



SPP's Optional ITP – Defined contribution

SPP's Optional ITP insurance is a pension scheme aimed at companies which do not have collective agreements. When your employer signs the company up for the Optional ITP scheme, it means greater security and a number of benefits for employees. You can read more about these below. This is only a brief summary – the insurance terms and conditions provide comprehensive information.

A higher pension with SPP's Optional ITP

For the great majority of people, the statutory retirement pension* will be considerably lower than their salary. Generally, most people's statutory pension will be around 50% of their salary.

But this only applies to annual salaries up to 7.5 base amounts, equivalent to a monthly salary of SEK 30,000 (2008). Those who earn a higher salary than this will not receive a higher pension. The higher the salary, the larger the drop in income when you retire.

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

The defined contribution pension scheme in brief

Defined contribution Optional ITP is based on a monthly premium paid by your employer. The premium amount is based on your salary. The size of your future pension will depend mainly on the premium amounts that have been paid in, as well as the yield on the pension premiums during the period until your retirement.

The defined contribution pension scheme gives you great freedom of choice:

- The premium paid in is based on your pensionable salary.
- If you earn less than SEK 30,000 per month, the pension premium will be 4.5% of your salary (this is equivalent to an annual salary of 7.5 income base amounts, i.e. SEK 360,000 kronor for 2008).
- On the part of the salary between 7.5 and 30 income base amounts, the pension premium is 30%.
- You decide how you wish to invest 100% of the pension premiums, e.g. in mutual funds or insurance with guaranteed interest (traditional management).
- You are entitled to change the form of asset management when you wish.
- You decide whether the insurance capital shall be with or without repayment cover (to survivors). Bear in mind that your retirement pension premium decreases somewhat if you opt for repayment cover.

* The statutory national pension consists mainly of income pension, supplementary pension and premium pension. Everyone who lives and works in Sweden receives this.

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 your position as an employee.
- Your employer pays the premium and owns the policy, but you the employee are entitled to the benefits.
- Optional ITP is a fringe benefit.
- For the employer, the pension premium is partly deductible for tax purposes.

- You can opt for family cover – which means that a charge is deducted from the premium.
- The pension is normally paid out after you reach the age of 65, but you can also opt for it to be paid out from age 55 at the earliest.
- You choose the disbursement period – the minimum is 5 years.
- Disability pension and a premium waiver in the case of illness are included in the pension scheme as long as premiums are paid in.

If you become ill or cannot work on a long-term basis

Disability pension is included in Optional ITP. Disability pension applies only during the time that premiums are being paid by your employer.

- Compensation is paid if your 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 is in proportion to the degree of incapacity, with the level related to the pensionable salary.

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 income base amounts.

Why is it so difficult to find out how large your pension will actually be?

Many people find it difficult to grasp the Swedish pensions system, and how it works. This is because the retirement pension consists of several parts, and the various regulations have changed over the years.

Everyone who lives and works in Sweden will receive a set basic pension. This is the statutory national pension, including income pension, supplementary pension and premium pension.

The statutory pension is one of the largest items of State expenditure, and in the past it has been clear that pension payments have not covered the costs. Step by step, the State has therefore amended the regulations to balance revenues with expenditure. However, this has meant that the pensions of the great majority of people have deteriorated.

Over the past few decades, to compensate for the erosion of the statutory pension, Swedish employers' and employees' organisations have developed occupational pensions. The aim of occupational pensions is to supplement employees' statutory pensions. But occupational pensions too have evolved and changed. There are more elements of individual choice, and it has become more and more difficult to predict how large an employee's pension will be in 10, 20 or 30 years' time.

It should also be added that we can invest more and more of our pension capital in mutual funds, and of course no one can predict the performance of these.

Therefore, your future pension will be the sum of the following:

- Your statutory income pension.
- The savings from your statutory premium pension choices, and how these have performed.
- Your occupational pension, including your choices within this.
- Any private pension savings.

At SPP we fully understand that you might find pension savings and the pension system complicated and difficult to grasp. But we specialise in pension insurance, and help each individual customer to find good solutions. If you are in contact with a broker/agent, you can naturally discuss pensions with him or her.