

Long-term Projections in Finland

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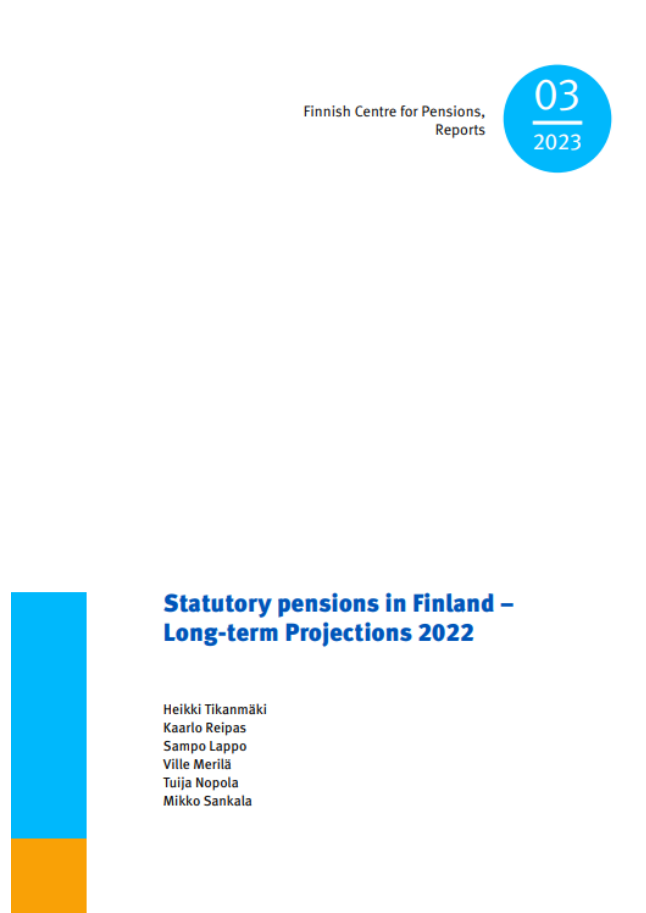
Finnish Centre for Pensions
ELÄKETURVAKESKUS

Statutory pensions in Finland

- The main earnings-related pensions acts are the Employees Pensions Act (TyEL), the Public Sector Pensions Act (JuEL) and the Self-employed Persons' Pensions Act (YEL)
 - Out of 2.6 million insured workers in 2021, more than 1.9 million were insured under TyEL
 - National pension and guarantee pension provide minimum pension for persons with small or no earnings-related pension
- TyEL is implemented with a partial funding technique
 - Funds of €150 billion operated jointly by private pension insurers
- For earnings-related old-age pensions under TyEL:
 - 0.4% accrual for the funded component (total 1.5% accrual)
 - additional funding requirements from investment returns



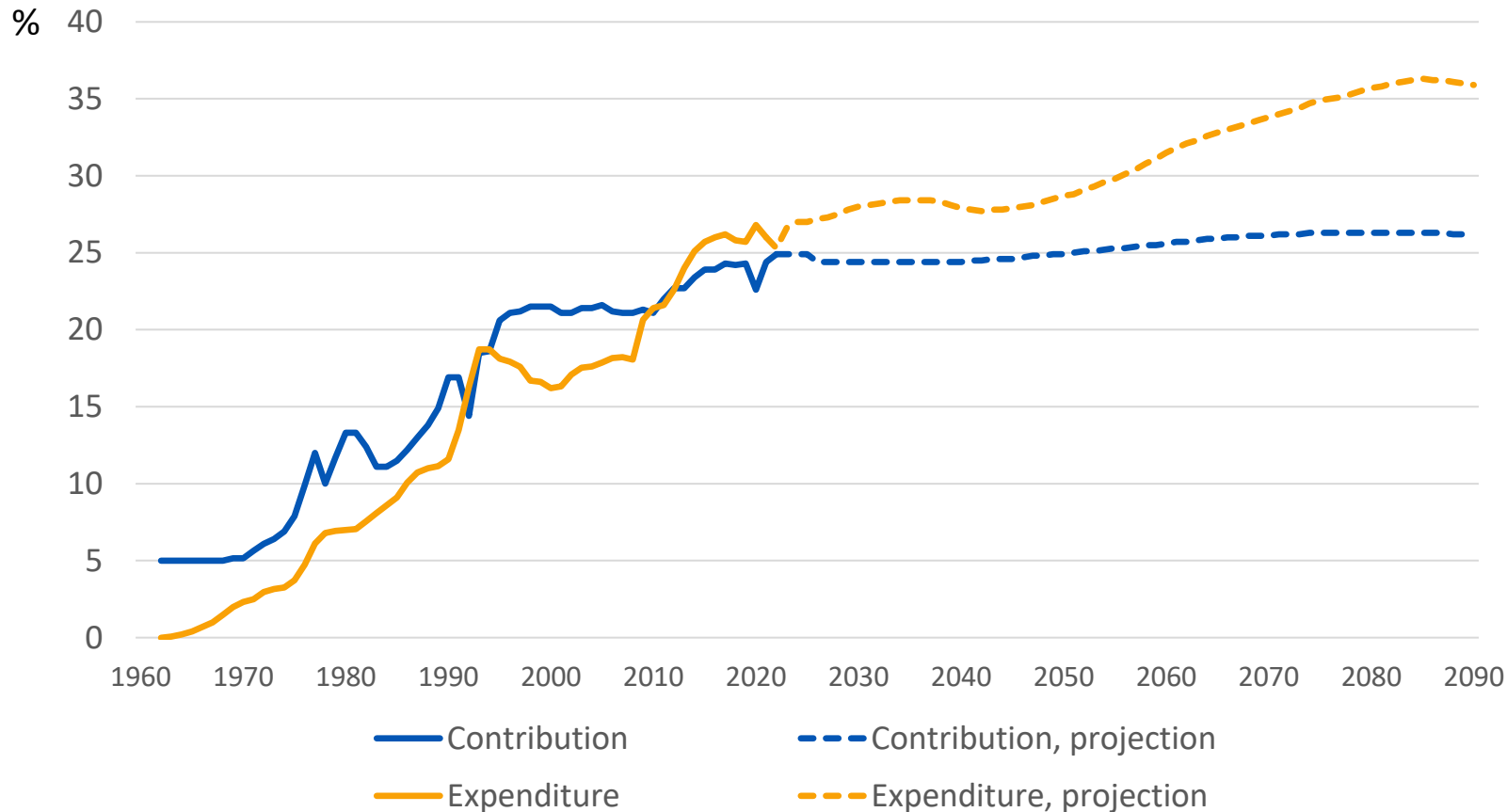
Statutory pensions in Finland: Long-term Projections



- One of the statutory tasks of the Finnish Centre for Pensions is to publish projections concerning the future of the Finnish pension system
- Projections based on registered data and detailed rules for pension accrual and benefits
- Separate semi-aggregated and microsimulation models
- Published every two to three years since the early 2000s
- Latest projection from 2022
- <https://www.etk.fi/en/research-statistics-and-projections/projections/long-term-projections/>



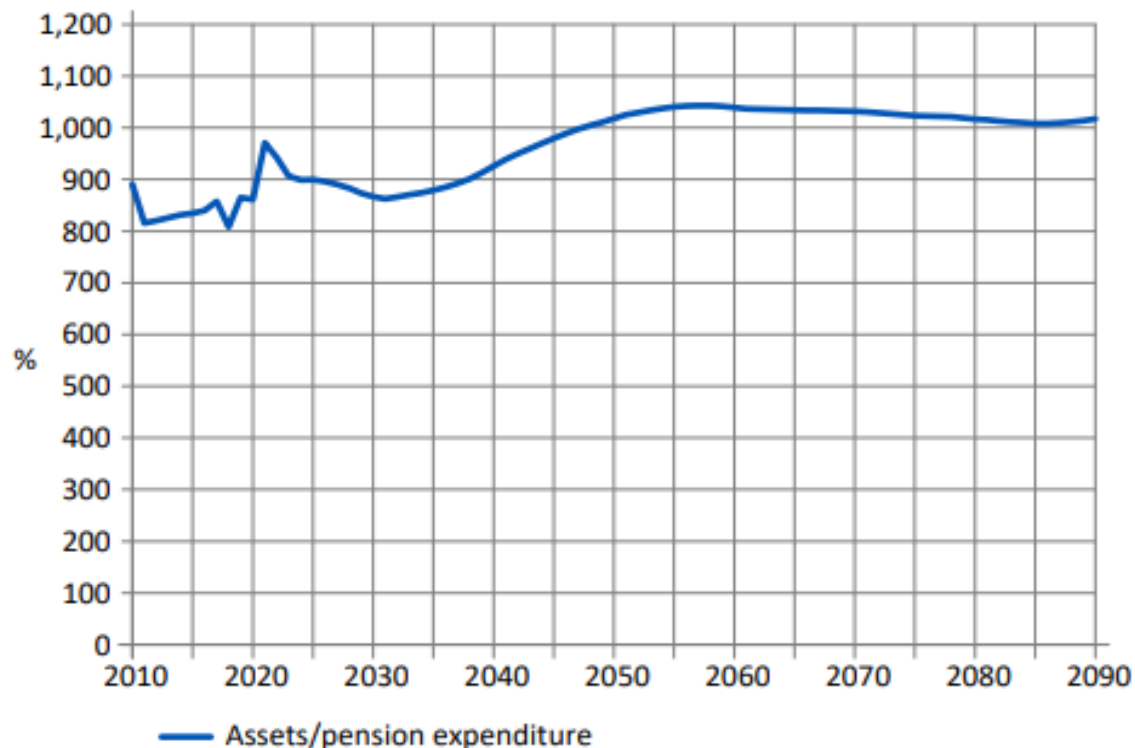
Pension expenditure and contribution rates in proportion to wage sum under the Employees Pensions Act (TyEL) in 1962–2090



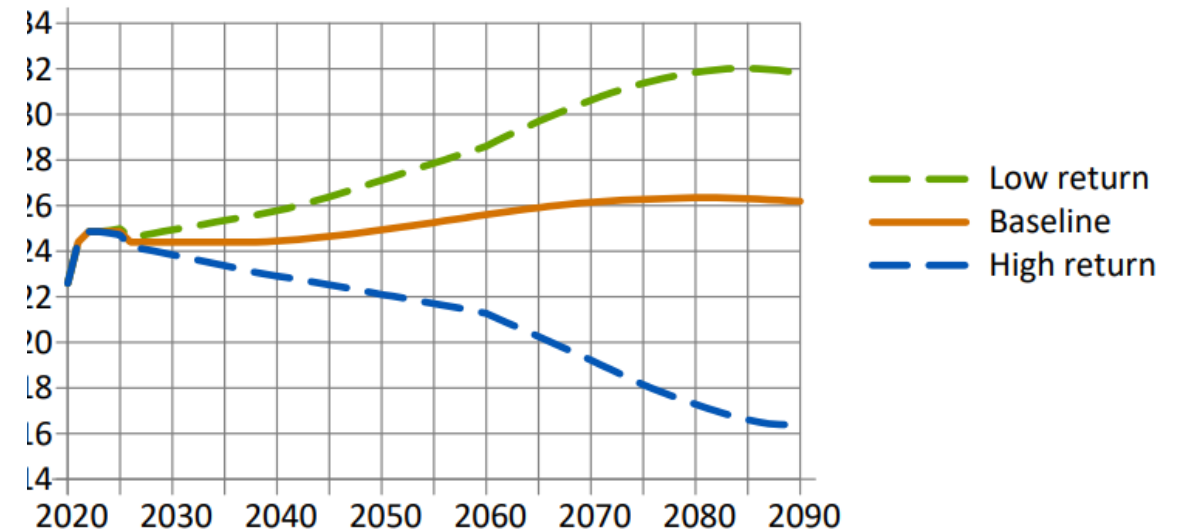
High focus on assessing financial sustainability

- With partial funding both demographic and investment trends play a role

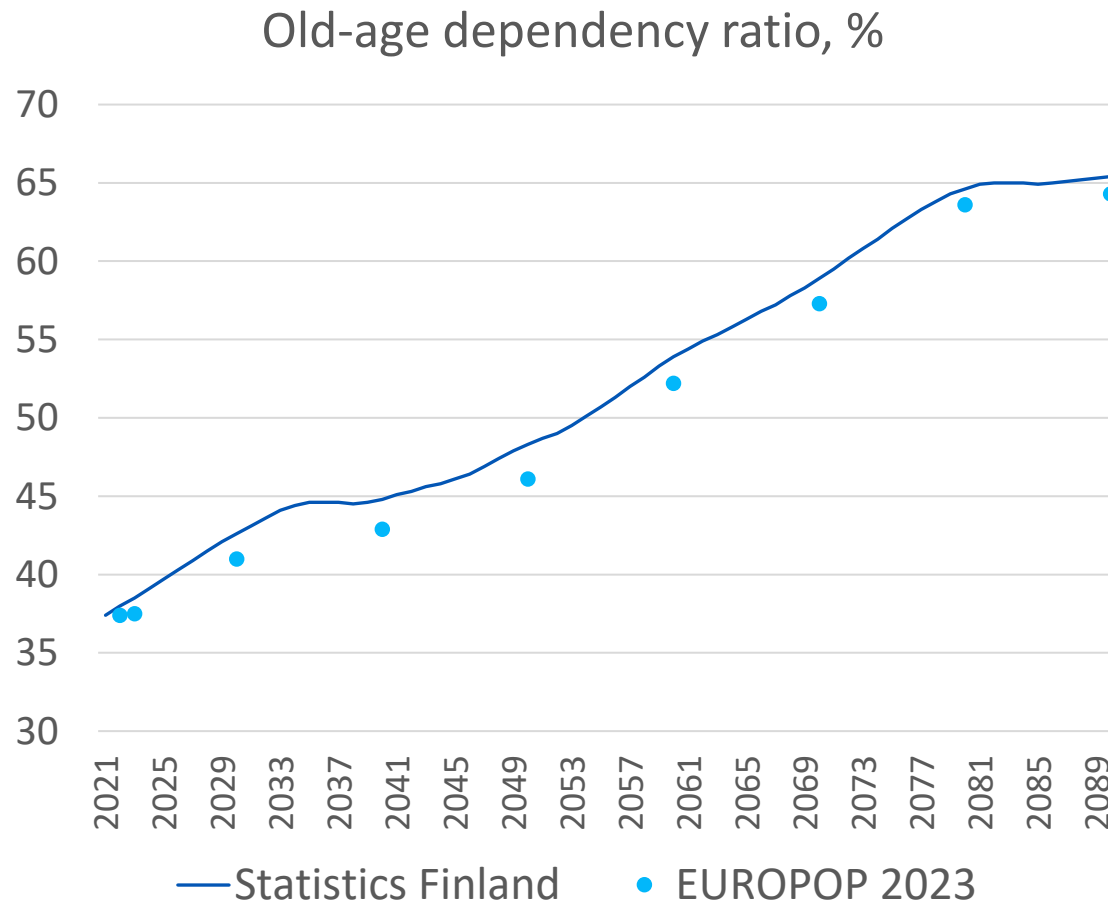
TyEL assets relative to TyEL pension expenditure 2010–2090



TyEL contribution relative to TyEL wage sum under different return assumptions



Projections with both national and Eurostat population growth assumptions



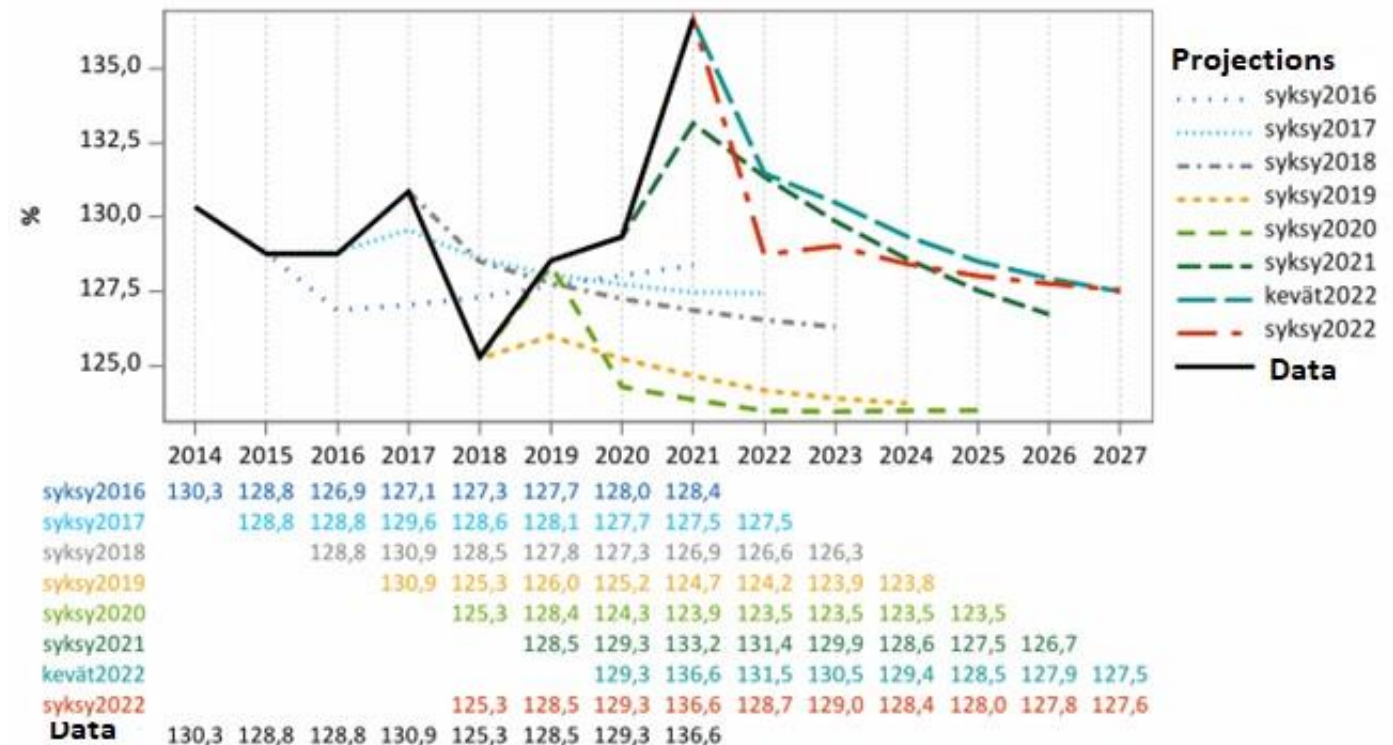
- The basic projection uses population projections from Statistics Finland
- EUROPOP population projection is used in calculations for the Ageing Report for Working Group on Ageing Populations and Sustainability
- Various scenario calculations



Long-term projections in the process of developing social security pensions

- Overall picture of pension system and multiple scenarios
 - High visibility in the media
- Impact assessments for legislative proposals
- In addition, detailed six-year projections are published several times per year
 - Separate projection model with monthly changes
 - For pension providers and other stakeholders
 - Used to determine yearly contribution levels and other parameters

Average solvency ratio of TyEL pension providers in projections 2016-2022



DEMOGRAPHY 2021–2027



- Demographic Changes – Causes, Consequences and Solutions
 - The programme seeks research-based solutions for adapting to changes in the population's age structure and maintaining the functional and renewal capacity of society
 - Themes decided jointly with universities, research institutes, ministries and the Finnish Government
 - Run by the Strategic Research Council with a funding of €18 million

The Finnish Centre of Pensions is involved in the Demography programme

- Register data available for academic research
- Projection models for scenarios with pension data output
- The programme is led by Susan Kuivalainen, our Head of Research

<https://demography.fi/en/>

Decision-makers need to make decisions in an uncertain situation. Research supports long-term, far-sighted decisions.

Jouni Varanka
Head of Policy Planning Unit
Prime Minister's Office



Research is more effective the earlier it is discussed with the knowledge users.

Susan Kuivalainen
Programme Director
DEMOGRAPHY Programme

