

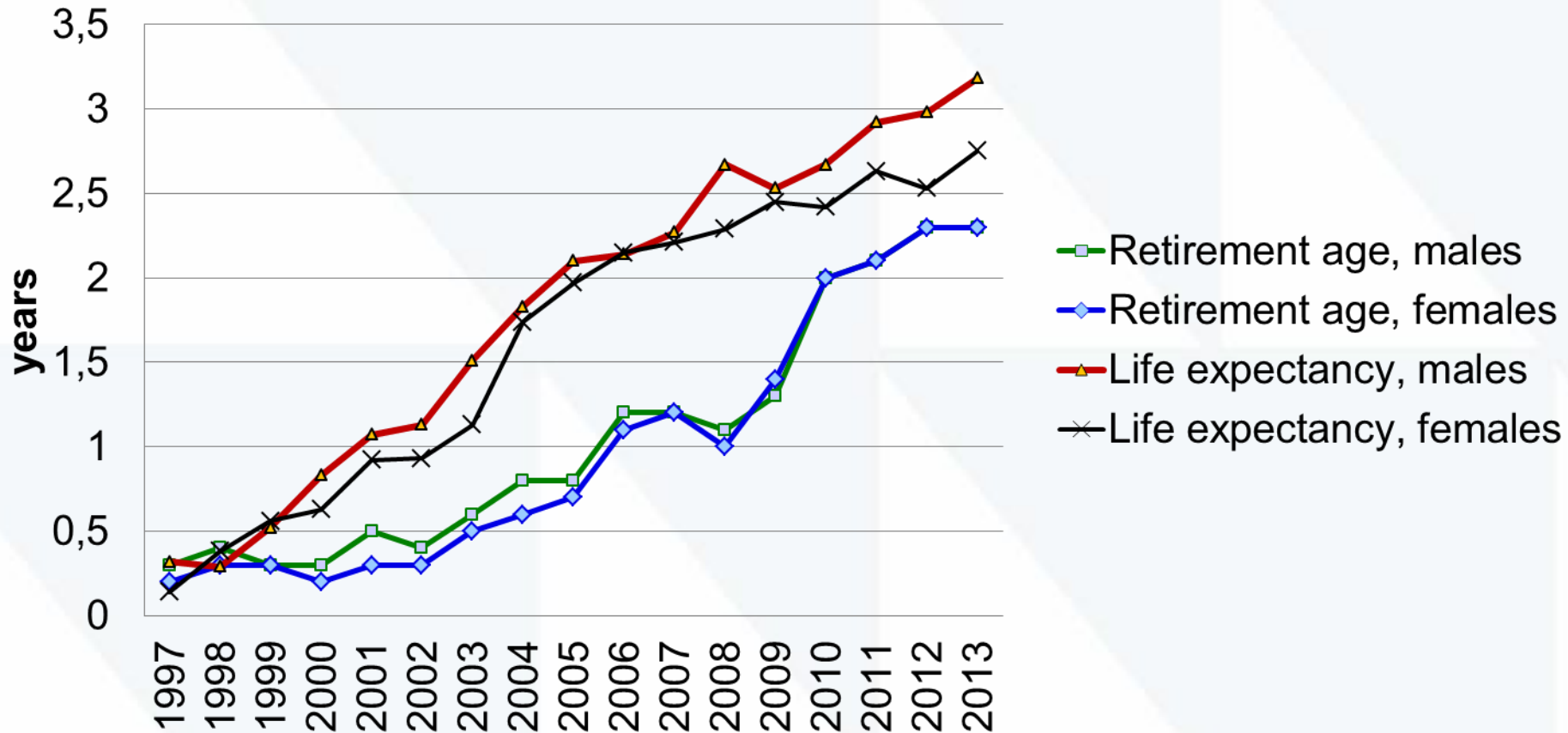
Finland: Incentives for a prolonged working life

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Pension reform of 2005

- Earnings received when young increase pensions more than before:
 - Earlier starting age of accrual, all earnings have effect, stronger indexation of accrued pension rights.
- Earnings received when old increase pensions more than before:
 - Flexible retirement age and super-accrual after lowest eligibility age, if pension is not drawn.
- Gradually reduced access to and rewards for using early retirement routes.
- Life-expectancy adjustment of pensions.

Increase in expected retirement age and life-expectancy at age 65 in Finland



Agreed pension reform of 2017

- Lower and upper age limits of the flexible retirement age are first gradually increased by two years (3 months/year) and tied to life expectancy 2030.
- Earnings received when young increase pensions more than before:
 - Earlier starting age of accrual and higher pensionable wage.
- Accrual of pension is changed:
 - Accrual rate are is the same in all ages before the upper limit.
 - Increment for deferred withdrawal starts from the lower limit.
- Amended life expectancy adjustment.
- Introduction of years-of-service pension and partial early old age pension.

Incentives for longer working lives and not withdrawing pensions in Finland

	Flexible retirement age	Annual accrual rates, percent of pensionable wages		Annual increment in pension for deferral
Before 2005	60- 65	1,5 % Before age 60	2,5 % Ages 60-64	4,8 % Ages 65 +
2005 -2016	63-67	1,9 % Ages 54-62	4,5 % or 1,5 % Ages 63-67	4,8 % Ages 68 +
From 2017	5-year window	1,5 % until upper age limit		From lower age limit 4,8 %

Final remarks

- Higher accrual rates have positive influence on retirement ages, but they seem not to be very effective.
- The advisable method to reach longer working lives is to link the age limits of the flexible retirement window to life expectancy and restrict the possibilities and reduce incentives for the use of early retirement routes.
- Increasing the eligibility age for old-age pension is not particularly problematic from a distributional perspective.

Thank you !