



# Employee retiring – what should an employer know?

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The employee is responsible for submitting a pension application. The process from an intention to retire to applying for pension is often long, with both the employee and employer playing a role. Employer: make advance preparations to make your employee's transition to pension as smooth as possible for both parties.

In particular, the transition to old-age pension should be planned well in advance together with the employee. You can bring up the intention to retire, for example, in personal development discussions. You should also find out whether the employee needs to lighten their workload and if, for example, partial old-age pension would be a good option. If an illness affects work ability, then rehabilitation or, for example, partial disability pension may be valid options. The employee can obtain a pension estimate and apply for the pension in Varma Online Service.

## Flexible transition to old-age pension

Employees can retire on old-age pension at their discretion upon reaching their minimum retirement age.

Year of birth	Minimum retirement age	Target retirement age	Maximum retirement age
1958	64 y	65 y 1 m	69 y
1959	64 y 3 m	65 y 5 m	69 y
1960	64 y 6 m	65 y 9 m	69 y
1961	64 y 9 m	66 y	69 y
1962	65 y	66 y 3 m	70 y
1963	65 y	66 y 2 m	70 y

- The minimum retirement age is the age before which one cannot retire.
- The target retirement age is a computed age at which the increase for late retirement compensates for the reduction imposed on the basis of the life expectancy coefficient.
- Pension is accrued and the employee must be insured until the age up to which pension accrues. Pension insurance payments must be withheld from the employee's wages until the end of the month in which the employee reaches the age up to which pension accrues.

The age up to which pension accrues is also the retirement age specified in the Employment Contracts Act. Employment ends at the age of retirement without termination of employment if the parties do not agree on continuation. If an employee who has already reached the age after which pension no longer accrues continues to work, pension insurance payments are no longer made.

In order for old-age pension to begin, the employment relationship must have ended and the employee must have applied for the pension. Pension starts from the beginning of the month following the termination of the employment contract.

We recommend submitting the application for old-age pension approximately two weeks before retiring. Electronic pension applications are available through [Varma Online Service](#). The application can be submitted six months before retirement begins if the employee has worked or lived abroad.

### Submit the end date of employment through the Incomes Register

Submit the retiring employee's employment relationship end date to the Incomes Register at the same time as you submit information about wages paid during the month when the employment relationship ended and during the first month of pension. Specify the end date in all notifications. The employee will receive the final pension decision only after we have received information on the end date of the employment relationship from the Incomes Register.

Employees will usually first receive a temporary pension decision. In the final pension decision, the employee will also be granted the pension for earnings paid during the first month of pension. If wages are still paid after the first month of pension, the employee can apply for the related pension only when the employee reaches the date after which pension no longer accrues.

Individuals on old-age pension may work as much as they want without it affecting their pension payments. Employees on old-age pension must be insured until they reach the age after which pension no longer accrues.

## Partial old-age pension

Those born in or before 1963 can apply for partial old-age pension at the earliest at the age of 61, those born in 1964 at the age of 62. For those born in 1965 and after, the age limit is three years before their own minimum age for old-age pension. Partial old-age pension is 25 or 50 per cent of the pension one has accrued up until the end of the previous year. A reduction for early retirement permanently reduces the share of pension drawn before pensionable age.

Working while on pension is not required or limited. If an employee does not wish to change their working time, the employer does not have to be notified of the employee's partial pension.

If an employee wants to reduce their working hours when opting for partial old-age pension, part-time work is agreed at the workplace. Under the Working Hours Act, an employer must in this case primarily arrange work so that part-time work is possible. However, the employee's needs and the employer's production and service operations must be taken into account in the negotiations. There is no need to notify Varma of the working hours.

## Disability pension

Disability pension can be paid to an employee who has not yet reached the pensionable age for old-age pension and whose work ability has deteriorated considerably for at least one year due to an illness, handicap or injury.

In order to process an employee's pension application, we will ask the employer to provide a description of the pension applicant's work tasks and information about work arrangements, as necessary.

### **Disability pension is applied for during the sickness allowance period**

If an employee falls ill, sickness allowance is paid for a maximum of 300 days, i.e. for approximately one year. If returning to work or rehabilitation does not seem to be possible, the employee should apply for pension approximately two months before the sickness allowance period ends. A Medical Statement B is required as an attachment to the application.

### **A preliminary decision is given on entitlement to partial disability pension**

The employee can apply for a preliminary decision on partial disability pension while still working full-time. After the preliminary decision, the employee and the employer have ten months to agree on part-time work arrangements. The amount of partial disability pension is half of the full disability pension.

Both full and partial disability pension may be granted as fixed-term pension, that is, as a cash rehabilitation benefit.

The possibilities for rehabilitation must always be investigated before deciding on disability pension.

### **Employees can check their earnings limit through Varma Online Service**

When on partial disability pension, employees may earn 60% of their previous income level. Regardless of the income limit, one may always earn 990.90 euros per month without it affecting the payment of pension.

### **Do pensions affect the employer's insurance premiums?**

Only permanent disability pensions may affect the employer's pension contribution. Larger employers may incur additional costs for permanent disability pensions if employees have been granted more than the average amount of disability pensions. If the company's 2024 payroll exceeds the 2026 liability component limit of 2,455,500 euros, a contribution category for disability pension will be calculated for the company. The higher the employer's total payroll, the greater the significance of the contribution category

on the employer's insurance contribution. If no disability pensions have been granted at all, or if their number is minor, the contribution category may lower the contribution of a large employer.

The contribution category model affecting large employers' contributions was reformed at the beginning of 2024. As a result of the reform, prolonged cash rehabilitation benefits will also affect the contribution categories. They will be taken into account for the first time as having an impact on the contribution category on 31 December 2026 and will have an impact on the contribution categories of 2028-2029.

## Rehabilitation supported by Varma

Deterioration of work ability as a result of an illness is something that should be addressed early enough. Rehabilitation is the primary option when an illness threatens an employee's work ability. Vocational rehabilitation refers to measures with which an employee can be supported in order for them to continue in working life despite an illness.

Rehabilitation is always target-oriented and planned. There are many available methods that are applied on a case-by-case basis. The most common means of rehabilitation is a work trial, for example, after a long period of sick leave. Rehabilitation may also be job coaching, courses or other training aiming at modified or new work duties or an entirely new profession.

An employee is paid rehabilitation allowance for the duration of rehabilitation. If the employer pays wages for the rehabilitation period, the rehabilitation allowance is paid directly to the employer.

## Years-of-service pension for people in strenuous work

A person who has worked at least for 38 years in a strenuous job is eligible for the years-of-service pension at the age of 63 if their work ability has deteriorated.

The employee can request a preliminary decision while still working. The preliminary decision is valid for six months. The employee should apply for pension approximately three months before the start the retirement. The Medical Statement B and the employer's description of the applicant's work duties are required as attachments to the application.

Disability pension may be granted to employees who applied for years-of-service pension if their work ability has deteriorated so much that they are entitled to disability pension.

## Pension information on Varma's website

Employees can log into [Varma Online Service](#) to check their pension records and to estimate the amount of their pension. All electronic pension applications are also available through the service.

Varma is at your service in all issues concerning earnings-related pension at the address [varma.fi](https://www.varma.fi).

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