31 Employee benefits

Employee benefits

Sampo has defined benefit plans in P&C insurance business in Sweden and Norway.

In addition to statutory retirement pension insurance, the Group has certain voluntary defined benefit plans. The voluntary defined benefit plans are intra-Group and included in the insurance liabilities of Mandatum Life. The amount is negligible and they have no material impact on the Group profit or loss or equity.

Employee benefit obligations of P&C Insurance 31 Dec.

EURm	01/2012	12/2012	12/2013
Present value of estimated pension obligation,	612	595	580
including social costs	347	392	385
Fair value of plan assets	**266**	**203**	**195**

Since January 1, 2008, the main Swedish pension plan has been closed to new employees born in 1972 or later and the corresponding Norwegian pension plan has been closed to new employees since January 1, 2007 regardless of age. The pension benefits referred to are old-age pension and survivors' pension in Sweden and old-age pension, survivors' pension and disability pension in Norway. A common feature of all of the pension plans is that the employees and survivors encompassed by the plans are entitled to a guaranteed pension that depends on the employees' service period and pensionable salary at the time of retirement. The dominating benefit is the old-age pension, which refers in part to temporary pension before the anticipated retirement age and in part to a life-long pension after the anticipated retirement age.

The retirement age for receiving premature pension is normally 62 years in Sweden and normally 65 years in Norway. In Sweden, premature old-age pension following a complete service period is payable at a rate of approximately 65 per cent of the pensionable salary and applies to all employees born in 1955 or earlier and who were covered by the insurance sector's collective bargaining agreement of 2006. In Norway, premature old-age pension following a complete service period is payable at a rate of approximately 70 per cent of the pensionable salary and applies to all employees born in 1957 or earlier and who were employed by If in 2013.

The anticipated retirement age in connection with life-long pension is 65 years for Sweden and 67 years for Norway. In Sweden, life-long old-age pension following a complete service period is payable at a rate of approximately 10 per cent of the pensionable salary between 0 and 7.5 income base amounts, 65 per cent of salary between 7.5 and 20 income base amounts and 32.5 per cent between 20 and 30 income base amounts. In Norway, life-long old-age pension following a complete service period is payable at a rate of approximately 70 per cent of the pensionable salary up to 12 Norwegian base amounts, together with the estimated statutory old-age pension. Paid-up policies and pension payments from the Swedish plans are normally indexed upwards in an amount corresponding to the change in the consumer price index. However, there is no agreement guaranteeing the value and future supplements in addition to the contractual pension benefit could either rise of fall. Pension payments from the Norwegian plans are indexed upwards in an amount corresponding to the change in the consumer price index.

The pensions are primarily funded through insurance whereby the insurers establish the premiums and disburse the benefits. If's obligation is primarily fulfilled through payment of the premiums. Should the assets that are attributable to the pension benefits not be sufficient to enable the insurers to cover the guaranteed pension benefits, If could be forced to pay supplementary insurance premiums or secure the pension obligations in some other way. In addition to insured pension plans, there are also unfunded pension benefits in Norway for which If is responsible for ongoing payment.

To cover the insured pension benefits, the related capital is managed as part of the insurers' management portfolios. In such management, the characteristics of the investment assets are analysed in relation to the characteristics of the obligations, in a process known as Asset Liability Management. New and existing asset categories are evaluated continuously in order to diversify the asset portfolios with a view to optimising the anticipated risk-adjusted return. Any surplus that arises from management of the assets normally accrues to If and/or the insured and there is no form of transfer of the asset value to other members of the insurance collective.

The insurers and If are jointly responsible for monitoring the pension plans, including investment decisions and contributions. The pension plans are essentially exposed to similar material risks regarding the final amount of the benefits, the investment risk associated with the plan assets and the fact that the choice of discount interest rate affects their valuation in the financial statements.

When applying IAS 19, the pension obligations are calculated, as is the pension cost attributable to the fiscal period, using actuarial methods. Pension rights are considered to have been vested straight line during the service period. The calculation of pension obligations is based on future anticipated pension payments and includes assumptions regarding mortality, employee turnover and salary growth. The nominally calculated debt is discounted to the present value using an interest rate based on current market interest rates adjusted to take into account the duration of the company's pension obligations. As a basis for determining the discount interest rate for the Swedish obligation, If uses liquid covered mortgage bonds issued by a mortgage institution. Covered mortgage bonds are also used for the Norwegian obligation. After a deduction for the plan assets, a net asset or net liability is recognised in the balance sheet.

The following tables contain a number of material assumptions, specifications of pension costs, assets and liabilities and a sensitivity analysis showing the potential effect on the obligations of reasonable changes in those assumptions as at the end of the fiscal year. The carrying amounts have been stated including special payroll tax in Sweden (24.26 per cent) and a corresponding fee in Norway (14.1 per cent).

Specification of employee benefit obligations by country

		2013			2012	
	Sweden	Norway	Total	Sweden	Norway	Total
Recognised in income statement and other comprehensive income						
Current service cost	-6	-10	-16	-5	-16	-21
Past service cost	-0	-	-0	-2	24	22
Interest expense on net pension liability	-2	-5	-7	-2	-6	-8
Total in income statement	**-7**	**-15**	**-22**	**-9**	**1**	**-7**
Remeasurement of the net pension liability	19	-40	-21	-18	63	45
Total in comprehensive income statement	**12**	**-55**	**-44**	**-27**	**64**	**38**
Recognised in balance sheet						
Present value of estimated pension liability, including social costs	154	426	580	174	420	595
Fair value of plan assets	124	261	385	119	273	392
Net liability recognised in balance sheet	**30**	**165**	**195**	**56**	**147**	**203**

	2013		2012	
Distribution by asset class	Sweden	Norway	Sweden	Norway
Debt instruments, level 1	34%	49%	} 40%	} 53%
Debt instruments, level 2	3%	12%		
Equity instruments, level 1	31%	8%	} 29%	} 18%
Equity instruments, level 3	0%	3%		
Property, level 3	10%	11%	10%	15%
Other, level 1	11%	13%		
Other, level 2	0%	1%	} 21%	} 14%
Other, level 3	11%	3%		

The following actuarial assumptions have been used for the calculation of defined benefit pension plans in Norway and Sweden:

	31.12.2013		31.12.2012	
	Sweden	Norway	Sweden	Norway
Discount rate	4,00%	3,50%	4,00%	4,00%

Future salary increases	3,00%	3,00%	3,75%	3,75%
Price inflation	2,00%	2,00%	2,25%	2,25%
Mortality table	FFFS 2007:31 +1 year	K2013	FFFS 2007:31	K2005
Average duration of pension liabilities	20 years	16 years	20 years	15 years
Expected contributions to the defined benefit plans during 2014	9	15		

Sensitivity analysis of effect of reasonably possible changes	Sweden	Norway	Total
Discount rate, +0,50%	-17	-34	**-51**
Discount rate, -0,50%	20	38	**58**
Future salary increases, +0,25%	6	7	**13**
Future salary increases, -0,25%	-5	-7	**-12**
Expected longevity, +1 year	5	13	**18**

		2013			2012	
EURm	**Funded plans**	**Unfunded plans**	**Total**	**Funded plans**	**Unfunded plans**	**Total**
Analysis of the employee benefit obligation						
Present value of estimated pension liability, including social costs	532	490	1,022	538	57	**595**
Fair value of plan assets	385	-	385	392	-	**392**

Analysis of the change in net liability recognised in the balance sheet

EURm	2012	2013
Pension liabilities:		
At the beginning of the year	612	595
Earned during the financial year	21	16
Costs pertaining to prior-year service	-21	0
Interest cost	19	21
Actuarial gains (-)/losses (+) on financial assumptions	-74	-22
Actuarial gains (-)/losses (+) on demographic assumptions	-	67
Actuarial gains (-)/losses (+), experience adjustments	33	-15
Exchange differences on foreign plans	31	-57
Benefits paid	-26	-26
Defined benefit plans at 31 Dec.	**595**	**580**
Reconciliation of plan assets:		
At the beginning of the year	347	392
Interest income	11	15
Difference between actual return and calculated interest income	2	8
Contributions paid	28	24
Exchange differences on foreign plans	18	-38
Benefits paid	-15	-16
Plan assets at 31 Dec.	**392**	**385**

Other short-term employee benefits

There are other short-term staff incentive programmes in the Group, the terms of which vary according to country, business area or company. Benefits are recognised in the profit or loss for the year they arise from. An estimated amount of these short-term incentives, social security costs included, for 2013 is EURm 80.