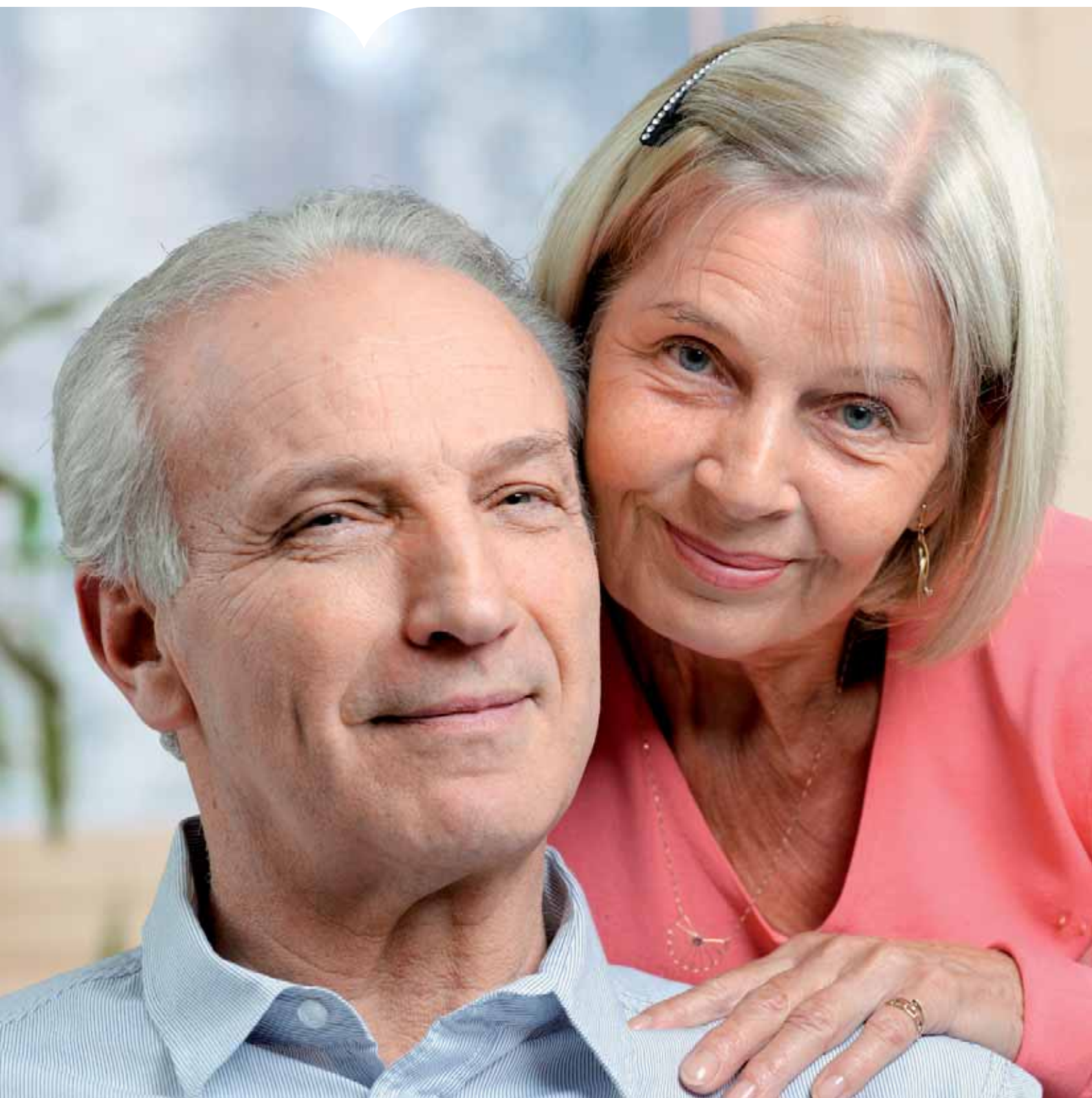


**Annual report 2007**







# Contents

*Born in the same year as Kela, Pirkko Karjalainen is now an active retiree in her third stage of life.*

Director-general's review	6
Kela – a service for everyone	8
Kela 2007	9
Benefits paid by Kela	10
National pension security and benefits for the disabled	10
National health insurance	11
Rehabilitation	12
Unemployment security	13
Benefits for families with children	13
Student benefits	14
General housing allowance	14
Other benefits	14
Recovery	15
Other Kela operations	17
Customer service and the service network	17
Personnel and training	17
Information management	18
Communications	19
Statistics and calculations	19
Research and development	19
Information service	20
International cooperation	20
Financial statements	22
Report by the board of directors 2007	22
Outlook	26
Kela governance	29
Organization and contact information	30

Abridged translation: The English Centre Helsinki Oy



# 70 years old and going strong

**1937** Pirkko Anneli Karjalainen (née Varis) is born in December. At the time, Finnish territory also includes Petsamo on the shores of the Arctic Ocean, Salla in eastern Lapland, and parts of Karelia. Eero Mäntyranta, a Finnish gold medalist in the 1964 Winter Olympics, and Martti Ahtisaari, Finland's President between 1994 and 2000, are born the same year.

**1945** Pirkko starts school in September in Riihimäki. Her father is busy constructing a house for the family.

**1948** The family's finances are improved thanks to the family allowance paid for its three children and packages sent by relatives living in the United States. Food rationing remains strict.

**1957** On 18 August, Pirkko and 25,000 other fans give Paul Anka a rapturous welcome at a concert in the Linnanmäki amusement park in Helsinki.

**1958** Pirkko meets Pentti Karjalainen. They get married and have their first child. The maternity pack and the advice provided by the child care clinic are very welcome. Pirkko decides to stay home to look after the children.

**1970** The family must survive on Pentti's unemployment benefit for the first few months of the year. He manages to find a permanent job in Trollhättan, Sweden, but Pirkko stays in Finland, looking after the children. Kela provides the family with family allowance, and Pentti sends part of his earnings home.

**1978** Pirkko's and Pentti's oldest son is doing military service. The father is no longer working at the car factory paint shop in Sweden, which means that the family must survive on the son's earnings. This makes them eligible for conscript's allowance.

**1979** Pentti Karjalainen returns from Trollhättan and settles permanently in Finland. After Kela-funded rehabilitation and a period of labour market training, he gets a job as a stock controller in a large wholesale company.

**1986** The youngest child leaves home and Pirkko takes up evening studies at an adult upper secondary school in Riihimäki. She takes her matriculation examination four years later.

**1994** Pirkko is widowed and moves to a brand new one-bedroom council flat in the neighbouring town of Hyvinkää. She receives a modest sum as survivor's pension and Kela also provides her with housing allowance.

**2002** Pirkko retires from her post as a library assistant, a job she held for a few years. This means that, in addition to the survivor's pension, she now receives a small employment pension supplemented by the national pension.

**2007** Needlework has always been one of Pirkko's favourite hobbies, but now she also takes evening classes in languages and Italian history. In December she travels to Toscana with a female companion to celebrate her 70th birthday. The trip is a present from her children.

**1937** The Social Insurance Institution of Finland comes into being on 16 December.

**1938** Expectant mothers are given maternity assistance consisting of a lump sum and/or a kit containing baby clothes and other child care items (maternity pack). The maternity pack is a Finnish invention and remains unique to Finland. (1994\*)

**1939** The national pension is introduced, ensuring a minimum income for retired persons lacking other means of support.

**1948** Family allowance for each child under sixteen. (1993\*) Conscript's allowance is introduced. (1994\*)

**1959** Unemployed persons aged 17-64 start receiving unemployment benefit. (1985\*)

**1963** The system of maintenance allowance is introduced to help with child costs. (2009\*)

**1964** The Sickness Insurance Act enters into force and the first sickness insurance offices are established. The Act contains provisions on daily and maternity allowances and on the refunding of expenses resulting from medical examination, treatment, purchase of medicines, sickness-related travel and rehabilitation.

**1967** Sickness insurance is extended to cover doctors' fees.

**1969** Introduction of survivor's pensions intended to secure the livelihood of family members in the event of death of the person supporting them.

**1970** Families with children suffering from illness or disability become eligible for child care allowance. General housing allowance is introduced to help low-income households keep their housing costs down. (1994\*)

**1971** Those who did front-line service in the Finnish armed forces during the Second World War become eligible for special benefits.

**1972** A system of student financial aid is introduced to ensure equal study opportunities for all. (1994\*)

**1985** Payment of child home care allowance starts. (1993\*)

**1986** A system of early old-age pensions is created, providing those without earnings with better social security.

**1989** Disability allowances are introduced to help those with disabilities to live independently alongside other citizens.

**1991** The act on Kela-provided rehabilitation comes into force.

**1997** A system of school transport subsidy is introduced. It provides reimbursement for the cost of travel between home and school if the expenses and distance covered exceed specified limits.

**2002** A system of dietary grants for coeliac patients is introduced to help those suffering from the condition to cover the cost of a gluten-free diet. Introduction of adoption grants to provide partial coverage of the cost of adopting children from abroad.

**2003** Introduction of a special assistance scheme for elderly immigrants and immigrants with disabilities.

**2004** Ageing people who have been out of work for a prolonged period start receiving pension assistance.

**2007** At the mature age of 70, Kela is an institution providing those living in Finland with a broad range of income support and security.

\*The year in which the scheme became a Kela responsibility.



## Director-general's review



The year 2007 marked the 70th anniversary of the Social Insurance Institution (Kela), which was set up to grant national old-age pensions. It was given the responsibility for implementing the Sickness Insurance Act in 1964, basic unemployment security in the 1980s, and family allowances, financial aid for students and housing allowance in the 1990s. Today Kela is responsible for managing about a hundred different benefits.

The past year was successful. Day-to-day work went smoothly, and the year was characterised by extensive and systematic development work, substantial expansion of on-line services and improvements to information systems.

Kela was able to exceed many targets set for the financial performance. Targeted processing times were not always met, but the deviation was not great. The annual survey concerning customer satisfaction with Kela's office services showed an overall score of 9.0 on a scale from 1 to 10.

Financially, Kela produced a record performance. Overall productivity increased by 4.5% and work productivity by 3.8%. Administration expenses accounted for 3.2% of the overall expenditure. The employees' pension liability fund had a fifth consecutive year of success, with a return of 8.3%.

Progress was made in the clarification and development of benefits. The legislation covering the national old-age pension and benefits for the disabled was clarified, and the formulation of decisions and customer letters was revised. National customer panels were set up to support the development work.

Kela has been actively involved in the work of the SATA Committee, which is preparing a reform of the social security system. The purpose of the committee is to simplify Finland's social security legislation and the committee is expected to publish some of its first findings in autumn 2008.

In April 2007, the Kela Board of Directors approved outlines for the service development programme, which were applied for the first time in planning for 2008 operations. The programme covers issues such as Kela's future service network and channels and the way in which customer service will be implemented and supported in practice. Kela will provide training for the entire personnel in 2008 in order to be able to implement the development programme

Kela introduced a total of seven new e-transaction services during the year. The popularity of e-transactions increased significantly and is likely to continue to increase further, as large numbers of people start applying for benefits for families and medical expenses compensation on a

full-scale basis.

Kela's operations will continue to expand. The construction of information systems for a national health archive has started, and Kela will be responsible for building information system services required for the implementation of an electronic patient information archive and an electronic prescription database. Preparations have been carried out concerning transfer of maintenance allowance from local government authorities to Kela under the management of the Ministry of Social Affairs and Health. The transfer is due to take place on 1 April 2009.

I would like to extend my warmest thanks to the Kela personnel and Trustees and to all our customers and partners for their cooperation during the past year!



Jorma Huuhtanen

# Kela – a service for everyone

The Social Insurance Institution (Kela) looks after basic security for all persons resident in Finland through the different stages of their lives. The social security provided by Kela includes national pension and general survivors' pension, disability benefits, health insurance benefits, rehabilitation benefits, basic security benefits for the unemployed, child care allowances, family allowances, maternity grants, student benefits, general housing allowances, conscript's allowances and special assistance for immigrants.

## Supervised by Parliament

Kela operates under the supervision of Parliament, and its administration and operations are supervised by Trustees appointed by Parliament and eight auditors chosen by them. Kela has a 10-member Board of Directors that manages and develops its operations.

## Close to the customer

Nearly all decisions concerning the granting of social security benefits are taken at the offices of Kela's insurance districts. Only decisions concerning disability pensions, EU reimbursements of medical expenses and certain decisions on financial aid for students and occupational health payments are taken by the central administration. Decisions concerning university students' applications for financial aid are taken by the universities' own financial aid committees.

## Mission and values

Kela's mission statement:

***With you throughout life – supporting you through times of change***

Our mission is to secure the income and promote the health of the entire nation and support the capacity of individual citizens to care for themselves.

Kela's operations are based on the following values:

***Respect for the individual***

***Expertise***

***Cooperation***

***Renewal***

## Kela in brief

	2003	2004	2005	2006	2007
Overall expenditure, EUR billion	10.3	10.6	10.7	10.8	10.9
Benefit expenditure, EUR billion	9.9	10.2	10.4	10.5	10.5
Administration expenses % of overall expenditure	3.2	3.3	3.1	3.3	3.2
Benefit expenditure % of GDP	6.8	6.7	6.6	6.3*	5.9*
Benefit expenditure % of social expenditure	25.6	25.2	24.7	23.9*	23.3*
Benefit expenditure/insured person, EUR/year	1,902	1,951	1,977	1,984	1,984*
Personnel on 31 Dec.	6,171	6,082	6,095	5,973	5,756

\* Estimate



## Kela 2007

Kela's overall expenditure in 2007 amounted to EUR 10.9 billion, which was 0.4% more than in the previous year. Benefit expenditure accounted for EUR 10.5 billion of this total. Administration expenses accounted for 3.2% of the total. Some 58% of Kela's funding came from the central government, 37% was covered by insurance contributions, and contributions from municipalities accounted for the remaining 5%.

Most Finns received Kela benefits in 2007. Health insurance benefits were paid to 4.1 million people and unemployment benefits to 200,000. At year end, Kela's pension recipients totalled 800,000, and family allowance was being paid for one million children.

The establishment of customer panels for matters relating to pensions, financial aid for students, and disability allowance involved customers more closely in developing the implementation of benefits. Intranet-based customer service instructions covering benefits were introduced in order to harmonise decision-making and speed up benefit processes.

A service development programme was introduced: the aim is to put all services on a uniform basis, basing them on customer needs and dealing with them comprehensively, smoothly and close to the customer. The customers will be able to choose the service channel best suited to their needs and to attend to their business online, by phone, in a Kela office, at a joint service point, by mail or receive their benefits as a direct reimbursement.

Kela took steps to improve its e-transaction services, telephone services and communications, with the focus on improving e-transaction services. The aim is to transfer a large proportion of applications to take place online. Customers can already check their benefit information and submit benefit applications online. During the year under review, some 7.5 million visits were made to Kela's website and there were 1.3 million e-transactions by identified individual customers.

Kela continued to concentrate telephone services from branch offices to the Customer Contact Centre. About a third of all phone calls by Kela's customers are now directed to the Customer Contact Centre units in Lieksa, Joensuu and Pietarsaari.

The work to improve communications began in keeping with the Kela principles approved in March. Customer communications were given a new look, and the first posters and brochures prepared in accordance with the new principles were published during the summer and autumn.

The development of processes covering the management of financial, material and human resources and the introduction of the resource management system Tahti designed to support them were in their second year. Training and recruiting services were centralised in this context.

Kela and the National Pensions Act celebrated their 70th anniversary in 2007. The Social Insurance Institution, which were set up on 16 December 1937 as a pension institution, is now responsible for providing about 100 different types of benefit for those covered by the Finnish social security system. The anniversary year was characterised by hard work but was also celebrated by arranging a number of anniversary seminars and lectures, and customers were served coffee at Kela's offices on 12 December, which was the official anniversary day.

## Benefits paid by Kela

### All benefits

Kela's benefit payments in 2007 amounted to EUR 10.5 billion, which in nominal terms was 0.4% higher than in the previous year. In real terms, there was a drop of 2.0%. There were 65 million payments, 23 million of them through pharmacies.

The largest increase took place in health insurance benefits, which increased by 5.9%. Un-employment security benefits fell by 13.5%.

### Benefits paid by Kela

	2007 EUR million	2006 EUR million	Change %
Pensions and benefits for the disabled	2,916.9	2,886.9	1.0
Health insurance benefits	3,403.8	3,214.5	5.9
Rehabilitation	295.8	288.6	2.5
Unemployment security benefits	877.7	1,014.1	-13.5
Benefits for families with children <sup>1</sup>	1,816.1	1,825.2	-0.5
Financial aid for students	714.0	736.9	-3.1
General housing allowance	430.7	439.4	-2.0
Other benefits	62.6	65.9	-5.0
<b>Total benefits</b>	<b>10 517.7</b>	<b>10 471.6</b>	<b>0.4</b>

<sup>1</sup> Daily parental allowances are included in the health insurance benefits.

### National pension security and benefits for the disabled

Pension payments in 2007 amounted to EUR 2,808 million, which was EUR 29.9 million (1.1%) more than in 2006. Benefit payments for the disabled totalled EUR 108 million, which is the same amount as in the previous year. An index increase of 1.7% was made in pensions and benefits for the disabled, and general increases were made in special-rate disability allowances and pensioners' housing allowances.

The number of persons receiving pension from Kela totalled 779,000 at the end of the year, down 1.1% on the previous year. The number of recipients of old-age and survivors' pensions continued to decrease, while there was a further increase in the number of people receiving disability pensions and unemployment pensions. The number of people receiving other national pensions, i.e. only pensioners' housing allowance, care allowance, child increase or front veterans' supplement remained unchanged. At the same time, there was an increase in the number of people receiving pensioners' care allowance, and a decrease in the number of persons receiving earnings-related-pension-deductible national pensions and front veterans' supplements. The number of people receiving full national pension totalled 92,400 (down 2.2%).

The number of recipients of child care allowance decreased by 1,400 (3.7%) and totalled 36,000 at the end of 2007. The number of people receiving disability allowance increased by 1.5%, totalling 27,500 at the end of the year. The increase continued to be due to a higher number of diet allowances. At the end of the year, diet allowance was being paid to a total of 24,900 people, which was 5.5% more than in 2006, in the form of pensioners' care allowance or disability allowance.

In 2007, Kela received a total of 395,000 applications (an increase of 1.8%) relating to pensions, pension additions, benefits for the disabled or benefit adjustment. Of the applications, 18,000 (4.5%) came from abroad on the basis of social security conventions or EU regulations. Decisions were given on a total of 407,000 applications, 361,000 of them by Kela branch offices and 46,000 by the central administration. Of the decisions, 386,000 were given on applications from Finland and 21,000 from abroad. The average processing time for applications from Finland was 41 days.

At the end of the year, the average national monthly pension including front veterans' supplements amounted to EUR 301. For single persons relying solely on national pension, the national monthly pension was EUR 525 in municipalities coming under the more expensive cost-of-living category. The monthly housing allowance averaged EUR 156.

### Pensions

Pensions	2007 EUR million	2006 EUR million	Change %
Pensions paid	2,808.7	2,778.8	1.1
National pensions <sup>1</sup>	2,699.5	2,661.7	1.4
Old-age pensions	1,716.3	1,724.0	-0.4
Disability pensions	820.0	783.9	4.6
Unemployment pensions	47.1	46.3	1.7
Other <sup>2</sup>	116.2	107.5	8.1
Survivors' pensions	36.7	37.3	-1.7
Front veterans' supplements	72.4	79.7	-9.2
Other benefits	4.4	4.7	-7.7

Number of pensioners	31.12.2007	31.12.2006	Change %
Pensioners total	778,800	787,800	-1.1
National pension recipients	747,800	755,800	-1.1
Old-age pension recipients	466,400	477,900	-2.4
Disability pension recipients	157,400	154,800	1.7
Unemployment pension recipients	21,200	20,500	3.6
Other <sup>3</sup>	102,800	102,700	0.1
Survivors' pension recipients	31,000	32,000	-3.2

Structure of national pensions	31.12.2007	31.12.2006	Change %
Of the national pension recipients			
recipients of earnings-related-pension-deductible national pension	645,100	653,200	-1.2
recipients of full pension	92,400	94,400	-2.2
recipients of reduced pension	552,700	558,700	-1.1
recipients of other national pensions <sup>3</sup>	102,800	102,700	0.1
Of the national pension recipients			
recipients of housing allowance	172,400	172,900	-0.3
recipients of pensioners' care allowance	200,100	197,500	1.3
recipients of front veterans' supplement	75,700	84,800	-10.7
recipients of front veterans' additional supplement	37,200	42,200	-11.9
recipients of child increase	13,600	13,700	-0.4

<sup>1</sup> Includes the housing allowances and child increases paid as part of pension assistance for the long-term unemployed.

<sup>2</sup> Pensioners' housing allowances, pensioners' care allowances and child increases paid by Kela to those receiving no actual pension.

<sup>3</sup> The person received from Kela pensioners' housing allowance, pensioners' care allowance, front veteran's supplement or child increase either on its own or in conjunction with special assistance for immigrants or pension assistance for the long-term unemployed.

#### Benefits for the disabled

Allowance paid	2007 EUR million	2006 EUR million	Change %
Child disability allowance	72.6	72.8	-0.3
Disability allowance	35.7	35.3	0.9

Number of persons receiving	31.12.2007	31.12.2006	Change %
Child disability allowance	36,000	37,400	-3.7
Disability allowance	27,500	27,100	1.5

#### National health insurance

Health insurance benefit expenditure grew by EUR 189 million (5.9 %) on the previous year. Kela paid out EUR 3,404 million in benefits, which were received by 4.1 million people (an increase of 1.7%).

The amounts of earnings-based daily parental allowance were raised as of the beginning of 2007. Mothers' maternity allowance for the first 56 days and parental allowance for the first 30 days were raised. Fathers' parental allowance and the one-month paternity allowance were also raised for the first 30 weekdays.

The paternity month is defined in the Sickness Insurance Act and comprises the 12 last weekdays of the parental allowance period transferred to the father and 1–12 paternity

allowance days. The paternity month can be taken during 180 days from the end of the daily parental allowance period. The father's right to an extended paternity allowance (paternity month) was used by 6,000 fathers (an increase of 19%).

In the future, compensation to employers for annual leave costs will be defined so that it covers both the gross pay to employees for the annual leave period and average statutory social insurance contributions. Legislative amendments concerning daily parental allowances and annual leave compensation apply to daily parental allowances with the first date on 1 January 2007 or later.

Daily sickness allowances increased by 2.3% and daily parental allowances by 11.5%. A total of EUR 37.1 million (an increase of 13.7%) was paid to employers of 21,300 people in annual leave compensations included in daily parental allowances.

An amendment to the Sickness Insurance Act meant that from the beginning of April the sickness allowance for persons insured under the Self-Employed Persons Pensions Act (YEL), was also paid during the waiting period. The amendment concerns periods of disability that commenced on 1 January 2006 or later. Daily sickness allowance for persons insured under the Self-Employed Persons Pensions Act (YEL) was paid to 16,100 entrepreneurs, totalling EUR 4.5 million (an increase of 30.0%).

An amendment concerning partial daily sickness allowance entered into force at the beginning of 2007, allowing those who have been receiving daily sickness allowance for an un-interrupted period of at least 60 days, full-time employees and entrepreneurs to return to their work part-time. They will be paid partial daily sickness allowance in addition to the pay they receive for the part-time work. A total of EUR 2.5 million was paid to 1,800 people in partial daily sickness allowance. The average partial sickness allowance was EUR 29.

The average daily sickness insurance was EUR 46 and the daily parental allowance EUR 48.

In 2007, the minimum or a lower daily sickness allowance was being received by 17,000 people (4.9% of those receiving daily sickness allowance). The minimum daily parental allowance based on earnings was being received by 15,200 mothers (15.0% of the mothers receiving daily parental allowance).

A total of 698,000 decisions were given on daily sickness allowances (an increase of 1.2%), 41,000 of them by employee sickness funds. Of the decisions given, 2,800 con-



cerned partial daily sickness allowances. New applications were processed in 14 days on average, as before.

A total of 9.6 million decisions were made on reimbursements for medical expenses, of which 0.4 million were made by employee sickness funds. The average processing time of applications was 12 days.

Reimbursements paid for medical expenses came to EUR 1.6 billion (an increase of 4.4%). In the category of all medicinal expenses reimbursed, reimbursements for medicinal products increased by 3.8% (2.2% in 2006).

The number of people receiving basic reimbursements for medicinal products increased by 2.8%, and the number of those receiving special reimbursements by 0.8%. The number of people receiving additional reimbursements for medicinal products fell by 7.2%. A total of 2,400 people were paid an aggregate sum of EUR 69,000 in reimbursements for costs of dose dispensing (an increase of 900 people on the previous year).

A total of EUR 93.5 million was paid out in reimbursements for dentists' fees in 2007 (an increase of 2.1%). Reimbursements for dental care were paid to 1,034,000 people (an increase of 1.5%).

Reimbursements for doctors' fees rose by 3.6% and reimbursements for examination and treatment costs by 7.5%. Also the numbers of those receiving reimbursements increased. Reimbursements for travel costs rose by 8.2% on the previous year.

Reimbursements paid to employers for occupational health care expenses came to EUR 205 million (up 4.6%). Some 1.7 million employees were covered by occupational health care. Reimbursements for occupational health care paid to entrepreneurs and other self-employed people totalled EUR 1.5 million. Reimbursements paid to the Student Health Foundation were EUR 21.9 million.

#### Health insurance benefits

Health insurance reimbursements	2007 EUR million	2006 EUR million	Change %
Total	3,403.8	3,214.5	5.9
Daily health insurance allowance	1,592.1	1,483.6	7.3
Daily sickness allowance <sup>1</sup>	773.4	755.7	2.3
Partial daily sickness allowance	2.5	.	.
Daily self-employment sickness allowance	4.5	3.4	30.0
Daily parental allowance <sup>2</sup>	811.8	727.9	11.5
Medical expense reimbursement	1,562.3	1,496.8	4.4
Medicinal products <sup>3</sup>	1,142.2	1,100.3	3.8

Basic reimbursement	368.7	366.6	0.6
Special reimbursement	661.9	619.7	6.8
Lower reimbursement	229.4	226.4	1.3
Higher reimbursement	432.6	393.3	10.0
Additional reimbursement <sup>4</sup>	111.3	114.0	-2.4
Private physicians' fees	65.7	63.4	3.6
Private dentists' fees	93.5	91.6	2.1
Private examination and treatment	64.6	60.1	7.5
Travel and patient transportation <sup>5</sup>	196.2	181.4	8.2
Other benefits	249.4	234.1	6.5

<sup>1</sup> Includes daily sickness allowance payments to Farmers' Social Insurance Institution, daily allowances and loss-of-earnings compensations paid under the Act on Communicable Diseases and daily allowances paid to donors of organs or tissues.

<sup>2</sup> Includes special care allowances and reimbursements for annual leave costs to employers.

<sup>3</sup> Includes reimbursements for costs of dose dispensing.

<sup>4</sup> The maximum personal liability for medicinal products was EUR 627.47 in 2007.

<sup>5</sup> Includes additional reimbursements for travel.

The maximum personal liability for travel was EUR 157.25 in 2007.

Recipients of health insurance reimbursements	2007	2006	Change %
Total	4,112,700	4,043,100	1.7
Daily sickness allowance <sup>1</sup>	347,800	348,800	-0.3
Partial daily sickness allowance <sup>1</sup>	1,800	.	.
Daily self-employment sickness allowance <sup>1</sup>	16,100	13,100	23.5
Daily parental allowance <sup>2</sup>	152,300	149,000	2.2
Medical expense reimbursement	4,063,000	3,990,800	1.8
Medicinal products	3,674,600	3,584,700	2.5
Basic reimbursement	3,563,400	3,465,400	2.8
Special reimbursement	1,107,600	1,098,500	0.8
Lower reimbursement	835,300	833,700	0.2
Higher reimbursement	480,700	468,300	2.7
Additional reimbursement	153,700	165,600	-7.2
Private physicians' fees	1,561,900	1,523,900	2.5
Private dentists' fees	1,034,100	1,019,200	1.5
Private examination and treatment	922,400	895,400	3.0
Travel and patient transportation	651,900	644,700	1.1

<sup>1</sup> A person may receive more than one type of daily sickness allowance.

<sup>2</sup> Recipients of daily parental allowance (excluding recipients of special care allowance and people whose employers have received reimbursements for annual leave costs).

#### Rehabilitation

Kela's rehabilitation expenditure totalled EUR 296 million, up 2.5% on the previous year. The cost of individual rehabilitation came to EUR 291 million, EUR 233 million (an increase of 4.8%) of which was accounted for by rehabilita-

tion and EUR 58 million (a decrease of 2.7%) by the rehabilitation allowances paid.

A total of 87,900 people (a decrease of 0.6%) received Kela's rehabilitation services. Some 37% of them were new rehabilitees. Rehabilitation allowance, which is paid as income security during rehabilitation, was paid to 59,000 people (a decrease of 4.1%). Of all recipients of rehabilitation allowance, 71 % (41,900) received rehabilitation provided by Kela. Rehabilitation allowance was paid for an average period of 36 days, and the average daily allowance was EUR 28.

More than half of Kela's rehabilitation is discretionary (medical) rehabilitation. Such rehabilitation was received by 53,300 people. Vocational rehabilitation was provided for 15,500 people with reduced functional capacity and medical rehabilitation for 21,100 severely disabled people.

The most common type of discretionary rehabilitation was vocationally-oriented medical rehabilitation (ASLAK® courses), in which 14,300 people participated. Courses designed for people with certain types of disease were attended by 12,400 people. Discretionary psychotherapy was provided for 12,500 rehabilitees, of whom 4,000 received psychotherapy for young people (16–25-years of age). Periods of treatment at rehabilitation centres were arranged for 3,800 people.

### Unemployment security

Unemployment security benefits paid by Kela decreased by 13.5%, totalling EUR 878 million. Of this, EUR 734 million was paid as labour market subsidy (a decrease of 14.5%) and EUR 95 million as basic daily allowance (a decrease of 13.1%).

Unemployment security benefits were paid to 253,800 people for an average of 136 days per beneficiary. Basic daily allowance was paid to 44,700 people (a decrease of 10.6%) and labour market subsidy to 202,600 people (a decrease of 9.7 %). Labour market training support was paid to 6,400 people (an increase of 5.3%) and labour market integration allowance to 11,900 immigrants (an increase of 10.3%).

Out of recipients of labour market subsidy, 72,600 took part in labour market training, practical training or other labour market measures during the year. A further 7,800 recipients of labour market subsidy participated in rehabilitating work activities and 1,800 received labour market subsidy in the form of travelling allowance. 10,500 recipients of integration allowance participated in labour market or comparable measures. 32.4% of the labour market subsidy was paid for the duration of activities under labour market programmes.

The average basic daily allowance was EUR 22.80 and labour market subsidy EUR 25.40. An adjusted daily allowance was paid at least once during the year to 24.3% of basic daily allowance recipients and to 13.1% of recipients of labour market subsidy.

Labour market training support was paid to 6,400 people. 36,500 recipients of labour market subsidy and 6,600 recipients of integration allowance participated in labour market training. A total of EUR 44 million was paid in training benefits. EUR 4 million was paid in daily training allowance to 1,200 people.

Kela made a total of 784,600 decisions concerning unemployment security benefits (a decrease of 6.7%). Decisions were given on 211,700 new applications, with an average processing time of 15 days, and decisions were given on 85.1% of the new applications within four weeks of the arrival of the application.

### Benefits for families with children

Expenditure on child day-care subsidies decreased by 0.2%. A total of EUR 394 million was paid out in these subsidies, of which EUR 331 million was in child home care allowance (a decrease of 1.6%), EUR 55 million in private day-care allowance (an increase of 9.2%) and EUR 9 million in partial care allowance, including EUR 61 million in municipal supplements.

Child home care allowance was paid to 117,300 parents for 177,600 children. There were 20,500 recipients of private day-care allowance and 19,000 recipients of partial care allowance. The number of those receiving child home care allowance increased by just under one per cent, and the number of recipients of private day-care allowance increased by 6.3%. The number of the recipients of partial allowance remained roughly the same as in 2006.

The Act on child home care allowance and private care allowance was amended on 1 April 2007. In the future, home care allowance and private care allowance can be paid to families for different children simultaneously. The amounts of home care allowance payable for other than the youngest child in the family rose.

In December 2007, there were 800 families receiving both home care allowance and private care allowance for the same period.

Maternity grants totalling EUR 10.3 million were paid (a decrease of 4.2%), including adoption grants of EUR 0.5 million for offsetting some of the costs of international adoption. Maternity grants were paid to 56,300 parents,

of whom also received adoption grants.

The total amount of family allowance paid was EUR 1,411 million (a decrease of 0.6%). In December, family allowance was paid to 565,200 families (a decrease of 0.5% on the previous December), with increased family allowance paid to 97,800 single-parent families. Family allowance was paid for 1,024,500 children, and increased family allowance for 151,600 of them.

### Student benefits

Student benefits totalled EUR 714 million (a decrease of 3.1%), of which EUR 402 million (a decrease of 3.2%) was for study grants and EUR 243 million (a decrease of 3.2%) for housing supplements. Interest subsidy and interest allowance for study loans totalled EUR 1.6 million, payments made on the basis of government guarantees for student loans EUR 25 million and meal subsidy for students in higher education EUR 24 million.

Financial aid was paid to 323,700 students. Of these, study grants were paid to 315,600 (an increase of 0.3%) and housing supplement to 213,500 (a decrease of 2.3%). Government guarantees were approved for a total of 126,800 students (a decrease of 4.4%). Interest allowance was paid to 6,800 people, down 9.6% on the previous year.

Student loans totalled EUR 1.3 billion at year end, the same as at the end of the previous year. There were 297,500 students with student loans (a decrease of 3.9%). The average debt was EUR 4,480.

A total of 400,000 decisions were made on financial aid applications by students, 195,200 of which were processed at Kela branch offices (an increase of 0.3%), 83,700 at the Kela Student Financial Aid Centre (a decrease of 7.2%) and 120,900 at university and polytechnic financial aid centres (a decrease of 2.7%).

School transport subsidy totalled EUR 32 million (an increase of 4.2%) for the transport costs of 65,000 students. Matkahuolto Ltd invoicing accounted for 70% of the total.

### General housing allowance

General housing allowance payments totalled EUR 431 million, down 2.0% on the previous year. The number of households receiving this allowance decreased, and at year end numbered 142,200 (a decrease of 5.3%). The total proportion accounted for by families with children was 39.8% and single-parent families made up a good quarter of the households. The proportion of single people was 53.3% at year end. General housing allowance covered 283,100 peo-

ple at the end of the year, making up 6.4% of the population under 65.

The number of unemployed households was 88,900, or 62.5%. The proportion has gone down by 1.7 percentage points. The income of more than half of these households consisted of labour market subsidy or basic daily unemployment allowance. There were 3,000 cases of postponing the housing allowance eligibility review after a long-term unemployed member of a household had found employment, a good fifth of all the decisions regarding an increase in income.

The average housing allowance at year end was EUR 237 a month. The households receiving this allowance have a lower income than before. The average income per household was EUR 723 a month (EUR 731 in the previous year), while the monthly housing expenditure was EUR 459.

During the year under review, Kela took 378,400 decisions on applications for general housing allowance, taking into account decisions on discontinuation (a decrease of 4.0%). The average processing time for applications was 20 days.

### Other benefits

Expenditure on conscript's allowances remained almost unchanged (an increase of 1%). A total of EUR 17 million was paid, of which housing assistance accounted for EUR 15 million. Conscript's allowances were paid to a total of 12,200 households. When other family members are included, the allowances covered a total of 12,800 people. Of the recipients, 10,400 were doing their military service, 1,000 were performing non-military service and 880 were relatives. Recipients of conscript's allowance had a total of 250 children. The average conscript's allowance was EUR 325 per month.

Compensation for the rehabilitation travel expenses of front veterans came to EUR 1.0 million. Studies on farmers' working conditions were funded to a total of EUR 1.3 million and the expenses of the National Centre for Agricultural Health, which operates under the Institute of Occupational Health, totalled EUR 0.3 million.

In 2007, EUR 20 million (an increase of 8.1%) was paid in special assistance to immigrants, covering 4,900 people at year end. The average amount of assistance paid was EUR 341 per month.

The long-term unemployed received EUR 19 million in pension assistance (a decrease of 19.8%). At the end of the year, 1,800 people were receiving this assistance. The average amount of assistance paid was EUR 718 per month.



## Recovery

The total amount of benefits claimed for recovery at year end (including those recovered on the basis of evaluation of financial situation in the case of financial aid to students) was EUR 120.2 million (an increase of 3.0%). The amount of outstanding student loan guarantees for recovery was EUR 185 million at year end (an increase of 3.0%).

## Other benefits

Other benefits	2007 EUR million	2006 EUR million	Change %
Rehabilitation	295.8	288.6	2.5
Rehabilitation services	233.6	224.3	4.1
Rehabilitation allowance	58.3	59.9	-2.7
Other expenditure	3.9	4.5	-12.5
Unemployment security benefits <sup>1</sup>	877.7	1,014.1	-13.5
Basic daily allowance <sup>2</sup>	95.0	109.4	-13.1
Labour market subsidy <sup>3</sup>	734.5	859.5	-14.5
Labour market training <sup>4</sup>	44.1	41.3	6.8
Daily training allowance	3.7	3.5	3.4
Maternity grants	10.3	10.8	-4.2
Family allowances	1,411.4	1,419.4	-0.6
Child day-care allowances	394.4	395.0	-0.2
Statutory allowance	332.9	336.3	-1.0
Municipal supplements	61.5	58.7	4.7
General housing allowance	430.7	439.4	-2.0
Student benefits	714.0	736.9	-3.1
Conscript's allowance	16.7	16.6	0.9
Special assistance for immigrants	20.2	18.7	8.1
Pension assistance for long-term unemployed <sup>5</sup>	19.1	23.9	-19.8
Other	2.2	2.0	7.9

<sup>1</sup> Includes job alternation compensation plus supplements and employment programme supplements.

<sup>2</sup> Includes earnings-related daily allowances paid by Kela to Finnish nationals seeking employment outside Finland.

<sup>3</sup> Includes integration allowance and combined subsidy.

<sup>4</sup> Includes maintenance allowance paid during training support and labour market training.

<sup>5</sup> Housing allowances and child increases associated with pension assistance are included in the pensions.

Recipients of other benefits	2007	2006	Change %
Rehabilitees	105,300	106,500	-1.1
Rehabilitation services from Kela	87,800	88,400	-0.6
Rehabilitation allowance from Kela	59,000	61,500	-4.1
Unemployment security benefits			
Basic daily allowance and/or labour market subsidy	240,700	266,900	-9.8
Basic daily allowance	44,700	49,900	-10.6
Labour market subsidy	202,600	224,400	-9.7
Labour market training	36,500	36,000	1.3
Practical training or worklife coaching	40,100	42,200	-5.1
Rehabilitating work	7,800	6,500	20.3
Travelling allowance	1,800	1,000	81.4
Labour market subsidy as combined subsidy	1,000	17,400	-94.5
Labour market training subsidy	6,400	6,100	5.3
Daily training allowance	1,200	1,200	-1.1
Labour market subsidy as integration allowance	11,900	10,800	10.3
Maternity grants (families)	56,300	57,800	-2.6
Family allowance			
Families (31 Dec.)	565,200	568,300	-0.5
Children (31 Dec.)	1,024,500	1,030,700	-0.6
Child day-care subsidy			
Families	146,400	145,500	0.6
Children	213,600	214,900	-0.6
General housing allowance (households 31 Dec.)	142,200	150,200	-5.3
Student benefits			
Financial aid to students	283,600 <sup>1</sup>	288,100 <sup>2</sup>	-1.6
School transport subsidy	51,600 <sup>1</sup>	51,000 <sup>2</sup>	1.2
Conscript's allowance (households)	12,300	12,400	-1.2
Special assistance for immigrants (31 Dec.)	4,900	4,500	8.3
Pension assistance for long-term unemployed (31 Dec.)	1,800	2,600	-29.1

<sup>1</sup> Academic year 2006/2007.

<sup>2</sup> Academic year 2005/2006.



*You can access the electronic transaction service on Kela's Finnish and Swedish websites ([www.kela.fi](http://www.kela.fi)) by entering your personal bank code or using an electronic ID card. At the moment, the service can be used for submitting certain notifications and applications for particular types of benefit, or checking the progress of your application or the amount of benefits already granted and the next benefit payment date.*

## Other Kela operations

### Customer service and the service network

At year end, Kela's five insurance regions comprised 52 insurance districts and 304 service branches. Of these, 263 were open daily, while 41 were sub-offices with restricted office hours. Kela was also involved in 152 joint-service projects.

#### Kela offices 31 December 2007

Insurance region	Open daily	Sub-offices	Joint services
Northern Finland	43	16	16
Western Finland	43	7	55
Eastern Finland	56	16	32
Southwestern Finland	52	0	36
Southern Finland	69	2	13
<b>Total</b>	<b>263</b>	<b>41</b>	<b>152</b>

The process of increasing the size of Kela's insurance districts continued during the year, and a total of nine insurance districts were merged. The process of distributing the workload more evenly continued by transferring work from overworked offices to other offices. Kela took part in various projects to develop e-transactions. The work to organise Kela's telephone service for customers into a national service at the Kela Customer Contact Centre continued.

On the basis of a pension services agreement between Kela and the earnings-related pension operators, Kela advises customers on earnings-related pension matters and receives earnings-related pension applications, forwarding them to earnings-related pension institutions. In 2007, Kela offices received 98,700 earnings-related pension applications, 6.0% more than in the previous year. Kela received some 60% of all earnings-related pension applications. Correspondingly, the service points in the earnings-related pension system received a total of 3,825 applications for Kela pensions in 2007. Reception of applications for vocational rehabilitation was included in the pension services agreement as of 1 May 2007.

In 2007 there were 78 employee sickness funds referred to in the Sickness Insurance Act in Finland, and they processed 0.5 million sickness insurance reimbursements.

Kela has an agreement with 16 student financial aid committees about the reception of and decisions on applications for financial aid for students in higher education. In 2007 the student financial aid committees gave decisions on 120,900 applications, which accounts for 32% of all applications for financial aid for students.

People visiting Kela offices during the period 7 –11 May

2007 were polled on their opinions concerning the service given there. According to the poll, which involved 15,762 respondents, satisfaction with the service provided by the offices has continued to be good. The general rating for the service received during the respondents' latest visit was 9 on a scale of 1 to 10. Of the respondents, 98% were satisfied with the friendliness of the service, 96% with the help provided in filling in application forms and 89% with the information provided on the future processing stages of the application – roughly the same percentages as before. The number of those satisfied with the information provided on the length of the processing period rose by six percentage points during the year and was 81%.

An increasing number of customers felt they had received an adequate amount of information on the matters dealt with. The biggest improvement was shown in the benefits, where dissatisfaction with the provision of information had previously been the highest (unemployment and student benefits and general housing allowance).

5% of the customers had reserved or would have liked to reserve a time for their Kela business.

### Personnel and training

At the end of 2007, the number of personnel working for Kela had decreased by 217 people compared with the previous year. The personnel age structure and increasing retirement have made it possible to adapt the number of personnel to the current situation. There were 380 people in fixed-term employment, and the average employment period of the personnel was 17 years.

The service operations development plan introduced in 2007 covers the entire personnel. Its impact will be seen first in the offices, where 70% of all personnel work. Under the plan, customer service will be developed, for instance, by making the personnel specialise gradually in either service or decision-making work. The related arrangements will be implemented in cooperation with the personnel and the change will be supported with a comprehensive training scheme.

In December, the Board approved the *Personnel Plan 2011*, which lays down the goals of personnel management and the means of achieving them. The primary goals are efficient organisation, the correct number and structure of personnel, expertise among personnel, occupational well-being, successful recruitment and a functional employment relationship policy.

In spring 2007, Kela carried out its first personnel expertise assessment with the help of the Tahti resource manage-



ment system. The supervisors defined target profiles for the various tasks against which the employees assessed their own expertise. The final assessment was carried out together as part of the development discussion process.

Kela organised 718 (954 in 2006) training courses in 2007, with a total of 14,607 (18,309) participants. The number of training days was 17,318 (23,168). Provision of training products for maintenance and improvement of expertise in benefits continued, and utilisation of online training was expanded in order to improve expertise in benefits. Management and supervisor training focused on reinforcing the supervisory role, risk management and making management group work more effective. Coaching in change management was provided for merging insurance districts and other units in transition. Implementation of the second phase of the Tahti system was supported with extensive training focusing on the functionality and processes of the various components of the system and capabilities for using the system.

Well-organised occupational health care has for years been an employment benefit greatly appreciated by Kela personnel. Concentrating sick leave certificates on the occupational health care service made it possible to monitor the number of cases of sick leave and the reasons for them. Cooperation has become established between supervisors, employees and the occupational health care service in dealing with situations threatening working capacity.

Kela and its employee association (Kelan toimihenkilöt ry) made a collective agreement covering the period 1 October 2007 – 31 January 2010. The cost level of the agreement corresponds to that of other agreements made in equivalent sectors of the labour market. Changes made in the text focused on adjustments to the content of the pay system. The pay of employees within Kela's management, insurance district supervisors and physicians was adjusted in accordance with Kela's general collective agreement.

### Personnel figures

Number	2006	2007
<b>Total personnel</b>	<b>5,973</b>	<b>5,756</b>
Full-time	5,067	4,868
Part-time	906	888
<b>Permanent personnel</b>	<b>5,525</b>	<b>5,376</b>
Full-time	4,647	4,521
Part-time	878	855
<b>Permanent personnel</b>		
Local administration	3,777	3,728
Central administration	1,264	1,184
Regional administration	484	464

Permanent personnel	2006	2007
Average age	47.5	47.6
Educational level index	5.0	5.0
Training days/person	3.6	3.3
Sick days index	4.2	4.5
Employees leaving Kela	389	264
New employees	205	237
Retirement age	61.8	62.3
Employees retiring on old-age pension	104	104
Employees retiring on disability pension	52	41

### Information management

New e-transaction services for consumers and officials were launched according to plan. Application services were introduced for daily sickness allowance, parental benefits, family allowance and disability allowance. The information flow between Kela and its partners was improved. Child day-care information from municipalities was included under electronic communications. Direct reimbursement by pharmacies was extended to cover additional reimbursements for medicinal products.

Legislative amendments caused changes in many information systems for processing benefits. The most significant amendments were the package designed to clarify the national pension scheme and the implementation of the student loan deduction procedure as a new information system. The harmonisation of benefit processing systems continued. The student loan guarantee liability system that had been operating on an external server was brought back into Kela's computer system. Construction began on an information system for maintenance support, which will be transferred to Kela from the municipalities. Implementation of an information system supporting the management of benefit work and customer service continued according to plan.

The functions in the second phase of the total reform of IT applications for materials management and financial and personnel resource management (Tahti) were introduced, and implementation of the third phase was started. New statistics were produced for the Kelasto reporting system as planned.

The construction of national information systems began on the basis of legislation on electronic processing of social and health care customer data and electronic prescriptions. The national information systems include patient data and prescription archiving and forwarding services, technical code services and an online connection for customers to the information relating to them. The supplier of the information system was chosen in a competitive tendering process carried out on the basis of definitions given by the Ministry of Social Affairs and Health, and the agreement was concluded at the beginning of September. Electronic social and health care services will be implemented in user environments that are separate from Kela systems. The construction of the services is under way. The e-prescription information system will be the first service to be completed and it will come into use in autumn 2008.

The use of mainframe computers has continued at the established level since the reform in autumn 2006. Progress was made in the use of an open server environment for service provision, and a new storage device system was acquired for joint use by these services. The total number of Kela's terminal service events approached 1.7 billion in 2007.

The structure of the communications network was developed to support services offered to external customers in a manner ensuring data security.

### Communications

The updating of communications began in March on the basis of principles approved by Kela. The customer communications appearance was renewed, and its first applications – posters and brochures – were published. The reform features Kela customers in the main role.

The website-updating project continued to make progress throughout the year. The updated website will be introduced in 2008. During the year under review, there were 7.5 million (5.9 million in 2006) visitors and e-transactions were carried out by 1.3 million (just over a million) identified persons. There is a rapid increase in the number of e-transactions every time a new service is introduced.

A total of 14 million messages were sent via e-mail and more than 16 million letters were posted to customers cen-

trally. About 85 media bulletins were issued. In addition, a total of 11 briefings and meetings were arranged, with reporters and stakeholders.

During the year under review, Kela published four issues of its customer magazines *Kelan sanomat* and *FPA-bladet*. The former was sent to all Finnish-speaking and bilingual households (2.3 million copies per issue on average) and the latter to Swedish-speaking and bilingual households (about 170,000 copies). There were eight issues (8,800) of the personnel magazine *Yhteispeli* and six (17,000) of the social and health security magazine *Sosiaalivakuutus*.

New brochures comprised Finnish- and Swedish-language service channel guides *Asioi verkossa* (Online transactions) and *Usein jo soitto riittää* (Often a phone call is enough). Kela's general brochure entitled *With you throughout life- supporting you through times of change* was revised. The Finnish and Swedish brochures on basic social security (10 brochures) and the English-language brochure *A Guide to Benefits* were revised at the turn of the year. The latest Kelainfo brochures are: *Osasairauspäiväraha* (Partial daily sickness allowance), *Suorakorvaus* (Direct reimbursement), *Yksityisen hammashoidon korvaukset* (Reimbursement for private dental care) and *Työttömyysturvan sähköinen asiointi* (E-transactions relating to unemployment security).

Some two million brochures were distributed to customers. Kela continued cooperation relating to the website for entrepreneurs' social security, the brochure on working abroad and private households as employers, a guidebook for social security for temporary workers and a guide to services for the visually impaired. Towards the end of the year, the rehabilitation guide was revised in cooperation with the Finnish Pension Alliance, and a revision of the composition and appearance of the basic-security brochures began in the autumn.

In January, Kela participated in the Finnish Medical Convention, and the Child 2007 fair in Helsinki in March-April, the Farmari Agricultural Fair in Kuopio in July, the Eteenpäin fair on education, training and work in Oulu in September, and a social services event in Ylivieska, a senior citizens' fair in Sonkajärvi and a senior citizens' event in Naantali in October, the Studia 2006 study fair in October-November in Helsinki and the 55+ fair in Espoo in December.

### Statistics and calculations

The revision of statistical databases continued with expansion of the data content of the Kelasto browser-based system. The production of statistics on beneficiaries for Kelasto

was a special point of focus. In order to improve Kelasto's usability, a new structure and a more advanced search function were devised for the Kelasto intranet site.

A total of 15 printed statistical publications were produced. In addition to this, four joint publications were produced, two together with the Finnish Centre for Pensions, one with the National Agency for Medicines and one with the Insurance Supervision Authority. All of the printed statistical publications were published on the Kela statistics pages on the Internet. Kela's *Statistical Yearbook* has been published online since 1996. Statistical information on social security is available for users beginning from the 1970s.

A total of 400 statistical documents were published online in pdf and Excel form, including all Finnish, Swedish and English versions. An appearance conforming with Kela's new look was given for instance to time series, statistics bulletins and monthly statistics.

Annual actuarial calculations concerning Kela's social security were compiled for the Minis-tries. Forecasts, calculations and analyses were produced for the development and implementation of social security. The most extensive of these were surveys concerning the abolishment of the municipal cost-of-living categories and general national pension increases. Kela's internal operations were supported by producing performance forecasts and calculations for Kela units. Legislative amendments were taken into account in the development and revision of calculation systems

### Research and development

In 2007, research was based on *Kela's research programme for 2007*. In the year under review, a new microsimulation model (JUTTA) was developed for social and tax legislation. The model was used, for instance, in calculations concerning proposals for basic income and basic security reforms and in research projects studying the impact of changes in the social security and tax systems on motivation and income distribution. The model was also offered for open use to other researchers in research institutions, institutions of higher education and organisations.

During the year, research focused on issues such as the trend in Finnish social security, the various stages of people's lives, parental leave for fathers and gender equality, work incapacity, subsistence, mental disorders, the health situation in municipalities, rehabilitation and the cost of medicinal products. The Finnish social security system was compared internationally, and the functioning of the Kela working community was assessed. Also the social and health

security systems were assessed and the changes taking place in them analysed. A joint Nordic research project looked at the transfer from institutions of higher education to working life.

Research projects reported in Kela's publication series on social and health security included three doctoral dissertations: on outcome-oriented society, care-giving by relatives as a care instrument and inflammation-reducing painkillers in Finland. Other publications looked at issues such as cardiac rehabilitation, the life situations of upper secondary stage students and those in the process of vocational qualification, and opinions and choices relating to national social security.

The third edition of the book on injustice entitled *Vääräyskirja* was published. Another book was issued on social insecurity, and new publishing and communication methods and channels were introduced in 2007. The documentary entitled *Kohtaamisia* (Encounters), produced by Kela, was part of the reporting on a research project investigating equality in Kela. The documentary looks at the encounter between the social security system and citizens through people's life stories, following the life of two Kela employees at work and during leisure in Ivalo and Helsinki.

A series of seminars entitled *Filmi-Kela* was started in 2007 with the theme 'disconnection, misplacement and maladjustment'.

### Information service

Kela's information service followed both electronic and printed information supply, acquiring and supplying information from various sources to Kela units while also serving external customers. The information distribution channels were increasingly the Internet and Kela's own intranet (Kelanetti). Cooperation continued with the information services and special libraries within the Ministry of Social Affairs and Health's administrative branch.

### International cooperation

In 2007 Kela took an active part in the preparation of the Regulation implementing the new Regulation on the coordination of social security in the EU. Kela was also heavily involved in the preparation of electronic communications for the Regulation on the coordination of EU social security in working parties under the European Commission.

Several rounds of negotiations relating to the implementation of international social security legislation were held between national social insurance institutions in Nordic





*Kela is constantly improving its online services. In 2007, the services were used more than 1,300,000 times. The plan is to put the applications for the most common Kela benefits on line by the year 2010.*

countries and bilaterally with Poland and Estonia. During the year, Kela took part in work relating to boundaries restricting mobility under the Nordic Council of Ministers by participating in the preparation of the Nordic social security portal, for instance. In addition, a pilot project in cross-border rehabilitation between Northern Finland and Northern Sweden was started.

An agreement implementing a social security agreement

between Finland and Chile was signed on 29 May 2007, and the agreement entered into force on 1 January 2008. Negotiations on a social security agreement with Australia were re-started in Canberra towards the end of the year.

An international ISSA (International Social Security Association) conference on actuarial and statistical matters was organised in cooperation with other Finnish social security institutions in Helsinki in May.

# Financial statements

## Report by the board of directors 2007

### Governance

The Ministry of Social Affairs and Health prepared amendments to the Act on the Social Insurance Institution. The Kela Board of Directors gave an opinion on the matter, and this was taken into account in the final Government proposal. Parliament approved the amendments unanimously, and the Act (1342/2007) was approved on 21 December 2007 and entered into force on 1 January 2008.

Kela's Board of Directors approved a description on Kela's Corporate Governance based on principles of good governance and transparency. The description is available on Kela's website and intranet and as an appendix to the annual report under the title Kela Governance 1 January 2008. It is an overall description of the foundations of Kela's governance, related legislation, decisions by the Trustees and the Board relating to the matter, and organisation of operations.

### Strategic foundation

According to its mission, Kela aims at securing the income and promoting the health of the entire nation and supporting individual citizens in taking care of themselves.

Kela's operations are based on the following values: respect for the individual, expertise, cooperation and renewal.

According to its strategic vision, Kela is a reliable, efficient and socially responsible actor. It has an active role in developing social security and its implementation. The social security provided by Kela is clear and of a high quality and reasonable standard. Kela's service is the best in the public sector.

The target is uniform service. Success in achieving this is based on personnel expertise and professional skills, an extensive service network, easy-to-use service channels, a high standard of quality and on economical operations, cooperative capacity and renewal, and efficient information technology. Effective risk management ensures that the targets are achieved.

Kela's service corresponds to the needs of its customers. The service channels available are diverse. Kela is an active expert in the development of legislation in its sector and in related social debate.

Kela is a sought-after and competitive employer. Its working community is well managed, and it shows respect for the individual, expertise, capacity for renewal and cooperation.

Kela's liquidity is ensured and its services are produced in an economical and controlled manner using effective operating models.

### Operations in 2007

The Board of Directors met 14 times during the year. In addition, the annual strategy seminar was held for the Board for developing Kela's strategic targets and areas of focus. The Board also had an in-depth evening session and visited Kela's Contact Centre in the East-ern Finland insurance region in Joensuu.

The Board set targets for processing times for benefits, monitored them and attached particular attention to supervising the quality of benefit decisions. Extending the direct reimbursement system to medical centres was increased successfully.

The Board approved an operational and financial plan for Kela, a project portfolio for 2008-2011 and the Kela scorecard for 2008, and made performance agreements for 2008 with the Director-General and other Directors. The operational and financial plan includes Kela's mission, vision, values, strategic foundation and scorecard. Key projects in the 2008-2011 project portfolio include the service improvement plan, online services, new functions, uniform benefit processes, reform of internal regulations, ensuring expertise and a balance between the workload and personnel.

The Board approved the targets of the Personnel Plan 2011 as the basis for human resources planning. Implementation of the targets is agreed on annually in the operational and financial plan.

The Board monitored the development of Kela's information systems. Special attention was paid to the information system package of the national health archive (KanTa), the resource management information system Tahti and the benefit management system OIWA. At its meetings, the Board was given monthly, quarterly and half-year reviews by the Director-General and it discussed them, giving feedback.

### Service outlines

The Board drew up outlines for Kela services to be taken into account in the strategy content.

Customers comprise individual persons and employers.

The principles of good service include customer responsiveness, expertise and cooperation. Our aim is to serve our customers smoothly and close to the individual.

Kela offers its customers services through multiple channels and directs customers into using the channel most suited to them and Kela alike. The service channels are grouped as follows: online services, telephone services, office services, direct reimbursement, services by post and joint services.

In the following years, the focus will be on developing online services and increasing them so that by 2010 Kela will be able to offer customers online services in all its benefits. Annual targets will be set in the Kela scorecard for the use and development of online services.

Making full use of telephone services means improving the operating model and methods of the Contact Centre and extending the operations to cover the entire country.

The office network will remain primarily the same up to 2010. Following the new service thinking model, necessary changes can, however, be made even before it. Common criteria will be drawn up for the office network and its maintenance.

As multiple-channel services continue to improve, changes in the office network will be replaced with other service channels and ways of carrying out transactions. Kela will continue to carry its social responsibility through a service network covering the entire country. The service network will comprise all service channels and will thus be a more extensive concept than the office network. New ways of providing services will also take into account services targeted at special groups.

### **Risk management at Kela**

The Board approved the risk management plan, which contains a description of Kela's risk management and liabilities up to unit level, risk classification by area and annual risk management cycles, a risk map and register and the procedure for annual risk reporting and risk management priorities.

Overall risk management is guided by common risk management principles which ensure, for instance, that Kela's basic function and strategic and operational targets are achieved. The Board approves the following year's risk management plan together with other matters concerning operating policies (such as the financial and operational plan).

Risk management is an essential part of performance management. Profit centres draw up their own risk management plans, appending them to their performance agreements and reporting on 'near miss' situations and risks that have materialised in connection with performance reports. The Board receives reports on the risk management situation.

### **Funding**

Overall Kela expenditure came to EUR 10,869 million in 2007. This comprises EUR 10,517 million in benefits and EUR 352 million in administration expenses. The increase in the total figure was EUR 40 million, or 0.4% on the previous year.

Income and government guarantee payments totalled EUR 10,953 million, down EUR 15 million, or 0.1%, on the previous year.

National health contributions paid by the insured accounted for EUR 1,522 million and employers' national pension and national health insurance contributions for EUR 2,463 million of total income. Kela received EUR 48 million in employees' unemployment insurance contributions. Insurance contributions accounted for 37% of total income. Government contributions accounted for 58% of the income and contributions from municipalities 5%.

### **Investment**

Kela's Board of Directors approves an annual investment plan. Its targets are security, profit, cash convertibility, adequate diversity and spread. Account is also taken of the nature and purpose of the national pension insurance fund, the national health insurance fund and the pension liability fund and the requirements this sets for investment activities.

Investments by the national pension insurance fund and the national health insurance fund focus on investing financial assets. The assets of the pension liability fund cover Kela's liability for personnel pensions. The fund's assets are invested according to the principles of portfolio investment. The fund will continue to be augmented until 2010; the primary aim of asset allocation during this period is to increase returns and the secondary aim is to secure the easy cash convertibility of assets in preparation for a later stage in the fund's development. A set of goals and a schedule have been set for international diversification of investments.

The international equity market in 2007 was characterised by a dual return profile: credit risks in high-risk housing loans originating from the US and increasing division of the market into winners and losers. The predominantly upward early part of the year was followed by a difficult latter half for investors. Equity prices fell extensively and the changes were radical. The downward swing came to a halt in November as central banks supported the market with additional liquidity and lower interest rates. Differences in returns were big between markets, and the return trends uneven. Euro



investors' returns were further cut by the currency's increasing strength in relation to the US dollar and the Japanese yen. The best returns were obtained from emerging markets. The Finnish equity market still yielded a quite good return, although European equities brought a fairly modest return as a whole. Market returns from North America and Japan were negative, however.

The market value of equities held by the national pension insurance fund fell by some 22.4% in 2007, as a result of concentration of the fund's equities on two basic industry companies sensitive to economic fluctuation. The pension liability fund continued to diversify investments and reduce risks. The market value of the fund's investments rose by some 8.3% during the year.

Kela's dividend income totalled close on EUR 51 million, against EUR 41 million in 2006. The aggregate monthly average of the liquid assets of the national pension insurance fund and the national health insurance fund was EUR 740 million (EUR 588 million in 2006). The average interest rate for these liquid assets was 4.09% (2.97% in 2006) and interest income totalled close on EUR 31 million (EUR 17 million in 2006).

### **Funding national pension insurance**

National pension insurance expenditure totalled EUR 3,062 million, an increase of just under one per cent on the previous year. EUR 1,100 million of the total expenses were financed with employers' national pension insurance contributions, EUR 1,384 with government contributions to benefits and EUR 557 million with the government guarantee payment.

The central government finances 40% the national pensions and all child day-care allowances, disability allowances, survivors' pensions, front veteran benefits and pensioners' housing allowances in full.

Ensuring liquidity at the annual level requires from the national pension fund a certain minimum level based on financial assets that the central government guarantees with a guarantee payment.

### **Funding national health insurance**

Total national health insurance expenditure came to EUR 3,911 million, up 5.2% on the previous year. Health insurance income totalled EUR 3,994 million. The health insurance has been divided into earnings security insurance and medical expenses insurance as of 2006.

The earnings security insurance includes daily sickness

allowance, daily parental allowance, rehabilitation allowance and occupational health care excluding reimbursements by the Student Health Foundation. Benefits paid from the earnings security insurance amounted to EUR 1,858 million, an increase of 6.7% on the previous year. A total of EUR 1,363 million of the earnings security insurance expenditure was financed with employers' health insurance contributions and EUR 520 million with employees' and entrepreneurs' daily allowance contributions. Central government financed the minimum daily allowances and part of the occupational health care of entrepreneurs, a total of EUR 76 million.

The medical expenses insurance covers items such as reimbursements for medicinal products, reimbursements for physicians' fees and rehabilitation services. Benefits were paid out to the amount of EUR 1,842 million, an increase of 4.5% on the previous year. The funding for the medical expenses insurance is divided equally between the insured and central government. Medical expenses insurance contributions from employees, entrepreneurs and beneficiaries came to EUR 1,002 million. Central government contributions to the medical expenses insurance were EUR 1,004 million.

### **Funding other social security**

Other social security benefit payments totalled EUR 3,897 million, down by 4.4%. Of other social security benefits, central government financed EUR 3,295 million. Employees' unemployment insurance contributions to the funding of unemployment security came to EUR 48 million. Municipalities paid Kela EUR 394 million for child day-care allowance and EUR 160 million for labour market subsidy.

### **Administration expenses**

Administration expenses totalled EUR 351.6 million in 2007, 3.2% of total expenditure and down 1.7% on the previous year.

Salaries and remunerations totalled EUR 159.1 million, down 2.3% on the previous year. Personnel-related expenses totalled EUR 63.4 million.

Other administration expenses came to a total of EUR 74.2 million. IT expenses accounted for EUR 24.3 million of this, down 19.8% on the previous year. Depreciation of fixed assets came to EUR 9.9 million and income that reduced administration expenses to EUR 9.6 million.

A total of EUR 54.9 million was paid for outsourced services, the biggest item being tax costs payable to the tax administration.



### Pension liability fund

Kela's actuarial full pension liability for its personnel totalled EUR 1,520 at the end of the year. Current pensions accounted for EUR 666 million of this sum. The full pension liability increased by EUR 70 million in the year under review, which was due to increases in pensions and pension accruals.

Covered pension liability was 41% of the full liability. The liability covered by employees' pension contributions was EUR 30 million. The coverable pension liability at the end of 2007 totalled EUR 653.5 million. In addition to this, there were upward value adjustments worth EUR 597.1 million in the pension liability fund.

A total of EUR 37.8 million was paid to the pension liability fund in employer contributions and EUR 7.9 million in employees' pension contributions, of which EUR 2.8 million was used to provide additional cover for the pension liability.

According to the principle of the last institution, private pension insurance companies, the Local Government Pensions Institution, the State Treasury and the Central Fund of the Evangelical Lutheran Church of Finland paid a total of EUR 0.89 million in accrued pensions, and Kela paid EUR 0.98 million in pensions accrued under other pension legislation. Kela paid a total of EUR 56.5 million in employment-based pensions, an increase of 8.0% on the previous year.

### Employers' national pension and health insurance contribution criteria % of pay

National pension insurance contribution	2006	2007	2008
Private sector <sup>1</sup>			
Class I contributions	0.898	0.901	0.801
Class II contributions	3.098	3.101	3.001
Class III contributions	3.998	4.001	3.901
Public sector	1.948	1.951	1.851

National health insurance contribution	2006	2007	2008
Private and public sector	2.06	2.05	1.97

<sup>1</sup> The contribution class is determined on the basis of depreciation recorded by the company and the ratio of depreciation and pay.

### National health insurance contribution criteria

	2006	2007	2008
Employees and entrepreneurs insured under Farmers' Pension Act (MYEL)			
medical expenses <sup>1</sup>	1.33	1.28	1.24
daily allowance <sup>2</sup>	0.77	0.75	0.67
Entrepreneurs insured under Self-Employed Persons' Pensions Act (YEL)			
medical expenses <sup>1</sup>	1.33	1.28	1.24
daily allowance <sup>2</sup>	1.02	0.91	0.81
Recipients of pensions and benefits			
medical expenses <sup>1</sup>	1.50	1.45	1.41

<sup>1</sup> % of earned income subject to municipal tax, for entrepreneurs % of net earnings

<sup>2</sup> % of taxable earned income and entrepreneurs' earnings

# Outlook

## Customers and social effectiveness

The social security provided by Kela is trusted, it is clear and of a reasonable standard. Kela provides the best service in the public sector in Finland. It participates actively as an expert in the development of social security and thus creates preconditions for employment.

Kela's customers are grouped according to their life situation. The segmentation and direction of service channels are based on online services, telephone services, office services, services by post, direct reimbursement systems and joint services. Service and decision-making both underline specialisation, faster online services and more efficient processes. A transfer from an office-network to a service-network way of thinking is under way. Telephone services will be extended to cover the entire country.

Good service is based on customer responsiveness, expertise and cooperation. Customers will be guided to find the service channel that is the most suited to them, and the easiest and closest. The customer's overall situation will be taken into account in the service situation. Benefit application procedures will be simplified and facilitated, and, as far as possible, oral information will be regarded as equal to written information. Kela's opportunities for acting on behalf of the customer will be investigated, and automation and development of direct reimbursement procedures will continue.

Services for special groups such as immigrants and disabled people will be given particular attention in developing the service network. Changes in the office network will be replaced with other service channels, transaction methods and joint services. Opening hours will be decided with customer needs in mind.

The composition and supply of the office network will be assessed on the basis of customer needs. Kela will also take the initiative in launching joint services and identifying cooperation targets, while retaining its decision-making role in joint services.

Communication will help in guiding customers to use the appropriate service channels, and services will be marketed actively. Stakeholder cooperation will be intensified, as will dialogue and cooperation with other customer service actors.

Service orientation will penetrate the entire organisation and uniform operating methods and procedures will be adopted. The management system will support reforms, and process-based organisation will be promoted.

In developing its benefits, Kela will highlight the impacts and expenses of the reforms on benefits and their implementation. Kela's new responsibilities, such as the implementation of maintenance allowance and the responsibility for maintaining the national electronic health archive, will have an impact on Kela's services and cooperation.

## Smooth processes close to the individual

Transactions will be handled smoothly through the various service channels in a customer-responsive, quick, uniform and correct manner. Constant attention will be paid to the comprehensibility and clarity of decisions and customer letters. A functional division of labour and uniform working methods and systems will form the foundation for all operations.

Kela will assess and improve the performance of its processes using key figures indicating customer satisfaction, functionality of its working community, economy, productivity, quality of decisions and processing times. Smooth processes and the achievement of targets will be ensured by anticipating risks.

## Renewing working community

Kela prepares for future needs by anticipating to its best ability the challenges posed to Kela and its personnel by society and good customer service. The aim of a good personnel policy is to ensure the right number of competent personnel for each job at the right time. The ongoing retirement of the baby-boom generation offers the opportunity to make the necessary changes in the number and competence of the personnel by applying controlled and well planned recruitment policies. Kela's personnel policy will continue to aim at safe-guarding permanent employment relationships and competitiveness on the labour market while ensuring sufficient cost-effectiveness.

## Finances

In 2008 Kela's income and expenses are expected to increase and reach EUR 11.5 billion. EUR 3.3 billion of the expenses will be accounted for by pension liability benefits and two amounts of some EUR 3.9 billion each by national health insurance and other social security benefits.

A general increase in national old-age pensions in addition to an index increase together with the abolishment of the cost-of-living categories of municipalities caused national old-age pensions to rise at the beginning of 2008. Central government's share in funding national pensions



will increase as it is now also funding pensioners' care allowance and diet allowance. The employers' national pension contribution was reduced by 0.1 percentage points.

In the funding for the national health insurance, both the employers' health insurance contribution and the contributions paid by the insured could be lowered slightly in comparison with the 2007 level.

The implementation of maintenance allowance will be transferred from the municipalities to Kela in the early part of 2009.

*Students can use Kela's electronic transaction service to check how many months they are still eligible for financial aid and the amount of additional income they can earn. In 2007, Kela's online services were used more than 40,000 times for returning or cancelling student aid.*





*Families expecting children can use Kela's online service for submitting applications for maternity, paternity and parental allowance, maternity grant, family allowance and adoption grant. The service can also be used for checking the progress of applications and payment dates of these benefits and child home care and private day care allowances.*



# Kela governance 1 January 2008

Kela's administration, organs and functions are provided for in the Act on the Social Insurance Institution (731/2001). In accordance with section 1 of the Act, Kela is an independent institution under public law, the administration and operations of which are supervised by Trustees appointed by Parliament. In accordance with section 2 of the Act, the functions related to social security are laid down in the different Acts related to benefits. In accordance with section 3 of the Act, Kela organs comprise the Trustees and the Board of Directors.

Pursuant to section 5(3), Kela's service regulations have been approved by the Trustees. The service regulations prescribe the procedures the Board is to follow in dealing with matters, the functions of the Director-General and other directors, the organization of central administration, submissions, and the functions of regional managers and district managers, and eligibility requirements for these positions.

The Act on the Social Insurance Institution was amended as of 1 January 2008 (Act 1342/2007). Under the amended section 7(1)(3), Kela's Board of Directors approves the service regulations, which gives further instructions on the administration and the processing of matters. On the basis of the provisions concerning the entry into force of the Act, the current service regulations will be adhered to until the new service regulations have been approved.

## Trustees

Under section 4 of the above-mentioned Act, Parliament appoints 12 Trustees and approves their service regulations. The Trustees' term of office is the length of the electoral period, i.e. four years.

The duties of the Trustees are defined in section 5 of the Act, according to which the Trustees are to supervise the administration and operations of Kela, taking into account, among other things, the quality and availability of Kela's services. The Trustees appoint the members of the Board of Directors and submit a proposal to the President of Finland regarding the appointment of the Director-General and the Directors. Other functions of the Trustees include the selection of Kela's auditors, approval of the accounting principles based on the recommendation of the Board of Directors, approval of the financial statements, decision on releasing the Board from liability, and submitting a report on their operations to Parliament annually. Parliament has approved the service regulations for the Trustees, which pre-scribe, among other things, the tasks and meetings of the Trustees.

## Board of Directors

Section 6 of the above-mentioned Act lays down provisions on the composition of the Board, section 7 on the responsibilities of the Board and section 8 on decision-making by the Board. Sections 1-5 of the Kela service regulations also lay down provisions on the handling of matters by the Board.

The Board of Directors consists of a maximum of ten members appointed by the Trustees. In appointing the Board members, the potential nominees' expertise in social security, management, administration, and financial and investment operations are taken into account. One of the Board members is a representative of the Ministry of Social Affairs and Health, one a representative of the central employer organisations, one of the central organisations of trade unions, and one of the Central Union of Agricultural Producers and Forest Owners. The Board's term of office is three years. The Board currently has 10 members. A representative of the personnel is entitled to attend and has voice at Board meetings.

The function of the Board is to manage and develop Kela's operations. The Board holds general authority to manage Kela's business. Its tasks include the annual approval of Kela's operational and financial plan, preparation of Kela's annual report and financial statements every year, approval of Kela's service regulations, deciding on the general principles of investing Kela's assets, deciding on the sale and purchase of Kela's real estate, deciding on the division of labour between the Director-General and the Directors, and entering into employment contracts with senior managers.

Section 1 of Kela's service regulations lays down provisions on summoning Board meetings, section 2 on the procedure when the Chair is disqualified, section 3 on presenting matters to the Board, section 4 on the minutes of Board meetings and section 5 on the recording of dissenting opinions by the presenter. In principle the Board meets monthly.

Disqualification of the Chair of the Board, the Deputy Chair and the members is determined in accordance with sections 27-28 of the Administrative Procedure Act, and non-disclosure in accordance with section 23 of the Act on the Openness of Government Activities. The Chair, Deputy Chair and the members of the Board make annual insider declarations similar to those of the Financial Supervision Authority.

## Committees set up by the Board

The Board has appointed a Rewards Committee and an Audit Committee.

The Rewards Committee, which deals with executive remuneration, consists of the Chair of the Board, the Deputy Chair of the Board, the Director-General, and the Director-General's deputy.

The Audit Committee supervises and leads internal audits and their coordination with the auditing of the accounts. The members of the Audit Committee include the Chair of the Board of Directors as the Chair, and, as members, the Director-General, the Director-General's deputy, the Supervisory Auditor and the Director of Internal Audit, who also acts as the secretary for the Committee.

## Director-General and Directors

Under section 9 of the above-mentioned Act, Kela has a Director-General and a maximum of five Directors, appointed by the President of Finland upon recommendation by the Trustees. The President of Finland appoints one of the Directors as the deputy for the Director-General. The eligibility requirements for the Director-General and the Directors are laid down by Government decree. The State Civil Servants Act (750/1994) applies, where appropriate, to the employment relationships of the Director-General and the Directors.

Under section 7 of the Act, Kela's Board of Directors has approved the division of labour between the Director-General and the Directors. Section 9(3) of the Act and section 6 of the service regulations lay down provisions on the duties of the Director-General. Section 7 of the service regulations lays down provisions on the duties of the Directors.

Under section 9(3) of the Act, the Director-General is responsible for the strategic planning of the Social Insurance Institution and its operative management and development, presentation of matters to the Board and implementation of the Board's decisions, and prepares the service regula-

tions to be decided by the Board. Under section 6 of the service regulations, the Director-General is also responsible for regional and local administration and the units and the matters in their sphere that the Board has entrusted to the Director-General.

Under section 6 of the service regulations and on the basis of the operational and financial plan, the Board enters into performance agreements with the Director-General and with the Directors recommended by the Director-General. The Director-General enters into performance agreements with the regional directors. The Director-General carries out the performance agreement negotiations concerning regional administration in cooperation with the Directors.

Under section 7 of the regulations the Directors are responsible for the strategic planning and operative management and development of the units entrusted to them by the Board and the matters falling in their sphere.

The Directors act as each other's deputies in accordance with a decision made by the Board.

## Management group

Under section 8 of the service regulations, a Management Group consisting of Directors operates under the leadership of the Director-General. It discusses key issues to be submitted to the Board and other matters requiring discussion across sectors. In principle, the Management Group meets weekly.

## Decision-making procedure in matters relating to investment

Section 15 of the above-mentioned Act lays down provisions on investment of assets and the investment plan. According to the said section, the security, return, cash convertibility and appropriate diversity and spread of investments must be taken into account when investing assets belonging to the national pension insurance fund, the national health insurance fund and the pension liability fund. The Kela Board must draw up an investment plan for such assets. The investment plan must specifically take into account the nature of the funds and the requirements of investment operations. Under delegation by the Board, the Director-General and the head of the Economic Department hold responsibility for investing assets in accordance with the investment plan.

## Remuneration and rewarding

The service regulations regarding the Trustees provide for their remuneration. Under section 5 of the above-mentioned Act, the Trustees decide the remunerations for the members of the Board. Under section 7 of the Act, the Board approves the pay, pension and other benefits of the Director-General and the other Directors. The Board has also approved the principles for the remuneration of employees. Under section 21 of the Act, the information concerning the remuneration of Director-Generals, Directors and other senior management is public.

A Government decision on the Board's authority in administrative matters lays down provisions on the recruitment of employees.

## Internal audit

Under section 11 of the service regulations, there is an Internal Audit unit in the central administration under the Director-General, and the Board approves its service regulations. Under section 1 of the service regulations, the internal audit unit is part of Kela's monitoring system and is used as a tool by the Board, the Director-General and the Management Group to implement their supervisory responsibility.

Internal Audit prepares an annual audit plan for each year. The Audit Committee considers the annual plan, and the Director-General approves it. The annual plan is also given to the Board for information. Internal Audit complies with international internal auditing.

The Internal Audit unit comprises the Director of Internal Audit and an appropriate number of internal auditors and other assisting personnel, as required by operations. The current number of internal audit personnel is 20. Some of them are stationed at regional centres.

Internal Audit reports on the results of its audits to the contact person for the target of the audit and his or her supervisor. In addition, Internal Audit prepares summary reports for the Director-General and the Audit Committee every four months. The Director of Internal Audit approves audit reports before they are submitted.

## Risk management

The Board has approved the principles and responsibilities of risk management. The principles of risk management give a direction to overall risk management and ensure the implementation of Kela's basic task and its strategic and operational targets. The risk management guide has been published on Kela's intranet. Risk management is applied systematically with uniform methods throughout Kela.

## Audit

Under section 5 of the above-mentioned Act, the Trustees choose the necessary number of auditors and approve service regulations for them. The current number of auditors is eight. The auditors have chosen one of the auditors as the Supervisory Auditor who submits a quarterly supervisory report to the auditors. The supervisory report is sent to the Trustees and the Board for information.

Under section 2 of the service regulations, it is the job of the auditors to audit Kela's administration, asset management and operations. Under section 18 of the above-mentioned Act, the audit will comply, where appropriate, with the provisions of the Auditing Act (459/2007). The auditors carry out the audit and give the Trustees an audit report annually by the end of the April following the financial year. The Trustees decide the remuneration for the auditors.

## Communications

The central outlines, duties, organisation and division of labour relating to Kela communications are described in the communication principles. The communications unit of the Administration Department supports the Director-General in developing Kela communications, assists the senior management, the departments, regions and insurance districts in communications and is responsible for the implementation of Kela's entire centralised media and customer communications, centralised internal communications and online communications. Kela puts out three customer magazines and an internal personnel magazine. The communications unit is led by the Communications Manager, who also acts as the editor-in-chief of the magazines and the website.

## Organization

Jorma Huuhtanen, Director-General

Administration Department, Economic Department, Internal Audit, Insurance Districts,  
Local Offices

Matti Puhakka, Director, Director-General's deputy

Human Resources Department, Information Systems Department, IT Centre

Helena Pesola, Director

Pension and Income Security Department, Actuarial and Statistical Department

Mikael Forss, Director

Health and Income Security Department, Research Department

Asko Apukka, Director

Office Services Department

*There are easy-to-use calculators on Kela's Finnish and Swedish websites ([www.kela.fi](http://www.kela.fi)) allowing you to determine the amount of benefits you are entitled to. In 2007, the calculators were used more than two million times.*

## Contact information

### Main office

Nordenskiöldinkatu 12  
PO Box 450, 00101 Helsinki  
Telephone +358 (0) 20 634 11

### Central administration offices in Pitäjänmäki

Höylämötie 1a B  
PO Box 78, 00381 Helsinki  
Telephone +358 (0) 20 634 11

### Jyväskylä office

PO Box 371, 40101 Jyväskylä  
Telephone +358 (0) 20 634 11

### REGIONAL OFFICES

#### Regional Office for Northern Finland

Sepänkatu 18  
PO Box 190, 90101 Oulu  
Telephone +358 (0) 20 635 4211

#### Regional Office for Eastern Finland

Suokatu 40 A 2. krs  
PO Box 188, 70101 Kuopio  
Telephone +358 (0) 20 635 7211

#### Regional Office for Western Finland

Kalevankau 17 A  
PO Box 361, 60101 Seinäjoki  
Telephone +358 (0) 20 635 5221

#### Regional Office for Southwestern Finland

Eerikinkatu 26  
PO Box 365, 20101 Turku  
Telephone +358 (0) 20 635 9611

#### Regional Office for Southern Finland

Kirkkokatu 8  
PO Box 149, 15141 Lahti  
Telephone +358 (0) 20 635 1511







The Social Insurance Institution of Finland

