



SOCIAL SECURITY AND PENSIONS

OPERATING GUIDE

Sweden offers a framework of publicly funded social provision, ranging from pensions and healthcare 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.

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.



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
- ▶ Reduced rate of social security contributions for R&D employees

Statutory employer contributions	% of wages/salary in 2015
Retirement pension	10.21
Survivor's pension	1.17
Health insurance	4.35
Occupational injury insurance	0.30
Parental insurance	2.60
Unemployment insurance	2.64
Payroll contribution	10.15
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 25.46 percent (2015).

The New Start program encourages companies to hire people who have been long-term unemployed. Employing a person under this scheme, means receiving financial support equivalent to twice the employer's contributions that the employer has to pay. New Start jobs apply for example to people who have reached 26 years of age by the start of the year and who, during a reference period of 15 months, have been unemployed for at least 12 months, have received received sickness benefit, rehabilitation compensation, sickness or activity compensation full time. 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.

For companies with R&D operations in Sweden a reduction in employer contributions is available. The reduction applies to R&D staff and lowers the employer contribution rate with 10%. Total monthly maximum discount within a group of companies is SEK 230,000.

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 468,571 (2015).

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 "Noncollective 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 36,313/month	Part of salary exceeding SEK 36,313/month
ITP 1		
- retirement pension	4.50 ¹	30.00
- waiver of premium insurance	0.083 ¹	0.570
- health insurance	0.058 ²	0.320
TGL	approx 0.20 ³	0.00
TFA (AFA insurance)	0.01	0.01
TRR	0.30 ⁴	0.30
Total occupational insurance premium	5.151	31.200

1) Taken out from the age of 25.

2) The premium of 0.058 percent is paid on salary portions up to SEK 27,813/month (7.5 price base amounts). The premium of 0.320 percent is paid on salary portions between SEK 27,813/month and SEK 145,250/month (30 income base amounts).

3) Free premium setting is applied and the premium is within the interval SEK 30-43/month, which is equivalent to slightly less than 0.2% in the event of salaries of SEK 27,813/month (7.5 price base amounts).

4) Local collective agreement companies pay 0.70 percent.

Source: Confederation of Swedish Enterprise (Svenskt Näringsliv)

Salaried employees ITP 2 (% of gross pay)

ITP 2 (retirement pension, health insurance, etc.)	approx 12.7 ¹
TGL (life insurance)	approx 0.20 ²
TFA (AFA insurance)	0.01
TRR (career readjustment agreement)	0.30 ³
Total premium	approx. 13.2

1) Projection for 2015. There are wide variations. The premium normally varies between 5 and 20 percent. No wage trends for 2015 have been taken into account when making the calculations. The premium is paid on salary portions up to 30 price base amounts (SEK 1743,000/year).

2) Free premium setting is applied and the premium is within the interval SEK 30-43/month, which is equivalent to slightly less than 0.2 percent in the event of salaries of 7.5 price base amounts (SEK 333,750 per year).

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*) and Parental Benefit Supplement (*FPT*).

Wage earners (% of gross pay)	Part of salary up to SEK 435,750/year	Part of salary exceeding SEK 435,750/year
Career Readjustment Insurance	0.30 ¹	0.00
AGS	0.00 ²	0.00
TFA	0.01	0.01
TGL	0.00 ²	0.00
FPT ⁴	0.00	0.00
SAF-LO Collective Pension		
- pension premium	4.50 ³	30.00
- waiver of premium insurance	0.00 ²	0.00
Funded by surplus	-0.70	0.00
Total occupational insurance premium	4.11	30.01

1) Local Collective Agreement companies pay 0.60 percent. Companies that are members of employers' associations outside of the Confederation of Swedish Enterprise pay 0.32 percent. The premium is paid on salary portions up to 7.5 price base amounts (SEK 333,750).

2) Premiums are not paid in 2015 as the companies within AFA Försäkring are well consolidated.

3) The premium is paid from the month in which the wage earner turns 25 until the month before he turns 65.

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 (*hängavtal*) with a trade union or may as a benefit offer a noncollective 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 noncollective 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.business-sweden.se

- ▶ Running a business in Sweden – an introduction
- ▶ Employing staff – contracts and conditions
- ▶ Tax relief for key foreign employees