) a partner in a general partnership;
- 2) an active partner in a limited partnership;
- 3) a party to the estate of a deceased person;
- 4) a party to a benefit under joint administration as referred to in section 5 of the Income Tax Act in an amount corresponding to said party's share.

Limited liability companies and cooperatives are responsible for the unemployment insurance contributions imposed on the parties acting on behalf of them for operations engaged in prior to the registration of the limited liability company or cooperative as for their own.

#### **Section 21 i (5.10.2012/542)**

##### **Interest for late payment**

Annual interest for late payment determined in accordance with the interest rate provided for in section 4(1) of the Interest Act will be collected on unemployment insurance contributions that are not paid by the due date for the period of the delay.

#### **Section 21 j (13.12.2013/970)**

##### **Liability of contributions for recovery by enforcement**

The unemployment insurance contribution provided for in this act and the interest for late payment provided for in section 21 i hereof can be directly recovered by enforcement. The collection of the

above is provided for in the Act on the Collection of Taxes and Fees (706/2007).

#### **Section 22 (5.10.2012/542)**

##### **Unemployment Insurance Fund's right to receive information**

Confidentiality provisions and other restrictions on access to information notwithstanding, for the purposes of imposing, collecting and supervising unemployment insurance contributions, the Unemployment Insurance Fund is entitled to receive:

- 1) information from the population register authorities concerning the name, address, change of personal identification number and death of employers specified based on personal identification number;
- 2) information from Finnish Centre for Pensions and employment pension institutions on an employer-specific basis on paid salaries and wages as well as information on persons insured in accordance with the Entrepreneur's Pension Act and Agricultural Entrepreneur's Pension Act and on periods during which said persons were insured under said acts and on the salaries and wages paid to said persons during said periods as well as the identification information of the employer that paid the salaries and wages;
- 3) necessary information from the employer; essential information from the authorities referred to in section 4, subsection 1, paragraphs 1–7 of the Act on the Openness of Government Activities and from a corporation or institution referred to in subsection 2 when the latter has or may have information on factors relating to the imposing, collecting or supervising of unemployment insurance contributions.

The Unemployment Insurance Fund must destroy information it receives under subsection 1 as soon as it is no longer necessary for carrying out the tasks referred to in section 10.

#### **Section 22 a (5.10.2012/542)**

##### **Unemployment Insurance Fund's right to receive information from the Finnish Tax Administration**

Confidentiality provisions and other restrictions on access to information notwithstanding, for the purposes of imposing collecting and supervising unemployment insurance contributions, the Unemployment Insurance Fund is entitled to receive from the Finnish Tax Administration the necessary:

- 1) employer identification information; information on the employer's contribution disclosed by the employer;
- 2) information submitted by the employer for tax purposes concerning the paid salaries and comparable payments as well as taxes and mandatory insurance contributions withheld from employees by recipient identified by year of birth.

Confidentiality provisions and other restrictions on access to information notwithstanding, the Unemployment Insurance Fund is entitled upon request to receive from the Finnish Tax Administration information corresponding to that referred to in subsection 1 on specified recipients of payments and employers necessary for the purposes of deciding a matter being processed.

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Confidentiality provisions and other restrictions on access to information notwithstanding, for the purposes of imposing collecting and supervising unemployment insurance contributions, the Unemployment Insurance Fund is entitled to receive from the Finnish Tax Administration the following necessary information on tax audits targeted at employers:

- 1) employer identification information: information notified by the employer to the Finnish Tax Administration concerning the remittance of pay and information concerning failures to comply with employer obligations relating to remittance of pay discovered in connection with a tax audit.

The Unemployment Insurance Fund must destroy information it receives under subsections 1–3 as soon as it is no longer necessary for carrying out the tasks referred to in section 10.

**Section 22 b (5.10.2012/542)**  
**Unemployment Insurance Fund's right to disclose information on its own initiative**

In addition to what is provided for in the Act on the Openness of Government Activities and confidentiality provisions and other restrictions on access to information notwithstanding, the Unemployment Insurance Fund is entitled to disclose at its own initiative pay sum and unemployment insurance contribution information on employers obligated to pay contributions, including employer identification information:

- 1) to an insurance institution handling the implementation of statutory accident insurance and to the Federation of Accident Insurance Institutions for the purposes of carrying out their statutory duties relating to accident insurance if there is reason to suspect that an employer with a statutory insurance or contribution obligation or some other party with a contribution obligation has not fulfilled its statutory insurance or contribution obligation or its obligation to provide information necessary for imposing and collecting accident insurance contributions;
- 2) to the Finnish Centre for Pensions and pension institutions handling statutory insurance for the purposes of carrying out their statutory duties if there is reason to suspect that an employer with a statutory insurance obligation or some other party with an insurance obligation has not fulfilled its statutory insurance obligation;
- 3) to the Finnish Tax Administration if the information is necessary for the fulfilment of the supervision duty set on it in the Preliminary Tax Withholding Act if there is reason to suspect that an employer has not fulfilled its tax withholding obligation.

Confidential information received on the basis of this section can be disclosed for the purposes of the investigation and prosecution of a crime. The information must be destroyed as soon as it is no longer needed.

**Section 22 c (5.10.2012/542)**  
**Combining information**

The Unemployment Insurance Fund is entitled to combine and process personal information referred to in section 22 and 22 a for the

purposes of imposing and collecting the unemployment insurance contribution provided for in Chapters 4, 5 and 6 and the employer deductible provided for in Chapter 8 a. Combined information can be kept until such time as the aforementioned duties of the Unemployment Insurance Fund have been completed. Combined information cannot be transferred onwards.

**Section 22 d (5.10.2012/542)**  
**Gratuitousness of information**

The Unemployment Insurance Fund is entitled to receive the information referred to in this Chapter free of charge. If the information is required in a specified form and this gives rise to significant additional costs to the party disclosing the information, such costs must be compensated.

**Section 22 e (5.10.2012/542)**  
**Technical user interface**

The Unemployment Insurance Fund is entitled to receive the information referred to in sections 22 and 22 a and section 29(3) of the Act on the Openness of Government Activities via a technical user interface.

The technical user interface referred to in this sections can also be used to provide confidential information without the consent of the party protected by the confidentiality obligation.

Before opening the technical user interface, the party requesting information must present a report to the party opening the interface that the information will be duly protected.

**Section 22 f (5.10.2012/542)**  
**Openness of documents and activities**

The Act on the Openness of Government Activities is applied to the openness of the Unemployment Insurance Fund's documents and activities relating to the implementation of this act to the extent provided for in section 4(2) of the Act on the Openness of Government Activities.

Sections 22–24 and 35 of the Act on the Openness of Government Activities will be applied to the confidentiality obligation concerning the documents and the information contained therein obtained and created in the course of carrying out duties related to the implementation of this act and to the non-disclosure obligation concerning information obtained in the course of carrying out said duties in the Unemployment Insurance Fund even when the question is not of documents or information obtained or created for the purposes for the performance of a public task as referred to in section 4(2) of said act. In such cases, what has been provided for in Chapter 7 of said act is in force with respect to the disclosure of information.

In addition to what is provided for in section 24(1)(20) of the Act on the Openness of Government Activities, documents and information that concern the financial position of an employer and that are related to the implementation of this act must also be kept confidential.

**Section 22 g (19.5.2006/363)**  
**Technical user interface**

In addition to what is provided for in section 29(3) of the Act on the Openness of Government Activities, insurance institutions, the State

Treasury, the Federation of Accident Insurance Institutions and the parties referred to in section 22 b(2), 24 d and 24 e, subsections 1 and 3, are entitled to provide the Unemployment Insurance Fund the information it is entitled to under this act via a technical user interface. (21.12.2007/1352)

The technical user interface referred to in this sections can also be used to provide confidential information without the consent of the party protected by the confidentiality obligation.

Before opening the technical user interface, the party requesting information must present a report to the party opening the interface that the information will be duly protected.

**Section 22 h (13.12.2013/970)**  
**Section 22 has been repealed by Act 13.12.2013/970.**

## **CHAPTER 8** **TRANSFER OF CONTRIBUTIONS**

**Section 2§ (12.12.2014/1049)**  
**Accrued unemployment insurance contributions**  
**payable as basic security**

The Unemployment Insurance Fund will, via the Ministry of Social Affairs and Health, pay to the Social Insurance Institution of Finland, for the financing of the basic daily allowance of unemployment benefits, an amount of the accrual of the employee's unemployment insurance contribution corresponding in average to the amount accrued from the employee unemployment insurance contributions of employees not part of an unemployment benefit society. The amount to be paid annually will be confirmed by the Ministry of Social Affairs and Health after requesting a statement from the Unemployment Insurance Fund.

In addition to the amount referred to above in subsection 1, the Unemployment Insurance Fund will pay to the Social Insurance Institution of Finland EUR 50,300,000 per annum for the financing of daily allowance.

The calculation and payment of the amount to be paid shall be provided for in more detail by a Government decree.

## **CHAPTER 8 A (30.12.2002/1301)** **EMPLOYER'S LIABILITY COMPONENT IN THE** **UNEMPLOYMENT INSURANCE CONTRIBUTION**

**Section 24 (21.12.2007/1352)**  
**Payment obligation**

Employers referred to in section 12 and state accounting units and unincorporated state enterprises that had a pay sum constituting grounds for unemployment insurance contributions or a corresponding pay sum of a state accounting unit or unincorporated state enterprise of at least EUR 2,025,000 during the year preceding termination are obligated to pay the employer deductible if:

- 1) the unemployment caused by the termination or lay-off of the employee continues so that the person becomes entitled to additional days as provided for in Chapter 6, section 9(1) of the Unemployment Benefits Act.
- 2) a person whose right to a daily unemployment allowance

that began due to being terminated after turning 60 years of age continues after he or she has turned 63 or has begun to receive retirement pension upon turning 62 and the payment of the daily unemployment allowance has continued until retirement.

(12.12.2014/1047)

The employer is not obligated to pay the employer deductible if:

- 1) the employment relationship ended before the person turned 56 years of age;
- 2) the employment relationship lasted less than three years;
- 3) the employment relationship was terminated on the basis of Chapter 7, section 2 of the Employment Contracts Act (55/2001) or cancelled on the basis of Chapter 8, section 1 for a non-health-related reason relating to the employee;
- 4) the employee has once again fulfilled the employment condition referred to in Chapter 5, section 3 of the Unemployment Benefits Act in the service of an employer other than the one that originally terminated him or her; or
- 5) the employee has resigned on his or her own initiative without contributory actions of the employer.

What has been provided for in subsections 1 and 2 for employment relationships shall also apply to public-service relationships.

If the clear purpose of a corporate arrangement has been to circumvent the provisions concerning the employer deductible, the Unemployment Insurance Fund can impose the payment based on the circumstances prevailing prior to said arrangement. An employer that has carried out a corporate arrangement must present a report showing that the arrangement was not undertaken for the purpose of releasing the company from the employer deductible. If no such report is presented, the Unemployment Insurance Fund must impose the payment. When requesting a report on a corporate arrangement, the Unemployment Insurance Fund must inform the employer that the failure to submit the report will not prevent the contribution from being imposed.

**Section 24 a (13.12.2013/970)**  
**Amount of the employer deductible**

The basis for the deductible in situations referred to in section 24(1) (1) is the amount corresponding to the benefit cost that would be payable to the terminated or laid-off employee in the amount of the earnings-related unemployment allowance starting from the date when his or her right to additional days begins until he or she turns 63 years of age, however, no less than an amount corresponding to one year's benefit cost.

The basis for the deductible in situations referred to in section 24(1) (2) is the amount corresponding to the benefit cost of the earnings-related unemployment allowance for the period that unemployment benefits have been paid to the terminated employee from the termination of the employment relationship to the date on which he or she turns 63 years of age.

The full deductible is 90 per cent of the benefit cost referred to in subsections 1 and 2. The full deductible will be collected in the

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company's pay sum referred to in section 24(1) is at least EUR 32,400,000. If the pay sum is less than this amount, the deductible will be reduced linearly so that no deductible will be collected if the pay sum is no more than EUR 2,025,000. (12.12.2014/1047)

### **Section 24 b (30.12.2002/1301)**

#### **Collecting and refunding the employer deductible**

The employer deductible will be collected in accordance with section 24(1)(1) when the right to additional days begins and in accordance with section 24(1)(2) when the terminated employee has turned 63 years of age.

Upon an application of the employer, the Unemployment Insurance Fund will refund the part of the deductible for additional days that is not used if:

- 1) the employer has entered into an employment agreement valid until further notice with the person entitled to additional days and the employee has been in said position for at least one year; if the employer terminates the employee again, the deductible will be collected immediately upon the start of unemployment regardless of what is provided for in section 24(2)(1); or
- 2) the person terminated by the employer has received continuous supplementary pension based on supplementary pension insurance arranged and financed by the employer or other comparable benefits or pension to be taken into consideration in the pension adjustment of the supplementary pension at least until the age of 65, due to which the person is not entitled to unemployment benefits or unemployment benefits payable at a reduced amount.

(24.4.2009/278)

The Unemployment Insurance Fund can decide to not collect the employer deductible if the amount is minor. The Unemployment Insurance Fund can also decide to not collect part of the employer deductible if the employer's financial situation after the termination constituting grounds for the deductible has significantly weakened and the collection of the deductible in full would endanger the continuation of the employer's operations. (13.12.2013/970)

### **Section 24 c (30.12.2002/1301)**

#### **Decision on the employer deductible**

The Unemployment Insurance Fund will provide the employer with a written decision on the amount and refunding of the employer deductible and on not collecting the deductible. Before giving the decision, the Unemployment Insurance Fund must provide the employer the opportunity to submit a written request to be released from the employer deductible and possibly information relating to such release. A report can be requested from the employer concerning the reasons for the termination of the employment relationship if necessary for deciding the matter.

The provisions of the Administrative Procedure Act (598/1982), as applicable, shall be complied with when issuing the decision.

The employer deductible imposed by the decision is enforceable without a judgment in the manner provided for in the Act on the

Collection of Taxes and Fees. If payment is not effected in due time, annual interest on delayed payment shall be payable for the period of delay in accordance with the interest rate provided for in section 4(1) of the Interest Act.

The Administrative Procedure Act 598/1982 has been repealed by the Administrative Procedure Act 434/2003.

### **Section 24 d (21.12.2007/1352)**

#### **Right to receive information**

Confidentiality provisions and other restrictions on access to information notwithstanding, the Unemployment Insurance Fund and appeal organs in accordance with this act are entitled to receive information on the employer and employee necessary for deciding and implementing the payment obligation provided for in section 24 free of charge:

- 1) from state and municipal authorities and other entities governed by public law;
- 2) from the Finnish Centre for Pensions, pension or insurance institutions and pension foundation;
- 3) from unemployment funds and employer's funds; as well as
- 4) from employers.

The Social Insurance Institution of Finland and unemployment funds have the right provided for in subsection 1 to receive information from the employer that is necessary for the fulfilment of the disclosure obligation provided for in section 24 e.

### **Section 24 e (21.12.2007/1352)**

#### **Obligation to disclose information**

Confidentiality provisions and other restrictions on access to information notwithstanding, unemployment funds and the Social Insurance Institution of Finland are obligated to disclose the following information on persons referred to in section 24 to the Unemployment Insurance Fund free of charge:

- 1) identification information concerning the employee;
- 2) information on employment relationships included in the employment condition and the employer identification information related thereto;
- 3) information on the daily unemployment allowance; and
- 4) other information necessary for deciding the implementing the payment obligation provided for in section 24.

More detailed provisions on the information referred to in subsection 1 and on how and when they must be submitted can be enacted by a decree of the Ministry of Social Affairs and Health.

Confidentiality provisions and other restrictions on access to information notwithstanding, the Financial Supervisory Authority and the Social Insurance Institution of Finland must by the end of March and September submit to the Unemployment Insurance Fund information on the persons whose right to additional days has begun during the previous six months in such a manner that the information includes the employee's personal identification number and other identification information. The Unemployment Insurance Fund is entitled to combine and use the information it receives in this manner for the purposes of carrying out its duty provided for in section 10(2). Combined information can be kept until such time as



the aforementioned duty has been completed. Combined information cannot be transferred onwards. (19.12.2008/910)

## **CHAPTER 8 B (5.10.2012/542) APPEAL AND RECTIFICATION**

### **Section 24 f (5.10.2012/542) Application to the Unemployment Insurance Fund for rectification**

A rectification application can be submitted to the Unemployment Insurance Fund concerning the Fund's decision on the amount of the unemployment insurance contribution as provided for in the Administrative Procedure Act. In deviation from what has been provided for in section 49 c of the Administrative Procedure Act, the rectification application must be made within five years of the beginning of the calendar year following the one in which the decision was made.

### **Section 24 g (5.10.2012/542) Right of appeal**

A party who is not content with a decision of the Unemployment Insurance Fund can appeal it to the Unemployment Benefits Appeal Board, and a party who is not content with a decision of the Board can appeal to the Insurance Court. Decisions of the Insurance Court are not open to appeal. A decision of the Unemployment Insurance Fund must be complied with regardless of appeal.

A decision of the Unemployment Insurance Fund concerning the amount of the unemployment insurance contribution cannot be appealed until a rectification application concerning the decision has been submitted to the Fund in accordance with section 24 f. A decision issued by the Unemployment Insurance Fund in accordance with section 24 f can be appealed in the manner provided for in subsection 1.

What has been provided for in Chapter 12, section 1(2) and sections 4 and 5-7 of the Unemployment Benefits Act shall be complied with in an appeal of the decision issued by the Unemployment Insurance Fund. Furthermore, what has been provided for in Chapter 12, section 8 of the Unemployment Benefits Act shall be complied with in the appeal of a decision issued under section 24 c of this act. (13.12.2013/970)

### **Section 24 h (5.10.2012/542) Employee material appeal**

An employee can make a material appeal concerning the imposition of payment if he or she deems that the employee's unemployment insurance contribution withheld by the employer in accordance with section 20 was in violation of the law. The material appeal must be made in writing and must be submitted to the Unemployment Benefits Appeal Board within two years of the beginning of the year following the one in which the contribution was withheld.

### **Section 24 i (5.10.2012/542) Unemployment Insurance Fund's right to rectify unemployment insurance contributions**

If the amount of unemployment insurance contributions, balancing payment interest or contribution increases collected from an employer has been too large, the Unemployment Insurance Fund can rectify the unemployment insurance contribution to the benefit of the employer.

The Unemployment Insurance Fund can rectify an unemployment insurance contribution, contribution increase, balancing payment interest and refund interest to the detriment of the employer if the error is due to a clerical error, miscalculation or other comparable error of the Unemployment Insurance Fund. The Unemployment Insurance Fund can also rectify an unemployment insurance contribution after having heard the employer if the employer has not submitted a pay sum notification, the pay sum notification or other information submitted by the employer is inadequate or incorrect or the employer has otherwise failed to fulfil its duty of disclosure.

The rectification of the unemployment insurance contribution referred to above in sections 1 and 2 can be carried out within three years of the beginning of the year following the end of the insurance year.

The unemployment insurance contribution cannot be rectified if the matter has been decided by a decision on an appeal.

## **CHAPTER 9 MISCELLANEOUS PROVISIONS**

### **Section 25 (5.10.2012/542) *Section 25 has been repealed by Act 5.10.2012/542.***

### **Section 26 (5.10.2012/542) Limitation of contributions**

The right of employers and employees to recover unjustifiably paid unemployment insurance contributions or prepayments shall become time-barred five years after the payment date of the unemployment insurance contribution or the withholding date of the employee unemployment insurance contribution unless the limitation period has been interrupted prior to that time. The limitation period shall be interrupted in the manner provided for in sections 10 and 11 of the Limitations Act (728/2003). A new five-year limitation period will begin to run from the interruption.

No decision can be issued on the amount of an employer deductible for additional days once five years have passed from the date provided for the collection of the deductible in section 24 b, subsections 1 or 2.

The refunding of the employer deductible must be applied for within a year from the earliest date on which the application could be submitted in accordance with section 24 b(2). The filing of the application interrupts the limitation period. A claim concerning an employer deductible to be refunded shall become time-barred after a year has passed from the decision being issued unless the limitation period has been interrupted. The limitation period shall be interrupted in the manner provided for in sections 10 and 11 of the Limitations Act. A new five-year limitation period will begin to run from the interruption.

### **Section 26 a (5.10.2012/542) Unemployment Insurance Register**

The Unemployment Insurance Fund shall maintain an Unemployment Insurance Register for the purposes of carrying out the tasks relating to unemployment insurance contributions imposed on it by



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this act. Unless otherwise provided in this act, the confidentiality and disclosure of the personal data recorded in the register shall be subject to the Act on the Openness of Government Activities and the processing of other personal data shall be subject to the Personal Data Act (523/1999).

### Section 26 b (5.10.2012/542)

#### Reference to the Criminal Code

The punishment for illegally avoiding or attempting to avoid the unemployment insurance contribution is provided for in Chapter 29, sections 1–3 of the Criminal Code (39/1889).

*Section 26 c (13.12.2013/970)*

*Section 26 c has been repealed by Act 13.12.2013/970.*

### Section 26 d (5.10.2012/542)

#### Storage of documents

The Unemployment Insurance Fund must store documents relating to the arranging of the financing of the benefits referred to in this act, to unemployment insurance contributions and to employer deductibles in the manner provided for in the Archiving Act (831/1994). If an archives institution has not ordered the aforementioned documents to be stored indefinitely, the Unemployment Insurance Fund must store:

- 1) the documents necessary for imposing the unemployment insurance contribution for 10 years from the start of the year following the insurance year;
- 2) the documents necessary for imposing the employer deductible until the end of the year in which the person referred to in section 24 of this act turns 75 years of age;
- 3) the documents necessary for collecting the unemployment insurance contributions and employer deductibles until collection has ceased and for five calendar years thereafter;
- 4) documents relating to appeals for 10 years, unless they must be stored for a longer period in accordance with paragraphs 1–3;
- 5) information concerning personal data and entered into the Unemployment Insurance Register for 5 years, unless they must be stored for a longer period in accordance with paragraphs 1–4.

The Unemployment Insurance Fund must destroy documents and personal data entered into the Unemployment Insurance Register after the storage period provided for in subsection 1 has expired.

### Section 26 e (5.10.2012/542)

#### Notification of decisions of the Unemployment Insurance Fund

A decision of the Unemployment Insurance Fund will be notified to the employer with the obligation to pay contributions in the manner provided for in section 59 of the Administrative Procedure Act. However, the notification must be delivered to the employer's legal representative or delegate if the representative or delegate handling unemployment insurance contribution matters on behalf of the employer has been notified to the Unemployment Insurance Fund's customer register as the administrator of the matter.

### Section 27

#### More detailed provisions

More detailed provisions on the implementation of this act shall be enacted by a decree.

## CHAPTER 10 IMPLEMENTING AND TRANSITION PROVISIONS

### Section 28

#### Entry into force

This act shall enter into force on 1 September 1998. It shall be applied to the financing of unemployment benefits and unemployment insurance contributions as of the beginning of 1999. Section 18(4) of this act shall not be applied when confirming the unemployment insurance contributions for 2006. (23.6.2005/460)

Measures necessary for the implementation of this act may be undertaken prior to the entry into force of this act.

### Section 29

#### Transition provision

Notwithstanding what has been provided for elsewhere in the act, the employee's unemployment insurance contributions to be collected for the years 1993–1998 will be paid to the Unemployment Insurance Fund. Until the end of 2002, the use of the yield from employee unemployment insurance contributions, the distribution of the remittance and the right of the Ministry of Social Affairs and Health to charge the Unemployment Insurance Fund's account when relaying employee unemployment insurance contributions to unemployment funds will be governed by the provisions of the Act on the Employee Unemployment Insurance Contribution for the year in question.

## Government decree on the financing of unemployment benefits 18.12.2014/1277

In accordance with the decision taken by the Government, the following is enacted by virtue of section 23 of the Act on Financing of Unemployment Benefits(555/1998), as laid down in Act 1049/2014:

### Section 1

#### Accrued unemployment insurance contributions payable as basic security

The Ministry of Social Affairs and Health will confirm the amount of the unemployment insurance contribution accrual to be remitted annually by the Unemployment Insurance Fund to the Social Insurance Institution of Finland. Before confirming said amount, the Ministry must request a statement from the Unemployment Insurance Fund.

The payment will be imposed by multiplying the accrual estimate for the employee unemployment insurance contributions by the percentage corresponding to the proportion of the pay sum of employees who are not members of unemployment funds to the pay sum of all employees. The Ministry of Social Affairs and Health will con-

firm the percentage based on the service data files for the income distribution statistics based on Statistics Finland's data.

When determining the accrual estimate for the next year as referred to above in subsection 2, the difference between the corresponding accrual estimate for the previous year and the actual employee unemployment insurance contribution accrual in accordance with the Unemployment Insurance Fund's financial statements will be taken into account.

In addition to the payment referred to in subsection 1 above, the Unemployment Insurance Fund will annually pay the Social Insurance Institution of Finland the remittance referred to in section 23(2) of the Act on Financing of Unemployment Benefits (555/1998) for the financing of the basic daily allowance.

### **Section 2**

#### **Paying the remittance**

The Unemployment Insurance Fund must pay a monthly prepayment on the remittance in equal instalments based on the payments referred to in section 1.

The Ministry of Social Affairs and Health will confirm the amount of the prepayments and relay the prepayments to the Social Insurance Institution of Finland. For this purpose, the Ministry of Social Affairs and Health is entitled to charge the amounts of the prepayments to the Unemployment Insurance Fund's account on the first weekday of each month.

### **Section 3**

#### **Notification of the amount of gratuity**

Employees must at the beginning of the year or at the beginning of the employment relationship notify their employer of the amount of gratuity that constitutes grounds for taxation. Based on the amount stated in the notification, the employer will collect the employee unemployment insurance contribution from the employee each month. The employer must notify the Unemployment Insurance Fund of the amount of gratuity in connection with the prepayment insurance contribution and the final pay sum.

### **Section 4**

#### **Payment to the National Pensions Fund**

The Unemployment Insurance Fund will annually pay to the National Pensions Fund the payment referred to in section 5(2) of the Act on the National Pensions Fund (1297/2006) confirmed by the Ministry of Social Affairs and Health by the date set by the Ministry.

The payment will be imposed by defining the liability and expenses incurred from accounting for the unemployment and education time with respect to persons employed by the state in accordance with what is provided for in section 182 of the Employees Pensions Act (395/2006). Of this amount, the payment that must be effected by the Unemployment Insurance Fund shall be confirmed as the amount that corresponds to the portion of the yield of all remitted unemployment insurance contributions represented by the yield of the employee unemployment insurance contributions.

### **Section 5**

#### **Entry into force**

This decree enters into force on 1 January 2015.

This decree repeals the Decree on the Financing of Unemployment Benefits (1176/1998).

Government decree on the payment of prepayments of unemployment insurance contributions for 2015 (in force until 31 december 2015) 18.12.2014/1276

In accordance with the decision taken by the Government, the following is enacted by virtue of section 21 a(5) of the Act on Financing of Unemployment Benefits (555/1998), as laid down in Act 542/2012:

### **Section 1**

#### **Employer's unemployment insurance contribution**

The prepayment of the employer's unemployment insurance contribution imposed by the Unemployment Insurance Fund shall fall due to payment as follows:

- 1) 0.80 per cent of the pay sums referred to in section 18(1) of the Act on Financing of Unemployment Benefits(555/1998)by 1 January 2015;
- 2) 1.2 per cent of the portion of the pay sum exceeding EUR 2,025,000 on 1 March 2015 and 1.15 per cent on 1 September 2015.

### **Section 2**

#### **Employee's unemployment insurance contribution**

The employee unemployment insurance contributions withheld by the employer from the employee in accordance with section 20 of the Act on Financing of Unemployment Benefits shall fall due on 1 May 2015.

### **Section 3**

#### **Contribution of a part owner of a company**

The employee unemployment insurance contribution of a part owner of a company in accordance with section 18(2) of the Act on Financing of Unemployment Benefits shall fall due for payment in one instalment on 1 May 2015, and the employer unemployment insurance contribution payable for a part owner of a company shall fall due for payment on 1 January 2015.

### **Section 4**

#### **Unemployment insurance contributions of unincorporated state enterprises**

The employer unemployment insurance contributions of unincorporated state enterprises in accordance with section 18(3) of the Act on Financing Unemployment Benefits shall fall due for payment in deviation from section 1 as follows:

- 1) 0.80 per cent of the pay sum on 1 January 2015;
- 2) 0.65 per cent of the portion of the pay sum exceeding EUR 2,025,000 on 1 March 2015 and 0.65 per cent on 1 September 2015.

## Legislation

### Section 5

#### University unemployment insurance contribution

The employer unemployment insurance contributions of universities in accordance with section 18(4) of the Act on Financing of Unemployment Benefits shall fall due for payment in deviation from section 1 as follows:

- 1) 0.80 per cent of the pay sum on 1 January 2015;
- 2) 0.8 per cent of the portion of the pay sum exceeding EUR 2,025,000 on 1 March 2015 and 0.75 per cent on 1 September 2015.

### Section 6

#### Entry into force

This decree enters into force on 1 January 2015 and shall remain in force until the end of 2015.

This decree shall be applied to unemployment insurance contributions payable for the year 2015.

### DECREE OF THE MINISTRY OF SOCIAL AFFAIRS AND HEALTH ON INFORMATION TO BE DISCLOSED TO THE UNEMPLOYMENT INSURANCE FUND IN EMPLOYER DEDUCTIBLE MATTERS 15.12.2008/1046

In accordance with the decision taken by the Ministry of Social Affairs and Health, the following is enacted by virtue of section 24 e(2) of the Act on Financing of Unemployment Benefits of 24 July 1998 (555/1998), as laid down in Act 1352/2007:

### Section 1

The information referred to in section 24 e(1) of the Act on Financing of Unemployment Benefits includes:

- 1) the employee's personal identification number and other identification information
- 2) the starting and ending dates of the employment relationship and the name, business ID and known contact information of the employer
- 3) with respect to a recipient of basic daily allowance, the periods included in the employment condition and pay information for said periods
- 4) the period with no benefits at the start of the daily unemployment allowance period set in accordance with the Unemployment Benefits Act and the denial of daily allowance due to financial benefits received from the employer and the amount of such financial benefits
- 5) the first daily unemployment allowance paid after the termination of a three-year employment relationship
- 6) information that the person has once again fulfilled the employment condition referred to in Chapter 5, section 3 of the Unemployment Benefits Act in the service of an employer other than the one that originally terminated him or her
- 7) for employment relationships of under three years the starting and ending date of the longest employment relationship included in the employment condition
- 8) the amount of the earnings-related unemployment allowance payable to the person

- 9) the date of the first additional day of a person referred to in section 24(1)(1)
- 10) the total amount of unemployment benefits paid to a person referred to in section 24(1)(2) for the period preceding retirement pension or the person's 63rd birthday.

### Section 2

Unemployment funds and the Social Insurance Institution of Finland must provide the Unemployment Insurance Fund the information referred to in section 1, subsections 1-5 on a person referred to in section 24(1) of the Act on Financing of Unemployment Benefits after the person has become an applicant for daily unemployment allowance and the information is available. The information referred to above in section 1(6) must be provided if the person once again fulfils the employment condition after the advance notification has been submitted.

The information referred to above in section 1, subsections 7-9 must be provided to the Unemployment Insurance Fund when the right to additional days in accordance with Chapter 6, section 9(2) of the Unemployment Benefits Act begins and the information referred to in section 1(10) when a person referred to in section 24(1)(2) has turned 63 years of age.

### Section 3

**This decree enters into force on 1 January 2009.**

### DECREE ON THE REGULATIONS OF THE UNEMPLOYMENT INSURANCE FUND 27.11.1998/862

In accordance with the presentation of the Minister of Social Affairs and Health, the following is enacted by virtue of section 9(2) of the Act on Financing of Unemployment Benefits of 24 July 1998 (555/1998):

### Section 1 (13.12.2012/813)

The Unemployment Insurance Fund, hereinafter the Fund, is an independent institution funded by labour market parties and supervised by the Financial Supervisory Authority (FIN-FSA) that exists in order to arrange the employer and employee financing contributions and support unemployment funds and to carry out the other duties set forth in the Act on Financing of Unemployment Benefits (555/1998).

### Section 2

The highest decision-making power in the Fund is exercised by the supervisory board, which consists of 18 members. Of the member, 12 shall represent the employers and 6 the employees. The supervisory board selects annually from amongst its members a chairman and vice-chairman, one of whom must represent the employers and one the employees. The chairmanship shall alternate each year between the employer and employee representatives.

The Fund's affairs shall be handled by a board of directors consisting of 12 members. The supervisory board appoints the board of directors so that 8 members represent the employers and 4 the employees. The board of directors shall have a chairman and vice-chairman, one of whom must represent the employers and one the

employees. The chairmanship shall alternate each year between the employer and employee representatives. If the position of a board member is vacated in the middle of the term of office, the supervisory board will appoint a successor for the remainder of the term.

(13.12.2012/813)

The positions of chairman of the supervisory board and board of directors shall be determined so that at any one time the chairman of one is an employer representative and of the other an employee representative. (18.12.2003/1155)

*Section 4 has been repealed by Act 13.12.2012/813.*

### Section 3

The Government shall appoint the members of the Fund's supervisory board as follows: seven based on the candidates put up by the Confederation of Finnish Industries (EK), three by the Commission for Local Government Employers, one by the Commission for the Evangelical Lutheran Church of Finland, one by the Rural Employer's Association (MTA), three by the Central Organisation of Finnish Trade Unions (SAK), two by the Finnish Confederation of Salaried Employees (STTK) and one by the Confederation of Unions for Professional and Managerial Staff in Finland (Akava). (13.12.2012/813)

The term of the member of the Fund's supervisory board shall be three years.

If the position of a member of the supervisory board is vacated in the middle of the term of office, a successor shall be appointed for the remainder of the term.

The Ministry of Social Affairs and Health shall set the amounts of the meeting fees of the members of the supervisory board and the principles for compensation travel expenses.

### Section 4

General meetings of the supervisory board shall be convened twice a year, the spring meeting before the end of May and the autumn meeting no later than in October.

An extraordinary meeting of the supervisory board shall be convened when deemed necessary by the chairperson or the board of directors or when at least two members of the supervisory board request in writing that it be convened to discuss a stated matter. (18.12.2003/1155)

The notice convening a meeting shall be delivered to the members of the supervisory board in a verifiable manner no later than eight days before the meeting. The notice must state the matters to be discussed in the meeting.

### Section 5

Meetings of the supervisory board constitute a quorum when the chairperson or deputy chairperson and at least nine members are present. In such cases, both the employers and employees must be represented.

The decision of the supervisory board shall be the position supported by the majority of the members.

In the event of a tie, the decision shall be the position that the chairman of the meeting supported. In the event of a tie in an election, the result shall be decided by drawing lots.

Minutes shall be kept of the meetings of the supervisory board.

### Section 6 (18.12.2003/1155)

The following matters shall be handled in the supervisory board's spring meeting:

- 1) The financial statements and report of the board of directors for the previous calendar year as well as the auditor's report on the administration and accounts of the Fund shall be presented;
- 2) The adoption of the financial statements for the previous calendar year shall be decided;
- 3) The granting of discharge from liability to the board of directors and the managing director or other measures that may be occasioned by the administration and accounts of the Fund shall be decided;
- 4) The other matters referred to in the notice to convene the meeting shall be discussed.

The following matters shall be discussed in the supervisory board's autumn meeting:

- 1) The adoption of the Funds budget for the following calendar year and the proposal for unemployment insurance contributions in accordance with section 18(6) of the Act on Financing of Unemployment Benefits (13.12.2012/813);
- 2) the remuneration of the member of the board of directors and the auditors shall be set for the following calendar year;
- 3) the election of the chairperson and deputy chairperson of the board of directors for the following calendar year shall be carried out;
- 4) An approved auditor and deputy or audit firm as referred to in the Auditing Act (936/1994) shall be appointed to audit the accounts and administration of the financial period;
- 5) The chairman and vice-chairman of the supervisory board shall be elected for the following calendar year; a new supervisory board shall elect the chairman and vice-chairman from amongst its members in its first meeting of the calendar year;
- 6) The other matters referred to in the notice to convene the meeting shall be discussed.

### Section 7 (18.12.2003/1155)

In addition to what has been provided above concerning the duties of the supervisory board, it is the duty of the supervisory board to set the principles for investment of the Fund's assets and to discuss the matters within the purview of the board of directors that the board of directors has deferred to the supervisory board to be decided due to the matters being extensive of scope or matters of principle.

## Legislation

### Section 8

#### The duties of the board of directors are: (13.12.2012/813)

- 1) to decide the matters in the field of operation of the Fund that in accordance with this decree are not the purview of or have not been deferred to the supervisory board;
- 2) to decide on the investment of the fund's assets in accordance with the principles confirmed in this decree and by the supervisory board;
- 3) to appoint and discharge the Fund's managing director and other directors and to determine the terms and conditions of their service; (13.12.2012/813)
- 4) to agree with the Federation of Accident Insurance Institutions on the remittance of the sums accrued from the unemployment insurance contribution to the Fund and on the grounds for compensating the imposition, collection and remittance expenses payable by the Fund;
- 5) to prepare the Fund's budget, financial statements and report of operations; (18.12.2003/1155)
- 6) to bring and respond to actions on behalf of the Fund; (13.12.2012/813)
- 7) to decide on the other duties that are in the purview of or have been provided for the Fund and that are not within the supervisory board's purview to decide; (13.12.2012/813)
- 8) to ensure that the Fund has in place sufficient internal control and risk management systems in view of the nature and extent of its operations. (13.12.2012/813)

### Section 9 (18.12.2003/1155)

The meetings of the board of directors will be convened by the chairman. The board of directors will constitute a quorum when the chairman or the vice-chairman and a minimum of six members are in attendance. In such cases, both the employers and employees must be represented.

What has been provided for above with respect to the meetings of the supervisory board shall be complied with when discussing matters at the meetings of the board of directors as applicable.

Minutes shall be kept of the meetings of the board of directors.

### Section 9 a (13.12.2012/813)

The Fund has a managing director who manages the Fund in accordance with the instructions and orders issued by the board of directors. The managing director is responsible for ensuring that the Fund's bookkeeping complies with law and that its asset management has been reliably organised. The managing director must provide the board of directors and its members with the information that is necessary for the fulfilment of the board's duties.

The provisions of this decree as regards the managing director shall also be applied to the managing director's deputy while the deputy is seeing to the duties of the president managing director due to the latter being prevented.

### Section 10 (18.12.2003/1155)

The fund will be represented by the chairman of the board of directors alone and by a board member, the managing director or a Fund officer alone in accordance with an authorisation given by the board of directors.

### Section 11

The Fund's financial period is one calendar year, and the Fund's bookkeeping must conform with the Accounting Act as applicable. The financial statements must be submitted to the auditors by 15 April following the end of the financial period, and they must give their statement by the end of April.

### Section 12

The assets of the Fund shall be invested in a manner that generates and secures income while taking into account the fund's liability.

### Section 13 (18.12.2003/1155)

A member of the board or an officer of the Fund will be liable to compensate damage that he or she has caused to the fund by wilful misconduct or gross negligence. If the damage was caused by more than one person, each of them will be liable jointly and severally liable for said damage.

### Section 14 (13.12.2012/813)

*Section 14 has been repealed by Decree 13.12.2012/813.*

### Section 15

This decree enters into force on 1 December 1998.

The supervisory board of the Fund may be appointed in accordance with section 3 and other measures necessary for the implementation of this decree may be undertaken prior to the entry into force of this decree. The bodies of the Central Society of Unemployment Funds continue to operate until the corresponding bodies of the Fund have been appointed. By derogation from what is laid down in section 4(1), in 1998 the supervisory board's autumn meeting may be convened in December.

## GOVERNMENT DECREE ON THE IMPLEMENTATION OF THE UNEMPLOYMENT BENEFIT SOCIETY ACT 22.3.2001/272

In accordance with the decision taken by the Government in accordance with the presentation of the Ministry of Social Affairs and Health, the following is enacted by virtue of section 61 of the Unemployment Benefit Society Act of 24 August 1984 (603/1984):

### Prepayments payable to unemployment funds

#### Section 1

An unemployment benefit society shall give the Unemployment Insurance Fund an informed assessment of the financing contributions referred to in Chapter 7 of the Unemployment Benefit Society Act (603/1984) and in Chapter 9, section 7 of the Act on the Public Employment Service (1295/2002) payable to the unemployment benefit society the following year together with the unemployment benefit society's budget for the following year and other reports requested by the Unemployment Insurance Fund annually by 15 October. (18.12.2003/1156)

The Unemployment Insurance Fund will pay the unemployment benefit society a monthly prepayment on the financing contributions in equal instalments on the total amount of the financing contributions referred to in subsection 1. However, as regards the student financial aid referred to in the Act on the Public Employment

Service, one eighth of the prepayment is paid in January and the rest in equal monthly instalments. Taking into account the field of operation of unemployment funds, the Unemployment Insurance Fund may pay the prepayments by derogation from the above in accordance with the presentation of the unemployment benefit society. (18.12.2003/1156)

If the Unemployment Insurance Fund deems that the presentation of the unemployment benefit society on the prepayments cannot be considered justified, it may pay the prepayments by derogation from what is laid down in subsections 1 and 2.

#### **Section 2 (18.12.2003/1156)**

The Unemployment Insurance Fund shall pay the monthly prepayments to the unemployment benefit society so that the government contribution and one third of the Unemployment Insurance Fund's contribution are paid no later than on the first business day of each month and two thirds of the Unemployment Insurance Fund's contribution are paid no later than on the 15th day of each month.

#### **Section 3 (18.12.2003/1156)**

The Unemployment Insurance Fund may adjust the prepayment payable to an unemployment benefit society if its grounds have changed. The Unemployment Insurance Fund may also order an unemployment benefit society to return any excess prepayment amounts.

#### **Confirmation of the financing contributions**

#### **Section 4 (20.12.2007/1355)**

Unemployment funds must submit an application concerning the financing contributions under Chapter 7 of the Unemployment Benefit Society Act to the Insurance Supervisory Authority for each calendar year by the end of April in the following year. The unemployment benefit society must attach to its application the report of operations given by its board of directors, the financial statements, the auditor's report and the other reports required by the Insurance Supervisory Authority.

The Ministry of Social Affairs and Health will confirm the financing contributions payable to the unemployment funds based on the proposal of the Insurance Supervisory Authority. The Ministry must serve the decisions regarding the amounts of the financing contributions to the Unemployment Insurance Fund, which must take the decisions into account in the prepayments payable to the unemployment funds as set out in section 5.

#### **Section 5 (20.12.2007/1355)**

Excess prepayments will be deducted from the prepayments of the following year after the Ministry of Social Affairs and Health has confirmed the financing contribution for the unemployment benefit society. If the prepayments paid are less than the confirmed financing contribution, the difference between the final financing contributions and the prepayments paid will be paid to the unemployment benefit society as an additional payment.

#### **Government contribution to the Unemployment Insurance Fund**

#### **Section 6 (20.12.2007/1355)**

The Unemployment Insurance Fund must submit an estimate on the government contributions payable to the unemployment funds in the following year to the Ministry of Social Affairs and Health by

10 November annually. The Ministry of Social Affairs and Health will confirm the prepayments payable in the following year to the Unemployment Insurance Fund based on the estimate of the Unemployment Insurance fund, however so that the prepayments will not exceed the appropriation reserved for these purposes in the government budget. The prepayments must be confirmed by 1 December each year. In this connection, the Ministry will also confirm the estimate of the final payment payable by the government for the year concerned. The difference between said estimate and the confirmed prepayments on government contributions for the year will be taken into consideration upon the payment of the last instalment of the prepayment or by the end of the year concerned.

The Ministry of Social Affairs and Health will pay prepayments to the Unemployment Insurance Fund in equal instalments on a monthly basis unless the Unemployment Insurance Fund proposes otherwise.

#### **Section 7 (20.12.2007/1355)**

If the Unemployment Insurance Fund has adjusted prepayments in accordance with section 3 or if the Unemployment Insurance Fund deems that there is a need to adjust the prepayments payable to the unemployment funds, the Unemployment Insurance Fund must present a proposal for the adjustment of the prepayments payable on government contributions to the Ministry of Social Affairs and Health if there is a substantial change in the prepayments corresponding to the government contributions. The Ministry can adjust the prepayment payable to the Unemployment Insurance Fund at its own initiative if the grounds for paying the prepayment on the government contribution have changed substantially.

#### **Section 8 (20.12.2007/1355)**

The Ministry of Social Affairs and Health will confirm the government contribution payable to the Unemployment Insurance Fund promptly after the decisions concerning the financing contributions of the unemployment funds have been served on the Unemployment Insurance Fund in accordance with section 4(2).

The difference between the prepayment on the government contribution and the confirmed government contribution will be payable or refundable by the end of the calendar month following the date of confirmation.

#### **Membership fee and equalisation fund**

#### **Section 9**

When applying for the confirmation of its membership fee from the Insurance Supervisory Authority, the unemployment benefit society must attach to the application the society's budget for the following year and a calculation of the sufficiency of the membership fee in which the benefits payable by the society as well as its administrative expenses and transfers to the equalisation fund are taken into consideration.

#### **Section 10**

The Insurance Supervisory Authority will determine the lower and upper limits for the unemployment benefit society's equalisation fund taking into consideration the benefit costs and administrative expenses for which the unemployment benefit society is itself liable.



## Legislation

### Reserve fund of the unemployment funds

#### Section 11

The membership fee of the reserve fund is confirmed by the Insurance Supervisory Authority and is collected annually by the end of November in accordance with the membership based on which the employee benefit society was last granted a financing contribution for its administrative expenses.

#### Section 12

The portion payable from the reserve fund's assets referred to in section 22(2) of the Unemployment Benefit Society Act will be paid to the employee benefit society for each calendar year within a month from the date on which the Insurance Supervisory Authority has submitted the information required for the payment to the reserve fund.

#### Section 13

The maximum portion of the reserve fund's assets that can be used during a calendar year corresponds to one half of the reserve fund's assets at the beginning of the year.

#### Section 14

The reserve fund's assets must be invested in a manner that generates income without jeopardising the fund's liquidity.

#### Section 15

The administrative organs of the reserve fund consist of the fund meeting and the board of directors. The reserve fund may also have a delegation as set out in section 17.

#### Section 16

The supreme decision-making authority in the reserve fund lies with the fund meeting.

The fund meeting is a meeting of its member societies or, if so provided in the rules, a meeting of its representatives.

The ordinary fund meeting must be held at the intervals laid down in the rules and in any case at least once in every five years.

#### Section 17

The rules of the reserve fund may prescribe that the duties of the fund meeting will be seen to by a delegation elected by the fund meeting.

The members of the board of directors may not be appointed as representatives or members of the delegation.

#### Section 18

The board of directors of the reserve fund must consist of at least three and at most seven members.

### Signing of decisions

#### Section 19

The decisions of an unemployment benefit society must be signed in the manner specified by the society's board of directors. If the decision is issued as a document that has been prepared using automatic data processing or otherwise as a document that has been prepared using printing methods at least partially, the decision can be signed automatically.

### Entry into force

#### Section 20

This decree enters into force on 1 April 2001.

This decree repeals the Decree on the Implementation of the Unemployment Benefit Society Act issued on 2 November 1984 (743/1984) and subsequent amendments to it.

In derogation from section 4(1), applications for financing contributions for the year 2000 may be submitted until the end of May. In the application of section 1(2) in the year 2001, the monthly prepayments will be paid as confirmed by the Ministry of Social Affairs and Health and the Unemployment Insurance Fund for said year. If an unemployment benefit society does not apply for the monthly prepayment, it must submit an estimate concerning the year 2001 to the Unemployment Insurance Fund by the end of April 2001. In the application of section 6, the prepayments payable to the Unemployment Insurance Fund in 2001 will be confirmed upon the entry into force of the decree so that the prepayments already paid to the unemployment funds have been deducted from the relevant appropriation in the government budget. When confirming the financing contributions payable for 2000, the total difference between the prepayments on the government contributions paid to the unemployment funds in 2000 and the confirmed government contributions will be handled as set forth in section 8(2).

## Unemployment benefit society act 24.8.1984/603

### Section 19 a (24.7.1998/556)

#### Equalisation of membership fees

To equalise the unemployment burden facing different industries, the Unemployment Insurance Fund will, as an equalisation of membership fees, pay an amount determined by the fund's supervisory board annually to the employee funds for which the number of unemployment benefit days paid substantially exceeds the average number of unemployment benefit days calculated among the members of employee funds in the preceding year. In determining the equalisation of membership fees, the size of the unemployment benefit society's equalisation fund can also be taken into account. The maximum amount that can be used annually for the equalisation of membership fees equals 0.75 per cent of the benefits paid by the unemployment funds in the calendar year. The societies can receive prepayments for the equalisation of membership fees.

The Unemployment Insurance Fund determines the grounds based on which the equalisation of membership fees mentioned in subsection 1 will be paid to the societies. (3.11.2000/913)

The equalisation of membership fees shall be provided for in more detail by a decree.

## Pay security act 27.11.1998/866

### Section 31 Funding

The Unemployment Insurance Fund referred to in the Act on Financing of Unemployment Benefits (555/1998) shall each year retroactively reimburse to the State the difference between the amounts paid to employees as pay security and the principal collected from employers, according to an invoice sent by the relevant ministry. However, if the collection of amounts from employers or other parties liable for payment has been renounced under section 19, such amounts shall be deducted from the aforementioned difference. If the reimbursement is delayed, it becomes subject to a penalty interest of 16 per cent.

### Section 33 Entry into force

This Act enters into force on 1 January 1999.

This Act repeals the Pay Security Act issued on 10 August 1973 (649/1973) and subsequent amendments to it.

## Employment accidents insurance act 20.8.1948/608

### CHAPTER 1 GENERAL PROVISIONS

#### Section 1 (28.12.1962/677)

A person who by contract and for remuneration undertakes work for another as an employee, under the employer's direction and supervision, is entitled to compensation for an employment accident in accordance with the provisions of this Act. The concept of remuneration covers any benefit of financial value.

Compensation payable under this Act for an employment accident sustained by an employee also includes benefits to his/her dependants and a funeral allowance.

Subsections 1 and 2 also apply to a person holding a leading position in a limited liability company or other enterprise or corporation, except in the case that he/she, either alone or together with his/her family members, holds more than half the capital stock in the limited-liability company in question or a person holding a leading position in a different enterprise or corporation is considered to have equivalent authority in the former enterprise or corporation. Subsections 1 and 2 also apply to employees who have as a work team collectively undertaken to carry out a specific job under the direction and supervision of the employer, and also to assistant employees engaged by said team with the consent of the employer.

Those entitled to compensation for an employment accident under this act are also entitled to compensation for an occupational disease, in accordance with provisions issued separately.

#### Section 1 a (23.12.1998/1132)

This act also applies to an employee temporarily posted abroad by a Finnish employer to work for the same employer. The same also applies to an employee posted abroad by a Finnish enterprise as employer to work for a foreign parent or subsidiary enterprise included in the same economic entity as the said Finnish enterprise if the employee's employment relationship with the posting company continues during the period working abroad.

#### Section 9

The duty to take out insurance under this act does not apply to the State, but the State shall pay compensation out of State funds in accordance with this act for an employment accident occurring in State employment.

#### Section 10(1) (29.12.2005/1234)

An employer is exempted from the duty to take out insurance until the total number of workdays performed for the employer during the same calendar year exceeds 12.

## CHAPTER 5 (30.12.2010/1317) APPEAL

#### Section 53 a (30.12.2010/1317)

##### Right of appeal

An interested party not satisfied with a decision of the insurance institution may appeal to the Accident Insurance Appeal Board by submitting a written appeal. An interested party not satisfied with a decision of the Accident Insurance Appeal Board may appeal to the Insurance Court by submitting a written appeal.

A ruling by the Insurance Court on whether an injury, illness or death confers a right to compensation under this Act or who is liable to pay the compensation, and its ruling on a material appeal can be appealed to the Supreme Court if the Supreme Court grants leave of appeal under Chapter 30, section 3, of the Code of Judicial Procedure.

#### Section 53 c (30.12.2010/1317)

##### Material appeal

An interested party who is of the opinion that a payment ordered under this act has been imposed contrary to law or agreement may submit a written material appeal to the Accident Insurance Appeal Board within two years of the beginning of the year following the one in which the payment was imposed or collected. Additionally, if such an appeal is submitted as a result of distraint, the provisions of the Act on the Collection of Taxes and Fees (706/2007) regarding material appeal will be applied.

An interested party not satisfied with a decision of the Accident Insurance Appeal Board on a matter referred to in subsection 1 may appeal to the Insurance Court by submitting a written appeal.

## Legislation

### EMPLOYEES pensions act 19.5.2006/395

#### Section 74

##### Unpaid periods giving entitlement to pension

Unpaid periods give entitlement to a pension if the employee has had insured earnings of at least EUR 12,566.70 under the earnings-related pension acts prior to the start of the pension contingency year.

Pension entitlement is calculated from the income constituting a benefit from an unpaid period, calculated from the beginning of the calendar month following the employee's 18th birthday until the end of the year immediately prior to the pension contingency. When calculating the old-age pension, however, the income forming the basis of the employee's benefit is taken into account until the end of the old-age pension's contingency month.

Income forming the basis of benefits during an unpaid period is considered earnings from the year for which the benefit period is paid. Income forming the basis of benefits giving entitlement to pension are as follows:

- 1) 117 per cent of the earnings pursuant to the Health Insurance Act that form the basis of maternity, special maternity, paternity or parental allowance for the period during which the benefit has been paid to the employee, and 17 per cent for the period during which the benefit has been paid to the employer;
- 2) 75 per cent of the earnings forming the basis of compensation for job alternation leave pursuant to the Act on Job Alternation Leave (14.8.2009/627);
- 3) 75 per cent of the earnings forming the basis of earnings-related allowance relative to earnings pursuant to the Unemployment Benefits Act, insofar as the allowance has been received by the end of the month during which the 63rd birthday occurred;
- 4) Section 4 has been repealed by Act 22.12.2009/1203.
- 5) Section 5 has been repealed by Act 22.12.2009/1203.
- 6) 65 per cent of the earnings forming the basis of adult training allowance pursuant to the Adult Education Benefit Act;
- 7) 65 per cent of the earnings forming the basis of rehabilitation allowance under the earnings-related pension acts or the Act on the Social Insurance Institution's Rehabilitation Benefits and Rehabilitation Allowance Benefits, or compensation for loss of income granted on the basis of the provisions on rehabilitation under employment accident insurance or motor liability insurance, for the time period during which the benefit has been paid to the employee, however not if the rehabilitation allowance has been paid in addition to the pension;
- 8) 65 per cent of the earnings, as referred to in the Health Insurance Act, that form the basis of sickness allowance, partial sickness allowance and special care allowance for the period during which the benefit has been paid to the employee, however such that the income forming the basis of the partial sickness allowance is half of the earnings on which sickness allowance is based; (22.12.2006/1274)

- 9) 65 per cent of the earnings forming the basis of loss of earnings compensation pursuant to the rules governing accident, traffic or military injury insurance for the period during which the allowance has been paid to the employee, however not insofar as pension accrues for the same reason as provided in section 8.

If the benefit referred to in subsection 3, paragraph 1 has been paid as a minimum allowance due to a lack of or small amount of earnings, the income forming the basis of the benefit is considered to be EUR 532.61 per month. If the benefit is the amount of the minimum allowance as a result of a return to work, the income forming the basis of the benefit is considered to be the amount of the minimum allowance paid to the employee.

Pension does not accrue on the income forming the basis of the benefit for periods during which the employee has received pension in accordance with the earnings-related pension acts, a comparable benefit from abroad or benefit on the basis of service in an international organization or an institution of the European Community. However, pension also accrues from periods of part-time and survivors' pension on the basis of the income forming the basis of the benefit. (7.12.2007/1164)

## CHAPTER 6 CONSIDERATION OF CHANGES IN SALARY AND PRICE LEVELS

### Section 19(1)

#### Adjusting earnings limits, money amounts and annual earnings by the wage coefficient

The earnings limits, money amounts and lower and upper limits are adjusted annually from the beginning of January by a coefficient (wage coefficient) where the weighting coefficient of changes in the wage level is 0.8 and the weighting coefficient of changes in the price level is 0.2.

### Section 182

#### Contribution of the Unemployment Insurance Fund

The Unemployment Insurance Fund, as referred to in the Act on Financing of Unemployment Benefits (555/1998), pays a contribution to the Finnish Centre for Pensions that is used to cover the liability and costs arising when periods of unemployment and training are taken into account as regards:

- 1) the pension providers referred to in this act that handle pension insurance for employees;
- 2) the Seamen's Pension Fund referred to in the Seamen's Pensions Act;
- 3) the local government pension provider referred to in the Local Government Pensions Act;
- 4) the Central Church Fund, which handles pension provision under the Evangelical Lutheran Church Pensions Act and the Survivors' Pensions Act for the Evangelical Lutheran Church (14.8.2009/634);
- 5) the Social Insurance Institution insofar as it handles pension provision referred to in section 13 of the Act on the Social Insurance Institution;

- 6) the pension provider handling pension provision under the pension regulations issued pursuant to section 11(2)(6) of the Act on the Bank of Finland; and
- 7) the Central Fund of the Orthodox Church, which handles pension provision under the pension regulations issued pursuant to the Act on the Orthodox Church.

The contribution of the Unemployment Insurance Fund is determined based on the earnings of the beneficiaries insured by the pension providers mentioned in subsection 1 that form the basis of the benefits referred to in section 74, subsection 3, paragraphs 2, 3 and 6, to which is added the amount of the employee's unemployment insurance contribution. The contribution of the Unemployment Insurance Fund is determined so that it is estimated to correspond to the amount which would be obtained if a contribution corresponding to the average contribution under this act were paid for the earnings set out above. In this case, the increased contribution rate for employees who have reached the age of 53 is not taken into account in the average contribution. (29.10.2010/909)

The Unemployment Insurance Fund shall pay the contribution to the Finnish Centre for Pensions annually within the time limit determined in the criteria for the division of liability. The Finnish Centre for Pensions reimburses the assets received as a contribution to the pension providers mentioned in subsection 1 in proportion to the earnings insured with the pension provider, so that the cost component of the Finnish Centre for Pensions, which is the liability of the pension providers stated in subsection 1, is deducted from the distributed assets before the reimbursement. More detailed provisions on the reimbursement of the contribution are included in the criteria for the division of liability referred to in section 183(2). (22.12.2011/1427)

The contribution of the Unemployment Insurance Fund referred to in subsection 2 is confirmed through a decision of the Ministry of Social Affairs and Health on a proposal of the Finnish Centre for Pensions. The Ministry of Social Affairs and Health may also confirm a preliminary contribution for the Unemployment Insurance Fund on a joint proposal of the Finnish Centre for Pensions and the Unemployment Insurance Fund.

## Employment contracts act 26.1.2001/55

### CHAPTER 12 LIABILITY FOR DAMAGES

#### Section 1 General liability

If the employer intentionally or through negligence commits a breach against obligations arising from the employment relationship or this act, it shall be liable for the loss thus caused to the employee.

In derogation from the provisions of subsection 1 above, liability for termination of the employment contract contrary to the grounds

laid down in Chapter 1, section 4, or in Chapters 7 or 8 is determined under section 2.

If the employee intentionally or through negligence commits a breach against, or neglects obligations arising from, the employment contract or this act or at work causes a loss to the employer, the employee shall be liable to the employer for the loss thus caused in accordance with the grounds laid down in Chapter 4, section 1, of the Tort Liability Act (412/1974).

The compensation for neglecting to observe the period of notice is determined under Chapter 6, section 4. Chapter 5, section 7, subsection 3 lays down provisions on the entitlement of an employee who has been laid off for a minimum of 200 days, and who terminates the employment relationship, to receive compensation equivalent to pay or part of it for the period of notice.

#### Section 2 Compensation for groundless termination of an employment contract

If the employer has terminated an employment contract contrary to the grounds laid down in this act, it must be ordered to pay compensation for unjustified termination of the employment contract. If the employee has cancelled the employment contract on the grounds laid down in Chapter 8, section 1, arising from the employer's intentional or negligent actions, the employer must be ordered to pay compensation for unjustified termination of the employment contract. The exclusive compensation must be equivalent to the pay due for a minimum of three months or a maximum of 24 months. Nevertheless, the maximum amount due to be paid to shop stewards elected on the basis of a collective agreement or to elected representatives referred to below in Chapter 13, section 3, is equivalent to the pay due for 30 months.

Depending on the reason for terminating the employment relationship, the following factors must be taken into account in determining the amount of compensation: estimated time without employment and estimated loss of earnings, the remaining period of a fixed-term employment contract, the duration of the employment relationship, the employee's age and chances of finding employment corresponding to his or her vocation or education and training, the employer's procedure in terminating the contract, any motive for termination originating in the employee, the general circumstances of the employee and the employer, and other comparable matters.

If the employer has terminated the employment contract contrary to the grounds laid down in Chapter 7, sections 3 or 7, or cancelled it contrary to the grounds laid down in Chapter 1, section 4, or solely contrary to the grounds laid down in Chapter 8, section 1, the provision in subsection 1 on minimum compensation shall not apply.

#### Section 3 Impact of daily unemployment allowance on payment of indemnities and compensation

Where a compensation ordered under section 2 above is compensation for loss of emoluments due to unemployment before a ruling is pronounced or delivered, the following deductions shall be made:

## Legislation

- 1) 75 per cent of the daily earnings-related unemployment allowance as referred to in the Unemployment Benefits Act (602/1984) paid to the employee for the period in question;
- 2) 80 per cent of the basic unemployment allowance referred to in the Unemployment Benefits Act paid to the employee for the period; and
- 3) the labour market subsidy paid to the employee for the period under the Act on Labour Market Subsidy (1542/1993).

A court may, if warranted by the amount of the compensation, the employee's financial and social circumstances and the violation suffered by him, reduce the amount deductible from the compensation referred to in subsection 1 or waive the deduction fully.

When processing a matter referred to in subsection 1, paragraph 1, above, a court shall provide the Unemployment Insurance Fund and the unemployment fund with an opportunity to be heard. The court must order the employer to pay the sum deducted from the compensation to the Unemployment Insurance Fund, and inform it of the legally valid ruling or decision in the matter. What is herein laid down pertaining to the Unemployment Insurance Fund shall correspondingly apply to the Social Insurance Institution when a matter referred to in subsection 1, paragraph 2 or 3, is processed.

When an agreement is made on the amount of the employer's liability, it must separately mention the total compensation agreed under section 2 and the compensation included therein paid to the employee for loss of emoluments due to unemployment before the agreement is made. The deductions prescribed in subsections 1 and 2 shall be made from the compensation. The employer is responsible for paying the sum deducted from the compensation to the Unemployment Insurance Fund or the Social Insurance Institution and for sending a copy of the agreement to the Unemployment Insurance Fund or the Social Insurance Institution.

What is laid down above on compensation ordered under section 2 also applies to compensation ordered under section 1, subsection 1, for groundless lay-off.

## Act on compensations for training 20.12.2013/1140

### Section 1

#### Objectives of the Act

The objective of this act is to improve the opportunities of employers to organise training for employees that develops their professional skills.

### Section 2

#### Scope of application

This Act is applied to the reimbursement of costs incurred through training (training compensation) to employers not entitled to a deduction based on training under section 56(6) of the Act on the Taxation of Business Profits and Income from Professional Activity (360/1968) or section 10f(6) of the Act on Agricultural Income

Tax (543/1967) However, this Act is not applied to the Parliamentary Office, the Office of the President of the Republic of Finland, the Office of the Parliamentary Ombudsman, the National Audit Office, the Bank of Finland or the Social Insurance Institution of Finland. Moreover, the act is not applied to households as employers.

The provisions laid down in this Act concerning workers also apply to public servants and local government officials.

### Section 3

#### Implementation of the act

The implementation of this act is the responsibility of the Ministry of Finance as concerns government agencies and, as concerns employers, the Unemployment Insurance Fund. Government agency means an agency referred to in section 1(3) of the Public Servants Act (750/1994) but not state enterprises or agencies to which the Public Servants Act is not applied under section 3(1) of the Public Servants Act.

### Section 4

#### Training giving rise to compensation

Employers have the right to training compensation for training that is based on a plan referred to in section 3 of the Act on Financially-Supported Development of Professional Skills (1136/2013) provided that the following conditions are met:

- 1) the duration of the training is at least an hour;
- 2) the employer pays wages to the employee for the duration of the training; and
- 3) wage subsidy under Chapter 7, section 1 of the Act on Public Employment and Business Service (916/2012) has not been granted to cover the pay costs of the employee taking part in the training.

### Section 5

#### Amount of training compensation

The training compensation is 10 per cent of the pay costs used as grounds for the training compensation.

The pay costs used as grounds for training compensation are calculated by multiplying the average daily pay of employees by the number of days for which the employer is entitled to training compensation.

Average daily pay is calculated by dividing the wage sum used as the grounds for the unemployment insurance premiums under Act on Financing Unemployment Benefits (555/1998), hereinafter the Financing Act, by the average number of employees working for the employer and by dividing the quotient obtained in this manner by 200. The average daily pay in a government agency is calculated so that the amount of work-related earnings entitling to a pension under section 59 of the State Employees' Pensions Act (1295/2006) is divided by the average number of employees at the government agency and the quotient obtained is divided by 200.

Days when the duration of training has been at least 6 hours are considered training days. A training day may consist of several trainings or training periods, with a combined duration of which during a calendar year is at least six hours.

Training compensation can be granted for a maximum of three training days per employee per calendar year.

#### **Section 6**

##### **Applying for training compensation**

Government authorities apply for training compensation from the Ministry of Finance and other employees from the Unemployment Insurance Fund.

#### **Section 8**

##### **Procedure when applying for training compensation from the Unemployment Insurance Fund**

The employer will provide information on the amount of training compensation according to section 5 of this Act in connection with the notification concerning the amount of wages under section 21b of the Financing Act.

The Unemployment Insurance Fund will issue a decision on the amount of training compensation in connection with determining the amount of unemployment insurance premium pursuant to section 21c of the Financing Act.

The training compensation is deducted from the unemployment insurance premium determined for the employer.

#### **Section 9**

##### **Application of the Financing Act**

In matters concerning the training compensation paid out by the Unemployment Insurance Fund provisions in sections 21c, 22, 22a, 22c–24g, 24i, 26d and 26e on unemployment insurance contributions are applied.

#### **Section 10**

##### **Financing of training compensation**

Each year, upon application, the Ministry of Finance shall pay the Unemployment Insurance Fund the sum that the Fund has paid out to employers as training compensation.

#### **Section 11**

##### **Entry into force**

This act enters into force on 1 January 2014.

*Source of legislation: Edilex/Finlex 12 March 2015*





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