

Occupational pensions for your employees

SPP's Optional ITP insurance



A good foundation for your employees

SPP's Optional ITP insurance is aimed at companies which do not have collective agreements. With Optional ITP, an employer is able to offer employees pension benefits and security solutions that are more or less equivalent to those in ITP schemes for collective agreements.

This brochure tells you more about SPP's Optional ITP, how it works for employers and employees, and the difference between 'defined benefit' and 'defined contribution' pension schemes. This is a brief summary, however – the insurance terms and conditions provide comprehensive information.

Optional ITP boosts the national pension

For most employees, the statutory national retirement pension will be considerably lower than their salary. The national pension consists mainly of supplementary pension, income pension and premium pension, and is paid out via the Swedish Social Insurance Office and Premium Pension Authority.

Generally, an employee's statutory pension will be around 50% of his/her salary. But this only applies to annual salaries up to 7.5 base amounts, equivalent to a monthly salary

of SEK 31,800 (2009). Those who earn a higher salary than this will not receive a higher pension. The higher the salary, the greater the drop in income when the employee retires.

SPP Optional ITP is a way for you the employer to give your employees a higher retirement pension. To a certain extent, Optional ITP also compensates for loss of earnings due to sickness and incapacity to work. The employee can also opt for various forms of survivor's pension. This means that in the event of the employee's death, his or her surviving spouse, cohabitee, registered partner or child(ren) will receive money from the insurance policy.

Collectively Agreed ITP insurance

According to Collectively Agreed ITP, all salaried employees born in 1978 or before will remain under the old defined benefit scheme. Other employees, i.e. those born since 1 January 1979, will come under the new defined contribution scheme.

SPP's Optional ITP in brief

- Optional ITP insurance is aimed at companies which do not have ITP through collective agreements, but wish to offer their employees more or less the equivalent benefits and security.
- Optional ITP is an occupational pension – that is, an insurance policy which is linked to a position as an employee.
- You the employer pay the premium and own the policy, while the employee is entitled to the benefits.
- Within certain limits the premium for Optional ITP is deductible.
- Optional ITP insurance includes retirement pension, disability insurance and family survivor's pension.
- As an employer without a collective agreement, it is you who decides whether your employees will have defined benefit or defined contribution Optional ITP.



SPP's Optional ITP

With SPP's Optional ITP, you as employer can offer your employees benefits which mainly correspond to ITP – but without this following from any collective agreement.

- :: Employees born in 1978 or before will have a defined benefit pension scheme, while those born in 1979 or since will have a defined contribution pension scheme.

In addition, you have two options – options which only companies choosing Optional ITP will have.

- :: You can enter into a defined benefit pension scheme for all your employees, or
- :: you can enter into a defined contribution pension scheme for all your employees.

As employer you decide whether your company will have a defined benefit or defined contribution pension scheme.

You are welcome to talk to us about the type of pension insurance which would suit you best.

Defined contribution Optional ITP in brief

Generally speaking, the defined contribution pension scheme is more flexible for both employees and employers.

- :: The retirement pension premium paid is 4.5% of the pensionable salary up to 7.5 income base amounts. There is a premium of 30% for the part of the salary between 7.5 and 30 income base amounts.
- :: Disbursement normally takes place after the employee has reached the age of 65, but it can also be from age 55. There is a choice of disbursement period: from 5 years to life-long payments.

How defined benefit and defined contribution pension schemes work

	Defined benefit pension scheme	Defined contribution pension scheme
Retirement pension	Consists of two parts: – Defined benefit retirement pension, a predetermined percentage of the final salary. – ITPK is defined contribution – the employee can select a fund management company.	The entire retirement pension is defined contribution. The size of the pension will depend mainly on the premium amounts that have been paid in, as well as the return on the capital.
Cost of retirement pension	The cost is calculated based on the employee's salary, age and estimated years of employment. The premium for ITPK is equivalent to 2% of the employee's salary.	The premium is: – 4.5% of the employee's salary up to 7.5 income base amounts. – 30% of the part of the salary between 7.5 and 30 income base amounts
Who receives the surplus (if any)?	The employer receives part of the surplus from the retirement pension in accordance with the terms and conditions of the insurance. The surplus from ITPK goes to the employee, provided that he or she has made an active ITPK choice.	The employee is entitled to the surplus.
Survivor's pension	In the event of the employee's death, survivor's pension is paid to beneficiaries. The insured person may name his/her cohabitee as a beneficiary. ITPK may be supplemented with family cover and repayment cover.	The employee may opt for family cover within the pension premium. The family cover can be for 1–4 price base amounts, which are disbursed for 5, 10, 15 or 20 years if the employee dies before the age of 65. A retirement pension can be taken out with repayment cover.

- :: The employee decides whether the insurance capital shall be with or without repayment cover.
- :: The employee may opt for survivor's pension – which means that a charge is deducted from the premium.
- :: The employee decides how he or she wishes to invest 100% of the insurance capital, in unit-linked insurance or insurance with guaranteed interest (traditional management).
- :: Unit-linked insurance means that the employee is able to select mutual funds and move capital between various funds. The entire growth in the capital goes to the employee.
- :: Insurance with guaranteed interest (i.e. traditional with-profit insurance) means that SPP guarantees an interest rate on premiums paid in. The guaranteed interest rate can be adjusted over time. Any return over and above the guaranteed interest rate gives a surplus, which is added to the policy in the form of conditional bonus.
- :: The employee is entitled to change the form of asset management, from unit-linked management to guaranteed interest, or vice versa.
- :: Disability pension and a premium waiver in the case of illness are always included in SPP's Optional ITP insurance.
- :: Retirement pension is paid until the end of the employee's life. The size of the pension is set at a given percentage of the employee's final salary when he or she retires. This is conditional upon a full period of service and premiums paid in full.
- :: The entire insurance capital is managed with guaranteed interest, i.e. 'traditional with-profit insurance'.
- :: Any return over and above the guaranteed interest rate benefits the employee in the form of pension supplements and adjustment of paid-up values. The remaining surplus goes back to you the employer in the form of conditional bonus, in accordance with the regulations.
- :: Pension is based on pensionable salary up to a ceiling of 30 income base amounts (SEK 1,527,000 in 2009).
- :: In the defined benefit pension scheme, the employer pays the premium for retirement pension, survivor's pension, disability pension, premium waiver, premium waiver on final payment and the premium for supplementary retirement pension – ITPK.
- :: The premium for ITPK is equivalent to 2% of the employee's pensionable salary. The employee is free to invest the ITPK part in, for example, mutual funds or insurance with guaranteed interest (traditional management).
- :: The pension is normally paid out when the employee has reached the age of 65, but the employee can also opt for it to be paid out from age 55 at the earliest.
- :: If the employee retires at age 62 at the earliest, he or she will also have the benefit of the final payment of the premium up to the age of 65. This benefit is conditional upon full premium payments being made until age 62.

Defined benefit Optional ITP in brief

The basis of the defined benefit pension scheme is that the size of the future pension – the benefit – is predetermined. The premium can also increase or decrease over the years, depending on the employee's salary growth, age, estimated years of service, and the national economic trend. For employees, defined benefit Optional ITP provides greater security in terms of the size of the pension.



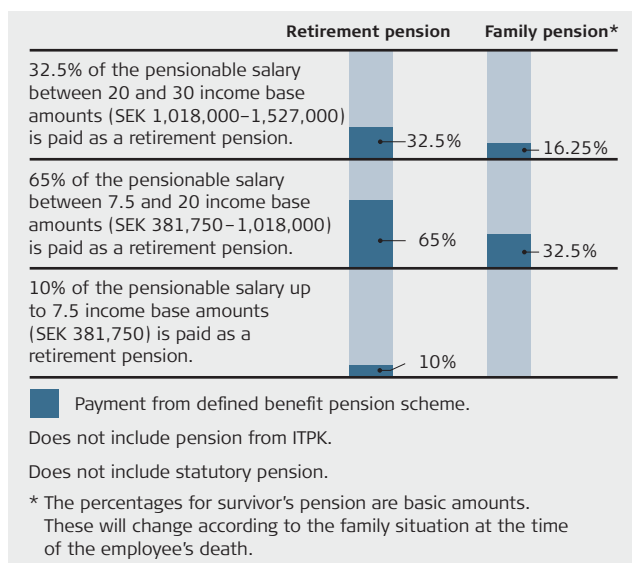
Disability pension due to long-term illness or incapacity to work

Disability pension is included in Optional ITP – in both the defined benefit and defined contribution pension schemes. Disability pension is a risk insurance component, and applies only during the time that premiums are being paid.

- :: Benefits from the policy are paid if the employee's capacity to work is reduced by at least 25% due to sickness or accident.
- :: Disability pension does not start to apply until the incapacity to work has lasted for 90 consecutive calendar days, or for more than 105 calendar days during a twelve-month period. No payment is made for the period before the insurance starts to apply.

The compensation in proportion to the degree of incapacity, and the level is related to the pensionable salary, at the following percentages:

Pension levels for Optional ITP



During the period that Swedish social insurance pays sickness benefit, from day 91 to 360:

- :: 10% of the part of the salary below 7.5 price base amounts.
- :: 65% of the part of the salary between 7.5 price base amounts and 20 income base amounts.
- :: 32.5% of the part of the salary between 20 and 30 income base amounts.

As from day 361:

- :: 65% of the part of the salary between 7.5 price base amounts and 20 income base amounts.
- :: 32.5% of the part of the salary between 20 and 30 income base amounts.

During the period that Swedish social insurance pays activity or sickness compensation:

- :: 15% of the part of the salary below 7.5 price base amounts.
- :: 65% of the part of the salary between 7.5 price base amounts and 20 income base amounts.
- :: 32.5% of the part of the salary between 20 and 30 price base amounts.

Useful information

Which employees and which salaries should be reported?

In principle, SPP's Optional ITP insurance applies to all your salaried employees. The list below shows who should be registered, and with what salary.

- :: All salaried employees aged 18 to 64 who work an average of at least eight hours per week during a three-month period.
- :: Personnel employed on a permanent or trial basis are registered from the first month of their employment.

- :: Staff employed as substitutes, trainees, or on a temporary basis are registered after three months. Note, however that the period is then backdated to apply from the first month of their employment.
- :: Salaried employees in the defined benefit pension scheme who have less than 36 months left until retirement should only be registered if they have previous pension entitlement, and the total period of service could be at least 36 months.
- :: Salaried employees in the defined benefit pension scheme who have retired with a pension from previous employment at the age of 62 or more should not be registered.

Employees who should only be registered after an agreement

The following categories of employee should only be registered after an agreement with you the employer (chief executives and owners must be below 60):

- :: A shareholder in a limited company who, alone or with his/her spouse, parents or children, owns at least one-third of the shares. A spouse, parent or child is regarded as an owner, regardless of whether he or she holds any shares.
- :: The spouse of the owner of a trading partnership or the spouse of the general partner in a limited partnership company, providing the spouse is not an owner.
- :: The chief executive of a limited company.

Employees who do not need to be registered

The following categories of employee may, after being granted consent by SPP, be exempted from the obligation to be registered:

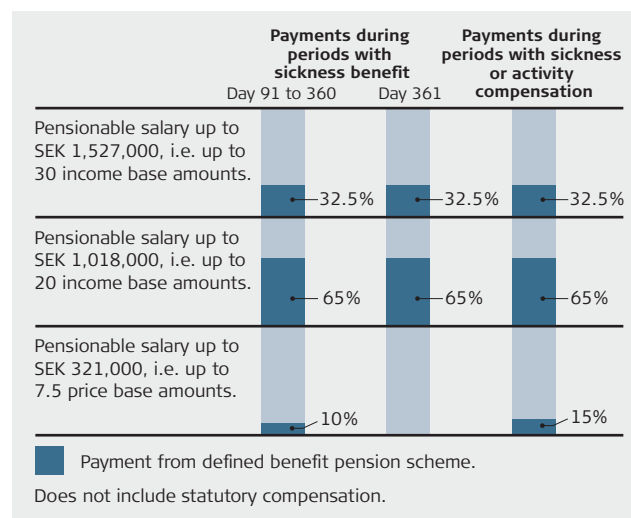
- :: A shareholder in a limited company who, alone or with his/her spouse, parents or children, owns less than one-third of the shares. Such a person is regarded as an owner, regardless of whether he or she holds any shares.
- :: Some employees in senior management positions.
- :: Employees who already have a different occupational pension when their employer joins the Optional ITP insurance scheme.

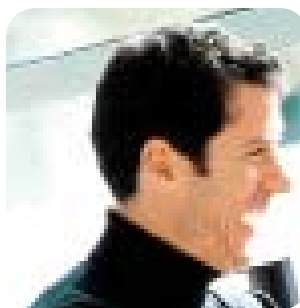
Reporting salary

As employer you report each employee's annual salary to SPP. The annual salary includes the following:

- :: Fixed salary, at the current percentage of a full-time position, including holiday pay, which corresponds to 12.2 times the employee's monthly salary.
- :: Benefits in kind, in the form of entirely free board and lodging, valued according to the specifications of the Swedish tax authorities.
- :: The remuneration paid during the previous calendar year for regular shift work, non-standard working hours, hours on call or emergency service duty.

Compensation Levels





- :: The average of the commission, profit bonuses, production bonuses, etc. paid over the previous three years, including holiday pay. If a person has been employed for less than three years, the employer decides on the sum to be reported. However, the salary reported must not be lower than the guaranteed annual income in these cases.
- :: In SPP's Optional ITP scheme you can report salary before voluntary salary reduction linked to a company car, a personal computer for home use, or extra occupational pension insurance. You can also report overtime pay, calculated as the average of the overtime pay paid out over the previous three years, including holiday pay.

Determining pensionable salary

Based on the salary that you the employer have reported, SPP determines a pensionable salary, on which payment levels and premiums are based. The maximum pensionable salary is 30 income base amounts.

When the insured employee has five years or less left until retirement age, salary increases may be included up to a certain level, in accordance with the insurance terms and conditions.

Our capital management model

It is SPP that is responsible for the investment in insurance policies with traditional management.

Our capital management model is characterised by dynamic risk management, a good spread of risk and responsible investments.

Dynamic risk management means that the proportion of shares is continuously adjusted, with the aim of reducing the effect of downturns and participating in upturns on the

stock market. As well as shares and interest-bearing instruments, we also invest in property infrastructure, unlisted shares, hedge funds and commodities, which provides a good spread of risk.

All investments are covered by Storebrand's group standard for responsible investing, The standard is internationally recognised as one of the world's best SRI policies. In practise, this means that we refrain from investing in companies that participate in breaches against human rights, corruption, serious environmental damage and the production of land mines, cluster and atomic weapons and tobacco.

The information we send out

To employers we send

The customer agreement

The annual statement (defined benefit pension scheme).

To employees we send

The insurance policy

The annual statement (defined contribution pension scheme).

When do the insurance policy and cover start to apply?

An agreement on a new insurance component starts to apply when the first premium has been paid, and SPP has confirmed that the agreement has been made. When the insurance policy comes into effect, the cover applies retroactively from the date at which SPP received the application for insurance, or from another date which has been agreed upon with SPP or which applies for the insurance component in question. One basic precondition is that there is a valid customer agreement between SPP and the policyholder.

Change of terms

The conditions set out in this brochure, in our price-lists, and in the list of terms and conditions, may be changed during the period of cover. The right of SPP to change the terms of the insurance is limited to changes relating to the type of insurance policy or other special circumstances, e.g. the change in the agreement made between the Confederation of Swedish Enterprise and the Federation of Salaried Employees in Industry and Services regarding the ITP scheme. When a significant change is to be made, SPP will inform policyholders in good time.

Special limitations

The validity of the insurance components is limited in the case of:

- :: incorrect information
- :: causing the occurrence of the event insured against
- :: war or a state of war in Sweden
- :: participation in war or political disturbances outside Sweden
- :: any period spent outside Sweden during time of war or political disturbances tantamount to war
- :: any period longer than twelve months spent outside the Nordic countries
- :: activities carrying a particularly high risk
- :: insurance events caused by a nuclear accident
- :: any form of abuse, negligence or criminal act.

Risk assessment

A risk assessment (i.e. a medical test) is required when an application is made for insurance or various types of change.

Correct health details

In order that we can have the correct pricing for our insurance, we always carry out careful checks of the information the employee provides concerning his or her health – both when they apply for the insurance and when claims are

made for compensation. We do this to ascertain whether any incorrect details have been submitted.

Salary option

The reported salary may be raised without an additional medical test. This entitlement does not apply to owners or part-owners, for whom the reported salary may be raised by a maximum of 10 percent over a twelve-month period without the insured employee undergoing a medical test.

Special qualifying period for owners and part-owners

As regards disability pension including a premium waiver in the case of incapacity to work, owners and part-owners have a special qualifying period for certain illnesses and conditions, e.g. stress-related exhaustion and some back and joint conditions. Insured parties with qualifying periods must have been healthy and symptom-free from these illnesses for a longer period if they are to receive compensation.

An owner or part-owner is a person who, alone or with his/her spouse, parents or children, owns at least one-third of the shares in the company. The insured employee need not own any shares him/herself.

The company's right to make tax deductions

The basic rule is that the employer may make tax deductions for premiums up to 35 percent of the salary (maximum: 10 price base amounts). "Salary" refers to remuneration paid out by the employer during the financial year. If the salary was higher during the previous financial year, the deduction may be based on this instead. In certain cases, a different deduction structure may be used.

Tax

Yield tax

SPP is obliged to deduct a standard tax on a yield determined by the Swedish state. The tax is deducted from the



managed assets; it is 15 percent of the previous year's average government long-term borrowing rate.

Salary tax

Premiums paid by the employer form the basis of the employer's special salary tax. This documentation is presented every month on the invoice from SPP.

- :: Taxation of income: When money is paid out, it is taxed as income from employment.
- :: Wealth tax: This insurance does not constitute an asset subject to wealth tax.

Transfer rights

For defined benefit Optional ITP we unfortunately cannot offer the right of transfer, due to the collective elements of the pension scheme.

Reservation

The insurance commitments in this Optional ITP policy have been drawn up so that they essentially follow the agreement made between the Confederation of Swedish Enterprise and the Federation of Salaried Employees in Industry and Services regarding the ITP scheme, as it was known in the minutes of the negotiations on 25 April, 29 June and 14 December 2006.

However, it must be emphasised that there is no absolute compliance between Optional ITP and the agreement. Optional ITP does not include occupational group life insurance or collective occupational injury insurance, but through collaboration with the BLIWA insurance company, SPP is able to offer occupational group life insurance.

Would you like more information?

This brochure is a summary of Optional ITP insurance. If you would like to know more, you can obtain the full terms of the insurance from our Corporate Contact Line,

Tel. +46 771-598 102, or download them from our website, www.spp.se. Here you will also find information on the company's financial position and long-term investment policy.

Processing of personal data

Personal data submitted to SPP in conjunction with entering into an insurance agreement, or which SPP otherwise registers in connection with the insurance agreement, will be processed in SPP's computer systems or those of other companies with which SPP collaborates. This is carried out in accordance with the regulations set out in the Swedish Personal Data Act, the purpose being that SPP can fulfil its responsibilities under the insurance agreement and pursuant to legislation and the directives of public authorities.

The personal data may also be processed for the purposes of statistics or analysis. Similarly, the personal data may be processed for marketing purposes in SPP or Storebrand, unless the person referred to in the information kept by SPP or Storebrand has requested that this should not take place.

A customer who requires information about the personal data about himself or herself which is being processed by SPP or Storebrand may request this in writing from SPP. The same applies to customers who wish to correct erroneous or misleading personal data.

Insurer

For insurance with guaranteed interest – SPP Livförsäkring AB
For unit-linked insurance – SPP Liv Fondförsäkring AB
SE-105 39 Stockholm. Tel. +46 8 451 70 00,
fax: +46 8 451 72 35. Website: www.spp.se

Past returns are no guarantee of future returns. Investments made in mutual funds can rise or fall in value, and it is not certain that you will get back the amount you have invested

SPP Livförsäkring AB

SE-105 39 Stockholm, Telephone +46 (0)771 533 533, www.spp.se



More information

Corporate Contact Line, Tel +46 (0)771 598 102, www.spp.se