

26.11.2019

**Grounds for amendment to the specific principles according to the EC Act on the transfer of pension rights**

The principles according to the EC Act on the transfer of pension rights are applied when an official, an employee or a self-employed person transfers to the employment of the European Communities and the capital value, including interest, of the pension rights they have accrued is transferred to the pension scheme of the European Communities. The principles are also applied when the capital value transferred to the European Communities is returned after the official or employee leaves the employment in the European Communities.

The Act on the transfer of pension rights between the Finnish earnings-related pension scheme and the pension scheme of the European Communities (165/1999) came into force on 1 March 1999. The most recent amendments to the Act came into force on 1 January 2017 (1264/2016).

The previous amendments to the specific principles were made in 2016. The amendment provided for transfers and returns of pension rights took into consideration the 2017 pension reform and the amendments made to the EU Act on the transfer of pension rights.

**Amendments**

The combined effects of the amendments do not have a significant impact on the transfer factors compared to the current ones.

**Demographic presumptions**

The life expectancy coefficient can be detached from the calculation of the capital value factors and used as such when calculating the transfer amount.

The estimates would be based on the most recent population forecast in the same way as they are in the long-term projections (LTP) of the Finnish Centre for Pensions.

**Economic presumptions**

The presumptions do not meet current economic outlooks, so they would be adjusted according to the long-term projections made in the autumn of 2019.

In the future, the economic presumptions would be divided into two time periods: the near future (next 10 years) and a later future.

	Real return of assets	Real growth in wages
Near future	2.5 per cent	1.0 per cent
Later future	3.5 per cent	1.5 per cent

According to the new economic presumptions, the values of the technical rate of interest and the wage adjustment term would be calculated as follows:

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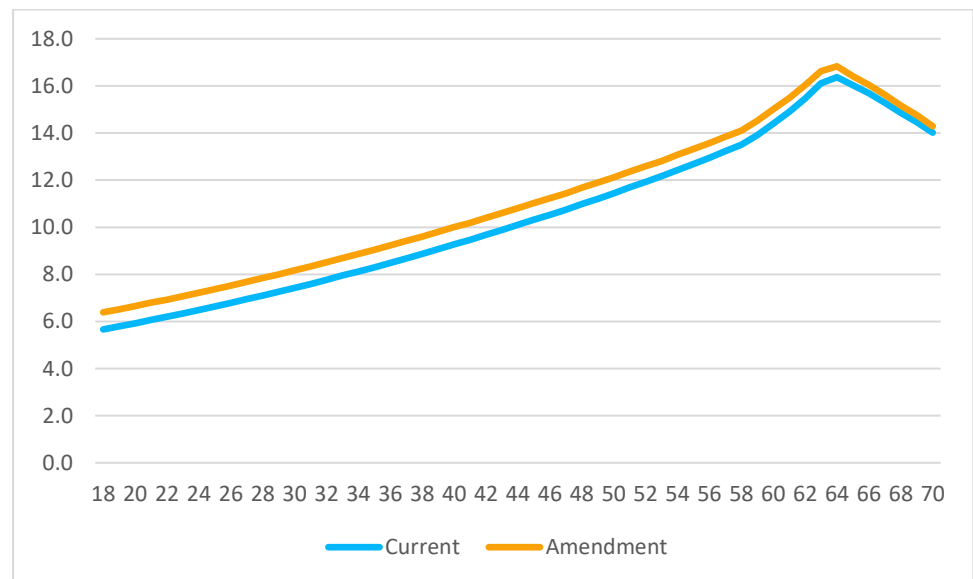
$$b_1 = \left[ \frac{2}{3} \left( \frac{1.035}{0.8 + 0.2 \cdot 1.015} \right) + \frac{1}{3} \left( \frac{1.025}{0.8 + 0.2 \cdot 1.01} \right) \right] - 1 \approx 0.029$$

$$\rho = \frac{1}{2} \left( \frac{0.2 + 0.8 \cdot 1.015}{0.8 + 0.2 \cdot 1.015} \right) + \frac{1}{2} \left( \frac{0.2 + 0.8 \cdot 1.01}{0.8 + 0.2 \cdot 1.01} \right) \approx 1.008$$

### Impact of the changes

The effect of the amendments is shown in Figure 1. For example, transfer amount of a 47-year-old official will increase in 2020 from about 107 000 euro to approximately 114 000 euro, when the official's annual accrued pension rights are 10 000 euro.

*Figure 1: Value of transfer factors under current principles and the amended principles in 2020. The vertical axis describes the values of the factors on an annual basis and the horizontal axis describes the person's age.*



### Frequency of calculation presumptions

The realisation and outlooks of the presumptions of the principles must be monitored. A new proposal of the principles needs to be made in case of significant amendments.

### Entry into force

The principle is to be applied to the transfers and returns of pension rights that have been applied for on 1 January 2020 or later.