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## Social security and pensions

Sweden offers a framework of publicly funded social provision, ranging from pensions and health-care to parental allowances and employment-related insurance. The national basic pension and insurance system is often combined with occupational-based insurance plans.

### SOCIAL SECURITY SYSTEM

Social insurance in Sweden has many facets, ranging from parental leave and child care to sickness and accident insurance, disability assistance, and care for the elderly. It covers all Swedish residents.

Sweden's social security system is primarily funded by statutory contributions, from the employer and employees, under the national basic pension and insurance plan.

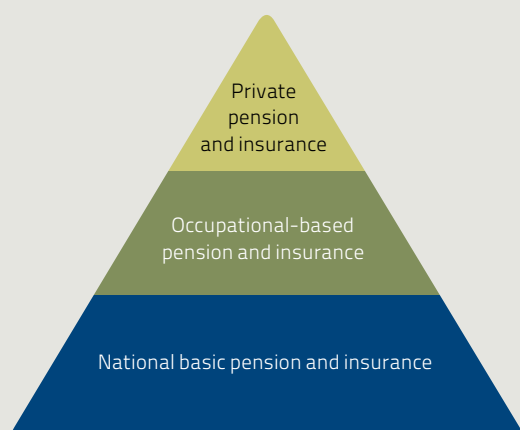
Many employers supplement these contributions with payments under occupational-based agreements with their employees.

Individual employees can also top up their provision with private insurance.

### IN BRIEF

- Cost of hiring skilled employees internationally competitive
- Lower rate of social security contributions for employees under 26 years of age
- Reduced rate of social security contributions for key foreign employees

### THE PENSION AND INSURANCE PYRAMID



## NATIONAL BASIC PENSION AND INSURANCE

### Employer contributions

All employers in Sweden pay statutory social security contributions on behalf of their employees, consisting of charges for pensions, health insurance and other social benefits. These contributions amount to 31.42 percent of gross salary.

Employer contributions come on top of wage and salary costs and are payable for any employee or contractor who has earned SEK 1,000 or more during the year.

#### STATUTORY EMPLOYER CONTRIBUTIONS

	% of wages/salary in 2012
Retirement pension	10.21
Survivor's pension	1.17
Health insurance	5.02
Occupational injury insurance	0.30
Parental insurance	2.60
Unemployment insurance	2.91
Payroll contribution	9.21
Total statutory employer contribution	31.42

Source: Confederation of Swedish Enterprise (Svenskt Näringsliv)

### Exemption from statutory contributions

For employees under 26 years of age, employers pay a reduced social security contribution rate. Instead of the normal rate of 31.42 percent, employers pay 15.49 percent (2012).

The New Start program encourages companies to hire people who have been long-term unemployed. This reform waives all statutory employer contributions for people who have been receiving unemployment benefit, sickness benefit, disability pension or a social allowance for more than one year. This relief is valid for a period equal to the length of the person's unemployment (up to a maximum of five years).

For foreign experts a reduction in employer contributions is available as part of the tax relief scheme for key foreign employees.

### Employee contribution

Employees themselves contribute 7 percent of their wages or salaries to the pension system via the general pension fee (*allmän pensionsavgift*). This contribution is included in income tax and is deducted by the employer at source together with preliminary income tax.

Employees do not need to pay general pension fees on the part of their income that exceeds SEK 440,622 (2012).

## OCCUPATIONAL-BASED PENSION AND INSURANCE

Many employers also pay into occupational-based insurance and pension plans on behalf of their employees. Occupational-based schemes are an important part of the pension and insurance system, helping employers to attract and retain skilled employees.

Two main types of occupational pension and insurance plan are used in private industry to supplement basic statutory protection: collectively agreed insurance or non-collective insurance.

### What is covered

Whether collective or non-collective, an occupational pension and insurance plan typically includes:

- Supplementary retirement pension
- Life insurance
- Accident insurance
- Long term disability insurance
- Payment exemption in case of disability

Companies that are members of the Swedish employers' association, the Confederation of Swedish Enterprise (*Svenskt Näringsliv*), are required, as a rule, to take out insurance for their employees under current collective agreements.

Companies which are not bound by a collective agreement with a trade union may choose either to sign a collective application agreement (*hängavtal*) with a trade union or may as a benefit offer a non-collective insurance plans (see "Non-collective insurance plans," below).

### Collective insurance plans

A majority of employers in Sweden have collective agreements with trade unions under which they make payments to occupational pension and insurance plans for their employees. These plans provide employees with supplementary insurance above their basic statutory provision.

Although occupational schemes involve a cost to employers, they also offer advantages because attractive pension and insurance solutions help them to attract and retain skilled staff.

Collective agreements differ depending on whether the employees are salaried employees or wage earners. See the tables on the next page for precise percentages.



### Salaried employees

The ITP, or supplementary pension for salaried employees in industry and commerce, is based on a collective agreement between Svenskt Näringsliv and the Council for Negotiation and Cooperation (PTK).

The ITP plan is a defined-benefit pension, based on the employee's salary at retirement, and managed by insurance company Alecta and service company Collectum.

In 2007, the ITP occupational pension and insurance plan was replaced by a defined contribution pension. The new system, *ITP 1*, applies to persons born in 1979 and thereafter, whereas salaried employees born in 1978 or earlier continue to be covered by the current defined benefit pension, known as *ITP 2*.

Employers pay a reduced premium for employees under the age of 25 under the ITP 1 system. An employer that has not previously offered a collective insurance plan for salaried employees can use the ITP 1 system for all staff, irrespective of age.

Other insurance schemes included for salaried employees are: Employment Security Council (*TRR*), Occupational Group Life Insurance (*TGL*) and Labor Market No Fault Liability Insurance (*TFA*).

#### Salaried employees ITP 1 (% of gross pay)

	Part of salary up to SEK 34,125/month	Part of salary exceeding SEK 34,125/month
ITP 1		
- retirement pension	4.50 <sup>1</sup>	30.00 <sup>1</sup>
- waiver of premium insurance	0.27 <sup>1</sup>	1.69 <sup>1</sup>
- health insurance	0.22 <sup>1</sup>	0.74 <sup>2</sup>
TGL	approx. 0.20 <sup>3</sup>	0.00
TFA (AFA insurance)	0.01	0.01
TRR	0.30 <sup>4</sup>	0.30 <sup>4</sup>
<b>Total occupational insurance premium</b>	<b>5.50</b>	<b>32.74</b>

1) Taken out from the age of 25.

2) The premium is paid on salary portions up to 30 price base amounts (SEK 136,500/month).

3) Approx. SEK 35/month and employee (SEK 420/year) corresponding to approx. 0.2 percent of the payroll expense for salaried employees, up to 7.5 price base amounts (SEK 27,500/month).

4) Local collective agreement companies pay 0.7 percent.

Source: Confederation of Swedish Enterprise (Svenskt Näringsliv)

#### Salaried employees ITP 2 (% of gross pay)

	Percentage of gross pay
ITP 2 (retirement pension, health insurance, etc.)	approx. 10.9 <sup>1</sup>
TGL	approx. 0.2 <sup>2</sup>
TFA (AFA insurance)	0.01
TRR	0.3 <sup>3</sup>
Total gross premium	approx. 11.41
Premium discount	approx. -0.1
<b>Total premium</b>	<b>approx. 11.31</b>

1) Projection for 2012. There are wide variations. The cost normally varies between 5 and 20 percent. No wage trends for 2012 have been taken into account when making the calculations. The premium is paid on salary portions up to 30 price base amounts (SEK 1 638,000/year).

2) Approx. SEK 35-50/month and employee corresponding to approx. 0.2 percent of the payroll expense for salaried employees on salary portions up to 7.5 price base amounts (SEK 330,000).

3) Local collective agreement companies pay 0.7 percent.

Source: Confederation of Swedish Enterprise (Svenskt Näringsliv)

### Wage earners

The SAF-LO Collective Pension is a supplementary pension for wage earners based on a collective agreement between the Confederation of Swedish Enterprise and the Swedish Trade Union Confederation (*LO*). Employers pay a reduced premium for employees under the age of 25. It is run by the service company Fora.

Other insurance schemes included for wage earners are: Collective Group Health Insurance (*AGS*), Redundancy Program Insurance (*AGB*), Occupational Group Life Insurance (*TGL*) and Labor Market No Fault Liability Insurance (*TFA*).

#### Wage earners (% of gross pay)

	Part of salary up to SEK 409,500/year	Part of salary exceeding SEK 409,500/year
Career Readjustment Insurance	0.30 <sup>1</sup>	0.00
AGS	0.00 <sup>2</sup>	0.00
TFA	0.01	0.01
TGL	0.25 <sup>2</sup>	0.00
SAF-LO Collective Pension		
- pension premium	4.50 <sup>3</sup>	30.00 <sup>3</sup>
- waiver of premium insurance	0.00	0.00
Total gross premium	5.06	30.01
Premium discount	-1.00	0.00
<b>Total occupational insurance premium</b>	<b>4.06</b>	<b>30.01</b>

1) The Confederation of Swedish Enterprise and LO have agreed that, for companies that are members of the Confederation of Swedish Enterprise, the premium will be SEK 0.30 for 2012. The premium for companies that are members of employers' associations outside of the Confederation of Swedish Enterprise is 0.32 percent. Local collective agreement companies pay 0.60 percent.

2) The premium is paid on salary portions up to 7.5 price base amounts (SEK 330,000).

3) Taken out from the age of 25.

Source: Confederation of Swedish Enterprise (Svenskt Näringsliv)

### Non-collective insurance plans

Companies that are not bound by a collective agreement with a trade union can either sign a collective application agreement (*hångavtal*) with a trade union or may as a benefit offer a non-collective agreement solution. An employer can also use an insurance company to offer employees a non-collective occupational pension and insurance plan.

Note that non-collective agreement solutions are rare when employing wage earners as most of them are members of a trade union.

If a company is not bound by a collective or collective application agreement it does not have to offer a non-collective insurance plan.

### PRIVATE PENSION AND INSURANCE - A TOP-UP POSSIBILITY FOR THE INDIVIDUAL

Individual employees can also top up their insurance provision with private pension savings.



## USEFUL CONTACTS

**Employers' associations****The Confederation of Swedish Enterprise (Svenskt Näringsliv)**

Storgatan 19, SE-114 82 Stockholm  
+46 8 553 430 00  
www.svensktnaringsliv.se  
Sweden's largest business federation representing 50 member organizations and 54,000 member companies.

**Swedish Federation of Business Owners (Företagarna)**

Regeringsgatan 52  
SE-106 67 Stockholm  
+46 8 406 17 00  
www.foretagarna.se  
The Swedish Federation of Business Owners is an organization for entrepreneurs and business owners. It represents some 55,000 directly affiliated entrepreneurs.

**Insurance and pension services companies****Alecta**

Regeringsgatan 107  
SE-103 73 Stockholm  
+46 8 441 60 00  
www.alecta.se  
Insurance company which manages the ITP pension.

**Collectum**

Stadsgården 10  
SE-103 76 Stockholm  
+46 8 508 980 00  
www.collectum.se  
Collectum operates the ITP pension plan for businesses, insured persons and insurance companies.

**Fora**

Vasagatan 12  
SE-101 56 Stockholm  
+46 8 787 40 10  
www.fora.se  
Fora is a service company which handles the flow of collective insurance premiums and fees between companies and insurance providers, foundations and investment funds..

## FURTHER INFORMATION

at [www.investsweden.se](http://www.investsweden.se)

- Running a business in Sweden - an introduction
- Employing staff - contracts and conditions
- Tax relief for key foreign employees
- Useful information sources