

SWEDEN - AN OVERVIEW OF EMPLOYEE BENEFITS

State and Mandatory Benefits	The retirement age is flexible. State retirement pensions can be claimed from age 61. The pension consists of an income-based pension and a defined contribution premium pension. The income-based pension is provided under a pay-as-you-go system based on notional contributions of 16% to individual accounts, with pensions based on average life expectancy at retirement. Contributions are invested in four buffer funds (AP Funds) which each pay quarter of the pension at retirement. The premium pension is funded by contributions of 2.5% to individual investment accounts chosen by the employee, or to a default fund (AP7). The premium pension can be used to provide a survivors' pension. The state also provides disability pensions and contributions towards the cost of medical care.
Typical New Pension Plan	Many employers provide defined contribution retirement, survivors' and disability pensions under national collective agreements for blue-collar employees (SAF-LO plans) and white collar employees (ITP plans). Employers who do not have collective agreements, or who have higher-paid employees not covered by ITP may provide a defined contribution pension plan with benefits similar to ITP. A lump sum death benefit is provided under a collective agreement (TGL). Higher-paid employees may also be provided with private medical insurance.
Typical Costs	For 2011, employers contribute 31.42% of total earnings for state benefits. Employees contribute 7.0% of earnings up to SEK 420,447 (the general pension fee). For blue-collar employees in SAF-LO plans, employers contribute 4.41% of earnings up to SEK 390,750 a year and 24.13% of any excess. For white-collar employees in ITP plans, employers contribute 5.225% of earnings up to SEK 32,562 a month and 31.53% on any excess. Employees do not contribute to private plans.
Tax Implications	Employer contributions are tax-deductible up to 35% of covered earnings and not taxable to employees. Employee contributions for state benefits are tax deductible. Investment income on pension assets is taxable. Pensions are taxed as income. Lump sums under TGL are tax free.
Labour Law Issues	Employers have a legal obligation to consult with unions before making decisions that involve major changes for employees.
Pooling Potential	Insured benefits can be included in multinational pooling arrangements.
International Financial Reporting	EU/EEA rules apply. For listed companies, International Financial Reporting Standards apply in both consolidated and separate company statements. For unlisted companies, IFRSs are permitted in consolidated statements but are prohibited in separate statements.
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