

Annual report 2008







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New service approaches support sustainable development.

The Kela (Social Insurance Institution of Finland) service network covers all of Finland. The most convenient transaction for the customer is the direct reimbursement system, which is handled automatically - the customer does not even notice that he or she has had a transaction with Kela. Online transactions can be handled regardless of time or place, and telephone services can be used at home. More and more customers would like to handle their business online or by telephone, without ever setting foot in a Kela branch office.

Online transactions, telephone transactions, direct reimbursement and transaction handled by post are not only convenient, they are environmentally-friendly. If a customer would like to visit a branch office in person, this, too, can be done in an environmentally-friendly way, as our branch offices are usually centrally located, in immediate proximity to public transportation.

The effective balancing of workload among insurance districts and regions (TASA) makes it possible to keep branch offices open in areas suffering from migration loss. It reduces the need for customers to travel and provides employment opportunities for municipalities which do not necessarily have many other employers. Balancing the workload speeds up transaction times during peak hours and ensures a consistent quality of service throughout the country.

In choosing the locations for Kela **Customer Contact Centres** an effort was made to ensure the availability of skilled personnel, but employment factors were also taken into consideration. The Customer Contact Centres are located in Joensuu, Lieksa, Pietarsaari, Jyväskylä and Kemijärvi. In places without a Kela branch office, we provide services at joint service points or in co-operation with other public authorities.

We use environmentally-friendly work methods. Documents received by Kela are scanned and forwarded electronically, thus allowing them to be processed anywhere in Finland. Previously, key benefit guidelines in processing and customer service were distributed to personnel in folders, which had to be updated whenever legislation was amended. Now, these guidelines can be accessed over the intranet. Invoice processing and a majority of the administrative functions are done online, as is the transfer of data with partners.

We strive to save energy everywhere we can, and this we also demand of our partners. For example, this annual report was produced by a printer which has the right to use the Nordic Ecolabel. Kela's customer magazine "Elämässä - Mitt i allt" is printed on environmentally-friendly paper, 40% of which is recycled fibre. In selecting products for the maternity pack and in other procurements, we place an emphasis on environmental-friendliness and sustainable quality. In our own operations Kela supports sustainable development by, for example, reducing the amount of travel. Training programmes are increasingly being offered online and meetings are being held more frequently as video or teleconferences. In an organisation of nearly 6,000 people, this is no small matter. 5

DIRECTOR GENERAL'S REVIEW

Kela operations underwent major changes last year. June saw the confirmation of a new organisation, in which the Board enhanced the delegation of responsibilities for the Director General and managers, established a new Field Operations Department and re-evaluated the delegation of responsibilities for benefits departments. The new organisation entered into force at the beginning of 2009.

Entering its second year, the service development programme provides a framework for Kela operations together with the revised benefits programme. The goal is to provide the customer with the best public sector service possible.

The goal of the service development programme is a uniform, service-oriented Kela, where the customer receives the services they need easily and locally, through the service channel of their choice. Kela personnel working in customer service positions have been provided with training, and customer communications has been entirely updated in accordance with the principles of the development programme.

Benefit processes have also been developed to standardise operations. Good practices observed in insurance districts were advantaged in modelling these processes. The standardised benefit processes were implemented in 2008 for all benefits. The benefits programme outlines the provision, management and development of benefits.

Kela representatives actively participated on the SATA Committee throughout the year. The Committee's objective is to simplify social security legislation. The Committee submitted its initial findings before the turn of the year.

The popularity of online, or e-transactions increased considerably. On Kela's website, 2.4 million e-transactions were completed. Our goal was that 2% of the benefit applications eligible for electronic processing would be comple-

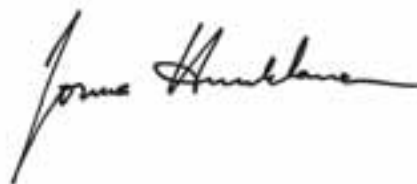
ted online. Our expectations were exceeded, as 4.5% of the applications were submitted online. This is a significant number when considering the total number of applications.

Work productivity increased 3.9%. Administrative expenses accounted for 3.2% of total costs. Although the processing times for all applications did not meet set targets, they were generally good. The annual customer satisfaction survey on Kela branch office services received a final grade of 8.9.

Problems in the national economy have led to a situation where workload forecasts for this and next year have already been adjusted up, as the number of persons filing for unemployment benefits seems to be increasing significantly. I fear that, before the economic situation improves, we will have been forced to hire a large number of new employees in order to prevent processing times from getting unreasonably long. The number of customers coming into branch offices has already increased. Unemployed or laid-off persons who are lacking information come into the Kela branch office with their questions. They are not necessarily able to independently search for information, as they have not been in this type of situation before.

Cuts made to the national employer pension contribution as part of the economic stimulus package will reduce Kela's insurance contribution revenues by EUR 390 million this year. When the contribution is eliminated completely at the beginning of next year, the state share of national pension funding will increase by EUR 1.1 billion a year. The funding of Kela administrative expenses must be assured in all circumstances, in order for us fulfil our purpose.

I would like to thank all Kela personnel and officers as well as all our customers and partners for the past work-filled year.



Jorma Huuhtanen



Director general Jorma Huuhtanen

KELA - with you throughout life - supporting you through times of change

The Social Insurance Institution of Finland (Kela) manages the basic security of all residents in Finland in the various phases of their lives. The social security provided by Kela comprehends family allowances, health insurance benefits, rehabilitation benefits, basic security benefits for the unemployed, general housing allowances, student benefits and guaranteed minimum pensions. Kela also provides disability benefits, conscript allowances and special assistance for immigrants.

Close to the customer

Decisions concerning the granting of social security benefits are made by respective insurance district offices. These offices make decisions on nearly all benefits. Decisions concerning disability pensions, EU reimbursement of medical expenses and some decisions on student financial aid and occupational health compensation are made by the central administration. Decisions concerning university students' applications for financial aid are made by the financial aid committee at each university.

Parliament supervision

Kela operates under the supervision of the Finnish Parliament. Its administration and operations are overseen by 12 Parliament-appointed Trustees and 8 auditors chosen by them. Kela is managed and developed by a ten-member Board of Directors.

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 operations are based on the following values:

- ▶ Respect for the individual
- ▶ Expertise
- ▶ Co-operation
- ▶ Renewal

KELA 2008

Kela's overall expenditures amounted to EUR 11.5 billion, which was 5.7% more than the previous year. Benefit expenditures accounted for EUR 11.1 billion of the overall total. Administrative expenses accounted for 3.2% of total expenditures. 59% of Kela's funding came from the state, 36% from insurance contributions and 5% from municipal contributions.

A majority of the Finnish population received Kela benefits last year. In 2008 health insurance benefits were paid out to 4,162,000 persons and unemployment benefits to 235,000 persons. At the end of the year Kela paid out pension benefits to 741,000 persons and family allowances for 1,021,300 children.

Customers were involved more closely in developing the implementation of benefits. The customer panel function was enhanced in the spring of 2008, when the fourth panel began addressing matters related to housing allowances. Previously, panels were formed to address matters related to pensions, student financial aid and disability allowances. A scheme to assess the quality of benefit processing four times a year was initiated in order to ensure standardised processing in all insurance districts.

A pilot programme for the customer panel was initiated in support of the customer service development scheme. In the Insurance Region of Western Finland the customer panel, which was assembled based on phase of life, assessed service functions at meetings themed around service channels. Based on the experiences gained from the panel of customers, this function will be expanded into all insurance regions during the spring of 2009.

The processes for all Kela benefits were standardised. The goal is to standardise operations as well as improve quality and speed up processing times. The revision of personnel working guidelines also aims to achieve the same thing. Benefit guidelines can be accessed on the intranet.

During the year under review, a new rehabilitation development programme addressing areas of emphasis and guidelines for rehabilitation in the near future was completed.

Implementation of the service development programme was begun. Its goal is a uniform, service-oriented Kela, where service is based on the customer's needs and matters are comprehensively handled, easily and locally. The customer chooses the most suitable service channel, whether they want to take care of their business online, by

Kela in Brief

	2004	2005	2006	2007	2008
Overall expenditures (EUR billion)	10.6	10.7	10.8	10.9	11.5
Benefit expenditures (EUR billion)	10.2	10.4	10.5	10.5	11.1
Administration expenses (% of overall expenditures)	3.3	3.1	3.3	3.2	3.2
Benefit expenditures (% of GDP)	6.7	6.6	6.3	5.9*	6.0*
Benefit expenditures (% of social expenditures)	25.2	24.7	23.9	23.1*	23.3*
Benefit expenditures per insured person (EUR/annum)	1,951	1,977	1,984	1,984	2,087*
Personnel as of 31 Dec.	6,082	6,095	5,973	5,567	5,864

*Estimate 5567

phone, at the Kela branch office, a joint service centre or by post, or to receive their benefits as a direct reimbursement.

Supervisor work will be focused more specifically on either service adviser or claims processor work. Service operations have been developed with extensive training and communications. Restructuring of the service network was also begun. In April a decision was made to close 12 branch offices; joint service points will replace some of these. In November Kela and the Finnish Tax Administration jointly opened the In To information point in Helsinki's Autotalo building. In To serves foreigners coming to the Helsinki region for work. The service network will continue to be evaluated on an annual basis.

Electronic transactions were further improved and information on them was communicated to customers using a variety of channels. At the end of the year, all family allowance and student financial aid benefits, among others, could be managed online. A new service for employers was opened, where employers can fill out a daily allowance claim online when applying for sickness allowance for their employee for the duration of the sick leave. During the year under review, the Kela website had 9.3 million visits and 2.4 million transactions with registered customers.

During the year under review, the Nordic Social Insurance Portal was launched to provide assistance in social security matters for Nordic citizens moving from one Nordic country to another. At the beginning of 2009 Kela also joined the Infopankki.fi web service, which is geared toward immigrants.

Customer Contact Centre operations were developed by setting up its own national service numbers for unemploy-

ment insurance, pension and general survivors' pension matters. Contact Centre operations were also expanded by establishing new units in Jyväskylä and Kemijärvi.

The updating of Kela communications continued throughout the year. Benefits brochures were given a new look, inside and out. The website update project continued throughout the year. Updates to the customer newsletter were made, so that the traditional "Kelan sanomat" and "FPA-bladet" were combined to form a single, bi-lingual publication. The newsletter also contains an English presentation of Kela benefits. The "Elämässä – Mitt i allt" magazine was published for the first time in March 2009.

The financial, material and human resources management system (Tahti) was fully implemented. A uniform administrative document management system was also taken into use.

The Board approved the new organisation, which entered into force on 1 January 2009. The organisation changed the delegation of director responsibilities, and the Field Operations Department was established to co-ordinate and plan regional and local administration, provide support for customer service and develop customer service processes. The Director General's role became more like that of a managing director, and field operations were transferred from his purview to that of another director. The benefits departments were combined under a single director in order to harmonise the implementation and management of benefits.

Kela facilities saw a significant increase with completion of an annex at Keltinmäki in Jyväskylä. It was inaugurated in May.



***”The majority of
Finns received
benefits from Kela
last year”***

BENEFITS PAID BY KELA

All benefits

Kela benefit payments amounted to EUR 11.1 billion. This represents a nominal increase of 5.7% and real increase of 1.5% over the previous year. There were 67 million payments made, 24 million of which were made through pharmacies. Pension security benefit payments increased 11.6% and health insurance benefits 8.1% over 2007. Unemployment security benefits decreased 6.3%.

National pension security and benefits for the disabled

The terminology for pension and disability benefits used in statistics was amended on 1 January 2008. The following review has been prepared in accordance with the new terminology. In 2008 Kela paid EUR 2,508 million in pension benefits, which represents an increase of EUR 313.70 (14.3%) over the previous year. EUR 399 million in disability benefits were paid, which is EUR 10.4 million (2.7%) more than the previous year. An index increase of 4.6% was made in pension and disability benefits from the beginning of the year.

The number of persons receiving pension benefits grew after several years of decline. The main reasons for this are the general increase made at the beginning of 2008 and eliminating the impact of municipal special rates. At the end of the year, there were 741,000 benefit recipients. This number increased for all benefits, with the exception of front veterans supplements and survivor pensions. In relative terms most (14.2%) of the increase was seen in unemployment pensions and the reduction in front veterans supplements (10.9%). There were 91,400 full national pension recipients (a decrease of 1.1%).

The number of persons receiving disability benefits at the end of 2008 was 267,000. This number increased by 3,300 (1.2%) during the year. The number of children and adults receiving disability allowance decreased, and the number of persons receiving pensioners care allowances and diet allowances increased.

In 2008 Kela received 180,000 applications for pension benefits (an increase of 36.5%). Of these applications, 26,000 (14.3%) were submitted from abroad on the basis of EU or social security conventions. A total of 180,000 decisions were made, with 124,000 made by Kela branch offices and 56,000 by the central administration. 154,000 of the decisions were made on applications submitted in Finland and 26,000 submitted from abroad. The average processing time for applications submitted in Finland was 44

Benefits paid by Kela

	2008 EUR million. €	2007 EUR million. €	Change (%)
Pension benefits	2,507.90	2 194.30	14.3
Benefits for the disabled	399.20	388.90	2.7
Health insurance benefits	3,679.80	3,403.80	8.1
Rehabilitation	299.80	295.80	1.4
Unemployment security benefits	822.70	877.70	-6.3
Benefits for families with children ¹	1,829.80	1,816.1 0	0.8
Financial aid for students	737.70	714.00	3.3
Pensioners housing allowance	349.30	333.70	4.7
General housing allowance	428.30	430.70	-0.6
Other benefits	60.90	62.6 0	-2.7
Total benefits	11,115.50	10,517.70	5.7

¹ Daily parental allowances are included in the health insurance benefits.

days, decisions made in branch offices 37 days and by the central administration 58 days.

In 2008 Kela received 118,000 applications for disability benefits (an increase of 4.7%). Decisions were made on 116,400 of the applications. The average processing time was 43 days.

The average national pension at the end of the year was EUR 289 a month. A full national pension for single persons was EUR 558 and married persons EUR 495 a month.

National health insurance

Health insurance benefit expenditures increased EUR 276 million (8.1%) over the previous year. EUR 3,680 million in benefits were paid. 4,162,000 persons received health insurance benefits (an increase of 1.2%).

In 2008 698,000 daily sickness allowance decisions were made, which is the same as the previous year. 39,000 of the decisions (a decrease of 3.2%) were made in employee sickness funds. Of the decisions made, 3,000 concerned partial daily sickness allowances. New applications were processed on average in 14 days, which is the same figure as for the previous year.

The paternity month was defined in the Sickness Insurance Act at the beginning of 2007. It comprehends 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 within 180 days from the end of the daily parental allowance period. In 2008 8,900 fathers (increase of 49%) claimed their right to

extended paternity allowance (paternity month). Of these, 4,100 fathers took a “transferred paternity month” at the end of the parental allowance period. In 2008 EUR 49.0 million in annual leave compensations were paid (increase of 31.9%) to the employers of 22,700 persons. Legislative amendments made to daily parental allowance and annual leave legislation were applied to daily parental allowances, whose first day was 1 January 2007 or after. The compensation paid to employers for annual leave costs is specified in such a way that it covers both gross employee pay for the annual leave period and average statutory social insurance contributions.

The amounts of earnings-related daily parental allowances were raised at the beginning of 2007. Daily parental allowances increased 8.8% and daily sickness allowances 0.9%. EUR 4.9 million (increase of 9.7%) in daily sickness allowance was paid to 16,700 persons insured under the Self-employed Persons Pensions Act (YEL).

An amendment concerning the partial daily sickness allowance entered into force at the beginning of 2007. The amendment allows persons who have been receiving daily sickness allowance for an uninterrupted period of at least 60 days, full-time employees and entrepreneurs to return to work on a part-time basis. In addition to a part-time salary, these persons are also paid a partial daily sickness allowance. The partial daily sickness allowance was paid to 2,000 persons, amounting to EUR 2.9 million (increase of 14.6%). The average partial daily sickness allowance was EUR 29.

The average daily sickness allowance was EUR 48 and parental allowance EUR 51.

In 2008 the minimum or lower daily sickness allowance was received by 17,400 persons (5.1% of the daily sickness allowance recipients). The minimum daily parental allowance was received by 15,000 mothers (14.8% of the mothers receiving daily parental allowance). This figure does not include those receiving the minimum daily parental allowance due to employment.

10.0 million decisions on reimbursements for medical expenses were made, 0.4 million by employee sickness funds. The average application processing time was 12 days.

EUR 1.7 billion in reimbursements for medical expenses were paid (increase of 9.6%). Out of all reimbursements for medical expenses, the reimbursements for medicinal products increased 8.8% (3.8% in the previous year).

The number of persons receiving basic reimbursements

Pension insurance and benefits for the disabled ¹

Pension benefits	2008 EUR million €	2007 EUR million €	Change (%)
Total	2,507.90	2,194.30	14.3
National pensions	2,396.00	2,082.10	15.1
Old age pensions	1,643.90	1,443.00	13.9
Disability pensions	700.10	597.90	17.1
Unemployment pensions	52.10	41.20	26.2
Survivor pensions	36.60	34.40	6.3
Child increases	5.40	5.30	1.9
Front veterans supplements	37.60	41.10	-8.5
Additional front veterans supplements	32.30	31.30	3.3

Number of persons receiving benefits	31.12.2008	31.12.2007	Change (%)
All benefits	741,400
National pension recipients	679,000	645,100	5.4
Old age pension recipients	488,700	466,400	4.8
Disability pension recipients	166,700	157,400	5.9
Unemployment pension recipients	24,200	21,200	14.2
Survivor pension recipients	30,000	31,000	-3.2
Child increase recipients	13,700	13,600	0.4
Front veterans supplement recipients	67,500	75,700	-10.9

Structure of national pensions	31.12.2008	31.12.2007	Change (%)
National pension recipients received			
a full pension	91,400	92,400	-1.1
a reduced pension	588,300	552,700	6.5

Benefits for the disabled ¹

Allowances paid	2008 EUR million €	2007 EUR million €	Change (%)
Total	399.20	388.90	2.7
Child disability benefits	70.30	72.60	-3.2
Adult disability benefits	31.30	31.60	-1.0
Pensioners care allowances	291.10	278.50	4.6
Diet allowance compensations	6.50	6.20	5.3

Number of persons receiving benefits	31.12.2008	31.12.2007	Change (%)
Total	266,800	263,500	1.2
Child disability benefits	34,500	36,000	-4.3
Adult disability benefits	11,200	11,500	-2.1
Pensioners care allowances	196,800	192,800	2.1
Diet allowance compensations	26,200	24,900	5.5

¹ The terminology for pension and disability benefits used in statistics was amended on 1 January 2008. Pensioners care allowance is now a disability benefit and pensioner housing allowance is a separate benefit, which is described below. References to the previous year are made using the new terminology.

for medicinal products increased 1.6% and those receiving special reimbursements 1.4%. The number of persons receiving supplementary reimbursements for medicinal products rose 8.9%. Reimbursements for dose dispensing costs were paid to 4,000 persons (increase of 1,500 persons over the previous year) for a total of EUR 104,000.

In 2008 EUR 118.6 million in reimbursements for dentist fees (increase of 26.8%). Reimbursements for dental care were paid to 1,047,000 persons (increase of 1.3%). Dentist fees were raised as of 1 January 2008, with the goal being to raise the level of reimbursement to approximately 40%. The reimbursement percentage of dentist fees was 37.4%.

Reimbursements for physician fees increased 0.8% and for examination and treatment costs 5.7%. The number of persons receiving reimbursements also rose. Reimbursements for travel costs increased 9.8% over the previous year.

EUR 254 in reimbursements were paid to employers for occupational health care expenses (increase of 23.9%). According to Kela reimbursement data, approximately 1.8 million employees were covered by occupational health care. Occupational health care reimbursements paid to entrepreneurs and other self-employed persons amounted to EUR 1.7 million. Reimbursements paid to the Student Health Foundation totalled EUR 21.5 million.

Rehabilitation

Kela's rehabilitation expenditures amounted to EUR 300 million, which was 1.4% more than the previous year. Individual rehabilitation costs totalled EUR 295 million, of which EUR 236 million went to rehabilitation (increase of 1.4%) and EUR 59 million to rehabilitation allowances (increase of 0.7%).

A total of 86,300 persons received Kela rehabilitation services (decrease of 1.7%). Of these, 37% were new rehabilitees. A total of 58,100 persons received a Kela rehabilitation allowance as income security (decrease of 1.6%). Of all recipients of rehabilitation allowance, 70% received rehabilitation provided by Kela. Rehabilitation allowance was paid for an average of 36 days, with an average daily allowance of EUR 28.

Over half of the rehabilitation provided by Kela is discretionary. This type of rehabilitation was received by 53,300 persons. Vocational rehabilitation was provided for 14,300 persons and medical rehabilitation for 20,800 severely disabled persons.

Health insurance benefits

Health insurance reimbursements	2008 EUR million €	2007 EUR million €	Change (%)
Total	3,679.80	3,403.80	8.1
Daily health insurance allowance	1,671.30	1,592.10	5.0
Daily sickness allowance ¹	780.20	773.40	0.9
Partial daily sickness allowance	2.90	2.50	14.60
Daily self-employment sickness allowance	4.90	4.50	9.7
Daily parental allowance ²	883.30	811.80	8.8
Medical expense reimbursement	1,711.50	1,562.30	9.6
Medicinal products ³	1,242.90	1,142.2	8.8
Basic reimbursement	395.50	368.70	7.3
Special reimbursement	700.60	661.90	5.80
Lower reimbursement	235.00	229.40	2.5
Higher reimbursement	465.60	432.60	7.6
Supplementary reimbursement ⁴	146.70	111.30	31.7
Private physician fees	66.20	65.70	0.8
Private dentist fees	118.60	93.50	26.8
Private examination and treatment	68.30	64.60	5.7
Travel and patient transportation ⁵	215.50	196.20	9.8
Other benefits	296.90	249.40	19.0

¹ Also includes daily sickness allowance payments to the Farmers' Social Insurance Institution (Mela), daily allowances and loss-of-earnings compensations paid in accordance with the Act on Communicable Diseases and daily allowances paid to organs or tissue donors.

² Also includes special care allowances and reimbursements paid to employers for annual leave costs.

³ Also includes reimbursements for costs of dose dispensing.

⁴ In 2008 the maximum personal liability for medicinal products was EUR 643.14.

⁵ Includes additional reimbursements for travel.

In 2008 the maximum personal liability for travel was EUR 157.25.

Recipients of health insurance reimbursements	2008	2007	Change (%)
Total	4,161,500	4,112,700	1.2
Daily sickness allowance ¹	342,800	347,800	-1.4
Partial daily sickness allowance ¹	2,000	1,800	13.2
Daily self-employment sickness allowance ¹	16,700	16,100	3.5
Daily parental allowance ²	155,200	152,300	1.9
Medical expense reimbursement	4,110,900	4,063,000	1.2
Medicinal products	3,723,500	3,674,600	1.3
Basic reimbursement	3,619,500	3,563,400	1.6
Special reimbursement	1,122,600	1,107,600	1.4
Lower reimbursement	842,500	835,300	0.9
Higher reimbursement	497,100	480,700	3.4
Supplementary reimbursement	167,000	153,700	8.9
Private physician fees	1,591,900	1,561,900	1.9
Private dentist fees	1,047,100	1,034,100	1.3
Private examination and treatment	949,500	922,400	2.9
Travel and patient transportation	667,800	651,900	2.4

¹ One person may receive more than one type of daily sickness allowance.

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

Other benefits

	2008 EUR million €	2007 EUR million €	Change (%)
Rehabilitation	299.80	295.8	1.4
Rehabilitation services	236.40	233.6	1.2
Rehabilitation allowance	58.70	58.30	0.7
Other expenditures	4.70	3.9	19.7
Unemployment security benefits ¹	822.70	877.7	-6.3
Basic daily allowance ²	96.10	95.0	1.1
Labour market subsidy ³	681.30	734.5	-7.2
Labour market training ⁴	41.60	44.1	-5.6
Daily training allowance	3.30	3.7	-10.3
Maternity grants	11.00	10.3	6.9
Family allowances	1,425.00	1,411.4	1.0
Child daycare allowances	393.90	394.4	-0.1
Statutory allowance	326.60	332.9	-1.9
Municipal supplements	67.20	61.5	9.3
Pensioners housing allowance	349.30	333.7	4.7
General housing allowance	428.30	430.7	-0.6
Student benefits	737.70	714.0	3.3
Conscript allowance	18.20	16.7	9.1
Special assistance for immigrants	22.80	20.2	12.5
Pension assistance for long-term unemployed ⁵	12.40	19.1	-35.4
Other	2.40	2.2	11.4

¹ Also includes job alternation compensation plus supplements and employment programme supplements.

² Also includes earnings-related daily allowances paid by Kela to Finnish nationals seeking employment outside Finland.

³ Also includes integration allowance and combined subsidy.

⁴ Also includes maintenance allowance paid during training support and labour market training.

⁵ Housing allowances and child increases associated with pension assistance.

The most common type of discretionary rehabilitation was vocationally-oriented medical rehabilitation (ASLAK® courses), in which 13,700 persons participated (decrease of 4.5%). Discretionary psychotherapy was provided for a total of 13,700 persons, which is 8.6% more than the previous year. Personalised rehabilitation programmes were provided for 3,800 persons (decrease of 5.8%).

In the medical rehabilitation of severely disabled persons, personalised rehabilitation programmes were provided for 3,500 (decrease of 7.2%) and physical therapy for 14,400 persons (decrease of 0.7%). The most common type of vocationally-oriented rehabilitation was a working capacity training programme (TYK), in which 4,300 rehabilitees participated (decrease of 22.9%). 70% of all rehabilitees are in the workforce.

Unemployment benefits

Unemployment security benefits paid by Kela decreased

6.3%, for a total of EUR 823 million. EUR 681 million of this was paid as a labour market subsidy (decrease of 7.2%) and EUR 96 million as basic daily allowance (increase of 1.1%).

Unemployment security benefits were paid to 235,600 persons, with an average 134 days per beneficiary. Basic daily allowance was paid to 44,800 persons (increase of 0.3%) and labour market subsidy to 183,500 persons (decrease of 9.4%). Labour market training assistance was paid to 6,400 persons (same figure as for 2007) and labour market integration allowance to 13,200 immigrants (increase of 10.4%).

Of those receiving the labour market subsidy, 64,100 participated in labour market training, practical training or other labour market programmes. An additional 8,100 recipients of labour market subsidy participated in rehabilitative work activities and 2,000 received the labour market subsidy in the form of a travel allowance. 11,700 integration allowance recipients participated in labour market or similar programmes. 33.6% of the labour market subsidy was paid while the activating programmes were underway.

The average basic daily allowance was EUR 23.60 and labour market subsidy EUR 25.90. At least once during the year, an adjusted daily allowance was paid to 23.0% of basic daily allowance recipients and 12.5% labour market subsidy recipients.

Labour market training assistance was paid to 6,400 persons. 30,300 recipients of labour market subsidy and 7,500 recipients of integration allowance participated in labour market training. A total of EUR 42 million in training benefits were paid. EUR 3 million in daily training allowance was paid to 1,000 persons.

A total of 735,500 decisions concerning unemployment security benefits were made (a decrease of 6.3%). 205 700 decisions were made on new applications, whose average processing time was 15 days. Decisions were made on 85.1% of the new applications within four weeks of their receipt.

Benefits for families with children

Expenditures for child daycare subsidies decreased 0.1%. A total of EUR 394 million was paid in child daycare subsidies, EUR 325 of which went to child home care (decrease of 1.8%) and EUR 60 million to private daycare allowance (increase of 10.1%). These included EUR 67 million in municipal supplements paid through Kela. Of the private



daycare allowance expenditures, the percentage of municipal supplements in particular increased, accounting for slightly more than half of private daycare expenditures. EUR 9 million was paid in partial care allowance, which was nearly the same as for the previous year.

Home care allowance was paid to 113,700 parents for 174,300 children. There were 20,700 recipients of private daycare allowance and 19,000 recipients of partial care allowance.

Maternity grants totalled EUR 11 million (increase of 6.9%), EUR 0.5 million of which were adoption grants to offset the costs of international adoptions. 60,400 parents received maternity grants. 146 of these parents also received adoption grants.

EUR 1,425 million in family allowance was paid

”Kela’s service network covers all of Finland”

(increase of 1.0%). In December 564,300 families received family allowance (0.2% decrease from December of the previous year). 97,400 of the families received a single-parent family allowance increase. The amount of the single-parent family allowance increase went up EUR 10 at the beginning of 2008 to EUR 46.60 per month per child. Family allowance was paid for 1,021,300 children, with 151,000 of them receiving a family allowance increase.

Student benefits

Student benefits amounted to EUR 737 million (increase of 3.3%), of which EUR 436 million went to study grants (increase of 8.5%) and EUR 242 million to housing supplements (decrease of 0.3%). EUR 23 million in study loan payments based on government guarantees were made. A total of EUR 1.7 million in interest subsidy and interest allowance for study loans was paid. A EUR 24 million meal subsidy for students in institutions of higher education was paid. EUR 25 million in outstanding study loan guarantees were recovered.

During the 2007/2008 academic year, 286,100 students received financial aid, which was 0.9% more than the previous year. Of these, financial aid was paid to 281,000 (increase of 1.5%) and a housing supplement to 183,900 (decrease of 2.5%). Government guarantees were approved for a total of 109,200 students (decrease of 4.3%). In 2008 6,100 students received interest allowance, which was 10.1% less than the previous year.

At the end of the year, student loans totalled EUR 1.3 billion, which is same as at the end of the previous year. There were 285,900 students with student loans (decrease of 3.9%). The average debt was EUR 4,640.

A total of 401,300 decisions were made on student financial aid applications, 201,000 of which were processed at Kela branch offices (increase of 3.0%), 82,600 at the Kela Student Financial Aid Centre (decrease of 1.3%) and 117,700 at university and polytechnic financial aid offices (decrease of 2.7%).

Pensioners housing allowance

The pensioners housing allowance is no longer considered a pension benefit. At the beginning of 2008, the Housing Allowance for Pensioners Act entered into force. Eligibility for housing allowance was also expanded to include survivor pensions other than those provided by Kela. The living costs of children under the age of 18 (previously 16) years of age and the primary allowance recipient living in

Recipients of other benefits

	2008	2007	Change (%)
Rehabilitees	104,200	105,300	-1.0
Rehabilitation services from Kela	86,300	87,800	-1.7
Rehabilitation allowance from Kela	58,100	59,000	-1.6
Unemployment security benefits			
Basic daily allowance and/or labour market subsidy	222,000	240,700	-7.8
Basic daily allowance	44,800	44,700	0.3
Labour market subsidy	183,500	202,600	-9.4
Labour market training	30,300	36,500	-16.8
Practical training or workplace coaching	36,500	40,100	-8.9
Rehabilitative work	8,100	7,800	3.8
Travelling allowance	2,000	1,800	6.8
Labour market training subsidy	6,400	6,400	0.0
Daily training allowance	1,000	1,200	-11.1
Labour market subsidy as integration allowance	13,200	11,900	10.4
Maternity grants (families)	60,400	56,300	7.3
Family allowances			
Families (31 Dec)	564,300	565,200	-0.2
Children (31 Dec)	1,021,300	1,024,500	-0.3
Child daycare allowances			
Families	146,700	146,400	0.2
Children	213,600	213,600	-0.0
Pensioners housing allowance (persons 31 Dec)	175,400	173,500	1.1
General housing allowance (households 31 Dec)	139,400	142,200	-2.0
Student benefits			
Financial aid for students	286,100 ¹	283,600 ²	0.9
School transport subsidy	51,700 ¹	51,600 ²	0.2
Conscript allowance (households)	12,500	12,300	2.0
Special assistance for immigrants (31 Dec)	5,200	4,900	5.9
Pension assistance for long-term unemployed (31 Dec)	1,000	1,800	-46.4

¹ Academic year 2007/2008.

² Academic year 2006/2007.

the same household are taken into consideration when granting a housing allowance. In other cases the criteria for payment of the allowance remain largely unchanged, with the exception being specific adjustments. Pensioners housing allowance data are processed in connection with housing allowance.

A total of EUR 349 million in pensioners housing allowance was paid. This is just over 5% more than the previous year. 175,400 persons were receiving housing allowance at the end of the year. This number has increased steadily since the 1990s. Over 10% of the pensioners housing allowance paid went to assisted-living facilities,

service housing units or persons living in dormitory-type residences. The average allowance was EUR 162, and the average monthly income of allowance recipients was EUR 879 and monthly living costs EUR 354.

Nearly 177,000 decisions were made on pensioners housing allowance. The average processing time of received applications was 27 days.

General housing allowance

A total of EUR 428 million in general housing allowance was paid. This represents a slight decrease from the previous year. The number of households receiving this allowance has decreased 18% since 2000. The reason for this is that because the criteria for allowance have been only slightly improved, they have actually become more stringent. At the end of the year the number of households was 139,400. Families with children accounted for approximately 40% and single-parent families accounted for over a quarter of households. The percentage of allowances paid to families with children, however, was 53%. Households with only one person accounted for 54%. At the end of the year, the general housing allowance covered 276,500 persons, or 2% less than the previous year.

The number of unemployed households receiving the housing allowance was 85,400, or 61%. The percentage of unemployed households has decreased 1.3 percentage points. Of the allowance paid, 63% went to households in which the head or spouse was unemployed. There were 2,700 cases of postponing the housing allowance eligibility review after a member of the household who had been unemployed for a long period of time found employment. This represents over one-fifth of all decisions concerning an increase in income.

The average general housing allowance at the end of the year was EUR 245 a month. Households receiving the allowance had seen a decrease in income. The average income was EUR 718 (EUR 723 in the previous year) and average monthly living costs EUR 478.

During the year, Kela made 375,300 decisions on applications for the general housing allowance, also taking into consideration decisions concerning discontinuation of benefits (decrease of 0.8%). The average application processing time was 18 days.

Other benefits

EUR 18.3 million in conscript allowances was paid. EUR

16.5 million of this sum went to housing assistance. Conscript allowance expenditures increased 9% over the previous year. 12,500 households received a conscript allowance. With family members included, the allowances covered a total of 13,700 persons. Of those receiving the allowance, 10,800 were doing their military service, 1,000 were doing their non-military service and 800 were relatives. The average conscript allowance was EUR 310 a month.

Reimbursements for the rehabilitation travel expenses of front veterans amounted to EUR 1.0 million. The state share of funding studies on the working conditions of agricultural entrepreneurs was a total of EUR 1.5 million, EUR 0.3 million of which were expenditures of the National Centre for Agricultural Health, which operates under the Institute of Occupational Health.

In 2008 EUR 23 million in special assistance was paid to immigrants (increase of 12.5%). At the end of the year, 5,200 persons were covered, with the average amount of assistance being EUR 355 a month.

Long-term unemployed were paid EUR 12 million in pension assistance (decrease of 35.5%). At the end of the year, 1,000 persons were covered, with an average assistance of EUR 759 a month.

Recovery

The total amount of benefits claimed for recovery at the end of the year (including those recovered based on the evaluated financial situation where student financial aid is concerned) was EUR 121.7 million at the end of the year (increase of 1.3%). The amount of outstanding student loan guarantees at the end of the year was EUR 171 million (decrease of 5.6%).



***”Child increases were paid
for more than a million
children.”***

OTHER KELA OPERATIONS

Customer service and service network

At the end of the year, Kela's service network comprehended 256 daily service branch offices, which were supplemented by sub-offices and joint service points. Kela's joint service agreements were updated when the new Joint Services Act entered into force. At the end of the year there were 80 such agreements. Joint services were enhanced to become a single Kela service channel. Service co-operation was continued with 39 Labour Service Centres. In co-operation with the Finnish Tax Administration, Kela's service network was augmented by the In To service point, which is intended for workers moving to Finland.

Electronic or e-transactions significantly increased their presence on Kela service channels in 2008. Applying for such benefits as housing allowance, child daycare allowance and student financial aid online became possible, as did specifying the daily sickness allowance in accident reports, daily parental allowance and child allowance.

The number of e-transactions conducted increased from 199,860 registered visits in January to 265,555 in December. There were a total of nearly 2.5 million registered transactions. The total number of online service transactions for the year was 7.5 million.

Branch office transactions continued to be monitored using customer service sampling. An average of 68,000 customers visited Kela branch offices during the sampling week. The reason for coming in was usually to submit a completed application or ask for advice on filling out an application.

According to a survey conducted on customers visiting Kela branch offices (13,961 respondents), the service received at the office was generally deemed to be a pleasant experience. Nearly all respondents (98%) felt that the service they received was friendly. The overall grade given for service was 8.9. Office hours suited most customers (93%) and almost as many (88%) were satisfied with the amount of time spent waiting for their turn.

Nearly all respondents (95%) were satisfied with the assistance they received in filling out applications and felt that they were given a sufficient amount of information on the matters for which they had come to the office to address. Customers were most satisfied with the information provided on pension and health care compensation and least satisfied with that provided on student benefits.

Customer perceptions of office service improved

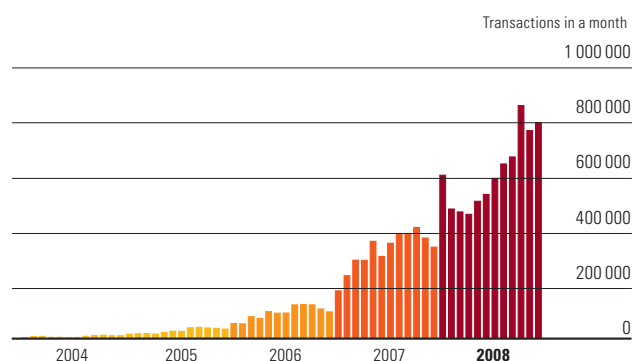
following transactions. Prior to transactions, 85% of the customers had a positive perception of the respective office's service, following transactions that figure jumped to 94%.

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 and vocational rehabilitation applications, forwarding them to earnings-related pension institutions. The reception of vocational rehabilitation applications applies to those situations where Kela determines its benefits, such as daily sickness allowance, together with the customer's need for vocational rehabilitation and whether it falls within the purview of the earnings-related pension system. Kela branch offices received 102,187 earnings-related pension applications, which is 3.5% more than the previous year. Approximately 58% of all earnings-related pension applications were submitted to Kela. Correspondingly, earnings-related pension service points received a total of 4,929 applications for Kela pensions.

In 2008 there were 73 employee sickness funds referred to in the Sickness Insurance Act throughout Finland, and these processed 0.45 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 2008 the student financial aid committees gave decisions on 117,700 applications, which accounts for approximately 29% of all applications for financial aid for students. Furthermore, student financial aid committees rendered decisions on 5,100 recovery, 4,500 income check and 300 student loan reduction cases.

Tunnistus.fi terminal service events





”Pensioners housing allowance was paid for a total of 175,400 persons.”

Personnel and training

During the year under review, the number of employees working for Kela increased by approximately 100 persons, with, for example, expansion of the Customer Contact Centre and development of e-transactions. At the end of the year, Kela employed a staff of 5,864 persons, 368 of which were fixed-term employees. 86% of the staff were women and 14% men. The average age of Kela employees was 47 and average duration of service 17 years.

The focus of measures taken in personnel administration was in the standardisation of restructured personnel processes as well as implementation of the final applications for the financial, material and human resources management system (Tahti). During the year, new applications for the specification and calculation of salaries, time management, recruitment, working time reporting, training planning, familiarisation and development discussions were introduced. Process-related services were concentrated in the Human Resources Department in order to allow each unit to focus on its core task.

The focus of personnel development was in providing training related to the benefits training and service function development programme. During the year, Kela organised 906 training courses, in which 15,895 persons participated. The total number of training days was 19,586. Restructuring of benefits training, which is intended to ensure a uniform expertise in benefits, was continued. The use of online training was increased, and several online multiform courses on benefits were completed. An extensive training programme geared toward supervisors and service advisers was organised to put the principles of the service development programme into practice. Coaching in change management was provided for merging insurance districts and other units in transitio. Implementation of the third phase of the Tahti system was supported with extensive training, which focused on the functionality and processes of various components of the system and capabilities for using the system.

In a rapidly growing organisation occupational well-being is sometimes put to the test. Upon a management initiative, a decision was made to launch a workplace well-being project, whose purpose would be to mitigate the feelings of hurry and stress. The project was kicked off together with the implementation of the new development discussion application in such a way that occupational well-being was chosen as the national theme for develop-

Personnel figures

Number	2007	2008
Total personnel	5,756	5,864
Full-time	4,868	4,758
Part-time	888	1,106
Permanent personnel	5,376	5,496
Full-time	4,521	4,434
Part-time	855	1,062
Permanent personnel		
Local administration	3,728	4,111
Central administration	1,184	1,297
Regional administration	464	456
	1 425,0	1 411,4

Permanent personnel	2007	2008
Average age	47.6	47
Training days/person	3.3	3.6
Sick days index	4.5	5.2
Employees leaving Kela	264	294
New Kela employees	237	365
Retirement age	62.3	62.4
Employees retiring on old age pension	104	90
Employees retiring on disability pension	41	46

ment discussions. The project will continue in 2009.

Comprehensive occupational health care and its attendant services has promoted personnel well-being. During the year under review, the occupational health care standard was revised and bidding for occupational health care service providers was opened. The auditing and approval of personnel occupational health care bills paid by the employer has been concentrated in the Human Resources Department.

In order to promote healthy living, Kela became a smoke-free workplace on 1 September 2008. Personnel were provided with a variety of means to help quit smoking. Co-operation between supervisors, employees and the occupational health care service was established in dealing with situations threatening working capacity.

Information management

The year was very busy with regard to information management. The updating of Kela's benefits systems and the IT solutions and architectures that support them was begun.

New e-transaction services for citizens and public officials were launched according to plan. Application services were introduced for student financial aid, general housing allowance, child daycare, employer daily sickness

allowance and daily parental allowance. The flow of information between Kela and its partners was improved. The Unemployment Insurance Fund was included in electronic communications and Katso ID was expanded to include, for example, municipal communications. In 2008 Kela's open Internet services were visited approximately 9.3 million times, and there were approximately 2.4 million users of services requiring registration. Growth in e-transactions was nearly double that of the previous year. The growth impact of service marketing and implementation of new services remains strong.

Legislative amendments were made to numerous benefits. The most significant of these were the minimum increase in daily allowances and general increase in student financial aid. The harmonisation of benefit processing systems continued. Construction of the information system for maintenance support being transferred from municipalities to Kela continued. Implementation of an information system supporting the management of benefit work and customer service continued according to plan.

The number of terminal service events, emails and customer letters has nearly plateaued. There were close to 1.8 billion terminal service events, approximately 14 million messages sent via email and 16.6 million letters were posted to customers.

Tasks related to electronic transaction support structures, information exchange in national and international co-operative projects, and networking with different organisations increased. One such example is the EU Electronic Exchange of Social Security Information (EESSI) project, whose national implementation is being headed by Kela. Charting of the changes brought about by the Single Euro Payments Area (SEPA) was completed and specification of a SEPA payment model was largely finished.

Application of the principles of Kela's revised customer service strategy in information systems was begun. Final adjustments for implementation of the new user rights management system continued. The system was fundamentally revised, so that the user rights from different information systems can be managed centrally. The data processing risk management plan was completed. A technical platform feasibility study for updating the overall architecture was done.

The third and final phase for comprehensive restructuring of the financial, material and human

resources management system (Tahti)

was initiated. New reports on benefits recipients, rehabilitation and results reporting were completed on the Kelasto direct reporting system. New project management approaches were used and developed as part of the Tahti system implementation.

Based on legislation applicable to the electronic processing of social and health care customer data and electronic prescriptions, construction of national information systems for archiving patient and prescription data was continued. Electronic or e-prescriptions were tested in a customer test environment in the autumn of 2008. The system is slated for launch in mid-2009. Customer access to their own information was also realised. By April of 2011 nearly all health care units and pharmacies will be users of the systems. Kela personnel have made significant contributions to the actual realisation of these systems as well as to implementation training and guideline planning.

Terminal computers were updated in June, primarily for economic reasons. Kela.fi website services were moved to an open server environment for service provision.

New software was acquired for the centralised administration of workstations. More mobile workstations were acquired for use by supervisory personnel working in the field. Customer terminals were installed in 84 branch offices.

Communication

In communications functions the focus was placed on updating customer communications. The Tunne perusturvasi (Know your basic security) brochures (12 different brochures for different phases of life) were updated in the spring of 2008, with a new look and content. The objective was to make them clearer and easier to understand. Some of the new brochures were tested in small customer groups, which gave very positive feedback on them.

The appearance and structure of Kelainfo brochures were also updated. In 2008 seven Kelainfo brochures were published. Four service channel brochures for online and telephone services were also released. Approximately two million brochures were distributed to customers. The brochures were published in Finnish and Swedish, and some in English. Kela also contributed to the production of three joint brochures on social security benefits in co-operation with other actors in the sector.

Four issues of customer magazines Kelan sanomat and

FPA-bladet were released during the year under review. Kelan sanomat was sent to all Finnish-speaking and bilingual households (average circulation of 2.5 million) and FPA-bladet to all Swedish-speaking and bilingual households (circulation approximately 170,000). Updates of the customer magazines were made throughout the year under review. A decision was made to combine the two magazines to form a single, bilingual publication, which would also include an English presentation of Kela benefits. The first “Elämässä – Mitt i allt” magazine was published in March 2009.

In 2008 the social and health security magazine Sosiaalivakuutus was released five times (circulation 18,000) and the personnel magazine Yhteispeli eight times (circulation 8,800). The look of Yhteispeli was updated at the end of the year. The first magazine with the new look was published in February 2009.

Updating of the Kela.fi website continued throughout the year, with the new website being launched in February 2009. The website structure, look and content was updated. The website is in Finnish and Swedish, with a slightly pared down version available in English. During the year under review, the Kela.fi website logged 9.3 million visits (7.5 million in the previous year) and 2.4 million (1.3 million in the previous year) transactions by registered customers. In May 2008 the Nordic Social Insurance Portal (Nordsoc) was launched. Kela was largely responsible for the planning and execution of the Finnish section.

Kela’s intranet Kelanetti was given a new look. Many website sections and insurance region websites were updated during the year under review. Content updates are currently underway.

Communications and training planning and implementation related to the service development programme continued throughout the year. In addition to matters concerning benefits, changes to the office network, expansion of telephone and online transactions, and opening the immigrant service point in Helsinki were key communications areas. 87 press releases were issued in 2008.

Kela service channels, particularly the opportunities provided by electronic transactions, were presented at, among others: the Next Step fair, Rekisterit auki (Open the Registers) Day, Child 2008 fair, Beauty and Health fair, Farmari Agricultural Fair, Studia study fair, Finnish Medical Convention, Karelia Fair and numerous student and youth events.

Brochures, web banners, posters and magazine ads were also used in the marketing of e-transactions and telephone services. Information on electronic applications for family benefits was presented particularly in materials distributed at maternity clinics

Statistics and calculations

The browser-based Kelasto system content was expanded, especially in statistical reports on the number of benefit recipients and benefits paid. A new structure and more advanced search function were developed to improve Kelasto’s usability.

A total of 12 statistical publications were produced. Four joint publications were also produced, two with the Finnish Centre for Pensions, one with the National Agency for Medicines and one with the Insurance Supervision Authority. All printed statistical publications were also published on the Kela Statistics webpages. Nearly 400 statistical documents in PDF and Excel form were published online in Finnish, Swedish and English versions. A product survey was conducted in order to develop statistical products published by the Statistics group.

Based on customer contacts charted in February and September, Statistics group advisers handled an average of 13 statistical data requests a day.

Calculations, forecasts and various analyses were made for the development and implementation of social security. The most extensive of these were calculations made for the SATA Committee. Kela’s internal operations were supported by producing performance forecasts and calculations for Kela units. Legislative amendments were taken into consideration in the development and updating of calculation systems. Annual actuarial calculations concerning Kela social security were prepared for ministries. The economic downturn that occurred at the end of the year posed challenges to maintaining sufficient funding for Kela operations. The economic situation is being actively monitored.

Research

The Research Department is devoted to research in Kela benefits and services as well as its internal operations. In 2008 key areas of research with a social sciences focus included: customer surveys on Kela and its internal operations; placement of persons with foreign degrees in the workplace; unemployment policy and employment; development and operation of the national pension system;

use of family leaves; EU social security; interface between the social security system and citizens; poverty and alienation; and the sufficiency and allocation of social benefits. Areas of health research included: elderly rehabilitation; rehabilitation registers; rehabilitation development projects organised by Kela; development and distribution of medicine reimbursements among the population; and health equality issues. An unusually high number of statements required by the Pharmaceuticals Pricing Board in support of pharmaceutical substitutability and pricing decisions were made.

Within the Kela organisation, co-operation between the Health, Income Security, and Actuarial and Statistical Departments was enhanced. Research projects outside Kela were conducted in co-operation with universities and institutes of higher education, the Finnish Centre for Pensions (ETK), Government Institute for Economic Research (VATT), Research Institute of the Finnish Economy (ETLA), National Public Health Institute (KTL), National Research and Development Centre for Welfare and Health (STAKES) and Finnish Federation for Social Welfare and Health. The Committee for Reforming Social Protection (SATA Committee) provided a great deal of work for the Research Department, which produced calculations, reports and background analyses for the Committee. International co-operation was done by participating in research projects, making visits and organising guest lectures and attending international science conferences.

The results of department research were given a spotlight in discussions on, for example, poverty, pharmaceutical costs and basic security issues. The department organised numerous public events, expert conferences and research seminars on health and social security. The history of social security was given a fresh treatment through film at the Filmi-Kela seminar series. Department representatives made numerous presentations and introductions in the Finnish Parliament, at NGO events, at Ministries, institutes of higher education and national events. The reporting of research results and co-operation with stakeholder groups remained active.

Information service

The Information service acquired and distributed information materials to various Kela units as well as for general consumption. Electronic information sources comprised a considerable percentage of the information offering. Information searches were conducted by customer request.

External customers were provided with loan and information services as well as access to the library database on Kela's website. The Information service participated in co-operation with the Ministry of Social Affairs and Health Administrative Sector information services and special libraries.

International co-operation

During the year under review, Kela was actively involved in making preparations for implementation of the new Regulation on co-ordination of social security in the EU. Kela was also heavily involved in preparations for implementation of the Electronic Exchange of Social Security Information (EESSI) as well as preparatory work being done in the EU and the Ministry of Social Affairs and Health in Finland.

Several rounds of multilateral negotiations relating to the implementation of international social security legislation were held between national social insurance institutions in Nordic countries and bilaterally with Estonia and Norway. Negotiations concerning increasing the exchange of information with Germany were also held. During the year under review, Kela participated in work on boundaries restricting mobility under the Nordic Council of Ministers, by participating in the preparation of the Nordic social security portal, among others. Kela also participated in a Nordic Council of Ministers working group, whose objective was to revise Nordic social security agreements. The aim is to complete the revision in 2009.

The social security agreement between Finland and Australia was signed in Helsinki on 10 September 2008. The agreement will enter into force on 1 July 2009. Since the end of 2008, Kela has been making preparations for implementation of agreement in co-operation with the Pension Security Centre and Australian social security institution, Centrelink.

Co-operation with the ISSA (International Social Security Association) was planned and implemented together with other Finnish member institution representatives under the direction of Kela's Director General. Advisers from Kela's different sectors serve in ISSA working groups and bodies. Our advisers also work in co-operation with many other international organisations, such as the WHO and RI. Co-operation is engaged in by means of conferences, co-operative meetings, joint research and development projects and adviser exchanges.

FINANCIAL STATEMENTS

Report by The Board of Directors 2008

Administrative reform

Amendments to the Act on the Social Insurance Institution entered into force on 1 January 2008. The Director General and his substitute are no longer members of the Board. Adoption of the Kela service regulations was transferred from the Trustees to the Board of Directors.

In June of 2008 the Board adopted Kela's new service regulations, which entered into force on 1 January 2009. The Board adopted the delegation of responsibilities for the Director General and Directors as well as the Director substitutes. The new Field Operations Department was established and the delegation of responsibilities among benefit departments was examined.

The statutory mandate of the Director General is to oversee all strategic planning, operative management and development for the Social Insurance Institution, bring matters before the Board for deliberation and implement Board decisions, and submit the Institution's service regulations to be decided on by the Board. In addition to the responsibilities specified in the statutory mandate, the Director General prepares Kela's annual operating and financial plan and makes a performance agreement with the Board. The Director General makes performance agreements with the Directors and adopts the service regulations for Kela profit centres.

Directors are responsible for the planning and management of units assigned to them by the Board of Directors and all matters related to them.

The new governance system fully entered into force at the beginning of 2009. Parliamentary Trustees oversee Kela operations, the Board of Directors manages and develops Kela, and the Director General is responsible for Kela's internal operations.

A description of Kela's administrative, management and oversight systems (Corporate Governance) can be found on Kela's website and intranet, and is included as an appendix to this annual report.

Strategic foundation

According to its mission, Kela aims to secure the income and promote the health of the entire nation and support the capacity of individual citizens to care for themselves.

Kela operations are based on the following values: respect for the individual, expertise, co-operation and renewal.

During its term of office, the Board of Directors' core objective for its strategic vision is to make Kela the best

available service in the public sector. This core vision has served as the basis for drafting strategic targets, project portfolio content and Scorecards. The cornerstone is achieving operational balance, which is comprised of four dimensions: customer and social influence; processes; personnel and workplace reform; and finances. Customer service is a common theme for the project portfolio. Key projects supporting this are the service development programme, benefits programme 2015, data processing action plan; and Personnel Plan 2011.

The pillars of Kela's vision are: Kela is an active developer of social security and its implementation; Kela is a reliable, efficient and socially responsible actor; and the social security that Kela provides is clearly-defined, high quality and of a reasonable standard.

Strategic policies and operating principles are based on customer needs and expectations. Operations are developed and assessed more and more from the customer's point of view.

Risk management

The Board-approved Kela risk management plan includes: a description of Kela's risk management plan and responsibilities extending to the unit level; classification of risks by risk area and annual risk management cycles; a Kela risk map and register; and the procedure for annual risk reporting and risk management priorities. The plan was approved by the previous Board on 26 November 2007 and submitted to the current Board on 24 January 2008. In 2008 risk management placed a special emphasis on high profile risks, which require special measures and which have an impact on the achievement of goals. Focal points for 2008 were, in particular, customer service, expertise, uniform benefit processes and development of service channels.

Risk management was further developed at Kela during 2008. The risk management culture and risk awareness have increased. Based on the occurrence of risks in 2008, it can be stated that Kela was able to address risks in such a way that strategic level risks with a critical impact on the achieving of goals did not materialise. Identified risks, however, must continue to be actively monitored.

Approved by the Board in November of 2008, the 2009 plan gave special emphasis to the following risk management areas: uniform benefit processes; organisation of decision procedures and customer service; expertise; keep-

ing information systems up to date; and ensuring the currency and development of service channels.

The Director General and Board of Directors bear full responsibility in risk management. The Board of Directors annually assesses risk management and approves the risk management plan, which encompasses all Kela operations. Management is responsible for implementation of risk management.

Operations in 2008

The Board of Directors met 11 times during the year. A strategy seminar was also held for the Board to develop strategic targets. The Board also attended three in-depth evening training sessions.

The Board outlined its procedures in such a way that the appointed chairperson can, if desired, attend Board meetings, should they feel that it is justified to do so in terms of oversight duties. The Director General is present at Board meetings. He or she presents matters to the Board for deliberation, unless otherwise delegated. The Board founded a working group on incentives and an inspection committee.

The Board convened the Advisory Board for the period 1 April 2008–31 March 2011. The purpose of the Advisory Board is to promote and develop co-operation between social security authorities and organisations as well as take the service users' point of view into consideration. The Advisory Board is comprised of a wide-ranging representation of stakeholder groups. Stakeholder groups present their views on Kela operations. These views are taken into consideration in the assessment and development of operations. The Director General serves as the chairperson. Kela also has six special Advisory Boards. The Board appointed the Advisory Board for Pension Affairs to serve for the period 2008-2011.

The Board approved Kela's operational and financial plan, its project portfolio for 2009–2012, the Kela scorecard for 2009 and made performance agreements for 2009 with the Director General. The operational and financial plan includes Kela's mission, vision, values, strategic foundation and scorecard. The Board approved the general principles for Kela investment and the investment plan for 2009.

As part of the service development programme, the Board examined Kela's office network together with the use of other service channels. The Board made a decision to close seven branch offices in the Helsinki insurance

region as of 1 November 2008 as well as five other offices elsewhere in Finland as of 1 January 2009.

In 2008 the Board decided to grant Kela's internal quality award to the Southern Pirkanmaa insurance district. The Board made four decisions concerning the consolidation of insurance districts. Planning director Antti Hakala (M.Sc. Social Sciences) was appointed Director of the new Field Operations Department effective 1 January 2009.

A decision was made to discontinue Kela cards with photo IDs at the end of 2008, which eliminated the possibility for accepting cash payments from customers at Kela branch offices.

The telephone service will be fully integrated into Customer Contact Centres by the end of 2009. New centres have been established in Jyväskylä and Kemijärvi.

The Board received a comprehensive monthly review on Kela operations and finances from the Director General. The Board addressed matters and provided feedback based on these reviews.

Funding

Kela's overall expenditures amounted to EUR 11,489 million in 2008. Benefit expenditures accounted for EUR 11,116 million and administrative expenses accounted for EUR 373 million. Overall expenditures increased 5.7% over the previous year.

Income and government guarantee payments totalled EUR 11,418 million. This represents an increase of EUR 465 million, or 4.2%.

National health contributions paid by the insured amounted to EUR 1,546 million and employers' national pension and national health care contributions totalled EUR 2,494 million. Kela received EUR 33 million in employee unemployment insurance contributions. Insurance contributions accounted for 36% of the total income. Government contributions accounted for 59% of the income and contributions from municipalities 5%.

Investment

The Kela Board of Directors approves an investment plan every year. The objectives of the plan are security, profit and cash convertibility as well as a sufficient degree of diversification and spread. The nature and purpose of Kela's different funds as well as the requirements placed on investment are taken into consideration in investment.

Investments made by the national pension fund and

national health insurance fund focus on the investment of financial assets. Assets of the pension liability fund cover Kela's liability for personnel pensions. When investing national pension fund assets, emphasis is placed on the principles of portfolio investment. The primary aim of asset allocation is not only to increase fund returns, but also to ensure good cash convertibility in preparation for investments that will be required later. Targets and a schedule have been set for the international diversification of investments.

In 2008 investment was characterised by the problems that began in the American financial sector in the autumn, which eventually blossomed into a full-blown crisis. A variety of financing models and new ownership arrangements were employed to ensure continuity of bank operations. The central banks of various countries also lowered interest rates on several occasions. Events starting in the financial sector set off a massive sales wave of risk-bearing asset classes. Stock market returns fell deep into the red throughout the world. Key stock market returns varied from -34% to -58%. The Finnish stock market saw a return of -47%.

Taking changes in value into consideration, the investment returns for Kela funds were negative in 2008. The market value of national pension fund shares dropped nearly 52% and value of pension liability fund investments approximately 36%. The cause of this drop in national pension fund returns was concentrating shareholdings in two Finnish companies vulnerable to economic fluctuations. The pension liability fund has a substantial share weight, and the portfolio has traditionally performed well. In 2003–2007 returns were 8.30% at their lowest and 36% at their highest. The exceptionally dramatic decline in stock markets resulted in poor portfolio performance.

Kela's dividend income totalled nearly EUR 59 million, compared to EUR 51 million for the previous year. The aggregate monthly average of national pension insurance fund and national health insurance fund liquid assets was EUR 789 million (EUR 740 million in the previous year). The average interest rate for these liquid assets was 4.26% (4.09% in the previous year), and interest income totalled nearly EUR 40 million (EUR 34 million in the previous year).

Funding national pension insurance

National pension insurance expenditures totalled EUR 3,411 million. This represented an increase of 11.4% over

the previous year. This growth was due to a general increase in national pensions and elimination of special municipal rates. EUR 1,083 million of the overall expenditures were financed with employers' national pension insurance contributions, EUR 1,814 million with government benefit contributions and EUR 505 million with government guarantee payments.

The state financed 40% of national pensions and 100% of survivor pensions, front veterans benefits, disability benefits and pensioners housing allowances.

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

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

National pension insurance contributions	2007	2008	2009	2009
Private sector ¹			I–III	IV–XII
Class I contributions	0.901	0.801	0.801	0.00
Class II contributions	3.101	3.001	3.001	2.20
Class III contributions	4.001	3.901	3.901	3.10
Public sector	1.951	1.851	1.851	1.05

National health insurance contribution

Private and public sector	2.05	1.97	2.00	2.00
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¹ Board proposal.

National health insurance contribution criteria

	2007	2008	2009
Employees and entrepreneurs insured under the Farmers' Pension Act (MYEL)			
medical expenses ¹	1.28	1.24	1.28
daily allowance ²	0.75	0.67	0.70
Entrepreneurs insured under the Self-Employed Persons Pension Act (YEL)			
medical expenses ¹	1.28	1.24	1.28
daily allowance ²	0.91	0.81	0.79
Recipients of pensions and benefits			
medical expenses ¹	1.45	1.41	1.45

¹ % of earned income subject to municipal tax, for entrepreneurs % of net earnings.

² % of taxable earned income and entrepreneurs' earnings.



”Customers get their voices heard through customer panels, which are an important part of the development work in Kela.”

Funding national health insurance

National health insurance expenditures totalled EUR 4,203 million, an increase of 7.5% over the previous year. National health insurance income totalled EUR 4,119 million. Health insurance has been divided into earnings security insurance and medical expenses insurance since 2006.

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 earnings security insurance totalled EUR 1,987 million, an increase of 6.9% over the previous year. EUR 1,411 million of the earnings security insurance expenditure was financed with employers' health insurance contributions and EUR 511 million with employee and entrepreneur daily allowance contributions. The state financed the minimum daily allowances and part of the occupational health care of entrepreneurs, a total of EUR 76 million.

Medical expenses insurance covers items such as reimbursements for medicinal products, reimbursements for physicians' fees and rehabilitation services. Benefits paid from medical expenses insurance totalled EUR 1,993 million, an increase of 8.2% over the previous year. Funding for medical expenses insurance is divided equally between the insured and the state. Medical expenses insurance contributions from employees, entrepreneurs and beneficiaries totalled EUR 1,002 million. State contributions to medical expenses insurance income totalled EUR 1,053 million.

A cost-based minimum and a two percentage point margin, within which the minimum can vary without affecting the insurance payment criteria, are prescribed for the liquid assets of national health insurance.

Funding other social security

In 2008 other social security benefit payments totalled EUR 3,874 million. This represented a decrease of 0.6% from the previous year. EUR 3,307 million in other social security benefit payments were financed by the state. EUR 33 million in employee unemployment insurance contributions were used to fund unemployment security. Municipalities paid Kela EUR 393 million for child daycare allowance and EUR 141 million for labour market subsidy.

Administration expenses

Administration expenses totalled EUR 373.2 million in 2008, which accounts for 3.2% of the overall expenditures. Administrative expenses increased 6.1% over the previous year.

Salaries and remunerations amounted to EUR 165.5 million, representing an increase of 4.1% over the previous year. Personnel-related expenses totalled EUR 67.1 million. Other administrative expenses came to a total of EUR 82.7 million. IT expenses accounted for EUR 27.4 million of other administrative expenses. This represents a 12.6% increase over the previous year. Depreciation of fixed assets was EUR 11.0 million and income reducing administration expenses totalled EUR 11.3 million.

A total of EUR 58.2 million was paid for outsourced services, with the largest item being tax costs payable to the tax administration.

Pension liability fund

Kela's actuarial full pension liability for supervisory personnel totalled EUR 1,600.50 million at the end of the year, with current pensions accounting for EUR 715 million of this total. Full pension liability increased EUR 80 million during the year under review, which was due to an increase in pensions and pension accruals.

Covered pension liability accounted for 41% of the full liability. Liability covered by employee pension contributions amounted to EUR 33.7 million. The coverable pension liability at the end of 2008 was a total of EUR 689.9 million. In addition to this, there were EUR 115 million in assets in the pension liability fund.

A total of EUR 41.2 million was paid to the pension liability fund in employer contributions. The fund was also paid EUR 8.1 million in employee pension contributions, EUR 3.5 million of which was used to increase coverage for the pension liability.

Kela paid a total of EUR 60.7 million in employment-based pensions, which represents a 7.5% increase over the previous year.

OUTLOOK

The best service - easily and locally

Strategic policies put into practice

The goal is to make doing business at Kela easy and serve the customer close to home. Service convenience involves such things as simplifying the benefits application process. Application forms should be clear and easy to understand. Benefits processing is handled in a way that inconveniences the customer as little as possible. Additional information is primarily requested with a phone call to the customer, and the application form is filled in based on the phone conversation.

Automation and direct reimbursement enhance transaction convenience. Convenience also involves actively guiding the customer to the most suitable service channel.

Service close to home

Keeping service close to home means alternative service channels and an extensive service network. The traditional visit to a Kela office is now a multi-channel transaction.

Telephone and web-based services are always close to the customer. The Customer Contact Centre phone service will be expanded to cover the entire country in 2009. Comprehensive transaction services for every phase of life are being created for the network. A wide variety of transaction methods and channels are also offered in co-operation with other organisations.

A sufficiently extensive network of branch offices will still be vital in the future. Office transactions will still be required in the future, primarily in customer contacts requiring special expertise. A reservation system is being implemented in support of office service.

Experiencing good service

Good service is based on knowing the customer's needs. Customer surveys and the systematic compilation and analysis of customer feedback are the keys to the best possible service. The invaluable information obtained from customer panels makes the development of services even more customer-oriented. Service takes into consideration people in varying life situations. Even special-needs groups receive the service specifically designed for them. An example of this specialised service is the In To service point for foreigners coming to Finland for work.

In the service model the customer's transaction is taken care of "all at once", regardless of with whom or where the customer makes contact at Kela. The "all at once" philosophy is realised when the customer is aware of how their

case is proceeding after the initial transaction, what their next course of action should be and, for example, when a reservation for an appointment will be.

Customer-oriented communications and uniform look

Communications make it possible to provide the best possible service. Kela's updated customer communications are customer-oriented, which is evident in its service-mindedness. The new look in customer communications can be seen in, for example, brochures, posters, fair booths and periodicals.

Kela's updated website makes it easy to find information and helps customers use the online services more effectively. The new service takes not only private person customers into consideration, but also employer customers and partners.

Reliable information and expertise

Throughout its over 70-year history, Kela has always taken on new responsibilities. In the spring of 2009 responsibility for implementation of the child maintenance system was shifted from municipalities to Kela. In addition to benefit matters, Kela has taken on a host of important new responsibilities over the past few years.

The most recent addition is the provision of interpreting services for severely disabled persons. The justifications for transferring responsibilities include the fact that Kela is considered to have the best resources in providing such services, ensuring that they are widely available and will be handled uniformly throughout the country.

Kela's aim is to build a national health care information system and then manage it for the use of health care units. This is slated for the period 2007-2011.

Kela's expertise in information technologies is also trusted at the international level. Kela has been selected as one of six EU member states to pilot the new EU Electronic Exchange of Social Security Information (EESSI) architecture. Kela serves as an access point for Finland's entire social security sector through which information from other EU member states is transferred to other sectors (earnings-related pension institutions, public health care, employment administration, unemployment funds and accident insurance institutions).

Kela's expertise, skilled personnel and know-how is highly regarded. Kela will remain a strong player and expert in a variety of fields through, for example, the passing of legislative amendments made by Ministries.

Kela's effective implementation of legislative amendments, skilled personnel, advanced and multifaceted service channels, excellent administration, expert and efficient support functions, and high quality service guarantee the customer the best possible service in the public sector.

Finances

In 2009 Kela's expenditures are expected to increase EUR 12.4 billion, or 8% more than 2008. The volume of unemployment benefits in particular is expected to rise as the economic situation declines. At the beginning of April Kela will be administering a new benefit, when responsibility for child maintenance allowance is transferred from municipalities to Kela's purview.

Starting at the beginning of 2009, Kela finances will be streamlined. An independent social security general fund was established to manage the provision of other social security benefits. The margin for national health insurance liquid assets was increased by two percentage points in order to avoid slight fluctuations in the payment percentages of insurance contributions. Funding of the national pension insurance was reformed in such a way that the state provides basic funding for 53% of the national pensions and administration expenses and guarantees the fund with minimum supplementary funding. All national employer pension insurance contributions will be reduced 0.801% at the beginning of April 2009. The state's basic funding share of national pensions will also be increased from 53% to 76%. The aim is to eliminate the national pension insurance contribution entirely by the beginning of 2010.

In future the sustainable funding of national pensions will be secured in a permanent way. Effective in 2009 administrative expenses will be allocated in proportion to the national pension insurance fund, national health insurance fund and social security general fund.

KELA GOVERNANCE 1 JANUARY 2009

Act on the Social Insurance Institution and Kela service regulations

Kela's status is provided for in Section 36 of the Act on the Social Insurance Institution (731/1999). In accordance with Section 36 of the Act, Trustees appointed by Parliament supervise the administration and operations of Kela as stipulated in greater detail in the Act.

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 pursuant to benefits. In accordance with Section 3 of the Act, Kela organs are comprised of the Trustees and the Board of Directors.

Under Section 7(3) of the above-mentioned Act, Kela's service regulations have been approved by the Board of Directors. 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.

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 prescribe, among others, 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. Section 1 of the Kela service regulations also lays 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 consists of 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 delegation of responsibilities between the Director General and the Directors, and entering into employment contracts with senior managers. In principle the Board convenes on a monthly basis.

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 delegation of responsibility between the Director General and the Directors. Section 9(3) of the Act and section 2 of the service regulations lay down provisions on the duties of the Director General. Section 3 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 regulations to be decided by the Board. Under section 2 of the service regulations, the Director General is also responsible for preparing the operational and financial plan to be decided on by the Board as well as for units and the matters in their sphere that the Board has entrusted to the Director General. The Director General decides on the service regulations of

profit centres based on proposals submitted by Directors.

Under section 2 of the service regulations and on the basis of the operational and financial plan, the Board enters into performance agreements with the Director General. The Director General enters into performance agreements with the Directors.

Under section 3 of the service regulations, Directors are responsible for the planning and management of units assigned to them by the Board of Directors and all matters related to them. Directors report to the Director General.

A Director appointed by the Board is responsible for regional and local administration. The Director enters into performance agreements with the regional directors.

The Directors act as each other's deputies in accordance with a decision made by the Board. An appointed Director serves as a deputy for the Director General.

Management Group

Under section 4 of the service regulations, a Management Group consisting of Directors operates under the leadership of the Director General. The Management Group discusses key issues to be submitted to the Board and other matters requiring specific 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 this 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 draft an investment plan for such assets. The investment plan must specifically take into account the nature of the funds and the requirements of investment activities. Under delegation by the Board, the Director General and the head of the Economic Department bear responsibility for investing assets in accordance with the investment plan.

Remuneration and rewards

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 supervisory employees.

Internal Audit

Under section 6 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 control and 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 approves this plan. The annual plan is also given to the Board and Management Group for information. Internal Audit complies with international standards for internal auditing.

The Internal Audit unit comprises the Director of Internal Audit and an appropriate number of internal auditors and other auxiliary personnel, as required by operations. Some of these are posted at regional centres.

Internal Audit prepares summary reports for the Director General and the Audit Committee every four months. Key findings are also submitted to the Board. Internal Audit assessment reports or excerpts from them are submitted to the Director General, supervisors of the units being audited and, if necessary, to other parties.

Risk management

The Board has approved the principles and responsibilities of risk management. The principles of risk management set the course for 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

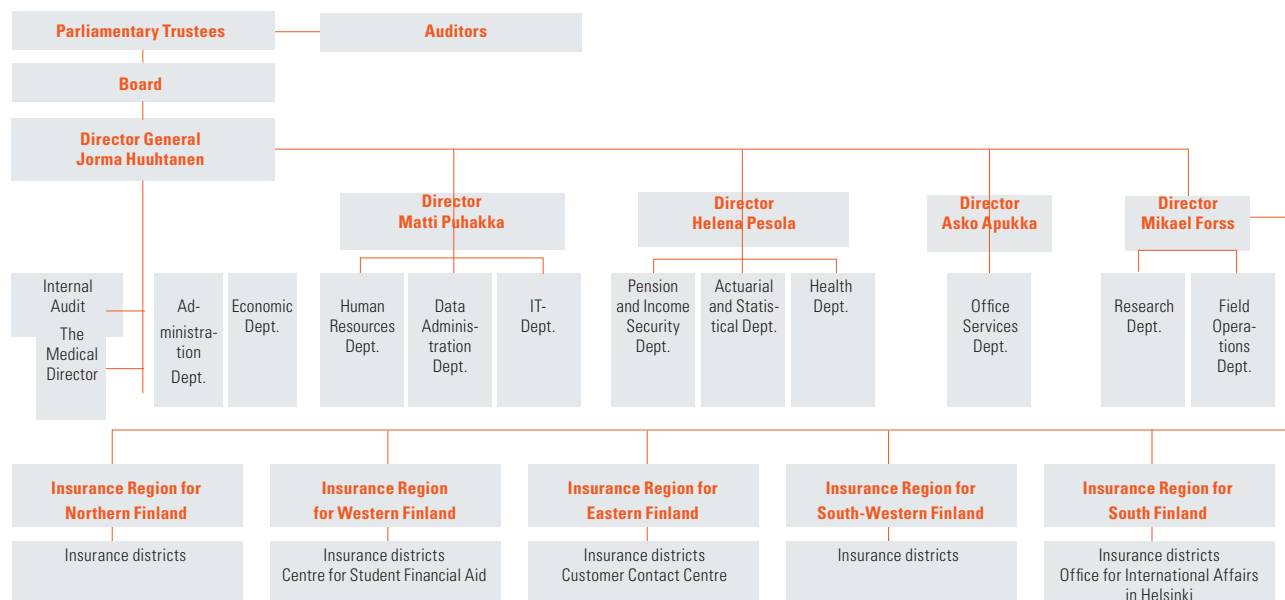
Under section 5 of the above-mentioned Act, the Trustees choose the necessary number of auditors and approve service regulations for them. The current number of auditors is eight. The auditors have appointed one of the auditors the Supervisory Auditor, who submits a quarterly supervisory report to the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

Under section 2 of the service regulations, it is the responsibility 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.

Communication

The key guidelines, duties, organisation and division of labour relating to Kela communications are described in the communications 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 publishes 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.

KELA'S ORGANIZATION 1.1.2009



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stop the payment
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The Social Insurance Institution in Finland

